

# 2018 Annual Report

people's  
FOOD CO-OP

**GROW**  
**FOOD**  
**JUSTICE**

A blue ink illustration of a hand holding a bunch of carrots. The hand is positioned at the top, with fingers wrapped around the stems. The carrots are drawn with detailed cross-hatching and shading to show texture. The words 'GROW', 'FOOD', and 'JUSTICE' are written in a bold, bubbly, blue font around the illustration.

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Cover photo by Amanita Stewart-Kennett. Left: a screen print by Megan Wainwright from People's Harvest Festival 2018, photo by Soraya Majd. Back cover photo by Holly Myers.

From the Board of Directors

# A Call to Action



This year has been challenging: the Co-op has been dealing with low sales, financial losses, high staff turnover, and questions about our future. To move forward, we need help and involvement from you, Member-Owners.

Our bylaws state that People's "is organized and shall be operated exclusively as a consumer-owned cooperative acting for the mutual benefit of member-owners." This means that unlike a conventional store, ours is a model of people working together in cooperation, for our own mutual benefit; that is, we can, together, shape the future of People's to help it better serve us, its owners.

We always strive to involve Member-Owners in our community through opportunities such as working in the store (Hands-On Owners, or HOOs, work a few hours per week in exchange for a discount at the register). We are continually looking for other ways people can participate in the Co-op, whether in person or remotely through online discussions or chats.

**Member-Owner Study Groups** – Are you passionate about an issue related to People’s mission? Maybe you are interested in the ethics of palm oil, education of the co-op principles, or want to start a book club on fair-trade strategies. If you want to discuss issues with fellow co-op owners, and possibly create a proposal for the Board or Collective Management to consider, the easiest way is to simply start doing so. You need no special permission, and there are no particular requirements. Get a group together and get started! How do you find people who want to work with you? **To help interested members find one another, you can use this online form: <https://bit.ly/2U9Nzll> or use the bulletin board at the Co-op.** Also, you can reach out to the Member Engagement Committee [elections@peoples.coop](mailto:elections@peoples.coop) for help.

**Join an existing Board Committee** – Are you interested in organizing events for our community to gather? Want to help the Co-op find its next generation of leaders? There’s an existing committee working on this: the Member Engagement Committee! Join Jenna, Sofie, and Christopher every month at the Co-op. You can reach them at [elections@peoples.coop](mailto:elections@peoples.coop).

**Join a future Board Committee** – The Board will be looking into creating new committees to support our work on various topics such as drafting an updated mission for the co-op. The Board will be reaching out to membership on these topics via newsletter, so stay tuned for more information.

**Share ideas on how you’d like to engage with the Co-op** – If you have ideas for other ways to engage with the Co-op or your fellow owners, please send your ideas to [Member Engagement Committee elections@peoples.coop](mailto:MemberEngagementCommittee@peoples.coop).

Ultimately, the Co-op is what you, our owners, want it to be. It can simply be a welcoming, pleasant place to shop; an opportunity to get more involved as a HOO; or a chance to come together with other owners to tackle the larger issues facing our community.

# Things are Getting Harder but We're Still Here: the State of the Co-op in 2018

by Sonrisa Alter, Internal Development Manager

## What's Getting Harder

Rapid gentrification in Portland – built on the settler colonization of Chinook and Multnomah territories – displaces community. People who care about People's face mounting challenges to staying rooted nearby.

Meanwhile, People's ethos – built on values like “healthful foods,” “community,” “sustainability,” and “social and economic justice” – is increasingly commodified. Large corporations whose bottom line is turning a profit for remote investors have noticed that co-ops succeed on these values. They're getting better at parroting us on leaner and leaner budgets, without choosing to pay for the ethical “inefficiencies” we do – say, the time it takes to direct-order produce from around 40 local farms, or the simple practice of welcoming anyone to use our restroom, with or without a purchase. While putting forth cardboard cutouts of our ethics, large corporations are able to beat some of our prices, which is hard to turn down as a consumer (especially with a rising cost of living and stagnant wages in Portland and nationally). This equals thick profits for capital firms and stock traders... and declining sales for us.

