



Membership Communique

Co-operatively leading the natural, organic food industry for over 30 years!

Board of Directors **Report to the Annual General Meeting**

April 2009

by Chris Fraracci, Board President

The long cold winter season is finally behind us and signs of spring are everywhere. This is a time of renewed energy and growth. Unlike many creatures, your Board of Directors has not been hibernating! ONFC remains active and vibrant in all seasons. Since the last Annual General Meeting in April 2008, many exciting developments have occurred.

ONFC has grown to a size and stature that is recognized and respected in natural food circles and co-operative associations across Canada. In 2007 ONFC was invited to join the Co-operators Insurance Group as a co-op member. In 2008 we were invited to join the Canadian Co-op Association. These prestigious alliances recognize the integrity and reliability of ONFC's operation.

The governance of our larger organization presents additional challenges requiring specialized expertise. To this end, the Board Development Committee evaluated existing Board members in order to create a skills inventory and training program. Evaluations will be performed on a yearly basis to ensure overall vitality of the Board. The Board Development Committee is also responsible for seeking nominations for Board elections. Members who wish to participate in ONFC governance are encouraged to join committees in order to gain practical experience and working knowledge of ONFC's operations. In time, committee members will be encouraged to run for Board positions according to their desires and identified gaps within the Board.

Long-range strategic planning is a significant joint venture initiative involving Board members, management and staff. This project began in November 2007 and is scheduled to be completed by the end of 2009. During the process we have engaged members, commissioned several reports covering environment, economy, market opportunities and technology and hired professional facilitators to guide our team through the planning process. We have examined our vision, mission and values statements and will establish short-term goals to support our long-term objectives.

The excitement surrounding our many ongoing activities has inspired all Board members to express a desire to continue their active participation. In spite of their enthusiastic responses, one Board member, Graeme Hussey, has decided to stand down. Graeme's heavy commitment to family, business and other co-op ventures has caused him to reach this difficult conclusion. Graeme has served ONFC as President and most recently as Vice-President of the Board. His many valuable contributions are appreciated and will be missed in the future.

ONFC's financial, operational and public success could not have been



MAKING MEMBERSHIP MEANINGFUL

achieved without the strong leadership and dedication of our General Manager, Randy Whitteker. His management team is supportive and committed to achieving our goals.

The Board wishes to recognize the important role of staff in representing ONFC at the front line when dealing with members, non-members and vendors. Their actions portray the values that make ONFC the distributor of choice for organic and natural food in Ontario and Eastern Canada.

Special mention goes to Kim De Lallo, Member

Relations and Education Co-ordinator, who dedicates much of her time to Board and committee administration. Her activities will become more visible to you this year as we embrace our theme: "Making Membership Meaningful." Several initiatives are planned to attract new members, convert non-members and make the entire ONFC experience special.

I am proud to serve ONFC and my fellow members during these exciting times. To anyone wishing to become involved in committee or Board activities, I can promise plenty of fun and adventure. ONFC is a dynamic co-operative, worthy of your support.

General Manager's Report to Annual General Meeting

April 2009

by Randy Whitteker, General Manager

Overview

Growth

The natural and organic food sector continued to grow strongly in 2008 though the year ended with clear signs of slowing down after the market crash in the latter part of the year. ONFC experienced solid growth (20%) in all market segments after settling into our new facility for the first full year.

We failed in our bid to retain preferred vendor status with our largest customer though we are well positioned to remain strong with our existing trade. The market offers many opportunities to build on our relationships while bringing on new customers entering the health and sustainability market. In 2008 we added 250 new customers. Growth will be less pronounced in the current year than it was last year.

Regulatory

Food safety has always been a concern and in 2008 terms like E-coli, salmonella and listeria practically became household names. ONFC continues to work closely with the Canadian Food Inspection Agency (CFIA) to refine our importation and food recall practices.

The emerging legislation for organic food was postponed to June 30, 2009. ONFC has been a voice in the development of this important regulation of certi-

fied organic foods. We will continue to work with organic associations and government to inform and educate our members and customers as the Canada Organic Regime is prepared for implementation.

Workplace

We placed an emphasis on establishing equitable compensation for our employees by engaging in a pay level review, positioning us well for retention and recruitment of employees. Twenty-five hires were made in 2008, many of which were new positions, while some were to replace staff hired into a new position at ONFC.

The Purchasing Manager has been added to the Management Team.

Our health and safety record has been very good while we further develop policies in this important area.

We will be engaged in a workplace vision process that will evolve in concert with our strategic planning. The implementation of this vision will be aimed at furthering our efforts to create an engaged and motivated workplace.

2008 / 2009 Priorities

Strategic Planning

Much emphasis was placed on long-term planning. External consultants were selected from a pool of

potential candidates. Relevant research was commissioned to provide insights into the future of the natural and organic food sector, the economy, and the broader societal environment. ONFC is committed to developing an ongoing process of strategic planning and execution of those plans.

