



people's  
FOOD CO-OP

# annual report 2007



everyone  
welcome

# dear member-owners,

A question we are often asked is "What does the Board of Directors do exactly?" The co-op's bylaws state in Article IV, section 4.1, "Except as to matters reserved to owners by law or by these bylaws, the corporate powers of the Co-op shall be exercised by or under the authority of the Board of Directors, and the business and affairs of the Co-op shall be managed under the direction of the Board of Directors." Perhaps another way to say this is that the Board is charged with overseeing, or governing the co-op, but how exactly is this done? What exactly does it mean, in this context, to govern?

One of the most significant, recent board actions has been the creation of a structure by which we govern the co-op's affairs. "Governance" includes overseeing the co-op's day-to-day operations, engaging with the membership to determine the effect they want their co-op to have on our communities, and asking deep questions about the future of our world, and the role our co-op will have in it.

Overseeing our operations requires trust and clarity. We show our trust in the management by not overstepping our role as the Board of Directors. For example, we refrain from making operational decisions or performing management duties. In addition, we try to create broad operational policies that encourage creative freedom. Finally, we try to be clear with the collective management, both in terms of any limits that are set, and what we expect from them, operationally. This clarity is further achieved with communication from the management when they come back to us with written interpretations of our policies, and data to show success.

By clarifying the different roles played by the collective management and the board, the board is able to remain focused on work; developing the "long view" of the direction we wish our co-op, community, and society to move.

One of the Board's remarkable accomplishments in 2007 was crafting a statement of our over-arching desired outcomes for the co-op, otherwise known as our Ends Policy. This statement embodies what the co-op is always reaching towards. It represents the big picture of what we stand for. These outcomes give us something to stretch toward and a way to check in with ourselves to make sure we are in alignment with People's mission and values.

Through our Ends Policy, People's Co-op strives for:  
A passionate community working together for sustainability, progressive land & animal stewardship, human rights, and social & economic justice.

- ~Thriving cooperative & local economies.
- ~A safe, welcoming community where all are valued.
- ~A democratic workplace where all workers voices are valued.
- ~Access to healthful food that our customers can trust.

This statement is formally part of our written policies that provide the structure in which the co-op will continue to thrive. Now, part of the collective management's job is to interpret that statement and bring it into concrete actions through the details of running our wonderful co-op. The board, acting on behalf of the member-owners, will continually check to ensure these outcomes are upheld and honored. Using this statement as a guide, we have been educating ourselves, studying topics, asking important questions and interacting with you to guarantee we flow toward these ends.

At a recent board meeting we looked at the idea of vertical integration and how it might benefit the co-op. For example, what are the pros and cons of the co-op owning a farm and perhaps a certified community kitchen to process food? Current state laws mandate that in order to sell food it must be prepared in a certified kitchen. A certified kitchen is costly and thus poses as a barrier for the growth of small artisan food businesses in our community. How would a vertical integration model affect local farmers and artisan food producers? Does Peoples want to branch out into new territory or stick to what we do best and, perhaps, work on developing other local cooperatives to fulfill those roles?

Most importantly, the board is realizing that the co-op is more than just the store. The co-op is the economic business model that runs the store. If the co-op were to start a farm or another store or some other business, it would not be two or more operations. They would all be part of the co-op, a co-op that is greater than the businesses it operates.

Whether it is a farm, a second store, or some other business, the critical concept is that we own it! Those businesses, whatever they may do, will be governed by the cooperative values, including democratic control and being open to all.

Overall, it has been an exceptional year on the board. While we may not have developed many answers, we are better at forming the important questions that must be asked as the co-op grows and the economy changes.

People's Board meetings are open to the public - anyone can come participate in the governance of the co-op. Our meetings happen on the 4th Tuesday of every month from 5:30 - 8:30pm upstairs in the Community Room. Did we mention that a delicious vegetarian dinner is provided by the co-op every month? Come join us.

**~your Board of Directors**

**LEARN MORE AT**  
[WWW.PEOPLES.COOP](http://WWW.PEOPLES.COOP)

Click on "Your Board of Directors" to learn who is currently on the Board and how to contact them. You can even download all of the Board's meeting minutes and agendas.

