

It's 2012!

Are You Feeling Cooperative Yet?

By: John E. Peck, Executive Director, Family Farm Defenders

The United Nations has declared 2012 to be the Year of the Co-op, and around the globe people are celebrating. In fact, with 800 million members, cooperatives now employ more people than corporations worldwide. According to the U.N, a co-op is defined as: "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." The International Cooperative Alliance (ICA) estimates that the top 300 co-ops in the world account for over \$1 trillion in economic activity annually. For instance, there are 49,000 credit unions in 96 countries, and in the U.S. over 100 million people have now opted to place their money in credit unions rather than banks. In 2008 at the height of the financial meltdown, U.S. credit unions actually increased their lending by \$35 billion, while banks reduced theirs by \$31 billion. Better yet, no credit union required any taxpayer bailout.

According to the 2009 UN Secretary General's report titled Cooperatives in Social Development, cooperatives "offer a model of enterprise that is particularly relevant in difficult economic times and instances of market failure. As a self-help group, a cooperative organization is widely accessible, especially for the impoverished and the marginalized. Where private enterprise or government is weak, particularly in remote rural areas, cooperatives enable local people to organize and improve their conditions."

Humanity has come a long way since 1228, when Gruyere cheese makers in Switzerland organized the first producers' cooperative. Porters in Aberdeen, Scotland formed the first



workers' co-op in 1498, and the first consumer co-op emerged in 1761 in Fenwick, England when weavers pooled their pennies to procure bulk oatmeal. The Rochdale Principles of International Cooperation, which appeared in 1844 in England, still guide the worldwide co-op movement today (*see page 14*).

Cooperatives have historically dominated agriculture in many parts of the world, and are becoming an even more popular economic alternative today. For instance, the largest farmer co-op in West Africa - Kuapa Kokoo in Ghana - boasts over 45,000 members in 1100 villages, and is a leading force in fair trade through its well known brand name Divine chocolate. In India, the world's largest dairy producer, over 100,000 co-ops collect milk from 12 million farmer members each day. According to the International Labor Organization (ILO), cooperatives account for 70% of the fish catch in South Korea and 75% of coffee production in Ethiopia. In Denmark co-ops control 86% of all wind energy, while in the U.S. co-ops market 80% of fluid milk. Worldwide, over half of all agricultural production passes through the hands of a co-op on its way to market.

The first producer co-ops in the U.S. were founded by dairy farmers in CT

and NY in 1810, and by 1820 farmers in OH had established the first marketing co-op. Farmer owned co-op breweries, grain elevators, and irrigation systems soon followed. When the National Grange was formed in 1867, it included "cooperation in all things" as part of its mission to restore friendship between the North and South after the Civil War, and membership in the Grange soared during the economic downturns of the 1870s and 1880s when rural people saw the tangible value in the mutual aid that co-ops offered. By the end of the 19th century, the Grange was operating 500 consumer co-ops nationwide.

Co-ops were also promoted as part of FDR's New Deal to rebuild rural America after the Great Depression, and by 1935 there were 10,500 farmer owned co-ops across the country. Co-ops are part of the economic bedrock sustaining many people today - for instance, in Wisconsin there are 844 co-ops statewide serving 2.7 million members and generating \$5.6 billion in sales annually. Madison alone has many longtime worker co-ops - from Community Pharmacy, Lakeside Press, and Nature's Bakery to Just Coffee, Isthmus Engineering, and Union Cab. (*Continued on pg.13*)

Through cooperatives, farmers can achieve economies of scale, reducing cost for inputs and services, and also help level the playing field in commodity markets that are often dominated by corporate cartels. Farmers are often stuck as "price takers," but co-ops give them a better chance at receiving a parity price and a living wage for their efforts. Pooling one's economic power with others is always a good strategy to leverage fresh assets, reach new markets, and ultimately alleviate poverty. As the picket signs proudly carried by Union Cab drivers during the recent Wisconsin Uprising proclaimed, cooperatives also have principles. Being member-owned and member-controlled, the primary purpose of co-ops is to provide benefits to their own members - their goal is not to simply generate more profit for outside investors. Democratic decision-making, financial transparency, environmental stewardship, and social responsibility are other hallmarks of cooperation.

Of course, these ideals are not always reflected in practice which is why it is so important to hold cooperatives accountable for their behavior. Members themselves bear the biggest burden when it comes to defending co-op integrity. As the 2009 U.N. report notes, "A vigilant membership base, bound by the democratic one member one vote principle, is essential to addressing weak or unethical management, capture by local politicians, or other conflicts of interest. The sound governance of cooperatives depends upon a well informed and active membership base." In the case of the U.S., there are also federal and state laws that bolster certain cooperative principles.

In the early 20th century many co-ops were attacked by corporate competitors under the 1890 Sherman Anti-Trust Act, claiming that "marketing in common" was an illegal form of trade restraint. Farmers and their allies



mobilized and soon won passage of the Capper Volstead Act in 1922 - the Magna Carta for co-ops - that basically gave them the same right to collectively bargain enjoyed by the likes of private companies and labor unions. Under Capper Volstead, though, there are some specific rules cooperatives must fulfill in order to enjoy their exemption from anti-trust enforcement. These include that the co-op must produce agriculture products (not just process them), that the majority of revenue must stem from production of the co-op's own members, that the co-op must operate for the mutual benefit of its own members (and not just be serving the interest of others), and that the co-op can not conspire with other non member entities to engage in illegal market activities (like price fixing).

Unfortunately, as most farmers can tell you, there are co-ops in the U.S. who have no clue about the Rochdale Principles and routinely violate Capper Volstead. For example, Dairy Farmers of America (DFA) - along with two of its top two executives - was fined \$12 million in 2008 by the Commodity Futures Trading Commission (CFTC) for illegal manipulation of the Class III milk market at the Chicago Mercantile Exchange (CME). In 2010 the U.S. Dept of Justice blocked a bid by Deans Food to buy out Foremost Farms, another "corporate" co-op, which would have created a quasi-monopoly on fluid

milk in parts of the Midwest. Land O' Lakes' website gushes with feel good rhetoric about the U.N. Year of the Co-op, yet some question its true commitment to cooperation, especially when it prefers to import milk protein concentrate (MPC) from abroad rather than pay its own farmers a fair price and promotes dangerous biotechnologies like rBGH and RR alfalfa that jeopardize the marketability of its own products.

Similarly, Crystal Sugar has crawled into bed with Monsanto with its heavy handed lobbying for RR sugar beets and is now engaged in a vicious union busting campaign, having locked out 1300 workers at five processing plants in the Red River Valley. Apparently, some co-op managers and share holders have forgotten that farmers and workers joined together long ago to win the very same collective bargaining rights.

There are other serious challenges facing today's co-ops. One threat is demutualization - a fancy term for basically opening the doors for a takeover of a co-op (and its assets). This happened to Minnesota Corn Processors (MCP), lauded as part of a new wave of farmer co-ops, but then sold out and was gobbled up by ADM in 2002. Governments, corporations, and multilateral institutions like the IMF often see co-ops as "cash cows" for liquidation and/or privatization. Another problem comes with the profit driven corporate mentality that can pervade co-op managers. Rather than looking out for their own members, they prefer to grant themselves bloated compensation packages and guarantee hefty dividends for their outside investor friends.

Other countries have rules limiting such abuses - for instance, within the Mondragon co-op federation in Spain the salary/wage ratio between the highest and lowest paid employee is set at 5:1. (*Continued on pg.14*)