

A Sales-Driven Organization

Unified Grocers



2011 Annual Report

INFORMATION BEST PRACTICES PARTNERSHIPS
SUSTAINABILITY EFFICIENCY COMMUNICATION
SPEED METHODOLOGIES ACUMEN RESEARCH CHANNELS
FRESH THINKING DEMOGRAPHIC SHIFTS
EVALUATION TOMORROW'S CONSUMERS
COLLABORATION EXPERTISE
SUPPORT SALES RECAPTURE CATEGORIES
STAKEHOLDERS LEADERSHIP INTERNATIONAL
ADAPTABILITY SHARING KNOWLEDGE WEST COAST
CONNECTIONS DIGITAL MEDIA CREATIVITY APPS
IDEA DEVELOPMENT MORE WAYS TO MAKE IT YOUR MARKET
PROBLEM SOLVING SERVICE INNOVATION CENTER
COOPERATION PROFESSIONAL
OPPORTUNITY INNOVATING FOR GROWTH
IMPACT OPERATIONAL EXCELLENCE TEAMWORK
INSIGHTS AT RETAIL TECHNOLOGY CONTACT ACTION

Table of Contents

02 Unified Grocers Financial Highlights

03 Q & A
A Conversation with CEO Al Plamann

09 Q & A
A Conversation with President Bob Ling

11 Tomorrow's Consumers

13 Innovating for Growth

15 Operational Excellence

17 Fresh Thinking

19 Sustaining Sustainability

25 Letter from the Chairman

26 The Board of Directors

28 Executive Management



Unified Grocers Financial Highlights

<i>Dollars in Thousands Except for Stock Price</i>	For the Fiscal Year Ended	
	October 1, 2011	October 2, 2010
• Net Sales	3,847,775	3,921,059
• Operating Income	37,433	42,650
• Earnings before Patronage Dividends and Income Taxes	25,091	31,139
• Net Earnings	7,387	10,978
• Stock Price	312.31	304.48





A Conversation with CEO Al Plamann



“For retailers, the key to success in this kind of business climate is to be as agile and nimble as possible and to be ready, willing and able to quickly implement or respond to changes in the marketplace.”

Q: How would you summarize the recently completed fiscal year for Unified?

A: Overall, I'd say we had a solid year — especially when you compare us to some of our competitors and other companies in the food industry. In a difficult economic environment, our sales remained strong, although our pre-patronage earnings were down compared to the previous year. What was interesting about 2011 is that there seemed to be a lot of ebb and flow throughout the entire 12-month period. Just when you thought things were looking kind of bleak, everything would go in the opposite direction for a while, and then back again. After a few cycles of this, you got used to the volatility — but it was an awfully difficult environment in which to operate a business. And when you add what appears to be an increasingly uncertain political environment to 2012, it seems as though this year will be equally challenging.

Q: What made it a 'difficult' economic environment?

A: It was difficult because there was an underlying uncertainty to everything. Economists said the recession was over by 2010 — but was it really over? Not if you look at unemployment figures which have remained abnormally high throughout 2011 compared to similar 12-month periods following previous recessions. Unemployment rates are high because many

employers are uncertain that the economy is going to recover in its typically rapid fashion, so, many are holding back hiring decisions until there is more certainty about the future. With the job market tight, consumers are being a bit more cautious regarding grocery purchases than they were in the past — they are saving more and whenever it makes sense to do so, are trading down on product purchases in order to stretch their buying power. For retailers, the key to success in this kind of business climate is to be as agile and nimble as possible and to be ready, willing and able to quickly implement or respond to changes in the marketplace.

Q: What about inflation? Has that made things even more difficult?

A: Food inflation in the past year has been at elevated levels, although in our business it is somewhat of a double-edged sword. For consumers, inflation can sometimes mean further cutbacks on spending. At wholesale, however, inflation often works to our advantage because when the prices of products we already own rise, we benefit from the difference between the buying price and the selling price. In the past year, the stock gains resulting from food inflation have contributed to our strong financial performance. In the coming year, we anticipate that inflation will continue at current levels so we will likely see a continuation of strong stock gains.



Q: Unified's subsidiaries have performed well in the last few years. How did they do this year?

A: In 2011, our subsidiaries again performed quite well. One measure of this is the exchange value of shares in the Company, which represents earnings from our subsidiaries and non-shareholding customers of Unified. This year, one share of stock in the Company had an exchange value of \$312.31, which was 2.6 percent more than the previous year. Market Centre, our specialty foods company, turned in another solid performance with sales increases in most product lines and categories. Unified Grocers Insurance Services also performed well, benefitting from policy renewals, lower expenses and a solid return on investments. And late last year, Unified finalized a new \$15 million credit agreement for Grocers Capital Company which is being used to finance loans to retailers.

Q: How about the Manufacturing Division?

A: Our Los Angeles-based fluid milk dairy performed well despite some challenges, such as increased ingredient costs and the need to replace some equipment. A few miles away, also in Los Angeles, our bakery has made a lot of changes in an effort to increase sales, including manufacturing new products, increasing sales to existing customers and partnering with a new distributor, which is expanding distribution into local drug

stores that also sell grocery products. The bakery also is involved in a pilot project in which fresh baked products are delivered regularly to member retailers' stores in Northern California more than 500 miles away. If this project continues to be successful, it will be rolled out to additional customers in the area.

