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## Small Farmers Agricultural Cooperative Launched

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# Small Farmers Agricultural Cooperative Launched

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## SMALL FARMERS AGRICULTURAL COOPERATIVE LAUNCHED

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### Abstract

The Walmart Initiative was designed to provide technical support to train at least 200 farmers on best practices in marketing produce to larger companies and corporations like Walmart. This support was provided through specialized training, workshops, informational group meetings, and overall awareness of market opportunities. The specialized training included Food Safety Standards and Food Safety Certification requirements, effective production techniques, harvesting, grading, packaging, refrigeration/cold chain requirements, transportation, fiscal responsibility, financial management, record-keeping, and insurance and product liability. As part of a five state initiative, Tuskegee University identified and assisted in the formation of the Small Farmers Agricultural Cooperative comprised of members from several regions throughout the State of Alabama. The Cooperative received training necessary to understand the importance of farmers working together, internal management and controls, sharing of knowledge, resources and experience, doing business at higher volumes/quantities, and operating at a higher level of quality assurance; thus, improving marketing opportunities.

**Key Words:** Cooperative, Produce Marketing, Small Farmers, Walmart Initiative

### Introduction

The Walmart Initiative at Tuskegee University started with a spirit of daring to go further than we have ever gone before. Up until 2011, Extension and research had been focused on assisting small farmers with niche markets, local farmers markets, and local food stores. This spirit led to the discussions between leaders at Tuskegee University, Walmart, and the U.S. Department of Agriculture (USDA) about working with small farmers in Alabama in supplying produce to the Walmart Distribution Centers (Hill et al., 2014). Meetings were subsequently held on the campus of Tuskegee University with representatives from Walmart, USDA, and Tuskegee University faculty and staff. Several months of internal discussions were held to determine if we (Tuskegee University) really wanted to take on what was slated to be an enormous challenge. After all, we were talking about engaging in a relationship of Alabama small farmers with the largest retailer in the world. The decision was made to take a leap of faith and Tuskegee University committed itself to assist the small farmers in a 12-plus county area to increase their profitability and sustainability by marketing selected crops to large commercial retailers such as Walmart, Whole Foods, and others.

Achieving this goal would not be easy for a number of reasons. The staff and faculty who normally work with small farmers and the administration of the University had to be convinced that this was a venture worthy of refocusing staff and resources to ensure its success. Not everyone was on board. Some stood on the sidelines while others worked 24/7 including

Saturdays and Sundays to achieve the project's goals. It was like jumping into the deep-end of a pool not knowing how to swim. The project became a "cause" for those involved. When the decision was made to do everything possible to undertake the Walmart Initiative, life as we knew it changed. The staff and faculty assigned to work with the Initiative sacrificed church, graduate school, educational training, personal life, and family time. A few dedicated employees of Tuskegee University and a few of the farmer leaders gave all of their time to this effort to make it work. Tuskegee University went from knowing very little about producing food for large scale commercial supermarkets to embracing such activities as negotiating price points, daily communication with buyers, transportation arrangements, logistics implementation, commercial grading, refrigeration and cold chains development, packaging and labeling selection, sales strategy, and many other aspects of commercial market development. The farmers, staff and faculty were literally engage in on-the-job training. The Walmart staff involved in the Initiative shared their experiences and manifested patience during the learning process.

### **Initial Stages**

From the outset the participating farmers did not have adequate resources such as operating capital, irrigation systems, utilization of new technology such as plastic culture, disease resistant seeds, bees for pollination, labor supply, adequate equipment, transportation, refrigeration, adequate storage facilities or sufficient managerial skills to participate at the commercial level sought.

Yet, each year farmers "stepped up to the plate" to support the overall effort and make it work. Throughout the past three years many informational meetings/discussions have been held with small farmer participants in the Walmart Initiative. Countless hours were spent with representatives of C.H. Robinson (third party manager) and Walmart Local Source buyers to initiate plans for delivery of product. These plans included documenting pick-up points, verification of product codes for purchase orders, payment and invoicing procedures, contact information for coordination of shipments, loading procedures, and docking specifications just to name a few.

