COOPERATIVE FARMING

FRAMEWORKS FOR FARMING TOGETHER
Name & Pronouns
What brings you to this workshop?
Keep to under 1 minute please
Facilitator Background

- Partner, Administrator, Vegetable Manager for Letterbox Farm Collective
- Self-taught farmer and cooperative business owner
- Facilitator of Farm Beginnings Hudson Valley chapter
- Leadership team for several community projects: Hudson Valley Community Wealth Fund, Hudson Valley CSA Coalition
OVERVIEW: Tour through the diverse landscape of “cooperative farming”

BREAKDOWN: Look at the structural elements that make collaboration work

PRACTICE: Tools for organizing group process.
WHAT IS A COOPERATIVE?
WHAT IS "COOPERATIVE FARMING"?
WHAT IS A COOPERATIVE?

A COOPERATIVE BUSINESS IS DEFINED BY THREE MAJOR STANDARDS:

• It is **OWNED BY ITS MEMBERS**, those participating in the business, not by outside shareholders or investors.
• It is **GOVERNED BY ITS MEMBERS**. Each member of the business has a vote in major business decisions and in electing representatives or officers.
• It **EXISTS FOR MEMBER BENEFIT**, not profit for outside shareholders. Any profits are distributed equitably among members.

In addition, cooperatives operate according to internationally recognized core principles and values, which include operating as an autonomous organization, investing in the training and education of their members, and supporting other cooperatives and the community.
COOPERATIVE:

1. (adj) involving mutual assistance in working toward a common goal.
2. (n) a farm, business, or other organization that is owned and run jointly by its members, who share the profits or benefits.

COOPERATIVE FARMING:

creating shared farming ventures to address common challenges and provide mutual benefit.
WHY COOPERATE?

ECONOMY OF SCALE: Cooperation allows little farms to do what big farms can do, like buy inputs at bulk rates, increase volume to open new markets, and lower the per-use cost of equipment. Together, producers can lower costs, access needed services or facilities, or generate more income.

PEOPLE POWER: Allied producers can negotiate for better prices, diffuse risk, and share knowledge, skills, and labor.

ACCESS TO CAPITAL: Farmers can pool capital to invest in a shared business, tool or asset, and can increase their borrowing power with combined collateral and experience.

QUALITY OF LIFE: Allied farmers can arrange for time off, child care, or extra hands when needed. Shared responsibilities, whether in selling, producing, or maintaining shared resources, means a lighter load for overworked operators.

CONTINUITY: Group entities can serve as longstanding vehicles to transition land, resources, and businesses among producers.
COOPERATIVE ECONOMICS: A TOOL FOR BUILDING THE NEW ECONOMY

- Need-oriented, Basic Goods and Services
- Diverse and Inclusive Ownership
- Equitable/Democratic Culture
- Support of Local Economy Ecosystem
- Education Embedded Into the Good or Service

- Open Source
- Transparent
- Zero Waste and Climate Beneficial
- Scale by Regional Replication
- Supports Personal Growth and Development

* “A New Economy Checklist,” LIFT Economy
THE COOPERATIVE FARMING LANDSCAPE
JOINT MARKETING PROGRAMS

Little City Growers Cooperative
PROVIDENCE, RHODE ISLAND

Local Harvest CSA

GOOD FOOD FARMERS NETWORK

DEEP ROOT ORGANIC VERMONT
SOLVED LABOR PROGRAMS

Solving employment issues, including hiring, housing, or transporting workers, educating apprentices, or gaining access to labor at critical times in the farm season.
SHARED EQUIPMENT PROGRAMS

- Equipment Co-ops
- Tool Libraries
- Farmer-to-farmer lending
- Farmer-to-farmer joint purchase
Sharing access to general or specific farm machinery, to lower equipment costs or gain use of cost-prohibitive equipment.

