

Photos courtesy of the Renaissance Community Cooperative Facebook Group

Implementing Grocery Cooperatives in Low-Income Communities¹

Case Example of the Renaissance Community Cooperative
in Greensboro, North Carolina

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2015

¹ Throughout this document references to low-income communities and communities of color are mentioned simultaneously. This is based on

Implementing Grocery Cooperatives in Low Income Communities

by

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A Masters Project submitted to the faculty
of the University of North Carolina at Chapel Hill
in partial fulfillment of the requirements
for the degree of Master of City and Regional Planning
in the Department of City and Regional Planning

Chapel Hill

2015

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Acknowledgements

The culmination of this master's project never could have materialized without the generosity, patience, time, and love of several key persons.

First, thank you to the Fertile Ground and Renaissance Community Cooperative organizers who took time away from their lives and projects to have candid conversations about what is important during the implementation process. You all are true advocates for your communities and I am honored to showcase your work in this manner. Thank you also for welcoming me in your space during meetings.

Thank you to representatives from Self Help Credit Union, Uplift Solutions and Capital Impact Partners that I also spoke with regarding cooperative implementation. Your insight was invaluable to this project.

Thank you to Dr. Meenu Tewari, my faculty advisor, for pushing me to think critically and evaluate my findings during this process. I am grateful for your teachings and support during my time here in the Department of City and Regional Planning.

Thank you to my family, partner and friends who have supported me over the last three years of my dual-degree program. You all have been the most amazing group of motivators and believers in me.

Finally, thank you to The Food Trust for allowing me to lead such an amazing project. I hope these findings inform your efforts to continue to increase food access in all communities.

This project is dedicated to each of you. I am forever thankful for everything you all have done in support of my education.



Over 15 years ago, Winn Dixie consolidated and closed stores in North Carolina. Since then, this building has been vacant, creating a food desert in Northeast Greensboro.

Photo: <http://www.wfmynews2.com/story/news/local/2014/02/20/following-the-money-city-of-greensboro/5655377/>

Chapter I: Distilling the Problem of Food Retail in Low Income Communities

Unearthing the Dynamic of the Food Retail Environment

Over the last few decades, the U.S. food retail environment² has experienced a significant evolution in the means by which it delivers product to consumers.³ Food retail innovation has bred new models of food delivery that attempt to improve convenience while recognizing the need to meet existing and emerging consumer preferences. For example, a growing subset of U.S. consumers are interested in consuming local, organic and natural foods for environmental, ethical, health and other plausible reasons. As a result, an increasing number of farm to consumer delivery models, such as community-supported agriculture (CSA) programs and farmers markets, have emerged to meet the demand of niche markets.^{4,5,6} In fact, within a 10-year period (1998-2009) the number of farmers markets increased by 92% to well over 5,000 across the U.S. and since 1986 the number of CSA programs increased from two to over 1,000.⁷ For another subset of the population, food preferences are less choice-driven and are essentially determined by income levels. Since affordable community-supported agriculture programs and farmers markets are not commonplace in many low-income

² The term “food retail environment” refers to the number and variety of businesses, non-profits organizations and foodways within a designated area that supply food. Examples of food retail outlets include convenience stores, corner stores, fast food restaurants, food pantries, community gardens, grocery stores and several others. The food retail environment can be observed at the national, state, county, local and community level, however, for this analysis, we will be focused on the community food retail environment.

³ United States Department of Agriculture Economic Research Service. (2014). Retail trends. Retrieved from Retailing and Wholesaling website: <http://www.ers.usda.gov/topics/food-markets-prices/retailing-wholesaling/retail-trends.aspx>

⁴ DeMuth, S. (1993, September). Community supported agriculture: An annotated bibliography and resource guide. Retrieved from Defining Community Supported Agriculture website: <http://www.nal.usda.gov/afsic/pubs/csa/csadef.shtml>

⁵ Brown, A. (2001). Counting farmers markets. *Geographical Review*, 91(4), 655-674. Retrieved from http://www.jstor.org/stable/3594724?Search=yes&resultItemClick=true&searchText=counting&searchText=farmers&searchText=markets&searchUri=%2Faction%2FdoBasicSearch%3FQuery%3Dcounting%2Bfarmers%2Bmarkets%26amp%3BSearch%3DSearch%26amp%3Bwc%3Don%26amp%3Bfc%3Doff%26amp%3BglobalSearch%3D%26amp%3Bsbbox%3D%26amp%3Bsjbox%3D%26amp%3Bsbpbox%3D&seq=1#page_scan_tab_contents

⁶ Prevatte, T. (2009). *From farm to fork: An empirical investigation of the challenges faced by north carolina's small meatpackers*. Retrieved from <http://www.firsthandfoods.com/files/misc/Master%27s%20Project-Tina%20Prevatte.pdf>

⁷ Brain, R. (2012, September). The local food movement: Definitions, benefits and resources. Retrieved from Utah State University Extension Sustainability website: https://extension.usu.edu/files/publications/publication/Sustainability_2012-09pr.pdf

communities, low-income consumers rely largely on free food pantries, convenience stores and fast food restaurants. None of these options generally offer healthy food options, relative to the food retail options available to consumers with higher incomes.⁸⁹ Income therefore is the first key indicator underlying access to healthy food. Even as the number and variety of food retail options available to most consumers have risen in recent years, there is tremendous variability in access of different populations to good, healthy and affordable food based on how much they are able to pay.

A second indicator governing access by consumers to good, healthy, affordable food is location. This is especially true for low-income communities.¹⁰ While food access may not be a critical issue for consumers in these communities, access to *healthy* food is.¹¹ The United States Department of Agriculture (USDA) has classified areas with such deficits as food deserts, or areas lacking access to healthy food and/or underserved by the healthy food marketplace¹²¹³. Several research studies provide evidence of the presence of a disproportionate number of food deserts across several low-income communities

⁸ Sangye, A. (2013). Barriers to consuming healthy food and the role of food pantries in improving diets on low-income families. Retrieved from http://coresholar.libraries.wright.edu/cgi/viewcontent.cgi?article=1107&context=mph&sei-redir=1&referer=http%3A%2F%2Fwww.google.com%2Fsearch%3Fq%3Dfood%2Bpantries%2Bin%2Blow%2Bincome%2Bcommunities%2Bjournal%2Barticle%26client%3Dsafari%26rls%3Den%26oe%3DUTF8%26oq%3D%26gs_l%3D#search=%22food%20pantries%20low%20income%20communities%20journal%20article%22

⁹ Karpyn, A. and Treuhaft, S. (2013). The grocery gap: Who has access to healthy food and why it matters. Retrieved from http://thefoodtrust.org/uploads/media_items/grocerygap.original.pdf

¹⁰ Across the literature “low income” individuals and communities vary in exact definition. For the purpose of this document, low income is defined by (a) a poverty rate of 20 percent or greater, OR (b) a median family income at or below 80 percent of the area median family income. For the purposes of this document, low income is also defined in this manner, which is aligned with the USDA food desert definition and the policy map, as shown in Chapter 3.

¹¹ The term “Healthy Food Access” is defined as having access to foods that are nutritionally dense and low in sodium, fat and sugar. Examples of these foods include fresh fruits and vegetables, whole grains, dairy products and lean proteins. Some local and organic products may be included in this definition; however, they are not a requirement in order to be considered a “healthy” retail.

¹² Further, Underserved Food Deserts are defined in terms of low-income and low access. Low income is defined as a) a poverty rate of 20 percent or greater, OR (b) a median family income at or below 80 percent of the area median family income and low access is defined as at least 500 persons and/or at least 33% of the census tract’s population live more than half a mile from a supermarket or large grocery store (10 miles, in the case of non-metropolitan census tracts).

¹³ United States Department of Agriculture. (2014). Food Deserts. Retrieved from <http://apps.ams.usda.gov/fooddeserts/fooddeserts.aspx>

and/or communities of color.¹⁴¹⁵¹⁶ While these communities lack access to healthy and affordable food, many of them are also inundated with convenience stores, liquor stores and fast food restaurants to a far greater degree than in middle- and high-income communities.¹⁷

This income-based locational difference in the availability healthy food retail options relates in large part to the stores' perceived inability to be profitable in poor neighborhoods and the unattractive aesthetics of potential locations for a traditional healthy food retailer.¹⁸¹⁹ To add to the complexity of this issue, fast food restaurants, convenience stores and other such food retailers offer products that are highly processed and are high in sugar, fat, sodium and other unhealthy additives. Pricing for products vary for each food retailer, with extremely low food prices at fast food restaurants and higher than average pricing for foods at convenience stores.²⁰²¹ Lacking other options, many low-income communities and communities of color rely on these retailers as their main source of food.²²

Despite the majority of food access research drawing linkages between

¹⁴ "People/communities of color" typically refer to minority populations, including but not limited to African Americans, Asian Americans, Native Americans, Hispanics, and Pacific Islanders.

¹⁵ Karpyn, A. and Treuhaft, S. (2013). The grocery gap: Who has access to healthy food and why it matters. Retrieved from http://thefoodtrust.org/uploads/media_items/grocerygap.original.pdf

¹⁶ Piedmont Together Comprehensive Regional Plan Summary. Retrieved from <http://www.greensboro-nc.gov/modules/showdocument.aspx?documentid=25256>

¹⁷ Alwitt, L. and Donley, T. D. (1997). Retail stores in poor urban neighborhoods. *Journal of Consumer Affairs*, 31(1), Retrieved from <http://onlinelibrary.wiley.com/doi/10.1111/j.1745-6606.1997.tb00830.x/epdf>

¹⁸ Ibid.

¹⁹ Pothukuchi, K. (2005). Attracting supermarkets to inner-city neighborhoods: Economic development outside the box. *Economic Development Quarterly*, 19(3), Retrieved from <http://staging.community-wealth.org/sites/clone.community-wealth.org/files/downloads/article-pothukuchi.pdf>

²⁰ Higher pricing at convenience stores is due to the small quantities of food purchased from distributor, resulting in a higher wholesale price from the distributor, which is passed on to the consumer.

