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Cooperative Grocer is the bimonthly trade magazine of the Cooperative Grocer Network.

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

CONTACT US

EDITORIAL
Dave Gutknecht, editor
Telephone: 612/210-3259
Email: dave@grocer.coop

PUBLISHER
Ellen Michel
Telephone: 812/269-6483
Email: ellen@grocer.coop

DESIGN & PRODUCTION
Stephen Magner, designer
Telephone: 612/888-9565, fax: 612/692-8563
Email: stephen@triangleparkcreative.com

Cover image from Pachamama Coffee Cooperative, courtesy of Allison Hermes.

MAIL/DELIVERIES
CGN
PO Box 8399, Bloomington, IN 47407

COOPERATIVE GROCER NETWORK
Ellen Michel, executive director
Telephone: 812/269-6483
Email: ellen@grocer.coop

Meg Torrence, administrative support
Telephone: 812/269-6483
Email: MegT@grocer.coop

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Shaping Our Future

BY DAVE GUTKNECHT

Food cooperatives generate their own internal issues. They also face pressure from the competitive grocery market. And they must strive for relevance in response to additional opportunities and threats both local and global.

Keeping your house in order is essential. Two contributions here delve into key issues within cooperatives' legal and capital frameworks—matters important to co-op boards of directors and developers as well as to managers and the sharing of financial results.

Attorneys Thane Joyal and Dave Swanson discuss co-op business law basics in two areas: First, they summarize issues arising from a hybrid or multi-stakeholder structure, in which employees (and perhaps others) have a defined role in decisions and distribution of earnings. Secondly, they review legal requirements and implications of co-op capitalization methods, focusing on preferred shares and subordinated notes such as member loans.

Steve Wolfe and Karen Zimbelman review the financial reporting standards that National Co+op Grocers and its members—stronger together—have developed for maintaining co-op performance and consistent sharing of financial data. These standards and shared data are essential for evaluating local co-ops and comparing results.

The role of employees, mentioned in the summary of business law basics, receives further examination in a review of unionization campaigns in food co-ops. Alexia Kulwiek, who has years of experience teaching and advising on unions and labor law, reviews what boards and managers can and cannot do when the co-op staff attempts to unionize. Despite strict legal limitations on any interference in such campaigns, co-op leaders have significant options in how they respond to a unionization drive.

There are few certainties in the cover section, "Shaping Our Future," which offers large questions about food co-ops' relevance, food co-ops' racial makeup, and cooperative futures in a world in crisis.

Stuart Reid of Food Co-op Initiative (FCI) points to a rapidly changing grocery industry and asks if co-ops are still relevant. The short answer: relevance is relative. Secondly, he challenges food co-ops to direct more resources to helping launch new co-ops in rural, low-population areas as well as in underserved urban locations. The conundrum he identifies: "Co-ops can be most relevant to the most people where they are rarely seen. They are most needed in areas where we have the least expertise and experience supporting them."

Black Americans (and other ethnic groups) tend to be underrepresented or invisible within food co-ops—leading Jade Barker and Patricia Cumbie to ask, "Why are food co-ops so white?" Having interviewed a range of co-op participants, they summarize the findings here and will soon publish a full synthesis—"Everyone Welcome?"—with narratives and thoughts on improving race matters within food co-ops.

Finally, your editor discusses two new books about shaping our future. In *From Corporate Globalization to Global Co-operation*, Tom Webb reviews global trends that are well-known but often are disguised or denied, focusing on the fundamental dynamics of corporate capitalism. Webb then devotes most of his book to arguing for the ethical and practical strengths of cooperatives in building a fair and less destructive future.

Drawdown, edited by Paul Hawken, has gotten much attention and is an impressive collaborative work. It profiles 80 scientifically validated techniques that, if scaled up significantly, can slow the rise of carbon emissions—and, in a few critical cases, can sequester carbon through photosynthesis (soil management, biochar, forestry practices). In each chapter the authors estimate the impact by year 2050 of growth in the highlighted technique. By 2050, given carbon buildup already occurring, we'll either be increasingly sequestering atmospheric carbon or increasingly suffocating from it.

Drawdown is an essential reference—but its recommendations on the climate crisis face two overriding problems: First is our deep dependence on finite energy resources and the unfolding problems from the growing cost of energy, including its pollutants. As one consequence, capital formation—ultimately based on real productive resources including energy (debt balloons notwithstanding)—also has limits. Second is an unfounded faith that markets and technology can solve our problems and maintain our "way of life." The historical evidence is not encouraging, and increased complexity also has unforeseen consequences.

In the end, the cooperative ethic that Tom Webb summarizes may have more to do with how we survive as a society beyond 2050. □

Jade Barker is a member of CDS Consulting Co-op, specializing in board leadership development. (jadebarker@cdsconsulting.coop). **24**

Mary Byrne is communications manager at Cooperative Development Foundation (mbyrne@cdf.coop). **7**

Patricia Cumbie is a member of CDS Consulting Co-op, specializing in co-op education and ownership programs (patriciacumbie@cdsconsulting.coop). **24**

Dave Gutknecht is editor of *Cooperative Grocer* (dave@grocer.coop). **4, 27**

Allison Hermes serves as the national director of the Principle Six Cooperative Trade Movement (Allison@p6.coop). **8**

Thane Joyal is a member of CDS Consulting Co-op, specializing in board leadership development and cooperative governance (thanejoyal@cdesconsulting.coop). **17**

Alexia Kulwiec is an attorney with over 20 years practicing traditional labor and employment law, a trained mediator, and an assistant professor at University of Wisconsin Extension, Labor Education Department (alexia.kulwiec@uwex.edu). **11**

Ellen Michel is executive director of Cooperative Grocer Network (ellen@grocer.coop) **5**

Stuart Reid is executive director of Food Co-op Initiative, which assists startups across the country (stuart@fci.coop). **21**

Dave Swanson is a partner at Dorsey & Whitney LLP, specializing in cooperative law (swanson.dave@dorsey.com). **17**

Steve Wolfe is the chief financial officer for National Co+op Grocers (steve.wolfe@ncg.coop). **15**

Karen Zimbelman is the senior director for membership and cooperative relations for National Co+op Grocers (Karen.zimbelman@ncg.coop). **15**

Looking Within—and Across Our Sector

BY ELLEN MICHEL

This particular issue of *Cooperative Grocer* magazine is filled with sobering information, coming to you at a moment when we see and feel much chaos and uncertainty on the news and in the government. Times like this test our mettle in every way.

In the world of grocery, we sit up at the news: Amazon buys Whole Foods, disrupting conceptions about how people will shop for food in the future. Research into Trader Joe's reveals how committed that company is to concealing the sources of its private label products. Workers lobby for fair wages across every step of the procurement chain, reminding consumers that food doesn't appear magically on the shelf or at the doorstep: access to quality food ultimately depends on labor and (beyond that) on the quality of our soil. Meanwhile, politicians, policy makers, and citizens clash over the future of food assistance programs. Millions of children (not to mention the elderly) go hungry in the U.S. And the list of relevant issues goes on.

We have our work cut out for us. But can we survive? That certainty—and that uncertainty—confront each one of us every day.

Fortunately, food co-ops have created a network of support organizations, particularly over the past two decades. Each plays a crucial role in helping us function while building our impact and our reach. This magazine and the digital platform connected to it at grocer.coop exist to facilitate connection, conversation, and learning. They are a part of our long history of experimentation and experience. They trace our steps from novices to experienced leaders, from amateur shopkeepers to industry experts, inspired by visions of the common good. They mark our struggles, successes, failures, and remarkable resiliency. That is the value proposition for CGN: we connect, protect, and preserve of our culture.

The importance of the board

Like other co-op organizations, including each food co-op, Cooperative Grocer Network depends on the collaborative energies of its board members. The contributions of the board are critical, especially in an organization as small but determined as this one. I want to take this opportunity to call out my appreciation to two departing CGN board and to recognize the results of the 2017 CGN Board Election.

Dan Gillotte and Martha Whitman are moving on from CGN, after helping transform it into the organization it is today. They reflect on their service in the sidebar piece here. As so often happens, the hard work they have done has a ripple effect. Dan, the general manager of Wheatsville Food Co-op in Austin, Texas, has always made a point of reaching out to others; he also serves on the National Co+op Grocers board. Martha is a consultant with CDS Consulting Co-op, now working as interim general manager at Takoma Park Silver Springs Co-op in Maryland. Her past accomplishments include work on the LEAD program with the NCG Western corridor, writing articles in that Leadership Effectiveness and Development series that you can find archived at grocer.coop.

The result of Martha's resignation is that all three of the candidates in this year's contested election will take seats on the CGN board. We welcome two new directors, Angelika Matthews, deli manager at the Seward Community Co-op Franklin store, and Megan Webster, outreach specialist at the University of Wisconsin Center for Co-ops. Allison Hermes returns to the board after one year of service.

These directors join our incumbents: Annie Hoy, marketing manager at Ashland Food Co-op; Erika Gavin, art director for Hanover Co-op Food Stores; Eric Struve, IT director at Outpost Natural Foods; and Zafra Whitcomb, Finance and IT Manager at Belfast Co-op in Maine. The CGN directors represent a portion of the diversity in our sector—across region, ethnicity, age, gender, professional experience, and occupational role. I so appreciate their service, talents, and perspectives. I invite you to reach out to them, too, in friendship and co-op solidarity on CGN. ☐

Thanks to retiring members of the CGN board

Dan Gillotte

I have a job because of CGN. When I was a new, young and dumb general manager back in the before times, Wheatsville was an isolated outpost of cooperation in the Lone Star State. CGN allowed me to meet, connect with, and learn from the smartest co-op people out there when I had a LOT to learn. The idea of CGN as "CCMA everyday" resonated so strongly with me and in fact many of my best co-op friendships were started through the CGN list serve. The advice and help that GMs and other staff on the CGN list serves and the resources in the library helped me to up my GM game significantly and allowed me the education I needed to learn and thrive as a GM.

