



Business Transition Planning:

Exploring Solutions through Cooperative Ownership



Rural Grocery Initiative

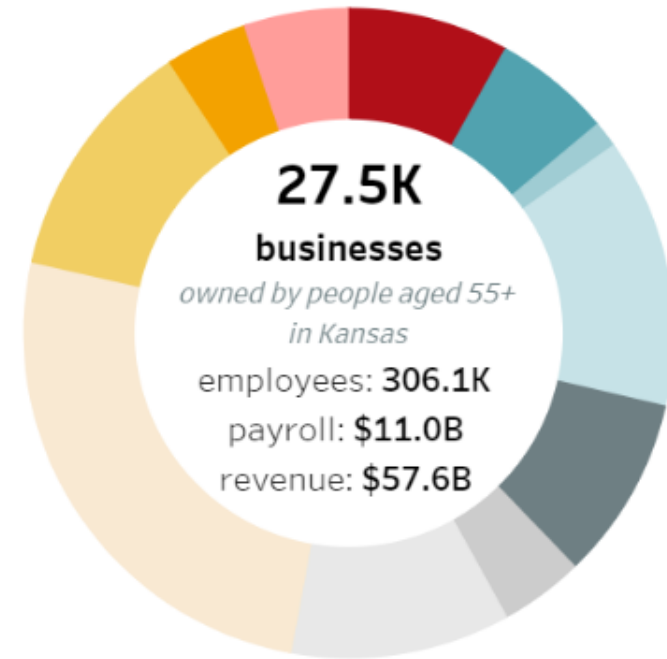
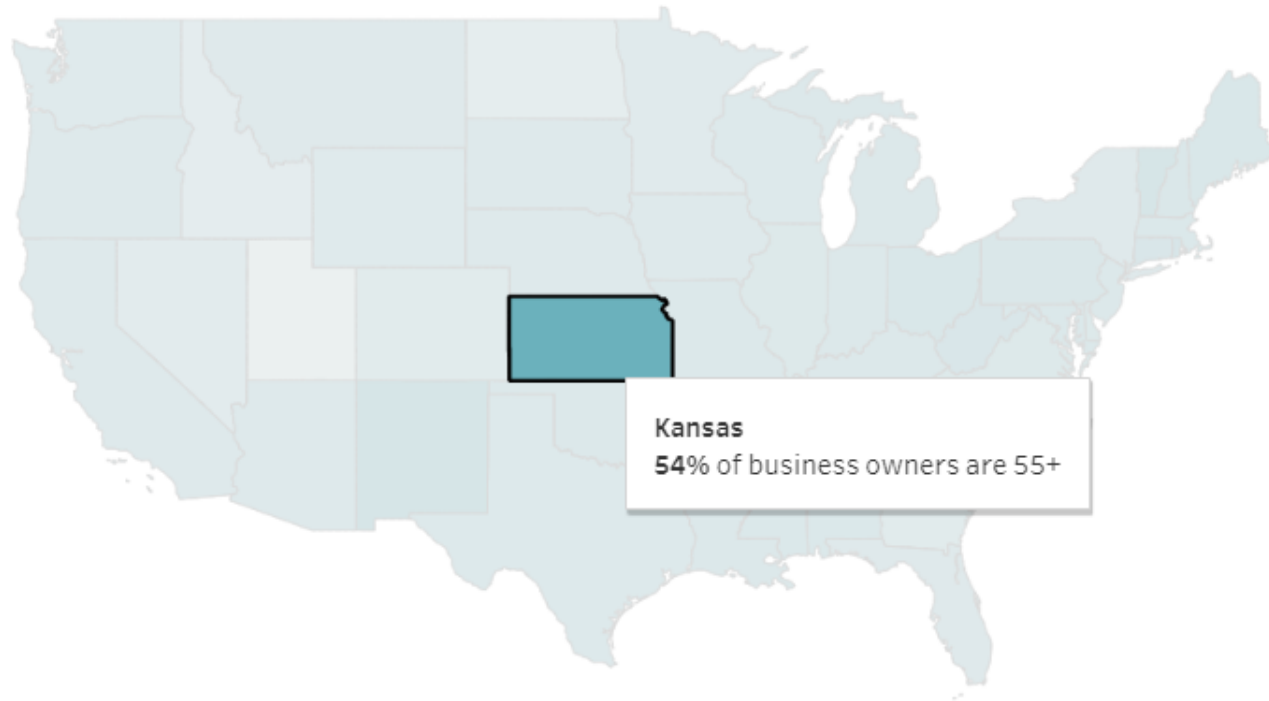
The Rural Grocery Initiative aims to sustain locally-owned rural grocery stores to enhance community vitality and improve access to healthy foods by identifying, developing, and sharing resources that support grocers and rural communities.

