



PORTLAND FOOD CO-OP

➡ Annual Report 2018



MESSAGE FROM THE BOARD OF DIRECTORS

By outgoing Board President
RACHELLE CURRAN APSE
and incoming Board President
JULIE BAROODY

In the four and a half years since the store has opened, the Co-op has settled into its home in Portland. It has become a center for local foods and the place to buy your everyday groceries, a place where you can feel good that the purpose of our shared cooperative business is to invest in our local economy.

When Rachelle reflects on her ten years in the Co-op leadership, she recognizes that our board began as a hands-on board in which members were needed to volunteer every free moment just to keep our buying club and the movement to build a store alive. This was a thrilling and exhausting time. We have now grown into a more sustainable (still volunteer) board that is focused on making sure the Co-op has strong policies and meaningfully engages with Member-Owners and the community.

With increased capacity to think big picture, the Board this year spent the time to reflect on our purpose and update our policies to reflect who we are now. We renewed our statement of purpose: the Portland Food Co-op is a thriving, member-owned marketplace that strengthens the local food economy while building and nourishing community.

The many achievements presented in this report contribute to this purpose. They are proof of the hard work and creativity of our general manager, John Crane, and the rest of the Portland Food Co-op staff. Seeing up-close, through monthly monitoring on each of the Co-op's policies, the variety of challenges and opportunities that John and his team address with such great competency, makes the Board extremely grateful for John's leadership and the staff's commitment.

It is important for the Board, as your elected representatives, to hear from you, our fellow Member-Owners. Please email board@portlandfood.coop to share your opinions about the Co-op or let us know if you might be interested in running for the Board in the future. Whatever level of engagement interests you, we hope that you feel a sense of ownership and belonging in the Portland Food Co-op.

As Chris Stacey and Rachelle Curran Apse term off the board this spring, they represent the final shift in board leadership: they are the two remaining board members who helped to lead the buying club and opening of the store. Chris served six years, two as Board president, and Rachelle served 10 years, two as president. They have seen the co-op through huge changes and are so proud to have had the opportunity to be a part of growing our cooperative business into a thriving community marketplace. Each of the other nine members of the current Board have learned a lot from the outgoing Board members, and we thank them so very much for their perseverance, leadership and care in taking the Board forward.

2018 was a year during which the Portland Food Co-op matured immensely. The value our Member-Owners place on buying food and other products at the Co-op has enabled us to sustain and grow a cooperatively-owned, democratically-run business. Our finances are better than ever, we are having more impact in our local community and the broader co-op community, and our revised purpose gives us renewed strategic direction.

We thank all 4675 member-owners for your support in 2018 and look forward to entering a new era for the Portland Food Co-op together.

With gratitude,
Rachelle Curran Apse + Julie Baroody

“2018 was a year during which the Portland Food Co-op matured immensely.”

2018 BOARD OF DIRECTORS

Sarah Alexander

Julie Baroody

Elizabeth Chapman

Erin Covey Smith

Rachelle Curran Apse

Melissa Emerson

Timothy Lynch

Andrew Magoun

Mary Malia

Chris Stacey

Megan Banner Sutherland

To contact the Board,
email board@portlandfood.coop

MESSAGE FROM THE GENERAL MANAGER

JOHN CRANE

Let's start off with a fact about me that not everyone knows: I grew up in grocery stores, two of them to be precise. My grandparents spent their entire lives in the far eastern Maine town of Whiting and operated the town's only store, C.R Crane and Son, General Store. I spent a lot of time with my grandparents growing up, and some of my earliest memories are of my grandfather cutting meat and stocking shelves, and my grandmother pumping gas and running a very old-school mechanical cash register. During my teen years, my parents owned Crane's Market in Ellsworth, still eastern Maine but not so close to the Canadian border. They had a few employees and the cash registers were electric, but the concept was still the same. They owned and operated the community's primary family-owned grocery store.

Growing up in these two stores gives me a unique perspective on the work that we do here at the Portland Food Co-op. Being an independent grocer is hard. It is really hard. People only have so much money to spend on food, so there is a limit to how much you can charge. Profit margins in the grocery business are lower than most other industries. If a grocery store achieves a net profit margin of 2%, they are considered very successful. There are few other businesses that would try to eke out a living on such a low profit margin. Most of our products have limited shelf lives. Produce, meat, dairy, and deli have very short shelf lives, so small errors in ordering, or even just a snow day, can cause us to lose hundreds of dollars. Even with all these constraints, grocers still need to treat their staff well, pay them the best they are able, offer health insurance and paid time off, and be understanding of family and life events that require flexible work schedules...at least if you want them to stay with you for a while and feel good about their jobs. It is a daunting task.

All of this goes a long way in explaining why there are so few independently owned grocery stores left today. Neither my grandparents' nor parents' store exists anymore. Whereas most Maine towns used to have a local grocer, few do today. Portland lost its last locally owned conventional grocer, Paul's Food Center, a couple of years ago. The national and international chains dominate our food system. Their economy of scale, along with the massive centralization of the food system, allows them to offer food at prices that are out of reach for an independent grocer.

Yet amidst all of this, our Portland Food Co-op was born, and is now not just growing but thriving. Our first year (2015) sales were \$3.27 million. This grew to \$3.75 million in 2016, \$4.31 million in 2017 and then \$4.83 million in 2018. That's a 47% increase in just three years, all while being in a highly competitive market. During this time, we have also been able to increase our average non-management wage to \$14.15 per hour, offer health insurance, and increase our paid-time-off to three weeks per year for new staff and four weeks per year after two years of employment (based on hours worked per week).

