

# Profiles in Worker Ownership: Rust Belt Riders Composting

Rust Belt Riders Composting is one of those small businesses that makes you wonder why their way isn't the way it's always been done. Founded by Dan Brown and Michael Robinson, Rust Belt Riders is a waste removal company, focused on food waste. An award winning start-up, they collect food scraps from commercial and institutional customers that they then compost for delivery to community gardens. They're a triple bottom line company, involving worker ownership for the four co-owners, a commitment to sustainability, and an eye to financial growth. Rust Belt Riders is a market innovator thinking critically about our society's mostly uncomplicated attitude about trash. It has produced a marketable solution to the fact that so much of what we throw away can be re-purposed instead of dumped into landfills. About 30% of trash in the United States is believed to be food waste and only 6.1% of organics are diverted nationally, according to the Institute for Local Self-Reliance. Replicating the Rust Belt Riders model in other communities is a way for local governments or entrepreneurs to address the problem of clogged landfills while also producing employment and ownership opportunities.

## Origins

Two friends active in community gardening hatched the idea for Rust Belt Riders Composting in 2013. They were running a

community garden in Cleveland, Ohio but finding their soil was no good for growing. In order to improve their yield, they had to purchase soil from the outside. With two more friends, they began talking more seriously about composting food scraps from area restaurants. All of them were working in restaurants at the time, and they were aware of how much food is wasted in the restaurant industry. They realized that, if they could capture and convert some of that waste, they could save money and also improve the local environment. Their initial research suggested a market for soil, so they set about figuring how to collect and compost food waste. In the beginning, they didn't necessarily intend to build a business, but that is what unfolded. Rust Belt Riders Composting launched as a bicycle-powered waste remover in 2014 after raising \$2,000 through crowd-funding. Start-up costs included a bicycle, a trailer, totes for carrying collected food waste, and a scale.

### Corporate Structure- an Evolving Worker Cooperative

Rust Belt Riders Composting is formed as a LLC or limited liability company that operates like a worker cooperative. The Riders will formalize co-op features as they reach profitability. As a start-up, the company has reinvested all of its revenues so, at the time of the interview, equity was negative. As revenues grow, the four partners envision movement to a worker-ownership model, with a \$2,500 equity buy-in or an amount equal to the cost of a bicycle and trailer that each worker-owner would use for hauling. Eligible future employees would pay a lump-sum or else have a portion of their wages set aside to cover the equity stake.

Rust Belt Riders <u>AT A GLANCE</u>	
Year Started	2014
Industry	Compost
Type	LLC
# Customers	17
Revenue	\$2,000/Mth
Costs	\$150/Mth
# Workers	4
Equity Stake	N/A
Labor Costs	\$0
Wage Ratio	1:1
Value Benefits	\$0
Governance	Consensus

Worker cooperatives are democratically-run businesses owned and governed by employees, or worker-owners. There are a variety of ways to structure democratic governance in the workplace, including one worker-one vote, board or committee representation, or consensus. As a micro-business, Rust Belt Riders Composting is non-hierarchical, and decisions are made by consensus. In the initial stages, there was no specialization of tasks; each of the Riders split the workload. With time, they decided to move to a structure with some specialization, with Dan Brown handling administrative and public relations work on a full-time basis, the others working on service provision and product development around other job or educational responsibilities. The four meet weekly, and the job of meeting facilitator rotates.

As revenues grow, the Riders and any additional worker-owners expect to grapple with issues of fair compensation given specialization, business re-structuring, and transportation modes. With time, the business will possibly branch out into divisions and become more complex. Purely consensus decision-making may not be practical in a more complex organization, and the group is aware that trial and error will mark their approach to workplace democracy as they mature and specialize further.

## Business Design

Rust Belt Riders Composting is a diversified company, offering organic waste removal services as well as associated products for sale to consumers. Waste removal makes up the bulk of its revenue. Initially, it hauled food waste from residential, commercial, and institutional customers that found by working their personal connections. Servicing residential customers became unwieldy. The Riders elected to phase out residential service in favor of establishing a central drop off site where those customers can bring food scraps for composting. As of May 2015, Rust Belt Riders Composting had two institutional customers (both schools) and fifteen restaurants. They have planned for 50 additional customers.

