

# WE'RE TEAM FARM

COOPERATIVE FARMERS MARKETS IN WESTERN  
MONTANA: A CASE STUDY OF THE POLSON  
FARMERS MARKET AND HAMILTON FARMERS  
MARKET CO-OPS



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Photos courtesy of Nicole Tavenner and Erika Berglund

# INTRODUCTION

Hamilton Farmers Market Co-op, established in 1992 in Hamilton, MT, and Polson Farmers Market, established in 1976 in Polson, MT, both serve as vital local food and social gathering hubs in their respective communities. These markets not only provide farmers, artisans, and food vendors with an opportunity to sell their products and supplement their incomes but also a valuable space for nurturing community development and promoting sustainable local agriculture. Currently, both Hamilton Farmers Market Co-op and Polson Farmers Market are incorporated as cooperative associations, a fairly flexible business framework that can be adopted by a group of two or more individuals, is owned by its membership, and is governed by a democratically elected board of directors. Neither of these markets, however, were originally developed as cooperatives; due to numerous factors, both transitioned to cooperative associations several years after their establishment. Ultimately, Hamilton Farmers Market Co-op and Polson Farmers Market found that incorporating the market as a cooperative association was the most feasible business option, and it proved to be an integral step for the longevity and economic success of both markets. This research endeavors to understand the driving factors behind adopting the cooperative business model and the outcomes of this cooperative structure for these particular farmers markets and their vendors. This report summarizes the research findings from several in-depth interviews with individuals intimately involved with the operation of each market, with a particular focus on the lessons learned, benefits reaped, and challenges faced by members of these two cooperatively organized farmers markets. It is intended to serve as a resource for the Hamilton and Polson markets themselves as well as individuals involved with existing and prospective farmers markets in Montana.



# A BRIEF HISTORY OF THE MARKETS

Neither Hamilton Farmers Market Co-op nor Polson Farmers Market became the viable and bustling markets that they are today overnight. Rather, small groups of dedicated individuals at both markets made concerted and sustained efforts to ensure their market's economic success. While Hamilton Farmers Market Co-op grew from a handful of farmers to include 150 vendors, Polson Farmers Market grew to serve 50 vendors. In their early years, both markets experienced challenges when it came to the legal status of the business and deciding on an ownership type.

Hamilton Farmers Market began in 1992 as a fundraiser for the county museum and was managed by the Bitterroot Valley Historical Society. At that time, it had less than 50 regular vendors. Then in 2006, the market was forced to reconsider its operation when the museum determined that it would no longer act as the proprietor of the market, largely for liability reasons. At the same time, existing vendors at the market were determined to keep it going, and so, it was necessary that the individuals interested in the market's longevity find a way to incorporate the market as its own legal entity. Filing and incorporating as a legitimate business with the Montana Secretary of State would allow the market to open a bank account, acquire liability insurance to do business, and legally exchange goods.

Dedicated individuals at the helm of the market, particularly the market manager, sprang into action. The manager, after researching several different business options, hired a lawyer and began the lengthy process of trying to become a non-profit organization, a 501(c)(3), by filling out extensive paperwork. She explained, "in order to get the street permit from the city to be able to set up on the street, we had to have liability insurance. To get liability insurance, you had to be some kind of fiscal entity. So that's why we were jumping through all these hoops to see if we could become a 501(c)(3)." After the better part of a year was spent attempting to receive non-profit status, it appeared impossible, as the market was neither primarily an educational organization nor a charity. Eventually, a vendor with some experience with cooperative businesses suggested that those involved get in touch with a local representative of a statewide cooperative development group. The wheels were finally set into motion, and over the course of two months, the market incorporated as a cooperative association and became Hamilton Farmers Market Co-op in 2007.

According to Montana state law, incorporating as a cooperative association first requires that two or more organizers file articles of incorporation, establish bylaws, and issue capital stock. Once this is approved, organizers must hold the cooperative's first meeting where

those present adopt the bylaws and elect the initial members of the board of directors. Unlike agricultural marketing cooperatives in Montana, a cooperative association is not solely limited to agricultural products. In fact, cooperative associations can engage in any trade within any industry. As cooperative associations, the Hamilton Farmers Market Co-op and Polson Farmers Market are able to sell prepared foods and craft and jewelry products in addition to agricultural products.

