

From a workshop

Fisheries Cooperatives: Their Formation and Operation

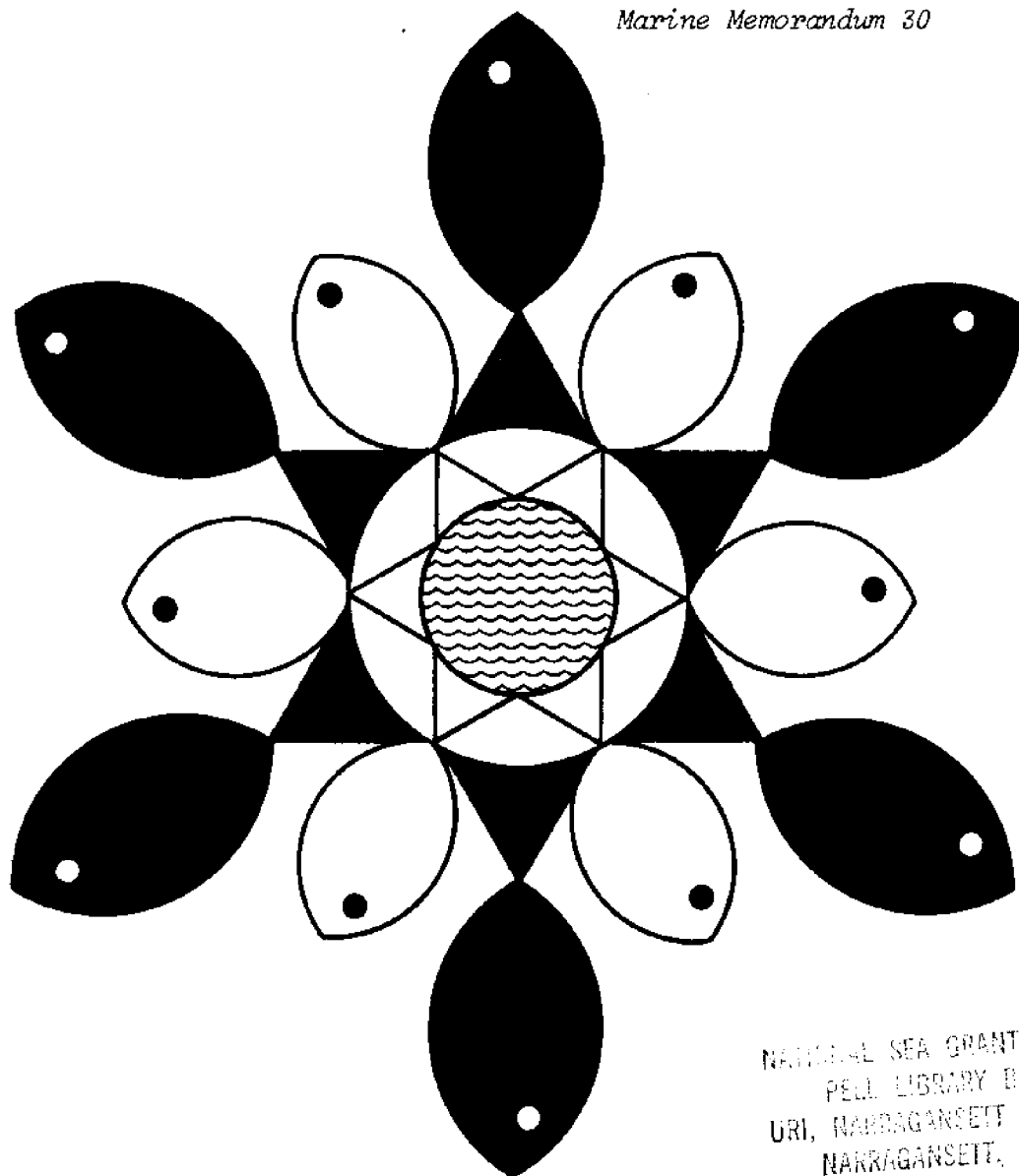
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Marine Memorandum 30



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DNWCO

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WHAT IS A CO-OP?

"Cooperatives are not a religion."

With those words, Andreas A. Holmsen, a University of Rhode Island resource economist, warned the participants of the workshop--particularly those just starting or thinking of starting a fisheries cooperative--that cooperatives will not solve all their problems. Like any other type of business organization, they have their own problems and their own uses. A cooperative offers an alternative for carrying out business when the market system doesn't work.

