

The Bakery Closes

In April of 1985 NB closed after almost 9 years of operation. The bakery was producing approximately \$19,000 per month in income, employed about 7 full-time workers, and had a reputation in the Twin Cities as the premier producer of high quality, nutritional bakery products.

We did not close due to short term financial problems. At the time of the closing we were operating well above break-even. More important, Chapter 11 bankruptcy allowed us to reorganize without the debt burden we had accumulated during the previous years.

From a business standpoint the decision to close was made because we were unable to obtain a significant amount of capital to bring our production capacity to a higher level. Our productivity continued to be low because we still had to rely on relatively large amounts of variable capital (labor power) to complete our production cycle. This in turn resulted in low wages which made it difficult to develop and maintain a stable workforce.

Finally, the bakery existed for people's development. It had been a school for many cadre; in addition, it had developed many of its workers over the years in basic production skills. Most cadre, at the time of the close, had moved on to other work. Continued operation of the bakery would have required a significant commitment of cadre's time. And at that stage, we did not have resources available to make that commitment.

Furthermore, the development that people could obtain from the program did not reflect the new skills that cadre needed to learn at that time.

In sum, continuing the operation at the same level served no purpose in terms of our strategic aims. The bakery was closed.

Closing Speech to Workers

A meeting was called a week before the official last day of operations of the bakery to inform the workers of this decision. The workers did not yet know of this decision. Here is the speech as it was given:

"PNB has been in business as a co-op for almost 4 years. We are well established and have a very good reputation in the Twin Cities. But we are still a small business and have large competitors.

As you know, we filed for Chapter 11 (which is bankruptcy with time to reorganize) in January in order to freeze our back debts and give us more time to locate sources of capital (for loans for equipment).

During this period of Chapter 11 we have been doing very well in terms of cash flow and steady business. In other words, we have been able to pay all our current bills with cash left over - a situation we did not have before filing Chapter 11.

The business plan that PNB has had is to expand -- by purchasing new and better equipment to increase our product line, increase our quality, increase our sales dollars. In particular we have needed to do this before the 'summer slump'. Summertime is low sales for all bakeries (schools are closed, people don't eat as much bread). Last summer our sales dropped significantly - 35% drop, and in order to keep the business functioning dividends were cut by 35%.

We have done 2 careful cash flow projections out to December: under the condition of obtaining our new equipment and putting our business plan into action --we see a very successful picture; under the condition of not obtaining a significant loan, by the time we get to September(85) we would be \$6000 in the red.

In fact, though we have struggled very hard for financing, we have not been able to obtain it -- in part, because we are working people without any collateral to leverage a loan against, and also because of the Reagan administration clamp on loans to small business thru the SBA (Small Business Administration).

Therefore, although it has been an extremely difficult decision, there is no other decision but to close down the bakery before the situation reaches the crisis level: without capitalization and new markets we cannot survive the summer slump.

The last day of business will be April 17th, one week from today.

It is a very hard decision because for so many years many people have put time and labor into developing the co-op, you all included. I want to assure everyone that you will be given full dividends for the last week of work; as I said earlier cash flow is excellent right now. In addition, the Production Manager and the Personnel Manager will next discuss the closing procedures,

and what economic direction we can give to you. At the end of this information, we will answer any questions you have."

After presenting this speech many workers were surprised and disappointed. The main questions consisted of explaining the contradiction between doing well at that point in time (April) vs the upcoming summer slump and how it was better business practice to close while we could maintain integrity to them the workers by still being able to issue dividends and our reputation with creditors in case we ever were to start up again in the future.

We had prepared for a principaled and smooth exit of the workers by organizing processes to assist them with new job hunting: letters of recommendation, meetings with personnel or production manager to summarize with the person what he/she had learned at the bakery, skills assessment, some direction as to areas to look for jobs and how to present oneself on the job interview.

As a testament to the quality of relationships that had been established with workers previously, and the controlled method of exiting people, I think most if not all of the workers stayed to the very last production hour and some stayed after the close date to help with the shut down process. Many of the workers went through the exit interview and in summarizing their skills developed at the bakery felt more confidence in going out job hunting again. A few of the workers expressed the concept of how much they had learned at the bakery.