Incorporating as a cooperative association was an instrumental step for the market. As one vendor noted, “and now, since it’s been a co-op, it’s really changed everything.” The market has grown to host 150 vendors and has a regular season from early May through mid-October. Attracting young families and retirees alike, it now boasts somewhere between 500 and 800 visitors on any given Saturday in the summer. The market also supports a diversity of vendor types, including arts and crafts, produce, and prepared foods.

Polson Farmers Market began in 1976, one of the oldest farmers markets in the region. The market operated in a local church parking lot until 2010, when it moved to the streets of downtown. Up until this point, the market had been fiscally managed by the market manager who operated it through a personal banking account. This system, as co-op members involved in the market described it, was inherently problematic and incredibly risky.



Nevertheless, the market manager moved to incorporate the market as a sole proprietorship under his ownership, but vendors objected and the manager ultimately stepped down. A core group of long-time vendors, interested in keeping the market viable, explored other business structures for the market.

One vendor, now serving on the board of directors, spent a lot of time researching options for incorporation and embarked on the process of filing for non-profit status. Unable to hire a lawyer and overwhelmed with the amount paperwork, the group decided that the non-profit option was ultimately infeasible. Instead, with the precedent set by two existing cooperatively organized farmers markets in the region, staff at Lake County Community Development Corporation suggested that Polson Farmers Market explore the option of incorporating as a cooperative association. Becoming a cooperative association as one board member explained, “was easier than trying to become a non-profit. I had to fill out paperwork for the state...a couple of times it came back, saying you did this wrong and we need that, [but] it wasn't that bad.” Shortly thereafter, in 2012, Polson Farmers Market became a cooperative association. Since then, the market has grown and become “extremely successful,” as one member described it. It now supports over 50 vendors, including farmers, crafters, and bakers, from May through October. In addition to its economic success, members also described it as an important community gathering space.



# FUNCTIONING AS A COOPERATIVE

As cooperative associations, both the Hamilton Farmers Market Co-op and Polson Farmers Market are managed by a volunteer board of directors and a hired market manager, and are owned by the membership. Vendors of the markets are not required to become cooperative members, but have the option of purchasing stock and becoming a member, affording them an equal voting right and a voice in market decisions as well as a discounted booth fee and a guaranteed booth spot. Additionally, interested non-vendors can seek membership. A member of the Hamilton Farmers Market Co-op explained that becoming a member essentially entails making a “one-time only stock purchase and then [members] have to come to the annual meeting to elect the board. That’s all [they] have to do besides follow the regular market rules, which apply to everyone.” The annual meeting is a hallmark of cooperatives. It is where significant rule changes are voted on, market issues are discussed, and board members are elected, all through democratic processes.

The Hamilton Farmers Market requires that members either attend annual meetings or send a proxy in their place. Failing to do so for two years in a row will result in the forfeiture of membership. Annual meetings are not mandatory for members of the Polson Farmers Market, but if vendors wish to exercise their voting rights and weigh in on market decisions, they must attend the meeting to do so. The board of directors is democratically elected by the membership and, at both markets, each member of the board serves on the board for a term of 3 years; however, there are no term limits. At the Hamilton Farmers Market Co-op, the nine board members meet once a month, whereas the five members of the Polson Farmers Market board meet only two to three times per year. The responsibilities of the board of directors vary slightly between the two markets, but generally, the board handles personnel and hiring decisions, advertising, rule changes, and interacts regularly with the market manager. Several of the board members for Hamilton Farmers Market Co-op and all of the board members for Polson Farmers Market currently vend at their respective market. In addition to the board, the Hamilton market hires a full-time market manager and a part-time market assistant to handle day-of-market logistics and paperwork, whereas, Polson hires a part-time manager.



The cooperative business model, as it is realized at each market, offers the markets and their members distinct benefits. Some of the benefits that the participants identified included (a) relatively easy way to organize and operate fiscally, (b) lower operational costs for members, (c) equal voting rights for members, (d) increased accountability of market management and between members, and (e) local economic development. Operating a farmers market as a cooperative association, however, can also engender challenges and frustrations. The primary challenges identified by participants were the paperwork and bookkeeping required of a cooperative association, a lack of commitment from both vendor members and members of the board of directors. The following section explores the notable benefits and challenges the cooperative business model offers the Hamilton Farmers Market Co-op and Polson Farmers Market.





