



August 2009 Monitoring Report- Ends Policies
Submitted by Kari Bradley, General Manager

I report reasonable accomplishment of the Council Ends Policies.

I certify that the information contained in this report is true.

Signed _____

Introduction: This report summarizes The Coop's efforts to accomplish the Council-stated Ends Policies. The Council's Ends describe the desired outcomes that ought to result from The Coop's activities; they state the purpose of the organization and provide standards for gauging success. While in many cases this report refers to plans and activities designed to support accomplishment, we must remember that Ends are ultimately about outcomes and not the means designed to achieve them.

As they are conceived of as far-reaching ideal states, progress towards achievement of the Ends is necessarily incremental and forward-looking. This is in contrast to Limitations Policies where compliance is meeting a static set of criteria, generally looking at recent history. With Ends, success must be seen as a series of purposeful steps which are inevitably driven by long term plans.

The first step in accomplishing Ends is interpretation. Once we have established a reasonable interpretation of the End, staff can begin to put in plan for accomplishment. As stated in policy M4.5, monitoring Ends requires establishing "a baseline or history for comparison and a reliable and credible measurement technique". In many cases, the metrics and baselines have been established and we can see the Coop's progress (or lack thereof) towards the End. In other instances, this report attempts to better define the appropriate metric based its relevance to the policy and the resources required to gather the data. One of the Council's key roles here is to judge the reasonableness of the interpretations and metrics proposed here so that staff can understand if we are on an acceptable path.

As the Council is well aware, these Ends policies were just adopted in April. Staff has had minimal time to develop our plans for accomplishment in the context of these new policies. What's more, as the old former policies were unwieldy and mainly written in the style of limitations, we have had minimal practice in using the Ends to guide our work. Our interpretations and metrics will inevitably evolve as we have more time to consider, succeed and fail in our work to operationalize these directives. I foresee an iterative process between Ends reporting and multiyear/annual planning that each year will refine our ability to understand what constitutes successful accomplishment of the Ends, how to measure that, and how to develop the means that will get us there. Next year, for example, I foresee building the planning processes specifically around these measurements and new ones and identifying short and long-term targets that will add definition to our plans.

So this year's Ends report is a beginning. Some interpretations have more developed metrics and an established baseline; other policies I am not yet ready to interpret in a useful way. From next year's planning process I expect we will have more robust interpretations, metrics, and targets that can be incorporated into report that measures accomplishment and demonstrates our trajectory. Most importantly, from my perspective, a system is beginning to emerge that will allow the Council's Ends to truly, and hopefully effectively, guide the work of The Cooperative.

Definitions

Cooperative community- the group of Member-Owners, staff, vendors, and customers who regularly interact with and through Hunger Mountain Cooperative. While ultimately we would like to expand this definition to include neighbors, the City of Montpelier, other local co-ops and neighboring communities, for purposes of this report it is beneficial to use this more narrow scope.

Local- retail product grown, processed or otherwise value-added by a Vermont business.

Global Ends Policy

Hunger Mountain Cooperative exists to create and sustain a vibrant community of healthy individuals, sustainable local food systems and thriving cooperative commerce.

Operational Definition/Interpretation:

