

2018-2019

FINAL REPORT

UniverCity Year

Better • Places • Together

Farmers' cooperative viability assessment

AGRICULTURAL & APPLIED ECONOMICS 323: COOPERATIVES

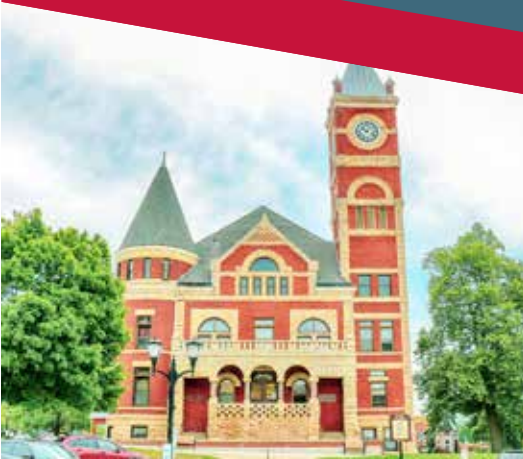


Table of Contents

Executive Summary.....	3
Introduction.....	3
Summary of Survey Results.....	3
Farm Overview.....	4
Labor Sharing.....	5
Tool Sharing.....	6
Market Strategies and Processing.....	7
Case Studies.....	8
United Farm Cooperative.....	9
North Star Neighbors Cooperative.....	11
Grass Roots Farmers Cooperative.....	14
Tomato Pickers United.....	17
Analysis.....	22
Conclusion.....	23

Executive Summary

This project was completed by this class as a part of the 2018-2019 UniverCity Year partnership with Green County. Green County is the UniverCity Year partner for the 2017-2020 academic years. Local government and community leaders have identified projects for faculty and students to work on. Green County is located in South Central Wisconsin and is known for their rich agricultural history, pastoral scenery, and small-town atmosphere.

Interest was shown in starting a cooperative for farmers in Green County. First, a survey was conducted to see how many farmers were interested in being a part of a cooperative as well as what areas showed the most interest. There were 30 responses to the survey, giving us a number of different data points. The results of the survey showed that the majority of farmers were interested in cooperative that involved tool sharing, labor sharing, and collective marketing. Based on the results of the survey, four different case studies were conducted to see how other cooperatives are structured to meet the needs of their members. These case studies were chosen because they provide services to their members that farmers in Green County showed interest in based on the survey. These case studies give a foundation for Green County farmers to build off of if they choose to create a cooperative. Conclusions were drawn that this cooperative could start out by offering collective marketing tools to its members as well as selective tool sharing. A labor sharing cooperative seems feasible but some decisions would have to be made about structure for that cooperative.

Introduction

This report includes short case studies on four different cooperatives with different focuses in order to give Green County farmers the information to choose the cooperative structure that works best for them.[CB1] Case studies were done on cooperatives that offered services in many different areas including tool sharing and maintenance, marketing and labor sharing. The governance structures and business plans of these cooperatives have allowed them to thrive and benefit the community. North Star Neighbors Cooperative and Grass Roots Cooperative are good business models for Green County to follow since they are slightly smaller and more realistic. United Farm Cooperative is an equipment sharing cooperative that has a lot of aspects that could benefit Green County. Lastly, the Tomato Picker Cooperative provides a good model for a labor sharing cooperative.

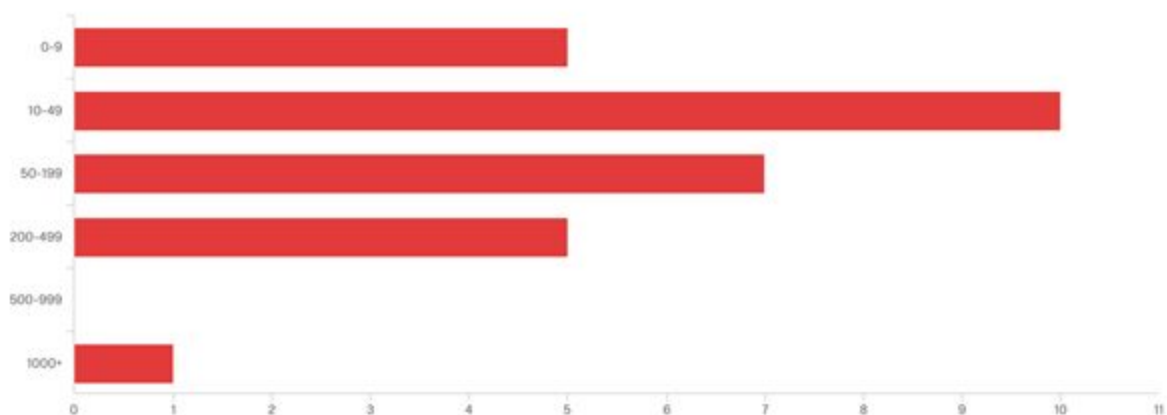
Summary of Survey Results

The following results come from a survey that was sent out to farmers in Green County, Wisconsin using the online survey software Qualtrics. There was a total of 30 responses to the survey, with some questions only receiving 20-25 responses due to the specific nature of the questions. Of the 28 people who answered the question regarding if they were currently a member of a Cooperative, only 39% were currently members, while 61% were not members of a Cooperative. This write up is laid out to make the results easily understandable using a logical progression of the data that was received from the farmers. An

overview of the farms is given in the first section, followed by the findings relating to the possibility of labor sharing and tool sharing cooperatives in Green County. The final section analyzes marketing strategies and the possibility of processing cooperatives in Green County.

Farm Overview (size, location, income level, type of farm)

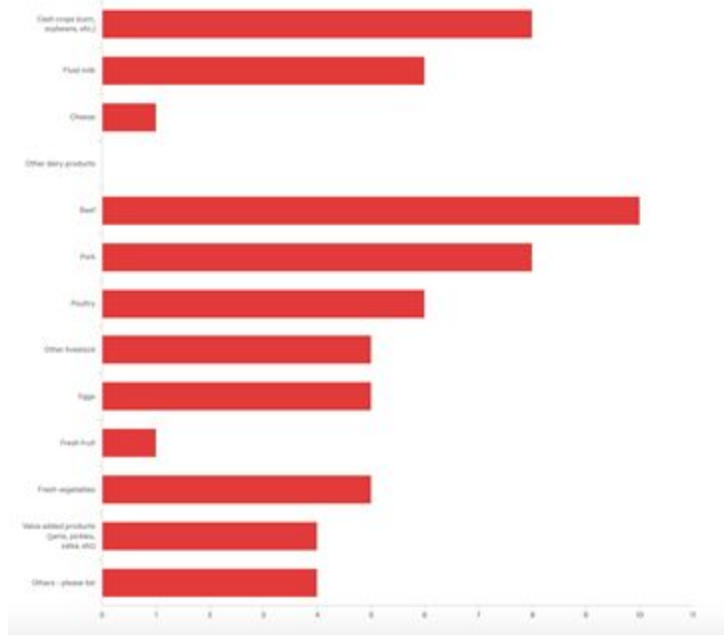
The average farm size based on responses from the survey is between 10 and 199 acres. 17 out of the 28 responses indicated that the amount of acres they are managing including both owned and rented land is in this range. Six farms were above this range, with five of those being between 200 and 499 acres. There was only one farm above 499 acres, and this farm was actually in the 1000 and above category. Five farmers also responded to the survey with answers indicating that they manage less than 9 acres of land. The following graph shows the responses to this question.



