Co-operatives as an Alternative Distribution System for Local Food and Community Development

by

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ABSTRACT

CO-OPERAIVES AS AN ALTNERATIVE DISTRIBUTION SYSTEM FOR LOCAL FOOD AND COMMUNITY DEVELOPMENT

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Consolidation within the food system places the needs of the system itself over the needs of communities (Brenner, Peck and Theodore, 2010; Patel, 2010; Gross, 2011; Holt-Gimenez and Shattuck, 2011; Marsden and Franklin, 2013). To ensure the system’s needs are met the current food system curtails information flows creating an asymmetry of information between consumers and retailers (Jaffe and Gertler, 2006; Nestle’, 2007). This lack of information leads to decreased community participation within the food system as seen by the distancing of consumers from food preparation (Jaffe and Gertler, 2006).

This research examined how Ontario food co-operatives developed to address a community’s ability to participate within the food system. Three questions were asked within this research project to determine the role of food co-operatives in Ontario:

1) How do Ontario co-operatives define and interact with their communities to bring about community development?
2) What is the current state of Ontario food co-operatives through the examination of governance, finances, and their scale of distribution?
3) How do co-operatives address the consolidation and asymmetry of information within the current food system?
To address these questions, nine case studies and key informant interviews with co-operative managers were completed across four regions and one sub-region in Ontario. To be considered a food co-operative, the mission and vision statement for the co-operative had to emphasize a food focus to the business strategy.

Co-operatives were segmented within the sample based on average gross sales revenues over three years. Financial analysis of the co-operatives was completed using three years worth of data. Spatial analysis of membership was completed to define scale of distribution using membership postal codes.

The results showed that small and medium co-operatives maintained a consolidated membership base with potential for greater interaction between co-operative and membership. This interaction assisted in the development of a community definition as well as programs to address the asymmetry of information in the food system. The programs also acted as a bridge between socio-economic groups within the community, helping to facilitate community development.
Acknowledgements

There is no one more worthy of thanks for her patience, support and love during the completion of this work than my wife, Jill Grantmyre. Through multiple acts of kindness and support Jill has seen me through the hours, days, weeks and months of writing that it has taken to complete this work. Jill has been with me from the beginning of my graduate studies and has helped me reach its successful conclusion. This work and my development could not have happened if it were not for Jill Grantmyre’s love and support.

Dr. Wayne Caldwell’s support as an advisor and mentor has been a great assistance to me in my academic development. As an advisor Dr. Caldwell has taught me to examine assumptions and expectations with a critical eye. As a mentor he has provided me with a new view of life that looks to the bright side of things, the optimistic view of life that made working on this thesis a pleasure.

The support provided by my advisory committee has been exceptional. Dr. Karen Landman provided me with insights into areas of research I would not have thought of pursuing myself. Dr. John Smithers provided a supportive hand and optimistic, encouraging view that made me believe I could successfully complete this work. My gratitude and thanks goes out to both of these fine people for their support and guidance during this learning process.

Special thanks to Ms. Desire Pinkney who was an immeasurable help in the collection of field data over the course of this project. Ms. Pinkney provided the energy and motivation to complete the work with the co-operatives in a timely and professional manner. Not only did Ms. Pinkney put up with my many and varied ideas, which changed on a minute-to-minute basis, but she also helped me to focus the research and inevitably finish this extensive work.

I must also thank Dr. Gwen Zellen, Director: Research and Innovation Branch and the Ontario Ministry of Agriculture, Food and Rural Affairs for supporting my decision to take on this challenge. Dr. Zellen’s enthusiasm for my plan to take on a Ph.D. in Rural Studies was a great help in deciding to take up the challenge.

To thank my brother, Dr. Mark Berge and my sister, Ms. Beth Ruff, for their support and love through this process would be the least I could do. My brother provided
inspiration to start this journey and my sister provided her never-ending support to complete the work. I cannot thank you both enough.

My thanks must be expressed for the joy that my sons, Jason, Thomas and Nicholas have given me that helped me to continue with this work. It is the constant thought of making my sons proud that motivated me to carry on till the last words were written. The future that they have given me in my grandson, Riley and my granddaughter, Ella, will always be the source of muse to carry on improving who and what I am.

Finally, my parents have been a source of support that no one could match. Their belief in me has helped me to complete this challenge and grow into a better person because of it. My father is the template of improvement that I pattern myself against and my mother is the spirit that guides my thoughts. Thank you my dearest parents for everything you have given me.
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### Acronyms

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<th>Full Form</th>
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<tbody>
<tr>
<td>ANT</td>
<td>Actor Network Theory</td>
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<tr>
<td>B.C.</td>
<td>British Columbia</td>
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<td>BCCA</td>
<td>British Columbia Co-operative Association</td>
</tr>
<tr>
<td>BPA</td>
<td>Bisphenol A</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
</tr>
<tr>
<td>CAFO</td>
<td>Confined Animal Feed Lot</td>
</tr>
<tr>
<td>CFFO</td>
<td>Christian Farmers Federation of Ontario</td>
</tr>
<tr>
<td>CSA</td>
<td>Community Supported Agriculture</td>
</tr>
<tr>
<td>EFAO</td>
<td>Ecological Farmers of Ontario</td>
</tr>
<tr>
<td>GM0</td>
<td>Genetically Modified Food</td>
</tr>
<tr>
<td>ICA</td>
<td>International Co-operative Alliance</td>
</tr>
<tr>
<td>IFS</td>
<td>Industrial Food System</td>
</tr>
<tr>
<td>IOF</td>
<td>Investor Owned Firm</td>
</tr>
<tr>
<td>NFU</td>
<td>National Farmers Union</td>
</tr>
<tr>
<td>NGC</td>
<td>New Generation Co-operative</td>
</tr>
<tr>
<td>MBA</td>
<td>Masters of Business Administration</td>
</tr>
<tr>
<td>OFA</td>
<td>Ontario Federation of Agriculture</td>
</tr>
<tr>
<td>POD</td>
<td>Place of Origin Designation</td>
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<tr>
<td>ROA</td>
<td>Return on Assets</td>
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<tr>
<td>SMP</td>
<td>Small and Medium Producers</td>
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<tr>
<td>SFSC</td>
<td>Short Food Supply Chain</td>
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<td>U.S.</td>
<td>United States</td>
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Chapter 1: Introduction

Discussions on local food have risen in prominence within the food system literature (Pollan, 2006; Blay-Palmer, 2008; Rubin, 2009; Patel, 2009; Donald, 2009; Blay-Palmer, 2010). Discussions continue as to what definition to utilize for local in the description of local food. Some authors have brought forward a spatial definition for local food characterizing local food as food produced within a one hundred mile radius of the consumer (Smith and MacKinnon, 2007). The Government of Ontario has defined local food based on political boundaries in their 2012 Promoting Local Food Act, Bill 130. Still other authors have defined local food as the distance, in terms of transactions, between consumer and producer (Marsden et al., 2002).

While we continue to struggle with an overarching definition of local for local food, the very idea of local becomes lost. Governments seek to define local within their politically controlled sphere and corporations attempt to keep the definition broad to allow for greater flexibility when producing their products. The concept of local, however, needs to include the community that partakes of the food products. The ability of a community to define and control its food system is a definition of local that has yet to be explored in great detail in the developed world. Food sovereignty has been studied in the developing world since 1996 when members of the Via Campesina movement first coined the term, but there has been limited focus in the developed world on the ability of communities to define their food system (Via Campesina, 1996).

Co-operatives offer a unique opportunity to assist in contributing to the definition of local food. Co-operatives build linkages within the community that stimulate discussions on food. The quality and characteristics of food feed into the co-operative’s democratic process in determining what food products to sell to the local community. Co-operatives also educate, train, and inform their community about the quality, traits and uses of the food products to be sold. It is through the guiding Rochdale Principles that co-operatives seek to include community in the operations of the food system. The seven Rochdale Principles include: 1) Voluntary and Open Membership, 2) Democratic Member Control, 3) Member Economic Participation, 4) Autonomy and Independence, 5) Education, Training and Information, 6) Co-operation among Co-operatives, and 7) Concern for Community.
A community’s ability to define their own local food system can be studied through the co-operative’s activities within the community. Through democratic activities within the food co-operative model, a community can define and control what they would consider local food. The democratization of the definition of local foods can be examined by studying the role of the co-operative within its community and the food system.

Co-operatives also take on a role of expanding the democratic process of empowerment by educating their community. How the co-operative principle of Education, Training and Information focuses a co-operative’s activities within a community can be studies. The educational programing on the food system provided by the co-operative for their communities will be examined in this study. It could be said that, by educating and empowering consumers through democratic processes, co-operatives offer a means of defining local food and developing a sustainable local food system.

1.1 Problem Statement

A sustainable, local food system is not the focus of the current, industrial food system. The neoliberal capitalist model that guides our food system leads to consolidation and an exclusionary food environment. Individuals without the necessary resources, i.e. funding, are unable to participate in the marketplace to purchase food while others with excessive funds apply their needs via shareholder voting rights to the food system’s outcomes (Brenner, Peck and Theodore, 2010; Patel, 2010; Gross, 2011; Holt-Gimenez and Shattuck, 2011; Marsden and Franklin, 2013). This dichotomy between rich and poor contributes to food access issues, such as, food deserts (Choi and Suzuki, 2013; Donald, 2013; Marsden and Franklin, 2013), as well as decreased consumer and community power within the system (Kneen, 1999, Stanton, 1999; Reardon and Berdegué, 2002; Guittill and Wilkins, 2002; Dimitri et al., 2005; Berman, 2011). The exclusionary trend within the neoliberal capitalist model creates issues of food insecurity, with about 12 percent of United States households having limited food
supply due to lack of financial resources, is not just limited to an access issue, but includes a declining information issue as well (Macias, 2008).

The current food system curtails information about the food system creating asymmetry of information, i.e. an imbalance in the information along the food supply chain, which leads to decreased community participation in the food system (Verhaegen and Van Huyltenbroeck, 2001; Levkoe, 2011; Smith et al., 2011). With decreasing community participation a loss of community-defined local food is created. The current food system’s approach to food marketing seeks to differentiate consumers into subgroups for the purpose of selling new product types. As Jaffe and Gertler (2006, p 153) state, “Consumers are targeted by the food industry according to demographics, region, ethnicity, and class. We are sorted and re-sorted into market segments for purposes of marketing, product positioning, and product development.” By allowing communities to be sorted into demographic groups, the current food system dismantles communities rather than builds them. The flexible consumer presented by Jaffee and Gertler (2006) could be argued to be the basis of how the current food system dismantles communities through segmentation of the market to allow for targeted marketing. “Each new meaning and each new consumer subgroup created signifies a new market and enhanced possibilities for successful selling” (Jaffe and Gertler, 2006, p 153). The conventional industrial food system, through segmentation of the market, has fundamentally decoupled people from their food system. As people become more removed from the food system they can no longer participate in a social, geographical (local), intellectual (information asymmetry) or in some cases even economically (food deserts, food access).

With the decreased participation of people within the food system it is possible for the industrial food system to re-engineer the types of participation available to people. By stimulating demand through advertising and promotion the industrial food system can focus the food system on a profit seeking objective rather than a food production and distribution objective.

The profit seeking focus of the industrial food system can be seen as the antithesis of the co-operative model. The original Rochdale Principles included a Limited Interest on Capital principle as the puritans of the time held an obsession with the dangers of
wealth. The Rochdale Pioneers believed in an ideal of moderation, a doctrine of stewardship in which God was viewed as the ultimate owner of goods, and a view of money as a social good (Weber, 1930).

By isolating people and focusing on profit seeking the industrial food system does not focus on community development or the social good. The lack of community participation in the food system due to market segmentation makes it difficult to define a community. The lack of community participation along with the asymmetry of information, and food access issues created by the current food system has created market failures that co-operatives have begun to address. Co-operatives have traditionally formed due to market failures in order to address community needs (Fairbairn, MacPherson, and Russell, 2000). At present, however, little research has been done on food co-operatives in Ontario and their role in community development. Questions that need to be asked are:

1) How do Ontario co-operatives define and interact with their communities to bring about community development?
2) What is the current state of Ontario food co-operatives through the examination of governance, finances, and their scale of distribution?
3) How do co-operatives address the consolidation and asymmetry of information within the current food system?

This research seeks to respond to the above questions. The information gained from this research will assist in outlining the opportunities that exist for Ontario food co-operatives to act as community development tools within a local food environment. While a great deal of work has been done in developing countries on the role of co-operatives in community development, little research has been completed in the developed world. For example, Markelova and Mwangi (2010) showed that collective action allowed small scale farmers to gain better access to larger domestic urban, regional, and international markets by reducing the costs of transportation, storage, transactions, and certifications, thus improving the local community economy in African communities. By decreasing the certification costs defined by current food system actors, farmer groups can access high-value markets that offer premiums for their products. With the farmer group acting as manager of the certification process individual
farmers are able to concentrate on producing acceptable quality products for market. Devaux et al. (2009), and Gruere, Nagarajan and King (2009) showed that even staple crops can capture higher prices as a result of agro-processing and quality improvements associated with farmer co-operation in the Andes and South India. Even market demand can be improved through collective action, improving the price point for smallholders. Schwentesius and Gomez (2002) show how market demand is improved for perishable products, as local quality is demanded by quality-conscious supermarkets willing to purchase these products from organized smallholders in Mexico. The quandaries faced by farming communities in developing countries are not unlike those faced by rural and under-serviced areas in developed countries. Certain conditions must be in place to create and sustain incentives for farmers and consumers to organize as a community (Markelova and Mwangi, 2010). Community empowerment has been eroded through the development of the current neoliberal capitalist food system that favours consolidation of power and segmentation of the market compared to decentralization and local empowerment.

Co-operatives provide a model for collective, community action that assists in de-segmenting the market. As members of communities, Ontario’s small and medium-sized farmer producers could benefit from co-operative action through a decentralized alternative market that allows the community to define local food. Authors such as Schroeder (1992), and Hansmann and Kraakman (2000), indicate membership in co-operative organizations can provide benefits through economies of scale offered by collective action in the marketplace. This provides members of the co-operative with a significant economic benefit and the community with an indirect benefit of improved economic performance. By allowing the community to define its local food supply, community members and community farmers can act together in a synergistic food system of defined supply and demand.

Nourse’s 1922 article on the economic philosophy of co-operation shows that co-operatives offer an alternative market to help change the competitive yardstick of the investor owned firm (IOF) market. Staatz (1987, p. 97) furthers Nourse’s initial changing yardstick role of a co-operative by stating a rationale for co-operative development as “Farmers, faced with unsatisfactory performance by IOFs, may form a co-operative firm
whose purpose is to force the IOFs, through competition, to improve their service to farmers.” A strong co-operative sector in Ontario could help offer Ontarians an improved food marketplace, allowing for greater food access via an increase in the number of food distribution locations (decentralization) and improved participation in their food system (a democratically-defined local food supply).

There are other benefits to communities through co-operation within farmer groups. Poulton and Lyne (2009) as well as Weatherspoon and Reardon (2003) indicate that the co-operation within the farmer groups would allow for greater versatility to adjust to changing market trends as well as improved access to new procurement systems by overcoming volume and co-ordination problems. With broader public sector procurement requiring larger volumes than any one small farmer can provide, a co-operative model offers an opportunity for local, small, and medium-sized farmers to respond to a market through co-operation. With a strengthened small and medium-sized farm sector, communities would have access to a more resilient food system that is locally based and more connected to the community it serves compared to the globally dispersed IOF food system.

The decline in small and medium producers (SMPs) represents a decrease in community involvement in the food system as the global food system centralizes control but disperses production. Centralization or consolidation in the food system can remove the decisions about production, distribution, and retail far from the community utilizing these services. Removal of these decisions from a community can decrease the community capital investment within a community. Community member’s decisions on what to produce, where to ship products and what to retail are disseminated by the global food system incorporating multiple community concerns that decrease an individual community’s capital.

If we are to consider community capital as Callahan and Colton (2008) have, the removal of community participation or influence on the food system would be considered a loss of capital stock. Community stakeholders rely and contribute to this capital stock as a resource to assist in creating their community. According to Gomez and Helmsing (2008) local commercial activities, that include currency systems, can affect the quality of communities through empowerment via greater economic
opportunities. Consolidation of commercial activities within the food system remove
opportunities and have a negative effect on community capital through a decrease in a
community’s investment in local capital stock through an emphasis on investment in the
global marketplace. As large food industry actors consolidate their corporate
headquarters, and thus their decision-making process, outside of the community they
service, residences within the community lose their ability to decide what investments
their community will focus on when it comes to local foods.

1.2 Research Aim, Objectives, Methods

1.2.1 Research Aim

The aim of this research is to critically examine the current state of food co-
operatives in Ontario. Understanding the current state of food co-operatives in Ontario
will help develop a clearer picture of the role that Ontario food co-operatives play in the
local food scene and the broader food system. What role food co-operatives play in
addressing asymmetry of information and consolidation of power within the current food
system can provide information on how these co-operatives could adapt to become a
resilient and viable, co-existing food system alongside the current capitalist model.

The three questions to be asked throughout this research are:

1) How do Ontario co-operatives define and interact with their communities
to bring about community development?
2) What is the current state of Ontario food co-operatives through the
examination of governance, finances, and their scale of distribution?
3) How do co-operatives address the consolidation and asymmetry of
information within the current food system?

1.2.2 Research Objectives

1. Examine the role of food co-operatives in communities within Ontario.
2. Explore the role the co-operative principles and business practices play in creating
this environment for community development.
3. Outline the developmental drivers that helped to create the food co-operative
environment in Ontario.
4. Understand the unique co-operative environment as it relates to the sustainability of
Ontario local food co-operatives.
5. Understand how Ontario food co-operatives fit within alternative types of short food supply chains (SFSC).

6. Provide an understanding of the local, interlinking actors or nodes within the Ontario food co-operative environment through Actor Network Theory (ANT).

The principles that govern a co-operative’s business practices create a unique environment for consumers, producers and retailers in which to interact. By encouraging interaction amongst different actors within a community, a co-operative can act as a community development tool. This research seeks to understand the role the co-operative principles and business practices play in creating this environment for community interaction and development.

To meet the objectives of this research it is necessary to gather many different types of information: social, financial, historical, jurisdictional, and geographic. Table 1.1: Information Type, Objective, Data Source and Outcome summarizes the data to be collected, which objective the data is associated with and what outcomes are expected from the analysis.

**Table 1.1: Information Types, Objective, Data Source and Outcome.**

<table>
<thead>
<tr>
<th>Information type</th>
<th>Objective</th>
<th>Data Source</th>
<th>Outcome</th>
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<tbody>
<tr>
<td>Social</td>
<td>1) Role of food co-operatives in Communities.</td>
<td>Key informant interviews – community definition, interaction, and programs.</td>
<td>Research Question 1</td>
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<tr>
<td>• Community</td>
<td></td>
<td>Mission and Vision statements.</td>
<td>Interviews provide information on community.</td>
</tr>
<tr>
<td>• Personal</td>
<td></td>
<td>Policies from Annual General Meetings and Operating Procedures.</td>
<td>Mission and Vision statements outline goal of co-operative in community.</td>
</tr>
<tr>
<td>• Education, Training and Information</td>
<td></td>
<td>Marketing materials.</td>
<td>Research Question 2</td>
</tr>
<tr>
<td>• Co-operative Principles</td>
<td></td>
<td>Web presence.</td>
<td>Policies outline actions of co-operative in community.</td>
</tr>
</tbody>
</table>

<p>| Research Question 1 | Interviews provide information on community. |
| Research Question 2 | Policies outline actions of co-operative in community. |
| Marketing materials and web presence present co-operative to community. |</p>
<table>
<thead>
<tr>
<th>Jurisdictional</th>
<th>1) Role of food</th>
<th>Literature</th>
<th>Research Question 1</th>
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</table>

| Financial       | 2) Role of co-operative principles and business practices. & 4) Sustainability of Ontario local food co-operatives. | Key informant interviews – co-operative principles, financial, capital and operational investment decisions. Financial analysis of balance sheets, & annual reports. | Research Question 1  
|                 |                                                             | Interviews provide details on what influences decisions within the co-operative.  
|                 |                                                             | Financial analysis outlines the sustainability and resilience of a co-operative in the economy. |

| Historical      | 3) Developmental drivers of food co-operative environment. | Historical review of food co-operative development in Ontario in literature. Review of On Co-op’s historical records on co-operative development in Ontario. Key informant interviews outlining challenges and opportunities of the co-operative. Case study review of historical records kept by the co-operatives. Web search for case study history. | Research Question 1  
|                 |                                                             | Case study historical record review outlined details of the specific co-operative development. Web searches outlined different perspectives on co-operative developmental drivers.  
<p>|                 |                                                             | Both historical searches provide details on development factors affecting Ontario co-operatives. Key informant interviews outlined the local factors affecting specific co-operatives. |</p>
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<th>Geographic</th>
<th>5) Understanding co-operative's fit into the three SFSC.</th>
<th>6) Linking co-operatives to ANT.</th>
<th>search for co-operative development in Ontario, British Columbia, and Quebec.</th>
<th>• Web search for co-operative development in the three jurisdictions.</th>
<th>• Literature search provided information on other jurisdictions, which was then compared to Ontario's co-operative development.</th>
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<td>Research Question 1</td>
<td>Policy review outlines what products and services are delivered and to where.</td>
<td>Locational map of membership</td>
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Information on the social activities within the co-operatives helps to outline the role of co-operatives within the community. Financial information helps to determine the sustainability and resiliency of Ontario food co-operatives and what role financial pressures play in defining the co-operative. Historical information provides details on the developmental drivers that have affected the co-operative environment in Ontario. The jurisdictional scan completed as part of this research helped to define the role of Ontario co-operatives in their communities as well as the developmental drivers that were unique to Ontario co-operatives. Finally, geographic information helped to determine Ontario co-operative’s fit into short food supply chains (SFSC) and how ANT links food co-operatives together within their unique environment.

While building an understanding of the interactive environment co-operatives develop, it is also important to understand the environment in which the co-operative operates. What makes the food co-operatives in Ontario unique and how they fit within the current Ontario food system must be outlined to put into context the activities of Ontario food co-operatives. Why do Ontario food co-operatives provide the services and products they do? How have the developmental drivers that have influenced Ontario co-operative development affected the products and services offered by these co-operatives? These developmental drivers are unique to Ontario and have helped to develop a unique Ontario co-operative environment.

The sustainability of this unique environment co-operatives find themselves in also needs to be considered and understood. Are the food co-operatives that are developing in Ontario merely a response to a market failure of the current system, which will fade once the failure is addressed? To what extent are the food co-operatives in Ontario financially viable and how are their financial choices helping to create an interactive, co-operative environment within Ontario? Are the financial decisions made by Ontario food co-operatives truly different than those made by the IOF model and if they are what is the rationale used for the financial decision-making?
This research also seeks to put the rationale used by Ontario food co-operatives into the theoretical context of SFSC and Actor Network Theory. By outlining the current state of Ontario food co-operatives within a theoretical context it will be possible to extrapolate the activities of Ontario food co-operatives to a broader range of activities. The SFSCs outlined by Marsden et al. (2000) provides a framework to examine the transaction activities of the food co-operatives. How various Ontario food co-operative activities fit within the three types of SFSC - 1) face-to-face, 2) spatial proximity, and 3) spatial extended - will help to characterize and build an understanding of the Ontario food co-operative environment.

Actor Network Theory (ANT) will provide an additional framework to understand the local, interacting actors or nodes within the Ontario food co-operative environment. By focusing on the interactions of the food co-operative with its member base a better understanding of how a food co-operative acts, as a community development tool, will be developed. By summing up the interactions of the co-operative with its member base, within the ANT framework, an understanding of the overarching connections created by the co-operative’s activities can be extrapolated to co-operative activities in developing the local food commercial environment and the community itself (Taylor, 1993; Power, 1995; Czarniawska, 1997; Latour and Hermant, 1998).

1.2.4 Structure of Thesis

The research is presented in seven chapters. Chapter One having just been presented, Chapter Two presents the literature review to form the context of co-operatives in order to ground the reader in the history and developmental drivers of co-operatives. A presentation of the current economic model utilized by the existing food system will assist the reader in comparing the co-operative and capitalist models. Key topic areas such as the Rochdale Principles and how they affect the operation of co-operatives are outlined. A discussion of the asymmetry of information problem within the current system is then presented, followed by theories of embeddedness, democracy, and SFSC, which seek to address the issue of asymmetry of information. To put the food system in context, a discussion on globalization and local food systems further outlines the concepts of transaction distances as they relate to information transmission. How the transmission of information within the food systems relates to economic and
community development is presented, with a final discussion on how transaction distance leads to flexibility within the marketplace to assist community development.

Chapter Three presents the research paradigm utilized to guide the research project. An overview of the anti-positivist and positivist views of knowledge and their relationship to the mixed methods approach used throughout this research is provided. Detailed research methods are provided in Chapter Three to provide context for the results presented in Chapter Four and Five.

Chapter Four provides the results of the jurisdictional scan providing development context for Canadian, Quebec, British Columbian and Ontario co-operatives. Chapter Four also provides an outline of the nine case studies, presenting descriptions of the varied natures of the Ontario food co-operatives examined. The types of co-operative - worker co-operative, consumer co-operative, and multi-stakeholder co-operatives - are outlined. Each case is presented in terms of regional location and financial size; vision and mission statements are discussed.

Chapter Five presents the research findings, including each co-operative’s community definition(s), how the co-operative interacts with its community, and how the activities relate to the co-operative’s mission and vision statement. How the co-operative interacts with its defined community under the guidance of the Education, Training and Information Principle is presented along with the co-operative’s current programs. The educational programs are examined as community building through local food activities comparing the education programs and marketing programs of the co-operative.

Chapter Five also provides the co-operative’s views on the guiding co-operative principles and how they affect the business and the community. The role of the democratic principle is examined in terms of co-operative governance and the current governance issues faced by the co-operatives are presented.

The final section of Chapter Five includes the financial and spatial analysis of the co-operatives. Current growth rates, investment decision-making criteria, and membership spatial distribution are outlined for each co-operative.

Chapter Six discusses the key issues in depth, presenting these issues in relation to the theories of SFSC and actor networks. How the definition of community outlined by
the co-operatives affects the information flow between the co-operative and the community is discussed. The information presented by co-operatives is shown to be a viable community development tool through improved community interaction. In addition to improved information flows as well as community interaction and democratic empowerment within the co-operative, the broader community also enjoys greater empowerment through the community’s ability to define services and products offered by the co-operative.

Chapter Seven provides a synopsis of the results as well as the contributions this research has provided to the field of study of food systems and co-operatives. The limitations of the study are also presented and future research outlined to further the study in food systems, co-operatives, and community development.

1.3 Research Scope and Justification

Nine co-operatives will be examined as case studies for this research project. The following criteria will be utilized to determine if the co-operative fits the scope of the research project:

1. The business must utilize the co-operative business model.
2. The co-operative must be Ontario based, i.e. headquartered in Ontario.
3. The co-operative must have a food or local food focus to their business activities.
4. The co-operative must have some form of member database or member listing.
5. The research will have co-operatives from the four regions in Ontario and one sub-region - Golden Horseshoe (sub-region), eastern Ontario, southwestern Ontario, central Ontario, and northern Ontario.
6. The research will have new co-operatives (less than 5 years of operation) and established co-operatives (greater than 5 years of operation).

The first criteria indicating that the business must be co-operative in nature will be determined by the structure of the business. To be considered a co-operative the business must fit the definition as outlined by On Co-op, 2014:

Co-operatives (or "co-ops") are legally incorporated organizations owned by their members who use their services or purchase their products. Co-ops
can provide virtually any product or service, and can be either non-profit or for-profit enterprises. (On Co-op, 2014)

The scope of this project will focus on co-operatives within Ontario. To be considered an Ontario co-operative the main co-operative headquarters must be within Ontario. While the activities of the co-operatives may have them acting in the international marketplace, they will still be considered Ontario co-operatives based on the location of their headquarters.

The third criteria specifies that the co-operatives must have a food or local food focus. To determine if the co-operatives operate within the food or local food sector the mission and vision statements for each co-operative will be examined. The mission and vision statement must contain references to food or local food to be considered acting within the food and local food sector.

To further ensure that the business is functioning as a co-operative, the business must maintain a membership list or database. Access to this membership information will also be utilized to plot the spatial distribution of the business’s activities.

To ensure that the research covers a broad range of social, environmental and economic conditions associated with co-operative businesses, four regions and one sub-region of Ontario will be considered within the scope of this research. Four regions will ensure that co-operatives across the province will be examined and include the unique characteristics of each of the four provincial regions. The inclusion of the Golden Horseshoe sub-region is due to its high population bases and concentrated urban centres that provide unique economic, social and environmental conditions that Ontario co-operatives must operate in.

Co-operatives adapt to their unique economic, social and environmental surroundings. The inclusion of new and established co-operatives within this study will ensure the capture of the developmental changes co-operatives undergo as they adapt to their surroundings and the changing needs of their business model.

The justification for this research involves the distancing of consumers in terms of understanding and participation within the current food system (Jaffe and Gertler, 2006). The current food system focuses on consolidation of operations and power within the system. This consolidation has created food deserts - areas where poorer individuals
have limited access to healthy foods - as well as decreased ability of consumers to participate within the system (Jaffe and Gertler, 2006). Ontario’s food system contains a growing number of food deserts as the food industry trends toward the superstore, increasing the level of corporate concentration in the grocery industry (Sadler, Gilliland, and Arku, 2011). Consolidation impacts the ability of SMPs and processors to access food markets as retailers focus on large suppliers that are capable of meeting their defined quality and quantity needs. By allowing retailers to implement quality standards the food system distances consumers by pre-defining quality based on characteristics defined by the system itself rather than on consumer needs. To develop a resilient and sustainable food system an alternative form of food distribution must be considered to offset the current food system’s consolidation of operations and power.

Co-operatives offer an alternative distribution system based on membership participation through democratic processes. For example, Alberta co-operative members have a say on the location of retail outlets, which encourages greater participation with the economic system. Alberta co-operatives have helped the agri-food sector succeed through direct consumer interactions providing access to new market opportunities. At present Ontario lacks the numbers of co-operatives that flourished in Alberta providing consumers with greater opportunity to interact within an economic system.

This research will determine how Ontario co-operatives interact in food markets through co-operative operations, marketing, and democratic decision-making. Information will be presented on how co-operatives empower consumers through education, training, and information to help community members function as more efficient members of the food system. Through the inclusion of educational programs on the food system, co-operatives will be shown as acting as community development tools that afford opportunities for differing socio-economic groups to interact around food knowledge and skills.

Additionally, alternative food access programs will be examined as part of the Concern for the Community principle of the Ontario food co-operatives. Food access has yet to be defined as an essential service by city planners, so defining how co-operatives empower Ontarians with decision-making power within the food system via
democratic processes will help determine the co-operative’s role in sustainable community development.
Chapter 2: Literature Review

To provide a context for the results a literature review was completed to examine the role of food co-operatives within a neoliberal capitalist food system. Focus was placed on SFSC and how co-operatives act as community development tools. The literature on co-operatives, however, is extensive and varied with even the definition of co-operatives being debated. It is necessary, therefore, to focus the literature review of co-operatives into ten areas that help to examine the co-operatives in the context of the current neoliberal capitalist system, local food, and community development. The ten areas examined within the literature review include 1) Neoliberal Economic Model, 2) Rochdale Principles, 3) Asymmetry of Information, 4) Actor Network Theory, 5) Embeddedness, 6) Democracy: Consolidation of Power, 7) Economic Efficiencies: External Costs, 8) SFSC, 9) Export Markets: Globalization, 10) Local Food Systems. These ten sections will paint a picture of co-operatives in relation to the current food system as well as the role co-operatives play in community development which will help to address objective 1: Role of Co-operatives in Communities within Ontario and objective 3: Outline the developmental drivers that helped to create the food co-operative environment in Ontario.

2.1 Neoliberal Capitalist Economic Model

Neoliberal capitalism is based on the assumption that the free market is a self-regulating system. Advocates assert that the free market allocates resources by the power of its invisible hand, i.e. supply and demand within the market, to ensure peace and well-being to all in an efficient way (Anufrijev, Vukajlović, and Stamatović, 2011). Patterns within the current neoliberal economic model of the food system, however, point to a centralization or consolidation of power through the decrease in retail and primary producer numbers (Kneen, 1999; Stanton, 1999; Reardon and Berdegué, 2002; Guptill and Wilkins, 2002; Dimitri et al., 2005; Berman, 2011). This concentration in power decreases the democratic ability of actors within the system to control their food supply. It is argued that larger retail institutions have formed an oligopoly within the food system and are utilizing their purchasing power to dictate standards, quantity, food selection, and price (Kneen, 1989; McMichael, 2000; Weis and Arnesen, 2007; Patel, 2007; Roberts, 2008; Fresco, 2009). For example, the entry of Wal-Mart into the organic
food sector represents a distinctive alteration in the direction of the organic food movement well beyond the scope of its original concept of biodynamic agriculture with a self-sustaining system (Dooley, 2006).

The control of the food system and the information associated with the system by a small number of companies represents what could be considered a market failure as an efficient market ensures the free flow of information for proper valuation of resources (McConnel and Brue, 2005). In cases where market failure exists, co-operatives have presented themselves as viable alternatives to the existing marketplace (Fairbairn, MacPherson, and Russell, 2000). In Saskatchewan, for example, primary producers faced with increased input costs, due to lack of competition, formed a co-operative to distribute fertilizers, machinery, and seed to members at decreased costs (Fulton and Ketilson, 1992). In the existing food system, a market failure due to asymmetry of information, increased input costs of production (peak oil), and vulnerability to system shocks such as the dramatic food price increase of 2007 and 2008 show a system at risk of market failures that affect the resiliency of the system. As Fraser (2010) outlines in his book, *Empires of Food*, the food system developed over centuries through feast and famine, but the current food system reliance on external inputs and global markets decreases the resiliency of not only the system itself, but the community it is suppose to serve.

Co-operatives represent an alternative system that could provide some resiliency to the existing food system. Co-operatives have utilized many strategies to cope with the market pressures that have developed over time. By studying the various methods co-operatives use to function in the marketplace, it is possible to determine new functionalities that may be of use to co-operatives in an environment of increasing costs and consolidation. Examination of the functionality of co-operatives must look to the original, guiding Rochdale Principles to see how market pressures have forced co-operatives to adapt these guiding principles to the current marketplace.

As the current marketplace favours long supply chains to take advantage of cheaper labour, can co-operatives act through shorter supply chains to build resiliency within the food system? A review of the literature around SFSC will help to determine if co-operatives can find a new opportunity through a new food supply role via SFSCs. Within
the existing industrial food system (IFS), where a strong oligopoly exists, can food co-operatives take advantage and adapt utilizing their close connection with primary producers and consumers through SFSC? Will SFSC act to address the asymmetry of information that exists within the current IFS and help improve democratic participation by consumers within the food system?

