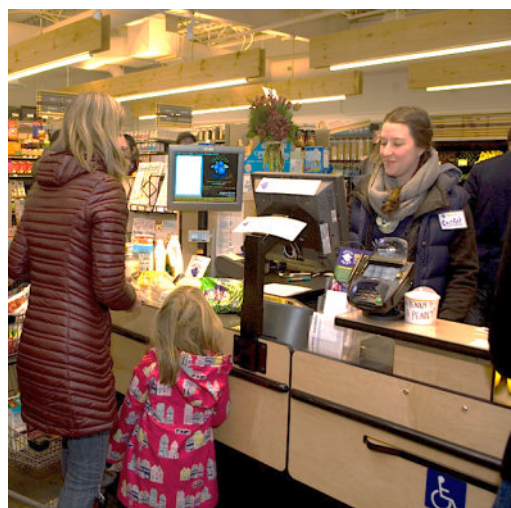




Cooperatives Build a Better Maine

New Ideas for Economic and Community Development
A Report by the Cooperative Development Institute





COOPERATIVE
DEVELOPMENT
INSTITUTE

The Northeast Center
for Cooperative Business

Acknowledgments

This report was written by:

Davis Taylor PhD, College of the Atlantic Professor of Economics and Board Member, Cooperative Development Institute

Rob Brown, Director of Business Ownership Solutions, Cooperative Development Institute

Jonah Fertig, Director of Cooperative Food Systems, Cooperative Development Institute

Noémi Giszpenc, Executive Director, Cooperative Development Institute

Kate Harris, Cooperative Organizer, Cooperative Development Institute

Ahri Tallon, Intern, Cooperative Development Institute

Thank you to these organizations for their major support:



Elmina B. Sewall
FOUNDATION

Bangor
Savings Bank



Thanks to our sponsors: Belfast Co-op, Coastal Enterprises Inc., College of the Atlantic, Cooperative Fund of New England, Cooperative Maine, Local Enterprise Assistance Fund, Maine Farmland Trust, Maine Organic Farmers and Gardeners Association, Portland Food Co-op, VIA Agency

On the Cover: *Top:* Wardtown ROC, *Bottom (L-R):* Portland Food Co-op, Raise-Op Housing Cooperative, Stonington Lobster Co-op

Executive Summary

We believe that cooperatively owned businesses are key to growing Maine's future economy, reversing demographic decline, and promoting widely-shared prosperity in the state. We outline in this report the advantages of cooperatives, describe their current role in Maine, the United States, and key regions around the world, and argue that they have important advantages in promoting manufacturing and strengthening Maine's service sector. We advance policy measures that would create a "cooperative ecosystem" in Maine.

What will Maine's future look like?

Maine has several possible economic futures. Right now, Maine's demographic, economic and social trends are pointing in an ominous direction. While a few areas of the state will continue to grow in population and diversity and have reasonably robust economies, a large majority of the state's communities will most likely continue to struggle and lose population. The few communities that are growing have frequently struggled to integrate New Mainers from other regions and cultures.

Analysts that have looked at the statistics and trends have painted a picture of where we're headed that is downright bleak. While we agree this future is possible, we offer an alternative way forward, a path to prosperity that is both practical and revolutionary.

Our suggested path forward is practical because it builds on our existing strengths, history, culture and characteristics. It is practical, also, because it draws on economic and social policy strategies that have broad support from across the political spectrum, as well as a rich and diverse history of applications in Maine, the United States and beyond.

Yet our path is revolutionary, simply because it is so different from what is continually offered up for solutions to our problems. It is revolutionary in its faith in the ability of Maine people to take control of and improve their own future. We believe it will have a revolutionary impact on securing the future we all want.

Transforming Ownership of our Economy

This report outlines a vision of a prosperous, equitable economy where all Mainers— young and old, new and longstanding—can fulfill their needs and aspirations. The economy we envision is anchored by a robust cluster of cooperative and employee-owned enterprises that help many individuals and communities create more wealth, promote entrepreneurship and innovation, and deeply root ownership locally. We explain why our vision makes sense, what it could look like, and what steps we need to take to get there.

This report asks and answers the following questions:

What is a cooperative?

A cooperative is a business that is owned and democratically controlled by its members, and operates for the benefit of its members. They are formed by groups of consumers, workers, residents, farmers, fishermen, independent businesses and others to meet common needs.

What examples do we have in Maine?

Cooperative and employee-owned businesses exist throughout the state, operating in sectors such as agriculture and food production, fishing, manufacturing, retail, food service, advertising and marketing, housing, construction and engineering, banking and insurance. Throughout this report, you will find many profiles of these businesses and the impact they've had on their members and communities.

How can cooperative and employee ownership help Maine grow?

We highlight numerous ways the cooperative model is used to meet citizens' needs for better jobs, healthy local food, affordable housing and other basic needs, while building stronger, more resilient economies and communities. Cooperative and employee-owned businesses offer a unique opportunity for workers and independent businesses to compete in a global economy. Cooperatives are a particularly effective tool for poor and rural Mainers, Native Americans, immigrants and refugees, and others who have been marginalized by our current economy to meet their needs and create economic security and opportunity for themselves.

How do cooperatives fit into current economic trends regarding innovation and economic growth?

We describe how cooperatives can help plug Maine into the most innovative (and hence fastest growing) sectors of the U.S and global economy. Cooperative ownership can help Maine build its craft-manufacturing sector and transform tourism-based jobs into more lucrative and satisfying work. We propose that Maine becomes the leading cooperative business cluster in the United States.

What successful examples are there for Maine to look to?

Regions and countries that rank highest on all manner of economic and social progress also tend to have high concentrations of cooperative and employee-owned businesses. We provide examples of where this is the case and analyze the elements of history, culture, economics, and public policy that have led to these outcomes.

What lessons can we learn?

The key lesson is that regions where businesses grow most quickly in numbers and size are regions where there is an "ecosystem" of similar businesses combined with supportive public and private institutions, policies, incentives and finance. We use the study of "clusters"—e.g. Silicon Valley, where there are so many tech firms that grow quickly -- to explain how Maine can develop its own cluster of cooperative and employee-owned businesses.

How do we get there?

If our goal is to create a prosperous, equitable economy where all Mainers can fulfill their needs and aspirations by 2030—a time when today's children will be seeking to make their own way in the world—then we need to learn from these examples and replicate the best of these ideas here in Maine. We offer five goals Maine can set and a dozen strategies to pursue, starting now, that will begin to improve our economy today and put the next generation on the road to success.

Contents

| | |
|---|----|
| Executive Summary | 2 |
| I. The Economic Future of Maine | 5 |
| II. Cooperative Basics | 11 |
| III. The Cooperative Advantage: | 19 |
| IV. Meeting Local Community Needs | 30 |
| V. Cooperatives and Maine’s Place in the Global Economy | 51 |
| VI. Lessons Learned: A Cooperative Ecosystem | 56 |
| VII. Cooperative Maine Policies | 73 |
| Appendix A: Resources | 80 |
| Appendix B: Cooperatives in Food System Reports | 81 |
| About Cooperative Development Institute | 84 |

Profiles:

| | |
|-----------------------------------|----|
| Cabot Creamery Cooperative | 22 |
| Wardtown ROC | 25 |
| New Roots Cooperative Farm | 27 |
| Fedco Seeds | 31 |
| Stonington Lobster Co-op | 33 |
| Belfast Co-op | 35 |
| Maine Farm & Sea Cooperative | 37 |
| Associated Grocers of New England | 39 |
| Raise-Op Housing Cooperative | 41 |
| Conversions to Worker-Ownership | 45 |
| Community Credit Union | 47 |
| Boisaco | 49 |

Case Studies:

| | |
|---------------------------|----|
| Emilia-Romagna | 58 |
| Finland | 61 |
| ROC-USA | 64 |
| Prospera | 66 |
| Carolina Textile District | 68 |

I. The Economic Future of Maine

Imagine it is the year 2030 in Maine.

What will our state look like?



In some ways, Maine will probably appear similar, with our rural coast and inland towns, growing cities and beautiful forests and lakes.

But let's look deeper, where change is continuous and inevitable: the realm of Maine's economy, and the social, cultural, and demographic features that the economy affects. Economic change is constant, but there are a wide variety of directions it could take.

Here are three possible scenarios...

Business as Usual

One possibility is that current economic and demographic trends continue (or even accelerate). What will we see in the next few decades? The most challenging trend we face, one that underscores every other challenge, is our graying population. We have the oldest workforce in the nation, a status that will surely continue. The impending baby boomer retirement wave this country faces, dubbed the “Silver Tsunami”, has already crashed upon our shores. Of all the challenges this presents for our state, the most pressing may come from the looming retirement of thousands of small business owners, and the jobs that could be lost if those businesses are not sustained.

Another part of this scenario, the continued mechanization of natural resource extraction in the state, particularly in wood products, carries on unabated, leading to fewer and fewer good paying jobs in rural Maine. Manufacturing jobs continue to leave the state, also due to labor being replaced by machinery, along with continued competition from lower-wage countries across the globe. There are flickers of growth in innovation-related industries such as biotech, but a lack of critical mass prevents these sectors from growing significantly. Tourism remains an important part of the state economy, but continues to be associated with low and seasonal wages, limited opportunities for income growth, and often a mediocre work environment. Health care also continues to be an important part of the economy, in part because the state’s population continues to age. Too many young people continue to leave Maine, and even population growth among the elderly is nearly static, or possibly even in decline. New Americans continue to work on the margins of the economy, while Native American tribal communities lack access to employment and slip further into poverty. More prosperous parts of the country, buoyed by industries such as finance, computing, internet development, entertainment, engineering and pharmaceuticals, send affluent summer visitors to Maine, but the state seems more than ever to empty out in the winter. State and local governments are forced to expand spending on social services in rural Maine, putting small towns in particular into a very challenging fiscal position of increasing budgets and declining tax bases. Many people are still happy to call Maine home, reveling in its natural beauty, small town living, and other quality-of-life elements, but the economic challenges slowly erode the social fabric of many places in the state. Portland and points south along the I-95 corridor, tied to Boston’s vibrant economy, are doing okay, but the rest of Maine struggles economically, socially, and demographically.

This is not a dystopian fantasy. It clearly is a very dim picture, but it is the continuation of trends that have been in place in Maine by some measures for the last several decades. Fortunately, there are ways that se trends can be altered.

Attracting Economic Investment

Another possible scenario for Maine in 2030 is that traditional economic development “fixes” are tried here on a much bigger scale, aiming to reverse the current trends. In this scenario, Maine invests massively in higher education, so the University of Maine system can become the envy of state governors and university chancellors everywhere. This spending is intended to lead to a highly educated workforce that attracts high tech firms from across the nation and around the world. The state also uses ever-more massive tax breaks, hoping to out-compete other economically desperate states in luring high tech manufacturing into Maine. Perhaps the state also takes steps to further weaken unions and depress wages. Jobs are relatively available as long as workers are compliant, and as long as somehow this high tech manufacturing doesn’t find its way to China. Meanwhile, the state introduces education reforms to, in some way, ensure almost every high school boy and girl in Maine learns calculus, with the intention that they will be able to get jobs in all these high tech manufacturing firms in Maine, even though much better paying jobs requiring calculus are available outside the state. Additionally, workforce development training is deployed to prepare low-income people, New Americans, Native Americans and other people of color for jobs in these high-tech firms and other industries.

At the same time, grassroots efforts are made to conduct thousands of small meetings of townspeople in rural Maine to identify assets and small-scale economic opportunities that were somehow overlooked before. Theoretically, despite having little experience with or education in entrepreneurship and little access to start-up capital, these people start businesses and create small-town economic renaissances that reverse rural outmigration, especially among young people. Youth are expected to stay, despite the fact that in the new businesses wages remain low, income growth is limited, and the work environment remains mediocre.

Some sectors experience decent growth. For example, in agriculture, the number of small farms continues to grow, but they are not effectively connected in a local food system.

Many of Maine’s farms remain labor-intensive and inefficient, leading to high prices for their products, with limited markets.

This second scenario requires massive investment and returns dubious results. Even if it could be implemented in Maine, it would likely not be enough to shift the economic tides.

This second scenario requires massive investment and returns dubious results. Even if it could be implemented in Maine, it would likely not be enough to shift the economic tides. It is based on traditional economic development approaches that have limited applicability to the particulars of Maine’s economic situation, and would require massive increases in government intervention into the economy of a type, scope, and scale that are inconsistent with the state’s political culture. These approaches have been

somewhat successful in a few states, but at their current level of application in Maine, they have produced limited success. Educating people here in Maine actually has only a limited relationship to high tech jobs in the state; workers are highly mobile, so we can both lose well-educated Mainers to out-migration as well as gain highly educated workers who received their education elsewhere (and who are probably attracted to Maine's high quality of life).¹ Additionally, creating a highly educated workforce within the state requires significant increases in government spending and shifts in cultural attitudes surrounding education and various types of work. Attracting high tech firms from out-of-state is very expensive and highly competitive, and firms that can move to Maine can just as easily depart anytime thereafter.

Several decades of advocacy and modest amounts of financial support have identified pockets of opportunity and created some small business development in Maine, but the results of these efforts have yet to reach a critical mass and scale that might reverse outmigration and create economic prosperity. These efforts have been far from worthless. Plenty of hard work by state officials, economic development organizations and professionals, and business leaders has gone into economic development efforts in Maine that have occasionally succeeded. We should continue to seek effective ways of using these tools, but relying on them alone, at a scale that is consistent with the state's political culture, has not met the economic needs of the citizens of Maine. We need to combine them with new approaches, because the challenges are both daunting and growing.

Transforming Ownership of our Economy

Consider a third scenario. In 2030, Maine is well on its way toward a much more diversified economy than it currently has, with businesses of many shapes and sizes, across the natural resources, manufacturing, and service sectors. The linchpins of this emerging economy are cooperatively-owned businesses: businesses owned by consumers, workers, or groups of producers and independent businesses. Traditional investor-owned firms and sole proprietorships still outnumber these firms in 2030, but the cooperative firms are critical in providing an economic, social, and demographic

The linchpins of this emerging economy are cooperatively-owned businesses: businesses owned by consumers, workers, or groups of producers and independent businesses.

¹ Good schools are important for an educated workforce, but not in the way often assumed. Good schools are less important in *creating* an educated workforce than they are in *maintaining* an educated workforce, because educated workers can be educated anywhere (Maine or elsewhere), but most of them certainly want *their* children to go to good schools. To keep good workers in the state, we need good schools for their children.

spark that builds widely-shared prosperity in Maine.

The creation of consumer cooperatives providing needed services and jobs in small towns helps retain and attract residents. The opportunity to be a worker-owner of a small manufacturing firm is especially attractive to highly qualified, self-directed workers who are much more socially embedded in their communities than non-owner waged workers. Small-scale producers such as farmers and artists form producer cooperatives and networks, creating much-needed economies of scale while maintaining their individual operations, decisions, and unique character, and at the same time increasing accessibility of their products to large numbers of Mainers. Independent businesses join together to share the expense of professional back-office operations as well as the costs of joint marketing and supply agreements.

The demographics of Maine's business owners changes as more young people, low-income people, women, Native Americans, New Americans and people of color work together to start-up new cooperatives or convert existing businesses into employee-ownership. Maine's economy becomes more nimble and niche-oriented and employment stabilizes, as consumer-, worker-, and producer-owned businesses easily dodge competition from overseas, implement technological change in a way that balances employment and profitability, and are deeply rooted in their communities. Smaller wage differentials lead to widely-shared prosperity with an emphasis on local purchases, leading to modest revivals of small downtowns and industrial parks. A rich economic and social "ecosystem"² of government policies, knowledgeable support businesses (e.g. in law and finance), education in cooperation and entrepreneurship (no later than in high school), and other factors make it easy to start and grow cooperative businesses in Maine. Investor-owned businesses large and small seek to match the multi-stakeholder approach that is the natural mode of operation in the cooperative businesses. The state spends less money on social services, health and safety regulations, and monitoring environmental quality, as community-based cooperative businesses have built-in incentives to maintain thoughtful, long-term oriented practices.

Is this scenario possible? In short, yes. **The purpose of this report is to outline a vision of an economy anchored by a robust cluster of cooperative and employee-owned enterprises: why it makes sense, what it could look like, and what steps to take to get there.** We outline the basic nature of cooperative businesses, describe their current role in the U.S. and other economies, and articulate their economic and social benefits as well as the challenges in creating and maintaining them. We argue that, while cooperatives are not currently very prominent in the U.S. economy, they are actually quite consistent with the historical economic values of both Maine and the United States. We also provide examples of individual cooperative businesses as well as regions in other parts of the world that have significant cooperative

² The concept of an economic and social ecosystem is outlined in greater detail later in the report in section VI. "A Cooperative Ecosystem," page 56 of this report.

economies. Finally, we outline a set of policy measures that can put Maine on the road toward a significant, vibrant cooperative economy.

We are optimistic about the prospects for a significant cooperative economy in Maine, but we are also realistic. Unfortunately, many people are influenced by unhelpful myths and stereotypes about what cooperatives are and how they work. To be clear, cooperatives are businesses that must compete in the market and provide needed goods and services, just like any other business. Their success depends on good business planning and hard work by knowledgeable people, aided by institutional support systems that are very familiar with co-ops but similar to the extensive network of public and private institutions at local, state, and national levels that currently benefit investor-owned firms.



Staff at the Portland Food Co-op (PFC), photo courtesy PFC

Cooperatives are different, and in ways that provide significant social benefit. Many would agree that our current form of largely unbridled, globalized capitalism needs significant reorientation if it is to provide good jobs, decent incomes, and opportunities for a better life, while avoiding financial crises and destroying the environmental resources on which all life relies. Cooperatives can be part of this much-needed reorientation. They do not require sweeping changes to our market-based economy, but can re-center business on what it really should be about: providing desired goods and services, good wages for good work, opportunity for financial growth and personal enrichment, and contributing to solid communities. What is largely missing for cooperatives to flourish here in Maine (as well as the rest of the United States) is a supportive institutional framework of policies, incentives, and know-how, along with a broader awareness among citizens of how cooperatives function and the benefits they provide in an increasingly competitive, constantly changing globalized economy.

Cooperatives alone won't guarantee a rosy economic future for Maine, yet they can play a leading role. We cannot and need not wait until 2030, a mere fourteen years and handful of governors away, to start growing Maine's cooperative economy, as it will take time to develop the economic and social ecosystem necessary for cooperatives to flourish. Conversely, we can start enjoying their benefits sooner rather than later. Let's take a look at how this could work.

II. Cooperative Basics

Cooperatives are businesses that are owned and governed by their members, who form the cooperatives to meet their needs. Co-ops can form as new start-ups or as a transformation of a conventionally-owned business. This report considers four major types of cooperatives³: Consumer, Employee, Business and Multi-Stakeholder.

Consumer cooperatives, owned by individual customers: Consumers generally start or convert businesses to cooperatives in order to obtain products that are otherwise unavailable to them or that they feel they can obtain at a better price than offered by conventional businesses. For example, when large utilities would not provide electricity to rural customers in the 1920s and 1930s, many rural communities responded by forming their own electricity cooperatives, and today over 75% of the landmass of the United States receives power from these consumer cooperatives. The 1930s also saw the closure of a significant number of small-town groceries due to the economic conditions of the Great Depression, and once again consumers responded, starting their own food cooperatives; consumers looking for organic and alternative products in the 1960s and 1970s led to another pulse of food cooperative formation (e.g. Belfast Co-op, Blue Hill Food Co-op and Fare Share Market in Maine). Along with electricity and food cooperatives, consumer cooperatives include credit unions, phone collectives, outdoor equipment (e.g. Recreational Equipment, Incorporated, better known as REI), school and daycare facilities, and bookselling. Housing cooperatives and Resident Owned Communities (ROCs), which are manufactured home parks owned by

the park's residents, are also consumer cooperatives, as the residents own the buildings or the land. Emerging sectors with promise for consumer cooperative formation include broadband access, distributed renewable energy production, and home energy efficiency.



Belfast Co-op opened in 1976

³ Organizations that have cooperative characteristics but generally not considered here include professional partnerships (law and medical firms), land trusts, condominiums insurance mutuals, and farmers' markets and Community Supported Agriculture.

