Growing a Food System for the Future:
A Manual for Co-operative Enterprise Development

New England Farmers Union

Six States with One Voice at the National Table
GROWING A FOOD SYSTEM FOR THE FUTURE:
A MANUAL FOR CO-OPERATIVE ENTERPRISE DEVELOPMENT

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Front cover photo courtesy of North Country Farmers Co-operative
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“Co-operatives have always been a remedy for producers or consumers, and in later years, workers, to overcome market failures. Through co-operative development work and in seeking legislative remedies to market abuses, Farmers Union has spend the entire 100 years of its existence as a watchdog of the marketplace.”

—from Connecting America’s Farmers with America’s Future: The National Farmers Union 1902–2002 by Lee Egerstrom, Milton Hakel and Bob Denman
This is an exciting time for the co-operative movement, and particularly for New England’s agricultural, fishery and food co-ops, some of which are profiled in this manual. In the wake of the financial meltdown of 2008 and the resulting global recession, co-ops have been recognized for their resilience, preserving jobs, economic infrastructure and rural communities. Across our region, people are working to rebuild local and regional food systems, and co-ops have a unique role to play.

The co-operative business model has received renewed attention thanks in large part to the United Nations (UN) declaration of 2012 as the International Year of Co-ops, which promoted the contribution of co-operative enterprise to human development, poverty reduction and food security. In 2013, the International Co-operative Alliance released its "Blueprint for a Co-operative Decade," which envisions co-ops becoming the fastest growing model of business by 2020. And now, in 2014, the UN's International Year of Family Farming emphasizes the role of co-ops in enabling the world's small producers to achieve scale and efficiency, competing with global corporations without sacrificing local ownership and control.

In addition to being driven by a distinct set of values and principles, the co-operative legal structure prioritizes local needs and goals above the accumulation of profit. Based on the principle of one member, one vote, co-ops are very real examples economic democracy — and they work! Despite a difficult economy, America’s agricultural co-ops have reported record growth over the past few years, as have other types of co-operatives. Around the world, more than a billion people are co-op members — more than own stock in conventional corporations.

America’s family farmers have been pioneers in co-operative development, with generations of advocates creating the legal statutes at the state level that have empowered rural communities to form producer co-ops, marketing co-ops, purchasing co-ops, food co-ops, credit unions, worker co-ops and utility co-ops. It is an amazing and often neglected story, in which the National Farmers Union (NFU) has played a key role, fighting for the basic national legislation that enabled producers to form co-ops and helping to organize countless co-operative businesses. True to this legacy, the Farmers Union has continued to defend the integrity of the co-operative model of enterprise at both the local and national levels.

Despite renewed interest in co-operatives in our region, there is limited understanding of this unique business model and the legal statues related to their formation. As a result, when local entrepreneurs begin thinking about how to structure their business they are often unaware of the co-op option. In some cases, they are advised to form “co-ops” under statutes that do not exemplify co-operative principles, comply with federal requirements, or protect the rights of members. For these reasons, one of the most exciting aspects of this manual is its most basic: a listing of New England’s statutes and a brief analysis of their implications for forming a co-op.

As you may have noticed, the National Farmer’s Union emblem is a triangle with the sides comprised of “Legislation,”“Education,” and “Co-operation.” We at New England Farmers Union are excited to continue to build on this legacy, promoting the co-operative business model as a powerful tool for protecting and enhancing the economic well-being and quality of life of family farmers, fishermen, foresters, nursery growers and consumers across New England.

This manual is designed to inform readers of some of the technical aspects of co-operatives. Its focus on the process and legal structures is intended to provide easy access to the tools one needs to get started.

Erbin Crowell
New England Farmers Union Vice President
Neighboring Food Co-op Association Executive Director

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A wide variety of people, spanning income levels and political beliefs, embrace co-operatives as a vibrant business structure and one that is effective across the economic spectrum.

- Credit unions provide their members with financial services.
- Worker co-ops support better job security.
- Housing co-ops provide shelter.
- Energy co-ops provide heat and light.
- Producer co-ops enable farmers, fishermen and other producers to process, market and distribute their products.

Experience shows that a co-operative enterprise is a powerful means by which people, particularly farmers, can further their own well-being in a market economy. As member-owned enterprises, co-operatives are rooted in the communities they serve and create an economic infrastructure that spans generations.

Co-operative enterprise has been particularly important to helping family farmers and fishermen address some of their enduring challenges and emerging opportunities in the marketplace. A majority of our country’s two million food producers are members of at least one of the 3,000 producer co-ops. Co-operatives come in many shapes and sizes, enabling family farmers collectively to aggregate and market their goods, to buy goods and services, to access equipment and land, and to add value to their crops. By working together, small producers can take advantage of the benefits of scale without giving up local ownership and control, empowering them to compete more effectively in the marketplace.

In basic terms, a co-operative is a business that is owned and democratically governed by its members — the people who use the enterprise to obtain products, services, or employment. Rather than being based on the maximization of profit for owners or investors, a co-op is focused on meeting the needs and goals identified by members in accordance with internationally recognized principles and values.

The movement uses a couple of standard definitions for a co-operative. First, the International Co-operative Alliance defines a co-operative as “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. Co-operatives are also guided by seven principles: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among co-operatives; and concern for community (www.ica.coop). These principles form the basis for what makes co-operative enterprise distinct from other business models.

The United States Department of Agriculture also provides the following definition: “A co-operative is a user-owned, user-controlled business that distributes benefits on the basis of use.” This definition captures what are generally considered the three primary operational characteristics of a co-operative: user ownership, user control, and proportional distribution of surplus based on a member’s use of the enterprise.

Capital to operate the co-op is generated primarily from among members who purchase a share of common stock in the business and invest additional resources as needed. Additional outside capital can also come from lenders and sometimes from investors through the sale of preferred, non-voting shares.

Co-ops operate at cost for the benefit of their members. Any profit or surplus is either reinvested in the enterprise, or is distributed back to members in proportion to their use of the co-op (these are known as patronage dividends or patronage refunds).

Co-operatives are based on the democratic principles that are at the heart of our country’s political system. Each member has one vote. By contrast, governance and control of investor-owned corporations are determined by the number of shares owned. Members of the co-operative may decide to make certain decisions by majority vote, a super majority or even by consensus. Members usually elect a board of directors and hire staff and oversee day-to-day operations.

When functioning well, this system ensures participation, loyalty and a sense of ownership among members.

With passage of the Capper-Volstead Act in 1922, Congress authorized the right of farmers to unite and market or process their agricultural products co-operatively without violating antitrust laws. The law made clear that the collective action by farmers engaged in a marketing or processing co-operative did not constitute a violation of these laws. In short, it grants limited exemption from those laws to agricultural producers who act together in associations that collectively process and market their commodities. This exemption is provided only if the following three criteria are met:

- The association operates for the mutual benefit of producer members (co-op members have to be agricultural producers);
- A one-member, one-vote rule is followed, or dividends on stock or membership capital are limited to eight percent per annum; and
- Non-member business must be less than 50 percent of the co-operative’s total business.

Co-ops exist for the benefit of their members.

Photo by Erin Crowell
In addition to their advantages as member-owned, democratically controlled enterprises, co-ops are helping to create a more resilient food system, and are fostering local and regional economic development. Co-operative businesses contribute to more stable local and regional economies through community ownership and control, the development of local skills and assets, and a focus on service and meeting member needs before maximization of profit.

