AGRICULTURAL COOPERATIVES

OPPORTUNITIES AND CHALLENGES FOR AFRICAN AMERICAN WOMEN IN THE SOUTH

BY MICHAEL A. PAARLBERG, PH.D., ASSOCIATE FELLOW, INSTITUTE FOR POLICY STUDIES
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The Black Worker Initiative is a bold and exciting new effort launched by the Institute for Policy Studies, which is deeply committed to helping achieve both the historic and contemporary aims of the labor and civil rights movements. Black workers have been particularly hard hit by the rising tide of inequality in today’s economy. We hope our Initiative will be part of the solution to expanding opportunities for Black worker organizing and thereby greatly aid the revitalization of the U.S. labor movement. Indeed, the Initiative operates under the belief that Black workers hold a key role in union revitalization. Without a platform for their voices and perspectives, a vital piece of the progressive movement is absent from the greater public discourse on race and economic and social justice. The Initiative uses conferences, published reports, public education materials, and mainstream and social media in framing a road map to how Black worker organizing can be an ongoing vehicle for the preservation of the labor movement and the promotion of civil rights and racial and economic justice.

This report was written in consultation with the Southern Rural Black Women’s Initiative for Economic and Social Justice (SRBWI). SRBWI, now in its sixteenth year, has cultivated an intergenerational network of Black women leaders and Black women-led, community-based organizations spanning the Mississippi Delta and the Black Belts of Alabama and Georgia that is developing culturally affirming, alternative economic development models, positively influencing the allocation of public resources, and mitigating systemic, social and economic injustice. A primary focus of SRBWI’s work involves equipping Black women to participate in and/or establish and advance worker-owned and cooperative businesses capable of generating economic opportunity in low wealth communities, enhancing regional food security, and building individual and community assets.
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Executive Summary

Agricultural cooperatives are a promising area of economic opportunity for African American women in the rural South, who face some of the sharpest disparities in economic advancement. By increasing the local availability of quality food, these businesses also have the potential to improve health indicators in a region marked by disproportionately high rates of obesity, diabetes, and other related problems. Yet prevailing economic development models in these states are heavily skewed toward subsidizing large companies that offer few benefits for rural African American women.

Key Findings:

- **Support for agricultural cooperatives mostly comes through the federal government, however such funding is dwarfed by state government subsidies for large corporations.** Alabama, Mississippi, and Georgia have each offered massive tax breaks and other subsidies to attract large manufacturing facilities. Nissan is at the top end, with an estimated $1.3 billion in subsidies for its Canton, Mississippi, plant ($290,000 per job), but several other firms have received packages worth hundreds of millions of dollars. To put these figures in perspective, the U.S. Department of Agriculture’s Rural Business Enterprise Grant Program has awarded a total of just $2.3 million disbursed among all agricultural business development grantees in these three states since 2010, and another USDA grant program for specialty crop development amounted to less than $2 million in 2017 for all awarded applicants in these three states.

- **In the Black Belt—a term originally signifying the dark fertile soil of the agricultural region of the rural South largely cultivated by enslaved Africans and in the present day made up of rural counties with large African American populations—most jobs remain in agriculture or are predominantly in the low-paying service sector, particularly since the exodus of industries from the region following the signing of the North American Free Trade Agreement in the 1990s.** The service sector employs the majority of workers in the Black Belt counties of Alabama, Mississippi, and Georgia, which are largely untouched by the companies subsidized under current state economic development models. The average weekly wages in these counties are all lower than state averages, unemployment is higher, and the share of employment in manufacturing is under 15 percent in all three states.

- **Despite high barriers, African American farm co-ops are harnessing existing knowledge and entrepreneurialism that trace back generations and should be at the center of an alternative economic vision for the South.**
Case studies of four existing Black-owned cooperatives in Mississippi illustrate the challenges and opportunities of this economic model. Farmers report that their top challenge is financing. With modest increases in public investment in technical support and start-up capital, such cooperatives could greatly expand into new markets, employ significant numbers of people, and contribute healthier food to their communities.
Challenges African American Women Face in the South

Many things are harder in the rural South than they are in other parts of the country, particularly for underserved communities. Finding a job. Accessing healthcare. Taking care of children and family members. Starting a business. Getting a loan.

No community in the rural South is more underserved than African American women. The day-to-day challenges African American women face, just to provide for their families, point to the myriad ways the Southern economy falls short for all working people. These failings have ripple effects across the region: increased health and social welfare costs, population loss as people move away, and the opportunity costs of economic activity that might be were it not for the conditions that prevent it. Thus, solutions to improve the economic opportunities of the most vulnerable populations are solutions for all populations.

Several studies paint a stark picture for Southern Black women in terms of work, health, and family life. The South is growing in population and economic activity, driven by both new immigration and domestic migration to the South by many who have family roots there. Women in the South are disproportionately African American: Nearly 20 percent of all women in the South are Black, compared to 9 percent in the U.S. as a whole.¹ In rural counties in the South, households headed by Black women are three times more likely to be affected by poverty than those headed by White women.²

African American women in the South have long faced adverse conditions that stunt their potential for economic empowerment and independence. Jim Crow laws no longer exist, but structural inequalities manifested through hiring discrimination; flaws in the criminal justice system; the lack of infrastructure, investment, childcare and other social services for mothers; and anti-union legislation all hold back the poorest women who might otherwise lift themselves out of poverty. Before we can search for solutions, we must identify the problem. This section looks at the socio-economic landscape of the South as it pertains to women, particularly African American women.³

**Poverty**

- Poverty hits women harder in the South than anywhere else in the country: 16.4 percent of women in the South live below the poverty line, compared to 13.7 percent of women in the rest of the United States. Black women have the highest poverty rate of all racial groups in the South, 25.5 percent.⁴
- Poverty hits women in rural areas the hardest: Women in rural counties in Georgia, Alabama, and Mississippi have poverty rates ranging from 39 to 50 percent, while poverty rates for women in those
states as a whole range from 11 to 24 percent.

- Poverty hits households headed by Black mothers the hardest. In rural areas in the South, 61 percent live in poverty. Households headed by Black mothers in the rural South are three times more likely to be in poverty than households headed by White mothers.

**Work**

- Black women in the rural South have a harder time finding full-time employment than other demographic groups. Black women surveyed in rural Southern areas had an unemployment rate of 24 percent—five times higher than White women in the same areas.
- Women in the South earn $35,000 per year, on average, vs. $40,000 for women in other regions. Mississippi and Arkansas have the lowest median earnings for women in the country, just $30,000. Both states also have the lowest median earnings for Black women of all states in the country, $25,000.
- The earnings gap between those who live in the South vs. the rest of the country is largest for Black women. Black women in the South earn $8,000 less than Black women outside of the South, a difference far greater than that for White women in the South ($3,000).
- The earnings gap between women and men is greater in the South than in the U.S. as a whole. In this region, women earn just 79.5 percent of what men earn, whereas in the rest of the U.S. women earn 80.5 percent as much as men. Black women in the South actually have a smaller gender wage gap compared to other races: they make 85.7 percent of what Black men make, due in part to the racial wage gap for Black vs. White men.
- There is a significant earnings advantage for Black women in the South who are members of a union; they earn 34.5 percent more than their non-union counterparts. However, union membership in the South is the lowest of any region in the U.S. The states with the lowest rates of unionization are all in the South: South Carolina (1.6 percent), North Carolina (3.0 percent), Arkansas (3.9 percent), and Georgia (3.9 percent).

**Health**

- Women in the South have a greater incidence of many illnesses compared to the national average, including for heart disease, breast cancer, diabetes, and AIDS.
- Lack of healthcare is especially acute in rural areas. Just half of employees in rural areas have employer-provided health insurance, lower than that in urban areas, and 40 percent of those who have health coverage receive it through public assistance programs, such as Medicaid. Notably, the legislatures in the three states studied in this report, Alabama, Georgia, and Mississippi, declined to expand Medicaid to fill gaps in coverage.
- Maternal mortality is extremely high in the South, especially for Black women...
women: in Mississippi, 55 Black women per 1,000 die from pregnancy or childbirth-related causes compared to 29 per 1,000 for White women. Nationally, the maternal mortality rate is 26 per 1,000.

- Infant mortality is also high for predominantly Black counties in the rural South, in some counties as much as five times the national average of 29 per 1,000. Obesity rates are highest in the South at more than 30 percent. African Americans have the highest obesity rates of all races in the South, at 48 percent, and in some states, such as Mississippi, the obesity rate for Black women can be above 50 percent.

- In the South, Black women have the highest rate of diabetes, 15.5 percent. Improper treatment of this disease can lead to amputations of extremities, a procedure that is more common in Mississippi than any other state.

- High obesity and diabetes rates are directly linked to lack of access to nutritious and affordable food. This is especially true in rural areas, due to lack of transportation and food deserts.