Employee-owned businesses: Workers may own businesses to enjoy the profitability of the business for which they work, have more say over working conditions, pay, and locational decisions, or have more control over their economic future and avoid the adversarial relationship that can exist between owners and workers. Employee ownership also allows for the pooling of capital, expertise, and experience, all valuable assets in the long, challenging road toward successful small business formation and scalability. In this report we consider both worker-owned cooperatives, in which workers are full, direct owners and democratically govern the company, and employee stock ownership plans (ESOPs), in which workers own significant shares of their firm's stock, with varying degrees of direct control over the running of the firm.⁴ Well-known national employee-owned businesses include King Arthur Flour, W.L. Gore and Associates, makers of Gore-Tex, and Equal Exchange. In Maine, we have approximately 35 employee-owned businesses with over 7,000 employees, including VIA Agency (advertising and marketing), the Island Employee Cooperative (groceries and retail), Crown O'Maine Organic Cooperative (wholesale food distribution), Local Sprouts Cooperative (café and catering), and numerous construction firms.

In Maine, we have approximately 35 employee-owned businesses with over 7000 employees,



Moody's Coworker Owned is a state of the art collision repair facility with 9 locations and 155 co-owners throughout Maine. Company founder Sean Moody began slowly transitioning the company to employee ownership in 2003 using an ESOP. By the end of 2015, coworkers owned 34% of the company through individual retirement accounts valued at \$6.5 million. In 2015 alone, they repaired over 16,000 vehicles—nearly 8 an hour on average! The bottom line is directly impacted when coworkers feel empowered. Giving coworkers a vested interest in the success of the organization has allowed them to grow at an average rate of 18% year over year. Photo courtesy of Moody's.

⁴ The degree of ownership within an ESOP can vary in terms both of percentage of stock shares owned by employees (anywhere from a small minority fraction to 100% employee-owned) and the degree of employee voice in the direction of the firm, ranging from almost none (unelected trustees serving as the board of directors) to ESOPs with strong democratic cultures and significant employee voice in running the firm.

Business cooperatives are formed by independent businesses to gain better

Producer co-ops often allow owners to capture more of the value obtained from product processing, such as making cheese from milk or ethanol from corn.

access to the inputs they need to operate, or to improve their ability to sell the products and services they create. Business cooperatives take on three primary forms: groups of producing firms that obtain inputs and process and sell the products they produce, groups of firms that retail lines of products under a common trademark and marketing approach, and groups of firms that share services, such as back-office support. (These types overlap, in practice.) The first type of business cooperatives are producer cooperatives, where independent producers come together for shared purchasing, processing, distribution or marketing. This is very common in agriculture, accounting for about one-third of all farm revenue in the United States, with common brands including Welch's, Land O'Lakes, and Cabot Creamery Cooperative. These producer co-ops

often allow owners to capture more of the value obtained from product processing, such as making cheese from milk or ethanol from corn. Producer cooperatives can also be found in fisheries, food production and other fields such as arts and small-scale manufacturing. The second type of business cooperative is a purchasing and marketing cooperative that facilitates branding and purchasing for independent stores, as in the

case of Associated Grocers of New England, Ace Hardware, True Value, or Best Western hotels. A third type of business cooperative is a shared services cooperative which provides members with different business services including back office, Human Resources, legal, communications and other functions. The Independent Retailers Shared Services Cooperative has dozens of local businesses as members, mostly in Maine, and offers a range of coordinated services, including accessing marketing and distribution agreements, management training and succession planning. Essentially, business-owned co-ops help small and independent



85 Maine Farmers are owners of Cabot Creamery Cooperative; photo courtesy Cabot.

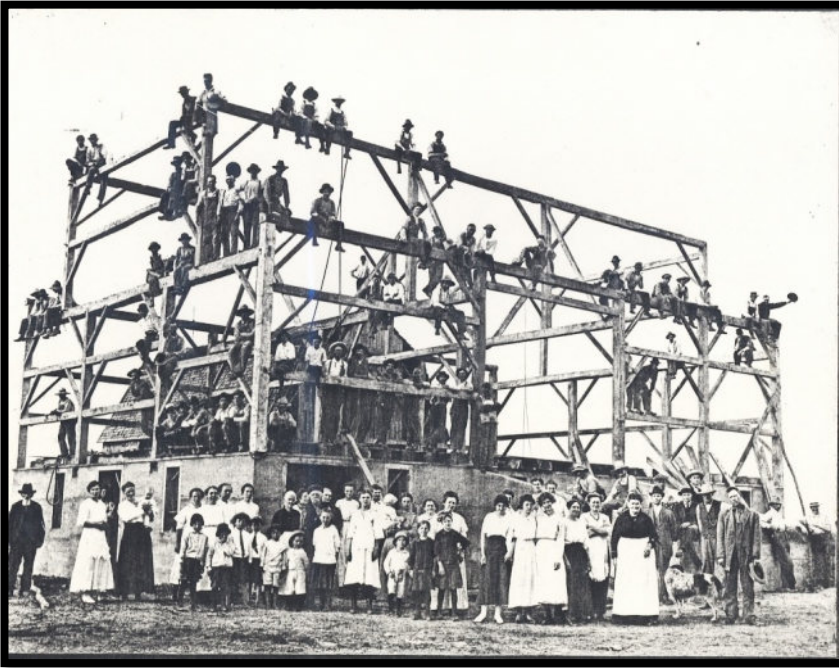
businesses (whether a pharmacy or grocery store owner, a dairy farmer, or a lobsterman) secure a greater share of value for themselves from up and down the supply chain. Independent businesses gain this value by cooperating with similar businesses in a shared enterprise.

Multi-Stakeholder Cooperative: The fourth type of cooperative is a combination of different classes of owners who come together to meet common needs. While less common in the US, they are prominent just across the border in Quebec, and Maine has three multi-stakeholder co-op businesses: Fedco Seeds, Maine Farm & Sea Cooperative (see page 37 for a profile) and Eat Local Eastport.

All four types of cooperatives are businesses that are jointly owned and democratically controlled by their members, and that operate for the benefit of their members. Cooperatives come in many shapes and sizes, from some of the most well-known food brands such as Ocean Spray and Organic Valley, to a collective of artists running a gallery down the street. Throughout this report are profiles of cooperatives and statistics about the size and scope of the global and U.S. cooperative sectors. At the heart of every cooperative is a group of people who gain more value from owning and controlling a business that serves their needs than they would from using a business owned and controlled by others. To be an owner means two primary things: democratic direction of the company and a right to a share of the profits. Ownership does not mean that every decision in a cooperative (e.g., the price of zucchini in a food co-op, or the signing of a contract in a worker-owned construction firm) is decided by the individual owners. Just as in a conventional business, the owners hire management, which then carries out the day-to-day functions of the business, based on overall direction provided by the owners.

Cooperatives
come in many shapes and sizes, from some of the most well-known food brands such as Ocean Spray and Organic Valley, to a collective of artists running a gallery down the street.

A Rich History



A classic barnraising.

Cooperatives have a long and storied history.

Throughout time, communities have relied upon cooperation to meet their basic needs. Native tribes in Maine worked together fishing on the rivers and the coast and then traded this food with tribes further inland who hunted moose and trapped woodland animals. Farming communities around the world have worked together to share tools and build infrastructure (with barn raisings being a classic example of this cooperation). In the US, the first legally established cooperatives were formed by Benjamin Franklin—

the Union Fire Company and a subscription library (before these were publicly-owned resources). In the 19th century, cooperatives were started by the Grange Movement to meet the needs of farmers and rural communities, while the Knights of Labor started the first industrial cooperatives in emerging urban areas.⁵ Later in the century, newly freed African Americans started cooperatives and mutual insurance companies to build their economic security.⁶

Cooperatives also emerged in Britain and elsewhere in Europe as a reaction to the harsh working conditions of the Industrial Revolution. In 1844, some of the earliest cooperatives in England developed and adopted the Rochdale Principles, which set out the definition, purpose, and ethics of cooperatives. The Rochdale Principles are echoed in today's Cooperative Principles, shown on the next page, which have been adopted by the International Cooperative Alliance and numerous cooperative associations in the United States: 1) voluntary and open membership, 2) democratic member control, 3) member economic participation, 4) autonomy and independence, 5) education, training and information, 6) cooperation among cooperatives, and 7) concern for community.

⁵ This history of cooperatives is documented in John Curl's book *For All the People*.

⁶ For more information on African American cooperatives see the excellent book *Collective Courage* by Jessica Gordon Nembhard



7 International Cooperative Principles

- 1) **Voluntary and Open Membership:** Cooperatives are voluntary organizations, open to all people who meet the eligibility requirements, want to join, and are willing to accept the responsibilities of membership, without discrimination.
- 2) **Democratic Member Control:** All members hold the power to make major decisions on a “one member-one vote” basis. Those who serve on the Board of Directors are elected by and accountable to the members.
- 3) **Member Economic Participation:** Members participate in their cooperative by using its services, contributing capital and sharing profits.
- 4) **Autonomy and Independence:** Cooperatives are autonomous, self-help organizations controlled by their members. If they raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- 5) **Education, Training and Information:** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They also seek to educate their communities about the benefits of cooperation.
- 6) **Cooperation among Cooperatives:** Cooperatives grow stronger and further their mission most effectively by partnering with existing co-ops and supporting the development of new co-ops.
- 7) **Concern for Community:** Cooperatives believe they have a responsibility to work for the social and economic betterment of their community.

Cooperatives can appear to be somewhat foreign to American business traditions, because they play a relatively small role in the contemporary U.S. economy and their characteristics differ from conventional businesses. However, nothing could be further from the truth.⁷ While they took for granted the disenfranchisement and exploitation of enslaved Africans, the Founders of the Republic did perceive widespread ownership of the means of production (land, at the time) not just as an avenue toward equality and prosperity, but also as essential for a stable, well-functioning democracy as a way to imbue citizens with self-sufficiency, foster a vested interest in the protection of liberty, and provide a check on corruption.

One of Maine’s earliest major industries, the cod fishery, often used arrangements whereby fishing seamen received a share of the profits from the catch rather than a (very low) wage, and sometimes even owned a share of the fishing vessel.

Leaders in the early days of the United States saw widespread ownership and respect for property rights as complementary, since a propertied middle class would be unlikely to seek seizure of property from other settlers. Legislation such as the Northwest Ordinance of 1787 and the Homestead Act of 1862 were critical institutional junctures in American history, moving the U.S. away from the grossly unequal land distribution patterns that plague many other parts of the world today. People being owners wasn’t limited just to agriculture: one of Maine’s earliest major industries, the cod fishery, often used arrangements whereby fishing seamen received a share of the profits from the catch rather than a (very low) wage, and sometimes even owned a share of the fishing vessel. This arrangement was deemed so advantageous both to the fishers and the

development of the industry that “sharemen” vessels benefited from legal and financial incentives.

In the modern political era, few issues have broader political support than employee ownership. In the 1980s, President Ronald Reagan was a great champion and secured passage of major bipartisan legislation that created a host of financial, tax and regulatory incentives for converting businesses to employee ownership. In 2016, Democratic presidential primary candidate Bernie Sanders made boosting employee ownership one of ten main campaign planks, and the National Republican Party made expansion of employee ownership a plank in their Party Platform.

⁷ The ideas from this paragraph are largely drawn from *The Citizen’s Share: Putting Ownership Back Into Democracy*, by Joseph R. Blasi, Richard B. Freeman, and Douglas L. Kruse.

An Important Future

Over the past four decades, the United States has become increasingly unequal and the concentration of wealth in fewer and fewer hands has only accelerated. These trends are at odds with a founding premise of the nation, that widespread ownership of wealth, whether in the form of land in the 18th Century or cooperatives in the 21st Century, is good for the economy and good for democracy. Cooperatives reflect America's long tradition of community engagement, self-help, and "getting things done." They emphasize people taking charge of their economic futures and being productive in order to advance their interests, rather than relying on large corporations or large government. It is clear that our economy has strayed from the vision of the Founders, with deleterious economic, social, and political effects. Cooperatives can be a significant step toward re-establishing a fairer, more stable, and more prosperous commonwealth.

Cooperatives reflect America's long tradition of community engagement, self-help, and "getting things done." They emphasize people taking charge of their economic futures and being productive in order to advance their interests.



Photo by Nathan Broaddus

III. The Cooperative Advantage:

Economic and Social Benefits of Cooperatives

Cooperatives come with numerous notable business advantages, and provide economic and social benefits to workers and communities that investor-owned businesses struggle to match. These advantages vary by type of cooperative, but can generally be found in some measure in any type of cooperative.

Cooperative Efficiency

In employee-owned businesses, workers are motivated to work hard without heavy managerial oversight, provide ideas to improve production processes, and make sure co-workers are pulling their weight.

Let's start by looking at the internal operations of a cooperative. Often cooperatives are at least as or more efficient in their production than are similar investor-owned businesses.⁸ This is largely because in a cooperative the people *receiving the benefits of the business* (consumer products, employment, sales support) are also *governing the business and in some cases, directly managing the business*. In employee-owned businesses, for example, workers are motivated to work hard without heavy managerial oversight, provide ideas to improve production processes, and make sure co-workers are pulling their weight. In consumer cooperatives, the customers have a direct voice in the governance of the cooperative, have a stronger allegiance to the business, can have better understanding of the operations and often help to promote the business as they are owners and benefit

from increased business. In producer cooperatives, individual producers are assured fair and equitable access to markets and within certain industries they don't have to worry about "hold up," i.e., receiving unfavorable terms in the sale of perishable or unique products to processors, retailers, etc.⁹ Other business cooperatives can help streamline purchasing, branding and marketing, giving individual stores a stronger advantage in the face of big chain competition.

⁸ Economists and others have conducted dozens of studies regarding the efficiency of cooperatives relative to conventional businesses. While findings are mixed, the preponderance of studies support the hypothesis that efficiency is greater in cooperative businesses.

⁹ For example, cows must be milked and milk can't be stored indefinitely, so dairy farmers are in a vulnerable position if they're selling milk to processors on the open market. If they form a producer co-op, they can sell the milk to their own business, which then processes it to a point where it can be stored more efficiently (e.g. as cheese or powder) and marketed from a larger-scale, more profitable position.

Several other factors give cooperatives a productivity advantage. In an investor-owned business, owners for the most part have a significant incentive *not* to share information with workers and customers about business profitability. In cooperatives, on the other hand, information about profitability, production, sales, future plans, anticipated rough patches ahead, and just about any other kind of useful information can be shared within the business, leading to much greater efficiency and transparency. Consumers don't need to worry about being taken by questionable sales pitches. In worker-owned cooperatives, workers and management don't need to jockey for position when it comes time to renew contracts, producers know they're getting the best deal when they sell their product to their own cooperative. As relations between owners and other parties to the business tend to be longer-term in nature, all parties are more likely to make long-term investments that improve productivity. For example, workers who are also owners are more likely to stay with a business for a longer time and invest more in the skills and knowledge needed for the business to succeed. Ownership is a great way for businesses to attract and retain more quality workers.

Cooperatives Cooperate

“Principle Six” of the Cooperative Principles, cooperatives helping other cooperatives, can have a direct impact on business success. Our experience with cooperative formation in Maine is that cooperatives answer other cooperatives' phone calls and emails when they are looking for support. Imagine that you are starting a small retail business in Maine, an undertaking with which you have little experience. Yes, there are agencies such as the Small Business Administration (SBA), Small Business Development Centers (SBDC) and the Service Corps of Retired Executives (SCORE) to give you some general business assistance, but wouldn't it be great if you could call up a similar business currently operating in a nearby town and receive many hours of assistance along with fresh, detailed input and marketing information to help you start your business? This is an unlikely outcome if you are starting a conventional business. On the other hand, if you are point person in a group effort to start a cooperative, other cooperatives will often share their lessons learned, organizational documents, even financials and other assistance. Organizations such as ours, the Cooperative Development Institute, provide assistance to cooperative start-ups and conversions. Even if we had unlimited support and capacity, there are ways in which businesses can only be helped by other businesses. We encourage “Co-ops Seeding Co-ops” through mentoring, space and equipment sharing, networking, procurement, and many other methods.

It is very likely that in the future the most successful businesses in Maine will be small businesses that are highly networked.

It is very likely that in the future the most successful businesses in Maine will be small businesses that are highly networked. As described in the next section, craft manufacturing and other forms of nimble production and marketing are key ways that Maine can indirectly tap into the “innovation economy.” The fundamental ethic of

It is very likely that in the future the most successful businesses in Maine will be small businesses that are highly networked. As described in the next section, craft manufacturing and other forms of nimble production and marketing are key ways that Maine can indirectly tap into the “innovation economy.” The fundamental ethic of

business in Maine must change in this regard: businesses that may in the past have seen other firms solely as competitors must now see them also as cooperators. The level of cooperation can vary, from formal business cooperatives to informal or formal networks that refer business to each other (“I can’t make that, but the person down the road can”) to “sister businesses” that share marketing, equipment, etc. For cooperatives, this kind of approach to other businesses is built into the structure. Thus, another advantage of cooperatives is that they will both help to create and will thrive within this highly productive business environment.

Compelling proof of these advantages is that cooperative and employee-owned businesses make up almost one-quarter of this year’s list of Best Places to Work in Maine¹⁰, despite comprising a much smaller percentage of Maine businesses overall.

A Spark for Key Economic Sectors

The networking that is particularly fostered by cooperatives can provide benefits in several major sectors of the Maine economy, catalyzing expansion of these sectors. Within the wood products sector, parcelization of property means more relatively small parcels of forested property that present management challenges, while disappearing paper mills present hurdles with regard to selling logs. Successfully responding to both of these trends can be done via forestry cooperatives, which already play major roles in the wood products industries in Finland, Canada and Sweden. Joint management of forested parcels can lead to cost savings and enhanced environmental stewardship, while joint contracting, transportation, and value-added processing can help landowners overcome the constraints posed by fewer mills. In the renewable energy sector, decentralized and distributed production of energy via solar or wind makes energy cooperatives increasingly sensible as an alternative to single, large scale production facilities that are often owned by out-of-state corporations and are less responsive to local people’s needs and concerns. Energy cooperatives can help homeowners obtain better deals for solar installation and energy efficiency measures, and businesses can band together for better deals on items such as heating oil. A group of farmers in Canada even own, operate, and purchase from their own oil refinery.

Perhaps in no other sector is networking and cooperation of such vital importance as in food production. Cooperatives are found in all aspects of Maine’s food system and help smaller producers and independent businesses to access markets or procure inputs. Consumers benefit from cooperatives as they help to increase access to food at accessible prices. Additionally, cooperative structures support food service workers, who often lack access to capital, to start new businesses or take over ownership of existing businesses.

¹⁰ See bestplacetoworkinme.com for their annual list of 75 businesses.

PROFILE

Cabot Creamery: A Cooperative of Dairy Farm Families Dedicated to Quality and Community

The Cabot Creamery Co-operative story reaches back to 1919, when a group of dairy farmers in the area of Cabot, Vermont joined forces to turn their excess milk into butter. Ninety-four farmers made up the original cooperative. The cost to join was \$5 per cow, plus a cord of wood to fuel the boiler. They purchased the Cabot village creamery, built in 1893, and began producing butter under the Rosedale brand name. They brought their product to the Boston market by horse and buggy and by barge to New York City.

Over the next two decades, as the nation's population flocked to urban areas, Cabot's farmer-owners thrived by adding milk to their southern shipments. While the national economy shifted away from agriculture, the Vermont economy was growing for dairy farming. In 1930, cows outnumbered people in Vermont 421,000 to 359,000, a fact that remained true until the mid-80s. Just after the Great Depression, the cooperative hired its first cheesemaker and cheddar cheese entered the Cabot product line for the first time under the name American Cheddar.

By 1960, Cabot's membership reached 600 farm families, despite plummeting farm numbers nationally. In the mid-1980s, the total number of farms in Vermont sank below 2,000 for the first time. Cabot Creamery dropped the Rosedale name and started marketing high-quality cheeses and butter under a new brand - Cabot.

Word of Cabot's quality spread quickly when in 1989 Cabot took first place in the cheddar category at the U.S. Championship Cheese Contest held in Green Bay, Wisconsin. That ribbon started an impressive list of national and international competitions in which Cabot won every major award for taste, including first place in the 2016 American Cheese Society Contest for Cabot Old School Cheddar.

In the early 1990s, Cabot teetered on the edge of bankruptcy due to pressures of owning a growing brand when farm costs took almost every cent the farmers had; the Cabot farmers had no choice but to look for options. In the end, the Cabot membership voted to merge with the farm families of Agri-Mark, a New England co-op with roots dating back to 1913.

With more farmers to support the Cabot brand, investments in plants and machinery upgrades followed. In 2003, another merger joined New England farms with those in upstate New York, resulting in more farmer-members and an increase in Cabot's production capacity with the newly acquired cheese plant.