Co-ops support greater economic participation and benefit for farmers and fisherman in our rapidly expanding local and regional food system. They strengthen the local economy by rooting ownership and control of economic infrastructure in our communities.

As locally owned enterprises, co-ops tend to develop local skills and assets rather than importing them into the region. They create local jobs, build local business and develop local leaders.

With a structure that focuses on maximizing member value rather than financial return, co-ops give producers a mechanism to retain control of their financial returns. Co-ops enable members to pool their resources to achieve an economically viable operating scale without giving up local ownership and control.

In order to build a thriving local and regional food system in New England, we need to develop regionally scaled infrastructure — distribution, marketing, processing, and storage. Co-ops enable producers to aggregate limited resources to create enterprises of scale. Farm, fishery and forestry co-ops increase producers’ bargaining power in the economy and food system.

Recent research\(^1\) also shows that co-ops are more resilient than conventional business models. Member ownership makes co-ops difficult to buy out or relocate. The focus on community benefit ensures a patient approach to financial results.

In addition to their advantages as member-owned, democratically controlled enterprises, co-ops are helping to create a more resilient food system, and are fostering local and regional economic development. Co-operative businesses contribute to more stable local and regional economies through community ownership and control, the development of local skills and assets, and a focus on service and meeting member needs before maximization of profit.

**Co-operatives in our Food System**

In New England farmers and fishermen tend to be resource-limited family operators. There are successful marketing co-ops serving these producers, as well as purchasing, distribution, and equipment co-ops, and collaborations between producer co-ops and co-ops in other sectors (such as retail food co-ops, energy co-ops, financial and worker-owned co-ops), that are already sustaining local economies. Yet, even with the success of the region’s existing co-operative businesses, there are still opportunities for farmers and fishermen who are trying to increase production and distribution to meet institutional food demands.

**National Farmers Union and Co-operatives**

The National Farmers Union was formed 1902. Its history shows how a diverse group of farmers came together sharing a common belief that they could effectively organize for their mutual benefit.

“It takes a community,” said Leland Swenson, former president of NFU, a decade ago. “Our founders recognized this community. That is why our organization has been successful and carries that concept on today. This is something we are extremely proud of, because our concern went beyond the farm. Our history with co-ops, some successful and some unsuccessful, has kept us from losing sight that agriculture is all about people and community.”

For its entire existence, NFU has been a watchdog for producers in the market place. In its earliest years, the National Farmers Union worked to support rural economies, to strengthen farm viability and to correct market failures or imperfections by creating local co-operative associations. At the time, the focus was in the Great Plains with grain elevators and the South with cotton gins. And wherever NFU was active, its members founded purchasing and supply co-operatives for the benefit of producers and their communities.

As they succeeded at the local level, the need arose to gain market power to compete with businesses and corporations further up the food chain. The result was the emergence of regional co-operatives that were able to maintain and enhance farmers’ power in the marketplace.

**What producer co-op members value about their co-op (Source: NFU survey)**

Regardless of the definition, several truisms hold:
• A co-op is owned and democratically governed by the people who use its services or are employed by the co-op;
• Net income is reinvested in the co-op or returned to the members on the basis of their use of the business (as opposed to a return in investment);
• Members are the primary financing source for the co-op, ensuring member control; and
• There is a limited return on any external investment in the co-op.

Sectors include agriculture co-ops, food co-ops, service co-ops, credit unions, energy co-ops, worker co-ops and housing co-ops. Agriculture co-ops and food co-ops play a large role in our region’s food system. Other common sectors of importance to producers include purchasing, finance, and insurance. Yankee Farm Credit is a finance co-op serving producers in Vermont and Farm Credit East in the rest of New England and New York.

Agriculture co-ops include producer co-ops, dairy co-ops, and fisheries co-ops. A producer co-op could be organized around growing and distributing fresh fruits and vegetables. Organic Valley, a national co-op with more than 175 members in New England, is organized around organic dairy products. Pemaquid Fishermen’s Co-operative Association in Maine is an example of a fisheries co-op.

Food co-ops, which operate at the retail end of our food system, were pioneers in the development of markets for natural, organic and fairly traded foods, as well as growth of the “buy local” movement. Most food co-ops in our region, such as the Co-op Food Stores of New Hampshire and Vermont, are organized around consumer members, enabling the people who shop there to access healthy, local food and support our region’s producers by providing a stable outlet for their products. But they can be organized around a number of member types (see “multistakeholder” co-ops below).

Co-ops defined by type of member
Most often, agricultural co-ops have producer members — individual farmers who use the co-op to help them market and distribute their products. In this case, the member’s use of the co-op is the marketing and distribution of their produce. An example of this model is Deep Root Organic Co-op in Vermont.

A co-op that distributes fresh vegetables could also be organized with consumer members (the members use the co-op to purchase produce) or worker members (who use the co-op for employment and perform farming tasks together). Stone Soup Farm in Massachusetts is an example of a producer co-op with workers as its members, organized with the support of Valley Alliance of Worker Co-ops.

A co-op could even be organized around a combination of member types. An example of this kind of multi-stakeholder co-op is FEDCO Seeds in Maine, which has both worker and consumer members. The Co-op’s consumer members include gardeners, farmers and retailers that purchase seed and supplies from the business.

Co-ops defined by level
An agricultural co-op that operates at the primary level has individual farmers as its members. Primary co-ops often join secondary level co-ops, or federations, to share information, to work together to market their prod-
ucts, and to obtain services for their member co-ops. These structures are in keeping with the sixth principle of co-operation, which states, “co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.”

**Producer co-ops**

Producer co-operatives are created by producers and are owned and operated by producers. Producers can decide to work together or as separate entities to help increase marketing possibilities and production efficiency. They are organized to process, market, and distribute their own products. This helps reduce costs and strains in each area with a mutual benefit to each producer, while enabling them to focus on their own operations.

**Retail co-ops**

Retail co-operatives benefit consumers, producers and the local community by rooting ownership of the local grocery store in the community. They allow consumers the opportunity to supply their own needs, gain bargaining power, and share earnings. They also provide a stable outlet for local producers. They are usually organized as community- or consumer-owned own grocery stores.

**Worker co-ops**

Members of worker co-operatives are both employees of the business and its owners. Possibilities for being organized as a worker co-operative include new business start-ups, entrepreneurs sharing highs and lows of business, or a conversion of existing businesses as a mechanism for ownership succession and preservation of local ownership.

### Setting Up a Co-op

Starting a co-operative is a complex project. It requires a small but dedicated group of prospective members who see a common need and develop an idea of how to meet it. Depending on circumstances, the proposal may be welcomed with enthusiasm or may be met with vigorous, competitive opposition.

Given opposition, the group must be prepared to react to various strategies of its competitors such as price changes to retain business; improved contract terms or canceled contracts; attempts to influence lenders who stand against the project; and even bad publicity.

Regardless of the business climate for the proposed co-operative, leaders must demonstrate a combination of expertise, enthusiasm, practicality, dedication, and determination to see that the project is completed. A clear understanding of co-operative business principles and values are essential to long-term success.

**First steps**

Developing a co-operative organization is a complex process that will involve a number of events. The precise sequence of events will depend on the type and scope of the project.

Outside advisors — especially other co-ops — often play a critical role in various stages of the process, but even more important is strong leadership from the core group throughout the process. Realistic assumptions leading to accurate information and projections are vital in the decision-making stages.

