



BACKGROUND ON NCGA AND OPPORTUNITIES FOR AFFILIATION AND PARTICIPATION

National Cooperative Grocers Association (NCGA) is a business services and purchasing cooperative for food co-ops located throughout the United States. NCGA helps unify food co-ops in order to optimize operational and marketing resources, strengthen purchasing power, and ultimately offer more value to natural food co-op owners and shoppers everywhere.

About NCGA: The Big Picture

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 NCGA acquiring each of the regional CGAs and all member co-ops becoming a direct member of NCGA.

NCGA immediately accepted responsibility for a wide range of programs including negotiating group discounts on various vendor-provided services, national coordination of a monthly promotions program (now called Co+op Deals), and peer support and development programs. In 2006, NCGA negotiated a national supply contract with UNFI for all members. In 2008, NCGA created a wholly owned subsidiary, the NCGA Development Cooperative (DC), for the purpose of providing fee-based development services (business improvement, expansion, relocation, and start-up) to food co-ops.

NCGA is incorporated in the state of Minnesota as a cooperative. Key statistics about NCGA:

- Our current membership is made up of 134 independent co-ops that operate nearly 170 stores in 36 states with combined annual sales in excess of \$1.5 billion.
- The largest NCGA member co-op operates nine stores, generating over \$175 million in annual sales, with over 45,000 consumer owners. The smallest member co-op has less than \$1 million in annual sales.
- NCGA currently employs 56 staff members, located in 10 states.

NCGA is governed by a 9-member board of directors made up of six regionally elected directors and three directors elected at large (by all members). In addition, the NCGA board appoints other individuals as directors. NCGA's board operates using Policy Governance™ and has the following national ends policies (as revised in 2010):

Global Ends Policy

NCGA embodies the aspirations of its members through integration and programs that provide the capacity of a chain while supporting the autonomy of a local business. The benefits of NCGA membership warrant the resources and participation required of its members.

Further, on behalf of NCGA members, the association accepts responsibility for these outcomes:

- A1** A dynamic and transparent organization with clear and meaningful ways for members to participate.
- A2** Members are successful in a competitive market and have access to:
 - A2.1** competitive pricing
 - A2.2** professional development and training
 - A2.3** product selection and sourcing tailored to common needs
 - A2.4** operational and merchandising best practices
- A3** A powerful advocacy voice for food co-op issues.
- A4** A development mechanism for new and expanding co-ops.
- A5** Members adhere to agreed-upon program standards

Why Affiliate with NCGA

NCGA brings together co-ops 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. NCGA:

- Is a strong, unified national presence that gives the cooperative food system increased relevance in a rapidly growing and changing natural foods market.
- Represents enough aggregated purchasing volume to hire and maintain highly qualified staff to build and operate existing programs, to negotiate strong national supply agreements and to launch creative value-added programs for the benefit of members into the foreseeable future.
- Provides a vehicle that allows resources to be optimized and enables efficient and effective rollout and development of new programs and services.
- Has a structure that ensures new programs and services are designed with full consideration of member needs and interests.

For individual co-ops, NCGA provides a wide range of benefits, depending on whether the co-op affiliates with NCGA as a member or as an associate co-op (see below). All services are designed to improve store operations by lowering costs or providing programs with direct store impact. NCGA co-ops also benefit from a strong and dynamic peer network to draw upon through regional and national meetings, small working or interest groups, and regular information-sharing opportunities.

Affiliation Opportunities with NCGA: Membership and Associate Co-op

NCGA offers two ways for interested co-ops to affiliate with it and participate in its programs and services: as members and as associate co-ops. These two levels offer different benefits, access, and carry different requirements. We offer two levels because we realize not all organizations are able to participate and adhere to our membership requirements. At the same time, we all gain by working together to strengthen each food co-op and the entire retail food co-op system.

Further details on the benefits and requirements of each of these affiliation options are listed below. Additional important background materials are supplied in separate documents. Contact NCGA staff for additional information. In addition, the specific criteria and qualifications to join both affiliation categories are also described.

All co-ops interested in affiliating with NCGA must be independent food co-ops located and operating in the U.S. In addition, co-ops interested in affiliating with NCGA must agree to abide by NCGA's national and corridor policies, as well as all appropriate program agreements.

A. NCGA Membership

Membership in NCGA is the same as at the local co-op level – membership is *ownership*. As such, membership carries the responsibility of investment in NCGA, and brings governance rights (such as voting and input on the organization's direction). In addition, NCGA members are eligible for patronage distributions of their co-op's surplus, as determined by the NCGA board of directors.

