

SJ FEAST: Collectives and Collaborative Action Models

This memo for the SJ FEAST steering committee addresses:

- A. Types of cooperative structures for farmers and producers
- B. Legal structures that can be used to institute a cooperative model
- C. Examples of the various kinds of cooperative structures from New Jersey and elsewhere in the country.
- D. Questions that should be considered in deciding on the best approach for a particular group of farmers and producers.
- E. Summary of benefits and risks of cooperative organizations.

A. Types of Cooperative Structures:

There are at least seven distinct approaches to creating a collective or cooperative structure, listed here. In addition, there are different possible legal structures for instituting such a structure, and these are discussed below.

1. **Growers' Cooperative:** Share and collectively manage resources, such as marketing, processing, land, or equipment. Such an organization can also be called a collective. Whichever term one uses, this kind of organization is owned and controlled by its members with shared benefits, income and risks.
2. **Food Hub:** A business, organization or cooperative that actively manages the aggregation, distribution and marketing of source-identified food and products. Services might include purchasing, transportation, processing, packaging and/or marketing, branding, running farmers or other forms of markets, and providing other services to growers, buyers and consumers.
3. **Aggregator:** A business or organization that purchases food from growers and resells to wholesale buyers or through its own retail markets. This would involve providing transport and storage, and possibly processing, packaging, branding and other activities.

Note that a food hub can be seen as a type of aggregator, or an aggregator as a type of food hub. Here we are using the term food hub to describe an operation that does more than buy food for resale, and an aggregator as an operation that just serves as a buyer and reseller.

4. **Broker:** A business or organization that brokers sales between producers and buyers, but does not provide transport, storage, processing or other services.
5. **Industry Association – Cheerleader, Advocate and/or Technical Support Provider:** A nonprofit organization that organizes farms and other interested parties to promote local farms and food to the public, advocate for policy change, and/or provide technical support, either for free or for a fee. This can be a Food Policy Council like the NJ Food Democracy Collaborative.
6. **Informal Network to Share Ideas and Connections:** Interested people and organizations gather periodically to share information and make connections that may lead to bilateral, transactional relationships and projects.

B. Legal Structures

There are at least five basic types of legal structure or organization to consider in setting up a cooperative program. Each type of organization can engage in shared use of resources, marketing, and other mutually beneficial activities. Each type also has distinct legal bases and regulations, obligations and risks for participating entities, governance systems, and tax consequences. In order of formality and complexity of structure:

1. **Cooperative** – A type of corporation, authorized by state statute, that is owned, controlled and operated for the benefit of its members. The members own the cooperative, and members must be individuals or businesses “engaged in the production of agricultural products.” The cooperative is managed by its board of directors, chosen by the cooperative members, as set out in its articles of incorporation and bylaws. The cooperative can be set up to do one or more specified activities, such as developing shared storage and transport, marketing actions and processes, labor, production, etc.
2. **For-Profit Corporation with Shared Ownership** – An independent for-profit organized as a C-Corp or LLC and managed by a board of directors, which hires key staff and oversees the operation. Participants control the nonprofit through membership on the board of directors and selection of the CEO.
3. **Nonprofit Corporation with Shared Governance** – An independent nonprofit is governed by its board of trustees in accordance with articles of incorporation and bylaws. Participants control the nonprofit through membership on the board of trustees, framing of the governing documents, and hiring of the CEO.
4. **Transactional** – Participants together create specific processes, such as marketing channels or transportation and delivery procedures, to which each member can choose to sign on, depending on their needs, through standardized agreements. Producers participate in those arrangements that work for them and have no broader obligations to the other participants in the process.
5. **Informal** – There is no overarching legal structure, obligations or rights that apply to all participants. Informal cooperation may lead to separate agreements, sales contracts, and so on at the option of participants. The participants may look to individual members of the group to facilitate the process or take the lead on specific activities, but no one is legally obligated to one another unless they choose to enter formal agreements between two or more participants.

