

Rural Cooperation in the 21st Century: Unique Opportunities for Farm Families

Selecting a Cooperative Structure for an Agriculture of the Middle*

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* Celebrating 2012-U.N. Year of Cooperatives. Sponsored by Teagasc, Bord Bia, ICOS, TASTE Council, UCC Centre for Cooperatives Studies. Presented at Brooklodge, Macreddin Village, Wicklow, Ireland. August 31, 2012

Introductory Outline

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- Cooperatives and Cooperative Tensions
- Agriculture of the Middle
 - ▣ Tensions between an alternative and a conventional agricultural path of development.
 - ▣ Tendencies within the Larger Socio-economic Context (important because they directly influence shape of organizations.)
- Choice of Cooperative Structure
- Conclusions

Cooperative Principles

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- Cooperatives are guided in organizational design and operations by a sets of principles.

Cooperative Principles:

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- In the U.S. these principles are frequently summarized into three guidelines:
- The User-Owner Principle: Those who own and finance the cooperative are those who use the cooperative. (you finance it as you use it).
- The User-Control Principle: Those who control the cooperative are those who use the cooperative. Membership requirements, sometimes by volume).
- The User-Benefits Principle: Cooperative purpose is to provide and distribute benefits to its users on the basis of use (Dunn 1988, p.83).

Cooperative Principles from the International Cooperative Alliance (ICA) (provides a more textured and broader understanding of principles)

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- Statement on the Co-operative Identity
- Definition
 - ▣ A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.
- Values
 - ▣ Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Cooperative Principles from the International Cooperative Alliance (ICA)

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- Principles - The co-operative principles are guidelines by which co-operatives put their values into practice
- 1st Principle: Open and Voluntary Membership
- 2nd Principle: Democratic Member Control
- 3rd Principle: Member Economic Participation
- 4th Principle: Autonomy and Independence
- 5th Principle: Education, Training and Information
- 6th Principle: Cooperation among Cooperatives
- 7th Principle: Concern for the Community

- Embedded in these principles are values of equality, equity, member participation, involvement and self-governance (and meaning) but also efficiency, performance, and economic return.
- They are at once both democratic associations of members as well as businesses. (Craig 1993, Lasley 1981).

Cooperative Tensions: (These different purposes and values represent tensions within the organization)

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- (so we have this sort of trade off of purposes)
- Competing Cooperative Purposes (emphasis):
 - ▣ Earnings versus service versus meaning
 - ▣ (and tensions organizationally, remembering cooperatives are at once both democratic associations of members as well as businesses). (
- Organizational Tensions:
 - ▣ Competitive individualism.....cooperative behavior.
 - ▣ Complex managerial expertise...grass roots member wisdom
 - ▣ Authoritarian top-down logic.....democratic bottom-up logic
 - ▣ Business efficiency.....participative democracy.
 - ▣ Efficiency.....equality

Cooperative Tensions: (These different purposes and values represent tensions within the organization).

- ▣ Bureaucratic logic.....direct participation

- ▣ Complex expertise.....grass roots needs

- ▣ **Organizational Tensions:**

- ▣ Efficiency.....equality

- ▣ Bureaucratic logic.....direct participation

- ▣ Complex expertise.....grass roots needs

Tensions in Dynamic Relationship to the External Environment

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- These internal tensions are in dynamic relation to the external context of the organization.
- Organizational dilemmas (or tipping points if you will) can present themselves as cooperatives encounter among others, economic, market and financial pressures, technological changes, changes in the structure of agriculture, globalization, to name a few.

Tensions in Dynamic Relationship to the External Environment

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- The needs for efficiency and a predominant emphasis on the bottom line, can drive organizational form toward bureaucratic shape hierarchy and a flow of authority that tends to be top down, with centralized decision-making (Breimyer).
- This logic is distinct from a grounded cooperative logic that emphasizes local responsiveness, decentralized decision making, participation and involvement.

