



Portland Food Co-op
Annual Report 2014

Message from the Board President



We did it! The Portland Food Co-op officially opened the doors of its retail market on December 10th. The grand opening celebration included member-owners, staff, local food producers, Mayor Michael Brennan, supporting organizations, and greater Portland residents who had been eagerly awaiting this moment. The celebration reflected the diversity of contributors who manifested the values and principles that guided a multi-year process and who continue to be involved in co-op activities to this day. This co-created marketplace devoted to healthy food, community, and our local economy is the product of thoughtful diligence, tireless dedication to a vision, focused collaboration, and a strength of purpose that characterizes the best of Maine. We took time then, and we continue to take time to honor the efforts and achievements of all who labored to make the PFC retail store a reality. Thank you!

The immediate results of this effort are detailed throughout this report, and include among other things, creating over 20 new jobs, developing a market for hundreds of local producers, and providing a retail store devoted to serving the needs of our more than 3,000 member-owners. And this is really just beginning! The Co-op has made a strong start toward serving the needs of member-owners and the communities of which it is a part, and with continued engagement, care, and a shared vision for the future, we will no doubt grow the Co-op's positive impacts in Portland and throughout the Maine food economy.

Looking back over 2014, there cannot be enough praise given to Kevin Gadsby, our GM who completed the renovation project and managed the start-up of the store, and all the staff who came on board for the opening and early months of operations. Your enthusiasm, optimism, and willingness to do what was needed was crucial to our successful launch and set us up for early success. Indeed, since opening, the Co-op has exceeded sales projections by roughly 50%, hired additional staff, and continues to show strong financial and organizational health.

Member-owners were also central to our success, helping us to grow our membership, raising over \$800,000 of our start-up budget, and spreading the word about the Co-op and working on our capital campaign. Member-owners purchasing food through the buying club helped establish many of our current local vendor relationships and helped to fund early aspects of the retail effort, such as the professional market study that paved the way for the retail store project. And our volunteer board of directors and committee members all worked tirelessly on complicated and critical aspects of the project - from store design, to business planning, to capital campaign, to start-up project management - with many of them meeting weekly or more for months at a time. The transition of the board from a hands-on operational approach to a governing and policy-oriented one has been one of the most significant aspects of its learning and development in 2014, and has allowed the board to more effectively steward the Co-op through a number of challenges, including the departure of our GM after 10 months. The 2014-2015 board has set a high standard of excellence that I'm sure will inspire future boards.

The coming year is on track to be prosperous and exciting in new ways, as the Co-op matures and we continue to develop together as a community. With the opening of the store behind us, the process of shaping a long-term plan for the Co-op has begun. Ongoing conscious dialogue with our member-owners will be fundamental to creating a shared understanding of their wishes and a plan for implementing them. While member-owners and staff have clearly demonstrated the commitment, vision, and capacity for learning that will support our ongoing success, we need to be sure we maintain the passion and excitement that got the Co-op where it is today. Whatever ways you choose to engage the Co-op - by shopping, filling out a feedback card, attending social or educational activities, helping to plan and run events, providing financial support, or serving on the board or a committee - your engagement and ideas are crucial to our success in 2015 and beyond. I invite you to share your thoughts with board and staff members at the upcoming annual meeting, through store feedback channels, by emailing the board, and at in-store board events throughout the year.

Thanks again to all member-owners for making 2014 such a successful and exciting year for the Co-op. It has been an honor to represent member-owners as a director, and a true privilege to serve the board of directors as its president this past year.

- David "Sieg" Siegfried

2014 Board of Directors

Stefan Apse

Sarah Braik

Rachelle Curran Apse

Anna Kent

Greg Korbet

Gloria LaBrecque

Tim McLain

Bragita Noreen

Matt Peters

David Siegfried

Lindsay Spain

Chris Stacey

Daniel Ungier

Thank You!

This month marks the end of board terms for Bragita Noreen, Greg Korbet and Stefan Apse, who are not re-running. Matt Peters' current term is also ending, and he is standing for re-election.

The dedication and commitment of these directors, especially in 2014, is truly appreciated, and we look forward to their continued participation in the Co-op.

Please join us in thanking them for their service.



Portland Food Co-op Mission Statement

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.