The direct contact, via food co-operatives, between consumers and primary producers may allow for increased diversification in food production improving resiliency within the system. Through greater understanding of regional tastes, local food co-operatives can diversify their offerings. If food co-operatives diversify their offerings, primary producers will have a ready market for new products rather than the current IFS, which requires conformity of food to the point of commodification and decreased market power of the primary producer. Diversification of SFSC can also help the food co-operative and primary producers mitigate the drastic swings in market value of their products. New Generation Co-operatives (NGC) can take the diversification of the primary producers’ food products to new levels through inter-co-operative co-operation, expanding the reach of the co-operative’s SFSC. By examining the literature surrounding diversification of production, opportunities for food co-operatives that exist through diversifying the SFSCs will be presented.

2.2 Rochdale Principles

It is not possible to discuss co-operative functionality without introducing the Rochdale Principles. The Rochdale Principles show how co-operatives are guided in their interactions with their communities. As this research seeks to understand how Ontario co-operatives define and interact with their communities it is important to understand the guiding principles of co-operatives. The co-operative principles will also help define how co-operatives address consolidation and asymmetry of information within the industrial food system, which is another question this research seeks to address.

There is much debate in the literature as to when the first co-operative organizations were formed and when they adopted the co-operative principles (Potter, 1899; Lucas, 1920; Brown, 1945; Hibberd, 1968; Allen, 1999). The question posed here, however, is what components of the co-operative principles will make for a competitive advantage in
an environment of high production costs and a local food focused market? To what extent have co-operatives taken advantage, neglected, or adapted these principles due to market forces?

The 1844 Rochdale Principles are listed below:

- Open Membership
- Democratic Control
- Dividend on Purchase
- Limited Interest on Capital
- Political and Religious Neutrality
- Cash Trading
- Promotion of Education

(British Broadcasting Corporation, 2010)

There are extremes in the level to which these principles are upheld within co-operative organizations. In fact, the levels to which these principles are upheld within an organization is a key factor in the debate over when co-operative organizations were first established. Lucas (1920) points to a Charter issued by William the Lion in 1179 to merchants utilizing a co-operative society in the form of a merchants federation that Lucas believes was a form of co-operative. Potter (1899) and Brown (1945) dismissed the Scottish organizations formed prior to 1844 as co-operative organizations as they distributed dividends in the form of capital, i.e. equity in the business, and not cash, making them more like stockholder organizations than co-operatives.

The Rochdale Principles have been adapted and interpreted throughout the course of co-operative history. As recently as 1995 the International Co-operative Alliance (ICA) revised the principles (see Appendix A: ICA Principles 1995), altering the dividend on purchase principle to a member economic participation principle, broadening the scope of what a co-operative organization is able to do financially with member support. By broadening the scope of economic activity, a co-operative can benefit its members in proportion to their transactions by developing the co-operative, or setting up reserves. The ability of a co-operative to set up a reserve can assist in times of market upheaval providing stability for the co-operative.

The Rochdale Principle of Political and Religious Neutrality was adapted to a principle of Autonomy and Independence that focuses more on the freedom of co-operatives to develop capital and enter into agreements for the benefit of their
members. This adaptation of the original Rochdale Principle shows the ability of the co-operative movement to adapt to changing social and political climates. At the time of the original Rochdale Principles, religion was a strong component of society; in 1995 when the ICA revisited the principles, religion was not a base component of economic or social activities.

The ICA did not just adapt the original Rochdale Principles to modern times; a new principle was added, which is the basis for New Generation Co-operatives. The new Co-operation Among Co-operatives principle still focuses the co-operative business model toward community and member benefits, but expands the scope of a co-operative to networks capable of reaching international markets. This new principle is a reaction to the globalization pressures on co-operatives. Integration of a Co-operation Among Co-operatives principle into the business model has changed the focus of co-operatives from the immediate community to member benefit. This change in focus to a more restrictive member benefit could be seen as the co-operative movement integrating IFS principles into the co-operative business model in order to compete in the marketplace. Expansion into international networks also dilutes the concept of co-operative membership as the definition of co-operative member becomes based on simple transactions with the business entity known as the co-operative. By muddying the definition of member it makes it difficult for the co-operative to define the community that it serves.

It is true that the ICA has a principle of Concern for the Community that is not evident in the original Rochdale Principles, but the original Rochdale Pioneers did not have the global outlook current co-operatives have. The Concern for the Community principle outlined by the ICA in 1995 is a single line that states, “Co-operatives work for the sustainable development of their communities through policies approved by their members” (International Co-operative Alliance, 1995, Section 7). It is commendable that the ICA has put communities at the core of their business model; however, the conflict inherent in the single statement between community and member interests is difficult to overlook. The conflict within the principle is based in the principal-agent problem, which pits community interests against member interests. The Concern for Community principle places members in a position of authority over the community, as any
development of the co-operative must occur through member-approved policies, placing members in a position of authority over the community in all co-operative development initiatives.

Looking to the conflict in the new *Concern for the Community* principle necessitates looking to the rationale used by members to become members of the co-operative organization in the first place. Is there an overriding ideal of sustainable community development in the rationale for becoming a co-operative member? Many authors have outlined the rationale utilized by members for patronizing a co-operative organization. The majority of reasons held by members who join a co-operative are not for the benefit of the community. Matchaya (2010) indicated that farmer organizations, while being membership organizations, are created by producers to provide services for their membership and do not indicate a sustainable community development aspect to the organization. The Ontario Federation of Agriculture (OFA) can be seen as an example of Matchaya’s farm organization. The OFA’s main focus has been on advocacy and lobbying towards a profitable future for farmers. This can be seen in the OFA’s background in which they indicate, “For over 77 years, we have been a leader in results-based advocacy and lobbying and continue to work towards a profitable, sustainable future for farmers” (Ontario Federation of Agriculture, 2015). It could be argued that the OFA community is specific to farmers, but even this definition has begun to see fragmentation as other farm organizations have developed to address specific community concerns such as the Ecological Farmers of Ontario (EFAO) who outline their mission, “To support and promote a vibrant community of ecological farmers through education, training and knowledge sharing” (Ecological Farmers of Ontario, 2015). Still other farm organizations seek to address the lack of a religious component to the OFA’s mission, such as the Christian Farmers Federation of Ontario (CFFO). The CFFO’s mission is stated as, “The CFFO seeks to reflect the Christian commitment of its members through the development and advocacy of public policy
perspectives that encourage thriving, profitable, sustainable and responsible family farms" (Christian Farmers Federation of Ontario, 2015). While the CFFO and the EFAO address specific areas seen as missing from the OFA; the National Farmers Union (NFU) includes a union style approach to farmer organizations. The NFU allows farmers that share common goals to vote within their union. By allowing members age 14-21 years of age to vote, the NFU has developed a structure that recognizes that every family member contributes to farm production. The focus of the NFU is to show, “the family farm as the most appropriate and efficient means of agriculture production. Our goal is to work together to achieve agricultural policies which will ensure dignity and security of income for farm families while enhancing the land for future generations” (National Farmers Union, 2015). While these farmer organizations present farmers with unique organizational structures to address the needs of their memberships, they focus on farmers and not the larger community the farms are a part of. These farmer organizations allow their members to act collectively within the political arena to advocate for policies that are favorable to their membership.

Similarly, authors such as Schroeder (1992) and Hansmann and Kraakman (2000) indicate membership in co-operative organizations occurs for the benefits of economies of scale offered by collective action in the marketplace, providing the member with a significant economic benefit and the community with an the indirect benefit of improved economic performance. A value chain argument for membership in a co-operative organization is posed by Royer and Bhuyan (1995) as well as Welch et al. (2007) which shows that co-operative organization members wish to access the downstream processing offered by the organization, again, to gain greater economic benefits.

Mitigation of market risk is also a determinant for patronage of a co-operative organization as shown by Helmberge and Hoos (1962), Hinman and Ricks (1993), and Welch et al. (2007). The pooling of production or resources allows for co-operative members to take advantage of market swings or mitigate market declines. Welch et al. (2007) outline how the Plains Cotton Co-operative Association assisted members in mitigating the variable cotton market prices through pooling of cotton production to be sold at intervals to avoid huge market swings.
Members are allowed to garner a benefit by exploiting other markets, which provides demand expansion as a rationale for co-operative membership (Wills, 1985). Klein et al. (1997, p. 104), in an article outlining the determinants of co-operative patronage in Alberta, stated that, “Farmers who believe co-operatives offer innovative products and services are more likely to patronize them, while a belief that co-operatives should play an active role in noneconomic matters is not important.” Helmberge and Hoos (1962) go so far as to differentiate the co-operative organization as a zero rate of return on equity organization. Unlike the investor-owned firm (IOF) that wishes to maximize return on equity, co-operatives offer members the ability to gain a return through a zero profit organization by providing a payoff in the form of higher product prices or lower input costs for production inputs for members. Either way, Helmberge and Hoos (1962) show that the economic rationale for joining a co-operative organization is stronger than that of a sustainable community development concern. Even Nourse’s 1922 article on the economic philosophy of co-operation shows a strong membership benefit offered by co-operatives in an alternative market to the IOF competitive market. The development of an alternative market based on co-operation forces the IOF model to be measured against a yardstick that measures the benefits offered in a co-operation. Staatz (1987, p. 97) furthers Nourse’s initial changing yardstick role of a co-operative by stating a rationale for co-operative development as: “Farmers, faced with unsatisfactory performance by IOFs, may form a co-operative firm whose purpose is to force the IOFs, through competition, to improve their service to farmers.”

Parliament and Taitt (1989) outline a pattern of sustainable business practices between co-operatives due to a sense of mutual responsibility for maintaining a co-operative business within communities. Seventy percent of co-operatives performing at a net loss were able to find a merger partner compared to only six percent of IOFs, indicating a concern for community within the co-operative sector (Ravenscraft and Scherer, 1987). This concern for other co-operatives could indicate a member-approved sustainable development policy as indicated in the Concern for Community principle outlined by ICA in 1995. Parliament et al. (1990) extend the Concern for Community principle of co-operatives by indicating the public good aspects, such as correcting for
market failures by providing services for which a functioning market does not exist, the commitment to participatory management, and a democratic governance structure.

It should be noted that one of the key principles of co-operatives has always been promotion of education. This indicates a community development aspect to co-operatives that is not found in the IOF model. The ICA 1995 principles expanded the role of the original Rochdale Principle of education promotion by including training and information. The 1995 ICA principle of Education, Training, and Information does emphasize member and co-operative education, but also includes the education of the general public as part of the principle. Parliament et al. (1990) focused on dairy co-operatives, showing that co-operatives’ educational programs included the nutritional importance of dairy to promote the consumption of milk and dairy products. It was also indicated in the article by Parliament et al. (1990) that co-operative organizations formed an interface between other state co-operatives and government for the purpose of lobbying. Specifically, Lerman and Parliament (1990) state that co-operatives offer a non-pecuniary benefit of political representation on key farm issues, community involvement, and a sense of control over agribusiness along the supply and value chain.

There is thus ample literature on both sides of the principle–agent conflict inherent in the Concern for Community principle of the co-operative business model. There is certainly far more literature available on the economic rationale for farmers patronizing co-operatives for their own individual benefit. Parliament et al. (1990) go so far as to state that many farmers view the effect the co-operative has on moving the competitive yardstick of the IOF market and the role co-operatives play in improving the rural economy as secondary to the financial performance of a co-operative. What must be kept in mind, however, as outlined by Ketilson (1990), is that co-operatives cannot provide a service or price that will not lead to a competitive advantage. If a co-operative does not offer some economic benefit, the organization would cease to exist. The economic benefit for co-operatives, unlike IOFs, does not necessarily have to be for the members alone, though most of the economic literature indicates it is an imperative for farms to patronize the co-operative organization. Shiferaw et al. (2008) do show how the formation of collective marketing groups have filled a gap in the marketplace left by government and industry withdrawal due to high transaction costs and poor co-
ordination along the production-to-consumer value chain. By filling the gaps left by industry and government, the collective marketing groups have remedied the pervasive market failures in the rural economies of sub-Saharan Africa and strengthened the rural economies. These collective marketing groups have provided twenty to twenty-five percent higher prices and assisted in the adoption of improved dry land legume varieties, improving crop production. The collective marketing groups even provide information on market conditions to assist in the asymmetry of information found in the IOF market allowing for the improved prices for products.

2.3 Asymmetry of Information

An efficient market is considered a good information-processing mechanism that allows for accurate determination of future expectations and prices. A properly functioning market embeds all the relevant information into the price of a stock or product. Information efficiency within a market allows actors within the marketplace to properly forecast and price products (Lusztig et al., 2001). Asymmetry of information allocates greater information to one party associated with a transaction, creating inefficiencies within the marketplace. In inefficient markets, asymmetry of information allows the party with greater or better information on a product to reap benefits over and above the true value of a product. For example, if a seller of a product associates a health claim to a product and the purchaser is unaware that such a claim is false, it is possible for the seller to charge a higher price for the product based on the inaccurate information the purchaser has about the product. In the present IOF market, information on products, processing, and production practices are not divulged to the general public, creating an asymmetry of information between purchasers and sellers (Verhaegen and Van Huylenbroeck, 2001; Levkoe, 2011; Smith et al., 2011).

The asymmetry of information found within the IOF market is addressed by the co-operative business model through the original Rochdale Principle of Education, which was expanded to Education, Training, and Information by the ICA in 1995. Marsden et al. (2000) present a case study where an example of a Welsh co-operative for beef production was able to take advantage of the additional value-added properties due to Place of Origin Designation (POD) and Traceability of Product. Information delivered by the primary producer is used to address the asymmetry of information within the
industrial food system regarding product origins. Instead of producing a commodity that lacks information on its origins, co-operatives can provide purchasers with details on product origin, and production practices. In the Marsden et al. (2000) example, the beef supply chains were short in comparison to the IOF model allowing information, as well as beef, to move along SFSC with greater embedded information attached to the final product.

Co-operatives can help primary producers function within a SFSC by building networks within the food system - distributors, processors, and retailers - to educate, train, and inform, alleviating the asymmetry of information that exists within the IOF marketplace. Marsden et al. (2000) believe that a regional or rural development opportunity exists by alleviating the asymmetry of information, thus taking advantage of the value-added properties incorporated into a product by place-based production designations.

The Marsden et al. (2000) case study, showing how place-based production can add value to Welsh beef products, raises the issue of co-operatives in a spatial context. Kneen (1993) summarizes the direct marketing forms, such as Community Supported Agriculture (CSA) and farmers’ markets, as expressions of proximity. These expressions of proximity are based on familiarity and commitment to nearby place, environment, and community. It can be argued that co-operatives, being membership and direct marketing organizations, breed familiarity and thus commitment to the community. Friedmann (1993) sees the direct marketing organizations as linked to the needs and interests of the nearby community as they focus on locality and seasonality rather than distance and durability of product. By focusing on locality and seasonality, or quality of the product, co-operative organizations can decrease transaction costs and the collective initiatives allow the farmers to enter higher price and value-added pathways (Verhaegen and Van Huylenbroeck, 2001). Thus, not only does the spatial proximity of the co-operative to its consumer base (members) allow for greater concern for community, the proximity also improves the economic performance of the primary producer. Bloomberg et al. (1994) go so far as to state that personalization of products requires local deliveries and personal knowledge of the initial producers, allowing the products to bypass an IOF type system.
The spatial relationship of the co-operative organization to its members helps the co-operative business model deal with issues of trust and social connection, unlike the distance-focused IOF model where rational economic actors are the primary theoretical consumers. The IOF business model is generally based on the neoclassical economic theory that the self-interested movements of rational actors within a marketplace characterize economic behaviour. A number of authors (Granovetter, 1985; Block 1990; Granovetter, 1990; and Mingione, 1991) view economic behaviour differently, as being embedded in and mediated by extensive, complex networks of social relations. A co-operative business model, by nature, creates complex networks of social relationships through member interactions and through the principle of Education, Training, and Information.

2.4 Actor-Network Theory

To better understand the complex networks created by co-operatives it is possible to look at the networks through the lens of Actor-Network theory (ANT). ANT is a framework that considers the effects of infrastructure and technology on human actions (Callon, 1991; Latour, 1992). ANT assigns agency to both human and non-human actors within a system. There is no attempt by ANT to explain why networks exist, how they were formed or why they may fall part, only that networks are affected by surrounding factors. There is a presumption that behind every action lies an intention. Someone, somewhere, willed something and so caused it to happen. ANT seeks to remove the dualism of intention and action when considering agency.

ANT rejects the idea that networks are affected solely by humans through their mastery of technology. Instead of consciousness being seen as the fulcrum of power, the focus in ANT is on the organization powers of combinations or agencement (Callon, 2007). Agencement refers to effects of an association. It is the combination of cultural mores with technology that creates effects on networks (Munro, 2009). The complex networks that develop within a co-operative due to the social relationships are based partially on the membership status of those who are involved with the co-operative. The assignment of membership to those who interact within the co-operative exerts an affect on the relationship between co-operative members. Systems can take on agency like powers (Mingers, 2002).
Along with systems, materials are also considered to have an effect within the ANT framework. Materials can affect activities within a system. For example, X-rays can effect a patient’s decision on treatment. Balance sheets can effect business decisions and the packaging in the supermarket aisle can effect purchasing decisions (Barrey, 2007). It is this incorporation of materials into social rules that leads from the apparent relativity of ANT’s idea of translation to Latour’s (1986) startling thesis of ‘society being made durable’.

Latour (1986) outlines how the introduction of a heavy hotel key acts on hotel patrons by changing their attitude about the key from one of a convenience, when the key is light and easy to carry, to one of inconvenience due to the added weight onto the key. The effect of the added material changes the behaviour of the patron to act in a more durable fashion within the system by finding it easier to return the key rather than carry it. The added material also changes the patron’s perception of the hotel clerk from one of key supervisor to holder of the key to assist the patron. This translation of the key from a convenience object, to an inconvenient object creates new networks within the system between the patron and the hotel clerk. Actions are changed based on effects from materials with certain characteristics introduced into the system (Latour, 1987).

Techniques are also considered to have an effect on networks within the ANT framework. Where techniques of abstraction such as writing, drawing and cartography develop, representations flow from these processes of abstraction. These inscriptions become, in Labour’s (1987) term, ‘miniaturised’, ‘mobile’ and ‘stable’ (Munro, 2009, p.132) meaning that they can be carried throughout the associated network conveying succinct, stable understandings. For example, with formal communication, such as writing, instructions can be sent from distant locations. Through formal communication strategies ‘centres of calculation’ can intervene in activities remotely (Cooper, 1992). The food system currently utilizes multinational corporations with headquarters or centres of calculation that can be located in different countries from the market they are trying to provide food to. Callon and Latour (1981) state that these interventions can travel the world and change the world as they go.

As an example of how these remote interventions can change the world, we can look to the food system. In Callon’s (1986) study, in an intervention, a self-appointed
spokesperson can enroll others, especially the silent or silenced, and represent their views. Using technology the spokesperson can represent the views of the silent in ways that align them to their own views and needs. As an example, the food system can speak for the silenced by incorporating its own needs on the outputs of the system. Food can become more durable for transport to aid shipping companies. Producers can impose production strategies that focus on speed of production rather than quality of outputs to assist in their desire to produce profit. As the distance from the end-user of the products increases the needs of the system can overpower those of the end-user.

For co-operatives the redefinition of the food system is an opportunity and a challenge. The networks that the co-operatives operate help to define the outputs of the system and thus the identity of the system itself, i.e. local food, co-operative food, organic food. Through democratic systems co-operatives develop networks that influence the outputs of the system, i.e. local foods.

However, according to Munro (2004) identity can become punctualised or defined by the momentary demand. Identity can take on an intense local character and become timed, or limited, to the moment of demand where it will have the most effect. Co-operatives, especially local food co-operatives, have punctuated their co-operative identity with the local food movement as consumers begin to demand changes to the current food system. ANT, Monro (2009) suggests, needs to open up to asymmetries in power that rely on intermittency of linkages such as those found in the fluid environment of co-operative systems.

As co-operatives operate in a democratic environment through the One Member, One Vote principle they can maintain a fluid system based on member demands. Taking into consideration the effects of the complex networks that co-operatives develop, as ANT suggests we should, co-operatives can build systems that embed member preferences into their food systems.

2.5 Embeddedness

As Hinrichs (2000) indicated, embeddedness is the hallmark, as well as the comparative advantage, of direct agricultural markets, developing a sense of social connection, reciprocity, and trust. Even though Hinrichs (2000) was discussing community supported agriculture (CSA) and farmers’ markets, co-operatives do deal
directly with members for the direct purchase and sale of goods; thus, they could be considered a direct market system. The issue of embeddedness and the associated development of social capital, reciprocity, and trust are all noneconomic aspects that the co-operative business model encourages.

As social capital, reciprocity, and trust are considered part and parcel of a direct marketing system, Block (1990) would place the co-operative business model higher on his scale of economic instrumentalism. Block conceptualizes two types of continua to describe market relations. The continuum of marketness evaluates transactions, whereas the continuum of instrumentalism evaluates the “motives of economic actors” (Block, 1990, p. 53). In a continuum of marketness, actors decide to buy or sell a good based on price signals (Block, 1990). Co-operatives would be considered to have less marketness as their decisions are not solely based on price signals as co-operatives rely on democratic activities as well as price to market their goods. According to Block, an instrumentalism organization would attempt to capture the individual motivation within a transaction. Thus a co-operative organization with an emphasis on democratic principles would be relatively high on an instrumentalism scale.

On the other hand, an IOF would be higher on the marketness scale attempting to mitigate all interference with the dominance of price with regard to transactions. It is the instrumentalism within the co-operative business model that makes for stronger community development than the IOF model. While modern co-operatives struggle with the global pressures, moving them higher along the marketness scale toward a more IOF business model, it is imperative that co-operatives maintain the instrumentalism or embeddedness that fosters social capital development and trust as a comparative advantage.

It is this comparative advantage - developed around trust, social capital, reciprocity, and concern for the community - that helps to differentiate the co-operative business model from the IOF model. It is not possible, however, for a co-operative to ignore the basic economic tenets that operate within their environment. Co-operatives must provide a service or product for a competitive price or risk closure of the business (Ketilson, 1990).
It is, however, the concept of service and/or product that is at issue. Ketilson (1990) uses a neoclassical approach to services and products, discounting the noneconomic or embeddedness qualities offered by alternative market systems such as co-operatives. It has been discussed by many authors, (Bessiere, 1998; Lassaut and Sylvander, 1998; Hinrchs, 2000; Kneafsey et al., 2001; Verhaegen and Van Huylensbroeck, 2001; Schneider & Francis, 2005; Kneafsey et al., 2007; Seccombe, 2007) that the value of products and services should be calculated to be more than the simple sum of their direct economic parts. For example, Verhaegen and Van Huylensbroeck (2001) speak of a problem of externalities (both positive and negative) that are not considered part of a product or service by the IOF markets. These externalities include problems such as standardization of products, loss of rural identity and viability, decreased bio-diversity and environment degradation. How does an economic system that is focused on marketness determine the value of bio-diversity or rural identity? Kneafsey et al. (2001) indicate that consumers at farmers’ markets value ecological, ethical and community awareness when making food purchases. In a similar vein, the co-operative business model places value on the principles it has been built upon including concern for the community. These co-operative principles provide a competitive advantage, when compared to the IOF business model, if communities place value on externalities.

2.6 Democracy: Consolidation of Power

Externalities within a system can include the loss of power by actors within the system. The IOF system’s consolidation of power removes decision-making from a community, decreasing the democratic power of community actors. Barlow and Clarke (1998, p. 25) state, “Of the world’s largest one hundred economies, fifty-one are now individual corporations, in which people play no role in setting priorities or making decisions outside of their choices as consumers.”

Transnational restructuring of the agricultural sector has blurred national and sectoral boundaries, intensified agricultural specialization for both enterprises and regions, and created large agro-industrial complexes with consolidated power bases (Friedmann and McMichael, 1989). Allen (1999, p. 121) states, “The notion that communities will make better decisions about food systems is based on an expectation of a fluid cooperation among groups with quite different interests.” Fisher and Gottlieb
(1995) present community food security as a whole-systems approach to food security linking agricultural and food policy in a co-operative system. Poppendieck (1997, p. 25) pointed out, “If hunger and under nutrition are a function of people’s lack of control over the food production and distribution system, then it is essential that empowerment strategies are developed in order to reassert ownership.”

The issues of empowerment and ownership come up in Nally’s (2011) study, which puts an historic context to the agri-food system detailing Michel Foucault’s lectures and papers. Nally (2011, p. 38) shows how Foucault defines the change in sovereignty from the “right to kill” to the ability to “seize, manage and exert influence over the living conditions of individual bodies and whole populations”. This ability to exert influence is seen in the consolidation of agri-food systems through the decreasing food security of the poor.

Nally further outlines how Foucault was concerned with laissez-faire economics and its relationship with liberal government. Foucault saw the lack of government intervention in the necessity of food as short sighted and granting the agri-food industry control over the poor. The increased commodification through biotechnical innovation was termed by Nally as accumulation by molecularization. Moleculraization allows for an increase in the sovereign power of the agri-food industry through ownership of the basic deoxyribonucleic acid (DNA) of agriculture.

Nally continues by outlining the argument presented by Lewontin (2000) on the farmers’ loss of power within the agri-food system. Lewontin (2000) goes so far as to call the process of consolidation of economic power, the proletarianization of farmers. The agri-food industries, within the IOF business model, exert economic power on farmers’ businesses placing farmers into wage labourer status where wages are determined by the larger actors in the agri-food sector.

The IOF model exerts economic power on SMP forcing them into wage labour status through the free movement of capital and labour. By relying on the free movement of capital and labour the IOF model attempts to ensure the cheapest inputs can be accessed. Accessing cheap capital and labour requires that the IOF model must rely on long supply chains. This long distance model not only places SMP into a wage labour status, but also it isolates the producer from the consumer and is at risk due to high
production and transportation costs as a result of increasing oil prices (Rubin, 2012). Reliance on long supply chains, in an era of increasing production and transportation costs, makes the IOF model unsustainable. Ilbery et al. (2004, p. 333) identify the agro-industry model as an “unstable beast”, citing environmental degradation, farm indebtedness, and rising public concern over food safety scares due to the need for long distance transport of food.

Is it possible for co-operatives to access larger, long-distance markets while retaining their community focus and economic instrumentalism? Markelova and Mwangi (2010) present a case of co-operation between smallholders in Africa in gaining access to larger, more profitable markets. While the authors indicate that co-operation is not the panacea for all smallholders to access more lucrative markets, given certain conditions co-operation represents a means to improve the plight of the poor smallholder.

By organizing into farmer groups or producer organizations, smallholders can overcome market failures and maintain a position in the marketplace (Markelova et al., 2009; Poulton and Lyne, 2009). Through the development of co-operative farmer groups, reduction of transaction costs, improved market information, access to newer technology as well as high-value markets are made available to smallholders (Key, Sadoulet, & de Janvry, 2000; Stockbridge, Dorward & Kydd, 2003; Kruijssen, Keizer & Giuliani, 2009). Through group interactions, farmer groups can shorten marketing chains by eliminating or bypassing market intermediaries, thereby improving the profit margin for the primary producer through lower vertical and horizontal coordination costs moving SMP away from wage labour status (Barrett, 2008; Shiferaw et al., 2008; Bernard and Spielman, 2009).

Markelova and Mwangi (2010) also focused on smallholder access to larger markets improving the economic status of communities. Markelova et al. (2009) indicate that local markets are easier for smallholders to access, thus producing competition between individual smallholders and driving down the overall price of their products. Markelova and Mwangi (2010) believe that collective action is best utilized in attempts to reach larger markets - that is, domestic urban, regional and international - since smallholders can deal with transportation, storage, transaction costs, and certifications more easily as a group.
Markelova and Mwangi (2010) deviate from the access to large market focus within their study by bringing forward access to quality markets. Examples of processed fresh produce, to reduce the perishable nature of the product and thus increase the overall value and quality of the product, can be achieved through co-operation via focused investment in processing equipment not available to the individual smallholder (Beddington, 1991; Stringfellow et al., 1997).

Access to value added markets is also possible through co-operative practices. Both Beddington (1991) and Stringfellow et al. (1997) indicated that smallholders could access value-added markets, such as organic markets, through co-operation to reduce certification costs. By decreasing the certification costs, farmer groups can access high-value markets that offer premiums for their products. Allowing the farmer group to act as a manager of the certification process allows individual farmers to concentrate on producing acceptable quality products for market.

It has been shown by Devaux et al. (2009) and Gruere, Nagarajan and King (2009) that even staple crops can capture higher prices as a result of agro-processing and quality improvements associated with farmer co-operation. Even market demand can be improved through collective action, improving the price point for smallholders. Schwentesius and Gomez (2002) show how market demand is improved for perishable products, as local quality is demanded by quality-conscious supermarkets willing to purchase these products from organized smallholders. These co-operative activities allow SMP to act as price setters rather than price takers within the market. By becoming price setters SMPs step away from the IOF’s wage labour status.

Not only do Markelova and Mwangi (2010) indicate that improved conditions could be created for smallholders through co-operation, they also indicate that more smallholders would become involved in the marketplace. Co-operative activities help to remove barriers for the individual SMP, such as high transaction fees, small number of products, and lack of market information. By improving participation with the marketplace SMPs help to develop sustainable economic activities for their business and communities.

Greater interaction in the marketplace through co-operative activities does come with difficulties. The conflict between self-interest and collective good activities, such as
the free-rider problem, is a difficulty facing co-operatives. The free-rider problem occurs when an individual(s) take advantage of the efforts of others to receive a benefit from the public good without contributing to its costs (McConnell and Brue, 2005). It has been shown that free-riders benefiting from the co-operative activities are difficult to regulate, but the free-rider issue is not exclusive to the co-operative model. The IOF model also includes free-ridership of societal common good such as the externalities mentioned previously. The use of transportation routes, environmental degradation due to excessive use, or decreased bio-diversity for higher yields to benefit the individual or a business over and above their contribution is a form of free rider problem (Samuelson, 1954; Olson, 1965; Palfrey and Rosenthal, 1984, Bergstrom, Blume and Varian, 1985; Palfrey and Rosenthal, 1991; Caceres, 2011).

2.7 Economic Efficiency: External Costs

The free-rider problem when applied to the IOF model focuses on increasing efficiencies to improve profits for the firm with little focus on the broader community. Economic efficiency is defined as, “…obtaining a particular output of product with the least input of scarce resources, when both output and resource inputs are measured in dollars and cents” (McConnell and Brue, 2005, p. 67). As the definition of economic efficiency states, efficiency is “…measured in dollars and cents” (McConnell and Brue, 2009, p. 67); thus, it is the concern of the IOF model that the costs are low regardless of the impacts outside the economic system, in other words, externalities. Impacts such as climate change, species diversity, pesticide build-up, community dissolution, and others are not factored into the economic equation of efficiency, as they are not easily quantified into dollars and cents.

Another impact that is difficult to quantify is the cost of a person’s health. Within the neoliberal capitalistic model, there are consumers and workers who are constantly putting their health at risk. As cheap oil allows for access to a multitude of production regions, the IOF model can access regions with little or no regulations on production methods. Some regions allow for the use of toxic pesticides and herbicides that are banned in Canada due to their detrimental effects on human and environmental health. In their entertaining book, Slow Death by Rubber Duck, Smith and Lourie (2009) present a compelling picture of the capitalist system’s disregard for known carcinogens.
in basic household items and foods. Smith and Lourie (2009) outline the effects of bisphenol A (BPA), a known hormone disrupter, found in basic household items such as baby bottles sold in the marketplace. The authors indicate that industry and government are well aware of the issue, but nothing has yet to be done by either. The reason nothing has been done on BPA is because the data is considered insufficient on human subjects to warrant action. However, would it not be prudent to prove safety first rather than consider the lack of information as acceptable?

In capitalistic economic terms, BPA would be considered an efficient substance as it provides for a clear, hard coating that stops corrosion. By reducing corrosion BPA reduces costs and extends shelf life with no quantifiable risk based on current scientific evidence. The fault in the neoliberal capitalist logic is that a risk could not be quantified, that is, turned into dollars or cents. A risk exists, but since the alternatives are glass bottles that do not contain BPA, which are more costly to produce, industry chooses to accept the risk for the marketplace. In fact, industry has been accepting the risk since 1952 when BPA was first invented. It was not till 2008, 56 years later, that BPA was banned only in California and only for children three years and younger.

The California bill was initially proposed in 2005, but was energetically opposed by stakeholders in the chemical, plastics, baby products and grocery industries through an organization known, ironically, as the Coalition for Consumer Choice (Quitmeyer and Roberts, 2007). The basic argument for the neoliberal capitalistic market system is that it promotes the efficient use of resources, by guiding them into the production of the goods and services most wanted by society. The capitalist model forces the use of the most efficient techniques in organizing resources for production, and encourages the development and adoption of new and more efficient production techniques (McConnell and Brue, 2005). It is a challenge to the capitalistic model to find the want or need in society in producing a baby bottle coated with a hormone disrupter, but for over 56 years the capitalist model would suggest that they had found it, as the market was purchasing the product.

The baby bottle coated with a hormone disrupter focuses attention on quality of the end product, the food, within the capitalist model. Quality is weighted just like health in the efficiency equation. If the cost of quality cannot be added to the product, there is no
rationale for producing quality as it simply adds to the cost. The question of what quality food is has never been answered (Harvey and Newton, 2004; Morgan and Peters, 2006; Kneafsey et al., 2007). Authors such as Michael Pollan (2009) have indicated that some food products on the grocery shelves may not even be food. Chemicals introduced as stabilizers, preservatives, and flavour enhancers are added to keep costs down and allow for ease of transportation to market. These chemicals are generally produced via petrochemicals, so once cheap oil is no longer available the capitalist’s concept of what food is could change to a cheaper substance. The capitalist model will then introduce, via marketing, new types of food for the consumer. As long as the consumer is kept in the dark as to what quality food is, the capitalist model will happily define it for consumers. This type of asymmetry of information is inherent in an inefficient market as the buyer is purchasing a product, about which they have little information and the seller is making it prohibitive for the buyer to obtain this information (McConnell and Brue, 2005).

Pollan (2009) as well as Gouveia and Juska (2002) dramatically show the asymmetry of information, which allows the capitalist model to continue to produce products that have been labeled as food. In his chapter on Confined Animal Feed Operations (CAFOs), Pollan (2009) outlines how environmentally unhealthy cattle-production conditions are. The information is kept from the public - the marketplace - as the capitalist model realizes that consumers would lose their appetite for beef if they saw the conditions in which it was produced. Gouveia and Juska (2002), outlining further the asymmetry of information in the beef industry, show the separation of nature and society, production and consumption, food consumers and food provisioning workers, within industrialized food systems. According to Gouveia and Juska (2002) the industrial food system, specifically the beef sector, has always kept in mind the possible over-sensitivity of consumers to some of the unsavory aspects of industrialized meat production. The beef industry has laboured hard to lengthen the material, physical, and symbolic distance between meat production and meat consumption practices. The capitalist beef industry must continuously maintain the separation between production workers and consumers via combinations of technological and ideological devices as well as through the use of power, violence, and coercion (Gouveia and Juska, 2002).
In the film Food Inc., directed by Robert Kenner (2008), the direct actions of large corporations within the capitalist model are seen as the corporations’ attempt to keep information from the marketplace on the production of poultry. Legal actions are taken by corporations within the capitalist model along with implementation of government legislation, known as “ag gag laws”, to prohibit producers from informing the marketplace of the actual quality of the product and the conditions in which it is being produced (Pitts, 2012; Foer, 1977).