Q: You talked a little bit about what retailers need to do to remain successful in this economy. How did Unified's retail members perform in 2011?

A: Several weeks ago, we asked our Board of Directors (those who operate stores) whether the recession had a positive or negative impact on their business — 100 percent answered 'negative.' That's a definitive answer, but also one that we know meant something very different for each person that responded. In 2011, I believe what mattered most at retail was having the right mix and execution — in other words, the strength of our entrepreneurial retailer base is knowing their customers inside and out and serving them very, very well. Those that were able to consistently do this at store level seemed to fare better in this business climate; those not as adept or agile in this regard may have seen a bit more 'negativity' in their business than others. As a rule, independent retailers fare well in challenging business environments because they are better equipped to make changes in their businesses than chain stores or other large retail companies.



“By nature, independent store owners are entrepreneurial and, therefore, opportunistic — they are always looking for ways to grow their businesses.”

Q: Has the economic environment stunted growth in the retail sector?

A: If you look solely at the dominant self-distributing retail chains that operate stores where we do business in Southern California, Northern California and the Pacific Northwest, you would probably answer yes to that question. There has been almost zero new store activity in the past several years by any of the large supermarket companies. Conversely, our independents have not stopped expanding and growing their businesses through the recession. Our independent retailers opened 47 new stores in Fiscal 2009, 37 new stores in Fiscal 2010, and 35 in Fiscal 2011. By nature, independent store owners are entrepreneurial and, therefore, opportunistic — they are always looking for ways to grow their businesses. Of course, Unified benefits from this retail growth as well. In addition to supplying

groceries, we can provide an array of other services, such as furnishing the new stores with shelving and equipment and providing insurance coverage that will help ensure the long-term success of the enterprise.

Q: Retailers opening new stores is one way to grow sales at Unified. What else are you doing to grow sales at the Company?

A: We have a number of initiatives underway and all of them will be intensifying in scope and magnitude during the next several months and years. To achieve real sales growth, we need to make sure that our product offering is comprehensive and robust — that it includes whatever retailers need to satisfy their customers. Our line of natural and organic products, for example, is growing within Market Centre. ‘Baby 1-2-3’ is an entire aisle of baby products and items that is designed specifi-



“ I don’t have a crystal ball, but I believe the future is bright for Unified and our independents. The marketplace is dynamic — there are new opportunities for growth and our retailers are capitalizing on them as never before. ”



cally to help independent grocers recapture sales that may have been lost — or even conceded — to other retail formats over the past several years. The pilot test for this program was very successful in 2011 and is currently expanding to other members. We also have a number of initiatives underway in which we are selling products or services to companies that are not members of the cooperative. In the past year, we have significantly increased grocery sales (especially private label products) to several large retail companies that operate stores throughout Mexico and we expect

this effort to continue to grow in 2012. We are continuing to add customers who do not operate independent grocery stores (drug stores and convenience stores) and we are selling grocery products and logistics services (distribution of alcoholic beverages without ownership of the product) to a fast-growing beverage retailer that operates well over 100 retail stores in California and Arizona. We are closely examining digital sales growth opportunities for our supply channel. In addition, we believe we are well-positioned for acquisitions should the right opportunity come our way.



Q: Can you talk a little more about the opportunities Unified is looking at in the digital arena?

A: There’s no disputing that digital online sales, cloud computing and social networks are having a profound impact on the way people gather and receive information and how they purchase products and services. While these technologies continue to evolve over time, it is necessary for companies like Unified to be ready to implement and execute a specific digital strategy in time to ensure that the strategy will be successful when the opportunity presents itself. In order to be ready for that moment, we need to get our feet wet in a number of areas, and that’s what we’re focusing on now. In 2011, our Retail Services department helped a number of our retailers improve their websites and online marketing



capabilities; our Marketing department has expanded our ability to send key messages and information to consumers via mobile devices; and we have put a lot of effort into upgrading Memberlink, our internal portal that allows members to take advantage of product deals at Unified via online ordering. We need to do more in this area, however, so we are looking at a wide range of digital strategies and projects that make sense for Unified and our retail members and customers.

Q: Looking back at 2011, what would you say were some of the highlights?

A: Every year during our annual Expo, we present the 'Ben Schwartz Retail Grocery Visionary Award' to a member retailer that has shown vision and passion in creating a vibrant and successful retail grocery business. This year, we honored Superior Grocers, a retailer that operates price impact stores throughout Southern California. Also, Unified was named the recipient of the 2011 IGA USA President's Cup, which is presented annually to the wholesaler of the year for extraordinary efforts in support of IGA retailers and the IGA brand. A third highlight occurred this past June when Bob Ling was named president of Unified Grocers. Bob and I have worked closely together for the past 15 years and this relationship will continue for many years to come. With Bob focusing on our sales growth and member rela-

tions, I will be able to focus more time and effort on the strategic direction of our Company. This organizational realignment has strengthened our Company considerably.

Q: What programs do you think have significant potential in 2012, and beyond?

