

RIVER MARKET

Community Co-op

www.rivermarket.coop

Currents

December–January 2008–2009

What Are Patronage Refunds?

Mead Stone, General Manager



“cooperative”: the patronage refund.

In the last issue of *Currents* I wrote about the seven principles of cooperation. This issue I'll turn my attention to something more specific and very

I have a check given to me by Dave Nelson, former board president, for \$5.05 representing his patronage refund for fiscal year 1997. We were Valley Co-op back then, and to my knowledge that was the last patronage refund issued to members by the board. Dave's check (I've put it in a frame) has been a motivating symbol for me for at least five years and now we are in a position to consider patronage refunds as a possibility at the end of the fiscal year ending June 30th, 2009.

Briefly, this is how patronage refunds work: if River Market has a profit at the end of the fiscal year the board determines, given past debt and future needs of the co-op, whether any of this profit is “excess” profit. There never is a guarantee of a patronage refund and recent events in our economy underscore why co-ops traditionally are very conservative with their revenues. But for the purpose of this article, let's say the ABC Co-op was profitable in its last fiscal year and their board has approved a patronage refund. ABC Co-op had a profit of \$82,000 for their fiscal year.

The next step is to determine how much



of that profit was due to member purchases. Total sales for ABC are broken down into purchases made by members and purchases made by non-members. In our example, ABC's membership accounted for 65% of the co-op's \$4,000,000 annual sales, or \$2,600,000. Using a simple calculation, 65% of the \$82,000 profit was because of member purchases, or in this example, \$53,300.

The board then decides of how much of this profit goes to member equity and how much can go back to members in the form of a patronage refund. For a patronage refund to be tax deductible, the minimal split is 80% to equity and 20% to a patronage refund. So the portion of the profits ABC Co-op's members share as a patronage refund would be 20% of \$53,300, or \$10,660.

The next step is to calculate what percent of member sales each member contributed. Let's use Mr. Nelson as our sample member. Total member purchases for the fiscal year were \$4,000,000 X 65% or \$2,600,000. For the year, Mr. Nelson

purchased \$1,231.71 in groceries from ABC Co-op that accounts for .0474% of total member purchases. Multiplying the member patronage refund pool of \$10,660 by Mr. Nelson's purchase factor of .0474% gives Mr. Nelson a patronage refund of \$5.05. Had Mr. Nelson spent only \$1,000 during the fiscal year, his patronage refund would have been about \$4.10. Had he spent \$5,000 during the year, his patronage refund would have been \$20.50. The more a member purchases, the larger the patronage refund.

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IMPORTANT DATES

- Dec. 20..... Food Fest and Member Discount Day**
- Dec. 24..... Store hours 9am – 4pm**
- Dec. 25..... Store Closed**
- Dec. 31..... Store hours 9am – 6pm**
- Jan. 1..... Store Closed**
- Jan. 13..... Essential Oils class**
- January Month-long Produce Sale**

RIVER MARKET

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www.rivermarket.coop

Currents

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Marketing and Membership

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Stillwater, MN 55082

For employment information call
651-439-0366 or visit our website.
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All River Market Members are welcome to attend monthly board meetings. Meetings are generally held the fourth Tuesday of each month from 6:30-8:30 p.m. in the River Market loft space across Main Street. The Board of Directors welcome members at the meetings.

River Market Board of Directors

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News & Notes



Holiday Food Fest and Member Shopping Day

Join us Saturday, December 20th for another holiday food fest at the co-op. Also, since Christmas Day falls on a Member Thursday, this **Saturday will be a 5% off member shopping day.** We'll have plenty of food demos, samples and vendors as always.

Tuesdays and Saturdays Are Extra Special

Each Tuesday and Saturday, we will have demos and samples in the store, highlighting new or unique products. This is an exciting chance to learn what you like (or don't!) and to learn about various foods and producers. Keegan Humphrey and John Mandel are our demo specialists, headed by Sharon Erickson. Let them help you discover your next favorite food.

LARKE'S COMPOST HEAP

Five Sustainable Things You Can Do

Larke Andre, our sustainability coordinator, has five easy suggestions for increasing the sustainability of your lifestyle:

1. Buy bulk foods or products with sustainable packaging
2. Reuse jars, bags and other containers
3. Walk your kid to school / walk to work
4. Efficient recycling and composting
5. Begin planning your next garden now

Visit www.reduce.org for even more suggestions.

