New Generation Cooperatives: *Case Study*

Northern Vineyards Winery

by Lee Egerstrom

The New Generation Cooperatives: *Case Studies* are made possible with support from the Illinois Council on Food and Agricultural Research (C-FAR) and the Illinois Institute for Rural Affairs (IIRA).

Published by Illinois Institute for Rural Affairs
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Macomb, IL 61455-1390
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www.iira.org

A collection of ten case studies with an introduction is available from IIRA in print and on the IIRA web page.

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The Minnesota Winegrowers Cooperative, a grape and wine co-op formed in 1983, has evolved to a point in its business life where it now provides the economic benefits sought by its founders. Given its geographic location, it provides equally important societal benefits for its primary community and for the scattered communities in Minnesota and Wisconsin where its members reside. Looking forward, it is certain to provide additional, intangible benefits for society by serving as a model for communities seeking wealth-creating economic development or preservation of farmland and green space from urban sprawl. In fact, this is already happening. Groups of people as diverse as suburbanites around Columbus, Ohio, to economic planners assisting the privatization of state-owned property in Hungary are considering efforts to replicate the Minnesota Winegrowers model.

This case study examines the co-op and its business unit, Northern Vineyards Winery; the geographical environment, including area demographics and economics; members, and how they function within a cooperative society; and the obstacles they have overcome. At the same time, the analysis will identify the societal benefits of using the co-op's model to promote land preservation, resource diversification, and community economic development.

The Minnesota Winegrowers Cooperative and its Northern Vineyards Winery business unit deserve attention from farmers, community developers, economic planners, and potential investors in a community-based enterprise of nearly any ownership structure. Not every community or region needs a winery. Most areas of the country are capable of producing a wine grape; fewer, however, are capable of producing a wine of marketable quality. The relevance for studying Northern Vineyards Winery is that most areas have some land resources capable of supporting a unique crop or manufactured product that would have economic value for investors and the resident community.

The Cooperative

The Minnesota Winegrowers Cooperative, doing business as Northern Vineyards Winery in Stillwater, Minnesota, was founded on the east edge of the Minneapolis-St. Paul metropolitan area. Following the historical pattern of most producer-owned co-ops worldwide, it started from a purely *defensive* position—that is, the growers were faced with a *market failure* or *market imperfection* (Egerstrom 1994).[1] The ten founders lost their grape market when an existing winery changed its business strategy and began making different wines from new grape varieties grown in its own vineyards. The founders had little choice but to create a market for their grapes. The choices were to create their own, privately owned and operated wineries, or pool resources to create a business venture with greater scale and scope, either as an investor-owned firm (IOF) or incorporated as a co-op (Egerstrom 1998a).

One member created a winery but quickly learned that he now had three part-time jobs: (1) grape growing, his intended hobby and part-time activity; (2) winemaking; and (3) wine marketing and retailing.[2] Such large investment in time and money did not appeal to other growers. They chose instead to band together and form a co-op as has been the typical response of growers and farmers in Minnesota and Wisconsin during the past century. In this case, however, the market failure was so complete that a handling and marketing co-op along the lines of early dairy and grain marketing co-ops would not be sufficient for their needs.

Faced with this market failure dilemma, they created what co-op specialists call an offensive strategy co-op patterned after the three Minnesota and North Dakota sugar beet co-ops in the region that are usually considered among the original New Generation Cooperatives (NGCs).[3] In generally accepted terms for describing co-ops, traditional co-ops that set out to correct market failures are considered to have defensive strategies, given their objectives. NGCs, in contrast, are considered offensive co-ops in that they seek ways to generate greater income for members' products in the markets. This is achieved from value-added processing and manufacturing and, in some cases, by providing higher-valued services to members and customers.

Each original member invested $2,000 to form the co-op, giving the company $20,000 in start-up capital. The original winery operator, David Macgregor, also donated his winemaking equipment as an initial investment in the firm. After incorporating as the Minnesota Winegrowers Cooperative, members donated time to assist Macgregor in making the wine. In its second year, 1984, the co-op rented space in an old warehouse in downtown Stillwater where it continues to house the winemaking equipment, store wine inventories, and operate a retail shop. Northern Vineyards Winery, the business unit of the cooperative association, was born. Sales of wine have increased at an annual average rate of 15 percent since the first wine was marketed in 1984.

