



Cooperatives are defined by the International Cooperative Alliance's Statement as "autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled enterprises."

Cooperative businesses cannot exist without a dedicated group of owners. There is no way around it. In fact, your equity in the store is what makes our grocery store a co-op. It is what separates us from any other store, shop or business that you see on your bike, walk or ride over. Your ownership of People's nourishes our community, nurtures local economy and creates authentic community.

And what makes People's so unique? As mentioned with the co-op difference, it's simple: You! You are what makes People's the thriving, bustling, vibrant "more-than-a-store" that it is today. A number of years ago, we created core tenets of our business – agreements as to what we were going to focus on as a business and a community. We call them our Ends. As stated, they are:

A passionate community working together for sustainability, progressive land and animal stewardship, human rights, social and economic justice.

- **Thriving cooperative and local economies.**
- **A safe, welcoming community where all are valued.**
- **Democratic workplace where all workers' voices are valued.**
- **Access to healthful foods our customers can trust.**

We continuously evaluate how well we are meeting our Ends to understand how effective we are at breathing life into the mission, vision and values of the store. This document, the Annual Report, is meant for you – the Owners of People's – to communicate how well we did. Here provides holistic evidence and material to boast the success of your store.

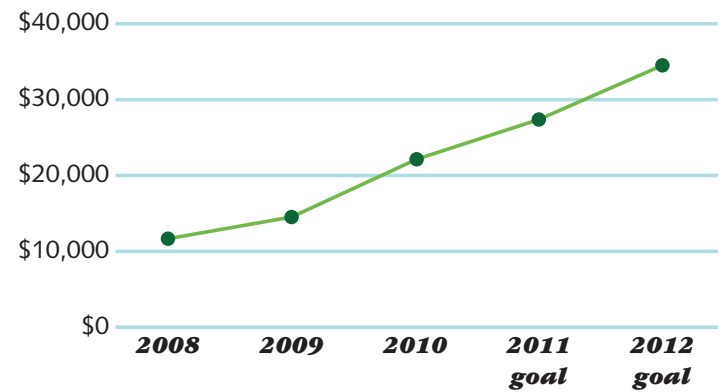
cooperative economy

In 2010, we increased People's Cooperative Community Fund (PCCF) – a reserve fund designed to help finance the start up of other co-ops – to \$22,852. The interest earned on the PCCF is then donated to seven community organizations chosen during our annual elections by the Membership. Each organization received a \$100 contribution to their existing programming - thanks to you!

The following organizations received a donation in 2010:

- Ethos Music
- Food Works & Janus Youth Programs
- Lewis Elementary Gardening
- Portland Collective Housing
- Sisters of the Road
- Tryon Life Community Farm
- Village Midwife

people's cooperative community fund



passionate community

We pride ourselves on the Member-Owners and shoppers that walk through our doors. Nowhere else do you encounter such an active and engaged group of people working on myriad issues to improve our community. Through your work, you inspire our work to be facilitators of cooperative ownership, the food system revolution, and community development.

Whether via classes that empower our neighbors to live a more healthful and vibrant life, increasing access to healthy foods through our Food For All and People's Prices Programs, or donations to local organizations to increase their capacity to bring about positive change in our community, your ownership at People's nourishes our community.

We've all heard the power of voting with your dollar. People's takes this to heart through our donations program, the PCCF, the Food For All program, 10% off on the 10th days, coupons to our Year Round Farmers' Market, and our No-Interest Farmer Loan program. Trust that each investment, deposit and decision to share our resources is backed by thoughtful intention, realizing the ripples of influence they create.

