



Thrive Consultancy Inc.
Benefit Corporation

Building the Cooperative Food Economy in Arizona



Phoenix / February 15, 2022





Thrive Consultancy Inc.

Benefit Corporation

Thrive Consultancy is a benefit corporation that works with entrepreneurs and small businesses to become **economically viable** while **empowering people** and **protecting the planet.**



Thrive Workshops & Programs



**Sustainable Cooperative
Food Business Training
Programs**



**Ecosystem Development
Workshops**



**Cooperative Business
Support**

Workshop Objectives

- Understand the current state of the cooperative food economy in Arizona
- Learn from Arizona cooperative food entrepreneurs about their experience in the ecosystem
- Learn from cooperative business ecosystem experts and supporting institutions about how to support a strong cooperative economy
- Gather feedback about what can be done to support the cooperative food economy in Arizona

Workshop Overview

- The current state of the cooperative food economy in Arizona
- The sustainable cooperative food business development programs in Phoenix
- Panel Discussion
- Outlook on the next events in this workshop series

The Current State of the Cooperative Food Economy in Arizona

Arnim Wiek, Kaleigh Shufeldt, Madeline Mercer, Nigel Forrest

Stakeholder Workshop “The Cooperative Food Economy in Arizona”

SkySong Center, Scottsdale, AZ

February 15, 2022

Food Businesses and Support Organizations

“As the first retail co-op to incorporate under Arizona law, we hope we can blaze a trail for others. Incorporating as a co-operative wasn't even an option on the Arizona Corporation Commission's website, though it's allowed in statute. We're also raising awareness of cooperatives and social finance. We have had less success than we had hoped because many philanthropies only think to give to 501c3s. But if philanthropies shifted from investing 95% of their endowments in indexes on Wall Street and instead invested just 1% in local equity opportunities, that would bring a sea change in local economic development and empowerment, let alone for investable cooperatives.”



Board Member, *Phoenix Food Cooperative*, 2021 AZ Cooperative Economy Survey (quote with permission)

What the COVID-19 Crisis Reveals

- High vulnerability of small food businesses (many closed)
- Low wages and benefits for workers in the food economy
- Unreliable food supply
- Competition fosters inequalities in the food economy

These metro Phoenix restaurants have closed permanently due to the COVID-19 pandemic

35 PHOTOS

7:24 p.m. CEST Apr. 28, 2021



Benefits of a Cooperative Food Economy

- Resilient small food businesses (locally owned & financed)
- Quality jobs with sufficient pay and benefits in food businesses
- Reliable food supply (covering all sectors locally)
- Collaboration and equality in the food economy (we are in it *together*)

Community Food Co-ops Are Thriving During the Pandemic

Compared to supermarkets with empty shelves and long lines, co-ops' long-term focus on building resilient foodsheds is paying off.