I believe the key to our success hinges on our ability to live up to our mission to strengthen the local food economy. Our community values local food in a way not seen many places. Local food is not just a slogan at the Co-op. It does not just appear on a sign over a produce case where only a few of the hundreds of items on display come from Maine. Growing the local food economy is a challenge that we embrace every day. Our Member-Owners and customers take this to heart as well, because sales of local foods and other local goods account for 39% of all Co-op sales, a marked difference from the conventional grocery store average of around 8%. Our success also depends on our ability to find a balance between providing competitive prices on local and healthful food while also ensuring our staff, farmers and other suppliers are all treated well and paid equitably for their work. Building and nourishing community is also part of our mission and that starts with honest and respectful relations between those involved in our food system.

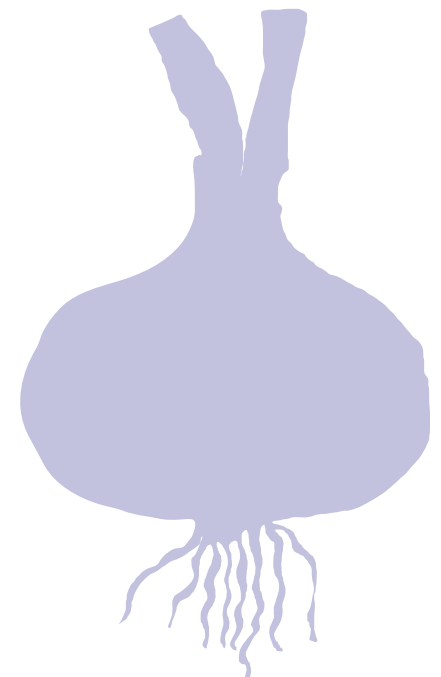
I hope you find this Annual Report informative and meaningful. It is filled with information about the progress we are making to fulfill the Co-op's mission. Do we have it all figured out? Absolutely not. Is there much more for us to learn and do? Definitely. There are so many ways that we can grow our local economy and be a positive force within our community. For me, this is the fun part of this work...how can we do what we do better, so that we can have an even greater impact? As a general manager from another co-op once said, "No margin, no mission." We have to run a viable, sustainable, and profitable business to be able to fund all of the other great works that we want to accomplish.

Please feel free to email me at gm@portlandfood.coop or ask for me in the store.

In Cooperation,
John Crane
General Manager



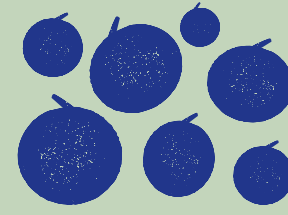
“Our community values local food in a way not seen many places.”



IN 2018, CO-OP MEMBER-OWNERS + CUSTOMERS PURCHASED...

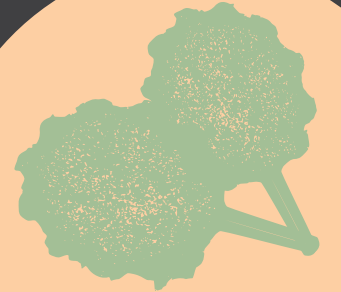


11,550 LBS OF
LOCAL APPLES



3682 LBS OF FRESH
LOCAL BLUEBERRIES

5067 LBS OF FROZEN
LOCAL BLUEBERRIES



6,670 BUNCHES
OF LOCAL KALE



10,886
CONTAINERS
OF LOCAL
YOGURT



17,050 DOZEN
LOCAL EGGS



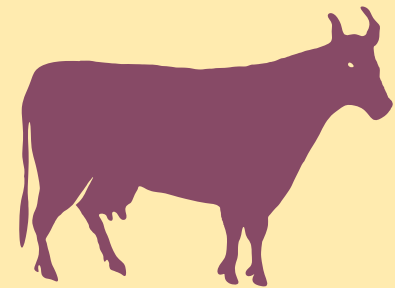
13,961
CONTAINERS
OF OUR DELI'S
HOME MADE
SOUP



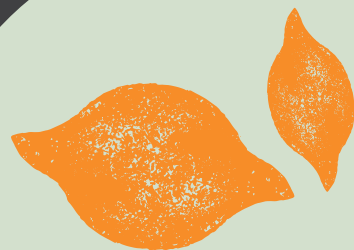
66,335 LBS OF
BULK FOODS



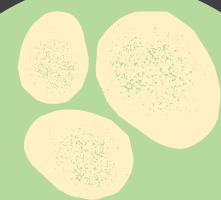
1637 LBS OF
BULK LOCAL
MAPLE SYRUP



13,483 JUGS OF
LOCAL MILK



5,218 LBS OF
LOCAL SWEET
POTATOES



11,800 LBS
OF LOCAL
POTATOES



19,000 LBS OF
LOCAL CARROTS

OUR PURPOSE

The Portland Food Co-op is a thriving, member-owned marketplace that strengthens the local food economy while building and nourishing community.



