

**[NOTE: The proposal below outlines a suggestion for moving forward with a transition and should not be read as a finalized plan.]**

To: ELFCO Board, Staff (Peggy Cunniffe,) and members  
From: Chris Bardenhagen  
RE: Proposal for future ELFCO project  
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Project Synopsis:

I suggest that we work to develop an alternative to a full-service natural food cooperative by assessing which ELFCO goals and resources can be matched together in a viable way, in order to serve certain relevant needs of the community. Even with the plethora of natural foods and natural-foods-esque stores that are currently in the East Lansing area, it can be challenging to find local produce, meats, and other local food products such as breads, cheese, flour. Many people don't have the luxury or desire to travel to multiple farm markets in the area to try to fulfill that aspect of their grocery basket. Additionally, hyper local and wider-local (100 miles, etc.) farmers could use more markets, and potentially would appreciate help developing further capacity via a food hub-type institution.

Some of the goals I have seen promoted at ELFCO meetings over the last year include working with local farmers, educational outreach regarding cooking with local foods, and investment in the community, in addition to provision of natural and local foods to members.

ELCFO could meet many of these goals by having a small retail space for the main purpose of selling local farmer's produce and other local foods. The retail space could be open into the evening, but perhaps as short as one shift a day to get started in order to minimize costs (11:00 to 7:00 pm, for example) enabling people that work regular hours to visit the co-op after work. A small amount of space might go a long way for this. (Remember Argus Farm Stop's first location in Ann Arbor.) We could also operate a buying club as part of this operation.

I believe that part of a viable mix might include some bulk foods that are not local, such as granolas, teas, et cetera, but mostly only to the extent demanded (a moving target... the idea would be to try not to compete with whole foods on too many items.) **A major task for the board would be to work on determination of the unique product mix.** Due to not being members of NCA, we could look at working with an existing nearby co-op to procure these at reasonable prices (one of the People's Foods co-ops, or Green Tree- all are a similar distance from here...) Having a buying club might also cut down on the number of non- or barely-viable products we sell at retail, as there would be an alternative way to get them for those for whom those products are important aspects of a co-op experience (for example, for myself it is teas; if I am the only person who buys much Indian White, I could simply use the buying club to buy it bulk versus have a bulk container and PLU number devoted to it.)

**I suggest we look for a partner or partners who would be willing to help facilitate this, in order to avoid creating a totally stand-alone retail space.** Working with another business or organization may allow us to minimize labor (to run as lean as possible.) One idea is the Allen Neighborhood Center, another is Michigan State University. One ELFCO member has found some interest by stakeholders at

MSU. One potential MSU location for a retail space is at the new Sparty's Market store at Kalamazoo and Harrison. I have spent some time in that store, and they are already trying to use the co-op look/feel... they have bulk bins and some bulk foods set up, but unfortunately they are pretty low quality. They have a great set up for fresh produce. We may be able to work with them, having co-op goods take the place of the existing bulk quasi-natural foods and candy. Part of the impetus for MSU could be co-op outreach and development (as an agriculture school with a cooperative development program, this may a significant driver.)

A big aspect of my proposal is to **work with local farmers in more substantive way**. This might mean several things, **but it definitely would mean contacting farmers as part of the feasibility assessment going forward**. My idea would be to have the co-op help serve them, potentially by helping them to develop further markets, something that seems to be in the ANC's ambit. ELFCO could have the potential to act as a **food hub** for these farmers, where their produce could be aggregated for institutional sales, for example to MSU. This process of development could find significant support from the MSU Product Center, the Center for Regional Food Systems, and other MSU outreach. Again, wherever the retail space might be, ANC might be a great collaborator for any food hub activities.

Further, **I would suggest looking into the feasibility of setting up a farmer line of ownership in the cooperative**. Many ag cooperatives are set up as both supply and marketing cooperatives; this is something that could be replicated here. Without going into detail, the main idea would be for local farmers and producers to be able to have a stake in the development of the supply side of ELFCO, and both farmers and consumers could have input into all aspects of the business.

