Awhile ago I had the pleasure of interviewing board chairs and senior level managers of Eden Valley Growers, Tuscarora Organic Growers, Upstate NY Growers and Packers, and the Capital District Cooperative about best practices in aggregating, marketing, and distributing vegetables on behalf of their grower members. Each were on-one conversations, which were subsequently summarized through case studies and published in Building the Success of Food Hubs through the Cooperative Experience (Cornell University, Dyson School of Applied Economics and Management, Extension Bulletin 15-04). The expected keys to success included tangible measures such as maximize prices, pay quickly, provide quality product, and market aggressively. These are important to build the profitability and financial viability of the cooperative.

Intangible measures quickly emerged during the conversations. Most of the interviewees (without prompting) mentioned the importance of trust as a necessary component for success. Boards had to trust their management to work in the best interest of the co-op. This trust was not blind trust as management was responsible for aggregating and selling the product at price points that would result in overall profitability to the organization. Fairness was mentioned as a key to member loyalty by Jim Crawford, President of Tuscarora Organic Growers. TOG has developed quality standards that exceed USDA and National Organic Standards. These guidelines level the field of expectations by the co-op of the product to be accepted from its members. Integrity is critical. Leaders mentioned that one has to follow through with what was promised. When issues arise, for example failure to make delivery, notification as soon as possible to the buyer will preserve the relationship for the future. As big as the farm and food sector is across the United States, the reality is that the interconnectedness across the sector makes it relatively small. Several commented, “There are no secrets in the produce business.”

Relationships are important with members and with customers. Communication is important to steward relationships. Managers of Eden Valley Growers, TOG, and Upstate NY Growers and Packers meet with buyers following the growing season to reflect on what has gone well and what needs to be changed to maintain customer satisfaction. They discuss consumer trends along with expectations and future needs for the type and quantity of product. Following the customer meeting, co-op management meets with each member individually to reflect on product delivered to the co-op during the previous growing season, provide information about anticipated future market conditions and product needs in the upcoming year. The member and the cooperative agree upon a pre-season commitment plan of vegetables to be grown along with the volume and expected delivery dates to the warehouse facility during the next growing season.

Hope was mentioned as important to success—as producers hope for the success of their farms, they also hope for the success of their cooperative. I came away with what we all know: profitability and good management are critical to the success of the cooperative business. What I suggest is that success is also built on integrity and fairness, which underpins the trust to sustain essential relationships and the glue that binds the organization to its members and to its customers.
Sustainability—we hear the word and it means different things to each of us. Some people view it as a 3-legged stool, the balance between business, environment, and society or people, planet, and profit. The World’s First Earth Summit in Rio de Janeiro defined sustainability as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (Bruntland Report for the World Commission on Environment and Development, 1992). Fast forward to the 21st century, retailers, the agents for consumers, request that sustainability be quantified as consumers become more concerned about where their food is sourced and how it is produced. Measuring sustainability presents unique challenges and opportunities to cooperatives as they source product from their members.

Where did the concept of sustainability come from?

One might think that the concept of sustainability came from an environmental group concerned about the depletion of non-renewable resources. Sustainability comes from organizational management and business ethics known as Stakeholder theory. It considers the morals and values in managing and organization. Traditionally an investor-owned firm prioritizes its fiduciary duty to maximize profits and returns to its owners. Stakeholder theory suggests that there are other groups that have a bonafide interest in the company, i.e. employees, suppliers, lenders, customers, government, future generations, along with the community in which the business resides. Stakeholder theory implies that input and opinions from these groups should be identified and considered when making management decisions to ensure support of the decisions and ultimately the company by its ‘stakeholders.’

How do you make sustainability tangible?

There is a continuum from which sustainability can be measured. For example, a company works in-house to identify strategies to minimize environmental impact or build community responsibility. Examples include tasking the employee stakeholder groups to develop codes of conduct to reduce packaging, energy, and water use. The company might schedule an employee volunteer day to benefit local non-profit organizations. At this basic level, without 3rd party verifiers, any changes may be suspect to consumers, especially if used as a marketing tool to differentiate the company from its competitors.