Hot Food Is Coming Soon

In the near future, lunch and dinner will be even easier with hot, prepared food in a warm deli case in addition to the hot soup and paninis we already offer. Chicken, pizza, and breakfast burritos are just a few of our ideas—keep your eyes open for it in the deli where the brewed coffee has been located. The coffee will be moving to the front of the store by the Main Street entrance, so you can wake up as soon as you walk in.

Thank You for Your Support

Thanks to you, we have enjoyed 5 consecutive months of record sales! We look forward to continuing this trend into the new year.

You also gave over \$1,000 for flood relief to the Cooperative Disaster Relief Fund, by donating at our registers. Now we are taking donations for Valley Outreach, a community based, privately funded non-profit organization serving our neighbors in need of food, clothing, and emergency financial assistance. Right now they are in particular need of your help, so please reach out during this cold season to help our neighbors in need.



More About Patronage Refunds

continued from page 1

A patronage refund of this kind is not taxable income to members. It is a refund given back to members based upon purchases, almost like an ‘after the fact’ price reduction. Typically, this patronage refund would be in the form of a coupon that may be used against the cost of future purchases. A member may also redeem the coupon for cash in the co-op. Finally, the board would determine an amount below which a coupon would not be printed, \$1.50 for example.

While these hypothetical numbers may seem small, they are really quite significant. Remember, ABC co-op was returning a total of \$10,660 to its membership based on each member’s purchases for the year. That’s a fairly impressive amount! The beauty of the patronage refund comes from many angles but, essentially, it’s an equitable way of spreading the success of your co-op through a large and diverse membership (owner) base. It’s also a method for the co-op to legally reduce its business taxable income in a manner you rarely see outside of the cooperative business model. You might want to compare a patronage refund to dividends on corporate stock, but a stockholder gets the dividends based upon how many shares of stock owned, not by use of the company itself.

It’s fair to ask why River Market had not issued a patronage refund for over a decade. Once the board considered the costs of a new facility in downtown Stillwater, they would understandably direct Valley Co-op profits toward building up capital for opening a new co-op in a new location. You can imagine the expense involved, and these costs would be true of any new co-op, not just River Market. But River Market also had three years of negative profitability after it opened and another year of losses when the bridge closed. For tax purposes, River Market

still has negative retained earnings on our balance sheet of about \$150,000. Rightfully, this should be a positive number before patronage refunds are issued. Bottom line: We have not enjoyed an “excess” profit for a long time.

But we have worked hard to build a prosperous business and you, our membership, have been behind this success. We have been profitable four of the last five fiscal years and this year’s financial outlook is very good. Membership keeps growing around 300 new members a year and member purchases for our last fiscal year were over \$3,000,000! Members are the backbone of any co-op. Through September, 2008 sales and profits are strong. We have managed to grow sales and customers while keeping expenses tight. If we charge the right price for product given our costs of goods and costs of doing business, we will be profitable.

Don’t forget that ultimately and rightfully it is the decision of the River Market board whether we issue a patronage refund. They will, as your elected representatives, always make the decisions they believe are in the best interests of your co-op and you, the membership.

I hope this helps to clarify a cooperative element missing from River Market for much too long! Let’s work together to make this year our most successful one yet. That way, we all benefit!

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Recapping a Strong Fiscal '08



After reading and listening to bad news day after day

about these tough economic times, River Market is kicking up its heels on a great fiscal year 2008.

For the second year in a row River Market has made a profit on sales of \$4,459,000, up over 5% from last year. In the co-op world, ideal sales growth for the year should be anywhere between 3-10%. We ended the year with a gross profit of 37% with the benchmark in our industry between 35-40%. Also, our cash balance has improved by almost \$50,000 from 2007. Other areas to boast about:

- total assets exceeded 2007 by \$15,000
- total liabilities were \$17,000 less than a year ago.

Why such a strong and healthy year, you might ask? Let me list the ways:

- More customers shopping at River Market
 - 297 new member/owners
 - Effective and resolute General Manager
 - Strong and determined leadership team
 - Knowledgeable and committed staff that continually puts the customer first
- and most importantly,*
- You, our customer/owner base (3,369 active members) that continues to shop and support River Market.

We are on our way! After the first two months of fiscal year 2009, River Market is pleased to report continued strong sales over 2008 and steadfast member/owner growth.

On behalf of the entire Board of Directors, we thank everyone for your continued support to River Market. Let's make 2009 another stellar year.

