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## Book

# Investigating the potential of cooperatives to re-embed the economy : a multiple case study of food cooperatives in Belgium

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# Working Paper

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to re-embed the economy: a multiple case study  
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**CIRIEC No. 2018/05**

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**Investigating the potential of cooperatives to re-embed the economy:  
a multiple case study of food cooperatives in Belgium**

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**Working paper CIRIEC No. 2018/05**

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## **Abstract**

It is now widely acknowledged that the development of conventional capitalist food systems has provoked multiple social, environmental and economic problems which are undermining the sustainability of the agro-food industry. As a response, many bottom-up, solution-oriented initiatives have flourished. Among them, food cooperatives have brought together citizens, producers, entrepreneurs, distributors and other actors to build alternative, sustainable, local food systems along the entire food supply chain. The capacity of these diverse cooperatives to move the economy towards sustainability remains unclear. To investigate this, we conducted a qualitative study involving three food cooperatives in Belgium. By examining how they have implemented two cooperative principles, we explored to what extent they are helping to “re-embed” the economy in society. From an empirical point of view, we offer a typology of food cooperatives and their “re-embedding potential” as a new research hypothesis. The typology has two dimensions: (i) surplus distribution i.e. from “*investment-fuelled action*” to “*community-fuelled action*” and (ii) the relationships between consumers and producers i.e. from “*purely commercial relationships*” to “*cooperative partnerships*”. It has enabled us to contrast the paradoxes inherent to cooperatives and their potential to transform the economy brick by brick with their values and ethics.

**Keywords:** food cooperatives; cooperative principles; sustainable food; embeddedness; market economy.

**JEL Codes:** P13; D22

## 1. Introduction

Since the second half of the 20th century, the development of agro-food systems followed an economic paradigm based on productivity, competition and globalization (Blay-Palmer, 2008; Oosterveer & Sonnenfeld, 2012; Palpacuer & Tozanli, 2008). This has led to the dominance of large food retailers and intermediaries at the expense of smallholders and small producers (Konefal, Mascarenhas & Hatanaka, 2005), as well as environmentally harmful practices (Foster *et al.*, 2006; Wilson, 2016) combined with long and opaque supply chains riddled with unethical practices and health issues (Blay-Palmer, 2008; Kjærnes & Torjusen, 2012).

In response to these excesses, bottom-up initiatives, which structurally question the relations between producers and consumers and agro-food practices, have flourished on the ground and gained interest as objects of study (O'Hara & Stagl, 2001; Goodman, DuPuis & Goodman, 2012; Hinrichs, 2014). In particular, food cooperatives have brought together citizens, producers, entrepreneurs, distributors and other actors to build alternative, sustainable, local food systems along the entire food supply chain (Berge, Caldwell, & Mount, 2016; Spaargaren, Oosterveer & Loeber, 2012; Starr, 2010). Through their “promise of difference” they have positioned themselves as alternatives to “conventional” capitalist food systems (Le Velly, 2017). They seek to improve the environmental, social and economic sustainability of our economic system similarly to other social enterprises (Hudon & Huybrechts, 2017; Loorbach, 2010; Picciotti, 2017), and may play a role in the governance of sustainable food systems (Bauwens & Mertens, 2017; Chiffoleau & Prevost, 2012). They use economic *modi operandi* to achieve their community-oriented, economic, social and environmental outcomes (Goodman *et al.*, 2012), and thus somehow “instrumentalize” the economy (Gendron, 2001; Gendron, Bisailon & Rance, 2009) in order to implement their values and principles. Such local initiatives are sometimes presented as autonomous spaces of resistance against the use of food-to-market principles, such as the pursuit of profit and the subservience to the forces of supply and demand (Kloppenburger *et al.*, 1996; Le Velly, 2017, pp. 61-62).

This paper strives to increase awareness of the capacities of such organizations to challenge the dominant principles of the economic system, and – at their particular level – to redefine this system according to their values and goals. To achieve this purpose, the paper focuses on identifying and characterising this type of economic activism on the ground. It investigates three diverse cooperatives i.e. food cooperatives led by consumers, producers and investors, which are active in the food distribution sector.

The wider theoretical context of this paper is based on the work of Polanyi (1944/2001). Polanyi argues that a “Double Movement” i.e. a dialectical process of marketization – “disembeddedness” – and the reactions that push against this marketization, shapes modern economies, as society attempts to “re-embed” the economy and subordinate it to other societal structures. Starting from the assumption that our unsustainable dominant agro-food systems result from a “disembedded” economy (O’Hara & Stagl, 2001), the question tackled in this paper can be formulated as follows: “To what extent do food cooperatives help ‘re-embed’ the economy in society?”

What distinguishes cooperatives from conventional food systems is a set of cooperative values and principles. The International Cooperative Alliance (ICA, n.d.) has defined seven cooperative principles: (i) *Voluntary and Open Membership*, (ii) *Democratic Member Control*, (iii) *Member Economic Participation*, (iv) *Autonomy and Independence*, (v) *Education, Training and Information*, (vi) *Cooperation among Cooperatives*, and (vii) *Concern for Community*.

These principles are implemented across different dimensions via different means and to different degrees. Such alternative food systems are hybrid objects that develop a multitude of practices through the rules they set up: some of them can be considered as “alternative” and others as “conventional” (Le Velly, 2017, p. 87). In this paper we explore the hypothesis that food cooperatives re-embed the economy differently because they apply the cooperative principles to their own practices in different ways. In particular, we examine how two of these principles – *Member economic participation* and *Concern for community* – are implemented in the economic practices of three food cooperatives in Belgium. Alongside the concept of embeddedness, we use these two principles as lenses through which we examine to what extent the three cooperatives reproduce or challenge the logic of the market. In other words, to what extent do their practices pave the way for an alternative economy or contribute to the perpetuation of this economy? (De Leener & Totté, 2017)

To develop a typology of the re-embedding capacity of food cooperatives we use a qualitative analysis to investigate three cases in Belgium: (i) Equity’food, a cooperative that brings together organic farmers and consumers in a project involving the production, transformation and distribution of food products at a local level; (ii) PureGreen, a network of organic shops started by entrepreneurs and organized as a cooperative, and (iii) CitizenMarket, a participatory supermarket organized as a non-profit consumer-based cooperative. The names of the three cooperatives have been changed for this paper.

