

## Case Study 4.4

### Fifth Season Cooperative

In Viroqua, Wisconsin, a small town with 4400 inhabitants nestled in the American mid west, an innovative and ethical co-operative is seeking to construct a local food system encompassing the entire supply chain, one that is sustainable and environmentally friendly. While many co-operatives across the globe seek to improve and sustain local food systems, Fifth Season Cooperative aims to do so using a very different membership structure, one which draws together multiple classes of members united by a single purpose.

#### Beginnings

While the co-operative has only been incorporated since August 2010, the idea for Fifth Season was developed during the latter half of the 2000s and involved a variety of regional stakeholders in Vernon County, Wisconsin. The entire project stemmed out of an 18 month study conducted by the Valley Stewardship Network (a non profit organisation promoting sustainable stewardship of the Kickapoo region in Wisconsin) that sought to assess the current state of food production and security in Vernon County. This study formed the basis of a grant application by the Vernon Economic Development Association in 2009 to investigate setting up an organisation to support the infrastructure, coordination, and education necessary to strengthen producer capacity and increase consumption of local food in South West Wisconsin. The co-operative model was chosen for the enterprise and was incorporated in August of 2010.

*'For systems that are as precious and complex as local foods, the metaphor of the invisible hand of the market has too many flaws. When rebuilding local food systems, you need diverse interests at the table and an ongoing relationship of equals.'*

**Margaret Bau, USDA Cooperative Development Specialist**

#### Mission and membership

Fifth Season's mission is to produce, process, and market healthy, local foods in our region by supporting the values of environmental, social, and economic fairness for all. The co-operative aims to achieve this through a multi-stakeholder structure encompassing six distinct member groups or classes:

**Table 1-Member classes**

<b>Producers</b>	Growers in the region who sell produce through
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	the cooperative
<b>Producer groups</b>	Agricultural businesses in the region that sell product through the cooperative
<b>Processors</b>	Businesses from the region that provide value-added products to be sold through the cooperative
<b>Distributors</b>	Businesses from the region that transport product for the cooperative
<b>Workers</b>	Employees who are members of the cooperative and contribute to its success through their labour
<b>Buyers</b>	Institutions in the region that regularly purchase product from the cooperative

### Why did Fifth Season choose a multi-stakeholder structure?

Fifth Season sees the effective and efficient collaboration of distinct stakeholders as a strategic opportunity to achieve the business' aims. It is believed that this structure is crucial in supporting the region's economy by keeping local dollars local and is also a mechanism to develop long-term relationships between producers and buyers in the region (leading to fair prices and treatment for each participant in the supply chain). Fifth Season also had a role model to draw on in that a similar (and viable) model existed not too far from them in Chippewa Valley, on whom they could base their own business structure.

Currently, Fifth Season has two farmer members (one produce what? and one grass fed beef), three processor members (two farmer cooperative dairies and one privately owned meat processor) and five buyers which include a hospital, two universities, one public school (kindergarten-12th grade) and one private elementary Waldorf school.

Let us step back for a moment and consider these member classes in relation to the purpose of a co-operative. A co-operative aims to provide maximum benefits to its members through a good/service by intervening in the market. It is reasonable to conclude that a buyer member would wish the co-operative to provide a high quality product at the lowest price. It is also reasonable to say that a producer would wish to receive the highest price possible from the co-



operative for its produce and for the co-operative to purchase as much of its supply as possible. Therefore we have two distinct interests between different members, not to mention the interests of the other four member classes. How can this work?

Fifth Season's membership model would not work in the eyes of traditional economists as they would expect each member to have wildly different interests and act according to those interests. What Fifth Season does, however, is prove that self interest on the part of the members can be channelled into a more important collective interest, one that unites the entire membership. For the members of Fifth Season, the collective interest focuses on developing and coordinating the infrastructure needed to rebuild the Viroqua region's food system.

### What's in it for the members?

No matter how strong the collective interest is in terms of ideal and impact, co-operatives should not rely on altruistic or philanthropic members; there must be some quantitative and qualitative member benefits:

- Fair prices for all
- Transparent flow of information
- Product quality and consistency
- Matching supply and demand
- Education and training opportunities
- Access to new markets and buying opportunities

### It's not all play and no work...

It is clear that anyone who becomes a member of the co-operative stands to gain individually and collectively. Just as important are the contributions made and the responsibilities held by the members for the successful running of the co-operative. Fifth Season requires members to be responsible for the success of the co-operative in the following ways:

- Contribute to the Co-operative's capital by purchasing membership shares
- Patronize the co-operative (trade with it in the form of goods/services)
- Know and understand the criteria for participation, product standards, bylaws, and policies of the co-operative
- Participate in educational activities mandated by the board of directors or product committees
- Keep current on the activities and actions of the co-operative, attend annual and special meetings, vote in elections, and respond to surveys
- Participate in committee work



- Share experience and provide member-to-member education as requested
- Promote the co-operative and encourage others to become members
- Contact local, state, and federal representatives on issues related to the co-operative

### **Governing a multi member co-operative**

The challenge of effectively governing a multi-stakeholder organisation is a significant one and requires a strong and knowledgeable board to oversee the enterprise. Since the co-operative's incorporation in August 2010, an interim board has managed the operations of the business. These seven directors govern the co-operative and represent the interests of the membership. Fifth Season has found that so far the board has been able to work effectively to tackle issues affecting the co-operative and that there is a commitment to making the enterprise work for the farmer price wise.

### **Current situation and challenges**

Fifth season is now in operation for almost a year and has so far attracted enough positive response from current and potential members to confirm the founders' belief that this project will succeed in the long-term. There are a number of challenges however that the co-operative needs to overcome to ensure the viability and success of the enterprise.

### **Membership**

As discussed in a previous section, the multi-stakeholder model is key to the success of the co-operative. It also poses a significant challenge, namely the alignment of different members' interests for the mutual benefit of everyone. Successful promotion of the benefits of membership and the ethical purpose of the co-operative will be crucial in attracting new members.

### **Pricing**

Linked to the membership issue, how does the co-operative ensure that all members receive a fair price for their contribution to the business; a difficult task considering all of the members operate in different sections of the supply chain and will be seeking a different return for their produce/service.

### **Finance**

The initial \$40,000 capital secured through grants is not sufficient to sustain the business until it has the capacity to generate profit after the pilot period. One of the most pressing concerns for Fifth Season is securing investment to provide working capital to enable the business to work towards generating revenue and achieving a profit (at the end of year three). The co-operative has developed an attractive investment proposition in the form of Class B shares that they hope to sell to local investors. The minimum investment is \$500 in shares with a par value of \$25. The dividend



on the shares is 5% per annum. This enables the co-operative to raise capital yet protect the ownership and control rights of members (Class B shares do not carry any voting rights).

### **Liaising with non co-operative organisations**

It is a concern of Fifth Season that it may be a challenge dealing with distributors who are not familiar with the co-operative model of enterprise. Any stakeholder who wishes to collaborate with Fifth Season needs to understand the organisation's commitment to fairness, community support and developing lasting relationships with farmers and all stakeholders in the co-operative.

### **Conclusion**

The co-operative is in its infancy and has ambitious plans to generate \$1m in sales in five years and to operate a profitable enterprise with a strong set of core values and ethics. The multi-member structure of the co-operative will be the key in ensuring Fifth Season succeeds in the pursuit of its mission and vision.