²¹ Karpyn, A. and Treuhaft, S. (2013). The grocery gap: Who has access to healthy food and why it matters. Retrieved from http://thefoodtrust.org/uploads/media_items/grocerygap.original.pdf

²² Ibid.

food access, availability and consumption, criticisms have come forth, positing that food access for low-income individuals isn't simply based on proximity, but on cultural preferences; pricing of products and ability to leverage social networks for transportation to a food retailer.²³ Much of the research on which this literature is based has been carried out in densely populated urban areas, such as Chicago or Oakland, making it less generalizable to smaller cities. Increasing access to healthy food is not meant to take precedence over cultural preferences and historic relationships to food, as these ideas are not mutually exclusive. The main idea behind increasing access within these communities is to allow consumers to have more options for healthy items that they may not have otherwise. Some food retailers have embraced the importance of providing food aligned with cultural preferences, such as the Park Slope Food Cooperative in Brooklyn, NY, which provides kosher foods. Cost remains a significant barrier-to-access in several healthy food retail examples, yet it is an issue that some retailers are actively navigating to subsidize healthy food for consumers with lower incomes.

Beyond financial costs, time costs prove to be an equally challenging issue for consumers in low-income communities. Residents who live in areas deemed as food deserts can spend a tremendous amount of time obtaining healthy food. In a video developed by The Food Trust²⁴, lower ninth ward resident Courtney Clark shares her travel schedule using public transportation for grocery shopping.²⁵ It

²³ Aikon, A., et al. (2013). Foodways of the urban poor. *Geoforum*, 48. Retrieved from <http://www.sciencedirect.com/science/article/pii/S0016718513000936>

²⁴ The Food Trust, based in Philadelphia, PA, is a non-profit organization dedicated to improving access to healthy food for all.

²⁵ The Food Trust (2014). *Everyone Deserves Access to Healthy Food* (video). Retrieved from <https://vimeo.com/73245404>

was estimated that the entire trip could take approximately 3 hours over the course of waiting and buying the groceries, if she did not miss the bus. Only 1 hour of this time was actually spent buying groceries, illustrating the significant opportunity and time cost of living in a food desert. It is worth acknowledging the power of social networks and their role in increasing food access and the importance of community in this role. However, I argue that no community should be without basic amenities, such as a grocery store, or have to heavily rely on their social networks or inordinately long and cumbersome commutes to obtain sufficient food access to healthier food.

The public health discourse has also shown that lack of access to and availability of fresh produce is associated with increased risk of diet related diseases, such as obesity, type II diabetes and heart disease, and greater chronic health disease disparities.²⁶ Thus a proposed solution would involve increasing access of residents in low-income areas to healthy food options through a retail strategy that is accessible to low-income individuals, both financially and in terms of proximity.

Towards a Solution: Strategies for Increasing Food Access

The federal government has been a major player in the fight for more equitable access to nutritious foods through several initiatives, including New Market Tax Credits, Community Development Tax Credits and the Healthy Food Financing Initiative (HFFI), which helps to build public-private partnerships to

²⁶ Karpyn, A. and Treuhaft, S. (2013). The grocery gap: Who has access to healthy food and why it matters. Retrieved from http://thefoodtrust.org/uploads/media_items/grocerygap.original.pdf

assist individuals and organizations at the state level in attracting and/or building full service grocery stores in attracting and/or building full service grocery stores in underserved areas.²⁷ Through the HFFI, the government's efforts have been successful in many geographical areas, yielding more than \$1 billion dollars in public-private partnerships and more than \$140 million dollars in grants to low-income communities.²⁸ In addition to providing more affordable and healthier food options for communities, grocery stores often serve as anchors in retail development, creating tremendous economic development opportunities in communities that are often overlooked by traditional economic development efforts. The HFFI has created or retained more than 2,500 jobs through their projects. Economic development and job creation is also of concern grave concern to low-income communities, in addition to having access to healthy foods.²⁹

Although traditional full-scale grocery stores serve as the dominant retail model funded through the Healthy Food Financing Initiative, there are some issues with this model that run counter to the interests of some low-income communities. First, activists have heavily criticized the Healthy Food Financing Initiative for indirectly promoting low-cost land grabs in underserved areas for grocery chain store outlets rather than promoting community-owned businesses or small retailers.³⁰³¹ Secondly, relying on corporate level grocery chains has not

²⁷ The Reinvestment Fund, The Food Trust and Policy Link (2014). The healthy food financing initiative: An innovative public-private partnership sparking economic development and improving health. Retrieved from <http://www.healthyfoodaccess.org/sites/default/files/HFFI%20Fact%20Sheet%2010%2016%2014.pdf>

²⁸ Ibid.

²⁹ Aikon, A., et al. (2013). Foodways of the urban poor. *Geoforum*, 48. Retrieved from <http://www.sciencedirect.com/science/article/pii/S0016718513000936>

³⁰ Ibid.

always proved to remedy the issue of food access in low-income communities, because many chain stores close their doors if they choose to consolidate and/or when profits diminish or when profit margins are not high enough (above the standard 1-2% goal).³² In the same vein, attracting a grocery outlet in a low-income and underserved community has proved to be difficult due to redlining of neighborhoods that are seen as high-risk or unprofitable, or more generally, not physically attractive to develop in.³³

As a response, low-income and underserved communities across the country have initiated a different and more community-led model of food retail – that of the grocery cooperative (co-op), with the belief that the community can be the leaders of improving healthy food access and economic development in an autonomous manner, yet many of these communities have considerable difficulty opening a brick and mortar store in low-income areas. This is largely due to the initial capital investments needed and the considerable risk the lender accepts by loaning to a non-traditional entity, but other challenges, such as finding a suitable location, also are at play.³⁴

Given the better fit of a grocery cooperative for some low-income communities and the range of challenges for implementing this model, can a grocery cooperative be a suitable model for a low-income community and if so, under what conditions? This paper seeks to investigate this question and provide

³¹ Holt-Gimenez, E, et al (2011). The urban and northern face of global land grabs. *Land Deal Politics Initiative*. Retrieved from http://www.academia.edu/5617524/Urban_Land_Grabs_Holt-Giménez_Wang_Stattuck

³² Alwitt, L. and Donley, T. D. (1997). Retail stores in poor urban neighborhoods. *Journal of Consumer Affairs*, 31(1), Retrieved from <http://onlinelibrary.wiley.com/doi/10.1111/j.1745-6606.1997.tb00830.x/epdf>

³³ Ibid.

³⁴ Powers, A. Personal Communication. 2015

a response in an attempt of offering a potential variation on the traditional food retailer economies typically implemented and to investigate what additional amenities cooperatives may provide that directly empower communities.

Research Goals, Design and Structure of the Report

The goal of this paper is not to suggest that grocery cooperatives are the superior model in comparison to a grocery store or other healthy food retailers. Through empirical evidence and grounded comparative analysis, I have hypothesized that the cooperative model is a plausible one for an alternate market economy, especially in low-income areas where residents may feel marginalized in development processes. Thus, the goal of this paper is to take a critical and analytical look at the standard claims of the cooperative model and explore the conditions that better facilitate success for a food cooperative in the context of low-income communities.

To test these claims, this study draws on qualitative and field based methods. Interviews were conducted with two representatives from grocery cooperatives, one representing a grocery cooperative that closed and one representing a grocery cooperative that is currently open. These examples, as well as a review of secondary data, such as reports from the National Cooperative Grocers Association and reviews of other time-honored cooperatives, provide the foundation for the patterns I draw both on the challenges and basic tenets of success in a grocery cooperative. To understand how the major principles for success align with low-income communities needs, two communities in North Carolina were selected as case examples that

considered as underserved areas, based on their alignment with the USDA definition of low-income and low-access (see *footnote 10*). These communities are both in the process of implementing cooperatives – one as a brick-and-mortar store and the form of the other is yet to be determined.

Through research and preliminary conversations with both communities, I identified the availability of capital as a major barrier to implementation. Representatives from two community development financial institutions were interviewed to better understand the types of capital available for low-income communities; how they mitigate risk and the level of feasibility planning executed to determine fit. Combined, these data provide a more comprehensive framework for determining under what conditions can a grocery cooperative be successful, if at all, relative to other options. A copy of the survey and interview questions can be found in the appendix of this report.

The remainder of this report is organized into three chapters based on the abovementioned research and interviews that I carried out. Chapter 2 provides an overview of the grocery cooperative model in the literature; a brief history of its historical roots, including central tenets of the cooperative model; examples of its structure and design relative to standard grocery retail. Chapter 3 grounds the debate by analyzing the structure and success of two grocery cooperatives and two sister projects currently being implemented in Greensboro, NC and Durham, NC.

In Chapter 4, major themes are extracted from the interviews with community development organizations to determine if a grocery co-op could be successful and if so, by what means. The conclusion of this report reveals distilled

insights into how grocery cooperatives can be implemented in low-income communities. It also presents a call to action for economic development planners and government officials to investigate the cooperative business model as one that may be suitable for low-income communities.



After losing two grocery stores in their neighborhood, several residents in Southeast Raleigh came together to plan a coop, now known as the Fertile Ground Food Cooperative. They are also referenced in Chapter 4.

Source: Photo courtesy of Tangerine Photography. <http://www.fertileground.coop/>

Chapter 2: Distinguishing Cooperatives from Other Retailers

What is a Cooperative?

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.

International Cooperative Alliance, 1844

Cooperatives are member-owned, member-governed businesses that operate for the benefit of their members according to common principles agreed upon by the international cooperative community. In co-ops, members pool resources to bring about economic results that are unobtainable by one person alone. Most simply put, a cooperative is a business: (1) voluntarily owned by the people who use it, and (2) operated for the benefit of its members.

National Cooperative Grocer's Association, 1999

Cooperatives are companies owned by the people who use their services. These member-owners form the company for a particular purpose...to create an economic structure to engage in needed production or facilitate more equal distribution to compensate for a market failure.

Jessica G. Nembhard, Collective Courage, 2014

The definitions provided above come from three different sources and at different points in time that provide three different perspectives on what cooperatives are and how they have evolved. As illustrated by these quotes, there is no singular definition of what a cooperative is, largely because the idea of cooperatives has evolved over time, and what a cooperative is may look different at different points in time and assume a different form in various industries.

In the U.S., cooperatives take a variety of forms such as cooperative grocery stores, credit unions, electric companies, agricultural product development, and several other enterprises.³⁵³⁶ However, there are significant

³⁵ Marshall, A. (2012). *The surprising design of market economies*. Texas: University of Texas Press.