While we've struggled at CGN in keeping up with the rapidly changing world of technology, I continue to believe that the food co-op sector needs CGN, maybe now more than ever. A place that the co-ops together own and operate that is all about aiding communication, connection, and collaboration is so critical. I think a reinvestment and commitment from the food co-ops and associate members to CGN will be paid back strongly.

Thanks to all the amazing board members I served with and staff who have run it in my 1,000 years of service to the board, and best wishes to a bright future of collaboration, connection and sharing through CGN.

Martha Whitman

I am a CDS CC consultant, focusing on board leadership development, but currently, through a CDS CC program, I am an interim general manager at TPSS Co-op in Maryland.

CGN has played a significant role for co-ops in the past and can continue to do so now. I am particularly drawn to CGN's capabilities, because now more than ever we need ways to bring people together. The society at large isn't supporting that right now and it will take groups and individuals to hold together to make the world we want. Collaborating as peers is the future I want—and I see that potential in CGN.

Continuing Impact:

Howard Bowers Fund supports co-op education and training

BY MARY BYRNE

About the Fund:
Guided by the fifth and sixth cooperative principles to promote education, training, and cooperation among cooperatives, the Howard Bowers Fund invests in the professional growth and development of food cooperative staff and board members. In an environment where resources are often lacking to propel cooperatives to advanced stages of growth and development, the Howard Bowers Fund helps bridge funding gaps for training to improve cooperative business.

Since 1994, the Bowers Fund has provided $475,000 in grants, offering the kind of support food co-ops need to open strong and stay competitive: assistance with staff and board training and scholarships to attend professional conferences that allow them to network with peers and learn from industry experts.

The Fund at work in 2016:
In 2016, the Howard Bowers Fund granted 20 scholarships for participation in the Consumer Cooperative Management Association Conference, "Disrupting the Future: Cooperative Food and the Next Generation." Nineteen food cooperatives received grants for board and staff training last year, and the Fund provided $68,000 in sponsorships and scholarships.

The Fund provided support for the Small and Strong Conference in Bloomington, Minnesota, which held educational sessions for both existing and start-up cooperatives on governance, marketing, and operations. The conference benefitted Upper Midwest food cooperatives with strategies for improving merchandising, staff management, and regional collaboration.

Additionally, the Fund supported the fast-growing Up and Coming Conference in Milwaukee, Wisconsin, a series of workshops for startups on topics such as the evaluation of operational performance indicators and developing relationships with lenders.

Paying it forward:
The Bowers Fund also creates opportunities for mature food cooperatives to pay their successes forward by supporting scholarships for trainings and education through the Fund, demonstrating their commitment to the fifth and sixth cooperative principles: education, training, and information and cooperating among cooperatives.

2017 fundraising campaign:
The 2017 fundraising campaign for the Bowers Fund has just begun and will run through October. Already we have exceeded last year's efforts by raising $17,500 at CCMA in June—where the family of Howard Bowers generously donated an Apple watch for auction at the conference.

Display a Bowers Fund quilt:
The campaign this year has a special incentive to co-ops who are leaders in supporting the Fund: The first five to donate $500 or more will be invited to host one of our co-op quilts for two months in 2017. Many co-ops hang the quilts in their stores as a reminder of the strength of the food cooperative movement and their co-op's commitment to the cooperative principles. Willy Street Co-op in Madison, Wisconsin, has already become a quilt winner with an early and very generous donation.

Making a donation:
To donate online, supporters can go to our website, cdf.coop/bowersfund. Or, checks may be written to the Cooperative Development Foundation with the Howard Bowers Fund referenced in the memo line. ☐

"The work goes on"

From remarks by Maureen Bowers, daughter-in-law of Howard Bowers and newest board member of the Howard Bowers Fund, at the 2017 CCMA conference:

Howard Bowers was a smart man, he was a kind man, he was a generous man, he was a man of great integrity. Our family is so proud to have his name attached to this Fund, although I also know that that would be less important to him than the fact that there is a Fund, and the work goes on: that there are co-ops being started, that there are co-ops that are getting stronger, and that there are co-ops that are being sustained because of the work that all of you do—and hopefully with the help of the Howard Bowers Fund.

The Bowers Fund helps both established co-ops and startup co-ops. Established co-ops need training and assistance in times of increased competition and economic challenges, as well as in times of growth and expansion. Startups need training at all stages to ensure that a strong foundation is established for operating and governing success.

How We Built Pachamama Coffee Cooperative:

An interview with Thaleon Tremain

BY ALLISON HERMES

Taking a look at a farmer-owned cooperative

Pachamama Coffee Cooperative is a California-based federated cooperative that is wholly owned and governed by coffee farmers in Peru, Guatemala, Nicaragua, Mexico, and Ethiopia. Pachamama's five member groups are farmer-owned cooperatives representing more than 200,000 small-scale coffee farmers and their families. Pachamama works on behalf of the farmers to import, roast, and market their best Arabica coffees.

Pachamama purchases directly from its members at fair market value, as determined by both Pachamama and these member cooperatives. The farmers prepare their harvest for export, and Pachamama imports it to the United States, where the coffee is roasted and shipped directly to wholesale and retail customers throughout the country. All profits from the sale of the coffee are returned to the farmers in dividends or retained earnings.

To learn more about the heart and hard work that built Pachamama, I interviewed CEO and founder Thaleon Tremain.

Allison Hermes: *When Pachamama launched in 2006, who was involved?*
Thaleon Tremain: We worked on Pachamama for 5 years before launch—2006 was the first year of operations in the United States. The people who helped build the cooperative prior to 2006 were the same people involved at launch, including myself; co-founder Nicholas Brown; our long-time attorney, Therese Tuttle; farmer representatives Raul del Aguila from COCLA in Peru, Merling Preza from PRODOCOOP in Nicaragua, and Carlos Reynoso from Manos Campesinas in Guatemala. Together we built the business plan, established the cooperative structure, and developed the product. 2006 was the moment of truth—ten years later, it's going quite well.

AH: *What gave you the idea to launch a coffee business?*
TT: I didn't get into this business because I loved coffee—in fact I never drank coffee all through college. I studied economics and then went on to work with the Peace Corps in Bolivia in the mid-1990s. I learned that development work was mostly ineffective. When you give people things, they just don't respond the way you want them to, as opposed to when they invest and become partners in a business. We saw a lot of things in the international development space while in Bolivia that could be improved.

Nicolas Brown was my friend from the Peace Corps. We both had this idea: How could we work for farmers as opposed to working with farmers? How could we help these guys from back in the United States? We understood we'd be doing more good for them in California or New York than digging a ditch in Cochabamba, Bolivia. Nicolas and I later went to business school and came back in 2000 to work on these ideas.

At that point, the world of coffee was in real crisis. The price was down to $.50 a pound. The market price for coffee today is $1.27 per pound, and the cost of product is around $1.40 per pound. It's not uncommon for the price of coffee to be lower than the cost of production, which is hard to believe. Coffee farmers need to be better compensated in the future or they are just not going to produce coffee. We're in a time when farmers are chronically underpaid. So, our initial strategy for supporting coffee farmers was a vertically integrated model: selling organic coffee directly to consumers.

AH: *Who did you look to for inspiration?*
TT: Organic Valley is a mentor. They showed us the path. We were told that coffee farmers couldn't start their own company, but long before Pachamama, Organic Valley proved that farmers could and that consumers wanted it. Organic Valley is a force in the organic and co-op movement, all while creating sustainability for their farmer owners. We still look to them for inspiration.

The best education I've had, the best, were the three years I spent working with farmers prior to selling any coffee. I was brought along by Raul del Aguila of COCLA, a founding member of Pachamama, my teacher and my hero. Without him, Pachamama would not exist. It was his drive, enthusiasm, and vision that made it happen. Raul was a leader in the fair trade movement and an advocate for producers around the world. He said, "We can do this ourselves, we need to invest and serve consumers more directly. We need to tell our own story," he would explain, "because whoever controls the story controls the cash flow."

AH: *How did the name Pachamama emerge?*
TT: Pachamama means mother earth in Quechua, the Inca language of South America. We heard it a lot in Bolivia. The idea is that mother earth gives to us, and we give back. So, even if you're outside drinking a beer, you throw some on the ground: "Una challa a la Pachamama." I hope we live up to the symbolism.

AH: *What motivated you to begin selling to retail food co-ops?*
TT: Davis Food Co-op called us, and that was a good sign! [At the beginning] in Costa Rica in 2001, we spent three days doing strategic planning, and Raul said that if we can't sell this coffee to food co-ops, we're not going to make it. Retail food co-ops are already buying our coffee under different labels, so why wouldn't they buy it from us directly through Pachamama? Raul knew intuitively we needed to first serve retail food co-ops, because they value the cooperative business model. Food co-ops are truly behind the success of this business.

AH: *Along the way, where did you office?*
TT: It took six years before we opened up an office. We worked out of a small house, then a bigger house outside of Davis with a bigger garage. We outsourced the roasting in the beginning—buying a roaster was a big investment. We opened our first retail office space in 2012 and added the roaster in 2015. Now we have a cafe as well, in Sacramento.

AH: *Was there a moment when you had to make a decision to either fold or double down?*
TT: Yes, you dig deep, and then you ask yourself, "Is this worth pursuing?"

"We can do this ourselves, we need to invest and serve consumers more directly. We need to tell our own story, because whoever controls the story controls the cash flow."