C. Examples

1. Collectives or Cooperatives:

[Lancaster Farm Fresh Co-op](#) (PA)

- LFFC is a non-profit organic farmer’s cooperative of over 100 family farmers headquartered in Lancaster County, Pennsylvania. All participants are USDA Organic Certified.
- LFFC operates principally or whole as a CSA with multiple pick-up sites and home delivery option for some areas. The cooperative provides consumers with a variety of CSA packages because of the diversity of produce from many farms. CSA options include produce, meat, cheese, flowers, and bread shares.

Local Bound (PA)

- A collective of 36 “badass farmers and makers” who share marketing through a Local Line online sales portal.
- Legal structure is unclear.
- The collective appears to support 6 staff members identified on the website.

Collective Harvest (GA)

- A cooperative of 30 farmers selling produce through the cooperative, which is a separate LLC.
- “This project centralized product aggregation, CSA pick-up, website sales, and new retail sales. Investment in systems and processes were necessary to facilitate this aggregation and ensure the distribution of over 800 current CSA shares. By combining resources, the operation was able to hire full-time employees and allow farmers to concentrate on what they do best, farming.”

Eastern Food Hub Collaborative (East Coast)

- A collaborative effort by 12 food hubs on the East Coast to promote their operations through shared marketing, shared purchasing, cross-hub purchasing, and sharing knowledge and experience.
- The collaborative uses an MOU for membership, which sets out goals, values and procedures, including dispute resolution.

Piedmont Agrarian Collaborative (NC)

- Collaboration of 9 chemical-free farmers providing produce, pastured meat, and value added products.
- Legal structure is not clear from the website.
- Arranges wholesale sales for its members and uses Local Line for online retail sales.

Route 9 Cooperative (OH)

- Specialized marketing cooperative dedicated to chestnuts and composed of chestnut growers.

2. Food Hubs:

Fairgrown Farms

- For profit farm and food hub operation. Fairgrown partners with other farms to supply a 400-share CSA with options for on-farm pickup or delivery.
- Lists 22 other farms and producers, including Rancocas Creek Farm, on the website.

Urban Agriculture Cooperative

- Nonprofit based in Newark with a focus on urban farms and underserved consumers.

- Buys and distributes local production through farmers markets and wholesale channels to institutions.
- Packs and delivers 'farms to families' share boxes to medical partners, food pantries, schools, and other nonprofits.
- Brokers wholesale transactions.
- Provides technical assistance, staffing and coordination to farmers markets.
- Trains and employs students and young adults to become part of the local food system.
- Provides consulting services to growers.

Essex Food Hub (NY)

- Nonprofit organization that coordinates markets and provides services for small producers, and undertakes other food sovereignty projects. See their infographic.
- Staff of 12.
- Connects growers to institutional, restaurant and other buyers.
- Serves as an aggregator and provides storage, transportation and related services to small farmers. Not clear what process or terms they apply.
- Provides kitchen space and other resources to food entrepreneurs.
- Runs an on-site retail market.
- Partners with other mission-driven food hubs and organizations.

Region Roots (IN)

- Region Roots picks up and delivers food from multiple local growers to buyers.
- Buyers are businesses, schools and institutions that order online through the Region Roots system.
- Producers sign a membership agreement and agree to a Supplier Manual.

Siskiyou Farm Co. (N. CA)

- Nonprofit that arranges aggregation and distribution of local food from a network of growers, ranchers and producers.
- Takes 25% of sales price for its operations.
- Provides technical assistance.
- Website provides retail buyers with information on markets and producers.

3. Aggregators:

Zone 7

- A for-profit aggregator selling to restaurants, retailers, schools and box delivery service customers in New Jersey, Pennsylvania, and New York, year-round.

- Its stated goal is to strengthen local food systems.
- Does home delivery via Just Farmed, a separate business.
- The website does not identify suppliers but says they work with over 75 farms.

