

Keystone Development Center Newsletter

COOPERATING THROUGHOUT THE MID ATLANTIC

November-December 2010

Greetings friends of KDC,

Happy New Year from the KDC Board, Staff and Consultants! We have started the new year by adding a new staff person to the KDC family. Lisa Stolarski, long time consultant with KDC took on the role of staff cooperative developer the first week of January. We are pleased to have her aboard. Welcome Lisa.

Big things are going on for co-ops this year and we will be following the stories. KDC employees, board members and associates are leading the effort to fund urban cooperative development and we will keep you abreast as things progress. Don't forget, 2011 is the year co-ops all over the world will be preparing for the International Year of Cooperatives, IYC 2012. You will not want to miss the boat on preparing to show off our co-ops to the world next year.

In this issue we learn from the demise of Independents Coffee Co-op and reflect on co-op news in 2010. "Practitioner's Perspective" advises on cultivating sound administrative systems for co-ops. We have included a calendar of co-op events for 2011 and offer a glimpse of what is in store for the Farming for the Future Conference at Penn State this year.

→ A View From My Doorstep: Lessons Learned from the Closing of Independents Coffee Co-op



Doug Witmer of Green Line Cafe



Jill Fink at Mugshots

KDC recently interviewed Jill Fink and Douglas Witmer of Independents Coffee Cooperative to find out why this purchasing co-op based in Philadelphia has decided to call it quits. Douglas

and Jill are both founders of Independents. Douglas, who co-owns the Green Line Cafe at 43rd and Baltimore, as well as two other West Philly locations, was President of the Board of Independents. Jill is co-owner of Mugshots Coffeehouse with three locations in Fairmount, Brewerytown and Manayunk.

KDC: Thanks for agreeing to this interview Jill and Doug. Can you tell me about the co-op Independents coffee?

Jill: The co-op started informally in 2004, right around the time we were opening Mugshots. We were using Equal Exchange coffee, and they told us the names of their other accounts in Philadelphia. So I called those stores and talked to them about their experiences in coffee house operations. This is how we came to know Douglas and Dan at Green Line as well as the owners of two other cafes that were founding members of the cooperative.

Doug: From the beginning there was interest in group buying power. We were looking for group product discounts. This was the impetus for our registering the co-op.

KDC: I guess you already answered this question in part, Doug, but what motivated you guys to form the co-op?

Jill: I think for most of us there was definitely a value in sharing information and bouncing ideas off each other. But what Douglas said, that we were interested in achieving an economy of scale as independent businesses. This was key, especially on products we were all buying such as cups, lids, napkins, Equal Exchange coffee. The co-op was about joint purchasing without compromising the individuality of our stores.

Doug: So we just began talking shop informally..."Oh, you're getting that price?" and comparing notes.

Jill: Once we were able to negotiate rebates the money went into the co-op bank account to promote fair trade coffee houses. As membership grew, there were conflicts with a few members wanting to continue using their existing vendors, rather than use the vendors with whom we had negotiated member pricing. Obviously this was a problem for group buying and our ability to raise money for co-op activities.

Doug: When we first started, we didn't have a central office or central receiving point, the only thing we had to offer vendors was the promise of group buying. They had a list of our members and dealt separately with each of us, still we got group pricing.

KDC: How long were you in business?

Doug: Six years, more or less.

Jill: The last year we were very inactive. Part of the problem was that no-one had any experience with co-op administration. Some had been members of co-ops, food co-ops for instance, but that involvement was as members and volunteers, not administrators. So the "admin" piece became a burden. When membership grew we didn't have clear expectations for administration; nor did we have clear expectations that members would use our preferred vendors and help the co-op build its own coffers.

Jill: People all came to us, we never solicited for members. Internally we were somewhat dysfunctional but on the outside we were very popular. Coffee shop owners would see our name out there in the community and approach us wanting to be members.

Doug: We had a very attractive mission statement, it was open ended. There were different ways people could interface with it, whether because of fair trade coffee, or the "local sustainable" part. We had good branding and perception was that we were very organized, so new members felt they just had to pay dues and they would receive all of these benefits. Meanwhile we had no paid administration and no central office. I guess we didn't communicate this well enough, or if we did it didn't get through.

