

PORTLAND FOOD CO-OP

➤ Annual Report 2017



Our Co-op only exists because our Member-Owners value buying food and products from our cooperatively owned and democratically run business. ””



2017 BOARD OF DIRECTORS

- Julie Barody
- Elizabeth Chapman
- Erin Covey-Smith
- Rachelle Curran Apse
- Melissa Emerson
- Taryn Hallweaver
- Timothy Lynch
- Andrew Magoun
- Carolyn May
- Matt Peters
- Chris Stacey

To contact the Board,
email board@portlandfood.coop



MESSAGE FROM THE BOARD OF DIRECTORS

By Board President
RACHELLE CURRAN APSE

This has been an exciting year for the Portland Food Co-op. We have completed our third year as a retail store and are now transitioning from a start-up store to a sustainable business playing a significant role in the local economy. Our volunteer Board of Directors would like to thank the 4,273 Member-Owners who have made the start-up of our Co-op possible. Our Co-op only exists because our Member-Owners value buying

food and products from our cooperatively owned and democratically run business.

The Co-op's General Manager, John Crane, does an incredible job managing all aspects of our Co-op. Thank you John. Our Co-op is governed by the volunteer Board of Directors, which is composed of eleven Member-Owners. Each year we have several Director positions open and if you feel passionate about our Co-op, we hope you will consider running for the Board in our annual democratic elections. I want to thank the outgoing Directors for their service to the Co-op: Taryn Hallweaver, Carolyn May and Matt Peters.

In the upcoming year, our Board of Directors will be reflecting on our core value to our Member-Owners and the community. We will update our policies to reflect our intended outcomes for the Co-op, which will guide John in managing the Co-op. We will reach out to you as a Member-Owner in the coming year to hear why the Co-op matters to you.

I am so thankful to each of our Member-Owners for growing our Co-op together. Our future success is based on your involvement. The most important things you, as a Member-Owner, can do is to continue to tell your network about the Co-op and to come purchase your groceries at the Co-op. I look forward to seeing you at our cooperatively owned grocery store soon.

With gratitude,

Rachelle Curran Apse
Board President



MESSAGE FROM THE GENERAL MANAGER

JOHN CRANE

When I walk around the Co-op, talking to customers or greeting farmers as they make deliveries, I sometimes forget how new our Co-op still is. We just recently marked our three-year anniversary as a retail store, and those early days of planning, fundraising and building seem so long ago. Maybe it is because I am here an awful lot, that I now have a tough time remembering what it was like before Portland had this Co-op.

We have learned so much since we opened and are still learning. What do our customers want to buy? What are our Member-Owners' expectations? How do we find our place in this community? How do we take this retail store and use it to fulfill the aspirations that we have? I am in no way saying that we have figured this all out. I am just saying we spend each day trying to understand this just a little bit better.

I am still aware of how fortunate I am to have joined this Co-op at such a pivotal moment in its evolution. I am thankful that I get to work in a wonderfully supportive community for a business that is truly making a difference in our local food system and economy.

I hope you find this Annual Report informative and meaningful. It is filled with information about the progress we are making to fulfill the Co-ops mission and goals. If you have any questions, please feel free to email me at gm@portlandfood.coop or ask for me in the store.

In Cooperation,

John Crane
General Manager



OUR MISSION

The Portland Food Co-op brings local producers and consumers together in a member-owned marketplace to grow a healthier community and a more sustainable food system. We model cooperative values, operate with transparency, and foster trusting relationships with our customers, employees, and suppliers.

“ I now have a tough time remembering what it was like before Portland had this Co-op. ”

OUR GOALS

The Co-op was created with a mission, and from this mission, the Board has created a set of goals that outline the intended direction for the Co-op. The Board tasks the General Manager with interpreting these goals and implementing them as resources allow. The General Manager regularly reports to the Board on their success. Over time, the Board and General Manager will review these goals and update them to reflect the changing environment and the priorities of our Member-Owners.

LOCAL ECONOMY Is the PFC helping to grow our local economy?

EDUCATION Is the PFC a well-utilized source of credible information and education for our community?