There must be a critical mass of loyal members willing to make a personal, business and financial commitment to the co-operative. All potential members, advisors, and partnering organizations involved in the development must have a thorough understanding of the unique principles and practices of a co-operative organization and must support them.

Business and co-operative specialists will also be helpful. Most states have offices of Rural Development, an agency of the USDA, and many have a co-operative development specialist on staff who can help you get started. He or she can recommend other specialized services and talents that

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**Resources that would be valuable for your producer co-op** (Source: NEFU survey)

- **Access by low-income population**: 57.14%
- **Business planning**: 22.86%
- **Education and training**: 5.61%
- **Legal**: 12.02%
- **Accounting**: 18.45%
- **Membership development**: 15.88%
- **Marketing**: 13.73%
- **Governance**: 19.31%

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**The percent producer co-op members report sold through their co-op**

- 90% or more: 6.01%
- 50% to 89%: 15.88%
- Less than 50%: 20%
will be needed during organization stages, as well as contacts at other co-ops.

Other resources are available from county offices of the Extension Service or land-grant universities, state co-operative councils, area offices of the Farm Credit system, or an established co-operative in your area.

Legal counsel, preferably an attorney familiar with state co-operative statutes, will be important. An attorney prepares the organization papers or checks the legality of those written by someone else. Early expertise is needed to acquire property, make capitalization plans, borrow money, and write agreements and contracts. Even after the co-operative is operating, an attorney should be retained who can help ensure the organization conforms to applicable laws.

Financial counsel from some financial institution should be sought early regarding anticipated capital needs and methods of financing. This institution can provide advice on designing the feasibility study to meet requirements of a lending agent. Staff specialists on finance and accounting matters can also advise the co-operative. An independent accounting firm that has the knowledge of co-operative operations should be hired to establish the bookkeeping system, tax records, and a plan for revolving capital prior to sale of stock or the collection or handling of members’ money. Later, the board will need to hire an outside accounting firm to conduct the annual audit.

**Co-operatives need adequate capital to function efficiently and to grow**

### Follow up

The core group, possibly with outside expertise and experience, should determine whether a co-operative is feasible. Would it succeed and benefit its members? If so, they should prepare a specific, detailed business plan for the new venture.

Assistance from specialists in law, accounting, finance, economics, engineering, and co-operative business operations is critical during the business-analysis phase.

Economic need is fundamental to the formation and successful operation of any co-operative. Will the co-operative provide a needed service, preserve a market, stabilize prices, or encourage more orderly marketing? Is the projected initial investment — the equity stake — affordable to the potential members involved?

The committee should consider alternatives to starting a new co-operative. Perhaps the most important consideration is this: Could an existing, nearby co-operative provide the same or similar services either directly or by establishing a branch? If forming a new co-operative is the best alternative, the group should consider linking with regional co-ops to obtain the benefits of collaboration.

A new co-operative should initially limit services to avoid elaborate or costly facilities above those absolutely needed. If successful, services can later be expanded.

**Capital**

Co-operatives need adequate capital to function efficiently and to grow. They need reserves for depreciation and unpredictable contingencies. Not only is it important to have sufficient capital for a start-up, but it is also vital for daily operations and growth.

Costs of organizing the co-operative include such items as legal and incorporation fees. Before a co-op actually starts business operations, money may also be needed to cover the cost of membership-drive meetings and feasibility studies.

There are two types of capital: debt capital and equity capital. Debt capital includes loans (short and long term), bonds, and any other type of credit obtained from commercial banks, co-operative banks, or other financial institutions. Equity capital is provided by co-op members, nonmember investors, and from successful business operations. Equity capital may or may not be returned to members and may or may not bear dividends. Equity capital is obtained in four ways:

- Selling common stock or membership certificates to members.
- Selling preferred (non-voting) stock to members and non-members.
- Deferred patronage refunds from member business (allocated equity).
- Retained profits from member and non-member business (unallocated equity).
Members
Co-operatives are democracies and as such depend on the active participation of their members. Therefore, the most important obligation of co-op members is participation in the governance of the co-operative. In practice, this means they need to stay informed about the co-operative from reliable sources, attend co-operative meetings, and take their turn at committee and board service. It is important to remind members that probably everyone could claim they are “too busy” and if no one is willing to give some time to their shared success, the co-operative will fail.

Board roles and responsibilities
The primary duties of the board of directors are to safeguard the assets of the members and to represent their interests. The board of directors is legally responsible for the co-operative’s continued viability.

Board members are also charged with establishing policies to implement the co-operative’s mission. The board of directors is responsible for setting the overall performance goals for the co-operative (e.g., annual net profit levels).

Articles of incorporation
Incorporation is usually the best method of organizing. Each state has enabling laws under which co-operatives may incorporate (see page 8). Incorporation gives the co-operative a distinct legal standing. Members generally are not personally liable for the debts of an incorporated organization beyond the amount of their investment. The articles indicate the nature of the co-operative business. The articles should specify rather broad operating authority when incorporating even though services may be limited at the beginning.

Bylaws
Bylaws state how the co-operative will conduct business and must be consistent with both state statutes and the articles of incorporation.
Through years of co-operative advocacy, each state in New England has adopted statutes that describe the legal parameters under which co-ops may operate in its jurisdiction. The legalese used by the states may be daunting for some. Several common themes run through the six sets of laws.

- A requirement for a minimum number of persons, which varies by state, and that they be inhabitants of said in order to form a co-operative association for the purposes of agricultural business.
- The association must file written articles of association with and pay a registration fee to the Secretary of the State.
- The co-operative must file a certificate of organization and the bylaws with the Secretary of State.
- Co-operatives must allocate net profits to patrons on the basis of the business done with or for such patrons.
- Co-operatives must be owned and controlled by the patrons (customers, producers, or workers, depending on the co-operative structure).
- Some states require that a percentage of the revenue to be allocated for educational funds.
- Co-operatives may only use the words “co-operative” or “co-op” in the organization name if organized under co-operative statutes.
- Definitions of agricultural and producer activities eligible for inclusion in co-operatives vary, but generally include a) the power to engage in any activity in connection with the purchasing, marketing, selling, preserving, harvesting, drying, processing, manufacturing, canning, packing, grading, storing, handling, or utilization of any agricultural or handcraft products or the manufacturing or marketing of the byproducts thereof, b) any activity in connection with the purchase, hiring or use by its members of supplies, machinery or equipment, and c) in financing any of the aforementioned activities.
- Generally, no stockholder shall own more than 10 percent of the total par value of the capital stock issued.
- State statutes have additional requirements for membership meetings and notices of meetings.
- A set of voting requirements that stipulates one person has only one vote.
- Some state statutes have preferred stock that allows the co-operative to issue stock without voting rights.

