

2022

Annual Report



Medford
Food  **op**

cooperatively nurturing a healthy community

General Manager's Report

Medford Food Co-op is collectively owned by community members with a vision to cooperatively nurture a healthy community. More than just a grocery store, the Co-op is the market in Medford for the freshest, local and organic foods and excellent customer service. The Annual Report provides our owners with a snapshot of the Co-op's performance throughout the previous year.

2022 was a challenging year for many businesses in Medford and for many small, independent grocery stores across the country. The Co-op didn't escape the struggle to make ends meet in the face of rising prices and declining sales as consumers turned to discount grocers and decreased their purchases of organic products.



We persevered through the challenges. The Pacific Pride fire on Central Avenue on the night of April 12th was too close for comfort. Neighboring businesses were lost or damaged, local wildlife was

covered in oil, and the Co-op was impacted by the street closure necessary to complete the environmental clean-up.

We focused on the positive impacts we could make. Even the small things make a difference: like introducing an alternative to plastic straws in the Café. And we made some big changes to improve owner benefits in 2022. We want to make sure you continue to see the value of ownership – in savings and community impact.



Economic Challenges

A March 1, 2023 article from Winsight Grocery Business quoted Target COO John Mulligan, “If you had told me in late 2020, during the height of the pandemic, that 2022 would be the most challenging operating environment of my career, well, I would have assumed you were joking.” Soaring inflation, supply chain headaches, and changing consumer patterns were among the primary problems.

A March 8, 2023 Oregon Live article reported that Green Zebra, a chain of healthy convenience stores in Portland, planned to close all three locations at the end of March. Founder Lisa Sedlar noted that Green Zebra recorded “(nine) straight quarters of increases to our cost of goods, packaging, fuel, insurance, taxes, freight charges. Combine that with supply chain and staffing shortages and razor thin grocery margins, we just couldn’t overcome all the obstacles.” Despite many of the same challenges, the Co-op has persevered and continues to chart a careful course toward expansion.



In the same article, Kevin Coupe, adjunct faculty member at Portland State University’s center for retail leadership, noted that “Small businesses are especially bearing the brunt of supply-chain pressures and rising prices, with many having to tap cash reserves or take on debt just to compete with bigger rivals. Unlike supermarket giants, smaller grocers don’t have the scale to successfully navigate the twin threats of supply-chain disruptions and rising prices.” Size and scale will always be a challenges for small grocers like co-ops, but our strength comes from robust community support.

The Co-op’s sales in 2022 were 5.4% lower than in 2021. We projected a sales decline of 3.6%, but we did not expect rising prices and decreased consumer spending to continue the entire year. Our gross margin fell resulting in a gross profit of 92.5% of budget. We reduced expenses to 96% of budget and that allowed us to achieve a net operating income of \$44,111.



The Co-op’s performance fell below our projections in 2022; however, we adapted, limited the impact on our cash flow and balance sheet, and are confident that sales and profitability will improve in 2023. At the end of 2022, we received a one-time Employee Retention Credit of \$514,884 for retaining our employees during mandated operational restrictions in 2020 and 2021. This credit will require revisions of previous tax returns and payment of additional taxes yet to be determined.

Fresh Local Food

Our Co-op helps to sustain a thriving local, organic food economy by supporting farmers and food producers within 100 miles of Medford. Last year, the Co-op purchased from 107 local food producers and sold \$764,311 worth of local products. Our support of local farmers and food producers is more critical now than ever as they face increasing costs of labor and materials, drought, and wildfires.

In addition to providing a market to sell their products, we promote local farms and food by organizing the annual Rogue Valley Farm Tour along with the Rogue Valley Food System Network and Ashland Food Co-op. This annual tour provides an opportunity for people to visit local farms and learn directly from the farmers about where food comes from and how it is grown. On July 17th, 26 farms and ranches in Jackson and Josephine counties welcomed an estimated 1,500-2,000 visitors the day of the Farm Tour.



