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MARCH - APRIL 2018

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COOPERATIVE GROCER NETWORK

Cooperative Grocer is the bimonthly magazine of Cooperative Grocer Network

The mission of Cooperative Grocer Network is to strengthen all retail food co-ops by creating community and promoting the sharing and development of resources among members.

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MARCH - APRIL 2018 195

THE EDITOR NOTES

Scenario Planning and Forecasts
BY DAVE GUTKNECHT **4**

NETWORK NEWS

Staying Connected: NCG Newsletter for Board Members
BY KAREN ZIMBELMAN **5**

Rosemary Mahoney's Career of Cooperative Service:
Objectivity and Integration
BY ELLEN MICHEL **6**

Marilyn Scholl Recognized for Co-op Leadership:
Experienced Counsel and Organizational Leadership
BY DAVE GUTKNECHT **8**

How Municipalities Can Support Retail Food Co-ops
BY MARY STENNES WILBOURN **10**

OPERATIONS & GOVERNANCE

Scenario Planning: Organizing Your Blue Sky Thinking
BY JOEL KOPISCHKE **12**

Updating Food Cooperative Member Labor Issues
BY ROLAND HALL AND BRUCE MAYER **14**

When a Living Wage Becomes a Demotivator
BY SARAH DAHL **16**

FOOD PRODUCERS

Building a Triple Win: Maker to Market "Food Accelerator"
Goes from Farm to Retail
BY AMY CAMPBELL **19**

Small Farmers in Fresh Produce: Is There a Place at the Table?
BY JESSICA JONES-HUGHES **22**

CGN ENDCAP

Future Forecasts for Food Access and Innovation:
U.S. Sustainable Food Summit 2018
BY ELLEN MICHEL **25**

Cover image – Small-scale farmer Mariana Cobbos, a member of AsoGuabo, a fair trade banana cooperative in Ecuador. Photo courtesy of Equal Exchange. ©

Scenario Planning and Forecasts

BY DAVE GUTKNECHT

In a time of confused voices, it is important to expose what is merely denial, however comforting, and to state what is well-supported, however discomfoting.

When I read the article on scenario planning by Joel Kopischke for this issue, the notion resonated strongly: the future is something I think about a great deal. What scenario are you anticipating for your cooperative and your community?

The planners for the Consumer Cooperative Management Association (CCMA) conference in June did well to put forth a theme of “Courageous Evolution.” We do not often want to be reminded how difficult is our evolutionary path. But courage is indeed required if we are to defend and extend cooperative values and practices.

For business survival we must reach more of the public, seek retail differentiation with values-driven practices, and sustain cooperatives amidst a disrupted and competitive grocery market in which operating margins are narrow.

We can anticipate a surrounding society with extreme income and wealth disparities—over half of U.S. adults do not have the ability to cover a \$500 emergency (source: *Forbes*). And while wealth concentrates with globalization, wage growth is flat, and labor force participation is the lowest in decades. These inequalities also contribute to strain between diverse racial and ethnic communities.

Equally easy to forecast, and alarming, is a collective failure to limit our global civilization’s ever-growing heating of the air, oceans, and land (see my review of *Drawdown* and *Global Co-operation* in CG192 and CG193). This ongoing failure will feed more climate volatility and weather disasters—2017 recorded the greatest total damages of any year.

Organics is growing, and in cleaner food production a few new farmers are being given a little support. But our small-farm population is aging and dwindling. (Find current and extensive detail at the USDA website, searching for the “Diverse Family Farms: 2017” report.) Shockingly, total farmer population is nearly equaled by the racially-distorted prison population. Does that sound viable?

If allowed by circumstances, I expect to use much of the coming year to discuss social breakdown and cooperative renewal—call it scenario planning. Mainstream messages con-

tinually reinforce the human tendency to discount the future, even to ignore it altogether. Here also, cooperatives can be superior, an ownership structure with greater potential, especially in hard times, for service-driven and values-based enterprise operating with collective forethought.

Players in an increasingly financialized economy are busy discounting an inevitable future, relentlessly reaching for more growth and consumption, disguising real physical costs and limits through ever more debt. Much of trillions of dollars of debt—private and corporate—can never be made good. Yet, without a social transformation, it is smaller players who will be deemed failures and suffer the most.

Whether debts of the federal government can be made good is a related but different question. It would require putting public needs firmly before those of financiers—truly a revolutionary realignment. Instead, our rulers’ stance of permanent war and global domination is an ever-growing disaster; its foundation stone, the dollar’s reserve currency status, is under threat. What will not work, what cannot last on a finite planet, is an economy requiring exponential growth.

Cooperatives are about social justice, and there can never be adequate justice alongside the extreme inequality in the world and in our own country. Americans often deny that the enormous wealth and waste in our society are based on U.S. global economic and military domination. The monumental scenario planning before us is to step back from the relentless pursuit of wealth and growth that is laying waste to the earth. How cooperation will fare is to a significant degree up to its advocates and activists.

Having said all that, I’ll be glad to get past this winter, with its diminished sunlight hours and reminders of the death of friends. In January we lost another dedicated cooperator and public citizen, Annie Young. She did much to spread and strengthen the co-ops of the Upper Midwest during the 1970s and forward. She contributed over three decades of social justice activism, along with service as an elected member on the board of our largest urban park system. Annie helped start Wirth Co-op and remained a strong co-op advocate to the end. •

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Staying Connected: Newsletter for Board Members from NCG

BY KAREN ZIMBELMAN

Since its reorganization in 2004, National Co-op Grocers (NCG) has mostly directed its communications to top managers at its member and associate co-ops. This was initially an intentional strategy: we focused on developing new programs and services that deliver great value to food co-ops and their member-owners as well as establishing a clear track for mutual organizational accountability between our members and their national co-op. Over time, as our programs have grown, we've broadened our outreach to other specific staff (e.g., those who are responsible for the co-op's promotions, or those who report financial data).

Now, after more than a decade of financial and organizational success, we're expanding our focus to increase those who are "in the loop." In 2017, NCG began publication of a quarterly newsletter specifically written for and distributed to the board members of NCG member and associate co-ops. We recognize the value of making sure that co-op directors are aware of national trends that can impact their own operations.

We also acknowledge that participating in NCG requires a significant commitment of resources by co-ops, including both financial investment as well as management attention and engagement. We have leaned on the member co-op's designated representative—the general managers or other top manager who works directly with NCG—to carry the load on communicating these things to their board members. But we kept hearing that they wanted more help from NCG in this area.

The NCG Board Bulletin

The NCG Board Bulletin serves as a communications link between NCG and the board members of its member and associate co-ops. Each quarterly issue is designed to provide information on current, notable trends and developments among U.S. food co-ops. In addition, we provide an overview or a deeper look at various NCG programs and services in order to help board members learn more about NCG, how it operates, and what value it brings to participating co-ops.

For instance, our first issue, published in August, provided a high-level overview of what it means to be part of NCG: what NCG does and how it works. Special features looked at NCG's regional structure and resources designed to support and help strengthen co-ops, as well as NCG's partnership with the La Riojana Co-op and the impact of that work on the lives and livelihoods of hundreds of Argentinian farmers. Finally, we provided an overview on the impact of the Amazon acquisition of Whole Foods—news that was "fresh" at the time of publication.

In our second issue, we provided a summary of the 2017 NCG Food Co-op Impact Study results and 2020 national goals and described what happens at NCG's bi-annual national meetings. Our "fresh news" was a summary of recent sales growth and operational trends among all NCG co-ops. Finally, we described NCG's recent support of Project Drawdown, a partnership to reverse global warming.



PHOTO COURTESY OF NATIONAL CO-OP GROCERS

In future issues, readers will learn more about NCG's operating standards (what they are and why they're important), how NCG sets its organizational and operational priorities, about NCG's national branding and our new "performance reports," as well as programs such as those that support general manager success. We look forward to bringing board members up to speed on NCG's revised member agreements and our "Moving to Higher Ground" initiative, as well as our partnerships with the Climate Collaborative, the Fair Food Network, and other similar groups that can help support even greater collective impact by food co-ops in important areas. And, of course, as new trends develop and emerge, we look forward to providing insights that will be helpful to co-op directors.

Distribution of the Board Bulletin

Each issue of the NCG Board Bulletin gets sent directly (via e-mail) to the co-op's designated representative and to the co-op's board chair. Other directors and/or the board administrative support person can also be subscribed as requested. (Some co-ops have a "board distribution" email address that delivers messages into the inbox of all current directors, which is a good way to ensure complete distribution.) Otherwise, we expect the board chair or the designated representative to forward each issue to the rest of the board when that will be most productive.

Given the nature of the information covered in the NCG Board Bulletin, we ask that it not be distributed beyond currently elected board members and/or top management. We want to provide frank and honest information about NCG and key trends affecting food co-ops—information that can be proprietary and confidential to co-ops in highly competitive markets. This newsletter is not for public distribution or sharing with anyone not serving in a top staff or elected leadership position at an NCG member or associate co-op.

We look forward to your feedback and suggestions for topics you'd like to see covered in future issues of the NCG Board Bulletin at any time. Feel free to contact me at karen.zimbelman@ncg.coop. •

Rosemary Mahoney's Career of Cooperative Service: Objectivity and Integration

BY ELLEN MICHEL

Rosemary Mahoney will be inducted into the Cooperative Hall of Fame on May 2, 2018, earning national recognition for her work on behalf of co-ops. She was nominated by Capital Impact Partners, where she currently serves as chair of the board of directors. Her nomination is widely supported by many throughout the food co-op community.

