



people's  
FOOD CO-OP

# Annual Report 2017

**A PASSIONATE COMMUNITY**  
WORKING TOGETHER

for **SUSTAINABILITY,**

PROGRESSIVE *Land & Animal* STEWARDSHIP

**HUMAN RIGHTS, SOCIAL & ECONOMIC**  
»JUSTICE«

THRIVING COOPERATIVE  
AND LOCAL ECONOMIES.

A SAFE Welcoming **COMMUNITY**

WHERE **ALL** ARE VALUED.

..... A .....  
DEMOCRATIC WORKPLACE

WHERE ALL *Voices* VALUED.  
WORKERS ARE

ACCESS TO HEALTHFUL FOODS

OUR CUSTOMERS CAN  
**TRUST.**

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# From the Board

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Member-Owners,

This last year was challenging but full of hope: while the Co-op experienced its largest financial loss since our expansion in 2002, we saw incredible engagement around creating a long-term plan to help People's continue to thrive.

We had a few months of uncertainty and dissent around the possibility of selling our beloved building and moving to another one; some Member-Owners felt excited, others fearful or angry.

We demonstrated our resilience as a community and our ability to grow in new ways as we built new processes to resolve our differences and address our concerns, finally coming together around our core values.

We saw amazing participation in the long-term planning discussion, which we hope will continue as we settle on a strategic vision for People's moving forward. Through community forums, feedback sessions, the online survey, and innumerable emails and conversations, Member-Owners shared their dreams and concerns about the Co-op's future. Your thoughts and ideas have helped to shift and focus the work of creating a long-term plan, and have brought into clearer focus the job of the Board of Directors in holding the perspective of our Member-Owners. You can read more about engagement in our long-term planning process on page 5.

2017 was also another challenging year financially. The Co-op lost \$21,000 in its normal operation and invested \$136,000 in long-term planning, bringing the total losses to \$152,000. This represents a significant chunk of People's savings and is a call for action to find a long-term solution to address sales growth as well as operational efficiency. Both of those are topics of ongoing long-term planning research, which you can read more about on the next page.

As your Board, in 2018, we will bring clarity of mission and purpose to the Co-op through the revision of our Ends Statement. We will retain the core values of our membership while we better define our place in our community to ensure our ongoing success. As we move forward together, the Board intends to honor the fifth cooperative principle of Education, Training, and Information, by clarifying for our membership the Board's role and the Collective Management's role as stewards of the Co-op, sharing more about what makes cooperative businesses different, and providing more detail to our membership about our work.

We have been challenged and supported over the past year, often in the same moment, by the passion you as Member-Owners bring to this community. Going forward, we encourage each of you to reach out and talk to your Board members and Collective Managers. Make your voice heard in Board meetings, surveys, and via email. Show up to events and keep engaging with our community. Together, we will find our direction and build on our thriving cooperative to ensure our solvency, sustaining our role in preserving the social and environmental well-being of our little niche of the world.

In cooperation,

The Board of Directors

# Growing Organically

## 2017's Lessons for Adaptive Strategies

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**BY KATHRYN KUCERA,  
DEVELOPMENT MANAGER  
& CO-MANAGER**

A few years ago, when we started developing a strategic plan to address outgrowing our space and the subsequent stagnation of sales, we thought that we'd move through a rather simple planning process. In 2017 more than any year, we learned that People's development process would not be as linear as originally thought. We've seen how strategizing in a community of thousands of stakeholders will inevitably be an organic, iterative process. Specifically, we learned that ideas to relocate in inner SE Portland or open a much larger second store somewhere else in town were foregone – while they would afford us more space to grow our sales, the cost of launching either of these ventures in such competitive natural foods and real estate markets were too risky to pursue.

This information came at a large cost. 2017 saw the most significant spending on the planning process yet, in the purchase of market studies, financial feasibility research, and significant labor to engage Member-Owners. We also saw that Member-Owners needed to be consulted in the process in different and ongoing ways. The Collective and the planning committee have learned much about the commitment and enthusiasm in this co-op community through a planning-focused survey, four in-person feedback sessions, and the formation and work of the Synthesis Committee, which brought together representatives of the Member-Ownership, the Board of Directors, and the Collective Management. In the words of problematic fave conservationist Theodore Roosevelt, "there is no effort without error and shortcoming."

These tests for feasibility and processes of engagement with our community reaffirmed that our beloved co-op grocery here on SE 21st & Tibbetts is our taproot. We know that we need to nurture that root in order for new growth to spring forth.

