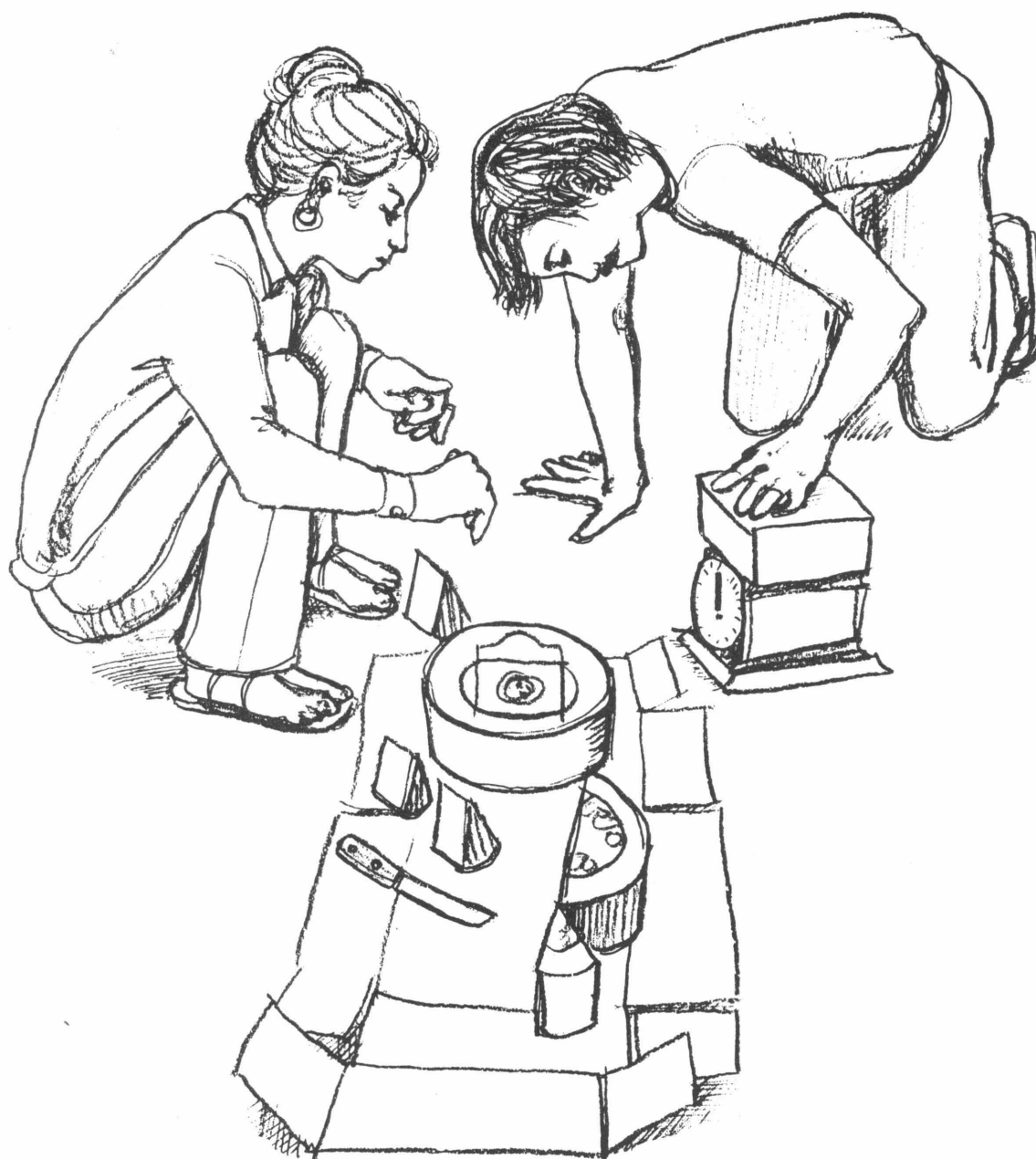


# Deciding Whether to Organize a Food Buying Club



Virginia Cooperative Extension Service  
Virginia Tech and Virginia State • Virginia's Land-grant Universities  
Publication 354-732 • Revised July 1983

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## DECIDING WHETHER TO ORGANIZE A FOOD BUYING CLUB?

by

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So you and your friends want to buy food as a group to save money. A food buying club is one way people can do this -- a co-operative effort to do something that they think will help them. Sometimes buying clubs incorporate, a legal process with certain advantages and disadvantages, but one that legally allows them to formally call themselves a "co-operative."

But the advantages and disadvantages of incorporation will come later. First, your group needs to answer and discuss a number of questions about buying clubs before you decide to organize one. These questions are based on the experiences of other groups who have organized such clubs.