³⁶ Currently, Minnesota and Wisconsin are the two U.S. states with the most cooperatives. In a 2011 report created by Lee Egerstrom, a Economic Development Fellow for the Minnesota 2020 project, Minnesota has approximately 1,016 cooperatives, employing 42,000 people across the state in 16 sectors. They also hold \$91 billion in assets, yet are still seen as and "underutilized business tool". Retrieved from

commonalities among the definitions, revealing major threads that define the cooperative model, what its business aims are, who owns it and why it may form.

Focusing on cooperatives in the context of a grocery store model, and to distinguish it from the traditional market model, the following table highlights major comparisons to a basic corporation, which represents the typical delivery structure of the largest grocery store chains in the US.

Table 1: A Current Comparison of the Cooperative vs. the Corporation Model³⁷

	Grocery Cooperative Model	Grocery Corporation Model (S or C)
Who Participates?	Members who have signed on (usually by paying a fee) to join the cooperative as well as the General public (everyone who chooses to shop there). ³⁸	General Public (Everyone who chooses to shop there).
Business Aims	Business/company, not necessarily for profit or aiming for high profit margins (over 1-2%).	For profit business/company. Ideal to have higher than 1-2% profit margins.
Ownership	Members of the cooperative.	Stockholders/Investors (An S Corp is limited to 100 stakeholders)
Purpose	To provide goods and services based on member needs/wants in an autonomous way.	To provide a return on investment to stockholders/investors.

Table derived from *Collective Courage: A History of African American Cooperative Economic Thought and Practice* by Jessica Gordon Nembhard and *Cooperative Frequently Asked Questions and Facts* <http://strongertogether.coop/food-coops/co-op-faqs-and-facts/>

First, in a traditional grocery store, the business is open to the general public and has no membership requirements. From the perspective of the consumer, there is no true relationship with the store beyond patronage and

<http://www.cinram.umn.edu/research/Natural%20Resource%20Enterprise%20Development%20and%20Business%20Planning/3%20%20Cooperatives/3.11%20cooperatively%20moving%20minnesota%20forward.pdf>

³⁷ Cooperative models can be member-owned, worker-owned or producer-owned. According to literature, most grocery cooperatives are currently structured as a hybrid model, with consumers serving as members. As such, the focus of this paper and the chart is from the member-owned perspective.

³⁸ In some instances shopping at the cooperative is limited to those whom are members. In a larger number of examples, grocery cooperatives allow everyone to shop, however, those individuals do not have voting rights.

participating in any potential corporate sponsored projects that may be offered by the owners to the community. In contrast, cooperatives take more of a collaborative approach to patronage. Cooperatives consist of a group of autonomous persons or parties who voluntarily band together to achieve a common goal, such as achieving access to a good or service that they could not otherwise access through the market. Thus it is this collective purchasing power that allows the cooperative to form. Due to the variety of cooperative types, the means of membership access may vary by amount of fee or type of payment. Typically a member pays a one-time or annual fee, which also bestows on the member voting rights within the cooperative (as aligned with the cooperative principles, see *table 2*), select discounts, and other membership incentives.^{39 40} Non-members may patronize the cooperative as well, though they do not receive voting privileges or other membership benefits such as discounts or dividends.

Second, grocery cooperatives and corporations are both considered businesses, yet their ideas of the need for and use of profits diverge. As businesses, grocery stores typically have low profit margins, earning about 1 to 2 percent.⁴¹ For private corporations, profit margins above 1 or 2% are ideal since corporations must service the needs of their investors, though the average profit margin is 1.3%.⁴² In January 2015, Kroger, Inc., the second largest corporate grocery chain reported profit margins of 2.06%, the highest it has been since

³⁹ National Coop Grocers Association. (2015). Co-op faqs and facts. Retrieved from Food Coops website: <http://strongertogether.coop/food-coops/co-op-faqs-and-facts>

⁴⁰ See *Table 2: A Comparison of Cooperative Principles and Date Founded* for cooperative principles, such as one membership one vote.

⁴¹ Wright, T. C. (2015) What is the profit margin for a supermarket? Retrieved from AZ Central website: <http://yourbusiness.azcentral.com/profit-margin-supermarket-17711.html>

⁴² Ben-Achour, S. (2013). Groceries: A low margin business, but still highly desirable. Retrieved from Marketplace Business website: <http://www.marketplace.org/topics/business/groceries-low-margin-business-still-highly-desirable>

January 2007.⁴³ Given these low margins, scale is critical to the success of the standard for-profit grocery store. However, natural food stores often have some of the highest profit margins; also in January 2015, Whole Foods Market reported profit margins of 3.85%. Although these figures are not large by any means when compared to other for-profit businesses, they are higher than the industry average and above the 2% mark. Since investors are the ones who own the corporation along with the board of directors, not the consumers who shop there, any profit is given back to them.⁴⁴ Thus, higher profits result in a return on investment to stockholders and investors and higher profit margins highlight a financially competitive store.

With cooperatives, high-profit margins are not the primary goal of business. Rather, providing essential goods and services for members and the general public is the focus.⁴⁵ The board of directors does not own the cooperative, unless they themselves are paying members. Profits also become a unique means of serving coop members. For example, in many cooperatives once development debts are paid, profits are returned to members of the cooperative in the form of patronage dividends, or other community based benefits, such as investment into another community project.⁴⁶

Third, in the specialized case of grocery cooperatives in low-income communities, the definition of a cooperative from Jessica Nembhard adds an important dimension to why cooperatives may be a good alternative to for-profit

⁴³ YCharts (2015). Kroger profit margin (quarterly). Retrieved from http://ycharts.com/companies/KR/profit_margin

⁴⁴ National Coop Grocers Association. (2015). Co-op faqs and facts. Retrieved from Food Coops website: <http://strongertogether.coop/food-coops/co-op-faqs-and-facts>

⁴⁵ C. Thomas. Personal Communication. 2015.

⁴⁶ M. Wilson. Presentation to City of Greensboro Residents. Red Cinemas. 2 March 2015.

grocery stores – cooperatives compensate for a market failure, such as the lack of corporately owned grocery store in low income neighborhoods and their inability to attract such stores. Along with the public health ramifications of not having a grocery store in close proximity, economic underdevelopment is also a concern in communities of color as well as low-income communities.⁴⁷ Vacant buildings and few amenities within a neighborhood decrease property values and make development less attractive. Cooperatives, when supported and initiated by the community, allow people to start their own community enterprise that could affectively eliminate a food desert and spur economic development at the same time. In comparison to the for-profit corporation model, the foundations of whom cooperatives serve and who they are accountable to allows for a higher level of self determination and autonomy that is not seen in other grocery models.

Since the 1970's over 200 food cooperatives have been initiated in the U.S..⁴⁸ Although cooperatives are receiving heightened attention now, their history spans beyond the 1970s. To understand how this organizational form came about, it is valuable to look at the roots and history of cooperation, as well as examples of successful cooperatives.

Key Turning Points in Cooperative History

For centuries the act of cooperation has served as a fundamental core of social networks aimed at carving out mutual gains. Early societies utilized

⁴⁷ Vega M (1992). The Purposeful Underdevelopment of Latino and Other Communities of Color. In *Voices from the Battlefield: Achieving Cultural Equity*. Africa World Press.

⁴⁸ Cooperative Grocer's Network. (2013). Starting a food co-op. Retrieved from http://www.cooperativegrocer.coop/library/starting_a_food_coop

cooperation to achieve basic hunting, gathering and shelter practices to increase chances of survival.⁴⁹ As communities transitioned from nomadic to agrarian, cooperation remained intact. Initial agricultural practices were achieved by mutual sharing of equipment and assistance on neighboring farms to protect land shares and harvest crops.⁵⁰ Many societal beginnings, as illustrated in these informal social relationships, reveal precursors to formal cooperatives that still ring true today, such as the sharing of information and tools out of concern for community and to meet common needs.

The presence of formal cooperatives first appeared in Europe, with pioneers such as Robert Owen, a Welshman who founded the Villages of Cooperation in the early 1800's⁵¹ and William King, who was a British Physician who expounded on Owen's work in his newspaper series, "The Cooperator".⁵² However, the first highly cited example of a group-organized cooperative happened in Rochdale, England with the Rochdale Equitable Pioneers Society in 1844.⁵³ This was not the first group to organize as a cooperative, but they were the first ones to successfully make the model work. In 1843, workers in a Rochdale textile mill went on strike due to the desolate conditions most of Europe was facing throughout the 1840's. This decade in European history was marked by poverty, unemployment and hunger. Weavers were not seen as part of

⁴⁹ National Coop Grocers Association. (2015). The History of Co-ops. Retrieved from Food Coops website <http://strongertogether.coop/food-coops/history-of-co-ops/>

⁵⁰ Ibid.

⁵¹ This movement was created for people in poverty to grow their own food, make their own clothing and self-govern. Owen tried to establish these formal villages in Scotland and the U.S., but failed. Reasons for failure are unknown, however, a plausible reason may be due the lack of involvement of the residents in planning of this project. According to a paper written for the Centre for the Study of Cooperatives at the University of Saskatchewan, "Owen had no high opinion of the moral and cultural values of the poor, but saw education improvements as essential for creating a better population" (pg. 3. <http://usaskstudies.coop/pdf-files/Rochdale.pdf>)

⁵² Bloy, M. (2014) Robert owen biography. Retrieved from A Web of English History website <http://www.historyhome.co.uk/people/owen.htm>

⁵³ National Coop Grocers Association. (2015). The History of Co-ops. Retrieved from Food Coops website <http://strongertogether.coop/food-coops/history-of-co-ops/>

a high social class. Instead of holding another strike, locating charity funds or supporting the company store, the group chose to take control of their situation and developed plans to start their own food store.⁵⁴ During the planning stages, the group created seven principles (see *Table 2*) as well as a set of by-laws. The twenty-eight-member group, now known as the Rochdale Equitable Pioneers Society, opened their food store in December 1844, selling a few staple food products to their members. Together the group created a viable economic and political response to the difficult conditions they faced. Their effort has left an impactful mark on global cooperative history. Specifically, the Rochdale model set the precedent of creating cooperatives through the creation of rules and norms, or “cooperative principles” that have been adopted by the International Cooperative Alliance, National Cooperative Grocers Association and other cooperative organizations.