Environmental sustainability is a core business value. In the start-up phase, they did most of their hauling by bicycle, as this decreased the carbon footprint but also facilitated low cost market entry and optimized cost efficiencies. Each bicycle trailer was designed to carry four plastic totes filled with food waste, a maximum of 400 pounds. Customers develop their own systems for collecting compostable food scraps in the bins supplied by Rust Belt Riders Composting. Pick-ups are automatic, generally scheduled one day after the third tote is filled. One customer is located in suburban Cleveland, and those pick-ups are handled by car. Additionally, the Riders use vehicles in the winter months due to the safety hazards posed by early nightfall and frequent snow and ice.

Instead of investing in land to deposit and cultivate compost, the Riders have instead relied on a network of community gardens and market gardens. In the warm weather months, they deposit food waste collected from customers at fifteen community garden sites. The gardens do not charge Rust Belt Riders Composting for deposits. Instead, the Riders allow those gardens “first dibs” on the compost. In the first year, they produced 25,000 pounds of compost, and community gardens claimed 15,000 pounds of that. In the winter months when community gardens are dormant, the Rust Belt Riders deposit all collected food waste at market gardens. Like the community gardens, the market gardens do not charge Rust Belt Riders Composting for deposits. It turns out, compost heats hoop houses, so the arrangement is mutually beneficial.

**Product Lines.** Rust Belt Riders Composting sells its portion of compost (unclaimed by the community garden partners) through Cleveland-area farmers’ markets. In addition, the compost produces saleable byproducts that were refined and tested through product development. The first is a compost tea, made by steeping compost in water. This tea is considered a weak fertilizer for plants and also delivers a different set of microorganisms to the soil. Worms are a second product . They breed in the compost, and the Rust Belt Riders can remove a certain amount for sale through garden centers and as fishing bait.

**Miscellaneous Revenue.** Rust Belt Riders Composting selected a certain bicycle vendor to supply all the bicycles used for hauling. They are considering the possibility of sponsorship from that bicycle producer as a supplementary source of revenue.

## Employment Practices

As participatory workplaces, worker cooperatives may result in better-than-industry labor standards since worker-owners have incentives to provide themselves safe, nonhazardous, and stable conditions on the job. The founders of Rust Belt Riders came to the business aware of worker cooperatives as a means of elevating work and labor. They want to provide “good jobs” in Cleveland communities where those are not always available. The realities of establishing a start-up business have prevented the Riders from fully realizing this vision at this early stage in their development.

**Job Features.** The work at Rust Belt Riders Composting is physically-demanding, involving cycling, hauling, unloading and dumping, and turning over soil. As a start-up, there is not a lot of job differentiation at this stage, so each Rider takes on multiple tasks, and repetitiveness is broken up by job rotation. Riders interact with customers, cycle, haul, and work with the soil so there are chances for mental and physical breaks. Each worker also has opportunities for creative work, focused at this time on corporate policies and systems as well as product development. As jobs specialize or corporate divisions are created, Rust Belt Riders Composting may need to become more deliberate about the physical and mental work balance, as well as opportunities for career advancement.

**Wages and Benefits.** As of May 2015, all four partners had worked uncompensated and without benefits for the life of the business. At the point that revenue is stable, they intend to offer wages of \$10-\$15 per hour which, per salarygenius.com, is within the ballpark of the average starting wage (\$12.79) for a Cleveland garbage truck driver (a somewhat equivalent job classification). The idea is total wage equality (1:1 ratio) for the original Riders, although they are likely to develop a less equal wage ratio if the company grows and a management structure develops. As is the norm in worker cooperatives, earnings will be bolstered by the eventual payments of patronage dividends as worker-owners gain equity and the business achieves profitability. The benefits package will center on standard insurances and retirement saving plans, although benefits are not currently provided.

**Work/Life Balance.** Rust Belt Riders Composting allows for flexibility in scheduling. The Riders are able to schedule collections around their schedules; three of the four partners have other jobs or school commitments. Also, they cover each other’s routes to allow for time off. As of yet, there is no formal process for vacation, sick, or personal days.

**Safety.** Safety standards are internally-imposed; riders wear helmets, and they instituted a four-tote weight limit on bicycle hauling. Also, they use vehicles rather than bicycles in the winter months as one Rider suffered an accident cycling in icy conditions.

## Growth Potential

Rust Belt Riders Composting is primed for growth. They have planned for 50 new customers accessed through regular marketing. They are also in talks with Cleveland’s Ward 3 to pilot a municipal organic waste collection service with the hopes of one day gaining a whole-city municipal service contract

Winning a municipal contract would be a tipping point for Rust Belt Riders Composting, taking them to scale but also requiring a re-conceptualization of the basic business design. For one thing, depositing the collected food waste across numerous community gardens would be infeasible. They are already in the process of looking for property to serve as a central processing facility, and this would be even more necessary if the business was collecting city-wide from numerous customers. A second issue concerns bicycles. While the partners are dedicated to hauling by bike, they realize operating at scale might necessitate trucks.