We help develop the local food economy by coordinating our efforts with organizations like the Rogue Valley Food System Network (RVFSN), Rogue Farm Corps, Our Family Farms, Rogue Valley Farm to School, and Bee Girl Organization. The latter three were all 2022 Positive Change recipients that work in food and agriculture.

Rogue Farm Corps provides hands-on training experience for the next generation of farmers and ranchers. These kinds of opportunities help to establish a firm foundation and a network of support for those getting started in agriculture. In May, we contributed \$500 to support Rogue Farm Corps' Future Farmers Fund, and they were the recipient of our Annual Election fundraiser that raised \$934 to support the next generation of farmers here in Oregon.

Local Awards



Medford Sneak Preview's
15th Annual Best of Medford
January 2022

Rogue Valley Messenger's
2022 Besties Awards
September 2022

Southern Oregon's
Best of the Best 2022
October 2022

Community Connections

We listen to community needs and support the work of others whose missions and values align with ours. Investing in the work of local non-profits led to our implementation of a Positive Change program in 2019. This program continues to make use of small change to make a big difference. Thanks to the generosity of our customers' contributions and a \$400 per month mini grant from the Co-op, we were able to donate a total of \$26,174 to support eleven local nonprofit organizations through the Positive Change program in 2022.



Each year, the Board of Directors selects one Positive Change recipient to receive an additional grant from our Cooperative Community Fund. The interest the fund earns is given to a local non-profit. In 2022, the Board selected the Children's Advocacy Center of Jackson County as the recipient of an additional donation of \$614.

Our giving extends beyond the Positive Change program. In honor of Black History Month, we hosted a fundraiser for BASE Southern Oregon in February. For every purchase made over Valentine's Day weekend, the Co-op donated \$1 to support the local Black community. Shoppers showed up to celebrate the diversity of Southern Oregon, resulting in a donation of \$1,017 for BASE Southern Oregon.



In March, the Co-op donated \$500 to the Cooperative Development Foundation's Disaster Recovery Fund to support the Ukrainian cooperative community impacted by the war with Russia. Owners and shoppers contributed an additional \$224 via an in-store fundraiser.

In May, we teamed up with Zuzu's Petals to raise money for our local Children's Miracle Network hospital. For each bouquet sold, the Co-op donated \$5 to support mothers and babies in the NICU at Asante Rogue Regional Medical Center, which resulted in a \$215 donation.

In June, the Café offered a Pride Month Special in support of our local LGBTQIA+ community. For every Rainbow Sandwich sold, we donated \$5 to the SO Health-E LGBTQ+ Equity Workgroup, for a total donation of \$310. The SO Health-E LGBTQ+ Equity Workgroup is a community-led, cross-sector committee focused on promoting health equity for lesbian, gay, bisexual, trans, and queer+ (LGBTQ+) communities, and the organizers of the annual Medford Pride event.

Community Connections

According to the ACCESS 2021-2022 annual report, 1 in 5 Jackson County residents received food from local food pantries. We worked with several organizations to increase access to healthy food to those in need. The Co-op donated approximately 28,870 lbs of blemished produce and close-to-date grocery items to the Medford Gospel Mission's Main Ingredient Restaurant that provides free wholesome meals every weekday evening. We also made quarterly donations to Judy's Midnight Diner, a volunteer-led effort to provide a safe space for people in need to gather and access food and water. Donations are based on the needs of the organization and included broth, jam for sandwiches, tomato sauce for pasta, and lots of bottled water.

We continued to work with the Oregon Food Bank on the Double Up Food Bucks Oregon Grocery Pilot Program. Double Up Food Bucks (DUFBS) is a nutrition incentive program that enables EBT cardholders to purchase more fruits and vegetables. Shoppers receive a matching credit for every dollar spent on fresh produce. The program doubles the value of fruits and vegetables by giving EBT cardholders a \$1 for \$1 match for purchases on qualifying produce items. Participation in DUFBS increased drastically in 2022. 1,015 households were enrolled in our DUFBS program, an increase of 76% over 2021. Participants received \$63,650 worth of credits for vegetables and fruits in 2022, an increase of 72% over 2021.