1. I interpret “*a vibrant community of*” to mean that the Cooperative Community (Coop Member-Owners, staff, vendors and customers) is growing, active, and increasingly satisfied with their involvement with the Coop. Specifically, accomplishment will be demonstrated through:
 - Increase in number of Member-Owners: More people voluntarily become Member-Owners to participate and invest in our cooperative community.
 - Growing customer counts: More people are shopping at The Coop and/or they are making additional shopping trips to participate in our cooperative community.
 - Increasing Owner equity investment- Increasingly Owners are voluntarily investing to support and participate in our cooperative community. (actual and pledged)
 - Growing participation in Coop Governance Activities- Owners participate in governance activities to guide and participate in cooperative community. Specifically progress means increases in attendance at Annual Meeting and voting in Council elections.
 - Improving satisfaction ratings on Owner and Employee surveys- Through satisfaction surveys, Owners express increasing satisfaction with their cooperative, including the goods, services, and facility. Similarly employees express increasing satisfaction with their workplace. Specifically accomplishment means an increasing percentage of categories that receive an average rating of “good” or better.
2. I find “*healthy individuals*” to be a challenging concept. It is not yet clear to me what would be an appropriate measurement, how the Coop could affect positive change in this area or how we might define success. Over the coming year, we will need research to better understand this concept and a reasonable plan for accomplishment.
3. Similarly, “*sustainable local food systems*” is complex. Clearly this policy describes an ambitious, long-term goal requiring comprehensive change to a variety of social systems and coordination of numerous organizations. For now, accomplishment will be defined simply as growing Coop sales of local products. Over the coming year, we will work to develop a more robust measurement and plan for accomplishment.
4. Equally challenging is “*thriving cooperative commerce*”, which means something like strengthening the cooperative sector of Vermont’s business community, and logically would be measured by a growing number of cooperatives in Vermont and increasing revenue from from those cooperatives. The staff is not yet ready to report

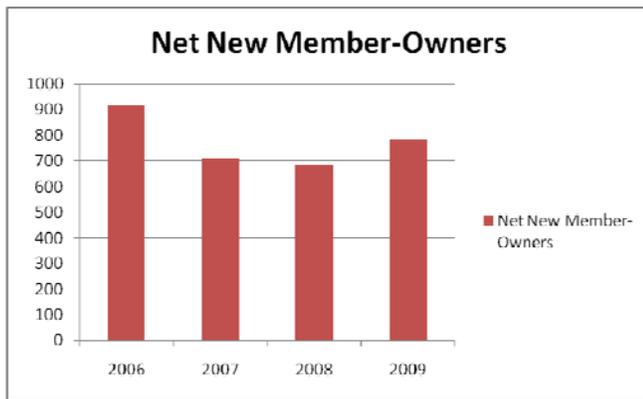
on this End, but will spend time over the coming year to develop our interpretation and plans for accomplishment.

5. I interpret “*create and sustain*” to mean that whatever the metric, there is improvement to (or at least maintenance of) historic levels as a result of The Coop’s efforts. This interpretation runs throughout the Ends report as we attempt to demonstrate progress towards our ultimate goals. One should expect occasional short-term set backs as result of unplanned circumstances (*e.g.* economic recession) or planned activities (*e.g.* building expansion).

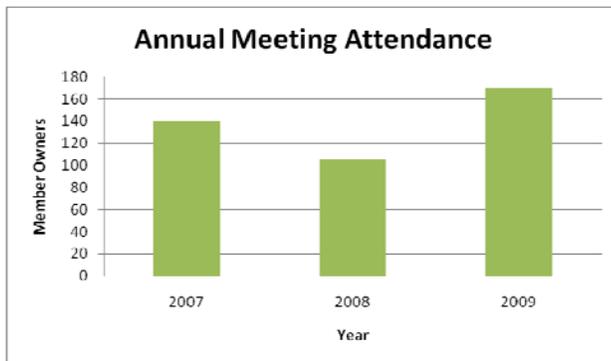
Data:

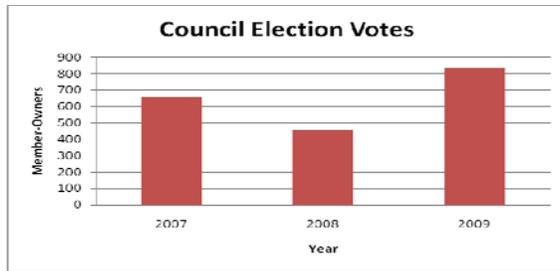
1. Vibrant Community

- Membership- In FY2009 the Coop added 787 net new Member-Owners. Over the last four years The Coop has added 3097 net new Member-Owners. Progress was achieved this year.