Jill: Actually, when we first realized we were not communicating that well we made a much more concerted effort to be clear. At our height we had 10 members (15 locations). We tried to explain more about how much energy was needed from members to keep the co-op going but our efforts never translated into real work getting done. Because all of us have our own stores to run and our own busy lives, it was easy for the co-op to fall to the bottom of the list.

Doug: Another group dynamic, certain founding members were more motivated than others to participate and complete co-op tasks. I believe this led to a perception that the co-op "belonged" to some members more than others. So a situation developed where members deferred to other members and consequently the burden of running co-op fell on a minority.

Jill: I think that there were good intentions but they didn't always translate.

KDC: What were some of the best things about forming this co-op?

Doug: For me personally, the best thing was that Equal Exchange, which is a worker-owned co-op, really supported us. It was a mutually beneficial relationship. One thing EE did was give us exclusive access to a coffee which we branded as "Independents Peruvian Select." EE connected us to the farmers in Peru where our brand coffee was produced. Because EE does this in-country visiting program, our producers came to Philly in 2007 and we did events at our coffee shops with the farmers. Then in 2008 several of our members went to Peru and visited the community growing our brand coffee. All logistics were set up by Equal Exchange.

Jill: I second what Douglas said. Also, most of us experienced cost savings as a result of membership in the co-op. The informal relationships have been incredibly valuable as well. We still help each other out in a pinch, for example borrow espresso from each other and help each other fix espresso machines.

KDC: What was it that made you guys decide to call it quits?

Jill: At the end of 2008 we came together and had a conversation about what was and what was not working for the co-op and why. People cited too many meetings, poor attendance, lack of initiative in getting work done, and the burden of "admin." We proposed new structures and limited meetings. We tried to focus on getting coffee shop staff to participate.

Jill: So we proposed to the full membership going into 2009, to hire a part time

administrative person. Everyone was excited about it; she was energetic and enthusiastic about the job. The model worked for a while, maybe not quite a full year. She did a good job, but it gave members another reason to check out. The administrator became frustrated because she could not get members to respond to her. She was out there on her own without members giving her what she needed to do her job.

Doug: For example, there was a fair trade dance party in 2009. She secured a club and hired a DJ to put on a benefit event for fair trade. None of the co-op members even came much less promoted the party. The only people there were her, myself, the DJ, the bartender, and two of my staff.

Doug: At the beginning of 2010 I was the President of the co-op and made the decision for 2010 to be an evaluation year and did not collect dues. I left the whole thing open ended. The board was going to meet in few months and talk but in the meantime I thought, "let's see how it feels to do business without the burden of running a co-op."

KDC: Can you imagine how you might have done things differently in the beginning that might have mattered in terms of keeping the business going?

Jill: In hindsight I think we really needed to have a paid administrator from the beginning and a working board and members who understood the work and time commitment. Also, I think, better income generating opportunities to support the administrative position would have been in order.

KDC: How do your coffee shops now fill the need that Independents once provided for?

Jill: To some extent, we are still getting preferred pricing from vendors, rather than rebates we are getting discounts.

KDC: What are the lessons you learned through this co-op experience?

Jill: It's harder than you think x2. Not necessarily because of the co-op model, though that was challenging. The thing is, the co-op was another business and needed to be run like one. We were all busy running our own businesses and didn't have time to run another one.

Doug: I would agree with that. Speaking for myself, I think our mission was bigger than we thought it was. We needed a more focused, workable mission that really drew more of a line about what we were taking on. If we wanted to be more of a networking club with four events a year and functional list serv for information sharing and support, then that is what we should have written for a mission statement. Instead we had a broad mission with many interpretations and very little energy for this large mission.

KDC: What is your advice to anyone starting a co-op right now?

Jill: find an organization like Keystone who can coach you through not only start-up, but also through growing the business. I think it is particularly important to have training and a manual for new members. You really have to be explicit about expectations and requirements of membership with new members; it's not just about paying dues and attending meetings; there is real work involved. So my advice is ongoing coaching, board development and co-op development coaching.

