Cooperative Food Hubs: Structure and Start Up

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Cooperative Development Institute
The Cooperative Development Institute

- Northeast Center for Cooperative Business founded in 1994 by co-op leaders
- Education, Training, Technical Assistance and Networking to develop successful cooperative businesses, start-up and established
- Co-ops of all types and in all sectors in New England and New York
The Cooperative Difference

A cooperative 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.

International Co-operative Alliance, 1995

www.ica.coop
Cooperative Business

- **Member-Owned**: Those who own and finance the co-op are those who use its products and services.

- **Member-Controlled**: Those who use the co-op control it on a democratic basis.

- **Member-Benefiting**: The co-op’s sole purpose is to provide and distribute benefits (and profits) to members on the basis of their use. Non-members can use the services of the co-op.

- Operate at cost.

- Integrate cooperative principles.
Cooperative Principles

- Voluntary & Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy & Independence
- Education, Training & Information
- Cooperation Among Co-operatives
- Concern for Community
Why do Farmers form Cooperative Food Hubs?

- To access markets, products and services
- To improve their farm’s bottom line—income, profitability
- Economic power
- Farmer Ownership
- Farmer Control
A cooperative food hub

- Can provide as few or as many products and services as the members want in order to:
  - Reduce member operating costs/improve efficiency
    - joint purchasing (seed, grain, supplies, recycle, services, etc.)
    - labor pools
    - equipment and facility sharing
  - Increase marketing channel access
    - aggregate, market and distribute
    - coordinate CSA’s and other direct marketing programs
    - processing, value-added
- Can be local, regional, national; can be cooperatives of cooperatives.
Why Incorporate & Structures

**Limited liability**: a person's financial liability is **limited** to a fixed sum, most commonly the value of a person's investment in a company or partnership. If a company with **limited liability** is sued, then the plaintiffs are suing the company, not its owners or investors. (wikipedia)

**Single taxation**: as the business or as the member

**Anti-trust** Protection of Capper Volstead

Cooperative or with co-op by-laws can be Limited Liability Company, S or C Corporation, Non-profit
Choosing a legal structure

Equity (capital), Profits, Taxes, Ownership and Control, Revenue

- **Sources of Equity (Check all that apply):**
  - Investors (corporation)
  - Member owners (co-op, corporation, LLC)
  - Supporters and Grants (non-profit)
Profits (choose all that apply)

- Profits will...
  - Stay in the business and not be distributed (non-profit)
  - Be distributed to investors based on their investment (corporation)
  - Be distributed to members based on their patronage of the business (co-op)
  - Be distributed to owners of the business (co-op, LLC)
Tax status (chose one)

• The business will . . .
  • Be tax exempt and keep all profits within the business (non-profit)
  • Be taxed on corporate profit and investors/members will also be taxed on their share of the profits (corporation)
  • Distribute all income to members to pay taxes on their own income (LLC)
  • Be taxed EITHER on corporate profit OR members will be taxed on their share of the profits (cooperative)
Ownership and Control
(choose all that apply)

- The Board of Directors will be appointed/elected by…
  - Board members (non-profits)
  - Investors (corporations)
  - Members (co-op)
  - Owners (LLC, co-op, corporations)
Types of Revenue (choose all that apply)

- Revenue will come from...
  - Sale of Products and Services – $/year
  - Program Fees – $/year
  - Rental Fees – $/year
  - Individual Contributions – $/year
  - Foundation Grants – $/year
  - Dues/Membership Fees – $/year
  - Interest Income – $/year
  - Other – $/year
- TOTAL: $/year
Basic Co-op Organization

MEMBERS

Elect

BOARD OF DIRECTORS

Hire

MANAGEMENT

Hire

STAFF
Starting a Cooperative Business

1. **Decide on the Why:**
   - Identify preliminary needs, opportunities and resources
   - Convene a core group of interested individuals

2. **Organize:**
   - Hold a meeting of potential members to discuss needs
   - Select a steering committee to coordinate the group

3. **Determine Feasibility:**
   - Survey potential members
   - Conduct market research
   - Undertake a feasibility study
4. Review findings and if feasible: **Incorporate**
   - Report on the results of the feasibility study
   - File articles of incorporation
   - Elect a board of directors and adopt by-laws

5. **Business Planning:**
   - Prepare a business plan
   - Continue researching financing options
   - Identify facility options, purchase and lease arrangements

6. **Recruit members:**
   - Prepare materials describing the co-op; hold meetings
   - Establish member investment options
   - Conduct a member equity drive
7. **Secure financing:**
   - Finalize internal and outside financing sources and terms

8. **Begin operations:**
   - Hire a manager
   - Establish business!
Your thoughts and questions?

Be in touch....

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