LOCAL ECONOMY

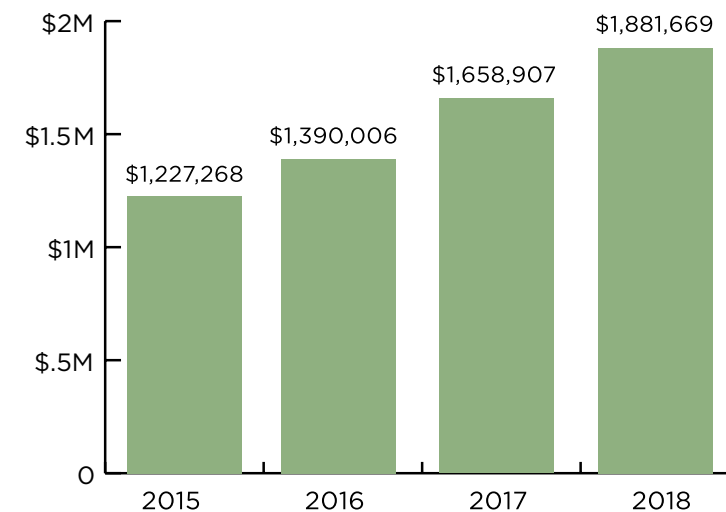
Local sales account for 39% percent of all Co-op sales, which is far above the national average of 8% for conventional grocery stores, and even exceeds the national average for small to medium sized co-ops of 20%-25%. Our Member-Owners and customers value local foods and expect their Co-op to offer as many local options as possible. We are so fortunate, here in Maine, to have so many local farmers, food producers, and other entrepreneurs with whom to form partnerships. 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 2018, the Co-op worked with 238 local suppliers, which includes 89 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 few large distributors requires much less time, energy, and staffing. That is why the big stores stick to that model. Working with over 200 small farmers and producers, with that many orders, that many deliveries to be checked in, that many products to be stocked, that many invoices to be coded, that many checks to be generated, and that many envelopes to be stuffed and mailed, it all adds up to a lot more labor and expense than the big stores are willing to spend. We do this, however, because this is our mission. We hope and trust that people will understand that this is why we will likely never be the cheapest store in town. As each year passes, however, we learn how to do it better and more efficiently, because we know that we need to keep our prices as low as possible.

In 2018, the Co-op purchased \$1,379,873 worth of goods from 238 Maine producers, \$786,782 of that was from 89 Maine farms.

OUR MISSION

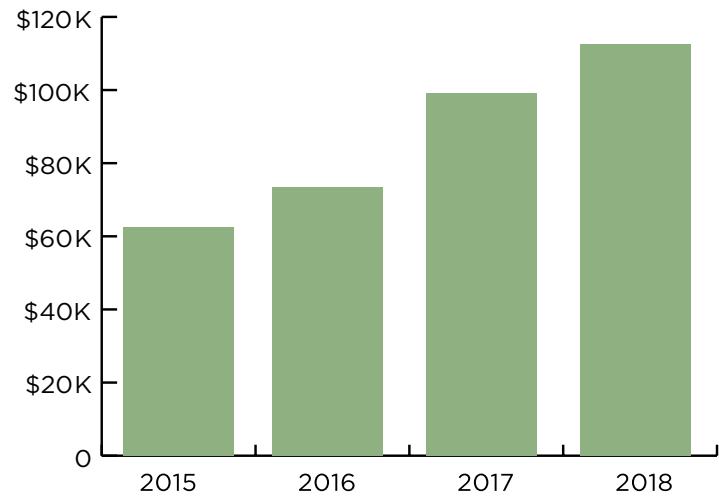
The Portland Food Co-op brings local producers and consumers together in a member-owned marketplace to grow a healthier community and a more sustainable food system. We model cooperative values, operate with transparency, and foster trusting relationships with our customers, employees, and suppliers.



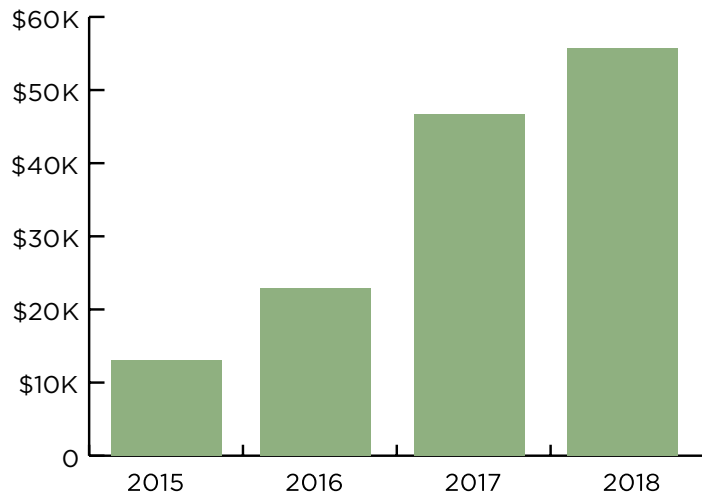
SALES OF LOCAL PRODUCTS CONTINUE TO RISE

THANKS TO THE FARM FRESH REWARDS PROGRAM, MORE PEOPLE WITH SNAP/EBT CARDS CAN SHOP AT THE CO-OP

TOTAL SNAP/EBT SALES
(Includes redeemed incentives from the Farm Fresh Rewards Program)



TOTAL SNAP/EBT SALES OF FRUITS & VEGETABLES
(Includes redeemed incentives from the Farm Fresh Rewards Program)



BUILDING AND NOURISHING COMMUNITY

What makes our Co-op different than most other grocery stores? A big difference is the amount of resources that we dedicate to our community. For our Co-op, building community isn't just about increasing Member-Owners, customers, and sales. It is on honest intention to provide a sense of belonging, to provide a safe space, to provide opportunities for people to meet and to feel a part of our shared cooperative venture.

Farm Fresh Rewards

We continue to be thankful for our collaboration with Maine Farmland Trust and the Farm Fresh Rewards Program, which makes local foods more accessible to more people in our community. People who have SNAP benefits (Supplemental Nutrition Assistance Program, also known as EBT, 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 with their SNAP card.

This program allows more people with SNAP benefits to shop at the Co-op and has significantly increased the amount of local food that they are purchasing. In 2018, the Co-op redeemed \$34,090 vouchers for free local fruits and vegetables for program participants.

Bicycle Benefits

We are fortunate to have stops for the #1, #7, and #9 Metro bus right in front of the Co-op. This allows some people to forgo their cars and take

the bus to the Co-op. Did you know that the Co-op sells bus passes right at our cash registers?