Involved with co-op startup enterprises around the world during a career of over 30 years, Rosemary has helped build the cooperative movement on both a global and national scale, working on projects across diverse co-op sectors in such places as the United States, communist Eastern Europe, and West Africa.

Said Judy Ziewacz, recently retired president and CEO of NCBA-CLUSA, “[Rosemary] has a deep understanding of international development contexts and how the cooperative model is being implemented and can best be supported in Africa, Latin America, and Southeast Asia. Her passion and commitment to assist small farmers and cooperatives, no matter where they are, is unparalleled.”

Rosemary’s interest in co-ops emerged at a young age. “Growing up on an Illinois farm, she became aware early in life of the critical role of cooperatives in production agriculture, and this positioned her well for important roles in USDA’s Cooperative Service after college,” said Kevin Edberg, executive director of Cooperative Development Services (CDS).

Co-op management and board service

Rosemary brings skillful engagement to groups that experience struggle, helping them focus their quest for solutions. “Ms. Mahoney served as co-op advisor for Blue Hawk Distribution in our formative years,” said Lance Rantala, CEO of Blue Hawk Co-op. “I firmly believe our co-op would not have survived without her expertise and guidance. Honestly, our co-op model nearly imploded multiple times. Ms. Mahoney helped our founding board forge ahead to create a successful and sustainable business model.”

In supporting Rosemary’s induction to the Hall of Fame, Terry Simonette, former president and CEO of Capital Impact Partners, explained, “Rosemary commenced twenty years of domestic cooperative development contributions back in 1998. [Her] work ran the gamut of contributions to every major cooperative industry that has been active in the U.S. economy. She became one of the ‘go to’ experts that any of us in the co-op industry turned to when we needed an objective and complete viewpoint.”



Integration within the food co-op sector

Rosemary’s contributions to the food co-op community are longstanding and substantial. Beginning in 1998, she served as executive director for Cooperative Development Services (CDS), where she helped develop Common Cooperative Financial Statements (CoCoFiSt), a financial benchmarking tool that has made an enormous contribution to the growth, maturity, and integration of national food co-ops. Rosemary worked with Co-op Hall of Famers (and CoCoFiSt co-founders) Walden Swanson and Kate Sumberg to implement CoCoFiSt as a robust management-tool platform. Today called CoMetrics, this system has evolved to serve over 300 organizations in eight sectors—from retail grocery to non-profit affordable housing development to impact investment.

Rosemary was also instrumental in the spin-off from CDS of CDS Consulting Cooperative, now recognized as the premier source for professional technical assistance for food co-ops. She was one of the originators of CooperationWorks!, a national network of co-op developers that offers business planning, advocacy, and training to cooperatives in all industries. Rosemary has also served as a consultant to Cooperative Grocer Network (CGN).

Trusted to help steer the development and coordination of food co-ops, Rosemary served in 2003-2004 as an integral member of a team charged with designing and managing the reorganization of the National Cooperative Grocers Association, now known as National Co+op Grocers (NCG). She was engaged by that group’s board of directors to coordinate the integration of all financial, organizational, personnel, and operational systems, following a national vote for the acquisition of nine regional groups by NCG. Rosemary has continued to serve NCG as an advisory (appointed) board member and is also on the board of NCG’s wholly-owned subsidiary, the NCG Development Co+operative.

Rosemary has served on the boards of the National Cooperative Bank and the National Cooperative Business Association, again helping develop resources that enable co-ops to integrate their systems and strengthen their associations. Says Marilyn Scholl of CDS Consulting Co-op (also to be inducted into the 2018 Co-op Hall of Fame), “Rosemary Mahoney has served on so many boards it would almost be easier to list the ones she hasn’t served on! There is a difference between simply serving on a board and contributing to an organization’s success. Rosemary contributes!” •

Congratulations to Two Food Co-op Heroes!

Food co-ops will see two of our heroes inducted into the CDF national Co-op Hall of Fame in May. Both Marilyn Scholl and Rosemary Mahoney have contributed in substantial ways to the growth and development of food co-ops over their decades-long careers.

The Cooperative Development Foundation has set up a special "Friends of Rosemary and Marilyn" page for co-ops that wish to add their congratulations to both nominees in a special collaborative ad (the page is not publicized on the CDF website). You can also contribute to individual congratulatory ads for Marilyn and/or Rosemary (scroll down to "friend of" ad options). The deadline to make your contribution in honor of these two remarkable women is April 1, 2018.

About The Co-op Hall of Fame

The Cooperative Hall of Fame provides the highest national recognition to co-op heroes under the auspices of the Cooperative Development Foundation (CDF). The Hall of Fame recognizes individuals who are diverse in their careers and achievements and who share a common belief in the cooperative idea and a track record of accomplishments benefiting the broad co-op community. The Hall of Fame induction ceremony also raises money in the name of each inductee to support cooperative development in the U.S. Find options to support Hall of Fame inductees and this campaign at heroes.coop/sponsorship-and-tickets.

Call for Proposals!

The Blooming Prairie Foundation is accepting applications for the 2018 grant cycle.

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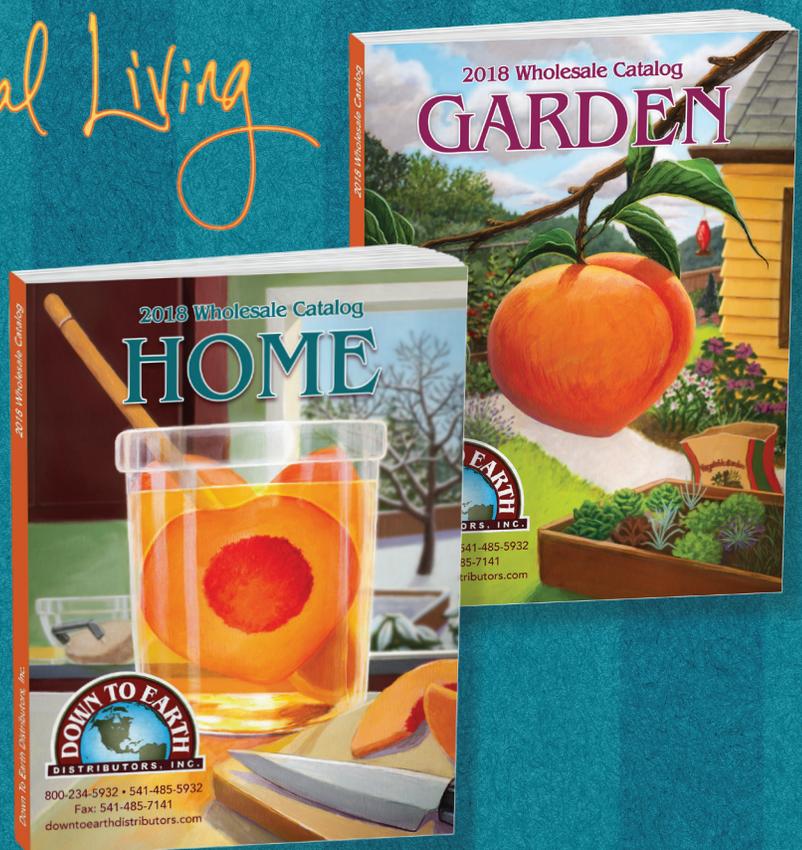
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Marilyn Scholl Recognized for Co-op Leadership: Experienced Counsel and Organizational Innovation

BY DAVE GUTKNECHT

Her name will be familiar to readers of this magazine—Marilyn Scholl has been a major contributor here for years, as well as the author of valuable food co-op resources such as the *Patronage Dividend Primer* and the *Ownership Toolbox*. Her professional leadership and many thoughtful contributions to cooperatives are receiving a deserved and lasting tribute.

Marilyn Scholl is to be inducted on May 2, 2018, into the Cooperative Hall of Fame, a national resource administered by the Cooperative Development Foundation (CDF). The members of this select group are quite diverse in their achievements and careers. “What they all have in common is a belief in the cooperative idea and a track record of accomplishments that have benefited the cooperative community.” Funds are raised in the name of each inductee and are dedicated to cooperative development through CDF.

Marilyn’s nomination was put forth by the CDS Consulting Co-op and supported by Cooperative Fund of New England, Shared Capital Cooperative, Food Co-op Initiative, and Cooperative Development Services. Visit the online portal for The Cooperative Hall of Fame to contribute to her recognition.

Four decades of service

Marilyn’s start with the cooperative community was in 1978 at Milwaukee’s Gordon Park Cooperative, where she grew into the co-op’s general manager position; six years in Milwaukee were followed by holding the general manager position at Wheatsville Co-op in Austin, Texas. After ten years in food co-op operations and management, Marilyn returned to Wisconsin and UW-Madison.

At the University Center for Cooperatives, she helped create and deliver educational programs for all types of cooperatives, and in collaboration with Ann Hoyt helped create and administer the Cooperative Management Institute, which provided in-depth training and support to food co-op managers. While at UW Madison, Marilyn earned her M.S. in Continuing Adult and Vocational Education. She also assisted Ann Hoyt during the latter’s long tenure as lead organizer of the annual CCMA (Consumer Cooperative Management Association) conference, and she continues to help shape the CCMA program.