PRODUCTS AND FACILITIES Is the PFC providing an honest and welcoming shopping experience, meeting customer needs and preferences, and making strides in environmental sustainability?

CO-OP COMMUNITY Is the PFC engaging with its Member-Owners, its community, and with other cooperatives?

LOCAL ECONOMY Local sales currently account for about 37% percent of all Co-op sales, which is far above the national average of 8% for conventional grocery stores, and even exceeds the national average for small to medium sized co-ops of 15% - 25%. We should emphasize that these local sales numbers are for products the Co-op purchased from other Maine farmers and producers. They do not include the additional \$400,000 worth of food that Co-op staff created in our own kitchen. Our Member-Owners and customers value local foods and expect their Co-op to offer as many local options as possible. We are so fortunate, here in Maine, to have so many local farmers, food producers and other entrepreneurs to form partnerships with. We are equally as fortunate, here in our own community, that we have so many people who choose to spend their dollars locally and at the Co-op. In 2017, the Co-op worked with 325 local suppliers, which includes 85 local farms.

Some may wonder why more stores don't have the same dedication to local food. The simple answer is that it is a much more complicated and expensive business to run. Ordering, receiving, and stocking products from a large distributor requires much less time, energy and staffing than working with multiple small farmers and producers each day. We do this, however, because this is our mission. As each year passes, we learn how to do it better and become more efficient. None of this would be possible without the ongoing support and commitment of our Member-Owners.

“ In 2017, the Co-op worked with 325 local suppliers, which includes 85 local farms. ”

We are so thankful for our collaboration with Maine Farmland Trust and the Farm Fresh Rewards Program which provides a way to make local foods more accessible to more people in our community. People who have SNAP benefits (Supplemental Nutrition Assistance Program, formerly known as Food Stamps) can register for the program at the Co-op and then receive a \$5 voucher for free local fruits and vegetables for every \$5 they spend on local foods.

This program has allowed more people with SNAP benefits to shop at the Co-op and has significantly increased the amount of local food that they are purchasing.

One Farm Fresh Rewards customer offered this comment about using the program at the Co-op.

“To supplement my food coming to my house, I go to the food pantry, which is really, really awful, it's very disempowering, very condescending...I'm comparing it to going to the co-op; I feel empowered, and a little more secure when I go there to get my needs met in terms of food.”

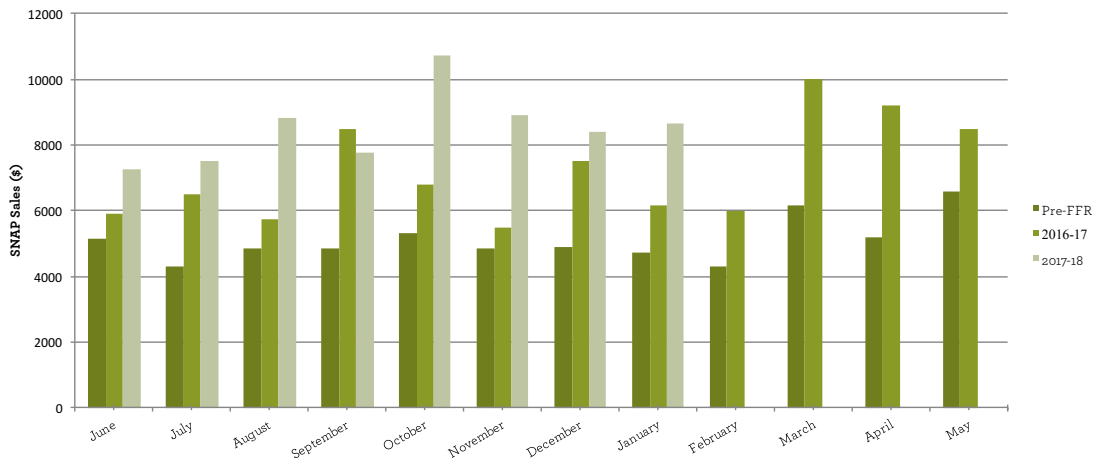
OUR IMPACT ON THE LOCAL ECONOMY CONTINUES TO GROW

