



# Guide to starting a locally-scaled, local foods cooperative

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**Crystal Stewart<sup>1</sup>, Christopher Curro<sup>2</sup>, and Greg and Kirsten Dunn<sup>3</sup>**

<sup>1</sup> Board member, Mohawk Harvest Cooperative Market and Regional Specialist, Cornell University Cooperative Extension Capital District Vegetable and Small Fruit Program <sup>2</sup> Manager, Mohawk Harvest Cooperative Market and founding member <sup>3</sup>Board members, Mohawk Harvest Cooperative Market and owners, Full Quiver Farm

## INSIDE THIS GUIDE:

- Detailed information about our startup and operating costs
- How our mission-driven operation opened doors in the community
- Things we would have done differently!
- How we have worked with farmers to
- Create a cooperative that can work for everyone



**Cornell University**  
Cooperative Extension



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## I: INTRODUCTION TO MOHAWK HARVEST COOPERATIVE MARKET AND THIS RESOURCE

Mohawk Harvest Cooperative Market was legally incorporated in March of 2009 after approximately nine months of intensive planning. The doors opened on our store, a modest 800 foot retail space, on July 22, 2009, almost exactly one year after our first planning meeting. We are still a new store and have continued to experience growing pains, but we are encouraged by our steady progress and want to share the details of our beginnings and document the tremendous amounts of work, passion, and good fortune it took to open and expand.

It is important to note up front that starting our co-op was not easy. We did not have grant money or other forms of free financial assistance to work with. We opened our doors with an extremely modest storefront, used equipment, and a manager who was willing to work for free for two months until we were able to start paying him a salary that only someone who loves what they do would accept. We were very careful with our money, but we were very liberal with our excitement and dedication. The results of our approach have been steady growth of approximately 5% per month on average, and attaining profitability in our first full year of operation. We currently have approximately \$221,000 in annual sales, but expect to grow in coming years. We work with around 35 farmers and producers directly, with an additional 42 local and regional producers also selling to the co-op through distributors. We have 260 members who have paid \$150 each to be shareholders of this co-op, and we have a loyal customer base of both members and non-members. We currently employ 1.5 people; the manager and a half-time assistant.

This handbook is not meant to tell you everything you need to know about starting a co-op. There are many excellent informational resources available on starting different types of co-ops. We list some of them in our Resources section. These resources were very valuable to us, but equally valuable were our conversations with other co-ops about everything from choosing a manager to building inventory to member relations. We felt very fortunate to receive timely wisdom from nearby co-ops. If you live in an area that does not have access to successful co-ops, we hope you will be able to use this handbook to find useful data and anecdotes from our experiences, and maybe some inspiration too.

## II: WHO ARE YOU AND WHY DO YOU WANT TO FORM A CO-OP?

Before entering into more concrete ideas like business planning, it is very important for your co-op planning committee, the group of dedicated individuals who will nurture your co-op from conception to reality, to think specifically about the identity of the business they are trying to create. The first step in this process is to evaluate the group itself and make sure as many decision makers as possible are being included in the visioning process. In our case the visioning group included farmers, individuals who had belonged to co-ops in other locations, citizens interested in community development, leaders of local social organizations, and Cornell University Cooperative Extension educators. There are many other groups that might be included, depending on your circumstances. You may begin by asking: Who will be affected by your co-op? Who can help move it forward? These people are your biggest immediate resource.

Our first few meetings focused on brainstorming about our identity, and what we wanted from a co-op. We discussed features and services the co-op might provide, what our physical space might look and feel like, and our ideal position within the community. During this process all ideas were left “on the table” and were not prioritized or scrutinized. The goal of this process was to get as many ideas out for discussion as possible.

After we had spent two meetings brainstorming, we came back as a group and prioritized our ideas. We then further refined our thoughts by creating a mission statement\*. When making decisions about emerging issues, we are able to always look back to this statement. It is our magnetic north.

If you can take the time to have thorough conversations about the co-op’s core identity before moving to finer details, you may find that some future decisions come more easily, and that the group as a whole feels energized and unified in its goals moving forward. It’s easy to skip this difficult step, but we felt that without it we would have struggled more.

*\*Mohawk Harvest Cooperative Market Mission Statement: As consumer, producer and farmer members of a cooperative, we are committed to the creation of a healthy, sustainable community by providing wholesome foods, empowering artisans and fostering lifelong learning.*

### III: DETERMINING THE PROPER SIZE FOR YOUR COMMUNITY’S CO-OP

#### A: Determining community level of support

We knew that we had a dedicated core group of people who were interested in making the co-op succeed, but we weren’t initially sure if the greater community would be interested in our vision. In order to determine the level of support for the co-op, we engaged in two different information gathering missions: one for the consumers who we needed to patronize the store and the other for the farmers who we needed to provide product and guidance.

Most of our initial information about prospective consumers came from an initial market survey that we conducted and from information provided by the Chamber of Commerce about our trade area. We sent our survey to between 500 and 700 people by email. We allowed individuals to forward our request, so we aren’t sure exactly how many people received the request. Initially we used every listserve we could access, including the Cooperative Extension list, the local community college list and local church and synagogue lists. From this sampling we received about 150 responses via an online survey collector, postal mail, and FAX. Our sample was not a scientific sampling of the general population, but we did feel that it was representative of our prospective shoppers.

Information from the local Chamber of Commerce was more general. Our trade area is approximately 50,000 households, or 104,000 people. Fourteen percent of adults over 25 have at least a college degree, and 47% of employed persons are engaged in white collar occupations. The median household income in Fulton County, where the co-op is located, is \$39,467. The percentage of individuals living in poverty is estimated to be 17.3% (U.S. Census/SAIPE, 2009). We compared our region to other co-ops who had similar and divergent demographics and extrapolated in order to judge our market potential.

