

# Cooperatives in Times of Crisis

## *Table of Contents*

<b>Introduction</b>	<b>2</b>
<b>A Universal Context</b>	<b>3</b>
Alienation	3
The Cooperative Principles	6
<b>The Creeping Gig Economy</b>	<b>8</b>
<b>The Lebanese Context 2019-2022</b>	<b>10</b>
Cooperatives in Recessions	11
Legal Framework	12
General Directorate of Cooperatives	14
Misconceptions about Coops	14
<b>Food Coops</b>	<b>15</b>
What is a Food Coop?	15
Local History	16
2019-today	17
<b>The Dikken Coop</b>	<b>18</b>
Secondary Goals	20
The Business Model	20
The Startup Phase	21
The Operational Budget and the “Worthiness” Question	24
Membership	25
<b>Starting Your Own Food Coop</b>	<b>26</b>
Market Research & Product Sourcing	26
Types of Grocery Stores & Locations	27
Dealing with Currency Fluctuation	28
Financing a Cooperative Startup	30



# Introduction

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We have written this guide to **encourage folks to start and run cooperatives**, which have been necessary locally during this decade of hyperinflation, increasing poverty, political malfeasance, and governmental incompetence in Lebanon. And also to take stock of the sweeping new global shift towards gig economies and automation which threaten our livelihoods in overwhelming ways, particularly after the impacts of the first two years of the Covid-19 pandemic. From **the very local to the very global**, it is a time of significant crisis that mandates we take a fresh and critical look at how to think about labor in the coming years.

This guide is based on recent experiences with food, worker and feminist cooperatives in Lebanon between **2015 and 2022**. It also benefits from cross-country conversations and networks attempting to adapt cooperation to platform economies and understand how artificial intelligence will impact labor rights in the coming years. You can use it for your own learning but also as a tool to discuss with others. It draws learnings from failed and successful attempts equally - and most initiatives sit somewhere between the two. We focus here on two types of

cooperatives important to our context and time: **food coops** and **worker coops**.

We have published our learnings in this guide in the hope that it supports communities to replicate and improve on this very simple idea: that **workers, when organized together**, can secure a fairer income for their labor and better savings on their expenditure. In particular times of economic uncertainty and high stress, cooperatives can decide collectively how best to survive the turbulence. But they are also an enduring model for the future. We also wanted to pay the same attention to **demystifying** some common misunderstandings about cooperatives, which are deliberately perpetuated in the mainstream, as well as the real frustrations of sustaining cooperation within the pressures of our everyday lives.

One must remember that cooperatives are **an anti-capitalist endeavor** that simultaneously (and unavoidably) lives inside a global capitalist order. We, as workers, come to this project with a lot of economic anxieties and distrust. It would do us well to have nurturing spaces where we can openly and regularly discuss this reconciling of socialist ideals with the harsh reality of putting food on the table.

And so we start with this important mantra: **there is no perfect cooperative under capitalism**. There is no single “best model,” no fool-proof guide - there is only the sincere journey. Your project will not be without headaches and difficulties and disappointments. But what is sure is that it will be a worthy project; there is no better way to gain a deep and real understanding of capitalist

exploitation than to try and resist it in practice. We are, after all, a global movement, born alongside industrial capitalism itself, and millions of us continue to believe in a world where workers are free, fulfilled, and happy. A great space for this imagination is offered in cooperatives, and we encourage you to join in the praxis of what this other world could look like.

## A Universal Context

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We begin by examining which problems cooperatives address exactly - and which they don't. We start with the macro and universal problems, the two core pillars of capitalism that coops respond to: alienation and exploitation. As you read through the later sections on making decisions around your cooperative's structure and operations, do keep in mind these two core problems.

### Alienation

When talking to workers about coops, it is always a good idea to start with the Marxist concept of **alienation**. Anyone who's ever done wage labor, i.e. had a salaried job - no matter their background - has a **visceral understanding** of alienation. People may feel reluctant or

uninterested to discuss Marxist theory when presented as propaganda or ideals for the distant future. But everyone loves to discuss how they feel about their jobs. Most of us feel tired or bored or underpaid or stuck. Most of us know what we dislike about our managers. Most of us wish we could be doing something else. Sometimes it is about making more money and sometimes it is about personal fulfillment. These are all symptoms of alienation - literally feeling miserably disconnected from our work, workplace, and co-workers. That is why we suggest starting the conversation with alienation - to give a name to that universal feeling of hating Mondays and loving the weekend.

It's important to note here that **labor is much more than an income-generating activity**; it is self-fulfillment, there is joy in labor, in transforming something into something more useful, in cooking a delicious meal, in creating a terrific piece of art, in engineering a machine that works, in harvesting a ripe piece of fruit, in saving that file as `x_final.pdf` and sending. It is a lot more meaningful than what capitalism makes it out to be: getting paid to survive.

You may be lucky to find this fulfillment with a decent and kind employer who gives you space to make decisions. Or, like the vast majority of us, you may not. Sometimes workers quit corporate jobs for NGOs because they think working for a social cause will bring more meaning to their lives. Often they discover it is not the *target* of the work but the *conditions* of your job that impact your fulfillment the most. Even the noblest of jobs offer you little solace when your labor conditions make you miserable.

And so, it's important that a cooperative be invested in replacing alienation with members' agency and ability to influence decisions over one's work conditions. Of course, there is no magical formula here that will rid you of conflict or distress because you are reconciling your own needs with those of the collective. Remember, also, that we are all heavily influenced by capitalist values of

competition and greed. But the hope is that everyone's interest in being part of a successful, profitable cooperative will coincide with a democratic structure that cares for the well-being of its members. More on this in later sections.

## Exploitation

Next, we must understand a second Marxist concept called **exploitation** - not the general act of taking advantage of someone, but, specifically, the exploitation of our labor for someone's personal (and limitless) profit. This is a little more complicated to discuss, but it need not be a scientific and detailed analysis. You can benefit from walking through examples familiar to your audience. The main difference is that cooperatives seek to share the profit, whereas capitalist enterprises give all the profit to the owner(s).

Again, every worker will understand the unfairness of it, though you will face the major hurdle of exploitation sounding very normal and sometimes even acceptable to workers. We are conditioned to perceive it as fair game and to dream of one day "becoming your own boss". The worker is convinced that their way out of a salaried job is to work to become a capitalist who exploits others. In some contexts (think: American dream), this is even presented as easy if one just "works hard". The alternative

imagination we are presenting here is **collective freedom**: worker cooperation.

