

**K-STATE**  
Research and Extension

Rural Grocery  
Initiative

# Rural Grocery Succession Planning



## CONSUMER COOPERATIVES

*Thursday, August 18, 2022*

### Featuring:

**Charlotte Narjes and Marilyn Schlake**, University of Nebraska–Lincoln Extension

**Mark Graf**, Post 60 Market Cooperative Board Chair, Emerson, Nebraska

# About this series

- Monthly webinars hosted throughout 2022
- Continuation of business transition work & *Keeping Groceries Alive*
- Goals
  - Highlight resource providers
  - Identify key succession planning considerations
  - Present options
  - Share examples of grocery ownership transitions
- Additional resources available at [www.ruralgrocery.org](http://www.ruralgrocery.org).

# Our Sponsor

*Ewing Marion Kauffman  
Foundation*



# Housekeeping

- This session is being recorded.
- A recording of today's webinar will be available at [www.ruralgrocery.org](http://www.ruralgrocery.org).
- We will leave time at the end of the webinar for Q&A.
- Please use the Q&A feature to post your questions to our presenters.

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# NEBRASKA COOPERATIVE DEVELOPMENT CENTER



For over 20 years, the UNL NCDC in the Department of Agricultural Economics has been working with startup and established “multi-owner” businesses throughout the state.

NCDC is Nebraska’s center for cooperative based business development. NCDC facilitates the formation of new business ventures and growth of existing businesses by providing technical assistance, training and education programs.

NCDC has worked with 44 communities exploring cooperative rural grocery stores since 2000.



# HISTORICAL KNOWLEDGE

- Nebraska Cooperative Development Center
  - Increasing requests for grocery store transition assistance
- Observations
  - Communities experiencing declining populations and shrinking retail trade areas
  - Grocery store owners –
    - Many are reaching/reached retirement age
    - Holding older facilities/equipment
    - Finding a lack of buyers
    - Challenges to maintaining profitability




Cooperative business formation viewed as the *last resort* option.



# OPPORTUNITY RESEARCH

## WHY?

*What is the mindset of the current owners and prospective buyers or community members that is preventing more cooperatives, community-owned business formations?*



Ewing Marion Kauffman Foundation  
Heartland Challenge 2

\* Addressing rural business transfer opportunities by providing education on models of shared business ownership, including business cooperatives



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# GROCERS RESEARCH STUDY

Mail/Electronic survey of 216 independent rural business owners

- 31% response rate or 67 responses
- 64 currently involved owners of which 61 operating > 2 years.
- 6 transitioned within 2 years

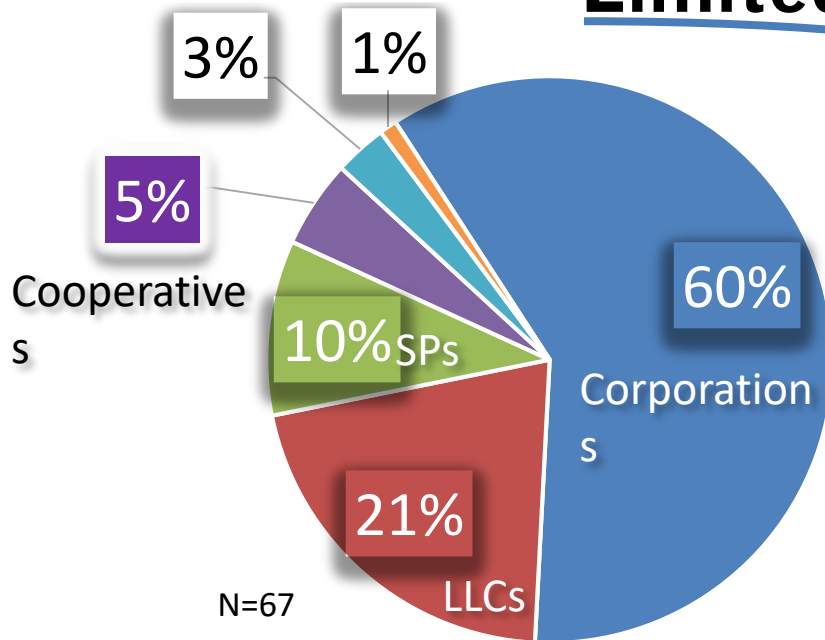
Focus group sessions – Six sessions

- 34 owners, EconDev Leaders, Investors, Managers
- Representing 3 Cooperatives, 5 LLC/private, 1 inter-local



# CHALLENGE WITH CO-OP MODELS

## Limited Examples



“While not typical for grocery stores, several Nebraska communities are making it work.”

In all 9 communities participating in Focus Groups, ownership changed from sole proprietors to multi-ownership.

