

Annual Report to Member-Owners

2009



Photo by Tim Wilcox, Kitchen Garden Farm, Sunderland MA

"...The locally owned character of nearly all small businesses makes them better contributors to community and economic development than most large businesses are. Because locally owned businesses spend substantially more money locally, they typically generate two to four times the economic multiplier benefit for their communities as do nonlocal businesses."

—Michael Shuman, from "Memo to the Obama Transition Team:
Home-Run Policies for Small Business"



River Valley Market

Your locally grown food co-op

PRESIDENT'S REPORT

Ed Maltby



It would take many pages of detail to provide a complete review of the last fiscal year (July 2008-June 2009) with the many peaks and troughs of operating a start-up food cooperative; managing staff and vendors; handling technical difficulties; organizing events, and dealing with the many operational growing pains that provided challenges for staff and management. Luckily that is not my responsibility. I'm in the position of being able to thank and congratulate all of our great employees for a wonderful job in exceeding our sales projections while still fulfilling our mission to support our local farms and businesses with 20% of our purchases coming from within 100 miles.

In looking back over the year as Board President, I can report that the Board faced its own challenges in understanding its responsibilities with an operational store that is still growing into a stable business. One of the Board of Directors' major responsibilities is to hold the general manager accountable for fulfilling the co-op's mission while creating a viable and sustainable economic future for our co-op. For many years, we have understood the need to grow sales rapidly in the first year of operations, and have all become familiar with the accounting term of "cash burn" as we have monitored cash flow on a monthly basis. Our pro-formas and budgets were prepared in the knowledge that, like most start-ups, cash is always difficult. This was exaggerated by higher than anticipated operational expenses in the co-op's first six months.

Although the over-budget sales volumes have lessened the impact of the increased pressure on our cash reserves, as a Board we made the decision to launch a member loan drive to provide the necessary capital investment from our community. The Board has such complete confidence in the long-term future of the co-op that we decided in May 2009 it was time to go to the member-owners to ask for their support through member loans in order to help resolve our cash flow challenges. Our community-owned cooperative, with its national support network, will always be owned and directed by its many thousands of owners whose roots are right here in the Pioneer Valley; and the relatively small investment we are asking for from our member-owners will quickly multiply into millions of dollars that are returned to our community rather than sent off to Texas or Denmark.

Crises and challenges create opportunities for action and growth. The last fiscal year was a challenge for the Board in understanding its role in the complexities of starting a new cooperative, ranging from personnel and financial issues to vendor relations and finalizing construction details. Accountability and transparency are often over-used words that when implemented correctly can be useful management tools, but when overused or used too quickly can be counterproductive controls that restrict timely actions. The Board has used its policies to hold the general manager accountable and to give appropriate support without micro-managing. Working with our consultants from Cooperative Development Services, we have learned how to ask the right questions and what to expect for corrective action to solve problems or take advantage of business opportunities.

As a Board, we need to be aware of the "Triple Bottom Line," ensuring that we are not only financially successful, but also true to the co-op's mission, the environment and community; otherwise, we have missed the point of our existence. Through our policies, especially the Ends policies, we have been able to hold the general manager accountable to the larger mission of the cooperative while watching out for the financial bottom line. The strength in sales for the first year has enabled some farmers and vendors to expand or consolidate their operations around selling product through the co-op. The implementation of our full-service offerings has enabled many members and customers to change their purchasing habits and buy products that are produced locally. When price becomes an issue we have alternatives. When allergies or philosophical beliefs impact what can be purchased, we have alternatives. With each purchase we are impacting our future food security, because we are strengthening the role that River Valley Market plays in our local food system.

At our 2009 annual meeting on November 8th, we will feature an insightful and inspirational speaker that has a lifetime of experience in the "multiplier effect" of our local initiatives. Michael Schuman understands better than most the complexities of the relationships between our cultural and business biases and the need to implement new philosophies if we are to create a better future for our children and grandchildren. His message is one of action and partnerships, recognizing the realities of our current economy. I cannot think of a more appropriate message to carry us all forward into 2010 to a safer food system, and a better economic future for our community.



Young shoppers love our little red carts.

TREASURER'S REPORT: FISCAL YEAR 2009

Susan Kimball



June 30, 2009 marked the end of River Valley Market's first full fiscal year of operation. Last year at this time we were only able to report on our first two months of store operations but now we've got a whole year under our belts. This year's sales have been stronger than originally projected and continue to grow steadily. At the same time our start-up expenses were higher than anticipated, leaving us with a shortfall in working capital. The year ahead will be critical to securing our financial position and putting us on the road to sustainability.

Fiscal year 2009 saw total sales of \$8.1 million, 5% above what was originally projected. By the end of May our weekly sales volume was annualizing at \$10 million, a level we didn't expect to reach until our third year of operations. By exceeding expected sales and reducing expenses, we even saw a positive cash flow (sales exceeding expenses) in the fourth quarter. Regular seasonal fluctuations meant a slight drop in sales over the summer months, but we anticipate regaining and sustaining a positive cash flow this fall, much sooner than originally projected in our business plan.

The graph below shows sales trends over the course of the year. The bottom line shows the amounts budgeted while the top line represents the dollars that actually came in each month, reaching their peak of more than \$881,000 in May. As you can see, our sales have consistently surpassed the projected amount.

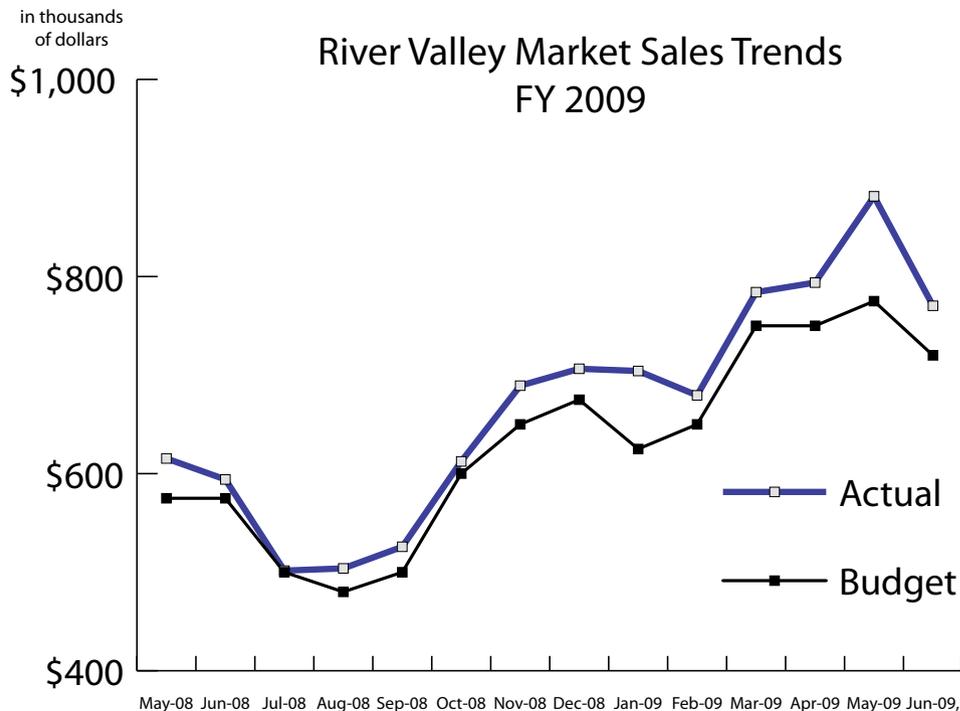
The flip side of the excellent news about sales is the more challenging issue presented by shortfalls in working capital. With any start-up business, budget deficits are expected for some period of time prior to becoming profitable. During that time, an organization must have enough cash available to pay ongoing expenses until a break-even point is reached and revenues surpass expenses. The ramifications of insufficient funds was that we had to stretch out payment schedules, including this year's member loan interest payments. Despite careful planning, higher than expected construction and start-up costs in our first few months of operation absorbed more of our reserve cash than we anticipated.

