



Food Co-op 500

BY STUART REID

This article is not the one I originally thought I would be writing. It was going to be an update and progress report on the Food Co-op 500 (FC500) program; and it is that. But the future of co-op development is much bigger than our organization alone, so while I will tell you what we have been doing, I want to concentrate on what you can do to help.

In the three years since FC500 was created, there have already been dramatic changes in the support systems available to established co-ops, expanding co-ops, and new co-ops. We have shared the Cooperative Development Services (CDS) Development Model with hundreds of co-op organizers, made learning tools and guidelines available and accessible at no cost, co-hosted three webinar series targeted at new food co-op organizers (also at no cost to them), created information and discussion forums, made live presentations to boards and communities, awarded development grants and loans to 20 co-op founding groups, and attracted attention from all 50 states and as far away as South Africa.

Expanded sponsor support

During this same time, our sponsors have also expanded their support for retail co-op growth. National Co-op Bank/NCB Capital Impact has sponsored our online Workspace, a virtual office through which cooperators share informa-

tion, documents, discussions, and more. The materials available there include a PowerPoint presentation for community meetings, our interactive development timeline, our legal primer, examples of marketing and promotional material, and much more.

Anyone affiliated with a co-op—whether established, expanding, or new—is welcome to sign up for the Food Co-op 500 Workspace. Membership is open to all legitimate retail food cooperative managers, organizers, and consultants who agree to our terms of use. To request access to the FC500 Workspace, you can register at: <https://ncb.centraldesktop.com/fc500workspacerequest>.

Cooperative Development Services and the CDS Consulting Co-op have expanded the Cooperative Board Leadership Development program and are creating visionary, effective boards around the country. For co-ops seeking tax-deductible donations for their educational programs, CDS now can provide fiscal agency.

National Cooperative Grocers Association (NCGA) continues to add depth and breadth to its support programs for member co-ops. With an ambitious goal to raise member sales to \$3 billion, NCGA has formed a new development corporation to provide leadership and resources for stores with expansion plans.

Recognizing the obvious synergy between its work and that of NCGA's development

corporation, the Food Co-op 500 Task Force has created a long-term goal of integrating our program within NCGA. Beginning in December 2008, NCGA will manage the contract for the Food Co-op Development Specialist position and build new levels of cooperation and linkage to its organizational expertise and the member co-ops.

Four Cornerstones in Three Stages

The Food Co-op 500 program is structured around the Four Cornerstones in Three Stages model developed by CDS. We have shared this with you before (*Cooperative Grocer* #128, January–February 2007), so I will give only a brief summary here.

Any co-op development project needs four strong cornerstones to succeed: Vision, Talent, Capital, and Systems. These cornerstones support the co-op all the way from conception to opening (and beyond.) Every project goes through three stages: organizing, planning and feasibility, and implementation. Successful co-ops strengthen each cornerstone at each stage.

The building metaphor implied by the cornerstones is deliberate. Starting a new retail food co-op is a huge construction project that begins with building a vision and support, continues through building equity and viable plans, and culminates in building a fine staff and physical structure capable of housing and nourishing the vision that brought it about. For ■>

Support from Other Co-ops

Eastside Food Co-op: Generous Neighbors to the Rescue

Eastside Food Co-op (Minneapolis, Minn.) opened for business in December 2003. The co-op had been building community support since 1999, had sold 750 memberships and raised \$250,000 from its members. In March of 2003, Eastside Food Co-op purchased a 12,000 sq. ft. building, with a \$100,000 down payment funded by member equity and loans; it had plans in place to renovate 6,500 sq. ft. for a \$2 million natural foods store.

In the summer of 2003, Eastside still had gaps in its financing that were holding up build-out. Twin Cities Food Co-ops assisted with that gap financing: Wedge Community Co-op (Minneapolis) loaned Eastside \$60,000 for five years, and Lakewinds Natural Foods (Minnetonka, Minn.) loaned Eastside \$20,000 for three years.

Eastside also faced significant challenges in working capital—our lenders wanted collateral—and we had no income stream to pay staff or other operating needs. Seward Community Co-op (Minneapolis) contributed \$6,000 to Eastside, all of which could be used for working capital, and Wedge Co-op members voted Eastside as one of the recipients of the Wedge Share program, donating \$5,995 to Eastside.

