

Equipment Sharing

Mike Heavrin, Project Leader, Marketing Alliance Project

The following case studies describe how four small marketing cooperatives purchase and use various types of machinery, resources and facilities. Four cooperatives are featured here: Small Farms Cooperative (30 families), North Star Neighbors Cooperative (seven families), Main Bow Farms Cooperative (six families) and Bruegman's Grass-Based Dairy (two families). All four of these groups are located in Nebraska.

These four groups have developed unique ways to share equipment, resources or facilities. Trust and reliability are the foundations for the success of

these ventures. Although none of the co-ops currently use legal contracts, they all acknowledge that formal, binding documents might be needed in the future.

A fifth example, MachineLink.com, outlines one farmer's online business to help agricultural producers reduce their equipment costs by sharing major equipment or buying used equipment.

All five examples focus on increasing profitability for the producer by sharing costs associated with major equipment and facilities purchases.





A family-based initiative to market milk and dairy products directly to health-conscious consumers shares equipment and costs to move toward their goal.

Bruegman Grass-Based Dairy: Simply a Better Product

This case study was prepared for the North Central Initiative for Small Farm Profitability by Mike Heavrin, Project Leader, Marketing Alliances Project, Center for Rural Affairs.
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Additional information is available through the Center for Applied Rural Innovation and Food Processing Center, University of Nebraska, 58 H. C. Filley Hall, Lincoln, NE 68583-0947 or online at www.farmprofitability.org.

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Home Grown

Eric and Iver Bruegman were born and raised in the Bloomfield community. After their parents moved to town, Eric took over the farming operation on the “home” place, about two miles southeast of the farm Eric had purchased earlier.

Eric’s brother, Iver, who worked in the construction industry for many years, has recently returned to the Bloomfield area in order to get back to his roots. He’s renting some land just west of Eric’s place. Eric and Iver each have their own herd of grass-fed dairy cows.

Got Milk?

The year 2001 saw the realization of a dream. The Bruegman brothers built an outdoor milking facility in a pasture on Eric’s farm south of Bloomfield, Nebraska. Eric and his wife, Paula, and Iver and his wife, Kim, are now putting the finishing touches on their milking parlor.

The outdoor milking parlor is located on Eric’s farm, in a pasture just southwest of the house. A building was purchased from another area farmer and moved onto the Bruegman farm.

Eric, Paula, Iver and Kim all worked together in remodeling the building, which houses storage tanks and most of the other equipment needed in the milking operation. A large, mostly concrete, open-sided milking area was added to the west and north of the enclosed building.

Family members or friends provided most of the labor. Actual cash outlay has been minimal compared to the cost of having a contractor complete the work.

With his background in construction, Iver’s talents have really been put to good use.

Yup, Got (Good and Healthy) Milk

The Bruegmans hope to market their milk and dairy products to the segment of society that is concerned about human health as it relates to the food supply. The brothers have been involved in several seminars in northeast Nebraska featuring health and nutritional experts speaking about the attributes of “grass-fed” animal products.

Recent studies have shown that milk and other dairy products that come from grass-fed cows is higher in conjugated linoleic acid (CLA) and omega-3s than dairy products from grain-fed animals. Food products that have high levels of CLA and omega-3s may fight certain types of cancer and heart disease. The brothers hope to develop their own line of “healthier” dairy products and liquid milk.

Eric and Iver have been working closely with another grass-based dairy, the Bruns Dairy Farm, located northwest of Bloomfield. They have shared discussions and problem-solving on issues such as management of cows and pasture, the benefits of dairy products from grass-fed cows, and marketing those products.

A Simple Agreement

The agreement between Eric and Iver is simple. Eric places the milking parlor on his farm. Both brothers share in the cost of completing the facilities. In exchange for his labor, Iver will use the milking facilities and some of

Eric’s grazing land for his cows.

The Bruegman brothers have not put any of their equipment and cost share arrangements in writing. Neither couple feels the need to formalize their business relationship at this time.

Eric, Paula, Iver and Kim share in the daily chores, as well as Eric and Paula’s two children. No one draws a salary. Instead, income from the sale of milk and other dairy products will be divided in proportion to the number of cows being milked.

