Summary

Cooperatives as a Tool for Community Solutions… It's Your Grandpa's Dairy Co-op and So Much More

Community Solutions Community of Practice

September 27, 2016, webinar hosted by USDA Rural Development

Welcome and introductions

Victoria Collin of the Office of Management & Budget Community Solutions team introduced Sam Rikkers, Administrator of Rural Business – Cooperative Services at USDA Rural Development. Administrator Rikkers observed that cooperatives are a powerful tool for communities to create ownership, build wealth, and maintain local control. Rural communities have a long history of using the co-op model, but co-ops could be effectively used in urban areas too. October is Co-op Month, and USDA welcomes Community Solutions colleagues to join in webinars and events to mark the occasion.

What is a co-op?

Webinar facilitator Margaret Bau, Cooperative Development Specialist with USDA Rural Development, defined cooperatives as businesses that are owned and democratically controlled by the people who use its services. There are over 29,000 co-ops in the US, defined by who are the member-owners. The most common type of co-ops are consumer owned (such as rural electric co-ops, credit unions, and local food co-ops). Next in popularity are the producer co-ops, owned by farmers or artists to market their goods. Shared services co-ops allow small businesses to compete with big box stores through joint purchasing, marketing, and distribution. There are about 300-400 worker co-ops, in which employees co-own their workplaces. Finally the new multi-stakeholder co-ops allow consumers to team with farmers or employees to rebuild local food systems.

Five of the best co-op developers from across the country briefly spoke about innovative uses of the co-op model. Four of the speakers work on projects in rural areas (with partial funding from USDA's Rural Cooperative Development Grant). The final speaker presented about a community owned grocery co-op in Greensboro, North Carolina.

Converting existing businesses to employee ownership

Rob Brown, Director of Business Ownership Solutions at the Cooperative Development Institute, shared with us his work in the Northeast, particularly in Maine, in converting existing businesses into employee ownership via worker co-ops. Rob observed that much of co-op development has been focused on starting new businesses. Conversions focus on already existing and successful businesses, sometimes as a succession plan strategy for retirement and other times as a growth strategy. Ownership conversions are of heightened interest in Maine since the state has the country's oldest population and the highest concentration of small businesses. The majority of Maine's small business owners are baby boomers with no succession plan for their eventual retirement. The loss of these businesses would have major implications for rural communities. Conversions to employee ownership is a benefit to the owner (lower transaction cost in selling the company), to the employees (keeping jobs and gaining wealth), and to the community (retaining local control). There are challenges to the ownership conversion process; most employees are used to punching a clock and have limited access to equity. But Rob observed these challenges can be overcome as evidenced by two examples. In a remote coastal community an owner of two grocery stores, a hardware/variety store, and a pharmacy wanted to retire quickly. No outside concerns offered to buy the businesses, so the only option was to sell to the employees. It was a complicated process, but for three years now the 60+ employees own the Island Employee Cooperative and the community has retained its only source of groceries. Rob shared another example of a landscaping company facing fast growth. The owner could not keep up with that growth, so she offered to reward the 13 employees with ownership. After one year as a co-op the company has enjoyed continued fast growth and the employees are stepping up with their added responsibilities.

Turning trailer parks into resident owned communities (ROCs)
Manufactured homes (sometimes called mobile homes) are an affordable housing option. Most residents own their manufactured home, but rent the land beneath them in a park (sometime called a trailer park). This is a precarious situation. Over time park owners may have deferred maintenance on water, sewer, or other utilities. Often park owners face development pressures and may sell the real estate, giving residents short notice to vacate the land. Once placed, manufactured homes are not easy to move and homeowners may face abandoning their largest personal asset. Diane Gasaway, Executive Director of the Northwest Cooperative Development Center (NWCDC), described how their center (serving Washington, Oregon, and Idaho) is one of eight affiliates of ROC-USA, a national social enterprise. ROC-USA affiliates like the NWCDC assist homeowners to cooperatively purchase the park and operate it for the mutual benefit of its residents. As Diane observed, "Transitioning from resident-tenets to resident-owners is difficult, but the results are transformational."

