Producer Strategies for Working Together

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In collaboration with:
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DISCLAIMERS

• “The contents of the presentation are solely the responsibility of the author and do not represent the official views of the USDA, NYSDAM, Cornell University, NNYADP.”
• “Cornell University and CCE provide equal programming and educational opportunities.”
What do we plan to cover?

• Building collaborations
• Enhancing an existing business
• Building a new business
Have we come full circle?
“In the future, farmers will only remain independent, when they work together.”
- Danny Klinefelter, Texas A&M
Why would we work together?
To accomplish what we cannot do alone and benefit from the result.
What is the glue that holds people together?

• Common goals
• Understanding
What is the glue that holds people together?

• Common goals and understanding
• Shared values and trust
What is the glue that holds people together?

- Common goals and understanding
- Shared values and trust
- **Flexibility and willingness to change**
What is the glue that holds people together?

- Common goals and understanding
- Shared values and trust
- Flexibility and willingness to change
- Good communication
What is the glue that holds people together?

• Common goals and understanding
• Shared values and trust
• Flexibility and willingness to change
• Good communication
• Economic prosperity
What is the glue that holds people together?

- Common goals and understanding
- Shared values and trust
- Flexibility and willingness to change
- Good communication
- Economic prosperity
- Visionary leadership and dedication
Getting started, consider enhancing existing businesses

- Work with those with excess capacity (storage, transportation, packing)
- Pool input orders
- Consign product for sale through another’s stand
- Buy from one-another
- Create a multi-farm CSA
- Work in small groups first
- Collaborate and coordinate deliveries
Do we need new or can we enhance what already exists?
Getting started, get it in writing, consult the attorney

CONSIGNMENT
• Written agreement to advertise, display, sell and market product you do not own
• Producer retains ownership
• Both parties document sales and inventory
• Caution: Producer needs to manage cash flow as payment delayed to end of month, etc.

JOINT VENTURE AGREEMENT
• Agreement formalizes expectations
• Describes activities to be conducted
• Contains beginning and ending dates
• Contains conflict resolution language
• Farms remain independent businesses
### Challenge #1

Joe Buyer comes to Andy Farmer in February to gauge Andy’s interest in providing 120 crates of local sweet corn for 10 weeks, starting with harvest in early- to mid-July. Andy Farmer sees this as a great opportunity but he only grows 50 crates of sweet corn per week. He considers working with some of the other growers that he knows of.

1. If you were Andy Farmer, what would you do?
2. Who might you work with? Why?

<table>
<thead>
<tr>
<th>FARMER</th>
<th>QUANTITY (crates/wk.)</th>
<th>QUALITY</th>
<th>DISTANCE</th>
<th>GROWING EXPERIENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy</td>
<td>50</td>
<td>Above average</td>
<td>Home base</td>
<td>15 years</td>
</tr>
<tr>
<td>Bob</td>
<td>20</td>
<td>Avg. at best</td>
<td>Nearby</td>
<td>2-years</td>
</tr>
<tr>
<td>Chuck (Andy’s brother in-law)</td>
<td>20</td>
<td>Industry standards</td>
<td>Further away</td>
<td>4-years</td>
</tr>
<tr>
<td>Dave</td>
<td>20</td>
<td>Average</td>
<td>Nearby</td>
<td>Part time, mostly weekends, 4-years</td>
</tr>
<tr>
<td>Ed</td>
<td>20</td>
<td>Excellent</td>
<td>Further away</td>
<td>Part time, retiree, 20-years</td>
</tr>
</tbody>
</table>
Challenge #2

Farmers agreed to provide Joe Buyer with 120 crates of sweet corn/week for 10 weeks during the growing season. They also agreed to provide 240 crates of sweet corn/week to Mike Buyer over 12 weeks during the growing season.

A. How should the group address the shortfall?

<table>
<thead>
<tr>
<th>FARMER</th>
<th>QUANTITY (crates/wk.)</th>
<th>QUALITY</th>
<th>DISTANCE</th>
<th>EXPECTATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy</td>
<td>10</td>
<td>Average</td>
<td>10 miles</td>
<td>Organic, expects premium</td>
</tr>
<tr>
<td>Bob</td>
<td>120</td>
<td>Avg. plus</td>
<td>12 miles</td>
<td>Expects wholesale price</td>
</tr>
<tr>
<td>Chuck (Andy’s brother in-law)</td>
<td>160</td>
<td>Avg. plus</td>
<td>11 miles</td>
<td>Expects wholesale price</td>
</tr>
<tr>
<td>Dave</td>
<td>20</td>
<td>Avg. plus</td>
<td>9 miles</td>
<td>Expects prices closer to retail</td>
</tr>
</tbody>
</table>

Half way through the harvest season, Bob goes directly to Joe Buyer and offers to sell directly to him.