After a two-year hiatus due to the pandemic, community events started up again in 2022 and Co-op staff jumped right in. In May, we revived the Good Food Festival along with an in-person Annual Meeting. Attendees were offered free local ice cream from Harper's Sweet Cream and face painting from the always incredible Amber of Boutique Body Art. The Co-op sponsored Bear Creek Stewardship Day clean-ups in April and September, RVFSN's Brews, Bluegrass & BBQ fundraiser in June, the Medford Pride event, BASE's Juneteenth celebration, and the Rogue Valley Farm Tour in July. Additionally, the Co-op had a booth at the Greater Medford Multicultural Fair in September, as well as the Talent Harvest Festival and the Heart of the Rogue Festival in October. In support of local small businesses, we also hosted a Chocolate Chip Cookie Day pop-up with the Cookie Lab in August, and ice cream pop-ups with Travelers Ice Cream in September. We closed out a busy year of events with a Winter Good Food Festival here at the store in December.

Community Art Wall



Spring 2022 – **Bonnie McManus**



Summer 2022 – **Chelsea Whitney**



Autumn 2022 – **Stephanie Smith**

Winter 2022 – **Brooke Nuckles Gentekos**

Featured Artists



Committed Staff



Operating the store and the Café would not be possible without the management team's commitment to the Co-op and to supporting each other.

During 2022, the management team experienced turnover in two of its five positions: Purchasing Manager and Front End Manager. Jimmy Breedlove moved from the Front End Manager role to become the Purchasing Manager. Jimmy quickly learned the responsibilities of the Purchasing Manager. We hired Drea McDermott as the Front End Manager. Drea's years of experience in grocery and retail sales allowed her to quickly learn our systems and procedures.

We continued training most staff to work in multiple departments. Cross-training benefits the Co-op by allowing more flexible scheduling, offering a greater variety of work opportunities, and improving the product knowledge of staff members.

Like many other businesses last year, the Co-op struggled to fill open positions. The prevailing wage for entry level positions continued to increase in Medford. The Co-op increased the hourly rate for entry level-positions and increased hourly wages for existing staff. The average hourly wage for our staff increased by 5.6% over 2021.



Board Leadership

The Board acts on behalf of the organization's owners to ensure that the organization performs as it should. For the Medford Food Co-op that means more than just being profitable – it's following our vision, working toward our ends, observing the seven cooperative principles, and ensuring financial stability.

Although the Board recognized that the Co-op was affected by the same challenges facing many grocery stores across the country, it was concerned about declining sales, low margin, and decreased customer traffic. The Board increased monitoring of the Co-op's performance and the General Manager reported monthly on the staff's efforts and any measurable changes in trends.

In addition to conducting regular monthly meetings, the Board held two retreats in 2022. The July retreat focused on understanding the Board's role and identifying areas to improve.

The October retreat focused on expansion decision points and a capital campaign overview.