2.8 Short Food Supply Chains

The information not being presented by the capitalist model assists food corporations in producing products with low cost inputs. If the consumer is unaware of whether a product contains ingredient a or ingredient b, the lack of information allows the IOF to substitute ingredient a for ingredient b based on which is less costly to purchase on the open market. By keeping information from consumers, IOFs can be thought of as keeping consumers at a distance from the marketplace or utilizing an elongated transaction distance, unlike SFSC.

2.8.1 Transaction Distance

When considering SFSC it is not necessarily the geographical distance alone that must be understood, but transaction distance. Marsden et al.’s 2002 work outlines three types of SFSC: 1) face-to-face, 2) spatial proximity, and 3) spatial extended. The face-to-face SFSC relies on transactions that occur with the consumer interacting directly with the producer/processor, bringing the distance of the transaction down to its shortest level. Those SFSC that are defined by spatial proximity are characterized by products that are produced in a specific region and consumers are made aware of the nature of the product when the transaction occurs. Spatially extended SFSC communicate the information on production methods and locality of the products to consumers outside the region of production. Transactions within spatially extended SFSC do not require consumers to be within the region of production as information is presented via labels and/or marketing. These three types of SFSC focus on the embedded value-added information within the product, which helps to address the asymmetry of information associated with the capitalist model.
Renting et al. (2003) provide another description of SFSC based on the number of nodes between the primary producer and the final consumer, which are kept to a minimal number to ensure communication of product traits. This definition by Renting et al. (2003) focuses the SFSC away from a strict geographical distance or transactional distance concepts to one of decreased actors. Renting et al. (2003) show that SFSC do have a key characteristic in which the foods that reach the final consumer arrive embedded with value-laden information concerning mode of production, provenance, and distinctive quality aspects of the product. This addition of information about the food product is distinctly unlike the capitalist model that commodifies food products. The capitalist model removes information creating asymmetry in the marketplace in regard to the consumer’s knowledge of the production, provenance, and quality of the food. Winter (2003) states that consumers would opt for food labeled as Farm Assured, Freedom Foods or local-fair traded, showing the demand for information-embedded food products delivered by SFSC.

Co-operatives could utilize their principle of Education, Information, and Training to embed their products’ information on production methods, quality, or locality. By incorporating additional information into the products via direct consumer contact, regional marketing or food labeling, co-operatives could add value to food products via embedded information on the nature of the food product.

2.8.2 SFSC: Rural Development

The demand by consumers to understand the nature of their food products expands the scope of SFSC to a development catalyst to help sustain rural areas. Marsden et al. (2002) believe the shift in focus to SFSC is a rural development dynamic, arguing that it holds the potential to reignite the social and the environmental role of agriculture as a major agent in the sustainment of rural economy and culture. Key features of the new rural dynamic include a shift away from economies of scale that is a focus of the capitalist model and toward economies of scope as well as synergy of operations.

The economies of scope would benefit the mixed-use primary producer that is typical of the small and medium enterprises. By allowing for greater use of internally generated inputs to facilitate the cost reduction of multiple processes, economies of scope would provide an economic advantage to mixed-use farming. Unlike the capitalist
model that relies on external inputs such as fertilizers, pesticides and herbicides the mixed-use producer would develop intersecting, interconnected networks of production in the form of economies of scope.

Marsden et al. (2002) identify the farm as the central arena for socially managed, sustainable rural development. The development and maintenance of new associations is important within this rural dynamic, linking producers and various external actors and institutions. The rural dynamic is considered to be in direct opposition to the agro-industry dynamic, which is dominated by transnational corporations, large agro-food companies, and corporate retailers that are outside the direct rural economy (Whatmore and Thorne, 1997).

2.8.3 SFSC Development

While SFSC dynamic can be seen as directly opposed to the capitalist system, how the dynamic of SFSC develops has yet to be fully understood. Marsden et al. (2000) sees that SFSC need to be understood in terms of how they are built, shaped, and reproduced over space and time, which is beyond the current understanding of SFSC that relate only to product flow.

The production sector will be influenced by SFSC that develop new quality definitions associated with locality, regionality, specialty, and nature. Producers must develop new associational networks such as new generation co-operatives, for example, co-operatives with different types of supply chains (Murdoch et al., 2000). Through these networks, products will be embedded with information including the values of the people involved and the production methods employed. Due to this embedded nature of the product, the product becomes further differentiated and thus scarcer within the market creating a value added product.

While Marsden et al. (2000) see a gap in knowledge in the development of SFSC, Storper (1997) sees a paucity of understanding about the operation of specialized and dedicated supply chains. Renting et al. (2000) state that we should question and consider the long-term impact and future potential of SFSC to contribute to rural development as a genuine counter-movement to the agro-industrial model. Marsden et al. (2000) see evidence suggesting that sustainable rural development is possible
through reconfigured SFSC and the associated development of relationships within the SFSC.

An alteration or reconfiguration of SFSC in rural development involves the clustering of SFSC. Marsden et al. (2000) state the need for one SFSC to interact with others in a network fashion. This networking of SFSC assists in capacity building in rural areas through co-operation. This clustering concept is very similar to the new generation of co-operatives interacting together as a supply chain for multiple product types. An example used by Marsden et al. (2000) outlines Llyn Beef, a rural co-operative in Wales focusing on grass fed beef products, as needing to build farmer capacity to interface with other supply chain agents over time and space in order to be sustainable.

Marsden et al. (2000) question the ability of rural development clusters to be sustainable as they are dependent on a distinctive evolutionary trajectory that may not be flexible enough in the volatile marketplace. Adding to the lack of flexibility is the Common Agricultural Policy (CAP) model of the United Kingdom that is outlined as an industry-centric model, leaving few guarantees for rural development cluster producers. This lack of guarantee of development leaves new SFSC producers to their own knowledge and network abilities, which may prove to be a risk that many producers find unacceptable.

To further the risk of SFSC producers’ competition between regions is a key risk for new SFSC. Co-operation between SFSC members needs to be instilled via principles of practice to ensure viability of the model. Even sub-regional SFSC initiatives could intensify competition in domestic markets, forcing prices lower at the farm gate, causing internal conflicts within the SFSC. Only through co-ordination and co-operation can this internal competition be overcome so that producers may service larger export markets.

2.9 Export Markets: Globalization

A focus on larger export markets brings into question the nature of SFSC. One of the three SFSC outlined by Marsden et al. (2000) is the spatially extended model allowing for information about a product to be communicated without direct contact between consumer and producer. How this information on the product is communicated becomes a complicated matter within the SFSC. Concepts of quality, locality, and production methods differ between regions. Torgnon et al. (1999) see a growing number of
discerning consumers demanding quality products. This demand produces an alternative geography for food systems that focuses on local ecologies of quality food production that is difficult to define.

Definitions become even muddier when globalization of the food system is considered. Ilbery and Kneafsey (1998) show that areas that have escaped the industrialization processes of globalization define quality of their local food better than definitions of quality used by the globalized system. The globalization of the food system is seen as the impetus for the reshaping of the food production process. Food production takes on patterns of capital accumulation rather than food quality production. As globalization stresses capital accumulation rather than the quality of food products globalization can be seen as aiding consolidation within the food system.

It is due to the global consolidation that much research has been done on linkages within the global food system (Friedland, 1991; Raynolds, 1993; Bonanno et al., 1994; Heffernan and Constance, 1994; Lowe, Marsden and Whatmore, 1994). Murdoch et al. (2000) look to actor-network theory (ANT) to help explain the linkages in the globalized food system. The ANT model is considered a constructivist approach - that is to say, an approach where groups construct knowledge for one another developing a culture around shared meanings (Latour, 1987). Where ANT is unique, and fits the food system more so than other theories, is in its use of a material-semiotic approach where ANT maps relationships that are material (between things, e.g. food) as well as conceptual, i.e. semiotic (e.g. co-operation) (Latour, 1987).

The ANT model is shown to be a contested process of acting at a distance with the power of the network related to the length of the network’s reach (Latour, 1987; Murdoch, 1995). Thus a globalized network would be considered powerful compared to a SFSC. With SFSC focusing on shortening the distances between producers and consumers, SFSC appear to be acting in contraction to the formation of a strong network. It is, however, in the stronger relationships that SFSC develop where the strength of the network exists.

Latour (2005) shows how ANT deconstructs power by demonstrating the difficulty in maintaining the various relationships within an extended network. A general destabilizing of the global food system network in favour of SFSC is due to the complex
and long distance relationships that the global food system relies on. The mutual expectations that are built into the practices, routines, agreements, informal, and institutional relationships are the binding agents of a network, which ANT outlines. Should these mutual expectations vary between actors in the network, the network as a whole destabilizes (Salais and Storper, 1992). As SFSC rely on more direct contact with actors in the network it is easier to maintain and define these mutual expectations.

2.10 Local Food Systems

2.10.1 Global and Local: Networks

It is argued within the literature that these food networks, global and local, are not mutually exclusive. Kneafsey et al. (2001), in exploring the dimensions of culture economies in rural west Wales, suggest that global and local are not separate and must be linked to make a sustainable system in rural areas. Murdoch et al. (2000) further the idea of interlinked networks, local and global, that can function as a development tool in rural areas. Whatmore and Thorne (1997, p. 235) argue that food networks or value chains must be understood as social composites of various (natural and social) actors and separation of global and local is not possible as they are, “…woven from the same substances as the more humble everyday forms of social life so often consigned to the ‘local’.”

While the global and local are woven from the same substances, the two systems are distinctive in nature due to the social actors involved. The distinctive nature of the social actors as well as the natural environment surrounding the network affects the functioning of the network. Murdoch et al. (2000) emphasize the fact that there are no guarantees that global and local interlinked networks or chains will hold together in all circumstances, no matter how powerful the actors. A cultural component is required to ensure stability within the network allowing for the network to be embedded in the culture. Murdoch et al. (2000) further the cultural requirement for stable networks stating that promotion of natural resources over manufactured will heighten the contribution of rural resources, that is, stimulate a re-embedding of networks, for greater sustainability. Murdoch et al. (2000) also outline rural districts as a method of economic development, using distinction between regional variations as an economic development tool.
2.10.2 Districts: Economic Development

Looking into the role of districts in economic development, Fanfani (1994) and Iacoponi et al. (1995) introduce the term “agro-industrial” or “agri-food” district to bring a rural and agricultural dimension to the study of industrial districts. Ward and Almas (1997) provide further information on the agro-industrial districts and the powers of association that help improve institutional thickness to the extent that networks of local actors and institutions can build up such that the sum is greater than the parts. The agro-industrial districts Ward and Almas discuss come from Amin (1994) where four key features of the districts are identified; 1) inter-firm dependence, 2) structures of sociability, 3) local industrial atmosphere, and 4) strong institutional presence.

Inter-firm dependence is described as the division of tasks based on local producer specialization, saving the members of the district funds due to the task-based nature of the specializations. By allowing members of the district to exploit a producer’s expertise in a specific task, the district gains by allowing others in the group to focus on their own specialized tasks. Sharing specializations, however, does infer that the district works together and communicates the needs of the district to the producers involved in the district to avoid duplication of tasks through the incorporation of the specialized tasks into the local economic district.

The second characteristic, structures of sociability or local industrial embeddedness, is the extension of this communication of tasks. The local containment of the division of labour and the local specializations is due to the communication of specialized task requirements within the district. A large enough market is required to ensure that the specialized tasks have sustainable demand and that the demand is adequately communicated to the specialist.

The third characteristic of agro-food districts, local industrial atmosphere, is the characteristic that helps to build the large market for sustainability. The local industrial atmosphere that Amin (1994) speaks of is the environment of inventiveness, entrepreneurial capability, and information dissemination. This atmosphere helps to build the specialized tasks within the district and the market for the innovative products that develop from the local industrial atmosphere. The competitive strengths of an agro-food district are developed within this industrial atmosphere, utilizing the flexible, multi-
purpose technologies, craft skills, and product adaptability, with information and know-how infused throughout every channel of the local economic systems. The knowledge is thus contained within an agri-food district and benefits the district or local rural economy. As each producer benefits from the shared knowledge base that is created in an atmosphere of socialization, sociability, and studied trust, greater innovations can occur, therefore allowing the district to access larger markets with their innovative products (Fanfani, 1994).

The final and fourth characteristic of agri-food districts is strong institutional presence, which explains how the specialized tasks are developed in multiple institutions that support each other for the development of the district. This is similar to the concept of new generation co-operatives inter-connecting with each other to support a SFSC through a sharing of specialized tasks. The diversity of the institutions may have a common thread of agri-food, but each brings a new knowledge base to share for the collective good of the district or community they are embedded in.

Good examples of agri-food districts are the more than sixty districts found in Italy that are geographically characterized by clusters of small towns surrounded by rural regions (Fanfani, 1994). The literature around these agri-food districts shows that there is a need to move away from the IOF, top-down, global, structuralist systems to a more micro, locally-based system where locality is predominant in the communication of knowledge within the system. The communication of knowledge within the system allows for flexible specializations within the agri-food districts, which are considered an antithesis to the Fordist model of development that dominates the IOF model (Iacoponi et al., 1995). The Fordist model implies segmentation of tasks, the displacement of knowledge from labour to management, repetitive and alienating tasks, and consequently a high degree of job disaffection (Braverman, 1974).

2.10.3 Rural Development: Multi-level process

The current trend in the IOF model to utilize Fordist type structures, including economies of scale, intensification, and specialization, represents the modernization of the agri-food districts. Renting et al. (2000) discuss the issue of rural development as a theory, that is, a competing theory, to modernization. Renting et al. (2000) consider rural development to be a multi-level process.
The first level is Global Interrelations between agriculture and society. It is necessary for agriculture to realign itself to meet rapidly changing societal needs (Depoele, 1996; European Commission, 1996). This realignment includes the issue relating to economic power where success is not directly linked to the scale of operations. The larger the scale of operations does not necessarily mean the firm is meeting a consumer demand. According to Piore and Sable (1984) and Harrison (1994), some firms have abandoned models based on economies of scale and vertical integration, opting for a flexible organizational pattern in order to be adaptable to changing consumer needs.

The second level of rural development, outlined by Renting et al. (2000), is A New Developmental Model for the Agricultural Sector. The new developmental model outlines a concern with the current industrial model in the form of a rural exodus. This exodus creates a decline in farmer and farm numbers, a sharp drop in employment opportunities and shortage of highly qualified personnel for key operational positions in rural areas. As the rural exodus continues rural areas lose economic and political powers to more populated urban centres creating conflict between these two areas. Modernization of agriculture produces tensions between urban and rural populations as disparate expectations for the uses of rural resources exists between the two groups (Knickel, 1990; Meyer, 1996; Roep, 2000; Caldwell and Weir, 2006; Caldwell and Temple, 2010). Intensification, specialization, and scale-enlargement of the agriculture sector are not the expectations of society in general. Society’s expectations of rural agriculture include the agrarian community ideal - in other words, red barns, pasture, and open spaces, which conflicts with current production practices.

Building synergies between urban and rural is considered a key issue for rural development. Renting et al. (2000) state the importance of potential synergies between local and regional ecosystems in the development of rural economies, identifying the need to create cohesion between activities at the farm level and between different farms to enhance rural development. Saccomandi (1998) and Renting et al. (2000) further this thought by outlining the importance of specific farm styles, specific goods and services, localized food chains, and specific social carriers and movements to building synergies.

Renting et al.’s (2000) third level of the multi-level process of rural development, Individual Farm Household, helps to redefine the identities, strategies, practice,
interrelations, and networks of rural development. The redefinition of rural roles is partially based on historical rooted identities and the new rural/urban ties that are developing (Broekhuizen, 1997). Synergy re-appears in the third level of rural development as the individual farm household co-ordinates and allocates family labour between different (agricultural and non-agricultural) activities in the pluri-active farm household. Through individual farm household, co-ordination activities are combined in the rural enterprise positively affecting costs, benefits, risks, and opportunities.

The fourth level of rural development brings the model to rural areas and the rural (economic) actors, outlining how agriculture is no longer the primary actor in rural development. As the consolidation of capital continues in the current modernization model, fewer and fewer farmers exist in the rural economy thereby decreasing agriculture’s political significance. Renting et al. (2000) propose that any new development model for rural areas needs new forms of co-operation between the various actors in the rural economy.

The fifth level within the rural development model proposed by Renting et al. (2000), Policies and Institutions, present the varied institutions and policies involved in rural development that are either supportive or detrimental to the model. Renting et al. (2000) cite Long (1977) when outlining the idea that rural development requires entrepreneurial activity that breaks through spheres of circulation to new markets that are as of yet disconnected from or inaccessible to farmers in rural areas.

The current modernization paradigm does not emphasize the expansion of these spheres or circulation to new markets, but confines producers to strict agricultural roles within the rural environment, forcing specialization through economies of scale. Renting et al. (2000) state that rural development depends on the collective action of networks and partnerships that involve many types of rural actors, contradicting the modernization paradigm that heavily emphasizes the entrepreneurial capacity of individual farmers. Renting et al. (2000) state that rural development is about the construction of new networks, the re-valueorization and recombination of resources, the co-ordination and (re)-molding of the social and the material, and the (renewed) use of social, cultural, and ecological capital. This flies in the face of what Broekhuizen (1997)
calls the entrenched assumption that the agricultural sector is incapable of generating rural renewal.

Dosi (1988) would disagree with Broekhuizen et al., stating that the agricultural sector’s competitiveness is based on three factors: 1) farm households have access to the resources and experience necessary to reconfigure old and create new constellations; 2) the agricultural sector is able to develop new practices step-by-step, decreasing the risk associated with new development through a learning by doing process; and 3) farmers have the capacity to network and operationalize the networks to which they historically belong. These arguments outline how synergies are needed, both internally and externally to the agricultural sector, to allow for economic and rural community development. Co-operatives can act as a catalyst for the development of synergies between the agricultural sector and communities to produce the networks outlined by Dosi (1988) and Renting et al. (2000).

2.10.4 Flexibility within the Marketplace

The capitalist model’s focus on increased production and economies of scale act to decrease the flexibility within the marketplace, pushing out SMPs. Several studies indicate that farm households have little flexibility in income generation due to the specialized, capital-intensive farming systems currently used (Buckwell, 1997; Van der Ploeg and Frouws, 1999). The dependence on a few markets due to specialization has been linked to high levels of indebtedness, making it difficult for farms to adjust to the fundamental changes in socio-political context. The paradox that results from following the modernization paradigm is that regions with large proportions of vulnerable households exist, even though there are favourable farming conditions and good consumer markets present, as larger farms dominate the area utilizing modern farm management models (Knickel, 1994). Renting et al. (2000, p. 403) state that, “more ‘robust’ enterprises, based on a wider range of economic activities, are becoming increasingly significant.” Economies of scope as outlined by Saccomandi (1998) are key contributors to the changes in economic activity to a more diversified income stream, staving off the risks of a volatile marketplace. With an emphasis on economies of scope, creating a more flexible production environment, there is a requirement for an accessible marketplace. The networks and synergies that can be created by co-
operatives and outlined by Dosi (1988) and Renting et al. (2000) can assist in the development of a flexible marketplace that relies on economies of scope for a diverse product mix.

Economies of scope are considered as an alternative to economies of scale on which the modernization paradigm is built (Panzar and Willing, 1981). Multi-product firms can take advantage of economies of scope, utilizing the same resources to produce two or more interrelated goods, saving on the cost of production for each unit. Scherer (1975) outlines how economies of scope allow for indivisible investments and inputs to be better utilized as both input and outputs for a broader range of product types. Renting et al. (2000) indicate that the indivisible investment for farmers include control over resources, their capacity to reconfigure and remold resources, farmers’ determination to maintain this control, and the links between farmers and other societal groups. These indivisible investments by farmers yield income, farm level employment, and investments that are higher in rural development paradigm farms than in modernization paradigm farms, allowing for a greater multiplier effect for the regional economy as a whole.

As an example of the increase in the multiplier effect seen in rural paradigm farms, Blay-Palmer (2006) shows how an improved multiplier factor for local food versus conventional food is provided to local areas. Local food produces $2.59 versus conventional food’s $1.40 for the local economy as funds are shifted away from local production areas to areas of capital control. By shifting economic power away from local areas or communities, a shift of democratic power within the purchasing system occurs, concomitantly.

The loss of community democratic power within the purchasing system helped to create the market failure that provided the environment for co-operatives to develop. Communities across Canada, through co-operative development, found new ways to access a marketplace that had excluded them. The history of Canadian co-operatives will show the diverse development paths of co-operatives due to the diverse needs and wants of individual communities.
2.11 Summary

This section began with a discussion on the current neoliberal capitalist economic model and the assumptions that govern it. The free market system was shown to encourage a global economy in favour of SFSC. To compare the capitalist model with the co-operative model an overview of the Rochdale Principles was provided which included details on the ICA’s 1995 revisions to the original 1844 Rochdale Pioneer’s principles. How these co-operative principles address the asymmetry of information within the capitalist system was then discussed. The embedded information about a product was shown to be communicated through the co-operative principle of Education, Training and Information. The co-operative principles were also shown to combat the consolidation within the existing capitalist agri-food system through the One Member One Vote democratic principle.

While co-operative principles were seen as an alternative to the current capitalist model issues such as the free rider problem exist for the co-operative model. The free rider problem was also shown as an issue within the capitalist model through externalities that are not captured in the valuation of products or services provided by IOFs. Externalities were presented as another form of asymmetry of information as the capitalist model seeks to suppress unsavoury production practices to maintain consumer acceptance of industrial processed products.

Industrial processed products were then shown to rely on free movement of capital and labour to reduce input costs. The free movement of capital and labour creates long distance supply chains. In comparison a discussion on SFSC including transaction distance, and rural development capabilities was presented. To provide a wholesome discussion globalization and export markets were discussed in comparison to SFSC. How SFSC rely on shorter networks was discussed in relation to transaction distances - 1) face-to-face, 2) spatial proximity, and 3) spatially extended. Direct marketing was provided as an example of face-to-face transaction distance. Regional marketing was shown to be a spatially proximity transaction distance where information is provided to a consumer at time of purchase. Spatially extended transaction distances were considered to represent the global food system via export markets.
Global and local networks within the agri-food sector were presented in the context of ANT. How co-operative networks can develop into economic development districts was presented along with how these districts can represent a multi-level rural development process. The economic development districts along with a focus on economies of scope represent the ability of SFSC and co-operatives to address flexible consumer demands for the development of a viable, sustainable agri-food system.
Chapter 3: Research Methodology

In this section, an outline of the paradigm model for the research will be presented, along with a research framework. Detailed methods utilized during the research will be provided, followed by validity and reliability discussion on the data utilized. An examination of the problems and limitations of the methods, outlining the strengths and weaknesses of the data, will be discussed.

3.1 Research Paradigm

Research paradigms have been referred to as sets of ontological and epistemological assumptions about the nature of the social world and about the knowability of this world (Denscombe, 2008). Blakie (2010) considered paradigms as constituting and incorporating different ontological and epistemological assumptions, defined as assumptions made about the nature of social reality and the way in which we can come to know this reality. Paradigms have also been considered to be common research practices existing within a research community allowing for a shared identity around a set of problems that are regarded as significant to the advancement of knowledge (Descombe, 2008).

The research conducted within this study incorporates two paradigms within social science research, anti-positivism and positivism, through a mixed-methods approach. As the food co-operative model presents a wide array of variables the use of a single paradigm would provide insufficient information to encapsulate all aspects of the role of food co-operatives in Ontario. Anti-positivism, or naturalism, and positivism present two different views of the world. For a complete picture of food co-operatives both paradigms must be used through a mixed-methods approach.

Anti-positivism views the data or event as a construct of the phenomena, providing an understanding and interpretation of the data through the inquiry process (Cohen, Manion and Morrison, 2000). An event or data does not simply stand alone, but must be interpreted through the context in which it was found. Anti-positivism focuses on qualitative research and allows for the study of data or events where multiple variables exist that are outside the control of the researcher. Anti-positivists see a complex system of interactivity that cannot be consolidated down into single phenomena (Creswell, 2003). The relationship between the event or data and the context is
inextricably linked. Defining the context surrounding a single data point in order to help define the data point is the anti-positivist paradigm (Creswell, 2003).

Positivism, on the other hand, seeks to control the circumstances surrounding the data or event to better interpret the data’s effect on the circumstances. Positivism requires an objective, measurable, predictable, controllable context to determine the extent to which the data affects the circumstances. The resulting affect from the data can then be qualified and quantified to construct laws and rules of human behaviour (Cohn, Manion and Morrison, 2000). Positivism favours quantitative methods and provides an understanding of the role that discrete information plays on human decision-making. For this study, financial and spatial data follows a positivistic paradigm analysis as it relates to the decisions within the food co-operatives.

3.2 Conceptualization & Research Framework

To guide the research process, the sustainable development theme of community development was utilized. Under the broad term of sustainable community development, the study focused on sustainable food practices and planning, which are two goals under sustainable community development. The study’s central purpose of determining the role of co-operatives within the Ontario food system was within the tenets of sustainable community development literature. Increasingly food systems and planning practices are cited within sustainable community development literature. Examining the current practices and policies of Ontario food co-operatives may reveal any gaps between the current theory and practices of sustainable community development. How and why these gaps exist was explored and opportunities for focusing practices that move the co-operative business model to a more community development paradigm were developed. The inclusion of multiple case studies across Ontario’s regions provided a broad perspective of Ontario’s co-operatives, allowing the developed community-focused framework to be applicable to a wide range of co-operatives across the province.

The choice of research paradigms, anti-positivism and positivism, utilized within this research was based on the belief of the researcher that the paradigm assumptions are mutually reinforcing. By combining the paradigms into a mixed method approach, it is
believed that the context of the data, as well as the interpretation of the data itself, will lead to a holistic understanding of the co-operative model in Ontario.

3.3 Ethical Considerations

Over the course of this research there was the potential for the collection of confidential information. To ensure the research was conducted in an ethical and confidential manner, an application was submitted to the University of Guelph’s Office of Research: Research Ethics Board. The application for the clearance ensured that the interviews and data collection were conducted in a confidential manner. The application for the ethics clearance required the interviews and data collection to be conducted, stored, and written in a confidential format. The research received ethics clearance from the Office of Research: Research Ethics Board to conduct the data collection. Due to the small number of food co-operatives in Ontario it was not always possible to maintain confidentiality of all the information collected in this study. Whenever possible all identifying information was removed from the data to maintain confidentiality.

3.4 Jurisdictional Scan

To gain a view of the scope of co-operatives in Ontario and Canada, a jurisdictional scan was completed. This helped identify the active local food co-operatives that are part of the Ontario case studies. The jurisdictional scan included a broad overview of the Canadian co-operative historical development to outline the developmental drives associated with Canadian co-operatives. A review of Quebec and British Columbia co-operatives was completed, as these jurisdictions have been more active in the development of a co-operative local food system than Ontario. The inclusion of a review of Ontario’s co-operative development aids in the comparison of the developmental drivers associated with Canada and each province. The jurisdictional scan outlined a brief history, as well as the cultural, geographic, and economic development drivers within each jurisdiction. This helped increase understanding of the current state of Ontario food co-operatives.

The jurisdictional scan was conducted through a journal article and book review as well as online sources for each province. An initial search of journal articles, including both grey and peer-reviewed literature, was conducted using the Primo Central search engine. Primo Central is an index that provides credible, relevance-ranked results from
online and print collections and was used for the literature review. Upon completion of the initial literature search utilizing the Primo Central search engine, references within journal articles and books were examined for relevance. To ensure all online sources of data were collected an extensive web search focusing on each province was conducted.

### 3.5 Case Studies

Case studies of nine Ontario local food co-operatives were completed in order to outline the policy and economic environment in which Ontario local food co-operatives work. Detailed analysis of the marketing, investment, and structure of the co-operatives was conducted, along with successful strategies and potential barriers to accessing local food markets.

The case studies were built upon the jurisdictional scan by examining the day-to-day operation of co-operatives identified during the scan. As a component of the case studies the strategic plans (mission and vision statements), a thorough examination of the yearly financial operations, the co-operative’s interactions with suppliers and customers for at least a three-year period was conducted. The information generated by the case studies formed a picture of local food co-operatives, putting a context on the financial and spatial analysis that was completed as part of this research.

#### 3.5.1 Case Study Method: Multiple Case Studies

Multiple case studies, like those undertaken within this research, can be considered to be embedded multiple units of analysis. The unit of analysis refers to a system of action that is selective and fundamental to the development of the case under investigation (Yin, 2009). Yin (1994) emphasizes that generalization of results from case studies is made to theory and not to populations. A study of multiple cases can enhance the results by replicating pattern-matching, thus increasing confidence in the robustness of the study and the theory.

Several data-collecting vehicles were used in the case studies including key informant interviews, on-site observations, review of financial documentation, examination of co-operative policy documents (mission and vision statements), review of web presence, and spatial and secondary data (brochures, newsletters, and historical documentation). Personal and methodological biases were limited and triangulation of a
phenomena or research questions from multiple perspectives and sources of data were used whenever possible.

Methodological triangulation refers to using more than one method to study a question. Data triangulation uses the same approach for different sets of data in order to verify or falsify trends generalized from the data (Oppermann, 2000). With various data sources and methods, the study was strengthened in terms of the increased credibility, dependability, and objectivity of the research data and findings.

When discussing multiple case studies, it is imperative to review validity and reliability. Validity is the strength of conclusions, inferences, or propositions. Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time when used under the same condition with the same subjects (Yin, 2009).

Validity can be segmented into three categories: Construct validity, Internal validity and External validity (see Table 3.1: Tactics for Ensuring Validity & Reliability of a Case Study). Construct validity refers to the ability of the measurement to reflect what is actually measured (Yin, 2009). To provide construct validity to this research, multiple sources of data were utilized including key informant interviews, web data, financial reports, spatial data, membership information and historical documentation of the co-operative. By providing multiple viewpoints that produce the same result, it is possible to consider the result as valid.
Table 3.1: Tactics for Ensuring Validity & Reliability of a Case Study

<table>
<thead>
<tr>
<th>Case Study Tactic</th>
<th>Phase of research in which tactic occurs</th>
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<tbody>
<tr>
<td><strong>Construct validity</strong>&lt;sup&gt;i&lt;/sup&gt;</td>
<td>• Use of multiple sources of evidence  &lt;br&gt;• Establish chain of events  &lt;br&gt;• Have key informants review draft case study report</td>
</tr>
<tr>
<td><strong>Internal validity</strong>&lt;sup&gt;ii&lt;/sup&gt;</td>
<td>• Do pattern-matching  &lt;br&gt;• Do explanation-building  &lt;br&gt;• Address rival explanations  &lt;br&gt;• Use logic models</td>
</tr>
<tr>
<td><strong>External validity</strong>&lt;sup&gt;iii&lt;/sup&gt;</td>
<td>• Use theory in single-case studies  &lt;br&gt;• Use replication logic in multiple-case studies</td>
</tr>
<tr>
<td><strong>Reliability</strong></td>
<td>• Use case study protocol  &lt;br&gt;• Develop case study database</td>
</tr>
</tbody>
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i. Refers to the extent to which the variables accurately reflect or measure the behaviour of interest. ii. Refers to whether cause-effect relationships between variables can be inferred from the observations. iii. Refers to the extent to which the observations can be generalized to other settings and populations. Source: Yin, 2009, p. 41

Internal validity is the reflection of the extent of the causality of the conclusions (Yin, 2009) or to what extent the data reflect the story. Internal validity was accomplished through pattern matching between key informant interview responses and documentation collected. The combination of key informant pattern-matching and documentation provided explanation building within the case study to further the internal validation of the data. Explanation of rival theories was also presented as a means of defining the validity of the results.

External validity is the extent to which the conclusions of the study can be generalized (Yin, 2009). As this study utilized multiple case studies, the use of replication logic was used to gain external validity. Case studies were chosen based on pre-set criteria that allowed for generalization within the scope of the criteria.

Reliability was maintained within the research study through development of case study protocol and interview templates. All data were electronically coded and stored in a database for repeatable measures.
3.5.2 Case Study Identification

Case studies were selected based on the following criteria:

1. Ontario based,
2. Food focus,
3. Have and maintain an Inventory Control System, and
4. Have and maintain a Member Database (details to be used for spatial analysis).

The first criterion for participation in the study was the Ontario-based nature of the co-operative; this was established through the location of the co-operative’s headquarters. In some cases, the co-operative had business dealings outside the province and even outside the country, but the co-operative headquarters had to be established and maintained within Ontario to be considered an Ontario co-operative for this study.

To establish the co-operative’s food focus the research examined the mission and vision statements as well as the marketing information of each co-operative. Every co-operative within this research project maintained a mission and vision statement or a marketing presence that focused their business practices on the sale of local food products. Vision statements for some co-operatives provided additional information about the food products to be sold. These differentiations in food products included categories such as organic, natural, biodynamic, or a food culture component that stressed the link between producers and consumers via direct marketing.

Co-operatives that maintained an inventory database were utilized for this research to further ensure the co-operative’s focus on food. This research correlated the mission and vision statements of the co-operative with the actual, physical inventory that the co-operative maintains.

The member database selection criteria were utilized to determine the scale of the distribution of the co-operative. Membership information was kept confidential through examination at the level of postal codes rather than the individual member address. Membership was mapped based on percentage of membership within each postal code area.
To determine the type of co-operative that participated in the research, co-operative managers self-selected which co-operative type they believed their co-operative to be. The five types of co-operatives are listed below as defined by Co-op Zone (2014). Co-op Zone is a co-operative development network based out of Alberta, Canada, which helps to start and develop co-operatives.

Types of Co-operatives (Co-op Zone, 2014):

1. **Producer co-operatives**: These co-operatives process and market their members' products and services directly or they may sell the input necessary to their members' economic activities.
   Examples: Agriculture co-operatives, equipment pooling, and advisory services.

2. **Multi-stakeholder co-operatives**: The membership of these co-operatives is made of different categories of members who share a common interest in the organization.
   Examples: home care services, health services, and community services.

3. **Worker co-operatives**: The purpose of these co-operatives is to provide their members with work by operating an enterprise. Employee members own these co-operatives.
   Examples: forestry, leisure, production and manufacturing, and tourism co-operatives.

4. **Worker-Shareholder co-operatives**: These are incorporated co-operatives that hold partial ownership of the business in which the co-op's members are employed. Because of its share capital, the co-operative may participate in the management of the business and the workers may influence work organization.
   Examples: production and manufacturing, and technology co-operatives.

5. **Consumer co-operatives**: They provide their members with goods and services for their personal use.