A: We are very excited about a new program that we launched last year in Market Centre called 'OnShelf.' OnShelf works with companies that have exciting new products but lack the marketing expertise or a distribution network that can ensure the success of their product on the shelf at retail stores. Not only does OnShelf bring new and exciting products to our retailers' shelves, it provides them with an edge because these products are often exclusive to independents. Another idea we are working on is to expand our product buying shows into a cycle that stretches throughout the entire year. We plan to leverage the success we have had automating Expo into digital buying opportunities for our members that would occur throughout the year.

Q: What kind of year was it in operations?

A: During the past year, we operated the Company more efficiently (better productivity, less cost) than the previous year — not an easy accomplishment in a volatile business climate. Virtually all of our warehouses and distribution centers were able



to increase their throughput (the average number of cases handled per hour). Also, our facilities continued to be retrofitted with energy-saving devices, such as motion-activated lights, and other innovations that promote sustainable business practices and operational efficiency. We also made improvements in our facilities that will help us provide more product to our member retailers. In Seattle, for example, we constructed six new banana rooms that enable us to ship bananas that are ripened to the specifications of each and every retailer. Also in Seattle, we have created new warehouse space for Market Centre products to accommodate our growing specialty business in the Pacific Northwest.

Q: As this is being written, the first quarter of Fiscal 2012 is almost complete. What should we expect for the remainder of the year?

A: Our plan for 2012 has the Company continuing to perform well in a volatile, but slowly improving economic environment. Our members continue to invest in their businesses and are aggressively looking for opportunities to expand market share. Since the beginning of 2012, our retail members have continued their strong pace of opening new stores. Additional new stores are also in development and are expected to open later this year. To better serve our retail members and customers, we at Unified will be working hard to build a sales-driven organization, an organization that

focuses on success at retail and whatever it takes to achieve that.

Q: What's the outlook three to five years from now?

A: I don't have a crystal ball, but I believe the future is bright for Unified and our independents. The marketplace is dynamic — there are new opportunities for growth and our retailers are capitalizing on them as never before. We are changing at Unified, too. We have evolved into facilitators of success at retail — we have the products, the services and the expertise to help ensure that our retailers are not only competitive, but growing and thriving. I am confident that our Company and our supply channel are on course for greater growth and success in the years ahead. ◉



A Conversation with President Bob Ling



“By focusing on sales throughout our Company we are building on strengths we have already established.”

This year, Bob Ling, Executive Vice President, General Counsel and Secretary, was named President, Unified Grocers. In this new position, Ling is focusing efforts on growing sales throughout the Company and on strengthening the business partnerships that Unified has with its retail members and customers.

Q: The mantra at Unified these days is ‘building a sales-driven organization.’ The Company has also used this as the theme for this year’s annual report. What does this phrase mean?

A: It means that while we’ve done a good job of growing sales at Unified over the past several years, we are now focusing on a broader spectrum of actions and activities that we feel will help take our Company to a higher level of success. To achieve this we are taking a closer look at what we sell, how we sell and how we price our product. We are also looking for ways to better engage and empower all of our employees in the sales growth process, and to effectively adopt a true selling culture here at Unified. The bottom line is that there are a number of opportunities in the marketplace today for capturing market share and growing sales and we want to put ourselves — and our retailers — in a much better position to capitalize on those opportunities.

Q: What amount of sales are you trying to achieve, and in what timeframe?

A: That remains to be seen. Today, our total company sales are approximately \$4 billion. Over the next five years, we want this figure to grow substantially. Growth will come from a combination of new customers, business expansion by our members and acquisitions.

Q: Are there any particular types of acquisitions that you have in mind?

A: In the past 12 years, we have significantly increased our sales volume and marketing territories with a merger and an acquisition of two large regional wholesale companies on the West Coast. We keep a close eye on the marketplace for opportunities that make sense for us.

Q: If you’re focusing more on sales, does that mean you are moving away from something else?

A: By focusing on sales throughout our Company we are building on strengths we have already established. What has changed, however, is our role within our supply channel. As a wholesaler, we no longer just buy product into our warehouses and wait for retailers to pull it out when they need it. Our role is to do whatever we can to help facilitate sales at our retailers’ stores. Whether it’s a more comprehensive product offering, new and improved services, or insights into consumer behaviors and purchasing patterns, we need to do whatever we can to push products across the scanner.

“A truly effective sales-driven organization has quality relationships at its roots. It starts with understanding consumers — their specific wants and needs — but it also involves relationships with retailers and their employees, vendors, brokers and, of course, relationships with our own employees.”



Q: Can you give an example of something you are doing differently to help drive sales at retail?

A: One of the things we are doing differently is providing complete selling solutions to our retailers — going way beyond our traditional role of just delivering ordered product. ‘Baby 1-2-3’ is a very successful program that we began rolling out to our retailers this past year. It is a complete aisle of baby products that is designed to help our retailers recapture sales they may have lost or conceded in this category over the years due to competitive pressure. What’s different is that this is a very comprehensive program that has been thoroughly researched and tested with consumers — you can’t just implement part of it and expect to be successful. It’s the depth and breadth of the solution that makes it work. We’re also taking a regional approach toward serving our customers — we try to provide local products and services that are important to retailers in that area and we work hard to maintain close relationships with our members and customers so we can be more responsive to their needs on a daily basis.

