

Silver City Food Co-op

Annual Report 2017

General Manager Report

by Joe Z

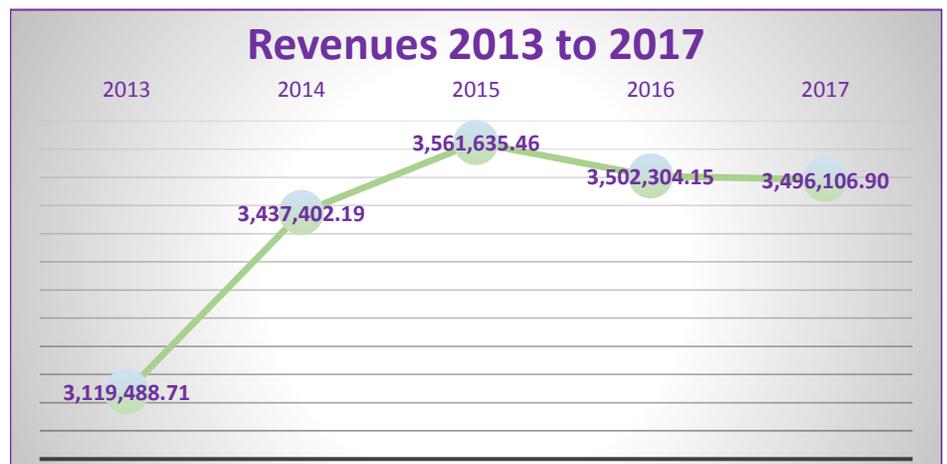
To All Co-op Members,

2017 proved to be a mixed bag for us though the end results have proved to be quite positive. The year started with a continuation of the declining sales that started at the end of 2015. Often that is misinterpreted as “the Co-op is in trouble”. Nothing can be further from the truth.

Business cycles have their ups and downs. That’s a normal phenomenon that effects most businesses over time. The Silver City Food Co-op sustained very significant growth from 2013 through (most of) 2015 approaching a half million increase in sales. From our peak, revenues dropped around \$65,500 overall through 2016 and 2017. While that is a small percentage overall, it did necessitate some cutbacks to keep our business strong.

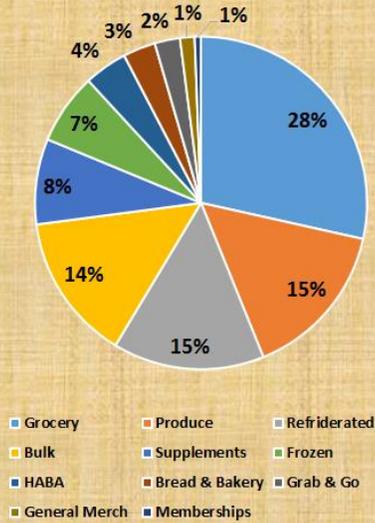
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Revenues 2013 to 2017



WE ENDED 2017 WITH 2100 MEMBERS!

Percentage Revenue by Department



IN 2017 - MEMBERS AND SHOPPERS GAVE \$19,235 TO COMMUNITY ORGANIZATIONS THROUGH OUR ROUND UP PROGRAM!

Groups coming up this year!

- May – Volunteer Center
- June – Literacy Link
- July – Expanding Your Horizons
- Aug – Girl Scouts of Desert SW
- Sept – NM Breastfeeding Taskforce
- Oct – SPIN (Supporting People in Need)
- Nov – Grant County Food Pantry
- Dec – SRASS (Silver Regional Sexual Assault Support Services)

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Most of our efforts that started in 2013 that created the vibrant growth were still in effect and were continued to be fine-tuned. This mainly revolved around finding the best deals and values for our Members as well as introducing exciting new products that help maintain our commitment to healthy Organic and Natural foods. Our Membership has responded by supporting these products. Because of the small size of our store, to make room for these items, it necessitated removing some of our slower moving items which – for the most part – can still be special ordered.



Looking to stretch your grocery budget?

Just look for this logo.
Co+op Basics offers everyday low prices on many popular grocery and household items.




Don't forget to take advantage of our Co+op Deals for other great ways to save when shopping the co-op!

