

# How to start a food co-op



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# Welcome

Blue Mountains Food Co-operative Limited is one of the largest and longest running food co-operatives in Australia. Established in 1981 as a tiny buyers group operating from a member's garage, the Co-op has since grown into a thriving business in the heart of Katoomba, in the Blue Mountains of New South Wales. As of 2021, the Co-op had 2500 members and an annual turnover of over \$4 million. It's come a long way since its early days operating from a garage!

In recent years, the Co-op has frequently been approached by individuals and groups for advice in regard to starting and operating their own food co-operatives. While there are various manuals available on co-ops and their formation, none of these are specific to food co-operatives in Australia. In this, our 40th birthday year, it felt timely to share our experience and expertise by creating a resource document to share. Our hope is that this manual will guide and assist others to create community food co-ops that are as long-lasting and successful as our own.

We wish you all the best on your food co-operative journey!

Sonya Byron

BLUE MOUNTAINS FOOD CO-OP

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# Introduction



With increasing community concern over the excesses of modern capitalism and the impact that this is having on people and planet, there's been a corresponding increase in interest in co-operatives as a vibrant and viable alternative business model. In recent years, therefore, there's been a significant revival and re-emergence of co-operatives, both in Australia and internationally, as their resilience and relevance to the modern economy becomes increasingly apparent. As more and more people seek local, ethical, and ecologically conscious alternatives to big businesses, the co-operative movement will continue to grow, and there's never been a better time to start your own community food co-op.

The purpose of this manual is to provide guidance for others seeking to start and operate their own food co-operatives in Australia. It includes an overview of key factors to take into consideration, an outline of the process of forming your own co-op, and examples and insights from existing food co-ops, with links to relevant information and resources, such as key contacts and websites.





# What is a co-operative?

Blue Mountains Food Co-op is a non-distributing retail co-operative, with profits both reinvested in the business and shared for the benefit of the local community.

According to the Co-op Federation, the peak body for co-operatives in Australia, a co-op is a business or organisation owned and democratically controlled by its members, who determine both how the co-op is operated and what is done with its profits. There are different types of cooperatives, depending on whether their members are customers (retail co-ops), staff (worker co-ops), or suppliers (producer co-ops). In regard to its profits, a co-operative may either distribute these to its members, reinvest them in its business, or share them with the community. Further information on the differences between distributing and non-distributing co-operatives is available from the [NSW Department of Fair Trading](#). In general, a non-distributing cooperative is considered to be a more suitable structure for smaller community organisations.

Co-operatives differ from public or privately owned companies in that their primary purpose is to exist for the benefit of their members, rather than to generate profits for their shareholders or investors. This key difference is expressed and further expanded upon in the statement of co-operative identity, values and principles, (next page) which was adopted by the International Co-operative Alliance in 1995.



# 7 International Co-operative Principles

1. **Voluntary and open membership** – Co-operatives are voluntary organisations open to all persons able to use their services and willing to accept the responsibility of membership without gender, social, racial, political or religious discrimination.
2. **Democratic Member Control** – Co-operatives are democratic organisations controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are organised in a democratic manner.
3. **Member Economic Participation** – Members contribute equitably to and democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities as approved by the membership.
4. **Autonomy and Independence** – Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative's autonomy.
5. **Education, Training and Information** – Co-operatives provide training and education for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operation.
6. **Co-operation Among Co-operatives** – Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
7. **Concern for Community** – whilst focussing on their members needs and wishes, co-operatives work for the sustainable development of their communities through policies approved by their members.





Photo Lithgow Co-op

## History and origins: Australia and internationally

Although the origins of co-operatives extend as far back as 15th century Scotland, the earliest modern co-ops were formed in the mid-19th century in England, in response to the poor wages and working conditions of the Industrial Revolution. Working class families pooled their meagre funds to purchase food and other essential household items in bulk so that they could collectively benefit from lower prices and the co-operative movement was born. The movement grew and spread throughout Europe, North America and East Asia, and by the early 20th century, co-ops existed in many countries throughout the world. Today, over one billion people worldwide are members of co-operatives, which generate \$US2.2 trillion in annual turnover.

In Australia, the first co-operative was established in Brisbane in 1859, a consumer co-op formed in response to rising food prices. Co-operatives of various forms have been established throughout the country since, many of which continue to operate today, and these include general stores, credit unions, primary producer co-ops (e.g. farms and fisheries), and more.

The Lithgow Industrial Co-operative Society (pictured above) was formed in 1901 and was at one time the largest co-op in the Southern Hemisphere. The co-op provided a wide range of goods and services to working people at affordable prices in Lithgow and had multiple branches in nearby towns. Goods provided included fresh produce, bread, and clothing, and services included automotive, manufacturing, health, insurance, and import/export services.



# Why form a co-operative?

As is evident in this brief history of co-operatives, co-ops are usually formed in response to a community need; in order to provide solutions to problems that either exist because of, or that cannot be adequately remedied via, the dominant capitalist economic business models.

In considering why you may want to form a co-operative, the first question to ask is, what need do you seek to address? What economic, social, cultural or ecological problem would you like to provide a solution for? What are the primary factors that are causing this problem? And how could a co-operative help you to address this need or offer a solution?

*For the purposes of this document, it is assumed that the need you seek to address or the problem you'd like to solve is availability of, and access to, healthy, affordable and minimally processed and packaged natural and organic foods.*

## Is a co-operative the right business model for you?

The co-operative business model, like any other business model, has its advantages and disadvantages. It is important to consider these carefully and to assess whether a co-operative is the most appropriate model to provide a solution to your problem, or whether an alternative business structure, for example, a sole trader, partnership, trust or company, may be more suited to your purposes.

In NSW, a state government Business Connect advisor can provide information on the features of the different business structures above. In other states and territories, contact 13 28 46 or [business.gov.au](http://business.gov.au) or your state government business development/support service.

For information specifically on the co-operative business structure, it's best to contact the Co-op Federation, who are the experts in the field. As the Federation sums up, if you are seeking a business or organizational structure that is participatory, democratic, and principles-driven, then a co-op is the right business structure for you!



THE CO-OP FEDERATION

Becoming a member of the Co-op Federation (from \$55 per year) entitles you to advice, support and help to start your own co-op!



Photo Bathurst Co-op

# Establishing your food co-operative

Before you even begin the formal process of forming your food co-operative there are many different questions to ask and issues to take into consideration. Establishing a co-op is as complex and time consuming an endeavour as establishing any other form of business. Do you have the time and motivation to see your project through to completion?

It's important to understand and accept that growing a co-operative from its initial stages into a stable and sustainable local business can be a slow process. Most successful co-ops in Australia today began as small collectives and gradually expanded their operations over time. A successful food co-operative can take time to grow.

Blue Mountains Food Co-op operated from its founding member's garage with volunteer labour for five years before it had sufficient resources to move to a rented premises and add a paid staff member.

Bathurst Wholefood Co-op and Flame Tree Community Food Co-op in Thirroul commenced retail operations in rented premises, but were reliant on board members and/or volunteers to staff their stores for considerable periods of time before they had sufficient cash flow to add paid staff members.





Photo Lyttleton Stores Co-op

# Vision

Once you have defined the problem (the community need) you are seeking to address and decided that a consumer food co-operative is the appropriate model through which to provide a solution, you next need to define your vision.

Creating a shared vision is the first concrete step toward forming your food co-operative. In its earliest stages, this process may be as simple as chatting with local family, friends and community members about what you feel is lacking in your local area and what you'd like to create for the benefit of your community. What products or services could you offer that would address your identified problem? Who could your members potentially be (your target market) and what are their needs? And how could what you propose to offer address these needs, be unique enough to distinguish your co-op from competitors, and provide enough of an incentive for people to join?

Don't be disheartened if this process takes time. Developing a vision and building community support for it is an extended process, and every successful food co-operative in Australia initially began as a simple idea in someone's mind.

Initially, your food co-op might be as simple as a small group of community members who pool their resources and purchase foods collectively in order to take advantage of bulk pricing. Whatever the origin of your co-op, however, for the purposes of this document, it is assumed that your vision is to create a larger, grocery-store style non-distributing consumer food co-op, with membership and sales open to the general public.