One question that gave surprising answers was the question of which county the farms are located in. Before sending out the survey our group assumed that all of the respondents would be located in Green County. However, only 68 percent of respondents indicated their farm is located in Green County, 11 percent are located in Dane County, and then there are one or two farmers located in each of Iowa County, Lafayette County, Rock County, Winnebago County, and Stephenson County. We used the responses on the question asking the zip code of each of the farms, and made a map indicating where in Green County each zip code is located, and how many farmers indicated they are located in that zip code.

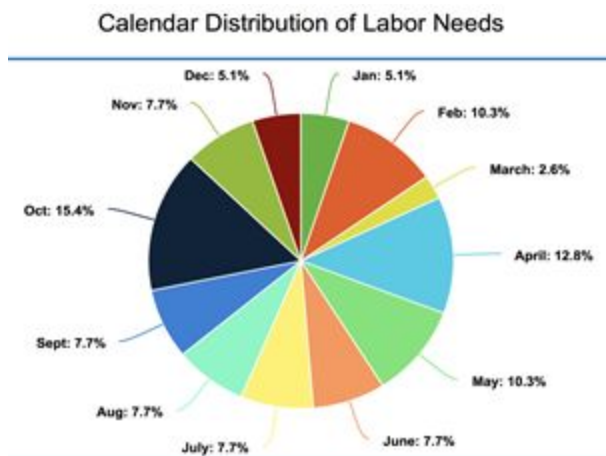


The final question to get an overview of the farmers responding to the survey was to ask which farm activities brought in at least five percent of each farm's revenue in 2017. The three most frequent responses, which accounted for a combined 26 out of 63 responses, were cash crops, beef, and pork. Other answers which received a significant amount of votes are fluid milk, poultry, eggs, fresh vegetables, and value added products like jam, pickles, and salsa. The following image is a graphic representation of this data to help visualize the responses.



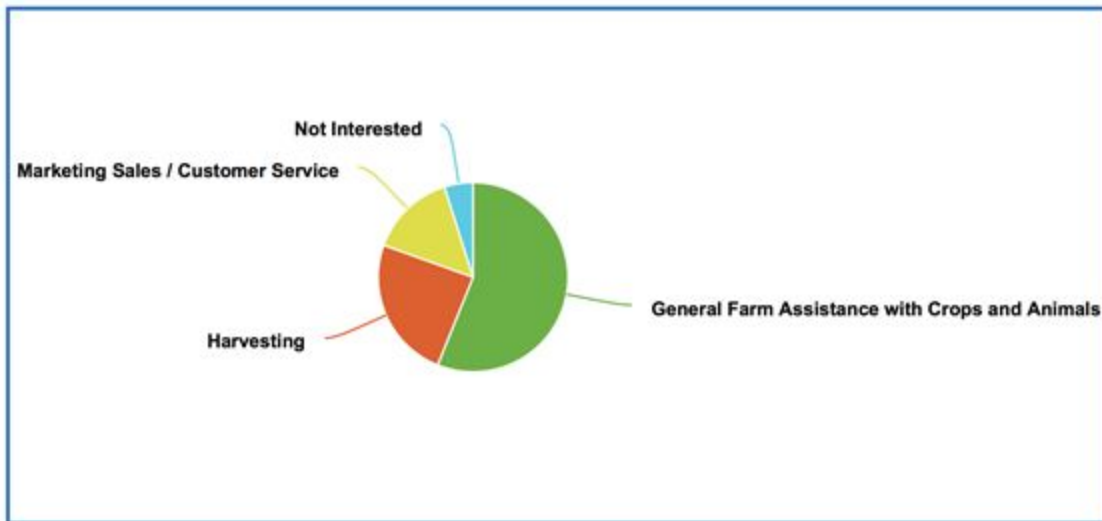
Labor Sharing:

The results from our survey conclude that nearly 43% of farm managers consider hired labor to be an issue for their operation. Labor needs were distributed throughout the year, although October was the highest followed by April and May. While the time of the year which labor is needed is throughout the calendar year, the type of labor needed was relatively similar. General farm assistance with animals and crops was the most needed employee description. Also, a seasonal laborer assisting with animals and crops has twice the demand as a similar position with part-time employment.



The fact that the time frame of labor demand is diverse, while the type of labor needed is essentially the same creates optimism for a labor-sharing cooperative. Half of the participants considered themselves “extremely likely” or “somewhat likely” to join a labor cooperative if it were offered in Green County. According to the survey, cost of labor is the most problematic issue in the farm labor market, followed by skill of workers. Reliability of workers was the third largest concern for Green County farmers.

If you have interest in a labor/employee sharing cooperative, what type of labor would you be looking to hire through the cooperative?

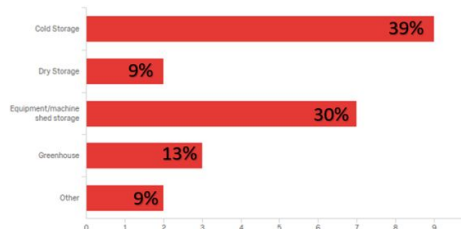


Tool Sharing:

The outcome from the survey showed that Planting/ Seeding Equipment, Harvest Equipment and Tractors/ End-Loaders/ Skid-Steers were the most popular options for sharing. About 53-58% of people were very interested in sharing these items. The least popular option was sharing of Utility Tools, such as rakes, hoes or shovels. Only 10% of people were very interested in sharing Utility Tools. Next, Cold Storage and Equipment/ Machine shed storage were the two most popular options for sharing facilities. About 39% of people were interest in Cold Storage and 30% interested in Equipment/ Machine shed storage. Also, there were many options for other ideas for a business cooperative such as a portable poultry processing unit, food hub concept and help growing hemp.

Q32 - Do you have a need for any of the following facilities?

Page Options



Market Strategies and Processing:

Six of the questions posed in the survey surrounded the idea of market strategies and processing. We wanted to know whether the farmers would be interested in co-ops that aided producers in marketing, processing or transportation. The most popular form of market strategy among survey takers was selling products directly to consumers. At 50% response rate, it was the highest form of marketing strategy. The second largest response came from selling directly to market. For those that sold directly to consumers, most utilized on-site sales or farmers markets. Some also sold to restaurants and used websites and social

