



# Cabot Cheese

Bigger than the sum of its parts - Is co-operative business the new (old-fashioned) way to succeed in modern business?

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## Bigger than the sum of its parts - Is co-operative business the new (old-fashioned) way to succeed in modern business?

The world of modern retail is ruled by a number of big names who control a massive proportion of a market worth over \$5 Trillion in the US alone, Walmart is the world's largest retailer by revenue, therefore if you are an independent farmer or food producer how do you approach such an organisation?

The simple answer is you don't. There is no way that an independent producer can make any inroads to the large retailers alone and so a cooperative model is often the only way in which individual producers can create a large enough brand to engage with the large players in the retail industry.

### What is a cooperative?

A cooperative will look, from the outside, like any other business however the major difference is rather than being owned by investors or shareholders they are owned by their members. Ordinary people who are farmers, food producers or employees. It is owned and managed by its members for the benefit of its members.

It allows individual farmers or producers to create a brand which can be competitive in a challenging market. Members of a cooperative democratically vote with a one organisation one vote model to make key decisions and to set policies.

## Types of Cooperative Organisation

There are a number of basic models of cooperative:

- Producer - owned by food producers like farmers or fishermen who join forces to process and market their products under a single brand.
- Worker cooperatives - an organisation owned by some of all its workers. It gives workers the chance to own their own company, something which would be out of reach of any individual. There are various businesses from restaurants and bakeries to small manufacturing cooperatives.
- Consumer cooperatives - consumer cooperatives allow numerous individuals to come together to buy anything from groceries to utilities and fuels with the benefit of bulk buying which allows them to command better deals from suppliers.
- Retail Cooperatives - this is a type of consumer cooperative however generally involving independent business owners. For example Best Western Hotels which encompasses a number of independent hotels who benefit from an international cooperative to reduce the cost of products and services and to create a powerful, international brand for otherwise relatively small businesses.

The power of a cooperative allows otherwise small companies or individuals to act with the power of larger organisations while retaining inclusive business practices.

### Why producer cooperatives work

An producer cooperative allows individual farmers, fishermen or food producers to achieve a market scale and economic presence which would not be possible by themselves. By coming together as a collective they can create a central, large bargaining power when dealing with the major retailers for the sale of their products. In addition, they can achieve reduced costs by pooling capital and resources to employ bulk purchasing and centralised production and processing.

Cooperative organisations can create marketing resources and brands which would be out of reach of individuals, however allowing an organisation to be formed following the ethical and business ideas of the individuals, creating an organisation with shared values as opposed to a 'faceless' conglomerate.

## Introducing the Rochdale Principles

Most major cooperatives follow the Rochdale Principles, a set of ideas established in 1844 by the Rochdale Society of Equitable Pioneers in Rochdale, England. The Rochdale Society of Equitable Pioneers was a group set up with the challenges of the industrial revolution which forced large numbers of skilled weavers into poverty as their roles were replaced by factories. They banded together to open their own store which sold food which they otherwise could not afford. They pooled resources of £1 per person to allow them to open a store selling high quality, unadulterated goods.

The principles they created to run their first cooperative were formed by trial and error but created a set of ideas which stand even today. The principles set out values such as self-responsibility, democracy and equality as well as the importance of honesty and social responsibility.

Cooperatives are naturally democratic organisations controlled by their members, there is no discrimination allowed in the establishment of the membership and an expectation that each member contributes and that at least part of the capital is given as common property of the cooperative.

The principles build in elements which value and develop local communities and cooperation between cooperative organisations. It is good for business, developing links and allowing smaller organisations to work together to become powerful yet responsible alliances. The most important element is you as a consumer can trace your product through the organisation to an individual farmer or producer.

## Old fashioned, new business

In an age where consumers have a greater interest in the source of their food, the ability to trace products through a brand to individual producers is a major asset. It gives an opportunity to prove the brand heritage.

## Case Study - Cabot Creamery

Cabot Creamery is one of America's most popular cheese brands and it was established in 1919 when ninety-four families in Vermont formed a cooperative to secure their livelihood. Now the cooperative encompasses over 1,000 individual farms and over 1,000 employees in four production plants.



*Photo credit: Cabot Creamery*

The scalability has allowed the cooperative to grow to a business with a turnover of hundreds of millions of dollars.

### The people behind the cooperative

The important story behind cooperatives are the individuals who make up the membership. Cabot Creamery encompasses over 1,000 farming families, many of whom have been members for generations. From small speciality farms with fifty cows to larger establishments with many hundreds of cattle, the key is that each is a small to medium sized business working within and supporting a local community yet an intrinsic part of a major food brand.

Cabot Creamery is keen to share the stories of their individual farms and the families which own them, it is a major part of their marketing and most welcome consumers to visit the farms and to meet the families allowing them to understand and appreciate the nature of the cooperative.




*Photo Credit: Cabot Creamery - Birch Mill Farm*

You can learn more about how Cabot Creamery have developed their sustainable cooperative online at: <https://www.cabotcheese.coop/our-coop>

### Creating a better business

It is the unique nature of a cooperative is as engaging for a modern consumer as it was necessary for the original co-op members one hundred years ago. The cooperative model still makes considerable financial sense for small organisations or producers. However, a more enlightened consumer who wants to understand



the source of their food can be satisfied with the story that a cooperative business delivers. We can see from the Cabot Creamery case study that the cooperative have enabled a large number of producers to make a viable business. A major part of their success is the transparency of their membership and they make a large play on the fact that their members are family farms, reinforced by supporting a large number of community activities. In this way they ensure that their local producers are seen to be grounded within their community.

The value of local community is vital for the development of a cooperative brand, not only is it built into the values of cooperative organisation it is a vital differentiator between cooperatives and other corporate entities.

An organisation which is built from its foundations on sound, ethical values with sustainability, individuals and local community at its heart seems to be a very modern principle, yet the Rochdale Principles have just held their centenary.

### A cooperative future?

Whereas the cooperative model is one based in the past, it is one which is growing from strength to strength. With 2.6 Million Cooperatives worldwide with over 1 Billion memberships and clients, generating \$3 trillion in Annual Revenue (*Results of the 2014 Global Census on Co-operatives*)

It is clear that cooperative business is good business.