

**BisMan Community Food Cooperative  
Board of Directors Meeting  
Cooperative Community Room  
711 E. Sweet Ave.  
Bismarck, N.D.  
Wednesday, Feb. 21, 2018**

Board members present: Vice President Beth Schatz Kaylor, Treasurer Dina Baird, Secretary Dale Wetzel, Emily Brown, Erin Huntimer, Tracy Potter. President Kevin Martin and board member Ellen Knudsen participated by telephone.

Others present: General Manager Carmen Hoffner, Glen Philbrick, Rita O'Neill, Mandy Dendy, Tiffany Krumm, Derrick Krumm, Jessica Holdman, Rachael Rieker, Larry Rieker, and Casey Bettenhausen.

Vice President Beth Schatz Kaylor called the meeting to order at 6:06 p.m.

Board members acknowledged the resignation of member Paul Brown. He submitted his resignation by email on Feb. 10.

Brown is also on the board of directors of Bowdon Meat Processing, which recently dismissed its general manager. In his email, Brown said the Bowdon Meat Processing position's increased demands on his time left him unable to serve on the boards of both the food cooperative and Bowdon Meat Processing. He said BisMan Community Food Cooperative and its board was "a great team, and I wish you the best on the path forward."

Schatz Kaylor asked if anyone wanted to propose changes to the agenda. Dale Wetzel said he was unable to provide the minutes of the Jan. 10, 2018, meeting because the laptop on which he stored them unexpectedly crashed. He said he was unable to re-create the minutes in time. He said he would do so within the next several days and email them to board members.

Tracy Potter moved that approval of the minutes be tabled until the March meeting. Dina Baird seconded. All board members present voted yes.

Schatz Kaylor thanked cooperative employees for attending the meeting and asked if any of them wished to comment. No one did.

Schatz Kaylor invited comments from member owners who were attending the meeting. Mandy Dendy asked why there was an increasing amount of debt owed to the general manager, Carmen Hoffner. Hoffner said she had been paying some bills from local producers. "I have been trying to catch up with some specific local producers who are not happy."

Dendy asked if there had been any customer response to United Natural Foods Inc. being the cooperative's new primary supplier. She asked whether there was only one delivery truck per week rather than two. Hoffner said yes, that was true.

Hoffner said UNFI representatives reorganized the store and brought in about a thousand new items, including more than \$13,000 worth of free goods. “There is new energy, they filled those shelves up pretty nicely.” Hoffner said the cooperative is getting produce deliveries almost every day. “It’s taken a couple of weeks of adjusting for some of the ordering, but I think we’re working out just fine.”

Dendy asked “at what point in time do we have to close the doors? Is that being considered? How long does it go before sales don’t go up ... where we hit that breaking point, where it’s not worth opening our doors any more?”

Tracy Potter: “That’s not going to happen.” Beth Schatz Kaylor said there is no plan for the cooperative to close, and that the possibility had not been discussed.

Dendy asked how much money was owed to the cooperative’s former primary supplier, KeHe Distributors LLC, and whether the cooperative was still getting shipments from KeHe. Hoffner said the cooperative has worked out terms where the store could resume ordering from KeHe. Hoffner: “We can fill in those gaps with products we had before, that people are wanting.”

Hoffner said KeHe had been demanding payments of \$10,000 before, but the company has agreed to a \$1,500 order each week, with another \$1,500 paid toward outstanding debt. She said members could order Cadia products by the case if they chose.

Beth Schatz Kaylor said UNFI was the cooperative’s primary supplier, but not its sole supplier. Hoffner: “If you have two or three (distributors) to order from, you’re going to find the best deal.”

Dale Wetzel asked Hoffner if UNFI was able to deliver goods in a more timely fashion. Hoffner said the cooperative’s Tuesday orders to UNFI are delivered on Thursday. Before, Tuesday orders were delivered Friday. Hoffner: “That turnaround time is less.”