In the coming year we will continue to develop long-term goals making strategic choices that will become the focus of our shorter term operational plans.

Customer Analysis

We have been developing models to analyze sales, margin, and costs of each customer and market segment. This will help us to understand our business and to develop policies to ensure greater financial stability (e.g. delivery charges).

Operational Objectives

Monitoring our service levels is a high priority. In particular we set goals and track our order accuracy and fulfillment rate with the intent to continually improve. Our order picking accuracy of 99.3% has improved but is below our target of 99.5%. The order entry accuracy rate is better than the 99.7% target.

We monitor a number of important financial indicators ensuring that we are on target with our surplus (profit) and our accounts receivable (A/R). Both surplus and A/R were better than target.

Private Brand Development

The Ontario Natural Food Co-op brand was introduced in the tomato category. Although delayed, we have placed a priority on bringing new private label products to market. At the writing of this report, we await a decision from the provincial government regarding a grant proposal to expand our private label. The strategic planning process has placed an emphasis on bringing more locally produced products to market, including our own brand. In the coming year, we will

be launching additional products under the Ontario Natural label.

Membership Development

Membership has been identified as a key strategic opportunity where greater emphasis must be placed. Last year we started to do some informal information gathering and surveying of members' needs and concerns. We have also started to develop ideas to enhance the member benefits. In the coming year we will continue to gather member feedback. A membership development plan will be in place by the end of the year reflecting the long-term goals of the Co-op.

Operations Plan

A 3-year plan will be developed to give operational direction. This plan will reflect the priorities of the Co-op up to 2012, which is when our warehouse lease expires. Though more work will be done to define specific strategic choices, the operations plan will focus on several emerging themes from our 2008 planning process. These themes include:

- Membership development;
- Private brand and local product sourcing;
- Metrics development to guide operational effectiveness.

Call for Board Member Nominations

The Board of Directors has 9 Seats.

4 Director terms are ending at AGM 2009.

We welcome nominations from all the regions we serve.

Contact Kim for a Board Candidate Info Package.

Early nominations are much appreciated.

Registration info@www.onfc.ca

Or register by contacting Kim De Lallo:
kd@onfc.on.ca • 905 507 2021, ext. 233 •
 1 800 387 0354, ext. 233

fax: 905 507 2848 • toll-free fax: 1 866 218 2848



AGM Q & A

Why should I attend the AGM?

Because its an opportunity! ONFC is different because we are co-op. And, in the state of the market today, it is a truly amazing opportunity that as a consumer of a service you can have direct influence over that service. As a member you co-own this wholesale enterprise. Come meet and listen to like-minded people. Vote for your Board of Directors. Pose questions to management. Meet the staff. Register ASAP.

Why is this AGM so early in the morning?

We're trying something totally new this year. We think it will be fun and add value for our members. We chose the Green Living Show because a number of members told us that they attended the show last year. Some ONFC vendors will be exhibiting, which means an occasion to connect with them, too. In order to get your free passes and food tickets, you must attend the AGM. We've been told that members want enough time to enjoy the show. So, an early AGM start is what it takes.

Can I bring more than one other person?

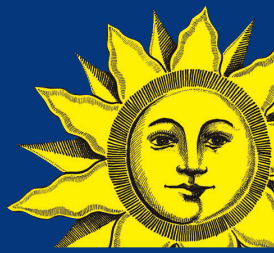
Yes. Please bring as many people as you'd like to AGM 2009. The more the merrier! We are only able to offer 2 free admissions tickets and 1 ticket booklet for food samples per member organization. There's free childcare which requires registration.

How does the travel subsidy work?

ONFC wants to encourage and enable as many members as possible to attend. We offer an AGM travel subsidy for members traveling further than 150 km. Email or call Kim for more info.

See you at the AGM – Hall A, Salon 103, Direct Energy Centre, Exhibition Place, Toronto.

RSVP ASAP with Kim: kd@onfc.on.ca, phone: 905 507 2021 ext. 233.



Ontario Natural

Food Co-op

Sunday
April 26 '09
9:30 am

Annual General Meeting

Hall A, Salon 103 at the Green Living Show

RSVP by Friday April 17



THE 3rd ANNUAL
GREEN LIVING SHOW
APRIL 24-26, 2009

Direct Energy Centre, Exhibition Place, Toronto

greenliving

2 Free Admissions per Member to the Green Living Show
1 Free Ticket Booklet for Farm Fresh Fare food samples
Free Childcare, registration required • Travel subsidies available

TTC accessible • Parking at your own cost

Registration info @ www.onfc.ca

For more info contact Kim De Lallo: kd@onfc.on.ca
905 507 2021 x 233 • 1 800 387 0354 x 233