There are two general categories of cooperatives: producer cooperatives and consumer cooperatives. The producer cooperatives better serve the needs of fishermen; they can perform a number of functions, including marketing, supply, production and bargaining. When the market system fails to perform any one of those functions satisfactorily, individuals may band together and pool their resources to do it themselves--that is, form a cooperative. An incidental function of a cooperative is to educate its members. "Cooperatives broaden the horizons of the participants by providing insights into organizations and business and, if they are to be successful, they require that the members learn how to work together," Dr. Holmsen said.

Frederick J. Smith, a marine economist from Oregon State University, added that a cooperative can perform a social function by providing a degree of unity among the members, either in ethnic or geographic terms. In another publication, Dr. Smith also provided a definition of the cooperative principle: "A fishery cooperative is a group of individual fishermen acting together for mutual benefit; it is an organization designed to accomplish group objectives. Through the cooperative, members jointly perform or obtain services which individuals could not perform or obtain alone. Fishermen members own the cooperative by owning capital stock or by paying membership fees. Each member usually has only one vote, in contrast to non-cooperative corporations where votes are based upon the number of shares (stock) held by an individual. Therefore, ownership *and* controls are equally vested in each of the cooperative members guaranteeing all members equal voice in the affairs of the organization. Management is usually placed in the hands of persons selected by the board of directors who, in turn, are elected by the members."

Dr. Holmsen explained that the end result of the cooperative operation is the use to which it is put by the members--the members must get a greater return for their money in terms of benefits from the cooperative than they would have gotten without the cooperative. Excess cash from the operation is not profit in the conventional sense; it is a "surplus of operation." "The cooperative could theoretically price everything at a level sufficient just to keep in operation," said Dr. Holmsen. But he and others at the session emphasized this level should include a surplus to allow for cash flow.

GETTING STARTED

Several sessions were concerned with the general problem of getting a fishery cooperative started. The initial motivation changes with different groups of fishermen, although a problem which often spurs organization and which was most commonly identified at the workshop was exploitation of fishermen by fish dealers. Jacob J. Dykstra, president of the Point Judith Fishermen's Cooperative Association, said that when his cooperative was begun in 1947, the port "had a poor reputation. The dealers were skimming off the top, so the more capable boats were going to other ports. The Point Judith fishermen were held in disrepute."

Similarly, fishermen at Provincetown were moved to organize into a cooperative because "only one dealer had 40 fishermen by the neck," according to Gayle B. Charles, office manager of Provincetown Cooperative Fishing Industries. "The Provincetown cooperative was almost a spontaneous eruption at a coffee shop. We had had enough from the dealer, so we got a U-Haul and ice and shipped our fish to New York ourselves. In two years, it has developed into a sophisticated and complex business."

Neville Morey, president of the Stonington Fishermen's Co-op in Stonington, Maine, said that fishermen from Boothbay Harbor to Portland banded together mainly to stabilize the price they received for their fish. "We have one dealer who pretty well controls the freezer operation in Portland and controls the market in whiting. By getting together, we have been trying to establish a single price for everyone in the cooperative. The members agree to a price, and the co-op tries to get it for them. If we can't get that price, we try to get the members to agree to whatever price we can get. The only recourse we have if the price is not satisfactory is to tie up our boats," Mr. Morey said. A representative from the Sound & Sea Fishermen's Association of Wanchese, North Carolina, complained that North Carolina dealers telephone each other and "set the price before they even open up in the morning. And the price is always low."

A variation on the problem was presented by John W. Waller of the Edgartown Fishery Resources Committee. According to Mr. Waller, although Martha's Vineyard can support a fishery with a "potential of many millions of dollars," the fishery has been allowed to decline because of local politics. Many local politicians are in the construction industry, and they have allowed the fishery to decline, siphoning off men into the building trades, which are particularly important to the resort area, Mr. Waller said. The Fishery Resources Committee was formed about six months ago to begin to rebuild the island's fishery, as well as to explore the advantages of cooperative marketing to obtain the best daily price for fish.

Aggravation, in short, is a prime element in getting a cooperative started, Dr. Smith summarized. The aggravation must be serious enough to compel fishermen to get together to eliminate it. Several of the participants also stressed the

importance of having an individual act as the "spark plug" of a nascent cooperative, and the inevitability of the moment of truth when the fishermen finally commit themselves to a cooperative and "do it."