In *Table 2*, the comparison of the initial principles to currently utilized ones reveal that few changes have been made since the Rochdale group put them into practice. In addition, the original principles echo definitions of how a cooperative is characterized.⁵⁵ These principles have been adopted by a variety of cooperatives internationally, including those featured as case studies in this paper.

⁵⁴ Ibid.

⁵⁵ See previous section, “What is a Cooperative?”

Table 2: A Comparison of Cooperative Principles and Date Founded (in parenthesis)

Rochdale, England Equitable Pioneers Society (1844)	International Cooperative Alliance (1985) AND National Cooperative Grocers Association (1999)
Open Membership.	Voluntary and Open Membership.
Democratic Control (one person = one vote).	Democratic Member Control.
Distribution of surplus in proportion to trade.	Member Economic Participation.
Payment of limited interest on capital.	Autonomy and independence.
Political and religious neutrality.	Education, Training and Information.
Cash trading (no credit extended).	Cooperation among cooperatives.
Promotion of education.	Concern for community.

Changes and Challenges in the Early U.S. Grocery Cooperative Movement

Although the first U.S. grocery cooperatives were organized in the 1930's as a survival mechanism for the Great Depression, they reached their zenith in the late 1960's for two main reasons. First, many Americans rejected processed, frozen and canned food that was normative of the post World War II era and increased consumption of natural and organic foods.⁵⁶ Second, grocery cooperatives were seen as political instruments, providing an alternative to corporate and capitalist chain grocery stores.⁵⁷ Combined, these ideas shaped what was then termed as a "food conspiracy" group - a collective of resource-sharing members with a demand for natural and organic foods, wishing to make political statement against capitalism. Many of these "food conspiracy" groups materialized in the form of informal buying clubs, where group members would pool their funds to purchase natural food items at wholesale prices. These small-scale were so successful that between 1969 and 1979 close to 10,000 "food

⁵⁶ Greenburg, B., et. al (2009). The Social History of the United States, Volume 1, pg. 157.

⁵⁷ Ibid.

conspiracy groups"/buying clubs were organized in both working class and university neighborhoods.⁵⁸

Durham, North Carolina was the site of one of the sited 10,000 “food conspiracy” groups between 1969 and 1979. “The People’s Intergalactic Food Conspiracy” (PIFC), located close to Duke University’s East Campus, began as an informal buying club to provide natural foods in 1971. As demand for products and membership grew, the group began to formalize its efforts by appointing a board of directors and expressed interest in moving to a brick-and-mortar location.⁵⁹ In the 1980’s, conflicting views about means for sustainability and cooperative ideology led to an economic crisis, not uncommon of most of the natural food cooperatives that started in the 1970’s. For the PIFC, these conflicting views and financing a brick-and-mortar location proved to be the points of discord. According to an article written in 1990 by PIFC member Lee Altenberg, members held differing opinions about whether formal loans or member capital investments of \$300 per member should be used to finance the new location. Although it is unclear as to what financing mechanism was selected, PIFC opened a storefront on West Chapel Hill Street in 1992 despite their increasing debt.⁶⁰ In the early 2000’s the storefront closed, marking the end of one of the nation’s oldest food cooperatives.⁶¹

Although the PIFC and few other natural food cooperatives from the 1970’s haven’t survived in terms of being a viable business, they do provide

⁵⁸ Ibid.

⁵⁹ Altenberg, L. (1990). Member financing of the people’s intergalactic food conspiracy: The essence of economic democracy. Retrieved from <http://dynamics.org/~altenber/PAPERS/LeepIFC.html>

⁶⁰ Morgan, F. (2009). Durham food co-op building sold: New owners intend to preserve neighborhood presence. Retrieved from Indy Weekly website <http://www.indyweek.com/indyweek/durham-food-co-op-building-sold/Content?oid=1213336>

⁶¹ Ibid.

foundational understanding about successes and challenges in cooperatives. Among the greatest successes, the members of the PIFC recognized the influence of community purchasing power in meeting their needs and influencing other markets. In fact, once natural food cooperatives revealed consumer preferences through the types of products they were buying, commercial markets began to stock more natural and organic foods.⁶² Collective purchasing power still remains as a core benefit of implementing a cooperative, especially in communities where resources are limited or non-existent. Alternatively, major challenges erupted with natural food cooperatives that should also be highlighted. The most concerning of these being funding. Among the members of the PIFC, there was a lack of business planning to sustainably grow the grocery cooperative.⁶³ Until this point, grocery cooperatives were not seen as a for-profit business per se; therefore no business planning was done. Also, the grocery cooperative movement was fairly new in the U.S., so there were no best practices, institutional knowledge or previously tested tools to decrease financial risk and increase sustainability.

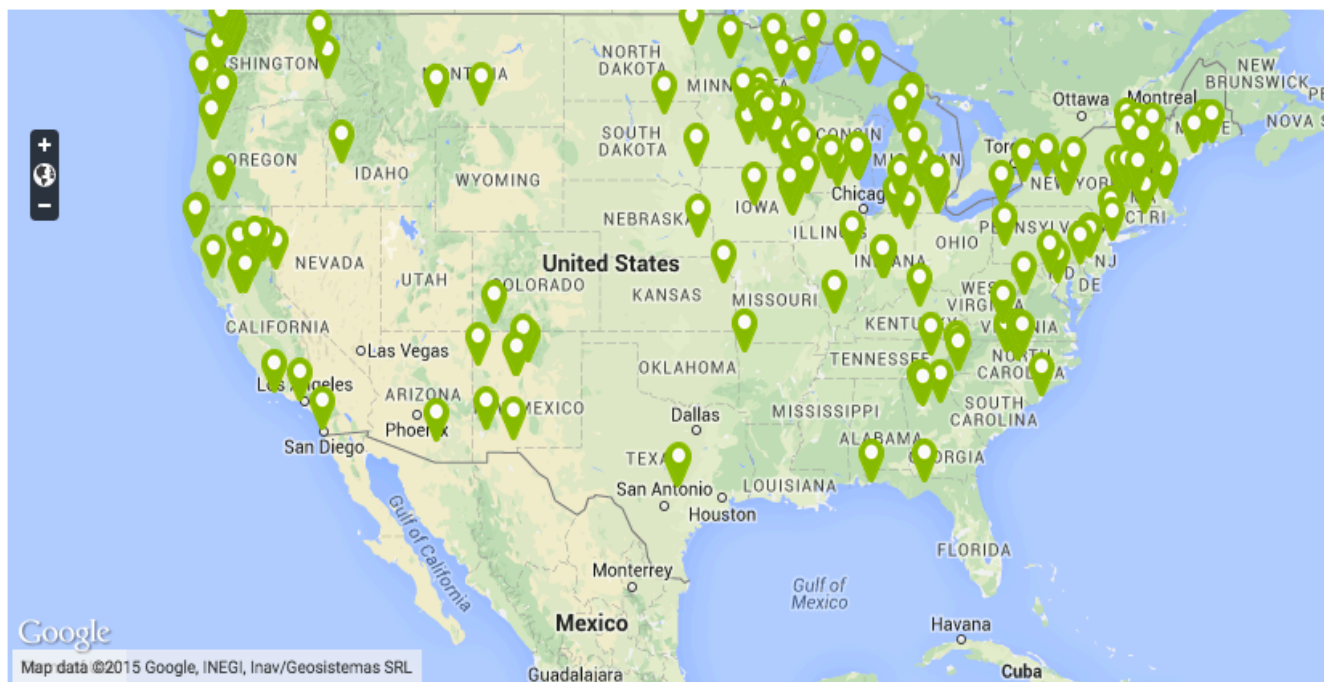
Today, the grocery cooperative model has been implemented more widely across the United States in the form of formal buying clubs and brick and mortar stores. National organizations have been established to assist communities and organizations in creating viable business structures, while addressing needs. Such an example exists in the National Cooperative Grocers Association (NCG), which has adopted the slogan “stronger together” to represent cooperative principles.

⁶² Greenburg, B., et. al (2009). The Social History of the United States, Volume 1, pg. 157. Retrieved from http://books.google.com/books?id=xypn4dixVD4C&pg=RA7-PA157&dq=food+cooperatives+history&hl=en&sa=X&ei=9rbaT9O_KejW2AWr3-XLCA&ved=0CDwQ6AEwAQ#v=onepage&q=food%20cooperatives%20history&f=false

⁶³ Name Withheld for Confidentiality. Personal Communication. 2015

NCG provides tailored technical assistance and benefits for members and associates, allowing many of their cooperatives to enjoy some of the benefits that traditional grocery stores have had access to. Currently, NCG has over 143 member and associate cooperative members, with over 190 stores in 38 states. Combined, the cooperatives have annual sales of over \$1.7 billion.⁶⁴

NCG Co-op Locations



The National Cooperative Grocer's Association 134 member and associates have over 190 locations in 38 states, demonstrating the growing popularity of grocery cooperatives across the U.S. However, this map does not show all grocery cooperatives that exist, meaning that this is only a sample of the number of grocery cooperatives that exist across the U.S.
Source: <https://www.ncg.coop/find-co-op>

Throughout the popular history of grocery cooperatives in the U.S., little has been mentioned about the role of low-income communities. This is largely because low-income communities, as well as people of color, were not seen as a major part of the natural foods cooperative movement. Therein lies two

⁶⁴ National Cooperative Grocer's Association (2014). Careers. Retrieved from <https://www.ncg.coop/jobs>

additional challenges specific to these communities – there are few U.S. examples that are *widely touted* about grocery cooperatives or collective purchasing power that are reflective of groups practicing cooperation outside of the natural foods movement. Moreover, modern grocery cooperatives in the U.S. are almost synonymous as catering to populations who identify as middle-to high-income, Caucasian, environmentalists and/or natural and organic food consumers. Both challenges limit our thinking about the ability for cooperatives to flourish in other communities. However, cooperatives (both grocery and other forms) do have a substantial history in communities of color and low-income communities that provide key points of why cooperation is still important in these groups.

