

MIDDLEBURY
NATURAL



FOODS
CO-OP

ANNUAL REPORT
2012



PRESIDENT'S REPORT

by Jay Leshinsky

Over the past year the Board has been focused on improving our ability to operate efficiently and effectively, govern openly, and provide clear direction for our management team. We also began the next step in our strategic planning: studying ways in which our co-op can play a role in expanding accessibility to healthy food for our entire community. Our initial meeting with individuals and organizations that work to expand food accessibility gave us a picture of current resources, ideas for how they could be improved and suggested more ways we could all work together to expand access to good food. The overall mood in the room after this meeting was one of opportunity for new collaborations and optimism for creating a local food system that includes more of our community members.

In carrying out our Board responsibilities we are fortunate to have the support of other cooperatives in Vermont, New England, and across the United States. One factor that makes cooperatives different than other business models is that we share our best practices and specific business operations information with other Cooperatives for the good of all. Using resources like the Cooperative Development Services consulting group and Cooperatives Grocers Association, Board members of food co-ops share information about financial management, strategic planning, leadership and a host of other key topics with other cooperatives. With the United Nations designating 2012 as the *Year of the Cooperative*, resources about the Cooperative Movement are more abundant than ever.





As a MNFC Board member I've had many opportunities to learn more about the cooperative movement and in particular about the role cooperatives can and do play in facilitating economic and social change. I've made a point of stopping in at food co-ops when I travel around the US for business. The more co-ops I visit, the more I realize what a great asset these co-ops are to their communities. Often their members and shoppers find healthy food products not available at other food stores in the community. They are centers of economic activity that provide discounts on food prices through bulk sales, member discounts, and cooperative purchasing. They are employers that not only provide jobs, but often provide better working conditions and pay than chain food stores. They buy local products at far higher rates than chain supermarkets. Their members own and control the equity in their cooperatives in equal amounts.

For me, the primary thing that differentiates a cooperative from other food stores--including privately owned health food stores--is that we operate under the guidance of the *Seven Cooperative Principles*: voluntary and open membership, democratic control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives, and concern for community. These principles guide us to strive to be transparent and democratic in governance. They remind us that we can be both independent and autonomous in making decisions that reflect the view of our membership while at the same time acting in collaboration with other cooperatives and community organizations. They push us to be engaged with the broader community and to provide education, training and information to our members and shoppers.

For me, MNFC is a cooperative that operates a food store. To be a cooperative means aspiring to lofty ideals and values. If we can follow those principles, cooperatives can be forces for positive change in our store, our community, and beyond.

Cooperatively yours,





GENERAL MANAGER'S REPORT

by *Glenn Lower*

Thanks to the great support of our community, the Co-op has completed another successful year. For the first time in Co-op history our store has passed the \$10 million mark in sales. At the same time we were able to pay off much of our debt and make it drop below the \$1 million level (following the expansion in 2004, our debt had reached \$2.2 million). Our Co-op membership has grown to 3,432 households. At the time of writing, our end of year numbers have not yet been calculated; but we expect a modest yet healthy profit of around \$200,000, which corresponds with a 2 cent profit for every dollar spent at our store.

We are looking forward to the coming year. A major focus for 2012 will be helping our many neighbors in Addison County who don't have proper access to nutritious and healthy foods. The Co-op Board of Directors and staff have started to chart out ways to help where help is needed. Last year several events and projects were geared toward supporting our local food shelves:

- Empty Bowl dinner (\$2,051 donated to HOPE and CVOEO).
- NOFA Share the Harvest (\$1,039 supported the purchase of CSA shares for low income families).
- We donated over \$10,000 worth of food to the food shelf of CVOEO (Champlain Office of Equal Opportunity).
- Our cooking classes were free to people using food stamps.
- Our Annual Meeting last June provided a community dinner worth \$5,537.
- Harvest Festival and Earth Day Celebration also provided food for the whole community.

We want to do more.

The Board has launched discussions with key people and organizations in the community that currently work on food security in Addison County. The Co-op is partnering with HOPE (Helping Overcome Poverty's Effects). One of our goals is to contract with local farmers to grow crops for HOPE (for storage and processing into nutrient rich soup or stew). To get this major project off the ground, the Co-op has committed \$8,000.



In addition, Middlebury Co-op will begin a *Food For All* program in July that will provide a 10% discount to people of financial need.

