Multi-stakeholder Co-operatives: Engines of Innovation for Building a Healthier Local Food System and a Healthier Economy

Margaret Lund

Economists and business practitioners have long used the metaphor of a 'supply chain' to describe the process by which goods move from producers, to processors, distributors, retailers before finally reaching consumers. A more recent development is the concept of the 'value chain' which recognises additional value beyond simple transactional value that can be iteratively created, maintained or destroyed in the context of a series of repeated social and environment interventions and impacts inherent in production, sourcing and distribution activities. Co-operatives recently formed in the US are now successfully creating such value chains, bringing together farmers, workers, consumers, food processors, distributors and community members in a common venture designed both to ensure safe and healthy food and to support a vibrant local economy. While still a very new development, the use of such a shared ownership and governance structure represents a fundamentally shift in the movement of food products from farm to table, and one with tremendous potential not only for creating effective enterprises, but also for contributing to broader economic and social goals.

Introduction

Multi-stakeholder co-operatives (or solidarity co-operatives as they are often known) are co-operatives that formally allow for ownership and governance by representatives of two or more 'stakeholder' groups within the same organisation. Such co-operatives, which may include consumers, producers, workers, volunteers and/or general community supporters in their ownership and governance structure, are generating increasing interest and experimentation in both Europe and North America. In Europe and Canada, multi-stakeholder co-operatives are typically formed to pursue primarily social objectives and are particularly (although by no means exclusively) strong in the areas of healthcare and social services. In the US, however, sustainable food systems have been a particular area of interest and activity for multi-stakeholder co-operative enterprises. In fact, much of the most innovative recent co-operative development work being done in US sustainable food sector has involved multi-stakeholder co-operative ventures of one sort or another.

Economists and business practitioners have long used the metaphor of a 'supply chain' linking producers, processors, distributors, retailers and consumers when describing how particular goods come to market. A more recent development is the concept of the 'value chain' which recognises not only the transactional relationships that take place along a typical linear supply chain. This concept also recognises the 'value' that can be iteratively created and maintained (or destroyed) in the broader more 'circular' context of a series of repeated social and environment interventions and impacts inherent in production, sourcing and distribution activities.

Co-operatives in general and multi-stakeholder co-operatives in particular, have much to contribute to the discussion of healthy food value chains. Co-operatives recently formed in the US are now successfully bringing together farmers, workers, consumers,

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food processors, distributors and community members in a common venture designed both to ensure safe and healthy food and to support a vibrant local economy. While still a very new development, the use of such a shared ownership and governance structure represents a fundamental shift in the movement of food products from farm to table, and one with tremendous potential not only for creating effective enterprises, but also for contributing to broader economic and social goals.

Transformational vs Transactional

Due to the emerging nature of the sector, little empirical research has been done on multi-stakeholder co-operatives specifically. The limited numbers of studies that have been conducted, however, support the idea of multi-stakeholders co-operatives as a mechanism for the transformation of economic relationships in a manner that is supportive of certain social objectives – just the thing that US food co-operative members sought when they first started their co-operatives 30 or 40 years ago.

At their simplest, multi-stakeholder co-operatives are simply co-operatives that are formed with two or more constituency groups involved in both ownership and governance. While traditional co-operatives might be either a producer co-operative, a worker co-operative or a consumer co-operative, for example, a multi-stakeholder co-operative might join representatives of all three groups into a single co-operative and perhaps add representatives of the wider community in a 'supporter' class of membership as well. Laws governing solidarity co-operatives in several countries guide or dictate the minimum or maximum number of board seats that different classes of members may hold. In the US there is no such statutory guidance and the practice is very diverse with producers, consumers, distributors, food processors and community supporters all being involved in some way in the ownership and governance of different sustainable food sector co-operatives. Typically, a multi-stakeholder co-operative will organised by only two or three of these groups (producers and consumers together for example, or workers and community supporters), but some have had as many as six classes of members with board seats, voting rights and allocation of surplus being divided between membership classes by each co-operative on an individual basis.