This time came for us in 2011. There were other things happening, but the market price for coffee increased to $3.00 a pound. Today we buy directly from farmers, but at the time we were buying from importers, and they got all the money. When the price of coffee increases, we in turn need to increase our retail prices. When we raise prices at shelf, we lose accounts. The big guys don't let their prices rise, they eat the margin, keep their accounts, and watch while the little guys struggle.

It's darkest before the dawn, I swear it's true. We made the double-down decision, and the next day we got a call from the *New York Times*. We had hired a PR person, who got us placement in the Oakland paper. There was some luck involved, because the article was picked up by the *Times*. We still have CoffeeCSA.org customers who receive Pachamama coffee every month thanks to the *New York Times*.

The farmers also saw the article, and at the time they were having their own challenges and struggles—so the article restored their faith in Pachamama as well.

I'd like readers to understand, Pachamama has been a significant investment for farmers, and they want your support. Pachamama only has 2 percent of the $20 million U.S. food co-op coffee market, and we'd like this to be like 10 percent. If you work for a food co-op, please give your members the opportunity to buy our farmers' coffee. You won't be disappointed.

AH: *What is the most memorable cup of coffee you've sipped?*
TT: I was in Nicaragua, and tasted a small amount of geisha coffee, brewed with an AeroPress, and it blew me away. It's an ancient variety of coffee that's recently been rediscovered. But a good cup of coffee is more about where you are and who you're with.

I've had some great cups of coffee on the farm, although most farmers don't keep their coffee for themselves. I've even seen farmers drink Nescafé instant coffee because they prefer to sell their coffee instead. I think farmers should have their best coffee. Some of them have fallen in love with coffee, and when you come to visit their farm they bring you the best. This is an important shift in the last 10-12 years, because to improve farming practices and quality, farmers need to know what makes a good cup of coffee.

AH: *What is the greatest lesson you've learned on this journey?*
TT: If you want to help farmers and work for them, find a way to get them in your boardroom. Even if it's just one farmer, that person can keep you grounded. ☐

Cooperative Values and Principles

Definition: A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Values: Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Cooperation among cooperatives
7. Concern for community

"Statement of Cooperative Identity" approved by the International Cooperative Alliance, 1995.

Employee Voice:

Unionization in grocery cooperatives

BY ALEXIA KULWIEC

As cooperative grocers observe an increase in unionization drives, many have voiced questions about the process and the best response. Cooperative principles, including democratic control, economic participation, and concern for community theoretically make cooperative grocers and unions natural allies.

Like cooperatives, unions typically embrace democratic methods of leadership. They value economic participation and seek to ensure that employees providing a service receive a fair share of the economic benefit. Likewise, unions are often involved in their communities, whether by involvement in supporting local nonprofit organizations, assisting in local political campaigns, or providing space and in-kind support to the communities. One example of the latter is the support provided by the United Steelworkers to worker-consumer cooperative initiatives in Cincinnati, Ohio.

In light of such shared values, while some commentators and even board members initially react to unionization with concern that it will interfere with the cooperative's business, managers and board members may find that handling the process well can generate benefits to both the cooperative and its employees.[i]

In fact, fair labor standards are another of the values held in common between unions and consumer grocery cooperatives. Many cooperative groceries offer fair trade products, because the production workers involved receive fair benefits and working conditions in exchange for their labor. Thus, it is natural for employees of cooperatives selling fair trade products to desire a formal process to ensure their own fair labor conditions.

In theory, many cooperative grocery managers and board members may not object. In practice, however, unions may use disruptive tactics developed in campaigns against large corporations that display little concern for the co-op employees. In response, some cooperatives unfamiliar with the legal process of union organization in the United States may inadvertently commit errors. Thus, a relationship that could be collaborative and serve all parties may become unnecessarily antagonistic.

This article is intended to assist in the development of a collaborative and mutually beneficial relationship. For example, the co-op employees at the Wedge and Linden Hills in Minneapolis (now merged under Twin Cities Co-op Partners), and Central Co-op in Seattle are unionized and successfully cooperate with management to address their needs.

In light of shared values between co-ops and unions, managers and board members may find that handling the unionization process well can generate benefits to both the cooperative and its employees.

Honoring employee rights and avoiding pitfalls

Pursuant to the National Labor Relations Act (NLRA), employees have the right to form, join, or assist labor organizations, to bargain with representatives of their choosing, and to engage in collective activity for the purpose of bargaining and improving working conditions.[ii] This means that employees may speak freely about forming a union, hold union meetings during breaks and off hours at the workplace, distribute union literature in break rooms or lunchrooms, and use social media to communicate. They may act collectively, such as signing a petition, delivering a letter to management, or even conducting a rally to voice concerns.

It is the employees' choice whether to have union representation. To ensure that employees make this choice without undue pressure, the NLRA forbids employers from interrogating employees about their union support, engaging in surveillance of their employees' union activities, dominating the formation of a union, interfering with employees' rights to act collectively, and discriminating against union supporters.[iii] A violation of the NLRA is an unfair labor practice, and a charge complaining of the practice may be filed with the National Labor Relations Board. Such charge may be filed both to correct an employer's (or union's) wrongdoing, but also as a precursor to protest the alleged misconduct, or to circulate publicity against the cooperative.

Cooperatives, whose managers and directors embrace collaboration, must therefore take care not to commit an unfair labor practice by discussing with employees their desire for a union. The seemingly harsh restrictions detailed in the previous paragraph exist to ensure that employers cannot bully employees into voting against the union—a common practice in less collaborative workplaces.

Thus, cooperative grocery managers and board members should not ask who is responsible for the union campaign, monitor employees' conduct, or even ask employees what issues led to interest in the union. Managers and board members should not take any action against employees for involvement in the campaign—rather, they should respect that unionization is the employees' decision. If board members or managers strongly desire to communicate with the employees, it may helpful to do so in the presence of a union representative.

Managers and boards are not, however, prohibited from all communication. They may share opinions on whether they believe unionization is right for the store, and while they cannot dominate the employees' choice, they can articulate a preference for one particular union over another. Managers and board members can explain that once a union is chosen, the parties are obligated to bargain, but that employees will have no guarantee of improved employment terms from bargaining. No employment terms are guaranteed, nor can either side force an agreement with specific terms. Managers and directors should refrain from threatening specific consequences of unionization, such as decreased benefits, or increased employee discipline.

The NLRB and union elections

To obtain an election to form or join a union, the union or employees must file a petition for representation before the National Labor Relations Board (NLRB)[iv]. While the union should provide the employer with a copy of this petition, employers will also be contacted by an employee of the NLRB to schedule an election. Typically, the employer will also receive a notice of hearing, which sets a date for the NLRB to conduct a hearing. Such hearing is only necessary if the parties disagree on the appropriate bargaining unit of employees eligible to vote.

If the bargaining unit, or group of employees sought to be represented, is an appropriate one, the NLRB will encourage the parties to enter a consent election or stipulated election agreement. In both types of agreement, the parties waive the right to a pre-election hearing. In a consent election, any post-election disputes are decided by a NLRB regional director. Pursuant to a stipulated election agreement, such a decision may be appealed to the full National Labor Relations Board.

Under either agreement, the employer should have the opportunity to dispute the unit and proceed to hearing—or agree to an election, including agreement on details such as election date, time, and location(s). Any initial hearing, if needed, happens fairly quickly, as does the election itself. Research shows that in a traditional workplace, the greater the delay, the greater the opportunity an employer has to influence employees' votes. Given the imbalance of power between employers and individual employees, national labor policy is intended to provide employees an environment in which to freely make their own decisions about unionization.

Suggested forms of communication

A common dilemma faced by a consumer cooperative grocery is how best to communicate with its member-owners during a union organizing drive. Again, it is important for managers and board members to respect the employees' choice, although they may articulate a preference.

A safe approach may be a joint communication with the union, informing cooperative members that employees have chosen to have an election held to determine whether they wish to have union representation and that the cooperative will respect the decision. The parties could include the timeline set by the NLRB for an election. They should also explain that if the union is elected, representatives of the cooperative and the union will then negotiate over terms of employment.

If a joint communication is not possible, any communication should be kept factual to avoid allegations of interference or coercion. Managers and directors can inform cooperative members that an election petition has been filed, that an election has been held, and that the co-op will respect the employees' decision. If unions publish negative opinions about the co-op, board members may inform the members of their belief that they have complied with the law. Managers can assure member owners that the cooperative plans to continue providing the best service and products possible. Of course, managers and board members may also seek input from the co-op's member owners.

Tactics to promote a collaborative approach

Because of the similar values of cooperatives and unions, there is great opportunity for cooperative unionization to be collaborative. Yet sometimes it can be the union that takes an initially antagonistic approach. (This is understandable, since in the cutthroat capitalism of today's economy, unions typically encounter an extremely harsh and often unlawful response to their presence.)

One potential approach could be to immediately reach out to the union in a campaign, suggesting a meeting with the union and employee representatives. The co-op could explain that it will not interfere with employees' rights, but also encourage the union to likewise refrain from antagonistic tactics.

Another approach is for the parties to enter into neutrality agreements, in which an employer agrees to remain neutral in employee organizing efforts. In return, agreements can require that the union refrain from picketing, conducting a rally, or disparaging the employer. They can include a requirement that either side provide 48- or 24-hour notice (or any other time frame) before any protest, or before either party involves the press or outside third parties. In other words, the terms of these neutrality agreements can be negotiated.

