

The Politics of Cooperation: Exploring the Landscape

BY STUART REID



ILLUSTRATION BY MELECK DAVIS

Cultivating cooperation, by its nature, means working with many different groups. Here is a primer on the many organizations and resources you need to know about as you work to establish or further your cooperative business in an ever-changing social and political economy.

P6—cooperation among cooperatives. Everyone is talking about this principle and integrating it into their



marketing and missions. The retail food co-op community has a long history of sharing resources; building shared infrastructure; coordinating purchasing, training; and much more. Recently we have focused our attention on cooperatively owned producers and suppliers both near and far and increased collaboration with co-ops in other sectors. Yet there is another aspect of cooperative solidarity our stores' owners (and many of us) may not be familiar with. Quietly, and mostly behind the scenes, there are people defending our rights and striving to improve the recognition and support of the co-op community.

Cooperators know that our model has tremendous social advantages over most other business structures, but they may not realize that preserving our legal rights and getting a fair share of governmental aid and support is an ongoing struggle. Historically, cooperatives have been ignored or at least tolerated as long as they have not infringed on the claims staked by large investor-owned corporations. However, when co-ops have been seen as a threat, laws and regulations have been pushed through to stymie their long-term growth and survival. Most of this history concerns industrial worker co-ops and large producer co-ops, but the

food co-op community has not been immune. Over the decades, we have found our voice and become active in ensuring that co-ops get the recognition and respect that they deserve.

The Organic Foods Production Act of 1990 was one of the earliest and most recognized lobbying efforts of the food co-op community. The grassroots efforts of co-ops and their members were essential to ensuring that the new national standards would reflect acceptable integrity in the eyes of our consumers. Many organizations coordinated and led this effort, among them the cooperative grocers associations and their allies. While this may have been one of the most visible legislative efforts, there have been other critical victories that have preserved and improved our status in the marketplace.

NCBA (National Cooperative Business Association) is the national, cross-sector organization providing support and services to cooperatives. NCBA's Public Policy program harnesses the power of cooperatives across all sectors to educate Congress and the executive branch about the benefits of



co-ops, to advocate for programs and policies that help co-ops, and to protect co-ops from legislative attacks. The Calls to Action campaign energizes co-ops to present a united front in Washington and other policymaking arenas. NCBA's advocacy can be broken down into several broad areas: federal appropriations that fund programs for co-op development, accounting standards, regulations affecting co-ops' access to federal business development programs, and preservation of laws that provide advantages to cooperative businesses in recognition of their unique ownership structure and community benefit.

The RCDG program (Rural Cooperative Development Grants, administered through the USDA) has provided the primary funding for regional cooperative development centers since 1990. Many

of these regional resource providers would not survive without these funds, and NCBA leads the effort to maintain program funding and strengthen the program parameters. Many co-ops have benefited from advice, business planning assistance, and access to development funds through these centers. Food Co-op Initiative received about half of our annual budget this year through an RCDG grant. We are using these funds to support our new development specialist, sponsor workshops and training, and to fund our Seed Grant program. However, USDA funding comes with restrictions. Grant-supported work must be targeted at communities that are designated as rural by the USDA. About ▶



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Sharing Passions and Expertise with Startups

On a Monday in May, I addressed a room crowded with attentive listeners who had come to hear how to add an income-generating activity to their food co-op organizing efforts. They were 127 people in total, representing 27 new startups in the Northeast. They had traveled to Greenfield, Mass., from as far afield as New York City, driven by the promise of learning firsthand something of the road ahead of them and the opportunity to connect with their peers on this shared adventure.

The Greenfield conference is the fourth such event that Stuart Reid and I, representing Food Co-op Initiative, have attended this busy spring—following ones in Bloomington, Berkeley, and Philadelphia. At these events, attended by representatives of 15–30 recent and potential startups in the region, we give training workshops on topics such as crunching the numbers for a business plan, raising capital, and grassroots organizing. We are frequently joined by our friends from CDS Consulting, who share their expertise on finances, organizational development, and keeping the doors open.