- Life expectancy is lower in rural areas: in many areas in the South it is 77 or lower, compared to the national average of 81.3 years for women.

**Family**

- Four out of five, or 79.6 percent of all Black mothers in the South are their families’ breadwinners, compared to just half (48.8 percent) of White mothers in the South. 1.6 million African American women in the South are breadwinners, which is more than those in the entire rest of the United States combined.

- Early motherhood is more common in rural areas and correlates with lack of family planning services in rural communities and proper sex education in schools. Mississippi, a state which mandates abstinence-plus education, has the highest rate of teen pregnancy in the South, 76 per 1,000; and for Black teenage girls in rural areas, the rate can be as high as 118 per 1,000.

- However, families headed by Black women in rural areas are no more likely to rely on public assistance: One-third of families surveyed in rural areas reported reliance on Supplemental Nutrition Assistance Program (SNAP) to make ends meet, on par with the national average.

- Nationwide, African American women are especially likely to report having to take time off work to take care of a family member: 1 in 4 reports doing so.

- In the South, women are more likely to live with parents or other adults with disabilities and act as unpaid caregivers. In five Southern states—West Virginia, Mississippi, Arkansas, Kentucky, and Alabama—nearly 1 in 5 women reports doing so.
Promising Indicators: Local Business Ownership

These are the challenges faced by Black women: lack of good jobs, greater family responsibilities, health disparities exacerbated by poor infrastructure, and lack of access to affordable nutritious food. Nevertheless, there are opportunities for progress by African American women in the South, particularly in business:

- The South performs better than the rest of the U.S. in terms of women-owned businesses. Nine of the 14 Southern states have higher rates of women business ownership than the national average. Georgia has an especially high rate: 40.5 percent of businesses there are owned by women.

- The rate of growth of women-owned businesses in the South surpassed that of men-owned businesses in every state in the South between 2002 and 2012, with especially high growth rates in Georgia, Mississippi, Texas, and Florida.

- African American women have especially high rates of business ownership compared to other women. Between 1997 and 2012, the number of businesses nationwide owned by women of color grew 17 percent. As for 2012, nearly 60 percent of all Black-owned businesses were owned by women, nearly double (33 percent) the percentage of White-owned businesses owned by women.

The high growth of Black women-owned businesses may be a response to the lack of opportunity in other types of work in the Southern economy, as reflected by the wide gender wage gap. This trend may also reflect frustration with workplace gender and race discrimination and the desire to be one’s own boss. A 2014 survey by PayPal of women in business found most are motivated to own businesses as a way to better balance work with family responsibilities, such as child care and elder care, which hit Black women in the South the hardest.14

For myriad reasons, more and more Black women in the South are opening their own businesses. Yet these business owners face similar challenges as others in the labor market. Women-owned businesses earn just 23 percent of what businesses owned by men earn nationally. Women-owned businesses tend to be in less remunerative areas of the service economy, such as healthcare; they tend to be smaller; have fewer employees; and have a lower volume of sales.15

Women-owned businesses face significant start-up obstacles: They are less likely than men-owned businesses to have access to capital or obtain loans from banks.16 Thus their rate of survival is significantly lower: 78.2 percent compared to 83.4 percent for men-owned businesses in 2007.17
What do these indicators tell us about the socioeconomic situation of African American women in the South? There are enormous challenges and legacies of historical and institutional inequalities. But there are also avenues for economic advancement with improved policies. African American women face the highest rates of poverty and wage discrimination and take on breadwinner and caregiver responsibilities at rates unseen among other demographic groups. They face some of the worst health challenges in the South and the nation. However, the South—with a growing population and overall robust level of economic activity—is an increasingly attractive region for business growth.

There is a great entrepreneurial spirit ready to make an impact in some of the country’s most economically distressed areas. Black women are participating in business at a greater rate than any other group and own a greater share of businesses in the South than Black men. Yet obstacles, such as discrimination in the labor market, persist in the business market—principally in the form of lack of access to credit and capital—stifling the opportunity to grow.

One area with tremendous potential benefits for economic empowerment of Southern Black women, particularly in rural areas, is cooperative agriculture. As in the rest of the country, the region’s traditional economic base has been farming and there continues to be a great deal of expertise in this area. Additionally, cooperatives offer the added value of pooling resources and enabling participants to reach economies of scale that they would not otherwise be able to do on their own. Cooperative agricultural economic activity also helps address the poor health indicators in the South by expanding access to quality food. But as explained in more detail in the following section, realizing the full potential of cooperative farming will require a reorientation of the predominant economic development model in most Southern states, which is currently focused on the publicly financed recruitment of large corporations and heavy industry. Instead, the economic development model must shift to cultivating entrepreneurship within the existing local agricultural workforce.
Shortcoming of Current Economic Development Models

The Economic Development Industry

Promoting economic development is a growth market; and policies that result from it can lose sight of the people they are intended to benefit. As former policy advisor to Governor Phil Bryant of Mississippi, Tray Hairston notes in the Mississippi College Law Review, economic development is no longer simply a government policy platform but a “full-fledged industry” involving government partnerships with private businesses, nonprofits, professional and industry associations, law firms, public relations firms, and universities.\textsuperscript{18} As such, the scope and goals of state and local economic development plans have grown to encompass a wide range of policies designed to stimulate business activity, attract investment, and spur job growth, with many of those policies informed by the interests and lobbying efforts of those partners.

The Failure of Existing Plans

Existing economic development plans fail marginalized populations in the South because those groups—particularly African Americans, women, and small farmers—have long been denied a seat at the table. What is needed is a vision that aims to empower the most historically underserved populations to take part fully in the economy and to shape a vision for what an inclusive economic development plan would look like.

Corporate Welfare

Today, many states—especially Southern states—rely on a narrow vision of economic development that prioritizes certain sectors dominated by large employers at great expense to taxpayers. Much of what is termed economic development is essentially corporate welfare: government-funded giveaways to well-heeled companies, including tax credits or abatements, tax-increment financing, enterprise zones, land price write-downs, industrial revenue bonds, or cash grants. These subsidies cost taxpayers an estimated $60 billion per year.\textsuperscript{19} Southern states compete against one another, undercutting neighbors and lowering standards in the hopes of attracting large investments in industry that will spill over into broader economic activity. Often this approach has the opposite effect: Subsidies can artificially inflate the profitability of the targeted businesses and put locally owned
businesses at a competitive disadvantage. In addition, state elected officials often take on the role of disciplining local communities on behalf of rich, out-of-state or foreign companies, such as actively campaigning against Mississippi auto workers seeking to unionize.

Several researchers, particularly the government accountability advocacy group Good Jobs First, have documented wasteful and costly giveaways that many states use in the name of economic development. A summary of these initiatives in some of the Deep South states where poverty is most entrenched speaks volumes about the priorities these and other states set ahead of working people.

**Alabama**

Along with its neighbors, Alabama has gone all-in on auto manufacturing as the linchpin to its economic development model. Mercedes-Benz, Honda, and Hyundai were courted to the state in the late 1990s and early 2000s. Other targets of manufacturing expansion include aerospace and home appliance manufacturers, such as Airbus and Remington, promoted by the state’s Accelerate Alabama plan in 2012. It is an expensive endeavor for the state, which had a $500 million budget deficit the year the plan was unveiled, and is facing another budget shortfall in 2018. Raising the borrowing limit on its Capital Improvement Trust Fund ballooned its debt by hundreds of millions of dollars.

The current economic development plan has moved from a bond to a tax-financing model that shifts the costs onto taxpayers. More than half (51.5 percent as of 2015) of all taxes in the state come from sales taxes and gross receipts, making for a highly regressive tax structure that hits poorer citizens the hardest. Due to tax abatements and credits for investment costs and other subsidies aimed at promoting investment, corporations in Alabama pay almost no effective corporate taxes and the state picks up much of the cost of workforce training. Despite being the third-largest producer of cars and auto parts in the country, Alabama has the fourth-highest poverty rate in the U.S. and poverty remains stubbornly high.

