

Agriculture Co-ops 101

An Introduction into Community Ownership

May 21, 2026, Harrisonburg, VA

Virginia Foundation for Agriculture, Innovation & Rural Sustainability

- ▶ Virginia FAIRS, aka VAFAIRS or FAIRS, was established by the Virginia Farm Bureau Federation in 2004 to assist farmers and rural communities with agricultural business and enterprise development.
 - ▶ Education and information resources
 - ▶ Individual and group consultations, strategic planning facilitation
 - ▶ Feasibility studies, business and marketing planning
 - ▶ Technical grant assistance, cooperative development
- ▶ VAFAIRS does not provide technical or planning assistance for production agriculture or forestry, farm planning, estate planning, farm transition planning, or beginning farmers.
 - ▶ Other entities provide these services.

Virginia Foundation for Agriculture, Innovation & Rural Sustainability

- ▶ Our clients are typically engaged in value-added agriculture, food manufacture, forest product projects.
- ▶ VAFAIRS collaborates with industry, state and federal agencies, universities, local government.
- ▶ VAFAIRS services are financially supported by Farm Bureau, client fees, and a USDA Rural Cooperative Development Grant

- ▶ For more info, www.vafairs.com

Agriculture Co-ops 101 Agenda

- ▶ General overview of cooperatives
- ▶ Different cooperative forms
 - ▶ How cooperatives serve agriculture and other sectors
- ▶ Examples of VAFAIRS' cooperative work
- ▶ Steps to planning a Cooperative
- ▶ Questions & Answers

Overview of Cooperatives

▶ CAPPER-VOLSTED ACT

Congress passed the **Capper-Volstead Act** in 1922, giving farmers and ranchers the legal right to join together in cooperative associations. The Capper-Volstead Act gives agricultural producer organizations limited antitrust immunity “in collectively processing, preparing for market, handling, and marketing” their products and permits such organizations to have “marketing agencies in common.” The protections provided by the Capper-Volstead Act could be essential to the economic well-being of farmers in today’s economy, and without them farmers be subject to criminal antitrust violations.

Overview of Cooperatives

- ▶ 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.**
 - ▶ Voluntary **association of persons** (individual, partnership, business, etc.)
 - ▶ United to meet a **common** economic, social or cultural **need**
 - ▶ **Jointly-owned** and **democratically-controlled** enterprise
 - ▶ One member, one vote
- ▶ A cooperative is a business that is:
 - ▶ User-owned and
 - ▶ User-controlled for
 - ▶ User benefit

** Adopted by the International Cooperative Alliance in 1995.

Overview of Cooperatives

- ▶ A cooperative is a User-owned business
 - ▶ Members are joint **legal owners** of the business
 - ▶ Members provide **equity** to finance the cooperative
 - ▶ Members are the major **users** of the business' products and services

Overview of Cooperatives

- ▶ A cooperative is a User-controlled business
 - ▶ Members govern the cooperative business via a **board of directors**
 - ▶ A board of directors is elected **democratically** from its membership and by its membership



Overview of Cooperatives

- ▶ A cooperative business provides opportunities for **member benefit**
 - ▶ Members share benefits **in proportion** to their use of the cooperative
 - ▶ Benefits **may include** access to goods and services, reduced costs, access to markets, increased sales volume and prices
 - ▶ Member benefit is prioritized via **service at cost**
 - ▶ Cost includes all expenses necessary to provide the goods or service to the member
 - ▶ i.e. the co-op's acquisition cost, plus co-op labor and distribution costs, plus a margin
 - ▶ **Returns to capital are limited**, especially nonmember investment, and are issued at the discretion of the membership or board of directors

