REBUILD YOUR COMMUNITY, CO-OPERATIVELY!

Radically Rural, Entrepreneurship Track Session
Thursday, 24 Sept 2020, 2:00–3:45pm
Co-operative enterprise has been part of the American economy since its beginnings, and has played a particularly important role in our rural communities.

Today, 1 in 3 people in the U.S. are members of co-op and we are seeing this business model used in new and innovative ways.

Co-operatives are member-owned and democratically-governed, offering a business model that is more inclusive, sustainable, and resilient. As we work to rebuild our communities in the wake of COVID-19, let's rebuild co-operatively.
Erbin Crowell
- Chair, National Cooperative Business Association (NCBA CLUSA)
- Executive Director, Neighboring Food Co-op Association

Carl Woodruff
- Member, Oxbow Design Build Co-operative
- Board of Directors, Valley Alliance of Worker Co-ops

Lori Capouch
- Rural Development Director, North Dakota Association of Rural Electric Cooperatives

Paul Bradley
- President, ROC USA
- Board of Directors, NCBA CLUSA

Rob Brown
- Director, Business Ownership Solutions, Cooperative Development Institute

Terence Courtney
- Director of Cooperative Development & Strategic Initiatives, Federation of Southern Cooperatives / Land Assistance Fund
OUTLINE

1) Our Context
2) Co-ops & Rural America
3) What is a Co-op?
4) Co-ops Can Help Us Rebuild
5) Our Presenters
6) Questions & Feedback

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Grain Co-op, Canadian, TX
(Photo: Erbin Crowell)
1. OUR CONTEXT

- Largest Recession since the Great Depression
- Increase in Small Business Closures
- Unemployment & Job Instability
- Housing Insecurity
- Hunger & Food Insecurity
- Systemic Inequalities
- Hunger for Alternatives
WHAT IF...?

We had a business model that

- ... was based in self-help and participation?
- ... was rooted in our local communities?
- ... was accountable to the people it served?
- ... put common good before private gain?
- ... was equitable and democratic?
- ... was accessible for everyday people?
- ... was flexible and innovative?
- ... was tested and proven?
INDUSTRIAL REVOLUTION & THE 1800’S

- Dislocation of rural economies
- Dramatic shifts in wealth
- Concentration of economic control
- Limited political democracy
- Poor working conditions
- Low quality, contaminated food
- Birth of the Modern Co-operative Movement
ROCHDALE SOCIETY OF EQUITABLE PIONEERS

- Founded 1844, Rochdale, England
- Weavers, Unionists, Community Activists
- Member-Owned Grocery Store
- Pure, Affordable Food
- A Co-operative Commonwealth
- Principles for Co-operative Enterprise

Rochdale Pioneers Museum, England
TRADITIONS OF MUTUAL AID

- Indigenous Nations
- Cultural Traditions of Group Ownership & Mutual Support
- Land Clearing & Harvest Activities
- Barn Raising & Road Building

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Coffee Co-op, El Salvador
(Photo: Erbin Crowell)
EARLY AMERICAN CO-OPERATION

- **1752** – Philadelphia Contributionship founded by Benjamin Franklin, PA
- **1780** – African Mutual Aid Society, RI
- **1810** – Agricultural Co-ops: Dairy Co-op, Goshen, CT; Cheese Co-op, S. Trenton, NJ
- **1842** – Northampton Association of Education & Industry, MA
- **1866** – Chesapeake Marine Railway & Drydock Company, MD
EARLY CO-OPERATIVE ADVOCACY

1869 National Grange
1880 Farmers Alliance
1886 Colored Farmers National Alliance & Cooperative Union
1902 National Alliance
1902 National Farmers Union
   “Farmers’ Educational & Cooperative Union of America”
1912 National Council of Farmers Cooperatives Associations
1919 National American Farm Bureau

Co-op Gin, OK
(Photo: Erbin Crowell)
GOVERNMENT SUPPORT OF RURAL CO-OPS

1865  First state co-op marketing statute, MI
1920s Many states adopt basic co-op statues
1922  Capper Volstead Act
1926  Cooperative Marketing Act
1933  Farm Credit Act
1935  Rural Electrification Act

