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Food co-ops on the rise as Mainers seek local foods, buying power

BY LORI VALIGRA

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PHOTO / TIM GREENWAY

Rachelle Curran Apse, a board member of the **Portland Food Co-op**, with her baby, **Tobin**, at the food buying club, which will become a storefront co-op in September

The number of member-owned food co-operatives in Maine is on a course to almost double to 11 this year, leavened by a taste for locally produced food that is safe and healthy.

While these new storefronts still plan to be community venues, they aren't our parents' co-ops. Many aim to offer one-stop shopping, carrying a wider variety of goods in addition to the traditional bulk items and "granola-type" fare. And backed by development loans and legions of member owners, they have become a force in the local economy.

"There's a local economic multiplier," says Kate Harris, education and publicity coordinator at Belfast Co-op, which started in 1976. "Our bank and payroll are based in the community. A much higher percentage of money stays in the community. We spend as much as we can locally. And the largest contribution is that we won't leave the state."

Maine's Food Co-ops

1. **Barrels Community Market** Waterville
barrelsmarket.com

2. **Belfast Co-op** Belfast belfast.coop

Nationally, every \$1,000 a shopper spends at a local food co-op generates \$1,604 in their local economy, \$239 more than if they shopped at a conventional grocery, according to strongertogether.coop, a consumer website run by the National Cooperative Growers Association. Other metrics: 157 local farmers and producers on average work with a food co-op versus 65 with a conventional store; 20% of products are locally sourced versus 6% for a standard store; and 38% of revenue is spent locally versus 20% for a regular store (see chart, next page).



RENDERING / COURTESY PORTLAND FOOD CO-OP

Portland Food Co-Op plans to open its storefront this September.

Food co-ops on the rise as Mainers seek local foods, buying power

Sidebars

What is a co-op?

In the loosest sense, a co-op is any voluntary organization composed of a group of individuals (or organizations) formed for their mutual (generally, financial) benefit.

These informal associations and the more formal ones discussed share a number of common features.

They all are democratic, volunteer associations.

They are formed for mutual financial benefit (to save money or to increase buying power); in short, they are businesses.

They are non-profit organizations; what would be profit in other organizations is returned to the members/owners.

Co-ops are all around us. They include credit unions, mutual insurance companies, housing co-ops, rural electric power co-ops, consumer goods co-ops (like REI), distribution coops (like Ace Hardware) and producer co-ops (like Sunkist, Land'O Lakes).

Source: coopdirectory.org

Differences between co-ops and other grocers

Local Impact	Co-op (consumer-owned)	Conventional (privately or investor owned)
local farmers and product producers working with each store	157	65
locally sourced products sold	20%	6%
percentage of income devoted to charitable donations	13%	4%
revenue spent locally	38%	24%

Healthy & Sustainable Foods	Co-op (consumer-owned)	Conventional (privately or investor owned)
Organics as a % of all grocery sales	48%	2%

Employees	Co-op (consumer-owned)	Conventional (privately or investor owned)
average employee earnings, including bonuses and profit-sharing	\$14.31	\$13.35
revenue spent on local wages and benefits	19%	13%

Source: www.strongertogether.coop

Cooperative succession

Co-ops aren't just for the here and now. They also offer a way to keep a conventional business going when the owner wants to leave. That's especially true with small businesses, including food markets in rural communities that may be difficult for owners to sell.

That was the case with the owners of four stores in Stonington, who after 40 years in business wanted to sell the stores, but keep them locally owned and viable. When one potential buyer didn't work out, they sought alternatives. The plan that succeeded and currently is in the works is selling the stores — Burnt Cove Market, V&S Variety, V&S Pharmacy and The Galley — to employees and turning the businesses into a co-op called the Island Employee Cooperative. So far, 45 of the 60 employees have agreed to join the new co-op as owners.

The owners, Vern and Sandra Seile, worked with the Cooperative Development Institute and the Independent Retailers Shared Services Cooperative for technical and business assistance. The co-op has turned to CEI for financing.