Based on our survey results, we felt confident that the shopping public supported the co-op’s mission. We also felt that if we could capture even a modest fraction of our community’s monthly food bill, we would be able to

generate enough revenue to keep a modest store going. However, at this point we were admittedly still unsure how we would make everything come together.

Many co-ops have failed, and for many different reasons.

Despite feeling confident that a co-op that was responsive to shopper's wants and needs would garner sufficient community support, we knew there were still many questions we would have to answer correctly to get a good start and to then keep our positive momentum translating into enough revenue to survive.

We opened the store in July of 2010, with an inventory valued at \$19,093 wholesale, equipment valued at \$4,375, rent of \$400 per month, and a manager who volunteered his first two months and then made \$25,000 per year.

### B: Translating community support into dollars

After eight months of meetings, it was time to start moving from planning to doing, and our first goal was to bring in some money to work with. We had decided that a lifetime membership would cost \$150 dollars, and that every individual who became a lifetime member before we opened the store would be honored as Charter Members. We established these parameters to build a sense of long-term commitment between the new co-op and the new members. When we started our membership drive we did not know when we would be able to open the store, but we did know that we wanted to open as quickly as possible based on feedback from other co-ops that waited for too long (usually years) and frustrated their member base before they were even open.

Within 3 months we were able to raise almost \$15,000, or nearly 100 Charter memberships. During the same period of time we were able to secure a very generous loan, which helped us tremendously with our initial equipment purchase. A retired dairy farmer heard some of our planning board members speaking at a farmer meeting about our planned co-op, and was so moved that he offered us a \$10,000 loan with excellent terms. We would pay 6% simple interest, and needed only to pay interest until the loan came full term. This small loan was enough to allow us to move from fundraising to thinking about opening.

We opened the store in July of 2010, with an inventory valued at \$19,093 wholesale, equipment valued at \$4,375, rent of \$400 per month, and a manager who volunteered his first two months and then made \$25,000 per year. We knew that in order to expand we would need to increase our inventory and purchase more and better equipment, but we were not willing to overextend our finances. We decided to wait until we were able to secure another loan before making any more non-revenue generating improvements. We also utilized the effective strategy of slow growth based on reinvesting weekly revenue back into the inventory and equipment. This allowed us to work effectively within our own financial reality.

The local Economic Development Corporation was initially reluctant to loan us money, thinking we were a very high-risk business. It took us 9 months from initial contact and three months of actual operation to convince them that our business plan was sound and that we were on track to being a successful and sustainable business. Once we received this \$30,000 loan we were able to dramatically expand our inventory, purchase more coolers and freezers, and keep our cash flow stable, again utilizing a gradual process of reinvestment of weekly profits.

### C: Checking your business plan against reality

#### **a: Our story**

Our initial business plan, completed in the 6 months prior to opening by two planning committee

Obtaining copies of other co-ops' business plans and year-end financial statements was very helpful, and most co-ops are willing to share financial information.

members, one with a background teaching economics and one in accounting, was based on a combination of neighboring co-ops' business plans, our demographic data, and our store goals (Table 1.1, planned and actual startup costs, Table 1.2, year one planned and actual income and expense sheet, Table 1.3, projected month-to-month budget, Table 1.4, actual 2011 month-to-month budget, and Figure 1: business plan table of contents). Obtaining copies of other co-ops' business plans and year-end financial statements was very helpful, and most co-ops are willing to share

financial information. If you have local co-ops in your area ask if they would be willing to provide you with a copy of their financial documents.

Our initial business plan numbers were far more modest than the two large co-ops that we were working with during this process, and our start-up numbers become increasingly modest as we found significant sums of grant funding unobtainable. Even so, our numbers did not project a profit in the first five years unless we moved our income projection beyond what we thought was realistic (from \$22,000 monthly starting sales to \$25,000 starting sales). We initially thought that we might be able to find grant money to help us cover our startup costs, but we realized relatively quickly that finding grants to start a co-op was going to be an uncertain and a lengthy process. Therefore, in order to create a balanced budget projection, we felt that we needed to significantly reduce our start-up costs and our monthly expenses. We were able to reduce our expenses far below initial projections, which was an essential change because our initial income was lower than projected (Table 1.2). We also significantly reduced our startup costs by purchasing used equipment and reducing our store renovations as much as possible.

We prioritize improvements that will generate revenue.

When we opened, the store lacked certain conveniences such as a computerized point of sale (we still have a cash register), coolers with remote compressors, etc. It also lacked certain items that we would later find were absolutely essential, such as air conditioning and a dedicated produce cooler. We accidentally froze produce with a substandard cooler and simultaneously cooked our customers and floor products without an air conditioner in our first summer. We have continued to make improvements to the store beginning with those essential needs and continue improvements as we can afford to do so with a clearer prioritization. We prioritize improvements that will generate revenue.

Our driving financial philosophy could be summed up very simply: Open the doors quickly but without sacrificing essential features, then build the store based on member and consumer feedback. This approach might not work for every situation, but in our case, when we knew we were filling a clear and strong need in the community, opening the doors was more important than perfect aesthetics and immediate implementation of our full vision. We were committed to growing within our means, and so far this approach has served us well.