Initial investments by founding members have been repaid along with a small, annualized interest payment on their initial investment. More importantly, the growers have been able to restore Northern Vineyards' grape payments to co-op members at a rate of $.50 per pound, the price necessary for members to keep and maintain the vineyards after the original market disappeared. Since 1990, the co-op has also been able to make payments to members from profits generated by the winery. For example, a former University of Minnesota medical school professor who has 2.5 acres of grapes on his rural estate now receives annual payments of $7,500 for his grapes and $600 in annual patronage payments that reflect his equity stake in the co-op's profits.

The Co-op's Benefits to Members

The income received is sufficient for members to supplement household incomes and keep vineyards intact on country estates surrounding the Twin Cities metropolitan area and near Minnesota communities. In doing so, Minnesota Winegrowers Cooperative is responsible for two streams of income received by individual members: (1) it creates a market that rewards growers for grapes and (2) it rewards membership and cooperative behavior by providing a stream of income from the co-op's success, as measured by its profits.

No member has become wealthy by belonging to the co-op, observes Robin Partch, a science and elementary education teacher who has become the chief winemaker for the co-op.

Prospects of a financial return from what is essentially a farming hobby, however, encourage members to stay in the co-op and retain their rural farm estates while enticing other rural property owners to join the firm and grow grapes. So far, it has worked. The founders' initial stock offering was valued at $10 per share. Each share provides delivery rights—and implied delivery obligations if growing conditions permit production—of 100 pounds of grapes. While each member has a delivery obligation, the co-op carries the risk that drought or other weather conditions may preclude some or all members from delivering their quantity in a given year. Shares are sold in blocks so each member has rights to deliver at least 500 pounds of grapes.

After the initial subscription, or offering, the share price fell predictably to only $5 per share. This often happens with initial offerings of IOFs. Some initial members sold their stock back to the co-op, and new members were found to buy the stock. The stock was valued at $27 per share in 1998 and reached a high of $30 per share in 1999. At the start of 1999, the co-op had 16 full-fledged owner-members and had contracted with six other grape growers to deliver grapes to the winery. The contract growers receive the same $.50 per-pound payment for the grapes but do not share in the winery profits.

According to Partch, the contract growers have indicated that they will join the co-op in the future, rolling profits from grape growing into stock purchases. Moreover, some of the newer growers are entering the co-op with an offensive strategy of their own. They view membership in the co-op as a way to assure multiple streams of income to their households, not just as an income stream to cover costs of their grape-growing hobbies or to keep their rural estates near urban communities.

Reasons for Success

The Geography

Northern Vineyards Winery has been successful during its first 15 years of operation for reasons that combine good luck and good people. The latter will be considered in a later section on members. The good luck comes, in part, from geography and the timing of the people's actions to utilize their land resources. Stillwater, Minnesota, is about ten miles straight east of St. Paul, and between 20 and 25 miles east of downtown Minneapolis. It is a historic frontier river town, the oldest continuing municipality in Minnesota, and a port city on the St. Croix River. That river is the border between Minnesota and Wisconsin to the east and north of St. Paul. It merges into the Mississippi River at Hastings, about 20 miles south of St. Paul, where the larger river takes over as the border between the two states.

Stillwater's importance for river navigation ended more than a century ago, but it is still important for river recreation, the city having one of the few bridges that cross the scenic St. Croix. As a result, Stillwater is a bustling tourist town and a recreation crossing point for Twin Cities area residents en route to Wisconsin lakes, resorts, and other recreation activities. It is also a daily crossing point for thousands of Wisconsin residents who commute to jobs and attend entertainment or business meetings in the metropolitan area. Three border counties of Wisconsin have become extensions of the Twin Cities metro area and will likely be identified as members of the Minneapolis-St. Paul Standard Metropolitan Area (SMA) in the near future.

