

Exploring the Potential of Consumer Co-op as an Innovative Local Food Distribution Method – The Case of the Northeast

Liang, Chyi-lyi (Kathleen) & Michahelles, Marina S.

University of Vermont, Department of Community Development and Applied Economics, Burlington, Vermont



USDA Agricultural Experiment Station, Hatch Funding 2007-10

Introduction

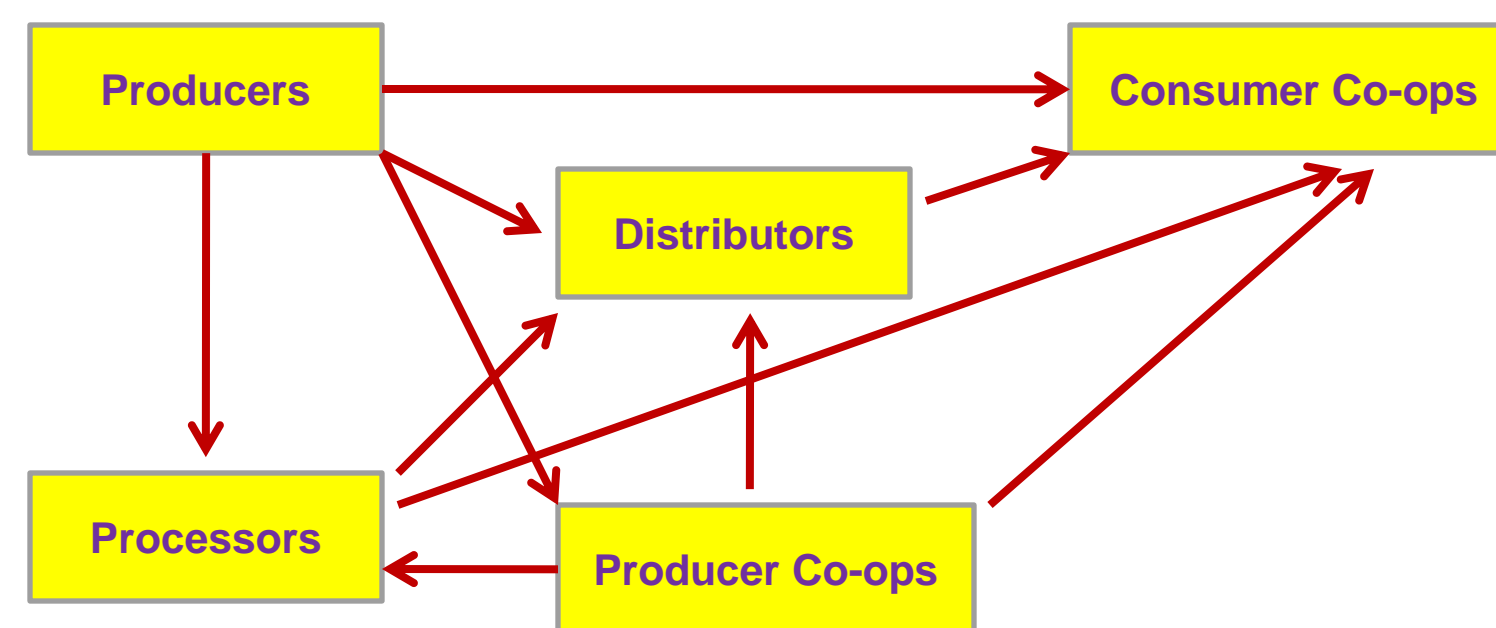
“Eat Local” and “Locally Produced” have become hip food trends in the US emphasizing the economic, environmental, social, and health benefits of supporting local agriculture. Consumers have become more interested in the place of origin than the production method of their food. Traditional food distributions still favor larger market participants and rely on changes in information technology, processing, wholesaling, and transportation. Sales of local foods must find a niche through unconventional markets such as farmers’ markets and CSA. This study explores the potential of consumer co-ops for farmers to connect with customers directly. Co-ops could serve as a non-mainstream yet efficient outlet for local food market because they are collective bargaining units between producers and consumers (all members) and what co-ops carry for sale reflect on members’ preferences and food availability. This study focuses on the Northeast region since the majority of farms in the Northeast are very small, very diverse, and located in rural areas with limited access to urban populations and transportation services.

