

Co-operation among Co-ops:  
The Sustainability and Success of the New Food Cooperative Movement in the United States

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A thesis submitted to the  
University of Colorado at Boulder  
in partial fulfillment  
of the requirements to receive  
Honors designation in  
Environmental Studies  
December 2013

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## Abstract

The United Nations deemed 2012 the ‘International Year of Cooperatives.’ A cooperative (co-op) is an autonomous association of persons united voluntarily to meet a common social or cultural need. They are member owned, economically democratic businesses used as vehicles to build community. Co-ops take on many forms depending on the needs of a group of individuals. There are many sectors of cooperatives; in the United States specifically there has been a large prevalence of consumer based grocery (food) cooperatives starting in the early twentieth century. First influenced by the Great Depression in the 1930s and then again towards the 1970s at a time of social revolution, they have proved to be quite successful. This sustainable business model has generated more than \$250 billion dollars in annual revenue with 150 million members of cooperatives (some belonging to multiple) in the United States.

Now with growing economic instability and increasing food insecurity in the United States, the newest wave of food cooperatives is emerging. With it, there is almost 100 years of cooperative literature available to assist new co-op founders. However, cooperatives today are not facing entirely similar issues as previous ones. What can be learned from the literature, successful development models, and advice from food existing cooperatives, to aid in the development of food cooperatives today in the United States? Food co-ops provide a way for entrepreneurial individuals to meet the needs of and provide valuable services to their communities.

This paper is an analysis of food cooperatives in the United States, including their history and current operational information. I propose that by identifying key variables to classify food cooperatives into four distinct categories, there is more clarity and structural support during initial development stages. Each cooperative’s mission may be identical or vastly different, but furthering the food cooperative movement is not only deepening a community’s connection with food it is promoting democracy, health, and overall long-term well-being for its members.

## Contents

Abstract .....	ii
Introduction .....	1
Methods .....	5
Background .....	6
What is a cooperative (co-op)? .....	6
History .....	10
Food Cooperatives .....	13
Current Operational Information.....	18
Organization and Governance .....	19
Mission .....	20
Member-Ownership and Equity .....	21
Community Development.....	23
Citizen Participation .....	25
Transitions.....	27
The Business Plan and Development Centers.....	28
A Location and Site .....	30
The General Manager (GM) .....	31
Fresh Produce Markets .....	33
Education .....	35
Keys to Success .....	35
Analysis .....	37
Survey Results .....	38
Research.....	45
Interviews.....	48
The Tool .....	50
Evolution of Groups .....	61
Food Buying Clubs.....	61
A Food Cooperative in Boulder, CO: Then and Now.....	62
Reflections .....	65
Conclusions .....	67
Bibliography .....	68

Appendix .....	72
Survey1.....	72

## Introduction

Food is undoubtedly the essential matter that sustains human life; without it we are unable to function. Each day in the United States we make decisions about what foods to eat, how much, and where to get them. Often times the origin of our foods goes unnoticed as we go about our day from one meal to the next. For some, food is simply a way to provide the body with calories. Others are more concerned with the best taste for the cheapest price. It takes a discerning individual to make decisions about meals based on not just cost, taste, health, and efficiency; but on transparency in knowing where food is grown, what practices are used, and considering the environmental implications of their decisions. While many people care, they don't have the time, income, or desire to do the investigations themselves. When enough individuals in a community are concerned with issues such as food security and sustainability, a community-owned business can be formed that addresses the best needs of that group of people. This group may choose to establish themselves as a cooperative.

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs/aspirations through a jointly owned and democratically controlled enterprise (ICA, 2012). Cooperatives are found all over the world and develop for a multitude of reasons. Specifically in the United States, grocery (food) cooperatives have proved to be a viable business model for decades (Nadeau, 2012). In the 1930s a wave of food cooperatives brought fresh local foods to rural communities during the Great Depression. The 1960s saw a newer wave of cooperatives emerge that were pioneers in the natural and organic foods movement. During a time of economic hardship, cooperatives have served the

needs of a community by allowing for financial stability and a more democratic decision making process than other business ventures. Over the past decade there has been more recognition in the flaws of our food system, discovering that making large scale models “efficient” has external costs on the health of the environment (Hesterman, 2011). Direct democracy, or a type of government that lets people make decisions for themselves rather than having decisions made by representatives, has been a proposed solution (Budge, 2001). This idea applied broadly suggests decentralizing markets to put more power in people while simultaneously strengthening their relationship with government authorities. Giving individuals power to enact change in their communities is more beneficial than trying to standardize progress across the nation. Another effective way of stabilizing change is through co-production, the process through which inputs are used to produce a good or service by individuals who are not “in” the same organization. By crossing the great divide and allowing there to be co-production, cooperatives become a shared responsibility of collaboration and public unity (Ostrum, 1996).

The United Nations deemed 2012 the “International Year of Cooperatives” (United Nations, 2012). Cooperatives could not exist without people coming together to share a common need or interest. Cooperative models provide insight on how to operate collectively and meet the needs of not just individuals, but communities. There is a desired transparency which producers and consumers appreciate and aspire for. Most communities across the country have a cooperative of some kind whether it is worker, producer, or consumer based.

Popularity of cooperatives in the U.S. has been re-emerging in response to the Great Recession (beginning in late 2007), coinciding with the national (and global) food revolution (Nadeau, 2012). However, cooperatives today are not all like the ones established decades ago. There is recognition of differentiation in model development based on purpose, but there is a

lack of hierarchy in structure. Collectively cooperatives more than ever are working together to strengthen the cause and mission they all abide by. Looking at consumer based food cooperatives, this analysis examines key variables that contribute to or inhibit cooperative success. Many beginner manuals and development models exist, yet there is little to no formal categorization of the information. An individual wanting to begin the process of starting a food cooperative can easily be overwhelmed on how to start.

One of the objectives of this paper is the identification and review of variables used to measure cooperative operations that should be prioritized. This consolidation and examination of food cooperatives will provide people with the documentation and analysis to start projects in their own communities. Investing time into a project like this can be risky and it is difficult to anticipate the end result; but cooperatives compared to other business models are more likely to succeed because they have member support. If people receive power and pride for a business, they invest more time into making it succeed. It also provides a valid sense of place and purpose that matches people's aspirations.

Environmental justice and future sustainability will be two major issues for my generation to address. Globally our population is approaching nine billion, yet the amount of land we have to live on remains the same. More people mean more jobs are necessary to sustain growth. Yet the majority of the wealth produced around the world is concentrated in a select group of individuals. In conjunction the climate is changing due to anthropogenic mistreatment of the natural environment; side effects include rising temperatures, food insecurity, and water scarcity to name a few. Mitigation of unnecessary resource use and adaptation to a changing world are two strategic ways to deal with many environmental and social issues (King, 2011). With an insecure economy and growing population, along with more creative outlets, many

people will be designing their own jobs for the future rather than competing for a limited number of jobs in the formal economy. Food cooperatives provide a rich cultural experience for those who become involved to meet the growing needs of communities. The beauty of cooperative models is their large diversity with the structure. In the United States more than 150 million people are members of cooperatives (some belonging to multiple), generating more than \$250 billion in annual revenue. Given the obstacles currently facing food cooperative entrepreneurs, what can people who are beginning the endeavor now do to ensure future success? What information from existing literature, former cooperative owners, and cooperative development service representatives can be offered to these next generations of food cooperative entrepreneurs? How effective has the most popular development model (the Cooperative Development Services' Food Co-op Development Initiative Model) been at helping emerging food cooperatives succeed? What factors alter the shape of the model and by what degree? These are some of the very practical questions that drive this analysis.

## Methods

Over the course of my project, I compiled a list of questions and sent out an online survey to 300 grocery cooperatives all across the United States receiving at 10% response rate. The study population was anyone over the age of eighteen who worked for or helped to start a consumer-based food cooperative in the United States and is listed in the Cooperative Grocer Information Network (CGIN) co-op directory. Subject participation was voluntary. Pre-screening was done before consent was obtained if the person receiving the survey was unclear whether or not they met the requirement of someone qualified to answer the questions. The survey was designed to outline the models used and the difficulties that cooperatives face when starting and with day-to-day operations based on town population, size of cooperatives, location within the town, income level, and number of other available alternative food stores. The survey data was collected from February 1, 2013 to April 15, 2013. A follow up e-mail was made if no response was given after 30 days. There was no control group being used in the study given that all answers to the survey and interviews were meant to be straightforward and unbiased.

Along with the survey I conducted semi-structured interviews with five cooperative developers from Cooperative Development Services, Food Cooperative Initiative, Rocky Mountain Farmers Union, Berkley Student Food Collective, and Cooperative Food Endowment Directive. By interviewing those involved in assisting the consumer-based cooperative food movement, in depth perspective was obtained into what creates successful change both institutionally and communally. In order to better capture ways of helping people start cooperatives, dialogue is necessary from experts in this field. This research will help further refine start-up documents/ development models, and create cohesion between cooperative networks.

For my third part of data collection, I used case studies conducted by the CGIN to look at variables contributing to cooperative success. Having access to case studies of cooperatives reaching as far back as colonial times in the United States helped to identify variables that appear important with regard to any cooperative organization as well as those that are subject to change over time.

I created visual charts and diagrams to help aid the reader in understanding impacts of individual qualifier variables on cooperative development. Data collection was stored electronically as well as through hard copies (survey responses and interview notes).

## **Background**

In order to understand how cooperatives differ in development, it is important to understand what they are and how they operate. The background will provide the reader with a subset of definitions about cooperatives, the principles and values they set forth, and an overview of how widespread their impact is, both in the U.S. and globally.

### **What is a cooperative (co-op)?**

A cooperative, fundamentally, is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs/aspirations through jointly owned and democratically controlled enterprises (ICA, 2012). A cooperative is a type of corporation that is also a chartered state business. Cooperatives are owned by their members but managed by a board of member elected directors. They perform one of three core functions: marketing products, purchasing supplies, and providing services (USDA, 2004). Rather than being funded primarily from outside investors, cooperative capital comes from member equity in the form of fees, sale of stock, or donations. The lifecycle of a cooperative is very self-sustaining; members

can routinely join or resign without disrupting operation. Different styles of cooperatives take shape depending on the need but include: Employee-owned, producer, consumer, multi-stakeholder, and co-ops of businesses/other organizations. They almost always start at local levels but can grow to reach global spheres. Within these spheres there are nine main sectors: Mutual Insurance, Agriculture, Cooperative Finance, Credit Unions, Rural Electrics, Social Service, Housing, Grocery (Food), and Worker (Nadeau, 2012). Cooperatives contribute to the economies of countries with the ten biggest GDPs, using conservative estimates. These approximations do not include self-employed individuals or sales generated by producers who belong to cooperatives in order to benefit key common inputs. Cooperatives are used in multiple markets and have little restrictions on how they participate. (Karantininis, 2007).

The International Co-operative Alliance (ICA) developed seven modern cooperative principles in the mid-1990s (a revision of the founding principles developed in the mid-1800s) as a way to help describe cooperative core values. Two of the principles describe ownership, two describe how decisions are made, and three list specific ways that co-ops can enact their beliefs:

1. Open and voluntary ownership – no social, political, religious, or other assorted reason will limit who may join and/or become a co-owner of a cooperative. Co-ops are open to any individual or group who can make use of its services and are willing to follow the guidelines it sets forth.
2. Member economic participation – Co-ops and their money are owned and controlled by members. Members provide basic capital to start the co-op and if dividends are paid to members they must remain limited. Any surplus or profit belongs to the members and will be proportioned out according to how much business each member has conducted at the co-op.
3. Democratic member control (decision making) – all members have equal voting power and decision making, one vote per member.
4. Autonomy and independence (decision making) – cooperatives are independent and self-help organizations with limited influence from outside agencies or business partners.
5. Education, training, and information (special practices) – It is the job of co-ops to not only educate members about cooperative business but also the general public about the nature and benefits of cooperation.

6. Cooperation among cooperatives (special practices) – the idea of working together on an organizational level and recognizing the importance of working with other co-ops internationally, nationally, regionally, and locally.
7. Concerns for community (special practices) – Co-ops are formed to serve the needs of a specific group of people, often times those people in the same community and with similar interests.

Cooperatives are based on the values of self-help, self- responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others (ICA, 2012). For people in an area who have common needs like housing, banking, insurance, etc., there is great potential for these needs to be met by collaborative effort. Cooperatives can be a not-for-profit business but are not required to be; and have a different investment/ownership structure than publicly traded corporations. Even though cooperatives are member owned, they are still subject to the same challenges as normal businesses and can fail. However, with enough funding, careful market analysis and strategic comprehensive planning, and if well-trained/competent personnel are used, a very stable business model can be achieved.

Cooperatives are economic democracy in action. They are governed, member owned, controlled legal businesses (not clubs or associations); and have international cohesion with principles that they stand for. Globally, co-ops share a common creed of respect and the belief that people can better themselves socially and economically through mutual support. The United Nations governing body designated 2012 as the International Year of Cooperatives. Over the course of the year people all over the world commemorated cooperatives by teaching and learning about them, and bringing greater awareness about the role they play in improving economic and social lives (United Nations, 2012). Cooperatives are founded upon and promote solidarity, cooperation, and compassion. They need to come out from behind the shadows of

perceived economic and social marginality in order to support larger populations (Cumbie, 2012).

*“Through their distinctive focus on values, cooperatives have proven themselves a resilient and viable business model that can prosper even during difficult times. This success has helped prevent many families and communities from sliding into poverty”*

- United Nation Secretary-General Ban Ki-moon

There are hundreds of thousands of cooperatives all over the world with more than one billion member-owners. The majority of cooperative members only belong to one cooperative, but some individuals are members of two or more depending on their occupation and location. For example, there are thousands of cooperatives throughout the state of Minnesota that provide services ranging from electricity and banking all the way to agricultural products. Farmers often belong to multiple cooperatives in order to source supplies that can often be expensive if purchased individually. In the United States alone there are 30,000 cooperatives, totaling 350 million members and providing almost 900,000 jobs through direct and indirect employment (Nadeau, 2012). Indirect employment means financial support from self-employment. These are hard to measure through conventional methods. Cooperatives tend to have a longer entrepreneurial and life sustainability than other forms of enterprise. In Canada, the survival rate of co-ops after three years was 75% compared to 48% of all other enterprises. After ten years co-ops were at 44% compared to 20% of other enterprises (Karantininis, 2007).