Another example is the company’s buyers define sustainability expectations of their suppliers. The company completes the “supplier score card” and ‘grades’ themselves. The score is a parameter by which the customer will purchase product in the future. The challenge is that there is no consistency as each buyer will have their own version of a supplier score card. The advantage of the aforementioned is that they tend to be low cost options compared to others.

The more robust means to measure sustainability includes the creation of a certification system. A trade association can be a mechanism by which companies within a specific sector come together to define sustainability and the protocols that would achieve a certificate in sustainable practices. The association may or may not seek the opinions of outsiders when determining the standards for certification and may or may not utilize the services of 3rd party verifiers. One challenge is that the agreement of standards should reflect industry standards that are realistic and achievable, not the lowest common denominator. The standards should be recognized by those along the supply chain. Bad ac-
tors may be identified during and following the process. Certification systems hold individual companies more accountable, as a black eye of one will negatively impact the other companies. Certification systems minimize marketing rhetoric amongst competitors. Notes of caution: 1. The sector can be viewed as policing itself without 3rd party verifiers. 2. When enlisting more than one, 3rd party verifier it is important that they have the same interpretation of the certification requirements.

An even more rigorous measurement of sustainability is to utilize an independent, external entity to certify that the company is sustainable. Companies seeking the certification may have some input into the specifics of the standards but the evaluation and subsequent certification is left completely to a third party. This type of certification can lead to high levels of credibility along the supply chain. An example is the Global Reporting Initiative (GRI). GRI works with stakeholder groups to develop guidelines. A company can use those guidelines to measure and report their activities. A final mechanism is to measure the company’s efforts towards sustainability against that of a respected organization that has pre-defined the standards. Once standards are met, the company becomes ‘certified.’

What’s it all mean?

Intuitively we each have a definition of sustainability. Cooperatives continue to implement practices to improve sustainability and make choices in how they document their efforts. Proof of sustainable practices will be required across the supply chain, including the farmer-member level. Some members and employees will adapt willingly, others will adjust begrudedly, and some will not. Everyone will be more successful when notified as far in advance of any requested changes that they need to implement. Pilot projects can be useful to demonstrate how members adapt to new protocols that address sustainability. Cooperative leadership may need to review old policies and develop new policies if official certification is required. New membership and supply agreements may need to be constructed. Management will need to address staffing patterns—can existing staff do the work to support a certification process or is there a need for new hires with the desired expertise? Is there a need to consult with a 3rd party verifier? What kinds of training programs are needed for members and staff? The legacy of those willing to change in the farm and food sector of the past is our present state today. Our gift to the next generation is that we make the changes necessary now to insure success of the industry in the future.

NYS Agricultural Cooperative Survey Now Available!

Help us help you communicate cooperative value! http://cooperatives.dyson.cornell.edu/survey

Over three-quarters of agricultural output in NYS is marketed through farmer-owned cooperatives. Indeed, cooperatives play an important, and arguably undervalued, role in agricultural markets. Todd Schmit, Associate Professor at Cornell University, is leading a research team to estimate the economic impacts of agricultural (farmer-owned) and rural electric cooperatives to the NYS economy. Supported by a grant from USDA’s National Institute of Food and Agriculture, the study will provide important metrics on jobs, output, and contributions to state domestic product, and also investigate the differential impacts of cooperatively-structured businesses relative to other business forms. With better data and an up-to-date analysis, policymakers and economic development practitioners will be able to make more informed decisions regarding business development options, and cooperatives can better communicate value to current and prospective members. The problem is that the data necessary for such an analysis is not currently available. Todd needs your help! Keep an eye out in your mailbox requesting your cooperative to participate, or simply go to the link above to get started. All agricultural and rural electric cooperatives doing business in NYS can participate, regardless of where they’re headquartered. Feel free to contact Todd for more information.

Cornell’s Cooperative Business Management Class on Target for Spring 2017!

