

Co-op Grocery Stores and the Triple Bottom Line: For the Workers,
For the Community, For the Environment

Allison Riemer
Urban and Environmental Policy Senior Comprehensive
Occidental College
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Glossary

Natural foods: There is no concrete or legal definition of natural foods. I will use this term because it is commonly used and it can be described a range of food characteristics. Natural foods may be one or more of the following: hormone-free, pesticide-free, additive-free, food coloring-free. Foods with “natural” on the label are not necessarily low in fat, sugar, or sodium. The term “natural” is associated with “health food stores.” I will use “natural” to lump organic or partially organic food, and whole foods (unprocessed or minimally processed foods) into one category.

Organic: Organic foods are grown without synthetic pesticides and herbicides, and are not genetically modified. Animal products are organic if the animals do not receive antibiotics or growth hormones. The USDA certifies organic products for sale in the U.S., and third-party certifiers such as Quality Assurance International and California Certified Organic Farmers can also provide additional certification.

Local: There is no precise definition of “local” food, but local food generally comes within a 300 mile radius. The emphasis on “buying local” by certain stores and individual consumers seeks to support local economies and reduce the traveling distance of food.

Executive Summary

Cooperative businesses began in the nineteenth century to increase people's power over wages, goods, and services. Cooperative grocery stores are an ideal component to any community because they support workers, consumers, the environment, and the local community to a greater extent than conventional and corporate grocery stores. This paper will consider the solution to the problem of access to grocery stores, access to healthy food, and access to local food. Cooperative grocery stores are a solution to these problems because they allow the members of the cooperative to control what food the community has access to. Natural foods co-ops focus on food that is organic, often healthier whole (unprocessed) foods, and food that meets the needs of specific diets. Grocery chains often do not open where they are needed, nor provide all of the food a community wants and needs, nor support the local food supply chain. This report is intended to provide information and advice that will support the development of new cooperative grocery stores in the United States. In my study, I considered how cooperative grocery stores start and succeed, and whether they can increase everyone's access to healthy and local food.

This research is focused on cooperatives in California, although I provide information on cooperatives in other states, and my findings are applicable to co-ops with different structures and in different communities. I conducted nine interviews with co-op (i.e. cooperative) store managers and leaders, cooperative development specialists, and a grocery development expert. Additionally, seventy-seven shoppers (and some workers) were surveyed outside of five co-op stores in California.

Findings

1. Co-ops are businesses: The stores may have certain idealistic goals or interests, but the primary focus is on running a business. Co-ops do best in a community where they are filling a need. Other grocery stores, particularly well known chains that offer somewhat similar goods, can impede a co-op's survival.
2. Worker-owned and consumer-owned co-ops have different needs and issues. The initial financing process is different.
3. Co-ops can provide a range of benefits for workers, for the community, and for the environment. Co-ops can provide a supportive working environment, community spaces and programs, and can support local and sustainable farming practices. Co-ops can increase grocery

store access, can link people with local farmers, and can provide nutrition education. In general, co-ops tend to be started by people who care about the food they eat and have the skills and means to develop a local co-op.

4. National organizations and intermediaries are key to supporting the development of co-ops. Intermediaries may consist of local nonprofits that can help with raising capital and training workers. I found that co-op development is often difficult, though this is likely for all grocery stores. Co-ops are largely self-financed and receive limited government support. Organizations are available to assist with co-op development by providing information, advice, and financial assistance.

Recommendations

1. Greater education of the public about the co-op model (this will be aided by an increase in the prevalence of co-op stores in more communities).
2. Increased support by the national government: the National Fresh Food Financing Initiative and an expansion of USDA funding to include a wider variety of cooperatives.
3. Local government: should support groups and non-profits trying to bring co-ops, provide loan guarantees, and work with local co-ops to inform them of state, federal, and other financing available. In addition, development agencies should stipulate a preference for local businesses, i.e. co-ops, especially in affordable housing/mixed-use developments, Enterprise Zones, and Empowerment Zones.
4. Food Policy Councils (which can be associated with state, county, or city government): should bring groups interested in improving healthy food access and access to good jobs together to support new co-ops or the expansion of existing co-ops.
5. Individual co-ops should decide to open in communities where access to healthy food and jobs are greatly needed. Co-ops may do this as an expansion of existing store(s) or as a first store.

Chapter 1: Introduction to Food Issues

All communities need food, though not all communities sustain themselves by growing and raising their own food. Across the world, many people buy food in centralized locations. In the United States, much of the food people buy for home consumption is bought in supermarkets. The cooperative (abbreviated as “co-op,” though also spelled “coop”) grocery store is a unique way for people to join together to provide the food they want.

Grocery stores or supermarkets are important because they are open for more hours and more days than farmers markets. In general, grocery stores provide access to produce, dry goods or grocery items, dairy, meat, and non-food household items. In addition, grocery stores can provide informal community meeting places for area residents and living-wage jobs.

Personal Interest

I am interested in food issues because I love to prepare and eat food, and subsequently I must make decisions on where my food comes from. Furthermore, I am interested in the growing subject of “food justice” because I am concerned about both healthy foods and human rights. Food security is access to affordable, healthy, and culturally appropriate food. Food justice goes beyond the food security definition to consider how institutional racism and racialized geographies affect ones access to food (Alkon and Norgaard 2009, 289). Overall, food justice considers how global and local inequalities, including economic inequality and political power, prevent equal distribution of food (Ahmadi 2007). One’s income, social standing, race, or gender should not limit access to fresh, healthy, and culturally appropriate food.

During the summer of 2009 I interned with the East Palo Alto, California organization Collective Roots to further my interests in food. During the internship, one of my tasks was to assist with the Saturday farmers’ market run by Collective Roots. At the farmers’ market I helped handout \$5 EPA Fresh Checks, which were \$5 gift certificates that could only be redeemed at the market for fresh fruits and vegetables. People who spent \$5 in EBT money, or were using WIC (Women, Infant, and Children) or Senior FMNP (Farmers’ Market Nutrition Program) vouchers could receive a Fresh Check if they visited the market information table. It was the market’s second year, and it was still trying to establish itself; attendance was sometimes sporadic. The market manager worked to ensure that a lot of community organizations distributed Fresh Checks so that people would be drawn to the market.

The market was important because the city of East Palo Alto did not have a grocery store, only small markets. (A new grocery store, Mi Pueblo Food Center, did open in November 2009.) This was the first time I saw a “food desert:” a community with little to no access to healthy food. Through my internship I also participated in field trips with the high school students who were working for Collective Roots through the Food Justice Leaders Program. During our field trips we visited a diverse array of gardens, farms, and food establishments, in both urban and rural areas. During a trip to Oakland, we visited the recently opened Mandela Foods Cooperative and witnessed what a worker-run grocery store in a community with limited healthy food could look like.

A large body of reports indicates that access to healthy food, particularly through grocery stores, is difficult in many urban and rural communities throughout America.¹ To address the problem, what types of stores are needed in food deserts/underserved communities? Does it matter whether the store is a national chain, a small regional chain, or a single store cooperative? “Big Box” stores, such as Walmart, are not the best new stores because of their negative effects on other businesses; Walmart has caused the closure of 13,000 rival supermarkets and the bankruptcy of 25 regional grocery chains (Barry Lynn in Gottlieb and Joshi 2010, 132). There has been much market consolidation in recent years, and many chains have boutique stores under their control aimed at affluent customers (e.g. Bristol Farms in California). Many corporations choose to focus on accumulating stores, particularly stores that are guaranteed to be profitable.

Corporations seem to focus on the affluent consumer and subsequently ignore the buying power of dense urban communities. Social Compact Inc. looks at city tax assessment data, recent building permit data, and credit lists to determine the assets and buying power of inner-city communities (Alderslade 2005, 17). The reports released by Social Compact Inc. differ from data found in Census reports because of the different data sources. In a study of Los Angeles communities, Social Compact found evidence of unmet demand for groceries through the \$113 million in grocery leakage in the study areas, with the neighborhoods of Vernon Central, Hyde

¹ See: Treuhaft, Sarah and Allison Karpyn. *The Grocery Gap: Who Has Access to Healthy Food and Why It Matters*. Oakland: Policy Link and the Food Trust, 2010; Treuhaft, Sarah, Michael J Hamm, and Charlotte Litjens. *Healthy Food For All: Building Equitable and Sustainable Food Systems in Detroit and Oakland*. Oakland: Policy Link, 2009; Laurison, Hannah and Nella Young. *Oakland Food Retail Impact Study*. Oakland: Public Health Law and Policy with Food First, 2009; Lydersen, Kari. "Making Food Deserts Bloom." *Shelterforce*, Summer, 2008, 18-21. Fisher, Andy. "Chicago's Food Deserts." *Community Food Security News*, Spring 2007, 4.

Park, Watts, and Jefferson Park with the greatest full service grocery leakage (Social Compact Inc. 2008, 8,10). Retail leakage is determined by subtracting annual sales revenue from annual aggregate spending by neighborhood residents (Social Compact Inc. 2008, 26). In a study of Oakland, California, the West Oakland neighborhood was found to have a retail leakage of more than \$59 million (specific data on grocery leakage was not provided, Social Compact Inc. 2005, 7).

I am interested in business practices that consider a holistic view of food justice:

Critics of the huge global chains argue that a food justice perspective needs to take into account, besides the location and access issue, the nature and impact of the operation itself, whether in relation to food source and supply chain, working conditions, or other environmental and land use issues. (Gottlieb and Joshi 2010, 131)

Stores, whether they are independent or large corporations should ideally focus on the triple bottom line—people, planet, and profit. I have decided to focus on cooperative grocery stores for my research because I find that they generally consider the triple bottom line as a fundamental priority. John Elkington created the concept of the “triple bottom line” in 1989. In terms of people, stores following a triple bottom line support a happy and healthy work force. Ideally this support for the workers would not only involve the people in the store, but also the people in the fields and factories involved in the production of goods sold in the store. Furthermore, the people in the community surrounding the store would also be supported by the store and benefit from the store. In terms of the planet, business practices should not lead to the rapid depletion of the earth’s resources, and the planet should be sustained so that future generations have access to what they need. For example, a store following the triple bottom line would benefit people and the planet by providing organic produce, which is produced without chemicals that have a negative effect on people and the planet. The goods a store stocks and the starting salary for workers do not necessarily lead to equitable and conscientious business practices. Stores like Whole Foods and Bristol Farms (formerly a subsidiary of Albertsons and now a subsidiary of Supervalu Inc.), may appear to support the triple bottom line because of their emphasis on organic foods, but cooperatives are more closely connected to their workers and communities because of their unique ownership structure.

Chapter 2: Background Information on Grocery Issues

Historical Perspective on Food Stores

During the Progressive Era, food stores, especially in large urban centers, were diverse in nature and size. Though they often charged higher prices, they provided several necessary community functions: culturally relevant products, alternative payment methods (such as allowing credit and differed payments), and a place for community interaction (Gottlieb 2001, 199). In the 1930s, due to the rise of chain supermarkets, independent stores formed affiliated chains, voluntary groups, distribution systems and cooperative warehouses (Gottlieb 2001, 200). Supermarkets are defined by their large sales volume and selection, including in-store self-service departments for meats, produce, and other items. Typically, supermarkets are stores with more than \$2 million in sales or more than fifty employees (Treuhaft and Karpyn 2010, 24). Though supermarkets were originally introduced by independent grocers, chains incorporated the new format in the 1940s, 50s, and 60s.

Supermarkets have evolved to support big corporations and large shopping centers. Bigger supermarket companies developed vertically integrated operations, which includes warehousing and brand merchandising. Slotting fees, which are fees charged to companies or manufacturers by retailers in order for items to be placed on the store shelves, reinforce the brand names of the products of the biggest companies and lead to the homogenization of products available (Gottlieb 2001, 200). During the decades following World War II, many supermarkets left urban communities due to the large population shift from urban areas to new suburban communities (this shift consisted largely of white people of middle to high incomes moving out of cities). Zoning codes typically require that parking lot size be based on store square footage. During the 1950s the average square footage of a supermarket was 15,000; by the 1990s many supermarkets followed the megastore format and were 60,000-80,000 square feet (Gottlieb 2001, 201). As the supermarkets have gotten larger, the parking lots have gotten larger, and thus an under-developed suburban area is the ideal place for a full-scale supermarket to be built.

Grocery Store Access

The lack of grocery stores in many urban and rural communities leads to a variety of consequences. Fewer large stores in an area leads to less competition between markets and thus higher prices and lower quality goods (Shaffer 2002, 16). In addition, small and local “Mom and Pop” stores do not have the revenue base to keep prices low and carry a wide variety of products

(*ibid*). Although per-customer spending may be lower in urban areas with a large low-income population, population density increases the profits of urban supermarkets (Shaffer 2002, 25, see Social Compact Inc. for more information).

Supermarkets are often deterred from opening in low-income communities because of fear of crime and its negative impact on business. One principal form of theft that grocery stores face is the removal of shopping carts. At some stores, shopping carts have transmitters in the wheels that prevent the carts from being taken beyond the parking lot. Though, researchers and stores have come to different conclusions on the effectiveness of such systems because both carts and transmitters can be expensive to stores (Shaffer 2002, 27; Gottlieb and Joshi 2010, 41). Policing shopping cart theft does not address the problem that causes cart theft—many people do not have adequate transportation to stores, and taking a cart is a viable option if one does not want to carry groceries a long distance.

Grocery stores and supermarkets are important not only because they provide access to food, but also because of the number of jobs they can provide. For many years grocery stores provided quality union jobs and wages, but more recently non-union stores have been entering areas with strong union support. Small chains, independents, warehouse stores, and supercenters such as Wal-Mart and Target tend not to be unionized and offer fewer employee benefits. Since their labor costs are half of those of unionized stores, these stores often offer lower prices than union stores (Shaffer 2002, 28). Co-ops can counter the conventional grocery structure, especially the anti-union model, by treating employees with dignity, paying them well, and providing benefits. Providing good paying jobs with excellent benefits deters employee theft. “If area residents view a supermarket as an outside entity taking profits out of the community, they are less likely to feel respect and care for a store than if the store employs local residents and creates community-friendly policies” (Shaffer 2002, 28). Co-ops are part of the community, not an outside corporation.

In her exploration of Los Angeles’ grocery gap, Shaffer finds that supermarkets can succeed in low-income areas through joint ventures between community groups or community development corporations (CDCs) and private investors. The CDC can own a property and partner with a commercial developer, and then attract a grocery store tenant. A community organization, in turn, can partner with a store through partial ownership, profit sharing, and joint decision-making. Both types of joint ventures allow revenue from the store to go back into the

community. Through a partnership with a CDC, a grocery store would have access to community development grants and subsidies. The involvement of CDCs and community groups can make the larger community feel they have ownership in the store, and provides an avenue for community members to discuss their preferred service and products (Shaffer 2002, 30).

Food Access and Health Disparities

In a study of eighth and tenth grade students, the availability of chain supermarkets and a lower body mass index (BMI) was found to be statistically significant, and where students had greater access to convenience stores there was a statistically significant association with a higher BMI (Powell, et al., 2007). Also, the correlation between healthier food access and lower adolescent BMI was stronger in families with a working mother (*ibid*). Chain stores are important because they offer a variety of goods and more healthy options than small convenience stores, but they are not evenly disbursed among communities.