The paper is structured as follows. Section 2 provides a definition of the concept of (dis)embeddedness by differentiating the two meanings of the concept in Polanyi's thinking. In section 3 we introduce the cooperative principles and the criterion for analysis of the "re-embeddedness potential" of food cooperatives. The methodology is then explained in section 4. In section 5 we show the findings from the three case studies of the food cooperatives in Belgium. Section 6 is a discussion of the results and section 7 presents a typology of cooperatives and their re-embedding potential as a new research hypothesis. We conclude by highlighting some avenues for future research.

## **2. Disembeddedness and re-embeddedness**

Polanyi's concept of embeddedness is ambiguous and has – at the very least – a dual meaning (Gazier & Mendell, 2008; Gemici, 2008; Le Velly, 2008; Machado, 2010; Montgomery, 1998; Sonnino, 2007; Vancura, 2011). It may refer (i) to how economic phenomena are shaped by social structures and networks, or (ii) to the level of market forces in society (Gazier & Mendell, 2008; Gemici, 2008; Le Velly, 2008).

Scholars frequently employ the first meaning of embeddedness as the basis for a conceptual tool which theorizes local food systems (e.g. Hinrichs, 2000; Winter, 2003; Seyfang, 2006; Larder, Lyons, & Woolcock, 2014), in particular, to study the relationships between these economic activities and social and territorial processes. This use of embeddedness implies that any economic action is embedded in social networks and structures. For example, some studies show how alternative food networks are more socially embedded than conventional food systems and therefore help "re-establish relationships of trust and accountability between food producers and consumers" (Sonnino, 2013, p. 2). From this perspective, "disembeddedness" makes no sense, as it would imply the existence of an economy without social structures. Indeed, both a very liberal market and a highly-regulated market are "embedded" (Le Velly, 2008). However, for the purposes of this paper we will use the second meaning of embeddedness.

In *The Great Transformation* (1944/2001), Polanyi argues that capitalist societies have been shaped by a "Double Movement" consisting of two parallel dynamics: *disembeddedness* and *embeddedness* of the economy in society. On the one hand society is increasingly organized along the principles of a self-regulating market economy, which translates into a decline in the social control over economic actions. On the other hand, in response to these deregulatory forces and the disruption of traditional social structures, Polanyi sees a



spontaneous countermovement of society that seeks to (re)integrate economic processes into social structures (Block, 2008).

If we consider the second meaning of “embeddedness”, an economy is “embedded” when the market forces in society are weak (Le Velly, 2008). Polanyi explains that until the 19th century, the economy, which is defined as the set of activities derived from an individual’s dependence on nature and on other individuals, was seen by human societies as *embedded* in society. This means that economic activities were not oriented towards the search for profit, even when markets existed, but were guided by non-economic factors such as social, cultural and political requirements.

Conversely, from the 19th century onwards, the relationship between society and the economy changed. Social relations were being organized on the basis of economic motivations, such as the pursuit of profit and the fear of hunger, that is, they were “directed by market prices and nothing but market prices” (Polanyi, 2001, p. 45). Even though producing and selling commodities is necessarily driven by a variety of aims, the profit aim is overriding in a market economy. In this type of economy, prices are determined “purely” by the no-holds-barred confrontation between supply and demand. Producers face competitive pressure, which keeps prices low. Competition remains because self-interested agents are easily replaceable by others in the system of exchange: “if a product does not satisfy me – e.g. because I find it too expensive – I am able to easily buy another one from another seller”. In Polanyi’s view, proponents of a market economy think that “[c]ompetition is always beneficial, following a linear increase, always required in higher quantities, to perfection. The more competition, the better” (Groyer, 2015, p. 227). Finally, a market economy is characterized by the breadth of its scope: nearly all goods and services are exchangeable on markets. For Polanyi, land, labour and money in particular, are commodified in a market economy (Brechtin & Fenner, 2017; Cunningham, 2005).

Polanyi considers that a society ruled by a self-regulating market is an ideal sought by classical economists – a utopia. He claims that this utopia can never be achieved because of the countermovements that are necessarily created in response. Therefore, a true “market economy” never exists, only a “movement” that gradually establishes the institutions required for such an economy. This “movement” simultaneously contends with a response from society which is oriented in the opposite direction. Whereas in *The Great Transformation*, Polanyi views fascism as an undesirable and dangerous countermovement of re-embeddedness, the response from society can be illustrated with other examples. First, against the non-equitable distribution of

wealth engendered by the market, the principle of redistribution, whose rules are defined by a public authority (under democratic control), is mobilized. Second, against its self-regulating trend, interventions attempt to “socialize” the market, that is, to embed it in a set of rules under democratic control. And finally, against the hegemony of capitalist enterprises, alternative forms of enterprise whose property rights are not detained by profit-seeking investors – such as cooperatives – emerge (Laville, 2008). The three cooperatives we analyse in this paper constitute relevant examples of this last type of countermovement.

The second meaning of embeddedness invites us to pragmatically study the levels of market forces – as well as countermovements – in society (Le Velly, 2008). Inspired by Bohannon and Dalton (1965), Le Velly identifies three criteria for assessing the degree of embeddedness of a specific economy: “to what extent (1) are prices the result of a free confrontation between supply and demand, (2) does material survival go through market participation, and (3) are economic decisions guided by the remuneration induced by market prices?” (Le Velly, 2008). Embeddedness here is a macro-concept. In this paper we will endeavour to examine it at a micro-level by assessing to what extent small-scale initiatives help re-embed the economy. For this purpose, in the following section we will define criteria that apply to food cooperatives in order to analyse our three cases.