According to Iver, the Bruegman partnership may eventually need to be formalized in writing due to, among other things, the fact that the capital facilities are located on Eric’s land. They see some value in having things clearly outlined in writing, rather than relying on probable court action, in case of death.

The Family that Milks Together...

In a visit with Iver and Paula, neither family representative could point to any one particular challenge. Trying to complete a major capital project while farming is sometimes a very difficult thing. Timing the completion of the facility has been a minor problem, as has timing the work to be completed for scheduled inspections. Remodeling the building and constructing the outdoor parlor, while trying to take care of their dairy herds (moving animals, milking animals, etc.) has been a problem at times.

With continued support from each other and their community, this innovative team has a bright future.



This seven-family incorporated cooperative's informal equipment and cost sharing strategies form the basis for a successful partnership that benefits all its members.

North Star Neighbors: Neighbors and Friends Working Together

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Meet the Neighbors

North Star Neighbors is a marketing cooperative that organized in the late 1990's, and formally incorporated in 2000. The cooperative is made up of seven family farms in Nance, Boone and Greeley counties in Nebraska.

Meat products make up the bulk of sales for the co-op. North Star offers a large selection of beef, pork and poultry products.

Some products are designated "natural," which means that the animals are never given antibiotics or growth implants.

"Premium natural" indicates that, in addition to the standards for the "natural" label, none of the grain used as feed is treated with any chemical pesticides, herbicides or synthetic fertilizers. These are the same standards for organic certification, but the group doesn't use a third-party certifier.

North Star Neighbors markets in three main venues: farmers markets in Lincoln and Grand Island, their direct-marketing customer base, and retail grocery outlets in Omaha, Lincoln and Grand Island.

Summer 2000 sales averaged about \$500 per week. Sales in 2001 averaged over \$3,000 per week—a six-fold increase. In fact, North Star product sales have increased so rapidly that the group is now looking for new members.

Sharing the Expense and the Success

Equipment and cost sharing arrangements between members of the cooperative have been two of the keys leading to the success

of North Star Neighbors. Members agree that their greatest challenge has been raising enough money to get North Star Neighbors off the ground. The equipment and cost sharing arrangement was their "only way to get started."

In the beginning, members loaned individually owned equipment to the cooperative. One couple purchased chicken processing equipment; another family purchased the first van used at the farmers markets; and a third family bought the coolers and tables.

As sales increase, income will be used to reimburse members for that equipment, and title will pass to the cooperative. Members don't charge for the use of that equipment, but all maintenance and repair expenses are reimbursed by the cooperative.

Increased sales from meat products have allowed the cooperative to buy some equipment. The wives in the group maintain a schedule for equipment use. Operating, maintenance and repair expenses on equipment owned by NSN are paid out of income from sales.

Big-ticket items have required "advances" by members. For example, a 12 by 18 foot walk-in freezer was recently installed in a machine shed on Jim's farm, and the eastern third of the building was remodeled to accommodate it and an adjacent shipping room. Most of the labor was donated, and the cooperative reimbursed members for costs.

In the past, North Star rented out their chicken processing equipment, but the cooperative

no longer allows the use of the machines by non-members. The expense to repair damaged equipment didn't seem like a good investment to North Star Neighbors members.

Nebraska's Agricultural Opportunities and Value-Added Partnership Program: A Financial Shot-in-the-Arm

North Star Neighbors, in partnership with the Center for Rural Affairs, and two other small meat-marketing cooperatives with non-competing products, received a grant from the State of Nebraska's Agricultural Opportunities and Value-Added Partnership Program in January 2001. North Star's share of the grant was \$25,425. Most of the grant money went toward equipment, marketing and legal expenses.

The grant money paid for three new 7 by 14 by 8-foot trailers to use as "portable stores" at farmers markets. Each of the trailers is equipped with two 72-cubic-foot freezers and one 36-cubic-foot freezer. The trailers' interiors are finished with electrical wiring, lights, painted walls and ceiling, and tile floor. The North Star logo is emblazoned on the outside walls. Customers enter through two large doors at the back of the trailer, and exit through another door to the side. This is a simple and elegant solution to managing customer flow and quality control at the markets, while promoting the cooperative's identity with prominent signage and a high-quality sales environment.

