

**Magdalena Food Co-op  
Business Plan  
June 1, 2024**

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## **Executive Summary**

The village of Magdalena, NM seeks to operate a food cooperative grocery store to serve local residents and those in surrounding communities, particularly the Navajo chapter of Alamo, NM. This region has suffered from chronic food disparity for decades. In response, a steering committee formed in 2022 and created both a mission and a vision statement. In spring 2024, the steering committee became the Magdalena Food Cooperative (MFC) Board of Directors (BoD). A full-service grocery in the region will provide opportunities for local growers and stimulate local economic development.

### ***Mission statement:***

*To provide access to a nourishing full grocery store, with preference for products of local origin and minimal packaging, for our member-owners, Magdalena and surrounding areas, and visitors.*

### ***Vision statement:***

*We will create a cooperative grocery that is financially sustainable and provides nutritious fresh food, economic stimulation, and community building, in the village of Magdalena.*

In 2024, the steering committee directed the creation of a financial feasibility study and business plan to focus their efforts. A local retail space is available to the business, and funding was acquired to clean out and repair the site, pay for the business plan, and other preparatory efforts. Other expenses prior to the store opening and possible sources for financing have been estimated in a cash source and use spreadsheet managed by the BoD, with the goal of identifying all assets and potential liabilities to be transferred to the business on the day of opening, and to be included in the pro forma financial statements included in this study.

This document highlights the results of the business plan and financial feasibility analysis. The financial results indicate that the MFC will not be profitable in the first year of business (2025), but that will become profitable in years 2 and 3. An operating loan reaching as high as \$83,185 will be needed to cover cash flow shortfalls in year 2, declining to \$45,570 by year 3. These results depend, of course on all of the assumptions of costs, prices, and volumes, and keeping spoilage rates under control. The projections should be carefully monitored throughout the planning process and the assumptions updated as more information becomes available. Taxes and patronage refunds were not estimated in this analysis.

## Introduction

The village of Magdalena, New Mexico, is located 27 miles west of the closest grocery store in Socorro, NM. In addition, the Alamo Chapter of the Navajo Nation, which also lacks a grocery, is located an additional 30 miles from Magdalena, making Alamo residents' round trip to Socorro about double that of Magdalena residents.

The estimated combined population of Magdalena and Alamo was 2,700, with 791 in Magdalena as of the 2022 US Census, and 1909 in Alamo, of which 1861 were Navajo, as of 2019 estimates.<sup>1</sup> A website which compiles data from the US Postal Service, US Census Bureau, Yahoo, and the IRS indicated that in zip code 87825, which includes Magdalena and Alamo, there were 998 occupied homes with a total combined population of 2999, averaging 3 people per household, as of 2020.<sup>2</sup>

Income data from the Statistical Atlas (based on the 2010 US Census) indicated that while residents of Magdalena had an annual median income of \$24,200, which is almost twice that of residents in Alamo (\$12,900), both communities had a huge majority of annual incomes (96% and 97%, respectively) less than \$25,000.<sup>3</sup> The 2022 data on the Zip Code website indicated that 199 households had incomes less than \$25,000 and another 183 had incomes less than \$44,999.<sup>4</sup> The first three quintiles of income in Socorro County in 2010, were \$14,200, \$28,500, and \$43,400, annually.<sup>5</sup>

In 2022, the lowest income quintile (lowest 20%) spent 11.11% of their annual family consumer expenditures on food at home, while the second lowest quintile spent 9.0% of their annual family consumer expenditures on food at home, according to the Bureau of Labor Statistics Consumer Expenditure Surveys (Table 1).<sup>6</sup>

**Table 1. Mean Expenditures on Food Away from Home, 2002**

	Quintile 1	Quintile 2	Quintile 3
Mean After Tax Income (\$)	16,337.00	39,300.00	63,676.00
Mean Total Expenditures (\$)	32,612.00	47,657.00	61,950.00
Mean People in Household	1.6	2.1	2.4
Mean Annual Expenditures, Food at Home (\$)	3,624.00	4,310.00	5,525.00
Share of Expenditures	11.11%	9.04%	8.92%

<sup>1</sup> Estimates found at [Magdalena, NM - Profile data - Census Reporter](#) and [navajoprofile.wind.enavaio.org/#](#)

<sup>2</sup> [ZIP Code 87825 Map, Demographics, More for Magdalena, NM \(unitedstateszipcodes.org\)](#)

<sup>3</sup> [The Demographic Statistical Atlas of the United States - Statistical Atlas](#)

<sup>4</sup> [ZIP Code 87825 Map, Demographics, More for Magdalena, NM \(unitedstateszipcodes.org\)](#)

<sup>5</sup> [The Demographic Statistical Atlas of the United States - Statistical Atlas](#)

<sup>6</sup> [Table 1203. Income before taxes: Annual expenditure means, shares, standard errors, and relative standard errors, Consumer Expenditure Surveys, 2022 PDF \(bls.gov\)](#)

Assuming a percentage of annual expenditures on food at home at 10%, and annual expenditures of \$40,000, then it is possible that households in Magdalena and Alamo spend \$4,000 annually on food at home. Assuming 900 households, the food at home expenditures for Magdalena and Alamo are an estimated  $4,000 \times 900 = \$3.6$  million. If the new food cooperative in Magdalena could capture 10% of those food-at-home expenditures annually, that would be \$360,000.

Several convenience stores and a General Dollar store in Magdalena do provide some food items. The most well-stocked store is a Family Dollar in Magdalena which sells national brands of frozen foods, snacks, canned foods, paper products, and soft drinks. However, the Family Dollar recently went up for sale, and its future is unknown. In any case, fresh and/or local meats, deli, produce, baked goods and specialty items are not available in either community. The proposed MFC would offer local meats, grab-n-go prepared foods from a refrigerated case, baked goods, fresh and when possible local produce, specialty items such as bulk coffee beans, ground coffee, cooking oils, nuts, oats, flour, and spices. In addition, the MFC envisions a seating area up front for people to enjoy prepared foods and space for a weekly farmers' market outside. Later expansion plans include a certified kitchen for use in food preparation workshops and a van to deliver food to the elderly and others without transportation in Magdalena, Alamo, Hop Canyon, and Datil.