In 2010, we donated \$2,634 to local organizations, schools and projects. We prioritize our donations to local groups involved with human rights, social and economic justice, and/or environmental sustainability programs. In 2010, we donated to the following human rights, social and environmental groups:

- Brooklyn Pre-school
- Buckman Elementary School
- Cleveland High School
- Cultural Awareness Foundation
- Food Works
- Growing Gardens
- Johnson Creek Watershed Council
- KBOO
- Laughing Horse Book Collective
- Madison High School
- Montessori Institute
- Northwest Coalition for Alternatives to Pesticides
- Oregon Peaceworks
- Our United Villages
- Pooch in the PUB
- Project Grow
- Sea Lion Defense Brigade
- Society for the Blind
- Tour de Coops
- Union Gospel Mission
- Vegan Kids Camp
- Village Building Convergence
- Zenger Farm

"breathing life into the mission, vision and values of the store"



66.8% OF SALES WERE
TO MEMBER-OWNERS!

Member-Owners gather to sing "Happy Birthday" to People's at our 40th Birthday Party in November 2010

We at People's are hungry for more than delicious food – we are hungry for knowledge to contribute to the health and well-being of our community. To serve this drive, we offered a number of new classes, either free or at a very low cost, to the community. These included cooking classes such as Cooking for your Dosha and Basic Knife Skills, as well as gardening classes such as Edible Landscaping, Worm Bin Composting, and Fall Garden Planning. We also co-hosted a summer Farm tour attended by 110 food system enthusiasts!

Your ownership in our business makes all of this possible.

We ended 2010 with a strong base of 3,140 active Member-Owners. Of that total, 721 were new in 2010 with an additional \$67,559 in new Member-Owner equity. Our sales to Member-Owners comprised 66.8% of our total sales – that's some love!

Our 2010 Annual Meeting of the Member-Owners was yet another recognition of success through the industry wide difficult year of 2009. Our meeting had a fabulous turnout and featured Temra Costa, author of *Farmer Jane*, which honors the strong presence of women in our food system. We applauded a few of our favorite local producers and food purveyors for their contribution to the deliciousness of our store and the sustainable practices they employ. We enjoyed a locally inspired brunch prepared by Abby Fammartino of Abby's Table.

2010 had the highest voter turnout in People's history without a controversial issue on the ballot. With over 15% of our Membership voting, we elected four fabulous Directors to serve on our Board and seven community organizations to receive a donation through the PCCF.

"Your ownership in our business makes all of this possible."

One of the most exciting celebrations of 2010 was our 40th Birthday Party! On November 13th, over 100 Member-Owners, neighbors, and 'blasts from the past' folks came out to share and hear the co-op creation stories of People's history. We enjoyed a cake made in the shape of the store, staff from the early days, participants from the pre-store buying club, and a visual timeline of our store's many incarnations. Throughout the night a solid foundation of love, commitment and cooperation built 40 years ago was not only evident: it was palpable through the reliving of the past. Silent wishes were made as we blew out our birthday candles for another 40 years of contributing to our community in the best way we know how: serving as leaders and a community hub to provide healthy, amazing food.

financial sustainability

Much like other businesses in the US, People's has been riding a financial roller coaster over the past few years. We saw rapid sales growth in 2007 and 2008, were slowed down by the stagnant economy in 2009, saw some recovery in early 2010, only to be followed by the effects of New Seasons opening its doors on Hawthorne in late 2010. The co-op went from having virtually no money in 2006, to adopting a patronage dividend system in 2007, to record breaking Member-Owner equity totals in 2008, to solid cash savings in 2010. "Going with the flow" has taken on new meaning.

This financial stability begs the questions: What's in store for the future? How do we best use our resources for the good of all? The refreshingly honest answer is – we don't know yet. What we do know is that we are continually striving toward increasing our ability to truly support cooperative and community development and sustainable food systems, as well as increase access to healthy food. If these goals ring a bell, it's because they come from our Ends mentioned earlier.

For a cooperative business, the bottom line isn't what it's all about. We see the numbers as the soil that gives the co-op the nutrients needed to grow. When we are financially stable, we get to walk our talk: using our resources, passion, and skills to make our community better – *together*.