From farmworkers to farm owners
Migrant workers settled in rural Minnesota after finding permanent jobs in the meat packing industries or on dairy farms. Many dream of owning a farm of their own. John Flory of the Latino Economic Development Center (LEDC) - an organization dedicated to immigrant entrepreneurship and experienced in both urban and rural co-op development – described how farm incubator co-ops are a pathway to achieving this dream. Five to seven perspective farmers form a farm incubator co-op and start on a small scale. Together they rent land, receive training in organic and northern climate farming practices, access financing, and farm as a team. To date LEDC has helped organize seven farm incubator co-ops in Minnesota and Wisconsin. In 2012 the first farm incubator co-op, the Agua Gorda Co-op in Long Prairie, Minnesota (two hours from the Twin Cities), started produce farming on one acre of leased land from a city industrial park. Over time and after developing a sales relationship to grow tomatillos for La Loma Tamales in Minneapolis, the Co-op expanded from cultivating one acre, to three acres, to 15 acres of land. In November of 2015 Agua Gorda Co-op purchased a 54 acre farm of their own. Developing markets is the biggest challenge to the success of the farm incubator co-ops. For that reason LEDC assisted in the formation of the Shared Ground Farmers Co-op to market produce to CSAs (community supported agriculture), restaurants, and food co-ops in the Twin Cities. This combination of farm incubator co-ops and a marketing co-op has been a pathway for Latino immigrants to move from farm workers to farm owners.

Home care agencies as worker co-ops
Deborah Craig, also with the Northwest Cooperative Development Center in Olympia, Washington, focuses her work on homecare worker co-ops. Over the last 10 years, the homecare workforce has doubled, driven by the aging of the baby boomer generation. More elders are choosing to live in their own homes. Yet this work pays poorly. Homecare workers are predominately women and people of color. The average national wage is $10.05/hour and prior to 2015 homecare workers were exempt from minimum wage and overtime protections. Currently over 50% of the workforce receives some form of public assistance. Given these working conditions, the homecare industry has a very high turnover rate of workers, averaging at 61% annually. This profoundly impacts the quality of care. The continual turnover of staff is the #1 complaint of elders receiving care in their homes. Deborah Craig believes that organizing home caregivers into worker co-ops can make a profound difference. In homecare worker co-ops, wages tend to increase and turnover rates decrease (to 15%-20%). By

cooperatively owning their agencies, caregivers learn business skills such as understanding financials, setting policies, and developing leadership skills. Deborah reports that the skills learned from governing a cooperative improves people's personal lives. Deborah ended with a quote from Kippi Waters, a founder of the new Peninsula Homecare Cooperative in Washington. "I believe client based, community centered homecare is only really possible within the cooperative model where caregivers control their destiny. It is from this place of respect and dignity that they can provide the best possible care for our community's elders."

When the last grocery store closes

In 1998 the Winn-Dixie grocery store in northeast Greensboro, North Carolina, closed despite being profitable. Similar moves were happening across the country as corporate chains chased higher returns in more affluent markets. This left the predominately low income African-American neighborhood of 35,000 people a food desert. As the years passed the vacant store became a blight on the neighborhood. In 2011, tired after waiting for someone else to solve their food desert problem, the neighbors organized with the help of locally based Fund 4 Democratic Communities (F4DC). Marnie Thompson of the F4DC observed that it took five years of community organizing, political work, capacity building, business planning, and fundraising to create the Renaissance Community Cooperative (RCC). RCC is 100% community owned by its 890+ owners. Grand opening is set for November 4-5, 2016. The community is proud that their RCC will never pick up and leave, seeking a higher rate of return elsewhere. At 10,530 square feet with 12,000-15,000 stock keeping units, RCC is a full service store, not a glorified convenience store or other half measure. The community raised $2.5 million; $1.5 million of that in member equity and the other $1.0 million in debt. (Marnie would be happy to share more details about their financing.) The RCC will create 28 good jobs, 17 of which are full time with health benefits. By conservative estimates, the store is projected to gross $4-$5 million annually and become profitable in three years. How is this possible in a low income neighborhood? Research indicates that the 35,000 neighborhood residents spend $1.34 million on groceries each week and there is no other grocery within a two mile radius. If the RCC captures just 5%-6% of this market, the store will be sustainable. As Marnie observed, "Even if the neighbors are poor, they still need to eat." The RCC will offer fresh, affordable food at conventional grocery chain price points. This is not a typical local food co-op with high priced foods. RCC is utilizing a conventional distributor, of which there are networks nationwide. Marnie offered two observations on why RCC is working. First, the community was already organized. For the past decade the neighborhood had successfully fought off having a landfill placed in their community, so they turned that organizing muscle to address the food desert. Second, there was access to quality technical assistance, both from the co-op development perspective (provided by the F4DC) and from the grocery business perspective (via various consultants). Marnie firmly believes that other communities can also use the co-op model to address a food desert if they are organized and if they have access to quality technical assistance.