

# Consumer Co-ops: Managing a Pre-Order Food Cooperative

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A pre-order cooperative can offer its members savings on conventional supermarket food prices and/or food of higher quality than available elsewhere except at a premium price. It can also offer opportunities to socialize or to develop other community projects. In order to meet any of these goals, the coordinator and members of a pre-order cooperative must understand what needs to be done to keep food ordering and distribution efficient and reliable, and must work together in order to accomplish it.

- Pre-order cooperatives commonly run into trouble in three areas: Poor logistics
- Poor record keeping
- Poor communication.

A pre-order's success is also vitally dependent on clear agreements as to what is required of members, and on members' commitment not only to keep these agreements but, for some members at least, to contribute more to the cooperative than the minimum required. This spirit of cooperation involves more than good logistics, good record keeping and good communication. However, failures in any of these three areas will quickly sap the spirit of the cooperative.

## The flow in a pre-order cooperative

The cooperative's basic function is to connect its members with food suppliers. Orders and money flow from the members, through the cooperative, to the suppliers; food and information flow from the suppliers back to the members. If the cooperative buys from a cooperative warehouse, there will be an additional relationship of participating in the governing of the warehouse.

There are a number of systems for managing orders, money, distribution and the cooperative "work force." The following comments should help you think through what system is best for your cooperative.

## Compiling orders

Every pre-order cooperative must find some way to organize a group order from individual orders and then, once the food arrives, to break the group order back into individual orders. The success of the pre-order depends a good deal on devising an accurate and efficient method of doing this.

One alternative is to compile the order at a meeting of members. Another alternative is for each member to phone in, mail or drop off his or her order. This "individual order" method requires that each individual have an order sheet. The order sheet should include the name, address and phone number of the cooperative; when and where to mail or leave the order sheet and to pick up the order; and items to be ordered, units in which each item is sold, price per unit and any minimum order. There should be spaces to fill in the member's name, address and phone number; the amount of each item wanted; notes on the amount received; and total price for each item. Similar information is needed for members who phone in their orders.

The system for compiling the individual orders depends on the size of the cooperative. The buyer may compile the orders for a small cooperative; the Limit Avenue Cooperative in St. Louis, serving 500 households, uses six members to compile the order sheets and two more members to check their accuracy. Several California "buying club warehouses" use a computer.

The buyer will have to make decisions such as whether to buy beyond the amount ordered to meet supplier requirements, whether to make substitutions, etc. Buyers should read Carol Snyder's *Co-op Buyer's Handbook* for a discussion of these issues.

## **Managing the money**

The cooperative may choose between two systems for members' payments. Members may pre-pay when they order. Then, when they go to the distribution place, if they paid too much, they get money back; if they didn't pay enough, they pay more. This method requires that the prices on the order sheet be accurate. Otherwise, adjustments on price will consume a great deal of time and effort.

The alternative method is for members to pay at the distribution place. This requires that the member make an initial money deposit, usually in the amount of that member's average order. The deposit is used to cover the member's orders until the member leaves the cooperative.

Set a membership fee that will meet set-up costs and ongoing capital costs. Set-up costs are licenses and fees, telephone costs, printed forms, etc. Ongoing capital costs include deposits and equipment.

Set a mark-up or direct charge that will cover operating costs such as transportation, supplies, utilities, duplicating forms, and spoilage and breakage, as well as an emergency fund. Try to keep these expenditures separate from capital expenditures so that you can analyze where your cash comes from and what you are using it for. Don't forget to collect sales tax.

The cooperative should make accurate records a priority from the beginning. Make sure that all income and expenditures are recorded. Keep receipts from all expenditures, for your own information and for proof of purchase in case you must return or exchange something. Establish a checking account and pay as much as possible by check. Keep a check register which shows the amount and date of each check, to whom and for what the check was written, and into what general category of purpose the expenditure falls. This will make it easy to keep a journal of expenditures. Use a petty cash box for cash purchases. Deposit cash and food stamps promptly. Pay suppliers as soon as possible; always take discounts, since waiting to pay may cost you interest of 36 percent per year or more.

Set up a bookkeeping system that meets your needs. Make it simple, but be sure it provides enough information to trace income and expenses and to generate financial statements. Try to find a professional bookkeeper or accountant to set it up for you; then establish a regular bookkeeper to use the system, and make sure that the system is clear to him or her.

## **Information — from suppliers to members**

No matter how great its price savings, a pre-order cooperative will not satisfy its members unless they receive the quantity and quality of products they expect. This depends partly on the buyer's or coordinator's ability to choose reliable suppliers and to let members know about their products and requirements. The buyer should be familiar with suppliers and establish good working relationships with them; Snyder's Handbook discusses how to go about doing this.