Recognizing the need to raise additional capital, the Board began a \$300,000 Member Loan Campaign in May, raising \$78,000 to date. Member loans are a common way that cooperatives raise funds. It makes sense when you consider that we are all member-owners of a business and when that business has fiscal needs, we have to step up to meet those needs. We have to provide for ourselves to propel our co-op forward to sustainability.

Not every member-owner is in a position to make a member loan but every member-owner can help to make our co-op a success. Shopping at the co-op regularly and encouraging your friends and neighbors to shop are excellent ways to contribute. Promoting member-ownership to friends will also help to build capital through increased equity. Together, we can ensure the healthy future of the amazing community resource we've created.

During these tough economic times (or TETs, as I've recently heard them called) we all choose where to spend our money very carefully. Dollars spent at the co-op not only serve to feed our families but also to sustain employees of the co-op and our local farmers. When I look back over the last 12 months and see the 80 jobs we've created in the community, the \$1 million worth of products we've purchased from our local farmers and producers, and the delicious, healthy, and locally-grown food we've all enjoyed, I am proud of what we've built.

Our co-op is so much more than our fiscal bottom line, but in order to thrive as an organization and continue to meet the needs of our customers and enrich our community, we must achieve financial sustainability. Thousands of individuals, families, and cooperatives have come together to make River Valley Market a reality. Let's all contribute in whatever way we are able to ensure our continued success.



Our first parking lot party: Pleasant Revolution with the Ginger Ninjas, September 16, 2008



A big crowd turned out to eat good food and enjoy the music of this bike-powered band. Some party-goers even helped generate the juice!

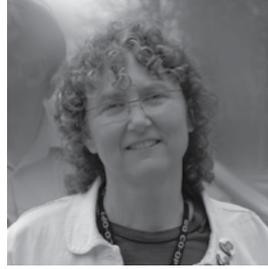
Our first parking lot party: Ginger Ninjas, September 16, 2008



Good food, good music, good people-powered fun!

MANAGER'S REPORT: THE YEAR IN REVIEW

Rochelle Prunty



Looking back to the start of the year in July 2008 we had been open just two months and were struggling to get our basic operating systems in place. We were apologetic about all the things that were not yet up to our standards, and we tried hard to improve. We had anticipated this as a normal part of a new store opening process, but it was still a very hard stage to go through as both employees and customers. It took many more hours of labor than we had anticipated to work out the many systems that make a grocery store operate smoothly.

We had opened with a “soft opening,” which meant we had no outside advertising campaign or “grand opening” until our store operations reached a standard that warranted spending advertising money to invite new customers into the store. In spite of not advertising beyond our membership those first few months, a lot of new customers came in...and a lot of them saw beyond our start-up shortcomings and joined as new member-owners.

At the start of the fiscal year, inflation on energy costs caused increased prices on nearly everything and prices were going up almost daily on food, supplies, and services. Wheat and corn prices hit unprecedented highs, which had ramifications throughout the food production chain.

Given the economic situation and our payroll expenses running higher than I had expected, I saw that tough financial issues would likely be coming. At the start of the year I voluntarily reduced my own compensation by about 20%. It wasn't enough to solve our problems, but I decided that I should be the first one to make a financial sacrifice. (And unlike many organizations, we have not had any layoffs or other cuts in staff wages or benefits.) We also held back on hiring a couple key administrative positions because we needed to focus our resources on store operations at this stage. We were able to bring our payroll expenses into line largely through growing our sales while not adding staff. This is a normal process with a new store opening as staff develop efficiencies and improve systems over time.

September 16th was a mini milestone for us as we held our first community event to celebrate the local harvest. It was also a trial run for our grand opening—an event was a whole new thing to add to our store operating processes. We held a parking lot party, grilled local burgers and sweet corn, had live music by the bicycling Ginger Ninjas (touring and powering their sound system by bikes, and promoting local organic foods). It was a good time and we learned a lot, which made our upcoming grand opening run smoother. Pete, our meat department manager and Joseph, our prepared foods manager, along with their teams really shone as stars in this event.

As we moved toward our targeted grand opening date of October 1st, the economic news was increasingly bad with the drop in real estate prices, bank crisis, and rise in unemployment. By October it was clear that our brave little start-up co-op that had been incubating for almost ten years had opened in the worst economic downturn in decades. That added to our challenges in terms of increased costs and consumers' price sensitivity, but it also made it clearer than ever that building a strong, locally based economy is important and that community food cooperatives play an important role in making that happen.

October 2008 brought a big milestone with the switch from our soft opening stage to our grand opening. We held our grand opening celebration October 1st to invite the community to the co-op, celebrate our opening with our member-owners, and honor our local growers.

The Outreach Committee organized a month of activities throughout October, including educational workshops, poetry contests, cooking demonstrations and samplings, a cooking contest, store tours, and the November 1st dedication of the time capsule. Since then, we've held in-store events as a regular part of our operations. They have proven to be an effective way to introduce new people to the co-op and to bring together our regulars, co-op staff, and Board of Directors to get to know each other a little better.

Sales increased with our promotions in October and through the holidays, and continued to climb through the spring while the economy declined, and most other retailers experienced sales declines. Once we hit our first year opening anniversary April 30, 2009, we could compare current sales to our previous year: May and June 2009 sales grew 50% over the May and June 2008 sales. We came a long way over that year and the sales growth reflected our progress. It was our first year and the worst economy in decades and we ended the year with \$8.1 million in sales. This was above our projections in a year that many of our retail peers had sales declines. This kind of growth is hard to accomplish and everyone involved had an important role: the staff

*Grand Opening Kickoff party:
October 1, 2008*

has worked to continually improve our store operations, our suppliers have worked to meet our needs, and our customers have been choosing to shop at the co-op.

