

**MIDDLEBURY NATURAL
FOODS CO-OP**



**ANNUAL REPORT
2013**



PRESIDENT'S REPORT

by Jay Leshinsky

In 2012-2013 the main focus for the MNFC Board was the topic of growth/expansion/adaptation. New food co-ops are opening and established ones expanding at rates not seen since the co-op boom of the 1970s. As a result of the United Nations proclaiming 2012 as the International Year of the Co-operative, co-ops around the world recounted their history, celebrated their achievements and looked to the future. For the International Co-operative Alliance (ICA) the real opportunity of 2012 was to use the Year of the Co-operative to help achieve a longer-term vision. As Erbin Crowell, Executive director of the Neighboring Food Co-ops Association wrote in our MNFC Newsletter last fall, "the ICA has released its draft Blueprint for a Co-operative Decade. It is an ambitious vision in which cooperatives are acknowledged as leaders in economic, social and environmental sustainability, the preferred business model of people around the world, and consequently the fastest growing form of enterprise by 2020". Ambitious is certainly an understatement!

As I write this report I just returned from a strategic seminar with Board members and General Managers from New England and New York state. The President of the ICA was one of the speakers as were cooperative leaders from all over the United States and Vermont. I came back thinking that the cooperative decade is an exciting opportunity for MNFC to be part of a larger positive movement: There are one billion co-op members and two hundred million co-op employees world-wide! With the support and inspiration of that global co-operative movement we will be able to accomplish more of our own goals than we ever could as a single co-op.

Our Board looks at future growth and/or expansion in relationship to our Ends, the impact we want to have on our membership and community. MNFC has expanded the size of our store three times since incorporating in 1976. Knowing our cycles of expansion have been about every 9 to 10 years, the Board began 5 years ago to look at the critical issues in our local food system and the role our Co-op played in them. Earlier this year we looked at the issues of growth and expansion by first examining the history of Middlebury Co-op. We wanted to see what has changed and what has remained constant. What has remained important to members over 36 years? Growth and change have been two constants both in our store and in the natural foods world. Over that time our membership, our buildings, our staff and our sales have grown slowly but consistently. Yet with all those changes

both within and without the store we are still uniquely MNFC, the food cooperative of and for our community.

The Board has identified some key components for future growth: We want any feasibility plans for growth to be innovative, imaginative and forward looking. That includes thinking creatively how we use our space to better support the work of our staff, how we can operate in way that furthers our End of environmentally sustainable and energy efficient practices. How we can create a space where we open up new opportunities for local vendors? How can we create a space where everyone can feel welcomed? How can we run a business that our members can take pride in? How might we create a space in collaboration with other members of our local food system?

As we move forward in the decade of the co-operative we are fortunate to have a General Manager and staff that work hard and creatively to provide a store that meets the needs of a wide range of members, while at the same time staying true to our cooperative values.

We are also fortunate to have a membership that has helped create and in so many different ways helped sustain our Co-op for over 36 years. If we are to be successful in planning MNFC's future, we need the input and involvement of our member owners.

Please keep in touch!

Jan





GENERAL MANAGER'S REPORT

by Glenn Lower

Our Middlebury Co-op membership has grown to almost 4,000 members... a respectable number. I want to thank all of you for your trust in and support of your community-owned store!

Our Co-op has done well during this past year, the International Year of the Co-operative. Preliminary financial reports indicate that MNFC sales have reached \$11.5 million, which is an 11% growth compared to the year before. Keep in mind that for each dollar customers spend at the Co-op, about 65 cents go to producers or distributors, 21 cents to staff wages and benefits, 9 cents to other operational costs (including 2 cents for member discounts), and 3 cents to taxes. That leaves about 2.5 cents for net profit! We consider this net profit to be modest, but healthy enough to support future Co-op services in the community.

We have increased sales of Vermont grown or produced products. We have increased our staff to 62 members. In this way we are contributing to a healthy, local economy.

A major Co-op topic during this past year was food insecurity. As a result, we implemented the program Food For All, inspired by a model developed at the Burlington City Market Food Co-op. Over 100 households are currently enrolled in our MNFC food assistance program. Qualifying customers receive a 10% discount whenever they shop at the Co-op.