### Legal Statutes in New England by State

Co-operative Statute Table

<table>
<thead>
<tr>
<th>State</th>
<th>Co-operative Statute</th>
<th>Number of incorporators required</th>
<th>Reserve fund requirements</th>
<th>Types of Co-operatives</th>
<th>Limits on dividends or interest paid on capital stock</th>
</tr>
</thead>
</table>
| CT    | Conn. Gen. Stat. ß 33-183 | 7 or more | 10% of net profit | • Co-operative Associations  
• Co-operative Marketing Associations  
• Workers Co-operative | Not specified |
| ME    | Maine 13 M.R.S. ß 1501 (2013) | 3 or more | at least 10% until reserve fund equals at least 50% of the paid-up capital | • Consumer Co-operative  
• Agricultural Marketing & Bargaining Co-operative  
• Employee Co-operative Corporation  
• Fish Marketing Association | No more than 8% of the actual cash value |
| MA    | Massachusetts ALM GL ch. 157, ß 1 (2013) | 7 or more | 10% of net profit | • Co-operative Corporations  
• Co-operatives without Capital Stock  
• Employee Co-operative Corporations | Not to exceed prime rate |
| NH    | RSA Tit. XXVII, Ch. 301 Note(2013) | 5 or more | at least 10% until the general reserve exceeds 30% of both the paid in and subscribed capital | • Co-operative Marketing & Rural Electrification Associations  
• Consumers Co-operative | No more than 10% per annum |
| RI    | R.I. Gen. Laws ß 7-7-1(2013) | 5 or more | at least 10% until reserve fund equals at least 50% of the paid-up capital | • Producers co-operative  
• Consumers co-operative | No more than 8% per annum on capital stock or membership capital |
| VT    | 8 V.S.A. ß 31101 (2013) | 5 or more | at least 10% until reserve fund equals at least 50% of the paid-up capital | • Marketing Co-operative  
• Consumers Co-operative  
• Worker Co-operative | Not to exceed 6% per annum |
Deep Root Organic Co-op

Founded in 1986, Deep Root Organic Co-op represents one of the oldest co-operatives of organic vegetable growers in the United States. Based in Johnson, Vermont, Deep Root is organized as a co-operative in order to take advantage of economies of scale. The co-operative aims to decrease local competition and allow farmers to collectively fill trucks to efficiently ship produce to larger population areas, in order to make trucking costs affordable. Four farms in western Massachusetts and southern Vermont collaborated to be able to market to larger population areas.

Since then, the co-operative membership has shifted towards central and northern Vermont and Quebec, but the founding mission remains unchanged: to connect the small, family-owned farms that would benefit most from marketing and access to population centers in the region. Today, Deep Root consists of 25 members with diverse farm sizes.

While the membership has shifted over the years, the co-op enjoys the same core customer base as it did nearly 30 years ago. Deep Root connects its member farms with distributors and retailers in the Northeast, including organic markets, several consumer co-operatives and Whole Foods Market franchises.

Before achieving financial stability, Deep Root had taken lines of credit out in the late winter to tide them over until they could harvest and sell the next season's crops. Today, Deep Root enjoys financial stability and has not needed to borrow, and doesn't expect to need to. This means that Deep Root is stable and sustainable. Although Deep Root has taken advantage of grants to focus on supply chains and logistics, the organization generally prides itself on being financially independent.

One of the challenges facing the co-operative is maintaining the right membership to ensure the longevity of the co-operative and to stay committed to the spirit of its founding. Trying to find the next generation of farmers to maintain the co-operative has become increasingly difficult when the average age of farmers in New England is 57.6 and is steadily increasing. Additionally, land prices continue to rise, presenting even more challenges for finding the next generation to continue the co-operative.

Efficiently trucking products to market has also proven challenging. Deep Root sees reliant trucking as essential to its success. The priority topic at all planning meetings is how best to manage trucking. This includes conversations about budgeting, scheduling, and finding the right number of drivers. Northern Vermont creates particular challenges for trucking. The routes and destinations are often spread out and require driving through mountain passes. Weather can also create problems for the efficient delivery of produce. Customers need to able to rely on the delivery of product or the co-operative's reputation may suffer. Despite these challenges, Deep Root serves as a model of success for efficient trucking. Large and small growers alike have success selling through Deep Root.

Although Deep Root faced no challenges with co-operative statutes on the state level, national legislation presents potential issues for its stability. Deep Root has concerns about food safety and traceability as the Food Safety Modernization Act (FSMA) moves through the comment period and into implementation. Certain food safety requirements would stretch the co-operative too thin. Traceability requirements will force the co-operative to purchase and implement new computer software. Deep Root may also require technical assistance to further implement new traceability procedures.

Deep Root also realized difficulties with USDA organic standards. All of Deep Root’s members are certified organic, but the co-operative itself is not certified. In the past, USDA has been unclear as to Deep Root’s classification within the organic program. Each year, Deep Root Sales Manager Anthony Mirisciotta must collect organic certificates from the 25 member farms and send them to customers, creating a large administrative burden. To comply with food safety legislation, the co-operative may itself move towards USDA organic certification.

Given Deep Root’s established stature as a co-operative, it works to assist
other co-operatives during their formation and throughout their tenure. The Deep Root model will not work for every co-operative. It encourages new co-operatives to look at all types of co-operative models and adapt them to the needs and requirements of their co-operative. It cautions that co-operative models are not simply templates that can snap into place, but that they must be modified to work in individual contexts.

Deep Root attributes its success to its members. Its co-operative model promotes camaraderie and unity, which enables it to make changes easily when necessary for the betterment of the co-op. Combined, the members have more than 800 years of agricultural experience. This collective expertise allows the older, founding members to assist younger members with their business and farming practices. This intergenerational support helps to sustain Deep Root and local organic agriculture in New England.

**North Country Farmers Co-operative**

Julie Moran moved to Colebrook, New Hampshire, in the summer of 2007. Familiar with the state’s robust agricultural diversity and prioritization of local foods, Moran expected to find ample local, farm fresh food. She soon learned, however, that little local food was available, sales failed to meet farmer expectations, and farms were in direct competition with one another, ultimately driving down prices. Moran began working with the North Country Resource Conservation and Development Area Council (NCRC&D) to market and aggregate farm food, develop farm business plans, and grow the local farms and their markets. Three years later, Moran and NCRC&D had created an efficient ordering and delivery system, built up new markets, and added additional funding through philanthropic and government grants. After collaborating with another project in New Hampshire that failed to materialize in new markets and funding, the North Country farmers decided to organize together to collectively market their agricultural products.

The North Country farmers initially favored forming a limited liability company (LLC), but after undertaking a deliberative process, decided a co-operative would provide better tax implications and opportunities for funding. After three years of evaluating the various options available to them for collaborative work, the group determined that a co-operative structure would enable them to have the flexibility and fluidity that they required in order to easily add and remove members year after year. Despite hearing that the statutes would be difficult to navigate, the North Country Farmers Co-operative (NCFC) found no challenges with the state statutes. They did find, however, that the biggest challenge facing them was whether the farmers were willing to band together and jointly accept the risk of the co-operative. Without grants from Northern Community Investment Corp. and USDA Rural Development to help mitigate some of the financial risks, the co-operative may not have been able to form. After facing particularly difficult challenges with a consultant who failed to have the co-operative’s best interests in mind, the group learned that they could trust one another and moved towards forming a co-operative.