"The most common problem is price," said Dr. Smith. The creation of a fishery cooperative must be based on a real economic need. For example, cooperatives may be created to stabilize income from season to season, improve quality control, pool funds to finance fishing operations at lower interest rates, reduce the cost of fishing supplies and equipment, transport fish products more efficiently, establish a competitive market for fish products, provide a market for processing waste, or provide special harbor and dockside facilities and services. Dr. Smith reminded the group that, while it is illegal for fish dealers to fix prices, the fishermen themselves can collaborate on setting their price for fish if they have organized themselves into a cooperative. In addition, a cooperative can have a political function by enabling fishermen to bring "muscle" to bear on state legislatures, he said.

By-laws Are Important Step

Once the decision is made to organize a cooperative, and the specific objectives of the cooperative set, the by-laws should be written accordingly. The by-laws provide the framework within which a fishery cooperative functions. Several of the participants indicated that they based the by-laws of their organizations on those of the Point Judith Cooperative, referred to as the "big brother" of the fishery cooperatives in the area. A Provincetown cooperative member said that its by-laws, based on those of Point Judith, did present some problems when it came to patronage refunds--a subject discussed at length at later sessions.

The central point of the session on by-laws was voiced by Mr. Charles: "If the cooperative gets too rigid in its by-laws and tries to codify every move, it won't be a cooperative for long." Mr. Charles stressed that the by-laws and the cooperative itself "have to be flexible. The cooperative must be a reaction machine." A full discussion on preparing by-laws with explanations of the relevant state and federal laws regulating cooperatives is provided by Dr. Smith in his publication, *Organizing and Operating A Fishery Cooperative, Part II*. The publication, which was distributed at the workshop, is available from Oregon State University's Marine Advisory Program, Corvallis, Oregon 97330.

Initial Financing

Regarding the problem of initial financing, Bruce Morehead from the National Marine Fisheries Service (NMFS) noted that NMFS administers two programs that provide assistance to qualified applicants for financing commercial fisheries vessels. And, at the time of the workshop, regulations were also being written into the Farm Credit Act of 1971, which will make the resources of the Farm Credit System available to the U.S. fishing industry. Mr. Morehead described the background of the Farm Credit System and summarized how fisheries cooperatives can take advantage of available funds. His presentation is contained in full in the Appendix.

The Farm Credit Act, among other things, permits commercial fishermen to obtain loans from Production Credit Associations (PCAs), and fishery cooperatives to obtain financing from the Banks for Cooperatives. Fishermen may obtain loans for anything

used in the production of fish, while cooperatives can get loans for construction purposes, working capital, including commodity loans, and processing equipment. Addresses of local PCAs are available from county agricultural agents; those of Banks for Cooperatives are in the appendix.

Some similar ground was covered by Porter C. Little, business analyst for the Springfield (Mass.) Bank for Cooperatives.

Since Banks for Cooperatives are themselves cooperatives, anyone borrowing from them is required to buy \$100 worth of "C" stock, or voting stock. Present rates for season loans range from $4\frac{3}{4}$ to $5\frac{1}{4}$ percent; for term loans, from $5\frac{3}{4}$ to $6\frac{1}{4}$ percent. Additional services include financial counseling for members and workshops for co-op managers on relevant business topics.

The amount of initial capital needed by the cooperative depends on the services that the cooperative intends to provide. Among the items to consider are the fixed costs, the "bricks and mortar" of the operation; working capital; inventory turnover; receivable turnover, and marketing and management costs. Mr. Little said that years of experience have proven that an adequate investment on the part of the members of the cooperative--50 percent of initial costs as a rule of thumb--is necessary to make a cooperative successful. "The more capital they have invested, the more interest they have in the cooperative. This is especially critical when the cooperative experiences bad times," Mr. Little said. Since cooperatives are business entities, there are usually many sources of financing available, including Banks for Cooperatives, commercial banks, corporations and other private investors and governmental agencies.

In determining the amount of financing needed, Mr. Little said there are no hard and fast rules, since each loan is tailored to the specific need of the individual cooperative. "Although the area of fishery cooperatives is brand new to us, we are familiar with the farmer cooperatives and don't feel there are a lot of basic differences between them. We feel we have the ability to measure the capital requirements of a cooperative," Mr. Little said.

Mr. Charles and Mr. Dykstra both warned the participants against expecting too much help from the government or from banks in starting a cooperative. "In our experience," said Mr. Charles, "you can't go on the basis of government aid. You never know where you're going to wind up when dealing with the government. You've got to be confident of the fact that you're going to have a business. You've got to have the seed, the little germ, and then do it yourself. The government wants to see something that produces itself," explained Mr. Charles. In the same vein, Mr. Dykstra said that "banks won't give you any money until you get rolling; otherwise it's an unsound situation for them. You're the one who has to roll the dice and decide that you're going to do it, to go ahead with the cooperative."

