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Abstract:

The Oklahoma Food Cooperative (OFC) facilitates transactions between producers and consumers of locally-grown food items. Although the OFC has more than 3,000 members, the cooperative is still working to discover member needs and ensure its long-term sustainability. Both consumer-members and producer-members of the OFC were surveyed to determine the factors driving their current and continued participation in the cooperative. Findings suggest that producer-members and consumer-members differ in both demographic terms and their level of cooperative involvement. Results also indicate that both types of members may be facilitating business transactions in alternative market outlets, thus negatively impacting OFC business volume.

Key words: business sustainability, cooperative, local food movement, member communications, strategic planning

Introduction

The Oklahoma Food Cooperative (OFC) was established in 2003. By 2010, it had 3,100 total members and an annual business volume nearing \$1 million. In addition to its impressive growth, the cooperative had developed a unique structure that was emulated by many other new local food cooperatives. One part of this unique structure was creating memberships, which consisted of both producer and consumer members. This membership structure is typically referred to as a multiple stakeholder cooperative (MSC), and it is a non-traditional cooperative structure (Lund 2011). While the MSC structure can provide some unique benefits, it also creates the challenge of harmonizing the interests of different stakeholder groups (Munkner 2004). This article examines the OFC structure and highlights the strengths and challenges.

In 2010, the OFC had 150 producer-members marketing mostly food products, although some producers marketed locally grown/manufactured pet products, health and beauty products, home décor items, and even apparel items. More than 3,000 individuals constituted the consumer-members (Oklahoma Food Cooperative 2010), although many of these were infrequent purchasers of products. By 2010, the OFC board had noticed that some of their consumer-

members had never purchased any products through the cooperative, leading to speculation that some consumer-members simply paid their membership fees as a show of support for the concept or for other altruistic reasons. While rapid growth had allowed the OFC to maintain its financial viability up to that point, the leveling off of both producer and consumer memberships forced the OFC board of directors to become more strategic in their planning efforts and ascertain the wants and needs of both classes of cooperative members.

In the summer of 2010, the OFC board of directors set out to study the characteristics of both classes of its membership and the factors that influenced their patronage. The OFC board members and representatives of the Robert M. Kerr Food & Agricultural Products Center at Oklahoma State University decided to develop surveys for both consumer-members and producer-members at that time. A short overview of the history and structure of the OFC and the results of the membership survey are provided in subsequent sections.

History of the OFC

According to its articles of incorporation, the OFC's purpose is to "sell Oklahoma grown and/or Oklahoma processed foods and non-food items, for the mutual benefit of its producer and consumer members." The OFC's intent is to "educate members, and the general public, regarding cooperative principles, the local food movement, its core values, and the practical implementation of these principles." (Oklahoma Food Cooperative 2010) With that goal in mind, the OFC set out to become a marketplace for consumer-members and producer-members. A handful of producers and roughly 50 interested consumers formed the OFC in 2003, with each member type agreeing to pay a membership fee of \$51.75, which consisted of a \$50 share and a \$1.75 processing fee.

OFC founder Bob Waldrop, during the planning phase of the cooperative, once stated: "The cooperative will not be buying products to sell; it will be in the business of providing a marketplace for producers and consumers to meet in." (Galor 2004) Although his initial concept was based on a storefront (physical location) model with daily business hours, the OFC was actually established as a web-based, order facilitation business with physical transactions taking place one day each month. After producers updated their OFC web pages to inform members of their product availability and prices for the month, ordering took place during a specified time window.

Starting in the fall of 2003, consumers and producers would meet at a chosen site in Oklahoma City on the third Thursday of the month to make product

exchanges, with members supplying the volunteer labor to transform bulk producer deliveries into bundled consumer orders. Because of the OFC's rapid growth by the end of 2010, the cooperative had created a salaried general manager to coordinate and oversee the 50-plus member volunteers who processed orders at the producer drop-off site and delivered products to more than 40 locations, most within a 160-mile radius of Oklahoma City (Oklahoma Food Cooperative 2010; Wallace Center 2009; Diamond 2010). Incentives were developed for the members to "volunteer": \$7/hour credit on purchases, \$0.36/mile for drivers taking orders to certain drop-off points, and even a \$7.50 cash payment for home deliveries (\$5 for elderly/disabled/homebound) (Oklahoma Food Cooperative 2010).