Another way we encourage alternative travel is by participating in the Bicycle Benefits program. Purchase a Bicycle Benefits sticker for \$5 at our cash registers, put it on your bike helmet, and get a free piece of produce (items vary and subject to change) each time you ride your bike to shop at the Co-op. Last year, we gave away \$2,025 worth of produce to Bicycle Benefits participants.

Classes in our cafe

We love holding classes here at the Co-op. In 2018, we were able to offer classes on a variety of topics, from Making Earth-Friendly Valentines, to Eating Acorns, to Knife Sharpening, to a nutrition class called "Primary Food." As we become busier, these classes are becoming harder to schedule, however. Our cafe is the only community space that we have, and that space is frequently filled with people already here enjoying it. A couple of years ago, we could hold a class in our cafe without displacing anyone. Today, holding a class requires off-hour scheduling and often apologies to people who came to enjoy a meal in our cafe but couldn't find a seat. We know our Member-Owners enjoy classes and are asking for more of them. We may need to look at off-site locations or other solutions so that we can offer more in the future.





In December, we held a food drive for the Locker Project, a local nonprofit that provides nutritious food to school age children in need. Co-op Member-Owners and customers purchased and donated 55 cases of peanut butter, snack bars, soups and other foods.

Fresh Start Farms

In 2018, we continued our 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 agricultural heritages to Maine's climate and marketplace. Their produce is distributed through CSAs (Community Supported Agriculture), 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 and Thursday 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.

The Co-op is also the CSA pick-up site for four other farms.

Other community events

In March, we co-organized a Blue Moon Ball along with Mayo Street Arts. People from all over Portland, and beyond, came out in their best space costumes to dance the night away.

In July, we held our first Ice Cream Social in front of the Co-op. We teamed up with some of our local ice cream producers, Gelato Fiasco, Parlor Ice Cream, and Sticky Sweet. This gave Co-op Member-Owners, shoppers, and people in the neighborhood the chance to meet face-to-face while enjoying some free local ice cream.

In September, we held our second annual Free Cookout. This has proven to be an extremely popular event. Why wouldn't it be? Free hamburgers, veggie burgers, hot dogs and veggie dogs for everyone who stops by. We had Member-Owners and neighborhood members lined up across the parking lot and gathering around the store all afternoon.

Our outdoor events wrapped up in October with "Pedals and Pancakes" a free bike-to-work breakfast, organized by Bicycle Benefits.



Donations we've made together

In 2018, we were able to make \$4750 in donations to area nonprofits. Most of these were in the form of gift cards to assist with raffles or to provide food for events. We keep these donations very local, and generally work with nonprofits based in greater Portland that specifically work to improve our immediate community and benefit people who live in this area.

Co-op shoppers also made two specific fundraisers very successful. Last year, one of our local yogurt producers, Balfour Farm, had a fire destroy part of their farm. Through donation jars at our registers, we were able to raise \$1500 and present it to them last February. This was a great example of the 7th cooperative principle, "Concern for Community."

SUSTAINABILITY

Environmental sustainability was a key factor in many equipment decisions made during the opening of our Co-op. Except for our produce cases, all refrigerated cases have doors. This was an intentional decision to reduce energy consumption. 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 back room and some of 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. Our bag lending tree is so popular that it often gets emptied. Please help this program by donating clean reusable bags whenever you can.

The cafe space contains receptacles for returnable bottles, recycling, and composting. The disposable cutlery available in the deli is compostable, as are the clear bags that we put our sandwiches in. Our produce department offers compostable bags (reusable cloth bags are also available for purchase). Compostable plastics and some other compostable products are not often suitable for home composting. We invite everyone to bring these items back to the Co-op and put them in our compost bins. We use a professional composting service which welcomes all such items.

Our recycling and composting are so effective that the Co-op does not require a trash dumpster, which is a staple at many grocery stores. We have two trash cans which are sufficient for the waste we generate.



“ We encourage people to bring in their own containers from home and fill them in or bulk department. Not many stores welcome this any more. ”

While we wish that we could install solar panels on our roof and generate our own clean power, we lease and don't own our space, so that is not currently possible. To make up for that, the Co-op purchases Renewable Energy Certificates (RECs) equal to 100% of our energy usage. These RECs are used to purchase the equivalent of our power usage from renewable sources, 10% of which is dedicated to renewable sources from within the state of Maine. It is not the same as generating our own clean power, but it at least helps create more demand for power from renewable sources in our electric grid. If anyone knows of a community solar project happening in our area, or any other similar venture, please contact our General Manager.

One of the best programs that we have implemented over the past year is having our deli preemptively use excess food from around the store. That has always happened somewhat, but never to the degree it is happening now. Much of our excess produce, meat, and dairy is being identified (while it is approaching its sell-by date but still perfectly good) and being used to create delicious Co-op food. We know that many folks miss the discounted prices that we used to offer on "less than fresh" and "close to date" food, but please understand that having our deli cook with all of this, while it is still fresh, cuts down on our food waste and makes a significant difference in the Co-op's financial health.

Food that can't be used, but is still perfectly edible, is donated to the Preble Street Resource Center. In 2018, we donated over 325 crates of food to the Preble Street Resource Center (roughly estimated to be worth about \$9,750). We engage the services of Garbage to Garden for composting of the remainder of our organic waste (which includes not just expired food but also scraps and trim from our produce department and deli, paper towels from our bathrooms, along with other compostable products that the Co-op uses). We used to just have trash receptacles in our bathrooms. In 2018, we added compost bins specifically for the brown paper towels that people use to wipe their hands after washing them. This has diverted a significant amount of material from the waste stream.

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. We also encourage people to bring in their own containers from home and fill them in or bulk department. Not many stores welcome this any more.

