

marquette food co-op

ANNUAL REPORT

2020



MESSAGE FROM THE GENERAL MANAGER



Matt Gougeon
General Manager

As it was for everyone, 2020 was an unprecedented year of challenge for the Marquette Food Co-op. This report will avoid description of these challenges beyond listing them here, save for a few that may be relevant to explaining operational decision making or results.

- Late March panic buying
- Cleaning and sanitization protocols
- PPE acquisition and use
- Volatile sales revenue
- Decline of prepared food dept.
- Rise of the webstore
- Supply chain issues
- Product shortages
- Compliance with State of Michigan requirements
- Staff working remotely
- Increased internal and external communication
- Limiting number of customers & mask policy enforcement
- Contentious customers
- Managing anxiety and fear in staff and customers
- Managing virus exposure and infected staff

We began 2020 with modest expectations for growth and profitability with a particular focus on accumulating surplus cash. Strategically, we prepared for another direct competitor to enter our market. Beyond ongoing operational strategy, we had plans for comprehensive training and development of staff, capital improvements to the store, debt repayment through a preferred share offering, a membership drive, and a refined and targeted marketing plan to meet new competition head on. However, the pandemic upended all our plans.

Revenue, margin, labor, and cost expectations were largely met early in the year until mid-March panic buying accelerated everything. A typical day of sales revenue pre-pandemic was about \$27,000. In March we had several days doubling our daily average and March ended 18 percent up over the same period in the previous year. Once the first lockdown set in, April revenue plummeted. Compounding this reality, our

Prepared Foods Department, which once accounted for 17 percent of store sales, nearly shut down without lunch hour diners to only 3 percent of revenue. The loss of revenue from Prepared Foods was replaced by customers increased purchases of shelf stable packaged foods in our center store. However, our margin on deli foods is greater than that of packaged foods and we lost four points of store gross margin in April. That's the equivalent of losing 11 percent of your own personal "take-home" pay as a comparison. If that were to continue to play out over the rest of the year, we would be in dire financial straits by year's end if we didn't take action. Adjustments to prepared foods offerings and volume increases in other departments, like Produce, Meat, and Center Store, helped our margin recover by the end of May and indicated a sustained trend in how our owners and other customers shopped and what products they shopped for.

FINANCIAL CONDITION & RATIOS

The COVID-19 pandemic has served as an unfortunate financial boon to the entire grocery industry and the Marquette Food Co-op is no different. With local restaurants closed or hobbled by lockdowns and people staying indoors, everyone ate and prepared more food at home. This led to a significant increase of revenue beginning in mid-March of 2020. The increased revenue resulted in our improved financial condition. Adding to our resources for the year was a federal Payroll Protection Program (PPP) loan. More on this loan later in this document. Note: Even without the PPP funds, the MFC would still be in an improved financial condition.

2020 year end improved financial metrics:

- **Sales Growth:** 13% compared to 2019
- **Net Profit:** 7%
- **Current Ratio:** 1.76 compared to .70 from 2019
- **Debt to Equity:** 1.9:1 compared to 4.5:1 from 2019
- **Days of Cash:** 29 days compared to 9 days from 2019

20% FEWER TRANSACTIONS & HIGHER AVERAGE BASKET

As people stayed home and stopped eating in restaurants, we realized that we were seeing a consistent

20 percent drop in transactions at the register. But each customer purchase was about 30 percent higher on average. This meant that from the month of May until this writing, we saw double digit revenue growth. Both July and August were record setting months and revenue crested \$1 million dollars in each. Prepared Foods slowly regained some footing and currently accounts for about 9 percent of store revenue. With everyone cooking at home, we sold 27 percent more meat compared to 2019. The Produce Department saw 25 percent gains and package grocery a 16 percent increase. Almost all other categories saw growth, the largest of which was General Merchandise at 30 percent. Beside Prepared Foods, Bulk and Bulk Herb & Spice saw 16 percent and 24 percent decrease in sales. This is largely due to having to restrict "communal" access to the bins in favor of prepacked units.

PAYROLL PROTECTION PROGRAM (PPP) & HAZARD PAY

Increased revenue allowed us to compensate staff for their risk of exposure during the pandemic. I'm the first to say that a few dollars more per hour is cold comfort in the face of a public health crisis. That said, I am glad to have been able to recognize staff effort in this manner. It was not only a concern of health-related risk, but also the increased volume of product moving through the store and tensions brought on by political divisions that often require them to be undesiring referees, keepers of the peace, or undeserving recipients of rage.