As mentioned, the OFC had over 3,100 total members and an annual business volume nearing \$1 million in 2010. However, a small portion of the membership was responsible for most of the business volume. In a typical month, 60 of the 150 producer-members (40%) and 650 of the 3,000 consumer-members (20%) accounted for the business volume.(Wallace Center 2009; Oklahoma Food Cooperative 2010).

Structure of the OFC

The structure and performance of local food supply ventures has not been extensively studied, although the increasing number of such ventures has warranted some recent work (King et al. 2010, Katchova and Woods 2011a, 2012). The OFC itself remains a work in progress, even after seven years of operation. The unique aspects of the OFC at that time included the MSC structure with producer and consumer members, the web-based marketing system, which allowed for supply discover between producer and consumer members, and the centralized product transfer points. The transfer system was both a cost effective method for product delivery and an opportunity for producer and consumer members to interact. This opportunity provided an important part of the "know your farmer-know your food" value package. This relatively simple and inexpensive operating structure made the OFC a blueprint for other new food cooperatives. More than a dozen similar ventures in the US and at least two such cooperatives in Ontario, Canada were modeled after the OFC (Wallace Center 2009). The OFC's web-based marketing system was made possible by an open source software program. The software was designed specifically for the OFC, but the multiple versions of the software created by SourceForge (SourceForge.com, 2010) have become a standard for other cooperatives. The OFC's initial planning steps and current operations have been the subjects of published case studies (Galor 2004; Wallace Center 2009), blog postings

(Diamond 2010), and various stories generated by the media with regards to the local food movement (e.g., LocalHarvest.com 2006; Harris 2006).

Membership Survey

As part of its strategic planning process, the OFC board sought to achieve a better understanding of the preferences of the consumer-members and the significance of the co-op to the overall business volume of its producer-members. In terms of producer members, the board was interested in the factors impacting the level of active participation in the OFC (i.e. purchasing frequency and volume) by its consumer-members, how attributes such as “locally grown” or “organic” influence buying decisions of consumer-members and information on other products the consumer-members would like to purchase. The board was also interested in the consumer member’s level of satisfaction with the ordering and pick-up process.

The board also sought a better understanding of OFC’s producer members. This information was essential because the monthly availability of products is determined by what the producer-members offer for sale. The board was specifically interested in whether the OFC was a primary marketing outlet for its producer members or if they also used alternative outlets. All of this information related to the board’s concerns regarding the sustainability of the cooperative’s business volume, a concern that could impact both its producer-members and consumer-members, and their continued participation in the OFC.

Survey Procedure

The OFC board members and representatives of the Robert M. Kerr Food & Agricultural Products Center at Oklahoma State University developed surveys for both consumer-members and producer-members during the summer of 2010. SurveyMonkey.com was used to carry out and manage the responses from these surveys in November and December 2010. The OFC provided a complete list of all (active and inactive) cooperative members’ email addresses for the purposes of this study.

Survey Findings

Responses to the survey, in whole or in part, were received from 37 producer-members and 343 consumer-members. In terms of total (active and inactive) members, these responses represented a response rate of 24.7% for producer-members and 11.0% for consumer-members. However, it should be

noted that a typical month's business activity through the cooperative is transacted by an average of 60 producer-members and 650 consumer-members.

Compared Characteristics of Consumer-Member and Producer-Member Respondents

Several questions on both surveys were similar, assessing the socio-demographic characteristics of members, length of their membership in the OFC, their attitudes about the cooperative, their experiences with other cooperatives, and even their use of the Internet. Comparisons of the responses (Table 1) suggest that the two groups are in many ways divergent. Almost 30% of the responding consumer-members have been a member less than one year, and 72.5% had been a member less than three years. Conversely, 61.2% of responding producer-members had been OFC members for at least four years. For both types of members, word-of-mouth and personal contact with existing OFC members were the most common means of hearing about the OFC (Table 1). However, almost 30% of the consumer-member respondents first learned of the OFC via Internet searches for local food providers, whereas none of the producer-member respondents used the Internet to identify the OFC as a potential market outlet.