BY THE NUMBERS

Our Member-Ownership continues to grow. We now have more Member-Owners than any other co-op in Maine. People trust our Co-op to be a good steward of their investment and their loyalty. We appreciate this and understand that our job is to make a positive impact in our food system and our community. Member-Owners account for 59% of all of our sales.

The number of people who shop at the Co-op each day is also growing.

We ended 2018 with a 12% sales increase over the previous year. This is especially significant because, across the nation, many food co-ops continue to struggle with very low or even negative growth. Our remarkable growth would not have been possible without the dedicated and enthusiastic support that we have received from our Member-Owners and our community.

This continued sales growth has had a powerful impact on the Co-op's ability to repay its loans. In 2014, we borrowed \$1.3 million to fund the build-out of our space and the start-up of our store. We received a \$330,000 loan from the Cooperative Fund of New England, a community development loan fund that specializes in cooperatives. At the end of 2018, we had repaid \$134,000 of that loan. We also received a \$130,000 loan from the City of Portland - Portland Development Corporation. We have repaid \$49,000 of that loan.

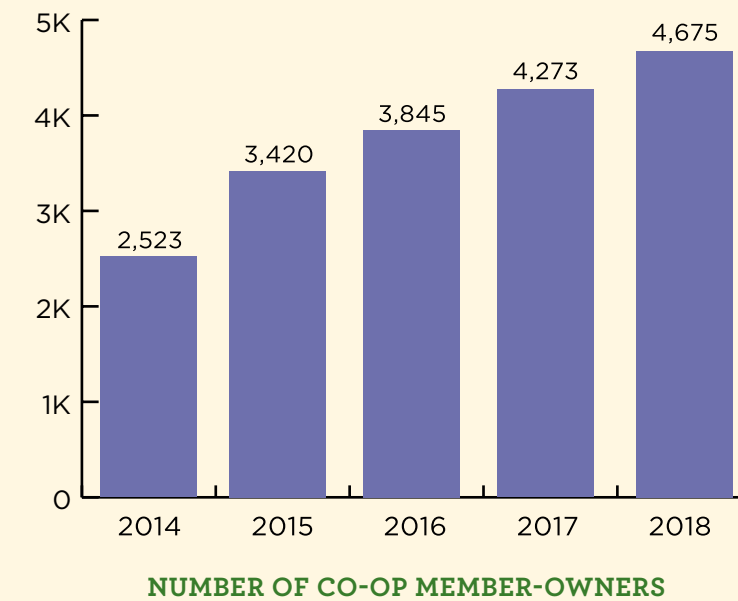
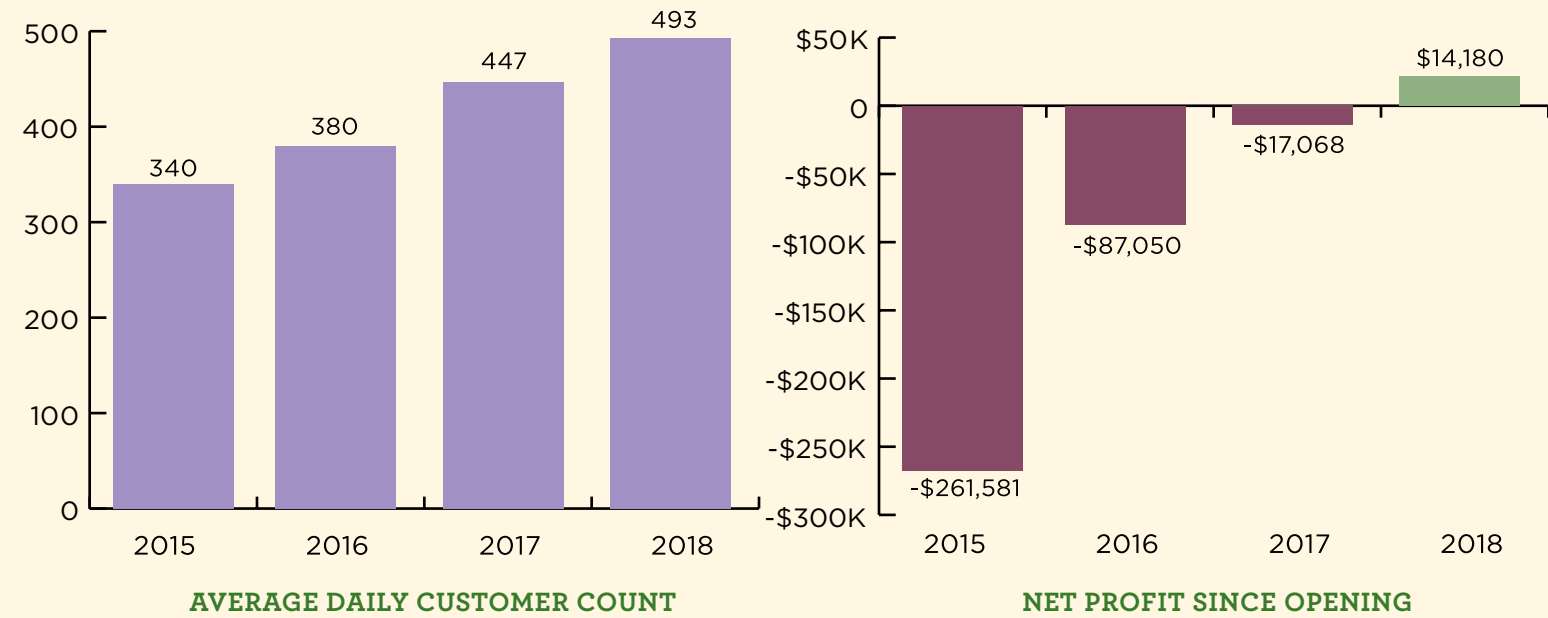
The rest of the \$813,700 that we borrowed came from Member-Owners. 260 Co-op Member-Owners lent the Co-op the majority of the money that we needed to open our store. The organization "Slow Money Maine" was instrumental in securing many of these loans. None of what we are doing today would have been possible without this generous support. Some Member-Owners were able to provide large loans, but most of them were \$1000 - \$2000 loans, payable over five to ten years.