Sales are the top line and are very important to the co-op, as to any business. The fact that our sales were great last year is a significant indicator of our future success. However, our financial bottom line was not what we had wanted it to be. We had losses of \$1.2 million which was about \$300,000 higher than we had projected. We don't exist to make a profit, but we do need to become financially sustainable in order to exist. Our expense trends are going in the right direction now, but even though we brought our expenses down to where we wanted them over the last six months of the year, during the first six months our expenses were much higher than we had projected, and that used up our working capital. It simply took more money and labor than we had predicted to get things running relatively smoothly. These increased expenses—combined with some overruns in financing costs and some funding that didn't come through at the level we anticipated—have resulted in a shortage of working capital. To address this we are running a member loan campaign to raise \$300,000 in additional funds. In the meantime, we are stretching payment schedules and limiting our expenses where we can.

Fortunately we've reached a sales level that enables us to project a little better than break-even on cash flow on our operations for our coming year. By achieving a higher sales base we are able to operate at a financially sustainable level in our second year, but we still need additional working capital to make things run more smoothly while we continue to build our business.

Looking back over the year, we've truly come a long way during challenging times and we have done good work toward our mission to build a just marketplace that nourishes the community. I know you'll join me in thanking our staff, our producers and suppliers, our volunteer Board of Directors, and the Outreach Committee, who have worked very hard to get us to this point. And we all thank you for your support and your part in making the co-op ever better.

GRAND OPENING OCTOBER 1ST

The Grand Opening included festivities organized by our Outreach Committee volunteers and a food spread organized by our prepared foods and meat department staff.

Jay Mankita, Ellen Clegg and the Womyn's Drumming Ensemble, Setanta, and the O-Tones provided musical entertainment. David Gowler, our first Board President (1999-2002) led the opening procession carrying a ceremonial torch, accompanied by the Women's Drumming Circle, followed by Ed Maltby our current Board President carrying the Flag of International Cooperation. They were followed by Trevor the Games Man on stilts, and a host of other long-term co-op organizers, including our co-op quilt committee carrying a quilt made from t-shirts of the 48 other food co-ops that provided \$600,000 of our start-up funding. (now displayed in the store.)

Ed Maltby welcomed everyone to the co-op, Mayor Claire Higgins proclaimed October Co-op Month in Northampton, and Joannie Daniels presented the time capsule letter to the future. Lynn Candels introduced the stories behind the cooperative flags, and Phil Korman from CISA spoke about the importance of the co-op to local growers. The O-Tones led us in the sing along "This Co-op is My Co-op" (to the tune of This Land is My Land) while the crowd held lit candles high, made a wish for the future of the co-op, and blew them out. Finally, everyone enjoyed a fire dance performed by Litalicious (also known as Lita Lundeen, our Wellness Manager).

The Quarry Café staff served up chicken and veggie fajitas, burgers, and corn on the grill. There was music and dancing until 9 pm.

It was a lot of good fun with many people to thank, but again Pete our meat department manager, Joseph our prepared foods manager, and the rest of the Quarry Café staff really shone on the party food service.



The party included a procession, live music, fajitas, Trevor the Games Man, and fire dancing with Litalicious

Grand Opening activities: October 2008



VT Soy makes bicycle smoothies, staff silliness with the Old Quarry guys
cutout, fun for kids at Apple Day, caricature bags from Janie McCrae

ENDS REPORT

Barbara Fingold

What sets River Valley Market apart from other grocery stores is our Ends Policy—a statement of our goals that goes far beyond the bottom line. As a food cooperative we are responsible to monitor a “Triple Bottom Line.” Like other businesses we must be financially sustainable, but we are also committed to following excellent environmental and social practices.

The Board of Directors defines which needs are to be met, for whom, and at what cost. We recognize that the world at large, globally and regionally, is dynamic and changing. The End Policy needs to be broad and adaptable for all those present and future changes. The Board represents the interests of member-owners as we monitor the operation of the store and the broader vision of strengthening our local economy and contributing to a healthy community and a sustainable planet.

The member-owners of River Valley Market have entrusted the Board of Directors with the responsibility of ensuring that the Ends are achieved. The Board takes this role very seriously and through a process of Policy Governance we monitor the co-op’s operations with reports from the General Manager and by monitoring our own Board process.

Policy Governance uses the Ends Policy to set out the vision and broad goals of an organization. Through this policy the Board asks three critical questions which help to evaluate whether or not the co-op is on the right path to achieving its mission.

A.1 What will be/is different because of the existence of the co-op?

A just marketplace that nourishes the community. In 2008, we successfully opened a “just marketplace” after ten years of working toward the goal of having a food cooperative in Northampton for member-owners and the greater community. The co-op offers an abundance of high quality, fresh, local, organic and natural foods. Our building was constructed to meet requirements for LEED certification, incorporating energy efficient and environmentally friendly features while also providing a healthy environment for customers and employees.

A just marketplace that nourishes the community is a business that serves a broad section of the community, both member-owners and the general public. This year the business has grown beyond our expectations. We have gone from a membership of 2,700 on opening day to nearly 4,000 now. Our sales have been strong at \$8.1 million, almost \$400,000 more than our projected goal for this year. Our low-income membership assistance program has enabled 88 participants to become member-owners.

A member survey was conducted in March 2009 and we found that our customer base is similar to the overall demographics for Northampton. We were pleased to see that the co-op has a higher ratio of families with children than Northampton as a whole. Survey results also indicate that River Valley Market shoppers value all things local, from locally grown-food to patronizing local retailers. We have a strong base of local producers on which we will continue to build: last year 45% of our total purchases came from New England and more than 20% from within 100 miles.

The concept of “a just marketplace that nourishes the community” extends its reach beyond food as well. One of our goals is to create a place where there’s an exciting exchange of information and ideas that evolve into new programs and services that enhance the community and adapt to changing needs. In 2008-2009 we have done a remarkable amount of networking in our community and beyond, including: an energy efficient workshop with the CET (Center for Ecological Technology); educational hikes with the Broad Brook Coalition; our Eat Local America Challenge; our support for CISA (Community Involved in Sustaining Agriculture); a fundraiser for a New Orleans Food Co-op and our Green Stamp Bag reuse program and fundraiser for local non-profits, to name a few.

A.2. Who benefits?

Consumers in Hampshire and surrounding counties and regional producers. A just marketplace that nourishes the community includes our local growers, producers, distributors and organizations that we collaborate with to help nurture a sustainable network of diverse, locally produced products. This will ensure that we preserve more of our existing farmland and further support community self-reliance and control of our food supply. A goal this year is to work more actively with our Neighboring Food Cooperative Association. NFCA conducted a survey to study the local impacts of food cooperatives in the region. River Valley Market will collaborate on this study in 2009-2010.

Grand Opening activities: October 2008

Our diverse selection of products has attracted customers who would typically shop at a more conventional grocery store. As member-owners we are voting with our dollars by choosing products and suppliers that we like and value. Our co-op offers honest information about where the products are coming from, so consumers can make informed decisions.

A.3. At what cost?

For costs that ensure that the Co-op thrives. The Board is responsible for monitoring our “Triple Bottom Line,” thus holding the General Manager responsible for achieving a positive financial position, while maintaining high standards for the co-op’s environmental and social practices.