Table 2 shows one of the greatest differences between member types and their participation in the OFC. Almost 84% of the producer-members had attended at least one OFC annual meeting, while a similar high percentage of consumer-members had never attended an OFC annual meeting. This suggests that the consumer-members view the cooperative more as a service provider, as opposed to a member-owned business where their vote can impact OFC operations. It also raises the question as to whether the consumer-member's interest are underrepresented in the decision making process since they are less involved in governance.

Table 2 also indicates respondents' involvement in other types of cooperative entities. Over half of the producer-members and over 80% of the consumer-members were members of credit unions. The market share of credit unions in the U.S. is generally considered to be in the 10% range, so this result suggests that the OFC members are more committed to the cooperative business model than the general population. Not surprisingly, over 80% of the producer-members were also members of rural electric cooperatives. However, only 17% were members of farm supply cooperatives. This suggests that there is relatively little overlap between the membership of traditional agricultural cooperatives and OFC.

Other information including age, gender, and ethnicity was included in the survey but is not tabled in the interest of space. The median age of the consumer respondents was 44.8 years. The 2010 census reported that the median age of all Oklahoma residents was 35.5 years (U.S. Census Bureau 2010), which suggests that OFC consumers have a typical age profile for the population. Producer-members tended to be slightly older than the consumer members with a median age of 44.8 years, but somewhat younger than typical agricultural producers. The median age of Oklahoma farmers is 56 years (Census of Agriculture). The vast majority of both member types consist of female members: 82.7% of consumer-members and 62.9% of producer-members are female. Additionally, well over 80% of respondents from each member type were white/Caucasian. The second most common self-identified race/ethnicity in both member types, with less than 4% for each member type, was Native American.

One of the most important questions facing the OFC board relates to the scheduling of delivery days. As the volumes have increased, along with the demand for volunteer labor on delivery days, the board has considered having more than one delivery day per month. The cost-benefit assessment for this issue is relatively simple. More frequent delivery days would require more volunteer credits/payments, but could lead to more purchases by consumers and more opportunities for producers to move seasonable/perishable food items. Because both member types have to be in agreement for an increase in the number of delivery days to take place, this survey question was of high priority for the board members. Table 3 shows that half of the respondents from each member type preferred the current once-per-month transaction, although 42% of consumers and 36% of producers would prefer twice-per-month delivery days. Preferences for a weekly transaction day were decisively less prevalent.

Consumer-Member Preferences/Opinions

As previously stated, one of the greatest concerns of the OFC board is the high number of inactive consumer-members. The board is concerned that current product offerings may not entice members to sustain their purchasing practices. Several questions in the consumer-member survey were designed to ascertain preferences for products available through the OFC and the consumer-members opinions regarding the OFC's operational structure.

Table 4 displays the ratings of consumer respondents for attributes of the OFC that drew them to establish membership and maintain their active status. The highest average ratings (1-5 scale), in order of importance to the members, were: locally grown, quality (taste, freshness), health/nutrition, organically produced,

and “all natural” products. Locally grown was by far the most significant factor for consumer-members, with 85% rating this factor a 5, and 99.1% rating it a 4 or 5. The least significant factors were interactions with producers (“know your farmer”), the availability of a wide range of products, and lastly the fact that members have a say in the cooperative’s operations. Over 40% of the consumer respondents were neutral regarding the importance of their right to vote as a factor in their choice to become a member. This finding, combined with the fact that most of these respondents have never attended an annual meeting of the OFC, suggests that they view the OFC as a buying club similar to a Sam’s Club, where their membership has been paid primarily to gain access to the market outlet.

Over half of the responding consumer-members had ordered from the OFC at least 10 out of 12 months during an average year (Table 5). Almost 75% had ordered more than 6 out of 12 months. Not surprisingly, this result indicates that the OFC inactive members were not proportionately included in the respondents. In terms of order volume almost two-thirds (64.7%) of the respondents had an average order less than \$100, more than one-third (36.8%) of the orders were for \$75 or less, and 25% were between \$100 and \$200.