BY LELA NARGI • MAY 15, 2020



What is a Cooperative Food Business

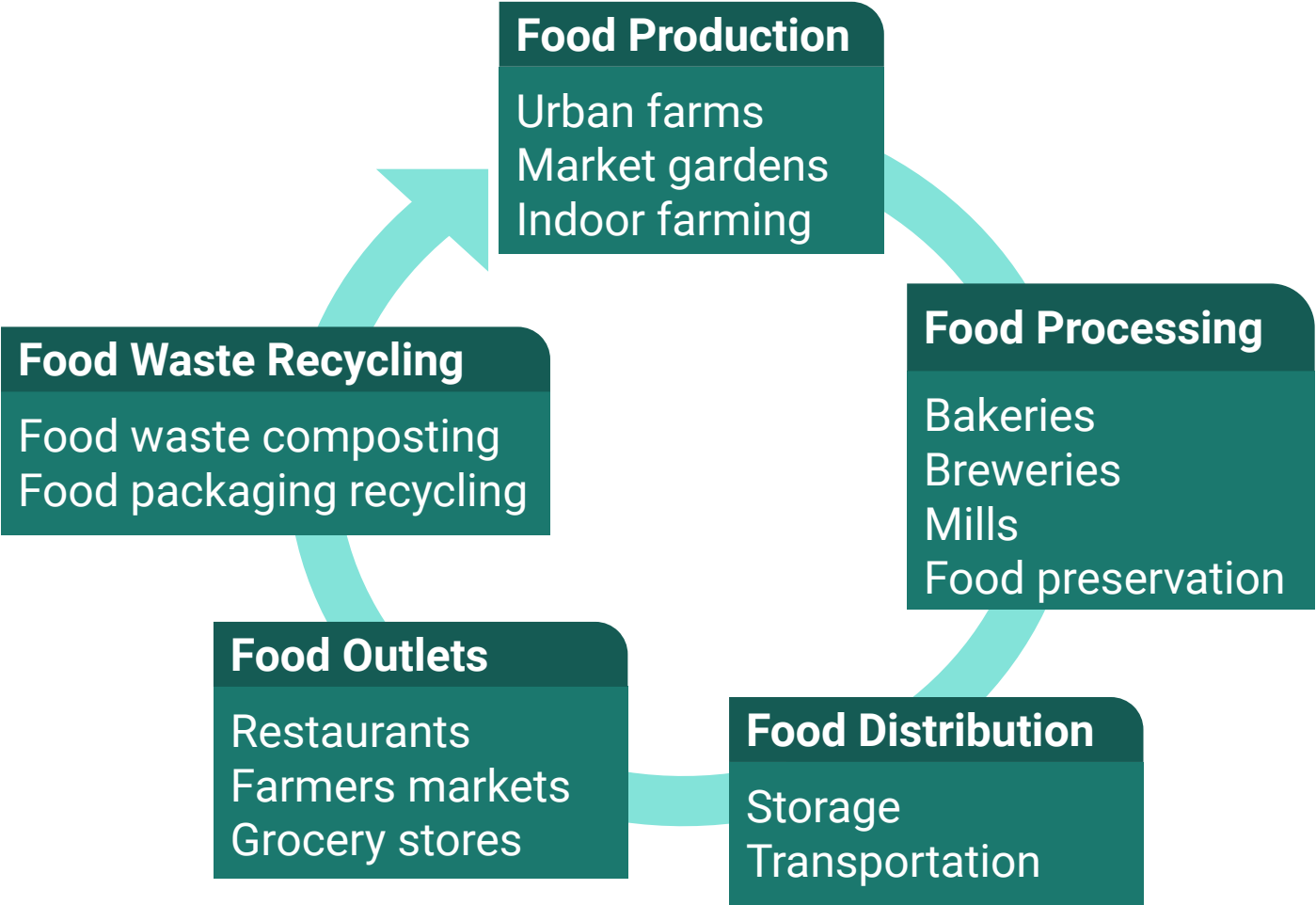
Produces, processes, distributes, sells, or recycles **food**

Adheres to the **cooperative principles**, particularly:

- Members democratically control all business decisions
- Members participate in economic gains of the business
- Collaborating with other cooperatives, among others
- Caring for the environment and the community (sustainability)

Cooperative **practices** (CS-X, ESOP, land trust, etc.)





Types of Cooperative Food Businesses

Worker Cooperative



Consumer Cooperative



Producer Cooperative (marketing & distribution)

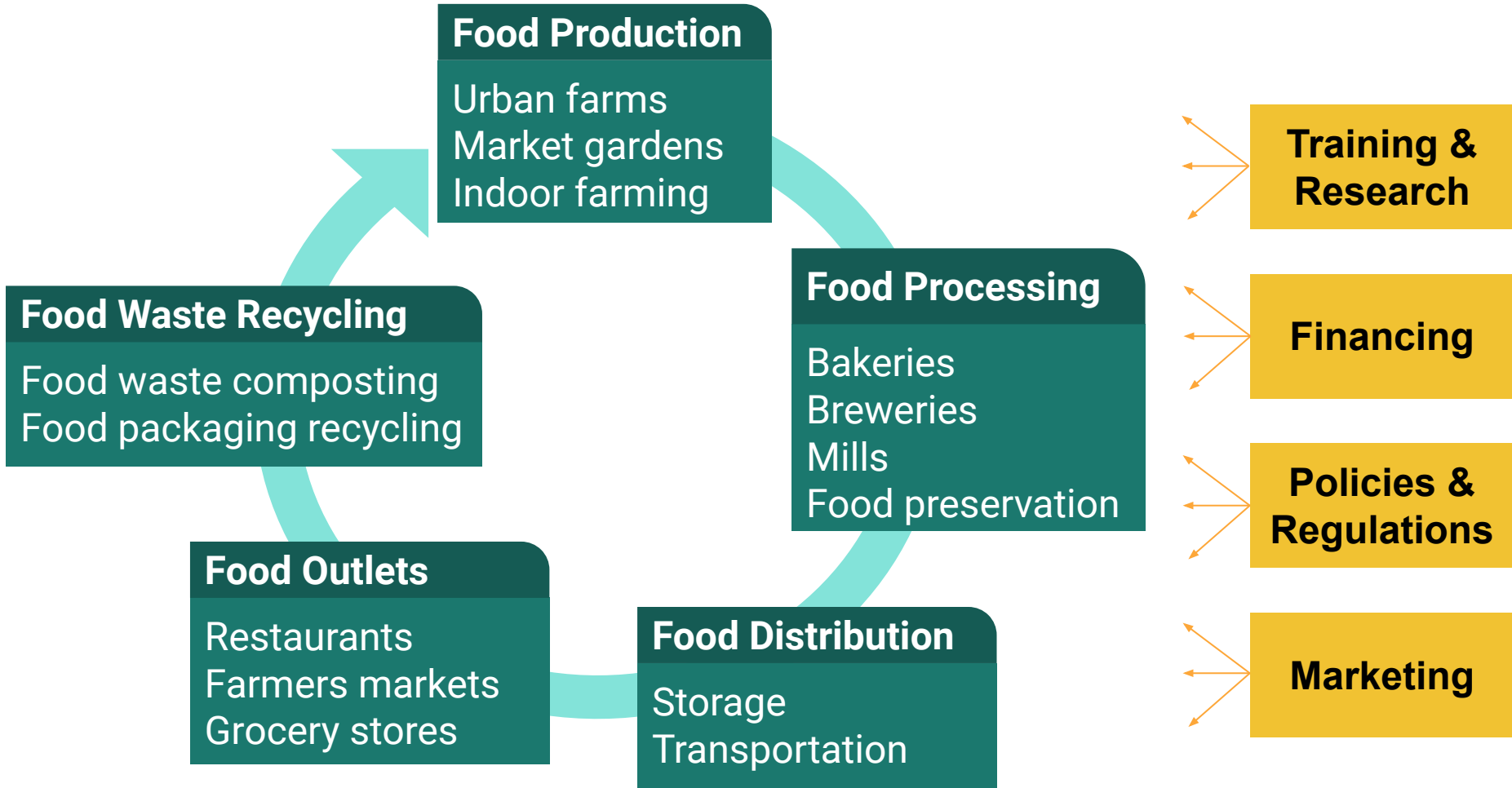
Purchasing Cooperative (for businesses)