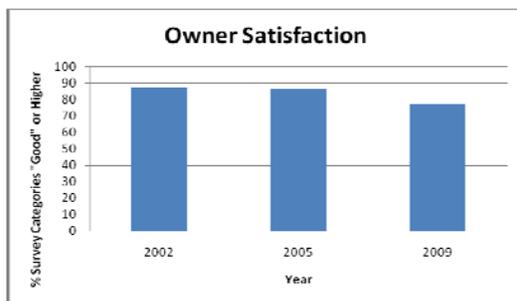


- Customer Counts-
- Equity Investment-
- Governance Activities- Attendance at Annual Meeting and number of votes in Council election both increased in FY2009. Progress was achieved this year.





- Owner Satisfaction- Owners expressed high degree of satisfaction in 2009 survey but number of categories with average rating of “good” or better decreased to 78% (likely due in part to timing of survey soon after construction). Progress was not achieved this year.



2. Healthy Individuals- Not ready for reporting
3. Sustainable Local Food Systems- Sales of local (Vermont) products totals \$x in 2009. This establishes our baseline as this was the first year sales were measured though The Coop’s point of sale system and could be reported with this level of precision. Our goal for FY2010 is to increase sales of local products by 10%.
4. Thriving Cooperative Commerce- Not ready for reporting

SubPolicy A

More specifically, we will have:

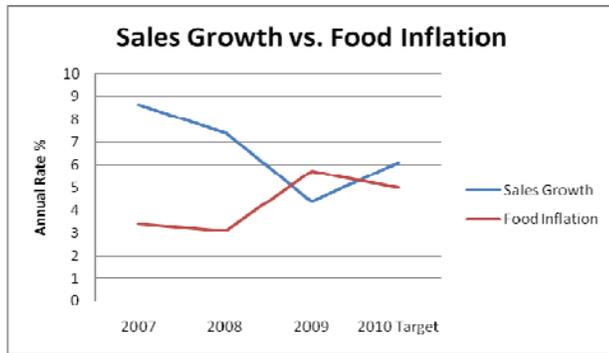
- *A cooperatively-owned retail outlet for natural and organic food-based goods and services that meet our Member-Owners' and customers' needs.*

Operational Definition/Interpretation:

1. *“cooperatively-owned retail outlet”* means existence of at least one Hunger Mountain Cooperative storefront located in central Vermont.
2. *“natural and organic food-based goods and services”* means a business whose primary offering is natural and organic foods.
3. *“meet our Member-Owners' and customers' needs”* means that as a result of The Coop's work, Owners and customers are increasingly satisfied. Specifically accomplishment will mean:
 - An increase in annual sales at or above the rate of inflation (CPI for food-at-home, Northeast, prior 12 months)
 - Improving satisfaction ratings on Owner surveys- Through satisfaction surveys, Owners express increasing satisfaction with their cooperative, including the goods, services, and facility. Similarly employees express increasing satisfaction with their workplace. Specifically accomplishment means an increasing percentage of categories that receive an average rating of “good” or better.

Data:

1. Cooperatively-owned Retail Outlet- Hunger Mountain Cooperative continues to be incorporated as a cooperative with the state of Vermont with a storefront in Montpelier.
2. Natural food-based goods- The Coop continues to offer a complete line of natural and organic foods and related products.
3. Owner/Customer Needs
 - Annual Sales- Sales grew by 4.39% to \$14,881,960 in FY2009, below the inflation rate of 6.0%. Progress was not achieved this year, presumably due to combination of construction impacts and economic recession. FY2010 Goal: 6.09% sales growth vs. a projected inflation rate of 5.0%



- Owner Satisfaction- See Member Satisfaction Survey in Global Policy above. Progress was not achieved this year.

Subpolicy B

More specifically, we will have:

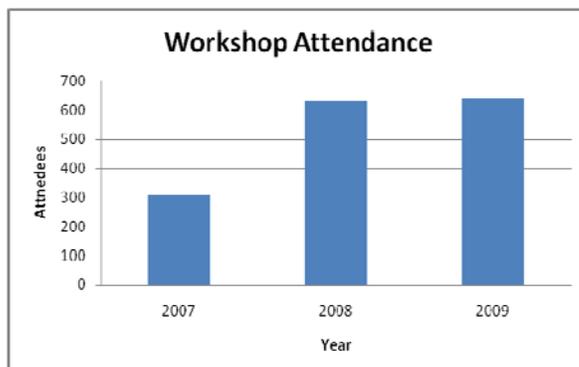
- *A community increasingly educated about food and health and considerate of the impacts of its purchases.*

