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2002 Farm Bill Offers Opportunity to Update Acres and Yields

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Summary of Payment Acres and Yields

Payment	Payment Rate per bu.	Payment Acres	Payment Yield
Loan deficiency	Co. loan rate – posted co. price	Actual harvested	Actual harvested
Direct	Fixed rate	85% of old or new base	Old program yield
Counter cyclical	Target price - higher of loan rate or market price - direct rate	85% of old or new base	Old or new program yield

**The Iowa Turkey Cooperative experience—
West Liberty Foods**

by Kenneth D. Rutledge, President and CEO of West Liberty Foods

West Liberty Foods has proven that a value-added cooperative owned by Iowa turkey growers can carve out a profitable niche in the marketplace. In just five years, West Liberty Foods has gone from a fledgling startup company of 425 employees to an industry leader that employs 1,350 and produces more than 120 million pounds of meat products per year.

Let's begin by reviewing the short history of the Iowa Turkey Growers Cooperative.

- In 1943 Louis Rich purchased the West Liberty Iowa Tomato Canning Plant. At that time he was operating a small plant in the Quad Cities, which he had started in 1930.
- In 1946 the plant was converted into a chicken processing facility.
- In 1948 the sons of Louis Rich, Martin and Norman, focused the company on production of turkey products. This focus is on fully cooked further processed products. Over the next several years the company introduced many new turkey products. The company became known as a turkey product innovator, introducing a full line of fully cooked turkey products.
- In 1979 Oscar Mayer purchased the "Louis Rich" company. The purchase included plants in West Liberty, Iowa., Modesto, Calif., and Newberry, S.C.
- In April of 1996, Oscar Mayer, a division of Kraft Foods, a division of General Foods, a division of Phillip Morris, announced that they were closing the West Liberty plant effective December 31, 1996.
- In May 1996, 47 Iowa turkey growers banded together to try to find a way to continue production of turkeys. Their motto became "Strive to Survive". Their task was a daunting

one. They would either find a way to continue to produce turkeys or convert their buildings to boat storage. Boat storage in Iowa is not an attractive alternative.

The Growers found they needed to:

- Mortgage everything they owned in order to be able to continue to produce turkeys.
- Take a risk few individuals would be willing to take.
- Put together a program of financing with the US Department of Agriculture (Rural Development Agency), the State of Iowa (Department of Economic Development), Muscatine County, Muscatine Development Corporation, the City of West Liberty, Norwest Bank, and Kraft Foods, and do this in a six-month period of time.

With the help of many, many individuals and organizations they were able to pull all the parties together and a program was launched. On December 27, 1999 the facilities of Kraft Foods in Iowa were transferred to the Iowa Turkey Growers Cooperative.

Now the real fun began.

The growers discovered that there was nothing easy about being in the processing and marketing side of the turkey business. The first turkeys were processed by the Cooperative in January 1997. A management team had been formed in November of 1996. A sales program was nonexistent. The only program in place was a commitment on Kraft's part to take a certain portion of the product from the plant.

Unfortunately the Cooperative started processing product during a time of record production and the lowest price in the history of the modern turkey business. This low market condition continued through June of 1998. To give you an idea of how serious this situation was, the normal break-even

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