PHOTO COURTESY OF CDS CONSULTING CO-OP

Later in the 1990s, working under the auspices of Cooperative Development Services with Bill Gessner and others, she helped launch a small consultant team and in 1999 became its coordinator. Within a decade this team grew into an independent and dynamic shared services cooperative with more than two dozen owner-members working in multiple sectors: CDS Consulting Co-op (CDS CC). Marilyn, by then settled in Vermont, was its general manager until the end of 2017, succeeded by Mark Goehring—but she has only semi-retired from cooperative work.

Initially the only CDS CC board trainer, Marilyn strongly influenced the adoption of Policy Governance methods by many food co-ops. Subsequently she helped develop a team of board trainers and laid

the groundwork for the 2004 launch of Cooperative Board Leadership Development, a program which has attracted the participation of well over 100 co-ops. More recently, Marilyn has pursued further depth in understanding and achieving stronger co-op governance and operations through developing the “Four Pillars of Cooperative Governance” model.

Upon receiving an honored cooperator award at the 2004 CCMA, Marilyn called for an organized response by established co-ops to the increasing number of startup food co-op queries and projects. This led to the formation of Food Co-op 500 and later to Food Co-op Initiative, for which Marilyn continues as a valued board member and a collaborator in planning the annual Up & Coming startup conference.

Twice, during the initial formation and then during the later reorganization of National Cooperative Grocers Association (now NCG, National Co+op Grocers), Marilyn played a prominent and trusted role in generating a high degree of unity among the co-ops—initially through advising Midwest and New England co-op grocer associations, and then in 2004 by leading an intense process of member participation and debate that resulted in successful formation of a stronger-than-ever national association.

Read on for additional testimony to Marilyn’s wide and positive impact and in support of her induction into the Cooperative Hall of Fame. •



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Robynn Shrader, CEO of National Co+op Grocers, reflected on Marilyn's vital role in the challenging process of reorganizing its earlier federated structure and gaining member approval of a strong national food co-op body: "There was no debate within the Board that Marilyn had the skills, commitment, and credibility to lead the reorganization into a direct membership structure... Marilyn led a process and crafted a proposal that was so strategically sound that the vote was nearly unanimous ... Today, the members own an organization with an operating budget of \$33MM and a balance sheet of \$43MM, because of Marilyn's tireless dedication to collaborating, compromising, strategizing, communicating, and showing the kind of heroic leadership that positioned a cooperative sector to thrive and build."

Karen Zimelman, senior director of membership and cooperative relations at National Co+op Grocers, another long-time contributor to food co-ops, reiterated that Marilyn has "demonstrated the strength of her deep convictions, as well as many years of personal commitment and dedication to creating a world where consumer co-ops can provide significant impact in their local communities. She has brought focused, visionary leadership to our cooperative community for over three decades."

Bill Gessner, a co-founder and current member of CDS CC, said "Marilyn combines and balances being a visionary and being an action-oriented leader. She has not done all of this work single-handedly. Instead, she has built, led, and inspired a team of self-employed consultants (perhaps like cats who refuse to be herded or managed) into a collaborative, cohesive cooperative grounded in the cooperative principles."

Said **Dan Nordley**, former publisher of *Cooperative Grocer*, "After 40 years of observation, if there ever was a person I could point to as the most responsible for the success of our food co-op movement, that person would be Marilyn Scholl."

Stuart Reid, executive director of Food Co-op Initiative (FCI), emphasizes that as Marilyn helped fulfill the original vision for organized startup support, she was "all the while sharing insight, pushing for excellence, and becoming one of my greatest mentors and friends. Without Marilyn, FCI would not be what we are today, and without FCI, 130 startup co-ops would have had fewer resources and many would never have opened. Add to those new co-ops all the mature co-ops that turned to her for guidance and training."

Chuck Snyder, National Cooperative Bank president and CEO, adds: "What truly makes Marilyn's contributions to the cooperative movement heroic has been her passion and patience. She wears many hats. She has served as an advisor and mentor, team leader and trainer, providing the necessary technical support and training for food co-ops. She is more than a colleague—she is a friend."

Marilyn's colleague **Rebecca Dunn**, executive director of the Cooperative Fund of New England, says, "She is an unsung hero, a woman of humility and integrity who not only talks the talk but walks the walk of cooperation and cooperatives. I see her often in the background quietly seeing that things get done." •

How Municipalities Can Support Retail Food Co-ops

BY MARY STENNES WILBOURN

Late in 2016, another major conventional grocery store moved out of Columbia, South Carolina. City leaders were actively reaching out to other chain stores to come fill the void. In the deepest part of their food desert, residents were down to only a few convenience stores. People needed access to food that they could reach by foot as well as car, and they needed a store that would not shut down after a year and move away.

Wanda Pearson was motivated to drop a line to the Columbia city offices. Had they considered looking at a community-owned cooperative grocery store as a long-term solution? After all, a co-op has a vested interest in staying in its community. While not an “instant fix,” a co-op might be the best way to proceed.

The response came quickly—and directly from the mayor. Local control and local ownership sounded like the best possible idea. How could they find a way to work together to get a co-op started?

This scenario is playing out in dozens of cities across the U.S. The urban food deserts may get the most press coverage, but stores are opting out of small towns, suburbs, and rural areas as well. The shifting ground under the retail grocery industry makes it difficult for large chains to justify keeping marginally profitable stores open. In many cases communities cannot find any existing store willing to fill the void. They may move on to short-term solutions or to consider nonprofit stores.

Examples in Columbia and Minneapolis

The City of Columbia’s Business Development Opportunity Department came to the table ready to offer business development grant funds to help get things going. That quickly led to a meeting and office space being provided, help with funding for early exploratory and incorporating steps, and funds to send four people to the 2017 Up & Coming Food Co-op Conference in Milwaukee. The strength of the partnership showed: conference attendees were a blend of city workers and members of the fledgling co-op startup team. Their assistance continues today as the City Foods Cooperative Marketplace grows ownership and



Wirth Co-op meeting in new North Minneapolis space, January 2017.

builds the support network needed to get a store in its neighborhood.

Nearly ten years earlier in Minnesota, Wirth Cooperative Market began organizing in North Minneapolis, a major food desert. While the Minneapolis–St. Paul area had many food co-ops, in 2007 both potential shoppers and Wirth Co-op funders still knew very little about the cooperative model. The early organizers had a lot of learning and educating to do. In 2010 the co-op was incorporated, and community events began to grow

its membership base. The idea of owning their own community store became a hot topic among residents in the area.

Board treasurer John Flory recalls that getting financial assistance in those early years was a challenge. Several local foundations gave grants to support the education process, meetings, and doing the feasibility ground work. The group forged on, finding a site, welcoming new members, and seeking the funding needed to build out the store. Early applications to the City of Minneapolis and Hennepin County economic development offices meant that potential funding could come from there, once the co-op had secured primary assistance. They received a \$500,000 Brick and Mortar Federal Grant, which opened the door to loans and more local support—and set the date to open the store in the fall of 2017.

That brought the funding from the city and county into play as well. A Hennepin County business development grant of \$75,000 was a welcome boost to the project. The City of Minneapolis committed to a \$35,000 loan that is forgivable based on the continuing addition of living-wage positions at the store. General Manager Winston Bell is committed to making that happen.

Community Development Block Grant program: CDBG

Funding for city-based economic development programs, like those provided by Columbia and Minneapolis, begins with federal support. The Department of Housing and Urban Development’s Community Development Block Grants program puts this funding under local control. The funding can be used for affordable housing, for meeting the needs of vulnerable residents, and for



Columbia, S.C. council member, staff, and co-op steering committee.

supporting job retention and growth. Access to food is a common thread in communities most affected by these issues. Dozens of startups have found help at various stages through this partnership. Existing co-ops have expanded using block grants as well.

Applying for this support is done locally. However, like all grant programs, the co-op needs to be ready to lay the groundwork on co-op education and to ask for the right help at the right time. That can mean being clear about what help you need at your present stage while seeding interest towards the future of the project. Columbia rose to the occasion by supporting the education of the co-op leaders and getting them to the startup conference—a great investment in future success.

Of course, a feasibility study needs to come before site discussions. The burden of helping community leaders understand and value the cooperative development process may fall on your shoulders.

Wirth Co-op in North Minneapolis has been open for nearly six months. General Manager Winston Bell is enjoying the new store, the staff, and finding the right mix of items to fill the shelves. But he is especially loving the community that supports the store, and he is getting to know individuals and families who keep coming back for more. He advocates for other co-ops and makes presentations at conferences about the growth of this new store and how it was made possible by the hard work of the community.

As City Foods moves forward in Columbia, Wanda Pearson has her eyes on the prize—a store that the neighborhood owns and controls and can adjust as needed to make it serve the community for a long time to come. Her simple question, “Have you thought about a community-owned co-op?” set the wheels in motion. “Can you imagine if I had not asked that question? Asking opened the door,” she reflects, and encourages others to jump in early and ask. With the help of the city and all the new members who will be joining the co-op, the dream of a store unique to their neighborhood will be realized. •



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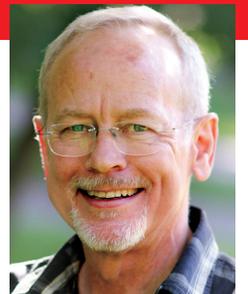
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- Involved with co-ops since 1972, including being the first general manager of Seward Co-op
- In 1988, founded the program that became UNFI Store Development Services, and for 25 years provided store counseling, merchandising, store design, and equipment procurement services.
- Served as a Business Development Director of NCG Development Co-op for nearly 5 years
- Designer in more than 450 projects, over 300 of them co-ops

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Scenario Planning: Organizing Your Blue Sky Thinking

BY JOEL KOPISCHKE

What does the future hold? That question has intrigued humankind for ages, and many great minds have done their best to imagine the world yet to come. Jules Verne, George Orwell, and David Bowie approached the issue in ways that entertained and informed the masses. But are there lessons to be learned for our co-operatives from trying to peer into a crystal ball? Can any practical worth come from looking far into an unlikely future? And is there a way to do it that will help us strategically?