An undated (prepared sometime after the 2012 Census) feasibility study for establishing a grocery store in Magdalena points out the need for a proposed store in Magdalena to appeal to residents of Alamo, who would drive through Magdalena on their way to Socorro, and whose population would be needed to make a grocery in Magdalena viable.<sup>7</sup> Toward that end, the Magdalena Food Cooperative (MFC) steering committee talked with residents of Alamo about their grocery needs while preparing funding proposals for this study. The responses were generally positive.<sup>8</sup>

In addition to community residents, other potential customers at a MFC store includes outdoor recreationists, pilots, and people connected to the nearby Very Large Array expansion efforts. Outdoor recreation enthusiasts visit the region for mountain biking, hunting, hiking, and camping. The small airport outside of Magdalena is currently upgrading the runway and a helicopter landing area to accommodate private pilots and medivac flights and the VLA is adding 90 new telescope dishes and hiring 200 new people.<sup>9</sup> New residents are expected to move to Magdalena as well, as a new small subdivision project is planned, according to the mayor of Magdalena, Richard Rumpf. In addition, under Rumpf's leadership, economic development efforts are underway to improve the local roads, sewer and water system, and local rodeo facilities; create an RV park near the rodeo grounds; and to acquire new police and fire fighting vehicles

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<sup>7</sup> "Feasibility Study for a Grocery Store in Magdalena, NM," Small Town Markets Consulting, Albuquerque, NM.

<sup>8</sup> Personal communication, Laurie Ware, MFC steering committee, March 2024.

<sup>9</sup> Personal communication, Richard Rumpf, Mayor and Airport Manager, Village of Magdalena, March 2024.

and equipment. Rumpf indicated that the largest barrier to significant population increases in the village is lack of adequate housing.

The MFC steering committee located a site for the grocery, on Highway 60, which is the main road through Magdalena. The Magdalena Mercantile Building (MMB) is 4,200 square feet (sf), of which the MFC expects to use two-thirds, or about 2,772 sf for the grocery store.<sup>10</sup> This amount of square footage is slightly more than the recommended 1,800-2,400 sf for small grocery stores.<sup>11</sup> The prior undated feasibility study recommended a 5,000-square foot store with 4,000 square feet of sales area, although their study was based on an example of 4,480 sf-foot store, with 3,680 sf of retail area.<sup>12</sup> The study concluded that the MMB, the proposed site, is challenged by its narrow width of 30 feet, which could hinder creation of a layout with “a decent flow.” Potentially this challenge may be less given the MFC emphasis on fresh, local, prepared, and specialty items, and less on national brands and packaged foods. A cooperative grocery in Dixon, NM, started with 500 sf of floor space in 2005 and by 2024 had 2,000 sf with a plan to add an additional 950 sf.<sup>13</sup>

The building currently needs repairs and its contents to be assessed, as potentially some of the equipment inside is serviceable and can be used in the start-up grocery. The Dixon, NM grocery cooperative donated a 16-foot refrigeration case and grocery shelving will be donated by the Silver City Food Co-op. A detailed list of the Silver City donations is being prepared in summer 2024. The owners of the building in Magdalena indicated to the MFC that they would negotiate a lease rate and allow the building to be cleaned out and renovated upon completion of this business plan.<sup>14</sup> A bid of \$11,000 was received for the building clean out and floor repairs, a cost which will be covered by grant funds. Bids for electrical and plumbing inspections and upgrades, and a basement inspection were pending at the time of this report. The building has adequate parking and outdoor space for MFC events such as cookouts, celebrations, a farmers’ market, and a grand opening. Inside, the building has ample storage and office space as well as cold storage for fresh meats.

Prior to the opening of the store, the MFC Bod plans to get the Point-of-Sale system operational. In summer 2024, the website is expected to go live with the new company logo (shown on p.1). Grant funds were located to fund these efforts. The MFC has a domain and an email address ([info@magdalenafood.coop](mailto:info@magdalenafood.coop)). Donations are already being taken through Venmo and Paypal and have topped \$7,000 to date.<sup>15</sup>

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<sup>10</sup> Personal communication, Laurie Ware, MFC steering committee, March 2024.

<sup>11</sup> Illinois Institute for Rural Affairs, “Rural Grocery Store Start-Up and Operations Guide,” Western Illinois University, 2014 [Grocery Store Start-Up and Operations Guide \(ruralgrocery.org/\)](https://www.ruralgrocery.org/)

<sup>12</sup> “Feasibility Study for a Grocery Store in Magdalena, NM,” Small Town Markets Consulting, Albuquerque, NM

<sup>13</sup> Personal communication, Clark Case, Dixon Cooperative Market, Dixon, NM, March 2024.

<sup>14</sup> Personal communication, Laurie Ware, MFC Steering Committee, March 2024.

<sup>15</sup> Personal communication, Laurie Ware, MFC BoD, May 2024.

## Financial Feasibility Study Overview

As a point of reference, the prior feasibility analysis conducted for a grocery in Magdalena estimated weekly sales at \$17,000 to \$21,000, with annual sales in the range of \$800,000 to \$1.1 million. Annual gross profits were estimated to be \$230,000 to \$290,000, based on cost of goods sold of 72.5% of gross sales. The annual store manager salary was set at \$40K-\$45K and the monthly building lease cost was an estimated \$2,000 (\$24K annually). Building utilities, insurance and maintenance and repairs were another \$3,833/month or \$46,000/year. Their estimates indicated a net annual loss of \$25,500, after equipment depreciation and interest expense. The interest rate was not disclosed. Labor costs were estimated as a percentage of sales rather than actual employees needed and their cost.<sup>16</sup>

An additional perspective comes from the Dixon, NM, food cooperative manager, who shared recent financial statements. In 2023, the manager earned \$48,880 annually, employees started at \$15/hour, and assistant managers made \$18-\$20/hour. The annual lease was \$2,355/month with business license fees at \$1,500/year.<sup>17</sup> Annual sales in 2023 were just over \$1.3 million, including sales from a buying club, a deli, memberships, and EBT sales. Employees and volunteers received about \$2,600/month in sales discounts. Their cost of goods sold was about 65% of total sales. The business sustained a net loss of \$3,300 in 2023, after \$34,383 in income from a USDA grant.