Guidebook, sample agreements, and organizing tools at:

https://projects.sare.org/sare_project/fne16-844/
LAND SHARING: LEASING FRAMEWORKS
LAND SHARING: MULTI-FARMER SITES
LAND SHARING: COHOUSING

Cobb Hill Cohousing
cooperative farming landscape

Sharing Resources and Services

Group-Managed and Collective Farms

Sharing Markets: Multi-Sfarm CSA's, Producer Co-ops, Co-packing

Buying Clubs, Shares Service Coops

Machinery Coops, Tool Libraries

Labor Sharing Programs

Co-op Housing, Ecovillages

Land Sharing, Buying Together, Lending Together
GROUP-MANAGED AND COLLECTIVE FARMS
WORKER CO-OPS
WORKER CO-OPS

• 3 or more worker-owners

• Arranged as a co-operative corporation (or LLC with cooperative agreements)

• Abide by by-laws (business agreements) in which
  • Each member has equal vote in major decisions
  • Business profits/losses are allocated back to each member according to use (hours worked), not according to ownership
  • “Clear path to membership” – may have non-owner staff, but usually the goal is to have long-term staff members become owners as well
FARM PARTNERSHIPS/LLCS

Partnerships and LLCs are simple and flexible forms of doing business as a group.

They can be, but don’t have to be, arranged like cooperatives or collectives.

Decision-making and financial agreements (profit sharing, ownership, process to buy out a member), can be arranged any way the group sees fit.
FARM COMMUNITIES

WHITE PINE COMMUNITY FARM
FARM COMMUNITIES

ACORN/Southern Exposure Seed Exchange

Southern Exposure Seed Exchange
Saving the Past for the Future

ACORN/
SOUTHERN EXPOSURE SEED EXCHANGE
COOPERATIVE FARMING LANDSCAPE

- Land Sharing
- Buying Together
- Leasing Together
- Buying Clubs
- Shared Service Coops
- Machinery Coops
- Tool Libraries
- Co-op Housing
- Ecovillages
- CSA
- Sharing Markets
- Multi-farm
- Producer Co-ops
- Co-packing
- Worker Coops
- Group Farms
WHICH PROJECT CAN YOU ENVISION PARTICIPATING IN?

IS THERE A PROJECT YOU CAN ENVISION STARTING?
WHAT COOPERATIVE OWNERSHIP CAN DO:

• Embody community values right here and now in the middle of an extractive economy.
• Bring real economic advantages to their participants
• Help small farms achieve a greater economy of scale
• Reduce labor, costs of inputs, or administrative burdens
• Pool knowledge, skills of participants
• Effectively transition businesses, farmland, and other resources between farmers/between generations
WHAT COOPERATIVE OWNERSHIP CAN NOT DO:

- Automatically solve complex problems
- Make an economically or logistically unfeasible idea work

To build a successful project, your idea must have a feasible economic model (for at least covering costs) and offer tangible benefits to its participants.
WHAT DOES A GROUP BUSINESS NEED TO SUCCEED?

1. WELL-PLANNED BUSINESS with realistic goals.

1. CLEAR STRUCTURE and agreements between members.

1. ORGANIZED OPERATIONS day to day.

1. EFFECTIVE GROUP PROCESS.
What does your project look like "on paper"?
What resources will you need to begin?
How will money flow through your project?
What does budgeting tell us about appropriate scale for our projects?
How will we make our project easy to run?
How do we organize group decision-making and communication?
How do we cultivate positive organizational culture?

Key Questions:
- What do we collectively value?
- What are our goals for...
  - Your quality of life?
  - Your community role?
  - Personal income?
- What will our core activities be?
- What does your project look like "on paper"?
- What resources will you need to begin?
- How will money flow through your project?
- What does budgeting tell us about appropriate scale for our projects?

Tools & Skills:
- Holistic goal setting
- Enterprise selection
- Understanding financial management
- Writing budgets and financial statements
- Partnership & community agreements
- Meeting facilitation & rhythms
- Standard operating procedures

Takeaways:
- Proposal for your future project
- Budgets for the first 3 years
- Handbook of organizational practices
BUSINESS PLANNING ISSUES

- Lack of clear planning and goals
- Failure to Identify Risks
- Lack of member commitment
- Lack of competent management
- Overly optimistic projections
- Missing Crucial Information
- Lack of financing
- Too many projects/enterprises/ideas
- Inefficiency/poor organization/lack of systems

1. Grow Flowers
2. ??????
3. PROFITS!!
BUSINESS PLANNING ISSUES

• Lack of clear planning and goals
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• Missing Crucial Information
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• Build a well-researched budget for your project
• Identify business strategy / revenue streams to cover costs + generate surplus
• Develop the knowledge and technical skills needed for your particular project
• Provide tangible member benefit
• Keep it simple – build additional components as your capacity grows
WHAT’S A LEGAL ENTITY AND DO WE NEED ONE?