Like most businesses, we applied to and qualified for a PPP loan. That loan, if used to pay employees, interest on loans, and some utilities, could be forgiven in its entirety. Our loan was forgiven this past October. With it, we were able to give staff a \$3.00 per hour pay raise for eight weeks beginning in late April. Prior to that, beginning in late March, we had given staff a \$2.00 per hour pay raise. From July 2020 through the end of the year, we paid variable bonuses to all staff. In all, \$130,000 in additional pay was shared among staff.

Related to staff pay, in late March, the Co-op offered its own two week paid sick time program outside of our established Paid Time Off benefit. This was intended to not only pay staff who may have become infected with the virus, but also if they had to care for someone

with the virus, had childcare issues, or simply had to be quarantined due to exposure. This happened before the federal government made funds available for the same purpose. Once federal dollars came similarly available, we ran both programs giving staff a full month of paid sick time. This meant staff did not have to use up regular PTO or decide whether to lose income or come to work if they were feeling ill or had been potentially exposed to the virus. This led to effective transparency between staff and management and allowed us to successfully manage the virus and its potential impact within our building and on staff. In no way did we sense or suspect that staff took advantage of this and comparatively little of the funds were used. Approximately \$30,000 was spent on staff through these programs evenly split between each pool of money. These funds were a tremendous tool in ensuring a safe and healthy work environment.

CO-OP GROCERY PICK-UP: E-COMMERCE ARRIVES AT THE MFC

In 2019, we launched our webstore service called Co-op Grocery Pickup. That year it accounted for .35 percent of sales revenue or \$17,000. In 2020, it became 5 percent of revenue or nearly \$600,000. In the month of April alone, 20 percent of store sales came through the webstore. Today, we know that the webstore is a permanent fixture of the Co-op and soon we will make our prepared food offerings available through it.

2020 was a consequential year for the Marquette Food Co-op. We met the challenges of the pandemic head on and will eventually come out on the other end better for it. Some changes from the past year will be permanent. How we think about conducting business and operating a grocery store are fundamentally changed. Nothing is taken for granted. With the support of all the members of this cooperative, we will persevere for future decades.

BALANCE SHEET

		2020	2019	2018
CURRENT ASSETS:	Cash & Equivalents	817,509	237,268	226,918
	Accounts Receivable	7,189	4,390	16,261
	Other Current Assets	430,788	406,774	348,186
	Total Current Assets	1,255,486	648,433	591,364
	Fixed Assets	2,495,665	2,660,573	2,819,697
	Other Assets	339,348	330,504	315,242
Total Assets		\$4,090,499	\$3,639,509	\$3,726,303
LIABILITIES & EQUITY:	Accounts Payable	224,276	363,547	328,829
	Other Current Liabilities	492,463	521,413	449,188
	Total Current Liabilities	716,739	884,960	778,017
	Long Term Liabilities	1,966,045	2,082,642	2,265,896
	Total Liabilities	\$2,682,783	\$2,967,602	\$3,043,913
	Total Equity	1,407,716	671,907	682,390
Total Liabilities & Equity		\$4,090,499	\$3,639,509	\$3,726,303

INCOME STATEMENT

		2020	2019	2018
INCOME:	Gross Sales	10,701,505	9,469,107	9,657,079
	Cost of Goods Sold	6,622,018	5,948,796	6,085,936
Gross Profit Margin		4,079,487	3,520,311	3,571,143
EXPENSES:	Personnel Expense	2,436,841	2,258,785	2,272,582
	Occupancy	277,891	288,370	291,839
	Depreciation	217,227	207,309	218,662
	Operating Expense	532,011	466,176	480,343
	Administrative	185,924	184,959	184,292
	Governance	10,817	19,263	18,700
	Promotional	77,476	111,214	114,983
Total Operating Expense		3,738,188	3,536,074	3,581,402
	Other Income / Expense	421,454	666	31,004
Taxes		0	0	0
Net Income		\$762,754	-\$15,097	\$20,744



Phil Britton
Board President

At this time last year, our world changed. I was at a conference in New Orleans, watching everything shut down, wondering what was going to happen next. It has certainly been a harrowing year. In the 2019 Annual Report, I wrote "I can't wait to see all the amazing things we'll do in 2020!" While it was not exactly what I had in mind, our Co-op certainly went above and beyond in a wildly tumultuous year.

Co-ops are formed when people band together, pool their resources, and, through the power of democracy, organize to meet their needs. The strength of the cooperative model was more evident than ever throughout the pandemic. Our co-op quickly pivoted from being a community gathering place to a community resource. Online ordering was ramped up, cleaning and mask-wearing procedures were put in place, the floor was marked, etc. All the things that are commonplace now, our co-op implemented quickly and smoothly. Shoot, during the early panic-buying days we were still able to keep toilet paper and hand sanitizer in stock!