After opening our doors, our financial situation continued to evolve. We opened in July, and were met with good community support. Increased foot traffic was observed downtown, and the good reputation of the co-op was spreading. Word of mouth became our best mode of publicizing our business. The two area newspapers responded to our community-mindedness by reporting on our progress which resulted in a wider public presence. By November, four months after opening, the local Economic

Development Corporation approved a \$30,000 development loan, which was released in January, 2010. This loan allowed us to make more of our needed equipment purchases and to further expand the inventory. With these improvements we saw our average consumer purchase increase. Eighteen months after our opening, our 800 square foot store was full floor to ceiling with local, regional, and national brands of organic, healthy, and bulk goods. Our co-op was profitable at the end of that eighteen-month period.

**b: Additional resources**

“How to Start a Food Co-Op,” **Cooperative Grocers Information Network**, 2010. This comprehensive document, which details all aspects of starting a co-op and includes case studies, is available online at [http://www.cgin.coop/how\\_to\\_start](http://www.cgin.coop/how_to_start)

**The Food Co-op Initiative** is a non-profit foundation that was created to provide resources and support for communities that want to start new food co-ops. Find them on the web at <http://www.foodcoopinitiative.coop/>

**National Cooperative Grocers Association** is a clearinghouse of information and networking opportunities, and is on the web at <http://www.ncga.coop/>

“How to Start a Cooperative” is a more general resource distributed through the **USDA** which provides an overview of starting multiple types of co-ops, including producer and consumer co-ops. <http://www.rurdev.usda.gov/rbs/pub/cir7/cir7rpt.htm>

**IV: HOW CAN YOU MOVE FROM PLANNING TO DOING?**

A: What worked and what did not: Transition from planning committee to board of directors

Moving from a planning board to an operating board of directors has proven to be such a defining issue in our co-op, as well as others', that we think it deserves special mention. The board itself can spell success or failure to the whole endeavor.

The planning board tends to be made up of motivated individuals who have a variety of great strengths to offer a newly forming organization, from previous managerial positions, to health and fitness experts, to local politicians, stay-at-home parents, teachers, county extension agents, and more. Each one brings with them a wealth of information and ideas, as well as personality traits. Generally, each person is focused on the task at hand, in this case envisioning a new co-operative market. As the “planning” stages turn increasingly to “doing” stages, this group goes through a transition. Some members drop out, as time and/or interest wanes. Others really step up to the plate, doing well-beyond their share of the work. And still others have a tough time giving up the idea that the store will be what he/she individually envisioned for him/herself. As the work load increases, and therefore the stress level rises, every new organization would be wise to plan for this change rather than fall prey to some of the problems that seem to be common to boards!

The Mohawk Harvest Co-op adopted a board policy manual and a set of by-laws from a successful co-op in another state which seemed to have a similar mission. We felt compelled to open up a store-front quickly, which didn't allow for much time to get specific in our board policy. We of course legally incorporated, and went through proper legal channels to conduct business in our state (Check your local laws near the beginning of the process to make sure you understand the framework you will work within. There may be many forms of incorporation in your state, even within the not-for-profit law; be sure someone understands

these options and is able to select the best one for your store). This approach served our group well initially, but as soon as the store opened, a seemingly infinite number of questions arose that needed specific answers that should have been proactively addressed by either board policy or the by-laws. One issue in particular for our group was the difficult transition of having one of our planning board members become the manager, and the necessity of proper protocol for any manager/board communications. Suddenly no one knew who was answerable to whom, and who was in charge of whom. This sudden change in dynamics can be very strenuous on a group, and though you may think this was isolated to just this board, think again!

In an interview with another manager of a food co-op in a town approximately 40 minutes away, the same issues arose. That store began as a bulk-order store, but grew so dramatically in a few short years, that a full and part-time manager were hired, as well as several employees and many volunteers. The operating board for this co-op hadn't any experience for this type of growth, and their policies simply didn't cover all of the issues. The manager of this co-op suggested rather strongly that the board should have policy in place before hiring any employees, as well as very clear delineation of which duties and powers belong to which position. They are still struggling with the overlap of duties, and the strain that can place on people in a working environment.

Our best suggestion is to do your research on policy and by-laws and hash out the issues before they become personal. This process will take some time, some careful thought, and ideally the perspective of individuals who have worked closely with other co-ops.

#### B: Limiting operating expenses—where can you trim and where shouldn't you?

Starting a co-op with both a big mission and real financial limitations has been difficult, but these constraints may have been a cause for our success rather than a hindrance. Limiting operating expenses forced us to think creatively, explore community connections, and build a store from the ground up rather than to merely purchase our wants and needs freely, install an impressive new facility, and then try to work our way out of very significant debt. Working with tangible financial limitations, the co-op became instantly grounded within our humble town, a truly “human” institution that relies upon people, so much so that we have had to market the idea that we are a business, not a charity. This situation has forced us to prioritize tasks and improvements. Sometimes we prioritized spending and trimmed expenses well, and sometimes we made decisions that we would not repeat. These decisions are detailed below.

**a) Trimming that worked:** Nearly every piece of equipment we use was either purchased pre-owned or was donated from our interpersonal network. Donated items such as stainless steel food prep tables from restaurants and bakeries have been wonderful. Durable items, with very specific purposes, are worth the time spent seeking out used or for donation. We were surprised by how many of these items were available when we started looking. Stores, bakeries, and restaurants went out of business, and the equipment was never sold. Our used equipment has, on the whole, been cost effective. Some of it has been erratic, noisy and moderately inefficient. However, we were able to make it work, and it bought us time. You get what you pay for, and as long as you understand the tradeoffs and are building replacement into the budget, used equipment from reliable, honest people is a good option.

