

Ukiah Natural Foods Co-op

MERCHANDISING POLICY

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This merchandising policy translates Ukiah Natural Foods Co-op's 2001 vision, mission, purpose, core values and operational considerations into guidelines for decision-making by UNF management and board of directors as they pertain to merchandising.

This policy directs and guides management, staff, and the board of directors and informs UNF Co-op customers on our goals and procedures relating to products sold at UNF.

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INTRODUCTION

Ukiah Natural Foods Co-op strives to:

- **provide high quality food and products at the most affordable prices;**
- **support local and organic farmers and other socially conscious suppliers and producers;**
- **inform customers through honest and educational merchandising.**

Ukiah Natural Foods Co-op is owned and operated by its member-owners for their personal and collective benefit, as well as the benefit of the whole community. Our cooperative retail store acts as the buying and distributing agent for our member-owners and customers rather than the selling agent for wholesalers, producers, and financiers. Customer service in our co-op is based on promoting customer value through merchandising. UNF Co-op is proud to maintain guidelines for product selection that are both meaningful and flexible. We aim to accommodate the diverse diets of our customers, while contributing to environmentally-sound food production and to healthy lifestyles.

UNF Co-op does not exist to make a profit although it needs to make a profit to exist. The need for profit to finance growth and renewal and the equally important goal of customer service must be balanced for the Co-op to remain viable. This balance is different than the profit-motivated supermarket's goal of maximizing sales and return on shareholder investment to the detriment of customer value.

We are also aware that the practical aspects of purchasing for a full-service grocery make it impossible to fulfill any individual's idea of "perfection." We strive to balance many factors involved in purchasing; including our goals and core values, the needs and desires of our customers, and the product history. For the most part, we do not perceive simple categories of "good" or "bad," but make our choices based on a variety of factors. We welcome product information and feedback from our customers. At the same time, we ask that customers recognize our good intentions and the complexity of our task.

Our merchandising decisions and actions will be consistent with the vision, purpose, core values and goals of UNF Co-op as agreed to by the management team and board of directors.

This merchandising policy is designed as a tool to help UNF Co-op staff, management and board cooperatively work towards these goals. We invite feedback and input on our merchandising policies and decisions.

1. DEFINITION AND CRITERIA OF MERCHANDISING

Merchandising is the way a product line is chosen and presented to customers through display, pricing, advertising and education. The purpose of merchandising guidelines is to establish a framework within which product choices can be determined.

Merchandising is used in a traditional grocery store to maximize sales volume regardless of the actual needs of the customers. Merchandising is used in the UNF Co-op to enhance our customers' ability to make intelligent choices. The components of merchandising include:

- **general store character,**
- **product selection and emphasis,**
- **product display and promotion,**
- **pricing,**
- **education and advertising,**
- **product choice.**

Each of these components include a wide variety of techniques that affect the products UNF Co-op carries and our customers' awareness of what is for sale. Policies covering each of these components are described in depth in the following sections.

2. GENERAL STORE CHARACTER

Ukiah Natural Foods Co-op is a full-line natural foods store. The focus of UNF Co-op's image and merchandising is on high-quality, fresh, organic and local products. Pricing, display, promotions, product line, education programs, and service are designed to emphasize these foods and goods.

3. PRODUCT SELECTION AND EMPHASIS

3.1 What Are Our Product Selection Criteria?

Through constant communication with Co-op patrons, we strive to strike a balance between basic nutritional needs, special dietary concerns, alternatives to questionable products, and the wants and needs of customers at large. We realize that there will always be contradictions in the interpretation of these guidelines while trying to serve such a diverse member-owner and customer base.

The products offered by the Co-op represent a selection of merchandise from the large number of items made available by suppliers. Our merchandising choices are made to achieve a balance between service to UNF Co-op customers and community, the health and well-being of our customers, and UNF Co-op's economic viability. The following criteria guide the merchandising decisions of Ukiah Natural Foods:

- 1. Nutritional Value and Health Considerations**
- 2. Price Value**
- 3. Environmental Impact**
- 4. Social Responsibility**
- 5. Commitment to organics.**

These criteria are defined and explained further in Section 4 below.

3.2 How Are Our Buying Decisions Made?

The Merchandising Policy provides the criteria for product selection as stated in 3.1 of the policy. It is the responsibility of the department managers, under the direction of the general manager, to select products according to these standards.

Department managers direct the evaluation of the product lines within their responsibility, and are responsible for actively monitoring the following information sources:

- Product sources and distributor availability;
- Input from the suggestion clipboard;
- Input from sales people and from customer product sampling;
- Our competitive environment;
- Industry publications;
- Other applicable information sources.

Products carried by UNF Co-op are reviewed by the Merchandising Committee upon receipt of a complaint. More details regarding the handling of concerns about products, companies, ingredients and production processes are investigated by the merchandising committee as described in Section 8.