Riverside Market, Blue Rapids

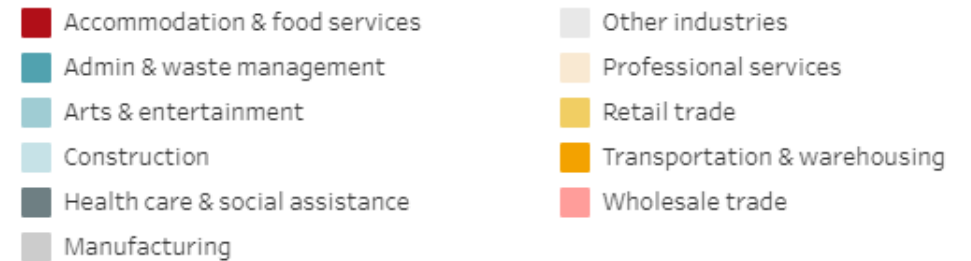
Locally-owned businesses are vital for rural communities

- Small businesses employ 47.1% of all U.S. workers
2020 Small Business Profile, Small Business Administration
- Locally-owned businesses circulate 3x more money back into the local economy than chains
The Multiplier Effect of Local Independent Businesses, American Independent Business Alliance
- Help build the culture and identity of rural places

Baby boomers own half of the privately held businesses with employees in the United States



Industries



Source: Census 2018 Annual Business Survey

% of firms owned by people aged 55+

hover over a state to see %

click to see relevant data



{ Project Equity }

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<https://project-equity.org/communities/small-business-closure-crisis>

Findings on business transition planning for Kansas rural grocers

48%

The grocer or their spouse have full or part-time employment outside of the store.

80%

Spend more than 40 hours working at the store per week



79%

Do not have any transition plans for the future management of their grocery store.

81%

Do not have any transition plans for the future ownership of their grocery store.

39%

Plan to transition out of their store in the next 5-10 years

Co-op conversion is one possible solution for rural business owners

- What is a cooperative? “An autonomous association of persons united voluntarily to meet their **common economic, social, and cultural needs and aspirations** through a **jointly owned and democratically controlled** enterprise.” – *International Co-operative Alliance*
- Rural Cooperative Development Grant activities in 2023: “**elevate awareness and understanding of the cooperative model as a viable solution for rural businesses.**”

Who is here today?

- What is your name?
- Where are you from?
- What's your role in the community?
- What brought you to this workshop?

Agenda

Business Transition Fundamentals

Jason Tuller, Rural Prosperity Nebraska

Why Co-ops?

Cindy Houlden, Nebraska Cooperative Development Center

Lunch

Farmhouse Kitchen

Kansas Cooperative Statutory Considerations

Brandi Miller, Kansas Cooperative Council

Case Study Spotlight and Q&A

Jenna Greckel, Centennial Market



BUSINESS TRANSITION


The end is nearer than you think!

Presented by: Jason Tuller, Nebraska Extension Educator

OPPORTUNITY RESEARCH

WHY?

What is the mindset of the current owners and prospective buyers or community members that is preventing more cooperatives, community-owned business formations?



Ewing Marion Kauffman Foundation

Heartland Challenge 2

* Addressing rural business transfer opportunities by providing education on models of shared business ownership, including business cooperative.



HOW TO BUY A BUSINESS

Business Plan



Financial Projections

Banks



Down Payments

Owner Financing

Collateral

Cash Flow

Every Business in Kansas will go through a Business Transition



BUSINESS TRANSITIONS – WE'VE ALL SEEN IT

UNDER New Management



GOING OUT OF BUSINESS
EVERYTHING MUST GO!
70% OFF

FIXTURES FOR SALE

STORE FOR RENT



According to scientists...Kansas is flatter than an IHOP Pancake.



TIME



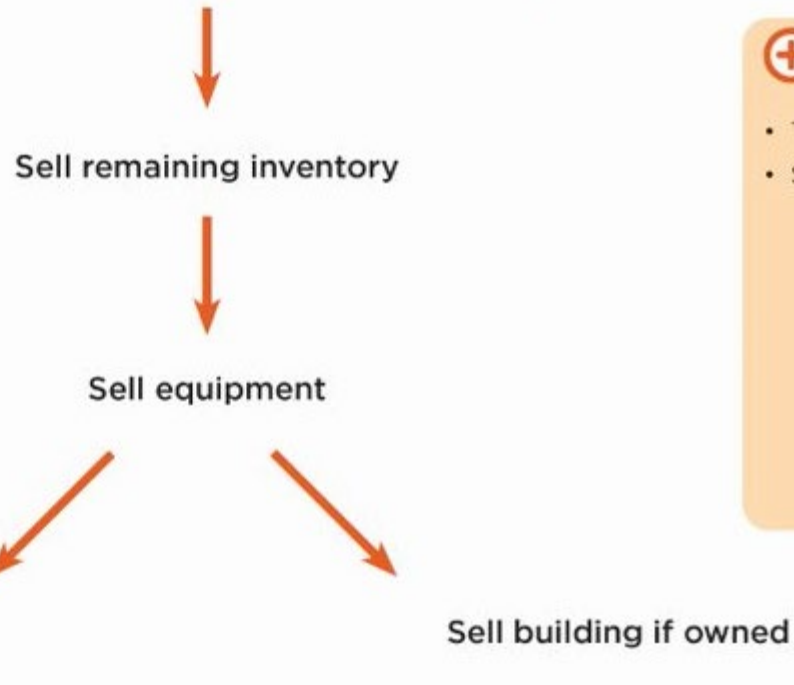
Photo by [Nathan Dumlao](#) on [Unsplash](#)

The largest ball of twine is in Cawker City, Kansas, it weighs 16,750 pounds.



BUSINESS TRANSITIONS

Close Business - Liquidate



+ PROS

- The fastest exit strategy
- Simplest path to financial return, if any

- CONS

- Building empty, may not be sellable
- Receive the smallest value for the business
- Community loses service
- No longer building community wealth
- Community loses jobs
- Community loses tax revenue
- Loss of potential residents
- Lease/Rental Penalty

Both Pizza Hut, White Castle, and Freddy's Frozen Custard and Steakburgers' first restaurants were in Wichita, Kansas.