Multi-Stakeholder Cooperative



Cooperative Practices

- Community-Supported Agriculture (CSA), CS-X
- Co-ownership (e.g., ESOP)

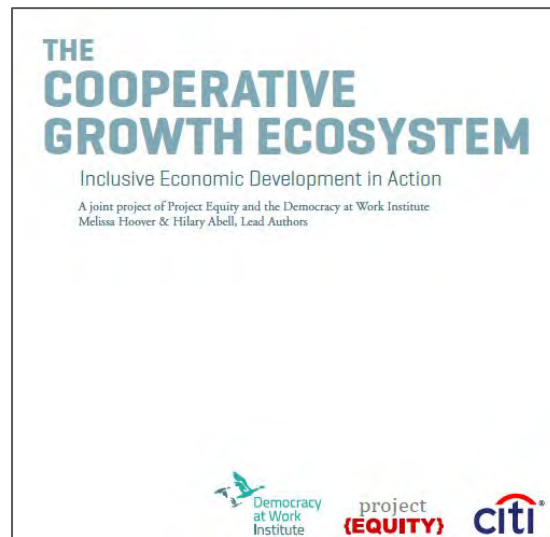


Principles of Support

Providing all critical support services

Doing so using cooperative principles, too

From the (inter-)national to the local level



Democracy at Work Institute, et al., 2016

The Current State in Arizona – *in a Nutshell*

High demand for food

- Maricopa County consumers spend \$10B/year on imported food (Meter & Goldenburg, 2018)

Interest in cooperative economy

- Consumers show increasing interest in cooperative business practices (e.g., CSA)

Relatively few but strong cooperative food businesses

- Only <20 cooperative food businesses vs. thousands of conventional food businesses
- All sectors of the food economy covered
- All types of cooperatives, plus cooperative practices

Food Production

Urban farms
Market gardens
Indoor farming

Food Processing

Bakeries
Breweries
Mills
Food preservation

Food Distribution

Storage
Transportation

Food Outlets

Restaurants
Farmers markets
Grocery stores

Food Waste Recycling

Food waste composting
Food packaging recycling

*The Coldwater Coffeehouse & Bakery
Community Exchange
Sun Produce Cooperative
Phoenix Food Co-op
Sierra Vista Food Cooperative
United Dairymen of Arizona
San Xavier Cooperative Farm
Abundant Harvest Cooperative
Food Conspiracy Co-op
Bountiful Baskets Food Co-op
[Roots Composting]
[Magpie Natural Foods Co-op]*

*Navajo Farmers Cooperative
Brown Sugaz Kitchen
Community Cuisine
Cuties Lemonade
Food Forest Cooperative
Prescott Food Cooperative
ASU Food Co-op
Common Ground Farm Collective*

