

2012 Annual Report

Message from the Board of Directors

by Gwyneth Bowman, President



The Cooperative Values and Principles that guide all forms of cooperative enterprise are powerful. They describe how we treat each other and how we run our Cooperative

business. Our Co-op is an autonomous association of people, voluntarily brought together to meet their organic and natural food needs. Our jointly owned and democratically controlled organization also meets our common economic, cultural and social needs. The Cooperative Values of self-help, self-responsibility, democracy, equality, equity, solidarity, honesty, openness, social responsibility and caring for others are our beliefs. The Principles help us put our Values into practice.

The year 2012 challenged our Board of Directors. We frequently reflected on these Values and Principles to guide us as we represented our owners in Board activities.

Voluntary and open membership is the 1st Principle. During 2012, household memberships soared to more than 8,000 owners. This presented a challenge to our capacity to serve increasing numbers of shoppers. Lack of adequate parking continued to stimulate Board discussions about how to make our store more available, and how staff can keep the shopping experience pleasant.

Board elections fulfill the **2nd Principle, democratic member control.** No member has a greater voice than any other member. To hear your voices, we approved conducting

an owner survey in 2013 in order to get information regarding your needs. We also began work on proposed amendments to our bylaws so they conform to state law and are more understandable. Owners will vote on these changes during this year's election cycle.

Every owner makes a one-time equity investment of \$100. This demonstrates the **3rd Principle, member economic participation.** Co-op enterprise is organized to meet owner needs, not to accumulate large amounts of capital. As part of our fiduciary responsibility as Board members, we approve the operating and capital expense budget, patronage dividend, and employee profit-sharing bonus. Last year the Board also approved a wage increase for our employees that began in 2013.

Because of the **4th Principle, autonomy and independence,**

co-ops must be free of intervention by government and other entities so owners control the future of their co-op. We promote our business as local and independent. In 2012, 36% of our total purchases were with local vendors, putting \$6.3 million back into the local economy.

The **5th Principle relates to education, training and information.** Our Board not only received leadership training, but also co-op education from reading *A Discussion Course on Cooperatives*. The Board recognizes the importance of educating owners through cooking classes, free lectures, our newsletter and other community outreach activities.

By working together we strengthen the global Co-op movement, the essence of the **6th Principle, Cooperation Among Cooperatives.** The United Nations designated 2012 as the International Year of Cooperatives. The highlight for AFC was participating in the formation of Rogue Co-ops, a cross-sector group promoting the visibility of local co-ops. Their assistance in opening the Medford Food Co-op earned the Collaboration Award from Southern Oregon Regional Economic Development, Inc.

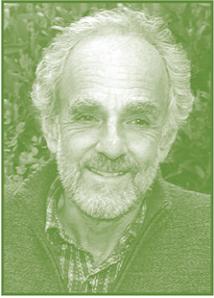
That brings us to the **7th Principle, concern for community.** Social responsibility and caring for others creates strong bonds. The board approved distributing \$23,250 in small Community Grants to nonprofit organizations that are making a difference. We care deeply about the health of our owners and the continued viability of our local organic farming community. This is why AFC endorsed efforts to ban genetically engineered crops from being grown in Jackson County.

We share these Values and Principles with 1 billion members in 85 countries, making the cooperative movement the most durable and most powerful grassroots movement in the world.



Report from the General Manager

by Richard Katz



Financial results for 2012 are good. Sales totaled over \$27.5M, an increase over the prior year of about 5%. Our annual sales per square foot are now nearly \$2,500. I know this

probably doesn't mean much to you, but as a grocery benchmark it is about twice the figure that signals a need to expand.

Many customers have asked if we'll soon purchase the **Umpqua Bank** property and expand. Umpqua management says they are not considering relocation at this time. We know that solving our problem of insufficient parking and general over-capacity is not an easy fix.

Some of the most valued and prized awards are those given by one's peers. The Howard Bowers Cooperative Excellence Award — otherwise known as the **Retailer of the Year Award** — is in

essence the Oscar of the Co-op world. In 2012, Ashland Food Co-op was very grateful and proud to receive this award.

After more than a year of union organizing beginning in June 2011, the result of the August 2012 vote of AFC employees to unionize was 42 yes, and 75 no. Since the “no” vote a group of employees have asked other employees to sign a petition requesting management to legally “recognize” a new employee association called the AFC Employee Alliance. A 57% majority of all non-management employees signed this petition and the **AFC Employee Alliance** is now a lawful bargaining unit under the NLRA. Management welcomes the opportunity to work with the Alliance, who will represent the interests of employees, to collaborate to improve policies and employee relations at the Co-op.

Although the effort by UFCW to represent Co-op employees was unsuccessful, it pointed to areas that needed to be ad-

ressed. By the end of last year, plans for an Organizational Assessment to gauge employee morale continued to evolve to what we now call the **Happiness@Work Project**. This will begin with an all employee meeting and survey and will be a participative and collaborative effort. The overall output would be for employees to be part of a dynamic and flexible process that drives positive change and supports the entire workforce with continued representation by the Alliance.