While cooperatives are not new, they have provided a vehicle for economic decision-making that parallels and supports political democracy rather than undermining it. The Great

Recession marked global economic decline that began in December 2007 and took a particularly sharp downward turn in September 2008 (Wessel, 2009). Most cooperatives have been a calm port during these stormy times of high unemployment, stagnant economies, and reduced quality of life perpetuated by the lack of oversight from the world's largest banks, insurance companies, and credit rating agencies (Nadeau, 2012). Simply by putting human needs before profit one can greatly reduce the chance of periodic recessions, economic inequality, and environmental degradation (Nadeau, 2012).

## History

### The First Cooperatives

In a sense, cooperatives in the form of community cooperation have been around since the dawn of time. People have learned to work together to meet common needs, or they risk perishing. The earliest established cooperative is said to be the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, started by Benjamin Franklin in 1752 (NCB, 2010). In Europe during the early 19<sup>th</sup> century cooperatives started as a response to overpriced goods in the marketplace. Working class citizens felt powerless over the foods they could eat due to limited resources. In order to protect themselves from those with power and money, co-ops were set up to protect the interests of workers, producers (farmers) and consumers. By jointly pooling together their money, community members were able to collectively purchase groceries. The quality of food and savings were higher and people were happier (Zimbelman, 2007). The next successful cooperative formed was by the Rochdale Equitable Pioneer Society in 1844. Workers from a failed strike once again came together in search of an alternate way to better their living situation, finally establishing an alternative food store (Zimbelman, 2007). Founded by twenty-

eight people, the cooperative was a huge success and went on to have a day school, chapel, library, and clothing repair service by 1848 (Zimbelman, 2007).

In the United States from colonial times on, a primary reason for cooperatives was to benefit farmers. Cooperatives helped keep costs low through tool/equipment sharing, and bulk purchasing for farmers. The Grange in Boston, MA, was the first consumer style cooperative in the United States following the same principles as the Rochdale Pioneers, their European counterpart. Local granges began forming in rural areas all across the America. These granges or “protective unions” were all out of business by the end of the Civil War (Zimbelman, 2007). Most of the early cooperatives had three main limiting factors: insufficient credit, inadequate markets, and poor management to start and run the cooperatives. While most of these cooperatives are no longer in business, they did prove that the Rochdale model offered a sound basis for cooperative support in America (USDA, 2010).

*“The future of American democracy was imperiled by no foreign enemy but gravely menaced by corporate greed and financial imbalance.”*

- Historian Samuel Eliot Morison (RMFU, 2005)

In 1915, the cooperative movement began to rise in response to new social movements and legislation passed by Congress, this time with longer lasting success. The Rochdale plan inspired this consumer wave of wholesale food buying cooperatives. However, without enough organization and support, the model crumbled after too much demand (Zimbelman, 2007). Power driven persons argued that cooperatives would take away from the individualism of those starting a company. Critics of the market place argued their case by pleading that organized producers in charge of food would drive up prices and could hold the nation at ransom. Those concerned with efficiency were in the middle and are where most people resided in terms of

cooperative structure. Progress without cooperative support was seen as impossible but steps were needed to further this action (Greenberg, 2008).

The number of cooperatives increased in correlation to government-supported initiatives like the Capper-Volstead Act which brought legal protection to producers who joined cooperatives. By the 1920s cooperatives associations had grown in importance in local rural areas (RMFU, 2007). Up to 14,000 farmer cooperatives were in operation by this period, fueled by support from National Farmers Union and the American Farm Bureau Association. As the cooperative movement grew, institutions like the Farm Credit System, National Cooperative Bank, and the National Rural Electric, and Cooperative Finance Corporation (CFC) were established to cooperatively finance like-minded groups (USDA, 2005). Increased economic power, community needs, and growing ranges of commodities were all part of the local cooperative initiatives (Greenberg, 2008).

While the movement started in local settings as a way to gain support, many people pressured co-ops to expand to meet the needs of growing populations. Expansion meant less local control but gave cooperatives a chance to combat corporate initiatives. Farm Bureaus, originally an ally of cooperatives, posed a threat to cooperatives due to their large member base and opposition to rural community centered institutions. Many people disagreed with policies established by the bureau but had no option but to follow them. This opposition wouldn't last forever with the rapidly growing economy. (Greenberg, 2008)

Cooperatives started in the 1930s had popular interest because of reliance on women shoppers and a promise of more authority for their members that was lacking before. The cooperatives were an outlet for continued consumer frustration in the marketplace (Deutsch, 2010).

Women have had a long history with agriculture since the start of civilization. They have been the caretakers of the family unit, and centered on food as one of the basic units of life. When mass retailing began to emerge out of the Great Depression, conventional marketing and distribution was on the rise. There was a sense of dissatisfaction in labor practices and options for food. Women, seen as the food purchasers of the family, had a lot of control on what they could buy. It was an uprising of mostly middle class consumers that would not be pleased by anything less than democratization of distribution and control over stores in which they shopped. There has been a long history of consumer protests and women have typically been at the forefront, from food riots in the eighteenth century all the way to early twentieth century with National Consumer League (NCL) activism. The grassroots basis of their campaigns attest to women's willingness to use their consumption for political ends and illustrates how much power they could wield. This power was heightened with the start of World War I when women were encouraged to take over union tactics and became the leaders in riots and organized resistance to federal government restrictions. Cooperative development in the United States has been significantly influenced by women working to serve their communities.

## **Food Cooperatives**

The first distinct wave of food cooperatives in the United States surfaced around the time of the Great Depression in the 1930s (CGIN, 2010). To combat poverty people triggered “self-help” cooperatives through campaigns such as “End Poverty in California” (EPIC). Besides unsuccessfully electing Upton Sinclair governor of California, this wave brought to light the clergyman Toyohiko Kagawa. In 1936 he toured the country preaching “brotherhood economics” (his term for cooperatives) and inspired many people to start co-ops. His efforts caught the attention of Franklin Roosevelt and were bolstered by New Deal efforts providing financial and

technical support, mainly to agricultural. Many of today's major cooperatives were formed during this time; a handful of cooperatives in California, Wisconsin, Illinois, and New Hampshire lasted until their 50<sup>th</sup> anniversaries (Zimbelman, 2007).

In the 1950s, cooperatives globally suffered from a backlash in the model. American economist Benjamin Worth argued in 1958 that cooperatives were inferior because they were not based on growth or efficiency. This argument spread globally and was never seriously challenged. The long lasting effect of this critique is still seen in academic settings. Almost no formal business schools teach the cooperative model and business planning, though the International Cooperative Alliance (ICA) is looking to ameliorate this lacuna in the future (Cumbie, 2012). Cooperatives started in the 1930s lacked a significant member base of foreign-born citizens and most members of cooperatives were native-born middle class Americans. (Deutsch, 2010)

The second wave of consumer grocery cooperatives began across the United States in the early 1970s out of the counterculture movement of the 1960s. During a time of revolutions, social change, and as a way to escape corporate profit driven chains, the new grocery cooperative revolution was thus born. Food buying clubs were the first model to catch on, providing health food alternatives within small communities. Slowly as these clubs grew in popularity they started forming a more recognizable grocery store model. By 1979, an estimated 3,000 American cooperative food stores and buying clubs were in operation (Nadeau, 2012). College towns and major cities were the first areas to gain in cooperative popularity, migrating into other working class communities next. Members of grocery co-ops were able to decide what food to sell, how much, and what ways to distribute it. Co-ops of this time were argued to have had the most success of any 1970/80's alternative institution developed; generating way more support than

communes and a more inclusive scene for people to engage in (Zimbelman, 2007). The number of established new wave grocery co-ops soon grew to almost 10,000; this jump-started the opportunity for growth in commercial organic markets. Since the 1930s, cooperatives pioneered bulk packaging to reduce waste and lower costs, advocated for nutritional labeling, promoted informative advertising/education, and have been at the forefront of consumer protection (Nadeau, 2012).

By the mid-1970s, cooperatives had established themselves all across the United States from Southern California over to the New England People's Cooperative. While projects were going strong and popularity had long since been reached, economic questions and ideological divisions posed major challenges. Leaders in the movement believed that to get away from large corporations and competition, co-ops should serve as nonprofits. Others argued that the co-op should decide what best meets the needs of the people it is serving and sometimes that is making a profit. Just as members wanted more stable centralized systems in place, others found that decentralized and consensus based systems were most effective. The beauty of these cooperatives, and of all cooperatives as a whole, is that the founding principles on which they were built allow for flexibility in deciding what was best. One example of this effective democracy came with the hotly debated topic of California non-union table grapes, a point source of worker exploitation and pesticide use (Hurt, 2002). Subject matter like this was the first time that consumers were really asked to think about the implications of where their food was coming from. Another major topic was price. Given member-buying power, should co-ops only buy organic, even if it meant going out of a customer's price range? At this point it belonged to the co-op members to decide what its standards were going to be. If the needs of the community were not to worry about organics, or at least USDA certified organic foods, then it is

not something that was going to be done. In the 1980s we start to see a shift in social and political climates (Nadeau, 2012). Some of the long lasting cooperatives started in the 1930s closed (in Berkley and Maryland) or scaled back production (Palo Alto and Eau Claire), while some continued growing strong (Hanover and Hyde Park) (Zimbelman, 2007).

The next big hurdles for grocery cooperatives came in the 1990s. They were threatened by recession, inflation, and outside competition from the growth of commercial grocery stores that really marketed for convenience and low prices. In order to reach a larger audience cooperatives became more bureaucratic, but these expansions did not always save them, and sometimes over expansion was the downfall of successful projects. Cooperatives started in the wave of the late '60s had to adapt to changing market systems, after their primary years of operation, in order to remain strong in their communities. Most recently, the mid-2000s has seen a growth in food cooperatives, for “intense consumer interest in alternatives to a market system that might not serve their needs.” Grocery (food) cooperatives provide a powerful example of how cooperatives can have a big impact on the economic sector without having a large share of the market (Nadeau, 2012).

A food cooperative study done by McKinsey and Company presented at the 2012 United Nations Summit on cooperatives showed that people join cooperatives either for the deals, high premium on goods, or because they never questioned otherwise (having always grown up around them). Likewise, the main barrier for joining cooperatives was that people felt it wasn't a good deal. The core advantage to joining cooperatives is their relationship with consumers. There is no dispute how well cooperatives outperform their rival counterparts on customer satisfaction. At the same time, cooperatives are not as agile or innovative in developing talent that they need to maximize flows of ideas. The United Nations conference agreed the current economic

environment presents opportunities for cooperatives to develop, needing to adjust more quickly to a fast paced business environment. Peter Marks of the United Kingdom Cooperative Business group in the United Kingdom likened cooperatives to icing on a cake. First, cooperatives have to be efficient and commercially productive, and then offer products at the right time to its members. Globally cooperatives represent the world's largest democracy, yet they suffer from mainstream obscurity. Many people know that cooperatives exist but are not sure why they are special alternative business models. Conclusions from the 2012 United Nations Summit suggest: cooperatives should grow but need to remain 'true' to their mission, promote the model with pride, move beyond the intangibles and prove they can be competitive. An effective target is to improve cooperative alignment and ability to mobilize. Academics at the conference were in agreement that this could be promoted in business schools, colleges, and universities. Finally, the conference ended realizing that the time to strengthen cooperative models of all forms is now, to further benefit socioeconomic wellbeing of people in all communities (Cumbie, 2012). Of the one trillion dollars that food and fiber products contribute to the United States GDP, less than six percent of goes to ranchers and farmers. In contrast 60 percent goes to retailers and processors. Cooperatives offer a way for ranchers and farmers to decrease input costs and/or increase the value of product sold. Cooperatives have adapted to meet the changing needs of individual and community needs. The structure of how cooperatives develop today is a mix of past success along with solutions to current business challenges. In order to understand how the food cooperative movement can be strengthened, I offer information on how it is best understood that a current food cooperatives developed and operate.

## Current Operational Information

Starting a cooperative can be seen as starting any other business in America, it is going to take a lot of work and volunteer labor to see dreams come true. While developing a cooperative is never a solo endeavor and can be an inspirational project for a community, there are a lot of logistical elements that must be accounted for to operate and grow smoothly. This section is meant to help the reader understand what popular models are being offered to those seeking assistance in food cooperative development. The more awareness of what is needed and potential pitfalls for preliminary stages will help alleviate growing pains experienced by novices to food cooperatives. Topics addressed include how a cooperative is organized, who operates its, the value of the mission, the importance of member ownership/equity, feasibility, and community development.

Grocery cooperatives in the United States serve a common purpose of providing people in different communities with access to healthy, affordable, and sustainable foods. While many individuals have focused on different organizational questions related to co-ops, they all essentially agree the primary focus of a cooperative is concerned with addressing a need in their community. Reasons can range from wanting access to unique product lines to wanting to support the local economy (CGIN, 2010). There are many documents that have been written and revised to help these groups of people get started with their projects. However, starting a grocery cooperative is not an easy task, and should be done with caution. If successful there are many rewards. In general the slower you pace your project and the more member support you have and the more likely your project will sustain itself into the distant future (CGIN, 2010). Most experts estimate that starting a cooperative takes about two years. In October of 2010, a revised version of “How to Start a Food Co-op” was published by the Cooperative Grocers’ Information

Network (CGIN). This document has become a largely referenced guide for those interested in starting cooperatives in their neighborhoods, tackling issues from feasibility to financing. This guide is specifically designed to help grocery cooperative development in the United States and is a very valuable tool because of easy accessibility, though it is not a comprehensive document. Those who read the guide are encouraged to check additional references. In combination with this start-up manual, I assess the work done with the Food Cooperative Initiatives (FCI) Food Coop 500 Development Model (FCDM) and other studies completed on cooperatives in providing guidance to individuals looking to pursue grocery cooperative projects.