We have continued our support of the local food shelves and contributed \$2,151 in proceeds received at the Empty Bowl Dinner and another \$15,000 in cash and food donations. Furthermore, we supported Addison County's HOPE (Helping Overcome Poverty's Effects) with an \$8,000 donation to start a new program of contracting with local farmers to grow both storage crops and ingredients to be made into nutritious Just Soup in frozen family packs. Additional donations were also made to local non-profits, increasing MNFC community contributions by 49% this past year.

The MNFC Board of Directors—representing the MNFC membership—has directed the Co-op management and staff to adhere to the following Ends Statement:

MNFC member-owners, customers, and the community benefit from healthy foods, a vibrant local economy, environmentally sustainable and energy-efficient practices, co-operative democratic ownership, and learning about these values.

How can we best implement these goals? Do we need a bigger store to provide healthy foods to our community? If so, how can a bigger store adhere to energy-efficient practices? Are there other approaches to achieving these Ends? We will tackle these questions and others during the next 12 months.

Other highlights of our 2013 /14 business plan include:

- Annual Co-op Meeting and Community Celebration, June 1.
- Co-op Harvest Festival.
- Support the Right-To-Know drive for GMO (genetically modified organisms) labeling in Vermont and nation-wide.
- Develop member education and cooking classes.
- Research the pros and cons of patronage dividends for MNFC. With the patronage refund model, Co-op members receive a refund at the end of each fiscal year rather than a discount when shopping.
- Encourage customers to reduce waste by reusing containers.
- Member/customer survey: Are you satisfied with our service?
- Increase staff development: workshops, conferences, food shows, field trips, and seminars.
- Restructure programs of membership, education, and marketing under one department.
- Financial audit.
- Increase office and meeting space.
- Research feasibility of solar energy opportunities.
- Support smaller Vermont co-op development and the Neighboring Food Co-op Association.

As always, I invite you to let us know what you think. Help us build and support an exceptional Middlebury Natural Foods Co-op!

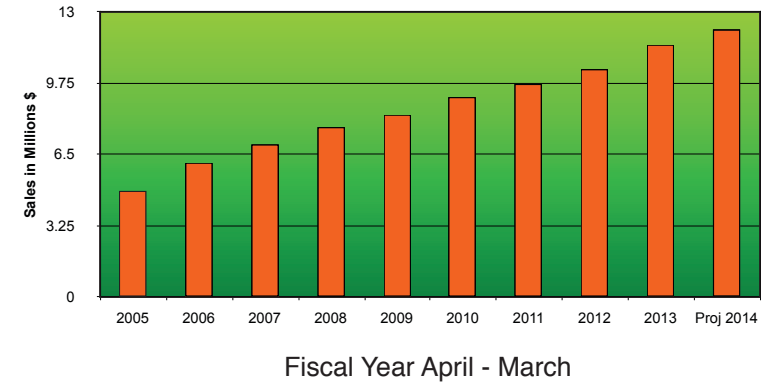
I look forward to talking with many of you at our Co-op Annual Meeting and Community Celebration on the Town Green, on June 1.

Cooperatively yours,

A handwritten signature in dark ink, appearing to read "Glenn". The script is fluid and cursive, with a large initial "G" and a trailing flourish.

