

Plan Now to Attend CGA's Annual Meeting

CGA's annual meeting will be held in Stockton, CA, Friday June 12 - Sunday, June 14. The registration form is included in this mailing or can be downloaded from <http://www.chestnutgrowers.org/2015registration.pdf>.

The weekend will open with a welcome party at the headquarters hotel from 6:00 - 10:00. We'll have plenty to drink and munch on so don't bother with dinner. The evening will give you a great chance to catch up with fellow growers from around the country.

The headquarters hotel will be the Holiday Inn Express, 5045 Kingsley Rd., Stockton and the rate for CGA attendees is \$99.00 per night. It includes free breakfast and internet access. Make your reservation now and tell them you're with CGA. Call 209-946-1234.

Saturday will begin with the official annual meeting followed by some interesting presentations. Of particular importance will be a presentation by Dr. Linda J. Harris, Cooperative Extension Specialist in Microbial Food Safety at UC Davis, on the Food Safety Modernization Act and how it will impact chestnut growers. Saturday will conclude with a visit to Flory Industries, manufacturers of sweepers and harvesters. Sunday will be an opportunity to visit what is probably the only solar-powered orchard in the country owned by former CGA President, Harvey Correia.

Register now!

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Spanish Co-op is Big Player in European Market

Carolyn Young
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The Valle Del Genal is more an oxymoron than a reality. What is called a valley, is in fact, a collection of steep hillsides just south of Ronda, Spain, in Andalucía where chestnuts reign as the major industry and ancient methods pair up with modern technology. I thought it would be interesting to visit and convinced Ray that a trip to Spain in January



Castañas Valle Del Genal occupies a modern facility of about 28,000 square feet in the village of Pujerra (Málaga) Spain.

would not be a problem since they have a Mediterranean climate in the area where chestnuts are the focal point. I regaled him with average high temperatures of 60°F and no snow. How could this not be enjoyable?

I discovered a chestnut co-op in the village of Pujerra, one of the 16 "white villages" of the area and found lodging in Juzcar, about a 15 minute drive away where the hotel owners assured us that it doesn't snow. At an elevation of 2000 feet that sounded reasonable. Little did we know that this would be an abnormally cold winter and the temperatures we would encounter in the area were in the low 30's. And did it snow? Of course!

We had contacted Francisco Cerbán, Director of Castañas Valle Del Genal, who graciously agreed to meet with us and give us a tour of the co-op's facility. The organization of the co-op is different than those

we have in the U.S. Castañas Valle Del Genal was begun by yet another co-op in the same province as a second tier organization, meaning that they have limited function. They don't dry nuts there and they don't produce flour. Neither do they handle all sizes of chestnuts. They handle only two sizes which are further processed and sorted into four sizes for sale to about 65 wholesale customers in Europe. Nothing is sold retail from this facility. Their largest nuts include those having less than 45 per kilo, or 20 or 21 per pound. The other three sizes are those less than 55, 65 and 75 per kilo.

The co-op has about 100 members, who grow Pilonca chestnuts organically. Orchard sizes of this co-op's members are typically about 37 acres with production at about 800 lbs per acre. No irrigation is used. Nearly all harvesting is done by hand and nearly

See Castanas Valle Del Genal, p. 4



A MESSAGE FROM THE PRESIDENT

Over this last year your CGA Board has been working hard to make some very positive changes to benefit the members of Chestnut Growers of America. The CGA Website has now been upgraded by the tireless efforts of Carolyn Young. Please send kudos to Carolyn who has done an outstanding job in making our Website a great information center for everything about chestnuts.

I know Carolyn has sent a message to each member on how to access the restricted page. The restricted page use as member will give you a tremendous ability to access just about anything you

want to know about chestnuts and you will see the history in the development of growing the chestnut industry in the United States for at least the last 20 to 30 years.

Editor Carolyn Young describes "the Restrict Page contains links to every newsletter article ever published by the association and those go back to 1999 so there's a lot of information of use to growers. You'll be able to access information by newsletter edition, by category or by topic. In addition there are links to more than 300 sources of information that may be of use to you." Once again Thank You Editor Carolyn for the great works on upgrading our Website for our membership.

A new option for all the CGA Members is the opportunity to advertise in the grower directory. You can now include a photo and up to 200 words describing your chestnut orchard and its operation for an annual of fee of \$25.00 per year. This is a very inexpensive marketing tool for your membership benefit.

As you will hear more about in this issue, CGA's Annual Meeting will be in Stockton, California, June 12th through June 14th, 2015. Please plan to attend as this will be a great meeting and opportunity to learn more about the type of chestnut cultivars working well in California.

Finally, as you read this next issue, please consider talking to other chestnut growers you might know, that are not members of CGA. Why not ask your chestnut grower friends to join CGA. Tell them about the benefits of joining CGA for such a little cost. Our association has a little over 100 growers as members. I believe there are over 1,000 chestnut growers in the USA. Please help us grow the membership of Chestnut Growers of America through your individual networks.

May your chestnut orchards be bountiful for harvest season 2015.

EDITOR'S NOTES

Our trip to Spain made us realize that a co-op isn't just a co-op -- that there are lots of combinations and permutations, so to speak, so this issue of your newsletter uncovers the uniqueness of each of the known co-ops in the U.S. David English gives us information on the Florida co-op, Tom Wahl reveals the ins and outs of the Iowa co-op, Greg Miller tells us about the Route 9 Cooperative in Ohio and Roger Blackwell writes about the Michigan co-op.

You may come away with a motivation to start your own, or the articles may convince you that you don't want anything to do with a co-op. Who knows? At the very least you'll have more knowledge than you had before this newsletter landed in your mailbox.

Enclosed with this edition is a registration form for the July 12-14 annual meeting. Make plans now to attend this outstanding event.

Chestnut Growers of America, Inc.

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Postmaster: Send Address changes to CGA, c/o PO Box 841, Ridgefield, WA 98642.