I cannot praise the staff enough for their endurance and excellence throughout this time. It's been an exhausting, Groundhog Day-esque time warp, but they've shown up, day-in day-out, with tenacity and creativity to keep the store running and open for our community's grocery needs. Matt and the admin team

have done an incredible job navigating these unknown waters as well. Matt actually informed the board back in February, weeks before the shutdown, that he and his team were starting to put together a coronavirus response plan for when it eventually hit our area. That kind of foresight and leadership was crucial to how smoothly the store was able to transition.

Lastly, I remain incredibly proud of this board. In the early days of the shutdown, despite the pandemic throwing all our lives into disarray, the board doubled its meetings to every other week. We wanted to support Matt and the admin team in whatever small way we could and give them a sounding board for ideas. Despite working remotely, this board worked on policy, formed an anti-racism ad hoc committee, held a retreat, explored ways our co-op can benefit our community, and much more. These are an incredible bunch of people, and our co-op is lucky to have them.

In a couple months, my time on the board will come to an end. In the eight years I've been a part of it, the Co-op has weathered many storms. We've come a long way from the plucky little store on Baraga. Expansion during a government shutdown, new store growing pains, Meijer, global pandemic, etc. But we've come even further, and weathered many more storms, in the fifty years since our co-op was formed. My point is this: co-ops are resilient. This Annual Report is a good example

of why. A democratically-controlled, community-owned organization determines what is important (i.e. our Ends), and works toward it. Cooperation is a powerful, beautiful thing, and something the world could use a lot more of these days.

Thank you for being a part of our co-op. It's people like you that make it what it is. On to brighter days!

2020 BOARD OF DIRECTORS



Cori Ann Noordyk
VICE PRESIDENT



Richard Kochis
TREASURER



Michelle Augustyn
SECRETARY



Kelly Cantway



Angie Cherrette



Mary Pat Linck



Hillary Bush



Zosia Eppensteiner

THE MARQUETTE FOOD CO-OP

GLOBAL ENDS

The actions of the Marquette Food Co-op provide access to local, organic, and wholesome products, and the benefits of a healthy, diverse, educated, and sustainable community.

These actions shall be guided by:

ECONOMIC VITALITY

MFC successfully uses the cooperative business model, primarily through a retail storefront, as a component of a robust local economy.

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FOOD

The MFC provides access to local, organic, wholesome, and fairly-traded food and products.

PAGE 6

OWNER ENGAGEMENT

MFC maintains connection and relevance to its owners and encourages them to take an active role in order to sustain the cooperative.

PAGE 7

MODEL WORKPLACE

MFC fosters a workplace in which there is a professional culture of mutual support and open communication, while balancing personal and organizational needs.

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ENVIRONMENTAL STEWARDSHIP

MFC strives to conduct its operations in an environmentally conscious manner.

PAGE 10

COMMUNITY LEADERSHIP

MFC takes a collaborative leadership approach to positively impact our community.

PAGE 11

EDUCATION & OUTREACH

MFC maintains connection and relevance to its owners and encourages them to take an active role in order to sustain the cooperative.

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LOCAL EMPHASIS

MFC gives preference to local products and services that align with operational principles.

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WELLNESS

MFC promotes health and wellness in our community through the principles of eating good food, staying connected, being active, and rest.

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\$10,701,505

Total sales revenue

782

Average customers per day

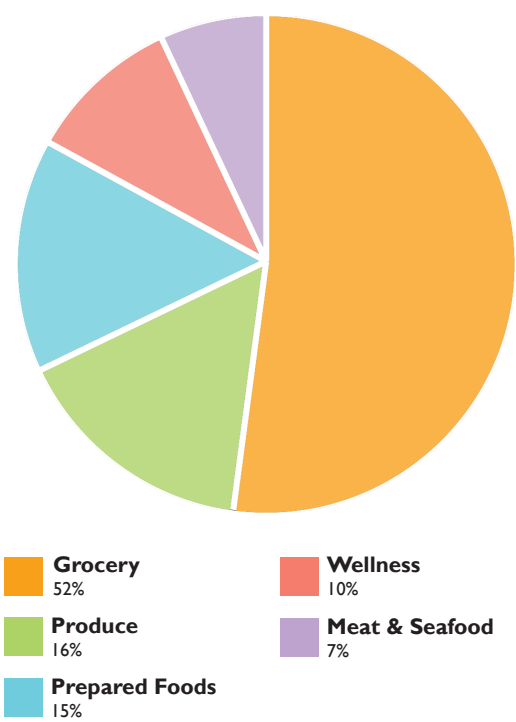
283,212

Total transactions

\$37.77

Average basket size

Percentage of Total Store Sales by Department



COVID-19 created many barriers to food access, including how to safely shop for groceries. The staff of the Marquette Food Co-op worked hard to adapt, oftentimes with extremely short notice, as state and local directives were constantly changing. Shortly after the first closures in Michigan began, at least 19 staff members learned and took on different roles to accommodate new shopping patterns and to maximize customer safety.