Ends

The Board measures the success of the Co-op using a set of defined ends that are outlined in the Board's Policy Register. As a new retail co-op, the PFC is at the beginning of its journey of determining success in these areas and finding ways towards constant improvement.

Products and Facilities - Is the Co-op providing an honest and welcoming shopping experience, meeting customer needs and preferences, and making strides in environmental sustainability?

Education - Is the Co-op a trusted and well-used source of information on food and cooperatives?

Local Economy - Is the Co-op helping to grow our local food system and providing fair working conditions?

Co-op Community - Is the Co-op engaging with its member-owners, community, and other cooperatives?

Read the stories in this annual report to learn more about how the PFC is achieving these ends.

Financial Report

The store has started off very strong financially. Due to the accomplishment of all of our fundraising goals and the strong enthusiasm in the community, our sales have soared far above projections during our first four months. While we ended 2014 with a loss (as expected after only six weeks of business), we are happy to report that we have begun to see profits during the first quarter of 2015, despite adding new positions due to the rapid growth. Our national co-op consultants projected our 2015 sales at \$2 million, but if we continue at our current pace, we will be on track to reach \$3 million by the end of the year. Thank you for your continued support of the store and we look forward to continued positive trends in our financial health.

2014 Income Statement (Unaudited)

Portland Food Co-op (retail store only)

Accrual Basis January through December 2014

Income	482,089.42
Cost of Goods Sold	391,528.33
Gross Profit	90,561.09
Supplies & Materials	7,933.42
Salaries and Related Expenses	76,780.80
Operations Expenses	9,715.37
Deposit (Over) Short	15.32
Store Supplies	15,713.50
Consultants	2,172.95
Occupancy Expenses	26,093.66
Administrative Expenses	17,272.78
Marketing & Promotion	65,706.83
Misc./Uncategorized Expenses	5,014.65
Taxes	152.53
Total Expense	226,661.81
Net Ordinary Income	(136,100.72)
Other Income/Expense (grants, div., int.)	58,654.18
Net Income	(77,446.54)

2015 Q1 Income Statement (Unaudited)

Portland Food Co-op

Accrual Basis January through March 2015

Income	797,782.86
Cost of Goods Sold	526,987.19
Gross Profit	270,795.67
Supplies & Materials	969.64
Salaries and Related Expenses	150,384.21
Operations Expenses	9,622.06
Deposit (Over) Short	37.54
Store Supplies	5,008.19
Consultants	11,662.50
Occupancy Expenses	39,347.60
Administrative Expenses	18,046.08
Marketing & Promotion	5,320.62
Misc./Uncategorized Expenses	227.02
Total Expense	240,625.46
Net Ordinary Income	30,170.21
Other Income/Expense (grants, div., int.)	40,123.54
Net Income	70,293.75



Expanding Our Impacts

The opening of a full-fledged retail store has enormously increased the positive impacts the Portland Food Co-op has had on our community and on our local economy. Here are some ways the Co-op has been able to expand our reach and mission since the store opened:

- Served 150 regular purchasers each month as a buying club, now serving thousands of customers each month at the store, including many who had never shopped at a co-op.
- Open 8 hours per month as a buying club compared to 300 hours per month as a store, making the Co-op more convenient for busy families.
- The buying club had no employees, while the retail store has created over 25 jobs for people in our community. The planning and construction work needed to prepare the store for opening also helped secure local employment.
- In seven months (January to July 2014), buying club sales totaled \$135,000, while in just six weeks of operations (November to December 2014) retail store sales were over \$350,000! On a weekly basis, the store averages \$50,000 more in sales compared to the buying club, which translates to more money flowing to our farmers, producers, and employees.
- The number of member-owners increased from 600 in January 2014 to 2,593 in December 2014. As of April 2015, the Co-op has over 3,000 member-owners!

Your Investment Matters

To date, member-owners have contributed nearly \$300,000 in equity and extended over \$800,000 in loans that helped open the retail store and keep it running. Our combined investment has succeeded in creating a shared community asset that will continue to expand its positive impacts in the future - thank you!