## **Organization and Governance**

A grocery cooperative starts with an idea to organize a retail food store to solve a problem or meet the need of a larger group. This is the first of three stages in the FCDM. The organization stage begins by convening a core group, assessing the common needs and interests, designating the leadership, building a shared vision, committing time and money, coordinating initial market research, and/or preparing for incorporation (FCI,2005). The founders of a cooperative have to understand what it means to be a cooperative and that a project which is member-owned and member-controlled must abide by a certain set of guidelines (as stated earlier).

A co-op's initial organizing group is known as a steering committee. Until more formal stages of cooperatives are reached, this important group of people is used to gather information, survey potential members, establish and recruit members, explore options for financing, hold membership meetings, prepare a business plan, coordinate publicity, etc.

Cooperatives are governed by a board of directors (BoD) who are member elected. The group acts as one collective body and all must be members in good standing with the cooperative.

While state law defines that the basic roles of directors all must act in good faith, in a manner that serves the best interest of the corporation, and with care as an ordinarily prudent person in a similar circumstance. Board directors have three primary responsibilities:

1. To act as trustees on behalf of the members. This is accomplished through carefully monitoring the co-ops financial status, hiring auditors to review financial records, reporting on the status of the co-op to members regularly, and making sure the co-op follows its bylaws, policies, and appropriate regulations.
2. To ensure sound management of the co-op. Directors are responsible for hiring and supervising the co-ops management. Supervision includes reviewing management reports, monitoring key indicators, and evaluating management performance.
3. To set long-range goals and plan for the co-op's future. This is done through strategic planning sessions, approving yearly and long-range plans, and setting performance goals.

Electing a responsible and knowledgeable group for the BoD can be crucial in the success of cooperatives. Depending on the level of expertise and resources available, it may be wise to contract with a consultant. It is important that the BoD clearly defines results and sets limits needed to guide management's performance. Most boards will meet regularly and elect officers (president, vice president, secretary, and treasurer) to organize and coordinate work being done. Effective and more experienced boards will get trainings to help directors understand their importance in ensuring the success of the cooperative (CGIN, 2010).

## **Mission**

Each individual mission of a cooperative varies, but in the simplest term a grocery food cooperative is a business that buys food (and other household items) for its members. A food co-

op is a vehicle for getting members high-quality products at an affordable price; free of coercive sales influences and with full disclosure of product quality and value. Depending on the size and mission of the cooperative, educational classes might be offered. Most but not all food cooperatives in the United States operate as retail food stores open to the public. Special prices, services, or benefits are given to the members that shop at the establishment. Cooperatives are non-excluding groups; any shopper can become a member by joining the cooperative. This involves agreeing to the cooperative bylaws (rules) and paying some form of member equity (capital). For the over 300 food cooperatives in the United States, the majority primarily act as natural food stores in a community.

### **Member-Ownership and Equity**

A grocery cooperative is no different from any other businesses in that it needs money to grow its operations. When the cooperative is organized enough to start raising capital it is ready to start entering the second and most intensive stage of the FCDM, Feasibility& Planning. This is when positive assessments have been made on market potential and internal readiness. Feasibility accounts for financial projections and organization commitment. Planning is when management capacity is built and a financial and operational plan is developed (FCI, 2005). The two basic forms of capital which will allow financial gain to occur are equity (money provided by owners of the business, or co-op members) and debt (money provided by outside sources usually in the form of loans). A lot of times equity is preferred to debt for cooperatives because it is refundable to members and is nontaxable when acquired properly. This is most frequently done through purchasing of shares, which allow people to become members, giving them the rights and responsibilities of ownership. The BoD, or other governing body decides the price of the share at the time. Securing funding is crucial, without sufficient member capital, it may be

difficult to obtain later needed outside funding from creditors. Member investments may be used to purchase equipment, expand inventory, pay deposits, and/or research plans for the future of the cooperative (FCI, 2005). It is important to have a lawyer who is familiar with cooperative law to review all of the member documents, complications with the legal system ought to be avoided, especially early in the development of the cooperative. Member equity should be an affordable price for the needs of the community being served and not vary among too many different groups of people. Early on in the formation of the cooperative it should have a clear message, this initial investment makes people an owner and should be clearly defined. Member equity dollars can be raised over time but assessing how much member equity is needed at the beginning of the project development will help successfully obtain the funding. “Lifetime Memberships” have been given as options in the past to help incentivize member equity, but should be avoided. As a cooperative grows the initial investment requirements may change. There is a lot of trial and error that goes into working out the kinks of a cooperative.

When the cooperative decides on a share price, the payment plan is then defined. Keeping the membership application process as simple as possible is the most effective. Depending on the amount being asked of the members, multiple installments can be paid over time. This is especially effective in low-income areas. For example, if a share is \$150 not everyone may be able to pay that upfront. The co-op may consider allowing installments of \$25. While this will allow for slower upfront growth, it will give more accessibility for people to join. To incentivize joining at the beginning, the co-op could tackle on administrative fees of a couple of dollars for each payment made, except for the initial investment. Since these are shares, not fees, they should be fully refundable upon termination of membership. However, the co-op should make sure that share repurchase is contingent upon receiving capital. If many people are leaving the

cooperative, consider trying to find more members to replenish them. Cooperatives should avoid heavy seasonal outflow. This should be especially considered with cooperatives that have large student populations (CGIN, 2008).

Financial targets should always be in the back of the minds of the cooperative governing body. Two important ratios that can be calculated are: the member-share ratio, dividing total member investment by total assets (wanting a benchmark of 20-30%), and the member-equity ratio, total assets financed by equity (wanting a benchmark of 40-60%). It is recommended that for start-up cooperatives there is a goal of having at least 70% of the asset base being provided by the co-op.

Member discounts are incentives that have been used in previous cooperatives to gain memberships. However, the past has shown that this may lead to instability, loss of profit, minimal cash reserves, and sometimes business failure. A patronage refund system is the better alternative. Instead of giving instant cash back savings, the member is rebated a portion of purchases at the cooperative (at least twenty percent). This avoids upfront costs, encourages members to purchase from the cooperative, and allows the co-op to know if it has made a profit before distributing a financial benefit. Co-ops in early stages of development may decide on holding off refunding profits to members, and instead reinvesting those funds to either pay off debt or for future cooperative expansion. The cooperative is in charge of keeping track of member purchases to account for member equity and profit to decide on patronage refunds (CGIN, 21).

## **Community Development**

The biggest impact that a cooperative has, is the effect on the members. By addressing leadership, building relationships, outreach, hosting community meetings, long term planning,

encouraging citizen participation, developing a strong business plan, and utilizing development centers; a cooperative can effectively encourage community development. The next sections provide an explanation of how these variables enable healthy community growth and develop a cooperative vision for the community.

Starting a food cooperative is similar to starting a social movement, at least at a local level. Cooperatives need various forms of leadership to maintain organization and establish effective social change (Gantz, 2008). Marshall Gantz defines leadership as, “accepting responsibility to create conditions that enable others to achieve a shared purpose in the face of uncertainty (Gantz, 2008).” Leading a social movement fuses two main parts: criticality and hope, which is being aware of the challenge at hand but seeing the possibility for change. Building relationships are the first step in the long road to a successful cooperative. Before you can assemble a board of directors and start gaining member equity it is important that one assembles a leadership group. This group is often the steering committee in a cooperative that researches feasibility and prepares the groundwork for starting a new co-op. This strategic planning will help the group learn about food cooperatives, gather information about misconceptions of co-ops, and discuss how a co-op can meet the needs of the community. If a collective need is agreed upon the group may want to reach out to cooperative development groups, other cooperatives in the area, and start researching basic information about operating a food cooperative in the area. This would involve looking into potential spaces, health codes, and the market in the area. Keeping in mind planning questions: Do we have sufficient information about how cooperatives operate? Does the information we’ve collected justify further research? Does the cooperative business structure fit our group’s needs (CGIN, 2010)?

Once the cooperative group feels like they have enough knowledge on what a cooperative is and decided that a cooperative is needed in the area, it is time to ask the community by holding an informational meeting. Depending on time available and previous experience, working with someone who has experience in community outreach is important. Someone who can coach the core leadership group will create valuable cohesion when trying to spread the message of the cooperative. When the group is ready, meeting development can begin by planning a clear program and selecting a meeting chair. Then, having someone explain what the basic needs of cooperatives are and discuss how a co-op might best reach those needs. The meeting should be clear, have handouts that summarize your main points, and get people excited about the future potential. Publicizing and outreach can be done through events, classes about cooperatives, direct mail, newsletters, social networking, websites, and partnerships with likeminded organizations (CGIN, 2010). Community engagement is best defined as, a complex integrated system of thought and behavior shared by members of a group — a system whose whole pattern allows us to understand the meanings that people attach to specific facts and observations (CDC, 2011). For a cooperative to succeed, similar to any other community-focused group, it must have active citizens willing to contribute to its success. Culture shapes identities and fosters notions of community, and it shapes how individuals and groups relate to each other, how meaning is created, and how power is defined. Furthermore, culture shapes ideas about partnership, trust, and negotiation. Therefore, culture shapes the process of community engagement, and effective engagement requires an understanding of culture (Blumenthal et al , 2004; Dévieux et al , 2005; Silka et al , 2008).

### **Citizen Participation**

Food cooperatives are a way to build a stronger, healthier community. There are many ways in which people can get involved with their daily lives. Being active in a community can

lead to an overall healthier and more stable living environment. This engagement can take on many forms, with multiple partners, and many different types of people. Collaboration generally takes place in the form of public health, policy making, and research. While the field of community engagement is still relatively young and more research on the effects still need to be done; a recent study identified nine areas where a positive impact was made (CDC, 2011). These areas include: agenda, design & delivery, implementation & change, ethics, the public involved in the project, academic partners, individual research, community organizations, and the general public. According to Everett Rodgers: Knowledge, Persuasion, Decision, and then maybe Implementation are the Stages of Innovation that can lead to community development. First people in a community have to be aware of themselves and their surroundings in order to recognize if a problem exists. If a collectively agreed upon issue is in existence then collective action may be deemed a necessary part of the solution. Active citizen participation or community engagement is a necessary part of this solution.

*“Community Engagement is the process of working collaboratively with and through groups of people affiliated by geographic proximity, special interest, or similar situations to address issues affecting the wellbeing of those people. It is a powerful vehicle for bringing about environmental and behavioral changes that will improve the health of the community and its members. It often involves partnerships and coalitions that help mobilize resources and influence systems, change relationships among partners, and serve as catalysts for changing policies, programs, and practices.”*

-CDC, 2011

Often people who want to get involved with a cooperative will ask a multitude of questions about what the project will be doing exactly, both within the community and beyond. For the

community meeting, cooperatives should invited guests that can provide public support and more detailed background information like other cooperative managers, other business leaders, or elected officials. After the meeting allow plenty of time for questions, this will be very helpful in evaluating the effectiveness of the meeting. Keeping track of these questions can also help with future planning.

To continue active citizen participation after the community meeting, a follow up with the core leadership group to discuss key decisions: Is there sufficient interest in a cooperative among potential shoppers and community members? Are people willing to work together to meet their common needs? Is there a clear need for a co-op in your community? Most often, if the core group establishes that a need is there and the meeting goes well, the planning group can begin to formally begin the cooperative. Preparing and approving the articles of incorporation establish the basic rules and mission of the cooperative. Note that legal assistance is encouraged to make sure the cooperative is in compliance with federal and state law. After filing and adopting the articles, bylaws can then be drafted and approved by the majority of members. Once both documents are approved an election is then held to choose the co-op's first official governing body, from a steering committee to the BoD. As stated earlier the first meeting should be used to arrange finances, approve the membership application, select a financial institution, elect officers, and establish organizational committees.

### **Transitions**

Transitioning from the steering committee to a BoD can be a challenge since often times the steering committee becomes part of the founding team or staff and have to relinquish part of the initial control they once had to the BoD. There has to be close contact and communication between the two groups during this transition period (CGIN, 2010). The steering committee will still provide daily leadership with the cooperative but will now have to adhere to the BoD in

governance made (CGIN, 2010). After the governing/ organizational body is transitioned the cooperative can begin reaching further into the community for support. The next two steps for cooperative design complement one another and will help the cooperative serve a better mission.

1. Survey the community and prospective cooperative members to collect and compile information about common needs in your area and region. A cooperative may sound like a good idea but it is vital that you conduct a feasibility study to make sure it is a viable project.

Remember that optimistic assumptions are not the same as tangible evidence.

2. Create a report to show the finding of the BoD. Should the co-op proceed with its original goals and intentions? Are members ready and willing to make a time or financial commitment to support the co-op? (CGIN, 2010) It's not too late to consider the alternatives, but this is the point where the leadership group has to evaluate realistic expectations of the future.

Now that the cooperative has support, it is time to take hold of tangible commitments. The membership system is the foundation of the co-op and should be carefully planned out. Make sure that friendly wording is used, like 'member investment' as opposed to a 'member fee.' Being extremely detailed with the application planning, website design, record-keeping systems, and literature design will only further ensure stability in the beginning. It is also important not to forget continued outreach methods with social media, radio, local newspapers, and flyers (CGIN, 2010).

### **The Business Plan and Development Centers**

Next, the cooperative should tackle a business plan. Outline all aspects of the co-ops operations, determine costs, include a market study if you decided one was necessary to complete, and consider hiring a consultant if you are able. In some communities deli, bakery, and juice bar operations are highly desired. In fact, they may be a huge part of the co-ops success, but

require extensive planning and specialized equipment, so consider leasing these items (CGIN, 2010).

