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THE SMALL FARMERS AGRICULTURAL COOPERATIVE TODAY

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Abstract

The Small Farmer-Tuskegee University-Walmart Project was designed to provide technical support to train at least 200 farmers on best practices in marketing produce to large companies such as Walmart. Activities included specialized training, workshops, and informational group meetings, and overall awareness of market opportunities. The specialized trainings included food safety standards and food safety certification requirements, efficient production techniques, harvesting, grading, packaging, refrigeration/cold chain requirements, transportation, fiscal responsibility, financial management, record-keeping, and insurance and product liability. As part of the process, Tuskegee University assisted with the formation of the Small Farmers Agricultural Cooperative, which is comprised of members from Central and South Alabama. Cooperative training included the benefits 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, ensuring the improvement in marketing opportunities.
Keywords: Cooperative, Produce Marketing, Small Farmers, Small Farmer-Tuskegee University-Walmart Project

Introduction

The Small Farmer-Tuskegee University-Walmart (SFTW) Project, at Tuskegee University, came about as a result of researchers, specialists, and others willing to go farther than they had done before. Up until 2011, Extension and Research focused on assisting small farmers with niche markets, local farmers markets, and local food stores. However, this mode changed when in 2011, there were discussions between leaders at Tuskegee University, Walmart, and the U.S. Department of Agriculture (USDA) about working with small farmers in Alabama to supply produce to the Walmart Distribution Centers (Hill et al., 2014). Meetings were subsequently held on the campus of Tuskegee University with representatives from small farmers, Walmart, USDA, and Tuskegee University faculty and staff. Several months of internal discussions were held to determine if the participants wanted to take on what was slated to be an enormous challenge. 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 produce to large commercial retailers such as Walmart, Whole Foods, and others. Achieving this goal would not be easy because of reasons discussed below.

The staff and faculty who regularly work with small farmers and the administration of the University agreed to refocus staff time and resources on this new venture. 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 SFTW Project, everything changed. The farmers involved and staff and faculty assigned to work with the Project 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. They all started with limited experience in producing food for large-scale commercial supermarkets. With time, they embraced 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 engaged in on-the-job training. The Walmart staff involved in the Project shared their experiences and manifested patience during the learning process. That said, the goal of this paper is to describe the development of the small farmers Agricultural Cooperative (SFAC) and its status today. The SFAC is the representative body of the farmers involved with supplying produce to Walmart. The paper is divided into five sections, namely, initial stages, formation of the Cooperative, shipments, a mature organization today, and conclusion.

Initial Stages

From the outset, the participating farmers did not have adequate resources such as operating capital, irrigation systems, utilization of new technology (e.g., Plasticulture), 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. Yet, each year, farmers "stepped up to the plate" to support the overall effort and made it work. Throughout the past years, beginning in 2011, many informational meetings/discussions were held with small farmer participants in the SFTW Project. In the beginning, countless hours were spent with representatives of C.H. Robinson (a 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 (20) small farmers, with the support of Tuskegee University, launched the 2011 SFTW Project 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 Autauga, Chilton, Montgomery, and Elmore Counties. The majority

of watermelons produced in 2011 and 2012 came from the Autauga/Chilton County areas. 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 Project. 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.

Formation of the Cooperative

In 2012, the participating farmers formed a cooperative, SFAC. 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 SFAC 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 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 SFTW Project. 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 watermelons 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 watermelons 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 as follows: 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 watermelons, and grading melons. The coordination and collective work by the farmers involved was a critical development component of the SFAC. 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. As a result of this 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 SFAC 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 not meeting Walmart's 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 SFAC (Wall 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 the SFTW Project.

A Mature Organization Today

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 had come a long way in a relatively short period of time. SFAC was a totally different organization when the new crop year started. 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 SFTW Project 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 SFAC 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.

SFAC through some assistance by Tuskegee University established a relationship with First Tuskegee Bank (now Liberty Bank). It 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 it could finally write its 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 were initially designated to sign checks on behalf of the Cooperative. There are currently three officers of the Cooperative 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.

The Cooperative has evolved over the past several years. As a result of successfully supplying purple hull peas and watermelon to Walmart, the Cooperative was allowed to supply additional produce including squash, zucchini, and eggplant during the past two years through 2016. Members of the Cooperative were constantly reminded of the importance of consistent delivery of product. This is perhaps the biggest issue facing the Cooperative in its efforts to supply a large corporate giant such as Walmart. Efforts are continually made to increase the number of irrigated acres in production. Tuskegee University faculty and staff assisted participating farmers with irrigation involving wells, pumps, and drip irrigation design and installation. The irrigation resulted in a steady flow and supply of vegetables such as yellow squash and zucchini squash, and eggplant during the past two crop years, 2015 and 2016. In 2015, there were 30 shipments of purple hull peas supplied to Walmart distribution centers in Opelika and Brundidge, Alabama. These distribution centers serve approximately 200 Walmart stores in the Alabama area. There were also 13 shipments of yellow and zucchini squash and 30 shipments of watermelons supplied to those same Walmart distribution centers. In 2016, at the time of writing the paper,

there were 6 shipments of yellow and zucchini squash, 6 shipments of eggplant, and 2 shipments of purple hull peas supplied to Walmart.

In addition to the volume of product supplied to Walmart, farmers have attained the necessary production capacity and management skills needed in order to supply vegetables to other entities, including local food stores, farmers markets, and other direct sales outlets. It is estimated that SFAC has created over 200 full and part time jobs (some seasonal) throughout the State of Alabama. As part of the development of the Cooperative, it was determined that companies such as Pura Vida, Lipman Produce Company, and W.P. Rawls were more suited to help manage the supply of product produced by the Cooperative, because these companies were also fruit and vegetable producers and not just brokerage firms. During the past two crop years the Cooperative expanded its shipping capacity and utilized additional packing facilities in Autaugaville, Alabama in order to be more centralized to the producers considering transportation and logistics.

The Cooperative, through the assistance of Tuskegee University, has visited agricultural operations and processing facilities in other States both large and small. These trips were designed to provide Cooperative members with educational experiences involving new technologies; production, processing, packing and marketing techniques. The leadership has remained stable. Formal Cooperative development training has been provided along with continuous support and guidance from the faculty and staff of the College of Agriculture, Environment and Nutrition Sciences, Tuskegee University. Regular conference calls and Cooperative Board of Directors meetings have been held over the past two years in an effort to keep communication and information flowing throughout the Cooperative membership. The Cooperative leadership has also been intimately involved in the construction and retrofitting of the processing facility located in Selma, Alabama. Work is being done to accommodate commercial and retail markets for vegetable processing, refrigeration and storage, shipping as well as some on-site sales opportunities.

Conclusion

Looking forward, the success of the SFAC in terms of supplying larger commercial markets will depend on its financial resources, management capacity, as well as the ability to supply product on a consistent basis. The members will be required to work more closely together sharing resources, information, and opportunities. Volume of produce must be increased while maintaining quality. Members have to continue to be totally committed to the importance of quality control – close coordination of planting schedules, pesticide programs, pollination, fertilization and chemical applications, soil tests, irrigation, labor/harvesting, refrigeration, and transportation. SFAC has to be in “lock-step” with every aspect of the commercial marketing effort. In order to keep the activities of 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 for risk management, such as irrigation infrastructure, integrated pest management, and reliable or contracted labor, to make sure that there is consistency of quality and quantity.

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