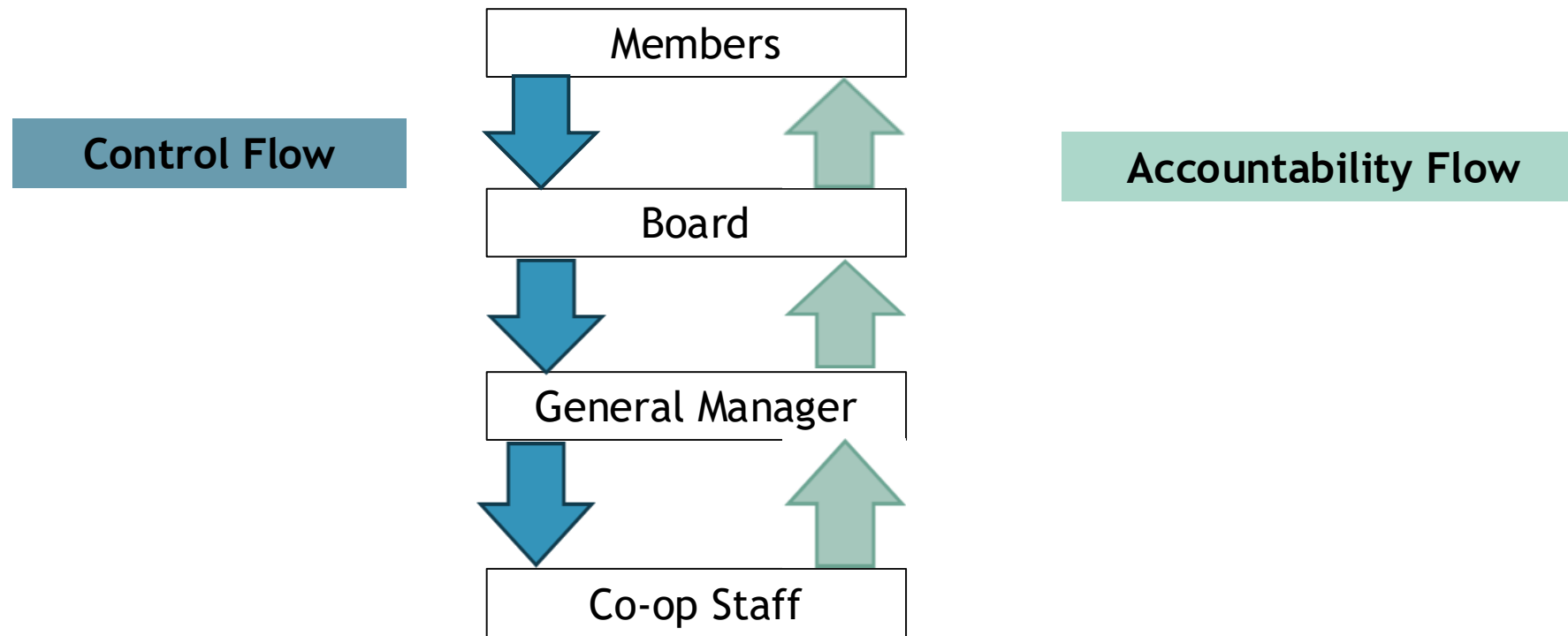
Overview of Cooperatives

▶ The cooperative principles are:

- ▶ Voluntary and Open Membership. The members are the most important part of a cooperative. ...
- ▶ Democratic Member Control. ...
- ▶ Members' Economic Participation. ...
- ▶ Autonomy and Independence. ...
- ▶ Education, Training and Information. ...
- ▶ Cooperation Among Cooperatives. ...
- ▶ Concern for Community.



Organizational Chart for any Cooperative



Patronage

- ▶ System of sharing a co-ops net margins (profits) with owners in proportion to use.
- ▶ Patronage is not guaranteed.
- ▶ Annually Board reviews co-op's financials and decides how much to allocate to Reserves for the business and patronage for the users.
- ▶ Patronage dividends are often tax-deductible for the cooperative and may not be taxable for the receiving member.
- ▶ Patronage may be distributed as cash, check, vouchers or store credit.
- ▶ Examples of use of the co-op
 - ▶ Producer co-op, amount of product delivered
 - ▶ Consumer co-op, amount of product or services purchased
 - ▶ Worker co-op, hours worked

Patronage Cont'd

- ▶ If they are losses,
 - ▶ there are no patronage refunds that year
- ▶ The co-op will dip into reserves
- ▶ Agree to take equitable cost cutting measures
 - ▶ Need for regular access to information and training to understand this data
 - ▶ Avoid layoffs - allows co-op to recover quickly when economy improves