In 2012 I announced my plan to retire as of July 2013 after nineteen years working at the Co-op. Well, we're almost there now and I congratulate **Emile Amrotico**, who will be the next general manager at AFC. He comes to us by way of the Medford Food Co-op where he served as its first general manager. Emile is a long-time Ashland resident and business and community leader who has also served AFC well as a past member of our Finance Committee.

Co-op Continues to Grow and Evolve

by Charlie Douglas, Board Treasurer



This is my first annual report since becoming your Board Treasurer last year. I would like to thank my predecessor, Guy Nutter, for his many years of service and steward-

ship. The bottom line for the Co-op is that it continues to grow and evolve. Sounds like success to me!

Here are a few items of interest:

- The Co-op remains debt free!
- Planned sales for 2013 are \$28.8 million dollars. Amazing when compared to \$13.3 million dollars just 10 years ago in 2003.
- Growth is projected at 5% this year. It was 5% last year. The Deli is growing much faster than the 5% growth for the store overall. (I should know. Like lots of you, I eat there a lot).
- Starting from a small buyers club in the early 70's we have now grown to over 8,100 owners!
- As the Co-op continues to grow, in concert with the General Manager, the Finance and Executive Committees continue to explore alternatives for future store expansion and improvement of your overall shopping experience.

I wanted to share one last thought. Would you like to increase your Co-op buying power by 3%? Pretty easy answer there! You

are already getting a discount from your coupons and patronage dividend. Why not add to it? The way to do that is to buy a Co-op gift card. To get the 3% discount, there is a minimum purchase of \$100. Here is the best part though: you write a check for \$97 and \$100 of value is placed on your card. I like that kind of alchemy!

One more benefit of the gift card? “The fastest checkout in the West!” Well, that is what I call it. But really, it is fast. You just hand your card off to the cashier and they scan it and hand you a receipt. I like it because it is fast and easy. Apparently the cashiers like it for the same reasons. Who knows, it may have the added benefit of helping those checkout lines move a wee bit faster. Your receipt will have your remaining balance printed toward the bottom so you'll know when to add more to it.

2012 Financial Report to Owners

Presented by Christina Oliver,
Financial Manager

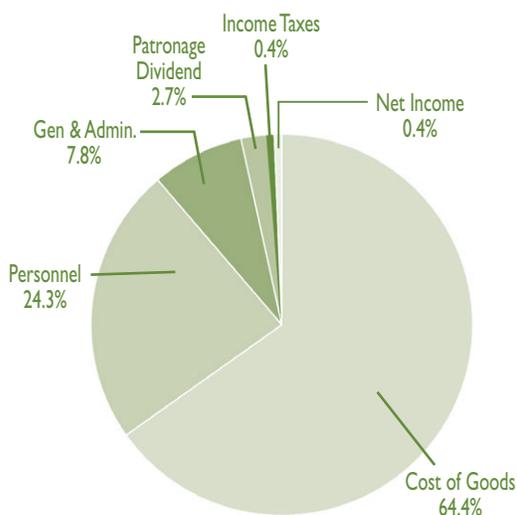


The Ashland Food Cooperative had a financially successful year in 2012. Sales growth over the previous year was 5.0%, only slightly lower than the 5.9%

that was budgeted, but operating expenses were lower than budgeted by an even greater amount, so we ended up with a healthy operating income for the year.

The total patronage dividend amount for 2012 was \$741,648, which is approximately 3.6% of about \$20.3 million in sales to owners. This amount was calculated by our CPAs to be the maximum patronage dividend allowed by the IRS, subject to our \$2 check minimum. Since the Board has decided to retain 50% of this patronage dividend allocation for reasonable capital reserves for business purposes, 50% will be the actual amount distributed. Each owner will receive a check in early June 2013 for approximately 1.8% of their purchases during the year. That should be just about the equivalent of one bag of groceries!

WHERE DID THE MONEY GO IN 2012?



ASHLAND FOOD COOPERATIVE

BALANCE SHEET

	12/31/12	12/31/11
ASSETS		
Cash	2,036,531	1,723,132
Short-term Investments	2,403,258	2,156,682
Other Current Assets	241,789	210,808
Inventory	679,521	671,358
Total Current Assets	5,361,099	4,761,980
Long-term Investments	0	0
Fixed Assets	2,428,771	2,535,880
Total Assets	7,789,870	7,297,860
LIABILITIES & EQUITY		
Accounts Payable	760,173	790,063
Patronage Dividend Payable	370,841	324,969
Other Current Liabilities	938,163	986,570
Total Current Liabilities	2,069,177	2,101,602
Long-term Liabilities	183,000	193,000
Total Liabilities	2,252,177	2,294,602
Retained Patronage Dividend	1,986,492	1,612,818
Retained Earnings	2,636,171	2,507,737
Other Equity	809,092	754,269
Net Income	105,938	128,434
Total Equity	5,537,693	5,003,258
Total Liabilities & Equity	7,789,870	7,297,860