### **3. Food cooperatives as diverse re-embedding forces**

The International Cooperative Alliance (ICA) defines a cooperative as “*an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.*” Unlike purely capitalistic enterprises, which are profit-driven, cooperatives are in principle driven by social values. In this sense, cooperatives may potentially contribute to the re-embeddedness of the economy.

The ICA (n.d.) defines a set of core values: “*self-help, self-responsibility, democracy, equality, equity and solidarity*”, which are embodied in seven core cooperative principles:

- *Open Membership*: membership cannot be subject to gender, racial or any other discrimination.
- *Democratic Member Control*: cooperatives are democratically controlled by their members, either with equal voting rights (one member, one vote), or in another democratic manner.

- *Member Economic Participation*: the capital is equitably owned and democratically controlled by members; profit distribution is generally limited; and surpluses are allocated by members to certain specific purposes decided democratically.
- *Autonomy and Independence*: the democratic control of members over their cooperative should not be hindered by any partnership with other organisations (including government) or external funders.
- *Education, Training and Information*: cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives.
- *Cooperation among Cooperatives*: cooperatives work with other cooperatives, at different levels, in order to strengthen the cooperative movement.
- *Concern for Community*: cooperatives work for the sustainable development of their communities through policies approved by their members.

These principles are non-binding, and implemented – or not – by each cooperative in the way they see fit. In Belgium, as in most countries, the legal status of a cooperative carries no obligation to abide by the ICA principles. Organisations may voluntarily obtain an accreditation from the National Cooperative Council and/or opt to become a legally recognized “Social Purpose Cooperative”. In this case, they must apply certain cooperative principles (e.g. surplus distribution limited to 6%). However, there is a great deal of freedom when it comes to putting the principles into corporate practice.

In this paper we explore how three Belgian food cooperatives contribute to the movement of the economy towards re-embeddedness by encompassing these principles in their own values and practices. After a careful examination of the collected data, we chose to concentrate on two of the seven cooperative principles: “Member economic participation” and “Concern for community”. The relation between the former principle and embeddedness is quite straightforward: the manner in which it is absorbed into the rules of the cooperative influences the potential profit-maximizing behaviours of shareholders. The meaning of the “Concern for community” principle is less obvious. This principle – the most recent inclusion by the ICA, in 1995 – mainly reflects the importance of core social values such as “caring for others”, “social responsibility”, “solidarity”, “equity”, and “equality” in the spirit and practices of the cooperative (MacPherson, 2012). One way to examine the relations between the practices of a food cooperative and the “Concern for community”

principle is to examine the nature of the interactions between the consumers and producers – or more generally, suppliers – in the context of the cooperative. We saw in section 2 that in a disembedded economy, such economic interactions are marked by strong competition between producers in order to sell their products to consumers – the antithesis of the social values mentioned above. Therefore, these two principles appear very relevant in the analysis of the “re-embedding potential” of our three cooperatives.

From these principles we derive two criteria to compare how food cooperatives contribute to the embeddedness of the economy in society. We do this by asking the following questions in relation to: (i) Member economic participation: to what extent can a cooperative prevent profit-maximising behaviours by its members? and (ii) Concern for community: to what extent can a cooperative prevent competition among suppliers?

## **4. Case studies**

In this section we present our three case studies of food distribution cooperatives in Belgium. Three types of cooperatives are represented: (i) Equity’food was started by producers and includes consumers in the management team; (ii) PureGreen is driven by entrepreneurs and (iii) CitizenMarket is a consumer-based participatory cooperative. The names of the three cooperatives have been changed for this paper.

### **4.1. Equity’food**

Equity’food started life as a food cooperative in 2011 with the purpose of creating *“an alternative to the dominant economic model, to regain our right to food sovereignty and to ensure a healthy and nutritious food for all, [...] for the good of the human and the natural and social environment”* (as stated on their website).

It comprises 34 producers and food processing enterprises, that along with more than 600 consumers, own their means of distribution. Producers are established as independent businesses and sell a part of their production to Equity’food, which distributes food.

The products are currently sold from four “sales counters” – small shops – in Belgium, which deliver boxes of products to 50 depots. The products are also sold to a dozen restaurants. Furthermore, at the main counter are a butcher and caterer who process food.

The cooperative has strong social and environmental commitments. The food produced complies with higher environmental standards than organic food. It adheres to a set of ecological and agronomic principles decided by producers and formalized in a charter accepted by all members of the cooperative. Equity'food aims to offer these products at prices which are acceptable to all concerned – producers, food processing companies and consumers – thereby promoting the maintenance and development of existing organic farms and the creation of new ones. Furthermore, the cooperative provides an opportunity for low-skilled unemployed workers to re-enter the labour market.

The cooperative applies the “one member, one vote” principle in its decision-making at general meetings. Furthermore it has multiple decision-making and participative bodies, such as (i) the board of directors, whose role is quite technical, mainly monitoring and maintaining the financial health of the cooperative; (ii) a consumer group who think about consumer-related issues; (iii) its counterpart group of producers who are working, for example, on a “producer charter” to define the standards and principles on which producers’ practices should be based; (iv) an employee group and (v) a group of food processing companies. Even if it was the producers who initiated the project, the role of consumers is essential in the coop. To avoid a power imbalance between Equity'food's different stakeholders, consumers have the same power as producers and food processing companies in the decision-making bodies.

#### **4.2. PureGreen**

PureGreen cooperative is developing a network of food stores in order to promote *“the development of a sustainable, organic and local agriculture for the benefit of the maximum number of people”* (taken from their website). The cooperative was founded in 2013 by two biologists and supported by three families of investors. At the beginning, “the idea was to make an organic store with a trendy and modern image, to break the image of austere organic shops reserved for activists” (co-founder A, interview, 5 October 2016). In three years, six stores have opened in Belgium. But the stores only represent one facet of the activities developed by the cooperative: a further goal is to act as a transformative force at the different levels of the food supply chain, from the producer to the consumer. In particular, and based on the observation that there is not enough non-industrial organic production to meet demand, they aim to contribute to the development of sustainable food production chains in Belgium:

“For each food production and distribution chain we want to see at what level PureGreen can act and organize. And ultimately, what we expect is that PureGreen will complement the existing tools that are used to coordinate the food chains, and explore the possibilities for working together effectively on marketing products in the sector.”  
(Co-founder B, interview, 2 June 2017)

With this in mind, the cooperative partially acquired a butcher's and a baker's, which were switched to organic production. PureGreen is currently working with a group of pork producers in order to set up a production chain for organic pork.