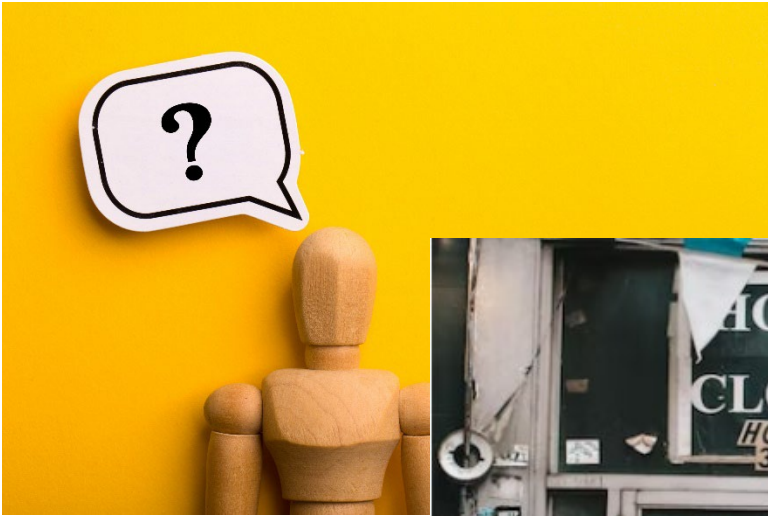


Photo by [Mike Rasching](#) on [Unsplash](#)



Photo by [Marco Bianchetti](#) on [Unsplash](#)



Photo by [Tim Mossholder](#) on [Unsplash](#)

There are 27 different creeks in Kansas...named Walnut Creek.



BUT BUSINESS TRANSITION IS A SECRET...RIGHT?



Photo by [Stefan Steinbauer](#) on [Unsplash](#)

Helium was discovered in 1905 at the University of Kansas.



BUSINESS TRANSITIONS

Sell business outright or to multi-owner business

Timeline 1-5 years



Contact Realtor or Business Broker for estimated value



Increase profitability and ensure tax returns are accurate because a bank sets loan values based on tax returns. Timeline 1 - 5 years.



Sell Business

+ PROS

- May Receive High Value for Business
- Community retains service
- Continuing to build community wealth
- Community retains jobs

- CONS

- Could lose employees while business is for sale.
- Realtor and broker fees can be expensive
- Have to prepare business financially over years
- Can lose customers while business is for sale
- Can take significant time to find buyer
- May need to remodel and upgrade equipment to be sellable

Dodge City, Kansas is the windiest city in the US, with an average wind speed of 14mph.



YOUNG PEOPLE HAVE NO NEST EGG!



Photo by [Emil Kalibradov](#) on [Unsplash](#)

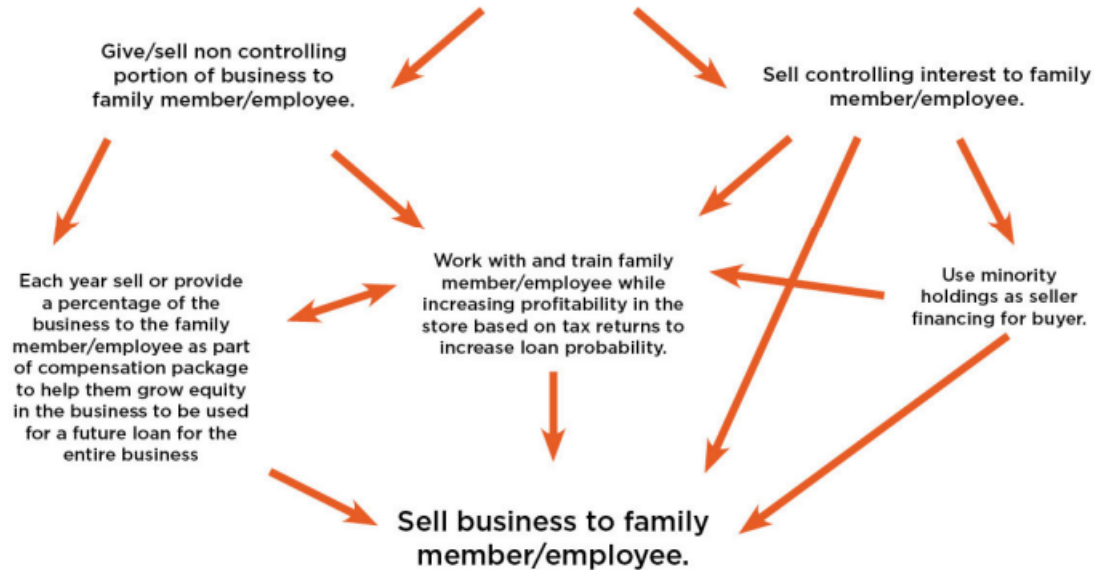
There are 528+ caves in Kansas.



BUSINESS TRANSITIONS

Give/Sell business to family member/employee

Timeline 0-5 years



+ PROS

- Community retains service
- Continues Family Legacy, if family member buys.
- Can be a quick transfer, gifting a portion of the business takes longer
- Building community Wealth
- Community Retains Jobs
- Customers have relationship with new owner if current employee buys.

- CONS

- May not receive highest value for business
- Must have interested and skilled family member
- May take some time especially if loans are involved
- May take time if shares need to be given over time
- Non-Employee family members may not be satisfied with their 'piece of the pie'.

The helicopter was invented by Goodland, KS natives William Purvis and Charles Wilson.





Photo by [Nathan Dumlao](#) on [Unsplash](#)



Photo by [Jp Valery](#) on [Unsplash](#)

The world's Largest Collection of the world's Smallest Versions of the world's Largest Things is in Lucas, KS.



