

# The Ownership of Enterprise in Colorado: Agricultural and Community-Based Cooperatives

Daniel Mooney, Seonhyun Kim, Martha Sullins, Dawn Thilmany  
REDI Report – December 2022

<https://redi.colostate.edu/>

- A cooperative is a business that is owned and controlled by the people who use its services.
- In 2020, there were 25 farm cooperatives headquartered in Colorado with 20,000+ members. Many other types of coops also exist that serve the agricultural, farm, and food communities
- Cooperatives represent an important form of business organization in Colorado, both in terms of number of members and net business volumes.

## Introduction

A cooperative is a business that is controlled and owned by the people who use its services. These user-owners are called members. Typically, the members form a cooperative to supply products, provide access markets, or offer services that would otherwise be unaffordable, inaccessible, or unavailable. For example, they might unite to purchase supplies, process or sell products, deliver services, offer labor or care, or enjoy other mutually beneficial services and activities. In addition to using a cooperative's services, members also receive a share of the earnings made by the cooperative. These benefits are returned to members in proportion to their use. A recent national study found that cooperatives generate over \$650 billion in revenue, support over 2 million jobs, and account for over \$133 billion in income (UW Center for Cooperatives, 2009). This report discusses doing business as a cooperative and highlights agricultural and community-based cooperatives in Colorado.

## About Cooperatives

In many ways, cooperatives operate like other businesses. They use bylaws to guide their operations, are managed by a board of directors, and are incorporated into state law. Yet, they also represent a distinct form of business organization. The main differences are found in three principles that explain the uniqueness of operating as a cooperative (USDA, 2016). They are the user-owner, user-benefits, and user-control principles. First, members own the cooperative's assets and are obliged to finance its activities. Second, they benefit directly from using the cooperative's services and indirectly from sharing in the cooperative's earnings. Last, members hold voting rights and democratically control business decisions. More information on cooperative principles and business structure is available online from the National Cooperative Business Association (NCBA), U.S. Department of Agriculture (USDA), or UW Center for Cooperatives.

Many cooperatives exist specifically to serve farm and ranch businesses. The U.S. Department of Agriculture distinguishes three main types of farm cooperatives: marketing, supply, and service.

- Marketing cooperatives are formed to collectively handle, process, and sell members' farm products. There are marketing cooperatives in the United States that handle most farm products, including many raised in Colorado, including beans, peas, fruit, vegetables, grains, oilseeds, livestock, poultry, and wool.
- Supply cooperatives are formed to help members access affordable, high-quality inputs and supplies. This can include seed, fertilizer, chemicals, crop protectants, feed, animal health products, petroleum, fencing, building materials, machinery, and accessories.
- Service cooperatives are formed to provide specific production and marketing services to members, like reproduction assistance for livestock farmers or input application, harvest, drying, processing, handling, storage, trucking, and shipping for crop farmers.

In addition to farm and ranch cooperatives, there are many other types of cooperatives that also exist to serve the agricultural, farm, and food sectors. For example, they can include:

- Marketing, supply, and service cooperatives related to grocery, food, arts & crafts, and other retail sectors;
- Utility cooperatives related to the generation, transmission, and distribution of services such as electricity, telecommunications, and water;
- Financial cooperatives including the Farm Credit System, credit unions, mutual insurance groups; and
- Social and public co-ops including health, childcare, labor, housing, transportation, and education services.

### Farm Cooperatives in Colorado

In 2020, there were 25 farm cooperatives headquartered in Colorado with over 20,000 members (Figure 1) (USDA, 2020). This represents an 80% decrease since 1950 when over 100 cooperatives were operating in the state. It also closely mirrors an overall decline in cooperative numbers at the national level during this period. However, during this same period, the average size of cooperatives in the state grew in terms of the average number of members and net business volume (Figure 2). Within the past decade, however, the number of cooperatives in the state has remained relatively stable and members have increased.

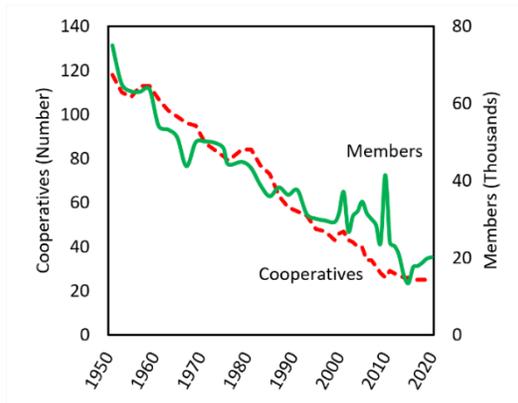


Figure 1. Number of farm and ranch cooperatives and members in Colorado

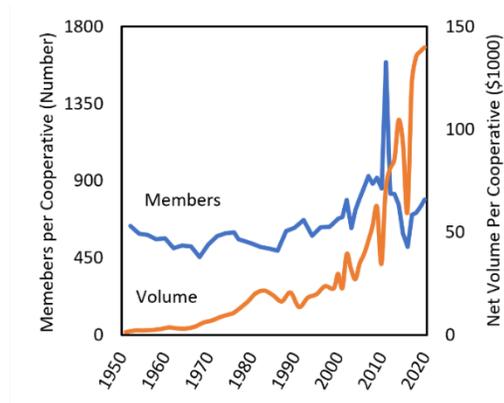


Figure 2. Average membership and net business volume per farm cooperative in Colorado

The types of farm cooperatives headquartered in Colorado in 2020 were nearly evenly split between marketing and supply cooperatives (Table 1) (USDA, 2020). However, the decline over time was more remarkable for marketing cooperatives than supply cooperatives. There are no primarily service-oriented cooperatives in Colorado; however, the existing marketing and supply cooperatives offer some farm services to their members. Service cooperatives that support the farm sector also exist, like the farm credit system branches, but are not recorded in Table 1.