Cooperatives in Communities of Color and Low-Income Communities

The U.S. context in the mid 1700 to early 1900's provides a unique backdrop for cooperation among communities of color, specifically African Americans who were then the largest minority population. Prior to the natural foods cooperative movement in the U.S., cooperation among African Americans has roots extending back to slavery. It is cited that enslaved African Americans pooled money to assist an individual in buying their freedom.⁶⁵ Additionally, runaway slaves were thought to have formed their own isolated cooperative communities, hiding to maintain their freedom. Following the Civil War (1861-1865) several African American settlements developed across the U.S. as cooperative villages for these groups to develop their own economies and their

⁶⁵ Nembhard, J.G (2013). Black cooperatives in the united states: An excerpted history from research from Jessica Gordon Nembhard. Retrieved from <http://www.federationsoutherncoop.com/coopinfo/Black%20co-ops.pdf>

own way of life.⁶⁶ Beyond this, cooperation in these groups was a means of survival, whether informal or not.

Perhaps one of the most vocal advocates of cooperation as a way of life for African Americans was W.E.B DuBois, an African American sociologist, civil rights activist and black scholar. Drawing upon the inherent ways African Americans used cooperation as a means of sharing resources and survival, DuBois took the idea a step further. He suggested cooperatives could be a long-term solution for community-wide economic independence and self-sufficiency. In 1907 he started the Negro Cooperative Guild with approximately 154 African American owned cooperative businesses, 103 of those being distribution or consumer cooperatives. In response schools, farmers and agricultural alliances, formal organizations (such as the Young Negroes Cooperative League) and general stores all became commonplace around the country in African American communities as an outward expression of economic self-sufficiency. The thought of cooperatives as a survival technique expanded to include cooperatives as an alternative and profitable business model.

As black-owned cooperative businesses flourished, they also were seen as a threat to white-owned businesses. As a result, African American owned cooperatives were subject to intimidation and it became dangerous to own a cooperative for fear of being beaten, lynched, mobbed or killed. New black-owned cooperatives were thus less common out of fear of their lives and as white business owners demanded that banks not give credit to black owned

⁶⁶ Ibid.

cooperatives.⁶⁷ It was during this time that many businesses went underground or dissipated, resulting in a lack of recorded history about black-owned cooperatives.

Recently, Jessica Gordon Nembhard, an economist and Associate Professor at John Jay College in New York, has written a book, *Collective Courage: A History of African American Cooperative Economic Thought and Practice*, documenting much of the history about cooperatives in African American communities and has served as an advocate for a revival of a cooperative movement among people of color. The idea of a cooperative as a business model is now resurfacing and is seen in many communities of color and low-income communities as a viable option to explore. Examples of cooperatives that have emerged in low-income communities include the following successful enterprises:

- The Prospera Cooperative for Business Empowerment (formerly WAGES) is located in Oakland, California identifies and partners with low-income Latina women to start their own cooperative business.
<http://prosperacoops.org/>
- The Wellspring Upholstery Collaborative is located in Springfield, Massachusetts and provides entry-level jobs with a living wage for low-income residents. The Upholstery Collaborative is a full service factory and one of the first of a network of 23 worker-owned cooperatives serving low-income Springfield residents.
<http://wellspring.coop/>
- The Evergreen Cooperative Initiative is located in Cleveland, Ohio and is working in six low-income neighborhoods to create living

⁶⁷ Nembhard, J.G. (2014). *Collective courage A history of african American cooperative economic thought and practice*. Penn State University Press.

wage jobs. Currently, three main Evergreen cooperative businesses exist: Evergreen Laundry; Evergreen Energy Solutions; and Green City Growers, which is the newest Evergreen business focused on healthy food production.

<http://evergreencooperatives.com/about/>

Grocery cooperatives have also yielded successful examples in low-income communities and communities of color. In West Oakland, California⁶⁸, the Mandela Marketplace, a food retail incubator led by neighborhood community members, along with four women decided to start a grocery cooperative. Prior to Mandela Marketplace making inroads, West Oakland residents suffered from high rates of unemployment, poverty, and diet-related disease compared to others in the county. The food retail environment reinforced these problems as liquor stores and fast food restaurants were the prevalent source of food in the neighborhood.⁶⁹ It was also estimated that an African-American child living in West Oakland was seven times more likely to be born into poverty and expected to live 15 years less than a White child living in Oakland Hills.⁷⁰ The two communities are only 10 miles apart.

In 2009, Mandela Marketplace opened the Mandela Foods Cooperative, creating a considerable change in the local food environment. This worker-owned cooperative was financed through a Kiva Zip loan, due to other larger financial institutions not wanting to assume the risk of a new business.⁷¹ Now Mandela Marketplace has become a Kiva Zip trustee lender, allowing them to extend

⁶⁸ West Oakland is a predominately African American community in the Bay Area of California, near San Francisco. Hispanics and Asians are the next two largest groups. In 2011 the median income was \$38,948.

⁶⁹ <http://www.mandelamarketplace.org/#!community/cnvg>

⁷⁰ Ibid.

⁷¹ <http://www.kiva.org/updates/kiva/2012/11/26/mandela-foods-brings-fresh-produce-a-brighter-future-to-west-oakland-with-kiva-zip>

financing to community entrepreneurs. This recent happening has facilitated a new, unique and synergistic relationship between the Mandela Marketplace and the Mandela Cooperative. The Marketplace is able to finance community entrepreneurs, such as Toussaint Stewart, the founder of Besto Pesto, which in turn now sells his product in the Cooperative.⁷² If this trend continues it will allow community members to have an entry-way into the market place that they did not have access to before, and it would also allow the cooperative to carry products that are made by their own community members.

Beyond the Marketplace-Cooperative relationship, the Mandela Foods Cooperative provides convenient and unique means for community members to engage with it. The location chosen is in the West Oakland community and located across the street from the Bay Area Rapid Transit (BART) system, making it easier for a wider group of non-local consumers to also enjoy the cooperative. The cooperative is open seven days a week, between 6 and 13 hours a day. Various payment plans are accepted, including Supplemental Nutrition Assistance Program (SNAP), which is a vital part of serving the consumers as approximately one-fourth of the community is on a food assistance program. Nutrition education and cooking classes are held in a community space in the cooperative to help the community learn about new recipes and ways to prepare food in a healthier way. Together these efforts have allowed the Mandela Foods Cooperative to remain competitive and take a substantial step towards eradicating its community's food desert status.

⁷² <http://www.mandelafoods.com/#!products/c3oe>

Throughout this section of the paper, we saw evidence that low-income communities and communities of color can have successful cooperative ventures. However, success in one area doesn't guarantee success elsewhere. Thus in the next chapter, I will detail another example of a proposed grocery cooperative in Greensboro, North Carolina to see under what conditions a cooperative can position its self for potential success in a non-metro setting in the South.



On April 7, 2015 community members from Northeast Greensboro and fellow supporters attended a City Council Meeting to push for the final \$250,000 needed to open the doors of the Renaissance Community Cooperative. In a 6-3 vote, the funds were approved, allowing Northeast Greensboro to eliminate a food desert after 17 years.

Source: Photo courtesy of Renaissance Community Cooperative Facebook Page

Chapter 3: Eradicating Food Deserts: A Case Study of the Renaissance Community Cooperative in Greensboro, North Carolina

The Issue of Underdevelopment, Poverty and its link to Food Access in Northeast Greensboro, North Carolina

“Our assessments indicate that food deserts have disproportionately high populations of minorities, especially those who are living in poverty. If not better served with grocery stores, farmers’ markets, and other outlets, these communities of color will continue to have poor access to healthy foods, putting them at greater health and financial risk than the rest of the region’s population.”

- Excerpt from the “Piedmont Together” Comprehensive Plan for the Piedmont Triad area of North Carolina, page 77³

Over the past couple of years, Greensboro, North Carolina has experienced increasing economic development. According to a 2015 Growth and Development Trends report released by the planning department, Greensboro’s local economy appears to be well on its way to recovering from the Great Recession of 2008. As a whole, unemployment has decreased and business activity has substantially increased, including commercial growth in the downtown providing new spaces and attractions for visitors and residents.⁷⁴ However, despite this growth, Greensboro’s poverty level measured by number of households appears to have doubled since 2000.⁷⁵ When compared to national trends, Greensboro falls in the top 10 cities where poverty is increasing the fastest and where low-income neighborhoods continue to grow.⁷⁶ To make matters worse, Greensboro was ranked as 3rd in the nation for the highest percentage (23%) of people struggling with food insecurity.⁷⁷ Together these

⁷³ <http://piedmonttogether.org/sites/default/files/hero/Piedmont%20Together%20Comprehensive%20Regional%20Plan.pdf>

⁷⁴ <http://triad-city-beat.com/brick-by-brick/>

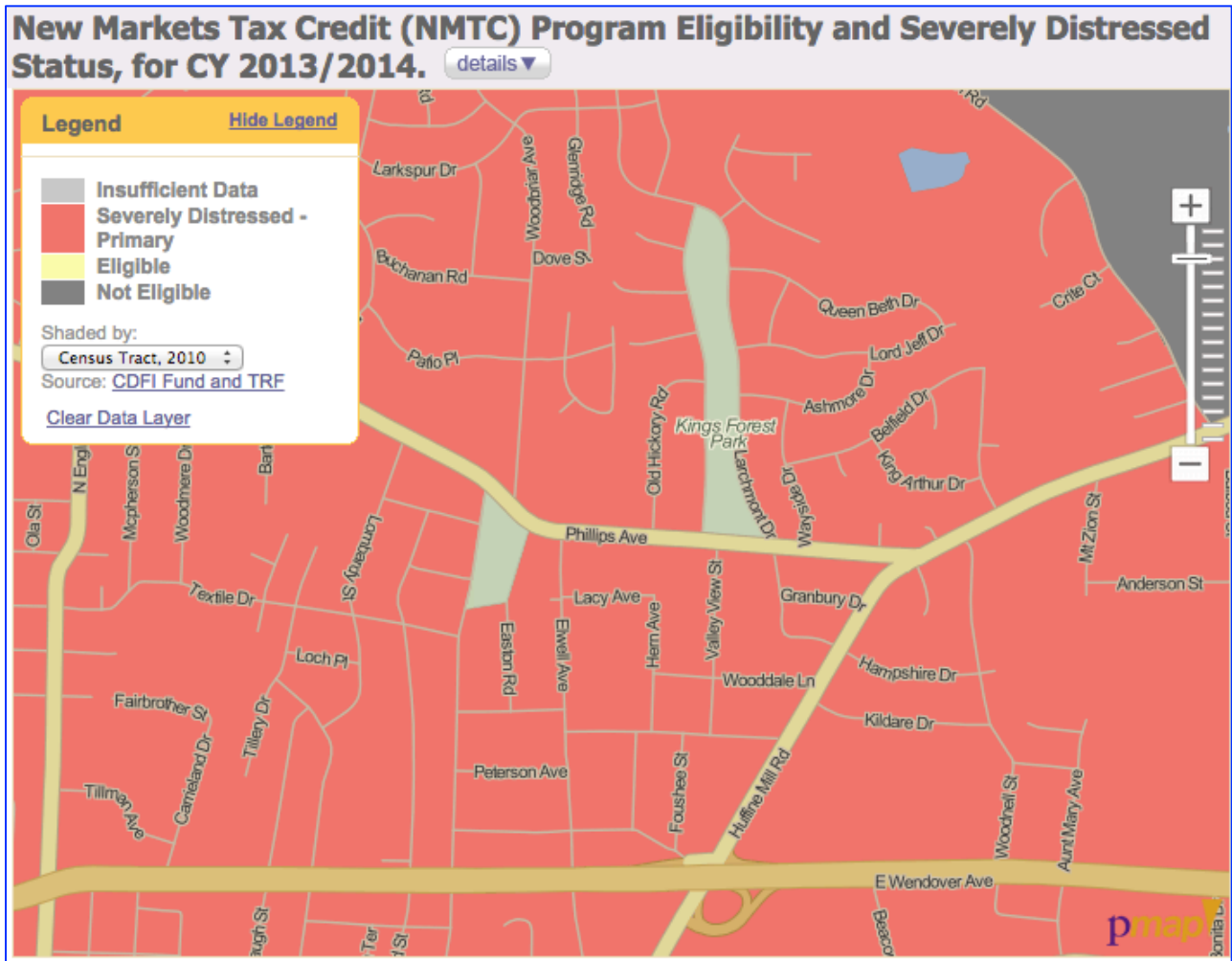
⁷⁵ <http://www.greensboro-nc.gov/modules/showdocument.aspx?documentid=26466>

