

## EcoFarm 2018

**Presenters:** Kendra Johnson, Mai Nguyen, Cameron Rhudy

**Moderator:** Neil Thapar





# Some challenges...



- Consolidation of farmland
- Loss of ag land
- Farm succession crisis



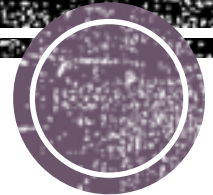


# How a community-supported agricultural conservation easement is protecting a farm for future generations

Ecological Farming Conference

**Kendra Johnson**

January 27, 2018





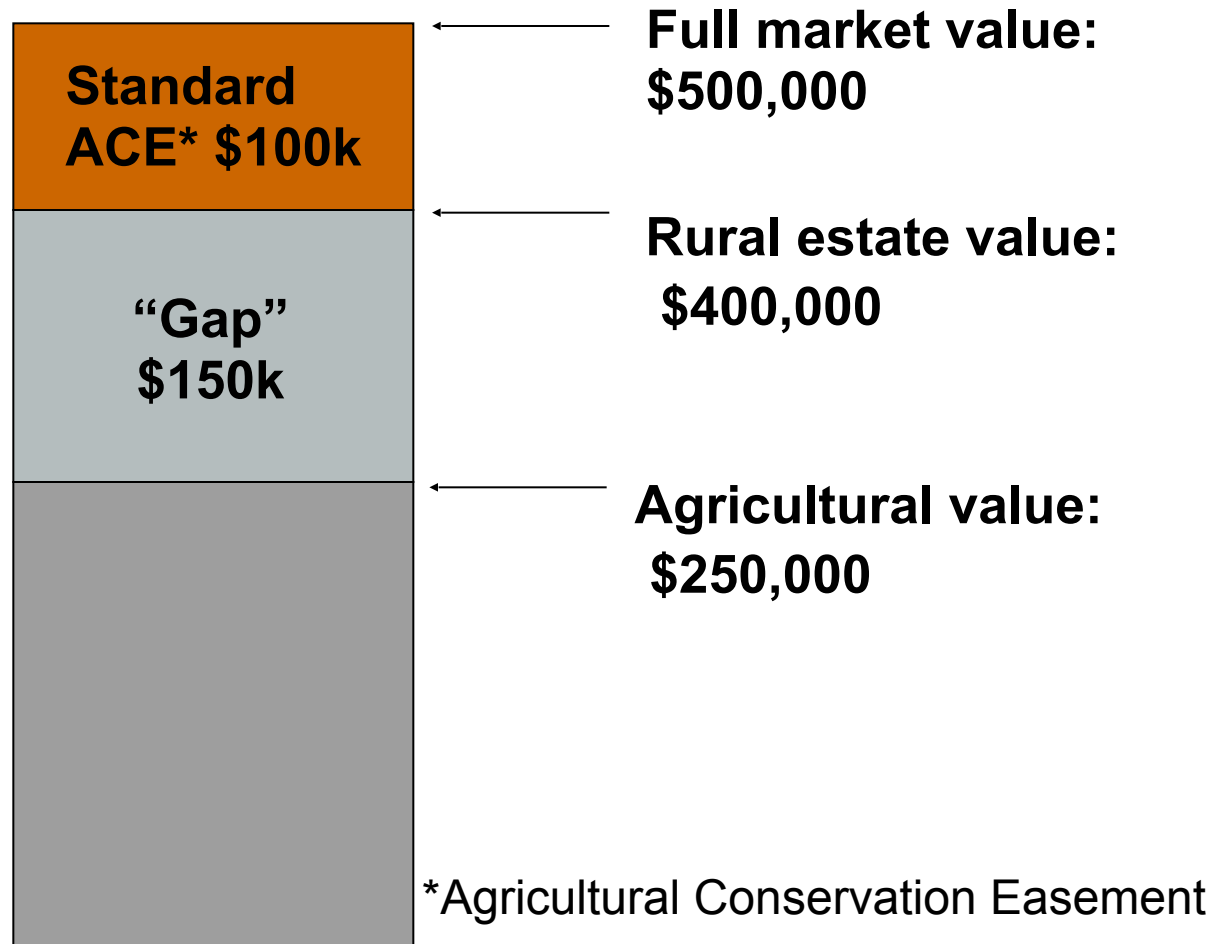


A more resilient  
**Food System**  
will require that  
individuals, communities and  
institutions invest in a dependable  
agricultural land base for farmers  
and ranchers.

**Land is not affordable  
to incoming farmers.**



# Easements don't always close the affordability gap





# The Good Humus Easement

*a “Whole Farm” approach to affordability, transferability, stewardship*



Photos courtesy of Jeff and Annie Main

## OPAV

- Limits sale price to ag value
- Requires qualified purchaser

## Affirmative requirements

- Owner must earn a living from farming
- Owner must live on farm
- Owner agrees to stewardship standards

## Community-funded

- CSA members and co-op community raised \$





# One Farm at a Time



- Farm viability
- Whole farm continuity
- Farm land preservation
- Affordability for farmers



# Communities

Securing a future for local agriculture



# Worker Cooperatives: Start-ups and Conversions

Mai Nguyen

Cooperative Development Specialist

EcoFarm

January 27, 2018



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# CA Center for Cooperative Development



## **Mission**

To promote cooperatives as a vibrant business model to address the economic and social needs of California's communities.

# Topics for Today

- What is a Co-op?
- Worker Cooperatives
  - Start-up
  - Expansion
  - New American and resource-limited
  - Conversion and succession
- Agricultural Cooperatives (time permitting)





# What is a Co-op?



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A cooperative is a business that provides a service to its members at cost.