KDC: This interview series is entitled "A View From My Doorstep." What is it that you see from the doorsteps of your coffee shops?

Jill: The view from my doorstep (of our first store) is of Historic Eastern State Penitentiary.

Doug: This picture was taken at our original location at 43rd Street/Baltimore Ave in West Philadelphia. WE are celebrating 8 years this week! The store looks out over historic Clark Park, where, among other things, there is the only statue of Charles Dickens in the United States.

Editor's Note: KDC is sorry that the Independents have decided to dissolve and we wish there had been more technical assistance resources available to support the cooperative. Our primary funding is from a Rural Cooperative Development Grant and this is for support of cooperatives who benefit rural populations. We have very few resources with which to support urban cooperatives. However, KDC is involved in looking into a permanent solution to this problem and the future is optimistic with respect to additional resources. Though too late for the Independents, we hope to be able to provide a greater amount of support to urban groups in the near future.

Composting in the West, Associating in the East, 2010 Mid Atlantic Co-ops in Review

2010 has been a fantastic year for cooperative development in the mid Atlantic region and for the co-op movement in general. The year began with an announcement by the United Nations that 2012 has been declared the International Year of Cooperatives. More locally, KDC received a Rural Cooperative Development Grant, the grant that keeps the center going, and KDC Board President Jerry Phillips retired after a long and rewarding career. Diane Sheets was elected to lead KDC as the new Board Chair. Due to time commitments Diane stepped down as President and Jim Barnett, long-time employee of Land O' Lakes cooperative and recently retired, stepped into the leadership position. There was no shortage of leadership at



Board Member Marilyn Anthony and cow in early 2010

KDC this year as our own Executive Director, Cathy Smith, served her first year as Chair of the Board of Cooperation Works! and then was re-elected for the 2011 fiscal year. Cooperation Works! is a network of cooperative developers and is the professional association for cooperative developers in the United States. Also, two new Directors joined KDC in 2010, Marilyn Anthony from PASA and Kenny Bounds of Mid Atlantic Farm Credit.

Creative and expansive cooperative activity was found all over the Mid Atlantic in 2010. We learned about the composting cooperative KDC is developing in Western Pennsylvania. Also, Mariposa Food Co-op in Philadelphia is in the process of expanding and relocating their store. The Mid Atlantic Food Cooperative Association was founded at Swarthmore this year and has now nearly 30 members in five states. Representative Chaka Fattah of Philadelphia teamed

up with the Urban Circle of CooperationWorks! to bring about the congressional conditions for an urban cooperative development program. The Mid Atlantic has been an epicenter of cooperative innovation and creativity in 2010.

There were many opportunities throughout the year for cooperators to learn from each other. There was a co-op workshop at the Farming for the Future conference at State College this year lead by Tuscarora Organic Growers. We also learned about Pennsylvania co-op law from Anthony Andonizio, the attorney who re-wrote PA co-op law in 1988. We attended two Cooperation Works! meetings in DC and Philadelphia, the Association of Cooperative Educators (ACE) Conference in Cleveland, and the annual conference of the National Cooperative Business Association in DC. KDC was also present on October 5th at USDA Headquarters in DC for the celebration reception for "October is Co-op Month."

KDC is lucky to have had interviews with a handful of influential people who are making a real difference in cooperatives and in regional agriculture. We interviewed Paul Hazen, President and CEO of the National Cooperative Business Association. Paul is on the Board of the International Cooperative Alliance and was the motivating force behind the United Nations declaring 2012 the International Year of Cooperatives. Brian Snyder, former board member of KDC and Executive Director of the Pennsylvania Association for Sustainable Agriculture gave our next interview. Brian has been a national advocate for sustainable family farms and regional food economy for the past ten years and has been a leading voice for small farmer's interest in the new Food Safety Bill that recently passed through Congress. KDC also interviewed Cheryl Cook, current Deputy Under-Secretary for Rural Development at USDA. A government official with a special place in our hearts, Cheryl was once the Executive Director of KDC. KDC reported on the USDA's new Strategic Plan and interviewed Cheryl about what these new plans mean for rural development. In October KDC interviewed Greg Boulos who was freshly back from the Terra Madre Conference in Turin Italy. Terra Madre is a gathering of sustainable farmers from around the world who are interested in preserving the uniqueness of regional foods and farming practices. Greg also told us about the new Farm Corp program, a youth work-experience program similar to Americorp, which he and some of his colleagues have piloted in Pennsylvania.