Often, people confuse this principle with a lack of hierarchy (i.e. cooperatives have no managers) or take it to mean that everyone in a cooperative must be paid equally. These are both inaccurate. Some cooperatives are small enough or have a similar shared skill set among its members and can decide they don't need a manager. Others might decide they need to choose a floor manager or a shift manager or even a chief executive. Nobody expects a hundred workers to run a successful business without processes and responsibilities held by individuals. The difference is in how a manager is chosen, for example, they could be elected by the staff they will supervise, who are in a better position to select a manager who will help them be more productive, rather than a company owner who wants to select a manager to keep the workers in line. Management need not be a promotion. It is a particular skill-set, not necessarily a position one "ascends to." In cooperatives, managers hold certain day-to-day responsibilities without ridding the workers of their agency.

The same is true of the idea that everyone *must* be paid exactly the same. Some

groups may decide that every hour of work is paid equally no matter the type of job. Other groups may decide that - for whatever reason - some jobs must be paid more per hour. Your operational budget is different from your profit. We want cooperatives to be profitable - to have a balance sheet at the end of the year that reflects more money coming in than money spent. This profit is the result of everyone's contribution - everyone - from the jobs society deems most menial to the most technical, most specialized jobs that require a decade of studying. What a liberating idea - this collective recognition that your office or school or hospital cannot run without *everyone's labor*.

This implies no delusion that some jobs are harder than others and some workers are much better skilled than others. Let us not be imprisoned by labeling these topics as taboos or by waiting for some authority figure to decide them for us. Cooperatives can decide anything and can rewrite what value is. This makes for important and often difficult discussions, a balance between financial success and everyone's happiness. The hope is that - no matter the internal differences - when profit is shared, everyone benefits. A "trickle up" if you will, rather than a "trickle down." We will discuss more on this in later sections.

### **A Note on Freedom**

We spend at least a third of our lives at the workplace. Even when we're not actually at work, we spend a lot of our "free time" commuting, resting from work, schooling to find better work, or thinking about work. Today's work-from-home and email-on-phone culture makes this even worse by blurring the boundary between your own time and space and the workplace and employer's clock. Liberals focus the struggle for freedom on things like religion, belief, opinion, expression and these are very important things for sure. But what about labor freedom? What about the **freedom to influence your work conditions**? The right to work a job you love without the risk of dying from hunger is precisely the freedom we seek in our movement.

### **A Note on Unions**

Someone may ask you: the vast majority of workers are more concerned with their work conditions **under employment** - shouldn't we focus on unions instead? Not instead, you will reply, but together. Unions and coops are two sides of the same coin: workers figuring out better working conditions. The specific goals may be different but the process and its challenges are very similar. Unions want to extract rights from the capitalists and coops want to build businesses without capitalists. The struggle goes hand in hand.

## The Cooperative Principles

The global cooperative movement adheres to a set of **seven principles** first set out in 1844 by the Rochdale Society in England. Most of these are simple and self-explanatory. It actually feels like they may need updating for our times. But the main ideas are here in these seven:

1. Open and Voluntary Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence

5. Education, Training, and Information
6. Cooperation Among Cooperatives
7. Concern for Community

So far, we have examined the **two most challenging principles**: numbers 2 (the people) and 3 (the economics) which constitute the two main distinctions from capitalist enterprises. Here is a simplified table of difference:

Cooperatives	Capitalist Enterprises
Profit is shared	The owner takes all the profit
Members make decisions together	The boss makes all important decisions

**In most other things, cooperatives operate just like businesses** and can choose different models of organizing as long as these seven principles are maintained. You will find plenty of resources on these online, but let us run through some important points.

**Open and Voluntary Membership** is a principle that upholds non-discrimination. It means that no one is forced or coerced to be part of the coop and is free to leave at any time. It also means that others are free to join so long as they fit the criteria and values you've set out and - in the case of worker cooperatives - that their skill and hours are needed. Cooperatives can still, of course, expel members for grave violations of the agreed-upon policies. Members may also need to decide collectively in some cases if they're downsizing the team or reducing hours or needing new workers. These decisions are

not without difficulty of course, but the hope is that when done collectively, within values of care, they are fairer than capitalist models where business owners share the loss with workers but never the profit.

Openness also contrasts interest and values-based cooperatives with the cooperation that happens economically in traditional institutions, such as family structures, political party structures, religious structures. [More on these](#) in our local context below.

**Autonomy and Independence** means the cooperative is its own legal entity or in some contexts it's called a moral entity. This is the same as any form of registered, formal association. Countries differ in their legal frameworks of cooperatives - some allowing and encouraging more opportunities with

various types of cooperative-like structures. Others are quite restrictive. The International Labor Organization (ILO) has plenty of [resources](#) on recommended policies and governance structures under their [cooperatives section](#). We discuss the legal framework and its challenges in [Lebanon below](#).

The principle on **Education, Training, and Information** encourages cooperatives to offer opportunities for worker-owners to grow their skills and be able to rotate into different interests. It allows for an openness of information and training to support its members.

In **Cooperation Among Cooperatives**, we have a principle encouraging coops to work together, which supports bigger cooperative economies. It is always a priority for cooperatives to source

products and services to / from other cooperatives wherever possible. Cooperatives can also be constituted of members that are themselves independent coops. Perhaps the most famous successful example (and inspiration) in the world is [Mondragon](#) in the Basque Country, an autonomous region in Northern Spain. In Lebanon, you would be familiar with [Namlieh](#), a marketing cooperative that sells food and produce from a network of coops primarily led by women in rural Lebanon.

And finally, **Concern for Community** is a principle to remind us that cooperatives - while independent and self-interested entities - must have a concern for their community at large: their neighborhoods, their customers, their larger networks.

## The Creeping Gig Economy

As the cooperative movements around the world have adapted to different changes in the global and national economies, so too must they now adapt to the shift towards a new era of **surveillance capitalism**. This represents perhaps the most significant change since the mid-1900s. A few large technology companies now regulate more and more industries and jobs with platforms and data. It's a little difficult for everyday computer users to wrap their heads

around how large big data actually is. Companies like Google and Amazon build new server farms every day to manage the intake of all the data they collect. A good example to explain the gig economy is Uber, the taxi platform, most aggressive to enter global markets. With Uber, drivers are "gig workers" not employees. They get paid a percentage of each ride fare. They have no sick leave or weekends or holidays or benefits. The same is true for global delivery platforms like



Deliveroo or local similarities like Talabat or Toters. The gig economy is growing by around 26% every year and is estimated to surpass full-time employment in the coming few years - not decades, years. These temporary, unpredictable, paid-by-service jobs are mediated by corporate platforms and will creep into most industries very quickly.