Once it is guaranteed that member equity will cover a large portion of the cooperative costs it is time to secure outside funding to finish raising capital. External lenders are available across the nation but the best option for a cooperative depends on the circumstances. The largest source of capital for a cooperative besides that from owners are credit unions, banks (National Cooperative Bank) and United States Department of Agriculture programs. Other dependable sources of capital come from cooperative development funds (though those may vary depending upon location) and other “Do-gooder” funds like charitable institutions that offer loans to organizations wanting to build healthy, creative communities (Sandel, 2). However these altruistic groups may require the cooperative to be a legal non-profit, so it is important to understand structurally how the business is established.

Many development centers have been created to help cooperatives get the proper information and support to begin their projects. These think tank centers generally are composed of a mix of people from academics to farmers. They often times are the missing link to help businesses that would otherwise be corporations turn into cooperatives. One example is Cooperative Food and Empowerment Directive (Co-FED), a non-profit that specifically targets colleges and universities to help activate food cooperatives on campuses. Another is the Rocky Mountain Farmers Union (RMFU) Co-op development center provides technical assistance, organization & development, and education outreach for startup cooperatives in high poverty, high unemployment, and economically stressed areas of New Mexico, Colorado, and Wyoming. Through their non-profit foundation they give organizations financial, legal, and promotional resources (RMFU member handbook, 2005). Organizations like this can provide necessary

support at a critical time for these startups. There are 250,000 members of the National Farmers Union providing assistance along with other state organizations. As more interest is generated group expansion will need to take place.

### **A Location and Site**

While securing funding, a cooperative has to find a location and site which will take advantage of retail synergy; attracting a broad range of customers and contribute to the co-ops long-term success. If able, the co-op can commission a professional food cooperative development location and site analyst to assist you with your research in finding a space. If the cooperative conducted a feasibility study, those results could be used to learn about needs and shopping patterns of your prospective customers. The location choice depends on what would work best for the cooperative; it could be a temporary location or the ideal spot. Leasing instead of owning a building will not require as much up front capital. A space can be renovated or built anew, and it is important to get approval from the city for plans to make sure that there are no conflicting interests. After creating an initial site plan and store design, the bidding process for an architect and building contractors. The co-op should contact any family, friends, or potential members with skills in design or construction to help assist with site design. It is important to distinguish *location* and *site*. Location is the geographic place in a town that aligns the right population and demographic with your business. Site is the actual physical place where your business would be located. With most real estate transactions there is a great deal of confidentiality. The deal might fall through if too many competitors find out what the co-op is up to and try to acquire the space. Keep real estate negotiations effective by not having too many people involved with acquisition of space. Appropriate confidentiality will protect the co-op from potential liability (CGIN, 2010).

### The General Manager (GM)

Before a cooperative space can finally open, it is necessary to transition the BoD and hire a general manager (GM). The BoD will need to be trained to hire and manage the GM, and clarify the responsibilities of the board, volunteers, and hired staff. It is also important to develop a system for aligning expectations and planning for the future. The transition can sometimes be difficult for the BoD to hand over responsibilities to the GM, especially if they have been heavily involved at decision making up to this point. While they will have a large governance role and can decide who to hire (or fire) as the GM, they will no longer have authority in day to day decision making (CGIN, 2010). Training will help align expectations and plan for the future (CGIN, 2010). The General Manager is hired to oversee the management of the cooperatives affairs, but serves at the board's discretion. Some specific responsibilities are to work on board/member relations, finances, marketing, operations, human resources, and planning/leadership. This can be achieved by communicating with directors to ensure productive meetings, present timely reports and proposals to the board, monitor membership and new member recruitment, provide accurate financial statements, prepare budgets, use marketing to build long term stability and improve customer and member service levels, and providing leadership for the co-op (CGIN, 2010).

The food cooperative should be ready to open its doors to the public, almost. It is important to take a step back and assess whether all of the four cornerstones of the Food Co-op 500 Development Model have been met. Making sure that the *Vision* reflects the core values and purpose held in common by group members that emerged during the vision development process. The *Talent* (BoD, GM, development manager, etc.) is well aware of the vision and is effectively working to ensure the success of the cooperative. *Capital* has been acquired through member equity, loans, grants, and will be enough according to the projections of your business

plan. *Systems* are in place or are being worked on for legal, governing, planning, communication, marketing, finance, and operations. Once all of the cornerstones have been accounted for the cooperative is ready for the final stage of the FCMD: Implementation. This involves pre-construction of the site, with a no-turning-back decision point. Construction and renovation will comprise of completing bids, overseeing construction and equipment acquisition, building business relationships, promotion, merchandising plans, implementing membership program plans, and sustaining operations for the first year and beyond (FCI, 2005).

Part of the organizational planning that is needed for a cooperative is a point-of-sale (POS) system or a cash register system. All of these systems require technological sophistication and breathtaking attention to detail. Sales operations should be focused on growth first, margin second, and labor third. Staff training before the cooperative opens will help tremendously with efficiency and customer service. Even if money is tight, initial trainings are worth the upfront cost in the long run. Some people will have never worked with cooperatives before, so it is important that you provide follow-up to trainings, an overabundance of praise/encouragement, and watch for burnout. Make sure the staff members are prepared to promote cooperative membership in addition to handling their store responsibilities. Making convenience a top priority will also help membership to grow with the co-op. Are the entrance, parking, and check out facilities easily accessible. This mix of products being available will decide who you attract to the co-op. Customers will base their buying decisions on the product selection, price, and quality. Evaluate pricing on individual products, as well as department and storewide pricing. A variety of questions can be asked in the final planning stages to make sure that they cooperative is ready to open a space to the public. Are prices perceived as high, low, or moderate? How large of a variety of products is offered? Is there a mix of brands and package sizes, bulk and

prepackaged foods? Is the packaging environmentally friendly? Is there a repack area, if so is it crisp and clean? Does the bulk area have bags and containers for self-packing? Does the store allow people to bring in their own containers? (CGIN, 2010) Cooperatives sometimes source food from Stonger Together: Co+op Deals, a nationwide natural foods supplier that is cooperatively owned. They supply stores with food and also provide weekly coupons flyers to promote certain food deals. A major way for cooperatives to have an impact with their communities is purchasing power used to support domestic agricultural producers.

## **Fresh Produce Markets**

It is not surprise that food consumption in the United States has risen, along with the amount of fresh foods being offered. Fresh produce offerings have increased by 200% nationally due to an increase in supply of fruits and vegetables to markets. That said the sales are not necessary increasing by 200%, and due to time constraints on perishable foods, there tends to be a lot more food waste today. Regardless, farmers are being asked to grow more food to meet the needs of market demands. Along with corporate grocery store sales, more informal sectors of the agricultural area have also been increasing such as farmers markets, community supported agriculture (CSA) programs, pick-your-own businesses, and road side farm stands just to name a few. Formally or informally, farmers are happy to meet the need of these niche markets if consumers want to purchase from them. It is found that in smaller markets, like local food cooperatives, allow farmers to be more in control of their goods and services. By giving farmers smaller outlets for sales, they are less likely to turn to large-scale agribusiness. By putting more value and a little more cost on the goods, the revenue can even out for farmers and create a more sustainable agriculture operation. Cooperatives in agricultural production and consumption offer ways to reduce costs and risks that normally are involved. Member-farmers are able to share

equipment too expensive to purchase alone, coordinate harvests to stagger and allow for joint equipment use, and have joint transportation, etc. The cooperative business has especially seen success with commodity crop markets. Promoting communal sharing between farmers also allows for more fair labor practices in the markets. In Bolivia, the majority of farmers belong to a cooperative and practice the concept of “Ayni,” directly translated this phrase means, “you do for me today, I do for you tomorrow.” However, it also creates a more supportive community of people and puts more value in the idea of building up cooperative models to help ensure farmer success.

Consumer cooperative markets help broaden niche markets that farmers are looking to expand profit on. It would make sense that regional farms can partner with consumer cooperatives to help supply local, seasonal, and quality foods for people. While this may be harder to coordinate, as not all farmers want to participate in cooperative business practices, in the future it could be a way for educational outreach to be achieved. Lack of interest and not enough time were the two biggest reasons for farmers not to join producer cooperatives. These are two personal decisions that are easily changed if there is a shift in mind set or if more support is shown in establishments like grocery cooperatives. Unlike other variables that are harder to fix like: the desire for such as sufficient supply, cultural differences, and already operating efficiently; the two limitations for engagement that were most commonly resolved. In the future for farmers in startup cooperative markets, relying on other farmers/consumers for support is crucial to survival. If you are working in your garden and need to borrow a shovel, you wouldn’t join a gardening cooperative to use a shovel; you would probably just go to your neighbor. The incentives for certain farmers are not compelling enough to get people to join, but for others it could be a valuable tool for ensuring success of the farms. By creating a cooperative network

you can expand access to markets, more sales resources, and ability to reach new customers. All of these customers are the ones likely to engage in consumer food cooperatives.

### **Education**

Based upon the survey results and previous case studies (Keeling, Bond, and Bahr), four different avenues should be pursued to educate individuals on cooperatives:

1. Utilize successful cooperative groups to host workshops and seminars,
2. Develop an online database of personal messages, webinars, interviews and resources,
3. Utilize non-cooperative print trade publications and
4. Market and promote the cooperative educational structure through local marketing channels.

(Bond, 1-7)

Since cooperatives are often founded on ethical business practices, caring relationships, and ecological responsibility; it is important that these traits are being communicated to your customers and employees. Promoting these values can help increase profitability, enhance departments, and build customer loyalty. Keep in mind these simple truths: the natural food industry is built on informed choice, an educated consumer can make informed choices, customers are educated by information, and if people are informed by the cooperative-they will develop a loyalty to it (CGIN, 2010).

### **Keys to Success**

Starting your own food cooperative is an exciting endeavor but requires a lot of strategic planning and support. Cooperatives are constantly evolving depending on the needs of the community it is serving. Often times the issues being addressed are similar across the nation. The first wave of food cooperatives started in the 1930s were primarily in response to the great depression, people did not have access to food and had no other option than to source

collectively. The next large wave of cooperatives started was in the 1960s; rising out of the counterculture and anti-war rebellions the co-ops being formed were health food stores that supported alternative foods, becoming the largest market for organics at the time.

Fortunately for those who are looking to start a co-op in the newest wave they have more resources than ever. Cooperative development in response to the Great Recession is on the rise and with it economic development opportunities that really ensure a sustainable future for those involved and the environment. Each co-op is unique, but a co-op can avoid making mistakes by learning from others through communication, determining the need for capital, expert assistance, planning for the future, choosing the right site and location, and hiring good project and store management (CGIN, 2010). Start-up pitfalls come from failure to create a culture of respect and accountability, poor member and stakeholder communication, jumping the gun on a location, not creating a meaningful work plan or reporting structure, not involving the community, not obtaining a professional market study, depending too much on the founding group, not heeding the advice on best practices, operating with inadequate capitalization, settling for a deficient site, or not hiring soon enough (CGIN, 2010).

With just a basic review of cooperatives it is shown that there is a lot of potential for success and failure within the food cooperative development movement. The information available to those looking to start their own member-supported grocery store is very expansive but there is not a lot of guidance for where to start, or how. Often times there are discrepancies between why, where, and what purpose different cooperatives serve the communities they are introduced in. As stated, the FCDM is effective at identifying key pillars and stages, food cooperatives should look to address throughout these endeavors. It would be presumptuous to assume that all newly established food cooperatives will face the same challenges as those who

came before them. This particular development model is not a one size fits all. While all grocery (food) cooperatives fit under the same umbrella, they are not the same. Depending on the initial size, community, and purpose you will immediately see changes in development models.

Currently there is no effective synthesis of cooperative start up information and the individual must hope that fate will bring them to the information they need. Since information is available from many sources, and there is an up and coming set of individuals looking to begin cooperative businesses, there needs to be a categorization of cooperatives to assist those starting their endeavors. The end goal of the cooperative movement is to create a larger support system for people to enable them to begin more projects of their own. One key element of food cooperatives is that they are never competing with one another, but are instead contributing to the greater overall cooperative movement. With all the given information established in startup documents, development models, online forums, and food co-op themselves; is there a better way to keep this self-sustaining model going strong in more communities?

## Analysis

My findings are a record of my efforts to discover more effective ways to help cooperatives have initial success and retain a sustainable future through primary research. How can someone assess what type of cooperative they are looking to establish based on geography, size, and purpose? While many “how to” documents have been provided to consumer based food cooperatives, it is unclear what aspects of these guides have been helpful and what core values individual co-ops focus on when initiating. The historical literature shows that cooperatives are a practical and functional way to conduct a business, but little research on the key variables associated with these self-help guides in the establishment of different cooperatives has been evaluated.

## Survey Results

A survey was sent out to a list that included most of the established food cooperatives in the United States – a total of 300 cooperatives with 10 percent submitting responses. Questions were designed to yield quantitative data used to evaluate food cooperative structure. The general topics covered were focused on location, population served, marketing, budgeting, space, membership, meetings, and education/ community outreach efforts. The questions asked were formulated around the pre-existing literature to see how helpful beginner manuals and development models have been.

Behind every cooperative is a purpose; a mission to spark change and inspire strong development of a community. The cooperatives surveyed were asked to provide a mission statement that defined the purpose that motivated their initial organization. The most popular themes were to 1) Build a healthy community lifestyle, 2) Support local food producers, 3) Provide a market and purchasing outlet for primarily natural, organic, unprocessed foods and related items at a minimum price, and 4) Educate those about their cooperative and cooperatives in general. The missions of the cooperatives was not unlike what is normally advocated for, some focusing more on education and others focusing more on the food itself.