	2015	2016	2017
NUMBER OF LOCAL PRODUCERS	262	283	325
NUMBER OF UNIQUE LOCAL PRODUCTS	2108	2246	2366
SALE OF LOCAL PRODUCTS	\$1,227,268	\$1,390,006	\$1,658,907

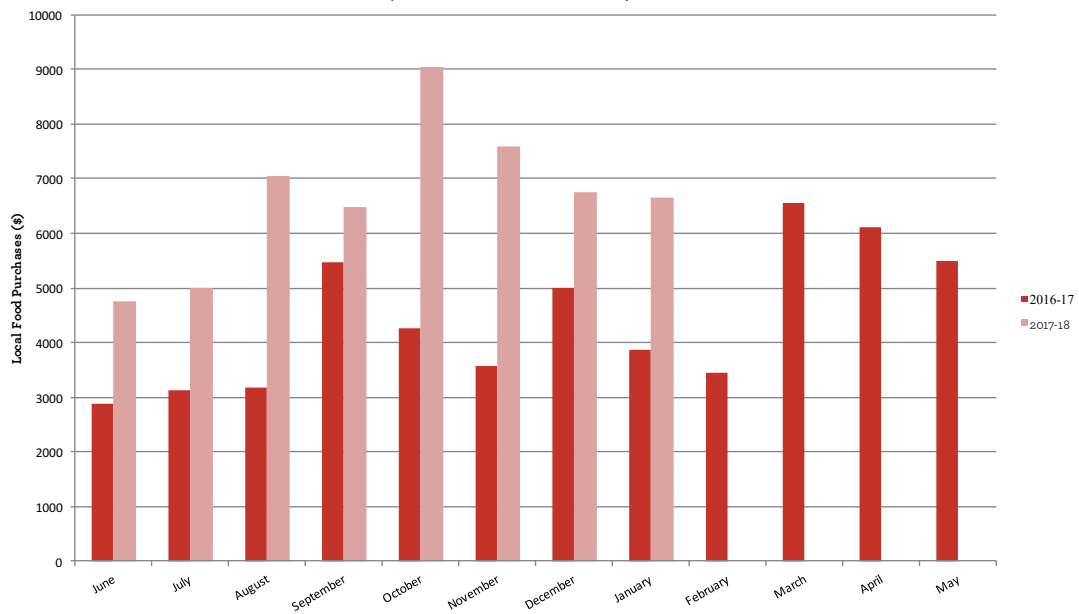




Portland Food Co-op Farm Fresh Rewards Program
Total SNAP Sales
(includes redeemed incentives)



Portland Food Co-op Farm Fresh Rewards Program
Local Food Purchases by Shoppers Paying with SNAP/EBT
(includes redeemed incentives)





EDUCATION

What makes your Co-op different than most other grocery stores? A significant difference is the amount of resources that we dedicate to education. For a co-op, education isn't just about teaching people to buy more of our products. Our goal is to be a trusted resource for information and education for the entire community.

The Co-op hosted over 20 classes in our store during 2017. Classes included topics such as:

- MAKING CHOCOLATE WITH HERBAL MEDICINE
- LATIN AMERICAN COOKING
- MAKING EMPANADAS
- EATING ACORNS
- STRESS BUSTING HERBS

We also hosted a presentation and discussion about "The Power of Co-ops in an Ever-Changing Food Economy."

We organized two film screenings in partnership with Maine Farmland Trust that were hosted by SPACE Gallery. "Forgotten Farms" tells the story of mid sized family farms that are struggling for survival. A facilitated discussion, following the film, discussed similar experiences for farmers in Maine. "Look and See" is a documentary about author and environmentalist, Wendell Berry.

In the fall, we took our video camera on the road to film a series of interviews with local farmers that were shared via Facebook Live. We spent time at Two Farmers Farm, Frith Farm, Bumbleroot Organic Farm, The Milkhouse Farm and Dairy, and Old Wells Farm. These folks all did an outstanding job of sharing what it is like to be a farmer in southern Maine. They spoke of their success as well as their struggles. These videos are still on our Facebook page if you would like to view them.

As an organization, the PFC strives to create educational opportunities in our store as well as in the community. By partnering with community organizations, reaching out to individual instructors, and leveraging our combined networks, we can reach thousands of people, and inform them about issues that are relevant to our mission.