⁷⁶ <http://www.businessinsider.com/cities-poverty-soaring-2014-8#5-tied-grand-rapids-michigan-9>

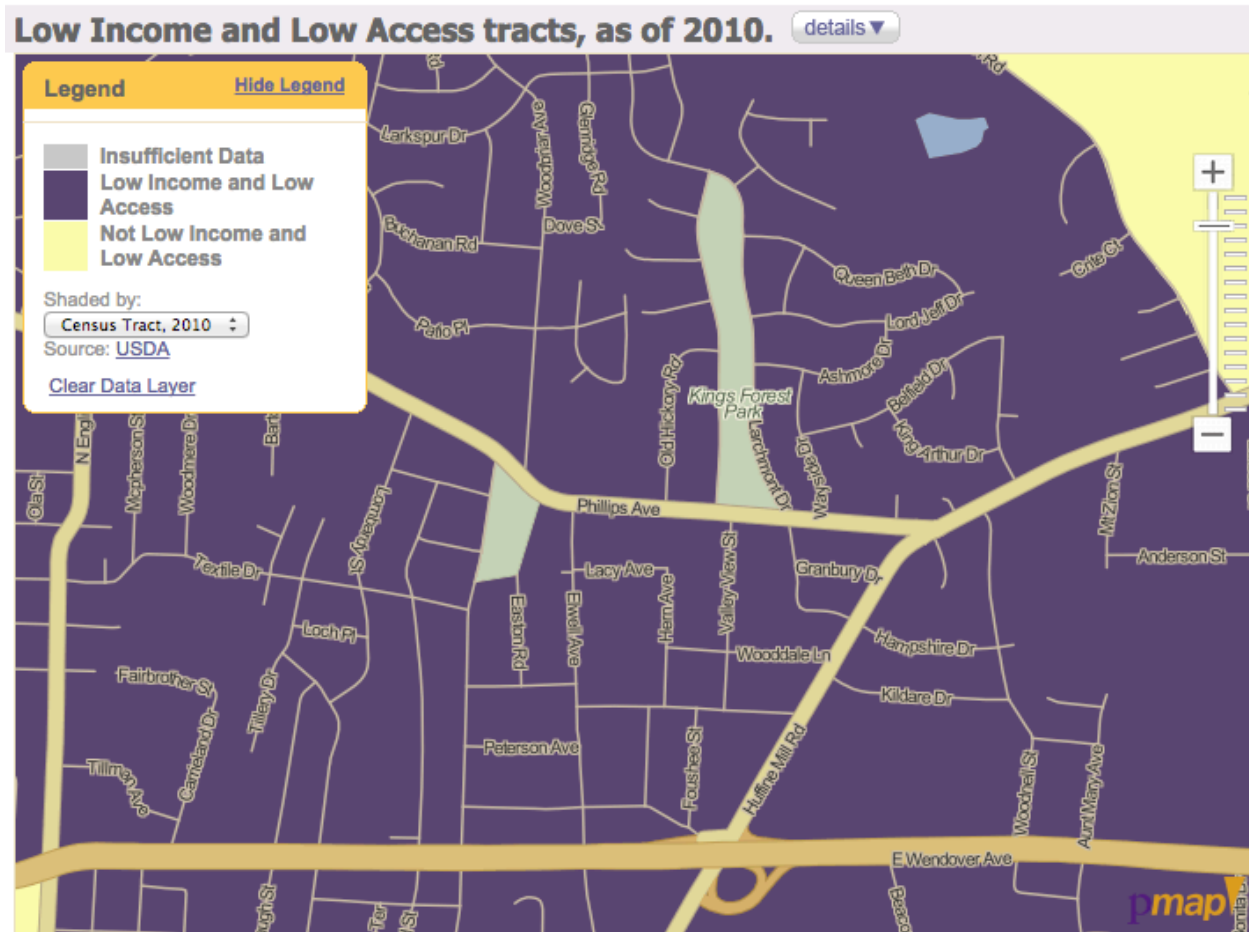
⁷⁷ <http://www.takepart.com/photos/10-hungriest-places-america/3-greensboro-high-point-north-carolina-23-struggle-food-insecurity>

statistics reveal polarized development in Greensboro, where issues of poverty and hunger are especially pervasive in Northeast Greensboro.

Unlike downtown and the rest of the city, Northeast Greensboro has seen little of any development, little economic or commercial activity which has continued to undermine the ability of this predominately African-American neighborhood to improve its health outcomes or economic base. To illustrate the extent of poverty and underdevelopment and lack of food access that exists in Northeast Greensboro, the following two of maps have been exported from The Reinvestment Fund's Policy Link Tool. The area displayed in each map is the core of Northeast Greensboro and contains the site of the future cooperative (located at the corner of Woodbriar and Phillips Avenue). Each map's is based on the 2010 census tract database, which was the latest dataset available in the Policy Mapping Tool that I used to generate these maps.



As described in Chapter I, New Market Tax Credits (NMTCs) are one way of sparking new markets and new economic development in underserved regions. In Northeast Greensboro most of the area is classified as eligible for NMTC and is considered severely distressed (those areas shaded in red). Areas that are classified as severely distressed could be considered a proxy for where considerable investment has not occurred.



Food Deserts are defined in terms of low-income and low access (areas shaded in purple). Low income is defined as a) a poverty rate of 20 percent or greater, OR (b) a median family income at or below 80 percent of the area median family income and low access is defined as at least 500 persons and/or at least 33% of the census tract's population live more than half a mile from a supermarket or large grocery store (10 miles) in the case of non-metropolitan census tracts. Similar to the previous map, most of the area surrounding the map is currently seen as a food desert.

As shown, these maps are almost exact overlays of each other, again highlighting the links between underdevelopment, poverty and food access in this community. However, it should not be assumed that the lack of underdevelopment is an indication of a lack of community's social and community organizing assets. The residents of Northeast Greensboro have a history of

mobilizing against unfair community development practices that has greatly prepared them to advocate for their collective needs, as they have in the story of the Renaissance Food Cooperative that is ready to open its doors in the community, as I describe next.

Winn Dixie, White Street Landfill and Community Momentum

Residents of Northeast Greensboro can recount the time that the Bessemer Center was a vibrant, shopping area. It contained a pharmacy, laundry mat, and a full service grocery store, Winn Dixie. Winn Dixie served as the anchor tenant for the Bessemer shopping center. For Northeast Greensboro residents, the shopping center fulfilled a great need, especially for those residents who did not have access to a vehicle to travel elsewhere for provisions. However, in 1998 despite its profitability, Winn-Dixie closed its doors in Northeast Greensboro, due to the pressure on profits resulting from a growing segmentation of market territories among other large grocery chains. There was widespread speculation that this consolidation and winnowing action was carried out across North Carolina and other territories to eventually maximize profits.⁷⁸ Winn Dixie's closure led to other tenants leaving the shopping center and eventually left Northeast Greensboro as a food desert. Today, only a Family Dollar remains there, which grosses the highest sales of all Family Dollar stores in Greensboro, due to demand for food and other household products. Yet no fresh food is sold in Family Dollar.

⁷⁸ Renaissance Community Cooperative. The problem we face. Retrieved from <http://renaissancecoop.com/2014/12/08/video-the-problem-we-face/>

"I think what you have there is a fundamental piece of irrationality in the economic system that we have right now that is not particularly concerned about meeting people's needs. It is fundamentally concerned with making profits for investors."
- Marnie Thompson, Fund for Democratic Communities⁷⁹

Around the same time as the Winn Dixie closed (1995-2009), the beginnings of what is now the Northeast Greensboro Citizens for Economic and Environmental Justice (CEEJ) were coming together to advocate for the closing of the White Street Landfill located in their neighborhood. Since its existence in 1940, the landfill had begun to reach maximum allowed capacity based on existing permits and City Council was considering expanding the landfill. However, this was met with strong opposition from the community in 1995 when the landfill began to compromise the health of local residents and impact the neighborhood's quality of life. The coalition of concerned residents in CEEJ also felt the landfill represented environmental racism and a disregard for the wellbeing of residents. Under strong protests from CEEJ, the City Council closed the landfill in 2001 and household waste and the existing waste was taken to a landfill in Montgomery County.

