

THE ABCs OF CO-OP IMPACT



FARMER AND INDEPENDENT SMALL BUSINESS CO-OPS: A FRAMEWORK FOR MEASURING IMPACT

ABOUT THE ABCs

This sector report examines how cooperative ownership of farmer and independent small business cooperatives influences economic activity, community vitality and individual well-being based on a seven-factor framework developed by the Urban Institute in partnership with NCBA CLUSA and the Cooperative Development Foundation. These factors are: Access; Business Sustainability; Community Commitment; Democratic Governance and Empowerment; Equity, Diversity and Inclusion; Financial Security and Advancement; and Growth.

ABOUT FARMER AND INDEPENDENT SMALL BUSINESS CO-OPS

Farmer and independent small business cooperatives are corporations owned and controlled by the people who use their services. These cooperatives provide members with marketing, processing and joint purchasing services. The two central characteristics of these cooperatives are:

- Farmers or small businesses own the cooperative and receive economic benefits in the form of patronage refunds and redeemed equity in accordance with their use of the business.
- Member-owners have representation on and vote for the board of directors, typically adhering to the principle of one person, one vote.

Farmer cooperatives market milk and dairy products, grains, livestock and poultry, fiber, nuts, produce and other products on behalf of their member-owner producers, often adding value to raw products for greater economic benefit. Farmer cooperatives also sell farm supplies and provide services to their member producers at competitive prices. Independent small business cooperatives negotiate favorable prices, provide marketing campaigns and materials, and offer technical services such as lease negotiations and human resource support at a cost and quality not available to an independent business operating on its own.

NAMES YOU TRUST

Farmer-owned cooperatives include some of the most familiar and trusted names on the grocery self, including Sunkist, Organic Valley, Cabot, Ocean Spray, Blue Diamond, Florida's Natural and Land O'Lakes.

Independent small business cooperatives, too, are familiar to many Americans. ACE Hardware, formed in 1924, helps keep independent hardware stores competitive through joint purchasing and advertising. Formed in 1984, CCA Global Partners helps independent businesses pool resources for purchasing, marketing, insurance and financing. Today, CCA Global members have over 2,800 locations and 14 different business lines from carpeting to bicycles, making them one of the largest cooperatives in the country. The CCA Global family includes:

- Carpet One Floor & Home®
- Lighting One
- Flooring America



1775 Eye Street, NW, 8th Floor
Washington, DC 20006

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FARMER AND INDEPENDENT SMALL BUSINESS CO-OP IMPACT BY THE NUMBERS



A MAJORITY OF AMERICA'S
1.9 MILLION
FARMERS AND RANCHERS
BELONG TO AT LEAST ONE
OF THE COUNTRY'S
1,800
AG CO-OPS¹



DAIRY CO-OPS
HANDLE
85%
OF MILK
IN THE U.S.²



THERE ARE
MORE THAN
250
PURCHASING CO-OPS
IN THE U.S.³



AG CO-OPS PROVIDE
187,331 JOBS
PAYING
\$10.8 BILLION
IN WAGES AND BENEFITS
TO RURAL AMERICANS⁴



FARM CREDIT MADE
\$14.4 BILLION
IN NEW LOANS
TO SMALL FARMERS AND
RANCHERS IN 2019⁵

1 U.S. Department of Agriculture, "Farmer and Business Co-op Facts." April 2020.

2 U.S. Department of Agriculture, "Farmer and Business Co-op Facts." April 2020.

3 "Purchasing Co-ops." *NCBA CLUSA*, ncbaclusa.coop/resources/co-op-sectors/purchasing-co-ops/.

4 U.S. Department of Agriculture, "Farmer and Business Co-op Facts." April 2020.

5 "Farm Credit by the Numbers," farmcredit.com/about.

THE ABCs OF AGRICULTURE AND INDEPENDENT SMALL BUSINESS IMPACT

A CCESS

In addition to marketing opportunities and bargaining power, cooperatives help members purchase necessary equipment, inputs and energy, and in the case of agriculture, also provide specialized financing through the cooperative Farm Credit System. Without co-op membership, access to these vital ingredients of business success would otherwise be out of reach for many individual producers.

B USINESS SUSTAINABILITY

Improved prospects for business success in a highly competitive economy is a major reason that many small business people join cooperatives. Independent businesses join cooperatives for access to the purchasing power and professional services that allow them to compete with big box stores. Farmers use cooperatives to add value to their production and compete in a globalized

food system. And the cooperatives themselves are successful—at least 259 farmer co-ops are 100 years old or older.⁶

C COMMUNITY COMMITMENT

As member-owned businesses, cooperatives support the economic and civic lives of local communities. Cooperatives support community organizations such as 4-H, FFA and the local volunteer fire department. They also support local jobs either directly or through their role in preserving Main Street businesses. Ag co-ops employ 187,331 people, paying wages and benefits of \$10.8 billion annually.⁷ Most of those dollars flow back into the communities in which cooperatives operate and their employees reside.