Go Co-op!

EvaLee Miller
Treasurer, River Market
Board of Directors

Balance Sheet for June 30th, 2008

	Jun 30, 2008	Jun 30, 2007
ASSETS		
Total Checking/Savings	129,930.89	82,767.88
Total 1600 · Inventory	159,227.60	200,613.73
Total Other Current Assets	193,180.61	227,337.91
Total Current Assets	323,111.50	310,222.94
Total Fixed Assets	110,646.37	111,079.01
Other Assets		
Total 1900 · Long Term Investments	48,200.20	42,314.68
1980 · Deferred Income Tax Benefit	63,000.00	66,000.00
Total Other Assets	117,027.53	114,142.01
TOTAL ASSETS	550,785.40	535,443.96
LIABILITIES & EQUITY		
Liabilities		
Total Current Liabilities	201,340.30	168,991.90
Total Long Term Liabilities	50,685.80	99,765.80
Total Liabilities	252,026.10	268,757.70
Equity		
3100 · Capital Stock	3,726.00	3,576.00
3200 · Capital Stock In Redemption	3,948.00	3,948.00
3250 · Treasury Stock	-3,234.00	-3,234.00
3300 · Class A Capital Stock	33,134.03	30,411.00
3400 · Class B Capital Stock	228,605.96	209,064.99
3500 · Capital Stock Receivable	-2,206.00	-2,206.00
3600 · Retained Earnings	-166,135.12	-202,433.41
3700 · Member Equity	191,261.39	191,261.39
Net Income	9,659.04	36,298.29
Total Equity	298,759.30	266,686.26
TOTAL LIABILITIES & EQUITY	550,785.40	535,443.96

River Market Income Statement for Fiscal Year Ending June 30, 2008

	Jul '07-Jun 08	Jul '06-Jun 07
Ordinary Income/Expense		
Income		
Total Income	4,459,424.91	4,218,091.57
Cost of Goods Sold	2,803,215.42	2,598,529.82
Gross Profit	1,656,209.49	1,619,561.75
Total Expense	1,628,660.52	1,572,698.32
Net Ordinary Income	27,548.97	46,863.43
Net Other Income	-17,889.93	-10,565.14
Net Income	9,659.04	36,298.29

Produce Department Throws Caution to the Wind with 9% Off Sale

It's that time of year again: you work and save, try to make everyone's festive season all they expect, then graze on all of those not-so-healthy holiday delights. After the last pine needle is vacuumed up and the stockings are back in the attic, you spend the next month trying to get things back to normal.

River Market boasts the largest, most complete selection of high quality organic produce in the St. Croix River Valley

This year, let us make it a little easier for you to balance your budget and meet your resolutions with our annual, month-long produce sale. River Market boasts the largest, most complete selection of high quality organic produce in the St. Croix River Valley, and with our already reasonable organic pricing the extra 9% off will afford you the opportunity to experiment with new flavors and items you may have avoided in the past.

Don't know what to do with those artichokes or that fennel bulb? Just ask one of our friendly and knowledgeable



staff for suggestions. You are welcome to visit the recipe center located between the produce and bulk departments for great ideas, and to see how far you can stretch that dollar, take a walk through the bulk foods to find the rest of the ingredients for a complete meal.

This is also a great time to introduce a friend to the wide variety of products that our co-op has to offer. After they spend a month eating from our cornucopia of fruit and vegetables, their old produce department just won't cut it anymore. As always, our case discount cannot be combined with any other discounts or sales.

Attention: Members at Local, Independent Businesses!

We are still taking submissions for our Member, Independent Local Business Directory. This will be a resource for our members and shoppers to quickly locate local businesses that are independently run by or employing our co-op members. If you qualify and would like to be included, please pick up a form at the customer service desk.



This past year you donated \$1,063 to flood relief, added to \$1,005 the previous year!

Thank you.