Today, the Cabot Creamery is a brand owned by 1,100 farm families from New England and New York State who each share 100% of year-end profits based on the amount of milk they ship annually, including 85 Maine dairy farm families. The cooperative also has a retail store along the popular Portland waterfront to help market its award-winning cheddar and other dairy products directly to consumers.

The Cabot story, born nearly a century ago, started as a need for farmers to work together as a cooperative to survive. Today, the farmers' business is able to go beyond survival by improving lives, both on the farm and among the communities where the farmers' products are sold. While the farmers focus on producing high quality milk, their employees craft quality cheese and help improve local communities by actively embracing volunteerism, community service, and sustainability.



*Fletcher Farm, Pittsfield, ME. Producer-owners of Cabot.
Photo courtesy of Cabot Creamery Cooperative*

Community Partners for the Long-Term

Increased networking is only one of many beneficial social and economic effects of cooperatives. All businesses provide jobs and income to their workers, and create additional benefits by purchasing goods and services they need from other businesses, all of which induces even more economic activity in a ripple effect. However, firms differ in how much of this spending stays local. The “indirect local economic multiplier” is estimated to be 17% higher for cooperatives than it is for conventional businesses, which means that cooperatives give a greater boost to the local economy. “Going local” can be seen in many other dimensions of cooperative businesses. For example, relative to conventional grocers, food cooperatives:

- spend more money locally,
- source more of their products locally,
- create more jobs for the amount of business they do,
- have more full-time employees relative to part-time employees,
- provide better benefits, and even recycle their plastics more effectively, leading to lower impact on local waste facilities.

Shouldn't every community want businesses like these?

Just because cooperatives are nimble and responsive to economic change, that does not mean they tend toward instability. On the contrary, cooperatives are associated with a long-term economic view that emphasizes the creation of real value rather than financial or “paper” profits. Studies show that executive compensation at cooperatives tends to be less incentive-based, so that executives are more likely to take a long-term perspective on firm value. Cooperative and employee-owned businesses are not publicly traded (aside from some very large ESOPs) and, therefore, place more emphasis on long-term value creation rather than short-term financial valuation. Analysis of credit unions (and smaller community banks) reveals they behave in a more prudent manner, and weathered the recent economic crisis much better than large financial institutions.

Cooperatives benefit their communities in myriad ways well beyond simple economics and finance. Most directly, the local ownership and control provided by cooperatives means that they are more likely to be interested in promoting community development in all dimensions. Cooperatives are rooted in community: they aren't going to seek lower wages in some far-off land, nor pull up stakes for a property tax break in some other state. And they tend to care about values beyond profit (though they certainly must turn a profit, which then gets returned to members), such as the health and safety of their workers, the resilience of their community, and the quality of the products they sell to their customers. Co-ops often lead the way in transforming entire industries toward more humane, responsive practices. For example, mutual life insurance companies were the first to provide true accountability to policyholders, until the government recognized the need and made guarantees generally required for any insurance company. Consumer food cooperatives were the leaders in the movement toward natural, fair trade and local foods, which have now become widespread in other grocery stores. Cooperative Home Care Associates, the largest worker co-op in the U.S. with around 2,000 employees, has

raised the standard for training and employment of home care workers by demonstrating that it is possible to pay higher wages and provide better benefits while still operating a profitable company.

Cooperatives are also associated with the formation of social capital, which refers to the norms of trust and reciprocity that are critical to healthy, safe, prosperous communities. Communities with high social capital tend to thrive, while those with low social capital tend to struggle. In North America and further afield, cooperatives are associated with poverty reduction, either via direct economic benefits or by fostering community governance skills among members. At a larger scale, strong cooperative economies are associated with high levels of broader measures of social and economic progress, such as health and nutrition, access to education, personal freedom and choice, tolerance and inclusion, and higher wages, greater wealth creation and lower inequality. By one measure, of the top ten countries in terms of social progress, five of them (New Zealand, Norway, Switzerland, Finland, and Denmark) are on the list of top ten cooperative economies,¹¹ certainly not a coincidence. In other words, cooperatives and cooperative economies are associated with very successful economic outcomes, high social progress and high standards of living.

The Seventh Co-op principle is “Concern for Community.” Co-ops are honor-bound to operate with the well being of the community in mind, and for the most part they do. In fact, the United Nations declared 2012 the International Year of Cooperatives with the theme “Cooperative Enterprises Build a Better World.” Internationally, cooperatives have played a hugely significant role in socio-economic development, particularly poverty reduction, employment generation, and social integration. As U.N. Secretary General Ban Ki-Moon put it, “Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility”.¹²



Wardtown ROC at purchase, photo Cooperative Development Institute

¹¹ See www.socialprogressimperative.org/global-index/#data_table/countries/spi/dim1,dim2,dim3 and www.davegraceassociates.com/uploads/Global_Census_on_Cooperatives_-_Summary_Analysis.pdf pg. 4

¹² For more on community benefits see our article: cdi.coop/coop-cathy-coops-benefit-communities/

Wardtown ROC (Resident-Owned Community), Freeport

When Bill Hodgkins talks about the journey towards cooperation and where it has taken his community, his eyes light up. “For our community, it was an important journey in understanding the physical and governance needs of a manufactured home park. We had to go about changing the culture of the park and the way we relate to one another.”

Hodgkins is the treasurer of Wardtown Mobile Home Park Cooperative, a Resident-Owned Community, or ROC, in Freeport. Despite being home to 60 families, there was always a fear that developers interested in Freeport - one of Maine’s wealthiest communities with high real estate values - would like very much to get their hands on the property. The residents in Wardtown voted to form the cooperative and purchase the community in 2015, with assistance from Cooperative Development Institute, and combined financing from Maine State Housing and Maine’s Genesis Community Loan Fund.

Wardtown is one of more than 192 manufactured home parks in the country that have converted to resident ownership. The basic concept of a ROC is simple. When a park is up for sale, residents come together and form a cooperative, which after a period of research and due diligence, secures a single or combined mortgage and purchases the park. Each household in the park can purchase one, limited equity share (typically \$100-\$500) in the corporation and in turn has one vote for major decisions in the community. One of those major decisions is to elect a Board of Directors who oversees the day-to-day affairs. Members must also be residents of the park. The shareholders also vote on major decisions, like an annual budget that covers the mortgage and maintenance and sets the monthly lot rent.

This model allows the residents to control how the park is managed and lot rent is based on expenses and can be kept low if the park is managed well and residents engage in volunteer efforts. If there is a surplus, members can choose for themselves whether to allocate it to an important community project or roll the surplus into a reserve account for future repairs.

As Hodgkins explained, “We all gained valuable new skill sets as we went through the process of establishing and financing our cooperative. There were some maintenance issues that, had we not identified them early on, we would have been in real financial trouble right now. Now we have a very strong board of directors and feel very organized, to the point we are able to assist other ROC manufactured home parks with advice about the process.”

Now Wardtown MHP Cooperative is turning to community development projects that improve quality of life. “We are planning on converting our street lights to solar, getting rid of a useless road to turn it into community space and expanding the community gardens,” said Hodgkins, as he described what was next for Wardtown MHP Cooperative.

For Wardtown’s residents, a future of cooperative ownership means that they have security. Their goal is affordability and investment in quality of infrastructure and quality of life, not to generate a profit for an outside investor. They also know a developer can’t buy the park and displace their homes.

There have been many benefits to becoming a resident owned cooperative but the most pronounced outcome has been the level of community integration and camaraderie among residents that has resulted from the process of residents working together. On this point, Hodgkins noted, “People are just looking after one another in ways that never happened before. It is really wonderful.”

Expanding Ownership

For low-income people and others who face social, economic, racial and cultural barriers, starting up a business individually can be particularly challenging as they may lack access to capital, support systems and all the knowledge needed to run the business. For these entrepreneurs, a cooperative may be easier and more accessible as people can pool resources and knowledge together in the start-up. Immigrant-owned worker cooperatives are the fastest growing in that sector. Maine now has two cooperatives owned in part or fully by New Americans. In Lewiston, Raise-Op Housing Cooperative (see page 41) is focusing on making housing affordable to all and has New American owners and Board Members. New Roots Cooperative Farm (see page 27) is the first refugee-owned cooperative in Maine.

The majority of worker-owned cooperatives that were formed in the past decade are led by immigrants and women.

Lewiston Mayor Bob McDonald with Batula Ismail, one of the owners of New Roots Cooperative Farm and Abdullah Ibrahim, a Somali elder, at the Ground Breaking Celebration for New Roots Cooperative Farm, photo by Jenny Nelson, courtesy of Maine Farmland Trust



New Roots Cooperative Farm, Lewiston

A group of Somali Bantu refugees has started a cooperative farm in Maine, whole continents away from where they were born. They've traveled treacherous terrain and faced down threats that could have taken their lives. Thousands of miles from Somalia, on 30 acres in Maine's second-largest city, they've begun to feel like they've come home.

New Roots Cooperative Farm, though just recently started by four New Americans, is already a success story. Combine the complexities of farming with the uncertainty of navigating a system that is unfamiliar—and at times unfriendly—to newcomers and you'll understand just a fraction of how far New Roots has already come. They're inspired to help one another and the community, too. "Our aim is not only to grow food and run a business ourselves but to help our community and teach them about how to run a business," says New Roots farmer Batula Ismail.

New Roots is a producer cooperative—the four co-owners work together to share land, markets, infrastructure, and resources—and they are demonstrating to other immigrant farmers that their co-op model is best for meeting their needs and building community.

The group used to farm before being forced from their homes during Somalia's tumultuous civil war period. "There was no control," one of the co-op organizers, Hussein Muktar, told the *Portland Press Herald* recently. "People come to your house and kill you or beat you and take whatever you have," he said. "You have no power."

After arriving in Maine, they got back to farming at Cultivating Community's New American Sustainable Agriculture Project at Packard-Littlefield Farm in Lisbon. The program empowers New Americans to launch farm businesses, to adopt new leadership roles in the community, and to attain increased economic independence for themselves and their families.

Now, with a decade of experience at Packard-Littlefield backing them up, the group is ready to put their education to the test. When Gendron Farm, a dairy farm in Lewiston was divided into several parcels in 2015, New Roots worked with Cooperative Development Institute, Maine Farmland Trust, Land for Good, Cultivating Community, and many others to preserve 30 acres as a working farm.

In August 2016, the farmers celebrated with a groundbreaking ceremony for their farm with food, music, speakers, and prayers for the land. More than 100 people turned out to support the farm and the New American community in Lewiston, a heartwarming affirmation that New Roots is leading the way for immigrant farmers in the Northeast. Farmer Mohamed Abukar said, "We are a new generation of farmers, as New Americans, and we want to bring our farming to a new level. We want to develop support from other organizations and people to open the farm in 2017 and provide fresh chemical free vegetables to schools, hospitals, restaurants, and people around the state."



New Roots Farmer Seynab Ali. Photo by Jenny Nelson, Courtesy Maine Farmland Trust

The Challenges of Cooperation

The community and social benefits of cooperatives are irrefutable, but returning to the economics of internal business operations, we should also point out that cooperative businesses face several hurdles in their internal operations. We highlight these challenges to provide a balanced perspective and because overcoming these hurdles is the place where cooperative institutions, policies, and “ecosystem” play such an important role. These challenges are faced in contemporary Maine, but have been largely overcome in the regions of the world that have significant cooperative economies. With the right mix of support, they can be overcome in Maine as well.

Too often decision making, whether in business or government, is reserved for a sub-set of people rather than being broadly shared and widely understood.

As is known to just about anyone who has been to a New England town meeting, democracy takes time, and having voice in decisions means showing up for meetings and participating in voting. Cooperatives give democratic voice to their members, which can sometimes be more time-consuming. Investor-owned businesses are comprised of owners whose primary (if not sole) goal is simply to maximize profits, whereas a cooperative is much more likely to be comprised of a group of owners with relatively diverse preferences and objectives, leading to a greater likelihood of conflicting values and priorities. As in any business, management in cooperatives must be given appropriate latitude from

owners and clearly delegated power in order to effectively run the business, and successful cooperatives must find ways to strike a healthy balance between members’ voices and effective managerial decision-making. This is usually accomplished by invoking rules of governance and fostering an organizational culture of collaborative compromise and patience, so that decision-making is as much a joy as a chore. Nevertheless, many cooperatives struggle with this aspect of their business and this challenge is compounded by the limited education within schools, business and society around democratic decision-making, collaborative process and organizational governance. Too often decision making, whether in business or government, is reserved for a sub-set of people rather than being broadly shared and widely understood.

Start-up cooperatives have different challenges than businesses converting from conventional to cooperative ownership. Fostering a cooperative culture within a business organization can sometimes be easy for start-up cooperatives because the people involved in forming the business are likely to be interested in cooperation and have an opportunity to create an organizational culture from scratch that facilitates ownership and its responsibilities. On the other hand, converting an existing conventional business to a cooperative often leads to challenges in developing new procedures and significantly shifting the organization’s culture. When a conventional business is converting to employee ownership, workers who are used to punching a clock and “doing what they’re told” must adapt to being decision-makers and holding greater responsibility for the success or failure of their company (although in most worker cooperatives ownership is

not mandatory for all workers). However, start-ups face a different but equally significant hurdle, one that is actually remedied in the case of conversions. This challenge arises from the simple fact that starting a business is very demanding and involves many, many hours of hard work, often with an uncertain probability of success. For some entrepreneurs, starting up a business with one owner can be easier as there are fewer people with whom to consult and decisions can be made quickly in the start-up phase. Sole proprietors have a strong incentive to succeed because they will be the beneficiaries of all the profits and other benefits of their business succeeding. In other words, failure means being out of a job, while success means considerable financial well-being.

For anyone forming a cooperative, it is often a challenge to determine clear responsibilities for business formation, which sometimes slows down the development process. Additionally, while a cooperative is started by a group of people, a small group of founders may shoulder more of the responsibility for the start-up phase, *but unlike the sole proprietorship, these people will only receive a small fraction of the benefits of success*. This is one of the benefits of converting existing conventional businesses to cooperatives: the employees buy out the founding owners, and thus can directly compensate the founders for their hard work and risk-taking incurred during the formative stages of the business.

Cooperatives face business challenges in their operations. Member-owners of cooperatives are regular people who came together to meet a shared need, not necessarily business majors or professionals. They may lack business and financial skills that would help the cooperative succeed. Also, cooperatives must honor internal governance processes that generally lead to better outcomes but are more time-consuming than they are for conventional businesses. Overcoming challenges in the formation and operation of cooperatives can be greatly assisted by:

- **providing** (and people being familiar with) model cooperative business bylaws and operating procedures
- **educating** citizens about facilitation, decision-making and entrepreneurship
- **fostering** a larger culture of cooperation that views engagement with fellow workers, consumers, or producers as a regular part of work and community, and
- **developing** ways to compensate those most involved with cooperative formation.

We outline steps in this direction later in the report.

IV. Meeting Local Community Needs

Many Maine communities are threatened by the economic and demographic challenges we outline above. Cooperatives have played a strong role in stabilizing communities and preserving legacy businesses, supporting farmers and fishers, providing social services, and retaining affordable housing. Later in this report we look at ways that Maine cooperatives can connect to the global economy, but first we want to look at ways cooperatives can sell to their own neighbors and increase the percentage of food, goods, and services consumed in Maine that are produced by businesses owned in Maine. Additionally, we will examine how cooperative housing can address shortages in affordable housing, and how employee ownership conversion can help thousands of baby boomer business owners retire comfortably while sustaining the jobs, access to goods and services, and local ownership our communities rely on.

Growing our Food Economy

Maine is in the midst of a local food renaissance, which is evidenced by more new farms with new and beginning farmers, with expanded markets and increased output. Maine is one of only a handful of states where the total number of farms in operation is on the rise rather than on the decline, and the growth in young farmers here is faster than any other state in the country.¹⁴ Restaurants are featuring local food up and down the coast, and small-scale food production is increasing.

Despite this incredible growth and success within the Maine food economy, many farm and food businesses face significant challenges to become socially, financially and ecologically sustainable. Many farmers' markets have plateaued in growth and farmers often have to piece together many markets to stabilize their sales in ways that may not be financially and personally sustainable. Far too many farms are not breaking-even and are dependent on large doses of non-farm income. The small scale of many farms in Maine is both key to the food system's success (because it permits high quality production, ecological stewardship, and face-to-face interactions between farmers and consumers) and can be costly and inefficient in key ways.

Agricultural cooperatives can allow Maine farmers to maintain the individuality and small scale that is critical to success, while facilitating cost efficiencies that can lead to more farms and farmers, healthier and more sustainable profits, greater access to healthy food for middle- and low-income consumers, and a more resilient food system. Cooperatives can also help small, mid-sized and larger farms reach more markets, including institutional markets here in Maine and outside our borders.

¹⁴ 2012 USDA Agricultural Census.

Dairy cooperatives have been a core component of our dairy industry and Cabot Creamery and Organic Valley, two producer-owned cooperatives, have both contributed to the stabilization of the industry in the face of volatile prices and decreasing processing capacity.

Worker-owned farms can help new farmers more easily start their operations and own their own land by pooling capital and expertise. The development of more worker-owned farms in Maine could help to stabilize the industry while transferring farms to the next generation of farmers. Recently, New Roots Cooperative Farm was started in Lewiston, where four Somali Bantu refugee farmer-owners have come together to share land, infrastructure, and marketing.

Cooperatives have provided a significant role in building our lobster industry, with 19 lobster co-ops up and down the coast of Maine helping individual lobstermen to have a dock and system to bring their products to market. Traditionally, fishermen have organized informal or formal cooperatives to assist them in gaining access to markets, and now there is interest in the emerging aquaculture industry to explore ways to use cooperatives to benefit their businesses.

Cooperatives are also found in Maine's food production, restaurants, grocery stores, distribution and seeds, all vital components of our food system. Some of these businesses are worker-owned cooperatives while others are owned by consumers, producers or a combination of stakeholders.

Our consumer grocery store cooperatives in Maine have been long-time champions of local farms, helping provide a market for many farms before local and organic became common household concepts. The newer stores that have opened, including the Portland Food Co-op, Marsh River and Eat Local Eastport, have focused on supporting



Fedco Co-Founders and Worker-Owners John Bunker and C.R. Lawn, photo courtesy of MOFGA

Fedco Seeds

Waterville and Clinton

Fedco Seeds is a worker and consumer multi-stakeholder cooperative started in 1978. They currently employ over 50 people and are one of the largest suppliers of trees, seeds, bulbs, tubers and garden supplies to farmers and gardeners in Maine. The other largest supplier, Johnny's Selected Seeds, is also employee-owned through an ESOP. Fedco came out of a Federation of Cooperatives in the late 1970s that brought food cooperatives together around the state to purchase and distribute products together. While that effort shut down, Fedco Seeds remains a strong and successful company in Maine agriculture.

purchasing from a wide range of Maine producers, expanding markets for people throughout Maine. Our largest local food distributor in the state, Crown O'Maine Organic Cooperative, is worker-owned, a conversion from an existing sole proprietorship.

Many independent grocery stores in the state are members of Associated Grocers of New England, a 70-year-old business cooperative that is owned by the grocery stores themselves. Fedco Seeds, a worker and consumer cooperative, started out of a similar cooperative distribution company in the 1970s and now survives as a leading provider of seeds, trees, bulbs and other garden products to Maine's gardeners and farmers.

Worker cooperatives, such as Local Sprouts Cooperative in Portland, are helping their workers gain better pay and work conditions in the food industry, which is notorious for low pay and abusive work conditions. Farmers are also able to receive better prices and more consistent markets both through agricultural and consumer cooperatives.

Within all these facets of the food system, aging owners present similar challenges to those in other industries. 400,000 acres of farmland in Maine will soon change hands due to the age of farmland owners. New data coming out of American Farmland Trust shows that 92% of Maine farmers over the age of 65 do not have identified successors, underlining the risk that much of our State's farmland could transition out of farming use as it goes through generational transfer, potentially threatening the future of Maine's food security. Similarly, many of our rural grocery stores face uncertain futures as their owners near retirement age. Conversion of our farms, grocery stores and other elements of our food supply chain to worker-owned businesses, will help to preserve much-needed employment and access to food, while increasing the economic opportunity for the workers in these businesses.



New Roots Cooperative Farmer, Mohamed Abukar, photo by Greta Rybus, courtesy of Cultivating Community

The Stonington Lobster Co-Op

PROFILE

The Stonington Lobster Co-op is a sixty-eight-year-old fishing cooperative founded in 1948, making it the 2nd oldest in the state. It lies in the small island village of Stonington in Downeast Maine. From what started with just 15 fishermen, the cooperative is now the central piece of social and economic infrastructure in the community. Currently, over 80 working members and a total of 120 shareholders support the Co-op to harvest lobsters from the beautiful waters around the



Co-op Members, photo courtesy Stonington Lobster Co-op Island and the Maine coastline. It is one of 20 lobster co-ops on the coast of Maine that catch over a quarter of the 100 million pounds of lobster caught each year in Maine.

