

Cooperatives: Hawai'i's New Wave

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BUSINESS DEVELOPMENT™



Laulima Center

- For Cooperative Business Development in Hawaii
- Funded by USDA-Rural Cooperative Development Grant & Ulupono Initiative
- Mentored by Tim O'Connell and Northwest Cooperative Development Center



Outline

1. Why now in our food system
2. Traditional coops
3. New coops
4. What is a coop
5. Steps to forming
6. Resources



Why Coops Now?

- Rebuild food system
- Economic need
- Locally owned



Rebuild Food System

- Island Chain
- Global Food System
- Food security
- Increasing costs and instability of fossil fuels
- Moving from plantation to small diversified agriculture
- Now, we need to get all the way to the plate!



Economic Need

- Global Recession
- Hawaii's Economy
- Cooperatives work when there is an economic need
- People cooperate when they need to
- Banks are conservative with loans





Coop Waves



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Locally Owned

- Islands
- Profits going elsewhere
- Lose the middleman
- Benefit our community
- Decisions made based on local values and local conditions
- Coops are good for the 99%



Self-Reliance

- Food System
- Energy System
- Economy



Cooperating in a Diversified Farming System

- 7500 farms
- 2/3 under 10 acres
- 90% under \$500,000



Feeding Hawaii

- Consumers used to global food system: everything year round, prices below cost, one-stop shopping, to go prepared food
- Consumers interested in a local food system, worried about our food security, willing to pay slightly more
- Cooperatives can be the bridge



○ Traditional Coops

- Irrigation
- Supply
- Aggregation
- Processing
- Distribution
- Marketing



Irrigation Coops

- KAUAI: East Kauai Water Users Cooperative, Kekaha Agriculture Association, Moloa'a Irrigation Cooperative
- OAHU: Kunia Water Cooperative
- HAWAII: Ka'u Ag Water Cooperative District, Wood Valley Agricultural Cooperative, Ha'ao Ag Water Cooperative



Ag Supply Coops

- Hikiola Ag Supply Cooperative
- Hilo Farm Supply Cooperative



- Increasing fuel costs, shipping
- Aggregate for cost benefit
- No need for a profit in the supply chain
- Use collective purchase power to negotiate price
- Use collective purchase power to spawn local feed and fertilizer businesses



Ag Processing Coops

- Molokai Livestock Cooperative
- Hawaii Livestock Cooperative
- Kamuela Vacuum Cooling Cooperative
- Hamakua North Hilo Agriculture Cooperative



Marketing Coops

- Hawaii Cattle Association
- Maui Farmers Coop Exchange



Coffee Coops

- Kona Pacific Farmers Cooperative
- Ka'u Coffee Growers Cooperative
- Kona Coffee Farmers Cooperative



Specialty Crops Coops

- Papaya
- Guava
- Floral
- *Cacao*
- *Vanilla*



○ New Coops

- Multi-stakeholder Coops
- Certification Coops
- Food Hubs
- Multi-Farm CSAs
- Worker Coops
- Consumer Coops



Land Leasing Coops

- Hamakua North Hilo Agriculture Cooperative



- HI agriculture is primarily on leased land
- HI state lands need to be accessed
- Coops can administrate for groups of farmers
- Cooperatively managed Ag Park



Energy coops

- Kauai Island Utilities Cooperative
 - *Energy is key to agriculture*
 - *Ag processing facilities need onsite energy source for viability*
 - *Alternative energy sources can be used at source*



Certification Coops

- Cho Global Natural Farming Cooperative
- Food Safety Certification Coops
- Organic Certification Coops



Food Hubs

- Wholesaler's Farmers Market
- Ag Processing Facility
- Food Business Innovation Incubator
- Distribution Hub
- Online
- Multi-Farm CSA Coop



Consumer cooperatives

- Kokua Country Foods Cooperative
- Waimanalo Market Cooperative
- Menehune Cooperative
- *Idaho Bounty*
- *Weaver Street Food Coop*



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Worker Cooperatives

- Owned by the workers
- Conversion of an existing business
- Job creator
- Empowering
- Unit of throughput is hours of work
 - **Whispering Winds Bamboo Cooperative**
 - **Maui Aquaponics Worker Cooperative**



○ Multi-stakeholder Cooperatives

- More than one membership class
- Collapse value chain into 1 business
- Negotiate based on more values than price
 - Maui Axis Deer
 - Lancaster Foodbox Cooperative
 - Maple Valley



Cooperative Value Chain

- **P6** Cooperation among Cooperatives
 - Credit Union
 - Land & Irrigation Coop
 - Growers Coop
 - Processing & Marketing Coop
 - Consumer Coop



Collapsing the Value Chain



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What is a Coop?