**Georgia**

A relatively richer state than Alabama, Georgia has used tax cuts, loans, and other economic development subsidies to lure companies to relocate to the state, including packages worth more than $400 million to Kia Motors and $100 million to National Cash Register. The Economic Development, Growth, and Expansion program run by Georgia’s Department of Community Affairs offers grants and low-interest loans funded by Regional Economic Business Assistance to secure investment deals. Other tax credit schemes—including the Quality Jobs Tax Credit, Mega Project Tax Credit, and the Job Tax Credit—all allow companies to keep their own employees’ personal income tax payments. Georgia has also aggressively courted Hollywood and television producers to film in the state with its Film, Television, and Digital
Entertainment Tax Credit, costing the state $925 million from 2009 to 2014, and another $1.1 billion from 2016 to 2018, according to a study by Georgia State.20

**Mississippi**

Mississippi is perhaps the most extreme example of a development model enriching large corporations at the expense of its citizens. The poorest state in the country, 22 percent of Mississippians live below the poverty line. Nevertheless, Mississippi spent nearly $300 million to lure Nissan to the state in 2000, and the same for Toyota in 2007. Subsidies continued after they set up shop: the Nissan auto plant in Canton had received $1.3 billion in subsidies alone, or $290,000 per job created, according to the Mississippi Alliance for Fairness at Nissan. The Jobs Tax Credit and Advantage Jobs Incentive Program, together costing $13 million as of 2013, which provide companies with corporate income tax credits, are especially lucrative, along with other subsidies. These giveaways have been risky. Two companies given millions in subsidies went under: Twin Creeks solar panels went out of business; while biofuels startup KiOR defaulted on a $75 million loan from the state and laid off employees. Auto workers in Mississippi earn an average of just over $50,000—above the state median wage, but well below that of unionized auto workers in other states.21

As a whole, these subsidies make up a costly vision of economic development that creates jobs concentrated in certain industries and areas at great cost to taxpayers, but to the primary benefit of large out-of-state corporations. There is little in these development plans that provides for poorer populations in rural areas who cannot move to take a job at an auto plant or spend as much as 40 percent of their salary on commuting to a job in the Mississippi Delta region.22 For people living in primarily farming communities, an alternative model for jobs and economic independence must be available.

**What is the Economic Reality in the Rural South?**

Looking at rural counties in the South, one can easily see the shortcomings of the standard economic development recipe of tax breaks and subsidies. The businesses receiving taxpayer subsidized largesse often fail to invest in or make a difference for the areas in greatest need of quality jobs. The following section highlights the dire economic situation in the Black Belt, rural counties with historically largely African American populations that have been left behind by the dominant development model. These counties are among the poorest in the South, indeed in the country. They are largely excluded from the types of industry the existing development model seeks to attract, with a workforce largely employed in low-paying service work and in agriculture. The counties have among the lowest indicators in the region for education, healthcare, and nutrition. They are woefully underserved by commercial businesses, such as grocery stores, and public services such as bus transportation, clinics, and programs for families with
children—which exacerbate already low indicators for healthcare and nutrition. The following tables illustrate the wages and dominant sectors in the rural Black Belt. Wages, sectors, and industry employment data below reflect numbers for employed workers in selected counties. These numbers alone do not tell the complete story of living standards. As of February 2018, state unemployment rates for Alabama, Georgia, and Mississippi were 3.7, 4.5, and 4.5 percent, respectively. However, unemployment rates in Black Belt counties are consistently and significantly higher than statewide averages: 8.8 percent in Webster County, Georgia, 14.7 percent in Wilcox County, Alabama, and 14.9 percent in Jefferson County, Mississippi. For those without work, earnings are far lower than what wage data reflect.

### Alabama Black Belt Counties: Wages and Top Sectors and Industries

<table>
<thead>
<tr>
<th>County</th>
<th>Average weekly wage</th>
<th>Top sector</th>
<th>% of all employees</th>
<th>Top industry</th>
<th>% of all employees</th>
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<td>Black Belt average</td>
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<td>Alabama average</td>
<td>$858</td>
<td>services</td>
<td>62%</td>
<td>manufacturing</td>
<td>14%</td>
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</tbody>
</table>

Source: Bureau of Labor Statistics’ Quarterly Census of Employment and Wages
Alabama is a manufacturing-heavy state historically, and the top industry (defined by the Department of Labor more narrowly than sector) in most Alabama counties, as well as the state as the whole, is manufacturing. Nevertheless, across both the state and Black Belt counties, manufacturing employs no more than 15 percent of the total workforce. Looking at a higher level, by sector, the service sector dwarfs the goods-producing sector (which includes manufacturing and agricultural production): Sixty-two percent of employees in the state, and 54 percent in Black Belt counties, work in services, a typically low-paying sector. Workers living in Black Belt counties make less than those in the rest of the state: The average weekly wage for workers in Black Belt counties is $72 lower than the state average wage.

### Georgia Black Belt Counties: Wages and Top Sectors and Industries

<table>
<thead>
<tr>
<th>County</th>
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<th>Top sector</th>
<th>% of all employees</th>
<th>Top industry</th>
<th>% of all employees</th>
</tr>
</thead>
<tbody>
<tr>
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<td>48%</td>
<td>manufacturing</td>
<td>18%</td>
</tr>
<tr>
<td>Lee</td>
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<td>services</td>
<td>59%</td>
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<td>41%</td>
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<td>32%</td>
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<tr>
<td>Seminole</td>
<td>$624</td>
<td>services</td>
<td>58%</td>
<td>healthcare</td>
<td>16%</td>
</tr>
<tr>
<td>Stewart</td>
<td>$768</td>
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<td>62%</td>
<td>healthcare</td>
<td>28%</td>
</tr>
<tr>
<td>Terrell</td>
<td>$604</td>
<td>services</td>
<td>50%</td>
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</tr>
<tr>
<td>Thomas</td>
<td>$760</td>
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<tr>
<td>Webster</td>
<td>$718</td>
<td>goods</td>
<td>46%</td>
<td>retail</td>
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<tr>
<td>Worth</td>
<td>$647</td>
<td>services</td>
<td>47%</td>
<td>education</td>
<td>16%</td>
</tr>
<tr>
<td>Black Belt average</td>
<td>$717 services 57% healthcare 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Georgia average</td>
<td>$956 services 71% retail 11%</td>
<td></td>
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</table>

Source: Bureau of Labor Statistics’ Quarterly Census of Employment and Wages

Georgia displays a more diverse workforce by industry than Alabama, with top industries in Black Belt counties ranging from retail to education to manufacturing to administration and waste management to healthcare, which is the top overall industry in those counties. In the state, the top industry measured by workforce is retail.
Like Alabama, a majority of workers in Georgia are in the service sector: 71 percent statewide and 57 percent in the Black Belt. Manufacturing makes up a far smaller portion of the workforce. It is in Georgia that the discrepancy in wages between workers in the Black Belt and the state overall is the greatest: Black Belt workers make $239 less per week than the Georgia state average, illustrating stark inequalities for rural and African American workers.

### Mississippi Black Belt Counties: Wages and Top Sectors and Industries

<table>
<thead>
<tr>
<th>County</th>
<th>Average weekly wage</th>
<th>Top sector</th>
<th>% of all employees</th>
<th>Top industry</th>
<th>% of all employees</th>
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<tr>
<td>Bolivar</td>
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<td>services</td>
<td>61%</td>
<td>healthcare</td>
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<td>services</td>
<td>64%</td>
<td>healthcare</td>
<td>20%</td>
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<td>$615</td>
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<td>41%</td>
<td>public schools</td>
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<td>Humphreys</td>
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<td>Issaquena</td>
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<td>42%</td>
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<td>Leflore</td>
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<td>Madison</td>
<td>$829</td>
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<td>71%</td>
<td>manufacturing</td>
<td>17%</td>
</tr>
<tr>
<td>Panola</td>
<td>$679</td>
<td>services</td>
<td>62%</td>
<td>retail</td>
<td>16%</td>
</tr>
<tr>
<td>Quitman</td>
<td>$598</td>
<td>services</td>
<td>50%</td>
<td>education services</td>
<td>20%</td>
</tr>
<tr>
<td>Sharkey</td>
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<td>44%</td>
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<td>Sunflower</td>
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<td>Tallahatchie</td>
<td>$625</td>
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<td>Tunica</td>
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<td>accommodations</td>
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<td>Warren</td>
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<td>services</td>
<td>62%</td>
<td>accommodations</td>
<td>16%</td>
</tr>
<tr>
<td>Washington</td>
<td>$626</td>
<td>services</td>
<td>66%</td>
<td>retail</td>
<td>15%</td>
</tr>
<tr>
<td>Yazoo</td>
<td>$717</td>
<td>services</td>
<td>48%</td>
<td>public administration</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Black Belt average</strong></td>
<td><strong>$721</strong></td>
<td><strong>services</strong></td>
<td><strong>62%</strong></td>
<td><strong>manufacturing</strong></td>
<td><strong>7%</strong></td>
</tr>
<tr>
<td><strong>Mississippi average</strong></td>
<td><strong>$762</strong></td>
<td><strong>services</strong></td>
<td><strong>61%</strong></td>
<td><strong>manufacturing</strong></td>
<td><strong>13%</strong></td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics’ Quarterly Census of Employment and Wages
Like Alabama, Mississippi is a manufacturing state, though this top industry employs just 13 percent of the workforce. Other major industries include hotel accommodations, retail, transportation, and agriculture services and crop production. Similarly, the vast majority of workers are employed in the service sector, both statewide and in the Black Belt. Mississippi is the only state in the Deep South in which wages for workers in the Black Belt approach those of workers elsewhere in the state. Mississippi’s relative wage parity compared to Georgia can nevertheless be attributed to the overall low pay in the state. In 2017, Mississippi had the lowest average wage of all states—just $762 per week.