Scenario planning is a tool that co-op leaders can employ to peer into the future in a way that helps us be prepared for whatever might come. By considering possible far-horizon scenarios, we imagine a myriad of ways our organization might have to adapt or change to thrive in a world very different from what we see now. This exercise can transform our culture from one that struggles to react quickly enough to what's happening to one that is proactively informed and agile.

In brief, scenario planning involves extrapolating out changes and trends into future scenarios and imagining how our co-op can thrive in a future that looks very different from our current reality. (See the sidebar for a quick overview of the process.) To get the most compelling scenarios, we'll start with some additional background and context.

Start with why

The first step in this, as with any other any strategic process, is to start with “why.” (Simon Sinek has written a great book on this concept.) What are the big questions we are trying to answer? The ones I've found most universally applicable and most powerful are: Why do co-ops and local community ownership matter? How can our co-op thrive in the future?

Context and framing

The next step is to bring in additional context and framing for the work. What other strategic conversations have we been having? What issues have we been studying? What upcoming decisions are looming? What are the existing priorities for the co-op in the coming years? What trends and issues are known key elements impacting the co-op's multi-year plan?

As we consider these questions, two other frameworks may be useful. The first concept comes from Robert Greenleaf's servant leadership (see CG167, “Servant Leadership and Cooperation”), in which he identified the importance of exercising foresight. He said without foresight—or a better-than-average estimate of what might happen in the future—leaders might find themselves stuck in a situation where there is no ethical way out. He said that foresight is a skill that can be developed through insight (another core principle of servant leadership).

Scenario Planning Overview

- STEP 1:** Big question: How can we thrive in the future?
 - STEP 2:** Bring in other context or framing
 - STEP 3:** Explore relevant trends and drivers of change and “black swans”: prioritize
 - STEP 4:** Develop multiple future “headlines” for each trend/driver: prioritize
 - STEP 5:** Develop in-depth scenarios for each headline
 - STEP 6:** Write potential answers for: “How can we thrive in the future scenarios?”
 - STEP 7:** Identify topics (trends, drivers of change, or ideas from the answers) to build insights and on to develop more foresight and be able to make smart, fast moves.
 - STEP 8:** Communicate with stakeholders *
- *A powerful idea! Build a bank or dossier of documents on as many of these topics as are relevant, and share those with everyone engaged in the process.

Smart fast moves

The second framework builds on Greenleaf and is named “smart fast moves”, as articulated by my colleague Art Sherwood, and it's a critical component that he applies and teaches in his entrepreneurship work. In short, to be able to make smart fast moves, we've got to be knowledgeable about ourselves and our surroundings and have assets and resources to apply. (See sidebar.)

Drivers of change and trends

To build our Insight, we identify and learn about relevant trends and drivers of change. We can ask our industry experts and gather trends. We can also look around and consider what we see changing in our world and ask ourselves what is causing those changes, and brainstorm lists of trends and drivers. Once we have compiled that,

we can ponder “black swans”—unpredictable or unforeseen events, typically with extreme consequences. Some examples that we remember might be the Mt. St. Helens volcanic eruption, the Japanese earthquake, Arab spring, or #metoo. Some potential future ones could be a solar flare with devastating effects on the power grid, a nuclear war, or others.

Once we have organized our complete list of trends and potential drivers of change, we can organize them. Here’s another place where using the STEEP/PESTLE categories might be useful to group the ideas (see Smart Fast Moves sidebar). Ultimately we’ll want to prioritize which trends/drivers to explore in more depth—what’s the most compelling, most urgent, most relevant, or some other factor?

Scenarios—from headlines to answers

Now we take our high priority trends and drivers and project them out to the future and write some headlines that give a quick snapshot of what might come. Each trend or driver might produce multiple different headlines that focus on different impacts. Again, after brainstorming a large list of headlines, we’ll want to prioritize which of those headlines we want to dig deeper into.

For each headline, we’re going to write a paragraph or so to help paint a more detailed picture of that world and the future that the original trend/driver helped create. Once we more fully imagine that scenario, then we go back to our original questions. In this strange new land we find now find ourselves in, does community ownership and cooperatives matter? And how does our organization thrive in that world?

This is where the creative juices really start to flow, as we take our co-op’s values and re-imagine them in a brand new context and environment. Perhaps some of what we do now will be even more needed in that future and some of what we do will be irrelevant or provided by some other means. What new needs might our member-owners and community have that we could meet? How might we want to positively impact that new tomorrow and change that world for the better? If we were to start a new cooperative in that world, what do we imagine creating?

Next steps

Once we have done the generative work of envisioning our co-op thriving in these various futures, we can again gather and organize our ideas. We can take the various scenarios and perhaps look at intersections of impact and likelihood or urgency and relevance or some other matrix including these or other factors. Now as we look at our output we must consider next steps in how to make this blue sky thinking resonate and move our organization forward.

To determine next steps for your co-op, it is probably wise to go back to the original context and framing in which we approached this work—previous strategic conversations, study topics, organizational concerns, upcoming decisions—to help us decide what do we need to build insight on to develop more foresight and be able to make smart fast moves? We can then prioritize areas in which to pursue greater exploration, investigation, and study and maybe have multiple tracks addressing these as board and management bring their unique perspectives and priorities to this. Then make a plan to tackle those in a timely manner, because the future might be here sooner than you think!

Communicate

As always, your co-op should be sure to look at opportunities to communicate with—or even include—stakeholders throughout the process. How can co-op leaders share strategic thinking and information on key trends and issues with staff, member-owners, and others in the community who may be impacted or working on similar issues? How can we tell the story of the strategic work and exploration?

Conclusion

Scenario planning work during strategic planning at the board’s annual retreat, or similar work for the management team (ideally, together!) should be timed with and tied into the organization’s strategic work, so the next steps fit naturally in the regular annual cycle.

In our fast-changing world, the future will be here before we know it. The time to imagine co-ops thriving in the future is now. Scenario planning is a way to explore a range of paths forward, the forces that lead us to and along those paths, and some of the key questions to help us make good decisions at the inevitable crossroads. So with our map to the future sketched in, we’re off on our journey!—we need to consider what we are taking with us and what should be left behind. Happy packing! •

Thanks to David Lee and the Outpost Natural Foods board of directors.

Smart Fast Moves

As a co-op you need to be prepared to make smart fast moves so you can take advantage of opportunities as they arise. If you have developed insight and wisdom on pertinent topics, you’ll be better prepared to make a wise decision when a question comes before the leadership of the cooperative.

You need to assess and analyze internally and externally what’s inside your co-op and the world you live in—in both macro and micro terms. There are different ways to explore the macro picture: PESTLE or STEEP are common analysis tools to look at the world and what’s happening through different lenses: Political, Economic, Sociocultural, Technological, Legal, and Environmental. The micro view is your industry—what’s going on with your buyers, suppliers, and competitors.

Inside your cooperative are the foundational blocks of culture, capital, talent, and systems that all need to be in good working order, and you need a clearly articulated vision around which you are aligned. You often don’t know what the next opportunity will be—but when it appears, if you are not aligned or your foundation is not adequate, you will not be ready (not fast), or you will try to make an unwise move (not smart). The foundational blocks don’t necessarily need to be excellent, but they need to be good enough to make the smart fast move.

Updating Food Cooperative Member Labor Issues

BY ROLAND HALL AND BRUCE MAYER

This article is an update to two prior articles in *Cooperative Grocer* that have addressed the issue of whether there are legal barriers that prevent retail food cooperatives (“food co-ops”) from allowing members to perform work for the cooperative without treating them as employees. To put this update in context, we first provide a brief background summary and recall some of the conclusions reached in those articles.

Background

When food co-ops first emerged, many of them relied on their members to perform necessary tasks such as bagging groceries, stocking shelves and ringing up customers. The common approach of such member-worker programs was to provide member-workers with discounts on goods, rather than wages. These programs benefitted both the food co-ops, which especially in their early years were not in a position to hire employees to perform such tasks, and their members, who aside from receiving discounts, enjoyed helping their co-ops grow. A further benefit remarked upon by many such member-workers was the resulting strength of community among the members and their cooperative.

As explained by Nancy Moore in her article in the September-October 1992 issue of *Cooperative Grocer*, beginning in the 1980s, awareness arose among food co-ops of three legal issues that could negatively impact member-worker programs: the potential applicability of workers’ compensation requirements, employee tax withholding requirements, and Fair Labor Standards Act requirements (payment of minimum wage and overtime). Nancy Moore explored these issues in depth in her article, and all three issues were re-examined by Thane Joyal in her article in the January-February 2012 issue of *Cooperative Grocer*.

