



## Background on NCG And Opportunities to Join and Participate

National Co+op Grocers (NCG) is a business services and development cooperative for retail food co-ops located throughout the United States. Today, NCG works with 147 food co-ops operating over 200 stores in 38 states with combined annual sales of over \$2.1 billion and over 1.3 million consumer-owners. NCG helps unify food co-ops in order to optimize operational and marketing resources, strengthen purchasing power, and ultimately offer more value to food co-op member-owners and shoppers everywhere.

NCG serves as a unified voice to advocate for issues that are important to food co-op members, shoppers and communities. Together we are working to build a sustainable food system, ensure the fair treatment of people, protect and preserve a healthy environment and promote the cooperative business model.

### Mission and Ends

**Ends:** NCG exists so that member co-ops are successful and the total cooperative grocery sector grows in size and scope.

**Mission:** NCG will provide the vision, leadership and systems to catapult a virtual chain of food co-ops to a position of prominence in the natural foods industry.

**DEI Vision:** We are a learning organization on a continuous journey to build a positive and inclusive culture that values a diversity of ideas, perspectives and identities. We foster an environment where everyone is treated with dignity and respect, where we are inspired by our work and proud of our contributions.

### Owned by Member Co-ops

In the early 1990s it became clear to co-op leaders that corporate chains were aggressively pursuing the natural food market nationally and that these chains had the resources to dominate individual co-ops. Co-op managers in various regions began meeting and forming associations to provide peer support and improve operations by collaborating on activities.

By the late 1990s, regional cooperative grocers associations (CGAs) had gained momentum, and the need for a national coordination of efforts was apparent. Six CGAs developed a plan to form the National Cooperative Grocers Association in 1999. Then in 2004, this entire system was reorganized with NCG acquiring each of the regional CGAs and all member co-ops becoming a direct member of NCG.



NCG continues today as a secondary cooperative with retail food co-ops as its members. NCG is incorporated in the state of Minnesota as a cooperative and governed by a nine-member board of directors elected by members. The largest NCG member co-op operates 14 stores, generating over \$300 million in annual sales with over 45,000 consumer owners. The smallest member co-op has less than \$1 million in annual sales. NCG employs over 90 staff members located in four regional offices and a handful of home offices around the country.

### Why Join NCG

NCG brings together food co-ops in order to optimize operational and marketing resources, strengthen purchasing power and ultimately offer more value to food co-op owners and shoppers everywhere. NCG works to build and support a strong food co-op system and ensure strong, community-owned and -controlled food co-ops now and into the future. To do this NCG:

- Offers a strong, unified national presence that gives the cooperative food system increased relevance in a rapidly growing and changing natural foods market.
- Aggregates purchasing volume to negotiate strong national supply agreements and launch creative value-added programs for the benefit of food co-ops' current and future needs.
- Provides a forum that allows resources to be optimized and enables efficient and effective services that are tailored to the unique needs of food co-ops.

All NCG programs and services are designed to improve store operations by lowering costs or providing programs with direct store impact and all are available on a voluntary basis. The following is a general overview of the wide-ranging suite of services available:

- Group discounts on a variety of goods and services to support retail operations such as inventory counting, merchandising equipment, packaging and store supplies, payment processing, uniform and facilities services, etc.
- National purchasing contracts with selected distributors and manufacturers providing competitive wholesale prices and purchasing terms.
- A national promotions program that leverages the buying power of our "virtual chain" to obtain outstanding prices on top-selling items in grocery, wellness and nonfoods categories.
- Marketing and communications support from national advertising and ready-to-print support materials to turnkey programs in support of each member co-op's local marketing efforts.
- Professional development through self-study, online and in-person training opportunities including over 100 courses adapted for food co-ops available through Co+op U.
- Research and reports including in-depth consumer research and annual industry trends reports that can be used to assist in business planning and measurement.
- Tools and resources to help co-ops leverage sustainability as a competitive advantage and position co-ops as leaders in sustainability in the grocery industry.
- An array of targeted tools to support continued operational improvements, such as the Co-op Livable Wage and Benefits Model, a library of short, targeted "preferred practice" resources, a labor scheduling tool, forecasting and budgeting tools, and many others.
- Resources to help with the unique operational challenges of co-op fresh departments.
- A national presence to advocate for food co-ops, a sustainable food system, fair treatment of people and a healthy environment.
- A strong and dynamic peer network that fosters sharing regionally and nationally through various working or interest groups.