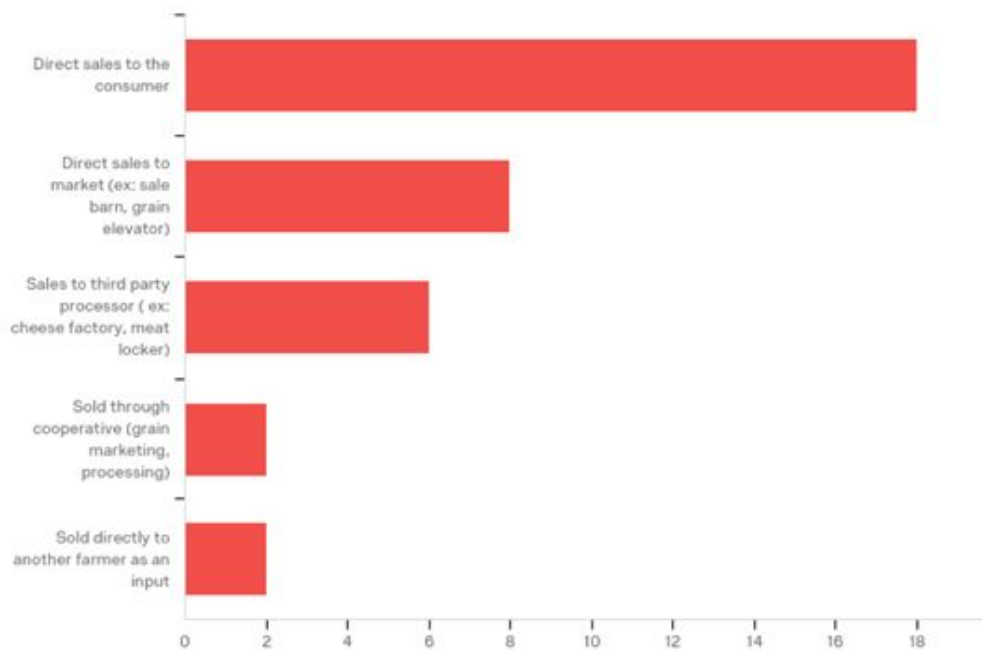


Figure 2 Response to question 17-How would you describe your marketing or sales strategies? Select all that apply

media. When it came to cooperative marketing models, 65.22% responded that they would be interested in collectively marketing produce and other finished products directly to consumers.

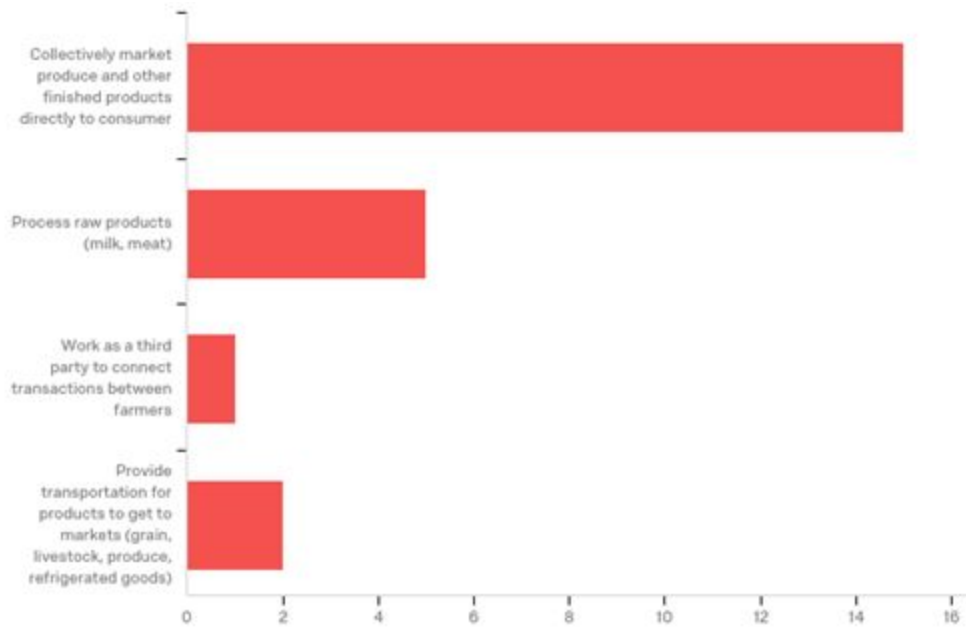


Figure 3 Response to question 19- Which cooperative model could be helpful to your operation

Many said they would be interested in help marketing to consumers at 39% yes and 42% maybe; however, the majority of survey takers said they would not be interested in help to processes their goods or produce at almost 59% responding no and only 7% yes. Over half also said they would not need help transporting their products. This would leave the conclusion that a cooperative model more geared toward the marketing and sales aspect would be more beneficial for the Green County farmers. This is not a surprising thing: farmers tend to know their craft well enough to not need aid in the processing aspect of production. Some follow-up questions from these results would be whether consumers would be interested in buying products from a farmers' cooperative in the Green County area.

Case Studies

This report includes short case studies on four different cooperatives with different focuses in order to give Green County farmers the information to choose the cooperative structure that works best for them. Case studies were done on cooperatives that offered services in many different areas including tool sharing and maintenance, marketing and labor sharing. The governance structures and business plans of these cooperatives have allowed them to thrive and benefit the community. North Star Neighbors Cooperative and Grass Roots Cooperative are good business models for Green County to follow since they are slightly smaller and more realistic. United Farm Cooperative is an equipment sharing cooperative that has a lot of aspects that could benefit Green County. Lastly, the Tomato Picker Cooperative provides a good model for a labor sharing cooperative.

United Farm Cooperative

Introduction & Services

United Farmers Cooperative formed in 1915 as the Cooperative Creamery Association of Lafayette, Minnesota. The company began with only two employees and with initial sales of \$35,000. Today, their operation is headquartered in Winthrop, Minnesota with over 300 employees. UFC has grown from one facility to many facilities in 11 different communities around the Twin Cities. They began as a processing cooperative and eventually added farm supply operations and services through numerous mergers. UFC added consumer goods and hardware to their farm supply cooperative following their merger with Waconia Farm Supply. Eventually, equipment and machine rentals were created to serve the community and cooperative farmers. UFC also stocks and sells many different replacement parts for farm equipment and offers full-service repairs for cooperative members. Service repairs could be a key benefit of a tool-sharing cooperative to reduce concerns over damaged equipment. They also sell and install precision planting equipment and provide workshops to educate cooperative members about the best practices to utilize the equipment. UFC provides many other services that could be useful to Green County farmers, including fertilizer and spraying applications and pasture management programs and analyses to maximize nutrients provided to grazing animals. One other minor program that UFC provides that might be inexpensive and beneficial to Green County farmers is a blade-sharpening service. Similar to other farmer cooperatives, UFC has evolved to meet the needs of local farmers through various expansions of locations and services.

Strategic Initiatives & Business Plan

UFC has many strategic initiatives in their business plan. Their purpose is to investigate what drives their business and what aspects of their business they could improve. Their first strategic initiative is that UFC's future will be focused primarily on organic growth and will be accomplished in several ways. One way to achieve this initiative is to maximize the cooperative's efficiency and effectiveness of each sector of business. Another way to accomplish this initiative is through building connections between each sector of business, expanding their knowledge of customer needs, and researching potential opportunities to increase their market share. UFC strives to employ dedicated individuals and has unparalleled employee training to ensure a positive service to customer. UFC also collects data about members' farms, performs trials and experiments to maximize crop yield, and shares this knowledge to improve the members' growth individually. To improve customer satisfaction, UFC began tracking the perception and expectations of the market by performing demographic analyses and conducting phone, email, and in-person interviews of their customers. Green County would greatly benefit from an extensive market analysis of demographics and local feedback. The cooperative is willing to take on any strategic opportunity if it fits well with their business plan and creates value for the cooperative. UFC also wants to maintain environmental safety and develop disciplined individuals, thought, and action in their cooperative. Lastly, the cooperative strives to be valued by the local community and to stand by their mission.