Moore, Diez Roux, Nettleton, and Jacobs studied supermarket density, participant assessments of the selection of healthy foods available locally, and the aggregated survey responses of people in the same Census tracts as study participants. The study was conducted in Forsyth County, North Carolina, New York, New York, and Baltimore City and County, Maryland. The questions asked of study participants and other Census tract residents were used to determine whether access to food shopping was a problem, and whether a large selection of fruit and vegetables and low-fat items were available within one mile of their home (Moore et al. 2008, 919). Study participants without a supermarket near their homes were 25-46 percent less likely to have a healthy diet in comparison to participants who live in areas with a greater supermarket density (Moore, et al., 2008, 921). Subsequently, study participants in the least healthy neighborhoods, as indicated by their self-reports or by their neighbors survey responses, 22-35 percent less likely to have a healthy diet in comparison to people living in neighborhoods determined to have the greatest access to healthy food (*ibid*). Although the study is useful for aligning grocery store access and healthy food access, the authors concede that transportation access is another factor affecting local food access and diet, and they were not able to measure the cost or quality of the “healthy” foods.

Both the studies by Moore et al. and Powell et al. demonstrate the ability of stores with a wide variety of food options to have a positive effect on health.

Chapter 3: Background on Co-ops and Their History

Cooperative Grocery Stores

Corporations, or independent operators own traditional grocery stores. Members of the co-op own the co-op. My study will look at both consumer-owned and worker-owned co-ops. Cooperative grocery stores are based on the cooperative business model, which values self-help, democracy, self-responsibility, and member-equity (National Cooperative Bank 2010). Co-ops are not non-profits, though they may be associated with non-profits. The priority of a co-op is to make money because it is a business. From my initial experience with co-ops, I understand that they are important because they are local, independent grocery stores. General chain grocery stores often have a lack of regard for the products they sell and the way workers are treated (e.g. Ralph's, Safeway, Fresh and Easy, Walmart, and many others). Most grocery stores are concerned with profit foremost; social justice and environmental ethics are usually not even an afterthought. Co-ops and health food stores appear at the surface to be similar—for instance, both often have bulk bins that allow customers to buy as much or as little of a good as they want and with less packaging. The cooperative model is essential for distinguishing between co-ops and health food stores. Co-ops emphasize cooperation and community. All co-ops exist to serve their members and are owned by their members, whether they are workers, consumers, or farmers.



Figure 1 Co-ops versus chain stores. (Laura E. Jones in North Coast Co-op News 2008-2009, 29).

The International Cooperative Alliance (ICA) is the final authority on all cooperatives and their guiding principles. The ICA was formed in 1895 and currently there are more than 200 members from 70 countries representing the full spectrum of cooperatives, including housing, consumer, insurance, industrial, agriculture, and other sectors. In September 1995, the ICA issued a revised statement of cooperative identity (Hoyt 1996).

The revised cooperative principles are:

a store for the sale of “provision[s] and clothing,” a housing cooperative, manufacturing employment, shared land for cultivation, and a temperance house (Rochdale Society 1844, 3). In order to raise capital for the enterprises they wanted to establish, members of the Rochdale Society each contributed one pound per share. Rochdale was not necessarily the first cooperative, but it is well known because the Pioneers wrote a rule book for their co-op that became a guide for other co-ops, and the principles of the International Co-operative Alliance are based on that rule book (Co-operative College 2010).

During the 19th century, and in particular the 1870s and 1880s, the “years of suffering on the prairies” lead to the development of many cooperative organizations, which were largely supported by the Granger Movement (farmers’ organizations) (Voorhis 1961, 158). The co-ops were mainly general stores that provided household goods and farm supplies (*ibid*). There was a Finnish Cooperative movement in the early twentieth century, and by 1917 they had established 23 consumer food cooperatives, mostly in the Great Lakes region (Cox, 1994, p. 54) (Northern Michigan University, 2008). Cooperative businesses have been in America for many years, but there was particularly strong growth in cooperatives during the 1930s and 1970s.

During the Great Depression, the End Poverty in California (EPIC) Movement of gubernatorial candidate Upton Sinclair, and the writings of James Peter Warbasse, supported the development of cooperatives of all types (Voorhis 1961, 159). Sinclair was the author of the notable books The Jungle and Oil!. Warbasse founded the Cooperative League of the United States of America in 1916 (which became the National Cooperative Business Association in 1985). The Great Depression supported the development of consumer food cooperatives, and food buying clubs in particular. Although, because there was limited capital to support the co-ops, an unemployed person often held the position of manager, and few of the co-ops lasted more than a few years (*ibid*). Jerry Voorhis, director of the Cooperative League of the USA from the late 1940s until the mid-1960s, writes that consumer cooperatives “set up for people by other agencies” (such as labor unions for their members) “however beneficent their purposes, almost never succeed. Only cooperatives established by groups of people for their own use have a good chance of success” (*ibid*). Voorhis cites the establishment of the Consumer Cooperative Managers’ Association in 1959 and the subsequent conferences in later years as evidence that consumer cooperatives had “matured” as businesses:

It learned a basic essential lesson... A good idea is not enough. Even a fine, challenging ideal based in the greatest moral, social, and spiritual needs of man is not enough automatically to assure the success of a business enterprise... Indeed, it itself cannot even continue to flourish unless it is married to excellent management, adequate capitalization, definite involvement, through investment, of enough families to sustain a large-size operation, and facilities at least as attractive and well located as those of competitors. (Voorhis 1961, 161).

Voorhis' advice for co-ops is still true today. In addition to cooperatives, Voorhis was actively involved in progressive politics in the twentieth century. He represented the 12th Congressional district in Los Angeles County in the U.S. House of Representatives for five years, but lost his final re-election bid to Richard Nixon.

Co-op stores of the 1960s and 1970s were a response by young radicals to the demand for goods and services outside the established economic system (Cox 1994, 4). According to Cox, the co-op movement was not built on the issues of food policies or economics; rather, the movement was based on the ideas of personal and community empowerment (1994, 5). In contrast, Belasco finds that the co-ops were "neighborhood outposts of the countercuisine;" co-ops could link producers and consumers, provide moral support, and advice that was not readily available (Belasco 2007, 87). Though co-ops were scarce during the 1960s and early 1970s, some of the co-op businesses started during the 1930s were still around (electricity, credit, housing, burial society), but the older co-ops generally were not used as business models by the younger generation because they appeared to supplement, rather than subvert capitalism (*ibid*). The food co-ops of the older generation were different from the new co-ops because they often sold processed food containing preservatives and pesticides. Many new co-ops began as communes or households joining together to buy food wholesale. These buying clubs were often called "conspiracies" (Belasco 2007, 88).

Co-op supporters hoped that the stores could support the food they wanted, most notably organic, and thus support organic farmers (Belasco 2007, 89). As co-ops grew, they could provide more outlets for farmers, and thus more farmers would be encouraged to go organic. As more farmers went organic, supplies would increase and prices would go down. Co-ops could inform and advise consumers through store bookracks, bulletin boards, and face-to-face conversations. Since co-ops were more tame and quiet than other pursuits of the counterculture, it

was thought by some that they could bridge the gap between the working-class people living in the neighborhood and the radical groups, allowing more people to access food in a participatory democracy setting (*ibid*).

Participatory democracy often lead to disagreement in the co-ops. The disagreements were over concerns of economics, ideals, ideology, prices, and other issues. Concerns over healthy food and low prices were not often compatible because organic items were often more expensive, and organic food often seemed to be of poor quality because it was wilted, blemished or spoiled (Belasco 2007, 91). There was sometimes an emphasis on process over product in culturally homogeneous co-ops in which everyone worked and people were focused on group solidarity (Belasco 2007, 92). In order to bring more people to the co-op, especially people who were not white and far left, improving efficiency was necessary so that prices could be lowered and quality would improve (*ibid*). It was often difficult to develop a store that was comparable in some aspects, yet different in others, to the conventional grocery store. Co-ops could improve their prices by joining local community warehouses, bakeries, and trucking cooperatives. The Peoples' Warehouse, which housed the goods of the co-ops in St. Paul and Minneapolis Minnesota, was incorporated as a nonprofit corporation after it bought property and subsequently became a more formal operation. The business was structured as a nonprofit corporation because local lawyers were unfamiliar with co-op law (Cox 1994, 57).

The co-ops that arose during the 1970s were “antibusiness” and emphasized people over profit (Cox 1994, 43). Left-leaning women, who did not hold much power in the antiwar and antidraft movements, found co-ops appealing because of the emphasis on egalitarianism and decisions by consensus (*ibid*). The co-ops supported an idealistic social vision in which whole foods, community control of institutions, a simpler lifestyle, and productive profit sharing combined to create an alternative to mainstream economics (*ibid*). In addition, the co-ops tended to be non-hierarchical—the opposite of the corporate model disdained by many students and “hippies.” Politics and countercultural mores prevented many members of the local communities from entering and shopping at co-ops; the co-op was “weird” and the community meetings looked like “Woodstock reunions” to the “silent majority” or “regular” folks (Cox 1994, 48).

Co-ops survived because of the increase in health consciousness in the general public, their ability to compete against profit-making specialty stores that also grew tremendously in the 1970s, and the unwavering idealism of the underpaid workforce (Belasco 2007, 93). According

to Belasco, the mainstream media reported that profit-making health food stores grew from 500 in 1965 to over 3,000 in 1972; though the media did not report that between 5,000 and 10,000 food co-ops were established during the 1970s (2007, 81). At the end of *Appetite For Change*, Belasco's study of the counterculture and its associated food movements, Belasco reflects on the current state of co-ops through an anecdote on his local co-op:

On better days I see people of all classes and races buying good food and browsing the latest political cookbook and self-help manuals. At other times, however, I wonder if the place can withstand volunteer burnout, endless internal bickering, and mounting competition from seductively bright and clean Whole Foods Markets that are flourishing in the Washington, D.C. area—not to mention the aisles of healthy-natural-organic foods in the nearby Giant supermarket.” (2007, 254).

Competition in the natural foods market continues to grow; yet co-ops are still able to compete against non-co-ops.

Store Failure

Many cooperative food stores have come and gone, and many face failure, same as other business ventures. The Tower Foods market in Oneida Nation, Wisconsin is an example of how cooperatives can start, but ultimately fail. (The Oneida nation is part of the Iroquois Confederacy.) The idea of the co-op started after tribal leaders began discussing how to address community food issues. Jerry Treleven, acting manager of Oneida Community Development Department contacted the USDA Rural Development Wisconsin office. Margaret Bau, cooperative development specialist for USDA Rural Development in Wisconsin suggested the Oneida tribe start the co-op because she thought it would improve food availability, affordability, and convenience on the reservation, and keep more money locally circulating on the reservation (Duffy 2003, 26). The community had limited access to groceries because a small, privately owned store had closed after the owner died, and chain stores were not interested in opening up on the reservation. The Tower Food cooperative opened after a two-year education effort led by Bau. There are two other tribal-sponsored grocery stores on reservations in Wisconsin, but neither is a co-op. Annual membership was \$20, and a lifetime membership was \$100. The store was 6,000 square feet, plus an additional 2,000 square feet of storage space.

Out of the 30 cooperative stores in Wisconsin, most focus on natural foods, but Bau chose two rural co-ops that sell conventional foods as models for Tower Food co-op. Treleven,

and Bill Ver Voort, coordinator for Oneida Community Integrated Food Systems, learned from the manager of Outpost Natural Foods Cooperative in Milwaukee, but they acknowledge that the specialized, urban market focused on natural and organic foods is different from the co-op in Oneida. Bau said, “That experience was helpful, but the situation of the Oneida tribe is more rural in nature and the community definitely wanted regular groceries” (Duffy 2003, 27).

The Tower Foods Co-op of Oneida was featured in a case study of four rural food cooperatives. Of the markets featured, Tower was the only one that failed (Lawless & Reynolds, 2005 p. 20). The Oneida Nation provided \$250,000 to the store, and the USDA provided a \$460,000 revolving loan, but the co-op understood the USDA money to be a grant, which led to errors in their financial projections (Lawless & Reynolds, 2005, p. 21). When the store opened in July 2002, there were 266 members. During this time a new group of directors was appointed to the board, and money set aside for training the board was never spent. During the first year, sales were only one-third of the initial projection (only \$452,589). Also, there were four different managers in two years. By June 2004, Tower Food shut down because it was unable to receive additional financial support from grants, the tribe, or local banks.

Lawless and Reynolds cite outside competition, poor location, and non-competitive prices as reasons why the co-op failed. The store was five miles from Green Bay, Wisconsin, a metropolitan area. The three successful co-ops Lawless and Reynolds discuss are about twenty to thirty miles from competition. The numerous collateral goals of Tower Foods—create economic development, practice environmental sustainability, improve the local Native American diet, etc.—were too large and could not be achieved without adequate leadership and financial organization (Lawless and Reynolds 2005, 23). In addition, market analysis conducted by wholesale suppliers was overly optimistic, and one market study identified potential problems with the size and location of the store (the location had not been previously occupied by a grocery store). A needs assessment survey among community members showed mixed support for the co-op (Lawless and Reynolds 2005, 30-31). Contrary to the 2003 article on Tower Foods, (Duffy) that stated meat from the tribe’s herds of cattle and bison was to be sold at the store, all the groceries sold at Tower were conventional, no local items were available, and members felt that the store did not have an “Oneida identity” (Lawless and Reynolds 2005, 33). If the store did not provide any items unique to Oneida, and cheaper goods could be bought not too far down the road, Tower Foods was doomed to fail.

Organic, “Natural,” Local

The co-op movement that thrived during the 1970s promoted whole foods, including foods without pesticides or preservatives, as an organized rebellion against corporate and government supported food systems and food products that were generally not good for the Earth or the people eating the food. In the 1970s, co-ops disagreed on whether they should provide healthy, chemical free food that they thought everyone should eat, or whether they should provide what members of the communities in which the stores were located generally wanted (e.g. canned foods, white bread, meat). Today, many of the co-ops that exist focus on organic and natural foods, and appear to be health food stores. Co-ops focus on such food because they find it to be the best option for consumers, workers, and the environment (everyone can benefit from less pesticide exposure).

In *Organic Inc.*, Fromartz explores the growth of organic and “natural” foods from its beginnings to the current state of dominance by Whole Foods. Life is difficult for independent, small farmers because they have difficulty distributing and making a profit from their goods. Middle-sized independent farmers, in particular, with annual sales between \$100,000 and \$250,000, are “too small to provide the huge volume, low-cost pricing, and year-round availability sought by mainstream buyers, but too big, specialized, or remote to make selling direct practical” (Fromartz 2007, 85). Many co-op grocery stores try to locally source a variety of produce and other grocery items, though they have different definitions of “local” because agricultural production in the surrounding communities varies. Local food is important to many consumers because many organic or natural foods products available in stores are produced by companies that are owned by large corporations that care more about profit than people or planet (see the graphic from Philip Howard on page 21).

Currently, people who want to change the current food paradigm use the term “real food” to describe the food to which people should have greater access to. According to the Real Food Challenge, real food is fair, ecologically sound, local/community based, and humane (see graphic on page 22). Real food considers the producers, the earth, consumers, and communities (Real Food Challenge).