A legal entity is how your business is defined for legal and tax purposes.

Most are registered with the state and indicated on your tax returns.
WHAT’S A LEGAL ENTITY AND DO WE NEED ONE?

1. MINIMIZE RISK - can limit liability.

1. NAVIGATE LEGALITIES: Easier to sign contracts, obtain loans or mortgages, and have a shared bank account.

1. SELF-ORGANIZE: Opportunity for clear agreements.

1. EASE TRANSITIONS: Can make transitioning assets or ownership easier.
1. **CONTRACTUAL AGREEMENT**
   For temporary/trial ventures with low risk. Not a legal entity: just agreement between 2 individuals or businesses.

2. **LLC**
   Flexible entity with few requirements, easy to form.

3. **COOPERATIVE CORPORATION**
   For groups that want to follow cooperative principles (must abide by key principles of governance, etc. in order to maintain tax status.

4. **NON PROFIT (501c3)**
   For groups with charitable mission (vetted by IRS - farming itself is not a charitable mission). No owns the organization or its assets. Stringent reporting and filing requirements.
FORMING A COOPERATIVE

STEPS BEFORE INCORPORATION

- Choose a business name (which includes “Cooperative” and an abbreviation that indicates that the co-op is a corporation, such as “Incorporated” or “Inc.”) check for availability of that name with the Secretary of State.
- Identify initial members and/or board of directors.
- Decide whether and how to issue membership shares.
- Prepare bylaws Develop membership agreement (“disclosure document”) and receipt. Given to individuals before they are accepted as members.
- Determine which (if any) licenses, permits, and insurance must be procured.
- Prepare and file the Articles of Incorporation with the Secretary of State.
- File a Statement of Information with the Secretary of State within 90 days of filing the initial Articles of Incorporation.
FORMING A COOPERATIVE

STEPS AFTER INCORPORATION

- Hold the first directors meeting – adopt bylaws, appoint officers, and discuss other business plans (Members may jointly govern the business by making every cooperative member a director).
- Obtain employment identification number (EIN) with IRS and employer account number with the state.
- Open bank account for the cooperative.
- Obtain licenses, permits, and insurance.
- Hire or retain accountant or bookkeeper to manage finances.
- Maintain up-to-date membership records (names & addresses).
- Implement an operational and management structure (designating committees or managers for the operation of the business).
Business entities don’t provide much structure. They’re more like this empty container. You need to fill them with clear agreements about how you’ll own and operate your business.
SIX STEPS TO A BUSINESS AGREEMENT

1. MEMBERSHIP: What are the rights and responsibilities of each member?
2. OWNERSHIP: How is the business owned, and what rights are connected to ownership?
3. ALLOCATIONS: How will you distribute profits (and losses)?
4. BUY OUT: What happens if the business dissolves or a member leaves?
5. GOVERNANCE: How will you meet and make decisions?
6. MANAGEMENT: How will the major functions of the business be handled?
MEMBERSHIP

1. Who are they?
2. How do they join?
3. What are their rights, authority, and obligations?
4. Are they all treated the same, or are there different classes of members?
5. What are the grounds for expulsion?
1. How much of the business will each member own?
2. How is that ownership tracked and valued over time?
3. How does ownership influence decision-making and how profits/losses are allocated?
Ex. A team of 4 farmers is creating a business in which 3 work full time, 1 part time. One has 70k to contribute, the others 10k each. They have chosen an LLC as their business form, meaning they have lots of flexibility in determining their financial agreements.
Ex. A team of 4 farmers is creating a business in which 3 work full time, 1 part time. One has 70k to contribute, the others 10k each.

OPTION 1: They buy in unequally, 70, 10 10 and 10.

OPTION 2: Member 1 provides capital as a loan to the group.

OPTION 3: Members separate ownership of major assets.
OPTION 1: Members receive their % of profits and losses based on their ownership.

OPTION 2: Members receive their % of profits and losses based on their hourly commitment (hours worked).

OPTION 3: The LLC owners could guarantee a payment to each of the members (a stipend, or a salary equivalent). The remaining profits are divided according to their agreement (equally, by hours worked, or any percentage they choose)
BUYING OUT

A buy-sell agreement sets the VALUATION METHOD and TERMS for the remaining members to buy out a departing member.