Initially, the buyer should find out the following information:

- Name of a contact person
- Quality, price and bulk size for the suppliers' products
- Policy on returns and refunds
- Kind of payment required
- Process for establishing credit

This information should be stored, not in the buyer's head, but in a filing system that will remain if the buyer changes.

On an ongoing basis, the buyer must get accurate information from the supplier about price changes, stock-outs and delivery schedules. The buyer should keep the members informed of changes that will affect them.

## Distributing the food

The distribution place is where the bulk food from suppliers is brought, broken down and distributed to members. It is also a place where money and information are exchanged and where members can best get a sense of the life of the cooperative. Behind distribution is the hidden work of the cooperative: compiling individual orders, keeping records, dealing with suppliers, etc. The coordinator should watch those functions to get an overall view of the cooperative's successes and failures. Ideally, a member should not need to spend more than a few minutes picking up what was ordered.

Two devices can help the coordinator and others think through this process and communicate it to every member. A map of the distribution place helps to think through traffic patterns and how tasks at distribution must interrelate physically. A schedule sheet for the whole ordering and distribution process helps to think through the specific time sequences in which tasks must be completed and helps define the critical jobs that have to get done. The cooperative should also develop procedure sheets for each critical job.

Whether the supplier delivers the food or the cooperative picks it up from the supplier and brings it to the distribution place, a member should match the invoice against the food actually received. Invoices can be wrong, or food can be missing, then file the invoice as a record of the expenditure.

Good preparation requires having everything at hand that you will need during the distribution process. This may mean setting up the work area (work surfaces, hanging scales, etc.); getting together such materials as boxes, plastic and paper bags, tape, marking pens, paper, egg cartons, and utensils; and setting up a register or cash box and calculator, together with the necessary change. Don't forget to make clear arrangements and gather the necessary materials for clean-up after distribution is over.

There are a number of things to look for in choosing the distribution place:

- It should be available on a regular basis.
- It should be large enough to handle a number of crates and bags as well as the flow of member traffic;
- it should be large enough to provide room for your cooperative to grow.
- It should provide good access for bringing in the food; it should be accessible to your members, considering where they live and the means of transportation (parking, public transportation, etc.) they will use.
- It should have good lighting and be comfortable in hot or cold weather.

- It should provide electrical outlets if you intend to have refrigeration, hooks if you intend to have hanging scales, space for shelving if you intend to store food and a sink if that will be needed for food handling. You should decide how you will provide a place to post notices, waist-high surfaces for working with the food, and storage for food or equipment.
- It should be easy to clean, and you should be able to lock it for security.

One decision you will have to make is how to prepare the food itself for members who come to pick up their orders. Maps and schedules can help you work out other details. You may decide to pre-bag some or all of the food; the advantages of pre-bagging are that the weighing may be more accurate, members will take what they ordered rather than more or less, and the members who must come later will not be penalized by suffering all the shortages of food or by getting only lower-quality produce. On the other hand, a small cooperative may not have enough members to do a great deal of pre-bagging, while a very large cooperative may find that the process goes faster by having everything well laid out and letting members bag their own food. The manual published by the Philadelphia Food Conspiracies, and Tony Vallela's *Food Co-ops for Small Groups* both describe systems for preparing the food for final distribution.

If you decide to lay out food and have members bag it themselves, keep in mind that the order in which you lay it out will determine the order in which it goes into the bag. Light, fragile or wet items should not go at the bottom of the bag.

An important part of preparation is giving members information about how the distribution process works. Give members a realistic time to begin arriving for their food. Signs or maps should direct a member through the process. Have a well-considered method for orienting new members to the process, for instance through written handouts, an orientation session or a buddy system.

## Working together

Most pre-order cooperatives expect every member to work. If this is the cooperative's policy, everyone should clearly understand it and agree that it is fair. Work requirements and policy on failure to work should be part of a policy sheet that every member receives. Orientation for new members should emphasize the importance of participation; further training should ensure that new members are not confused about how to participate. Orientation and training do not have to be formal, but the cooperative should think through how these tasks will be done.

Every cooperative has some members who want to limit their work to what is required of them in order to enjoy the benefits of the cooperative. Other members want to be involved beyond the formal requirements. If the work experience is well organized, some of the people in the first group will gradually move into the second group. If work is not well organized, people in the second group will "burn out."

People in the first group need to know basic policies and need clear direction for their work. People in the second group need to know more about opportunities for further involvement. The coordinator should recognize that these two groups exist and have different communication needs, and should know how to elicit suggestions for improvement in the cooperative from both groups.