Economic System from Perspective of Production, Distribution, and Consumption

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- Highlighting these influences will be presented from the perspective of the economic system and its production, distribution, and consumption aspects.
- I'm going to go through this fairly rapidly, a lot of this is known, but some of it, not so much, none of it can be dismissed.

New Consumption Paradigm

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- So we now live in an era which some have term “high modernity” characterized by a continued seek of control of self, of risk, and a continued searching for the felt-secure.
- This is relevant because it changes food demand.
- The high modern consumer exists in a context that demands self-definition, and re-definition, and increasingly tenuous links to traditional norms of living and fewer and fewer long-term links to communities.

New Consumption Paradigm: So What Happens to Consumption

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- A consumption style has developed that seeks to provide nutrition, soothes the psyche directly, but also seemingly addresses problematic qualities of being disembedded.
- Attractiveness, beauty, personal popularity, and acceptance are touted through consumption of right kinds of goods and services (Giddens, Bauman).
- Well beyond earlier meat, potatoes, bread and a bottle of milk—we now have designer products,--multi-determined with meaning.
- These products may signify not only “taste” but political environmental and dietary correctness, perceived interpersonal safety, and social responsibility.

New Consumption Paradigm: Social Movement (and Cooperative) Desires and Goals

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- And there's also been a displacement of social movement motivations which in earlier times were much more about struggles about getting a fair-share, or struggles "to-have."
- Newer movements are more motivated by struggles "to be." Claims are made for improved quality of life, easier self-expression, freer acknowledgement and development of identities—for example in terms of race, gender, ethnicity, and sexuality.

Struggles “to-have” and struggles “to-be”

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- Slow food, organic agriculture, and sustainable agriculture are part of this context.
- Many food consumption items have become political, appealing not only due to their soothing affects as food but that is also produced in a manner that seeks to embed production in
- environmental, economic, geographic, and community permanence (sustainability).

- “Agricultural of the middle” interests must contend with, accommodate to, and/or oppose the tendencies of an advanced economy that tends to be oriented to short-term return on investment rather than service:
- results in concentration and centralization of production, organizational conglomeration that consolidates and expands market positions via vertical and horizontal integration, and
- food consumption that reflects needs for needs for nutrition, but also soothing, status, and promises of safety and permanence, and identity.

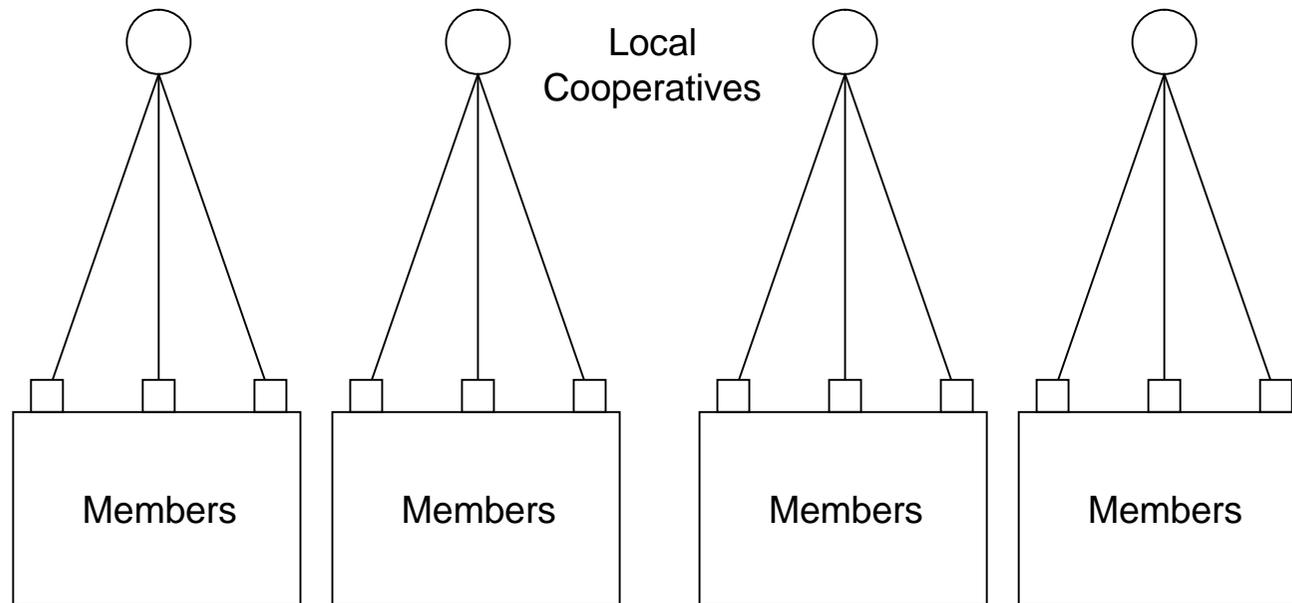
- So the intensity of this context and the competitive pulls within it can
- shift cooperative purposes away from service, meaning and values based mandates, and
- toward the exclusivity of market earnings and an increasingly large scale agriculture that displaces family farmers and rural communities.