Types of Cooperatives

- ▶ Cooperatives are defined who owns the business or its purpose.
- ▶ Producer Co-ops
- ▶ Consumer Co-ops
- ▶ Shared Services Co-ops
- ▶ Worker Co-ops
- ▶ Multi-Stakeholder Co-ops



Producer Co-ops

- ▶ Farmer or artist members
 - ▶ Each member owns and operates their own farm or business
- ▶ Members unite for product aggregation, processing, distribution and marketing
- ▶ Characteristics vary
 - ▶ Equity investment requirements
 - ▶ Member participation
 - ▶ Size of the business



Dairy Farmers of America



Consumer Co-ops

- ▶ Co-op members use services provided by the cooperative
 - ▶ Credit unions, electric co-ops, retail stores, housing
- ▶ Operate at cost
 - ▶ Member economic participation
 - ▶ Low individual equity requirements
 - ▶ Minimal patronage funds
 - ▶ Member characteristics
 - ▶ Minimal risk participation
 - ▶ Tendency to take service for granted over time

**Crestview Mobile Home Park aka
Crestview Housing Cooperative**



Shared Services Co-ops

- ▶ Members may be business owners, nonprofits, government agencies
 - ▶ Each member owns and operates their own business or organization
- ▶ Members come together for
 - ▶ Joint purchasing of supplies, insurance, back-office services, contract negotiations
 - ▶ Marketing
 - ▶ Distribution
 - ▶ Training
- ▶ Characteristics vary
 - ▶ Equity requirements
 - ▶ Member participation
 - ▶ Size of co-op



Worker Co-ops

- ▶ Members - workers who own the business
- ▶ When labor (not capital) is key
 - ▶ Knowledge and service industries
 - ▶ Member livelihood
 - ▶ Lengthy pre-membership period
 - ▶ Substantial member equity
- ▶ Shared entrepreneurship
 - ▶ Synergy of ideas
 - ▶ Reduce personal risks
 - ▶ Entrepreneurs v. Enterprisers



Multi-Stakeholder Co-ops

- ▶ Co-op with at least two membership classes
 - ▶ Producers, Consumers, Workers, Supporters
- ▶ For complex systems with key ongoing relationships
 - ▶ Need a variety of viewpoints
 - ▶ Wider equity pool
 - ▶ Differing horizons
- ▶ Solidarity
 - ▶ Bolster commonalities rather than solidify differences



VAFAIRS Cooperative Development Examples

- ▶ A&N Electric Cooperative, Inc. (FS)
- ▶ Central Virginia Poultry Growers Inc. (Org., FS, BP, FA, TA, & Admin)
- ▶ River City Flower Exchange (TA)
- ▶ Mid-Atlantic Black Farmers Caucus (FA, TA)
- ▶ Southside Fruit & Vegetable Growers Assoc. (Org., FS, BP, FA, TA, & Admin)
- ▶ Virginia Aquafarmers Network, LLC (Org., FS, BP, FA, TA, & Admin)
- ▶ Virginia Poultry Growers Cooperative, Inc. (Org - Public Relations)

* Org - Organization, FS -Feasibility Study, BP - Business Plan, FA - Financial/Tech Assistance, TA - Technical Assistance, Admin - Administration

Cooperative Planning Steps

- ▶ Identify the common need and explore feasibility
- ▶ Build a steering committee and initial consensus
- ▶ Conduct a formal feasibility study and business plan
- ▶ Secure member commitment and capital
- ▶ Draft legal documents, accounts, and incorporate
- ▶ Establish governance and start operations
- ▶ Cooperative Education and Training

Many of these steps often occur simultaneously.