Traditional economic theory would largely predict the downfall rather than the wholesale emergence of something as unwieldy as a multi-stakeholder co-operative. Challenged with the high transaction costs necessitated by the involvement of so many parties, these theories would predict that multi-stakeholder organisations would soon revert to domination by a single stakeholder group, or else fall apart entirely under the weight of their own competing objectives. As Catherine Leviten-Reid deftly notes in a recent paper (Levitan-Reid and Fairbairn, 2011), however, this just does not seem to have been the case. Levitan-Reid posits an alternate theory whereby instead of thinking of the potential high transaction costs of involving multiple parties, it may rather be more appropriate to think of multi-stakeholder enterprises as more highly evolved mechanisms for the collection and coordination of disparate information in the pursuit of common needs. Other researchers agree, acknowledging the reduced transaction costs that ultimately emerge through the increased levels of information, trust and involvement resulting from the multi-stakeholder approach (see for example, Girard, 2009).

A 2004 survey of 79 multi-stakeholder co-operatives in Quebec revealed that co-operative members had a very high level of satisfaction with their co-operative's governance process, with the co-operatives reporting both a high level of engagement on the part of different members, and a clear ability to reach consensus in decision-making. When asked to identify future challenges, most members cited economic issues rather than problem with board governance (Levitan-Reid and Fairbairn, 2011) indicating that the multi-stakeholder governance model did not present them with the insurmountable challenges that some theorists would fear.

Indeed, contrary to what cynics might suppose, there does not seem to be any evidence that multi-stakeholder co-operatives are any more argumentative less efficient or less efficient than single-constituency co-operatives and even a bit of evidence to the contrary. The admittedly sparse empirical evidence of any kind that exists suggests that the well-being of different constituencies within a multi-stakeholder co-operative is not a zero-sum game – one set of members does not need to lose to allow another to win. In a large comparative study involving over 300 co-operatives, Borzaga and Depedri found that on both social and financial measures, workers fared equally well in co-operatives organised as multi-stakeholder and worker-only co-operatives – the addition of other stakeholder groups in this sample did not take away at all from the ability of co-operative workers to achieve their aim of meaningful and remunerative employment (Borzaga, and Depedri, 2010).

In addition to this specific evidence, the practice of multi-stakeholder co-operatives (multi-stakeholderism?) in fact fits very well into a number of emergent theories that have posited the characteristics necessary for organisations to be successfully transformative at the level of firm, economy and society. While a traditional price-driven business model (whether co-operative or not) may be seen as primarily transactional, the multi-stakeholder co-operative enterprise aims to be more transformational. These co-operatives are not so much reacting against a conventional investor-driven or government-controlled marketplace; they are bypassing this ‘arid dichotomy’ entirely in favor of a creating a whole new system. Multi-stakeholder co-operators are not interested in single transaction or even season of transactions, but rather in building long term relationships with each other based upon on a stable foundation of fair pricing and fair and transparent treatment for all parties. A ‘fair’ price in this context would be one that acknowledged the actual costs of production, ensured a secure and sustainable level of livelihood to producers while also delivering a stable and predictable level and quality of product to consumers and and one that did not allow any party to take advantage of the other through the use of exclusive market knowledge but instead would use unique market knowledge to strive to make the whole system more effective and efficient for all participants. This strategy requires of all members to look beyond their immediate short-term interests and join with their business partners to envision a system where everyone’s interests are considered and balanced in different ways over the short-term and the long. Such a perspective has clear benefits for economy and society. In addition, some have persuasively argued that is a superior way to build a company to maximise its long-term competitive prospects.

Transformational systems such as these multi-stakeholder co-operatives present several elements that differentiate themselves from traditional transactional systems;

- **They are built upon relationships** – relationships are assumed to be a good that has value and a thing to be nurtured and fostered.

- **They are dependent upon transparency and the free flow of information** – unlike a transactional system where price and production cost information is carefully protected for competitive advantage, these multi-stakeholder co-operatives freely and necessarily share information between parties in search of a common solution.

- **They take a systemic perspective** – having many parties at the table allows for the joint consideration of supply and demand.
- **They specifically adopt a long term perspective** – striving for mutual best long term interests as much or more than (although not instead of) short term gains.

At a firm level, such a perspective is often referred to as creating a ‘value’ chain rather than a supply chain. Economists and business practitioners have long used the metaphor of a ‘supply chain’ linking producers, processors, distributors, retailers and consumers when describing how particular goods come to market. Typical links in a food supply chain include:

Producer — Processor — Distributor — Wholesaler — Retailer — Consumer

Characteristics of a traditional supply chain include the following:

- Inputs are often interchangeable.
- Relationships are transactional.
- Participants are competitive.
- Price rules.
- Zero sum game (I win, you lose).
- Advantage is manifested through control of inputs, dominance of markets, or both.
- Benefits are unevenly distributed.
- Risk is generally born the least powerful (passing risk on to another is considered to be adequate mitigation).