Q: What other growth opportunities are out there?

A: In addition to more than 100 new stores that our members have opened over the past three years, several new retailers have switched their supply relationships to us from other wholesalers. We are also looking at opportunities that lie outside of the

traditional supermarket channel. One possibility, for example, is in supplying military commissaries in the western United States. Another big opportunity is in providing products and, in some cases, logistics services to specialty retailers, many of which are experiencing tremendous growth in spite of the recessionary economy.

Q: What will your role be in all of this?

A: A truly effective sales-driven organization has quality relationships at its roots. It starts with understanding consumers — their specific wants and needs — but it also involves relationships with retailers and their employees, vendors, brokers and, of course, relationships with our own employees. I see my role as helping our Company achieve its goals by ensuring that we are taking full advantage of the opportunities that are available to us. ◉

Tomorrow's Consumers



“ Knowledge is power and is critically important in the creation and development of a sales-driven organization. ”

Making a sale to tomorrow's consumer depends on what you do today. Research and insights play a role in determining the future wants and needs of consumers — but it's really much more than that. Distribution infrastructures must be built, categories must be developed and we and our retailers must be in step throughout the entire process. There's much that must be in place today if tomorrow's consumers are going to continue to be satisfied at independent grocery stores.

It's risky to attempt to *predict* the future because there are consequences if you are incorrect. It is possible, however, to *forecast* the future — much like one forecasts the weather. The best thing about a forecast is that it does not have to be precise in order to have an impact on its immediate environment. Forecasts are really nothing more than expectations about what might be ahead — advance messages that enable proper planning for events that are likely to take place.

Based on what we know already, there is much that we can forecast about the future, but little that we can predict. For example, we know that the digital age is upon us, we know that it will play an increasingly larger role in everyone's lives, just as it has done in the past decade or so, but we do not know what form it will take years from now. Demographic data also tell us that a large portion of the U.S. population will soon become senior citizens, but we do not know where or how they are going to live, or how much disposable

income they will have. We can also forecast with a high degree of certainty that the ethnic population of the United States will continue to grow, but what these consumers will want to purchase several years from now is extremely difficult to predict.

Gathering and analyzing information about consumers — and using that data to develop programs that help member retailers better structure





their product and service offerings — is a key role that Unified Grocers plays within the wholesale-supplied grocery channel. Knowledge is power and is critically important in the creation and development of a sales-driven organization.

To unearth information about consumers and the marketplace and to gain key insights into future patterns and behaviors, Unified employs a number of techniques and methodologies that are helpful in forecasting future consumer needs. Unified's procurement team relies on a wide variety of information and sources to find unique and different products from all over the world. Not only does the team depend on the intelligence provided by our vendor and broker partners, it utilizes buying groups (consortiums) to expand the Company's product offering and to leverage its purchasing power.

In addition, Unified subscribes to third party research services that provide key insights into consumer purchase behavior as well as highlight category and marketplace trends. To further enhance our understanding of consumers, we routinely

conduct consumer focus groups throughout our market areas to obtain critical feedback regarding specific products or programs. Combining these data with our warehouse sales and retailer front-end scan movement results in a robust intelligence database that enhances our ability to respond effectively to the unique needs of our varied customer base and provide solutions targeted to their shoppers. Unified also is a member of the Institute for the Future, an independent nonprofit research group that helps business organizations make better, more informed decisions about the future by providing insights that lead to action. The Institute regularly provides updates to Unified's senior management on global macro trends and their effect on local issues and economies.

Success in the future requires foresight. National Hockey League Hall of Fame member Wayne Gretzky said it best: "A good hockey player skates to where the puck is. A great hockey player skates to where the puck is going to be." Unified is working hard to understand tomorrow's consumer — and is doing so today. ◉



“At Unified, we believe creativity and innovation represent the heart and soul of our Company — and we plan to keep it that way for many years to come.”

“Innovation distinguishes between a leader and a follower.” — Steve Jobs

In the ongoing battle for the hearts and minds of consumers, it’s better for companies in the food business to be leaders instead of followers. Being first to market with a new product or service that resonates with consumers can be the difference between spectacular gains in both sales and market share for the innovator and diminished success and influence for everyone else.

At manufacturing companies, innovation often takes the form of a new product; at retail companies, innovation is more likely to be found in the way products are offered or in the unique services that are provided. At wholesalers like Unified, innovative ideas and

breakthrough thinking propel the Company to greater levels of success — such as sales growth, greater efficiency and productivity, and closer and stronger relations with retail members and customers.

One of the areas in which Unified has consistently shown leadership and innovation is in introducing and implementing technology that improves the overall efficiency and capabilities of the entire supply channel. In May 2011, for the second time in seven years, *Supermarket News* presented Unified with its Technology Excellence Award for exceptional innovation and industry leadership in the use of information technology to support operations. In particular, the publication highlighted Unified’s U-Web project, which helps retailers develop robust and sophisticated web sites, as well as Unified’s use





of innovative technology systems that aid warehouse and transportation management and facilitate the sales and ordering process at retail.

During the past year, Unified also launched several Innovation Centers for Growth — think tank-like groups of cross-functional employees who explore creative and innovative ways in which to implement sales growth ideas.