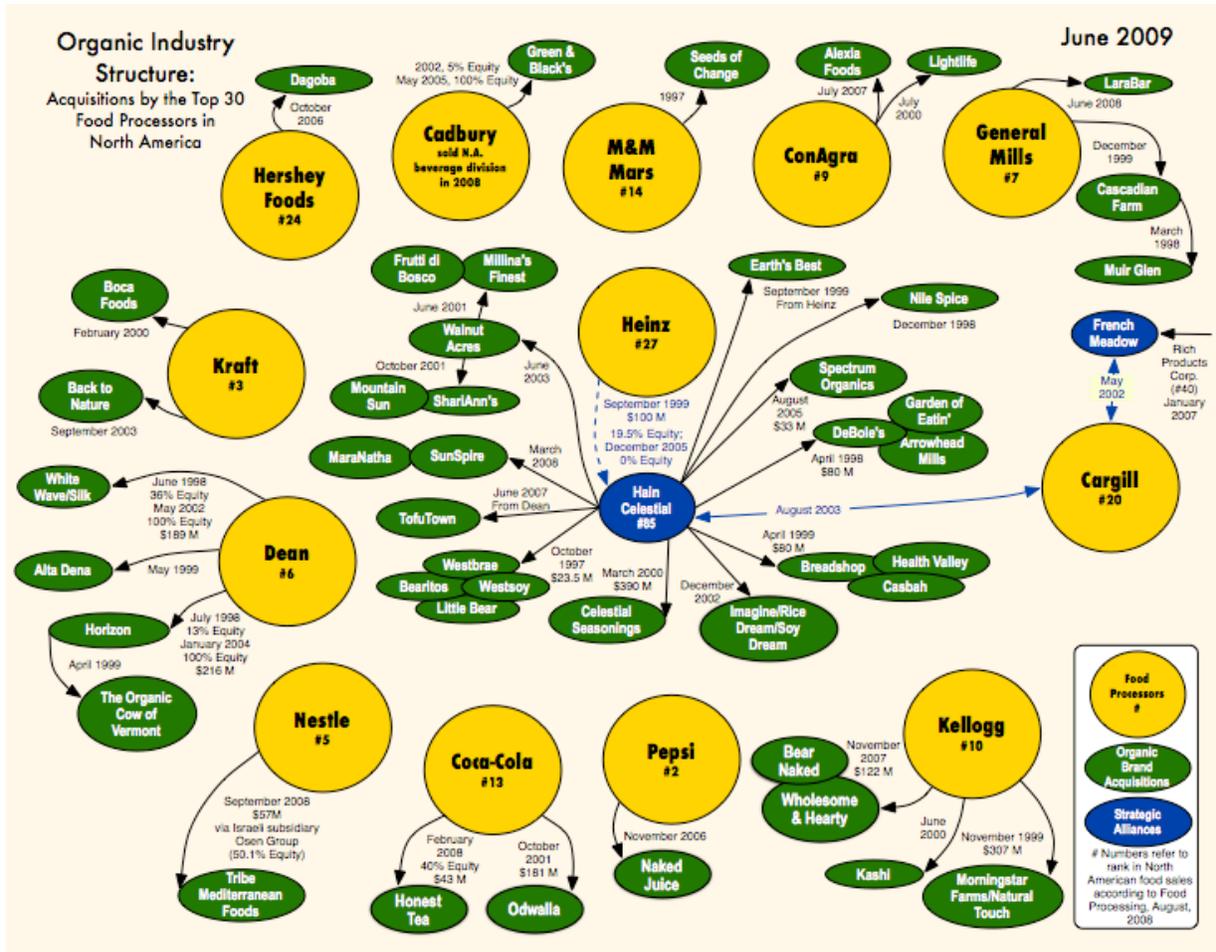


Figure 3 Many organic products are not necessarily produced by independent manufacturers. Thus, many people chose to buy items that are also locally produced (e.g. milk or bakery items). (Howard 2009).



Figure 4 Defining a *just* food system (Real Food Challenge).

Chapter 4: Methodology

My research questions are: how and why do co-op grocery stores start and succeed; are co-op grocery stores a viable option for increasing healthy food access for everyone?

My analysis of the current state of cooperative grocery stores focuses on stores that are well-established (open more than twenty years), recently opened (opened since 2004), and developing (buying clubs or other organizations that are in the process of opening a store). The various stores were chosen because they were regionally accessible to me, and/or I had read of them during the early stages of my research. My case studies are grouped into thorough studies with interviews and/or consumer surveys, background on a few interesting co-ops that I did not conduct a thorough study of, and interviews with people focused on co-op or general grocery store development. The co-ops I focus on face both similar and different challenges and do not necessarily represent all food cooperatives in the United States. Each co-op has its own unique experience, but co-ops can learn from the experiences and findings of other co-ops. My research is intended for people in the developing stages of opening a co-op.

In total, I conducted nine interviews. Interviews were conducted with five store general managers or other lead contact persons from stores, one person leading the development of a new co-op, two people who work for organizations that support the development of co-ops, and one person from a nonprofit that addresses a range of food issues, including grocery store financing. Interviews were conducted in person or over the phone. In most cases interviews were tape recorded and then transcribed. In other cases interviews were transcribed based on notes and not on audio.

Surveys were conducted with customers outside of five stores, though two of the stores were part of the same co-op. Surveys asked for demographic information, why people shopped, and what they liked or did not like about the store. In my report, I am using quotes from the open-ended questions of the survey, and the home zip code provided by respondents. In total, 77 surveys were conducted with shoppers and sometimes workers outside of stores (members of Mandela Marketplace's youth team conducted eight of the surveys of Mandela shoppers), with an average of 15 surveys per store.

Chapter 5: Case Studies

Store	Location	Board	Ownership	Special aspects of the store
Arroyo	Altadena, CA	Currently interim, and largely members of founding team	Consumer-owned	Not yet open, maybe by 2011.
Chester's	Chester, PA	Elected by the members	Consumer-owned	Work requirement for adults: 2 hours 45 minutes every four weeks
Co-opportunity	Santa Monica, CA	Elected by the members	Consumer-owned	Deli, juice and coffee bar. Community events held at main branch of local library. 12 members each month win \$50 gift certificates.
La Montanita	Gallup, NM and 3 others in NM	Elected by the members	Consumer-owned	4 stores, Cooperative Distribution Center (serving other stores too). Each volunteering hour (involves activities such as delivering groceries to customers' homes) rewarded with a one-time 18% discount.
Mandela	Oakland, CA	All of the worker owners	2/3 worker-owned, 1/3 goes to Individual Development Accounts	Affiliated with Mandela Marketplace. Focused on providing produce from small farms and marginalized farmers.
North Coast	Eureka and Arcata, CA	Elected by the members. Also 4 standing committee comprised of members: Finance, Co-op Action, Nominating, Policy Research	Consumer-owned	2 stores, in-house bakery and deli production. Community kitchen for cooking classes.
Rainbow	San Francisco, CA	Elected by the Membership (workers)	Worker-owned	No meat, except pet food. Many committees, including Anti-Oppression Workgroup.
Ujamaa	Detroit, MI	For the larger organization, DBCFSN	Consumer-owned	Buying club hoping to open a store. Part of Detroit Black Community Food Security Network. Members who do not work for the co-op are charged more.
Weaver Street	Carrboro/Chapel Hillsborough, NC	7 members: 4 elected by workers and consumers, 2 appointed by Board, 1 is general manager	Consumer and worker-owned	3 grocery stores, a bakery, a restaurant, a food-preparation commissary, affordable housing cooperative, locally owned radio station
Weavers Way	Philadelphia, PA	Elected by the members.	Consumer-owned	2 stores, 3 in late spring 2010. Optional six hours of work per adult per year. Home delivery a couple days a week. Affiliated non-profit, Weavers Way Community Programs: Weavers Way Farm, Marketplace Program.

I. Thorough Studies

I focused on four co-op grocery stores within California and one in New Mexico. I visited and conducted in-person interviews at the California stores. The findings fall under 10 themes:

1. Who, How, and Where: the foundation of a co-op. What inspires people? What are the basic functions of the store?
2. Alignment with co-op principles: Access and justice/transportation; food sources and types; support for workers; expansion of stores and co-ops helping co-ops
3. Finances and legal issues: aspects of the business; structure, Board
4. Challenges: consumers' perceptions and competition
5. Community: consumer surveys; personal connection; addressing health issues
6. Keys to success
7. Local farmers and local goods
8. Role of government
9. Organizations and non-governmental support
10. Advice for new stores

*North Coast Co-op***1. Who, How, and Where: the foundation of a co-op. What inspires people? What are the basic functions of the store?**

North Coast Co-op was started in Arcata, California as a food-buying club in the early 1970s. The city of Arcata is a small coastal town in Northern California. The current population is approximately 16,651, and 84.5% white (U.S. Census 2000). To supply the buying club, someone would drive a truck or station wagon down to the San Francisco Bay Area, where food such as whole grains could be bought in large quantities. The food buying club evolved into a store because people did not want to place bulk orders in advance anymore, they wanted to buy the quantities they wanted when it was convenient for them. In 1973, the co-op was incorporated and opened a small storefront. In 1981 the co-op opened a second store in Eureka. In the early 1980s a store in Fortuna opened, but that store did not survive. Eureka has a population of 27,127, and is 79.1 % white, 12% Latino, 7.1% two or more races, and 4.4% Asian (American Community Survey 2008).

The general manager, David Lippman, has been a member since 1975, and worked for the co-op from 1975 to 1976. Mr. Lippman described the three original goals of the co-op: provide natural foods such as whole grains, and food that was minimally processed and grown without chemicals; community ownership to “change the world” and provide an alternative to the corporate grocer; reduce the cost of food. Mr. Lippman finds that today many people are largely concerned with the second goal and are glad that when they support the co-op they are not supporting a large corporation that does not care about the community.

2. Alignment with co-op principles: Access and justice/transportation; food sources and types; support for workers; expansion of stores and co-ops helping co-ops

Mr. Lippman finds that there is a disconnect between economically distressed areas and co-op grocers, though the goals of most co-ops would support helping economically distressed areas. The “New Wave” co-ops that emerged during the 1970s have largely been focused on “natural” and organic foods, and “affordability is not what they do best.” Mr. Lippman explained that the co-op sells conventional products alongside organic, and that they’ve always had Campbell’s soup. Amy’s (Organic) is more expensive, but the co-op sells more of it; in comparison, Campbell’s is less expensive but the co-op sells less, and thus it is less cost effective to sell it.

Between the two stores there are about 200 employees, and the co-op tries to ensure a “living wage” that figures in the cost of housing and other expenses. Also, the co-op provides benefits such as medical, 401k, and a discount on food. Employees who stay with the co-op for 5-10 years will earn a substantial wage. In addition, the Granting Incentives for Voluntary Endeavor (G.I.V.E.) program allows employees to volunteer for non-profit organizations and be compensated by the co-op for up to two weeks (North Coast Co-op 2008-2009, 28).

The co-op is a Certified Organic Retailer, which means that the way they handle products meets the requirement of California Certified Organic Farmers. To be a Certified Organic Retailer, the co-op consider the way it deals with pest control in the store (e.g. they do not spray pesticides), and they work to ensure organic items are not contaminated by non-organic items (e.g. in the bulk bins organic items are placed above conventional items). Mr. Lippman estimated that 70% of the items sold are organic (a higher percentage of organic produce and bulk grains is sold, perhaps closer to 90%).

North Coast Co-op is not actively looking to expand. They would expand if there was a clear and visible need for another store. Also, they would expand if their member base wanted them to do so. Currently, the Eureka store does 2/3 of the sales that the Arcata store does, though it is a larger store with a larger market share.

3. Finances and legal issues: aspects of the business; structure, Board

According to Mr. Lippman, the values of the co-op resonate in Arcata, and this has allowed the co-op to succeed for many years. North Coast Co-op has a large market share in the area. Other co-ops, such as the Pacific Northwest Co-ops (Puget Consumers’ Co-op) may have a lot of stores and/or may be large in size, but they compete against many other stores in their area. North Coast Co-op has two stores in a moderately populated area, and Mr. Lippman postulates that they likely have a larger market share compared to other co-ops.

4. Challenges: consumers’ perceptions and competition

A challenge the co-op faces is the ability to provide all employees, especially entry-level employees, a living wage. But a co-op organization is driven by gross sales. They need to sell more in order to be able to pay more, and they cannot raise prices without losing customers. The Arcata/Eureka community is not necessarily growing. The population of Humboldt County will not reach 200,000 anytime soon. There is economic malaise throughout the county and in the local community. Since the area has not really seen a lot of growth or prosperity, it was not hit

very hard by the recent economic collapse. The co-op is also not the only store today with organic/natural foods. The co-op faces competition from independent stores and larger conventional chains. Mr. Lippman said, “We need to refine our game.” In the 1970s, “organic” often meant that produce was small and bug eaten. Today, organic foods have to look as nice as or nicer than conventional products. In order to survive, the co-op needs to grow despite the market.

5. Community: consumer surveys; personal connection; addressing health issues

In a survey of the Arcata store shoppers, 76% of those surveyed live in the same zip code as the store, and 18% came from outside of the city. Of the Eureka store shoppers, 31% live in the same zip code as the store, and 50% live outside of the city. One of the Arcata shoppers remarked that they like the co-op because it “offers an alternative to the capitalist paradigm of exploiting workers and customers for personal gain” and chooses to shop at the co-op to “support local, independent, and community-owned businesses, when I shop no single person is getting rich off of me.” One Eureka store shopper remarked, “I support these businesses that support the community. Also, these sorts of stores were a helpful factor in moving to the area.” Two shoppers commented on the cooking classes: “More free cooking classes,” and “Love the cooking classes.” Another Eureka shopper remarked, “Great atmosphere—very true to Humboldt.”

Mr. Lippman attributes the co-op’s success to its connection to the community. The co-op has tried to reach out, listen, and meet the needs of members and the community.

6. Keys to success

Mr. Lippman pointed out that co-ops that are members of National Cooperative Grocery Association are largely successful. Hanover Co-op in New Hampshire is one of the few “Old Wave” (started in the 1930s) co-ops still around today (and also an NCGA member). They were able to adapt and survive, but why did other old wave co-ops not succeed? Mr. Lippman emphasized that co-ops need to differentiate themselves from other stores to be successful. Co-ops should consider the way the store is merchandised, additional services (maybe a deli with prepared foods), and the way members and the community are served. The Consumers

Cooperative of Berkeley, and other disbanded co-ops, likely did not differentiate themselves from other stores².

7. Local farmers and local goods

Mr. Lippman estimated that 25-30% of the items sold are locally produced (most meat and fish, dairy, seasonal produce). The co-op defines local as from the Klamath Region (south-western Oregon to north-western California), though they are focused on goods that come within 50-100 miles. For example, beef comes from Fortuna, and dairy comes from Ferndale. The local agriculture scene present today helps support co-ops' efforts to support local growers and producers.

9. Organizations and non-governmental support

Membership in cooperative associations is beneficial to co-op stores. Mr. Lippman of North Coast Co-op finds that there are fewer benefits to membership for a large store because large stores are large enough to get volume prices from major suppliers. The National Cooperative Grocers Association (NCGA) negotiates sale prices with suppliers better than what a distributor can offer. Also, NCGA runs training programs for Boards and employees. NCGA is an important tool for providing a network of cooperatives. Cooperatives meet regularly and they use the network to learn best practices from other co-ops. North Coast Co-op gets back most of their annual dues to NCGA in the form of rebates and sale prices. NCGA is important because it unites co-ops and gives them a national forum. Mr. Lippman provided the example of the natural shampoos controversy a couple of years ago, in which a watchdog group found that "natural" shampoos had been contaminated with petroleum-derived ingredients and other harsh additives. Co-ops that are members of NCGA can unite and demand that the products they sell meet the standards their customers expect. Mr. Lippman emphasized that membership in co-op organizations helps because co-ops can learn best practices from other co-ops.