The location provides an opportunity and a challenge for Northern Vineyards Winery. On the plus side, it has both a residential and transitory clientele for its wine as people pass through Stillwater on daily commutes or on weekend outings. Along with wine sales at liquor stores in the Twin Cities, it has a customer base capable of buying its annual production with minimal marketing costs. This works as long as the wine is of a pleasing quality; so far, the winery has made high-quality wines. On the negative side, however, is the attractiveness of the region. The same desirable features that produce visiting customers for wine also produce new immigrants to the river bluffs, green spaces, and former farms on both sides of the St. Croix River. These immigrants bring with them, or are preceded by, real estate developers who measure farms in lots rather than acres. Washington County, the county surrounding Stillwater and reaching to the first-ring suburbs of St. Paul, has had Minnesota's fastest growing population since the mid-1980s.

Not all 16 members and six contract growers for Northern Vineyards Winery live in this scenic area that is now the magnet for urban sprawl. Nevertheless, some of the more distant members, whose vineyards are near other river towns; the medical center at Rochester, Minnesota; and lake resort developments in northern Minnesota, are experiencing similar land use and land cost pressures on their vineyards/farms. The result is that all members face rising costs for holding onto their land, be it from rising property taxes, pressure to sell as a result of rising land values, or a combination of both.

Given that environment, most members entered the co-op seeking an income source to sustain their increasingly expensive hobby. "I don't think it was anyone's intention to make money on our grapes," said member Howard Krosch, a retired aquatic biologist at the Minnesota Department of Natural Resources who operates a vineyard near Stillwater. "It was more a matter of trying to find a way to make money from our hobby so we could afford to grow the grapes" (Egerstrom 1998a, 1E). While a seemingly modest objective, the goal relies on the same NGC strategy used by corn grower co-ops that attempt to produce greater returns on labor and investment by converting corn into higher-valued ethanol fuel, pork, or egg products for the food industry. In the case of the grape growers, the goal is to convert a hobby expense—grapes—into a higher-valued and profitable consumer product—wine.

The Winery

The winery tells customers in promotional brochures that there is no reason why grapes and wine cannot be produced in Minnesota. The Twin Cities are at the same latitude as the Bordeaux region of France (45 degrees North), "and several hundred miles farther south than the great Rheingau region of Germany" (Northern Vineyards Winery 1997). It doesn't mention that parts of Russia's Siberia have the same latitude, and that no one considers Siberia to be a prime wine region.

The winery acknowledges that Minnesota isn't exactly like Bordeaux. The state has what geographers call a continental climate. France and Northwest Europe have a marine, coastal climate:

> Early autumn frosts often cut short the growing season here (Minnesota). The severe winters sometimes damage even the hardiest of grapevines. The noble wine grapes of Europe can neither ripen their fruit here nor survive our winters. So the challenge to Minnesota grape growers has been to find alternative grape varieties that can be grown within the limits imposed by our climate. (Northern Vineyards Winery 1997)

This it has done, the winery proudly notes, through adaptation of French-American hybrid grapes and by breeding improved varieties such as those produced during the past 50 years by a plant breeder who is a member of the co-op. To further maximize its resources, the winery has also started making dessert wines in recent years that are fermented from native American wild grapes that grow along Minnesota and Wisconsin river banks.

Wine drinkers who have not visited Minnesota or western Wisconsin in recent years will recognize only the names of French-American hybrid grapes identified in the wines. It is unlikely that the uninitiated will have heard of the locally produced grapes, but that will change. The original winery in the area, Alexis Bailly Winery, and two new, privately owned wineries, have started, since 1996, to produce wines from successful new grape varieties. The current Northern Vineyards Winery portfolio of wines include three new offerings:

1. *Frontenac*—A full-bodied dinner wine from the Frontenac wine developed by the University of Minnesota.
2. *Ruby Minnesota*—A fortified, red dessert wine made from wild riverbank grapes.
3. *Mainstreet Red*—A semisweet, fruity red that is a blend of local grapes with Foch grapes brought in from Michigan.

The main wine portfolio, however, includes Northern Vineyards-bred varietals named St. Croix, Oktoberfest, a Pinot Noir hybrid, Leon Millot, and Prairie Smoke; and blended wines that include grapes imported from Michigan, California, and other U.S. wine regions. These latter wines include such names as Columbine, Yellow Moccasin, Syval Blanc, Ladyslipper, Prairie Rose, Rivertown Red, Ram's Head Red, and Downtown Red. What local residents and tourists recognize is that these wines salute native wildflowers that grow in the area or Stillwater historical sites.