Along with fulfilling this mission, food cooperatives build relationships with many producers and suppliers. I was curious how stringent regulation of the food sourcing was and who were the ones making these decisions. All food cooperatives sourced food in bulk, trying as best they could to eliminate packaging. The General Manager (GM) in most cases was the main purchaser of the food with help from assistant managers; but members could control what was being supplied. In some cases, for the larger cooperatives it seemed as though members could request an item or change the selection, but that could take a long time for that to take effect, if at all. Sourcing came from local and regional producers, or national food distributors. Another

interesting option was even if cooperatives did not offer a product, but a distributor that supplied to them did, a member was able to pre-order that product from the cooperative. Granted it would be a large bulk amount, the member was still able to satisfy their food needs from the cooperative.

Budgeting can be tricky even just on a personal level; you want to cover your expenses but also have funds left over to plan for the future. Cooperatives require funding from members as well as outside resources. The cooperatives surveyed used a variety of funding methods that included member equity, owner loans, USDA grants, outside organizations, donations, and bank loans. While they weren't too specific about how much of each funding mechanism they used, it was approximately 25% member equity and 75% other funding. Diversity of funding sources made it easy to secure small amounts of money. The smaller cooperatives in rural towns qualified for grants from the USDA. The majority of the cooperatives would have liked to ask for more funding; most went undercapitalized in the first years in operation. One cooperative founder said, "You can always use more money than you plan for."

Since member equity is an important funding part of cooperatives, how much should be requested? Anyone starting a cooperative has to decide what an appropriate amount to ask of their community is. The responses to this question were so diverse and it is hard to tell if there was a method used in selecting the amount. The general trend is the longer the cooperative has been in operation, the smaller the fee becomes. A co-op that started 40 years ago has a fee of \$15. The most expensive shares were \$200 paid in multiple installments. All memberships that are considered 'equity' and not a 'fee' are refundable. One cooperative said membership was free, but that seems like unrealistic given how important this buy-in fee is. A few of the cooperatives had both an annual fee that was nonrefundable, and a member equity share.

Memberships are incentivized through member benefits. I wanted to see what benefits were offered at different cooperatives and how that affected support.

All food cooperatives promoted the fact that after becoming a member, they were allowed to participate in the voting process of decisions made at the cooperative. They also had opportunities to run for the BoD if a position opened up. Members at cooperatives were offered monthly newsletters and access to cooking/wellness classes held at the co-op or in the community. Patronage refund for profits made at the cooperative was a popular incentive. According to start-up manuals, this yearly refund system is more stable than offering up front discounts. However over half the cooperatives surveyed offered some sort of in-store discount. This is said to lead to insecure financial progress since a discount is being offered before it is known how much profit is being made. Some cooperatives gave discounts away for hours put into helping out around the store, others gave discounts to seniors. Benefits also included instructive workshops at a free or discounted rate.

I assessed the other educational outlets. Cooperatives offered up some formal literature like brochures, newsletters, and annual reports. Other fun activities were: classes at schools/colleges, movie screenings, samplings, live music, art receptions monthly, fundraisers, celebrations, cookouts, kid events, truckload sales, member appreciation days, local food focused celebrations, and cooking demonstrations. Some partnering organizations have held free conferences on cooperative models, working together on food shed issues. Simply put one cooperative said, “We promote local agriculture and healthy eating which I believe we’ve been very successful at.”

No matter how great members of a cooperative are, it is important to partner with outside organizations. They can provide valuable input, give funding, expand membership, and build

community. The cooperatives surveyed all seemed to have some sort of partner organization that helped carry their mission. It seems that the majority of surveyed co-ops held member elections to decide on the non-profits to work with. Many had too many partners to list but involved schools, hospitals, restaurants, senior centers, chamber of commerce, shelters, and assorted farmer development programs. There is a reciprocal relationship between these cooperatives and organizations.

The last part of my survey was an open outlet for the cooperatives to give me any advice they had about the entire process. Most cooperatives recommended developing slowly because too much growth could lead to a tipping point where all could be lost. One co-op recommended to, “Be open to anything that comes your way.” You never want to burn bridges or potentially shut out someone/something that could be crucial in the future. Branding/marketing/advertising/promotions are essential to the sustainability of the co-op. This is especially important since people can sometimes associate a food co-op with Whole Foods, and have preconceived views about the price or overall values of the store. Staying diverse enough to have a wide audience but not too broad so that people lose a sense of connection. No matter how large or small the cooperative was, the space was another topic that kept coming up. It seemed that finding a unique place where rent was reasonable, easily access to members, and sometimes large enough to have community gatherings was really important. Community space was the center of certain cooperatives while others were just looking for a place to store food. Once a location chosen, it was possible to move, but it significantly helps to find the permanent location the first time. Moving, especially after expanding has a major set of challenges that should be avoided. Below are statistics of basic information in cooperative development.

<b>Size of Town Cooperative was located in:</b>	<b>Percentage</b>
Less than 25,000	38%
25,000 to 50,000	13%
50,000 to 100,000	18%
100,000 to 500,000	18%
Greater than 500,000	13%
<b>Location of co-op with respect to the city:</b>	
Downtown easily accessible	60%
Outer City Limits, not easily accessible	0%
Outside of town, but in a specific neighborhood	13%
Other	27%

*\*69% of cooperatives were located in towns of less than 100,000 with 60% in easily accessible locations*

<b>Number of other Grocery Stores in the Area</b>	
0	0%
1 to 2	7%
3 to 4	40%
more than 5	53%
<b>Number of Available Cooperatives in the Area</b>	
0	53%
1 to 2	27%
3 to 4	7%
more than 5	13%

*\*Over half had more than 5 grocery stores in the area but 0 other food cooperatives*

<b>Current Membership</b>	
0-500	25%
501-1000	13%
1001-5000	18%
5001 or more	44%
<b>Average Yearly Revenue</b>	
n/a	7%
less than 1 million	7%
1million to 5million	20%
5million to 10 million	13%
Greater than 10million	53%

*\*62% of cooperatives have over 1000 members each and 66% made over 5 million dollars in annual revenue*

<b>Does the co-op have regular member meetings?</b>	
yes	100%
no	0%
other	0%
<b>Does the co-op host educational community events?</b>	
yes	93%
no	0%
other	7%

*\*Communication and outreach are very important to cooperatives*

<b>For those who cannot afford the fee upfront, is there another option?</b>	
yes	71%
no	14%
other	14%
<b>Are they free or discounted to members?</b>	
yes	71%
no	0%
other	29%

*\*The do not discriminate, especially financially*

<b>Did the co-op founders meet with a consultant prior to starting?</b>	
yes	36%
no	50%
other	14%
<b>Did any of the co-founders have experience with starting a cooperative?</b>	
yes	21%
no	36%
other	43%

*\*The majority of the cooperatives had no prior experience or consultation before starting the project*

How effective has the cooperative been in creating a food community?	
1	0%
2	8%
3	0%
4	58%
5	33%

*\*But 91% have been successful at developing a food community*

How important was branding, image & identity (1 low-5 high)	
1	7%
2	0%
3	14%
4	21%
5	57%
<b>What social media is used</b>	
Facebook	43%
Twitter	25%
Blogger	7%
Other	25%
<b>What is the legal structure of the cooperative?</b>	
Cooperative	79%
501c3 Nonprofit	7%
Limited Liability Corporation	7%
Other	7%
<b>Do you have an easily accessible storefront?</b>	
Yes	86%
No	14%
<b>Do you have a Community Space?</b>	
Yes	62%
No	23%
Other	15%
<b>Did the co-op document their story or use The Story Plotter?</b>	
Yes	14%
No	72%
Other	14%

<b>Is the co-op a one stop grocery shop?</b>	
yes	72%
no	14%
other	14%
<b>Does your co-op have lifetime membership options?</b>	
yes	29%
no	71%
other	0%

<b>Does the co-op have working members, non-working, or both?</b>	
Working	7%
Non-working	36%
Both	50%
Other	7%
<b>How imporant is education/outreach to the co-op?</b>	
1	0%
2	0%
3	21%
4	64%
5	14%
<b>Does the co-op offer other educational outlets other than food?</b>	
yes	64%
no	7%
other	29%

Of course each person had their own opinions and recommendations but all cooperatives interviewed provided me with a clear understanding that even though food missions may be the same, depending up geography and population, there really are some stark differences in development.

## Research

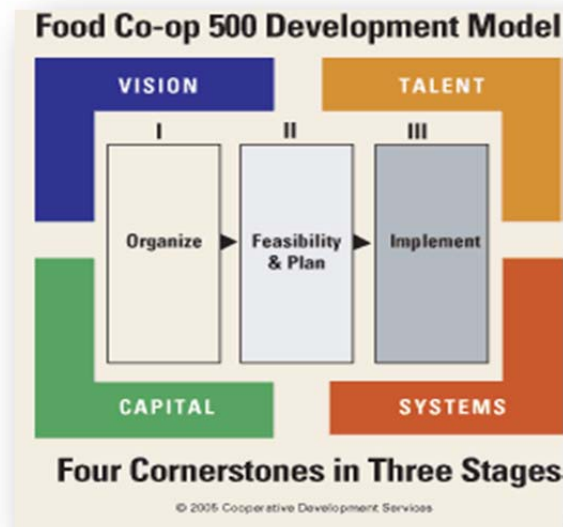
Decades of information are available for those interested in starting a food cooperative, yet many places in the United States that seemingly would benefit are void of them. What variables

need to be addressed in order for cooperatives to be more prolific in the future? Are these topics being addressed and what is needed in the future to help expand the food cooperative movement? The Food Cooperative Initiative set out to find solutions to food cooperative development in 2005. They created the Food Co-op 500 development model; this has been backed as an effective model by every nationally established cooperative organization. Since the model is so new, cooperatives using this development model are just now becoming established. How effective have development models like the FCDM been at helping emerging food cooperatives achieve success? What factors alter the shape the models and by what degree? Does this model serve the needs for all cooperatives starting?

There are many resources in existence for those looking to begin the process of a food cooperative, but there is little if any categorization of this information. Simple and effective organizing strategies may have a great effect on expanding the cooperative movement. There is a large emphasis in creating more support for the cooperative movement yet it is hard to find all inclusive support at a national scale. Empowering an individual to create change in their own community is one of the most effective tools. Access to a food cooperative would provide healthier foods benefiting those not only in the neighborhood consuming the food, but it will also support producers, and protect the land where food is grown. Food security is a pressing issue for the long term future of human existence. Is there an effective organization tool that can be used in conjunction with existing literature that will inspire more people by giving them a direction in the beginning stages of cooperative design? Since no cooperative model is exactly the same and they will develop differently depending on the needs of their community. How do models of cooperatives vary or how are they the same in development with the FCDM? What are the standards and what would be helpful for beginners to know before starting the process? What

were the revolutionary co-ops of the past, who are the big players today, and who is just starting the process?

Below is the diagram of the development model I have been using throughout this process to better understand how food cooperatives are designed.



Graphic 1, Cooperative Development Services, The Food Co-op 500 Development Model has four cornerstones:

vision, capital, talent, systems, and three stages for completion: organize, feasibility, and implement.

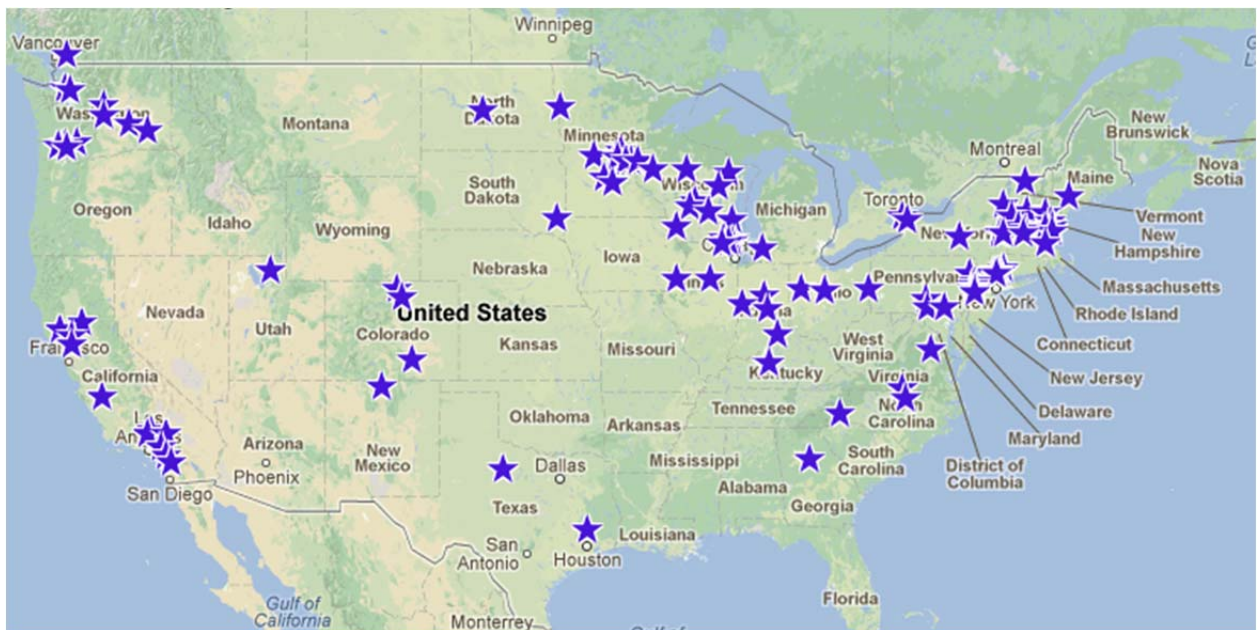
Each of the cornerstones must stay strong through all stages of development. As stated earlier, all of these elements help develop a food cooperative but appear to be very broad in the information that they provide. This broad categorization can be helpful because it allows for basic guidelines to appear while not necessarily constricting requirements. It can also be overwhelming because it condenses a lot of information in a short time frame. The model addresses the important aspects of development, but could more effectively address where to start.

