

BY DAVE GUTKNECHT

Self-Help Wanted



Spend most earnings now, or invest more in the future—what is the proper balance? We can see, in the current financial mess, some consequences of imbalance. For the sake of immedi-

ate benefits, the nation has sacrificed much of its potential. We are depleting critical parts of our inheritance and leaving a diminished legacy.

Cooperative solutions are a necessity. Yet cooperatives face the same questions about cashing in versus saving for the future. Should the co-op primarily reduce member costs and distribute earnings immediately—or is investing for expanded future services and benefits of at least equal weight? Consumer co-ops, like consumer society at large, too easily discount the future.

For an important example of how food co-ops are still evolving in their understanding of capital, see this issue's article on retained-patronage equity, written by Marilyn Scholl with Joel Dahlgren and Bruce Mayer. When co-ops are managed profitably and operate within a structure supporting annual dividends on purchases, earnings are readily allocated to co-op members. But not all of that return need be issued in cash—and in retaining some portion of member patronage dividends, co-ops have a proven, inexpensive, and tax-free method of raising capital. Surprisingly, the majority of food co-ops are not taking advantage of this.

Along with other reasons, overlooking an excellent tool for capitalization appears to reflect the imbalance mentioned above: a discounting of the cooperative's future. Yet if "strength through cooperation" has any meaning, surely it applies to member capital. Those collective member-owner investments ensure the future of the co-op and its services. Increased equity or owner capital strengthens the financial balance sheet by reducing the co-op's reliance on external debt. A stronger equity component, whether used for retiring debt or financing expanded capacity, helps the co-op meet its goals.

Fundamentally, growing member equity in the co-op means growth in democratic ownership of capital, and this is a realization of the cooperative mission. Co-op management and directors are charged with protecting and expanding owner investments. Certainly, immediate rewards are necessary to meet co-op goals, and they build

member loyalty. But member education should balance individual rewards with building loyalty to the needs of the co-op at large—where the whole is greater than the sum of its parts.

Along with sound operating practices that maintain profitability, we need education around a vision of growth in cooperative capital, making possible stronger co-ops and benefiting everyone, including future members. The current financial tumult provides a dramatic context for this enduring lesson. As stated by the authors, "Now more than ever co-ops need a dependable source of capital."

Growing cooperative capacity contrasts with current economic trends that forecast decline. Among food stores, many conventional grocers are seeing flat sales and smaller average transactions.

A slowdown in organics, much of which is now sold in mainstream stores, has also arrived but less sharply. Trends still look healthy in co-ops, where there is a higher level of owner and shopper loyalty and community resilience, and where growth is being sustained but at a lower level than earlier.

Clearly co-ops have a lot to offer and are bringing more people to the store despite tighter budgets—with quality products, excellent service, and values-driven operations, all based in community ties and democratic ownership. Co-ops continue to grow in sales and owners by improving services, building deeper relationships with food allies, and expanding cooperative capital.

Examples of such healthy growth are highlighted in this issue. Bruce Palma, general manager of Co-opportunity in Santa Monica, Calif., describes efforts to maintain excellent service. With many shoppers also looking for greater transparency in the food system, Phil Howard and Lia Spaniolo from Michigan State University discuss their research on eco-labels and the views of shoppers in co-ops and other natural foods stores. From Valley Natural Foods in Burnsville, Minn., Charli Mills describes how telling effective stories helps build the market for local, pasture-based meat, where the co-op is a leader.

Co-ops also lead many communities in the search for sustainability—developing sources and methods that enhance social capital while reducing resource consumption and the carbon footprint. Annie Hoy from Ashland Food Co-op in Oregon reviews programs that have helped the co-op's drive for retail excellence and sustainable practices. ■

Growing member equity means growth in democratic ownership of capital, and this is a realization of the cooperative mission.

CONTRIBUTORS IN THIS ISSUE



Erbin Crowell works with the Cooperative Fund of New England; he is a graduate of the MMCCU program and serves on the board of the Co-operative Management Education Co-operative

(erbin@coopfund.coop).

PAGE 8

Joel Dahlgren practices cooperative law (dahlgren@blackdogcooplaw.com).

PAGE 22

George Huntington is general manager of Bloomingfoods in Bloomington, Ind., and helped plan the "Up and Coming, Up and Running 2010" conference (gm@bloomingfoods.coop).

PAGE 6

Bruce Mayer is a CPA (bruce.mayer@wegnerpcpas.com).

PAGE 22

Charli Mills is marketing communications manager at Valley Natural Foods (cmills@valleynaturalfoods.coop).

PAGE 18

Bruce Palma is general manager at Co-opportunity in Santa Monica, Calif. (bruce@coopportunity.com).

PAGE 16



John Fogarty is a project manager at the National Cooperative Grocers Association (jon.fogarty@ncga.coop).

PAGE 11

Annie Hoy is outreach/owner services manager at Oregon's Ashland Food Co-op (outreach@ashlandfood.coop).

PAGE 12

Marilyn Scholl manages CDS Consulting Co-op (MarilynScholl@cdsconsulting.coop).

PAGE 22

Lia Spaniolo is a master's student (spaniol9@msu.edu), and **Phil Howard** is a professor of Community, Food and Agriculture at Michigan State University (howardp@msu.edu). Their eco-labels study was published in October 2009.

PAGE 14

Debbie Trocha is executive director of the Indiana Cooperative Development Center in Indianapolis and helped plan the "Up and Coming, Up and Running 2010" conference (dtrocha@icds.org).

PAGE 6

Thanks to our sponsors for their additional support

National Cooperative Business Association
202/638-6222 • www.ncba.coop

CDS Consulting Co-op
802/387-6013 • www.cdsconsulting.coop

CROPP Cooperative/Organic Valley
608/625-2602 • www.organicvalley.coop

Frontier Natural Products Co-op
319/227-7996 • www.frontier.coop

Once Again Nut Butter
888/800-8075 • www.onceagainbutter.com

Additional sponsors needed—contact Dan Nordley, dan@cooperativegrocer.coop, 612/436-9177