The co-operatives within this study were also assigned to either a large, medium, and small category based on their gross sales revenue. Large co-operatives have gross revenue in sales over $2 million annually. Medium co-operatives are those with gross revenue in sales between $50,000 and $2 million annually. Small co-operatives are those with gross revenue in sales less than $50,000 a year. The majority of co-
operatives studied, six out of nine, maintained a revenue stream of just over $50,000 per annum. The majority of the co-operatives within this study did not exceed the $100,000 in sales level. The two large co-operatives that took part in this research far exceeded the $100,000 level with sales well over $2 million per annum.

To broaden the view of co-operatives in Ontario, co-operatives from all stages of the business life cycle were studied. Five new co-operatives (five years or less in operation based on the initial incorporation date of the co-operative) and five established co-operatives (greater than five years in operation based on the initial incorporation date of the co-operative) were case study subjects. Those co-operatives willing to participate in the research, however, were the established co-operatives.

It was possible to include three new co-operatives within the research study; however, due to lack of capacity, most new co-operatives did not have the staff or time to participate in the research project. As an example, a co-operative from the northern region of Ontario offered to participate but, due to the manager’s volunteer status, they lacked the time to participate in the study. In the end, the research was able to obtain case study information from nine co-operatives, six established and three new co-operatives.

3.6 Data Collection: Interviews

Through the case study process, key informant interviews with co-operative managers were conducted. The interviews focused on manager’s interpretation of the co-operative’s role in the community and the local food market. A confidentiality agreement was provided to all participating managers and approval from the University of Guelph’s Office of Research: Research Ethics Board was obtained. Interviews outlined the practices adopted by the Ontario food co-operatives and the personal difficulties in managing a co-operative. Discussion on co-operative to co-operative networking also took place to help determine if networking is a viable option for co-operatives.

In preparation for key informant interviews, the researcher conducted a literature review on the co-operative, including peer-reviewed articles, grey literature and web searches for popular content. Any and all information provided by the interviewee prior to the interview was reviewed. The information provided by the majority of the
interviewees included mission and vision statements, website uniform resource locator (URL), marketing materials, annual general meeting minutes, membership lists and financial statements.

The key informant interviews were semi-structured scheduled for one-hour in duration. Most interviewees extended the duration of the interview with seven out of the nine interviewed exceeding one and a half hours. The interviews focused on the following areas: 1) Community, 2) Personal, 3) Education, Information, and Training, 4) The Co-operative Principles, 5) Governance, 6) Marketing and 7) Finance. Each interview area was chosen to inform a specific objective, which relates to one of the research questions (see Table 3.2: Interview Question Areas, Research Question, Objectives and Rationale). By asking key informants questions about their communities a clearer definition of the co-operative’s community will be developed. How a key informant perceives their personal position within a co-operative and its community will provide context to the community definition provided by the interviewee. Asking the interviewee about the education, information and training programs and policies of the co-operative will help understand the interactions between the co-operative and the community. The interactions are guided by the key informant’s understanding of the co-operative principles and the governance of the co-operative itself as the board of directors defines the policies under which the co-operative operates. Understanding the role of marketing within a co-operative will help paint a picture of the outward facing image the co-operative wishes to portray to its community. Finally, the finances of a co-operative define the scope of its operations due to funding constraints, but also the priorities for the use of the funding the co-operative does have. What investment decisions are made given the financial constraints of the co-operative and what rationale is used to make those decisions?
<table>
<thead>
<tr>
<th>Interview Areas</th>
<th>Research Question</th>
<th>Objective</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community</td>
<td>1) Co-operatives define and interact with their community.</td>
<td>1) Role of food co-operatives in Communities.</td>
<td>• Managers will help to define the communities that their co-operatives interact with.</td>
</tr>
<tr>
<td>Personal</td>
<td>1) Co-operatives define and interact with their community.</td>
<td>1) Role of food co-operatives in Communities.</td>
<td>• Manager's personal interactions guide the co-operative operations.</td>
</tr>
<tr>
<td>Education, Information, and Training</td>
<td>1) Co-operatives define and interact with their community.</td>
<td>1) Role of food co-operatives in Communities.</td>
<td>• Educational programs show how co-operatives interact with their communities.</td>
</tr>
<tr>
<td>Co-operative Principles</td>
<td>1) Co-operatives define and interact with their community.</td>
<td>1) Role of food co-operatives in Communities.</td>
<td>• How managers interpret the principles defines how the co-operative interacts with its community.</td>
</tr>
</tbody>
</table>
| Governance          | 1) Co-operatives define and interact with their community. 2) Ontario co-operative’s current state. | 1) Role of food co-operatives in Communities. | • The board of governors defines the policies for the co-operative and thus how the co-operative interacts with its community.  
• Managers will provide information on the current state of the co-operative’s governance structure. |
| Marketing | 1) Co-operatives define and interact with their community.  
2) Ontario co-operative’s current state. | 1) Role of food co-operatives in Communities.  
2) Ontario co-operative’s current state. | • How the co-operative presents itself to its community will help define how it interacts with its community.  
• Marketing of the co-operative can outline its current focus of operations. |
| Finance | 1) Co-operatives define and interact with their community.  
2) Ontario co-operative’s current state. | 1) Role of food co-operatives in Communities.  
2) Ontario co-operative’s current state. | • Financial decisions are based on beliefs that affect how a co-operative interacts with its community.  
• Managers can outline the current financial state of their co-operatives. |

Interviews were conducted, either face-to-face with the managers or via Skype when distance was considered excessive. All interviews were electronically recorded. As each interviewee was asked similar questions, analysis of the interviews focused on common phrases utilized by respondents or commonly expressed concepts, which were coded and identified across all nine interviews (Dye et al., 2000).

A semi-structured interview approach was selected to allow for new categories of conversation to emerge, providing greater insight into the role of Ontario co-operatives. Initially, two co-operative managers participated in the interview process. The interview questions were reviewed based on the responses and the template was adjusted to accommodate the diverse discussion of the co-operative managers within the one-hour timeframe.

All responses from the interviewees were recorded electronically to ensure accurate capture of responses and the ability to review responses to provide rigour for the analysis. Initially, two of the interviews were coded for common categories and content based on the interviewees’ responses. Categories were those that were found to be common across the two interviews: 1) Community development, 2) Information
asymmetry, 3) Local production, and 4) Consolidation of power in the food system. Interviewees' responses from the remaining seven cases were compared and coded based on these categories (Dye et al., 2000). These categories were then systematically compared across all interviews for common phrases.

Rigour was also demonstrated through the use of verbatim transcription of the common phrases within each category. The use of constant comparison and reflexive journaling to maintain objective distance from the data were also completed to ensure that data collection was rigorous.

3.6.1 Data Collection: Interviewees and Interview Guides

Interviewees were selected to represent the co-operative and as such were the managers of the co-operative. The co-operative manager represented an intermediary between the co-operative’s board of directors and its members, and had intimate knowledge of the day-to-day operations of the co-operative. The managers were contacted to participate in the research project between April 2012 and January 2013 via email, phone, or in-person. Interviews were completed in a face-to-face meeting with each manager at their place of work or via Skype when distance was an issue. During the one-hour, semi-structured interview, co-operative managers were questioned on topics focusing on community, personal issues, education, training and information, co-operative principles, marketing, and finances (see Appendix B: Interview Guide for detailed questions).

3.7 Data Collection: Membership location

Membership lists identifying member locations were requested from all nine co-operatives identified as case studies. Five of the co-operatives provided lists of membership postal codes to ensure anonymity. The four co-operatives that did not provide a memberships list explained that they did not wish to risk their members’ privacy, or they did not have time to provide the necessary information. The lists that were provided arrived in spreadsheet format, which could be sorted based on postal codes. Upon sorting of the membership lists, the percentage of membership within a postal code area could be defined as a component of total membership. After the percentage of membership in each postal code area was defined, the percentages were
coded by colours and then mapped to provide a representation of membership distribution.

Examination of the spatial distribution of the co-operative member base made it possible to determine the scale of the food distribution of the co-operative. Member postal code information was plotted to determine the spatial reach of Ontario food co-operatives. Concentration of membership was determined based on the number of members with similar postal codes within a given postal code area as a percentage of the total membership base. The concentrations of members were then colour coded and mapped.

3.8 Data Collection: Financial data

In order to conduct the financial data collection, the researcher relied on his educational training in finance from the Masters of Business Administration (MBA) program at McMaster University. Understanding the need to determine the current ratio as a measure of a firm’s viability was part of the MBA program. The current ratio shows the ability of a firm to pay off its creditors and thus represents the firm’s cash flow viability. Based on the financial training of the researcher, it is understood that the return on equity and the return on assets represents a firm’s sustainability or profitability within the financial environment. How much the equity of the membership is converted into profits is a measure of the return on equity. The return on assets represents the profitable use of assets within the firm. These two measures show the ability of co-operatives to produce profits from the investment by its membership.

Financial analysis of Ontario food co-operatives was completed to determine the sustainability, viability and decision-making criteria utilized by food co-operatives in Ontario. Financial balance sheets were examined in terms of liabilities versus assets as well as retained earnings to determine the business structure utilized by Ontario food co-operatives. All financial information was kept confidential at the individual firm level through consolidated financial information. Through managerial interviews and examination of the co-operatives’ growth rate, current ratio, return on assets, retained earnings, and average growth rate over a minimum of three years, the financial picture of each of the nine case study co-operatives was developed.
Each co-operative was asked to supply balance sheets for three years’ worth of operations in order to determine trends within the financial status of the co-operatives. Four of the nine co-operatives provided the financial information; with a fifth providing the information through publicly accessed annual reports. Those co-operatives that did not provide the financial data cited concerns over privacy. As co-operatives are member-based organizations, they are not required to file publicly available financial statements.

The financial data was provided in many formats and conversion to a standard format was necessary to compare data. Standard markers of financial viability were determined including current ratio, retained earnings growth rate, return on assets, and averages for each of the three years. These financial markers were selected as quantitative measures of sustainability as well as a method to differentiate the co-operatives into three groups – small, medium, and large. The co-operatives were considered small if they had gross sales revenue of less than $50,000 annually over the three years. Medium co-operatives had to maintain $50,000 to $2 million gross revenue for the three years, and large co-operatives represented those with over $2 million in gross revenue annually for three years.

3.9 Limitations of the Research

Limitations of the research project include the study participants who could only provide perspectives on the food system from the view of co-operative managers. While co-operative members and other stakeholders’ perspectives are not directly represented, the co-operative managers did provide indirect insight to board members’ and co-operative members’ views.

There is also the limitation of the number of co-operatives within the study. The number of co-operatives operating in Ontario, Canada, is beyond the financial and time constraints of this research project, so could not be explored to its fullest. With more than 1,300 co-operatives in Ontario it was not possible for this research to study all types of co-operatives (On Co-op, 2014). There is also the fact that the fastest growing co-operative sectors in Ontario are local (often also organic) food and renewable energy. The rapid growth in the food sector makes it difficult to determine the exact number of food co-operatives in Ontario as food co-operatives are developing quickly
across the Province. According to the On Co-op database of co-operatives there are twenty-three food co-operatives in Ontario. This research project studied nine of the twenty-three accounting for nearly forty percent of food co-operatives in Ontario. However, given the rapid development and dissolution of food co-operatives in Ontario it is not possible to determine the exact number of operating food co-operatives. While this research did examine a large percentage of Ontario food co-operatives, it was beyond the scope of this research to determine the exact number of Ontario food co-operatives.

Time constraints also provided limitations. The more remote co-operatives could not provide the time required to be part of the research. In one particular case, the manager was a volunteer within the co-operative and handled multiple roles within the co-operative, which limited his time making it impossible for him to participate in the research. While the researcher was able to obtain ten co-operatives’ agreement to participate in the study, the volunteer nature of co-operative managers in more remote locations made it difficult for them to participate in the study.

Future research in the area of Ontario food co-operatives should include the views of community residences outside the co-operative structure, primary producers within and outside the co-operative, and consumers, to gain a holistic picture of the co-operative within the community. How the expectations of various community members are reflected within the structure and activities of a co-operative would aid co-operatives in becoming more effective community development tools.

3.10 Summary
This chapter presented the paradigm approach that was utilized throughout the research project. A mixed-methods approach combining quantitative and qualitative methods was used to meet the objectives of this research. Case study selection and interview methods were outlined along with the additional data collected including membership location and financial data. A summary of the data collected, analysis and the objective meet can be found in Figure 3.1: Data Collection for Objectives Summary. The problems encountered in obtaining data from Ontario co-operatives were presented. Rationale provided by co-operatives for lack of participation was also
outlined. Finally, future research direction was presented to move research forward in the area of food co-operatives.
Figure 3.1: Data Collection for Objectives Summary

Research Question 1
Co-operatives define and interact with their community

Research Question 2
Ontario co-operative’s current state

Social Information
Objective 1
Role of Co-operative in the Community

Key Informant Interviews
- Community Definition
- Community Programs and Policies

Case Studies:
- Mission & Vision Statements
- Community Development Goals & Focus

Case Study:
- Marketing & Web Materials
- External message to community

Case Study:
- Educational Program Materials
- Goals of co-operative programming

Financial Information
Objectives 2
Role of Co-operative Principles and Business Practices
Objective 4
Sustainability of Ontario Local Food Co-operatives

Key Informant Interviews
- Financial Decision Criteria & Operations
- Co-operative Principle priority & implementation

Case Studies:
- Annual General Meetings
- Financial policies and goals
- Co-operative Business Practices

Case Studies:
- Financial Statements & Annual Reports
- Financial data and ratios
- Financial Notes and Investment Decisions
Figure 3.1: Data Collection for Objectives Summary: continued
Chapter 4: Ontario Food Co-operatives: Context

4.1 Canadian Context:

The history of co-operatives in Canada needs to include Alphones and Dorimène, Desjardins, and their establishment of the Caisse Populaire in Quebec on December 6, 1900 (Fairbairn, MacPherson, and Russell, 2000). The Caisse Populaire utilized a credit union business model to help farmers gain access to credit and avoid usury fees from the standard banking models of the time, thus providing an economic benefit to the working class. The Desjardins took their inspiration from Friedrich Wilhelm Raiffeisen’s concepts of rural community co-operation. Raiffeisen, a village mayor in Germany, was the founder of the first rural co-operative with a vision to build a co-operative movement based on education and leadership (Fairbairn, MacPherson, and Russell, 2000). Raiffeisen believed that,

The balance has been upset; rural areas and smaller trades have been left behind. It lies to them (neighbours) to take possession of the benefits of the new age; then, they won’t wish any more to have the good old days come back. (Raiffeisen, 1873 in Fairbairn, MacPherson, and Russell, 2000, p.15)

It was Raiffeisen’s contention that an imbalance of economic power existed during his time. Larger enterprises were leaving the working class and small business behind. A similar imbalance of economic power was seen by the Dejardins in Quebec’s banking sector. Taking their inspiration from Raiffeisen, the Desjardins saw a similar shift in economic power in Canada which co-operation could address. The Desjardins saw the threat of economic disempowerment as similar to the threat to people’s democratic freedoms.

Instead of being governed like peoples were two or three centuries ago, by an autocratic king who presented himself as an emissary of heaven, we govern ourselves and we regulate everything connected with the political world by the agency of our freely elected deputies. Why should we not have an equally free regime in the economic world? (Desjardins, 1907 in Fairbairn, MacPherson, and Russell, 2000, p. 20).

Only through equality of economic power can consumers participate in their communities and thus in their community’s development. Co-operatives, including the
Caisse Populaire, attempt to empower consumers in the marketplace through their co-operative principles that are linked to their business operations.

Alphones and Dorimène Desjardins along with Friedrich Wilhelm Raiffeisen put their mark on the co-operative movement in Canada, emphasizing education, leadership, and democracy as key components of the movement. As the co-operative movement continued into the twenty-first century, the participatory, democratic principle remains key to the co-operative business structure. The One Member, One Vote paradigm of the co-operative is the cornerstone of the co-operative model, representing the participation of members in the economic development of their business and, by extension, their communities.

The initial co-operatives started by the Desjardins began as credit unions to address access to capital problems faced by the working classes as well as high interest rates charged by the banking system at the time. The co-operative model has now extended into housing, healthcare, agricultural boards, and other sectors to continue to address the needs of those people who have limited access to society’s services. This does not mean that services are provided for free to those who do not have the means. Co-operatives were meant to provide services for fair prices and provide assistance to community members when needed.

It was not just the Desjardins and the Quebec government that supported co-operative development in Canada. An agrarian-focused co-operative movement in the prairies, also focused on economic democracy, had begun just prior to the twentieth century. This prairie co-operative development had been a reaction to regional underdevelopment; where prairie farmers had been locked into a monoculture, a staple production system squeezed grain producers to the point of subsistence living. Agricultural marketing agencies, farm supply co-operatives and, eventually, the wheat pools would offer more economically-democratic alternatives to the conventional market system characterized by unequal exchange (MacPherson, 1979; Sacouman, 1979).

It was unequal exchange that caught the attention of George Keen, one of the leading builders of the co-operative movement in Canada. George Keen
...believed that all human beings have a fundamental interest in the preparation, manufacture and distribution of high quality consumer goods sold at a fair price. It was logical, therefore, to organize society upon the basis of intelligent consumption rather than on the basis of production- the explicit or implicit view widely held by those who sold their labour or made their investment on the basis of production, be it in industry, agriculture or mining (Keen in Fairbairn, MacPherson, and Russell, 2000, p. 42).

This consumer theory of co-operation de-emphasized the overproduction of goods through economies of scale. Keen believed economies of scale brought about inflated prices, conspicuous consumption, misleading advertising, exploitative practices, and class warfare (Keen, 1950). Controlling the resources of a community through a democratic, co-operative model would avoid these issues, refocusing production on community needs. Co-operatives needed to focus on fair prices, appropriate consumption, avoiding consumer manipulation through poor advertising, allocating resources effectively, and bringing the elite and working classes together for mutual benefit. Keen’s views on democratic allocation of resources came from the overarching Rochdale Principles defined between 1844 and 1854 (Fairbairn, MacPherson, and Russell, 2000).

The Rochdale Principles stress economic democracy, cash sales, and dividends on participation and are the basis for the co-operative movement. The Rochdale Principles also envisioned long-term goals for establishing co-operative communities, which Keen believed co-operatives needed to emphasize (Gide, 1912). If co-operatives help community economic development through democratic participation, then social injustice through inequality of economic power would be alleviated (Keen, 1950).

Keen helped to bring the co-operative model to many parts of Canada and, from 1909 to 1945, was the general secretary of the national organization of co-operatives in English-speaking Canada. Keen travelled extensively to Western and Atlantic Canada between 1922 and 1939 to promote the co-operative model. While some parts of Canada took up the co-operative model with significant results, other parts of Canada were less successful, or even uninterested, in the new business model. It is important to look at Canada not as a uniform state, but as areas of significant difference based on cultural, geographic, and economic forces (Fairbairn, MacPherson, and Russell, 2000).
4.2 Quebec Comparison

Quebec represents a very unique set of conditions when it comes to co-operative development. Through the development of the Caisse Populaire (meaning the ‘people’s bank’) the Alphones and Dorimène Desjardin worked to address the usury issue in the Quebec banking sector. In the true co-operative fashion of addressing a market failure, Caisse Populaire assisted poor Quebecers in accessing capital without the excessive usury rates being imposed by the banks of the time. Introduced in 1900 by Alphones and Dorimène Desjardins in Levis, Quebec, with the strong involvement of the Catholic clergy, the Caisse Populaire became a strong financial co-operative within Quebec (Merret and Walzer, 2004).

With such a strong link to the Catholic clergy, the Caisse Populaire developed with a focus on small, parish-based savings-and-loan. The Caisse Populaire wished to assist production-based practices through improved capital access, thus improving member businesses and farms. The idea that the co-operative was member focused is not unusual. What sets the Quebec Caisse Populaire apart from standard member-based co-operatives is the focus on preserving and reinforcing the close-knit identity of the French Catholic communities in small towns and rural areas (Rudin, 1990). According to Ian MacPherson (1979) the idea of helping French Catholic communities did not even originate from the community, but from the elite within the community. MacPherson (1979) outlined how the Caisse Populaire was run by lawyers, bankers, and elite businessmen rather than the poor members the co-operative was to help. These ideas of having larger interests, such as the Catholic clergy or the community elite, running the Caisse Populaire for the benefit of the poor and hard-done-by may or may not have affected the outcomes of the enterprise, but they certainly affected the development of the Caisse Populaire.

It was Alphones Desjardins’ original belief that co-operatives should develop with the assistance of the clergy. The clergy could act as a unifying force to affect community change (MacPherson, 1979). With the clergy as the guiding, unifying force behind co-operative development in Quebec, co-operatives developed with a parish-based focus. To further unify the community the Desjardins also involved the town elite in defining the co-operative’s development. By bringing the elite and the poor together the co-operative
could act as a means of bringing differing classes within the community together for a common purpose, i.e. economic prosperity. When comparing the Desjardins to the other co-operative icon, Raiffeisen from Germany, Fairbairn, MacPherson, and Russell (2000) state,

Desjardins, who was later and more liberal, seems to have regarded his co-operatives as projects to be organized and supported by the clergy and by small-town elites, with little direct state involvement. Only after his death, in the 1920s, did the state become more involved (in the opinion of some, more interfering) in that co-operative movement that Desjardins inspired. (Fairbairn, MacPherson, and Russell, 2000, p. 16)

Desjardins did not negate the need for government involvement in the development of the Caisse Populaire, as he initially sought federal government legislation to legitimize the co-operative model. The federal government of the time, however, viewed the Caisse Populaire as a local organization rather than a banking institution. Given the initial reaction from the federal government, Desjardins looked to the provincial government for support. On the 5th of March 1906, The Act Concerning Co-operative Syndicates was voted on and passed unanimously by the Quebec Legislature. The Act was ratified on the 9th of March of that same year. The Act is considered by some as the driving force that made the Caisse Populaire model the basic model upon which savings and credit co-operatives in Quebec were developed (Fairbairn, MacPherson, and Russell, 2000). It was, however, Alphones Desjardins who pushed for the act to be passed initially, approaching the federal government of the time but, being refused, he refocused his attentions to the provincial government.

Following Alphones Desjardins’ death in 1920 and especially during the depression years (1929 to 1939), Caisse Populaire development exploded across Quebec. Given the high usury levels of the existing banking institutions it is possible to argue that the Caisse Populaire developed to impose these same high usury levels on the poorer classes as part of the basic economic tenet of supply and demand. With a lucrative market of users seeking capital the Caisse Populaire could offer slightly lower usury rates and make a substantial profit over the existing banking system. It is also possible to say that the people’s bank was truly addressing a need and helping the people access capital for community development. The two ideas are not mutually exclusive. It
is possible to exploit poorer classes to a lesser extent than the existing banking institutions, while at the same time helping to develop rural communities. It is interesting to note that “...by 1990 more than two thirds of Quebecers were members of a Caisse Populaire making them the dominant banking institutions and leading commercial lenders for small and medium enterprises” (Merret and Walzer, 2004, p. 37).

It is Quebec’s affinity for co-operative banking that is unique to the province. No other province has such a strong development of the co-operative banking system. This could be due to the timing of its development. Caisse Populaire began its initial development just before the 1920-1930’s depression, which helped to fuel the expansion of the co-operative banking model throughout Quebec. The Caisse Populaire development was also helped by the pre-existing high usury rates, which caused a depression for poorer Quebecers by constricting capital access and stunting rural development. The basic market failure of the existing banking system in Quebec left a gap for co-operative banking to develop.

Unlike other jurisdictions that focused on a secular approach to business development, the Quebec co-operative model was parish-based. While the secular co-operative model focused on wage employees requiring credit, the Caisse Populaire focused on production loans to improve small and medium producers. The strong cultural influences of the Catholic clergy helped to promote the Rochdale Principles as they fit nicely into Catholicism’s belief system and refocused the co-operative model to a stronger community-based entity. The parish and thus the Catholic clergy being the heart of small communities helped to link the Caisse Populaire to individual communities rather than the banks of the time that were urban based.

The community relational goal of the Quebec co-operative was based on the spirit of the Rerum Novarum and the principles of social economy defined by Frédéric Le Play (1806 - 1882), a French sociologist with a view that Christianity was in need of modernization and modernization was in need of Christianity. The ever-increasing dominance of the capitalist elite within the industrial economy was seen as needing a moral bent to offset the redistribution of power within the system. Co-operatives were to encourage the interplay of this new elite with the working class through the co-operative model. The redistribution of wealth and power from the elite to the working class
through the co-operative would assist in building and strengthening the community. By moving wealth from the elite to the working class, the flow of funds would increase, as more people would be able to afford more services. This multiplier effect on the flow of funds would allow the community to develop. This local development focus through the multiplier effect was seen by Desjardins as a requirement of a co-operative as rural areas were being abandoned. By building relationships between the elite and the working class, a community could develop through co-operative participation.

4.3 British Columbia: Comparison

The choice of examining co-operatives in British Columbia was made out of consideration to the geographic and cultural differences inherent to British Columbia (B.C.). Unlike Ontario, which is closely associated with the strong co-operative culture of Quebec as well as the strong independent business ethic of the United States, B.C. represents a culture with a strong environmental and social consciousness, with an individualistic focus separate from the UNITED STATES. These unique attributes of B.C.’s culture guide the decision making with regard to the co-operative business model providing insight into the nature and purpose of a co-operative business within a social, individualistic cultural setting.

When comparing B.C. to other jurisdictions such as Ontario or Quebec, the unique cultural aspects of B.C. can be shown to be influential factors in the history of co-operative development. There are essentially two waves of co-operative development in B.C. The first wave is considered to be from 1860’s to the 1960’s and is typified by consumer co-operatives, credit unions, transportation co-operatives, and agricultural co-operatives. These First Wave co-operatives would have addressed the initial needs of the B.C. population and focused on primary resources as well as having a conservative economic focus. The first wave is similar in nature to Ontario’s initial co-operative development that focused on a resource-based business model (Centre for Co-operative and Community-Based Economy, 2013).

The second wave co-operatives, said to have begun in the 1960’s, looked to a broader social need and included social, artist, health, and co-operatives with an intentional community aspect. The second wave of co-operative development has been linked to the back-to-the-land movement or to the hippies of the 1960’s with a strong
focus on broader social issues rather than just business (Centre for Co-operative and Community-Based Economy, 2013).

When taking a close look at the attributes of B.C. that set it apart from the other jurisdictions, we must look at the cultural, geographic, and historical aspects of the province. The cultural aspects will be considered in a broad sense, that is, at the level of the province and regions, as it is beyond the scope of this jurisdictional scan to examine the cultural aspects down to the municipal or individual community level. While B.C. would make an excellent study area for co-operatives at the community level due to the geographic isolation of some areas, such a task is far too large to be incorporated in this research project.

It is the geography of B.C. that provides us with unique insight into co-operative development. The issues of geographic isolation have led to a market failure within the conventional system due to the high cost of transportation of products. This market failure was then addressed by community co-operative development in order to supply the demands of these isolated areas and thus geographic isolation influenced the development of co-operatives in B.C. An excellent example of an isolated market can be found on Malcolm Island where Finnish settlers established the Sointula Co-operative Association in 1909. By establishing a co-operative, the Finnish settlers were able to deal with the isolation by acting as a group to acquire goods and services. It is possible to say, however, that the nature of B.C.’s geography created isolated market demands that the conventional systems were hesitant to address. Due to the small size of the isolated markets, co-operatives were formed to address these market needs (Centre for Co-operative and Community-Based Economy, 2013).

The development of co-operatives in B.C. also allowed producers to access markets through collective action. With a similar climate to Ontario, B.C. has a wide range of growing conditions and thus a broad product base, similar to the product mix of Ontario. The geographic position of B.C., adjacent to large markets such as the UNITED STATES and the Prairies, allows for access to these markets, but only if the quantity to be shipped is economically feasible. Through the formation of co-operatives, primary producers were able to access economies of scale to offset the shipping costs and access the larger markets.
Market needs have been the driving force for the development of co-operatives from the famous, original Rochdale Pioneers of 1844. B.C.’s co-operatives are no exception to this trend as they have addressed market failures in a broad number of sectors including agriculture, retail, credit unions, housing, land, marketing, social services, and transportation. While B.C. was a bit late in coming to the game of co-operative development, having legislation governing co-operatives only since 1896, co-operative development is a strong force in addressing market failures within the British Columbia economy. It is thus unfortunate that the overall history of co-operatives in B.C. is sparse. In fact, according to the British Columbia Co-operative Association (BCCA) (2012), much of the history of the co-operative movement is unknown, requiring a great deal of further research. The BCCA found that co-operative development was generally given only a passing reference in the history of B.C. as if the co-operative business model was an unknown quantity. It is to the BCCA’s credit that a Galleria project has been implemented to document the on-going co-operative movement history of B.C. The Galleria project is a web-based outline of the co-operative movement in B.C. using a historical, sector, regional, and theme-based approach. The Galleria website can be found by following this link:
http://www.uvic.ca:8080/research/centres/cccbe/resources/galleria/index.php. The Galleria project is based within the University of Victoria as part of the field of Co-operative Studies at the University.

It is fitting that the University of Victoria is the home to the Galleria project as some of the first newspaper discussions on consumer co-operatives were printed in the early 1860’s in Victoria. While the discussions might have started in the 1860’s it was not until the 1880’s and 1890’s when the early mining communities setup the first consumer co-operatives in B.C. As the details the history of B.C.’s co-operative movement are lacking it is not possible to say when the very first co-operative was formed. It is believed, however, that the first co-operatives were created to address the market needs of the early mining communities, but once the mines were emptied, the co-operatives closed as quickly as they were formed. It is the isolated nature of the mining communities that provided the market opportunity of co-operatives, but due to the reliance on a single
consumer base, that is, the miners, the co-operatives were vulnerable to market collapse (Centre for Co-operative and Community-Based Economy, 2013).

The next foray into the co-operative business model occurred through the dairy producers in the Fraser Valley and the fruit growers in the Okanagan. Seeing a market opportunity within the expanding markets of Vancouver and the mining towns of the Kootenay Region, farmers formed co-operatives based on the encouragement of the Department of Agriculture. The Department of Agriculture took its lead from the first Deputy Minister, J.R. Anderson, who was from Ontario, and through his efforts two acts were passed in 1894 and 1895 to assist in the formation of dairy co-operatives similar to those found in Ontario (MacPherson, 1979). The fruit co-operatives did not rely on government acts to assist in their development, but focused on the lack of marketing in the area. Fruit producers created the Kelowna Shipper’s Union in 1894 to access the markets in the Kootenay Region and other prairie provinces. Without the assistance of government, however, the fruit co-operative was not sustainable even with the intervention of the B.C. Fruit Grower’s Association.

According to MacPherson (1979) there were multiple problems associated with setting up a co-operative in B.C. at the time. MacPherson (1979) outlines four main problems with co-operative development in B.C.: 1) competition from the U. S., 2) wildly fluctuating market prices, 3) inadequate management, and 4) fiercely independent producers. As the Fraser Valley is so close geographically to the UNITED STATES, the cultural influences of independence and the focus on the individual are strongly felt by producers in this area of B.C., creating a very independent group of producers.

Not only are primary producers of the latter half of the nineteenth century influenced by the focus on individuality and the conservative business culture of the UNITED STATES, but the B.C. government was as well. From 1897 onward Farmers’ Institutes were created, with considerable government assistance, to provide technical assistance to primary producers (MacPherson, 1979). Though the Farmers’ Institutes were able to provide assistance in the development of co-operatives, they generally took a more conservative approach to assisting farmers by focusing on scientific agriculture (a productionist viewpoint on agricultural economics where higher yields should lead to higher profits), rather than the social or cultural issues which surround agricultural
production. The Farmers’ Institutes helped maintain the status quo of productionist agricultural practices in B.C. till the 1970’s when a cultural change occurred. The influence of the Farmers’ Institutes, cultural bias from the United States and only a moderate push from a Department of Agriculture toward co-operative development kept B.C. from developing a strong co-operative movement, unlike Quebec and the Maritimes where such influences did not present themselves (MacPherson, 1979).

While the influences of UNITED STATES culture and conservative agrarian practices were felt from the 1880’s till 1970’s they did not preclude the development of co-operatives in B.C. In 1909 the Sointula Co-operative Association was formed by a group of Finnish settlers who came to B.C. to establish a new social order. These immigrants hoped to establish a community, cultivating a co-operative spirit of harmony in their isolated locale of Malcolm Island. During the 1920’s and ‘30’s, there was a surge in the development of co-operatives due to the pooling of agricultural resources leading to an increase in government involvement.

In 1927 the Produce Marketing Act was passed establishing an equalization funding to which each grower would contribute. The fund would establish a set price for produce determined by a group of government appointees and grower representatives in order to decrease the wild price fluctuations in the market. By stabilizing prices, with wild price fluctuations considered to be one of the difficulties in establishing a co-operative, fruit growers in the Okanagan were able to establish dozens of co-operative packing, processing, and marketing co-operatives during the 1920’s.

These co-operatives were based on the productionist model of agriculture; they fit within the conservative economic views of the government thus allowing government to assist in their development. The surge in co-operative development was assisted by government, as legislation was passed in 1927 prohibiting Japanese farmers from owning land. The 1927 act forced Japanese strawberry farmers to form co-operatives as a lobbying tool to overturn the legislation. It was the consolidation or collective voices of producers, to which governments listened to. The government also passed the 1939 legislation for credit unions, which assisted in the development of over 200 credit unions from 1940 to 1950 (Centre for Co-operative and Community-Based Economy, 2013).
During the 1940’s credit unions were formed in B.C. to address the market need of access to capital. Banks were still tentative in handing out loans after the depression, but individuals still needed capital to provide for housing, food, and other necessities. It is during the 1940’s and 1960’s that new co-operatives formed to address these other necessities. Co-operatives such as the Working Girls’ Co-op Society formed in 1943 to address the needs of women for their independence through home ownership and their own jobs. Co-operatives that addressed societal issues such as empowerment, child-care, access for people with disabilities, access to organic food, and other societal concerns were developed as a broader social consciousness within the B.C. co-operative development. There were even co-operatives to combat the UNITED STATES influence of McCarthyism and segregation through the development of inclusive, socially conscious co-operatives with mandates over and above just agricultural production. As the 1960’s grew closer and the larger social movements developed, co-operatives in B.C. adapted to the needs of the new societal awareness (Centre for Co-operative and Community-Based Economy, 2013).

Co-operatives in B.C. did develop along the lines of economic performance, however, B.C. co-operatives also developed based on an alternative social agenda presented by B.C. culture at the time. For example, co-operatives were formed to address the vegetarian diets of Orthodox Doukhobors, a Russian sect that was considered a religious philosophy, a social movement and a simple way of life. The Doukhobors have pacifist beliefs and wish to avoid government intervention in their lives, thus the co-operative movement would have fit their need for self-reliance. Social groups such as the Quakers and conscientious objectors of the 1950’s from the United States moved to B.C. and started co-operatives that were a cross between a worker co-operative and an intentional community similar to the Owenites, who were the predecessors to the Rochdale Pioneers. These groups, unique to B.C., helped to define the co-operative movement of B.C. along social consciousness lines as well as financial.