WHAT ABOUT GROWTH THROUGH BUSINESS TRANSITION?



Photo by [Terricks Noah](#) on [Unsplash](#)



Photo by [Sander Sammy](#) on [Unsplash](#)



Photo by [x \)](#) on [Unsplash](#)

The only underground Salt mine that is accessible to tourists is in Hutchinson, KS.



SOMETIMES IT IS JUST ABOUT STABILITY



Photo by [Upbeat Nomad](#) on [Unsplash](#)

George Washington Carver finished high school in Minneapolis, KS.





RESOURCES



The Rural Grocery Initiative



What about business brokers?



Local Economic Development/Chamber



Local Accountants or Attorneys

My brother killed a tiger in Kansas...and almost was killed by a giraffe...also in Kansas.



OUR RESEARCH TEAM



Charlotte Narjes

RURAL PROSPERITY NEBRASKA
EXTENSION EDUCATOR



Marilyn Schlake

RURAL PROSPERITY NEBRASKA
EXTENSION EDUCATOR



Jason Tuller

RURAL PROSPERITY NEBRASKA
EXTENSION EDUCATOR



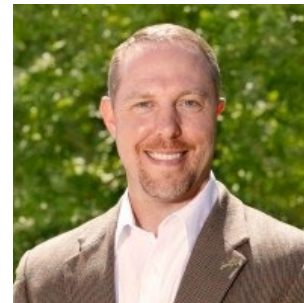
Gregory McKee, Ph.D.

PROFESSOR
BYU - IDAHO



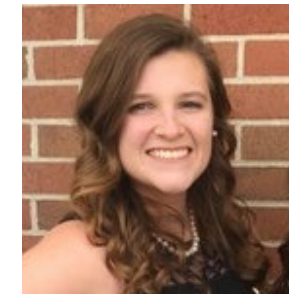
John Westra, Ph.D.

AG SYSTEMS ECONOMIST
PROGRAM LEADER



Shawn Kaskie

RURAL PROSPERITY NEBRASKA
EXTENSION EDUCATOR



Shelby Mikulak

AG ECONOMIC
GRADUATE STUDENT (2021)





You have **86,400**
seconds in your day.
Thanks for spending
2700 of those
seconds with me.



Contact:
Jason Tuller
Rural Prosperity Nebraska
Educator | Nebraska Extension
JASON.TULLER@UNL.EDU

***Business Transition
using the
Cooperative Model***



Presented by Cindy Houlden,
Cooperative Development Specialist

IN OUR GRIT, OUR GLORY™



A Cooperative is a user-owned and user-controlled business formed to benefit its member owners.



Kearney, Nebraska



KAAPA



7 Cooperative Principles



1 VOLUNTARY AND OPEN MEMBERSHIP

DEMOCRATIC MEMBER CONTROL



3 MEMBERS' ECONOMIC PARTICIPATION

AUTONOMY AND INDEPENDENCE



5 EDUCATION, TRAINING AND INFORMATION

COOPERATION AMONG COOPERATIVES



7 CONCERN FOR COMMUNITY

Benefits of a Cooperatively Owned Business

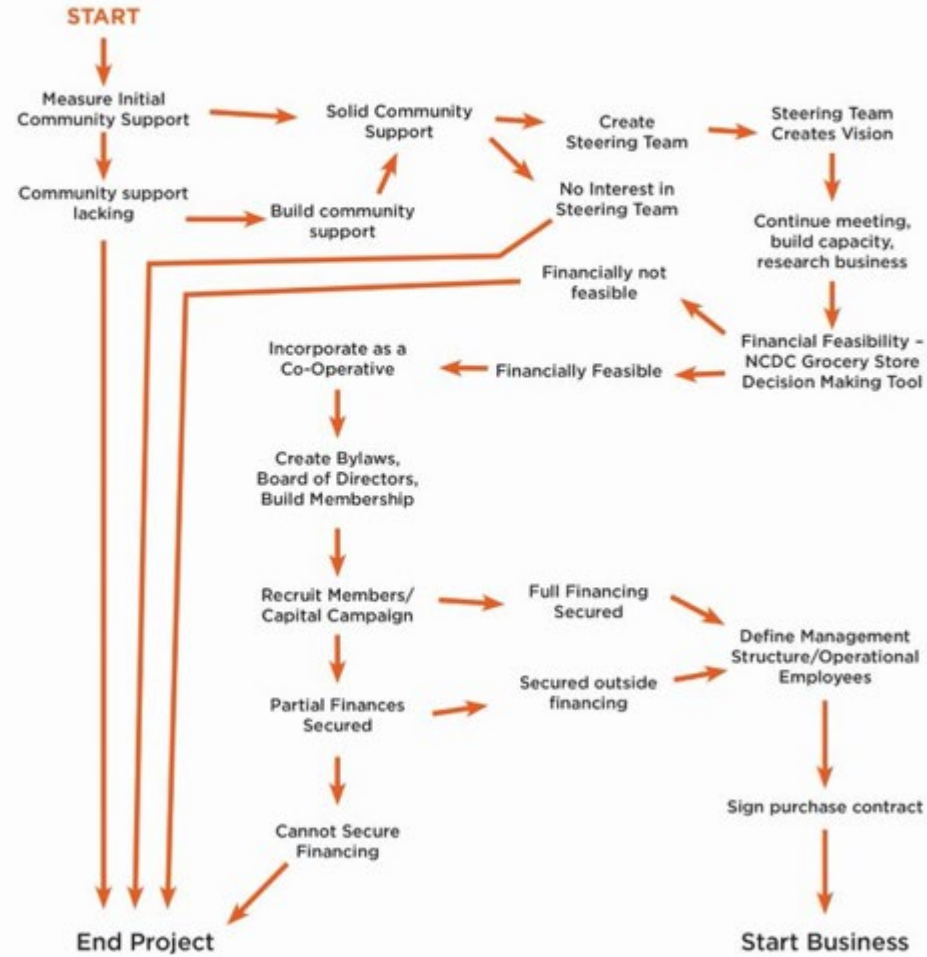


- Preserves a town's local character.
- Local ownership enables those who feel the impact of a decision to make the decisions affecting the business.
- Through operating the enterprise, neighbors understand the economics of operating business.
- Community-owned businesses support local economies.
- Complement other local businesses.
- Provide access to goods and services in community.

