



California Center for Cooperative Development
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Frequently Asked Questions from New Food Co-op Organizers

Every year we hear food co-op organizers' questions and assumptions about how food co-ops start and how they can benefit their local community. We interviewed a dozen mature California food co-ops and 6 new co-ops in California and other parts of the US to learn a little more about what's worked and what hasn't, and what the impact of the store has been on local economy and agriculture.

As you reach out into the community, we know you'll get questions about what the possible benefits of a consumer owned grocery store, and about the perceived negative effects of a new player in the local foods market might be. We hope this information will help you respond with concrete information that will help win over doubters and detractors.

Q. What differentiates a food co-op from a locally owned grocery store?

A. A food co-op is member owned store, based on a democratic model and cooperative principles. Especially in California, they are dedicated to local producers and suppliers and focus on providing locally produced, family farmed, organically grown, and non-GMO food.

Q. Why is it important to buy local? And why shop at a food co-op?

A. Food co-ops recognize that local farms and ranches preserve agricultural land and encourage organic and sustainable practices by preferentially purchasing from them. Local farms and businesses create local jobs, support local charities, and build the local economy. Profit that they make in running these businesses stay locally because the owners- the members- are local. In doing so, local farms and businesses keep more money in the community.

Q. What are good techniques to attract members before having a storefront?

A. There is not one universal technique that is guaranteed to enroll members prior to obtaining a physical store. Every food co-op is unique and its uniqueness varies in correlation with the diversity and relationships of the communities residents. Word of mouth was the top response by existing food co-ops for attracting new members. Followed by conducting a local campaign and tabling. A core principle of a food co-op is supporting the local food economy, in order to garner support the start-up team should highlight the positive externalities the food co-op will have on the immediate local community.

The use of technology is a valuable component of a start-up stores strategy. Doylestown Farmers Market maintained a sign-in sheet at all events they participated in and sent out a regular email blast to the list. Then they applied their email list to the Nation Builder platform,



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a community organizing system. Using this system has helped them organize their email list efficiently, learn about what prospective and current members want, and use social media technology to draw them in.

Q. What financing strategies are recommended for opening a food co-op?

A. Food co-ops use a combination of owner equity, bank debt, member loans, and donations. Owner equity and member loans generally make up the major portion of startup capital, ranging between 50-60%.

Our research showed that majority of food co-ops rely mostly on member loans, some county or city based economic development grants or loans, and some bank debt.. Only one, Arena Market and Café took on bank debt to open. Several others received working capital loans after opening

Q. What factors should be considered when choosing a location for the food co-op?

A. Many factors must be taken into consideration when choosing a location. In general, the main factor people choose to purchase from one store versus another is convenience, so traffic patterns and parking are vital. We recommend every cooperative organizing group conduct a market study to get an idea of the potential sales at a few different potential locations. From expected sales figures, you can calculate store size. Ordinarily, to have a financially viable, full service food co-op 6,000 sq. ft. (2/3rd of which is retail space) is the minimum size. Less than this means the store has difficulty being a 'one stop' shopping experience that most shoppers look for in a grocery store.

Most food co-ops prefer to be centrally located and/or easily accessible. Doylestown Food Co-op, chose to be located downtown at the cost of limited parking, something they think was the correct decision but they recognize the inconvenience this has placed on their customers.

Q. What techniques are recommended to attract people to volunteer their services while in the development phase?

A. Attracting volunteers to help open the store will be as challenging as signing up members before the store is open. If you do have members, it is recommended you recruit volunteers from this pool. Many volunteers will volunteer, simply out of a belief in your mission or altruism. Others will have to be persuaded. A personal approach and request for someone's help is more likely to be successful than a general announcement. Be sure to respond promptly when someone expresses interest. Maintain a list of things that you need help with and try to match the volunteer with something that they are interested in and can be successful at. People who have a good experience will more often come back for more.

Q. How can we use volunteers once the store is open?



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- A. While volunteers are absolutely necessary for opening a store, existing stores should never depend on volunteers for core operations. We note that practically every attorney advising California cooperatives has recommended that the cooperative not use volunteers because of the potentially damaging consequences of running afoul of OSHA, Fair Labor Standards Act, Workers Compensation, and general liability.

In spite of these recommendations, we see that almost all mature food co-ops offer some kind of work exchange, volunteer, or worker-member programs, but these should be seen more as a membership outreach effort than about reducing operating costs. Only one of the co-op's we interviewed stated that they received a net benefit compared to the costs of running a volunteer program, which include keeping detailed records and paying workers comp on volunteers.

These programs generally offer store credit and discounts on purchases for their volunteers. Examples for member-worker programs: the Placerville Food Co-op gives a 10% discount for an entire month for every 4 hours or more volunteered and Davis Food Co-op offers Volunteers come at a net cost.

The Davis Food Co-op gives members who volunteer a 5% discount off the shelf price on their Co-op purchases for each month that they participate. A member may enhance their membership benefits, by participating in the Superworker program. Members in the Superworker program, commit to volunteering 4 hours per week and receive a 16% discount. Davis Food Co-op cites their program as having a net cost in terms of administrating the program.