What kinds of cooperative structures might be best suited to off-set institutionalization processes.

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- There are basically three different macro cooperative structures
- Locals
- Centralized
- Federated
- There are others, but this is the basic three

**Figure 1:
Local Cooperatives**



Local Cooperatives

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- Engage in such activities: e.g. buying supplies and services, marketing output, and/or processing and marketing products.
- Membership ranges: 10-15 members, though as many as 500-1000 members (Schaars).
- Local by definition: Small geographic region, member typically know each other, relationships are often informal.
- Business is the central activity, though member participation (beyond patronage)-in governance meetings, in decision-making—can provide additional benefit of a sense of individual efficacy, collective identity, relationships and meaning.

Local Cooperatives

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- Democratic control runs from members as a group to the local association.
 - ▣ Members elect a board of directors,
 - ▣ Directors set policy,
 - ▣ Directors may make managerial operational decisions depending upon complexity of cooperative, and a seasonal organization or not.
 - Managers (hired by directors) make operational decisions (once a full-time manager is hired, this does bring into greater focus tension between grass roots (member) wisdom versus complex (managerial) expertise.
 - Efficiency versus participation tension becomes more evident.

Local Cooperatives

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- Advantages for AOTM:
 - ▣ Local by definition... localism.
 - They're responsive to local agendas and local creativity, i.e. they're embedded in the locality.
 - ▣ Open, transparent (less problems with unaccountable power—as we sometimes have with multinationals).
 - ▣ Can be used to build local, collective identity and provide a voice for mobilization, and it can.
 - ▣ Provide a voice for dispersed, sustainability oriented agriculture—with implications for democratization or re-democratization and dispersion of power.
- .

AOTM Values Based Value Chains and possible disadvantages of Locals

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Larry Yee of the University of California (now retired) suggests that to really make a family farm and an AOTM structure viable, it may be necessary for it to be more than local. He suggests:

- 1) Unified branding, with particular relevance to the construction of a brand that incorporates the agendas of “the middle.”
- 2) A certification methodology administered from an over-head organization that can bring coordination across local regions and guarantees to customers.
- 3) Regional and national coordination of cooperative activities and flows of products.
- 4) Professional broad scale marketing and advertising.
- 5) Research and education.
- 6) Other professional support services.