To be able to support these important projects, we have decided to reduce our Seniors' 10% discount. Starting September 1st, seniors (60 years old and better) will receive a 5% discount on Tuesdays and Thursdays. We hope that our additional discount day will help alleviate some of our Tuesday congestion. We hope that our members will openheartedly support our changes.

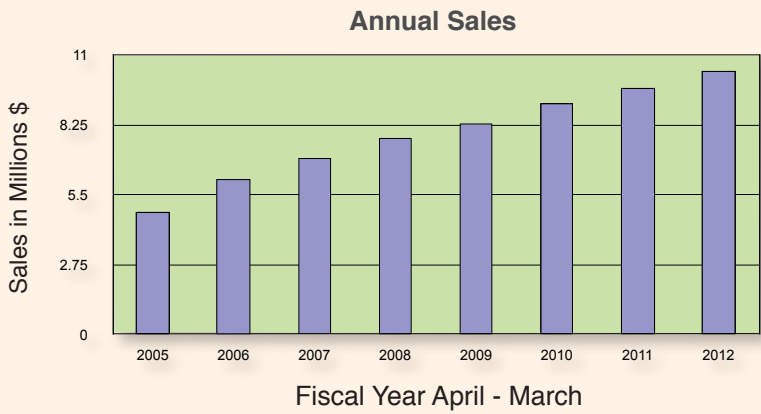
Other goals for the coming year:

- We will continue emphasizing our local food program. The 2011 growing season was difficult for many growers because of heavy spring rains, hail, and, above all, Hurricane Irene. Sales of locally grown foods dropped to from 27% to 23.7% of total store sales. We hope for a better year in 2012.
- We will give further thought to our growing Co-op. The Co-op has expanded three times since incorporating in 1976, at a rate of every 9-10 years. We have been in our current space since 2004. So where do we go from here? What are the many ways in which we can grow?
- Last year's pilot project for processing and selling regionally grown and frozen foods was a success. We hope to initiate other projects like this in 2012 by collaborating with other cooperatives and the Neighboring Food Co-op Association.
- We will be working on further reducing energy consumption of our Co-op building
- We will offer our monthly Newsletter electronically.
- We will continue emphasizing staff education.

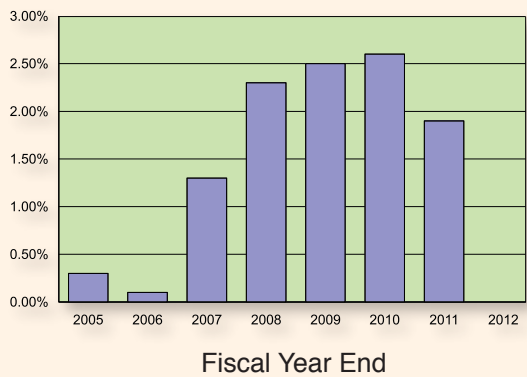
We count on your help and support to be successful.

Cooperatively yours,

FINANCIALS

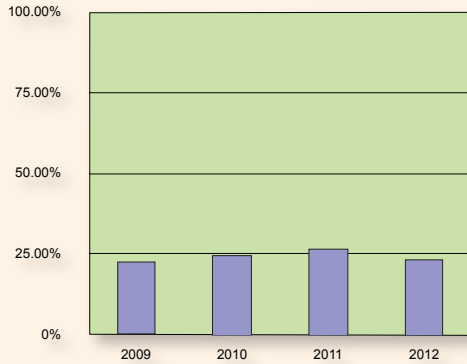


Sales have grown steadily since the Co-op expanded in October 2004.



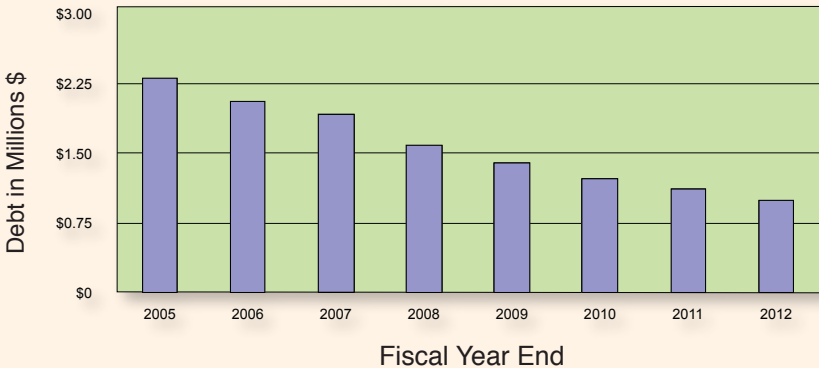
Profits have also been healthy in recent years. As a community-owned co-op, any profits are used to improve the business for the benefit of the member-owners and community. This is one of the critical differences between a co-op and a chain business whose purpose is to increase profits for stock holders outside the community.

