

# Co-ops Support Weaver Street Market

## Just one of the many ways co-ops are stronger together

BY MARI ROSEMAN

**W**eaver Street Market is the Southeast's largest cooperatively owned grocery, with over 14,000 consumer and worker owners. It opened its first location in Carrboro, N.C. in June 1988. The cooperative grew quickly and expanded its flagship location several times. Weaver Street opened a full service restaurant in 2000 and a second retail grocery location in 2002.

In June 2008, Weaver Street opened its third retail location in Hillsborough, N.C., and at the same time opened a 25,000-square-foot central kitchen/Food House operation. This ambitious expansion coincided with openings of two new local competitors and a weakened economy, causing Weaver Street's cash to erode and placing the co-op in fiscal jeopardy by the end of 2008.

The co-op's \$8 million development cost was financed with a combination of owner loans, National Co-op Bank term debt with USDA loan guarantees and New Market Tax Credits, and a regional bank line of credit. This debt resulted in total long-term liabilities of over \$10 million and annual debt service of over \$1 million.

### Conditions create short-term threat

Weaver Street's General Manager Ruffin Slater contacted the National Cooperative Grocers Association Development Cooperative (NCGADC) for assistance in August 2008. Slater explained the situation:

*While our two new units are doing well, our two existing stores have seen significant sales erosion. Two new competitors—Trader Joe's and The Fresh Market—have entered the market in the last nine months, and our customer count reflects customer migration to those stores.*

*Over the last nine months, our Carrboro store has gone from 10 percent sales growth to a 10 percent sales decline, and our Southern Village store has gone from over 25 percent to zero growth. This drop in sales, along with short-term inefficiencies related to moving food production out of the stores and into the Food House, has resulted in significant operating losses. The combination of our expansion, our sales decline in existing stores, and our inability to sell our real estate has left us with an acute short-term need for cash. We need to raise \$1.35 million to pay down accounts payable to a sustainable level.*



**Above:** Weaver Street Market's new Hillsborough location.

**Left:** Weaver Street Market's new Food House.

**Top right:** The produce department at the Hillsborough location.

### Co-ops and Development Cooperative provide help

The NCGADC moved quickly to assist Weaver Street in raising additional working capital. In addition to a direct loan from the NCGADC, the Self-Help Credit Union in nearby Durham agreed to process loans from other co-ops. Detailed financial analysis and projections were prepared by the NCGADC and Weaver Street, and \$650,000 was raised to support Weaver Street's turnaround. These much-needed funds were provided by:

- NCGADC
- Ever'man Natural Foods Co-op, Pensacola, Fla.
- PCC Natural Markets, Seattle, Wash.
- Ocean Beach People's Co-op, San Diego, Calif.
- City Market/Onion River Co-op, Burlington, Vt.
- East End Co-op, Pittsburgh, Pa.
- Seward Co-op, Minneapolis, Minn.
- Middlebury Natural Foods Co-op, Middlebury, Vt.

- La Montañita Co-op, Albuquerque, N.M.
- Frontier Natural Products, Norway, Iowa
- Equal Exchange Co-op, West Bridgewater, Mass.

Weaver Street also raised an additional \$500,000 in owner loans, and several suppliers converted over \$200,000 in past-due payables to term debt.

Ever'man Natural Foods Co-op provided a hefty \$200,000 in support; Ever'man General Manager John Russo describes the circumstances:

*Ever'man Natural Foods Co-op and Weaver Street Market have enjoyed a long-distance and collaborative association and friendship for more than a decade. Being well acquainted with Weaver Street's management, facilities and operations made the decision to assist them an easy one.*

*Additionally, Weaver Street is one of the true banner carriers for the cooperative movement.*



Here's an example of a co-op that is not only a great business operator, but also truly practicing the cooperative values and principles in ways that genuinely build community. Weaver Street has done all the right things and only due to unfortunate timing ended up in a temporary financial stranglehold.

To allow Weaver Street to fail would allow non-cooperative competitors to achieve such dominance in that prime market area that success by another future cooperative would be very unlikely. We couldn't stand by and watch that happen, not only to them and their community, but to all of us [cooperatives]. Fortunately, we were sitting on some idle surplus cash, which we had accumulated in anticipation of our own expansion project, which we decided to table for a while. And so, happily, we could respond to the call.

### Getting to cash positive

The NCGADC also supported Weaver Street management's efforts to return to cash-positive operations. Significant increases in productivity were achieved in every business unit. The administrative staff was restructured, saving \$10,000 per month, and efficiencies provided by the Food House helped the retail stores to reduce wage costs to less than 12 percent of sales. The Food House and restaurant margins improved as the Food House staff continued up their learning curve and the business model matured. In June 2009, Weaver Street eliminated their longstanding member and senior store discounts, saving over \$700,000 per year. The Weaver Street board of directors, management and staff worked together and remained focused on improving the business under very difficult circumstances.

After six quarters of losses, Weaver Street returned to cash-positive operation in the quarter ending September 2009. Total same-store co-op sales improved to above the prior year in December 2009, and Weaver Street continues to improve its financial performance. "The support of the co-op community was instrumental in our financial turnaround," stated Slater. NCGADC development director C.E. Pugh "worked side-by-side with us developing and implementing our turnaround plan, and the financial support of other co-ops was amazing."

Weaver Street's current priority is to increase sales through improved category management and produce operations, and by employee participation in achieving sales goals. Opportunities to further leverage the Food House include supplying a new Deep Roots Co-op facility and a nearby startup co-op.

"Our ability to support each other is more important than ever," Pugh emphasized. "The UNFI purchasing contract prevents us from extending the payables to UNFI, and the current credit environment makes bank financing almost impossible for anyone in trouble. The sector's support for Weaver Street provided their management time to improve the business. What a great example of how we really are stronger together!" ■



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