## Estimated Revenues

To estimate potential revenues, a conservative estimate of 400 families in year 1 was used, who would shop at the cooperative and spend \$200 of their monthly food-away from home budget, totaling \$80,000/month in revenues at the MFC or \$960,000/year. Distribution of sales throughout the year and within each month were based on the Dixon Cooperative's percentages, although they have slightly different departments.<sup>18</sup> The departments that Dixon has that the MFC will not have are Fishing, Animal Feed, and Tobacco, and these sales percentage points were lumped into Miscellaneous or No Department. The departments assumed for the MFC were Refrigerated, Frozen, Produce, Dry Bulk, General Merchandise, Grocery, Health and Beauty, Fresh Meat (which Dixon does not have), Deli & Bakery & Grab N'Go, and Miscellaneous or No Department. Fresh Meat was assumed to generate 10% of revenues each month. A new state law in NM will allow for state inspection of meat processors and allow in-state commercial sale of local meats.<sup>19</sup>

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<sup>16</sup> Feasibility Study for a Grocery Store in Magdalena, NM," Small Town Markets Consulting, Albuquerque, NM. Undated.

<sup>17</sup> Personal communication, Clark Case, Dixon Cooperative Market, Dixon, NM, March 2024.

<sup>18</sup> Personal communication, Clark Case, Dixon Cooperative Market, Dixon, NM, April 2024.

<sup>19</sup> Passage of Meat Inspection Act will grant new authority to New Mexico Livestock Board, Feb. 26, 2024 [NMDA022624.pdf \(nmnn.net\)](https://www.nmnn.net/NMDA022624.pdf)

The MFC expects to open for business beginning in September 2025, so gross sales for Year 1 were estimated to be \$328,735.61 (Table 2). In years 2 and 3, the number of families was assumed to increase by 10% over the previous year and purchases to increase by 6% each year. Thus, in years 2 and 3, annual gross sales were estimated to be \$1,119,360 and \$1,305,174, respectively.

**Table 2. Year 1 Gross Sales Estimates (\$)**

	Sep	Oct	Nov	Dec	TOTAL
Gross sales	82,452.19	80,638.56	77,022.18	74,429.31	314,542.25
<b>Total Gross Sales</b>	<b>82,452.19</b>	<b>80,638.56</b>	<b>77,022.18</b>	<b>74,429.31</b>	<b>314,542.25</b>

**Estimated Costs**

Cost of Goods Sold

Typical grocery margins provided were used to estimate Cost of Goods Sold (Table 3).<sup>20</sup>

**Table 3. Margins by Department (%)**

Refrigerated	0.25
Frozen	0.35
Produce	0.40
Dry Bulk	0.45
General Merchandise	0.30
Grocery	0.30
Health and Beauty	0.50
Fresh Meat	0.40
Deli, Bakery, Grab N Go	0.25
Miscellaneous or No Department	0.40

Wholesale prices can be estimated using the formula Profit Margin = (Retail Price – Wholesale Price)/Retail Price.<sup>21</sup> Since retail sales have been estimated and profit margins provided, the only missing variable is wholesale price, or cost of goods sold. So, manipulating the formula, Wholesale Price = Retail Price – (Margin \* Retail Price), the cost of goods sold can be estimated (Table 4).

Inventory will need to be purchased a month before the store opens, so the cash flow will register that purchase, but the income statement would not, which would throw the balance sheet out of balance. Thus, the model assumes that the inventory purchase in August of 2025 is the value of ending inventory of 2025.

<sup>20</sup> Personal communication, Stuart Reid, Rocky Mountain Farmers Union consultant, March 2024.

<sup>21</sup> Illinois Institute for Rural Affairs, "Rural Grocery Store Start-Up and Operations Guide," Western Illinois University, 2014 [Grocery Store Start-Up and Operations Guide \(ruralgrocery.org/\)](http://ruralgrocery.org/)



**Table 4. Cost of Goods Sold (\$)**

	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
Refrigerated	12,986.22	12,882.01	11,842.16	11,331.86
Frozen	5,627.36	4,927.02	5,006.44	4,499.25
Produce	4,600.83	4,112.57	3,789.49	3,661.92
Dry Bulk	1,859.30	1,862.75	1,906.30	2,087.74
General Merchandise	2,135.51	2,370.77	2,695.78	2,761.33
Grocery	11,197.01	11,740.98	10,459.61	10,211.70
Health and Beauty	1,071.88	806.39	924.27	1,153.65
Fresh Meat	4,947.13	4,838.31	4,621.33	4,465.76
Deli, Bakery, Grab N Go	10,945.53	11,309.56	11,437.79	10,159.60
Miscellaneous or No Department	841.01	435.45	92.43	401.92
<b>Totals</b>	<b>56,211.78</b>	<b>55,285.80</b>	<b>52,775.60</b>	<b>50,734.74</b>

Utilities

Monthly utilities include electric, gas, water/garbage, and phone/internet (Table 5).

**Table 5. Utility costs (\$/month)**

Elec	600
Gas	400
Water / Garbage	350
Telephone/Internet	200
<b>Total</b>	<b>1,550</b>

Insurance

Pending local quotes, insurance costs were based on Dixon's annual insurance costs of \$4,456.15 for liability and other insurance, and \$2,845 for board insurance. The insurance costs are included in the Overhead line item in the Income Statements, along with the building lease and equipment maintenance and repairs.

Equipment Maintenance and Repairs

Equipment Maintenance and Repair costs were estimated to be 4 % of investment, or \$1809 in year 1. By comparison, Dixon spent \$2,639 in repairs and maintenance in 2023. It's likely that the 4% estimate is too high particularly since the MFC is buying almost all new equipment.