Challenges

UFC has faced many challenges over its one hundred years of operation and has addressed these challenges in numerous ways. One of their main challenges is competition. There are other large

cooperatives in the region and profitable international businesses that directly impact UFC's business. While UFC struggles against larger cooperatives, they are not concerned about size; rather, they are concerned about providing the best service to their customers. Another challenge is communicating to their members what is in the best interest of the cooperative. Some members view UFC's expansion in different sectors negatively, but growth is needed to diversify UFC's earnings. Thus, UFC asks its members to be patient. Expansion into retail sales has not only diversified UFC's earnings, it has resulted in lower equipment and equipment-rental prices for members because of bulk purchasing power. Also, some members view closing certain locations negatively, but UFC streamlines and standardizes locations to achieve economies of scale. Another challenging area for UFC is during peak harvest season. Large farms and short harvest seasons create time constraint issues, so UFC must overcome this challenge through partnerships with other cooperatives. Members may see other cooperatives as competition, but UFC addresses this communication issue by explaining the strength and competitiveness created by these partnerships. There are also challenges with these partnerships. Expectations need to be clear from the beginning to prevent conflict and plans need to be reviewed and amended after the partnership develops. UFC takes advantage of partnerships by focusing on profitability, accountability, and serviceability. They also address this challenge and their member communication challenge by providing transparency. UFC strives to provide frequent and transparent communication to understand their partners' and members' needs and concerns.

Goals & Successes

UFC is an exceptional example of a goal-oriented and successful farming cooperative. An important company goal, which involves understanding UFC's customers, is to utilize their member equity efficiently to earn a high return on investment. UFC has accomplished this goal by analyzing and implementing more efficient processes to supply farmers with equipment and supplies. One of these processes involves delivering equipment to their members. They overcame the challenge of timely delivery by developing a mapping system of customer locations to determine and implement the most efficient delivery routes. UFC also partnered with software companies to utilize GPS tracking systems on all equipment, which allowed them to dispatch equipment more efficiently. An email and text alert system notifies members where their equipment is located. Green County could benefit from the efficiency of this system if the costs are not excessive. Lastly, another important goal is for UFC to fulfill their corporate responsibilities and maintain their values. UFC has achieved this by donating grain rescue equipment to local fire departments. This benefits not only cooperative members, but the entire community. They have also donated to local schools to provide funding for a greenhouse and learning center to educate future generations of farmers and positively impact the community. UFC cooperative members also volunteer for several non-profit organizations. Cooperative partners have matched some of these donations, thereby greatly multiplying the effect on the community. Through involvement in the community, research, and maximizing efficiency, UFC has achieved many goals and demonstrated its success as a cooperative for the entire community.

Governance Structure

UFC follows a mostly standard governance structure and equity system to achieve success for its members. Like most cooperatives, UFC has a board of directors, management, and voting members. However, UFC also has an eight-person associate board that focuses on leadership development within

the associate board and within UFC's membership. In 2017, these boards elected to return patronage of \$787,000. Of the total, \$525,000 was qualified earnings provided completely in cash and \$262,000 was allocated as non-qualified earnings. UFC retained around two million dollars in permanent retained equity to fund their investments. Overall, in the last five years, UFC allocated two-thirds of its earnings as qualified or nonqualified earnings. Following a standard cooperative government structure and maintaining a good balance between retained earnings and members' patronage returns should result in a successful farm equipment cooperative and equity system for investments in Green County.

North Star Neighbors Cooperative

Preface

A cooperative is a unique business structure in which the members of the cooperative provide the capital, control the business, and receive benefits in proportion to their usage or output. The cooperative model has been a successful business structure for many producer owned, marketing or processing operations, and consumer owned businesses. In recent years, interest in machinery cooperatives has been increasing.

This case study analyzes and provides clarity on the structure of the North Star Neighbors Cooperative located in Nebraska. This cooperative is a producer owned co-op organized in the late 1990s, consisting of seven family farms in Nance, Boone and Greeley counties in Nebraska. The Cooperative specializes in natural, organic, grass fed meat and sells its products to consumers at farmer's markets in Lincoln and Grand Island, to their direct-marketing customer base, and to retail grocery outlets in Omaha, Lincoln and Grand Island. The cooperative utilizes informal machine sharing agreements to bring their products to market and reduce cost of input in order to maximize profits. In this case study, we will focus more on the machine sharing aspect of the cooperative rather than the overall structure and governance of the cooperative.

In addition to providing information about the North Star Neighbors Cooperative, this case will also discuss more formal machine-sharing arrangements. Most of this information will be from a paper titled, *Organizing a Machinery Cooperative* written by Professor Phil Kenkel from the department of Agricultural Economics of Oklahoma State University.

Financial Feasibility for North Star Neighbors

Upon the creation of the cooperative, raising sufficient capital was the greatest challenge to get North Star Neighbors off the ground and running. Initially, members loaned individually owned equipment to the cooperative. As sales increased for the cooperative, the income was used to reimburse the members for that equipment. Any maintenance needed for equipment is also reimbursed by the cooperative.

As time passed, increased sales from meat products allowed the cooperative to buy additional pieces of equipment for different applications. Larger pieces of equipment have required advances by members. For example, when a 12 by 18-foot walk-in freezer was installed on one of the family's farms, most of the labor was donated. The cooperative also reimbursed the members for costs.

In January 2001, North Star Neighbors received a grant from the State of Nebraska's Agricultural Opportunities and Value-Added Partnership. North Star's share of the grant was \$25,425. Most of the grant money went towards equipment, marketing and legal expenses. The grant money paid for three new 7 by 14 by 8-foot trailers to use as "portable stores" at farmer's markets. Each of the trailers is equipped with two 72-cubic-foot freezers and one 36-cubic-foot freezer. The trailer's interiors are finished with electrical wiring, lights, painted walls and ceilings, and a tile floor. The outsides of the trailers are covered with the North Star Neighbors logo.

Additionally, North Star Neighbors used to rent out their chicken processing equipment. However, the cooperative no longer allows non-members to use machinery. This change took place in order to reduce financial risk created by the expenses needed to repair damaged equipment.

Governance and Logistics of North Star Neighbors Cooperative

According to the Board President, Jim Knopik, the "wives of the cooperative manage a schedule for equipment use". Jim also stated that the members deal with each other as "neighbors" and live by the Golden Rule. Since the cooperative is tight-knit group of families, some who are from the same family, the cooperative has not put together any formal contract regarding ownership or use of the equipment. Informal arrangements work best for them, and while they have thought about formalizing the process, they see no reason to "fix something that isn't broken".

The cooperative has also made clear that their preferred method of consensus is to just "talk it out". All members realize that everyone must share in both the risks and the benefits of marketing through the cooperative. No one benefits at the expense of another member. When asked how major decisions are made within the organization, Jim repeats that "we talk it out." He gives most of the credit for their smooth ride to the wives, who "have a real knack at maintaining good relationships within the group."