We have done without a point of sale system and relied upon a fairly simple cash register. This means we have had to input and analyze data using simple spreadsheets and volunteer data entry. Having *not* purchased or leased a computerized inventory control device saved hundreds of dollars a year. It has also led to an acute awareness of the product on the shelves and the purchasing patterns of our customers. However, as we grow,

the need for a computerized point of sale system has become more and more pressing, as the amount of time needed to keep track of inventory becomes greater and greater. In addition, having a point of sale takes the responsibility of knowing inventory off of a few people and instead allows anyone to figure out what is in stock. A point of sale is a top spending priority now that we are approaching the \$250,000 annual sales mark.

The used shelving is standard grocery shelving, with no wood end-caps or frills to make it warm and inviting. The co-op has a less-than-perfect building interior due to a careful decision not to spend much on renovation, putting a curtain up where a door would have cost more. Member volunteers cleaned, painted, decorated, and built the shelving, getting many people bonded through involvement. Our storage room is quite cramped in order to maximize the retail space for selling goods. Unfortunately, we still do not have room for an office. However, most people consider the feel of the store to be “homey” and seem to like the contrast between our store and the chain stores. Though the store is small and tight, it is kept clean and is constantly being neatened. If space is an issue, neatness is even more essential than usual.

As previously mentioned, the manager volunteered his services at first, and is still underpaid. Having employees who are so dedicated to the mission that they are willing to work long hours for clearly low salaries is a luxury, and it should not be exploited or taken for granted. If we were not in the situation of having someone who was willing to work for less than he is worth, we would have to re-evaluate our financial plan and probably take on more debt. If you can find someone who can do good work within the financial constraints of your organization, it is important to make that person feel valued and appreciated. It is still our goal to make our staff’s salaries competitive with other grocery stores as soon as possible.

Many of our local producers offered or accepted a consignment arrangement for their product in the first months of operation, postponing a potential expense for the co-op until revenue flowed in. This worked well for non-perishables such as maple syrup, canned goods like salsas, and even frozen meats. All producers were moved off of this system as quickly as possible and are either paid upon delivery or monthly.

**Trimming that we would not repeat:** Products from a co-op, especially local products, need to be of the absolute highest quality. The milk cooler must be able to flawlessly maintain its temperature, and our first cooler was not able to do that; it fluctuated above acceptable levels by a few degrees, which was enough to cause spoilage issues. A properly functioning produce cooler for display and for storage is also essential. During our first summer we could not keep leafy greens or other delicate items because our coolers were not

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set up for produce, and we experienced significant loss. Even four feet of produce cooler is a needed investment that should be prioritized! As mentioned, used equipment is acceptable, but it must be monitored carefully, and replaced as soon as it is not doing exactly what you need it to do.

Another key area to invest in is air conditioning. The product suffered due to the heat of the summer combined with the heat produced by our coolers and freezers, causing loss in the fresh produce department. The employees and volunteers suffered, making it nearly impossible at times to work in the back

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Our goal is to offer local and regional products as the focal points of the store, and to augment these selections with healthy, organic and all natural products. When a new customer or visitor asks about our inventory, we showcase our local products as the trademarks of our mission.

room. The cooling units worked harder to cool the vegetables, perhaps causing one cooler to quit functioning and occasional freezing within an overcrowded cooler. Most importantly, avoid skimping in climate control of the store for the sake of the shopping experience. We watched as customers sped through the store to pick up bare necessities because of the excessive warmth of the store. The more time customers spend in the store, the more likely they are to find what they want or need. Obviously, the same need to attend to quality atmosphere can be said for heating in the winter.

**c: Trimming we wished we had done:** Before we opened we took the advice of a board member with a very successful business when deciding on our advertising. We committed to a year with our local public broadcasting station, which reached an audience in the hundreds of thousands. This was a mistake because we found out that not all strategies work for different kinds of stores. We spent \$6500 on that advertising campaign and realized very little benefit. We have found that far less expensive local radio spots, occasional print ad, and most importantly WORD OF MOUTH work for us. Expensive regional advertising definitely did not pay off as a start-up approach.

## V: RUNNING A LOCAL-FOODS CENTERED CO-OP: THE EARLY YEARS

### A: What does our inventory look like?

Our goal is to offer local and regional products as the focal points of the store, and to augment these selections with healthy, organic and all natural products. When a new customer or visitor asks about our inventory, we showcase our local products as the trademarks of our mission. We are most identified by our sale of local produce. We offer both seasonal and storage produce so that we have a supply year round. We purchase fruits and vegetables directly from dozens of local farms. Our meat department, which is all frozen, consists entirely of local product, with beef, pork, lamb, chicken, veal, goat, elk and bison from farms within a 60-mile radius. Our dairy department is overwhelmingly local product, including the milk, yogurt, most of the butter, and most of the cheese. We purchase directly from four local egg producers. We stock local honey and maple syrup. We boast that nearly all of our nut butters are from the region, no more than a two-hour drive from the store. We purchase an overwhelming percentage of our flour from three regional mills. A surprising array of value-added products are produced locally, from coffee to mustards to personal care items and much more. We purchase spring bedding plants and fall mums from local greenhouses and our seeds from area companies.

Products that are not produced locally include a gluten-free line, ethnic products, convenience items such as pre-packaged lunches, chocolates, cooking supplies, spices, some baking supplies, canned goods such as tomatoes, beans, some dried goods, and many gourmet items. All of these products act to complement the local items, and make it easier for consumers to consider our store a “one-stop shop.”