Objectives

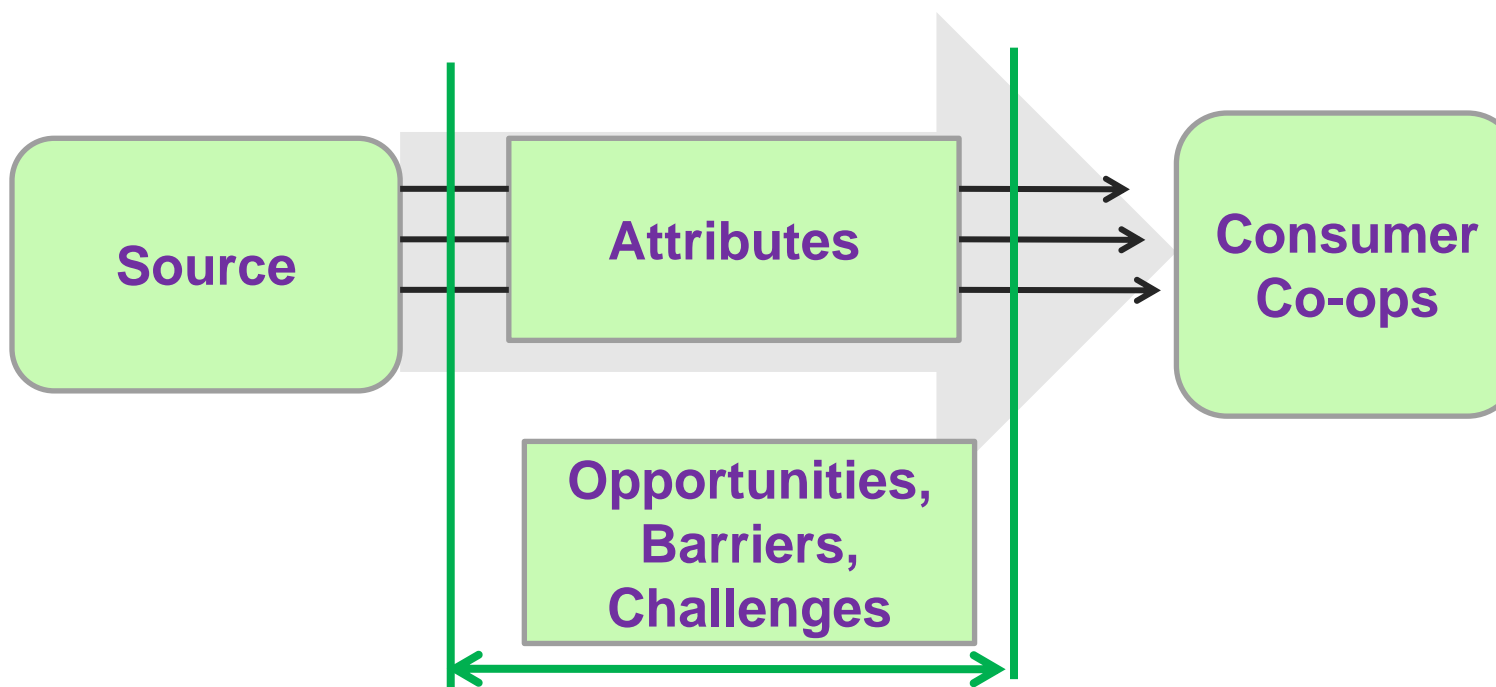
- To explain unique operational structures of the consumer co-ops in the Northeast region.
- To explore attributes of local food that encourage consumer co-ops to establish a strong root in local communities.
- To identify barriers and challenges for consumer co-ops to be competitive and sustainable in local food market.