Informal Agreements Work Well for These Neighbors

According to Board President Jim Knopik, the members deal with each other as “neighbors,” and live by the Golden Rule. All members realize that everyone must share in both the risks and the benefits of marketing through the cooperative. No one benefits at the expense of another member.

Jim also notes that the group has never put together any type of contract regarding ownership or use of the equipment. “A handshake and a guy’s word are all that is necessary,” says Jim.

The group has discussed formalizing their equipment and

cost sharing arrangement, but has not taken steps to put the arrangements in writing. They see no reason to “fix something that isn’t broken.”

Talking It Out: Consensus-based Decision Making

Like any group, members of North Star Neighbors sometimes have different points of view on some issues. Jim says that if faced with a problem, members “talk it out.” Discussion, compromise and consensus have solved all problems to date.

When asked how major decisions are made within the organization, Jim repeats that “we talk

it out.” He gives most of the credit for their smooth ride to the wives, who “have a real knack at maintaining good relationships within the group.”

A Success? Members say “Yes”

When asked if they would do it all over again, members responded with a resounding “yes!” If it were not for the agreement to share equipment and start-up costs, North Star Neighbors members say they probably wouldn’t be in business today. Neighbors and friends working together for the common good is the foundation for this resourceful and promising business venture.

Current members of North Star Neighbors are: Jim and Carolyn Knopik, Dan and Karon Horn, Dean and Shirley Johnson, Ron and Brenda Knopik, Tom and Gail Knopik, all residents of Fullerton; Dan and Teri Choat of St. Edward, and Carol Schooley of Wolbach.



For more information about North Star Neighbors, go to www.geocities.com/northstarneighbors



Small Farms Cooperative is a marketing organization made up of thirty small- and medium-sized farms and ranches. The group came together for the first time in June 1999, and has since formed into a marketing cooperative that markets their products with their Nebraska Natural Products label.

Small Farm Cooperative: Quality and Innovation

This case study was prepared for the North Central Initiative for Small Farm Profitability by Mike Heavrin, Project Leader, Marketing Alliances Project, Center for Rural Affairs.

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Starting Out on the Right Foot

Members of Small Farms Cooperative value trust, honesty, integrity, cooperation and a willingness to participate, and those values are the cornerstone of their cooperative.

There aren't a lot of formal, written contracts that govern the operation of the business. All of the equipment and labor sharing arrangements are based on a "handshake and the member's word."

In the beginning, however, the steering committee that formed Small Farms Cooperative took some steps to assure the maintenance of the shared values of this trust-based organization by outlining some membership requirements.

No one can become a member of the cooperative unless they share its values.

- Potential members can only be admitted if they are known by a current member of the cooperative.
- All members have agreed to nominate only persons who can be trusted to uphold all standards, primarily production standards, of the cooperative.
- Applications for inclusion need 100 percent approval by members of the cooperative.
- All members must be actively engaged in the day-to-day functions of farming or ranching.
- Each member will supply a portion of the livestock they are currently raising to meet market demands.

- Members must uphold, practice and document production standards for all animals, and pledge not to knowingly allow inferior or unqualified animals to enter the human food chain under their label.

Producer response to the cooperative's objectives is so enthusiastic that, two years into the group's development, fifty-nine additional applicants were on the group's waiting list.

Offering a Quality Product

Small Farms Cooperative offers "natural" meat products raised to humane standards with environmentally sound production practices. These products include beef, pork, bison, sheep and poultry products sold under their NNP label (see page 66).

All animals are raised using Animal Welfare Institute standards (but without AWI certification), without the use of antibiotics or growth implants, and are raised from birth until finish on small- or medium-sized family farms in Nebraska.

One product line is "chemical free," essentially organic but without certification by a neutral third party. Additional product lines emphasize the human health benefits of consuming NNP meat products from animals fed on grass, taking advantage of emerging research on the subject.

The group maintains records, mandated by the USDA, that allow buyers to track products to individual farms and animals, which assures customers of the validity of the group's marketing claims.