Larry Rieker, manager of the cooperative’s meat department, said sales were steady. “The comments that we’ve been getting on the UNFI products have been pretty overwhelming” in favor. “As far as picking up sales, it’s tough to gain sales in January and February.” Rieker: “Carmen put us on a very strict diet and it’s working out fine. Yes, sometimes we’re out of products, but things are sustainable.”

Rieker said Hoffner has also reduced labor costs considerably. “At one time we were top-heavy with labor. If we’re cutting our labor down, \$20,000 to \$30,000 a month, you take that times a year, and that heals up a lot of wounds that we have out there.”

Rieker said he believed “the store has come a long way in the last six months. At one time, I didn’t think we would make it until Christmas. We were going backwards so fast. I think we are on the upswing. We’ve got a lot of things happening. I think the team we have here is very well in place.” He said store managers and employees were working better together.

Carmen Hoffner said the cooperative’s Member Appreciation Day on Saturday, Feb. 17, went well, with more than \$15,000 in sales. She said employees of Kupper Chevrolet of Mandan planned to visit March 11, and the business intends to buy gift

cards for its employees to support the cooperative. She said Kupper has discussed holding promotions at the dealership to benefit the co-op.

Hoffner said an inventory specialist quoted her a price of \$650, plus \$250 in travel expenses, to have two specialists do an inventory of the store. She said she was pleased with the price for the work. Hoffner said the job would take about five hours.

Hoffner said she wanted to have the ECRS training for store employees before the inventory is taken, so that the inventory takers can input data into the cooperative's store checkout system. (ECRS, of Boone, N.C., is the provider of the cooperative's cashier stations and other point-of-sale equipment.) Hoffner: "We can ask those questions of ECRS so we can track the inventory correctly from that point forward." She said she would like to have the training done sometime in March.

Schatz Kaylor asked about the status of discussions about holding a Tuesday farmer's market in the cooperative's parking lot. Hoffner said she expects the cooperative will host the farmer's market on one Tuesday in July and one Tuesday in August, with music, bouncy houses and other entertainment. "We can go all out for this." She said the cooperative may also sell kombucha, food and other products at the Saturday farmers' markets. Kombucha does have some alcohol content, but Hoffner said an alcoholic beverage license is not needed to sell it.

Board members agreed with Hoffner's suggestion that the ECRS training be scheduled for March, with the inventory following shortly afterward in April. Tracy Potter suggested delaying the inventory until mid-June, closer to June 30, when the cooperative's fiscal year ends. Hoffner said she would speak to former board member Amanda Gessner about the issue. Gessner is a certified public accountant.

Hoffner said she planned to meet with Blue Cross Blue Shield of North Dakota representatives about the cooperative's health insurance coverage. She said she wanted to explore potential cost savings. She said five cooperative employees were on the plan. She said any potential reductions would reduce her compensation, and she said she was "fine with that."

Dina Baird said any reductions to the cooperative's health insurance plan for full-time employees should be decided by the board.

Rita O'Neill said a company's management normally decides on an employee benefits package. She described the health insurance coverage as a company operations issue that should be handled by Hoffner, not the board of directors. She said she did not know of a company in Bismarck that paid the entire health insurance premium for its employees, as the cooperative does. She opposed the idea of keeping the fully-paid health insurance benefit and reducing employee wages to cut costs. "That is not how this works."

Tracy Potter: "That's how it should work because of the tax implications." Potter said if it was necessary to cut costs by reducing employee compensation, reducing an employee's wages -- rather than his or her health benefits -- would be a net benefit to the employee because health benefits are not taxable income.

Potter said the cooperative's unemployment taxes, Social Security and workers' compensation are based on wages, and reduced wages would mean less tax costs for the cooperative.

Potter: "If you cut somebody's wages, then we all pay less in taxes. If you take away their health benefit, you have just taken the money out of their pockets, out of their paycheck, at no real additional advantage to anybody. It is the wrong way to approach it financially. I am not taking about morally or ethically, just financially." He said the cooperative was not in a position where it has to reduce employee compensation. "You're making employees pay for their health benefit. It's exactly like taking wages away from them."

