



Ashland Food Cooperative

2006 Annual Report





Message from the Board President

by Erik Wallbank, Board President

2006 was another strong year for the Ashland Food Co-op. Sales were up, the number of owners continued to grow, and our Basic Pricing strategy ensured our owners that AFC prices are among the lowest in the industry. This year we upgraded our website, giving our owners better information concerning the store and the board. We also continued to support the new start-up co-op, Medford Market, with financial as well as planning assistance. For 2006, *Oregon Business* magazine named Ashland Food Co-op, as one of the 100 Best Companies to Work for in Oregon. We were one of two retail businesses to win the award.

This past year we focused on options for expansion, which included remaining at our present facility, as well as moving to a new location. Our growth committee worked to investigate all expansion possibilities, so that in the event of an opportunity presenting itself, we will be ready to make a timely decision. That work was completed by the end of the year, which brought our focus to the owner rebate. Each year, a percentage of our profit is designated for owner rebate and the board determines how much of that money will go to the owners as

a rebate, and how much will be held back to fund future projects. Because we do not have an immediate expansion option, this year the board decided to hold back 45%, which will make the amount going to owners about the same as last year. An excellent analysis of the patronage refund (owner rebate) can be found in the report from our treasurer, Joe Golton.

I want to thank our staff and management, especially our GM, Richard Katz, for focused dedi-

"For 2006, Oregon Business magazine named Ashland Food Co-op, as one of the '100 Best Companies to Work for in Oregon.'"

cation to the continued success of the co-op. I also want to thank the board for a year of good work, and excellent communication with management. Special thanks goes to Joe Golton, our treasurer, and Herb Heiman, our vice president, who are leaving the board. Each have made a strong contribution to the store. Most of all, I want to thank the owners because we know that our success is made possible because of your loyalty and patronage. Thank you for a wonderful year!



Report from the Board Treasurer

by Joe Golton

Each year since the last expansion in 2002 and the conversion to a co-op in 2003, Ashland Food Co-op (AFC) financial performance has been excellent. In 2006, we generated record sales and profits, signed up over 700 additional owners, built upon the success of the Basic Pricing program, distributed generous owner benefits, and ended the year in a very strong financial position. This strong financial position is important as an expansion of some sort is becoming increasingly likely in order to accommodate ever larger crowds of shoppers. As in prior reports, I will expand upon some of these points in detail, with the rest to be covered by Financial Manager Christina Oliver's in depth financial report.



Patronage Refunds Retained for Future Expansion

The board of directors and its finance committee consider the long-term needs of the co-op each year when we decide how much of the patronage refund to retain for the needs of the co-op, and how much to distribute as cash. With over a million dollars in investments, AFC is clearly in a strong enough financial position that there would be no need to retain any patronage refunds if no sizeable capital expenses were needed for the foreseeable future. However, as AFC's revenues and monthly customer counts continue to grow, a large expansion of some sort will probably be needed in order to alleviate increasingly congested conditions, particularly at the parking lot.

Therefore, the board of directors has decided to increase the amount of patronage refund retained this year to 45%, leaving 55% to be distributed by check to owners. In making this decision, the board balanced future expansion needs with a desire for owners to experience good patronage refunds and up-front benefits in good years. The owner benefits chart on the next page illustrates that total owner benefits continue to be very high for the third year in a row. Note that AFC may need to retain a much higher percentage of the patronage refund in years where there is a lot of debt or AFC is about to incur a lot of debt due to a major expansion.

So when is this expansion going to happen? We don't know. The co-op's growth committee has been meeting since the fall of 2005 to consider a variety of options to accommodate growth. If the board decides that the best course of

action is to stay in the current facility in a manner that does not require large capital expenditures, then the board would likely decide to distribute all patronage refunds, including those retained from 2003 through 2006.