Production and the Wine Market

Wine production in the U.S. is measured in English gallons for alcohol tax reasons. A gallon of wine in the cask produces five internationally standard 750 ml bottles. Partch explains that the winery had to produce 4,000 gallons or 20,000 bottles of wine per year to break even financially, given necessary labor requirements, licenses, insurance, taxes, and rents for winery and retail space. The break-even point is based on wine prices ranging from $6 to $11 per bottle, with average prices for the portfolio of wine ranging from $6.50 to $8 per bottle. Members of the co-op donated time working in winemaking, retailing, and promotion until the winery's break-even point was achieved in 1990. The 1997 grape crop generated 50,000 bottles of wine, and the winery sold about the same amount of wine from previous years' inventories, producing gross revenues of $340,000 for the winery in 1997. Strong winter sales, showing the development of a year-round market, pushed sales to $400,000 in 1998. Most work at the winery is now done by paid employees.

There is plenty of room in the wine market for Northern Vineyards Winery to grow but not enough room for it to be a major player in the national wine market. Per capita consumption of alcoholic beverages in the U.S., as in most developed countries, is in decline. The exception, however, is a slight but steady increase in wine consumption. In part, these gains represent a shift in consumer preferences away from distilled spirits and beer. It is more complicated than that, however, and it does signal that people enjoy more wine with meals in their homes. On the surface, this trend seems to conflict with a broader food industry trend that sees Americans continuing to eat more of their meals away from home. The greatest increase in away-from-home eating is at fast-food and casual dining restaurants where little if any wine is sold.[4] The National Restaurant Association and private food industry research now estimate that 55 percent of American meals are consumed away from home. On the back side of this trend is rapid growth in prepared foods brought home for quick and diverse meals for busy people who have neither the time nor the inclination to cook meals from "scratch." This trend, called "home meal replacement" foods by the food industry, probably contributes to the increase in U.S. wine consumption (Hughes 1996; National Restaurant Association 1999).

Table 1. U.S. Wine Consumption, 1993-1998

Year	*Total Wine Per Capita*[1]	*Total Wine Per Million Gallons*[2]	*Total Table Wine Per Million Gallons*[3]
1993	1.74	449	381
1994	1.77	459	395
1995	1.79	469	408
1996	1.90	505	443
1997	1.95	523	462
1998	1.96	531	462

[1]Data for 1999 were not available. The Wine Institute's industry surveys forecast that per capita consumption would stop growing in the year 2000, although a larger population would cause growth in consumption volume.

[2]Total Wine category includes vermouth, sparkling wines, dessert wines, and other special natural wines.

[3]Total Table Wine includes wines not more than 14 percent alcohol.

Source: The Wine Institute, various years.

In the 16-year history of Northern Vineyards Winery, Partch said winemaking has followed essentially the same industry trends as food and beer. Market dominance has been concentrated in a few large companies. The concentration in wine is not as pronounced as in the beer industry in which Anheuser Busch and Miller Brewing companies account for about three-fourths of all beer sold in the domestic market. In contrast, Partch reports that five or six commercial winery companies control slightly more than 50 percent of the U.S. wine market. The remaining market is shared by an expanding number of small and regional wineries and imports from Europe, South America, and certain wine exporting countries in Africa and Oceania.

Just as there are writers who desire to write “the great American novel,” there are increasing numbers of people who desire to make the perfect American beer or perfect American wine. New breweries are springing to life all across the nation while large national breweries continue to merge or fold. The Stroh Brewing Company, the nation’s fourth-largest brewery, became the latest major brewer to cease operations when it decided in 1998 to sell its beer brands and assets (Steinman 1996, 1997, 1998). Meanwhile, many of the new breweries are attempting to make Belgian style, handcrafted beers, usually selling into regional markets. Others are simply making a beer and trying to market it with a clever label or tie it to a locale.

