



# Cooperative Marketing: New Generation Cooperatives and Agriculture

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- Agriculture is at a crossroads in America
    - Globalized and centralized food clusters control a majority of food production and sales in the world.
    - Urbanization is absorbing agricultural lands.
    - Young adults are moving to other areas of employment.
    - Agricultural policy seems to support this trend.

- Opportunities do exist for sustaining family farms and ranches.
  - Value added niche markets
  - Capitalizing on geographic specific qualities of food and fiber produced
  - Community supported agriculture
  - Including additional activities within the farm enterprise- agri-tourism, hunting, fishing, non-farm businesses

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- The background of the slide is a solid dark brown color with a pattern of lighter brown, semi-transparent autumn leaves scattered across it. The leaves vary in size and orientation, creating a textured, organic feel.
- One mechanism for sustaining family farms and ranches may be organizational.
  - New Generation Cooperatives may be able to play an important role in maintaining the viability of family farms.

- What's driving the need for new structures to support agriculture?
  - 1) Grower returns for raw commodities as a percent of the consumer's food dollar have been declining.
  - 2) Access to markets for growers has become more difficult as concentration among food processors and retailers has accelerated.
  - 3) Independent family farms feel threatened by the so-called "industrialization" of agriculture.

## ■ Trends (cont.)

- 4) Technological advances continue to result in increased production.
- 5) Exports were curtailed by the downturn in Asian markets, by globalization of markets and the strong dollar.
- 6) Growers have been looking for a way to share any increase in the value of their cooperative, especially when they approach retirement.

- What are New Generation Cooperatives?
  - 1) Defined membership- it is able to control supply or access to NGC
  - 2) Delivery rights
  - 3) Upfront equity required from producers- often 50% of the project must be raised
  - 4) Delivery rights are transferable and may fluctuate in value
  - 5. Marketing agreement entered into between member and cooperative; generally evergreen contracts- time specific

- Cooperative Marketing has a potential positive impact.
  - 1) Aggregating supply to meet demand
  - 2) Shares the risk of new ventures
  - 3) Provides a forum for political input.
  - 4) Provides a platform for innovation
  - 5) Allows farmers and ranchers to work together and share the benefits



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