

**La Montañita Food Cooperative
Board of Directors Meeting Minutes
June 21, 2016 – 5:30 pm**

Board Present: Ariana Marchello, Tracy Sprouls, Lisa Banwarth-Kuhn, James Esqueda, Tammy Parker, Gina Dennis, Julie Anderson

Board Absent: Greg Gould, Courtney White

Also Present: Dennis Hanley (GM), John Heckes (CFO), Deborah Good (admin assistant and owner), Jeffrey Hertz (research assistant), Michelle Franklin (staff), Sharret Rose (staff), Robin Seydel (staff), Karolyn Cannata-Winge (staff), Carla Baron (owner), Virginia Lawlor (owner), Robert Veilleux (staff and owner), Donna Duran (staff and owner), Loren Kahn (owner), Stephanie Pfeiffer (owner), Joseluis Ortiz (farmer), Marissa Joe (owner), Fidel Gonzales (farmer), Sarah Reynolds (owner), Edward Parker (owner), Renee Millman (staff and owner), Dorothy Finnigan (owner), Django Zeaman (owner), unnamed former owner, Miguelanjel Burns (farmer), Jean Salazar (owner), Benjamin Bartley (staff and owner), Ro D'Attilio (staff and owner), Amanda W. (owner and labor rights advocate), Garrett Soon (staff and owner), Susan Waters (owner), Jay Bunker (owner), Val Talento (owner), Kurt Menke (owner), Krishna Khalsa and Andres C. Salazar (Española Community Market Coop)

Following the Community Education Session (notes in Appendix A), the Board of Directors meeting started at 6:50 p.m. at the La Montañita Support Office in Albuquerque. Robin Seydel facilitated and Deborah Good took notes.

1. Approve the Agenda

Issues Raised: Tammy moves and Tracy seconds to approve the agenda.

Actions Taken: The agenda is approved unanimously.

Actions Required: None

2. Member Comments

Issues Raised: Facilitator sets the tone, asking those present to be respectful in their comments.

This is not the place to bring up personnel issues, as we have an internal process for that in order to protect confidentiality. Facilitator notes the names of those who wish to speak.

- Speaker 1 is president of the Española Community Market. We are an all-volunteer co-op. We have had a lot of help from the La Montañita Co-op with strategizing, marketing, and organizing. We are grateful. We have also received a number of grants that have helped us get started. We continue to have a good relationship with our farmers. We bought about \$40K from your CDC, and \$20K from local farmers. I wanted to express appreciation.
- Speaker 2 is also from the Española Community Market. Her daughter started the store because she wanted to be able to buy from local farmers. The store is very tiny and only open a few hours a day, four days a week, but we have an opportunity because the city

has an old car dealership and some money to fix it up, and we could move in there. There has been some discussion of La Montañita merging with us and opening a site there. If things go that direction, we would love to have you!