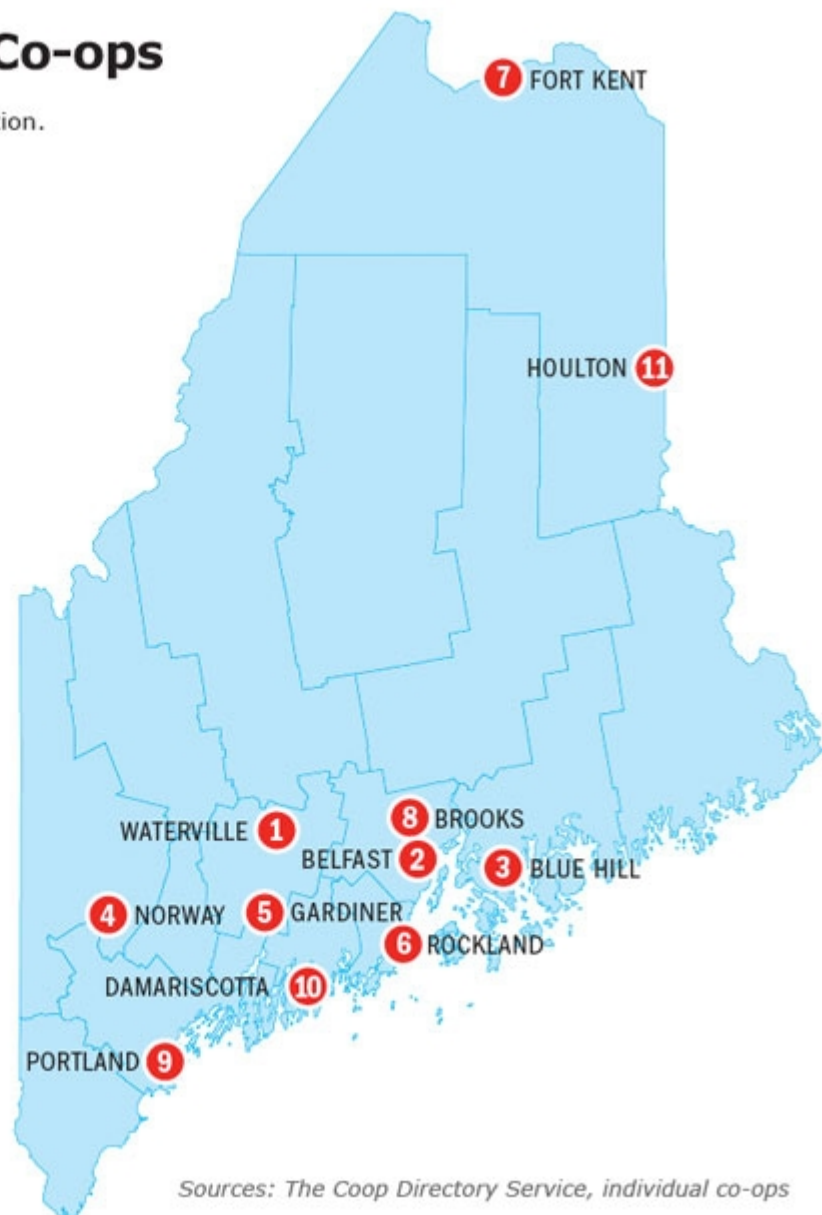
"These businesses are a major employer on the island," says Rob Brown, manager of the Business Ownership Solution program at CDI in Maine. "The question was what a buyer would have done. We helped them start a co-op. This is a major opportunity for Maine to consider and a model to develop." He explains that by comparison, an employee stock ownership plan or ESOP is fairly expensive to administer, so it requires a larger business size and value.

"For 99% of the businesses in the state, ESOP is not an option," says Brown. "A lot of people will retire in the next five to 10 years. This is a valuable model for Maine to be promoting. It's a great way to transfer ownership over time for succession planning. It keeps jobs in the community." He estimates that fewer than 10 such co-ops currently exist in Maine.

Daniel Wallace, program developer, sustainable agriculture, at CEI, says the potential range of benefits for such co-ops is large. "These are strategies that enable businesses in small towns to grow and thrive," he says. "I hope it works with the grocery business in particular, especially in rural areas. In many Maine small towns, there still is only one small grocer."

Maine's Food Co-ops

See sidebar for more information.



Sources: The Coop Directory Service, individual co-ops

3. Blue Hill Co-op Community Market & Café Blue Hill bluehill.coop

4. Fare Share Market Norway
faresharecoop.org

5. Gardiner Food Co-op (just starting)
Gardiner klfi.org/the-gardiner-food-co-op

6. Good Tern Natural Foods Co-op
Rockland goodtern.com

7. Market Street Co-op (just starting) Fort Kent
marketstreetcoop.net

8. Marsh River Cooperative (just starting)
Brooks goo.gl/ODbbDI

9. Portland Food Co-op (to open storefront in the fall) Portland
portlandfood.coop

10. Rising Tide Community Market
Damariscotta risingtide.coop

11. The County Co-op and Farm Store (just starting) Houlton
fb.me/TheCountyCoopandFarmStore

Sources: The Coop Directory Service, individual co-ops

jobs.