We repaid \$56,000 of these loans in 2018. We will repay \$51,200 in 2019 and then the remainder over the next five years. We have been diligent about setting money aside whenever we can, so we are confident that we will be able to repay all of these loans on schedule.

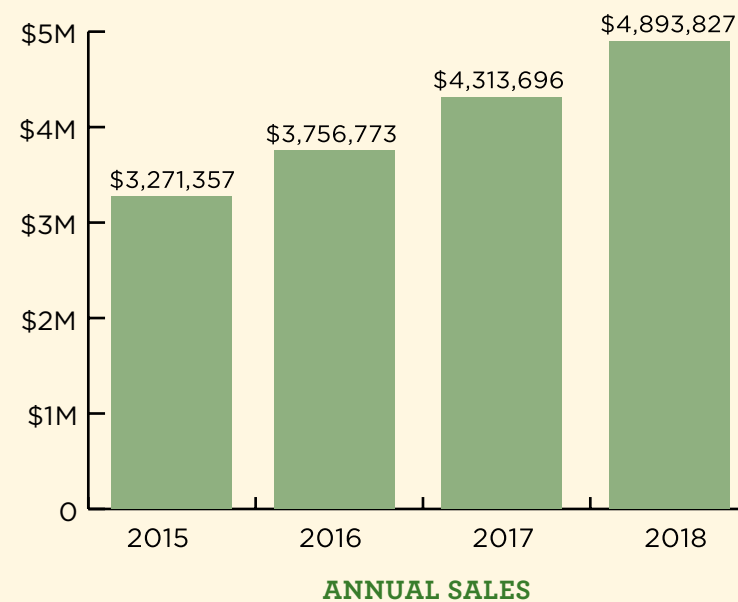
In 2018, we achieved profitability for the very first time. We ended the year with a net profit of \$14,180. This is up from a \$17,000 loss in 2017, and a significant improvement from the \$87,000 loss in 2016 and \$261,000 loss in 2015. We knew that we would lose money in the beginning, but we have made great strides over the past four years in strengthening the Co-op's financial position.

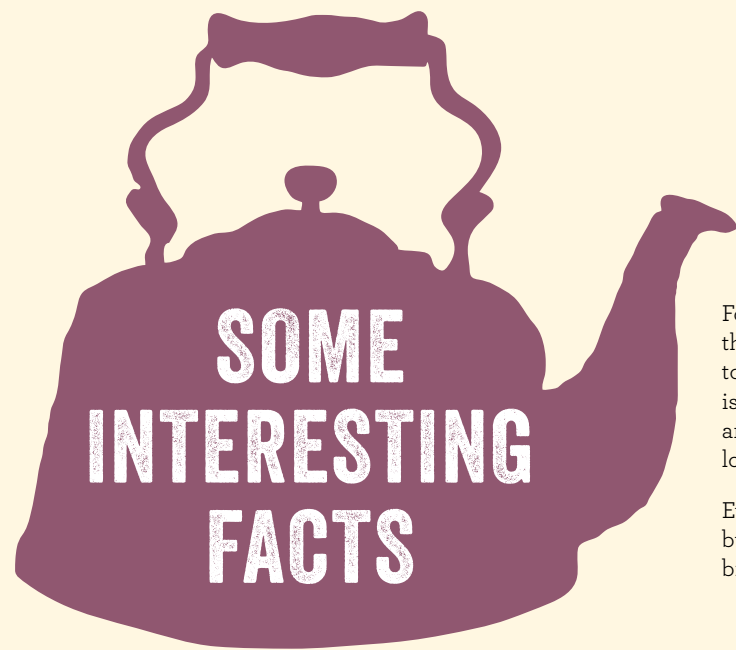
We should point out that a significant portion of the stated loss each year is the depreciation in the value of our equipment and not an operating loss from the business. We posted \$80,000 in depreciation in 2015 and 2016 and then \$118,000 in depreciation in 2017 and \$115,000 in 2018. Depreciation lowers the overall value of the business and we should be generating profit in excess of depreciation. Up until now, though, it is important to note that this is not an actual cash loss and the Co-op is in a solid financial position. We have been allocating much of this depreciation money to repay our loans.

“Member-Owners account for 59% of all of our sales.”



“260 Member-Owners lent the Co-op the majority of the money that we needed to open our store.”