An even more sobering impact on our state's communities was the increased need for food assistance in 2020. The State of Michigan reports

the use of the food assistance program rose from 630,000 people to 810,000 people during the height of the pandemic. As of December 2020, program use was around 700,000 and climbing again.

We are prouder than ever to be a participant in the Double Up Food Bucks program, which ensured families access to wholesome, fresh, local, and organic produce during this difficult time.

DOUBLE UP FOOD BUCKS

\$42,629

Vouchers distributed
*a 232% increase
from 2019*

\$31,695

Vouchers redeemed

74%

Redemption rate

330

**Number of customers
utilizing DUFB in 2020**
*a 65% increase
from 2019*

WEBSTORE SALES

\$584,563

Total webstore sales

5%

of store sales
*Prior to March 2020, webstore sales
were .35% of store sales*

**Webstore sales
in April 2020**

22.3%



OWNER ENGAGEMENT

5,907

Owners

296

New owners in 2020

4,858

Active owners

Active denotes that the owner has shopped the store in the last year

30

New owners through Owner Referral Program



“The Co-op is so much more than a grocery store – you’re part of a democratic process as an owner and there’s fluidity in that ownership. The Co-op has been able to hold onto its principles and values and spearhead into the future. It’s gone through a lot of change, but its core values have stayed solid. It’s bigger than a grocery store in a lot of ways and also has so much potential. That potential is the important part. You’re buying into the potential for community growth. It’s an investment that supports a healthy community and also a way of life.”

Michelle Augustyn

MFC Board Member
with Alejandro Aranda (former employee),
Saul, Opal, Jade, Jasper & their dog Huxley
Owner for 12 years

“One of the things that’s important to me as an owner of the Co-op is to know that they do educational outreach to the community. I’m an educator myself and work here in town at Northern Michigan University and I don’t think the university is doing anybody any good unless we are giving our students a set of skills that they can go out with and help make the world a better place with. And that’s precisely what the Co-op does in its community outreach and its educational services. It’s just another reason to support it as an institution – not just the food but what they’re doing educationally for the entire community.”

Robbie & Kyra Goodrich

with Eileen, Jack, Roscoe, Welly,
Moses, Kiah & Julia
Owners for 13 years

“The mentality at the Co-op has played a role in how we’ve made decisions for the last few years. Both of us coming from bigger cities where sustainable living feels out of the question, the Co-op puts those ideas more in the forefront of your mind when you’re here and seeing those practices. We’ve both fallen love with that to the point that we’ve started gardening and taking care of our neighbor’s chickens... all of this stuff that wasn’t on our mind at all prior to coming to Marquette. The Co-op has had a lot to do with that, a lot of influence to be more mindful. If we’re going to invest our money, we want to vote with that. We want to put that back into things that are looking out for our environment. That’s really been at the heart of why we love this place.”

Nate & Emerson Graves
Owners for 5 years



\$69,673
Earned in Owner Rewards Program



4,293
People receiving our
online newsletter
and mid-month update

20%
Open Rate for online newsletter
13% is industry average

"I really appreciate the priority the produce department has in bringing in local and having a personal relationship with growers. There's a willingness to try things we're growing and a willingness to buy things that are maybe a little bit different, like our pink celery this year. It was new and weird and we were pleasantly surprised when the Co-op ordered it. There's also a big emphasis on organic, which is important to us since we're a certified organic farm. Beyond that, the types of products the Co-op is buying from other countries tend to be fair trade – we try to think about the working conditions of people who are making our food. I'm glad I can buy fair trade chocolate at the store."

Joe Newman & Kate Debs
Mighty Soil Farm
Owners for **2 years**

"The benefit of special ordering – that to me is worth it in itself. (Superior Culture) is not necessarily at the capacity for wholesale ordering directly with distributors, so being able to work with the Co-op allows us to grow and keep things at the scale we want them to be without overstretching. It also allows us to have a strong diversity in what we're able to produce. Instead of buying hundreds of pounds of the same thing, I get to do a bunch of small batches with items I find at the Co-op. I spend a lot of time in the produce section just staring at things trying to get inspired by new flavors. I'm also really thankful for the Upper Peninsula Food Exchange – to have that local food hub and being part of increasing the availability of local food in this community is probably one of, if not the most, important things we can be doing right now."

