

Keweenaw Co-op Annual Meeting  
Held at First United Methodist Church  
401 Quincy Street  
Hancock, MI 49930  
April 24, 2017

**Present:** Allan Baker, Nancy Bird, Kenneth Cygan, Carl Blair, Heather Britz, Susan Burack, Daniel Butler-Ehle, Sergei Casper, Lisa Casper, Peter Chiomenti, Karin Cooper, Doug Cooper, Cynthia May Drake, Heather Dunne, Nate Dunne, Charity Emkin, Benjamin Emkin, Frank Fiala, Emily Dekker-Fiala, Jeff Flam, Samantha Gonzales-Flora and 1 child, Thomas Flora, Felix Fournier, Virginia Fournier, Joseph Freed, Crissy Gerhart, Ruth Gill and 2 children, Jessica Gohman, Kim Green, Jay Green, John Hamilton, Melissa Davis, Joseph Hendrickson, Jessica Juntunen, Daniel Krueger, Michael LaBeau, David Lones, Michael Mallow, Susan Mallow, Alice Margerum, Steven Walton, Beverly Maynard, Peter Method, Cynthia Method, Elizabeth Murrell, Don Herman, Ann Pace, John Slivon, Fred Quivik, Nancy Regis, Karen Rumisek, Kathleen Searl, Susan Serafini, Kiko de Melo e Silva, Sarah Dandelet, David Walls, Patrick Walls, Anna Walls and 1 baby, Rachel Walls, Curtis Webb, Keren Tischler. 13 children were in attendance.

*Note:* This roll includes all owners who signed the Annual Meeting sign in sheet. It may not include all members of owner households who were in attendance. There were 43 households in attendance.

**Carl Blair called the meeting to order at 6:10 pm.**

Carl Blair officially welcomed the owners and stated it was great to see everyone and that there are 42 voting owners, enough to call a quorum. This is the first year that the meeting has been moved back a month. The official reason is that it works better for getting the financial information together to report to the owners and the unofficial reason is the weather (2016 was a storm and this year was snow and rain). The weather comment drew laughter from the group.

**Approval of 2016 Minutes** – Daniel Butler-Ehle recommended that the actual text for the bylaw change be added to the 2016 minutes.

**MOTION:** Daniel Butler-Ehle motioned to accept the 2016 Annual Meeting Minutes as with the actual text of the 2016 Bylaw change added to the 2016 Annual minutes as follows. Peter Method seconded. The motion passed without opposition.

*3.1 Annual Meeting. An Annual Meeting of the Members must be held within four (4) months following the close of each fiscal year, at a time and place fixed by the Board.*

**Carl Blair introduced Curt Webb to discuss the Annual Report.**

Curt Webb thanked everyone for coming and said it was great to get together. We have finished 43 years of the Co-op and are starting the 44<sup>th</sup> year. Curt has always liked this event; it is one of the ways to practice democratic control by voting for the Board leadership or any other business, and the Co-op members can vote on where the “Bring a Bag” campaign funds are going to be distributed in the community.

Curt Webb thanked the Staff for their efforts throughout the year and for putting tonight's event together, the Board of Directors for their leadership and sticking with it and the broader community for supporting the Co-op.

Curt Webb's power point presentation focused on 2016 and he read the Global Ends Policy:

*"The Keweenaw Co-op Incorporated exists to sustain the physical and social health of our owners, customers, and community with: A Resilient and Ethical food infrastructure; Education, Activism, and Communication; Advantages of a cooperative business model."*

He stated that ultimately the Ends is the document that guides the co-op. On the operational level, we need to expand and interpret and build into something that can be operationalized. The main guiding document is the Strategic Direction.

**Good Business – We are excellent operators, cooperators and stewards.**

Good business captures what is done day-to-day at the coop, and we try to follow the Co-op best practices to ensure that the Co-op is a wonderful place to shop and work.

Future targets are to lower prices to make offerings more accessible to everyone, and we anticipate operating on a lower margin in the coming years.

