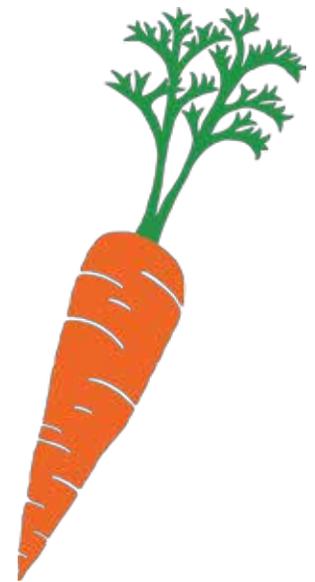


# Annual Report - Fiscal Year 2014



## Year One as a Co-op!

Welcome to the first annual report for Real Pickles Cooperative! This report will serve to document our highlights and major accomplishments for the fiscal year ending March 31, 2014 (FY'14). We view this as our opportunity to communicate the multiple (financial, social & environmental) bottom lines of our business.

We've been busy this first year developing our Board of Directors, made up of Real Pickles' seven worker-owners. The Board has been laying the groundwork for operation as the governing body of a successful and growing enterprise, while maintaining our participatory management structure. We welcomed two new worker-owners and initiated a path to membership for future owners. Regular training and education classes have been established for all staff to develop new skills and understanding related to ownership. And we've discussed the opportunities and challenges surrounding ownership, and how we can maintain big-picture thinking while focused on our day-to-day activities (making pickles!).

This first year has also seen development of our first Board of Advisors, a group that brings together expertise in cooperative development, natural foods wholesale, food production, finance, food systems thinking, community business, and nutrition. We are grateful for their guidance!

### Worker-owner: Brendan Flannelly-King

“ I am proud to own a piece of such a progressive and positive company and, even more than that, I feel privileged to be able to cultivate the workplace and the business that I want to be a part of. ”

## Our staff...



Back (L to R): Kristin Howard, Jasper Gardner, Anna Feldman, Andy Van Assche, Heather Wernimont, Aaron Falbel, Brendan Flannelly-King. Middle: Amber Baker, Heather Glista, Rebecca Mokey, Dan Rosenberg, Tamara McKerchie. Front: Addie Rose Holland, Annie Winkler, Joe Mirkin, Rebecca Lay, Tara DiGiovanni.



## Our mission...

We are committed to promoting human and ecological health by providing people with delicious, nourishing food and by working toward a regional, organic food system.

# Product & Supply...

farm producers, distributors, retailers

Real Pickles products are made using vegetables grown in the Northeast U.S. and are sold only within the region. This underscores our commitment to supporting and serving our regional food system. In FY'14, 90% of our vegetables came from our six primary farms in Massachusetts & Vermont; 100% came from within the Northeast.

We work only with certified organic farms to promote best agricultural practices, healthy ecosystems, and the highest quality ingredients for our products.