Alex Rowland
Superior Culture
Owner for **5 years**

"Mom always said it's nice to share your toys and blessings. I'm really social and I've made a lot of connections with people at the Co-op. It just has a good vibe both in terms of the quality of the materials that are available and the kind of people that work there, the kind of people that shop there. It's a pleasant culture to rub shoulders with. It's almost like I'm with family, with friends that have common focus and interest. You don't get that kind of feeling at the commercial stores – you get that feeling at your local co-op. You feel like you're doing a good thing."

Peter Zenti
Owner for **11 years**





77

Employees

87%

Full-time staff

\$129,894

Total pandemic bonus pay to staff

“I’ve switched careers four to fives times in my life – I do something professional with my degree and then I get a certain point and I’ll go back to herbs and wellness, then repeat. I was at a crossroads with my career once again and came across a list I had written, and the Co-op was at the top. I want to work with people with similar values and who share similar outlooks on life and the Co-op checked all my boxes. I just really like being in a place that supports my values so I don’t have to leave those at the door when I come to work. I think life is too short to separate your values from what you do 8 hours a day.”

Laura Vanden Avond
MFC Employee, Wellness Department
Owner for 5 years





HEAT

We are reclaiming the heat from our compressor room for our hot water needs and to use as supplemental heating for our building. The building is very well insulated with a soy-based spray foam.



WATER

Rainwater from our rooftop is filtered and used to irrigate the green spaces around our building. A half inch of rainwater from 502's rooftop will fill our 4,000 gallon tank, located underground near the building's east entrance. We also recycle condensation from our coolers in the store, which is used to flush our toilets.



REFRIGERATION

The Co-op's refrigeration is new, highly efficient, and lit by LED lights. The coolers run on controlled motors that turn on and off as needed.



LIGHTING

Our store lighting was designed by the same firm that lit the NASA Space Museum in Florida! The lighting is mostly LED, which lasts longer than traditional incandescent lighting and reduces carbon emissions, with some high-efficiency fluorescents. Our basement offices are brightly lit by 11-watt fixtures that draw less power than a refrigerator bulb. Additionally, all lights are on timers or motion detectors, which greatly reduces energy cost and consumption.



GREEN SPACE

We designed our parking lots to include intentional green space populated by native plants to minimize runoff into municipal water system by soaking up as much as possible. The main lot is slanted to inward toward the green space.



\$1,811
Local donations



\$9,256

Raised for schools and through our Farm To School Fundraising Program

\$9,022

Round Up at the Register donations for United Way and local food banks

31 Seed Orders

Through the Virtual Seed Swap co-hosted with Queen City Seed Library

The community was not able to gather in person to swap seeds for this annual event due to COVID-19. The Co-op and The Queen City Seed Library worked together to set up a (mostly) virtual multi-step seed swap where participants could drop off seeds, place an order online, and then pick up their packaged seeds at the MFC.



562

People reached through Outreach activities prior to March shutdown

We are proud to have introduced a virtual class series in September of 2020, allowing 43 people to cook along with us at home via Zoom before the end of the year.

25

Number of traditional indigenous foods featured in the Annual Anishinaabe Scavenger Hunt



53

Number of farms promoted in the UPFE direct to consumer guides
Created to help consumers connect with local food during the start of the pandemic

13,425

Followers on social media



77

Local vendors

\$1,521,637

Total local sales in-store

35%

Total revenue returned
or spent locally

4%

Products carried that meet
the definition of local*

** Grown, raised, harvested, or produced in the U.P.*

U.P.  FOOD
EXCHANGE
growing local food systems

\$123,479

Sales passed through
UPFE Online Marketplace

93%

Increase in UPFE Online Marketplace
sales outside of the MFC sales



\$21,945

Amount customers saved in 2020 from our monthly Wellness Weekend sales



60%
of products have organic ingredients

\$12,782

Purchased from local vendors for Farm to School Fundraising

\$1,022

in vitamins given to staff to support wellness during the pandemic



\$3,490

Donated through the Scrip & Wellness Gift Card programs





502 W. Washington St.
Marquette, MI 49855

In-store Hours **9am - 9pm**
At-risk Population Hours **8 - 9am**
Grocery Pickup **10am - 7pm**

www.marquettefood.coop
Marquette, MI 49855