The new wineries, in contrast, do seem to be serious attempts by serious hobbyists and entrepreneurs to produce unique, quality products. When Northern Vineyards Winery started operations, about 400 wineries held tax licenses in the U.S. According to Partch, in 1998, the number had more than doubled to about 900 wineries. Owning vineyards has become especially popular with motion picture and entertainment figures in California, he noted. Winery ownership now includes such personalities as the Smothers Brothers and movie producer Francis Ford Coppola. Heirs to industrial fortunes have done the same, including a Maytag family member from the home appliance manufacturing firm of that name and a Firestone family member from the insurance and automobile tire industries.

This trend of starting new wineries in California can also be found in the Upper Midwest states: Wisconsin has a small number of local wineries scattered among its regional brewery locations, and Minnesota, which had no commercial wineries three decades ago, now has at least six that bring products to market, and two more produce grapes and wine that were set to begin marketing in late 1999. A few are extremely small and produce fruit wines for tourists in recreational resort communities. The Alexis Bailly Vineyards, which is also near the Twin Cities along the St. Croix and Mississippi river bluffs, is about the same size as Northern Vineyards Winery and may be slightly larger in production and sales volume. A new winery will soon join the Northern Vineyards and Bailly wineries as a serious commercial enterprise. Morgan Creek Vineyards was created in southern Minnesota during the 1998 growing season and is owned and operated by members of the Marti family of the August Schell Brewing Company at New Ulm. That brewery has made a high-quality line of regional beers for 150 years under the guidance of five generations of Schell-Marti family members.

There are clear signs that the domestic beer market is “overbuilt” and that future shakeouts of large and small breweries can be expected. The wine industry may not sustain any more large, national wineries than the domestic beer market sustains national breweries, but the wine market is still in a growth mode. The commitment to quality by upstart new entrants in regional wine markets probably serves to build consumer interest in wines and brightens prospects for continuing growth at Northern Vineyards Winery.

The Members

Without a doubt, the most difficult and unquantifiable element holding a cooperative business venture together is the commitment of its membership. In this regard, Minnesota Winegrowers Cooperative has been especially lucky, says Allen Gerber, the former president of the Minnesota Association of Cooperatives who gave the winegrowers technical assistance in the beginning stages. The co-op had extraordinary people with grape growing technical expertise to make the winery a success, he recalls. At the same time, Gerber admits that he doubted these busy and talented people would remain committed to making Northern Vineyards Winery an ongoing concern.

A Qualification. Most co-ops formed in the U.S. were started by people with knowledge of their industry. For instance, farmers started agricultural co-ops when they recognized that part of their markets were not functioning properly or in their best interests. Gerber suspects that this inherent knowledge of the market helps explain why cooperative business ventures have had far higher survival rates during the past century than have businesses started by individual entrepreneurs and venture capital investors. In general, fewer than 50 percent of new business ventures survive for three years in most business sectors. Gerber adds that business schools do not track the failure rate of cooperative businesses separately from other entrepreneurial ventures, but he knows from personal experience gained from cooperative association work that more than 90 percent of the co-ops that have started in the Upper Midwest states during the past 30 years have survived or merged into other co-ops. Many co-ops chose to go out of business during that time, he said, by merging into larger, stronger regional co-ops. Such mergers and consolidations came as members understood their markets, not because of economic failure of their firms. The grape growers who started Minnesota Winegrowers Cooperative were kindred spirits of the founders of other producer-owned co-ops, and they, too, possessed knowledge of their market. These founders, however, were also extremely busy professional people, major commodity farmers, business executives, and private entrepreneurs. This raised questions in Gerber's mind about the eclectic group's willingness to do the work and support a new venture.

Looking back, the founders were fortunate for the expertise their members possessed and for the advice they secured from outsiders. One founder, the physiologist at the University of Minnesota Medical School, took a group to see Gerber at the Minnesota Association of Cooperatives office in St. Paul. Gerber provided basic information on the structure, governance, and tax implications of cooperative businesses incorporated under the Capper-Volstead Act. He contacted an attorney with a St. Paul law firm that had the longest continuing cooperative law practice in the nation. The attorney, who later became vice president and general counsel for the St. Paul Bank for Cooperatives, was equally intrigued by the group's intentions. The group wanted to start an NGC with a closed membership structure ten years before NGCs were named and defined.[5] In addition, the founders pledged their time to winemaking chores and staffing retail and marketing operations as part of the initial investment. This made Minnesota Winegrowers Cooperative a mixed co-op that would be both producer-owned and worker-owned.