Sharing the Burden

By far, the most often-cited challenge to the success of Small Farms Cooperative has been a lack of adequate capital.

Contributions from members (which is a membership requirement) and income from sales have been adequate to cover mainly necessary services such as legal counsel, processing charges, webmaster fees, label approval, printing costs, attendance at a food show in California, product development and testing, frozen storage charges, and so on.

Expenses associated with breaking into the national and international markets have been far higher than estimated, however.

That is where the equipment and cost sharing arrangement has been of the most value. Members have allowed the cooperative to use vehicles, buildings, and equipment in an effort to "share the pain." Member Kevin Robart has donated the use of a building on his farm. Meat and samples are currently shipped from Kevin's "home base," and Kevin also handles all mail orders from his farm. Small Farms Coop rents a freezer from Kevin, and pays a fee to power the unit.

Without the equipment and cost sharing arrangements that have been developed, Small Farms Cooperative would probably not be able to survive without changing their bylaws, which currently do not allow non-farmer/rancher members or outside investors.

Capital Infusion

USDA SARE Producer Grants awarded to the group in 2000

Current members of the group are: Clinton and Diane Becker of Fordyce; Dan and Teri Choat of St. Edward; Marvin DeBlauw of Hartington; Randy and Pam Egbers of Hooper; Kelven Foth of Ord; Steve Foth of Ord; Terry and Connie Gompert of Center; Mike and Ceil Heimes of Hartington; Dan and Linda Huenefeld of Aurora; Paul and Dori Huenefeld of Aurora; Brian Kaczor of O'Neill; Mark and Judy Keck of Crofton; Jim and Carolyn Knopik of Fullerton; Ron and Brenda Knopik of Fullerton; Kevin and Janita Kube of Crofton; Larry and Rose Mason of Dixon; Ray and Sheila Miller of Aurora; Dave and Aggie Ortmeier of West Point; Richard and Mary Rose Pinkelman of Wynot; Bryce and Rose Ritz of Arcadia; Kevin and Janelle Robart of West Point; Ben Schole of Hooper; John and Chihiro Smith of Pender; Richard and Kathleen Sobotka of Inman; Paul and Mary Jo Swanson of Hastings; Jim and Karen Tikalsky of Niobrara; Andrew and Sandy Uhing of Hartington; Kevin and Sandy Uhing of Hartington; Robert and Gudrun Warrick of Meadow Grove (retired members); Todd and Julie Stewart of Meadow Grove; and Ron and Danette Wortmann of Hartington.



and 2001 gave a boost to their progress in organizing expenses and developing their shipping and marketing procedures. Small Farms Cooperative has also applied for Nebraska's Agricultural Opportunities and Value-Added Partnerships grant fund to:

- purchase equipment and facilities, such as Kevin's that are being loaned to the cooperative;
- remodel the retail and shipping building on Kevin's farm; and
- purchase a walk-in freezer for this shipping facility.

These additions would greatly improve the co-op's capacity to store and ship inventory.

All of the equipment, including the frozen storage facility, purchased with grant funds will be owned by the cooperative and use of the equipment will be governed by a written agreement.

The Challenge to Find the Right Market

The niche being targeted by Small Farms Cooperative is the natural meat market, with a focus on the United States' east and west coasts as well as the European Union. Matching their

available supply with a comparable demand in these various markets has been a difficult task. It is also difficult to simultaneously tap the regional market and pursue national and international markets.

While the marketing department searches for the "right" market—the proverbial "home run"—on the coasts and abroad, meat is being offered for sale in retail stores across the state of Nebraska.

Meat from Small Farms is available in a regional supermarket chain in Omaha, Lincoln and Norfolk, as well as several local markets in smaller towns in east central Nebraska. Several health food outlets in Omaha and Lincoln also carry products bearing the NNP label.

Staffing sampling promotions in retail outlets has been a major burden for most members due to the distances and time involved. All members have contributed a lot of time by promoting their brand name, Nebraska Natural Products, directly to shoppers at retail locations carrying their products. Like their cooperative efforts in other areas of the business, members have pitched in to share the work on this important marketing task.