- Speaker 3 is a farmer in the South Valley. The South Valley is in the peak of its salad season. At the same time, the co-op is running a sale on California salad greens. This has been happening for several years. This sets us back because we cannot distribute through you. We have 27 farmers in our network that produce salad greens. Also I was really saddened to hear that the GM called the police on the protesters in Santa Fe. As owners, please give us the right to assemble.
 - Correction provided by a staff member: We did not call the police on the protesters. We did find out where the protesters could assemble safely. There have been protesters the past three Saturdays with no police. The majority were member-owners. No police arrived. That is misinformation. It was very peaceful.
- Speaker 4 is a member-owner. The co-op skirts the law with the employees' right to organize. Anything that could be construed as pro-union was removed from the stores. As the Board, I don't know if you have seen the press releases that state the co-op is pro-union, but that is being contradicted in their actions. We have a right to unionize.
- Speaker 5 has been a member for 3 years in Santa Fe. I know how challenging and thankless it is to be on a Board. Like many others you have heard from, I was surprised to see the Clean Fifteen display in the Santa Fe store. We have been given opportunities to meet with the GM but we have not yet had the opportunity to meet with the Board. We feel it is important to communicate directly with the Board. There is no accountability between owners and GM/staff. Our relationship with the Board is primary. I'm concerned if we cannot communicate our concerns to the Board, the co-op will not continue to achieve its mission. That would have consequences for New Mexico and Planet Earth.
 - There are five small group meetings that are being held at the Santa Fe store. An email went out to all Santa Fe member-owners. Both staff and Board will be present. Sign up on Eventbrite.
 - There is also a meeting in Albuquerque this Thursday, on June 23.
- Speaker 6 is a member-owner near Santa Fe and a sustainable whole foods educator. The quality of the food we choose is key to our health and the health of the planet. I have shared with many about the organic produce at the Santa Fe store. The store is now selling food that violates Ends policies 2-4. (She reads the policies.) As more owners become aware of the changes, the Board will experience greater pushback. Most people do not know the difference between organic and conventional foods and so focus on price. A primary concern of this co-op is to educate on the importance of organic food. The direction that you as Board members are taking our co-op is a problem. I want to be able to say that we have the highest-quality organic produce in Santa Fe.
- Speaker 7 sent a letter signed by many member-owners. I know it can be a difficult and thankless job to be on the Board. I know there is a lot of mistrust right now. A lot of you are caught in the middle. I would really like to meet personally to talk and build some bridges.

Actions Taken: None

Actions Required: None

3. Consent Agenda

- a. Board Meeting Minutes (May 17, 2016)
- b. Member Engagement Committee Minutes (May 23, 2016)
- c. Board Development Committee Minutes (May 31, 2016)
- d. Member Engagement Committee Minutes (June 13, 2016)

Issues Raised: James moves and Tammy seconds to approve the consent agenda. One amendment: The second set of Member Engagement minutes (letter d) is being held until next month.

Actions Taken: The consent agenda is approved unanimously, with the amendment.

Actions Required: None

4. Board Budget Proposal

Issues Raised:

- Policy B7 states: “The Board will continually improve its ability to govern by providing adequate resources for training, monitoring, and linkage with member/owners. Costs will be prudently incurred but not so restrictive as to hinder Board development or functioning.”
- Proposal outlines the budget for FY 2016-17. Comparison with other Board budgets nationally shows ours is well within the typical range.
- Minor type-o: “Database” should be “database.”
- Lisa moves and James seconds to approve the proposal.

Actions Taken: The proposal is approved unanimously.

Actions Required: Deborah will correct the type-o.

5. 2016 Nominations and Elections Proposal

Issues Raised:

- The year should be changed to 2016 several places in the proposal. Also, October 22 has been confirmed as the date of Annual Meeting.
- Purpose of this proposal is to make minor changes in nominations and elections procedures. The proposal lays out expiration dates of current Board members, timeline, and procedures.
- On the 2016 ballot, there are three 3-year terms and one 2-year term (the fill the unexpired term of Marshall Kovitz.)
- Ariana moves and Tammy seconds to approve the proposal.

Actions Taken: The proposal is approved unanimously.

Actions Required: Deborah will make the requested changes.

6. Management Monitoring Report – X8 Spirit of Volunteering

- Ariana moves and Lisa seconds to approve the report.
- General Manager:
 - In April, comp sales (this year compared to last year, the #1 retail food metric) were positive, including in produce. CDC comp sales are very strong.