In 2007-2008 our goal was to bring the construction costs and the extra opening costs within our budget, with enough reserve to cover unanticipated start-up expenses. In 2008-2009 the co-op has been dealing with a financial shortfall, in spite of careful planning and cautious spending. The national economic downturn impacted both our construction costs and our first year operating costs. As a result, the Board has initiated a \$300,000 fall 2009 member loan campaign to strengthen our financial position.

Despite our initial financial setbacks, River Valley Market is growing and thriving and sales are beyond our projections. The management has been working to balance our expenses and revenue in order to meet our business obligations and simultaneously respond to price sensitivities. We were pleased to reach a break-even point on operations, with a slight profit, in our last quarter of our first year. Our projections had shown us reaching that goal in our third year.

River Valley Market’s green building has made it possible to minimize our consumption of our natural resources within the co-op. Our green building grant allowed us to incorporate environmentally advantageous features into our store, saving utility costs and reducing our “carbon footprint.” We also further reduced our footprint by purchasing 45% of our products from New England and reusing 64,270 bags. Through our Green Stamp program, co-op customers have donated \$6,485.50 to local non-profits. This helps us meet one of our social goals by contributing to community organizations that are nominated and voted on by our member-owners each month.

Our greatest achievement in our Ends report for 2008-2009 is that our co-op is continuing to grow and thrive. We’ve created 80 new jobs, membership has increased to nearly 4,000, and we’ve contributed nearly \$2.5 million to our local and regional economy through our commitment to purchasing locally. Our goal next year is to grow our sales by 23% and increase our local sales to an even higher percentage. We will continue to network with other local businesses and organizations as well as with our regional cooperative association (Neighboring Food Cooperative Association) to further strengthen our local food system. As we navigate through the twenty-first century, we expect that River Valley Market will continue to be an inspiration and a model for other local cooperative ventures and have a greater impact on how our food is grown and distributed.



Halloween trick-or-treaters, winners of the poetry contest read their work aloud, apple crafts outside

River Valley Market Employment Facts

We had 76 employees at the end of the year, 58 full-time equivalents. Full-time benefits include health, short-term disability, and life insurance; vacation pay; holiday pay; paid personal time; and discounts on purchases. Part-time benefits include vacation pay, holiday pay, paid personal time, and discounts on purchases. More than half of our employees are also member-owners.

We’ve joined the Northampton Living Wage Coalition and are committed to improving our productivity to enable us to reach our living wage goal by our 5th year of business.

We measured our average hourly wages compared to the state labor report in November 2008 and again in August 2009 and found that our wages and benefits were above the median for retail workers by about 12% and had increased about 6% since fall 2008. Our survey of specific area grocery stores in August 2009 shows our starting wage is very competitive with our supermarket competitors that do 5-10 times more in sales than the co-op.

| | River Valley Market Average Hourly Wage | State Survey Cashiers | State Survey Retail Sales | State Survey Food Service |
|---------|--------------------------------------------|--------------------------|------------------------------|------------------------------|
| Sept 08 | \$10.56 | \$8.95 | \$10.18 | \$9.71 |
| July 09 | \$11.17 | \$9.19 | \$10.22 | \$9.88 |

NORTHAMPTON COMMUNITY COOPERATIVE MARKET, INC.

Consolidated Balance Sheet

June 30, 2009

UNAUDITED DRAFT

Assets

| | |
|-----------------------------|---------------------|
| Current Assets | |
| Cash | \$ 270,355 |
| Other receivables | 87,296 |
| Inventory | 419,155 |
| Total current assets | <u>776,806</u> |
| Property and Equipment, net | <u>6,114,446</u> |
| Other Assets | |
| Loan receivable | 600,000 |
| Loan guarantee deposit | 100,000 |
| Liquor license | 18,462 |
| Investments in others | 6,949 |
| Prepaid tax and insurance | 19,690 |
| Loan origination costs, net | 376,205 |
| Total Other Assets | <u>1,121,306</u> |
| Total Assets | <u>\$ 8,012,559</u> |

Liabilities and Members' Deficiency

| | |
|-----------------------------------------------------------------------------------------------|---------------------|
| Current Liabilities | |
| Accounts payable | \$ 793,621 |
| Accrued interest | 115,117 |
| Accrued payroll and taxes | 46,204 |
| Current portion of long-term debt | 182,377 |
| Total Current Liabilities | <u>1,137,320</u> |
| Long-term debt | <u>7,090,493</u> |
| Member loans | <u>1,149,100</u> |
| Members' Deficiency | |
| Common stock, \$1 par value, 50,000 shares authorized, 3,756 shares issued and outstanding | 3,756 |
| Additional paid-in capital | 548,095 |
| Stock Issuance Costs | (29,839) |
| Accumulated deficit at start of year | (593,943) |
| FY 2009 loss | (1,292,423) |
| Accumulated deficit | (1,886,366) |
| Total Members' Deficiency | <u>(1,364,353)</u> |
| Total Liabilities and Members' Equity | <u>\$ 8,012,559</u> |

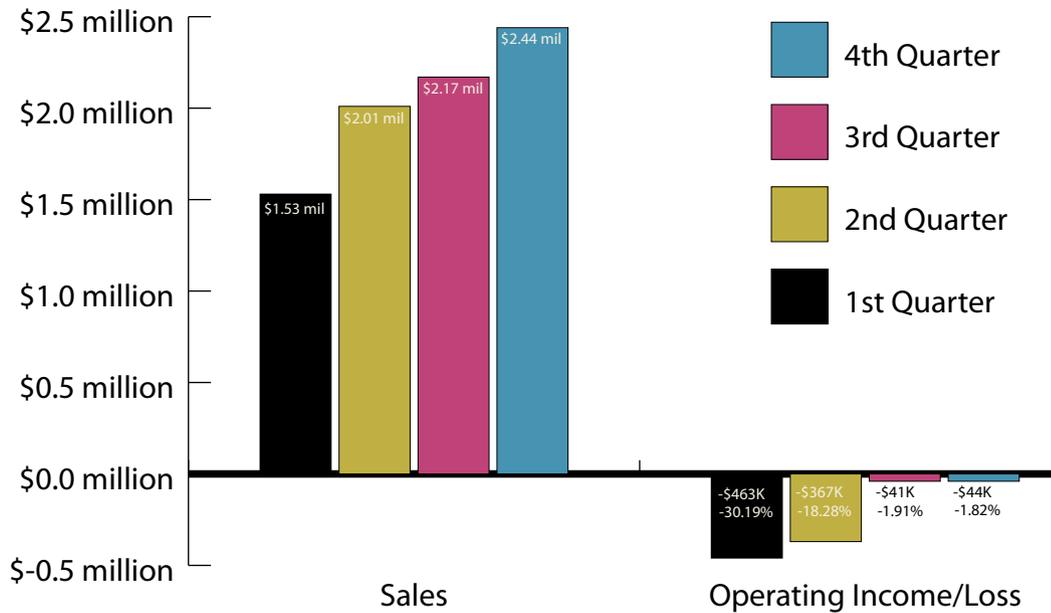


Customers and staff enjoy a celebration of the 164th anniversary of the birth of consumer cooperatives