Among the Innovation Centers already in place are sales to military commissaries in the western United States; an Innovation Center that is exploring third party logistics services possibilities; and one that is now developing a business plan that would allow Unified and its member retailers to increase sales through greater support of the federal Women, Infants and Children's nutrition program. Two other Innovation Centers are just getting off the ground — one is examining opportunities in the digital world for Unified and its retailers and a Retailer Innovation Center is a group of non-competing member retailers who are exploring best industry practices in areas such as marketing and merchandising.

In the past year, the Company developed and launched a number of other innovative ideas that are helping to grow sales, as well. Unified's natural and organic products division is being re-branded to better facilitate sales growth — similar to the way Market Centre was re-branded several years ago (an effort that helped generate a significant increase in Market Centre's sales). The Company's Perishables division also has experienced significant growth, thanks largely to a number of innovative marketing and promotional campaigns that are spurring impulse purchases and incremental sales growth.

In difficult times and in a marketplace that is increasingly competitive, creativity and innovation are the tools that separate successful companies from also-rans. At Unified, we believe creativity and innovation represent the heart and soul of our Company — and we plan to keep it that way for many years to come. ◉

Operational Excellence



“Effective and efficient operations begin with facilities that are right-sized, well-maintained, optimally located and, if necessary, adaptable to other uses.”

A sales-driven organization is dependent on operational excellence. How can you sell more, handle more and distribute more as an organization if you cannot move products efficiently, cannot provide consistent and reliable service to customers or cannot operate your business effectively?

In today's competitive business environment, it is critical that Unified's distribution network operates efficiently at all times. A well-oiled and efficiently-run network enables Unified to keep product costs low for retailers, which gives them a decided edge in the marketplace against their retail competition.

A flexible, well-run network also is less expensive to operate than an inefficient one — it frees up resources that can be used elsewhere in the organization, such as driving new sales growth initiatives.

Effective and efficient operations begin with facilities that are right-sized, well-maintained, optimally located and, if necessary, adaptable to other uses. With recent capacity additions to the Stockton Distribution Center, the addition of a perishables facility in Southern California, the upgrades to the Seattle warehouse and the closure of unneeded facilities in Hayward, California and Renton, Washington, Unified's distribution network is well positioned for success





and growth in the future. Technology improvements in all of our facilities, such as the implementation of TRICEPS, our warehouse management system, have enhanced productivity and removed costs from our distribution network. A new “common item code” initiative is reducing errors associated with the order picking process. A new tracking system has substantially reduced the costs of dairy and other shipping containers purchased annually by the Company.

Other initiatives contribute to smooth-running operations, as well. Establishment and enforcement of high safety standards throughout the Company have kept on-the-job injuries to a minimum and, in the process, helped keep workers compensation costs low. Unified also reached agreements in 2011 with collective bargaining units representing warehouse and transportation employees at our Seattle Distribution Center (labor agreements with collective bargaining units at our California facilities were reached in 2010). These agreements are key to the long-term success of the Company’s core business and emphasize the importance of a strong and healthy relationship between Unified and its employees.

Unified also works hard to ensure that it is hiring the right employees, training them to succeed in their jobs, providing them with opportunities to grow and evolve with the Company and motivating them to exceed expectations. Such programs as Talent Resource Management (an automated personal objective and goal-setting program), various



continuing education programs focusing on management and leadership skills, and ongoing recruitment and retention programs all contribute to creating a culture that supports operational excellence, which in turn supports a sales-driven organization.

Keeping things running — and running well — is what operational excellence is all about. It’s also central to the long term success of Unified and our retailers. ◉



Fresh Thinking



“New ideas — and effective execution of them — are the lifeblood of companies that expect to grow and prosper in the future.”

In a sales-driven organization, everyone needs to make a contribution — do their part — to help the Company achieve its goals and objectives.

But what exactly should that contribution be, particularly if one’s job responsibilities aren’t directly linked to the sales effort? How can employees in the Human Resources or Accounting Departments, for example, help Unified increase sales to retail members and customers?

The answer is fresh thinking — a new way of approaching a problem, a creative brainstorm, a slight twist on an existing solution or just some good old fashioned ingenuity. Fresh thinking can help Unified keep costs low, streamline processes, create new revenue streams, eliminate redundancies, do more

with less, enter new businesses, establish new partnerships, generate stronger ties to the community, help the Company achieve its sustainability goals, and much more.

In the past several years, a number of employees and employee teams have used creative thinking to solve problems and strengthen the Company in one way or another. One employee, for example, came up with the idea of switching fluorescent lighting used throughout the Commerce office building to LED (light emitting diode) lighting which not only is cheaper to operate but is safer (gives off less heat) and more attractive (better light in which to view people or objects inside of a room). We are considering this along with other employee suggestions for efficiency improvements.





Other ideas from employees have helped strengthen the Company, as well. In 2011, one employee found that if Unified added certain pollution control devices to new truck tractors being purchased from a vendor, the Company would qualify for approximately \$500,000 in grants from the San Joaquin Air Quality Management District. By doing this, Unified not only was able to offset a significant portion of the purchase price of the new trucks, the Company contributed to efforts to improve air quality. Also, the conversion of a fleet of battery-operated material-handling equipment to high-efficiency methanol fuel cell products saved the Company significant time and energy costs associated with frequent battery re-charges or change-outs.

