

POWER—AND PROFITS—TO THE PEOPLE:

EXPLOITING THE COOPERATIVE ADVANTAGE

CAPTURING THE CO-OPS:
(from left) Just Coffee's bold mission statement; Just Coffee members meeting with the board of directors of the Mut Vitz co-op in Chiapas; the original Just Us! Building.



by Steven Krolak

You don't have to be Andy Rooney to be slightly annoyed by this: a coffee business that trumpets its commitment to farmer cooperatives at origin, but remains committed to single-proprietor capitalism when it comes to roasting and retail. If the co-op is such a darned good idea for people who grow coffee, why can't it be used to sell coffee to me? The short answer is: It can.

You might think of co-ops as those places you used to shop when you were a student: a plank-floored grocery with brown rice in baskets, bricks of tofu in a bucket of grey water, and a bulletin board exhorting you to stick it to The Man by growing your own. Well, they're still out there. Only while you were losing your religion, they were acquiring market share, becoming a key player in the global economy and generally giving hope to humanity. An estimated 800 million co-op members worldwide now secure the livelihood of half the world's people. Even in the "individualistic" United States, one in four is a member of some form of co-op, and the top 100 co-ops generate annual revenues in excess of \$117 billion, according to a 2003 report.

A longtime fixture of the cooperative model in developing countries, specialty coffee is finally establishing a presence in the alter-

native economy in North America. Thanks to fair-trade importers like Americus, Ga.-based Cooperative Coffees and Boston-based Equal Exchange, the co-op supply chain now reaches all the way from origin to your door. What would it take for you to go that extra step and become a co-op? What are the benefits? What are the drawbacks? And do you have to wear Birkenstocks?

NOT JUST ANOTHER COFFEE BUSINESS

First, a definition is in order. According to the International Cooperative Alliance, 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." The persons might be consumers, such as the members of a local co-op grocery. They might be coffee farmers in Chiapas. They might be a group of coffee roasters, such as the network that makes up Cooperative Coffees. Or they might be workers in a roastery or a coffeehouse.

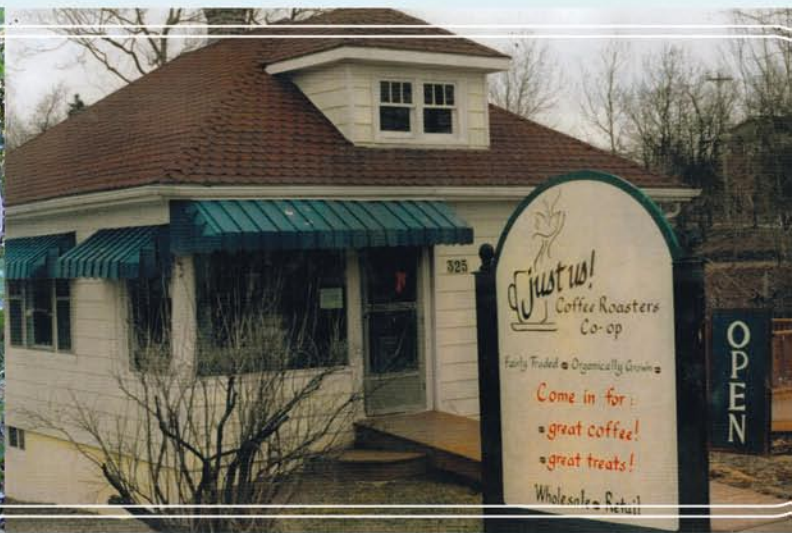
Just Us! Coffee Roasters is Canada's first fair-trade coffee roaster.

The headquarters—a roastery, café and fair-trade museum—is located in the idyllic and historic hamlet of Grand Pre on Nova Scotia's Bay of Fundy. It's an appropriate place to launch a new paradigm. Some 350 years ago, French-speaking Acadian settlers reclaimed land thought to be worthless tidal bog with a series of ingenious dikes, turning this valley into one of the most productive agricultural regions in the world. This spirit of lucrative collective ventures is reflected in the structure of Just Us!, founded by Jeff and Deb Moore and several friends in 1995 on the premise that "the world didn't need another coffee business."

Being committed to fair trade, Moore sought a way to bring it into the retail environment, and decided this was best achieved by incorporating as a worker-owned cooperative. Here's how it works: After a two-year trial period, a worker can be invited to become a worker-owner if he or she has performed well and

their stories with worker-owners and see where their coffee and tea ends up, and how it is used to advance their aspirations.