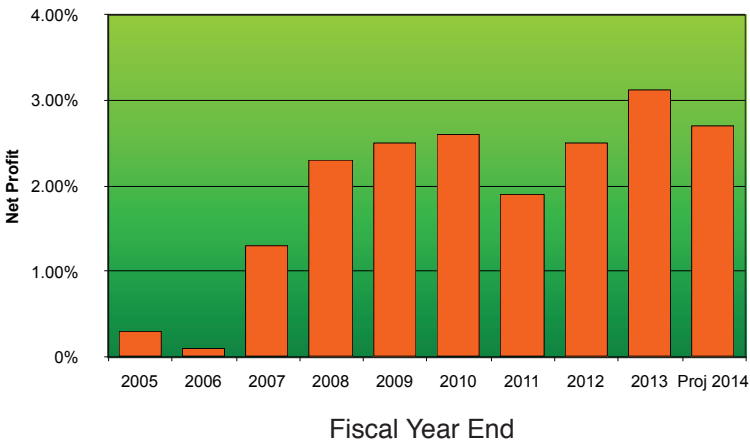
FINANCIALS

Annual Sales



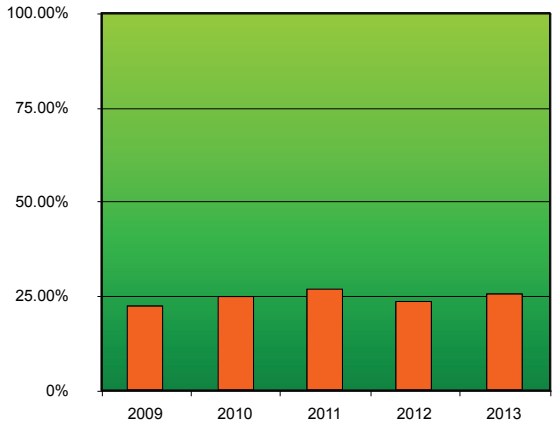
Sales have grown steadily since the Co-op expanded in October 2004.

Net Profit %



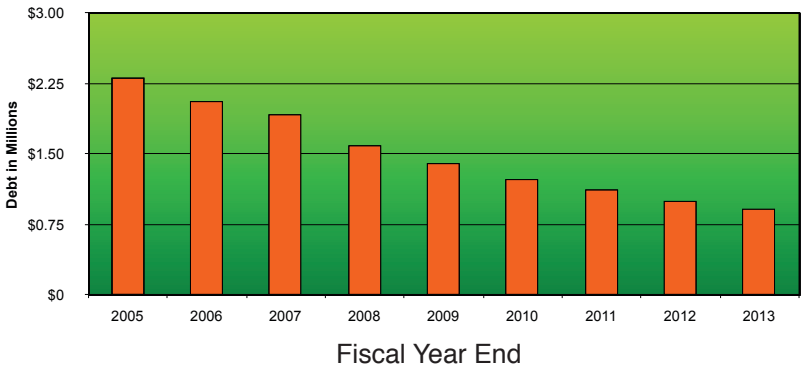
Profits have also been healthy in recent years. As a community-owned co-op, any profits are used to improve the business for the benefit of the member-owners and community. This is one of the critical differences between a co-op and a chain business whose purpose is to increase profits for stock holders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

Local Sales as % Store Total



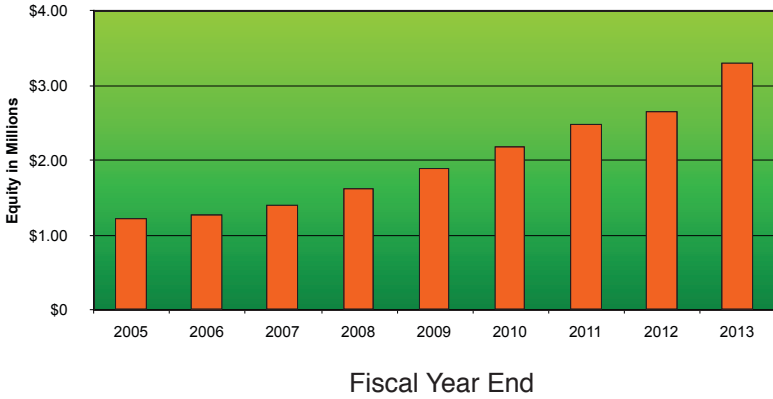
*“Local” sales are defined as grown or value-added within Vermont. Our emphasis on **local** will help build a sustainable local economy and contribute to a better world. 2012 was a difficult growing season.*

Loans



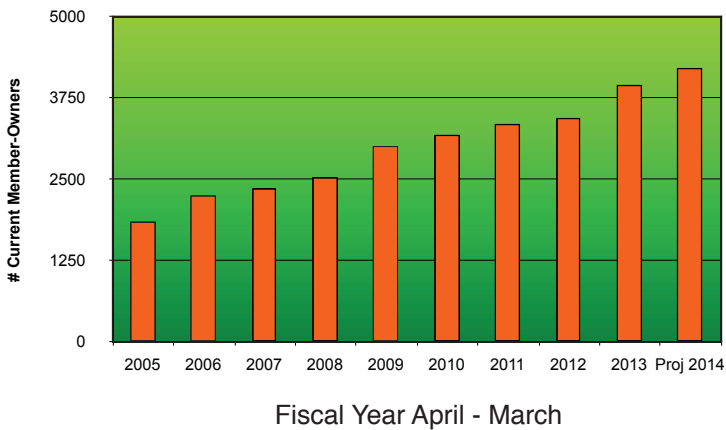
As co-op debt declines, the equity is rising. Most of the decline in debt is due to paying off member loans and other community development loans to be recycled back in the community.

