



Regional Food Infrastructure Network

Develop a business plan that links farms, businesses and consumers in the production, processing, distribution, marketing and purchasing of value-added products in the 19 counties of Western PA.

Small Growers and Value Add: The Need for Cooperatives

by Suzy Meyer

Relationships and connections between the farm, business, government, and consumer are critical to any family farm enterprise. We are trying to build a tightly woven network of people who can efficiently feed and support each other – in urban or rural communities. The co-op is one option for making this happen.

The word co-operative means different things to different people: social justice, democratic principles, economic structure, farmers working together. It conjures up images of grange halls, shared silos, and fluid milk combined from many sources. It's the idea of people agreeing to work together with the intent to fashion an economically viable business based on democratic principles—one member, one vote—a simple concept, one that can work well with the right people at the right time with the right idea.

Co-operatives have been at the heart of social justice movements around the world since the Industrial Revolution. In the U.S and Canada its advocates were often theologians and social activists; in 1917, Ghandi promoted co-operatives throughout India; Ireland had George Russel, poet, painter, and co-operatist who in 1922, advocated for an "organized rural community" which would "manufacture for its members all things which it

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One man's 1937 description of Cooperatives

"In their social aspects co-operatives are obviously democratic and provide for the maximum of local participation and control. They are purely voluntary institutions, which thrive only so long as men wish to sell, borrow or buy through them. They exist only because people want them and only to the extent that they do. They are not implanted from above or forced on people, but grow out of the soil of our common life. They do not confiscate existing capital, but merely aim to build up new social capital. They do not seek to divide classes into rich and poor, owners and workers, but instead to include all classes. They thus seek to unify social groups on the basis of their common interests. Within their ranks they follow, with rare exceptions, the principle of equality established by political democracy, of allowing each member one vote and only one irrespective of the amount of stock which they may own. They serve to temper the fierce and rugged individualism which, with all of the tremendous drive which it has furnished to men of energy, has nevertheless many unlovely features...."

- excerpt from an address to the American Institute of Co-operation held in Ames, Iowa, by Dr. Paul Douglas of the University of Chicago, 1937.

profitably can, employing its own workmen, carpenters, bootmakers, makers and menders of farming equipment... feeding its members and their families cheaply and well.... It should have a mill to grind their grain, a creamery to manufacture their butter". [Russell, George, "Co-operation and Nationality," The Co-operative League, reprinted 1940.]

Social benefits notwithstanding, a co-operative is a pragmatic affair, an economic vehicle for the purpose of members united in their thinking toward securing a product and increasing their income from it. In a 1985 address to a co-op annual meeting, CT Fredrickson, a farmer co-op executive declared: "My premise of co-operatives is that they are economic instruments existing and operating to increase the profitability of their owners—nothing more, nothing less. Neither do they have any particular role to play in promoting or defending social values, movements or structures, however desirable they may be." [Fredrickson, CT, 1985, quoted in F. Groves, "What is Co-operation? The Philosophy of Co-operation and Its Relationship to Co-operative Structure and Operations." UWCC Occasional Paper # 6, October 1985.]

Co-operatives, or "co-ops" are flexible business models, limited to the creative thinking of its members toward establishing an enterprise to create and sell a product. There are many examples of successful, modern co-ops. And there are many instances where a co-op structure isn't appropriate. For instance, last February at an OCIA farmers' meeting, I was presenting the RFIN project and its focus on value-added products. Some members got excited about the idea of creating an organic spaghetti sauce using Ron's beef, Darell's herbs, Randy's tomatoes, and Troy's garlic. They envisioned a high quality organic product.

I ran this scenario by Anne Reynolds, Assistant Director of University of Wisconsin's Center for Co-operatives. I asked, wouldn't you need a co-op structure to ensure the availability of enough raw materials to make the spaghetti sauce and ensure constant supply? She replied that on the one hand

"a co-op structure could work well and create a better product with more people involved. On the other hand, it may run better with one or two people running it as a small business and contracting with their producer friends." For Reynolds, a co-op implies and relies on *strong commitment* from both its members (growers) and the facility that processes the product and sells it. [Or maybe the facility sells the product back to the co-op. Or maybe the growers also process and market the product...]

"Co-operation is not by any means the unfailing 'cure all' for which fertile brains have sometimes been pleased to give it out, but a simple economic instrument, exceedingly useful in appropriate circumstances, for a great variety of purposes, but wholly ineffective under other conditions.

-USDA publication, 1917

Outside of very small niche markets, it takes a lot of raw material to make a commercially viable value-added product. In April, we wrote about Castle Co-pack, the (organic certified) bottling company in New Kensington. They would need major quantities of apples or berries, for instance, to make a locally branded juice. Their minimum order is 10,000 cases, or 24,000 bottles. Pellegrino's, a meat sauce producer in Warren PA is willing to work with local producers, (including organic producers), their minimum order is "a couple of palletes". One pallet = 1,872 mayonnaise sized jars. It is doubtful that in our region, one grower alone could provide the raw material needed for either product. But a group of them could. For this and many reasons, it is inevitable that small farmers / producers need to band together to create value-added products.

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The advantage of co-operating lies in strength in numbers to create enough supply to make a consistently good product to sell in desirable markets. Other advantages of working together include sharing the cost efficiencies of: marketing, transportation, liability insurance, and information technology, to name a few.

Another option is for growers is to process the food themselves or work with food processors. There is a new, recently opened, USDA commercial kitchen in Fayette County that's stocked with all the equipment and provides all the services (nutritional labeling, freezers, loading dock) necessary for independent processors to try new recipes and produce small or large quantities of value add products. Possibilities: salsas, shredded cole slaw mix, sauces, baked goods.... you name it.

The Keystone Development Center (KDC) provides free technical assistance to co-op startups. They help interested parties go from a well conceived co-operative idea to a functioning, legally incorporated body. Tanya Turner is KDC's western PA Cooperative Development Specialist. Turner's experience in working with farmers, processors, and markets leads her to believe that the ideal relationship within a co-op structure has growers (co-op members) out in the field doing what they do best—growing product. And as a co-op board of

directors, they hire the professional services necessary to run the organization, such as a manager, a part-time accountant, a marketing professional, and legal help to get it off the ground.

Four principles, she claims, make for a successful co-operative business:

- 1) Genuine Willingness & Commitment to Work Together
- 2) Good Leadership (board of directors)
- 3) Good Business Skills (or the Wisdom to hire good business skills), and
- 4) Investment Capital, (initially raised within the group itself until outside investment is sought in the case of large projects).

Two of the longest running co-ops in Western Pennsylvania are Whole Foods Co-op in Erie (26 years), and the East End Food Co-op in Pittsburgh (29 years). Both have professional staff to run the co-ops, and have successfully raised money to start up and expand their buildings, purchasing power, operations, and staff.

Turner sees a lot of potential for value added co-ops in the region, and she's not the only one urging farmers to think this way, whether it's branded grass-fed meats, branded vegetables, frozen pot pies, yogurt, ice cream, sauces, dressings, or specialty products.

There is a bigger picture in building a regional food system where co-ops are integrated in the economic fabric with for-profit companies in growing, processing, marketing, and transporting and distributing food. There are a lot of niches to fill. There's room for everybody to grow and prosper, if we work smart and work together.

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Steel City Biofuels will hold an exploratory meeting this fall with local farmers and project organizers interested in **growing fuel crops and producing biofuels**. For more information, email: farmingfuel@gmail.com.

Wednesday, September 27

Tour the USDA Value-add Kitchen Facility

in Fayette County with growers, food and business professionals.

Directions and RSVP by Sept. 20:

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