It's challenging to convey the incredible energy and exhilaration that comes to an organizer from attending a conference like this. (Since my own matriculation into the larger world of food co-ops was at a similar conference not so long ago, I remember it well.) It's the excitement of climbing a steep rock face with the confidence and benefit of a guide who has ascended the route ahead of you. It's the realization of shared passions: to work together with others for a shared goal; to be part of community and to contribute something of value back; to show courage and taste adventure by leading others through the unknown.

Just as important as knowledge to these startups is the networking and the



opportunity to develop lasting relationships with both experienced mentors and peers who are perhaps a little ahead or a little behind them on the same road. My hunch is that a key determinant of success for these groups will prove to be how strongly connected they become to the larger food co-op community.

One session in Greenfield was a panel on lessons learned by new co-ops after opening the doors. Ed King of Littleton Co-op in New Hampshire arrived with a two-page list. Alane Hohenberg of the Troy, N.Y., co-op spoke of the challenges faced when the store opened to sales drastically below their

projections. Driving the growth of interest in organizing new food co-ops is the explosion in demand for healthy, local food, which has in turn attracted strong challengers to the market. Co-ops organizing in this "Third Wave" are doing so under greater competitive pressure, compared to earlier days.

There is no industry like ours that shares as much information and expertise, with experienced members making themselves available to newcomers. Mature co-ops are often the "Big Brother, Big Sister" of younger startups, inviting new managers to come train in established stores, sending department heads out to train incoming staff, and passing on encouragement and advice with each touch. Principle Six—"Cooperation among cooperatives"—is our guiding philosophy as well as our competitive edge.

Can new co-ops be started successfully at the grassroots level? Of course they can—and 18 new members of our food cooperative community are slated to open their doors this year. But equally true of people and co-ops, while the young will get older at the same rate, some will mature faster than others, and some will grow up to achieve greater success. The difference is often a patient elder who takes an interest.

—Jake Schlachter

◀ half of the co-ops we work with qualify, so we are fortunate that the rest of our funding is unrestricted and can be used wherever it is most needed. Other development centers are not so fortunate, and this has left a gap in support for urban communities.

The Urban Circle service group of CooperationWorks! (led and championed by Lisa Stolarski of the Keystone Development Center) has drafted new legislation to address this problem of urban underrecognition. CooperationWorks! is a national network of cooperative development centers, working together to revitalize communities through effective cooperative enterprise development. The Urban Initiative proposal would establish a new, co-op development grant program outside of the USDA that would fund development centers and allow focused support in urban areas. A revolving loan fund that would help provide capital for co-op development is also under consideration. NCBA has helped guide the strategy behind this effort and is lobbying Congress in support of the legislation.



CooperationWorks! is involved in many more areas of co-op advocacy through their Advocacy Circle. In addition to closely monitoring the RCDG grant appropriations and rule changes, they are in regular contact with USDA and other governmental officials to promote changes and improvements in how co-op development is funded. When Congress is considering these matters, the advocacy circle ensures that the co-op development community speaks up and addresses its elected officials to support co-ops.

FASB (pronounced “Fazz-bee”) may be one of the least-known organizations that has potentially huge impact on co-ops. From its website: “Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities.” In May of 2003, FASB proposed changes to accounting standards that would have reclassified member equity as debt in many co-ops. The impact of this would be a dramatic change in balance sheets that would affect co-ops’ ability to borrow money. NCBA led the effort to protect co-ops from this potentially disastrous change. Implementation was deferred, FASB learned more about co-ops, and co-op educators began advising that by-laws contain language that declares member equity is only refundable with board review and approval. NCGA also created a new Cooperative Finance and Tax Council composed of a cross-sector group of chief financial officers who discuss and advise on accounting issues. [For a discussion of FASB and this accounting standard, see “Why Accounting Standards Matter: Sudden changes in regulations could threaten the co-op bottom line,” by Mary Griffin, in *CG* #139 Nov.–Dec. 2008.]

SBA loans should be a perfect fit for co-ops that are growing or forming, but these loans have been nearly impossible to access because of conflicting and confusing regulatory interpretations. Statutory changes that would clarify cooperative eligibility have been proposed and advocated by NCBA and are currently pending in Congress. The “Fairness to Cooperative Grocers Act” is also supported by NCGA advocacy.