Taken together, these jobs figures illustrate a Southern economy in which the traditional manufacturing base is being overshadowed by the service sector, which is characterized by low wage, precarious work, and a lack of benefits or job security. Industries are diversifying into a variety of other fields, many of which pay poorly: retail, food services, administration, home care, and child care. In rural parts of the South, particularly for African American workers, the disparities are stark: Most workers in these areas earn just over $700 a week, often less. For them and many other workers, the current economic development model holds little promise of stable, well-paying employment.
Agricultural Co-ops: An Alternative Vision

How else might a model of economic development in the rural South look? One built on businesses that meet unmet needs and serve underserved communities; one that harnesses the personal initiative, cooperation, and knowledge of working the land of the people already living here? We can look to agricultural co-ops, which already exist across the South and are being run as successful businesses—by people excluded from the industry-focused development model—in areas where there is an acute need for affordable and nutritious food. African Americans, women, and small farmers are among those already at the forefront of this community-based business model and who stand to see the greatest gains in economic independence from an expansion of co-ops.

What are Co-ops?

Cooperatives, or co-ops, are independent businesses jointly owned by their members, who come together to meet a common social and economic need, and who run the businesses in a democratic and voluntary basis. Co-ops operate in many sectors of the economy, including farming, retail grocery, transportation, energy, and banking. They can be small scale and local, consisting of only a few members, or large, international businesses. Co-ops include some well-known businesses such as State Farm Insurance, Ace Hardware, REI, and the Associated Press. Within agriculture, some better-known co-op brands include Land O Lakes, Ocean Spray, Organic Valley, and Florida’s Natural, all run on a cooperative business model. The largest co-op in the U.S. is agricultural giant CHS Inc., a $30 billion, Fortune 100 company with 12,000 employees, which supplies fertilizer, livestock feed, and energy and is owned by member farmers and ranchers. Co-ops collectively account for $500 billion in annual revenue in the U.S., according to the International Cooperative Alliance.

What is the Co-op Business Structure?

Co-ops are neither traditional for-profit businesses nor are they nonprofits. They operate on a business model that places the mission of the co-op, the service it provides to the community as determined by its members, above maximizing profits. This is not to say co-ops do not operate free of market forces or without profitability in mind. Co-ops are meant to be successful and to earn a return for their members. But that success is a means to an end, meeting an unmet community need—whether access to healthcare, nutrition, energy, credit, or economic independence—that serves as the basis for the foundation of the co-op, while circulating dollars in the local economy. Co-ops also provide a means for business owners with limited resources and access to
credit to meet market-entry requirements and business start-up requirements that might otherwise be inaccessible.

Co-ops are not owned by investors or stockholders. They are owned jointly by their members, who may be producers (such as farming co-ops), workers (such as transportation or marketing co-ops) or consumers (such as grocery co-ops). Members make decisions together about how the business will operate: what crops to grow, for example, or what products to order to stock the shelves for shoppers. Thus, co-op members are the beneficiaries of the business, not only in the earnings generated but also the goods or services provided. Typically, these goods and services are ones lacking in the community where the co-ops operate, such as electricity, bank loans, or fresh and healthy food.

According to Margaret Lund of the University of Wisconsin Center for Cooperatives, “Only participants who have met the requirements for membership are allowed to be owners. All cooperatives operate on the principle of ‘one member, one vote,’ so control is allocated evenly among the users of the co-op without regard to how much money each has invested. Cooperatives operate for the benefit of members, and those benefits are distributed in proportion to each member’s transactions with the cooperative.”

They may also be reinvested in the co-op, based on the democratic decision-making of the members. Co-op members are free to engage in other activity, hold other jobs and, in the case of farming co-ops, grow crops to sell to market individually while also setting aside crops to sell collectively with other co-op members.

Co-ops may be organized as a stock cooperative, in which founding documents state the amount and types of stock to be distributed equally to members and the voting rights of each member. There may also be non-voting classes of stock of different value that a co-op can distribute in exchange for additional equity investments by members, beyond regular dues. Such non-voting stock may pay dividends. Though eschewed by smaller and grassroots co-ops, an exception to the members-only investment rule may be a co-ops decision to offer preferred shares, which may be distributed to outside investors, pay dividends, but not confer to them voting rights. CHS and Organic Valley operate under this model. Co-ops can sometimes form a limited liability company (LLC) to partner with other investors to jointly build a new facility or develop a new service. This model can be an attractive alternative to cooperative incorporation because LLC structures are often more flexible than state cooperative incorporation laws, yet still allow companies to operate on the co-op model.

Because of the variety of co-ops and industries in which they operate, business structures can vary widely. So too can co-op members’ obligations to the co-op in terms of both time and money. In farming co-ops, for example, members typically pay dues and reinvest a certain amount of the proceeds from their sales into the co-op. Contributing to a co-op can be full-time or part-time work on the part of members, who may hold other jobs or run other, more traditional farms or businesses.
Co-op Values

The shared principles of co-ops, as defined by the International Cooperative Alliance, are sevenfold:

1. **Voluntary and open membership:**
   Anyone who produces or uses the goods or services the co-op is founded to provide and is willing to undertake the responsibilities of membership can be a member.

2. **Democratic member control:**
   Members make decisions among themselves collectively and democratically about how the business operates.

3. **Member economic participation:**
   All members contribute equally to the co-op and equally control ownership of the co-op.

4. **Autonomy and independence:** Co-ops cannot be part of another, for-profit business. They exist independent of any other businesses and are controlled only by their members.

5. **Education, training, and information:**
   Co-ops aim to educate both their members and the general public for the benefit of helping the co-op thrive.

6. **Cooperation among cooperatives:**
   Co-ops should work together across industries and sectors to support one another. For example, credit unions, being cooperatively run financial institutions, should give preference to other co-ops seeking financing.

7. **Concern for the community:**
   Co-ops are founded not only to serve the needs of their members but also the broader community.

How are Co-ops Financed?

Financing is one of the key challenges to the viability and success of co-ops. Unlike investor-owned businesses, which can sell stock to outside investors to finance expansion, co-ops are member owned and thus typically cannot give ownership to nonmembers. The very concept of ownership is not based on investment but rather member participation, a democratic and equal arrangement for all. Returns are not allocated as dividends based on prior investment, but rather in proportion to services used.

Like privately held businesses, co-ops can be financed through retained profits, as well as investment by its member-owners. These can take the form of dues, shares, or other contributions. In the case of farming co-ops, those contributions could be in kind, such as farming inputs, seed or fertilizer, or crops. However, a significant obstacle is acquiring start-up capital for large-scale expansions, such as purchasing expensive equipment that could be used by all members, such as a shared tractor. Because they cannot turn to outside investors, co-ops turn to banks for loans, or government or private foundations for grants. Banks and even credit unions, which should give special consideration to co-ops, often deny loans to smaller co-ops, due to lack of collateral or the small size of the loans that farming co-ops seek. The USDA is one of
the few consistent sources of substantial startup and development capital for co-ops; however, grant application processes can often be daunting for new co-ops. Without more technical capacity, many potentially successful co-op businesses struggle to get off the ground. With sufficient initial investment and smart business practices, however, co-ops can plow retained earnings back into their businesses, become more efficient and be able to produce at increasing economies of scale.

Due to the lack of outside investor financing, and difficulty of acquiring private or public loans or grants, agricultural co-ops, like all co-ops, rely heavily on member participation. Membership is a responsibility to make sure the business can start up, grow, and run smoothly and profitably. Members must also make collective and democratic decisions about how to make the business more profitable, by expanding into new markets or with new products or services. Some larger agricultural marketing co-ops with multiple income sources self-finance by setting targeted member equity investment requirements using what’s known as a base capital plan, under which the co-op board estimates the cost to successfully start up the business and sets member contributions based on expected use and the estimated annual gross income from goods or services produced by that co-op.

For stock co-ops, shares may be allocated among members according to additional investment—or in some restricted cases to non-member investors—although voting rights remain equally distributed among members only. Certain types of non-voting stock may be issued to finance expansion. Co-ops can then buy back the issued stock at face value. Some co-ops organize as multi-stakeholder co-ops, with different levels of responsibility to provide equity and different shares of net earnings or profits. In these cases, certain members may contribute more capital to the co-op; and though ownership may be equally distributed, some members may have additional rights or earn more in returns. One such model is the Limited Cooperative Association (LCA), which facilitates outside capital investment by offering some limited control rights, such as the ability to be elected to the board of the co-op. Laws governing LCAs vary by state. Such arrangements can attract the support of non-business groups such as NGOs and charities that share the community mission of the co-op. Nevertheless, these arrangements can be controversial and are often avoided by grassroots co-ops due to the weakening of the one-member-one-vote principle.