A more recent development first described Professor Michael Porter of the Harvard Business School in the mid-1980s and popularised over the next decade in a variety of management books and articles is the concept of the ‘value chain’. This concept encompasses not only the transactional relationships that take place along a typical supply chain, but also the wider context of stakeholder relations and social and environment impacts inherent in production, sourcing and distribution activities.

The basic idea of Porter’s value chain concept is that too many times, firms fail to differentiate between operational effectiveness and strategy (Porter 1996). Value can be created or lost at every intersection of production, and differentiation between companies arises from both the choice of activities and how they are performed. Concentrating simply on input price or other measures of operational effectiveness leads to activities that are easily imitated by competitors, yielding no long-term advantage and in fact contributing to a race to the bottom. Strategic companies, in contrast, display disciplined focus, consistent ‘fit’ to mission, a systems perspective in all things and a planning horizon of a decade or more rather than a single year.

Characteristics of a **value chain** approach include:

- Examination of the entire production process, full range of activities, together and in order (working more closely with suppliers, employees and customers).
- Recognition that at each stop/activity the product gains/losses some value.
- Objective that a chain of activities together should add more value than the sum of the independent activities together.
- Understanding that cost of activity is not synonymous with value.

The advantages of such an approach, as practised by enlightened companiescould include better long term strategic planning, better information flow both upstream and downstream between manufacturers and suppliers, support for quality enhancement activities and increased flexibility through vertical coordination rather than vertical integration. A company that embraces a systemic perspective with a long-term planning horizon, Porter argues, will be a more successful and profitable company.

The value-chain concept when operationalised, however, does not fundamentally challenge either the power or risk relationships between parties in the chain. Any new partnering that evolves from such an approach may be profound or may be superficial. A more recent iteration of this concept that is particular to the food industry is the ‘values' as opposed to simply value-based chain put forward nonprofit organisations interested in sustainable agriculture. This approach of a **values-based chain** adds these important differentiators which go a long way toward addressing the power imbalance of a traditional supply chain, ‘value' or otherwise. Under a values approach one would see:

- Links in the systems are between strategic partners (although not every link is a partner).
- Long term relationships with a win-win orientation.
- High levels of collaboration and trust.
- Partners have articulated rights and responsibilities in regard to information, risk-taking and decision-making.
- Commitment to ‘fairness' and welfare of all in terms of pricing, wages, contracts etc.
- Often decentralised (room for local input, control).
- Need for common value, vision.

The potential advantages of such an approach in the emerging local foods movement are clear. Such an effort would allow the enterprise to combine scale with the product differentiation at a local level. It could achieve high levels of quality while maintain the consumer trust that has been frayed by the recent move of corporate interests into the organic and natural foods sectors. And with its high levels of information exchange, it could be particularly adept at outperforming other business models in rapidly changing market which has typified the natural foods marketplace of the last two decades. And, although this point is not made in any of the published work on values-based food chains, it is the perfect environment for the growth of multi-stakeholder co-operatives.

By embracing diverse partners into formal ownership and governance roles responsible for a system of production and delivery activities, rather than allowing a firm to concentrate only on its particular link in the chain, multi-stakeholder co-operatives create a very fertile underpinning for the kind of structural elements that valueS chain proponents propose.

Porter's work addresses the perspectives and activities necessary to create a 'strategic' company and be successful at a firm level. Many (although certainly not all) co--operative members, however, are also interested in promoting the success of their local economy and of the co-operative way of doing business — the sixth co-operative principle of co-operation among co-operatives.

From a macro perspective, in the pages of our business press and pulpits of our political arenas, we are often offered the false dichotomy that the only alternative to a self-seeking, investor-driven market economy is one where all authority and control of assets is held by the government. In fact, of course, there are many other means of effectively coordinating and distributing opportunities and resources, an observation that has only recently gotten some of the attention it deserves with the awarding of the 2009 Nobel Prize for economics to Elinor Ostrom. In her challenge to the reductive simplicity of the 'tragedy of the commons' lament – the observation that shared resources will always be over-used in situations where costs are shared but benefits are individualised, she found many examples across the world where scare resources were, in fact, efficiently and effectively stewarded by those who depended on these resources for their livelihood. Amongst the eight design principles that Ostrom (see for example, Ostrom 2000) identifies as characterising effectively self-managed systems are some that will be particularly familiar to co-operators:

- Users design their own rules.
- Users also enforce their own rules.
- Users have the right to effectively define who has rights to 'membership'.
- Costs are proportionate to benefits.
- In larger systems, there are multiple levels of nested enterprises.