The 1970’s counter-culture moved the co-operative model of B.C. further along the lines of intentional communities, focusing on community forestry, service co-operatives, car-sharing co-operatives, and co-operatives for people with barriers to access the
workforce. These co-operative examples show the social enterprise nature of co-operatives within B.C. and the cultural influences, which helped to develop them. It was partly due to the influx of young activists to B.C. in the 1960’s and 70’s that the Commercial Drive area of Vancouver was established. The Commercial Drive area is a community with a multicultural population featuring many small shops, restaurants, and green spaces that utilizes an organization of networks to co-ordinate economic activities through co-operatives and based on broad-based social justice issues (Centre for Co-operative and Community-Based Economy, 2013).

Today, co-operatives in B.C. still adapt to the changing marketplace but also maintain a strong social focus. For example, the most recent housing co-operative formed in Kelowna in 2001 is called Desert Breeze Co-op, which is an integrated housing development for families and those living with disabilities. The development has an on-site play area, community garden, and a child-care facility. Co-operatives in B.C. have also embraced the growing importance of organic agriculture through the Organic Milling Co-op, the Kamloops Organic Co-op Association, and Direct Plus Organics, which have all been established in the last five years (Centre for Co-operative and Community-Based Economy, 2013).

All is not bright with the co-operative movement in B.C., however. Some would argue that there is no co-operative movement along the coast of Mainland/Southwest region of B.C., due to the transition from primary resources (fishing, forestry) to a more arts-based craft economy. While the argument can be made that there are not many co-operatives in this region of B.C., there certainly exists an opportunity for artisan and woodworkers co-operatives to be established. In 1998 the Sunshine Coast Artists Co-op was founded and the B.C. Wood Co-op exists for woodworkers in the region. This particular region does show the vulnerability of B.C.’s co-operative sector to the amalgamation of the 1960s. The mega-credit unions of VanCity and Envision show that at times B.C.’s co-operative movement focused on financial rather than the social conscience goals seen in a number of the still existing smaller credit unions in B.C. (Centre for Co-operative and Community-Based Economy, 2013).

What is bright about the future of the co-operative movement in B.C. is the higher survival rate for co-operatives when compared to capitalist forms of business. The five-
year survival rate for co-operatives is 66.6 percent compared to the 39 percent survival rate for conventional businesses across Canada in 1993 and the 38 percent rate for B.C. startups in 1984 (Murray, 2011). While these survival rates are promising for B.C. co-operatives, it should be noted that a number of government resourcing programs that have been associated with these rates, such as the Co-operative Development Initiative, Co-op Advantage Program, and the Co-operative Secretariat, have been closed or significantly reduced in size. Currently the co-operative sector in B.C. continues to grow; however, the reduction in government programs could see a decrease in co-operative start-ups in the future.

4.4 Ontario

Ontarians have been using co-operatives for nearly one hundred and fifty years and the co-operative model is still used in a variety of contexts within Ontario today. As of 2007, there were over thirteen hundred co-operatives in Ontario with over 1.4 million members (Canadian Co-operative Association, 2007). The co-operative movement in Ontario was largely driven by agrarian organizations such as The National Grange of the Order of Patrons of Husbandry. Many of these organizations and movements were first founded in the mid-western United States, and made their first debut in to the Canadian agricultural arena in Ontario specifically, dating back to the 1870's (Faucher, 1947; Macpherson, 2012; Macpherson unknown date; Zwerver, 1986). By the late 1870's, most of the significant farmer organizations in Ontario had been legally and formally acknowledged (Faucher, 1947). In later years, the character of these organizations would shift from this agrarian focus towards more politically-oriented producer organizations (Macpherson, 1979).

In a broad sense, the drivers of the co-operative movement in Ontario sought to build social capacity through education and training for the purpose of safeguarding particular class interests (Heneberry and Laforest, 2011). In a more practical sense, co-operatives served to meet both the supply and marketing needs of producers (Macpherson, unknown date). In particular, many of Ontario's first co-operatives were created to serve the expanding dairy sector through co-operative cheese factories and creameries. At the same time that co-operatives began to serve the needs of the growing dairy industry, often in more rural areas of Ontario, the urban areas of the
province were experiencing their own wave of co-operatives in the form of co-operative retail stores (Macpherson, 2012).

In the early twentieth century, a bill was proposed to give legal recognition to co-operatives. The bill was rejected, and this spurred the convening of co-operative leaders from both Ontario and Nova Scotia who came together in 1909 in Hamilton, Ontario to develop the Co-operative Union of Canada. The body represented co-operatives nationally and provided a network for education. It was largely modelled after Great Britain's co-operative model, and demonstrated the influence of the original Rochdale principles on the agrarian co-operative movement in Ontario (Heneberry and Laforest, 2011; Macpherson, 2012).

During the First World War, co-operatives lent themselves to the needs of Ontario consumers more than had previously been experienced. With high inflation rates, co-operatives expanded as a strategy to ease the cost of food for consumers through more direct marketing of foodstuffs. The development of The United Farmers Co-operative in 1914, for instance, was in many ways a response to the needs of both producers and consumers. This shift lent itself to a new trend in the co-operative movement, and marketing co-operatives became a desirable method for producers to gain a higher degree of control over their profits. While the co-operative sector had experienced development and success during World War I, the Great Depression compromised its economic vitality. The co-operative sector, nonetheless, lived up to the test of resilience, embracing this time period as an opportunity to strengthen co-operative networks through both providing education and advocating membership (Macpherson, 2012).

From the 1950's forward, the co-operative movement in Canada shifted from an agricultural and rural focus, to more of an institutional and commodity-related focus. As the international agri-food industry evolved and rural communities became socially and economically weakened, many rural-agricultural co-operatives experienced fragmentation. While rural and agricultural co-operatives suffered decline starting in the post-war era, both the housing co-operative and financial co-operative movements developed and expanded in Ontario. The housing co-operative movement was influenced by Canada's east coast Antigonish movement as a strategy for dealing with urban poverty, while the financial co-operative movement paralleled the American credit
union movement more than the Quebec model (Macpherson, 2012; Macpherson, unknown date).

The co-operative movement in Ontario today has extended and diversified itself beyond its agrarian roots to encompass housing, child-care, financial services, transportation, renewable energy, employment, and vulnerable population services (Heneberry and Laforest, 2011). Beginning in the 1970's, food safety and environmental concerns resulted in an influx of regional and natural food co-operatives across North America, and co-operatives have therefore been an integral component to Ontario's local and regional food systems for several decades.

In the modern day, the co-operative model is used in many regional and local food systems in Ontario such as farmers’ markets, produce auctions, and retail stores. In Ontario, there are approximately twenty-three co-operatives involved in local food, with a total of approximately two hundred and twenty-seven in Canada. This research examined nine of the twenty-three Ontario co-operatives, representing thirty-nine percent of all Ontario food co-operatives and four percent of all Canadian.

The most common form of local food co-operative in Canada is retail, comprising about half of all local food related co-operatives. In Ontario, there are at least eleven co-operative grocery or food retail stores, and four co-operative farmers markets (Canadian Co-operative Association, 2009). There are several successful case studies of co-operatives in Ontario that reflect the capacity for fostering local food systems. Some significant, and impressive, examples of local and regional food co-operatives in Ontario include the Elmira Produce Auction, the Ottawa Food Co-operative, and Eat Local Sudbury (Miller, 2010).

While previously co-operative development in Ontario has been largely influenced by the co-operative movements within the United States, more recent co-operative development, for instance local food co-operatives, have tended to correspond with trends more familiar in Quebec. In the context of local food systems, co-operatives in Ontario today aim to meet the needs of producers and consumers through providing increased food sovereignty and equity, resembling the cultural priorities that are apparent within the Quebec co-operative and local food movements. Ontario also paralleled Quebec co-operative development during the credit union movement, and
this trend is becoming visible within other co-operative sectors today. This change may represent a distinct shift in the co-operative trend within Ontario, where co-operative development has traditionally paralleled co-operative trends in the United States. In the United States context, co-operatives have adapted to the demands of an expanding international agri-food industry, resulting in co-operative models that have been amended in order to better integrate within the market economy (Curl, 2010).

In the United States, the development of co-operatives is particularly subject to the growing demands of the market economy. The co-operative movement in the United States has thus been relatively turbulent over the last century. In this context, United States co-operatives have been pressured to expand, resulting in a loss of focus on some of the original co-operative principles. In many instances, co-operatives that have struggled to maintain co-operative principles often function through managerial business models where employees are not necessarily co-op members (Curl, 2010). While there are some co-operatives in Ontario that follow this business model, Ontario co-operatives in the local food sector are choosing an alternative approach that more closely aligns with the original co-operative principles and co-operative trends that are apparent within Quebec.

In Quebec, co-operative development has been an integral component to the social, economic, and political spheres of Quebec culture, creating a robust and dynamic co-operative sector. Contrary to many co-operatives that have emerged in the United States, where co-ops are often developed through managerial business models, Quebec's co-operative sector has enjoyed particular success through the creation of multi-stakeholder co-operatives, where members can include community partners, clients, and employees (Canadian Co-operative Association, 2008). As the local food co-operative movement in Ontario continues to advance, it brings with it a new co-operative approach focused on locally and regionally-based food networks. This model may have been more influenced by Quebec than from other neighbouring jurisdictions. Overall, however, information and analysis on the social and cultural aspects of co-operative development in Ontario remain scattered, if not lacking.

While the last decade has experienced an increase in co-operative organization, mobilization, and collaboration with provincial government, efforts at formally developing
the co-operative sector in Ontario have not been particularly successful (Heneberry and Laforest, 2011). While Ontario has the second largest provincial co-operative sector in Canada, coming in second to only Quebec, it receives relatively limited financial and resource support provincially. For example, while Quebec's 2007/2008 budget for the co-operative sector was 5.4 million dollars, Ontario had no budgetary provisions specified for co-operatives, but spent an approximate 262,000 dollars on the co-operative sector in the same budgetary year. Similarly, while Quebec provided 17 full time staff for the co-optative sector in 2007/2008, Ontario provided only 2.3 (Canadian Co-operative Association, 2009). While the Financial Services Commission of Ontario is granted primary responsibility over Ontario co-operatives and co-operatives development, in practice and specifically with regard to policy, co-operatives tend to deal with the Provincial Ministry they are most closely related to. Overall, the provincial policy arena is particularly important for the co-operative sector in Ontario, and the co-operative sector must lobby effectively in order to build provincial-co-operative sector collaboration (Heneberry and Laforest, 2011).

Despite the successes that have come to be realized with regard to co-operatives in the local and regional food sectors, these models face many barriers. Where so many elements are required for the functioning of local and regional food systems, Ontario continues to remain disadvantaged with regard to increased consolidation of distribution, processing, and retail in the food sector. While demand for local foods has become pronounced, distribution in regional and local food systems continues to face several challenges in Ontario, and more generally in North America. Key challenges for alternative distribution in Ontario include: lack of access to start up investment capital, population sparsity in more rural communities, a short growing season in northern Ontario, lack of economic analysis, and legislative and regulative barriers (Miller, 2010). In light of 2012 being declared by the United Nations as the International Year of Co-operatives, the Ontario Co-operative Association is calling on the provincial government to: build more public-cooperative partnerships, create financial incentives, contribute to a co-operative development fund, improve the regulatory and policy arena with regard to co-operatives, and increase awareness and education surrounding the co-operative model (Canadian Co-operative Association, 2012). These are undertakings that apply
not only to co-operatives relating to local food, but to the Ontario co-operative sector generally. The advancement of the co-operative sector’s success will rely on continued and effective partnership and collaboration between the co-operative sector and the province. While rural and agricultural co-operatives suffered decline starting in the post-war era, both the housing co-operative and financial co-operative movements developed and expanded in Ontario.

4.5 Summary

This chapter provided a history of the development of co-operatives within Canada. The work of Friedrich Wilhelm Raiffeisen’s was presented in relation to the initial development of co-operatives in Canada through its influence on Alphones and Dorimène Desjardins. Raiffeisen’s work included education and leadership as key principles, which Alphones and Dorimène Desjardins included in the development of the Caisse Populaire in Quebec.

The Caisse Populaire was initiated to address Quebec’s high usury rates making access to capital difficult for farmers in Quebec. The role of the clergy in the development and maintenance of the Caisse Populaire had a significant affect on co-operative development focusing the co-operative toward a parish-based business.

British Columbia’s co-operative development had a different development focus, emphasizing social and environmental concerns. The second wave co-operatives, which began in the 1960s, sought to address social needs, including a deliberate community development focus. The community development focus was partially due to the geographic isolation of some communities in B.C. The existing marketplace was not providing for the needs of remote, isolated communities, so co-operatives developed to fill the void.

While B.C. co-operatives sought to address deficiencies in the market for an entire community, Ontario co-operatives developed for specific community groups. Specific class interests were addressed through education and training programs offered by co-operatives in Ontario. A focus on primary producers’ needs such as supply to help lower production costs and marketing to improve the price point of the end products was the goal of many Ontario co-operatives.

Finally, the co-operative development in Ontario was discussed. The co-operative
movement in Ontario was shown to be largely agrarian in nature with organizations such as The National Grange of the Order of Patrons of Husbandry being prominent in the development of co-operatives. Ontario’s co-operatives have adapted to the local food sector from their agrarian roots. There are approximately twenty-three co-operatives involved in local food. The most common form of local food co-operative in is retail. In Ontario, there are at least eleven co-operative grocery or food retail stores, and four co-operative farmers markets (Canadian Co-operative Association, 2009). Ontario continues to expand the co-operative movement into other areas such as housing and finance. Ontario’s co-operative sector developed under a mix of drivers from the independent-focused UNITED STATES economic philosophy to the parish-based Quebec co-operative model.
Chapter 5: Research Findings

This section will present the research findings by first presenting a description of the case studies that participated in the study. The case study descriptions will provide a context for the research findings that follow. An outline of the types of co-operatives that participated in this study along with their years of operation, for-profit or not-for-profit status, geographic location and an overall description of the co-operatives will be presented.

With the literature review and the jurisdictional scan presenting the findings to address question 3 of this research the following findings to address questions 1 and 2 will be presented here. The research findings will then be presented in the following order: 1) Community, 2) Personal, 3) Education, Information, and Training, 4) The Co-operative Principles, 5) Governance, 6) Marketing, 7) Finance and 8) Spatial. The information presented on community, personal, education, information and training, as well as the co-operative principles will provide information to address questions 1 and 2 of this study as seen in Figure 5.1: Research Findings Framework: Social Information.

Figure 5.1: Research Findings Framework: Social Information

The research findings presented on governance, marketing and finance provide financial information to further address research questions 1 and 2 as seen in Figure 5.2: Research Findings Framework: Financial Information.

Figure 5.2: Research Findings Framework: Financial Information
The presentation of the findings that outline the geographic information for this research include spatial mapping of the co-operative membership along with the mission and vision statements of the co-operatives that outline the scale of their distribution system. Presentation of the spatial distribution of the co-operative membership provides a greater understanding of how a co-operative interacts with its extended or condensed community. This understanding speaks to questions 1 and 2 of this research as we see how co-operatives can interact with their communities and what the current state of Ontario co-operatives is in terms of the scale of their distribution system. How the scale of the distribution system affects the interaction of the co-operative with its community will be discussed in terms of ANT.

5.1 Case Study General Description

In order to present a broad picture of the status of co-operatives in Ontario, co-operatives across four regions of the province and one sub-region were chosen to be part of this research: Eastern Ontario, Southwestern Ontario, Central Ontario, and Northern Ontario as well as the Golden Horseshoe sub region due to its high population density. The researcher attempted to obtain two co-operatives for case study analysis from the four geographic regions and one sub-region in Ontario. Unfortunately, local food co-operatives from Eastern Ontario and Northern Ontario were difficult to contact or were unable to participate in the research. As a result the research only includes one co-operative from Eastern Ontario and one from Northern Ontario. It was possible, however, to study three co-operatives from the Golden Horseshoe region for a total of nine Ontario food co-operatives.
To ensure a wide range of co-operatives in Ontario were included in the research; co-operatives from all stages of the business life cycle were needed. Five new co-operatives (five years or less in operation) and five established co-operatives (greater than five years of operation) were contacted as case study subjects. Those willing to participate in the research, however, were mostly the established co-operatives of greater than five years in operation. It was possible to include three new co-operatives within the research. In general, however, due to lack of capacity, new co-operatives did not have the staff or time to participate in the research project. In the end the researcher was able to obtain case study information from nine co-operatives - six established and three new (see Table 5.1: Co-operatives’ Years of Operation).

Included in the nine case studies are a mix of for-profit and not-for-profit businesses. For-profit businesses represent firms that adhere to the co-operative principles, but maintain a profit margin on their products or services. Any profit obtained from the sale of products or services is retained within the business entity as retained earnings. In keeping with the co-operative principles the retained earnings are distributed to members in the form of dividends. The amount of dividends supplied to members is calculated based on their purchase history with the firm.

The not-for-profit firms within the study differ from the for-profit, as they maintain a stronger community-focused mission. All funds from purchases made at the not-for-profit firm are distributed within the community through programs and services rather than back to members in the form of dividends.
Table 5.1: Co-operatives’ Years of Operation

<table>
<thead>
<tr>
<th>Region</th>
<th>Golden Horseshoe</th>
<th>Eastern</th>
<th>Southwestern</th>
<th>Central</th>
<th>Northern</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Years in Operation/ Business Model</strong></td>
<td>38 years/ For-Profit</td>
<td>14 years/ For-Profit</td>
<td>2 years/ For-Profit</td>
<td>11 years/ Not-For-Profit</td>
<td>6 years/ For-Profit</td>
</tr>
<tr>
<td></td>
<td>5 years/ Not-For-Profit</td>
<td>41 years/ Not-For-Profit</td>
<td>&lt;1 year/ Not-For-Profit</td>
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</tr>
<tr>
<td></td>
<td>6 years/ For-Profit</td>
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To maintain the scope of the research project each co-operative had to fit within the following case study criteria to be part of this research:

1. Ontario based,
2. Food focus,
3. Have and maintain an Inventory Control System, and
4. Have and maintain a Member Database (details to be used for spatial analysis).

The first criterion, Ontario based, was established through the location of the co-operatives headquarters. In two cases, the two large co-operatives within the study, had business dealings outside the province, and in one case outside the country. In all cases within this research, however, the co-operative maintained a headquarters within one of the regions in Ontario.

To establish the co-operative’s food focus, the researcher examined the mission and vision statements of each co-operative (see Table 5.2: Co-operatives’ Vision Statements). Every co-operative within this study focused on the sale of food products. In each vision statement, additional information about the food to be sold by the co-operative was included, such as local, organic, natural, or even a food culture linking producers and consumers.
### Table 5.2: Co-operative’s Vision Statements

<table>
<thead>
<tr>
<th>Region</th>
<th>Golden Horseshoe</th>
<th>Eastern</th>
<th>Southwestern</th>
<th>Central</th>
<th>Northern</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Thriving local community food culture</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Creation of local food system, 100 mile radius</td>
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The working structure of the co-operative businesses was examined and a co-operative type determined based on policy and procedures utilized by the co-operative. For example, if a co-operative maintained policies for worker-members, the co-operative was considered to be utilizing the worker-owner model or type. To triangulate the determination of the type of co-operative, key informant interviewees, i.e. co-operative managers, were ask to self-identify the co-operative type that they believed their co-operative to be. It was found that multiple forms of co-operative models were in use across the province in the food sector. Co-operative managers did not adhere to any conventions when self-identifying their co-operative type.

There were two, new worker-owner models that strongly distinguished themselves as different from the consumer or multi-stakeholder co-operative as being more democratic. It was due to the limited number of members within the new worker-owner co-operatives who actively participate in daily decisions that managers believed the co-operative to be more democratic. At the other end of the spectrum was a larger,
established worker-owner co-operative that functioned very similarly to an IOF with members only voting on larger policy or investment decisions at annual general meetings.

The types of co-operatives examined for this research are listed in Table 5.3: Co-operative Types. The sample includes three types of co-operatives: multi-stakeholder, worker-owner, worker-shareholder and consumer co-operatives. Co-operatives within this study did not identify themselves as producer co-operatives, nor did any of the co-operatives maintain policies or procedures that identify them as a producer co-operative.

**Table 5.3: Co-operative Types**

<table>
<thead>
<tr>
<th>Region</th>
<th>Golden Horseshoe</th>
<th>Eastern</th>
<th>Southwestern</th>
<th>Central</th>
<th>Northern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Co-operative</td>
<td>Consumer</td>
<td>Worker-owner</td>
<td>Worker-shareholder</td>
<td>Consumer</td>
<td>Consumer</td>
</tr>
<tr>
<td></td>
<td>Multi-stakeholder</td>
<td></td>
<td>Consumer</td>
<td>Consumer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Worker-owner</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The definitions for five types of co-operatives are listed below, however, this research studied only three of the five types, as mentioned above (Co-op Zone, 2014):

1. **Producer co-operatives**: These co-operatives process and market their members' products and services directly or they may sell the input necessary to their members' economic activities.
   Examples: Agriculture co-operatives, equipment pooling, and advisory services

2. **Multi-stakeholder co-operatives**: The membership of these co-operatives is made of different categories of members who share a common interest in the organization.
   Examples: home care services, health services, and community services.
3. **Worker-owner co-operatives:** The purpose of these co-operatives is to provide their members with work by operating an enterprise. Employee members own these co-operatives.
   Examples: forestry, leisure, production and manufacturing, and tourism co-operatives.

4. **Worker-Shareholder co-operatives:** These are incorporated co-operatives that hold partial ownership of the business in which the co-operative’s members are employed. Because of its share capital, the co-operative may participate in the management of the business and the workers may influence organization structure.
   Examples: production and manufacturing, and technology co-operatives.

5. **Consumer co-operatives:** They provide their members with goods and services for their personal use.

   The final two criteria, inventory control and member database, were included to ensure that a reasonable amount of data could be accessed to assess the co-operatives. By viewing the inventory of the various co-operatives it will be possible to correlate the mission and vision statements of the co-operative with the actual, physical inventory that the co-operative sells. Coupling the inventory with the membership location, it will be possible to determine the range of the co-operative’s distribution system. The distribution range of the studied co-operatives will be discussed in a following section.

**5.3 Case Study Specific Descriptions**

To provide context for the amalgamated results and a sense of the types and character of co-operatives studied in this research, case study descriptions are presented here.

**Case 1**

This multi-stakeholder, not-for-profit co-operative is located in a lower-income neighbourhood of a large urban centre in the Golden Horseshoe region of Ontario. The co-operative includes categories of consumers that include eaters (urbanites that seek out local food or quality food products - as defined by the co-operative manager), producers, workers, and community partners. With just over five years in operation, this
is an established co-operative. The aim of the co-operative is to provide viable food security initiatives that are specific to the needs of the community. Examples of the food security initiatives include a Farmers' Market, Community Cannery, Food Mapping Project, and a retail store. These initiatives provide a revenue stream for the co-operative of just over $50,000 a year in gross sales revenue, making it a medium-sized co-operative.

The co-operative aims to create a fair, democratic, and meaningful workplace for its workers, as well as an inspiring, community-driven, and welcoming place to shop, learn, and connect eaters within the community. The co-operative sees itself as a resource and partner working with community groups to improve food security and access to good, healthy, real food in their neighbourhood.

The co-operative aims to provide the means for people to make empowering food choices and to provide access to fresh, healthy foods.

**Case 2**

This co-operative is medium sized with just over $50,000 a year in gross sales revenue. The co-operative is structured as a worker-owner business and has six years of operational experience. The co-operative is strongly focused on local food production and distribution and is located in a small urban centre in the Golden Horseshoe region of Ontario. This co-operative operates as a for-profit business, but has a strong community-focused mission. With a mission statement that focuses on values of land stewardship, social empowerment, and economic sustainability, this co-operative is very active in its local community, utilizing activities such as workshops, invited speakers, and external courses to empower its community members.

**Case 3**

A not-for-profit, worker-owner co-operative located in a small urban centre within the southwestern region of Ontario, this co-operative has been in operation since 2011. With sales revenue of less than $50,000 per year, this is considered a small co-operative. This co-operative does have large fluctuations in its revenue stream at the moment as well as long term capital expansion plans which it hopes to finance through external community investment.
The co-operative prefers to deal directly with farmers and producers. However, as a new developing business with fluctuating volume requirements, it is not always able to purchase directly from the producer. The co-operative also has an issue with its capacity to pick up directly from all producers or farmers that cannot deliver, making it difficult to ensure product supply.

The co-operative has a strong vision of sustainable, local production, and how it affects the environment and community development. The interaction of the local community from producer to eater is a strong driver of the co-operative’s mission to build community around food.

**Case 4**

This co-operative operates as a not-for-profit, vegetarian business and has over eleven years of operational experience. The co-operative is structured as a consumer co-operative. The unique aspect of this co-operative is its close association with an institution of higher learning in Ontario’s Central region. The co-operative has a goal to serve delicious, affordable, local, and organic food, as well as providing a number of educational initiatives through volunteer opportunities, workshops, speakers, and conferences. The co-operative has over 400 members, most of whom are staff, faculty and students of the academic institution. With annual sales over $50,000, this is a medium sized co-operative located in an institution of higher learning within a small urban centre in Central Ontario.

**Case 5**

Located in a small city in Ontario’s Central region, this co-operative operates as a not-for-profit business. The co-operative functions as a consumer co-operative and has less than one year of operational experience, making it the youngest of the case studies in this research project. The co-operative is considered medium in size with sales just over $50,000 annually.

The co-operative actively supports the local community with foods and products that are as natural, organic, local, and accessible as possible within the confines of their not-for-profit, co-operative structure.
Case 6

This co-operative has a retail store and acts as a distributor that connects eaters with producers. The store primarily sells produce from farms within a set 150-mile radius of its headquarters, which is located in a small urban centre in Northern Ontario. The co-operative is a consumer co-operative that has sales of over $50,000 annually, making it a medium sized co-operative. The co-operative was incorporated as a For-Profit business in 2007, giving it just over six years of operational experience. The bulk of the co-operative staff are volunteers, with only one full-time position in the form of the co-operative manager.

Case 7

Case 7 is a large consumer co-operative with more than $2 million in annual gross revenue. Located in Ontario’s Golden Horseshoe sub-region within major an urban centre, this co-operative has over 38 years of operational experience. This co-operative maintains a national membership-base made up of retail outlets providing an alternative to the global food economy by offering members democratic control over the food distribution system. The vision of the co-operative outlines its role as being part of a world that is sustainable in terms of food production, linking everything required to produce food in a seed to plate vision. The seed to plate vision that is sustainable includes the products sold by the co-operative as well as the community’s interaction with the environment that produces the food. The co-operative also focuses on natural and organic food as part of their business practices to differentiate their offerings from the global food economy.

Case 8

This co-operative is considered large, with over $2 million in annual gross revenue. Established in the Eastern Ontario region 14 years ago, this co-operative operates internationally from a major urban centre as a consumer, for-profit co-operative. The co-operative maintains a vision statement that envisions a world where people collaboratively build vibrant local and global communities, fostering diverse and sustainable economies through equitable trade and environmental stewardship. As part of the co-operative’s mission statement, it is committed to a model of equitable trade
rooted in co-operation and the social solidarity economy. It offers consumers high-quality, ethical products through partnerships with producer co-operatives that foster sustainable livelihoods and community development. The co-operative provides meaningful, dignified employment and is guided by the co-operative principles, by the Fair Trade principles, and by a respect for the environment.

Case 9

The oldest co-operative within this study with over 41 years of operational experience, this co-operative operates from a major urban centre in Ontario’s southwestern region. With over $50,000 in gross annual revenue, this co-operative is considered medium in size. The co-operative is a not-for-profit and member-owned with a natural food store. It provides members with organic, natural, sustainably-produced products at fair prices. The mission and vision statement for the co-operative outlines the value it places on social and economic responsibility, as well as its respect for the earth. The co-operative vision statement also focuses on a caring community with a healthy local food economy.

5.4 Community

Each of the key informant interviewees was asked questions to help define their community and the interactions their co-operative had with the defined community (see Appendix B: Interview Guide). The co-operative managers offered varying definitions of community, based on either geographic location, engagement with a group through knowledge transfer, or engagement with a group through co-operative membership.

5.4.1 Definition

The definition of community varied between co-operatives with the majority of co-operatives, specifically (i.e.seven of the nine) expressing their definition of community based on community engagement within the food system (see Table 5.4: Co-operative’s Definition Criteria for Community).
<table>
<thead>
<tr>
<th>Co-operative Region/Age</th>
<th>Geographic Definition</th>
<th>Engagement: Knowledge Transfer Definition</th>
<th>Engagement: Membership Type Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Horseshoe 38yrs Case 7</td>
<td>City the headquarters is based in.</td>
<td>Educational program activities.</td>
<td>None defined.</td>
</tr>
<tr>
<td>Golden Horseshoe 5yrs Case 1</td>
<td>Immediate and surrounding city area.</td>
<td>Educational program activities.</td>
<td>Must be Co-op member.</td>
</tr>
<tr>
<td>Golden Horseshoe 6yrs Case 2</td>
<td>Centred around retail location.</td>
<td>Broad interaction with community through retail location.</td>
<td>None defined.</td>
</tr>
<tr>
<td>Eastern 14yrs Case 8</td>
<td>None defined.</td>
<td>None defined.</td>
<td>None defined.</td>
</tr>
<tr>
<td>Southwestern 2yrs Case 3</td>
<td>Ranges over large area.</td>
<td>Community events.</td>
<td>None defined.</td>
</tr>
<tr>
<td>Southwestern 41yrs Case 9</td>
<td>County and surrounding area.</td>
<td>Bridge between community groups.</td>
<td>None defined.</td>
</tr>
<tr>
<td>Central 11yrs Case 4</td>
<td>Centred around retail location.</td>
<td>Educational program activities.</td>
<td>None defined.</td>
</tr>
<tr>
<td>Central &lt;1yrs Case 5</td>
<td>Immediate and surrounding city area.</td>
<td>Community events.</td>
<td>Must be Co-op member.</td>
</tr>
<tr>
<td>Northern 6yrs Case 6</td>
<td>Centred around retail location.</td>
<td>Interaction with community</td>
<td>Must be Co-op member.</td>
</tr>
</tbody>
</table>
For the seven co-operatives that indicated community engagement as the key component of their definition of community, the engagement component was in the form of knowledge translation and transfer between societal groups. Key informants indicated these knowledge transfer or bridging activities between societal groups occurred through co-operative programming activities. Key informants provided comments such as:

Bridging between various sections of the community that would not normally interact, for example, farmers would be at farmers’ market once a week now have access to this market seven days a week (Personal Communication with Co-operative Manager, June 4th, 2013).

The co-operative helps to bring a focus on food and its power in community building and connecting people. How a specific co-operative, can bridge gaps between different communities and socio-economic groups is important (Personal Communication with Co-operative Manager, June 5th, 2013).

The community is more positioned on the connection the consumer has with the producer. Learning the stories of the producers, understanding the difficulties of seasonal struggle, depending on weather change and just external factors that are out of their control (Personal Communication with Co-operative Manager, June 20th, 2013).

All the co-operatives in this study, save one, also provided a geographic-based definition for community. The geographic definition included various focal points such as a retail location, city and surrounding area or county and surrounding area. One co-operative provided a very broad geographic definition of their community that was not tied to a single geographic region. The reason this one co-operative provided such a wide-open geographic definition is due to the scale of distribution this co-operative maintains. This one co-operative is a large co-operative with nation wide distribution. The only other large co-operative in this study did not provide a definition for community at all as this co-operative manager believes the co-operative did not speak of their business in terms of a community, but as a network.

Only three of the nine co-operatives defined community in terms of membership status. The definition of community based on membership was presented by two
consumer co-operatives and one multi-stakeholder co-operative. The majority of the co-operatives in this study presented their co-operative community in terms other than membership status, as it was believed that the co-operatives serviced more than just their member base. Participation within the co-operative was considered by the managers as a key component of defining the co-operative community.

One co-operative specifically outlined the requirement for active engagement of participants (volunteers, shoppers, committee members) within the co-operatives as a means of forming community:

Community is broad but, by nature of the fact that we have a retail location a lot of our community is based on public presences of people who come in the store. People who are actively involved in our community over all, just in terms of our volunteers, are active engaged members who maybe volunteer in the store or on committees and then there’s all sorts of members that shop here but also advocate for the purpose of the organization outside of our public location (Personal Communication with Co-operative Manager, May 27th, 2013).

To the other extreme, within the co-operatives sample is a co-operative that, based on the manger’s point of view, does not utilize terms such as community when discussing the co-operative business:

I don’t think I would define us as having a community. I think we have networks (Personal Communication with Co-operative Manager, June 25th, 2013).

Within this co-operative’s marketing materials (website, brochures, investment portfolios, mission, and vision statements), however, community is expressed numerous times, but in terms of community development outside the co-operative. In the mission and vision statement community development is strongly featured as a driving force for the co-operative:

Mission Statement:

We, the worker-owners of *** Co-operative, are committed to a model of equitable trade routed in co-operation and the social solidarity economy. We offer consumers high quality ethical products through partnerships with producer co-operatives that foster sustainable livelihoods and community development. We believe in meaningful, dignified employment and are guided by the co-operative principles, by the Fair Trade principles, and by a respect for the environment (** Co-operative (2013). Retrieved 13 Nov.
2013 from *** co-operative website, reference withheld for confidentiality of participant)

Vision Statement:
We envision a world where people collaboratively build vibrant local and global communities, fostering diverse and sustainable economies through equitable trade and environmental stewardship. (*** Co-operative (2013). Retrieved 13 Nov. 2013 from *** co-operative website, reference withheld for confidentiality of participant)

A further question regarding the definition of community was asked of each co-operative manager: “Can you outline the co-operative’s definition of sustainable community development?” By asking interviewees for an additional sustainable community development definition, a clearer understanding of specific community relationships was obtained. Of the nine interviewees, four presented a definition of sustainable community development. Three out of those four referred to an economically-focused definition, referring to local economic development, sustainable local employment, or business sustainability. One of the four referenced both environmental and economic sustainability within their definition of sustainable economic development:

Create something that is healthy and surviving well and not overboard to the point that you are looking at a corporation that is just trying to suck everything out of it to create profit for its shareholders. What we are trying to do is create an atmosphere where the co-op is an entity where those who participate become involved and receive benefits and create a better place to live in the future as well as starting to transition us to that better place now (Personal Communication with Co-operative Manager, May 29th, 2013).

Another co-operative provided a similar environmentally-focused and economically-focused definition for sustainable development, providing a more business-language definition:

Balance needs of the environment with the financial needs of the business and the social interaction that all of that can make (Personal Communication with Co-operative Manager, June 24th, 2013).

It should be noted that even though there was an even split between those co-operatives with a formal definition for sustainable community development and those
without, each manager of the co-operatives without a formal definition had a personal definition for sustainable community development that guided their business practices. For example:

Approach it in a more practical way...you know...three pillars of sustainability: 1) Economic sustainability, 2) Social and 3) Environmental. In terms of the environmental it is mostly how we make purchasing decisions. Communities (Social Sustainability) ...how do we pay our farmers, what do we charge for the food we sell so that the food is affordable so our farmers make a good wage and as a result our cost of goods tends to be higher than average. Economic is always a challenge...how do we remain viable? (Italics and wording added for clarification)(Personal Communication with Co-operative Manager, June 14th, 2013).

