

## **ROLE OF COOPERATIVES**

The cooperative structure is an established community entity with strong roots in agriculture. A cooperative is legally owned and democratically controlled by its members, which allows them to share in its social and economic success, as well as more evenly distributes risks experienced throughout the duration of the season. As members of the cooperative, producers are better able to negotiate and agree on a price for their product, giving them more leverage with buyers. This gives producers the opportunity to receive a premium for their product and set higher standards for buyers.<sup>1</sup> Membership fees provide working and investment capital for the cooperative, and surplus revenues are returned to the members.

The desired objectives for a cooperative typically include:

1. Farmers having a long-term, secure market for their crops, at prices that provide a comfortable living for themselves and their families.
2. Consumers having convenient access to high quality local food, at a price comparable to current quality food prices.
3. Everyone in the community having secure access to enough healthy food.
4. Farmers and consumers knowing each other and appreciating and respecting the others' contributions to, and needs from, the community.
5. Consumers being healthier and engaged, and using the food/health teaching resources available, such as recipes, nutrition assessment, and information/classes on preserving, growing, etc.
6. Empowering youth to see and build upon a community striving to feed itself with local food into future generations.

## **COMMUNITY DEVELOPMENT**

### **Economic and Social Revitalization**

Cooperatives can help farmers succeed by uniting members, providing scale, coordination, and improved marketing. Cooperatives can also increase profit and productivity for local farmers, and directly impact the community economically through local retention of these food dollars. Furthermore, the social revitalization that occurs in the successful creation and operation of a cooperative fosters long-term sustainability in the community-based food system.

### **Farm Promotion through Marketing/Branding**

The cooperative may choose to promote farm brands as part of their marketing strategy. This is an advantage to farmers over selling wholesale, as the farm name usually ends with

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<sup>1</sup> Agricultural Cooperatives in the 21st Century: The Progression Towards Local and Regional Food Systems in the United States, 2015, Sara Servin

wholesale buyers – consumers will not hear the name of the farm from which the product has come. When selling to cooperatives who promote producers in their marketing, everyone wins: the cooperative has an effective marketing strategy, the farmers gain brand exposure, and the customer knows exactly where the product comes from.

### **Efficient use of Human Resources**

Efficiently operating a venture of this type requires numerous roles to be filled. In many cases, multiple roles are filled by one employee, which can help save on staffing costs. In addition, full-time staff is frequently supplemented with both part-time seasonal labor as well as volunteer staff. Because food cooperatives often function based on an underlying social mission, utilizing volunteer labor helps to engage the community and provide cost savings for the business.

### **Philanthropy**

One study of cooperatives in the twenty-first century has noted that “the future of sustainable food systems and healthy communities often depends on innovative ideas that are implemented by courageous activists.”<sup>2</sup> Cooperatives often fulfill this role of courageous activist, as their presence nationwide in diverse communities *evidences their contributions to social justice and a wider recognition of small-scale agriculture.*

As cooperatives are generally composed of people who strive for community growth and advancement, they often engage in philanthropic activities to bolster their community impact. These types of activities include providing resources to benefit the community and local agriculture, campaigning to raise donations of money, food, or volunteer service for local organizations, and offering free educational and social activities for community participation.

## **FOOD SAFETY, REGULATIONS, AND GROUPGAP**

### **Food Safety and Quality Control Procedures**

The owners should consider product and food safety regulations, good manufacturing practices, and other regulatory safeguards required by law. The cooperative should proactively consider its approach to food safety, both from a market entry and a liability perspective. Good Manufacturing Practices (GMP), an understanding of microbiology, Standard Operating Procedures (SOP), safe procedures for cleaning and sanitizing, and a thorough understanding of the principles of Hazard Analysis and Critical Control Points (HACCP) development are all important components of the project.

### **Good Manufacturing Practices**

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<sup>2</sup> Agricultural Cooperatives in the 21st Century: The Progression Towards Local and Regional Food Systems in the United States, 2015, Sara Servin

Good Manufacturing Practices (GMP) has two meanings when used in the context of a food processing facility. The first refers to actual federal code sections of GMPs and the second is a set of operating procedures based upon these codes. The actual codes provide the basis for both the federal and state food processing regulations that serve as guidance for facility construction, equipment and utensil selection, sanitation, personnel hygiene, food handling, and production and processing controls. These are contained in the Good Manufacturing Practices as detailed in Title 21 of the Code of Federal Regulations Subpart E-- Production and Process Controls. The CFR is accessible on-line via [www.ecfr.gov](http://www.ecfr.gov).

While these GMPs are fairly generic, the regulations provide an excellent overview of most facets of sanitary facility operation. Once understood, a facility operator can use these codes to develop GMPs for their own facility. A typical GMP program consists of several parts, each of which has a written set of policies and a checklist based upon those policies.

A written GMP program should also include sanitation, pest control policies and documentation. The sanitation program should include information about the cleaning chemicals used in the plant, how effectively they are handled and stored, and how the Material Safety Data Sheets (MSDS) are maintained. Additionally, the sanitation program should detail weekly, monthly, and periodic cleaning schedules and how that cleaning is to be conducted, monitored and recorded.