Co-Operative

Store Owner can participate as shareholder.

If owner does not participate, sale is similar to selling the business outright.



Due to the nature of business transitions all decisions and all business transfer types cannot be shown on this chart.

Business Transition

PROS

- Board is usually customers
- Smaller Investment
- Increased Community Support
- Community Retains Service
- Can receive value for business
- Can choose to donate and/or still be involved
- Can continue to build community wealth
- Retains community jobs
- Pass-through for tax purposes.

CONS

- More individual shareholders
- Can be complicated building support and financing
- Can take a long time to complete process



Owner Role



- **Participate as a shareholder**
- **Serve as manager.**
- **Sell business to Cooperative**
- **Donate business to a qualifying 501(C)3 to sell to Cooperative.**



Transitioning to a Cooperative

- **Measure Community Support.**
- **Create a Steering Team.**
- **Create a Vision.**
- ***Engage Legal Counsel and Accountant.***
- **Determine Feasibility.**
- **Set Capital Goal.**
- **Recruit Members.**



- **Secure Capital**
 - Member Investment.
 - Voting Shares
 - Non-Voting Shares
 - Loans.
 - Gifts.
 - Grants.
- **Reach Capital Goal.**



Transitioning to a Cooperative

- **Elect Board.**
- **Hire Manager.**
- **Develop Store Policies.**
- **Hire Staff.**
- **Begin to Operate as a Cooperative.**
- **Hold First Member Meeting.**



Questions to address

- **What is a cooperative and how is it different from other businesses?**
- **Can we not just find a grant or a bank loan to fund this transition?**
- **Who controls a cooperative?**
- **What responsibilities to the cooperative do members have?**
- **What does economic participation mean?**
- **Can cooperative membership be restricted?**
- **Who can invest?**





**NEBRASKA COOPERATIVE
DEVELOPMENT CENTER**

*Dedicated to assisting people prosper in rural
Nebraska through all stages of cooperative business
development*

Cindy Houlden – choulden2@unl.edu – 308-293-6417

The Nebraska Cooperative Development Center (NCDC) is located in the Department of Agricultural Economics at the University of Nebraska–Lincoln. NCDC programs abide with the nondiscrimination policies of the University of Nebraska–Lincoln and the United States Department of Agriculture. NCDC is funded in part by the USDA RCDG and SDGG Grant Programs.