THE CONTINUING PROBLEMS

The Manager: Key to Success

Once the idea of the cooperative becomes a reality, the responsibility of steering it towards the desired goals must be given to a small workable group--the board of directors, Leonard J. Stasiukiewicz, manager of the Point Judith Fishermen's Cooperative, said. Those elected to the board might be "the most qualified, or those who complain the most, or are the most popular." Some thought should also be given to electing someone from outside the fishing industry to the board to help stabilize the organization, he said.

The directors should, in turn, try to hire the best available management people, preferably from outside. Mr. Stasiukiewicz said he found it to his advantage that when he came to the Point Judith Fishermen's Cooperative, he did not know too much about the cooperative or the people who belonged to it. "I didn't know when I was stepping on somebody's feet," he remarked. The directors must also decide what qualifications they most want in a manager, including his educational, financial and technical background. The manager's responsibility is simply to work for the benefit of the fishermen under direction of the board.

Mr. Stasiukiewicz said the cooperative should be divided into appropriate departments, the heads of which are directly responsible to the manager. The department heads and staff should have a technical knowledge of the particular phase of their operation. Although the manager can work on straight salary, the fish salesmen, lobster salesmen, and dock foreman and his assistant should all work for a base pay-plus commission. The commission should motivate the salesmen to get the best possible price on fish for cooperative members. Another good idea is to institute a profit-sharing plan for the staff, Mr. Stasiukiewicz said.

Those with experience in cooperatives could not overemphasize the importance of the manager. Mr. Charles said the manager must be "resilient and flexible in his thinking and attitudes above all." The manager serves as the "arm" of the board of directors, and is essential to all board meetings, where he is responsible for agendas and for reporting the financial condition of the cooperative. The manager also plays an important political role since he works with "everyone from the fish cart to the ambassadorial level. I represent the fishermen." In Provincetown, he added, he is constantly working with the community. The manager should have a close, relaxed relationship with the fishermen. "In Provincetown, we're more like a club than a business. The fishermen feel that close to the management," he said.

J. Perry Lane, director of the extension division for the NMFS regional office in Gloucester, said that "my casual observation is that the key to a successful cooperative is the manager. The manager has to believe in the cooperative movement

itself. If he doesn't, the cooperative won't be able to survive." He advised those about to start a cooperative to "take a long, hard look at the kind of man you want to take into your organization as manager." He maintained that professional qualifications are less important than getting "a good man with a good head. He can learn everything that's necessary to learn."

Several of the managers commented on the number of services that should be provided by the cooperative. Richard Larsen, manager of the Chatham Seafood Co-op, said that he has found that the retailing operation in Chatham is successful, while Mr. Stasiukiewicz said the gear store in Point Judith "loses money but it is a service." Mr. Dykstra said that although the Point Judith cooperative did at one time get into the processing business, it did so only because "we thought no one else was doing a decent job." He continued: "We don't just go into another area for no reason; we have resisted this tendency, as we did the temptation to deliver home fuel." As a rule of thumb, Mr. Charles said "whatever activities we have are based on fish production. Otherwise, the cooperative would be too diverse."

Marketing Agreements

An early problem in fisheries cooperatives is getting all the members to market their catch with only the cooperative. Dr. Holmsen commented that "my feeling is that as long as they are members of a cooperative, their catch should be delivered to the cooperative. There should be compulsory delivery of the fish by the members to their cooperative." Mr. Dykstra said that the Point Judith cooperative had a marketing agreement when it first started, but it was allowed to lapse. "I feel that if you put a tether on a guy--he's got to do this or that--then you'll have problems. They were allowed to go to other ports to unload their fish, but they found it wasn't too profitable. They 'grouse around' for a while, but they usually come back." Similarly, Mr. Charles said Provincetown had no marketing agreement: "We feel an agreement is only as good as the person's intention to join the cooperative; his reputation with the other fishermen is at stake in Provincetown." Mr. Larsen of Chatham also questioned the efficacy of a marketing agreement, "I prefer a gentlemen's agreement myself," he said.

