

Why an Elderberry Growers Cooperative



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Why?

For thousands of years civilization advanced by:

- Development of a ruling social class & territoriality to deal with increased human population density
- Geometrically increased use of energy/wealth
- Advances in science & applied technology
- Growing urbanization and population density
- Decline in agricultural labor and food quality
- Environmental privatization & degradation

Environmental Threats

- Massive scale, debt funded, chemically farmed mono-crops required to maybe profit by farming
- Genetically modified foods & loss of biodiversity
- Fossil fuel energy use and climate change
- Erosion and loss of water abundance / quality
- Increasing human / livestock population pressure

Alienation of Labor and Capital

- Joining the two: what ownership is all about
- Great imbalance between capital & labor > greatly skewed distribution of wealth & opportunity
- Focus on financial instead of productive activity
- Can't buy land - make a profit without outside investment > corporate owner / massive debt
- Equipment/technology required for fair pay
- High cost of technology, labor when needed

Macroeconomic View

The “Japanification” of America

- Compounding increases of government and business debt to exceed economic capacity to make all payments
- Low economic growth for decades: heavy debt & low interest
 - ~ Workers search for jobs with a living wage
 - ~ Investors search for high \$ return
- Demographics: 10,000/day > 66; most cannot afford to retire.
- Potential customers are income challenged: younger generations plagued with student debt and high costs of living - especially housing.

The Coming Corporate ‘Carpetbaggers’

- When will big money want our little berries?
- Big C will want the higher \$/acre potential
 - ~ Want a place to invest for high return to meet high demand
 - ~ Bonus of appearing to be environmental good guys
 - ~ A few farmers might get a good wage but lose ownership
- Today’s market is biased to big players
- How do we compete, meet them head-on?

Market Forces

Both Friend & Foe

- Growing demand for native elderberry
 - ~ Result of River Hills Harvest (RHH) 10+ years of sales
 - ~ Result of 5+ years at national/international shows
 - ~ Consumer trend for local and healthy foods
- Global competition affects local prices
 - ~ Expected ingredients: dried, concentrate, puree @ low prices
 - ~ That capped buyer price expectations for dried berries/flowers
 - ~ Selling dried native berries & flowers @ low profit exploded demand for all native elder ingredients - bulk, puree, juice...

Market Forces

Both Friend & Foe - 2

- Retail distribution undergoing rapid change
 - ~ Amazon > online, will price advantage last? 1-day delivery?
 - ~ Trader Joes & Aldi > private label organic challenge
 - ~ Costly to use traditional retail: distribution fees, promo costs
- Consumer Value Perception = price + knowledge
 - ~ Affordability, related to wage issues & our costs to distribute
 - ~ Imported “juice from concentrate” is NOT = to native juice
 - ~ Understanding what is purchased and how to use it

Planned Succession

- Mortality is reality: *Accidental & Eventual Death*
- Once Terry Durham's gone, who will own RHH?
- Who will buy your elderberries @ fair price?
- Would you rather negotiate with a big urban-based business or with your fellow growers?
- Cooperatives balance the freedoms of individual ownership with the opportunities of larger size.

A Coop Answer

(General Principles)

- Cooperate to attract & proportionately share capital while increasing scale/size to compete effectively
- Elderberry can benefit from traditional economies of scale: simple mechanization, aggregation of crop, etc.
- Should lead to more efficient field and crop handling, thus to lower costs of production:
 - ~ Can compete more effectively against global prices
 - ~ While generating higher returns on invested \$ and time
 - ~ Spreading the risks geographically and by market segment

MEC's Coop Answer

(Some Specifics)

- Increase support for small farmers selling direct
- Increase margins, lower costs for RHH retail distribution
- Greatly grow volume/availability of RHH retail products
- Use others' resources without selling the farm
 - ~ Make and sell our own ingredients to craft & large players
 - ~ Elderberry flavors of brand products makes use of the existing brand's investment in marketing / distribution
 - ~ Scale benefits from large orders for bulk berries, puree, etc.
 - ~ Similar strategy for private label sales

Cooperation = Capital

- By combining our existing production and efforts we can attract good agricultural financing, grants
- We will improve planning and make it possible to attract and retain multi-year contracts for berries
- We can consolidate our first mover advantage in native elderberry quality, availability and reputation
- Present crop challenges make it easier for a Big C to buy from MEC than do it themselves.

MEC Structure

- Voting Members - own 1 share Class A stock - \$500
 - ~ Board of Directors elected by Class A shareholders
 - ~ Board selected officers & teams run operations
 - ~ Class A shareholders do not share in MEC profits/losses
- Option of Class C shares - Grower Delivery Rights
 - ~ Commercial participation in MEC valued added activities
 - ~ Board sets prices & policies with commercial grower input
- Class D (preferred) shares provide investor option
 - ~ Potential dividends but no voting rights or direct control of the coop
 - ~ Passive / principle-based investor, “slow money”
 - ~ May be a grower, co-processor, key wholesale buyer

MEC Membership

\$500 Single Class A Share - required

- Small producer - Local Direct Option
- Share value at risk but refundable if possible
- Priority access to available MEC-owned inventory/ingredients at board-established wholesale prices and toll fees for services
- Free access to MEC educational events and resource materials
- The option to purchase of Class C Delivery Rights Stock
- Class A shareholders do NOT share in the coop's profits and losses. Distributed profits and losses only go (annually, as determined by the Board of Directors) to commercial production members and in proportion to their ownership of Class C shares as a percent of the total Class C shares outstanding.

Class C Shares

Commercial Producer - \$2/each optional

- 1 Class C share = 1 lb. commitment by both sides
- Cost of \$2/share or 3 lb. packed berries/share
- Per Unit Retained Earnings: not fully paid at the time of sale to coop fall ops
 - ~ Payment set by MEC Board with C share input - currently \$1/lb.
 - ~ Bank financing of inventory requires equity coverage for their loan balance
 - ~ Accounts set up to track Retained Earnings, paid later before June 30 year end
- Coop has the option to offer non-members the same prices as members in commercial transactions - no profit sharing.
- Growers share proportionately in risk: MEC losses & profits from all sources @ variable price and payment contracts.
- Members must report their share of profits and losses regardless of the amount of cash received - tax law.

A Ray of Hope and a Catalyst for Good

- Presentation started with a description of the many problems facing Rural America and all people (especially in the developed nations) alive today.
- We can't solve the world's massive problems.
- But our little corner of the field can be grown right, managed right, benefit our business partners and ultimate consumers, as well as be profitable to MEC's grower members - of all sizes and strategies.
- We can set an example, perhaps be catalysts for, how to care better for our living planet and its inhabitants.