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CO-OPS & RURAL AMERICA
RURAL IMPACT

- Co-ops provide power to more than half of the U.S. land mass.
- More than half of America’s family farmers are members of a Co-op.
- CoBank, one of the largest providers of credit, is a Co-operative.
- Mutual insurance pioneered by rural communities.
- Credit Unions increasingly filling gaps left by banks in rural areas.
RURAL INNOVATION IN CO-OPS

- Homecare for Seniors
- Rural Broadband
- Financial Services
- Clean Energy
- Stable & Affordable Housing
- Food Security
- Platform Co-ops for Gig Workers
- Information Technology
- Childcare
- Business Succession
2. WHAT IS A CO-OPERATIVE?

“A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”
Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity.

In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.
Co-ops are user-owned businesses that are controlled by — and operate for the benefit of — their members, rather than outside investors.”
“A co-op is a legally incorporated business that is **equitably owned** and **democratically controlled** by its members — the people who use it to meet their needs and goals.

Any money left over at the end of the fiscal year (surplus — or ‘profit’ in a conventional business) is reinvested in the enterprise or distributed among members **in proportion to their use of the business** rather than their financial investment.”
WHAT DO WE MEAN BY “USE”?  

- **Consumer or Purchasing Co-op:** Buying Products & Services.  
- **Producer Co-op:** Volume of Product Processed, Marketed or Distributed.  
- **Worker Co-op:** Labor Provided to the Business.  

Deep Root Organic Co-op, Johnson, VT  

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A FLEXIBLE BUSINESS MODEL: > PURPOSE

- Secure **Employment** and a livelihood.
- Secure needed products, services or shelter.
- **Produce** a product together.
- **Process** and add value to raw materials.
- **Market** products or services.
A FLEXIBLE BUSINESS MODEL: > INDUSTRY

- Agricultural Co-ops
- Fishing Co-ops
- Food Co-ops
- Worker Co-ops
- Artisan Co-ops

- Housing Co-ops
- Credit Unions
- Small Business
- Utilities Co-ops
- Health & Insurance

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A FLEXIBLE BUSINESS MODEL: > STAKEHOLDERS

- **Worker Co-ops**: Members are workers in a business.
- **Consumer Co-ops**: Members are customers.
- **Producer Co-ops**: Members are producers.
- **Housing Co-ops**: Members are residents of a building or community.
- **Multistakeholder Co-ops**: Members have a variety of roles within the business.
Co-ops are a form of group entrepreneurship — a business model designed to facilitate participation and innovation for the collective benefit of members and their community over generations.

Let’s call it…

“Co-opreneurship”.

Putney Food Co-op, Putney, VT
Photo: Erbin Crowell
3. HOW CAN CO-OPRENEURSHIP HELP US REBUILD?

- Develop local skills, assets, creativity
- Pool limited resources for community benefit
- Community ownership, control & participation
- Focus on meeting needs before maximizing profit
- Build regional economic efficiencies
- Difficult to move or buy-out
- Root wealth in community, not speculative markets
- Customer & stakeholder loyalty
- **Low business failure rate & are long-lived...**
CO-OPERATIVES & RESILIENCE

- **Because they are community owned**, co-ops root jobs, wealth and infrastructure locally.

- **Because they are more resilient**, co-ops contribute to more stable local economies, infrastructure, employment, and services, over time.
NEIGHBORING FOOD CO-OP ASSOCIATION

A Co-operative of...

- 29 food co-ops across the Northeast
- 11 Startups: New Jobs, Infrastructure
- Jointly owned by over 152,000 members
- Shared revenue of $347 million

https://nfca.coop/members
POOLING RESOURCES FOR SHARED IMPACT

Community Members Pool Small Amounts of Money…

- Average cost of a Member Share is about $150.

...to Build Community Infrastructure & Impact!

- Average Food Co-op revenue is almost $12 Million.

