

Cooperative Food Hubs: Structure and Start Up

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The Cooperative Development Institute

- Northeast Center for Cooperative Business founded in 1994 by co-op leaders
- Education, Training, Technical Assistance and Networking to develop successful cooperative businesses, start-up and established
- Co-ops of all types and in all sectors in New England and New York



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The Cooperative Difference

A cooperative 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.

International Co-operative Alliance, 1995

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Cooperative Business

- Member-Owned: Those who own and finance the co-op are those who use its products and services.
- Member-Controlled: Those who use the co-op control it on a democratic basis.
- Member-Benefiting: The co-op's sole purpose is to provide and distribute benefits (and profits) to members on the basis of their use. Non-members can use the services of the co-op.
- Operate at cost.
- Integrate cooperative principles.



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Cooperative Principles

- Voluntary & Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy & Independence
- Education, Training & Information
- Cooperation Among Co-operatives
- Concern for Community



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Why do Farmers form Cooperative Food Hubs?

- To access markets, products and services
- To improve their farm's bottom line— income, profitability
- Economic power
- Farmer Ownership
- Farmer Control



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A cooperative food hub

- Can provide as few or as many products and services as the members want in order to:
 - Reduce member operating costs/improve efficiency
 - joint purchasing (seed, grain, supplies, recycle, services, etc.)
 - labor pools
 - equipment and facility sharing
 - Increase marketing channel access
 - aggregate, market and distribute
 - coordinate CSA's and other direct marketing programs
 - processing, value-added
- Can be local, regional, national; can be cooperatives of cooperatives.



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Why Incorporate & Structures

Limited liability: a person's financial **liability** is **limited** to a fixed sum, most commonly the value of a person's investment in a company or partnership. If a company with **limited liability** is sued, then the plaintiffs are suing the company, not its owners or investors.

(wikipedia)

Single taxation: as the business or as the member

Anti-trust Protection of Capper Volstead

Cooperative or with co-op by-laws can be Limited Liability Company, S or C Corporation, Non-profit



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Choosing a legal structure

Equity (capital), Profits, Taxes, Ownership and Control, Revenue

- **Sources of Equity (Check all that apply):**
 - Investors (corporation)
 - Member owners (co-op, corporation, LLC)
 - Supporters and Grants (non-profit)



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Profits (choose all that apply)

- Profits will...
 - Stay in the business and not be distributed (non-profit)
 - Be distributed to investors based on their investment (corporation)
 - Be distributed to members based on their patronage of the business (co-op)
 - Be distributed to owners of the business (co-op, LLC)



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Tax status (chose one)

- The business will
 - Be tax exempt and keep all profits within the business (non-profit)
 - Be taxed on corporate profit and investors/members will also be taxed on their share of the profits (corporation)
 - Distribute all income to members to pay taxes on their own income (LLC)
 - Be taxed EITHER on corporate profit OR members will be taxed on their share of the profits (cooperative)



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Ownership and Control (choose all that apply)

- The Board of Directors will be appointed/elected by...
 - Board members (non-profits)
 - Investors (corporations)
 - Members (co-op)
 - Owners (LLC, co-op, corporations)



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Types of Revenue (choose all that apply)

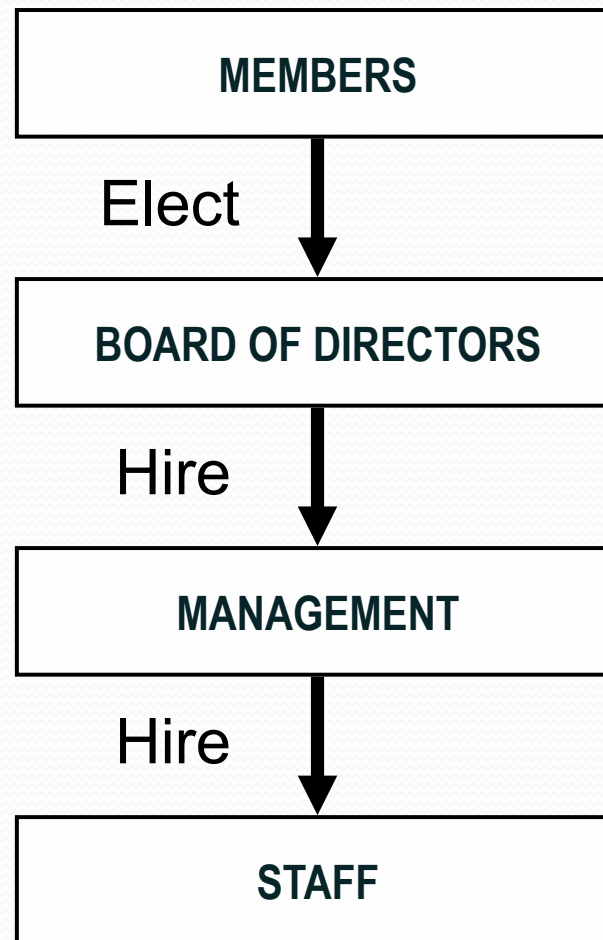
- Revenue will come from...
 - Sale of Products and Services – \$/year
 - Program Fees – \$/year
 - Rental Fees – \$/year
 - Individual Contributions – \$/year
 - Foundation Grants – \$/year
 - Dues/Membership Fees – \$/year
 - Interest Income – \$/year
 - Other – \$/year
 - TOTAL: \$/year



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Basic Co-op Organization



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Starting a Cooperative Business

1. **Decide on the Why:**

- Identify preliminary needs, opportunities and resources
- Convene a core group of interested individuals

2. **Organize:**

- Hold a meeting of potential members to discuss needs
- Select a steering committee to coordinate the group

3. **Determine Feasibility:**

- Survey potential members
- Conduct market research
- Undertake a feasibility study



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4. Review findings and if feasible: **Incorporate**

- Report on the results of the feasibility study
- File articles of incorporation
- Elect a board of directors and adopt by-laws

5. **Business Planning:**

- Prepare a business plan
- Continue researching financing options
- Identify facility options, purchase and lease arrangements

6. **Recruit members:**

- Prepare materials describing the co-op; hold meetings
- Establish member investment options
- Conduct a member equity drive



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7. **Secure financing:**

- Finalize internal and outside financing sources and terms

8. **Begin operations:**

- Hire a manager
- Establish business !



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Your thoughts and questions?

Be in touch....

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