

## Sustainability and Beyond – Through Cooperation<sup>i</sup>

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The growing popularity of organic foods is frequently cited as the major success story of the sustainable agriculture movement. The growth in sales of organic foods has been quite impressive. The *Organic Trade Association* (OTA) estimates that U.S. sales of organic food and beverages have grown from \$1 billion in 1990 to \$26.7 billion in 2010.<sup>1</sup> Organic sales have continued to grow at near double digit rates even during the economic recession. For example, sales of organic fruits and vegetables were up almost 12 percent for 2010 compared with 2009. Organic foods still account for about 4 percent of overall food and beverage sales, but organic fruits and vegetables now represent more than 11 percent of all U.S. fruit and vegetable sales.

The popularity of organics has brought about fundamental changes in systems of production and distribution of organic foods. Early the organic movement, organic farms were small and independently operated and the pioneering natural food stores were mostly small cooperatives. However for 2010, OTA estimated that mass market retailers sold 54 percent of organic foods – including mainstream supermarkets, club/warehouse stores, and other mass merchandisers. Natural food chain retailers, such as Whole Foods and Trader Joe's, accounted for 39 percent of total organic food sales. The remaining 7 percent was left for farmers' markets, community supported agriculture (CSAs), specialty stores, mail order, Internet sales, and exports. As was pointed out in a recent *New York Times* article, “as more Americans buy foods with the organic label, the products are increasingly removed from the traditional organic ideal: produce that is not only free of chemicals and pesticides but also grown locally on small farms in a way that protects the environment.”<sup>2</sup>

The article dealt specifically with the increasing reliance of mass retailers on large, ecologically and socially exploitative organic farming operations in Mexico. Fred Kirtchenmann, a prominent advocate of sustainable organic farming, was quoted in the article as saying, “People are now buying from a global commodity market, and they have to be skeptical even when the label says ‘organic’ — that doesn't tell people all they need to know. Some large farms that have qualified as organic employ environmentally damaging practices.” The lack of sustainability in organics is not limited to foreign production. A periodic statistical review of California's organic agriculture gives some indication of the growing industrialization of organic production in the U.S. In 2009, for example, 8 percent of California organic farming operations with sales of over \$1 million a year, about 185 producers, represented 72 percent of total organic production in the state.<sup>3</sup> These are not the types of farms that American organic consumers typically associate with organic foods, but they are all “USDA certified organic.”

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Those who are concerned with the sustainability of our food system need to understand that current USDA organic standards are fundamentally incapable of protecting the ecological and social integrity of the organic movement. Jim Riddle, who has been intimately involved in the organic movement, including the USDA National Organic Program, has made numerous presentations around the country explaining what he calls the *Organic Constellation of Values*.<sup>4</sup> In his presentations he identifies 23 values which characterize true organic food production. He openly admits that only about one-third of these organic values are “clearly included” in the national standards. Another one-third of the values are “somewhat included.” This means about one-third of the values traditionally associated with organic farming are “not included” in the USDA organic standards. In general, the USDA organic standards leave out the critical social and ethical values that are essential for agricultural sustainability.

Organic farmers who are committed to maintaining the integrity of organics are facing increasing competitive pressures from larger industrial organic operations. The large operations are able to benefit from economic efficiencies or economies of scale, not only in production but also in processing, distribution, and retail marketing. Those with smaller organic operations increasingly are looking to the cooperative business model as a means of increasing the economic viability of their enterprises. Organic Valley is perhaps the most prominent example of a producer owned and operated cooperative that has been able to compete with industrial organic milk producers. By cooperating with other organic producers small and medium-sized farms are able to gain economic efficiencies in assembly, processing, and marketing without sacrificing control over the integrity of their production methods or products.

However, the fact that an organic food product comes from a farmer-owned cooperative does not ensure that it came from a sustainable organic farm. A sustainable organic agriculture must meet the needs of the present without diminishing opportunities for the future. Since all economic value ultimately is derived from nature and society – from land and people – an organic farm cannot be sustained economically unless it is also ecologically and socially sustainable. Certified organic foods are clearly the best alternative available in most mainstream supermarkets markets today. However, sustainable organic farms must reflect the complete “constellation of organic values” to ensure their social and ecological integrity. While cooperatives certainly have more economic potential than do independent producers, cooperative organizations motivated primarily by economic concerns are no more sustainable than are their corporate competitors.