Operational Definition/Interpretation:

1. I interpret “*community increasingly educated about food and health*” to mean cooperative community becoming more knowledgeable about food and health issues. I assume that people who attend Coop workshops become educated about a variety of food and health-related topics. Accomplishment will be demonstrated through growing attendance at Coop workshops.
2. “*considerate of the impacts of its purchase*” means customers are increasingly aware of external impacts (“real cost”) of products that they purchase at The Coop and that this leads to demonstrable changes in shopping behaviors. Specifically accomplishment will be demonstrated by increases in:
 - sale of local products (defined here as grown or value-added in Vermont) as customers become increasingly interested in supporting local businesses, ensuring food safety and minimizing environmental impacts.
 - sales of certified fair trade products- customers increasingly concerned with social responsibility and environmental impacts of their food purchases
 - sales of bulk products- customers want to minimize packaging and environmental impacts
 - credits issued for reusable shopping bags- customers seek to minimize environmental impacts of their shopping behaviors.

Data:

1. Increasingly Educated- Coop workshops have grown significantly in recent years. There was a minimal increase in attendance in 2009 due to construction transition. Progress was achieved this year.



2. Considerate of Impacts-

- Local Products- See Global Policy above. In FY2009 sales of local products was \$x which will serve as our baseline going forward. FY2010 Goal: 10% increase in sales of local goods.
- Fair Trade- In FY2009 The Coop sold \$403,837 in certified Fair Trade Products, an increase of 16% over the previous year. Progress was achieved this year.
- Bulk- Sales of Bulk Foods and Bulk Herbs combined grew 11.6% last year, a second consecutive year of strong growth for those categories. Progress was achieved this year. Goal for FY2010: 11.1% increase.
- Bags/Bag Credits- In FY2009 The Coop issued 185,170 credits for reusable bags, an increase of 31.7% over 2008. Progress was achieved this year.

SubPolicy C

More specifically, we will have:

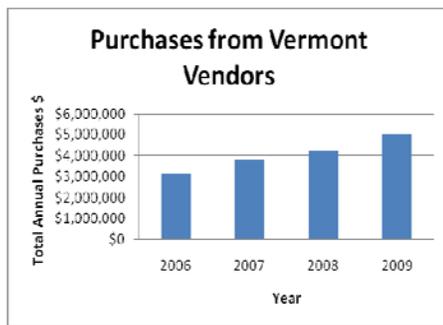
- *Local ownership and control of a comprehensive, sustainable food economy.*

Operational Definition/Interpretation:

1. I interpret “*Local ownership and control*” to mean food-based commerce is conducted with businesses are owned and operated in Vermont by Vermonters. Accomplishment in the near term will be demonstrated by an increasing number of Vermont businesses doing business with the Coop.
2. “*a comprehensive, sustainable food economy*” means a local food system sufficient to provide majority of food that Vermonters consume and based on natural/organic agricultural systems. As this is a complex and far-reaching goal, accomplishment will be demonstrated incrementally through:
 - increasing sales of Vermont products through the Coop- The Coop serves as a clearinghouse for local products.
 - an increasing amount of annual Coop purchases for goods and services by VT businesses- More of the Coop’s annual expenditures are kept within the local economy.
 - increased Coop support of local foods organizations and networks- The Coop plays a role in coordinating state and regional efforts toward building a local food economy.

Data:

1. Local Ownership
2. Food Economy
 - VT Product Sales
 - Purchases- In FY2009 The Coop paid out \$4,992,576 in exchange for goods and services from Vermont vendors, an increase of 19%.



- Support- Coop staff increased its support for local foods organizations by joining Central Vermont Food Systems Council and pledging dues of \$4000 for Neighboring Food Cooperative Association.