In 2009, with a new City Council in place, discussions resurfaced in favor of reopening the White Street Landfill. Again the CEEJ stood firmly against the proposition and this time they had formed a coalition with the Concerned Citizens of Northeast Greensboro. Eventually all groups were successful in maintaining the closure of the landfill and now have used that momentum to

⁷⁹ Quote extracted from cooperative video, The Problem we face. <http://renaissancecoop.com/2014/12/08/video-the-problem-we-face/>

attempt to attract a grocery store to their area. Several attempts were made to attract corporate chains to the area, though none of them were successful because of questions about profitability. In 2011-2012, members from the Fund for Democratic Communities (F4DC), an organization that gives grants to support grassroots efforts, approached the Northeast Greensboro groups with a keen interest in assisting the community in resolving its food desert issue. They were aware of the community attempts to attract to a grocery store with no success and offered the idea of helping finance a grocery cooperative.

Why Not Start a Cooperative?

In 2012, F4DC took some of the interested residents on a community field trip to Company Shops Market, located in neighboring Alamance County, to speak with the general manager about how to start a cooperative grocery store and to learn more about the cooperative principles (as featured in Chapter 1). Although interested, many of the residents remained hesitant due to their long held assumption and perceptions about the cooperative model; most assumed that a cooperative would mean high prices and would cater to local, organic and natural foods demand. Once F4DC staff explained what the key features of a grocery cooperative meant – autonomy, democratically managed organization that would be customized to their own needs – minds began to change and more people approved of the project. As support for the idea grew, the coalition mobilized to make it happen. The residents chose to name the future cooperative the “Renaissance Community Cooperative”, or RCC, with the belief that the addition of a new grocery store would lead to a rebirth in their community. They also

wished to locate it at the site of the former Winn Dixie, since the site was a central place for many households. By this time, the City of Greensboro was the owner of the defunct shopping center, so the community would need to find a developer to buy back the property. Ideally, RCC would serve as the anchor tenant and other businesses would be able to move into the remaining space. However, it was important that the other tenants were ones that filled basic needs in the community such as child or health care services and not ones that sold unhealthy products or appeared to exploit the community.

The cooperative model appeared to be the perfect fit for the community based on the community's goals and the cooperative model's principles and business structure of answering to the community's interests rather than the investor's. Yet there was a new concern about how the project would be financed and was it feasible to do so in this neighborhood. To answer these questions, F4DC commissioned a supermarket research company to conduct a market study of the grocery industry in Northeast Greensboro and carry out a site analysis of the proposed location, with the cooperative members approval.

The findings of the market study revealed a core set of arguments to make the case that this project was feasible. First, it found that residents within a 2-mile radius of the store spend \$1,343,365 dollars each week on groceries. If RCC is able to capture only 4-5% of that market they will be profitable within 3 years, which is the typical length of time it takes to turn a profit in a grocery cooperative.^{80 81} Second, it also determined that the cooperative could create approximately 31 jobs (14 part time, 17 full time), which will start wages at \$10.

⁸⁰ L. Wolfrum. Personal Communication. 2015.

⁸¹ Reviewed financial statement from the cooperative to review this information.

Finally, it found that the financial model of the cooperative could be such that the cash flow can remain at a positive level even if revenue is off by 4-5%.

Armed with this information, the RCC was able to make the case to other funders to support the cooperative, including the Cone Health Foundation, The Community Foundation of Greater Greensboro, the Self Help Ventures Fund, F4DC, National Cooperative Bank and several others, including individual donors. The credit union, Self Help also served as the project's developer, which would allow the residents to buy back the land through agreements between Self Help and the City of Greensboro.

The cooperative has also received support from governmental representatives, including 2 city council members, and a county commissioner, which has also served as an integral part of its success in getting funding from the City of Greensboro. Guilford County government was one of the initial funders to assist with the cooperative; however the City was conflicted. Northeast Greensboro residents attended city council meetings, wrote letters and even obtained public recognition through news articles supporting them, which put pressure on the council to approve the remaining funds needed for the cooperative to open. On April 7, 2015 in a 6-3 vote, the City Council approved the final funding needed to open the cooperative's doors in Fall 2015. The rebirth of the community's own healthy food source will finally become reality.

In the final chapter of this paper, I draw on the RCC effort, and the interviews I conducted with members inside and outside the cooperative to pull

out a set of themes that were central in RCC's successful efforts to set up a food cooperative in Northeast Greensboro. These themes, laid out in the next and final chapter of the report will, I hope, serve as lessons about the conditions under which this model can take hold in other areas, and be diffused more widely.



Now that they have secured funding for the cooperative, RCC plans to open in fall of 2015.
Source: Renaissance Community Cooperative Facebook Page

Chapter 4: Basic Recommendations and Conclusion

Key Recommendations for Success

The process of conceiving of and incubating the Renaissance Community Cooperative story has revealed tangible lessons for the potential success and sustainability of diffusing cooperative grocery stores in other low-income communities. It is very possible that if these recommendations are taken into consideration, low-income communities can be sufficiently prepared for future success.

Starting Small and Scaling Up

Starting any new business takes time, and a cooperative is no exception. One central challenge of starting a cooperative is figuring out where the financing and capital for the project will come from. Even more so, it is important to realize that a group of community members cannot be the recipient of federal grant funding without the participation of an intermediary and established organization as partner. Such a partner can be tough to find in many communities. In the case of the RCC the Fund for Democratic Communities (FD4C), an established organization that gives grants to support grassroots efforts, was such a partner. But other low-income communities that are exploring setting up food cooperatives have been less able to find such partners. For example, instead of directly starting a food cooperative, Fertile Ground is considering starting with Community Supported Agriculture or a small farmers market as a form of initial cooperation, as they are still working to secure a funding partner. While many might see this as a failure – not to have sufficient progress made on a brick and

mortar store – the idea of starting small and scaling up will allow Fertile Ground to learn from other cooperatives, such as its sister cooperative, RCC.

Geographically Embedded and Community Buy In

One major learning from the RCC story and harkening back to the Mandela Foods Cooperative is the importance of being geographically and institutionally embedded in the community the grocery cooperative is meant to serve, in this case, a low-income community. For residents who often do not have vehicles of their own, and are underserved by public transportation, it is very important that site selection include areas that are going to be accessible for the residents without recourse to transportation. Equally important is that the cooperative be engrained in the community's social fabric as something that they are committed to assisting with, and want for their community. It is not sufficient for a community to say a cooperative grocery store would be a 'nice idea', but that it is the model that they believe will meet the community's needs. Cooperatives take a long time to plan and build. For example, RCC has been discussed since 2010-2011, suggesting that cooperative organizing can take upwards to 5 years to plan and finance, let alone build or revitalize.

It is important to also make clear the distinction between ownership and community representation in implementing a cooperative in a low-income community. There could be a vast difference between who is representative of the community that the coop is meant to serve and those who are choosing to become members. For example, I have chosen to purchase a membership out of

solidarity to RCC. However, I am not a community member of Northeast Greensboro. It is important to assess this difference as to not mistakenly implement a model that is not targeted at the broader community, especially since grocery cooperatives in their traditional form are seen as agents of gentrification.⁸²⁸³

Establishing a Shared Understanding about Cooperative Principles

Established thinking about cooperatives, based on the natural foods movement, limits much of our thinking about how cooperatives may function in other communities. In the case of communities of color and/or low-income communities, much of the knowledge about the power of cooperation has been lost over time and over generations, so it will be important to conduct discussions around what a grocery cooperative will look like in a specific community. There are also misconceptions about who can shop at a grocery cooperative based on membership. While some stores choose to limit their shoppers to those who are members (similar to most modern buying clubs) others allow anyone to shop at the grocery cooperative, regardless of membership. In the context of an underserved low-income community it is critical that the cooperative be broadly and openly accessible to all - a condition that makes economic sense as well.

⁸² Traditional here is defined as a natural foods cooperative.

⁸³ A. Powers. Personal Communication. 2015.

Importance of Realistic Product Offerings and Price

Again due to the natural foods cooperative movement, many individuals believe that products sold in the cooperative will be aligned only with these ideals. RCC and Fertile Ground both plan to carry both natural and organic foods, conventional foods and cultural foods to meet several preferences. To get broad-based buy-in it is therefore useful to clarify these issues when a cooperative is being planned in a community. At the same time, even if the goal is to carry a variety of options, the experience of existing cooperatives suggests that it is important to be mindful of the distributors the cooperative used to supply the store, as few may offer all three types of products.

Price points will also be important to consider. Every attempt should be made to keep costs low where possible. One mechanism to assist some shoppers is to allow the use of SNAP/EBT benefits. Other cooperatives have instituted food for all funds to help subsidize costs for the lowest-income consumers or provide staple products, such as rice, sweet potatoes and chicken, at lower prices since they tend to be consumed on a more regular basis.

Importance of Realistic Membership Requirements

Membership cost can be a strong deterrent to building a member base in a grocery cooperative due to perceived cost. Many natural foods cooperatives often charge higher fees that may be paid annually to be a member. Recognizing that a higher membership cost is not feasible for low-income individuals, RCC has

decided to charge a one-time \$100 fee that can be paid in monthly installments. They also have applied for a grant that will allow them to subsidize some memberships down to \$10 for members who would like to join but are unable to pay the fee.

Traditionally, many cooperatives are also perceived to be worker-owned. While Mandela Foods Cooperative did follow this model, it is not feasible to require residents in Northeast Greensboro to put sweat equity into the cooperative, due to the older age of some members and other members having jobs – often more than one - they need to be working at for income. Instead, RCC is hiring full and part-time staff to run the store and take care of the tasks that those members in a worker-owned cooperative would be responsible for.

Importance of Technical Assistance and Sound Financial Studies

The decision for FD4C and RCC to have a market analysis performed to prove that they could survive as a business was key to showing to various stakeholders that this is a sustainable project. Being able to show that only a small percentage of the market was needed in order to perform as a viable business gave RCC some of the leverage they needed to attract funders. It also helped community members who were not initially on board to have more faith in the success of the project.

Throughout this process, technical assistance has also central to shaping next steps for RCC. Uplift Solution a supermarket consulting organization, has assisted the group in their search for a knowledgeable General Manager. The National Cooperative Grocers Association also has provided some limited

technical assistance to the cooperative in terms of basic business planning. Although there is not a set of best practices for implementing cooperatives in low-income communities, it is important to seek out and secure some professional guidance in order to increase the business's chances of viability and sustainability.