### B: Working with farmers

a: The Manager’s Perspective by *Chris Curro, Manager, Mohawk Harvest:*

Accessing product from small, largely rural producers requires unwavering dedication to the value of “local” beyond the task of filling a grocery store with food. It is, without a doubt, easier to call a distributor and access product through one source. Finding, contacting and scheduling small producers require knowledge,

time, effort and flexibility. Many of these producers are independent minded and working in relative isolation. If your co-op is the first store purchasing locally, this may be these farmers' first experience with wholesale. It is quite common from our experience for farmers to view the co-op through their own experience at farmers' markets where they personally are able to merchandise the food through one-on-one conversation. In the co-op, foods must sell themselves rather than having the farmer there to sell them. Some producers have sold through other wholesale channels such as restaurants or distributors, and may have either positive or negative expectations prior to entering into negotiations with your co-op. These are all obstacles that can be overcome. However, there are also farmers who will have a sincere interest in the co-op as an economic opportunity and as an opportunity to educate the public. Working through these issues and others can cause the learning curve for both farmers and the co-op's buyer to be steep.

*“Being able to supply the co-op with organic eggs has been a God-send for me,” states Laurel. “It has helped me to start moving forward on my life-long dream to farm...”*

In our case, the co-op was able to access growers through a few consolidated channels, which was very beneficial. By attending the Mohawk Valley Produce Auction, a wholesale and retail produce auction that started at about the same time as the co-op, we were to meet and develop relationships with a significant number of farmers at once. We were also able to purchase product from the auction twice weekly, which helped ensure a steady supply of product in the first year of business. However, working with the auction also caused friction among some growers who do not support the auction.

In order to identify local producers, the co-ops we also worked extensively with Cornell Cooperative Extension's educators. Cooperative Extension employees consistently refer growers to the co-op. We also regularly attend farmers' markets, agricultural events and harvest festivals to network with producers. Significant time is spent creating and nurturing relationships, and this process is continually being improved upon.

As the manager I have had an important role of explaining to producers how the co-op works, as many producers are not aware of the purpose or functioning of the co-op. Trust has been a key in building the relationship between the co-op and individual producers. Price negotiations and product handling require much conversation and must be handled candidly and with great care to the producer's pride factor. Producers have to know that the co-op will not stay in business by taking advantage of them. Being genuinely interested in the producer and being up-front has been very beneficial to building that relationship. Also, being willing to visit the farm has been important to getting to know the farmer.

Being a local foods store also requires a great deal of “selling” of the local concept to consumers. We are constantly searching for opportunities to educate the public about the benefits of local consumption, explaining why the local produce is higher quality, having been picked at the right moment for freshness, and how buying local creates a smaller carbon footprint than buying food from thousands of miles away. We must also explain why the prices are higher on certain items like local meats and why some products are available only during certain seasons—how to eat seasonally. Our shoppers generally come to accept the value placed upon our local food system, and learn how to plan for eating locally. They also learn to understand the differences between the co-op and the conventional grocery store, and to appreciate those differences.

b: The Farmers' Perspective *Compiled from farmer interviews by Greg and Kirsten Dunn, Farmer Board Members, Mohawk Harvest:*

The first year of working with farmers was a time of adjustment, since the co-op was unsure how much product it could purchase and growers were unsure how much to produce for this new outlet. The co-op has been met with both excitement and uncertainty by growers, and there are themes that came through during many of the interviews conducted with farmers.

What the co-op does right:

- Provides a 6-day a week outlet for local product
- Works with the farmers, sometimes picking up product directly from the farm
- Works with new farmers and with farmers looking to develop new product lines, allowing them to “try out” products at the store

The following quote is from an interview with one of the co-op's local egg producers: *“Being able to supply the co-op with organic eggs has been a God-send for me,” states Laurel. “It has helped me to start moving forward on my life-long dream to farm. As a brand new farmer, it has given me a reliable sales outlet which is allowing me to expand my egg laying flock so that I can look for even more sales opportunities. I consider it the foundation of my business, because it has a reliable customer base who put organic, local food high on their priority list. It has been a great learning experience for me, as well. The customers have been inspirational, since they have frequently volunteered their appreciation for my product to me personally (who doesn't need a nice pat on the back occasionally?). Working with the co-op has also helped me to make decisions regarding other products to add to my business, such as duck eggs, which I should be offering for sale in the spring, once my flock matures.”*

What the co-op could improve upon:

- Transportation efficiency—need to link multiple farms so that farmers and the co-op aren't spending so much time transporting product
- Better facilities for storing and presenting product on-site
- Create contracts with local farmers so that they know how much to produce each week and what price to expect
- Better educate consumers about unfamiliar products, such as heirloom tomatoes and ethnic vegetables
- Better educate consumers about “the realities of farming” such as seasonality, not-quite-perfect produce
- Limit or eliminate competition between the local farmers and the produce auction, as costs are unrealistically low at the auction

c: Future plans for working with farmers: Based on the information provided by the farmer interviews, the co-op immediately moved to **drafting contracts with producers**. It will be contracting for base quantities of local products, based on last year's sales figures, and will then negotiate for extra product needed beyond the contract. The co-op has also been working to create **pickup and distribution routes** for its local products, and will be working with local farmers to get product to the store more efficiently. Farmers who take a distribution route will be paid a small fee by each farm on the route to bring product to the store, and if the co-op picks up

product it will charge the same fee to the farms. However, fewer trips will be made to the co-op because so many farms' products will be brought to the store at once. Finally, the co-op has already purchased a better **produce cooler** in order to better care for local products. A future goal is to install a zoned walk-in cooler specifically for our produce, so that we can store larger quantities in ideal conditions. We are also interested in purchasing a vehicle with proper refrigeration and space to properly handle the immediate cooling needs of farmers' produce.