Advertising Rates

Full page, camera ready	\$20.00
Half page, camera ready	\$15.00
Quarter page	\$10.00
Business card (4 issues)	\$15.00

One classified ad per member per year is free (max 6 lines, \$2.50 ea add'l 6 lines). Ad space may be reserved with full payment but must meet established deadlines. If ad is cancelled, money may be refunded if space is resold. Make checks payable to Chestnut Growers of America, Inc.

All ads and other copy preferred in PC format. Email to Carolyn@ChestnutsOnLine.com. Ads must adhere to published ad sizes for space purchased. Call for specifics. Layout of ads will not be done until payment is received. Send materials to P.O. Box 841, Ridgefield, WA 98642, or Fedex/Express Mail to 29112 NW 41st Ave., Ridgefield, WA 98642.

Publication and Deadlines

Fall deadline	9/10, mailed 10/1
Winter deadline	12/10, mailed 1/1
Spring deadline	3/10, mailed 4/1
Summer deadline	6/10, mailed 7/1

Editorial Opinion

The views, articles and advertising appearing in The Chestnut Grower do not necessarily reflect the attitude nor policy of Chestnut Growers of America, Inc., its members, officers, Board of Directors or Editor. Chestnut Growers of America, Inc., and this publication are not responsible for errors and/or misrepresentations in advertising.

The Editor reserves the right to reject or edit all material submitted for publication.

Prairie Grove Nut Growers Cooperative

A Nutty Business

by Tom Wahl

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The first commercial planting of chestnuts in Iowa was done in spring of 1991. Planting picked up dramatically after a promotion by the now defunct Great Lakes Chestnut Alliance in March of '92. By 1994 there were more than ten commercial chestnut plantings in Iowa.

The first handful of chestnuts from these plantings was harvested in 1997, and by 1999 harvest had reached into the hundreds of pounds. In January of 2000, 12 chestnut growers met to discuss the potential for accessing better markets and receiving better prices by pooling resources and marketing collectively. Later, the group met with representatives of the Iowa Association for Cooperatives and learned about 501 agricultural cooperatives. They learned how they were set up and organized, their advantages and disadvantages, and the costs associated with the setup.

Shortly after that the group met again and decided against the 501 agricultural

dehydration, or any other problem resulting in reduction in quality.

Anyone with chestnuts meeting quality standards would be allowed to sell them through the coop.

John Wittrig of Winfield, Iowa, was appointed Marketing Coordinator, and in the fall of 2000 he sold several hundred pounds of nuts from four or five members. He established a list of customers including several Eastern Iowa groceries and a number of individuals.

In the spring of 2001 John Wittrig indicated he was not interested in continuing as Marketing Coordinator. I was "drafted" into the job

of nuts, with the smallest nuts bringing the lowest prices, and prices increasing with increasing nut size.

For the first few years, growers had to drop off their nuts and wait until they were sold before getting paid. The 12% commission turned out to be not enough to even cover expenses, so the co-op remained under capitalized. We realized the commission would have to be raised or this co-op would not work. We ended up increasing the "markup" to around 25%, and within a couple of more years the growers could be paid as soon as their nuts were sorted and weighed.

The growers seemed satisfied with the arrangement, and as word spread, more and more growers brought nuts into the co-op. Members came from South Central and Northeast Iowa, and also from Illinois and Missouri. After a few more years we changed the name to "Prairie Grove Nut Growers" to reflect the broader geographic base of the membership.

By 2013 there were over 40 farms bringing nuts to Prairie Grove for marketing,



Members of the Prairie Grove Nut Growers cooperative meet to discuss current issues.

cooperative. They still wanted to do collective marketing, but wanted the arrangement to be informal. They decided against having a board or officers, dues, or even a membership process. It was decided to appoint one individual as "Marketing Coordinator" and named the co-op "Southeast Iowa Nut Growers."

The group would bring their chestnuts to the Coordinator who would market the nuts in return for a 12% commission to cover expenses. A set of quality standards was established: nuts needed to be clean and no more than a maximum of 2% of nuts in any lot could have defects. Defective nuts were defined as any having spoilage, any kind of animal or mechanical damage, split shells, multiple embryos, excessive

"temporarily" until a more permanent replacement could be found. That took 13 years.

John Wittrig's experience made it clear that many chestnut customers had definite size preferences and didn't want other sizes of chestnuts mixed in. I adopted the size categories being used by Empire Chestnut Company at that time, and I built a prototype chestnut sorting machine: Small chestnuts were any that could fall through a 7/8" diameter round hole. Medium sized nuts were too big to fall through a 7/8" hole, but could fall through a 1" hole. Large chestnuts were too big for a 1" hole, but could fall through a 1 1/8" hole. Extra Large chestnuts were any that were too big to fall through a 1 1/8" hole. Growers were paid a different price for the different sizes

and many more new growers indicating strong interest in marketing through the co-op once they had something to market.

It became clear to me that my farm and facilities were inadequate for the growing volume of chestnut production, and I decided to turn the Marketing Coordinator job over to someone else. A meeting of the co-op members was held in November 2013—the first in several years—and Roger Smith volunteered to take over the job. He moved the business to Columbus Junction, and changed the name to Prairie Grove Chestnut Growers. Roger feels his first season as Marketing Coordinator was very successful. Both growers and customers were happy with the convenience of doing business in town, on a paved road.

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Castanas Valle Del Genal, cont'd from p. 1

everyone in each of the villages participates. People take time off their jobs so they can help. Only a few growers are able to use harvesting equipment because of the terrain. Even if they wanted to it would be nearly impossible on the steep slopes and most of



Fall in the hills of Andalusia. Picture with permission of Castañas Valle Del Genal.

the orchards we saw were planted in more of a random pattern than in organized rows. We thought it unusual that some of them were



Fall brings out entire villages to help with the hand harvest. Picture with permission of Castañas Valle Del Genal.

planted on about 20' centers while others were well over 40'.

Pruning was taking place at the time of our visit and we were puzzled with the approach. There seemed to be no specific goals, like thinning branches or pruning high enough to make it easier to walk under the trees, or pruning to remove dead or dying limbs. I'm sure there was some logic involved. It just wasn't apparent to us.