Planning meetings were held with each subgroup of farmers located in the production areas including South Alabama, West Alabama, and Central and South Central Alabama. Participating farmers in these areas originated from farmer organizations throughout the service area including the Tri-State Forum Organization in Dothan, Alabama, the Selma-Dallas County Farmers Organization, Macon County Farmers Organization, Autauga-Chilton County Farmers Organization, and the Green County Farmers Organization.

Twenty small farmers, with the support of Tuskegee University, launched the initial 2011 Walmart Initiative with the production of watermelons, leafy vegetables, and purple hull peas. In 2011 and 2012, packaging facilities were leased in the City of Millbrook, Alabama to accommodate the grading shipping and storage of watermelon for producers in the Autauga, Chilton, Montgomery, and Elmore County area. The majority of watermelons produced in 2011 and 2012 came from the Autauga/Chilton County area. Two additional packing facilities were utilized in other locations. An old packing shed in Selma, Alabama area served as the shipping point for farmers in Dallas and Marengo Counties. The third facility was based on the Alabama/Florida

Line at Malone, Florida. This site served as the shipping point for farmers in the tri-state area of Houston County, Alabama; Jackson County, Florida; and Early County, Georgia.

The processing facility for greens and purple hull peas was located at Al Hooks Produce Farm, Shorter, Macon County, Alabama. The Al Hooks Produce Farm and Processing Facility have served as a catalyst for the other participating farmers. Without this facility none of the producers of greens and purple hull peas could have sold their produce to Walmart. The Hooks' facility meets all of the Department of Health requirements and specifications including floor drains, washable walls, stainless steel equipment and fixtures, proper square footage and design.

It was during the 2012 crop production year that the idea of forming a new cooperative surfaced. It surfaced because there was a need for participating farmers to do things differently and in a more business-like manner. First of all, not every farmer was committed to the goals and objectives of the Initiative. Some farmers would promise to grow produce for Walmart for a certain price point and all of sudden change their minds and sell their produce elsewhere for a slightly higher price. This hurt the overall effort because the buyer was expecting a certain volume and the group as a whole could not keep its agreement to supply the required volume. This was a lesson that the serious producers could not afford to tolerate.

### **Formation of the Cooperative**

In 2012, the participating farmers formed a cooperative. A Tuskegee University staff member, Alice Paris, who had worked for many years with the Federation of Southern Cooperatives provided key leadership in educating the farmers about cooperatives. The by-laws establishing the cooperative included three membership categories to ensure that decisions would be made by and benefits would be reaped by members who contributed produce (for volume) and their time and expertise to the cooperative. The membership classes in the by-laws are as follows:

1. Class A Members – Class A members attend meetings, can speak at meetings, and vote on all issues put before the membership. Class A members vote to elect a member to the executive board from their region. Each Class A member shall be the sole representative of his/her farm in this class of membership. Class A members are eligible to serve on the executive board. Class A members are eligible to serve on committees and only Class A members are eligible to become committee chairs. In order to qualify to become a Class A member, one must:
  - a. Own and operate a fruit and/or vegetable farm
  - b. Farm in Alabama
  - c. Reside in Alabama
  - d. Have sold products through the network
  - e. Have purchased supplies through the network in the year before the election
  - f. Have paid dues in the year of the election.
2. Class B Members - Class B members attend meetings, can speak at meetings, but not vote on issues put before the membership. Multiple Class B members may represent one farm. Class B members are eligible to serve on committees. In order to qualify to become a Class B member, one must:
  - a. Own and operate a fruit and/or vegetable farm
  - b. Farm in Alabama

- c. Reside in Alabama
  - d. Have paid dues in the year of the election
3. Class C Members - Class C members attend meetings. Class C members are eligible to serve on committees. In order to qualify to become a Class C member, one must also:
- a. Have paid dues

