



2020 Ends Monitoring Report

Submitted by Kari Bradley, General Manager

October 2020

Executive Summary

Faced with the sudden onset of a once-in-a-century pandemic, our cooperative community had a remarkable 2020. Employees demonstrated that we are truly essential workers by swiftly adapting operations while working tirelessly and at risk to provide a reliable flow of co-op products. Local vendors maintained an impressively steady supply of products especially relative to the shortages in many national brands. Members and customers contributed their part by adjusting shopping behavior and for the most part practicing patience and kindness. Cooperatives locally and nationally supported each other with information sharing and moral support. While incredibly challenging, 2020 provided unique insight into what we can accomplish together.

Our co-op has operated with a consistent set of Ends policies for more than a decade. We have enjoyed relative clarity on the values they articulate along with shared interpretations and measures we use to gauge success. This year's crisis brought our Ends and purpose into even clearer focus. As the policies indicate, we exist to serve the community while generating multiple positive impacts across a variety of social, environmental and economic values. This report is evidence to our collective success.


The pandemic sharpened our focus operationally and at the governance level. This year's report continues that theme. Rather than the broad perspective used in recent years, this report spotlights about 35 measures that most precisely measure our core values.

Overall, we saw mainly steady progress in 2020, along with some outsized accomplishments and notable declines largely associated with conditions caused by the pandemic. We continue to see incremental improvement in areas of membership, employment and cooperation. We saw significant improvement in financial performance and sales of various product categories. There are many opportunities to improve, particularly in the areas of education. Note that some financial measures are subject to change as we await final guidance on last year's Paycheck Protection Act loan.

My sincere appreciations to our member-owners, customers, employees, vendors, community partners, fellow co-ops and Council members whose contributions make up our success. I hope you find this report as inspiring as I do.

I am reporting reasonable accomplishment of our Cooperative's Ends policies.

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

Signed: 

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

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.*
- *A community increasingly educated about food and health and considerate of the impacts of its purchases.*
- *Local ownership and control of a comprehensive, sustainable food economy.*
- *Financially sustainable operations that support and yield economic, social and environmental returns.*

Interpretation: Our cooperative works to provide a sustainable balance of benefits to our many stakeholders in the arenas of community, good food and health, local food system, environmental sustainability, financial sustainability and returns, and cooperation.

Operational Definitions:

- We enjoy a growing, engaged and satisfied community of Member-Owners, shoppers, employees and Vermont vendors.
- Co-op serves as a preferred source for natural, organic, fresh and local food.
- Co-op supports development of a sustainable local food system to the benefit of many producers and consumers.
- Co-op valued as a resource for supporting health of our shoppers.
- Co-op provides impactful learning opportunities for members, shoppers and employees.
- Shoppers' purchases increasingly aligned with co-op values of health and sustainability.
- Co-op provides a sustainable balance of economic and social benefits to our stakeholders.
- Co-op minimizes environmental impact of our operations.
- Co-op contributes to strengthening of the cooperative food sector.

Measures of Success:

Stakeholder Group/Arena	Measures of Success
Member-Owners	Number, satisfaction, paid-in equity, member discounts
Employees	Number, employee-owners, % earning at least VT Livable Wage, satisfaction, longevity, retirement plan participation
Community	Co-op Cares impact, donations & sponsorships, HMCCF impact, education
Good Food, Health & Local Food System	Sales of produce, bulk foods, fresh foods, wellness, and local products, purchases from VT vendors
Environmental Sustainability	Sales of organic products, energy consumption and CO ₂ emissions
Financial Sustainability & Returns	Sales, net income, current ratio, liabilities:equity, total assets, total equity
Cooperation	Cooperative investments, sales of co-op products

Measures and Data

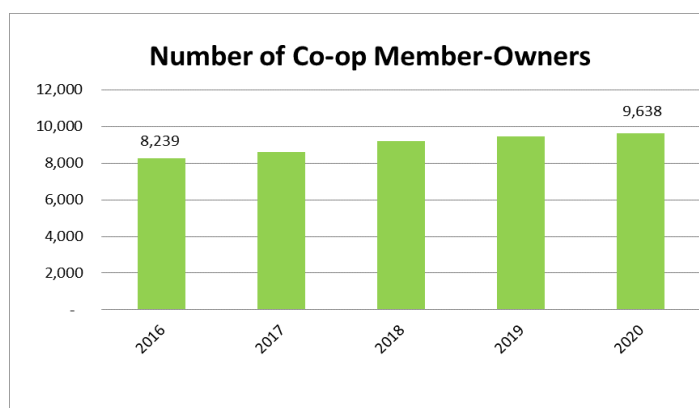
Member-Owners

Number of Members

Goal: Annual increase

Result: 1.8% increase to 9,638 members

Discussion: Growing membership strengthens our cooperative through investment, patronage, and participation. Membership continues steady growth and now equivalent to more than 17% of Washington County population.



Member Satisfaction

Goal: >3.5 average rating for primary satisfaction categories

Result: all >4.0

Discussion: Again in 2020, members on average expressed high degree of satisfaction with values and store-based categories.