Most certainly, organic farmers must be willing to confront today's economic realities. Historically, in market economies, such as the U.S., food systems have been coordinated by competitive markets. In such markets, changes in consumers' needs, preferences, and incomes are reflected in changing retail prices. When consumers demand more of something, its prices are raised to ration the available supplies. Higher retail prices also provide profit incentives for retailers, who then provide profit incentives to processors, who then provide profit incentives for producers to supply more of the higher priced product in response to the stronger consumer demand. Thus, the food system is coordinated vertically, from consumers to farmers, through *vertical competition*. This is basically the conditions under which the organic food movement has emerged and has grown. As consumers' preferences shifted away from industrially produced

foods and toward organic foods, price premiums for organic foods provided both economic incentives and financial means for organic farmers to expand production.

However, market growth does not ensure profitability in market economies, as organic farmers have discovered. Competition among enterprises within the various sectors of the food system, including farming, processing, distribution, and retailing, have limited the potential for profits from sales of organic foods. If such markets were “purely competitive,” any excess profits would have been passed on to the consumer in the form of larger quantities, lower prices, or higher quality organic products. As long as organic markets were growing, there would be potential profits for at least some participants in the vertical food system. If organic markets were to stabilize under purely competitive conditions there would be just enough profits in the vertical system to allow organic farmers and others to stay in business and keep producing, processing, and distributing organic foods. The benefits of economic efficiency under pure competition would accrue to people as organic consumers, not as organic retailers, processors, or producers.

That said; the reality of today's American food system is very different from the purely competitive model of free-market economies. In today's economic reality, large-scale corporate food processors, distributors, and retailers dominate their respective sectors of the food marketing system. Only the farming sector retains any element of true economic competition, and true competition is rapidly disappearing even in farm-level markets. Today, large corporate processors and retailers dominate their particular sector of the market, and depending on the particular food sector, dominate the entire vertical food supply chain, from retailing to agricultural production. This increasingly is the case for the organic food market as well as conventional food markets. These dominant corporations are in a position to retain all excess profits for their stockholders. Consumers' food choices are limited to those products the food corporations find most profitable, and farmers are left with even less profit than they would have had under vertical competition. The economic power in the American food system has been shifted from consumers to multinational corporate stockholders.

Furthermore, the last vestiges of *vertical competition* are rapidly giving way to *vertical integration*. With vertical integration, the large corporate food retailers or processors not only dominate markets, they essentially take control of the other levels in the vertical food supply chain, from agricultural production through retailing. They may do so through outright ownership, formal contractual arrangements, strategic alliances, or through sheer market power, as in the case of Walmart in the U.S. Whole Foods holds much the same position in the organic food system as Walmart holds in the conventional food system. In such cases, the dominate corporations decide what is to be produced, when it is to be produced, how it will be produced, and who will produce it. Vertical integration is a corporate version of “central planning.” Farmers, who have the least economic power of anyone in the entire system, are forced to adapt to corporate business strategies that deplete the productivity of the soil, pollute the air and water, exploit their workers, and force their neighbors out of farming – just to survive economically. Such systems simply are not sustainable – ecologically, socially, or economically.

As indicated previously, all economic value comes from either nature or society. There is no place else to get anything of use to people and thus anything of economic value to people. There are no economic incentives to invest in maintaining the fertility of the land or the productivity of

people, unless something of greater economic value is expected in return. There are no economic incentives to invest in anything for the sole benefit of a community, society, or for the future of humanity. Most humans don't make purely economic decisions; they respond to social pressures and ethical values, which moderate their economic self-interests. The large publicly owned, for-profit corporations that control the food system are not humans. They have no human capacity for social or ethical responsibility. As a result, the large food corporations feel no guilt or shame when they put farmers under relentless economic pressures to exploit their land, their workers, and their neighbors. The same thing that has happened to conventional farmers is happening and will continue to happen to organic farmers in vertically integrated food systems.

It is critical for farmers to understand that economic relationships are fundamentally different from social or ethical relationships because economic value is fundamentally different from social or ethical value. Economic value is individualistic, instrumental, and impersonal. Economic value accrues to individuals, not to a community or society as a whole. An economy is simply a collection of individual enterprises. Economic value is instrumental in that economic decisions are always predicated on the expectation of receiving something of greater economic value in return. An economic transaction is a means to an end, not an end in itself. Economic value is impersonal in that economic value is determined through trade or exchange among different individuals. The specific individual or person involved in an economic transaction just doesn't matter.

Social value also is instrumental, in that something of value is always expected from a social relationship. Unlike economic transactions, the expectations from social relationships often are not precise with respect to what is expected or when something is expected in return. However, if we want to have a friend we must be a friend in return. Social value is different from economic value in that social value is clearly personal. The value of a social relationship is dependent on the specific individuals involved in the relationship. Spouses are not interchangeable and neither are true friends. Purely social relationships produce nothing of economic value because they cannot be exchanged among different people – they can't be bought or sold. Unlike economic relationships, once social relationships end, there is nothing left that can be sold or traded to anyone else – only the personal memories.