Debt financing, through loans, can be difficult to access for smaller co-ops that lack much collateral. For traditional businesses, banks often expect owners to have invested a certain amount of equity in the business before they will take on the risk of lending to the business. In the case of co-ops, where owners are members, there is often a Catch-22: Farm co-ops sometimes do not have equipment that would serve as collateral for a loan but cannot get a loan without the equipment as collateral in the first place. Members themselves may also lend to their own co-ops, at a fixed rate of return—similar to a bank loan—with returns sometimes delayed until a certain point of profitability of the co-op.
Co-ops may also apply for financing from financial services cooperatives, such as the National Cooperative Bank (NCB), an institution created by Congress in 1978 to offer loans and technical assistance to co-ops serving low-income communities. The NCB is a major lender to urban housing co-ops and other banks. However, over the years, it has increasingly focused its financing on already successful co-op businesses and has cut back on its mandate for technical assistance.

**Why Form a Co-op?**

Co-ops operate in the same business environment as regular businesses and face additional hurdles for financing and maintaining member participation. Co-ops are, almost by definition, less profitable than traditional businesses because profits are secondary to the co-op’s mission and are mostly reinvested to fulfill that mission. Why, then, should individuals, particularly farmers, seek to form co-ops rather than sell their products individually?

The co-op model exists to meet a need that is not met by currently existing markets. There may be no local production of food crops for consumption in an area due to the preponderance of large scale industrial farming of corn and soy. There may be no services to transport those crops to market or market them to potential consumers, both individuals and institutional buyers such as schools. Co-ops may exist within a food desert, with no grocery store for miles to serve a community. Co-ops form because existing businesses fail to meet the needs of a given community and because they enable small scale growers to collectively access markets they could not otherwise.

Additionally, for producers, workers, or consumers, co-ops offer the possibility of producing or buying things at economies of scale in a way that would be unprofitable individually. Many small-scale farmers cannot produce enough to interest market buyers in arranging a regular purchasing deal. Many farmers producing the same crop can collectively produce enough to meet the demands of markets, schools, and hospitals. And when farmers band together, they improve their bargaining clout and can negotiate better prices from buyers. Members of co-ops may have access to things that would be inaccessible to individuals. A farm co-op could pool money to buy tractors, fertilizer, or other farming equipment and inputs that are shared among members and increase the productivity of all. They could provide small loans within the co-op to members at lower interest rates than offered by banks. Purchasing inputs collectively can also net group discounts for members.

Co-ops also are themselves members of larger federations or associations. Founded in 1967, the Federation of Southern Cooperatives (FSC) helps farmers, particularly African American farmers, establish and maintain successful co-ops and offers financial support through its Land Assistance Fund (LAF). The National Cooperative Grocers Association collectively negotiates discounts from food vendors on behalf of their individual co-op members. This is especially important in sectors with a high degree of monopolization by buyers or sellers that sit
on the opposite side of the bargaining table from co-ops.

Co-ops and their federations also provide education and training to members to improve their own productivity and access technology or market information that they would not have on their own. They can offer financial education to diminish risk for members who would otherwise have to shoulder the burden of debt-financed capital investment on their own. Co-ops also facilitate networking, abiding by the principle of cooperation with other co-ops. Co-ops themselves may join up and share certain business functions, such as administration, financial planning, and marketing; or they may share offices and other facilities, freeing members to concentrate only on the heart of their business.

The ability of co-ops to provide economies of scale, bargaining power, knowledge, and a financial cushion to their members has broader impacts on communities. Co-ops can fill the gap by providing goods and services that may not be profitable for individuals or traditional businesses to deliver. Often, co-op goods and services cater to a niche consumer demand that was previously unmet: for example, offering certain healthy or rare foods that are not sold in large, national supermarket chains. Fundamentally, co-ops take profits seriously, but profit maximization is not their primary goal. They prioritize the needs of the community and member earnings above all. That makes co-ops an especially attractive model for businesses in underserved areas of the South, simultaneously addressing persistent problems of unemployment, entrenched poverty, and lack of nutrition.

Are Co-ops a Viable Business Model?

Co-ops are widespread as business models throughout the world. Research has shown co-ops to be successful based on multiple metrics of financial stability, efficiency, productivity, and worker satisfaction. A recent Leeds Business School study reviewing two decades of data on cooperatively owned and managed firms in Europe and the Americas finds worker co-ops are often high-performing businesses. In addition to providing workers with the independence to manage and reap the rewards for their own labor, report author Virginie Pérotin finds that “worker cooperatives are more productive than conventional businesses, with staff working ‘better and smarter’ and production organized more efficiently.” Due to their structure, co-ops avoid some of the management-employee conflict endemic in individually owned and shareholder-owned companies, and make many costs of workforce training and discipline unnecessary. Co-ops reserve more company assets for the financial integrity of the business, and deal with business failure better by recycling assets back into future co-ops. In countries such as France, co-ops represent a larger portion of startups than non-co-op businesses, and vary in size, showing the co-op model able to scale up from small firms to large factories.
Can Co-ops Empower African American Women in the South?

The South has a rich and deep history of co-ops run by African Americans and African American women in particular. Many of these are in the agricultural sector. As Jessica Gordon Nembhard writes in the definitive study of Black-owned cooperatives, *Collective Courage*, fostering and sustaining co-ops has been a conscious development strategy for Black leaders going back to W.E.B. Du Bois and A. Philip Randolph. Businesses run on a cooperative membership model date to Black mutual aid societies in the post-Civil War era, such as Virginia’s Independent Order of Saint Luke and Tennessee’s National Ex-Slave Mutual Relief, Bounty, and Pension Association. Many of these developed into insurance companies in Virginia and North Carolina into the 20th Century and provided a model for Black businesses later founded by Marcus Garvey and the Universal Negro Improvement Association (UNIA) movement.

Black women have been pioneers in the cooperative business model. Among the most prominent proponents and organizers of Black-owned co-ops are Nannie Helen Burroughs, Ella Jo Baker, Estelle Witherspoon, and Fannie Lou Hamer. Hamer, after establishing her name as a civil rights leader, founded the Freedom Farms Cooperative in Mississippi in 1969, a 680-acre farm that included a Head Start program, community garden, tool bank, pig bank, garment factory, and sewing co-op. It also offered training and affordable housing for sharecroppers and tenant farmers in Sunflower County.

In Alabama in 1967, Witherspoon founded the Freedom Quilting Bee, a group of women who pooled money to buy land and set up a sewing factory. The quilts and handicrafts that the members produced helped supplement their farm incomes. The co-op expanded into other product lines and supplied large retailers, such as Sears and Bloomingdales. Member services soon included daycare and after-school care for children.

Other fabric and sewing co-ops were founded in North Carolina (the Workers’ Owned Sewing Company) and Georgia (the Dawson Workers Owned Cooperative). Today, these include Southern Journeys—a worker-owned fabric and sewing co-op spanning the Alabama and Georgia Black Belt and the Mississippi Delta—which was established with assistance from the Southern Rural Black Women’s Initiative to provide earning opportunities to self-taught sewers and seamstresses who had seen local factories move overseas. The women who organize and run these co-ops, today and in the past, see them as an integral part of a civil rights struggle that extended beyond voting rights and desegregation to encompass economic independence.

In rural areas of the South, co-ops have been a key part of the economy for Black small farmers, both through farming co-ops and their associations, most notably the FSC, and financial co-ops such as the North Carolina Council for Credit Unions and Associations. Black-owned farming co-ops in the South have a long history, going back to the National Federation of Colored Farmers, which purchased farming inputs collectively and provided member farmers access to credit that was denied them by White-owned banks in the 1930s.
Arkansas, tenant cotton farmers who were being evicted from their farms formed the Southern Tenant Farmers’ Union and organized a co-op farm. The North Carolina Council provided technical training for co-ops, which led to the founding of dozens of credit unions, health associations, machinery co-ops, and consumer co-ops by the 1940s. More recent examples include the North Bolivar County Farm Cooperative of Mississippi, which was originally founded by the North Bolivar County Health Council and Tufts-Delta Health Center because of health concerns about malnutrition and hunger in the Delta region. It started as a soybeans, cotton, and vegetable co-op farm but expanded operations to include sewing and clothing co-ops, low-income housing, low-cost food and food credit for members, and an African American bookstore and library. In Louisiana, the South Plaquemines United Fisheries Cooperative helps members buy their own boats, market their catch. The co-op responded to Hurricane Katrina by repairing boats and building a new docking facility for the diverse community of Plaquemines Parish, which includes African American, Native American, and Vietnamese American fishers.