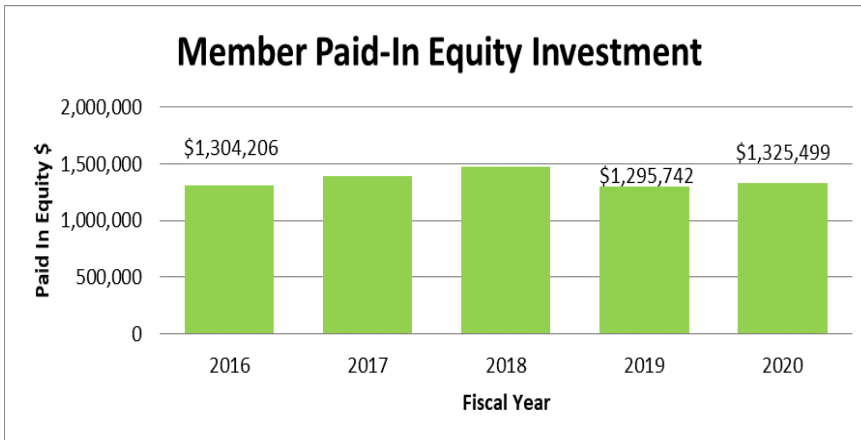
Indicate the degree to which HMC...	Average Rating
helps to create a sense of community	4.18
promotes environmental stewardship	4.27
can be trusted to make ethical business decisions	4.26
has a positive influence on my health	4.38
promotes cooperatives as a business model	4.32
is a valued source of information about food and health issues	4.07
supports the local food economy	4.49
is a responsible employer	4.25
How well are we meeting your needs?	
Overall Service	4.38
Overall Product	4.32
Overall Store	4.42
How likely are you to recommend HMC to a friend or a colleague?	4.57

Member Paid-In Equity

Goal: 2% annual increase

Result: 2.3% increase

Discussion: Member paid-in equity represents literal investment in co-op and provides financial strength. After decline in 2019 due to equity reversion required by bylaws, member equity is again growing.



Member Discounts

Goal: Increase in Total Discounts, 5% increase in Co-op Cares Discount

Result: 0.5% increase to Total, 0.7% to Co-op Cares (see page 9)

Discussion: Discounts are a fundamental benefit of co-op membership. We experienced unusually slow growth in total member discounts presumably related to pandemic shopping behavior. Slow growth in Co-op Cares additionally reflects lack of successful promotion amongst existing and potential new members.



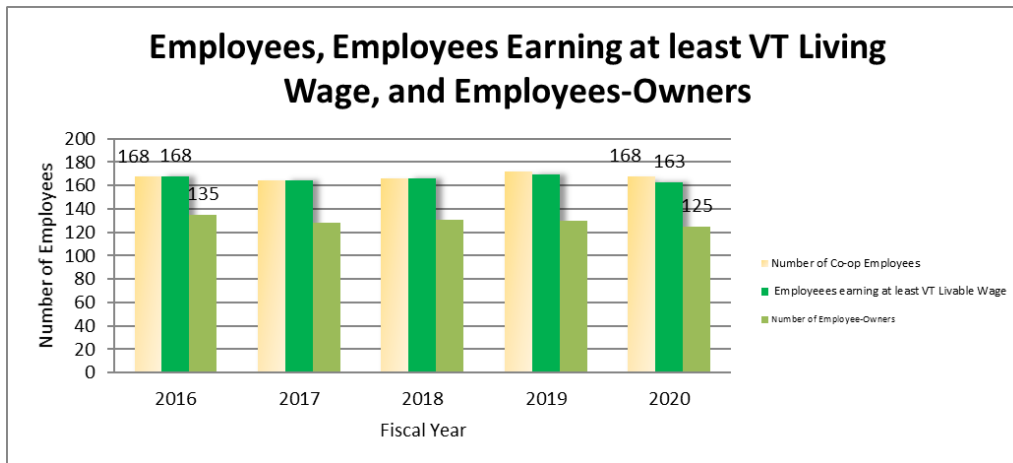
Employees

Number of Employees, Number earning at least VT Livable Wage, Number of Employees who are Co-op Members

Goal: Positive annual increases to each measure

Results: Annual decreases of 4 employees, 6 earning VLW and 5 who are also Co-op members

Discussion: Co-op is significant employer in Central Vermont providing many high-quality and fairly compensated jobs. 2020 decreases likely related to pandemic and reduced business levels at the end of the year. Note: Living wage calculations do not include gain share or essential worker pay differentials.



Satisfaction

No 2020 satisfaction survey data due to pandemic

Employee Longevity

Goals: Annual employee turnover rate below 40%, increases in number of employees with 5, 10 and 20 year of tenure

Result: Turnover of 18%, 2020 tenure data will serve as baseline

Discussion: Co-op continues to experience very low turnover relative to retail sector which is translating to increasing lengths of tenure.

Calendar Year	Annual Turnover Rate
2019	18%
2018	15%
2017	16%

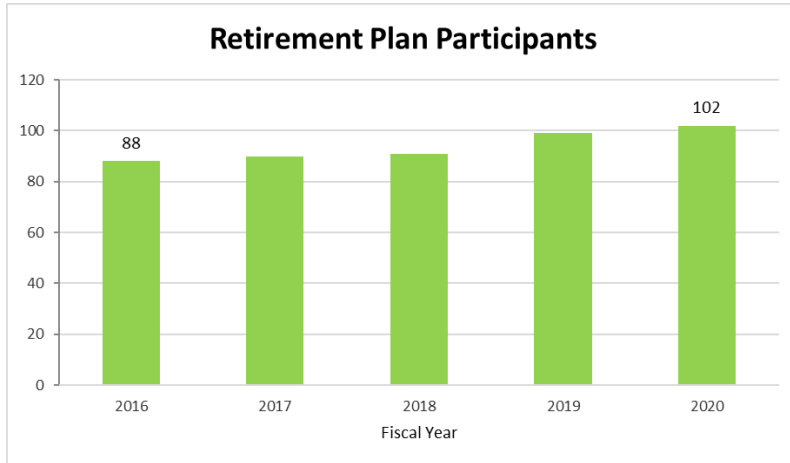
Tenure Level	Number of Employees	Percentage of All Regular Employees
5 Years or more	104	60%
10 Years or more	60	34%
20 Years or more	10	6%

Retirement Plan Participation

Goal: 80% of eligible employees or more participating in plan

Result: Increase to 82% participation rate

Discussion: Co-op supports employees and community by encouraging employees to plan and save for retirement. We have seen steady increase since making this a priority in 2015.



