



NCG Programs Update

January – June 2020

Greetings Valued NCG Partners!



NCG's system of co-ops is a growing and vital sector in the grocery industry. Through a combination of continued same-store growth, new locations and expansions, and additional member co-ops, we expect to grow our topline sales by 10% over the next 18 months, adding over \$200M in sales to our virtual chain of co-ops.

As our members focus on growing sales in their local communities, we'll be working on a few initiatives to help support their sales growth. Today, 71% of the products that deliver 80% of sales are common to all

NCG regions, and we plan to work with our members to optimize product assortment across our chain of community-owned grocery stores through our Core Sets Program. Core sets will more effectively serve our local communities while optimizing sales performance for you. We're completing final details and plan to kick off work on our first core sets category in early 2020. Look for an invitation this summer to our Expo East session, where you'll learn more about the timeline to implement our long-awaited Core Sets Program.

Additionally, we intend to strengthen sales and better serve co-op shoppers by expanding distribution on high-performing items within our Co+op Deals and Disco+ver Coupon programs.

Our partnership with you is important and we consider our work toward shared success essential. We believe working together to improve distribution will create a better experience for you, co-op shoppers, our member co-ops, and NCG. To that end, we'll be testing out two different approaches to fill key voids and use those learnings to inform distribution drives while we roll out the Core Sets Program and start to realize its benefits. Look for more details in a future update.

As we continue to grow, add new co-ops, and strengthen our programs, we have worked these last few years to avoid increases in our program fees wherever we could. For 2020 we'll be increasing our fee for feature shelf and 4x premium ad spaces in Co+op Deals, and will be adding an administrative fee for rebates. Look for the details in our Promotional Contract Terms and Instructions.

Our proven programs continue to deliver performance and we'd like to thank you for your continued investment in NCG and our 145 member food co-ops. We're excited about our projected growth and assortment initiatives, and can't wait to keep working with you toward our mutual success!

We'll see many of you at Co+nvergence, our annual conference for retail buyers in June, and at Co+Lab, our annual business planning summit in July. We look forward to planning 2020 with you and growing our partnership into the next year and beyond.

A handwritten signature in black ink, appearing to read 'Jason Stein'.

Jason Stein
NCG Category Management Director

First Half 2020: Business Planning and Program Updates

Our Off-shelf Promotions Program is Expanding!

Off-shelf promotions are the most productive component of Co+op Deals, benefitting your brand through premium placement on endcaps and other highly visible displays. They feature our deepest discounts and hottest sale prices. Co-ops consistently demonstrate high participation rates and strong execution of off-shelf promotions, averaging a lift in unit sales of 200%!

Spotlight your promotion in premier merchandising locations in store with our Off-shelf Promotions Program. As of August 2019, we're increasing the number of featured off-shelf promotions during each promotional period from 4 to 6. Our increased number of features will also add dedicated space for a body care or nutrition spot. Off-shelf promotions are a prime commodity and we're happy to offer you more opportunities to promote off-shelf.

Take advantage of off-shelf promotions:

Talk to your NCG category manager about including this exceptional opportunity in your 2020 proposals. Find more information in [Partner Connection](#).



Whole Foods Duluth endcap

Amplify Your Brand, Your Story and Your Values with NCG

Investing in NCG's promotions programs builds additional exposure for your brand and grows your sales. We can help you strategically connect your broader marketing efforts like social media campaigns, print and television advertising with valued co-op customers; when shoppers familiar with your brand see your products on promotion at the co-op, you'll have the advantage. Let us help you maximize your

efforts for even greater impact — be sure to include NCG promotions in your 2020 marketing initiatives.

Contact your NCG category manager to discuss your 2020 promotional plans.

First Half 2020: Business Planning and Program Updates

Inspiration and Impact: Planning Cause Promotions and Sweepstakes

Add a cause promotion or sweepstakes offering to your Co+op Deals flyer proposal and grow sales through one of our most unique promotional offerings.

Cause promotions and sweepstakes can have a big impact for your brand and on the issues you care about. And to make it easier for you to plan your proposals and to help you align your brand objectives with NCG's promotional initiatives, we're incorporating cause promotions and sweepstakes into our regular annual promotional planning process for 2020.