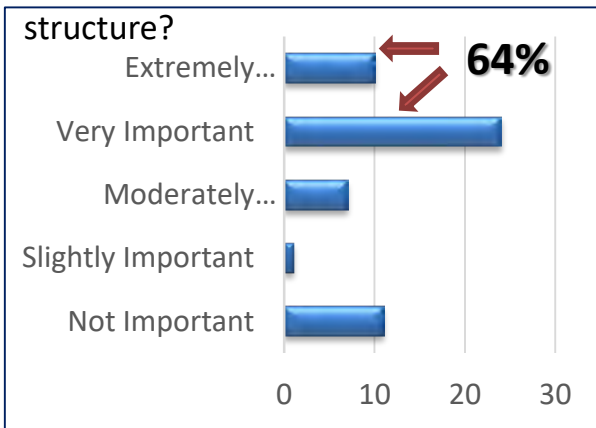
- ▲ Three were legal Cooperatives
- ▲ Others **EMULATED** Cooperative Business Philosophy – 1 vote per share (stock)



# CHALLENGE WITH CO-OP MODELS

## Lack of Professional Education

How important is it that an accountant or attorney recommended the business structure?



“My lawyer knows how to set up an LLC and not a cooperative...”

“CPA favored LLCs in general, no one really questioned it.”

The absence of attorney or accountant knowledge of the legal business forms does appear to influence choice away from multi-ownership.



# FINANCIAL INCENTIVES TO OWNERSHIP

## Corporation vs. Cooperative

1. Access to retail service
2. (Tied) Amenity, convenience, quality of life, sustaining and growing the community

1. Sustaining and growing the community
2. Access to retail services

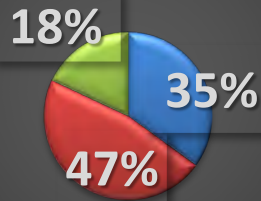
“Older people were distraught [the store was being sold]. The bank was concerned, banking and groceries in town are important.”



# FINANCIAL INCENTIVES TO OWNERSHIP

## Financial Risk

### Level of Difficulty to Maintain Profits



- Major challenge
- Moderate challenge
- Minor challenge

Where insufficient profits, physical facilities were negatively affected.

Community volunteers “worked more than **five** nights over **2-3 weeks** getting the store ready”.

Potential buyer’s acceptance of multi-ownership was more favorable when store operations were determined to be unprofitable.

# FINDING COMMUNITY VALUE

Themes suggested communities are willing to invest resources to meet the start-up and operational business needs.



Financial requirements



Time



Education



Costs (physical/operational)

Individuals stated the effort to establish a multi-owner business was justified when the stores were expected to generate ***substantial community value***.

True whether obtaining financial capital was difficult or relatively easy.



# FILLING A BUSINESS NEED

## Common Good

Focus Group participants indicated that multi-ownership legal structures were not selected simply for their own sake; instead, the community perceived multi-ownership as the **best solution** for their community.

“Without a grocery store we have a dying community. The grocery store helps and without it we would really struggle as a community.”



# FILLING A BUSINESS NEED

## Common Good

For cooperatives, providing for the common good is also a financial consideration.

- Concerned about matching financial requirements to the capacity of the community
- One that encourages community participation.

“To have the larger investors and no help was not going to work for the community either. It depends on the community and their situation.”





# WHAT IS A COOPERATIVE

**A cooperative is a business owned and democratically controlled by the people who use its services.**

- Member - owned

- Member – control

- Member - benefits



# OWNERSHIP, CONTROL & BENEFIT

	Investor-oriented	Cooperative – Patron-oriented	Nonprofit
<i>Example Organization</i>	Wal-Mart	REI, Ace Hardware, Ocean Spray, Post 60 Market (Emerson)	Red Cross, Foundations
Own	Stockholders	Members/ Stockholders	Public at Large
Control	Board of Directors; To elect 1 share = 1 vote	Board of Directors; To elect 1 member = 1 vote	Board of Directors (Generally Donors/Stakeholders)
Benefit	Stockholders, in proportion to stock held	Members, in proportion to use	Tax benefit to those donating

*“Cooperative Difference” as it is used within the cooperative movement, refers to the differences in motivations and strengths between cooperative entities and those within the profit paradigm.*

Source: [Collecting Ourselves: A Cooperative Entrepreneurship Curriculum](#)



# BENEFITS COMMUNITY OWNED

- Helps to preserve town's local character.
- Enables those who feel the impact make decisions affecting the business.
- Through operating the enterprise, neighbors understand the economics of operating rural grocery store.
- Community-owned stores continue to support local economies.
- Complements other local businesses.
- Continues or enhances access to food in community.