The North Country Farmers Co-operative officially organized as a producers’ marketing co-operative in 2013 with the assistance of Northern Community Investment Corporation (NCIC), Co-operative Development Institute (CDI), and Small Business Development Center. NCFC initially received technical assistance from CDI in understanding the requirements for a co-operative and in creating the bylaws. NCFC also received legal and accounting help from NCIC. CDI continues to provide technical assistance on the co-op’s taxes. NCFC found that technical assistance was mostly adequate, but oftentimes the language used was inaccessible to those in the beginning stages of forming the co-operative. Moran had to learn a new language in order to be able to follow the suggestions from the technical assistance. Armed with the mission to fuel the growth of the North Country’s economic, agricultural, and environmen-
tal sustainability and to contribute to the overall health of people in the region, the North Country Farmers Co-operative currently has 22 members, including 21 area farms and one bakery. They are located throughout the North Country of New Hampshire and the Northeast Kingdom of Vermont. The members supply local produce, meats, breads, and other locally grown, raised or produced items to local customers. NCFC was created with several goals: economic development to increase farm and food-related small businesses; indirect business development to increase the attraction of the hospitality and human service businesses in the area; improving the eating habits, health, and well-being of local residents; and attracting second homeowners and other professionals to the area. The co-operative currently serves restaurants, hotels, hospitals, and 11 local schools; is actively adding additional farms and products; and enjoys support from the community.

In 2013, the group began providing local fare for Valley Originals (a group of locally-owned and operated restaurants) in the North Conway, NH, area, including 13 restaurants. NCFC also started the North Country Chefs Challenge, an event that highlights the restaurants and food from North Country. And it furthers the goal of bringing food tourists and regional travelers to the area, benefiting both farms and restaurants. The chefs display great enthusiasm in their roles of agri-tourism ambassadors.

While they retain their direct-to-consumer sales, they gain access to wholesale markets through the co-op that they otherwise wouldn’t have been able to reach.

As NCFC continues to grow, it faces challenges. Most of its members are small farms and new businesses, and meeting expanding demand could prove difficult. Average sales through the co-operative by members were just over $2,000 in 2013. Consistency of product and reliability of supply continue to be of concern to the growing co-operative. The growers are learning about and experiencing the challenges of selling wholesale as opposed to selling direct-to-consumer.

The growers are learning about and experiencing the challenges of selling wholesale

Although wholesale markets provide great opportunity for sales, they present unique challenges: Inconsistent follow-through on early season commitments by wholesale buyers has created problems for the co-operative, including unsold product in the height of production.

The co-operative reviewed its goals, successes, and challenges in 2013. Sales failed to meet expectations for a variety of reasons:

- Mislabeled seeds that resulted in production of unexpected crops
- One loss of early crops
- A well failure at one farm
- Seven farms that had no production during the season
- A crop selection that lacked many fruits and vegetables sought by customers

Additionally, the learning curve was steep and required tremendous stamina and determination from Moran, who eventually had support from the community to encourage her during trying times. Further, the co-operative only exists because the community is invested in its success and wants to preserve its agricultural resources.

Although North Country Farmers Co-operative has faced a number of challenges and growing pains since its inception, its founders remain optimistic about the future and their prospects for increasing stability for members, developing new products, and becoming leaders in the community.
Resources

National
National Cooperative Business Association
1401 New York Avenue, NW
Suite 1100
Washington, D.C. 20005
202-638-6222
www.ncba.coop

USDA Rural Development
www.rurdev.usda.gov/LP_CoopPrograms.html
(Also check state offices of USDA Rural Development)

Regional
New England Farmers Union
PO Box 226
Shelburne Falls, MA 01370
413-625-3051
info@newnenglandfarmersunion.org
www.NewEnglandFarmersUnion.org

Neighboring Food Co-op Association
PO Box 93
Shelburne Falls, MA 01370
info@nfca.coop
www.nfca.coop

Cooperative Development Institute
PO Box 422
Shelburne Falls, MA 01370
877-NE-COOPS or 413-665-1271
info@cdi.coop
www.cdi.coop

Cooperative Fund of New England
800-818-7833
cfne@coopfund.coop
www.cooperativefund.org

Farm Credit East
ME, NH, MA, CT and RI
www.farmcrediteast.com

Valley Alliance of Worker Co-ops
413-268-5800
info@valleyworker.org
www.valleyworker.org

Yankee Farm Credit
Vermont
info@yankeeaca.com
www.yankeeaca.com
Appendices

Sample Articles of Incorporation for an Agricultural Marketing Co-operative

Articles of Incorporation

of ______________________________

Association

We, the undersigned, all of whom are residents and citizens of the State of __________________, engaged in the production of agricultural products, do hereby voluntarily associate ourselves for the purpose of forming a co-operative association, (with/without) capital stock, under the provisions of the __________________ Co-operative Marketing Act of the State of __________________.

Article I— Name

Article II— Purposes

Article III— Powers; Limitations

Section 1. Powers

Section 2. Limitations

Article IV— Place of Business

Article V— Period of Duration

Article VI— Directors

Article VII— Membership (for non-stock co-operative) or

Article VII— Capital Stock (for stock co-operative)

Section 1. Authorized Amounts; Classes.

Section 2. Common Stock.

Section 3. Preferred Stock.
In testimony whereof, we have hereunto set our hands this _____ day of ____________, 20__.  

State of ____________  

County of _____ SS.  

Before me, a notary public, within and for said county and State, on this ___ day of ____________, 20__, personally appeared _____, known to me to be one of the identical persons who executed the within and foregoing instrument, and acknowledged to me that he/she had executed the same as a free and voluntary act and deed for the uses and purposes therein set forth.  

Witness my hand and official seal the day and year set forth.  

Notary Public ___________________________________________  

In and for the County of ____________________________, State of _______________. My Commission expires _______________.  


Sample Bylaws

Article I — Membership

Section 1. Qualifications.

Section 2. Suspension or Termination.

Article II — Meetings of Members

Section 1. Annual Meetings.

Section 2. Special Meetings.


Section 5. Quorum.

Section 6. Order of Business.

Determination of quorum.

Proof of due notice of meeting.

Reading and disposition of minutes. Annual reports of officers and committees. Unfinished business.

New business.

Election of directors.

Adjournment.

Article III — Directors and Officers

Section 1. Number and Qualifications of Directors.

Section 2. Election of Directors.

Section 3. Election of Officers.

Section 4. Vacancies.
Section 5. Board Meetings.

Section 6. Special Meetings.

Section 7. Notice of Board Meetings.

Section 8. Compensation.

Section 9. Quorum.

Article IV — Duties of Directors

Section 1. General Powers.

Section 2. Employment of Manager.

Section 3. Bonds and Insurance.

Section 4. Accounting System and Audit.

Article V — Duties of Officers and Manager

Section 1. Duties of President.

Section 2. Duties of Vice President. Section 3. Duties of Secretary.

Section 4. Duties of Treasurer. Section 5. Duties of Manager.

Article VI — Executive Committee and Other Committees

Section 1. Powers and Duties.

Section 2. Other Committees.

Article VII — Membership Certificates

If the association is organized with capital stock, the outline might read:

Article VII — Stock Certificates

Section 1. Common Stock.

Section 2. Other Committees.

Article VIII — Operation at Cost and Patrons’ Capital

Section 1. Service at Cost.

Section 2. Refunds and Patrons’ Capital.

Section 3. Revolving Capital.

Section 4. Transfer.
Section 5. Consent.

Section 6. Consent Notification to Members and Prospective Members.

Article IX — Dissolution and Property Interest of Members Article X — Unclaimed Money

Article XI — Fiscal Year

Article XII — Miscellaneous Provisions

Section 1. Waiver of Notice

Section 2. Bylaws Printed.

Section 3. Seal.

