

AUGUST GENERAL MEETING APPROVES TEMPORARY MARKUP INCREASE

September 11, 2020

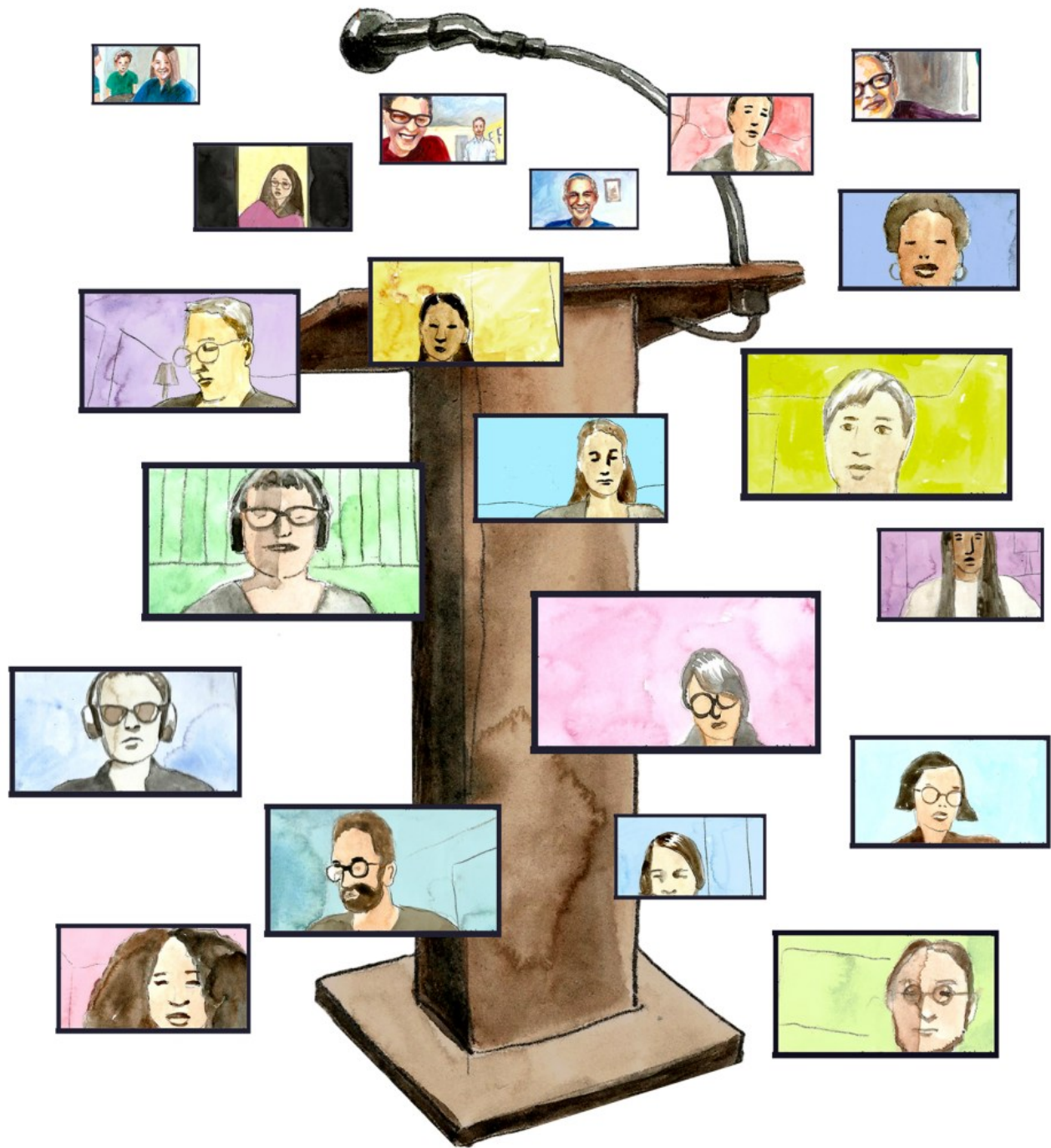


Illustration by Caty Bartholomew

By Christopher Cox

At the fourth General Meeting conducted via video, members voted in favor of a temporary increase in the standard markup applied to all products sold at the Coop, re-

sponding to the sharp drop in overall revenue during the pandemic. The meeting, held at 7:15 p.m. on August 25, was attended by 451 member-owners. They voted 368 to 63 to increase the markup from 21 to 25 percent, though individual members will be able to opt out of the price increase.

Receiving Coordinator Margie Lempert, who presented the plan for the increase along with General Coordinator Joseph Szladek, argued that the increase could be implemented immediately, which would help reduce the Coop's losses, currently averaging \$85,000 a week. Unlike other strategies to limit losses, such as reintroducing member labor, or potential ways of raising revenue, such as increasing the number of shoppers allowed inside at one time, an increase in the markup wouldn't need to be reversed if a second wave of Covid-19 hits New York City. "It's a pandemic-proof idea," Lempert said.

