THE EDITOR NOTES

BY DAVE GUTKNECHT

Prospects: Year 1, 25, 40…

Annual milestones and awards of recognition are noted here, with some food co-ops in year one and others now at age 40. For *Cooperative Grocer*, it is 25 years—and an excuse to offer some reflections.

Looking at the larger picture has always been a theme in these pages. Within today's food co-ops and their larger environment, one can see both deep continuity and significant change. And the surrounding changes seem to be accelerating.

Certainly the pace of economic disruption is increasing, and few of those trends are for the better. Cooperatives promote egalitarian values, yet recent years of growth in U.S. wealth yielded the most unequal income distribution in its history. There is talk of recovery, but 20 percent of the labor force remains unemployed or underemployed, and 40 million citizens are using food stamps. For the country at large, debt is monumental, assets have been leveraged far beyond reliable valuation, and credit is likely to remain scarce. For many cooperative businesses, even those that continue to do well, self-financing will be a key challenge.

Additionally, and most unfortunately, there is next to no public discussion and planning for a period of energy disruption and constraints. In those upcoming circumstances, co-ops' efforts to reduce resource consumption while building the local economy will be worth many times their current expense.

New co-ops and new stores

Of course, many of these issues were raised years earlier. Among food co-ops, the current formation of new stores lightly echoes the period of 40 years ago. Startup co-ops and additional stores in any year encounter a familiar set of challenges: securing adequate capital and good facilities, generating member enthusiasm and patronage, retaining competent management and staffing, and more.

Fortunately, today's development projects can take advantage of improvements in co-op resources and in understanding how to meet those challenges. However, startup groups can be led to water but cannot necessarily be made to drink. And while national and local co-op resources greatly improve the odds for success in expanding co-op businesses, the predominant pattern is independent, single stores. Many startup efforts never reach opening day—although new co-ops that do succeed in opening a store tend to survive.

New food co-ops germinate and thrive in underserved markets. But they are slow to build the capital and other business resources that enable them to further expand their market share.

Historically, largely through specializing in natural and organic foods, today's co-ops have been able to "find a niche and scratch it." They have advanced greatly in member-owners, in sales and services, in establishing professionalism and good workplaces. Yet food retailing, whether of conventional or organic groceries, remains a very price-sensitive and competitive field dominated by chain stores. Although their aggregate annual sales are approaching $2 billion, food co-ops are a tiny part of the total market.

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Nevertheless, by leveraging capital and relationships with allies, many food co-ops continue to have a strong impact in their local territory. Supportive services that are national in scope have added an important new element to food co-ops' potential. But each co-op's success still is largely determined by local leadership and resources. There is an irreducible element of community-based organizing and member recruitment when establishing and growing co-op stores.

While a new food co-op's chances of success have much improved over earlier years, the general pattern of development is the same. Additional stores are based either in a newly organized community project attempting to launch a cooperative business, or in an existing co-op that has the vision and resources to open another site.

The challenge is to capitalize and extend the cooperative way of doing business. Despite many years of growth and usually profitable operations, most food co-ops have leveraged their owners' investment lightly, exercising a cautious approach to business development. That is not to diminish the value of national programs, which constitute some of the food co-op sector's most important accomplishments, and where a purchasing program, shared liabilities, and branding have tied them together strongly. But some co-ops are not members of the national association, and a local board of directors and management must determine strategy within their co-op's capacity.

When a store fails, the outcome often reflects this stand-alone focus. On the other hand, the additional stores launched from an existing co-op, while fewer in number than new co-ops, are most often

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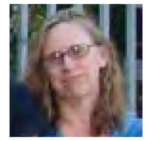

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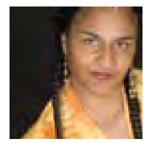

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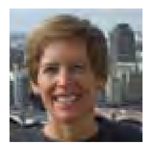

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