

The Case of the Co-op Coup

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Kate sat at her computer, finishing some grading for a class she taught at the local university before getting back to some farm business related to the Community Supported Agriculture (CSA) farm she ran, when an email popped up. She opened it.

To: Kate
Subject: West Central Food Hub Producers' Cooperative
From: Alicia
Date: 2/10/14
Attachment: Minutes from 2/9/14 meeting

Discussion - Much thought, time and research has been spent in starting up this Co-op. Those continuing in this project have made a decision NOT to continue moving forward at this time with starting the Food Hub Co-op. The cost to pay a manager, rent/buy a building, pay a delivery system, more time spent, few producers, etc., would far outweigh keeping the Co-op profitable. We thank all of those who have put countless hours into this project.

Kate looked at the names of those in attendance at last night's meeting of the Food Hub Producers' Co-op. She was stunned to see Kevin's name, the Chair of the group and a good friend. She thought, "How could this be? Why would Kevin support this decision after all their efforts and not even discuss it with her? What happened to this group? How did we lose control of our plans for a co-op?"

Minutes later, Kate received an email from Kevin asking to talk. When they were able to connect, he allayed her concerns by saying he was not a part of the decision and that he tossed and turned all night thinking about what their next steps should be and how the group had evolved to this.

Kate was bewildered about how the decision could be made to discontinue work toward their vision, toward a the West Central Food Hub Producers' Co-op, without input from herself or Kevin, both long time members of the group. In fact, Kevin spearheaded the initiative.

Background – A Regional Food Hub

In 2010, Kevin, Director of the Institute for Sustainable Development, and a group of researchers conducted a study on food security and regional economic development. One of the major findings was that not only were people purchasing food mostly grown outside of their region, but that even local farmers/producers were selling most of their produce (vegetables, fruit, beef, dairy) outside the region as well. In excess of 90% of the food dollars spent were leaving the region. This equated to millions of dollars leaving annually from the three county area.

The World Food Summit of 1996 defined food security as existing “when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life” (see <http://www.who.int/trade/glossary/story028/en/>).

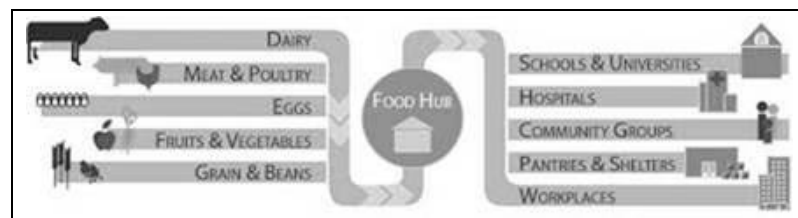
Typically, the concept of food security includes both physical and economic access to food that meets people's dietary needs as well as their food preferences. Food security is built on three pillars:

- Food availability: is there enough to go around on a consistent basis?
- Food access: can it be bought at a fair price and obtained efficiently?
- Food use: is it edible, nutritious, and safe?

Therefore, food security is about having access to affordable, safe and nutritious food, today and tomorrow. Food security “is a complex sustainable development issue, linked to health through malnutrition, but also to sustainable economic development, environment, and trade.”

One of the key obstacles to keeping the dollars in the region was the lack of infrastructure that would support small to mid-size farmers selling their produce inside the region. Thus began the inception of a regional food hub (see Figure 1).

Figure 1: Illustration of a food hub. The model was developed for their website.



The purpose of a food hub and cooperative is to aggregate and distribute produce from regional small and mid-size farmers. The produce would be marketed and sold to regional institutional buyers and direct to consumers. A cooperative, or co-op, is a business that is owned and controlled by its users or members and that distributes benefits to its members based on use - often in the form of patronage earnings or dividends. Cooperatives are typically governed by a member-elected board of directors that represents the interests of the members in decision making. They are based on the values of self-help, self-responsibility, democracy and equality,

equity and solidarity and abide by cooperative principles such as voluntary and open membership, collaboration, with the interest of the community in mind. In early 2011, a few weeks after the study, Kevin formed a steering committee comprised of a handful of interested people. This initiative came about because of the desires of local buyers, producers, and those interested in economic development and sustainability. There were several successful models elsewhere in the state (for an example of a successful food hub, visit <http://www.wifoodhub.com/>). The 3-county initiative developed a mission statement: *to foster a local food system that promotes regional economic development, environmental stewardship and social equality.*