Conceptual Models

Local food distribution – from producers to consumer co-ops



Consumer Co-op Local Sourcing Model



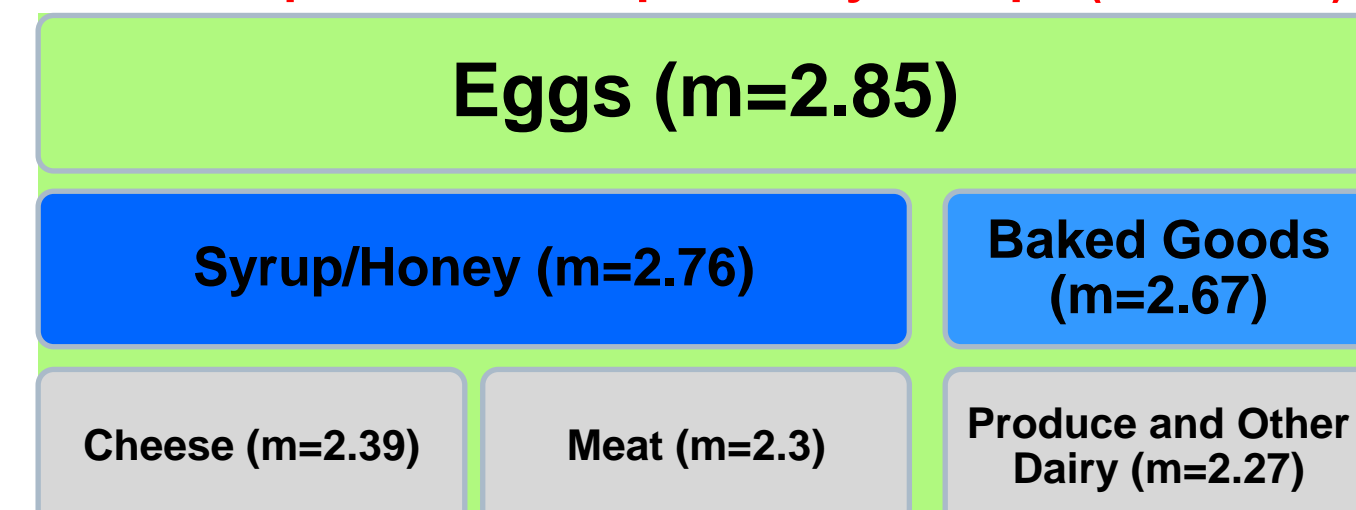
Research Method

Research Target – managers and working members of 67 consumer co-ops in 13 Northeastern states.
 Survey design – background information, demographics, size of the retail store and storage capacity, Cooperative Grocer ranking, mission statement, open-ended questions regarding reasons for sourcing locally, barriers and challenges.
 (Likert-scale 1 – 5, 1 being very weak and 5 being very strong)

Findings

Co-ops profile: 52% participants were ranked “small” by the Coop Grocer Standard, 35% were ranked “medium”, and 13% were ranked “large”. On average, co-ops sourced a little over 17% of their food from local producers and regional distributors, and worked with an average of 40 farms. About 13 Vermont co-ops sold almost \$4 million-worth of local food annually.

Most Popular Food Reported by Co-ops (Scale 1-5)



Strongest Reasons for Sourcing Locally

- Environmental Concerns (94%)
- Relationship with Producers (86%)
- Ethical Reasons (86%)
- Aiding Local Economy (34%)

No significant differences between states, operation size, locations, and ranking

Greatest Barriers for Sourcing Locally

- Limited Supply of Local Goods (44.3%)
- Complicated Vendor Relationships (45.3%)
- Distribution and Logistics (43.1%)

No significant differences between states, operation size, locations, and ranking



Description of Principal Component Extracted from Reasons for Sourcing Locally

	Component		
	1 Political/Ethical	2 Product Quality	3 Consumer Demand
Eigenvalue	3.22	1.55	1.14
% of variance	40.25	19.35	14.24
Cumulative % of variance	40.25	59.61	73.85
Demand	-0.15	-0.01	0.91
Quality	0.11	0.89	-0.15
Supply	0.21	0.68	0.41
Relationship with producers	0.39	0.24	0.73
Cost	0.29	0.61	0.28
Ethical	0.89	0.17	0.06
Political	0.91	0.03	0.04
Environmental	0.63	0.51	-0.03

Description of Principal Component Extracted from Barriers for Sourcing Locally

	Component		
	1 Infrastructure/Cost	2 Product Quality	3 Multiple Vendors
Eigenvalue	1.98	1.21	1.06
% of variance	32.94	19.97	17.61
Cumulative % of variance	32.94	52.91	70.52
Demand	0.12	0.79	0.05
Quality Inconsistency	-0.01	0.84	-0.02
Supply	0.52	0.24	-0.66
Infrastructure	0.81	0.27	-0.02
Cost	0.78	-0.13	0.16
Multiple Vendors	0.35	0.18	0.78



Expected Relationship Between Factors and Percentage of Sourcing Locally

- Reasons: Political/Ethical Reasons (+)
- Reasons: Quality of Products (+)
- Reasons: Demand (+)
- Barriers: Infrastructure/Cost (-)
- Barriers: Quality Inconsistency (-)
- Barriers: Multiple Vendors (-)

Conclusion and Discussion

- Given no significant differences in co-ops’ responses to local food attributes and barriers, consumer co-ops in the Northeast source local food for similar reasons and face similar challenges regardless their location, size of operation, and Grocer ranking.
- Consumer demand seems to be established and growing stronger over time. The concerns are “how we connect local producers with local consumers to provide healthy food with a reasonable cost for both producers and consumers.”
- Five general rules could be derived –
 - ✓ *Many hands make light work. (improve on networking)*
 - ✓ *Can’t see the wood for the trees. (look at the broader picture)*
 - ✓ *The bigger they are, the harder they fall. (pay attention to the scale of operation and management)*
 - ✓ *Don’t put all your eggs in one basket. (diversify)*
 - ✓ *Waste not, want not. (conserve food and resources)*

Our dream is to create a consumer co-op that will combine eBay and Fed Ex for food system.
 Bruce, consumer co-op director

Policy Implications and Future Research

- Define “LOCAL”.
- Measure specific impacts of local food market within regions and across regions – employment, resource allocation, environmental impacts, etc.
- Compare and contrast consumer co-ops with other food distribution venues.
- Construct food distribution clusters to monitor food distribution activities by demographics, social and economic characteristics, transportation needs, and health factors.
- Examine relationship between local food distribution and local farm viability, local economics development, and community health.

Reference

Michahelles, Marina S. (2008). The Distribution of Local Food Through Consumer Cooperatives in the Northeast, MS Thesis, Department of Community Development and Applied Economics, The University of Vermont.