Local food driving formation of cooperatives in Ohio

By Matt Milkovich
Managing Editor

The cooperative model is an old one in agriculture. Its popularity waxes and wanes, but the local-food movement is putting it on the upswing – at least around Ohio.

That was the assessment of Hannah Scott, manager of the Ohio Cooperative Development Center, a branch of Ohio State University that helps growers form cooperatives throughout Ohio and West Virginia. With Brad Bergefurd, an OSU Extension educator, Scott described the cooperative model of marketing specialty crops during the recent Ohio Produce Growers & Marketers Association Congress in Sandusky.

“We get a lot of interest from local food businesses, food hub initiatives and growers interested in direct marketing of local and regional crops,” she said.

Sun-Maid, Ocean Spray, Florida’s Natural and Blue Diamond Almonds are all examples of well-known specialty crop cooperatives, but there are plenty of others, and not all of them have to be that big. In Ohio, it only takes two entities to form a cooperative, according to the speakers.

When a group of growers approaches the development center to learn more about forming a cooperative, the first thing Scott does is help them figure out if that’s the best way to meet their needs. What’s their goal? Is it something they can achieve better as a group or as individuals?

On top of the challenges faced by any other agricultural business model – marketing, planning, weather – cooperatives face their own unique hurdles. In Ohio, they’re not considered for-profit businesses. They’re organized to benefit their member-owners, not for a return on investment. As a result, things like financing and attracting investors are all handled differently, she said.

But there are benefits, too. Cooperatives can save time and resources for their members. If you don’t want to be the one banging on buyer doors, trying to sell your product, somebody else can do it for you. Joining a cooperative might even give you access to new markets, especially if you and the other members can pool your crops to create more volume, Scott said.

If, after learning all this, the group of growers decides to form a cooperative, their next step is to elect interim leaders, draft bylaws and formally register the organization with the state government, she said.

They also have to figure out their cooperative’s structure. Each cooperative is somewhat unique to its members and their goals.

“If you’ve seen one cooperative, you’ve seen one cooperative,” Scott said.

Some cooperatives act as bargaining agents for their members, negotiating prices and terms of sales with buyers. The members sell their product directly to the buyers, sticking to the terms worked out by the cooperative. Using this model, producers retain control of their product and receive direct payments, she said.

Other cooperatives pool member crops into larger quantities, process them or add value in some way, then promote, transport and sell them under a single brand name, leaving the growers to concentrate on the growing.

In this structure, the money passes through the cooperative, Scott said.

Bergefurd said the development center has shepherded the creation of many different types of cooperatives over the years. He mentioned the American Berry Cooperative and the Our Harvest Cooperative, a group of urban vegetable producers in Cincinnati. He also mentioned the Ohio Hop Growers Guild, and a group of pumpkin growers in the southern part of the state who are currently forming their own cooperative. Scott listed Great River Organics in central Ohio, which started as a limited liability company but has turned into a cooperative. Its goal is to grow regional farm businesses and scale up local, organic produce in the state.

Bergefurd cautioned that it can take years for a cooperative to get up and running, especially when the members are new to farming. The formation stage takes a lot of patience, a lot of meetings and a lot of time. And any time a group of people gets together to accomplish a goal, it can get messy.

“Part of the reason we talk so much is to make sure everyone is on the same page,” Scott said. VGN

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