Approaches to an Online Food Cooperative
Approaches to an Online Food Cooperative
Welcome!

The webinar will be recorded and available at www.NWCDC.coop

We welcome your questions! Submit them anytime by typing them into the question box on your screen.

Questions will be discussed during the Q&A session after the panelists’ presentations. The online Q&A will be a 15-minute session.

Additional questions will be answered in a FAQ posted at www.NWCDC.coop
• Overview: NWCDC and Online Food Co-op Project
  by Meredith Rafferty, NWCDC

• Basic Flow of Online Ordering
  by Meredith Rafferty, NWCDC

• The Approach of Idaho’s Bounty
  by Laura Theis, Operations Manager

• The Approach of Six Rivers Market
  by Meadow Summers, Founder

• The Approach of Vancouver Food Cooperative
  by Kirk Wright, President, Board of Directors

• Q&A with the Panel
Overview

NWCDC and Online Food Cooperative Project

Meredith Rafferty, NWCDC

- NWCDC is a nonprofit organization devoted to assisting new and existing cooperative businesses.
- NWCDC reviewed start-up operations at more than 12 online food cooperatives and prepared two documents as a resource to others.
- The project was supported under the Farmers’ Market Promotion Program (FMPP) Grant Program, Agricultural Marketing Service, USDA

- Resources available at [www.NWCDC.coop](http://www.NWCDC.coop) include:
  1. “Case Study: Idaho’s Bounty, An Online, Local Food Cooperative”
  2. “Starting an Online, Local Food Cooperative”
  3. “A Week with Idaho’s Bounty”
Co-ops are formed to serve a shared economic need...

Photos courtesy of (clockwise) Nebraska Food Co-op, Six Rivers Co-op, Six Rivers Co-op, Idaho’s Bounty
Flow of an Online Food Co-op

Each producer enters their products & prices.

Each consumer selects products & places order. Option: Pay online.

Products are brought to a sorting site & assembled into complete orders.

The orders are distributed to sites for pickup by consumers or delivered directly.
### The Three Approaches

<table>
<thead>
<tr>
<th></th>
<th>Idaho’s Bounty</th>
<th>Six Rivers Market</th>
<th>Vancouver Co-op</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mission/Goal</strong></td>
<td>Develop a distribution system for local foods in southern Idaho.</td>
<td>Locally produced foods and products from small farmers and businesses. Open year-round marketplace with as low overhead as possible.</td>
<td>To provide our community access to healthy foods and products, with emphasis on local suppliers.</td>
</tr>
<tr>
<td><strong>Who are co-owners?</strong></td>
<td>Producers &amp; Consumers</td>
<td>Producers &amp; Consumers</td>
<td>Consumers</td>
</tr>
<tr>
<td><strong>Use online ordering?</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Extent of delivery?</strong></td>
<td>Deliver to eight sites for customer pickup, plus direct retail delivery, wholesale delivery</td>
<td>Producers drop off and consumers pickup at one central location. Conducting pilot of direct delivery.</td>
<td>No</td>
</tr>
<tr>
<td><strong>Total sales?</strong></td>
<td>CY 2010 $482,770</td>
<td>CY 2010 $71,000</td>
<td>First Yr. ~$70,000</td>
</tr>
<tr>
<td><strong>Sell wholesale?</strong></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Sell retail?</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Have a storefront?</strong></td>
<td>No</td>
<td>No</td>
<td>5 days a week</td>
</tr>
</tbody>
</table>
Our Approach

Presenter: Laura Theis 
Operations Manager

www.IdahosBounty.org
Idaho’s Bounty Co-op

A COOPERATIVE OWNED
by producers
(74 members)
AND
by customers
(790 retail members)
(26 wholesale members)

OUR FOCUS
Develop a sustainable and seamless distribution system for local foods in Southern Idaho
Funding

• Started with $60,000 FMPP grant, private donations for vehicles
• Numerous in-kind staff donations for first two years
• Grant funding and private donations = $80,000 / year
• Improved the software (backend & visuals) jointly used by several online co-ops
• Sales = ½ of operating expenses
Idaho’s Bounty Logistics

- Six Rivers Market
- Idaho’s Bounty
- 2 hours
- 1.5 hours
Why online?

- Low overhead (open source software)
- Easy start up
- Access for numerous partners across large geographic region
- Succinct way to compile relationships & large amounts of information
- ‘Pick-up’ model allows for growth to reach many customers
- Pre-sold orders
Supporting regional Farmer’s Markets – to build a thriving regional food system together...