KANSAS COOPERATIVE STATUTORY CONSIDERATIONS

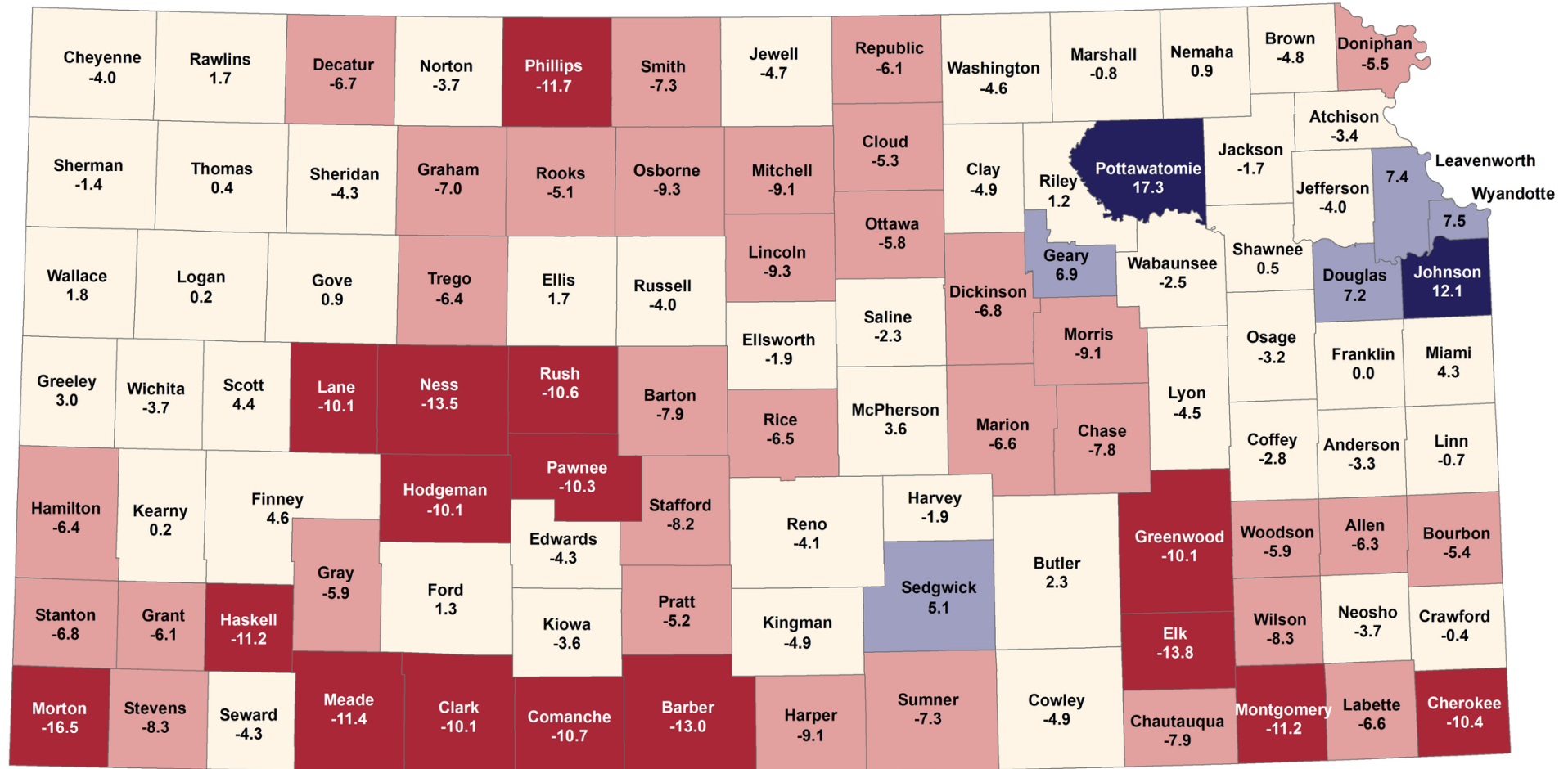
BRANDI MILLER
PRESIDENT & CEO
KANSAS COOPERATIVE COUNCIL

KANSAS COOPERATIVE COUNCIL

“OUR MISSION IS TO PROMOTE, SUPPORT
AND ADVANCE COOPERATIVES THROUGH
EDUCATION, ADVOCACY AND PROMOTION.”

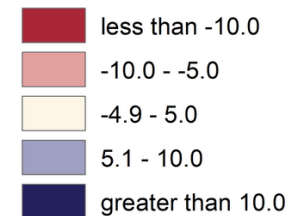
Vision - “Developing Co-op Leaders.
Advancing Cooperative Success.”

Percent Population Change in Kansas, by County 2010-2020



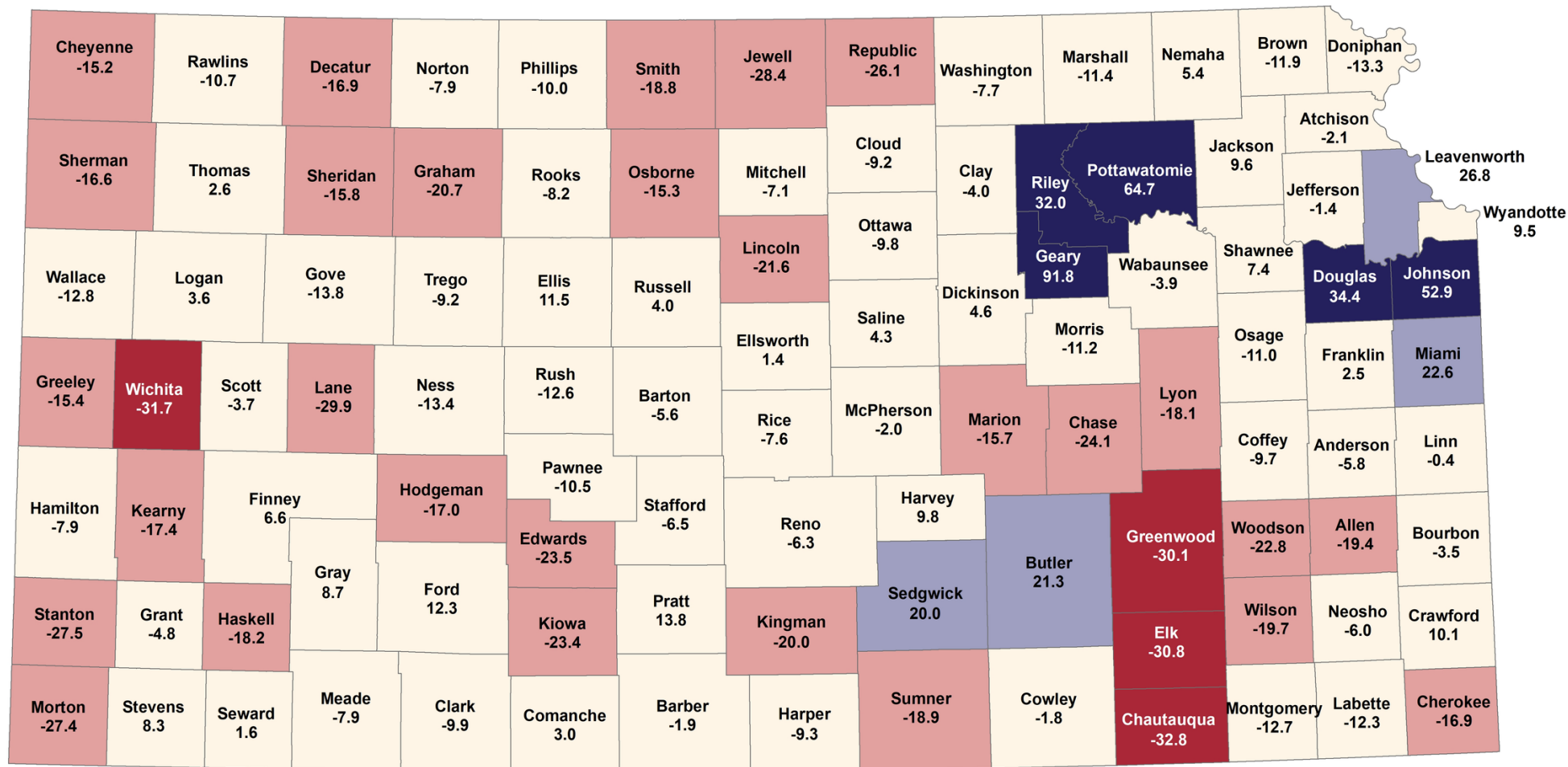
Source: Institute for Policy & Social Research, The University of Kansas; data from the U.S. Census Bureau.