Based on the information provided by the farmer interviews, the co-op immediately moved to drafting contracts with producers.

Education of the consumers is a continued goal of the co-op, and it will try to better engage farmers in this process. We have the goal of placing every farmer's story up in the co-op along with a picture of them or their farm. We have begun to host "Meet Your Producer" days when farmers or value-added producers can "meet and greet," while educating the consumer on the valuable qualities of their particular products. We will also work to educate staff and volunteers about the details of each product, so that they can best educate consumers. We will also increase product sampling as our staffing patterns allow.

The question of working with the Produce Auction is difficult, because it is also a growing agriculture business that will benefit from the support of the co-op. However, the co-op will be purchasing less from the Produce Auction because the co-op will be establish more contracts with farmers.

### C: Volunteer relations

Volunteers have been essential to our co-op's success. Our volunteers contribute between 120 and 220 hours of labor in the store per month and help in large numbers (up to 35 people) with special events such as end of the year inventory. Considering minimum wage, this monthly contribution has saved the co-op between one-thousand and two-thousand dollars per month in labor costs. The models for cooperatives often include volunteer work within the co-op to gain an elevated member discount on purchases. However, our co-op does not currently offer volunteer discounts because we are a young institution facing financial uncertainties. New York workers' compensation insurance laws will also become a factor if we begin to compensate individuals in any form having monetary value for their volunteer time. Volunteers have been willing to work without any benefit, understanding that our margins are still very small. We would like to be able to offer volunteers an in-store discount, but will not do so until we can afford to.

Lack of monetary reward notwithstanding, volunteers are extremely important and require special attention from the co-op and its manager. Volunteer time is coordinated (by another volunteer!) to be at their greatest convenience but also when they are truly needed. A volunteer needs to feel as if his/her time is well-spent, making a contribution to the well-being of the co-op. The coordinator solicits volunteers, explains the unique events that need to have volunteer staffing, and thanks the volunteers profusely. The volunteer coordinator is also in direct conversation with the manager on a regular basis to ensure she understands the current needs of the store.

Volunteers have been essential to our co-op's success. Our volunteers contribute between 120 and 220 hours of labor in the store per month ... Considering minimum wage, this monthly contribution has saved the co-op between one-thousand and two-thousand dollars per month in labor costs.

The volunteer coordinator keeps a Google Calendar linked to the co-op's website, showing volunteers the staffing levels on a weekly and monthly basis so we can avoid having too many volunteers at certain periods and understaffing at others. Not

all volunteers wish to keep a tight schedule, wanting instead to drop-in when he/she has a moment free. The manager has adapted to this, always keeping a list of tasks that can be accomplished for such a contingency. It is then the manager's job to ensure that volunteers have meaningful tasks to accomplish in the store so that no volunteer is turned away and no volunteer's time is wasted, especially in the mind of the volunteer.

Each volunteer is trained in the volunteer's desired area after a full explanation of optional assignments. Each volunteer is made to feel well trained within his/her comfort zone. If a volunteer does not want to divide food and would rather clean or build, then that volunteer is given a well thought out task to accomplish in the chosen area. Some wish to remain in the back room. Others wish to do things for the co-op on computers making fliers or marketing pieces. Some like to work booths at markets and festivals. Other volunteers have expressed interest in working with customers and see themselves as more valuable and valued enough to run the cash register. Special training and special attention is paid to these individuals. Some volunteers wish to be self-directed and creative with solutions. Some volunteers wish to be told what to do, shown how to do it, and then directly quality-checked. This requires getting to know the volunteer and remaining flexible with every individual volunteer's needs. Again, time must be given to the social aspect of volunteers. Everyone is thanked often and genuine appreciation for his/her contribution, privately and publicly. Volunteers are also shown appreciation through in-store opportunities to act as "tasters" for new products, receiving free samples when available. Coffee is served gratis for the volunteers and volunteers respond to such simple gestures with a sense of reciprocal generosity. The volunteer relationship is not a naturally easy one since the co-op is a business and special protocols need to be followed in food handling, money handling, and customer handling. Many of the volunteers are elderly with particular personality traits that require particular care. Some volunteers are young and have little training while most have been highly successful in professional careers such as business, education or government. Many are accustomed to being independently in control of their decision-making process and some chafe under the strictures of external guidance. Other volunteers wish to take on no added responsibility. The spectrum requires special people skills on the part of a manager.

## VI: CONCLUSIONS

While starting a co-op is no easy task, even in challenging environments it is possible to build a successful store that nurtures the community of producers and consumers. In order to be successful it is important to have a clear vision and a clear plan for executing the vision. Some of the areas to pay particular attention to include the following:

- Draft bylaws and board policy carefully to support the mission and to provide guidance on issues that may arise. Make policy detailed enough to provide a framework for decision making, but not so detailed that it will restrict your ability to adapt. Look to other boards for bylaw and policy suggestions, but make sure your documents are truly tailored to your institution prior to trying to use them.
- Hiring the right manager for the job is essential to your co-op's success. Your manager needs to be passionate and highly capable, but also flexible and responsive. The board and the manager need to have a good working relationship, with clearly defined roles and excellent lines of communication. There needs to be a high level of trust as well as accountability between the manager and the board.
- Secure sufficient capital to start your store off on the right foot. As previously noted, it is possible to open a store with very limited resources. However, there are also some areas where not properly investing will cost you money in the long run. Prioritize your expenses, and invest in revenue-generating expenses. Expenses which are not immediately essential should also be considered and prioritized for the future, but do not have to be addressed immediately in order to open a modest store.
- Communication is the foundation for success in a community-oriented (and community-owned!) organization. In order for a grass-roots effort to be successful, all parties with a stake must feel consistently included. Communication through newsletters, face-to-face interaction, planning meetings, open invitation to board meetings, and annual meetings helps to make the community feel that they truly own your organization and that they have a voice. Communication with farmers deserves special attention if your goal is to be local-foods centered. Forming good relationships with producers benefits both them and the co-op.
- Let volunteers know how valuable they are to you! Gratitude doesn't have to come with monetary rewards, but consistently thanking volunteers in some way is essential.