The pest control program should be developed in conjunction with a professional pest control operator who will assist in recordkeeping as well as making facility recommendations that will help to exclude pests and reduce harborage areas.

The GMP plan should include a section on "Production and Process Controls" that addresses the methods of preventing contamination, processing time, temperature controls, and other critical factors. The firm must have a means of lot coding each batch of product so that a product recall can be initiated, if necessary.

### **Hazard Analysis Critical Control Points (HACCP)**

As defined by the USDA Food Safety and Inspection Service (FSIS) the Hazard Analysis Critical Control Points (HACCP) system is a scientific approach to process control. It is designed to prevent the occurrence of problems by assuring controls are applied at any point in a food production system where hazardous or critical situations could occur. Hazards include biological, chemical, or physical contamination of food products.

HACCP is a widely recognized system for increasing safe food production. A HACCP program is designed to identify the steps within a food process that contain the greatest hazards, identify scientifically validated steps that can reduce these hazards to an acceptable level, institute these control measures, and document their use and effectiveness.

The Food Safety and Inspection Service (FSIS) published a final rule in July 1996, mandating that HACCP be implemented as the system of process control in all inspected

meat and poultry plants. HACCP plans are currently mandatory in the juice and meat industries, with compliance in other industries being largely voluntary. A plan should be prepared in accordance with the Code of Federal Regulations (CFR) Hazard Analysis and Critical Control Point section (Part 417).

A HACCP plan is a written document that outlines a process, identifies the points in that process where contamination is likely to occur, outlines a procedure for addressing those identified “critical control points,” and establishes a procedure for dealing with variances that may occur that are not covered by the plan. It also encompasses the recording and documentation of the procedures and their effectiveness.

It is important to recognize that a HACCP plan only works if an effective sanitation program and documented GMPs are in place. A HACCP program is not designed to compensate for generally poor practices, but rather to use solid practices as a basis for a food safety program that can provide the highest assurance of safety.

Writing and implementing a HACCP plan involves a significant investment in time and planning. An approved plan will need to be in place prior to the facility beginning operations.

### **Food Quality Protection Act (FQPA)**

Primarily affecting the production aspect of the cooperative chain, this act includes stringent safety standards and regulation for pesticide tolerances.

### **Perishable Agricultural Commodities Act (PACA)**

According to the Agricultural Marketing Service, “PACA facilitates fair trading practices in the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce.”<sup>3</sup> The PACA program’s main purpose is to help ensure fresh and frozen fruit and vegetable dealers receive the products they pay for and payments from their customers.

The USDA only requires a PACA license for those operating in the produce industry, but states and other local governments may require additional licensing. Even if the business does not directly handle the produce, but it still acts as a broker between the buyer and seller, the business is still required to have a PACA license.

### **Traceability**

The federal Bioterrorism Act (BTA) is driving significant changes in food regulation. This federal law mandates regulations regarding record-keeping and product traceability. The FDA has published a guidance document that summarizes the recordkeeping and traceability requirements. More information is available at [www.fda.gov](http://www.fda.gov).

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<sup>3</sup> AMS (2012). “Fair Trading Regulations.” USDA  
[www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateN&page=PACAFrequentlyAskedQuestions](http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateN&page=PACAFrequentlyAskedQuestions)

Farmers will be required to trace ingredients one step backward in the food chain and tie the ingredients to finished products one step forward in the chain if the products are being sold through retailers or wholesale distributors.

## **Group GAP**

When addressing food safety within the organization, cooperatives can use GroupGAP as a way to certify all its farmers without the need for separate certifications. GroupGAP allows a group of producers to obtain GAP certification, which gives more market access to these producers by helping them meet buyer's requirements for GAP certified suppliers. The producers in the cooperative are audited as one body by the USDA while the cooperative trains farmers, performs individual internal audits, and builds a culture of safe production and handling. Certifying as a group can help reduce costs for cooperative members and gives the cooperative assurance in regards to product compliance.

An article on the USDA website explains GroupGAP in detail:

“Ensuring that its food meets the demands of its retailers and the consumers who eat it is essential to the success of any produce business. This builds consumer trust and helps retailers confidently supply the food we all eat. To help out on this front, the USDA’s Agricultural Marketing Service (AMS) offers audits through the USDA Good Agricultural Practices (GAPs) & Good Handling Practices (GHPs) Audit Verification Program.

A voluntary service provided by the USDA’s Agricultural Marketing Service (AMS), GAPs audits verify that fruits and vegetables are grown, packed, handled, and stored safely. The audits certify that operations are following guidance from the Food and Drug Administration and industry-recognized food safety practices that can minimize the risks of food-borne illnesses.