Also discussed during the meeting was the possible return of member labor on a voluntary basis. During the General Coordinators' reports, Ann Herpel presented a plan for a phased return of certain work slots, starting on September 21, and beginning with those that could be done outdoors. Members would get FTOP credit for any shifts they worked. Later in the meeting, Rachel Porter, a member of the Loans Committee, spoke about her proposal (which was on the agenda), to return to almost all member labor immediately.

Temporary Markup Increase

The debate over increasing prices to keep the Coop solvent for a longer period of time was occasionally heated, as one group argued for the financial necessity of the move, while others saw in the price increase an abandonment of the Coop's commitment to affordability—a concern only heightened by the rise in unemployment and other economic hardships during the pandemic.

As a prelude to the discussion, members were given insight into just how dire the Coop's finances have become. Joe Holtz, the Coop's general manager and treasurer,

presented a preliminary financial statement that showed a decline in total sales of more than \$6 million, and more than \$550,000 in additional labor costs this year—mostly due to the suspension of member labor, which required the hiring of dozens of new paid employees. According to Holtz, with the approximately \$4 million in cash the Coop now has on hand, “We’ll be out of money by around May 1.”

Margie Lempert, who also serves as the Coop’s meat buyer, presented the case for increasing the markup. She began by noting that of the \$85,000 the Coop is losing weekly, approximately \$68,000 is the result of reduced sales. (In previous years, the Coop had a modest weekly profit.) Lempert forecasted that increasing the markup to 25 percent, and slightly increasing sales volume by expanding the hours the Coop is open, and allowing more people in the store, would cut that loss to \$34,000 a week. “Reducing our loss in this way extends our financial runway into late spring 2022,” she said. “By this time, the pandemic should be over. “

Lempert and Szladek’s proposal comes with a sunset clause: the markup will revert to 21 percent when full member labor returns, or when the Coop has begun breaking even on a weekly basis. Members will also have the right to opt out of the price increase, no questions asked, by notifying the member office. All EBT recipients among the membership will automatically pay the lower markup rate.

Lempert concluded by calling an increased markup the “most reliable approach we have. Right away, we get a benefit from introducing a markup. We can introduce it quickly without additional labor being required.” The average bill, Szladek added, would still be considerably cheaper than Whole Foods or Fresh Direct. (A \$100 spend at the Coop would now cost \$103.30.)

Most of the comments that followed the presentation were in support of the proposal. Jan Fogel, who is retired from member labor, praised the inclusion of the ability to opt out. “I hope the Coop decides to do this,” she said, “because we should save the Coop.” Elizabeth Eakin, a squad leader on the Receiving Committee, asked whether members’ privacy would be protected if they opted out, and Lempert and Szladek as-

sured her that it would. Checkout workers, for example, wouldn't know which markup rate a member was paying. They estimated that five to six percent of members would opt out of the higher rate. Several members also offered support for the possibility of opting in to even higher markup rates, although that was not made a part of the proposal.

Member Christina Chala argued that the membership shouldn't consider raising prices during this crisis. "I think this is really out of touch for the Coop," she said. The opt-out system put an additional burden on already stressed people, she continued, arguing that the Coop should be making it easier for its members at this moment, not more difficult. Chala argued that there were other ways to increase revenue and cut weekly losses.

Chala was joined in her dissent by Joe Holtz, who argued that raising prices, while the unemployment rate is so high, was wrong. Chala and Holtz both thought that the price increase went against the spirit of cooperation, which promised low prices in return for collective labor. Holtz argued that we shouldn't "stray from our model, which is working so well."

Ralph Engelman, who has been a member since 1981, agreed, adding that the bar set by the sunset clause was too high. "I think this will be a permanent increase," he said.

The final vote was lopsided, with 86 percent voting in favor of the increase. (The new markup is planned to go into effect on October 5, as long as the opt-out system is working by then.)

The Return of Volunteer Member Labor

The final 45 minutes of the general meeting was devoted to the question of restarting the member-labor program on a voluntary basis. In Herpel's presentation at the beginning of the meeting, she noted that the transition to paid labor had achieved its pri-

mary goal of reducing infections. There has been no known case of Covid-19 among the paid staff at the Coop. She also cited a survey of the membership, which showed that 80 percent of the members felt safe at the Coop. Ingrid Dudek, who is on the Receiving Committee, called the Coop “the safest place in Brooklyn.”

Porter’s presentation was a forceful argument in favor of returning members to their work slots as quickly as possible. “Our culture of cooperation,” she said, “is eroded without member labor.” She continued, “It is fundamental to our model. We are not the Park Slope Food Coop without member labor. Our mission statement specifies member labor in its first sentence.” She noted that the General Coordinator’s plan to wait until January, or later, to phase in some work slots, such as those in the basement requiring close contact in a confined space, would move too slowly. It was a route, she argued, to making the Park Slope Food Coop the “fancy food coop.”

Comments on Porter’s presentation were passionate, both for and against. However, in a letter published in this issue of the *Gazette*, Porter announced she is rescinding her proposal and will not bring it to a vote.

The meeting ended with a vote from the Board of Directors to approve the membership vote for a markup increase.