Rita O'Neill said Montana-Dakota Resources Co. had required employees to pay a portion of their health insurance. "We had to suck it up. We didn't get anything for it. You've got to suck it up. It's for the best interest of the co-op. If we did cut benefits, that's an extra \$17,000 a year, that we could use to pay bills. You've got to think of the bottom line for the co-op also."

Potter: "I am thinking of the bottom line for the co-op. This is just wrong. If you want to save money, cut their wages. If you want to save money and don't cut their benefits, cut their wages. It's as simple as that. It works out financially. Cutting benefits is just the wrong way to do it."

Rita O'Neill said she believed the issue should be an operations decision, handled by the general manager.

Dina Baird said the decision should be made by the board. Baird said Carmen Hoffner should not be put in the position of deciding her own compensation.

Potter said changing the cooperative's coverage plan would be an alternative to save money. "You could get a policy with a bigger deductible, higher co-pays, something along those lines." He said he wanted to attend the Blue Cross Blue Shield meeting that Hoffner mentioned to explore those possibilities.

Hoffner said five cooperative employees were covered by the health insurance. She said the coverage costs the cooperative \$33,000 a year.

Ellen Knudsen said she believed alternative ways of saving money or increasing sales should be pursued. "I just don't want to have to do that to our employees if we don't absolutely have to."

Carmen Hoffner asked if the cooperative's community room could be used for a firearms safety class for women. She said the possibility had been raised by a man who also wants to use the room for classes in how to prepare wild game. Board members said any guns should be brought in discreetly to avoid alarming employees and customers.

Dina Baird presented the finance report. She said there have been discussions about the proper structure of the cooperative's balance sheet, and how to account for the \$4,500 the cooperative received for selling the "buffalo truck." Baird said the truck

was originally purchased for \$6,500. Baird said either Tyler Demars or Heidi Demars has an electronic spreadsheet of member loans, and she said they had \$541,000 of member loans listed. Dale Wetzel said he had been able to locate documentation for \$341,000 in member loans/promissory notes.

Dale Wetzel said Heidi Demars had told him there was a filing cabinet in a cooperative storage room that had copies of promissory notes. Wetzel said he and Hoffner checked the space and the filing cabinet was not there. Baird said she would contact Tyler Demars to get a copy of the spreadsheet he mentioned.

Dina Baird said a separate bank account would be set up for the cooperative's marketing expenses. The account will be financed with part of the salary being paid to Lea Black, the cooperative's former marketing director, who has resigned. Hoffner said \$1,000 a month could be earmarked for marketing expenses. Beth Schatz Kaylor said the cooperative's Google and YouTube marketing expenses could be paid from the account.

Dina Baird said the Finance Committee was putting together a consignment contract for local vendors. She said the project would begin with a small group of vendors that sell shelf-stable products, such as honey and wellness products. She said the project would begin once the contract is prepared.

Beth Schatz Kaylor presented the marketing committee report. She said 500 flyers were printed for leafleting in the Arrowhead Plaza neighborhood, home of the former "Little Dan's," which recently closed. Hoffner suggested also distributing flyers to advertise the cooperative's weekly specials.

Emily Brown presented the report of the in-store engagement committee. Brown said the committee has had one meeting. She said members had "a lot of great ideas," including movie nights, but most of them are probably more appropriate for the marketing committee. She said a merger of the in-store engagement and marketing and outreach committee should be discussed. "There is definitely a difference between the two committees, but it's essential that we communicate with each other, so it might make sense to merge them." Tracy Potter said the marketing committee could have an in-store engagement subcommittee.

The cooperative has begun selling Niman Ranch meat. This has raised objections on the grounds that selling Niman Ranch meat violates the cooperative's food policy. Larry Rieker, the manager of the store's meat department, said the Niman Ranch meat "is exceptional. We've probably got more compliments on that meat than any other meat we've had here."