Of course, every economic shift needs a particular propaganda machine to normalize it. The neoliberal machine has young folks around the world embracing the gig “revolution” and celebrating get-rich-quick entrepreneurial mentalities. Tech billionaires are the most famous billionaires.

The next progression from the gig economy is full automation of jobs. Ironically, a lot of us spend quite a bit of time a day teaching the algorithm - like when we use Captcha to help self-driving cars or when we use Google Translate to teach the translation algorithm. We are automating our own jobs every day. As I type this in my google doc, I am teaching the AI to write documents just like this. And very soon (in years, not decades) its research and writing skills will surpass mine.

How then, to think of cooperatives in this new era with technology mediating means of production? The natural progression is worker-owned platforms. Folks at the [Platform Cooperative Consortium](#) are actively exploring these options with a large network of digital coops around the world. You will also hear a lot of recent excitement around what folks are calling Web 3 and its most common form of organizing called DAOs - decentralized autonomous organization. This model is most excited about programming bylaws and profit sharing of a group into the blockchain. It's an interesting experiment to keep an eye on.

Remember that we are anti-capitalist, not anti-technology. We can see, in fact, the many wonderful things about technology-mediated labor if its benefits are shared and not focused on exploitation, i.e. putting massive profits in company pockets. We've always imagined rest and leisure to come out of automation when robots take over jobs. But the reality today is a stark contrast from that and much darker times lie ahead. So one might posit that now is as important a time as ever to reignite cooperatives as a way of imagining the future of platform economies.

# The Lebanese Context 2019-2022

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In mid-2019, the Lebanese Lira currency crashed in what experts called a decades-long Ponzi scheme of financial engineering by the Central Banks and the banking sector. The economy plummeted and generations of workers lost over 90% of their pensions and purchasing power. This was compounded with the Covid-19 pandemic, the Beirut Port explosion, and an already-crumbled infrastructure.

The coping mechanism most referenced in studies of the Lebanese crisis is around the political clientelism network. This familiar analysis posits that sectarian political parties provide clientelistic services to their constituencies, thus maintaining an economic (and therefore, political) grip on populations. The counter-proposals are public, state interventions and national infrastructures of support for all people - no matter their religious or political affiliation. Instead, sectarian parties worked to redistribute resources and opportunity. But to only describe how sectarian parties operate a clientelistic economy falls a bit short of understanding the main strategy that has sustained people during this crisis: **family economies**. Members of an extended family sustain one another through remittances, currency exchanges, bulk purchases, transportation, produce from

the village, shared expenses in the city, and favors. It was never more valuable to have a family favor than these past three years. One can almost see the party function as a network of family economies that can resort to violence to protect these interests and that asks, in return, for unwavering loyalty. Not one party leader missed the chance to tell his people that families must help each other during these difficult times.

But the family structure, comfortable as it is for many, is also the **patriarchal and sectarian nexus** for a lot of the systemic problems in the country and so it comes with a high price for many who are on the margins. Women and queers must conform or otherwise be cut off at a very risky time. Trans youth are at a moment of increased vulnerability. Migrants and refugees who have no access to large networks of family support bear a stronger brunt of the crisis. Indeed, 2021 was the year of toxic masculinity on steroids - from gas stations to checkpoints to dark streets to the RPGs in Tayouneh.

And so small-scale cooperative projects find themselves competing with family economies, rather than competing with capitalist enterprises. From this, we

**realize two things:** one, that we need urgent cooperativism with and for folks on the margins, who currently only depend on NGO aid and programs. Two, that we need to build, for the longer term, much larger-scale cooperative projects to give us a fighting chance of competing

with corporations. One may ask: shouldn't co-ops compete with the sectarian parties? To which you answer: naturally they do. If they are loyal to the Principles and actually working towards class solidarity, cooperatives are, by design, an alternative to both clientelism and charity.

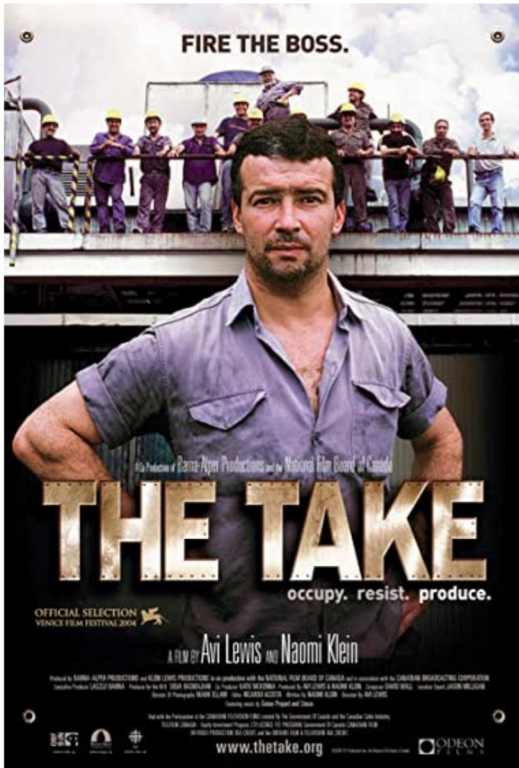
## Cooperatives in Recessions

The democratic decision-making principle of cooperatives is the key that allows them the advantage to survive particular economic crises. This is still very difficult, of course, especially with risks of bankruptcy. But the difference with capitalist enterprises is that a capitalist may decide on his own the choice that suits his own pocket. So he can fire at will or deduct salaries or close down the operations so that he can liquidate and avoid losses. He is not obligated to share the facts of the situation or his decision with the workers or consumers. He can keep the finances of the business a secret and choose not to spend the reserves.

It is famously known that **a capitalist will take all the profits during prosperous times but share the losses with workers during difficult times.** In our

current crisis in Lebanon, we see many examples of capitalists taking advantage of the situation to decrease wages or fire workers or raise prices without raising salaries to match the increase in cost of living.

By contrast, cooperative members can sit together and discuss their options transparently and decide how to go about things. They can vote on liquidating or keeping the business running. They can vote to take a pay cut that is equitable or to downsize the operations to a level they can manage. They can call on their community to support them. It is not a magical solution - no - there is always tension when discussing livelihoods and labor, sure. But there is more fairness in a democratic structure and more room for creative possibilities.