Cooperative Food Businesses (12)

The Coldwater Coffeehouse and Bakery, Avondale (WC)

Community Exchange, Phoenix (PrC)

Sun Produce Cooperative, Phoenix (MSC)

**Phoenix Food Co-op, Phoenix (CC)*

Sierra Vista Food Cooperative, Sierra Vista (CC)

**United Dairymen of Arizona, Tempe (PrC)*

San Xavier Cooperative Farm, Tucson (WC)

Abundant Harvest Cooperative, Tucson (PrC)

Food Conspiracy Co-op, Tucson (CC)

Bountiful Baskets Food Co-op, div. in Arizona (CC)

[Magpie Natural Foods Co-op & Buying Club, Prescott (CC)]

[Roots Composting, Flagstaff (WC)]

* Incorporated as a cooperative (AZCC)

Food Production: 1

Food Processing: 1

Food Distribution: 6

Food Outlets: 3

Food Waste Recycling: 1

Worker Cooperatives: 3

Consumer Cooperatives: 5

Producer Cooperatives: 3

Purchasing Cooperatives: 0

Multi-Stakeholder Cooperatives: 1

Ongoing Conversions and Start-ups (8)

Navajo Farmers Cooperative (Chil'ishe Farms) (PrC)

Brown Sugaz Kitchen, Phoenix (WC)

Community Cuisine, Phoenix (WC)

Cuties Lemonade, Phoenix (WC)

Food Forest Cooperative, Phoenix (WC)

Prescott Food Cooperative, Prescott (CC)

ASU Food Co-op, Tempe (MSC)

Common Ground Farm Collective, Tucson (PrC)

[Together We Bake; Together We Brew]

Food Production: 1

Food Processing: 1

Food Distribution: 2

Food Outlets: 4

Food Waste Recycling: 0

Worker Cooperatives: 4

Consumer Cooperatives: 1

Producer Cooperatives: 2

Purchasing Cooperatives: 0

Multi-Stakeholder Cooperatives: 1

Food Forest Cooperative

Phoenix, AZ

Food Sector: Food Production

Products: Fruits, Nuts, Teas, Medicinals, etc.

Corporate Form: Worker Cooperative (in dev.)

Workforce: 4

Uses regenerative agricultural practices

Sources from local farms (supplemental)

Composts food waste

Processes indigenous food products

Offers educational opportunities

Developers: Entrepreneurs, SOO, ASU

Funding: Start-up Donation

Training: SCFB Program



Sun Produce Cooperative

Phoenix, AZ

Food Sector: Food Distribution

Products: Vegetables, fruits, etc.

Corporate Form: Multi-Stakeholder Cooperative

Workforce: 6

Farms use sustainable agricultural practices (most)

Farms use solar & water-saving techniques

Aggregates & distributes 100% local goods

Development opportunities for employees

Support: Local First AZ, Pinnacle Prevention

Funding: Maricopa County Dept. of Public Health,
Vitalyst Health Foundation, Maricopa County
Cooperative Extension



The Coldwater Coffeehouse and Bakery

Avondale, AZ



Coldwater Coop website

Food Sector: Food Processing / Outlet

Products: Bread, pastries, beverages

Corporate Form: Worker Cooperative

Workforce: 4

Uses water efficient toilets and sinks

Sources from local vendors

Composts food waste

Diverse team

Volunteers at local food bank

Support: Local First Arizona, Arizona Cooperative Initiative

Funding: by worker-owners (and network)

Food Conspiracy Cooperative

Tucson, AZ

Food Sector: Food Outlet

Products: Organic groceries, etc.

Corporate Form: Consumer Cooperative

Workforce: 44 / **Consumer-Owners:** 3,000

Utilizes rain water harvesting

Project to add solar panels & EV charging

Source products locally & seasonally

Provides benefits (medical, dental, vision)

Offers trainings for workforce

Support: Community Food Bank of Southern Arizona, U of A, National Cooperative Grocers

Funding: Financed by consumer-members



Food Conspiracy Co-op Instagram

Businesses using Cooperative Practices

Community-supported agriculture

- E.g., *Blue Sky Organic Farms* (Litchfield Park)

Co-ownership

- E.g., *Borderlands Brewing Co.* (Tucson)

Land trust

- E.g., *Spaces of Opportunity* (Phoenix) [in development]

Sustainable practices (benefit corporation)

- E.g., *Sinagua Malt* (Camp Verde)

Closed AZ-based Food Cooperatives

Spill the Beans

- Bakery and café in Tucson; founded in 2019, closed in 2020
- Worker cooperative (LLC as AZCC unable to support incorporating under coop law)