- GM reviews comparisons with key competitors in both conventional and organic markets. Deflation in dairy and produce are impacting everyone.
- Organic produce continues to be our focus. In December, we averaged 125 organic produce items, we now have 323 (198 additional organic items).
- Price perception: In Dec we were 30% over Whole Foods, 50% more expensive than Sprouts. Now we are beating Whole Foods and closer on Sprouts.
- NCG co-ops are not growing but La Montañita is. The teams are doing a really good job in our stores.
- More team members are shopping at La Montañita. The % is confidential but we do watch it.
- GM reports on the West Side store, which is holding events and sales right now. Comps are high.
- Spirit of volunteering report:
 - This is a strength for La Montañita. We need to improve communications and our civic brand around this.
 - For example, through the Staff Wellness Program, we have over 30 alternative modality providers in Albuquerque and Santa Fe. Staff get one free appointment a month. Providers get a volunteer discount. (Tammy offers to reach out to providers in Gallup as there are none on the list right now.)
 - Over 300 volunteers. Over 5,600 volunteer hours. Our model is being replicated around the country.
 - Plans: Once a year party to thank the volunteers. When we do these reports, it is also an opportunity for the GM to discuss ideas with relevant staff, and reinvent. GM thanks Robin and shares that they came up with many ideas. We want the message about La Montañita to be about the work we do in the community.
- Discussion:
 - Checksheet: This is the first report on this since the program was reconfigured to best utilize the volunteer hours, make the programs more even, increase the hours required per discount card, and remove inactive volunteers so others could be moved off the waiting list. The program seems to be doing well with the reconfiguration.

Actions Taken: The report is approved unanimously.

Actions Required: Deborah will make the requested note in the GM monitoring checksheet.

7. Board Functioning

Issues Raised:

a. CCMA Report-outs

- CCMA holds an annual conference in June. 450 people attend from co-ops across the country. This year's conference took place in Amherst, MA. The theme of conference: Disrupting the Future. GM, staff, and Board members who attended share reflections:
 - Co-ops face declining sales all across the country and stiff competition.

- I have been in agriculture and co-ops for twenty and ten years respectively. It used to be just a food thing. But now it has become a social justice food-for-all strategy. It's not a wealthy white community with a health food store. It is communities of color. This gave me hope. It is hard everywhere, and that is part of what comes with democracy. We have to be respectful and work together for this overall co-op concept of what it really is about.
- As a member of the Board and staff, it struck close to home that somewhere considered to be the first place for cooperatives had so many that were struggling just to stay afloat. People would see my nametag and say that La Montañita is the model because of its participation in the value chain, distribution. We are not the only co-op facing adversity and change. So I really feel grateful that, for what it's worth, the co-op that I work for has created a business model that others are trying to model themselves after. We live in a world that is not so perfect. For me it is a really good feeling that what I do every day is impacting it for the better, not for the worse.
- Marshall Kovitz was recognized at the conference as a recipient of the Cooperative Board Service Award, for his service to La Montañita and as a CDS consultant, advising coop boards across sectors. Marshall was one of La Montañita's founders, and was a member of the Board for 35 of 40 years. He was very modest so it was in many ways more appropriate to recognize him after his passing.
- Visiting other co-ops revealed that many other co-ops are selling significant amounts of conventional produce and products. In comparison, La Montañita has a fairly conservative approach to selling conventional produce, except when the produce is grown in the state of New Mexico in which case La Montañita is stocking as much as possible for the DUFEB program.
- The food system is very complex. There is no one right answer.
- b. Self- Evaluation Update: Deborah will send out a link to the self-evaluation, and requests that Board members complete it within two weeks.
- c. Co-op Café will take place Thursday at Immanuel Presbyterian Church at 6:30pm. If small, it will be a round table discussion. If larger, participants will rotate between tables in a world café format.
- d. Upcoming Committee Meetings, all 5:30pm at the Support Office:
 - Member Engagement – July 25
 - Board Development – July 5
 - Finance – July 11

8. Task List

Tasks will be added to the ongoing to-do list in Basecamp:

- Deborah to write Co-opera article.
- Deborah to make edits to proposals.
- Deborah to update the GM monitoring checksheet.
- Deborah to post the Self-Evaluation for the Second Half of the B Policies.
- Newsletter articles due July 6.