## 🎬 Watch this Film

**The Take (2004)** is online at <https://youtu.be/3-DSu8RPjt8>

In suburban Buenos Aires, thirty unemployed auto-parts workers walk into their idle factory, roll out sleeping mats and refuse to leave. All they want is to re-start the silent machines. But this simple act - The Take - has the power to turn the globalization debate on its head.

In the wake of Argentina's dramatic economic collapse in 2001, Latin America's most prosperous middle class finds itself in a ghost town of abandoned factories and mass unemployment. The Forja auto plant lies dormant until its former employees take action. They're part of a daring new movement of workers who are occupying bankrupt businesses and creating jobs in the ruins of the failed system.

## Legal Framework

The Law for Cooperative Associations was legislated in Lebanon in August of 1964. A Ministry of Housing and Cooperatives was established in 1972. In August of 2000, this Ministry was dismantled and housing was placed under Social Affairs and cooperatives were placed under the Ministry of Agriculture. So there is obviously little state investment in cooperatives as a serious economic endeavor. The most prolific type of coop in Lebanon are housing coops of particularly religious affiliations. Next are agricultural and agro-industrial coops. The General Directorate of Cooperatives

has been heavily invested in updating the actual list of cooperatives and dissolving defunct coops since 2018. They have - like all government agencies - suffered severe cutbacks to staff time and resources and become increasingly dependent on international grants from UN agencies and other donors. The process to inquire or register a cooperative is just as bureaucratic and with the same hurdles as other procedures in Lebanon. One significant difference we noticed is there are very few avenues for legal support to get the paperwork done as you would find with companies or NGOs. And the

Directorate is a lot more hands-on with cooperatives than, say the Ministries of Interior or Trade. This should be a good thing if it wasn't for the biggest hurdle towards a flourishing cooperative sector: the law itself.

Here's an [ILO study from 2018](#) that discusses some of the challenges and legal limitations. The most core, we have found, is the rigidity of the law in focusing on cooperation around a product and a locale without much flexibility to cooperate around a form of labor.

So Lebanon will technically recognize a potato cooperative or a village cooperative but not, say, a cooperative of delivery workers, computer scientists, or graphic designers. Another challenge is that the law still recognizes a hierarchy of owners and staff, which is why most registered coops operate with the same exploitation principles as a company. As is

the case with most sectors, the corruption in the cooperative legislation allows “fake” cooperatives to benefit from tax deductions and Ministry support without actually contributing to the community.

But the articles of the law are really privy to the vision of the Directorate who will encourage you to seek an NGO or company route rather than a cooperative for projects that don't technically fit. But, to their credit, the staff have been open to meeting with new and emerging actors in recent years. So keep in mind that the process of formally registering a cooperative in Lebanon is itself part of the political struggle. Several initiatives have embarked on this, while others have opted to choose a different way of registration whilst agreeing internally on a cooperative structure. And some feel that registering with a corrupt state is counter productive and rely on their communities for recognition and accountability.

## General Directorate of Cooperatives

The General Directorate of Cooperatives falls under the Ministry of Agriculture and is the governmental body responsible for the support and supervision of co-ops in Lebanon. Their website was updated in 2019 and holds a lot of useful resources if you are seeking to formalize a co-op registration. You can visit them at: <http://gdcoops.gov.lb> or call on 05951823. You can find all the official documents, laws, and decrees on their website.



## Misconceptions about Coops

Lebanon's neoliberal machine has deliberately distorted and limited cooperative work. This is not unique to us - it is the same in most places around the world. If you are organizing as a cooperative, you are challenging the capitalist order. You may even wonder: "How are cooperatives even legal?" And you would be right. They are legal within severe restrictions and this is the case in Lebanon. One can deduce, therefore, that the struggle for a better Labor Law goes hand in hand with the struggle for a better cooperative governance law.

Culturally, the war on coops succeeded in planting misguided ideas about coops. Here are some that we have faced.

1. "Coops only sell cheap products." This is not necessarily true, it is more accurate that consumer coops find their members the best prices on products. They may choose to go for higher quality, more expensive products but still be able to purchase them at better rates. Consumers can cooperate to buy electronics or equipment or land or houses.
2. "Coops only sell agro-industrial products." This is common for two reasons. One because the Lebanese Directorate of

Cooperatives falls under the Ministry of Agriculture and two because indeed cooperatives are a very good model for farmers, especially small farmers who want to cooperate rather than compete. Any business can run as a cooperative.

3. "Coops are non-profit." Coops split profit, that is a big difference with being non-profit. A cooperative can dream big and work ambitiously to generate wealth for its members. But Lebanon in particular is a heavily NGO-ized country and the impacts of decades of humanitarian and development models have confined people's imagination to seeking aid rather than collaborating. Why would they invest so much time and effort in collaboration when they can get so much grant money with little accountability to their community? Indeed, this is perhaps the most complex issue to tackle in our current environment.
4. "The Coop owner will take our money and run." Unfortunately, a lot of communities we've worked with have repeated stories of folks who come in with an idea for cooperation or mutual benefit, collect membership fees or

investments from people, and run away with it. So there's a lot of skepticism around

## Food Coops

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### What is a Food Coop?

Food cooperatives are part of a larger category called consumer cooperatives. As the name indicates, it is an organization of consumers who buy products together, guaranteeing that their **group purchase secures them better prices.**

The **consumers together own the cooperative** and can make collective decisions about which products to buy and at what prices. They also decide on membership fees and other

responsibilities of members and if they need staffing and equipment. They can decide to make it a public store open also to non-members or they can keep it a private store open only to members.

Food coops have been around for a very long time, the first documented consumer cooperatives date back to the mid-1700s in the United Kingdom. Like worker cooperatives, consumer coops came as a reaction to industrial capitalism and its exploitative practices.



#### Watch this Film

For inspiration on modern food coops, you can watch Food Coop <http://foodcoop.film/> which tells the story of the Park Slope Food Coop in Brooklyn in the United States. It has run for over 40 years and has over 17,000 members - old and young, rich and poor, from diverse cultural backgrounds.

## Local History



A narrative of food coops in Lebanon is documented by Mounir Farghal in his book *تعاونيات لبنان والصفقة السوداء*. These are the same supermarkets we still colloquially call co-ops because they kept the branding although they were bought out by the Al Makhazen chain.

We highly recommend reading Farghal's book for its rare insight into the history of the Lebanese food coops, set against the backdrop of political shifts post the civil war.