Article XIII — Amendments

We, the undersigned, being all of the incorporators and members of the ________________ association, do hereby assent to the foregoing bylaws and do adopt the same as the bylaws of said association; and in witness whereof, we have hereunto subscribed our names, this _________ day of ________, 20__.
Sample Membership Application and Marketing Contract

THIS AGREEMENT between the ___________________________, Inc., hereinafter referred to as the Association, and the undersigned Producer, witnesseth:

The Producer

1. Applies for membership in the Association, and if accepted as a member, agrees to be bound by its articles of incorporation, bylaws, rules, and regulations as now or hereafter adopted.

2. Appoints the Association as agent to sell all the _________________ of marketable quality produced an any farm in control of or operated by the Producer, except that required for consumption on the farm.

3. Will deliver such products at such times and to such places in unadulterated form under such conditions as may be prescribed by proper authorities.

4. Will notify the Association of any lien on the products delivered hereunder, and authorizes the Association to pay the holder of said lien from the net proceeds derived from the sale of such products before any payment is made to the Producer hereunder.

5. Will provide capital in such amounts and in such a manner as may be provided in the bylaws.

The Association:

1. Accepts the application of Producer for membership in the Association.

2. Agrees to act as agent for the marketing of products of Producer as herein provided.

3. Will dispose of Producer’s products in a manner deemed to be most advantageous for its members.

4. Will account to the Producer in accordance with this contract for all amounts received from the sale of products as herein provided.

5. Will reflect in an appropriate capital account the capital received from each patron.

The Producer and the Association mutually agree that the Association shall have the power:

1. To establish various plans for making returns to the Producer.
2. To blend or pool proceeds from sales of products of the Producer with the proceeds of the sales of products of other Producers, and to account to or settle with Producer therefore in accordance with established plans.

3. To process or cause to be processed products of the Producer and dispose of the same in the manner deemed most advantageous to its members.

4. To collect from buyers of products the purchase price therefore and to remit the same to Producer under a plan authorized by this contract after making uniform deductions deemed adequate for all necessary expenses and for capital purposes.

In case of a breach of this contract by the Producer, the actual damage to the

Association and other producers cannot be determined. Therefore, Producer agrees to pay to the Association as liquidated damages for such breach, the sum of ____________ dollars (__________) per _______________ on all products that would have been delivered had the Producer not breached the said contract.

And the Association shall further be entitled to equitable relief by injunction or otherwise to prevent any such breach or threatened breach thereof and the payment of all costs of litigation in connection with the exercise of any or all of the remedies available to the Association.

This contract shall remain in effect for an initial term of _______ years from the date hereof. Following the initial term, the contract may be cancelled by notice given in writing by either party to the other within ten (10) days after any yearly anniversary date, and such cancellation shall become effective on the last day of the second calendar month following the month during which such notice is given.

Date _______________

Producer’s signature ______________________ (____________________________________)

Print name here

Address

(R.F.D. or Street No.) ___________ (Town) ___________ (State and Zip Code)

Social Security No. ________________________

County ______________________

Accepted this day of ________, 20__.

______________________________, Inc.

By ________________________________, Pres.

By ________________________________, Secy.

(Some State laws provide for filing or recording co-operative marketing contracts in a county recorder’s office to give notice to third parties that the contract exists and acknowledgment if the contract is to be filed or recorded.)
Doing More by Working Together

Launching the New Cooperative Decade

by Erbin Crowell

The past year has been a watershed opportunity for farmer co-ops, the New England Farmers Union (NEFU) and the wider cooperative movement. When the United Nations (UN) declared 2012 the International Year of Cooperatives (IYC), it brought unprecedented attention to a business model that has been crucial to the survival and success of family farmers in our country and around the world. The central purpose of the IYC was to shine a light on co-ops as effective tools for poverty reduction, social engagement and food security, particularly in the context of the continuing global recession.

As Charles Goud, secretary-general of the International Co-operative Alliance (ICA), pointed out, the real opportunity of 2012 was to use the IYC to help achieve a longer-term vision. At closing ceremonies for the Year of Co-ops in Manchester, U.K., the ICA presented its “Blueprint for the Co-operative Decade,” in which co-ops are acknowledged as leaders in economic, social and environmental sustainability, the preferred business model of people around the world, and consequently the fastest-growing form of enterprise by 2020.

It is an exciting and ambitious vision that builds on the growing recognition of the dramatic impact of cooperative enterprises, far beyond the attention they receive from policymakers and educational institutions. Around the world, about a billion people are members of co-ops—more than directly own stock in publicly traded corporations. Co-ops also provide employment for more than 100 million people, more than multinational corporations. Here in the U.S., where an estimated one in three people are co-op members, including a majority of farmers, cooperatives play a particularly important role in rural communities, enabling family-scale producers to secure goods and services, achieve scale and compete with large corporations without sacrificing local ownership and control.
Cooperative enterprise is also innovative and successful. Just this fall, the U.S. Department of Agriculture (USDA) released a report revealing that farmers, ranchers and fishery cooperatives posted record sales and income in 2011, surpassing the previous record sales year of 2008 by $16 billion. In addition to supporting the success of producer members, these co-ops have remained important employers, providing 184,000 jobs, up slightly from 2010. Keep in mind that this is in the context of continuing global recession.

In a blog post on the report, USDA Undersecretary Dallas Tensager noted that cooperatives are also effective at the other end of the food system where consumers do their shopping, citing the City Market/O oppos in Burlington, Vt., as an example. City Market is among the members of both the Neighboring Food Co-op Association (NFCA) and the NEFU, representing an exciting trend toward closer collaboration among consumers and producers in building more vibrant and resilient regional food systems.

Farmer co-ops in our region, such as Agri-Mark (Cabin) and Organic Valley, grew dramatically this past year, leveraging the shared strength of their member-owners. Cooperatives are also on the cutting edge of the new entrepreneurial energy around local and regional food systems, proving to be an effective structure for food hubs, farm-based processing and marketing. The cooperative structure breeds innovation and community, and can ensure that producers are the primary economic winners from the growing consumer interest in local and regional food.

For the past couple of years, NEFU member Deep Root Organic Co-op has been collaborating with the NFCA on Farm to Freezer, a pilot project of regionally sourced and processed frozen fruits and vegetables available at food co-ops in the region. More recently, a wave of community entrepreneurs—from grocery stores like Old Creamery Co-op to independent food processors like Real Pickle—have started looking to the co-op model as a tool for business succession that keeps the mission intact and ownership local.

In a report titled "Agricultural Cooperatives: Key to Feeding the World" for World Food Day this past October, the Food and Agriculture Organization (FAO) notes that a "powerful contribution of cooperatives and producer organizations is their ability to help small producers voice their concerns and interests, and ultimately increase their negotiating power and influence policymaking processes." This is why the National Farmers Union worked to establish the legal framework for farmers to form co-ops back in the 1930s, and continues to be an advocate for the cooperative model in rural America.

Earlier this year, NEFU and the NFCA collaborated with the National Farmers Union in the development of a curriculum on cooperative business that communicates some of this history. With modules for groups from first grade to adult, this resource is now available for free download from the NEFU website.

The central role of the Farmers Union is strengthening the voice of family farmers, fisherfolk and producers in the food system, and joining this voice with consumers and other advocates to create change. We can accomplish many things together that we cannot do alone. This past year, the Farmers Union and its partners worked hard to influence and encourage passage of the 2012 Farm Bill. Congress allowed the 2008 bill to expire on September 30, leaving New England farmers, especially our dairy farmers, in the lurch. Our farmers, fisherfolk and producers need the certainty of consistent food policy, and we’ll continue to press Congress for such legislation.

