

GM Report, 2016 Scorecard

by Ed Fox, General Manager

Our stores are surrounded by prime New England farm country, where the Connecticut River snakes through a fertile, agriculture-rich valley before meandering south for hundreds of miles and emptying into Long Island Sound. By any measure, our area is a special place. No matter where you are in the Upper Valley, you're not too far from a river, a farm, or a Co-op location. Our organization reflects the beautiful, diverse character of the place it calls home.

And yet, our influence extends far beyond our region. Officially known as the Hanover Consumer Cooperative Society, our co-op is one of the oldest and largest food co-ops in the United States. We started in the winter of 1936, when 17 Upper Valley residents formed a buying club to order cases of Florida citrus and other items hard to come by during the Great Depression. The fledgling co-op quickly added local products to the mix, offering butter, potatoes, maple syrup, canned fruits and vegetables, and discounts on fuel oil from local suppliers. Supporting local would be a hallmark of the Co-op from then on.

Today, our Hanover Co-op is comprised of three large retail food stores, a market, a commissary kitchen, a service center, and administrative offices. We employ more than 400 people, and our stores are supplied by more than 300 local producers. Our industry peers, members, shoppers, staff, suppliers, and communities all have high expectations of us, as they should. Good food, good service, a thriving business, a model of cooperation, a dedication to each other as a staff, and a commitment to socioeconomic justice are just a few of the lofty aspirations we strive for. It's a big responsibility—one we take seriously every year. Last year was no exception.

We celebrated our 80th year in 2016, my first year as general manager. The year wasn't an easy one. In 2015, we set sales goals for the coming year that were very high—too high, in

retrospect. As I wrote in several reports to our members and staff, when you reach high, sometimes you overreach. We posted a \$125,000 loss for 2016 out of nearly \$72 million in sales (.18%). But thanks to all of our staff's hard work, it's not the loss it could have been. We tightened our belts, critically analyzed all expenses, and created new, realistic sales expectations for 2017. Today we're becoming a leaner, fitter cooperative, which puts us in a great position for the year ahead. I expect to end 2017 back in the black and with a small surplus.

Also, our triple bottom line is still strong. Co-ops are about more than just sales. Cooperatives adhere to a triple bottom line of financial, social, and environmental responsibility. Our organization had a huge year in terms of education and outreach efforts, sustainability initiatives, local sales, charitable giving, staff training and opportunities, and community-service programs. When we cut expenses, we didn't touch these programs, nor did we cut staff. When times get tough, looking out for our people is the first thing we all do.

In summary, even during a challenging year, our members, shoppers, and staff contributed to a thriving local economy, helped nurture and protect the planet, provided a market for hundreds of local producers and small family farms, and raised more than \$100,000 for charity. As I wrote in a statement to our local media, it's hard for me to call that a bad year.

I invite you to learn more about 2016 by reviewing the pages that follow. In this document—our yearly Scorecard—we collect and share metrics from the previous year. It's an excellent tool, but of course, hard numbers only tell a part of the story.

One of my favorite stories took place in the fall of 2016, not long after I took over as general manager. One afternoon, I was one of several employees who worked on a community-service project at WISE, a long-time Co-op community partner. WISE is an Upper Valley nonprofit dedicated to serving those affected by domestic violence. Its offices are in an unassuming house near the Lebanon green, not far from an art gallery, on a quiet side street lined with

trees. The day I was there, employees raked leaves and planted flowers under a blazing blue sky.

Looking back, to me that experience symbolizes the work we do here. At the Co-op, members, shoppers, and staff come together to serve our communities and work as a force for collective good.

In closing, I believe our Co-op provides an opportunity for good people to do good things. That's how I see the Co-op. I like to think of the Co-op as a conduit. People come together and make a better world through this organization. And in that spirit we model a community of cooperation, offering a sense of justice and altruism. I feel extremely fortunate to be a part of it, and to have come on board during the Co-op's 80th year. I believe our founders would be proud of who we are and what we have become.

Please read on and learn more about the Co-op's work in 2016. And if you have questions or comments, don't hesitate to reach out to me. My door is always open to you.

—Ed Fox

2016 Co-op Scorecard Ends Data

Every spring, members elect candidates to the Co-op's Board of Directors—a group of visionaries charged with setting goals and providing guidance for the organization. Years ago, our Board developed the Co-op "Ends"—a long-range vision that can be summarized as the end results the Co-op strives to create in the world.

The Ends are organized into two parts: A Global Ends statement, or overriding concept, and a subsequent Ends policy, which breaks that concept down into seven practical outcomes. Below, we have organized our metrics from 2016 into their corresponding Ends.

Global Ends Statement

The Hanover Consumer Cooperative Society exists to provide cooperative commerce for the greater good of our members and community.

Ends Policy

Because of the Hanover Consumer Cooperative Society:

1. *The Upper Valley will have a retail source of food that is affordable, healthy, grown and/or processed locally to the fullest extent possible.*

Ultimately, food is what we're all about. Our Food for All program makes healthy food more accessible to everyone in our communities, regardless of socioeconomic status, by providing a discount on purchases for qualifying applicants. Meanwhile, our commitment to local provides a strong market for our region's vast network of small family farms and food producers. We define local as products grown or produced 100 miles or less from our stores and are locally owned.