The relationship with the City of Cleveland is developing largely through the action of City Councilman Joe Cimperman. He has a long-standing interest in urban agriculture, and Rust Belt Riders Composting relates to that interest in obvious ways. As mentioned, the Councilman is willing to roll out a pilot program in his ward and is also working with Rust Belt Riders to access properties meeting EPA standards for composting, to make the City of Cleveland a co-signer on documents submitted to the EPA, and to fast-track the permit process. The Councilman is also exploring the possibility of introducing a food waste diversion ordinance modeled after an existing ordinance in Boston. Such an ordinance would incentivize various options for using food scraps, whether donating them to hunger relief charities, subjecting them to anaerobic digestion, or having them converted to compost.

While setting up a pilot project and attempting to pass an ordinance may seem like a circuitous route to a municipal contract, Rust Belt Riders Composting prefers to phase-in growth. Strategically, they believe a pilot project could help set them up as the city's preferred vendor at the point that a city-wide program is rolled out. The Riders are not the only game in town. There are much larger competitors that could easily enter the composting market if they so desired or if municipal legislation suddenly incentivized composting. In fact, there is a pre-existing campaign to collect food waste from large venues and restaurants in downtown Cleveland. The Riders learned of community concerns about the way a competing hauling company handled compost treatment and storage and understand the importance of avoiding such mistakes. Phasing in municipal service is a way for the Rust Belt Riders to make sure they learn to manage large-scale collections as seamlessly as possible and to generate goodwill with community groups that might be able to sway contract approvals.

## Replication Possibilities

You can start a business like this! Food waste diversion is likely an emerging market, since it is not yet institutionalized nationwide and typically reaches a small number of institutions and households. Rust Belt Riders Composting is a possible model for entrepreneurs interested in entering this growth industry, although the profitability of the model has not yet been proven. With Rust belt Riders Composting have come the contours of a socially-minded business with low entry costs that could be adapted or modified, given local conditions, community assets, and the social or business goals of local entrepreneurs. The following are some of the issues for replicators to consider given the specifics of their communities:

**Bicycles.** The use of bicycles saves on start-up, operational, vehicle maintenance, and insurance costs but increases labor costs since the weight of each haul is more limited than what vehicles could handle. The ecological value and labor-intensity may be considered goods by many cooperatives, but bicycles may require a certain density to be practical, as well as land vacancies or gardens or other green space scattered throughout the service area.

**City Facilitation.** Food waste diversion may be appealing to city governments that, in turn, might support local composting start-ups through economic development assistance or municipal contracts. City ordinances incentivizing food waste diversion help increase the price competitiveness of composting compared to dumping in landfills and may be vital to growth. Boston is a model for food waste diversion focused on institutions, but other cities like Portland frame composting as a strategy for households. Depending on local populations, city economies, and local cultures, institutional or household incentivizing might be more facilitative of Rust Belt Rider-type start-ups.

**Customers.** Commercial and institutional customers proved more feasible for the Rust Belt Riders, but residential service might be lucrative in cities with supportive local cultures, high median household income, or ordinances focused on household waste.

**Gardens.** The Riders avoided a land purchase or lease by bartering with a network of community gardens in need of healthy soil. This option may be closed in cities without a similar urban farming ecology, or if gardens are not in close proximity to clients. Leasing or purchasing land, even from community gardens, might be necessary in some areas and may even increase profits if rents or land prices are less than the cost of donating soil.

**Labor.** The Rust Belt Riders decided to forego compensation and keep other jobs as they initiated the business. This kept them debt free but may not be feasible for all replicators, especially when a similar project is conceived as a job growth initiative in an area with unemployment or underemployment. Assuming an estimated 120 hours a week of total work time to start-up, paying wages would have added \$5,200 to \$7,800 to the monthly expense sheet for the four Riders given their desired wage range. Of course, this would be significantly more if employment was provided on a full-time, benefits-eligible basis.

**Product Development.** Soil and other compost by-products are additional revenue streams. Research and development should be considered part of the compost business, as new trends in gardening may inspire new product lines.

For more information, or if you would like your worker co-op profiled as part of the Business Profiles series, please email [imaginedeconomy@gmail.com](mailto:imaginedeconomy@gmail.com).