# PROJECT BACKGROUND

Despite the numerous benefits that farmers markets can provide local communities and agricultural producers, establishing an economically viable market is no easy task. Achieving legal status and securing a functioning governing body can prove to be significant barriers to the economic and social success of farmers markets. As farmers markets that have overcome these barriers through the cooperative business model, Hamilton Farmers Market Co-op and Polson Farmers Market offer unique insight into the benefits and challenges that a cooperative ownership structure can provide a farmers market.

The researcher spoke with individuals intimately involved with the management and operation of each market in an effort to document the lessons learned, benefits reaped, and challenges faced by Hamilton Farmers Market Co-op and Polson Farmers Market, and the individuals themselves, as a result of the cooperative structure. The researcher conducted a total of six in-depth, hour-long interviews with six individuals, totaling six hours of interviews. Those interviewed either served on their market's board of directors or acted as market manager, currently or previously. Of the six individuals interviewed, four were involved with Hamilton Farmers Market Co-op while two were involved with Polson Farmers Market. They shared information based on semi-structured interviews including questions such as: Why did the farmers market choose to incorporate as a cooperative association? What benefits does the co-op structure offer a farmers market? Have you personally experienced any frustrations or challenges as a result of the cooperative structure? How important is it to you that the market is a cooperative?



# KEY LESSONS AND OBSERVATIONS

## THE COOPERATIVE BUSINESS MODEL WAS THE MOST PRACTICAL

According to the vast majority of those interviewed, the cooperative structure was primarily adopted as a way for each of the markets to become a legitimate, accountable business entity with a fair governing body. As one co-op member simply put it, “the co-op option was the default.” As a result, both of the markets function as cooperatives at a very basic level, serving the primary and central purpose of providing vendors with a reliable, well-managed place to sell their goods. Nearly all participants explained that, in both their personal experience as vendors and as board members or managers, the majority of vendors were interested in becoming members simply to sell their products.

Unlike some cooperatives, Hamilton Farmers Market Co-op and Polson Farmers Market utilize the cooperative structure largely as a means to establish a maintainable business, focusing far less on cooperative ideals. Incorporating as cooperative associations has indeed afforded the markets viability and their vendors a consistent place to sell. The opportunity to incorporate and become a legally sound business was often mentioned as the deciding factor for each market choosing to become a cooperative association, and therefore, is the greatest benefit derived from the cooperative structure for each market as a whole.



## THE CO-OP PROVIDES PERSONAL BENEFITS FOR MEMBERS

The most obvious and commonly mentioned benefits for individual members of the farmers market cooperatives were personal financial gains. Although neither market requires that vendors become members, a large majority of vendors (approximately 80% at both markets) do. One member explained that for vendors interested in consistently selling at the market, a co-op membership is a no-brainer; it means that, “your fee is less and you're guaranteed [a booth] spot. You can get up, and go to the market, drive into your spot, and sell your product. I mean, it's huge.” A guaranteed spot is not only a lower cost and convenient way for members to sell their products, but it also provides them with some level of security and the ability to focus on their own business and establish a strong customer base at the market. One caveat to the guaranteed spot is that both markets are currently full and can only provide spots to members as they become available, but members are prioritized.

Another benefit for members is the ability to vote on important market decisions. At the heart of cooperatives are democratic principles. Each member has an equal ownership of the co-op and an equal say. One farmers market co-op member said “the ‘one member, one vote’ democratic system at our annual meetings has always been really important, that everyone gets a voice. And if people don't like [an] idea, they still get to say it...then they can move on...there's this ability to move on, whereas, I think if it's a different kind of system, if you didn't get your voice heard because someone else is in charge, you're never going to be happy about it.” Members have the opportunity to voice concerns, share support, and influence the direction of the market's future for the benefit of their own business as well as their fellow vendors.

Nearly all participants identified members' equal right to vote as an essential benefit of cooperative membership, and two members went on to describe the market's management as fairer and more equitable than other business models, as a result. One member further explained that the democratic nature of the cooperative model also creates the space for team ethic. “Although farmers markets inherently tend to generate ‘perceived competition’ among vendors, the cooperative model puts vendor members ‘on the same team’...I feel like I say that a lot to other small growers, ‘We're team farm. We're on the same side.’ But if we weren't a co-op, I think we wouldn't even have a place where we could be team farm.” The concept of “team farm” extends beyond individual benefit to create a sense of responsibility and accountability among members and management, resulting in mutual benefits to the vendors and the markets themselves.