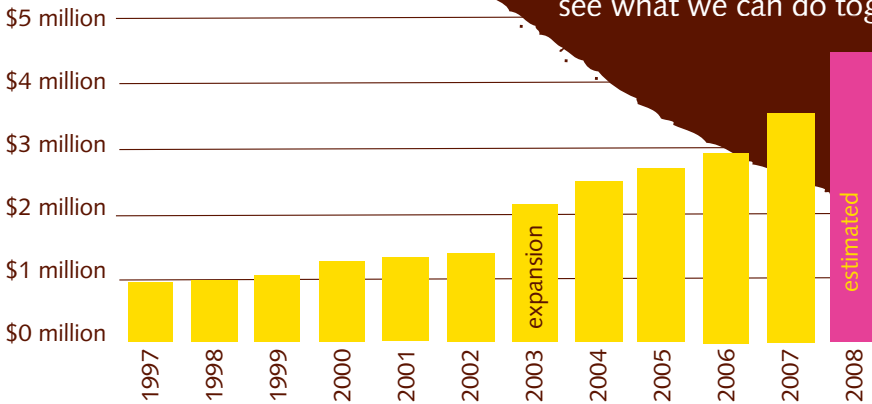


We are a passionate community working together for sustainability, progressive land & animal stewardship, human rights, and social & economic justice.

Rising gas and food prices. Global climate change. War. Cutbacks in social services. **We face many challenges in our world, but 2007 was a stellar year for your co-op.** People support what People's is doing, a refreshing and positive antidote to an otherwise increasingly harsh and turbulent environment. One way of measuring this success is through financial indicators. **Read on for details of your co-op's 2007 financial picture**, keeping in mind how solid finances can support the co-op's vision of a better world. It's uplifting to see what we can do together! -miles uchida



## sales in millions from 1997 - present



## giving 2007

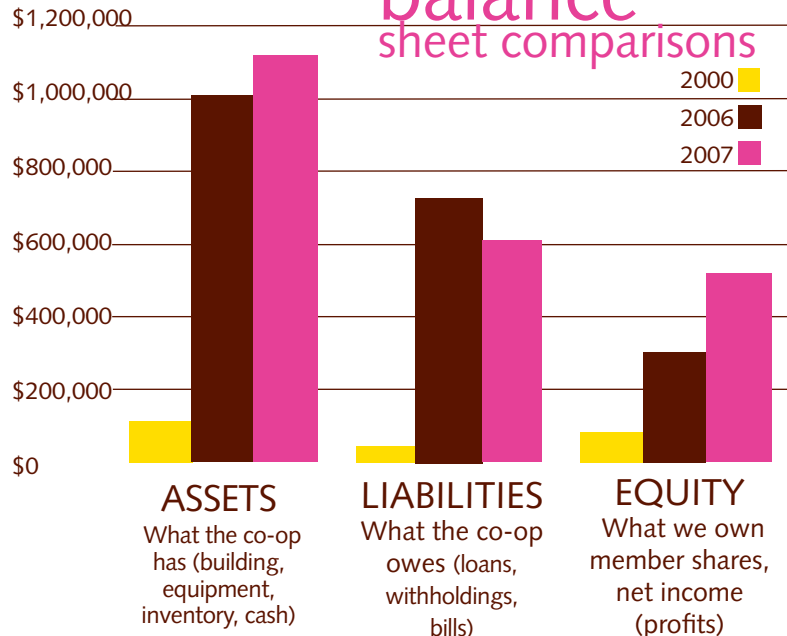
People's was proud to donate over **\$3000** in cash and food to community groups, farm worker unions, local schools, and more. Thank you for helping us collect over **800 pounds of healthy food** for the Oregon Food Bank last holiday season.

- Co-op sales totaled \$3,401,000 for 2007, which is an increase of 22.5% from 2006, well over our budgeted 7.5% sales growth. Food co-ops nationwide averaged ~ 10% growth. While a positive thing, high sales growth also poses its challenges. Many operational improvements were made to accommodate the increase in customers and sales. Our sales per square foot are very high, which is why we are considering the 2nd store. 67% of sales were to members, which has been fairly consistent over the years.
- 2008 Year-to-date sales through June 2008 are 43% above 2007, we estimate 28% sales growth for the year 2008.