Sales of products locally grown or produced	\$12,819,538.67
Percent of total food store sales that were locally grown or produced	18.57%
Number of local growers, producers, and distributors we work with	318
Food for All participants	145 active, out of 211 total <i>The former number refers to participants who actively take part in the program, while the latter refers to approved applicants who no longer participate</i>
Number of Servsafe Certified Employees	84
Food Safety Total Training Hours	356
Number of Employees Participating in Food Safety Training during 2016	103

2. There will be economic value returned to the community via charitable contributions, outreach projects, patronage refunds to member and other avenues.

Pennies for Change is a charitable-giving program founded on an innovative approach to collecting money at the registers. When shoppers at the registers check out, they have the option to round up their grocery bill to the next dollar. The then Co-op donates the difference to community nonprofits. Pennies for Change launched in the summer of 2016 after six months of planning and surpassed all expectations. Organizers in our Member Services and Outreach Department hoped to raise \$60,000 by the end of the year. Instead, our shoppers' generosity more than doubled our goal.

Pennies for Change six-month total	\$137,599
Total participants	329,196
Average Transaction	\$.42

3. Customers will be better educated about food issues and, as a result, make healthier choices than those who shop elsewhere.

We launched the Co-op Culinary Learning Center several years ago, building a beautiful kitchen and learning space behind the Co-op Cafe in our Lebanon Store. Our strategy was to provide plenty of free classes the first year to build awareness of the space, then reduce that number over time in order to provide a return on investment that breaks even or better. We also provide reduced tuition for members as a member benefit. The strategy has been successful, as each year we have reduced the cost of classes and utilized the space as a member benefit. Our CLC is a place to educate the public on food, cooperative, and social-justice issues. We have featured film screenings, demonstrations, a wide variety of classes, and presentations from cooperative industry leaders and activists.

Finally, it's important to note that for several months, the CLC was in flux due to staff turnover. The CLC remained robust and vibrant during this period, even without a dedicated instructor or nutritionist. The CLC now has both, and classes continue to fill up fast. Learn more at coopfoodstore.coop/classes.

Culinary Learning Center Participants			
Year	2014	2015	2016
Member	1080	721	982
Non-Member	294	283	103
Employee	225	226	124
Total	1599	1239	1209
Free Classes	155	123	23

4. There will be vibrant cooperative sector in the economy, both nationally and regionally, and a local community educated in the value of cooperative principles and enterprises.

A big part of our success is our partnerships with other co-ops. These include the following:

- Retailer-owned (Associated Grocers, Frontier)
- National Cooperative Organizations (National Co+op Grocers, CDS Consulting Co-op, National Cooperative Bank)
- Worker-owned (Equal Exchange, Artisan Beverage)
- Grower/Producer-owned (La Riojana, Florida’s Natural)

The Co-op’s partnership with our friends at Equal Exchange, for instance, is a true cooperative success story. Our Co-op Organic Coffee completes a fully cooperative supply chain. Farmer cooperatives in Mexico grow the coffee beans. Equal Exchange, a worker cooperative, buys the beans and sells them to us. The Co-op, a retail cooperative, sells the coffee. At the Co-op, 40 cents of every pound sold goes into a fund to support our partner co-op in Chiapas, Mexico.

Product purchases made directly or indirectly to cooperatives	<p>\$13,594,476</p> <p><i>(85% are purchases from Associated Growers of New England, a cooperative distributor)</i></p>
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5. The cooperative's bioregion will have a vibrant local agricultural community and that community will, in turn, have a reliable retail market for its products.

Long before local was part of the positioning statement of every big-box chain store, cooperatives were touting the benefits of local foods. Over the past few years, issues such as food-safety concerns, genetically modified organisms (GMOs), poor-quality and adulterated

foods sourced from outside the United States, and so on have made consumers much more concerned about where their food comes from. As a result, “buying local” has become important to consumers.

Our Merchandising Department operates according to a “local commitment”—a yearly pledge that affirms our strong belief in local buying. That commitment is:

- 1. We will buy local produce over non-local produce whenever possible and market it as such.
- 2. We will prioritize local products in terms of displaying and product maintenance.
- 3. We will honestly communicate to the grower about product quality as necessary.
- 4. We will maintain an open relationship with growers based on constructive communication between parties.

Dollars spent on local agricultural products	\$4,508,507.10
Number of local agriculture producers	90

6. There will be a major source of employment in the community that provides personal satisfaction to employees, livable wages and financial security for employees and their families.

We strive to provide a great path for our employees. Here they can turn their unique interests into a great career. Just ask one of our many long-term employees. We also have an innovative training program employees can take advantage of to learn new skills and advance their careers.

Total Benefits	\$3,371,108.12
Total Wages	\$11,798,725.31
Employee Training Hours	4,048
% of employees	58.61
Total spent on training	\$164,210.00
Staffing:	
➤ Promotions	74
➤ Transfers/opportunities	41

7. There will be a thriving business organization that protects and restores the environment.

Cooperatives were “green” long before green was cool, and environmental stewardship is a part of the mission of cooperatives across the country. In 2016, the Co-op diverted tons of organic material from the landfill through our food waste reduction programs. Much of this was donated to our friends at Willing Hands, a nonprofit that distributes high-quality food to the needy in our communities.

Willing Hands	196,532 lbs.
Food Waste for Agriculture	152,476 lbs.
Compost	400,248 lbs.
TOTAL	749,256 lbs.
➤ Estimated monetary value of food donations	\$582,843 *
➤ Estimated number of meals donated	163,776 **

* The average wholesale value of these groceries is \$1.67 per pound, according to the June 2016 Feeding America Product Valuation Study, KPMG, Audited.

**Pounds of food are converted into meals per dollar by using the finding from USDA "What We Eat in America" 2011-2012