Benefits

NCGA's members have access to all NCGA programs and services (for which they are eligible and accept the participation requirements). NCGA's services are designed to provide a coordinated national effort to harness market power, drive out costs, and build cooperative identity for member retailers. Specific benefits of membership include:

- Participation in core national purchasing and promotional programs.
- Full participation in CoCoFiSt (Common Cooperative Financial Statements) including access to all data and tools. CoCoFiSt is a data collection and benchmarking system administered by CoopMetrics. CoCoFiSt participants have access to comparative data from other food co-ops, as well as tools for analysis and identifying opportunities for operational improvements.
- Regional and national development activities to help members address challenges and share best practices, including peer groups, store audits, working/interest groups, and related programs.
- Group discounts based on national contracts for value-added business services. Current discounted services are available on packaging and store supplies, garment rental and facilities services, credit card processing, a gift card program, inventory service, merchandising equipment, and printing/copying services.
- Access to all brand support materials for the *Co+op, stronger together* brand.
- Opportunity to shape national initiatives.
- Access to NCGA's Development Cooperative. The DC was created in October of 2008 as a wholly owned subsidiary for the purpose of providing fee based improvement and relocation assistance services to food co-operatives.

NCGA's member co-ops have access to our website. The designated representative has access to governance-related and confidential documents and can then designate other staff members who can have access to other areas of the website related to specific programs.

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 (each has a member-elected steering committee) and budget (from member dues). All affiliated co-ops have access to all 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

NCGA is committed to being a member-driven organization and is structured as a secondary co-op (members are organizations). Each member has the following rights of participation and access:

1. Elect representatives to the Board of Directors.
2. Have clear opportunities to influence new and existing programs and services.

3. Receive regular and full information about the operations, plans, and status of NCGA.
4. Participate in determining the use of funds and resources allocated to the member's corridor.

Member influence

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

- Board representation: Each corridor directly elects two directors. Additionally, the board has at-large directors elected by all NCGA members.
- Staff access: Each member affiliate has access to staff members – those working at the regional or national level. Currently each corridor has development staff with responsibilities to coordinate and support corridor meetings and decisions, implement regional activities and programs, and represent corridor interests to other NCGA staff and departments.
- Member groups: These include smaller working groups based at the corridor level and other groupings to pursue common interest (e.g. small stores, multi-store co-ops, HR directors, etc.).
- National meetings: Designated representatives (DRs) from member and associate co-ops come together each spring and fall for national meetings (travel costs are paid by NCGA). The spring meeting also includes NCGA's annual meeting. Those meetings, as well as corridor and other online meetings, provide opportunities to influence NCGA direction, programs, staff, and board.
- Conflict resolution and grievance process: NCGA members have access to a process to mediate and resolve differences, issues, or disputes with NCGA.

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. This person, the NCGA DR, is required to ensure that their co-op meets all program and policy requirements including:

- Maintain confidentiality of information garnered through participation in NCGA programs and to not share information or use it to the detriment of NCGA or any of its members (see separate confidentiality and disclosure agreement).
- Attend and participate in all required meetings.
- Meet program participation agreements and program standards, including timely submittal of data to CoCoFiSt.
- Respond to requests for more information promptly and thoroughly.
- Ensure that required programmatic contacts are updated.

Financial requirements for members

NCGA 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, for mailing coupons directly to consumers, registration fees for trainings, etc.

Member capital

Member capital provides the basic financing for NCGA as a purchasing cooperative for its services. There are four types of member capital in NCGA, three of which are required of all members:

1. Common stock – one \$500 voting share, required of each member. *
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 their application is approved.

3. Patronage based allocated equity accounts – allocations made to members, based on patronage or use, from NCGA 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 NCGA board of directors.
4. Allocated equity – optional investment opportunity for NCGA members, most recently used to allow members to contribute to NCGA’s start-up funding of the NCGA DC.

* NOTE: New 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 also assessed annually to all NCGA members 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 NCGA at the beginning of each calendar year but members may opt to pay dues quarterly.

Other financial obligations

In addition, due to the system of shared liability for payables balances to UNFI (part of our UNFI contract), new members will need to put funds on deposit with NCGA as part of our internal risk-management system. Ask your co-op’s corridor advisor for more details.

Eligibility and qualification for membership

To join NCGA, 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 following characteristics.

New member qualifications

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 NCGA standards.
5. Meets additional criteria as set by NCGA management.

New member criteria as set by management

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

1. Supports and abides by NCGA board and management policies.
2. Has submitted at least 18 months of financial data to CoopMetrics/CoCoFiSt.
3. Current annual sales volume of \$2 million or greater.
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, fork lift, or other methods for efficient unloading of deliveries.

New member characteristics

1. Skilled, experienced general manager/designated representative 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. Designated representative in place who fully understands and enthusiastically embraces NCGA member responsibilities.
5. Co-ops that have been affiliated with and participating in NCGA as associate co-ops.

New co-op start-ups must be incorporated and have completed a feasibility study and a draft business plan demonstrating potential viability for the co-op and have demonstrated local community support through a functional board of directors and strong membership interest.

B. Associate Co-op

NCGA recognizes that not all interested co-ops may be eligible to apply for membership or able to participate at the membership level. The associate co-op option allows co-ops to affiliate with NCGA and take advantage of many programs and services. This allows NCGA to support the growth and development of all interested food co-ops, while also allowing us to further leverage our economies of scale in providing services to strengthen the entire food co-op sector.

The associate co-op category is a *non-ownership* method of affiliation. This means that there are no investment requirements and no ownership rights such as voting. Associate co-ops are not eligible for NCGA's core cost-of-goods supply contract (with UNFI and its affiliates), Co+op Deals promotions program, and other services deemed accessible only to members by NCGA management.