Many of us can remember their parents or grandparents being members of the food coops in the 80s and 90s. Farghal claims that at their peak, the Lebanese food coops served a tenth of all households in Greater Beirut. The erasure of this model culture was purposefully executed by the supermarket owners'

union and Farghal's book documents how they systematically did this. For example, they ran ads and articles in local papers and stations claiming the co-op produce was bad and expired and that that was the only reason why prices were more affordable.

### 2019-today

It was quite unique to Lebanon that the banking crisis and Covid-19 pandemic arrived only weeks after October 17, 2019, a moment of revolution and mass uprising. Young minds were full of aspiration and hope for alternative

solidarity models. This promised a new wave of interest and initiative in cooperation. Activists in Tripoli opened [the Social Grocery](#) in September of 2020, using an innovative solidarity model and sourcing local products. They are a rare



instance of an initiative that sustained and have expanded to a second branch in the city. [Nohye Al Ard](#) created a community garden in Saida and still organizes agricultural training and farmers' markets. Young folks re-opened [Hostel Beirut](#) as a workers' cooperative after it had shut down for several months. A movement grew of many emerging and revived cooperatives all over the country - all trying to move away from charity and into mutual solidarity. These are heroic efforts in the current context and deserve all our support.

The most hegemonic route for most initiatives is to shift to an NGO model and

it's extremely difficult to resist NGO-ization these days. Grants are plenty and it takes such smaller amounts of work to write up proposals and receive tens of thousands of dollars to run your project. Many of us chose the route of seeking grants for start-up money with the long-term plan of self-sustainability in cooperatives. We will discuss more on startup funding sources below. But the worry remains for most of us is that we get stuck in the grant proposal loop. Is it escapable? Is it worth resisting in these terrible times? We must allow ourselves a few more years before we come back to evaluate and continue the learning.

## The Dikken Coop

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In this section, we will discuss the startup phase of the Dikken Coop, a local food coop started in the summer of 2020. We will use it as a working example to think through the challenges and elements of starting a cooperative. The project has survived with some changes in its almost 2 years of operation but remains true to the initial idea and motivation and sincere effort to fulfill its purpose. You can reach the team by calling or whatsapping +961 76 042473 and we encourage you to visit

the current [location](#) in Mazraa to learn more and also become a member. We started thinking of a food coop in the summer of 2020, motivated by setting up an **alternative model to food aid packages** that became popular in Lebanon starting in March 2020 with the first Covid lockdowns. A group of us who were active with delivering food packages noticed the limitations of doing this and thought a cooperative would be a better model namely because:

- It could **sustain** in the long-term after volunteers get tired of delivering aid or get busy with other projects

- It could provide **more choice** for aid recipients to select the groceries they need and want
- It could build more **class solidarity** in the long-term, breaking the dynamic of people who donate / people who receive donations
- It could afford people good prices more **consistently** outside of the donations, which rarely covered a decent percentage of a household's needs
- It could offer a more **democratic** approach to decision-making around grocery selections, quality, pricing, etc.

Interestingly, our friends at [Beitouna](#), the **Nabaa Women's Coop** started with a similar motivation after the July 2006 war on Lebanon. Now running for over 15 years, the founders still remember the degrading feeling of standing in line for aid as their reason for starting their own food cooperative.

So we opened the Dikken Coop on 19 October 2020 and it was a very **rushed** opening. A lot of it was trial and error and trying to coincide between the theoretical ideas and the practicality of getting it done. Some of us were also particularly influenced by a cooperative project we had attempted a year earlier: to open a worker-owned café in Geitawi. Here, the opposite had happened where we took too much time discussing the idea and

got stuck. In hindsight, we were lucky the project did not take off because it would have been an impossible mission during the crises that ensued and we would have lost a lot of startup money. None of us would say the time we spent building the idea was lost, however, as there are always lessons learned. But this experience was in the back of our minds when we thought of the food co-op, so we opted to follow our sense of urgency: fire, then aim, then fire again.

Of course, it was a very challenging year with Covid, lockdowns, currency fluctuations, corrupt trade practices and monopolies, the Beirut explosion repercussions, further collapse of the state and its services, etc. Everyone in Lebanon had to endure this.



## Secondary Goals

In addition to the primary goal of **enabling consumer members to purchase groceries at cost price**, we had an ambitious list of secondary goals:

- Providing a **local point of sale** for cooperatives and small initiatives
- Building **community** among consumers for democratic governance of the cooperative
- Building a **democratic workplace** for staff and volunteers.
- Reclaiming the significant **role of consumer coops** in our history
- Contributing to the larger cooperative movement in Lebanon through **knowledge-sharing** and opportunities for collaboration

These took a backseat to the main goal of just sustaining and getting good at daily

operations. But the team did make good progress with some, namely the first one

is going pretty well. We would benefit from checking back in next year to see what progress has been made to the others or to recognize that this was too

ambitious a list. It was good to keep them in sight, however. If these more idealistic goals aren't somewhere in your horizon, you might forget them altogether.

## The Business Model

The primary goal of the Dikken Coop was to enable consumer members to purchase groceries at cost price with **zero profit margins**. Of course, we had to try and maintain this while working towards

self-sustainability of the store. There is no one single business model for a food cooperative; this depends on many factors. But here is the **main idea of the business model**:

Income	Balance	Expenses
Membership fees	$\geq$	Operating costs (rent, staff, utility bills)
Product Sales	$=$	Product Purchases

A consumer cooperative is a business and must aim to be a successful business. By this we mean that its income is equal to or higher than its expenses. Let us look at the first row: how does a food coop cover its operating expenses? **The primary source of income are the membership fees**. You should aim to have enough members paying enough of an average membership fee to cover the operating expenses.

500 members paying 20,000 LBP per month. Or 100 members paying 100,000 LBP per month. Of course, you can offer this at a sliding scale (some pay more, others pay less according to their ability). Or you can choose to make this a flat fee if you are working within a community that more or less has the same economic situation.

