



DurangoNaturalfoods.coop

Annual Report

2023 (with 2 qtrs 2024)

By-Laws Revision

Oct Member vote scheduled

Over the past 5 years, a sub committee of our Board have reworked our bylaws one line at a time.

There are no major changes.

The purpose was to make the language more accessible than the legalese they were written in as well as updating to modern technology for communications/meetings.

Scheduled for Oct. the By-laws will go to a vote of the Membership for passage.

The updated document can be found on our website:

DurangoNaturalfoods.coop

Look for the

Red(ish)

Member Sales

tags for increased savings!

General Manager Report

by Joe Z

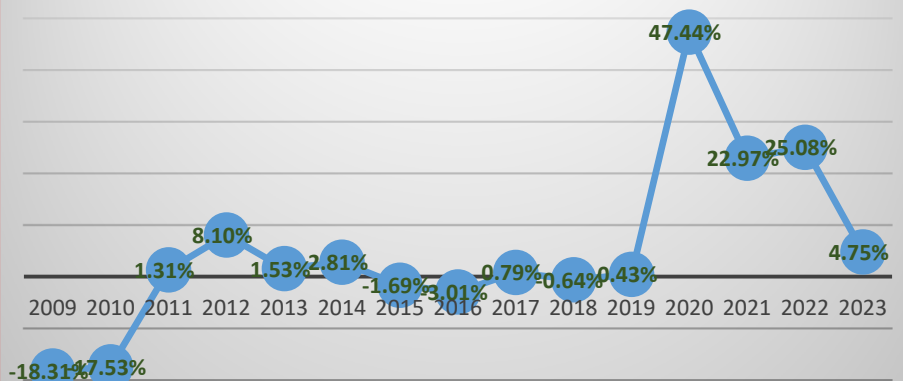
To All Co-op Members,

The issues that we encountered in 2022 resulting in a significant loss were all resolved by the end of the year. It was a bit too late in the year to correct for the previous losses but it allowed 2023 to begin at full strength.

Not only did we have our systems more efficient and up to the necessary tasks, but shoppers kept increasing as did revenues. As you can see from the chart below, while the expected slow down in

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Growth from Previous Year



As expected and reported last year, growth has slowed. This is fine as we cannot grow that much more due to our physical size both in the store and size of our parking lot. None-the-less, we are at a good spot and our bottom line is healthy. However, our growth in 2024 so far has been robust.

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growth occurred, we were frugal enough to allow taking care of much of our delayed maintenance over the last 15 years – most notably our parking lot and our roof.

As 2024 began, we did not see the historical drop in sales. Rather they maintained themselves through Jan and had a growth spurt starting in February which is still ongoing. On an experiential level, many have encountered a full parking lot and longish lines (although they usually move steadily if not quickly).

We feel that moving our register stands to the new configuration enables us to move the lines more quickly.

This move will also enable us to squeeze a third register into the same space. It's a slow process but we hope to make this happen by the end of the year or early next year.

Our Deli is hitting new highs! It has attained quite a following and we continue to slightly tweak recipes to find even better combinations of ingredients.

We use the highest quality foods we can find in our Deli – mostly organic or local.

Last year also saw our successful “Great Big Bonanza Equity Drive 2023”. This increased our Equity account so that we were/are able to attend to capital needs as they arise.

Staffing

You have all witnessed the large amount of turnover at our store. It's certainly not just us because all throughout retail, we hear the same story.

Since Covid, the amount of turn-over has increased and we have learned how to accommodate it. Because of visibility, our Frontend Staff is the most obvious.

Through this turnover, we have been able to keep our customer service standards to a very high level.

Year	Bottom Line
2009	(15,308)
2010	18,352
2011	2,114
2012	583
2013	3,445
2014	(30,719)
2015	(43,946)
2016	(108,567)
2017	13,008
2018	(107,600)
2019	(21,635)
2020	21,668
2021	103,877
2022	(56,939)
2023	185,559

The bottom line is also known as profit and we can see this part of the equation can be challenging. Red is loss.

The period from 2014 through 2018 sustained too much loss and our business almost closed.

The turnaround started in 2019 and we have been steady with the obvious exception of 2022.

That was the year that inflation went crazy and we tried to keep prices down which delayed necessary adjustments. However, we had enough funds to absorb that loss.

We corrected it in 2023 which put us back into the healthy range. It also gave us the ability to raise wages this year so the bottom line will not be this high unless we maintain the growth we had in the first 2 quarters of 2024.

Having a minimum of \$100,000 on the bottom line each year is important so that we can fund reserve accounts that will help us expand/grow/relocate as well as survive future down times.

Not only that, as mentioned, our store is busier than ever setting new records in daily sales and the number of Members/Shoppers visiting each day. All our new folks learn really quickly.

Because of the corrections and rebuilding of funds from the 2022 loss, we were unable to give the wage increases that we planned. With 2023 recouping and 2024 surging, we have the funds to implement the wage increases.