Bathurst Wholefood Co-op started when a small group of biodynamic growers developed a vision for a retail outlet through which they could obtain a fair price for their produce while providing for their local community.



# People

*The biodynamic growers who instigated Bathurst Wholefood Co-operative found a very receptive audience and candidates for their organizing group by tapping into an existing activist network - the Bathurst Community Climate Action Network.*

Having decided on your vision to create a grocery-store style food co-op, a logical next step is to convene a small working group. This group should be comprised of people in your local community who share your vision and passion for the project, and who are as committed as you are to bringing it into being.

It may already be apparent, on the basis of the informal chats you've been having with local family, friends, and community members, who will make up your working group, or you may need to build interest in your idea by sharing it within your community. Initially, this could be as simple as posting an invitation for people to register their interest in creating a food co-op on a local community notice board, inviting people to a community gathering to share tea and ideas, or asking for expressions of interest via social media based local community groups.

Co-operatives in Australia require a minimum of five founding members in order to become legally registered (further information on registration to follow), so it's important to take the time to identify key people who both share your passion for your project and who can realistically commit to the time required to be active participants in your working group.



These working group participants will most likely become the founding members of your co-operative. In any case, creating a co-op is far too much work for any one person to attempt on their own. For these reasons, an active and enthusiastic working group plays a vital role in generating the momentum to carry your co-operative vision through to its formation.

## Mission statement

One of your organizing group's first and most important tasks will be to further develop and clarify the need you are seeking to address via your vision for a food co-op, then to formalise and document your food co-op's purpose in a mission statement.

A mission statement is simply an expression of the reason/s for the existence of your co-op, and the basic principles that will provide guidance and inspiration to your organisation moving forward. Your mission statement need only be one to a few sentences long, but it should describe the basic motivation for the formation of your co-op, the activities it will undertake to achieve its purpose, and the values that it will endeavour to put into practice through its operation. Your mission statement will provide the direction for the aims of your co-op and the activities that it will engage in as it grows.



*"Our mission is to provide high quality food and eco-friendly products, and to support and inspire members and the local community to make healthy and sustainable living choices."*

*- Blue Mountains Food Co-op*

## Help!

Having established your vision and your mission statement, it's then time to formalise your organising group by assigning clear roles and/or responsibilities. A lack of clarity around the next action to be completed, and who is responsible for completing it by when, has caused the downfall of many a community organisation!

By this point in your co-operative formation process it's probably time to enlist some early assistance. There are various manuals and guides to forming a co-operative available, although this is the only document that we are aware of that is specifically focused on the formation of consumer food co-operatives in the Australian context.

A key resource is the Co-op Federation. If your organising group lacks key skills and capabilities, for example, in business development and planning, finance and accounting, legal advice, etc., referrals to appropriate professionals should be sought, and the Federation can provide you with an opinion on which referrals are most appropriate to your unique situation.

*The Co-op Federation also provides a specific co-operative formation and registration service, and has to date assisted dozens of community groups to either create new co-ops or to convert existing businesses to a co-operative structure.*

*Contact the Co-op Federation for a free consultation and quote for this service.*

Another valuable resource to consider is the examples provided by similar co-operatives. In the early stages of forming your own co-op, we highly recommend that you take a field trip to other food co-ops within your local area and to those in other areas. Call in advance if possible and ask if a manager or staff member might be available to show you around, share the story of the co-op's creation, and answer any questions. If there are no co-operatives available within visiting distance of your local area, choose some in areas with similar population/demographic statistics, and contact them to ask if a phone or online chat would be possible. Generate a list of the key questions you'd like answered, and send it to the other co-op in advance of your call.

A comprehensive list of other food  
co-operatives in Australia is  
available [here](#).







# The feasibility study

You've formed your working group and clarified your vision and mission. You've identified some key stakeholders: your target market of local community members/customers, perhaps you've also begun to consider some potential suppliers or funders for your project. Your organising group's next step is to conduct a feasibility study.

A feasibility study is completed prior to developing a business plan, and is exactly what it sounds like – a study of how feasible your vision is. How realistic is it, really, to create a food co-op in your local community? Are there any other businesses or organisations within your local area offering similar products or services to what you envisage, and how successful are they or have they been over time? If other organisations (for profit or not-for-profit) have attempted to offer the products/services you would like to offer and have not succeeded, why not? And how could your co-op achieve a different outcome?

The feasibility study seeks to  
answer one major question:

Does your food co-op have the  
potential to become financially  
viable?

If there are no local examples available within your area to draw from, these same questions can be asked of other areas with similar population and demographic statistics. For example, on the basis of the Bathurst Wholefood Co-op's success, you could make a starting assumption that a consumer food co-operative has potential to be viable if your area has a population of 38,000 plus and a similar demographic profile to Bathurst area. You can find demographic and other statistics on your local council's website. Call the Office of Local Government on (02) 9289 4000 or go to [olg.nsw.gov.au/find-my-council](http://olg.nsw.gov.au/find-my-council).

## Key questions your feasibility study should address





If you'd like some advice and assistance with the process of conducting a feasibility study, or even if you'd like to have a more informal chat about how realistic your vision might be before you begin this process, consider contacting the Co-op Federation, or your local Chamber of Commerce or start-up hub, which can often provide access to business mentors willing to share their experience and expertise. The founding members of Bathurst Wholefood Co-op obtained support in the very early stages from their local regional start-up hub, called [Upstairs](#).

## The business plan

If the results of your feasibility study are positive and your food co-op does appear to have the potential to be financially viable, your next task is to develop a formal business plan. The business plan seeks to answer all of the same questions as were asked in the feasibility study, but in considerably more detail. It should include a detailed description of your vision, mission and aims, your proposed products and services, your potential market – your members/customers and their needs, all of the resources that you will require to establish and operate your co-operative, including people and property, estimated financial costs, and potential sources of revenue.

A comprehensive business plan is absolutely essential to expressing your vision/mission/aims, garnering community interest and engagement, and obtaining financial capital, so it's very important to take the time to develop this properly. Again, you can contact the Co-op Federation for advice and support, as you may need to seek referrals to appropriate professionals to assist you through this process. If you don't have the resources to obtain professional advice you could again contact your local Chamber of Commerce or start-up hub, or check out this helpful online [how-to guide and template](#) from the Federal government.



# Finance and capital raising

Depending on the size and scope of your vision, you may need to secure financing to cover both your initial set up costs and to provide a stable cash flow until your co-operative is profitable. Access to sufficient capital, not only during the initial set up period, but on an ongoing basis, will significantly reduce financial stress during the crucial early start-up stages, and give your co-op a much greater chance of growing into a stable and sustainable small business.

Your feasibility and business plans will have detailed how much finance you require and identified some potential sources of revenue. There are many different options to consider, including loans from banks and other financial institutions, microloans, angel investors, venture capital, grants and crowdfunding. A comprehensive list of potential revenue sources for new businesses in NSW is [available here](#), in other states and territories, contact your government business advisory service.



Bathurst Wholefood Co-op raised initial start-up capital by issuing Community Investment Notes. Valued at between \$1,000 and \$5,000, the notes could be purchased by anyone interested in funding the co-operative. The Community Investment Notes provided funds to secure the co-op's lease, purchase vital equipment such as shelving and refrigerators, and purchase initial stock for sale. The value of the notes has since been gradually repaid to investors, with a nominal amount of interest.




Capital raising can also take place after your co-op is established, for the purpose of addressing special needs or completing special projects. Manly Food Co-op obtained a My Community Grant from the state government of NSW to refit and refurbish its store. Manly Food Co-op, Flame Tree Co-op, and Lyttleton Stores Co-op have also made excellent use of crowdfunding platforms, such as Pozible, for the purposes of raising much needed funds.

In Manly's case, the co-op was experiencing considerable financial difficulties, and needed to raise \$40,000 within seven days in order to avoid an administrator being appointed. A Pozible crowdfunding campaign was launched, with rewards for different pledges - everything from beeswax wraps printed with the co-op's logo, to sailing trips and other experiences donated by the co-op's members. Within a week, the campaign had raised \$54,000 and the co-op successfully navigated its financial difficulties and continues to this day.