## We had incredible growth in co-op equity for 2007!

- 2007 PeopleShares: a record \$67,000 in new member equity investments, bringing the total equity invested by our owners to almost \$353,000 – way to support your co-op!
- 2007 MEMBERSHIP NUMBERS: 796 new owners, 4,277 total owners, 2,328 active owners
- 2007 Net Income: We had a record \$167,000 (est.) in net income for 2007.
- 2008 Q1: \$20,000 net new equity invested, 8%+ net income, 270 new members, 2512 total active
- WHY IS EQUITY IMPORTANT? This is how the co-op actually survives and thrives in the long run. Building equity gives the co-op stability, leverage for borrowing money for capital projects, and more possibilities for the future. Our major indicators and ratios (current ratio, debt-to-equity ratio, net income, etc.) have been improving dramatically – great news for the co-op as we ponder development options, which will require capital to turn them into realities.

## balance sheet comparisons



## YOUR PATRONAGE REFUND

We completed our first full year under the Patronage Refund system. Since January 1st 2007 our registers have tracked each member-owner's total cost of purchases. We developed criteria to consider how much of the co-ops profits should be returned to member-owners each year. Using this methodology, the Finance Team and your elected Board of Directors balanced the needs of the cooperative with the joy of providing an economic benefit to our owners. We are proud to announce that a Patronage Refund will be given to our member-owners for 2007. The estimated patronage refund payout will be 1.7% of your eligible purchases in 2007, sent as a voucher to be used in the store, or you may choose to cash it out. For example, if you spent \$1,000 in eligible purchases (not including stamps, bus tickets, etc.) at the co-op in 2007, you will receive a voucher for about \$17.00. An additional 3.2% of member purchases will be kept by the co-op (retained patronage), for possible payout to members in the future. We know that these concepts are new and pretty complicated. We will send out your Patronage Refund in August along with a detailed description of terms and concepts.

## A SECOND STORE?

People's community is growing and we want to have enough room to welcome everyone at the co-op. We led community visioning sessions, conducted a survey, held member focus groups and set up a variety of ways for member-owners to share feedback. We have also conducted a market study and are in the process of assessing the feasibility of opening a second store somewhere in SE Portland. For more information and regular updates visit [www.peoples.coop/development](http://www.peoples.coop/development).

## MORE SPACE FOR PEOPLE'S PRODUCTS

We installed fixtures that maximize the space we have. Be on the look out for more efficient and effective register counters in 2008. We may even install a fourth register for faster shopping.

## PORTLAND STATE UNIVERSITY CAPSTONE CLASS

People's member-owner & Professor Pedro Ferbel-Azcarate instructs a class titled "The Natural Foods Industry and the Cooperative Business Model". Each term sixteen college seniors take this class to learn about food politics, natural foods, and cooperative enterprise & principles. People's staff present sections of the coursework and advise students as they work in teams to develop a project that supports People's Ends and annual goals.

## PEOPLE'S COOPERATIVE COMMUNITY FUND

(PCCF) We launched PCCF as a means to support cooperative development and local community organizations. The principle balance of our fund is loaned to new or expanding co-ops and the interest is donated to local groups that are selected by our community. Together we can grow a stronger community & economy. For more information visit [www.peoples.coop/community/donations](http://www.peoples.coop/community/donations) or talk to your cashier.

## CULTIVATING COMMUNITY

People's Party, our annual membership gathering, is taking to the summer streets. We hope this change will call out our member-owners to celebrate the accomplishments of the past year, look to the future, and enjoy our vibrant community. Other events throughout the year include: our weekly Farmers' Market every Wednesday 2-7 year-round, the Summer Street Party, our Harvest Festival, free BBQs, four free yoga classes every week, lots of educational events and so much more - check out our website for regular updates.

## FOSTERING DIVERSITY

Our Diversity and Anti-oppression Working Group (DAWG) has been working steadily on identifying ways to make the co-op more inclusive and empowering. We've worked to train staff, provoke conversation, raise self-awareness of subconscious biases and systematically address barriers to inclusion. We hope that our work inspires our community to engage in this work with us. For more information email [dawg@peoples.coop](mailto:dawg@peoples.coop).

## COOPERATION

People's co-hosted the 2008 Consumer Cooperative Management Conference. Some 400 co-op managers and board members from around the country converged in Portland in June 2008. To learn more about how Portland Food Co-ops are working together visit [www.portland.coop](http://www.portland.coop).