*For additional information, including Mohawk Harvest's complete business plan, please visit <http://mohawkharvest.org> or contact Chris Curro at [manager@mohawkharvest.org](mailto:manager@mohawkharvest.org) or Crystal Stewart at [cls263@cornell.edu](mailto:cls263@cornell.edu). Thanks to Cornell Cooperative Extension in Fulton and Montgomery Counties for providing support for this project and to Northeast SARE for providing the financial resources needed and assisting with outreach efforts.*

VII: TABLES AND FIGURES

Table 1.1: Planned and actual start up costs. Equipment costs over the next year (after opening) increased by an additional \$11,703 as we purchased additional coolers and shelving. Inventory has increased each month as well.

<b>Mohawk Harvest Cooperative Market</b>			
<b>Start Up Items</b>	<b>Planned Cost</b>	<b>Actual Cost</b>	<b>Notes</b>
Equipment/Fixtures	10,000	4,375	(kitchen equipment, coolers, cash registers, etc)
Beginning Inventory	30,000	19,093	
Materials	5,000	225	
Rent (3 months)	1,200	1,200	(Based upon \$400 for 3 months)
Utilities	900	694	(Based upon \$300 for 3 months)
Site Modification	5,000	600	Painted and replaced floor with linoleum
Signage, Stationary	5,000	600	
Marketing, web presence	2,500	545	Website design and maintenance is donated by a member
Consultation fees	1,000	0	
Computer/Software	3,000	150	Computer was donated
Miscellaneous	12,000	200	
Working Capital 25,000 (3 months – utilities, insurance, salary, etc.)	25,000	7,000	(3 months – utilities, insurance, salary, etc.)
<b>Costs</b>	<b>\$ 100,600</b>	<b>\$34,682</b>	

Table 1.2: Projected year one income and expenses for Mohawk Harvest Cooperative Market, based on demographic data and other regional food co-op's numbers. Year one is paired with actual numbers from year one (Jan 1, 2010- Dec 31, 2010). Our current accounting system does not include member equity (memberships) as income, but it is included here for comparison.

<b>Income Statement (Statement of Activities)</b>			
	<b>Year 1 Plan</b>	<b>Yr 1 Actual (2010 )</b>	
<b>Revenue</b>			<b>Plan:(200 @ \$50.00 per membership)</b>
Food + Non-food	363,334	\$225,771.00	<b>Actual: 235 memberships @\$150</b>
Membership	10,001	35,180	
<b>Total</b>	<b>\$ 373,335</b>	<b>\$260,951.00</b>	
<b>Cost of Goods Sold</b>	<b>236,167</b>	<b>163,608.00</b>	<b>Plan: (65% of Food/Non-Food Sales)</b>
<b>Contribution Margin</b>	<b>\$ 137,168</b>	<b>\$97,343.00</b>	
<b>Expenses</b>			
Salaries	62,300	25,876	
Taxes/unempl. Insurance	14,762	11,733	
Rent	36,000	4,800	
Utilities	4,800	6,925	
Insurance	3,000	1,099	
Advertising	7,800	9,958	
Phone/Internet	3,000	1,283	
Office Supplies	2,600	287	
Repairs/Maintenance	2,500	1,851	
Professional/bank service	3,750	1,966	
Printing	2,700	not broken out	
Misc	4,300	3,664	
Debt Service	0	8,350	
<b>Total</b>	<b>\$ 147,512</b>	<b>69,442</b>	
<b>Net Income</b>	<b>\$ (10,344)</b>	<b>\$ 27,901</b>	
<b>Plan: Based upon \$22,000 in first month food sales and increase of 2.5% per month</b>			

Table 1.3: Year One projected budget figures, developed prior to opening. Numbers would change significantly in the coming months.