Merchant Services

Merchant services are debit and credit card service fees. In Dixon, these fees were \$26,001.95 in 2023, or 2% of non-EBT (food stamps) sales. A 2% fee was applied in this analysis. No estimate was made for EBT vs non-EBT sales, but EBT sales would not incur merchant service fees for handing credit/debit cards.

### Labor and management

A General Manager was assumed hired for \$50,000 annually. In addition, other employees assumed hired to work part-time were an assistant manager, a produce manager/buyer, a meat counter/cutter, a janitor, bookkeeper, cashiers, and stockers, although a produce buyer and stockers are not projected to be needed in year 1 (Table 6). Labor burden estimates for payroll tax, health benefits (for the general manager), and workers' compensation were based on the Dixon 2023 results of 15.14%.<sup>22</sup> In Year 2, a stocker is added at \$14/hour for 20 hours/week, and in Year 2 one more stocker is added. A produce manager/buyer was added in Year 3 at \$16/hour for 20 hours/week.

**Table 6. Management and Employees, Year 1**

Title	Number	Hourly Wage	Hours/Week	Weeks/Year	Total Cost	Monthly Cost
Assistant manager	1.00	16.00	32.00	52.00	26,624.00	2,218.67
Meat Counter	1.00	20.00	20.00	52.00	20,800.00	1,733.33
Janitor	1.00	15.00	12.00	52.00	9,360.00	780.00
Cashiers	2.00	16.00	32.00	52.00	52,248.00	4,437.33
Stockers						
General Manager	1.00				50,000.00	4,166.67
Bookkeeper	1.00	18.00	7.00	52.00	6,552.00	546.00
Produce manager/buyer						
<b>Total</b>					<b>166,584.00</b>	<b>13,882.00</b>
<b>Labor Burden</b>	15.14%				<b>25,220.82</b>	<b>2,101.73</b>
<b>Total Labor Cost</b>					<b>191,804.82</b>	<b>15,983.73</b>

### Building

The building lease has yet to be negotiated but the MFC BoD assumes in Year 1 that the investments made by the MFC will offset all lease costs. It is likely their investment will exceed Year 1 lease costs. In subsequent years, the BoD would like to negotiate the lease rate to be 2% of net profits, once the building repairs are worked off at the rate of \$2,000/month. A monthly lease rate of \$2,000 was assumed in years 2 and 3, to be conservative. The Dixon Market annual lease rate was \$28,263.18 and repairs and maintenance expenses were \$2,639.03 in 2023, for an annual total of \$2,575 monthly.

### Equipment

Equipment purchase quotes were obtained from Webstaurant.com, which does not charge shipping if a \$99 membership fee is paid. Taxes cannot be calculated until the items are purchased, and Webstaurant ships from various locations, so a tax rate of 7% was assumed (Table 7). The MFC BoD is applying for a grant from the NM Economic

<sup>22</sup> Personal communication, Clark Case, Dixon Cooperative Market, Dixon, NM, March 2024

Development Department to cover new equipment purchase costs, and if funds are obtained they will increase equity and reduce borrowing costs. The analysis will be updated to reflect those changes once the BoD learns if their application is successful.

Supplies

Various one-time supply costs included moving carts to move inventory around, a plastic bag stand, rolling carts and hand baskets for customers, kitchen utensils. In addition, recurring supply expenses of produce bags and twist ties, and butcher paper for the meat counter costs were estimated. In Year 1, supplies were estimated to cost \$7,746, of which \$3,732 were recurring expenses.

Unforeseen Expenses

In the first year, unforeseen expenses represented 10% of total operating expenses and in years 2-3, unforeseen expenses were estimated to be 5% of total operating expenses.

**Table 7. Equipment List**

<b>Item</b>	<b>Useful life</b>	<b>Investment Cost</b>	<b>Year Purchased</b>	<b>Salvage value</b>
Computer	5	1,605	2025	150
Regency Work Tables (2) for deli & meat	7	1,027	2025	96
Avantco Reach-in Fridge (2) for butcher & grab n go	7	3,721	2025	348
Avantco bakery display case (1)	7	1,711	2025	160
Avantco Sandwich Prep Table (1)	7	2,064	2025	193
Avantco Reach-in Freezer (2)	7	8,344	2025	780
Avantco Merchandise Freezer (2)	7	5,562	2025	520
Avantco Reach-in Fridges Back Wall (2)	7	5,112	2025	478
Rosseto Bulk Dispenser Free Standing	7	5,937	2025	555
Rosseto Coffee Dispenser	7	7,286	2025	681
Main Street Convection stove	7	2,032	2025	190
3-compartment sink	7	812	2025	76
<b>Total</b>		<b>46,608</b>		

Equipment depreciation schedules were assumed to be straight-line and reflect typical equipment depreciation schedules, although some of the lower-cost equipment could likely be expensed in the first year of operation. The equipment was assumed purchased sometime in 2024, so that the equipment is depreciated all of 2025, not just the last four months of the year. No shelving was assumed purchased at the time of this writing as donation options from other food cooperatives in New Mexico were being evaluated and the proposed building contains adequate shelving for back storage.

### Interest Costs

Interest rates were assumed to be a prime of 8.5% annually, plus 5.75% (14.25%) for secured long-term loans, and prime of 8%+2% (10%) annually for the line of credit.<sup>23</sup> The line of credit kicks in whenever the ending cash balance dips below the minimum cash balance of \$500/month. In the first year, it was assumed that \$37,500 was raised in equity (Table 8), so the remainder of the equipment complement cost was assumed purchased with a 7-year loan with monthly payments starting in November 2025.

### Marketing and Promotion

A marketing and promotion budget was set at \$200/month. A grand opening is also envisioned for the start of the business, and a budget of \$1000 was set for that. The marketing and promotion program plan is described in more detail below.