If the cooperative is struggling to create a healthy working relationship during the unionization process, it may consider calling in a mediator to assist the parties in moving forward. There are a number of private mediators, attorneys, and consultants available for this service. The cooperative could also consider contacting the Federal Mediation & Conciliation Service.[vi]

Most modern collective bargaining agreements have evolved from contracts initially created in industrial settings. Once employees have elected union representation, the cooperative can negotiate contract terms that better respond to its needs. Perhaps employee cross-training is necessary, or a grievance procedure different than the existing boilerplate language might be needed. While the cooperative cannot dictate how the union conducts business, it can propose that employees have a role in negotiations and/or dispute resolution. Co-ops should also consider proposing labor–management committee meetings, where problems can be resolved without use of a formal grievance process.

Conclusion

A union organizing campaign can be an emotional time. Cooperative managers and board members should not take any employee or union actions personally, and should refrain from responding to employees with retaliation. Instead, they could embrace the similarities between cooperative values and the democratic nature of employees having union representation. Unions give a voice to employees—a voice that, along with those of cooperative member-owners, deserves to be heard. ☐

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[i] See, e.g., "Let's Talk About Unions in Co-ops," by Heather Wright, CG #181, Nov.-Dec. 2015.

[ii] National Labor Relations Act ("NLRA"), 29 U.S.C. § 157.

[iii] NLRA, 29 U.S.C. 29 U.S.C. § 158.

[iv] https://www.nlrb.gov.

[v] NLRB Rules and Regulations, § 102.62. The advantage to a consent election is generally to obtain finality in a shortened time frame, alleviating lengthy litigation.

[vi] FMCS is a federal government agency, with information available at https://www.fmcs.gov.

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Knowing What You Know:

Shared financial reporting standards

BY KAREN ZIMBELMAN AND STEVE WOLFE

When you review your co-op's quarterly financial statements, how do you know what the numbers represent? It's easy to just accept that they represent a true, accurate, and comparable (to other similar businesses) picture of the co-op's financial status. Because—well, they're numbers! But, in fact, that's only true if the statements are prepared in a consistent fashion.

It's for this reason that the Financial Accounting Standards Board (www.fasb.org) has standards that identify how specific accounting functions are to be performed. These standards are called **GAAP—generally accepted accounting principles**. When a co-op engages a certified public accountant (CPA) to audit or review its financial statements, that CPA is reviewing and testing specific procedures to verify that the co-op's statements are being prepared in conformance with those accounting standards.

NCG feels strongly that these standards represent a critical baseline for financial reporting that contributes to co-ops' shared success and collaboration.

Internal controls

A major focus of these accounting standards is to ensure that the business has good internal controls—in other words, systems that prevent misstatements of financial position, fraud, embezzlement, or theft. For instance, a basic internal control is that the person who approves expenses doesn't sign checks or authorize the actual payment (also known as segregation of duties). This control makes it difficult for an unscrupulous person to authorize payments to him/herself.

Most businesses find great value in having an accounting professional examine their financial systems and statements to verify proper financial reporting. An audit also provides recommendations to improve to internal controls. It's definitely a best practice for the board—the body ultimately accountable for the co-op's overall fiscal health—to engage just such an annual examination, either an audit or a less rigorous (and less expensive) financial "review." Either an annual audit or a review service is performed by an independent certified public accountant. (See sidebar.)

Reporting standards

In our years of working with and for food co-ops, National Co+op Grocers (NCG) has found a wide variety of practices in the ways that financial statements are prepared. For this reason, all NCG member and associate co-ops are now required to adhere to six financial reporting standards:

- **Submit quarterly accounting and labor data** into the CoMetrics financial database within 45 days of the close of the co-op's fiscal quarter. The CoMetrics database offers a secure mechanism for food co-ops to share financial data as well as for co-ops and NCG to identify important trends in our system. This database was developed for U.S. food co-ops and has grown to serve a wide variety of co-op sectors—each with its own segregated and secure "data warehouses."
- **Engage a third party accounting firm to complete a review** of the annual financial statements each year. (Since an audit is a more rigorous financial review and would exceed this standard, co-ops may alternate between a financial review and a full audit as desired.) In this way, all co-ops participating in the NCG system verify that they are preparing their financial statements per GAAP. An audit also ensures that internal controls are verified and enhanced by the review of a third party. Assurance of accurate financial reporting allows the co-op, as well as peers and NCG, to identify and mitigate risk sooner.
- **Prepare separate income statements for each business unit.** This standard only applies to co-ops operating multiple business units (e.g., two stores). For these co-ops, a separate profit/loss statement must be prepared for each store, commissary, or central kitchen/bakery, as well as other units such as a café and an administrative support unit. Separate financial statements enhance management's ability to accurately identify and isolate factors that may be causing the erosion of financial performance.
- **Follow specific accounting procedures for commissary and production** operations, especially product costing, expense tracking, and product transfers, to ensure accurate business unit analysis. As with separate income statements, these procedures ensure that the co-op has the data to accurately measure the performance of commissary and food production units so that problems can be quickly identified and remedied.
- **Conduct a total inventory count at each business unit at the end of each fiscal quarter**, using consistent costing methodology. Without a complete inventory count, management's ability to identify and quickly correct eroding department margins or to identify other operational deficiencies is severely limited.
- **Prepare complete and accurate monthly financial statements** within 30 days following the end of the fiscal period (either a calendar month or a 4/5 week period). This includes reconciliations of all asset accounts; inventory adjustments for departments not counted in the period; and accrual of all expenses, including labor and benefits, depreciation and amortization, long- and short-term debt, and accounts receivable. Monthly statements must include comparisons to budget and prior year figures. Monthly financials are critical to providing managers timely data that can help identify eroding financial performance more quickly and accurately.

While NCG feels strongly that these standards represent a critical baseline for financial reporting that contributes to the shared success and collaboration of NCG co-ops, we do consider and make exceptions to these requirements on a case-by-case basis. For instance, a small number of NCG co-ops are successfully managing a perpetual inventory system with good controls to monitor accuracy. Those co-ops can request an exception to the standard requiring quarterly physical inventory counts.

NCG offers several "preferred practice" resources that provide procedural details to guide compliance with these standards. Another helpful resource for those interested in better understanding financial reporting is *Accounting Best Practices for Food Co-ops: A Primer*, a compilation of four *Cooperative Grocer* magazine articles covering the balance sheet, income statement, internal controls, and cash management, written by Bruce Mayer, Peg Nolan, and Steve Wolfe in 2011-2012. It is available (free pdf download) at grocer.coop: http://bit.ly/2udbrHB. ☐

Review or Audit?

Businesses that wish to engage a third party to review their financial systems and reports have two primary options:

A review is when the certified public accountant (CPA) performs analytical procedures and inquiries to obtain limited assurance on the financial statements. A review is intended to provide the board with a level of confidence in the accuracy of the business's financial reports. A review does not test and make recommendations on internal controls.

An audit is a more rigorous engagement designed to provide reasonable assurance that the financial statements are free from material misstatement. In an audit, the CPA is required to review and test the business's internal controls to assess soundness of those systems to prevent risk from fraud. Audit reports also provide specific recommendations to improve internal controls.

Cooperative Business Law Basics:

A primer on organizational structure and capitalization options

BY THANE JOYAL AND DAVE SWANSON

"Nought may endure but Mutability."—Percy B. Shelley

Change in the market, change in the world, can mean stress in the relationships within a cooperative as the organization adapts to the changing circumstances. Both having the right organizational structure and choosing the right vehicles to capitalize your co-op are important in making your cooperative responsive and resilient in the face of change. But their technical and legal aspects can make these issues difficult for cooperators to discuss.

We intended to provide an overview of these issues, including the basic vocabulary that you will encounter. Remember that the law of every state differs: this article is a guide to your local discussion. You will of course want to seek legal advice before introducing any structural changes to your cooperative or choosing a strategy for capitalization.

As Shelley poetically notes, change is the one thing that endures. This article is intended to provide basic information on organizational form and invested capital—two topics you are likely to encounter as a cooperative director or manager—and to help you navigate change.

Having the right organizational structure and choosing the right capitalization vehicles are important in making your cooperative responsive and resilient in the face of change.

Organizational forms and multi-stakeholder co-ops

We begin with fundamental questions: How is your cooperative organized? Who are the owners? Who controls the capital?

There are many different forms of cooperative business ownership. Consumer cooperatives are owned by consumer owners. Producer cooperatives pool capital to help bring their goods and products to market. Worker cooperatives are owned by workers, who invest both capital and labor in the business enterprise.

Some co-ops have been formed as, or converted to, multi-stakeholder ownership. In most cases, this means both consumer members and employees and perhaps even suppliers participate in ownership economics and governance. There are several legal issues to consider with regard to multi-stakeholder co-ops:

Income tax: Precedents under Subchapter T of the U.S. Code (which governs treatment of cooperatives and their patrons) make clear that a co-op can allocate income to more than one member group. It should not create co-op tax problems if a co-op allocates part of the total income to the customer-owner class and part to the employee-owner class, as long as there is a reasonable justification for the amount of profit allocated to the two member groups. It is more difficult to maintain tax neutrality if income is split between customers and producer vendors. That is not consistent with Subchapter T co-op tax principles, because it involves two types of patronage for the same transaction. It may well work, however, to approximate the co-op single-level tax by treating the consumer-member as the patron and committing to a "rebate" program with the producers. There is a body of IRS precedent that could be used to permit the rebate amount to be excluded from the co-op's taxable income as long as there is a pre-existing commitment to give the rebate according to a specified formula.

Governance: For a hybrid consumer- and employee-owned cooperative, organizational documents should discuss the practical aspects of democratic control, including representation and election of board members. In addition, it is advisable to establish in the cooperative's bylaws the percentage of profit that is allocated to consumer-members on the one hand and employee-members on the other hand. The fixed percentage should not be subject to change unless there is a super-majority vote, perhaps with a majority of both member groups separately approving the change. This prevents the profit split between customers and employees from becoming a political and governance issue, and it also helps ensure the cooperative's Subchapter T tax status cannot be challenged on the grounds the obligation to allocate patronage is not subject to a pre-existing commitment.