Equity



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.

Current Member Owners



The number of members has grown steadily in recent years.

BLUEPRINT FOR A CO-OPERATIVE DECADE

In 2009, the General Assembly of the United Nations proclaimed 2012 to be the United Nations International Year of Co-operatives. In January 2013, the International Cooperative Alliance drafted a visionary document titled: Blueprint for A Co-operative Decade. The following is the Blueprint's introduction.

At the present time in the second half of 2012, following five years of financial turbulence the more developed economies of the world remain in a state of crisis from which there is still no apparent exit, and the developing economies are being impeded in their pursuit of the Millennium Development Goals. In many nations, governments are in retreat, cutting their social and public spending, leaving citizens even more vulnerable to economic turmoil. In others, inequality continues to increase as economic power is shifting dramatically with consequential social impacts. A general movement of global power from West to East may be apparent, but there is still little sense of how political institutions are to be reformed to cope with growing social unrest, economic stagnation and future insecurity.

In the midst of this uncertainty and suffering, co-operatives can provide some hope and clarity of direction for citizens around the world. Uniquely amongst models of enterprise, co-

operatives bring economic resources under democratic control. The co-operative model is a commercially efficient and effective way of doing business that takes account of a wider range of human needs, of time horizons and of values in decision-making. It is an approach which works on a very small, and on a very large scale. The co-operative sector is worldwide, providing millions of jobs around the globe. Co-operatives develop individual participation, can build personal self-confidence and resilience, and create social capital. Co-operative institutions create long-term security; they are long-lasting, sustainable and successful.

**“RARELY HAS THE
ARGUMENT IN FAVOUR OF
CO-OPERATIVES LOOKED
STRONGER”**

This is an historic moment of opportunity for the co-operative sector. With political institutions in many nations struggling to keep up with a rapidly changing world, it is essential that citizens become increasingly resourceful, enterprising and co-operative in order to face the inevitable social and

environmental challenges we face as a world community. Rarely has the argument in favour of co-operatives looked stronger than it does in 2012. But unless there is concerted action over the next few years, the moment will be lost.



EXISTING SITE PLAN
MIDDLEBURY NATURAL FOODS CO-OP
FEASIBILITY STUDY
JANUARY 6, 2012



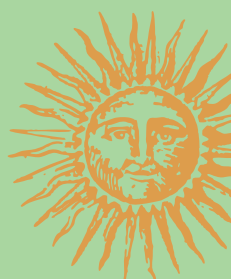
By 2020, poverty will have increased, the plight of young people will have deteriorated, and global warming will be having more frequent impacts on everyday life. By 2020, we need to be able to look back on 2012 as representing a turning point for the co-operative idea, and the contribution it is making to people's security, well-being and happiness.

Co-operatives have 1 billion members around the world

In India the consumer needs of 67% of rural households are covered by co-operatives

40% of African households belong to a co-operative

300 largest co-operatives had a combined annual turn-over of \$2 trillion in 2010



MNFC BOARD OF DIRECTORS



Jay Leshinsky
Middlebury



Tam Stewart
Goshen



Louise Vojtisek
Middlebury



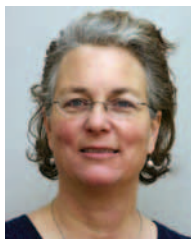
Ross Conrad
Middlebury



**Ilaria Brancoli
Busdraghi**
Middlebury



**Sheila
McGrory-Klyza**
Bristol



Francisca Drexel
Weybridge



Mary Gill
Middlebury



Kevin Lehman
Middlebury



Steve Getz
Middlebury



Daryl Benoit
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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