Social relationships are interpersonal, in that social values accrue to individuals in relationships with other individuals. However, social values naturally evolve into cultural and ethical values, which are communal rather than individual. As reciprocal expectations become less personal and less precisely defined, social concerns become associated with communities, societies, or nations rather than specific individuals, resulting in feelings such as community pride and patriotism. Cultural values recognize and respect the common values or shared values within families, communities, and societies as wholes, making them something more than collections of individuals. Eventually, the recognition of value and respect spreads to those of other nations and to humanity as a whole, including those of future generations. This is the process by which social values evolve into cultural values, which are a key aspect of ethical values

Ethical values are different from economic and social values in that they are not instrumental, personal, or individual. The person who does things for purely ethical reasons has no expectation

of receiving anything in return, at least not in his or her lifetime. They do it simply because they believe it is the right and good thing to do. Ethical relationships are not means to ends; the realization of ethical value is immediate. The act is its own reward. Ethical values are clearly impersonal. What is right for one person is right for another; what is wrong for one person is wrong for another. If the particular person matters, it's a social rather than ethical matter. Sustainability is ultimately an ethical issue. Ethical values are communal, in that what is good for one is good for all, including those of future generations. The only rational reason for doing something solely for the benefit of someone else, particularly someone of some future generation, is because it has ethical value – because it is the right thing to do. The act of true stewardship is its own reward.

Certainly, there may be economic value associated with relationships that also have social and ethical dimensions. It's easier and more economically efficient to do business with people we know and trust. In economic jargon, “social capital” reduces economic “transactions costs.” Also, many people would rather deal with someone who has a reputation for ethical business practices. Businesses can “do well” financially by “doing good.” However, relationships that are purely economic have no personal or ethical value and relationships that are purely social or ethical have no economic value. It makes no more sense to try to translate ethical values into economic values than to try to translate economic values into ethical values.

So what does this have to do with the sustainability of organic farming? The only sustainable alternative to *vertical integration* and *vertical competition* is “*vertical cooperation*.” Cooperative relationships are neither competitive nor exploitative, they are mutually beneficial. Within a *vertically cooperative* food chain, economic benefits would be shared fairly and equitably among consumers, retailers, processors, farmers, and anyone else involved in the collaboration. The vertical system would be coordinated through cooperation rather than competition or integration. The participants together would decide what to produce, where and when it will be available, how it will be produced and processed, and who will produce and process it. They also will agree on a pricing arrangement that ensures consumers will get the products they need and want at price they are willing and able to pay.

Everyone in a sustainable vertical cooperative would receive an economic return adequate to reward them for their contribution to the process, without exploiting the natural and human resources that must sustain the long run economic viability of the system. Fair and equitable levels of profits would be sustainable for all participants. Food systems, organic or otherwise, that lack these essential characteristics will not be sustainable in the future.

The legal organizational structure of vertical cooperation doesn't really matter. The organization can be a cooperative, a collaborative, or an alliance, as long as individuals at all levels are willing to cooperate, rather than compete or submit to corporate control. Such organizations cannot be sustained by economic interests because of the instrumental and impersonal nature of economic value. There will always be an economic incentive to ignore social and ethical values, to extract and exploit in order to achieve greater economic efficiency. Vertical cooperation can be sustained only by cooperative members consistently expressing their shared social and ethical commitments to the sustainability of the cooperative venture. Sustainable organic farmers should either form cooperatives with their like-minded friends or to

make friends of like-minded people with whom they choose to form cooperatives. Relations based solely on economics are inherently and inevitably unstable and unsustainable.

The basic concepts and principles of vertical cooperation underlie all sustainability-driven agricultural movements, including organic, biodynamic, holistic, ecological, and others. However, there probably aren't any vertically cooperative arrangements at present that meet all of the necessary conditions for sustainability. The Food Commons project in California provides one of the best conceptual blueprints available for forming and sustaining a vertical cooperative organization.<sup>5</sup> The differences between vertical cooperation and either vertical integration or vertical competition are clearly reflected in guiding principles of the Food Commons. Those core principles include: fairness, sustainability, decentralization, transparency, stewardship, accountability, subsidiarity, reciprocity, and ethics – as well as essential economic principles.