Similarly, Flame Tree Co-op successfully used Pozible to raise over \$80,000 to fund its move to a new premises. Members with advertising skills donated their time and talent to produce a video to promote the campaign, and again, donations of everything from books and health consultations, to fundraising dinners at a local high end restaurant were offered as rewards for pledges.

Lyttleton Stores Co-op also launched a very successful crowdfunding campaign on Pozible, to fund conversion of their existing business to a co-operative structure.

Manly, Flame Tree and Lyttleton Stores Co-ops' actions highlight the importance of engaging directly with members and potential members in store, and via phone and text to ensure the success of these crowdfunding campaigns (with emails being largely ignored). Flame Tree even had a designated laptop in store, so that people could see the campaign video and pledge on the spot while their motivation to do so was high.



**Save the Manly Food  
Co-op Campaign**

**Lyttleton Stores  
Start-up Campaign**

**Flame Tree Co-op  
Re-location Campaign**



# Legal Framework: Co-operatives National Law

The legal framework that governs co-operative organizations within Australia is the Co-operatives National Law (2012). This is a set of laws governing the formation, registration and maintenance of co-operatives that has been progressively adopted by each state and territory in Australia. NSW adopted the law in 2014.

The Co-operatives National Law enables co-operatives to operate on a national basis, defines the statutory duties of Directors and Officers, defines the reporting obligations of co-operatives, and improves access to external capital, among other things.

## Rules

In accordance with the Co-operatives National Law, a co-op must operate under a set of Rules, which are essentially a contract between the co-operative and its members. The Rules detail such matters as the co-operative's activities, governance arrangements, democratic decision-making processes, rights, responsibilities and liabilities of members, grievance procedures, fundraising, and financial reporting obligations. The Rules are also a contract between the co-operative and its directors, who are initially elected by the members of the co-operative at its formation meeting. Together with a notice of intention to apply for registration as a co-operative, these Rules are submitted to the Department of Fair Trading for approval prior to a formation meeting being held. Further information and model rules are available from the [NSW Government Department of Fair Trading](#).



# The Formation Meeting

Once the co-operative's Rules and notice of intention have been submitted, the next stage in the registration process is to hold a formation meeting. This formation meeting must take place within 2 months of the Department of Fair Trading approving the co-operative's Rules. As mentioned previously, a minimum of five prospective members are required for co-operative formation, and a Chairperson and Secretary must be elected at the meeting, to chair the meeting and to record the minutes of the meeting, respectively. The Chairperson must move a resolution that the co-operative be formed, its Rules be adopted, and its application for registration be authorized, and this resolution must receive a two-thirds majority vote at the meeting. A board of Directors, who will oversee the strategic direction of the co-operative, its financial and legal obligations, and potentially its operations, will also be voted on. Once all of these requirements have been completed, you are ready to register your co-operative!



## Registration

An explanation of the entire registration process, together with relevant templates and application forms for NSW, is available from the [NSW Government Department of Fair Trading](#). For other states and territories, contact the Co-op Federation for advice on the relevant government body to contact. As discussed previously, the Co-op Federation also offers a co-operative formation and registration service, contact the Federation for further information and a quote.

Once you have registered your co-operative, you do not need to register your business name separately. However, if you would like to register your business name prior to registering your co-operative (in order to protect the name and prevent it from being used by another business), see the [Australian Business Register](#) or call 13 92 26 for further information. Be aware that if you do register your business name first, Fair Trading will require additional documentation from you before you can register the same name for your co-operative.

# Membership

As discussed, a co-operative is by definition a member-owned organization, so one of the early tasks of your newly formed board will be to determine the criteria for membership, its benefits and obligations, and its cost. Most food co-operatives in Australia charge an annual membership fee in exchange for a shopping discount, and some may also have volunteer labour requirements, although volunteering is usually optional.

Membership fees vary considerably between food co-ops in NSW, as shown in the table below.

CO-OP	MEMBERSHIP FEE	MEMBER DISCOUNT
Blue Mountains	\$40	10%
Alfalfa House	\$20	10%
Flame Tree	\$35	10%
Manly	\$5	10%
Bathurst	\$50	10%
Lyttleton Stores	\$50	10%

Manly Food Co-op previously charged a membership fee of \$40 per year, but in recent years decided to drastically reduce this to \$5 per year, on the philosophical basis that the co-op should make its profit through product sales rather than membership fees. Member numbers rapidly increased from approximately 600 to over 3,000 in response, and this has resulted in the co-op having more regular shoppers with more motivation to spend, as reflected in its sales figures. In addition to this increase in sales, the co-op notes that the lower membership price has had other benefits. The co-op's membership base is substantially more diverse since lowering its membership fee, with people who previously may not have considered themselves "environmentalists" joining and being influenced to buy more bulk foods and reduce their use of plastic packaging as a result. This larger membership base is also of major benefit when it comes to obtaining grants; the co-op's successful application for a NSW Government My Community Grant was achieved by contacting its many members by phone call or text message and asking them to vote.





# Member benefits

It is important for your co-operative to emphasise to the community that membership offers many other benefits in addition to a standard shopping discount.

Members can determine whom the co-operative's directors will be by voting at the Annual General Meeting, and can nominate to serve as directors themselves. In this way, they can exert considerable influence over the strategic direction of the co-op. Becoming a member of a co-operative also allows people to express their support in a very practical way for a small business whose benefits flow immediately to the local community, rather than for a big business whose profits leave the local community and flow to investors and shareholders who may live very far away.

Co-op members can also volunteer in store, which not only enables them to earn a greater discount on their shopping, but to learn new skills, gain valuable work experience, and form new social connections.

Manly Food Co-op offers members an exclusive discount on a range of basics: staple foods such as juicing apples, potatoes, carrots, onions, rice, lentils and chickpeas, with a very low (cost plus 10%) mark up. This is helping to make organic food more accessible to people who otherwise couldn't afford it. Bathurst Wholefood Co-op members have been offered special access to unique local products and events, including being able to pre-order packs of local, ethical and biodynamically-produced beef. Member-only dinners and Christmas parties featuring local food and wine have also been organised.

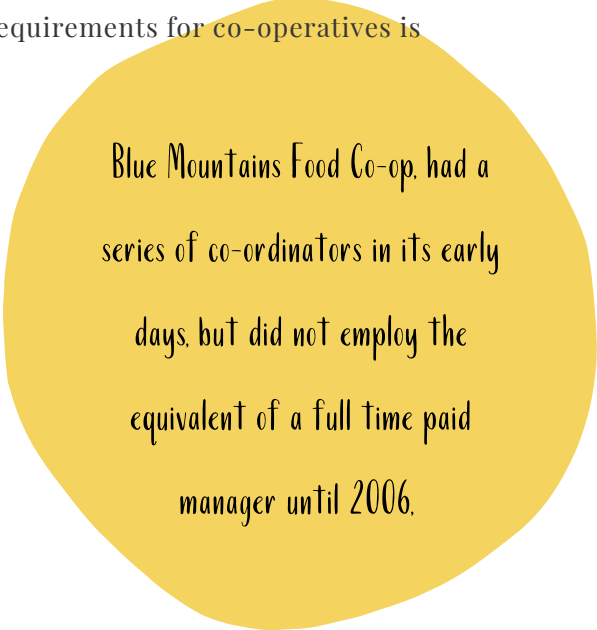
Blue Mountains Food Co-op extends its member discount to visiting members from other co-ops. And every Wednesday the member discount is made available to concession card holders including pensioners, students & job seekers.

# Governance: Directors & managers

As discussed, the directors of your co-operative's board will be elected at the formation meeting, and are responsible for the co-op's strategic direction, financial and legal obligations, and possibly its operational requirements. Depending on the size and financial resources of your co-op, a manager or management committee may be employed to oversee its day to day operations in lieu of the board, however the board will still retain responsibility for strategic direction and legal/financial obligations. Many co-operatives commence operation with a board only, and add a paid manager or management staff once they become profitable or grow beyond a certain size.

The directors of the board will typically meet around once per month, and make strategic decisions for the co-op's benefit, which are then implemented by the manager and/or staff. They will also ensure that the co-op meets its legal and financial obligations, which are outlined in the Co-operatives National Law. The extent of these requirements varies considerably, depending on the size of the co-operative, and include such things as what financial records must be kept, provided to members, and reported to the Department of Fair Trading.