Ukiah Natural Foods Co-op's products may be reviewed at any time by the Merchandising Committee along with appropriate staff. All additions to and deletions from a product line are approved by the department manager.

3.3 Product Emphasis

To **emphasize** a product means to give it a more prominent position in the store and to make efforts to increase its sale. This can be done by:

1. Carrying several sizes, brands or varieties of the item;
2. Displaying it in a prominent position;
3. Pricing it at a lower markup than items not being emphasized;
4. Arranging volume discounts, etc. from suppliers when possible;
5. Promoting the item by featuring it in advertising and the newsletter; or with special signage;
6. Providing information about the item and ways to use it;
7. Providing a new product display area.

To **de-emphasize** a product means a refusal to promote a product, for reasons outlined in Section 4, *Values that Guide Product Selection and Emphasis*.

De-emphasized products are offered for sale due to high customer demand, or lack of higher value alternatives. De-emphasis shall be accomplished by refusal to feature the product in advertising, the newsletter, or sampling. De-emphasis can also be accomplished by:

1. offering limited variety in the product line;
2. display in a less-prominent position;
3. providing information explaining the reason for the product's de-emphasis and suggesting alternatives.

4. VALUES THAT GUIDE PRODUCT SELECTION & EMPHASIS

Ukiah Natural Foods Co-op prefers high-quality products that:

1. Have high nutritional value;
2. Offer good value for money;
3. Have low negative environmental impact;
4. Are grown or manufactured in ways that demonstrate social responsibility.

These values are equal in weight and in their applicability to merchandising decisions. They are explained in more detail in the following sections. The following symbols are used:

- ↑ Indicates products we **emphasize**
- ↓ Indicates products we **de-emphasize**
- ∅ Indicates products we **do not sell**.

4.1 Nutritional Value And Health Considerations

Ukiah Natural Foods Co-op **emphasizes**:

- ↑ Organic products of high overall nutritional value, for example: fresh produce, whole grains, whole foods, meat & poultry, dairy, juices.
- ↑ Products that are free from artificial additives, for example: stabilizers, texturizers, preservatives, and artificial flavoring and coloring.
- ↑ Products that are unrefined, for example: flour, grains, oils, sweeteners.
- ↑ Free-range poultry that must be free of artificial additives, antibiotics, hormones or artificial preservatives of any kind;
- ↑ Sustainably grown and harvested seafood. Seafood sold at UNF Co-op must be caught using sustainable methods, must not be an endangered species, and be free of all artificial additives and preservatives.
- ↑ Organic, pasture-raised meat. Meat sold at UNF must not be feed-lot raised.
- ↑ Products left in their natural state, for example: non-homogenized or raw milk and dairy products, raw cane sugar, unsweetened items.
- ↑ Cosmetics and body care items that are natural, contain organic ingredients whenever possible, contain no artificial colors, avoid harsh chemical agents, are as minimally processed as possible, and are not tested on animals.

↑

Ethnic Foods and Special Diet Needs:

- ↑ Ukiah Natural Foods Co-op provides ethnic foods and foods which meet the needs of restrictive diets, for example: products that are low sodium, low fat, wheat and dairy free.

Ukiah Natural Foods Co-op de-emphasizes:

- ↓ Products made with hydrogenated or fractionated oils.

Ukiah Natural Foods Co-op does not sell:

- ∅ **Products containing ingredients** such as chemical preservatives, chemical additives, artificial sweeteners (for example: aspartame, saccharin), artificial colors or flavorings, added or unnaturally occurring hormones, sulfites (except as used in wine-making), and unnaturally occurring MSG.
- ∅ **Distilled spirits, tobacco or tobacco products;** does not include beer, wine and other products with similar alcohol content (for example: cider, mead, etc.); also does not include tinctures, body care products, and flavorings containing alcohol or other items containing alcohol as a preservative.

Ukiah Natural Foods Co-op does not knowingly sell:

- ∅ Products that have been **irradiated**.
- ∅ Products produced using **hormones** such as **Bovine Growth Hormone (BGH)** whenever this is knowable.
- ∅ Products known to contain **genetically modified organisms (GMOs)**.

4.2 Price Value

Ukiah Natural Foods Co-op provides maximum quality and quantity of products for each dollar spent by our customers.

Ukiah Natural Foods Co-op emphasizes products high in price value, including:

- ↑ Products that provide customers with a choice of sizes.
- ↑ Products that provide a choice of qualities, including products that provide adequate quality for a low price, or high quality for a moderate price.

Examples of price value include buying bulk organic grains versus packaged non-organic grains, or grinding your own nut butters in the store versus nut butters in jars.