Products sold in shops are selected by each shop manager from a list defined by the Products Participation Committee (participation is open to all PureGreen employees). A Product Charter setting out the key principles of the sourcing policy has also been defined by this committee: (i) 100% of the products must be certified as organic or in the process of being certified; (ii) PureGreen shops will only sell products from small producers, artisans and family/independent businesses; (iii) they will support “ultra-local”, Belgian and seasonal supply; (iv) only products that are never produced in Europe will be imported from outside of Europe, and finally (v) they will endeavour to offer a large choice of bulk products in order to limit waste.

In terms of democratic member control, PureGreen does not apply the principle of “one member, one vote”: the voting power of a member at the AGM is based on the number of shares held by that member. The members of the cooperative are divided into five groups: investors (A), managers (B), collaborators (C), sympathisers (D) and producers (E). In the board of directors, the power is more balanced. The number of members from each of the five groups that sit on the board is calculated according to the total number of shares held by the members of that group. However, a mechanism is in place to ensure that each group is represented, even if only one share is held. Consequently, while investors owned the majority of shares in 2017, they held a minority vote on the board of directors.

The cooperative has grown rapidly with the help of the capital brought in by investors. The investors and managers insist that they want to act fast so as to increase the number of shops and generate a sufficient demand that will make an impact on the production side, thereby attaining their transformative objectives as soon as possible.

### 4.3. CitizenMarket

CitizenMarket officially started in 2015 with the aim of creating a participatory and cooperative supermarket run by its customers. Their inspiration was Park Slope Food, a New York cooperative supermarket which has been in existence since 1973.

The project originates from observations on consumer society and large-scale food retailing. In particular, it is a reaction to the *“inaccessibility of sustainable and healthy food to a wide population, [...] the lack of human dimension and transparency in food production and distribution, [...] the pressure on producers to maximize margins, [and] food scandals”*, as explained in a presentation for people interested in the project. The cooperative aims to create an alternative to large-scale food retailing by establishing a one-stop shop that corresponds to the aspirations and needs of its members.

In December 2017, the cooperative had 5 employees and more than 1,500 members, and these numbers are continually rising. The role of each member of the cooperative is threefold: (i) by acquiring a stake in the cooperative, the member becomes a co-owner of the supermarket; (ii) each regular member is also a volunteer and must work 2 hours 45 minutes every four weeks in the supermarket, and (iii) most members are also customers – they must be members to shop.

The governance of the cooperative derives from: (i) an AGM where members debate and decide on strategic directions, (ii) a board of administrators with a formal, legal role, elected at the AGM, (iii) a societal committee elected at the AGM with the role of auditing and upholding CitizenMarket values, and (iv) a dozen special-purpose groups: social diversity, governance, supply, communication, etc. Members participate in the daily operations of the cooperative supermarket, and set policies and make decisions in frequent general meetings (at least four per year), based on propositions elaborated by the special-purpose groups.

In March 2017, the cooperative decided to borrow more than one million euros from a consortium of ethical banks and credit institutions, as well as their former landlady, in order to acquire the building which houses the supermarket. After a pre-test phase in a smaller commercial space, CitizenMarket launched the supermarket in a 500 m<sup>2</sup> space as part of a test phase in September 2017. The official opening was in early 2018.

## **5. Methodology**

For Equity'food, 4 semi-structured interviews were undertaken with the founder of the cooperative, two producers and one consumer between December 2016 and May 2017. The total duration of the interviews was 3 hours 30 minutes. In addition, 3 hours of non-participant observation was carried out at a general meeting in March 2017. Attendance at the meeting provided an opportunity to hold conversations with members. Finally, the website of the coop and newsletters were consulted.

For PureGreen, the data collection method was 8 personal, semi-structured interviews with the founders (2), and an investor and employees (5) between October 2016 and June 2017. We also examined the website and the newsletters distributed by the coop. Furthermore, in August 2017 we interviewed a project officer for a group of pork producers with whom they collaborate. The total duration of the interviews was 8 hours.

Both the authors are members of CitizenMarket. We collected data through participant observation. Between March 2017 and December 2017, one of us participated in 10 work shifts, each lasting 2 hours 45 minutes. Participation allowed us to observe the functioning of the coop and conduct informal conversations with members and employees showing varying degrees of commitment. We also observed the general meetings that took place in March, June, October and December 2017. Finally, we collected data available on the coop website, and in newsletters and documents sent out to members.

The interviews were recorded and transcribed. Each interview transcript and set of field notes was scrutinized and codified as part of a qualitative analysis. We then applied the analytical approach which was developed from the concept of embeddedness and cooperative principles.

## **6. Results**

In this section, each case will be presented and examined against the two criteria discussed in section 3.

### **6.1. Equity'food**

#### *6.1.1. Member economic participation*

To become members, producers need to buy shares worth 500 euros and consumers need to buy shares worth 100 euros. To avoid any economic power imbalance, it is not possible to acquire shares worth more than 5,000 euros.



Only a low level of investment was needed to start the project. Equity'food acquired their main building by relying heavily on public subsidies and financial contribution from consumers – but according to the founder, the project could have existed even without this building – and the first employees were hired with the surplus generated by the cooperative. The founder of the project is quite critical of cooperatives that put large investments into play:

“They say ‘we want to finance the transition’. First of all, for me the transition mustn’t be financed! So it’s not about transition, it’s about capitalism pure and simple. If we want to finance another model, we’ll do it a different way, with people’s energy, so we’ll look for citizens who want to finance stuff, it’s the community that finances stuff, and that’ll enable us to develop tools which belong to the citizens and which are handed over to the community.” (Founder, interview, 22 December 2016).