There were many motivations for the small group of fiercely competitive and independent men to start a co-op, so many that they decided to cast away their differences and work together for mutual benefit to themselves and the community. It was the recognition that although there would always be competition around catch sizes and lobster turf, it could stay out on the water. Financially and socially, the cooperative has helped the lobstermen get a better price for their hard-won catch. Members receive a discount on supplies, access to sheds, docks and a dividend at the end of the year as a portion of the profit of the cooperative that is based on the pounds of lobster that they land.

These independent lobstermen are the owners of their own business and get a say on the way things are run through a democratic process in which they elect a board of directors. The cooperative ownership of the waterfront is a key benefit to the community because it is safeguarding access for future generations and ensuring the waterfront property cannot be bought out by the highest bidder. Because more than 90% of the members live in the community, almost every dollar the Co-op produces goes straight back into the community. Stonington, the community, and the Co-op are totally interdependent on one another; the prosperity or suffering of one will be directly experienced by the other.

Ronald Trundy has been helping things stay organized and under control as the Co-op manager for the past three years. Trundy was a fisherman for 35 years but has sold his boat and now prefers ensuring the Co-op is well run and looked after. His father, former Co-op manager Penny Trundy, took over in 2000 when it was in bad financial and physical shape. “Dad had a lot of work to do to bring it back for repairs and new buildings and docks,” said Trundy. Then in 2008, the Co-op faced further problems but managed to weather the storm that came in the form of a massive plunge in demand for

lobsters, as even those who can usually afford the delicacy food tightened their belts. Trundy says that although there will always be a bit of healthy competition, members are always interested in working together. “They share a mutual respect for one another that ensures nothing much boils over very often,” said Trundy.

The Co-op is looking to expand and streamline its operations by building a new combined office, tank room and shed with some money from the members and hopefully a grant. Trundy spoke of the difficulty with state tax law that does not allow for money to be kept aside before tax to go into working capital. Instead, any intended savings get taxed, compared to the situation for an individual who can hold money in a capital construction fund and not pay tax on it. “It is just too bad that cooperatives are not treated the same so they can plan ahead and save for future projects,” said Trundy. Considering more than 80% of the USA’s lobsters are harvested in Maine and this industry contributed \$456 million to the state’s economy, it is worth considering how to level the playing field for our lobster cooperatives that are such an essential part of the Maine economy and cultural identity.

Co-op member Dick Bridges said, “I was only five years old. I can just barely remember it. My father and uncle and half a dozen other Co-op members built the Co-op; and Father always told me, ‘In time, it’ll pay back.’ And it has paid back.” Bridges continues,

“What I like about it the most? I know that it's mine.”

Maine’s Lobster Co-ops Fast Facts

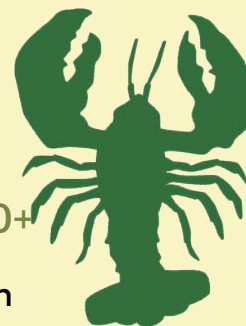
Number of Lobster Co-ops 20

Total Membership 650

Pounds Landed per year ~30,000,000+

Lobster Co-ops Catch 25-30% of Maine’s Total Catch

Source: Island Institute



Belfast Co-op

The Belfast Co-op is a community-owned grocery store and deli/café located in downtown Belfast, Maine. Founded in 1976, their pride in being Maine's oldest food co-op and efforts to uphold the pillars of cooperative enterprise are evident in all their operations. Based on the values of democracy, solidarity, self-responsibility, equity, equality and self-help, co-ops offer a radical alternative model in the age of big-box consumerism and multi-national conglomerates.

As part of their mission, they make it a priority to support local, organic and natural farmers and producers. Waldo County is particularly rich in diverse, small-scale farms, giving the Co-op a unique chance to benefit the producers and consumers in the region. They strive to offer a wide selection of quality products at reasonable prices (organically produced and locally sourced when possible) to support healthy lifestyle choices for their member-owners and the general public. In just the first eight months of 2016, they have sold \$2,054,430 worth of Maine goods. Those sales were handled by a staff of over 90 hardworking worker-owners, keeping quality jobs with many opportunities for investment and growth in this community.

Participation in programs such as Maine Harvest Bucks (a nutrition incentive program that rewards SNAP/EBT shoppers for local produce purchases) helps the Co-op reach out to customers in need. Charitable contributions are also built into its model of operation. With every transaction, customers have the option of rounding up to the next dollar to support a rotating array of local groups and nonprofits. The Co-op also makes direct donations to a number of causes, and seeks to be a safe place for people of all sorts to gather and feel at home.

Throughout the year, the Co-op hosts educational events such as movie screenings, lectures, and classes on everything from cheese making to promoting pollinator health. Its quarterly forums are open for all member-owners to add their voice to the agenda and help the Co-op chart its course toward the next horizon. Guided by the seven cooperative principles (see page 16), they have successfully navigated the stormy seas of retail with their cooperative sails intact. This summer the Co-op celebrated their 40th birthday, and they intend to be a vital part of this unique community for years to come. They have been a catalyst of, and an anchor, in downtown Belfast, a city, which has been one of Maine's greatest downtown revitalization success stories.

Food Co-ops Stats

| | |
|-------------|--------------|
| Food co-ops | 9 |
| Workers | 234 |
| Assets | \$7 million |
| Members | 16,456 |
| 2015 Sales | \$25,600,000 |

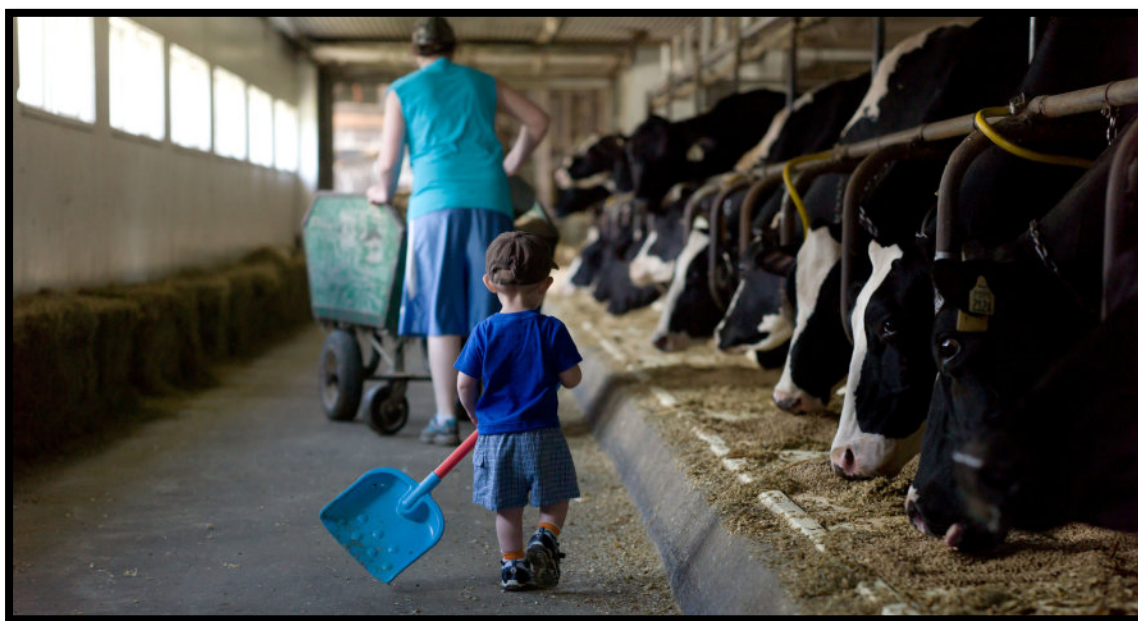
Source: Direct Surveys of Maine Food Co-ops



We see growth potential in the food economy when businesses are rooted and connected through cooperative ownership. Cooperatives can expand their impact by helping to rebuild our food infrastructure, secure existing farms and food businesses, and connect together existing food businesses. Cooperatives have long played a role in providing infrastructure such as processing and distribution to food producers, and in the next decade multi-stakeholder efforts can bring together private and public entities to create new processing capacity, slaughtering facilities, cold storage and distribution. Additionally, existing facilities and infrastructure could be used more efficiently and fully through cooperative agreements and structures.

With many Maine farms and rural grocery stores expected to change hands in the next 10-20 years, we need to act now to secure these core components of our food infrastructure before they disappear and more of our communities become food deserts, farmland is developed and the jobs are lost. Worker cooperatives can provide an effective way for these existing business owners to sell to their workers and stabilize and secure these businesses for the future (see the profiles on Rock City Roasters and Island Employee Cooperative on page 45). Cooperatives can also assist individual producers in the food system - whether a fisherman on the coast, an artisan food producer in Portland or a farmer in Aroostook - to reach markets, access support services, and procure inputs at more affordable and stable prices. By working together, the food system could overcome economic challenges and provide food to more people in Maine and the region, thus creating more jobs and economic security for those in the industry.

By working together, the food system could overcome economic challenges and provide food to more people in Maine and the region, thus creating more jobs and economic security.



Conant Acres, Auburn, Producer-owners of Cabot Creamery Cooperative, photo courtesy Cabot

Maine Farm & Sea Cooperative

How can institutions work effectively with local farmers and fishers and redirect more of their purchasing dollars into locally owned companies? Maine Farm & Sea Cooperative was formed in 2015 to answer that question and change the conversation about how we can provide locally grown, raised, harvested and processed food to our universities, schools, hospitals, nursing homes and other institutions.

In 2015, the University of Maine (UMaine) System issued a request for proposal for their dining services contract, which had been held for 10 years by Aramark, a Philadelphia-based food service giant, which along with Sodexo and Compass Group control 90% of the world's foodservice management. Organizers in Maine and regionally saw an opportunity to shift the requirements of the request for proposal and formed the Maine Food for UMaine Campaign, which was successful in getting the UMaine system to commit to 20% local by 2020.

Maine Farm & Sea Cooperative was formed to provide a locally owned alternative to the global foodservice companies that dominate many institutional foodservice contracts. "With increasing demand for locally grown food by consumers and students alike, we felt the time was right to bring local foods to an institutional level," said Ron Adams, former director of Portland Schools Food Programs and Chief Operating Officer of the Cooperative. "While our initial goal was securing the University of Maine System contract, our larger goal is to provide locally produced food and food services to a number of institutions. As a locally owned business, we will re-invest our profits in Maine by creating new management positions, paying workers a fair wage and investing in rural economies." Maine Farm & Sea Cooperative also took the commitment to local foods one step further and committed to 20% local in their first year of operating the UMaine contract and increasing that to 30% by 2020.

Maine Farm & Sea Cooperative is organized as a multi-stakeholder cooperative, with producers, workers, community members, and institutions each having an ownership share in the cooperative business. This structure allows for greater participation across the food supply chain and leverages this engagement to be able secure larger contracts, such as the UMaine system food service contract, which provides food for 10,000 students at six UMaine campuses.

Land and sea harvesters and producers and organizations committed to improving local food production in the state feel that a cooperative approach is the right way to imagine a systemic solution for the state.

On November 4th 2015, Maine Farm & Sea Cooperative submitted a bid to the UMaine System and in December was selected to present as a finalist for the contract. In February 2016, the UMaine System announced that they had selected Sodexo, a \$26 billion French corporation, to take over the contract. Sodexo had offered \$14 million in investment and had also adopted Maine Farm & Sea Cooperative's commitment to 20% local purchasing in their first year.

The start-up cooperative faced huge barriers. Aramark and Sodexo have a virtual monopoly over the contracted food service management market and are able to offer huge investment promises that are attractive to institutions that need the money to improve their facilities. While the cooperative was unsuccessful in securing this first bid, Maine Farm & Sea did succeed in changing the conversation in Maine and regionally about what is possible in contracted food service management and how cooperatives can take our food system work to the institutional arena.

Hospitals in several counties have contracted with Maine Farm & Sea Cooperative to support them to grow their local foods programs. The cooperative recently worked with Mano y Mano to provide food for a summer camp for children of blueberry farm workers, coordinated foodservice management for BikeMaine (a 500-person cycling tour in Washington County coordinated by Bicycle Coalition of Maine), and took a lead on local food preparation logistics for Maine's first Feeding the 5000 in the city of Portland. Additionally, Maine Farm & Sea Cooperative released a report in February with the City of Portland that examined how to increase usage of local foods within the city's institutions, and provided a proven 9-step local food implementation plan.

While Maine Farm & Sea Cooperative continues to explore new institutional contracts, it recognizes the need to expand support among institutions for new business models and the need to raise the large amounts of capital that these institutions are seeking. Additionally, the work of Maine Farm & Sea Cooperative and Maine's local producers would be easier if Maine's institutions had a shared commitment to local purchasing and gave preferential treatment to locally-owned businesses.

"As Maine Farm & Sea Cooperative continues to execute our new strategic goals by facilitating marketing efforts, coordinating and consulting with schools, hospitals, and other larger institutions, and implementing technical and educational trainings in conjunction with other organizations, it is apparent that Maine's food system needs multiple players for success," says Dave Seddon, CEO of Maine Farm and Sea Cooperative. "Our approach is to work with the institutions directly and develop new ways to market all the positive attributes of local foods, such as improving community economies, reducing waste, promoting health, and valuing flavors from local healthy foods. We're encouraging institutions of all kinds to recognize that local food can be used within any budget, all through a transparent cooperative model. Maine is aware of the changes that need to and should happen for the health and for the livelihood of all communities. We will be the foundation and hands-on support to make it happen."

"Maine Farm & Sea Cooperative is focused on building collaborative partnerships in the food system that provide maximum benefit to our communities, economy and environment," says Jonah Fertig, Maine Farm & Sea Cooperative Board Member and Cooperative Food Systems director with the Cooperative Development Institute. "By rooting ownership in our communities, producers and workers, we are developing creative solutions to the obstacles in institutional foodservice."



Maine Farm & Sea Cooperative Board Members 2015, Photo by Nathan Broaddus.

Associated Grocers of New England

In 1946, a group of enterprising store owners decided the best way for them to compete against the larger chains was to combine their buying strength and take control of their future. These 16 enterprising Independent Grocers formed what would grow to become Associated Grocers of New England. Their initial \$1,000 investments set the foundation for what would become New England's largest retailer-owned cooperative grocery wholesaler.

Initially operated from an 18,000 square foot warehouse in Concord, New Hampshire, the cooperative grew quickly, and in 1950, a larger warehouse facility was purchased in Manchester, New Hampshire. Five years later continued growth brought about the construction of a state-of-the-art facility on the outskirts of Manchester. Today, AG New England operates from a Distribution Center located in Pembroke, New Hampshire. Originally constructed in 2005, the 378,000 square foot facility allowed for greatly expanded product variety. Continued growth in customers and product lines necessitated an expansion of 105,000 square feet during 2014.

Included with the expansion was the installation of a state of the art system that allows the Distribution Center the ability to vastly expand the number of natural, organic and specialty items available in less than full case quantities. These growing categories have become increasingly important for retailers, and the ability to purchase in smaller quantities allows retailers to expand product offerings without investing in excessive inventory.

AG New England serves 140 independent grocery stores in Maine and 104 of them are stockholding Members of the Cooperative. Across all of New England, they serve over 600 grocers, with over 300 as stockholding Members. As a full service wholesaler, AG New England provides an extensive variety of products. With over 26,000 product lines available from the Distribution Center, and thousands more available through partnership programs with other vendors, AG New England is truly a one-stop shop for Independent Grocers.

Their support of the retailers they serve goes much deeper than product assortment. Services include retail bookkeeping, store design & equipment, advertising, marketing and retail business counseling. Stockholding members can take advantage of a multi-employer 401(k) plan, affordable health and life insurance programs, and a member savings program that offers higher than market interest. Periodically, AG New England has offered member retailers low-to-zero interest rates on loans for store renovations, equipment, and upgrading front-end systems.

In everything they do for their members, they strive to live up to their mission:

As a retailer owned wholesale cooperative, Associated Grocers of New England is dedicated to the success of its members and committed to serving the needs of independent grocers.



Retaining and Creating Affordable Housing

Many Maine communities, particularly those on the coast and island communities, face significant challenges regarding adequate affordable housing for workers and long-time residents. Real estate continues to be bought by wealthy vacationers and retirees, while low- to middle-income homeowners and renters alike are being forced to move due to soaring rents and property taxes. In Portland, Boothbay, Camden and other wealthier communities, people are being displaced as affordable housing is replaced by luxury condos and housing developments. We recognize the importance of bringing more wealth into the state and that many of the vacationers fuel our tourism industry, and at the same time we need to ensure that development does not displace long-time residents or make our communities unaffordable.

Cooperative housing is helping Maine's urban and rural communities preserve affordable housing. Raise-Op Housing Cooperative (see profile on page 41) in Lewiston brings together new and long-time residents to secure traditional apartment buildings. In the process, residents are sharing ownership, renovating deteriorating buildings, and developing connections among themselves and with the broader community.

Another model for securing affordable homeownership is the growing number of Resident-Owned Communities (ROCs), where manufactured home park residents form cooperatives and purchase the parks from investor-owners when they are for sale. If these parks were not purchased by the residents they likely would have been bought by investors or developers who tend to raise the lot rent substantially, or worse, can force residents to move or relocate their homes so that the buyer can redevelop the property. In Maine, 368 affordable homes have been preserved by residents taking over ownership in a ROC. These Maine communities are a part of a national movement, ROC USA, which has helped to preserve over 10,000 affordable homes in the past eight years. Residents owning their communities produces desirable results: residents of Maine's ROCs have taken initiative to improve their communities, starting community programs and gardens and improving their aging infrastructure. (See page 25 for a profile of Wardtown in Freeport and page 64 for a case study of how ROC USA is taking it to scale.)

Cooperative ownership expands homeownership to more people, helping to stabilize communities by allowing young people, families, workers, and elders stay in our communities. Cooperative housing and ROCs are two models that can provide inspiration for more cooperative housing throughout the state, with benefits beyond the housing sector. For example, cooperatives can collaborate with Maine's land trusts so that the land is protected for ecological and community purposes. Additionally, the housing cooperative model can be expanded to preserve real estate in commercial districts and on Main Streets, as businesses and nonprofits cooperate to purchase historic and culturally important real estate or residents join together to form investment cooperatives that can purchase buildings or farms. These models have been used recently in Minneapolis with the Northeast Investment Cooperative and in Colorado with Poudre Valley Community Farm, helping to stabilize downtown districts and keep space affordable for legacy businesses, artists, farmers, and community organizations.

Raise-Op Housing Cooperative, Lewiston



Raise-Op Board Members 2016, photo courtesy Raise-Op

The growing housing affordability crisis has been influencing the lives of lower-income workers and their families all over America. In Lewiston and Auburn, the rental market has been very tight with private vacancy rates that are at 0% while subsidized vacancies are around 2-3%. Many of the government offered solutions such as subsidized rental payments have not helped to address the core of the problem namely the inequitable distribution of land and housing ownership throughout communities. Raise-Op Housing Cooperative addresses this problem by bringing the possibility of cooperative homeownership to families in the regional hub of Lewiston. By purchasing apartment buildings with the primary aim of growing the amount of affordable cooperative housing available, Raise-Op is changing the lives of many who get to maintain their own safe and healthy homes.

Craig Saddlemire, the co-founder of Raise-Op, says that the project is about turning the traditional housing for money equation on its head. “Instead of treating housing as a commodity to be bought and sold at the best price, we’re trying to promote housing both as a human right and public resource,” says Saddlemire. For this reason, Raise-Op recruits residents of all incomes, and charges a monthly rate according to the costs of operating the property. “To qualify, applicants basically just need to demonstrate their ability to pay, affirm their agreement with basic principles and commit to participating in the democratic governance of their building. The level of the community they want to seek out or communal activities they choose to create within the cooperative is totally up to them,” said Saddlemire.

This focus on accessibility has ensured that a diverse group of families are benefiting from the affordable prices and the added financial security of Raise-Op apartments. Residents include students, locals and their families that grew up in Maine and New Americans from places such as Somalia, the Congo, and Djibouti. Board member Melissa Dunn said she think it’s a good model. “It’s important because of the economy,” Dunn said. “The way it is now, a lot of families are choosing to live together.” The

safeguarding of the long-term stability of each cooperative housing building has been about more than just finding families to live in them. It has been about developing a community of equity and understanding guided by respect, accountability, integration, and solidarity. There is a collective responsibility to establish the rules of the premises and ensure administrative and maintenance functions are in order. “In this way, we are really trying to create a culture of mutual accountability between members who actively participate in how their building is managed, and its residents work together,” said Saddlemire.