Northampton Community Cooperative Market & RIVER VALLEY MARKET CONSOLIDATED INCOME STATEMENT BUDGET VS ACTUAL

| UNAUDITED DRAFT Year Ending 30 June 2009 | BUDGET | % of Sales | ACTUAL | % of Sales | OVER/UNDER |
|----------------------------------------------------|-----------------|-------------------|-----------------|-------------------|-------------------|
| SALES | \$7,753,769.00 | 100.00% | \$8,148,345.58 | 100.00% | \$394,576.58 |
| COST OF GOODS SOLD | \$5,117,521.93 | 62.80% | \$5,532,457.85 | 67.90% | \$414,935.92 |
| GROSS PROFIT | \$3,030,823.65 | 37.20% | \$2,615,887.73 | 32.10% | -\$414,935.92 |
| EXPENSE | BUDGET | % of Sales | ACTUAL | % of Sales | OVER/UNDER |
| TOTAL WAGES & OTHER PERSONNEL EXP | \$2,307,457.02 | 28.32% | \$2,372,173.34 | 29.11% | \$64,716.32 |
| OCCUPANCY | \$246,092.24 | 3.02% | \$335,858.92 | 4.12% | \$89,766.68 |
| DEPR AND AMORT | \$536,235.81 | 6.58% | \$560,882.00 | 6.88% | \$24,646.19 |
| OPERATING EXP | \$226,932.87 | 2.79% | \$232,069.07 | 2.85% | \$5,136.20 |
| ADMINISTRATIVE EXP | \$81,483.46 | 1.00% | \$75,736.54 | 0.93% | -\$5,746.92 |
| GOVERNANCE EXP | \$21,416.99 | 0.26% | \$5,873.86 | 0.07% | -\$15,543.13 |
| PROMO AND MARKETING | \$162,966.91 | 2.00% | \$112,580.05 | 1.38% | -\$50,386.86 |
| TOTAL EXPENSE | \$3,582,585.30 | 43.97% | \$3,695,173.78 | 45.35% | \$112,588.48 |
| OPERATING INC/LOSS (before int & tax) | -\$551,761.64 | -6.77% | -\$1,079,286.05 | -13.25% | -\$527,524.41 |
| OTHER INCOME | \$28,474.12 | 0.35% | \$264,201.60 | 3.24% | \$235,727.48 |
| OTHER EXPENSE | \$9,124.99 | 0.11% | \$0.00 | 0.00% | -\$9,124.99 |
| INTEREST | \$556,385.18 | 6.83% | \$477,338.28 | 5.86% | -\$79,046.90 |
| TAXES | \$0.00 | 0.00% | \$0.00 | 0.00% | \$0.00 |
| NET OTHER INCOME | -\$537,036.04 | -6.59% | -\$213,136.68 | -2.62% | \$323,899.36 |
| NET INCOME/LOSS | -\$1,088,797.69 | -13.36% | -\$1,292,422.73 | -15.86% | -\$203,625.04 |
| Net Cash Loss Before Depreciation and Amortization | -\$552,561.88 | -6.78% | -\$731,540.73 | -8.98% | -\$178,978.85 |

FY 2009 Sales and Operating Income/Loss



"Best of" Awards!



Best Local Green Business



Best Health Food Store,
Best Place for Fair Trade Products, Best Gourmet Food Store



Best Soup

| | QTR 1 | QTR 2 | QTR 3 | QTR 4 | Total Year |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Sales | \$1,532,720.00 | \$2,008,045.44 | \$2,165,969.63 | \$2,441,610.99 | \$8,148,345.58 |
| Operating income/loss | -\$462,756.68 | -\$367,006.66 | -\$41,274.37 | -\$44,425.02 | \$915,462.73 |
| Depreciation and amortization expenses | -\$140,220.50 | -\$140,220.50 | -\$140,220.50 | -\$140,220.50 | \$560,882.00 |
| Grant income | \$0.00 | \$0.00 | \$143,429.00 | \$40,493.00 | \$183,922.00 |
| Total net income/loss | -\$602,977.18 | -\$507,227.16 | -\$38,065.87 | -\$144,152.52 | \$1,292,422.73 |
| Total % loss | -39.34% | -25.26% | -1.76% | -5.90% | -15.86% |
| % Operating income/loss | -30.19% | -18.28% | -1.91% | -1.82% | -11.23% |

January 2009



January citrus display, staff pose for a chilly New Year photo in front of the store, Chinese New Year dumpling demo, Fresh Produce shoppers

GREEN STAMP PROGRAM

Total number of reusable bags supplied by customers: **64,270**

Number of full green stamp cards redeemed: **6,427**

Green stamp cards donated: **3,620**

Total program donations in redeemed cards and cash contributions: **\$6,485.50**

| | |
|------------------------------------|------------------------------------------|
| Center for New Americans | CISA |
| Co-op Power | Dakin Pioneer Valley Humane Society |
| Food Bank of Western Massachusetts | Friends of Hampshire County Homeless Inc |
| The Garden | Interfaith Help Fund |
| Kestrel Trust | Northcountry Co-op Disaster Relief Fund |
| Northampton Survival Center | RideBuzz |
| Safe Passage | |

Our Mardi Gras Fundraiser raised **\$750** for the newly forming New Orleans Food Co-op.

Our Pancake Breakfast Fundraiser raised **\$547** for our Low Income Membership Assistance Fund.

DONATIONS AND SPONSORED EVENTS

In FY09, River Valley Market made in-kind donations to the following community organizations, totaling **\$1,145**:

| | |
|---------------------------------------|----------------------------------|
| Commonwealth Community Center | Class Action |
| The Common School | Cooley-Dickinson Cancer Center |
| Cooley-Dickinson Hospice Care | Double Edge Theatre |
| Friends of AIDS Care Hampshire County | Greenfield Center Charter School |
| MotherWoman | Nonotuck Community School |
| Northampton High School | Northampton Montessori School |
| North Star School | Smith College Fall Fit 5k |
| South Hadley Recreation Department | Sunderland Elementary School |
| Sunnyside Childcare Center | Western Mass Climbers Coalition |
| Westhampton Library Groundbreaking | Porter-Phelps-Huntington Museum |

We supported the following events and organizations with advertising and sponsorships totaling **\$2,368**:

| | |
|------------------------------------------------------|-----------------------------------------------|
| Center for Ecological Technology Green Building Tour | Center for New Americans 4 on the 4th Race |
| CISA Eat the View | CISA Farm Products Guide |
| Northeast Organic Farming Association (NOFA) | Northampton Cycling Club Bike Safety Workshop |

We made fundraising donations totaling **\$625** in scrip gift cards to Temple B'Nai Israel and the Unitarian Society of Northampton.