<b>Mohawk Food Co-op</b>													
Income Statement (Statement of Activities)													
	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Total
<b>Revenue</b>													
Food	22,000	22,550	23,114	23,692	24,284	24,891	25,513	26,151	26,805	27,475	28,162	28,725	303,361
Non-Food	4,350	4,459	4,570	4,694	4,802	4,922	5,045	5,171	5,300	5,433	5,568	5,690	59,983
Membership	725	743	762	781	800	820	841	862	883	905	928	950	10,001
<b>Total</b>	<b>\$ 27,075</b>	<b>\$ 27,762</b>	<b>\$28,446</b>	<b>\$29,157</b>	<b>\$29,886</b>	<b>\$ 30,633</b>	<b>\$ 31,399</b>	<b>\$ 32,184</b>	<b>\$ 32,988</b>	<b>\$ 33,813</b>	<b>\$ 34,658</b>	<b>\$ 35,355</b>	<b>\$ 373,345</b>
<b>Cost of Goods Sold</b>	17,126	17,556	17,995	18,444	18,906	19,379	19,863	20,359	20,868	21,390	21,925	22,363	236,174
<b>Contribution Margin</b>	<b>\$ 9,948</b>	<b>\$ 10,196</b>	<b>\$10,451</b>	<b>\$10,712</b>	<b>\$10,980</b>	<b>\$ 11,255</b>	<b>\$ 11,536</b>	<b>\$ 11,824</b>	<b>\$ 12,120</b>	<b>\$ 12,423</b>	<b>\$ 12,734</b>	<b>\$ 12,992</b>	<b>\$ 137,171</b>
<b>Expenses</b>													
Salaries	5,000	5,000	5,000	5,000	5,000	5,200	5,200	5,200	5,400	5,400	5,400	5,500	62,300
Benefits	933	933	933	933	933	933	933	933	933	933	933	933	9,996
Taxes	393	393	393	393	393	399	399	399	413	413	413	421	4,766
Rent	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Utilities	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Insurance	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Advertising	1,000	900	600	600	600	600	600	600	600	600	600	600	7,800
Phone/Internet	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Office Supplies	400	200	200	200	200	200	200	200	200	200	200	200	2,600
Cleaning Supplies	300	200	200	200	200	200	200	200	200	200	200	200	2,500
Professional Services	1,000	250	250	250	250	250	250	250	250	250	250	250	3,750
Printing	500	200	200	200	200	200	200	200	200	200	200	200	2,700
Misc	1,000	300	300	300	300	300	300	300	300	300	300	300	4,300
<b>Total</b>	<b>\$ 14,316</b>	<b>\$ 12,066</b>	<b>\$11,866</b>	<b>\$11,866</b>	<b>\$11,866</b>	<b>\$ 12,081</b>	<b>\$ 12,081</b>	<b>\$ 12,081</b>	<b>\$ 12,296</b>	<b>\$ 12,296</b>	<b>\$ 12,296</b>	<b>\$ 12,404</b>	<b>\$ 147,512</b>
<b>Net Income</b>	<b>\$ (4,368)</b>	<b>\$ (1,869)</b>	<b>\$ (1,414)</b>	<b>\$ (1,153)</b>	<b>\$ (995)</b>	<b>\$ (826)</b>	<b>\$ (545)</b>	<b>\$ (256)</b>	<b>\$ (176)</b>	<b>\$ 127</b>	<b>\$ 438</b>	<b>\$ 588</b>	<b>\$ (10,341)</b>
Cash Flow	\$ (4,368)	\$ (6,237)	\$ (7,652)	\$ (6,805)	\$ (9,690)	\$ (10,516)	\$ (11,061)	\$ (11,317)	\$ (11,493)	\$ (11,366)	\$ (10,929)	\$ (10,341)	
Working Capital	25,000	20,632	16,763	17,346	16,195	15,310	14,464	13,939	13,663	13,507	13,634	14,071	

Table 1.4: Approved 2011 budget for Mohawk Harvest.

Mohawk Harvest Cooperative Market February 10, 2011															
<b>2011 Budget</b>		Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Annual Bdg't	
<b>Cash Received</b>		Sales	16,500.00	19,240.00	20,009.60	20,409.79	20,617.99	21,294.35	21,446.69	21,661.16	21,677.77	21,987.16	22,097.09	22,207.56	251,469.16
<b>Cash Disbursed</b>		Cost of Goods	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	144,000.00
<b>Overhead</b>		Advertising	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	4,200.00
		Bank Service Charges	120.00	120.00	120.00	120.00	120.00	120.00	120.00	120.00	120.00	120.00	120.00	120.00	1,440.00
		Computer/Internet	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	240.00
		Insurance	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	1,296.00
		Office Supplies	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	180.00
		Salaries	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	30,000.00
		Rent	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	4,800.00
		Repairs/Maintenance	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	960.00
		Telephone	87.00	87.00	87.00	87.00	87.00	87.00	87.00	87.00	87.00	87.00	87.00	87.00	1,044.00
		Utilities	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	7,200.00
		Miscellaneous	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	1,920.00
<b>Total Overhead</b>			4,440.00	4,440.00	4,440.00	4,440.00	4,440.00	4,440.00	4,440.00	4,440.00	4,440.00	4,440.00	4,440.00	4,440.00	53,280.00
<b>Total Operating Expense</b>			16,440.00	16,440.00	16,440.00	16,440.00	16,440.00	16,440.00	16,440.00	16,440.00	16,440.00	16,440.00	16,440.00	16,440.00	197,280.00
<b>Loan Payment</b>		Principle	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	9,060.00
		Interest	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	755.00	9,060.00
<b>Loan Total</b>			1,510.00	1,510.00	1,510.00	1,510.00	1,510.00	1,510.00	1,510.00	1,510.00	1,510.00	1,510.00	1,510.00	1,510.00	18,120.00
<b>Taxes</b>			850.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	10,200.00
<b>Cash Disbursed Before Equip Purchases</b>			18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	225,600.00
<b>Furniture and Equipment</b>															0.00
<b>Total Cash Disbursed</b>			18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	225,600.00
<b>Net Income</b>			(300.00)	440.00	1,209.60	1,609.79	2,017.99	2,434.35	2,546.69	2,661.16	3,077.77	3,187.16	3,297.09	3,407.56	25,889.16

Increase in Sales:  
at 4% for first quarter  
at 2% for second quarter  
at 1% for third quarter  
at .5% for fourth quarter

Figure 1: Table of Contents from Mohawk Harvest's complete business plan.

Mohawk Harvest Cooperative Market  
**BUSINESS PLAN (TABLE OF CONTENTS ONLY)**

**51 N. Main Street, Gloversville, NY 12078**

July 2, 2009

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