This consumer participation in the capital is appreciated by producers: “Financially they help us, because the cooperative doesn’t really make profits as such, but with the capital contribution from all the members, we make very good money. All our invoices to the cooperative are paid within the week. It’s kind of a donation from the consumer members.” (Producer, interview, 12 May 2017).

Holding shares in the cooperative does not bring financial gain: surplus distribution is not provided for in the statutes of the cooperative. The only financial reward for consumer members is a 5% discount on purchases. This type of benefit is explicitly stipulated by the ICA in the “Member economic participation” principle: “*Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members **in proportion to their transactions** with the co-operative*” (ICA, n.d., our emphasis).

Finally, there may of course be an economic aspect which explains the participation of the producers who benefit from this consumer solidarity, but as above, it cannot be equated with capitalist profit-maximising behaviours, since the potential additional revenues are not related to producer participation in the capital. Furthermore, prices are fixed in order to allow producers to earn a decent income, but no more; there is no profit maximization.

### *6.1.2. Concern for community*

By participating and supporting the cooperative, consumers and producers are involved in a common project, which includes offering a fair remuneration to the cooperative's local, organic producers. Producers collectively decide the prices of the products sold so as to avoid competition between farmers. These prices are necessarily accepted by consumers; there is no negotiation or pressure to lower the prices. The price is not calculated according to what consumers are willing to pay for the product, but according to the cost incurred by the producers, so that covering the cost allows them to earn a decent income:

"The price we set is the price that the producer needs to be able to make a living. So the price is levelled off and compared to other prices, and then we decide the profit margin in relation to the cooperative's operating costs: payroll, etc. [...] We set the prices together. So for vegetables, for example, there is a type of solidarity because we refuse any speculation from a producer at the expense of another. The carrots are everyone's carrots, from Equity'food, and everyone is together. In this way we don't exclude a producer if he or she has a blemished product. We want to avoid customers saying 'I don't want to buy those carrots anymore. I want to buy Roger's carrots from now on.' The solidarity is there." (Founder, interview, 22 December 2016).

The cooperation between consumers and producers fosters solidarity, mutual transparency and an absence of competition between producers. An illustration of this is that producers sell and buy products to each other at a fair price in order to be able to sell a wide variety of products to consumers who come and buy at the farm and/or to their other distributors. Producers are then in a position to develop alternative production potential:

"For the products where my colleagues are better than me, I prefer to buy them through the cooperative than produce them myself. We're more efficient when we don't have to do everything ourselves. We can refocus on what suits us best. [...] We've developed an interactive website where everyone is invited to indicate their stocks. We can see what's available from other producers. It's used by the cooperative for their supply but also to enable them to order goods from other partner producers" (Producer, interview, 12 May 2017).

## 6.2. PureGreen

### 6.2.1. Member economic participation

There is no rule limiting surplus distribution by PureGreen. One of the founders explained that they do not want to set hard limits, because “if one year we want to distribute 10% because it’s been an exceptional year, we want to be able to do that” (Co-founder A, interview, 5 October 2016). One of the main investors explained that “the goal is not to be inconsiderate; it is simply that we’ll try to make a reasonable profit. The ‘reasonable’ is around 6%” (interview, 1 June 2017).

In 2017, the economic participation of members was very unequal, as three main investors owned the majority of the shares. The remainder were mostly held by the managers, a few producers, the employees (who are offered shares after working one year at PureGreen) and finally, a few hundred sympathizers/consumers.

In the long-term, the main investors endeavour to dilute their ownership by progressively selling shares to other stakeholders, in particular, to suppliers and franchised shops. Their plan is to progressively relinquish control of the cooperative and hand it over to the community: they use a mechanism that strongly encourages producers to buy shares at the end of the first year of the commercial relationship for an amount equivalent to a small fraction (approximately 1%) of the joint annual turnover. Investors do not claim to be profit-oriented, but they hope that their capital will grow, hence allowing them to make some gains when the commercial relationship comes to an end:

“We shouldn’t be naïve. It’s the investors who are into the project, even if they don’t expect a return—and I’m one of the investors. As a founder I put a lot of money into it at the beginning. The goal is not to make money [...] but let’s not be naïve; the goal is to be able to leave with a bigger amount of capital. But this is really a different stance, in the sense that we do not define budgets based on the profitability of capital; we never decided on a rate of return that would guide investment decisions or that kind of stuff. On the one hand, what we believe is that the project is potentially successful and that in the end, if it works it will be able to produce a return on investment. On the other hand, [...], if we want stakeholders to take ownership of all or part of the business in the future, these stakeholders will have to be able to bear the costs.” (Co-founder B, interview, 2 June 2017).

According to the other co-founder, it is also ethics, environmental concerns and social considerations that drive investors:

“They (investors) want to show their children. They want to be proud of this investment; they want to show that they did not expect anything in exchange, but that they participated in the launch of this project. And [other investors], they are very... very... they are kind of ‘anti-growth’. [...]. They are some of the most militant here. [...] And so, their motivation is not the return on investment, because the cooperative business model is not favourable to a return on investment.” (Co-founder A, interview, 5 October 2016)

To summarize, through its rules the cooperative does not prevent inherently individual profit-seeking behaviours, though the desire for some profit is one motive – among others – of investors. The investments made by those who hold most of the shares seem driven both by social values – the need to invest in a project they support and can be proud of – and the hope that their capital will grow in the long term.

#### *6.2.2. Concern for community*

PureGreen simultaneously relies on two major categories of relationships with their suppliers: (i) relationships with suppliers based on simple commercial commitments and (ii) in-depth partnerships with groups of producers.

In the first category, the buyer – PureGreen – regularly orders certain quantities of certain products from the seller – a supplier. They do not usually negotiate with producers to lower their prices, although this may happen:

“We don’t negotiate prices, or at least not too much. It depends a bit on the products. I know that for apple juice we asked if it would be possible to lower the price a little because otherwise the juice would be much more expensive than the one we stock from a wholesaler: this juice doesn’t come from Belgium. It would reinforce the idea that Belgian products are expensive. So I know they’ve had a chat to see if it would be possible to reduce the price a little. But otherwise, generally speaking we accept the price given by the producer for what we buy directly in Belgium,” (an employee, interview, 19 December 2016).