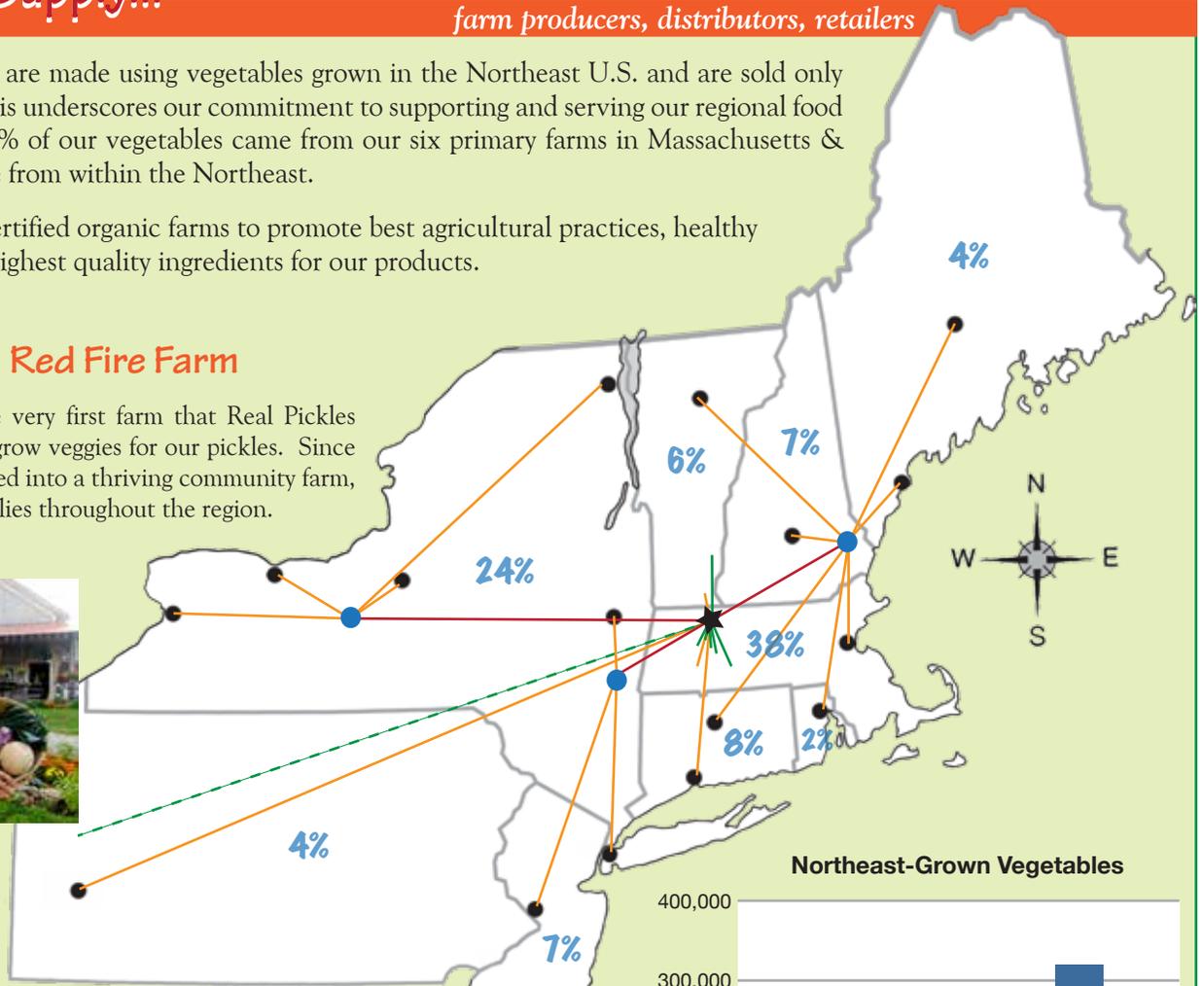
## Farmer profile: Red Fire Farm

Red Fire Farm was the very first farm that Real Pickles called back in 2001 to grow veggies for our pickles. Since then, they have expanded into a thriving community farm, supported by many families throughout the region.



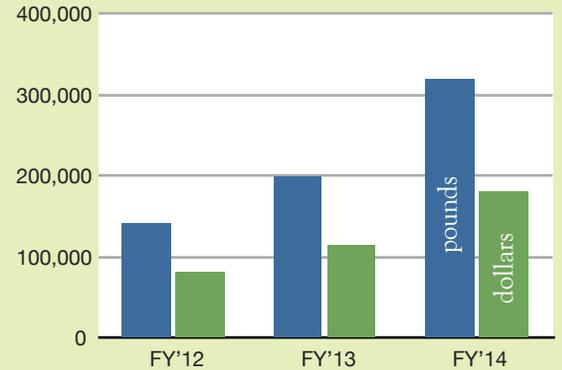
Sarah & Ryan Voiland, Red Fire Farm

Red Fire Farm has locations in Granby and Montague, MA, and is committed to preserving their land for future agricultural use and land access for farmers. We are so grateful to be able to work with such talented and responsible growers!