If someone in the cooperative isn't doing a full share of work, the coordinator and others in the cooperative can take a step-by-step approach to involving them. First, the coordinator should find out whether the person has some problem with scheduling or is uncertain about the cooperative's requirement. Perhaps someone else in the person's household can do the work required. If the member persists in shirking, confronting the member with constructive criticism is appropriate. If the situation still does not change, the member should be asked to leave the cooperative. There should be a clear policy on when and how members may be asked to leave. This policy should be presented to new members when they join.

There are many positive ways to increase participation. If the cooperative is not already a group of friends, there may be ways to make it more of a social experience. Expressing appreciation to members for working in the cooperative increases their desire to participate.

There are several approaches to allocating jobs among the members, depending on the nature of the job as well as the size and complexity of the cooperative. Some jobs, like coordinating, bookkeeping, and, in some cases, ordering, should be entrusted to one specific person, although there must be plans to replace that person if she or he leaves.

Rotation can work for some skilled jobs to increase the cooperative's bank of skills. Random allocation can work in a small group with a coordinator who has a clear overview of what needs to be done; a larger cooperative requires more planning. Some cooperatives use a team approach; for instance, one 26-member cooperative has a coordinator, a bookkeeper and three eight-member teams that alternate responsibility for compiling orders and distributing food. With this team approach, the members enjoy a small-group work experience and do not have to work as often.

Analyze what tasks are involved in getting the work done, establish standard jobs to be sure that these tasks are taken care of, and write up a description for each job. Some typical pre-order tasks include the following:

- Drawing new order sheets
- Setting up the distribution place
- Compiling orders
- Bagging bulk food
- Checking out new suppliers
- Cashiering
- Buying from suppliers
- Cleaning up
- Bookkeeping
- Selling surplus
- Picking up or receiving
- Communicating
- Loading and unloading
- Coordinating
- Clearinghouse for reporting mistakes
- Orienting new members

The role of coordinator is critical. The coordinator's task includes the following:

- to be sure that every job is filled and that every member fills a job;
- to discover what a member can best contribute and to harmonize individual motivation with the cooperative's needs;
- to make sure that everything runs smoothly and to troubleshoot when unexpected problems arise;
- to continually evaluate the system and propose or act on needed adjustments;
- to recognize problem indicators such as shrinkage, long waiting time at distribution, member complaints, less than expected savings, insufficient communications or inequitable work loads;
- to motivate people; and
- to convey the spirit of cooperation.

## Additional information

Ann Evans, consumer cooperative specialist in California's Division of Consumer Services, has written a short manual on *How To Form A Buying Club*, which covers the initial meetings as well as ongoing management. You can get this manual free from the Division of Consumer Services, 1020 N Street, Sacramento, CA 95814.

Carol Snyder, manager of the Limit Avenue pre-order cooperative in St. Louis, has written the *Co-op Buyer's Handbook* as a guide for working with suppliers and managing a larger pre-order co-op. This handbook is available from the author at 1069 Colby Avenue, University City, MO 63130.

Louis Sanner's *Bookkeeping for Food Co-ops* explains the "whys" and "hows" of double-entry bookkeeping for food cooperatives. For most pre-order cooperatives, a simpler single-entry system will suffice; contact your local MU Extension Center for more information. Sanner's manual is published by the Michigan Federation of Food Cooperatives, and is available from NASCO (North American Students of Cooperation), P.O. Box 7293, Ann Arbor, MI 48107.

*The Food Co-op Handbook*, written by the Co-op Handbook Collective in 1975, is a useful introduction to every aspect of a new food cooperative: organizing, operations, development and philosophy. It includes good sections on pre-order bookkeeping and logistics. Tony Vellela's *Food Co-ops for Small Groups*, also written in 1975, focuses on how a small pre-order cooperative can choose the systems that will fit its needs. Both are available through NASCO.

The manual *Food Conspiracies, Food Cooperatives*, written by various Philadelphia cooperators in 1972, describes how to do initial organizing for a pre-order cooperative and how to approach the various problems and organizational roles that arise when the cooperative is established. This manual is available from Food Conspiracies, 403 West School House Lane, Philadelphia, PA 19144.

**The original authors of this publication were John Noller and C. Brice Ratchford.**

## Related MU Extension publications

- EC941, Consumer Co-ops: Introduction to Consumer Food Cooperatives  
<http://extension.missouri.edu/p/EC941>
- EC942, Consumer Co-ops: Steps in Organizing a New Pre-Order Food Cooperative  
<http://extension.missouri.edu/p/EC942>
- EC944, Consumer Co-ops: Essential Elements of Managing a Food Cooperative  
<http://extension.missouri.edu/p/EC944>
- EC945, Consumer Co-ops: Orienting New Members  
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