The other three design principles (graduated sanctions, access to conflict-resolution, government recognition) are also eminently compatible with successful co-operation. Thus, while Ostrom does not explicitly address co-operatives at all in her research, which she does put forward could hardly be a more effective blueprint for building a co-operative economy.

Another point that Ostrom has made elsewhere that is particularly germane to multi-stakeholder co-operatives is the one that simply enabling participants in a venture to engage in face-to-face communication (as members of a multi-stakeholder co-operative would necessarily do at regular board and general membership meetings) enhances their degree of co-operative decision-making (Ostrom 2007). Thus the practice of bringing together stakeholders on a regular basis around shared responsibilities is a mechanism for reinforcing the kind of behaviour that in turn, leads to the kind of efficient and effective use of common economic resources that is to the benefit of all participants in a local economy.

A summary of relevant research would not be complete without a mention of the important work of Robert Putnam on the topic of social capital and the tangible value of social networks for the effective functioning of society at large. In his seminal work on the topic (Putnam and Feldstein, 2003) Putnam makes an important distinction between the complementary notions of 'bonding' and 'bridging' social capital. Bonding social capital is what happens when networks link people who share crucial similarities; these tend to be inward-looking. Bridging social capital describes the power of the networks and relationships that happen when people with essential differences join together; these types of networks are more outward-looking. While bonding social capital partners are who we depend on in times of strife, bridging social capital is what keeps a diverse democracy vigorous and inclusive.

Healthy societies need both, but bridging social capital – the kind that brings diverse groups together — is, Putnam points out, much harder to create than bonding. Bonding can be a precedent to bridging but in some instances it can also preclude it. Both kinds take time to create, and are of necessity a local phenomenon. While overall Putnam sees the level of sociability and civic participation in the United States to be declining (hence the provocative title of his 2000 book Bowling Alone), he also concludes that that this overall trend masks a tremendous amount of variability on the local level.

Working together fosters bridging social capital, as does civic engagement. In his 2003 book of case studies, Putnam points out that social capital is most often the byproduct of the pursuit of some particular shared goal (a business or a co-operative could be one), rather than a goal pursued in and of itself. Taken together, these observations support the conclusion that multi-stakeholder co-operatives could indeed be important vehicles for the promotion of that elusive bridging variety of social capital that differentiate flourishing pluralistic democracies. While bowling leagues, ethnic societies and other previously prevalent kinds of local clubs may be declining in America as Putnam notes, the emergence of multi-stakeholder co-operatives is both a new manifestation of the bridging type of social capital, and also new means of building it, one that did not previously exist before.

Professor Porter has recently entered the discussion of the link between firm behaviour and structure to the broader issues of economy and society as well (Porter and Kramer, 2011). In a recent article in the Harvard Business Review, Porter promotes the benefits of a 'shared value' approach by businesses. In his view, the presumed trade-off between economic efficiency and social progress is a false one, and that the next wave of social and economic progress (however that is defined) will be driven by companies practicing his long-term view of strategic management. While stopping well short of inviting these parties to actually participate in firm governance and ownership, Porter's article is noteworthy for its specific mention of suppliers, employees, and the local community as actors in his vision – not just as redistributive beneficiaries of corporate largess, but as partners and participants in the creation of a more successful company, creating more 'value' for all. While the article does not delve into the topic of different organisational structures that might more meaningfully achieve this aim of long term 'shared value', the obvious vehicle for the serious engagement of supply partners, employees, and community supporters along with producers and consumers is, of course, the multi-stakeholder co-operative.

US Consumer Food Co-operatives and the Rise of Multi-stakeholderism

Like most co-operatives, early co-operatives in the US were primarily formed as single-member entities (only producers, for example, or only consumers). They were focused not on changing technology or production processes (let alone the world), but rather simply on correcting immediate and blatant market failures – these co-operatives concentrated much more on questions of 'what' 'where' and for 'whom' rather than 'how'. Bringing electricity to rural America in the 1930s is one primary example of such an earlier substantial co-operative movement in the US, and in fact remains one of the most successful and cost-effective economic development interventions in US history.