Q. What is the average dollar amount a food co-op spends on local suppliers?

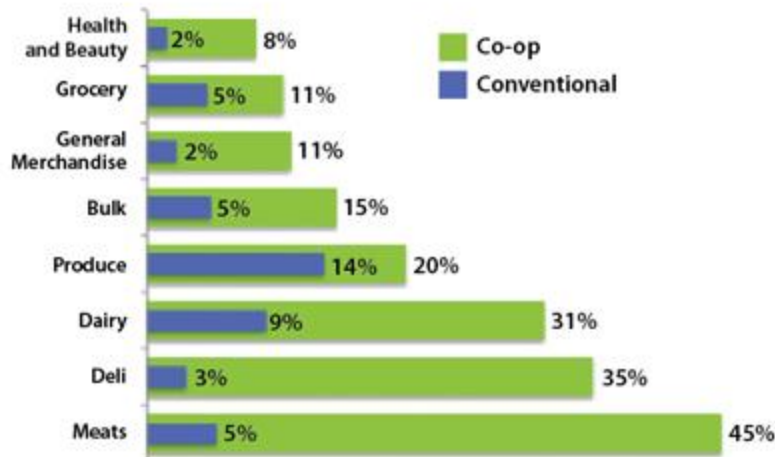
- A. The dollar amount food co-ops spend with local suppliers varies from store to store. It is dependent on the total local suppliers the food co-op purchases from and store sales. The local food economy is a top priority for the food co-op and each year they aim to increase purchases from local suppliers. Great Basin Food Co-op is an 8,100 sq. ft. store and spends \$300,000 with local suppliers annually. North Coast Food Co-op is a 27,000 sq. ft. store and spends millions of dollars with local suppliers annually. As the food co-op grows, so will it's spending with local suppliers.

Our research showed that the average California co-op purchases almost 30% of the products it sells from local sources. The following graph shows the percentages of local purchases by department between the average food co-op vs. a traditional grocery store.



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Local Purchasing Co-op vs. Conventional



From "Healthy Foods, Healthy Communities: Measuring the Social and Economic Impact of Food Co-ops," http://strongertogether.coop/wpcontent/uploads/2013/07/Healthy_Foods_Healthy_Communities.pdf

- Q. How many local suppliers does a food co-op normally purchase from?**
- A.** Most California food co-ops consider their local food shed to be within a 100 mile radius. Total number of local suppliers, generally depends on the size of the store and actual local suppliers in the area. Smaller and medium size stores (approximately 6,000-20,000 sq. ft.) support on average 50-125 local farmers, ranchers, and other suppliers. Larger food co-ops (20,000+ sq. ft.) support hundreds of local farmers, ranchers, other suppliers. The Davis Food Co-op in Davis, Ca purchases from over 600 local suppliers.
- Q. What practices can be implemented to foster a positive relationship with local suppliers?**
- A.** Be prepared for an inundation of local suppliers of many kinds and different capabilities- from hobbyists to professional businesses by having a system in place to evaluate and make decisions on products quickly and efficiently. Take the time to get to know some of your local producers.
- Chico Natural Foods Co-op conducts farm visits to get to know the growing practices of each of their growers. Some of these visits they've done social media promotion for and have seen an increase in sales of those products.
- BriarPatch Co-op has implemented a crop planning system with farmers. BriarPatch buyers send farmers a list of the fruits and vegetables they expect to need, how much of each, and when. Farmers reply with their own lists of the crops and the quantities they want to provide to BriarPatch. The Produce Department Manager then confirms which crops they would like to buy from each farm.



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BriarPatch's coordination efforts have yielded great results for their members and farmers. Local and regional produce sales for 2014 are on track to approach \$1 million. The farms' business with the Co-op is an important marketing component for them.

Q. How can a local food co-op and local farmer market have a positive and mutually beneficial relationship?

- A.** Food co-ops generally have a positive relationship with farmer markets. Cross promotion is an excellent way for the food co-op to support the local farmers market. North Coast Food Co-op has run an ad campaign with the theme "When you can't go to the Farmers Market, North Coast Co-op has varieties of local, organic melons (or tomatoes, or peppers, or apples, etc.)" The executive director of the local farmer market thought it was an excellent idea, especially since it placed the emphasis on the farmer market first.

Ann Evans, co-founder of the Davis Farmers' Market and Davis Food Coop, said "They grew up together, like brother and sister. We were building component parts of a local food system; I don't think it ever occurred to us to do one without the other."

In the rural mountain town of Quincy, the relationship between food co-op and farmers' market is even closer: Quincy Certified Farmers' Market is administered by and through the Quincy Natural Foods Cooperative Board of Directors. The Market Manager works under the direction of the co-op's General Manager.

The Placerville Food Co-op tables at the local farmer market and sponsors the SNAP/EBT payment processor. They don't sell anything and are only interested in providing access to healthy food to low-income people. This Co-op believes that their presence gives the food co-op exposure, improves sales for the farmers' market, and provides a public service.

Q. Has there been a change in sales at the food co-op during the hours the farmer market is open?

- A.** Our survey revealed that only one food co-op reported a decrease in sales during the summer when the local farmers market is open. But they contribute the lower sales to factors in addition to the farmers market, including produce from members' home gardens, and family vacations. Out of eight food co-ops sharing information with us, 38% report increased sales during farmers' market times, and 50% didn't report any change in sales.