Internal Financing

A considerable amount of time was devoted to discussions of the internal financing of the cooperative, including patronage, dues, and script. Mr. Stasiukiewicz defined the patronage refund as a method of profit-sharing or earnings' distribution. The method of distributing the profits is based on the volume of gross landings of each member in proportion to the total landings of all members. In lean years, the refund can be kept in the cooperative to keep some money at hand, he said. Script, or stock issue, can be given in lieu of cash when a patronage refund is declared. Reasons for issuing script might be to allow for a shortage of working capital or, for the long-range, for debt reduction or capital improvements. In accordance with federal guidelines, Point Judith pays its members 20 percent of the refund in cash--which just about covers their income tax for the total amount--and the remaining 80 percent in script; the script is, in effect, an I.O.U. to pay the cash at some future date. Regarding dues, Mr. Stasiukiewicz said that Point Judith originally charged a membership fee of \$10, but that fee has risen to \$225. In addition, a fisherman joining the cooperative must buy \$100 worth of common stock. If any member asks to

redeem his script, the cooperative will usually offer him an equivalent amount of preferred stock, which has an annual interest rate of six percent.

Mr. Charles said that in Provincetown, the cooperative allows people in the local community to buy preferred stock in order to establish a broader base for operation and cooperation. At first, Point Judith also offered stock to the community, noted Mr. Dykstra. But, he added, six percent is "not all that good, and we had problems when people wanted us to buy their stock back. It is a less desirable investment for them because it is not a liquid investment."

Mr. Charles also noted that many of the people at the Provincetown cooperative balk at allowing fishermen to join the cooperative now, without any penalty, when they would not provide any support or share any of the risk during its initial stages. "Our guys who started the cooperative need a psychological device to justify themselves, so they don't feel like they've been made fools of by the guys who want to join now," Mr. Charles said. Both Mr. Dykstra and Mr. Stasiukiewicz maintained, however, that any attempt to penalize new members is not in the interest of the success of the cooperative itself. "You'd just be biting off your nose to spite your face," Mr. Stasiukiewicz said.

Technical Operations

A discussion on the technical operation of the cooperative, which covered packaging, storage, freezing, trucking, and quality of landings, was led by Mr. Larsen of the Chatham cooperative. Mr. Larsen said that he has tried several new concepts in packaging, most successfully for frozen fish. "A good frozen product will sell; Maine shrimp are packaged well and they are selling well," he said. To box fish, Chatham is experimenting with cardboard. Wooden boxes are getting very expensive and are becoming "scarcer and scarcer." At Chatham, the biggest problem in storing fish is obtaining adequate cooler and freezer space--the co-op must rely on the trucker equipping his vehicle with a cooler, he said. At any rate, because of the generally small size of the boats working out of Chatham, "ninety-nine percent of our fish are landed the day they are caught and shipped the same day." On the boat, the best cooling method they have is frozen seawater, which keeps the temperature lower than frozen fresh water. Keeping fish cool is essential to maintaining its quality, said Mr. Dykstra, and the price of the fish is cut for any fishermen who arrive at the Point Judith Cooperative with fish on deck instead of in the hold. Mr. Larsen said he also cuts the price for the fishermen if the dealer cuts his price because of poor quality fish. Mr. Stasiukiewicz agreed that quality is of great concern, but a major problem is getting standards applied evenly to all the fishermen. "We haven't found a smooth way to control quality, but if you don't dock fishermen for poor quality, they'll bring anything in," he said.

On the question of whether to use leased or owned trucks, Mr. Larsen said that he has concluded that for long-range trucking, it is better to hire a common carrier. "However," he added, "for a variety of reasons, it is better for us to run our own truck to the Boston market. We can use the truck in a variety of other ways, including delivering fish to our retail market and to transport gear." Mr. Dykstra said that at Point Judith, they have tried to get out of the trucking operation, "which could require one person in an office at all times--just for trucks." Mr. Stasiukiewicz added that if the cooperative decides to lease trucks, it should look closely at the contract to be sure it is in the co-op's interest. The leasing company agreed to rewrite clauses in the contract that the Point Judith cooperative found objectionable, he said.

Point Judith runs a strictly wholesale operation with market areas at local fish markets and at fish markets in Boston, New Bedford, New York City, Philadelphia, Baltimore, and Virginia. The lobsters are usually marketed at New York City, Philadelphia, Connecticut and local outlets, Mr. Stasiukiewicz said. The spread--or the difference between what is paid to the fishermen for their fish and the selling price of the fish--is due to pressures outside the cooperative. The cost of trucking and loading is paid by the cooperative. As Mr. Charles pointed out, the trucker can be a key factor in keeping the spread down because he has some degree of control over pilferage and damage. Those who unload fish at the major markets--such as the dock workers at the Fulton Market in New York--exercise a lot of power since they can control the market merely by stopping work, or they can lower the quality of a shipment of fish by allowing it to stay in the trucks longer than it should, Mr. Charles said.