Sometimes the idea is simply the “right thing to do.” Earlier this year, officers of the Company noticed an employee in the Commerce Café who was using



her own plate (one she brought from home) to carry lunch back to her desk instead of the disposable Styrofoam container normally supplied by the Café. When the employee said she did this because she was concerned about the environment, the officers took note and, with the help of others throughout the Company, implemented a new program that replaced all plastic tableware and Styrofoam take-out containers with compostable items made from natural substances such as corn and sugarcane. Additionally, employees now discard lunch food waste into composting bins.

New ideas — and effective execution of them — are the lifeblood of companies that expect to grow and prosper in the future. At Unified, fresh thinking is central to the development and maintenance of a sales-driven organization. ◉



Sustaining Sustainability



“More often than not it is competitive pressure that ensures that companies do their part to make the world a better place for future generations.”

In September 2011, Chief Executive Officer Al Plamann spoke at the Food Marketing Institute’s Sustainability Summit in Scottsdale, Arizona. His presentation, entitled “Sustaining Sustainability,” was very well received by the audience and is presented here — in a shortened version — for Unified’s stakeholders.

From conservation programs to waste reduction projects, new and improved energy-saving devices to save-the-environment programs, the sustainability “movement” is not only omnipresent, it is firmly entrenched, moving forward and growing. Yes, let me repeat that, the sustainability movement is growing.

But how, exactly, is it growing? How do those of us who are immersed in this movement keep it not only relevant, but growing successfully? How do we, in essence, “Sustain Sustainability?”

It’s appropriate to put the concept of sustainability in the proper context by defining the word. To me, “sustainability” means simply this: Meeting the needs of the present generation without compromising the ability of future generations to meet their own needs.

In other words, whether you are an individual, an organization or a huge multinational company, sustainability means finding ways to effectively maintain and support your existence without affecting the ability of future generations to effectively maintain and support their existence. Becoming good stewards of our resources, our land and our

environment is, in my opinion, what we’re really talking about here.

But are we doing that? To what extent has everyone jumped aboard the sustainability bandwagon over the last several decades or so? While I think many individuals, organizations and companies understand the issues and are very knowledgeable about sustainability and good business practices that support it, I also believe that the sustainability movement — at least in its present state within the business community — has become much more of an “evolution” than a “revolution.”

A recent survey of chief executive officers by McKinsey & Company and Deloitte Consulting seems to bear this out. While the majority of CEOs



“One of the reasons we are careful about our efforts in this area is because we want to be sure that our sustainability initiatives are something that we believe we should be doing as a business anyway.”



surveyed said sustainability was important to building a corporate reputation, fewer than one-third of the CEOs reported that sustainability was integrated into their core business practices.

Another study, the second annual Gibbs & Soell “Sense and Sustainability Study,” conducted in February 2010 among Fortune 1000 executives, unearthed some interesting reasons for this slow pace of progress. Fully 70 percent of the executives surveyed cited “insufficient return on investment” as the leading reason why sustainability initiatives were

slowed or tabled during the past year; 66 percent of executives cited consumers’ “unwillingness to pay a premium” for green products or services; and 44 percent cited the difficulty in evaluating sustainability across a product life cycle as a major barrier in their company’s efforts to become more “green.”

This leads, of course, to the theme of my presentation — how do you “sustain sustainability?”

According to the experts — and by experts, I’m referring to business leaders who have successfully





integrated sustainability initiatives and actions into their business practices and corporate cultures over long periods of time — the key to sustaining sustainability is all in how a company approaches the issue, not necessarily the specific details of what it does or how it does it. For the most part, these experts agree on four general guidelines that companies should follow if they wish to successfully sustain sustainability. These guidelines are:

- 1) Sustainability is a way of thinking and being — not an endpoint. Without question, sustainability should be integrated into a company's vision, values and core mission statement if it is to have any chance of succeeding over time.
- 2) Companies should recognize that sustainability is a powerful way to forge deeper connections with stakeholders. In other words, if the programs or initiatives reduce risk and improve business in a measurable way, they will get the support of key stakeholders and therefore are much more likely to be successful in the long run.
- 3) Sustainability is a global issue, but it begins at the local level. Many sustainability programs deteriorate over time because they are attributed to goals and objectives that are too far-reaching to be realistic or are too difficult to achieve. Efforts should be focused initially at the local level — and built upon as successes are achieved over time. And lastly...
- 4) Business organizations should be flexible in their approach and management of sustainability programs. As we all know, things don't always go according to plan — and the same is true with companies attempting to sustain their sustainability programs over time. As is true in the game of football, halftime adjustments are often the key to victory at the end of the game.

I'd now like to shift gears and tell you a little about Unified Grocers and our approach toward launching and maintaining a growing and proactive sustainability effort over time. While we, too, strive to adhere to the guidelines that I just described to you, I don't mind telling you that we are perhaps a bit more cautious in our approach toward sustainability than many of our peers in the food industry.