With democratic responsibility, come financial benefits from being part of a housing cooperative that make the families substantially better off. They pay \$750 per share upon joining and a monthly rent that is typically below the market rate. This payment covers fees for utilities, maintenance and, importantly, the capital to expand the Raise-Op model. For Raise-Op is not only about building affordable accommodation for the residents of one building. It is about an ongoing mission to show solidarity for others in need of affordable housing by working to expand this model by purchasing more buildings to convert to cooperative ownership.

Raise-Op has its roots in the Faire-Op Housing Cooperative, a three-unit building in Lewiston that Saddlemire and other members purchased in 2008. Raise-Op was formed in 2014 to expand this model and shortly afterward purchased another three-unit building. More recently they have acquired a new nine-unit building which when full with members will bring their total of family memberships to fifteen. However, expansion is not the only outcome that shows Raise-Op’s commitment to the community. When residents sell their shares they are only permitted to do so at a limited price. This helps to ensure that the level of affordability is similar for the next person waiting that is in need of secure, safe and affordable housing.

In addition to housing, Raise-Op just opened its first commercial space that contains offices for the cooperative and a center for the Somali Bantu Community Association of Lewiston Auburn. This building sits on the same property as their newest 9-unit apartment building.

As a result of all these community benefits, Raise-Op’s success has been embraced by the community. The latest development proposal for Raise-Op’s third building received unanimous support from all councilors when the Lewiston Council reviewed the project. Several press articles have also praised the projects and the potential they have to bring together what has been a historically class and racially divided town.

All of this success has not come without challenges. “Bringing together people that are really different from one another and helping folks to realize their common interests will always be an ongoing cultural transformation process.” With such strong support from the community, this process looks likely to continue as Raise-Op sets strong goals to expand this inspiring cooperative model. Saddlemire says “by the beginning of 2017 we hope to have our 15 member households and be ready to purchase more buildings to scale up and grow our size and impact on creating affordable housing for Lewiston and beyond.” Board President Shaad Masood said “For the things people are most dissatisfied with in traditional housing, cooperative housing has an answer. They have more say about what they are doing, they can see where their carrying charges actually go and they have a voice and can see things getting done in a timely manner. It's different than putting in a phone call and then waiting for things to get done.”

For an explanation of the different types of housing co-ops, see online www.cdi.coop/coop-cathy-types-of-housing-coops/.

Preserving Legacy Businesses

75-80% of business owners in Maine will want to retire in the near future, but only 20 percent of them have a concrete succession plan.

As noted earlier, Maine has the oldest workforce of any state in the nation. We are on the leading edge of the baby boomer retirement wave dubbed the “Silver Tsunami,” a status that holds equally, if not more true, for our business owners. Nationally, the largest single source of avoidable job loss is from business closings due to owner retirement, and the annual retirement rate is projected to *double* over the next 20 years.

In Maine, there are roughly 32,000 small businesses with employees and they employ over half of our workforce. Research shows that 75-80 percent of these business owners will want to retire in the near future, but only 20

percent of them have a concrete succession plan.

While some family businesses will successfully transition to the next generation, this option is becoming less and less likely. The children of business owners may be living in other regions pursuing their own careers and are less willing to return to Maine to take over the family business. Even when someone in the next generation is willing to take over, there is no guarantee of success. Research shows that only about 30 percent of those businesses succeed in the second generation, 13 percent in the third generation, and only 3 percent last into the fourth generation.

All of this adds up to a potentially devastating loss of jobs, access to goods and services, and locally rooted ownership and wealth. Our perpetually anemic and fragile economy can not handle the rapid and wholesale loss of economic activity that could come from thousands of business owners closing their doors over the next decade or so, simply because it is so difficult to sell a business here, particularly in rural Maine.

We believe conversion to employee ownership may be a Silver Bullet for addressing this Silver Tsunami—a chance to permanently bend the arc of opportunity in this state toward a sustainable, broadly shared prosperity. This strategy is a substantial win for everyone. For business owners, selling to employees can yield a better sale price, reduce their tax liability from the sale, and preserve their legacy. For employees, they have the opportunity to become cooperative entrepreneurs and build wealth through ownership. For the community, the jobs, profits and ownership stay locally rooted.

Compared to similar conventionally owned firms, employee-owned businesses create 2.5% more jobs, are one-third less likely to lay off workers in a downturn, and create 2.5 times the retirement savings for their worker-owners. Research shows they are also more productive and profitable. Today, the US has over 7,000 employee-owned firms with about 13.5 million worker-owners and \$1.1 trillion in assets. In 2013, the most recent year for which figures are available, employee-owned firms distributed \$92 billion dollars in profits to their owners.

The main reason employee ownership has been successful in achieving this scale and these results is because of the implementation of supportive policies and incentives at the federal level and in some states. President Ronald Reagan championed some of the most consequential laws in 1984. His administration advanced major bipartisan legislation that created substantial tax and regulatory benefits for employee-owned firms. While there was broad consensus that employee ownership was uniquely beneficial for America's workers, communities and economy and needed to be incentivized, the spread of employee ownership, and hence the benefits, was not even across the country. The states that took greatest advantage of the new federal policies and embedded them in local programs of technical assistance, education and training, and favorable finance and tax policy, realized most of the gains.

For example, thirty years ago, Ohio established the Ohio Employee Ownership Center (OEOC) to assist businesses interested in converting to employee ownership with education and training, technical assistance, and coordination of federal and state incentives. OEOC was essentially a business development center focused on the unique needs of employee-owned businesses. Year after year, they have leveraged a small state appropriation into impressive results: they have provided technical assistance to over 700 firms considering conversion and have successfully converted over 100 of them. The 15,000 employee-owners in these converted firms were assisted at a cost of only \$772 per job created or retained. For comparison, in Maine and other states, public sector job creation programs spending more than ten times that amount are considered successful and it is not uncommon for some programs to spend 100 times as much. Additionally, Ohio leveraged federal workforce development money to provide small grants to businesses considering conversion to pay for feasibility studies and technical assistance.

In recent years, other states have taken note of this successful track record and have sought to get a piece of the action. Numerous states have funded the startup of employee ownership centers with grants to nonprofits, colleges and universities. The Treasurers of Indiana and Ohio, both Republicans, invested millions of the states' deposits to leverage private sector investment in financing employee buyouts. Iowa Governor Terry Branstad campaigned on a promise to expand employee ownership and, once elected, created a fund to pay 50 percent of the cost of feasibility studies for business owners considering conversion and created a major tax incentive for selling to employees. Democrats and Republicans in the New Jersey legislature are pushing ahead to eliminate the capital gains tax on the sale of any small business to the employees. At the municipal level, New York City, Madison, Wisconsin, and other cities have put millions of dollars into employee ownership programs.

By encouraging and supporting business owners considering retirement to sell to their employees—whether as worker cooperatives or Employee Stock Ownership Plans—Maine could achieve numerous economic and social policy goals simultaneously, and do it in a way that appeals to people from across the political spectrum.

Conversions of Maine's Businesses

Aging business owners who want to ensure their own retirement security, reward and empower their loyal workers, and sustain what they've built for future generations face difficult choices. Conversion to employee ownership may be the best choice to meet all of those goals. In many rural communities, it may be the only choice.

These certainly were the motivations for Susanne Ward, founder of Rock City Coffee Roasters and Rock City Cafe in Rockland. "I had three goals I wanted to achieve," says Ward. "Obviously, my own financial security has to be the No. 1 priority. Then survival of the business, as it's a really important part of our small town. And third, to keep it in the hands of the people who've made it a success." Rock City had become a long-standing and highly-respected anchor of one of Maine's most successful downtown revitalization success stories. She might have been able to sell to an outside buyer, but that likely would have changed the character of the cafe, and the coffee roasting business would probably have been snatched up by a bigger competitor and resulted in job losses. Now, her 25 workers, most of whom are in their 30's with young families, will share in the rewards and responsibilities of ownership and this anchor institution of Main Street Rockland will remain strong and vibrant.

As another example, in the remote communities of Deer Isle and Stonington, the employees of three retail businesses—Burnt Cove Market, V&S Variety, and The Galley market—became concerned when word circulated that the owners were thinking about selling the stores and retiring. Potential buyers who were not part of the community may not maintain the same level of jobs and services, and other employment options on the island were limited. For the community, these stores are the only source of groceries and other basic necessities, with the next closest grocery store 45 minutes away in good weather. So the employees joined together to create the Island Employee Cooperative (IEC) and buy the stores. They are now one of the largest employers on the island, the largest worker cooperative in Maine and the second largest in New England. This is the first time that multiple businesses of this size and scope have merged and converted into one worker cooperative, making this a particularly groundbreaking achievement.



Worker-Owners at Island Employee Cooperative supporting their local fire department. Courtesy of IEC.



Baldwin Apple Ladders in Brooks is another recent conversion to employee ownership. The company makes about 1,600 handcrafted ladders per year and dominates the market from Maine to Michigan and North Carolina. Founder Peter Baldwin didn't have a plan to sustain this unique business and turned to the cooperative model to give an ownership stake to a new generation, who were great craftsmen but needed to step up and learn the business.

These are just three recent examples of how Maine business owners—at least those fortunate enough to know where to look for help- were able to secure their retirement while doing right by their employees and communities. In so doing, they've also done their part creating a stronger economy in Maine by helping more Mainers build wealth through ownership. Given the limited awareness and resources available, they would have been hard pressed to figure out how to do this all on their own. Improving awareness and support so that many more business owners and their employees can pursue this option should be a public policy priority (see section VII for recommendations). Thousands of baby boomer business owners in Maine face the same challenges and need the help.

We believe conversion to employee ownership may be a Silver Bullet for addressing this Silver Tsunami—a chance to permanently bend the arc of opportunity in this state toward a sustainable, broadly shared prosperity.

Community Credit Union, Androscoggin County

There's a reason why they're called 'Community', the Community Credit Union has been putting their community first since 1945. Like many credit unions, Community (formerly St. Pierre Credit Union) was a cooperative formed by parishioners with a common bond of St. Peter and St. Paul Church. The Credit Union cooperative principles of voluntary membership, democratic, member control, economic participation, autonomy, financial education and concern for community are all demonstrated at Community Credit Union's three locations in Androscoggin County. The people helping people philosophy is strong in the organization, from the front-line member representatives to the President and Board of Directors of the Credit Union.

Serving the underserved, empowering members with financial literacy and strengthening local communities are key focuses for Community Credit Union. Some ongoing projects over the last five years that showcase Community Credit Union's commitment to their community are as follows:

Annual Diaper Drive for Androscoggin Head Start & Child Care

In 2006, the Credit Union discovered that many of its members lived in the poorest census tract in the State of Maine where a significant number were finding they had to choose between buying groceries to feed their family or diapers to keep their children dry and comfortable. The shortage of diapers was a growing concern and the local Head Start program was using funds to purchase diapers to keep the children comfortable and clean. Diaper drive is now an annual fundraiser from Thanksgiving until the week before Christmas during which 50/50 tickets are sold in the branches and donations from staff, Board members and other community partners are collected. Over the 10 years, nearly 400 boxes of diapers valued around \$10,000 have been provided to the Androscoggin Head Start & Child Care Center.

Adopt A School partnership with Washburn Elementary

With the Washburn School abutting the property of the Auburn branch of Community Credit Union and the Principal sharing with Community Credit Union leaders that over 80% of their parents were unemployed and only 60% could read, adopting the school became a primary focus. Over several years of partnership, many initiatives have been introduced to the Washburn student and parent populations, such as the PayDay Program (a behavioral incentive program where students earn a weekly "paycheck" for their effort in school and must deposit it in their "checkbook" at the weekly mock teller line with CCU staff), youth account programs (the Credit Union pays the minimum deposit for Washburn Students to open the youth account) and the opening of the Parent Resource Center (a full computer with internet access, along with reference materials that is open inside the school during school hours exclusively for the use of Washburn parents).

First Year Student Seminar at Central Maine Community College (CMCC)

The Credit Union partnered with CMCC to offer a financial literacy component as part of their first year seminar required by all students attending the college. The one-hour class includes financial literacy basics such as tips for saving, the parts of a check and check book register, difference between a credit and debit card, how to pay down debt, tips for paying for college, understanding your credit score and more. The classes are taught by Loan Officers and CUNA Certified Financial Counselors employed by Community Credit Union and offered at no cost to the college. Several hundred students take the class each semester and a few sessions are offered in the summer term as well.

Maine Credit Unions' Campaign for Ending Hunger

Community Credit Union hosts several fundraisers within their branches and their community for the Ending Hunger campaign. A few of the most successful fundraisers have been the Battle of the Boats Bass Fishing Tournament (held each summer in partnership with the Androscoggin Bass Masters Fishing Club where proceeds benefit both Ending Hunger and the Children's Miracle Network) and the annual Poker Run (held in February in collaboration with several local snowmobile clubs and small businesses where participants travel from stop to stop to collect stamps and turn the stamp cards in for a poker hand at the end of the event). Maine Credit Unions have raised over \$6.4 million to help end hunger in Maine since the initiative began. At the end of each year, 100% of the money raised by each individual participating credit union is given back to that credit union to be distributed to hunger relief organization in their community. In 2015, Maine Credit Unions raised a new record total of \$622,933.63 for the Ending Hunger Campaign.



Community Credit Union Staff Volunteering in the Community. Photo courtesy CCU.

Maine Credit Union Stats

| | |
|---------------|-----------------|
| Credit Unions | 60 |
| Loans | \$4,820,000,000 |
| Deposits | \$5,960,000,000 |
| Members | 672,680 |
| Assets | \$6,970,000,000 |



Community Credit Union

Asset Size: \$48 million
 Employees: 30 full-time
 2016 Volunteer Hours as of 8/31/16 - 1,015

Boisaco, Inc. Breaks the Cycle of Boom and Bust¹

Not many tourists or urban Quebecers venture more than 3 hours north of Quebec City, to the northern banks of the St. Lawrence River and the wooded regions beyond. One town of about 2,000 people in this northern region, Sacré-Coeur, has found a way to weather the disruptive forces of the forest products boom-and-bust cycle.

The town has long depended on forestry, but by 1984, in the wake of one of the cyclical slumps, and after the third bankruptcy in 10 years, the town's sawmill lay idle for 2.5 years.

"We had a reputation as the [forestry] plant that had lost the most money in Quebec," recalls Marc Gilbert, who was an employee at the sawmill at the time. "Nobody wanted to touch us."

When the bank that owned the plant sought to liquidate it, the community collaborated with the provincial credit union and government to buy the mill for \$1.2 million. After studying various models, the community created Boisaco, Inc. ("bois" means "wood" in French), a company owned in three equal parts by these three entities:

- 1 COFOR – a worker co-op of 60 loggers harvesting wood in the forests, with 3 members on Boisaco's board.
- 2 UNISACO – a worker co-op of 142 millworkers in the processing plant, with 3 members on Boisaco's board.
- 3 INVESTRA – a community investor group comprised of 432 small shareholders in the region (local merchants, mayor, business community, and other workers). No family may own more than 5% of shares (to avoid a single family from holding a majority of shares). INVESTRA holds 3 board member seats.

A final board seat is reserved for Desjardins Capital de Risqué (the investment tool of Desjardins for venture capital). Desjardin is a powerhouse credit union system throughout Quebec.

An advantage of this ownership and governance structure, according to Marc Gilbert, one of the project's founders and a former company president, is that it allows the workers, as majority shareholders, to benefit from the management experience of the members of the business consortium. Decision-making is rarely adversarial.

"We adopted a shareholder's charter that gave everyone [all three parties] a veto right on all big decisions," says Gilbert. "This forced us [to seek] a working consensus."

Three months after its reopening in 1985, the combined advantages of a market recovery and the new management allowed the Boisaco sawmill to generate enough revenue to pay off all its debts. Since then, they have implemented a forward-looking policy for distribution of surplus (profits):

- 27% shared equally as dividends among the three shareholder groups (COFOR, UNISACO, and INVESTRA)
- 18% as bonuses to the workers in the logger and millworkers co-ops
- 55% (after taxes) to a research and development and rainy-day fund

1. Based on "Boisaco, Inc., a Community Owned Industry in Remote Quebec" by Margaret M. Bau, *Cooperative Development Specialist, USDA Rural Development, June, 2012* (<http://www.uwcc.wisc.edu/pdf/Boisaco%20summary.pdf>) and "Weathering the Storm: Cooperative Quebec sawmill thrives despite forestry crisis" by Chris Scott, *The Dominion, August 6,*

Since the mid-90s, that development fund has allowed Boisaco to modernize equipment and to undergo a second transformation by creating or acquiring five other regional companies that buy Boisaco's products or by-products, about one every three years. This foresight helped Boisaco diversify and ride out boom and bust cycles typical in the wood products industry, for example with home renovation products that pick up when home construction flags. Together, Boisaco and the five other companies (a granite cutter, a forestry company, and manufacturers of stove pellets, molded decorative panels and horse bedding) employ 600 people in the region.

Also key to Boisaco's success is the long history of transparency, participatory management (30% of workers have at some time served on a board), solidarity, and fairness. Workers are highly motivated to avoid waste and look for cost savings. Before Boisaco was organized, the mill went through three ownerships and was closed for 30 months. People remember those times and realize how dependent the isolated community of 2,000 is upon this mill. There is also a strong desire to create good jobs to keep young people in the region.

With the 2008 crisis in the US housing market and the depressed prices for wood products, all involved in Boisaco reached an agreement to freeze wages and to implement 5-10% wage cuts when industry indicators fall below certain thresholds. This type of belt tightening has been done with an eye to avoid lay-offs and what they would do to families.

Management sees this decision as rooted both in sound business sense as well as in Boisaco's original social mandate.

"If we had stopped, we would have lost our best workers," said Marc Gilbert. "All those folks couldn't have waited four years... And when we wanted to start up again, how much would it have cost us to recreate all of it, and all that expertise?"



Photo by Guillaume Roy

V. Cooperatives and Maine's Place in the Global Economy

Cooperatives are great for communities and they have a tremendously important role to play in Maine in particular: helping the state face challenging economic times. The traditional sources of well-paying jobs in Maine, resource extraction and manufacturing, largely continue their long decline in terms of employment and economic influence. Largely due to technological change (machines replacing workers) and outsourcing to low-wage locations, the lost jobs are unlikely to return. As noted at the beginning of this report, some in the state place hope in attracting large, high-tech manufacturing firms and corporate customer service centers from outside of Maine as a way of replacing jobs lost in traditional industries. “Attraction” strategies produce limited results, involve significant losses of local and state tax revenues (since they use tax breaks to attract outside firms), and leave Mainers vulnerable to the decisions made in distant boardrooms and in other competing localities. Furthermore, this type of manufacturing is very capital intensive relative to the number of jobs created. And such “economic hunting” does very little to build up local entrepreneurial capacity that could produce “home-grown” jobs. In the end, chasing high-tech manufacturing leaves Mainers in the same precarious state that we currently face in the realm of general manufacturing: forever looking over our shoulders, wondering if a job will be lost to technology or cheap foreign labor. Many of today’s high-tech, large-scale manufacturing jobs in the United States will *likely be lost* in the near future as countries such as China continue the inexorable process of technological catch-up. This is not the game Maine should be playing.

Innovation Business Clusters

As long as Mainers maintain stewardship over our natural and community resources, the economic activity of “selling to innovation” will never be lost to machines or outsourcing.

What is a better economic game to play? The most prosperous regions in the United States today are hubs to “innovation industries” such as computing, internet-related activities, entertainment, and pharmaceuticals. These industries and the firms that comprise them, however, are not evenly distributed across the economic landscape. Rather, they tend to locate in business clusters: concentrations of associated businesses that lower the cost of finding both talented labor and supporting businesses in areas such as banking, law, and advertising. For example, Silicon Valley, a classic business cluster, provides a hotbed of entrepreneurial talent for large, high-tech corporations as well as thousands of startups; the density of high-tech firms attracts talented job-seekers, and the talented job-

seekers attract more high-tech firms, all of which lowers labor costs for firms and the costs of finding a job for workers. This economic activity provides fertile ground for

support industries and firms that are familiar with high tech, where the presence of the support firms makes it easier for the core high-tech firms to do business in the region. All of this enhanced, clustered economic activity and increased income, in turn, creates fertile ground for broader and more diverse economic prosperity in the region—restaurants, personal services, housing, recreation, and so forth.