ASHLAND FOOD COOPERATIVE

INCOME STATEMENT

	2012	%	2011	%
Sales	27,501,408	100.00%	26,200,755	100.00%
Cost of goods sold	17,714,580	64.41%	16,962,962	64.74%
Gross Margin	9,786,828	35.59%	9,237,793	35.26%
Operating Expenses				
Wages & Benefits	6,544,316	23.80%	6,137,959	23.43%
Profit-sharing	137,506	0.50%	131,004	0.50%
Occupancy	423,637	1.54%	413,588	1.58%
Depreciation	182,590	0.66%	187,969	0.72%
Operating	586,397	2.13%	562,820	2.15%
Administrative	302,199	1.10%	272,692	1.04%
Governance	113,760	0.41%	108,644	0.41%
Member Sales Discounts	409,088	1.49%	374,493	1.43%
Promotional	174,408	0.63%	214,720	0.82%
Other expenses (income)	-42,287	-0.15%	-48,657	-0.19%
Income before PD and taxes	955,214	3.47%	882,561	3.37%
Patronage Dividend	741,648	2.70%	649,938	2.48%
Taxable Income	213,566	0.78%	232,623	0.89%
Income Tax Expense	107,628	0.39%	104,189	0.40%
Net Income	105,938	0.39%	128,434	0.49%

Annual Social Responsibility Report

Social Equity, Education and Sustainability

The Outreach Team engages in activities that enhance social equity in the community and fulfill the Cooperative Principle of Education, Training and Information. Because 2012 was the International Year of Cooperatives, we partnered with other co-ops in the region to create Rogue Co-ops. Many of our events during the year grew out of this.

New Ventures



- **Created an illustrated book with local artist Betty LaDuke** about the Seven Cooperative Principles that govern cooperatives everywhere in the world.

- **Joined with Grange Co-op, Rogue Federal Credit Union,**

Medford Food Co-op and Siskiyou Sustainable Co-op to create “Co-op Row” at the annual Rogue Valley Earth Day celebration at ScienceWorks.

- **Joined other Rogue Co-ops for an evening of fun, film, food and a great panel of speakers** from each of the co-ops at SOU’s student-sponsored Earth Day.

- **Responded to owner requests for more information about GMOs.** Provided newsletter updates and educational materials to access lists of products enrolled in the Non-GMO Project. Began an all store audit to identify products that might contain GMOs as one of their first 3 ingredients. Provided support on many levels for the GMO Free Jackson County ballot initiative.

- **Participated in the year long Rogue Valley Food System Assessment** process which will ultimately support a more efficient and productive food system to meet shared measurable changes and outcomes for the region.

- **Offered Community Oven Classes with more in-depth themes like**

Artisan Cheese Making, Cooking Rogue, and for kids, Sushi and Beyond.

Community Support

- Local non-profit organizations received **\$23,250 in Community Grants.**
- During a **November Smart Chicken promotion**, Ashland Food Co-op was the top-ranking West Coast single store in sales. **Smart Chicken donated 1,815 pounds of chicken products to ACCESS Food Share.**
- The **Farm to School Apple program** is a partnership between food distributor Organically Grown Company, retailers like Ashland Food Co-op, and participating organic apple growers. This year **Ashland Food Co-op was able to donate \$6,472.95 to Rogue Valley Farm to School.**

Special Events

- AFC partnered with Medford Food Co-op to **visit Siskiyou Sustainable Co-op Farms** on our annual farm tour.
- A **Local Vendor Fair celebrated Eat Local Week** featuring plenty of locally produced products to sample.
- **Operation Cooperation in October was our 40th birthday celebration.** We offered cooperative games, live music, and roasted veggies from Siskiyou Sustainable Cooperative.
- During October we offered a blitz of **Non-GMO Verified product** displays, sales, Meal Solutions and a grand raffle prize.



- We hosted a **free, pre-holiday tamale making party** in the classroom featuring three styles of tamales all made from certified organic masa.

Sustainability

Ashland Food Co-op has adopted a plan to become fully sustainable by the year 2030. As a member of the Sustainable Food Trade Association, AFC must report annually our progress toward this goal. Here are some of the 2012 highlights.

- AFC diverted 81% of waste volume from the landfill. By weight, we achieved 72% diversion.
- 400,000 pounds of produce trimmings were diverted to local farm operations.
- Our employees sort waste into more than 20 different categories.
- 36% of our total purchases were with local vendors, returning \$6.3 million to the local economy.
- Since the 10¢ paper bag charge began in 2007, paper bag usage is 76% lower, saving more than 1.25 million bags.
- AFC purchased 100% renewable electricity and offset 100% of carbon emissions from staff business travel.