Table 6 shows that 58% of respondents spent less than 20% of their monthly food budget on OFC food items. Virtually all of the respondents (97.9%) supplemented the locally-grown items purchased through the OFC with purchases from conventional supermarkets. More than two-thirds (71.6%) also purchased items from specialty food stores focusing on local, organic or natural food items, and roughly two-thirds (66.5%) additionally attended farmers markets to purchase desired food items for their households. CSA ventures and other food outlets were also used by 26% (each) of the respondents.

The survey also contained questions (not tabled in the interest of space) about the consumer member’s satisfaction with the OFC buying experience and communication efforts. A majority of the responding members agreed with statements regarding the acceptability of the distribution system, condition of products received, and positive interaction with the cooperative. The majority of the respondents were also satisfied with the communications they received from the OFC. Surprisingly for a group of which over 90% accessed the internet daily, only a minority expressed interest in following the OFC through social media. In contrast to the previous result in which a majority expressed satisfaction with the current once a month distribution system, 52% of the respondents indicated that they would purchase more food through the OFC if the cooperative established twice a month deliveries.

Producer-Member Preferences/Opinions

The OFC's producer-members are very supportive of the venture as a marketing channel, with 94.6% of respondents stating that the cooperative is an important marketing channel for their farm/business. From responses to questions not tabled in the interest of space, 97.3% of the producers somewhat/strongly agreed that the OFC should in the future place its primary emphasis on locally grown products, and 81.1% thought the OFC should simultaneously emphasize sustainable production along with locally grown. Alternatively, 80.5% were indifferent, or to some level disagreed with the concept of placing greater emphasis on certified organic production. Several of the producer members offer more than one type of product for sale through the OFC, but the most common offerings are fruits/vegetables (32.4%), meat/poultry (29.7%), and dairy/eggs (29.7%) (Table 7). "Other" products/services offered by the respondents included cookbooks, food preparation aids, and even by-products from food handling/processing activities.

While the OFC remains a popular marketing outlet for locally grown products, respondents to the survey indicated that in many cases the OFC does not account for a large share of their annual sales. Forty-three percent of the responding producer-members indicated that OFC sales account for less than 20% of their annual sales, and 85.8% indicated that the OFC accounts for less than half of their annual sales (Table 15). Monthly sales transactions through the OFC account for less than \$100 in sales for 34.3% of the producer respondents. Another 25.7% of respondents indicated that an average month's business volume through the OFC would generate between \$100-\$500 in sales, and 28.6% averaged between \$500-\$1,500 in monthly sales. For a small percentage of respondents (four respondents in all, or 11.4%) the OFC generated an average monthly sales volume exceeding \$2,500, with half of those stating they average more than \$3,500 in sales each month.

Producer-members utilize several other market outlets for their products (Table 8). Farmers markets (67.7%) are the most common market outlet used by the producers, but more than half (51.6%) also marketed products through specialty stores, 29% marketed products through conventional grocery/supermarket stores, and more than a third (35.5%) were active producers in other food cooperatives. CSA efforts also served as market outlets for 29% of the respondents.

While some of the OFC's producer-members are larger, well-recognized Oklahoma agricultural producers, most of the producers were smaller producers,

and 69.4% operate as sole proprietors. Other business forms utilized by producer-member respondents for their farms/operations included LLCs (19.4%), S corporations (8.3%), and general partnerships (2.8%). Forty-three percent of the respondents indicated that their operations were located in or near the Oklahoma City metropolitan area, suggesting that the proximity to the drop-off site made the OFC a more viable market outlet.

Table 9 shows the producers' responses to a question about their 2009 pre-tax farm/business income. Most were small operations, with 51.4% stating that their gross income from operations was less than \$25,000 in 2009. Almost two-thirds (65.7%) had less than \$50,000 in gross income for that year, although 14.3% generated more than \$100,000 in pre-tax income for 2009.