FLSA requirements: minimum wage and overtime

As outlined in the prior articles, beginning in the 1980s the U.S. Department of Labor (DOL) began sporadically bringing enforcement actions against food co-ops, claiming that their member-worker programs violated the minimum wage and overtime requirements of the Fair Labor Standards Act (FLSA). The food co-ops subjected to these actions chose to restructure their programs and reach settlements with the DOL rather than litigate, in large part because of the expense of litigation and the potentially



PHOTO COURTESY OF HEATHER PAQUE

large fines and penalties that could be imposed. The small number of DOL enforcement actions received a large amount of publicity among food co-ops, and as a result, over time many co-ops have redesigned such programs or discontinued them altogether.

Member-worker programs traditionally viewed workers as volunteers, rather than employees. While not all volunteers are deemed employees under the FLSA, the exceptions are relatively limited and do not include the types of activities that member-workers normally perform for cooperatives. Viewed on a spectrum of possibilities, under the FLSA a person performing work

for a nonprofit and tax-exempt charitable or religious organization is most likely to be deemed a volunteer rather than an employee, while a person performing work for a for-profit business serving the general public is most likely to be deemed an employee rather than a volunteer. While co-ops are permitted to have intern programs under the FLSA, the restrictions applicable to this type of program would not allow interns to perform the types of activities historically performed by food co-op member-workers.

The fact that many food co-ops continue to have internal debates over continuing (or reinstating) member-worker programs—with some co-ops facing internal conflict among members, management, and directors as a result—springs from the lack of definitive court cases or administrative decisions that address the issue. The closest thing we have to an official pronouncement on the issue is a 1997 opinion letter from the U.S. Department of Labor which, in response to an inquiry from a food co-op, stated that co-op members who performed activities such as stocking shelves, sweeping floors, slicing meat, and operating cash registers, all in exchange for discounts on purchases, would be considered employees and thus subject to minimum wage and overtime provisions of the FLSA. Some food co-ops have consciously chosen to retain their programs in light of the absence of court cases or administrative decisions and the relatively paucity of DOL enforcement actions. In contrast, other food co-ops construe the available sources and the history of enforcement actions as confirming that member-worker programs are illegal and put food co-ops at substantial economic risk.

The concepts of risk and risk avoidance drive many business decisions, and because of the lack of definitive guidance on this issue, we turn to risk analysis as well. First, we think it is worthwhile to re-examine the effect of the 1997 opinion letter. The DOL clearly concludes in the opinion letter that members participating as member-workers are employees, but what is the strength of such an opinion letter from twenty years ago?

It is clear that such opinion letters are not binding authority in the same way as statutes, regulations, or court decisions. On the other hand, our non-exhaustive survey of federal court cases shows that courts often defer to the positions taken by the DOL in its opinion letters, especially where such positions are legally supportable and do not run contrary to statutes or regulations.

We have also had the opportunity to hear Department of Labor representatives speak about this topic in an informal setting at the 2017 Co-op IMPACT sponsored by the National Cooperative Business Association. While such informal statements and answers to inquiries are of course not binding on the DOL or on food co-ops, they are instructional from a risk perspective. The position of these DOL representatives was the same as that taken by the DOL in the 1997 opinion letter: that member workers performing the activities traditionally performed in food co-op programs (bagging, cashiering, etc.) would be considered employees covered by the FLSA. While seminar participants offered creative suggestions for excluding member-workers from FLSA requirements, our perception was that all of these suggestions were rejected.

The prior articles, referenced earlier, reached essentially the same conclusions regarding the FLSA issue: (1) that the legal concerns related to the FLSA made it advisable for food co-ops to take a hard look at their member-worker programs; and (2) even if creative approaches were used (for example, not giving discounts to workers at all, or making discounts equivalent over time to minimum wage), such programs could still be in violation of the FLSA. Our conclusion is essentially the same.

On the basis of our analysis above, we conclude that a food co-op using a traditional member-worker program runs a risk that its program will be found in violation of the FLSA by the DOL, with the further risk that if the co-op chose to litigate the issue through the administrative process, ultimately a court would rule against it. While the chances of any food co-op actually being subjected to an enforcement action may be very small, the possible economic consequences could be sizeable—and consequently from that perspective we would recommend against food co-ops using the traditional member-worker program.

It is also worth mentioning that while food co-ops may not be on the radar of the DOL (or for that matter of the IRS or state agencies), the issue of whether a volunteer is actually an employee can also arise in situations where a member volunteer is injured while performing work at the co-op and seeks coverage, or files for unemployment compensation, or attempts to file a discrimination claim.

Of course, ultimately the decision on these question is up to the cooperative. In light of the risks involved, if a cooperative's board does decide to continue the cooperative's member-worker program, we recommend that the board obtain written opinions from the cooperative's consultants (such as its counsel and accounting firm) supporting its decision and carefully document the reasons for its decision. If, subsequent to the board's decision, the cooperative

faces a DOL enforcement action and is required to pay back wages or fines and penalties, disgruntled members might choose to bring an action against the board. Board members could find themselves on the defensive if they acted contrary to advice provided by the cooperative's consultants, or made the decision to continue the program without seeking advice.

Workers' Compensation Insurance

Workers' compensation insurance requirements are based on state law and thus vary from state to state. However, as noted in the two prior articles, workers' compensation insurance statutes are intended to have a broad reach, and as a result member-workers, even if unpaid, would likely be considered "employees" for the purposes of such statutes—employees for whom coverage is required. We reach the same conclusion reached in the prior articles: food co-ops that still have member-worker programs should check with their insurance agents and carriers to make sure such member-workers are covered by the food co-op's workers' compensation insurance policy.

Employee tax withholding

If members are performing work for the food co-op as part of a member-worker program, and these members are considered "employees" for purposes of federal and state tax laws, then the food co-op is required to withhold payroll taxes from whatever form of compensation is given to the members. Since state tax laws generally track federal tax laws on this issue, the relevant authority would be the regulations and guidance provided by the U.S. Internal Revenue Service.

The prior articles concluded that while this issue had not received the same degree of attention from food co-ops as the FLSA issues (largely because of the lack of publicized enforcement actions), it was likely that members performing tasks typically performed by employees, such as bagging, stocking, etc., could be viewed as employees for purposes of the IRS, and taxes should thus be withheld on any form of compensation provided. We reach the same conclusion. As with the FLSA issues, although the likelihood of action by the IRS may be very small, the financial consequences (including fines and penalties) to the food co-op could be sizeable.

Conclusion

Food co-ops that maintain traditional member worker programs will continue to face uncertainty due to the issues discussed here. Ultimately, the decision on whether to continue or restructure such programs is up to the cooperative; however, directors making such decisions need to be well-informed and should carefully document the resources and guidance they rely upon in making such decisions.

For those food co-ops that evaluate the risks and determine that change is necessary, the goal will be to minimize risk while at the same time keeping members involved with their cooperative in a way that maintains their sense of community and avoids the cooperative being seen as just another business. For example, some food co-ops have developed volunteer programs that give discounts to members who volunteer at certain nonprofit organizations. As for those food co-ops that chose to maintain a traditional member-worker program, we recommend they seek advice, if they have not already done so, from their legal and tax advisers to structure such programs to minimize risk to the extent possible. •

When a Living Wage Becomes a Demotivator

BY SARAH DAHL

It's hard to understand how something as benevolent as paying a living wage could cause resentment within the workforce. With over half (29) of states and an additional 39 localities mandating a minimum wage higher than the legal threshold of \$7.25, more co-ops are attempting to provide a living wage for their lowest-paid employees.

While this is a laudable goal on many levels, how co-ops make the transition to increased entry-level pay can drastically affect whether the change is viewed positively or negatively by the co-op's workforce. What this reception by the staff depends upon to is how the co-op addresses or ignores pay compression.

Pay compression

Pay compression describes situations in which people with different skill levels or length of tenure are paid similarly.

There are several ways co-ops can find themselves encountering pay compression. The first is by increasing the entry-level pay to the point where it is similar to the pay for longer-term employees or those in non-entry-level positions.

Pay compression also commonly occurs when co-ops do not modify their pay scales based on changes in the labor market. As a consequence, when it comes time to hire someone externally, the compensation that it takes to get someone new to take the job may be the same amount you are currently paying someone who has been working in the position for several years.

Compression can also occur when raises aren't consistent, either within or between departments, resulting in some staff earning pay similar to those with much more experience or responsibility.

The problem of pay compression

Providing a higher starting wage to your new entry-level workers rarely poses a problem for those workers. But consider the staff who started before the wage was raised. Most of them had to work hard over a significant period of time in order to earn raises. When new staff come in to the co-op with none of that experience yet now make just as much as more-tenured staff, it can feel like the hard work and experience of those who have been around longer isn't as valued.

In other words, in trying to do a good thing by increasing the entry-level wage for new hires, some co-ops have been caught

How co-ops make the transition to increased entry-level pay can drastically affect whether the change is viewed positively or negatively by the co-op's workforce.

off guard by the negative response from the longer-term staff, who suddenly see the value of their experience effectively erased. Some staff can feel actively demotivated by this scenario, wondering why they should bring the benefit of their experience to situations when their pay is the same as or similar to that of brand-new hires.

Additionally, when only the bottom of a pay range is adjusted, co-ops can experience compression within a range. This means that there is less room to grow before someone reaches their pay cap.

Consequently, the value of tenure and cumulative experience on the job is lessened, which can result in earlier turnover or lack of motivation to do more than the minimum required after the cap is reached.

Sometimes changes to entry-level pay are such that they leave very little distance between an entry-level position and the next higher level of responsibility. When pay is compressed between different pay levels, not only can it feel demotivating for those in the higher-level positions, it can result in a lack of willingness to move up. If staff can make nearly the same money with less responsibility, there is less motivation to take on more challenges without commensurately more pay.