### **Member Equity**

Memberships were assumed to cost \$20/year and after 10 years be converted to a lifetime membership, which can also be purchased upfront for \$200. All memberships are thus treated as equity in the business. It was assumed that the 375 of the 400 families would purchase memberships at the rate of \$20/year and that 25 families would be able to buy the lifetime membership up front. For the three years then, the equity contribution from memberships, assuming a 10% increase in memberships each year can be calculated (Table 8). Additional equity will be generated by the sale of preferred shares selling for \$1000 each, and it was assumed that 25, 30, and 35 would be sold in years 1-3, respectively.

### **Marketing Plan**

The MFC will have a grand opening in late summer or early fall 2025, for which \$1,000 was allocated. In addition, they plan to place ads in El Defensor Chieftain, a Socorro County newspaper, and also run ads on NPR affiliate station NM KMXQ, KBOM in Socorro, and Alamo radio station KABR. The MFC will have an operational website in June 2024. They will use social media such as Facebook and Instagram to help spread the word about the store. They will organize in-store events such as taste tests, and reach out to the Food Cooperative Initiative for help with publicity.

The MFC has organized a large fundraiser event at the Charles Ilfield Building on Main Street in Magdalena, to be held On October 18, 2024. The event will feature donated catered food and drinks, live music, and a live and silent auction. Guests will include cooperative consultants from around the US. The event will be advertised in the Albuquerque Journal and the El Defensor Chieftain. The event is expected to raise between \$5,000 - \$10,000.<sup>24</sup> In addition, MFC BoD members will be present promoting the co-op at the 2024 Frontier Days in Magdalena, the Pie Festival in Pie Town, and the

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<sup>23</sup> Personal communication, Magdalena Food Cooperative Board of Directors, May 24, 2024.

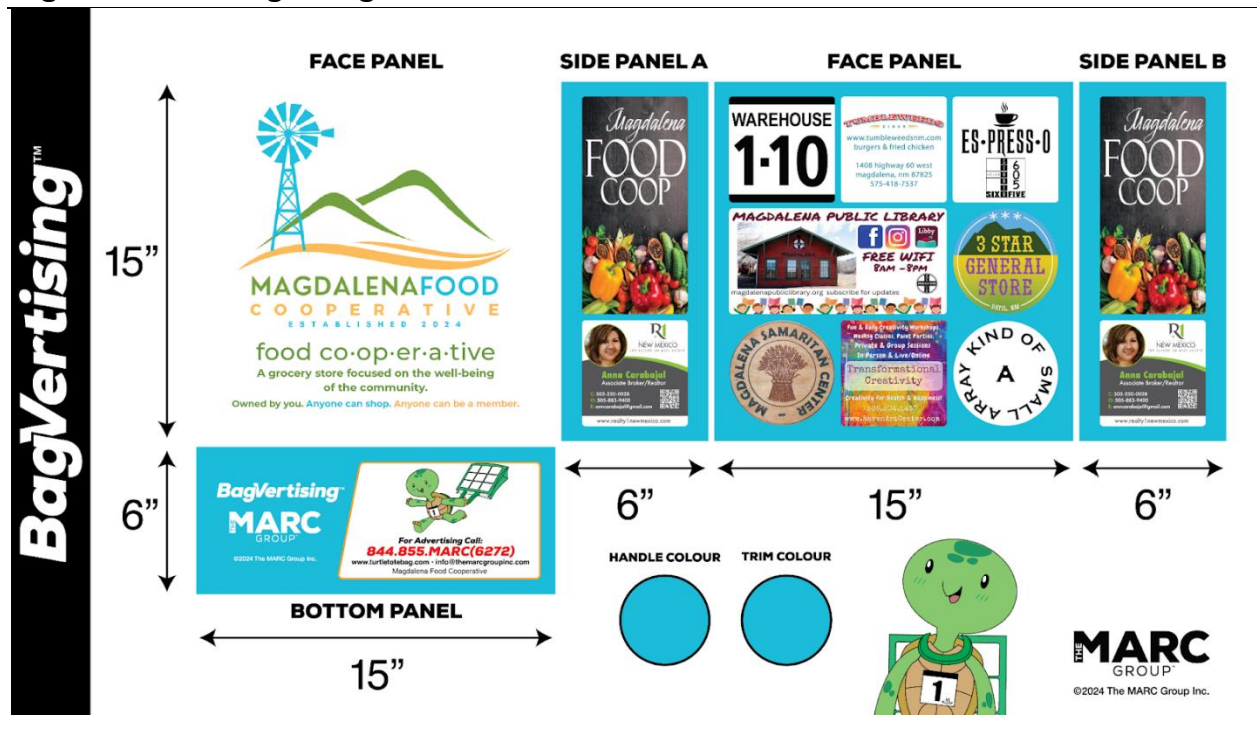
<sup>24</sup> Personal communication, Laurie Ware, MFC BoD, June 2024.

Socorro and Magdalena farmers markets in 2024. A reusable tote bag was created and 1,000 ordered featuring local merchant ads and the MFC logo, which will be given to lifetime members who join the co-op (Figure 1).

**Table 8. Member Equity**

		<b>2025</b>	<b>2026</b>	<b>2027</b>
	<b>Unit Cost</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Annual Fee (\$)	20.00			
Families paying annual membership (#)		375	413	454
Equity from families paying annually towards lifetime membership (\$)		7,500.00	8,250.00	9,075.00
Lifetime membership (\$)	200.00			
Families Paying lifetime membership (#)		25	28	30
Equity from families paying lifetime membership upfront (\$)		5,000.00	5,500.00	6,050.00
Total number of families (#)		400.00	440.00	484.00
Equity from Memberships (\$)		12,500.00	13,750.00	15,125.00
<b>Preferred shares</b>				
Cost	1,000.00			
Number		25.00	30.00	35.00
Equity from Preferred Shares		25,000.00	30,000.00	35,000.00
<b>Total Equity</b>		<b>37,500.00</b>	<b>43,750.00</b>	<b>50,125.00</b>

Figure 1. Tote bag design



### Organizational Plan

The MFC will operate as a corporate for-profit cooperative association and abide by State of New Mexico statutes regarding reporting requirements.<sup>25</sup> The MFC BoD has several responsibilities including serving the needs of the members and communicating them to the general manager. Board training has begun with the Rocky Mountain Farmers Union cooperative consultant and RMFU allocated \$4,000 towards that effort.