Chestnuts have been grown here since ancient times and in many of the orchards there are trees obviously over 100 years old. Growers here are fortunate that there is no blight in the area – at least not yet. Neither do they have gall wasp, but it's moving toward the area. They do have chestnut weevils and so “sterilize” the nuts in a water bath for 40 minutes at 118°F. They have no sanitizing process and claim to have neither mold nor mildew. Thanks to their early



Sophisticated equipment eases the processing but it still takes skilled workers to sort for quality. Picture with permission of Castañas Valle Del

season and optimum size and quality, the Genal Valley chestnut is one of the most highly valued in Spain.

Afternoons during harvest see cars, trucks and tractors lined up at the processing facility with the results of their day's work.

The co-op's facility is one of the most technologically advanced in Europe. The building is nearly 28,000 square feet in size and production reaches almost 4,500,000 lbs during the 40 day harvest. There are five drive-in refrigerators.

Co-op members do not participate in processing the chestnuts. Instead, there are employees who can devote full time during harvest. This allows members to devote full time to harvest and no one gets upset that they put in more time than someone else processing the nuts.

Much of the equipment in the plant is from Italy's Boema Co. and has been at least partially funded by government subsidies. Recent equipment purchases have been from Spanish manufacturers with equal quality and lower costs.

Quality control is important in the co-op's operation and includes immediate processing of nuts, proper sterilization according to government standards, refrigeration and humidity standards, and other standards that promote a quality product.

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LPAutomated bagging makes the process easier. Picture with permission of Castañas Valle Del

History of USA Chestnuts Co-op

By David English
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Around 1991, Jerry Adams planted several hundred chestnut trees on his property in southern Georgia, while I started in 1992. We never made contact with each other until around 2005 or 2006. When we eventually met, I realized Jerry had big plans to help us both sell our chestnuts. He did some research, then contacted all the growers he could find in Florida. Many of those contacted came to a presentation by the local county extension office in Gainesville around 2007. Within the year we joined forces to see if we could pool our chestnuts to create a better opportunity to sell to big box store buyers. During this time, Jerry and I made attempts to get our chestnuts sold by contacting buyers in Tampa and Atlanta. In early 2008 we had our first meetings in Alachua and began the arduous process of forming the co-op that we have today. Our common goal was selling chestnuts; thinking that we as a group have more selling power than individuals.



L & E Farms, a member of the co-op, started with 200 trees in 1992 and slowly expanded over the next several years to over 2500 trees today.

Joel Kersey was elected our first President and we elected a secretary and a treasurer and members of the board. We had no idea what to do to get started, but we researched it and we decided we needed to somehow issue shares to form the membership and issue payouts based on the shares. But the co-op didn't own the trees, so that idea faded. It finally came down to payouts being based simply on what growers brought in if they were members.

We then had to find buyers. But before that we had to figure out how to wash the nuts, sort them, bag and then properly store them. We also had no experience in writing bylaws, so we borrowed from existing text from existing bylaws that seemed to have similar themes to get us started. Bylaw revision continues to this day!

One of the major initial problems we struggled with was how to divide the tasks, whether it was sales, writing invoices, making deliveries, organizing ways to deal with growers bringing in nuts for processing, or handling the related paperwork to keep everything on track. Early communication issues with growers included bringing in nuts that needed to be washed, sorted and bagged and the weight of what was brought not matching up with what eventually got

processed and bagged for sale. Communication issues were continually critical to member/grower satisfaction, not only with processing but also with the expenses that seemed to eat into what member growers eventually earned.

Initial sales were sluggish in that we had no name recognition with big buyers and any little flaw with the nuts seemed to bite us. Uniformity of product is an issue we did not attend to in the early years! The amount of effort on the part of only one person acting as the sales director was huge, so the co-op recently transitioned into a paid sales manager, but that also cut into the member grower income, but we could find no alternative that would work. The co-op also had no internet exposure for online sales, so the focus became large transactions.

It was clear our early struggles seemed to center on how operations would be organized. The expenses of getting nuts to market were mounting up. This included cooler utilities, the bags, bookkeeping, washing and sorting equipment, etc. And who was to own all the equipment? Who paid for it if it was used by everyone? Eventually the Co-op bought a large container to hold the equipment stored in the Alachua facility, but to this day, that is the only thing owned by the co-op. Individ-

ual members that have more than 1000 pounds of nuts are slowly gravitating to their own washing and sorting equipment and coolers. Also, the high temperatures of the Florida fall, usually in the high 80's and 90's, coupled with the typical early nut drop, forces growers to immediately get their chestnuts into cold storage. Harvest had to be a daily effort to keep them fresh and avoid predation from squirrels, raccoons and deer.

We also had to set up an account with a bank, hire a bookkeeper, set up invoicing, track member inventory and manage storage and delivery systems. Everything one could imagine that needed to be done to get a small group of eager growers excited, and one person, (usually Joel Kersey, our first president), took up the lead to get things going. Having one person willing to take the lead was huge in the development of this co-op in the early days and Joel was it. Without his efforts, I doubt the co-op would exist today.

It should also be noted that aside from a few grower/members, all other grower/members had full time jobs or were retired and wanted to make a few extra bucks selling chestnuts from their trees. Most member growers also bought the property and the chestnut trees were already there or they planted a few themselves. No one really had a significant volume of trees aside from one with over 2500 trees and another with over 3000.

It became clear to early co-op members that making the co-op profitable was going to be a serious challenge, but we at least wanted sales to cover our expenses and also generate some revenue. Some early members also thought big money was involved and when checks were released, a few were not at all happy, feeling like they were misled. So again communication to the members has been a key factor in furthering the success of the co-op.

There were also concerns about how the small and medium size nuts were not selling like the large and extra-large nuts. There was discussion about what to do with these unsold nuts. Efforts to turn the smaller sizes into chestnut syrup came about, as well as beer and flour. Only the flour effort remains today for one member/grower.