For example: if your operating expenses are 10,000,000 LBP per month, you need

Let us look next at the sales & purchases row. This line should cover itself. To be able to afford the best prices for the consumers, you must sell them to the

members at cost price, i.e. zero profit margins. Of course this is particularly challenging during the economic crisis because the wholesale prices change daily for most of the products as the USD / LBP rate fluctuates. This is because most products in Lebanon are imported. But the main idea is that your inventory budget line rotates more or less equally between sales and purchases. Initially, using an average of \$3 USD per membership, we figured that 400 was the number of members we needed to cover our running costs. Of course, the currency and costs went all haywire in 2021, so any

numbers we show you from 2020 would be merely for amusement. But we note that it is useful for you to have a “when we are sustainable” budget separate from your start-up budget, so you can imagine what a self-sustaining co-op would look like financially. Then you can plan how we get there. Once the goal is clear in terms of numbers, the path is easier in terms of strategy. How many members do you need vs. what average fee can members pay? How many hours can you open with that money? How many households are in your vicinity that you can invite?

## The Startup Phase

During the startup period of the Dikken, we depended on donations and grants to cover the Membership Fees budget line while growing the membership to the point where it covers the expenditure. One option we could have done is wait till we had 20-30 starting members before we opened the store. But we had such a strong and supportive response from the neighborhood even when fixing up the shop that we thought: let’s just open and then we find the membership. This interesting question is a fixture in cooperative starting: do we start with the people or with the business? Do we invite folks first to build the project or do we start the project with a few people and then attract folks? You will find examples

that have succeeded both ways - and you will find challenges both times. If I had the choice now, I’d opt for community first, but with a strict work ethic that helps us avoid getting lost in the details that would hinder the actual starting of the cooperative project.

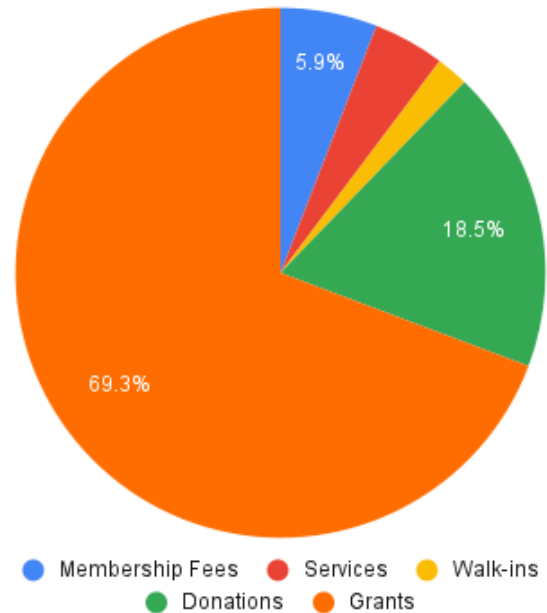
Back to the Dikken, we wrongly thought we would reach sustainability within a few months. Turns out the timeframe is closer to a few *years*. Comrades from European food coops would visit us and confirm that even despite the easier legal and cultural context they operate in, their cooperatives also took several years to stand without external financial assistance. So remember, **allocate a**

**startup period of a few years** before you can have your food coop stand on its own two feet. Otherwise, you might get demotivated or feel like a failure. Three years is a totally normal period.

So our startup business model looked more like this:

Income	Balance	Expenses
<ul style="list-style-type: none"> <li>• Grants &amp; donations</li> <li>• Food voucher service fees</li> <li>• Membership fees</li> <li>• Profits on walk-in purchases</li> </ul>	=	Operating costs (rent, staff, utility bills)
Product Sales	~	Product Purchases

Here is how our revenue sources were split in the first 15 months (October 2020 - December 2021) for a total income of **USD \$27,420**. We notice from this chart that we relied very heavily on grants. We did not want to expend energy on grant and report writing, so we sought to repurpose existing aid grants and found an ally in [Bel.Mersad](#), an artist solidarity group. It was a period of much fundraising done around aid, particularly after the devastating Beirut port explosion. So in return for offering food vouchers at the co-op in lieu of aid packages, we were able to use the high volume of inventory to get better prices with wholesalers for starting.



We also got support from the [Urgent Action Fund](#) who had designated a rapid response feminist solidarity grant after the explosion.

Friends at the [Rosa Luxemburg Foundation](#) in Beirut also supported the project, allowing us to repurpose an existing grant to help with the Dikken startup costs.

We were also very fortunate to meet [Mada Association](#), who helped us with purchasing equipment and also offered invaluable accounting support and labor time. They're a terrific partner for startup cooperatives because they offer very specific help with an attitude of partnership and openness, i.e. without the "project proposal" mentality. We

needed a barcode printer, they bought us a barcode printer. We needed accounting software, they bought us accounting software. I recommend you get in touch with them and see if your startup project falls within their scope of work. We also notice that the membership fees provided very little income for this entire period: USD \$1,509. More on this challenge [below](#).

## The Operational Budget and the "Worthiness" Question

So far, we have discussed two budgets: one is the "dream scenario" i.e. what your budget will look like when you're self-sustaining. Another is your startup budget, which takes into account how you will buy your equipment, pay your first rent and salaries, stock your inventory, etc. The operational budget is the one you ease into after your first few months: how the money flows month-on-month.

The **monthly running cost** of the Dikken Coop eventually settled on around \$1,500 monthly, most of it going to cover staff stipends, which we set at \$1/hour and paid in USD in order to avoid arbitrary currency fluctuation affecting staff. This

was, of course, excluding the monthly surprise costs around electricity breakdown, lifting of subsidies, and price soaring. Here, we mention an important question that we discussed often because we were working with folks struggling hard on a daily basis. Let us put aside for a moment the many advantages of a food co-op in the long term and the jobs it provides for its four or five workers. If our aim is to support our membership to buy groceries at better prices, aren't we better off distributing \$1,500 to people directly?

To answer this question, we needed to examine how much money our

membership actually saved (combined) during this first year. We found this figure to be around \$400 a month. This is a very good deal when compared to how much the membership contributed, which is around \$100 a month. But this was only

possible through grants and donations. Were the membership to have to carry the whole cost themselves, i.e. \$1,500 per month, then the whole benefit of \$400 would not make sense to them. And so, we devised this “worthiness” formula of our dream target:

Total member savings per month  $\geq$  Running cost per month

When we add this **worthiness formula** to the aforementioned **sustainability formula** (member fees cover running costs), we have the math to answer these two questions:

*Is this co-op economically worth it? And can we sustain it?*

The key to replying “yes” to both these questions lies in your membership.