## ACCOUNTABILITY AND MUTUAL BENEFIT GO HAND IN HAND

The cooperative structure, in addition to offering a viable businesses model, ensures that there is both financial and social accountability, allowing both markets to maintain transparency in finances and decision making. This ties back to the democratic principles of the market and each member's ability to influence the market's management and the ways in which it serves them. One co-op member identified this as an important centerpiece of the market's structure; "with all of the revenue [the market] generates, I think it's very important that the people involved are the ones who are kind of in charge of its direction and of mapping it out." Another member also felt that the cooperative model supports stronger group mentality and the idea that "for me to do better, you have to do better," rather than promoting a sense of cutthroat competition.

This concept of mutual benefit most clearly manifests itself within the markets as product diversification and market rules for locally sourced products. Individual vendors at both markets expressed their strategy of developing creative ways to diversify the products they sell at market so as to compete less with fellow vendors while maintaining their revenue streams. Furthermore, Polson Farmers Market, with only limited spaces available for permanent vendors, prioritizes new vendors with products that are unique and that will not directly compete with existing vendors. The market also prioritizes products made or grown within a 50-mile radius.

Hamilton Farmers Market Co-op has a strict local rule, where products must be produced within Ravalli County. One member explained, "the co-op voted to not have anything outside of Ravalli County...that was to protect the farmers and what they have and what they're trying to grow." Some participants expressed skepticism over this rule, but accepted it as the market's decision, knowing that their voices were heard and such rules can be voted on again. Though such rules are strict and can be limiting, they are not instituted without democratic consent, and are ultimately put in place for the benefit of the co-op and its members.



The co-op members continue to shape and influence the priorities of the markets in which they sell their products for the cumulative and mutual benefit of all vendors. In turn, these benefits extend to the Hamilton and Polson communities as a whole. The markets engage hundreds of producers and customers around local food and agriculture. Reflecting upon their market's impact beyond the business itself and its vendors, all of those interviewed suggested that their farmers market stimulates the local economy and acts as a community gathering place.

## OPERATING A CO-OP IS NOT WITHOUT ITS CHALLENGES

Co-op board members and managers most commonly expressed frustrations over the amount of bookkeeping and paperwork required of managing the co-op. Although members did explain that the initial paperwork associated with incorporating as a cooperative association was not terribly cumbersome, as the markets have grown, so has the amount of paperwork and bookkeeping. One reason for the increase in bookkeeping needs is that non-member vendors and member vendors serve as two separate revenue streams, and therefore, must be accounted for separately. Additionally, both markets participate in several food access programs, including SNAP/EBT, WIC, and senior coupons. Transactions related to these programs must also be carefully documented, but the record-keeping required is a function of the programs, not the co-op structure. Another reason maintaining the finances and paperwork for the cooperatives can seem overwhelming at times is due to the fact that the level of financial experience among the volunteer board of directors and the market manager ebbs and flows with turnover.

*Recommendation: The markets could benefit from hiring additional part-time staff to handle the paperwork and bookkeeping solely for the nutrition and food access programs (WIC, SNAP/EBT, etc.). Additionally, contracting a professional bookkeeper for a few hours a month to assist with market finances would allow the market manager and board of directors to focus on market logistics and the needs of members and customers.*

This issue ties into another prominent challenge that both Hamilton Farmers Market Co-op and Polson Farmers Market face: disinterested cooperative members. Several members mentioned that vendors, for the most part, do not want to get involved with the market's management and have little interest in participating in the cooperative beyond selling at the market. The lack of new board members places a burden on the few who do volunteer their time. As a result, the leadership of the cooperative may suffer and the potential benefits of the cooperative structure may not be realized. It is clear that the level of commitment from board members plays an integral role in the market's management and success.

*Recommendation: One strategy for addressing this issue is dedicating board member resources toward creating a "leadership development committee" in order to recruit new board members and cultivate future leaders of the co-op.*

Related to the issue of vendor and board member commitment, or lack thereof, is the challenge of creating cooperativeness. Perhaps because the markets happened upon the cooperative model for reasons other than creating cooperativeness among a group of farmers market vendors, cooperativeness is not central to either of these markets. One member believed that farmers markets do not lend themselves to achieving cooperativeness unless they consist of less than 50 vendors; beyond that, it is simply too many individuals to organize and connect with. Others expressed their belief that few members were aware of what it means for the market to be a cooperative, and therefore, the markets could strengthen their cooperative nature through more delegation of management duties and increased efforts to educate both members and customers about cooperative principles.