The Common Market

- Large nonprofit aggregator and distributor that buys food from “sustainable family farms and producers” in various regions of the country. Operates through several separate corporate entities, with the home entity based in Philadelphia.
- Sells food to institutions, restaurants and retailers. Some is sold to organizations that then donate the food to people in need. Also appears to run a CSA program, though it's not clear how it works.
- Mid-Atlantic business has over \$20M in sales alone.
- Website identifies 15 participating farms in New Jersey alone.

Mid-Atlantic Regional Cooperative (MARC).

- Nonprofit fresh produce purchasing cooperative established in 2017 under Feeding America.
- Serves 31 food banks and distributors across the Northeast and Mid-Atlantic region from Maine to Virginia, including West Virginia.
- Aggregates and distributes fresh produce from farmers on the East Coast, all or mostly “surplus” the farms have. Expanding into shelf-stable products.
- Members are the buyers, who pay dues (\$1,000/yr?) and some additional fees. Members commit to getting weekly deliveries of at least one pallet. Prices are set by the farmers plus \$0.04/lb for transportation.
- Members can order customized mixed-produce pallets (typically 6 items) with MARC's online system.
- MARC outsources storage and distribution so they can serve various states. They source from Maine to Florida.
- In process of consolidating their warehousing in Swedesboro.

J. Ambrogio Foods

- Aggregator based in Vineland, selling to Whole Foods among many other buyers.
- Works with about 20 local farms listed on the website as suppliers, and the business also operates its own farm.

Riviera

- Based in Englewood and states that it sources from “trusted family farms”.
- Identifies [sources](#) on website, mostly in CA, NY and PA (including Lancaster Farm Fresh). NJ farms are Barsuglia Farm (Vineland, no website or social media), Hensel Farms (Milmay, no website but [Facebook](#)), [RJ Ferrari](#) Farms (Vineland), Bifulco Farms (Elmer), Cresci Farms (Vineland), Eastern Fresh Growers, Fralinger Farms, Cassaday Farms (Monroeville), Diamond Blueberry (Hammonton).

[Eat Local Huron](#) (ON)

- Aggregates, packs and delivers products from 44 local producers of various kinds.
- Sales through an online ordering system.
- Supports a staff of seven.

[Local Source Southwest Indiana](#) (Indiana)

- For profit aggregator and online marketplace of locally grown and produced food.

4. Brokers:

[Red Tomato](#) (Massachusetts and Connecticut)

- A mission driven operation in MA and CT that works as a broker connecting growers with buyers (especially schools), certifies produce as fairly grown, and promotes local, environmentally responsible farming.

[B&A Food Brokers](#) (Multi-state)

- Large-scale, multi-state business that works with farmers and producers, including new enterprises, with consulting on merchandising, packaging, marketing, buyer relationships, pricing and planning. Connect producers with buyers of a wide range of institutional, retail, wholesale, and entertainment industry buyers.

5. Industry Association – Cheerleader, Advocate and/or Technical Support Provider:

[North Coast Growers Association](#) (Northern California)

- An independent nonprofit organization that supports Humboldt County farmers by organizing 100 member farms to operate farmers markets and CSA programs, market local farms and their production, provide technical assistance, do peer-to-peer learning, and obtain grants.
- It appears that member farms provide the core funding to operate the Association through dues.

[Federation of Southern Cooperatives](#) (Southern states)

- A nonprofit organization that supports Black farmers, landowners, and cooperatives. Operates in several southern states, based in Georgia.
- Provides technical assistance and policy advocacy.
- Organizes and supports groups of farmers to form jointly owned and democratically controlled enterprises to meet their common economic, social, and cultural needs.

[Grow Acadiana](#) (LA)

- A program of Acadiana Food Alliance.
- Promotional campaign and online resources for farmers and markets, restaurants using local production, and related small businesses.

[Marbleseed](#) (Wisconsin)

- Nonprofit organization that supports local organic farmers with help on transitioning to organic, providing technical assistance, peer-to-peer learning, a conference, and similar activities.