We also became aware of discrepancies in the way the nuts were being described by size across the country. Marketers used different terms or letters like AAAA. Our "large"

Continued on next page

OPINION

Learning from Each Other

I delighted in the article, “Starting a Chestnut Orchard, A Retelling of the Story of Job” by Marina Ferguson. Perhaps it is a case of misery loves company. At every paragraph, whether it was getting the bad planting directions from her nursery, losing the grafts on her transplants, hav-



by Charlie NovoGradac

ing to learn and do field grafting and top-working, or clearing clogged drip emitters, I kept saying to myself, “been there, done that.” Or, “I could have told her that.”

And the reference to the Story of Job in the title reminded me of the divine intervention in my own chestnut project. We had suffered a series of record-breaking weather events the years I started, such as “driest six months on record”, hottest summer since the 1930’s, and several unseasonal record-breaking cold snaps, both spring and fall. One hard freeze, unseasonably harsh in early October, 2000, killed all my grafts and at least a third of my 5-year-old seedling trees dead to the root.

But that’s not the core of my story. Since my orchard is within a mile of the official weather station for Lawrence, Kansas, I started watching temperature records on www.weather.gov, which gives you information for any zip code. I wanted to be able to document how bad it was. It was on the internet, therefore, that I read the writing on the wall.

One night in early December in Lawrence we registered a record low temp of 15 F degrees below zero. This broke the record for the date, which had been a relatively mild zero degrees! Wait—it gets better! That same night weather stations 50 miles to the east and 30 miles west registered low temps seven and eight degrees warmer than ours. Every place nears us was warmer than Lawrence. I kept searching regional weather stations and found no temperature as cold as Lawrence until I got to stations in North Dakota (perhaps 600 miles to the north). Where had our record-breaking cold air come from?

Well, the barometric pressure at Lawrence was very high that night. And the closest air that was super-cold was in the upper atmosphere. I imagine that freakish extreme record-breaking cold was God’s lightning bolt manifested as a column of frigid upper-atmosphere air sinking down upon my orchard. That lightning bolt had my address exactly—it was a message to me, ... possibly, ...maybe. What I am sure of is: I planted in a frost pocket.

I would not compare myself to Job but after the October 2000 killing freeze we persevered.

In 2001 most dead trees sprouted from the stumps; I grafted stump sprouts over the succeeding years and observed others. The trees, surprisingly, survived the December cold described above, with a little damage. In 2005 a late freeze (the like of which old local farmers had never seen in their lifetimes) defoliated our orchard; most trees resprouted from epicormic buds but did not flower. We similarly endured the 2007 freeze, remembered in our area as the disastrous “Easter freeze” that wiped out all fruit and berry crops across Kansas and Missouri and beyond and reportedly killed chestnut trees in Tennessee. But having no catastrophic record-breaking weather events since 2007 (other than the worst drought since the 1950’s), our chestnut production has been slowly and steadily increasing to levels that, at year 20 of our chestnut project, approach “all we want to handle.” Because of our frost pocket problem (which was foreseeable, I now understand) it has taken a lot longer than we had planned. Thank goodness people really like our chestnuts—that at least is encouraging.

Back to Marina Ferguson’s delightful story, I am reminded of the expression, “hit the ground running.” In chestnuts also we all are in a hurry. Many new chestnut planters are thinking of the orchard as a retirement activity and, regardless, nobody is getting any younger. We want to see results as fast as possible and we want to get production to recover those initial costs. Therefore, it is tempting to spend more for pre-grafted trees and perhaps plant more trees at the beginning. Or maybe we buy into in a high-tech irrigation system before appreciating the challenges presented by that technology, which intuitively seems simple but in reality is not. What Marina’s experiences teach us is: don’t expect to hit the ground running. Be patient. Avoid questionable nursery stock. Don’t rely on the advice of nurserymen against common sense. Maybe select, stratify and plant your own seeds. Do field grafting on stable healthy seedlings. Graft only on seedlings of the cultivar grafted. Test your water for dissolved minerals. Run some trials before making costly mistakes. Take the time at the beginning to save time in the long run. Finally, realize that there is no single sure-fire expert formula for success in growing chestnuts at large acreage scale. Anyone who thinks otherwise is apt to learn the meaning of “hubris.”

What I would like to add, and the reason for my writing this comment, is I really enjoy exchanging experiences, successes and failures alike, with other chestnut growers. To paraphrase the golden rule, share your knowledge freely with your fellow chestnut growers as you would have them freely share unto you. Learning from each other is the best reason to be a member of Chestnut Growers of America.

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ChestnutsUSA Co-op, cont’d from p. 5 sized nuts were considered medium in some circles. What to do? Buyers seemed concerned about this issue, but we pushed on with our own sizing system. There was no national oversight as for pecans or peanuts, so who was to tell us otherwise? We eventually realized that the buyers would set the tone for the prices of the different sizes.

At the time we first started, we knew of no other co-ops, and only a few that grew and sold chestnuts on the internet or to large buyers. We learned a lot from Greg Miller’s operation!

The co-op also wanted to avoid any potential tax issues so the idea of being recognized as a non-profit was finalized and eventually came to be.

We also knew of no methods used to harvest chestnuts other than by hand so that is what every one did. A few attempts were made with engine powered equipment, but they did not work. Eventually one grower did invest in a dedicated harvester and it seems to work well. Also, since everyone planted similar trees around a similar time, our spacing between the trees was similar, (too close!) and everyone struggles with that to this day. Many members also struggle with the variability of their seedling based trees and/or the lack of vitality on older grafted trees, but co-op efforts to explore grafting for the members continues.

We were also able to take advantage of Florida Department of Agriculture and Consumer Services, (FDACS) support programs that helped pay for half our printing and bag costs. We did pay for the development of a co-op website, but never utilized it for on-line sales in the way it was intended. It became clear that the effort in handling internet sales would again fall on the shoulders of one person. No one else wanted to handle internet sales as none could figure out how. Issues such as how to get paid and how to box up the nuts, how to ship the nuts and who would keep up with the invoices. And again, most everyone had real jobs so who would do it?

If it weren’t for the larger buyers, this co-op would have died on the vine long ago. But part of our early problem was convincing these institutional buyers that we would be a reliable provider year after year. Yet we had no way of predicting how many nuts we would end up with, much less by size, until all the nuts were in the coolers. Even then, weight loss due to dehydration haunted us until this past season, 2014.