A useful guide to the different roles undertaken by directors can be [found here](#). Further information on financial reporting and record keeping requirements for co-operatives is [available here](#).



Blue Mountains Food Co-op. had a series of co-ordinators in its early days, but did not employ the equivalent of a full time paid manager until 2006.

## Licenses & permits

Depending on the location and the exact nature of your co-operative, you may require certain licenses and permits. Further information can be obtained from Service NSW at [www.service.nsw.gov.au](http://www.service.nsw.gov.au) or by calling 13 77 88, or contact your equivalent government body in other states and territories.

Your local council may also have certain requirements that you will need to comply with in order to operate your co-op. Call the Office of Local Government on (02) 9289 4000 or go to [olg.nsw.gov.au/find-my-council](http://olg.nsw.gov.au/find-my-council) for contact details of your local council in NSW, or contact your equivalent state or territory government organization.



# Location, location, location

The first and most important practical consideration for the board of your grocery store style food co-op will be choosing where the store will be located. The old real estate mantra, “location, location, location” is of prime importance when it comes to your co-operative’s success. This is demonstrated in the example of the Blue Mountains Food Co-op, which more than doubled its turnover in a single year (2006), when it moved from a small shop in an old arcade to a much bigger premises in a busy laneway off the main street of Katoomba. This growth was the result not only of the new shop’s larger floor space, but of the new location’s proximity to other food shops, especially to large supermarkets, to ample car parking, and to key services, such as banks and the local post office.

*Flame Tree Co-op approximately doubled its turnover after moving across the street to a bigger premises located close to a railway station and next to a popular café. And Manly Food Co-op almost tripled its takings within a few months of moving to a new location on a busy, main street, next to a Coles supermarket with underground parking.*

In considering where to locate your food co-op, proximity to other food shops, car parking, and key services should be your major consideration, with locations on roads with lots of foot traffic (for visibility) and access to public transport being other desirable features. Cheaper rents for shops located far away from these facilities and services may be appealing, especially in the early stages of your co-op’s life when finances may be limited, but it’s likely you’ll find these locations will substantially limit your co-op’s capacity to attract new customers.

Shoppers often come to Blue Mountains Food Co-op for one or a few items but leave with substantially more when they see what’s on offer. If your potential shopper only wishes to buy one or a few items, but will have to make a separate trip by car because your store is not located within walking distance of where they are doing the bulk of their shopping and errands, they will likely decide the time and effort involved is too much.

This issue of location inhibiting growth is evident in the case of Lyttleton Stores Co-operative, in Lawson in the Blue Mountains. While Lyttleton Stores Co-op has a very loyal local following, its location on a back street on the opposite side of the highway from existing food and other shops and services, combined with State Government limitations on signage along the highway (a sign with the co-op’s name or even an “open” sign with an arrow, for example, is not permitted) has limited the co-ops visibility, accessibility as a shopping location, and capacity to grow its membership.

Ultimately, when it comes to location, you may need to compromise if there are financial limitations. Bathurst Wholefood Co-op is located in a tiny arcade off the town’s main shopping street. While the shop’s location is not ideal, its proximity to the main street is very desirable, and the rent is approximately 1/5 of what it would be if the co-op were located on the main street itself.



Photo Manly Food Co-op

# Setting up shop

Having chosen a desirable location for your co-op, the board's next task is to assess the features of any retail premises available for rent. You won't necessarily be able to achieve everything on your wish list, but key features that you should seek include:

**Sufficient shop floor and storage space:** Blue Mountains Food Co-op has a shop floor area of 90 square metres in its main shop, where all food is sold, and 60 square metres in its additional shop, where non-food items, such as cleaning and personal care products and gifts, are sold. In addition, it has an area equivalent to approximately half of its shop floor space as designated storage and finds even this is inadequate at times.

Less than this shop floor and storage area may be sufficient for smaller co-ops with a lower turnover, but we recommend an absolute minimum of 50 square metres as shop floor space. Any smaller than this and it will be difficult to carry enough product lines to entice members and shoppers to your store and to display them in an appealing way.

**Access:** Access for both people and product needs to be carefully considered when you are assessing potential premises. Wide, well-lit shop entrances/exits without stairs are ideal for shoppers who may be elderly, less mobile, or carrying heavy baskets or bags.

A loading dock that is accessible by truck is ideal for food co-operatives, due to the nature of the product being delivered. At the very least, if a loading dock is not available, there should be a designated delivery zone and/or truck parking area located as close to your co-operative as possible.

Another aspect of accessibility worth considering is accessibility for pests! Rodents in particular may find older or less well-maintained premises easy to enter, and they may be reluctant to leave a warm and sheltered store that is full of good food for them to eat! Be prepared, if you choose a premises such as this, to budget for regular pest management services.



**Office space:** This could potentially be offsite or home based if need be, but it's ideal if the manager and/or stock manager are based at the shop's premises, for ease of ordering, to provide additional customer service support during busy periods, to deal with any difficult issues that arise, etc.

**Aspect:** A final and very important consideration is your potential store's aspect. Average annual temperatures are projected to continue to increase as a result of the climate crisis, and you will be selling fresh and highly perishable food products that will easily wilt and spoil in the heat.

A cool and sheltered shop location is ideal, or at the very least, we recommend avoiding western facing shop fronts with large windows, or your co-op will have the considerable economic and environmental expense of operating air conditioning units continuously.



Heritage buildings with limited access may be exempt from complying with modern disability standards and prove an obstacle for potential members.

When Flame Tree Co-op moved to its new premises with west-facing windows, some of its gravity fed dispensers were receiving direct sunlight. The combination of sunlight, heat, air (as the dispensers are not airtight) and organic grains, nuts, etc. resulted in problems with pests, and the co-op had to invest in window tinting and an additional air conditioning unit in order to manage this. This, in turn, caused other issues to arise: feedback from focus groups revealed that the window tinting interferes with people's ability to easily see whether or not the store is open and to view store window displays. As a result, Flame Tree Co-op is now considering rearranging its store layout.

# Storage

With the board having chosen a retail premises to rent, the next consideration is to assess the total area that is available for storage, and to decide how this space can best be used. Given the nature of the goods needing to be stored in a food co-op, which will likely include 20-25kg bags and boxes of bulk foods, it's very important that adequate shelving be installed, both to prevent staff from moving stacks of heavy boxes unnecessarily, and to ensure that shelves are strong enough to maintain their loads.

We recommend heavy duty industrial-style steel shelving, which can be purchased from hardware stores. Suitable shelving will advertise its load capacity e.g. "total weight capacity of 625kg per shelf". For both shelf stability and to reduce the risk of worker injury, heavier items should never be stored on higher shelves, so it's important to ensure enough shelving units are available for all heavier items e.g. 20-25kg bags and boxes, to be stored between ground level and waist height.

While bulk boxes and bags can be stored directly on lower shelves, smaller, lighter items such as bags of herbs and spices or individual boxes of tea are best stored in clearly labelled containers on higher shelves. We recommend large plastic storage tubs with fitted lids, such as can be purchased at hardware and office supply stores, to prevent spoilage caused by dust and pests such as pantry moths.

Bathurst Wholefood Co-op recommends similar tubs, or large barrels with screw top lids, as well as keeping everything possible in refrigerated storage, to deter pests. On that note, it's vital to ensure that bulk bags and boxes of grains etc. that are not stored in sealed plastic tubs or barrels are carefully closed once opened, by rolling the opened end of the bag tightly and sealing thoroughly with packing tape.



A commercial cool room is required to store refrigerated items, and should also be fitted with heavy duty stainless steel shelving, and plastic tubs for storing smaller individual items that could be easily lost on shelves.



# Display

How your co-op chooses to display items for sale will vary considerably, depending on the size of your retail area and the composition of the products you decide to sell. If you are selling mostly individually packaged items (whether these are commercially pre-packaged or packed on site from bulk bags and boxes), then heavy duty shelving units, such as those described above, should be sufficient, however, many food co-ops choose to sell food from bulk dispensers, so that customers can purchase as little or as much of an item as they wish.

There are various bulk dispensing options available, such as individual canisters with fitted lids, wall mounted gravity fed dispensers, stainless steel drums with taps, and larger bulk storage bins that sit at ground level, each of which has advantages and disadvantages. Blue Mountains Food Co-op uses a combination of these display units, depending on the type of item for sale:

-Smaller lighter items such as teas, coffees, herbs, spices, confectionary etc. are mostly stored in OXO-style food storage containers with pop-top lids. These are light weight, easy for customers to access, and relatively inexpensive, but they do require remaining product to be emptied into a separate container before they can be refilled, in order to ensure stock is rotated.



-Dried beans, peas, lentils, chocolates, etc. are mostly housed in gravity fed dispensers. These make excellent use of retail space that would otherwise be too high to safely store heavier bulk items for customers to access, and can be refilled from above making stock rotation easy. However, they can be challenging for workers to refill without spillage and often result in spills when used by customers as well, so food waste is an issue with them.

-Stainless steel drums with taps for bulk liquids such as oils, honey and vinegar, are convenient for customers, but again can be challenging for workers to refill safely due to their heavy weight when lifting them on/off shelves. Customers also frequently spill the contents, which can be a major safety hazard, especially in the case of oil spills.

-Bulk storage bins at ground level are used to store heavier bulk items that turnover frequently, such as rolled oats, rice and other grains, and sultanas. These are easier for workers to safely fill than the gravity fed dispensers, however, they again require remaining product to be emptied into another container before they can be refilled, and also require customers to bend over to access the product using a scoop, which can be difficult for people who are older or less mobile.

Lyttleton Stores Co-operative recently acquired a "wall unit" style bulk storage unit, which contains multiple plastic bins with simple flip-style open/close lids. This has improved the visibility of the product on display, however, the lids have proven to be inadequate to keep pests out of the products (whether because lids are being left open or because pests are able to gain access to the dispensers anyway), so its use has unfortunately been associated with increased stock losses.





- For items requiring cold storage, well-lit commercial display fridges with glass doors are recommended, rather than open display fridges, which are considerably less energy efficient and therefore more costly (financially, and environmentally) to operate.

Probably the best solution to the storage of bulk food items is to have a retail space large enough to enable all items to be stored at or above waist height and in individual bulk containers with fitted lids and scoops. The Source Bulk Foods (various outlets across Australia) provides a good example of such a display. It is also ideal to have sufficient customer service staff available to support customers to access the bulk products, particularly if they are new to this style of shopping, or are older or less mobile e.g. a parent trying to shop while carrying a child.

## POS (Point of Sale) system

There are many POS software packages available for grocery store style businesses to choose from, however, as a co-operative, you will need to purchase a package that is customizable. This is because co-operatives have specific requirements for their POS systems that are unique to their business structure.

### Key features your POS system will require:

- the capacity to record and update membership status and to apply membership discounts to purchases
- the capacity to record and apply volunteer discounts to purchases
- the capacity to apply bulk discounts to purchases
- the capacity to connect to a scale and to record weights of products to be purchased
- the capacity to tare weights of jars and containers

Ideally, your POS software package would also have stock control capabilities, the capacity to generate labels, including complex barcodes (for individually weighted and packaged blocks of cheese, for example), and the capacity to integrate with rostering software (such as [Deputy](#)), accounting software (such as [Xero](#) or [MYOB](#)), and with your website if your co-op wishes to accommodate online sales.

POS systems to consider:

[Vend](#)   [Poswise](#)   [Idealpos](#)

Some of the above software can be purchased very affordably through [Connecting Up](#), an Australian charity providing the not-for-profit sector with donated and discounted IT products. Proof of not-for-profit status is required, and can be obtained by contacting the Co-op Federation if you are a member and requesting a letter on letterhead.

Manly Food Co-op uses Vend for its POS software, which integrates with both its rostering (Deputy) and accounting (Xero) software, resulting in substantial savings in administrative time and expense. Since adopting this system, payroll for 18 staff can be completed in as little as 15 minutes. The co-op currently does not offer online sales so website integration isn't a consideration.



Bathurst Wholefood Co-operative uses IdealPOS, which it considers quite adequate for in store sales. However, its inability to integrate with Squarespace, such that when an item is sold online the in store inventory is automatically adjusted, has caused stock control issues and resulted in additional administrative time and expense.



Flame Tree Co-op has made clever use of its PosWise system during the pandemic, by having the company provide it with a compatible website for online sales. The Co-op was able to rapidly "pivot" during the pandemic as a result, shifting all sales from in store to online within a one-week period. Customers ordered and paid online, and store staff picked and packed the orders, which customers collected on arrival at the store, rather than coming in and shopping themselves. This allowed the co-op to remain operational, while reducing health risks to staff and other customers.



# Product sourcing

Deciding what to stock, how much to stock, and from where to source it are huge questions, the answers to which will vary considerably depending on your co-op's unique community and circumstances. One initial strategy to decide these questions is to survey your potential members to see what sorts of products they'd most like to buy and why. While you won't necessarily be able to accommodate everyone's wishes, it's important to have enough variety of product in stock to attract sufficient members and customers for your co-op to become financially viable.

Bathurst Wholefood Co-op commenced trading with a limited range of stock, mostly fresh fruits and vegetables, but was reliant on volunteer labour and donations from the community to remain in business in its earliest years. Retail sales improved as other categories of staple items were added, such as dairy products, eggs, bread, and tea and coffee. However, it was several years before a wider variety of goods, including bulk grains, beans, nuts, herbs and spices, etc. was added, and several more years before the co-op became profitable. This suggests that, if possible, it may be better for your new co-op to commence operations with a relatively broad range of staple foods.

Lyttleton Stores Co-op has approximately 880 items available for sale (with prices) on its online shopping list, which is [available here](#). This is an excellent example of a relatively small co-op nonetheless providing its customers with a wide variety of bulk and packaged products for purchase. You could use Lyttleton's list as an example, and consider asking other food co-ops to share a list of their most popular products or product categories too. If you were to obtain lists like this from several different co-ops and look for the commonalities between them, that would be an excellent starting point from which to begin ordering.

*Some of the most popular products sold at Blue Mountains Food Co-operative include:*

*free range eggs*

*local raw honey*

*apples & bananas*

*potatoes, carrots & broccoli*

*ginger & garlic*

*soy milk*



# Suppliers

Suppliers include everyone from independent producers of individual items to wholesalers and distributors offering thousands of different products to choose from. As a new co-op, it's probably best to begin by ordering from one or more of the larger natural and organic food wholesalers and distributors, rather than by ordering from many of the smaller suppliers. This will not only save time and reduce the complexity of ordering, but will potentially allow your co-op to take advantage of bulk discount offers as well.

Honest to Goodness is the largest natural and organic bulk food supplier in Australia, and offers a 5% discount on orders over \$5,000.

With a good basic range and supply of high demand products in stock, your membership base and sales will have potential to grow, and you'll be able to designate more staff hours to ordering and expand your suppliers accordingly in time.

After ordering all of the basics from bulk suppliers, who may be located quite far from your co-op, an excellent next step would be to consider ordering some items unique to your local area, so that your co-op features the talents of local producers.

Fresh locally made or grown products like baked goods, and fruit & veg are always popular.

Bathurst Wholefood Co-op now carries a large range of local specialty foods to appeal to the tourist trade, including jams, honeys, olive oils and coffees, and both Blue Mountains Food Co-op and Lyttleton Stores Co-op carry a range of local arts and crafts for purchase. Additional smaller suppliers offering unusual products that can't be obtained from the larger wholesalers/distributors can then continue to be added as staff resourcing allows.

It is good practice to develop a purchasing policy that reflects the values of your membership in the early stages of your co-op's operation, and for all purchasing decisions to be made in accordance with this policy. Further information on policy formation and templates will be provided under "policies and procedures".



Some key wholesalers and distributors of bulk organic and natural foods (available NSW and nationally) include:

[Honest to Goodness](#)

[Global By Nature](#)

[Unique Health Products](#)

[Kadak](#)

[Spiral Foods](#)

Some key wholesalers and distributors of bulk organic fruits and vegetables in NSW include:

[Back to Eden](#)

[Organics Direct](#)

[Eco Farms](#)



# Packaging

Although food co-operatives in Australia have typically been focused on providing bulk foods with minimal packaging for their customers to purchase, they are increasingly providing pre-packaged foods as well. At Blue Mountains Food Co-op, customer demand for pre-packaged foods has been increasing for several years. This may be due to a variety of factors, anecdotally, however, many people are increasingly time poor and would simply prefer a packaged product from the shelf that they can “grab and go”, rather than having to bring their own containers to fill from bulk food dispensers.



Recycling, re-using, re-purposing and composting plays a major part in Blue Mountains Food Co-op's packaging control.

Cardboard boxes are re-used for shoppers, all organic waste is composted, soft plastics are recycled, and other bulk containers are either returned to suppliers for re-use or given away to the public for re-purposing.

Blue Mountains Food Co-op has also partnered with a local dental surgery to recycle dental waste - plastic toothbrushes, toothpaste tubes, floss containers etc. through [TerraCycle](#).

Ultimately, how much packaging a co-operative is willing to tolerate in the products it sells will be determined by its purchasing policy. Some food co-operatives, such as Manly Food Co-op, are specifically focused on providing a zero-waste, package free shopping environment for their customers.

It's important to remember, however, that "zero-waste" shopping is exceedingly difficult in practice, even bulk bananas purchased from the organic market in Sydney come packaged in a card board box that is lined with a plastic bag.



While some food co-ops aspire to provide only bulk foods and to be zero waste operations, Blue Mountains Food Co-op does not believe that this is likely to be financially viable as a long term strategy, and as a result, we choose to sell a mixture of bulk and pre-packaged foods. Even though surveys indicate that members value being able to purchase in bulk, the fact remains that pre-packaged sales are increasing every year. Failing to provide what customers are actually buying (as opposed to what they aspire to buy) may result in them choosing to shop elsewhere. This is particularly the case considering that supermarkets now stock many organic and natural food items that could previously only be purchased from health food stores and co-operatives.

Blue Mountains Food Co-op takes the pragmatic view that by offering a variety of bulk and pre-packaged goods, it will be likely to attract more customers and increase the chance that at least some of the weekly food budget of those customers will be devoted to bulk goods, whereas previously it may have been none. Most bulk foods, while not exactly “zero waste”, are at least less packaged than their pre-packaged alternatives, so this is a move in the right direction.

## Mark up & profitability

Before your co-op can begin selling to its members and shoppers, its board or manager will need to decide on appropriate mark ups for the different categories of organic and natural foods that you plan to stock in store. Choosing appropriate mark ups can be a challenging process due to the delicate balance between providing your members and shoppers with the best possible prices and ensuring your co-op is financially viable in the long term. If prices are too high, it will be difficult to attract and retain new members and shoppers, conversely if they are too low, your capacity to cover routine expenses and to accumulate funds for unexpected expenses, emergencies and future expansion will be compromised.

After 40 years of experimentation, Blue Mountains Food Co-op has determined the mark ups for its different product categories that we believe achieves this delicate balance. These mark ups can potentially be shared with newly forming co-operatives with the intention that they offer an example only, they may not be appropriate to your co-op’s unique situation and you may require higher or lower mark ups in order for your operation to be successful. It is recommended that you consult with an accountant, business or financial advisor to obtain independent advice in this regard, again, the Co-op Federation can provide you with recommendations or referrals. For further information regarding Blue Mountains Food Co-op's mark-ups, contact the administration manager for a confidential discussion on (02) 4782 5890.

Blue Mountains Food Co-op’s mark ups are generally applied to the wholesale prices of products to become the non-member prices in store. The member prices are then set at 10% below the non-member prices. While for the sake of simplicity these mark ups are applied as consistently as possible throughout the store, there are a few “exceptions to the rule” as follows.

Firstly, if a pre-packaged item has a recommended retail price determined by the manufacturer, then this is adopted as the non-member price, with the member price being 10% below this. This is generally more profitable for the co-op than strictly following the mark up guidelines above and as a result, it allows the co-op the flexibility to reduce prices of other items correspondingly, while still remaining profitable.



Secondly, prices of certain items may be reduced below these regular mark up prices if they would otherwise be notably more expensive than those of our competitors. This is particularly the case in regard to staple items such as bread, milk, etc. Consumers are very price conscious when it comes to these staple items, and will often form an impression of whether or not a store is “too expensive” on the basis of these. For this reason, other co-ops have successfully employed low mark ups on staple items as a strategy to attract new members and shoppers to their stores. In the case of non-staple items, as a general rule, it’s ideal if your co-op’s prices are never more than 10% above those of your competitors. Prior to finalizing your prices, therefore, it’s a good idea to identify your major competitors and to conduct a price comparison in store.

Finally, bulk purchases at Blue Mountains Food Co-op attract an additional 10% discount, whether shoppers are members or non-members. Bulk discounts are generally applied according to the unit volume of an item that is purchased from the supplier. For example, if an item is received from a supplier in a 10kg bag or box, then a bulk discount will be applied to purchases of 10kg or more. Similarly, if an individually packaged item is received in a box of six, for example, in the case of soy milk, then the bulk discount will be applied if the shopper purchases six or more.



Manly Food Co-op sells bulk organic milk at below cost price to attract shoppers who then purchase additional items at regular prices.

# How to shop

Educate your members on how to shop with clear signage and provide assistance when needed.



# Staffing & volunteers



Staffing requirements for your co-operative will also vary greatly, depending on the size and scale of your operation, however, one basic question to be considered by the board early in the planning stages is whether or not or to what extent to rely on volunteer labour. For some food co-ops, volunteer labour provided by members comprises a significant percentage of their overall labour budget, which substantially reduces store operating costs. At the Park Slope Food Co-op in Brooklyn, NY, USA, all members are required to complete several hours of supervised volunteer labour per month. This system may work best for food co-ops located within large cities and with sizeable populations of potential members/workers to draw from, but may be less suited to co-ops in smaller cities and towns.

Although volunteers make a valued contribution to the day to day operations of the store (contributing an average of 2000 hours of labour per year) at Blue Mountains Food Co-op, all in store customer service and sales positions are held by paid staff members. This is because customer service and sales requires specialised skills and knowledge, such as cash handling, POS operations, familiarity with products and ingredients etc., that cannot be easily imparted to a volunteer working only a few hours per month. Volunteers therefore complete the more mundane but necessary tasks, such as refilling paper bags and pencils, washing dishes and laundry, and cleaning.

This mixture of paid and volunteer labour works well within this context, with customer service and sales provided to a professional standard, and volunteers providing additional support that is particularly valuable during busy periods. This enables the co-op to keep labour costs and therefore product prices to a minimum, while also ensuring that key store functions are maintained in the event that a member does not arrive for a volunteer shift, which is unfortunately a frequent occurrence with volunteer labour.



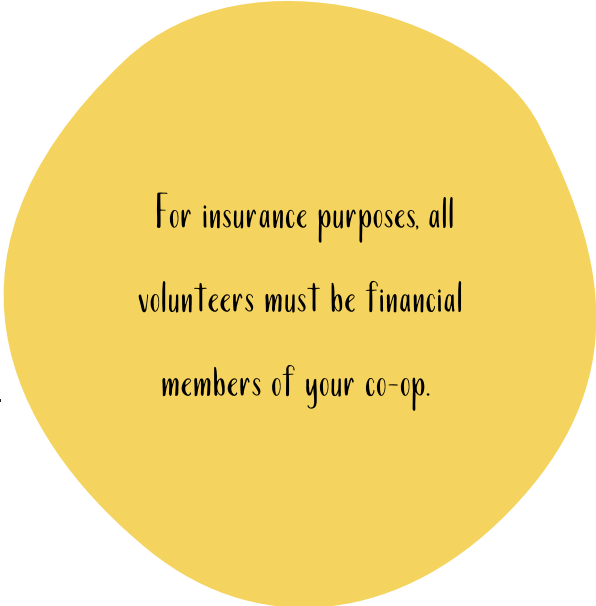
Blue Mountains Food Co-op, Lyttleton Stores Co-op, Bathurst Wholefood Co-op, and Flame Tree Co-op have all had ongoing challenges with volunteers not arriving for shifts that they've committed to doing, highlighting the necessity of a reliable paid work force for essential store operations.

Some co-ops have made excellent use of occasional volunteers with specialist skills. Health practitioners, such as naturopaths, herbalists, and dieticians are available at Blue Mountains Food Co-op for in-store events and blog contributions for the website; Lyttleton Stores Co-op has a volunteer photographer; and Flame Tree Co-op has a volunteer accountant and grant writer.

*Manly Food Co-op has been especially innovative in its use of remote volunteers with special skills for tasks that were previously completed by paid staff. Volunteers now process all invoices remotely using cloud-based software. This remote volunteering also has the advantage of enabling people who might otherwise not be able to volunteer in store, for example, parents with young children, to be active contributors to the co-op.*

Compensation provided to volunteers varies considerably between co-operatives. Blue Mountains Food Co-op volunteers are “paid” per hour with volunteer points which can be exchanged for a 20% discount on their shopping up to a certain value. These points can be accumulated by the member, or donated to another member, and they never expire. At Lyttleton Stores Co-op, by contrast, volunteers are rewarded with a 20% discount for one-two weeks, depending on how many hours they have volunteered, and can apply this discount rate to as much or as little shopping as they like during this time period.

For practical information pertaining to paid employees in NSW, including information on mandatory minimum wages and working conditions, rights and obligations, superannuation and insurance, see the [NSW Government Industrial Relations Commission](#) or call 13 16 28 for advice. In other states and territories contact your equivalent government department. The General Retail Industry Award 2020, which can be applied in the absence of an Enterprise Bargaining Agreement, [is available here](#). Throughout Australia, in the event of a dispute regarding wages or working conditions, contact your union or the [Fair Work Ombudsman](#) on 13 13 94.



*For insurance purposes, all volunteers must be financial members of your co-op.*



# Communication & conflict resolution

As in any business or community organisation, poor communication skills on the part of the board, management, employees or members/customers can cause misunderstandings to arise and conflicts to occur. These can not only result in considerable distress to the parties involved, but can compromise your co-operative's growth, development and even long term viability. The Co-operative Principles outlined previously, as well as the [ASX's Good Corporate Governance Principles](#) offer models that can be adopted by co-operatives to enable them to achieve their objectives and to grow into viable operations with a minimum of conflict. These principles, in turn, can inform the policies, procedures and practices that your co-op implements in its day-to-day operations.

In the event that a conflict does occur, the principles and practices of Non-Violent Communication can offer a means to a resolution. See the [Centre for Non-Violent Communication](#) for further resources. If the conflict is ongoing or is unable to be peacefully resolved to the satisfaction of the parties involved, it may be necessary to employ a professionally trained mediator to help the parties reach a mutually acceptable solution. It is always better to do this sooner rather than later if the conflict is having a negative impact on the parties involved, and particularly, if this negative impact is extending to other people within or outside the organisation.

In the event of a conflict that is not internal e.g. a dispute between your co-op and a customer, supplier, other business, or landlord, assistance is available in NSW through the Office of the [NSW Small Business Commissioner's Dispute Resolution Unit](#), call 1300 795 534, or contact your equivalent state or territory government organization.

# Statutory & Regulatory requirements

Like any other grocery store-style business, whether for profit or not-for-profit, a food co-op must adhere to certain statutory and regulatory requirements, including Workplace Health and Safety legislation, food safety and labelling legislation, the National Consumer law, taxation laws and compulsory insurance requirements.

## Workplace Health & Safety

As an employer, your food co-operative has a legal and moral obligation to comply with relevant work health and safety legislation and to provide a safe working environment for all employees, whether paid or volunteer, as well as for all people who come into contact with the store. In NSW, SafeWork provides an easy-to-use [online ToolKit](#), which explains the seven components of work health and safety, with links to relevant resources and templates. In other states and territories, contact your equivalent government work health and safety department for relevant information. Your co-operative must also carry Workers Compensation insurance, further information is included under “Insurance”.

Given the inherent nature of working in a food co-operative, which involves a substantial amount of heavy lifting by staff, it is highly recommended that all shop staff be provided with manual handling training prior to commencing their employment and regularly thereafter. While this training is not technically a legal obligation, providing staff with adequate training (and equipment) to safely lift and transport heavier items before they have the opportunity to injure themselves is a key aspect of providing a safe working environment. A local occupational therapist, physiotherapist or exercise physiologist can be employed to provide the staff training.





## Food safety legislation

Being a grocery-store style business, your food co-op also has a legal obligation to comply with all relevant state and national laws regarding food safety. For NSW, food safety laws and requirements are [available here](#), and there are links to relevant laws and requirements for other states and territories contained within this web page.

## Product labelling

Your food co-op also has a legal obligation to comply with all state and national product labelling laws. For NSW, see the [NSW Government Food Authority](#) for more information, or once again, contact the equivalent government department in other states and territories.

## Consumer law

Your co-op must also comply with all relevant laws and codes of practice ensuring fair trading in the marketplace. In NSW, further information on these laws and their application is available at the Department of [Fair Trading](#) or by calling 13 32 20. Contact the appropriate government body in other states and territories.

In addition to state/territory legislative and regulatory requirements, your co-op must also act in accordance with the Australian Consumer Law, which is the national law that aims to protect consumers and prevent sellers from being dishonest. The [Australian Competition & Consumer Commission](#) has further information on this law and its application, contact 1300 302 502.

# Insurance

As with all other business structures, a co-operative with paid employees must carry Workers Compensation Insurance to protect employees in the event that they are injured or become ill in the workplace. It is important to note that Workers Compensation Insurance does not offer any protection at all to volunteers who are injured/become ill in the workplace. If your co-op plans to make use of volunteer labour, a separate business insurance policy that specifically covers the activities of volunteers should be obtained. These policies generally provide only very limited coverage, however, so for this reason, persons volunteering in your co-op should be discouraged or prohibited from undertaking any higher risk activities, such as lifting heavy weights or using sharp knives.

Your co-op will also require public liability insurance, Directors insurance, and depending on its unique circumstances, various other insurances may be required or advisable as well. These insurances could include property and contents insurance, insurance against burglary, theft, or glass breakage, insurance for business interruption, etc. It is best to obtain independent advice from a legal practitioner and/or an insurance broker to understand the potential risks to your operation and the different insurance options available to you. Once again, the Co-op Federation can provide relevant referrals, and you can also contact your state or territory's insurance regulatory authority for further information. In NSW, this is the State Insurance Regulatory Authority (SIRA), call 13 10 50.



# Tax

As with all other business organization in Australia, co-operatives must meet certain federal and state tax obligations. In regard to federal taxes, co-ops must firstly register for an Australian Business Number (ABN), and must charge Goods and Services tax of 10% on many goods and services. “Basic foods”, a category that includes many of the foods typically sold by food co-operatives, such as fresh fruits and vegetables, unprocessed whole foods such as beans/peas/lentils, nuts and seeds, grains, etc., are GST exempt, however.



Further information on registering for an ABN is available from the [Australian Taxation Office](#) by calling 13 28 66. Further information on registering and paying GST is [available here](#).

For information on Payroll Tax in NSW, which is a state-based tax paid by employers on employees' wages, contact the [Office of State Revenue](#) on (02) 9689 6200. This tax does not apply until your co-op's annual payroll is above \$1.2 million, however, so will likely not be relevant to newly forming co-operatives. The Co-op Federation can provide advice on the appropriate state government bodies to contact in other states and territories.



# Policies & procedures

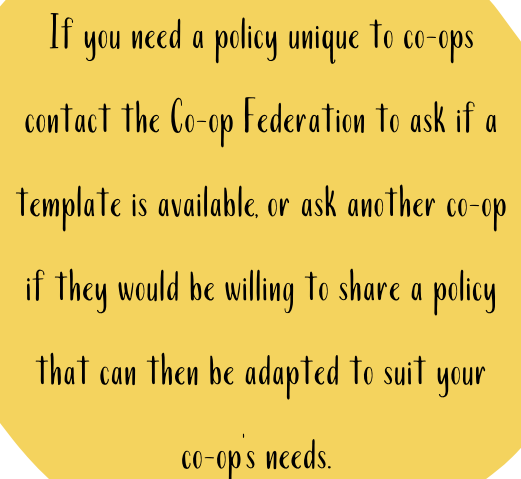
Having clearly articulated policies and procedures for your co-op and its operations in place, which all staff are both familiar with and willing/able to implement, is one means of ensuring the smooth operation of your organisation, and of reducing the possibility of conflict. Policies provide guidance on the standards of your organisation, whereas procedures provide instruction for the implementation of those standards. As discussed previously, the Co-operative Principles and/or ASX Good Corporate Governance Principles can inform the policies of your co-operative, which are generally developed and adopted by the co-op board. The procedures resulting from these policies are then developed and implemented by your co-op's manager/management team and/or staff.

The [Australian Institute of Community Directors](#), which is Australia's best practice governance network for not-for-profit organisations, offers a "bank" of policies on its website, which are free for any co-op to download, adapt and use.

## Operations manual & training

Once policies and procedures have been developed, the step-by-step processes that take place to implement these can be documented in an operations manual. This can be available in store either as a hard copy or online on an iPad or similar, so that new staff can be appropriately trained and existing staff can review and refresh their knowledge of these processes at any time. This is vital to ensuring the smooth operation of your store in the event that there is a problem and a manager is not available to resolve it.

Blue Mountains Food Co-op's operations manual is available to other food co-ops for reference. For access, please contact the administration manager by calling (02) 4782 5890.



*If you need a policy unique to co-ops contact the Co-op Federation to ask if a template is available, or ask another co-op if they would be willing to share a policy that can then be adapted to suit your co-op's needs.*

# Branding, marketing & social media

## Logo

A key element to the success of your new food co-op is branding and marketing and the first step should be to create a logo. Your logo should be simple, easily recognisable, and representative of your values and the community you wish to serve.

Your logo not only helps unite members and make you look professional, it is a great marketing tool for use on your website, social media platforms, letterheads, email signatures, merchandise, labelling and recyclable packaging. [Canva](#) is an easy-to-use graphic design platform with loads of templates and ideas to get you started. You may also wish to add a short catch phrase or tagline that encapsulates and reinforces your values. Blue Mountains Food Co-op's tagline is:

*Where good food doesn't cost the earth*

## Your audience

Now that you've established your brand, you need to promote it in the marketplace. Consider who your ideal audience is – who do you want to attract to your store – and aim your marketing at them.

Identify where your ideal audience “hangs out” and the best way to reach them. Where do they find out about the things they are interested in? In the local newspaper, on social media, or through community noticeboards and networks?



Few co-op's have budgets for paid advertising, so the best way forward when starting out is to grow an online community of followers on Instagram or Facebook. Creating content for these platforms can be as simple as posting good quality photos of beautiful produce and happy faces in your shop or sharing a tempting recipe. Follow other local, like-minded businesses and share their content too. And remember the old adage "quality not quantity". A couple of engaging weekly posts with relevant subject matter and well-worded captions should have you building a following in no time. Social media is also a great way to find out what your members like, plus you can use insights on various platforms to pinpoint your customer demographic.

**Top tip:** Always credit photographers or content creators when sharing content.



### Old school

It can be useful to strike up a relationship with an editor or journalist at your local rag or mag who will welcome your good news stories about food and community. Free editorial is usually always welcome, especially on deadline, so write a short, snappy piece that doesn't sound like an ad and don't forget to include a captioned, high-resolution photograph.

Flyers and posters may seem old fashioned, but strategically placed in local cafes, at community gardens, and on well-read noticeboards where your ideal audience will see them will help spread the word about your fabulous new food co-op.

### Keep in touch

Foster good relationships with your membership by rewarding them with news from the board, market updates, recipes, and supplier information via a regular newsletter in printed or digital format.

Blue Mountains Food Co-op sends out a quarterly digital newsletter to over 6,000 subscribers and prints a brief handy market update for in store collection. Remember not everyone gets their news from social media! Blackboards, noticeboards and sandwich boards are also a great way to communicate specials, opening hours, events and friendly messages.







# Words of Wisdom

Each of the co-operatives contributing to this project has a key piece of advice for groups wishing to start their own food co-ops.

"Take care of your staff and develop a committed team for the long-term success of your co-op. Systems should be in place to prevent conflicts from arising, and if they do occur, appropriate steps should be taken to resolve or at least manage these as soon as possible. Staff who are well cared for tend to be committed to their co-op in the long term. Currently, over half of the work force at Blue Mountains Food Co-op have been employed with the organisation for more than five years, providing the co-op with great stability and a united team."

- Blue Mountains Food Co-op, Katoomba, NSW

"Clarity of vision and purpose, and emphasis on the importance of co-operative values as a shining light in the world of capitalism is most important. Focus on your co-op's longevity from the beginning, and develop a template for longevity with systems in place to ensure that no one person within the organisation becomes indispensable."

-Flame Tree Co-op, Thirroul, NSW



"Take advantage of technology to create efficiencies and cost-savings by automating as many tasks as possible. It's important that key software programs, such as scheduling, POS, and accounting are integrated, as this saves much time and expense and could even mean the difference between being profitable and not breaking even for a newer co-operative with a limited budget."

- Manly Food co-op, Manly, NSW



"The most important thing for a new co-operative is clarity of vision. Your co-operative should have a key reason for existing, and should express this clearly in its communications with the public, whether this be in store, or via newsletter/website/social media, etc. The Bathurst Co-op's primary purpose, for example, is to provide an outlet for local and organically produced foods, for the benefit of local growers, producers and community."

-Bathurst Wholefood Co-op, Bathurst, NSW

# The Lyttleton Stores Co-op journey



Photo: Luisa Brimble

Lyttleton Stores was started in December 2015 as a Partnership business structure with the intention of transitioning to a cooperative as soon as we had finished building our five departments and had enough community support and engagement to operate our entire vision as a coop. Our Garden, Kitchen, Workshops, Atelier and Organic Groceries are all departments run by co-ordinators who together form the management collective. It took over two years to establish and build each department to the point where it felt like a realistic plan to move onto working on turning the business into a cooperative. By then we had a budding customer base and strong community, all invested in the goal to formally become a cooperative.

It took us another year of research, crowdfunding, external support, trials and tribulations to transition from a Partnership to a Cooperative and in August 2018 we were legally registered and operating as Lyttleton Stores Co-operative Ltd. It has taken another couple of years since then to tie up the financials and accurate reporting of the transition and new operations. We have established a Board of Directors that are involved with the governance aspects and separate from the management aspects, with the aim to have one coordinator position on rotation on the board as representative of the management collective. We have subcommittees made up of the Board, the Collective and other skilled and knowledgeable volunteers - we couldn't make much progress without these groups and have found it a very effective way to action our short and long term strategies and plans.



All in all, we could not have got to where we are without the journey we have gone through. From the generosity of the Partnership in funding and setting up the store to begin with, the collective effort and commitment of the people who have collaborated both as paid staff and as volunteers over all of the years, the customers and members who have supported and encouraged us to keep going through the challenges of small business and to the last year of refinement and meticulous attention to the details of our systems and reporting - it has taken this long to get to the stage where we can glimpse a financially stable future with potential for achieving more of our core goals through growth and new projects.

The challenges have been close to defeating us many many times, and while we honour the journey that got us to where we are now, we would make a few recommendations for anyone starting a co-operative:

- Have a clear understanding about your core values and goals
- Be meticulous with paperwork and reporting from the very start by having professional help in the initial budget
- Don't start as one business type and transition to a co-op later - just set up as a co-op from the start!
- Be realistic about small business, it will take up to five years to break even for many businesses, so start very small and grow as you can - try not to invest in or rely on external funding, unless you have a never ending source!
- Be ready to put everything you have into it, including more hours than you thought possible
- Make sure the people you start your co-op with are people you get along with and trust to navigate the hard times together because you will be spending a lot of time working very hard together!

So you might as well love each other and have fun along the way, make sure this is something you genuinely feel a deep commitment to and love for, because that will help get you through the moments you want to give up! And don't give up, there should be a co-op in every town and no giant supermarkets - we can but dream!

Jacinta Carmichael-Parissi

Lyttleton Stores Co-op Coordinator





BLUE MOUNTAINS  
**FOOD CO-OP**  
— EST. 1981 —



A collaboration between Blue Mountains Food Co-op & Southern Cross University