There are actually some good reasons why we are careful and deliberate about the sustainability programs we undertake at Unified. One of the reasons we are careful about our efforts in this area is because we want to be sure that our sustainability initiatives are something that we believe we should be doing as a business anyway. We believe, for example, that good business practices are what create energy and other cost savings in our warehouses. The fact that many of these business practices also are sustainable is icing on the cake.

Another reason why we at Unified tread somewhat softly around certain sustainability issues is because



we believe that there is sometimes much more that is unknown about new products and ideas than is known...and we don't believe it is prudent to adopt or commit to some of these ideas until more is known about them. For example, should I be recommending that our employees drive electric cars to work, or am I potentially creating a bigger problem down the road because the disposal of lithium-ion batteries is presently an environmental hazard? Which is the most environmentally-friendly fuel for your car — ethanol, bio diesel or natural gas? Are fluorescent light bulbs really better for us in the long-run than the incandescent bulb? Nuclear energy is efficient, but is it safer than other forms of power generation?

I don't have the answers to these questions, and I'm not saying that we as a company are unwilling to adopt new ideas or initiatives. What I am saying is that we believe that walking is sometimes preferable to running — and in some cases, perhaps it's best not to walk at all. We want to rely on science where we can, wait for enough facts to come in that make us comfortable and, ultimately, make a rational, reasoned decision at the right time and with the right intentions.

Like other companies in the food industry, Unified has focused its sustainability initiatives on internal projects that help reduce energy consumption, reduce waste, or help promote sustainable agriculture. For example, we have reduced our energy usage during peak hours by installing efficient lighting systems in our warehouses, variable speed controls on our

refrigeration equipment to spread power use to off-peak consumption hours and reduced the overall power needed to re-charge pallet jack batteries by switching to high-efficiency methanol fuel cells.

We also significantly reduced the amount of water we use at our Los Angeles dairy manufacturing plant simply by changing the procedures we use to wash dairy cases and we have stepped up our recycling programs throughout the Company. We have also significantly reduced our paper consumption and we have replaced Styrofoam products in our offices and foodservice facilities.

Because we are in the food business, we are involved in sustainability issues in these areas, as well. Unified Naturally is a division of our Company that sells natural and organic foods and is a leading advocate and information source regarding sustainable products and activities to our retail members and customers. Our Company also works hard to eliminate waste throughout all of our facilities on a daily basis. Slightly damaged or imperfect food and grocery products that materialize at any of our seven distribution centers and two manufacturing facilities are regularly donated to food pantries and social service organizations for their use and/or redistribution. Excess product from trade shows or related marketing events is also donated to these organizations.

We also engage our employees with a unique internal web site we call "Green 365," which offers tips, activities



“ Like other companies in the food industry, Unified has focused its sustainability initiatives on internal projects that help reduce energy consumption, reduce waste, or promote sustainable agriculture. ”

and other information pertaining to sustainability issues that concern our Company, our industry and our world. This web site has been a tremendous tool that has helped us sustain sustainability among our employees and throughout our Company.

Our retail members and customers also are actively involved in sustainability projects and initiatives. As their wholesale grocery and distribution partner, we see our role at Unified as being a facilitator of sustainability activities that our retailers may want to undertake or

implement. We do that by sharing information on best sustainability practices, passing along news and information as it pertains to sustainability issues and offering advice and counsel to our retailers in areas in which we might have specific expertise. We also help finance sustainability initiatives at retail stores through our financing subsidiary, Grocers Capital Company. We also try to enhance our retailers' ability to obtain public and private funds that are available to them for a wide variety of sustainability projects. We have developed a number of health-oriented





and environmentally-friendly marketing events that allow our retailers to tie-in to our overall corporate sustainability initiatives or roll-out their own programs with mini-events at their own stores.

And many of our retailers are immersing themselves in the sustainability movement, as well. The bottom line is that many of them are beginning to slowly wade into waters, others have dived-in head first and still others, amazingly, have yet to put their bathing suit on.

It's my belief, however, that these non-participatory companies will be unable to ignore the concept of sustainability or the issues that surround it for very



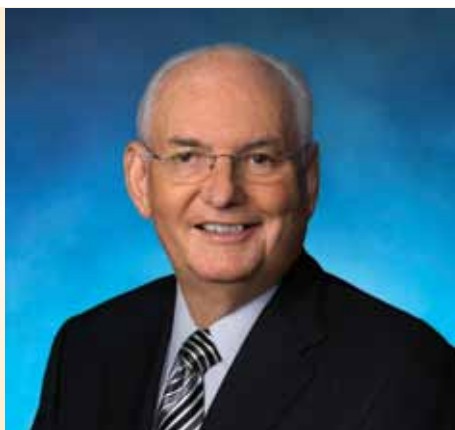
much longer. Let's face it, our precious resources are continuing to diminish, the world is truly becoming "greener" every minute of every day and our children and our children's children are literally demanding that we not compromise their ability to meet their needs in the years that lie ahead.

Companies that choose to ignore the sustainability movement, that do not believe that they have a responsibility to help preserve our world for future generations, and that simply do not care about doing their part to support this vitally important issue will soon find themselves competing at a disadvantage in the marketplace. They will find themselves battling to preserve their credibility among stakeholders and they will find themselves fighting to keep loyal customers — many of whom are more than willing to jump ship because the company is not in sync with the sustainability movement.