And here we can start to think about development in a new way, influenced by social theorist, activist, and queer Black science fiction writer adrienne marie brown's concept of Emergent Strategy: of being incremental and relational, rather than drastic and displacing. Think fractals, mycelium, ants, murmurations of swallows – listening, trusting, communicating, building upon connections and learning from experience. As ever, we come back to the belief that cooperative work will lead to collective sustainability. To these ends, the Board and management have been working together to develop increased transparency, educate and engage Member-Owners in the governing processes of the Co-op, and solicit diverse

feedback from our community. We've initiated conversations with the other food co-ops in Portland to determine a collective vision for how co-ops can further impact food justice in Portland, and what it could look like to work together in ways that move toward realizing a resilient future.

On the Collective Management, we're looking inward, reexamining our relationship to this space that's grown and changed shape over the last 40 years. How can we reconfigure the space to meet our current needs? How can we change habits that no longer serve us, make operations more efficient, and build our capacity for long-range vision-oriented work? How can our collective structure foster the expertise, transparency, and trust needed for nimble responses to opportunities?

Now, we're focusing on how to attain small victories that will give way to the next season of opportunity and growth. We've been investigating expanding our current location, acquiring a warehouse to alleviate storage issues and create new possibilities for increasing income, and/or opening a similarly-sized second retail space in another neighborhood that wants a co-op. Throughout this research process, we're holding our Ends as central, the why, and the projects as the how: how to build capacity and generate financial support that make innovating toward the futures we want possible. As Dale Woodbeck of the thriving Lakewinds Food Co-op in Minnesota succinctly says, "No money, no mission."

There's no way to sugarcoat it: this process will require further investment of our cash to calculate the projects we can afford, their risks and potential for return, and reach a sound, multi-year plan for development that we can all support. We believe it will be worth it, and we trust that we can grow together. We will continue to engage Member-Owners in this process through in-person forums, at the Annual Meeting, and beyond. Gratitude for this passionate community and all the creative work we'll do together moving forward.

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**We also want to know what the Co-op means to you! Please find us anytime at [planning@peoples.coop](mailto:planning@peoples.coop) with questions and ideas about the Co-op's future.**

# The Co-op by the Numbers

BY SHAWN FURST,  
FORMER FINANCE MANAGER  
& CO-MANAGER

## Sales

Our sales for 2017 were slightly higher than 2016 (0.6%, or \$36,777, higher). This is in line with sales trends over the past few years. Given spatial constraints and continually increasing competition in natural foods, this isn't so bad. Other food co-ops across the country are also experiencing low sales growth due to competition: about 35% of food co-ops nationally had lower sales in 2017 than 2016. Low sales growth will likely be part of our story until we implement the Co-op's long-term plan.

New competition moved close to People's in 2017. Natural Grocers and Market of Choice both opened about one mile from People's. In early 2019, a new Green Zebra is expected to open about 1.5 miles away. Our strategy to face these changes? Tighten up our operations, implement a long-term plan, and compete!

We need to bring in more money to cover costs that increase for the Co-op every year. One factor is inflation, which for People's is the increase of the cost of goods. Two other big expenses that increase for the Co-op every year are our health care costs and the starting wage for workers at the Co-op, as we try to keep up with the rising cost of living in Portland. When we talk about needing to grow, part of what we're saying is that we need to grow just to stay the same. If we can beat our rising costs, we'll be able to make improvements like really paying a living wage, starting new programs, and growing our impact.

## Net income

Our net income dipped below zero in 2017. Specifically, our regular operating profit was -\$22,001 (-0.4% of sales), compared to \$78,433 in 2016. In 2017, we had a fair number of expenses related to our long-term planning process, but we don't count that as part of our regular operating profit. Our total net income including \$132,135 in long-term planning expenses was -\$154,136.

There were three main reasons for our negative operating income:

- Our labor costs were a little higher than expected.
- Our gross margin (the amount of money we make from selling products in the store) was a little lower than expected.
- The \$5 or \$10 off coupon that we sent to Member-Owners in October turned out to be extremely popular – more than we budgeted for! The redemption rate far exceeded similar coupons in the past. This impacted our bottom line, but all of that money was passed back to Member-Owners as savings.

There is a lot of work that the Collective Management can do to strengthen our systems, utilize new technology that is available to us, and use our labor hours more efficiently. The Collective Management has created 2018 goals that focus on the short-term financial sustainability of the Co-op, and are committed to not losing sight of our Co-op's health in the present as we plan for the future.