# Core Co-op Components

- One member, one vote - not proportional to equity/investment
- Profit distributed in proportion to use
- Avoid double taxation—tax is passed through corporation to shareholder/member
- Limitation on non-member business
- Cooperation between cooperatives



# Types of Co-ops





# Worker Cooperatives

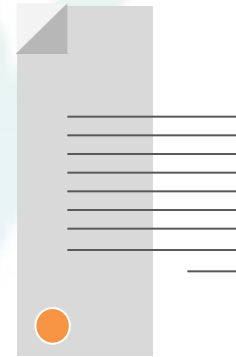
Workers own *and* govern the business



Investment



Decisions



Structure



Images from Democracy at Work Institute

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# Worker Cooperatives





**Flying V**  
Placerville, California



A photograph of four people (three men and one woman) standing in a grassy field with trees in the background. They are all smiling and have their arms around each other. The person on the far left is a man with dark hair wearing a brown plaid shirt and khaki pants. The second person is a woman with dark hair wearing a teal tank top and brown overalls. The third person is a man with short brown hair wearing a light grey t-shirt and dark pants. The person on the far right is a woman wearing a wide-brimmed straw hat, a blue and white plaid shirt, and grey pants. The background consists of lush green trees and tall grass, suggesting a rural or farm setting.

# Cloverleaf Farm

Dixon, California



# Bahati Mamas Cooperative

San Diego, California







# Coke Farm

San Juan Bautista, California





# Agricultural Cooperatives



# Governance

**Total Membership: Elect Board of Directors**

## **BOARD OF DIRECTORS: POLICY AND OVERSIGHT**

President

V. President

Treasurer

Secretary

Director

General Manager

**Employee:**  
Sales Manager

**Employee:**  
Accountant

**Employee:**  
Others

## **OPERATIONS**



# Bandit Seed Cooperative

Sonoma County, California



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# Hi Desert Jujube Cooperative

Lucerne Valley, California



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# Keys to Cooperative Success

- Sound finances
- Clear goals and policies
- Competence and reliability
- Transparency, honesty, accountability
- Continuing education
- Supportive resources and advisors





# Is a co-op right for you?

- What is the need to be met?
- What are your organizational options? How could you meet this need through cooperation?
- Who are the interested parties? Who are potential co-workers or collaborators?
- Is the environment and market supportive of a cooperative?

*Talk to a co-op developer!*



# California Center for Cooperative Development (CCCD)

## CCCD Services

1. Feasibility Analysis
2. Business Planning
3. Education for Board of Directors, Managers, Members on:
  - a) Governance (How to manage the co-op)
  - b) Finance
  - c) Group decision-making and dynamics
4. References for experts in your field
5. Identify and support financing applications:
  - a. Loans
  - b. Grants



# Questions?

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# Raising Community Capital

Cameron Rhudy

Sustainable Economies Law Center



Sustainable  
Economies  
Law Center

# What Does This Mean?

- **Investment Crowdfunding**
  - different than donation crowdfunding (Kickstarter), but still often involves raising small amounts of money from a larger number of investors
- **Raising money directly from the public** (i.e. customers, sustainable food system supporters)
- **Make offers and enter into agreements directly with investors**-no stock exchange.
- **Flexibility in structuring the investment and the terms** (i.e., loans or equity; repayment schedule)

# Succession Planning

- Investment crowdfunding is just another tool in the financing tool box and can be used in tandem with other financing tools, such as easements and converting to a worker coop
- Can be used by used by farmers, support organizations, and loan funds
- Community capital raises can tap into the goodwill and community following of the farm; opportunity for collaboration between parties
- Newer and beginning farmers can collaborate with retiring farmers
- Can also be used by mid-career farmers seeking to purchase land from retiring farmers





Compost Hauler  
Worker-Owned Cooperative

- Based in Massachusetts
- Conducted a raise in 2014
- Raised over \$350,000 from friends, family and almost 100 investors
- Investors purchased shares of CERO stock

*“Regular community people, with or without prior investment backgrounds, were offered the opportunity to buy shares of CERO stock, thus investing with their values, keeping money local, and sharing the pride of CERO’s success.”*



## Economic Development and Financing Corp.

- Nonprofit loan fund; CDFI
- Conducted a raise in 2015-16
- Marketing-Invest in the Mendocino Wool Mill
- Raised \$351,000
  - Minimum Raise Goal was \$250,000
  - Raised \$259,000 from 76 individuals
  - Raised \$92,000 from 11 entities
- Investors purchased promissory notes



# Capay Organic Farm Fresh To You

- First permit in 2012, and renewed several times since (Green Loan Program)
- Have raised almost \$2 million over the last several years
- Loan minimum \$2,000, loan maximum \$50,000, minimum term 15 months
- Sent flyers in their CSA boxes
- Investors are able to choose between receiving their interest in cash or produce credits



# What Are Some of the Risks or Challenges?

- Lack of examples in ag. sector
- Time and energy to conduct raise
- Finding affordable legal assistance
- Need for more education on local investments; how to shift money out of traditional investments (e.g., retirement)
- May need training or infrastructure to manage repayments or dividend distribution
- Default risks and related damage to relationships

# Securities Law

Generally, when you ask people to invest money in, or lend money to, your business, it implicates securities law.

Which just means you have to get permission from the federal and state governments to do it, or fall under available exemptions.



# Examples

- Pairing a federal exemption with getting a permit from CA regulators. (not new, has been legal for a long time; lawyers are usually involved for CA permit process but don't have to be).
- Using Title III of the Jobs Act (Regulation Crowdfunding) for raises up to about \$1 million (This is a federal exemption, and doesn't require state law compliance. More recently legal but requires the use of a online intermediary, and they charge a fee.).
- Pairing federal intrastate exemption with California community investor exemption available to worker cooperatives



Thank You!



Sustainable  
Economies  
Law Center