While many of us would prefer that companies and business organizations willingly participate in the sustainability movement, we know that over time it will more likely be competitive pressure that ensures that companies do their part to make the world a better place for future generations.

In short, companies and business organizations who are effectively sustaining sustainability are going to be the superstars in the future. ◉

Letter *from* the Chairman



“At the end of the day, Unified and its members and customers are partners who rely on one another for their joint success.”

Michael Jordan, arguably the greatest player in the history of the National Basketball Association, said it best: “Talent wins games, but teamwork and intelligence win championships.” I believe this sentiment captures my thoughts regarding the “next steps” our supply channel needs to take in order to achieve its long-term goals and objectives.

Over the past several years, we have achieved much at Unified. We have strengthened our balance sheet, generated permanent equity for the Company, enhanced productivity, improved our cost structure and implemented a Strategic Design to guide our long-term growth and success. Presently, management at Unified is involved in an aggressive, long-term drive to grow sales throughout the Company — an effort to build and maintain a successful “sales-driven organization.” I am happy to report that this particular initiative has already begun to bear fruit.

Given these and other achievements, I feel that we have the “talent” — or wherewithal — to be successful in the competitive marketplace in which we battle on a daily basis. But to be truly successful over the long term, I believe we’re going to have to play smarter and more like a team if we want to be champions of our industry or champions of the marketplaces in which we compete.

Playing “smarter” means being a step ahead of the competition and doing whatever needs to be done in order to remain successful at retail. Playing smarter

also means supporting Unified Grocers — a company that is owned by its members and one that exists solely to support members’ success at retail. Playing more like a team means supporting the house and working together for the common good. Without this collective support from our retailers, we simply cannot remain competitive in the marketplaces in which we operate.

At the end of the day, Unified and its members and customers are partners who rely on one another for their joint success. Unified relies on the skills, knowledge and expertise of its retailers to maintain their competitive edge — and success — in the marketplace; independent retailers rely on the skills, knowledge and expertise of Unified to help facilitate their success in the marketplace. It is this interdependency that is central to the success of our supply channel over the long term; it is this interdependency that will help us become “champions.”

It has been an honor and privilege to serve as your chairman and I look forward to your continued support. I am encouraged by the additional emphasis on increasing sales and very confident that the coming year will be a bright one for our Company.

Richard E. Goodspeed
Chairman of the Board

The Board *of* Directors

01 Richard E. Goodspeed

Chairman

Principal, Goodspeed & Associates



01



02

02 Louis A. Amen

First Vice Chairman

Chairman of the Board, Super A Foods, Inc.

03 John Najjar

Second Vice Chairman

President, Cardiff Seaside Market, Inc.



03



04

04 John Berberian

President, Berberian Enterprises, Inc.

05 Oscar Gonzalez

Co-Owner, Northgate Gonzalez Markets, Inc.



05



06

06 Terry R. Halverson

*President and Chief Executive Officer,
Food Markets Northwest, Inc.*

07 Paul Kapioski

President, CAP Food Services Co.



07



08

08 Darioush Khaledi

*Chairman of the Board and Chief Executive Officer,
K.V. Mart Co.*

09 Mark Kidd

President, Mar-Val Food Stores, Inc.



09



10

10 John D. Lang

*President and Chief Executive Officer,
Epson America, Inc.*

11 Jay T. McCormack*President, Rio Ranch Markets*

11

12 Michael A. Provenzano, Jr.*President, Pro & Son's Inc., President, Provo, Inc.,
President, Pro & Family, Inc.*

12

13 Thomas S. Sayles*Vice President, Government and Community Relations,
University of Southern California*

13

14 Mimi R. Song*President and Chief Executive Officer,
Super Center Concepts, Inc.*

14

15 Robert E. Stiles*President, Gelson's Markets*

15

16 Michael S. Trask*President, Stanlar Foods, Inc.*

16

17 Kenneth R. Tucker*President, Evergreen Markets, Inc.*

17

18 Richard L. Wright*Chariman of the Board, Market of Choice, Inc.*

18

Executive Management

01 Alfred A. Plamann
Chief Executive Officer

02 Robert M. Ling, Jr.
President

03 Richard J. Martin
*Executive Vice President,
Finance and Administration
Chief Financial Officer*



04 Philip S. Smith
*Executive Vice President,
Chief Marketing and Procurement Officer*

05 Joseph L. Falvey
Senior Vice President, Sales

06 Daniel J. Murphy
*Senior Vice President,
Perishables and Retail Services*

07 Christine Neal
*Senior Vice President,
Finance and Treasurer*

08 Randall G. Scoville
*Senior Vice President,
Accounting and International Sales*

09 Rodney L. Van Bebber
Senior Vice President, Operations

10 John C. Bedrosian
Vice President, Manufacturing

11 Dirk T. Davis
*Vice President,
Sales, Pacific Northwest*

12 Gary C. Hammett
Vice President, Real Estate

13 Gary S. Herman
*Vice President, Information Services
Chief Information Officer*

14 Robert E. Lutz
Vice President, Procurement

15 Joseph A. Ney
Vice President, Insurance





This annual report was printed on recycled paper.

More ways to make it your market®



5200 Sheila Street
Commerce, CA 90040
unifiedgrocers.com