Cooperative Planning Steps



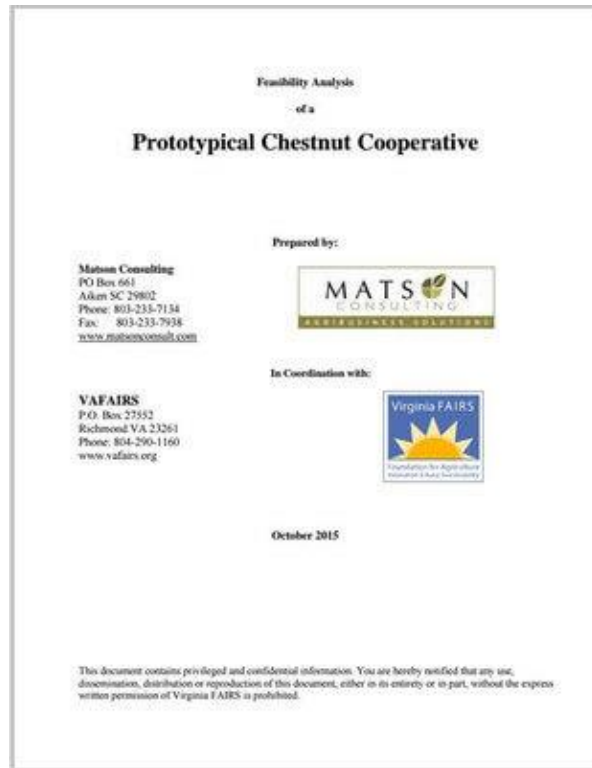
- ▶ **Identify the common need and explore feasibility**
 - ▶ **Identify the Core Need:** Identify a specific opportunity or problem that a group shares, such as a need for better markets, lower costs, or services.
 - ▶ **Gather Information:** Possible solutions to solving the need and how do other businesses and cooperatives address similar needs for their customers or members.
 - ▶ **Explore Ideas:** Assess if a cooperative model (democratically controlled, member-owned) is the best way to address this need. Are other business models more appropriate.

Cooperative Planning Steps

- ▶ **Build a steering committee and initial consensus**
 - ▶ **Form a Committee:** Establish a dedicated group of 5-10 people to drive the project.
 - ▶ Code of Virginia requires a minimum of five persons to form a Cooperative
 - ▶ **Informational Meetings:** Hold initial meetings to explore the concept and gauge potential member interest.
 - ▶ **Survey Potential Members:** Conduct a survey to gauge if potential members will actually use the services and make a commitment.



Cooperative Planning Steps



- ▶ **Conduct a formal feasibility study and business plan**
 - ▶ **Feasibility Study:** Formally evaluate if the idea is financially and operationally possible. This often requires professional assistance to examine financial, legal, and operational aspects.
 - ▶ **Create a Business Plan:** Develop a formal document covering the marketing plan, operations plan, and financial projections (cash flow, pro-forma income statement).

Cooperative Planning Steps

- ▶ **Draft legal documents, accounts, and incorporate**
 - ▶ **Engage the services of a lawyer and accountant with cooperative business experience.**
 - ▶ Steering Committee may need to contribute earnest money for initial professional service expenses.
 - ▶ **File Articles of Incorporation:** File legal documents with the state to give the co-op official status.
 - ▶ **Draft Bylaws:** Create the bylaws that outline how the cooperative will operate, covering board election, membership requirements, and governance rules.
 - ▶ **Establish Internal Procedures:** Create a membership application and operating agreements.
 - ▶ **File necessary documents** with IRS, State Corporation Commission and VDACS, if needed

[Code of Virginia, Cooperative Associations](#)

Cooperative Planning Steps

- ▶ **Establish governance and start operations**
 - ▶ **Hold the Charter Meeting:** Select the initial board of directors to lead the new organization.
 - ▶ **Hire Management:** Hire or appoint a manager who will handle daily tasks and answer to the board.
 - ▶ **Acquire Assets & Launch:** Acquire necessary facilities and licenses to begin business operations.

Cooperative Planning Steps

- ▶ Cooperative Education and Training
 - ▶ This step should occur throughout the process of establishing a cooperative
 - ▶ Once formed, cooperative training should be provided to the Board, staff, and members on a regular basis.

Questions

Tony Banks

Virginia FAIRS

PO Box 27552 Richmond VA 23261

12580 West Creek Parkway, Richmond VA 23238

Tony.Banks@vafb.com

804-290-1114

WWW.VAFAIRS.COM