*Recommendation: In order to help develop a greater sense of pride in cooperative ownership among the membership and encourage more engagement between the board of directors, vendors, and customers, the markets might benefit from concerted efforts to raise awareness of and promote cooperative principles. The seven cooperative principles outlined by the International Cooperative Alliances are as follows: (1) voluntary and open membership, (2) democratic control, (3) member economic participation, (4) autonomy and independence, (5) continued education, (6) cooperation among cooperatives, (7) concern for community.*

Overall, there are ways in which both the Hamilton Farmers Market Co-op and Polson Farmers Market could improve, particularly in terms of individuals' commitment to the market's operations and fostering cooperativeness, but ultimately, they are both thriving farmers markets that support a diversity of vendors and customers while stimulating the local economy. The cooperative association business model enabled both markets to reach this level of economic and social success and it affords them the opportunity to improve according to the needs and interest of their members.

# CONCLUSION

The findings from this case study of Hamilton Farmers Market Co-op and Polson Farmers Market suggest that incorporating as cooperative associations primarily enabled and continues to enable both markets to operate as sustainable legal businesses. As cooperative associations, the markets are able to acquire liability insurance for their operations, affording them the freedom to sell a diverse variety of products to consumers along downtown streets on Saturday mornings. This research also suggests that, in addition to the vital role that consumers and producers play in a market's success, the market's ownership structure is also an important factor. Although member evaluations of both these markets were overwhelmingly positive, members also identified problem areas that they personally faced as a result of the cooperative model. These issues primarily revolved around administrative upkeep of the market and member commitment in relation to the board of directors and participation in cooperative procedures. These issues do not serve as impediments to the market's viability, but rather, are challenges that could be addressed to strengthen the markets.

The cooperative business model aided both markets in expanding their operations, stabilizing their business, and cultivating a vibrant community gathering space. As a result, farmers in these communities have more economic opportunities, the markets stimulate the local economies, and community values are recognized and invested in for the wellbeing of these communities as a whole. Ultimately, this report serves to identify the cooperative association as one viable business entity for farmers markets to adopt in Montana.



# APPENDIX: SUMMARY OF RESULTS

Table 1: Summary of key benefits described by select members of the Hamilton Farmers Market Co-op and Polson Farmers Market

Type of Benefit	Specific Benefit
Viable Business	Provided feasible business structure
	Easiest option for incorporation
	Able to secure street permit and liability insurance for market
	Provides fee structure
	Solution to previous operating issues
	Other cooperative markets set precedent
	Met vendor needs
Economic	Reduced booth fee for members
	Guaranteed/prioritized booth spot for members
	Members prioritized for market advertising
	Members are owners



	Opportunity to participate in cooperative economics
	Business incorporation provides access to funding streams
	Being a cooperative provides PR opportunity
	Members encouraged to diversify products
<b>Democratic Principles</b>	
	'One member, one vote' empowers everyone who has stake in it
	Facilitates communication
	More fair and equitable market
	Involvement in market simply requires purchasing stock
	Puts everyone on the same team
<b>Community Benefits</b>	
	Market exemplifies successful cooperative farmers market
	Market is main social event of the weekend
	Stimulates local economy; brings people downtown
	Economic and social impacts in surrounding towns
	Tourism attraction
	Provides access to quality food for food access programs

	Market is resilient in face of struggling economy
	Provides opportunity for vendors to realize dream of selling products

**Table 2: Summary of key challenges described by select members of the Hamilton Farmers Market Co-op and Polson Farmers Market**

Type of Challenge	Specific Challenge
Economic	
	Money is spread out more, less individual profit
	Often have to go through 3rd parties (non-profits) to apply for grants
	Requires that market manager or board member(s) have financial experience
Operational	
	Paperwork and bookkeeping requirements
	Members are not interested in serving on Board of Directors
	Difficulties ensuring that members attend annual meetings; issues with getting a quorum to actually vote
	Board is spread too thin
	Cooperative structure makes things more complex
	Board members don't have a cohesive understanding of duties
	Market manager has a big and underfunded job
	Who gets to decide if market supports food access programs?

Individual Frustrations	
	Perceived competition among members
	Some vendors oppose food access programs
	Some vendors don't care about group interest and adverse to cooperative structure
	Not all members/vendors agree with market rules
Cooperative Principles	
	Difficult to create cooperativeness among members; creating cooperativeness takes time
	Market is too big to get members involved
	Cooperative principles are not central to market
	All we can expect of members, in terms of involvement, is to attend the annual meeting