Today's organic food systems clearly will need to “scale up,” if they are to replace the current industrial food system at sometime in the future. If they are to scale-up without losing their social and ecological integrity, vertical cooperation not only must permeate their organizations but also must span the entire vertical food chain, from farmers to consumers – from dirt to the dinner plate. If cooperative food value chains intersect with the valueless industrial food supply chains at any level, they will become a part of a vertical integrated or vertical competitive system in which large corporate entities have the economic or political power to extract the profits from the entire system. Organic farmers will again be forced to extract and exploit in order to survive. Thus, the sustainability of profits for farmers in vertically cooperative value chains depends on maintaining the social and ethical integrity of relationships among those at all levels in the food value chain, from producer to consumer.

While social and ethical relationships are easier to form and maintain in local and regional food systems, vertical cooperation can span national and even global markets as well. The key to success is to form and maintain a meaningful sense of personal connectedness among people with shared ethical values – specifically a shared commitment to sustainability. With modern communication and information systems, such relationships are not limited to local, regional, or even national markets. The ethical value of stewardship spans many global cultures.

Admittedly, the economic necessity to cooperate rather than compete will create significant challenges for many of today's organic farmers. Many organic farmers have a good grasp of organic production methods. For those who don't, both research and experiential information is becoming more widely available. However, far less support is available to help farmers build and maintain personal relationships. Perhaps even more important, farmers traditionally have prided themselves on their independence. Many simply have not thought it necessary to understand the science or art of social relationships, at least not beyond their close friends and family members. However, those who master the art and science of social relationships may well find it to be one of the most economically and personally rewarding aspects of farming in the future.

A relatively small set of essential principles underlie all positive human relationships. These principles are a part of every major enduring religion and philosophy and transcend all races, nationalities, and cultures of the world. Different people obviously hold different values, but they also share a set of common core values. The Institute for Global Ethics has conducted surveys,

interviews, and focus groups with people around the world, asking people, “What do you think are the core moral and ethical values held in the highest regard in your community?”<sup>6</sup> Recall, moral and ethical values evolve from social values. From a wide variety of responses, five values consistently ranked high in virtually every inquiry. They were honesty, fairness, responsibility, compassion, and respect. Even without such research, we know intuitively that we cannot maintain a positive personal relationship with someone who is consistently dishonest, unfair, irresponsible, disrespectful, and uncaring.

The first three values – honesty, fairness, and responsibility – together define the principle of trust. A trustworthy person is not only honest and fair in their relationships with others, but also is willing to accept their share of responsibility and can be depended upon to fulfill their commitments. The consumers driving the sustainable food movement are seeking relationships with farmers they can trust. That's what the “local food” movement is about – restoring trust to the food system, including organics. Farmers who can be depended upon to treat their customers with honesty and fairness, and who are responsible stewards of the land, can be trusted. And such farmers will be able to find trustworthy customers who will be responsible, honest, and fair in return, both socially and economically.

The social values of respect and compassion define the principle of kindness. Kindness requires empathy, meaning the willingness and ability of a person to visualize him or herself in the place of another, and then, to treat the other person as they would have liked to be treated, if they were the other person. Kindness is rooted in respect, in that we must show the same respect for others that we would have them show for us. Respect requires compassion; there are occasions in life when we all need mercy rather than justice. Kindness goes beyond trust, at times requiring us to be more than fair or less than *brutally* honest. Relationships of kindness are not impersonal; they are loving, caring, social relationships.

The final principle of positive personal relationships is courage. It takes courage to be trusting and kind. It takes courage to form meaningful relationships with other people and to stay committed to those relationships through times of inevitable misunderstanding, disappointment, and hurt feelings. Courage requires self-confidence, discipline, and perseverance. We must have confidence in ourselves or we will not be willing to confide in others and we must have the discipline and perseverance to stick with our personal commitments. But, we cannot allow self-confidence to degenerate into aggression and domination. We must have *moral* courage.<sup>7</sup>

Sustainable relationships are relationships of integrity. Integrity suggests the qualities of wholeness, completeness, and soundness. Trust and trustworthiness are necessary to sustain personal relationships, but kindness and caring will also be required at times. Lacking the courage to act, to initiate and cultivate meaningful relationships, the commendable characteristics of trust and kindness can accomplish relatively little. Relationships of integrity are whole and complete. They must be built upon the principles trust, kindness, and courage.

Many farmers have chosen farming as a way of life for the independence, privacy, and solitude of working with the land rather than relating to other people. When farmers work cooperatively, some may take the lead in facilitating cooperative relationships which reduces the personal demands on others. However, it is still critical that farmers be able to relate personally

with others in the cooperative, because relationships based solely on economic interests are inherently unsustainable. In addition, consumers who identify with the sustainable food culture need to feel a sense of personal connectedness with their farmers. While such relationships may be less personal and thus less demanding in cooperatives, farmers still need to be willing and able to relate to their customers. Sustainable cooperation is built on personal relationships.