Sales are almost the only source of income for the Co-op. We had a solid year in 2016. The target was double digit growth. We were hoping the response from the reset would continue after the reset. The double-digit growth did not continue, however. One reason was the transition in the marketing department. There were a lot of things that we wanted to do but were not able to do.

For cooperative grocers nationally, things are tightening up in sales because of competition. The average growth nationally was 2% for 2016. Our 6.7 % growth is solid.

Labor is the biggest expense after Cost of Goods. How do we increase wages and benefits while at the same time lowering the wage and labor margin?

Q: (Peter Method) How does our Co-op's labor margin compare with other Co-ops?

A (Curt Webb) Our co-op labor margin is high at 28%, compared to 23% for similarly sized Co-ops. In general, the larger the Co-op, the lower the number.

Q (Peter Method) What is the meaning of Labor Margin?

A (Curt Webb) Great question! The expense of Labor as a percentage of Sales.

Curt Webb posed the question: How do we do more for the staff and bring the labor margin down? The answer: increased productivity. The Sales Per Labor Hour trend hasn't been tracked for very long. Our target is similar to other Co-ops our size.

Cooperative Development Service and Bill Gessner helped us evaluate our readiness for relocation in 2016. We have some work to do, but have made a lot of progress.

National Cooperative Grocers (NCG) specialists have visited our Deli and Produce Departments. They looked at systems and provided suggestions to help with our efficiencies.

We have been reaching out to our cooperative peers to share of ideas and solutions.

A goal for 2017 is an NCG store audit to see where we can improve and tighten up, the audit can point out opportunities.

We are looking at our technology. Making sure what we have in our building is up to date and not holding us back.

Advances in our workplace: In 2016, we created and filled a Human Resources position. The position has relieved some of the responsibilities of the department managers and myself. Savannah has reworked the wage scale, expanded paid time off for staff and we are working on how we can have more full-time positions. Savannah has been working on staff retention, job satisfaction and creating an atmosphere of respect. There is a new Employee Assistance Program that we are offering and are developing a wellness program. We're taking advantage of staff training through NCG.

Working conditions: We now have a safety team that pays attention to problems and offers solutions.

Cooperation among Co-ops: We are utilizing the benefits of our Co-op organization. Using manuals provided by other Co-ops and NCG, networking with our peers on best practices, and visiting other Co-ops are opportunities to learn and share experiences. While attending a recent Great Lakes Co-ops meeting, we visited Oryana in Traverse City. We conducted a mini audit to help them prepare for competition coming to town.

Dill Pickle Co-op in Chicago is embarking on an expansion project. Along with Shared Capital Co-op, they requested help with a funding gap of \$150,000. Along with other co-ops, the Keweenaw Co-op made a loan to the Dill Pickle Co-op.

Positive impact on Food Policy: In house, we are not as active as we would like as we transition our marketing department. We are, however, part of 150 + co-ops represented by NCG with representation on climate, Carbon Underground, GMO labeling, organics, Fair Food Network and small farms.

We have an in-house Green Team that looks at the sustainability in our current location. They have expanded our recycling program and started participating in a program called Co+Efficient. It tracks our energy usage and improvements.

**Great Food – We fulfill the community's demand for health and nutrition, ethical and sustainable goods, and great food.**

Fulfilling the community's need for great food: We provide an alternative to mainstream grocery products and want to be a leader. Our products should fulfill our shoppers needs and our ethics and comply with our ends.

Reliable source: We are working on inventory control to prevent out-of-stocks.

Pricing strategy: We are working to combat the perception that the Co-op is high-priced. Programs like Co+op Deals and Co+op Basics are part of the solution. We are looking in-house at our pricing structure.

We are planning another customer survey in 2017 to help us stay responsive to our Owners' and shoppers' needs.

Local Food System: We are playing an active role in educating and partnering with local farmers regarding health and food safety and good agriculture practice. Local distributors

and producers are at 10%, with local producers at 6%. Regionally we are purchasing 35%, the remaining 65% comes from outside of Michigan, Wisconsin and Minnesota.