## Interviews

Through interviewing different consultants common themes were addressed about cooperatives and it was commonly agreed that depending upon location and audience there were different needs that should be met. It was stated many times that anyone looking to begin the process of a cooperative should do a feasibility study for their area. While they can be costly in the beginning, it will save the co-op time and money in the long run. In terms of funding, while investor loans and government grants are needed for startup capital, a cooperative will truly not be successful unless it can rely on its members to support the project. From the beginning of the project, there has to be a clear vision and purpose of what needs to be accomplished. A food cooperative cannot just be a cool project; it also must fill a need that is missing in the local market place. Often, these are very diverse and involve many contributors from the community. There was also no dispute in how helpful a supportive partner was in providing guidance to a new cooperative. Training, advice, and referrals can expedite the process rapidly with the a few key players in the cooperative model. The Food Coop Initiative is working closely with the Cooperative Grocer's Information Network to make this movement stronger. Below are maps of already established food cooperatives and ones in developing stages.



Map 1 Cooperative Grocers Information Network: Established Cooperatives



Map 2 Food Cooperative Initiative: Cooperatives in Development

As you can see, many of the new cooperatives in development happen to be in areas where there are already thriving cooperatives, with a few exceptions. While, regardless of location, it is

exciting to see food cooperatives emerging, how can the distribution of cooperatives be more evenly distributed?

## **The Tool**

A clear division of startup resources will encourage cooperative development as it is seen as a more viable option for people in communities and one size of development is not going to work for all communities. This division can be made with four groups: Education, Low Access, Primary Action, and Re-Localization. The purpose of creating these groups is to help ease food co-op establishment into the market place. Each of these groups has a common goal but may have a different way in reaching their goal. By creating a flow chart for people to use when starting a cooperative in their area, a basic level of categorization will help begin their journey. The groups have been divided based on geography, population, community, income, time, government/state support, etc. to help classify the groups. Subsets of these groups may exist but can be defined by these broader categories for beginning organization of a cooperative. This tool will effectively anticipate obstacles that occur for those who are unsure of where to begin. I am proposing a 4 class ranking tool which allows for easy identification and within the next stage of development. For those who are beginning a cooperative project, they can use the ranking tool to assess community qualifiers to see what their future could look like. The effectiveness of this tool will come in its ability to quickly and accurately show an individual how to begin the journey. Each group within the ranking system has their own set of qualifiers, giving further detail of what resources for documents and funding they should look into. This tool should be used by people when they are still in the planning and idea phase of the process. The flow chart provides easy access into giving their cooperative an identity from the start. After

the chart is used people can refine how they use the Food Co-op 500 development model and plan accordingly.



Table 1, Food Co-op categorization

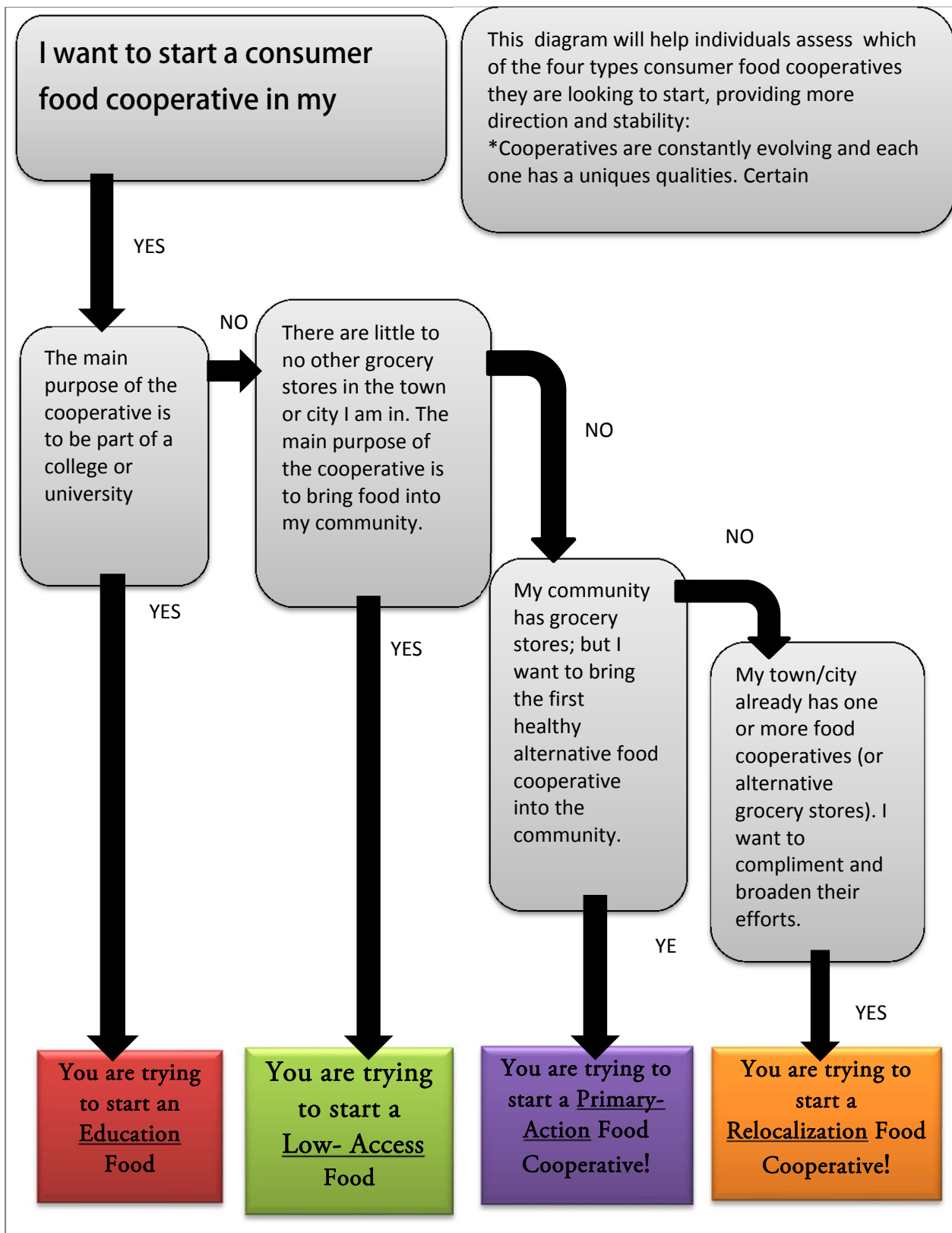
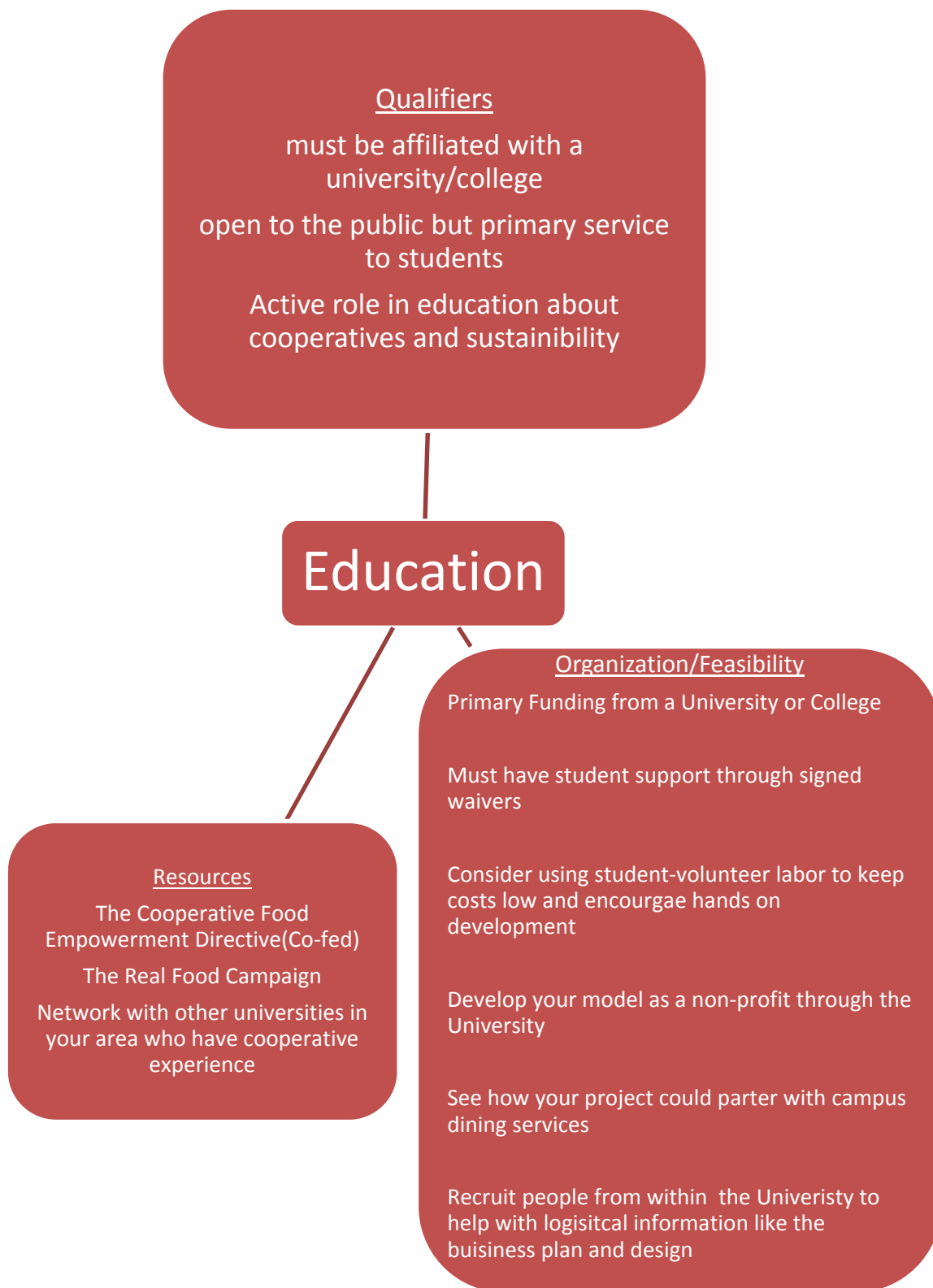


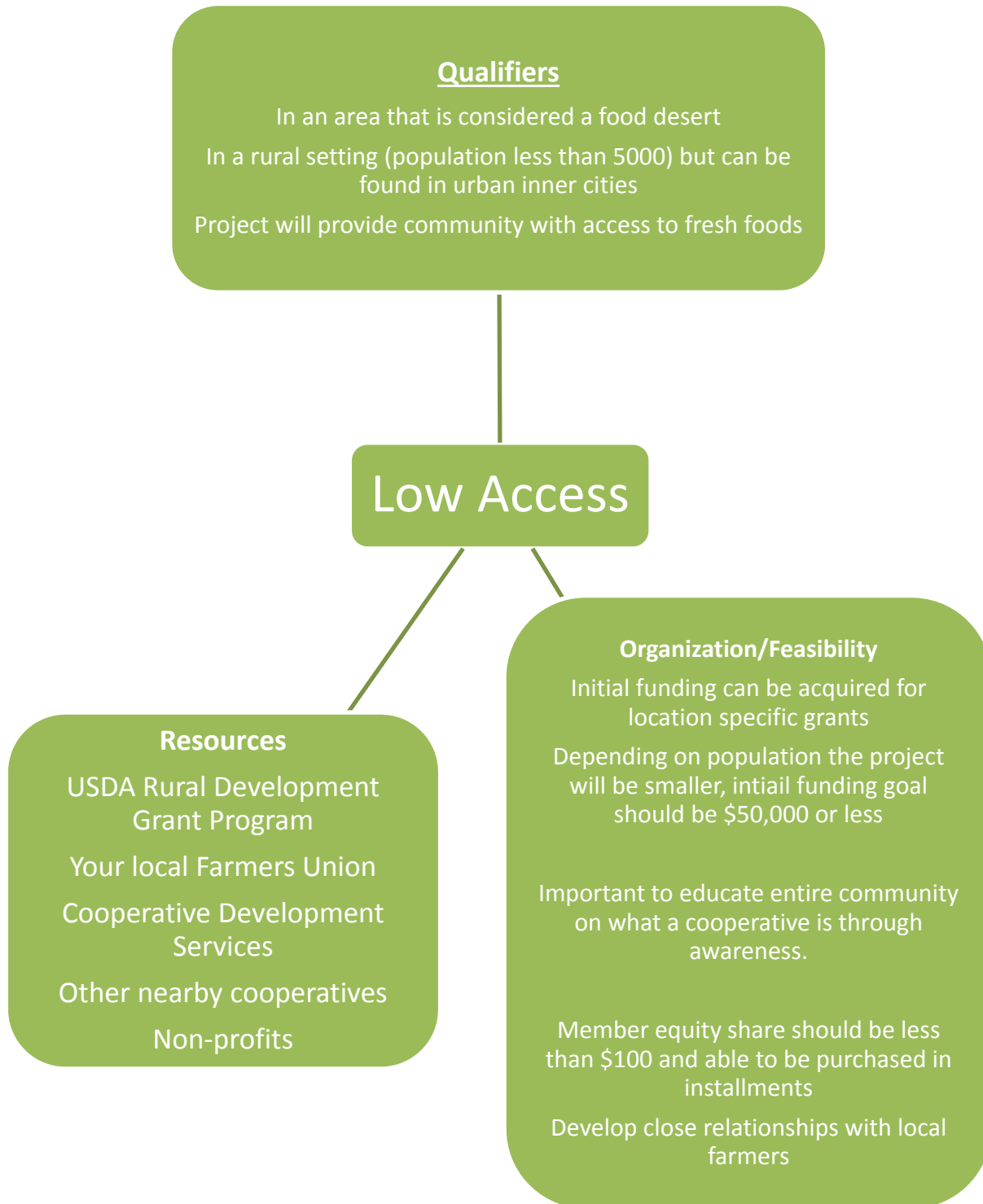
Table 2, Food Co-op Development Flow Chart

**Education** cooperatives have existed almost as long as any other food cooperatives. By education, I refer to cooperatively started food enterprises on college campuses. These are projects that are started specifically on college campuses with the sole purpose of providing for students. They are more of empowerment vehicles recognizing that the life of a student involved in their college cooperative is only about three years on average. The cooperative has a lot of member turnover but with the support from the college or university they are a part of, they can ensure lasting success. The ideas around food cooperatives are meant to be as much of learning tools for students to either start or be a part of their own cooperatives in the future, as actual venues for purchasing foods. While it is sometimes challenging to get support from an educational institution to provide initial startup capital or provide a space, if possible it can be very effective. The Berkley Student Food Collective is a classic example of how student action can create change on a college campus. They started in 2010 and brought a community owned grocer back to Berkley. While they are a non-profit, they operate as a cooperative-in-spirit (Mazar, 2007). Through the university they are an “educational laboratory” and started as a project that came out of the business department. They won a \$91,000 grant from UC Berkeley's Green Initiative Fund (TGIF) to fund the project. The collective is open to everyone (not just students) and educates the community about the environmental, social and political impacts of the food system.