- Legend:**
- ★ Real Pickles
  - Distributors
  - Distributor pick-up
  - Distribution to stores
  - Vegetable delivery to RP (dashed is one-time)
  - 38%** Sales volume (by state)

Northeast-Grown Vegetables



# Environmental Impact...

energy and waste flow, efficiency and conservation

Here at Real Pickles we are serious about reducing our environmental impact, and we strive to ensure that our energy usage and waste are minimized. Due to our energy-saving improvements, such as high-efficiency lighting and a walk-in cooler that uses outside air in the winter, we've enabled our 17 kW solar installation to provide much of our electricity over the past three years. On top of that, we've continued to increase our electricity efficiency!



## Electricity per jar of pickles:

	Total onsite electric usage	Total jars produced	Electricity used per jar
FY 2014:	<b>22,647 kWh</b>	<b>238,147 jars</b>	<b>0.10 kWh/jar</b>
FY'11 to FY'14:	<b>+20%</b>	<b>+87%</b>	<b>-55%</b>

Solar in FY'14:  
**18,204 kWh or 80%**  
of total electricity!!

We work to foster a culture at Real Pickles that makes for a creative, supportive, fun, and satisfying place to work. Many people enjoy the physical nature of the work - slicing cucumbers, packing jars of sauerkraut, unloading bins of cabbage from the farm trucks - but what keeps our staff for the long term is the vibrant community of people that appreciates food, friendship, and interesting conversation. And we try hard to make sure that the compensation is nearly as generous as the work ethic of our staff!

During FY'14, we developed improvements to staff compensation that were implemented at the beginning of FY'15, including a simple retirement plan, a limited family leave benefit, additional paid time off, and an increase to the starting wage to \$12/hr.

## Employment at Real Pickles:

<b>Job creation</b> (FTE = full time equivalent)	FY 2011 staff size: <b>5.75 FTE</b>	FY 2014 staff size: <b>10 FTE</b>	
<b>Staff pay</b>	Starting wage Real Pickles: <b>\$12.00/hr</b>	Minimum wage* Franklin Co.: <b>\$8.00/hr</b>	Living wage* Franklin Co.: <b>\$9.16/hr</b>
<b>Pay ratio</b> (highest:lowest wage)	<b>&lt; 3:1</b>		

\*Minimum and Living wage from Living Wage Calculator: [livingwage.mit.edu](http://livingwage.mit.edu)

# Rooted in community...



We view Real Pickles as a community asset and partner, not just a pickle business. A central part of what we do is to engage with our community to help build a better food system and economy. Beyond our charitable giving, sponsorships, facility tours, and product donations, our community engagement work took a variety of forms during the past year:

- Key participation in the pilot phase for **rCredits**, an exciting local currency system.
- Advising on a **Massachusetts Workforce Alliance** project addressing labor challenges for local food system businesses and workers.
- Steering committee service with the **Pioneer Valley Slow Money Chapter**, catalyzing community-based investment in the local food system.
- Public speaking at the **Bioneers Conference**, **Smith College**, and **NOFA** on building and preserving mission-based food businesses.
- Judging at the **Good Food Awards** in San Francisco, honoring food that is "tasty, authentic, and responsibly produced."

## Sharing: Advice on Raising Capital

Following our successful community investment campaign, a number of other businesses have sought advice from us on raising community capital. We've enjoyed sharing our experience – not to mention encouraging the trend of loca-vesting! Dan co-presented on several webinars on the topic, including for Business Alliance for Local Living Economies (BALLE) and Post-Carbon Institute. We also collaborated with Community Involved in Sustaining Agriculture (CISA) and Solidago Foundation on a case study telling the story of Real Pickles' community investment campaign, so that others working in the local food system and beyond can benefit from our experience.