### **Shipments**

The coordination of all shipments of greens, peas and watermelon was done by a single staff member who communicated with the Walmart buyers. This involved developing purchase orders, arranging for Walmart back-haul trucks and independent truckers to pick up produce at facilities in Millbrook and Selma, Alabama and Malone, Florida. While this effort was initially coordinated by Tuskegee University staff, the participating farmers in the Small Farmers Agricultural Cooperative were exposed to procedures and tasks that would allow them to eventually take over. This exposure involved more than just logistics and coordination of shipments. It exposed the cooperative members to purchasing procedures, ordering pallets in sufficient quantities for use with produce shipments, watermelon bins, crates, labels, packaging, equipment to be leased for handling produce at packing facility and other supplies.

The 2012 growing season was a critical year in that the committed farmers rose to the occasion and surpassed the level of production for 2011. The first shipment of watermelons from the Malone facility for 2012 came from the Dothan, Alabama/Malone, Florida area in June of that year, and the first shipment of watermelons from the Millbrook facility for 2012 came from Autauga County, Alabama, also in June of that year. The first shipment of watermelons from the Selma facility for 2012 came from the Dallas County, Alabama area in July of that year. The level of activity around watermelons greatly increased after this week particularly in the Autauga/Chilton County and Malone, Florida facility. This increased activity was a true test of the fortitude of all the farmers involved as well as Tuskegee University faculty and staff, because of the close coordination that was required of everyone involved.

The facilities were opened seven days a week to accommodate the farmers that were participating in the Walmart Initiative. Each day of the week shortly after 7 a.m., preparation was made to begin receiving watermelons from the farmers. Closing time for the facility varied, and sometimes, a facility closed after midnight depending on the arrival, loading, and departure of Walmart trucks.

The facility manager at each location communicated with each participating farmer to determine when they would be harvesting and transporting melons to the packing facility. This communication was done on a daily basis in order to coordinate transportation with C.H. Robinson and Walmart. The coordination of transportation involved precise quantities and sizes of melons to be shipped before any purchase orders could be issued. Walmart gave prior approval of what type of watermelons they would accept. The specifications for the watermelons were: 28 count (18-25 pounds), 35 count (16-21 pounds), and 45 count (13-17 pounds). The average weight of each watermelon bin was 700 pounds. Many days consisted of 17-hour work days consisting of grading, packing, refrigeration and the shipping process until the work was completed.

Irrespective of the weather there was always work to do at the packing shed such as: cleaning the building in and around the work area, cleaning the shipping area outside, making boxes/bins to ship melons, and grading melons. The coordination and collective work by the farmers involved was a critical development component of the Small Farmers Agricultural Cooperative. Quality control during grading was a vital component of the marketing process and the management team took this very seriously. Each farmer was informed that the grading process starts in the field before it gets to the packing shed. It was stressed to each farmer and farm worker to look for defects on the melons such as sunscald, bruises, overripe, soft ends, or decay as these will count against the melons.

Taste tests were done to determine ripeness or maturity. During the grading process, the melons were checked for shape and weight. Scales were used when necessary to weigh the melons so as to that ensure the correct weight for each of the three weight categories. If there were any abnormalities, they were graded as culls and not included in the shipment. All watermelons were packed in retail bins and were carefully loaded by forklift onto 18-wheeler trucks to minimize physical damage to the melons. Truckloads were usually 58 bins per load. The melons were loaded in bins and placed on pallets designed with Walmart specifications to minimize damage to the melons during shipment by trucks. The majority of the watermelons supplied by the Small Farmers Agricultural Cooperative was shipped to the Walmart Distribution Center 7419 located in Brundidge, Alabama. Some were shipped to the distribution center in Opelika, Alabama. Prior to shipping via refrigerated trucks the watermelons were stored in the air conditioned packing facilities. Although refrigerated trucks were not required for shipment, communications with the transport drivers was done to ensure adequate control of transport temperatures from the loading dock to the receiving dock; drivers were asked to maintain an average temperature of 60 degrees.