Here are a few ways our resources were used for the collective good:

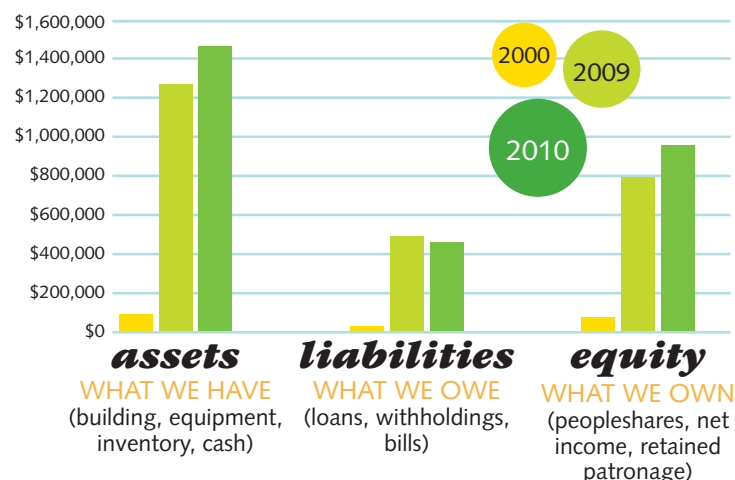
- \$2,841, or 2% of our net income was donated to the People's Cooperative Community Fund
- \$600 was donated to the Howard Bowers Fund to help with co-op development
- \$900 was donated to Haiti earthquake relief with an additional \$900 donated by shoppers
- 10% off on the 10th Days and Member Appreciation Discounts created \$28,373 in savings to shoppers
- Food For All Discounts relieved \$7,665 of grocery expenses to program participants
- \$2,634 was donated to local organizations and projects

SALES After seeing a lull in most of 2009 compared to the tremendous growth in 2008, everyone exhaled as we experienced a trend of increased sales growth in 2010. Our total sales in 2010 were 6.2% above 2009, a growth that was comparable to other food co-ops regionally.

EXPENSES Cost of goods was steady, and we ended the year with a 36.6% gross margin (difference between sales and cost of goods) – exactly our budget, and the same as 2009. Other operating expenses were slightly up in 2010, but overall we ended the year safely in the comfort zone.

NET INCOME After all was said and done, our pre-patronage, pre-tax net income was \$127,000 or 2.6% of sales. While that's not as high as previous years of 3.7% in 2008 and 2.9% in 2009, it's still very positive. After patronage refunds (\$68,000) and income taxes (\$20,000), final net income was \$40,000 or 0.8%.

BALANCE SHEET The balance sheet is about long-term financial sustainability. It's about assets and equity, financial positioning, and stability for the future. The co-op's total assets grew 12% from 2009 to \$1,433,000. This number is remarkable considering we had less than \$100,000 in assets in 2000 – that's a growth of 1400%! Liabilities declined as we continued to pay down the bank loan from 2002. Total equity increased 22% to nearly \$1 million, with over half of that (\$565,000) coming directly from investments in your PeopleShares – thank you! Cash in the bank was at \$467,000 – an increase of \$100,000 over 2009. All of these numbers result in an overall improvement in our key financial ratios.



green features

Over the course of 2010, we made many improvements to our already stellar list of Green Features. Outside of the store, we re-painted the exterior cob wall with wheat based paint, installed low-energy LED motion lighting in the staff storage area, added a roof on the staff bike parking area, repaired sunken courtyard pavers, and repainted the bike racks.

Inside the store, we added: beautiful new register counters designed from re-claimed lumber, a new bulk weigh station made from reclaimed wood, a new soap-cutting station using a local, downed storm damaged big leaf maple, a Health and Body care reset comprised of used shelving materials, and Rebuilding Center sourced sconces in the Community Room.