These following producers participate in the Ketchum Farmer’s Market and Idaho’s Bounty:

• Home Sweet Homemade
• MM Heath Farms
• Prairie Sun Farm
• Rolling in Dough
• The Ecology Patch
• Waterwheel Gardens
• Wood River Organics
Local farmers have:

- Large increases in plantings / ability to sell products
- Offered to custom plant acreage based on individual demand
- Ordered three times as many laying hens
- Worked with chefs to create recipes using locally grown foods
- Invested significant dollars to build winter storage facilities to meet the demand for local sales
Idaho’s Bounty
Quick Summary

- Provides logistics and pick-up for 45+ farmers on a weekly basis
- Provides weekly retail pick-ups for roughly 120 customers
- Provides twice weekly wholesale delivery for 15 restaurants, 5 groceries stores & one retail market
- Provides producer payouts once per month
Board, Staff & Member Workers

- Six member board (two producers, one restaurant owner, three community members)
- Three full-time staff members and one ¾ time staff member
- Four sub-contractors (bookkeeping, website, grant writing, driving)
- 20 dedicated member workers for sorting and pick-up
Why online… lessons learned

• Continuing to learn!
• Able to learn about our business of what works and what doesn’t at a relatively low software cost
• Some customers (both retail & wholesale) still want that face to face or phone call sale, online is used as invoicing
• Great way to bring together local foods into one system
Welcome to Six Rivers Market! Producers and Shoppers come together here on a weekly basis to buy and sell local products from across the Idaho Panhandle and beyond. As a cooperative, Six Rivers Market joins the community together, helping to create a sustainable food economy by encouraging local production and local jobs. In return we receive fresh, healthy food and a closer tie with the caring hands that produce our food. Please explore our pages to learn more... See you on Delivery Day!

- SHOP ONLINE 7:00 AM FRIDAY THROUGH 5:00 PM MONDAY * PICK-UP YOUR ORDER THE FOLLOWING WEDNESDAY, BETWEEN 3:30 AND 6:00 PM AT STUDIO 524/EVANS BROTHERS COFFEE, OR CHOOSE TO HAVE YOUR ORDER DELIVERED * ENJOY THE FRESHEST FOOD & PRODUCTS IN NORTH IDAHO!

- New This Week
- Vegetables
- Fruits & Nuts
- Dairy & Eggs
- Pasture-Raised Meats

www.SixRiversMarket.org
Six Rivers Market

• A cooperative owned by 200+ producers and consumers

• Founded to serve rural Idaho Panhandle, including parts of Washington and Montana as part of natural food shed

• Our focus: Locally produced foods and products from small farmers and local businesses. Open year-round marketplace with as low overhead as possible.
Why online?

• Low overhead. Producers enter own information and prices. Minimal physical facilities. No trucks yet; producers bring in own products. Low cost software.

• Consolidates volume of small farms to serve larger purchasers and offer variety to everyone.

• Our niche: Provide year-round market for local foods.

• All product pre-sold, which is helpful especially in poor weather and for producers lacking energy or time for farmers’ markets.
Six Rivers Market

• Started development in 2008, opened 2009

• Start-up was funded by one fundraiser and cooperative fees

• One paid part-time market manager and volunteers

• Based on sustainable growth, sizing our operation to fit our revenue
Six Rivers Market

• We are one of many outlets.

• Are a unique outlet in spring, fall and winter.

• Processed foods are important to extend selling season

• Working on establishing delivery and creating outlying hubs. Currently serve a 50-mile radius, with producers and consumers coming to one central site weekly.
Benefits to producers

• Year-round market to extend beyond summer farmer’s market.

• Have found cold storage to be profitable.

• Great value in having a web presence.

• Can consolidate volume of produce with other farmers and better serve larger retail purchasers, such as restaurants.
Our Approach
Presenter: Kirk Wright, President

• Consumer Community Cooperative
• Serving Southwest Washington
• Focus:
  Regional Growers and Processors
  Underserved, Downtown Food Desert
  Building Community
  Interest in Real Food

www.VancouverFood.coop
Vancouver Food Cooperative

Background

Co-op Chartered Spring 2006

Early 2010 membership of ~225

- After years of effort, waning interest
- Nothing tangible to offer members
- Board had lost confidence in business plan
Vancouver Food Cooperative

Situation Assessment

• Needed a new path to establishing a business
• Show progress to inspire interest
• Efficient use of very limited resources

We still wanted a conventional retail store with strong community connections
Vancouver Food Cooperative

The Online Store

- Lower working capital requirement
- Less physical store infrastructure
- Electronic catalog is easier to create and implement than a traditional store

Decision to hire a part time manager – her knowledge was instrumental in establishing personality and credibility for the store
Vancouver Food Cooperative

Launching the Store

From board approval to first order was less than 90 days

• Establish a physical infrastructure
  Space, Equipment, Health Department
• Choose electronic infrastructure
  Catalog, Payments, Order Handling, Hosting
• Identify purveyors
  Principal grocery and local producers
• Promote
  Tabling, electronic media, community networking
Vancouver Food Cooperative

Observations

• Local purveyors
• Marketing the store
• Maintenance of electronic infrastructure
• Shoppers’ buying habits
• New vision
Vancouver Food Cooperative

Next Steps

• Expand hours
• New retail location
• Additional paid staff
• Recruit more volunteers
• Community partnerships
• Define role for online store
Q&A with the Panel

• Please continue to submit your questions using the question box.
• The panel will address as many of the questions as time permits and will address additional questions in a Q&A to be posted at www.NWCDC.coop
• Thank you!
Approaches to an Online Food Cooperative

Q&A with the Panel

Laura Theis, Operations Manager
Idaho’s Bounty
www.IdahosBounty.org

Meadow Summers, Founder
Six Rivers Market
www.SixRiversMarket.org

Kirk Wright, President, Board of Directors
Vancouver Food Cooperative
www.VancouverFood.coop
1. Have you considered expanding the relationship with a retail store such that they, in essence, become an Idaho’s Bounty storefront?

