

BOARD STUDY MINUTES

La Montanita Food Co-op  
Board of Directors Meeting – March 17, 2015

**Chicken or Egg: Is La Montañita’s primary differentiator its product selection or its economic model?**

**Led by:** David Hurley

**Summary of Topic:** Many food co-ops start because it is an economically viable way to bring otherwise unavailable products to its member/owners. La Montanita looks different from many food co-ops did a few decades ago. It looks more like a traditional grocery store. Now that local and organic are mainstream, should La Montañita be looking at ‘solving’ current fringe products that are unavailable in mainstream stores (e.g., raw milk, hyper-local, etc.), or do we cede that to smaller players in favor making a bigger economic impact?

**Small group discussions**

In small groups, those present discussed 4 different questions, placing themselves along four different continuums (summarized in boxes below), and then shared with the larger group.

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| <p><b>Continuum #1</b></p> <p><b>&lt;&lt;&lt;Lowest Price Possible -----Greatest Convenience&gt;&gt;&gt;</b></p> <p>One way that co-ops improve access to (and purchase of) healthy foods is to make the cost of those foods as low as possible for members. This can be done by having limited hours (or no permanent location), requiring pre-order of products, or only selling bulk items. People who may not otherwise be able to afford healthy food will have access, but the inconvenience will drive other potential shoppers away.</p> <p>A different approach might improve access by making purchasing healthy foods as convenient as possible. Having stores in prime locations, with long hours, well stocked shelves, grab'n'go items (and grab'n'go locations), and even online ordering and delivery services all make it very easy to choose to buy healthy food from the co-op, for those who can afford it.</p> <p>How should La Montañita balance these two models for achieving this end?</p> |
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*Discussion:*

- A model like Aldi’s or Costco could reduce prices but it would also reduce interaction with people. The community shopping experience is one of the co-op’s strengths.
- Who are we trying to sell to? Does lower cost make it more accessible, or is it actually making it less accessible with the loss of customer service?
- **PLACEMENT ON CONTINUUM:** Among the small groups, one group placed itself in the middle; the others leaned toward “greatest convenience.”

### Continuum #2

**Work with larger enterprises -----  
to keep sustainable agriculture  
commercially viable**

**Develop network of micro-farms  
and community growers for a more  
diverse and connected Ag community**

By working with micro farms and other small-scale producers that otherwise can't reach conventional supermarkets, the co-op can help expand the local agricultural sector while promoting community connections between growers and consumers. The small scale producers can be encouraged to follow sound environmental practices as they have less incentive for the environmentally degrading practices that result in low-cost high-yield foodstuffs.

By working only with larger agricultural enterprises, the co-op can help keep (or make) these full-time farms economically viable, thereby providing a positive influence over a larger segment of the agricultural sector, and ensuring healthy growth over the long term.

#### *Discussion:*

- If you ask the average person, even our own members whether the co-op is more similar to Whole Foods or a Farmers Market, I expect most would say we are more like Whole Foods. But what makes the co-op is so unique is the co-op model and the effort to support the local farmers and growers. We have moved some away from very small growers because of food safety and liability insurance requirements.
- This might be decided for us: the FDA might impact the kinds of growers we work with.
- One group talked about the importance of relationships. We do not need to develop the network of farms but to develop relationships with growers and producers that then form the network themselves. We do this by providing education and services to them.
- We don't need to own the network, but be consultants and support to the network. Sweetgrass is a perfect example.
- PLACEMENT ON CONTINUUM: Among the small groups, one group placed itself in the middle; the others leaned toward "network of micro-farms."

### Continuum #3

**Sell what is popular. We can -----  
have a big impact through  
volume of sales**

**Sell what is innovative. We have  
the freedom to stock foods  
before they are mainstream.**

Once upon a time, organic foods were not available in mainstream supermarkets. Food Co-operatives, like La Montañita, were able to fill this need and grow organic foods into a multi-billion dollar industry. La Montañita could embrace this role of visionary food pioneer, seeking out the healthy alternative foods that are not readily available to its members through mainstream markets, and helping to (once again) change the food industry from the ground up.

On the other hand, La Montañita could decide that it has outgrown that historic role – it is too big now to survive in the small pond of alternative foods – and that it can have more of an impact selling (relatively) mainstream foods that embody the values of an expanding membership. Once there is significant demand for an alternative food, the Co-op will stock it. Not before.

*Discussion:*

- La Montanita’s focus has shifted from natural and organic to local. What’s the next thing? For example, insects. Crickets are gaining traction. Cricket flour. This might be the next thing. There is also a growing demand for raw milk, but safety concerns are significant.
- Is innovation in the product, or in the marketing?
- Food safety regulations are seen by some as a way to keep out the smaller producers. But the rules are also important because food illness is real.
- PLACEMENT ON CONTINUUM: Among the small groups, one group placed itself in the middle; the others leaned toward the “innovative” end.

**Continuum #4**

**Most of our customers should  
be true believers in the  
co-operative model**

**It’s fine if most of our members  
think ‘Co-op’ is just a word  
in our name**

A strong co-operative community is one built around a strong co-op. We’ll always continue to provide our member/owners with opportunities to get involved, but if a large number of our shoppers (and even some of our members) doesn’t know what a co-op is, no problem. You don’t need to know or care about the co-operative model to reap the benefits.

To have any sort of true co-operative community, members need to understand and participate in that community. It is not enough to be financially secure as an organization, we need members who own, use, serve and belong to the co-op in real and meaningful ways.

*Discussion:*

- The cooperative model is very important. Education of our customer base is a priority.
- Individuals might join the co-op without knowing much about what it is other than a specialty grocery store, but we should then be encouraging them toward understanding what the cooperative model is.
- We will always have “social members” whose only involvement is through shopping.
- We do want everyone to find some kind of meaningful participation. Even some of the more casual shoppers appreciate the sense of community.
- Interestingly, REI is rebranding itself as “REI Coop.”
- PLACEMENT ON CONTINUUM: Groups all lean somewhat or heavily toward the “true believers” end.

**Big Question: Is La Montanita's primary differentiator its product selection or its economic model?**

- It is both, but the consensus is that what makes us most different is the economic model—more than buying organic and local, which is what Whole Foods does as well.
- An emphasis on the economic model over product selection also allows us flexibility to change our product selection as times change.
- Because food is something that people buy all the time, we have opportunity to touch people with the co-operative model—expose them to it—in their everyday life.