Formal vs Informal Machine Sharing Arrangements

While informal arrangements have worked perfectly for North Star Neighbors, it is obvious that this structure will not always work for larger cooperatives or cooperatives in less tightly-knit communities. In these next sections, we discuss more formal arrangements that could make more sense for the farmers of Green County.

Equipment Pooling

One structural decision of a machine-sharing cooperative is whether to design the cooperative around a single compliment of equipment or with separate equipment pools. Under a single-pool system, the members provide all of the capital toward the equipment and acquire access to all of the equipment owned by the cooperative. The single-pool system is most effective when the members have similar farming operations and can agree upon the size and type of equipment purchased.

An alternative structure is to establish separate pools for sets of equipment. For example, a cooperative may have a hay-equipment pool, a tillage pool and a grain-harvesting pool. Individual participants can elect to invest in and sign usage commitments for one or more pools. The equipment-pool system is

effective when the cooperative serves a larger number of members and/or when the membership is more diverse.

Capital Structure

Like other businesses, machinery cooperatives can raise equity funds which may be supplemented with debt financing. In order to join a single-pool machinery cooperative or enter an equipment pool in a multi-pool cooperative, members should be required to purchase stock to provide their portion of the cooperative equity. The equity level is based on the desired capital structure for the cooperative, for example, 60 percent equity and 40 percent debt. Typically, each producer's equity contribution is set in proportion to their anticipated share of the total equipment usage.

The simplest method is allocating equity in proportion to acreage. Machinery cooperative members typically sign usage commitments for a specified period of time, usually 3 to 5 years. The time period typically matches the financing period for the equipment.

At the end of the season, the cooperative's net income is distributed to members in proportion to usage. The cooperative may choose to retain a portion of the surplus to generate funds for equipment replacement or they can choose to give out surplus to members in the form of qualified or non-qualified patronage.

Entry and Exit

Most machinery cooperatives provide provisions for exit when a member's usage commitment expires, a time period typically linked with the financing and/or replacement cycle. Machinery cooperatives utilizing equipment pools may have the pool participants vote whether to continue the particular pool. Exit and entry from equipment pools at other times may be at the discretion of the board of directors and be dependent upon the interest of other participants in joining the pool.

Fees and Cost Allocation

Most machinery cooperatives establish an hourly or per/acre rate. As they use the equipment, the members pay fees into the cooperative. The fees provide operating capital for the cooperative to make loan or lease payments and to pay for insurance, fuel, repairs and maintenance. Cooperatives can also require each member to refuel the machines from their own stocks at the end of operation. This allows the cooperative to avoid the fuel cost.

Governance/Scheduling

Most machinery cooperatives typically operate on a one-member, one-vote system. Most cooperative statutes require that the cooperative form a board of directors which is elected by the membership. However, in a small machinery cooperative with no more than five members (such as North Star Neighbors), all of the members may sit on the board and thus be involved in decision making. The cooperative members or board develop a set of operational policies. The cooperative can also establish committees to establish usage fees and policies for individual equipment pools. The cooperative may hire a manager to oversee the day-to-day operations and/or maintenance. A large cooperative may have employees overseeing the individual equipment pools. Alternatively, a member in the pool may be selected to oversee scheduling and maintenance.

The first step in managing scheduling conflicts is to match the machinery capacity with the available field days. According to Prof. Kenkel, many universities have decision aids which can help operators determine equipment field capacity and determine historical field days for various operations. If a machinery cooperative's members are geographically dispersed, the transportation time and the difference in seasonal timing must also be considered.

Some cooperatives establish a geographical schedule with the starting point rotating each season. A larger cooperative may simply schedule equipment on a first-come, first-served basis. There is a wide variety of scheduling systems that can be used effectively, provided that the members understand that some degree of compromise is necessary to achieve the economic benefits of machinery sharing.

Conclusion

Joint machinery ownership in the form of cooperative business can offer significant economic and operational advantages to members. Careful planning and an open mind are essential to a successful machine-sharing operation. North Star Neighbors is a great example where level-headed discussion and open minds lead to the development of an effective cooperative business. Careful and open discussion of all the operating issues is needed in order to flesh out potential problems. This should be followed by the development of written agreements and policies. Once the cooperative is formed, accurate record keeping and open communication between members become major keys to success.

Grass Roots Farmers Cooperative

Introduction

This case study explores a relatively new cooperation between farmers in northern Arkansas. The Grass Roots Farmers' Cooperative is a farmer owned processing and marketing cooperative that supports environmentally conscious and socially responsible livestock farmers. Grass Roots provides member farms with access to capital, technical assistance, infrastructure, and markets to mitigate the key barriers of entry for small-to-mid-sized farms. The co-op's mission is to connect member farms with markets and ensure quality and integrity from the pasture to the plate.

Background

Incorporated in 2014, Grass Roots was born out of a group of farmers who were already working independently in a cooperative fashion in informal ways. A founder of Grass Roots and current general manager, Cody Hopkins, started his own livestock farm called Falling Sky in 2006. While he was able to succeed, many that have attempted to do the same fail. Much of the reason for this is that small livestock farmers are stretched thin, having to deal with things like accounting, marketing, or processing instead of giving full attention to the animals. In livestock farms where animal welfare and sustainability are at the forefront of the business, operating without external support causes farmers to have make sacrifices due to time constraints. Whether they operate in an unsustainable way or fail to reach their maximum potential in terms of marketing, many farmers are not operating as efficiently as they believe they could. This is where the importance of the cooperative stems from.

Four years after incorporating, Grass Roots currently consists of 13 primary member farms. Each family has a different background, but all have the same underlying principles (environmentally conscious and socially responsible farming). By employing rotational grazing techniques that utilize solar energy and symbiotic relationships, Grass Roots farmers increase their land's biodiversity, productivity, and carbon sequestering potential by rebuilding topsoil and increasing water retention. The livestock have access to fresh air, sunlight, grass, water, and space to move and interact with their herd. The animals are raised with carefully studied husbandry techniques that mitigate the need for maintenance antibiotics. There is also no use of growth hormones, herbicides, or genetically modified organisms (GMOs). While many farms and producers will put "cage-free" or GMO-free on their products, in this day and age it is difficult to truly know if what you're buying is what it claims to be. Grass Roots takes care of this by having the utmost transparency from farm to fork. Not only does their production team do regular visits to each farm, but they all operate under an open-farm policy, meaning that anyone is welcome to visit anytime. In addition, Grass Roots meat works with the platform "Provenance", which helps verify information on the meat being purchased. Each package comes with its own label which customers can scan and discover exactly when and where the animal was raised, slaughtered, and cured. The Provenance application brings innovation to an age-old industry, which helps give Grass Roots an edge in selling to their target market. Lastly, Grass Roots posts their entire livestock standards on their website. The document gives a detailed run down on everything from records and management to standards for each individual animal.

GRFC farm members must abide by all the standards stated in the livestock standards document and any additional standards approved by the Board of Directors.