## Balance Sheet

### CASH

Our total cash decreased from \$1,012,000 at the end of 2016 to \$940,542 at the end of 2017. This represents about 59 days of operational expenses (a very safe amount). It also represents capital and leverage for whatever projects are on our horizon.

### LIABILITIES

We have no long-term debt, which puts us in a prime position to grow. Our main liability is accounts payable (bills owed to vendors).

### EQUITY

Our equity continues to grow, this year only from owner investments. Overall, our current equity supports our capacity to leverage funds for growth.

### OVERALL

Our Co-op is reaching a pivotal time in its history. While we could maintain as we are for many years because of our cash in the bank, our financial indicators are continuing to decline. The Collective Management is responding by working to tighten up operations and create systems that will support financial sustainability now and in the future. This work will lay a solid foundation for future plans that are created as the Collective Management, the Board of Directors, and the Member-Ownership come into alignment regarding a long-term vision and direction for our Co-op.

## Assets

WHAT THE CO-OP HAS	2016	2017
Cash	\$1,012,679	\$940,542
Inventory	\$223,317	\$205,896
Other Current Assets	\$40,204	\$42,822
Equipment	\$336,743	\$392,115
Land & Building	\$909,900	\$919,163
Accumulated Depreciation	-\$537,196	-\$585,196
Other Assets	\$66,349	\$64,738
<b>TOTAL ASSETS</b>	<b>\$2,051,997</b>	<b>\$1,980,081</b>

## Liabilities

WHAT THE CO-OP OWES TO OTHERS	2016	2017
Accounts Payable	\$125,900	\$171,382
Patronage Dividends Payable	\$38,587	\$38,171
Other Current Liabilities	\$103,767	\$85,210
Long Term Liabilities	\$0	\$0
<b>TOTAL LIABILITIES</b>	<b>\$268,254</b>	<b>\$294,763</b>

## Equity

WHAT WE OWN	2016	2017
PeopleShares (Member-Owner Equity)	\$928,797	\$988,768
Retained Patronage Dividends	\$500,736	\$500,736
Current Year Earning	\$1,248	-\$158,396
Retained Earnings	\$352,962	\$195,814
<b>TOTAL EQUITY</b>	<b>\$1,783,743</b>	<b>\$1,685,318</b>

## Profit & Loss

	2016	2017
<b>INCOME</b>		
Sales	\$5,646,335	\$5,683,112
Other Income	\$49,675	\$46,079
<b>EXPENSES</b>		
Cost of Goods	\$3,553,439	\$3,628,357
Personnel Payroll, Benefits	\$1,455,200	\$1,496,489
Operating Expenses	\$608,938	\$626,346
<b>PROFIT</b>		
<b>Net Income</b>	<b>\$78,433</b>	<b>-\$22,001</b>

How much money we made

# Our Passionate Community

## Member-Owner Engagement in 2017



Photo by Soraya Benson.

### BY SOFIE SHERMAN-BURTON, MARKETING & MEMBERSHIP MANAGER AND CO-MANAGER

It's difficult to think about our passionate community in 2017 without talking about the ways that Member-Owners participated in the Co-op's long-term planning process. We received nearly 100 emails from people in our community. 80 folks showed up to four feedback sessions, and more came to the community forums that we held in August and October. Over 500 Member-Owners took our online survey about long-term planning in just a week – that's probably a record for survey response speed! Four dedicated Member-Owners also joined the Synthesis Committee to pore over the feedback that everyone had shared, and spent many hours creating a report that synthesizes that feedback. You can read it at [peoples.coop/](http://peoples.coop/)

vision. The Board and the Collective Management wouldn't be able to make a long-term plan that will work for People's without this kind of engagement and support, and we are so appreciative to everyone who has shared and will share their input and their time.

There are other important things that we accomplished together in 2017. Significantly, October's Co-op Month member drive was among the most successful on record and in the memory of our staff. We counted 451 individual investments, including welcoming 157 new Member-Owners, for a total of \$16,476 invested in the Co-op. The only month with more individual investments was the month after People's reopened after our expansion in 2002! Only three months have more total dollars invested in the past 20 years. That's pretty impressive! Thank you for investing, and maybe even nudging a friend to become a Member-Owner!