What to do about pay compression

Although not as satisfying as offering a multi-dollar pay increase to your co-op's starting wage, or hitting your livable-wage-calculator target in one go, consider mitigating compression as part of your budget when making changes to entry-level pay.

Below are a few of the basic considerations to examine when adjusting any pay level:

- **Adjust both ends of the range, not just the bottom.** At a minimum, if you are increasing the starting pay, the pay cap should also increase to maintain at least some of the width of the range. While this step doesn't cost the co-op more at the time of the rollout, it does ensure that staff in the pay level being adjusted still have room to grow over time.
- **Maintain the distance between pay levels.** In many co-ops, pay structures offer higher pay levels at a set dollar amount above

the starting level. Without going into the advisability of such a structure, an analysis should be carried out to at least determine the impacts on the pay levels above the entry level that is being adjusted. For example, assume the entry-level range was \$10–\$15, and the next level above that was \$12–\$17. If you want to adjust the entry level to \$12–\$16, the next level up will need to move as well—for example, to \$14–\$19. You would then need to give raises to anyone in the second level who is not currently making at least the new minimum of \$14.

- **Maintain staff compa-ratio.** This is the most equitable and generally most costly option. The premise here is that if you make adjustments to the pay range itself, each person’s pay should be adjusted similarly, so that they are in the same position in the new range as they were in the old range. For example, if the old pay range was \$10 – \$15 and an employee was making \$12.50, they were midway through the range. If the range changed to \$12 – \$16, that employee would get a raise to \$14, midway through the new range.

Hybrid options

Once you know some of the common methods of addressing pay compression, your budget may dictate that you partially employ some of the methods above—or some of the following additional tactics.

- **Everyone gets an increase.** This is a common method, as it can seem more “fair” to employees. In this case, the entry-level pay is raised, then all other staff also get a raise. This could be a similar percentage increase, such as 3 percent across the board, or a dollar amount, such as a \$0.25/hour raise to everyone. When using this strategy, it is important to apply the increase to the bottom and top of the pay ranges as well.
- **Cents per year.** In this version, everyone gets a pay increase, but the amount is determined by how long someone has been at the co-op—for example, \$0.10 per hour per year: someone working five years would get a \$0.50/hour raise, while someone around for two years would receive an additional \$0.20/hour.
- **Decreasing raises.** With this strategy, everyone gets a raise, but the amount of the raise decreases the higher up the pay levels you go. For example, if the entry-level pay increases by \$1.00, those in the entry-level pay range all get a \$1.00 raise; those in the second pay level get \$0.50; those in the third level get \$0.25; etc.
- **Pay-range target.** In this scenario, the amount of the raise isn’t a concern as much as how far through the range each employee is. Those in the bottom quarter of their pay range may get a larger raise, in order to get them closer to the middle of their range and separate them more from the new hires receiving the higher rate. Those in the top quarter of their pay range would get a smaller raise.
- **Compressed employees only.** This version targets limited budget dollars only to those areas where compression is the most egregious. For example, if the new entry-level wage puts new hires above existing staff, those existing staff would get a raise to be somewhere slightly above the new entry-level pay, with smaller increases to those who become compressed due to that action. The chart here gives examples:



PHOTO COURTESY OF NATTANAN KANCHANAPRAT

	Entry level	Employee A	Employee B	Employee C
Old pay	\$10.00	\$10.25	\$11.00	\$12.50
New pay	\$12.00	\$12.25	\$12.50	\$12.75
Raise amount	+\$2.00	+\$2.00	+\$1.50	+\$0.25

Timing factors

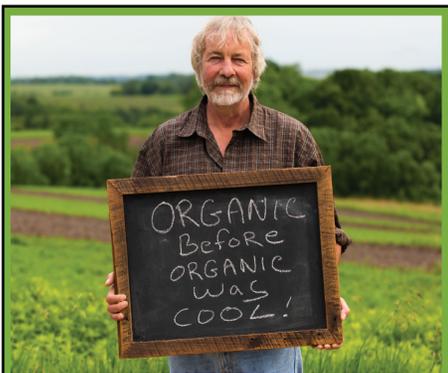
The biggest obstacle to addressing pay compression issues is budgetary. Money spent on addressing current staff’s pay is less money available to put towards a living wage to new entry-level staff. To help with these budgetary issues, consider implementation in phases.

Multiple-year targets: As is the case with many municipal-ity increases to the minimum wage, you can publicly share your aim to reach a living wage over a period of several years. This is more commonly used when changes to the entire pay scale are being made each year, as a means to avoid pay compression. Being public about your goal can help staff and your community understand that although you can’t afford a living wage immediately, your aim is to continue to work towards it over time.

Address pay levels in phases: Another option some co-ops have used is to live with compression of some kind for a period of time, with the promise that it will be addressed in the future. Some co-ops feel that ensuring all people have at least a living wage is more important in the short term and that if staff feel the same, they will be more willing to accept pay compression so long as their own pay will be addressed adequately in the near future. This is most commonly used to delay addressing manager pay ranges.

Conclusion

There are multiple methods for managing pay compression when looking to make an adjustment to entry-level pay. In reality, many co-ops use some combination or partial versions of the several options described above. Ultimately, the method isn’t as important as is a clear rationale for why you are making the changes that you chose—one that considers the impacts on all of your staff, not only the newest entry-level hires. •



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Building a Triple Win: Maker to Market "Food Accelerator" Goes from Farm to Retail

BY AMY CAMPBELL

The Twin Cities metro area has a longstanding history as a leader in the food and agriculture industry. With our bountiful growing season and the most food co-ops per capita in the entire country, there is no shortage of innovation coming from within the local food community.

As the better-for-you and farm-to-table trends have boomed, you might assume our community would reap those benefits, but we at Lakewinds Food Co-op haven't always seen that. We did launch the Lakewinds Organic Field Fund in 2011, offering support to local organic producers; Organic Field Fund grants in 2017 totaled nearly \$58,000 to 11 farms and farm associations.

But we wanted to do more. Are local farmers being tapped to produce the ingredients needed for some of the new brands? Do local food makers know how to connect with local farmers?

With all of our community's resources and knowledge, we knew there had to be a better way to harness this energy and give consumers exactly what they were looking for: locally made products using local ingredients that support local makers. And with that, in a Lakewinds conference room fondly referred to as "the fishbowl," the Maker to Market idea was born.

Supporting farm to retail

Maker to Market is a "food accelerator" with a mission to scale slow food, made possible through our partnership with The Good Acre, a non-profit food hub in St. Paul. Through the Lakewinds program, aspiring makers source Minnesota-grown produce from The Good Acre's farm network; gain access to com-



LAKEWINDS
FOOD CO-OP



LAKEWINDS
ORGANIC
FIELD FUND

2017 GRANTEES

A TOTAL OF

\$57,985

In grant funds was awarded to a group of 11 farms and farming associations. This committee is made up of 16 passionate people about organic and sustainable agriculture. We're proud to announce this year's recipients and we wish them much success as they work on their projects.



SOGN VALLEY FARM
Insulate and install washable walls within existing packing shed to bring wash and pack operation into full compliance with GAP standards, improve production for CSA and potted-plant sales.

\$8,000

Lakewinds Organic Field Fund grants in 2017 totaled nearly \$58,000 to 11 farms and farm associations. But we wanted to do more.

mercial kitchen space, storage, and distribution; and gain marketing and retail insight from the Lakewinds team. Makers in the accelerator are also guaranteed six months of shelf space at all Lakewinds locations.

Lakewinds Food Co-op has been serving the western suburbs of the Minneapolis–St. Paul metro area for over 40 years, ever since our humble beginning on the front porch of two long-time friends in Minnetonka. Over the years, we have grown to three locations and a team of 350 employees serving more than 23,000 community owners. The thriving co-op market in the Twin Cities creates a landscape that encourages natural and organic grocers to take on initiatives that differentiate their stores within the market space.

Maker to Market helps Lakewinds accomplish a key goal as a co-op: differentiating ourselves from mass-market retail chains that have started carrying the kinds of organic and local offerings previously found only at co-ops. This accelerator allows us to give consumers new, locally made products to fall in love with, available exclusively on the shelves at Lakewinds. Win number one goes to the consumers.

Lakewinds and The Good Acre

The retail and marketing side was the easy part for us. The big hole we needed to fill was figuring out how to connect these makers with the local farming community. Enter The Good Acre, a local food hub launched in 2015 (Learn more at thegoodacre.org/our-mission.)

The Good Acre strives to enhance how food is grown and shared in the Twin Cities region and to improve marketplace opportunities for diverse, independent, immigrant, and



low-income farmers. “Our team looks to connect underserved local farmers and ensure they can reach their fullest growing potential,” explains Emily Paul, director of programs at The Good Acre. “Not only do they benefit from our guided counsel, the community also has increased access to healthy, locally grown produce. When connecting with the Lakewinds team on this concept, it was apparent that what The Good Acre brought to the table perfectly complemented their offerings.”

In addition to the connections to local farmers, The Good Acre provides Maker to Market participants with workshops on kitchen technical assistance and skill building. The benefits of working directly with farmers are clear: makers can confidently rely on fulfillment of purchase orders to meet their produce needs, and farmers are able to crop plan more effectively and rely on business from these local makers. Win number two goes to the farmers.