Governance and Management

Grass Roots board of directors was formed when nine of the current member farms banded together in 2014 due to similar interests and goals. These members who form the board of directors agreed upon a general manager (Cody Hopkins) who is responsible for managing the co-op staff and day-to-day operations. The staff consists of an operations manager, livestock technical assistant, communications manager, inventory and order fulfillment manager, financial manager, and an accounts payable manager. The general manager reports to the board of directors, which has final decision-making power. Grass Roots was able to create these roles with help from partners. A key contribution to startup capital came with a partnership with Heifer International. Heifer International is a global nonprofit out of Little Rock, Arkansas working to eradicate poverty and hunger through sustainable community development. They distribute animals, along with agricultural and values-based training, to families in need around the world. Every year, in collaboration with Heifer USA, GRFC provides a handful of apprentice farms with startup capital, agricultural equipment, technical assistance, market access, and financial training. Heifer USA picked Grass Roots as a partner due to their core principles of sustainability and animal welfare. Heifer's financial support and services were crucial in reducing dependence on loans and member contributions.

Cooperative Services

Grass Roots was formed to help with all facets of farming which can be outsourced. Grass Roots farmers cooperate in processing, packaging, distributing, and more. For example, accounting, like all the other business aspects, becomes cheaper when shared amongst a group. When combining all aspects of management in a cooperative, farmers receive higher profit margins. This becomes easy to see when

looking through the lens of the food dollar. According to research by the USDA, a typical farmer receives an average of 16 cents from every dollar of food sold. Farming as a co-op allows Grass Roots farmers to receive between 70 and 75 cents of every food dollar the cooperative sells.



Farming without a CO-OP



Farming with Grass Roots CO-OP

Because Grass Roots members operate according to their very specific animal husbandry standards, their final products are consistent in terms of quality, allowing them to charge more than an industrial farming operation. According to Grass Roots' website, conventional farmers are selling whole chickens for around \$1 per pound, while Grass Roots charges their e-commerce customers \$4.50 per pound. For a 4-pound market-ready bird, Grass Roots farmers receive \$3.14 after expenses.

An area in which Grass Roots does exceedingly well is in their overall marketing strategy. GRFC boasts a well-designed and visually pleasing website which gives a look into all they have to offer. The website has a tab dedicated to their vision, with pages showing their staff, farming practices, transparency, and a blog. What may be the most attractive feature of the website is a page displaying the background and general information on each farm. The information includes which type of livestock is on each farm, the location of the farm, the farmers, and a paragraph of background information on how they ended up in GRFC.

The other key feature of the website and a contributor to success is Grass Roots' grocery delivery service. Grass Roots offers the ability to build a box with your choice of popular cuts. The products in your box renew every month, and the boxes can be adjusted at any point. Each month Grass Roots offers special add-ons which are available for a limited time. Also, consumers can pause, adjust, or cancel their deliveries at any time. These deliveries can reach any point in the continental U.S., and a map/chart is conveniently posted showing delivery times to all parts of the country. The nationwide delivery service is on top of Grass Roots' delivery to many local restaurants in Little Rock. Their individual member farms also sell at local farmers markets.

As far as challenges for Grass Roots, there are a few key setbacks. It is not easy for farmers to meet the requirements of GRFC to become members. With the detailed list of requirements, extensive training is required which uses limited time and resources. Even with their apprenticeship program, membership numbers stay lower than they could be. While the operation as a whole is environmentally sustainable, they have not yet broken even due to high startup costs. The biggest challenge to profitability for Grass Roots' is the price competition with conventional industrial operations. While Grass Roots is

able to charge more due to the quality of their products, the majority of consumers tend to buy the cheapest options of a given meat with no consideration of its production process and carbon footprint. Grass Roots uses social media to help leverage themselves above other farms by displaying their practices and ethical standards for the public. One example of this is a post on their Instagram in reference to an article by The Guardian called “If You Want to Save the World Veganism Isn’t the Answer”. Grass Roots reiterates the point that as a vegan, if the environment, animal welfare, and your own health are your concerns, giving up meat and dairy does not simply fix the issues. They go on to say that adding the occasional organic, pasture-fed steak to your diet could be the right way to square the circle. Marketing in this way is key to reaching markets that could not be touched without full transparency and the highest standards of ethics. The use of social media is a less common practice for farmers and farmers cooperatives, but important for future growth.

In conclusion, Grass Roots Farmer’s Cooperative is a unique cooperative benefitting environmentally conscious and socially responsible farmers. They are considered a successful operation due to their well-knit group of member farms backed by a management team which understands the importance of utilizing all the marketing tools that today’s society has to offer.

Tomato Pickers United

A Note on This Anonymous Case Study

The name that is used in this case study, Tomato Pickers United (TPU) , is an invented one. This has been done at the request of the TPU representatives interviewed for this case study in order to hide the real identity of the business. TPU is an innovative business operating in a complicated marketplace. The people interviewed for this project expressed a heartfelt desire to protect their pioneering idea and the employees behind it. They believe that the best way to do this is to keep a low profile and maintain relative anonymity during this delicate startup phase. The intention is not to hide the facts. Any numbers, details, and figures that included within this study are real; however, certain pieces of information that would betray the identity of TPU have been omitted.

If the Green County stakeholders are interested in developing a similar business here in Wisconsin, the veil of secrecy can be removed. The TPU team is worried about local blowback from other farm labor contractors, not about spreading the idea to other regions. Melissa Hoover, the Executive Director of the Democracy at Work Institute and one of the key developers of TPU, has generously offered to share resources and to support the development of a Wisconsin farm labor trust however she can.

What is a Farm Labor Contractor?

A farm labor contractor (FLC) is an independent firm that recruits, hires, and employs farm workers, which it supplies to farm businesses in order to perform agricultural activities. Agricultural activities may include: (1) Planting, pruning, harvesting, spraying; (2) weeding, thinning, chopping, digging; (3) tilling, cultivating, staking, tying, trimming; (4) operating farm equipment, feeding animals; (5) Washing, cleaning, and sorting; or (6) grading, preparing, and packing produce; etc.

FLCs have saturated the market in important agricultural states like California and Florida both because of the nature of the farm work in those locations, and the advantages that independent labor contractors can provide. Farm owners have a particularly hard time hiring when demands for labor are highly seasonal (i.e. they are only needed for a short harvest) and there is a scarcity of willing workers. FLCs do the difficult work involved with getting the help that farm owners need to the field. This includes things like recruiting, hiring, and managing farm workers. Depending on the particular circumstance, FLCs may also provide the farm workers they hire with additional services like housing, transportation, etc.

FLCs are not without their issues today. They are regulated at the federal level under the Migrant and Seasonal Agricultural Worker Protection Act. However, it has proven difficult to monitor them and hold them accountable. In a recent example of a more extreme FLC violation, five farm workers in Colorado were kept in virtual indentured servitude by an FLC where managers carried a gun to ‘keep them in line’ and deducted bogus fees from their wages. In states where FLCs are prevalent, local governments have created additional mechanisms of regulation in order to minimize issues.