After EFC had been open and operating one year, a review of our cash projections showed we would fall \$487,000 short of our cash obligations. Again we turned to the Twin Cities Co-ops for assistance in closing our cash flow gap. Wedge Co-op converted its \$60,000 loan to non-voting C-share stock, and River Market Co-op (Stillwater, Minn.) loaned Eastside \$1,000 at no interest. And from a greater distance, Grain Train Co-op (Petoskey, Michigan) donated \$300.

After two years and a five-point recapitalization campaign, Eastside was close to positive cash flow but needed to secure a \$20,000 line of credit. We arranged the credit line through Northcountry Cooperative Development Fund (NCDF), guaranteed 100% by the following food co-ops:

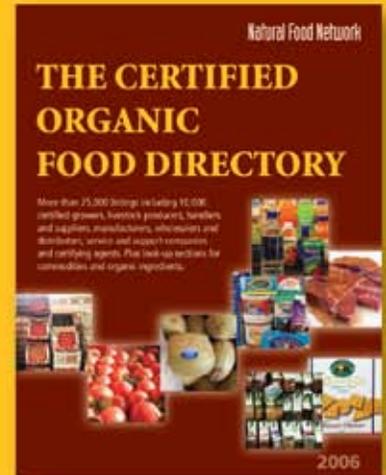
- St. Peter Food Co-op (St. Peter, Minn.) \$1,000
- Grain Train Natural Food Co-op (Petoskey, Mich.) \$1,000
- Marquette Food Co-op (Marquette, Mich.) \$1,500
- Williamson Street Grocery Co-op (Madison, Wis.) \$5,000
- Valley Natural Foods (Burnsville, Minn.) \$5,000
- Linden Hills Co-op (Minneapolis, Minn.) \$7,500

The help we received from these co-ops was key to our turnaround—not only did it provide us with cash and capitalization, it also showed our conventional and neighborhood lenders and our vendors that we had support from a larger group invested in our success.

National Cooperative Grocers Association also assisted Eastside in capitalization by allowing us to fall behind in our payments for services; waiving our dues for a year; reducing our marketing dues; loaning us money so that we could participate in the national purchasing plan; conducting a formal audit of our store in 2006 (in which general managers from ten other co-ops evaluated our operations and market area); and allowing us to participate in a pilot project for store operations and category management.

I am grateful to them, and would like them to get recognition for stepping in when the safe bet was that this was pouring money into a bottomless pit. Thanks!

—Amy Fields, Eastside Food Co-op general manager



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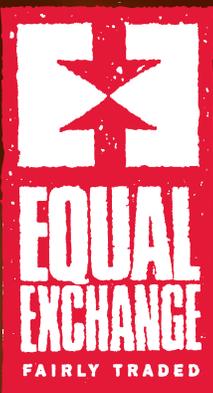
Is Your Co-op Planning a Member Loan Program?

You can find information on the **legal aspects of member loan programs** in the new Food Co-op 500 Legal Primer at www.foodcoop500.coop/uploadedFiles/Home/Content_Items/LegalPrimerFinal.doc.

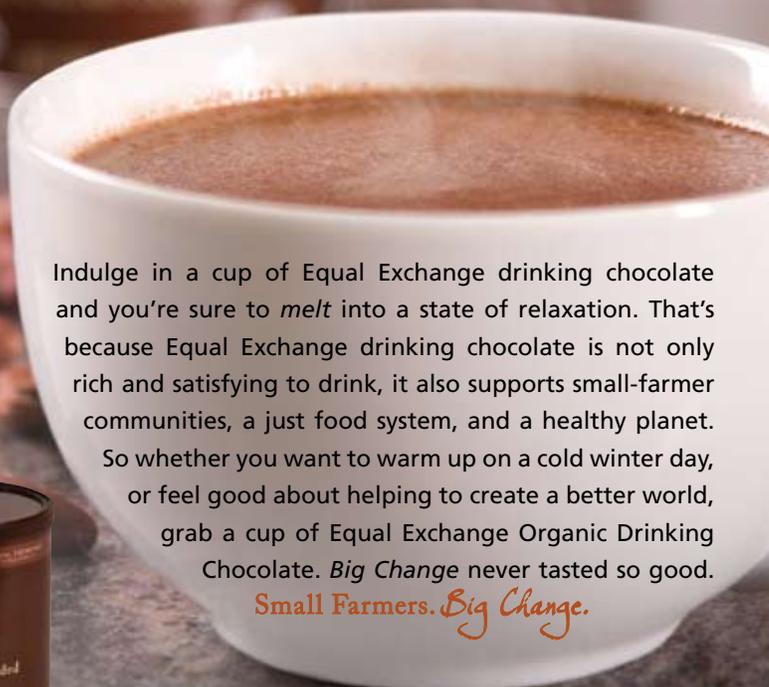
Both resources are applicable to expansion projects in established stores as well as to start-up co-ops.