This is where you come in. If you are not yet a member of the NEFU, please join us and support our work. If you are already a member of the NEFU, please help us spread the word among your colleagues, friends and family and encourage them to join. Remember, you do not have to be a farmer or a fisherman to be a member. We can do much more if we work together.

Ervin Cowell serves as president of the New England Farmers Union and executive director of the Neighboring Food Co-op Association. He holds a Master of Management in cooperatives and credit unions from Saint Mary’s University and serves on the board of the National Cooperative Business Association. He may be contacted at ervin@nfcascoop.com.
Co-operative Enterprises Benefit Our Producers

Supporting Co-operative Efforts to Build a Better Food System

History shows that co-operative enterprise is a powerful means by which people — including farmers and other producers in particular — can further their own well-being in our market economy. As unique business organizations, co-ops comprise an important segment of the American economy and are active across industries. And as member-owned enterprises, co-operatives are rooted in the communities they serve, creating economic benefit that reaches across generations. Co-ops are an essential tool in creating a stronger, more resilient regional food system.

What is a Co-op?
Co-operatives differ from other for-profit business models in that they are owned by the people who use their products or services. A co-op is user-owned, user-controlled and operates for the benefit of its members. Rather than being based on the maximization of profit for owners or investors, a co-op is focused on meeting member needs and goals. Co-ops operate at cost for the benefit of their members. Profits are distributed back to member each year in proportion to their use of the co-op.

Co-ops Support Producer Viability
Producer co-ops have helped address some of the enduring challenges for family farmers and fishermen. By working together, producers can more effectively compete in the marketplace, secure inputs and access costly infrastructure. Co-operation enables producers to reach scale. A majority of our country’s two million food producers are members of about 3,000 producer co-ops.

NEFU Supports Co-op Development

• Based in Johnson, VT, Deep Root Organic Co-op expands the market for its 25 producer members by marketing their fresh produce to retailers across the Northeast. NEFU supported Deep Root in applying for funding from the USDA to explore extending this collaboration into a regional distribution co-op.

“For us, NEFU represents the bigger voice of all New England farms and farmers. It is great to have this representation and relationship.”
—Anthony Mirisciotta, Deep Root Sales Mgr.

• Co-operative land ownership could enable new and cash-constrained producers to access farmland. NEFU helped assess the feasibility of a land-based co-op in Vermont. This will provide a model for cooperative land stewardship, equipment usage, and market access.

Contact us at info@newenglandfarmersunion.org for help with your co-op.
Since its founding in 1902, the National Farmers Union (NFU) has been an advocate of the co-operative model, supporting the development of farm, fishery and forestry co-ops as an effective means to increase producers’ bargaining power.

Consumer co-ops, often called “food co-ops,” have facilitated the growth in natural foods and organic foods. They provide a key market for farmers producing local and regional food.

**Healthy Food Access Initiative demonstrates that Co-ops can support producers and improve healthy food access**

NFU is working with Neighboring Food Coop Association (NFCA) and the Cooperative Fund of New England (CFNE) to provide technical assistance to co-ops that are working to improve healthy food access for underserved communities.

The project, funded through a grant from Jane’s Trust, emphasizes knowledge-sharing across NFCA’s food co-op members and NFU’s producer members. Already, the project demonstrates that co-ops can improve healthy food access for underserved communities while benefitting local producers through expanded markets.

**Co-ops build a more resilient food system**

Rooted in the communities they serve, co-ops are helping to rebuild and revitalize our local and regional food system.

- Co-ops enable local producers to retain control of their financial returns while achieving an economically viable operating scale. In a co-operative, local producers can meet the growing demand for local and regional food while maintaining control over the prices.
- Co-operative enterprises can help New England build the regionally-scaled infrastructure necessary for production, processing, marketing and distribution of regional food, feed and fiber.
- Co-ops aggregate member resources to improve producer bargaining power. Farm, fishery and forestry co-ops increase producers’ bargaining power in the economy and food system.

Co-ops are resilient. Member ownership makes coops hard to buy out or relocate. The focus on community benefit ensures a patient approach to financial results.

**NEFU Works for Co-operatives**

In addition to advocating for cooperative enterprises, NEFU offers technical support to producers seeking to expand or create co-operative enterprises. Contact us for more information about:

- Technical resources for co-op start-ups
- State statutes affecting co-ops for each New England State (the statutes in each state are different).

**PLEASE JOIN US!**

Become a member of NEFU.

Your membership supports our work to educate and advocate about policy issues important to you.

[www.newenglandfarmersunion.org/membership/join](http://www.newenglandfarmersunion.org/membership/join)
2014 Survey on Co-ops

New England Farmers Union conducted a survey of its members and supporters in March of 2014 to assess the level of awareness of co-ops and credit unions in our region, opinions about the role of co-ops in our regional economy, and interest in co-operative development. The survey was promoted at regional farm shows and events, and an online version was sent to our contact list, and disseminated through social media. We received 258 responses, 91 percent of whom are from New England.

The level of engagement of respondents in the co-operative business model across the economy was evident. Participants could indicate multiple relationships with co-ops: for example an employee of a co-op could also indicate their membership in the same co-op or another co-operative business. As a result, the data demonstrates these overlapping relationships:

- 56% said they were members of a co-op
- 12% work at a co-ops
- 34% are not members but are familiar with co-operatives

Meanwhile, only 9 percent reported that they had heard of co-ops but didn’t know how they work. No respondents were completely unfamiliar with co-operative enterprise.

Those who took the survey are members of many types of co-ops, with most belonging to food co-ops and credit unions. Again more than one response could be selected, indicating the manner in which co-operative enterprise touches people’s lives in a number of ways.

- Food Co-op (65%)
- Credit Union (56%)
- Agricultural Co-op (22%)
- Insurance Co-op (9%)
- Farm Credit Co-op (8%)
- Energy Co-op (7%)
- Worker Co-op (6%)
- Fishery Co-op (2%)
- Artisan Co-op (2%)
- Other (8%)

Survey respondents by state (Source: NEFU survey)
Overall, respondents had a favorable opinion of co-operatives and showed their understanding of the business model’s benefits for our regional food system and economy. They believed that co-ops...

- support community ownership (85%)
- play an important part of our food system and economy (81%)
- enable farmers and fishermen to achieve scale and access markets (80%)
- help farmers and fishermen get good prices for their products (73%)
- create good, sustainable jobs (66%)
- put people before profit (62%)

In addition, 53 percent of respondents reported that they go out of their way to purchase products and services from co-ops, or do their shopping at co-ops.

A. Producer co-ops

Twelve percent of respondents reported that they were an active member or staff person of a farm or fishery co-op. Of this group, respondents were producer co-op members (84%), on the board of directors (17%), managers (17%) or on staff (8%). Again, respondents could pick more than one category.

Co-operatives in our region produce a wide variety products, from food and beverages (milk, fruits, vegetables, herbs, flowers, fish, grain, corn, chocolate, and beverages) to package bees, energy, corn processing, farmers’ supplies, water, fuel, and financial services.

Producer co-op members who reported annual revenue of their co-ops cited figures of between $12,000 and $1 billion.

Of those producers who marketed through a co-op, 23 percent indicated that they sold 90 percent or more of their products through the co-op; 20 percent sold 50 percent to 89 percent through the co-op; and 57 percent sold less than 50 percent through their co-operative.