The co-op is still growing, with over twenty members from the original five or six that first started. Sales have continued to pick up and the co-op is maturing every year and becoming wiser.

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Route 9 Cooperative: How We Do It

Greg Miller
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It began innocently enough in the spring of 1957 when my father, Jay Miller, planted 25 Chinese chestnut trees on his recently acquired 100-acre hobby farm in Carroll County, Ohio. Subsequently, more chestnuts and other nut species were planted under the influence of Northern Nut Growers Association (NNGA) membership. Over time it was discovered that chestnuts performed better than any of the other nut trees. So, my NNGA-smitten father decided to buy more land just to have a place to plant more chestnut trees (land was cheap back then). Thus, he bought another 80 acres. In 1972, my father and I planted 550 chestnut trees on 20 acres of this “new farm”. Clearly, this hobby was getting out of control. In 1984 (after college), I returned to the farm with the idea to turn Dad’s hobby into a business. Thanks to the continuous and sometimes reluctant support of my wife, Diane, I was able to stay in business, dba Empire Chestnut Company. By 1989, Regal Mining had purchased much of the land adjacent to our 1972 chestnut planting for strip mining purposes and for some reason decided to get into the chestnut business. Over 3 years, they bought and planted about 8,000 nursery trees from me. Some lived, some died. Subsequently, low coal prices and chestnut tree growth that was too slow for coal miners forced them to sell the land with its young trees. The land eventually ended up in the hands of three different landowners, all of whom bought the land, in part, because of the chestnut trees (they are all avid deer hunters). Meanwhile, I kept picking up chestnuts. Along the way, I picked up some research grants to learn more about harvesting and postharvest quality maintenance. And buyers showed up, offering to buy “all that I had”. In 2004, I started buying chestnuts from my new neighbors – those mining company trees were finally starting to produce. By 2007, the increasing production from the neighbors’ orchards eclipsed the production from my own orchards. In 2009, a record crop of 60,000 lb greatly exceeded my capacity to handle and store it (but did not nearly meet the demand from

buyers). Meanwhile, another Ohio grower (Bob Stehli, Mantua) also had a burgeoning crop that was stretching his handling capacity. At this point, I realized that we couldn’t put it off any longer; we needed to build a larger chestnut packing facility. So, in 2010, we five growers decided to pool our resources and build a common chestnut packing facility. Route 9 Cooperative was born.



The Route 9 Cooperative built a class building for their processing.

Of course, the idea for a better packing facility or cooperative did not suddenly hit us in 2009. Like most farmers, I often take breaks and sigh, “There’s gotta be a better way.” Which soon progresses to, “I oughta...No Wait! I mean, WE oughta... Then there are breaks that turn into conversations around the pick-up truck... By the time that 60,000 lb crop hit us in 2009, the new packing facility and running the co-op had been pretty well thought through and discussed. Thus, the 2010 implementation of the plan was just a matter of money and details – neither of which are trivial matters, by the way.

General Rationale and Structure of Cooperatives

Agricultural cooperatives allow grower-members to combine their resources and efforts in order to increase income, reduce financial risk, and/or reduce individuals’ workloads and stress. This is accomplished mainly through reduction of competition among growers, economy of scale, and specialization within the co-op. By the time my neighbors and I decided to form a cooperative, we had already been functioning as one for several years; we marketed our crops together and worked for each other on various production tasks. The need to formalize the

arrangement was made necessary when we decided to cooperatively build a new packing, storing, and marketing facility.

We started by contacting an Ohio State University Extension specialist whose specialty is cooperatives. Through face meetings he gave us lots of advice and put us in contact with a legal firm and an accounting firm, both of whom specialize in cooperatives. From the lawyer, we got a template for constitution and bylaws, which we customized to fit the ways we wanted to operate. We actually removed a lot of unnecessary language from the template and changed or added relatively little (but important). The advice from the attorney was that since we were small (membership and financial) and already working well together, we should keep our legal documents short and simple, while granting much discretionary power to the board of directors. This approach has worked well. The attorney filed the necessary paperwork with the State of Ohio so that we are incorporated as an agricultural cooperative. Agricultural cooperatives enjoy some special legal privileges, but frankly, those privileges seem to matter little to us. Nevertheless, because of our special legal status, with accompanying special IRS rules, it’s nearly obligatory to utilize an accountant who knows those rules.

Because a cooperative is a type of corporation, it enjoys standalone legal status. This reduces the risk that the business is too dependent on one mortal individual. Back when I was buying chestnuts from my neighbors, they were totally dependent on me and my assets to monetize their chestnuts. Now, the corporation can own and operate business infrastructure without danger of dying or quitting, and it allows us to create redundancy among the principal personnel so that whenever someone leaves, the business still functions. The existence of the corporation also increases the value of members’ chestnut orchards. Selling and buying orchards is easier and less risky if there exists a permanent entity whose dedicated purpose is to buy chestnuts and help growers. Adding to this security is the attribute that, by definition, cooperatives are owned by their members. So, the value of the corporation to the orchard owners is further enhanced by the fact that the orchard owners also are part owners of the cooperative, and they maintain

Continued on next page

Route 9 Cooperative, Cont'd from p. 7

control of the cooperative. In our co-op, as in most co-ops, equity is distributed among grower-members proportionally to the volume of chestnuts that they have sold to the co-op.

By far, the most important value that a cooperative provides to its members is that whatever the co-op owns and operates are things that grower-members do not have to own or operate. This greatly reduces the barrier to becoming or remaining a chestnut grower. In our case, the co-op provides the facilities and equipment for collecting, cleaning, sizing, grading, cold storing, packaging, and marketing, along with competent and dedicated personnel to perform these tasks. This also includes website maintenance (most of our sales are online), bank account, merchant account, food facility compliance, insurance, employee handling, taxes, utilities, and other non-enjoyable tasks.