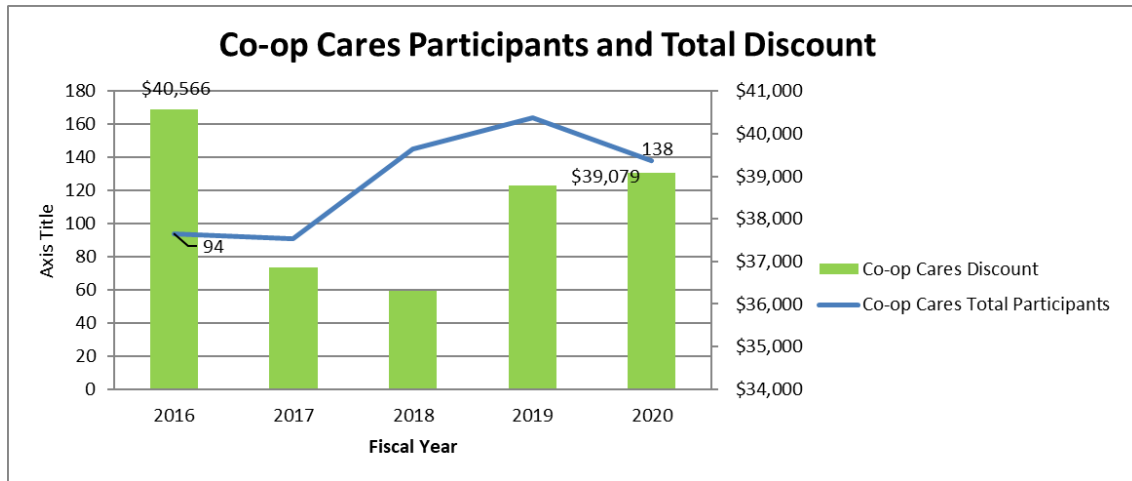
Community

Co-op Cares Impact: Participants and Discount

Goal: Annual increases

Results: Decrease of 26 participants, 0.7% increase in discount provided

Discussion: Our Co-op Cares discount program is an important benefit for low-income members supports membership diversity. The decrease in participants may be due to reduced outreach activity and other pandemic-related factors.

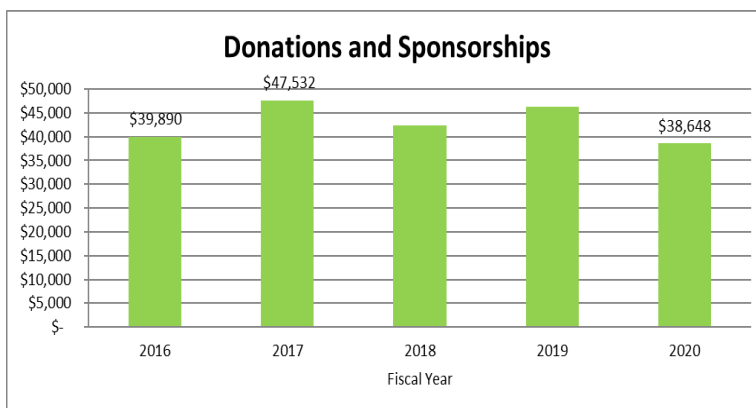


Donations and Sponsorships

Goal: Annual increase

Result: 16% decrease

Discussion: Co-op gives back to our community through donations and sponsorships. Like other discretionary spending, donations and sponsorships were curtailed during March-June period due to financial concerns related to pandemic; there was also a corresponding decrease in requests.

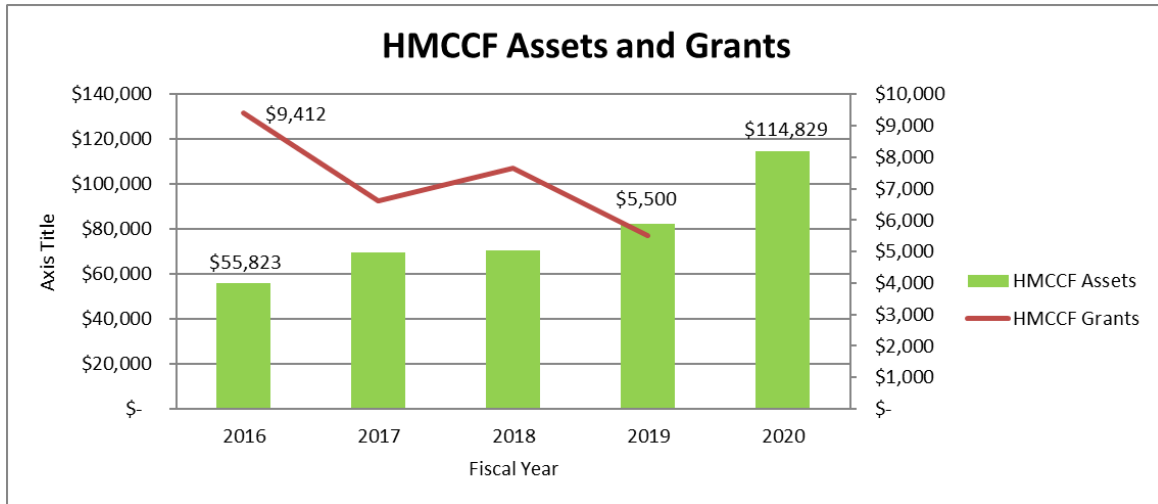


Hunger Mountain Cooperative Community Fund Impact: Grants and Assets

Goal: Annual increases

Result: 2019 grant total down 18%, 2020 assets increased 39%

Discussion: HMCCF is the Co-op's charitable giving and community investment fund. Grants were down in 2019 due to a combination of available assets and dearth of quality applications (2020 grant determination forthcoming). We have seen steady growth in fund assets over the past decade due to continued donations and investment.