10. Advice

² The city of Berkeley is well known for its cooperatives, including 17 houses and 3 apartment complexes for UCB students, but there is no longer a food cooperative within the city. There is a new co-op based in Emeryville, the Cooperative Grocer, which is an online store based in a warehouse. The store is modeled after the Park Slope Co-op in Brooklyn, so members are required to work 2.5 hours every four weeks (The Cooperative Grocer 2009). The Berkeley Food co-op disbanded in 1989 amid bankruptcy and likely other issues. More information is available through articles from Cooperative Grocer magazine, <http://www.cooperativegrocer.coop/articles/index.php?id=115>.

If a group of people is trying to start a new co-op, Mr. Lippman recommends that they figure out what to offer to members that would be meaningful and valuable. Opening a co-op will be difficult if consumers also have access to Whole Foods, Trader Joes, and other somewhat similar stores because it will be arduous to guarantee lower prices. Though, Mr. Lippman finds that starting a store in a food desert may be different. The community has to be open to the co-op for the store to survive.

Co-opportunity

1. Who, How, and Where: the foundation of a co-op. What inspires people? What are the basic functions of the store?

In 1935, the first co-op in Santa Monica, California, Santa Monica Consumers Cooperative Society, was incorporated by a group of local Christian leaders and social activists to lessen the burden of the Depression (Thompson, 2). Many of the original members were Methodists who had been inspired by the teachings and speeches of the Japanese Christian and Co-op leader Toyohiko Kagawa. Kagawa drew large crowds when he spoke in Santa Monica in the 1930s (*ibid*). The Santa Monica co-op relocated to West LA, and eventually four dissatisfied young board members started their own co-op because they wanted more health foods, vegetarian items, and organic produce (Thompson, 4). Co-opportunity in Santa Monica started in 1973 as a member-only store with a work requirement (Thompson, 1). David J. Thompson, one of the four founding members of Co-Opportunity, writes that since the store put the “goal of service above profit, the co-op and its members weathered adversity” (2). Santa Monica has a current population of 87,935, and is 78.4% white, 11.8% Latino, 8.8% Asian, and 3.8% African American (American Community Survey 2008). Bruce Palma, the current general manager of Co-Opportunity, started working for the co-op in 1985 as a cashier, and has been the general manager for four years (Palma, 2010).

2. Alignment with co-op principles: Access and justice/transportation; food sources and types; support for workers; expansion of stores and co-ops helping co-ops

The Board of the co-op meets six times a year. They focus on the End Policies of the co-op, which are basically the mission and vision of the co-op. The Board considers questions such as ‘where can we grow next?’ ‘how can we serve the needs of our community?’ and ‘what can we do as one store?’ Co-Opportunity spoke to people about 5-10 years ago about opening a store

downtown or somewhere else in Santa Monica. But, Mr. Palma finds that they “have to secure the long-term viability of this store, before [they] spread out.”

Approximately 99% of the produce is organic. In the grocery section, at least 70% of the items are organic. The store has guidelines for what products they offer in the store, including a list of unacceptable ingredients. If a product is not organic, then there must be something special about it or else it would not have been brought in. Co-opportunity generally “fights for [products] to be organic” (Palma). Palma mentioned that the Davis Co-op has Cheerios next to the natural cereals—“they just want to serve their members.”

The co-op will not be expanding anytime soon. They recently renewed the lease on the current location, and so they will have a store there for the next twenty years. At this time Co-opportunity will focus on remodeling the current store (sometime in 2010) rather than opening a new store. Opening a new store would be a big risk. “We just want to make [this store] really strong and make sure we’ll be successful” (Palma).

The co-op has also talked with the newly formed co-op in Altadena and Co-opportunity is interested in helping them. Co-Opportunity has given the Arroyo Co-op information and allowed them to attend a Board meeting. “That may be one way we can help without overextending ourselves and actually opening a business” (Palma). Mr. Palma finds that tremendous risk would be associated with “opening in a place where no one’s ever heard of us. We’re not Trader Joe’s. The minute a Trader Joe’s comes people are ‘wow.’” Mr. Palma finds that the co-op is not sure how to address the issue of food access and food deserts. In the neighborhood surrounding the store, Mid-City, the income is mixed, and people who live close do not necessarily know about the co-op or shop there (a lower income neighborhood, Pico is about a half mile away and could benefit from the goods the store provides). Mr. Palma finds that food access issues would be improved if there was greater education for employees.

3. Finances and legal issues: aspects of the business; structure, Board

As general manager, Mr. Palma oversees all of the operations of the store, which are basically the same as any other business. He makes sure it is financially sound, and since the store is member owned the store functions in a way that is respectful of their relationship to their members. Until Whole Foods came along, few stores were providing natural/organic foods. Palma stated that over the last five years natural and organic foods have really grown and can be found in more major markets.

The co-op is a consumer cooperative and 70% of sales last year were from members. \$200 worth of shares over eight years allows one to become a member. Member-owners own the business and the business serves the needs of the members. Mr. Palma understands that in a worker-owned co-op decisions are made by consensus. “It’s kind of tough. We have a volunteer board of directors, and they hire a general manager.” Typically, in a consumer co-op the co-op is run like a normal business (final decisions are made by those at the top of the hierarchy). Mr. Palma believes that the co-op opened in Santa Monica because the area was and still is progressive, for example the city has had progressive rent control laws and popular farmers markets for over thirty years.

4. Challenges: consumers’ perceptions and competition

Some of the challenges the co-op faces include the size of the store and pricing. Co-opportunity is thinking about remodeling, since the store floor is cramped—“We’re not the size of a Whole Foods” (Palma). They want to make the sales floor less congested and add more products. “A lot of customers want to spend more money here, but we can’t offer them what they want so they have to go other places. They want us to carry it here” (*ibid*). In addition, the parking lot is small and often packed (though myself and others have observed that many shoppers utilize the bike rack). Items can usually not be discounted any further than they already are. Mr. Palma emphasizes that little can be done about the prices of goods “There is only so much we can do with prices. We can’t go crazy trying to compete with every store.”

5. Community: consumer surveys; personal connection; addressing health issues

In a survey of shoppers, 19% live in the same zip code as the store, and 50% live outside of the city of Santa Monica. One shopper remarked, “Items are cheaper than Whole Foods.” Another shopper said, “There’s a great atmosphere of community among employees.” Another co-op shopper emphasized, “We need more co-ops (and not just in foods).”

6. Keys to success

The success of the store is based on many factors. The co-op has a strong member base, and many members have been members for a long time. The store is more personal than Trader Joe’s or Whole Foods. They focus on great service, “not just fake service, like at Vons, [where] people say it because if they don’t say it they’ll be fired” (Palma) Co-opportunity tells its employees to be themselves in the store. According to Mr. Palma, “We go out of our way to find a solution to people’s needs.” They will call Whole Foods for a customer if the customer cannot

find what she is looking for. In addition, the products the co-op offers are a little more cutting edge than what competitors provide. For example, they have many products from smaller companies. Finally, people see the difference between the co-op and other grocery options. Mr. Palma asserts that the store is not perfect, but customers “see the difference in supporting a community market.” At least 25% of employees have been there five years or more. Customers “like the fact that they’re supporting a place where people are treated well” (Palma).

7. Local farmers and local goods

Local products are important to the co-op and the co-op tries to get products that are grown or produced as close as possible first. In the deli section, there are many locally produced items, such as raw foods. Those are largely locally produced because they come from small operations in the LA area. In groceries, “it depends, because a lot of the brands we sell people want, but they may not be local.” It is easier for some co-ops to procure local foods because they are in an area with a lot of agriculture or small dairies. The co-op defines local as within 200-300 miles. They developed this after looking at the local guidelines developed by a co-op in New Mexico. “We just have to be realistic, given where we are.”

9. Organizations and non-governmental support

Before the National Cooperative Grocers Association, regional networks, such as Pacific Cooperative Grocers Association, existed to negotiate better contracts with suppliers. Today, United Natural Foods (UNFI) is the primary supplier for co-ops focused on natural and organic foods. There are about 100 co-ops that are a part of the association and they all benefit from collective buying. NCGA provides monthly deals for the co-op and prepares the fliers advertising the deals. Individual co-ops do not have to pay to put out fliers advertising store specials when they are members of NCGA. Membership allows the co-ops to share knowledge. The association creates a virtual chain that unites co-op grocery stores, even though they are independently run. “I meet with the general managers several times a year and we all share business stories. We can all get stronger together” (Palma). Best practices can be shared among one hundred other co-ops. The co-op can get advice on staff, merchandising, promoting the store, and job descriptions for available positions (Co-opportunity can go to the NCGA website and see examples of job descriptions other co-ops have used). “We’re not a chain. Whole Foods can have one store and they’re going to get all the knowledge of the main corporate branch of Whole

Foods” (Palma). The co-op can get better prices through the collective buying practice, which allows the store to be more competitive against competitors.

A co-op convention, Consumer Cooperative Management Association Conference (CCMA) organized by Cooperative Grocers Information Network, happens yearly. Board members and managers (at all levels) of co-ops attend. General managers meet regionally about four to five times per year. Once a year all of the general managers meet nationally.

10. Advice

Mr. Palma finds that the NCGA has many resources that could help people trying to start a co-op. In general, more information than financial help is available to help people start co-ops. Overall, a new co-op needs the commitment of the community in order to survive.

Rainbow Grocery

1. Who, How, and Where: the foundation of a co-op. What inspires people? What are the basic functions of the store?

Rainbow Grocery of San Francisco originally started as a non-profit religious institution, and eventually became a worker cooperative. San Francisco has a current population of 798,176, and is 54.5% white, 31.3% Asian, and 14% Latino (American Community Survey 2008). I spoke with Gordon Edgar, the cheese buyer for Rainbow Grocery, who has been with Rainbow for sixteen years. Since the co-op is worker-owned, the formal leaders are the elected Board members, who are also workers. Mr. Edgar was my contact person because he is on the co-op committee that provides information for other co-ops and he does the history orientation for new employees. In addition to working at Rainbow, he has volunteered in a punk rock record store co-op (San Francisco, Epicenter Zone, 1991-1996).

2. Alignment with co-op principles: Access and justice/transportation; food sources and types; support for workers; expansion of stores and co-ops helping co-ops

In the current location, Rainbow Grocery is able to service two different neighborhoods—South of Market and the Mission. Rainbow did want to have a location on the 14-bus line, which is more central. However, they had to move to a site along the 12-bus line, which is less central and not as fast. In the current location, they were able to buy the building after six months. Rainbow is not actively contributing to gentrification because they have been around since the 1970s. Rainbow has been in the neighborhood longer than most [residents and

businesses]. They had to move locations in order to stay in business. “In a town like this, nobody thought the Mission would be a hip place to live” (Edgar).

Rainbow was part of the original natural foods movement. Mr. Edgar believes over 90% of the produce is organic. In term of dairy, cheese, and wine, there are fewer organic products; maybe 75-80% of the items are organic. Overall, Mr. Edgar finds that the amount of organic items is much higher than the average Whole Foods. The store is a member of CCOF and is a certified San Francisco Green Business (Rainbow 2008b).

There is low turnover compared to other grocery stores because workers enjoy the job and benefits. Mr. Edgar describes the workers as an “active group of people.”

Rainbow participated in meetings with Mandela Foods Co-op in Oakland for one year before it opened, but the store no longer has a direct relationship with Mandela. The co-op has not taken the time to open another store. According to Mr. Edgar, there have been a lot of conversations on opening a second location, but Rainbow has not taken an official position. Opening another worker cooperative is “tricky—there is a huge disincentive” (Edgar). A new co-op will bring in more jobs, but not “more money for us” (*ibid*). If Rainbow started another store, they would be “voting against their own self-interest.” Mr. Edgar provided the example of the Mondragon Model (based in Spain), which stipulates that a percent of sales go into developing other co-ops.

3. Finances and legal issues: aspects of the business; structure, Board

In 1976, when the store incorporated, the accepted legal form of a cooperative corporation did not exist, so the store was a worker collective legally-organized along the lines of a charitable nonprofit. Financing for the design and construction of the second store location (they left the first location for a bigger one) was financed primarily with approximately \$250,000 in customer loans largely because banks would not lend to a worker collective legally-organized along the lines of a charitable nonprofit (Rainbow Grocery 2008a). Bankers would often ask: “but who really owns the business?”

Mr. Edgar explained that the ability to legally incorporate as a worker cooperative in California did not exist until the 1990s--“nobody cares about that crap until you start making money.” The store legally incorporated as a cooperative in 1993. The change in legal form allowed Rainbow to tell bankers: ‘Rainbow is owned by its shareholders, which are its workers’ (Rainbow Grocery 2008a). To be a member, one has to work at Rainbow. Most decisions are

made on a department level. Departments are individually run and do their own scheduling and hiring. There are no manager positions. As the cheese buyer, Mr. Edgar has no power over other people. Seven people are on the Board of Directors, which is elected from the membership. The board does long term planning and focuses on the financial health of the store. The Board helps the different departments set goals. Both the Board and the larger membership have to approve any big business decisions. There is some hierarchy in the co-op because there are 250 worker-members. The structure is “as flat as it gets” for such a large organization (Edgar).

Mr. Edgar believes that Rainbow is successful because they have concentrated on the business aspects of the co-op. In addition, the store does not do large-scale changes fast. The current economy is challenging to local businesses. During the last couple of years, sales have been relatively flat. Rainbow works to pay workers really well, and provide excellent benefits, but “they have to watch that” because worker pay and benefits can be costly. A lot of things, including the health care plan, are better than when Mr. Edgar started.

4. Challenges: consumers’ perceptions and competition

The store originally started in a garage in the northern Mission district because the people who lived in that area started the store. Rainbow moved to its third location at a time when stores that offered similar goods but were not worker cooperatives—particularly Whole Foods, were growing and moving into San Francisco. Rainbow decided that it did not want to be between sizes; a bigger store would help support their business. It took two years to find a location. Several places did not want to rent to a co-op, and people seemed to distrust the co-op concept. Rainbow had hoped for a location in the central Mission, but they did not get one.

5. Community: consumer surveys; personal connection, addressing health issues

In a survey of Rainbow shoppers, 13% live within the same zip code as the store, and 13% were from outside of San Francisco. Two customers remarked that they shop at Rainbow because the goods they provide are not available elsewhere. One remarked, “Cooking classes would be good.” Another shopper said, “I like the worker-owned, I know one worker and they like it.” Several respondents mentioned that they “love” the store, yet others wished the store would carry meat.

Rainbow does not have a community space, which is something they talk about every time they try to build. They have barely enough meeting space for membership meetings. Other

groups, for instance, the local cheese guild, have held meetings at Rainbow. The co-op is also involved with scrip for schools and provides gift certificate discounts.

7. Local farmers and local goods

The issue of local food and products is complicated. Mr. Edgar notes that “something could be produced in San Francisco then trucked to Auburn.” Also, a local dairy could buy frozen curds from Canada. The issue of local products is complicated because people don’t understand how things get to grocery stores. In general, Rainbow tries not to carry out of season produce. Rainbow uses a general definition of 200 miles to signify local products.