Before you start on the questions, you should remember that when you buy food co-operatively you are trading time and effort for savings in food costs. If your time is already limited, you should first decide whether you can take your share of the responsibilities of operating a food buying club.

As you consider the following questions, write in the blanks what you have decided.

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\_\_\_\_\_ 1. What is your most important goal for your food buying club?

This question sounds pretty simple, but if most of your group's members don't agree on a common goal for the club, you are sowing seeds of discontent from the start.

Possible goals might be:

- \_\_\_\_\_ a) to save money
- \_\_\_\_\_ b) to get better quality, fresher food
- \_\_\_\_\_ c) to socialize with the group members
- \_\_\_\_\_ d) to buy health/organic foods
- \_\_\_\_\_ e) to support personal beliefs (vegetarianism, etc.)
- \_\_\_\_\_ f) to support political views
- \_\_\_\_\_ g) to learn more about the food marketing system
- \_\_\_\_\_ h) others (list them)

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\_\_\_\_\_ 2. Can you get enough people together to buy in volume and can these people work together as a group?

In order to get the most saving on food costs, the club must buy in larger volumes. Total cash savings from buying food co-operatively can be 15 to 25 percent, depending on the kinds of food bought and the amount of operating costs. Keeping operating costs down means using all or nearly all volunteer help, trying to find a rent-free or very low-rent place to operate, re-cycling grocery bags, and so forth.

Guidelines for organizing a food buying club:

- \_\_\_\_\_ a) You'll need at least 10 families or "households" (two or more people living together) but probably not more than 30 families or households in one unit.

\_\_\_\_\_ b) These people should:

- 1) live reasonably close together;
- 2) like working and socializing with each other;
- 3) be willing to make joint plans and decisions on food buying (abide by majority decisions);
- 4) be willing to do their fair share of the club's work;
- 5) be willing to abide by the club's rules;
- 6) be willing and able to pay membership fees;
- and
- 7) be able to pay promptly and in advance for food and a share of the club's expenses.

\_\_\_\_\_ 3. Is there a source of lower priced food near you and have you compared that source's current prices with retail store prices?

Some sources of food for your club might be wholesale food dealers, restaurant suppliers, food packers and processors, local farmers, other food buying clubs or co-operatives. However, wholesale dealers are the source usually used by food buying clubs. You probably will find that wholesale food dealers are strictly cash and carry and sell only in case lots.

When comparing wholesale and retail prices, keep in mind that retail mark-ups are usually larger on the more perishable foods -- up to 40 percent on fresh fruits and vegetables, 15 percent on dairy products, 10 to 15 percent on canned and packaged goods and bakery items. Potential savings vary depending on which store prices you check for comparison -- nationally advertised brands, store brands, or advertised "specials." (Store specials are often priced at

or near wholesale prices so there would be little savings from trying to buy "special sale" items at lower prices.)

A word of caution -- items having the largest markups are generally more difficult to handle. Fresh fruits and vegetables, dairy products and the like must be refrigerated or losses and reduced quality will quickly wipe out potential savings.

Some points you'll need to check about food sources are:

- \_\_\_\_\_ a) Is there a wholesale market or dealers near you?
  - \_\_\_\_\_ b) Is there a dealer or dealers willing to sell to your group?
  - \_\_\_\_\_ c) Is the dealer reliable?
  - \_\_\_\_\_ d) Are his quality standards satisfactory?
  - \_\_\_\_\_ e) What is his minimum size order?
  - \_\_\_\_\_ f) How do his prices compare with other sellers?
  - \_\_\_\_\_ g) Does he offer credit?
  - \_\_\_\_\_ h) How and when are orders to be placed?
  - \_\_\_\_\_ i) Does the dealer deliver or what arrangements must you make for pick-up?
- \_\_\_\_\_ 4. Is a rent-free, centrally-located distribution point, such as a member's garage or basement, or a room in a church or community center available where the food can be brought or delivered and broken down into individual orders for pick-up?
- The location selected must have suitable workspace for such activities as weighing produce, cutting cheese, bagging food and refrigeration for perishables.
- \_\_\_\_\_ 5. Do you have or can you get the necessary equipment to operate -- scales, adding machine or small calculator, bags and boxes --

and can members provide transportation -- cars, trucks or vans to haul food?

- \_\_\_\_\_ 6. Have you checked with local authorities about requirements for business licenses, collecting sales taxes, sanitation and the like?

The local office of the clerk of courts is a good place to start inquiring about local requirements.

In some urban areas, you may need a food handlers' permit.

If you have members who want to use food stamps, you will also need to check with the nearest office of the Food and Nutrition Service, U.S. Department of Agriculture, to apply for food stamp authorization.