Our consideration of growth comes from the point of view that we are here to serve our owners, and our owners are increasingly complaining of too crowded conditions in the store and especially in the parking lot. AFC’s growth committee has laid out the costs and benefits of most potential options, ranking them in order of preference. Should one of the top one or two options become available at a good price, we are prepared to act swiftly. The stronger our financial position, the easier it will be for us to act when the right growth opportunity becomes available.

Basic Pricing

As mentioned in last year’s annual report, the basic pricing program was given a huge boost in July of 2005 from savings generated by changes to the senior discount structure. In addition to reduced pricing on many items throughout the store, prices were lowered in two entire departments — bulk foods in July of 2005 and produce in January of 2006. This has turned out to be very popular with owners and other customers as sales growth accelerated during the 12 months after the change, with especially strong growth in the produce department.

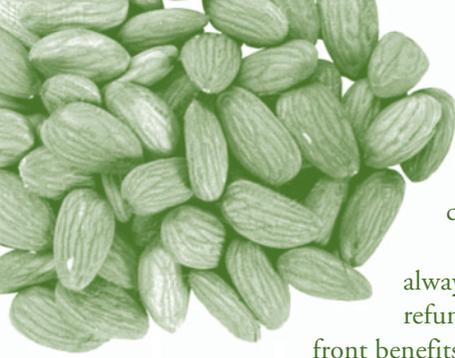
Generous Owner Benefits

A \$100 equity investment is required to become an AFC owner. The following chart displays the approximate net cash benefits received by an owner, representing a household of two, whose patronage at AFC was \$3,000 in each of the past 4 years:

OWNER BENEFITS				
	2006	2005	2004	2003
Coupon Benefit	\$32	\$41	\$37	\$37
10% Benefit	\$16	\$9	\$9	\$11
Other Benefits*	\$1	\$1	\$1	\$11
Up Front Benefits Total	\$49	\$51	\$47	\$49
Patronage Refund Sent	\$55	\$53	\$53	\$33
Total Cash Benefit	\$104	\$104	\$100	\$82

* Other benefits include coupon booklets and class discounts.

While benefits fluctuate from year to year based on owner patronage trends, coupon redemption policies, profit levels, tax laws, and the amount of patronage retained, it is clear that most shoppers who became an owner in 2003 have already



received far in excess of their \$100 investment. However, I would ask you to look at the many other benefits of being a co-op owner.

For one thing, the financial benefits may not always be so good. In a difficult year, the patronage refund could be much lower or even zero, and up-front benefits might need to be reduced. AFC may need to expand or relocate to accommodate our rapid growth before the end of this decade. If this happens, the board would likely decide to retain a much larger portion of the patronage refund each year to help fund the large capital requirements of such a project.

Financial needs aside, I would hope that you view the co-op as more than just a regular business earning a return for its shareholders. AFC is a community resource and gathering place which is owned and governed by a large portion of the Ashland community and the surrounding area. You have many ways of participating in our cooperative that are not generally available to shoppers of a typical store. You can elect board members, observe board meetings, participate in board committees, write comments and suggestions to staff, send e-mail comments, voice suggestions in surveys, and, occasionally, participate in focus groups to help guide our decision making on major issues. This means that AFC is far more responsive to the community in which it resides than a typical grocery store that is subject to the whims of a small group of owners or large corporate headquarters located hundreds of miles away. We hope that your ability to influence and utilize the co-op is at least as important to you as the financial benefits, and that you value the long-term success of our co-op more than your short-term financial benefits.

Thanks

I'd like to close this report by emphasizing yet again that we had another great year. A big thanks to all AFC staff and management for a job well done, to the many seniors who graciously gave up their discount, to the many owners who joined AFC since 2003, and to decades of support from our loyal shoppers.



2006 Financial Report to Owners

Presented by Christina Oliver, Financial Manager

Even though we are a new co-op (2006 was our fourth year as a cooperative organization), we had almost 64% of all our sales come from owners. Our membership swelled 19% in 2006 to almost 4,600 owners. This is impressive growth in this town and in our industry, and it proves that more and more people in this area are taking advantage of the many benefits, both tangible and intangible, of becoming an owner of the Ashland Food Cooperative. The “Generous Owner Benefits” section of the Annual Report shows the financial return of ownership (the tangible benefits), and the Social Responsibility Report illustrates in detail what this organization is doing that makes it so deserving of support (the intangible benefits).