In early 2020 NCG coordinated industry information and guidance on dealing with the unique operational challenges posed by the COVID-19 pandemic. This included recommended practices, sources for store sanitation and safety supplies, small business loan resources and guidance, supply chain information, as well as a collection of “rapid response” resources for key departments (bulk, prepared foods) and functions (financial planning, crisis management).

Since 2008, NCG has operated a wholly owned subsidiary, the NCG Development Co+operative (NCG DC), that provides fee-based development services (business improvement, expansions, relocation, and start-up) to food co-ops.

## NCG Membership

Co-ops interested in joining NCG must be independent food co-ops located and operating in the U.S. In addition, co-ops interested in joining NCG must agree to abide by NCG’s member agreement. NCG member co-ops enroll in specific programs as desired and must adhere to the specific requirements as stipulated in the relevant program participation agreement.

Membership in NCG is the same as at the local co-op level – membership involves the rights and benefits of ownership. As such, membership carries the responsibility of investment in NCG and brings governance rights (such as voting and input on the organization’s direction). In addition, NCG member co-ops are eligible for patronage distributions of NCG’s surplus, as determined by the NCG Board of Directors.

All member co-ops are organized regionally into three corridors – Eastern, Central, and Western. These regional groups serve as the primary nexus for co-op improvement and development activities. Corridors have staff dedicated to serving development needs as well as their own oversight methods and budget funded from member dues. All co-ops have access to corridor activities and programs such as store audits, regional trainings, small working groups and regional interest groups for other staff, and peer networking.

### Member rights

NCG is a member-driven organization and is structured as a secondary co-op (members are food co-ops). Each member has the following rights of participation and access:

1. Elect representatives to the Board of Directors as provided for by the NCG Bylaws.
2. Have clear opportunities to influence programs and services.
3. Receive comprehensive information about the operations, plans and status of NCG.
4. Participate in NCG programs and services.
5. Participate in and contribute to NCG through national, regional, or other special working groups as well as advisory committees as established by NCG.
6. Receive patronage allocations as provided for by the NCG Bylaws.
7. Terminate the co-op’s NCG membership per NCG Bylaws and discontinue participation in any NCG program per the specific terms of that program’s participation agreement.

### Member requirements

The general manager of member co-ops, or another consistent “designated representative” (for co-ops that do not have a general manager), is required to serve as the primary point of contact. The NCG DR is required to ensure the co-op meets all membership and program requirements:

- Maintain confidentiality of information garnered through participation in NCG programs and to not share information or use it to the detriment of NCG or any of its member co-ops (see separate confidentiality and disclosure agreement).

- Attend and participate in all required meetings.
- Meet program requirements as stipulated in program participation agreements.
- Ensure timely submission of data to NCG, CoMetrics, SPINS and other data reporting services.
- Respond to requests for more information promptly and thoroughly.
- Ensure that required programmatic contacts are updated.

### **Member influence**

In addition to voting rights, NCG's structure is designed to provide members with five points of influence:

- **Board representation:** Each regional corridor directly elects two directors. Additionally, the board has at-large directors elected by all NCG members.
- **Staff access:** Each member co-op has access to staff members – those working at the regional or national level. Each corridor has development staff with responsibilities to coordinate and support corridor meetings and decisions; monitor co-op financial, market, and operational conditions; identify and deploy direct store support, where needed; manage risk; implement regional activities and programs; and represent corridor interests to other NCG staff and departments.
- **Member groups:** NCG has a number of advisory committees where DRs can provide input and direction on various projects and initiatives. In addition, NCG supports a variety of working groups to support common interests (e.g. small stores, multi-store co-ops, HR directors, etc.).
- **National meetings:** DRs from member co-ops come together each spring and fall for national meetings (travel costs are paid by NCG). The spring meeting also includes NCG's annual meeting. In addition, corridor and other online meetings, provide opportunities to influence NCG direction, programs, staff, and board.
- **Conflict resolution and grievance process:** NCG members have access to a process to mediate and resolve differences, issues or disputes with NCG.

### **Financial requirements for members**

NCG members are required to contribute to the co-op's capital base, as well as pay annual dues. In addition, member co-ops may pay specific program fees, as appropriate. Program fees are generally limited to optional or add-on services to programs – e.g. for customization of the promotional flyer, mailing coupons directly to consumers, registration fees for trainings, more in-depth technical support, etc.