Rieker said with meat from Nourished by Nature, Thousand Hills and Niman Ranch, the cooperative has selections of beef that are both grass-fed and grass-finished (Nourished by Nature and Thousand Hills) and grass-fed and grain-finished (Niman Ranch).

Carmen Hoffner discussed ways to increase the cooperative's visibility by participating in parades. For example, Bismarck has a Band Night parade in May. She said coupons, fruits or vegetables could be distributed at parades.

Tracy Potter suggested a State Employee Appreciation Day. He said an appreciation day could be advertised in the state Capitol and would prompt a blast e-mail to thousands of state employees.

Dale Wetzel said he needed to send an invitation to board members to join Google Drive, to give them access to cooperative material that is stored on the Google Drive account. He said he and Ellen Knudsen plan to transfer information from the cooperative's Dropbox account to Google Drive.

Ellen Knudsen and Emily Brown said the paperwork had been completed to collect the Agricultural Products Utilization Commission grant of about \$26,000. Knudsen and Brown said the cooperative could apply for another grant. Tracy Potter said APUC grant funding has been reduced dramatically by the Legislature.

President Kevin Martin reported on the progress of getting an updated Supplemental Nutrition Assistance Program certification. The permit needs three signatures, and two of the names on the permit – Paul Brown and Glen Philbrick – are no longer on the board. (Martin is the third signature.) Martin said the SNAP application has been revised. He said in certain product categories, the application now requires a gross annual sales amount instead of a percentage of the category's gross sales. Martin said those sales numbers would have to be compiled.

Martin asked if Dale Wetzel, Dina Baird, and Beth Schatz Kaylor would be willing to be signatories on the permit, because they are board officers, and the application asks for board officers' names on the permit. Baird and Schatz Kaylor said they would be willing to put their names on the permit.

Wetzel said he would be willing, but he said he has only been elected to a one-year term. He said if he is voted off the board this fall, the arduous process of getting a different signatory on the permit would need to begin again. Wetzel suggested choosing a board member with a three-year term.

Beth Schatz Kaylor, Ellen Knudson and Emily Brown are serving three-year terms. Emily Brown said she could not guarantee that she will be in Bismarck until the end of her term, "depending on my work situation." She suggested choosing someone else. Martin said he would send an email to other board members, detailing the information that the SNAP permit application requires.

Dale Wetzel said he had no update on the cooperative's promissory note situation, except for information that was discussed earlier in the meeting.

Dina Baird and Kevin Martin said they had no new information about the possible restructuring of the cooperative's debt. Martin said the cooperative could continue paying interest only on its debt for a few months, but that an extended interest-only dispensation would require approval from the lenders' boards of directors. Martin said he was unfamiliar with the boards' meeting schedules.

Hoffner said the North Dakota Association of Rural Electric Cooperatives has been sending loan repayment bills through the mail. She said those have been paid regularly over the last two months. Hoffner said the payments included principal on the loan, rather than interest only. She said the total monthly payment was just over \$2,000.

Martin said the board and the Food Policy Committee should begin a discussion of food production transparency. Martin said customers should have information readily available about what they are buying and how it was produced.

Dale Wetzel said the cooperative's food policy, as posted on its website, said the cooperative "will say 'No' to" meat that is produced by feeding GMO commodities to animals. Wetzel said as a result, the Niman Ranch meat should not be sold in the store. Emily Brown, who participated in the writing of the food policy, said the intent was to give preference to local producers who did not feed their animals with GMO feed. Brown: "We don't say that we will not purchase, because Number 1 is the viability of the co-op." "It is important to provide products at all levels of affordability."

Wetzel and Brown said the food policy information that is posted on the cooperative's website needs to be corrected.

Dina Baird said the food policy "should be revisited from time to time." Erin Huntimer said the food policy "was intended to be a living document."