VALUATION:

- MARKET VALUE: typically evaluated by 3rd party
- BOOK VALUE: ownership is tracked over time through financial records: initial buy in +/- allocated profits/losses +/- additional contributions if any. Member is entitled to receive that value back (disregards market value or “sweat equity”)
- VALUE BY FORMULA: members receive their recorded book value + a percentage increase to indicate change in business value (book value + 1% per year)

TERMS: i.e. “4 payments over 2 years with 2% interest”
Governance = decision making method + how it is applied

Methods:
- Majority Vote
- Consensus
- Modified Consensus

Application:
How will you cover the major responsibilities of the business?
Will you appoint certain people or small groups to do certain tasks?
For large groups, will you designate a smaller management team, like a board? Officers?
Will you hire a manager who is not a group member?
Who will keep financial records?
Who will lead meetings? Who will take notes?
ORGANIZING PEOPLE & OPERATIONS
COMMON INTERPERSONAL ISSUES

- Vision and Values Differences
- “Structural” Power Imbalances
- Exhausting or unproductive meetings
- Remembering verbal agreements differently
- No communication/behavior agreements
- No processes for accountability
- No membership criteria or new member screening process
- High turnover/too many new members at once
- Differences in work and planning style
- Real or perceived work imbalances
- Care, maintenance, cleanliness issues
COMMON INTERPERSONAL ISSUES

• Vision/Values Differences
• Power Imbalances
• Unproductive meetings
• Unenforced Verbal agreements
• Communication/behavior differences
• Lack of Accountability
• No membership criteria
• High turnover
• Work/Planning style differences
• Work imbalances
• Care, maintenance, cleanliness

SETTING ORGANIZATIONAL CULTURE

• Create a shared vision & clear goals
• Write down agreements, decisions, tasks, policies. Revisit them.
• Make space for feedback
• Learn facilitation and communication techniques
• Observe healthy and generous group behavior: give each other the benefit of the doubt, ask how you can support teammates into more constructive behavior, say thank you and good morning, hang out once in a while.
ORGANIZING PEOPLE & OPERATIONS

- Operating Agreements / Bylaws (your “constitution”)
- Organizational Vision & Values
- Management and Decision-Making Roles
- Meeting Practices and Schedule
- Organizational Culture (Communication Practices, Etc.)
- Peer Feedback & Conflict Resolution Practices
- Operating Procedures / Organizing the Day to Day
At the start, TOURNE-SOL FARM designated one person to do all crop planning, but that left the others feeling disengaged. They evolved their systems to distribute tasks more fairly across members. They meet yearly in the fall to revisit the past year, plan their next season, and redistribute tasks if necessary.

TOURNE-SOL FARM'S MANAGEMENT ROLES:

1. Bookkeeping, soil fertility management; farmers’ market harvest and market staffing
2. Managing the seed company and online store
3. CSA administration, CSA harvest and planning; dried peas
4. Pest management, greenhouse; weed management, organic certification
5. Machine maintenance and infrastructure management
6. Apprentice manager; webmaster

In addition, each person takes responsibility for planning and overseeing specific crops, such as hot peppers or salad greens, breaking down into 20% each of their total production. The crop overseer sends its seeding schedule to greenhouse coordinator who makes sure it gets seeded on time (although anyone can do the actual seeding). If direct seeding, the crop overseers do it themselves. A designated weed manager makes a priority list of what needs to get weeded, and then the weeding is done as a team.
**WINTER GREEN FARM** has a few hired managers, but most of the management tasks are divided between the six owners. Roles have evolved naturally over the years, with members dividing administrative roles, specific tasks, and management areas based on preference. In addition to the individual roles, they designate a general management team that meets yearly to make long-term financial and business decisions.