Storekeeper Daniel Romero shows off our new register counters.

where the money goes:

COST OF GOODS

(what we pay for the goods we sell)

\$3,156,000

PERSONNEL

(living wages for co-op staff)

\$1,224,000

OTHER EXPENSES

(operating costs)

\$469,000

NET INCOME

(before patronage & taxes)

\$127,000

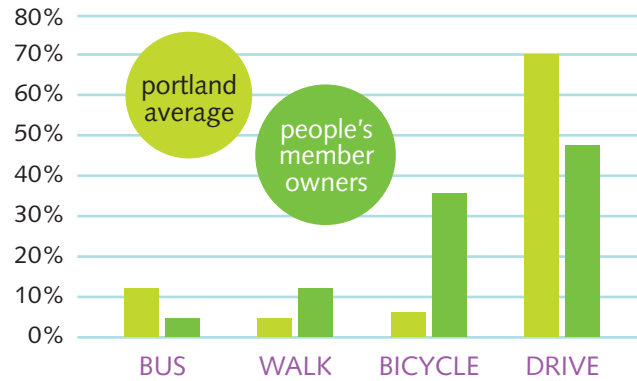


sustainable transportation

Go ahead and pat yourself on the back - this is something to be proud of. Yet another example of the People's community leading by example, putting ideals into practice, and working hard to make planet earth a more hospitable place for all life.

portland vs. people's mode of transportation

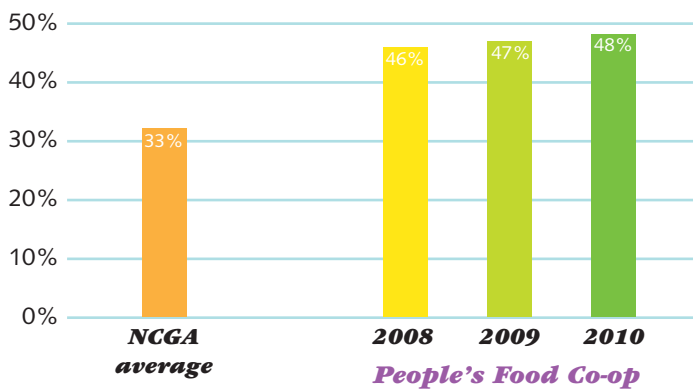
2009-2010



sustainable purchasing

People's sells more in bulk and produce than any other department in the store. This is a testament to *your* commitment to foods that are wholesome and come in little to no packaging. We are happy to report that this is *our* commitment and goal, too – to increase consumption of nutritious whole foods, and to decrease overall packaging in the store.

bulk & produce sales people's vs. NCGA* average



*National Cooperative Grocer's Association

When you forget your container or bag, we are proud to offer re-used container and bag options. Over the past year, we have continued to actualize the 're-use' in the recycling trifecta – preceded by reduce and followed by recycle – in our reused container and bag section. When the need for new bags and containers arises, you can trust that we have done our research to ensure that the packaging comes from non-virgin sources and/or contains a high-recycled content whenever possible.

Way to remember your bags! People's saw a drastic reduction in new large paper bag use in 2010 (down to 1.01 per customer from 1.37 in 2009).

product selection guidelines

Here is a refresher of our amazing buying guidelines:

ENVIRONMENTALLY RESPONSIBLE When weighing local and organic we prioritize as follows: farm direct/local and certified organic, farm direct/local and sustainably-grown, certified organic and as close to local as possible (as quality permits). We prioritize recyclable, biodegradable products, as well as store and office supplies that contain high-recycled material content.

HEALTHFUL We will not knowingly sell products that contain genetically modified organisms, hydrogenated oils, trans fats, parabens, hormones or carcinogens.

ETHICAL We offer only vegetarian (except pet food & items at the Farmers' Market), and humanely-raised products that are not tested on animals. Whenever available and relevant, our products will be Fair-Trade Certified and come from independently-owned/non-consolidated businesses.





Anni Mackin, from Alberta Cooperative Grocery, at Wandering Aengus Ciderworks on our 2010 Farm Tour

progressive land & animal stewardship

In 2010, our buyers ensured the responsible land and animal stewardship of our products through numerous visits to the farms that stock our shelves with abundance. People's also co-hosted a Co-op Farm Tour that had over 100 participants – 55 of them coming from the People's community - way to represent! We also hosted a number of free classes that support organic gardening, composting, chicken keeping, and recycling.