Summary and Implications

The OFC is a MSC that operates under a unique structure. While harmonization of member interests is a typical issue in MSCs, the survey results indicate that both member types (consumer and producer) have similar satisfaction with the OFC. Both consumers and producers are drawn to the locally-grown concept of the OFC. This shared vision is what has allowed the OFC to grow both its membership and its transaction volume every year since 2003. However, the two groups tend to significantly differ in years of involvement in the OFC, participation in governance and in their involvement with other types of cooperatives. The two stakeholders groups also differ somewhat in the importance of organic foods. Eighty seven percent of the consumer members rate organic foods as important to their decision to patronize the OFC, while 85% of the producer members disagree with the statement that the OFC should place greater emphasis on organic foods.

These factors, combined with the OFC board's recognition that a majority of its consumer-members are inactive, suggest that consumer-members as a whole are inclined to become less active in the cooperative rather than use their overwhelming majority of votes to set the course for the cooperative. Although a majority of the respondents appreciate the many communications they receive from the OFC, they tend to act as second-class members of the cooperative, letting the producer-members decide the direction of the OFC and serve as a majority of the board's members.

Because the OFC is just one of many food transaction arenas for both consumer-members and producer-members, the cooperative faces the challenge of maintaining its sustainability as a business venture and its convenience/viability

for members. If both consumers and producers can facilitate the transaction of the same goods/services in multiple arenas throughout the state, the OFC must consider ways of keeping member interest in the cooperative's trading capacity. Otherwise, the current monthly trading regimen may give way to options such as warehouse trading or even storefronts, where producers can maintain inventories of products and consumer transactions can occur on a daily basis. As a MSC, the OFC must continue to work to harmonize the goals of its producer and consumer membership groups.

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Table 1. Oklahoma Food Cooperative members: length of membership and discovery mechanism

Length of Membership in the OFC	Consumer Responses (n=342)	Producer Responses (n=37)
Less than 12 months	29.2%	2.7%
Between 12 and 24 months	18.4%	2.7%
2-3 years	24.9%	27.0%
4-5 years	15.8%	37.8%
6-7 years	9.1%	24.3%
Don't remember	2.6%	5.4%
Means of First Discovery		
Word of mouth/From a member of the Oklahoma Food Cooperative	47.4%	75.7%
Media (newspaper, TV, or radio story)	9.4%	5.4%
Public presentation at a school, at a civic event, or to an organization	1.2%	2.7%
Internet/Website search	29.8%	0.0%
Local farmer/farmers market	4.4%	8.1%
Other	7.9%	8.1%

Table 2. Oklahoma Food Cooperative members: cooperative business experiences.

Attendance at one or more OFC annual meetings	Consumer Responses (n=343)	Producer Responses (n=37)
Yes	21.6%	83.8%
No	78.4%	16.2%
Experiences/affiliations with other common types of cooperatives.	Consumer Responses (n=175)	Producer Responses (n=24)
Rural electric cooperative	29.1%	83.3%
Rural water cooperative	9.1%	12.5%
Credit union	81.7%	54.2%
Farm/ranch supply cooperative	3.4%	16.7%

Table 3. Order/delivery timeline preferences of OFC member survey respondents.

	Consumer Responses (n=337)	Producer Responses (n=37)
Monthly (current)	49.3%	50.0%
Twice monthly	42.4%	36.1%
Weekly	8.3%	13.9%

Table 4. Relative importance of factors impacting the decision to become/remain a member of the OFC. (n=343 consumer-members)

	Not Important = 1	2	Neutral = 3	4	Most Important = 5	Rating Average	Response Count
Locally grown items	0.6%	0.0%	0.3%	14.0%	85.1%	4.83	342
Organically grown items	2.0%	2.6%	8.5%	35.0%	51.9%	4.32	343
"All natural" products	2.0%	2.9%	12.3%	33.0%	49.7%	4.25	342
Quality (taste, freshness)	0.6%	0.3%	1.5%	23.0%	74.6%	4.71	343
Health and nutrition	0.3%	1.8%	4.1%	28.7%	65.2%	4.57	342
Wide selection/easy shopping	2.6%	7.3%	22.0%	35.8%	32.3%	3.88	341
Interaction with producers, i.e. "Know Your Farmer"	2.1%	5.6%	23.9%	36.6%	31.9%	3.91	339
Having a say in the operations of the Co-op (i.e. your right to vote as a member)	10.6%	12.3%	43.1%	22.6%	11.4%	3.12	341

Table 5. Average per-year orders and average per-order values of purchases by OFC consumer-members.