One priority for the committee was to conduct a feasibility study in order to identify actual interest on the part of institutional buyers, and capacity on the part of producers (how much they were able to grow). A researcher was enlisted to conduct the survey. Data gathered indicated interest on the part of institutional buyers (school districts, hospitals) and capacity on the part of small growers as well. This was positive news for the group. Kate had joined the group in January 2012 excited to be part of this initiative. Over the life of the group, there were many producers and buyers who volunteered to develop the food hub. When one member became busy with other work/life priorities, someone else would step in and take a lead. It was a slow organic process.

However, by October 2013, momentum had waned considerably and only a few of the original members were attending meetings (see Table 1).

Table 1: List of participants in the food hub cooperative initiative.

Group Members	Role in Group	Job in Community	Date Started
Kevin	Chair, Founder	Director, Institute for Sustainable Development; Professor, Environmental Science	January 2011
Kate	Co-Chair; Producer representative	A small-scale CSA (Community Supported Agriculture) vegetable farmer; adjunct professor at local university	January 2012
Alicia	Secretary; Producer rep	Husband raised beef cattle (large scale producer)	August 2012
Todd	Producer representative	Owner of a large apple orchard	November 2013
Meg	Producer representative	Owner of a large berry farm	November 2013
Gerry	Producer representative	Owner of a fruit, nut, and vegetable farm	November 2013
Joan	Institutional Buyer representative	Nutrition Director at a local hospital	August 2012
John	Producer	Local dairy farmer	
<i>Members not mentioned in the case</i>			
Karen	Institutional Buyer representative	Nutritionist from a local school district	August 2012
Jessi	Supported the group with	Project Coordinator at an area Sustainable	August

	media and graphic design	Education Services	2012
Mike	Supported the group from an operations perspective	Operations Director at an area Sustainable Education Services	January 2011

Alicia was especially anxious to make progress. She had been involved in an attempt to start and maintain a producers’ co-op a couple of years prior. The venture failed. She was beginning to get frustrated with the lack of progress being made with the existing few members. “It’s been over a year since I joined this group and we haven’t made any progress! No one comes to meetings, and no one takes any initiative.” Joan nodded in agreement. Kate leaned forward and said, “Well, let’s make some progress.” Alicia added, “I want to be selling by next spring. We need to move quickly.”

The group decided they needed to recruit more producer members to breathe new life into the project. The goal was to launch a producers’ co-op in Spring 2014 in order to help build a food hub for the region. Alicia expressed frustration that no one had official roles or accountability. Alicia volunteered to be Secretary and asked Kate if she would be willing to be co-chair (assuming Kevin would also co-chair). Given all that was on her plate, Kate hesitated at first, but agreed to take on a more formal leadership role. Kate called Kevin after the meeting to let him know about the decisions made and he supported them.

An invitation went out (see Figure 2) and on a snowy evening in November, a small group of local producers convened to listen to the presentation, delivered by Kevin, about the start-up of a Producers’ Cooperative that would represent and serve the region. From that evening’s presentation, ten producers indicated interest. All were invited to the next steering committee meeting. Three attended the next Steering Committee meeting. They were Todd, an orchard owner, Meg, a berry farmer, and a dairy farmer named John.

Figure 2: Invitation to area producers of vegetables, fruits, meat, etc.

<p>Invitation to Producers in West Central counties Thursday, November 14th from 6:00 – 8:00pm. Bldg #124</p> <p>Join us and learn about an opportunity to sell your locally produced meat, fruit and vegetables, dairy and value-added products as part of a food hub being developed in West Central Wisconsin.</p> <p>A small group of community members from three counties have come together to facilitate the start of a local food hub that will market, aggregate and distribute locally produced food on a wholesale level within the region. Our mission is to foster a local food system that promotes regional economic development, environmental stewardship and social equality.</p> <p>Further, during this session you’ll hear about the details involved in making this investment for your farm operation. We’ll cover the structure and types of memberships, equity requirements, and payment options.</p>
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The Cooperative Meetings Begin