4.3 Environmental Impact

Ukiah Natural Foods Co-op emphasizes products whose production, packaging, by-products and use maintain the long range health of the global community, that are manufactured or grown and delivered using sustainable methods, and that support our local community, for example:

Ukiah Natural Foods Co-op emphasizes:

- ↑ Sustainably produced (see Appendix D for definition) products, for example, biodynamically grown in accordance with biodynamic standards;
- ↑ Products produced in our region (see Appendix D for definition) that use less fossil fuel for their transport.

Ukiah Natural Foods Co-op is committed to supporting local vendors that meet our standards of quality. UNF Co-op strives to obtain locally created products whenever available. We work to encourage local vendors whose products meet the value criteria defined in this Section to provide their products to UNF and will put in place programs for searching out and supporting local

producers of organic foods and goods. “Local” is defined as grown or produced in our region (see Appendix E).

- ↑ Environmentally Friendly Production and Packaging, for example:
 - Products intended for **multiple uses** (instead of single use and disposal).
 - Products using **minimal or no packaging** (for example bulk).
 - **Recyclable, returnable containers, deposit containers, and recyclable materials for packaging.** UNF Co-op carries products packaged in this manner when available.
 - **Products that do not contribute to the destruction or depletion of sensitive ecosystems,** such as rain forests, wilderness areas, old growth forests, wetlands, regions containing endangered species or grasslands.
 - Products whose manufacture, production, use and disposal have **no known significant adverse impacts on public health or environmental quality.**
 - **UNF Co-op provides un-packaged alternatives to packaged foods and goods.**

Ukiah Natural Foods Co-op does not sell:

- ∅ Synthetically derived pesticides and fertilizers.
- ∅ Products packaged in styrofoam (with the exception of exempted products, see App. D).
- ∅ Products using fluorocarbon propellants.
- ∅ Goods made from known toxic materials.

4.4 Social Responsibility

Ukiah Natural Foods Co-op strives to carry a **full line of healthy alternatives to conventional convenience foods.**

Ukiah Natural Foods Co-op’s long-term ideal is to offer a full complement of products that are:

- ↑ Co-operatively and collectively produced;
- ↑ Produced by small independent businesses;
- ↑ Created using fair labor practices and humane working conditions;
- ↑ Created by companies with exemplary family leave policies, child-care assistance, and charity and community support activities;
- ↑ From countries with good human rights records.

We encourage manufacturers and distributors to make and distribute products that meet the above criteria. Our reality is:

- With the many thousands of products in our store, it is often not possible for us to determine detailed information about every manufacturer that supplies products to us. The organic foods industry is changing constantly, and what may have been a small family business last week may be owned by a large conglomerate with unknown business practices this week.
- The origin of some products is not known to us until the product arrives in our stores. This applies in particular to non-food products.
- Some products, for example many Chinese herbs, are not available from American sources.

Ukiah Natural Foods Co-op does not sell:

- Ø Products that are known to be produced under situations that violate human rights, or products from companies that use animals for testing.
- Ø War toys.

4.5 Commitment to Organics

Ukiah Natural Foods Co-op is committed in organic foods that are sustainably produced.

Ukiah Natural Foods Co-op emphasizes:**↑ Organic Products**

Ukiah Natural Foods Co-op is committed to providing **at least one 100% organic product option, as available, in each food category**, for example:

grains and cereals; frozen foods; bulk foods, nuts and legumes; breads, cookies and pastries; sweeteners; bottled juices; dairy, cheese, and eggs; non-dairy beverages; meat and poultry; pasta; canned and bottled foods; ice cream; coffee, tea and similar beverages; culinary herbs; oil; beer and wine; ethnic foods; snack foods; baby food; etc.

UNF Co-op's fresh produce selection is either 100% organically grown, or Mendocino Renegade Certified.

Ukiah Natural Foods Co-op *de-emphasizes:*

- ↓ Non-organic products and products that contain predominantly non-organic ingredients.

Ukiah Natural Foods Co-op will give preference to new products that meet the definition of 100% organic as defined by the 2002 USDA rules.

Ukiah Natural Foods Co-op de-emphasizes products that do not meet the definition of 100% organic as defined by the 2002 USDA rules. When 100% organic versions of such products become available, we will inform customers with shelf signage and will emphasize the product. If such products are not available to us, we will give preference to other organic products or products that meet as many of our other value criteria as possible.

4.6 Exemptions

Ukiah Natural Foods Co-op may carry products not meeting the above criteria if the product meets one of the following criteria:

1. It is the only one of its kind available to us and many customers want it.
2. It is the only one of its kind, and it serves a need traditionally filled by a natural food store.
3. It is a seasonal or holiday product or a product that fulfills a traditional value.
For holidays, seasonal and theme promotions, items that are normally de-emphasized may be promoted, advertised or displayed in a prominent position for a limited time.
4. It is a recommendation from the Merchandising Committee to exempt a product from the restrictions and merchandising criteria contained within the Merchandising Policy. A list of exempted products and reasons for the exemptions shall be attached as an Appendix to this Merchandising Policy, and shall be available at the store information table.

