2, 4, 6, 8 ... How do we Cooperate?

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MOSES Organic Farming Conference

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Rodrigo Cala, Cala Farm and Shared Ground Farmers’ Cooperative
WHAT IS A COOPERATIVE?

A cooperative is a BUSINESS that is owned and democratically controlled by the people who use its services.

- Member owned
- Member controlled
- Members benefit

The International Cooperative Alliance uses this definition:

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”.
Cooperative Values

Self-help, self-responsibility, democracy, equality, equity, and solidarity

Ethical values of honesty, openness, social responsibility, and caring for others
Seven Co-op Principles

- Open & Voluntary Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy & Independence
- Education, Training, & Information
- Cooperation Among Cooperatives
- Concern for Community
What does *member economic participation* look like?

**User-owner Principle:** Those who use the cooperative should provide equity or ownership financing in proportion to their use of the co-op.

**User-benefit Principle:** Financial benefits are distributed to members in proportion to their use of the cooperative rather than the amount of investment.

**Limited return on equity:** Investors’ return is limited by law to 8% thereby avoiding the accumulation of wealth by a few owners and maintaining the focus of the cooperative’s operations on service to members rather than return on investment.
TYPES OF COOPERATIVES

Central Wisconsin Electric Cooperative
Organic Valley

Consumer Co-ops

Purchasing/Shared Services Co-ops

Worker Co-ops

Producer Co-ops

Multi-stakeholder Co-ops
Cooperatives in Agriculture

Aggregation and Marketing
Processing/Value-added production
Purchasing/supply
Farmer support/advocacy
Worker-owned farms
Multistakeholder cooperatives
Elects the Board and makes changes to Bylaws.

Membership

Carries out policies and hires & supervises staff

Management/Mgmt Team

Sets policy, selects & supervises management

Board of Directors
COOPERATIVE DEVELOPMENT PROCESS

**Explore**
- Identify the problem or opportunity and gauge broader interest
- Form a steering committee and create a shared vision

**Assess**
- Conduct a feasibility study and evaluate the results
- Decide whether or not to move forward

**Incorporate**
- Draft articles of incorporation and bylaws
- Legally incorporate and adopt bylaws

**Plan**
- Complete a business plan
- Begin membership drive

**Capitalize**
- Increase membership
- Acquire start-up capital

**Launch**
- Secure staff, site, vendors, etc.
- Launch operations
COOPERATIVE DEVELOPMENT PROCESS

Explore
Assess
Incorporate
Plan
Capitalize
Launch

Variates
6 months
1 to 3 months
6 to 12 months
3 to 6 months
3 to 6 months
Steering Committee

Incorporate

Business
- Feasibility Study
- Business Plan

Democratic Association
- Co-op Education
- Communications
- Fundraising
- Early Decision-Making

Equity Drive

= Go/No Go point
Core Cooperative Documents

- Articles of Incorporation
- Bylaws
- Policies
- Processes & Procedures
- Job Descriptions & Charters
- Agendas
Funding Approaches

For feasibility and start-up:
- VAPG planning grant
- member equity, member loans
- bank loans
- preferred stock

Support operations/make new investments:
- VAPG implementation grant
- LFPP
- Buy Local Buy Wisconsin (in Wisconsin)
- preferred stock
- bank loans
- member loans
- retained earnings
SUCCESS FACTORS

• Use committees, advisers, and outside expertise effectively.
• Keep members informed so that they stay involved and supportive.
• Conduct business-like meetings by using agendas, parliamentary procedures, and democratic decision-making.
• Maintain good board-management relations by clearly defining roles and responsibilities.
• Follow sound accounting practices and present financial reports regularly.
• Develop alliances with other cooperatives.
• Develop clear policies on confidentiality and conflicts of interest.
POTENTIAL RISKS

• Lack of a clearly defined mission, purpose, and focus.
• Lack of member leadership.
• Inadequate feasibility study and/or business plan.
• Failure to use experienced advisors and consultants.
• Lack of financial commitment from members.
• Lack of competent management to run the cooperative's operations.
• Failure to identify and minimize business risks.
• Lack of adequate financing.
• Inadequate communications.
WHY COOPS FAIL: A FLOW CHART*

Using Donated Capital
Overstating Potential Savings
Top-Down Organization
Enthusiasm Not Grounded In Economic Reality
Inadequate Cooperative Education

Unrealistic Expectations

Indifferent Membership

Inadequate Or Changing Economic Need

FAILURE

Failure

Inadequate Member Investment

Incomplete Product/Service Lines
Poor Location
Poor Facilities
Unappealing Appearance

Poor Management Decisions

Incompetent Boards

Inability To Cover Expenses

Reduced Sales

FAILURE

FAILURES

Poor Personnel Selection
Poor Personnel Training
High Employee Turnover
Inadequate or Inaccurate Records
Poor Inventory Control
Poor Quality Workmanship

Poorly Paid, Unskilled Management

Infrequent Communication With Members

Inadequate or Changing Economic Need

*from Building Consumer Cooperatives, Sandra Miller, 1983
What is your Cooperative Ecosystem?