Some cooperatives have been at the forefront of the environmental movement in the role of producing organic, sustainable food. Organic Valley did more than any other company to build the organic dairy market in the U.S.

D DEMOCRATIC GOVERNANCE AND EMPOWERMENT

The active engagement of members in the governance and management of their cooperatives provides a training ground for similar leadership in other contexts. After Hurricane Katrina, small-scale fishing families formed the Alabama Fisheries Cooperative. Five years later, when the largest marine oil spill in U.S. history hit the Gulf, they were in the position to raise their collective voice all the way to British Petroleum's London boardroom.⁸

E EQUITY, DIVERSITY AND INCLUSION

Cooperatives allow small farms and businesses to compete in markets dominated by large, often global businesses. Whether Amish dairy farmers in Wisconsin or Black farmers in the Southeast, the democratic control of cooperatives ensures that all voices are heard. Born out of the Civil Rights movement, the Federation of Southern Cooperatives/Land Assistance Fund supports Black farmers, landowners and cooperatives with a focus on economic development, Black land retention and advocacy.

6 U.S. Department of Agriculture, "Farmer and Business Co-op Facts." April 2020.

7 U.S. Department of Agriculture, "Farmer and Business Co-op Facts." April 2020.

8 Blanding, Cornelius. Interview

F FINANCIAL SECURITY AND ADVANCEMENT

In addition to providing jobs in rural areas where stable, living wage jobs are hard to come by, cooperatives also enhance and stabilize the family income of individual business owners.

G GROWTH

As businesses owned and controlled by community members—not far-off investors—cooperatives are uniquely suited to spur local economic development. Premier Cooperative in West Central Wisconsin began as a farm supply cooperative in 1893. Today, Premier serves 19 small communities between the Twin Cities and Madison, offering a range of services from agronomy and animal nutrition to feed manufacturing, four convenience stores, propane supply, two hardware stores, a lumber yard and two car repair shops. In a time when many small communities are suffering from the loss of Main Street businesses, the farmer-members of Premier Cooperative have stepped up to keep these important enterprises going—and growing.



Photo: ACE Hardware

ACE Hardware helps keep independent hardware stores competitive through joint purchasing and advertising.



Photo: Farm Credit

Farm Credit is committed to supporting the next generation of agricultural leaders.

CASE STUDY

WITH ITS FOCUS ON STABILITY AND SUSTAINABILITY, ORGANIC VALLEY BENEFITS CONSUMERS, SMALL PRODUCERS AND THE ENVIRONMENT

Now the biggest name in organic dairy in the U.S., Organic Valley started out in 1988 with a small group of organic vegetables farmers in Western Wisconsin who wanted to build a name and market for organic produce. Their effort soon expanded to other products; today, dairy products make up 88 percent of revenue.

Before Organic Valley started, the only place an organic farmer could sell dairy products at the premium price it actually cost to produce them was at the farm stand or very small bottling operation. Many in conventional dairy told Organic Valley founders that starting a dairy co-op to sell milk widely at a premium price was impossible. But like the classic entrepreneurs they were, these farmers didn't like being told "no," and instead put their efforts into growing what would eventually become a \$1.1 billion operation.

The key concept at the core of the Organic Valley model was a dual commitment to both stability and sustainability. To ensure that organic farming is both economically and environmentally sustainable, the co-op prices milk from the farmer up. This means they begin with the actual cost of production, and make sure that the price being charged will yield a fair and living wage for family farmers. Just as important as this notion of sustainability, is the concept of price stability. In the conventional dairy world, the price of milk fluctuates month to month, at times dramatically so, pushing constant risk and insecurity onto the individual producer. In contrast, Organic Valley opted to take on



Photo: Organic Valley

Organic Valley is made up of more than 2,000 family farms committed to raising food in a way that takes care of people, animals and the planet.

and share that market risk at the cooperative level, paying a steady and predictable price to farmer-members. With Organic Valley's price stability policy in place, a farmer knows what to expect, making it easier to make sound decisions about the farm operation, leading to greater business stability for co-op members.

The typical Organic Valley dairy farmer has been farming for over 20 years, and has been certified organic for almost a decade. They know that milk prices eventually go down just as surely as they go up, and that Organic Valley's stable price philosophy benefits its members tremendously over the long-term. Despite strong competitors in the market, Organic Valley farmers rarely leave the co-op to chase after momentarily higher prices.

By transparently setting prices based upon actual costs borne by certified organic farmers, Organic Valley made clear that undercutting that price would undercut the farmer. By taking firm leadership, setting the bar high, and clearly explaining why it needs to be there, the co-op has birthed an entire new industry that operates—much more than most—to the widespread advantage of consumers, small producers, and the environment.