A list of exempted products can be found in Appendix D.

5. PRODUCT DISPLAY AND PROMOTION

Display techniques have a major impact on the buying patterns of customers by arranging the relative visibility and accessibility of products. As with other areas of merchandising, UNF Co-op uses these techniques to emphasize products with a high value as defined in *Section 4*. UNF Co-op strives to employ honest, non-deceptive merchandising practices in the promotion of products.

5.1 Promotion Criteria:

To be promoted in any way, a product must meet the following criteria:

1. If a food, it must be high in nutritional value and high in value by at least one other criterion as specified in *Section 4*.
2. If not a food, it must be high in value by at least two of the four criteria specified in *Section 4*.
3. Be part of a special value program (for example Co-op Deals Program).
4. It must not be an item that is de-emphasized as defined in Sections 4 or currently subject to educational posting.

∅ **De-emphasized or banned products are not promoted** in the store or in the UNF Co-op Newsletter. They may, however, be featured in an educational context, for example, in an article about banned products, or about the health effects of certain foods, or on educational signage in the store.

5.2 Standard Display Procedures

1. As a general rule, products are to be displayed in a straightforward and uncluttered manner.
2. Each aisle must have a sign over it listing the product groups in that aisle.
3. Customer safety is always to be a display consideration.
4. All items are to be individually price marked and/or shelf-tagged.
5. All shelves and display cases are to be kept clean, adequately illuminated, well-stocked and faced.
6. All stock is rotated regularly.
7. Dented and damaged products are to be returned to distributors for credit at the time of receiving the product.

5.3 Shelf Placement

Ukiah Natural Foods Co-op gives preference to 100% organic products in shelf placement. In the case of non-organic products, higher value items as defined by the criteria in *Section 4* shall be preferred for prominent display positions.

Efforts are to be made to display products that may especially appeal to children, such as high-sugar-content products or toys and games, in ways that are less likely to attract their attention (but *not* necessarily less likely to attract the attention of adults). Staff makes an effort to educate children with displays that appeal to them, and to account for the effects such displays may have on traffic patterns in the store.

5.4 Shelf Labels and Signage

Ukiah Natural Foods Co-op uses shelf-labels and signs to inform and educate customers, to promote products emphasized in *Section 4*, and to point to new products.

Ukiah Natural Foods Co-op labels

- products from Mendocino County
- organic products

with clearly visible shelf labels. Products from our region may also carry the “local” label (see appendix D).

5.5 Checkout Stand Displays

Checkout displays are reserved for cooperative information, handouts, newsletters and surveys, magazines, and fresh fruits, vegetables or flowers, and seasonal/holiday displays.

5.6 Special Displays

Special displays include end-aisle displays, mass displays, island displays, the display of a product in a prominent position, and eye-level shelf placement. Special displays are considered forms of promotion or product emphasis.

Products featured in special displays should meet at least two of the value criteria defined in *Section 4*. UNF Co-op gives preference to 100% organic products in placement in special displays.

5.7 Bulk Area and Labeling

Bulk products are grouped into a bulk display. The bulk display area is to be attractively lit, clean, well-stocked, and easily accessible. Signage is to inform about nutritional value and to promote the idea of buying bulk products.

We promote bulk foods with labels indicating “also available in bulk” on the shelves of staple packaged items that are also available in bulk.

5.8 Promotion in Newsletter

The newsletter emphasizes Co-op activities, policies, nutrition, and product information over product promotion. When products are promoted in the newsletter, they must meet at least two of the value criteria defined in *Section 4*, or be part of a special value program that UNF Co-op participates in (for example: Co-op Deals).

5.9 Food Sampling and Demonstrations

Food demonstrations serve to educate member-owners and customers about food and/or nutrition. Food or product demonstrations shall give preference to 100% organic items and shall be items emphasized in *Section 4*.

Food demonstrations containing ingredients which are de-emphasized may be used in food sampling and demonstrations under the following circumstances:

1. When the product is otherwise being promoted under the “Holidays/Seasonal” exception;
2. When the product is the only product of its type available, and is judged to be an otherwise desirable product (for example: the only vegan substitute for sour cream); or,
3. When the product is being taste-tested against similar products which do not contain de-emphasized ingredients.

Food demonstrations are to be conducted by knowledgeable, friendly demonstrators, and are to feature attractive, well-prepared food items. Food demonstrators are to inform themselves about what products are available at UNF Co-op that pertain to the demonstration being conducted, and to make sure that the products featured in the demonstration are in stock and are aware of the product location in the store at the time of the demonstration.