Community Relations

In another discussion, Mr. Charles noted that in Provincetown, which is a particularly insular community, community relations are particularly important. Almost one-fifth of his time is now devoted to community relations, and this is less than when the cooperative was just beginning. "Now," said Mr. Charles, "we have the full backing of the entire community, or else we couldn't be here today." Between 300 and 400 families are supported through the cooperative, the largest year-round industry in Provincetown. He advised those starting a cooperative to get involved in local politics, to work closely with their local councilmen or selectmen and to get the newspapers on their side. As for relations between the cooperative and its fishermen members, Mr. Charles said he believes in "information overkill." He said he deluges the fishermen with information about the status of the cooperative in an effort to break through the "barrier of unawareness."

A REGIONAL ORGANIZATION?

The seed of an organization of New England fishing cooperatives to deal with common economic and political problems may have been planted at the evening session of the workshop.

Mr. Charles proposed exploring the possibility of uniting cooperatives into a regional organization perhaps by the National Sea Grant Program. Mr. Charles said that although fisheries cooperatives have "tremendous common ground, I'm wondering how to best take advantage of our power." He noted that in Europe, fisheries cooperatives have evolved into potent organizations. In the United States, an association of fishing cooperatives could also provide "powerful leverage to do something for fishermen."

Mr. Charles said that fishermen need a "constant channel of communication with Washington, so we can advise our representatives of what is truly needed by the industry. We are a completely regulated industry, almost like the utilities." Cooperatives, he added, should also act in concert to maintain their commercial position.

Robert E. Taber, commercial fisheries extension specialist for the University of Rhode Island's Marine Advisory Service (MAS), said he would distribute questionnaires to cooperatives along the northeast Atlantic coast to determine whether or not they would support an association of fisheries cooperatives. Depending on the response, he said, another meeting for cooperatives will be planned by MAS, which is funded by Sea Grant.

Mr. Dykstra admitted to being a "tired old man about starting any more formal, regional organizations." Rather than starting an association for its own sake, the fisheries cooperatives should first identify a specific function that such an association could perform, he said. "The way to get an association off the ground," he said, "is for several cooperatives to get together to make money together in a common effort, such as a regional marketing operation. And I think there is a need for the packaging and direct marketing of fresh fish by cooperatives. Supermarkets would be interested in getting fresh fish dropped off at their door. And the fish should be packaged in a form that would be attractive to the consumer."

Subsequent to the workshop, the advisory service has been meeting with representatives from several supermarket chains and from fisheries cooperatives in the region to try to work out an arrangement for marketing fresh fish.

SUMMING UP

The three managers experienced with fisheries cooperatives were asked to summarize what they considered the main points of the workshop.

Mr. Larsen from Chatham said he felt the workshop was invaluable to people just getting into the cooperative business, since they could learn from the experienced people many of the "pitfalls we learned only by painful experience." Mr. Larsen advised starting a cooperative for only a small geographical area and growing from there; similarly, he advised taking on only a few responsibilities at a time to avoid overextending the cooperative. It was fortunate, he said, that members of boards of directors from several cooperatives were present at the workshop so that they were made aware that cooperatives do not just grow out of all the problems. "Educate your directors," Mr. Larsen advised new managers. Finally, he said that although he considered a community relations program important, a cooperative manager--at least the one at Chatham--doesn't always have time for it.

Mr. Stasiukiewicz from Point Judith said he gleaned several points from the workshop. First, a cooperative must develop from a "'need' situation--when the fishermen can't make a decent living any other way, usually because of problems with the dealer. The fisherman's commitment has to be something that he feels in his gut." Second, he maintained that a cooperative probably cannot survive without a marketing agreement for at least the first year. Provincetown and Point Judith are now at a stage where they don't need a marketing agreement, but it is necessary at the beginning. Third, try to get a group of directors and staff together that can be relied upon. Fourth, raise enough money at the beginning to operate adequately. This entails a commitment from both the members and from the community. Fifth, don't branch out too much, he warned. Problems can arise from having too large an area, too many people or too many functions. "Find things that are profitable, concentrate on them and work from there," he said. Sixth, Mr. Stasiukiewicz said that one continuous problem is having a sufficient amount of working capital. He advised making early contact with banks and other sources of funds. Seventh, in setting up the cooperative, he strongly encouraged hiring an accountant to make sure that the financial structure is properly established.