Lakewinds and The Good Acre quickly realized we had the opportunity to bring fluidity to relationships within the food economy. This “food accelerator” helps independent food makers turn their most promising concepts into retail-ready products, all while receiving support from the two organizations. Win number three goes to the makers.



Sisters Mel and Ky Guse of Gyst specialize in lacto-fermented vegetables.

PHOTOS COURTESY OF LAKEWINDS FOOD CO-OP

By supporting products that majorly utilize produce and are reliant on local farmers, Maker to Market serves as a win-win-win for the shelves of Lakewinds and their shoppers, for The Good Acre’s farming network, and for aspiring food makers. Together, we inject fresh creativity into the Twin Cities local food community by empowering consumer packaged goods startups to unleash their inner entrepreneur.

Maker to Market products are evaluated by a panel and selected based on taste, uniqueness of the product, trend in category, adherence to Lakewinds product standards, and the ability to source ingredients from local farms. In its inaugural year of 2017, Maker to Market had 29 applicants, four of whom were selected for the accelerator: Danielle Wojdyla’s Señoritas de Salsa, Mel and Ky Guse of GYST Fermentation, Mona Khemakhem’s Caldo Foods, and Karen and Peder Schweigert’s Little Red Hen Foods. (See sidebar.)

With completion of the accelerator program in September 2017, the path from farm to retail was simplified, streamlined, and flattened, creating links in the food system chain. In just six short months, we led businesses from startup phase to retail level—usually a much more strenuous and time-consuming process. All this was accomplished while also providing Lakewinds shoppers with exclusive, high-quality local products. The success of Maker to Market’s initial four product lines came to the tune of \$15,000 in sales and over 1,600 products sold by the end of September.

For Wojdyla of Señoritas de Salsa, the multi-faceted approach to building her brand was what inevitably set her on the path to success. “The support of rent in a commercial kitchen is great, but beyond that, the extra attention to marketing, pricing, social media, and distribution gives a small producer room to breathe in the first few months...while not getting lost in all the details of a new operation.” From a farming standpoint, eight farmers expanded their income sources, largely due to the ability to crop plan pre-season and to finding usage for surplus and/or ugly produce.



Emily Paul from The Good Acre recognizes that the program did highlight one challenge in particular. “Even through this process, we can see how the local food maker scene in Twin Cities is disjointed. That said, our teams now have this opportunity to continue our efforts and become a sophisticated food hub for early stage food startups.”

This opportunity will continue in 2018, with a second class of makers selected to participate in the Lakewinds food accelerator. We’re hopeful the accelerator will serve as an inspiration for other communities to explore their own concept of bridging the gaps within the food community, with Maker to Market serving as a model that could scale hyper-local, slow food consumer packaged goods nationwide.

Lakewinds and The Good Acre will open applications for a new class of makers at the start of 2018, with the selected makers to be named in April. •



Food Accelerator Services

An offering of soft and hard services alike is provided to the group of makers through the Lakewinds Maker to Market accelerator:

- Access to commercial kitchen space, production equipment, and cold storage at The Good Acre, financially subsidized on a sliding scale.
- Access to local produce growers via The Good Acre’s farmer network and other ingredient suppliers via Lakewinds. Learn more at: thegoodacre.org/meet-our-farmers.
- Consulting support to create brand and package designs, determine pricing, and conduct product demos in stores.
- An exclusive shelf run at all Lakewinds Food Co-op locations, with sales analysis and product review at the end of the period.
- PR and marketing support through activations such as in-store demos, media and influencer product drops, participation in Minneapolis farmers markets, and other program partnerships.

Maker to Market Producers

Señoras de Salsa

Danielle Wojdyla’s line of fresh, refrigerated, authentic Mexican salsas and sauces was not the only factor that caught the eye of judges; she also stands committed to empowering immigrant women throughout the Twin Cities community.

Gyst

Sisters Mel and Ky Guse specialize in lacto-fermented vegetables; their seasonal varieties may include Golden Beet with Ginger and Orange, Daikon Radish and Chili, and Spicy Blueberry Kraut.

Caldo Foods

Mona Khemakhem’s fresh harissa (gourmet pepper blend) and carota (gourmet carrot dip) combines international flavor with Midwest ingredients.

Little Red Hen Foods

Karen and Peder Schweigert combined their 22 years of food industry experience to make a frozen cauliflower pizza crust that utilizes more vegetables and less-processed grains.

Small Farmers in Fresh Produce: Is There a Place at the Table?

BY JESSICA JONES-HUGHES

The grocery industry is a massive industry, an \$800 billion sector as of 2015. Within that total, \$88 billion is driven by fresh fruit and vegetable sales—and fresh produce is one of the fastest growing grocery categories. Between 2010 and 2014 alone, dollar sales of fresh produce grew by 22 percent.

As the quantity of fresh produce in shoppers' grocery carts increases, the opportunity for organic and fair trade products has grown as well. Fresh fruit and vegetables is the top category in organic food sales, accounting for about 30 percent of total organic sales in 2015. Fair trade produce sales have skyrocketed in the U.S. over the last five years—data from Fairtrade USA estimates that in 2015 alone, fair trade produce sales grew by 25 percent.* Organic and fair trade have expanded beyond the natural food and cooperative grocery world and continue to grow in importance in conventional grocery stores. The growth in fresh produce is not likely to slow in the near future.

Fair trade in produce

Cooperatives and natural food stores have been at the forefront of the organic and fair trade movements for the past 30+ years. When companies such as Equal Exchange began to introduce the concept of fair trade in coffee in the 1980s, food cooperatives were the first to understand the need for fair trade products and they began offering them to shoppers. In 2006, when Equal Exchange launched a fair trade banana program in the U.S., the collaboration of food cooperatives and distributors in Minnesota's Twin Cities area made the launch of the program possible. Today, there are more fair trade bananas available globally than any other fair trade produce item.

Fast forward to 2018—there are ethical, humane, and organic seals lining the grocery stores, fighting for the shopper's attention in every category, as certifications become more and more mainstream. For the majority of stores, the top sellers in the produce section are bananas, by volume, and avocados, by margin dollar. While bananas and avocados are also the top two fair trade produce items (according to Fairtrade America FLO-CERT data)* there are additional produce items, including tomatoes, squash, cucumbers, and zucchini, now offered as fair trade certified. The



PHOTO COURTESY OF EQUAL EXCHANGE

Small-scale farmer Mariana Cobbos finds her bananas at Eastside Food Cooperative in Minneapolis, Minn., during a 2016 tour of the Midwest, when she visited Equal Exchange store and distributor partners and spoke at conferences.

majority of new products originate from Mexico, where the ease of access to the U.S. and ideal growing climate allow for year-round supply of most fresh produce items. These factors, alongside the need for greater transparency and integrity in supply chains, create a landscape ripe for fair trade growth.

The growth of fair trade certification in produce is exciting and also complex. It offers more opportunities for a story and a connection to our food, and it leads to more consumers seeking food justice. Yet, as we have seen over and over in the food industry in the U.S., with growth and success comes change. Hundreds of natural food companies have been bought out and are now controlled by behemoth food companies. Large

companies, seeing the financial incentive of organic and fair trade, purchase smaller entities and use the larger company's supply chain efficiencies to grow the "organic branches." Unfortunately, these buyouts are often paired with watering down of standards, ingredients and the original mission.

Staying authentic in a changing landscape

Fair trade started as a movement to give small-scale farmers access to the global market and to change the power dynamics in typical trade relationships. At Equal Exchange, this has always been the core of our business, whether dealing in coffee, chocolate, tea, or bananas. Our mission is to create supply chains that directly connect consumers and small-scale farmers.

At its most authentic, this starts with small-scale farmer cooperatives that are democratically organized, partnering with organizations such as Equal Exchange, a worker-owned cooperative, selling to consumers through member-owned food cooperatives or natural food stores. This is a truly radical supply chain, especially given its presence in an industry where consolidation abounds and independent food businesses are few and far between.

The fair trade certification standards for products, including sugar, tea, and bananas, allowed plantations to gain fair trade certification from the very beginning. In other products, plantation production was allowed over time. Many companies such as Dr. Bronner's and Equal Exchange have fought against the inclusion of plantations in the fair trade system. Over the years, the number

of large-scale plantations in the fair trade system has grown significantly. As of 2016, plantations supplied about 45% of the total fair trade certified volume globally.*

Why are plantations such a big piece of the pie? Large-scale plantations are no doubt easier and more efficient to work with, especially in bananas. Bananas are grown as a monoculture, with farms that are incredibly efficient, harvesting banana tree after banana tree, then packing and shipping large quantities at once—an essential component of a cheap commodity such as bananas.