IN 2017, WE HAD 36 VOLUNTEERS RECEIVING A 15% DISCOUNT VOUCHER FOR EACH 3 HOURS WORKED!!

520 location	revenue	bottom line *	payroll rise
2,008	2,493,346	29,532	(6,188)
2,009	2,576,545	21,471	50,277
2,010	2,733,465	(2,386)	65,017
2,011	2,921,954	(32,188)	58,832
2,012	3,024,142	(18,088)	29,246
2,013	3,119,489	3,113	66,365
2,014	3,437,402	(26,940)	95,889
2,015	3,561,635	(14,893)	57,692
2,016	3,502,304	9,600	(52,609)
2,017	3,496,107	32,096	(22,472)

** pre-2013 bottom line numbers are adjusted to remove member fees as is now calculated. The rises in payroll is the main factor of bottom line fluctuations. Cutting payroll in '16 & '17 brought us back to profitability.*

Indeed – if we look at our store proper (without the Market Café), we had over a \$9,000 surplus (profit) in 2016 and over \$30,000 in 2017. Not only is that strong performance but is a very positive indicator for our future.

Importantly, we have expanded our “Co-op Basics” to include many more items at reduced cost to Members so that everyone – regardless of their income level – can benefit from the healthy foods that we carry. Again – Members responded enthusiastically as our Basics products have seen quick and sustained growth.

All our efforts have certainly paid off as by the end of 2017, revenues have started to approach what we have seen at our peak. This trend has continued so far through 2018 yet as mentioned, businesses will move in cycles and past performance does not indicate future performance. The importance of seeing revenues increase is not the growth by itself but rather it shows that our Co-op is not in steady decline (as are many other businesses in this new day and age) but is part of the natural ebb and flow of a business.

Members are noticing the increased vitality of our Bulk department as new and more tasty products have been introduced. Our Refrigerated department has seen

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mighty growth this past year and Members are delighting in the specialty cheeses that we have experimenting with as well as such niche market products as our Raw Milk. Produce remains very strong as our commitment to Organics that is not seen at other stores is a huge plus. Even our Frozen department is seeing quite significant growth.

We have dropped prices on many item resulting in lower margins but increased sales. And after years of experimenting with our MAD discounts we have settled on three 2-month periods where Members can choose any 2 days through those periods (Feb/March, June/July and Nov/Dec). In addition, there is one 3 day MAD period in September with a whopping 15% discount! We have also introduced department specific sales during Oct. which is always National Co-op Month.

We have continued our pursuit of local products and the celebration of our local vendors. Two of our new products, our raw milk and local honey have been accepted enthusiastically by our Membership making our Co-op truly the land of milk and honey.

The 614 Project

Otherwise known as the Market Café, the losses that plagued us in 2016 were reversing in 2017 although they were still significant. As this enterprise was looked at, it was decided the energy needed to complete a full reversal and bring it to break even and profitability were too great. Thus the decision to close down the project was made. This decision will allow us to concentrate our energy on our Store proper and to pursue our goal of relocating our Co-op in the coming years.

We have learned a lot from the project and a relocation is beset by many questions that currently have few answers. It is difficult to find a larger spot that fulfills our needs in the downtown area yet many Members would understandably frown on moving outside of downtown. We have no opportunity for physical growth where we currently are (no – we cannot build up for a number of reasons). The separation of our business into two physical entities (our store and the warehouse behind it) has created many inefficiencies that might have been fine when we were smaller but is now a constraint on us and creates quite a bit of inefficiency. Having all our operations under one roof will greatly enhance our ability to respond to a changing market.