Local Cooperatives

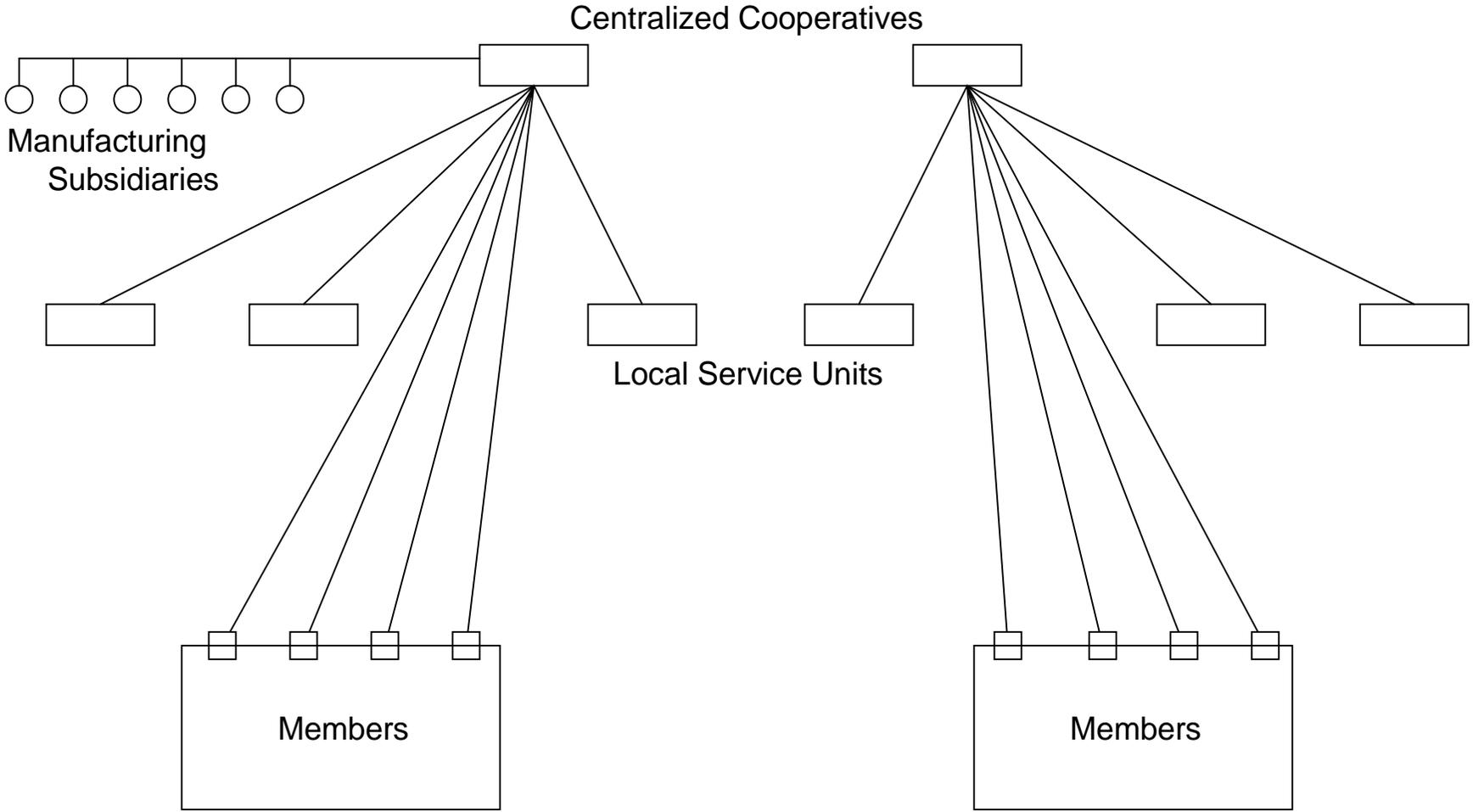
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Disadvantages of Locals for the AOTM:

- ❑ Lack coordination on and congruency across individual facilities and nationally.
- ❑ Likely at a competitive disadvantage to larger organizations in terms of coordination, branding.
- ❑ Likely at a competitive disadvantage to firms less socially and ecologically responsible.