Our income statement shows that total sales before discounts for 2006 were \$18,917,234, which is up 12.3% over 2005. This growth percentage is even bigger than the prior year, which is why both staff and customers are feeling the pinch of reaching the limits of our facility. Our gross margin was about the same as last year and still one of the very lowest in the food co-op sector as we strive to maintain affordable prices for our customers. Wages and benefits were up slightly to 22.25%, reflecting a full year at the new labor cap that was instituted by the Board at the end of 2005, but our labor is also one of the lowest in our industry!

The total patronage refund amount for 2006 is \$406,268, which is our highest to date by far. This amount was calculated by our CPAs to be the maximum patronage refund allocation allowed by the IRS. This is 3.42% of about \$11.9 million in sales to owners. Each owner’s refund will be calculated by applying that same 3.42% to the individual’s purchases in 2006. Since the Board has decided to retain 45% of this patronage refund allocation for future capital needs, 55% will be the actual amount distributed. Each owner will receive a check for approximately 1.88% of their purchases.

Since we no longer have any long-term debt, the funds that are not immediately necessary for operating the business are being invested in a variety of low-risk instruments, most of which are short-term government treasuries. Investments, which includes cash equivalents as well as short- and long-term investments, grew by over \$500,000 in 2006. Cash equivalents are any investments with a term of three months or less. The average rate of return on all our investments in 2006 was 4.64%.

Ashland Food Co-op is indeed in a strong financial position to be able to

operate in such a way as to bring a healthy return to the owners, while at the same time prudently saving for capital projects that will relieve the pressure of constant growth. We are trying to minimize the need for indebtedness for the projects we're already planning, as well as for the ones that may open up in the future. Thank you for your support as we endeavor to bring you the same great service you expect in an environment of continual growth.

ASHLAND FOOD COOPERATIVE

COMPARATIVE BALANCE SHEET

	<u>12/31/06</u>	<u>12/31/05</u>
ASSETS		
Cash	502,734	541,349
Cash Equivalents	642,015	257,442
Short-term Investments	297,746	200,000
Long-term Investments	101,687	0
Current Assets (excl. Inventory & Cash)	158,224	153,634
Inventory	449,055	441,035
Total Current Assets	2,151,460	1,593,460
Fixed Assets	1,919,395	1,975,317
Total Assets	4,070,855	3,568,777
LIABILITIES & EQUITY		
Current Liabilities (excl. Accounts Payable)	890,800	815,455
Accounts Payable	386,266	320,037
Total Current Liabilities	1,277,065	1,135,492
Long-term Liabilities	75,947	87,906
Total Liabilities	1,353,012	1,223,398
Equity (excl. Retained Earnings & Net Income)	772,355	503,724
Retained Earnings	1,841,655	1,769,839
Net Income	103,511	71,816
Total Equity	2,717,520	2,345,379
Total Liabilities & Equity	4,070,533	3,568,777

ASHLAND FOOD COOPERATIVE

INCOME STATEMENT

	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>
Net Sales	\$18,917,234	100.0%	\$16,846,205	100.0%
Cost of goods sold	12,623,246	66.73%	11,267,399	66.88%
Gross Margin	6,293,988	33.27%	5,578,805	33.12%
Operating Expenses				
Wages & Benefits	4,209,076	22.25%	3,707,885	22.01%
Profit-sharing	94,587	0.50%	82,889	0.49%
Occupancy	112,156	0.59%	116,874	0.69%
Depreciation	153,722	0.81%	161,295	0.96%
Operating	519,662	2.75%	448,105	2.66%
Administrative	149,444	0.79%	119,726	0.71%
Governance	63,572	0.34%	69,910	0.41%
Member Sales Discounts	220,564	1.17%	256,942	1.53%
Promotional	216,577	1.14%	194,986	1.16%
Other expenses (income)	(53,937)	(0.29%)	38,056	0.23%
Income before PR and taxes	608,564	3.22%	382,138	2.27%
Patronage Refund	406,268	2.15%	270,322	1.60%
Taxable Income	202,296	1.07%	111,816	0.66%
Income Tax Expense	98,785	0.52%	40,001	0.24%
Net Income	\$103,511	0.55%	\$71,815	0.43%