Shot in the Dark Café

- Community café in Tucson; founded in 2009, closed in 2019 (→ rent increase)
- Worker cooperative

Bisbee Food Co-op

- Organic grocery store in Bisbee; founded in 1973, closed in 2017 (→ financial issues)
- Consumer cooperative

Gentle Strength Cooperative

- Organic grocery store in Tempe; founded in 1971, closed in 2007 (→ financial issues)
- Consumer cooperative

Findings from 2021 AZ Cooperative Economy Survey

Sample

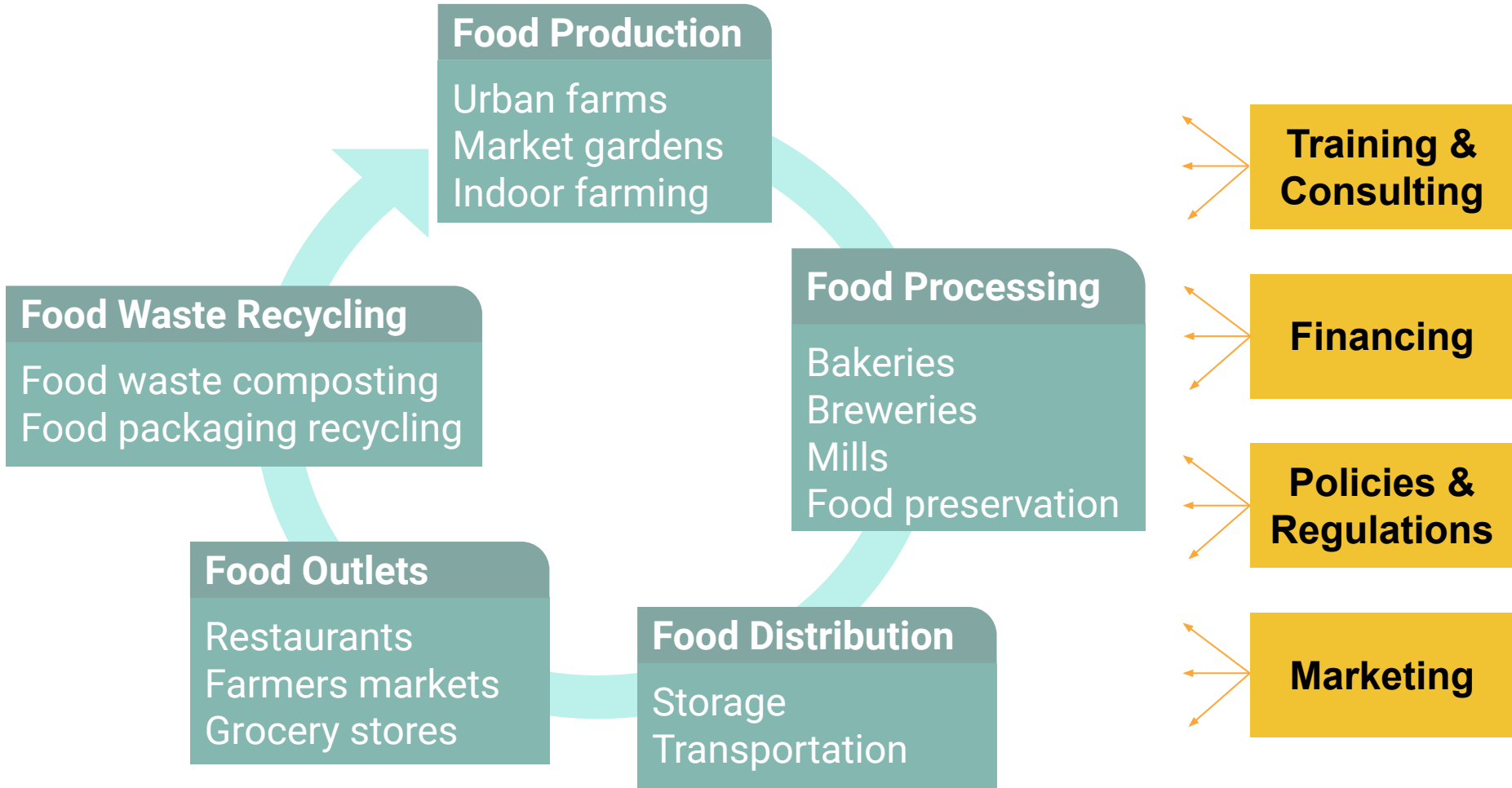
- N=8
- AZ based, all food sectors

Strengths

- Water savings, energy efficiency, recycling, local sourcing and distribution
- Diverse workforce, fair wages, trainings
- Circulating money in the local economy, partnering with other food businesses

Opportunities for Improvement

- Renewable energy
- Employee benefits (medical, dental, vision, etc.)
- Distributions of profits to employees and community



Financing

Loans and Banking Services

- AZ-based credit unions, e.g., *MariSol Credit Union*
- *Project Equity* (loans), *RSF Social Finance* (loans, gifts), SBA (loan guarantees)

Grants and Donations

- City of Phoenix (--> SCFB Programs)
- *Vitalyst Health Foundation*
- *Community Foodbank of Southern Arizona*
- ASU's donors' network (Women and Philanthropy, etc.)