NCBA has provided many other forms of support to the food co-op



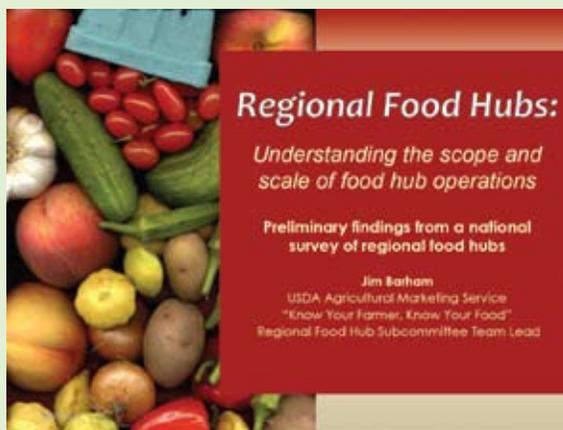
Food Hubs Build Local Food Infrastructure

Two USDA publications issued in 2010 provide useful reports on the challenges and advantages of “food hubs,” a concept that is central to the ongoing revival of local food systems.

“Cooperative Food Hubs,” available at www.rurdev.usda.gov/rbs/pub/nov10/food.htm, was written by USDA ag economist Alan Borst. It briefly summarizes the functions of a food hub and explains why a cooperative structure often best suits the needs of the producers and other stakeholders:

“A food hub is a facility that is central to producers and has a business management structure that facilitates the aggregation, storage, processing, distribution, or marketing of locally or regionally produced food products. Food hubs differ from decentralized markets, where producers and consumers are directly linked—as occurs at farmers markets, community-supported agriculture (CSA) associations, produce stands, or any other direct sales arrangements by individual farmers.

“A food hub functions as an intermediary that—by pooling producers and consumers—adds value to the marketing of produce and facilitates the development of a local food supply chain. Food hubs serve as aggregation points through which smaller producers can collectively market to larger



buyers that they would otherwise not have access to. Food hubs, for example, can purchase sufficient liability insurance to enter institutional food markets.”

A food hubs report with more depth and many successful examples can be found in a 41-page pdf produced by the USDA: www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5090409. “Regional Food Hubs: Understanding the scope and scale of food hub operations” is a national survey from a USDA Agricultural Marketing

Services team led by Jim Barham. The survey results from the “Know Your Farmer, Know Your Food” campaign launched in fall 2009 and takes aim at structural barriers that inhibit local food system development.

“Regional Food Hubs” outlines key components and offers numerous examples including nonprofit models (such as Red Tomato), producer/entrepreneur-driven models (such as Tuscarora Organic Growers and New North Florida Cooperative), retail-driven models (La Montañita Co-op and the Wedge Co-op), consumer-driven models (Oklahoma Food Co-op and Iowa Food Co-op), and “virtual” food hubs.

—Dave Gutknecht

community, including its long-standing sponsorship of the Consumer Cooperative Management Association (CCMA) conference, public awareness and outreach campaigns, the .coop domain, plans for the upcoming International Year of the Co-op, and building business opportunities for co-ops to work together.

NCGA—the National Cooperative Grocers Association—has also played a key role in co-op advocacy. As a founding and ongoing member of the National Organic Coalition, NCGA works closely with a number of organizations on advocacy issues important to their members, including food safety issues, GMOs, access to organic through the Women, Infants and Children (WIC) program, stronger organic pasture rules, and increased funding for USDA marketing, research, and conservation programs of importance to organic consumers and farmers.

NCGA has made it a priority to protect co-op users' access to safe food. On genetically engineered (GE) foods, they are a plaintiff in the Center for Food Safety's lawsuit against USDA on GE beets and GE alfalfa. They have helped ensure that consumers are aware of pending changes in farm bills and food regulation so that they can register their concerns with legislators. NCGA is also part of a class-action lawsuit that seeks to reduce the fees set by credit card companies and provide retailers with greater flexibility in accepting cards.

Co-op heroes come in many forms. The resources and potential allies listed here are only the tip of the iceberg when we consider the hundreds of nonprofits working for farming, food access, and community sustainability; the trainers and consultants, writers and thinkers, lenders and granters—all critical to our co-ops' mission. So while you may be overwhelmed by the day-by-day requirements of your co-op in your community, take a moment to be grateful for the help you get behind the scenes. ■



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