The BoD will hire the general manager, by networking at national cooperative grocery conferences. The manager's responsibilities are to report to the BoD about the coop's financial and operational status; manage daily store operations; collaborate in creating and managing marketing promotions such as in-store taste tests; oversee financial management particularly the cash flow so that cash needs can be met in a timely manner; hire, supervise, and train staff; ensure that all equipment is properly maintained; and create a positive work environment. A manager's qualifications should include experience in food cooperatives and/or retail natural food sales, experience working with boards, good communication skills, and demonstrated financial and personnel management expertise.<sup>26</sup>

<sup>25</sup> [Regular Cooperative Association | Maggie Toulouse Oliver - New Mexico Secretary of State \(nm.gov\)](#)

<sup>26</sup> "The Food Co-op Initiative Guide to Starting a Co-op," updated Jan. 19, 2007, edited by Stuart Reid. [Startup\\_Guide2017.pdf \(fci.coop\)](#)

The board will also have the MFC join the National Co-Op Grocers Association, which is a “business services cooperative for retail food co-ops located throughout the United States. Today, NCG supports 161 food co-ops operating over 230 stores in 39 states with combined annual sales of over \$2.5 billion serving over 1.3 million consumer owners. NCG provides the capacity of a chain while maintaining the autonomy of each individual co-op.”<sup>27</sup>

The MFC BoD are:

Laurie Ware, President 2023 - 2025

Laurie is a K-12 teacher in Socorro County and graduated with a Bachelor in Science, MAT in Reading, and an EDL certification from Western New Mexico University. Laurie was also Director of New Mexico Tech Children's Center.

She brings over two decades of organic gardening experience to the board. Laurie and her family moved to Magdalena in 2005 and realized that healthy food access was limited. Laurie and her spouse Andre built a raised bed garden on their property and began growing vegetables to supplement food at home and sell in local farmers markets in Magdalena and Socorro. The health of the environment and education has always been a priority for Laurie. She began a recycling program at Cottonwood Valley Charter School, a K- 8 school in Socorro. She has been recycling plastic, glass, and paper products since 2007, driving to the recycling center in Albuquerque each month. Minimal packaging is a prerequisite as it is for many former steering committee members, current directors, and community members. Laurie hopes that the food cooperative can be a model that prioritizes community health, food access, partnerships with local producers, and local economic development.

Osiris Navarro, Secretary 2023 - 2027

Osiris Navarro has been living in Magdalena, NM since 2020 with her husband Michall and they currently operate Tumbleweeds Diner. They previously owned an event planning and catering company in Seattle, WA. Osiris has a background in marketing, PR and has worked with several restaurant groups and bars in the Greater Seattle area where she organized community events, pop ups, and community engagement. She went to school at The University of Washington with a degree in Political Science and Graphic Design.

Carol Brackman, Treasurer 2023 - 2026

Carol Brackman moved to Magdalena in 2021 and quickly discovered what a wonderful place it is to live. Recognizing the need for a nearby source of fresh, local food, she was excited to meet Laurie and learn about her vision for a food coop in Magdalena. Enthusiastically joining the board, she has been dedicated to learning everything possible about creating a community-owned grocery store.

In addition to her involvement with the food coop, Carol is a proud veteran, a local businesswoman, and the owner of a hotel. A passionate advocate for plant-based eating

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<sup>27</sup> [NCG Background and Membership Information 2024.pdf](#)

and good food, she is committed to fostering community growth and ensuring access to healthy, local food for all residents.

#### Sheila Devitt, Director 2023 - 2027

Sheila M. Devitt has been involved with natural foods co-op groceries for most of her life. She grew up valuing affordable health food that tastes good and is good for the planet. She loves organic, local, sustainable, plastic-free, zero-waste, environmentally responsible food options.

Sheila is a graduate of Santa Fe High School and earned a Bachelor of Fine Arts degree from the University of New Mexico. After college, while working in local theatre and film and began studying herbal medicine as a way to maintain health as a performer. This led to a dual career in the performing arts and the healing arts. She completed a 3-year Professional Herbalist Certificate at the East West School, where she is currently on faculty.

Sheila's comprehensive work history includes small business ownership, integrative health clinic management, non-profit management, retail management, dietary supplements manufacturing and regulatory compliance, restaurant service, education (kindergarten through college), gardening, xeriscape & permaculture landscape design, as well as an international performance career that includes stage, screen, audio and print work.

She is a lifetime member of La Montanita Co-op, NM, since 1994, and a lifetime member of Ashland Food Co-op, Oregon since 2014. She wholeheartedly believes in the cooperative principle that we are Stronger Together. She is excited to bring her skills and experience to launching the Magdalena Food Co-op.

#### Holly Hagy, Director 2023 - 2025

### **Financial Results**

Three years of pro-forma financial statements were created using the assumptions previously outlined. Year 1 was assumed to begin with sales in September 2025, and years 2-3 were assumed to be 2026 and 2027.

#### Profitability, Years 1-3

In 2025, with only four months of operation, net profits before taxes were estimated to be (26,656), but turn positive in 2026 and 2027 (Tables 9-11).