Source: Kansas State University Rural Grocery Store Initiative <https://www.ruralgrocery.org/resources/bestpractices.html>



# WHY START A COOPERATIVE?

- Provide a service or need
- Obtain products or services otherwise unavailable
- Improve bargaining power
- Create quality jobs
- To elevate the social status of job
- To do together what we can't do alone
- Minimize Risk



# WHY DO PEOPLE START CO-OPS?



*A grocery store is the heart that keeps small, rural communities like ours alive.* Research of small, rural towns like ours show that without a grocery store, it is difficult to attract new residents. This leaves the fate of the community questionable.

Source: <https://www.valleyfoodscooperative.com/about>



# POST 60 MARKET ~ MARK GRAF



Youth stock shelves and break down boxes at the new Post 60 Market grocery store in Emerson, Neb. The new store is located in the former American Legion Post 60 hall on Emerson's Main Street.



Source: Jesse Brothers, Sioux City Journal



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# Post 60 Market

Mark Graf, Board President







Emerson has a population of 801

It resides in 3 counties and part of 1 reservation

The former grocery store closed November 2018

Village Board started looking for ways to provide food February 2019

They started work with NCDC July 2019

Village did LMI and Needs surveys 2019

Village identified potential steering team members August 2020

Different business models considered with a cooperative model being the chose December 2020

Articles of Incorporation accepted by the State February 2021

Discussion of available sites

Offer made to Legion Post 60 and building purchased July 2021

Stock sales began September 2021

Building demo/renovations began October 2021

Plan opening August 30 2021 Hurray!!!!!!!!!!

# Progress



# Challenges



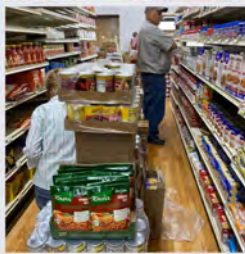
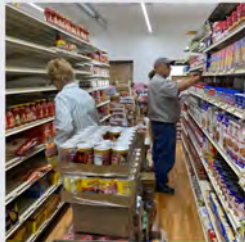


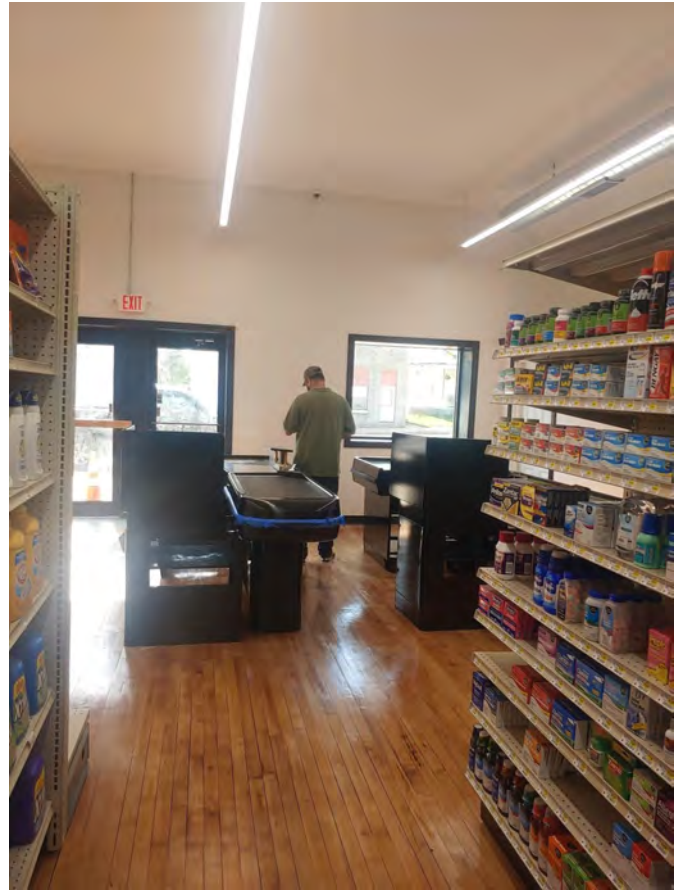




# Successes

















## Lessons Learned

Everything is 2 to 3 months out.

Everybody brings something to the table.

Everything costs more than expected.

Accept all the help you can get.

Everything is 2 to 3 months out.



## Lessons Learned

You need people with passion and a vision.

People will not always agree. Majority wins. All need to accept that.

Strong community support will help through trying times.

**Mark Graf**

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**Fb: Emerson Grocery Coop doing business as Post 60 Market**



# Questions

# **Survey**

*Please share your  
feedback to help us improve  
future webinars*

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## WORKER COOPERATIVES

*Thursday, September 15, 2022*

**Featuring:**

**Melissa Hoover**, Executive Director, Democracy at Work Institute