



Community Food Enterprise

Local Success in a Global Marketplace

*A project of the Wallace Center at Winrock International and
the Business Alliance for Local Living Economies*



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Community Food Enterprise: *Local Success in a Global Marketplace*

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Weaver Street Market

When Ruffin Slater and his two friends, Marilyn Butler and Randy Tally, opened up Weaver Street Market in 1988, natural food co-ops meant big crates of dry grains. “We wanted something more than that,” says Ruffin, “something we could get the community involved in.” Today Weaver Street is a large, diversified community enterprise that lives its motto: “A co-op is a better economic system.”

Originally founded in Carrboro, a small artsy community adjacent to Chapel Hill in North Carolina, the Weaver Street Market is now a 12,000-member cooperative comprising three grocery stores, a food-preparation commissary, and an Italian restaurant called Panzanella. It has plied its success into other ventures as well. It has established an affordable housing cooperative and a locally owned radio station. It runs a Cooperative Community Fund and donates more than \$60,000 each year to local schools and other nonprofits.

To call Weaver Street Market a triple bottom line business misses the mark. Its mission statement lays out 10 bottom lines beyond profit: cooperative control of profits, local self-reliance, ecological balance, meeting basic community needs, non-exploitation of the workforce, inclusiveness of the community, education of fellow citizens, social interactivity, empowerment of customers, and integration in the local economy.

This isn't just hype. Unlike many cooperatives, Weaver Street has become an economic powerhouse in the region, with annual revenues now topping \$20 million. With its commitment to local, fair, and “authentic” food, it is demonstrating how to practice local sourcing, purchasing, and marketing profitably. Moreover, it has done all of this through a unique design of a co-op blending consumer and worker ownership.

Business Model

Weaver Street came about because of two frustrations its founders had with food shopping in the Chapel Hill region: one with mainstream grocery stores, and the other with co-ops.

Ruffin likes organics but also believes that food should be produced locally and fairly. He grouses about Walmart's selling organic foods sourced from China, that most other organics are coming from big factory farms, that these organic marketers are increasingly shortchanging traditional family farmers. He wanted to create a store where people could buy food that was “authentic.”

The Weaver Street 2007 annual report defines authentic food as “organic products from small farms that embody the spirit of organic farming rather than factory farms that do the minimum to get by. Authentic food means products



All photos by Weaver Street Market

At a Glance

Where

Hillsborough, Carrboro, and Chapel Hill's Southern Village, North Carolina

Founders

Ruffin Slater, Marilyn Butler, Randy Tally

Year Founded

1988

What

Three grocery stores, a bakery, restaurant, commissary, & several non-food spin offs

Number of Employees

250 (2008)

Total Revenues

\$515,000

Website <http://www.weaverstreetmarket.coop>



from local producers who contribute to a sustainable food system, retain artisan production techniques, and allow family farmers to stay in business. Authentic food means fair trade—fair payment to farmers in the developing world that produce crops such as coffee that can only be grown in warmer climates. Authentic food means products from our own kitchen and bakery, where we use high quality ingredients and maximize quality and freshness.”

Authenticity means that an aisle of Weaver Street should resemble a local street fair with vendors representing the region’s food system. You can find milk from Maple View Farms, fresh eggs from Hillsborough, flour from Lindley Mills in Graham, and all kinds of North Carolinian produce.

Weaver Street also has its roots in Ruffin’s frustrations with other food co-ops. “Historically, food co-ops have been marginalized in their communities—the hippies, the weird people, the weird food.” Weaver Street appeals to the mainstream. It emphasizes middle-of-the-road products with a local identity. Its community events involve more than just the co-op’s members—they draw all kinds of people. So does its in-house restaurant. “We’re not,” says Ruffin, “just the unknown store that people are afraid to try.”

In fact, much of Carrboro’s cultural life swirls around Weaver Street. The cooperative sponsors an average of four community events per week. Some are built around holidays, like “Ghost Stories under the Stars” at Halloween. Others have become regular features of downtown Carrboro, like the Sunday jazz brunch and the Thursday night music jams on the lawn.

Ruffin hopes that Hillsborough, the newest grocery store location, will create some of the same community impacts the Carrboro location has. Hillsborough’s downtown is currently filled with storefront vacancies and devoid of street life—essentially what was true of Carrboro before the first Weaver Street store opened. The Hillsborough location is designed with a café and outdoor seating, all plainly visible to people driving by to attract more activity.