Some may question whether this concept of vertical cooperation is naïve or idealistic, whether it squares with economic reality. A few quotes from arguably the most widely respected economist of the 20<sup>th</sup> century, John Maynard Keynes, provide some valuable insights into such questions. Back in the early 1920s, Keynes wrote, “the *economic problem* may be solved, or at least within sight of solution, within a hundred years. This means that the economic problem is not... *the permanent problem of the human race*.”<sup>8</sup> Man's permanent problem will be “how to use his freedom from pressing economic cares ... to live wisely and agreeably and well.”

As it turned out, Keynes was right. The “economic problem” has already been solved for the vast majority of Americans, as well as those in the rest of the so-called *developed* world. In fact, most Americans probably had as much material wealth as we actually needed as far back as the 1950s. A 2004 review of more than 150 scholarly studies indicate that as national economies grow, beyond some very modest level of material well-being, around \$10,000 to \$15,000 per capita – there is little if any correlation between increased wealth and the overall happiness or well-being of people in a nation.<sup>9</sup> A 2003 British cabinet office report confirmed that “Despite huge increases in affluence compared with 1950, people throughout the developed world reported no greater feelings of happiness.”<sup>10</sup>

The research is simply confirming our common sense. Once our basic material needs are met – food, clothing, shelter, health care, – we know that the quality of our life depends far more on the quality of our relationships – friends, family, community, society – than on the quantity of income or wealth. Our happiness also depends on our having a sense of purpose and meaning in life. Without purpose and meaning, there is no sense of rightness or goodness in what we do. Once our basic economic needs are met, the pursuit of happiness is about developing the social and ethical dimensions of life, rather than striving for more income or wealth. Thankfully for the vast majority of Americans, our economic problem has been solved.

It's time to look beyond the limits and constraints of sustainability and begin to focus on the unlimited opportunities for creating a new and better world for the future. Ironically, the economic, social, and ethical principles of sustainable farming are identical to the basic principles of human happiness. It's time to awaken to a new reality: It is not a sacrifice to share with other people or to care for the earth. These things make our lives better. The social and ethical values of sharing and caring far outweigh any short run economic sacrifice. We only need enough economic value to live “well,” and most of us have more than enough. What most of us need most are the social values that come from living more “agreeably” and the ethical values of living more “wisely.” It's time to move beyond sustainability and to focus our time and energy on learning to farm and to live “wisely, agreeably, and well.”

## End Notes:

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<sup>1</sup> Organic Trade Association, “Industry Statistics and Projected Growth,” *Organic Trade Association's 2011 Organic Industry Survey*, <http://www.ota.com/organic/mt/business.html>

<sup>2</sup> Elisabeth Rosenthal, “Organic Agriculture May be Outgrowing its Ideals,” *New York Times*, December 31, 2011. [http://www.nytimes.com/2011/12/31/science/earth/questions-about-organic-produce-and-sustainability.html?\\_r=1&nl=todaysheadlines&emc=th2](http://www.nytimes.com/2011/12/31/science/earth/questions-about-organic-produce-and-sustainability.html?_r=1&nl=todaysheadlines&emc=th2).

<sup>3</sup> Karen Klonsky and Kurt Richter, “Statistical Review of California's Organic Agriculture, 2005- 2011,” Agriculture Issues Center, University of California, May 2007.

<sup>4</sup> Jim Riddle “Organic Constellation of Values,” The New Farm -- Regenerative Agriculture Worldwide, Rodale Institute, <http://www.newfarm.org/features/2005/1105/constellation/riddle.shtml>.

<sup>5</sup> The Food Commons: Imagine, Design, and Build <http://www.thefoodcommons.org/index.html>

<sup>6</sup> Rushworth M. Kidder, *Moral Courage* (New York: William Morrow, HarperCollins Publishers, 2005), 43.

<sup>7</sup> Kidder, *Moral Courage*.

<sup>8</sup> John Maynard Keynes, *Essays in Persuasion*, (Miami, FL: BN Publishing – no copyright date) pp. 366-368.

<sup>9</sup> Diener and Seligman, “Beyond Money,” *Psychological Science in the Public Interest*, 5 (1), 2004, 1–31.

<sup>10</sup> Oliver James, “Children before cash; better childcare will do more for our wellbeing than greater affluence,” *The Guardian*, May 17, 2003.