Table 1. Number of farm cooperatives in Colorado						
	1965	1975	1985	1995	2010	2020
Marketing	56	49	43	26	10	13
Supply	39	31	29	22	15	12
Service	4	1	1	-	-	-
<b>Total</b>	<b>99</b>	<b>81</b>	<b>73</b>	<b>48</b>	<b>26</b>	<b>25</b>

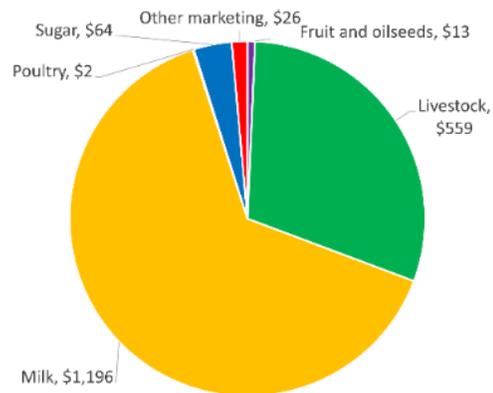


Figure 3. Net business volume of Colorado farm cooperatives by commodity type (in \$millions)

In 2019, Colorado agricultural cooperatives had net sales (supply and commodity sales) totaling \$2.67 billion U.S. dollars (Figure 3) (USDA, 2020). Most of these sales were from co-op marketing of milk (\$1.19 billion) and grain and oilseeds sales (\$0.55 billion). Colorado had \$0.74 billion in supply sales with petroleum sales of \$0.38 billion. The gross business volume was \$2.93 billion in 2019, up \$0.2 billion from 2018.

Notably, among financial cooperatives in Colorado, the Farm Credit System is the nation's oldest and largest financial cooperative. It provides operating loans, real estate, and land improvement loans, equipment loans, and many other services through local Farm Credit associations.

### **Other Agricultural, Food, and Community Cooperatives in Colorado**

Other types of cooperatives are seeing a resurgence in Colorado as producers and service providers look for alternative forms of business organization to share risks and rewards and bring in new members (Barnett, 2019). Many of these new cooperatives are highly innovative and exist to specifically serve the agricultural, farm, and food communities in Colorado. Two selected examples include:

Poudre Valley Community Farms (PVCF) A land cooperative, PVCF was incorporated in 2017 as a multi-stakeholder cooperative. It aims to provide affordable and long-term land access to local food producers committed to environmental and social sustainability; increase the availability of locally produced food; foster equitable community ownership of farmland; and create a tangible positive impact on society. Members join by purchasing stock shares. PVCF is governed by a board of directors and holds annual member meetings. To date, the co-op has secured long-term leases for several Larimer County farmers, including on land owned by the city of Fort Collins. PVCF also owns land for agricultural use that is protected with a conservation easement in perpetuity. It is leased to a farmer long-term and includes livestock equipment and infrastructure access.

High Plains Food Coop (HPFC) This was formed in 2008 to create market access in the Denver metro area for rural farmers and ranchers located east of the city in Nebraska, Colorado, and Kansas. HPFC is a producer and consumer-owned coop that provides flexible product sourcing, ordering, and delivery for its members. By leveraging delivery partners, the coop has expanded its area of economic impact. It has created backhaul opportunities from the Denver area for rural producers in parts of Colorado and Kansas. Each member has one vote on coop issues, and the members elect representatives to its board.

### **Further Reading**

References mentioned in this report and materials for further reading include:

- Barnett, J (2019, March 19) Colorado co-ops seeing a revival in state with strong ties to “radical tradition”. *Denver Post*. Available online at: <https://www.denverpost.com/2019/03/15/cooperatives-revival-colorado/>
- National Cooperative Business Association (NCBA). (2022). Education and Learning. Available online at: <https://ncbaclusa.coop/membership/education-and-learning/>
- U.S. Department of Agriculture (2016) Co-ops 101. Cooperative Information Report 55. Washington, DC. Available online at: <https://www.rd.usda.gov/sites/default/files/publications/CIR55.pdf>
- U.S. Department of Agriculture (2020) Agricultural Cooperative Statistics. USDA Service Report 84. Available online at: <https://www.rd.usda.gov/resources/publications-for-cooperatives>
- U.S. Department of Agriculture (2022) Directory of Agricultural Cooperatives. Available online at: <https://www.rd.usda.gov/programs-services/all-programs/cooperative-services>
- University of Wisconsin Center for Cooperatives (2009) Research on the Economic Impact of Cooperatives. Available online at: [reic.uwcc.wisc.edu/sites/all/REIC\\_FINAL.pdf](http://reic.uwcc.wisc.edu/sites/all/REIC_FINAL.pdf)
- University of Wisconsin Center for Cooperatives (2022). What is a Co-op? Available online at: [reic.uwcc.wisc.edu/sites/all/REIC\\_FINAL.pdf](http://reic.uwcc.wisc.edu/sites/all/REIC_FINAL.pdf)