## Membership

We return to the challenges with sustaining our membership. Firstly, getting potential members to sign up was difficult because of all the anti-cooperative narratives dominant around us. Our membership fee scale started at 5,000 LBP and went up to much higher USD fees like \$20. The selling point was that you would save much more money shopping at the Dikken than you paid in the membership. For the store, the volume of items you buy doesn't matter as much. So the more you buy the

more you benefit. This raised one problem of folks signing up as members only to treat the Dikken like a wholesaler, so they would ask to buy bulk coffee, for example, to then sell it at a profit to other stores. We mitigated this by putting a limit on how much of the same item one could buy. Our goal was to infuse a kind of community awareness that solidarity works if there's a big enough community to practice it. Most folks in the neighborhood really loved the idea, the



model, the team. But it wasn't always easy.

During the startup phase, everyone was in a sort of survival mode and it was hard to discuss longer-term ideals or visions. The dominance of aid initiatives really does wear down communities over the years. Why would I partake in a project that requires a membership fee when I can find aid packages somewhere else? On our part, we did a poor job of laying the groundwork with the team and building community support before we opened, so that was a mishap. But, generally, more folks signed up than we expected and the bigger challenge was actually **sustaining the membership**, i.e. getting folks to renew their membership.

You can expect this to be just as challenging in any consumer cooperative: keeping the members. Attracting members has its own challenges, yes, but it's not hard to get folks to buy into an idea the first time. To get them to stay, however, to see the value and then to put in the time to participate in the governance - that is a much harder endeavor. In retrospect, we should have designated a community engagement type of task among the team. But we made some wrong assumptions.

One was that the cashiers in the shop would mainly be responsible for this. But because there was only one cashier and

one delivery worker on shift at any time, the day-to-day requirements proved too tiring for folks to stay focused on managing the membership. We asked volunteers to help and this required spending time at the store, which was not an easy task for people, particularly as these were Covid times.

Part of the problem was logistical (we didn't have good software in place to help notify us). And part of it was cultural: we did not demonstrate the extent of which the food coop really depends on the membership fees.

Another assumption that didn't quite pan out was that folks outside the neighborhood who could afford higher membership fees would order their groceries delivered and boost the membership income. This was much rarer than neighborhood memberships for several reasons, mainly that people really got used to the method of using delivery apps and we only had a whatsapp delivery service in place. Delivery apps are much easier because one can see prices and interact little with cashiers vs. sending voice notes of the prices today. Whatsapp was, however, quite useful with broadcasting offers and prices - which the team still does today. We could have done a much stronger job with marketing the products but got stuck in improving operations for so long, the marketing kept getting postponed.

Additionally, the political will did not win over everyday comfort, except with activists who really cared about supporting the project. Otherwise, folks who shop at Spinneys and Toters preferred their apps. The team is still working hard on improving the membership part of the co-op and we can check back in next year to see how it has improved.

The experience so far taught us a lot about what we had started this guide with: reconciling theory and ideals with material everyday lives. This is why cooperatives are a fantastic place to explore these ideas, contradictions, and possibilities. They involve values and relationships and money and livelihoods in very real and meaningful ways. Let not your mistakes deter you. You figure it out together and try again.

## Starting Your Own Food Coop

Now that we've gone through the macro purpose of cooperatives and some of the challenges of our particular case study in the Dikken Coop, let us discuss some

more practical issues to help you if you are interested in working on your own local food or consumer cooperative.

### Market Research & Product Sourcing

Start by deciding which items you (as consumers) want to buy from your coop. This is your decision and it has to meet your needs. This includes the type of groceries or household items as well as the quality and pricing. Do you want the most affordable items on the market regardless of quality? Or do you prefer healthier or better quality items that cost more (sadly)? Is it important to you where you buy from (local to your neighborhood or region, cooperative-run, women-run,

some sort of ethical sourcing, etc.) or do you prefer to prioritize the best financial deals? These are very important decisions to make at the beginning with your membership at large. It is counter-productive for a minority to decide these matters because folks simply will not join the cooperative if it doesn't meet their needs. Right now, in Lebanon, this is a tricky balance as a lot of new grocery imports have entered the market and consumers are adapting to

shifts in quality. At the same time, we've seen a lot of effort go into producing grocery items locally. It will take a few years before the ecosystem becomes more predictable. You can expect it to be a trial and error phase for a while and need to allow for this because you can't afford high volumes of inventory like supermarkets, who can afford to sell

items with minimal profit margin so that they can sell other items at huge markups. Your options for sourcing inventory are:

- Direct from the manufacturers
- Wholesalers / big traders / markets
- Cashvans / small traders
- Direct from local or small businesses / cooperatives

## Types of Grocery Stores & Locations

A dikken is a very **local business**. Your radius of customers is one street, maybe two, plus some daily walk-ins, depending on your location. It is rare that dikkens have parking space available for someone to drive by, usually it is a quick pedestrian stop. We chose a spot that was central

enough for easy delivery access but off the main streets so that rent was not too high. It was also important to not be adjacent to other smaller markets in order not to hurt their sales. This is a very important consideration. Here is a breakdown of the types of stores prevalent around here:

Dakakeen	Mini-Markets	Supermarkets
These are neighborhood-based, usually small in size. They serve a radius of one or two streets and usually carry all basic home necessities and are limited to one or two brands of each. They don't always sell fruits, vegetables, or alban ajban.	These are larger than dakakeen and usually hold a larger range of products. They are also neighborhood-based but serve a larger radius such as the whole town. They usually carry all products needed in a household.	These are the big players in the market. They have the widest range of products, often two floors or more. Customers will drive there to pick up a big haul of groceries for the month. They can afford to diversify the profit margins on products so that some daily items are cheaper than Dakakeen. They make up
Nawilni	24/7 Fancy Stores	

<p>These are usually very small stores located on highways or roads with heavy traffic. They serve passing cars, usually limited to coffee, alcohol, cigarettes, candy and snacks.</p>	<p>These are usually based in high-income areas and are the most expensive in the country. Their products are high-end, imported, and limited.</p>	<p>with higher profit margins on imported / fancy products.</p>
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## Dealing with Currency Fluctuation

Daily currency fluctuations are a huge challenge for any business in Lebanon today. Most enterprises, especially large ones, solve it by raising their prices, hoarding inventory, and firing staff or downgrading salaries. At this time of unemployment crisis, exploitation becomes especially rampant and outrageous with little recourse. The capitalist has an excuse in his back pocket for any abusive behavior: we are in times of crisis.