In-store product demonstrations must have manager’s approval. Food product information for the demonstration is to be solicited from manufacturers. All signage and handouts are to be designed to be easily read.

6. EDUCATION, ADVERTISING & COMMUNITY OUTREACH

Ukiah Natural Foods Co-op is committed to educating staff, member-owners, customers and the community about nutrition, cooperatives, environmental impact, social responsibility, and our role in the community.

Ukiah Natural Foods Co-op marketing, education and community outreach is developed by Management and the Board of Directors working in coordination. Each is responsible for bringing food related items and needs of the community to the Co-op and in turn presenting the goals and activities of the Co-op to the community in a clear and concise manner.

The management initiates or reviews all promotions including newsletters, advertising in print or media, and participation in food or Co-op related community events.

6.1 Basic Standards

Our education, advertising, marketing and outreach effort is to be designed to reach and inform the following groups of people:

1. Member-owners;
2. Customers who shop here but are not yet member-owners;
3. Members of our community who do not currently shop at the Co-op, or members of the community who can help us reach out to new member-owners.

Examples include new residents, seniors, new parents, low income residents, health care and natural health professionals, public agencies etc.

Such efforts may include use of media, tabling at special events, awards ceremonies, sponsoring of community events, or other efforts designed to gain visibility for the Co-op.

All education, advertising, marketing and outreach must meet the following guidelines.

1. Be of professional and consistent quality;

2. Generally present the Co-op as an organization with principles and practices that are different from those of the prevailing economy;
3. All promotional and informational material as well as letterheads, signs, etc. contain reference to the Co-op as a member-owned community store, and as an example of a locally owned community resource;
4. The five criteria of *nutritional content, price value, environmental impact, social responsibility* and *commitment to organics* outlined in *Section 4* are to be used as a measure of product value.

6.2 In-Store Information

Ukiah Natural Foods Co-op provides accessible racks or other suitable display areas for customers to obtain information and newsletters. UNF also provides a bulletin board enabling customers and members of the community to post information of interest to other customers.

6.3 Advertising and Marketing

Ukiah Natural Foods Co-op uses a variety of local media, both commercial and public. In addition to advertising on local media, UNF Co-op seeks ways of marketing the Co-op to new segments of the community that are not yet shopping at the Co-op.

Ukiah Natural Foods Co-op's advertising efforts shall meet the basic standards outlined in this section, and shall be consistent with the overall goals, values and operational requirements of the Co-op. Management develops an annual advertising plan to be reviewed by the Board as part of the annual budget cycle.

6.4 Education and Community Outreach

Educational outreach is to be designed to inform and educate our member-owners as well as our community.

Our educational efforts focus on both in-store and external information via our newsletter, handouts, other media and other activities. Educational materials focus on:

1. The unique goods and services offered by the Co-op;
2. Information about products, food, health or farming issues, which provides customers with knowledge, skills, and processes to improve food and purchasing practices;

We provide information that helps our customers to research nutritional and environmental information and to communicate concerns to manufacturers and legislators.

6.5 Newsletter

The Ukiah Natural Foods Co-op newsletter, under the direction of Management, emphasizes Co-op activities, policies, product information, information about cooperatives, ownership, store management and governance, the board of directors, food and health, the community we live in, and other information of relevance or interest to our customers and our community. Member-owner input is encouraged.

7. PRODUCT PRICING & DATING

Ukiah Natural Foods Co-op in its primary role as a buying and distributing agent for our member-owners and customers has three goals for its pricing policy. These goals balance financial factors and customer service in order to assure the long-term success of the Co-op:

1. To generate a margin adequate to maintain the fiscal strength of the Co-op;
2. To maintain a comparative price structure competitive with that of the major stores in the area;
3. To promote products which meet at least two of the value criteria outlined in Section 4 of this policy.

Pricing is the responsibility of UNF Co-op management.

7.1 Basic Pricing Standards

Ukiah Natural Foods Co-op shall set standards in its pricing. Prices shall reflect the actual needs of the store.

We employ the following standards to reach our pricing goals:

1. UNF Co-op avoids misleading price promotions;
2. UNF Co-op avoids manipulation through pricing gimmicks;
3. Price reductions are the number one promotional method in the grocery industry. The Co-op, when putting an item at a sale price, attempts to honestly reflect price reductions at the wholesale level and not offer a loss leader price to manipulate customers to buy a certain item, or create an artificially low price supported by raising the price on non-promoted items;
4. UNF Co-op has an ongoing program of temporary price reductions;
5. Price reductions of at least five percent from the regular shelf price are offered for large quantities (for example, per case or bulk bags) by special order;
6. We mark down overstocked goods;
7. Multiple pricing (for example, '3 for a \$1') is not used, as it is designed to lure customers into buying more than they need;
8. It is acceptable to not mark individual items, as long as shelves and cases are clearly price marked. Prices will be clearly displayed on shelf tags. Items that cannot be scanned will be individually price marked.