But despite these positive community impacts, Ruffin laments that Weaver Street doesn’t currently serve everyone it might. “There are parts of the community we don’t reach. A lot has to do with price. It is impossible to compete with grocery stores on price, or fast food restaurants on price. We’ve developed a food system in the United States that provides really cheap, mass produced, mediocre-quality food that, if you’re on a tight budget, is seen as a good food option. High quality and organic foods cost more—at least right now.”

Business Model Overview

<p>Sector Retail, Value-added processing</p> <p>Ownership Type Worker and consumer cooperative</p> <p>Local Ownership Yes (100%)</p> <p>Products Varies across grocery stores, restaurant, and bakery</p> <p>Market <i>Domestic:</i> Local/regional</p>	<p>Customers Local</p> <p>Niche(s) “Authentic” local food products, worker and consumer ownership, hundreds of community events, community reinvestment, 10 social and environmental bottom lines, cooperative ownership used to launch many food and non-food community services</p>
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Ruffin also wanted Weaver Street to be a different kind of cooperative. Specifically, he wanted scale. He knew that successful natural food stores were shifting from being very small operations to being the size of large grocery stores, with Whole Foods Market being an example. As a college town, the Chapel Hill area was ripe for a large-scale natural food store.

One unusual feature Ruffin built into the cooperative was multiple stakeholders. It was to be not just consumer-member owned but also worker owned. Nearly 100 workers now are voting shareholders and participate in the cooperative decision making. “Consumer ownership can slow things down, people tend to like what they have and don’t want to risk it,” Ruffin explains. “Worker owned means being a lot more entrepreneurial. We’re willing to take more risks, to try new things. This is a critical element of our business success. If you’re not changing, then over time you’re going to lose market share.”

“Obviously the workers in an enterprise know a lot, if you can tap that knowledge, you can improve the business. We didn’t really obsess about how you actually do it. We just said—consumers own half, workers own half, and we go from there.”

Mindful of its community mission, its ambition, and its desire to evolve, Weaver Street has greatly expanded over the years into other businesses: a restaurant, a radio station, and a housing cooperative. It has plowed some of its net revenue into a Cooperative Community Fund that



supports local groups working on sustainable agriculture, food, hunger, malnutrition, environmental protection, and cooperatives. The ongoing need for capital led it to launch the Community Investment Initiative, which borrows money from members (the minimum is \$10,000), pays a simple 6% interest annually, and agrees to repay principal at the end of five years.

Besides the third store, another major expansion, also in Hillsborough, is a commissary kitchen and bakery called the Food House, which allows all the Weaver Street stores to expand the prepared-food market with quality cooking and local ingredients. The facility also provides enough warehouse space for the co-op to consolidate orders, improve efficiency, and begin to create a more comprehensive system of local sourcing.

Over its 20 year life, Weaver Street has earned enough net revenue to retire nearly all its debt. Now new debt is being taken on to finance the third store and the commissary. In 2007 its net revenue was \$360,000, nearly triple its 2006 revenue.



Ruffin gives a sense of how this translated for the members in 2007: "Our consumer owners received \$399,598 in discounts at the cash register. Based on total consumer share investment of about \$1 million, this represented a return on share investment of 39%. Our worker owners receive a patronage dividend based on hours worked, which totaled \$151,534, or \$1.01 for every hour worked during the year. Based on a total worker share investment of \$406,048, this represented a return on share investment of 37%."

These economic impacts extend to the community in a big way that wouldn't be possible if Weaver Street were not locally owned. "This year our co-op passed the \$20 million sales mark, meaning that \$20 million was directed into the cooperative economy rather than the corporate economy," Ruffin explains. "Since 41% of the money spent at Weaver Street Market is spent directly in the local community, and by applying standard industry multipliers to calculate total economic impact, we calculate a total of \$12 million in local economic impact that our co-op created last year. Another way we measure our contribution to our local economy is the amount we purchase from local farmers and food producers, which last year amounted to over \$2 million."



An additional way Weaver Street measures its social bottom line is in the number and success of its community events. In 2007 Weaver Street hosted 194 community events throughout the year—an average of almost four per week." Its environmental bottom line is equally impressive. "We purchased 10% of our electricity from green energy sources, and recycled 14 different waste streams in 2007. In our Hillsborough store we recycle waste heat from the refrigeration system and use it for heating water. We collect waste water from the sinks and use it for toilet flushing, and collect rainwater and use it for irrigation."