Producer co-op members felt their co-op provided the following benefits:

- Shared resources (33%)
- Marketing support (26%)
- Knowledge networks (17%)
- Patronage dividends (16%)
- Price stability (9%)

Producer co-op members felt the following resources would benefit them:

- Healthy food access for low-income members (54%)
- Membership development (51%)
- Marketing (44%)
- Business planning (38%)
- Education and training (33%)
- Legal (24%)
• Accounting (17%)
• Governance (17%)

B. Food co-ops

Food co-ops are an important part of NEFU’s membership and, like producer co-ops, root food system infrastructure in our region through co-operative ownership. Fifty-nine percent of survey respondents were members of food co-ops. Members indicated the following as the most important benefits of their food co-op, indicating their support for our region’s producers:

• Access to local and regional foods (75%)
• Fair prices for farmers’ goods (71%)
• Community ownership and participation (71%)
• Access to healthy and organic foods (69%)
• Investment in the community (66%)

Twenty-five percent of respondents reported that they were interested in joining or starting a co-op. They reported that they type of help they would need in launching a new co-op was financial (80%), legal (64%) and marketing (64%).

Of those who have sought technical assistance on developing their co-op, 36 percent felt the help was effective, 18 percent felt it wasn’t effective, and 46 percent felt it was somewhat effective.

Conclusion

The New England Farmers Union community that answered this survey is well versed in the co-operative business model, and many respondents indicated multiple relationships with various types of co-op. However, more work needs to be done on educating the general public about co-ops and their role in the food system. From the answers given, there also seems to be a lack of technical service providers, particularly in the areas of legal and financial support, and especially in terms of the development of agricultural co-ops in New England.

Respondents wanted institutions, policy makers and local communities to better understand and embrace the co-operative model, and see it as a way to provide “more food security, more equity, more environmentally healthy choices,” and helping “smaller farmers achieve scale.” As one respondent wrote, “I see a bright future for co-ops.”

This survey will provide valuable information to NEFU as it considers how best to support food system co-ops in our region and promote the co-operative business model as a tool for building a more sustainable, resilient and participatory regional food system and economy for farmers, fishermen, and our communities.
Special thanks to the attendees New England Farmers Union’s (NEFU) Convening on Co-operatives, held in Burlington, Vermont, on February 16. This report summarizes the discussion at the event and next steps that the group identified.

The past few years have been a watershed for the co-operative movement reflecting the challenges brought on by the global recession and opportunities for innovation in regional food systems. For example, the United Nations’ declaration of 2012 as the International Year of Co-ops has brought renewed attention to co-operative enterprise, followed by the release of the International Co-operative Alliance’s “Blueprint for a Co-operative Decade” the following year. In 2014, celebration of the UN’s International Year of Family Farming — in which producer co-ops play a key role — represents a continuing opportunity for dialog on the role of co-operatives in sustainable, resilient and participatory food systems.

In this context, NEFU organized a convening on co-operatives, coinciding with the Northeast Organic Farming Association Vermont Winter Conference, to bring co-operative leaders and policymakers to discuss the opportunities presented by regional food system development and renewed interest in the co-operative business model.

This report summarizes this dialog. Presentations from the event can also be viewed at www.slideshare.net/NEFU Sarah/nefucoopconvening2014pptx.

**Assessing Vermont’s Co-op Opportunities**

A first step in the convening was to identify where Vermont stands now in terms of supporting and advocating for co-operative enterprises in the food system and economy. A group of New England farmers, leaders from Vermont’s agricultural, food and worker co-ops, and state policymakers gathered to discuss the co-operative business model, which is receiving renewed attention as an effective tool for addressing problems in our food system: persistent food insecurity, and growing awareness of the gap between demand and supply for local and regional foods.

So what can we do to encourage the growth of the co-operative model in our region? What are the key challenges and opportunities for co-ops? And what role can NEFU play moving forward?

NEFU Vice President Erbin Crowell, executive director of the Neighboring Food Co-op Association, laid the foundation for dialog by presenting some of the reasons that co-operative enterprise is being featured in dialogs around sustainable regional food systems and economies. As member-owned and democratically governed organizations, co-ops are focused on meeting community needs before profit, developing local skills and anchoring economic infrastructure locally. In the wake of the global recession, co-operative enterprise has been shown to be more sustainable and resilient than other business models, preserving economic infrastructure for rural communities. This has drawn the attention of organizations from the United Nations to officials in local government. Crowell, who also serves on the board of National Co-operative Business Association, pointed out that co-ops offer a unique advantage to family-scale producers in particular because they are able to take advantage of economies of scale while retaining local ownership and control.

Diane Bothfeld, deputy secretary for the Vermont Agency of Agriculture, Food and Markets, then offered a broad view of the opportunities and challenges for food system co-ops from the Agency’s perspective. Some key opportunities exist in particular in the areas of fresh produce, livestock processing and developing creative partnerships between producers and buyers. Bothfeld also pointed to the importance of this dialog in advancing the co-operative model in a shifting agricultural environment and enhancing farmers’ access to markets, processing and distribution.

Several themes emerged from the group dialog that followed:

- Co-ops play an important role to play in advancing the economic viability of New England’s producers.
- In expanding the co-operative sector, we need to strike a balance between launching new enterprises and helping existing co-ops address opportunities in the food system.
- There is a challenge in accessing effective technical and legal expertise appropriate to co-operatives.
- Co-operative statutes are often misunderstood and there is a need for the development of legal and accounting support.

NEFU is in a unique position to address some of the challenges and opportunities in Vermont and other New England states. In fact, the National Farmers Union has been a key advocate of co-operative enterprise since its founding in 1902 as the “Farmers Educational and Co-operative Union of America.”

**Policy and Co-operatives**

Already, NEFU’s co-operative focus is bearing fruit. For example, New England Farmers Union Policy Intern Barbara Patterson has been collating the legal co-operative statutes from...
across our region, and was on hand at the convening to provide clarity based on her ongoing review of the legal statutes pertaining to co-operatives. “Many people have thought that the Vermont co-op statutes were limiting and prohibited outside investment, but our research proves that this isn’t the case,” said Patterson. “There is an opportunity to provide support to existing co-ops and entrepreneurs considering the co-operative model as we build a more resilient food system in our region.”

The closing presentation of the day included an outline of NEFU’s policy priorities, including defense of co-operative legal statutes and education on the co-op business model, and current related projects. For example, the NEFU Education Foundation helped secure a grant from Jane’s Trust to fund a collaborative project among NEFU, the Neighboring Food Co-op Association and the Co-operative Fund of New England to increase access to healthy, local food and co-operative membership among low income individuals. Another project with Vermont’s Deep Root Organic Co-op supports regional processing and distribution with food co-ops. The Foundation has also been successful in attracting grants that explore needs and opportunities for co-operative development across New England.

New England Farmers Union will continue to develop resources to support co-operative enterprises in our region. This manual and the survey NEFU conducted on co-operatives represent recent efforts to understand where we are and where we need to be when it comes to co-operative enterprise. As NEFU moves forward, we are looking to be a clearinghouse of technical assistance resources on co-operative development.

“The convening more than met its goal of making connections and exploring opportunities,” said NEFU President Roger Noonan, who presided over the convening. “And the insights we gained will help focus our efforts as we work to build co-operative development capacity in New England.”
New England Farmers Union works
to protect and enhance the economic well-being
and quality of life of family farmers, fishermen,
foresters, nursery growers and consumers
in all six New England states.