Well-rounded approach recognizing that there is complexity to the balance and that balance must include a piece of the rural and the urban and bridging that gap (Personal Communication with Co-operative Manager, June 20th, 2013).

The only co-operative interviewee that did not supply a definition for sustainable community development, stated:

Do not speak in that language (Personal Communication with Co-operative Manager, June 21st, 2013).

5.5 Interaction - Policy and Programs

The definition of community and sustainable community development affected the co-operative’s interactions and outreach to the defined community. The interviewees were asked three questions to determine the interactions the co-operative participated in with the defined community: 1) “What activities, programs, and/or policies does the co-operative undertake to support sustainable community development?” 2) “What role does the co-operative play within its community?” and 3) “How does it interact with this community?”.

Of the nine co-operative managers interviewed, six provided responses that indicate the co-operative participates in infrastructure or activities for the purpose of providing a bridge between socio-economic groups. The co-operative managers expressed a desire to act as a conduit to encourage the interaction of various community groups that
would not normally interact. One co-operative manager succinctly stated that their co-operative:

Acts as a bridge between various sections of community that would not normally interact (Personal Communication with Co-operative Manager, June 4th, 2013).

The co-operatives that provided bridging through infrastructure normally utilized a community kitchen or community garden to bring various socio-economic groups together while undertaking a food production or processing activity. All six bridging co-operatives provided either a kitchen, store, or community garden that was considered a method for encouraging interaction between various groups within the community.

Of the six co-operatives with activities focused on bridging as a mandate for the co-operative, all six had programs or activities that stimulate community interaction. The programs focused on information transfer to educate community members on the food system and the co-operative’s offerings. The information transfer activities included food product information, production practices information, producer information and food skills information, including preparation, preservation, and seasonality of products. Food was utilized as a conduit to bridge communication gaps between socio-economic groups to encourage community engagement. As an example, one co-operative manager outlined how the co-operative brings a focus on how the food they sell can be a catalyst for engagement:

The co-operative brings focus on food and its power in community building and connecting people. How it, (food), can bridge gaps between different communities and socio-economic groups is an important community development tool for a co-operative (Personal Communication with Co-operative Manager, June 5th, 2013).

5.6 Education, Training and Information

Bridging between socio-economic groups is a key component of the activities of a majority of the co-operatives studies. As these co-operatives also maintain the co-operative principles of education, training, and information, it is not surprising that food education or food skills training played a key role in social bridging. Of the nine case studies reviewed, eight co-operatives offered distinct food education programs, with six of these offering skills training for their members.
The food education or skills training programs were offered to all community members that the co-operative services. These community members included registered co-operative members and non-registered, i.e. the general public. The range of members within the co-operatives sampled ranged from as low as four in a worker co-operative model to over a thousand in a consumer co-operative model. The size of the co-operative did affect the type of food education or skills training programs offered. For example, the small four-member worker co-operative offered more intense food skills training programs for their members including food handling certificate training. The larger co-operatives offered more food education through product information or label reading programs.

The educational programming ranged from lectures on the global food system to basic food skills such as selection, preparation, handling, cooking and storage. The choice of educational programming offered by the co-operative was based on the needs of the communities the co-operative served, as well as the inherent strengths within the co-operative. For example, in Case 4 the co-operative is linked to an institution of higher learning, which allows it to provide in-depth lectures and workshops on many areas of the food system. The community in Case 4 is generally young and new to the food system thus in need of basic food education. As Case 4 maintains its headquarters within an institution of academic learning, it made sense for the co-operative to provide lectures to meet the needs of their community.

In another example, Case 1, located in a lower income area of a large urban centre, the co-operative provides for the needs of its members through food skills training programs, allowing members to purchase less expensive raw ingredients to prepare meals. As the co-operative maintains partnerships with producers and restaurants, the adoption of a food skills training scheme to meet their member’s needs made sense. Table 5.5: Co-operative Educational Programming, illustrates the range of educational programming offered by the Ontario co-operatives within this study.
### Table 5.5: Co-operative Educational Programming

<table>
<thead>
<tr>
<th>Co-operative Region/Age</th>
<th>Production Education Programs</th>
<th>Processing Education Programs</th>
<th>Retail Education Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Horseshoe 38yrs</td>
<td>Workshops and Panel Presentations: GMO, Fair Trade, Organic</td>
<td>No programming</td>
<td>Workshops: environmental business practices</td>
</tr>
<tr>
<td>Case 7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golden Horseshoe 5yrs</td>
<td>Farm Demos/Tours and Talks: On growing seeds, who produces food, production practices</td>
<td>Training: Food Handling Certification, Food skills (e.g. canning)</td>
<td>On the job training programs, volunteer opportunities in store</td>
</tr>
<tr>
<td>Case 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golden Horseshoe 6yrs</td>
<td>No programming</td>
<td>Food skills (e.g. canning)</td>
<td>No programming</td>
</tr>
<tr>
<td>Case 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern 14yrs</td>
<td>No programming</td>
<td>No programming</td>
<td>No programming</td>
</tr>
<tr>
<td>Case 8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern 2yrs</td>
<td>Email: production business struggles</td>
<td>No programming</td>
<td>Talks, Email: political and social focus</td>
</tr>
<tr>
<td>Case 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern 41yrs</td>
<td>Seasonality training, fuel based production practices</td>
<td>Food skills - free cooking classes, Nutritional training programs</td>
<td>Transparent markup system, worker exchange program</td>
</tr>
<tr>
<td>Case 9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central 11yrs</td>
<td>Workshops, events, conferences, community based education</td>
<td>Food skills - workshops, events, conferences, community based education</td>
<td>Workshops, events, conferences, community based education</td>
</tr>
<tr>
<td>Case 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central &lt;1yrs</td>
<td>Best growing practices, Events: suppliers</td>
<td>Food skills (e.g. chief visits)</td>
<td>Informed consumer: product attributes</td>
</tr>
<tr>
<td>Case 5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern 6yrs</td>
<td>Workshops (GMO, meat cuts, etc.)</td>
<td>Food skills Film festivals, e-fliers</td>
<td>Volunteer training programs, e-fliers</td>
</tr>
<tr>
<td>Case 6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The mission and vision statement of three of the nine co-operatives focused on social responsibility, with community development incorporated into each statement. As
the co-operatives also have a food focus, the co-operatives sought community
development through food education and food skills programs.

Eight of the nine co-operatives offered some form of food training in the form of food
production, further processing, or food retail. One co-operative, Case 2, offered free
cooking classes along with nutritional courses and education on food seasonality to
educate their members on the food system. Another co-operative, Case 1, offered
canning classes as a component of their education and their ongoing business as they
sold the canned products to their members as part of their business plan. This same co-
operative offered over 17 courses on all aspects of the food system, from seed saving
classes to food handling certificate courses. The focus of this co-operative was to
address a gap in the information being presented by the current food system through
educational programming. Yet another co-operative, Case 4, offered a wide range of
courses for its members including food skills, gardening, business planning, co-
operatives, accounting, and research projects linking members and non-members to the
co-operative and other local, community-based organizations. While the courses were
on food, the goal of the courses was to build a community organization and utilize
courses to educate the community.

Each interviewee indicated that food was a key component of their business, but
educational goals were different amongst the co-operatives. Some of the co-operatives
included a focus on business education to help advance the co-operative and improve
their members’ skills:

We also have some goals for our members. Like education goals. We
hope to start up a work exchange program where a member can go and
experience another workers co-operative or another business....They can
learn and bring back their knowledge to our co-operative (Personal
Communication with Co-operative Manager, June 4th, 2013).

This educational goal on business development for members did not negate the food
skills training offered by the co-operative, as the co-operative included a goal to provide
more advanced food skills training for its members. These advanced training programs
included a nutritional program that involved paying for a registered nutritionist to come
and speak to their members on the uses of novel cooking ingredients. The interviewee
even stated that the goals of their educational program are to:
Encourage more local-food-based eating....Encouraging people to know what is in season....Encouraging more of that outlook on food. At least knowing what is in season, maybe not eating entirely local, but at least knowing that what you are getting is getting to you because we have the luxury of relatively inexpensive fossil fuels, and lots of labour....groceries are marked down below the cost of production (Personal Communication with Co-operative Manager, June 4th, 2013).

This co-operative manager stated that “...there is a lot of smoke and mirrors in the grocery industry” (Personal Communication with Co-operative Manager, June 4th, 2013). This statement infers that there is an asymmetry of information that needs to be addressed within the food system and that addressing this asymmetry is the purpose behind their education programs. It is for this reason that this co-operative also offers its members a transparent markup system to show their members where their food dollars are going and what value the consumer is actually purchasing. The co-operative manager indicated that this policy of transparent markups provides a fairer system that allows the consumers to effectively decide on the value of their purchases. By addressing this gap in information around price markups, the co-operative seeks to inform its consumers of its belief about the plight of its community farmers who must sell products to oligopolies within the food system at below the cost of production.

The co-operative sees the purchasing power of the oligopolies as destructive to the communities it services. The development of food deserts that limit the access to good quality, healthy foods is a symptom of the destructive nature of concentrated purchasing power within the current food system (Wrigley, 2002; Nayga and Weinberg, 1999). The movement of supermarkets out of lower-income, urban areas has been a dissociative factor in communities, separating higher income earners from lower. Nayga and Weinberg (1999) detail not only the health inequalities, but also the social exclusion issues that arise from limited food access. The co-operative manager who saw “smoke and mirrors” within the current food system believed his community was experiencing the destructive power of the food oligopolies.

A co-operative, Case 1, sought not only to address the separation of socio-economic groups through their educational programming but also the limited access to food created by the current food system. The co-operative established a credit program through a partnership with a local health unit for those individuals in need who received
a nutritional supplement via the Health Unit in the form of a voucher that can be spent at the co-operative. In turn, the co-operative provides nutritional training, food skills training, and opportunities to enter the food system via volunteer opportunities, allowing the individual to gain further credit at the co-operative and thus access to healthy foods. This credit program facilitates bridging the gap between socio-economic groups within the broader community by allowing those with limited income to access the food system as full members of the co-operative. The volunteers can then learn about local food, what is in season, canning, and interpreting food labels via the educational programs offered by the co-operative, thus helping to build a healthier community.

In another co-operative, Case 4, a link between healthy communities and consumer purchasing decisions was made through broader educational programs that include business planning, environmental science, international trade, and co-operative development. With a strong link to a higher educational institution, this co-operative assists the local community by providing opportunities for individuals to act within a food system on any level with which they feel comfortable.

We also offer…opportunity to learn about food…learn a bit about how to cook food…chance to have a more tangible experience with food. Food relates to so much so it could be international trade, it could be environmental sustainability, it could be community development through localizing of resources….They get a bit of an exposure to that in a fairly accessible, sort of friendly, kind of way. They are sort of invited to participate on any level they feel comfortable (Personal Communication with Co-operative Manager, June 14th, 2013).

Due to this co-operative’s unique position within an institution of higher education, they have had the opportunity to co-sponsor talks on many aspects of the food system. This has not negated the food skills training offered by the co-operative in the form of workshops, but has broadened the scope of the food education offered by the co-operative. On a weekly basis the co-operative offers food skills training from skills on how to make cheese, bread, soup, and even beer. The co-operative has even begun planning to put on two six-week cooking classes for its community. The goal of these workshops is to provide “Food-based, do it yourself workshops” (Personal Communication with Co-operative Manager, June 14th, 2013).
5.7 Co-operative Principles

Given that Education, Training, and Information is one of the co-operative principles adopted by the International Co-operative Association (ICA) in 1995, it was deemed prudent to understand the role of the other six co-operative principles in the functioning of these Ontario food co-operatives. Co-operative managers from the nine co-operatives were asked the following questions regarding the co-operative principles.

To better understand individual manager’s approach to the co-op principles we wish to ask a few quick questions on the principles.

1. In your opinion what is the most important co-operative principle?
2. Can you rank the seven co-operative principles in terms of importance?
   - Voluntary and Open Membership
   - Democratic Member Control
   - Members’ Economic Participation
   - Autonomy and Independence
   - Education, Training, and Information
   - Cooperation among Co-operatives
   - Concern for Community

7. Can you provide a rationale for your highest ranked priority and your lowest ranked priority?

8. Which principle is the most difficult to meet and what are the challenges in attempting to address this principle?

5. Are all seven co-operative principles necessary for the functioning of the co-operative?

During the course of the research it was found that question 2 was extremely difficult for co-operative managers to complete. Question 2 was dropped from the interview script after the second interview due to the difficulty managers had in answering the question, as they lacked an in-depth knowledge of the principles. It was found that interviewees were able to define the most important and the least important principles as well as provide a rationale for the ranking of these two principles, but they could not address all seven principles due to lack of immediate recall of the principles.
The range of responses for the most important co-operative principles was far narrower than those provided for the least important principle. Five of the nine co-operatives outline Democracy: One Member, One Vote as the most important principle (see Table 5.6: Co-operative Principle Rating).

**Table 5.6: Co-operative Principle Rating**

<table>
<thead>
<tr>
<th>Co-operative Region/Age</th>
<th>Most Important Principle</th>
<th>Least Important Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Horseshoe</td>
<td>Democracy: One Member One Vote</td>
<td>Co-operation among co-operatives</td>
</tr>
<tr>
<td>38yrs Case 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golden Horseshoe</td>
<td>Democracy: One Member One Vote</td>
<td>Co-operation Among Co-operatives</td>
</tr>
<tr>
<td>5yrs Case 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golden Horseshoe</td>
<td>Member economic participation</td>
<td>Education, Training and Information</td>
</tr>
<tr>
<td>6yrs Case 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td>No response</td>
<td>No response</td>
</tr>
<tr>
<td>14yrs Case 8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern</td>
<td>Democracy: One Member One Vote</td>
<td>Member economic participation</td>
</tr>
<tr>
<td>2yrs Case 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41yrs Case 9</td>
<td>Democracy: One Member One Vote</td>
<td>Concern for Community</td>
</tr>
<tr>
<td>Central</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11yrs Case 4</td>
<td>Concern for Community</td>
<td>Member economic participation</td>
</tr>
<tr>
<td>Central</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;1yrs Case 5</td>
<td>Democracy: One Member One Vote</td>
<td>Open Membership</td>
</tr>
<tr>
<td>Northern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6yrs Case 6</td>
<td>Concern for Community</td>
<td>No response - Intangible nature of priorities</td>
</tr>
<tr>
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</tr>
</tbody>
</table>
Of the five stating democracy is the most important, three indicated that it is an essential part of the co-operative business:

Democratic member control is an essential part of the operation and I think...that without a formalized system for ranking decisions there is no fairness (Personal Communication with Co-operative Manager, June 4th, 2013).

For me what the most important co-op principle is democratic member control. That’s what differentiates a co-op from being a non-profit...that could do most of these things (Personal Communication with Co-operative Manager, June 5th, 2013).

Democratic member control is positioned on co-operative movement building as an alternative to our current economic and political state (Personal Communication with Co-operative Manager, June 20th, 2013).

The last co-operative manager interviewed indicated that democratic member control was important to the co-operative movement, but also indicated that this principle represents an alternative to the current economic state. Two of the other nine co-operative managers hold the view of the co-operative model or movement as it implements the principle of democracy as an alternative to the current economic system:

The ills of business model for major corporations is the fact that the guy with the biggest pot of money controls the decisions...If that person or persons don’t have values that might reflect what might be good for the public, but only good for the corporation, that can be a flawed model (Personal Communication with Co-operative Manager, May 24th, 2013).

Do the rich, neo-liberals forget the fact that community takes time to build when they compare it to ROI on shares? (Personal Communication with Co-operative Manager, May 29th, 2013).

Two interviewees indicated that the principle of Concern for Community was the highest priority for their co-operative. One of the interviewees indicated that they really had not thought about the co-operative principles, but:

...a co-op has to come out of a need that is not being met somewhere else within a community (Personal Communication with Co-operative Manager, May 27th, 2013).
The second manager identified Concern for the Community as the most important principle, indicating that:

Concern for the community or concern for environment is the reason why the co-op exists (Personal Communication with Co-operative Manager, June 14th, 2013).

The two co-operatives that expressed Concern for the Community as the key principle are both established co-operatives with over five years in operation. One works as a for-profit business and the other as a not-for-profit. It was the not-for-profit co-operative that expressed the principle of Concern for Community in a broader sense, including environment within the community definition. This not-for-profit co-operative had expressed difficulty in establishing connections with the broader local community in which the co-operative is geographically placed. Connections were between the community and this co-operative were difficult due to the specific location of the co-operative as it is based within an institution of higher learning making it further isolated from local foot traffic. This form of isolation within an outward facing, transient, mixed, educated community would lead the co-operative to look at community in its broadest sense, in other words, the world community.

One co-operative, Case 2, indicated that Member Economic Participation is the most important co-operative principle. This co-operative is an established co-operative with over five years in operation as a for-profit, worker co-operative. The co-operative manager did indicate Member Economic Participation as the most important principle, and also stated that:

I think that member’s economic participation in a shopping type co-op their economic participation is very important because without their sales, without their input whether financially or verbally it is not successful. (Personal Communication with Co-operative Manager, June 21st, 2013).

Only one interviewee did not provide a response to the question of ranking co-operative principles, Case 8. This co-operative, from eastern Ontario and established 14 years ago, has stated that they...

Do not speak in that language (Personal Communication with Co-operative Manager, June 21st, 2013).
The narrow range of responses for the least important co-operative principle was due to the understanding of the majority of interviewees that all the co-operative principles are important. In two of the seven responses, the co-operative managers indicated that the selection of least important principles was made because it was a basic condition or basic function of the co-operative and did not require special attention. For example:

Voluntary and Open Membership, again because we are a co-operative and a co-operative is inclusive of everybody in the community that is more of a given than an important principle (Personal Communication with Co-operative Manager, May 29th, 2013).

Another two co-operatives rationalized their choice of least important co-operative principle based on the fact that the co-operative does not participate or function in activities related to the priority chosen.

Two other co-operatives indicated that their choice of least important principle was based on a business rationale. In one instance, Case 7, the co-operative manager indicated that a principle requires vigour behind the decision to follow the principle or not.

Co-operation among co-operatives needs vigour for decisions to assist a co-op. Just because you are a co-op doesn’t mean you get a free pass on assistance (Personal Communication with Co-operative Manager, May 24th, 2013).

One co-operative, Case 4, while indicating that Concern for Community was the most important co-operative principle stated that:

Challenge is the intangible nature of the principles (Personal Communication with Co-operative Manager, May 27th, 2013).

The intangible nature of the co-operative principles made it difficult for the co-operative manager to consider them in the day-to-day operations of the business. Seven of the nine interviewees held, in some form, this reflection that co-operative principles are intangible. In some cases the interviewee stated that changing circumstances require prioritizing the principles differently:

It is hard to rank things because if I have had to rank things initially I would have ranked them completely different (Personal Communication with Co-operative Manager, June 21st, 2013).
5.8 Governance

Within the co-operatives examined, seven of the nine outlined the role of the board of directors as one of policy setting. The board of directors of these seven co-operatives were characterized in business terms such as:

The board of directors basically sets the agenda....These are our goals, this is our vision, this is where we want to be (Personal Communication with Co-operative Manager, June 21st, 2013).

One co-operative manager, Case 8, assumed that basic governance practices are so common that the answer provided to the question of the role of governance in a co-operative was limited to:

The board of directors meets monthly and holds quarterly members meetings (Personal Communication with Co-operative Manager, June 25th, 2013).

The manager of this co-operative provided no details as to what occurs at these meetings or what outcomes are expected. When asked about the role of management in the co-operative a similar brief and business-like statement was provided:

Management reports to the board (Personal Communication with Co-operative Manager, June 25th, 2013).

Two co-operatives provided a description of their board of directors as a governance structure with a broader scope than just policy setting. In one case, Case 5, the co-operative manager outlined the board’s role as:

The board of directors, right now, is making all of the decisions on behalf of its members (Personal Communication with Co-operative Manager, May 29th, 2013).

This co-operative, Case 5, has less than a year of operational experience and a limited member base to call upon for governance issues. As a result, the management and the board of directors operates more as a single management body on all aspects of the co-operative including, but not limited to, hiring and firing, financial safety, capital investment, and policy.
The second co-operative, Case 6, also indicated that the board of directors has taken on a more direct role in the operations of the co-operative, and stated:

Right now we have a working board of directors. So, that means because we are still in an early stage in our organization... a lot of things still need to be done. So, we are still working out our governance (Personal Communication with Co-operative Manager, May 27th, 2013).

This co-operative has been in operation for over five years and has a broader membership base than the newer co-operative mentioned above, Case 5, but the manager indicated that the development of the co-operative is still in an early stage requiring more direct influence by the board of directors on co-operative operations. The manager did state that:

Management runs the day-to-day operations of the co-op (Personal Communication with Co-operative Manager, May 27th, 2013).

This indicates that there is a greater separation between the board of directors and management within this co-operative than the younger co-operative.

Both co-operatives that indicated a broader scope to the board of directors’ influence within the co-operative stated that this scope is a transient condition within the co-operative. In fact, three out of the nine co-operatives indicated that during the initial development stages of their co-operative, the board of directors changed from an initiating or originating board to a policy board.

The board of directors in the beginning, ten years ago, sort of did everything from buying the food, to making the food, to writing up the by-laws. Now they are less involved. They are sort of transitioning to a policy Board (Personal Communication with Co-operative Manager, June 14th, 2013).

In some instances, the change in the board of directors was required due to the need to transition from a non-elected board to an elected board. In one co-operative’s experience, Case 5, the participation level of the members required a non-elected board to be formed, which caused difficulties in forming the vision for the co-operative.

The commitment level and the reason for being on the board just wasn’t, I guess, it wasn’t what they wanted to do. They agreed, after a lot of arm twisting, because we needed a certain amount of people on the board that they would be there to participate, but at the same time, like I was mentioning, the dedication and the willingness to participate sometimes
and actually the views of that particular person or persons may not have been the right fit for the co-op, but those people also got us to where we got before the board was elected by its members (Personal Communication with Co-operative Manager, May 29th, 2013).

While lack of participation by the board of directors was seen as a detriment to the further development of the co-operative, the above mentioned co-operative also found an issue with excessive participation by single members of a previous initiating board of directors.

With the previous board we had an issue with one or two very strong opinionated people taking on too much responsibility without any outcomes (Personal Communication with Co-operative Manager, May 29th, 2013).

The co-operative, while respecting the work these individuals did to form the co-operative, required a different format to the board of directors to ensure inclusion of the broader membership’s view of what the co-operative stood for. The inclusion of the broader membership within the decision-making process was considered by management to be necessary for the co-operative:

There should be a collective community view within the co-op (Personal Communication with Co-operative Manager, May 29th, 2013).

The development of the co-operative board of directors within this research represents a development continuum from initial start-up to long-standing functional board. Conflicts and friction due to changes in board status from initial start-up to policy board have been noted by three of the nine co-operative managers. The conflicts were identified as originating from a change in the vision and mission of the co-operative, which varied from the originating co-operative board members’ vision and mission. The heterogeneity of needs within the co-operative represents a continually changing governance issue within Ontario food co-operatives.

While the conflicts over heterogeneity of needs and participation were flagged by these co-operative managers as issues, these issues were not the only governance issue to be identified (see Table 5.7: Governance Issues). Only two of the nine co-operatives did not specifically identify a governance issue within their co-operative, Cases 8 and 9. Case 8 simply stated:
There are always governance issues that face a co-operative (Personal Communication with Co-operative Manager, June 25th, 2013).

Table 5.7: Governance Issues

<table>
<thead>
<tr>
<th>Co-operative Region/Age</th>
<th>Governance Issue 1</th>
<th>Governance Issue 2</th>
<th>Governance Issue 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Horseshoe 38yrs Case 7</td>
<td>Human resources issues: training</td>
<td>Human resources issues: capacity</td>
<td>Human resources issues: recruiting</td>
</tr>
<tr>
<td>Golden Horseshoe 5yrs Case 1</td>
<td>Membership Definition</td>
<td>By-law details</td>
<td>Retail Policy: Member only retail</td>
</tr>
<tr>
<td>Golden Horseshoe 6yrs Case 2</td>
<td>Human resources issues: training</td>
<td>Human resources capacity</td>
<td>No comment</td>
</tr>
<tr>
<td>Eastern 14yrs Case 8</td>
<td>No comment</td>
<td>No comment</td>
<td>No comment</td>
</tr>
<tr>
<td>Southwestern 2yrs Case 3</td>
<td>Incorporation process</td>
<td>Human resources issues: remuneration</td>
<td>Resources for governance: Time and income</td>
</tr>
<tr>
<td>Southwestern 41yrs Case 9</td>
<td>No comment</td>
<td>No comment</td>
<td>No comment</td>
</tr>
<tr>
<td>Central 11yrs Case 4</td>
<td>Human resource issues: turn over</td>
<td>External rules of operation</td>
<td>No comment</td>
</tr>
<tr>
<td>Central &lt;1yrs Case 5</td>
<td>Board Member Interactions</td>
<td>External rules of operation</td>
<td>No comment</td>
</tr>
<tr>
<td>Northern 6yrs Case 6</td>
<td>Roles and Responsibility</td>
<td>Human resources issues: Policies</td>
<td>No comment</td>
</tr>
</tbody>
</table>
The other co-operative from southwestern Ontario did not identify governance issues, as this is a well-established co-operative with over forty years of governance experience. The manager of this co-operative provided a very strong outline of the roles and responsibilities of the board of directors, management, and members, which indicated that the governance of the co-operative is well in hand.

Within the Golden Horseshoe, a similarly well-established co-operative, Case 1, with over 38 years of governance experience, sees human resourcing issues as its major governance issue. The lack of skilled members to take on governance roles within the co-operatives speaks to the growing succession planning issue within a co-operative’s board of directors. The identification of these human resource issues represents the concerns of management for succession planning within the organization, as members are required to complete a number of years of co-operative membership before they are eligible to participate on the board of directors. This capacity and succession planning governance issue was identified by a total of five of the nine co-operatives.

Other co-operative managers within this study have identified various governance issues faced by their co-operative rather than a single overarching governance issue. For example, the two-year-old southwestern co-operative, Case 3, views the current incorporation process as a governance issue while the newly-formed, that is, less than one year old, central co-operative, Case 5, considers the personality interactions of their board members to be an issue. The two-year-old southwestern co-operative was also focused on resources to allocate to governance issues, as the manager indicated that the co-operative did not have the time or funding to develop a fully functioning board of directors. Two co-operatives did identify external rules of operation as a governance issue, but these refer to government regulation of food products, not co-operative business governance with one co-operative, Case 5, stating:

The dairy board and the chicken board and all of those governmental bodies that control what we can bring into the store and how it is brought in and from who. We can’t, for example, bring in local chicken because the particular suppliers have to meet all kinds of regulations from the government, they have to buy quota and all this kind of stuff (Personal Communication with Co-operative Manager, May 29th, 2013).
The next most common governance issue had to do with roles and responsibilities with the co-operative from northern Ontario, Case 6, specifically identifying the difficulty of defining the roles and responsibilities of board members as a governance issue. Again, the main reason for this co-operative choosing roles and responsibilities is because it is currently in the process of forming a new board of directors, so this issue is top of mind. The co-operative from the Golden Horseshoe region, Case 1, has operated for five years and is currently undergoing a similar identification process for the roles of members within the co-operative, thus the manager identified this as a governance issue.

Only one co-operative from the Golden Horseshoe region, Case 1, identified the formation of by-laws as a governance issue. As the co-operative is currently defining the roles and responsibilities of members within the co-operative and thus the by-laws that will affect them, it is not surprising that the manager identified this topic as a governance issue.

5.9 Marketing

The marketing component of this research was meant to look at the intersection of business and governance that are uniquely different between co-operatives and IOFs. Unlike IOFs, co-operatives are governed by business practices that are not readily understood by the general public. To what extent do co-operatives market their business practices and governance structure to their members and potential members?

Of the nine co-operatives studied, not one considered marketing the co-operative business model as part of their marketing plan. Seven of the nine did outline a strong linkage to local food within their marketing plan, but did not include information on the co-operative structure (see Table 5.8: Marketing Programs).
<table>
<thead>
<tr>
<th>Co-operative Region/Age</th>
<th>Marketing: Local Education</th>
<th>Marketing: Education</th>
<th>Marketing: Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Horseshoe</td>
<td>None present</td>
<td>None present</td>
<td>Emphasis on product characteristics</td>
</tr>
<tr>
<td>38yrs Case 7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golden Horseshoe</td>
<td>Local production emphasis</td>
<td>Food education</td>
<td>None present</td>
</tr>
<tr>
<td>5yrs Case 1</td>
<td></td>
<td>programming</td>
<td></td>
</tr>
<tr>
<td>Golden Horseshoe</td>
<td>Local production emphasis</td>
<td>None present</td>
<td>None present</td>
</tr>
<tr>
<td>6yrs Case 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td>None present</td>
<td>None present</td>
<td>Emphasis on product characteristics</td>
</tr>
<tr>
<td>14yrs Case 8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern</td>
<td>Local production emphasis</td>
<td>None present</td>
<td>None present</td>
</tr>
<tr>
<td>2yrs Case 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern</td>
<td>Local production emphasis</td>
<td>Food education</td>
<td>None present</td>
</tr>
<tr>
<td>41yrs Case 9</td>
<td></td>
<td>programming</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>Local production emphasis</td>
<td>Food education</td>
<td>None present</td>
</tr>
<tr>
<td>11yrs Case 4</td>
<td></td>
<td>programming</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>Local production emphasis</td>
<td>None present</td>
<td>None present</td>
</tr>
<tr>
<td>&lt;1yrs Case 5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>Local production emphasis</td>
<td>Food education</td>
<td>None present</td>
</tr>
<tr>
<td>6yrs Case 6</td>
<td></td>
<td>programming</td>
<td></td>
</tr>
</tbody>
</table>
Unlike the other co-operatives in this research, Case 8 did not specifically identify local food in their marketing plan and the co-operative manager stated:

Do not differentiate products for marketing (Personal Communication with Co-operative Manager, May 29th, 2013).

This particular co-operative stands out by not differentiating products as all the other co-operatives did, including the 38-year-old Golden Horseshoe co-operative, Case 7, that did not market local food, but provided its consumers with specific details to differentiate each product it sold. In fact, the manager of Case 7 considered information necessary for appropriate purchasing decisions:

Inform and educate yourself then make your choice (Personal Communication with Co-operative Manager, May 24th, 2013).

This view of supplying information for an informed purchasing decision was also held by four other co-operatives within the sample. These co-operatives, however, took a more active approach to informing their membership by supplying product information through their marketing plans. Information supplied via these marketing plans included production practices (organic, pesticide free, free range, fair trade), producer information, processing practices, and potential uses, such as recipes. Further information about the products was also provided at point of sale through retail representatives. While the co-operative, Case 8, stated it does not differentiate its products, its main marketing focus is on fair trade products that differentiates its production product from the main stream product offered by the IOF model.

In general, the marketing strategies for the food co-operatives within this study do provide significant and informative marketing about their local food products, but do not focus on the co-operative business model. In one instance, Case 1, the co-operative manager indicated that consumers were not aware that they could shop at the store even if they were not a member of the co-operative. The general public’s confusion on the co-operative business model is causing some loss of revenue from co-operatives as consumers do not wish to take the opportunity to explore the co-operative’s offerings if they believe they are not eligible to purchase them. Add this potential loss of revenue and the issues around capacity and governance succession for co-operatives and the
marketing of the co-operative business model becomes a business revenue as well as a succession planning issue.

5.10 Financial

The focus on profit for the co-operatives studied is split with four of the nine co-operatives functioning in the not-for-profit environment and five functioning as for-profit businesses. Central Ontario region had both of the co-operatives studied functioning as not-for-profits while the other regions had a mix of for-profit and not-for-profit co-operatives. The two central Ontario co-operatives differ in their focus on products in that the older co-operative with 11 years operation, Case 4, focuses on affordable, local, and organic food while the younger co-operative, Case 5, of less than a year of operations, focuses on high quality local, natural, fresh, and organic foods for their community. There was also a locational difference between the older central Ontario co-operative, being part of a college campus, and the younger co-operative, being central within the municipality. This locational difference relates to a consumer-base difference in that the younger co-operative attracts local community consumers and the older, academic, institutionally-based co-operative has a younger, transient consumer base.

The other regions studied included co-operatives functioning as for-profit and not-for-profit (see Table 5.9 For Profit and Not-for-Profit Co-operatives). For both for-profit and not-for-profit, the range of financial revenue for the co-operatives studied begins at less than $10,000/year and exceeds $40 million/year. The largest co-operative, in terms of revenue, is located in the Golden Horseshoe region and has 38 years of operations, Case 7. The smallest, in terms of revenue, is located in the central region with less than a year of operations, Case 5.
Table 5.9: For-Profit and Not-for-Profit Co-operatives

<table>
<thead>
<tr>
<th>Co-operative Region/Age</th>
<th>For-Profit</th>
<th>Not-for-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Horseshoe</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>38yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case 7</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Golden Horseshoe</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golden Horseshoe</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>6yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>14yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case 8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>41yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case 9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>11yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>&lt;1yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>6yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case 6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The range of growth rates varies significantly based on the size of the co-operative. Using the three years of financial data from the co-operatives, it was possible to calculate financial ratios to determine the viability of the co-operatives, i.e. current ratio, growth rate - retained earnings, and growth rate - return on assets.

Current ratio is a measure of the liquidity of an entity and thus its ability to meet creditors' demands. The higher the current ratio value the greater the funds available to the co-operative to pay for any funding it has borrowed to maintain business operations.
Current ratios are normally considered healthy between the values of 1.5 to 3, meaning that the entity has one and a half to three times the assets to match any outstanding liabilities. This study used the standard current ratio formula:

\[
Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}
\]

For the three larger co-operatives in this study, that is, co-operatives with gross sales revenue over $2 million, the current ratio was slightly above the industry average at 4.21. This research found a trend for the current ratio of the Ontario co-operatives to decline closer to industry standard of 3 reaching a value in 2012 of 3.45, (see Figure 5.3: Large Co-operative: Current Ratio).

**Figure 5.3: Large Co-operative: Current Ratio**

![Figure 5.3: Large Co-operative: Current Ratio]

Of the five medium co-operatives, that is, co-operatives with sales between $50,000 and $2,000,000, which represented the majority of the co-operatives in the study, the average current ratio is just at the lower level of a healthy industry value at 1.66. The average value of the ratio, however, is much more volatile than that seen in the larger co-operatives with a range in values as high as 2.65 and as low as 0.76. This variation can be seen as more of an attempt by the co-operatives to keep the current ratio within the normal operating range of 1.5 to 3 while expanding the current business operations.
through ongoing investments or vertical integration activities, (see Figure 5.4: Medium Co-operative: Current Ratio).

