

BLUE HILL COOP

COMMUNITY MARKET & CAFE



March 10, 2017

Dear Member-Owners,

I wanted to take a moment to share with you some exciting Co-op statistics related to sales and member-owner participation. I continue to be impressed by how this small co-op operates. Even in the quiet winter months, we are always in motion, moving forward, increasing revenue and ownership in spite of the challenges both of limited space as well as functioning as best we can with outdated equipment, lack of parking and various other challenges. A huge THANK YOU to our staff, that keep it all rolling seven days a week.

As a member of National Cooperative Grocers (NCG), we are required to participate in quarterly conference calls with regional member-co-ops that fall into the same sales category. During these calls, each GM is given about 5 minutes to talk about their co-op's current stated goals, struggles, success stories etc. With a NCG conference call scheduled for March 7, I took a moment to reflect on what I had stated as goals for us. The goal that stood out for me: To increase member-owner participation. During the previous quarterly call, I was brand new to Blue Hill Co-op. I had the opportunity to talk about past experiences managing other co-ops as well as give air time to our exciting South Street Relocation Project. With four months as GM now under my belt and with fundraising deadlines for the new store looming, I was still able to see that our owners are the fuel that keeps this place humming.

Moving right along

NCG tells me that Blue Hill is the most seasonal of all NCG member co-ops. Weekly summer sales peak around \$93,000 per week down to under \$40,000 in winter. Because of this, they have encouraged us to find ways to engage our member-owners, especially during the slower, colder months. Member-owner participation is one of the 7 core principles that guide the cooperative business model. Without member-owner participation, it can be difficult to measure the future viability of the co-op.

The numbers speak volumes

In spite of the slowdown that winter imposes, we always seem to bounce back come Spring. This January, however, we seemed to "bounce back" sooner with a 4 % increase in sales. New marketing efforts are contributing to the momentum. By contrast, January 2015 sales grew by 0.6% over the same period in 2014. January 2017 also saw a record high in membership growth. At 27 new member-owners for the month, January membership outpaced all other January's over the past 7 years. February too

shows 23 new member-owners, again a 7-yr high. The highest monthly gain of any month over the past 7 years was realized in July of 2015 at 55 new member-owners.

FY2016 saw another record high of 277 new member-owners, bringing us to 1,615. FY2016 sales grew 7% over 2015. And finally, FY2016 member-owner sales accounted for 76.5% of total sales at \$2,256,614 compared to 23.5% or \$691,656 from non-member owners.

Economic participation is perhaps one of the strongest indicators of member-owner participation that can be measured, especially for a small food co-op in rural, Northeast Maine with only 1,850 sq. ft. of tightly packed retail space. I would say our member-owners are participating well with their dollars, where it counts. The bottom line is that engaged member-owners is what makes a difference, not only in the future viability of this little co-op, but in the health and wellness of the greater Blue Hill Peninsula and specifically Maine's dynamic local food economy. The co-op is, after all, a food market—a real food market where organic and local are our roots and our strength.

The Co-op is not only about food. We are about fostering new and lasting relationships with our farmers and food producers. We bring together like-minded folks that believe wholesome food, grown & produced with care and love for others as well as for our planet, makes for a better world.

This wave of beautiful, local grown Maine food has been spreading all over the state. The Peninsula has deep roots in this regard, where many have come from far and wide seeking a more wholesome life. The sense of community, that small town vibe, and local food are at the heart of this quest for better living.

Strong sales are leading us to expansion

Our sales of Maine-produced products were \$766,390 in 2016 up \$42,637 or 6%, from 2015 at \$723,752. That's over 25% of total sales. All of these indicators show me that Blue Hill Co-op has a dedicated member-owner that supports the overall mission of the co-op that is guided by the "belief in the importance of healthful food options", supporting "our economy by sourcing locally." It is because of this dedication that we can say the co-op has been growing steadily over the course of its 43 years. The last 5 years alone saw a 30% increase in total sales. This is a healthy trend and one that spurred on co-op owners and board member's years ago, to begin the discussion that led to the planning phase of our relocation efforts.

Clearing hurdles, standing on solid ground

After many hours, numerous committee meetings, the acquisition of the South Street property, consultant fees, and refining plans, the dream of a new store has become a full-time commitment. It has met with hurdles, and some setbacks along the way. But every great thing comes with challenges. Working through the unexpected twists has proved our dedication. We are currently on track and are going forward.

Over the past several weeks, I have talked with many devoted co-op members that are excited about the new store. Many of these co-op members have invested in our relocation efforts, 46 to be exact, bringing our total investment shares sold to \$189,600 as of this writing, with another 22 donations

totaling \$13,620. The co-op has also managed to set aside over \$225,000 from operations that will be included in our sources budget for the new store. A snapshot today would show we have \$429,780 that will be allocated to the new store.

We currently owe \$38,040 on our South Street property. We also have \$100,000 available on a line of credit of \$150,000. Current owner equity is at \$240,914. This is good news. However, all this does not bring us to the necessary goal of selling \$500,000 in preferred shares by August 16, 2017.

To reach that goal, we must sell an additional \$310,400 in preferred shares. Once we reach that milestone, we will then register the investment offering in states that will allow our summer residents to participate. The offering is currently limited to Maine residents only until the minimum goal is reached. I have had numerous inquiries from our summer member-owners that are eager to participate and have expressed a strong sentiment of support once we reach our August 16th goal.

The things we can control

Though the current state of the worlds affairs seems wrought with uncertainties, one thing remains true: The Blue Hill Co-op is a successful, long-standing community hub for the greater Blue Hill Peninsula. It is an institution that is trusted, where generations have shopped and gathered in and worked in. What a great opportunity we have to take hold of this co-op at this point in its evolution, to own it, to invest in it, to help direct its future, and be a part of that pioneering spirit of solidarity that will play a major part in furthering the growth of vibrant, local economies centered around the metaphorical table of real, honest food.

We remain dedicated to the South Street Relocation Project. Please consider investing in your local community, in the co-op that you love, to help create a more robust food economy, not only for the beautiful Blue Hill Peninsula, but for the entire state of Maine.

For questions or investment inquiries please contact:

Kevin Gadsby

General Manager

Relocation Project Manager

generalmanager@bluehill.coop

relocation@bluehill.coop

<http://bluehill.coop/site/invest>