Budget to open the storefront - \$1,600,000

2013 - \$400,000 raised (including \$330,000 Cooperative Fund of New England loan)

2014 - \$1,200,000 raised as follows:

\$130,000 City of Portland loan

\$100,000 in grants, including a Community Development Block Grant and also from the Virginia Hodgkins Somers Foundation, the Quimby Family Foundation, the Evergreen Foundation, and the New England Grassroots Environment Fund, plus individual donations

\$820,000 from member-owner loans and additional shares

- 260 member-owner loans, ranging from \$1,000 to \$50,000, with an average loan size of \$3,128
- 69 additional shares, ranging from \$100 to \$10,000, with an average purchase of \$687

\$150,000 from new member-owner equity (common shares)



Retail Store Designed With the Environment in Mind

During the design phase for the new retail store, member-owners and the Board were conscious of including as many energy-saving features as possible within our budget. Here are a few highlights:

- Almost all coolers are enclosed, saving 24,000 kWh per year - the equivalent of four homes' annual electricity use.
- Anti-condensation systems on the coolers run only when necessary, unlike many stores where they run constantly.
- Excess heat generated from the refrigeration systems is captured and recycled to heat water for the store.
- The store's lights are LED, which reduce energy use by 20% over conventional fluorescent systems. The lighting is controlled by timers, motion sensors and dimmers for additional savings.

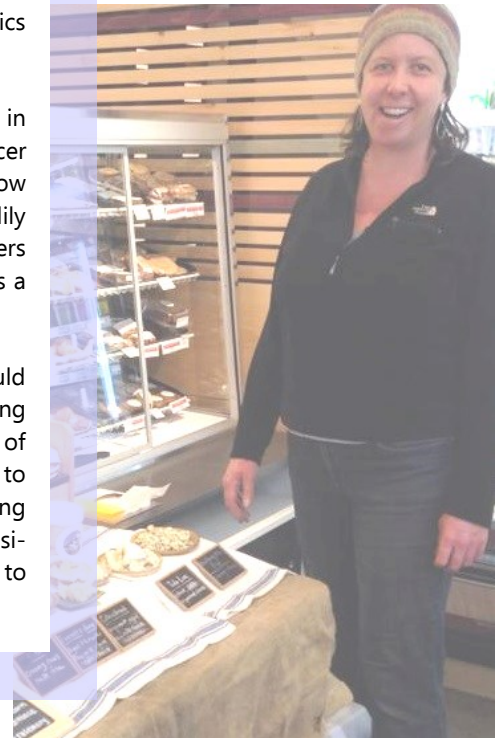
Staff has made many efforts to make store operations and the customer experience environmentally friendly. One area where this is seen is in the Co-op's commitment to bulk goods. Besides selling dry bulk products such as nuts and grains, the Co-op carries more unusual items in bulk, such as maple syrup, honey, nut butters, cooking oils, and cleaning products. To encourage the use of refillable containers by customers, a scale has been provided to obtain the tare weight of the container before filling, and a variety of reusable bottles and bags are available for sale. The Co-op partners with Garbage to Garden to compost all organic waste generated by the store. The covered bike rack in front of the store has been a popular addition that makes alternative transportation more convenient for customers.

PFC Helps Develop Local Food System

At the time of opening, the Co-op stocked approximately 100 locally-grown or -produced products. This number has ballooned, and the Co-op now purchases from over 225 individual farmers and producers who provide hundreds of unique local items for our shelves on a year-round basis. Staff are currently working on upgrading our point-of-sale system to better track the volume, cost, and types of local goods sold, and we hope to report more detailed statistics on local buying in the future.

The Co-op has also been able to positively influence the local food production system in smaller ways. In part due to Co-op customer preferences, Limerick-based pork producer Windswept Farm collaborated with a local butcher to make a nitrate-free bacon that is now supplied to the store. After hearing from customers seeking raw butter, which is not readily available, the Co-op has been working with local suppliers and the Maine Organic Farmers and Gardeners Association (MOFGA) to find marketable ways to use raw skim milk, which is a by-product of the butter-making process.