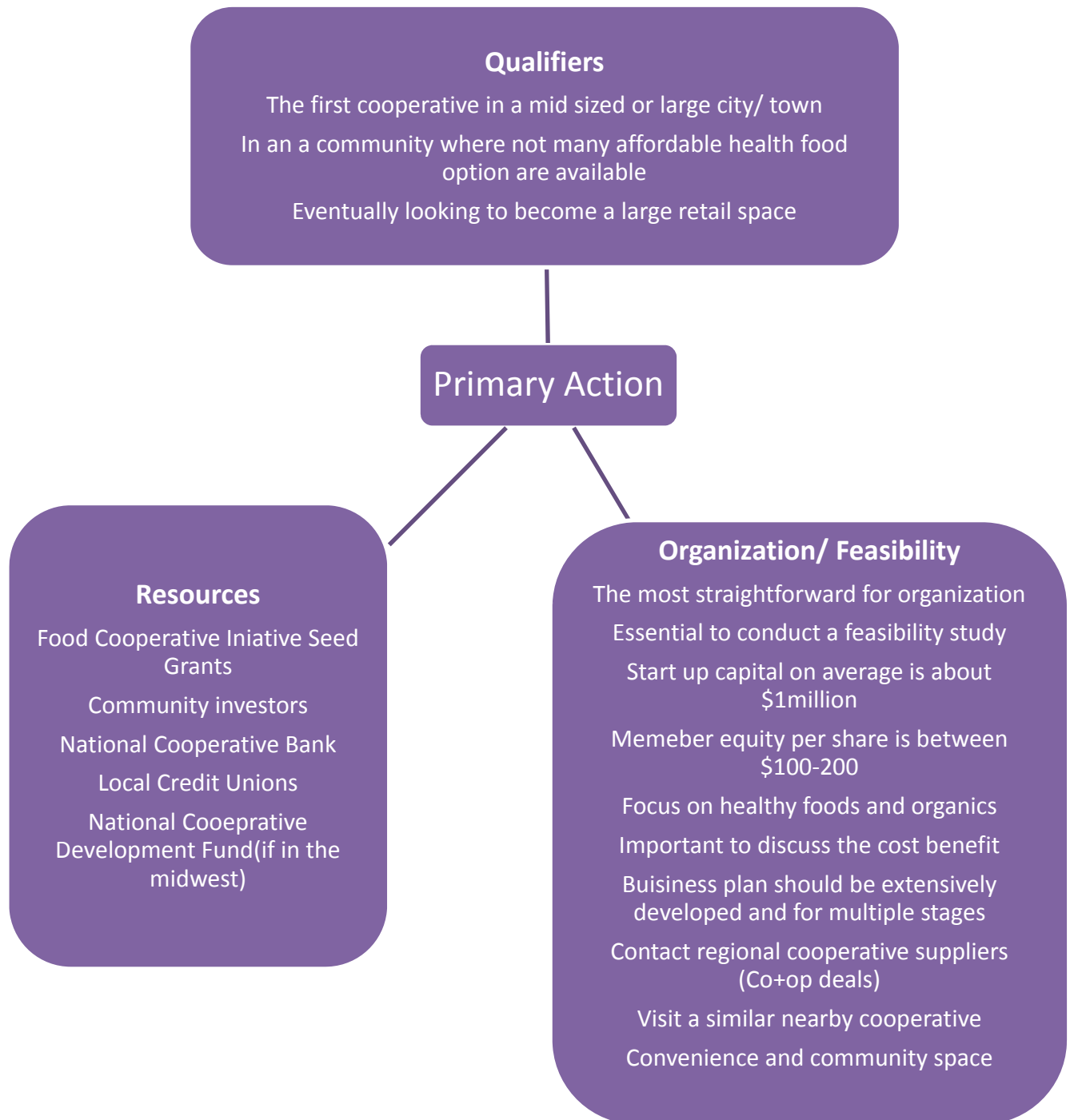
**Low Access** cooperatives are those that were first started in the 1930s in response to the Great Depression. They are cooperatives that come on a basic need level and can be developed in rural or inner city areas of the United States. Little resources are available to these communities and there is a lack of food alternatives in the nearby area. These cooperatives have the most to gain from government funds and they qualify for grants that are directly created for rural cooperatives by the United States Department of Agriculture. They are started primarily because of the lack of other grocery stores in the town. Due to limited resources in the area they often develop slowly and try to keep operational costs to a minimum. Member equity is often lower for this group and made easily in multiple installments. They will partner with other non-profits in the area to receive funding for development.

When a cooperative in Plain, WI, with a population of only 773 lost their last grocery store they were left without a place to purchase healthy whole foods. The community had expressed support in maintaining the business and decided to look into starting a food cooperative. Thanks to community support, effective organizing from a nearby cooperative development center, and guidance from two other food cooperatives, there are now 200 pledged members that want to help this rural town in Wisconsin start this store. Overall many residents are hopeful that the resources, skills, and common vision evident will help in developing a cooperative solution to a problem all too common in rural communities across Wisconsin (University of Wisconsin, 2012).

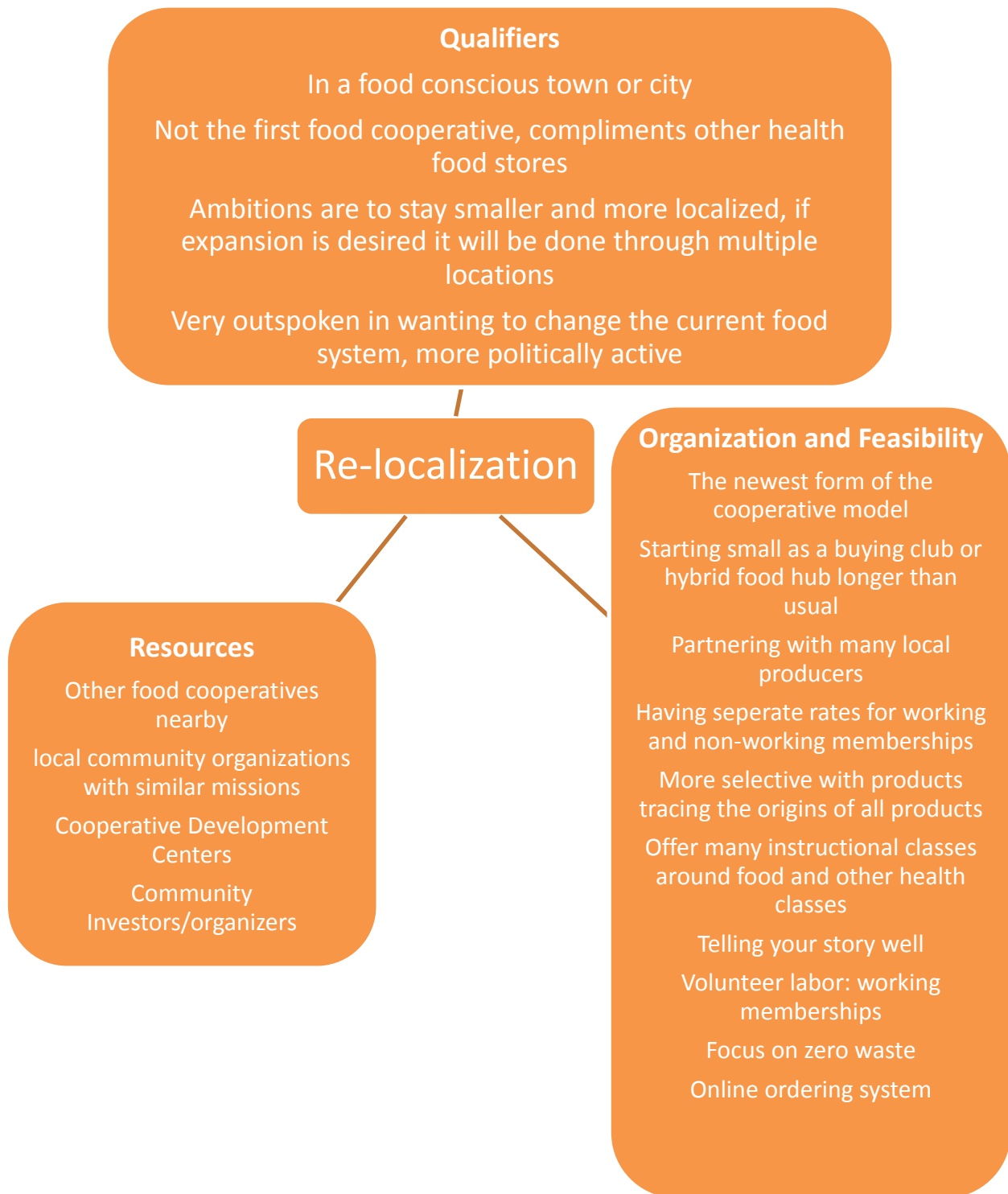


**Primary Action** cooperatives are the most common grouping of cooperatives, beginning to gain popularity in the 1960s. They are what people consider the “brick and mortar idea of a food cooperative”. These tend to look like health food stores and are challenging the conventional systems of purchasing food. Most of these cooperatives sign on to national cooperative distributors may have multiple locations within a town if successful and will often be the first cooperative in a town. They form in areas that do have access to food but maybe not a large selection or organic/whole foods. While any cooperative is concerned with supporting local farmers and agriculture, these stores focus on becoming a large-scale alternative grocery store. Before the emergence of Whole Foods, these primary action cooperatives were the main alternative food stores in areas.

New Pioneer Food Coop in Iowa City, Iowa has been open for thirty six years now and is the leading natural foods grocery in their area. They purchase food from over 400 hundred distributors and have everything from organic to gourmet foods. They have grown to 26,000 members and have a \$60 member equity share. They are a driving force in their community for promoting healthy food education and are able to serve a lot of people. These larger primary action cooperatives have reached a level of complexity that they serve as mentors to other cooperatives and give back to communities that they belong to through nonprofits and other educational events. They guide cooperatives in their area getting started. Member investment is the best form of capital for these groups and this is often times achievable in areas where the community wants to have access to the foods they will provide.



**Re-localization** cooperatives are the newest form of cooperatives that are emerging. The landscape of cooperatives has transitioned over the decades; the food cooperatives started in the 30s and 60s are not necessarily the same ones being created today. Unlike most cooperatives which seem like any health food store, there is a new cooperative emerging, one that is not like your conventional “mom & pop store”. It is one that is raising the standard on how people think and eat food. While these are not the norm and may not be for a while they are powerful for the awareness that they bring and the inspiration they send. They complement already existing cooperatives in an area or a thriving food community. The cooperatives focus heavily on local food and the impacts they can have on community. They are smaller and take longer to develop since there is no basic necessity for these cooperatives. They recognize that while healthy, organic food is important, they also go further in depth with sourcing food that was sustainably produced to ensure health not only of its members, but for the workers and Pachamama (mother earth). The educational component of this cooperative model is to spread the word of co-ops in the area. They may not be the initiating force a co-op movement in an area, but they become a socially active voice. They are what I consider the 21<sup>st</sup> century style of cooperative.



## **Evolution of Groups**

Some cooperatives can start out as one group but begin the process again as they evolve into a new group and face new challenges. Weavers Way Cooperatives in Philadelphia provides an example of this, growing from a Low-Access into Primary Action group for their area.

Starting in 1973 as a tiny storefront that only supplied limited produce and deli items, it was a simple way to get fresh cheap foods in the neighborhood. After enough time, trial and error, and support the co-op grew from 500 members to 10,000. Now there are three locations offering hundreds of products, and even have a shuttle which brings people to and from the store safely. The once small store now is an advocate for community development and became Philadelphia's first established food cooperative. Since opening, the state of Pennsylvania now has nine food cooperatives.

## **Food Buying Clubs**

One less tracked group that is similar to food cooperatives, are a food-buying clubs. Without any legal structure or official space, they are a group of people who come together to purchase food items in bulk and distribute it to members who buy-in. Many cooperatives begin like this because often times there is less stress in operating informally. While they are never very large, they will provide a service in the community. Often times they are hard to find and operate quietly since they may not be following all rules legally. Currently there are at least 3000 food-buying clubs in operation in the United States, according to Stuart Reid of Cooperative Development Services. He claims that because they do not have to officially register with the government, they are hard to trace. There is also a revival of these groups within recent decades. Many cooperative entrepreneurs have opted to stay small with buying clubs. If an individual does not feel like their mission fits well into the cooperative grouping flow chart I have created,

they might consider just starting a buying club for their select group of people. Then as they grow, the chart may be adapted and used to aid with development.

It is also important to emphasize that no cooperative model is more important than another, but that based on the needs of the community and the goals of the cooperative they will serve a different purpose and therefore have a different niche to fill. The tool I have created helps to allocate resources when deciding what role the cooperative will play. This creates shifts in the FCDM, especially within the first two stages. The four categories are not entirely set but do offer clarity in the formation of food cooperatives. The longer the groups are established the more expansive they can become. Becoming part of a working group database that, with oversight, can be added to as more resources are appropriated within the four groups.