Our efforts to make the best and most informed decisions regarding where our eggs and dairy come from was rated by Cornucopia's scorecard – a Wisconsin based food and farm system 'whistle blower' and advocacy organization – at an average of 980 out of 1200 points for our dairy brands.

In 2010, we expanded our No-Interest Farmer Loan program. "Offering a 'No-Interest Farmer Loan' is intentionally revolutionary," says Kris DeMaria, Finance Coordinator at People's. No-Interest Loans are opposite of the normal cycle of high interest loans, debt, and the inability to reach financial security and true economic viability. Our approach embraces the relationships that we seek to cultivate when we use the terms "local" – we want to support the growth efforts of farmers to provide our community with food. People's intention is not to make money from the farmers, but to share the financial resources we have to better enable farmers to provide us with the food needed to live a healthy life.

In 2010, nearly \$8,000 was distributed to eight local farms and farmers. Farmers are known for their ability to make a little go a long way – and People's Farmer Loan recipients are no different. With this "seed money" our recipients have added serious value to their businesses by: starting a Community

"offering a 'No-Interest Farmer Loan' is intentionally revolutionary"



Supported Agriculture (CSA) program, purchasing seeds for a farm expansion, repairing a greenhouse from the 2009 winter storms, and procuring a baler to start baling hay to sell back as straw to the co-op, to name a few.

thriving cooperative & local economies

In 2010, we began the conversation of creating a local program at People's to help shoppers identify which foods and products were grown, produced or processed in our bioregion. After much deliberation, we decided to move away from common food systems terminology to re-ignite the education and ideas around local food systems.

The Foodshed concept is much like the idea of a watershed: gathered from a larger area, resources are funneled into a smaller area to provide for specific communities. Knowing your watershed helps to connect you to where your water comes from. Similarly, knowing your foodshed will help you connect with where your food comes from. The program will be implemented in 2011 and 2012 – keep your eyes and ears open for changes and updates!

PEOPLE'S FOODSHED
connects us to our NW region's* web of growers, producers and artisans who provide Portland with abundance.

*Oregon & Washington

democratic workplace

Over the years, store sales have grown at a rate that necessitated staff growth to best meet the needs of our shoppers. This growth in numbers requires a strong commitment to the consensus process and the individual responsibility and accountability as a collective manager. 2010 was a year of re-visioning our collective management definitions and job descriptions in order to realize the full potential of our group.

We regularly evaluate whether we are meeting our sustainable management structure goals – a structure that is well designed, democratic, and supports a collective management workplace by achieving the following:

- Self-perpetuation
- Accountability
- Efficiency
- Effectiveness
- Building and utilizing worker responsibility/skill levels
- Retaining and appreciating/value contribution, accomplishments & expertise
- Providing family and living wage jobs



access to healthful foods

The conversation surrounding Food Security and Food Access is an increasing one as we realize, experience, and foresee issues that beg our attention. Your co-op takes these issues seriously, prioritizing avenues to assist, and thinking creatively about how we can affect change in our community. According to the United States Agency for International Development (USAID) Food Access means that 'Individuals have adequate incomes or other resources to purchase or barter to obtain levels of appropriate foods needed to maintain consumption of an adequate diet/nutrition level.'

At People's, we seek to increase access by meeting the community need for consistent availability, affordability and upholding the rights of all persons, Member-Owners and community members alike, and the ability to purchase healthful and culturally appropriate foods.

We define healthful foods as organically or sustainably grown/processed foods that are free of GMO's, growth hormones, hydrogenation, artificial colors, additives, preservatives, and parabens.

While our customers include anyone visiting the co-op and/or Farmers' Market, our work to provide increased access to healthful foods is not limited to customers. In 2010, we donated over 600 lbs of food to the Oregon Food Bank through our annual Food Drive. We distributed 60 Thanksgiving Day vegetarian food bags that fed over 150 people, each containing fresh greens, vegetables and fruit as well as a Tofurky, gravy and other traditional favorites. We also used the money traditionally spent in celebrating the success of our annual equity drive and donated it to a local organization Adelante Mujeres, to support their new immigrant sustainable agriculture training program.