At the Co-op's grand opening, we were able to tout the positive impact the new store would have on local producers. Television station WCSH-6 aired a story about the grand opening that included the following highlight about one of our valued vendors: "Kelley Hughes of Wildflours Gluten Free Bakery knows how hard it is for small farmers and food producers to turn a profit. She lost her retail shop in a fire three years ago. Since then she has been relying on small scale wholesale and farmers' markets to sell her products. Hughes has seen her business grow as a result of her connection to the Portland Food Co-op. 'I've already been able to hire a baker to work along side me to keep this account rolling,' she said."



Wellness Dept. Manager Helps Fulfill PFC's Educational Mission

A well-educated customer starts with knowledgeable staff. The Portland Food Co-op is fortunate to have employees who are passionate not just about the products on the shelves, but also about larger issues, ranging from health and environmental questions to the intricacies and economics of the food system.

The Co-op's Wellness Department manager, Piper Dean, has gained quite a following amongst our customers who seek her advice on the products available in the health and wellness aisle. Piper always takes the time to listen to a customer's needs and ask the right questions so she can help them choose the perfect vitamin, oil, tincture, or health aid.

Piper first started her career in the co-op world as a teenager, when she worked at Rising Tide Community Market in Damariscotta. She was originally drawn to co-ops by her interest in healthy eating, but became intrigued by natural wellness when faced with some personal health issues four years ago. "I started to really clean up my diet and also what was in my medicine cabinet," she explained. Since then, she has taken classes and read many books to further her education.

Piper enjoys sharing her knowledge with member-owners and customers at the store. "I love talking about anything health related and when I get going I can't stop! I try to talk to as many people as I can while working," she said enthusiastically. She loves finding people with health expertise who are willing to teach classes in the cafe, which helps expand the Co-op's educational services.

With a limited amount of retail space available, Piper must make critical decisions on which products are worthy of gracing the shelves, but she takes it all in stride. "I was recently browsing a store that was full of wellness items and some

of them really are not the best products. I could in my mind shrink half of what they had down to a smaller shelf set. There are so many products now and it just comes down to picking and choosing what is the cleanest and most natural. A lot of things have hidden chemical preservatives added to them. My job is hard at times but when I find things that are really clean and fantastic it's an exciting moment to add them to the shelf."

Piper often needs to ask questions of customers before providing recommendations, explaining, "Most people assume I will hand them a product that will solve the problem, which I think is how society as a whole is nowadays. We have become these creatures who take whatever someone hands us. I want to give them information on why I am handing them that item." The most frequent questions she gets revolve around skin care -- acne, eczema, and dry skin are common complaints. Piper may ask the customer how much water they are drinking, what sort of diet they eat, and when the symptoms started. "Most people today don't really think about one issue being caused by many other issues, so I have a very unique job to be able to help others heal their bodies," she said.

Co-op member-owner Angela Hight shopped PFC for gifts during the holiday season and learned about the differences between essential oils and tinctures from Piper, who was also able to provide advice on eye creams. Angela related, "Not only did she know about the properties of the creams, but she even knew where each one was made when asked. The Co-op is lucky to have Piper - she really knows her products."

As a life-long Mainer, Piper is thrilled that her job helps grow our local food movement, which she describes as "strong and healthy." She said, "I love being able to

help local producers and farmers keep doing what they love doing. The farmers that I know well and the producers that I buy from for the Co-op are like family to me. When people deliver, there are always hugs involved and just knowing these people for so long is a great feeling." She is a supporter of the cooperative movement, expressing pride in her long history of co-op employment, and describing her current position as a "dream job." Like most of us, Piper is excited to see how the Co-op grows and thrives in the coming years, saying "The city is such a diverse place to live, and with that, people need to be educated on what is available to eat from Maine. I think that PFC has the potential to grow into something even bigger for the city of Portland."



Cooperatives: Looking Back and Forward

The modern cooperative movement traces its history to the Rochdale Pioneers. Founded in England in 1844, the Rochdale Society was a consumer co-op formed to improve the economic and social standing of its members, who were tradespeople faced with diminishing prospects due to industrialization, dishonest merchandising, and other systemic problems.

While the fortunes of cooperatives have ebbed and flowed over the years, the needs of people today are not very different than those of the Pioneers. They sought economic security, education, democratic empowerment, and fairness - the same things that many of us continue to hope for and work towards today.