How It Works for Us

As already stated, our co-op began when we needed to build a new larger chestnut packing facility. We built a 5,000 sq ft building with 30 x 20 x 12 ft high cold storage and 400 sq ft office space. The building is located adjacent to most of our orchards. We handle chestnuts with a forklift in vented plastic pallet boxes. The cold storage can hold 100,000 lb of chestnuts. With current throughput capacity we could handle 200,000 lb of chestnuts in a season. The value of the building and its contents is about \$250,000. To pay for this facility, a couple of us made modest cash contributions, I donated equipment and supplies from my old operation, and 3 members loaned a total of \$173,000 from their home equity lines of credit. We also received a Specialty Crop Block Grant from the USDA for \$53,387 which covered “soft” start-up expenses that indirectly helped support facility construction. The balance of the facility cost was paid with current chestnut income. The money borrowed from members is being paid back in yearly installments at 6% interest. We allocate \$0.30 per lb of chestnuts handled to debt retirement; thus the installments vary from year to year depending on crop size. We’re on schedule to retire the debt in 10 years.

At the moment there are 5 members of our co-op, all of whom are charter members accustomed to working together before the co-op existed. All members serve on the board of directors. The only membership requirement is that each member must market at least 1,000 lbs of chestnuts through the co-op. Members are free to sell their chestnuts outside the co-op as long as their selling price is equal to or greater than the co-op’s selling price. The basic business model is that we buy orchard run chestnuts from grower-members, then clean, grade, pack and sell them. The difference between the buying price and selling price is just enough to cover the co-op’s expenses. Growers are paid a lump sum in December for the chestnuts that they provided to the co-op during the past season. By December, the chestnuts are essentially all sold and most expenses are incurred. Essentially, the growers divide up the “profit”; the co-op strives to have zero net income. Over the past couple years, the co-op has paid growers \$1.30 per lb. This seems to more than cover their production costs.

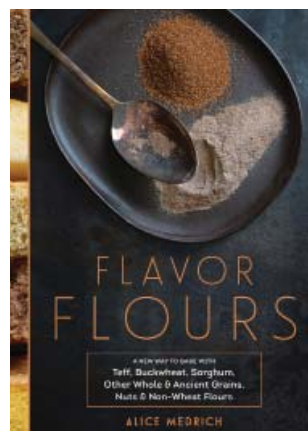
We’ve hired a facility manager to oversee nut handling and an office manager to oversee orders and accounting. I work as engineer, consultant, wholesale marketer, and whatever else needs done. We also hire a number of people to grade chestnuts and pack boxes. Everyone works on a part-time, as-needed basis and is paid an hourly wage.

In addition to packing and marketing their chestnuts, the co-op provides optional fee-based services to members. These services include spraying (for weevils) and harvesting. In the future we will be offering mowing and pruning as well. The provision of these services is practical only because four of the members’ orchards are contiguous and can thus be managed as one unit. I have been in charge of spraying since the beginning and another co-op member has been in charge of harvest management for many years. The harvest manager oversees about 100 local people who hand-harvest the crop (lots of the same people each year); they get paid \$11 to fill a 5-gal bucket with chestnuts out of the bur. The co-op pays for the contract spraying and for the harvesting, then deducts the costs from the growers’ chestnut checks. So, even though the growers don’t get paid until December, the co-op is fronting a large part of their seasonal production costs.



Greg Miller saw an opportunity in the co-op structure to help nearby growers.

Two of our members are absentee landowners who have full-time off-farm jobs. They don’t have a lot of time to be chestnut growers. They value the co-op’s ability to provide quality services to help them produce their crop. The harvest manager, who lives on-farm, finds that managing the harvest for 70 acres pays better than managing just his 20 acres (lots of fixed times and fixed costs involved). For me, it’s great. The co-op pays me as a contractor to spray trees, as an employee to do whatever in the building, as a grower for my chestnuts, and as an investor for the money I loaned. Thus, members can work as much or as little as they want, and get paid accordingly. At the same time all members are fully engaged in decision-making as board members.

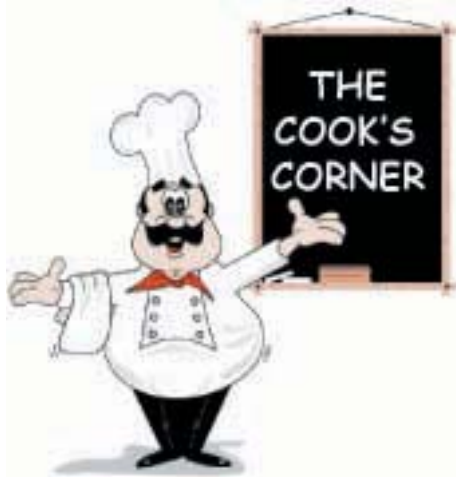


Flavor Flours

Alice Medrich is a James Beard award-winning author and says, “The flour produced from dried chestnuts is soft and sweet, a wonderful and inspiring baking ingredient.”

Ms. Medrich has graciously given CGA permission to reprint the recipe for her Chocolate Chestnut Souffle Cake, from her newest cookbook, *Flavor Flours*, just released this past November. She has twelve truly

unique recipes for chestnut flour in the cookbook that you’ll love to prepare.



THE COOK'S CORNER

Chocolate Chestnut Soufflé Cake

Serves 10 to 12

Chestnut flour adds a delicate flavor and a soft texture to this otherwise flourless chocolate torte. The trick to getting this torte just right is using a dark chocolate with a cacao percentage that is not so high that it overwhelms the chestnut flavor. For extra flavor and a little crunch, you can sprinkle the top of the batter with pine nuts and let them toast as the torte bakes. Serve this cake with plain or coffee whipped cream. For the best flavor, bake the cake a day before serving.

4 ounces (115 grams) 60% to 64% chocolate, coarsely chopped
8 tablespoons (1 stick/115 grams) unsalted butter, cut into chunks
4 large eggs, separated, at room temperature
½ cup (100 grams) granulated sugar
⅛ teaspoon salt
¼ teaspoon cream of tartar
½ cup (55 grams) chestnut flour
3 to 4 tablespoons raw or lightly toasted pine nuts (optional)
Powdered sugar for dusting (optional)

Equipment

Stand mixer with whisk attachment or handheld mixer
8-by-3-inch springform pan or cheesecake pan with removable bottom, ungreased

1. Position a rack in the lower third of the oven and pre-heat the oven to 375°F.

2. Melt the chocolate and butter in a stainless steel bowl set directly in a wide skillet of barely simmering water, stirring occasionally until the chocolate is almost completely melted. Remove from the heat and stir until the chocolate is completely melted and the mixture is smooth.