Throwing a Wrench in the Works

A potentially devastating problem has been the inability of the group to pay for most of the animals as they have been processed. Members expect that they will eventually get paid for their animals, although no written contract was drawn up between members and the cooperative. Producers continue to supply animals when needed for samples and sales, despite the delayed payment. Members understand that they are investing in the start-up of the business, and that the cooperative structure needs to be established before the members realize a profit.

Tentatively Optimistic

Members are tentatively optimistic about the future of the cooperative. They agree they wouldn't do anything differently regarding the informal nature of their equipment- and cost-sharing arrangements. Formal agreements will need to be drafted as a requirement of the Nebraska Value-Added grant, however.

The final score isn't in yet, but this group of committed and innovative farmers and ranchers has come a long way toward creating a successful marketing structure for their products.



A Kansas wheat farmer starts a producer-focused online resource to help farmers reduce equipment costs. Two farmers tell you what they think of the program.

From Wheat to the Web: Virtual Neighbors Share Machinery to Cut Real Costs

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Innovation From the Farm

In 1992, David Govert, a wheat farmer near Cunningham, Kansas, began to price harvesting equipment, and found that a new combine was running between \$150,000 and \$200,000. He thought the equipment was too expensive, and began to consider other options. He finally settled on a plan to purchase the equipment in partnership with one or more other farmers.

He found a corn farmer in Nebraska who was in the same boat, and the two finalized an agreement to purchase a combine as a partnership. The Nebraska farmer used the combine during corn harvest, and then shipped the equipment to David's farm in Kansas in time for David to use it on his wheat harvest.

David's experience, with all its problems and benefits, led him to begin MachineryLink.com, an online resource to help farmers reduce equipment costs. David used his own practical, on-the-ground knowledge to shape this innovative new company.

A Good Experience

Brian Hess, of Perley, Minnesota, ran into MachineryLink.com when he started looking for a new combine. "Most producers can't afford to buy a combine, especially a new one," says Brian. "It'd be fun to own my own combine, but it's not cost-effective." A good alternative for Brian was to sign a three-year lease agreement, starting in 2001, to share a combine with a farmer in Kansas and one in Nebraska.

The combine, new in 2001, is

rarely idle. It starts the season in Kansas, goes to Brian's farm for the August wheat harvest, then travels to Nebraska for the corn and soybean harvest in September. MachineryLink arranges for maintenance and delivery, and takes care of any repairs. "My only real concern about the lease agreement is the reliability of the machine in years two and three. It takes a lot of abuse from normal usage."

MachineryLink does guarantee that you'll have the machine when you need it.

Each farmer still owns his own combine head, but eliminating the upfront investment in a new combine cut Brian's cost per acre to less than seven dollars.

He gives the company a thumbs-up, and would recommend it to anyone.

Fewer Headaches, More Profit

In Bradshaw, Nebraska, Joe Winter and three of his neighbors also decided that a lease agreement to share a combine would be worth a try. The combine is used for the wheat harvest in Oklahoma, then goes to North Dakota for the small-grain harvest. Joe and his neighbors had the combine by Labor Day for the corn and soybean harvest, and kept the equipment until the end of the harvest in the middle of October.

After his first year with the lease arrangement, he says, "It works real well. We saved a lot of money, and I got along real well with the MachineryLink staff." Joe figures his cost per acre was about eight dollars for the combine and fuel.

He especially appreciated using a new piece of equipment that was well maintained at the nearby John Deere dealership—fewer headaches for Joe and his neighbors. MachineryLink takes care of maintenance, repair and transportation of the combine, freeing the producer to make the best use of time and machinery.

"It was a positive experience," says Joe.

The Bottom Line

Agricultural producers in the U.S. should look closely at the bottom line when replacing or adding farming or ranching equipment. The high cost of most modern machinery makes it essential that producers do what they can to minimize their investment in this capital expense. Programs like MachineryLink have the potential to significantly cut costs for producers.

In addition to its Innovation Managed Lease Program, which sets up equipment-share lease agreements, the MachineryLink.com website provides other tools for farmers: a searchable database of used equipment for sale; a listing of tools and resources, including a used tractor price guide, a farm equipment cost calculator, a listing of research and publications; and a farm auction guide.