A group of people.

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International Definition

- 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.

-International Cooperative Alliance



Coop Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community

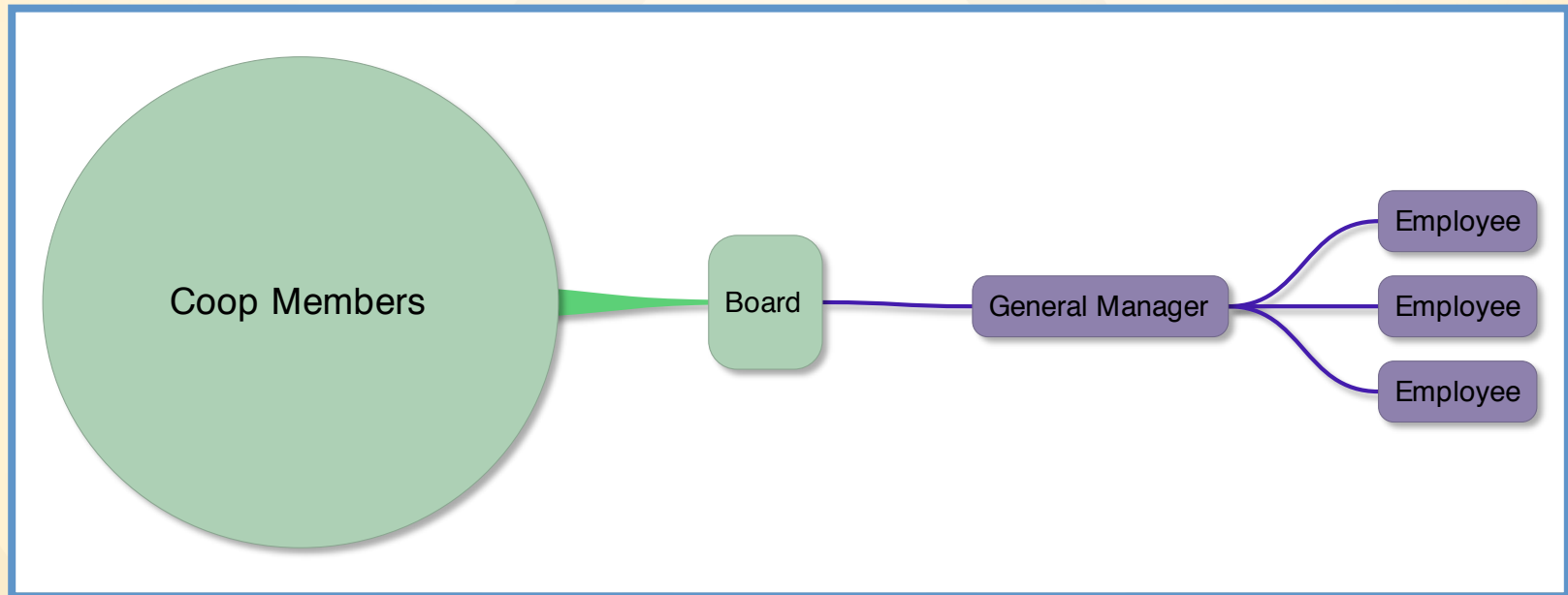


○ Coop characteristics

- Member-owned
- Member-controlled
- Member-benefits



Coop Structure



Governance

- Members own and direct the business
- Members elect a Board of Directors
- Board elects officers
- Board has committees
- Board oversees Manager
- Manager oversees employees
- Workers coop owners are also employees



Board of Directors

- Preserve cooperative character
- Safeguard assets
- Hire the manager
- Set policies
- Distribute benefits
- Plan for the future
- Evaluate
- Elect board officers
- Appoint committees



Manager

- Implements board policy
- Advises the board
- Manages daily operations
- Hires and trains staff
- Sets short-range tactical goals in line with long-range plans
- Reports to the board
- Reports to members
- Represents the cooperative



Why Coops formed?