- Locals
- Thumb Oil Seed at www.thumboilsee.com
- Country Natural Beef at
www.countrynaturalbeef.com

**Figure 2:
Centralized Cooperatives**



Centralized Cooperatives

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- ❑ Activities—They can provide all activities that are provide by locals—e.g. local assembly, grading , packing, shipping, processing, purchasing.
- ❑ Membership typically involves thousands of members spread over broad geographic regions.
- ❑ Locals are business sites only. Member hold membership in the central organization.
- ❑ Members elect the central board. Board sets policy and hires CEO (“cooperative” executive officer.) CEO manages cooperative from central location.
- ❑ Management of local facilities is hired by management structure of central location.

Advantages of Scale

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- Greater product uniformity and services to meet customer guarantees of product.
- Lowering operating costs with centralized control of handling and marketing of products.
- Greater bargaining power, via lower operating costs, and ability to command greater volumes.
- Ability to adapt locals to rapidly changing economic conditions—top down helpful.
- Can more effectively compete with larger firms via the development of branding, advertising, research and development, processing and product molding (Sexton).

Disadvantages of Centralized Scale

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- Product homogenization and loss of local uniqueness.
- By definition decision making is centralized rather than decentralized, so may lose participation of members.
- “Operational control and authority are concentrated in the headquarters” (Cobia).
- Democratic bureaucracy rather than direct participative democracy.

Disadvantages of Centralized Scale

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- Cooperative as a mechanism to develop and deepen collective identities may be lost
 - ▣ Sense of individual and community efficacy, relationship meaning can become highly muted, with a .
 - ▣ Loss of member interest and loyalty—with that loss, declining member participation.
 - ▣ Managerial interest on efficiency it then generally privileged over grass-roots wisdom and voice, and you have a shift in emphasis for
 - ▣ Individual collective benefits over mutual collective benefits.

Individual Collective versus Mutual Collective Benefits

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- A farmer who receives a higher price for his individual product when marketed at a cooperative is receiving individual benefit due to the farmers' joint action.
- The fact the s/he can raise a particular product due to being able to reach a market that no one could reach individually, is a mutual collective benefit (Parnell).
- Agricultural cooperatives in the U.S. have tended to emphasize individual collective benefits (prices, low costs).