Beginning with the passage of special enabling legislation in 1922, US farmers have banded together in producer co-operatives to purchase inputs (seed, tools, and fertiliser) and to sell their products in the wider marketplace. Many of these co-operatives became very successful. A recent study by the University of Wisconsin Center for Cooperatives (Deller et al, 2009) found that collectively, farmer co-operatives in the US control over US$ 4 billion in assets, have annual sales revenue of close to US$ 120 billion, and represent several of the largest corporations in the US. For the most part, these co-operatives all participate in and indeed contribute to, an 'industrial' model of agriculture, acquiring other firms and practicing vertical integration on occasion to keep up with their investor-owned competitors while producing a standardised and uniform product in commodity numbers for sale to the widest audience possible.[1]

Consumer-owned food co-operatives in the US, on the other hand, have long positioned themselves as practitioners and representatives of an alternative economic model. Unlike in Europe and most other countries in the world, consumer food co-operatives in the US do not resemble large, investor-owned food stores. Instead, they emerged in the 1970s and 1980s[2] specifically as an alternative[3] to such enterprises. In contrast to conventional supermarkets, US food co-operatives represent smaller, neighbourhood-based specialty retailers with an emphasis on bulk items, organic foods, environmentally sustainable practices and alternative products, often served with a dose of anarchy, or at least direct democracy of a type seldom practiced by farmer co-operatives. In fact, co-operatives so dominated this emerging alternative food marketplace at the time that the term 'food co-op' is still very often used synonymously in the US with natural foods retailer.

Thus, from their very origin the modern US consumer co-operative movement has promoted alternatives to conventional industrial, business and economic processes as well as products — concentrating on issues of 'how' (how food is produced, etc) as much as on issues of 'what' food is offered for sale. While the first part of this message has found some limited appeal in the broader US market and society, the second part has demonstrated enormous resonance with the US consumer at large. The robust and sustained growth of the market for natural and organic food is one of the great American business success stories of the last twenty years, and consumer food co-operatives have had a lead role to play in its development. While the rest of the food industry grew at a rate of less than 4% annually during the period 1990 to 1997 for example, sale of organic foods increased by an average of 18.6% during a similar period (Howard 2009) and have grown by at least double-digits every year since then with the exception of 2009 What was little more than a USD$1 billion industry in 1990 had grown to USD$ 26.7 billion by 2010 (Organic Trade Association, 2011).

Other grocers could not help but notice the fat margins and healthy growth of the natural foods sector and have provided significant and often well-executed competition to the co-operatives. Sophisticated and professional specialty natural foods stores like the publicly traded Whole Foods Market began appearing on the scene all over the country starting in the 1990s while conventional food retailers increased their offerings of natural and organic product as well. The year 2000 was the first year when more organic food was purchased in conventional supermarkets rather than specialty venues like co-operatives. Today, the US food co-operative sector remains healthy and growing with strong margins and collective annual sales of over $1.4 billion last year.[4] Taken collectively, however, far from dominating the natural food marketplace as they did 30 and even 20 years ago, co-operatives now rank as only the third largest specialty purveyor of natural foods in the US, behind investor-owned companies Whole Foods ($10 billion in annual sales in 2011) and Trader Joes (approximately $8.5 billion). The largest organic retailer in the US today is in fact Wal-Mart followed by four other conventional grocery store chains (Organic Trade Association 2011). Thus while the consumer food co-operative sector has matured and expanded in the last 40 years, the ‘alternative’ market that they pioneered has expanded dramatically more, and become increasingly mainstreamed.

The commodification of the natural foods market has taken place at the same time as a general consolidation of food production and distributions systems in the US and much of the rest of the world. Such consolidation is happening through both horizontal and vertical integration. Pioneering work by Dr William Heffernan and colleagues at the University of Missouri started documenting the concentration of various industries in the hands of four or fewer companies starting in the mid-1980s. Research suggests that when 40% or more of an industry is dominated by four or fewer firms, it ceases to be competitive, giving these large firms disproportionate influence not only on price, but on quantity, quality and location of production. Even a decade ago, the concentration ratio in such key food industries as beef and pork packing, flour milling, soybean crushing and poultry production exceeded this 40% ratio, sometimes exceeding 80% concentration, and today they are even higher (Howard, 2006; Hendrickson and Heffernan, 2007) .Vertical integration has increased as well, with the same small number of companies often owning or controlling production, packing, distribution and sometimes even retail. The implications of such concentration for the American farmer are stark. The implications for the consumer are troubling as well. In addition to being offered fewer choices and higher prices, such industrial concentration has raised questions about food safety and sought to limit public information about such practices as genetically engineered food.