Thank-you to everyone who made 2010 a fantastic and memorable year for the development of cooperatives in the Mid Atlantic and in the United States in general. As KDC steps into the new year we are poised to help realize great things for Mid Atlantic cooperatives thanks to the many people who are doing their part to advance cooperative enterprises and the cooperative economy in our region and in our country.

Practitioner's Perspective: On the Importance of Admin Systems

Administration is a very important job that is overlooked and underappreciated in many cooperatives, indeed in many organizations. Good admin systems are sturdy yet elegant; they get the job done and make it look easy. Since administration does not produce "billable hours," there is a tendency for start-ups to underestimate its value. A consequence of this mis-calculation is that some co-ops under-budget for administration, a common start-up mistake that is certain to lead to trouble.

Every business has administration needs specific to its industry, so there is no comprehensive list of administrative tasks that fits every business. However, below I have singled out common administrative needs for cooperatives. Most of these will apply to other small businesses and nonprofits as well.



KDC Staff Practitioner Lisa
Stolarski

Bookkeeping. The backbone of good administration is bookkeeping. An administration system should have timely and accurate management for all accounts payable and receivable. The transaction journal should be kept up to date and should cross-refer itself to the accounts. Monthly financial reports should be produced, particularly an income statement, cash flow statement and a balance sheet. The bookkeeping system is critical in running the co-op, it must be relied upon for accuracy in payroll, purchasing, invoicing, taxes, borrowing and patronage distributions. All of these functions can be performed in Excel or Quick Books. Essential is that every co-op should have an administrator who knows how to keep records and produce reports in one of these programs. Administrators also reconcile the check book with the transaction journal each month.

Member and Employee Records. Closely related to bookkeeping is payroll. From employment checks taxes are taken out at different tax rates for each employee and taxes are applied to several local, state and federal funds as well as to the employee's social security account. Many co-ops use an out-sourced payroll company because employee payroll is so involved. Reputable payroll companies can be found online and should be registered with the Better Business Bureau. Employee insurance is also typically the responsibility of the administrator as are other employee records and accounts such as 401k. Patronage and allocated retained earnings are calculated and recorded in each member-owner's account and cross-referenced with the financial statements.

Compliance. The administrator generally does compliance reporting and tax reporting for the co-op. Tax reporting is similar for every business, but for farm co-ops and food co-ops there are special considerations under Subchapter T of the federal tax code. Your administrator will secure all of the correct forms to make sure your co-op files its taxes correctly. Other compliance reporting, for instance regulatory reporting or reporting related to outcome measurements, may be necessary in your industry. The administrator is likely to handle that as well.

Client Relations. The administrator is often the first person new clients contact when they are inquiring with the co-op. Administrators are often involved in fielding inquiries through

email or telephone and corresponding with clients.

Sales Records. All invoices for all sales must pass through the hands of the administrator who matches sales to their proper accounts and cross-references them with the transaction journal. Some programs such as Quickbooks will automatically cross-reference accounts.

Supply Chain. Ordering goods and supplies may be in some cases the responsibility of the administrator. Receipts are also handled by the administrator and cross referenced with accounts payable and the transaction journal. For accounting records the administrator is also involved in inventory.

Board Support. Administrators often take meeting minutes for co-op board meetings and provide other board support such as planning the details of the Annual Meeting.

Critical to effective administration is the administrator. Experience is good to have in this position. However, experience or not, the best administrators are careful people who pay attention to detail, have a pleasant way with people and are able to see the "big picture" of what the co-op is trying to accomplish. This "big picture perspective" is critical in designing and fine-tuning the co-op's administrative system so that it is as accurate and useful as possible to the co-op. A good administrator changes the system to meet new needs as the co-op changes while maintaining continuity between past and current systems.