Local Sales as % Store Total

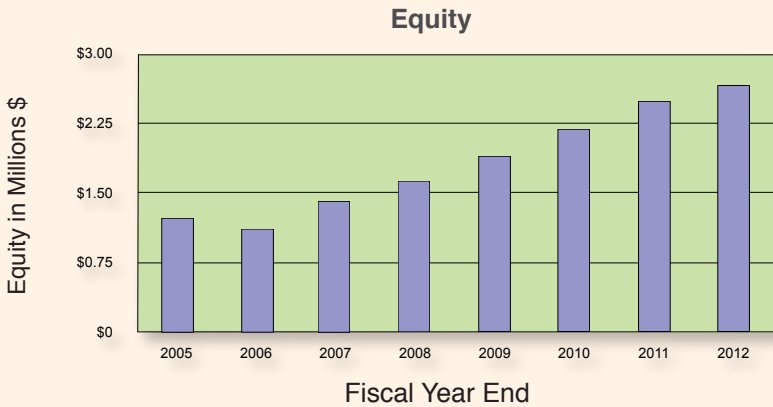


*“Local” sales are defined as grown or value-added within Vermont. Our emphasis on **local** will help build a sustainable local economy and contribute to a better world. 2012 was a difficult growing season.*

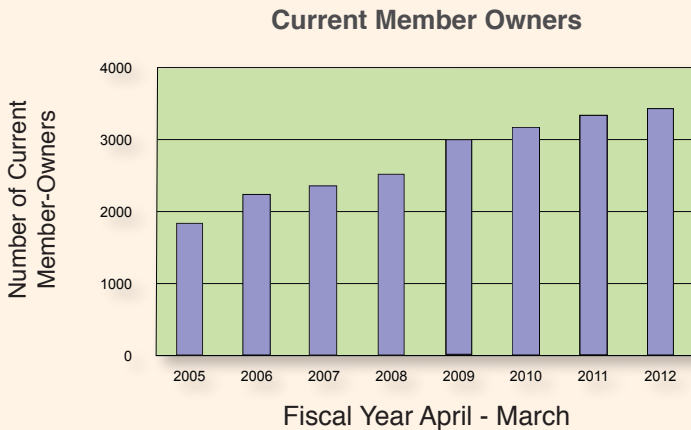
Loans



As co-op debt declines, the equity is rising. Most of the decline in debt is due to paying off member loans and other community development loans to be recycled back in the community.



Equity is the accumulation of all of the retained earnings (profits + member shares) over the years. Equity provides future strength and stability for our community-owned store.



The number of members has grown steadily in recent years, though slowed a little this past year.

A BRIEF HISTORY OF CO-OPERATIVES

Co-operatives started out as small grassroots organizations in Western Europe, North America and Japan in the middle of the 19th century. However, it is the Rochdale Pioneers who are regarded as the prototype of the modern co-operative society and the founders of the Co-operative Movement.

In 1844, a group of 28 artisans working in the cotton mills in the northern England town of Rochdale established the first modern co-operative business, the *Rochdale Equitable Pioneers Society*. The weavers--facing miserable working conditions and low wages--couldn't afford the high prices of food and household goods. They decided that by pooling their scarce resources and working together, they could access basic goods at lower prices. Initially, there were only four items for sale: flour, oatmeal, sugar, and butter.



Fresh, wholesome food had become impossible to afford. The company store was putting plaster dust in flour. Something had to be done.

The Pioneers decided it was time that shoppers were treated with honesty, openness, and respect; that they should be able to share profits; and that they should have a democratic right to have a say in the business. Every customer of the shop became a member and thus had a true stake in the business. At first the co-op was open for only two nights a week, but within three months, business had grown so much that it was open five days a week.

The principles that underpinned their way of doing business are still accepted today as the foundations upon which all co-operatives operate. Though these principles have been revised and updated, they remain essentially the same as those practiced in 1844.

1st Principle: Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership--without gender, social, racial, political or religious discrimination.



The Rochdale Pioneers in 1844

2nd Principle: Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Individuals serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation

Members democratically control and contribute equitably to the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation--if any--on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative; setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; or supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations--including governments--or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, Training, and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public--particularly young people and opinion leaders--about the nature and benefits of co-operation.

