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Sustainable Business and Investing

CFNE and the Cooperative Response to the Economic Crisis

By Rebecca Dunn

We're all aware of the confluence of crises facing our communities, our nation and the world, including climate change, economic stagnation, and corporate control of government, to name a few.

Many of you probably read GreenMoney Journal to learn how your daily actions, as investors, consumers and business people, can address these problems. Since 1975, the Cooperative Fund of New England (CFNE) has been helping people do that. By providing a mechanism for investors to finance cooperatives, and providing cooperatives with access to valuable technical assistance, CFNE helps grow the green, community-controlled, democratic economy.

What is a Cooperative?

Cooperatives (co-ops) are businesses unified by Cooperative Principles in the pursuit of self-help, self-responsibility, democracy, equality, equity and solidarity. The principles are: Voluntary and Open Membership; Democratic Member Control; Member Economic Participation; Autonomy and Independence; Education, Training and Information; Cooperation among Cooperatives; and Concern for Community. The defining characteristic of co-ops is that they are owned by, controlled by and beneficial to their users. These owners are generally the business' consumers, workers, and/or producers.

The co-op principles avoid many failings of our current economy by ensuring that the business users are its owners, not absentee investors. These principles also avoid the failings of state-controlled economies, by ensuring that cooperatives are autonomous from government control and that co-op members join voluntarily. In this way, cooperatives are called the Third Way of economic organization.

Co-ops are not a utopian dream. One billion people worldwide including one-quarter of Americans own cooperatives. Nearly 30,000 US cooperatives control over \$3 trillion in assets, and generate over \$500 billion in revenues and \$25 billion in wages from two million jobs. Some co-ops are household names, such as Cabot Cheese, Ocean Spray, and REI. US rural electric cooperatives operate 42 percent of US electric distribution lines, covering 75 percent of the country's area. The largest cooperative sector, financial cooperatives, including credit unions, benefited from last fall's Move Your Money campaign, which inspired 650,000 people to shift \$4.5 billion from big banks to community financial institutions in just



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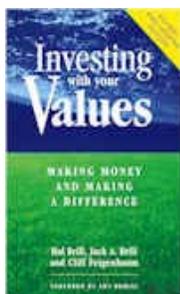
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Cooperatives have major impacts across the world. For example, cooperatives generate 45 percent of Kenya's GDP and 37 percent of Brazil's agricultural GDP. Globally, cooperatives provide over 100 million jobs, 20 percent more than multinational corporations.

In recognition of these impacts and more, the United Nations has declared 2012 to be The International Year of Cooperatives (IYC). As UN Secretary General Ban Ki-moon stated, "Co-operatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility." IYC has three goals: increase public awareness about co-ops, promote their formation and growth, and encourage governments to establish laws, policies, and regulations conducive to co-op formation and growth. The UN has not only brought the co-op model to the global stage, but it has aligned the education, development and advocacy efforts of co-op movements across the planet. (<http://www.usa2012.coop>)

As you can see, cooperatives are largely a subset of the green economy: they are locally owned and accountable to the community, operate democratically, and, as a result, strive for environmental sustainability.

New England's Cooperatives

New England is witnessing cooperative development growth in a number of sectors. Communities are forming food co-ops in record numbers to address growing concern with food security. As conventional employment opportunities shrink, growing numbers of recent college graduates in New England are forming worker-owned cooperatives, particularly food-related co-ops. Manufactured-housing park tenants are buying their land from absentee landlords to eliminate land speculation. Finally, and not exclusive of the previous examples, green business entrepreneurs are using co-op models of community and worker ownership to increase options for sustainable energy, food systems and housing.

One exciting trend is the development of networks for public education about co-ops, new product development, and technical assistance provision to start-ups. In New England, the Neighboring Food Co-op Association (<http://www.nfca.coop>), the Valley Alliance of Worker Cooperatives (<http://www.valleyworker.org>), and Cooperative Maine (<http://www.cooperativemaine.org>) are leading the way.

The Cooperative Fund of New England

This is only the latest cooperative development boom. In the 1970's, growing concerns with synthetic fertilizer and pesticide usage led to a previous wave of food co-op development. While a growing number of farmers were reverting to organic production, they needed markets to reach consumers. As a result, these communities started organizing cooperative grocery stores (aka food co-ops) to bring natural foods into their communities. But they faced a major hurdle, accessing conventional credit for their unconventional cooperative ownership structure.

In 1975, after receiving a flood of requests for start-up grant support, investor affiliates of the Haymarket People's Fund (<http://www.haymarket.org>) convened regional co-op activists to solve the food co-op credit problem. The result they came up with was The Cooperative Fund of New England, or CFNE. CFNE advances community based, cooperative and democratically owned or managed enterprises, with preference to those that serve low income communities, through: providing prompt and reasonable financing; facilitating individual and institutional investment in socially conscious enterprise; and developing a regional skills reservoir to assist and advise these groups. During the past 37 years, CFNE's assets grew from \$60,000 to \$13.6 million and its loan portfolio from \$60,000 to \$9.7 million. It now finances all cooperative sectors, including housing, grocery, energy, and agriculture, as well as co-housing, land trusts, and nonprofits serving basic community needs. These borrowers have created or sustained 7,600 jobs, over 4,000 affordable housing units and tens of thousands of business ownership opportunities for consumers.