[PHS McLean Urban Agriculture Tool Lending Library](#) (Philadelphia)

- Neighborhood tool loan program for urban growers.

6. **Formal or Informal Network to Share Ideas and Connections:**

[Appalachian Staple Foods Association](#)

- A program of Rural Action, a nonprofit organization, ASFA promotes grain and other staple food growers through public communications, organizing, and supporting research.
- Appears to be staffed by Rural Action, with no due-paying requirement for participating farms.

[NH Food Alliance](#)

- A program of the University of New Hampshire, there are no dues or commitments to joining the network.
- The network functions to connect food hubs, sustainable farms and other food system players for sharing ideas and fostering relationships.

D. Basic Questions to Begin Asking Ourselves

1. What are each of our measures of success for our operations?
2. What does our farm or operation need most to succeed over the long run?
3. How do we think other producers and/or nonprofits can help us meet our particular goals for your operation?
4. Are we interested in a collective arrangement that requires meaningful time and energy to working with other producers but also gives us a say in the collective operation?
5. What is our tolerance for negotiating and working through differences of opinion that will inevitably arise about the setup, services and management of a collaborative program?
6. Or are we more interested in helping set up an independent entity, like a nonprofit, to do things that help you meet your goals, but in which you would not necessarily have a management voice going forward?
7. Are we willing to contribute money, such as in the form of an investment or dues, to set up and run a collaborative or independent operation if we believe it will bring real value to our own farm?
8. If we might be willing to contribute money, what do we think is a reasonable approach to allocating dues, contributions and revenue for such an operation?
9. For any type of collaboratively run operation:
 - What are the guiding goals and key activities of the collaborative that will meet those goals?

- Is the operation to be owned and controlled by its members, an independent nonprofit, or a for-profit business?
- What is the legal structure (LLC, nonprofit, partnership LLC, etc.) that best fits the group's goals?
- Will the operation carry out business transactions (purchases and sales of food) in its own name, serve just as a "middle man" and support system, or do both?
- If the operation will be buying and selling with its member producers, how will the operation decide what transactions to do and how to set prices to ensure equitable outcomes for all members? Consider that different farms provide different products of differing market quality, will be affected differently by changing market conditions, have varying resources for delivery and administration, and so on.
- What resources in staffing, equipment, etc. does the operation need to meet its goals?
- How is the operation funded (e.g., investments, regular membership dues)? and how are any revenues used or distributed?
- Who is eligible for membership? Are there geographic, production, or size requirements?
- What are the rights and responsibilities of members? Will there be different types or tiers of membership?
- Governance structure? How will decisions be made—by consensus, majority vote, or delegated leadership?
- What is the process for creating and approving bylaws or operating agreements?
- How will the group ensure that decision-making and benefits are equitable?

E. Benefits and Risks of Collaborative Enterprises:

Growers can reduce costs, spread risk and find synergies by sharing resources such as:

- Skills and knowledge – farming practices, marketing, funding, business plans.
- Marketing plans, channels, relationships, and activities.
- Transportation and storage capacities, including equipment, buildings and labor.
- Labor.
- Equipment, such as through a "tool lending library."
- Farm infrastructure (barns, greenhouses, or hoop houses).
- Land, including setting up an incubator farm.
- Farming and business networks.
- Risk management, by concentrating certain insurance needs in a shared entity with its own insurance policies for liability, auto, and workers comp.
- Other costs, like administration, billing, etc.
- Energy and support.

Risks include:

- Potential for disputes among collaborators, including personality and policy conflicts
- Unequal effort, labor, or resources (real or perceived) by different members
- Lack of shared expectations around money, management, or future plans
- Difficulty leaving a collaborative arrangement

- Shared customer base may be split (or may be taken over by one collaborator) if the collaboration collapses
- Potential liability for the actions of collaborative business associates, especially if sharing profits
- Lack of sole control over your farm business or an aspect of your business
- Members have conflicting or different ideas about farming practices or marketing strategies