Grant Writing Support

- *Maricopa County Cooperative Extension*
- *Pinnacle Prevention*
- *Sustainable Food Economy Lab (ASU)*



BLACK ECONOMIC SECURITY
Leveraging employee ownership to address the racial wealth gap

In 2021, Project Equity validated our efforts to impact Black equity by:

- Launching initiatives in Atlanta and Milwaukee and extending our work to Miami, areas selected for their high number of Black workers and Black-owned businesses (which tend to employ more Black workers). To support these efforts, we shared our partnerships with local organizations, including the Atlanta Health Building Initiative, which will fund our work in months and years to come.
- Developing a strategy to leverage another institutional employer diversity commitment to expand employee ownership by Black and Brown workers. We developed a new partnership with Silver Performance and China Corporation to pilot a program to transition eligible employees into diverse workforces to employee ownership.

FLEXIBLE LOAN CAPITAL
Creating a bridge to employee ownership

Despite federal relief programs, local businesses continue to grapple with cash crunches that threaten their survival. To address this pressing need, Project Equity designed an innovative new loan fund to help businesses that have committed to transition to employee ownership survive and emerge from the COVID-19 crisis. The fund will offer transition financing and working capital to help businesses adopt business models, rebuild from the pandemic and begin an employer ownership transition.

The fund will launch in fall 2021, and complements our existing capital initiative, *Accelerate Employer Ownership*, which is a pilot initiative with a gap-financing national (2017) Shared Capital Cooperative.

Photo: Annette Torres, employee owner of Golden Gate Source Company (donorship to employee ownership by Project Equity in 2018)

Training & Consulting

Training Programs and Workshops

- *Thrive Consultancy*
- *Sustainable Food Economy Lab (ASU)*
- *Project Equity*



SCFB Training, 2021

University Courses

- *Sustainable Food Economy Lab (ASU)*

Consulting

- *Thrive Consultancy*
- *Arizona Cooperative Initiative*
- *Pinnacle Prevention*



Coop Conference, 2017

Other Support Services

Policies & Regulations

- Cooperative business law since 2016
- Benefit corporation law (incl. employee-ownership) since 2014

Marketing

- Good Food Finder (Local First AZ)

Advocacy

- *Project Equity*
- *Local First Arizona*

Support/Cooperation across Sectors



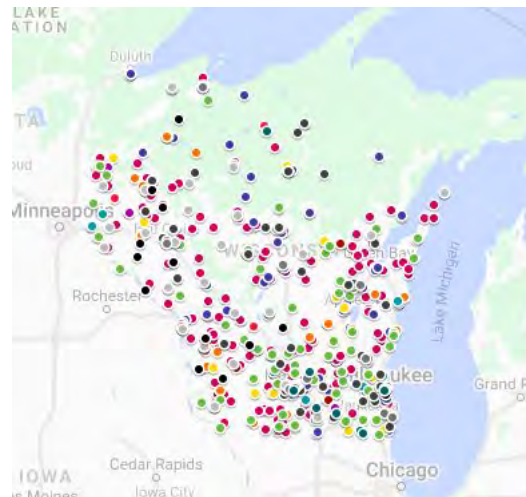
Technicians for Sustainability, Tucson

Accomplishments and Gaps

- Cooperative food businesses and basic support functions exist
- Relatively few cooperative food businesses
- Relatively few specific support services (overburdened)
- Lack of institutionalization (e.g., AZ Corporation Commission)
- Challenges not only of starting but also *running* cooperative businesses
- Challenges of complying with all co-op principles and sustainability

Cooperative Food Economies to Learn from

- Minneapolis/Saint Paul, MN
- Madison, WI
- San Francisco, CA
- New York City (--> WCBDI)
- Ontario, Canada (--> LFFC)