Along with the CDS Consulting Co-op, Food Co-op 500 is also sponsoring a **live web presentation on Planning Member Loan Campaigns**. This session is free and will be held on January 7, 2009. You can register at: cdfsfood.centraldesktop.com/fc500registration/

—Stuart Reid



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► every cornerstone and every stage, there are opportunities for you to become a part of this campaign to build our cooperative future.

Sharing your vision

While all four cornerstones are critical, vision is the one that inspires people to create new co-ops. You can help by talking to co-op organizers and community members about how your own co-op's vision has benefitted members, neighborhoods, and the world. Founding teams need advice, public speakers, newsletter articles and text for websites. Offer your perspective, go to some organizing meetings, become a co-op missionary!

One word of caution: Respect the unique vision of the new co-op's supporters. While it is important to share what a co-op can mean to a community, it may not be appropriate to promote a business model that works for you but that may not in a different environment. New retail food co-ops are forming everywhere. Rural communities may favor a conventional food inventory, inner cities a cross-over mix with opportunities for member-owners to contribute labor, and more traditional markets may be prepared to open 10,000-square-foot stores that can compete against large volume super-

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market chains. They all share a common vision of empowerment and service as outlined in the cooperative principles.

Lending your talent

Chances are that most of you were not around when your co-op started, so you may be surprised to hear that it takes a highly effective organizing group 10,000 or more hours of volunteer time to open a modern retail food co-op. These committed supporters are learning on the job and sponging up all the information and assistance that they can find. Imagine how thrilled a nearby start-up group would be if you offered to use your membership and

Support from Other Co-ops

How Bloomingfoods Took Lost River Under Its Wing

In southern Indiana, the Lost River Co-op, which opened in late 2007, has benefited hugely from the help of cooperators in Bloomington. Bloomingfoods Cooperative and its general manager, George Huntington, have been there for us from our first meeting to the present. The list of ways Bloomingfoods has helped is extensive:

- George Huntington attended our first community meeting in September 2005, when 60 people showed up to express interest in the idea of a food co-op.
- Early in 2006, George and his board president attended a board meeting to describe their Policy Governance structure and how they were creating a vision for their new Westside store. That same evening, they were joined by other staff and board members to address a public information meeting where they described the history of Bloomingfoods and how it started small and grew.
- They emphasized our need to get in touch with the Cooperative Development Services (CDS) network and gave us Bill Gessner's name. Contacting Bill and following his advice ensured that we took the necessary steps to open the store.
- Ellen Michel and Steve Stroup helped our board members host a World Cafe visioning session in mid-2006 that helped formulate some of our goals for environmental care and education.
- Bloomingfoods lent Lost River management talent—Susan Bright—to coordinate our merchandising effort. That was a 3-4 month project leading to our initial order and merchandising the store—critical assistance, since we did not yet have a general manager.
- George helped screen general manager candidates and met with Brad Alstrom during Brad's interview visit; Brad later was chosen as general manager.
- Bloomingfoods staff helped set up our store.
- Lost River department managers each spent time with Bloomingfoods managers in a job shadowing/training experience of several days. Bloomingfoods even provided deli recipes to help get us started.
- Bloomingfoods board of directors agreed to guarantee half of our \$109,000 loan with the French Lick Revolving Loan Fund, using inventory as collateral.
- George, Ann Hopkins (general manager of Good Foods Co-op in Lexington, Ky.) and three other top staff recently conducted a store audit. They spent all day with Brad, staff members and board members, looking at operations and marketing. They made extremely valuable suggestions on how we can become more successful at current revenue levels.