The management team made certain that all vehicles and equipment were clean. Inspections were made of trucks, pallets, and packing materials for cleanliness, odors, and dirt or debris before beginning the loading process. The 2012 crop year caused some of the participating farmers to experience some very painful growing pains. For various reasons some of the watermelons were rejected because of decay. Farmers blamed the packing facility and Tuskegee University faculty and staff. The painful lesson in this was that the farmers transported melons that were too ripe and the Tuskegee University faculty and staff accepted these melons not knowing that they were too ripe and shipped them to the Walmart distribution centers. There was plenty of blame to go around in this valuable lesson. Nevertheless an amicable solution was reached and the farmers were pleased with the outcome. Even with the painful lessons of meeting Walmart specifications related to a minimum 3% tolerance for decay, the supply of produce exceeded the volume of 2011.

Though there were food safety training sessions during the 2011 and 2012 production year, the requirement of mandatory “no exceptions” food safety certifications took center stage during 2013. Tuskegee University faculty and staff were assigned to particular farmers to work with them in developing Standard Operating Procedure Manuals in preparation for the food safety audits. Group sessions and one-on-one sessions were conducted in an effort to make certain that farmers and farm laborers were trained and well prepared to pass the food safety certification audits; 15 successful audits were conducted with participating members of the Small Farmers

Agricultural Cooperative (Walls et al, 2014; Vaughan et al., 2014). This development is so significant considering the fact that none of these farmers were concerned with food safety prior to the commercial marketing effort with Walmart Initiative.

### **A Mature Organization**

The 2013 crop year started with a formally organized Cooperative with articles of incorporation, by-laws, and a seven member board of directors with membership representing seven regional or geographic areas throughout the State of Alabama. The participating farmers surely had come a long way in a relatively short period of time. The Small Farmers Agricultural Cooperative was a totally different organization when the new crop year started. The Cooperative was a totally different entity now. There were many planning meetings around the business of the newly formed Cooperative. Members were sharing ideas about how to move the Cooperative forward and maximize the tremendous market opportunities that now lie before them. One of the key issues of the Walmart Initiative from the farmers' perspective was timely payments for the sale their produce. Tuskegee University served as the fiscal agent for the operation until such time that the Small Farmers Agricultural Cooperative could take on the financial management of payments, revenue and expenditures. This was a tremendous challenge for both the farmers and Tuskegee University in the effort to make certain that every farmer received what was owed to him or her. Tuskegee University's agricultural staff worked with the office of the Vice President for Business and Fiscal Affairs in processing payments to farmers.

The Small Farmers Agricultural Cooperative through some assistance by Tuskegee University established a relationship with First Tuskegee Bank. They opened a business checking account during a scheduled visit by representatives of the Walmart Corporation. This was a major step for the Cooperative in that they could finally write their own checks for payments to participating farmers for sale of produce. The University faculty and staff were temporarily assigned to assist the Cooperative with computations of payments due and reconciliation of accounts. Two officers of the Cooperative are designated to sign checks on behalf of the Cooperative. The activity of the Cooperative fosters relationship building as members get to know each other better. Keeping every member engaged and informed is very important to the growth of the organization.

### **Conclusion**

Looking forward, the success of the Cooperative, will require that members must work closely together especially in communications. Members have to be totally committed and learn the importance of quality control-close coordination of planting schedules, pesticide programs, pollination, fertilization and chemical applications, soil tests, irrigation, labor/harvesting, refrigeration, transportation. The Cooperative has to be in "lock-step" with every aspect of the commercial marketing effort.

In order to keep the cooperative flowing smoothly, other financial resources and income streams will have to be developed. In addition, there will have to be: assurance of timely payments to farmers; assurance of fair price points for sale of produce; provision of adequate technical support and research to assure profitability and sustainability; and certain systems in place to make sure that there is consistency of quality and quantity. Continuous education is a must and

important, particularly as additional farmer participants come forward. So too are food safety training, increased acreage for production, and adequate access to resources.

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