Participation in NCGA programs and meetings is not required of associate co-ops; all use of programs is optional. However, associate co-ops must meet all program-specific participation agreements for programs they do use and are bound by the terms and conditions of those agreements.

Benefits

Associate co-ops have access to the following programs and services:

- Full participation in CoCoFiSt (Common Cooperative Financial Statements, a data collection and benchmarking service administered by CoopMetrics) including access to all data and tools. CoCoFiSt participants have access to comparative data from other participating food co-ops, as well as tools for analysis, reporting, and identifying opportunities for operational improvements.
- Regional and national development programs to help co-ops address the challenges they face and share best practices. This includes regional and national peer group meetings, store audits, training programs and educational resources, small working group and interest group activities, and related programs.
- Group discounts based on national contracts for value-added business services. Current discounted services are available on packaging and store supplies, garment rental and facilities services, credit card processing, a gift card program, inventory service, merchandising equipment, and printing/copying services.
- Brand support materials for the *Co+op, stronger together* brand. This does not extend to materials for Co+op Deals, NCGA's promotional program.
- Access to NCGA's Development Cooperative. The DC was created in October of 2008 is a wholly owned subsidiary for the purpose of providing fee based improvement and relocation assistance services to food co-operatives.

Associate co-ops have access to all parts of the NCGA website except those areas devoted to governance (e.g. board of directors and voting), member-only events, and proprietary programs such as the UNFI Supply Contract and Co+op Deals program. Associate co-op DRs can designate other staff members who can have access to other areas of the website related to specific programs.

All associate co-ops are assigned to one of the three NCGA member corridors – Eastern, Central, or Western. Associate co-ops are able to participate in corridor programs and activities, including corridor meetings, audits, working groups, and other such programs. Travel and lodging costs to attend national meetings are covered by NCGA.

Associate co-op rights and requirements

The associate co-op category is a contractual arrangement with NCGA. All associate co-ops are required to sign an Associate Co-op Agreement that clearly spells out the rights, requirements, and benefits of associate co-ops.

Associate co-op financial requirements

Associate co-ops are required to pay NCGA an annual fee based on the following formula: \$1,000 plus 0.10% (.001) of annual sales, calculated on the basis of sales from 1 July through 30 June each year. New start-up co-ops with no current sales basis will be assessed a \$500 fee per year until the store completes four full quarters of operations. Fees are payable to NCGA at the beginning of each calendar year but associate co-ops may opt to pay fees quarterly. Associate co-ops are not eligible for deferred payment of these fees.

Associate co-ops are not subject to NCGA capital requirements – common stock or base capital assessments. Associate cooperatives are also not eligible for NCGA patronage distributions and associate co-op fees are not used in calculating ownership rights or patronage distributions.

Eligibility and qualification for associate co-op status

To affiliate with NCGA, potential associate co-ops must meet the following criteria. In addition, in reviewing new associate co-op applications, management and the board will evaluate the potential associate co-ops based on the following characteristics.

New associate co-op qualifications

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 NCGA standards.
5. Meets additional criteria as set by NCGA management.

New associate co-op criteria as set by management

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

1. Supports and abides by NCGA board and management policies.
2. Has submitted at least 18 months of financial data to CoopMetrics/CoCoFiSt.

New associate co-op characteristics

1. Skilled, experienced general manager/designated representative 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. Designated representative in place who fully understands and enthusiastically embraces NCGA associate co-op responsibilities.

New co-op start-ups must be incorporated and have completed a feasibility study and a draft business plan demonstrating potential viability for the co-op and have demonstrated local community support through a functional board of directors and strong membership interest.

Application Review Process – For Membership and Associate Co-ops

Interested co-ops that meet the criteria, qualifications and characteristics of either membership or associate co-op categories must submit an application and signed confidentiality and notification agreement. 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 or associate co-op status. This involves corridor and national development team staff as well as NCGA's Chief Financial Officer.
2. If requirements and qualifications have been met, the application is then forwarded to the appropriate corridor steering committee for their review and comment. The application is then submitted to the CEO to determine if NCGA's board policy and business plan criteria and procedures have been met and if the applicant is a good candidate for affiliation at the membership or associate co-op level. *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 for membership applications to the NCGA 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 NCGA 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.

For 2013, applications were due the first day of October (2012) and the first day of June (2013). In 2014 and going forward, applications are due the first day of January and the first day of June. Applicants will be 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. NCGA's business plan establishes a maximum number of co-ops that can join each year with a maximum number in each application cycle, as well. Currently this maximum is 12 new affiliates in the year with no more than six per application period.

Join Us!

NCGA 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 NCGA as we are about building a strong food co-op system.

Additional materials you may wish to review:

For co-ops interested in affiliating with NCGA as a member

- Member Rights and Responsibilities, Disclosures and Policies
- NCGA Confidentiality and Notification Agreement
- Corridor Policies

For co-ops interested in affiliating with NCGA as an associate co-op

- NCGA Associate Co-op Agreement
- NCGA Confidentiality and Notification Agreement