**Figure 5.4: Medium Co-operative: Current Ratio**

The smaller co-operative, Case 5, with sales less than $50,000, has an average current ratio of 25.07, which is excessively high. As the current ratio is a ratio between current assets and current liabilities and the absolute value of the smaller co-operative sales is well below $50,000 a year, this ratio is representative of co-operatives with current assets that are limited in value. As a result, the co-operative has excessive assets compared to its liabilities, but their absolute value is low, making further investment opportunities limited. The current ratio for the smaller co-operative does have a range of 21.22 to 30.43 but the absolute variation is minimal in absolute dollar amounts being less than $3,000, (see Figure 5.5: Small Co-operative: Current Ratio).
Figure 5.5: Small Co-operative: Current Ratio

Given the three years of financial data it was possible to calculate the retained earnings (equity) growth rate for the co-operatives using the following formula:

\[
\text{retained earnings (equity) growth rate} = \frac{\text{present equity} - \text{past equity}}{\text{present equity}} \times 100
\]

Equity within the co-operatives represents a portion of revenue that the co-operative can utilize to invest within or outside of the company. Larger co-operatives had a retained earnings average of over $5,000,000, with limited variability year over year (see Figure 5.6: Large Co-operative: Retained Earnings (average) and Figure 5.7: Large Co-operative: Growth Rate - Retained Earnings).
Figure 5.6: Large Co-operative: Retained Earnings (average)

![Graph showing Retained Earnings (average) from 2009 to 2012. The earnings increase from $4,950,000 to $6,300,000 from 2009 to 2010, then decrease to $5,850,000 in 2011, before increasing again to $6,075,000 in 2012.]

Figure 5.7: Large Co-operative: Growth Rate - Retained Earnings

![Graph showing the growth rate of Retained Earnings from 2009 to 2012. The growth rate ranges from approximately -0.14 to 0.14. It decreases from 2010 to 2011, and increases from 2011 to 2012.]

$4,950,000
$5,175,000
$5,400,000
$5,625,000
$5,850,000
$6,075,000
$6,300,000

2009 2010 2011 2012

-0.14
-0.07
0.
0.07
0.14

2010 2011 2012
Medium co-operatives, those with $50,000 to $2 million in sales, had retained earnings averages of just under $80,000. The variability within the retained earnings for this group on a year-to-year basis is quite large, with growth rate of retained earnings dipping to -67.22 percent and skyrocketing to 49.30 percent. This variability represents the various states these medium co-operatives find themselves in regarding their investment strategies. Some of the medium co-operatives have incredibly low retained earnings for a particular year due to a strategic investment in equipment in order to enter new markets. These medium co-operatives are either saving funds for re-investment in the co-operative or spending them on investments for growth, giving variable retained earnings values and growth rates.

The smaller co-operative in the sample, the co-operative with less than $50,000 in sales, has a retained earnings average of less than $2000. The variability within the smaller co-operative’s retained earnings growth rate ranges from a high of 143.70 percent to a low of -81.00 percent (see Figure 5.8: Smaller Co-operative: Growth Rate - Retained Earnings).

**Figure 5.8: Smaller Co-operative: Growth Rate - Retained Earnings**
These wide-ranging values again represent a wide percentage change in retained earnings with a minimal absolute change representing only a few hundred dollars. This variability in retained earnings growth rate represents a struggle to improve net income, unlike the investment potential of the medium co-operatives (see Figure 5.9: Smaller Co-operative: Net Income). The decreasing trend in income along with a decreasing retained earnings rate means that this co-operative is struggling financially and raiding its reserves to maintain ongoing operations.

**Figure 5.9: Smaller Co-operative: Net Income**

The final financial ratio to be examined with this sample of co-operatives is the return on investment or return on assets (ROA). The ROA provides an indication of the profitability of the co-operative in terms of the assets invested. The formula used to calculate ROA is:

\[
\text{Return on Assets (ROA)} = \left(\frac{\text{Net Income}}{\text{Total Assets}}\right) \times 100
\]
For large co-operatives, ROA is within the same industry standard as IOF would expect, with an ROA of five percent to ten percent. From Table 5.10: Food Industry Return on Assets 2008, it can be seen that even inclusion of the low margin, food production industry to the high margin, food service industry yields ROAs of 1.1 percent to a maximum of 11.4 percent.

**Table 5.10: Food Industry Return on Assets 2008**

<table>
<thead>
<tr>
<th>Industry Rank</th>
<th>Industry</th>
<th>2008 Profits as % of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Food Services</td>
<td>11.4</td>
</tr>
<tr>
<td>6</td>
<td>Household and Personal Products</td>
<td>9.6</td>
</tr>
<tr>
<td>10</td>
<td>Wholesalers: Diversified</td>
<td>7.8</td>
</tr>
<tr>
<td>14</td>
<td>Food Consumer Products</td>
<td>6.8</td>
</tr>
<tr>
<td>16</td>
<td>Specialty Retailers</td>
<td>6.4</td>
</tr>
<tr>
<td>27</td>
<td>Food and Drug Stores</td>
<td>4.3</td>
</tr>
<tr>
<td>32</td>
<td>Beverages</td>
<td>2.5</td>
</tr>
<tr>
<td>39</td>
<td>Food Production</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Issue date: May 4, 2009; CNN Money, Accessed December 2012
Large co-operatives within this study yielded an average ROA of 6.32 percent with a narrow growth range of 4.98 percent to 7.19 percent (see Figure 5.10: Large Co-operative: Return on Assets).

**Figure 5.10: Large Co-operative: Return on Assets**

The medium co-operatives within this sample provided an average ROA of 16.58 percent, which is well above the industry standard. This higher return carries a higher risk as shown in the variability of ROA year over year, which is quite high. The range of ROA for the medium co-operatives was from -5 percent to as high as nearly 40 percent (see Figure 5.11: Medium Co-operative: Return on Assets).
This variable ROA represents the mixed nature of the medium co-operatives and the various stages in their strategic investments the co-operatives are in. In some cases the investment in new assets is offset by the increased income generated by the asset. For example, one co-operative within the study, Case 3, invested in a new café, which generated higher than normal sales that more than offset the expenditure on the asset. The following year, however, the novelty of the new cafe diminished, lowering the net income and decreasing the ROA to just over 15 percent, which is still high, but closer to industry norms.

The small co-operatives within the sample provided negative ROAs close to -20 percent. The average, however, does not show the cannibalistic nature of the co-operative’s situation considering the 2012 ROA was closer to a -60 percent. This result is due to a depreciation of the co-operative’s assets along with a decrease in the net income the co-operative made during the 2012 fiscal year (see Figure 5.12: Small Co-operative: Return on Assets).
5.11 Spatial Analysis

To understand how co-operatives fit into Marden et al.’s (2000) SFSC, an understanding of the scale of the co-operative’s operations is necessary. Co-operatives are legislated, through the Co-operative Corporations Act 1990, to complete the majority of their business (at least fifty percent) with their membership. Mapping the location of co-operative members will thus provide a representation of the scale of a co-operative’s operations. Mapping the co-operative’s operations will determine the scale of the community the co-operative services and thus what drivers influence the co-operative’s operations. For example, the distances a co-operative must overcome to interact with its membership, due to an increase in scale of operations, influences the types of communications between the membership and the co-operative. Marsden et al.’s (2000)
SFSC will provide a description of the types of communication between a co-operative and its membership, while ANT will show the communication types that influence membership interaction. The scale of a co-operative’s operations influences the type of communications available between co-operative and its members. Spatial profiles of the co-operatives will outline the scale of Ontario food co-operatives’ operations.

The small co-operative within this study presented a unique spatial profile when compared to medium and large co-operatives. The membership of the small co-operative, based on their postal code distributions, is located within a city or town boundary. This is unlike the reach of the medium and large co-operatives that span regions and, in the case of the large co-operatives, nationally and internationally.

The medium co-operatives in this study presented similar distribution patterns based on the population base and location of the co-operative. As seen in Figure 5.13 - Medium co-operative spatial distribution of membership – Southern Ontario, the largest concentration of co-operative members, 93.0% of membership (see black circled area on Figure 5.13) was found in close proximity to the co-operative base of operations. The next largest concentration of members, 6.0% (see red circled area on Figure 5.13), was found in the more concentrated population areas in which the co-operative expanded its business. Medium co-operatives within this study tended to have concentrated memberships surrounding the co-operative headquarters. The 93% concentration of membership surrounds a central headquarters for the co-operative that allows for greater member interaction with those individuals who operate the co-operative.

Figure 5.13 shows an example of the distribution of membership that is common to medium sized co-operatives within this study.
A similar trend was also seen in medium co-operatives that are found in more northern parts of Ontario. While at first glance the distribution appears to be scattered over the larger geographic area (see Figure 5.14 - Medium co-operative spatial distribution – Northern Ontario), when you focus in the distribution concentration for the medium co-operative can be seen as concentrated around an epicentre represented by the co-operative’s headquarters (see Figure 5.13 and Figure 5.14).

Focusing on the distribution of the medium co-operative’s member locations, it was seen that the largest concentrations were centred on the co-operative’s base of operations and spread out to more populated areas as the business grew. In this particular case, Case 6, it was found that over 89 percent of the membership base was located in close proximity to the main base of operations (see black circled area on Figure 5.14). As the co-operative business expanded into the nearest population base,
in a similar fashion to the Southwestern Ontario case, 2.4% membership concentration moved to the next largest population base as shown in Figure 5.14 (see red circled area on Figure 5.14). With 89 percent of the membership centred near the co-operative’s headquarters and 2.4 percent in the next largest population base, the remaining 9 percent was found to be distributed over a larger area in the Northern Ontario case. This expanded distribution was unique to the Northern Ontario case as the co-operative services a larger geographic area than the Southern Ontario cases. Medium co-operatives within this study all maintained a similar membership concentration and upon expansion of the business choose the nearest, largest population base to expand into.

**Figure 5.14 - Medium co-operative spatial distribution of membership – Northern Ontario (2 of 2 Spatial Profile for Medium Co-operatives)**

What is unique about this Northern Ontario co-operative is the geographic scale its operations encompass. The scale of distribution is much larger than that found in the
medium co-operative located in Southern Ontario as the co-operative’s products and services are not offered by other firms in Northern Ontario. The geographic isolation of the Northern Ontario co-operative allows it to provide products and services over a larger geographic area, yet it still maintains a concentrated membership base.

The large co-operatives presented a very different picture of membership distribution. In both cases, the large co-operatives’ membership distributions were not confined by Ontario’s regions. In one case, Case 8, the large co-operative entered the global marketplace, increasing its scale of distribution. The other large co-operative, Case 7, found its membership base scattered across Canada with members in Nova Scotia, Prince Edward Island, New Brunswick, Ontario, Manitoba, and Alberta (see Figure 5.15 - Large co-operative – Canadian distribution by membership, Figure 5.16 - Large co-operative - Eastern distribution by membership, Figure 5.17 - Large co-operative - Western distribution by membership, Figure 5.18 - Large co-operative – Southern Ontario distribution by membership within Postal Code Area).

What was found with the distribution of the large co-operatives is the evenness of the distribution of the membership, with all areas of distribution not exceeding five percent of the membership base regardless of the geographic scale of the membership distribution area. While there is a concentration of co-operative members in Southern Ontario, the geographic scale that the membership covers is exceedingly large, as shown by the distribution of members within Canadian postal code areas, with a lack of a single focal concentration of membership. Even the Southern Ontario concentration of membership of the large co-operative does not have a single, strong focal point with membership concentrations only reaching 3.2% of the total co-operative membership (see Figure 5.18 – Large co-operative – Southern Ontario distribution by membership).

Unlike the medium co-operatives that maintain a concentration of members surrounding an epicentre, the large co-operatives have membership distributed evenly across large geographic areas. By maintaining scattered membership it is difficult for large co-operatives to communicate with the bulk of their members.
Figure 5.15 – Large co-operative – Canadian distribution by membership
(1 of 4 Spatial Profile for Large Co-operatives)
Figure 5.16 - Large co-operative - Eastern distribution by membership (2 of 4 Spatial Profile for Large Co-operatives)
Figure 5.17 - Large co-operative - Western distribution by membership (3 of 4 Spatial Profile for Large Co-operatives)
Figure 5.18 – Large co-operative – Southern Ontario distribution by membership within Postal Code Area (4 of 4 Spatial Profile for Large Co-operatives)
5.12 Results Summary

The research findings show that co-operatives in Ontario have a diverse definition of community, which guides them in defining the programs and policies for their business. The community definition also helps the co-operative to develop specific Education, Training and Information programs for their defined community. The programs offered by the co-operative not only fill a gap within the defined community, but act as a socio-economic bridge by bringing communities members together around a shared interest or need.

The co-operative principles do define Concern for the Community as a guiding principle; however, most managers defined One Member, One Vote as the most important principle for a co-operative. Co-operative managers had difficulty defining most important and least important co-operative principles. The difficulty in defining the least important principle was because managers believed the least important co-operative principle was an inherent part of their co-operative business and did not require attention. The managers did not wish to rate any of the principles as unimportant, but they did concede to identifying principles that did not require their immediate attention.

The same logic can be applied to the marketing of the co-operatives as most co-operatives marketed their products and not the co-operative. The co-operative being the basic nature of the business, it was not considered in need of marketing or attention.

The financial situation of the co-operatives, on the other hand, was in need of consideration as the variability in the current ratio, retained earnings and return on assets for the medium co-operatives are all quite significant. Larger Ontario food co-operatives adopt results for the three financial outcomes that are more like the conventional industry standard. The variability in the medium-sized co-operative's financial results is due to their business expansion activities to create a more sustainable co-operative business through diversification of their cash flows. The small co-operative business is struggling with cash flow and asset management as they are currently drawing down their assets to maintain operations.

The spatial analysis results show a concentration of membership for the small and medium co-operatives that is not present in the larger co-operatives. Membership
spatial distribution is not focused in the larger co-operative in a single geographic area. Medium co-operatives offer a concentration of membership that allows the co-operative management to interact more readily with that membership.
Chapter 6: Discussion

With the research revealing a variety of areas of co-operative functionality, the organization of the data into thematic areas is required. The results are linked through two themes: 1) asymmetry of information and 2) SFSC through the lens of actor network theory. This chapter will provide the outline of how co-operatives’ definition of community affects their functionality within the defined community, addressing the asymmetry of information within the current IOF food system.

The functionality of the co-operatives will be discussed in relation to the co-operative principle of democratic member control as it is interpreted by Ontario co-operatives. The implementation of the democratic principle by their board of directors, which produces a scale of democratic member control within the co-operatives, will be outlined.

The interpretation of the co-operative principles by the co-operatives will be examined. The principle of education, training, and information will be shown to be intermingled with general marketing of the co-operative’s products and services. This marketing will be shown to represent the co-operative’s means to address the asymmetry of information existing within the IOF model.

Finally, the financial situation and the spatial analysis of Ontario co-operatives will be discussed, outlining the viability of the co-operative model and the variation from, or similarity to, the standard IOF business model. How the different sizes of co-operative - small, medium and large - interact with their membership base will be discussed.

Through this discussion, the three questions that initiated this research will be answered providing an overview of the co-operative environment in Ontario.

1) How do Ontario co-operatives define and interact with their communities to bring about community development?

2) What is the current state of Ontario food co-operatives through the examination of finances, governance, and their scale of distribution?

3) How do co-operatives address the consolidation and asymmetry of information within the current food system?
6.1 Co-operative Rochdale Principles - Defining a Community

Ontario food co-operatives present a varied approach to defining community, with the majority of the co-operatives focusing on the participation of members within the co-operative as a key component to defining community. The knowledge translation and transfer of the co-operative’s defining beliefs to its members is seen as a binding force for the community. It is this knowledge translation and transfer of co-operative beliefs that causes the understanding of what a co-operative is to oscillate from a business model to social movement and back again.

In a strict business model approach to co-operatives, one co-operative manager (Case 8) went so far as to refuse to discuss the business in a community context. The manager’s view was contradictory to the mission and vision statements outlined by Case 8, which showed the co-operative’s mandate as one of a community development entity. The co-operative manager, however, saw the idea of their co-operative acting within a community or defining a community as un-business-like.

This business-like approach to the co-operative model is very similar to the existing IOF model, where community is considered only in terms of economic development and not a social response to economic or policy pressures. While it could be argued that a business-only model provides economic development and thus community development, such a viewpoint would be considered narrow in focus as it allows for encroachment of economic policies into the area of social concerns. The social concerns about environmental degradation, food access, food quality, food skills and knowledge are left out of the strict business approach to the co-operative model. As seen in Case 8’s lack of educational programs and activities, the co-operative did not see itself in the role of educator. The co-operative manager viewed those who interacted with the co-operative not as a community, but as a network.

The network concept advanced by Case 8 can also be seen in the spatial distribution of actors within the co-operative structure. The global scale of the distribution network operated by Case 8 shows the dissemination of the co-operative’s views globally. For a global scale co-operative to define community is problematic as multiple views of what a community is encroach on single definition. A homogenous community definition that can encompass all the views of all the members of a global
co-operative is problematic. A single, homogenous community definition that ensures the needs of such a wide-ranging membership base forces the co-operative to adopt a business-style network definition of community to ensure the vision of the co-operative addresses the widest possible audience.

The small and medium co-operatives take a different approach to defining community when compared to the globally-scaled co-operative. By utilizing both geographic location and community engagement, small and medium co-operatives place boundaries on the co-operative community both spatially and in terms of member participation.

The geographic location of the co-operative community was defined as the boundaries surrounding the headquarters of their co-operative operation. For example, one co-operative defined their community as the municipality and surrounding rural area where their headquarters obtained its food products. Other co-operative managers defined their community based on the city and surrounding area in which their headquarters was based. This geographic location assisted the managers in defining their local food mandate as well as their definition of community.

This initial response to defining community based on geography was elaborated on as the managers included an educational component to their community definition. Co-operative managers saw the need for educational participation by community members to form a community identity. By defining their community based on geographic location and including a participatory, educational component, the co-operative managers were indicating the need for direct interaction between co-operative members in order to define their community. The interaction between members is more prominent when members are located in close proximity to one another, thus the use of the local concept for community, local being defined around the headquarters of the co-operative.

With local geography and participation being considered part of the community definition, it would be prudent to look back to Marsden et al.’s 2002 work, which outlines three types of SFSC: 1) face-to-face, 2) spatial proximity, and 3) spatial extended. Within Marsden et al.’s definition of SFSC there are the geographic and knowledge components that are similar to those used by the small and medium Ontario co-operatives within this study to define community. Marsden et al. focused on the form of
information dissemination required by the distance associated with the transaction. For example, face-to-face interaction required less structured information, i.e. informal communication, where spatially extended supply chains require a formal structure to the information to effectively communicate across distances. In this study the small and medium co-operatives have a concentrated member base close to their base of operations allowing for more face-to-face interactions with their members, which aids in the defining of community for the co-operative. The larger co-operatives, with a disassociated member base, require a more formal knowledge dissemination process, making it more difficult to outline complex or locally specific topics such as local environmental concerns or even a definition for a local community.

It is posited here that community has similar requirements as SFSCs. Information and participation are required to create an efficient SFSC in a similar way that information and participation are required to create a community. The concept of interaction can be seen in the small and medium co-operatives within this research that have a higher consolidation of members in close proximity to their base of operations, allowing for a greater frequency of participation and thus a greater sense of community. The greater frequency of participation is encouraged by the concentration of the co-operative’s member base and also through the co-operative’s educational programming that encourages information exchange across socio-economic groups within the spatially concentrated member base.

6.2 Co-operatives within the Community

The increased frequency of interaction, between members found in the small and medium co-operatives, allows these co-operatives to advance a more complex vision of community and the food system. This complex vision of the food system includes community concerns that cannot be outlined effectively in the formal communications required by larger co-operatives that utilize spatially extended food chains. While the mission and vision statements of a co-operative can be communicated to a membership base that extends nationally or internationally, it is far more difficult to implement programs and activities that support a broad, complex community-oriented mission or vision over spatially extended communities.
Adding to the logistical problems of implementing a complex community-oriented mission or vision over extended distances, such a far-reaching co-operative would be faced with heterogeneity of needs within the membership base. Members from different parts of the country or within the global economy would have vastly differing community definitions that the co-operative must satisfy. It would be unlikely that a single community definition could be developed to encompass a spatially extended membership base as seen in large co-operatives.

While a spatially extended community can develop through a focus on a common interest, the requirement for that common interest to be communicated over a large distance necessitates a formal style of communication. The formal communication style forces the common interest to become broad in scope to accommodate the limitations of formal communication mechanisms, such as annual reports or mission statements. The scope for extended communities also must address the broad needs within the extended community effectively without direct, repeating interaction with the community base. The ability of a spatially extended co-operative to define and react to the changing needs across a global supply network is problematic as one community’s needs could be antithetical to others within the network.

Small and medium co-operatives are still faced with heterogeneity of needs, but are far more capable of acting on the various needs of their members or communities through a mix of programs. Small and medium co-operatives build up their communities based on their raison d’être for operation - that is, filling a gap in the economy of a community - and they provide services and programs to advance a community in a vision-oriented direction. For example, the local food co-operatives within this study provide services and programs on food production, processing, retailing, and food skills that inform community members about the nature of food in an attempt to move their communities toward a more sustainable food system. Programs that advance the understanding of the community about the food system, such as through canning, nutrition label interpretation, and basic food skills, are part of the operations of four of the six, or two thirds, of the small and medium co-operatives within this study.

Large co-operatives within this study did not offer such programs, but focused on business training or panel discussions on larger topics such as genetically modified
foods, fair trade, or organic production. It should be noted here that only one of the two larger co-operatives offered such discussions on the food system and only on an annual basis through their annual general meeting. Unlike the discussion or lecture-oriented methods utilized by larger co-operatives, the small and medium co-operatives have the ability to offer hands-on training within a community located around their base of operations, or impromptu gatherings with members for open discussions on the co-operative business.

While larger co-operatives must focus on a more formal method of communication to their members - outlining their vision, mission, and operations in a high level format - small and medium co-operatives can utilize multiple methods of communication. Thus like Marsden et al.’s 1) face-to-face, 2) spatial proximity and 3) spatial extended SFSCs, the communications within a small and medium co-operative can use either personal interactions; generally-understood characteristics of the co-operative within a narrow locale; and/or detailed, formal communications about the co-operative in extended markets to communicate information about the co-operative’s mission and vision. It is this use of mixed communication methods that allows the co-operatives and their members to better understand each other’s needs within the community. This way, the co-operative can implement specific programs designed to further develop the community within the raison d’être of the co-operative. For example, one of the medium co-operatives within this study began operations within an area of low food access to meet the food needs of the community, but as the operations continued and the information on the needs of the community were understood via communication with community members, the co-operative implemented volunteer opportunities for members to gain access to the co-operative products. Through a unique partnership with a local health unit, the co-operative also implemented a voucher program where members of limited means could access the health unit’s food voucher program, providing access to the food system for those individuals excluded due to limited funds. These custom, need-driven programs can only be produced by co-operatives that have a consolidated member base with communications at the face-to-face and spatial proximity level. Once the co-operative operation extends or is focused on the spatially extended range, specific communities meld into a single co-operative with its own
needs. This is reminiscent of the consolidation within the IOF system where the system begins to define its own needs over that of the communities it serves (Nestle, 2007).

The small and medium co-operatives within this research did not focus beyond a local or spatially concentrated membership base. As we have seen, all of the small and medium co-operatives attempted to bridge a knowledge gap between producer and consumer or even differing socio-economic groups as part of the mandate of their organization. These seven small and medium co-operatives have implemented programs or activities that stimulate community interaction to aid in the dissemination of information about the food system. These programs represent the activities the co-operatives undertake to address the information needs of the community around the food system.

In comparison, of the two large co-operatives only one offered any form of information dissemination activity about the food system, and only once a year in the form of a discussion panel or workshop. These discussion panels and workshops normally take place at an annual general meeting and could be considered to address the needs of the co-operative to define its position on such topics as organic production, genetically modified foods or fair trade, rather than the co-operative identifying the community’s needs around these issues.

6.3 Co-operative Community Development

It is these types of communication - 1) face-to-face, 2) spatial proximity, and 3) spatial extended - and the purpose of the communication, that assist in the development of the co-operative community. If the co-operative focuses on the needs of the co-operative rather than the community, it is difficult to see how community development can proceed. Small and medium co-operatives within this study have implemented educational programs within their communities as a means of addressing the asymmetry of information, not only about the current food system but also about the community membership. These types of programs work two ways, as a method of communicating community needs to the co-operatives and to communicate co-operative needs to the community. The participatory nature of the educational activities allows members of the co-operative to convey their needs to the co-operative and help develop a community identity based on those needs. As an example, one co-operative manager
outlined the need to convey stories about the struggles of producers to consumers as a means of building an understanding between the two groups.

The community is more positioned on the connection the consumer has with the producer. Learning the stories of the producers, understanding the difficulties of seasonal struggle, depending on weather change and just external factors that are out of their control (Personal Communication with Co-operative Manager, June 20th, 2013).

This improved understanding, through stories of struggle, can be seen as a method to build a community around a shared concern, in this case, food and food production. By learning about the needs of certain members within the community, support for those members can be developed through the co-operative’s operations. The co-operative can implement programs, which can take the form of food education or skills training. These food programs allow for the expression of the co-operative’s members’ need for a greater understanding of food product.

These educational programs also provide an outlet for participation across socio-economic groups that help build the community. The addition of participatory democracy, as seen within the co-operative principle of democratic member control, provides a mechanism for defining a community. Small and medium co-operatives with a more concentrated member base would certainly find it easier to support such direct interactions than larger co-operatives with a member base distributed nationally or even internationally.

It is clear, however, that the larger co-operatives see community development as a key component of their business. As an example, one of the large co-operatives within this study, while explicitly stating that it does not have a community but a network, still has a stated vision of being a local and global community builder. It is unclear, however, how such a co-operative operationalizes the vision of being a community builder with no programs or activities that support community development. It could be said that such a co-operative relies on economic forces to operationalize the vision and mission of community development, as it focuses on fair trade and a social solidarity economy as its raison d’être. With both fair trade and a social solidarity economy focusing on the exploitative nature of the capitalist economy, it is possible to see the economic gap or
market failure that this co-operative wishes to fill. However, does this raison d’être act as a community-building tool (creating a community from the ground up) or just a community-development tool (building on existing community structures and culture)?

Providing a more even playing field where exploited or underpaid producers are more fairly treated will not encourage greater participation between the diverse groups that make up a community. The more fairly treated producer may be able to participate with other community members but only in the most narrow, economic sense. It is even possible for the fairly-treated producer to forgo participation with local community actor in favour of participation with global markets. While fair trade encourages transactions to occur between the producer and other actors, these other actors need not be part of the community. These actors could be from the global marketplace, which certainly does not address a community need, but only the needs of that of the individual producer.

6.4 Ontario Co-operatives: Community Development

The idea of communities requiring member participation to ascertain the needs of the community calls into question how the current economic paradigm defines community needs. Consolidation of economic power allows for information control and decreased participation within the economic system, which distances actors from the system itself. It is only those with financial resources that actively participate and define the outcomes of the system. The larger the shareholder, the more voting power the shareholder has and thus the more authority to define the outputs of the economic entity. In the case of the current food system, the retail sector seeks to meet more and more of its own needs rather than that of the community in which it resides (Nestle, 2007). It is possible to argue that while the food retailers may reside in a community, the community they serve is less diverse and represented by industry shareholders rather than community citizens.

Unlike the food IOFs, the small and medium Ontario food co-operatives within this study have a member base that is located in close proximity to the base of operations. As members are closer to the base of operations, they are closer to the decision makers within the co-operative, such as the manager and board of directors. This close proximity allows for the probability of greater participation between members and
management to define the nature of the business. This greater probability of participation also allows for a greater depth of communication, that is, face-to-face interaction. Face-to-face interaction allows for the dissemination of more complex subject matter such as production techniques, environmental concerns, or food skills.

Looking at a graphic representation of a co-operative network as developed by Sumner, McMurtry and Renglich (2014) it is possible to see the concepts of ANT. Through ANT, we have interconnections represented by lines connecting nodes through interactions (see Figure 6.1 - Co-operative Network). What representation shows is the interconnections between nodes, but not the quality or quantity of the interactions across those nodes. Each interconnection is considered equal and represents similar methods of communication. Unfortunately, with decreased interactivity there is a decrease in depth of the communication of ideas. Face-to-face meetings supply a greater depth of communication through context, non-vocal communications, and interplay between the actors that formalized communications cannot offer. However, with greater distance between actors, formal communications become more necessary to disseminate information.

The many initiatives, inputs and assets found within the representation of the co-operative network help to define the network. The annual assembly and the internet represent the communication initiatives within this network. The remaining connections, i.e. lines, are considered communication pathways that link the network together. What could be considered missing from these communication pathways is the depth and quality of communications that flow along the pathway.
Figure 6.1- Co-operative Network

Sumner, McMurtry and Renglich (2014) and used with permission of Dr. Phil Mount
To define the communication that flows along the pathways between and within a network we can look to Figure 6.2 - Network Node - Communication Interconnections. This graphic represents communications between a central decision-making entity and the community it serves. The interconnections are differentiated based on the quality of information and the probable quantity, or number of interactions, possible. If the probability of interactions decreases with distance, the quality of the communications must take on a more formal approach to communications to ensure effective transfer of ideas from the central location to the recipients. Formal communications make it difficult to communicate complex topics such as a sustainable community, production practices, or the social interests of a community.
Within the graphic representation is denoted a co-operative base that represents the small and medium co-operatives in Ontario (see blue square in centre of figure). The primary members represent the consolidated member base, which are incorporated into the co-operative base and have ready access to more direct, face-to-face communications with the co-operative decision makers. The face-to-face interactions are represented by connecting pathways within the co-operative base.

The proximity members represent the members that are within the co-operative base’s spatial proximity, so that they are aware of the nature of the co-operative, but must rely more on more formal communications to interact with the co-operative. The proximity members can have access to face-to-face communications, but this access requires more effort from the proximity members than the primary members and thus is less likely to occur. An example of a proximity member would be a member within a city in which the co-operative’s base is located. Such a member would know about the existence of the co-operative and might even know about the products or services provided, but does not interact with the co-operative on a regular basis.

The extended members, found distanced from the co-operative base, must rely on formal communications as distance, effort, or other factors decrease the probability of direct interaction to near zero as represented by light blue pathways. These extended members represent interactions that are spatially extended, such as members who are located in the same province or region. Spatially extended members are aware of the co-operative, but are not intimately aware of any changes or updates to the co-operative’s operations. The distance separating the extended members and the co-operative places barriers to interaction that must be overcome by formal communications. Formal communications, however, decreases the complexity of information provided to extended members making these members less likely to assist in defining a community or assisting in community development, save in the most basic economic transactional sense.

Some members can act through direct contact with the co-operative base, but there are those members who can only interact indirectly. These distanced members were found only in the large co-operatives within this study. These distanced members joined the co-operative and receive formal updates on the status of the co-operative business,
but do not participate in the co-operative business. An example of a distanced member include family members of co-operative staff who lived in other provinces or even other countries who purchased membership for the co-operative, but did not interact with the co-operative due to the extended distance.

While the types of members can vary between the small and medium co-operatives, - that is, more primary or more extended members - larger co-operatives rely more heavily on maintaining extended members due to the distances within their spatial extended distribution system. The rationale for defining large co-operative members as extended is their need to utilize spatially extended, formal communications to outline the co-operative’s nature rather than face-to-face, direct communications. Once a year, through an annual general meeting, some members of the large co-operative meet face-to-face with decision makers at the co-operative base, but these are formally structured events aimed at communicating the co-operative’s needs and policies to the members rather than the other way around.

Small and medium co-operatives in Ontario that maintain a co-operative store or physical location in a community create an environment for less formal communication between members. The informal communication helps to define the co-operative community and its needs both in terms of business requirements and social needs. As the co-operative and the community changes over time these informal communications assist in re-defining the co-operative vision to better meet the changing needs of the community.

6.5 Current State of Ontario Food Co-operatives

If we look at the small and medium co-operatives, the variability of the business model is quite significant. The return on assets for small co-operatives within the sample never reached a positive figure and medium co-operatives had a range as broad as -5 to as high as 40. It must be kept in mind, however, that the ranges in the financial ratios of the small and medium co-operatives represent their dynamic investment nature.

In many of the medium co-operatives sampled, large capital investments were being made to improve the resiliency of the business. For example, one medium co-operative, Case 3, had begun investment in a nano-brewery just after the completion of an investment in a cafe located within the food retail store. This investment in ancillary
businesses to the food retail store not only assists in the resiliency of co-operative business by bringing in new revenue streams, it also represents an expansion of the co-operative base of operations, which can facilitate the communications between the co-operative and the members. The expansion of the medium co-operative’s operations in Ontario will assist in their financial resiliency as seen in the current ratio of 1.5 and a return on assets at 15.2 percent maintained by medium co-operatives.

The small co-operative in Ontario, however, presents a different picture. The return on assets for the small co-operative shows a disturbing negative trend. The current ratio, however, indicates that the co-operative is maintaining sufficient liquidity to offset its creditors, but this could be at the expense of retained earnings, which also show a strong negative trend. The unfortunate negative trend in net earnings means that the small co-operative is facing difficult times and may not be able to maintain a current ratio for a prolonged time. At present, however, the current ratio sits at well over 20, meaning it has twenty times the funds needed to pay creditors. In absolute terms, however, this value is very meager, making it very difficult for the small co-operative to expand into new markets to obtain a stable funding base.

When comparing both the small and medium co-operatives’ financial situation to that of Ontario’s large co-operatives there is a very different outcome. Ontario’s large co-operatives produce the standard financial outcomes expected of similar IOFs. The ROA of just under 5 percent is only slightly lower than an expected ROA for IOFs (7.8 percent expected) in the food distribution business. The variability of the ROA within the last three years for the large co-operatives also is minimal with a narrow range of 4.98 percent to 7.19 percent, i.e. 2.21 percent. The current ratio for the large co-operatives of 3.45 is within the norm of a large IOF that generally hopes to retain a current ratio between 3 and 5. In general, the larger co-operatives in Ontario tend to follow standard business practices to create the standard business outcomes that banks and other investors expect. It is, after all, not possible to segregate Ontario’s large co-operatives from the standard business environment as they must deal with banks and other businesses for access to capital, investment opportunities, credit access, and sales.

The finances of Ontario food co-operatives provide an interesting story of food co-operatives (see Appendix C: Example of Financial Statement Large Co-operative and
Appendix D: Example of Financial Statement: Medium Co-operative). The co-operatives range in size from businesses with revenues of over $40 million dollars a year to those struggling with under $10,000 a year. From the nine co-operatives studied, it appears that the larger co-operatives take on a more IOF style financial management than the small to medium co-operatives. The larger co-operatives offer a return on assets, current ratios, and retained earnings as would be expected within the food sector year over year. The smaller and medium co-operatives provide a much more variable financial picture as they find themselves investing retained earnings or seeking outside investors for business expansion. The business expansion plans of the small and medium co-operatives, while not on the same scale as the larger co-operatives, provide growth to the local community while the larger co-operatives financial gains are spread across a much larger area.