3. In a large bowl, whisk the egg yolks with half of the granu-

lated sugar and the salt until pale and thick. Stir in the warm chocolate. Set aside.

4. Combine the egg whites and cream of tartar in the bowl of the stand mixer fitted with the whisk attachment (or in another large bowl if using a handheld mixer.) Beat on medium speed (or on high speed with the handheld mixer) until the egg whites are creamy and white and hold a soft shape when the beaters are lifted. Gradually sprinkle in the remaining granulated sugar, beating on high speed until the egg whites are stiff but not dry.

5. Immediately whisk the chestnut flour into the chocolate batter, then scrape about one-fourth of the egg whites on top of the chocolate batter and fold just until blended. Fold in the remaining egg whites. Scrape the batter into the pan and spread to level if necessary. Sprinkle the batter with the pine nuts, if using.

6. Bake for 25 to 30 minutes, until a toothpick inserted in the center of the cake comes out almost clean. Set the pan on a rack to cool completely. The cake will sink and may crack on the surface as it cools.

Excerpted from Flavor Flours by Alice Medrich (Artisan Books). Copyright © 2014. Photographs by Leigh Beisch.



Chef image above courtesy of Grant Cochrane, FreeDigitalPhotos.net[®].

Chestnut Growers, Inc., the Michigan Chestnut Cooperative

by Roger Blackwell
rblackwel@comcast.net

This article is about Chestnut Growers, Inc. (CGI) the Michigan Chestnut Cooperative's history as a cooperative business. I will describe how CGI works as a co-op, how grower members manage the business, and how CGI communicates as an organization of chestnut growers. Finally, I will discuss the business of maximizing the return on investment for the co-op chestnut grower members and continuing to grow the CGI cooperative business.

History of Chestnut Growers Inc. (CGI)

Chestnut Growers, Inc. established a corporation as a co-operative in 2002. CGI is a producer owned and controlled processing and marketing cooperative with 32 grower members who joined the cooperative to access markets for fresh chestnut products. Members are located throughout the Lower Peninsula of Michigan. Its product lines include fresh chestnuts for wholesale and retail markets. The purpose of the cooperative is to provide the grower members with a place that will process, clean, size, package, and market their chestnuts that can be sold at greater values than they normally receive through their individual sales and marketing efforts.

This co-op initially formed a steering committee in 2001 and started the process to form a legal corporation in the state of Michigan. The steering committee worked with advisors from Michigan State University and an attorney specializing in forming a corporation. The committee completed a feasibility study and started the business planning process providing a design on how the cooperative should run. The steering committee comprised of chestnut growers established guidelines for the resources necessary to make the venture successful. It has taken Chestnut Growers, Inc. considerable time and effort to establish the co-operative. The members have had to be very attentive to paperwork, accounting, administration, and legal issues. The co-op has learned about improving operations, advertising, and packaging. Since the co-op members own the business, they have been actively involved in seeking out markets and shoring up existing ones.

The company enjoys a competitive edge in the marketplace because it has learned to handle chestnuts in proper refrigeration and packs out just in time orders for its buyers. CGI guarantees the quality of the fresh chestnuts it brings to market and currently has a demand that out paces any supply for the foreseeable future. The produce buyers will buy and pay a higher price for quality chestnuts. Many of the



Shelle dumping at the first sorting belt.

wholesale buyers prefer to buy our Michigan fresh chestnuts. CGI has access to a professional team of researchers at Michigan State University to develop the chestnut industry, established relationships with local marketers of gourmet food products, and access to local markets to capitalize on current consumer interest in locally produced food products.

The cooperative's retail distribution is local in the Great Lakes Basin with distribution handled mainly by the members. The company maintains a website and toll-free telephone number through which it receives orders directly from retail consumers. These orders are either delivered directly if locally based or shipped via an expeditor such as USPS, UPS, or FedEx. Fresh chestnuts are sold in a number of local venues directly to retail consumers or wholesale through existing retail outlets. The company has a sales and marketing presence at the Eastern Market and the Detroit Produce Terminal in Detroit, Michigan.

The company uses promotional and public relations efforts to encourage customers who are not familiar with chestnuts to sample them. The primary promotional efforts focus on the holiday season surrounding Thanksgiving through Christmas by conducting chestnut roasting, sampling, selling at various festivals, and attending specific food shows to demonstrate chestnut products.

Chestnut Growers, Inc. has been processing and selling chestnuts since 2002, but is still a relatively young business. It currently relies on its Board of Directors for management as well as policy direction and its members to provide labor for raw product accumulation, processing, packaging, distribution, and sales.

However, its long-term goal is to grow the business to allow hiring professional management to operate the business under the policy direction of the Board of Directors. CGI currently relies on the advice of a number of consultants, mainly affiliated with Michigan State University, for its product development, marketing and sales programs. The co-op does employ the services of legal counsel and accounting when the need arises.

How CGI Manages the Business

The management team includes the Board of Directors of CGI who currently serves as the operational management team. There are seven Board of Directors on the team who each serve three year terms of which three or two members are up for election each year. Each year at least two Board of Directors positions are posted for election at the Annual Meeting. The rotation of the Board of Directors occurs each year with minimal disruption to the company. All the Officers and Directors are producers of chestnuts and elected to their positions by the members of CGI. Three key officers on the Board are the President, Secretary and Treasurer which maintain the leadership of the cooperative.

The goal of the Board of Directors is to grow to a financial level that will allow hiring outside management. The majority of the Board members also operate their own businesses and grow chestnuts for CGI. The short term outlook for the Board of Directors is to create a profitable, sustainable business and hire a professional management team to operate the business.