**Table 9. Pro Forma Income Statement, 2025**

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GROSS SALES		314,542.25
Other		0.00
COST OF GOODS SOLD		221,407.92
GROSS MARGIN		93,134.33
<hr/>		
OPERATING EXPENSES		
Overhead	3,818.95	
Utilities	6,750.00	
Marketing	2,000.00	
Telephone/ Internet	1,125.00	
Office Supplies	625.00	
	0.00	
Accountant	0.00	
POS	1,394.00	
Cleaning Supplies	125.00	
Supplies	7,746.49	
Labor and Management	69,410.00	
Merchant services	8,697.51	
Unforeseen (10% of Oper. Exp.)	8,918.23	
TOT. OPERATING EXPENSES		110,610.18
NET INCOME BEFORE DEPREC		(17,475.85)
Depreciation	6,146.80	
OPERATING PROFIT (LOSS)		(23,622.66)
Interest Expense	3,033.82	
PROFITS BEFORE TAXES		(26,656.47)
Taxes	0.00	
NET PROFITS		(26,656.47)

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**Table 10. Pro forma Income Statement, 2026**

GROSS SALES		1,119,360.00
Other		0.00
COST OF GOODS SOLD		785,654.96
GROSS MARGIN		333,705.04
OPERATING EXPENSES		
Overhead	33,165.49	
Utilities	16,200.00	
Marketing	3,400.00	
Telephone/ Internet	2,700.00	
Office Supplies	1,500.00	
	0.00	
Accountant	1,000.00	
POS	1,188.00	
Cleaning Supplies	540.00	
Supplies	8,219.32	
Labor and Management	181,144.00	
Merchant services	26,545.27	
Unforeseen (5% of Oper. Exp.)	14,627.47	
TOT. OPERATING EXPENSES		290,229.55
NET INCOME BEFORE DEPREC		43,475.49
Depreciation	6,146.80	
OPERATING PROFIT (LOSS)		37,328.69
Interest Expense	8,029.28	
PROFITS BEFORE TAXES		29,299.41
Taxes	0.00	
NET PROFITS		29,299.41

**Table 11. Pro forma Income Statement, 2027.**

GROSS SALES		1,305,173.76
Other		26.97
COST OF GOODS SOLD		912,886.48
GROSS MARGIN		392,314.25
<hr/>		
OPERATING EXPENSES		
Overhead	33,165.49	
Utilities	16,200.00	
Marketing	3,400.00	
Telephone/ Internet	2,700.00	
Office Supplies	1,500.00	
	0.00	
Accountant	1,000.00	
POS	1,188.00	
Cleaning Supplies	540.00	
Supplies	8,219.32	
Labor and Management	212,344.00	
Merchant services	26,545.27	
Unforeseen (5% of Oper. Exp.)	16,020.27	
TOT. OPERATING EXPENSES		322,822.35
NET INCOME BEFORE DEPREC		69,491.90
Depreciation	6,146.80	
OPERATING PROFIT (LOSS)		63,345.10
Interest Expense	3,421.40	
PROFITS BEFORE TAXES		59,923.71
Taxes	0.00	
NET PROFITS		59,923.71

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### Cash Flow

The pro forma cash flow has an operating loan (also known as a line of credit) section that automatically borrows when cash outflows exceed cash inflows by an assumed safety margin, set in this case as \$500. The highest borrowing needs, ending operating loan balance and accrued interest owed at the end of the three years were estimated (Table 12). The highest borrowing occurred in year 1 of \$83,185, which means the MFC will need access to a line of credit at least that high. The absence of any ending operating loan in 2028 means that cash inflows were adequate to cover all outflows by the end of the year, although borrowing did occur during the year.

**Table 12. Operating loan results**

	<b>2025</b>	<b>2026</b>	<b>2027</b>
Ending operating loan (\$)	79,741	45,385	0
Accrued Interest on Operating Loan (\$)	243	0	0
Highest Operating Loan Balance	83,185	82,121	45,570

**Balance Sheet**

The beginning and ending balance sheets for the three years of financial projections were also created in this analysis and indicate improving retained earnings as profits are incurred (Tables 13-15).

**Table 13. Pro Forma Balance Sheet, 2025**

<b>ASSETS</b>	<b>BEGINNING</b>	<b>ENDING</b>	<b>CHANGE</b>
<b>CURRENT ASSETS</b>			
Cash	500.00	500.00	0.00
Accounts Receivable	0.00	0.00	0.00
Inventory	0.00	59,281.00	59,281.00
Total Current Assets	500.00	59,781.00	59,281.00
<b>FIXED ASSETS</b>			
Buildings and Land Improvement	0.00	0.00	0.00
Machinery and Equipment	0.00	40,461.67	40,461.67
Value of Land	0.00	0.00	0.00
Total Fixed Assets	0.00	40,461.67	40,461.67
<b>TOTAL ASSETS</b>	<b>500.00</b>	<b>100,242.67</b>	<b>99,742.67</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	0.00	0.00	0.00
Accrued Interest (Oper. Loan)	0.00	242.958	242.96
Operating Loan	0.00	79,741.363	79,741.36
Total Current Liabilities	0.00	79,984.321	79,984.32
Total Long-Term Liabilities	0.00	8,914.82	8,914.82
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>88,899.141</b>	<b>88,899.14</b>
<b>OWNERS' EQUITY</b>			
Contributed Capital	500.00	38,000.00	37,500.00
Retained Earnings	0.00	(26,656.47)	(26,656.47)
Total Owners' Equity	500.00	11,343.53	10,843.53
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>500.00</b>	<b>100,242.67</b>	<b>99,742.67</b>

**Table 14. Pro Forma Balance Sheet, 2026**

<b>ASSETS</b>	<b>BEGINNING</b>	<b>ENDING</b>	<b>CHANGE</b>
<b>CURRENT ASSETS</b>			
Cash	500.00	500.00	0.00
Accounts Receivable	0.00	0.00	0.00
Inventory	59,281.00	59,281.00	0.00
Total Current Assets	59,781.00	59,781.00	0.00
<b>FIXED ASSETS</b>			
Buildings and Land Improvement	0.00	0.00	0.00
Machinery and Equipment	40,461.67	34,314.86	(6,146.80)
Value of Land	0.00	0.00	0.00
Total Fixed Assets	40,461.67	34,314.86	(6,146.80)
<b>TOTAL ASSETS</b>	<b>100,242.67</b>	<b>94,095.86</b>	<b>(6,146.80)</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	0.00	0.00	0.00
Accrued Interest (Oper. Loan)	242.96	0.000	(242.96)
Operating Loan	79,741.36	45,385.090	(34,356.27)
Total Current Liabilities	79,984.32	45,385.090	(34,599.23)
Total Long-Term Liabilities	8,914.82	8,067.84	(846.98)
<b>TOTAL LIABILITIES</b>	<b>88,899.14</b>	<b>53,452.930</b>	<b>(35,446.21)</b>
<b>OWNERS' EQUITY</b>			
Contributed Capital	38,000.00	38,000.00	0.00
Retained Earnings	(26,656.48)	2,642.93	29,299.41
Total Owners' Equity	11,343.53	40,642.93	29,299.41
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>100,242.67</b>	<b>94,095.86</b>	<b>(6,146.80)</b>