An Overview of Tomato Pickers United

TPU is a new and first-of-its-kind employee-owned farm labor contractor. As of November 2018, TPU is focused primarily on work with one cornerstone farm-client that specializes in a particular fruit crop. The farm-client, which is growing on more than 10,000 acres and earns millions of dollars of annual revenue, is TPU’s first and only contract to date. TPU has approximately 800 employees currently working on this contract. They are paid a base rate of \$11.25/hour, which is slightly higher than minimum wage in their state. With per-box harvest incentives, an industry standard in this region, workers can earn up to \$14.50/hour. This is significantly higher than the \$13/hour average for other FLCs. Field crew leaders, which make up about 40 of the 800 employees, are earning over \$20/hour.

What makes TPU unique is not the wages—although they are slightly higher than average—but how it is structured to benefit farm workers in a multitude of ways. Farm workers receive quality health insurance (including vision and dental), with an option to enroll their family members at minimal cost. Although relatively young, TPU is prioritizing opportunities for individual growth in its employees and upward mobility within the company. It has a training program for field crew leaders that teaches them about positive reinforcement and how to create a supportive workspace in the fields. In the near future, TPU also hopes to offer English as a second language and financial literacy classes to all employees.

TPU is incredibly effective at recruiting employees. The wages, benefits, and work environment help with this. They stand in stark contrast to the example of indentured servitude described above. That is an important part of the company strategy. They aim to harness the potential of an excited, dedicated and consistent workforce in an industry better known for struggling with volatility. Although still a relatively new business, they are being sought out by workers and have experienced incredible growth during this startup phase.

In the long-term, TPU is hopeful that it can leverage the popularity amongst workers and excellent working conditions into a marketable product. In the last 5-10 years, initiatives like Milk with Dignity and the Coalition of Imokolee Workers’ Fair Food Program have demonstrated that farm worker justice

certification programs carry real market value. Consumers care how workers are treated and they'll pay a premium where farm owners can demonstrate this is the case. TPU as a worker-owned business has the potential to fit nicely into this growing, domestic fair-trade movement. If there is widespread support for the TPU, it can become a brand that farm owners want to associate with. There is real opportunity for a strategic campaign to benefit farm workers and farm owners alike.

Start-up: Taking Tomato Pickers United from an Idea to Reality

TPU was incorporated in November of 2017. The senior management team—a CEO & Director of HR—was hired in January 2018, and TPU began operations in earnest in April. At launch, TPU had recruited approximately 200 farm workers. They also employed a number of office staff to support the administrative and human resources functions of the business. The team continues to grow rapidly. As of this writing, there are over 800 farm workers employed, and they expect to reach 2,500 employees within the first 3 years. The people who we spoke with for this study did not articulate a coherent recruiting strategy. It would appear that their word-of-mouth reputation is effective at enticing new employees to their fields.

TPU emerged as the result of a cross-sector collaboration between diverse stakeholders. The founding group included representatives from the asset management company that owns the cornerstone farm-client, a cooperative development and finance association, a cooperative technical assistance and conversion organization, a worker justice startup focused on fostering innovation in labor movements, and lawyers. Each of these stakeholders brought distinct but crucial knowledge, skills, and perspective to the project. As of this writing, six of the individuals described above make up the current board of directors. They will continue to hold this role in an interim capacity until the trust reaches maturity and can select trust members as replacements.

The TPU business model is centered on a cornerstone farm-client. They grow on more than 10,000 acres across the state. Although the farm-client is focused on a single fruit crop, different varieties and locations ensure regular and continuous work. This farm-client is particularly relevant to the launch process for two reasons: (1) they are deeply invested in the success of TPU, and their surrogate, the asset management group referenced above, has had a seat at the table throughout the process; and (2) because of their commitment to the project, and the size of their business, they were able and willing to pre-pay their contract thus providing important initial capital.

The cornerstone farm-client provided the necessary startup capital through pre-payment of their initial contract. This secured \$500,000 in funding without any additional capital campaigns. TPU decided not to raise member equity before startup. We suspect that, given the low-income reality of many farm workers, they were aware that such a campaign would offer minimal benefit. Other stakeholders in the project, including the cooperative finance association, the cooperative technical assistance organization, the worker justice startup, and the lawyer also provided substantial material support during the launch phase.

What is Special About the TPU as a Farm Labor Trust?

The idea behind TPU builds off of the Employee Ownership Trust (EOT) model. Traditional worker cooperatives position employees as direct owners of a business. They offer workers the opportunity to own shares of the business. EOTs facilitate indirect employee ownership. Employees can become members of a trust. The trust holds some quantity of shares in a business—it could be 5% or 10% or 51% or 100%—and its members collectively own those shares. Although this model is still relatively new and untested in the United States, it has been popular in the United Kingdom for decades.

The individuals involved in the TPU development and launch process believed that the EOT model was a better fit for farm workers than a traditional worker cooperative. Farm workers present a number of unique challenges as a membership class. First, their lives can be unstable and transitory. They often face political, economic, and social pressures. They may be threatened by immigration policies, they may be forced to subsist on low wages and inconsistent work, and/or they may be separated from their families. Second, many of today's farm workers do not have legal authorization to work in this country. They might gain employment using false social security documents or assumed identities. Given these circumstances, direct ownership by a membership class with so many challenges seemed too great a threat to the success of the business. A trust that the farm workers could become members of provides a degree of insulation that secures TPU for the long term.

100% of TPU is owned by a trust. As the sole owner, that trust is responsible for appointing a board of directors. At maturity the board will consist of nine directors, which includes five members of the trust and four at-large members. That board interfaces with the TPU senior management team, as well as the trustee appointed to manage the trust. The board is responsible for fiduciary oversight and organizational governance. Senior management is responsible for day-to-day operations. The trustee is responsible for coordinating meetings of the trust membership that create additional opportunities for democratic member participation in the affairs in TPU.

In order to become a member of the trust, TPU employees must first accrue 1000 hours of work. After 1000 hours, employees are given the option to join the trust. Once they are members of the trust, they become owners of the business. Since the trust holds 100% of shares in TPU, there is no need to assign shares. As TPU is still in its infancy, the details of how the trust as an entity will operate once it reaches maturity have yet to be solidified. However, our understanding is that the team working to develop and launch TPU wishes first and foremost to see the trust create opportunities for democratic member participation. This will happen through voting on everything from who fills the five trust seats on the board of directors, to participation in big-picture financial decisions, to involvement in different governance issues. For those interested in getting more involved, we imagine that there will be sub-committees within the trust, as well as the opportunity to hold one of the board of directors' seats.

Considering the Idea of a Wisconsin Farm Labor Trust

We suspect that there is room to grow the FLC market here in Wisconsin. Without an in-depth investigation that goes beyond the scope of this report, it's hard to know the extent to which the 11 existing FLCs have been successful in Wisconsin. But, the mere existence of 11 FLCs seems like evidence enough that the FLC model can be adapted to the unique and distinct needs of the state's

agricultural sector. We see no reason why a Green County FLC, especially one with such a unique mission and vision, wouldn't be successful.

Farm labor trusts are a viable model to meet the needs of small- and medium-scale Wisconsin farmers. Yes, TPU is operating in a market space where clients grow on thousands of acres and day-to-day operations can demand hundreds of farm workers. However, there is evidence that the FLC model at the core of a farm labor trust can be scaled down. For example, in California there are FLCs with as few as 25 farm workers. While a smaller scale farm labor trust would likely have to think carefully about its organizational structure and the kind of benefits it can offer, the core values behind any farm labor trust would remain very attractive to farm workers living and working in Wisconsin.