- \_\_\_\_\_ 7. Have you considered what to charge members for membership in the club?

Food buying clubs often charge \$5 to \$10 per family or household as a membership or starting-up fee. This money helps to pay for the costs of starting the club (licenses and fees, preparing forms, transportation, telephone bills, any deposits that might be needed on work space or equipment, establishing an emergency fund and the like). Some clubs also charge annual dues to help maintain some "working capital" for the club's operations. This money might be used to buy extra food where an extra special bargain turns up or to buy and stock larger amounts of nonperishable items in order to get a larger saving per unit or for emergency expenses.

- \_\_\_\_\_ 8. Have you explored member charges to cover the club's operating costs (costs of duplicating price lists and other necessary forms, telephone bills, spoilage, breakage, transportation, supplies and maintaining an emergency fund)?

Many food buying clubs add 3 to 10 percent to their food costs to cover their operating costs. Supermarkets' operating costs are generally about 20-22 percent of their retail prices.

- \_\_\_\_\_ 9. Have you considered policies for:
- a) Frequency of orders -- weekly, bi-weekly, monthly;
  - b) Extra food when members order less than a case lot;
  - c) Shortages when members order a little more than a case lot;
  - d) Members who don't show up when they are scheduled to work;
  - e) Money problems (who will be responsible); and
  - f) Substitutions, when the item ordered wasn't available.

Some clubs handle food left over from filling individual orders by having a "bargain table." They put the extra food on a table when members come to pick up their orders so that those who can use the extra have a chance to buy it.

- \_\_\_\_\_ 10. Have you considered how to organize your club, how to divide up the work fairly, and how to train new members?

Many food buying clubs organize their members into four or more committees to manage their operations, such as ordering, packaging, finance, and membership and education.

- a) The ordering committee oversees such jobs as making up order forms, collecting and adding up orders, buying food and seeing that it is delivered to the distribution center.
- b) The packaging committee divides up the food and bags individual orders, collects the money (if the food is not paid for in advance), and cleans up the center afterwards.
- c) The finance committee keeps records of the club's finances and determines the markup for operating costs. This committee also collects the money in some clubs.



- d) The membership and education committee is responsible for training new members (many food buying clubs change members very rapidly), setting up club meetings and keeping members informed about club activities in general.

In addition to committees, buying clubs often have a manager or coordinator to oversee all of the club's operations and keep things going smoothly.

Members of buying clubs should expect to volunteer 2 to 5 hours of work for the club per month, depending on how often the club buys food, the volume handled, number of members, etc. Work should be scheduled so that people who work during the day also can help and family members can work together.

- \_\_\_\_\_ 11. What are you planning to do to keep members feeling good about the group? Some possibilities are:

- \_\_\_\_\_ a) Regular, open business meetings  
\_\_\_\_\_ b) Socializing  
\_\_\_\_\_ c) Handling problems and complaints  
\_\_\_\_\_ d) Informing members about club news and business

(a newsletter, bulletin board and the like).

- \_\_\_\_\_ 12. Have you studied available information on food buying clubs -- books, U.S. Department of Agriculture - Farmer Cooperative Service pamphlets, Cooperative League of USA materials, magazine and newspaper articles? (See the reading list in this publication.)

- \_\_\_\_\_ 13. Have you checked with other food buying clubs for help and ideas?

The two books on the reading list in this publication contain lists of food buying clubs and co-operatives.

- \_\_\_\_\_ 14. Have you considered incorporating the club as a co-operative?

Although you are probably starting off as a food buying club,

you may eventually want to incorporate as a cooperative, if the group becomes much larger and the club's operations more complex. Incorporation has both advantages and disadvantages. The major advantage is the limitation of legal liability of members. However, the liability of club members can be covered by insurance, as well as through incorporation. Disadvantages include the expense (legal fees and the like) and the time involved to take the necessary steps.

To incorporate, you will need a charter and by-laws and expert legal advice. You will also need to elect officers.

Incorporation is a big step. Before you decide to go that route you should discuss it thoroughly with people who know a good deal about cooperatives. Your local Virginia Cooperative Extension Office can help put you in touch with specialists. You may also need legal assistance.

### Summing Up

This publication is designed to help you and your group explore the pros and cons of starting a food buying club. If you decide to go ahead, by now you should have much of the information you need to take action.

There are two additional points you should remember. The questions in this publication are only some of the many questions you should answer and discuss before starting a food buying club. All the answers need not be favorable; but the more that are, the better your club's chances for success.

The second point is that this publication is intended for people interested in exploring the possibility of starting a food buying club. The actual organization and operation of food buying clubs is beyond the scope of this bulletin. You will need to explore that question further, too.

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