**Authentic Experience – We build honest relationships and provide a supportive shopping environment.**

We are striving to create positive connections with staff, customers, Owners and future shoppers through employee training to become enthusiastic ambassadors for our Ends. We welcome everyone and customer service is a welcoming experience. A knowledgeable staff sets us apart from other grocery stores.

We have changed Owner Appreciation Day so you can pick your own discount day during one month per quarter. The next month to pick your discount day is May.

**Strong Community – We educate and engage people to encourage a healthy community.**

Our impact has a positive influence on the health of our community. We teach merits of wholesome foods, the local food system and a cooperative business model. Education and resources inspire our Owners to spread the word. Our new marketing manager has a passion for community and will further our goal of representation in the community. We will be more visible, more often and reach a wider audience.

The Owners were asked to spread the word and inspire others.

The Co-op partners with local business through events and sponsorship. We are now banking with a community bank that cares about giving back and investing in the community. They will be an excellent partner as we move into future relocation and expansion.

**Vivid future – We develop our vision and prepare for an expansion and relocation project.**

We are actively exploring the feasibility of relocation. We looked at the numbers and our finances need to be in-line to feel good about going into the project. We are looking at sites and exploring all options. We would like to make sure that you, our Owners, share the same vision. When we start the project, we want to ensure that people are excited and behind it and not pulling away.

We need to achieve financial performance that will sustain the Co-op through the expansion and relocation project. Right now, we are running on a relatively slim margin. When we do find a site, we will revisit market feasibility. Currently we have no debt load; after relocation, it will be closer to 5%. We will need to increase our net margin to have enough funds for the relocation.

We recently had an opportunity to dig into site design and feasibility. It was educational and a valuable experience.

**Ownership**

Ownership builds loyalty and a solid vision of what the future can be. We currently have 1200 owners, with 1100 active within the last year. One thousand new owners in the next year or two is the goal. Curt Webb reference Carl Blair's newsletter to the owners regarding doubling Owner numbers if everyone recruits one new owner. We will have an owner drive in October to build excitement.

With lots of big goals, the Co-op is building the right team and positioning for expansion. We are expanding our reach, impact and eventually relocating and expanding our store.

Curt Webb thanked everyone for their support of our mission: our community, our Owners and our hard-working Co-op staff.

Applause for Curt Webb and his message.

**6:55 - Carl Blair presents the Message from the Board**

Carl Blair stated the Board is also very grateful to the Owners, Staff and to Curt for making this happen.

One thing that we hear as a Board when we go to meetings or training, is the consistent message that we are one of the good co-ops. This is one of the reasons our sales have increased 7% instead of the industry average of 2%. We are a good co-op.

Carl Blair stated that when he talks to people about the Co-op, he tries to avoid asking why someone can't do more and why they still use credit cards vs. cash or checks. The charges for credit cards usage are almost the same as the profit. He feels that when he talks at the meetings he asks everyone to try to recruit new members and to stop using credit cards. What he wants everyone to know is we are a good co-op; it isn't just the staff and the board that are good, it is everyone.

Carl Blair explained voting changes: last year was the first year that we stopped nominations from the floor. This is the last year we are going to vote at the meeting. From now on, voting will be on-line or in-person at the store. Voting completed before the meeting will allow more time during the meeting to be devoted to development of the Co-op.

**Carl Blair called for the votes:**

**On the ballot:** Prospective Co-op Board Members- Vote for no more than 3 directors (to serve until 2020)

Candidate - Peter Chiomenti

Candidate - Heather Dunne

**On the ballot:** Bring-a-Bag Campaign – Vote for no more than 2 Recipients (May 2017-October 2018)

Recipient - Child and Family Services – Housing Resource Center

Recipient – Green Film Series

Recipient - Michigan Tech Preschool

Recipient – Pine Mountain Music Festival ([pmmf.org](http://pmmf.org))

Recipient – Rainbow Kids

Patrick Walls collected the ballots.