Today, co-ops and co-op federations have been critical in the South by re-engaging African Americans with farming at a time when mechanization and the concentration of ownership into large farms is reducing farming workforces and pushing many small farmers out of the business, as well as sparking migration out of rural areas of the South altogether. Black farmers who have come together for co-op projects have frequently been poor and displaced, laid off, or pushed off land as tenant farmers. Freedom Farms in Mississippi became more than simply a farm, but also a provider of social services, helping members acquire loans and mortgages and providing food and clothing to needy members. The FSC, the single largest and most prominent African American co-op organization in the country, today supports dozens of co-ops throughout the region and even in Africa and the Caribbean, in multiple sectors of the economy including credit unions, farming, consumer co-ops, fisheries, livestock, and home care. Its Rural Training and Research Center provides training in livestock and vegetable farming, construction of greenhouses, and equipment repair and welding. Other Black-led rural co-ops have provided members healthcare, affordable housing, and low-interest loans, helping farmers keep their land and make a sustainable living through farming.

This has had a positive effect on demographic trends in the face of much migration from rural areas, which has not gone unnoticed by the federal government. The Office of Economic Opportunity prioritizes funding rural programs aimed at reversing out-migration. Since the Johnson administration’s War on Poverty in the 1960s, the USDA has encouraged rural co-ops in the South, noting that the flourishing of co-ops along with Black political enfranchisement has the effect of reducing poverty and increasing local African American populations. As Gordon Nembhard writes, “Agricultural and marketing cooperatives, credit unions, and legal services provided by the FSC/LAF decreased the economic insecurity and exploitation imposed by the White
plantation bloc and helped to sustain Black communities on their own terms. The FSC/LAF has also helped to slow the loss of Black-owned land in the South.” An economic development plan that is inclusive of African Americans and women and allows them the opportunity to work and thrive in areas where they already live and embrace farming traditions they already know must have co-ops at the center.
Case Studies: African American Farm Co-ops in Rural Mississippi

More than 200 Black-owned co-ops in the South have been started in the past 25 years, including farming co-ops, consumer co-ops, clothing co-ops, and credit unions. While it is impossible to profile all co-ops in the region, the activities and experiences of some are helpful in painting a picture of how Black-owned co-ops operate, the goods and services they provide the community, and the challenges they face in the rural South.

Mississippi presents perhaps the best case for how agricultural co-ops can help the neediest communities. The poorest state in the U.S. with the most entrenched poverty concentrated among African Americans living in rural areas, Mississippi illustrates an economic development model that fails to harness the local knowledge and entrepreneurial spirit that already exists in these communities. Helping small farmers sustain themselves and build successful enterprises is the most direct way to spur economic activity in these neglected rural areas. Several co-ops are doing exactly that.

The following section details results from a series of interviews with members of several Black-owned farming co-ops throughout Mississippi. The subjects interviewed represent a wide variety of business activity, organization, and output, even within just one subset of the cooperative business sector: farming co-ops. These examples include vegetable and livestock co-ops; those organized by locality and by product; and, in one case, a co-op made up and run exclusively by African American women.

Mississippi Delta Southern Rural Black Women in Agriculture

The Mississippi Delta Southern Rural Black Women in Agriculture Co-op (SRBWA), established with technical assistance and training provided by the Southern Rural Black Women’s Initiative, is the first agricultural co-op run entirely by women in the South. It is an Agriculture Association Liability (AAL) organization, a type of incorporated co-op, and was founded, according to president Bobbi Miller and treasurer Hope Davenport, in response to a lack of both affordable, healthy food and well-paying jobs for women in the Delta region. This is an area that once boasted factories producing carpets, ceiling tiles, and fasteners. Since those factories were shuttered, the area has suffered from high unemployment and food deserts. Diets in the region are often limited and unhealthy due to the high cost and great distances needed to travel to buy food. The founding goals of the co-op are economic self-sufficiency for women and access to locally grown healthy food for consumers in the
Delta region. According to co-op leaders, many members are the sole breadwinners in their families, in part due to high rates of male incarceration in impoverished towns. Like many co-ops, its membership—which once stood at 30, but now numbers 15—changes over time as members become inactive. It is a small co-op with an annual budget of less than $20,000. Many of its members hold other jobs and engage in farming part-time to supplement their incomes. Members include school teachers, butchers, nurses, and certified nursing assistants. Often, members had no prior farming experience but realized they could turn the extra land on their properties into small farms. With training and experience, an activity which started as a hobby for many grew into a part-time to full-time job.

As a co-op designed to serve women farmers, SRBWA’s membership is not limited by geography. Its members reside in towns throughout Mississippi, concentrated in the Delta region. This creates logistical challenges for some of the shared functions of the co-op, including sharing equipment such as a tractor or tiller, because many members live 50 to 100 miles away from one another. For this reason, running a single central farm is not financially feasible. Instead, SRBWA members maintain their own individual plots at home and reserve space for certain vegetables that they collectively decide to grow and sell together. Members collectively purchase the plants and fertilizer. The co-op offers members revolving zero-interest loans and stipends for farm skills training. Many members also hire extra workers for labor-intensive periods, such as harvesting, and the co-op helps offset that cost.

Currently, co-op members grow chemical-free produce and sell to a variety of markets. Members collectively market their own crops and set aside plots on their personal farms to grow sweet potatoes, harvest them, and then sell the potatoes and greens in bulk. Of each member’s proceeds, 20 percent is reinvested in the co-op, which pays for more farm inputs. With time and better financing, the co-op hopes to purchase more equipment to share among members and expand to other vegetable crops they can sell to local schools and supermarkets.

Since its inception, the co-op has sold vegetable crops to local groceries and restaurants and through farmers markets. The co-op received a Value-Added Producer Grant (VAPG) from the USDA in 2012 to promote and process sweet potato products, particularly sweet greens and fries. A pilot program with local elementary school students found the fries to be positively received by students. Subsequently the co-op partnered with a nonprofit in Clarksdale, which serves farmers in the region, to apply for a USDA Rural Business Enterprise Grant. The grant is earmarked to establish a commercial kitchen and purchase equipment that will enable co-op members to process sweet potatoes into sweet potato fries in bulk, then package and sell them to local schools. With the goal of introducing local youth to opportunities in agriculture, the co-op has also sponsored interns and conducted field trips to successful agricultural projects in-state and in Arkansas. Additionally, members have obtained USDA certification for Good Agricultural Practices (GAP) and Good Handling Practices (GHP), with the help of prior training made available.
through foundation grants to the Southern Rural Black Women’s Initiative.

Winston County Self Help Cooperative

The Winston County Self Help Cooperative (WCSHC) is a local co-op organized to bring together agricultural producers across the sector in Winston and surrounding counties. Founded in 1985 to help African American farmers buy and sell goods in bulk, the co-op responded to a need for financing at a time when the USDA, under the Reagan administration, had little interest in serving Black farmers. The co-op currently has 40 members engaged in a variety of activities including dairy farming, vegetable farming, and timber production. Financing is mostly member-provided through dues, which are $140 per month. Initial funding also came through the Presbyterian Mission Agency Self-Development of People (SDOP) to construct a feed-grinding mill. Like Fannie Lou Hamer’s pig bank, the co-op receives heifers and pigs through Heifers International and lends them to members on a rotating basis to reproduce and build up their own livestock and to start dairy and swine operations. Under current president Frank Taylor, the WCSHC has a holistic mission, including health, housing, and youth development. It has helped member families with land purchases and home ownership, and it runs a garden project aimed at promoting conservation. The co-op also runs a hay project on a four-acre pasture it owns. Hay produced from the pasture is sold to members at cost and below market price. The WCSHC also runs many community education initiatives: health seminars to raise awareness of hypertension and diabetes in partnership with local health departments and Walmart; homebuyer and foreclosure workshops; financial workshops with the Federal Deposit Insurance Corp.; and canning workshops in partnership with local churches and Boys & Girls Clubs of America.

Unlimited Community Agricultural Cooperative

A newer co-op, Unlimited Community Agricultural Cooperative (UCAC), was founded in 2013 to serve the Golden Triangle area of Lowndes, Oktibbeha, and Clay counties in Mississippi, with the support of partners Alcorn State University, Mississippi State University, the Mississippi Minority Farmers Alliance, the Winston County Self Help Cooperative, and the Mississippi Association of Cooperatives. Like SRBWA, UCAC is an AAL. The co-op has been supported by member self-financing through $125 initiation fees and $10 monthly dues. Though still young, UCAC has more than 40 members and more than 200 farmers in its network as prospective members. Members engage in a range of activities, from vegetable farming to goat farming. UCAC promotes community well-being in the Golden Triangle area through development of local small farmers and...
business owners, and based on the principle of pooling resources, according to president Orlando Trainer, vice president Brad Spencer, and treasurer Curtis Snell. It offers farmers in the region farming and business training, hands-on workforce development, real estate acquisition assistance, and estate planning. Its efforts to expand farming have resulted in joint ventures with the Mississippi Minority Farmers Alliance and Mississippi Farmers Network. Additionally, UCAC has conducted outreach at farmers’ markets, on field days, and at Youth in Agriculture events, on issues related to food safety and security, sustainable farming, and the Supplemental Nutritional Assistance Program.