Connect shoppers to the difference you are making in the communities where you do business while heightening awareness of your brand by raising funds for a nonprofit or educational organization, community or social issue through a cause promotion. Our cause promotions increase brand visibility and sales, and communicate your values to the co-op shopper. Additionally, cause promotions increase shopper awareness by generating goodwill through forging a positive association between your brand, co-ops and the cause you are supporting.

Generate incremental sales and get shoppers excited about a chance to win (and about your brand!) with in-store sweepstakes. Sweepstakes promotions are fun, festive shopping experiences that grab attention while building loyalty and awareness for your product and for your local co-op.



The Vita Coco display at Ever'man in Pensacola Florida

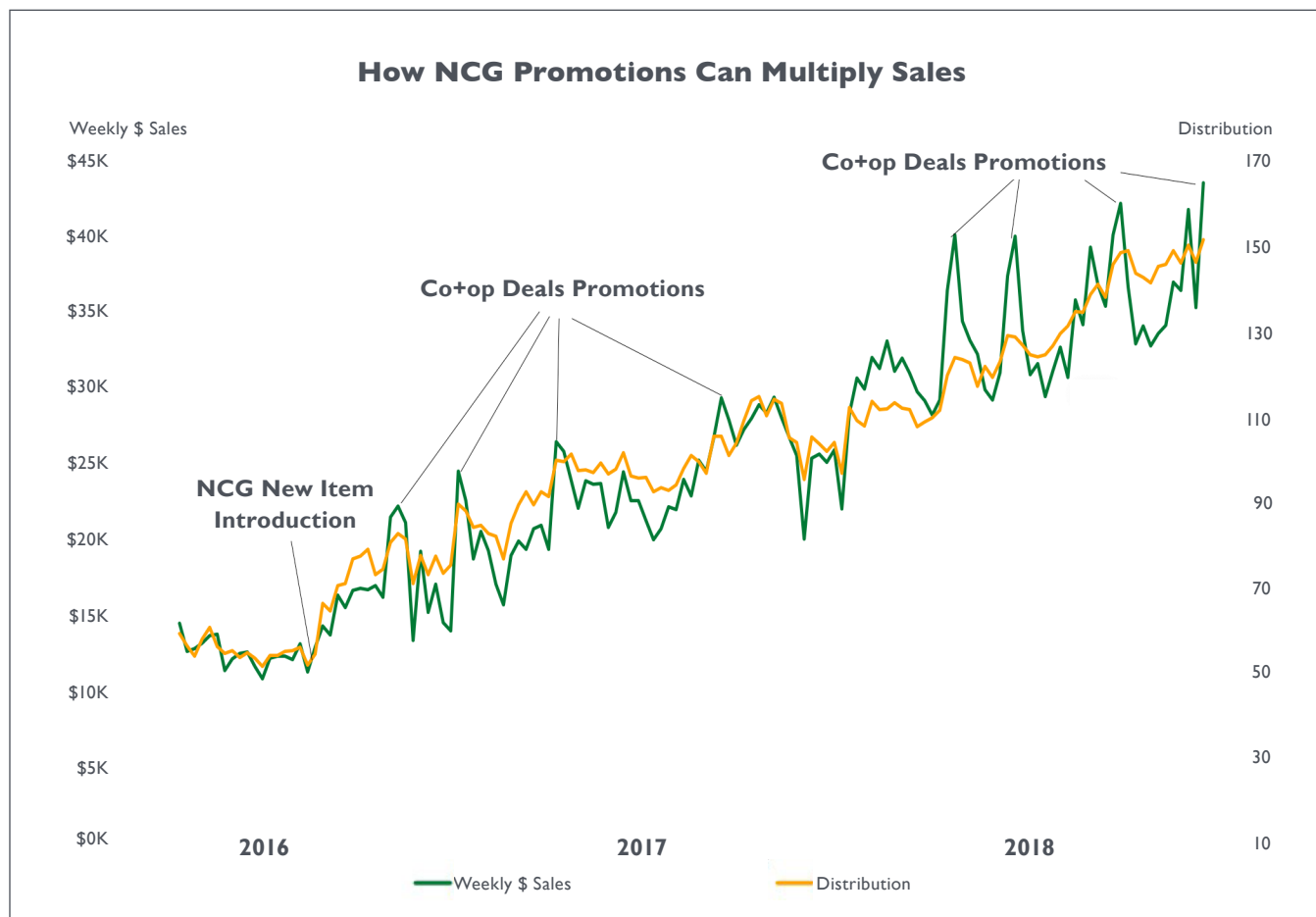
It's worth noting that our two sweepstakes so far in 2019 have drawn the highest participation rate among co-ops to date, with impressive sales growth to match. During the sweepstakes promotions, participating brands saw unit sales of double their average everyday sales and nearly three times their base dollar sales.