PRODUCTS AND FACILITIES

In February of 2017, the Co-op conducted a survey of Member-Owners and customers. When asked "How well is the Co-op meeting your needs?" in a variety of categories, the most favorable responses were for:

- ATMOSPHERE / AMBIANCE
- COURTEOUS STAFF
- QUALITY / FRESHNESS OF PRODUCTS
- FRIENDLINESS
- NATURAL / ORGANIC FOODS
- CLEANLINESS

We were happy to learn that, overall, we are doing well at providing a warm and inviting environment. Our Co-op is not just a place to shop for food, it is also a place where people should feel welcome and accepted. We continue to put a strong emphasis on customer service and genuine attentiveness.

In the spirit of transparency, we received some unfavorable responses for price and product selection. We learned from the survey that many of our Member-Owners and customers shop regularly at other food stores, especially when they need to be budget conscious.

We took this to heart and began to think about what we could do. Our budget is tight. The mark-up that we place on the items that we sell



◀ USM Food Studies Program Intern Abby Hodgkins interviews Ben and Jeff from Bumblefoot Organic Farm in Windham for our Facebook Live series.



is used to pay our bills, pay our staff, and repay our Member-Owner loans that are coming due. There is no additional stream of income for us. Everything that the Co-op does is funded by the mark-up on what we sell. We also sell many local and organic products, which are unfortunately more expensive to begin with.

Not paying our bills and not repaying our loans is not an option. No one wants us to pay our staff less. People expect us to be a positive force in the community and do things like education and engagement. These mission-based endeavors require paid staff.

Fortunately, we did come up with something that will help. We applied for admission to and were accepted into National Co+op Grocers, which is made up of about 148 food co-ops from across the country. The combined purchasing power of this co-op of co-ops allows us to negotiate better prices from some national distributors and other companies.

In April of 2018, we roll out a program called “Co+op Basics.” This program allows us to create “Everyday Low Prices” for about 150 products from around the store. These are staple items such as cereal, pasta, peanut butter, toothpaste, etc., at prices that are much lower than what we have been able to offer before.

In May of 2018, we will introduce a new sale flyer. Since this flyer is organized by co-ops and for co-ops, we feel that it will be of a greater value to our Member-Owners and customers than our previous one. Both the products and prices are better. This flyer will also change twice a month, instead of the current once a month schedule.

Environmental sustainability was a key factor in many equipment decisions made during the opening of the Co-op. Except for our produce cases, all refrigerated cases have doors. All overhead lighting is LED. All back room and office lighting is controlled by motion sensors. These lights shut off after 5 minutes of inactivity. Heat from the compressors for the Co-op’s refrigeration and freezer units is reclaimed to heat our water.

Cardboard boxes from our deliveries are stored at the front of the store for customer re-use. This reduces the Co-op’s recycling costs and provides customers an alternative to paper bags. The Co-op also maintains a reusable bag lending tree to further reduce the need for paper bags.

The seating area contains receptacles for returnable bottles, recycling, and composting. These receptacles are also present in the back room. Our recycling and composting are so effective that the Co-op does not require a trash dumpster, which is a staple at many retail stores. We have two trash cans which are sufficient for the waste we generate each week. Much of our food that is past its “sell by” date, but still perfectly edible, is donated to the Preble Street Resource Center. In 2017, we donated over 650 crates of food to Preble Street (roughly estimated to be worth about \$32,000). We engage the services of Garbage to Garden for composting of the remainder of our food waste (which includes not just expired food but also scraps and trim from our produce department and deli).

While a few other businesses in our area have bulk departments, our Co-op puts special emphasis on bulk foods and on the use of reusable containers. We sell a large variety of reusable containers at a low cost. We also encourage the use of containers from home.



PFC Wellness Buyer, Sada Stavrum and Board Member, Erin Covey-Smith talk co-op at the Portland Food Launch and Festival

CO-OP COMMUNITY

In 2017, we began hearing that some Member-Owners are looking for more opportunities to be involved in the Co-op. We are actively looking at ways to do this. Our liability insurance prevents us from having volunteers working in the store alongside paid staff, but we are brainstorming other options. Look for more information about this in the store, in our email newsletter and via our social media. Member-Owners account for 62% of all Co-op sales. We are so fortunate to have such a dedicated and engaged membership.