## Advocacy: FDA Food Safety

In November, Real Pickles submitted detailed comments to FDA in response to its new proposed food safety regulations. We expressed concern with key provisions that would undermine the viability of small farms and food processors: "...As FDA itself acknowledges, the proposed rules will drive some small farms out of business....Such a scenario clearly conflicts with the goal of enhancing the safety of the food supply. It is the large-scale, industrial farming system – not small and mid-scale farming – that is the primary source of contamination in our food supply....If the FDA rules are to truly support food safety, it is essential that they be revised so as to support small and mid-size farming..." FDA has since announced that it will make significant changes to its proposed regulations, to be available for public comment later in 2014.

**Sales report:** We're excited to report that Real Pickles had a strong first year as a cooperative. Total income for our first fiscal year (covering activity from the 5/9/13 transition date through 3/31/14) was \$742,076, an 18% increase over last year. For several years now, demand for our products has continued to increase year-to-year beyond our expectations. Raw fermented pickles have long been an obscure category even in natural foods markets, but now it seems that they're really starting to catch on! We're confident that our sales have also benefited from our decision to transition Real Pickles to a cooperative - and from the public attention that we have received as part of that process.

Our commitment to sourcing our ingredients seasonally from Northeast farms means that we must make accurate, long-range sales projections. When product demand turns out to be higher than expected, we inevitably run out of products before the next season's batches are ready. This was precisely our situation during the summer and fall when, for several months, we fell substantially short of fulfilling customer orders. By the fiscal year-end, however, we had fully recovered - with strong inventory levels and FY'14 sales above projections. Looking ahead to FY'15, we are planning for another 10-15% increase in product sales.



Addie Rose, Dan, and Brendan vend pickles at the Garlic and Arts Festival in Orange, MA

**Financial report:** Strong sales in FY'14 helped us to achieve good profitability, as well. Final net income was \$44,766. Real Pickles' Board of Directors met in May 2014 to evaluate our FY'14 financials and allocate the net income. We chose to pay a 4% dividend on the \$500,000 in preferred shares. We are so grateful to our 77 investors for their crucial role in helping Real Pickles to become a cooperative, and feel fortunate to be in a financial position in our first year to pay the target dividend on their investments. The board also reaffirmed our commitment to re-invest financial resources in our cooperative and to develop the financial capacity to redeem the preferred shares over time. We allocated a substantial portion of our available net income to collective reserves, with the remainder set aside as retained patronage. The latter funds will eventually be paid out to the current worker-owners, but for now will remain available for the cooperative's cash needs.

## Visioning...

### looking forward

Our Board of Directors has been hard at work charting Real Pickles' future. We engaged in a variety of visioning exercises that led to the drafting of our 5-year Vision Statement. Framed as our vision for how Real Pickles will look in 2019, we intend to use this statement to guide our decisions and keep our focus tuned to the qualities we want to maintain in our business.

“ Real Pickles Cooperative is a solid and thriving pickle business, rooted in community and social responsibility, and providing high quality, simple, and affordable organic food. We are a well-known brand in the Northeast US, and an established leader in the national fermentation movement. Our business is maturing, with strong finances and the infrastructure we need. Our workers are well-compensated and work quickly, safely, and with good humor. The efficiency of both our facility and production continues to increase and we are exploring opportunities to diversify our business, both in products and activities.

We have designed a democratic workplace that acknowledges and nurtures our innate human need to work together cooperatively and to care for each other. Our worker-owner body has grown to more than 75% of our staff, and all employees benefit from a learning workplace, where workers enjoy taking the time to improve skills and knowledge. Ownership is fun and engaging, and non-owner staff are curious and excited about our participatory structure, our interesting Board and Member meetings, and healthy patronage dividends. We place a high value on successful work-life balance. All employees feel a high level of job satisfaction and are committed for the long-term.

We are leaders in the development of resilient regional food systems and demonstrate by our success the viability of small, cooperative, regionally-based businesses. We continue to focus staff time and resources toward food system and new economy development.”