Plan your 2020 cause promotions and sweepstakes: Gather your great ideas to discuss with your category manager at Co+Lab in July, and then prepare to send 2020 submissions shortly thereafter. Find more resources online in [Partner Connection](#).

2020 Planning Starts at Co+Lab

In July, we will be hosting many of our vendor partners at Co+Lab, NCG's 2020 promo planning event. If you are not attending Co+Lab, please contact your category manager as soon as possible to discuss 2020 business planning with NCG.

First Half 2020: Business Planning and Program Updates



Brand Case Study: How NCG Promotions Can Multiply Sales

NCG is the go-to growth solution for brands looking to reach co-op shoppers and expand their reach in the natural channel. We took the opportunity to dig a little deeper into the success of one of our brand partners that has experienced remarkable growth through their partnership with NCG.

Our category manager was sold on “Brand X” when they saw the product — it was on trend and would appeal to co-op shoppers, however, the brand had very little distribution. Through NCG’s New Item Program, our category manager secured national distribution at UNFI and launched the product in

our co-ops in October 2016. Since adoption through our New Item Program, average weekly sales have quadrupled and Brand X has grown to a \$2M brand in the natural channel with 75% placement at NCG and because the product is now available to other UNFI customers nationally, 32% placement in the natural channel.

Launching new items in 2020? Talk to your NCG category manager about strategically planning your new item launches to maximize sales.

First Half 2020: Business Planning and Program Updates



Strengthening Our Partnership with IX-ONE Exchange

As a founding member of IX-ONE, NCG is excited that over 90% of our partners are now members of The Data Council's IX-ONE exchange. We're now using the exchange for our new item, flyer and coupon production processes — for images, product descriptions and attribute data, and for presenting new item information to our member co-ops to review each month. Additionally, in the coming months we're focusing on setting up all of our member stores in the exchange so they can take advantage of it for their internal processes and marketing needs.

Participating in the IX-ONE exchange saves manufacturers time and money by streamlining and standardizing the process of product data and image collection in a single exchange for their retail, broker and distributor partners to access. The Data Council's state-of-the-art solution captures 360 degree, high-resolution product and case pack images for marketing, merchandising and planogram purposes while collecting all the product data and attributes that your partners need directly from the product packaging.

Currently, NCG requires all partners participating in the NCG New Item Program to be members of the IX-ONE exchange, or to become members of the exchange if they are not already signed up when their new items are accepted to the program.

What does this mean for you? Starting with January 2020 Co+op Deals promotions (deadline for submission is August 1, 2019) we're requiring all partners participating in Co+op Deals promotions or coupons to be members of the IX-ONE exchange. We'll have a grace period from August to December 2019 for any partners who are not yet members to sign up.

Beginning in January 2020, all NCG partners participating in Co+op Deals promotions or coupons will be required to be members of the IX-ONE exchange in order to participate in these programs.

Are you an IX-ONE member? If not, we encourage you to act now for 2020. For more information, please visit www.ix-one.net/ncg.

NCG Events

Be a part of the Focus on Fresh 2019 Vendor Showcase

Focus on Fresh is quickly becoming a must-attend event for fresh category brands, offering invaluable access to co-op buyers and managers across all fresh departments — produce, meat and seafood, cheese, bakery, deli and prepared foods.

Fresh is the fastest-growing grocery area — dollar growth in these perimeter departments industrywide was 2.1 times greater than other areas of the store in 2017, and top grocery retailers derive almost half of their sales from fresh departments. Focus on Fresh provides focused opportunities to interact directly with retail decision makers. At the Vendor Showcase, you'll have meaningful one-on-one conversations with 150 highly engaged co-op staff eager to learn about your company, sample new products and provide relevant feedback.

Co-ops value your participation at the Vendor Showcase; many buyers may not get to attend another show this year, making this one of the best ways for them to connect to your brand. Experience has shown that being embraced by co-ops can be a pathway to success in the marketplace, and Focus on Fresh fosters strong, lasting partnerships between supporting sponsors and co-ops.