How CGI Communicates

Currently, the Board uses bi-monthly teleconferences and periodic meetings to conduct the business of CGI, supplanted by weekly conference calls during the harvest season which occurs during September and October. All conference call meetings and scheduled in-person meetings have minutes which are shared with all members of the cooperative via email or hard copy via the U.S. Postal Service. Several committees have been formed to work on projects for the benefit of the cooperative. Also, CGI utilizes consultants to the Board of Directors for legal services, accounting, chestnut research, new products, packaging, marketing, shipping, and any other area that would require professional advice.

The cooperative has now been in business for over thirteen years and relationships of the Co-op members have developed to the point of being family.
The Chestnut Grower

Sometimes members of the family argue back and forth, but once all issues are heard, ultimately level minds prevail. In running the business, many times decisions are made through reaching consensus. Most of the important decisions on business for the cooperative are discussed and reviewed. A majority vote is usually necessary at the Board of Directors level to make an important decision on policy or a major expense to be made on equipment, packaging supplies, or payments to the growers for the chestnuts brought to the cooperative. It has been and will continue to be important to share all the facts of a proposal and meet through collaboration or compromise on commitments for the benefit of the business. Many of our discussions could be described as sitting around the kitchen table with family in order to make an important decision for the co-op and its grower members. Reaching consensus on decisions is CGI's model of decision making for the business.

Maximizing the ROI

The purpose of the cooperative is to provide the members with a place that will process their chestnuts into products that can be sold at greater values than they normally receive through their individual sales and marketing efforts. The cooperative acts as an entity to clean, process, grade or size fresh chestnuts, package, and market fresh chestnuts. It allows member growers to utilize the same equipment rather than duplicate these same processes 32 times on 32 different farms. This saves a great deal of expense for each member grower. The co-op can contract with buyers each year and maintain this customer base without fear of not having a supply of fresh chestnuts available because of our diverse group of chestnut growers. Each year some growers have better production than other growers, but we always have a supply of fresh chestnuts.

The business operates as a cooperative under the incorporation laws of the State of Michigan. The cooperative currently consists of 32 growers and an elected Board of Directors from the members of the cooperative. The cooperative will accept new members who are producers of chestnuts. A grower may become a member of the CGI Company by agreeing to comply with the requirements of the corporation's bylaws and agreements and by becoming an owner of at least one share of common stock. Application for membership must be accompanied by a one-time nonrefundable, nontransferable membership fee that will not appreci-

ate in value and the membership must be approved by the board of directors. All of the common stock of the CGI Corporation is held by producers that use the services of the co-op. The initial purchase of one share of stock is \$25.00.

Grower payments are established each year by the cooperative with a marketing agreement from each Member Grower of Chestnut Growers, Inc. CGI agrees to pay the Member Grower a price for the delivered chestnuts to be established by the Cooperative reflecting the sale price the Cooperative receives for the chestnuts based on size and other characteristics less a uniform margin applied to all chestnuts handled by the Cooperative to cover the CGI's operating expenses and less any direct charges to the Member Grower for services provided in processing their chestnuts. Payments toward reaching the established target price for each year's crop will be made to members periodically following delivery of chestnuts based on the cash flow generated to the Cooperative from the sale of the chestnuts.

The Cooperative is committed to the long term development of profitable chestnut production business for its Member Growers. To do this, it must be able to rely on an annual quantity commitment so that sales contracts can be made and fulfilled by CGI on behalf of its Members, thereby establishing the reputation of the Cooperative as a reliable supplier that fulfills its contracts and avoiding costs associated with non-delivery to its customers. This commitment will benefit all Member Growers on return on investment in the future.

Growing the Business

The fresh in-shell chestnut is distributed by direct shipment from our storage facilities to our customers. Large orders (500# or more) are delivered by truck and smaller orders are shipped via UPS or USPS. CGI ships regionally throughout the Midwest. The chestnut product is kept fresh in CGI coolers and shipped directly from them. In Lower Michigan, CGI chestnuts arrive fresh the following day. In the Midwest, chestnuts arrive usually within three days. The cooperative has an 800 number and web site with shopping cart; orders are taken and shipped directly to our customers. CGI strives to get their chestnut product to our target customers as efficiently as possible.

The recognition of CGI as a corporation in the State of Michigan has helped in selling fresh chestnuts to major companies such as Whole Foods, Sysco, Meijer, and other major food companies. CGI is maintaining a focus on local markets to capitalize on the increasing consumer trend to utilize locally grown, produced, and sustainable chestnuts.

Slate of Officers for 2015-2016

CGA's nominating committee is chaired by Director Sandy Bole. Serving with her on the committee are Mike Gold and Bill Nash. Each year the committee is tasked with selecting individuals that reflect the diversification of location, talents and objectives. Nominees are limited to those members in good standing who have been members as of July 1 of the year prior to election.

According to the Bylaws, nominations may not be made at the annual meeting, but members may nominate their own candidate with a petition signed by a minimum of 10% of the eligible voting members and submitted to the Secretary prior to March 1. If no valid written petitions are received the Nominating Committee's slate shall be considered to have been elected unanimously and no balloting shall be necessary. Candidates for 2015-2016 include the following:

President: Roger Blackwell
Vice President: David English
Secretary/Treasurer: Ray Young
Director: Sandy Bole
Director: Bob Wallace
Director: Lee Williams
Director: TBA

Chestnut Growers, Inc. continues to strive for high quality fresh chestnuts and customer service by improving the production practices of CGI members. We are upgrading our storage and transportation techniques for fresh chestnuts and seeking constant improvement in our knowledge about processing chestnuts.

Summary

In summary, Chestnut Growers, Inc. has been in business for over thirteen years. As a company, we have survived the inevitable time frame of lasting more than 5 years. As we each year goes by, we have grown the cooperative and grown the revenue for the grower members. CGI is focused on creating a profitable, sustainable business to process and market chestnuts for the members of the cooperative. The grower members will need to strive to increase agriculture production of high quality chestnuts and will need to continue to work with our Michigan State University partners to improve this production through research. As a grower member owned cooperative, the ability of its members to maintain profitable and sustainable businesses is important so they can provide quality fresh chestnuts and meet the capital needs of the business.





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