This illustrates that at least for some of their products, the cooperative operate in such a way that there are alternatives between individual suppliers–producers or intermediaries. Intentionally or not, it creates a context of competition between suppliers in which they are incited to lower their prices.

We also observed that PureGreen has a second major category of operation via which they support the development of cooperative/organic food supply chains in Wallonia – bread, pork, beef, chicken, vegetables, etc. One of their first projects was a partnership with a group of local, small-scale, organic pork producers. This group of 19 producers receives support from an organic farmers' union and the region's public authorities to jointly organize the sector and make it flourish. They focus on techniques, putting their combined efforts and skills into shared commercialisation strategies, thus enabling them to “amalgamate the supply of pork in such a way that they can negotiate a better price and gain access to interesting markets” (Producers' group project officer, interview, 17 August 2017). The group set common prices for their products using a tool which helps them estimate the real costs of production. PureGreen then established a partnership with these producers to co-brand and distribute some of their products, which allowed the project to develop.

The project officer for the producers' group viewed this partnership positively: “[PureGreen] took a risk vis-à-vis their usual suppliers to support the development of a sector that is local, organic and coherent [...] [One of the main investors from PureGreen] surprises me in a positive way every time because he's behind the project. If he wanted to, he could slow down on a lot of things, but it's exactly the opposite.” She explained that they had built a relationship based on mutual trust and that PureGreen had not negotiated a lower price: “From the moment they understood the price, they accepted it”. There is also a mutual transparency with regards to the profits made: “it is rare, a store that shares its business plan and is ready to put everyone's surplus margin on the packaging” (Producers' group project officer, interview, 17 August 2017).

### **6.3. CitizenMarket**

#### *6.3.1. Member economic participation*

CitizenMarket invite people to buy at least four shares to the value of 25 euros if they want to become members (although one share is sufficient) and shop or work in the supermarket. It is also possible to buy support shares (from 250 euros), and legal entities may buy shares (from 150 euros) which do not entitle the holder to shop or work. In any case, there is a limit to participation in the capital of the cooperative: the investment ceiling is 5,000 euros to ensure that there is no economic power imbalance between members – even if each member has an equal vote at the AGM.

The investment earns nothing: the cooperative statutes prohibit the payment of dividends to members. The surplus generated by the supermarket is necessarily reinvested in the development of the coop, in services for members and in social value projects which are decided democratically. A side effect of the absence of sufficient member capital is that CitizenMarket was forced to borrow more than one million euros from the banking sector and the former owner of the building in order to continue its development. The cooperative is thus obliged to generate enough surplus – collective profits – to repay their loans over two decades.

Even if the cooperative increases in value, it is not possible to earn money when reselling shares: when a member leaves the cooperative, only the nominal value of each share is repaid. The cooperative is the only entity authorized to buy the shares of any outgoing members and issue new shares. Therefore, we can say that strong safeguards have been put in place to deter personal enrichment and profit-seeking behaviours.

#### *6.3.2. Concern for community*

As stated by a co-founder in a general meeting, CitizenMarket's intention is to avoid any competition between producers and pay them a fair price. However, "the objective is to get a fair price for you, the consumer, as well" (observation, 18 June 2017). Although the cooperative does not negotiate prices with suppliers, they select products whose prices remain between "typical wholesalers prices" and "typical small market gardeners prices". The coop may, for example, buy carrots from a specific supplier, but not tomatoes, because they are more expensive than those from other suppliers. This replaceability of suppliers – linked with the cooperative through simple commercial commitments – creates a competitive environment, though this is not one of CitizenMarket's goals. Furthermore the cooperative is currently a small concern in the sector and has a relatively modest impact.

This competitive environment may also be amplified by the balance that has to be found between affordability and high levels of environmental and social standards for the products, which are all objectives put forward by the cooperative. For example, a member responsible for sourcing products discussed the case of a type of salt that was in line with the environmental values of CitizenMarket. It was produced in a traditional and environmentally friendly way, but it was "way too expensive" so they replaced it with a "semi-industrial (or semi-traditional, it depends on your point of view)" product which was more affordable (member, interview, 24 April 2017).

Initially, the objective was to source most products from short supply chains. However, short supply chains cannot meet the increasing demand from the cooperative, whose fast growth has direct consequences on the volumes purchased and the need to generate a sufficient cash flow to cover operating costs and repay loans in the absence of major investors. Therefore, this objective has had to be reduced, and the cooperative also sources products from more mainstream supply chains. In such a setting it is increasingly difficult to ensure that producers do not face competitive pressures.

The cooperative seems fully conscious of these contradictions and wants to engage in reflection about them, as shown by a document sent in November 2017 to members in preparation for a general meeting:

“Experience has already shown that some CitizenMarket objectives can be contradictory when it comes to selecting products (e.g. social diversity versus sustainability). CitizenMarket employees discover the business of distribution and its problems (in terms of volume of purchase, transport, traceability, etc.), as well as the difficulties in distinguishing our cooperative from the dominant industrial system. Now that the supermarket is open to testing and many new products fill the shelves, the challenge is to allow members of the cooperative to become aware of this reality and participate in this reflection.”

Furthermore, a willingness to develop cooperation with small local producers and producer cooperatives in the future was stated at a general meeting in June 2017. A project of cooperation with an experimental urban farm has started, where volunteers from CitizenMarket may help, in exchange a more affordable prices for the cooperative. In the future, it could be possible to decide crop plans with producers in order to ensure a sustainable and predictable supply and demand.

## **7. A typology of food cooperatives**

As a modest attempt to generalize our results and as a hypothesis for future research, in this section we offer a typology of food cooperatives that strive to transform the food system and the economy at their particular level.