For a cooperative, it is still the same challenge and the question becomes how can we deal with it collectively. In practical terms, how do we avoid losses on our products? For example, if you bought a large inventory of stock on a day the USD was trading for 30,000 LBP, how do you sell it the next week when the USD is now trading at 20,000 LBP? Here are some options for policy that we have gone through:

- Sell at whatever price you bought it and consumers will just have to adjust. At times, they will benefit and at times, they will not. This option has many problems.
- Price at USD value and sell at current exchange rate price and carry the profit or loss on your end, hoping the stock will balance itself.
- Sell at an average of X days currency exchange rate (for example 7 or 14 days), which is similar to above but you spread the risk a little.
- Have a donation box ready to offset fluctuations from wealthier members
- Enact a policy where you buy in very small quantities to mitigate stock pricing problems, but you fall into the risk of shortages or hoarding from large suppliers

should an item be missing from your inventory.

One useful piece of advice worth mentioning was from an experienced accountant: **keep your cash always in USD**. This means exchanging your daily LBP earnings to USD every day, no matter the rate. This allows you to always have USD at hand and protects you from fluctuations. I have found this to be an

easier strategy than playing the currency exchange game. Most folks think they can outsmart the fluctuations and play the market, sure, but this requires risk taking and also expertise and monitoring of developments. Is your cooperative up for it? This is a decision to make together. My recommendation is to minimize risk as much as possible within the collective project to avoid disasters and blame in the future.

### **Food Coops & Currency Fluctuation**

All of us have suffered from illogical and brutal price surges since the USD / LBP peg fell apart at the end of 2019. The Lebanese government (in the rare case it met) has been unable to regulate any of the industries, most notably the big trade monopolies. Some price surges make sense within the crisis, but consumers are always mistrustful of corporations. Granted, of course, the food importer does not want to lose money on a sale. But the lack of transparency means the trader can lie and make excuses while corruption ensues. For example, did a supermarket raise its prices to match worker salaries to the hyperinflation? We cannot know and would err on the side of "of course not."

This is where a food co-op can make a difference: the consumers own the business. They can decide together which prices need to go up and which prices need to come down. They can set their own priorities. They have access to the real financial reports of the business and can make informed decisions accordingly.

## Financing a Cooperative Startup

Any business needs a starting capital. The amount varies tremendously depending on the project. In the case of corporations, the model is simple: find a capitalist, pitch your idea, secure financing, and split the profit shares with

them forever because, mainly, they took a risk with their own capital. For worker-owned cooperatives, the workers take the risk themselves, but they need to find the capital. Here is a table of some options:

Source	Works well when...	Challenges
The <b>workers raise the capital themselves</b> by putting in their own money, usually from their savings or by borrowing from family and friends. Here, they take personal liability - each according to their ability - for the startup financing. The advantage, of course, is full ownership from the get-go and no interest rates.	<ul style="list-style-type: none"> <li>• The startup budget can be split affordably among the workers</li> <li>• The co-op does not need big budget items like machinery or high rent</li> <li>• The workers have taken the time to prepare for risk, putting money aside for their own safety net</li> <li>• The business plan is solid and robust and the most conservative estimates do balance the budget</li> </ul>	<ul style="list-style-type: none"> <li>• Workers already in a precarious environment may not be able to raise the funds</li> <li>• In times of economic crisis like today and folks are careful about lending or investing their money</li> <li>• Currency fluctuations mean you have to pay special attention to risk</li> </ul>
The workers take out a <b>loan</b> from someone with savings who believes in the project. Here the idea is that the financier exits the coop once their money is paid back. Unlike a capitalist, they do not take profits forever.	<ul style="list-style-type: none"> <li>• The co-op financiers are willing to offer generous loan terms like zero interest rates, a workable grace period, a flexible repayment schedule, or shared liability</li> <li>• The financiers ask for an interest rate on their loan but it is significantly lower than banks</li> </ul>	<ul style="list-style-type: none"> <li>• The co-op may find itself largely dependent on a single relationship which raises risk of conflict or interference or takeover</li> </ul>

<p>The workers take out a loan from a <b>financial institution</b>.</p>	<p>This removes the relationship risk but it usually comes with high interest rates and rigidity in the repayment schedule. One should avoid any program that offers the bank equity in the project because then you are stuck with them.</p>	<p>Of course now in Lebanon bank loans likely won't even be an option for several years.</p>
<p><b>NGO Grants</b></p>	<ul style="list-style-type: none"> <li>● Your startup needs are too large to source from the community</li> <li>● Folks on your team have good experience managing NGO grants - otherwise it can be a daunting endeavor</li> <li>● Can be a more manageable source of funding in terms of time and effort</li> <li>● You have a good exit plan to self-sustain</li> </ul>	<ul style="list-style-type: none"> <li>● It's very easy to get stuck in the cycle of grants, especially with how hard it is economically</li> <li>● The grant might have restrictions on the project</li> <li>● Grant management takes up a good chunk of time and attention</li> </ul>
<p><b>Donations or Pre-Orders</b></p>	<ul style="list-style-type: none"> <li>● This will be familiar to you as the Kickstarter model. Works great when you have a clear product to sell and supporters can pre-order it</li> <li>● You are confident with your plan to actually deliver on the products (for example, you are ready to open the cooperative shop and have a plan in place)</li> <li>● You have a strong community interested in the project</li> </ul>	<ul style="list-style-type: none"> <li>● Not easy to find especially with so many initiatives and causes seeking donations in the current crisis</li> <li>● Managing the fulfilling the pre-orders may pose a challenge</li> </ul>

	<ul style="list-style-type: none"> <li>• You know a few donor-type people who are usually keen on personally supporting startup endeavors</li> </ul>	
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**Study your budget** well and discuss what you absolutely need to start and what can wait till next year. Remember, being a cooperative is its own added value. Your point of sale doesn't need to be particularly fancy or shiny. You may not need an office. You might be able to find friends to help with a website and some advice. Aim to start with minimal costs and gradually improve your equipment or display. With the Dikken Coop, we focused all of our start-up money on salaries to build the operations and expertise first. Solid operations, in our estimation, are the most important part of your business to nail in your first years. If you have to sacrifice something from your dream startup budget, protect the operational costs first. It doesn't matter

how shiny your logo is if you cannot fulfill orders on time or maintain a customer database. It doesn't matter how many posts you have on Instagram if you don't have your accounting designed in a way that can give you an accurate read of your financial health as a co-op. Others, perhaps with much smarter opinions, may argue that a good brand and marketing plan is necessary to start off. My advice is: if it's something really easy for you, do it early on, why not. But if it's something you need to invest time and resources into, start with the simplest marketing you can afford and invest in your operations first. Once your logistics are rolling smoothly, you can market with more confidence to acquire customers or members.