• Who are your customers?
• Who can you align with?
• Who can support the group as it gets going?
• Who might support the co-op once it’s operating?
• What financial resources are available?
• Who are your competitors?
# Co-op Start-up Canvas

<table>
<thead>
<tr>
<th>Cooperative Name:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services/goods offered</td>
</tr>
<tr>
<td>What services and/or goods will the co-op provide?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who will the members be? How will membership be defined?</td>
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</table>

<table>
<thead>
<tr>
<th>Non-member key stakeholders</th>
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<tbody>
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<table>
<thead>
<tr>
<th>Cost Structure</th>
</tr>
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<tbody>
<tr>
<td>List your fixed and variable costs.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>List your sources of revenue.</td>
</tr>
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<table>
<thead>
<tr>
<th>Governance Structure</th>
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<tbody>
<tr>
<td>How will the members be represented? How will they have a say in decision-making?</td>
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</table>

<table>
<thead>
<tr>
<th>Outstanding Questions or Issues to be Resolved</th>
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<thead>
<tr>
<th>Distribution of Surplus</th>
</tr>
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<tbody>
<tr>
<td>How will &quot;sac&quot; of the co-op be measured? If there is more than one class of members, how will surplus be divided between classes?</td>
</tr>
</tbody>
</table>
Co-op Start-up Canvas

What services and/or goods will the co-op provide to members? to customers?
Who will the members be and how will they be defined?
What are some fixed and variable costs you anticipate?
What are your sources of revenue?
How are the members represented? How do they have a say in decision-making?
Who are non-member key stakeholders?
Cooperative structure - South Central WI Hemp Co-op

Year One

7 member Board of Directors
One non-member, at-large seat allowed

President
Vice-President
Secretary
Treasurer
Board Members

5 committees
Financial, Technical Development, Marketing, Membership, Research

Gathers feedback ahead of and shares important decisions of the board

Weeky Growing Season Calls, active googlegroups

9 farm Producer Membership
Comprises almost all of the board of directors and committees

Issues dividends and collects expenses, based on co-op patronage
Wisconsin Grass-Fed Beef Cooperative Member Farms

211 member-owners as of Jan 2010
WGBC Structure Overview

✓ Designed as a producer cooperative

✓ 7 person Board of Directors elected at annual membership meeting. BOD elects it leaders.

✓ 4 Person management team run day to day operations. All are employed as consultants.

✓ Monthly conf calls and two in person meetings annually.
WGBC Management Team

Board of Directors
WGBCC Members

Tim Mathison
Finance Manager
WGBCC Member

Rod Ofte
General Manager
WGBCC Member

Mandy McGee
Marketing Manager
WGBCC Member

Pete Prochnow
Production/Operations Mgr
WGBCC Member
Cooperatives in Agriculture

Aggregation and Marketing
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Purchasing/supply
Farmer support/advocacy
Worker-owned farms
Multistakeholder cooperatives
Shared Ground Farmers’ Cooperative

- Est. 2014 - 6th growing season
- Majority immigrant owned
- Creating space in the marketplace for immigrant/minority farmers
- 7 local farms: 6 Latino, 1 Anglo
- CSA - Restaurants - Grocery - Wholesale - Farm to School
Why a Cooperative not a Non Profit?

- Farmers own the Cooperative
- Development of a multi-cultural, for profit business
- Democratic decision making - farmers drive the decisions
- Combined economic capital
- Business functions for the benefit of the owner farms
- Staff handles aggregation, marketing, sales & deliveries
- Open book policy - budget, sourcing, pricing
- Leadership development & access to training
- Owner equity building and future profit returns
Our Farms

• 7 owner farms, 20 partner farms
• Average farm size - 5-7 acres (*smallest - 2 acres; largest - 20 acres*)
• Mixture of new farmers and established farms
• All organic or sustainably grown produce
• Only 50% of owner farms own their land
• Co-op Ownership Growth - access to new farmers
• Co-op Product Growth - larger farm partnerships
**SHARED GROUND MARKETS**

<table>
<thead>
<tr>
<th>Accounts</th>
<th>Benefits &amp; Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSA</td>
<td>Predictable sales Early season funding Low financial risk per member</td>
</tr>
<tr>
<td>220 members</td>
<td></td>
</tr>
<tr>
<td>Restaurants</td>
<td>Small quantity per order Low financial risk per account</td>
</tr>
<tr>
<td>25 accounts</td>
<td></td>
</tr>
<tr>
<td>Co-op Grocery/Grocery</td>
<td>Med-Large quantity per order Higher financial risk per account</td>
</tr>
<tr>
<td>6 stores</td>
<td></td>
</tr>
<tr>
<td>Wholesale</td>
<td>Large quantity per order High financial risk per account</td>
</tr>
<tr>
<td>3 accounts</td>
<td></td>
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**SALES HISTORY**

2014 – $110,000
2015 – $200,000
2016 – $270,000
2017 – $340,000
2018 – $360,000
2019 Goal – $400,000

- CSA 32.1%
- Restaurants 29.9%
- Co-op Grocery/Grocery 16.6%
- Wholesale 21.4%
Our Path to Sustainability

• Launched as a grant funded organization; goal has been to become a grant free business model
• $1.5mil to be fully sustainable
• Average of $70,000 annual growth through 2017
• Market demand v. production
• Small farms = fewer efficiencies
QUESTIONS?

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To learn more, please visit www.uwcc.wisc.edu