728 Cooperatives in Wisconsin
300+ in the Food Sector

Relevant Literature

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Acknowledgements & Contact

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Rosanne Albright, City of Phoenix; Joe Rossell, City of Phoenix; Nick Shivka, Local First AZ; Samantha Zah, Local First AZ; Kimber Lanning, Local First AZ; Ian O’Grady, Phoenix Food Co-op; John Wann-Ángeles, Food Forest Cooperative; Alexis Trevizo, Food Forest Cooperative; Cindy Gentry, Sun Produce Cooperative; Carol Diemer, Community Exchange; Dave Porter, Food Conspiracy Co-op; Kalila Martinez, The Coldwater Coffeehouse and Bakery; Red Nuss, Abundant Harvest; Ingrid Hirtz, Community Cuisine

If you have comments or questions, please contact us: arnim.wiek@asu.edu

The Sustainable Cooperative Food Business Development Program in Phoenix

There are **very few** cooperative food business development programs nationally, and until recently, there were **none** in Arizona.



The Program's Mission

Our 10-week training program is designed to equip individuals to start and run their own **sustainable cooperative** food businesses, in an effort to build a **resilient** and **equitable** local food economy.



The Program's Content

- Cooperative principles in action
- Democratic member control
- Product development
- Business planning
- Operational and start-up budgeting
- Sustainable business operations
- Access to competitive seed funding



Commitment to Quality

Partnering with experts for instruction and coaching (e.g., *LFAZ*)

Program evaluation by *ASU's Sustainable Food Economy Lab*:

- Measuring the effectiveness/success of the program
- Supporting participant learning
- Allowing for continuous improvement of the program



First Installment of the Program

Veteran Entrepreneur Cohort Highlights

Sept - Nov 2021



Quincy Milam

Cuties Lemonade



Brian Cano and Chanel Evans

Food Forest Cooperative



Les Rayford

Brown SugAZ



Sustainable Cooperative Food Business Training Program



Thrive Consultancy Inc.

Benefit Corporation

Panel:

*The Future of the
Cooperative Food Economy
in Arizona*

Panelist Moderator

Nick Shivka, Local First Arizona



Panelists: Cooperative Food Entrepreneurs from Phoenix



Maria Parra Cano
Food Forest Cooperative



Ian O'Grady
Phoenix Food Coop

Panelists: Cooperative Ecosystem Experts



Sarah Mcbroom

Senior Manager of Regional
Engagement at Project Equity



Rosanne Albright

City of Phoenix, Office of
Environmental Programs



Anh-Thu Nguyen

Democracy at Work Institute
Director of Special Partnerships



How to Support Employee Ownership Transitions as Part of the Cooperative Food Economy in Arizona

February 15, 2022



{ Project **Equity** }

Presenters



Annie Palacios
Business Engagement and
Partnership Manager
Project Equity



Sarah McBroom
Regional Engagement
Project Equity



Project Equity



We help owners of small & medium size businesses secure their companies' legacies by transitioning to employee ownership

What is an employee ownership transition?

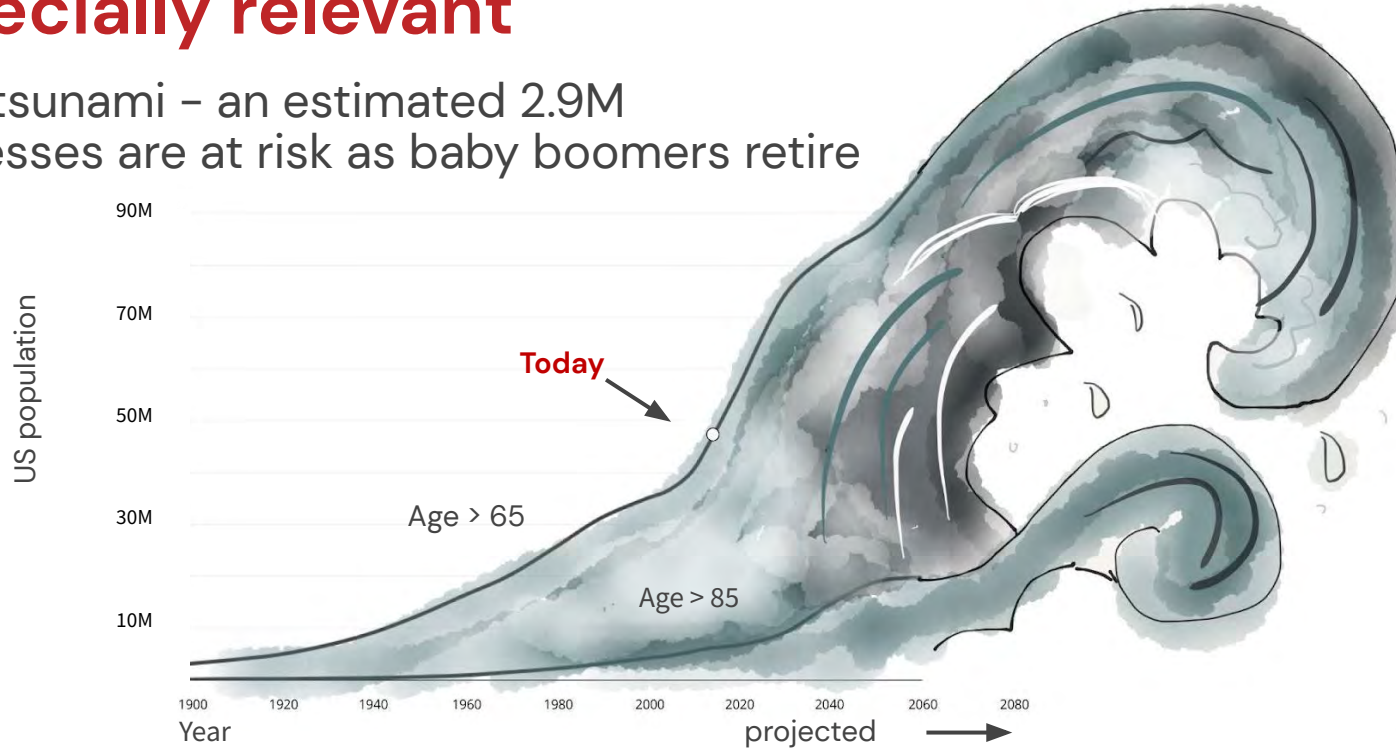
The sale of a business (its assets or stock) to a new entity with employee-owners