**Table 15. Pro Forma Balance Sheet, 2027**

<b>ASSETS</b>	<b>BEGINNING</b>	<b>ENDING</b>	<b>CHANGE</b>
<b>CURRENT ASSETS</b>			
Cash	500.00	20,209.53	19,709.53
Accounts Receivable	0.00	0.00	0.00
Inventory	59,281.00	59,281.00	0.00
Total Current Assets	59,781.00	79,490.53	19,709.53
<b>FIXED ASSETS</b>			
Buildings and Land Improvement	0.00	0.00	0.00
Machinery and Equipment	34,314.86	28,168.06	(6,146.80)
Value of Land	0.00	0.00	0.00
Total Fixed Assets	34,314.86	28,168.06	(6,146.80)
<b>TOTAL ASSETS</b>	<b>94,095.86</b>	<b>107,658.59</b>	<b>13,562.73</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	0.00	0.00	0.00
Accrued Interest (Oper. Loan)	0.00	0.000	0.00
Operating Loan	45,385.09	0.000	(45,385.09)
Total Current Liabilities	45,385.09	0.000	(45,385.09)
Total Long-Term Liabilities	8,067.85	7,091.96	(975.89)
<b>TOTAL LIABILITIES</b>	<b>53,452.94</b>	<b>7,091.960</b>	<b>(46,360.98)</b>
<b>OWNERS' EQUITY</b>			
Contributed Capital	38,000.00	38,000.00	0.00
Retained Earnings	2,642.93	62,566.64	59,923.71
Total Owners' Equity	40,642.93	100,566.64	59,923.71
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>94,095.87</b>	<b>107,658.60</b>	<b>13,562.73</b>

## **Financial Plan**

Local quotes for lines of credit and secured long-term loans were previously discussed and incorporated into the model. These quotes were provided by First State Bank, that has a branch in Magdalena but based in the nearby town of Socorro, NM. Equity contributions are assumed to come from memberships, both those paid annually for 10 years before being converted to lifetime memberships, and those lifetime memberships paid outright. In addition, Preferred Shares were also assumed sold as previously described. The purchase of equipment was assumed to be made first using equity funds, and the remainder using a secured long-term loan from either First State Bank, or another lending institution if better terms can be secured. If funding is approved for equipment from the NM Economic Development Department, the models will be updated to reflect the change in equity and debt associated with equipment costs. Other sources of grant funds to help fund start-up costs include the Middle Rio Grande Economic Development Association (MRGEDA), the Socorro County Council of Governments, and USDA Rural Development grants. Applications to these entities will be made in 2025. The MFC has been added to the grant cycle for a micro-grant of \$8,000-\$10,000 in late 2024 or early 2025 from the MRGEDA.<sup>28</sup>

Member loans are another common form of internal financing common to cooperatives. The FCI Guide indicates that member loans are unsecured loans. In the case of liquidation, the order of payout is secured loans, unsecured loans, preferred equity, and last common equity. In addition, member loans are usually considered securities offerings and state and federal security laws and exemptions need to be consulted.<sup>29</sup>

## **Risk Analysis**

Starting a small grocery store in a rural and somewhat remote location in New Mexico will have risks associated with small groceries in general, and the location in particular. However, historically Magdalena did have a small grocery that operated from 1910 until the early 2000s. A buying club, Azure Standard, is operating in Magdalena and Socorro and can be embedded into the new store.

Some risks to consider include adequately trained and dependable staff. In a rural location, the labor pool is often restricted compared to larger population. In addition, the more restricted local population also means that the store needs to attract and retain its customers by satisfying their needs at reasonable prices and with a schedule that meets the customers' buying habits. Poor management can lead to excessive product spoilage or inventory that does not turn over. Some kind of feedback system for customers to inform store management about items not offered in the store will be in place.

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<sup>28</sup> Personal communication, Laurie Ware, MFC BoD, June 2024.

<sup>29</sup> "The Food Co-op Initiative Guide to Starting a Co-op," updated Jan. 19, 2007, edited by Stuart Reid.



This project is focusing on providing brands of food products not otherwise available in the local area offered by the Family Dollar, such as organic and natural food brands as well as fresh produce and fresh meats. These product lines may mostly appeal to higher income customers. The needs of lower income customers must also be met to keep them returning to the store. Another source of risk is equipment breakdown. A freezer or refrigerator that fails may result in high inventory losses, so adequate maintenance is critical. Given that all refrigeration and freezer equipment will be new (the donated refrigeration cases from Dixon will have a new compressor), and equipment will be under warranty, this risk is probably minimal for the first three years of operation.

The cooperative model for grocery stores helps to reduce risks since a cooperative is owned by the member-patrons, who elect the board of directors. The cooperative model provides accountability to the local community, which is a source of grass roots support and financing. There are also tax advantages associated with the cooperative model.

One additional risk may be the salary contemplated for the general manager, considering that the most recent survey of food cooperative managers for very small cooperatives (annual sales less than \$3.5 million) earn on average about \$65,000/year. The MFC may have difficulty attracting a manager to a rural NM community with a lower-than-average salary. On the other hand, the Dixon Food Co-op pays their manager in the \$50K range so the Magdalena proposal seems adequate by New Mexico standards.<sup>30</sup>

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<sup>30</sup> [Manager Compensation Examination: Gender Equity Gaps Persist – Columinate](#)