B. What does the group do now?
Challenge #3

Mike Buyer complains to Bob (group leader) that the sweet corn is “not fresh” when delivered on Thursday, that some of the corn was “wormy” and he was short 10 crates from the 240 he was expecting. A few days later, Carl calls Mike Buyer to express concerns about the dry weather and the potential decrease in crop yield.

1. What should the group do?
2. What might have been done differently to prevent these challenges?

<table>
<thead>
<tr>
<th>FARMER</th>
<th>QUANTITY (crates/wk.)</th>
<th>STORAGE</th>
<th>CHALLENGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy</td>
<td>40</td>
<td>Provides corn picked on Tues., Wed. Thurs.</td>
<td>Works off the farm, high production costs, skipped a chemical application.</td>
</tr>
<tr>
<td>Bob</td>
<td>100</td>
<td>Cooler/refrigeration, capacity slightly over production</td>
<td>Catastrophic hail storm, 40% crop loss</td>
</tr>
<tr>
<td>Carl</td>
<td>90</td>
<td>Ices corn, delivers immediately</td>
<td>Normal growing season.</td>
</tr>
<tr>
<td>Dave</td>
<td>20/0</td>
<td>In refrigerated truck box plugged into electric outlet</td>
<td>Opps!! Sold all through the farm stand</td>
</tr>
</tbody>
</table>
When do you form a business?

- Anytime
- Scale up
- “Chicken” factor
- Contracts, debt, assets
Forming an agreement or business

- LIMITED LIABILITY CORPORATION
- LIMITED LIABILITY PARTNERSHIP
- SOLE PROPRIETORSHIP
- S-CORPORATION
- C-CORPORATION
- PARTNERSHIP
- COOPERATIVE
- CONSIGNMENT
- JOINT VENTURE
Experience the Farms of Seneca County
Heartland of the Finger Lakes

GRANT FUNDED
MEMBERSHIP ASSOCIATION

- 5 original members - 1981
- 17-plus members at present
- Some “free-riders”
- Accommodations
- Attractions
Distribution

Matt Gardner & Brent Maynard, LLC

STORES AND FARMS
RESTAURANTS
FARMERS MARKETS
Tuscarora Organic Growers

- 3 farmers (1988) overwhelmed by request for organic in Baltimore/D. C. area
- No grant funding
- Hired manager to coordinate sales
- Pre-season commitment plan
- Wholesale function
- Contract for transportation
- 44 members, 15 others
- 100,000 cases, $3.3M sales
- 4 FTE, 18 part time
Oklahoma
Food Cooperative
What is the proper business structure?

IT DEPENDS ON THE DESIRED FUTURE STATE

- Life expectancy of the business
- Property interests
- Personal liability & risk
- System of governance - control
- Taxation preference
Capital

• Early on investment
  – Sale of shares
  – Purchase or valuation of ‘interest’
  – Share of common stock

• Grants

• Profit from the business

• Profit distribution

• Commercial lending institutions
  – Local bank
  – Farm Credit
RESOURCES?

• Yourselves and the people you know
• Technical advisors
  • College/universities
  • Cornell Cooperative Extension
  • For cooperatives – USDA, Cooperative Development Institute
  • Small Business Administration, SCORE
• The Internet
  – Be careful about generic agreements
Process - cooperative

• ORGANIZATION GROUP
  – Defines what the business will be
  – Develops feasibility analysis
  – Develops business plan
  – Develops the member agreement
  – Solicits commitment for funding

• LEGAL DOCUMENTS
  – Articles of incorporation
  – Bylaws
  – Charter
  – Membership or partnership agreement
  – Shares or interests defined
  – Marketing agreement
Strategies for success

• Openness to “old” ideas in “new” ways
• Economic problem to be solved
• Economic opportunity to be seized
• Trust, shared values, goals
• Adaptability
• Good communication
• Financial resources
• Good business planning
QUESTIONS?

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