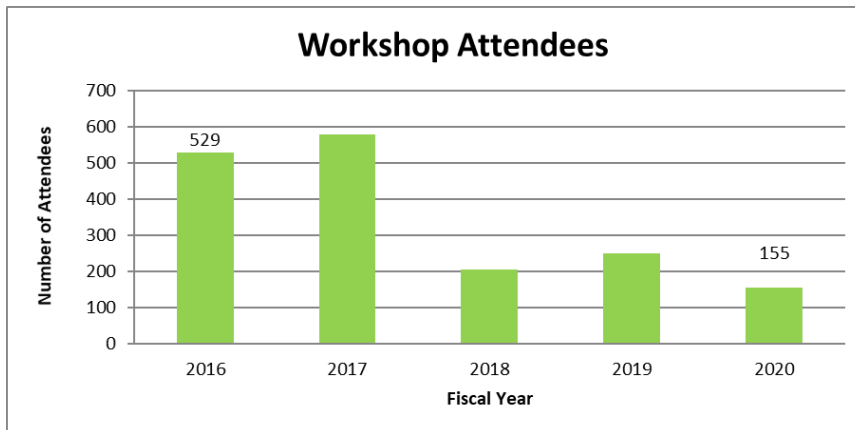


Education

Goal: Annual increase in workshop attendees

Result: 38% decrease

Discussion: Workshops are a primary vehicle for our educational efforts. We have seen less interest in recent years, but the pandemic suspended the program beginning in March.



Good Food, Health and Local Food System

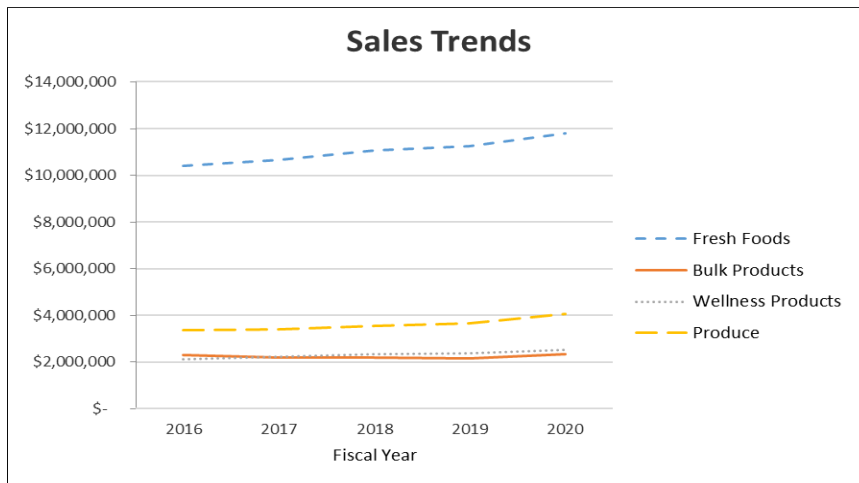
Sales of Fresh, Bulk, Produce and Wellness Products

Goal: 2% or greater annual increases in all categories

Results: Increases in all categories

- Fresh: 5%
- Bulk: 8%
- Produce: 12%
- Wellness: 6%

Discussion: These product categories align best with our Ends to promote health. We saw strong improvement in each due in large part to the increase in home meal preparation this year.



Shopper Satisfaction with Health Impacts

Goal: Average ratings of 3.5 or higher to relevant shopper survey questions

Result: Ratings above 4.3

Discussion: On average Co-op shoppers see Co-op as fostering health.

From 2020 Shopper Survey

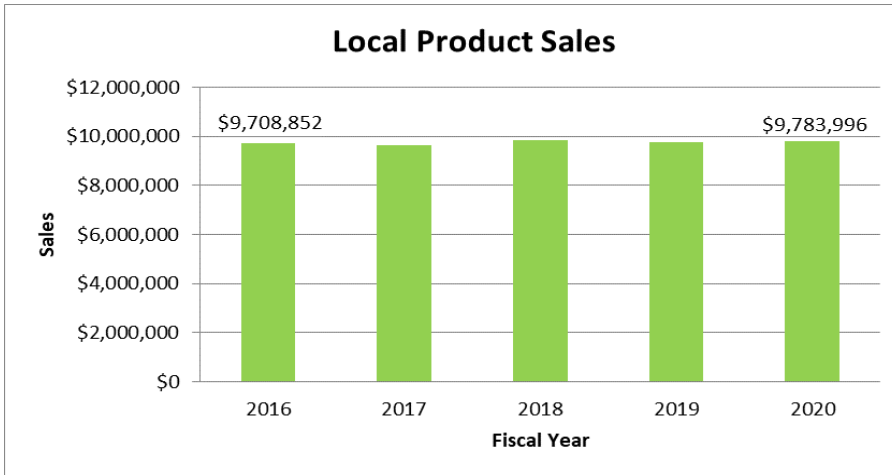
To what extent would you agree? 5 = "Strongly Agree"	2020
HMC has a positive influence on my health	4.42
HMC is a valued source of information about food and health issues	4.38

Local Product Sales

Goal: 2% annual increase in local product sales

Result: 0.4% increase

Discussion: Support for local food system is core value for Co-op community. Poor prepared foods sales in second half of FY2020 contributed to slow overall growth in local. Local sales accounted for 38% of total sales, a very high rate relative to other food co-ops.