8. Role of government

The government has provided almost nothing to support the development of Rainbow. When Rainbow moved from their second to their third site they received Enterprise Zone funds because they were a local business that would be hiring local employees. Mr. Edgar pointed out that the move was after the Rodney King verdict and civil unrest in Los Angeles. The city did not support Rainbow because it was a worker-owned co-op, but because it would be building in an economically depressed area. The city of San Francisco guaranteed a bank loan of \$1 million from First National Bank, which enabled Rainbow to get a better loan than they would have on their own. The city also lent Rainbow \$400,000 (Rainbow Grocery 2008a).

9. Organizations and non-governmental support

The United States Federation of Worker Cooperatives was the first national worker cooperative organization. The US Federation is growing and they can lobby for worker cooperatives in the National Co-op Business Association. Since Rainbow is one of the biggest worker co-ops (and successful and well-established) they are not looking for help from the US Federation. Mr. Edgar fields many calls from other co-ops. He sometimes directs people to Melissa Hoover, who is the executive director of the US Federation and part of the Arizmendi Association of Cooperatives (San Francisco Bay Area). Locally, Rainbow is a member of Network of Bay Area Worker Cooperatives (NoBAWC). The worker co-op organizations are useful because they support worker co-ops and they can help increase people’s knowledge of worker co-ops through outreach and education.

Since the store is a worker-owned business, they are not actively seeking money from outside sources. “If we can’t support ourselves, what are we doing?” (Edgar). The National Cooperative Business Association has not been very helpful to Rainbow. Worker cooperatives

are the smallest of the three sectors (agriculture, consumer, worker). The amount of financial assistance NCBA can provide is too small for Rainbow (e.g. \$15,000 for a \$2 million project). So, the financial assistance is “not worth it” (Edgar).

Mandela Foods Cooperative

1. Who, How, and Where: the foundation of a co-op. What inspires people? What are the basic functions of the store?

Mandela Foods Cooperative in Oakland opened in June of 2009. Oakland has a population of 362,342, and is 36.9% white, 29.8% Black, 25.2% Latino, and 15.6% Asian (American Community Survey 2008). The co-op is worker-owned, and provides entrepreneurial training and work experience for low-income residents. The executive director of the affiliated organization, Mandela Marketplace, Dana Harvey, helped bring the co-op to West Oakland. Ms. Harvey became involved with Mandela Foods and the related entrepreneurial incubator Mandela Marketplace through her work with the Environmental Justice Institute of Oakland. Ms. Harvey was part of the group of people who organized to bring change after studies indicated West Oakland was a food-insecure community.

The drive to put a cooperative grocery store in West Oakland was ignited when Ms. Harvey received a postcard from Bridge Housing, a nonprofit affordable housing developer, which showed retail in a new mixed-use site on 7th Street in West Oakland. The postcard showed a Safeway grocery store in the development. Ms. Harvey called Bridge and said that the community “wants to see a community-owned co-op, not Safeway.” The concerned residents of West Oakland eventually learned that Bridge was planning on putting a Walgreens in the retail space. Ms. Harvey sent out an “e-blast” (an email sent at once to a large mailing list) to inform more people of the situation and to gain supporters for a community-owned co-op. Bridge was going against what had been promised by the city and what residents had asked for. When the Bridge mixed-use development at Mandela Gateway (on 7th street) first broke ground, then-mayor Jerry Brown said that the retail space would be for community businesses. In studies conducted with the community people said, “we want to see locally-owned businesses” (Harvey).

2. Alignment with co-op principles: Access and justice/transportation; food sources and types; support for workers; expansion of stores and co-ops helping co-ops

The Mandela Gateway mixed-use complex received HOPE VI funds (a federal program funding improvements to distressed public housing). Ms. Harvey finds that since HOPE VI developments should benefit low-income communities, and the retail aspects of such developments are built with public money, the retail should directly support local residents. Affordable housing developers need to recapture any debts associated with construction, and according to Ms. Harvey they do that through payments from residential tenants. Therefore, money received from retail tenants is all profit. Developers can and should help community businesses because the non-profit affordable housing developers exist to support the community.

Mandela Foods is located in a food desert in the “flat lands” of the city (in contrast to the more affluent “hills”); many residents lack access to healthy, culturally appropriate, affordable, and fresh food, and transportation constraints and a lack of purchasing power worsen the issue of food access in Oakland (McClintock and Cooper 2009, 7). Ms. Harvey finds that worker cooperatives “tend to be a little more successful” than consumer cooperatives. Consumer co-ops tend to be “more expensive, more of a club.”

Mandela Foods promotes itself as a full-service grocery store and nutrition education center that provides local, wholesome, fresh and affordable foods grown on family farms. Ms. Harvey finds that the dairy is not expensive, it is a really good deal and supports family farms. The produce is also affordable, although the grocery items are a little more expensive because the co-op cannot buy in very large quantities. Through a partnership that enabled the co-op to get a great deal on the bulk bins, the co-op can only order items from Sun Ridge Farms. Harvey estimates that the co-ops prices on bulk items are 5-20 cents higher than at other stores. The store is committed to healthy food. There is no MSG or High Fructose Corn Syrup, and there are few sweets. The sweets that are available are often organic and without food additives. All the meat is free range and/or organic, and there are plans to bring in halal meat. The meat is a little more expensive than what is conventionally available, but the co-op finds that the meat selection is reflective of their values.

The co-op has greatly exceeded expectations. According to Ms. Harvey, during the first year \$70,000 in wages was distributed to worker-owners, though the store did not make a profit, which they do not expect to until year three. Ms. Harvey also finds that the co-op is helping the community because 8,000-10,000 pounds of produce is sold monthly. If the store had opened in a larger site it could provide supplements, bath and body products, paper products, and a wider

selection of grocery products. Ms. Harvey thinks that the co-op will likely move to a bigger site, before opening another store, in less than ten years.

“Business as usual in America isn’t working,” and co-ops are a useful alternative (Harvey). Mandela Marketplace focuses on improving community health, wealth, and empowerment. Ms. Harvey finds that the statement “poor people don’t want to eat well” is not true. Food Bank of North Alabama is taking on an endeavor similar to what Mandela Marketplace did. They have bought a building and they want a co-op grocery store to share the space with local farmers who will sell their goods in the space (see more in the discussion with Stuart Reid of Food Co-op 500).

3. Finances and legal issues: aspects of the business; structure, Board

The community of West Oakland wanted to address the root causes of the conditions in the community and decided a food cooperative would be effective at addressing the lack of access to basic needs and overarching poverty. Ms. Harvey pointed out that co-ops are useful for supporting economic development because they provide a support net. After researching the different co-op models and discussing the models with an attorney from University of California Berkeley, the group decided that a worker-owned co-op fit all the goals of the group for a retail outlet. Though, it was decided that worker-owners would share only 2/3 of the profits so that 1/3 of the profits would go toward developing Individual Development Accounts. When Mandela Foods Co-op incorporated Mandela Marketplace was started to help the co-op and provide access to credit for low-income people in the area. The co-op and Mandela Marketplace received consultation from a representative of the successful Puget Consumers Coop (Washington state). (According to Ms. Harvey, there was a co-op in West Oakland in the 1970s.)

The Board of the co-op is comprised of all the worker-owners. Ms. Harvey explained that California regulations require that three people be identified as Board members each year. The co-op will rotate through the worker-owners on the listing, from year to year, but right now three core members who have been with the store for a while are listed as the Board.

4. Challenges: consumers’ perceptions and competition

Bringing the co-op to West Oakland was a long process that took several years. In 2006, Mandela Foods was having trouble securing a lease, so members of the Lower Bottom Neighborhood Association met with the landlord for the co-op (Bridge Housing), Oakland’s Mayor, Ron Dellums, and went to City of Oakland meetings (Lower Bottom Neighborhood

Association 2009). At a West Oakland Project Areas Committee Meeting on January 10, 2007, it was noted that Bridge Housing offered them a much smaller space than they had hoped for. Mandela was able to raise \$10,000 through a fundraiser, and they received a grant of \$220,000 from the California Endowment (West Oakland Project Area Committee 2007, 5). Though Bridge had received a special loan from the Housing Authority, Bridge wanted a \$560,000 rent guarantee from Mandela Food Co-op. At a negotiating meeting with Bridge and the Oakland's Community and Economic Development Agency, Bridge announced that they were bringing a 99¢ Only store, a publicly traded national chain, into the larger retail space (11,500 square feet). According to Ms. Harvey, it seemed Bridge was unwilling to give the co-op the larger retail space regardless of the fact that they only needed to raise the \$560,000; they had everything else lined up to start the store. Mandela Marketplace wanted Bridge to sell them the larger retail space for \$800,000. Following the announcement of 99¢ Only as the main retail tenant, the community "was furious." The community flooded the offices of Bridge and the Housing Authority. Instead of the larger retail space, Mandela Foods got a 2,7000 square foot space. Ms. Harvey concedes that it is harder to be more profitable in a smaller space, but at least the worker-owners have the opportunity to get experience in the smaller space. In addition to Mandela Foods and 99¢ Only, the others tenants of the Mandela Gateway retail space Subway Sandwiches, the People's Cooperative Credit Union, and West Oakland Homeownership Assistance Center. 99¢ Only can supply cheap food, but it is not necessarily local, nor does it support family farms and other small businesses.

In summary, "no one wanted to believe that this [the co-op] could be a successful venture" (Harvey). The lesson that can be learned from Mandela Marketplace's experience is that "a community won't mobilize around an idea but it will mobilize around a place" (*ibid*). A grocery store site can make an idea more tangible.

The learning curve associated with starting a business and the fact that there are no real models for Mandela Marketplace and Mandela Foods to base their venture on are the main challenges associated with the co-op. Also, there is not a lot of mainstream support for co-ops, and thus store like Mandela Foods have to do ten times better than the average store, such as a Safeway. Ms. Harvey finds that there is a huge learning curve for everyone involved with the store. It took four years to open, and during that time some of the people originally trained to work for the co-op moved on to other ventures.

5. Community: consumer surveys; personal connection, addressing health issues

Of the shoppers surveyed at Mandela, 69% live within the same zip code as the store, and 23% live outside of Oakland. Two shoppers remarked that they shop at Mandela because it's "Close to work," and the "Closest health food to my house." One shopper said, "I love that this co-op's run by people of color. I hope gentrification doesn't rear its nasty head and take over West Oakland." Furthermore, another shopper remarked, "Workers in control of their work environment is emotionally, psychologically, socially, and politically more healthy than non-workers controlling the environment." Two other shoppers noted, "Not busy enough...", and "Great place—I enjoy shopping here and supporting the business, very needed for this neighborhood."

Every Saturday an ex-farmer, Leroy Musgraves, gives nutrition classes from 11 am to 3 pm. He also teaches classes at a senior center in West Oakland. The Mandela Marketplace Youth Team holds monthly events at the co-op. By June 2010 the kitchen at the co-op should be ready to be used for more classes and community events.

7. Local farmers and local goods

Mandela Foods Co-op focuses on supporting minority farmers, marginalized farmers, local farmers, and farmers that grow sustainably. Almost all produce meets some or all of the criteria. Harvey estimates that 90% of the produce is local, and on an average day 40-60% of the produce comes from the preferred group of farmers.

The majority of the dairy is from Clover farms, and worker-owners and others associated with the co-op visited one of their dairy farms in Northern California before choosing them as a supplier. The co-op is the only retail location for Arizmendi bakery items. The items that are identified as "local" come from within 250 miles of the store. The co-op decided on this range because they love a few farms that are somewhat far away. In particular, they like supporting a group of Hmong farmers from Fresno, and a farm in Dinuba that supplies fruit and jams. Originally, the co-op wanted to work with the South Central Farm, but they lost their farm in Fresno and only farm in Bakersfield. The co-op would have especially liked to work with the South Central Farm because they are a farming cooperative. In general, most of the produce the co-op sells comes from within 100 miles.

8. Role of government

The Project Areas Committee (PAC) of West Oakland and West Oakland's City Council Representative, Nancy Nadel, contributed public money. The PAC looked over the co-ops numbers and helped refine their business plan. A total of \$258,000 was donated by the PAC for tenant improvements to help with making the space in the Bridge Housing complex suitable for a grocery store. (The PAC recommended \$258,000 be provided by Oakland's Community and Economic Development Agency, the PAC advises the City on redevelopment activities.)

9. Organizations and non-governmental support

The co-op's umbrella organization, Mandela Marketplace, provides direct and indirect support to new businesses in the area (West Oakland). Individual Development Accounts (IDAs) are savings accounts intended to assist low-income people through matching funds and financial education (Alternatives Federal Credit Union). Such an account helps people build assets and can support people in independent business ventures. The IDAs will be stored at People's Federal Credit Union, a community development financial institution, which is next to Mandela Foods. But the IDAs cannot be established yet because the store is not yet profitable.

The nonprofit partner, Mandela Marketplace, is useful for supporting the co-op because the co-op is more likely to receive loans since the nonprofit can support the co-op and the loan is more likely to be repaid. Ms. Harvey cites the example of the Market Creek Plaza development in San Diego as a community development that is similar to the Mandela Gateway site. At Market Creek Plaza, the Jacobs Center for Neighborhood Innovation worked with resident working teams to plan, design, build, lease, and subsequently operate a shopping center with an outdoor amphitheater and public art.

Mandela Marketplace is an entrepreneurial incubator organization and they intend to provide technical assistance and support for Mandela Foods for the first three to five years. Mandela Marketplace hopes to have less of a role in the coming years, and hopefully the co-op will eventually be in a position to start paying Mandela Marketplace back for the loans. The money that Mandela Marketplace is paid back will go toward supporting another local, community-owned business. In the Ashland and Cherryland communities in unincorporated Alameda County, Mandela Marketplace is supporting a new co-op grocery store that is in the planning stages. In this case, the local government is more receptive to a co-op than it initially was in West Oakland. Mandela Marketplace focuses on going in and engaging communities, and it is not solely focused on opening grocery stores. Conducting research to gauge community needs

and wants does have more of a front-end cost, but Ms. Harvey finds that the benefits at the end are important and an approach as such will produce a development that is more stable and meets the needs of a community. Mandela Marketplace exists to catalyze economic development for low-income people. In homage to the environmental justice movement, Ms. Harvey finds that Mandela Marketplace focuses on figuring out how to get an equitable voice at the table.

Ms. Harvey wrote grants to support Mandela Marketplace in its endeavors, including a grant from the Sustainable Agriculture Research and Education Program at the University of California Davis. Most foundation grants did not go toward the co-op because grants are not used to support for-profit businesses. Mandela Marketplace received grants for training of future worker-owners of the co-op and consultation on the development of the co-op. Grants also supported nutrition education, and farm and co-op field trips for employees of Mandela Marketplace and Mandela Foods Co-op. The Walter and Elise Haas fund was one of the grantees for Mandela Marketplace. Grant money is currently being used to support the co-op's produce distribution project. The produce distribution project allows Mandela Foods Co-op to source from farmers who primarily sell at farmers' markets, are generally marginalized, and have very small farms.

The co-op is a member of NoBAWC (Network of Bay Area Worker Cooperatives), and Ms. Harvey says that they intend to be a member of the National Cooperative Business Association is they are not automatically members through their NoBAWC membership.

Bridge Housing provided support to Mandela Foods in the form of a tenant improvement allowance and technical assistance through grants to Mandela Marketplace. In addition to funding from the California Endowment, and support from the City of Oakland Community and Economic Development Foundation and others, Mandela Foods received a grant of \$1,700 for staff and board training from the Howard Bowers Fund of the Cooperative Development Foundation (Cooperative Development Foundation, 2008). The Cooperative Development Foundation is a 501(c)(3) non-profit organization promoting community, social, and economic development through cooperative enterprises. Mandela Foods received the grant because it was scheduled to open in 2008; five other co-ops received the same amount as Mandela, and four co-ops received \$1,000 because they were still organizing and were scheduled to open in 2009.