SubPolicy D

More specifically, we will have:

- *Financially sustainable operations that support and yield economic, social and environmental returns.*

Operational Definition/Interpretation:

1. *“Financially sustainable operations”* means a viable business reasonably expected to avoid fiscal jeopardy over the coming years. Accomplishment is demonstrated through improvement in key financial indicators for growth, profitability, solvency, and liquidity.
2. *“economic, social and environmental returns”* means The Coop creates measurable added value to a “triple bottom line” of economic, social and environmental metrics. Being mission-driven, The Coop strives to advance an array of values for a large diverse group of stakeholders. Our challenge is to demonstrate measurable accomplishment over a reasonable array of those values. Specifically this means:

Economic:

- Improving profitability- The business improves its ability to generate net income.
- Reinvestment in our Cooperative- The Coop chooses to reinvest in our own business.
- Patronage Refund- As the business is profitable, all owners share in economic return.
- Increased discounts given to low income, senior, disabled and working Owners- Designated groups of owners receive benefit.
- Increasing annual employee compensation- The employees as a group benefit.
- Progress toward paying all employees a Livable Wage as the Coop improves its ability to compensate employees. (Livable Wage calculations based on the Joint Fiscal Office’s report. Adjustments made for variance between JFO’s assumptions for employer contribution to health and dental insurance premiums.)

Social:

- Investment in other Cooperatives or other enterprise with aligned values- The Coop chooses to invest in like-minded organizations that can further our values.
- Increased participation in Coop Cares (low-income Owner discount program)- The Coop makes healthy food more available to more people in the community.
- Increasing donations to and/or sponsorships of local organizations- The Coop gives to others in our local community.

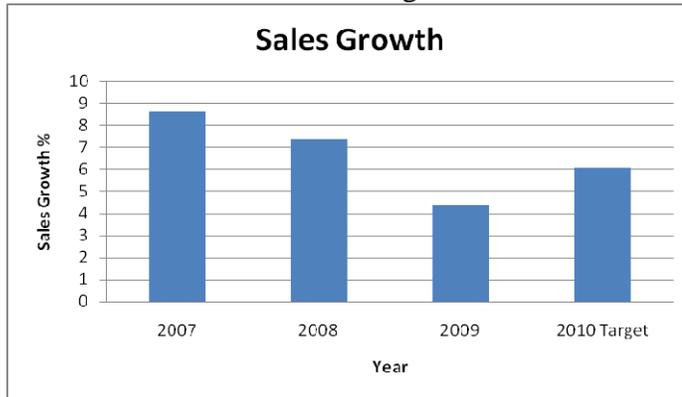
Environmental:

- Increased sales of bulk foods and herbs- Packaging and environmental impact are minimized.

- Increased sales of products in reusable containers specifically coffee cups and glass bottles for milk.
- Increased compact fluorescent bulb sale- The Coop promotes energy efficiency amongst its customers.
- Energy savings/usage- The Coop minimizes its own energy use.
- Other Building Improvements

Data:

1. Financially Sustainable-
Sales Growth- Sales grew 4.39% in FY2009, less than prior years due to expansion and recession impacts. Progress was not achieved this year.
Goal for FY2010: 6.09% sales growth