A southwest Wisconsin farm labor trust would also serve the needs of farm owners. Of course, a farm labor trust would alleviate farm owners of the headaches they face securing labor for their farms. But, it would also provide specialized marketing opportunities that the region is ready to receive. As discussed earlier, the time is ripe in the United States for farm worker justice-centered and domestic fair-trade campaigns that target consumers. While it would take time to develop a strategy and brand for the farms who contract with the farm labor trust, there is tremendous opportunity to leverage this unique relationship. The imaginations and wallets of consumers in markets like Madison, Milwaukee, and Chicago eagerly await.

With buy-in from Green County farmers and a range of other stakeholders, a local farm labor trust would be well equipped for the financing challenges of the startup phase. Smaller-scale farmers in the region may not be able to pre-pay contracts or contribute substantial amounts of startup capital. However, with sufficient buy-in and signed contracts, a Wisconsin farm labor trust could leverage credit from local lending institutions and cooperative finance associations.

Next Steps

If a farm labor trust is of interest to the farm owners and farm workers of Green County, there are a number of action steps that could be considered:

- 1) Survey farm workers in the region to better understand both the opportunities and challenges that would come with working to get them organized. This will help cooperative developers to assess whether the farm labor trust model is well suited to local workers, and what unique circumstance might need to be made.
- 2) Meet with local farm owners to gauge their needs, and explore how a farm labor trust could best serve them. This will help developers understand the kind of work that farm owners need labor support for, and opportunities and challenges that might arise if a farm labor trust were contracted to provide that labor.
- 3) Identify stakeholders who would be able to support the farm labor trust by participating in the development, launch, and startup phase. Identify experienced individuals that are connected to the

Wisconsin farm worker community who might serve at the core of a farm labor trust management team.

- 4) Work with relevant consumers and marketing professionals to begin imagining what the project brand / image might look like. Consider what sort of publicity campaign might help the farm labor trust both in terms of elevating its status (among potential employees and clients) and leveraging it as a marketing tool for clients.

Analysis

After having surveyed the needs of farmers in Green County, as well as reviewing various applicable case studies, there are a number of results we have come to. In order to continue the process of forming a co-op in Green County, it is important that the objectives of the co-op are set out in order for potential members to decide whether to join. Members may be interested in labor, equipment, marketing, a combination of those elements, or none at all depending on the structure of the cooperative.

As stated before in the survey results, labor seems to be an area of service that many seem to be particularly interested in; however, deciding not only how labor will be shared, but where it will come from is crucial. Tomato Pickers United serves as a wonderful example of a labor sharing cooperative, but fits the narrow need of just supplying labor. From here, it may be helpful to decide whether to expand the proposed co-op to fill other common needs, or to fill the primary requested need of labor. Labor sharing would require a system of hiring and organizing laborers, as well as finding ways to share labor in an appropriate way and easily schedule laborers. In addition, half of the respondents said they were either somewhat likely or extremely likely to join a labor sharing co-op, making this a realistic venture.

Sharing of large tools such as planting/seeding equipment, harvest equipment, and tractors/end-loaders/skid-steers was also popular, with about fifty-five percent of respondents expressing interest in sharing. Since these tools are large investments, it would need to be decided beforehand how the tools would be obtained, maintained, and transported between farms. Would tools be bought and owned by the cooperative? Would tools be donated by members and how would those members be compensated?

Another popular need of the respondents was marketing their products. We believe this venture is quite feasible; important considerations would be finding a market, deciding pricing, transportation, etc. Marketing as a cooperative would be advantageous in increasing market power as well as providing a broader selection of products to the market. Green County is lucky to have proximity to many consumer cooperatives in the area (such as the Willy Street grocery cooperative) that may be interested in partnering with the potential cooperative. In addition to consumer cooperatives, seeking out resources from other local cooperatives such as Organic Valley may be of interest to Green County farmers in order to gain insight into the local market.

There are many layers of decisions that must be made in order to form this potential co-op. Governance structure of the co-op is a decision that must be made itself before many other decisions can be made. Given the relatively small pool of farmers interested in forming a cooperative, an informal governance structure such as that of the North Star Neighbors Cooperative may be appropriate. However, depending on the relationships already established between the farmers and the initial priorities of the cooperative, a more organized and formal governance structure similar to that of Grass Roots Farmers Cooperative or Tomato Pickers United may be more efficient in the long run. Green County farmers should consider the differing costs in governance; negotiating, or “talking it out” as North Star Neighbors Cooperative does might not be financially costly initially, but time used for negotiating is the time that could have been used by individual farmers. Bringing in outside managers is something that should also be considered by Green County; despite higher upfront costs, the time saved by individual farmers might actually be more cost effective. The decision in governance structure made by the cooperative is one that has many possible outcomes; the “right” outcome will depend on the type of culture and tone that the cooperative wants to set, as well as how the farmers initially relate to each other.

Conclusion and Recommendations

After examining all of this information about farmer’s needs in Green County, Wisconsin, it is apparent that some sort of cooperative effort could be beneficial to the community. While there seemed to be various needs coming from several respondents to the aforementioned survey, labor, tool sharing, and marketing seem to have created the most interest. A majority of respondents to the survey were farms sized between ten and forty-nine acres. As mentioned in the case study about Tomato Pickers United, a Farm Labor Contractor (FLC) could help with an issue of a lack of labor. While most FLC’s are not cooperatives, TPU shows that the cooperative model is not out of the picture in the world of FLCs.

While a labor co-op may not be possible now, an investment in cooperative ideals could draw potential for a cooperative style FLC with benefits to farmers and laborers alike. The culture of the community could be changed once a cooperative is established. This could allow for increased cooperation and mutual benefits for all members of the cooperative, but also the community as a whole.

As the majority of respondents to the survey market their goods directly to the consumer, marketing is an important tool for these businesses. As mentioned earlier, Grass Roots Co-op helps its members with the marketing aspect of their business and allows them to focus on optimizing production and upholding the standards they have set for themselves. This could serve as a model for Green County farmers to extract ideas and build off. While there are other possible options to consider, at this point in time it seems that there is great interest in forming a marketing co-op and this could be very beneficial to the Green County community.

Allowing farmers to focus on the production of quality goods rather than divide time between production and marketing strategies may help these farms tremendously. With an investment into a marketing cooperative from a community of farmers, they may see benefits for years to come. While this is not the only need of Green County farmers, this could show the communities of Green County the benefits of cooperative structure and allow for more and more co-ops to pop up in the region.

About UniverCity Year



UniverCity Year is a three-phase partnership between UW-Madison and one community in Wisconsin. The concept is simple. The community partner identifies projects that would benefit from UW-Madison expertise. Faculty from across the university incorporate these projects into their courses, and UniverCity Year staff provide administrative support to ensure the collaboration's success. The results are powerful. Partners receive big ideas and feasible recommendations that spark momentum towards a more sustainable, livable, and resilient future. Join us as we create **better places together**.



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