- $93+ million in sales of local products
  - Local products at our food co-ops average 29% of total sales, compared with a national grocery store average of just 1.8%.
GOOD, SUSTAINABLE JOBS

Our Neighboring Food Co-ops employ more than 2,350 people!

- More than 60% of staff are employed full-time.
- Over 65% of employees are also Members, sharing in the ownership of their local Food Co-op.
SUSTAINABLE COMMUNITY INFRASTRUCTURE

On average, our member Food Co-ops have been in business for more than 30 years!

- 10 years or less: 5 Co-ops
- 10+ years: 24 Food Co-ops
- 30+ years: 17 Food Co-ops
- 80+ years: 2 Food Co-ops

Celebrating 25 Years of Co-operation — in 1961! — at Hanover Consumer Co-operative, Hanover, NH.
- Cross-Sector Association Representing Co-ops & Credit Unions
- Advocacy, Public Awareness, Thought Leadership & Co-op Development
- Vision for the Role of Co-ops in Building a more Inclusive Economy.
THE ABCs OF CO-OP IMPACT

- Access
- Business Sustainability
- Community Commitment
- Democratic Governance & Empowerment
- Equity, Diversity & Inclusion
- Financial Security & Advancement for Workers
- Growth

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https://ncbaclusa.coop/resources
Director of Cooperative Development & Strategic Initiatives
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For 50 years the Federation of Southern Cooperatives has served through co-operative economic development, and retention and advocacy for the development of low income people and their communities.

www.federation.coop

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MISSION: 3 MAJOR THEMES

1) To develop co-operatives and credit unions as a means for people to enhance the quality of their lives & improve their communities.

2) To save, protect, and expand the land holdings of Black family farmers in the South.

3) To develop, advocate, and support policies to benefit our membership of black & other family farmers & low income rural communities.
Priority of preserving land base of African-American family farmers in the South.

- **1920**: Black people owned and farmed over 15 million acres in the South
- **1960**: 100,000 Black farmers owning less than 6 million acres
- **1980**: 57,000 Blacks owning less than 4 million acres
- **2007**: Less than 25,000 Black farm families remain with a little less than 3 million acres.
Rob Brown

Director, Business Ownership Solutions
Cooperative Development Institute
www.cdi.coop

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SUSTAINING SMALL BUSINESSES: THE CHALLENGE

• Half of business owners nationally are 55+, in most rural regions 60+

• 79% want to retire within 10 years, 57% in less than 5 years, and 33% in less than 3 years

• Only 17% have developed a plan for their exit

• Over 75% of owners rely on their business as their primary income source

• Over half of business closings due to owner retirement - the largest single source of avoidable job loss over time.

• Only 20% of business listings ever sell. Only 15% of family business transfers succeed.

• The smaller and more rural the business, the greater the likelihood of liquidation and closure.
THE SILVER TSUNAMI
‘I Can’t Keep Doing This:’ Small-Business Owners Are Giving Up

More owners are permanently shutting their doors after new lockdown orders, realizing that there may be no end in sight to the crisis.

For Owners of Century-Old Businesses, Shutting Down Brings a Special Pain

A department store, a barbecue restaurant, a hotel — all had survived some of the biggest trials in history. Their owners are mourning the loss of a legacy.

41% of businesses closed on Yelp have shut down for good during the coronavirus pandemic

Published: June 25, 2020 at 4:12 p.m. ET

By Nicole Lyn Pesce

Retail was hit the worst. The review site has also seen a spike in searches for Black-owned businesses.

Small business used to define America’s economy. The pandemic could change that forever.

More than 100,000 small businesses have closed forever as the nation’s pandemic toll escalates
WORKER OWNERSHIP TRANSITIONS

Immediate Exit:
Island Employee Cooperative

Phased Exit:
Rock City Employee Cooperative
Rock City Café
Rock City Coffee

Restructuring for Growth:
Insorce Renewables
IMPROVING ECONOMIC OPPORTUNITY

Worker-owned firms perform better:
• greater profitability and productivity
• Create more jobs and have fewer layoffs

Worker owners improve income and wealth:
• Much higher household wealth for LMI workers
• Much narrower gender and racial wealth gap

Youth Retention and Attraction:
• 33% higher median wage
• 92% higher household wealth
• 53% higher median job tenure

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WORKER OWNERSHIP TRANSITION PROCESS

3 distinct transitions:

• Ownership transition
• Governance transition
• Management transition

Methodically segmenting and sequencing each transition makes success much more likely!