Non-profits interested in our bulk gift card program may apply at the Customer Service Desk, or visit our website to learn more: <http://rivervalleymarket.coop/bulkgiftcards>

SOME OF OUR CO-OP'S EDUCATIONAL ACTIVITIES IN FY2009

| | | |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Eat Local, America! Challenge | Help Your Children Make Good Food Choices Deb Philips | Beaver Habitat Hike Broad Brook Coalition |
| Strengthening the Immune System with Herbs and Nutrition Chris Marano | Eating Local: Good for Us, Good for the Earth Tina Clarke, Clean Water Action | Wild Edibles Hike and "Eat Local the Wild Way" Film Blanche Cybele Derby |
| Getting Around Green: Bicycling and Ridesharing James Lowenthal & Jeff Brown | 100 Mile Thanksgiving Mary Nelen | Co-op Planting Day and Native Perennials Workshop Treefrog Landscapes |
| Start a Low Carbon Living Group Tomasin Whitaker, CET | 164th Anniversary of the Rochdale Pioneers—the first consumer cooperative | Heifer International in Poland Erik Hoffner |
| You Can Afford to Build a Green Home Peggy MacLeod, CET | Chinese Healing Herbs Workshop Goldthread Apothecary | Paradise Poetry Reading Lesléa Newman and Paradise Poets |
| Gluten Sensitivity Bruce Homstead | | Cooking Demos: Latkes, Chinese New Year Dumplings |

February 2009

GREEN ENERGY: OUR OWN AND PURCHASED

Energy uses in FY09:

- Total 100% green energy used: 891,600 kilowatt hours
- Energy produced by our own solar panels: 47,529.25 kilowatt hours
 - 5.06% of our total use from our own solar panels
 - 94.94% from other purchased green energy sources

Producing energy using our own solar panels helps us to:

- Prevent 82,000 lbs of carbon dioxide from being released into the atmosphere
- Prevent the use of 20,060 gallons of cooling water used by power plants

The energy we generated in a year using our own solar panels was equivalent to:

- 13,520 lbs of coal
- 1,546 pieces or approximately 77.3 cords of firewood
- 1,355 gallons of gas
- Average energy used in 46.55 US homes for 1 month

RECYCLING AND WASTE STREAM TOTALS JULY 1, 2008-JUNE 30, 2009

| | Tons | lbs equivalent | % of total |
|---------------------------|-------|----------------|---------------|
| Trash | 15.61 | 31,220 | approx 19.38% |
| Compost | 13.82 | 27,640 | 16.98% |
| Cardboard | 35.32 | 70,642 | 43.40% |
| Co-mingled recycling | 3.13 | 6,256 | approx 3.84% |
| Survival Center Donations | 13.5 | 26,997 | 16.59% |
| Total Waste Stream | 81.38 | 162,755 | 100% |

At current levels River Valley Market is redirecting 80.82% of our waste stream.

Using recycled paper products in the store

All of the paper towels and toilet paper used in the store are made from up to 100% post-consumer recycled paper. Using these products helps us to:

- Eliminate 6,782 lbs of landfill waste
- Save 5814 Kilowatt hours
- Prevent emission of 591 lbs of CO²
- Save 23,918 gallons of water
- Save 19 trees

We also use office paper with 30-100% recycled paper content. The cardboard hot food boxes used for deli take out are 100% recycled content. All deli take-out containers are either compostable or recyclable. Our "plastic" cups and "silverware" are made from corn which is commercially compostable.

LOCAL HEROES

Actively working to help create a thriving local/regional food system and economy are two key goals of our founding member-owners. We're happy to report that in our first year we purchased 20% of our food products locally (within 100 miles) and another 25% from within the New England/New York region for a total of 45% of the food sold at the co-op supporting local or regional farmers and businesses. That equals about \$1 million in local foods and another \$1.5 million in regional foods for a total of \$2.5 million in purchases supporting our friends and neighbors within our own region.

Here are a few examples of your support for the co-ops local farmers last year:

- 36,375 pounds of local apples: Apex Farm, Dwight Miller Organic Orchards, and Scott Farm
- 5,232 heads of locally grown lettuce: Enterprise Farm, Riverland Farm & Pioneer Valley Growers Assn
- 3,042 pounds of asparagus, aka Hadley Grass: D.A. Smiarowski
- 14,772 ears of locally grown corn: Bemben Farm, Enterprise Farm
- 680 pounds of locally raised Barramundi fish fillets: Australis Aquaculture
- 4,021 pounds of locally raised beef: River Rock Farm, Steady Lane Farm
- 12,645 dozen local chicken eggs: Cold Spring Ranch, Diemand Farm
- 13,321 gallons of local milk: Our Family Farms, Mapleline Farm, High Lawn Farm
- 9,258 pounds of regional cheeses from thirty-five producers
- 1,327 pounds of local bulk honey: Shelburne Honey Company
- 1,971 pounds of local bulk maple syrup: Zawalick's Sugarhouse
- 510 gallons of local kombucha: Katalyst and BF Chainyi Grib



FAIR TRADE PRODUCTS

Last year, the co-op sold **12,881 lbs** of fair trade coffee, **5,148** fair trade chocolate bars, and **44,166 lbs** of fair trade organic bananas. Fair trade is an organized social movement and market-based approach that aims to help producers in developing countries and promote sustainability. The movement advocates the payment of a higher price to producers as well as social and environmental standards in areas related to the production of a wide variety of goods. It focuses in particular on exports from developing countries to developed countries, most notably handicrafts, coffee, cocoa, sugar, tea, bananas, honey, cotton, wine, fresh fruit, chocolate and flowers.

Fair trade's strategic intent is to work with marginalized producers and workers in order to help them move towards economic self-sufficiency and stability. It also aims to allow them to become greater stakeholders in their own organizations, as well as play a wider role in international trade. Fair trade proponents include a number of international development aid, social, religious and environmental organizations such as Christian Aid, SERRV International, Oxfam, Amnesty International, Catholic Relief Services, and Caritas International.

In 2008, fair trade certified sales amounted to approximately US \$4.08 billion (\$2.9 billion) worldwide, a 22% year-to-year increase. While this represents a tiny fraction of world trade in physical merchandise, fair trade products generally account for 1-20% of all sales in their product categories in Europe and North America. In June 2008, it was estimated that over 7.5 million producers and their families were benefiting from fair trade funded infrastructure, technical assistance and community development projects.

Mardi Gras Party, February 21, 2009



Kids, co-op members and staff enjoy Mardi Gras food and finery

COOPERATION AMONG COOPERATIVES

As one of our cooperative principles, River Valley Market supports a number of other cooperative businesses through our business. This includes purchasing goods directly from cooperatives. Last year we purchased \$348,259 directly from our cooperative suppliers including: Associated Grocers New England, Equal Exchange, Frontier Natural Products Co-op, Pioneer Valley Growers Association. We purchase many products which are produced by cooperatives including Cabot Creamery, Organic Valley, Land-o-Lakes butter, Our Family Farms, Once Again, Pachamama, Ocean Spray, Blue Diamond, and Sunkist.

