

CASE STUDIES

Cooperative-structured businesses serve the needs of their members. A cooperative must first aggregate members with the desire to work together to achieve a common goal. During the formation of the cooperative, members share similar values regarding the need for the cooperative. In many cases the location, size of the members' farms, the crops grown, even the ownership, management, and labor requirements can be very similar from one member to another. All businesses change through time. Externalities such as government regulations, consumer trends, price of inputs, consolidation within the sector, etc., will impact the cooperative business and the members' businesses. As member businesses change the value of the cooperative to its members can remain the same, become more important, or less important. For the cooperative to remain successful the services that the cooperative provides and resources in which it invests should be in alignment with the needs of the members. This case study focuses on the Capital District Cooperative.

CAPITAL DISTRICT COOPERATIVE

The Capital District Cooperative, commonly known as the Capital District Farmers Market in Menands is located in Eastern New York, just north of the City of Albany. The cooperative is owned by 130 members. Capital District Cooperative is an organization committed to providing a location where farmers can bring their products to sell directly to consumers, other farmers, and wholesalers through the Farmers' Market. The Farmers' Market includes a paved area and covered shed where farmers can display and sell products from their farm. The Farmers' Market also includes several wholesale distribution houses who rent their facilities from the cooperative. Farmers have the option to sell directly to the wholesalers. The cooperative does not take ownership of the product nor manage any of the sales between growers and their customers. Members are not required to sell all that they produce at the market. One of the key benefits of the cooperative is that farmers purchase product from one another and from wholesalers to augment produce offerings to their Community Supported Agriculture (CSA) customers and their own farm stands.



Figure 1. Headquarters location, Capital District Cooperative Menands, NY

BACKGROUND

The Capital District Cooperative was officially organized in 1933 after 16 years of study. Farmers were the first to know the benefits of cooperating together. Members of the Albany County Farm Bureau first suggested a marketing organization be formed in 1916 and sought out the assistance of the Albany Market Gardeners' Cooperative Association in 1918. Being close to the State Capitol, other agencies support the formation of the cooperative including the New York State Department of Agriculture and Markets, Albany City Administration, Albany Chamber of Commerce and the New York State Agricultural College. Early organizers of the cooperative were determined to create a marketplace where a large quantity and wide variety of product grown by nearby farmers could be brought together and made available to stores, shops, restaurants, and food processors. "The market was a means to concentrate numerous sellers and buyers into one place to establish robust competition amongst sellers under free market conditions." (Capital District website) The market provided a means for farmers to sell to peddlers, mom and pop neighborhood stores. Through time, farmers sold to small, local retail grocery store chains. Product was also sold to wholesalers who then transported the goods for resale in New York City.



Capital District Cooperative logo on welcome sign.

Site location was critical to the success of the market. The market was located close to the Menands Bridge, which provided easy access for farmers on the east side of the Hudson River. It was also located near a railroad and a major highway connecting Albany to New York City. The market was also close to the Cities of Albany, Schenectady, and Troy, each with their own farm market. Once the Capital District Market was established the other three markets closed. As they closed, more farmers turned to the Capital District Cooperative to sell product through the market. When the cooperative was first formed, members lived within the nine surrounding counties, with an average of twenty miles from the market. Today members are located in the 15 counties surrounding the City of Albany with other members located in Vermont, Massachusetts, and Connecticut. The Capital District Cooperative continues to "provide a central and proper location for local Capital District agricultural producers to market their product." (Mission statement) The cooperative contracts with a real estate management company to manage the physical facilities (open air market area, pole shed, wholesale houses, wine and spirits distributor, lumber yard, tractor trailer driving school)

AGGREGATION

The cooperative serves as an aggregation point for its members to come together to sell their produce. The cooperative holds a Wholesale Market three days each week from early May through the end of October for members to display and sell products to buyers in intermediary market channels, especially to the wholesalers located around the perimeter of the market. The Saturday Retail Market provides farmers an opportunity to sell produce at retail prices directly to

consumers. The cooperative makes allowances for the “Dailies,” non-members with small quantities of product to sell who rent space on an as needed basis.