In 2017, we continued developing deeper ties to other like-minded organizations from Portland and beyond.

The Co-op continues to be a member and supporter of the Portland Food Council. The Council works to shape food policy that will create resilience, sustainability, and vibrancy in the food system. The Council brings together community members, Portland government, food producers, and other businesses. Our Marketing and Community Engagement Coordinator currently serves as Secretary for the Council. We are also a member of the Food Recovery Coalition, a statewide partnership of organizations that formed last year after the highly successful “Feed the 5000” event. Through the Coalition, the Co-op is currently supporting the launch of “Spoiler Alert”, a technology startup helping food producers, distributors and retailers manage unsold inventory more effectively.

We work closely with Maine Farmland Trust, other Maine food co-ops, farm stores, and non-profits to grow and maintain the “Farm Fresh Rewards” program.

We are a member of the Neighboring Food Co-op Association, a federation of over 35 food co-ops and co-op start-ups across New

England and upstate New York. This allows us to work together to develop strategies for increasing local purchasing, sharing best practices, networking, promoting cooperatives, and much more. Our General Manager serves on the board of the NFCA.

The PFC is also providing support to a developing state organization. The Cooperative Maine Business Alliance is working to improve the success and sustainability of cooperatives in Maine through peer-to-peer technical assistance, mentoring and networking, and through public education, organizing and advocacy that strengthens our cooperative economy. The Co-op’s General Manager currently serves on the steering committee.

We should also mention all the great events in Portland that the Co-op has been able to be a part of. Cultivating Community hosted a series of neighborhood pop-up picnics at community gardens across Portland and the Co-op donated food. We had tables at three very successful events around town: the Portland Food Launch and Festival, Greenfest, and Harvest on the Harbor. We assisted in two food drives, one for the Preble Street Resource Center and one for the Wayside Evening Food Kitchen. We were also able to make small donations of food or gift cards to over 50 local nonprofits and neighborhood organizations.

In 2017, we developed a partnership with Fresh Start Farms, a program operated by Cultivating Community. Produce is grown by new Maine farmers from around the world who’ve adapted their rich agricultural heritages to Maine’s climate and marketplace. Their produce is distributed through CSAs, wholesale distribution, and farmers markets. Our Co-op is a pick-up site for their CSA. They also set up their farm stand in front of the Co-op each Monday afternoon during the growing season. This has been a mutually beneficial relationship. Folks who come for their CSA and farm stand also shop at the Co-op. Co-op customers also shop their farm stand. In 2018, they will increase their farm stand presence to two days per week.



- ◀ Yussuf Ali, a farmer with Fresh Start Farms, sets up the farm stand in front of the Co-op.
- Ⓛ Painting Valentines in the Co-op's cafe. An event organized by Love Lab Studio.
- ✓ Grocery Manager, Megan Banner Sutherland, and Specialty Foods Buyer, Justin Butterfield, showing their holiday spirit during our tree sale.



“ Our Co-op is not just a place to shop for food, it is also a place where people should feel welcome and accepted. ”

