



The Cooperative Principles

Their Impacts on YoCal



Shermain Hardesty
Grower Collaboration
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sfpdirector@ucdavis.edu



3 Cooperative Principles



- **User-benefit:**
 - Co-op's sole purpose is to provide & distribute benefits to its users on basis of their use
- **User-owned:**
 - The people who own and finance the co-op are those who use the cooperative
- **User-control:**
 - The people who control the co-op are those who use it



User Benefit Principle



- Members were able to expand into wholesale markets through YoCal.
- Gained market power in wholesale fresh produce market.
- By providing sales and transportation services, YoCal enabled some members to concentrate on growing their farms.
- Increased visibility of smaller farms and enhanced the impact of individual farm's brand by co-marketing under the YoCal label.



User Benefit Principle



- But, lack of quality standards along with wide variations in quality among farms may have impaired the overall image of the YoCal brand.
- Both members and nonmembers were charged a flat commission fee on their sales. Patronage refunds were never issued to members to distribute a portion of YoCal's year-end earnings, nor were patronage assessments made to cover any year-end losses.



User Benefit Principle



- YoCal marketed much nonmember product, including non-produce items, during its final years to supply a full line and spread its costs.
- YoCal never had a membership agreement that defined expectations and requirements for membership.
 - Members were not required to market exclusively through the cooperative.
 - Some members sold directly to YoCal customers and others used YoCal primarily to market their lower quality product.



User Owned Principle



- YoCal never had any formal member equity program.
 - The members did not contribute equity when they joined
 - No equity program was created to provide operating capital and reserves.
 - Thus, some members were not “invested” enough to develop loyalty and support for the cooperative.



User Owned Principles



- During the final years, members contributed capital to cover operating costs, but their contributions were not necessarily proportionate to their YoCal sales volumes.
- In order to cover its operating losses when YoCal closed, remaining members withheld payments to themselves for their sales.



User Control Principle



- Each YoCal member had one vote; members in some cooperatives have voting rights proportionate to their use (sales) of or investment in the cooperative
- The members/board implemented a policy of decision making that involved those who did not agree but who were willing to stand aside to let a decision happen.



User Control Principle



- Continual discussion by members about what was a management decisionmaking area and what was board decisionmaking area . Some major decisions may have been determined by the management.
- Only YoCal's members were on the board. Cooperative boards **can** include outside directors (with or w/o voting status) to provide expertise in marketing, finance or other areas that agricultural producers are often lacking in expertise.