The purchase can be financed by a loan taken out by the company and repaid over time through future profits

Most transitioned businesses retain executives/ management, often with employee-owners electing and/or serving on a Board of Directors

Why employee ownership transitions are especially relevant

Silver tsunami – an estimated 2.9M businesses are at risk as baby boomers retire



Original image from University of Scranton Journal Fall 2016 | Data source: Older Americans 2016 Key Indicators of Well Being, agingstats.gov

Baby boomers own 51% of privately held businesses with employees in Arizona



% of firms owned by people aged 55+
hover over a state to see %
click to see relevant data



{ Project Equity }

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Industries



[Methodology >](#)

[Source notes >](#)

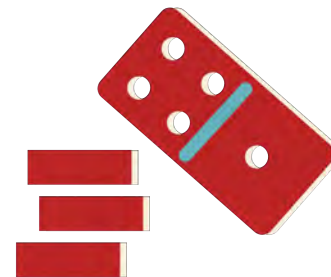
Selling a business isn't easy



Only **20%** of businesses sell



About **15%** transition within families



1 in 5 businesses are at risk of closing

According to US Small Business Administration 2004 study and BizBuySell.com

Benefits of Employee ownership



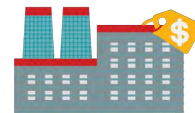
Benefits to businesses

- Higher productivity and growth
- Lower employee turnover
- Improved longevity, lasting legacy



Benefits to workers

- Better pay and benefits
- Assets and business ownership
- Voice in key decisions



Benefits to communities

- Increased local spending
- Heightened civic engagement
- Community wealth building

Project Equity's Transition Process

STEP 1 EXPLORATION

Are you curious to learn how employee ownership can fit your needs?



STEP 2 FEASIBILITY

Is employee ownership a solution for you and your business?



STEP 3 TRANSITION

How will the sale be structured, and the employee-owned business function?



{ CLOSING THE SALE }

Are all the i's dotted and the t's crossed?



STEP 4 THRIVE

How do the employee-owned business and its owners flourish?

Selling the business



Sale price and deal terms are finalized



Transitioned employee-owned business obtains a loan



Loan is paid off over time through future cash flow

Financing the sale

Business owner



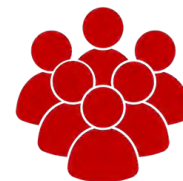
30% – 50%
owner financed

CDFI* / Bank



50% – 70%
bank lending

Employee-owners



Employee buy-in
*(a nominal part of the sale price
and only in a worker coop)*

**Community Development Financial Institution*

Upcoming Thrive Workshops & Programs



Sustainable Cooperative Food Business Training Programs

Spring: February-April

Summer: June-August



Ecosystem Development Workshops

April: Cooperative Business Financing

May: Cooperative Incorporation

July: Cooperatives and Community Building



Cooperative Business Support

Ongoing support for program
graduates

Support of new and transitioning
businesses

We want to hear from you!



Thank you!

Feel free to reach out to us:

(602) 935-1731

thriveconsultancyinc@gmail.com