—Debbie Turner, project lead and board member at Lost River Co-op

"It is hard to imagine opening the Lost River Market and Deli without the extraordinary support we had from our friends at Bloomingfoods. I had served on the Board of Bloomingfoods for two years and it was there that I first learned of the Food Co-op 500 program, which played such a key role in getting our project up and running.

"Virtually all of the original steering committee members of what would become the Lost River Community Co-op were regular Bloomingfoods shoppers, and it was our familiarity with their products, operations and role in their community that provided the original inspiration for the Lost River Market and Deli. But even more importantly, at every step of our planning for and opening of the new store we had technical, moral and logistical support from knowledgeable and helpful Bloomingfoods board members and staff."

—Andy Mahler, board chair at Lost River Co-op



marketing department to help them lay out and design member brochures, advertisements, and such. Could your accountant spend a few hours helping their bookkeeper set up bookkeeping systems? Do you have a great membership database that a new store could use as a model?

As a co-op moves into the final stage of implementation, it will need help identifying suppliers, creating operational plans, structuring their organizational chart, setting equipment and inventory, training new staff, and... well, you get the picture. Not only can an established store provide people with these skills, it can build networks for future cooperation and support. Employees who are given the opportunity to become mentors and teachers will need to think about how they do their own jobs and gain insights and pride in giving assistance. This is an opportunity to help build our shared future while gaining direct benefits for your own store.

Raising capital

Building equity is difficult for most co-ops; in today's economy and lending environment, it is often the final barrier for a new co-op. Of course, any start-up group would be thrilled if you made a grant, loan, or other direct cash investment in its business. But with an estimated 100 or more groups organizing new co-ops across the country, it is not realistic to expect the established stores to provide direct capital to all of them. However, there are still many ways that you can provide meaningful assistance. If your co-op has access to a development fund (such as the Northcountry Cooperative Development Fund), this is a great place to invest your money, knowing that it will be used to build our common future. If your co-op has recently conducted a capital campaign of its own for an expansion project, you can share experience, tools, and procedures with a start-up group. If you had an especially effective member loan recruiter, let her or him spend some time training others. If your co-op has organized successful community events and fundraisers, you can share those ideas.

Implementing effective systems

Is there anything that we take more for granted than systems we have in place that serve us well? For start-ups, this luxury is painfully absent. Systems that they need before opening may not even be in place in a co-op that has been operating successfully for years. The previous three cornerstones of vision, talent, and capital all require systems development that you may be able to assist with. But your best chance to provide meaningful support would be to provide a mentor/advisor to answer questions and suggest ideas from your co-op's own operating systems.

Leveraging your contributions

I hope that those of you in established co-ops will try to use some of your talent, skills, ■>

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and experience to support one or more start-up co-ops near you. Remember that things have changed since your co-op opened. New co-ops today must meet different challenges and more sophisticated competition.

Food Co-op 500 would be happy to help you understand the current environment, our development model, and the resources that are available. We also encourage you to refer anyone who contacts you about a new co-op to our food co-op development specialist, so that we can provide assistance, notices of training opportunities, and other support.

Whether or not you have the chance to work directly with a start-up group, there is another way that you can make a difference. A major goal of the Food Co-op 500 program is to provide the tools and resources that organizers can use to inform themselves, avoid mistakes that others have already learned from, and use the best information we have in creating a unique store and culture. We have a library of documents, web links and other resources addressing these needs, but it is far from complete. We are not duplicating CGIN's excellent library (www.cgin.coop), which is focused on the work of established stores. But when you are thinking about what you can share with other co-ops, consider whether you have documents and resources like those mentioned in this article, and offer to share these materials with the growing number of people who are working to build the future of cooperatives. Our future. ■

Contact Stuart Reid, Food Co-op Development Specialist for Food Co-op 500, to find out more about how you can support start-up groups or to submit documents to our library

stuartreid@cdsfood.coop or
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