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**WINTER GREEN FARM'S MANAGEMENT ROLES INCLUDE:**

1. Cattle herd, capital expenditures, insurance, repairs, pesto marketing, tractor work, facility management, and member of the general management team.
2. Manages the greenhouse and co-manages production for CSA and farmers’ market.
3. Cultivation, irrigation, market sales, weekly labor requirements, wholesale vendors, co-manages production for market and CSA production, and is on the general management team.
4. Harvest for farmers’ market and farm stand sales.
5. Personnel, composting, biodynamic applications, wholesale burdock crop, pesto production, and is on the general management team.
6. Now works part-time, primarily as tech and financial support.
MANAGING BEHAVIOR IN CONFLICT

CONSTRUCTIVE APPROACHES

- Maintain cooperative orientation
- Recall similarities in goals or values
- Seek to maintain mutual trust and empathy
- Use open and honest communication
- Remain open to change or compromise

DESTRUCTIVE APPROACHES

- Take competitive stance, “win/lose”
- Emphasize differences of participants
- Use hostile or misleading communication
- Remain inflexible on outcome
**SUMMARIZER & INTEGRATOR**
- State the sense of the group as best you can discern it
- Reflect back what you are hearing/observing
- Weave together diverse input
- List out sub-topics so each can be examined
- State clearly any agreements for the record

**VIBESWATCHER**
- Awareness of emotional undercurrents, gleaned from tones, body language, intuition
- Ask deeper questions
- Call for breaks

**PROCESS STEWARD**
- Help group follow any process agreements or ground rules that are in place
- Focus and safeguard the process so that others can mainly focus on the content

**PEACEMAKER**
- If a conflict emerges, help each person feel heard, and seek common ground
- Help people understand each other by translating information from a participant into terms that the other participants can also grasp

**SCRIBE**
- Write information up front large enough for everyone in the room to read it
- Ensure someone is taking minutes for the record

**TIMEKEEPER**
- Keep an eye on the clock
- Warn the group well ahead of any deadlines
- Note again as the deadline draws near
- Physical Preparation
Q & A
DURING/AFTER LUNCH: REFLECT ON AND WRITE DOWN YOUR HOLISTIC GOALS, USING THE QUESTIONNAIRE

RECONVENE AT: 1:15
ON THE PAPER PROVIDED, WRITE DOWN:

1. A DOLLAR AMOUNT, $0 – 100,000

2. AN ANNUAL SALARY YOU’D LIKE TO MAKE FROM FARMING

3. HOURS PER WEEK YOU ARE ABLE/WILLING TO WORK IN A FARMING VENTURE
IN YOUR NEW GROUPS:

“A” CARDS WILL FACILITATE
“B” CARDS WILL SCRIBE/KEEP TIME

YOUR GOAL IS TO CREATE A SHARED HOLISTIC GOAL FOR YOUR GROUP.

AIM FOR 5 TOTAL STATEMENTS, MINIMUM 1 FOR EACH SECTION.

YOU HAVE 20 MINUTES.
SUMMARIZER & INTEGRATOR
- State the sense of the group as best you can discern it
- Reflect back what you are hearing/observing
- Weave together diverse input
- List out sub-topics so each can be examined
- State clearly any agreements for the record

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- Physical Preparation
ROUND 2:

“C” CARDS WILL FACILITATE
“D” CARDS WILL SCRIBE/KEEP TIME

YOUR GOAL IS TO DRAFT SOME TERMS FOR YOUR OPERATING AGREEMENT.

AIM TO REACH CONSENSUS ON 3 ITEMS.
ROUND 2:

HOW MUCH IS EACH PERSON ABLE & WILLING TO INVEST? WILL YOU..

• BUY IN EQUALLY?
• BUY IN UNEQUALLY?
• BUY IN WITH SOME MONEY AND LEND ADDITIONAL MONEY TO THE GROUP?
• BUY IN WITH SOME MONEY AND LEND THE GROUP USE OF ANOTHER ASSET? (LAND, EQUIPMENT)

HOW WILL YOU ALLOCATE PROFITS AND LOSSES?

• ACCORDING TO INVESTMENT?
• ACCORDING TO HOURS WORKED/ HOW MUCH EACH OF YOU PARTICIPATE IN THE BUSINESS?

WHAT MANAGEMENT ROLES WILL EACH OF YOU PLAY?
ROUND 3:

“B” CARDS WILL FACILITATE
“A” CARDS WILL SCRIBE/KEEP TIME

REVIEW THE SHEET PROVIDED ON “OWNERSHIP CULTURE.” DISCUSS: WHAT WORKPLACE (OR OTHER) EXPERIENCES HAVE YOU HAD THAT ENCOURAGED OWNERSHIP CULTURE? DISCOURAGED?

WHAT WILL YOUR BUSINESS DO TO PROMOTE A POSITIVE AND INVESTED TEAM?