FINANCIAL REPORT

2017 PROFIT & LOSS STATEMENT

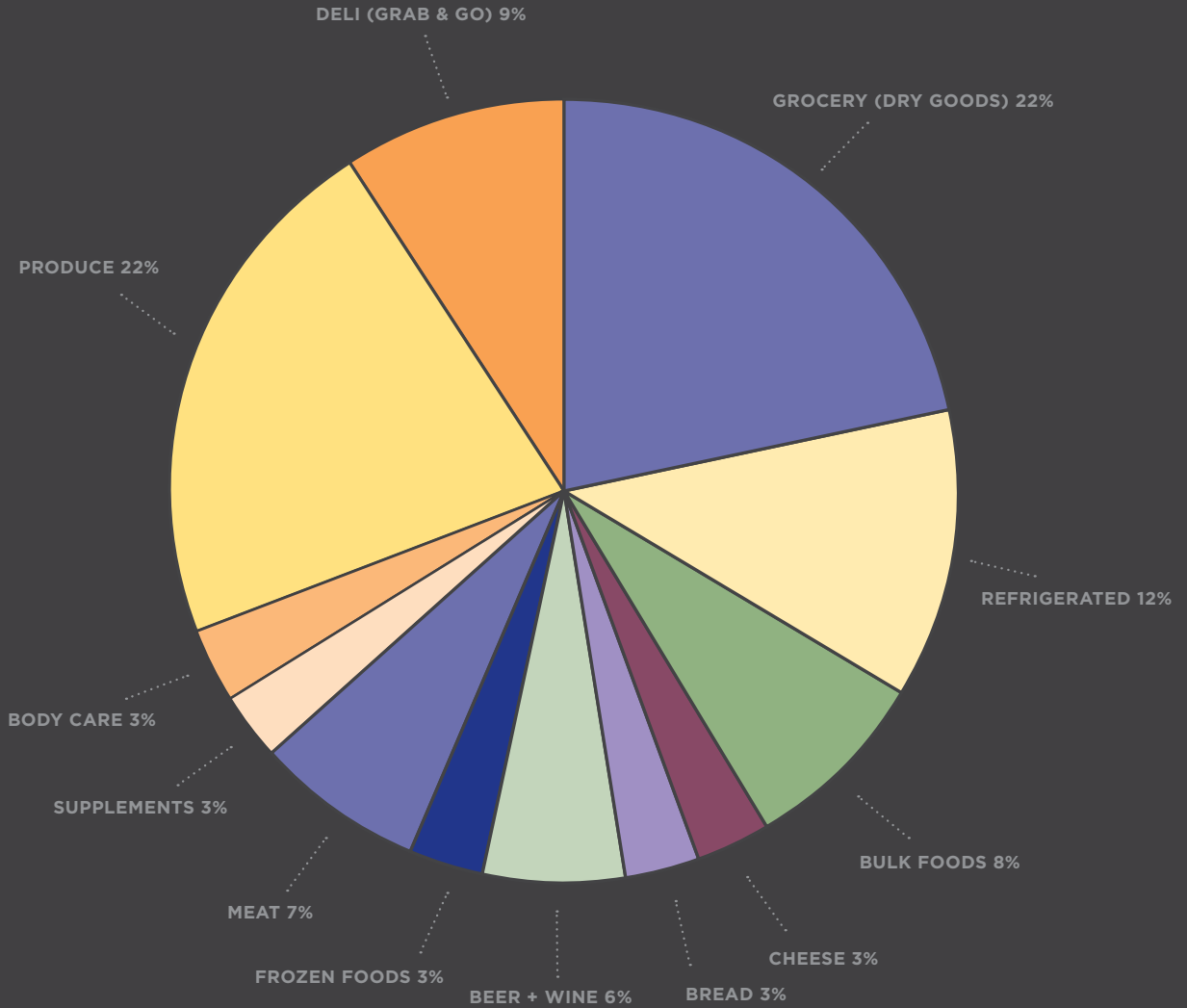
Sales in 2017 continued to grow. We ended the year with sales of \$4,313,696 which is a 14.82% increase over our 2016 sales of \$3,756,773.

This is especially significant because, across the nation, many food co-ops continue to struggle with very low or even negative growth. This would not have been possible without the dedicated and enthusiastic support that we have received from our Member-Owners and our community.

Sales in 2017
continued
to grow.

REVENUE	Amount	Percent
Gross sales	\$4,370,262	
Less member discounts	\$20,652	
Less other discounts	\$35,914	
Total Sales	\$4,313,696	100.00%
Cost of goods sold	\$2,852,377	66.12%
Gross profit	\$1,461,319	33.88%
OPERATING EXPENSES		
Personnel	\$998,534	23.15%
Occupancy	\$149,234	3.46%
Operations	\$130,669	3.03%
Depreciation	\$118,362	2.74%
Administrative	\$29,579	0.69%
Promotions	\$27,035	0.63%
Governance	\$14,351	0.33%
Total operating expenses	\$1,467,764	34.03%
Net loss from operations	(\$6,445)	-0.15%
OTHER INCOME (EXPENSES)		
Miscellaneous Income	\$12,310	0.29%
Interest expense	(\$29,501)	0.68%
Other expenses	(\$2,432)	0.06%
Total other income (expenses)	(\$19,623)	0.45%
Net loss before provision for income taxes	(\$26,068)	0.60%
Provision for income taxes	\$9,000	0.21%
Net loss	(\$17,068)	-0.39%

