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### SafeSourcing e-Newsletter

Have comments, questions, or suggestions about the SafeSourcing e-Newsletter? Let us know what you think by emailing us at the following address. We look forward to hearing from you!

[events@safesourcing.com](mailto:events@safesourcing.com)

#### Trivia!

What does Central Buying mean?

[www.safesourcing.com](http://www.safesourcing.com)

## Industry News

### *The Future of Cooperatives in Agriculture*

#### What is a Cooperative?

“A cooperative is a private business organization that is owned and controlled by the people who use its products, supplies, or services. Although cooperatives vary in type and membership size, all were formed to meet the specific objectives of members, and are structured to adapt to member’s changing needs. Cooperatives are formed by individuals who coordinate among themselves (horizontal coordination) to achieve vertical integration in their business. Although people have been working together for their mutual benefit throughout human history, the cooperative form of business organization began during the Industrial Revolution. Cooperatives were useful for promoting the interests of the less powerful members of society. Farmers, producers, workers, and consumers found that they could accomplish more collectively than they could individually.”

Although there are many types of cooperatives, there are more than 3000 Agricultural Cooperatives in the US, with 2.8 million memberships, a net income of nearly \$1.2 billion, and a net business volume of approximately \$96 billion. ■

<http://sfp.ucdavis.edu/cooperatives/what/is/> 2/20/18

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#### COMING NEXT ISSUE

<b>Apr.</b>	Answer to our Trivia!
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#### Recent Savings

##### Peppers

Savings were over 17% of total spend. ■

##### Nut Variety

Savings were over 21% of total spend. ■

\*Please [contact SafeSourcing](#) to schedule your RISK FREE event today.

## New Tax Laws Affect Agricultural Companies

Under the new tax laws, some agricultural companies are revamping their operations. By selling their crops to cooperatives, they will get a larger tax savings. In order not to be put at a disadvantage, some ethanol makers and family run grain companies are making plans to make their own cooperatives. “Executives say that if Congress doesn’t change the law or they aren’t able to register their own farmer-backed cooperatives, processing plants could run short of crops and small grain elevators could be driven out of business.”

After studying the new tax law in January, Green Plains, Inc., the world’s second largest ethanol producer, registered part of their business as a cooperative. Todd Becker, Chief Executive, said they capitalized on this as a back-up plan as this company buys more than 2000 truck-loads of corn every day. Another grain company, Scoular Co., is also forming a cooperative because of the new law. Many local farmers will sell to co-ops instead of grain companies if the grain companies don’t convert to cooperatives, potentially bankrupting major businesses that have been operating for over 100 years. “We’ve been through depression and dust bowls, but we’ll be brought down by government legislation,” stated Mr. Katz of Turon. “They will fix it, or we will start a co-op.”

*Jacob Bunge and Richard Rubin, WSJ, 2/16/2018*

## Farmers and Ranchers See the Benefits of Using Cooperatives

Up until recently, cooperatives, private companies, as well as publicly traded companies had more say on how to handle the grain supply used in the bread in supermarkets to livestock feed. Because the big tax deduction for farmers for selling produce to agricultural cooperatives, private companies fear their grain supply will dry up. The new bill allows farmers and ranchers to claim a 20 percent deduction on all payments received on sales to cooperatives. This incentive comes as a boon to the financially strapped grain farmers that have struggled for the last four years during a global grain glut and sluggish commodity prices. “The change focuses on a provision in the federal tax code that cuts taxes on proceeds from agricultural products — whether corn and soybeans, or milk and fresh fruit — that farmers and ranchers sell to farm cooperatives.” The advantage is at least five times higher for the farmer to sell to a cooperative versus not selling to a cooperative.

The number of cooperatives had been shrinking in recent years, but now there is a scramble to consolidate in order to be competitive. “There were 1,953 farmer, rancher, and fishery co-ops in 2016 in the United States, down 4.6 percent from a year earlier, according to the most recent U.S. Department of Agriculture data. They handled \$44.3 billion in net sales of grains in 2016, down 33 percent from \$66.3 billion peak in 2013.”

*Mark Weinraub, Tom Polansek, Reuters, 1/9/2018*

### QUESTIONS AND ANSWERS

Q: How can I subscribe or unsubscribe to these newsletters?

A: You can subscribe or unsubscribe to these free newsletters by simply going to our [website](#), and clicking the option “e-Newsletter” or by contacting us directly at [events@safesourcing.com](mailto:events@safesourcing.com)

Q: I have run events in the past, is there any chance I could be saving more?

A: Yes. No matter when your past event ran, the team at SafeSourcing can find ways for your company to save.

Q: I want to know more about what SafeSourcing does. Who can I talk to about this?

A: You can contact a customer services representative by calling us at 1-888-261-9070 or by going to our [website](#) and trying our “Risk Free Trial” offer.

### Trivia! From February 2017 Issue

What is Blind Ordering?

Blind ordering is a practice of writing a new order even though an outstanding order has not been received.

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