Individual Collective versus Mutual Collective Benefits

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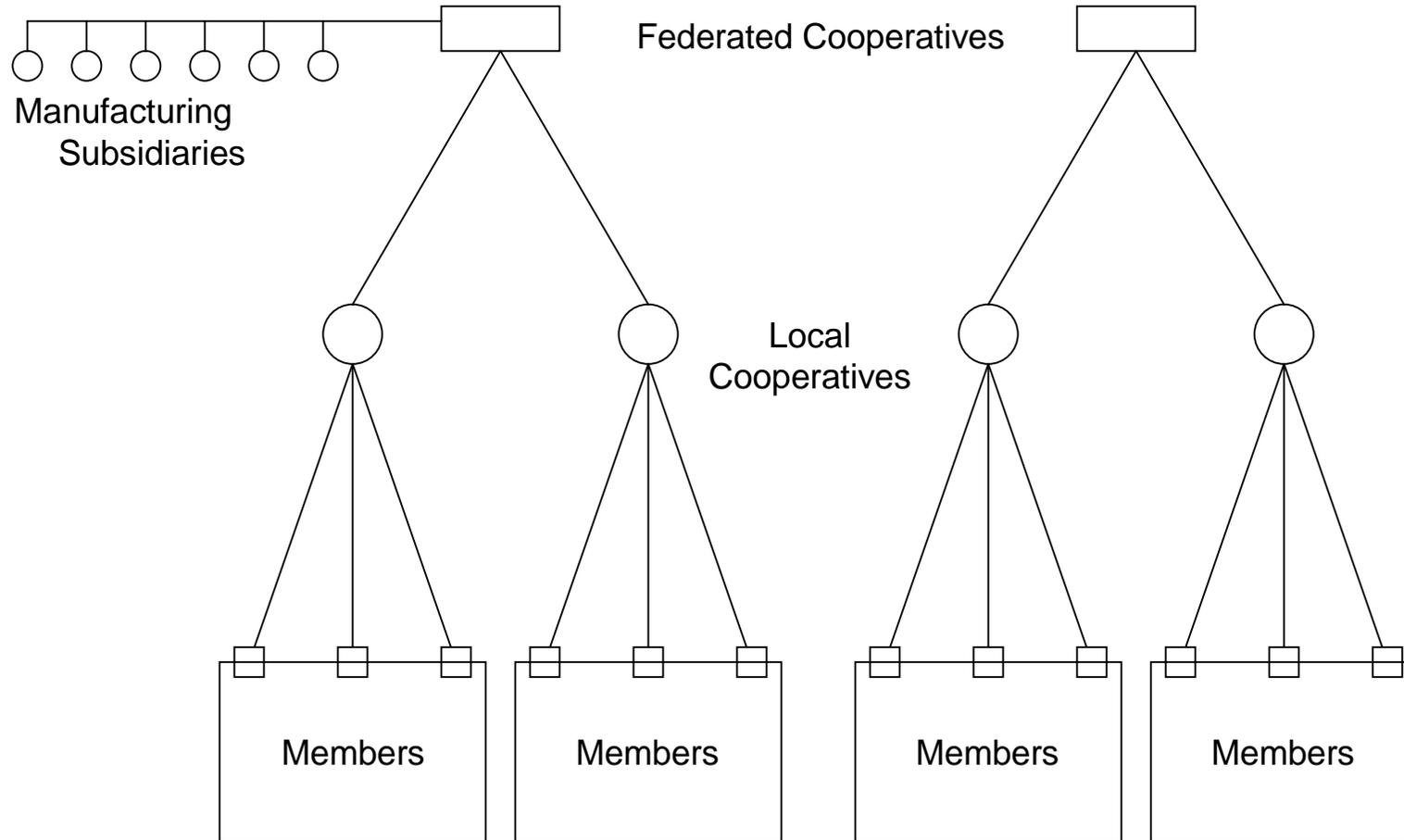
- They have tended to work on efficiencies, and prices to the exclusion of strategies to keep farmers in business as a collective group, focuses on individuals of a group.
- Examples of Centralized Cooperatives
 - ▣ Dairy Farmers of America at www.dfamilk.com
 - ▣ Ocean Spray at www.oceanspray.com
 - ▣ Southern States at www.southernstates.com

Schumaker quote

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- So we have some advantages of both locals and centralized, as well as disadvantages.
- If we pull from Michael Ward and Robert Briscoe at the Center for Cooperative Studies at the University College Cork, in their citation of Schumaker:
- “Whenever one encounters such opposites as [centralization and decentralization,] each of them with persuasive arguments in its favor,...it may be what we really need is not either-or, but [both] together’...we can find ways to enjoy the benefits of size while staying small, we can get the advantages of centralization while remaining decentralized” (Ward and Briscoe).

**Figure 3:
Federated Cooperatives**



Federated Cooperatives

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- Federations can provide services, and most of advantages of any centralized.
- Farmers hold membership in the local, locals form a cooperative of locals.
- Locals own federation.
- Locals elect a board of directors, and that federations board hires regional federation management.
- Locals operate as local cooperatives with their respective boards and management.
 - ▣ Federations may sometimes provide—via contract—management of the local.