During this time, no investor has lost any money in CFNE.

CFNE's Borrowers

CFNE's co-op borrowers run the gambit of small businesses, including start-ups, expansions and conversions of existing businesses to co-op ownership. They include co-ops owned by

be ordered [here](#).

workers, consumers, and producers. Here is a sample:

In 1986, three food co-op managers set out to build closer relations between consumers and farmers. Their enterprise, Massachusetts-based Equal Exchange, grew from a three person partnership to a 100+ member-owner worker cooperative. Equal Exchange first approached CFNE in 1989 to finance this growth. "Equal Exchange was able to get off the ground thanks to supporters like CFNE who were willing to take a risk on what then seemed like a crazy idea," says founder and co-executive director, Rink Dickinson. Now, Equal Exchange has annual sales of over \$45 million, while purchasing products from more than 40 small farmer cooperatives in over 25 developing countries from El Salvador to Ethiopia and India to Indonesia. (<http://www.equalexchange.coop>)

Fedco Co-op Garden Supply was founded in 1978 in central Maine to sell seeds and other gardening supplies to cold-climate growers. As a hybrid cooperative, with both worker and consumer owners, Fedco now supports 25 full-time equivalent employees, with annual sales of over \$4 million. CFNE has financed three of Fedco's expansions from 1990 to 2011, each helping Fedco accommodate larger demand. "We love CFNE," says Fedco founder C.R. Lawn "and I don't know how we could have done it without them these last 20-plus years!" (<http://www.fedcoseeds.com>)

Deep Root Organic Co-op, in Johnson, Vermont, is one of the oldest organic vegetable cooperatives in the US. The co-op promotes local, organic agriculture through its twenty family-farm owners. Members are able to focus on their individual farm's production, while using the co-op to purchase and market collectively. In 2010, CFNE financed a new warehouse and maintained a line of credit to help manage seasonality. (<http://www.deeprootorganic.com>)

Like many urban settings, New Haven, Connecticut, lacked a full-service grocery store, until now. Last fall, consumer-members opened the Elm City Cooperative Market, a 20,000 square foot store in a new mixed use/mixed income development that transformed the downtown from a food desert to a healthy food environment. The co-op created 100 jobs in this city of high unemployment. CFNE's patient debt capital helped secure \$7 million from other private and public sources. (<http://www.elmcitymarket.coop>)

CFNE and the Economic Crisis

Since the economic crisis hit, CFNE's loan pool has grown by \$9 million, tripling its impact in four years and reflecting both growing demand for community controlled businesses and growing interest in CFNE's work by investors and donors. Co-ops and other former borrowers, including Equal Exchange and Fedco, have invested almost \$1 million in CFNE, and CFNE was the first recipient of Small Business Administration funds earmarked for worker-owned co-ops. During this same period, demand for CFNE products grew by 40 percent, reflecting greater concern with food security, job creation and affordable housing.

New Opportunities

CFNE is taking advantage of a few new opportunities, including the release of an educational co-op oriented board game, Co-opoly (<http://www.coopolygame.com>), the aforementioned United Nations declaration of 2012 as the International Year of Cooperatives, and the impending retirement of Baby Boomers resulting in potential co-op conversions.

The Baby Boomer retirement poses tremendous growth opportunities for the co-op economy through converting traditional businesses to co-op ownership. By selling business assets to consumers, workers, and/or producers, business owners can ensure the preservation of the business' role in the community. This can be a faster and more stable way to grow cooperative economic impact than starting new co-ops, as conversions utilize existing customers, procedures, and assets. CFNE is financing numerous conversions, including a consumer buy-out of a rural Massachusetts general store, a worker buy-out of a Vermont health center, and multiple tenant buy-outs of manufactured housing parks.

How You Can Get Involved

Does this all sound interesting to you? Here are five steps you can take to support the growing cooperative economy:

1. Identify the co-ops in your area, join them if you can, and purchase their goods and

services. (<http://www.find.coop>)

5. If you own a business or are considering starting one, look into how cooperative ownership could benefit your goals. (<http://www.ncba.coop>)
6. If you have investment assets as small as \$1,000, consider lending to CFNE or its sister, Northcountry Cooperative Development Fund. (<http://www.coopfund.coop> and <http://www.ncdf.coop>)
7. Finally, if you are in New England and want to start a co-op, please contact CFNE at info@coopfund.coop or by calling 1-800-818-7833.

There are many challenges facing our communities on global, national and local levels, but the growing cooperative movement is providing solutions.

Article by Rebecca Dunn, who has been the Executive Director of the Cooperative Fund of New England since 1986. She has extensive experience as a business consultant and as a commercial bank loan officer for Barclays American. She was formerly a bank examiner for the State of Connecticut and has worked as a consensus process trainer and nonprofit advisor to any community organizations. Rebecca was named recently to the board of the Cooperative Development Foundation. She has a BA in economics from Trinity College and an MBA in finance. Micha Josephy contributed to this article.



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