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Food Cooperatives

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Food cooperatives have existed in the United States since the mid-nineteenth century. The vast majority of food co-ops in existence in the mid 1990s were founded in the 1970s and 1980s by consumers who wanted high quality natural foods at reasonable prices, but could not find it in traditional stores. These cooperatives are organized around the six Rochdale principles: open membership, democratic control, limited return on equity, net surplus belongs to the user-owners, continuous education, and cooperation among cooperatives. Beyond these principles, the organization of a food co-op may vary greatly. Some operate stores open to the public offering items identical to for-profit grocery stores, while others sell exclusively organically produced products to members only.

Food co-ops are generally broken into two groups, buying clubs, or preorders; and retail stores. A buying club is a group of individuals and families who pool their purchases to buy in bulk. Buying clubs are often organized within other organizations, such as churches, day care or school groups, or neighborhoods. Members of a buying club order food in advance of delivery, consolidate member orders into a group order, and, upon delivery, break down the bulk purchases into individual member orders. Beginning in the late 1980s, buying clubs have increasingly used personal computers to consolidate their orders and produce invoices for individual members. This has decreased time requirements while increasing the integrity of the

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billing and ordering systems. Buying clubs typically have no inventory and few assets. All work is generally done on a volunteer basis, and sales are to members only. There is little equity capital required for this type of co-op.

Retail co-ops are diverse in their organization and operation. Some retails sell to members only; others sell to the general public with only a small percentage of their sales to members. Some require that all members work in the store on a regular basis, and others rely exclusively on paid staff. Some retail co-ops offer only a limited variety of minimally-processed bulk and natural foods, while others sell a full line of groceries, plus many other services, from gasoline and oil to hardware and credit union membership. Members make their purchases from inventory stocked in the store. The need for inventory and store equipment make the capital needs for retail co-ops much greater than for buying clubs. Raising adequate capital is an ongoing concern of cooperative leaders.

The history of food cooperatives in America can be broken into three rough segments. The first consumer food cooperatives were founded in the late nineteenth and early twentieth centuries. The second wave of co-op formation, now usually referred to as the "old wave", occurred during the 1930s. The third period, the "new wave", came in the late 1960s and continued into the early 1980s.

The origins of the first round of cooperative formation can be traced to the Rochdale Cooperative Society of Rochdale, England, and to the waves of Scandinavian immigrants who came to the new world at the end of the nineteenth century. While the first consumer cooperative based on the Rochdale principles was organized in 1862 in Philadelphia, it was not until the early twentieth century that cooperatives were formed in great numbers. It was during

this time that the Cooperative League of the USA (now the National Cooperative Business Association) was formed. The consumer co-ops founded then were like the general stores of their day--- they sold food, but they also often carried hardware, furniture, coal, and home supplies; some even ran restaurants and home dairy delivery. Scandinavian immigrants, primarily Finns, organized consumer goods co-ops in widely scattered parts of the country: New England; the North Central states; Brooklyn, New York; and Northern California. Many of these co-ops operated for several decades, but none of them are in existence today. As the communities in which they were founded became more diverse, and later generations lost their ethnic identity, these co-ops failed to attract a new membership base.

In the 1930s, spurred by the Great Depression and Franklin Roosevelt's New Deal, many new cooperatives were organized. While the New Deal mainly targeted cooperative for agricultural producers and rural consumers, it created a climate of moral support and encouragement for the formation of cooperatives by other groups. Some of the oldest and largest food cooperatives in existence in the mid 1990s were founded at this time. Among these are the Hanover Consumer Cooperative of Hanover, New Hampshire, and the Hyde Park Cooperative Society, of Chicago. Others grew and prospered for a time, but failure to adapt to a changing membership caused them to fail or go out of the food business. Greenbelt Cooperatives, near Washington, D.C., was founded at this time; at one time it operated five supermarkets, ten furniture stores, seven auto service centers, and one pharmacy, with a total annual volume of \$48 million. By the end of the 1980s, it had closed or sold all of its businesses except its retail furniture business.

There were three primary forces behind the wave of food cooperative formation in the 1960s and 1970s. The first was the increasing recognition of the "politics of food", and the second was a desire for alternative economic systems, and the third was the renaissance of consumerism. As the 1960s progressed, many became concerned with the rise in use of petrochemicals, fossil fuels, and pesticides in food production and processing of food for domestic consumption. These concerns, coupled with an increasing awareness of the inequities of global food distribution, led many to see food as a political issue. These consumers developed an interest in natural foods: minimally processed, grown with little or no chemicals. Second, there was an increasing disrespect for the business world at the time. Members of the counterculture and increasing numbers of women in the workplace found the impersonal, profit-driven, male-dominated business environment alienating. Third, concern for food safety attracted other consumers who were concerned with food products' inferior quality, high prices, and low nutritional content. These consumers were not concerned with the political aspects of the food they purchased, but they were concerned with its value and safety.

These three forces joined together to form the "new wave" of the food co-op movement. They felt an increasing distrust of the corporations that processed and marketed the food, and wanted to organize a more equitable, alternative food distribution system. The consumer-owned cooperative business form presented the opportunity for shaping a nonalienating workplace where the consumer-owner could be assured of receiving high quality, minimally processed food at fair prices. Cooperatives sprang up quickly, and by 1975 there were an estimated 700 retail cooperatives in existence. Individual cooperatives joined together to organize cooperatively-

owned federations and wholesales to improve their sources of supply, provide trucking services, and hold joint training conferences.

This coalition proved not to be without problems. As the co-ops grew, the disparate interests of the constituents came increasingly into conflict. Many retail co-ops began operations as buying clubs. As their sales grew, they decided to open a store. These retails frequently required members to work on a regular basis. Some cooperative organizers felt that a work requirement was essential for reinforcing that the co-op is member-controlled. Many others questioned the value of worker-labor as the co-ops strived to achieve operating efficiencies and members found they had more demands on their time. Those committed to minimally processed natural foods conflicted with those who envisioned cooperatives as an alternative economic vehicle serving all groups in society, including those with standard diets. Conflicts also arose concerning cooperatives as businesses. Many of the founders of these cooperatives felt that any of the tools used by capitalist businesses were suspect, including standard management and financial skills. They fought any attempt to make the co-ops more "businesslike" and many co-ops failed during this period. By 1980, the number of retail food co-ops had declined to about 340. There were, additionally, about 3,000 preorder buying clubs. Annual sales increased, however were less than \$100 million in a \$345 billion food market place. There were also 40 to 50 cooperative natural foods wholesalers serving many areas of the country.

During the 1980s, as co-op leaders saw the failure of many once-strong new wave cooperatives, they began to realize that, while a co-op may be a vehicle for social change or an advocate for high quality food, it is first a business, and must survive to be effective. Leaders advocated running cooperatives like businesses and brought the new wave co-ops into the "third

wave" of the cooperative movement. As a result, the number of failing cooperatives fell sharply and the remaining co-ops grew and strengthened. By the mid 1990s, there were about 350 retail cooperatives and 4,000 buying clubs with combined sales of \$400 million. Consolidation or failure had reduced the number of wholesale cooperatives to ten, ranging in size from \$5 million to \$30 million in sales. In the mid 1990s, cooperatives continue to be leaders in the safe, healthy foods movement, and are the nation's largest seller of organically grown produce.