Educational activities could definitely be a part of the mix, and deli would likely fit in nicely too. I would suggest that both of these, however, would fall into place in their own time if we focus on the retail, farmer, and buying club aspects.

**I would suggest that any plan of moving forward would include allowing current members who want to exit to get out**. My idea would be to return the higher than \$60 equity to those who ask; and give back any requests for the regular member shares at a prorated rate, based on our best ball park estimates now. For example, if we were to move into dissolution now, and we estimate that after everything, owners will get \$30 per share... then we give \$30 a share to those who want out, and insure that the members who stay in realize that their \$30 is at risk if any plan moving forward is unsuccessful.

**The board's** main duty during the next year would be to spend time on strategy development, including product choices; oversight of staff (Peggy), and evaluation of staff and individual board member's findings. The job of staff would be to look into various avenues, communicate with other actors, and report to the board. Individual board members could also be part of communicating with other actors.

The MSU EMBA program may be willing to take on our case and look at the feasibility of one or more options. IF the timing works, we could make some initial connections, and work with the EMBA team, who would mostly go back and forth with Peggy.

Important tasks for beginning the process, not in any order:

- Talk with someone at Sparty's Market to begin conversation.
  - Follow up with MSU contacts whom the ELFCO member has talked to
  - Communicate with/reach out to other relevant MSU contacts
- Talk with leadership at Allen Neighborhood Center, to gauge interest in working with us either on:
  - A small retail space and related collaboration
  - AND/OR working with farmers to develop capacity/food hub/processing stuff

- Begin to develop a list (using the existing list) of farmers and begin to contact those farmers to gauge their interest in:
  - Selling to the coop
  - Developing a farmer line of membership
  - Food hub aggregation/institutional sales development
- Connect/stay in contact with EMBA (asap on this one!)
- Develop ideas for combined farmer/consumer cooperative structure (I know an attorney who would be perfect to work with on this, and would not be very expensive- a social enterprise attorney from Traverse City (Kate Redman.))

For my part, I am willing to be part of the board (president or not) to help provide oversight, and work on the tasks outlined above. FYI I am beginning my study for the comprehensive exams starting next week, exams to be taken last week of January. However, notwithstanding, I believe that between Peggy and I, we can knock off most of the work above over the coming months. I would request 1) that we choose a night other than Monday for meeting and 2) that we meet once per month, and perhaps occasionally for special meetings; but have working groups or individuals do the tasks in between meetings, reporting to the board via e-mail.

Once the above has been looked into, we should have a good idea (say by March or so) as to whether there is any real possibility to shoot for or not. If not, we work to dissolve. If so, we move forward and take the ideas to the next step of planning and feasibility assessment.

Volunteers, and support from coop members: I think that much of the beginning tasks above can be done without a large volunteer effort. There needs to be a significant amount of moral support for the idea, however, at the Dec. 2 meeting, in order for me to commit to help. Once the beginning tasks are done, new tasks will surface, some of which would be appropriate for volunteers; volunteer help would become more necessary as a project gets closer to actually opening in a retail location. Therefore, I suggest we solicit name of interested people at the meeting who are willing to help if a plan starts to precipitate (likely mid-year or so.)

My last caveat is that I am planning to move to France in September (2018) for 10 months. However, by that time, I think that any project that is moving forward will have to have significant steam and a life of its own. I can continue to communicate with stakeholders (MSU, farmers, etc) and the board while I am in France.

## COSTS

The main costs of this project would be staff time. However, we need to make room for any fees that go to service providers, consultants, or due diligence items: legal counsel, paid consultants, engineer/architects etc., though I would assume that most of these fees would only result after a plan having some degree of feasibility is settled on (again, mid-year ish.) I would assume Peggy's current projected employment costs for the year PLUS about \$20,000 should cover the financial needs.

## CONCLUSION

ELFCO can investigate these options above, in a manner that is fair to the members by offering equity returns, and fair to the board by utilizing staff for much of the legwork of especially the initial stages of the process of inquiry.

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