WHERE DID THE MONEY GO IN 2006?



Annual Social Responsibility Report

By Alan Reder

AFC's mission statement makes the co-op's priorities clear right from its opening declaration: "Ashland Food Co-op exists to serve our owners and our community by operating a socially responsible business that provides a full selection of natural foods and quality products." The statement goes on to address various stakeholders in the business and AFC's commitment to them:

- To benefit the local community and the environment, AFC vows to emphasize "locally produced, organically grown, and ecologically sound products."
- To benefit customers with modest incomes, AFC promises to offer "a variety of necessities at basic prices."
- To benefit customers in general, AFC pledges to provide "friendly, knowledgeable customer service" and promote "awareness about food, nutrition, and health."
- To benefit employees, AFC is committed to providing "a workplace that fosters opportunities for participation, empowerment and growth in an environment of mutual respect and cooperation."

This report is AFC's third annual assessment of its performance as a socially responsible business. It represents an effort to analyze AFC's performance in each aspect of its mission because while only the first plank of the statement refers explicitly to social responsibility, the entire statement concerns AFC's responsibility to its stakeholders in a social sense. That is the essence of social responsibility – recognizing that not just the owners but everyone affected by the organization has a stake in how it conducts its business.

This is the second consecutive year that the report has appeared as part of AFC's annual report. In 2005, the Board established a "formation" committee on social responsibility. The committee's purpose is to research and explore ways to institutionalize the co-op's accountability to its stated mission. The committee is responsible for making recommendations to the Board to ensure that AFC adopts sound social responsibility policies consistent with the statement, and performs accordingly. The committee is also responsible for ensuring that reports like this one will continue to be distributed annually to owners.



FAIR WAGES

Year	Second-year AFC employee	Ashland Living Wage
2006	\$16.32	\$12.14
2005	\$15.84	\$11.74
2004	\$14.85	\$11.44
2003	\$13.73	\$11.26

While future reports may change in format and content, this report mostly uses the same easy-to-measure aspects of the mission statement used in 2004 and 2005. This report format attempts to be strictly a statement of the facts related to social responsibility at AFC, rather than a marketing piece.

Employee Compensation and Involvement

Over the past three years, second-year employees' total compensation has increased at a 6.3% annualized rate, as compared with the 2.6% annualized rate of inflation reflected in increases to the City of Ashland's Living Wage standard. The compensation increases over the past three years are primarily due to three factors — savings from replacing traditional health insurers with less costly self-insurance, board-sanctioned increases to labor budgets, and increased productivity.

In calculating a living wage based on the City of Ashland standard, employers may add the value of benefits such as health care and retirement plans. Some of the many benefits that factor into the total compensation for AFC employees include profit sharing, productivity bonuses, health insurance, 401(k) matching, life insurance, and vacation pay. AFC pays living wages to all full-time employees who have been with the store for more than 12 months.

The rationale for this structure is that AFC invests heavily in training new employees. For entry level first year employees who have passed their 90-day trial employment, wage-plus-benefits has been approximately \$1/hour below the Ashland Living Wage over the past four years. However, in 2006, first year employees received a wage only 61 cents below the Ashland Living Wage

Employee Turnover was 35.5% in 2006, a slight decrease from 41% in 2005. The lower rate for 2006 is encouraging. It was thought that high sales growth in 2005 explained the increase in turnover that year — the notion was that growth led to increased hiring and thus more turnover, because most turnover occurs in first-year employees. Sales growth was even higher in 2006 — 12.3% compared to 11.6% in 2005 — and yet the turnover rate dropped. This suggests that work conditions at AFC are improving.