Mr. Charles commented that since the Provincetown cooperative is only two years old, "we're still very young, enthusiastic and bright-eyed." Especially in the beginning, he said, the members need a "whole lot of enthusiasm, but tempered with patience." To keep the members together, the first function of the cooperative--and the manager--is to "deliver the price--make it worthwhile for the fishermen to belong to the co-op." He also enjoined would-be managers to be scrupulously honest both with people and money. "You've got to keep their confidence, and make them feel everyone at the cooperative is working in concert," he said. Stringent financial control is a necessity. Mr. Charles said that it is possible to expand and develop, "but keep it simple. You're a producer cooperative; your first job is to return money and services to the members. When you've done that, then you can think about expanding."

A P P E N D I X

THE FARM CREDIT SYSTEM by Bruce Morehead

The cooperative Farm Credit System is owned by nearly a million American farmers and 4,000 of their marketing, supply and business service cooperatives. It is designed to provide credit tailored to fit their highly specialized needs.

In each of the 12 Farm Credit Districts throughout the U.S. there is a Federal Land Bank, a Federal Intermediate Credit Bank and a Bank for Cooperatives. There is also a Central Bank for Cooperatives in Washington, D.C. The Federal Land Banks make long term loans secured by first mortgages on farm real estate through local Federal Land Bank Associations. The Federal Intermediate Credit Banks discount farmers' notes for local Production Credit Associations (PCAs) and other financing institutions. They also make direct loans to the local farmer-owned PCAs. The 12 District Banks for Cooperatives make loans to farmer cooperatives in their respective districts, while the Central Bank for Cooperatives participates with them on larger loans.

Cooperative Bank System

There are 13 Banks for Cooperatives*, one in each of the 12 Farm Credit Districts and a Central Bank for Cooperatives in Washington, D.C. Each district Bank serves farmers' marketing, supply and business service cooperatives in its own territory and the Central Bank for Cooperatives participates in making larger loans. All 13 Banks, however, operate on a cooperative basis to fill the credit needs of cooperatives.

Since the Banks loan only to cooperatives, they are specialists in assisting with their problems.

The Banks make seasonal loans, term loans and loans secured by commodities.

Production Credit System

Farmers and fishermen obtain short and intermediate term credit through 441 local Production Credit Associations with a total of more than 1,500 offices.

Production Credit Associations make loans for almost every farm, farm family, and now fisherman's needs. When a person takes out a loan from a PCA, he buys stock in the Association equal to five percent of his loan. When the loan is repaid, he may either list the stock for sale or convert it to non-voting stock. This helps capitalize the Association, but also keeps its control in the hands of active borrowers.

*These are in Baltimore; Berkeley, Calif.; Columbia, S.C.; Houston; Louisville; New Orleans; Omaha; St. Louis; St. Paul; Spokane; Springfield, Mass.; and Wichita.

The 12 Federal Intermediate Credit Banks (FICBs) provide loan funds for the Production Credit Associations by discounting the notes of farmers given to the PCAs or by making direct loans to the Associations.

The FICBs also discount farmers' notes given to about 125 other financing institutions.

Under the regulation of the Federal Credit Act (FCA) of 1971, producers or harvesters of aquatic products are eligible to borrow from local PCAs.

The regulations give the following definitions and eligibility requirements:

SUBPART A

613.3000 Authority

The Act, sections 1.8, 2.3, 2.15, authorizes the Federal Land Banks and Production Credit Associations to make loans to bona fide farmers and ranchers, rural residents and persons furnishing to farmers and ranchers services directly related to their on-farm operating needs. Production Credit Associations also may make loans to producers or harvesters of aquatic products. Similarly, sections 3.7 and 3.8 of the Act authorize the Banks for Cooperatives to make loans to eligible cooperatives.

SUBPART B

613.3030 Producers or harvesters of aquatic products

- (a) Definition: A producer or harvester of aquatic products is a person(s) engaged in the production or harvesting of aquatic products for economic gain in open waters under uncontrolled conditions.
- (b) Eligibility: To be eligible to borrow from a Production Credit Association as a producer or harvester of aquatic products, an individual shall establish as a part of his application for credit his qualification as a producer or harvester of aquatic products. A legal entity must meet these same requirements and at least one of the following qualifications:
 - (1) More than 50 percent of the value or number of shares of its voting stock or equity is owned by the individuals conducting the aquatic operation.
 - (2) More than 50 percent of the value of its assets consist of assets related to the production or harvesting of aquatic products.
 - (3) More than 50 percent of the income originates from its production or harvesting of aquatic products.