To help other small farmers realize this type of success, AMS has partnered with the Wallace Center at Winrock International to create a Group GAP Pilot Program. The pilot allows cooperatives, cooperatives, and other marketing organizations to offset the costs of GAP certification by pooling their resources together. Hoping to expand the program, AMS regularly communicates with pilot participants through outreach events and trainings. As a result, three out of the pilot’s eight groups already received GAP certification while another is expected to be certified early in the 2015 growing season.”<sup>4</sup>

## **CASE STUDIES**

### **Case Study: Sandhills Farm to Table Cooperative**

#### **Background**

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<sup>4</sup> Tribbett, Frederick A., (Jan. 2015). *USDA... Helping Produce Businesses Meet Consumer and Retailer Demand*. USDA Blog.

Sandhills Farm to Table in Southern Pines, N.C., is a multi-farm Community Supported Agriculture venture (CSA), organized in late 2009 as a multi-stakeholder cooperative. This cooperative allows all stakeholders to control various functions of the organization and receive benefits. This level of participation is helpful in that it addresses the needs of each owner-class as customers, workers, and producers are all involved in the cooperative's success.

## **Goals**

Founder Fenton Wilkinson wanted to create an entity that would meet the food demands of the local community with locally produced food, while benefitting producers, consumers, and the workers themselves. Another goal of the cooperative was to strengthen the community by connecting the people buying the food to the people producing it. Sandhills has accomplished these goals, stimulating consumer interest in local products, helping farmers expand and diversify production and marketing, and bringing producers and consumers together.

## **Community Impact**

Sandhills' multi-stakeholder model has provided inspiration for several other rural cooperatives in North Carolina, and its unique contributions have been recognized by an article in Rural Development Magazine. After only two years of operations, Sandhills proved to be hugely successful, improving the community by providing fresh local food to more than 1600 members, and donating over \$30,000 to local schools and non-profit organizations. In addition, the cooperative has had a tremendous impact on its 35 producer-members by paying back more than 70% of the retail food dollars received.

Additionally, Sandhills promotes community building by using gathering sites rather than pick-up locations, facilitating an environment in which neighbors and community members can get to know each other and develop relationships through their shared interest in local foods. The CSA continues to innovate and expand its community impact by branching into areas not considered traditional cooperative territory; in 2011 Sandhills began offering community enrichment classes through the cooperative.

## **Case Study: Fifth Season Cooperative**

### **Background**

Fifth Season Cooperative based in Viroqua, Wisconsin, was founded in 2010 and began operating in 2011. This business is classified as a hybrid food hub and covers the entire local foods infrastructure from producer to end consumer. A significant portion of their operations center on their work with farmers and producers, from food safety to distribution.

## Goals

According to their website, Fifth Season's mission is "to produce, process and market healthy, local foods in our region by supporting the values of environmental, social and economic fairness for all."<sup>5</sup>

## Community Impact

Fifth Season is unique in that it has taken advantage of season extension. Perishable items such as dairy and meat are sourced from dairy and meat cooperative members and brokered to members immediately, saving the warehouse on storage cost and freeing space. The cooperative also sources, stores, and sells shelf-stable items such as coffee, vegetables, and pasta from local producers.

Outreach and recruitment strategies feature Fifth Season's unique system of membership classes which includes Producers, Producer Groups, Processors, Distributors, Buyers, and Workers. Interests of the groups are well represented thanks to the emphasis on farmer and producer membership within the cooperative.

The cooperative also helps producers meet quality and safety challenges by providing GAP and HACCP training and independent audits. Information from these inspections is used to compile an overall checklist for the cooperative's producers, helping them regulate their safety protocols and adhere to a consistent set of guidelines.

## Case Study: Weaver Street Market

### Background

Weaver Street Market formed in 1987 and has successfully operated under a hybrid model ever since. The cooperative operates out of three market locations, serving over 18,000 households and 200 employee owners. Functioning as a community gathering place and a food store, Weaver Street strives to make its locations a vibrant part of the surrounding communities through frequent events and store specials.

### Goals

In 2012, Weaver Street's Board of Directors agreed on four main goals for the cooperative:

1. "Make healthy eating accessible, tasty, and fun
2. Drive the growth of local and sustainable foods
3. Invigorate downtowns
4. Use net zero energy, create zero waste, and promote responsible packaging"<sup>6</sup>

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[www.fifthseasoncoop.com/fifth-season-story/](http://www.fifthseasoncoop.com/fifth-season-story/)

<sup>6</sup> [www.weaverstreetmarket.coop/behind-the-scenes/co-op-goals/](http://www.weaverstreetmarket.coop/behind-the-scenes/co-op-goals/)

## **Community Impact**

Weaver Street Market's website highlights their effect on the local community by pointing to three key aspects of the relationship established between customers and owners: shared economics, shared community, and shared knowledge.

Economically, consumers pay fair prices for trusted products and employees receive good pay, benefits, and an opportunity to make a difference in their community through their work. Weaver Street also focuses on community by reinstating the local market as a social gathering place rather than simply a store, offering a location for patrons to connect, share meals, and attend events. Weaver Street Market relies on knowledge shared between cooperative members and community members and welcomes ideas from the public.

Weaver Street also has a broader scope of influence in the community, partnering with outside organizations to benefit the community. In 2015, Weaver Street Market is campaigning for donations of food, supplies, and volunteer service for four hunger relief organizations in the area.