It's not too late! Sponsor Focus on Fresh 2019 and join us July 24-25 in Minneapolis. Don't miss this important opportunity to engage with co-op buyers. For sponsorship info, please contact NCG Supplier Programs Manager Chris Dick: chris.dick@ncg.coop, (866) 709-2667 ext. 2307.



Vendor Praise for Focus on Fresh

“Great event! Team members from co-ops were amazing, open and friendly! I love how the show was short and sweet so they went to all tables.”

Advocacy and Sustainability



A cornerstone of NCG's advocacy work is to serve as a unified voice for our food co-ops on Capitol Hill. NCG and co-op participants are included in this picture taken during the National Organic Coalition Hill Day in Washington DC, 2019.

Food Co-ops on Capitol Hill: Protecting Organic Integrity and Consumer Trust

You may know NCG as a chain of community owned grocery stores, but we also serve as a unified voice for our food co-ops on Capitol Hill. We directly advocate for federal policy priorities focused on healthy food access programs and protecting and strengthening USDA organic standards.

On organic policy issues, NCG partners with Organic Trade Association (OTA) and National Organic Coalition (NOC). We bring the retailer and consumer perspective to bear on these groups' national organic policy platforms; consumer confidence in the USDA Certified Organic label is foundational to food co-ops' business. Here are some of the issues on which we're currently active. We invite and encourage your participation!

GMO labeling law implementation

Following up on the [letter](#) we issued in March to all

NCG vendor partners, we want to thank those of you who have been in dialog with us about how you're planning to implement GMO labeling regulations. We continue to urge companies to choose the [on-package written disclosure](#) option, and to label all products transparently to the extent allowed by law.

Strengthening organic animal welfare standards

NCG actively supports strengthening organic animal welfare standards; in 2017 we signed onto OTA's lawsuit against USDA for failing to implement the Organic Livestock and Poultry Practices Rule finalized by the outgoing Obama administration. We're also partnering with OTA, NOC and the organic community to urge USDA to finalize the Origin of Livestock rule, ensuring consistent enforcement of organic dairy standards. We've [submitted a letter](#) to U.S. Secretary of Agriculture Perdue and have met with a number of offices on Capitol Hill to advocate for implementation.

[Continued on next page](#)

Advocacy and Sustainability

Continued from previous page

OTA's Organic Fraud Prevention Solutions program

Repeated instances of organic import fraud, particularly in grain imports, threaten to erode consumer confidence in organic. Although increased funding for organic import enforcement was included in the 2018 Farm Bill, OTA is taking initiative to establish a framework and process for improving organic integrity within our supply chains. We encourage all companies that are OTA members and are either certified organic or listed with a USDA Material Review Organization (like OMRI) to [read up on the program](#) and [pre-enroll today](#).

NCG applauds these companies pre-enrolled in OTA's Organic Fraud Prevention Solutions program:

- Albert Lea Seed House Inc.
- Ardent Mills
- Bridges Produce, Inc.
- Coyuchi Inc.
- DFI Organics
- Doudlah Farms
- Global Organics Ltd.
- Grain Millers, Inc.
- Grund America
- Handsome Brook Farm
- Hibernia Misiones S.A.
- Ingredion Inc.
- I Was Thinking
- Lundberg Family Farms
- Miles McEvoy, Lacewing LLC
- Monin, Inc.
- Mosher Products Inc.
- Naturepedic Organic Mattresses
- Organically Grown Company
- Organic Valley CROPP Cooperative
- Pipeline Foods, LLC
- J.M. Smucker Company
- Stonyfield
- The Forest Farmers
- True Organic Products, Inc.
- Wolf, DiMatteo & Associates



Staff from REBBL receive a National Co+op Grocers Climate Collaborative Award.