Also, wine is a fun or romantic-type product. “I thought I might want to someday buy a small farm outside the Twin Cities and join the co-op,” attorney Phil Erickson recalls.

Seeking Expertise. The attorney incorporated the grape growers under Minnesota and U.S. cooperative laws. The group then reached out for additional founding members and expertise. They succeeded in bringing in one of the most extraordinary plant breeders in the Upper Midwest, a farmer at nearby Star Prairie, Wisconsin. His experiments with crops, especially his efforts to perfect a table grape for the Upper Midwest, caught the attention of the University of Minnesota, and he was given a plant breeding research position with the university Department of Horticulture. The gifted plant breeder had no interest in wine or alcoholic beverages prior to his recruitment into the co-op, but by his coming to the aid of fellow growers, the co-op members and other grape growers in Minnesota and Wisconsin now have four unique grape varieties that make excellent wines, two more under development, and hybrid grapes which have been bred to withstand the harshness of Upper Midwest winters.[6]

The reach for expertise went downstream from grape genetics. As already mentioned, in the first year, the winemaking talents of a founder who was already operating a small winery were used. That member worked with two other members and then turned winemaking chores over to them in the second year. The lead winemaker at that point was a food scientist for General Mills Inc., the multinational food company based in the Minneapolis suburb of Golden Valley. His understudy was the science teacher Partch. The latter took over lead responsibilities when the food scientist was transferred to another General Mills location away from the Twin Cities. The winemakers became paid employees as well as members. The other original members donated time to help with bottling the wine and operating the retail store.

A Shift in Attitudes. The co-op is now moving into a second generation of members. While the founding generation was primarily interested in creating a market to continue growing grapes and to provide an income stream to justify the expense of this hobby, the second generation is showing business attitudes consistent with members’ goals in other NGCs. One member, who lives in a rural area near Stillwater, said she wants her small vineyard to become an important income source for her preferred country lifestyle. She has grown children, went back to complete university studies, and began working in the retail shop at the winery. She liked the work and the people, so she started growing grapes to supply the winery. That led her to buying a membership. “The perfect career for a liberal arts education,” she said jokingly.

While the co-op is in a transition period with new members joining, fun and camaraderie exists with a bond of both financial and emotional investments in the cooperative “community.” A common bond of shared interests binds the members even though members’ reasons for belonging are changing.

Demographics and Economic Development

The diverse collection of business, professional, and farm people in the Minnesota Winegrowers Cooperative may not be unique, given changes occurring in rural America. It might be wise for community leaders to take a local census of who lives on the farmsteads and who owns the surrounding land. Common perceptions of the American farm and of American farm households bear little resemblance to the reality found in 1995 surveys and published in May 1998 by the Economic Research Service (ERS) at the U.S. Department of Agriculture (Egerstrom 1998a).

Key points in the ERS findings are that only 14.2 percent of small farms—those with revenues of under $250,000 annually—derive returns equal to average U.S. household income, and only 17.6 percent of all American farms generate household income on par with all households. While 70.5 percent of larger farms with more than $250,000 in annual farming revenue do achieve or surpass average U.S. household income, there are only 123,000 such farm business entities of a total 2,068,000 farms.

Table 2. Characteristics of U.S. Small Farms Differ Markedly from Large Farms

	Small Farms (sales less than $250,000)			*Farms with Sales of $250,000 or More*	*All Farms*
	Less than $50,000	*$50,000 - $249,000*	*All Small Farms*		
Number of farms	1,531,760	413,431	1,945,190	122,810	2,068,000
Share of all farms (percent)	74.1	20.0	94.1	5.9	100.0
Value of production (percent)	9.5	31.3	40.8	59.2	100.0
Average gross cash farm income (U.S. Dollars)	12,482	117,320	34,764	686,606	73,474
Average net cash farm income (U.S. Dollars)	-1,702	23,159	3,582	152,724	12,439
Farms able to generate returns equivalent to average U.S. household income (percent)	7.6	38.8	14.2	70.5	17.6

Source: ERS 1995.