### **A Food Cooperative in Boulder, CO: Then and Now**

At the turn of the twenty-first century Boulder, Colorado was a booming town full of people with a love of the outdoors and healthy food. It was home to a plethora of bike stores, natural food stores, and one of the country's largest outdoor farmer's markets. When Crystal Market closed in 1999 Boulder was left without a locally owned natural foods store. Concerned citizens decided to act by starting a food cooperative. They had just one month to try and raise enough money, obtain long term financing, and recruit members. While they never took over the space once inhabited by Crystal Market, they did collect over one thousand names of interested citizens. So, just like any core group of people wanting to start a primary action food cooperative in their town, they started by conducting a two-year feasibility study, developed a business plan, built membership, found a location (a 12,000-square-foot site with low rent), and raised funds. The town had many eager volunteers willing to donate office space and time. Members contacted about 3,000 people, with 400 initially joining and another 400 joining eight months later. A

market analysis showed that the co-op would need at least 1000 members spending close to \$100 a month, but the co-op would only break even after sales of \$200 per member per month. Like most cooperatives, organization became essential to the business progress. Funding came mostly from member investments and loans, then donations, a city grant, and lenders. Many local food producers supplied food to the cooperative. In 2003, the membership had grown to 24,000; they opened an adjoining restaurant, offered yoga, and cooking classes. However, initial debt from business renovation, limited passerby visibility, and lack of member engagement led to the downfall of the cooperative. As time went on people quit shopping because of dissatisfaction with the customer service. Boulder was home to many other grocery stores like Whole Foods, Safeway, Wild Oats, and Vitamin Cottage. The co-op was not well marketed given its limited selection of items compared to larger stores like Safeway. Also with a focus on being vegetarian, they deterred customers who wanted a 'one-stop-shop.' The bottom line was that as great of an idea as it was, the store did not offer incentives compared to other food stores in the area. They tried to open as just another natural food store, and with little business experience on the board of directors the Boulder Co-op had to close in 2007. Had the co-op started smaller with more of a community focus given its location, had better management, more member involvement, and been practical about how to use the competition to the advantage of the cooperative, they may have achieved longer term success.

Now almost six years after the closure of Boulder's last food cooperative, a new one is set to open in August 2013. Two years of planning and operating as a buying club, The Second Kitchen (TSK) Food Cooperative has secured a space and is ready to open to the public. I am a co-founder of this cooperative and have helped in the organizational process for the past two years. The development of the flow chart helped TSK to discover how we can most effectively

foster a cooperative for the Boulder community. Since the last cooperative closed, the natural foods market options in Boulder have continued growing. With the expansion of markets there has also been an increase in food prices. Many people who support the idea of eating locally and organically are unable to purchase foods that are often marked up 100 percent in corporate food stores. This gave TSK an open market to fill. The fact that Boulder is considered such an affluent town with broad access to fresh foods rules us out of the Low Access group of different food cooperatives. The co-op, which preceded TSK, tried to establish themselves as a Primary Action group, which in most towns without a cooperative may have succeeded. While Boulder does not already have a food cooperative, it does have a thriving food community and many food conscious organizations. When TSK began, we tried to start as an Educational group working with the University of Colorado to educate students about cooperatives; focusing on eating sustainably at an affordable price. Initially we were not able to secure funding, support, or a space from the University. Unrelenting in our desire to successfully open a cooperative in Boulder, we established what our market would be, talked to many cooperative development teams and former Boulder co-op board members. We realized that in order to be successful in the Boulder community we had to market not only healthy and sustainable foods; but we would also be building a food community. Keeping the pricing as low as possible was another deciding factor in our business plan. Being that the founding team is very outspoken about food justice in the United States, we have also made decisions to keep a limited product supply that is mostly locally or regionally supplied. We have to be very clear about our mission on why we are not just another health food store and how by changing one's mindset around food, you can create a sustainable local food economy that is fully transparent. Since our project started in Boulder, two other cooperatives have adopted our model. This Re-localization group is the right fit for

Boulder and can be for many other cities in the United States. While it is not eliminating food deserts or directly shifting the way agricultural subsidies are being distributed, it is the necessary active voice for a country that needs to restructure its food system in the face of a growing rate of type 2 diabetes, cancer, heart disease, and infertility.

## Reflections

The world of cooperatives is growing rapidly and has been for most of the 21<sup>st</sup> century. Time and time again, cooperatives prove themselves to be sustainable models for corporate business by putting the power back into the citizens that work for it. However these cooperatives, being as democratic as they are, have often seen disputes over what direction to grow. Some critiques of cooperatives have focused on the style of operations or argued that they are too white and middle class (Zimbelman, 2007). Some have argued that cooperatives are responses to niche markets and market failure. They are born out of struggle by small producers, but only maintain a *raison d'être* (reason for existence) until the market failures are overcome. Large cooperatives in highly competitive markets are either exceptional or nonexistent. If they do survive they are not adapted and there is a high cost of decision making (Karantininis, 2007).

The argument is used that cooperatives are evolving to technocracy not democracy and artificially promoted through specific tax, legal, and policy advantages. The survival and development of cooperatives can only exist through favored government policies, tax breaks, and other direct or indirect supports. While having the support of the government could significantly help alleviate the financial burdens of starting a cooperative, if funding is secured through member support it allows more freedom of money to be used as the cooperative sees fit. Besides the USDA rural cooperative development program, there is no governmental policy in place to help food cooperatives compared to other large businesses. The interaction between government

and citizens is more beneficial in a community when there is a synergistic connection. Since cooperatives have proved to be a beneficial model, it would be intriguing to explore how more effective public policy could lead to more cooperative development across the United States.

Given my limited resources, data collection was difficult to acquire, especially from a field that is constantly changing. While I was able to send out a survey for completion, having a larger sample size would have helped recover more quantitative data. Many cooperatives did not have valid e-mail addresses or would reject my survey as spam. An online phone survey would have been a more time intensive but potentially more effective way to retrieve data. It would have been helpful to interview areas that were completely lacking a cooperative and interview people within the county to see how the idea would have been received. I would have liked to interview more co-founders of cooperatives to understand their struggles in initially starting, how they were able to overcome those barriers, and by what measures.

Additional work is needed in discovering how cooperatives can network with one another. Every day more information is being published about what different cooperatives are doing for their communities, how they are benefiting local producers and consumers, and what they hope to accomplish in the near future. Yet, for people without a thriving cooperative in their town, they may go unknown about the benefits they could offer and potential for a more sustainable future. Awareness of what cooperatives would be the simplest and most motivating tool to further the movement. People have power; communities as a whole are a vehicle to organize that power for the greater good.

## Conclusions

The journey through cooperative development over time has been quite expansive. Today, the emerging popularity of cooperatives has been inspiring people with optimism for a better future. They address the hardships of food distribution, ameliorate the threat of food insecurity and negative health impacts, re-inspire individuals to make changes in their communities, support the environment, and provide a creative outlet for food education. An undertaking like this is clearly needed and has the potential to be successful across the nation. There are many approaches to seeing the project through and many times people become discouraged around solving the challenging issues facing their own communities. With actions growing to address climate change and development crises due to extreme socio-economic inequality, people are always asking, “What can I do?” Cooperatives allow a collective group of people the ability to reclaim direct democracy. While different development models are needed to make the success more attainable, they can provide a more sustainable food economy across the entire country. No two cooperative models are the same, but they all have similar values and structures. By helping to classify the initial phase of development, the cooperative dream becomes more within reach. At a time in our country’s history where there is more opportunity than ever to both become a wealthy business owner and marginalized underpaid employee; there is a chance to collectively work together and change the how past problems come to be. While the problems our food system are facing will not be solved just by cooperatives in the next decade or even in the next five for that matter, the recognition of a person’s power to grow food, another person’s to distribute it, and many more to consume that work, is a beautiful system. It connects citizens with their history and ancestors through creativity, hard work, self-reliance and cooperation. Coproduction between civil society, government, and the market eliminates power over any group of people and links together power within. I hope that the work I have done can help

inspire active citizenship and allow people to recognize that hard work in community development can lead to healthier lifestyles and a more sustainable future. Consider co-operation among individuals, communities, and other cooperatives; I challenge Americans to work together for a stronger food community and future in the United States and beyond. Missions may be identical or vastly different, but furthering the cooperative movement is deepening a community's connection with food, health, and overall well-being.

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## Appendix

### Survey1

#### **Exploring Key Variables of Food Cooperatives in the United States**

**Please answer each of the questions to the best of your abilities. If you choose to not answer a specific question or do not know an answer simply write N/A**

Date:

Individual's Name:

Position or affiliation:

Cooperative Name:

City or Town Name & Population:

Location respect to the city or town (downtown, outskirts, etc.):

Hours of operation:

Number of members in the cooperative:

Number of other available cooperatives in the area:

Number and name of other grocery stores nearby:

How close are the alternatives stores to the cooperative (in miles):

Average yearly revenue(estimate):

Is the co-op a non-profit? If so how long did it take to obtain status? If not, why?

#### **Planning**

How much prior experience did you have before starting the project?

How did you approach the idea of starting the cooperative?

What resources were most helpful in starting the project?

Did you meet with any consultants before developing your plan?

What recommendations would you make to those in the planning stages of cooperatives?

#### **Marketing**

In what ways is the cooperative name displayed outside the co-op (t-shirts, bags, mascot, etc.)?

How long did it take to pick a name?

How long did it take to decide on a logo?

Who designed the logo?

Overall how important is branding, image, and identity to the cooperative? Why?

What social media is used?

How important has social media been getting publicity for the co-op?

Did the co-op document their story or use The Story Plotter when the co-op began? Does the co-op now?

Did the co-op founders meet with a consultant?

Did any of the cofounders have experience with starting a cooperative or other business?

What is the mission statement of the co-op?

What has been the biggest marketing pitfall?

\*Overall how much time was spent on each of the following before opening (in hours):

Gather background information:

Assess community interest:

Organizing with the community:

Recruit members:

Plan for financing:

Secure financing:

Selecting a site:

Preparation for opening:

### **Distribution**

Is the co-op a one-stop shop (for the most part)?

How is food sourced for the co-op? Who decides?

If a member wanted something supplied that wasn't offered, how easy is it for that to happen? What is the process?

Is the food marked up? By what percentage? Is every item?

What is food distributed in? Do co-op members contribute to the containers used?

Is there a fee for jar usage?

What is most effective to getting the jars returned?

### **Budget**

How much did the co-op require for startup funds? How were these funds met?

Did the cooperative over or underestimate the amount of money needed?

How did the co-op decide the budget?

Did the co-op include its first financial projections with the budget?

How transparent is the budget?

Is there someone hired to maintain the budget?

Does the co-op host fund raisers?

Did the co-op budget for marketing when it was started?

Did the co-op hire someone in marketing or member services when it started? Is there someone that holds that position now?

Does the co-op have a long term business plan?

### **Space**

Does the co-op have a storefront? Describe it briefly. How many square feet is it?

Does the co-op have a community space?

In terms of space what could be improved upon at the co-op?

When after starting the co-op was space acquired? How?

How is rent paid on the space?

How important is having this space for the co-op? Would relocating matter? If so why?

### **Membership:**

Is there a membership fee? If so, how much? Is any of it refundable?

For those who cannot afford the fee upfront is there another option? Do you offer loans?

Does the co-op have working members, non-working members, or both?

Does the co-op have more working or non-working members?

Are members required to spend time working at the co-op? If so how many hours and on what timescale?

Are there penalties for inactive members?

Do you have lifetime membership options?

What benefits do the members receive?

Do your members receive a yearly dividend? If so how long did it take for that to start?

### **Meetings**

Does the co-op have member meetings? How often? Who attends? Who facilitates?

Does the co-op have a steering committee or group in charge of co-op facilitation? If so how many are in charge?

Does the steering committee have meetings? How effective or necessary are these?

What positions are on your steering committee?

Does the co-op have any paid staff? If so how many?

Does the co-op have a board of directors? If so what are they in charge of?

### **Demographic**

What is the target demographic with the co-op?

What is the age range?

What is the male to female ratio (approximately)?

What is the racial diversity of the co-op?

What is the overall income level of cooperative members?

What percentage of the co-op are students (approximately)?

Does location of the co-op effect the demographic?

What this a considered factor in placement of co-op?

### **Education/community**

Does the co-op host events? Are they free or discounted to members?

Where are events held?

What is the main way the co-op educates people about cooperative models?

How important is education/outreach to the co-op?

Does the co-op offer other educational outlets other than food?

How effective has the cooperative been in creating a food community? How?

Has building relationships or skill shares been successful outside of the co-op?

Does the co-op partner with any organizations? If so who?

How has the partnership been effective? Are there any more the co-op is currently seeking?

### **Goals**

What are the goals of the cooperative? Why?

Identify 3-5 main objectives:

Does the co-op have an action plan? Is there a time frame?

Does the co-op have a regularly updated and changing calendar?

### **Outside help**

Does the co-op receive outside funding or support? By whom and in what way?

Did the co-op apply for loans or grants?

If you could have any other support to main the sustainability or prosperity of the co-op what would it be?  
Why?

\*On a scale of 1(not at all) to 5(extremely) how important are the following the wellbeing of the cooperative:

### **Marketing:**

The name of the cooperative:

Logo:

Message:

Overall co-op aesthetics:

Teaching customer service:

Stories:

Training:

Building a consumer base:

Store cleanliness:

Auditing and evaluation:

### **Food**

Organic:

Sustainable:

Local:

Fresh:

Bulk:

Healthful:

Whole:

Fair:

Community Collaboration:

Authenticity and Passion:

Connection to the food revolution:

**Thank you for taking the time to answer this survey!**

Would you be interested in also participating in a one time phone interview?

Any final comments or questions?: