



Business Plan November 2023

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1. Project Overview:

The Caledonia Food Co-op (CFC) has secured a purchase agreement on the former Walgreens building on Railroad Street in St. Johnsbury. We intend to seek funding to finalize the purchase by April 1, 2024. Architectural and layout plans will be developed upon securing the site, with additional input from National Cooperative Grocers and the Littleton Food Coop. Our Board of Directors is now working to hire a Project Manager (PM), immediately, to coordinate fundraising and loan applications, maximize the support offered by peer and national co-op organizations, and retain design and construction professionals to build out the Co-op. Target opening is Spring 2025.

2. What is a Cooperative:

A co-op unites a group of people who work together for economic and community benefits. A co-op is jointly owned by its members; it creates democracy, with one vote per person. A group of people acting cooperatively can create a business where other kinds of entrepreneurship don't work. A food co-op returns any surplus profit to its owner/members in the form of a dividend.

3. Caledonia Food Co-op Mission:

To create a community-owned store that supports local growers and vendors, provides healthy food in an attractive and welcoming setting, and contributes to the economic vitality of St. Johnsbury and the Northeast Kingdom.

4. History:

The Caledonia Food Co-op started with a group of interested residents in 2018. A Board of Directors was formed with the vision of creating a new Food Co-op operating as a full-service grocery business, like other successful co-ops in the area such as Littleton, Montpelier (Hunger Mountain), and Burlington (City Market).

The Board sought and obtained grants to hire consultants to conduct market studies to gauge community support, to create a business pro forma, and to explore real estate development options. Various sites were considered over the years but none proved viable.

In early 2023, the Walgreens pharmacy vacated its retail site on Railroad Street. In summer 2023, the Town of St. Johnsbury offered 'transformational grants' from a federally funded Revitalization Grant Fund. Those two opportunities converged in August – and the CFC board entered negotiations to buy the Walgreens building. The owner, an out-of-state investor, said he already had a lease agreement in hand with “a

national brand.” and he required CFC to make a substantial upfront payment of \$350,000 and commit to closing on the purchase by April 2024. The CFC Board went to its membership and raised more than \$300,000 in two weeks — and we also landed a \$150,000 St. Johnsbury Town grant. We made the initial down payment. The outpouring of support was phenomenal.

CFC now must raise the remaining \$1.85 million to complete the purchase by April 1, 2024, and then raise a further approximately \$5.6 million to renovate, fit-up, hire staff and purchase inventory. We are working now to raise funds and sharpen budget numbers to achieve our goal of opening our co-op by spring 2025.

The new Caledonia Food Co-op will be a vital link in St. Johnsbury’s renaissance: an anchor store in its main retail district, an outlet for local farmers and food producers, and important community center.

5. Market Study:

The Caledonia Food Co-op has performed two Market Studies during the last three years. MTN Inc (Satellite Beach, FL), completed one in 2022 and updated it in 2023. It was remarkably close to the first one conducted in 2020 by G2G Research Group (Rancho Santa Fe, CA). Forecasts for the Railroad St location show sales growing from \$5.8 million the first year to \$9.6 million in year 10. The MTN market study (attached) evaluated the existing competition in the defined market area and had access to relevant Co-op comparisons. They also used relevant 2020 census data for population, age and income data.

6. Feasibility Study:

The MTN market study data was used by Don Moffitt, a consultant with Columinate (a national consulting cooperative based in Putney VT), to create a 10-year feasibility study and pro forma. Columinate works with more than 150 food co-ops throughout the country and has access to data from those co-ops, to help it forecast the costs associated with starting a food co-op and the ongoing operational costs for a store of this size and in this region. The Littleton Food Coop also provided detailed information to Columinate to help with Moffitt’s preparation of our document. While the forecast shows CFC struggling to generate net income, it also projects that CFC can maintain a positive cash position throughout the 10-year period and start generating positive cash flow in year 3.

7. Sources:

Funding for this project is expected to come from a wide variety of sources. Many are listed in our pro forma, and others will be sought in the next few months. Below is a list of capital sources that have been identified as November 1, 2023:

- Community residents' summer 2023 equity loans (minimum \$5,000)
- Current sales of Preferred Stock shares (minimum \$1,000)
- Membership shares
- Community donations
- US Department of Agriculture/Rural Development grant and loan programs
- Vermont Community Loan Fund
- New Hampshire Community Loan Fund (successor to NCIC, Northern Community Investment Corporation, serving northern VT and NH)
- Vermont Economic Development Authority (VEDA)
- Co-op funders such as Cooperative Fund of the Northeast, and National Cooperative Bank
- State of Vermont: Community Development Block Grant, Working Lands Enterprise Initiative
- Northern Borders Regional Commission
- Local commercial bank loans

8. Uses:

Capital requirements are significant and varied. They are outlined in our pro forma and addressed below. These funds will be used to 1) complete purchase of the building and location for the Caledonia Food Co-op, 2) execute necessary improvements and fit-up to the building, 3) purchase inventory, and 4) hire staff. Forecast expenses are based on per-square-foot formulas gleaned from other projects throughout the country. A significant reserve is budgeted for possible cost overruns. Investments in refrigeration, shelving, fixtures and technology are key to an efficient, sustainable and welcoming store. The forecast also includes funds for enough working capital to absorb the initial operational net losses expected in any start-up business.

9. Design & Construction:

The Project Manager, under oversight of the CFC Board's Building Committee and the full Board, will hire and provide input to an architect and construction firm during renovation and fit-up. A food cooperative has significant infrastructure needs for equipment, communication and technology. CFC will take advantage of the support generously offered by National Cooperative Grocers, Columinate and Littleton Food Co-op throughout this process.

The PM will develop a detailed work plan to ensure that all tasks are accomplished in a timely manner. CFC will complete purchase of the property on Railroad Street in St.

Johnsbury by April 1, 2024. Current estimates are for the required improvements to take 10-15 months. Long lead times for ordering and installing refrigeration equipment, and a workforce shortage in the building trades, are causing relatively long construction times.

10. Sustainability:

Like most food co-ops we are committed to creating and running an environmentally sustainable business. We will seek the most energy-efficient, low-carbon and durable equipment available to minimize the carbon footprint of the store. Examples include:

- Trans-critical CO₂-based refrigeration system
- Refrigerated cases with doors rather than open cases wherever possible
- Solar-electric panels both onsite and offsite
- Free-air system for refrigeration of walk-in coolers
- Cardboard baler for recycling cardboard
- Car charging stations available to customers and the public

Investment in energy-efficiency measures during construction will reduce long-term operational costs and improve cash flow. We will maximize all available incentives and tax credits to reduce initial costs – and practice “smart buying” and contracting in all areas.

11. Membership and Governance:

The Caledonia Food Co-op will continue to focus on growing its membership. Members are also a significant source of capital for both loans and preferred-stock shares.

We saw local excitement increase exponentially when we announced the possibility of acquiring the Walgreens site. A hastily called community meeting overflowed the classroom at the Fairbanks Museum; memberships jumped, and community members responded immediately with more than \$300,000 in loan commitments and donations.

Recognizing that time requirements for Board members would increase substantially, we added two new members and are contemplating further expansion. Board meetings are currently twice monthly, with committees meeting at least twice monthly as well.

Committees currently are as follows:

- Building, Sources & Uses (which may split into two committees)
- Fundraising
- Communications & Outreach
- Governance
- Executive

The Board will also seek out and make use of all available support from national co-op organizations and peer co-ops. We expect to enter a formal working relationship with one such national organization, Columinate.

The Board intends retain the services of a Project Manager before the end of the year, to handle and follow up on the myriad details involved in this project. We will also begin recruitment for a General Manager of operations as soon as we have secured the store location.

12. Target Customers:

Food co-ops have a strong presence and positive reputation in Vermont and New Hampshire. The most successful co-ops provide both conventional products and organic and local produce. Littleton Food Coop meets those needs for many local residents now, and the Caledonia Food Co-op intends keep those customers in Vermont and also draw from Caledonia, Orleans, Essex and parts of Grafton, Washington and Orange counties.

Co-ops also often leverage a competitive advantage by catering to customers with special dietary needs, and the marketing & product mix will reflect that. Organic, gluten-free, vegetarian, vegan, paleo, non-dairy and many other specialty products will appeal to consumers and build shopper loyalty.

We also want to provide board access to non-traditional co-op shoppers – and intend a special Healthy Foods Access component to our store that will open our doors more widely (discussed under 15. Economic Impact).

13. Marketing Plan:

Aggressive marketing will be critical to finalizing purchase of the building and opening the store. Caledonia Food Co-op already has an impressive social media presence and a functional website. Investment in a strong digital footprint will continue as the membership grows. CFC has issued regular email newsletters to all members since November 2019. Future newsletters will amplify the Co-op's fundraising goals and solicit additional member investment through loans and Preferred Stock shares. We will also advertise special events, food festivals and experiential learning opportunities for co-op and community members.

Regular press releases will help build brand name recognition.

Just prior to the store opening, a cohesive multi-media blitz (print, radio & social media) will build excitement for our successful Grand Opening. A soft opening a couple of weeks prior to the Grand Opening will allow operational kinks to be worked out, and

hone employee competencies. Guidance from seasoned advisors such as Associated Grocers of New England and National Cooperative Grocers will help CFC control cost-of-goods-sold while offering popular marketing features, such as discounts and rebates.

We will highlight local products prominently in our marketing, to differentiate the Caledonian Food Co-op from our competition. Co-marketing with the Littleton Food Coop will be also considered to help with efficiencies. Having an e-commerce site on the web will be considered eventually, but will not be pursued immediately.

14. Product Mix:

Caledonia Food Co-op product selection will reflect the needs and desires of our market area. We expect to provide a full spectrum of conventional grocery-store products as well as local/organic/specialty products mentioned above under Target Customers. Our market study and recommendations from nearby peer co-ops (Littleton, Hanover, Burlington City Market) indicates a product mix of 65% natural/organic/local/specialty and 35% conventional. This mix is reflected in the pro forma.

CFC will feature locally produced agricultural and other products, with prominent product placement to highlight special local offerings. We anticipate up to 30% of sales will be from these products.

15. Economic Impact:

Co-ops typically have a significant economic impact on a town and region. Caledonia Food Co-op is budgeting for 40 full-time jobs initially, and we anticipate the number to grow as the business becomes established and sales increase. We will offer living wages and competitive benefits.

CFC plans to provide a major outlet for the local agricultural community and other local food product makers. Local farmers often struggle to find a steady and sturdy market for their products; CFC intends to provide that market and thereby stimulate local production. As we strengthen, we would also like to provide micro-funding to support agricultural start-ups, diversification, and innovation.

Local and high-quality food is often more expensive and beyond the reach of some shoppers, especially in a low-to-moderate income region like the Northeast Kingdom. CFC's Healthy Food Access program will provide price support for those who need it. We expect to seek local business and individual funding to make it possible, so that the program does not raise Co-op costs to other consumers.

16. Community Impact:

Giving back to the community is a core principle of the cooperative economic model. Caledonia Food Co-op intends to sponsor and support a wide variety of community events. We envision, for example, turning the underused parking area along Railroad Street into a green space with patio and outdoor seating; and perhaps use the large parking area next to the building for pop-up music and cultural events during off-hours.

We plan to sponsor and host special learning and food events, since education is also a cooperative business value. Sampling new products, hosting cooking classes, hosting a strawberry festival, and sharing recipes and educational articles on food and healthy eating in the newsletter, are all ways that the Co-op will help educate our membership.

We will also institute a "round-up for good" option at the checkout for shoppers to aggregate their generosity and generate significant contributions to both local nonprofits and our own Healthy Food Access program. We also intend to offer local nonprofits table space in the store to help spread their messaging. As a prime draw to St. Johnsbury's downtown we're excited to collaborate and support local organizations, including youth groups.

Many co-ops also partner with the Twin Pines Cooperative, a nonprofit organization that gives their members a tax-deductible option for making more substantial donations to area causes. CFC has set up a tax-deductible donation agreement with Cooperative Development Institute as of October 10, 2023.

17. Staffing:

The CFC Board of Directors has developed a Project Manager job description / consultant RFP with the intention of hiring immediately. We have already starting conversations with people who know this field – and will begin recruitment of an operations General Manager as soon as the store site is secured. The Board intends to do a national search. Gallagher, Flynn & Company, CFC's accounting firm, also has an Executive & Profession Recruiting division that may assist in this search.

The GM will be responsible for hiring the rest of the Co-op employees, with a focus on grocery experience and welcoming customer service skills. Littleton Food Co-op has offered to provide training for the management team and job-shadow arrangements for other staff.

18. Employee Benefits:

Caledonia Food Co-op intends to offer a competitive wage and benefit package to attract and retain qualified employees. Turnover in the industry is historically high and keeping good help is vital. We hope to include these benefits with full-time employment:

- A living wage using the MIT livable wage model
- Healthcare, vision and dental insurance
- Long- and short-term disability
- IRA or 401k plan with an employer matching contribution
- Competitive paid-time-off package
- Employee discount program of 10-15%, as is typical in food co-ops.

19. Member Benefits:

Benefits to Caledonia Food Co-op members are expected to be limited during the first few years of store operation, but we intend to add them as finances permit. Member benefits are hard to take away once offered. Benefits being considered include:

- Senior member discount
- Monthly member 'Discount Days'
- Member-only 'Flash Sales'
- Department-wide discount sales
- Discounts to area programs supporting food, recreation and culture.

20. Vendors:

Caledonia Food Co-op intends to source products from many vendors. Buying contracts negotiated by National Cooperative Grocers will help significantly reduce costs compared with what an independent small store would have to pay. The two primary vendors will likely be UNFI, the largest natural foods supplier in the country, and Associated Grocers of New England, a cooperative owned by independent grocers across New England. The Littleton Food Co-op has provided an extensive list of vendors, both local and regional, that service their Co-op and would be interested in supplying the CFC.

21. Licensing:

The Project Manager will be responsible for tracking and complying with local, state, and federal licensing, permits, and other requirements as design and construction of the store proceeds. As soon as a General Manager is hired, that person will be responsible for operational licenses and requirements.

22. Insurance:

Caledonia Food Co-op will consult local insurance agents immediately regarding Board and Officers liability insurance. CFC will obtain fire and liability insurance upon closing on the purchase of the store site. Likewise, upon hiring employees, CFC will obtain general liability and workers compensation insurance. Coverages will be updated as needed as store opening approaches.

23. Technology:

Caledonia Food Co-op has recently standardized Board operations on Microsoft 365 office software. We will obtain a state-of-the-art point-of-sale and inventory system before purchasing any inventory. At this point we expect that system to be ECRS's Catapult system.

The Project Manager will select a store phone and intercom system, as well as a state-of-the-art camera and security system. Some of these systems will provide integration with a fire alarm and refrigeration monitoring systems. There are a multitude of options in this space.

The General Manager will review and select a payroll system from one of the major players, such as ADP, Paylocity or Timeforge.

24. Consultants and Professional Support:

Caledonia Food Co-op has had the benefit of peer and professional support from Littleton Food Co-op and many others. We will continue to seek out advice and services from a diverse group of organizations, including:

- National Cooperative Grocers - bulk-purchasing and development
- Neighboring Food Coop Association - peer support
- Burke & White - real estate
- Gallagher, Flynn & Company - accounting, tax, and executive search
- SRH Law (formerly Dunkiel Saunders) - legal services
- Columinate Consulting - governance and operations support
- Food Cooperative Initiative - start-up support
- (TBD) - architectural design.
- Associated Grocers of New England, and UNFI - store set-up support
- Local Economy Works – grant funding for energy and innovation.