Basic process:

1. **Explore**: Business owner decides to move forward after basic inquiry, financial analysis and valuation

2. **Assess**: Initial worker education, Commitment of Interest, organize Steering Committee, due diligence and feasibility

3. **Structure**: Business and financial planning, co-op education and development, incorporation, negotiate terms

4. **Complete**: Finalize P&S, secure additional needed financing, close transaction

5. **Support**: Follow through & monitoring post-conversion
GET SUPPORT

CW! Is a national network made up of organizational and individual members working in cooperative development.

www.cooperationworks.coop

Workers to Owners is a national collaborative of organizations working to transition small businesses to worker-ownership.

www.becomingemployeeowned.org
Member-Owner, Oxbow Design Build Co-op
Valley Alliance of Worker Co-ops

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WORKER-OWNED COOPERATIVES:

WHAT MAKES A WORKER COOPERATIVE?

WILL WORKER COOPS SAVE JOBS?

HOW DO WORKER COOPS FIT INTO THE LARGER COOPERATIVE ECONOMY?
WHAT MAKES A WORKER COOP?

- Worker, member, member-owner?
- Member-owned and democratically controlled
- Patronage and profit-sharing
- Cooperative principles

7 Cooperative Principles
- Voluntary membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for the community
WILL WORKER COOPS SAVE JOBS?

- Profit sharing = financial incentive
- Encourages increased productivity
- Long-term commitments
- More autonomy, less management
- Builds reputation in community
- Resilient local economy
HOW DO WORKER COOPS FIT INTO THE LARGER COOPERATIVE ECONOMY?
Radically Rural
September, 2020

Cooperative Ownership of "Mobile" Home Communities
#BetterTogether

Paul Bradley, President, ROC USA, LLC
“Travel trailers morphed into permanent housing without any evolution of the underlying business models.”
Manufactured Housing Sector

HUD-code Homes:
8M homes, most are owned:
- 5M+ on “owned” land
- 2.7M in 44,000 MHC

ROC USA’s mission:
Make resident ownership viable and successful for homeowners in Manufactured ("Mobile") Home Communities and expand economic opportunities for homeowners.
Resident Owned Communities (ROCs or co-ops)

Market-rate:
- Predominately in FLA
- High co-op share values

Limited-equity:
- 17 states, 17,907 homes, 263 ROCs
- Low share values ($100 - $1000)
- Site fees rising .9% per year compared to 3.9% in commercial communities. On average, $32/mo. below market after 5 years.
- No ROC in Network has ever closed, resold or lost their community.
“We now are the owners of this park and the only thing it can do now is get better.”

ELIAS MONTEMAYOR
Horizon Homeowners Cooperative, McMinville, OR.
“People are no longer tenants, they’re owners — and that makes them feel good. The security is the very, very best part.”

JEAN STEWART
Hidden Village Cooperative, Olympia, Wash.
www.ROCUSA.org

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North Dakota Rural Grocery Initiative
addressing rural food access cooperatively
August 2019 data
Weekly Sales Volume Comparison

2016 data – "Supermarket News" and 2016 N.D. Rural Grocery Survey

Weekly Sales Volume

- Average US Grocery Store
- Average rural ND grocery store

Sales Volume

$0
$50,000
$100,000
$150,000
$200,000
$250,000
$300,000
$350,000
$400,000
$450,000
$500,000

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Efficiency

Four main suppliers crisscross on highways.

This data was used by Upper Great Plains Transportation Institute (UGPTI) to determine current distribution routes and to optimize routes.

Estimated an annual savings of $383,448
Climate controlled grocery locker system
Please use the chat function to ask your questions.
We will also provide contact information for our presenters.
WANT TO KNOW MORE?

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