Need for Multiple Partners at the Table

Overtime RCC has been mindful to including and engaging multiple stakeholders in their planning process. Not only have they included funders and government officials; but also they have been wise about connecting with other cooperatives that have or are attempting to start a cooperative in a low-income area. Most of the informants, including the Community Development Financial Institutions that were interviewed cited the impact cooperative development conferences has made on advancing their work across the nation. There are also informal means of communication between cooperatives, such as trips, virtual meetings, or watching videos from others that allow communities to interact with other, share dialogue and learn from each other. These experiences have allowed communities to learn invaluable lessons about what works and what doesn't without having to make the mistake themselves. Other's experience has served as an informal set of best practices for a new enterprise such as RCC.

This set of key recommendations provides initial insight as to some of the themes that may facilitate success for cooperatives in low-income communities. These

recommendations have many more intricate steps that are not included in this analysis, which will be important to parse out if communities wish to implement this model. In addition, communities are not the only ones that can assist in making sure the cooperative model is one that is put to use in communities, but economic developers also can play a big role.

Conclusion

Throughout this document, I have attempted to illustrate the circumstances under which a grocery cooperative can be successful in a low-income community and/or a community of color. However, I feel it is important to delve a bit deeper into a specific argument for healthy food retail in low-income communities and a call to action for economic development practitioners.

First, the most widely stated argument against the cooperative model assumes that low-income communities are not interested in eating healthier because of what they currently consume and thus there is a presumption that there is not sufficient demand for healthy food retail in low income neighborhoods. Much of our behavior is based on our environment. Therefore, if for most of my life I have only had exposure to fast food as my main source of nutrients, then it will appear as if I have a preference for such food. However, as I shared in the introduction of this paper, few choices exist in communities for low-income communities, so we have no accurate depiction of what true demand for food really looks like in many of these cases. In the case of RCC, we do know that there is a current demand for purchasing groceries in the community that is

equivalent to \$1.3 million dollars per week. This is only within a two-mile radius of the RCC location, not including the rest of Northeast Greensboro. If a supposedly low-income community is spending this much money on food purchases clearly there is demand for good food and healthy choices. The RCC story clearly shows that the true importance of a market study is not just in assessing a business model's cost and benefits; it can crucially reshape perceptions of demand.

Second, It's important to briefly discuss how we as planners can better integrate cooperatives and why. The goal of cooperatives goes beyond its principles of sharing and autonomy. It serves as a mechanism for community wealth building, not just job creation. Ideally, these are also some of the same goals of economic development practitioners. We can play a more powerful role as planners if we allow the communities we work in to think differently about possibilities they can strive toward. The idea that it 'hasn't been done, so it won't work' isn't reason enough to dismiss a project. In this case, economic development practitioners who work in low-income communities should consider a focus on grocery cooperatives as a realistic food delivery model for thinking beyond traditional retailers, as well as a catalyst of wider economic development in resource poor communities.

This applies to cooperatives in general. There are examples of how cooperatively owned businesses have provided fair paying jobs to low-income individuals, perhaps when some groups may not have believed that paying 'good' wages would make economic sense in low income communities. This is not to suggest that economic development practitioners should encourage communities

to take unwieldy risks. It is to point out that it is possible that there are other strategies beyond traditional methods that may work and which might indeed generate tremendous gains.

I invite you as the reader to imagine what could happen if RCC does work and is successful. I imagine it will mean some people will be employed that may not have been otherwise, and will be employed at a fair wage. I imagine the cooperative using patronage dividends to start another project in their neighborhood, as they propose to do once a profit is made. Finally, I imagine Northeast Greensboro truly experiencing a revitalization of their area. These are just a few of the possibilities.

Recently Steve Dubb, Research Director at the Democracy Collaborative, spoke on WUNC's radio show "The State of Things" about the importance of cooperatives as lifting up members of cooperative businesses. He stated 7 out of 10 businesses fail, but interweaving and interlinking businesses together provides stability. Cooperatives provide that chance for communities to build social capital and lift themselves up. We just have to be willing to start by bringing it as an option to the table and believing that communities, if given the chance, can be successful at trying something new.

Appendices

Appendix A

Organizer/Informant Consent Form

Research Study Name: Implementing Grocery Cooperatives in Limited-Income Communities

Principal Investigator: Charla Hodges

Faculty Advisor: Meenu Tewari

Consent:

"I _____ (Print Your Name) give the Principal Investigator of this study, Charla Hodges, full permission to interview me regarding

_____ (name of grocery cooperative). I understand that this interview will be recorded and will be used by the above-mentioned Principal Investigator for the purposes of completing a Masters Project in the Department of City and Regional Planning (DCRP) at the University of North Carolina at Chapel Hill. The DCRP faculty and staff and The Food Trust, the advisors for this project, will read the final report in its entirety. I understand that information I provide will be synthesized for the report and that my answers will not be direct quotes, yet may reveal who I am due to small sample sizes.

I have read the entire statement above and have had an opportunity to ask questions and agree to the terms above. Please note, this statement will be retained for any IRB/research ethics purpose but will not be shared with the general public.

Signed: _____

Date: _____

Appendix B

Organizer/Informant Introduction Survey

Research Study Name: Implementing Grocery Cooperatives in Limited-Income Communities

Principal Investigator: Charla Hodges

Faculty Advisor: Meenu Tewari

Directions: Please fill out the following survey to the best of your ability. Feel free to ask the survey administer any questions as needed. Please use the back of this page if needed.

Name of Cooperative: _____ Location: _____

Length of time in operation: _____ Length of time preparing to open : _____

Your Position/Role at Cooperative: _____ Time in position: _____yrs/mo

What is the approximate size of your store? (in sq feet) _____

Has your cooperative connected with others in the area to share best practices? Y N

If so, which ones? _____

What types of foods/services are available/will be available in your cooperative? (Circle all that apply)?

Foods:

Fresh Vegetables

Will/are any fresh vegetables be organic? _____

Will/are any fresh vegetables be local (within the state)? _____

Fresh Fruit

Will/are any fresh fruits be organic?

_____ Will/are any fresh fruits be local (within the state)? _____

Canned fruits and vegetables

Meat/Seafood/Poultry

Will/are any meat be organic? _____

Will/are any meat be local (within the state)? _____

Prepared Foods

Dry Goods (i.e. rice, nuts, dried beans)

Frozen Foods

Chocolate and Candy

Breads

Pastries

Other (please list):

Services:

Hot Bar/Salad bar

Deli

Community Meeting Space

Other (please list):

What is the Membership rate for your cooperative? (please list all prices if they vary)

Appendix C

Organizer Interview Questions

Research Study Name: Implementing Grocery Cooperatives in Limited-Income Communities

Principal Investigator: Charla Hodges

Faculty Advisor: Meenu Tewari

Introduction

Tell me about how the cooperative started. Why did you choose to build a cooperative versus a grocery store?

What specific traits/benefits of a Co-op attracted you to this form of business model?

What groups or individuals were involved in the envisioning process?

Do you have a grocery store within your area? If so, how close is it?

What goals are you trying to fulfill that the grocery store is not?

Preparation and Funding

Once you knew you wanted to build a cooperative, what were your first steps for initiating it?

Did you go to any resource organization for training or assistance? Or to Any legal entity?

Did you consult with any other Co-ops?

How involved have the area residents been in the planning phase for the co-op? What means of stakeholder recruitment have you used, if any?

How did you select the area/location for building the cooperative? What were the steps for acquiring the space?

Did you create a business plan? If so, what is included in it? Did you have any assistance in creating it?

How are you funding this project? How did you find out about these sources? What is the project estimated to cost?

Did you use any online fundraising campaigns to raise money or any general fundraisers? Have they been successful?

Selecting Structure/Design

Tell me about the member-design of your cooperative. Why did you choose this model? What about the other models didn't appeal to your cooperative?

Grocery cooperatives are often modeled after 7 principles (show list – see appendix D). Which of these do you all actively follow? Why or why not?

Affordability

What is the average price point of your produce? Meat? Dairy?

Was affordability a major goal of the business? If so, how have you organized procurement, choice of products and supply chain structure to keep costs low?

What is the greatest challenge in keeping/attempting to keep prices low?

What mechanisms are in place for limited or low-income residents to be encouraged to use the cooperative? Will you offer EBT?

Employees/Workers

What is the average starting salary for workers at the cooperative?

Provide a general break down of your staff: are they from the neighborhood? Do they sign contracts? If so, for how long? Do they have access to PTO or promotions?

What types of benefits do they receive?

Sustainability

What mechanisms have you all considered in order to remain sustainable from a business point of view? What evidence do you have that these are good practices?

Is there anything else that you would like to add that I might have left out?

Thank you for your time during this interview. Please let me know if you have any questions about what I have asked you.

Appendix D

Seven Principles for Cooperatives

Verbatim from the National Cooperative Grocer's Association

<http://strongertogether.coop/food-coops/co-op-values-principles/>

“Co-ops are based on values not unlike those we subscribe to individually, including self-responsibility, democracy, equality, honesty and social responsibility.

In addition to these common values, seven basic principles serve as guidelines to provide a democratic structure for co-ops around the world. While adoption of these principles is not required, most co-ops choose to adopt them for their business.

The seven principles are:

- . Voluntary and open membership
- . Democratic member control
- . Member economic participation
- . Autonomy and independence
- . Education, training and information
- . Cooperation among cooperatives
- . Concern for community”

Appendix E

Funder/Technical Assistance Interview Questions

Research Study Name: Implementing Grocery Cooperatives in Limited-Income Communities

Principal Investigator: Charla Hodges

Faculty Advisor: Meenu Tewari

Overview

Tell me briefly about your organization. How did you get started? What is your organizational mission?

Services

You work with a variety of organizations (banks, communities, etc.) to increase food access. Talk about how that looks for different organizations.

What services do you provide to organizations wanting a food retailer in their community? What are the first steps?

Do you do site visits? What do they entail?

Funding

What funding mechanisms have you all created to assist your clientele?

How do you select what projects you fund? Give some of the criteria you use.

What other funding mechanisms do you all recommend to communities?

Project Type

Many of the grocery projects in low-income communities seem to be focused on traditional food retailers, such as supermarkets? Why do you think this is the case as opposed to starting a cooperative?

What do you see are the main differences between cooperatives and grocery stores financially?

Do you feel that grocery cooperatives can be a truly sustainable business in low-income community? Why or why not?

What steps can a grocery cooperative take to be a sustainable business?

Is there anything else you would like to add?

Thank you for your time!