"Selling to stores helps small farmers feed into the local food movement. The idea of having co-op businesses is a really exciting way for folks to be involved in building the local economy and the local food system," she adds. "And compared to a farmers market, we're open seven days a week." Curran Apse says the food co-op model is different than the supermarkets most people are used to, so the Portland co-op has to provide education about the advantages of joining a co-op, like members-only sales.

Another benefit to co-ops: members essentially pick the food they want to buy. If they don't like something, they can vote it out of the store.

Co-ops are voluntary organizations composed of individuals or organizations formed for mutual benefit of workers, consumers, farmers and producers. They come in many different sizes and industries. They are nonprofits, usually incorporated, that return excess proceeds to their members/owners. Co-ops include credit unions, mutual insurance companies, rural electric power co-ops, distribution co-ops like Ace Hardware, housing co-ops and producer co-ops like Sunkist. Altogether, there are more than 29,000 co-ops in the United States, providing more than 850,000 jobs, \$74 billion in annual wages and nearly \$500 billion in revenue. Co-ops can use their own Web address extension, .coop, which more than 3,000 have adopted, according to strongertogether.coop.

There are between 300 and 350 member-owned food co-ops in the United States, according to the University of Wisconsin Center for Cooperatives. Compared to food buying clubs, which operate on a pre-order basis, food co-ops are storefronts where food is available

Unlike conventional supermarkets, which can be owned by individuals or corporations, food co-ops typically are owned by their members, each of whom has one voting share. Although food co-ops are open to the public, members receive certain benefits such as discounted prices. And unlike buying clubs, where members are volunteers and pre-order food that they pick up from a warehouse or other location, food co-ops have paid staff and are located in storefronts with regular store hours. That provides access to shopping seven days a week, unlike a farmers market.

The Belfast Co-op now has 3,500 members. Its customers bought nearly \$1.68 million worth of Maine-made products in the past year, contributing 20% of its \$7 million-plus in revenue, Harris says. Total economic multiplier figures for all Maine food co-ops are hard to come by because few co-ops keep those figures.

"A co-op is a legitimate form of business," says Marada Cook, co-owner of Crown O'Maine Organic Cooperative in North Vassalboro, which distributes local food to 38 co-ops and food buying clubs around the state. Cook adds that her company has sold more than \$5 million worth of local food in the last three years. "And it all goes back to our local community. Every dollar into a co-op has a purpose and a place in the community." She says her company is in the midst of expanding its ownership to other employees.

Cook says "co-op" is considered a dirty word by the population at large, mainly because agricultural co-ops in the state haven't been as successful as in other parts of the country. But they can be a successful model. And she encourages the business community to engage with co-ops.

Co-ops date from colonial times, when people banded together to get more for their money. In the 1800s, when the population shifted from farms to cities, co-ops provided buying power and a place to socialize. As city populations boomed, a backlash ensued: the back-to-the-land movement took hold in the 1960s and 1970s with a focus on simplifying life and growing food sustainably. Today, with populations once again moving back to cities, food co-ops have become a way to get back to the land without moving.

"The biggest challenge with local food is accessing it," says Rachelle Curran Apse, board member at the Portland Food Co-op, which is in the process of transitioning from a food buyers' club into a co-op that plans to open with 1,400 member-owners in a 5,000-square-foot storefront at 290 Congress St. in September. It plans to create 20

immediately like a conventional supermarket. The United Nations declared the International Year of Cooperatives in 2012, which coincided with many local discussions to transform food buying clubs into co-ops.

Co-ops can either be owned by member consumers or by their workers. The Portland Food Co-op and Belfast Co-op are member-owned, whereas Local Sprouts Cooperative, a food cafe in Portland, is worker-owned. Harris says the Belfast Co-op is in early discussions to possibly become a hybrid member-worker-owned co-op, which could increase the options for membership.

The member-owned co-ops just starting in Maine are in Portland, Brooks, Gardiner, Houlton and Fort Kent. Existing member-owned co-ops are in Belfast, Blue Hill, Damariscotta, Norway, Rockland and Waterville. In addition, the worker-owned Island Employee Cooperative is in the works in Stonington. It will combine four existing conventional shops, two of them food stores, a pharmacy and a variety store (see "Cooperative succession" sidebar on page 16).

"Anecdotally, there's been an increase in the past 18 months," of food co-ops seeking funding, says Daniel Wallace, program developer, sustainable agriculture at CEI, a community development corporation based in Wiscasset. "A number of food co-ops have talked to us and also buying clubs that want to transition to a food storefront."

Wallace adds that he thinks food co-ops have a competitive advantage based on their local ties to the community and to local producers and food. "It's a well-designed and executed business model," he says. CEI also is involved with funding for the Island Employee Cooperative.