One of the most relevant ways that People's provides increased access is through our Food for All program. This program allows Member – Owners with economic need to self-select to receive a 4% discount at the register for a six-month period. We have seen the use of the program increase over this economically challenging time and have removed the previous cap placed on the program to support all of those in need without discrimination.

Discount for Food for All Participants	2009	2010	2011 projected
	\$5,574	\$7,665	\$9,500
% Change Over Previous Year	N/A	38%	24%

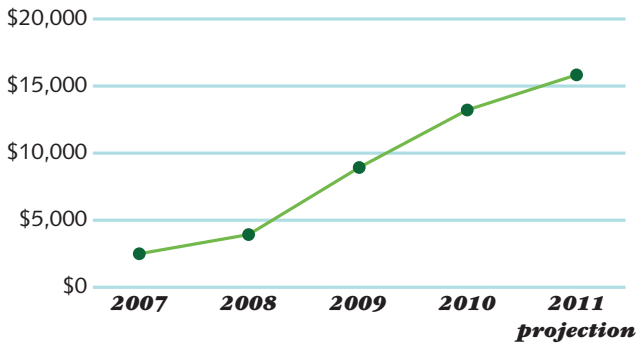
safe welcoming community

People's invests time and resources in understanding our role in addressing oppression and increasing diversity. In 2010, the Diversity and Anti-Oppression Working Group (DAWG) organized trainings for the staff and public on relevant issues that affect our community. These included a public forum and panel on equity issues that farmworkers face in Oregon and abroad, and two staff trainings on the following topics: how best to include and maintain a welcoming environment for our Latino neighbors, and understanding gender identities.



Square dancing at the 2010 Summer Street Party

SNAP sales at people's farmers' market



Did you know you can use your Supplement Nutrition Assistance Program (SNAP, formerly known as EBT) card to purchase fruits and vegetables at our Year Round Farmers' Market? You can! In 2010, \$13,744 in SNAP benefits were spent at the market – a benefit that supports your health, as well as the financial health of our local economy.

It is important to us that you trust the foods that we provide. Trust is an overall sense of confidence that we understand and adhere to our customer's needs, priorities and definitions of healthful foods. Trust also means staying on top of food systems issues and playing a leadership role in providing greater access for all. You, the Member-Owners, can take heart in knowing that our community is represented on the Portland Food Policy Council by both staff and Member-Owner participation. People's is also eager to connect and learn from the local organizations that are working on addressing these issues. In 2010, we collaborated with and supported the work of Portland Community Gardens, Growing Gardens, Adelante Mujeres, Pineros y Campesinos Unidos del Noroeste (PCUN, translated as Northwest Treeplanters and Farmworkers United), Food Works, Village Market, and Zenger Farms.



a word from your board

2010 was a year of adaptation and adjustment for People's as we weathered new pressures in the local and broader economic marketplace. Due to the hard work of the Collective Management, and you – our incredibly committed ownership – the co-op has remained strong during this challenging time.

The difference that co-ops bring to a community, besides the potential for social transformation, is stability in the face of such challenges. Challenges remind us that to remain strong we must represent something larger, providing opportunities for our community to nourish not only our bodies, but also our lives.

As the Board, we hold the Collective Management accountable to fulfilling these goals by operating a business that ensures People's continues to live out the mission, vision and values described in our Ends. We are proud to offer not only a passing grade, but a pair of enthusiastic high-fives. This act of appreciation is extended beyond the staff to you, People's Member-Owners, for holding all of us accountable to fulfilling the needs of our community. Without your support, we would be just a grocery store at which to pick up your daily food needs. With you we are more. We are a cooperative united in providing foods and services that lift up the community in health and wellness for all.

Although we can't yet say what is in store for the co-op's future, we can say we are in a strong position to build on our recent successes. The difference we can make is only limited by the ambition of our collective goals and our desire to move forward together.

Todd Wallace, Peoples Board President



**thank you for
continuing
to support a
community-owned
business!**

people's
FOOD CO-OP

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