In turn, retaining current staff and attracting new staff gets progressively more difficult. With sales worsening, we can't pay ourselves enough to live comfortably in today's Portland. What's more, co-managing a struggling business is demanding and demoralizing work. In 2018, many long-time staff members left their jobs at the Co-op. With them, we lost institutional memory and practiced skill, and with so many of us new to our positions, we're experiencing a steep, Collective-wide learning curve.

To be clear, People's is not facing imminent demise – we still have a lot of cash in the bank – but each year that the Co-op turns a net loss eats into these savings. We have a finite amount of time to turn things around.

## How We're Adapting

Longtime Member-Owners might recall that we saw these challenges coming from a ways away. Anticipating flatlining sales, the Collective began a long-term planning process a decade ago, which fizzled out due to a lack of alignment on the proposed new developments. In 2014, we recommitted to making a long-term strategic plan. Over the last four years, we've done multiple iterations of Member-Owner and community engagement, market studies, financial projections, and operational assessments to evaluate potential avenues to grow our business.

All of this research and discernment has turned up no easy answers; every option we studied demonstrated high risk, low potential for reward, and low practical feasibility for near-future implementation. Staff turnover has also dealt a blow to our shared expertise and preparedness to immediately implement a development project. After extensive research, in 2018 we decided not to pursue: relocating the store, expanding our current building into the courtyard, formally merging with Alberta Co-op Grocery, or opening a second store in the next couple of years (including the site we considered in Lents).

We still need to grow our business soon to keep the Co-op financially sustainable in the long term, but we've learned that we're not in a position to undertake an expansion right away. Instead, we're working on a business plan to get us to a place where we're ready. Before we can progress toward expanding, we need to stabilize the Co-op in an immediate sense: rebuilding staff competency in the wake of turnover, reducing current expenses to keep ahead of declining sales, and trying out accessible strategies to bolster sales now.

We know that this work won't be easy, but that our community is counting on us to make it happen. Please continue to shop at People's. Boy, do we need you.

# The Co-op by the Numbers

by Gwenn Alvarez, Former Finance Manager  
& Rachel Markley, Finance Coordinator

People's has struggled to maintain our sales for the last few years, which has complicated implications for the rest of our finances. Co-ops across the country are struggling with this, too, as more and more stores are selling more and more natural foods. For People's, this challenge is pronounced: we're a particularly small store in a particularly competitive market.

We know that these numbers are discouraging and that they've been discouraging for the last few years. Still, 2018 was a much better year for the Co-op than 2017 financially, when our regular operating "profit" was -\$22,000. While the \$228 operating profit in 2018 is nothing to brag about, it does show signs of improvement. There is more work to do to make sure People's is a viable business in the long-term, but we're encouraged by this improvement.

## Sales

Our sales for 2018 were slightly lower than 2017, down 3.2%, or \$182,123. This downward trend is in line with the sales performance at the Co-op over the last couple of years. Shoppers' grocery options continue to expand through more brick and mortar retailers in our neighborhood (we expect to see a new Green Zebra on 50th and Division in 2019), as well as online shopping options. Buying natural foods has never been so convenient, and the explosion of the natural sector has had huge impacts on food co-ops nationwide. Many co-ops have met this challenge by opening second (and even third) locations, changing product selections to meet their community's needs, and creating a better customer experience.

In the midst of this increasingly competitive market, People's expenses continued to rise in 2018. Employee health benefit costs

keep going up, and we're working to keep workers' wages on par with the rising cost of living in Portland. Barring something drastic, the trends of increasing competition and rising costs will continue. The Co-op has to evolve by revamping the way the business is managed, the products we stock in our store, and the overall shopping experience to make sure we stay relevant for our shoppers.