As a technical assistance provider I cannot stress enough the importance of accurate and timely administration. Lack of adequate administration is cited time and again as a factor in folding co-ops and small businesses. Whether your co-op is brand new or has been around for years, a critical look at your administrative system will be worth while. Are you recording all of your accounts payable and receivable? Are you reconciling your transaction journal with the bank statements? Do you know which forms your co-op needs to fill out at tax time? Does your board see regular financial statements? Are you allocating enough resources to realistically enable the administrator to do a good job?

Hats off to all of the co-op administrators out there who keep our co-ops running efficiently, you are the seldom-recognized glue that holds together an entire movement of cooperatives!

2011 Events of Interest to Mid Atlantic Co-ops

January

Sit by the fire.

February

2nd -5th: Twentieth Annual **Farming for the Future Conference** at the Penn State Conference Center, Penn State University. This conference put on by the **Pennsylvania Association for Sustainable Agriculture** is the biggest and simply the best conference on sustainable agriculture in the United States. <http://www.pasafarming.org/our-work/farming-for-the-future-conference>.

21st: **Grow Your Market Conference**, courtesy of **Penn State Cooperative Extension**, to be held at the Farm and Home Center in Lancaster PA. For more information contact Peggy Fogarty-Harnish pfogharn@psu.edu, 717-394-6851.

March

3rd-11th: **National Rural Electric Cooperative Association Annual Meeting** in Orlando, Florida. For more information on this conference go to <http://www.nreca.org/>.

25th-26th: **Farm to Table Conference** at the David L. Lawrence Convention Center in Pittsburgh. To register over the phone or for group ticket sales please call: 412-563-8800. Check out the web site at <http://farmtotablepa.com/conference>.

April

14th-16th: **Delaware Credit Union League Annual Meeting & Trade Show**, Dover Downs Hotel & Casino; Dover, Delaware. Contact Jane Bailey, 302.322.9341.

16th: The **Mid Atlantic Food Co-op Start-up Conference** will be held in Philadelphia. KDC will keep you informed of the exact location. Contact Bob Noble for more information at Bob.Noble@kdc.coop.

18th-22nd: **Cooperation Works! Professional Development Training: The Art and Science of Starting a New Cooperative Business; Session One, Effective Cooperative Business Development for Practitioners**. This week long training will be held in Madison Wisconsin. For more information contact Audrey Malan at 307-655-9162 or cw@vcn.com and check out the web site at <http://www.cooperationworks.coop>.

May

2nd-3rd: **Cooperation Works! Semi-Annual Meeting** in Washington DC. Look for the location announcement at <http://www.cooperationworks.coop/>.

4th:

The Cooperative Hall of Fame will induct five new heroes in 2011 at its Annual Banquet and Ceremony at the National Press Club. Inducted this year will be Noel Estenson, creator of CHS Inc., Gloria and Stanley Kuhn who have developed credit unions and co-ops in El Salvador, Nicaragua, Ethiopia and Kenya, Dan Mica who was long time President of the Credit Union National Association and Shirley Sherrod thirty year veteran cooperator with the Federation of Southern Cooperatives. For information about tickets and accommodations in DC for this event go to the Cooperative Development Foundation website at <http://www.heroes.coop/>.

12th-14th: **The Pennsylvania Credit Union Association** will hold its Annual Convention in Hershey PA at the Hershey Lodge and Convention Center. Contact Karen Ketterer at 1-800-932-0661 x 5237 for more information or follow this link: <http://www.pcua.coop/about-us/contact-us.aspx>.

June

12th-15th: **Maryland & DC CU Association Annual Meeting & Convention**, Roland Powell Convention Center, Ocean City, Maryland. Contact Diane Pinter, 443-325-0779.

15th-18th: Join the **National Federation of Community Development Credit Unions** for its annual conference in Hollywood California. Peter Crear, President and CEO of the World Council of Credit Unions will be addressing this conference. For information visit: <http://www.cdcu.coop/i4a/pages/index.cfm?pageid=1692>.