Percent Population Change



State: 3.0

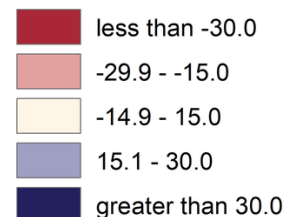
Projected Percent Population Change in Kansas, by County 2015-2045



Source: Institute for Policy & Social Research, The University of Kansas;
data from Wichita State University, Center for Economic Development and Business Research.

Percent Population Change

State: 18.9





CURRENT STATUTES

K.S.A. 17-15 Cooperative Societies Act

K.S.A. 17-16 Cooperative Marketing Act

COOPERATIVE SOCIETIES

Any number of persons not less than twenty, who are citizens of the state of Kansas may associate themselves together as a cooperative corporation for the purpose and to the end of more successfully promoting and conducting any business or industrial pursuit. The title of such corporation shall begin with "the" and end with "association," "company," "corporation," "exchange," "society," or "union." For the purpose of this act the "co-operative plan" shall be construed to mean a business concern that distributes the net profits of its business by: First, the payment of a fixed dividend upon its stock; second, the remainder of its profits are prorated to its several stockholders upon their purchases from or sales to said concern or both such purchases and sales.



Organization

Any number of persons, not less than twenty...

Stock

no shareholder may own to exceed 5% of the total capital stock

Purpose

Developed predominately for rural telephone cooperatives and amended to support the telecommunication cooperative sector



COOPERATIVE MARKETING

The purpose of the cooperative marketing act is to promote, foster and encourage the intelligent and orderly marketing of agricultural products through cooperation and to eliminate speculation and waste; make the distribution of agricultural products as direct as can be efficiently done between producer and consumer; stabilize the marketing of agricultural products; and promote the development of the most profitable and permanent system of agriculture, the most wholesome and satisfactory living conditions, the highest ideals in home and community life and a general interest in the improvement of field crops and livestock and in the business of farming and in rural life.

Organization

Five or more persons engaged in the production of agricultural products may form a nonprofit, cooperative association or associations with or without capital stock, under the provision of this act.

Stock

No stockholder of a cooperative association, except another cooperative association shall own more than 20% of the common stock of the association. An association in its bylaws may limit the amount of common stock which one member may own to any amount less than 20% of the common stock.

Purpose

Marketing of agriculture products.





OTHER OPTIONS

- Organize as a different business structure
- Operative Cooperatively to get access to Co-op benefits



RESOURCES

Rural Grocery Initiative

The Rural Grocery Initiative, a unit within K-State Research & Extension, explores and supports innovative models for rural business development and sustainability.

Website: <https://www.ruralgrocery.org>

Email: rgi@k-state.edu

Kansas Cooperative Council

Kansas Cooperative Council supports all cooperatively structured businesses through advocacy, education and promotion.

Website: <https://www.kansasco-op.coop>

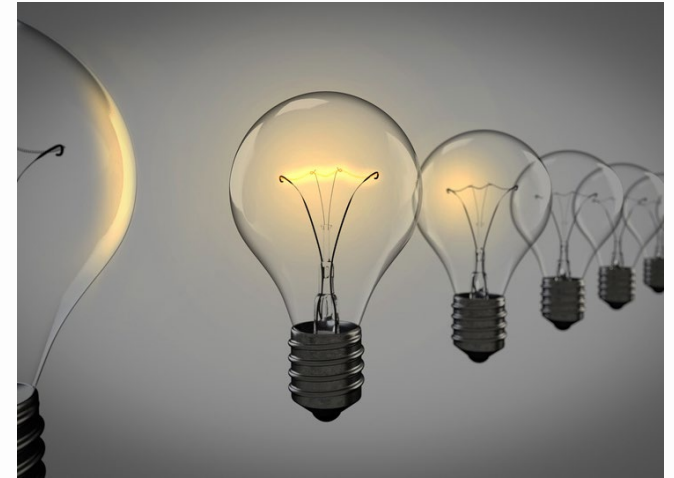
Email: council@kansasco-op.coop

Arthur Capper Cooperative Center

The Arthur Capper Cooperative Center (ACCC) was established by an agreement between Kansas State University's Department of Agricultural Economics and the Kansas Cooperative Council with the primary goal is to enhance society's understanding of the nature and role of cooperatives.

Website: <https://acc.k-state.edu/about/index.html>

Email: sbarrett@ksu.edu



What Questions Do You Have?