# 67%

sales to Member-Owners

# 6%

voter turnout



# Event Highlights

## MAKE YOUR OWN SOURDOUGH STARTER

Our second year of offering this free workshop quarterly, and it still sold out in hours every time. We'll keep these workshops coming! We're also adding some classes about fermenting gluten free grains. If you have ideas of classes that you want to see in the Community Room, just email your suggestions to [communityroom@peoples.coop](mailto:communityroom@peoples.coop).

## UNDERSTANDING OPPRESSION

This monthly class started in the fall of 2016, lead by a passionate Hands-On-Owner and Substitute Staff member. It was a space for Member-Owners and anyone else in the community to come together to learn and discuss all kinds of topics related to social justice and oppression. It was super powerful to be able to make this space at the Co-op, though the organizers' schedules didn't allow the meetings to continue. We're so appreciative of their time and to everyone who showed up to do this important work together.

## FARM TOUR BY BIKE

Renting a bus and getting Member-Owners from all three Portland co-ops out to visit farms is super expensive, so last year we decided to try something new with the annual farm tour: visit urban farms by bike! Over forty folks followed Co-manager Ryan Gaughan up the Springwater Corridor Trail to visit the Winslow Food Forest, Portland State University's Learning Gardens Lab, and Zenger Farm. We ended at the Portland Mercado to refuel with tacos, horchata, and papaya. It was a hot day, but tons of fun. We hope to do it again in the future!

# 72

Co-op sponsored events & classes in the Community Room

## Nearly

# 700

people attended Community Room events!

# Donation Highlights

# \$500

donated to the Hurricane Maria Community Recovery Fund

# \$3750

raised at register roundups for Sankofa Collective, National Indian Child Welfare Association, Indigenous Farm, Unite Oregon, Planned Parenthood, and 350PDX

# \$8067

donated to organizations in our foodshed

## SISTERS OF THE ROAD

Partnering with Food Front and Alberta Cooperative Grocery, we put on a screening of the Sisters of the Road documentary, *On the Ground*. Conscious Comedy also shared improv on related topics. The room at Curious Comedy was packed, and we raised over \$1000 for Sisters of the Road!

## ADELANTE MUJERES

On March 15th, we donated 5% of our sales to Adelante Mujeres in celebration of Women's Month – \$875! Adelante Mujeres is an organization based in Forest Grove, Oregon that works to educate and empower low-income Latina women and families. They have educational programs for folks of all ages, including a sustainable agriculture program that trains and supports Latinx farmers, manages the Forest Grove Farmers' Market, and more.

## CLINTON STREET RESISTANCE SERIES

For over a year, Clinton Street Theater has been hosting the Clinton Street Resistance Series. On Monday nights, they show films for a \$5 suggested donation and donate the funds raised to a different organization every week. We pitch in to help cover operating costs, and are so glad to see this effort continuing right in our neighborhood.



Photo by Holly Myers.



# Democratic Workplace

## BY PADRICE STEWART, PERSONNEL MANAGER & CO-MANAGER

People's Board of Directors delegates the operation of the store to us, the Collective Management. Operating the store means that we do the majority of the work that it takes to run the business and support our Ends.

The Collective Management consists of 32 workers in a horizontal structure. Consistent with our Ends, we work closely with each other, listen in, share ideas and opinions, and decide things together. There is no General Manager. We are accountable to the Member-Ownership, the Board of Directors, each other, and ourselves.

In 2017 we saw a lot of turnover due to a challenging combination of factors. The ongoing phenomenon of steeply rising rents in inner SE Portland forced some staff to leave People's for employment closer to where they can afford to live, rather than facing a much longer commute to work here. Former staff members have had to change jobs and even relocate out of state as a way to cope with the economic and political uncertainty of this time. Still other staff chose to leave due to our workplace practices and culture around transparency and accountability. We expect turnover to stay elevated, or possibly continue to rise some, as we try to respond to the same factors by finalizing and enacting a long-term plan for the Co-op.

That being said, we are excited about the diversity we present on staff. We feel that we can better welcome a true spectrum of shoppers into our safer space this way, and that the variety of perspectives on the Collective lifts up our Ends regarding food justice and accessibility.

We are all excited to work with the beautiful food that we have at the Co-op, excited to be part of defining how the Co-op engages with the work of making food accessible, and excited to work to understand how we fit in the landscape of food justice and social justice.



## Staff Turnover

YEAR	2010	2011	2012	2013	2014	2015	2016	2017
CM RATE OF TURNOVER	37%	17%	13%	13%	20%	13%	10%	20%
AVERAGE CM LONGEVITY (IN YEARS)	3.9	4.2	4.6	4.95	4.79	5.15	5.5	4.9



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