Per Year Orders (n=338)	Response Percent	Response Count
Never order	1.8%	6
1-3 times	10.9%	37
4-6 times	13.6%	46
7-9 times	21.3%	72
10-12 times	52.4%	177
Per Order Average Values (n=337)		
Less than \$25	3.6%	12
\$26-\$50	14.8%	50
\$51-\$75	18.4%	62
\$76-\$100	27.9%	94
\$101-\$200	25.8%	87
\$201-\$300	6.8%	23
More than \$300	2.7%	9

Table 6. Monthly food purchase information for OFC consumer-members.

Pct. monthly food purchases via the OFC (n=337)	Response Percent	Response Count
0-10%	27.0%	91
11-20%	30.9%	104
21-30%	16.0%	54
31-40%	13.1%	44
41-50%	8.6%	29
51-60%	3.0%	10
More than 60%	1.5%	5
Other market channels for monthly food purchases (n=331)		
Supermarket(s)	97.9%	324
Store(s) specializing in organic, natural, and/or locally grown products	71.3%	236
Farmers market(s)	66.5%	220
Other food cooperative(s)	26.0%	86
Community Supported Agriculture (CSA) effort	26.0%	86
Other	27.8%	92

Table 7. Types of products/services* offered by OFC producer-member respondents. (n=37)

	Response Percent	Response Count
Fresh fruits/vegetables/herbs	32.4%	12
Canned foods (e.g. salsas, sauces, soups, jams, jellies, etc.)	8.1%	3
Meat/poultry	29.7%	11
Dairy or eggs	29.7%	11
Prepared foods (e.g. entrees, side dishes, holiday foods, pizzas, etc.)	10.8%	4
Bakery products, grains, flours, and/or dry mixes	16.2%	6
Beverages	0.0%	0
Candy, fudge, natural sweeteners, and/or condiments	8.1%	3
Bath and beauty, laundry care, and/or scented home items	5.4%	2
Apparel (men, women, and/or children)	8.1%	3
Gift baskets/boxes	16.2%	6
Jewelry and/or home décor	13.5%	5
Art items (includes music)	10.8%	4
Pet products	5.4%	2
Gardening items (includes seeds, live plants, soil amenities, and growing aids)	16.2%	6
Other (please specify)	32.4%	12

*Totals exceed 100% because some producers offer more than one type of product.

Table 8. Sales/marketing information for OFC producer-member survey respondents.

Pct. of <u>annual</u> sales generated through OFC (n=35)	Response Percent	Response Count
Less than 20%	42.9%	15
21-30%	14.3%	5
31-40%	14.3%	5
41-50%	14.3%	5
51-60%	0.0%	0
61-70%	5.7%	2
Over 70%	8.6%	3
Average value of <u>monthly</u> sales through OFC (n=35)		
Less than \$100	34.3%	12
\$101-\$500	25.7%	9
\$501-\$1,500	28.6%	10
\$1,501-\$2,500	0.0%	0
\$2,501-\$3,500	5.7%	2
More than \$3,500	5.7%	2
Other marketing outlets besides OFC where producer-members market their products (n=31)		
Retail grocery/Supermarket(s)	29.0%	9
Store(s) specializing in organic, natural, and/or locally grown products	51.6%	16
Farmers market(s)	67.7%	21
Other food cooperative(s)	35.5%	11
Community Supported Agriculture (CSA) effort(s)	29.0%	9
Other outlets	90.3%	28

Table 9. Gross income for OFC producer-members' farm/business operations in 2009 (pre-tax dollars). (n=35)

	Response Percent	Response Count
\$25,000 or below	51.4%	18
\$25,000 - \$50,000	14.3%	5
\$50,000 - \$75,000	2.9%	1
\$75,000 - \$100,000	5.7%	2
\$100,000 - \$150,000	11.4%	4
\$150,000 - \$250,000	2.9%	1
More than \$250,000	0.0%	0
Prefer not to answer	11.4%	4