So can Maine get in on innovation industry clusters, becoming the next Silicon Valley? Unfortunately, this entire process of core firms, workers, and supporting firms being attracted to clusters means that *established* clusters have an enviable advantage over non-cluster regions, and that those non-cluster regions will struggle to catch up, or may never catch up. In general, both firms and workers would much rather locate in an established cluster than face the higher costs and lower benefits of being outside a cluster. Maine has, by some definitions, small clusters in various activities (e.g., local agriculture and food), but the reality is that we will have a very challenging time putting a serious dent into the lead clusters in the innovation industries, which comprise the United States' most dynamic engine of economic growth and well-paying jobs.

The rise of cluster-based innovation industries as the drivers of economic prosperity in the United States could thus be seen as an insurmountable economic (and demographic) obstacle for Maine. Fortunately we can emphatically claim this trend does not spell doom for Maine. While Maine is unlikely to achieve a dominant position in innovation industries themselves, we can certainly *sell to innovation industries*, so to speak. Of course, this is something we already do: millions of visitors come to the state each year as summer residents or tourists, spending billions of dollars, drawn essentially to things that are unique to Maine (the scenery) or in limited supply elsewhere (comfortable summer weather, small-town charm, beautiful rural settings). Many of the biggest spenders among these visitors are undoubtedly working in innovation industries, so that their success is also our success. *It is estimated that only one in ten Americans works in innovation industries*, and history tells us that the *provisioners* to the newly affluent (think merchants who sold supplies to gold rush miners) can do as well or sometimes better than those involved in the latest economic trend. And as long as Mainers maintain stewardship over our natural and community resources, the economic activity of “selling to innovation” will never be lost to machines or outsourcing; in fact, many would argue that these particular resources are likely to become even more valuable in the future, in a world that continues frenetically to urbanize and accelerate the pace of life, making “the way life should be” an ever more precious asset.

Cooperatively Owned Tourism

Maine faces some serious reckoning in regard to selling things to people from away. It seems that we've always been okay with selling paper, shirts, shoes or cod or lobster to the larger world, but recommending that we hook our economic wagon to activities such as tourism has always been done reluctantly at best. Selling things to people from away in *this* realm is not exactly viewed as the path to steady, high-paying jobs and economic prosperity. *We think this can and should change*. That's because some people do very well in businesses that serve tourists or seasonal residents: they are the retail merchants, the design-and-build firms, the high-end chefs, and the creative consultants. Most

significantly, they are the business owners. It may be that not everyone who spends time flipping burgers dreamed of having that role, but what if the cook is also one of the owners of the business? Not only are wages and career growth likely to be better for this worker-owner, they are also much more likely to have a greater sense of pride in themselves and their work, have a greater sense of investment in the local community, and be much more likely to become a long-term resident. If Maine is to have broad-based economic prosperity in the future, we need more owners in our “sell to innovation” industries, tourist and seasonal or otherwise.

Individual tourism businesses could come together in business cooperatives that would allow these hotels, restaurants and tour operators to maintain their uniqueness and individuality, while consolidating much needed back-office services, purchasing and marketing. Best Western Hotels & Resorts is a cooperative of hotel owners who democratically elect the board of directors of the company, which provides a suite of services to each individual owner. Maine could have its own cooperatively-owned tourism brand that builds upon our global reputation of being “way life should be.”



Coffee Roasting at Rock City Roasters, Rockland, which is converting to worker ownership at the end of 2016. Photo courtesy Rock City Roasters

Maine Craft Manufacturing

Beyond tourism, there is another way in which Maine can “sell to innovation,” and the economic possibilities and benefits of this approach are also greatly enhanced by promoting broad-based business ownership via cooperatives. As noted above, traditional manufacturing faces continuing decline in Maine, and seeking out high-tech

manufacturing can be like chasing a mirage. But this does not mean manufacturing is dead in Maine! On the contrary, we see a bright future for “craft manufacturing” in Maine: smaller-scale manufacturing making unique products that are marketable based on Maine’s cachet and reputation for quality. Just as smart retailers don’t compete directly with big-box stores, craft manufacturing doesn’t seek to compete on the basis of cheap labor and lots of machinery—it relies on highly skilled workers producing fairly unique, small-run manufactured products that can’t effectively be made in (or marketed from) places like China. An example of craft manufacturing in which Maine already excels and for which we are known nationally is microbrewing: Maine is one of the top five states in microbreweries per capita and production, exports and brewpubs are all trending strongly up.

Whether in the realm of food and beverage production, artisanal manufacturing such as furniture and woodworking, or specialty production of precision parts for larger manufacturing processes, craft manufacturing involves relatively labor-intensive activities that sell based on reputation and skill and that can’t easily be done elsewhere. Employee ownership and craft manufacturing are very much mutually supportive. Craft manufacturing businesses are relatively small and highly dependent on skilled, motivated workers who usually lend their expertise and voices to shaping production processes. Such workers are likely to be attracted to the opportunity to have an ownership stake in the company for which they work.

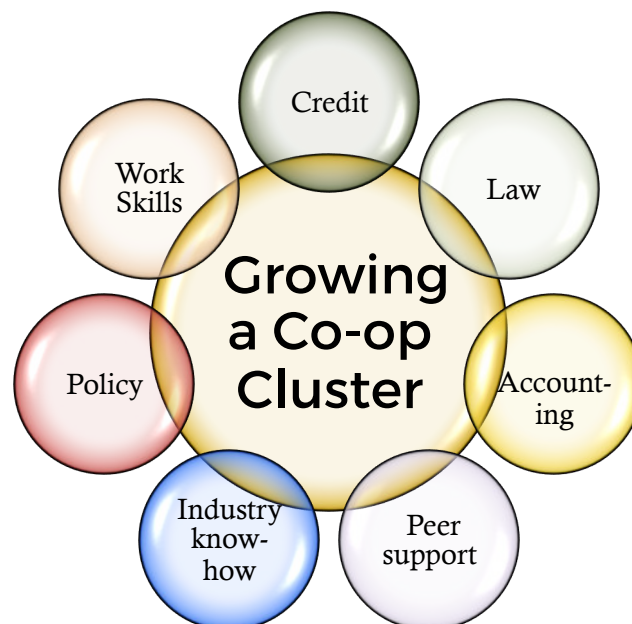


Black Star Co-op Brewery, Austin, Texas. Co-op ownership structures could be a good fit for many in Maine’s growing brewing industry. Photo courtesy of Black Star Co-op.

Becoming a Cooperative Business Cluster

The idea of attracting highly skilled workers to Maine via the opportunity to have an ownership stake in their firm suggests one more way in which broad-based ownership lends itself to Maine's current economic situation. We have outlined above the economic advantages, to firms and workers, of being in a business cluster: a locale that has a vibrant density of core firms in a particular line of business, supporting firms that are familiar with the core activity, and workers with the knowledge and skill needed for the cluster to develop successfully. We've described how it's hard for a "new" region to compete with established business clusters. The ways clusters grow are complex and we necessarily simplify to a degree in this report, but what is clear is that established clusters have an enviable head start. All of this suggests that it would be very advantageous to be *the first cluster* of a given economic activity. While clusters are most often based in the context of various production processes and products such as the internet, entertainment, or pharmaceuticals, *business clusters can also be based on business type*.

Just as the presence of workers, lawyers, bankers, and advertisers who "know" high tech gives innovation startups a huge advantage in Silicon Valley, a place with workers, lawyers, bankers, and advertisers who are familiar with employee-owned businesses and other types of cooperatives would create a tremendous advantage in creating these businesses and attracting people who want to form or be a part of them. We believe that cooperative and employee ownership itself can be an engine of broad economic prosperity, in the same way that resource extraction and manufacturing were in Maine's past, and we propose that Maine become a *cooperative business cluster* and can be a national leader in this economic realm. We believe that ownership can transform Maine's traditional tourist industries, making them better paying and more attractive in other ways, and attract the sorts of entrepreneurs and workers who are drawn, for example, to craft manufacturing and food production.



VI. Lessons Learned: A Cooperative Ecosystem

Section I imagined Maine's future without and with cooperatives, Section II spelled out cooperatives' basic structure and functioning of a co-op, Section III featured their social and economic benefits, and Sections IV and V outlined how they can play a critical role in positioning Maine to take advantage of contemporary economic trends, especially those involving innovation industries. We've also identified some challenges to cooperative formation and operation, but the benefits of cooperatives, both to their individual members and to their surrounding communities, can often overcome these challenges, evidenced by the growing numbers of cooperatives of all types being formed around the country. There are a growing number of voices that call, as we do, for increasing the scope of cooperatives in the economy. At the same time, cooperatives by many measures remain an insignificant factor in the Maine and United States economies. Where is the disconnect?

Cooperative Ecosystem Case Studies

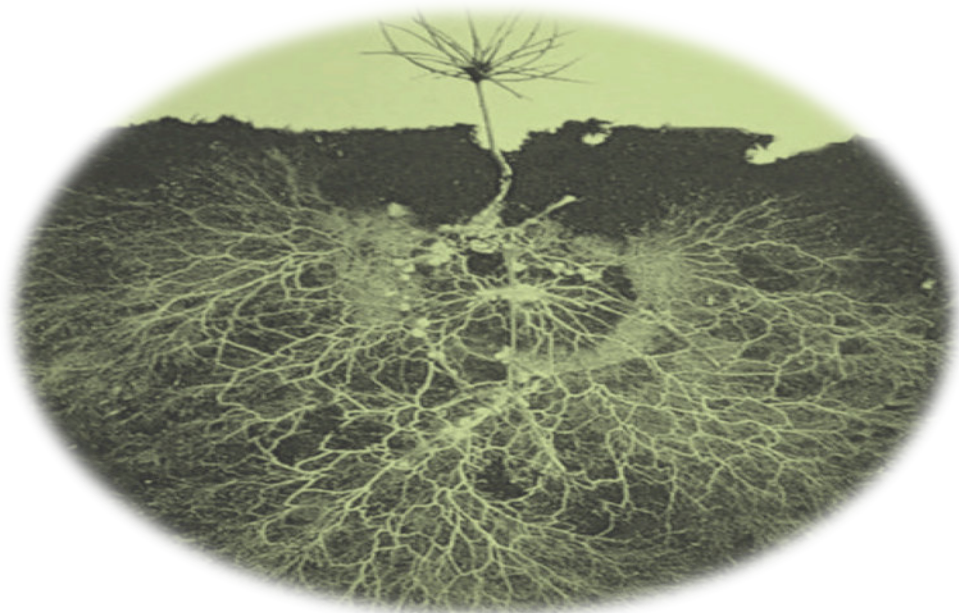
To answer this question, it is useful to examine a few places where cooperatives *do* have a significant impact on the economy. We chose these five examples because each of them, in their own way, offers fitting and inspiring lessons for addressing a number of the biggest challenges we face here in Maine. The five cases are introduced below and then described in greater detail.

Our first two case studies represent successful, full-fledged approaches to integrating cooperatives into a national economy:

1. **Emilia-Romagna**, in northern Italy, was historically a mostly poor, agricultural region. During WWII, the region was utterly devastated. And yet today, the region has over 8,000 worker, consumer, housing, producer and other cooperatives and boasts the largest concentration of worker cooperatives in the world. They also happen to be one of the most prosperous, entrepreneurial and equitable regional economies in all of Europe. How did they do it?
2. **Finland** is a nation similar to Maine, with its coastal and rugged geography, long winters, a long-established economic reliance on natural resources and agriculture, and a small, sparse and homogenous population. In the early 90's, Finns faced the fall of the Berlin Wall, the collapse of the Soviet Union, and the choice of joining the European Union and international trade agreements, all in rapid succession. Today, they have the greatest concentration of cooperatives of any country in the world and are among the top ten nations on every measure of economic and social progress. How did they use cooperatives to create widespread, equitable prosperity?

The next three case studies are from the United States and offer examples where nascent cooperative economies are emerging to support particular populations, sectors or regional economies.

3. **ROC USA®** is a national network spreading a highly innovative and cost-effective model of affordable housing development to scale. They help manufactured home park residents form cooperatives and buy out their park communities (hence, Resident-Owned Communities, or ROCs). Maine has over 500 manufactured home parks that are home to many thousands of Mainers, including many young families, senior citizens, and disabled residents. What can Maine learn from ROC USA® as we seek to secure and expand affordable housing options in communities throughout the state?
4. **Prospera** (formerly WAGES) is a cooperative development group in California assisting immigrant women form successful worker-owned businesses and that provide good-paying jobs with benefits for themselves. As new cooperative business owners, these New Americans are getting their feet under them and securing the American Dream for their families. As Maine struggles to integrate immigrants and refugees from around the world, what lessons can we learn from Prospera?
5. **The Carolina Textile District (CTD)** in rural, western North Carolina is a cooperative network of small-to-medium size textile manufacturers that is successfully pushing back against serious economic headwinds caused by free trade agreements, mechanization and de-industrialization. The CTD is helping these manufacturers retain and create jobs, coordinate production, access new markets, and share services. Additionally, some businesses in the network are, or are considering, conversion to worker cooperatives as their owners plan for retirement. What lessons can Maine learn from there to help manufacturers compete in the global economy and preserve a heritage industry?



Values and Structure Matter: Understanding Cooperation in Emilia-Romagna

Italy ranks among the top ten most cooperative countries overall and boasts the largest number of worker-owned co-ops in the world, over 54,000, employing over 1.2 million people. One particular region of Italy, Emilia-Romagna, has the highest concentration of cooperatives, with over 8,000 worker, consumer, housing, producer and other cooperatives. In this region, nearly two out of every three citizens are members of at least one of these cooperatives, two-thirds of which are worker-owned.

Employee-owned firms in Emilia-Romagna are mostly small, comprised of 10 to 15 workers, but are highly networked and produce products as diverse as precision jet engine parts, artisanal foods, and cutting edge industrial materials. These cooperatives have their own trade associations, research and development organizations, and legal and banking support businesses. With a population only about three times that of Maine, Emilia-Romagna has roughly *90,000 manufacturing enterprises* of all types, making it an extremely entrepreneurial region. Social cooperatives provide a wide range of services to the elderly and differently abled, taking on a role played more often by governments in many other European countries.

With only 7% of Italy's population, Emilia-Romagna generates 9% of its GDP, 12% of its exports, a startling 30% of its patents, and household wealth is 30% higher than the Italian average. In short, Emilia-Romagna is one of the most prosperous, entrepreneurial and equitable regions in all of Europe.

Emilia-Romagna is wonderful, but how did it come about? Myriad factors played significant roles in the development of the cooperative economy in the region:

History: Many historical factors facilitated the growth of cooperatives and cooperation in Emilia-Romagna. Early merchants used loan circles as a means of finance, so that one merchant's economic viability was a concern of all. Water management for agriculture in the Po River valley developed cooperatively, and the nature of regional sharecropping in the 19th Century linked peasants and landowners (mostly residents, not absentee) in a particularly mutualistic way. And manufacturing developed relatively slowly in the region, allowing for less disruptive adaptation and modernization of craft methods of production.

Emilia-Romagna has:

- 7% of Italy's population
- 9% of Italy's GDP
- 12% of its exports
- 30% of its patents
- 30% higher than average household wealth.

Emilia-Romagna is one Europe's most prosperous, entrepreneurial and equitable regions.

A favorable political and cultural climate: In the early 20th Century, revolutionary ferment positioned cooperatives squarely as political and social organizations. By the middle of the 20th Century, Italy facilitated political experimentation through more decentralized, regional governments, and the region chose policies favorable to the development of a cooperative economy.

A culture of cooperative entrepreneurship: Emilia-Romagna's relatively close proximity to the heart of Europe both required and facilitated a highly entrepreneurial spirit. As noted above, this entrepreneurship entails highly networked small firms that permit both complex production processes and nimble responses to economic challenges and change. These networks are often in the configuration of "lead" and "satellite" firms, creating multiple business clusters that lower costs, increase productivity, and discourage outsourcing. Individual firms rely strongly on reputation: for quality, for reliability, and for flexibility. Of course, Principle Six (cooperatives help other cooperatives) operates powerfully in the region. Beyond economics, most cooperatives are deeply embedded in the social fabric of their communities.

Formal institutional framework: Numerous formal measures both recognize and assist cooperatives in Emilia-Romagna (and to a significant degree, the rest of Italy). At the national level, Article 45 of the Italian constitution specifically identifies cooperatives and their rights. Cooperatives in Emilia-Romagna enjoy tax advantages and laws favorable to the formation of research and production consortia. Cooperatives are *required* to reinvest a substantial portion of their economic surplus (rather than distributing all profits to members), fostering a strong orientation toward future production that looks well beyond next quarter's profit-and-loss. If a cooperative wishes to dissolve, its reserves must be used to support other cooperatives or community development funds, and cooperatives cannot be taken over by investor-owned firms.

While understanding these historical and structural aspects of Emilia-Romagna's cooperative economy are important, what is less well understood, and crucial to their success, is the role of three core, underlying cultural values: **stewardship, agency and transparency.**¹⁵

Cooperatives enable and promote these values at the same time that the values give rise to cooperative structures and practices.

In Emilia-Romagna, the role of owner-members in co-op enterprises is considered to be one of **stewardship**, safeguarding a community resource for the benefit of multiple

¹⁵ For this section we draw from the work of Margaret Lund and Matt Hancock, "Stewards of Enterprise: Lessons in Economic Democracy from Northern Italy", unpublished draft.

stakeholders including, crucially, future generations. One of the strongest expressions of stewardship is the fact that Italian cooperatives routinely set aside the majority of company profits in “indivisible reserves,” i.e. assets that can never be paid out to individuals and can only be used for furthering the development of the enterprise, or invested in another cooperative endeavor. The practice of contributing to indivisible reserves predates government tax incentives to do so by nearly half a century, and continues unabated despite recent reductions in those incentives. More broadly, cooperative members take on responsibilities as solemn trustees, and wield their influence for the greater good as much as for their own prosperity.

The fact that co-op members *can* wield influence is due to the second core value, **agency**. Co-op members contribute to, debate, and vote on the business’s annual budget. They also vote for the Board of Directors, which takes a very active role in representing member needs and interests. Meetings to review strategy are held much more frequently than annually. Members have rights of influence to go along with their stewardship responsibilities.

A third value, **transparency and clarity**, makes those rights effective. Company financials are posted publicly for members to review, and members receive extensive help understanding those statements. This value is also expressed in Italian law.

These three values contribute to individual co-ops’ success and their application among co-ops, combined with their orientation toward entrepreneurship, innovation and manufacturing-toward “building things”—really creates a cooperative *system* that produces both prosperity and equity, while safeguarding autonomy and independence. The success of Italian cooperatives shows a way to truly express American values of entrepreneurship and opportunity. It would require, however, setting aside the notion that focusing exclusively on individual and short-term benefits is either a desirable or laudable way to build a business or an economy.



A worker-owner in one of Emilia-Romagna’s manufacturing cooperatives.

Globalization Insurance:

Finland's Leap of Caution

Though people have lived in what is now Finland since the end of the last Ice Age, its birth as a country is relatively recent, only since its independence from Russia in 1917. Like Maine, Finland endures long winters and relies on natural resources for a large part of its economy. Outside of a few large population centers, the country's 5.5 million people are sparsely settled.

In the 1990s, after the fall of the Berlin Wall and the collapse of the Soviet Union, Finland faced an uncertain future. As exports to Russia plummeted and many producers lost the protection of price negotiations to competitive European Market producers, the country identified cooperatives as a way to protect jobs and communities from increased market exposure—an “insurance policy” for globalization. That is, while it became impossible to negotiate or legislate protection, institutionalizing cooperative development through public policy could help local consumers, workers, producers and small businesses work together to protect themselves. Particularly in more remote areas with higher unemployment, cooperatives provide opportunity and local “glue” to keep communities from experiencing a strong downward spiral. Today, Finland's modern, developed economy has reached a balance between the race-to-low-wages forces of globalization and the need to create local resilient communities. As a result, Finland ranks near the top of every index of social and economic health as one of the world's most equitable, educated and prosperous nations.

Because of their proactive strategy, Finland has become a global leader in cooperation, with the highest concentration of cooperatives relative to its population, over 10% of Gross Domestic Product produced by cooperatives, and 84 percent of Finns being a member of at least one cooperative.

Its history of cooperation dates from the beginning of the last century. Finland has strongly promoted cooperatives using multiple pieces of legislative and institutional foundations as part of a deep, culturally rooted economic strategy. Because of their proactive strategy, Finland has become a global leader in cooperation, with the highest concentration of cooperatives relative to its population—over 10% of Gross Domestic Product produced by cooperatives, and 84% of Finns being a member of at least one cooperative.

