DISCUSSION ITEM AT JULY GENERAL MEETING TO INCREASE COOP MARK-UP FROM 21 TO 25%

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In March, the Park Slope Food Coop took the unprecedented measure of suspending member labor in response to COVID-19. We hired members to work as temporary staff, narrowed our hours of operation, constrained the number of shoppers allowed in the store, and implemented other safety measures. As a result, we have been able to mitigate risks to both staff and shopping members.

We were able to implement a new labor structure thanks, in large part, to the safety net of our cash reserves. The problem, however, is that suspending member labor, coupled with restrictions on how many members can shop at any one time, has resulted in a weekly operational loss of about $90,000. If the Coop continues operating at this level of loss, we will have roughly $1,800,000 left in our cash reserves by the end of this calendar year, covering operating expenses for only the first 20 weeks of 2021. There is an ongoing conversation among staff about how best to return to breaking even.

One of the ideas being proposed, which will be discussed at the July 28th General Meeting, is a potential temporary mark-up increase from 21% to 25% on all items for sale in order to reduce our current weekly losses and extend our solvency. Some staff feel that this, in concert with other changes to our daily operations, is the safest and most obvious tool we have to provide and maintain a necessary financial cushion for the Coop. With a temporary 4% markup increase, members would see a $50 shop turn into $52 and a $100 shop turn into $104. We know that raising the mark-up at this time of financial uncertainty for many Coop members could cause some members greater hardship. We recognize the negative financial impact of any price increases on our most financially vulnerable members, and we are actively explor-

ing ways that the Coop could mitigate it and hope to present ideas at the July 28th - General Meeting.

Our flat 21% mark-up, which is well below typical grocery mark-ups of 35-100%, is possible because of the “working members” tenet of our mission. Our model is built upon an endless supply of hands on deck. In exchange, we all benefit from good food at low prices. By suspending member labor, we have temporarily altered this model. As a result, the 21% mark-up is insufficient to cover the costs of running the Coop.

We have a responsibility to restore member labor as soon as it is reasonable and safe to do so. Restoring member labor in full has the potential to reduce our weekly expenses by roughly $27,000. For safety reasons, however, it is likely that, at best, reintroduction will happen in stages over time. Even then, uncertainties are far-reaching. Though New York finds itself in a relatively safe position now, health experts warn of a potential surge in late August into the Fall. If, for public safety reasons, we are not able to fully bring back member labor as soon as we would like, or if we do begin the initial stages of a phase-in plan this Fall and are then forced to suspend member labor again, the Coop’s financial position will continue to weaken.

Increasing our mark-up to 25% for a temporary and defined period would immediately reduce our current weekly losses by about $25,000. If we also assume increasing weekly sales from $770,000 up to $900,000+ by the end of September, which is possible by gradually adding to store hours and the number of shoppers allowed in the store at one time, then the 4% increase becomes more valuable. These things taken together would leave us with $2,700,000 in cash reserves at the end of this calendar year and 65 weeks of cash on hand at the start of 2021 – a significantly more comfortable financial position. These projections purposely leave out any savings from member labor returning. Because of the uncertainty of the extent to which member labor will be possible over the next few months, it is wise to look at ways to maintain a healthy financial position in the absence of member labor, all the while working to restore it as soon as it is reasonable and safe to do so.

The proposed increase to our mark-up will allow the Coop time to sort through the logistical challenges we face, and to see how the next phase of the virus will play out. We all want the Coop to be able return to the best parts of itself – member participation is at the top of the list. This is why it is essential that we implement a temporary increased mark-up as part of a collection of strategies that will see us through this remarkable moment. As we consider all options to navigate the Coop through this challenging time, it is important that the choices we make put us in a financial position to keep the Coop running and does so in a way that errs on the side of safety for the staff, the members, and the broader community.