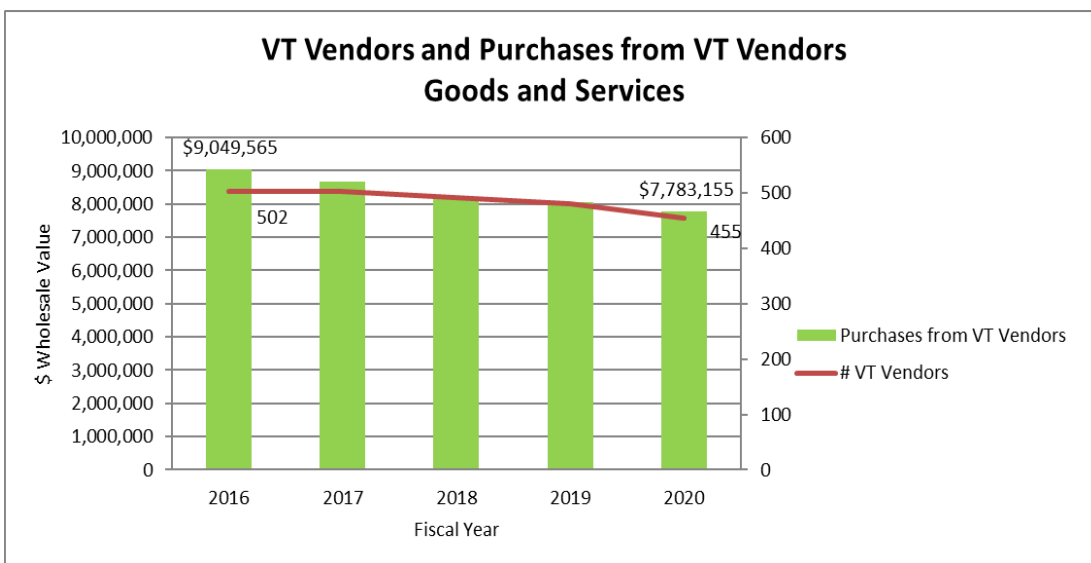


Purchases from Vermont Vendors and Number of Vermont Vendors

Goal: Increases purchases and number of vendors

Results: Decreases in both

Discussion: We have seen a steady decrease in both measures in recent years despite steady local product sales. It is difficult to pinpoint a full explanation, but contributing factors include decline in local craft beer sales, fewer capital projects using local suppliers and some VT vendors moving distribution to out-of-state wholesalers.



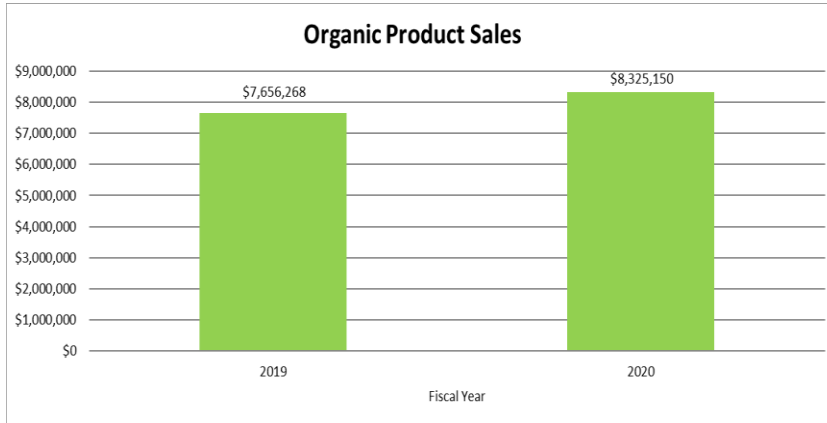
Environmental Sustainability

Organic Product Sales

Goal: 2% annual increase or more

Results: 9% increase

Discussion: Sales of organic products support sustainable agriculture. Organic product sales account for 32% of total sales. Note: In 2019 we changed our method for measuring organic product sales, so we have not included older data.

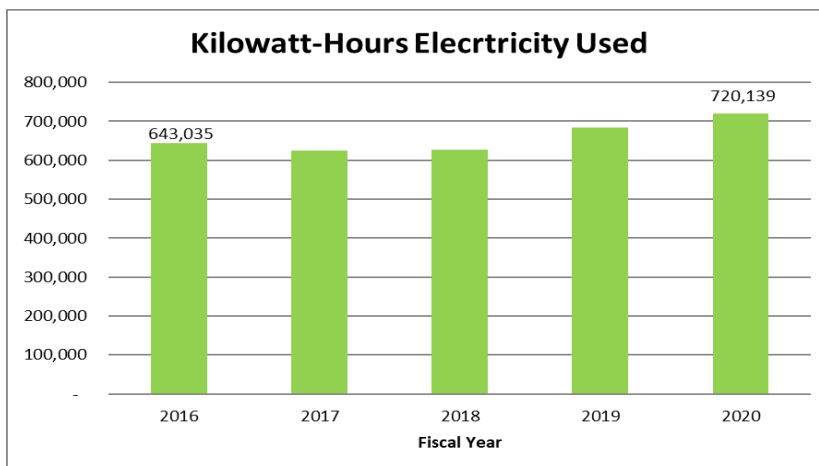


Electricity Used

Goal: Annual decrease

Results: 5% increase

Discussion: For many years, co-op steadily decreased amount of electricity used with equipment upgrades. This reversed in mid-Fiscal 2019 when we installed a replacement heating cooling air conditioning equipment. New system uses more electricity than old system but also performs better in terms of the distribution of treated air and employee and customer comfort. Note: Co-op generated equivalent of 1.9% of electricity used through our solar panels.

