

UPDATE: COOP FINANCES POST-PANDEMIC

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By Christopher Cox

The radical changes to the Coop during the pandemic have protected member-owners and workers alike, but they have been costly. According to General Coordinator Joe Holtz, in late March, when the member labor requirement was suspended and shopping hours were restricted, the Coop was losing as much as \$120,000 a week,

compared to the year before. That figure is now approximately \$95,000 per week. In previous years, the Coop has run a modest weekly profit.

The biggest source of that decline is the reduction in sales. With fewer hours to shop and fewer people allowed in the store, overall sales have dropped by \$400,000 weekly. After accounting for food costs, that translates into \$68,000 in missing net revenue. The rest of the shortfall comes from the wages paid to 80 new temporary workers: about \$27,000 weekly spent on labor that was once done by members.

Holtz crunched the numbers and figured that, with the Coop's cash on hand, it wasn't out of the question that the Coop would be seriously compromised in 46 weeks. "But of course," he hastened to add, "we're not going to let ourselves go out of business, are we? Because number one, we're not brain dead."

Paycheck Protection Program and Equity Investments

By some measures, the Coop is better positioned financially than most grocery stores. The organization owns the building, so it doesn't need to pay rent. It began the year with a substantial amount of cash reserves—more than \$3 million. And it has a devoted group of member-owners who are committed to ensuring the Coop's survival.

After appeals went out this spring for members to increase their member-owner equity investments (MOEI), about a thousand members did so, eventually raising more than \$600,000. The \$100 initial equity investment that all Coop members must pay is eventually returned when a member leaves the Coop. Extra MOEI payments above the initial \$100 can be returned anytime a member asks.

After the federal government passed the CARES act in March, the Coop applied for and received a \$1.45 million loan under the Paycheck Protection Program (PPP). That money has been used to pay for wages, health insurance, pensions, and utilities—all expenses that qualify for loan forgiveness under the act. The Coop is completing the

paperwork now to ask the federal government to cancel that debt.

Holtz felt confident that the PPP loan would not need to be repaid, with the caveat that this was a new program and, ultimately, “We just don’t know what the government will do.” Even if the debt remains on the Coop’s books, the interest rate is low and repaying the loan should be possible—provided the organization can survive.

Four Levers

In the meantime, Holtz and the other general coordinators are discussing how to improve the Coop’s cash flow problem. The General Coordinators already have permission to raise the prices by 1 percent, to 22 percent, but Holtz called that a “small tweak” that would only buy the Coop another three weeks of existence. Plus, he said, “I don’t want to raise prices when a percentage of our membership is hurting economically.”

Holtz instead favors what he calls “four levers” to change the financial prospects of the Coop. The first, he said, would be to bring back member labor on a voluntary basis, perhaps working longer shifts. “I think we would find members enthusiastically stepping up,” he said. “And I think some members would say, ‘I don’t even want credit.’” If member labor could successfully replace the temporary workers currently working at the Coop for minimum wage, the weekly deficit would shrink by \$27,000.

The second lever he suggested was to return to something closer to the original Coop opening hours: closing at 10:00 p.m. at night, six days a week. That, he said, could increase revenue by as much as 20 percent, as could the third lever: increasing the number of shoppers allowed inside from 35 to 42. The original assessment for social distancing, he noted, allowed for four shoppers per aisle, but the produce aisle in particular could support more shoppers without requiring close contact between members.

The final lever was one he didn’t want to use—at least not until the first three were

put in place and their effects analyzed. That would be to push for a bigger price increase than the 1 percent currently allowed. With a 4 or 5 percent increase in the markup, the revenue gain becomes significant.

However, Holtz thinks that applying the first three levers alone would cut the Coop's losses to a manageable level. "For us to get down to only losing five or ten thousand dollars a week would be extremely healthy," he said. At that rate, the Coop could operate for 550 weeks before running out of money. Long enough, one hopes, for the pandemic to finally end. ■