Carl Blair mentioned the Co-op is in great shape - our profit is growing and membership is growing. We can just coast along and sometime in the future, we can relocate. We are eager to do it now. We need to find out what we want to do. The Board has a vision; the Staff have a vision. Carl told the owners that there will be another owner survey in the fall.

**Carl Blair showed a ten-minute Ted Talk Video on Growing Community Through a Food Co-op by Michelle Lop.**

**After the video, Kim Green handed out a copy of the Rochdale Principles and a questionnaire to be filled out at each table and discussed.** Carl Blair explained that the Rochdale Principles are the only 'ism' from the 19<sup>th</sup> century that has not changes. These are the 7 principles from 1944 that were agreed upon for the first modern co-op. Carl said the Board will discuss the questionnaire and use the information for planning.

**Carl Blair announced the results of the voting: there was a quorum and 42 voting units participating. There were 70 on-line and 4 absentee votes.**

**Board of Directors election results:**

Heather Dunne was re-elected.

Peter Chiomenti was elected.

**Bring-a-Bag campaign (May 2017-October 2018) election results:**

Child and Family Services – Housing Resource Center (first half of the year)

Rainbow Kids (second half of the year)

Carl Blair acknowledged John Slivon's work on the board last year. Samantha Flora Gonzalez and Michael Mallow are leaving the board and were acknowledged for the time they each put into the board. Everyone is extremely appreciative of their work.

Applause for Heather Dunne and Peter Chiomeni.

**7:30 pm – open for questions.**

**Q: (Ann Pace)** I am not clear how our Co-op is interpreting the Ends of a resilient and ethical food infrastructure. I don't know how that's defined or what standards are set on the part of the Co-op in making decisions on products to carry and how to market them.

**A: (Curt Webb)** We focus on sustainable practices in terms of food production, defined further by methodology and region. Focus on local items where we can, with the understanding that so much is dependent on transportation. Organics, GMO's and Fair-Trade all fit into an ethical infrastructure. Curt asked Ann Pace to read how it is worded.

**Ann Pace:** It says: *The Keweenaw Co-op Incorporated exists to sustain the physical and social health of our owners, customers and community with a resilient and ethical food infrastructure.* As a member of the Co-op am not sure that's my goal, as an individual owner member, I am not sure that I really understand how it could be implementable and does it mean that we only sell organic food? Clearly not. Does it mean we only sell fair-trade food? Clearly not. Does it mean we don't sell red palm oil products, clearly it doesn't, because we do. I don't know how it gets implemented, and an Ends policy that we can't understand is not very useful.

**A: (Curt Webb)** I would like to share with you my latest interpretation of my Ends report. I don't have it with me. On a lot of these things we are making decisions that are supporting, enhancing and building this. Any number of these things could be working against each other. Some other things in our buying guidelines say that we will make sure that our customers have access to these things. If we started to go on that list of guidelines and look for the products that met every single one of them there would be very few products, and the price point would probably be one that most of our customers could not afford or would not be willing to pay. It is a tricky balancing act, it is something that we think about every day

and every week, how do we both provide to the best of our ability as we are not sitting in the middle of organic farming. We end up at the mercy of what can we get here. In the midst, can we support and bolster what we want to see grow. It comes down to consumer choice. What are people asking for and buying; fitting that into the other missions.

**Q: (Ann Pace)** Are people and members different?

**A: (Curt Webb)** People are potential future members. In the position we are in, we need to consider the entire community. Our members are voting for the Board of Directors that is setting policy, that is dictating to me what I can and can't do. That puts members in a whole different place than people. When it comes to what people are buying at the store, it becomes less clear. There is nothing that says we are going to be an exclusive store for our owners.

**Comment: (Sergei Casper)** Thank you. That is the terminology I was going to use – there are no members anymore. There are owners.

**Comment: (Carl Blair)** From the Board's perspective, with guidance from you (Owners), we establish the Ends and say, "Curt this is what we would like you to do; please tell your staff". The Board's definition of this is: it is a process. Would I like to see the people of the community eat more organic and fair-trade food? Absolutely, but we can't dictate this, what we can do is encourage, communicate and work hard on the price points. If you look at the sales, they keep going up in organics and fair-trade. So.. something is working.