We work with several local non-food cooperatives including UMASS Five College Credit Union, Co-op Power, Woodlands Cooperative, PV², and Collective Copies. We also work closely with our Neighboring Food Co-op Association (NFCA). NFCA is a cooperative of independent food co-ops in Massachusetts, Vermont, New Hampshire, and Connecticut that have organized to work together to develop and support our regional growers and food co-ops.

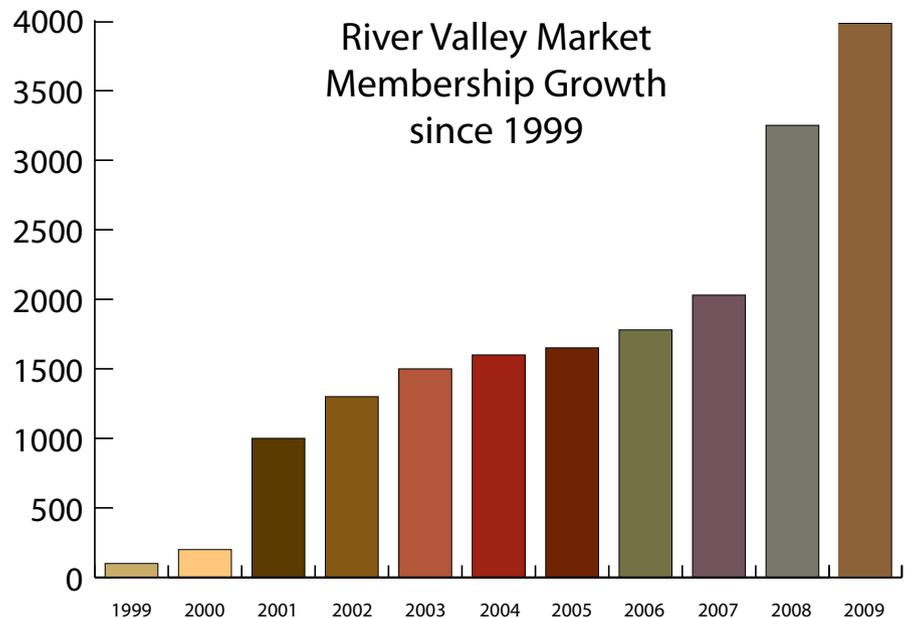
We are members of the National Cooperative Grocers Association, (NCGA) which is a co-op of food co-ops formed to support independent food co-ops. Our monthly Co-op Advantage Program specials are one of the most visible benefits of our membership in NCGA. They provide a wide variety of services to support River Valley Market including contract pricing from several suppliers and training and development support for our staff and Board of Directors. We've also worked with several other cooperative organizations including Cooperative Development Services, Cooperative Fund of New England, the Cooperative Development Institute, the National Cooperative Business Association, the National Cooperative Bank, and NCB Capital Impact.

RIVER VALLEY MARKET IS A MEMBER OF:

- Pioneer Valley Local First
- CISA: Community Involved in Sustaining Agriculture
- Greater Northampton Area Chamber of Commerce
- Co-op Power
- New Orleans Food Co-op (a new co-op organizing to open)
- NOFA: Northeast Organic Farming Association
- NCFA: Neighboring Food Co-ops Association
- NCGA: National Cooperative Grocers' Association
- AGNE: Associated Grocers New England
- Frontier Natural Products Co-op
- NCB: National Cooperative Bank

RIVER VALLEY MARKET UNDERWRITES LOCAL PUBLIC & COMMUNITY RADIO STATIONS:

- WFCR
- WMUA
- WAMC
- WXOJ-LP Valley Free Radio



Spring 2009

QUARRY CAFE ART

Co-op member-owners are invited to submit digital samples of their artwork for consideration for our monthly Quarry Cafe art exhibits. Below are samples of the work of Quarry Café artists in FY2009. Each month the public has an opportunity to meet the exhibiting artist through a Northampton Arts Night Out reception on the second Friday of the month. A percentage of proceeds from exhibit art sales are donated to the co-op green stamp donation recipient of the month.

Big thanks go to Outreach Volunteer Jane Nevinsmith for organizing the Quarry Café art exhibit program and coordinating with Northampton Arts Night Out.



Diane Nevinsmith
(February)



Adam Woodward
(March)



Asparagus Valley Potters
(April)



Marjorie Tauer
(May)



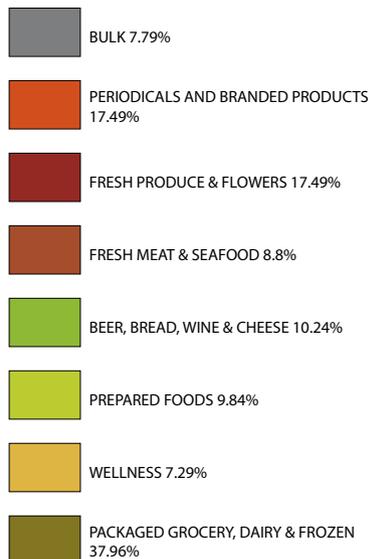
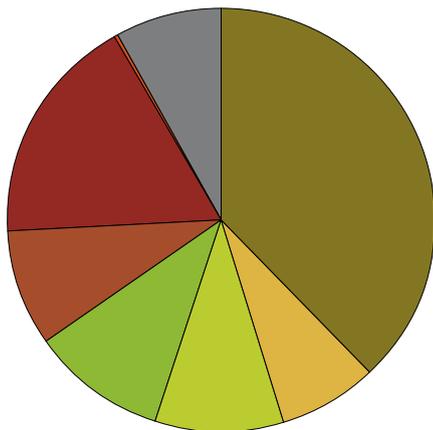
Hannah Jacobson-Hardy
(June)

MY CO-OP ROCKS VIDEO CONTEST

This year we introduced our co-op to the cyber-world through the 2009 My Co-op Rocks Video Contest, sponsored by the National Cooperative Grocers Association (NCGA). The contest allowed unlimited entries per co-op. Our member-owners entered two videos, which you can view online at www.mycoprocks.coop (search for River Valley Market under "Co-ops.") We didn't win this year, but we hope other member-owners will throw their creativity into the ring and compete for great prizes and co-op glory in 2010.



DEPARTMENTAL SALES BREAKDOWN FY 09



Top to bottom: St. Patrick's Day fiddle tunes, A rainy pancake breakfast to wrap up the March Member Drive, Wake Robin Morris Dancers, Treefrog Landscape crew and volunteers plant trees to landscape the parking lot



ABBIE ABBOTT A long time ago, as a Peace Corps Volunteer, I worked for social justice by developing people's awareness and skills in the interconnectedness of agriculture, nutrition, education, and community well-being. This has been a continuing vision, through over 40 years of teaching, administration, and consulting. I have a strong interest in locally-based, sustainable economic development. I would like to do what I can right here, which is why I am interested in serving on the Board to ensure the success of River Valley Market.

Currently I am a volunteer with Berkshire Children and Families, and Valley Voices Gospel Choir. I was a volunteer with Obama '08. In previous communities I have done arts and crafts with inner-city children and senior citizens, tutoring, cooked healthy lunches in a school, Habitat for Humanity, and Heifer Project.