#### Member capital

Member capital provides the basic financing for NCG as a purchasing cooperative for its services. There are three types of required member capital in NCG:

1. Common stock – one \$500 voting share, required of each member co-op.\*
2. Base capital – based on sales volume and adjusted every three years. The base capital requirement is 0.10% of the member's most recent annual sales volume. New members have up to five years to complete their member capital investment after joining.\*
3. Patronage based allocated equity accounts – allocations made to member co-ops, based on patronage or use, from NCG net surplus each year. The decision to allocate such surplus to members or invest it in new services, research, or development, is made by the NCG Board of Directors.

\* NOTE: Start-up co-ops with no current sales basis are assessed \$500 for common stock and \$1,000 in base capital.



### Member dues

Dues are assessed annually to all NCG member co-ops based on sales volume. The annual dues formula is \$1,000 plus 0.10% of annual sales. Dues are calculated on the basis of sales from 1 July through 30 June each year. New start-up co-ops with no current sales basis are assessed \$500 base dues per year until the store completes four full quarters of operations. Dues are payable to NCG at the beginning of each calendar year but members may opt to pay dues quarterly through the year.

### Other financial obligations

In addition, NCG manages an internal self-funded risk management fund based on its guarantee of payables balances by member co-ops participating in the national contract with United Natural Foods, Inc. (UNFI). New member co-ops will need to put funds on deposit as part of this system. Ask for the "JLF explainer" for more details. (Note – we will share this document only with the co-op's DR after receipt of an application and signed confidentiality agreements.)

### **Eligibility and qualification for membership**

To join NCG, co-ops must meet all of the following new member qualifications and criteria. In addition, in reviewing new member applications, management and the board will evaluate potential member co-ops based on the characteristics listed.

#### New member qualifications (required)

1. Operate as a retail food cooperative (consumer or worker).
2. Committed to and capable of growth, profitability, and continuous improvement.
3. Exhibit competent planning for growth over the next 2-3 years.
4. Able to comply with established NCG standards.
5. Meets additional criteria as set by NCG management.

#### New member criteria as set by management (required)

These criteria are subject to review and change as part of NCG's annual business planning cycle.

1. Supports and abides by NCG board and management policies.
2. Has submitted at least eight quarters of financial data to CoMetrics.
3. Current annual sales volume of \$2 million or greater. (*Currently under review in 2020.*)
4. Produces monthly financial statements in accordance with GAAP (generally accepted accounting principles), especially:
  - a. Records current portion of long-term debt as a current liability.
  - b. Records depreciation and amortization monthly.
5. Conducts a complete physical inventory at least quarterly.
6. Operates with a point-of-sale system or back-end software capable of reporting to SPINS.
7. Has a loading dock, forklift, or other methods for efficient unloading of deliveries.

#### New member characteristics (strongly preferred)

1. Skilled, experienced general manager or DR in place no less than six months.
2. Comprehensive budget in place and performance that reasonably matches projections.
3. Member equity structure in place that provides sufficient member capital for current and projected operational needs.
4. DR in place who fully understands and enthusiastically embraces NCG member responsibilities and participation in the NCG system.

Start-up co-ops must be incorporated and have completed a feasibility study and a business plan demonstrating viability for the co-op and have demonstrated local community support through a functional board of directors and strong membership interest.

## Application Review Process

Interested co-ops that meet the criteria, qualifications and characteristics of membership must submit an application and signed application agreements. Once a complete application, with all required documents, has been submitted, the following steps will be followed:

1. The application is reviewed by staff to ensure that the co-op meets the eligibility and qualification requirements for membership. This process is led by [Karen Zimbelman](#), NCG's Senior Director of Membership and Cooperative Relations and involves corridor and national staff as well as NCG's Senior Director of Retail Support.
2. If requirements and qualifications are met and fully documented, the application is then forwarded to the CEO to determine if NCG's board policy and business plan criteria and procedures have been met and if the applicant is a good candidate for joining as a new member. *These first two steps take approximately 60-90 days.*
3. If eligibility and policy compliance is established, the CEO will submit the application and supporting documents to the NCG board for final approval. *This step can only occur in conjunction with board meetings – currently scheduled in January, April and September (subject to change).*
4. Once the NCG board acts on an application, the applicant is informed within 7-10 days and, if accepted, is eligible to join the first day of the following calendar month.

Currently, NCG is accepting applications twice a year – due the first day of January and the first day of June. Applicants are informed as their application is reviewed and moves through the above steps, if their applications are incomplete, or if there are delays to processing their application.

## Join Us!

[National Co+op Grocers](#) is a member-driven cooperative that works to secure a sustainable future of thriving locally owned food cooperatives. We hope you'll be as excited about joining and participating in NCG as we are about building a strong food co-op system. If you have any questions about this information or your co-op's application, please [Karen Zimbelman](#).

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