Rising to the Challenge of Climate Change

We honored eight bold companies for their innovative contributions to climate change reduction during [Climate Day at Expo West](#). The National Co+op Grocers Climate Collaborative Awards are designed to inspire the natural and organic products industry to work together to reduce emissions through the [Climate Collaborative](#). Meet our 2019 award winners:

Outstanding Company Award

- PCC Community Markets – Seattle, WA
- Dr. Bronner's
- Nature's Path
- ORGANIC INDIA
- Glen's Garden Market – Washington, DC

Outstanding Value Chain Engagement Award

- REBBL
- Sambazon

Outstanding Influencer Award

- Nancy Hirshberg

These companies, co-ops and individuals were nominated in at least one of the [nine commitment areas](#) identified by the Climate Collaborative as the most essential routes for the natural products industry to take action to reverse climate change. [Learn more about the winners' stories.](#)

Advocacy and Sustainability

Healthy Food Access Programs: Bringing the Co-op Goodness to More Families

You don't have to live in a so-called "food desert" to have difficulty accessing healthy food. Deeply rooted in their communities, food co-ops recognize that many of our neighbors simply can't afford to do all of their grocery shopping there. But with a strong desire to live up to the "everyone welcome" ethos, food co-ops are finding ways to make nutritious food more accessible to low-income shoppers and give back to those who are most in need of assistance.

Willy Street Co-op in Madison, Wisconsin, is an inspiring success story of a co-op that has made healthy, fresh food accessible to more members of their community. Participating in NCG's Co+op Deals promotions and offering the everyday low prices of Co+op Basics helps Willy Street make favorite natural products brands more affordable for all shoppers. Their Access Discount Program offers shoppers 10% off every transaction plus the option to make incremental payments toward co-op membership. The Double Dollars Program, which began with a USDA Food Insecurity Nutrition Incentive (FINI) grant and

is now self-sustaining, gives those using SNAP cards a \$5 voucher for every \$5 spent on produce, effectively doubling their purchasing power at the co-op.

Needs-based discounts and other forms of healthy food access programs are on the rise in food co-ops around the country. When NCG began tracking the popularity of these programs in 2016, just 45% of co-ops reported having them. Our most recent metrics from 2018 show that a dramatic shift has taken place in just two years: Today two-thirds of co-ops offer healthy food access programs. These programs help co-ops serve a broader range of shoppers and bring the co-op goodness to more families.

Brands can help reduce hunger and improve healthy food access by donating extra or unsalable product to local food banks. Whether it is edible "ends and pieces" currently going to waste or less-than-perfect packaging, make an effort to get this food to people who need it before composting or trashing it.

Join us in the quest to improve healthy food access! Find local food collection partners at [Feeding America](#).



Co-ops are Growing for the Good of Their Communities



Sacramento Natural Foods Co-op

When Sacramento Natural Foods Co-op moved into its spectacular new downtown store in fall 2016, the co-op not only expanded its footprint, but broadened its offerings and capacity to serve its community. For 45 years, the co-op has been Sacramento's leader in the natural and specialty foods marketplace. More than 10,000 member-owners know and trust the co-op for its high-quality product selection, superb customer service and array of education programs.

The new store delights shoppers with its attractive departments and inviting specialty stations. It boasts 26,000 sq. ft. of ground-floor retail space (vs. 16,000 sq. ft. at the previous store), and a 16,000 sq. ft. mezzanine level housing the Co-op Cooking School & Community Learning Center with a state-of-the-art teaching kitchen. The co-op designed a center store

layout that increased the number of endcaps, opening up more promotional off-shelf display opportunities for our vendor partners. The space also includes a permanent, fully equipped demo kitchen where vendor reps and co-op chefs hosted more than 600 product demos in 2018.

Sacramento Natural Foods Co-op is a destination shopping experience. Nowhere is that more apparent than in the store's unique fresh perimeter offerings. Its produce department has exclusively sold organically grown fruits and vegetables since 2000, and has strong ties to local growers. In the meat and seafood department, the co-op features caviar and grass-fed, dry aged beef (crafted right in the store). And prepared foods offers an expansive made-from-scratch selection — from signature sandwiches, pizza and taqueria favorites, to sushi, gelato and a coffee and juice bar. There's even a self-serve, make-your-own juice machine.

Continued on next page

Co-ops are Growing for the Good of Their Communities

Continued from previous page

The co-op strives to meet its community's needs as a hub of healthy living. Sacramento Natural Foods Co-op has an exceptional wellness department, trusted for high-quality supplements and body care products, health-oriented accessories and fair trade gifts — and for its knowledgeable staff. More than 5,000 people participated in the co-op's Cooking School & Community Learning Center events last year, which include cooking classes for all ages, wellness seminars and events at local farms. The co-op's classes feature local and organic ingredients sold in the store, and students receive a “shop after class” coupon for special savings.