## Net Income

Net income shows the Co-op's financial performance over the whole last year. It's a simple expression of the difference between our income and our expenses. In 2018 the Co-op broke even with a regular operating profit at \$228.00 (.004% of sales). If you compare this to 2017 when we had a negative operating profit, we did okay last year! The Co-op had slightly decreased expenses in 2018 because of reduced labor costs due to attrition and the departure of a few long-term, higher wage employees. Inventory expense also decreased. During the summer months, our packaged grocery and non-foods departments spent less money and reduced their inventory while our sales earnings remained relatively static. In other words, we sold almost the same amount while buying less which reduced our costs overall.

Our total net income was -\$51,584 taking into account long-term planning expenses of \$58,714 (which we don't count as a part of our operating expenses) and \$6,903 in federal tax refunds. The expenses for long-term planning were much lower in 2018: \$58,715, compared to \$132,135 in 2017.

The Collective Management has been working on developing new systems and implementing new technologies to boost our financial performance. The Collective has reduced labor expenses as a percentage of our sales in planning for 2019 and is working to create promotional programs to increase sales. There are new ideas in the works for improved operational efficiencies so that we can stabilize the Co-op's finances and improve our net income, and the Collective is working toward ensuring our business stays viable.

# Balance Sheet

The balance sheet is a snapshot of a moment in time that shows where the Co-op stood on the last day of 2018, taking all of our assets, liability, and equity into account.

**Cash** Our total cash decreased from \$940,542 at the end of 2017 to \$848,713 at the end of 2018. That \$940,542 represents about 56 days of cash for operational expenses (a very safe amount). Our savings gives the Co-op a safety net while we continue to navigate the challenges of operating a natural food grocery store in a very competitive market.

**Liabilities** We have no long-term debt! The money we owe to our vendors at any given moment is our only significant liability.

**Equity** In 2018, our equity grew through investments from Member-Owners. Thanks for investing! That money helps to take care of our business from making repairs to the building, making investments in our equipment, and planning for the Co-op's future.

Part of the equation for making the Co-op financially viable is increasing sales, and you are a huge part of that. Choosing where to spend your money, spreading the word about the Co-op, and letting us know how we need to improve to make the store better for you can go much further than you might expect.

## Profit & Loss

INCOME	2017	2018
Sales	\$5,683,112	\$5,500,989
Other Income	\$46,079	\$29,146
<b>EXPENSES</b>		
Cost of Goods	\$3,628,357	\$3,471,353
Personnel <small>Payroll, Benefits</small>	\$1,496,489	\$1,453,896
Operating Expenses	\$626,346	\$605,114
<b>PROFIT</b>		
<b>Net Income</b> <small>How much money we made</small>	<b>-\$22,001</b>	<b>\$228</b>

# Assets

## WHAT THE CO-OP OWNS

	2017	2018
Cash	\$940,542	\$848,713
Inventory	\$205,896	\$227,507
Other Current Assets	\$42,822	\$100,566
Equipment	\$392,115	\$414,688
Land & Building	\$919,163	\$927,504
Accumulated Depreciation	-\$585,196	-\$649,696
Other Assets	\$64,738	\$87,890
<b>TOTAL ASSETS</b>	<b>\$1,980,081</b>	<b>\$1,957,172</b>

# Liabilities

## WHAT THE CO-OP OWES TO OTHERS

	2017	2018
Accounts Payable	\$171,382	\$139,889
Patronage Dividends Payable	\$38,171	\$38,109
Other Current Liabilities	\$85,210	\$92,809
Long Term Liabilities	\$0	\$0
<b>TOTAL LIABILITIES</b>	<b>\$294,763</b>	<b>\$270,807</b>

# Equity

## WHAT WE OWN

	2017	2018
PeopleShares (Member-Owner Equity)	\$988,768	\$1,041,399
Retained Patronage Dividends	\$500,736	\$500,736
Current Year Earning	-\$158,396	-\$51,584
Retained Earnings	\$195,814	\$144,230
<b>TOTAL EQUITY</b>	<b>\$1,685,318</b>	<b>\$1,686,365</b>



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