Hoffner said she had done research on the Niman Ranch, and that a ranch representative would be coming to the cooperative for a visit. She said Niman Ranch sells its products to 26 food cooperatives throughout the Midwest, including some that "have pretty strict guidelines" on how the food they sell should be produced.

After speaking to Niman Ranch representatives, Hoffner said, "I feel even more comfortable with the product on our shelf." More than 700 ranchers across the country supply meat to Niman Ranch, and Hoffner said she would ask about getting meat from Niman's North Dakota ranch operations or states in the region, "versus maybe cattle in California or elsewhere."

Tracy Potter said Niman Ranch was being given too much space in the cooperative's meat case to describe the company's production practices. "It reads like an ad. It just goes on and on and on." Potter said an abbreviated version of the presentation could be made.

Hoffner said she had wanted to have all of the cooperative's offerings be organic and non-GMO, and said she has helped to organize public protests against Monsanto, which makes Roundup herbicide and genetically engineered seeds. "But we also have 3,300 members, and we need some products where the price point is a little lower."

Hoffner said the cooperative "also wants to support local as much as possible." She said Niman Ranch has been a reliable supplier of fresh meat, and "I think we're being transparent."

Schatz Kaylor said “meat, milk and eggs are basic things that should be local” and that transparency in food production practices should be emphasized. Kevin Martin said the Food Policy Committee could revisit “what transparency should look like.” Martin agreed the Niman Ranch material was too lengthy and resembled an advertisement.

Hoffner said the cooperative carries a great selection of gluten-free products, “but a lot of them are not organic or GMO-free.” “There are a lot of different chemicals in some of those gluten-free products that would not be allowed according to our food policy, but there is a huge demand for them in the marketplace right now. We do need to carry those for people with dietary needs, and people are coming here specifically for gluten-free. We have the best selection in town.”

Hoffner said keeping a constant supply of fresh meat from local suppliers is difficult and labor-intensive. She said one option may be to advertise fresh local offerings as they are made available. “If we bring the local fresh in once in a while, we can create that Girl Scout-cookie buzz. But we can’t call and say, we want a hog tomorrow, or next week even. It’s months down the road.” She said the logistics of keeping a fresh meat supply at the cooperative are complex.

Board members discussed possible ways to increase the supply of fresh meat from local producers. Tracy Potter said local producers could alert the cooperative when they will have fresh meat available, and meat purchases from outside suppliers could be adjusted. Carmen Hoffner said the local meat supply market could be built slowly.

Kevin Martin said consultants have said the cooperative should not have started off with a fresh meat department – “you start with frozen and you slowly build. We are trying to find a happy medium.” Carmen Hoffner said she would prefer to have “packaged fresh” meat rather than have a meat department. She said the meat department is labor intensive, there is a lot of waste, and the department itself loses money or barely breaks even.

Board members discussed ways to label products to indicate how they were produced, which substances they contain, whether they are locally produced, and to provide other information. Schatz Kaylor said the immediate task was to update information on the website. She said she would do that.

Hoffner said she believed the Niman Ranch products should be kept “while we are working on local fresh. It is a consistent product that meets our needs, and people expect there will be a fresh meat case in the store.” She mentioned there are five ranchers in the Strasburg area alone who are certified organic and are shipping their product out of state. “How do we get those here? We want that. But (getting regular supplies of fresh meat at the cooperative) hasn’t been working very smoothly or cost-effectively yet.”

Schatz Kaylor asked if the cooperative could sell fresh vegan sausages. Hoffner said she had recently gotten samples from a company called the Tiny Vegetarian, with sausages wrapped in brown paper.

Erin Huntimer moved that the board go into executive session to discuss cooperative contracts. Dale Wetzel seconded. The board went into executive session at 8:09 p.m.

Dale Wetzel moved that the board go back into open session. Erin Huntimer seconded. The board went back into open session at 8:24 p.m.

Dale Wetzel moved that the meeting adjourn. Erin Huntimer seconded. The meeting adjourned at 8:25 p.m.

Minutes prepared by Dale Wetzel.