



February 14, 2011

The Honorable Ann Cummings
Chair, Vermont Senate Committee on Finance
Vermont State House
Montpelier, VT 05633-5301

Dear Senator Cummings,

On behalf of the family farmer, rancher and rural resident members of New England Farmers Union (NEFU) and National Farmers Union (NFU), we write in opposition to S. 7, An Act Relating to the Uniform Limited Cooperation Association Act (ULCAA). This legislation would undermine cooperative business principles that have been in place for decades and would be detrimental to farmers', consumers' and workers' ability to maintain democratic control of the cooperatives of which they are member-owners.

NFU is a grassroots family farm organization with more than 200,000 members across the U.S. and an active and rapidly growing presence in New England. Founded in 1902, NFU has a long history of supporting the development of farmer-owned cooperatives as a way for farmers to add value to the food, fiber and energy they produce. Today, the cooperative business model has been expanded beyond the farm sector to serve the needs of many different industries, consumers and patrons who want to enjoy the benefits of a business that they own and control.

The ULCAA is heralded as a law that will benefit farmer-, consumer- and worker-owned cooperatives because it will allow the cooperative to raise necessary capital through outside investors. While this is a worthy aim, the ULCAA does this by abandoning the cooperative principles that have defined the cooperative sector for more than 150 years. It appears to take control away from the patron-members of a supposedly cooperative enterprise and give it to investors. It throws out the "limited return on equity" principle for virtually unlimited profit-taking by investors. Unsuspecting farmer cooperatives that adopted the ULCAA and admitted investor-members would lose numerous advantages and benefits available to them under federal law, including loss of eligibility for the most fundamental cooperative procedure of patronage dividends.

In reality, under existing law, cooperatives already have ample opportunity to seek outside investment through the use of a separate limited liability company or joint venture or through the issuance of preferred stock without changing the very structure and governance of the cooperative and ceding democratic control. The funding challenges the ULCAA's advocates claim the law will resolve can all be overcome without changing existing law. We urge you to stand up for Vermont's family farmers, workers and consumers and oppose the ULCAA. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Johnson".

Roger Johnson, President
National Farmers Union

A handwritten signature in black ink, appearing to read "Annie Cheatham".

Annie Cheatham, President
New England Farmers Union

cc: Vermont Senate Committee on Finance members