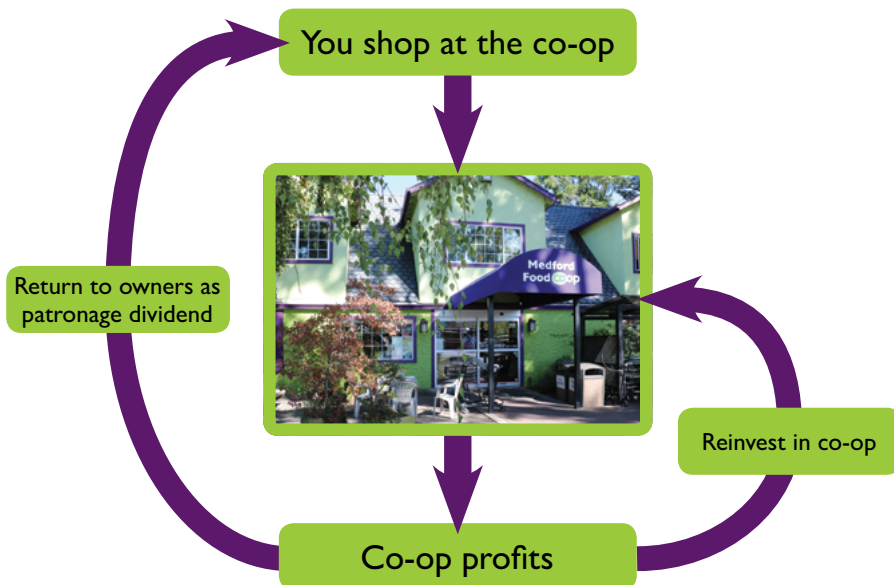
The management team's participation in the October retreat facilitated Board and management alignment on the future direction of the Co-op.

Every year, the Board schedules time to interact with both owners and shoppers. Directors were at the store in April and October during the Owner Drives to talk to customers about the benefits of ownership. The Co-op's Annual Meeting each May is another time for owners to engage directly with board members.

The Board is responsible for deciding whether to issue a patronage dividend each year, based on the previous year's sales. In 2022, the Board authorized payment of a dividend to owners based on patronage in fiscal year 2021. \$23,462 was distributed to eligible owners and made available in October as a store credit on owner accounts. While it may seem odd to offer owners a dividend during a year that sales were down, dividends are based on the previous year's profitability and they reduce the tax liability for the organization.



Owner Purchases & Co-op Profits



Looking Forward

The cooperative values that created the Medford Food Co-op years ago have not changed. Our owners – over 4,600 local households, are the key to our success. In 2022, we improved the value of ownership. Owners now receive an additional 10% off Co-op Deals every day and a 10% owner-only coupon every quarter.

Our owners help improve the community by purchasing local products, creating Positive Change, and helping us grow the Co-op. You can help us succeed by sharing your love for the Co-op with friends and family, taking them to the Café for lunch, giving a Co-op gift card as a gift, and following us on social media and interacting with our posts.

When the Co-op opened in 2011, it was the culmination of years of effort by community members. As we grew, we began offering prepared foods. Demand for the prepared foods outgrew our small prep area, so we built the Café in the former annex. As sales have increased, owners tell us that they want more selection. We've packed more coolers and products into this little store, but there isn't much space left. We need a larger store to better serve our current owners and attract new customers. The Board and management continue to assess expansion options. We look forward to the day that the Co-op is in a larger space where we can better serve our community with an expanded offering of high quality food with continued support for organic and sustainable practices.