I was a member of a fledgling food co-op started by parents at my children's school. With fellow craftswomen I started a craft guild and a cooperative shop for local craftspeople.

When I was on the board of a non-profit daycare center that was trying to become more visible in the community, two factions each felt strongly that their project would be more beneficial, but they objected to the other project, and there was an impasse. Using a version of "Force Field Analysis" to find out where the resistance was, I teased out that their common concern was overall cost. Two of us got them to use their enthusiasm to fundraise for their favorite project—sort of a contest. The outcome was generous donations of materials and labor as well as actual cash, and raising community awareness in the process!

As an educational administrator in a New York suburb, at the Harlem YMCA, and at an Upper East Side Manhattan private school, I have had a variety of experiences in planning and organizational evaluation, including multiple accreditation assessments.

I also have a background in art and graphic design, and with friends published "The Sweet Life Chocolate Engagement Calendar" for two years.



ED MALTBY (Incumbent) When we started meeting in restaurants, the library and the fire station at the start of this adventure in 1998, there were times when I questioned whether we could ever fulfill this bold quest for a community-owned store. Our search has mirrored life with peaks and troughs, changes for good and bad but an overwhelming strength from the support of the community. Its been my privilege to be part of this community effort which started just after I resigned as manager for the Smith Vocational and Agricultural School farm and continued through the five years spent establishing Bramble Hill Farm as a viable farm using sustainable and organic practices. I'm now working on a

variety of projects to ensure a strong and economically sustainable agricultural community for the northeast that will provide a wide variety of products for our community-owned market. With the store now open and thriving, I believe my business and community experience will be a valuable asset to the Board as the co-op grows and consolidates our successes.



Partygoers enjoyed great food, music from The Primate Fiasco, Bart's ice cream, piñata, and fire dancing. Co-op Superhero Awards went to Bart's Ice Cream, Green Fields Market, and Austin Miller. Bottom: outreach volunteer Alan Wertkin

Strawberry Ice Cream Social June 4, 2009



Live music with Swing Caravan, Bart's Homemade ice cream with fresh local strawberries, and hula hooping!

CLAIRE MORENON I am currently employed as a Program Coordinator for CISA (Community Involved in Sustaining Agriculture), where I work on a variety of programs designed to strengthen local farms and our community by connecting the two. Before I began working for CISA in 2006, I spent many glorious seasons working on fruit and vegetable farms in Rhode Island and Massachusetts. I'm currently a member of the organizing committee for the Free Harvest Supper and Winter Fare in Greenfield, two great volunteer-coordinated events that celebrate local food at opposite ends of the year. I sit on the recently formed Farmers' Market subcommittee of the Northampton Agricultural Commission, and I have also

been involved in MassBike, the Massachusetts bicycling advocacy organization. I love growing, cooking, preserving, and eating food. I believe that developing a strong, sustainable, fair food system is one of the most vital and basic pursuits a community can undertake, and I see River Valley Market as an important piece of our Valley's particular efforts to that end. I'm interested in serving on the Board of Directors because it's important to me to be engaged in the work of sustaining our coop, and my hope is that my background in agricultural issues can bring a useful perspective to the Board.

My work at CISA has taught me a lot about how a wide variety of farms and related businesses function, and I look forward to learning more about the governance structure of River Valley Market. The issues facing CISA and the businesses we work with are complex and often cloudy, and I strive to make decisions and form opinions by always going back to the primary goals of the organization and to my own core principles. I believe that long-term strategic planning is important to keeping an organization or business on track, and have had experience with that process in my current position. I look forward to the opportunity to assist in keeping River Valley Market a central part of our community and our local food system.



MAX SAITO I am excited about this opportunity to participate in the Board election process. I live in Florence and teach Communication at Westfield State College, having completed my Ph.D. at UMass in 2007. In addition to home-schooling four children together with my wife Loran, I also serve on the Programming Committee of the Western Massachusetts American Friends Service Committee. I am also active on several parent committees of the Amherst Japanese Language School in South Hadley.

I would like to serve on the Board because I am interested in the work that the co-op does and I would like to contribute to its ongoing work to promote the local economy. I grew up in a small village in Japan and have helped my mother, a farmer, sell her products in a local farmers' cooperative there. The cooperative has made a big difference to the farmers in the village, allowing them to create their own market and thereby continue their way of life. When I first moved to the U.S. I did not have much access to high quality, fresh food, but eating locally in the Pioneer Valley in recent years has helped me connect to the good foods that I grew up with in a self-sufficient and environmentally sustainable farming community.

When dealing with complex issues, I use the strategies of active listening and patience. I try to use a holistic approach and identify how everyone may be contributing both to the conflict and the resolution. I believe that conflict is not always negative, but may be serving a function in an organization.

I believe that the smallest individual actions are essential for promoting social justice and peace. I feel that I can contribute to positive social change simply through the way I shop and by being mindful of where my family's food comes from, how it was grown, and how much energy was used in transporting it. I believe that deeper involvement with overseeing the good work of River Valley Market is a wonderful way to practice what I wish to see in the world.

This annual report is printed with non-toxic, water-based ink on paper that contains 40% recycled fiber.



“Ultimately the solution to America’s economic crisis, I would argue, lies in solving our community crises...[I] see in these crises the seeds of opportunity—opportunities that can only come through the expansion of local business.”

—Michael Shuman, author of *The Small-Mart Revolution*
 Featured guest speaker at the Annual Meeting, November 9

2009 River Valley Market Annual Member-Owner Meeting & Dinner

Sunday, November 8, 5-8 pm *Get your tickets in advance!*
 Northampton Senior Center, 67 Conz Street, Northampton

Mark your calendar for the 2009 River Valley Market Member-Owner Annual Meeting, featuring author and organizer Michael Shuman. All member-owners are invited and encouraged to attend.

An election for new Board members will be held that evening. Look inside this annual report for your Board election ballot.

The meeting will start with a shared meal and opportunity to meet the Board candidates. Tickets are for sale in advance at the Customer Service Desk: \$6 adults, \$4 children. **Deadline to purchase tickets is November 7.**

In addition to co-op news updates, the program will feature a presentation from Michael Shuman, acclaimed author of *The Small-Mart Revolution: How Local Businesses are Beating the Global Competition*

Join us for a fun and informative evening!

AGENDA

- 5:00 Optional dinner and time to meet the Board candidates
- 5:45 Board business
 - Welcome and call for ballots: Ed Maltby, Board President
 - Board member introductions
 - Board candidate introductions
 - Review of minutes from last year’s meeting by Board Secretary
 - Treasurer’s Report
 - Announcements
- 6:00 Progress report on operations: Rochelle Prunty, General Manager
- 6:15 Guest speaker **Michael Shuman**, economist, attorney, author and entrepreneur. In recent years, Michael has led economic development efforts in several communities and has served as a senior editor for the recently published *Encyclopedia of Community*.
- 8:00 Results of annual Board elections and closing remarks: Ed Maltby