An example of pooling resources is the co-op’s collective purchasing and sharing of hay among members at significant discount to market prices. The co-op participates in the Heifer International program and lends the animals to members four at a time. The co-op also provides technical assistance to help member farmers apply for USDA grants. With greater investment in equipment and land improvement, the co-op hopes to produce vegetable crops both for sale at local supermarkets and for export.

Holmes Sustainable Agricultural Association

Located in Holmes County, the association includes farmers raising poultry, livestock, and vegetables. There are currently 28 members, not all of whom were farmers before, and the association has helped them develop operations such as dairy farms through USDA and Heifer International programs. Monthly dues are $5, and members are expected to attend monthly meetings. The association offers training on subjects such as livestock care, land improvements, and fence construction. Members share heifers and farm inputs, however they sell to markets individually. The association currently lacks the funds or collateral to buy equipment to share—such as tractors, trucks to take goods to market, hay harvesting equipment, or a transportable slaughter trailer. With more private and USDA support, the association intends to get members GAP certified to sell to local schools.

Challenges

Financing

Universally, the top challenge reported by co-op farmers is financing. Many report being unable to get loans from banks for farming inputs, such as equipment and fertilizer, because they lack collateral or their loan requests are too small to interest commercial banks. In many rural areas, historically, there is also an old boys’ network among established businesses and commercial banks based on personal relationships that makes it especially difficult for newer farms and businesses, particularly Black- and women-owned ones, to get loans. Banks are more likely to lend to large-scale farmers with hundreds of acres who grow row crops—soybeans, corn, and
wheat primarily—which are often pre-sold to large commercial buyers, insured by the government, and thus less risky for banks. And for co-ops that do not own much land of their own but rather rely on individual members growing on their own property, having members put up their own land as collateral is too risky. This leaves small farmers vulnerable to more exploitative financing options, such as payday lending.

Other sources of financing are members, government, and foundations. Member dues are often quite low, and some members cannot afford to pay consistently. The result is that income from dues often is not enough to cover operating expenses, much less expand production. Different government entities provide financial support to co-ops, but none exclusively to small and Black-owned co-ops. The Farm Services Agency provides loans to farm operators for labor and equipment. Most grants come through the USDA, which offers VAPGs. USDA also offers rural development grants for emerging businesses. Often the application process is difficult and obscure for small farmers, and prior grantees have an advantage in winning grants. Leaders of both the Unlimited Community Agricultural Co-op and Holmes Sustainable Agricultural Association remarked that USDA loans historically excluded African American farmers until a class-action lawsuit was filed, and still effectively neglects many through need for matching funds, through hard-to-obtain private grants, lack of personnel, and a complicated application process. USDA has personnel in each state to train prospective applicants on the grant process, but budget cuts have reduced the staff for this program to two for all of Mississippi.

Foundations such as Ford and Kellogg are also involved in farm training and improvement. Some have partnered with public universities and nonprofit intermediaries to provide production and marketing assistance and support infrastructure to develop agriculture. In the case of universities, a portion of the money often stays in the orbit of the university, which may run research or training farms. Nonprofit organizations, such as SRBWI, have stepped in to provide cooperative, organizational, and resource-development assistance that has enabled co-ops such as SRBWA to incorporate; connect with other cooperatives, nonprofits and agricultural services; and access funding for infrastructure development and certification, production, and marketing training. Additionally, small farmers today require small business development, marketing, and finance skills to access more lucrative and diverse market opportunities. These markets—restaurants; specialty groceries; local institutional markets, such as schools and hospitals—along with direct markets, such as farmers markets and public markets have very specific packaging and processing requirements and regulatory guidelines. They also typically require related record-keeping processes, targeted point-of-sales materials, and targeted promotional strategies.
Training

Many members of new farming co-ops come into the business with little farming experience. Many work jobs in the local retail and service sector, own property with sizable plots of land, and form co-ops to put the land to productive use. Those who have worked in farming often have had bad experiences being paid very little as farm laborers, according to Miller of SRBWA.

Most agricultural co-ops make training and education a key part of their founding principles. They offer members training in farm improvement such as fencing, irrigation, and livestock breeding and care, and broader community education in farming, personal finances, and maintaining healthy diets. Another critical area of member training is in grant writing and loan applications. Co-op members must know how to develop a business plan when applying for loans and how to apply for USDA programs, which involve considerable red tape. Some government resources exist to help small farmers navigate this cumbersome process. But with personnel cutbacks, the burden of application help falls largely on co-ops themselves and the nonprofit organizations and regional associations that assist them, such as SRBWI and FSC. The effort to provide consistent support to farmers across a large region with limited staff and expertise makes assistance and regular follow-up challenging and expensive.

Good Agricultural Practices and Good Handling Practices Programs

The GAP and GHP certification programs set standards for agricultural production for farmers wishing to sell products to large purchasers, such as schools, restaurants, and grocery stores. Certificates must be renewed annually, and the process can be cumbersome and expensive for poorer small farmers. There is a fee for farm certification, currently around $500, in addition to money farmers must pay for auditors, who can charge approximately $75 per hour or more. The fee includes time traveling to and from the farm that is being audited, which in rural areas can be considerable. Co-op members have called for improvements in this process to lower costs and simplify the process, particularly for small farmers without the means to pay for the certification and audits themselves.

Opportunities

With more technical support and start-up capital, the co-ops featured here could greatly expand into new markets, help more member-farmers earn a living, and contribute healthier food to their communities. Many newer co-ops are stuck in a paradoxical situation of being unable to acquire the equipment needed to grow large enough to secure the financing to acquire more equipment. With tractors, trucks, hay balers and cutters, and irrigation equipment, as well as non-equipment inputs such as seed, fertilizer, and bulls for dairy farms, the co-ops in this report would be able to grow and diversify their output, produce and sell in bulk, transport goods to
market, and share resources among more farmers to cut down on their costs. Just one tractor can make a critical difference in the costs and productive capacity of all members of a co-op. Additionally, co-ops need associated technology, such as computers and software, to track sales, develop marketing materials, and maintain records. More avenues are needed for small farmers who lack access to traditional sources of financing and credit to gain this start-up and ongoing business development assistance.

There are few areas into which co-ops could not conceivably expand. Many other types of co-ops exist in the South: financial institutions such as Hope Credit Union, energy co-ops like Cooperative Energy, sewing co-ops such as Southern Journeys, and food product co-ops in areas such as canning and pickling. There are a wide range of value-added products and services that could add to the production chain from farm to table: transportation, insurance, marketing, catering, and consumer co-op groceries. Some co-ops also sponsor farmers’ markets, which are especially critical in towns that lack a nearby supermarket. Taken together, these businesses would ideally form a unified infrastructure to support other cooperative ventures and decrease the cost of bringing products to market. According to the co-op principle of cooperation among cooperatives, a broadening of cooperative business activity within agriculture could result in a self-reinforcing and autonomous cooperative economy sustaining people across many sectors and towns in the rural South.
Policy Recommendations

Why are there not more co-ops? Despite the fact that co-ops provide often critical goods and services with major consumer demand—things like food, energy, and personal banking—they remain a tiny share of the overall business market: just 1 percent of total U.S. GDP. Profitability alone cannot answer the question, because there are a few high-profile examples of extremely profitable and nationally recognized co-ops brands in insurance (State Farm), media (AP), and especially agriculture (Florida’s Natural, Ocean Spray). Co-ops face hurdles traditional businesses do not, but there is no fundamental reason why a cooperatively and democratically managed, membership-based model that serves community needs should not be a larger part of the economy.

A study by Peter Molk of Willamette University argues that what co-ops do is akin to providing a public good or service that is necessary but unmet by either government or existing private markets. Were co-ops treated as such and valued for their social benefits of providing necessities, such as healthy food, to the public, they would be incentivized through public investment, much as auto plants are subsidized through tax breaks and public investment by state governments, or private insurance companies are subsidized by the federal government through the Affordable Care Act.

Why Co-ops Need Support

Co-ops provide unique and necessary services to the public but also face unique challenges. They are harder to start up and maintain than traditional, privately held or investor-owned firms. Profits must be shared among multiple member-owners rather than kept by a single owner or institutional investors. Co-ops also can struggle with coordination problems in terms of decision-making about growing the business.

There exist examples outside of agriculture that point to solutions to these coordination problems. The American Bar Association sets rules for law firms that require cooperative ownership and uses tax breaks, grants, and other subsidies to achieve this. Member engagement is the first key factor in a co-op’s success: members must pay dues to monetarily support the co-op and must be fully involved in its day-to-day operation and personally invested in its success. For already established, profitable co-ops, this can be less of an issue. But for smaller co-ops just starting out—made up of members who are maintaining other jobs and coming into farming, or other industries, with little professional experience—being fully engaged can be a challenge. But as co-ops become more successful, the possibility of quitting one’s day job and becoming a full-time co-op member-owner becomes more viable. Thus, policy changes that foster new and smaller co-ops and allow them to become full-fledged businesses are critical to both financial sustainability and better coordination.
Like any developing business, investment is essential not only in the organization itself through co-op development but also in research and development in the industry within which the co-op exists. This dual challenge of growing a co-op and establishing a new business in a market simultaneously extends the learning curve and the amount of start-up capital, attention, and member involvement required at the beginning.