We found that the three food cooperatives from the research help re-embed the economy, each one in a specific way and to varying degrees. Using two criteria – individual profit-seeking and competition between producers – we identified how cooperatives question core market economy principles and therefore contribute, in some way, to the re-embeddedness of the economy. Therefore, our typology has two dimensions: (i) from *investment-fuelled action*

to *community-fuelled action* and (ii) from *purely commercial relationships* to *cooperative partnerships*.

### **7.1. From investment-fuelled action to community-fuelled action**

*Investment-fuelled food* cooperatives are capital-intensive cooperatives – with heavy equipment and organisational structures – whose development relies on the financial contribution of investors. The pursuit of profit remains one motive among others – such as environmental and social outcomes – but in these cooperatives, any surplus can be distributed in an unlimited way to shareholders, contrary to what is prescribed by the second cooperative principle. These cooperatives develop and their value grows, which allows surplus distribution and capital gains to be made when reselling shares.

In *community-fuelled food* cooperatives, pecuniary motives to invest in the cooperative are excluded, as the rules of the cooperative prohibit surplus distribution and making a capital gain when reselling shares. The cooperative develops through the human energy of its members and the capital is brought in equitably by members of the community. The operational structure is sufficiently light to avoid a need for significant investments.

Equity'food and CitizenMarket are both rather *community-fuelled*, whereas PureGreen is *investment-fuelled*. However, if PureGreen's ownership is progressively transferred to stakeholders and diluted as planned, it may possibly become a *community-fuelled* cooperative.

Surplus distribution is under researched in the context of cooperatives and the social economy (Hudon & Périlleux, 2014). Further study is needed to better understand, for example, the implications of surplus distribution for the development, the governance, and the impact of these cooperatives.

### **7.2. From purely commercial relationships to cooperative partnerships**

In cooperatives where purely commercial relationships with suppliers take place, consumers and producers are mainly bound by simple commercial commitments–purchases. Of course, these operations do not exclusively follow economic considerations: the goods sold are selected according to a range of social, environmental and economic criteria which uphold a whole set of values, meanings and purposes (Larder *et al.*, 2014). However, producers and consumers do not have any common, long-term project; they interact with each other mostly as buyers and sellers. In this case each supplier is easily replaceable, which leads to a competitive environment and possibly lower prices.



In contrast, a cooperative partnership implies the cooperation between consumers and producers, linked by common projects. By “cooperating” we mean acting together in the long run towards a common goal (Dubreuil, 2010; Leener & Totté, 2017). Agents who are mutually aware of the common objectives do not cooperate purely out of self-interest. There is an expectation of in-depth mutual knowledge and understanding (De Leener & Totté, 2017). In this context, prices are not set on the basis of a no-holds-barred confrontation between demand and supply involving a large number of anonymous buyers and sellers: there is a political dimension. Producers decide “fair” prices for their products together and discuss them transparently with consumers and distributors. Such a relationship is likely to prevent competitive pressure and foster solidarity between agents.

Cooperation between producers and consumers is at the heart of Equity’food’s project, so it corresponds to the “cooperating” type. PureGreen develops both cooperative partnerships and purely commercial relationships and is hence situated somewhere between the “cooperating” and “commercial relationships” types. CitizenMarket currently corresponds at the time of this writing to the “commercial relationships” type, but intends to work with producers as part of cooperative initiatives, which will shunt it towards the “cooperating” type.

### **7.3. The re-embedding potential of food cooperatives**

We saw in section 2 that a disembedded economy promotes profit-seeking and competition. Along the two dimensions of the typology suggested above it is possible to determine the relative levels of the re-embeddedness potential of food cooperatives.

By preventing profit-seeking behaviours, *community-fuelled* cooperatives stand against an economy in which the search for individual gain is prominent. Therefore, they do more to re-embed the economy than *investment-fuelled* cooperatives.

The initiatives that involve *cooperative partnerships* between consumers and producers stand against an economy where competition is encouraged at every turn. In this sense, such initiatives do more to re-embed the economy than those that develop *purely commercial relationships* with producers and other suppliers.

In this typology we describe a food cooperative that is *community-fuelled* and in the process of developing *cooperative partnerships* between consumers and producers as a *strongly re-embedding force*. In contrast, a cooperative that has

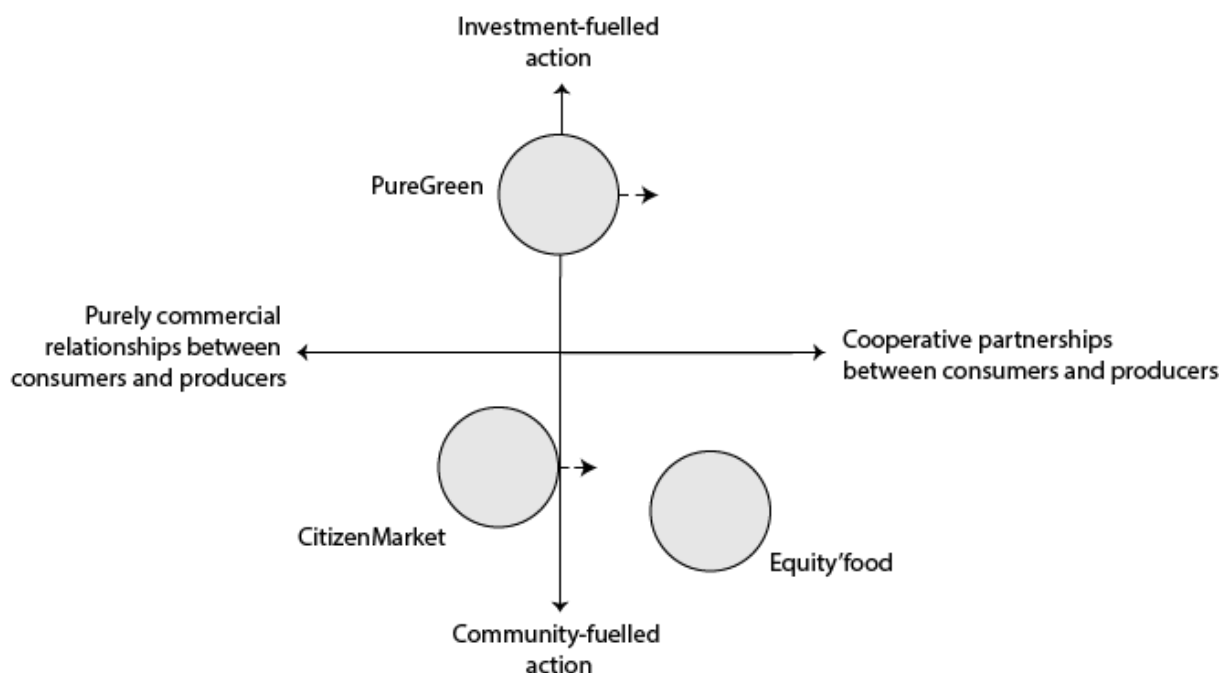
only one of these two characteristics is described as a *weakly re-embedding force*. Finally, a cooperative that is *investment-fuelled* and in the process of developing *purely commercial relationships* with producers and other suppliers is described as a *disembedding force*.

