

Cornhusker Economics

New Cooperative Approaches – Successes and Opportunities

October is Co-Op month. Since 1964, October has been a time to raise the awareness of the cooperative model as a viable business that is defined as a user-owned and controlled business from which benefits are derived and distributed equitably on the basis of use or as a business owned and controlled by the people who uses its services (USDA RD). Cooperatives are designed to reward use, encourage users to commit to using the services, and encourage users to voice opinions about how the business is doing.

In 1920, Maurice Harley Weseen wrote in the Journal of Political Economy that:

“In Nebraska, where the co-operative movement is young, the educational and social work has naturally not been developed to a very high degree. Co-operators are, however, proving themselves influential in the establishment of consolidated rural schools and are in many cases using these as social centers. Everywhere the attempt is made to inculcate the ideal of ours instead of mine, in the belief that a wider sense of possession will lead to a wider sense of responsibility.”

He continued to write that:

“...Professor Filley and officers of the Farmers' Union declare that they find it very difficult to respond to all the requests which come to them for assistance in organizing new companies.”

The [National Cooperative Business Association](#) CLUSA International states that there are 40,000 co-ops in the United States that range in size. Examples of cooperatives include the local Ace Hardware (purchasing cooperative) to Land O' Lakes. Cooperative businesses operate across virtually all industries, or sectors. The most common cooperative in Nebraska is the ag cooperative. According to the [Nebraska Cooperative Council](#) ag facts, in June 2020 there were 401 cooperatives located across the state providing jobs and services in many rural communities. In addition, there are over 64,400 farmers and ranchers that are voting members of Nebraska cooperatives with many members of more than one cooperative. Cooperatives have continued to be a viable business in Nebraska for over 100 years.

Rural Grocery Cooperatives - Successes

The grocery store consumer cooperative has gained more interest in Nebraska's rural communities as business owners have retired and a buyer has not been found. The Nebraska Cooperative Development Center (NCDC) worked with three communities through the cooperative process that have successfully opened since May 2021:

[Farm to Family Cooperative](#), Hay Springs, Nebraska opened in May 2021

[Valley Foods Cooperative](#), Lynch, Nebraska opened in February 2022

Post 60, Emerson, Nebraska opened in August 2022



Figure 1 Farm to Family Cooperative

The motivation for forming a cooperative store is expressed on the Valley Foods Cooperative website, “A grocery store is the heart that keeps small, rural communities like ours alive.” Each of the stores selected the cooperative model to increase buy-in and minimize risk. This echoes Weseen’s comment to have a wider sense of community.



Figure 2 Post 60 Board Sharing Story

CooperationWorks! members visited the Post 60 grocery store as part of a tour in Nebraska. The board members shared their cooperative journey experience with the developers. CW is a national network of cooperative developers.

North Dakota Rural Access Distribution Pilot - Opportunity

Working together cooperatively to own a grocery store may not be enough to bring affordable food to our rural communities. When a grocery store is unable to secure a supplier, they may need to purchase from another grocery store that will limit selection and increase costs. This is highlighted by North Dakota Association of Rural Electric Cooperatives research that found the current distribution infrastructure was adding to the cost of food in rural places and contributing to a lack of variety of products ... The Upper Great Plains Transportation Institute conducted a basic optimization of the distributor routes (based on efficiency rather than volume) and found that there was a projected annual transportation savings that could be gained amounting to \$383,000.



Figure 3 Valley Foods Cooperative Grand Opening

This led to the [Rural Access Distribution](#) (RAD) Cooperative pilot project funded by Blue Cross Blue Shield of North Dakota (BCBSND) Caring Foundation. RAD is a shared services cooperative, or redistribution hub, comprised of three grocery stores, one bar and restaurant, and a community development organization from communities in northeastern North Dakota. From the RAD website the shared services cooperative will:

- purchase together to decrease wholesale costs
- aggregate product for transportation efficiencies
- provides a local online shopping and delivery option for added convenience.
- services climate-controlled grocery lockers to provide access to healthy foods for communities in their service area that do not have a grocery store.

RAD is showing promise in the initial stages. This leads to a number of questions.

- Can this shared services cooperative model work in Nebraska?
- If all food deliveries are aggregated to one location and distributed, can this be a way to also distribute local foods more widely and reduce the transportation costs?
- Are there other businesses that would benefit from working cooperatively?

NCDC is seeing an increase in exploring cooperatives models

NCDC has received an increased number of inquiries into exploring other cooperative business models. This includes cooperatives that are now in the initial stage of formation - real estate investment cooperatives and home health care worker cooperatives. And, many inquiries in other industries including daycare, pharmacy services, vet clinics, land ownership, credit unions, and local foods. Each of the business models is unique and NCDC works to identify examples and resources in the industry. The numerous inquiries have led the NCDC staff to make similar comments as referenced by Professor Filley above that it may be difficult to meet all requests.

Nebraska is still young in the cooperative movement as described in 1920 by Weseen. Young in the sense of exploring worker cooperatives and utilizing the advantages of a shared services cooperatives.

NCDC assists groups and communities who are exploring or have formed a cooperative business since 1999. NCDC can guide a cooperative effort from visioning to implementation. Services include facilitation, providing resources, technical assistance, and education.

For more information, visit NCDC.unl.edu.

Sources:

References

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