With a belief that everyone deserves to eat well, the co-op's Community Discount Program gives a 15%

discount on co-op purchases to people with limited incomes to help them afford healthy food. Additionally, Sacramento Natural Foods Co-op partners with local farms, food banks and other community organizations to strengthen access to healthy foods and support a thriving local food system. In 2018, the co-op donated more than 23,000 pounds of food and diverted 59,751 pounds of food waste away from landfills to become compost.

As it looks to the future, Sacramento Natural Foods Co-op has a vision to continue to grow, building on its powerful brand and name value among customers and prominence in the Sacramento marketplace, to benefit its community.



Sacramento Natural Foods Co-op

Co-ops are Growing for the Good of Their Communities

Welcome to our Newest Member Co-op

Green Top Grocery, Bloomington, IL

The co-op has been with NCG as an associate co-op since May 2016 and gained full member status in January of this year. As a member, Green Top introduced Co+op Basics to their shoppers in April and will start promoting Co+op Deals in July. We're excited to have Green Top Grocery featured in our programs and look forward to the value our shared promotions will add for Green Top's shoppers and to your bottom line.

Look for our updated store list at [Partner Co+nnnection](#).



NCG Staff Updates

Welcome New Category Manager



Before joining NCG, **Jeanette Bloss** was a grocery and dairy category manager for San Francisco e-commerce retailer Good Eggs. She previously worked at Whole Foods Market for almost 14 years at both the store and regional level.

Jeanette joins our talented category management team:

Jeanette Bloss Baking, Main Meals, Coffee/Tea, Bulk

Kasey Jorenby Body Care, Frozen, Lifestyle

Brian Larson Fresh, Frozen Meat & Seafood, Refrigerated

Donna Schlaufman Beverage, Breakfast, Feminine Hygiene, Household, Mercantile, Non-food

Sunshine Squires Baby, Snacks, Supplements

Building a Foundation for Growth in Produce Programs

Our presence in perimeter departments is growing, so we've expanded our team to enhance opportunities, merchandising and procurement in produce and better serve our vendor partners and member co-ops.



Colin Lyons, Supplier Programs Manager. Colin is focused on developing new produce distributor relationships and comes to NCG after 17 years in produce and procurement at Lunds & Byerlys.



Chris Dick, Supplier Programs Manager. Continuing in his current role, Chris is increasing his focus on produce and fresh department distributor relationships and programming.

NCG Staff Updates

Introducing NCG's New CEO

NCG is pleased to introduce **C.E. Pugh** as our new Chief Executive Officer. A native of southwest Virginia, Pugh has spent his entire adult life in the grocery industry. He views improving the food system as a spiritual endeavor and believes food co-ops are strong drivers of local economic development.

In 1976, while attending Virginia Tech, Pugh served as store manager of local grocer Wade Foods. During his 12-year tenure, he worked in all aspects of the business, from operations to purchasing, merchandising and marketing, and helped the company grow from two to six locations.

From 1988 to 2002, Pugh acted as vice president of operations for White's Fresh Foods in Johnson City, Tenn., leading retail operations for 22 stores and 800

employees. During this time, Pugh began exploring natural and organic offerings for White's stores and consciously eating more natural and organic foods with his family.

In 2002, Pugh was hired as the general manager for New Mexico's La Montañita Co-op. Over the next six years, he helped grow the co-op from two to four locations; increased sales by almost 250%; launched a product distribution business that supported local farmers, ranchers and producers; and implemented new business finance and reporting systems that increased profit sharing among employees and members.

Pugh joined NCG in 2008 to spearhead the NCG Development Co+operative, a subsidiary focused on supporting food co-op development and expansion. In 2012, he became NCG's first chief operating officer.

"In the face of diminished retail diversity in the grocery sector, NCG co-ops represent a vital channel for brands and choice for customers," Pugh says. "When it comes to product innovation, we've long been trusted as an essential partner and supportive collaborator across the natural products industry. Co-ops are where new products gain a foothold at retail, develop loyal customers and become successful, well-established brands.

"NCG is committed to earning the support of our partners by providing important growth opportunities, and by continuing to deliver impact and results."

"Co-ops are where new products gain a foothold at retail, develop loyal customers and become successful, well-established brands."

— C.E. Pugh