Despite its origins in the alternative economy, the US organic food industry has not escaped these trends of consolidation, commercialisation and industrialisation. Particularly in the processing sector, the North American organic foods sector has become increasingly concentrated. While retaining their familiar brand names, almost all[5] pioneering names in organic and natural foods have now been acquired by giant multi-national food corporation including Kraft, General Mills, Heinz, Kellogg’s, Coca-Cola and Pepsi. One-third of the top 30 North American food processing firms now own some kind of organic brand, and 14 of the top 20 do so. While some of this activity began as early as 1984, the large majority of these acquisitions happened between 1997 and 2002, when the first national organic standards went into effect, a precursor for the emergence of significant corporate activity in what had previously been a niche industry (Howard, 2009). There is no question but that organic products and natural food in general are big business today.

Thus, while the ‘what’ message of the natural foods consumer co-operatives has been successfully mainstreamed (some would say co-opted) over the last 20 years by investor-owned corporations, there is some evidence that the ‘how’ message of the co-operatives (how we produce our food, how we treat others in pursuit of our product objectives) is now at last gaining a wider audience as well. Some of the evidence for this is the growing interest in local foods.

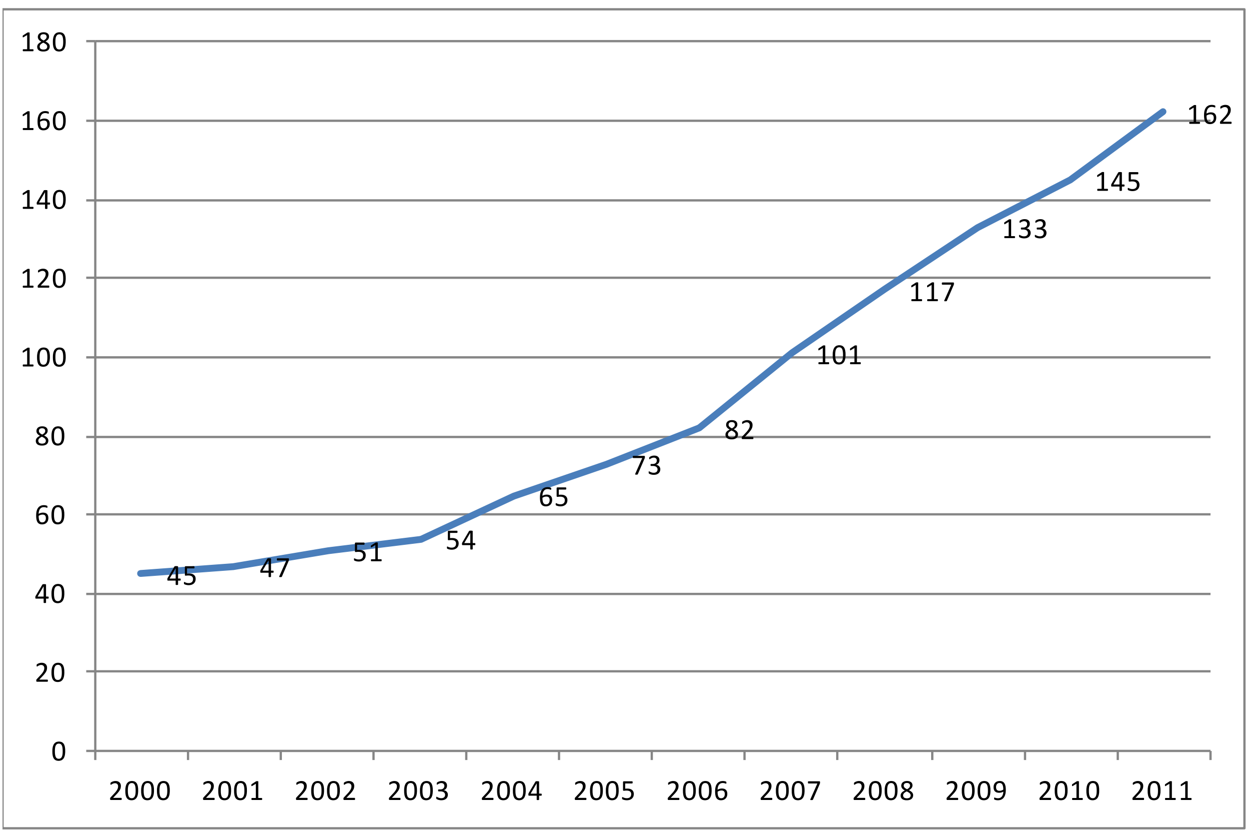
The new *Oxford American Dictionary* made ‘locovore’ their word of the year in 2007, giving name to the rising mainstream interest in locally-produced food. Fifteen years ago, ‘local food’ was, if not a novel concept, not a clearly articulated goal even within the natural foods community. Today, local foods has been called ‘the new organic’, that is, the new shorthand for safe, healthy and tasteful food, produced in a manner that is safe for the environment, good for the growers and supportive of the local economy. Sales of local foods in the US were estimated to be $4.8 billion in 2008 and were expected to climb to $7 billion by 2011 (Barham, 2012). That the move toward local is happening at a consumer level is perhaps not so surprising, given the continued success of organic products which also eschew price as the dominant factor in a purchasing decision in favour of such more subjective element as quality, flavour and environmental stewardship. That institutional buyers such as hospitals, schools and nursing home are also now asking for more local product is however, a noteworthy market shift. It is also noteworthy that the demand for local (whether characterised as market preference or romantic yearning) has implicit within it requirements not only of product but also of process — not just the ‘what’ but the ‘how’. This implies a desire — at least on the part of a segment of the American populace — for a different kind of product, certainly, but also one produced under a different set of transactional relationships with an underlying objective and expectation of different social relationships. Thus the local food movement harkens back in many ways to the early days of the US consumer food movement with its objectives to not only be a different kind of company, but contribute to a different kind of economy and society as well.[6]