First Meeting with New Members – December 2013

Kate arrived at the meeting room and greeted everyone there. She sat next to one of the new producer members, orchard owner Todd, and introduced herself. “Hi Todd, I’m Kate. Where are you from?” Todd leaned forward and in a condescending tone replied, “You’re not from around here, are yah?” Kate was taken off guard and wondered if he was joking. She smiled and said, “well no...no, I’m not.” Although not a native, Kate had lived and worked in the area for several years. Todd huffed and said, “I own the apple orchard just outside of town - for over twenty years.” He then sat back in his chair, turned to the person on the other side of him, and smirked. He started up a conversation with him and ignored Kate. Kate, feeling awkward about the interaction, looked down at her notes and tried not to let her feelings get the best of her or overreact to Todd’s rebuff.

Once everyone arrived, Kevin kicked off the meeting and provided more background information. Kevin described the survey conducted earlier in the year regarding interest and capacity of small producers and institutional buyers. Todd huffed again and became argumentative. “You don’t have enough producers interested. I’ve talked to producers. They’re not interested.”

Kate held up the feasibility study and said, “We do have interest! We have school districts, hospitals and other institutions, and more than twenty farmers that say they’re interested. Their names are in this survey.”

Kevin continued and discussed plans for pricing, an aggregation facility and transportation. A few months earlier, Kevin had begun discussions with the Fifth Season Cooperative as an option for transportation. The Fifth Season Cooperative had built a successful food hub in Viroqua, Wisconsin, and already had a transportation route through the region. Once again, Todd pushed back and disagreed with the projections and the direction the group were taking. In a commanding tone he said: “You’re not going to make that projected amount of money. And, you’re not going to find a food hub manager to work for so little money. The direction you’re taking for transportation, paying a fee to become a member of a larger food co-op, is a bad idea. Why not just get a truck? I lease a truck and I sell to institutions. This is a better option.” Todd continued to dominate the discussion. The effect was that no one else contributed to the discussion.

At the end of the meeting, John, the dairy farmer, thanked Kevin for the overview and indicated that, based on the conversation, he decided the Co-op would not be a good fit for him. Meg, a berry farmer, sat quietly and listened during the meeting, but had no contribution. However, she did indicate that she was still interested and would continue attending meetings. Todd said he was interested as well. Another meeting was set for two weeks later.

As people were filing out of the conference room, Kevin looked at Kate and smiled. Kate said, “What just happened? Wow, I can’t believe this guy Todd!” Kevin laughed, “I thought you were going to come over the table when he questioned the interest on the part of producers. Well, Kate...that’s just Todd.”

Kate said, “He’ll make for some challenging meetings, but hopefully he’ll be a good devil’s advocate and push us in the right direction.”

A week before the next meeting, both Kate and Kevin had conflicts arise in their schedules and neither could attend. Rather than cancel the meeting and lose momentum, Kate asked Alicia to facilitate and record everyone's progress updates. Alicia, as secretary for the committee, said she'd be delighted to do so.

Kate added, "That's great Alicia, thank you. My update is on the business plan. We've made good progress, including a pro forma. We have many parts, but still need to pull it all together. I'll be able to work more on it next week." The group had reached out to a nationally recognized authority on developing cooperatives and the director of the Small Business Development Center at the local university and Kate was working with them on the plan.

Alicia exclaimed, "It's not done yet? I'm really disappointed. We really need to have this done soon. It's December. If we want producers on board for this spring, we need to move quickly."

Kate responded, "I understand your disappointment, Alicia. We won't lose momentum. Coordinating schedules has been a challenge, but we'll get it done next week."

The Next Committee Meeting - Jan. 13, 2014 (without Kevin and Kate in attendance)

This email arrived in in-boxes the next day.

From: Alicia
Date: Tue, Jan 14, 2014 at 3:03 PM
Subject: Business Plan

Kate, I will soon be sending out minutes from last night meeting. One thing we talked about was the business plan for the Co-op. I put the notes from the conversation you and I had, posted in the agenda for reporting back to the group. We want to apply for grants and need a written plan. Our next meeting is Jan 27th, could you please send a written copy to all for review before the next meeting?