Along the way, Moore has researched and taken advantage of whatever financial assistance he could find. In Canada, if something has a pulse, it gets taxed. Even if it doesn't have a pulse—funerals, for example. But there is also significant assistance for homegrown businesses. The provincial Community Economic Development Investment Fund Program, for example, allowed Nova Scotia's Equity Tax Credit system to be used by independent investment funds. So Just Us! created the Just Us! Fair Trade Investment Co-op. This fund is made up of more than 400 non-worker investors, who pay a minimum of \$1,000 to join and agree to keep their money there for a long time. The fund has allowed Just Us! Coffee Roasters to make significant capital improvements.



fits in with the culture of the company. The board—made up of other worker-owners—decides on the candidature. If the worker is approved, he or she will be required to invest a minimum of \$2,000. Every year there is profit-sharing, with each worker-owner receiving \$5,000. This is reinvested, but the worker-owners get two-thirds back through a retirement savings plan (RSP). Worker-owners are expected to participate in committees that decide on the direction of the company. Worker-owners are also eligible to sit on the board of directors and establish corporate policy. As Moore explains it, "Worker-owners are the union that owns the business and holds management accountable." They are expected to provide day-to-day leadership and create a positive culture in the company.

And it has worked, to the tune of \$6.5 million (Canadian) in sales this year. Moore explains where the money goes: 10 percent each to the worker-owners, the investment fund (more about this in a moment), producers and non-owner employees, and 60 percent back into the company. And still there is money for training and travel to origin and the SCAA annual conference, money to share with producers in the form of grants and financing, and money to bring producers to Grand Pre, where they can share

Just Coffee of Madison, Wis., is a craft roaster recently re-organized as a worker-owned cooperative. Like Jeff Moore, co-founders Mike Moon and Matt Earley were drawn into coffee through their commitment to fair trade and social justice. In the beginning, Just Coffee had to organize as an LLC because it did not have enough people to constitute a cooperative. A local nonprofit came to their assistance and helped secure a loan. Since then, Minnesota-based Northcountry Cooperative Development Fund (NCDF) has provided a loan to help with expansion, and the University of Wisconsin Center for Cooperatives has provided help with legal and organizational matters. Margins are still tight. "Last year we had our first \$1 million sales year, and we lost \$40,000," Earley says. He describes the balancing act of trying to pay growers a fair price ("higher than the fair-trade minimum"), paying worker-owners a living wage and staying competitive on shelves. After two years in the red, Just Coffee may show a small profit this year, and Earley plans to "figure out a logical split between our patronage accounts, reinvestment and money back to the growers."

For its part, Peace Coffee is a Minneapolis-based roaster that occupies a fairly singular niche. It is a for-profit subsidiary of a nonprofit organization—in this case the Institute for Agriculture

CONTINUED ON PAGE 44



BUY ONE, GIVE ONE FREE!

Purchase a subscription to *Fresh Cup* and get a second one on us! Spread the love to your employees, friends and loyally caffeinated customers. Give them insider access to the incredible industry that you're helping to build, with the latest news on all things coffee and tea that only *Fresh Cup* provides.

Visit FreshCup.com (enter code: FS1008) or call 800.868.5866

and Trade Policy (IATP). The IATP is not a coffee company; it is more of a think tank. Peace Coffee is not a worker-owned co-op, but it does stand outside the mainstream. It is physically separate from the IATP, but its director, Lee Wallace, reports to a board of directors that is appointed by the IATP. In the past, 25 percent of the net income generated



JUST US!: Jeff Moore (left) at the company's fair trade museum with Frans van der Hoff, co-founder of the first fair-trade label

by Peace Coffee has gone to the IATP, 25 percent has been divided equally among staff, and 50 percent has been reinvested in the business. Initial financial support for the startup came from the IATP, but subsequent capital projects were financed with loans from a local conventional bank and the NCDF. A recent expansion has been assisted by a redevelopment grant from the City of Minneapolis. Peace Coffee is a founding member of Cooperative Coffees, a co-op made up of roasters committed to fair trade.

MAKING IT WORK FOR YOU

These businesses are diverse, yet they share a commitment to social justice above profits. The people involved want their work to contribute to a better world. As Earley puts it, "We feel like we are part of building something important," so the benefits of this model are chiefly ethical.