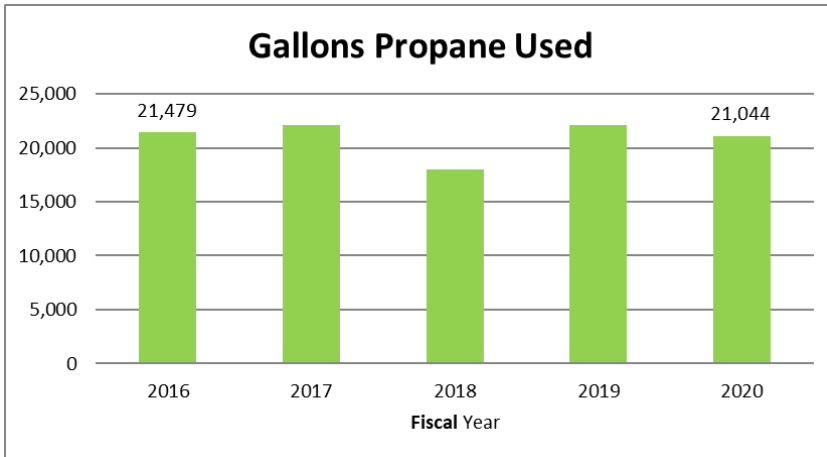


Propane Used

Goal: Annual decrease

Results: 5% decrease

Discussion: Decrease may be tied to warmer winter temperatures, more efficient heat distribution and reduced demand in prepared foods.

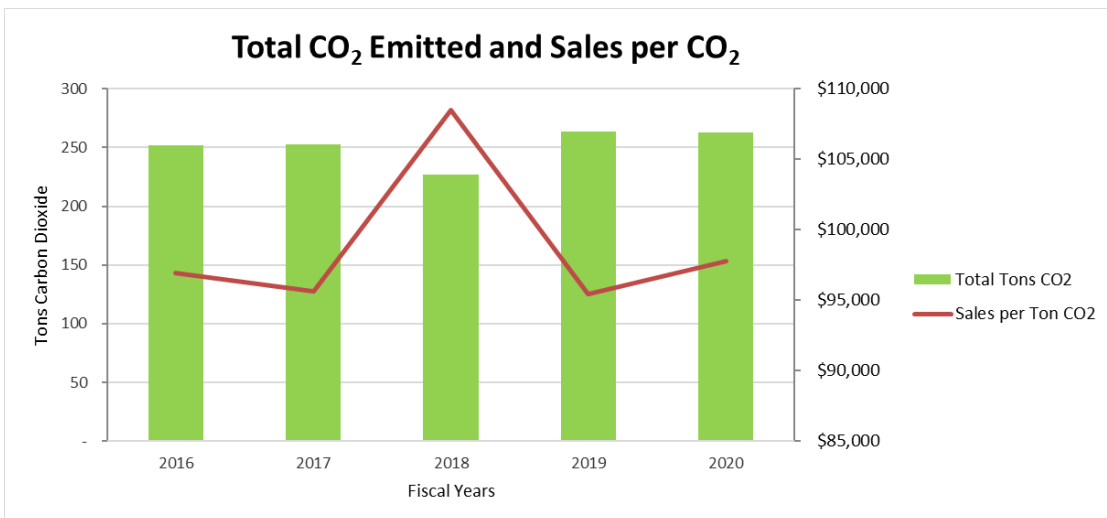


Total Carbon Dioxide Emitted and Sales per Ton of Carbon Dioxide

Goal: Annual decrease in total emissions and increase in sales per ton

Results: Decrease of 0.1% in total emissions, increase of 2.4% in sales per ton

Discussion: Improvement in gas use offset increased electrical. Sales per ton of emissions reflects energy efficiency relative to volume of business; this improved in line with sales growth.



Financial Sustainability & Returns

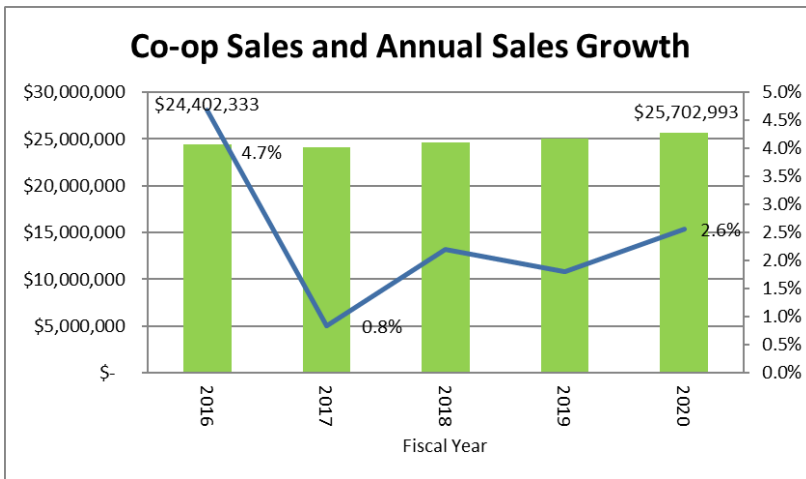
Note: Profitability and balance sheet measures subject to change based on final guidance for treatment of Paycheck Protection Act loan.