Ask almost any resident of Carrboro about what the most important

businesses for the local economy are, and Weaver Street Market will come up. In 2006 the Chapel Hill-Carrboro Chamber of Commerce named it the Sustainable Business of the Year, calling it “a community fixture.” Yes! Magazine called it one of the seven best alternative businesses in the country.

History & Drivers

Ruffin Slater is an unlikely grocery entrepreneur. He was a history major at Duke University looking for “meaningful” work after graduation when he got a part-time job at the Durham Food Co-op. “I just happened to like it because it was a good combination of very tactile, physical labor—stacking shelves, whatever—and also a lot of interaction with people.” He and his two partners began to imagine what a more ambitious cooperative could become. “The

Durham, and from a municipal revitalization program.

It took 10 years for Weaver Street to expand beyond the grocery business. “One of the breakthroughs was that the board of directors saw opportunities to impact the community besides selling natural food. The traditional growth path of a co-op, a Whole Foods Market or most food businesses is product driven. Our thought process was a bit different. What is it, we asked, that we can bring to the community, and what is it that the community wants or needs that a co-op community can provide?”

“That logic,” Ruffin continues, “led to the restaurant. It led us to the housing co-op. To the community radio station. Even within food, it has led us into opening a bakery, making our own prepared foods, partnering with farmers to organize a chicken processing plant.”

“Since 41% of the money spent at Weaver Street Market is spent directly in the local community, and by applying standard industry multipliers to calculate total economic impact, we calculate a total of \$12 million in local economic impact that our co-op created last year. Another way we measure our contribution to our local economy is the amount we purchase from local farmers and food producers, which last year amounted to over \$2 million.” ~ Ruffin Slater, general manager

principal idea at the beginning was to take the concepts we believed in that weren’t being executed [at the Durham Co-op] and to look at a way to have a bigger impact on the community. We wanted the best food possible and a community-owned business model.”

When Weaver Street Market first opened, it occupied just a small part of a building in front of the Carr Mill Mall. “We had an intuitive sense that we wanted to be in the heart of downtown. We weren’t at all interested in a strip mall. This goes to the type of interactions, the stimulating and interesting work environment, we were looking for. ‘Let’s be in an interesting place in the middle of things that could engender casual interactions that could organically create an experience they would like.’”

The co-op started with only 250 members, and it took all kinds of grassroots organizing—street fairs, mailing-list swaps, and word of mouth—to sign them up. The small membership meant that fees, \$75-135 per household, covered only a tiny portion of the \$500,000 needed for start up. The rest of the capital had to come from borrowing. Two dozen of the members were willing to loan \$5,000-10,000 each. Ruffin then leveraged that capital for loans from the recently opened Self-Help Credit Union in

Some of these entities became legally independent of the co-op. Because of broadcasting law, the public radio station has to be a separate nonprofit. The housing co-op also became an independent nonprofit so that it could go after foundation grants. “Weaver Street incubated them. We’re still involved, but primarily through representatives on their boards. We also subsidize them with space and free rent so they can focus on operations.”

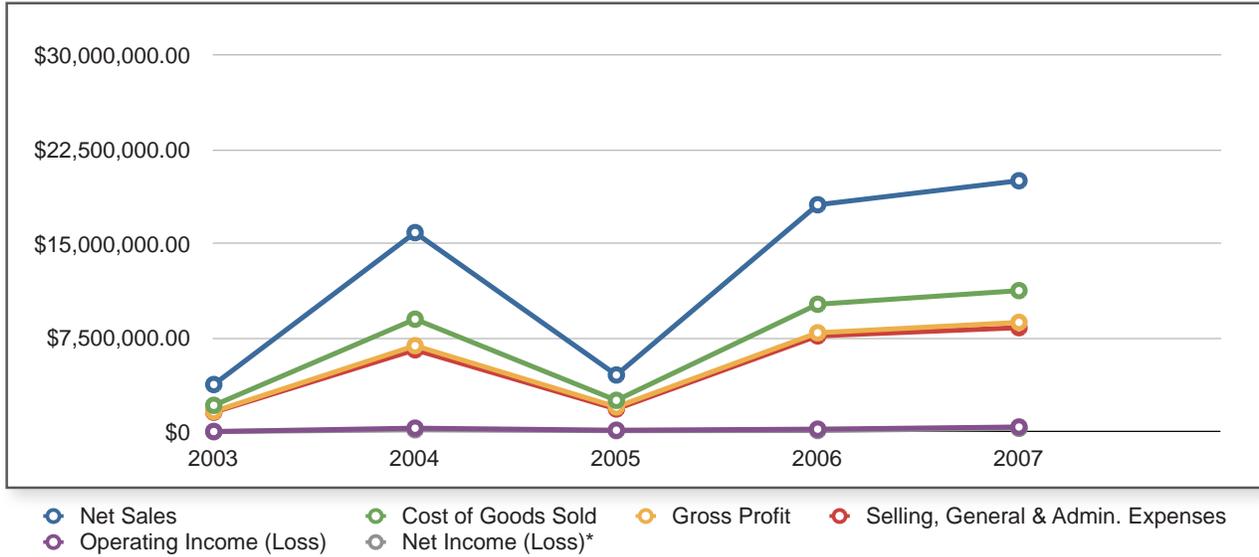
Despite the proliferation of businesses, Ruffin still sees value in some specialization. “The most important things we’re doing are still around food. That’s what we’re best at, where we have some economy of scale, where we have the most experience. Our radio and housing businesses are successful, but not nearly as impactful or successful as food.”