- (c) All proposed loans by Production Credit Associations to producers or harvesters of aquatic products meeting the above qualifications shall be referred to the Farm Credit Administration for prior approval.
- (d) Scope of financing: Production Credit Associations are authorized to make loans to producers or harvesters of aquatic products for aquatic needs and other requirements of the borrower. The total credit extended for other requirements shall not exceed the value of assets devoted to the production or harvesting of aquatic products. When the aquatic operation represents less than 50 percent of the borrowers' total business, credit extended for other requirements shall be on a conservative basis scaled down proportionately as the aquatic assets become less significant in the total operation.

SUBPART D

Eligibility of Cooperatives to Borrow From a Bank for Cooperatives

613.3070 Cooperative

The term cooperative means any association of farmers, ranchers, producers or harvesters of aquatic products, or any federation of such associations, or a combination of such associations and farmers, which is operated on a cooperative basis, is engaged in processing, preparing for market, handling or marketing farm or aquatic products; or purchasing, testing, grading, processing, distributing or furnishing farm or aquatic supplies; or furnishing farm business services or services to eligible cooperatives.

613.3100 Farm or Aquatic Supplies and Farm Business Services

Farm or aquatic supplies and farm business services are any economic goods, business or services normally used by farmers or producers or harvesters of aquatic products which contribute to their business operations or are in furtherance of the livelihood, welfare or security of such persons.

613.3110 Eligibility

To be eligible to borrow from a Bank for Cooperatives, a cooperative shall meet the following requirements:

- (a) At least 80 percent of the voting control, or such higher percent applied uniformly and consistently to all applicants and borrowers in the district as may be established by resolution of the bank board shall be held by farmers or ranchers, or producers or harvesters of aquatic products who are eligible under section 3020 or 3030, or be eligible cooperatives.
- (b) It deals in farm products or aquatic products or products therefrom, farm or aquatic supplies, or farm business services with or for members in an amount at least equal in value to the total amount of such business transacted by it with or for nonmembers, excluding from the total of member and nonmember business transactions with the U.S. or any agencies or instrumentalities thereof for services or supplies furnished as a public utility.

- (c) No member of the cooperative shall have more than one vote because of the amount of stock or membership capital he owns therein; or, the cooperative must restrict dividends on stock or membership capital to ten percent per year or the maximum percentage per year permitted by the applicable State status, whichever is less.
- (d) A cooperative or a federated cooperative which was otherwise eligible and was a borrower on the effective date of these regulations and which does not materially change its entity structure or ownership and control will continue to be eligible for further borrowing.

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READINGS ON FISHERY COOPERATIVES

1. Tides of Change. A.V. Hill. Prince Rupert Fishermen's Cooperative Association, Prince Rupert, British Columbia. 1967.
2. Organizing and Operating a Fishery Cooperative, Part I. Fred J. Smith. Oregon State University Marine Advisory Program, Corvallis, Oregon. 1972.
3. Organizing and Operating a Fishery Cooperative, Part II. Fred J. Smith. Oregon State University Marine Advisory Program, Corvallis, Oregon. 1972.
4. History of Hokkaido Regional Federation of Fishery Cooperatives and Macro-Micro Analysis of Cooperative Fisheries Management, and Policy Criteria. Yutaka Jake Okamoto. Alaska Federation of Natives, Anchorage, Alaska. 1972.

WORKSHOP TOPICS

1. What is a co-op? - A brief definition
Andreas Holmsen, University of Rhode Island
2. What is the problem: will a co-op help? Should the co-op process, market sell marine supplies, bargain, etc.?
Frederick Smith, Oregon State University
3. How is the idea sold or transformed into commitments?
John Waller, Edgartown Fishery Resources Committee
4. The mechanics of setting up by-laws and incorporation; what should be in it?
Frederick Smith
5. Initial capital and external finance
Porter Little, Springfield (Mass.) Bank for Cooperatives, and Bruce Morehead, National Marine Fisheries Service
6. Co-op management and operation: the directors, manager and staff, their responsibilities and qualifications, the division of labor, pay, bookkeeping
Jacob Dykstra and Leonard Stasiukiewicz, Point Judith Fishermen's Cooperative
7. Internal finance, patronage, dues, script, etc.
Leonard Stasiukiewicz
8. Technical operation: packaging, market form, storage, supplies, freezing, meal, owned vs. leased trucks, ice making, fuel, docks, quality of landing
Richard Larsen, Chatham Seafood Co-op
9. Pricing and internal effects of marketing; wholesale vs. retail, market areas, spread
Leonard Stasiukiewicz
10. Co-op community relations
Gayle Charles, Provincetown Cooperative Fishing Industries

Evening session, June 6. The Possibilities for Fisheries Cooperative Regional Organizations
Gayle Charles

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