Employee vs. member status: Being an employee member of the co-op does not mean the member is not an employee for purposes of the myriad state and federal employment laws, including minimum wage laws, overtime requirements, etc. The employment laws still apply to all member employees who are not designated as "exempt" from these laws.

Member capital campaigns

In addition to the primary sources of member-provided cooperative capital—member equity and retained patronage refunds—cooperative leaders also should understand two primary types of member investment vehicles: preferred shares and member loans. Some of the factors to consider in choosing the right vehicle are summarized in what follows.

Preferred shares: The category of preferred shares is usually permanent equity, with no maturity date. Preferred shares have priority over member capital (retained patronage refunds and paid-in capital), but are subordinate to member loans and bank debt and trade creditors. Preferred shares are equity on the balance sheet. The liquidation value is fixed (it does not appreciate in value as the co-op's value increases). Because of this permanent nature, lenders and landlords usually view preferred shares as being better than member loans.

Sometimes member investors have a right to call shares for payment (redemption) after a specified number of years (e.g., 20) or when a change of control occurs. Having a member call right could cause preferred shares to be treated as debt for balance sheet (accounting) purposes as the call date nears, unless the board of directors has discretion to say no to share redemption if the board determines that the co-op's financial condition is or could be impaired. This is a decision the board would make at the time a redemption request is made, taking into account the current business circumstances and plans of the co-op. Some co-ops adopt policies for redeeming shares in hardship or other special circumstances.

State securities laws vary widely on exemptions, so it is important to consult legal advice on your particular state's "blue sky" laws, which protect investors from securities fraud by requiring specified disclosures. But many states have specific exemptions for co-op sales of shares or loans to members.

Typically, an annual dividend is paid on preferred shares, but only if declared by the board. The dividend rate may be fixed, or it may be a range. Some bank loan agreements prohibit payment of the dividend if a default exists or would result from the dividend payment (including a financial ratio default).

If the board does not declare and pay the dividend, the unpaid dividend often "cumulates"—it creates a right of the member to receive payment of the dividend in the future, when the co-op can afford to do so or if the co-op liquidates. Noncumulative dividends are more beneficial to the co-op, but this may not be as attractive to the members.

There are usually no voting rights and few covenants or restrictions associated with preferred shares (although minimal rights could be established). Voting rights typically apply only if the preferred share is being subordinated, or if there are bylaw amendments that adversely affect the preferred share rights and preferences. Sometimes there is a "dividend stopper" associated with preferred shares—if the preferred dividend has not been declared and paid, no patronage payments can be paid to co-op members until the dividend has been paid (usually without interest for late payment).

Subordinated notes, such as member loans: Subordinated debt is debt on the balance sheet, and it has a set maturity date. For some co-ops the maturity date is quite distant; for others the maturity date is much closer (e.g., five years); or the member may be given a choice of maturities.

Member loans are almost always specifically subordinated to all trade debt, lease payments, and secured debt. But member loans have priority over preferred shares and other member capital.

Member loans usually have no voting rights or financial covenants.

Many natural foods co-ops have used member loans to raise capital for store development and expansion. These notes are similar to preferred shares, except they have a maturity date, and they are classified as debt rather than equity on the balance sheet. The existence of the maturity dates means the co-op needs to manage cash flow to allow for payment of maturing loans.

Securities law and exemptions

It is important to understand the securities law implications of offering member loans and preferred shares. There are federal securities laws (Securities and Exchange Commission: SEC), plus each state has its own securities laws. These securities laws generally make it illegal to sell loans or shares to members in a broad offering, even to a community or members of a co-op, unless state or federal securities registration is filed (which is usually much too expensive and detailed to be practical) or there is an exemption from this registration requirement.

Consequently, exemption from securities registration for co-op member loans and preferred shares is key. Most of the co-op member investment programs use a combination of the SEC "intrastate exemption" and a state-specific exemption for securities sold to cooperative members. The intrastate exemption precludes SEC jurisdiction if the program is limited to residents of a single state (there cannot be even one non-resident member investor) and the co-op is doing business in the state. The SEC rules say that: (i) the co-op must have derived 80 percent of its gross revenues from within the state in the past six months; (ii) 80 percent of the co-op's assets must be located in the state; (iii) 80 percent of the proceeds of the offering must be used within the state; and (iv) the principal office of the co-op must be located in the state.

Unfortunately, state securities laws vary widely on exemptions, so it is important to consult legal advice on your particular state's "blue sky" laws, which protect investors from securities fraud by requiring specified disclosures. But many states have specific exemptions for co-op sales of shares or loans to members. In some cases, a simple state notice is required to be filed.

As examples: The Colorado cooperative law applicable to most Colorado co-ops says, "Any security…issued or sold by a cooperative association as an investment in its shares or capital to the members…is exempt from securities laws" of Colorado. The Wisconsin "blue sky" law exempts "[a]ny securities of a cooperative corporation organized under chapter 185."

An alternative in cases where a co-op has many members in two or more states is to use the SEC's so-called Rule 504 exemption. This exemption limits the amount of the offering to $1 million, and it requires a relatively simple SEC notice filing. But only existing members are eligible, and no broad advertising can be done. Additionally, a separate state exemption must be available for each of the states.

Many states have recently adopted "crowdfunding" exemptions that could be used by co-ops. Again, the state laws vary widely. However, many of the state crowdfunding laws apply only if the SEC intra-state exemption is used, and most of them limit the total dollar amount that can be raised. In some cases, a registered portal must be used, and some states have "suitability" rules that limit the amount a member can invest based on their income and/or net worth. These requirements limit flexibility and increase transaction costs, but the crowdfunding exemption allows advertising and likely broadens the investors who are eligible.

Finally, it is important to make sure exemptions are available from laws that are designed to prevent individuals from selling securities unless they have appropriate broker-dealer licenses. Most states have exemptions that allow directors and officers of a co-op to be involved in member capital programs even without a license, as long as there is no commission paid. But some states do not. For example, New York exempts directors and employees of housing co-ops but not directors and employees of other types of cooperatives.

Documentation

Here is a summary of the legal documentation needed for cooperative capital:

Articles and bylaws: For issuing preferred shares, there needs to be authorization in the articles and/or bylaws (and in the state incorporation law). For subordinated notes, the board can authorize these without amendment of the articles or bylaws. Even a non-stock co-op may be able to issue "preferred equity"; CHS, a large agricultural cooperative representing over 600,000 farmers, is a non-stock cooperative that has issued over $2 billion of preferred equity listed on NASDAQ and called "preferred shares".

Board resolution: The board would need to authorize preferred shares and subordinated notes. For preferred shares, the resolution would establish the terms (liquidation preference, dividend rate, etc.). For subordinated notes, there would likely be a signed note given to each member who invests.

Offering materials: The most complex document is the offering materials, and this document will take the most time and thought. It protects the board and the co-op from securities fraud claims. The form of this document is not specified in the securities laws—hence, the co-op will have some judgments to make. But there are "standard" practices. The offering documents used by other food co-ops—such as the example in Food Co-op Initiative's "Capital Campaign Workbook" (at fci.coop)—would be good models. These documents vary in length and complexity. They include a form of agreement that investing members must sign.

Concluding thoughts

We warned you that this article would be a bit technical! Cooperation requires a good many skills and competencies, and excellent managers and directors are at least familiar with the language and basic concepts of each of those skills. As this article demonstrates, it is critical to have expert advisors to help cooperators understand the issues and options around ownership and capital structures.

We hope this article helps cooperative leaders identify key issues and seek appropriate advice for the difficult, interesting, and potentially world-changing decisions and discussions that arise around their cooperative's organizational and capital structures.

See you at the co-op! ☐

Are Food Co-ops Still Relevant?

BY STUART REID

Food co-ops were part of the revolution in organic food, bulk food, local and sustainable sourcing, transparent labeling, knowledgeable staff, and so many other things we often take for granted. When you do an internet search for "best natural food retailer" or "best natural food grocery store," you might expect to find food co-ops prominently mentioned.

Try it—you won't be directed to co-ops. In fact, you will see Walmart, Trader Joe's, Whole Foods, and other national supermarket chains. You will have to dig deep to even find a mention of food co-ops.

What kinds of things come up when the "experts" talk about best natural food grocers? Here are a few interesting headlines and tidbits from recent on-line grocery articles:

"This [Aldi's] is the best grocery store in America."

25 Reasons Wegmans is the Greatest Supermarket the World Will Ever Know

Huffington's Top 11 Health Food Stores in the U.S. (a few independents, but no co-ops)

America's Healthiest Grocery Stores: 10 standout supermarket chains (no co-ops)

Are we irrelevant or simply invisible to most of the media that report on the grocery industry? Even if we are just off-radar, it speaks volumes about our perceived relevance in the current marketplace.

What defines relevance for food co-ops? Is it the innovations and contributions we value most from our history? Staying ahead of the grocery industry in ways that improve the communities we serve? If that is the case, what little differentiates us from our competition may be short-lived.

According to the writers at FoodDIVE, shopping experience is the trend in 2017 (bold emphasis added):

> **Shopping experience over price**
> (FoodDIVE: Top Trends for 2017, Nr. 5)
>
> Given the low-price positioning of Wal-Mart, dollar stores, Aldi and others—as well as the much-anticipated U.S. entrance of European extreme-value retailer Lidl in 2018—*it's clear that price is no longer a competitive differentiator.*
>
> Consequently, **grocery retail value should be reframed to emphasize non-price factors such as freshness, quality, customer service and the shopping experience.** *2017 could become the year when retailers stop* primarily selling products and instead start selling services, solutions and quite possibly stellar shopping experiences.
>
> Grocery retailers should find ways to **deepen emotional connections with shoppers.** Experiences to engage consumers and encourage them to shop longer, spend more and stay loyal are needed.
>
> For example, **could grocery shopping be positioned as an extension of a health and wellness lifestyle, with space at the store for premium and specialty brands and health-oriented services?** Or what about a collection of departments complete with products, services and gathering stations? Some of these departments might include a coffee bar, wine-tasting section, dinner party solutions and farmer's market.