7.2 Return Policy

UNF Co-op reimburses the purchase price of any product that is unsatisfactory. Proof of purchase and authorization may be required by management.

7.3 Product Dating

When an expiration date is put on a product by the Co-op, it shall be legible.

8. PRODUCT CHALLENGES

Management is responsible for being sensitive to and responding to complaints about products on the Suggestion Clipboard. A product may be formally challenged in writing by any customer who believes the Co-op should discontinue or de-emphasize it. A challenge should demonstrate that the product does not meet the merchandising criteria.

The challenge goes to the General Manager, with a copy to the department manager. The General Manager is responsible for responding to the challenger within 30 days. Copies of the challenge and the response shall be provided to the Board of Directors and shall be posted on the Co-op News Bulletin Board and the newsletter.

If the concerned challenger is not satisfied with the response, s/he may take the complaint to the Board of Directors. The Board of Directors responds to the challenger within 30 days. The challenger, Board of Directors, staff and management shall look for alternatives emphasizing education that satisfies the challenger's concern. The Board of Directors may choose to provide supplementary educational posting for individual products when a product's sale is not restricted (by the merchandising policy), but may be in conflict with one or more merchandising criteria. The Board of Directors may make recommendations to managers for signs that provide customers with new information about products.

9. BANNED PRODUCTS

Banned products are products not offered for sale at Ukiah Natural Foods Co-op because of the product's physical or nutritional characteristics. Banned products are listed in Appendix C of this policy.

10. POLICY IMPLEMENTATION, TRACKING, AND REVIEW

Ukiah Natural Foods management reviews these policies annually and reports to the board on how our merchandising programs support our vision, goals and core values.

This policy and any additional relevant information are to be kept in a Policy Binder easily available to member-owners and customers in the store. Any suggested changes to this Merchandising Policy need to be submitted to management.

Management makes customers aware of the provisions of this Policy and any changes to it on UNF website and posted on the Co-op News board.

11. MERCHANDISING COMMITTEE

The Merchandising Committee is responsible for:

1. Investigating product challenges and other product or merchandising concerns;
2. Reporting on the results of such investigations to the initiators of the investigation, the department managers and the board;
3. Reviewing the effectiveness of this policy and suggesting changes to Management on a as needed basis.
4. Any other tasks assigned to it by this policy or the Board of Directors.

Staff and member-owners are encouraged to submit documented information about products and product challenges to the Merchandising Committee.

The Merchandising Committee, along with appropriate staff, reviews products carried by UNF Co-op upon the receipt of a suggestion or complaint. More details regarding the handling of concerns about products, companies, ingredients and production processes are described in Section 8.

The Merchandising Committee may review the products of UNF Co-op at any time along with appropriate staff. Membership in the Merchandising Committee is in accordance with Ukiah Natural Foods committee policy.

12. POLICY FOR NON-PROFITS & LOCAL COMMUNITY EVENTS

Ukiah Natural Foods Co-op is pleased to be able to offer small donations for local non-profit community groups and schools. Generally these donations are in the form of small in-store gift certificates which can be used to purchase goods from the Co-op or as door prizes or fundraising auction items. Occasionally we are able to fill requests for donated products or other items.. Funds are not available for religious or political purposes.

Because our budget for such donations is limited, small donations are on a monthly first come/first serve basis. Each organization is limited to no more than two such donations per calendar year. Please submit written requests to the General Manager in a timely manner.

APPENDICES:**A: POLICY STATEMENT ON GENETICALLY MODIFIED ORGANISMS (GMO) IN FOODS**

Under current conditions, there is no product that can be guaranteed GMO free. While organic growers cannot control random pollination, we have a higher confidence in organic growers' and processors' awareness and actions against GMO crops and the GMO industry than we do in conventional crops. In the absence of federally required labeling of products that contain genetically modified organisms, UNF Co-op cannot guarantee that all products we currently carry do not contain genetically engineered organisms.

1. We support our customers in exercising choice and personal responsibility in their food buying decisions, and prefer not to dictate food choices.
2. We advise our customers that the safest approach to avoiding genetically modified (GMO) ingredients is to buy 100% organic products.
3. We make it easy for our customers to find 100% organic products in the store by identifying them with a shelf label that states "100% Organic".
4. We are committed to introducing new organic products that become available to us. We actively look for a GMO-free option for product categories, and carry a GMO-free option when it is available.
5. We are committed to raising awareness and educating our customers and our community about genetically engineered organisms through newsletter articles, community forums, literature and information in the store.
6. We support that manufacturers label their products containing GMO ingredients.