10. Advice

The co-op is doing well because it meets a need. Since Mandela Marketplace focused on community engagement first, and subsequently helped bring people what they wanted, the business has been able to survive the first year. According to Ms. Harvey, consensus is important to a worker cooperative and it can work. Cooperatives require a different style of working, and people need to be able to set their ego aside.

La Montanita Co-op

1. Who, How, and Where: the foundation of a co-op. What inspires people? What are the basic functions of the store?

La Montanita has four stores: two in Albuquerque, one in Santa Fe, and one in Gallup. I focused on the store in Gallup because its unique position as a co-op in a rural, low-income community, and its large Native American population. The population of Gallup is 20,209, and is 40.1% white, 36.6% American Indian, and 33.1% Latino (Census 2000). The first co-op in Gallup, Wild Sage, was operating with a volunteer staff and found it difficult to keep the store open and profitable in 2004. Wild Sage, was run by two people, and has been described as more of a buying club (Bowling). They did not have enough sales volume to survive.

Wild Sage contacted La Montanita Co-op, based in Albuquerque, for advice and support during the summer of 2004 (Pugh 2005). The boards of both co-ops discussed merging. After Wild Sage membership meetings, informational mailings to Wild Sage members, a professional market study supporting the merger, and Wild Sage members' vote of approval, the stores merged in January of 2005. The new 1,2000 square foot store in Gallup opened in February of 2005 (the lease for the old site expired in December 2004) (Pugh 2005).

I spoke with Terry Bowling, the general manager of the La Montanita Co-ops. Mr. Bowling has worked for the co-op for two years, and is originally from northeast Tennessee. La Montanita hired him after a nationwide search. He oversees four stores and a warehouse; previously Mr. Bowling worked in conventional groceries and managed seventeen stores. La Montanita Co-op started in 1976 as a buying club. Today, the main location is in the Nob Hill area of Albuquerque. La Montanita opened its second store in the year 2000 in Albuquerque. In 2005, the stores in Santa Fe and Gallup were opened. Following the opening of the fourth store, the La Montanita warehouse was opened in 2007. Mr. Bowling credits the growth of the co-op to the fact that the natural foods industry is growing. It is important for the stores to manage debt,

and Santa Fe currently has the most debt. In terms of size, Santa Fe is the largest at 16,000 square feet; the Gallup store is much smaller, at 1,200 square feet.

2. Alignment with co-op principles: Access and justice/transportation; food sources and types; support for workers; expansion of stores and co-ops helping co-ops

The merger between the co-ops occurred a few months after the board of La Montanita adopted a new “Global Ends Policy.” The new ends policy states: “A thriving member-owned cooperative that results in an increasing number of people having and making more informed and sustainable choices at costs that do not exceed the revenues of the cooperative” (Pugh 2005). For La Montanita, the Gallup project is a relatively low-cost undertaking (*ibid*). The value that the cooperative economic model brings to a community inspires La Montanita (*ibid*).

The Gallup store provides a service to the community and fulfills its needs (Bowling). The co-op provides natural and organic food, which can be more expensive, but many people need the food the co-op provides. The goal is to try to break even, although it is difficult. Gallup is in a low-income area, and home to the Navajo Nation. Teachers who come to teach on the reservation support the co-op, but they often do not stay very long, and Mr. Bowling alluded to the fact that business is not as good in the summer. Gallup is also two hours from the other La Montanita stores (and twenty minutes from Arizona). The staff is small, though local. The sales volume is low, but the store is doing very well so far (Bowling). The Board of Directors wants the co-op to do “good” work (work where necessary). Santa Fe is the most profitable store and does twice the business of the other stores. Mr. Bowling pointed to the fact that Santa Fe is an affluent area, with a lot of “celebrities,” and people who care about what food they eat. Overall, the co-op has been successful because people are interested in the quality and safety of their food, and the co-op is able to provide what many people want (Bowling).

3. Finances and legal issues: aspects of the business; structure, Board

A member-owned cooperative was the model chosen when the co-op was founded, and according to Mr. Bowling the model works well and is a good business model. 15,000 members own the co-op.

7. Local farmers and local goods

“Local” items are grown or produced no more than 300 miles from the Albuquerque area. The mile parameter is an arbitrary number. Economies of scale have an influence on what can be considered “local;” the mileage range allows the co-op to get items from Colorado (Bowling).

The Food Shed Project based out of the warehouse allows La Montanita to pick up produce from local farms and store it. New Mexico has a lot of land, and is not densely populated. The Food Shed is not necessarily profitable, rather it is something the co-op thinks is important and therefore the co-op works to sustain it (Bowling).

9. Organizations and non-governmental support

La Montanita was one of the first co-ops to be a member of NCGA (Bowling). NCGA provides buying power and makes it easier for the co-op to acquire supplies, and products at an affordable price. In particular, La Montanita utilizes NCGA's competitive pricing and training opportunities.

10. Advice

A store needs a dedicated group of members. About \$1.5 million may be needed to open a store, but credit markets are tight now. Mr. Bowling recommends a store start slow, and try to avoid going into deep debt. It would take about seven years to get going. Starting a store would be tough now. A store should open where there is a need in a community. As other managers have mentioned, if there is a Whole Foods or Trader Joes in the area it will be difficult for a new co-op to survive (Bowling).

Chapter 5: Case Studies

II. Background on Additional Stores

Chester Community Grocery Coop

Chester Community Grocery Coop is located in Chester, Pennsylvania. Chester Co-op was founded in March of 2006 after residents decided to do something about the lack of food in the city—the last supermarket had left seventeen years earlier (Chester Community Grocery Coop 2009). The population of the city is predominately African American; according to the American Community Survey the population is 78% African American and 16.4% white (2008). There are now over 100 co-op members, and the store is open twice a week, on Wednesdays and Saturdays. Previously, Chester was a strong community and the center of manufacturing jobs. Like other industrial cities, the city has faced economic decline. Many people left the city, but recently the population has been slowly increasing, and the population is now approximately 37,000 people (Chester Community Grocery Coop 2009).

The co-op offers affordable prices on local and organic food because member-owners provide labor. Members are required to work two hours and forty-five minutes every four weeks. To support the community, the co-op formed Chester's Community Charitable Corporation; a non-profit that will develop programming and services to address the health needs of the community.

Ujamaa Food Co-op Buying Club

The Ujamaa Food Coop Buying Club was started in August 2008 in Detroit, Michigan. Detroit's population is 808,395, and is 83% African American, 10.5% white, and 6.4% Latino (American Community Survey 2008). The buying club allows members to purchase organic and healthy food, supplements, and household items at discount prices because items are purchased in bulk and there are no overhead costs, as there are with supermarkets. Items are ordered through United Natural Foods once a month and are available for pick-up at a centralized location. A \$50 minimum purchase is required, and non-working members have to pay a 10% surcharge on their order. The buying club annual membership is \$45; there are plans for the buying club to evolve into a cooperative food store in 2010.

Ujamaa Food Co-op is a project of Detroit Black Community Food Security Network (discussed under Food Policy Councils). DBCFSN was formed to organize members of the

Black community to hold more active leadership roles in the local food security movement. The network emerged after several people observed that many of the key players of the local urban agriculture movement were young whites, and many were not from Detroit. DBCFSN finds that the “most effective movements grow organically from the people whom they are designed to serve” (Detroit Black Community Food Security Network 2009).

Weavers Way Coop

Weavers Way started as a buying club in the Mt. Airy neighborhood of Philadelphia in 1973. Today there are two locations, and by mid-2010 there will be three, all in Philadelphia. The community-owned market has a discount program that allows members to receive a discount at participating businesses. Previously there was a mandatory working requirement for all workers, but in July 2009 members voted to allow for an optional working-membership. Working members contribute approximately six hours of work per adult per household, and subsequently receive a 5% discount on purchases (Weavers Way Co-op a).

Weavers Way increases food access through a farm and programs in schools. Weavers Way Community Programs operates Weavers Way Farm for food production and farm education, in addition to involvement with gardens at schools and a homeless shelter for families. The Marketplace program at eight public schools in Northwest Philadelphia allows students to set up their own food co-ops for selling snacks to classmates, and students donate the proceeds to causes they choose (Weavers Way Co-op b).

The co-op is highly supportive of the development of other co-ops and provides a webpage with a list of sources for information and support. In addition, they provide information such as financial audits, a Board Policy Manual, and general membership meeting minutes, which may be useful for co-ops in the developing stages.

Weaver Street Market

Weaver Street Market started in Carrboro, North Carolina, a town near the city of Chapel Hill, in 1988. Today, Weavers Street has three stores in the Chapel Hill region, a Food House (a commissary kitchen and bakery), and an Italian restaurant called Panzanella. Chapel Hill has a population of 48,715, and is 77.9% white, 11.4% African American, 7.2% Asian, and 3.2% Latino (Census 2000). The Food House supplements the markets by allowing Weaver Street to

prepare items for sale in the stores using local ingredients, in addition to providing warehouse space (Shuman, Barron, and Wasserman, 94). There is a related public radio station, but broadcasting law stipulates that it be a separate nonprofit. Also, there is a related housing cooperative, but it is an independent nonprofit so it can apply for foundation grants (Shuman, Barron, and Wasserman, 95). Weaver Street incubated the radio station and housing cooperative, and they continue to support them by providing office space and free rent (*ibid*).

The market was recognized as one of the seven best alternative businesses in the U.S. by Yes! Magazine (*ibid*). Weaver Street Market is distinct because it is owned both by worker members and consumer members. About 100 workers are members (out of 250 employees). One of the founders of the market, Ruffin Slater, explains the hybrid ownership as necessary because “consumer ownership can slow things down, people tend to like what they have and don’t want to risk it.” In contrast, “worker-owned means being a lot more entrepreneurial... willing to take more risks, to try new things” (Shuman, Barron, and Wasserman, 93).

In addition, Weaver Street has its own criteria for “authentic food” that is not necessarily fringe/health food, and holds community-wide events. “Authentic food” consists of food produced by family farms, rather than large factory farms that do not care about sustainable practices, and may also come from artisan producers who craft goods based in history and tradition. Overall, “authentic food” is local, sustainable, and fair (including imported fair trade goods) (Weaver Street Market). There are often several community events at the various Weaver Street businesses in one week, and they vary from live music to wine tasting (Shuman, Barron, and Wasserman, 93). The Cooperative Community Fund supports nonprofits and other organizations that work to address hunger, malnutrition, sustainable agriculture, environmental protection, in addition to other local cooperatives (such as preschools). To further support Weaver Street Market and its entities, member owners can loan a minimum of \$10,000 to the co-op through the Community Investment Initiative (Shuman, Barron, and Wasserman, 94). Weaver Street Market was able to originally open because of the loans of \$5,000-\$10,000 supplied by some of the members, in addition to the membership fees (Shuman, Barron, and Wasserman, 95).

Arroyo Foods Co-op

In March of 2008, a meeting was held in Altadena, California to gauge interest in starting a co-op grocery store. Patrick Reagan organized the first meeting, and has been the leader in helping to bring a co-op to the area ever since. Kristin Petherbridge became involved at the first meeting, and is leading the Membership Team. Both Ms. Petherbridge and Mr. Reagan are members of the interim board of directors. Elections for permanent board members will be held in May 2010.

Altadena has a population of 43,667, and is 57.3% white, 27.5% African American, 25.4% Latino, and 3.9% Asian (American Community Survey 2008). The co-op hopes to fill a need in the community by providing local produced goods (including neighborhood produce if county and city regulations allow), and local control of a store emphasizing organic and healthy food. Potentially the store will have a juice/coffee bar, a deli, an eating area, and a community room. The store has been incorporated within the state of California as a California Consumer Cooperative Corporation, and they are currently seeking to gain more members so they can accumulate more supporters and capital. Two buying clubs already exist within the community, and the Arroyo co-op does not want to start its own buying club, nor do the existing clubs want to join Arroyo in developing a store (Arroyo Food Cooperative 2009a, 14).

The cooperative is making progress and learning a lot through research and attending conferences, and they have almost 140 members (Board meeting, May 6, 2010). Mr. Reagan has attended two National Consumer Cooperative Managers Conferences, and two California Center for Cooperative Development Conferences. The conferences are useful because they offer a chance for people to learn from other co-ops and meet people involved in co-op development, including lawyers who specialize in co-op law. The co-op has an organized structure of several teams of volunteers, including Membership, Marketing, Education, Finance/Administration, Policy, Bricks and Mortar, Product Sourcing, and Volunteer/Outreach (Arroyo Food Cooperative 2009b). Having attended coffee shop and restaurant events Arroyo has hosted to engage with people and recruit new members, I find they are moving in the right direction and are likely to have the support to open a store within a year. Though, since Mr. Reagan has attended conferences, talked with other stores, and learned about the stories behind other co-ops, he does find that the Altadena community is not disadvantaged enough when one considers access to food and healthy/organic/local food (Reagan). Also, the community is not as economically

distressed or disadvantaged as communities where co-ops have started and continued because they filled a need (Mr. Reagan cites West Oakland and Cleveland as examples where the community fits that profile and new co-ops have opened).

Chapter 5: Case Studies

III. Cooperative and Grocery Access Supporters

California Center for Cooperative Development

The California Center for Cooperative Development is a nonprofit that promotes cooperatives as models to address the economic and social needs of communities in California (California Center for Cooperative Development). The center provides start-up, technical, and management assistance to a wide range of different types of co-ops (child care, energy, etc.). Luis Sierra is the Cooperative Development Specialist in the Food and Agriculture Program, and has substantial experience with rural farmer cooperatives, though he did briefly work with the Davis Food Co-op.

Mr. Sierra finds that cooperative grocery stores are generally started by people who are unhappy with the food choices available, not people who lack access to food. Co-ops that have been around for thirty years or more came out of the counter-culture movement. People who were aware of over-processed foods and did not have access to healthy/unprocessed foods started the counter-cultural co-ops, and subsequently that is the general perception of the public. The general perception of co-ops prevents other people from thinking that the food offered by such stores is something they might want too. The image of co-op stores is changing, though in “small steps.” Mr. Sierra finds that co-ops are taking a more modern approach to food selection and store layout—with less of a focus on bulk bins, and a more polished store look. Membership (consumer-owned) also makes people less supportive of co-ops. Shopping for “members only” in some stores makes the stores seem to exclusive, and “non-members are punished somehow” (Sierra). In addition, some people may infer that non-members are charged more because members sometimes receive certain discounts. More people need to understand the membership aspect of co-ops. Mr. Sierra finds membership is something many people are likely familiar with, such as a Costco membership. People also need to know that money they invest in the form of member-equity is refundable (unlike membership fees for Costco) and they can end their membership.

Mr. Sierra thinks the number of food co-ops is increasing because he has reached out and met about twelve different co-ops in the planning stages. Two thirds of that dozen are starting out as buying clubs because healthy/organic/natural food is not available in the community. Mr. Sierra is working with a rural community in Lake County, California, and with more

suburban/urban communities in the Inland Empire and Orange County. He emphasizes that taking care of finances is the number one priority of any co-op.