Co-op Sales

Goal: 2% annual increase

Results: 2.6% increase

Discussion: Co-op sales are key indicator of financial health. Fiscal 2020 was a very uneven year marked by record sales volume in March during the pantry-stocking period and negative sales growth in April and May. Overall, the Co-op experienced its highest level of sales growth in 4 years largely related to the broader trend of increased food-at-home purchasing.

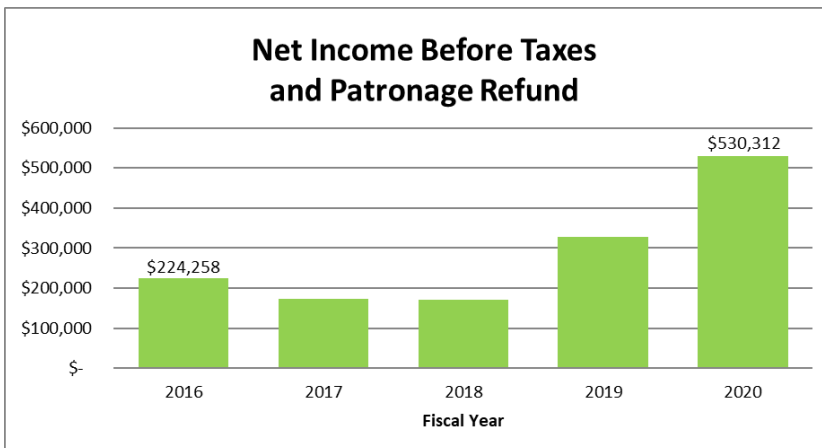


Profitability

Goal: 0.5% Net Income Before Taxes and Patronage Refund

Results: 2.1% (unaudited)

Discussion: Our Co-op experienced highest level of profitability in over a decade, the result of positive sales growth and reduced expenses.

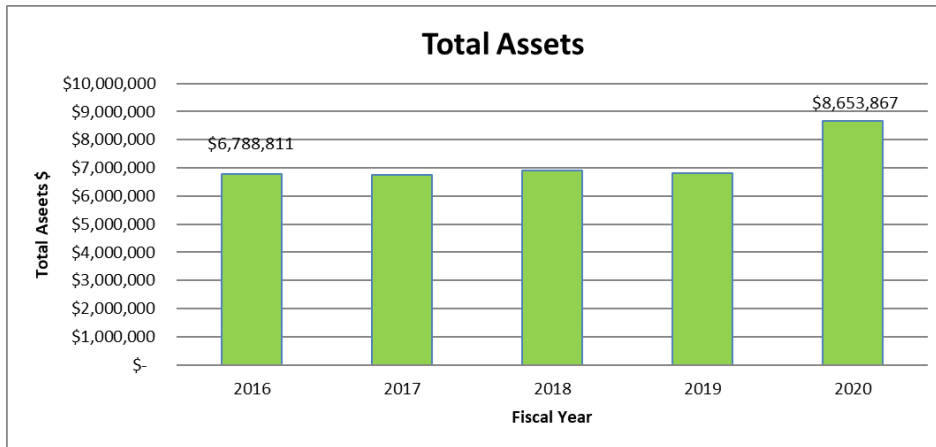


Total Assets

Goal: 5% annual increase

Results: 27% increase

Discussion: Assets empower Co-op to pursue and accomplish our Ends. We experienced a significant increase in total assets in FY2020 due primarily to our profitability and PPP loan.

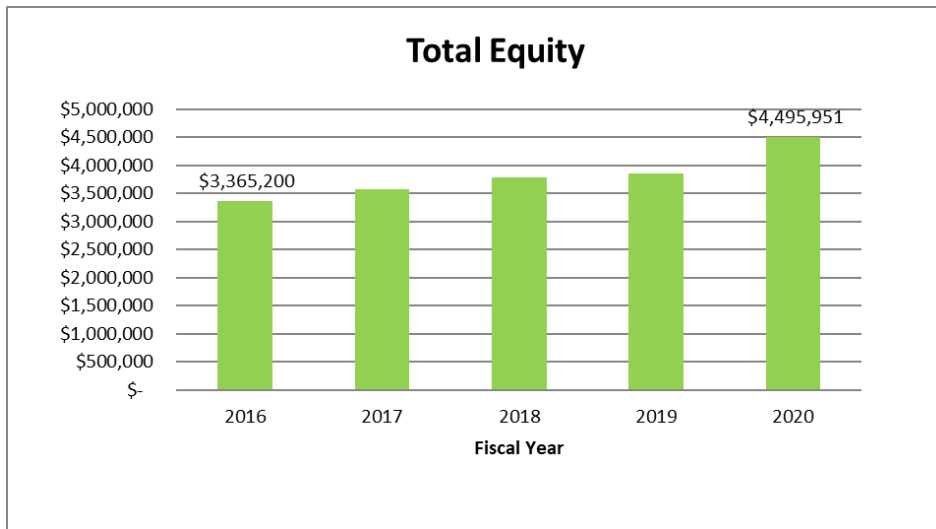


Equity

Goal: 5% annual increase

Results: 17% increase

Discussion: Equity is both a source and indicator of financial strength. In FY2020, we saw impressive increases in equity from retained earnings and member paid-in equity.