Summary of USDA Organic Standard:

The phrases "Organic" or "Certified Organic" on a food product ingredient label indicate that the product or ingredients have been produced and handled in accordance with the USDA Final Organic Rules, which went into effect in October of 2002. Every certified organic operation undergoes an annual review process to insure that all standards are being met. The rule gives consumers the assurance of what organic stands for. What follows is a summary provided by the Organic Trade Association:

Standards for processing, handling and labeling organic products cover all steps in the process, from receiving organic raw materials, acceptable processing aids and ingredients, appropriate packaging materials and labeling, to cleaning methods, waste disposal, and pest management at processing facilities.

Various additives, for instance, are not allowed in organic processing. These include sulfites, nitrates or nitrites, any ingredient known to contain higher levels of heavy metals or toxic residues than permitted by federal regulation, and any non-agricultural ingredient that is not organically produced unless it is designated as acceptable on the National List.

Labeling

The new national organic standards allow four labeling options. The first three categories would prohibit the inclusion of any ingredients produced using genetic engineering, irradiation, or sewage sludge.

1. **100 percent organic. Only products that have been exclusively produced using organic methods will be allowed to carry a label declaring "100 percent organic."**
2. **Organic.** This will signify that 95 percent of the ingredients (by weight, excluding water and salt) in a processed product have been organically produced. The remaining five percent can only be natural ingredients or synthetic ingredients that are allowed on the National List. Organic products must be processed by a certified organic handler.
3. **Made with organic.** Products with 70 to 95 percent organic ingredients may display "Made with organic [with the specific ingredient or ingredients listed]" on the front panel. Organic products must be processed by a certified organic handler.
4. **Products with less than 70 percent organic ingredients** would be allowed to list the organic items in the ingredient panel only, not on the front product panel.

In all label categories, the product cannot use both organic and non-organic versions of the same ingredient. For instance, if a bread is made with organic wheat, all of the wheat in the bread must be organic, not 80 percent organic wheat and 20 percent non-organic wheat.

A label claiming "Organic Vegetable Soup," for instance, would signify that 95 percent of the total ingredients of the soup, by weight excluding water and salt, are certified as organic. Alternately, a soup label might read "Vegetable Soup" and include the phrase "Made with organic (listing specific ingredients such as corn, carrots, potatoes)" on the front panel to indicate that the primary ingredients are organic and make up more than 70 percent of the total ingredients by weight. Another label might simply read "Vegetable Soup" and include the word "organic" in the ingredient panel—as in "Potatoes, carrots, and organic kidney beans."

Packaging

Organic products cannot be packaged in materials, storage containers or bins that contain synthetic fungicides, preservatives or fumigants. The reuse of containers that have been in contact with any prohibited substance is not allowed.

Organic Farms:

- Must implement organic plans with soil building, conservation, nutrient management, pest management, and crop rotation systems;
- Use organic or untreated seeds (not treated with prohibited materials) whenever available;
- Apply no prohibited materials (no synthetic fertilizers, pesticides or GMOs) 3 years prior to certification
- Not use prohibited substances while certified;
- Take steps to protect organic crops from contaminants; and
- Not use sewage sludge

Organic Livestock Production must:

- Implement organic livestock plans, with sound management practices to promote animal health and well-being;
- Provide outdoor access for all animals and access to pasture for ruminants;
- Use 100% organic feed and approved feed supplements;
- Use organic management from last third of gestation, birth or hatching; and
- Not use antibiotics, growth hormones or GMOs.

Organic livestock must be fed organic feed. NOSB recommends that conventional feed be allowed only if the organic feed supply has been compromised by a national, state, or local weather emergency, or by fire or flood on an organic farm. Growth promoters and hormones, as well as plastic pellets for roughage in feed, are prohibited. Synthetic vitamins and minerals are allowed.