Anne Carter

Anne Carter
General Manager



107

local producers supported



6.9%

increase in value of owner benefits



238

new Medford Food Co-op owners



\$23,462

given back in patronage dividends



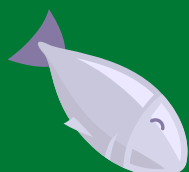
28,870

pounds of food donated to the Mission



76%

increase in Double Up Food Bucks enrollment



\$26,174

given in Positive Change donations

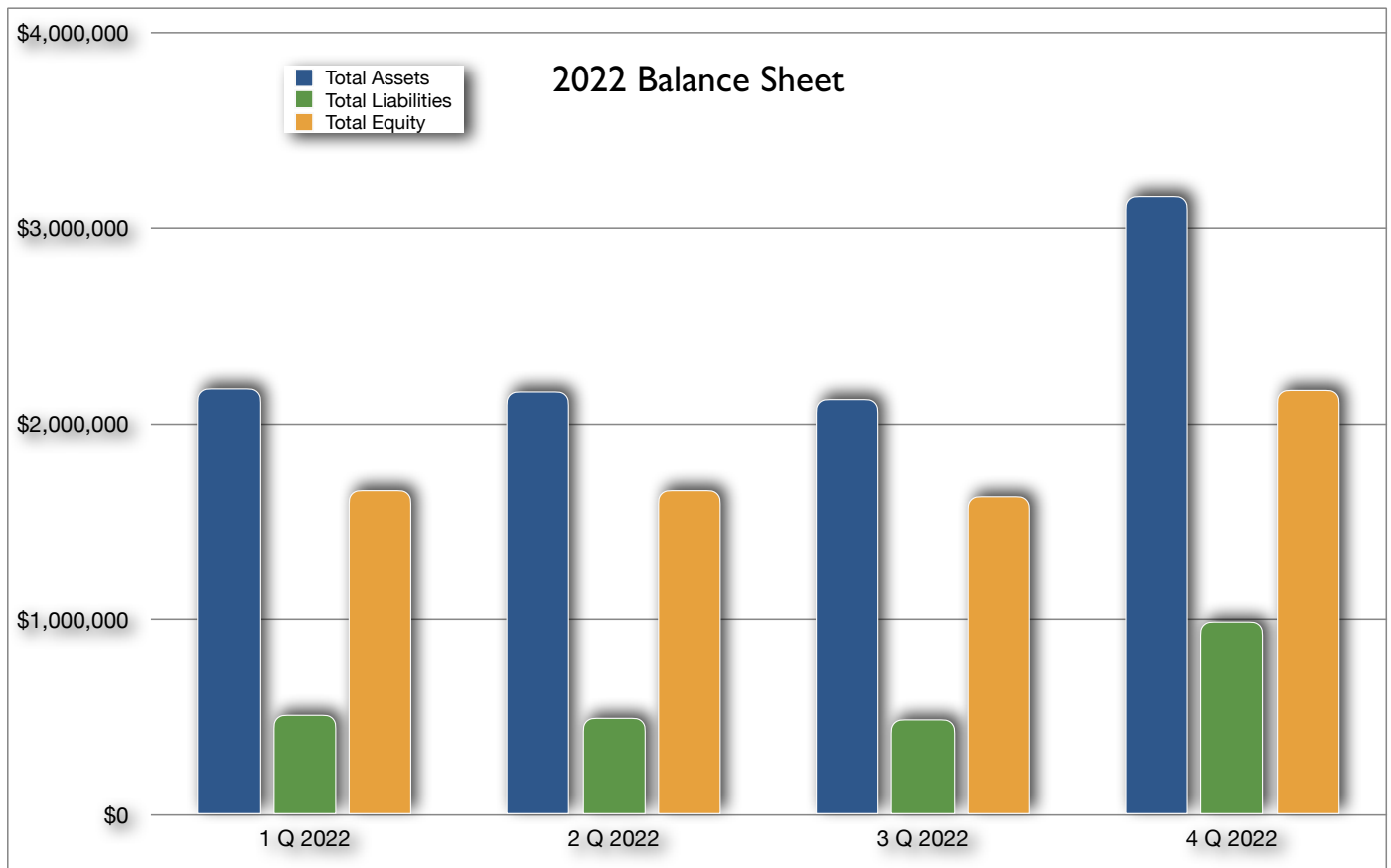


\$63,650

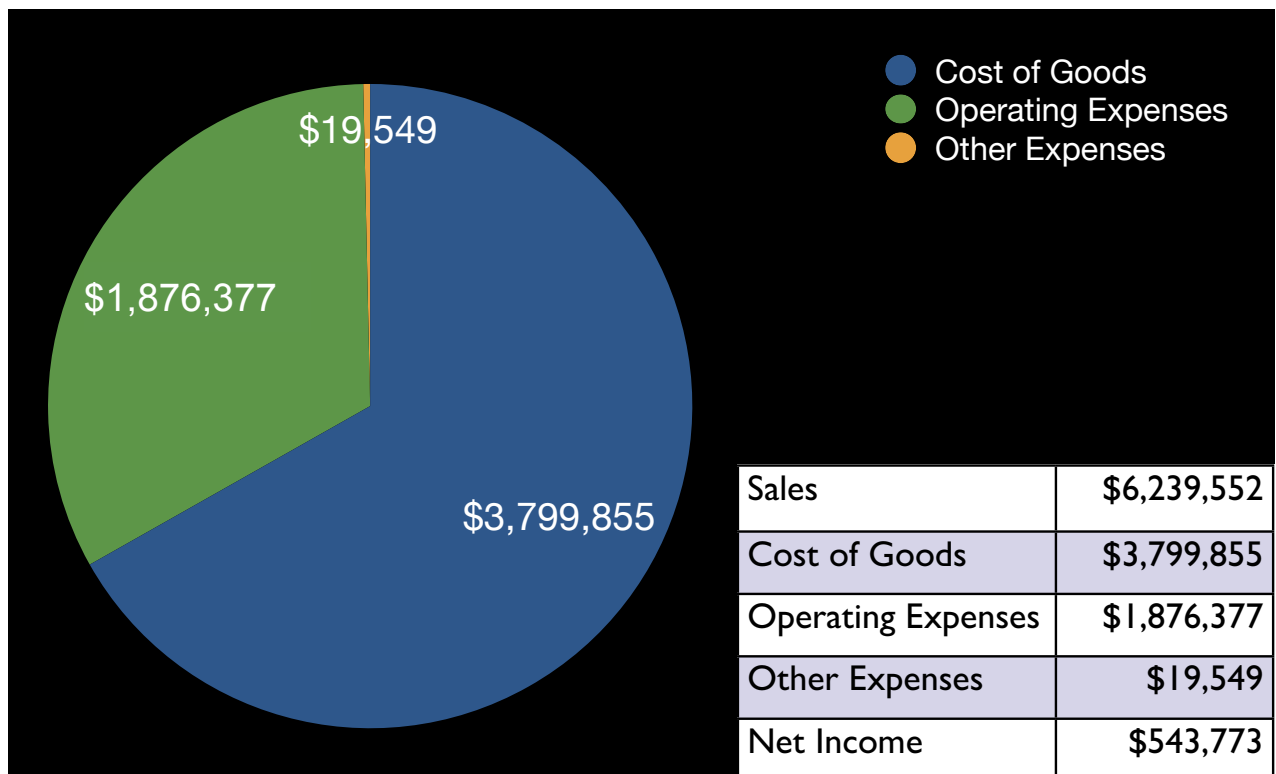
given in Double Up Food Bucks benefits

Financial Statements

Year Ended December 31, 2022



2022 Income and Expenses



Sales	\$6,239,552
Cost of Goods	\$3,799,855
Operating Expenses	\$1,876,377
Other Expenses	\$19,549
Net Income	\$543,773

Balance Sheet

	Dec 31, 2022	Dec 31, 2021
Assets		
Current Assets	\$2,085,995	\$1,533,463
Property & Equipment	\$482,232	\$527,642
Other Assets	\$596,910	\$69,119
Total Assets	\$3,165,137	\$2,130,224
Liabilities & Equity		
Current Liabilities	\$ 554,101	\$359,795
Long Term Liabilities	\$435,793	\$159,719
Total Liabilities	\$989,894	\$519,514
Equity		
Owner Subscriptions	\$549,784	\$529,025
Patronage Retained	\$435,674	\$435,674
Retained Earnings	\$646,012	\$463,923
Net Income	\$543,773	\$182,089
Total Equity	\$2,175,243	\$1,610,710
Total Liabilities & Equity	\$3,165,137	\$2,130,224

Profit and Loss Statements

	Jan-Dec 2022	Jan-Dec 2021
Sales	\$5,692,456	\$6,017,462
Cost of Goods	\$3,799,855	\$3,957,198
Gross Margin	\$1,892,601	\$2,066,264
Operating Expenses	\$1,876,377	\$1,858,635
Net Operating Income	\$16,224	\$201,629
Other Income/Expenses	\$527,549	- \$19,540
Net Income	\$543,773	\$182,089