**Q: (Benjamin Emkin)** It was mentioned that 88% of the Produce is Organic, but do you know how much of grocery, bulk and across the board is organic?

**A: (Curt Webb)** Unfortunately, at this point we do not. There are a few ways for us to pull some of that information. Our Point of Sale system has some capability if we go in and flag everything to be able to generate reports on what we sell. There is a company that we submit data to and they have some items tagged and we can pull some pieces of information on trends from there. It doesn't represent everything we sell, only what we purchase from them that we sell. This is a discussion the buyers have been having: how can we track so we can tell if we are moving in the direction we want to be moving.

**Q: (Benjamin Emkin)** What is that direction in terms of a target for how much is organic.

**A: (Curt Webb)** We do not have a specific target, it is driven by consumer needs. If the price point is more important than organic or the local isn't organic, we are going to respond to that. The goal would be continuous improvement. Moving in the direction to encourage people to buy organic through price points and specials.

**Comment: (Carl Blair)** 88% of produce is organic, and much of the local produce is not certified organic, as it is an expensive process. They happen to grow it organically, but we cannot sell it as organic.

**Q: (Peter Method)** Do we know from the NCG or other what other co-ops are doing as far as organics and how do we stack up against them?

**A: (Curt Webb)** I have access to some of it. There are co-ops out there that are ahead of us with their tracking system. Our Point of Sale system can track it, it is the data entry chore that we need to finish before we get the full picture. A small co-op in the north would be a good one to compare to vs. one in a tropical valley.

**Comment: (Susan Burack)** I choose local and I talk to some local farmers so I know their practices; more is organic than can be labeled.

**Comment: (Charity Emkin)** If the Principles are important to us and we abide by them, they are antiquated. I do believe that using *one man, one vote* is using an antiquated pronoun.

**A: (Carl Blair)** I brought that out today, because that is literally the 1844 wording. That is a historic document; we have evolved since then.

**Q: (Peter Method)** Is there a definition as to what is local or regional?

**A: (Curt Webb)** For us, local is the three-county area and we sometimes include the UP. Regional is the three states of Michigan, Wisconsin, and Minnesota.

**Q: (John Slivon)** NCG, how much does it dictate what the co-op sells?

**A: (Curt Webb)** It does not. It provides the Co-op Deals Program and the Co-op Basics Program. If we want to participate in the program, they are selecting the items that are in the program. They take feedback on their decisions. A lot of that is who is willing to strike a deal to offer a lower price. It is a co-op buying club; once we are in the program, we have agreed to carry certain items, but there is nothing we can't opt out of. We can also decide not to participate, but I believe that would be detrimental, as it allows us to offer prices that are as good or better than other places in town and still make our price point.

**Q: (Kiko de Melo e Silva)** I don't carry cash. It is sad how much we could have it not for the credit card charges. Can I pay up front?

**A: (Carl Blair)** Yes, we do have that, in the form of a gift card.

**A: (Curt Webb)** You can use a credit card to load the gift card one a month. The charges are per purchase. The Co-op still pays a fee, but it is less than if it were used every time.

**A: (Daniel Butler-Ehle)** There isn't a processing fee on gift cards.

**Q: (Kiko de Melo e Silva)** Can I pre-pay once a year? The Co-op would get the interest until it is used.

**A: (Carl Blair)** We can consider it.

**A: (Curt Webb)** A gift card works best right now.

**Comment: (Kim Green)** Checks are okay to use.

**Comment: (Ann Pace)** My credit card offers cash-back.

**Comment: (Beverly Maynard)** Often I hear the cost is too high at the Co-op, but there is a cost for eating bad food.

**MOTION:** A motion to adjourn the meeting was made by Michael Mallow and seconded by Daniel Butler-Ehle. The motion passed without opposition.

The meeting adjourned at 7:58 pm.

Minutes submitted by Nancy Regis