But there are also practical motivations. Writing in *Mworld*, the magazine of the American Management Association, Paul Hazen observes, "The co-operative form of business has endured longer than any other business type, including investor-owned corporations or LLCs." And with good reason.

Cooperatives offer unique opportunities for success. Brand differentiation is one. Both Just Us! and Just Coffee have used their business model to stand apart from the competition. In markets with a strong progressive ethos and activist traditions, this can represent a significant brand advantage over a shop with neutral values or a menu laden with ethically compromised coffee, tea or chocolates. If people are reading news in your shop—either in print or on the Web—chances are good that they are going to come across something that may put your values to the test.

Another is motivation. When workers are owners, they are more driven to succeed. You know this is true from your own example. "Investing in employees" is a nice idea, but it only goes so far if the employees are not given a stake in the business. Responsibility, accountability, transparency—these can be firmer foundations for success than your personal desire to make a buck or to be your own boss.

Because co-ops are built on relationships, they can improve a roaster's contacts at origin. "People at origin want to know how serious you are about their interests," Moore says. "Are you telling their

"The 21st Century answer to writing on a cup"

Hot, cold?, whip, no whip?, I'll just ask the customer ... AGAIN

VITAL LINK
Point of Sale

"Real Solutions for Real Problems"

Phone: (877) 448-5300
Sales@VitalLinkPOS.com

Now being used at

THE Woods COFFEE

CONTINUED ON PAGE 46

story, or just selling their coffee?" The relationship is better if you establish solidarity as a fellow co-op. Earley agrees. "Many growers are curious about how cooperativism plays out in the United States. They are sometimes used to having their democratic/cooperative credentials scrutinized by certifiers in the global north, only to see their coffee go to top-down corporations in the U.S. that do not have to live up to any organizational standards."

These relationships extend right into your shop. Monika Firl, communications director of Coop Sol, an arm of Cooperative Coffees based in Montreal, says, "It's nice to be able to redefine the supply chain as a network of allies." Those allies include the National Cooperative Business Association, specialty consultants

like the National Society of Accountants for Cooperatives, local financing sources like the Worker Ownership Fund of the NCDF, and every other nonprofit in town. Imagine waking up each day with the knowledge that you are literally surrounded by people who want you to succeed, and will help you do it, on principle.

As Louis Armstrong would say, what a wonderful world.

IT AIN'T EASY

Obviously, success doesn't grow on trees, especially for cooperatives. Banks and landlords are hard enough to impress without dragging egalitarian politics into the picture. Then again, in some markets, the average consumer may view your shop as a communist sleeper cell. But nonprofit financing can be found, as we have seen, and crossover from the LOHAS ilk of progressive shoppers is likely to erase any drop-off among hardened 'wingers.

Another challenge is organizational. "Democracy is a long process where everyone speaks," says Earley. "Sometimes it feels like we need to vote on whether to go to the bathroom or tie our shoes." This might seem like a tempest in a teapot, but it's crucial to realizing the vision of the company. At some point, a hierarchy of sorts, or at least a division of labor, seems to emerge. "You need good organizational structures that promote cooperation rather than an adversarial relationship between workers and management," says Moore. This goes to the heart of why we go into business in the first place. Moore likes to remind himself that the word for businessperson in Spanish is *negociacion*, or negotiator, someone who builds—and benefits from—alliances rather than competition.

THE MEDIUM IS THE MESSAGE

Cooperative business is not a means to an end; it is the end. The ultimate payoff is in the doing of it, what Moore describes as "establishing a common sense of purpose beyond money." So if your aim in coffee is to make boatloads of cash without caring how or why, then it is not for you. But if you'd like a comfortable income as part of a global movement that advances a social ethic, you may want to consider it. At the end of the day, even Adam Smith would agree with Matt Earley, who sums up the main benefit succinctly: "We own it." ■

Professional Cleaning Products for the Professional Barista™



Puro Caff® Espresso Machine Cleaner

- Specifically designed for espresso machines.
- Backflush program formulated with the Barista in mind.
- Essential component in daily machine maintenance.
- NSF and OMRI™ Certified.

Before



After





Puro Caff Group

a division of Urnex Brands, Inc.

(800) 222-2826 or (914) 963-2042 www.purocaff.com