Key Challenges & Lessons

When Ruffin puzzles over the coming challenges Weaver Street faces, he comes up with three:

- *Local Sourcing*—The presence of entrepreneurial farmers and local food businesses in the Chapel Hill region made the first phase of local sourcing relatively

Financial Performance



*The Net Income for Weaver Street tracks the Operating Income, and therefore is not visible behind the purple Operating Income line of the graph.

Data for years 2003 and 2005 appears to be quarterly, although that could not be confirmed with Weaver Street. If these are all annual numbers, the business appears to be rather erratic. In either scenario, both gross and net margins are consistently positive, with gross margin hovering tightly around ~43% and net margin fluctuating slightly more, between 0.75%-2.75%. Additionally, the cooperative has grown equity considerably over the last several years, which is a great source of low-cost financing for further growth.

there's a clear need for processing meat locally, and these operations are capital intensive.

- *Multiple Bottom Lines*—Another challenge is getting all the stakeholders—workers, consumers, suppliers—to develop a consensus on choices that affect multiple bottom lines. For example, how do you discontinue newly endangered seafood varieties without driving shoppers to the competition?
- *System Change*—Ruffin remains enough of a historian to know that even a large, successful Weaver Street cannot change the larger food system on its own. He mentors other cooperatives, like the Chatham Marketplace, but he wants to change much more. “We’re doing well in this, better than many, but there are so many larger food system barriers.”

Ruffin believes that any modest-sized community can achieve what Weaver Street has done. He concedes that his hybrid model is not as familiar as other cooperative models, but the other keys to success are not rocket science: Amass the needed capitalization from member loans, vertically integrate the food supply chain to increase

control, emphasize the social benefits of a great place, and move the cooperative into other critically needed enterprises. Ruffin also sees the importance of momentum and reputation. “If you’re successful, people will come to you.”



Social & Environmental Performance

B Corporation Report Card Score: *Pass**

** According to the B Survey rating system, this enterprise qualifies as a "Beneficial Corporation"*

Additional Indicators

Indicator	Findings
Social & Labor Stewardship	
Established mechanism for worker representation in decision making/management?	Yes
Benefits provided to employees and their families?	<ul style="list-style-type: none"> • Part-time/flex work schedules (25% using) • Counseling services • Living wage to all part-time & full-time employees • Retirement plan for full-time employees at least partially paid for by company • Health insurance • Dental insurance • Life insurance • Domestic partner benefits • Paid sick leave • Paid vacation
Membership in associations that foster labor, community, or societal stewardship?	No
Environmental Stewardship	
Are all sites of enterprise activity free of regulatory problems, liabilities, or fines for environmental issues?	Yes
Energy conservation or renewable energy practices?	<ul style="list-style-type: none"> • Energy usage measured annually • Energy efficiency policies
Membership in association(s) that foster environmental stewardship?	USDA Organic
Local Economy Stewardship	
Majority (over 50%) of enterprise ownership located in the same community as at least 2/3 of workforce?	Yes
Expenditures (other than labor) directed towards independent local suppliers?	<ul style="list-style-type: none"> • Supplies and services: 20-40% of expenditures (other than labor)