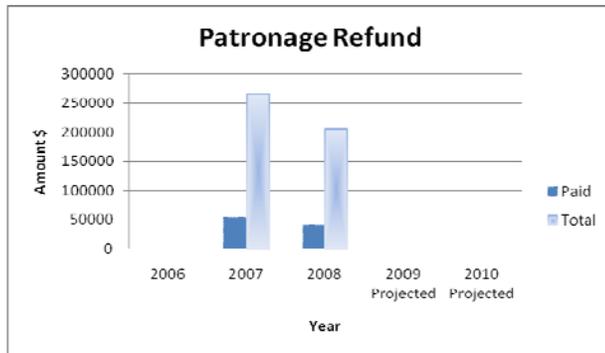


Profitability

Current Ratio

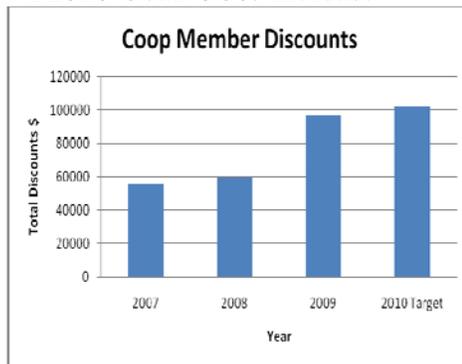
Debt To Equity

2. Economic, Social and Environmental Returns
 - Profitability
 - Reinvestment
 - Patronage Refund- Due to increased debt service, a patronage refund is not anticipated for FY2009. Progress was not accomplished this year.
FY2010 Goal: No refund is projected as The Coop is not expected to be profitable.



Note: In addition to patronage refund, all Owners have opportunity to benefit from monthly Member sales and quarterly Member Appreciation Days.

- Member-Owner Discounts- Discounts to Owners increased 60% in FY2009, largely as a result of Coop Cares. Progress was achieved this year. FY2010 Goal: 8.5% increase



- Employee compensation
- Livable wage

Coop Wages vs. Livable Wage History

Fiscal Year	Coop Entry Wage \$	Livable Wage \$	Entry Wage % of LW	% Employees Earning LW
2009	10.75	13.07	85	
2008	9.50	14.10	67	24
2007	9.00	11.30	80	55
2006	8.55	10.76	79	50

- Coop Investment
- Coop Cares- Enrollment in Coop Cares increased to 110, up dramatically from its inaugural year in 2008. Progress was achieved this year.

Donations/Sponsorships-

Coop Donation/Sponsorship History

<u>Fiscal Year</u>	<u>Amount Budgeted \$</u>	<u>Amount Spent \$</u>
2009		
2008	14,000	
2007	16,100	17,006
2006	15,000	14,026

- Bulk- Sales of Bulk Foods and Bulk Herbs combined grew 11.6% last year, a second consecutive year of strong growth for those categories. Progress was achieved this year. Goal for FY2010: 11.1% increase.
- Reusable containers – From 2008 to 2009, The Coop accepted for reuse 6.31% more glass milk containers. Additionally The Coop provided 95.3% more credits for coffee cups, mainly due to an increase in the credit amount. On both of these fronts, progress was achieved this year.
Note: The Coop also accepts many other items for reuse by vendors or customers which are not easily quantifiable: egg cartons, wax boxes, crates, and shopping bags.
- Increased compact florescent bulb sales- In FY2009, The Coop sold 464 CFLs, a decrease of 31% likely due to lack of heavy Earth Day promotion. Progress was not achieved this year.
Note: According to the U.S. Department of Energy/EPA’s Energy Star website, one year’s use of 464 bulbs at 4 hours per day will save 32,623 kilowatt hours, or the equivalent of approximately 5000 pounds of CO₂.
- Energy savings/usage
- Other Building Improvements- Coop expansion project yielded numerous energy efficiency improvements. Below is a list generated by Efficiency Vermont with projected energy savings (as compared to previously existing or conventional equipment).

Description	Annual Savings (kWh)	Annual CO2 Reduction (tons)	Annual Equivalent Cars Off the Road
Design and Installation of Efficient Lighting	28,500	15.8	3.0
New A/C units for RTU-2 and RTU-3	1,665	1.0	0.2
Dual Enthalpy Economizer for RTU-2 and RTU-3	4,050	2.6	0.5
Kitchen Exhaust Hood New 1.5 hp Premium Efficiency motor	120	0.1	0.0
Kitchen Exhaust Hood motor VFD	1,390	3.7	0.6
Custom Refrigeration floating head pressure controls	35,680	22.5	4.0
New Refrigeration Compressors	20,750	13.1	2.0
Refrigeration Economizer	9,630	6.1	1.0

New High Efficiency Evaporator Fan Motors	9,880	6.2	1.0
Night Covers for Refrigerated Cases	24,135	15.2	2.8
Totals	135,800	86.3	15.1

Also the new deli dishwasher added capacity so that Coop now offers reusable plates, cups and mugs in addition to silverware. The results of this change are not easily quantifiable but we can expect to save a minimum of x paper plates annually.