While the financial status of Ontario’s co-operatives shows the differences between large co-operatives and Ontario’s small and medium co-operatives, the governance structure for the co-operatives provides a commonality. All the co-operatives see the governance of their business as a means to produce mission and vision statements that guide the co-operative’s policies and operations. A board of directors is appointed to oversee management. In most of the small and medium co-operatives, however, the board of directors is made up of volunteers and relies on the co-operative’s manager to assume the bulk of the operational and policy work. Large co-operatives, on the other hand, have a full complement of directors with the expertise necessary to direct large corporations. The board of directors of large co-operatives takes on a policy development and management oversight role only.

Another commonality between the large, medium, and small co-operatives in Ontario is the over-arching human resources capacity issues. The majority of the co-operatives within this study outlined some form of human resources capacity as a major concern for the co-operative. Succession planning and expertise in co-operative management are areas where Ontario co-operatives struggle. How are the current food co-operatives in Ontario situated to adapt to the economic and social environment?

The governance of co-operatives has taken on the basic business practices of the IOF model. The co-operatives within this study rely on their governing board to enact
policy, set goals, and maintain mission and vision statements for the co-operative. What sets the co-operative boards apart from their IOF counterparts is the volunteer aspect of its members. As the food co-operatives outlined here are generally grassroots initiated and only two of the co-operatives could be considered large-scale businesses, it is difficult for the co-operatives to attract and retain board members as financial incentives are generally not offered. In some cases, volunteer fatigue was identified by co-operative managers as an issue for the board. In one particular instance a board was unable to establish a quorum due to the board members other engagements outside the co-operative. Co-operative boards require methods over and above those used by the IOF to entice members. Greater emphasis on the community-building aspects of the food co-operative or government incentives for community members to become active on a co-operative board of directors would assist in addressing this issue.

6.6 Ontario Food Co-operatives: Asymmetry of Information and Consolidation

The area of influence of the larger co-operatives can be seen in their distribution pattern, which is national or even international in scale. The distribution pattern of small and medium co-operatives takes on an entirely different look with concentrated membership patterns around a central hub, allowing for greater membership participation possibilities. By allowing for greater participation, small and medium co-operatives provide for a more direct community-driven food system. Members of the small and medium co-operatives have a greater opportunity to provide more direct, detailed input to co-operative managers who actively address the community’s specified needs. The input from the community members is not edited by actors within the food system to include additional needs not defined by the community. Retailers do not add a requirement for a food product to reach the shelves with a pleasing appearance, or in quantities that only large-scale producers can supply.

It is the inclusion of the food system’s needs into the final food product that has given rise to the asymmetry of information with the food system. Food companies have created complex labeling and marketing programs that leave the consumer confused as to what the end product really is or contains (Nestle, 2007).

Six of the co-operatives within this study addressed the asymmetry of information within the food system through food education and food skills programs. The food skills
programs offered by the Ontario co-operatives provide their members with hands-on experiences with food selection, preparation, and cooking. These skills could be considered the ABCs of the food system. Without an understanding of the raw products produced by the food system it is impossible to converse on the more complex processing, storage, distribution, and retailing activities required to service large populations. It is this lack of basic ABC knowledge that puts consumers in the position of passenger rather than driver of the food system.

One co-operative within this study went so far as to include a transparent pricing system within their co-operative business. When members were shopping for food products at the co-operative they were presented with a breakdown of the cost of inputs, overhead and profit margin of the food products. Such detailed information on the input and overhead costs would be far to difficult for the industrial food system to provide over the long distances food travels. With multiple actors employed along the long distance supply chain and each adding additional costs to the food product such detailed information could detract consumers from purchasing such products.

Similar to the loss of control over the labour process due to deskilling outlined by Braverman (1974), the loss of food skills by Ontario consumers means the loss of control over their food system. Braverman’s (1974) argument that the efforts of capitalist firms to control the workforce and reap maximum profits leads to the deskilling of workers through separation of “conception” and “execution”. The separation of conception and execution can be seen within the current food system as consumers distance themselves from basic food skills. As food companies increase the prevalence of pre-prepared foods, consumers become more distanced from the concepts of food preparation, pushing them into the role of executors within the system.

As consumers are distanced from food preparation their understanding of the basic food product becomes lost as well. Concepts of quality, freshness, and nutritional content become difficult for consumers to maintain as they drift away from food preparation. As a basic understanding of any product is necessary for actors within a market to act efficiently, it could be argued that the current food system lacks efficiencies and thus represents a market failure. Co-operatives in Ontario have traditionally developed around market failures (Fairbairn, MacPherson, and Russell,
2000). This research shows that Ontario food co-operatives continue the history of responding to market failures through their implementation of food skills programs to address the asymmetry of information with the current food system.

By implementing food skills programs, the managers of the Ontario co-operatives seek to address what they see as the asymmetry of information as well as the consolidation of power held by the corporate oligopoly within the system. The co-operative managers indicated that the lack of information provided by the current food system and the lack of power held by the consumer are detrimental to healthy community development. By implementing food skills programs, the co-operatives were able to bring together different socio-economic groups from within the community, addressing economic inequality within the food system. This implementation of food skills training as a community development tool is similar to the literacy-focused community development toolbox presented by the Work Group for Community Health and Development at the University of Kansas:

…addressing a specific issue serves to address efficacy, and, in the case of literacy training, economic inequality as well. Depending on how programs are structured, most can also address social connectedness, either by bringing a community or population group together to work on an issue, or by creating a community among those involved (in literacy classes, for example.) (Working Group for Community Health, 2013: Chapter 17: Addressing Social Determinants)

The food co-operatives in Ontario have brought groups together based on the specific issue of food skills, creating a more interconnected community. This approach to interconnectedness is unlike the current food system’s approach, which seeks to differentiate consumers into subgroups for the purpose of selling new product types. As Jaffe and Gertle (2006, p.153) state:

Consumers are targeted by the food industry according to demographics, region, ethnicity, and class. We are sorted and re-sorted into market segments for purposes of marketing, product positioning, and product development.

By sorting communities into demographic groups, the current food system dismantles communities rather than builds them. The “flexible consumer” presented by Jaffe and Gertle (2006) could be argued to be the basis of how the current food system
dismantles communities through segmentation of the market to allow for targeted marketing.

Each new meaning and each new consumer subgroup created signifies a new market and enhanced possibilities for successful selling. (Jaffe and Gertle, 2006, p. 153)

Ontario food co-operatives, on the other hand, have put forward programs that bring community members together. Those who participated in the food skills programs are from differing socio-economic groups, ages, ethnicities, and genders. Through the common lack of knowledge of food preparation, different individuals come together to interact as a community.

By encouraging communal action, the food skills programs offered by the Ontario co-operatives provide greater opportunities for co-operative members to act within the food system. As a group, the co-operative members can determine what food characteristics, production practices, and retail markups are acceptable. As seen in one Ontario co-operative within this study, a transparent markup system was implemented to provide members with a greater understanding of where their food dollars were going. Through the democratic principle of One Member, One Vote, the co-operative membership democratically decides on what product characteristics, markups, and production practices will be acceptable within their retail store or used in their food skills programs.

It is possible to argue that introducing members to products selected with specific characteristics such as ethical and quality standards is a form of education. The simple introduction of pre-screened products is insufficient, however, without the basic food skills education to properly interpret the information presented. It is the food skills programs within the Ontario co-operatives that allow its membership to interpret and make informed decisions about the food the co-operative sells and its members eat. Without the ABCs of food, co-operative members would find it difficult to interpret what an organic, natural, local apple really means.

The food skills programs offered by the co-operatives allow the co-operative members to understand and influence the food system. The ability to directly influence what a food retail operation sells to the public is an opportunity that is not provided by
the current food system. Consumer preferences are edited to include food corporation’s needs. As Jaffe and Gertler state,

The growing distance and separation between producer and consumer means that farmer-producers receive information on “what the consumer demands” only via food processors, manufacturers and retailers. (2006, p. 146)

This editing of consumer preferences allows food corporations to manipulate the food system to include their need for profit, storage, transportation, and decreased spoilage within the end product of the system.

Ontario food co-operatives, on the other hand, have provided greater opportunities for their members to act within the food system to define the food products offered, to purchase food products through volunteer hours, and to create food products for sale by the co-operative. The democratic principle of One Member, One Vote is utilized by the food skills co-operatives to engage their customers in the food product decision-making process. Volunteer opportunities are offered by the food skills co-operatives to those of lower income, allowing them access to the food system to make food purchases. If these additional opportunities were not enough, the food skills co-operatives offer their industrial kitchens to members to produce further processed food products for sale at their co-operative.

The use of the kitchens in the food co-operatives is reminiscent of the community kitchens, which started in Canada back in 1985 by three low-income women as a way of pooling resources (Engler-Stringer and Berenbaum, 2005). Fano et al. (2004) indicate there is an element of learning associated with community kitchens, which are used to build skills, break down social isolation, and other health promotion activities. The very same activities that Fano et al. (2005) present as components of community kitchens can be seen in the Ontario food skills co-operatives within this study. These learning activities can be seen as the food skills co-operative’s attempt to address the co-operative principle of education, information, and training for their community. Engler-Stringer and Berenbaum’s (2005) provide a vision of community kitchens acting within the larger food system. This vision can be seen within the food co-operatives activities as they educate and include their membership in the production, processing and storage of food products. The food co-operatives act not just as community kitchens,
but also as intermediaries for information about the food system between primary producers, distributors, processors, and consumers.
Chapter 7: Conclusion

This section presents conclusions based on the findings of this research and the relevant literature. An initial synopsis of the results along with a review of the research objectives is presented. How this research provides novel input into the field of co-operative and food systems research will follow in the contributions section. An outline of the limitations of the research and future research directions will follow. Finally a summary of the research findings will conclude the section.

7.1 Synopsis of Results

The six objectives of this research are summarized below:
1. Examine the role of food co-operatives in communities within Ontario.
2. Explore the role the co-operative principles and business practices.
3. Outline the developmental drivers of co-operatives.
4. Understand the unique co-operative environment as it relates to sustainability.
5. Understand how Ontario food co-operatives fit within the three types of short food supply chains: 1) face-to-face, 2) spatial proximity, and 3) spatial extended.
6. Provide an understanding of co-operatives through Actor Network Theory (ANT).

The results from this research project provide information related to each objective. Information was gathered from many aspects of co-operatives operations: social, financial, historical, jurisdictional, and geographic. The information gathered to inform each aspect of a co-operative’s operation was gathered from multiple sources including key informant interviews, literature reviews, co-operative web presence, annual general meetings, co-operative policies and program materials, mission and vision statements, membership data, financial statements, and annual reports. From this information key conclusions can be developed regarding Ontario food co-operatives.

Food co-operatives within Ontario provide a definition of community largely based on the extent and nature of the community engagement. The addition of a retail space or bricks-and-mortar location assists these co-operatives in defining their communities through the increase in community interaction through increased face-to-face interactions associated with the space. To further improve social interactions, small and medium food co-operatives implement educational programs and food skills training to
bridge socio-economic divisions within the community through a shared lack of knowledge around food. The increased interaction through educational programming helps the small and medium co-operatives to fulfill the Education, Training and Information co-operative principle. In the majority of cases within this research the interaction and educational program represents a method for co-operatives to bridge the gap between socio-economic groups within their community. By acting as a bridge the co-operatives see themselves as community development tools in both the economic and social sense.

While the food co-operatives include educational programming as part of their role to maintain the co-operative principles, the majority of the principles are not front and centre in the mind of co-operative managers. In addition to Education, Training and Information principle, the democratic principle of One Member, One Vote is also indicated as a key component of co-operative operations. Hand in hand, the Education, Training and Information principle and the democratic principle allow Ontario food co-operatives to address the asymmetry of information and consolidation within the current food system through member participation. The educational programming allows differing members of the co-operative community to interact through participation in the educational programming. The democratic principle allows co-operative members to interact in the operations of the co-operative. The small and medium co-operatives maintain a democratic principle that is focused on nearly all aspects of the co-operative business, from what products to sell, what pricing to offer and co-operative services to provide. Larger co-operatives, due to the extended distance of many of their members, cannot offer the same level of democratic control to their membership. The location of the members of large co-operatives also brings differing views of what a community is based on regional interpretations of community. The heterogeneity of needs that occurs as a co-operative grows larger makes it more and more difficult for a business entity to address these needs in a democratic manner. The larger co-operative must take on a more bureaucratic structure to function as a business, but this structure decreases the democratic activities the co-operative can provide its members. Voting on products to sell, prices to offer or programs to provide is not logistically practical for a larger business entity. The democratic principles for large co-operatives develop into voting on
larger policy issues that can then be interpreted by a management team to ensure the on-going operation of the business.

While the small and medium co-operatives are addressing the shortfalls of the current food system through educational programs, they are not, currently, addressing the shortfalls of human resources faced by co-operatives. Human resourcing affects the governance and management of Ontario co-operatives as there is a lack of experience and skilled staff. There is also a lack of succession planning for management and Director positions within co-operatives, making the long-term success of co-operatives problematic. The focus of the co-operatives’ educational programs tend to intersect with their marketing programs in dispensing information about food products rather than co-operative business structure and characteristics. By not informing the general public of the key attributes of a co-operative, it is expected that the human resources issues currently faced by co-operatives will continue.

An opportunity exists for small and medium co-operatives to present the benefits of the co-operative model to their members, including educational and empowerment opportunities within the food system. Small and medium co-operatives offer their members a unique opportunity to define their food system through democratic activities and more, direct interaction with the producers and the retailer, i.e. the co-operative. Greater interaction can be considered a key benefit of the co-operative model through the democratic principle of One Member, One Vote. Local control over a food system is possible through the consolidated membership base maintained by small and medium co-operatives. The consolidated membership base, along with increased participation and the ability to vote on a greater proportion of the co-operative business, assists small and medium co-operatives in acting as community development tools. Larger co-operatives, in comparison, have a membership distribution across the nation and even internationally, decreasing the ability of any one population group to impact the decision of the food system. The larger distribution of members also decreases the ability of a large co-operative to interact more regularly with their members. This decreased interaction lowers the ability of members of large co-operatives to partake of the democratic nature of co-operatives to the same level as members of small and medium co-operatives.
The lack of impact that consumers have within the food system can be considered a market failure. Co-operatives in Ontario traditionally develop around market failures and it was the intention of this research to present the role of co-operatives in the Ontario food system. Co-operatives of all sizes have taken on, to one extent or another, the role of community building. Small and medium co-operatives have consolidated their membership base allowing their members to interact as a community. Large co-operatives offer a global scale to the definition of community, allowing co-operatives to interact on a larger scale.

The results of the spatial analysis provided the scale of the co-operative's operation and was linked to SFSC as outlined by Marsden et al. (2002) and Renting et al. (2003). The overlay of transaction distance and the deceased number of nodes between the primary producer and the final consumer encourage increased communication and interaction within the system. Improved community development potential of SFSC utilized by small and medium co-operatives presented in this research supports Marsden et al. (2002) and Renting et al.’s (2003) research findings. By maintaining consolidated membership bases, small and medium co-operatives allow for increased complex communication between members and the business entity. This increased interaction between the two actors, members and business within the system allows for a more resilient and flexible system to meet the needs of a community. The development of educational programming to fit the needs of the community a co-operative serves is an example of the outcomes of direct, community-business interaction.

The research findings also present the current state of food co-operatives in Ontario through examination of the governance, finance, and scale of distribution. The governance issue of human resources capacity outlines the need for greater education programming and marketing on the co-operative business model. At present small, medium and large co-operatives do not specifically promote the unique nature of the co-operative business model, focusing instead on the products and services offered.

The business model of Ontario co-operatives is fairly stable within large co-operatives as they follow standard business practices and can attract highly qualified management. Small and medium co-operatives present a variable financial picture as
they either attempt to solidify their financial position or expand their business operations. Small and medium co-operatives represent a fluctuating financial operation as these co-operatives seek business opportunities within their community. Medium co-operatives in particular seek to vertically integrate additional business operations with their current food enterprise. This research found that medium co-operatives look to include further food processing into their businesses in the form of cheese making, brewing, or cafes. Through vertical integration, medium co-operatives seek to expand and diversify their business operations to offer their communities new products and services that are currently unavailable.

The opportunities for small and medium co-operatives can be seen in the scale of their distribution as they expand past their core membership. Expansion past their core membership or community could dilute the benefits of direct interaction within the food system that the community currently enjoys. Large co-operatives show the dilution of membership interaction through a very even distribution across large areas. Vertical integration of smaller, complementary business could offer a better value-added opportunity to the small and medium co-operative and their communities without the hazard of extending their membership to the point of diluting membership interaction.

Vertical integration of similar, complementary operations would also assist in the food co-operatives educational efforts for their members, which addresses the asymmetry of information within the current food system. As this research shows, the food education and food skills programs offered by Ontario food co-operatives are in response to the asymmetry of information and consolidation within the food system. Co-operatives offer members the ability to provide input into the food system on a one member, one vote premise, unlike capitalist firms. Braverman (1974) argues that capitalist firms attempt to control the workforce and reap maximum profits through the deskilling of workers through separation of “conception” and “execution”. The food co-operatives within this research have attempted, through their food education programs, to skill workers and add the concept of food back into the food system.

7.3 Contributions

This research provides a novel view of the role of food co-operatives in Ontario as community development tools. This research offers a perspective on community
development through SFSC and increased community interaction. By presenting a new view of the role of food co-operatives in the Ontario context, this research offers an opportunity for co-operatives to be considered as community development businesses.

Through the theories of transaction distance, SFSC, and community development, this research presents co-operative activities in contrast to the current food system’s activities. Both small and medium co-operatives maintain consolidated membership bases that assist in community interactions around food. By encouraging communities to develop through communications around their food and food supply, a stronger community can develop as members define themselves as a community via greater interactions with one another.

Consumers currently are being distanced and distance themselves from the food system. The issue of individual and community health has come to the fore in the academic literature as the current food system segments the community to market food products that are considered unhealthy. By localizing the food system and allowing for greater empowerment of all actors within the food system, co-operatives provide a means to develop healthier, more interactive communities.

Through this research, a novel approach to conceptualize the food system in a co-operative, SFSC method is achieved. Though a greater understanding provided by this research of the communications and interactions involved in co-operative businesses, a more responsive food system could be developed to meet a community’s needs. As this research shows, educational programming that directly addresses a specific community need has been developed by co-operatives with a concentrated member base. By maintaining a localized, concentrated member base co-operatives encourage community member interaction and communication.

The interaction and communication that is possible due to this concentrated member base includes not only face-to-face interaction, but also the spatial proximal and spatially extended forms that Marsden et al. (2000) outlined allowing for a greater range of communication types. With a greater range of communication types and increased possibility for interaction, a community has a better chance of developing and addressing their specific needs. Co-operatives offer a broader range of communication styles to their communities than the single, formal communication style offered by the
Spatially extended food system we currently utilize. The use of multiple forms of communication allows for a greater understanding of a community’s needs.

The novel conceptualization of the food system presented by this research also contributes to the academic literature on co-operatives. Ontario co-operative’s role in food skills and food education provides a greater understanding of how co-operatives impart food information to their consumers. Through the educational programming and democratic action of co-operatives the interaction of differing socio-economic groups within a community was presented. This interaction helps to build community identity and improves the ability of co-operative members to control their food system. These community development roles that Ontario co-operatives undertake should be encouraged as co-operatives can act as strong community development tools.

The spatial concentration of small and medium co-operative members represent a unique potential to interconnect community members. The small and medium co-operatives within this research present a picture of how a co-operative food system could function through empowerment and interaction of their membership. Through spatially concentrated, vertically integrated food co-operatives, there is greater potential for community members to define their food system. This spatially concentrated co-operative model would also address the consolidation of power within the food system, allowing for communities to express their needs over and above the needs of the food system. A greater focus on seasonality, freshness, and quality would take place through a spatially concentrated co-operative food system in place of the production, transportation, and storage-focused IOF food system model.

Through the co-operative principle of Co-operation Among Co-operatives, larger co-operatives could form through networks of co-operatives. Small and medium co-operatives could take advantage of global markets through co-ordinated network activities without losing the benefit of a concentrated membership. The concentrated membership would assist in maintaining empowerment at the local level while an overarching co-operative network would allow for a co-ordinated co-operative food system.
7.4 Limitations

This study has several limitations. The study participants provided perspectives on the food system from the view of co-operative managers, while co-operative members and other stakeholders’ perspectives are not represented. Managers represent a single view of their co-operative, albeit a well-rounded view of the operations and governance of the co-operative.

There is also the limitation of the number of co-operatives within the study. The number of co-operatives operating in Ontario, Canada, is beyond the financial and time constraints of this research project, so could not be explored to its fullest. With the focus on Ontario co-operatives, this study was able to review nearly forty percent of all Ontario food co-operatives as presented by On Co-ops online database. It is possible, however, that not all food co-operatives were registered with On Co-op, but it was beyond the financial and time constraints of this study to attempt an all Ontario survey to determine the exact number of food co-operatives operating in Ontario.

Finally, greater information on the finances of food co-operatives would have been of benefit to this research. Co-operative managers were somewhat reluctant to release financial data due to privacy concerns. To obtain cash flow statements, or five years of financial data, would have provided a greater understanding of the financial status of Ontario co-operatives.

7.5 Future Research

Future research in the area of Ontario food co-operatives should include the views of community residents outside the co-operative structure, primary producers within and outside the co-operative, as well as consumers, to gain a holistic picture of the co-operative within the community.

A greater understanding of the co-operative presence within a community would be beneficial for Ontario co-operatives. To outline the community’s understanding of the role of the co-operative as a community development tool would help Ontario co-operatives to communicate the benefits of co-operatives to the broader community.

The role of vertical integration within a co-operative’s business and as part of community development would also be beneficial. How co-operatives choose the associated business to enter into would aid in understanding if a co-operative has a
community development focus or strictly a business focus. What makes vertical integration successful for some co-operatives and not others would help in the decision of co-operatives to vertically integrate their business. Through vertical integration or business development does a co-operative that maintains a consolidated member base lose their community development focus? A longitudinal study on a co-operative’s development and growth would help understand the changing roles of a co-operative as it grows.

The methods outlined in this research could also be used in other jurisdictions, e.g. Quebec, B.C., or the maritime provinces to gain a better understanding of the pressures, drivers, and challenges faced by co-operatives across Canada. An extended research project looking to international co-operative development would also provide a better understanding of the roles Ontario co-operatives could play in developing a strong local food system. A comparison of the community understanding of what a co-operative enterprise is and does in other countries would be of great benefit to developing a strategic plan for Ontario co-operatives. The Mondragon community focused network of co-operatives in Spain would provide invaluable insight into how Ontario co-operatives could focus on the Co-operation among Co-operative principle. By improving the co-operation between co-operatives a stronger co-operative sector could develop in Ontario.

Education is a key component of the co-operative principles, but little to no educational programs for co-operative businesses exist in Ontario. A scan and comparison of the educational programming available in other jurisdictions across Canada and internationally would provide valuable information on how to implement a co-operative business program in Ontario universities.

Finally, a greater understanding of the role government must play in helping to develop a strong co-operative sector is needed. What policies need to be implemented, what incentives and who in government should be involved is needed to assist the co-operative sector and the government in working together to improve the sector. A jurisdictional scan of the policies and programs implemented by other provinces, and other countries, that outlines the similarities and differences within the policy environment, would be of great benefit to the co-operative sector. An outline of how
policies helped, or hindered, the development of a co-operative sector would be of great benefit to both the government and the co-operative sector.
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Appendices
Appendix A: ICA Principles 1995

Statement on the Co-operative Identity

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values
Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles
The co-operative principles are guidelines by which co-operatives put their values into practice.

1st Principle: Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2nd Principle: Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (One Member, One Vote) and co-operatives at other levels are also organized in a democratic manner.
3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6th Principle: Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.
Appendix B: Interview Guide

Research Outline:

This research project seeks to build awareness of the co-operative business model as well as build awareness of the challenges and opportunities faced by co-op business managers. In order to target the research outcomes this research will look into the definition of community and the outreach currently being done by co-operatives. As this project is funded by the Ontario Ministry of Agriculture and Food & the Ministry of Rural Affairs we will be reporting on the current status of co-operatives in Ontario as well as how the Provincial government can assist in co-operative development.

An outcome of the research project will be a tool kit that will provide a story of what it is like to manage a co-operative on a business and personal level. All information provided will be treated as confidential and a generalized story of co-operative management will be produced to assist new and existing co-operative managers.

General Instructions:

If at any time you do not wish to or have an answer for any of the questions please feel free to say so and we will move on to the next question.

If any of the questions can be answered by others in the co-op please let us know.

If you wish to provide additional information at a later date please let us know and we can arrange for a future conversation or email on the topic in question.

Community

The purpose of this section is to help determine what you consider your community and how you and the co-operative interact within it.

1. How would you define the co-operative’s ‘community’? (members, physical community, interest groups etc.)

2. What role does the co-operative play within its community?

3. How does it interact with this community?

4. Can you outline the co-operative’s definition of sustainable community development?

5. What activities, programs and/or policies does the co-operative undertake to support sustainable community development?
6. Can you describe the activities, programs and/or policies within the co-operative that support the co-operative principle, “Concern for Community”?

**Personal**

This section we hope to gain some insight into how you personally interact with the co-op. This information will assist in developing the story for other co-op managers to help build awareness within the co-op community of the challenges and opportunities managing a co-op presents.

1. Can you describe any personal gains as a result of your work in the co-operative? (use of resources, level of happiness, satisfaction, built relationships etc.)

2. Can you describe any compromises that you have made in your personal life in order to fulfill your role within the co-operative? (foregoing time with family and friends, hobbies leisure time, level of stress etc.)

3. What were the greatest personal challenges you faced while performing your role within the co-operative?

4. What advice would you give to an aspiring co-operator, both personal and professional?

**Education, Training, and Information**

This section looks to understanding the current status of educational programs within your co-op.

1. Can you describe the activities, programs and/or policies within the co-operative that support the co-operative principle, 'Education, Training, and Information'?

2. What types of education and/or training-based programs does the co-operative offer to its community?

3. How does the co-operative outreach to its community to provide programs and what process does it use to determine the most effective educational method(s)?

4. What are the goals, and expected outcomes of the co-operative’s educational, training or informative programming?
The Co-operative Principles

To better understand individual manager’s approach to the co-op principles we wish to ask a few quick questions on the principles.

1. In your opinion what is the most important co-operative principle?

2. Can you rank the seven co-operative principles in terms of importance?
   - Voluntary and Open Membership
   - Democratic Member Control
   - Members’ Economic Participation
   - Autonomy and Independence
   - Education, Training, and Information
   - Cooperation among Co-operatives
   - Concern for Community

3. Can you provide a rationale for your highest ranked priority and your lowest ranked priority?

4. Which principle is the most difficult to meet and what are the challenges in attempting to address this principle?

5. Are all seven co-operative principles necessary for the functioning of the co-operative?

Governance

To understand the current status of co-ops in Ontario we would like to ask some questions on the governance of your co-op.

1. What role does the board of directors have in the governance of your co-operative.

2. What role does the management have in the governance of your co-operative?

3. What role do members play in the governance of your co-operative?

4. What role do non-members play in the governance of your co-operative?

5. What are the top 3 governance issues facing your co-operative?
Marketing

Understanding how co-ops market themselves will help us determine the understanding of the general public in terms of the co-op model.

1. What marketing campaigns or programs do you currently have and what is the target audience and goal?

2. How do you measure the performance of your marketing program?

3. How do you see Local Food influencing your marketing plans?

Financial

To compare the conventional business model to the co-operative business model we must look at the financial decision making of your co-op. To that end we wish to ask the following questions:

1. How do you make financial decisions? (what criteria or process do you use?)

2. How do you make investment decisions? (what criteria or process do you use?)

3. Can you give an example of a recent investment decision your co-operative made and describe the process that was followed?

4. What are your long term (5 or 10 year) financial projections and how did you determine them?

5. How do you see Local Food influencing your future financial decisions?

6. Are there any community or social considerations to be taken into account when making financial decisions?

7. Have there been financial compromises that you have made in order to fulfill your role within the co-operative? (comparative advantage of other possible opportunities, personal investment, personal resources, fuel, vehicle, etc.)?

Final

Are there any questions that we failed to ask that would help us understand your co-op better?

Thank you for your participation in this interview.
Appendix C: Example of Financial Statement Large Co-operative

Balance Sheet

<table>
<thead>
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<tr>
<td><strong>Capital assets</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND MEMBERS’ DEFICIENCY</strong></td>
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Appendix D: Example of Financial Statement Medium Co-operative
Balance Sheet As at 12/31/2010

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| TOTAL ASSET | 11,011.94 |

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<tr>
<td>PST Payable</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>GST Charged on Sales</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>GST Paid on Purchases</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>GST Adjustments</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>ITC Adjustments</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>GST Owning (Refund)</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>449.00</td>
<td></td>
</tr>
</tbody>
</table>

| TOTAL LIABILITY | 449.00 |

<table>
<thead>
<tr>
<th>EQUITY</th>
<th></th>
</tr>
</thead>
</table>

207
Appendix E: Financial calculations for large co-operatives.

<table>
<thead>
<tr>
<th></th>
<th>large sized</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>year</strong></td>
<td>2012</td>
</tr>
<tr>
<td>Total receivables</td>
<td>$3,095,129</td>
</tr>
<tr>
<td>Total cash</td>
<td>$0</td>
</tr>
<tr>
<td>Total earnings</td>
<td>$3,095,129</td>
</tr>
<tr>
<td>Total retained earnings</td>
<td>$8,229,603</td>
</tr>
</tbody>
</table>

| **year**                    | 2012  | 2011  |
| earnings growth rate        | 6.72  | 29.32 |
| average growth rate         | 18.02 |

| **year**                    | 2012  | 2011  |
| equity growth rate          | 6.35% | 58.10% |
| average equity growth rate  | 32.22% |

| **year**                    | 2012  | 2011  | 2010  | 2009  |
| Current assets              | $8,229,663 | $7,738,100 | $5,496,119 | $4,688,875 |
| current liabilities         | $2,385,027 | $2,200,359 | $1,243,851 | $859,653 |

<p>| <strong>year</strong>                    | 2012  | 2011  | 2010  | 2009  |
| current ratio               | 3.45  | 3.52  | 4.42  | 5.45  |
| average current ratio       | 4.21  |</p>
<table>
<thead>
<tr>
<th>Retained Earnings</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>growth rate:RE</td>
<td>5.25%</td>
<td>-10.85%</td>
<td>12.64%</td>
<td></td>
</tr>
<tr>
<td>average RE</td>
<td>$5,720,865</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net income</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 410,085</td>
<td>$ 526,670</td>
<td>$ 441,053</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Total assets</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 8,229,663</td>
<td>$ 7,738,100</td>
<td>$ 6,138,345</td>
</tr>
<tr>
<td>ROA</td>
<td>4.98%</td>
<td>6.81%</td>
<td>7.19%</td>
</tr>
<tr>
<td>Average ROA</td>
<td>6.32%</td>
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<td></td>
</tr>
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</table>

Appendix F: Financial calculations for medium co-operatives.

<table>
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<tr>
<th>medium sized</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total receivables</td>
<td>$25,713</td>
<td>$18,370</td>
<td>$10,371</td>
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<tr>
<td>Total cash</td>
<td>$23,697</td>
<td>$36,430</td>
<td>$18,317</td>
</tr>
<tr>
<td>Total earnings</td>
<td>$49,410</td>
<td>$54,800</td>
<td>$28,687</td>
</tr>
<tr>
<td>Total retained earnings</td>
<td>$65,356</td>
<td>$109,286</td>
<td>$55,411</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>earnings growth rate</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-9.84</td>
<td>91.03</td>
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<tr>
<td>average growth rate</td>
<td>40.59</td>
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</table>

<table>
<thead>
<tr>
<th>equity growth rate</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-40.20%</td>
<td>97.23%</td>
</tr>
<tr>
<td>Average equity growth rate</td>
<td>28.52%</td>
<td></td>
</tr>
<tr>
<td>----------------------------</td>
<td>--------</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$64,522</td>
<td>$66,244</td>
<td>$32,970</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$85,175</td>
<td>$24,975</td>
<td>$21,192</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>0.76</td>
<td>2.65</td>
<td>1.56</td>
</tr>
<tr>
<td>Average current ratio</td>
<td>1.66</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained Earnings</td>
<td>$65,356</td>
<td>$109,286</td>
<td>$55,411</td>
</tr>
<tr>
<td>Growth rate:RE</td>
<td>-67.22%</td>
<td>49.30%</td>
<td></td>
</tr>
<tr>
<td>Average RE</td>
<td>$76,684</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$22,880</td>
<td>$53,875</td>
<td>-$3,823</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$150,531</td>
<td>$136,261</td>
<td>$76,604</td>
</tr>
<tr>
<td>ROA</td>
<td>15.20%</td>
<td>39.54%</td>
<td>-4.99%</td>
</tr>
<tr>
<td>Average ROA</td>
<td>16.58%</td>
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Appendix G: Financial calculations for small co-operatives.

<table>
<thead>
<tr>
<th></th>
<th>small sized</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>year</td>
<td>2012</td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Total receivables</td>
<td>$201</td>
<td>$3,311</td>
<td>$445</td>
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<tr>
<td>Total cash</td>
<td>$7,664</td>
<td>$8,363</td>
<td>$9,776</td>
</tr>
<tr>
<td>Total earnings</td>
<td>$7,864</td>
<td>$11,674</td>
<td>$10,221</td>
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<tr>
<td>Total retained earnings</td>
<td>-$6,123</td>
<td>-$978</td>
<td>-$687</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>earnings growth rate</td>
<td>-32.64</td>
<td>14.22</td>
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<tr>
<td>average growth rate</td>
<td>-9.21</td>
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<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>equity growth rate</td>
<td>-726.33%</td>
<td>-242.30%</td>
</tr>
<tr>
<td>average equity growth rate</td>
<td>-484.31%</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$ 8,969</td>
<td>$11,728</td>
<td>$10,582</td>
</tr>
<tr>
<td>current liabilities</td>
<td>$ 423</td>
<td>$ 385</td>
<td>$ 449</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>current ratio</td>
<td>21.22</td>
<td>30.43</td>
<td>23.57</td>
</tr>
<tr>
<td>average current ratio</td>
<td>25.07</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>-$5,146</td>
<td>-$978</td>
<td>-$200</td>
</tr>
<tr>
<td>growth rate:RE</td>
<td>-81.00%</td>
<td>-79.55%</td>
<td>143.70%</td>
</tr>
<tr>
<td>average RE</td>
<td>-$1,703</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Net income</td>
<td>-$ 5,146</td>
<td>-$ 291</td>
<td>-$ 200</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 9,399</td>
<td>$ 12,158</td>
<td>$ 11,012</td>
</tr>
<tr>
<td>ROA</td>
<td>-54.74%</td>
<td>-2.39%</td>
<td>-1.82%</td>
</tr>
<tr>
<td>Average ROA</td>
<td>-19.65%</td>
<td></td>
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</tr>
</tbody>
</table>