In Jan. 2024, we were able to increase everyone's wage by at least \$1 brings our starting wage to \$16/hr.

The first 2 quarters of 2024 were also robust enough that a second \$1.00 increase in July was accomplished. Our starting wage is now \$17/hr.

We are hovering around 50 Staff Members, which is high but we have a lot of part time folks. This makes it challenging from a scheduling and continuity point of view but it also brings a high energy to the store.

In addition, we have a good number of High School and College folks working with us which brings vibrancy and lots of new ideas.

Our Management Staff are of the highest order. We operate on a quasi-hierarchy and while this is necessary at times, we rely on collaborative decision making as much as possible.

Besides myself and Mads (our Assistant Manager), our Department Managers are as follows:

Jes – Grocery Manager – about to have her 2 year anniversary with the Co-op. She started as a Cashier/Stocker, was promoted to Buyer and, since June, promoted to Manager.

Jack – Produce/Bulk Manager – after some years as a Farmer, Jack started with us in January 2023.

Matt – Deli Manager – started in April 2024 and made Deli Manager in June 2024.

Jordan – Frontend Manager – just celebrating 4 years at DNF, he started in the Deli, went to Cashier/Stocker and then to his current position about 2 years ago.

Caitlin – Marketing Manager – starting 3.5 years ago with us, she started as a buyer, became Grocery Manager and shifted to Marketing this past June.

There are Assistant Managers for each department (except Marketing, right now). Rounding out our Management Team we also have 2 Buyers, 1 Receiver, 4 Leads and 2 MODs (Managers On Duty).

Growth

No one wants to grow to simply get bigger. However, for a business such as ours, growth is necessary to keep up with rising costs in almost every category.

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**We carry more
Local Products
than others,
including:**

Bread LLC

Farm to
Summit

Luv Tempeh

SolaVita

**Turtle Lake
Refuge**

All Season Farms

**TORTILLERIA
LA FLOR**

**CREAM BEAN
BERRY**

Twin Buttes Farm

**Sarva Super
Foods**

James Ranch

Banga Farms

Laz Ewe 2 Bar

The Road Diet

Last year, I told you about the upcoming “Road Diet” which was supposed to happen this summer. But, obviously, it did not.

The Road Diet will reduce the lanes from two to one from 2nd Ave to 8th Ave along College and from 2nd Street to College along 8th Ave.

According to the City, the purpose is to decrease the speed on the roads and increase the safety.

What this means to us, besides the construction obstacles, is that, after they are finished, during busy times, it will be difficult to turn left into or out of our parking lot.

This is actually the third time it has been delayed and the current plans are to begin construction next spring/summer.

The impact on our Co-op remains to be seen (although we can speculate and it looks to be challenging).

Size Matters

Grocery Stores are very expensive to run. We also exist in a very competitive market so we can't simply raise our prices as expenses rise. To survive, grocery stores rely on volume to generate the necessary funds.

Volume allows us to stay competitive on price. We make less profit on each item so we must sell more. It also allows us to often buy product at reduced rates.

Stores must be a certain size to accommodate volume. From parking to space in the aisles to number of checkouts, our Co-op is near its limit to how much volume it can sustain.

Luckily, as we achieve that upper limit, we will be profitable enough to maintain and plan for the future.

However, threats that curtail our current volume could make things difficult after we have so many gains over the past 4 years.

Our situation is that we cannot stretch our buildings nor our parking lot. This means there is a theoretical ceiling that our physical space presents.

Yet we have moved past our projected ceiling the past 2 years. This is very good yet the ceiling still exists and is now yet to be determined as to where this is.

Though we budgeted for about a 3.5% revenue increase, in fact, the first 2 quarters of 2024 posted a 13.5% increase. Of course, it remains to be seen what this number is by the end of the year.

To grow beyond our current space as well as keeping on top of our aging equipment, will take investment dollars.

Towards this end, the Co-op is setting up reserve funds for future growth. This is long term. It would be good to get these reserves to \$1 million at least. We are only at the start of this effort.

State of the Co-op

Our Co-op is strong, stable and thriving. This year is our 50th Anniversary and while a cause for celebration, our focus is on the next 50 years.

Our mortgage come due at the end of next year with a \$125,000 balloon payment. Do we pay it off or roll it over for a few more years? Managing debt while keeping cash is considered a positive business practice.

We spend thousands every year to keep our aging refrigeration units going. Not only are new units beyond sound economic means right now, but we would have further loss by needing to shut the store for a few days.

Without significant dollars saved yet, any type of expansion will be tricky. A possible strategy would be to purchase other businesses – maybe a producer or a restaurant as a way to grow with minimum cash investment.

From all angles, our Co-op is vibrant, sustainable and fun.

WE HAVE OVER 2400

ACTIVE MEMBERS!