Loan and Grant Policy

Aside from member self-financing, one of the main sources of start-up and sustaining capital for farm co-ops is the USDA and its Farm Service Agency (FSA) and Natural Resources Conservation Service (NRCS). NRCS programs support the building of farm improvements such as wells, fencing, and livestock shelter. FSA loans available to farmers include direct operating loans for equipment, fuel, and other inputs; microloans for smaller and specialty farmers, youth loans, loans for beginning farmers, and minority and women farmer loans. This last program is a relatively new development, in response to class-action lawsuits against the agency two decades ago in response to discrimination in USDA’s loan policy.

While targeted loans for smaller and minority farmers exist, co-op members remark that loans and other subsidies often favor larger, row crop farms that do not sell goods for local consumption, and disfavor smaller vegetable farms, particularly for African American farmers. Many factors compound the problem: the difficulty of the loan application process, which gives advantage to those farms that have been through the process and won loans before; and budget cuts, which have reduced the number of USDA personnel available to help farmers apply for loans. Additionally, to qualify for USDA loans, farmers must be turned down multiple times by banks.

This can be a hurdle when they involve long applications and credit checks, and often an unrealistic alternative, given that some predatory lenders do offer loans but at exorbitantly high interest rates.

USDA grants provide sorely needed, and in many instances, the sole investment opportunities in industry research and development as well as production, marketing, and distribution infrastructure. These sources of support include Rural Business Enterprise or Opportunity Grants, Small Business Innovation Research Grants, Community Facilities Grants, VAPGs, Local Food Promotion Grants, and Specialty Crop Grants. Some of these USDA grants are matching funds programs, so farmers are expected to put up an amount equal to or some portion of the grant, which prohibits large investments for small farmers. Foundations grants, in contrast, are often not matching. But foundations often require certain minimum operating budgets in the hundreds of thousands of dollars for grantees or offer smaller grants that cannot meet the needs of start-up enterprises.

Sometimes loans and grants to support farming go to large institutions, such as universities engaging in agricultural research, but do not end up going to farmers themselves, according to members interviewed. Larger grants also go to intermediaries whose staffs and consultants
provide technical assistance to emerging cooperatives. However, because they must demonstrate grant outcomes in monetary terms, they are limited in the amount of funding that can be invested in building the capacity and expertise of co-op members themselves. Members also note that loan money is often delayed by FSA county committees that disperse the funds. Timeliness of financial support is critical for farming at certain times, such as planting season. Additionally, many USDA development grants are allocated on a reimbursement basis, so cooperatives must generate the cash flow to expend reimbursable expenses up front. This is not only problematic in and of itself, but becomes particularly disruptive when funding allocations are not timely. Other loan programs, such as the U.S. Small Business Administration, have conflicting policies toward co-ops. The SBA excludes most co-ops from qualifying for its lending programs aimed at small businesses.

Co-op members call for streamlining the FSA loan application process and for better funding of loan and support programs aimed at small and minority farmers. They would also like to see funding sources reserved for small and minority farmers among other loan and grant programs, including as set-asides for beginning farmers, specialty crop block grants, marketing improvement, crop and livestock insurance, and rural development loans and grants. There should be fewer matching grants, or there should be a way for matches to be in kind. Among the most acute needs for small and minority farmers is better support for equipment purchases.

**Fiscal Policy**

Under the current administration’s latest budget proposal, the USDA’s budget would be cut drastically, putting many programs critical for co-ops and farmers at risk. Notably, for its FY 2019 budget proposal, the Trump administration seeks to eliminate all discretionary funds for the department’s Rural Business-Cooperative Service (RBCS). These cuts would wipe out the Rural Business Development Grants program, as well as the Rural Cooperative Development Grants, Business and Industry Loan Guarantees, Appropriate Technology Transfers for Rural Areas, and the Value-Added Producer Grants programs. The RBCS is the only federal program dedicated to supporting co-ops on a national level, and gutting it would be a devastating blow to cooperative farmers. The National Cooperative Business Association has estimated that 300 businesses and 4,000 jobs were created or saved by Rural Cooperative Development Grants since 2008, and the association has lobbied to protect the program.

Additionally, tax policy is critical to co-ops’ success. Because co-op members are both collective owners of a business and individual producers, it is important for tax policy to recognize that co-ops, unlike other businesses, are not founded to generate profits for the business itself but to increase earnings for its member-owners. Accordingly, co-ops must be taxed in a manner different from regular businesses so that member-owners avoid being taxed twice. Currently this is accomplished by allowing co-ops to deduct distributions and
allocations made to their owners, but many tax policies are specific to the sectors in which co-ops operate, such as farming, energy, and finance. It is important to maintain the check on double taxation so as not to put co-ops at an unfair competitive disadvantage. Double taxation and inconsistencies in co-op laws by state increasingly motivate co-ops to forgo incorporation and register as LLCs. However, LLC members are taxed equally across the board not based on their income earned in the cooperative, which can be problematic given potential earnings differentials among co-op members. Ensuring fair taxation and uniform incorporation standards is in the interest both of state governments and co-op members.

Conclusion

For too many workers, particularly workers in rural areas neglected by large industries, the existing economic development model has been a failure. Alabama, Georgia, and Mississippi have long tried to revive areas suffering from chronic unemployment and economic stagnation with corporate subsidy deals, mostly to auto and other manufacturers, at enormous taxpayer cost relative to actual job creation. Rather than well-paying, stable, skilled jobs in heavy industry, most new jobs are in the low-wage service sector and lack healthcare, pensions, and any semblance of job security. The impact on historically marginalized workers—rural workers, African Americans, and women—is clear: wage disparities and poverty. In the meantime, farming, a traditional livelihood for workers over generations, is largely neglected as a matter of development policy.

As a sector that sustains a large part of the population in the most rural impoverished areas of the South, agriculture holds a key to self-sustainability for those who will not see the gains from an industry-focused development model. Many already engage in small-scale farming to supplement their diets and they see the logic in banding together to sell goods and buy inputs in bulk. There are already co-ops and federations that offer technical training, farm inputs, and help with loan and grant applications. There are already federal programs to support the development of co-ops. With sufficient access to credit and capital to allow them to grow, many small individual farmers could become successful collective business owners, creating economic activity in neglected areas and meeting nutritional needs in food deserts throughout the South.

Those who stand to benefit the most from an expansion of the co-op economy live in the poorest and most isolated areas of the South, far from the cities, manufacturing plants, universities, and hospitals that anchor the economy in other parts of the South. African Americans in rural areas are especially affected by their isolation from these economic hubs, with poverty and unemployment as a result. Women are especially prone to struggle to support families as single heads of household in areas with few and low-paying jobs. And
rural areas are most likely to suffer from lack of healthy food, leading to poor diets and associated afflictions such as diabetes. Greater support for co-ops and for building a cooperative infrastructure would open new opportunities for self-sufficiency for those who stand to benefit the most; generate new business in areas where there is little economic activity; and promote healthier diets in areas suffering from chronic health problems. A thriving cooperative farming sector could be the crux to spreading the gains and fulfilling the promise of a new growing, but still unequal, South.
End Notes

1 A note on geographic terminology: while this report focuses on the experience of residents of three states, Alabama, Georgia, and Mississippi, some figures cited here will refer to broader or narrower geographies. “The South” hereafter refers to the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia, Washington, DC, and West Virginia. “Deep South” refers to Alabama, Georgia, Louisiana, Mississippi, and South Carolina.


3 All figures unless otherwise noted from Mason, *Unequal Lives*, 2015.


5 Ibid.

6 Ibid.

7 Ibid.


11 Breadwinner defined as either sole provider to all children younger than 18 in the household or earning at least 40 percent of a couple’s total earnings.


17 Ibid.


23 All data from Bureau of Labor Statistics’ Quarterly Census of Employment and Wages (QCEW) county-level data files as of most recent quarters available, q1 and q2, 2017. Top sector is identified by BLS domain, top industry is identified by North America Industry Classification System (NAICS) code.


27 With some exceptions in the case of co-ops with preferred shareholders, whose ownership is limited, typically to less than 10 percent of the co-op, still presents issues of power imbalances (might want to consult work of Frank Adams on this and other issues...perhaps inclusion of “Worker Owned” concept)


31 Ibid, 212.

32 This number includes only co-ops affiliated with the Federation of Southern Co-ops; the total number of co-ops is likely larger. Gordon Nembhard, Collective Courage, 194.