Some employees have expressed concern about career growth opportunities, and not without some validity. In recent years prior to 2006, the few vacancies that arose in upper management positions were filled by outside hires. No previously existing department manager positions came open in 2006. On the other hand, two assistant manager and several shift leader positions were created in 2006. All were filled from within.

Altogether, there were 4 outside hires and 15 promotions for non-entry level positions in 2006, compared to 2 outside hires and 9 promotions in 2005. Thus, the ratio of outside hires to promotions — about 4-to-1 — has stayed roughly the same but the absolute number of opportunities to advance — 15 in 2006 compared to 9 in 2005 — has increased significantly. The outside hire figure also deserves some explanation. Three of the jobs — two meat cutters and an information technology person — were skilled positions, for which existing employees didn't necessarily qualify. The fourth "outside hire" — for an outreach job — was a former contract employee of AFC who already possessed some skills for the job. Although not technically a staff person, she was within the AFC orbit.

The co-op has two structures in place to encourage employee participation:

- One employee is elected by staff who are owners to serve on the board of directors.
- An elected 5-member Staff Council solicits employee feedback on issues and policies.

These structures help to “provide a workplace that fosters opportunities for participation, empowerment, and growth” as stated in AFC’s mission.

In 2006, AFC applied to be one of Oregon’s 100 Best Companies to Work For, as rated by *Oregon Business* magazine. The ratings were determined via a confidential employee survey conducted by *Oregon Business*, plus a benefits report completed by a company representative. Five-sixths of the ranking was based on the employee survey and one-sixth was based on the employer survey. An estimated 70-80 AFC employees responded to the survey, making it a reliable indicator. The responses earned AFC a ranking among Oregon’s Top 50 Small Companies to Work For (large companies make up the remainder of the Top 100). AFC was ranked 46th, out of 231 small companies that participated.

The survey covered 5 categories: benefits and compensation, work environment, decision making and trust, performance management, and career development and learning. AFC scored highest (90.2 on a 100 point scale) in the work environment category and lowest (78.4) in career development and learning, but had no negative scores (below 50) in any category or sub-category. The lowest overall rating was for the employer survey of benefits — 72.3 out of 100.

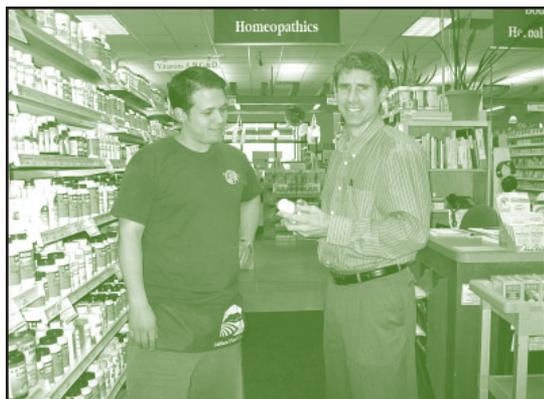
AFC also conducted an internal employee survey in 2006. Average scores overall were slightly better than those on an identical survey conducted in 2005, indicating a high level of job satisfaction at AFC. The strongest scores were for satisfaction with the co-op’s vacation and employee discount benefits. 73% of employees said they would recommend employment at the co-op to a friend.

Education, Training, and Information

The mission of the Community Oven is to provide information and culinary instruction to the community using whole foods and holistic health practices in an informed, understandable, unbiased, inspired and entertaining format, using local culinary and health care professionals as instructors.

In 2006, the program held 35 cooking classes. This represents a substantial improvement, in terms of community interest, over 2005’s record of 27 cooking classes taught. One of the classes, “Pantry Basics,” is offered free and supports the ability of owners to eat healthy foods on a low budget. In addition, AFC increased the number of in-store culinary demonstrations. The demonstrations are an effective way of showing customers foods they may not have tried and ways of preparing them.