The Midwest states have a disproportionately high number of the commercial farms that achieve national household income standards from farming, but even in Iowa, Illinois, Indiana, Nebraska, and Ohio, farming is becoming more of a part-time vocation that supports a preferred rural lifestyle. The motto of modern agriculture is changing from, “Don’t give up the family farm!” to “Don’t give up your day job!” (Egerstrom 1998a).

A separate ERS study, “Selected Characteristics of Minority and Woman Farm Operators,” shows inequalities in land ownership and abilities to generate farm income that should alarm community planners, state officials, and, indeed, all Americans (see Table 3).

Table 3. Selected Characteristics of Minority and Women Farm Operators

Group	*Farms (Number)*	*Share of all U.S. Farms (percent)*	*Land per Farm (acres)*	*Sales per Farm (dollars)*	*Average Age of Operator (years)*	*Farming Reported as Major Occupation (percent)*
Nonwhite operators	43,487	2.3	1,270	70,659	55	48.1
Black	18,816	1.0	123	19,431	59	44.0
Native American	8,346	0.4	5,791	49,338	52	45.7
Asian or Pacific Islander	8,096	0.4	140	192,156	55	62.0
Other[1]	8,229	0.4	421	89,887	51	45.7
Hispanic operators[2]	20,956	1.1	591	115,200	53	49.7
Female operators[2]	145,156	7.5	309	35,281	58	50.6
All U.S. operators	1,925,300	100.0	491	84,459	53	54.7

[1]Primarily limited to persons native to or of ancestry from Mexico, the Caribbean, and Central and South America.

[2]Hispanic and female operators may be of any race.

Source: ERS 1992.

The Minnesota Winegrowers Cooperative recognizes that growing corn, soybeans, or wheat for commodity markets does not secure land on the edge of metropolitan areas. In reality, small acreages of land producing lower-valued commodities are at risk in most parts of the Corn Belt. Economies of scale and scope are wrong for most small-scale farmers in modern commodity markets. USDA demographic studies show clearly the problems small-scale producers have in trying to generate adequate household incomes from being basic commodity producers. The Minnesota Winegrowers Cooperative demonstrates that problems with scale, scope, and farm income can be corrected with higher-valued crops and secondary streams of income from processing profits.

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Endnotes

1. The book explains that most co-ops were formed defensively to correct market problems ranging from market failures to market imperfections. It defines New Generation Cooperatives (NGCs) as offensive business structures in which the cooperative society's members seek to be players in markets that may be working well, but not for them. These members seek greater returns on their investment, knowledge, and labor by trying to capture more of the ultimate price of value-added products made from commodities originating on the members' farms.

2. From interviews. As will be described later, the winemaker's equipment was appraised and then turned over to the co-op as this founding member's initial investment.

3. The three sugar beet ventures that inspired NGCs in Minnesota and North Dakota are American Crystal Sugar Co., Moorhead, Minnesota; Southern Minnesota Beet Sugar Co., Renville, Minnesota; and Minn-Dak Growers Association, Wahpeton, North Dakota.

4. This information is revealed in numerous research studies made public during the past three years by the National Restaurant Association, Washington, DC, and the Food Marketing Institute, Chicago, for benefit of their associated members.

5. NGCs were given their name as a class or group of co-ops in 1994 in Egerstrom's *Make No Small Plans*. The name was selected to explain new co-ops then springing to life across Minnesota and North Dakota. Slang names then in use to describe these ventures either wrongly implied existing co-ops did not do value-added work for members, or they used terms that clashed with terms and concepts used in developmental economics. Definitions of NGCs and their differences from other cooperative structures drew heavily from the work of Dr. Michael Cook, the economist and cooperative business specialist at the University of Missouri at Columbia, and other academic researchers.

6. The author does not pretend to be an expert on wine quality. Subjective references to Northern Vineyards Winery product quality, however, are based on reactions from Californians, Europeans, and Japanese whose judgment on wine are less circumspect.