The cooperative contracts with each member to allocate space at the market from which product is sold. A lottery system is used as a means to determine which space a member will utilize for the coming growing season. Members have the flexibility to choose the quantity, quality, and types of product they bring to the market at any given time. Membership parallels trends in the farm sector. There are fewer members. The farms of many of the members have grown larger through time. Farm size will remain stable until farmers become confident of consumer trends that indicate opportunities to sell additional product. Farm operators have the capacity to scale up. New and beginning farmers sell at the market. Most sell as a “Daily” as they do not produce the quantity of product needed to supply a wholesale market.

MARKETING

The cooperative has a website and membership brochure to promote the business. Both the website and the membership brochure include the cooperative’s logo. Farmers are responsible for promoting and marketing their product to their respective buyers. The cooperative name is not on the packing materials. Grower preference and buyer preference determine if the farm or grower’s name will be associated with the product as it moves through the market channel.

DISTRIBUTION

The cooperative serves as a distribution hub for its members. Capital District Cooperative provides the physical site where wholesaler buyers and growers come together to buy and sell product. The site includes a paved area, covered shed, office, and buildings located around the perimeter of the paved area. The cooperative has hired a real estate management company to manage the facility. In 2014, eight wholesale buyers had offices and storage facilities at the market. Produce arrives on trucks owned, leased, or contracted by farmers and once sold is loaded onto the buyers trucks.



Covered sales area at Capital District Cooperative

COOPERATIVE GOVERNANCE

The Capital District Cooperative board of directors consists of 15 persons. Terms are staggered with five directors elected each year for a 3-year term. The President, Vice President, Secretary, and Treasurer serve as the cooperative’s Executive committee. The Building and Maintenance Committee is the only standing committee. Other committees are formed on an as-needed-basis. In 2009 the members amended the bylaws to allow up to 2 ‘outside,’ non-member directors to serve on the board. An outside director must have proven business experience. The

board recognized that insights and perspectives of other people could be useful to the cooperative. This change resulted in many of the senior directors to not seek re-election. The board is now viewed as more progressive. Board decisions are timelier and board members are younger than their predecessors. A lottery is held at the cooperative's annual meeting to assign vendor stalls in the market for the coming year.

The cooperative has common and preferred stock. When a person chooses to join the cooperative (s)he completes an application and purchases a \$25 share of common stock. The new member will be on probation for one year before becoming a full member. The probation period is a means for the cooperative to evaluate if the new member can assimilate into the culture of the cooperative and be respectful to others at the market. The cooperative has preferred stock as well. Early on the preferred stock could be owned by anyone willing to pay the purchase price. Concerns were raised over the 'true' ownership of the cooperative. As a result when ownership of preferred stock changed, the cooperative purchased the stock back. Members have the option to purchase preferred stock. The board of directors has stipulated that a dividend should be paid on the preferred stock on an annual basis. The dividend has been as much as 6 percent. Net reserves have not been refunded to the members and no equity has been revolved. Income sources to the cooperative include stall rentals by members, rentals by the 'Dailies' and lease fees from the wholesale buying houses, lumber yard, and tractor-trailer driving school. Much of the income is used for real property taxes, utility bills, facilities maintenance, and staff.

KEYS TO SUCCESS

The cooperative has been in business for over eighty years. The farm and food industry has changed significantly. Capital District is true to its mission of providing a place where buyers and sellers of product can come together to share information and transact business. The market is close to the Interstate, which allows wholesalers to put product on trucks for delivery throughout the Northeast and Mid-Atlantic states. The Board of Directors has made decisions to align the cooperative and management with the needs of its members. This alignment includes contracting a real estate management company to manage the facility rather than hiring a full time manager. The cooperative provides a mechanism for persons with smaller quantities of product to sell at the market on a daily basis. Participating in the market as a 'daily' allows the farmer to build skills in marketing his or her product and provides an occasion to for the cooperative to determine if the farm should be offered the opportunity to join the cooperative.

For more information about the Capital District Cooperative visit the website:

<http://www.capitaldistrictfarmersmarket.org/>