Co-op membership fees typically run \$60-\$100, and some member-owned co-ops have a small yearly fee on top of that. Food co-op members vote on a one-member/one-vote basis and elect a board of directors from among the membership. Investment in membership shares is considered a contribution to equity, while membership fees are treated as income. The member-owned co-ops don't have to pay income taxes on member-based income if they return that income to members as cash or as allocated patronage, according to the University of Wisconsin center. The amount of money members get back in a surplus year depends on how much food they buy.

The surge in Maine's food co-ops comes at a time when farm growth in Maine also is on the rise. Recently released U.S. Department of Agriculture preliminary 2012 census figures show Maine bucking a national downtrend, with the state's farm crop and livestock market value having risen 24% to \$764.4 million from 2007 to 2012. In those five years, the number of farms rose 13.6% or by 38 farms and by more than 100,000 acres to 1.45 million acres. Maine led New England with 8,174 farms in 2012. Also, while Maine has the oldest general population in the nation, it attracts a number of farmers ages 34 and younger. Their ranks rose nearly 40% in the five years to 551, far surpassing the 1.5% increase in the United States.

Many food co-ops begin as buying clubs, typically run by volunteers where members pre-order food to benefit from the savings of group-buying. Such was the case with both Belfast and Portland.

The Portland Food Co-op recently topped 1,000 member-owners, Curran Apse says, and expects to be ahead of schedule to reach the 1,400 it needs to open its storefront. Each member-owner pays \$100 for a share, which is a one-time equity investment.

The idea for the Portland co-op sprouted in 2006. The Food Now buyer's club started in 2008 as an interim step. From 2008-2012, the all-volunteer, pre-order club drew in 150 member-owners and more than \$200,000 in annual sales. By 2012, 61% of the products sold through pre-order came from local producers, many of them bought through the Crown O'Maine Cooperative. The Portland Food Co-op's leaders in 2013 hired Cooperative Development Services in St. Paul, Minn., to conduct a market feasibility study with the idea of transitioning into a retail co-op.

The results, says Curran Apse, encouraged them to move forward. Cooperative Development projected sales of \$2 million in year one and \$3 million in year four. The co-op put together a business plan that set a minimum membership of 1,400 before the store opens in September and a fundraising goal of \$1.26 million. Of that, so far \$100,000 has been raised from member-owned share purchases, with another \$330,000 loan from the Cooperative Fund of New England. The co-op is reaching out to members for another \$600,000 in loans. It also has received \$200,000 from a combination of grants and community loans and is applying for other loans. She expects the last chunk of money, \$30,000, to come from first-time buy inventory vendors, which typically donate a percent because the co-op is a new business.

"This gives folks like myself and others who were not in business before a way to invest locally in their local food co-op," she says. "People can be involved as much or as little as they want. It's another road to creating a thriving economy where every piece is local. That resonates with a lot of people."

Curran Apse says the current board will focus on policies and oversight, but leave the day-to-day operations management to staff. This

summer the 13-member board plans to go through training to learn about management and running the co-op. The Portland Food Co-op is searching for a general manager to set up the store and systems and hire staff.

The co-op plans to prioritize local food purchases, as well as to offer a large section of bulk items. She says it will differentiate itself from competition by having a wide selection of local foods and products, providing a big selection of bulk items, including liquids.

“The cooperative model means the Portland Food Co-op will always remain a local business,” she adds.

That is a big point for the now-forming Gardiner Food Co-op, which is a project of the Kennebec Local Food Initiative. Started as a buying club two years ago, it is now transitioning to a storefront. It recently launched a membership drive, and is about one-third of its way toward the initial goal of pulling in 150 members paying \$100 per share, says Sarah Miller, co-president of the Kennebec Local Food Initiative, who also was on the original planning team of the Portland Food Co-op. Over the past two years, the buying club took in \$84,000 in revenue, with food pickups twice a month.

The idea for the co-op model came at the beginning of 2013. “It really lends itself well to individuals or an entire community who want to have a community-building project,” Miller explains. She says the co-op can add to the downtown revitalization under way in Gardiner.

The Gardiner food club's 346 members have been buying exclusively Maine-produced goods, including from Farm Direct and Crown O'Maine Cooperative, but the storefront opening, scheduled for this summer, will broaden the co-op's purchases.

The Cooperative Fund of New England is the primary lender, but the co-op also is looking to a local bank and a possible grant. The startup cost is \$140,000, which includes \$10,000 that members will contribute, Miller says. The business plan calls for one full-time and one part-time manager and two full-time staffers. The co-op will be in a 2,000-square-foot building.

“There's a national resurgence of the cooperative model,” says Miller. “The impact on the state of Maine could be really significant. Most co-ops are dedicated to the community. And they are a boon to the local economy by recirculating money and supporting smaller farmers and producers.”