The AFC newsletter, *More Than Food*, not only serves as a way to communicate co-op matters to the owners, but also as an educational tool about food, nutrition and health. In the 6 issues published in 2006, there were 24 articles on these topics, a significant increase from the 16 that appeared in

2005 and nearly equal to the high water mark of 26 in 2004.

The co-op also offered a well-attended Farm Tour in an effort to educate owners about some of the farms and ranches that provide produce and meat. The daylong event culminated in a barbeque that featured food from the farms visited.

AFC provides an assortment of free magazines and informational brochures focused on nutrition and health. Some of the topics covered in the brochures are food allergies, food safety, natural cleaners, soy foods, grains, and sweeteners.

Customer Service and Basic Pricing

In an owner survey conducted in 2004, parking and pricing were the two issues most frequently mentioned as problematic. Some changes were made

in 2006 to help alleviate the parking problem. AFC adjusted its store hours. It now opens at 7:00 AM every day. This was done to encourage early shopping, when there is plenty of parking. Customers were also encouraged to shop at non-peak hours via newsletter articles. The store offers carry-out service to help customers who have had to park far away. With the permission of the neighboring bank and property management business that share the parking lot, AFC alerted customers about additional parking available after those businesses are closed. Management also tried to lease parking spots from other nearby businesses that appear to have a surplus of parking, but those efforts weren't successful. Because of the built-in limitations, the parking problem may not resolve itself until enough shoppers change their shopping times.



AFC continued to make significant progress in keeping prices low for basic foods in 2006, building on adjustments to the senior/disabled discount in the previous year. The changes led to large cost savings, which were mostly passed on to owners in the form of lower prices in bulk and produce,



as well as an expansion of the number of items on the basic pricing program. Approximately \$181,000 dollars went towards discounting basic foods in 2006, as compared with \$145,000 in 2005. Pricing and the basic pricing program are discussed in greater detail in board treasurer Joe Golton’s financial overview article in this annual report.

Serve Owners

AFC converted to a cooperative on January 1, 2003. Since then, sales to owners have steadily increased:

OWNER NUMBERS CONTINUE TO GROW		
Year	Year-end Owners	% sales to Owners
2006	4,587	64%
2005	3869	59%
2004	2,922	51%
2003	2,081	39%

There were 718 net new owners (total new owners minus terminating memberships) in 2006. This pace of 60 per month is somewhat down from the approximately 70 per month pace of 2005. Nevertheless, the percentage of sales to owners rose to 64%, well within the 60%-to-70% range experienced by most large, established co-ops.

AFC made a concerted effort to solve problems with Owner Appreciation Day (OAD) in 2006, continuing a process that began in 2005. OAD was a day picked in the middle of each quarter during which owners received a 10% discount for all items purchased. The well-intended idea did not work out so well in practice. The increased number of shoppers meant that parking lot was usually full, the checkout lines were too long, and stock ran out. What’s more, the front-end staff was exhausted by the unrelenting customer traffic. Owners also complained that they weren’t always available to shop on the days scheduled for OAD, and some just plain forgot about the day – either way, they were not pleased that they were missing out on one of their benefits.

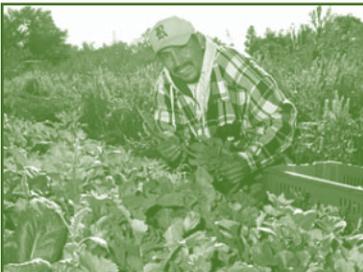
OAD was replaced with coupons that can be used anytime during a two-month period. The coupons are offered three times a year — every other newsletter, owners receive two \$5 coupons or one \$5 coupon plus a 10%-off coupon. The change was quite successful and management was gratified that the change was guided by owner input.