The rising interest in local food represents a significant opportunity for small producers seeking an alternative to corporately consolidated agriculture to achieve the kind of scale and consistent demand they need to make their enterprises successful. Like any market, the market for local foods is subject to the parameters of supply and demand so when demand goes up, supply should follow. The simplicity of this equation belies the sometime complexity of its execution however. Even with a willing group of purchasers located close by, for many small farmers, the challenges inherent in scaling up agricultural production and expanding into new markets are often overwhelming. Small producers face issues not only of process reliability, product standardisation, and quality control but also distribution, marketing, and limitations on the variety and seasonality of products that can be offered by a small producer. In the US food market, multi-stakeholder co-operatives are emerging as one means to meet the broader economic and social objectives of the local foods movement in an efficient and business-like manner.

Multi-stakeholder co-operatives are the fastest growing type of co-operative in Quebec, which itself is home to one of the most productive and vibrant co-operative development sectors in the world. While it is only in the last 20 years that this model has had formal legal recognition in various national or regional laws, the idea of involving a broader community in a co-operative venture is of course much older than that. Italy was the first country to adopt a multi-stakeholder statute in 1991 after two decades of experimentation on a local level. Quebec's law permitting 'solidarity' co-operatives was first passed in 1997 and amended in 2005. In 1998, the first full year of the new provincial law, 32 solidarity co-operatives were established, representing 17% of total new co-operatives. In 2010, 70 new solidarity co-operatives were established in Quebec, making up over 60% of all new co-operatives (Girard, 2011). In a very short time, it is truly becoming the dominant form of new co-operative development in Quebec.

The growth of multi-sector co-operatives has not been nearly so dramatic in the US, but what has been noteworthy is not only the number of multi-stakeholder co-operatives that have emerged in the last decade or less, but more specifically the dominance of the sustainable food production and distribution sector among these new co-operatives. Unlike Europe or Canada, there is no specific enabling legislation for multi-stakeholder co-operatives in the US at either the federal or state level. Some state co-operative statutes, in fact, even prohibit their formation in certain instances. There are no special funds to finance this kind of co-operative development, there is no specialised technical assistance available, and no widespread examples of their use in food systems, either domestically or abroad. Unlike many of the solidarity co-operatives abroad which operate in a protected market of government-funded social services, US multi-stakeholder co-operatives must from the beginning deal with the harsh realities of an unforgiving market, and the potential difficulties inherent in having potentially very different market actors united in the same enterprise. Yet against the odds these co-operatives are springing up, often in isolation and generally with little support, in an attempt to address a fundamental dissatisfaction with existing food production and distribution systems, and more importantly, to build a positive alternative to it.