Am I wrong, or are they describing a typical food co-op? We know that at least some of our competitors pay attention to what we are doing and adopt our best ideas, but it seems we don't get any credit for it.

This leads me to one of my first observations about food co-ops' relevance: We represent a tiny part of the grocery industry and have no stores in most markets. Being a small part of a big machine doesn't make us irrelevant, but it may make us insignificant in the eyes of many. If food co-ops all closed next week, would the grocery industry feel any impact?

Core and more

This leads to my next observation: Relevance is relative. For most of you reading this, the business model of cooperation is our most important distinction and the reason co-ops will always be relevant. As the American economy becomes more imbalanced and undemocratic, cooperatives promise the possibility of real change. This recognition motivates us and inspires the creation of new food co-ops. We patronize our food co-ops even when they fall short of our expectations and willingly pay a bit more to support the local economy. Co-ops are clearly relevant—to us.

Remember the Hartmann Group's circles—core, mid-level, and periphery—of customer involvement? Food co-ops have a relatively small core group of true believers who understand cooperative principles, need and want the products being offered, and are very loyal. A much larger part of our customer base is mid-level—they want good food, do some of their shopping at a co-op, and have at least some values that intersect with ours. Beyond that circle is the periphery, where consumers have no special connection or loyalty to the co-op but may shop due to convenience, selection, or other reasons.

Similarly, food co-ops are highly relevant to the core consumers, less so to the mid-level, and potentially not at all to the periphery. A food co-op can't survive by just serving its core consumers, and its perceived relevance declines quickly as we move beyond core supporters.

It has often been said that co-ops exist to meet otherwise unmet needs of a community. In many communities, access to fresh, local, organic, etc., is not at issue. What other needs does the co-op fulfill? This is a critical question, one that addresses the need for differentiation in the marketplace.

What is the co-op difference as perceived by our communities? In some areas co-ops still lead in locally grown products and transparent labeling, but that edge is rapidly disappearing. Even grocers with limited representation of truly local foods have successfully convinced the shopping public of their commitment to local farmers.

New co-ops? Check your assumptions

Since our business model is the ultimate differentiator, does it really matter to the general public? Surveys show that over 74 percent of Americans do not have a clue what a co-op is, and another 14 percent only have a partial idea[i]. Most of the remaining 12 percent had a pretty good understanding of cooperatives, but often limited to the sector they were involved in. Can we base our relevance on a concept that less than 12 percent of the public (probably our core supporters) understands? If we do, we had better be prepared to conduct a massive education campaign.

There are thousands of communities that have significant need for access to healthier food and that don't care what business model is used, so long as it serves them well. Many of these communities are urban, lower-income neighborhoods that the chain grocers have abandoned; or

A food co-op can't survive by just serving its core consumers, and its perceived relevance declines quickly as we move beyond core supporters.

small, often isolated rural communities where local grocery stores are closing by the thousands.

Can food co-ops be relevant in these environments? Why are there so few existing co-ops in these communities? The typical responses are that there is not enough market strength to support a co-op or any other grocery store in these areas, and that food co-ops cannot be successful selling conventional inventory.

However, there are enough exceptions to make me question those assumptions. Some of our older, successful food co-ops operate in communities that may well have become food deserts if it had not been for the co-op's presence. Small, even tiny, rural communities have formed cooperatives to take over privately owned stores when the former owners retired or gave up. Additionally, interest from urban, low-income areas in starting new co-ops is the highest that Food Co-op Initiative has seen.

Co-ops can be viable in these communities, but we really haven't learned what we need to know about how to organize, capitalize, and operate outside our comfort zone.

There can be no question that these co-ops are relevant. In their communities, people no longer have to drive 40 miles or more round-trip to the nearest grocery store; or take a bus two miles with bags of groceries; or shop at a corner convenience store. A social and economic hub brings people together and helps the community survive.

Co-op development conundrum

So we have a conundrum. Co-ops can be most relevant to the most people where they are rarely seen. They are most needed in areas where we have the least expertise and experience supporting them.

We assume that co-ops in low-income and small communities are unlikely to be viable—it is hard to argue that food co-ops are relevant if they can't be successful—but I believe that many can be. Success may not be measurable in double-digit annual growth or patronage rebates, but for a lot of these co-ops, keeping the doors open and providing convenient access to food is all the success they need.

We have an opportunity to listen and learn from new co-ops that are organizing now. There are reasons why some are doing well and others fail. By working with them and collecting their stories we can begin to create appropriate guides and more effective technical assistance. We don't expect all of them to succeed—nor do we expect all of the more typical natural food startups to succeed or even all of the mature co-ops to stay open. But there is a real need out there that we can try to address, and in doing so, spread awareness of co-ops well beyond the limits of our current owners.

I have heard concern from leaders in the food co-op development community and from general managers that grassroots food co-op organizing is inefficient and puts a heavy burden on the existing co-ops to support new co-ops. I don't disagree that it is far easier to open new co-op stores if successful co-ops take on viable opportunities in their market areas. But it is a rare thing to venture into untried territory, making it even more unlikely that new co-ops will arise in areas not currently served by successful co-ops—which is most of the country. Also, opening co-ops in new areas is one of the surest ways to expand public awareness of our business model and its values.

Food Co-op Initiative has committed to two major projects in the coming year:

- Together with twelve other cooperative development centers across the U.S., we will be researching small rural grocery operations and distribution systems, identifying successful strategies, and building a shared information base.
- Secondly, with grant funding from the Blooming Prairie Foundation and Capital Impact Partners, we have created a special Seed Grant program for co-ops in low-income, low-access urban areas. FCI will work closely with the co-ops' organizers and community members to learn as much as we can, offer recommendations when appropriate, and conduct activities to build a peer-based sharing network among the participants.

These are long-term commitments for us; in most cases we will not know for quite some time whether the co-ops and communities we work with can open successfully and remain viable for years. ☐

[i] Howard Brodsky, "Building a Better World Now: Cooperatives, the Better Business Model", https://www.youtube.com/watch?v=Mebjoy9Pgz0

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Everyone Welcome?

Examining race and food co-ops

BY JADE BARKER AND PATRICIA CUMBIE

"The questions which one asks oneself begin, at least, to illuminate the world, and become one's key to the experience of others."—James A. Baldwin

Part of our professional work is to support people acting together for a common purpose. We do this by working with co-ops to improve their relationships with all their stakeholders—owners, staff, board, managers, communities—to better govern, educate, and promote cooperation. Most of these people are committed to creating a better world.

Why so white?

Cooperatives are an international movement, yet as we looked around the U.S. food co-op sector, most of the people we saw were white. We asked ourselves a simple and powerful question: Why?

We decided that this was something we wanted to investigate. Why are food co-ops—which are guided by cooperative values such as equity and equality—so white? It's a question that has been a long time coming. Many of our new wave food cooperatives have reached 40-year anniversaries. In business for more than a generation, why don't these co-ops reflect greater diversity on their boards or within their membership?

We wondered: Is it because some of them are in racially segregated population areas? Is it because food co-ops aren't valued by certain groups of people? Is it because of the products sold? Or is it because there is something preventing the participation of everyone who might benefit from food co-ops?

As a writing team of women, white and black, who are deeply influenced by both history and contemporary storytelling, we believed the answers to our questions could come from people who had experienced food co-ops at different points in time. We wanted to inquire of our elders and contemporaries, people of different racial backgrounds, who have made contributions to our movement.

Together with a team of our colleagues, we created a project titled, "Everyone Welcome?" to help us answer our questions. Both of us have interviewed notable cooperators to help us think about the racial makeup of food co-ops today. We believe that sharing their experiences and their ideas for the future could help us change the present. We are crafting these interviews into personal narratives and will be sharing them with the co-op sector. They will be published in the CDS Consulting Co-op library this fall of 2017, thanks to financial support from National Co+op Grocers, Cooperative Development Foundation, CDS Consulting Co-op, and 20 food co-ops.

Race and food co-ops

While immersed in this project, we've been introduced to a variety of people and discovered many excellent resources. Our conclusion to "Everyone Welcome?" will have a synthesis and individual narratives along with a resource section.

In most food co-ops across the country, nearly everyone involved, from board members, staff, management, and the customer base, is white—and represents a subset of Americans supported in their attainment of high-quality natural foods by higher education and professional occupations. According to our interviews, many of our participants of color have long felt excluded or ignored by the white food co-op movement, despite its professed values of equity and cooperation.

Most progressive people agree that racism is a societal problem. Yet it is a challenge to recognize how long-held beliefs and biases, unconscious and not, could be informing our individual and organizational behaviors. Is it possible that the opinions, needs and demands of people of color have been ignored, not just in our society, but also within the food co-op sector?

We selected participants for our project from across the food co-op sector. Some have extensive multi-decade experience with food co-ops; for some, food co-ops were a brief but memorable episode in a varied career path. We wanted to include a variety of perspectives and ended up with about a dozen narratives, about half from people who identify as white and half as people of color. With our participant selection, we knew we wouldn't be able fully represent the spectrum of racial experiences in food co-ops, or even fully represent even one person's story, but felt that we needed to start somewhere.

We are personally moved and grateful for the thoughts and opinions shared by the participants in our narrative project. What follows are some of the things we learned.