Assisting small-scale farmers

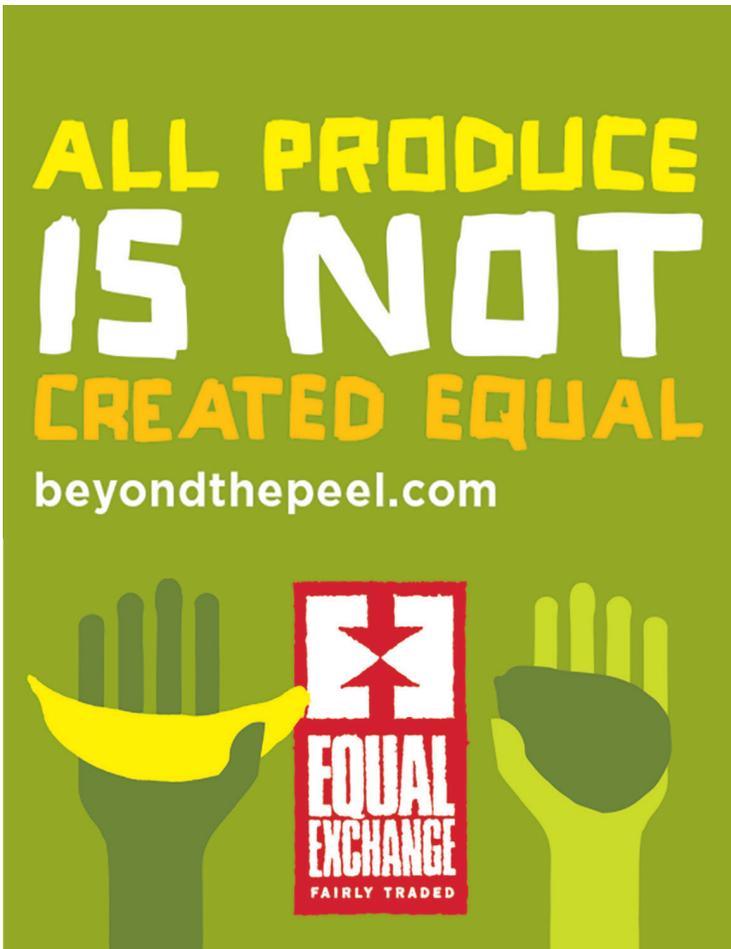
Working with small-scale farmers is complex. In Peru, where Equal Exchange sources 50 percent of our banana volume, there are thousands of small-scale banana farmers, with the majority owning a little over two acres of land each. To ship to the U.S., banana cooperatives must coordinate with hundreds of farmers each week: How many bananas are available? When can they be harvested? How is the quality? It is a lot of work, but without the cooperative to coordinate and consolidate the contributions of many producers into one shipment, these farmers would have no access to the international market and would be forced to sell their bananas on the national market for a much lower price. For small-scale farmers who are able to export their bananas, the economic impact on their livelihoods is tremendously improved. That impact has further ripples, since small-scale farmers have deep roots in their communities and take care of the land where they farm—because it is also their home.

Where do we go next?

As fair trade grows in produce, how do we keep the original vision of fair trade alive? How do we assure that small-scale farmers can keep their seat at the table? At Equal Exchange, we ask these questions often. We debate about how we can remain true to ourselves and differentiate in a competitive market where consumers are making quick decisions and are not interested in spending ten minutes talking about which tea to purchase. In bananas it is simpler, since there are typically only 1-2 banana options available, and produce departments are making those decisions for the consumer. Stores have the real power to offer an alternative to consumers in bananas and fresh produce.

Staying true to the roots of fair trade is essential to having the biggest impact environmentally, economically, and socially. Just as the impact of one shopper deciding to shop weekly at their local food co-op makes a big difference for the store, so is the impact of fairtrade on small-scale farmers. Knowledge is power, and asking questions of food companies, your store, your produce distributor, your importer, and your farmer is the only way to navigate and stay true to our authentic roots. •

*Data from Fairtrade America includes only FLO-CERT data and does not include Fairtrade USA.



Tools for Thinking about Food Justice

1. Ask questions about companies, farms and products, such as: Sourcing model? Average acreage of the farms? What is the model and mission of the company/store/farm? Is the company 100 percent fair trade, 100 percent organic, or only a portion? Who owns the company? What is the mission? How do they treat workers/employees? Size?
2. Whenever possible, purchase produce that is (aim for at least two): grown by small-scale farmers; sourced or sold by small and cooperative businesses; from a local farm or business.
3. Evaluate products through industry watchdogs. They conduct research and offer many resources on their websites. We suggest:
 - Fair World Project** – fairworldproject.org
 - Cornucopia Institute** – cornucopia.org
 - Better World Project** – betterworldproject.org
 - Organic Consumers Association** – organicconsumers.org
 - Fairtrade America** – fairtradeamerica.org
4. Phil Howard, associate professor at Michigan State University in the Department of Community Sustainability, is a recognized researcher on food system consolidation. Known for his charts documenting organic food industry consolidation, Howard is the author of *Concentration and Power in the Food System: Who Controls What We Eat?* (2016).
5. Equal Exchange recently launched a new grassroots movement to engage consumers, called the **Equal Exchange Action Forum**. In order to build an alternative to the conventional economic system, citizen involvement is mandatory. Join us in building a community of citizen consumers fighting for food justice, democracy, and the earth. Learn more and join the action at **Equal Exchange** – equalexchange.coop.

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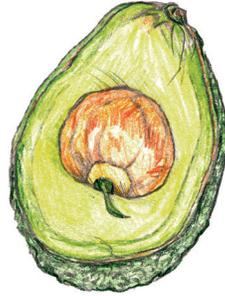
BY ELLEN MICHEL

The 8th North American edition of the Sustainable Foods Summit took place in San Francisco in late January. Organized by Ecovia Intelligence, the Summit is a global event that assembles presentations by senior executives and other key players in the food industry: a version was held in Singapore in November 2017, and another will take place in Amsterdam in June 2018. Cooperative Grocer Network was selected as a barter partner, which enabled me to attend. This year's theme, "New Horizons for Eco-Labels and Sustainability," organized a broad array of topics focused on the present status and future forecasts of various global ethical product industries.

What do we anticipate in the arena of sustainable foods? How do foods earn that designation, and how are they perceived and defined by consumers—by "eaters," as Michael Pollan would say? The Summit offered speculation concerning various scenarios in the current chaos and uncertainty—and the opportunity—of international food production and trade.

Organic and eco-labeled foods now comprise over 5 percent of the food sales in the U.S., while at the same time there is little support in the current Farm Bill for growing and meeting this customer demand. While we can expect demand to increase as tastes become more sophisticated and people experience the health benefits of "clean eating" (a current buzz phrase), we are also living in a time of rapid change and disruption to many features of traditional agriculture. Where will the sustainable food come from if we are at a loss for arable land and experienced farmers, and if those who show interest in farming have a hard time finding capital and support? What role will be played by vertical farming and other innovations?

A subtheme of the Summit involved considering lifestyle differences between baby boomers—who were early champions of sustainable foods—and millennials and other younger people who are now its most avid advocates. What does "local" mean to millennials, especially those who see themselves as international citizens? What do we make of the fact that, thanks to them, vegan eating is growing by leaps and bounds, especially as innovations take place in the development of plant-based



dairy products and proteins? (The most contentiously received presentation was that of Nick Halla, chief strategy officer for Impossible Foods, developers of the Impossible Burger. One genetic engineering skeptic went so far as to say "How do you people sleep at night?" only to be reminded by another audience member that "things are not so pretty in the current meat industry.")

The two days of meetings involved 29 sessions for all attendees, with networking lunches and product exhibitions. We were offered food samples and told the stories of some of the rapidly emerging companies in this market: AeroFarms, Wild Brine, Ocean's Halo, Blue Evolution, Numi Tea, and Heavenly Organics. We heard

from the Chief Evangelist and Head of People & Culture at Tony's Chocolonely, a brand that is providing traceability to end slavery in the chocolate supply. There was much discussion about the evolution and impact of food labels—and the potential for consumer confusion.

Chef and author Mareya Ibrahim gave her food trends projections, noting that Americans now spend \$600,000 per month on avocado toast, a restaurant item that didn't even exist in the not-too-distant past. On the horizon are more avocados, chia seeds and goji berries, kale and micro-greens, walnuts, salmon, fermented products, green tea beverages, and ancient grains. The wide availability of inspiration on Instagram has resulted in the popularity of creating meals out of ingredients that are seasonal and fresh—home cooks assemble fruits, vegetables, carbs, and proteins into mutable meals that reduce food waste and draw inspiration from fusion cuisines. The zero-waste lifestyle trend has created a renewed interest in bulk foods.

What are the implications for food co-ops? I think it's more important than ever to pay attention to changes in food systems and marketplace trends, while supporting local variations on these themes. We have the advantage of bringing a values discussion to the table—robust conversation about food justice, the science of food, and transparency concerning GMOs and product ingredients. We are long-standing protectors of sustainable foods—it's critical that we value our contribution and continue to build on commonly shared potential. •

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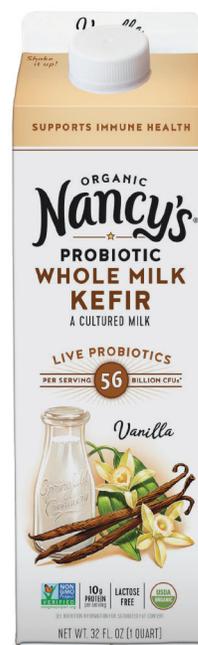
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Keynotes



Eric Holt-Giménez, Ph.D.

Eric is the author of numerous articles and books focused on food justice, and currently is the Executive Director of Food First, whose mission is to end injustices that cause hunger, poverty and environmental degradation through research, education and action.



Elizabeth Pontefract

Elizabeth is the Vice President of Finance and Strategy for PCC Natural Markets. Having worked in brick-and-mortar retail strategy for over 15 years, Elizabeth brings perspective on what differentiates successful operators who co-exist and thrive within a rapidly changing retail environment.



C.E. Pugh

C.E. joined National Co+op Grocers in 2008 and currently serves as Chief Operating Officer. With over forty years of experience growing diverse retail food organizations, C.E. has directed over 30 new store development projects for both conventional and cooperatively owned food stores.

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