Federated Cooperatives

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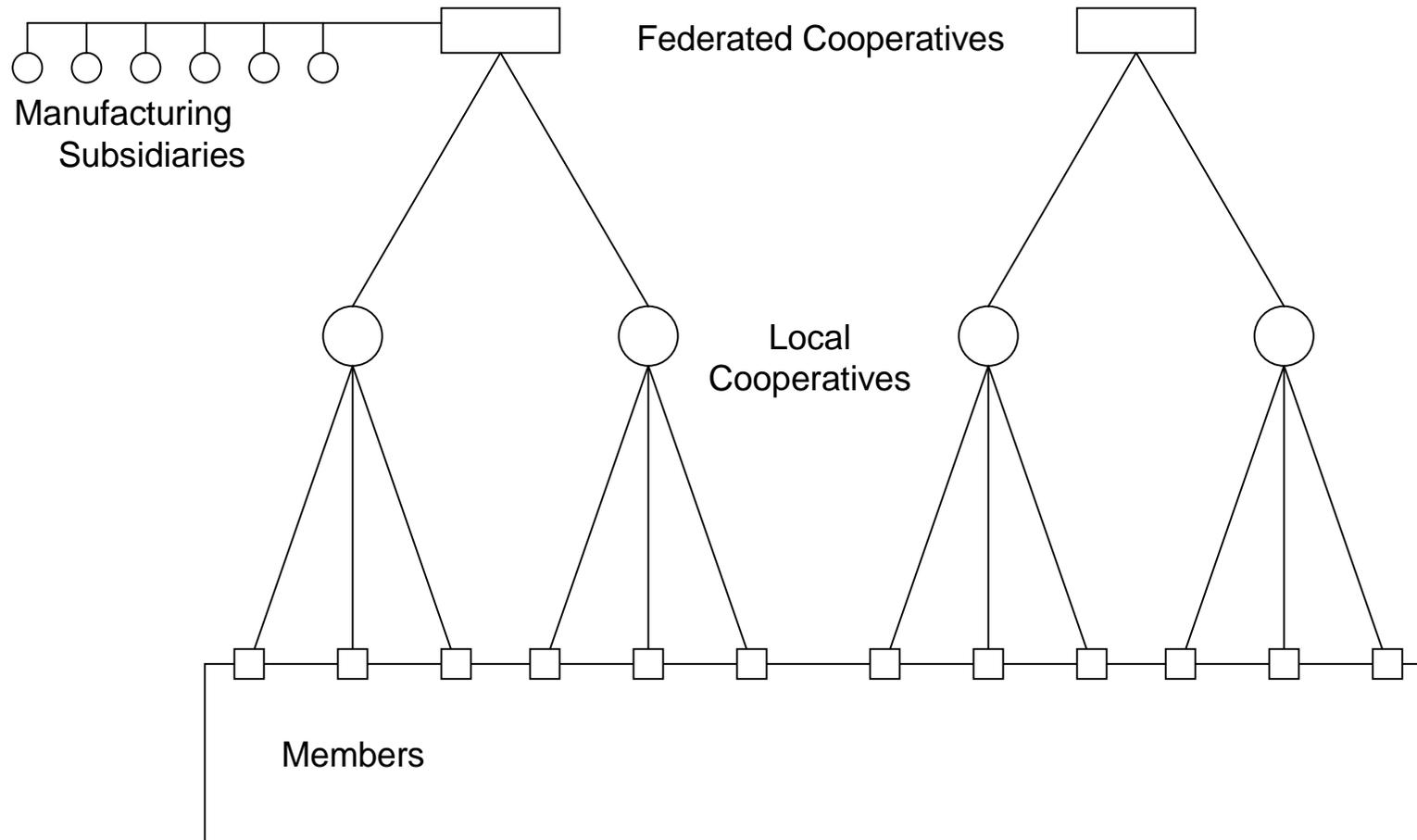
- They are organizationally complex
 - ▣ Representative democracy at the federation level, direct participative democracy at the local level.
 - ▣ Heterarchy: Seeks to allow for the coordination of diverse identities without suppressing differences” (Stark).

Federated Cooperatives

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- Organizational dilemmas
 - ▣ May provide for degrees of decentralized decision making, local creativity, participative democracy, openness, transparency, coordination at the local level, but ...
 - ▣ At the regional level, there may be intense competition, strong tension to privilege criteria of managerial expertise, and demands for business efficiency versus grass roots interests and wisdom, and there...
 - ▣ May be strong incentive to minimize participative decentralized aspects of cooperation.