"People like us"

One of the first things we noticed in our interviews is that people's life experiences strongly shape their opinions and perspectives. Somewhat like the story of the blind people and the elephant, in which each individual has a different understanding of the elephant depending on which part they are touching, our participants' race, upbringing, economic class, and role in co-ops influenced their outlook.

Our participants, regardless of race, agreed that, by and large, food co-ops have paid little attention to addressing racial inequality. And, while many participants would likely agree that racism has played a role in the racial makeup of today's food co-ops, racism wasn't often mentioned (perhaps because of the vagueness of the term). More commonly, a lack of interest, awareness, or knowledge of how people of color experience the food co-op world was mentioned as a reason for the current, almost ubiquitous, whiteness of food co-ops.

Some participants commented that people are generally more comfortable with people they perceive as being like themselves, and that this comfort has contributed to food co-op's inaction when it comes to dealing with race. Some participants also believe that this comfort with "people like us," has affected co-op hiring practices; people are hired because they already fit into the co-op's culture. Additionally, that many current food co-ops grew out of hippie culture, a culture often viewed by people of color as elitist and accessible only to the white middle class, was also seen as a barrier to racial diversity.

There was also a perception among many we interviewed that food co-ops are rigid and judgmental in their approach to food, and that attitudes about food "purity" and what one participant called "food rules" can be off-putting to people who have not adopted this approach.

The type of food sold by co-ops was also perceived as a barrier: some participants felt that so-called natural food is in itself elitist and a luxury item available to only a select few. Yet others complained that white cooperators assume that people of color are not interested in healthy food, a claim that many refuted as untrue. Some observed that co-ops have adopted "a food-first, co-op-second approach that has put natural food above cooperation as the organizational focus." They believe that food co-op's focus on natural foods has excluded people who choose not to eat that way.

Our participants mentioned many factors contributing to food co-ops' lack of racial diversity; a summary would likely say, "It's complicated."

Some personal lessons

If we are to make any progress toward reconciling our racial history and being truly inclusive within our food co-ops, we need to be clear about how this injustice to all of us is perpetrated, both systemically and individually. This will require honest reflection. Steps toward changing any institution or business have to go hand-in-hand with individual personal change. We've both been changed in a positive way by the work we've done so far, and we hope that this project's completion will offer those who read it something of value in their own journey of transformation.

Patricia's perspective:

At the beginning of the project, I was concerned that people of color would be afraid to share their real experiences with me, and I was honored that they trusted me with their stories. I worried these interviews would be emotionally difficult for the participants, yet it turned out people were also eager to speak about their experiences and finally be heard. It taught me how important it is to engage in deep listening when people are sharing stories of race.

Talking with white people presented me with a different set of challenges. White people have to overcome barriers to talk frankly about race and may be uncomfortable or cautious with the topic and often feel stymied about how to proceed. Admitting to painful truths about ways they or their food co-ops have not always been welcoming or culturally competent required high levels of courage and trust from the white participants, too. Their willingness to offer their accounts demonstrated to me how essential that is to honest assessment.

This project has been a personal and professional breakthrough for critically examining the co-op story, changing my assumptions, and applying them to my current work. Ultimately, I hope people reading the forthcoming narratives will have similar opportunities for contemplation, conversation, and transformation.

Jade's perspective:

I started this project feeling frustrated and distressed by the seeming lack of interest by many of my fellow co-operators in the challenges I was facing around race in our co-ops. They seemed to feel either that my experiences were "no big deal" or that they were not relevant to the work we were doing together. It felt deeply disempowering to be told, or more usually demonstrated by disinterest, that my issues weren't important. Being challenged to "prove" that I was being impacted by issues related to race was an impossible task when speaking to people who had already made up their minds that no problem exists, or it if does, it has nothing to do with them.

The interviews turned out to be different that I had imagined. Not every person of color had an interest in supporting white people in their racial healing; some felt that they had already given enough and wanted to focus their efforts on supporting people of color. Others didn't see achieving racial diversity in food co-ops as a solution to either personal or structural racism, though they were still open to sharing their thoughts and ideas. While I had expected that people of color wouldn't have a universal perspective on issues of race, I was surprised at the range of differences—although each had been affected by racism in their lives, some quite profoundly.

When talking to whites, I was frequently surprised by the depth of their thoughtfulness and their willingness to share and examine their racial experiences. I also learned that racial segregation, and a general unwillingness to talk about the role race plays in our co-ops, is a complex problem that has impacts on multiple levels—including personal, cultural, economic, and psychological.

I've come to believe that mistrust, misconceptions, and misunderstandings are ubiquitous in our cross-racial relationships, and that achieving racial equity in our food co-ops will only be achieved through honest and trusting conversations across race. Each of us has something to offer, and also something to learn.

There is no one right perspective on the racial issues that plague our co-ops today. Our project is a contribution toward sparking crucial conversations.

How can food co-ops increase their racial diversity?

Our project participants were generous with their ideas for how food co-ops might strive not just towards achieving racial diversity but also towards being fully inclusive of other races. Here are ten of their ideas:

- Hire from the community. If your co-op is located in a multi-racial community, make sure your staff reflects that community's makeup, in both line staff and leadership.
- Collaborate with communities of color, especially organizations that share values with the co-op.
- Address the concerns of people of color already in your organization.
- Learn about and equally value the histories of people who aren't white.
- Learn about the effects of racism, and continue honest conversations about race.
- Develop strong conflict-resolution systems to address disagreements when they arise.
- Develop outreach materials that speak to the experiences of people of color.
- Emphasize the co-op's core values.
- Create more affordable food options for people in our communities who have limited resources, many of whom are people of color.
- .Be committed to positive change.

Conclusion

We realized, partway into our project, that we were asking people to reveal a lot in these narratives. Talking about race is a difficult topic in America, and often fraught with strong emotions. For many of us, our lives have been deeply segregated from our earliest memories, causing deep and often unconscious divisions and distrust, cultivating a cyclical multi-generational racial crisis.

What we have learned from both people of color and white participants in our project is that there is unacknowledged racism in food co-ops. Through our work on this project we came to believe that there is no one right perspective on the racial issues that plague our co-ops today. Our project is a contribution toward improving this dynamic and sparking crucial conversations. ☐

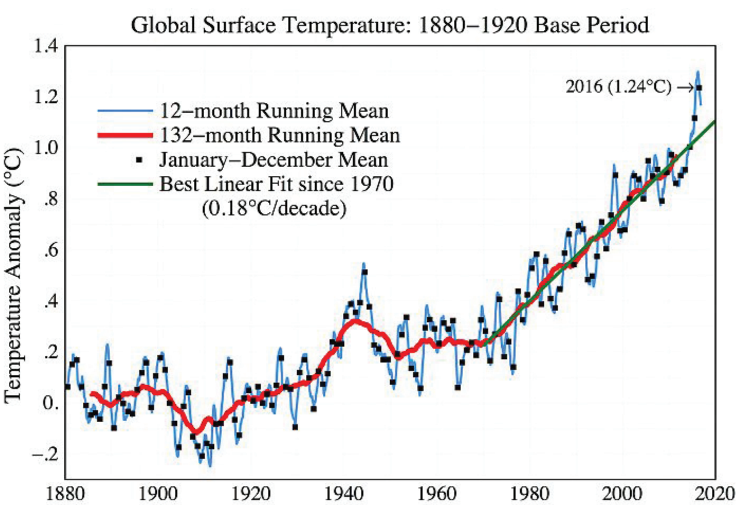
Feel the Burn?

Reading Drawdown *and* Global Co-operation

BY DAVE GUTKNECHT

Increasingly, climate change is recognized as "an existential question"—it threatens our very existence. Even mid-range warming scenarios, periodically updated, look catastrophic. It appears that without rapid and radical change, society as we now experience it will be impossible in many locations by as early as 2050. Every day, human activities are belching more carbon dioxide (and other gases grouped under the term) into the atmosphere—this already has launched climate disruption and resulting social upheaval.

See the accompanying chart for an illustration of the trends—remember that Centigrade-scale temperature increases are nearly doubled when reported in Fahrenheit. Then take in this statement by Jason Mark in the July 2017 issue of the Sierra Club periodical, *Sierra*: "It's an open secret among climatologists, policy experts, and environmental campaigners that staying within a global 2-degree [Centrigrade] temperature rise is all but impossible, barring some technological or political revolution."



Updates at: https://climate.nasa.gov/vital-signs/global-temperature/

Replacing this deadly system requires describing unsustainable and unjust practices, identifying systemic causes, and identifying regenerative practices and shared improvements—then mobilizing for change. It is an interrelated set of challenges, and its complexity is actually part of the problem.

Advocates of practical and cooperative solutions can benefit from two new books—one a best-seller and one little-known—informed by very different perspectives, but both focused on how to build a survivable future.

From *Corporate Globalization to Global Co-operation* is a short but substantial book by Tom Webb, with a title that indicates its topical evidence and argument. Webb is well known in the cooperative world, has contributed to this magazine, and was a founder of the Saint Mary's University (Halifax, N.S.) master's program in management of co-ops and credit unions. In eight chapters Webb surveys the interrelated global crises; critiques the destructive, investor-driven system at the heart of it; and reviews the ethical and pragmatic reasons why cooperatives offer an alternative.

In *Drawdown*, edited by Paul Hawken, a large group of researchers and writers focuses on the global climate crisis. They have produced an encyclopedic review, concise and aided by fine photos, of 80 proven techniques that reduce emissions—and, in a much smaller number of cases, that provide active sequestering (drawdown) of atmospheric carbon. The *Drawdown* collaborators estimate the various impacts if humans were to expand each of these practices between now and year 2050. Some are surprising, and many are low-tech—involving such factors as empowering girls and women to reduce population pressures; expanding and protecting forests for their multiple benefits; and improving soil management and soil carbon retention.