B: PRODUCT VALUES OVERVIEW

<i>UNF emphasizes:</i>	<i>UNF de-emphasizes:</i>	<i>UNF does not (knowingly) sell:</i>
<ul style="list-style-type: none"> ↑ Organic products of high overall nutritional value that: <ul style="list-style-type: none"> • Are produced in our region (<i>see map in Appendix</i>); • Use environmentally friendly production and packaging e.g.: <ul style="list-style-type: none"> - Packaging intended for multiple uses; - minimal or no packaging (for example bulk); - recyclable, returnable containers, deposit containers, and recyclable materials for packaging; production, packaging and use that does not contribute to the destruction or depletion of sensitive ecosystems, such as rain forests, wilderness areas, old growth forests, wetlands, regions containing endangered species or grasslands; - manufacture, production, use and disposal without known significant adverse impacts on public health or environmental quality. • Are free from potentially harmful additives; • Are unrefined; • Are left in their natural state. ↑ Sustainably raised poultry ↑ Sustainably grown and/or harvested seafood ↑ Organic, pasture-raised meat ↑ Natural cosmetics and body care items ↑ Baby food which is organically-grown and contains no sweeteners, additives, or preservatives ↑ Ethnic foods and foods which meet the needs of restrictive diets ↑ Products that provide customers with a choice of sizes and a choice of qualities at different price levels ↑ Cooperatively and collectively produced products made by small independent businesses that are: <ul style="list-style-type: none"> - created using fair labor practices and humane working conditions; - created by companies with exemplary family leave policies, child-care assistance, and charity/community support activities; - from countries with good human rights records. 	<ul style="list-style-type: none"> ↓ Products made with hydrogenated or fractionated oils. ↓ Non-organic products. 	<ul style="list-style-type: none"> ∅ Products that are known to contain genetically modified ingredients (GMOs). ∅ Products that have been irradiated ∅ Products produced using hormones such as Bovine Growth Hormone (BGH) ∅ Products containing chemical preservatives or additives, artificial sweeteners, artificial colors or flavorings, added or unnaturally occurring hormones, sulfites (except those used in wine making), and unnaturally occurring MSG ∅ Synthetically derived pesticides and fertilizers ∅ Products packaged in styrofoam ∅ Distilled spirits, tobacco or tobacco products ∅ Products using fluorocarbon propellants ∅ Goods made from known toxic materials ∅ Products known to be produced under situations that violate human rights, or products from companies that use animals for testing ∅ War toys.

For more information on these items, see Section 4 of the UNF Co-op Merchandising Policy.

C: LIST OF BANNED PRODUCTS

Ukiah Natural Foods Co-op **does not sell:**

- Ø **Products containing ingredients** such as chemical preservatives, chemical additives, artificial sweeteners (for example: aspartame, saccharin), artificial colors or flavorings, added or unnaturally occurring hormones, sulfites (except as used in wine making), and unnaturally occurring MSG.
- Ø **Distilled spirits, tobacco or tobacco products;** Does not include beer, wine and other products with similar alcohol content (for example: cider, mead, etc.); Also does not include tinctures, body care products, and flavorings containing alcohol or other items containing alcohol as a preservative.
- Ø UNF Co-op does not knowingly sell **products that have been irradiated.**
- Ø Products produced using **hormones** such as **Bovine Growth Hormone (BGH)** whenever this is knowable.
- Ø Synthetically derived **pesticides and fertilizers.**
- Ø Products packaged in **Styrofoam.**
- Ø Products using **fluorocarbon propellants.**
- Ø Goods from known **toxic materials.**
- Ø Products that are known to be **produced under situations that violate human rights, or products from companies that use animals for testing.**
- Ø **War toys.**

D: LIST OF EXEMPTED PRODUCTS

This appendix lists products exempted from the restrictions and merchandising criteria contained within this Merchandising Policy. A list of exempted products and reasons for the exemptions will be available at the store information table.

- **None at this time**

E: DEFINITION OF “SUSTAINABLE” AND “REGION”

Definition of “Sustainable”

Sustainably produced means with farming systems that are "capable of maintaining their productivity and usefulness to society indefinitely. Such systems... must be resource-conserving, socially supportive, commercially competitive, and environmentally sound." [John Ikerd, as quoted by Richard Dueterhaus in "Sustainability's Promise," *Journal of Soil and Water Conservation* (Jan.-Feb. 1990) 45(1): p.4. NAL Call # 56.8 J822]

"Sustainable agriculture" was addressed by Congress in the 1990 "Farm Bill" [Food, Agriculture, Conservation, and Trade Act of 1990 (FACTA), Public Law 101-624, Title XVI, Subtitle A, Section 1603 (Government Printing Office, Washington, DC, 1990) NAL Call # KF1692.A31 1990]. Under that law, "the term sustainable agriculture means an integrated system of plant and animal production practices having a site-specific application that will, over the long term:

- satisfy human food and fiber needs
- enhance environmental quality and the natural resource base upon which the agricultural economy depends
- make the most efficient use of nonrenewable resources and on-farm resources and integrate, where appropriate, natural biological cycles and controls
- sustain the economic viability of farm operations
- enhance the quality of life for farmers and society as a whole."

Definition of “Region”

Ukiah Natural Foods defines our region as within 200 miles of the City of Ukiah.

F: POLICY UPDATES

This policy was developed by the Merchandising Committee from June 2002 to November 2003, and posted for member-owner feedback. The policy draft was revised by the Merchandising Committee to incorporate member feedback and approved by the Board of Directors in December 2003.

This policy was revised in February 2012 and approved by the Board of Directors on February 20, 2012.