WHAT CUSTOMERS ARE BUYING



We did not achieve full profitability 2017 but came closer than we have before. We realized a \$17,000 loss. This is a significant improvement from the \$82,000 loss in 2016 and \$260,000 in 2015. We have made great strides over the past three years in strengthening the Co-op's financial position.

We should note that a significant portion of the stated loss each year is the depreciation in value of our equipment and not an operating

loss from the business. We posted \$80,000 in depreciation in 2015 and 2016 and then \$118,000 in depreciation in 2017. Depreciation lowers the overall value of the business and we should be generating profit in excess of depreciation. For now, though, it is important to note that this is not an actual monetary loss and the Co-op is in a solid financial position.

2017 STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	Dec 31, 2017
Net loss	(\$17,068)
Depreciation	\$118,362
Deferred taxes	(\$9,000)
Accounts receivable	(\$10,412)
Inventory	\$11,385
Prepaid expenses	(\$13,817)
Equity in other cooperatives	(\$1,811)
Accounts payable	(\$215)
Accrued payroll	\$43,609
Accrued interest	\$14,525
Other liabilities	\$12,396
Net cash provided by operating activities	\$147,954
CASH FLOWS FROM FINANCING ACTIVITIES	
Common stock issued	\$38,184
Common stock redeemed	(\$2,635)
Payments on long-term debt	(\$62,719)
Net cash used by financing activities	(\$27,170)
Net change in cash	\$120,784
Cash - beginning of year	\$215,923
CASH — END OF YEAR	\$336,707

Reviewed by Wegner CPAs, LLP, Madison, WI, February 26, 2018

“ We have made great strides over the past three years in strengthening the Co-op’s financial position. ”

2017 BALANCE SHEET

ASSETS	Dec 31, 2017
CURRENT ASSETS	
Cash	\$336,707
Accounts receivable	\$14,451
Inventory	\$191,404
Prepaid expenses	\$25,396
Total current assets	\$567,958
Property and equipment	\$636,449
OTHER ASSETS	
Restricted cash	\$101,366
Equity in other cooperatives	\$6,369
Security deposits	\$16,713
Deferred taxes	\$9,000
Total other assets	\$133,448
TOTAL ASSETS	\$1,337,855
LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
Accounts Payable	\$84,166
Accrued payroll	\$58,646
Accrued interest	\$3,223
Current portion of long-term debt	\$98,426
Preferred member shares	\$50,204
Other liabilities	\$27,537
Total current liabilities	\$322,202
LONG TERM LIABILITIES	
Accrued interest	\$47,944
Long-term debt net of current portion	\$1,034,593
Total long term liabilities	\$1,082,537
Total liabilities	\$1,404,739
EQUITY	
Common stock, \$100 par value, 500,000 shares	\$394,363
Additional paid-in capital	\$118,776
Accumulated deficit	-\$580,023
Total Equity	-\$66,884
TOTAL LIABILITIES AND EQUITY	\$1,337,855



Sean Hagan, from Left Field Farm in Bowdoinham, delivering seedlings.



NOW WHAT?

The last year has seen continued growth of Member-Ownership, sales, and community programming at the Co-op. If you're inspired by the work we are doing, and will continue to do, we ask you to take one or more of the action steps listed below. Each one of them helps the Co-op achieve our mission of bringing together local farmers and producers to grow a healthier community and more sustainable food system.

- + **Shop** at the Co-op and encourage your friends to do the same.
- + **Give us feedback.** We always want to know how we can improve.
- + **Attend and share** information about our classes and events.
- + **Consider** a leadership role. We will be recruiting Board candidates for 2019.
- + **Tell everyone** that you are a Member-Owner of this strong and vibrant community owned cooperative.



“ The Co-op’s success is built on the relationships and community we share. ”