Owners continue to increase their involvement with AFC, as evidenced by greater attendance at the annual picnic and meeting. The 2006 event drew 275 members, versus 185 in 2005 and only 20 in 2004. The percentage of members voting in elections, however, stayed about the same: 17% in 2006 compared to 16% in 2005.



Local, Organic, and Ecologically Sound Products

The type of information that has previously been reported in this section needs to be rethought. For example, last year's report mentioned the number of product vendors that were in Southern Oregon or Northern California, and compared that figure to the number for 2004. Using this model, we see that roughly 35% of AFC's product vendors were located in this region in 2006, as compared with about 67% in 2005. The drop appears significant, but is it? Perhaps a large number of vendors who sold a relatively trivial amount of product directly to AFC either no longer sell to the store anymore or now have their product delivered by a small, regional distributor. The social impact of such a change would be negligible. The next challenge is for AFC to refine its definition of "local" vendors, producers, farmers and products. A more systematic analysis of the social factors in food purchasing may reveal new metrics that would be more useful for this report.



In 2006, AFC continued to support THRIVE's Rogue Flavor marketing program for Rogue Valley foods, and the Oregon Bounty program, which promotes Oregon wines, cheeses, and produce. While management still believes that organic and local products are a high portion of AFC's sales, data is not available to compare with

other natural/organic food retailers.

In 2005, AFC commissioned an intern from SOU to study the environmental impact of product packaging. The results were reported in 2006, highlights of

which were posted on the bulletin board by the front entrance to the store and on its website. One highlight of the study was the sizeable resource and energy requirements for producing paper or plastic grocery bags. In response to this study, AFC sourced custom-made cloth shopping bags from, and established a direct, fair trade relationship with, a vendor in India. AFC offered the bags to shoppers for \$2.50. The first shipment proved so popular that it sold out within weeks. Sales of the bags remain brisk. Nine-thousand have been sold to date.

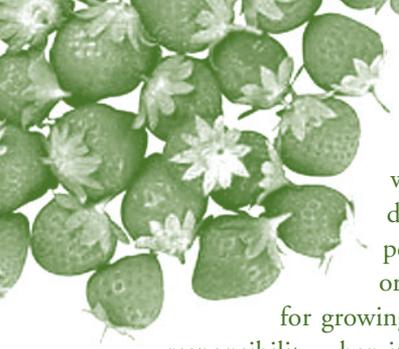
Serve Community

AFC has a variety of charitable endeavors targeted at the local community. The Community Grant program gives a portion of profits each year to local non-profits equal to 10% of after-tax profit plus 10% of the declared Patronage Refund. Scan Against Hunger gives shoppers the opportunity to donate at the register to ACCESS. Scan 4 Our Schools is similar. Funds donated at the register are matched by AFC and go to the Ashland Schools Foundation. And AFC budgets an amount of incidental in-kind donations of goods that are available in \$25 increments to local groups. The dollars amounts for 2004, 2005, and 2006 were:

OUR CHARITABLE DONATIONS			
Year	2006	2005	2004
Community Grants Program	\$32,981	\$35,000	\$22,483
Scan Against Hunger (ACCESS)	\$3,308	\$4,895	\$6,323
Scan 4 Our Schools (Ashland Schools Foundation)	\$128	\$566	\$2,720
Food donations (in-kind)	\$3,167	\$5,000	\$3,566

Conclusion

As in prior year's, this years report reveals an organization that takes its mission seriously and has gone to great lengths to address mission fulfillment problems as they've emerged. The two employee surveys demonstrate that AFC is a satisfying, even inspiring, place to work. Historically, many "socially responsible" companies have failed in this area, so AFC's achievement here is noteworthy.