The proposed typology is summarized in Table 1 and a representation of the positions of the three cooperatives along both dimensions of the typology is shown in Figure 1.

**Table 1 - A typology of food cooperatives with their re-embedding potential**

	<b>Investment-fuelled action</b>	<b>Community-fuelled action</b>
<b>Purely commercial relationships</b>	Disembedding cooperative	Weakly re-embedding cooperative
<b>Cooperative partnerships</b>	Weakly re-embedding cooperative	Strongly re-embedding cooperative

**Figure 1 - A classification of the three cooperatives along the two dimensions of the typology**



In sum, this two-dimensional typology is an attempt to reflect on embeddedness at the micro-level and provide a research hypothesis for a study into how food cooperatives act as forces in the economic system. Furthermore, other dimensions, which are outside of the scope of this paper, could be

explored in the future. In section 2 we saw that a third feature of disembedded economies is large-scale commodification – in particular of land, labour and money – Polanyi refers to these as “fictitious commodities” (Brechin & Fenner, 2017). In each of our three cases we observed no decommodification of food – it continues to be exchanged in the marketplace – probably in a similar way to the land from which food is produced. Some scholars have re-conceptualized food as a “common good” instead of a mere commodity exchangeable in the marketplace (Vivero Pol, 2013) and shown how certain alternative food systems may play a role in having food perceived as more than a commodity (Gomez-Mestres & Lien, 2017). Another interesting line of research could be to explore how volunteer work – as in the case of CitizenMarket – contributes to the decommodification of labour in such a way as to deepen our understanding of the capacity of these initiatives to re-embed the economy.

## 8. Conclusion

Questioning whether or not and to what extent alternatives, such as food cooperatives, remodel fundamental relations in the economic system at their particular level, is crucial: “failing that, whatever their originality, their magnitude or their generosity, they are in danger of being captured by the very same system they claim to leave behind and becoming accomplices – without their knowledge – to what they denounce or reject” (De Leener & Totté, 2017, p. 220). This paper has strived to improve our understanding of the extent to which food cooperatives challenge these fundamental relations and help transform the economy with their values and ethics.

In particular, we attempted to use Polanyi’s concept of embeddedness at a micro-level and examined how three food (distribution) cooperatives in Belgium contribute to *re-embedding* the economy in society. We explored the hypothesis that cooperatives re-embed the economy heterogeneously by differentiating the way they apply cooperative principles to their own practices. This hypothesis was confirmed for our three cases after comparing the implementation of two cooperative principles: “Member Economic Participation” and “Concern for Community”. As a result of this comparison we have been able to offer a typology of food cooperatives and their re-embedding potential.

The proposed typology has two main dimensions: (i) from *investment-fuelled action* to *community-fuelled action* and (ii) from *purely commercial relationships* to *cooperative partnerships*. In the first dimension, *investment-fuelled* food cooperatives are closer to the capitalist investor-owned model of enterprise because they distribute profits to their investors, even if the motives

of these investors are driven by a different set of values and purposes. In the second dimension, *community-fuelled* food cooperatives prevent profit-seeking behaviours and pave the way for an economy where the pursuit of profit is less prominent. The latter type of cooperative has therefore a stronger re-embedding power than the former.

With regards to the relationship with suppliers, food cooperatives in the second dimension that establish *purely commercial relationships*, have a lower re-embedding power than those that build *cooperative partnerships* with their suppliers. They favour competition and self-interest rather than solidarity between producers.

Since the latitude to implement cooperative principles is very wide, these principles are not inherently sufficient to ensure that any particular cooperative helps re-embed the economy. Furthermore, many difficulties can arise on the ground. There may be misalignments between intentions and practices, and contradictions between the objectives of these food cooperatives. For example, the objective of paying a “fair price” and offering affordable products to ensure “social diversity” within a cooperative is sometimes contradictory, and may encourage competition between producers. Also, short, sustainable, cooperative supply chains in Belgium are not developed enough to enable expanding food distribution cooperatives to dispense with their dependence on more mainstream food systems. These initiative-taking cooperatives are at times conscious of their own paradoxes and the need to tackle them: they are constantly evolving, reflecting, changing their practices and developing new ones.

Consolidating the thinking on an alternative economy, and establishing this economy in a context where market and capitalist logic is solidly anchored at all levels, is an arduous task. Besides, it remains quite unclear to date how such sparse micro-alternatives may organise themselves in such a way as to constitute a sufficient transformative force and change the higher-level, fundamental relations in the economy. In this respect, encouraging diverse actors to cooperate with each other along entire sustainable food supply chains in the pursuit of ambitious environmental and social goals, and hence shed the yoke of economic imperatives, is a promising avenue of development. Further research is needed to better understand, critically examine and discuss the economic practices and the type of future desired by these alternatives, as single entities, but equally importantly, as a collective movement (Diamantopoulos, 2012; Draperi, 2012; Sumner & Wever, 2015). It may help them make tangible progress and build a re-embedded, sustainable and more desirable economy brick by brick.

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