**Figure 3:
Federated Cooperatives**



Federated Cooperatives, Summary

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- So in summary, federations can provide marketing models for volume of the middle, has the ...
- Organizational capacity and scale to compete with much larger organizations, can provide...
- Over-arching strategy for providing standardization and coordination with...
- Local democratic process to allow for
 - ▣ Grass-roots creativity, and responsiveness.
- Organizational tendencies remain of:
 - ▣ Bureaucratization, loss of local sovereignty.

- Making tensions explicit, and planning for them with member (over-sight) governance structures, can help keep organization within member prerogatives and local needs, and diversity.

Examples of Federations

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- Examples of Federations
- Florida Natural at www.floridasnatural.com (not organic)
- California Pear Growers (not organic)
- OFARM (Organic Farmers' Association for Relationship Marketing)



Organic Farmers' Agency for Relationship Marketing, Inc.

Mission Statement

To coordinate the efforts of producer marketing groups to benefit and sustain organic producers.

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By marketing together we are making a difference!

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Mission Statement

"To coordinate the efforts of producer marketing groups to benefit and sustain organic producers."

Aims and Objectives

- Strengthen the marketing programs of member organizations.
- Inventory production and manage organic marketing in a responsible manner.
- Exchange pricing and marketing information among member organizations.
- Develop and support communications among organic producers.
- Research, support, and enhance market development.



Organic Farmers' Agency for Relationship Marketing, Inc.

Mission Statement

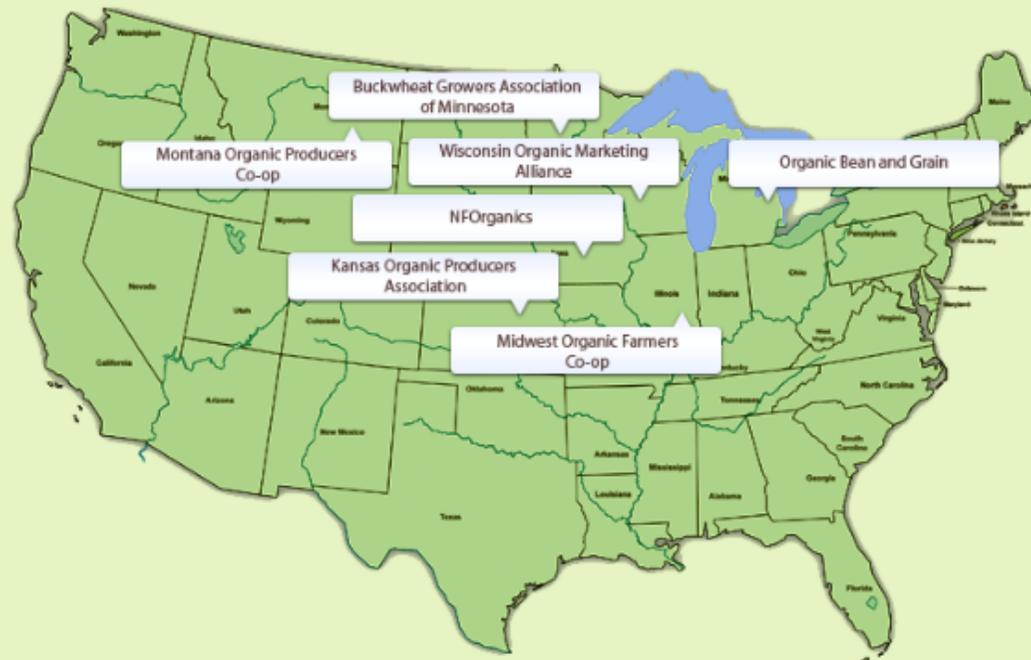
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