Overall, Mr. Sierra finds that ninety-five percent of food co-ops are organized by communities/individuals with strong preferences for healthy/natural/organic/raw/local foods. Many people are interested in bringing the food from producers they “know and love” to their own co-op store. The people involved in starting co-ops typically do not come from a “complete food in-access background,” and most of the people are well-educated (Sierra).

In low-income communities, Mr. Sierra finds there are typically a dozen more pressing problems than fresh, healthy, “real” food. Organizers of co-ops in those communities are generally transplants, are fairly well-educated, and have strong organizing skills. The store organizers have to come up with innovative strategies. When People’s Grocery in Oakland was founded, they expected their number one goal to be opening a grocery store. But, as Mr. Sierra notes, People’s Grocery soon realized that more community education and organizing was needed. They decided to focus on community gardening and nutrition education, and tried different strategies of food distribution (e.g. the grub box CSA) that did not require as much capital as building or renovating a store space. Ten years later, the co-founder and former executive director Brahm Ahmadi has left People’s Grocery to create a sister company to focus on developing a store that suits the needs of West Oakland (Ahmadi 2009). Mr. Sierra adds that the store will not be a co-op because over the years Ahmadi realized that such an endeavor would be more difficult and there are not enough people with the basic skills to run their own business. Yet, there will likely be a strong employee education component to the store and an employee stock ownership program.

At Mandela Foods, worker-owners could not raise all the capital needed to open the store (Sierra). Setting up a sister nonprofit organization, Mandela Marketplace, was practical because it could provide training for workers (funded by grants) and raise funds. Both the People’s Grocery supported store and Mandela will prioritize providing healthy foods.

Some rural communities are also food deserts. Mr. Sierra cites Quincy, California and Lake County. In Lake County, Lake County Community Co-op currently has a farmers market and a food-buying club, and they are working on a feasibility study through the assistance of Mr. Sierra to determine if they should open a store. Currently there are 300 member-owners, but Lake County Community Co-op needs about 2,000 to support a store.

After organizing and raising capital, local government can support co-ops by eliminating barriers with construction or renovation. Mr. Sierra finds that there are good state and federal programs that address rural issues and food co-ops can fit within the larger framework of support for rural economies. Government funding and support for co-ops is less common in urban areas, although Mr. Sierra is less familiar with economic development in urban areas.

About twenty years ago, schools, especially rural schools in California, often had programs sponsored by agriculture cooperatives. The programs taught cooperative principles, and Mr. Sierra believes they were part of the curriculum. Those programs have largely disappeared. The programs were intended to help cultivate the next generation of agriculture cooperative employees and future farmers. Mr. Sierra finds that the concentration of agriculture in California has led to their being less interest and less need for teaching about cooperatives and agriculture cooperatives in particular. Now, there is generally more recruitment for cooperatives from generic fields. Knowledge of cooperatives “begins in the schools” (Sierra). Mr. Sierra supports increased education on the cooperative model throughout elementary and high school.

Food Co-op 500

Food Co-op 500 is focused on stimulating and supporting the development of new cooperative food stores in the U.S. with a goal of increasing the number of cooperative food stores from 300 to 500 by 2015. “We envision a support system that enables a faster and more effective start-up process, resulting in new cooperative food stores successfully serving their communities” (Food Co-op 500 2007b).

Stuart Reid is the Food Co-op Development Specialist at Food Co-op 500. He is well-qualified for the job because he has been working in co-op businesses for a “little more than half [his] adult working life” (Reid). Originally, Mr. Reid began working at the Seward Co-op in Minneapolis while in college (around 1978 or 1979) in a temporary position. He then came back a year later and worked there for five years. He has also worked at a co-op food warehouse, though it is no longer in business. Additionally, he has worked in other, non-coop sectors of the food service industry. Most recently, he was the manager of Just Food Coop in Northfield, Minnesota.

Food Coop 500 is not incorporated and thus it is not a nonprofit. Technically it is a project, and it does not have a formal organization structure. Mr. Reid has been with Coop 500 for about three years. (The Food Co-op 500 program has been around for five years.) There are two funding programs: Seed development fund grants and Sprout Funds. Seed Fund grants are up to \$10,000. Sprout Fund loans are funded by the National Cooperative Bank (NCB, a subsidiary of National Consumer Cooperative Bank) and can be up to \$25,000. Sprout Funds support incorporated co-op organizations in the middle of development-feasibility assessment and business planning (Food Coop 500 2007a). According to Mr. Reid, Sprout Funds “help bridge the gap between raising member-equity and bank loans, and pay the bills for opening the store.” Member-equity consists of refundable investments by members in the co-op. For both types of funding, co-op stores have to match the funding they receive with funds they have raised. Food Co-op 500 does not charge for their services or have any income besides grants made to them or supportive funds from program partners (which are Cooperative Development Services, National Cooperative Bank, National Cooperative Grocers Association) “so we have had a fairly uneven track record on being able to offer grants” (Reid). Though, as the loaned Sprout fund money comes back, more Sprout loans can be distributed. To date, twenty seed funds, and eight to nine sprout loans have been distributed (Reid). Funding recipients have to report monthly with a status update on how they have used the money. Mr. Reid advises funding recipients and assists them and provides links to needed resources.

Mr. Reid finds that not all, but probably the majority of funding recipients are natural food co-ops. Stores that are replacing another store “in a food desert type environment” often offer more conventional goods. Natural food co-ops may offer twenty to forty percent conventional goods, especially if the demand for such products is present in the community. Few of the cooperatives Mr. Reid is in communication with or knows of are worker-owned cooperatives. He knows of one that is forming, and one, Weavers Street, is a hybrid of worker and consumer-owned. Mr. Reid finds that most are consumer-owned because the larger membership means it is easier to raise capital based on the individual contributions of members.

“One of the biggest problems I have and all of us in the co-op community have—how can we provide this kind of food outlet in urban environments, particularly low-income urban environments?” (Reid). Support for co-ops and development of co-ops in urban communities can be difficult unless the community has a development or redevelopment program. In Alabama, the

Food Bank of North Alabama is sponsoring a developing co-op and they are applying for government grants. The co-op, Pulaski Pike Market in Huntsville (which Dana Harvey mentioned) will be a worker-owned cooperative in a low-income community and food desert, and will therefore provide access to local, fresh food, create jobs, and generate revenue for the community (Eating Alabama 2009). The co-op is at an advantage because the city of Huntsville will lease the land for the store for \$10 per year (*ibid*). The co-op will be the first worker-owned cooperative business in Alabama.

In areas of the U.S. with established co-ops the perceptions and knowledge are different than an area without established food co-ops. Mr. Reid finds that since there are many co-op grocery stores in Minnesota, many people are familiar with them, though to different degrees. Thus, people would not have to do a lot of explaining to others if they were trying to start a co-op in Minnesota. Sometimes people move and bring their co-op memories with them and share them with others, or the reverse happens and people learn about co-ops when they move and start shopping at one.

When you get to a certain critical mass of knowledge in a community, it seems to permeate the community. I feel that's what has happened with co-ops in some areas of the country, but not all. I think the co-ops that have been established for some time are doing a much better job of talking to their communities and spreading the word. (Reid) National organizations, including NCBA, do outreach and public relations work to support co-ops. But sometimes it is hard to push information onto people, "if people aren't interested in co-ops, they aren't going to pay any attention" to them (Reid). "When it does come time to organize a co-op in a community, you may have a lot of time and energy involved in getting [the] concept across" (Reid). Organizing a co-op involves recruitment, capital raising, and other activities, and some people feel they do not "have the time, energy, or skills to be actively involved, even if that isn't true (Reid). Although many people may have the skills needed to support a burgeoning co-op, it may still be difficult for them to provide individual financial contributions and/or time.

Usually a loan with better than average terms can support the development of co-ops, though such government-supported loans are not common. Mr. Reid emphasizes that co-ops that develop in the "inner city need to recruit as many people as possible." If the size of the store is small, it will be difficult for the store to meet the needs of the community. They have a hard time getting the "patronage they need to survive" (Reid). For most new co-op stores the size of the

retail aspect of the store (not including storage/warehousing) is usually less than 10,000 square feet. Mr. Reid finds that the average retail space for new stores is 3,000-4,000 square feet.

Cooperative Development Foundation

Following the principal that cooperatives help other cooperatives, the Cooperative Development Fund is a nonprofit foundation that provides grants and loans to cooperatives, and is the manager of the Howard Bowers fund. CDF supports co-ops internationally, and supports cooperatives in areas decimated by natural disasters through the Cooperative Emergency Fund (Cooperative Development Foundation). CDF is diverting donations until July 2010 toward co-ops (all industries) afflicted by the earthquake in Haiti.

The Howard K. Bowers Fund for Consumer Cooperatives was established in 1993 to honor Howard Bowers, an outstanding food co-op general manager who worked in co-ops in the Midwest. The funds for the grants come from Howard Bowers Day, which can be any day in October chosen by participating co-ops. On that day, 1% of sales are donated to the Bowers fund. The purposes of the fund are: to promote and develop consumer-owned food cooperatives and consumer cooperative education in the U.S., to provide education programs for staff, managers, and board of consumer cooperatives, and to encourage and train people to pursue careers in the management of consumer-owned cooperatives (Cooperative Development Foundation, 2008). Liz Bailey, the executive director of the Cooperative Development Foundation notes “Startups depend heavily on talented and committed volunteers, so training in best co-op business practices is essential, not only for staff and management, but also to enable those committed volunteers to become savvy board members” (*ibid*).

National Cooperative Business Association

The National Cooperative Business Association represents U.S. cooperatives of all types and industries. The Public Policy Program works to educate Congress and the executive branch on the benefits of co-ops and advocates for programs and policies that help co-ops (National Cooperative Business Association).

National Cooperative Grocers Association

National Cooperative Grocers Association (NCGA), was founded in 1999, and is a business services cooperative for consumer-owned food co-ops in the U.S. NCGA is owned by 114 food co-ops operating more than 145 stores in 32 states with combined annual sales of over \$1 billion (National Cooperative Grocer Association). NCGA helps unify natural food co-ops in order to optimize operational and marketing resources, strengthen purchasing power, and offer more value to natural food co-op customers.

Food Trust

The Food Trust (FT), a non-profit based in Philadelphia, was founded in 1992 and works to “improve the health of children and adults, promote good nutrition, increase access to nutritious foods, and advocate for better public policy” (The Food Trust). FT works in 100 schools and runs thirty farmers’ markets. FT is notable because it is an administrator of the Pennsylvania Fresh Food Financing Initiative (PFFFI). Prior to the Fresh Food Financing Initiative, FT launched an advocacy campaign to build awareness around the need for more supermarkets in underserved communities and launched a task force to address that need (Giang). Tracey Giang, senior associate of FT’s supermarket campaign, is experienced in public policy and grocery development. The supermarket campaign also works to finance stores and advocate for public policy change in New York, Illinois, and Louisiana.

The PFFFI has founded one co-op—Weavers Way. The Weavers Way Co-op was growing out of its existing space, and they wanted to find a second location (Giang). In addition, other communities approached Weavers Way about a need for a grocery store and greater fresh food access. Weavers Way eventually opened a small satellite store in the Ogontz neighborhood of Philadelphia and the Pennsylvania Fresh Food Financing Initiative provided some money to open that store. Currently Weavers Way has stores in the Ogontz and Mt. Airy neighborhoods of Philadelphia, and in spring of 2010 a third location will open in the Chestnut Hill neighborhood (Weavers Way).

Most of the stores financed by PFFFI are independently owned and operated (Giang). The stores range from a one-store operator to an operator with seventeen locations, but they are still independent, and regional rather than national chains (Giang). Ms. Giang finds that there is a strong independent focus in Pennsylvania and a good mix of independently operated stores; many are third or fourth generation operators. A few stores started off small a couple of

generations ago, and they have expanded over several generations to become full-service groceries that anchor downtowns.

In addition to grocery stores, PFFFI also has supported farmers markets, public markets, and corner stores. Corner stores used the financing to buy equipment so stores could carry more fresh products (Giang). PFFFI has supported several stores that operate under the ShopRight name. Wakefern Food Corporation, the merchandising and distribution branch for ShopRite, is the largest retail-owned cooperative in the U.S (Giang). The cooperative consists of forty-five members who own and operate ShopRite markets. This cooperative relationship allows independent grocers to better compete with multi-national supermarket chains.

In regards to co-op grocery stores, Giang finds that not all communities are the same: “I think every community has its own characteristics. Communities have different needs. Some formats fit in some communities, and some formats don’t.” For instance, in some smaller towns you might not need a larger 60,000-100,000 sq ft store. In an urban area neighborhood, markets might meet a community’s needs, or a larger store might be needed (Giang). A cooperative grocery store might not work in all communities. According to Ms. Giang, the co-op model is not widely known; a “co-op doesn’t always come to mind” when people think about food access. The thought of having requirements to shop might be something that is not easily understood (requirements associated with membership, volunteer or required work hours).

In some smaller, underserved communities, FT has found that independent operators are “the ones that are really able to locate...They are willing to adapt their format to fit the needs of the community members. [Stores may be] small format, offer different types of products, or have a sense of the community’s market potential” (Giang). Ms. Giang finds that these operators are more willing to take on the risk of opening in underserved communities, whereas national chains may not be as familiar with the local market and thus ignore certain communities. Co-ops are independent, and thus they offer the same benefits.

According to Giang, national chains do extensive market analysis using national data, “which can be expedient, but can overlook potential areas that have a lot of buying power and market demand.” This is why the studies by Social Compact Inc. are important. Ms. Giang finds that local operators, on the other hand, may be accessing information that’s a little bit different, that may be more informative about the true sales opportunities in an area.

FT conducted substantial research to document the need for more supermarkets. Researchers looked at where supermarket sales were, and overlaid that data with income and health, specifically mortality data (Giang). Low-income areas lack access and have higher rates of diet-related death. National studies have documented similar findings as well. Philadelphia's City Council asked FT to pull together a task force to identify what the particular barriers to food access were. Various stakeholder groups, including representative of the grocery industry were brought together to discuss why there are fewer stores in some areas. Access to financing to start up a project was the number one issue.

A project could cost a couple of hundred thousand to several million dollars. A lot of operators were finding that conventional financial institutions were not understanding the market opportunities and felt that lending in certain areas was risky, and thus the operators did not get the credit they needed. (Giang)

Operators need access to substantial credit before they can open the doors and before they can start making a profit.

The grocery industry is tough. "The margins are very, very thin, about 1-1.5% profit margins. Every bit of financing up front helps" (Giang). The PFFFI was created to provide access to financing because operators who wanted to operate in certain communities could not get funding (loans) because the typical financial institution did not have confidence in the market area. The Fresh Food Financing funding is supposed to be one time assistance associated with start-up costs. Higher start-up costs are generally associated with locating in under-served communities. The financing initiative can provide one-time grant or loan funding. Funding can support: site acquisition, workforce development, security costs, new construction, renovation, and equipment purchases (Giang). The program is flexible in terms of the types of projects and uses of funds.

Ms. Giang finds that many of the operators that have been funded try to incorporate locally grown and produced items. A variety of items are available seasonally and Pennsylvania has a rich farming community. In addition, Ms. Giang notes that stocking locally grown and produced items makes business sense and has an impact. In terms of store site, Ms. Giang notes that a number of stores like to locate along areas with good access to transportation (public transportation and easily accessible for cars). "From a planning perspective it's great to have as much walkable access as possible" (Giang). Above or below parking lots may be preferred to

standard drive in lots because land is at a premium, especially in urban areas. Grocery stores are often “anchor” tenants in a development, and help bring customers to the other stores in a larger shopping center, or downtown shopping area. Ms. Giang also finds that it is important that stores consider the demographics of the area.