Welcome Our September and October New Members

Cynthia Samels & Cory Gillitzer
 John Fresonke & Melanie Olsen
 Solveg Peterson
 Denise & Ven Manda
 Linda & Karl Skoglund
 Kathy & Andrew Dorwart
 Ellen & Gary Galbavy
 Kathy & Samantha Koerner
 Jim Tempesta
 Beth Forristall & Shane Donohue
 Deb & Kevin Anez
 Karen & Robert Pugh
 John Tapper II
 Tara & Josh Schoeller
 Julie & Bob McGrath
 Jane Hill & Fred Primoli
 Suzy & Joe Schaak
 Jan Burton
 Shannon Ramsden
 Cynthia Strom
 Steve Jacky & Jen Sorenson
 Jennifer Elliot
 Richard & Susan Savolainen
 Amy Anderson & Brian Schutte
 Gwynn Carver
 April & Andrew Torzewski
 Mark & Coren Stabenow
 Emily Frankfurth & Darron May
 Scott & Dawn Edlin
 Renee & Randall Meyer
 Marla & Phil Coffin
 Aimee & Jason Pelletier
 Edna Siniff
 Kristine & Geoff McCarthy
 Colleen Blocher
 Diana & Terry Hatchitt
 James & Anne Hurley
 Heather & Dennis LaValle
 Jaclyn & Steve Cearnik
 Lisa & Pat Doyle
 Steve & Holly Hamond
 Diane & Bryan Grigg
 Joyce & Dave Anastasi
 Carol & Dennis Anderson
 Danielle & Kyle Olinski
 Amanda & Carol Ferris
 Cindy Green & Dave Hill
 Gregory & Nancy Hetland
 Chris Heckathorn & Sonia Mehta
 Bearit Strom
 Valerie Hogan & Thomas Lindfors
 Joy Danielson
 Anastasia Shartih & David Folkers
 Lynn Regnier
 Marilyn Cathcart
 Helen Taws
 Mary Bridgeman

Upcoming Classes at the River Market Loft

Mediation Basics

Saturday, January 10, 10 a.m.–12 p.m.

Many people prefer constructive problem-solving discussions, rather than an adversarial fight. If you have family disputes, issues at work, are in a lawsuit, or if you want to learn about mediation as an alternative to resolving disputes, this class is for you. Bill Funari, mediator and president of Conflict Management Resources, will teach techniques and styles of mediation, how it can work to settle disputes and when to call a professional. This class is an experiential learning session so bring your questions! \$10 for members, \$15 for non-members, payment due at registration.

Pure Essential Oils, Nature's Gift

Tuesday, January 13, 7–8 p.m.

Interested in creating your own home spa? Want to learn the secrets to healing aromatherapy? Curious about safe green cleaning in your home? Essential oils can be used in every aspect of our lives for greater health, wellness and living. Wyndmere Naturals, a local aromatherapy company, will teach therapeutic properties, body care, home environment, and safety of essential oils. Experience aromatherapy and take home samples of wonderful, high quality essential oils. The class will be held at **The Phipps Center for the Arts**, 109 Locust St., Hudson, WI. Pre-registration is required at River Market. \$10 for members, \$15 for non-members.

Beginning Astrology, Part II

Tuesday, January 20, 7–8:30 p.m.

Learn about the building blocks of personal astrology and how they can be used to better understand ourselves and the world around us. Practicing astrologer, Tod Drescher, will discuss chart interpretation and predictive tools such as transits. We will continue discussing the twelve signs, twelve houses and their ruling planets. Attendance of Beginning Astrology Part I is not required. \$10 for members, \$15 for non-members, payment due at registration.

Strengthening Our Community with Education

While many of you have participated in our exciting education program, others are still discovering the rich, transformative opportunities happening here at River Market. We've essentially created a classroom in which simple people, like you and me, can come together to co-create a strong, sustainable community.

The River Market education program has built strong relationships within the community. We have successfully partnered with Fire Fly Farm, Community Education, local business owners, and our newest: The Phipps Center for the Arts.

The small act of attending a class at River Market has a far-reaching effect. Not only will you be nurturing your body and mind, but transforming our valley community into a healthy, sustainable, future. Take time to be inspired and motivated—check out our classes and enjoy the rewards of making a difference.—Kellie Seth, Education Coordinator

Making Your Own Kombucha

Wednesday, January 28, 7–8 p.m.

Live fermented foods are essential to good digestion and basic health. Come and learn about Kombucha: what it is, the benefits of drinking it, and how to make it at home. Take the mystery out of this amazing, energizing, health-saving drink! Kombucha cultures will be available for purchase at the class. Instructors, Brian and Lisa Roesler, have been growing and eating nutrient dense foods as taught by the Weston A. Price Foundation and Nourishing Traditions by Sally Fallon. \$10 for members, \$15 for non-members, payment due at registration.

Creating Sacred Space— Feng Shui Demystified

Thursday, January 29, 6:30–8:30 p.m.