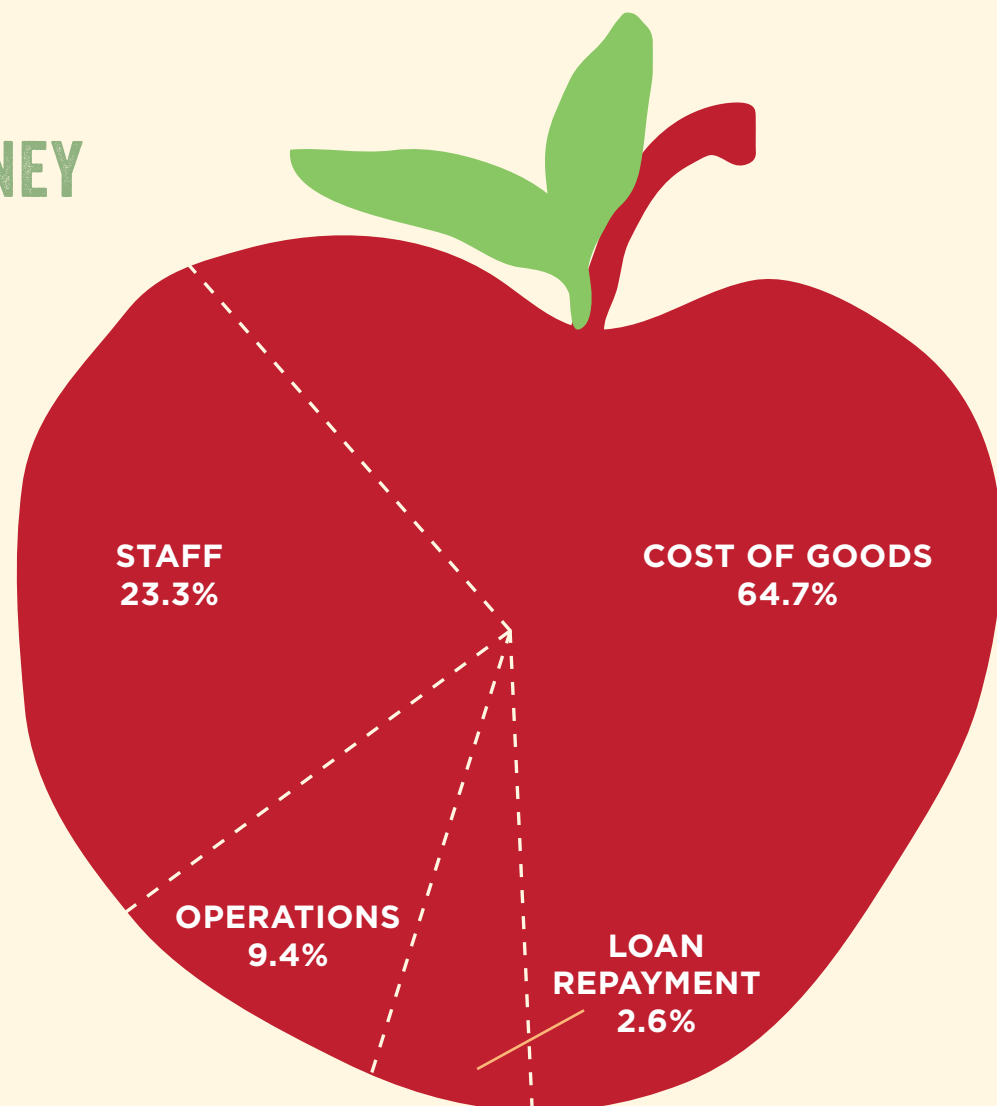




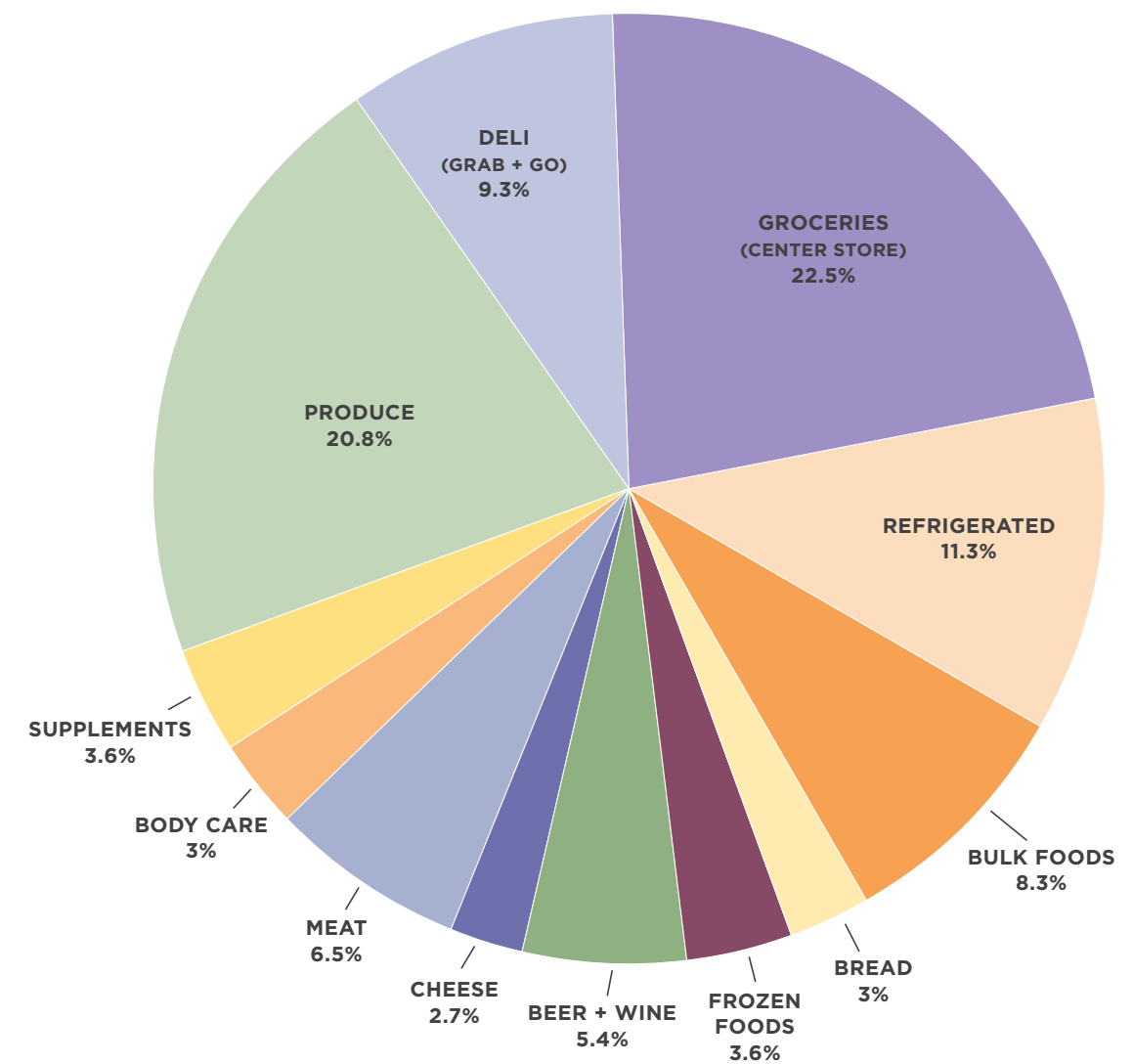
For every dollar spent at the Co-op, here is the basic breakdown of how that money is used. As you can see, the biggest portion of it (64.7%) goes to pay for the goods that we purchased. The remainder is divided between staff, operations (rent, insurance, utilities, and everything else that goes into running the Co-op), and then loan repayment.