6th Principle: Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, regional, national, and international structures.

7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

(Source: The International Cooperative Alliance, Geneva, Switzerland)

Statistical Information on the Co-operative Movement

The Co-operative Movement brings together over 1 billion people around the world. In 1994, the United Nations estimated that the livelihood of nearly 3 billion people—or half of the world's population—was made secure by co-operative enterprise. These enterprises continue to play significant economic and social roles in their communities.



Types of Co-operatives

The co-operative model of enterprise can be applied to any business activity. They exist in traditional economic sectors such as agriculture, fisheries, consumer and financial services, housing, and production (workers' co-operatives). However, co-operative activity spans to a large number of sectors and activities, including car-sharing, childcare, health and social care, funeral, orchestras and philharmonics, schools, sports, tourism, utilities (electricity, water, gas, etc.), and transport (taxis, buses, etc).

MIDDLEBURY NATURAL FOODS CO-OP

OUR STORY

The Co-op began in the early 1970s as a pre-order buying group whose goal was to buy wholesome, natural foods that were not available elsewhere, at low cost. Members got together for potluck dinners and ordered food in bulk, then distributed it to the various households. Each member was responsible for bringing labeled containers to eliminate packaging costs. Members donated not only their time and space, but also their trucks, vans, and gas to pick up and distribute goods.

As the Co-op grew, members rented a barn where they stored and divided up the food. Next, a small store was opened in the old Middlebury train depot, still using volunteer labor, and pre-ordering continued as well.

The first step away from total volunteer labor was the hiring of a co-management team to run the store. In addition to pre-order, the management placed orders so storefront customers could rely on greater product availability.

The group formed a board of directors and incorporated as a business on June 2, 1976. Eventually the Board decided to move the store to a larger



MNFC staff in the new Washington Street store



Back when bulk meant barrels

space on Washington Street. A store manager, a pre-order manager, and three additional employees were hired. With strong growth in both the store and pre-order sales, membership grew to over 900 families. Members were required to work as part of their membership commitment, and both the store and pre-order relied heavily on member work. Depending upon the number of hours worked, members received a 10 to 20 percent discount on their purchases. The system, subject to the availability of workers and seasonal ups and downs, was challenging at times.

In 1984, the Co-op expanded and doubled its retail space. Pre-order and store operations became the responsibility of one general manager. While pre-order was still run separately from the store, the supplies and volunteer labor were shared to a greater extent. As people began pre-ordering less and shopping in the store more, pre-order eventually ended and sales continued to grow rapidly.

In the mid 1980s the Co-op introduced a membership card to verify membership and validate volunteer hours worked, a mandatory three hours per quarter. With the introduction of this change membership dropped from 900 to 500 members. Many people were unable to fulfill the work requirement and discontinued their memberships, but remained faithful shoppers.

Over the years, as the Co-op grew and the business became more complex, more changes were made to the membership structure and work requirements. Although membership shrank, consistent and reliable volunteers emerged as well.

In June of 1993, MNFC introduced the current membership structure, which is more inviting to those who wish to be a part of the Co-op organization but do not have the time or desire to volunteer in the store. Co-op members receive a 2 percent discount on their purchases and may take advantage of members-only sales and specials. Members who choose to work receive an additional 8 percent discount.

In 1994, the Co-op finished its second major expansion and moved from an annual membership fee to a share system. Members become Co-op Partners by purchasing one \$20 share per year up to the maximum of \$300 or could opt to pay for 15 shares all at once.

A decade later, growth again necessitated an expansion. A new store was opened at 9 Washington Street—near the old location—in October 2004. The retail space doubled and a kitchen was added so the Co-op could offer prepared foods and a deli.

MNFC continues to thrive, and we look forward to many more years in our healthy community!



MNFC BOARD OF DIRECTORS



Jay Leshinsky
Middlebury



Ross Conrad
Middlebury



Kristin Bolton
Cornwall



Tam Stewart
Goshen



Ilaria Brancoli
Busdraghi
Middlebury



Joseph Cadoret
Middlebury



Francisca Drexel
Weybridge



Mary Gill
Middlebury



Kevin Lehman
Middlebury



**Karen
Miller-Lane**
Middlebury



JS Woodward
Middlebury

MNFC Directors serve three-year terms, with elections held each May.
All member-owners are invited to join the Board.



Middlebury Natural Foods Co-op

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