Perhaps the biggest concern involves the public's perception of AFC's pricing. In an economy where middle-class income growth has been flat or declining for decades, and the number of low-income people is rising, the higher prices that must be paid for organic or otherwise healthy foods are becoming a strain for growing numbers of people. Low prices are part of social responsibility when it comes to serving customers, and that raises several questions affecting AFC's future. Can the co-op price its products competitively while still paying healthy wages and benefits? Alternatively, will customers be willing to support AFC's values by paying prices that reflect the true cost of operating a socially responsible business? Or will they increasingly turn to competitors who offer the lowest prices, even if those prices are underpinned by lower wages and poor benefits? The biggest challenge going forward for AFC and similar community-oriented businesses may be finding a way to keep the planks of their missions from competing with each other.



Report from the General Manager

By Richard Katz

As you can see throughout this annual report, by nearly every measure, 2006 was a very good year for Ashland Food Cooperative. We are gratified to have the strong support of this community now and for the past 35 years. We have become one of the largest single store natural food cooperatives in the country. This is quite a feat considering that Ashland is a town of just a bit more than 20,000 people. Our organization is now faced with the growing pains that often come with success. Much thought and discussion focused on the question of growth in 2006, and how we could best respond. In order to be clear, we saw that we needed to engage in a strategic planning process to help us understand how to proceed.

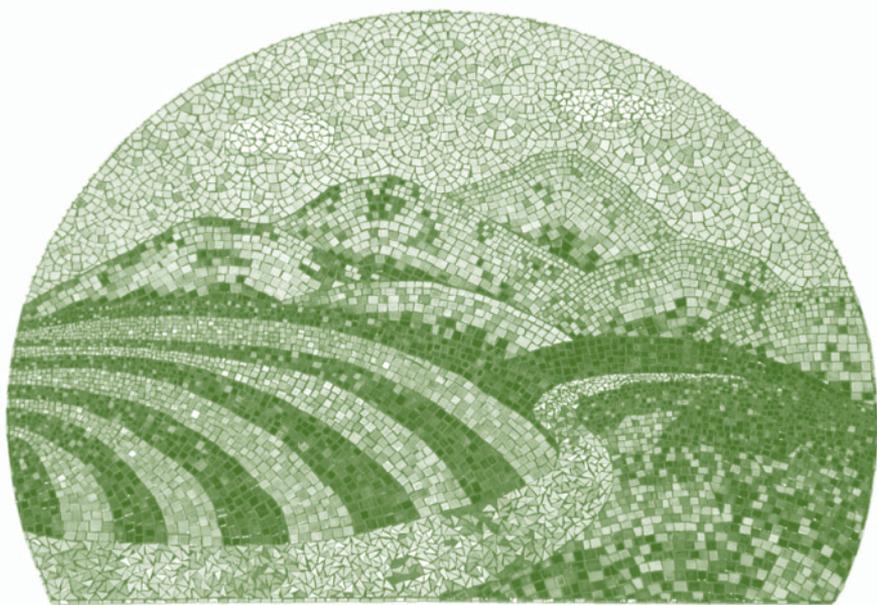
We had several brainstorming sessions in which we grappled to define who we are and who we want to be. We realized that strategic planning has a lot to do with finding agreement in answering these questions. That started our quest for a concise vision statement that would help guide our future decisions. After some committee work, we presented the following vision that would be forwarded to our stakeholders including owners and employees to see if they shared this vision for the co-op.

Happy employees, satisfied shoppers, healthy quality products, and a community resource and gathering place are the key ingredients in making a great co-op.

Ashland Food Co-op Vision

- Joyfully working together
- Delighting shoppers
- Enhancing health
- Enriching community

Most people responded positively, and this Vision was adopted. Even though it sounds kind of corny and idealistic, a business can be inspired by the hopes and dreams of all involved. In a small way we are engaged in creating a meaningful structure that can improve our lives. I believe our Vision is empowering for all of us as a simple model that makes sense and that we can rely on to help guide us on our path. After all, the essence of cooperation is “joyfully working together.” Our vision has components that are very much synergistic and self-supporting. Happy employees, satisfied shoppers, healthy quality products, and a community resource and gathering place are the key ingredients in making a great co-op. These form the foundations of our intention, the basis of our success, and our compass for the future.



Ashland Food Cooperative

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