Everyone has their favorite department and favorite products, but overall, our Member-Owners and customers purchase a little bit of everything.

HOW OUR MONEY IS SPENT



WHAT PEOPLE BUY AT THE CO-OP



2018 INCOME STATEMENT

Year Ending December 31, 2018	
REVENUE	
Gross Sales	4,889,750
Less Member Discounts	20,908
Less Other Discounts	30,533
Total Sales	4,838,309
Cost of Goods Sold	3,129,553
Gross Profit	1,708,756
OPERATING EXPENSES	
Personnel	1,143,008
Occupancy	158,650
Operations	156,119
Depreciation	115,669
Promotions	54,070
Administrative	41,006
Governance	11,987
Total Operating Expenses	1,680,509
Net Income from Operations	28,247
OTHER INCOME AND EXPENSES	
Miscellaneous Income	14,651
Interest Expense	(29,282)
Other Expenses	(1,436)
Total Other Income and Expenses	(16,067)
Net Income Before Provision for Income Taxes	12,180
Provision for Income Taxes	2,000
NET INCOME	14,180

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

The full version of their report is available at www.portlandfood.coop/financial

“ We knew that we would lose money in the beginning, but we have made great strides over the past four years in strengthening the Co-op’s financial position. ”

2018 BALANCE SHEET

ASSETS	
Current Assets	
Cash	457,052
Accounts Receivable	18,472
Inventory	195,824
Prepaid Expenses	10,496
Total Current Assets	681,844
Property & Equipment - net	533,109
Other Assets	
Restricted Cash	101,366
Equity in Other Cooperatives	11,497
Security Deposits	14,465
Deferred Tax Asset	11,000
Total Other Assets	138,328
TOTAL ASSETS	1,353,281
LIABILITIES & MEMBERS' EQUITY	
Current Liabilities	
Accounts Payable	146,228
Accrued Payroll	74,837
Accrued Interest	2,127
Current Portion of Long-Term Debt	259,845
Preferred Member Shares	48,304
Other Liabilities	17,650
Total Current Liabilities	548,991
Long Term Liabilities	
Accrued Interest	60,852
Long-Term Debt Net of Current Portion	764,687
Total Long Term Liabilities	825,539
TOTAL LIABILITIES	1,374,530
Members' Equity	
Common Stock	425,818
Additional Paid-In Capital	118,776
Accumulated Deficit	(565,843)
Total Members' Equity	(21,249)
TOTAL LIABILITIES & MEMBERS' EQUITY	1,353,281

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

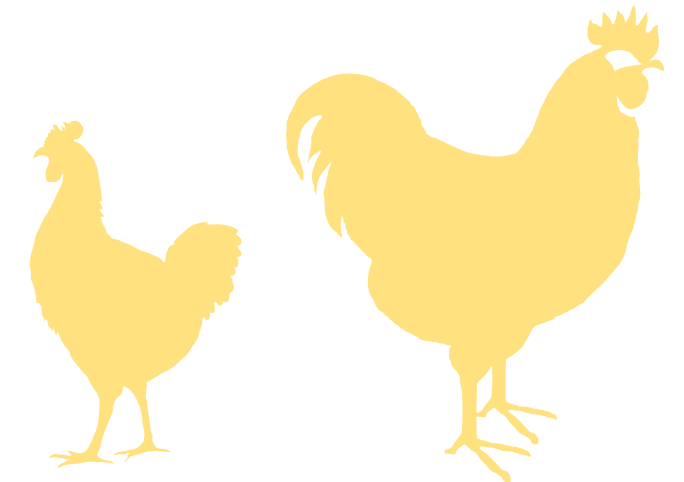
The full version of their report is available at www.portlandfood.coop/financial



NOW WHAT?

This last year has seen continued growth at the Co-op. If you are inspired by the work we are doing, we ask you to take one or more of the following action steps. Each one of them makes us stronger.

- + **Shop** at the Co-op and encourage your friends to do the same.
- + **Check out** our new website. There is a lot of great information there about who we are and what we do. www.portlandfood.coop
- + **Give Co-op gift cards** as gifts. They can be bought in the store or on our website. If you buy them online, we can even mail them to the recipient with a note from you included.
- + **Give Co-op memberships** as gifts. You can purchase them in the store or on our website. We can mail these too.
- + **Give us feedback.** Your feedback makes us better, so we do want to hear from you. We always want to know how we can improve. Feedback forms are available at the front of the store or you can email info@portlandfood.coop
- + **Attend** Co-op events and classes.
- + **Consider** a leadership role. Next Fall, we will be recruiting Board candidates for the 2020 elections.
- + **Sign up** on our website if you aren't already receiving our email newsletter.
- + **Find us** on Facebook and Instagram
- + **Tell everyone** that you are a Member-Owner of this vibrant community-owned cooperative.





PORTLAND FOOD CO-OP

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