9. Meeting Evaluation

Issues Raised:

- Excellent meeting.
- I get frustrated because I want to speak during member comments. I have been a member-owner since 1971 so it is hard for me not to respond from the same place.
- I really appreciated the civil tone.
- Steve (who spoke during the Board Study) is always very enlightening.

Actions Taken: None

Actions Required: None

10. Next Meeting Agenda Construction

Issues Raised: Board Study in discussion; Deborah will not be here.

Actions Taken: None

Actions Required: None

11. Adjourn Regular Session

Issues Raised: Tracy moves and James seconds to adjourn.

Actions Taken: Meeting adjourns at 8:08pm followed by an executive session.

Actions Required: None



BOARD STUDY / COMMUNITY EDUCATION SERIES NOTES

April 19, 2016

Value Chain, It's in the Co-op DNA

Facilitated by: Jeff Hertz, Research Assistant to the Board of Directors

Guest Speaker: Steve Warshawer, Value Chain Facilitator for La Montañita's Co-op Distribution Center

Topic: In this Board Study, the Board of Directors and meeting participants will explore the opportunities for using value chain analysis as a tool for building relationships between producers and consumers, optimizing the value of La Montañita activities, and building transparency across the value chain. This Board Study will also be used to discuss how the Co-op's current Value Chain Coordination work is impacting value chain development in the southwest region and influencing coordinators around the country.

Goals:

- a. Discuss the history of the concepts of the value chain & competitive advantage
- b. Discuss the concept of a value chain as applied to the Co-op's efforts in serving our local food system
- c. Identify opportunities for applying value chain analysis to optimize the value of specific La Montañita activities
- d. Identify opportunities for continued dialogue that extends beyond supply-side economics to include a more holistic understanding of the value chain in which producers operate vis a vis consumers.

To access instructions and materials for this Board Study, visit:

<http://lamontanita.coop/directors/documents/>

Presentation: History of the Concepts of Value Chain and Competitive Advantage – Jeff Hertz

A Value Chain is: a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market.

Michael Porter's 3 Generic Strategies

- Cost leadership strategy – offering lower costs than the competition
- Differentiation strategy – differentiating a company along dimensions valued by customers
- Focus strategy – offering products to selected segments of the market (vs. an industry-wide strategy, offering product across many market segments)

La Montanita used to primarily use a differentiation strategy, but now there is significant competition in the area we have differentiated into. We must consider how we are/can use cost leadership and focus strategies as well.

Value chain is about the relationships between the people on the supply chain. That's what makes it unique.

Presentation on Value Chain Analysis - Steve Warshawer

- Two examples: Toyota has gained the reputation of quality because everyone in the chain has an equal right and responsibility to succeed. Their values and competency matter. In contrast, a particular retailer buys its onions from growers in the Hatch Valley. They lay out a price at the beginning, and then reduce those prices at the end of the season when there are more onions than they need. They view the producers as disposable.
- La Montañita is a value chain because our suppliers, our members, and our staff are not disposable. We don't view any parts of the enterprise as disposable. Relationships matter. Our end goal is benefits to community through support for producers, and benefits to our "consumers" or the end users/eaters. Our values go beyond Toyota's traditional value chain to a value-based value chain.
- We are sitting in a chain of activities, starting with the farmer, then transportation, then distribution, then retail, then someone's plate. If values are shared the whole way through, then we are creating a value proposition.

Discussion:

- How does the cost leadership strategy interface with that description of value chain?
 - You can't lead with price for long. This is pretty widely accepted in business. But can we ignore price? No. We are not going to compete with Walmart, but price is not irrelevant.
- In La Montañita, we are learning that because of the changing environment, our former differentiation strategy is not enough. Do we abandon this strategy? No. But we need to approach it differently. It includes cost leadership and broadening focus. Can we talk about how we do local in a way that communicates in the market place? Then we would be differentiating again. With the Double Up Food Bucks program we are taking on a focus strategy. The fact that we are a co-op provides differentiation in the market if we talk about it well, but also describes our "firm infrastructure," which is an element of the value chain.
- Member question: I understand that "value" means money, but I want to know, is La Montanita abandoning the principles of sustainability?
 - No. If we retain a value chain approach, we are asking value-based questions all along the chain. Everyone in the chain deserves opportunity, fair treatment, quality.
- What happened in the banana trade between the 1980s and now? Some of the horrific behaviors of producers were discovered, and consumers voted with their dollars all the way back to the dirt. Practices changed as a result.
- Value chain is all about how we affect change. We buy what we want, and if the market speaks loudly enough, we can make a difference.
- If our members don't want it, we are not going to buy it. That is how they speak to us. They vote with their money. Everyone that can afford to "votes" local by buying local products. But we are

learning in other areas what our members value. We are broadening our focus. We are offering a wider range of products to bring in new people.

- We have to keep re-inventing. Co-ops across the country are giving up because they can't compete with Walmart. I argue it is value, not just price.
- Our strategy is to experiment and figure out what works in the competitive market place. If we are selling the same products and we are selling at the same prices, why would anyone choose to shop at our stores. What else do we do? You don't abandon local, organic foods. But we need to look at other competitive advantages.
- Another example is the evolution of the baby salad green product line: 10-12 years ago, it did not exist. It probably was developed by a small, local operation, but it has been picked up by large businesses. The product grows in 30 days. They saw that they could grow this without pest pressure, without pesticides. The product leaned organic. Then there was ecoli in spinach in 2006 so they hit a wall. Now they are saying you can't grow food with manure because it will kill people. So where do the answers come from? Some of our farmers are providing an answer – diverse microbial populations in soil kill bad bacteria. Innovative ideas come from us. This requires that we stick with it for the long haul.
- Our ideas and our values change the food system. In that process, we hit walls, they hit walls. What I'm hoping as a person who has been close to this set of problems for about a decade, my hope is that our value chain can have an impact on the larger food industry. Value chains can change fairly big swaths of food systems. We haven't given up on anything. We have engaged a whole new set of opportunities.
- Member-owner comment: We are creating more choices instead of making things smaller and simpler for the shopper. A recent article talked about the advantage of Trader Joes and Aldi's over Whole Foods because they have fewer options rather than more.
 - Our value chain process is living. When making decisions, we ask, which option supports our producers, our staff, our members?
- Member-owner comment: I think the small farms are probably the best practice in agriculture. The ecoli problem was the result of big agriculture.
 - Nobody ever figured out where the ecoli came from. But good soil could likely have prevented it.
- It is amazing how quickly big agriculture adopted organic. I really like it when larger companies learn from what we are doing and adopt it. I think what we are trying to do is bring our values to a system that we have not really been a part of.
- Thinking about the concept of the value chain, what other opportunities are there for us to broaden our conversation. Where else can we apply a value chain analysis to parts of La Montañita?
 - One of this month's readings was on grass-fed beef. First step was to identify assumptions and to test them. For example, there was an assumption that the middle man is out to rip us off. The end goal: Producer is satisfied and the market is happy
 - We found some gaps in the value chain – do we really have grass when we know we need it? Can we predictably grow and finish cattle? Can we predictably project costs? We couldn't do it. We then identified interventions to address the gaps. And La Montañita is implementing many of those interventions now. It brings to the members what they said they wanted.

- We don't have those kind of resources to do value chain analysis to the extent that it was done in that study, but we have relationships. So we watch for gaps and opportunities.
- The hardest part is to stick to the differentiation strategy and get better at it in a hotly competitive market. That's a lot of what we are debating.
- Member-owner comment: But we are not evolving. We are devolving by offering conventional products.
 - I don't see having two beef programs instead of one as devolving. We have two beef programs focused on two different ranchers/producers. They are both local. That is unique. Meeting two different customer needs. Two different flavor profiles. Two different price points. How we communicate the message around it is important.
- Member-owner comment: Our message used to be quality products and relationships. Now that is in question.