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**We carry more
Local Products
than others,
including:**

Eden's Garden

FRISCO FARMS

POCO LOCO

Rock House Farms

Proverbs Farm

& Dairy

**Preferred
Produce**

KARUNA KITCHEN

**GILA RIVER
RANCH**

EZ Does it Farms

**Living Harvest
Bakery**

Desert Women

Botanicals

Salsa Patria

Silver City Food Coop		
2017 Income Statement - 520 N. Bullard only		
	2017	2016
REVENUES	3,496,106.90	3,502,304.15
COST OF REVENUES	<u>2,261,566.62</u>	<u>2,248,755.94</u>
GROSS PROFIT	<u>1,234,540.28</u>	<u>1,253,548.21</u>
OPERATING EXPENSES		
Personnel	887,023.83	909,495.51
Occupancy	50,732.84	52,146.02
Depreciation	50,280.36	50,693.72
Store Operations	63,810.49	71,134.88
Administrative	54,219.78	50,998.92
Marketing	19,930.92	33,129.41
Member Discounts	79,699.87	65,468.92
Governance	12,388.37	17,901.46
TOTAL OPERATING EXP	<u>1,218,086.46</u>	<u>1,250,968.84</u>
NET OPERATING PROFIT	16,453.82	2,579.37
OTHER INCOME (EXPENSES)		
Other Income (Expense)	16,271.29	7,924.59
Interest (Expense)	(628.83)	(903.79)
Income Tax Benefit/(Expense)	0.00	0.00
Current Year Adjustment	0.00	0.00
TOTAL OTHER INC (EXP)	<u>15,642.46</u>	<u>7,020.80</u>
PROFIT/(LOSS)	32,096.28	9,600.17

Silver City Food Coop		
2017 Balance Sheet - total company		
	2017	2016
TOTAL CASH	171,792.66	124,994.77
TOTAL INVENTORY	220,168.63	224,359.79
TOTAL RECEIVABLE	5,748.28	3,901.01
TOTAL PREPAID	17,406.78	21,784.58
TOTAL CURRENT ASSETS	415,116.35	375,040.15
TOTAL FIXED ASSETS	308,042.63	372,774.21
TOTAL OTHER ASSETS	<u>72,862.09</u>	<u>61,052.19</u>
TOTAL ASSETS	796,021.07	808,866.55
TOTAL CURRENT LIABILITIES	228,241.05	229,231.58
TOTAL LONG TERM LIABILITIES	3,430.46	9,073.07
TOTAL LIABILITIES	231,671.51	238,304.65
TOTAL EQUITY	<u>564,349.56</u>	<u>570,561.90</u>
TOTAL LIABILITIES & EQUITY	796,021.07	808,866.55

Our Future

We are certainly well situated as we traverse our way through 2018 and the coming years. Sometimes, from our wonderful but isolated perch in Silver City, it is difficult to see the changes that are happening across our country in the Organic/Natural foods market.

Others have entered this market which used to belong almost exclusively to our Co-ops. This has created a lot of pressure on finding products and keeping our store stocked. There is simply not enough product to fill everyone's demands as well as the big stores gobble up what is there. This will correct itself in the next few years as more and more farmers and manufacturers turn to organic and natural products. Right now, we are constantly chasing product.

This is where our association with the National Co-op Grocers organization really comes to play. Leveraging the purchasing power of 147 Co-ops across the country, this group can obtain great deals that our Co-op by ourselves cannot get. All the fantastic prices seen in our Co-op Deals program comes from this organization – essentially a food broker for our Co-ops. Also many of our Co-op Basics come from the NCG while we supplement other products to round out the program.

Across those NCG Co-ops, 6 small ones have failed this year as well as the loss of the Bisbee, AZ co-op (not an associated NCG co-op). We also have seen dramatic drops in revenues from our sister Co-op in Las Cruces, Mountain View Co-op, which has moved from a dynamic entity reaching nearly \$5 million to just over \$2.5 million in 2017. Food Conspiracy Co-op in Tucson has stalled in revenues and has been in transition with 4 managers over a 15 month period. La Montanita Co-op in Albuquerque has been in turmoil over the last couple of years as it too has had 4 different managers but has now settled down. Los Alamos Co-op as well as the Durango Co-op have stabilized this past year after two years of dramatic sales decreases.

Truly, our Co-op has remained quite stable in view of what is happening to Co-ops across our country. The key to success is determining exactly what the Membership wants and to educate all as to the value and the alternative that Co-ops offer. We believe we are attaining that at our Co-op. Yet our efforts in these areas will continue to increase as the possibilities for our Co-op to make significant impact on our community remain very high and sustained.