Idaho’s Bounty: Yes, we moved into this with a local retail market, Nourish Me, who puts our local produce out. We are also working with about five grocery stores to provide local produce through Idaho’s Bounty. However, the stores retain control of how much they order and what they think they can sell. Eventually, we hope to establish the Idaho’s Bounty brand as representing local, sustainable products of a certain standard.

2. Are the producers able to sell “extras” at the distribution? If so, do you tie that together with the orders?

Six Rivers Market: No, at this time we do not sell additional products at the distribution site because of our licensing limitations and also to coordinate better with the farmer’s market which is open nearby.

Idaho’s Bounty: We do limited selling on a case by case basis. Our schedule does not conflict with the local farmer’s market. However, we do not plan to commit to large amounts because of the potential loss from unsold fresh produce. We are able to enter these sales into the online system.
3. For Six Rivers Market: Where did you find a place to rent to six hours a week?
Six Rivers Market: We have a local coffee roaster with a large space. Previously we were in a large event center that had recently opened. We pay for utilities that we use and insurance. We have found the community very supportive.

4. What membership fee do you charge? Are there fees charged related to the ordering?
Idaho’s Bounty: Our markup costs are rolled into the prices. Before, we had a separate transaction fee on each order to cover the co-op’s costs. We found that the customers were confused. They expect to see a single price. Our retail markup is 35.29% and wholesale markup is 18.5%. Just this year we moved away from the lifetime membership fee to an annual membership fee of $10 per year. Members find this much more affordable and it has encouraged new memberships.
Six Rivers Market: We, too, started with a separate transaction fee and have now rolled the markup into the price. We have general consumers buying as well as members. The markup for the general consumers is 26% and the members is 16%. There is much discussion about how much markup and the impacts upon consumers and producers.
Vancouver Food Co-op: We follow the markup approach as a more traditional store and do not have a separate transaction fee. The member equity purchase is $180 and members receive a 10% discount on all purchases.
5. For Six Rivers Market: Have you reached the point where you are making enough profit to consider a patronage refund?

Six Rivers Market: No, we are not at that point yet. We are covering our expenses but need to grow to move beyond covering expenses.

6. Are there charges to the producers?

Idaho’s Bounty: The co-op’s costs are covered in the price markup. The producers set their own prices to cover their product costs. They do pay a producer fee of $60 per year.

Six Rivers Market: We operate similarly. The producer fee is $100 per year.

7. Which software are you using?

Vancouver Food Co-op: We are currently using Big Commerce, an Australian company with a couple of online catalog offerings.

Six Rivers Market: We started with the open source software LocalFood.org. We recently converted to Local Food Marketplace out of Eugene, Oregon.

Idaho’s Bounty: We are still using the open source software LocalFood.org. Many of its features have improved. We are currently surveying software offerings to see how others address our business model.
8. **Can you only order online or do you also accept phone or paper orders?**

   **Vancouver Food Co-op:** The orders we only take online but we do have the store open five days a week.

   **Six Rivers Market:** To keep our administrative costs down and for simplicity’s sake, we offer only the web sales. Our producers may change what’s available and it would be difficult to keep up with that.

   **Idaho’s Bounty:** We could handle an occasional phone order but do not do so on a regular basis. For the larger restaurant orders, we provide a wholesale list and take their phone orders twice a week.

9. **Which of your positions are paid staff versus working member/owners and volunteers?**

   **Idaho’s Bounty:** The general manager, the truck drivers, and the operations manager positions are paid. The working members support the sorting and distribution.

   **Six Rivers Market:** The part-time manager is paid. Other responsibilities are covered by members and volunteers, including the board of directors, accounting help, a marketing committee, and delivery day help.

   **Vancouver Food Co-op:** The part-time manager and assistant manager are paid. Other help is provided by the members and volunteers.
10. What legal, health department, and insurance concerns should a new co-op consider when adopting the “Oklahoma local food co-op” approach to selling?

Idaho’s Bounty: A good place to start is with the local health department. As for legal, we hired a co-op lawyer to help us with Bylaws.

Six Rivers Market: Our biggest challenge was to find out how the different organizations would require of us because we did not fit into the typical grocery store model. It took a year for the organizations to determine where our operations fit in. The health department is particularly important.

Vancouver Food Co-op: We have had the most contact with the health department. They have been helpful.
Thank you for joining us at today’s webinar!

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