16th-18th: **Consumer Cooperative Management Association** will hold its Annual Conference will be held in San Diego. Michael Shuman, author of *The Smallmart Revolution* will give the Plenary Address. For more information go to <http://www.ccma.coop/about>.

July

Date TBA: The 2011 **Eastern Conference for Workplace Democracy** will be held in July 2011 on the campus of University of Maryland Baltimore County. The theme will be "Connecting Our Workplaces; Building Cooperative Economies". For more information visit <http://east.usworker.coop>.

August

Date TBA: The **Association of Cooperative Educators** holds their annual conference each year toward the end of July or the beginning of August. Please stay tuned at <http://www.ace.coop/>.

September

18th-20th: **New Jersey Credit Union League's Annual Meeting & Convention**, Trump Taj Mahal Casino Hotel, Atlantic City, NJ. Contact Yvette Segarra, 609-448-2426 x103.

26th-30th: **Cooperation Works! Professional Development Training: The Art & Science of Starting a New Cooperative Business; Session Two, Practitioners as Facilitators for Emerging Cooperative Businesses.** This week long training will be held in Madison Wisconsin. If you are interested in attending contact Audrey Malan at 307-655-9162 or cw@vcn.com and check out the web site at <http://www.cooperationworks.coop>.

October

OCTOBER IS CO-OP MONTH! You can download ideas for celebrating co-op month and promoting co-ops from the NCBA website at <http://www.ncba.coop>.

2nd-4th: **The Annual Cooperative Purchasing Conference** will be at the Radisson Plaza Hotel, 35 South 7th Street, Minneapolis, MN 55402. For details go to <http://www.ncba.coop/ncba/events>.

4th-7th: The **National Cooperative Business Association** will hold their Annual Meeting and Conference in Minneapolis this year. The conference theme is "The Power of the Cooperative Principles." For more information go to <http://www.ncba.coop/ncba/events/co-op-conference>.

20th: NATIONAL CREDIT UNION DAY!

November

Date TBA: **The National Association of Students of Cooperation** typically hold their annual conference the first week in November. For more information keep an eye on the NASCO website, <http://www.nasco.coop/>.

December

2012 has been declared by the United Nations the International Year of Cooperatives. Expect big co-op celebrations around the New Year. Look on the NCBA website for celebration information: <http://www.ncba.coop>.

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→ Farming for the Future Conference Celebrates 20 Years, Feb 2-5

The Twentieth Annual Farming for the Future conference will take place at State College February 2nd through 5th at the Penn Stater Conference Center and Hotel at Penn State. The Keynote Speaker will be Wes Jackson, founder of The Land Institute in Kansas and also founder of one of the first Environmental Studies Programs in the country at California State University-Sacramento. Jackson's books include *New Roots for Agriculture*, *Becoming Native to This Place* and *An Ecological Approach to a New Agriculture*. Jackson addressed the very first Farming for the Future Conference in 1992.



There are sixteen pre-conference tracks on everything from Alpacas to GMOs. Friday and Saturday workshops are numerous and packed with cutting edge ideas. There will be workshops on keeping bees free of mites, building solar homes, fitting women farmers with the right-sized tools, and on the impact of drilling the Marcellus Shale. There will be youth programs for children of all ages. Thursday night entertainment will be Philadelphia-based folk-rock band Hoots & Hellmouth.

The Arias M. Brownback Memorial Scholarship Fund, the Workshare Program and the Southeast PA Agriculture Industry Partnership are available to help offset the expense of attending the conference. There is also ride sharing program to cut down on the carbon footprint in getting to the conference.

For more information about Farming for the Future call (814) 349-9840 or visit the PASA website at www.pasafarming.org/conference.

In the next newsletter due out in March, we may have news from the KDC Strategic Planning Meeting set for late February. There is also certain to be news on the progress in creating a national system for delivering urban cooperative development. Be sure and click through to touch base with us; KDC after all is here to serve you.

Sincerely,

CathySmith
Keystone Development Center