

TESTIMONY OF VALERIE M. TAYLOR
BEFORE THE HOUSE JUDICIARY COMMITTEE ON HB 2401
March 4, 2020

Chairman Patton and Members of the Committee:

On behalf of The Merc Co+op, a community-owned grocery cooperative, I am writing in favor of House Bill 2401 to decrease the required quorum from 1/3 ownership to 10%.

When my co-op was founded in 1974, a shopper could get a loaf of bread for \$0.28, a container of milk for \$1.39, and a pound of butter for \$0.99. Just as those prices are impossible today, so is the arbitrary number required for a quorum. This law needs to be modernized.

Historically, most cooperatives are founded by neighbors who gathered together to fulfill a need within their community. Grocery cooperatives are a rare thing in our state with only The Merc Co+op and The Marmaton Market in operation today. Manhattan's People's Grocery dissolved in 2019 and Topeka's Natural Food Co-op closed their doors in 2013.

As rare as we are in Kansas, our structure is also rare. Unlike farmer and agricultural cooperatives or credit unions, food co-ops are designated as hybrids: federally as cooperatives and statewide as corporations. This unique structure makes for unique problems as we are required to follow Kansas corporation laws that require a quorum of no less than one-third shareholder participation. For my co-op that means nearly 2,750 of our over 8,000 owners must participate in order to create change.

We make every effort imaginable to communicate with our owners - to make sure that they are aware when their vote and democratic participation is needed. With newsletter, mail, email, telephone, web, social media and in-store signage we use every medium available to us. We extend our board elections, for instance, to 6 weeks to allow for a larger window of time to vote. Several years ago, we began accepting online ballots through a digital portal in hopes that increasing convenience would increase turnout. Still, we generate nowhere near the 33% participation to reach quorum.

As all of you who have walked door to door for your own campaigns know, you just can't make people vote.

Just like America, cooperative businesses are democratically governed. Imagine if we applied this quorum to our citizen's elections. Our local elections (which for Douglas County have averaged between 13% and 16% for a decade*) would be rendered invalid due to low voter turnout. In a business where consumers call the shots, we have to be able to prove to our participating consumer-owners that we are willing and able to move forward on the things that they want. With a one-third quorum required, we cannot fulfill our mission as a co-op.

Where this law affects my own co-op is in regards to how many of our neighbors we can invite to buy and own a share of our democratically owned business. In 1974, the co-op set a membership cap at 1,000. In 1992, they voted to amend and increase that cap to 10,000. As of this Monday, we have 8,268 owners and are on pace to reach capacity in less than three years. In 1974 and again in 1992, those thresholds made sense. In hindsight, we set the bar too low. More Kansans than we could ever imagine want to participate in our cooperative business.

In October of 2019 - as part of our board elections - 99% of our voting shareholders told us that

they wanted to increase the ownership cap. However, their collective votes only resulted in a 6.8% turnout - far below the required one-third quorum. With every new owner who joins, we continue to gain proxies in favor of amending our Articles of Incorporation to increase membership. But, as it's currently written, this law penalizes the people who do participate and engage with their co-op.

As we are all well aware, there is a lack of grocery stores in rural and urban areas across our state. The food co-op model is uniquely poised to fill this void. The Merc Co+op is currently preparing to open our second store in downtown Kansas City, Kansas - a long under served area in our region. This is a community that has been without a grocery store for some time, despite efforts, invitations and incentives from officials. When all other conventional grocery stores said no, our grocery co-op said yes. The new store will open this summer.

The cooperative model is new to many of the residents in and around the Kansas City, Kansas store. To be unable to invite our neighbors to participate wholly through ownership would be detrimental to our success as a business and to our reputation as a community-owned co-op.

Your support of House Bill 2401 will positively impact one of the most endangered cooperatives in our nation and certainly our state. Your support will allow our grocery co-op, our friends at The Marmaton Market in Moran, KS and future Kansas grocery co-ops to continue to compete with large corporations and to grow our local economies.

Generating a 10% turnout to reach quorum will still take considerable work, but it is a reasonable and achievable quorum. Please, help make it possible for grocery cooperatives to invite more Kansans to participate in democratic, community-owned businesses. Respectfully, I ask that members of this committee support House Bill 2401.

Thank you for your time and consideration.

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