

**Minutes of the
Marquette Food Co-op Annual Meeting
March 31, 2017**

Roll call: Phil Britton, C. Noordyk, B. Cromell, E. Wright, M. Augustyn, B. Jackson, R. Kochis.
Absent: M. Potts, G. Sarka.
Staff: GM Matt Gougeon, MFC Staff.
Public: MFC Owners.

I. Welcome (Phil Britton, Board President): President Phil Britton welcomed and thanked everyone in attendance. Members of the Board of Directors introduced themselves. Britton recognized MFC staff, former Board members, and outgoing Board members B. Jackson, M. Potts, and E. Wright. Britton recognized Board Recorder and newly elected Board members Courtney Morgan, Collin Thompson, Hilary Bush and re-elected Board members G. Sarka and C. Noordyk. Britton thanked GM Matt Gougeon and shared about current work the Board is pursuing. C. Noordyk promoted the upcoming UP Land Conservancy Chocolay Bayou cleanup volunteer opportunity, which will be held on April 22 (Earth Day). Britton thanked the owners for making the Co-op what it is.

II. State of the Co-op (Matt Gougeon, General Manager): GM explained that the store is coming up on its third full year since the MFC opened its new location in May 2014. He reported that after the new store opened, the MFC reached nearly 50% sales growth, but growth dropped off as things normalized even as costs remained high. He explained that during 2015 the MFC got behind on payments and saw negative cash flow. As the store entered 2016, sales in the first quarter were pretty flat. The GM reported that during 2016 the MFC focused on remedying the store's cash position, paying off past due accounts payable, and reducing labor and improving productivity. The store started 2016 with 97 employees and ended the year with 82, reducing staff largely through attrition and moving many part-time positions to full-time. The GM reported that sales did increase in 2016, although somewhat slowly. The MFC approached lenders to request six months of interest only payments and opened a line of credit. By the end of the year, the store paid down all of the past due accounts payable, met its SPLH goal of \$70, and was cash positive. The GM reported that the National Cooperative Grocers (NCG) audited the store last summer, focusing on Meat and Seafood and Prepared Foods departments. Since the audit, Meat and Seafood is seeing 20% growth and Prepared Foods is seeing 35-40% growth. The GM reported that the SPLH metric is steadily climbing this year. The MFC expects to see a net profit in the first quarter of 2017 and is on course to begin to think about what is next for the future of the MFC.

III. Public Comment and Question Period:

The GM opened the meeting to questions from the public:

- a) Member of the public inquired about the member investment of \$1 million for expansion. The GM responded that the MFC had about \$500,000 in preferred shares and \$600,000 in MEDC grant money.
- b) Member inquired about how the numbers compare to the old store. The GM reported that during the last year in the old store, the budget was \$5.5 million and the budget for 2017 is \$9 million. He further explained that for 2016 the MFC had a loss, but it was about a

64% improvement over the prior year's loss. He explained that depreciation costs show on the balance sheet as an expense, and depreciation costs after expansion have been high. Five months of the year last year saw a net profit, so the MFC is steadily recovering. GM pointed to the EBITDA metric on the Key Financial Indicators Chart and explained that all four quarters saw positive cash flow from the operations of the business.

- c) Member of the public inquired how money is spent if there is a net profit. The GM explained that in a profitable year the MFC Board can issue a patronage dividend to the members.
- d) Member inquired about lowering prices. GM explained that for every \$1 that comes in to the store, \$0.60 goes to cost of goods, \$0.24 goes to labor, and the last remaining \$0.16 has to pay for everything else the Co-op does. GM discussed competition and food deflation and reported that the MFC has done a lot of work on pricing strategy and margin management. GM discussed the cooperative model and that more money is staying in the community.
- e) Member inquired about advantages of the cooperative model. The GM pointed to the MFC's Annual Ends Report, which details the MFC's work in the community. GM explained that co-ops across the country are facing competition with large chain grocery stores, and the largest sellers of natural foods are now the commercial retailers, not small natural foods stores.
- f) Member of the public commented that there is no longer a senior discount day at the MFC and that pricing is not affordable to some owners who are working with smaller budgets. The GM discussed pricing and explained that large conventional stores may be able to reduce prices on certain items because they are much larger retailers that control distribution, delivery, etc. and profit from lease agreements and other avenues not available to a smaller retailer like the MFC.
- g) Member of the public inquired about getting involved with public schools. The GM pointed to the Ends Report and the Farm to Schools program that the MFC has implemented. Member of the public noted that this would perhaps be an opportunity for wider promotion within the community.

IV. Raffle Winners Announced: Sarah Monte announced the raffle winners.

V. Closings: Phil Britton thanked everyone for attending. GM invited anyone with further questions and comments to speak with him after the meeting.

Next Board Meeting: April 18, 2017 at 6:00 p.m.

Emily Weddle
Board Recorder