- Traditionally a defensive strategy
 - Unmet social, economic need
 - Market power imbalances
- Now proactive
 - True community ownership
 - Co-op businesses are stronger and last longer
 - Money stays local

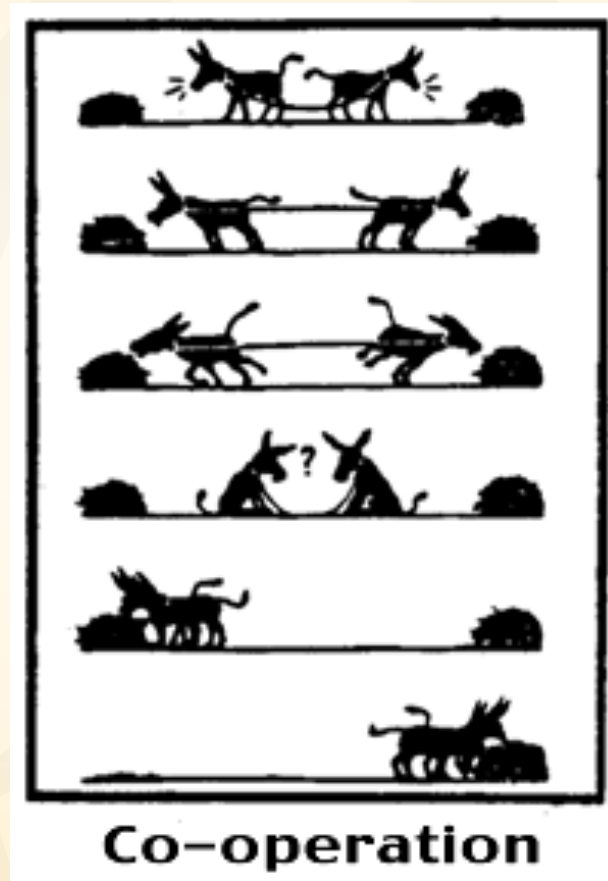


Benefits of a Coop

- Working together increases the options of farmers
- Equity shares allows farmers to capitalize their business
- Taxed only once
- Limited liability



Challenges of a Coop



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Mythbusting

MYTH: People just can't cooperate!

BUST: *Roles & Responsibilities are out of balance and Systems need strengthening.*

MYTH: Cooperatives are too much work!

BUST: *Short, effective meetings are essential. Paying a qualified, committed manager is key.*



○ Steps to Coop Development

1. Gather and focus
2. Create a steering committee
3. Do a Feasibility study
4. Write a Business plan
5. File Legal documents
6. Equity drive
7. Membership drive
8. Elect board
9. Hire manager
10. Open doors



Successful Start-up

- Community need
- Champion
- Viable business idea
- Solid planning
- Capitalization
- Constant education



More Methods for Success

- Use Advisers and Committees Effectively
- Maintain Good Board-Manager Relations
- Conduct Businesslike Meetings
- Follow Sound Business Practices
- Forge Links With Other Cooperatives



Coop Support Team

- Coop Developer
- Agriculture Extension Agent
- Small Business Development Center/UH Agribusiness Incubator Program
- Technical Consultant
- Lawyer & Accountant
- Credit Union/Bank, Grantor, CDFI





1. Group Formation

- Community Need
- Idea!! Coop Solution
- Champion
- Group
- Potential Membership
- Viable Business Idea
- Steering Committee



○ 2. Steering Committee

- Champion
- People with time
- People with expertise (field, law, business)
- People who represent all sectors
- People who can work together
- Willing to put money into this business



Begin Professionally

- Set meeting times and a work plan
- Uses agendas & have effective, short meetings
- Have a facilitator and a scribe
- Get outside technical assistance
- Work through the steps to coop development



○ 3. Feasibility Study

- Feasibility Study should examine if the project is financially and technically feasible and if there is a market for it. Should be done by a neutral 3rd Party.
- Don't skip this step!



○ 4. Business Plan

- Business Plan should be put together by the cooperative Steering Committee. This should be what they are willing to do.
- Business consultants can help advise and polish.
- Make your financial mistakes on paper!



○ 5. Incorporation

- Articles filed with DCCA
- By-laws adopted
- Membership Agreements signed
- *Incorporation under HRS 421 Ag Coops*





6. Capitalization Strategies

- Equity Shares
- Loans
- Grants
- Preferred Stock





Launch Year

7. Membership Drive

8. Elect Board

9. Hire Manager, Rent Space, Buy Equipment

10. Launch Business

End of Year, divide patronage



Patronage Dividends

- Member's % comes from % of use
- Profit divided by members, by % use
- Capital accounts divided by members, by % use, by year
- Board decides how much Patronage to give out annually



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Laulima Center Services

- Cooperative Business Education
- Group Facilitation & Organization
- Strategic Project Planning
- Feasibility Assessment
- Business Planning
- Market Analysis
- Grant Writing & Capitalization Strategies
- Legal Document Assistance
- Professional Referrals
- Board & Member Trainings
- Conflict Resolution



Agriculture Business Development

- Nicole Milne
- Financing strategies for agriculture businesses
- Agricultural coops, farms & ranches, agriculture processing businesses
- Research, loan forms, grant applications



The Laulima Center

www.laulimacenter.org

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