Students learn best when they apply the knowledge gained in the classroom to real life challenges outside of the university setting. The Dyson School of Applied Economics and Management will continue to offer Cooperative Business Management (AEM 2230) during the spring semester. Enrollments are increasing, with student interests coming from both agricultural and nonagricultural perspectives. Please let Todd know if your cooperative is interested in participating as a guest speaker, is willing to serve as a case cooperative for students to study during the semester, or has an issue that the class could investigate and make recommendations on. The online cooperatives course is still in its planning (and funding) stages, but with the hopes of making the class available to students outside of Cornell soon. Contact Todd Schmit for more information.
The growing season has presented some interesting challenges to the producers of our cooperatives in terms of weather events and pricing. NECC members will continue to provide the necessary inputs, processing, marketing, services, finance, and guidance to best position their members and cooperative enterprises for future success. Planning is underway for the 2017 Leaders Forum and Annual Meeting and Future Cooperative Leaders Conference. The Future Leaders Conference will be hosted by Dairy Farmers of America in 2017. Please support the efforts of Todd Schmit in measuring the economic impact of cooperatives. I encourage you to raise the awareness of cooperative-structured businesses through events and press releases during October.

Cooperatively,

Rob Smith

FROM THE PRESIDENT

Bobbie Severson, Director of the Cooperative Enterprise Program and NECC Executive Secretary received the Distinguished Service Award (DSA) at the National Association of County Agriculture Agents in Little Rock, AR. She was cited for her leadership in agriculture production, farm and food system economic development and farm land-use and protection. She served as Agriculture Program Leader at Cornell Cooperative Extension in Onondaga and Seneca Counties before accepting the position of Extension Associate with the Charles H. Dyson School of Applied Economics and Management at Cornell University. This award is presented to less than 2 percent of extension educators throughout the United States.

“This award recognizes the dedication and hard work of extension educators,” said Andy Novakovic, the E.V. Baker Professor of Agricultural Economics and Director of Engagement at the Dyson School. “This accomplishment is a tribute to the Dyson School’s land-grant legacy and our ongoing commitment to extending research and education beyond Cornell to New York, the nation, and the world.”

Other Northeast DSA recipients included Stephen Komar, Jr. New Jersey, Andy Frankenfield, Pennsylvania, Caragh Fitzgerald, Maine, and Wendy Sorrell, Vermont. Achievement Awards were presented to early-career extension educators. Recipients included Olivia Saunders, New Hampshire, Michele Bakacs, New Jersey, and Dan Welch, New York State.

Seeking Applications: Cooperative Internship Recognition Award

The Northeast Cooperative Council is seeking applications for the Cooperative Internship Recognition Award. Up to 5 students enrolled in a Northeast college or university who successfully completed an internship with an NECC member co-op in the past year will receive $1,000 to be presented at the NECC Annual Meeting and Leaders Forum. Applications, due December 1 are available at the NECC website: http://cooperatives.dyson.cornell.edu/.

Upcoming events

Oct. 12-13 NCFC Sustainability Working Group Meeting
Presented by National Council of Farmer Cooperatives
Renaissance Boston Waterfront Hotel, Boston, MA

Oct./Nov. 2016 Fall In-Depth Income Tax Schools
Presented by Cornell University, DYSON School
Various dates. See: http://taxschools.dyson.cornell.edu/

Nov. 3-4 19th Annual Farmer Cooperatives Conference
Presented by Center for Cooperatives, University of Wisconsin Radisson Blu Hotel, Minneapolis, MN

Feb. 15-17 2017 NCFC Annual Meeting
Presented by the National Council of Farmer Cooperatives
Marriott Harbor Beach, Ft. Lauderdale, FL

March 2-3 67th NECC Annual Meeting and Leaders Forum & CoBank NE Customer Meeting
Presented by Northeast Council of Farmer Cooperatives & CoBank, ACB, Doubletree by Hilton, East Syracuse, NY

CO-OPS PROVIDE 2.1 MILLION JOBS IN THE U.S.
- Co-ops create annual wages of over $75 billion.
- Co-op farmers provide more than 190,000 jobs and annual wages over $8 billion.
- Electric cooperatives employ more than 75,000 Americans and account for more than one third of the U.S. electric utility industry.