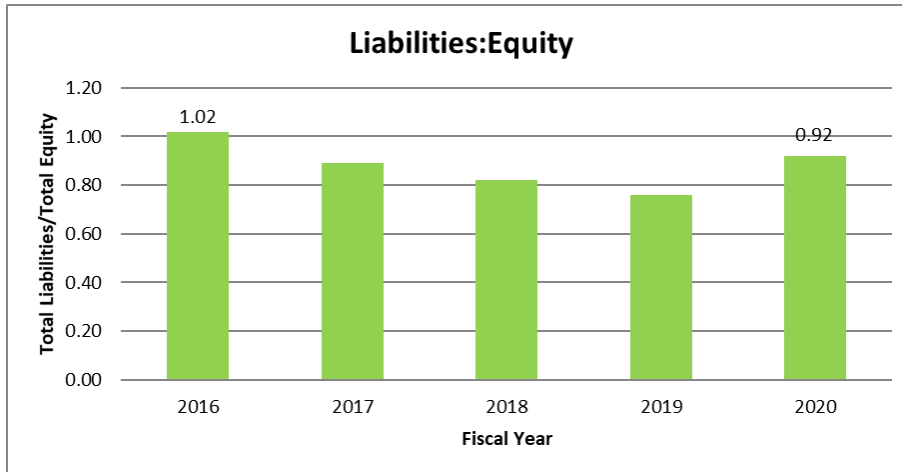


Liabilities to Equity Ratio

Goal: Less than 4:1

Results: 0.92 (unaudited)

Discussion: Liabilities:Equity is an indicator of solvency and our ability to meet our long-term financial obligations. Though we increased equity this year, our Co-op saw an increase in the ratio due to the PPP loan and current assumptions of forgiveness.

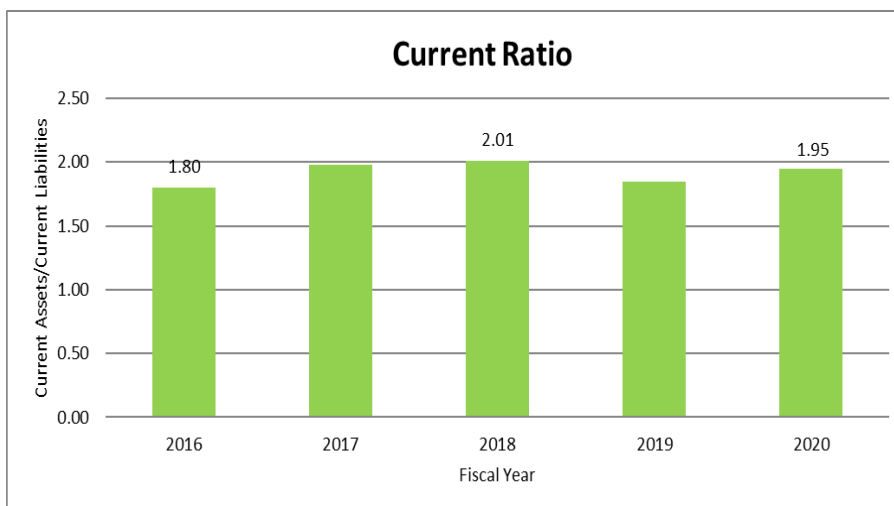


Current Ratio

Goal: Greater than 1.3

Results: 1.95

Discussion: Current Ratio is indicator of liquidity and our ability to meet short-term financial obligations. FY2020 increases in current assets (especially cash and Treasury Securities) outpaced current liabilities to improve our Current Ratio.



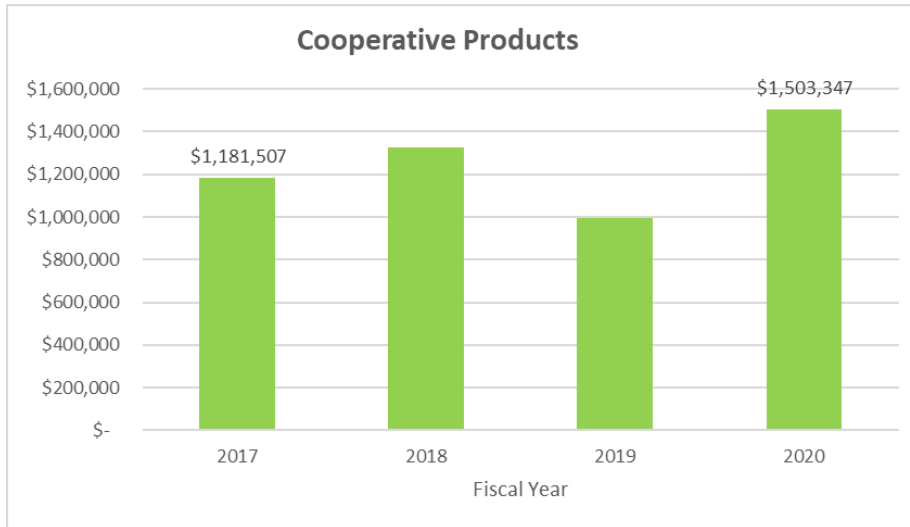
Cooperation

Sales of Products from Other Cooperatives

Goal: 2% annual increase

Results: 51% increase

Discussion: Our Co-op serves as retail outlet for co-op producers. The data may indicate a measurement error in 2019 although a portion of that year's decline was related to ownership transition of a local co-op business. Cooperative products accounted for 5.8% of total sales in FY2020.



Cooperative Investments

Goal: 3% annual increase

Results: 7.3% increase

Discussion: By deploying available capital, we support cooperative development while in most cases generating interest income. Over recent years, we have steadily increased investments in local co-ops, National Co-op Grocers, and loan funds.