While there is little firm data about this emerging phenomenon, a recent study from the United States Department of Agriculture of 70 'food hubs'[7] (Diamond 2011) is



Growth in the Number of Food Hubs 2000-2011

enlightening. This study found that the majority (60%) of the food hubs studied were of recent vintage, having been launched within the last five years. And more than a quarter (27%) were formed from the start as co-operatives, while another 22% were limited liability companies (LLCs), a legal form often used by farmers in the US to create co-operative-like organisations with fewer restrictions on capital. A subsequent expansion of this same data base to 168 food hubs (Barham, 2012) found that 36 or 21% were organised as co-operatives, and 58% practiced some kind of direct farmer to consumer market model. This same study found that over quarter of the enterprises studied had been formed in the last three years, with 17 organised in 2011 alone even as the study of them was being conducted. These organisations were started by entrepreneurs, farmers, consumers, local non-profits and, interestingly, frequently a combination of these parties working together either formally or informally to create and direct an enterprise to meet the needs of multiple constituencies.

The phenomenon of multi-stakeholder co-operatives in the US should not be overstated. Because there is no federal or state statutes governing these kinds of co-operatives it is impossible to track their numbers specifically, but all would agree that the figure is still very small. However, interest is rapidly growing. Of the seven domestic case studies identified for the first ever study of multi-stakeholder co-operatives in the US (Lund 2010) six of these operated in food sector and five played some role or other as a food hub. Five of the seven were less than ten years old, and several others not included in the study for reasons of being too new also identified their core functions as linking various players in a sustainable local food system. While all were related to food systems in some sense, they did not take identical form. Some were joint ventures between consumer and producers, some between employees and producers, some between consumer and employees and others embracing representatives of the whole chain including food processors and distributors. The common theme was that each sought to link seemingly disparate groups in the ownership and governance of a common enterprise.

Conclusion

The growth of multi-stakeholder co-operatives in the emerging sustainable foods movement in the US is still so new it can hardly be called even a trend, yet it is important phenomenon nonetheless. Observed in the context of recent research on such diverse topics as economic competitiveness, resource management and social capital, it appears that the emergence of the multi-stakeholder co-operative structure is not some arcane happenstance. Rather, it is the outcome of a search, by disparate parties across the country, for an economic model that will support and enhance the participants' goals. These goals go beyond the success of their own enterprise and embrace the support and nurturing of an economy and society that values and promotes environmental stewardship and human relations. In an increasingly polarised and caustic political environment in the context of an economy increasingly dominated by multi-national corporate interests, these co-operatives represent something different. An increasingly popular co-operative structure worldwide, multi-stakeholder co-operatives in the US are at the forefront of a nascent movement to institutionalise the relationship between people and their food based upon a framework of shared values and respect.

Of course the adoption of a particular ownership or governance structure can never guarantee a specific outcome. However, it is clear from the evidence that the governance structure of our economic enterprises have clear implications not only for the firm itself, but for the local economy and society. These observations have resonance well beyond the food sector. As we become better at honing our ownership and governance structures, so we will become empowered to be more adept at determining our own fate.

The Author

Margaret Lund is an independent consultant and author specialising in the areas of community development finance and shared ownership strategies. Prior to launching her consulting practice in 2008, she spent 16 years as the Executive Director of a Community Development Financial Institution (CDFI) lending to co-operatives of all sectors with a special emphasis on consumer food co-operatives and other enterprises in the sustainable food system. She is a former board member of the US National Cooperative Business Association, where she chaired a national task force on co-operative capital formation and also recently stepped down from the board of Health Partners, the largest consumer-governed healthcare organisation in the United States and a leader in healthcare quality measures.

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Notes

1 There are, of course, notable exceptions to this rule. Organic Valley dairy co-operative, for example, has over 1,300 members operating small family farms with annual sales (2008) in excess of US$500,000,000 and is a leader in sustainable agriculture.
2 The US is currently experiencing another major surge in interest in consumer food co-operatives. According to the Food Cooperative Initiative, a national nonprofit, there have been over 50 new food co-operatives started in five year period of 2007-2011, with almost half that number opening their doors in the last 12-18 months.
3 An earlier generation of more conventional consumer-owned supermarkets did exist at one time in the US, but almost all had disappeared by the 1980s.
4 Sales for the members of the National Cooperative Grocers Association which represents 125 of the approximately 300 food co-operatives, including virtually all of the largest ones.
5 Interestingly, some of the most prominent ‘hold outs’ that is, natural food companies that have remained independent rather than sell to a large competitor are those structured as co-operatives.
6 There is an emerging movement within the US food co-operatives to more specifically brand products that meet specific local economy criteria as ‘P6’ which stands for the sixth co-operative principle of co-operation among co-operatives.
7 A food hub is defined as “a centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution and/or marketing of locally/regionally produced food products”.