Come to learn the basic Feng Shui principles and how they may be applied to help create sacred space in your home, place of work and community. Your life is affected by your environment. By consciously considering all aspects of your space and using nature as a guide, you can create sacred space that reflects balance and harmony. It will help support your creations and intentions for your body, mind and spirit. The class is taught by Peg Leutele, Certified Feng Shui Practitioner. The class will be held at **The Phipps Center for the Arts**, 109 Locust St., Hudson, WI. Pre-registration is required at River Market. \$25 for members, \$30 for non-members.

Except where indicated, please pre-register in-store, email kellie@rivermarket.coop or phone 651-439-0366. All classes, unless otherwise indicated, are held at the River Market Loft, at 218 N. Main Street in Stillwater, across from the Main Street store entrance. If you are interested in teaching a class or would like email updates for future classes, please contact kellie@rivermarket.coop.

What You Said in Our Last Survey

Last Issue's Survey #1

Last issue we asked for input on a member survey to include member ideas in a long-term vision for River Market. Although at the time of this writing we are still taking in survey responses, here are the top five areas you ranked the **most important for the future, long term success of River Market:**

1. "Increasing Local Foods Sourcing" (74%)
2. "Responsible Pricing" (64%)
3. "Great Food" (60%)
4. "Low prices" (46%)
5. "Great Customer Service" (40%)

Here are the top five areas that were **important to you:**

1. Local Farms (42%)
2. Competitive/ Affordable Foods (30%)
3. Friendly Customer Service (20%)
4. Product Quality (20%)
5. Product Selection (14%)

You can see the areas of overlap: local foods, responsible but more competitive pricing, customer service, product quality and selection (great food). These need to become building blocks for our three- to five-year vision!

Finally, some of your comments:

- "We don't mind paying a little more for many items, but paying a lot more doesn't work for us."
- "Would like a larger area for "dining in", make it more like a deli/ restaurant."
- "Larger store with more items and variety."
- "Good, warm customer relationship (service, special orders, etc.) and low prices!"
- "The friendliness of the staff is important, River Market has a welcoming atmosphere."
- "Since I joined the Co-op, I hardly buy here because I can get the same brands somewhere else for less expensive."
- "Move to a less glitzy, wasteful (energy costs) but accessible place, currently a very bad location, as well as giving members the same discount staff enjoy."

This Issue's Survey Topic (#2)

Given: The mission of the River Market Community Cooperative is to improve human health and the natural environment by providing the healthiest natural food and products in the St. Croix Valley.

One Value is: BEST FOOD AVAILABLE. We believe that the healthiest food is fresh, in its purest state, with the fewest additives and the least processing. Trust us to offer only products that meet our strict quality, health and ethical standards.

Simply stated, in a time of economic downtrend and rising prices, does River Market need to change some of its buying practices? Contrary to our Mission and Values, should we add more conventional produce or grocery items in order to provide lower prices? Give us your thoughts by answering the following questions:

1. Right now River Market should not change its course from its mission and related value (above) based on the ups and downs of the economy.

YES NO

2. If you could have lower prices in one area of the store, which area would that be (check ONLY ONE):

- | | |
|---|--|
| <input type="checkbox"/> Grocery | <input type="checkbox"/> frozen foods |
| <input type="checkbox"/> Produce | <input type="checkbox"/> Deli items |
| <input type="checkbox"/> Wellness | <input type="checkbox"/> Meat |
| <input type="checkbox"/> Products | <input type="checkbox"/> Bakery |
| <input type="checkbox"/> Bulk Foods | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Milk / non-dairy products including eggs | <input type="checkbox"/> I can't say just one area |

3. It is important to me to shop at River Market confident that the products I buy are, in fact, the BEST AVAILABLE and River Market should have the same or even tighter product standards than it currently has?

YES NO

Additional Comments:

Please return this survey to any River Market cashier with your mailing label attached or let the cashier know if are on our list to receive *Currents* electronically to receive \$1 off your order. **Please return this survey no later than January 31st, 2009.** Limit of one survey for each member number.


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Santa is Coming to River Market!


Saturday, December 20th Santa will be in the store from 1-3p.m. Bring your camera to get a picture of your kids with him, giving their last minute gift requests and a final chance at good behavior to really up the gift ante. As part of our Holiday Food Festival, this will be a wonderful time for the entire family as we celebrate a festive season.

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