

Why Farmers Cooperate

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The Cooperative Development Institute

- Northeast Center for Cooperative Business founded in 1994 by co-op leaders
- Education, Training, Technical Assistance and Networking to develop successful cooperative businesses, start-up and established
- Co-ops of all types in New England and New York



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Why do Farmers Cooperate?

To access markets, facilities, equipment, land, labor, products and other services they either can not access on their own...or can access better together.

To improve their farm's bottom line— income, profitability.

Economic power.

A cooperative is a business organized to support each member's business.



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A farmer co-op

- Can provide as few or as many products and services as the members want in order to:
 - Reduce farm operating costs and/or improve efficiency
 - joint purchasing (seed, grain, supplies, services, etc.)
 - labor pools
 - land, equipment and facility sharing
 - Increase marketing channel access
 - market, aggregate, distribute, manage
 - wholesale and CSA's and other direct marketing programs
 - branding, processing, value-added and more
- Can be local or regional; cooperatives of cooperatives; multi-stakeholder; multi-agriculture
- Is operated at cost



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Farmers cooperate because they can.

1922 Capper-Volstead Act:

“An Act To Authorize Associations of Producers of Agricultural Products.”

Provides anti-trust protection that empowers farmers and agricultural producers to market, price and sell their products through cooperative means.



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The Cooperative Difference

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

International Co-operative Alliance, 1995

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Cooperative Principles

- Voluntary & Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy & Independence
- Education, Training & Information
- Cooperation Among Co-operatives
- Concern for Community



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The Cooperative Difference

	Investor-Owned Business	Member-Owned Cooperative Business
Values	Up to the Board or Management to incorporate values into the business, or not	Built into and part of mission and structure of the cooperative
Purpose	Maximize return on investment; mission can be lost in pursuit of profit	Maximize member services and benefits; members hold focus on mission
Ownership Governance	Shareholders/ Investors Vote by shares	Users of the business, the members One member; one vote
Profits and Taxes	Organized for profit on invested capital; higher tax burden (corporate and investor)	Operation at cost: Surplus (profit) returned according to use. Single tax obligation (co-op or member)
Financing	Investor capital	Member capital

Why Incorporate & Structures

Limited liability: a person's financial **liability** is **limited** to a fixed sum, most commonly the value of a person's investment in a company or partnership. If a company with **limited liability** is sued, then the plaintiffs are suing the company, not its owners or investors. (wikipedia)

Single taxation: as the business or as the member

Anti-trust Protection of Capper Volstead

Legal Structure: Limited Liability Company
Cooperative Corporation



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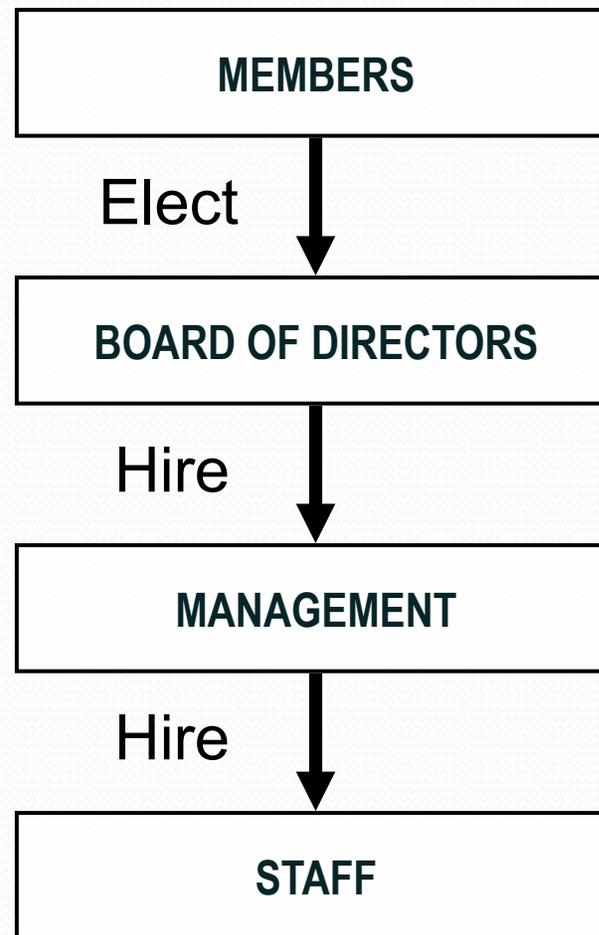
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Cooperative Marketing Associations

NH RSA Title XXVII, 301:3

I. To engage in any activity in connection with the marketing, selling, preserving, harvesting, drying, processing, manufacturing, canning, packing, grading, storing, handling, or utilization of any agricultural products or the manufacturing or marketing of the by-products thereof, any activity in connection with the purchase, hiring or use by its members of supplies, machinery, or equipment, in financing any of the before mentioned activities. No association, however, shall handle agricultural products of non-members to an extent greater in value than the products of its own members which it handles. Nor shall such an association engaged in the purchase, hiring, or use by its members of supplies, machinery, or equipment do such business with nonmembers during any fiscal year in an amount greater in value than it does business with members.

Basic Co-op Organization



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Starting a Cooperative Business

1. **Decide on the Why:**

- Identify preliminary needs, opportunities and resources
- Convene a core group of interested individuals

2. **Organize:**

- Hold a meeting of potential members to discuss needs
- Select a steering committee to coordinate the group

3. **Determine Feasibility:**

- Survey potential members
- Market research
- Feasibility study



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4. Review findings and if feasible: **Incorporate.**

- Report results of the feasibility study
- File articles of incorporation
- Elect a board of directors and adopt by-laws

5. **Business Planning:**

- Prepare a business plan
- Continue researching financing options
- Identify facility, equipment options, purchase and lease arrangements

6. **Recruit members:**

- Prepare materials describing the co-op; hold meetings
- Establish member investment options
- Conduct a member equity drive



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7. **Secure financing:**

- Finalize internal and outside financing sources and terms

8. **Begin operations:**

- Hire a manager
- Establish business !



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Successful cooperatives

- Have strong member commitment: product, governance, financing
- Hire competent management and maintain accountability
- Set realistic goals and focus on them
- Base decisions on research and business planning
- Secure sufficient supply to consistently and profitably meet market demand
- Work with advisors: co-op developers, industry experts, co-op peers, legal and financial counsel



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Successful co-op

- boards govern and have well run meetings
- members continually upgrade skills and education
- boards and staff engage in open hiring processes
- businesses secure sufficient capital for launch & operations
- boards and management make links with other co-ops and cooperative organizations
- members, boards, management evaluate and change as needed



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Successful Meat Marketing Co-ops

- Solid Business Plan
- Producer marketing agreements
- Production standards/protocols/oversight
- Grading
- Consistent size, quality cuts (esp. wholesale)
- Production coordination
- Processing coordination
- Quality control



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