Examining unpleasant realities

Of course, overheating is only one reason global civilization cannot last in its current form. Webb's book lays bare the many problems resulting from the dominance of neo-liberal economic doctrines and large corporations whose primary purpose is increased investor earnings. Before a stark review of the interrelated global crises in his opening chapter, Webb warns that, "If we do not have the courage to examine our unpleasant realities, then there is little hope for our children and grandchildren. Hope grows out of courage. Without courage there can be no real hope."

Much about these realities is known—but much is being denied. The world is already in ecological overshoot, consuming unsustainably, and its population continues to increase. A mass extinction of species is well underway, and the human species is dependent on a diverse ecology. Fresh water and topsoil are also being depleted more than replenished.

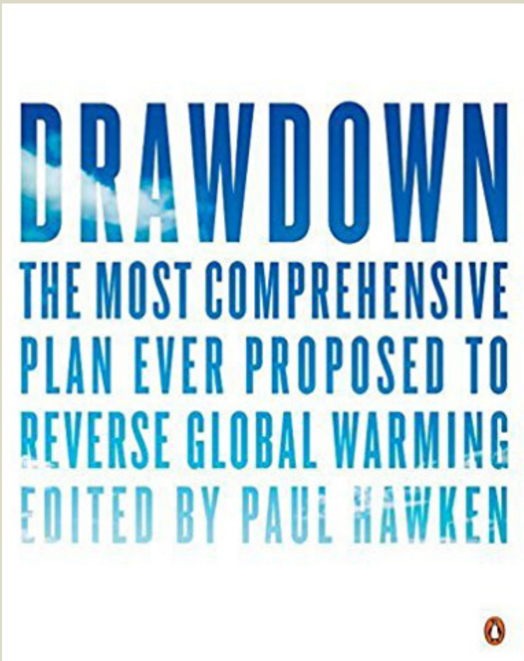
Global warming is accelerating; the oceans have recently been found to be absorbing more warmth than previously estimated; and ocean acidification threatens entire ecosystems. Additionally, according to a recent World Economic Forum report, under present trends by 2050 the ocean will contain more plastic than fish.

The fossil fuels at the core of this "way of life" cost more and more to produce, diminishing the producers' financial viability—and by extension that of our economy. In fact, because of this *unaffordability* (the core of peak oil argument) and the likelihood of "stranded assets" presently invested in fossil fuels, the highest projections of carbon emissions may never occur. But that takes us beyond 2050.

Despite techno-utopian reviews, many alternative fuels are either too expensive or otherwise unavailable. Conventional economic doctrine theorizes a substitution of materials, but that doesn't readily apply to gas and especially petroleum, embedded as they are in nearly every manufacturing process including "renewables." At one point even the *Drawdown* narrative slips into the common but major error of conflating electricity generation/use with total energy (it's less than 25 percent).

It's all interrelated

Webb, in a characteristically passionate tone, notes that the richest 1 percent of the population owns almost 50 percent of the global wealth and adds, "It might well be argued that this incredible inequality represents the most glaring evil in our world." Wealth inequality is extremely high in



Drawdown, ed. Paul Hawken
2017, Penguin Books (New York City),
www.penguin.com (Paperback, 240 pp.)

From Corporate Globalization to Global Co-operation, by J. Tom Webb
2016, Fernwood Publishing (Nova Scotia and Winnipeg),
www.fernwoodpublishing.ca (Paperback, 180 pp.)

the U.S., social mobility is extremely low, and formal democracy has been hollowed out by financial and business interests that have long dominated its politics.

However, notes Webb, all this disastrous dysfunction is interrelated, and we cannot say that income inequality is of greater importance than climate change. "What links these trends is capitalism and the investor-owned, capital-driven corporation. Any reasonable, rational reflection on the prospects for our environment and for human society clearly concludes that making the creation of wealth the overriding focus of our economic thinking is a recipe for disaster."

Webb devotes a chapter to "myths of neoclassical economics" and is convinced that capitalism must be superseded or transformed, or else it will destroy human society and the natural world that we are deeply dependent upon. In the second half of his book, Webb emphasizes cooperative ethics and potential cooperative solutions to many social needs.

Drawdown is subtitled, "The most comprehensive plan ever proposed to reverse global warming." It is an impressive project by a large group of staff, research fellows, and essayists offering peer-reviewed science and diverse, informed contributions. Editor Hawken has previously written several books, including *The Ecology of Commerce* (1993) and *Blessed Unrest* (2007)—the latter a tribute to the global network of groups working to protect natural resources.

As the chief authors at the Drawdown Initiative acknowledge, the book is not really a plan. (Find this ongoing collaborative and its research at www.drawdown.org.) *Drawdown* stays focused on multiple ways to modify carbon emissions and promote carbon sequestration. It reviews and extrapolates from methods that are working and can be scaled up to help avoid catastrophe. *Drawdown* offers no large plan or critique, rather an outlook that favors local participation and entrepreneurial initiatives.

Hawken concludes Drawdown with "An Opening" and this suggestion: "The logical way to read this book is to use it to identify how you can make a difference."

Big questions—and the big club

It's hard to fault an innovative, well-designed, and encyclopedic survey, both peer-reviewed and inspiring, for not doing more. But *Drawdown* does not help us answer questions such as: How will we mobilize for social repurposing? How will we manage the enormous political and financial capital formation needed? How we will achieve a transformation of industrial agriculture to a cleaner and plant-based diet? What will be the consequences of these huge shifts in a complex and interdependent economy? Other impacts may hinder scaling up conservation practices to the levels the book projects.

Among the eight broad sections in *Drawdown*, readers who are especially interested in soil, farming, and forestry will encounter some of the most important examples of emissions reduction. In addition, practices in these areas are essential for carbon sequestration or drawdown. As a reminder, it is necessary not merely to slow emissions but to reverse their buildup by 2050. Photosynthesis is all we have at present that is certain to work (as Hawken himself reiterates in a 5/10/2017 interview at Vox.com)—high-tech sequestration methods are expensive and ineffective.

Some enthusiastic readers commenting on *Drawdown* have demonstrated its moral hazard in offering a long list of projected improvements, few of which seem to require significant political struggle or economic tradeoffs, although these are occasionally mentioned. The book provokes comments such as this: "A deeply peer reviewed, fully win-win, nearly no-regrets pathway…" But the real world is never fully win-win and without doubt will continue to offer plenty of regrets.

What is the largest missing piece in *Drawdown*, according to Hawken (in that same interview) as well as this reviewer? War. War is unmeasured but is likely the biggest carbon emitter of all. In our self-anointed exceptional nation, the military complex is the number one source not only of global warming gases but also of earthbound toxic wastes. U.S. climate agreement "goals" are not merely unenforceable and dependent upon merely hypothesized sequestration technologies. They are fraudulent because they do not even include or measure the military's carbon emissions.

We not only have resource and capital limits pressing upon us, presenting difficult choices, but also major financial and corporate forces with different agendas than ours. As George Carlin said, "It's a big club, and you and I ain't in it." Survival for these powerful groups does not depend on increased sharing of health and wealth—but ours does.

Notes on "pessimism" and "optimism"

None of the necessary changes is impossible—even that essential but elusive element, political will. As Tom Webb states, we need courage to face today's world, and courage is the foundation of real hope. On the other hand, understating the problems likely will lead to inadequate solutions or unfounded hopes.

However, if you suggest looking clearly at certain threats to our society and want to discuss that, you will encounter a lot of resistance. When you describe already evident, dangerous trends, you may be thought too pessimistic. If you want to take the discussion further, you need courage and honesty—but it also helps to offer examples and arguments highlighting workable projects and collective action.

An interesting debate has arisen in the context of these threatening trends: what motivates people to act, what leads them to change their behavior in response to increased risk? Some say that to emphasize disturbing projections is counterproductive, that it is paralyzing rather than catalyzing. But there is no persuasive case that most people in the developed world—having heard about resource limits and impending crises for some years—have not responded because the message has been too pessimistic or scary. Positive directions, both national and local, have been proposed and debated for many years, but these have often been dismissed as requiring people to do with less "convenience" and therefore are said to be nonstarters. Many people find it is indeed hard to change and easier just to hope for the best.

On the other hand, a significant minority has responded to perceived threats with attempts at education, changed behavior, and support of radical change. But public and corporate leaders and most of the populace, by not responding meaningfully, have allowed the trends to worsen.

However, remember who sponsors most media and media conversations. Fundamental to denial and procrastination, and perhaps the strongest influence on public policy and opinions, are corporate interests. Propaganda to deny or confuse the real trends dates to the 1970s and continues today. Corporate front groups and "tobacco science" are where much of climate denial originates.

Furthermore, contrary to arguments for soft-pedaling the climate crisis, information on serious threats or shocking injustice often does move people to personal change and/or radical action. Examples on a personal health level: threats from cigarette smoking, STDs, and breast cancer. On a different front, recall heartening examples of popular mobilization against imminent threats of war or environmental degradation.

Activists need not be resigned to a dismal future. Hawken's book is for those who want to understand and act now in ways that expand their impact and reduce carbon emissions. Webb's book may help some readers understand that forms of ownership, and the principles and values behind them, are fundamental to achieving the kind of society we want.

In Part 2, I'll return to *Drawdown* and *Global Co-operation* and also point to additional resources for reading, for online viewing, and for mobilizing popular forces. Meanwhile, updating positive actions focused on the climate crisis, see www.drawdown.org and www.climatecollaborative.com.

On prospects for cooperative economies, see www.democracycollaborative. For those venturing well beyond denial, see the latest from Richard Heinberg: "Are we doomed? Let's have a conversation": http://bit.ly/2tPvxfU. Finally: look within! ☐

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