At first, these efforts were part of a broader strategy of economic independence from Russia and the affirmation of a unique cultural and political identity for Finland. But for Finland the set of statutes, model rules, and communications about cooperatives coordinated by Confederation of Finnish cooperatives, called Pellervo Society, was more than just an economic strategy to alleviate rural poverty, it was seen as a school of democracy for its citizens.

New cooperatives pioneered consumer education through cooperative societies, developed new retail concepts such as department stores, chains, and customer-ownership models, established numerous standards and new operating models, and promoted scientific research. These cooperative initiatives enabled local communities that lived in often extreme conditions to achieve autonomy and independence in the management of their local economy.

Although there was a decline in cooperative numbers in the 1980s, the movement was reinvigorated by the economic downturn that followed the collapse of the neighboring Soviet Union. The Pellervo Society played a critical role in the research, education and training programs that assisted in creating an explosion in the numbers of cooperatives. In the time between 1987 and 2006, 2,921 new cooperatives were established. They included 696 worker, service and expert cooperatives, 312 marketing cooperatives, and 152 publishing and media co-ops. Research has shown that although cooperatives can thrive in all economic situations, they are most invaluable at times of high unemployment, such as Finland was experiencing in the early 1990s. Historical data shows that co-operatives are more often formed in areas with high unemployment whereas conventional firms are more often established where unemployment is low and demand is growing.

Although Finland has been competitive on the global stage with star corporate performers such as Nokia and Skype, the country has depended on the cooperative sector to develop and maintain a strong foundation of broad-based, locally rooted business ownership and living wages in a time of increasing inequality around the globe. Currently, Finland's cooperatives create employment for more than 90,000 workers and generating annual revenues of \$40.9 billion. In addition, cooperatives constitute the majority of many industries. An example highly relevant to the potential of agricultural cooperatives in Maine is Valio, a consortium of dairy cooperatives that includes 85% of dairy farmers in the country.

Another example of the scale and impact achieved by cooperatives in Finland is the S Group, a network of 28 regional and local consumer cooperatives that together make up the largest cooperative in Finland. With their 270,000 members, they control a 44% market share in daily goods through ownership of hotels, restaurants, petrol stations and banks. They also have operations in other Baltic countries and Russia with total annual European sales of 12 billion EUR. Their benefit to Finland goes beyond the direct economic impact in terms of employment and revenue. Research shows that the S Group is a very socially and economically responsible organization in the way they conduct their business and interact with communities. This includes an "even spread" policy of investment in communities that are often sparsely populated and are at risk of having money drained from their local economy. In addition, they have strong local procurement policies that support the development of local industry and self-sufficiency. Despite its national federation structure, these policies help to ensure the bulk of its economic activities remain within the operating areas of local branches of the network. These policies have ensured that the S Group remains not only part of Finland's economy

but also part of its society as an active socially oriented stakeholder that is willing to put the interests of its members and their communities first.

Cooperation in Finland

Facts and Figures

Total number of cooperatives in Finland according to Trade Register was **4 626** (June 2014).

- 1) Meat from producers
- 2) Milk from producers
- 3) Eggs from producers
- 4) Share of market logging from private forests
- 5) Consumer cooperatives sales
- 6) Deposits (incl. S-Pankki)
- 7) Premium income

| 2013 | Amount | Members | Personnel | Turnover Mill. € | Market share % |
|-------------------------|--------|-----------|-----------|------------------|------------------|
| Meat Co-operatives | 4 | 7 074 | 12 078 | 3 906 | ¹⁾ 77 |
| Dairy Co-operatives | 23 | 8 552 | 5 206 | 3 351 | ²⁾ 97 |
| Egg Co-operatives | 1 | 171 | 116 | 47 | ³⁾ 45 |
| Vegetabel Co-operatives | 5 | 300 | 60 | 53 | |
| Forest Co-operatives | 1 | 123 275 | 10 741 | 4 932 | ⁴⁾ 38 |
| Animal breeding | 1 | 10 507 | 405 | 36 | 100 |
| Tradeka (Retail) | 1 | 263 437 | 5 046 | 512 | 18 |
| Electricity Co-ops | 7 | 34 775 | 126 | 84 | |
| Phone Co-ops | 11 | 100 516 | 2 589 | 484 | |
| Retail Co-ops | 29 | 2 109 025 | 41 784 | 11 353 | ⁵⁾ 45 |
| Co-op Banks | 219 | 1 549 074 | 12 704 | 2 760 | ⁶⁾ 39 |
| Mutuals | 27 | 3 102 568 | 5 850 | 355 | ⁷⁾ 9 |
| | | | | | |
| Co-ops in total | 4 626 | | | | |

Sources:

Kalmi, P. (2011) Catching a Wave: The Formation of Co-operatives in Finnish Regions. University of Vaasa. Department of Economics. November 25, 2011

Iiro Jussila Ulla Kotonen Pasi Tuominen, (2007), "Customer-owned Firms and the Concept of Regional Responsibility: Qualitative Evidence from Finnish Co-operatives", Social Responsibility Journal, Vol. 3 Iss 3 pp. 35 - 43

See also

http://www.ilo.org/empent/Publications/WCMS_108416/lang--en/index.htm

<http://www.slideshare.net/pellervo/cooperation-in-finland-2012-14261413>

<http://www.uwcc.wisc.edu/icic/issues/leg-tax/finland.html>

<http://www.uwcc.wisc.edu/icic/orgs/ica/mem/country/finland/coops.html>

<http://pellervo.fi/kielet/english>

ROC USA®: An Ecosystem to Secure Low- and Moderate-Income Neighborhoods

People are no longer tenants, they're owners. That makes them feel good. The security is the very, very best part.

- Jean Stewart, *Hidden Village Cooperative, Olympia, Wash.*



ROC USA®, a nonprofit social venture that stems from work dating back to 1984 in New Hampshire, is propagating co-op ownership of Manufactured Home Communities (MHC) through an ecosystem that combines local bootstrapping self-help with regional and national services to deepen the value proposition of co-op ownership.

ROC USA® provides homeowners in MHCs access to three key resources to help them purchase the communities in which they live as well as support the success of their co-ops long-term:

- Expert assistance and training
- Specialized financing
- Member services.

Assistance and training is provided by affiliated nonprofit organizations certified by ROC USA® Network. Each affiliate—or, Certified Technical Assistance Provider—hires professional staff with expertise in real estate, financing and organizational development. Cooperative Development Institute (CDI) serves Maine communities in addition to Massachusetts, Vermont, Connecticut and Rhode Island. Another affiliate—ROC-NH™—serves New Hampshire. The ROC USA® Network currently has eight affiliates serving co-ops in 14 states.

Financing products include forgivable due diligence loans to make sure that new co-ops get third-party engineering advice, appraisers and legal help needed to make an informed decision to purchase. Informed democratic decision-making is a bedrock belief in ROC USA®.



Resident ownership starts with the community owner providing opportunity. With a viable opportunity to purchase, most homeowners are very interested and can access the expert help and financing to be successful.

-PAUL BRADLEY,
Founding President, ROC USA®

Further, timely access to due diligence means co-ops can enter contracts, undertake due diligence and ultimately purchase the MHC within standard commercial timeframes. Co-ops also have access to all the financing they need to buy the MHC and set up reserves. In some cases, improvements can be financed, as well.

ROC USA® Capital, a ROC USA® subsidiary, is a U.S. Treasury certified Community Development Financial Institution (CDFI) that finances co-op MHCs that are working with a Network affiliate such as CDI. Other lenders also compete for loans to co-ops.

Member services include regional and national leadership training, marketing, online peer-to-peer networking, information sharing and training, as well as a co-op benefits program for discounts on

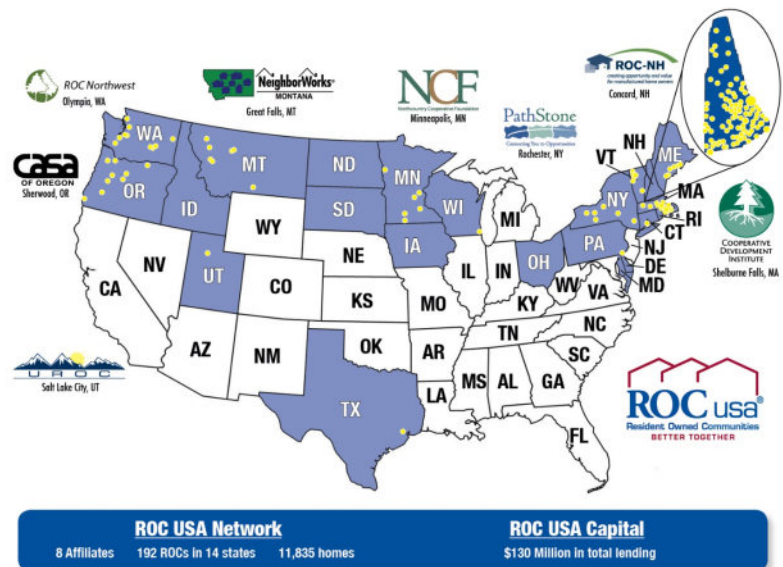
products and services targeted to MHC co-ops and homeowners. ROC USA® also plays an active role in aligning home financing with various lenders in and new to the market.

A shared mission is at the heart of the ecosystem. Co-ops, Network affiliates, and ROC USA® all want to make resident ownership viable and successful. Central to the social venture's plan for long-term success is to build on the strength of local ownership through support for a vibrant network of communities and nonprofits working together.

To that end, ROC USA® has incorporated its affiliates and community leaders in its governance structure. An affiliate serves on the national Board and three national Directors are community leaders elected by the Boards of Directors in client co-ops.

“ROC USA is co-op-like and focused on the long-term success of networked Resident Owned Communities, each and every one of them,” says Paul Bradley, President of ROC USA®.

Learn more at www.rocusa.org



A Sustainable Step Up:

Prospera Provides Sturdy Bootstraps

Many parts of the US struggle to successfully integrate new Americans and fully benefit from the energy, skills, and dreams they bring. While the US is called the land of opportunity, too often immigrants find substandard housing, poor education, limited job prospects, abusive working conditions, and restricted access to health care, all of which interfere with their ability to provide for their families and improve their lives.

Cooperatives are a key element for creating opportunity for immigrants, whether it's for affordable housing (see Raise-Op profile on page 41) or good jobs (see New Roots profile on page 27). In California's Bay Area, **Prospera** (formerly WAGES) has refined a process for creating well-paying jobs and shared ownership for Latina immigrants. They have helped women to form housecleaning cooperatives that use environmentally friendly chemicals and techniques that protect the health of the workers and the environment. Established in 1998, Prospera has now assisted over 100 workers to form and become part of five worker-owned and run cooperatives that generate over \$3 million in sales each year. The co-op owners have tripled their incomes on average and hold \$9,000 in business equity. They also have paid time off, health benefits, and work schedules that suit their lives. Women who once struggled to keep their families afloat are now living middle-class lives and seeing their children graduate from college.

Prospera works hard to incubate these businesses and is also deeply connected to the local business sector, the community, non-profit foundations and other cooperatives. They run a three-year program with groups of women identified as being ready to create a cooperative business and support them from the business's launch to the point of operational stability. The development program prepares the group for success through a comprehensive set of trainings, coaching and technical assistance that empowers leadership skills and confidence within the cohort. This is more than just a training program; it also serves critically as a culturally transformative and trust-building process that enables the cooperative to work effectively.

"The big challenge is just being able to tap into expertise. Starting a co-op means you are facing every single challenge that a small business faces, and on top of all of that, you are employing a really unique structure that is fairly uncommon and runs against the grain of what people are familiar with. People are familiar with the hierarchy in the workplace and much less familiar with democracy. And so it requires a concerted effort to create that culture of shared ownership and responsibility in the workplace; it takes a shared understanding and time to build up that culture. It is a long process," says Elena Fairley, Communications Manager at Prospera.

This is more than just a training program; it also serves critically as a culturally transformative and trust-building process that enables the cooperative to work effectively.

Key Achievements of Prospera:

- Worker-owners have on average tripled their individual incomes after joining a Prospera co-op
- Worker-owners build assets: their initial investments are multiplied 22 times.
- Members earned \$11-\$16.50/hour on average compared to \$5-9/hour in other cleaning jobs, and saw a 158% increase in their median personal income after joining a co-op.
- Members receive the full range of benefits, including medical and dental insurance, short- and long-term disability insurance, and paid time off.
- Almost half of all the women co-owners hold formal leadership positions within their co-op.

These benefits flow beyond the individual members to advance democratic economic development across the communities where Prospera cooperatives are in operation. The members' collective and group skills enable them as agents of change in the way they influence and lead the invigoration of their local economy. In addition, the more evenly distributed wages and profits help to circulate more money in the local economy, creating more jobs and opportunities.



Worker-owners in Prospera's Cooperatives.

Carolina Textile District and Opportunity Threads: Rebuilding a traditional industry

Maine's economic history is similar to rural areas throughout the country that had a large manufacturing sector. Free trade agreements and mechanization have dramatically reshaped these regions and resulted in massive job losses. In the absence of well-paying manufacturing jobs that were the economic backbone of these regions for generations, communities were left to struggle and frequently could, at best, fill the void with a limited number of low-wage retail and service sector jobs.

On a recent visit to western North Carolina, we witnessed the green shoots of an effort to comprehensively respond to an economic crisis strikingly similar to what we've seen in rural Maine. The Founders of Opportunity Threads and the Carolina Textile District are harnessing their manufacturing heritage and the remaining textile industry knowledge in their region to meet modern demand and shape a new labor vision for the South.

In the early 1990s, North Carolina's Burke County ranked high among best places to live and its natural beauty provided the setting for the film "Last of the Mohicans." However, changes in technology and global trade resulted in the loss of 120,000 manufacturing jobs between 1995 and 2010 across the state. It seemed like an era was ending. Today, the remaining 30,000 people employed in North Carolina's apparel industry are mostly in small to mid-size firms. And the textile market is changing too, with demand growing for smaller runs, organic fibers, a "made in USA" label and assurance of humane working conditions.

Enter the Carolina Textile District (CTD), a manufacturing value chain network whose mission is "to revitalize the textile industry in a way that builds on and sustains local people, assets and heritage." It was formed in 2013 by three organizations that recognized the potential in networking small producers to meet the emerging demands in the textile market: the Manufacturing Solutions Center (a research and development organization), Opportunity Threads (a worker-owned, contract cut and sew facility) and Burke Development, Inc. (the economic development entity for Burke County).

First, the partners developed a client intake system run by a Project Specialist that helps clients identify the firms in the region best suited for manufacturing their product and assists local firms in responding to those customers. The District has also hired a Network Coordinator, who is dedicated to supporting the shops in the network and exploring joint marketing efforts.

The District has hired a Network Coordinator, who is dedicated to supporting the shops in the network and exploring joint marketing efforts.

One of the founding partners, Opportunity Threads, is a worker-owned firm (founded by Burke County-native Molly Hemstreet) that promotes environmental values by using mostly organic cotton, upcycled materials, and sustainable production methods. Most worker-owners are Mayan immigrants who came to North Carolina from communities in Guatemala that also had a strong textile history. Opportunity Threads has grown from a two-employee shop to a bustling production facility of over 20 full-time workers. Many worker-owners have moved from precarious to stable livelihoods. They have bought homes, have savings accounts and have equity in a growing business.

According to census statistics, over 75% of US manufacturing firms employ 20 or fewer employees. The CTD and leaders of The Industrial Commons (a 501(c)3 organization established to support this work) are demonstrating that these small- to mid-size firms can collaborate to build networks that create positive social, environmental and economic impacts in rural communities. To learn more, visit www.carolinatextiledistrict.com and www.theindustrialcommons.org.



Worker-owners at Opportunity Threads in North Carolina

Building a Cooperative Ecosystem in Maine

In the previous examples, we have referred to the combination of history, cultural practices, dense supportive networks, formal institutions and public policy that foster the cooperative economy as a *cooperative ecosystem*. It is a web of mutually supportive elements that make it no accident that cooperatives thrive, with tremendously positive economic, social, and demographic results.

While different cooperative ecosystems may have different characteristics, what is essential is a critical mass of features that make cooperatives a relatively easy and “natural” form of business to start or convert to, and maintain profitably. This by no means is meant to suggest that other forms of business are discouraged or would fail to thrive in a cooperative ecosystem. Our point is that a balanced mix of healthy, sustainable conventional businesses, nonprofits and cooperative and employee-owned businesses would create a more robust, prosperous and equitable economy in Maine. We see cooperatives and conventional businesses as mutually supportive, operating side-by-side in networks, contributing to their community and sense of place. As in each of these examples, a cooperative ecosystem in Maine would mean that a significant portion of economic activity still happens via conventional firms, but also that cooperatives serve as economic and social linchpins that broaden the benefits of economic growth (as in Finland and Prospera), sustain and create affordable housing in our communities (as in the example of ROC-USA®), incentivize efficient production (particularly craft manufacturing, as in Emilia-Romagna and the Carolina Textile District) and root the businesses in the community. Additionally, what might be called quasi-cooperatives, such as nonprofits, community organizations, loose networks such as farmers’ markets and Community Supported Agriculture have important roles to play in a cooperative ecosystem and economy.

A full cooperative ecosystem is not essential for the formation of a cooperative business, *but the presence of the ecosystem makes it much easier, and the lack of the ecosystem makes it much harder*. Just as trees will sprout up in the cracks of pavement in a parking lot, but do much better growing in a forest, cooperatives can and do get started in Maine’s current economic and social framework. And, just as trees left unhindered sprouting in a parking lot will eventually create a forest, but a bit of help makes that process happen much faster and creates better results, we believe that policy changes in Maine can move us much more rapidly and effectively toward a cooperative ecosystem and economy. Right now in Maine we are closer to the parking lot than we are to the forest.

Unleashing Cooperation in Maine

Each of our examples come from unique histories, cultural practices and economic circumstances that in many ways differ from Maine's. This might lead some to believe that a cooperative ecosystem would be impossible to create here. We emphatically believe that this is not the case. Maine's cooperative ecosystem need not and will not be the same as in any of our examples, still there is much we can learn from their success.

In the cases of Emilia-Romagna and Finland, *conscious political efforts and the resulting institutional changes* fostered the growth of their cooperative ecosystem and positive economic and social outcomes. In both of these examples, history and cultural practices played a large role, but their cooperative economies emerged as a result of very consequential *policy choices that unleashed the cooperative possibilities*. The examples of ROC-USA®, Prospera, and the Carolina Textile District show how emerging cooperative ecosystems are being built to help integrate New Americans and sustain and grow affordable housing and heritage industries.

A detailed examination of Maine's economic and social history is beyond the scope of this report, but the state's legacy of cooperative efforts (such as sharing profits from the cod fishery), its historically peripheral position in the national economy (fostering independence, hard work, and a strong sense of community), its challenging work conditions (wicked winters, uneven transportation systems, and overly seasonal economy), and relatively moderate political climate suggest to us that Maine possesses its own historical and cultural features that, with the right policy measures, can foster a cooperative ecosystem and a cooperative economy. Despite the amount of work yet to be done, *no place in the United States is better poised to foster a cooperative ecosystem and economy than Maine*. It is a process that won't happen overnight, and will take effort on multiple fronts. But it can be done. We have a foundation, and now is the time to build on it.



Photo by Nathan Broaddus

We need to develop new economic models to increase job creation and productivity. Instead of giving huge tax breaks to corporations, which ship our jobs to China and other low-wage countries, we need to provide assistance to workers who want to purchase their own businesses ... Study after study shows that when workers have an ownership stake in the businesses they work for, productivity goes up, absenteeism goes down and employees are much more satisfied with their jobs.

- Senator Bernie Sanders of Vermont

I've long believed one of the mainsprings of our own liberty has been the widespread ownership of property among our people and the expectation that anyone's child, even from the humblest of families, could grow up to own a business. Thomas Jefferson dreamed of a land of small farmers, of shop owners and merchants. Abraham Lincoln signed into law the "Homestead Act" that ensured that the great western prairies of America would be the realm of independent, property-owning citizens. A mightier guarantee of freedom is difficult to imagine. It is time to accelerate economic growth and production and at the same time broaden the ownership of productive capital. The American dream has always been to have a piece of the action.

- President Ronald Reagan

VII. Cooperative Maine Policies

Throughout this report, we have highlighted numerous moments when the cooperative model was used to meet citizens' basic needs for better jobs, healthy local food, affordable housing etc., and in the process built stronger, more resilient economies and communities. From the development of the cod fishery into one of Maine's largest industries, to bringing electricity for the first time to millions of rural Americans, to Maine's developing reputation as the "food basket of New England," cooperatives have brought people together and turned their shared needs into shared accomplishments—in ways that no other business was willing or able to do on its own.