The meeting minutes arrived in Kate's inbox a bit later. It had been decided to schedule a regular meeting time for Monday evenings. Kate was dismayed that a decision on a meeting day/time was made without input from all members. She called Alicia, "Alicia, I can't attend on Monday evenings. I'm surprised the group chose a day without talking to all members."

Alicia responded, "That was the group's decision. We have to move quickly and those in attendance could make that day, so the decision was made." "Well, I'm disappointed, but I understand the urgency. I can still work on the business plan and will count on you to continue communicating detailed meeting minutes so I'm kept in the loop," Kate said.

Alicia continued, "There was a concern raised that the business plan was not completed yet. Todd, who I think has a lot of expertise to help us, said he'd step in and complete it. He has also been making great progress on getting transportation and an aggregation facility."

Kate, a bit dismayed, said, “Alicia, I’m still on track to complete the business plan. There is no reason for Todd to step in at this point. If anything, other new members of the group should be involved, not just Todd.”

“Well, the plan just needs to get done and I don’t care who does it.” Kate hung up and immediately sent an email to the group stating that she would finish the business plan. She sent several emails trying to set up a meeting with Meg and Gerry to make sure the business plan represented diverse views. She also wrote that since Todd had taken on other large tasks, she didn’t expect him to be a part of the working group on the business plan. In her mind, she really just didn’t want to interact with him and felt like she needed to regain some control. The business plan sub-committee was scheduled to meet the morning after the next committee meeting.

Committee Meeting – January 27, 2014

On that Monday night, Kate received the following email:

From: Meg
Date: Mon, Jan 27, 2014 at 8:14 PM
Subject: RE: Help with business plan

Hi Kate, Gerry is sick. He told me he cancelled. Also, Joan is going to call you tomorrow to visit about some decisions the group made tonight. So it is going to be best to hold off on our meeting, but it looks like we have a game plan to keep moving. Hope to see you soon.

“Hmm, what did this portend?” Kate wondered. The next morning, Kate received a phone call from Joan. Joan was the member in the group who smoothed things over whenever there was conflict.

“Kate, do you really have the time to continue in role of Co-Chair? Some concerns have been expressed in the group that you don’t. And, we need to move forward very quickly.” Joan added, “Kate, Todd has offered to complete the business plan and the group voted last night to let him do it.”

Kate was stunned. Her heart sank. She had no words. After catching her breath, she responded, “If the group made that decision, then I’ll honor it. I want to see this initiative succeed and I don’t want to stand in the way.”

Joan stated, “We still want your involvement, don’t get me wrong. We just need to move fast right now.” Kate hung up the phone and sent an email to Kevin stating that she had been cut out of her leadership role. She sat back and thought, “Oh my gosh, we just had a co-op coup!”

Committee Meeting – February 10, 2014

At the next (and final) meeting, Kevin arrived 30 minutes late. In attendance were Meg, Alicia and Joan (Todd wasn’t there because he was meeting with someone regarding a potential aggregation facility). Prior to Kevin’s arrival, Meg led a discussion about the lack of producer interest in getting the food hub up and running. Their discussion led to a decision to disband the

group and stop work on a producers' co-op. Meg and Todd suggested another business model that they thought would work instead.

After Kevin arrived, Meg announced the new plan. She noted that Todd, Meg and Alicia would create a different business entity that would focus more on getting mid-size to larger producers (virtually cutting out the small producers) involved and would sell to area institutions who were listed in the feasibility study, beginning with the local hospital (where Joan worked). Kevin sat there without words. The group shuffled out of the meeting room into the cold snowy weather. On February 10th, Alicia sent the email informing everyone of the decision to disband the current group and not move forward with the food hub initiative after all.

A Co-op Coup?

After talking with Kate, Kevin sent an email wishing the new initiative success, congratulating them on a “friendly takeover,” redefining it as a “spin-off” rather than the end of the plans for a Food Hub Cooperative, and clarifying that the work done by the long-standing members of the original committee would be willingly shared but not given away to the new group.

When Kate and Kevin met they couldn't help but wonder what happened with this group. Was it really a coup? Laughing, Kate said, “I thought I had a better handle on group process. I'm not quite sure what happened. This is a great example of how vision and leadership can go awry! What happened to this group?”