All of the PFFFI projects are different. Sometimes operators have met with community leaders on their own. For some projects, FT has been involved in the associated community meetings. Some operators have already reached out to community members before FT is involved with financing. Ms. Giang finds that successful stores need community support. Often, FT does a lot of the initial outreach to communities and eligibility determination (for store grants). FT works to make sure communities, municipal officials, and the industry know that the Financing Initiative is an available resource. They communicate with community members and organizations to find out what they think of an operator’s existing businesses (if they have any).

Chapter 6: Overall Co-op Issues and Themes

La Montanita, Co-Opportunity, North Coast, and Rainbow (except during the expansion during the 1990s) were all self-financed and did not receive government financial support. Member-supported loans, such the loan program at Weaver Street, may be a good option for some co-ops, but such a program needs members with substantial personal capital. Government funding sources for co-ops may not be obvious, but new co-ops or expanding co-ops should look into them, and different local governments may be able to provide different amounts of funding. In addition to government funding, there are many foundations that support cooperatives or their associated nonprofits.

Membership has a cost, but does have benefits. Not all of the people who want to be members may be able to because of individual financial situations. All of Mandela and Rainbow's workers are members, but at Weaver Street, only 100 out of 250 workers are (numbers have not been recently verified). North Coast co-op workers noted in my survey that they received a "free" membership when they became an employee. I am not sure whether there is a cost for worker membership, but this may depend on the individual co-op. At Rainbow, members attend orientation and buy one share at a cost of \$10 to become full worker-owners.

Is a certain ownership model best? Since I am fond of compromises, I find that a hybrid model could work. The Weaver Street hybrid model sounds interesting, but I wonder why not all of the workers are owners. At North Coast, some workers are also owners, which is possible at any community-owned co-op.

Since the co-op is a business the top priority should be to make money. The top priority in opening a store is financing. However, informational meetings and events with the community are just as important. It is important that the people organizing a store communicate with the community and find what they want—a survey would complement discussions. Such activities are important for making sure people know about the co-op so they can become involved, and so that the co-op will be familiar to people when it opens, and thus the store will have a supportive consumer base. In addition, some education of the co-op model will likely be necessary so that potential shoppers and/or members will welcome the business because it is more supportive of the community than other grocery stores.

A supportive consumer base is also essential for countering competition with non-coops. Several of the store managers emphasized the importance of differentiating the co-op from other

stores in the area. Authentic personal relations, labeled local products, and special activities such as cooking classes, make a co-op more community-oriented and help it stand out in comparison to other stores. If the community identifies with the store and finds it has a “local identity” they will be more supportive of the store.

Nonprofits affiliated with co-op stores are useful for making a co-op a viable option in certain areas and for supporting the community. Mandela Marketplace helped the West Oakland community organize around a proposed Safeway/Walgreens and to get what the community wanted. Mandela Marketplace was also able to apply for grants to support worker training since it is a nonprofit.

Prices and wages are important aspects of a co-op, though they are not always complementary. Wages and benefits for workers are important and can increase a community’s support of a new store. The managers of North Coast and Co-Opportunity emphasized that the stores want to support the workers to the greatest extent possible, but they do not want to raise prices too high in order to create greater revenue. Additionally, co-ops, largely those focused on natural foods, have a negative reputation as expensive stores. In my surveys, several of the respondents mentioned that prices needed to be lowered. A local focus and community feel can help counter the high prices in comparison to conventional stores, which may have cheaper prices, but not be locally owned. Alternative food stores and food-buying clubs generally target higher-income consumers interested in nutrition and health, and the environment (Gottlieb 2001, 254). Some people are deterred from shopping at co-ops because of the prices and the related hippie and alternative lifestyle stigma. Co-ops can choose to offer more conventional items to appeal to a broader consumer base, in addition to doing outreach in the community and providing information through pamphlets and spokespersons.

In addition to a growing interest in eating healthy, many people are considering the “just” aspects of the foods they consume. By supporting local producers, co-ops can provide a connection to the local community. Shopping at a co-op allows one to support a business that considers workers an integral part, the local producers as essential, and the environmental impact of operations important.

Chapter 7: Conclusions and Recommendations

Co-ops are excellent options for increasing community control of a variety of foods and other goods. Co-ops are important because they are *just* businesses that support the triple bottom line of people, planet, and profit. By increasing access to health food and providing nutrition education, co-ops can support the health of a community. Also, co-ops can support small and local producers and farmers, and they can provide the nationally and internationally produced items people want, such as packaged organic goods and fair trade goods. Co-ops can further support the community by using the profits to support local nonprofits and provide additional profits to the owners (the workers or the community members). Co-ops do not have to offer the goods described above (organic, health foods, etc.); they have the option of providing whatever their members want. The co-op model has taken on many different forms throughout its history depending on the constituency involved and the time period. The current momentum behind co-ops supports natural food type stores, but these may not provide the goods some people are familiar with nor want.

In terms of communities underserved by grocery stores, co-ops are an excellent way for communities to take control and avoid the difficulties of attracting a corporate grocer and working with them to develop a Community Benefits Agreement that will truly benefit the community. Starting a co-op in an area where people are not familiar with co-ops and do not have extensive formal education and/or are not middle to upper class (i.e. have the capital and feel they have the necessary skills to help) will be difficult, but there is more public funding for projects in underserved communities. A non-profit is useful for raising money, especially for worker-owned co-ops. Enterprise and Empowerment Zones are eligible for tax credits, therefore co-ops would benefit from locating in areas that have been designated as such by the government.

Overall, co-ops and their associated organizations should hold preliminary meetings and conduct surveys to determine what a community wants (as Mandela Foods did). The more co-ops that are successful, the better the situation for future co-ops, because the knowledge of the co-op model will increase. Several co-ops are at various points in the developing stages, and the growth of the natural foods industry and the interest in sustainable and local food will support future natural foods oriented co-ops. In Los Angeles, groups are hoping to bring co-ops to the

communities of Highland Park, the area served by the Echo Park Time Bank and the EcoVillage, and Altadena.

Recommendations for increasing the prevalence of co-ops, especially in underserved communities

National Organizations

A variety of national organizations are already working to support co-ops through grants and loans, education, information sharing among co-ops, and public policy. A priority of co-op organizations should be education, especially for those far from existing stores. Knowledge of co-ops could be improved through a public education campaign. It may be difficult to get the message of cooperative models out through billboards, television, radio, and Internet videos, and a variety of education methods will be needed. Currently, there is a Girl Scout patch program through Cabot dairy co-op that teaches girls about cooperatives as a business model (Cabot). Although, an education campaign would divert money from the other pursuits of the co-op organizations, such as financially supporting new and expanding co-op stores. Luis Sierra of CCCD is supportive of educating students in k-12 schools on cooperatives, but it may be difficult to make it a school standard. The onus falls on individual teachers who can find a way to teach students something that is not required for a standardized test and is not a state standard. Charter schools and private schools may be a better vehicle at this time, and cooperative organizations could work on writing and distributing a trial curriculum.

Federal Government

Recently, the Obama administration announced the National Fresh Food Financing Initiative. Although only one cooperative grocery store was financed under the Pennsylvania Fresh Food Financing Initiative, the NFFFI will be useful for supporting grocery development where it is most needed. Community organizations interested in bringing a co-op grocery store could likely apply for the new national funds. The NFFFI will involve a partnership between the Departments of Health and Human Services, U.S. Department of Agriculture, the Treasury, and the private sector funds (Treasury/USDA/HHS 2010). NFFFI is important because it will support local economies, increase access to healthy food, and provide jobs.

I support the creation of an office of Urban Agriculture in the USDA. In March 2010, H.R. 4971, “Greening Food Deserts Act” was introduced in the House of Representatives. The

act proposes a new office in USDA so that urban agriculture issues will be better addressed across the U.S (Kaptur, et al, 2010). The bill calls for support for farmers' markets and community gardens, among other programs. Currently, USDA's office of rural development supports farmer cooperatives with several programs, and the Rural Cooperative Development Grant Program funds nonprofit corporations associated with co-ops. Perhaps, through development of the office of Urban Agriculture more urban cooperatives could be financed, at least indirectly through nonprofits. Funding cooperative stores indirectly would be within the USDA's focus because co-op stores are often closely linked with local farmers, who are often small producers. The new USDA program, Know Your Farmer, Know Your Food could also help with funding co-ops, especially those that focus on local food and have entities such as food sheds and warehouses.

Local Government

Instead of providing incentives to chain grocery stores in hope that they will locate in needed urban communities, local governments can support groups and nonprofits interested in bringing a co-op grocery store to the community, which will support the local economy more than chain groceries. The offices of economic development and planning can work with co-ops to help them secure sites, ease the permitting process, and link them with available public financing. Community Redevelopment Agencies could work with groups hoping to develop co-ops and help them find suitable sites for which Enterprise Zone and Empowerment Zone funds are available.

Nonprofits/ Community Development

Many nonprofits and community development corporations are involved in bringing grocery stores to needed neighborhoods, but may not necessarily know how. Local organizations should partner with community members interested in bringing co-ops or co-op organizations that can provide technical assistance. Organizations could start off with food projects such as Community Supported Agriculture (CSAs) and cooking classes to increase people's connection to local and healthy food. In addition, people could learn about the co-op model through educational forums so that they would understand it further and would likely be interested in supporting such a business through organizing efforts and shopping.

Food Policy Councils

Food Policy councils attempt to integrate issues of concern to health advocates, food justice groups, farm groups, workers rights groups, and immigrants rights groups. Many different people can be members of food policy councils: educators, hunger advocates, citizens, non-profit organizations, chefs, business owners, government employees, farmers, food distributors, and numerous others. Councils can be within a government agency, hosted by non-profits, or non-profits themselves. The functions of food policy councils include fostering communication from sectors of the food industry, providing a forum for discussing food issues, launching or supporting programs and services that address local and regional needs, and evaluating and influencing policy (Food First 2009, 2).

Food Policy Councils can exist at the state, regional, county, or city level. The Detroit Black Community Food Security Network (DBCFSN) is focused on developing policy to eliminate barriers to African American participation and ownership in all aspects of the food system, exploring the re-distribution of wealth through cooperative community ownership, and holding companies who make money off of Detroiters accountable for including Detroiters in their businesses (Food First 2009, 3). In 2008, DBCFSN partnered with the city to create a food policy council to address the above issues. According to Food First, the key potentials of Food Policy Councils are: addressing public health by addressing hunger and food insecurity and improving the quality of available food; affecting national policy debates; connecting sectors that do not normally work together; bringing local food policy into the mainstream; and supporting local economies and combating poverty (*ibid*). Food policy councils can potentially support new and emerging consumer food cooperatives.

Los Angeles Food Policy Task Force

I recommend that the task force support grocery store development, but particularly the development of co-ops. Community Health Councils, based in South Los Angeles, is concerned with bringing high-quality food options to the communities they serve, and a co-op could meet the community's needs. Los Angeles Alliance for A New Economy is focused on bringing good quality grocery jobs to East Los Angeles, and a co-op could provide a well-paid job in a supportive environment. The LAFPTF should stipulate that the Community Redevelopment Agency prefer co-op grocery stores in areas where grocery retail will be occurring. Furthermore,

non-profit housing developers could be required to consider locally owned business for mixed-use developments before choosing national retailers.

Affordable Housing Developers

I recommend that affordable housing developers listen to the communities where they are developing properties. Developers should survey the community to see what they want in mixed-use development. Developers can and should help community-owned businesses because an affordable housing developer exists to serve the community.

Individual Stores

New co-ops or additional outlets to an existing store can choose to open in mixed-income communities, and can receive government funding if they locate in Enterprise or Empowerment Zones. The government funding will be useful to allowing the co-op to open sooner (raising capital and membership drives can take several years), and the location will make the store and its offerings available to a wide and diverse group of people. Existing co-ops should also redirect a percentage of sales toward developing other co-ops; the Mondragon Cooperative in Spain practices this. I recommend that store organizers attend co-op conferences, and talk with other co-ops because co-ops are generally interested in helping other co-ops. Overall, since co-ops are a part of the community, they should meet with the community and determine what the community wants from a store.

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Cooperative Grocery Store Consumer Survey (you may write additional responses on the back)

Date: _____

Gender: _____

What race or ethnicity do you identify as? _____

What is your age?

- A) 18-29
- B) 30-40
- C) 41-60
- D) 61 and over

Residence zip code: _____

1. On average, how often do you shop at this store?

- A) Once a month or less
- B) Twice a month
- C) Every week
- D) More than once a week

2. Why do you shop at the co-op? (You may select more than one answer.)

- A) To support local, independent businesses
- B) To buy organic food
- C) To buy "natural" products, including body care items
- D) To buy items in bulk
- E) Other reason _____

3. If the store is a consumer-owned cooperative, are you a co-op member? Yes _____ No _____

1a. If so, how long have you been a member?

- A) Less than one year
- B) 1-2 years
- C) 3-4 years
- D) 5 years or more

1b. Why did you decide to become a member? (You may select more than one answer.)

- A) Financial benefits, such as coupons and member discount days
- B) I want to support the co-op in any way possible
- C) The democratic features of the co-op appeal to me and I want a say in the co-op
- D) Other reason: _____

5. Please list the names of stores or markets where you have bought food during the last month:

6. Is there anything you wish the co-op would provide that it doesn't already provide (e.g. social events, cooking classes, specific products)?

7. Is there anything else you would like to share in regards to this co-op and your experience with co-ops overall?

Summary of Survey Results

North Coast

a) Arcata

59% shop at the store more than once a week

59% of shoppers are members

90% have been a member for more than five years

** No Whole Foods stores in the area

b) Eureka

25% shop at the store more than once a week

56% of shoppers are members

66% have been a member for more than five years

** No Whole Foods stores in the area

Co-Opportunity

56% shop at the store more than once a week

88% of shoppers are members

50% have been a member for more than five years

63% said they had shopped at Whole Foods within the past month

Rainbow

6% shop at the store more than once a week

*Worker-owned

33% said they had shopped at Whole Foods within the past month

Mandela

50% shop at the store more than once a week

*Worker-owned

46% said they had shopped at Whole Foods within the past month

Cooperative grocery worker, board member, or other actor interview

1. What is your role in the co-op?
2. Who started the co-op?
3. When did the co-op start?
4. What were the original goals?
5. How was the location of the store chosen?
6. What is/was the role of local government in developing the co-op (i.e. permitting, subsidies)?
7. What sorts of benefits do you gain from being a member of a co-op organization (i.e. Natural Cooperative Grocers Association)? If you don't belong to an organization, why not?
 - 7a. Has membership in an organization affected the success of the co-op? If so, how?
8. How much of the food offered by the store is organic? (Maybe an approximate percent or number.)
9. How much of the food and other non-food items offered by the store are locally produced?
 - 9a. How do you define "local"? Do you have certain miles restrictions, and if so, how were those decided upon?
10. What do you think are the key reasons for your co-op's success to date?
11. What do you think are the biggest challenges facing your co-op?
 - 11a. How might these challenges be addressed?
12. How was the structure of the co-op (consumer or employee owned) chosen?
13. Has the co-op considered expanding into other locations? Why would it expand, and where?
14. What advice would you give to people trying to start a cooperative grocery store?