In every case, committed individuals with a real stake in the outcome are crucial to success. However, in every one of these examples, another factor was also essential: a supportive ecosystem of public and private institutions, policies, incentives and finance. And the outcomes are undeniable in regions where there are much stronger cooperative sectors: stronger economies and communities, higher wages, more innovation and entrepreneurship, and lower levels of inequality. If our goal is to create a prosperous, equitable economy where all Mainers can meet their needs and aspirations by 2030—a time when today's children will be making their own way in the world—then we need to learn from these examples and begin replicating the best of these ideas here in Maine.

Here are five goals we can set and twelve strategies we can pursue, starting now, to improve our economy today and set the next generation up for success.

Goal 1: Make Cooperative and Employee-owned Businesses a Public Policy Priority

All politicians talk about strengthening the economy, supporting business development and creating jobs as one of their highest priorities. And most Maine foundations and philanthropists are dedicated to strengthening our families and communities and promoting an equitable, prosperous economy. So let's focus our resources on a practical, proven, cost-effective strategy to accomplish those goals.

Strategy 1.1: Our Governor and Legislature should direct state agencies dedicated to business, community and workforce development to review their programs and prioritize support for cooperative and employee-owned enterprises.

Maine spends hundreds of millions of dollars per year (both directly and through the tax code) supporting economic development, and agencies and publicly funded business development programs have strategic plans that guide their work. Many of these programs are targeted toward an array of specific types of businesses, sectors, regions, populations, and so forth. Given their successful track record, we believe the

development of cooperative and employee-owned businesses should be a public policy priority, too.

Additionally, agencies need to ensure that the rules of existing financial and technical support programs don't make it more difficult, or even impossible, for cooperative and employee-owned businesses to access them. As just one example of how this has happened, the US Department of Agriculture recently revised rules for the Business & Industry Loan Guarantee that excluded many businesses converting to employee ownership. The B&I Loan Guarantee is a critical leveraging tool for businesses in rural America to access capital. USDA realized that conversion to employee ownership is also a valuable tool for sustaining businesses in rural America and fixed the rules.

Strategy 1.2: Foundations and philanthropists can help create the infrastructure of awareness, skills and policy upon which Maine people can build successful, sustainable cooperative and employee-owned enterprises.

Philanthropy plays a critical role in improving the lives of Maine people, and in funding pilot projects and new ideas that can, if successful, be taken to scale by the public sector. Key leverage points that Maine philanthropy could impact include:

- Education and outreach, so the unique benefits of cooperatives and the basics of cooperative business development are more widely understood.
- Technical assistance for rural, low-income and immigrant communities, so that the benefits of cooperative development reach the regions and populations most in need.
- Policy research and development, so policymakers have the information they need to make good decisions.

Goal 2: Encourage Business Owners to sell to a cooperative or Employee Stock Ownership Plan (ESOP)

When they are ready to retire, business owners can secure their legacy, reward the loyalty of their employees or customers, support their communities, and have an easier time exiting their business by selling to their employees through a worker cooperative or ESOP, or to a consumer co-op organized by the community. Along the same lines, manufactured home park owners or owners of rental properties can help their residents secure affordable homeownership by selling to a resident owned cooperative. Oftentimes, ownership conversions can lower transaction costs, along with numerous other benefits. Unfortunately, a lack of awareness of this option and how to pursue it means business owners frequently aren't considering all their options. So let's incentivize conversion to cooperative and employee ownership and make sure every business owner has access to information and assistance.

Strategy 2.1: Make the sale of any business, farm, manufactured home park, or rental property exempt from capital gains taxation if sold to a cooperative formed by workers, customers or residents.

Incentivizing conversion to worker, consumer or resident ownership accomplishes a host of critical public policy priorities. Workers become business owners and build wealth, consumers can secure access to necessary goods and services in their communities, and residents can achieve the dream of affordable homeownership. It also rewards those who've built businesses in our state for doing the right thing after many years of hard work.

A similar, but more limited, incentive is already law at the federal and state level for the conversion of a C corporation to employee ownership, and has been since 1984 when President Reagan and a broad bipartisan majority in the Congress passed major employee ownership legislation. However, Maine has relatively few C corporations so most of our business owners are at a disadvantage in this regard. We need to level the playing field so all business owners, no matter how they're incorporated, are treated equally. Other states, including Iowa and New Jersey (with Missouri pending), have already done this, and recognized the benefits of conversion to employee ownership and by extending this benefit to all businesses, not just C Corporations.

Additionally, four states exempt the sale of manufactured home parks to a resident owned cooperative from capital gains tax, and four other states provide other types of tax incentives for doing so.

Strategy 2.2: Establish a matching grant program for businesses to explore the feasibility of conversion.

There are upfront costs for the feasibility studies, business valuation, and legal, accounting and development assistance that is necessary for a business to determine if conversion is right for them. A small matching grant to cover some of these costs can remove this hurdle. If we believe that broadening ownership is a public policy priority, then this pre-development phase is a key leverage point to unlock the potential for widespread adoption of the model.

Iowa governor Terry Branstad recently worked with a bipartisan group of legislators to create a grant program to cover \$25,000 of these costs per business. Ohio had a similar program, which they used federal workforce development money to fund. Massachusetts has a more modest grant program providing a 1:1 match up to \$5,000.

Maine should follow the more modest example of Massachusetts and, additionally, the state should require the repayment of the grant if the business successfully converts to employee ownership.



Photo by Nathan Broaddus

Goal 3: Improve Access to Capital and Encourage Lending

Cooperative and employee-owned businesses face a number of unnecessary obstacles accessing capital from banks, credit unions and other lenders-and unfamiliarity with the model results in a perception of higher risk. So let's remove the impediments and reward those financial institutions that are willing to lend on the fundamental strengths of the business.

Strategy 3.1: Invest a portion of our state's deposits in Maine-based banks that have a commitment to lending to cooperative and employee-owned businesses.

Maine's treasurer has wide latitude in directing the state's deposits to financial institutions that do the most good for Maine's economy. The state could do this in a number of ways favorable to cooperatives.

While rarely (if ever) done, Maine law already directs the treasurer to deposit up to \$4 million in financial institutions to be used for low-interest loans to agricultural enterprises and \$4 million for certain small businesses. We need to actually use this provision of law, and could amend it to apply to loans for agricultural enterprises and small businesses organized as cooperatives and employee-owned businesses.

Then there is the example of Indiana, where the treasurer used the state's deposits to purchase certificates of deposit in financial institutions, which then used the new capital to make low-interest loans supporting employee ownership conversions. This program

has incentivized lenders to lend and generated lower cost capital to employee-owned firms.

Strategy 3.2: Make interest income from loans to cooperative and employee-owned businesses tax exempt for Maine-based lenders.

This is not a new idea. The same federal legislation championed by President Reagan and passed in 1984 contained a similar provision, although that law applied only to the financing of employee ownership conversions. In the years following passage, there was a notable rise in the number of conversions and experts at the time attributed this impact primarily to the preferential interest rate provision in the 1984 legislation. Unfortunately, during the recession of 1990 and the ensuing budget cuts and tax increases, this provision was repealed.

Goal 4: Improve Education, Information and Training

If we want more Mainers to have a chance to participate in our economy in secure, fulfilling and creative ways, then we need to improve access to education, information and training on entrepreneurship and cooperative development.

Strategy 4.1: Support the development of a Maine Employee Ownership Center.

Through education, outreach, and technical assistance, a Maine Employee Ownership Center would provide a powerful and cost-effective way to assist businesses wanting to understand conversion to employee ownership and determine if this option makes sense for them and their employees. Such a Center could offer direct business services and coordinate a clearinghouse of technical assistance providers with expertise in conversion, organize educational forums, and create peer-to-peer networks of existing employee-owned firms willing to mentor those considering or executing this option.

Seven state Employee Ownership Centers exist today. The oldest among them is in Ohio, where they have successfully converted over 100 firms with roughly 15,000 employees at a tiny fraction of the cost of traditional public sector jobs programs. Some of these Centers receive a state appropriation and all of them leverage philanthropic resources to expand their impact. Maine should provide a grant to a nonprofit business development group with expertise in employee ownership conversion to create a Center in Maine.

Strategy 4.2: Make entrepreneurship, innovation and cooperative development an integral part of experiential, project-based learning opportunities in every high school.

Throughout our history, successful and resilient Mainers have had a strong entrepreneurial and innovative streak and knew how to work individually and with their communities to piece together a livelihood. If we want more young people to make their

life in Maine, then we need to do a better job equipping them with the knowledge and skills needed to be successful here. Every high school student should have opportunities to gain real world experience through apprenticeships and internships with Maine businesses and nonprofits, gain academic, technical and soft skills in more innovative and personalized ways, and access a seamless pathway into postsecondary education and training.

Strategy 4.3: Develop an accredited curriculum for cooperative development that can be used in Adult Education, Career Centers, colleges, and other adult-learning programs throughout the state.

We need to create low-cost, low-barrier opportunities for more Mainers, particularly in our most hard-hit rural areas, to gain the practical skills of cooperative entrepreneurship. While there are programs that teach basic business skills, these programs will continue to have a limited reach because the vast majority of Mainers are not going to start businesses on their own. For many people, the opportunity to start a cooperative business is much more feasible, and learning how to do it with other members of their community provides the opportunity to build social capital, network outside resources, and meet others wanting to do the same thing.

Strategy 4.4: Form a Maine Cooperative Business Association to advocate for and develop the sector.

In the spirit of the International Cooperative Principle 6 previously detailed in this report, cooperatives in Maine need to work together to create a trade association that can help all members better meet their needs and fulfill their missions. A Maine Cooperative Business Association would educate the public about the benefits the sector provides, and strengthen member co-ops by organizing technical assistance, peer-to-peer mentoring and networking, and assistance with workforce development, business planning and management, and improving financial literacy skills for members.

Goal 5: Increase procurement of cooperative goods and services by institutions

Colleges, schools, hospitals, nursing homes, municipalities, state government and other Maine institutions spend millions of dollars each year on goods and services from local and out of state companies. If more of that money went to locally owned businesses, we could increase market opportunities for and create more jobs within Maine's businesses. This, in turn, would provide opportunities for producers and workers to form new cooperatives that can better meet the demand by providing stable markets and collaborative relationships between the institution and the cooperative.

Strategy 5.1: Review existing purchasing of locally owned goods and services by institutions, municipalities and state government.

Many institutions do not know to what degree the goods and services they are buying are benefitting local businesses. A first action for these institutions would be to review their purchasing and develop a baseline of their current local purchasing. Institutions could use this data to set individual or collective goals for local purchasing (such as the “20% local food by 2020” goal of the University of Maine System). Additionally, an institution could examine whether any of these local purchasing dollars are going to cooperatively-owned businesses.

Strategy 5.2: Build partnerships among institutions, philanthropy, governments, local businesses, business developers, and co-op developers to convert existing business or start new co-ops that can supply products and services to institutions.

In different municipalities around the country, new partnerships are forming to increase institutional purchasing of cooperatively produced goods and services. In Cleveland, Ohio, the Democracy Collaborative worked with Case Western University, the Cleveland Clinic, the Cleveland Foundation and many other partners to create the Evergreen Cooperatives, a networked group of worker-owned businesses that provide these institutions with commercial laundry services, solar power installation, and vegetables from a large hydroponic greenhouse. In Springfield, Massachusetts, the Wellspring Cooperative has created a worker-owned upholstery business to service institutional furniture. In both examples, the focus is on creating job training and business ownership opportunities for low-income residents. In Maine, many institutions are already deeply engaged with their local community in a variety of ways. This type of partnership takes that engagement one step further, as these institutions leverage their purchasing power to maximize the impact on job creation and economic development in their community.

Appendix A: Online Resources

Cooperative Development Institute cdi.coop

Cooperative Fund of New England coopfund.coop

Democracy at Work Institute institute.coop

Cooperative Maine cooperativemaine.org

LEAF Fund leaffund.org

Elmina B. Sewall Foundation sewallfoundation.org

Bangor Savings Bank bangor.com

AG New England agne.com

Cabot Creamery Cooperative cabot.coop

College of the Atlantic coa.edu

Portland Food Co-op portland.coop

Belfast Co-op belfast.coop

VIA Agency viaagency.com

Coastal Enterprises Inc. ceimaine.org

Maine Organic Farmers & Gardeners Assoc. mofga.org

Cooperative Design Lab cooperativedesignlab.org

Cultivate.coop wiki cultivate.coop

Cooperation Works! cooperationworks.coop

Independent Retailers Shared Services Co-op independentretailerscoop.com

USDA Rural Development rd.usda.gov

Appendix B: Cooperatives in Food System Reports and Network Organizing

Cooperatives can play an essential role in the growth of a regional food system, as they are businesses that are driven by their values, are scalable and by nature are rooted in local ownership.

In the past decade, there has been increasing work in Maine and regionally to grow collaborative food system planning networks that identify challenges and obstacles and present goals, actions, and opportunities. A few reports have been released establishing goals and making recommendations about how to build our food system and economy so that people have access to food and jobs, while the land and sea are preserved and healed. These bold visions are helping to guide many local and regional conversations that are occurring at conferences and food summits. Unfortunately, the large role that cooperatives and employee ownership have played in the food system were not highlighted in these reports, so we have provided a few examples below and elsewhere in this report of the ways in which the cooperative economy in Maine can help to achieve the

goals that are put forward by these the food system planners. Cooperatives can play an essential role in the growth of a regional food system, as they are businesses that are driven by their values, are scalable, and by nature are rooted in local ownership.

Food Solutions New England (FSNE)

The New England Food Vision report proposes the bold yet achievable goal of reaching 50% regionally sourced food being eaten in New England by 2060 (also referred to as “50 by 60”). The report “looks ahead to 2060 and sees farming and fishing as important regional economic forces; soils, forests, and waterways cared for sustainably; healthy diets as a norm; and access to food valued as a basic human right.” To reach this goal, production at all levels of the food supply chain must increase and new markets must be accessible for farmers, fishers and food producers. To reach the goal of 50 by 60, farm production in New England would rise from \$2 billion in 2007 to \$6.5 billion in 2060.¹⁶ They project needing to increase the employment on farms from 39,000 farm operators hiring 19,000 full-time workers (based on 2007 numbers) to 50,000 farms with 80,000 farm operators hiring 52,000 full-time workers. Additionally, Food Solutions New England examines potential industries for growth, including farm equipment manufacturers, food processors, distributors, and food service operations. This large increase in employment, revenue, farms and food businesses presents great

¹⁶ Food Solutions New England “A New England Food Vision” page 30 foodsolutionsne.org/new-england-food-vision

opportunities for cooperatives to meet the collective needs of people throughout the food chain via increased ownership, networks, and financial support.

In the summer of 2016, at their New England Food Summit, FSNE released a graphical map entitled “A Pathway to the Vision.” The map features signposts to help lead the way the 50 by 60 vision. The first signpost is Democratic Empowerment, a value that is at the core of cooperatives in the food system and points out the strategic role that cooperatives can play in bringing together stakeholders in businesses and networks. Ultimately, these signposts lead to “A New Food Story” and a “Sustainable Economy.” In many ways, our report is helping to share a new food story of cooperative businesses and their impact in the food industry and other industries and shining a light on their strategic importance in order to build a prosperous, equitable and regenerative economy.

Maine Food Strategy¹⁷

The Maine Food Strategy met with stakeholders in the food system to develop a Framework report which outlining common goals and recommended actions. This was released in the summer of 2016 and the Maine Food Strategy is now engaging with communities, networks and organizations around the state to share the goals and discuss actions. Two of the goals in the Framework report resonate with the cooperative strategies that we are putting forth in this report.

Goal II is to “Improve the ability of businesses across the food production supply chain to manage growth and change in the marketplace.” Some of the suggested action steps are to increase access to data and awareness of successful business models, and improving access to financing. Cooperatives can play a significant role here in allowing a business to expand its capacity by increasing ownership to new cooperative owners and providing opportunities to reach greater markets by working together. Cooperatives are also resilient and can often weather market volatility more effectively because they have community support behind them to help the business deal with changes in the market.

Goal III is “Improve incomes, and access to benefits, for individuals employed in businesses along the food production supply chain.” Cooperatives are addressing this goal by increasing ownership opportunities for food workers, farmers, and fishermen, helping to stabilize markets, and sharing profits among the owners.

“Growing Maine’s Food Industry, Growing Maine” Harvard Food Cluster Report

This recent report¹⁸ by the Harvard Business School and the Kennedy School of Government at Harvard (October 2015) examines the role that food clusters can play in

¹⁷ mainefoodstrategy.org

¹⁸ <https://www.hks.harvard.edu/centers/mrcbg/programs/maine/report>

growing the Maine food economy. It describes significant potential for increased collaboration among food support organizations, business and economic development, trade associations and food businesses, to grow Maine's food economy and thus the economy of the whole state. The report suggests action plans to scale up existing industries, support them to reach new markets inside and outside the state, and ways to unlock synergies in Maine's food and beverage industries.

While the report does not comment specifically about an appropriate ownership structure to implement their recommendations, cooperative business structures are already implementing some of their recommendations in Maine and regionally. With the right supports within the ecosystem, cooperatives could play a pivotal role in realizing these goals (see sections IV, V and VI of this report). In the Harvard report, Karen Mills, a Senior Fellow to the Maine Food Cluster Project, Senior Advisor at Harvard, and former administrator of the U.S. Small Business Administration, said, "One key way to leverage Maine's potential is greater collaboration among the business community and cluster support organizations . . . to build an action plan that is focused on strengths, while also addressing gaps, to grow these industries and create jobs."¹⁹

Food Councils

Community Food Councils are forming throughout Maine and many of these are organizing in collaborative forms to bring together different stakeholders to assess collective needs and determine collective actions. Together they formed the Maine Network of Community Food Councils²⁰ whereby they share information, resources and funding. Some of these food councils have developed reports for their community. Organizations in Lewiston and Auburn, including St. Mary's Nutrition Center, Healthy Androscoggin and Bates College conducted a community food assessment involving years of interviews, research, workshops, and focus groups. This led to the formation of the Good Food Council, a collaborative organization that has worked to develop action steps based on the findings from the community food assessment. Good Food Council has increased collaboration among several organizations including St. Mary's Nutrition Center, Good Shepherd Food Bank, Cultivating Community, Somali Bantu Community Association, and others. Organizing new cooperatives-such as New Roots Cooperative Farm which established a 30-acre farm in Lewiston- is helping to move forward this vision as well. As the food system grows in Lewiston-Auburn, particularly as farming among New Americans expands, cooperatives are an opportunity for broad-based ownership that is rooted in the local community, that helps to preserve farmland within both cities' limits, and increases access to affordable food.

¹⁹ *Portland Press Herald* October 22, 2015

²⁰ mainefoodcouncils.net

About Us



COOPERATIVE
DEVELOPMENT
INSTITUTE

The Northeast Center
for Cooperative Business

Our mission is to work with people in the Northeast U.S. to create cooperative businesses and networks that grow a prosperous, equitable economy. We envision a democratically owned and just economy where everyone can fulfill their needs and aspirations.

In the spring of 1994, cooperative leaders, representing the wide range of cooperative enterprises found in the Northeast, established the Cooperative Development Institute. Since that time we have assisted residents, workers, farmers, consumers, artists, and other participants in the Northeast economy in becoming owners of the enterprises that serve them, and becoming skilled in the democratic arts and in efficient, progressive business management. The Cooperative Development Institute is a regional organization with staff in Maine and across the Northeast.

In the course of a year, CDI supports over 150 groups with cooperative and business development assistance, from basic trainings to intensive project support for these emerging and existing cooperatives. We deliver or participate in roughly 45 educational events annually including workshops, conferences, trainings, webinars and more, serving up to 3,000 people. We work collaboratively with partners on projects and survey annually for feedback on our collaborative work.

Our four program areas:

Business Ownership Solutions: Helping business owners and their workers execute conversions to employee ownership as a way to sustain and grow local businesses, jobs and ownership.

New England Resident Owned Communities: Organizing manufactured home residents to achieve ownership and democratic control of their community. We advise, coach, and train residents to cultivate a culture of mutual support and leadership to operate a successful resident owned community.

Cooperative Food Systems: Creating cooperative businesses and networks that transform ownership of the Northeast Food Economy so that all people have access to healthy local food and good jobs.

Cooperative Business Services: Teaching people how cooperatives can help them earn a living, live their lives, and pursue their passion, through shared vision and enterprise.

www.cdi.coop 877-NE-COOPS

www.maine.coop



Cooperatives Build a Better Maine

October 2016

www.maine.coop