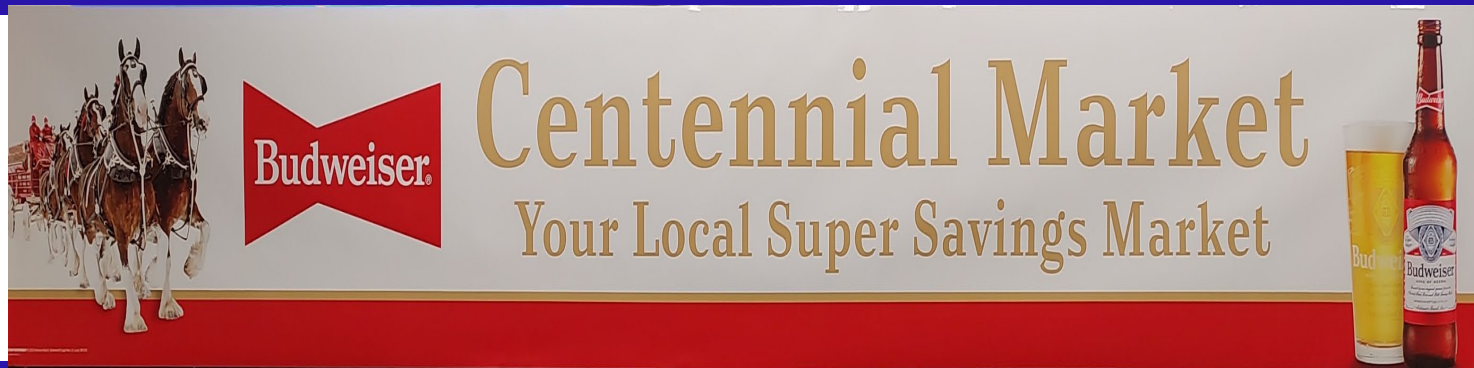




KCC Contact Info

- Brandi Miller, President/CEO
 - Cell: 785-236-1743
 - Email: brandi@kansasco-op.coop
 - Web page: www.kansasco-op.coop
 - Facebook:
www.facebook.com/KansasCooperativeCouncil





CENTENNIAL MARKET COOPERATIVE

Informational and Investor Presentation

MEETING OVERVIEW

- Introductions
- Importance of a Community Grocery Store
- History of Our Town Utica Investments LLC/Pac N Save Venture
- Centennial Market Cooperative Creation
- Goals
- How You Can Be Involved!

INCORPORATORS

- Garry Dittmar
- Betty Dittmar
- Mark Greckel
- Nancy Greckel
 - Ron Tomes
- Deb Tomes
- Mitch Stuhr
- Angie Miller
- Spencer Clouse
- Jenna Greckel

IMPORTANCE OF A COMMUNITY GROCERY STORE

- Our grocery store is arguably one of the most important businesses in town providing convenient groceries to the community and surrounding areas.
- People look for a grocery store when deciding where to live, and residents will be more likely to stay in your town with a grocery store close by.
- It is the only grocery store in the Centennial School District.
- Shopping at our local grocery store puts money back into our community.

At the end of the day, the importance lies in the fact that not all small towns are as lucky as we are!

HISTORY

- Creation of Our Town Utica Investments LLC (2012)



Garry & Betty Dittmar

Don & Ruth Olson

Ron & Deb Tomes

Mark & Nancy Greckel

LaVerne & Linda Stuhr

PAC N SAVE

- Pac N Save leased from Our Town Utica Investments LLC to bring a grocery store back to the town of Utica.
- In 2020, Pac N Save decided they wanted to get out of the lease to focus on Seward's store, which left the LLC with a tough decision!



CREATION OF CENTENNIAL MARKET CO-OP

- 2022: Our Town Utica Investments, LLC took the plunge to create Centennial Market Cooperative
- Steps were taken to get the venture rolling:
 - Financial research/collaboration
 - Market Study
 - Legal meetings
 - Keeping Jay as Store Manager
 - Incorporation of the Co-op

Board Members:

- Garry Dittmar, President
- Mark Greckel, Vice President
- Nancy Greckel, Secretary
- Betty Dittmar, Treasurer
- Jenna Greckel, Registered Agent

IT'S OFFICIAL!!

November 1, 2022

- Centennial Market Cooperative took ownership of the grocery store!



GOALS

- New Member Recruitment
- Reaching Financial Goals
- Purchase of Building/Assets from Our Town Utica Investments LLC
 - Current Lease is \$3300/month
- Pay Off Loans

FINANCIAL GOALS

- Potential Fundraising: \$750,000
- First Goal:
 - \$200,000
 - Move forward with the cooperative
 - Pay off the inventory and operating loan
- Second Goal:
 - Additional \$200,000
 - Purchase building from LLC
 - Reinvestment from LLC Members
- Third Goal:
 - Raise additional funds to create a solid, financially sound store for maintenance, expansion, etc.
 - Be able to show a profit and earn dividends!



INVESTMENT OPTIONS

- Common Stock: \$500 (200 Shares)
 - Voting Share
 - Every member MUST have a Common Stock
- Preferred A Stock: \$500/Share (300 Shares)
 - Can own as many as you would like
 - Potential to qualify for dividends
- Preferred B Stock: \$5000/Share (100 Shares)
 - Can own as many as you would like
 - Potential to qualify for dividends at a higher return
- All shares can be jointly owned, you will just need to designate one member to be the voting member.

QUESTIONS?



Thank you!

Erica Blair, Rural Grocery Initiative

Website: <https://www.ruralgrocery.org>

Brandi Miller, Kansas Cooperative Council

Website: <https://www.kansasco-op.coop>

Cindy Houlden, Nebraska Cooperative Development Center

Website: <https://ncdc.unl.edu>

Jason Tuller, Rural Prosperity Nebraska

Website: <https://ruralprosperityne.unl.edu>

Jenna Greckel, Centennial Market

Email: jgreckel@hotmail.com



Business Transition Planning:

Exploring Solutions through Cooperative Ownership