Co-ops are uniquely positioned to help meet these needs. They are owned and democratically-controlled by people in the community, and they work in the interest of that community. Co-ops answer to member-owners' values rather than answering to investors from far away.

The International Cooperative Alliance (ICA) has released a study called "Blueprint for a Cooperative Decade," which envisions a widespread global adoption of the cooperative model as the preferred way of doing business. As a member-owner of the Portland Food Co-op, you are helping to build this movement.

Did You Know?

Cooperatives around the world have a total of 1 billion member-owners!



The Cooperative Principles

The cooperative principles are guidelines by which co-ops put their values into practice. Based on the original Rochdale Principles, the current principles were revised in 1995 by the International Cooperative Alliance:

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members.

5. Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees and they inform the general public about the nature and benefits of cooperation.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

While focusing on members' needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.





Member-owners attended planning meetings to guide the design of the future store.



A press conference was held to announce the location of our future store.



photo by dan p wood

The Member-Owner Engagement Committee held community events to build excitement, like this movie screening at SPACE Gallery.



Board members led tours of the space under renovation.



photo by dan p wood

Outreach volunteers spread the word at the farmers market and other local events.



The Co-op hired the design-build team of Kaplan Thompson Architects and Warren Construction to lead the renovation effort.



Customer Survey Reveals Strengths, Areas for Improvement

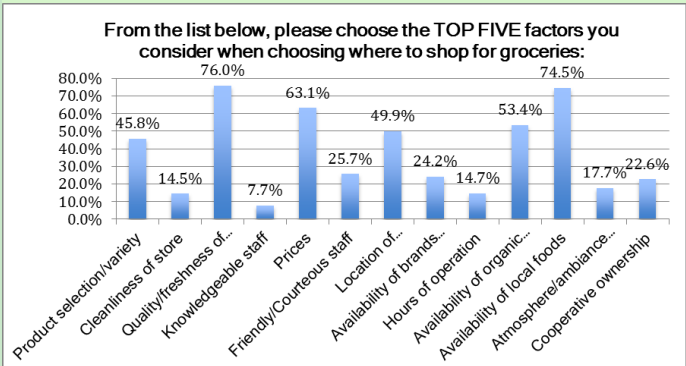
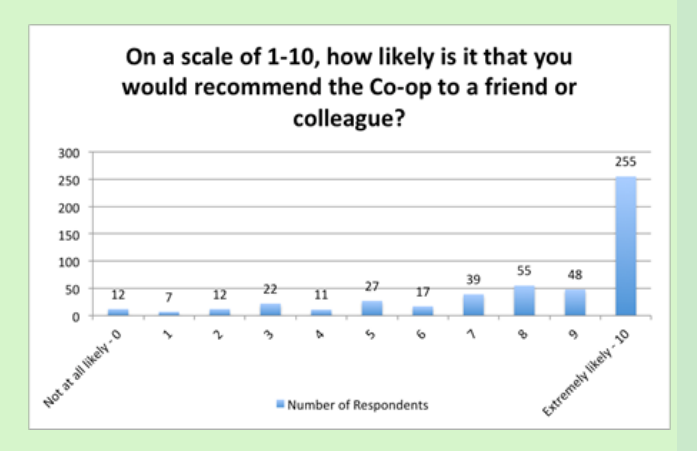
By Mary Alice Scott, Education and Outreach Coordinator

One of our most important goals is to meet the needs of our customers, member-owners, and community. To ensure that we are doing so, we need ongoing feedback from our co-op community. We solicit this feedback in a few different ways: in-store, through feedback forms by the registers, on our website, and through occasional surveys.

In February and March of 2015, we collected data from member-owners about how well we were currently serving the needs of our community. We used a range of variables to measure where we are succeeding and where we can improve. In addition to quantitative ranking data, the survey solicited qualitative data and provided an additional venue for member-owners to share specific suggestions with staff.

Overall, we found that the Co-op is doing a good job of meeting the needs of a majority of member-owners. While there is certainly room for improvement in many areas of our cooperatively owned store, we are excited to have such a strong start after less than six months of operations. Here are some excerpts from the survey.

When asked "How likely is it that you would recommend the Co-op to a friend or colleague?", over half of respondents said they were "Extremely likely" – or 10/10 to recommend the Co-op to others.



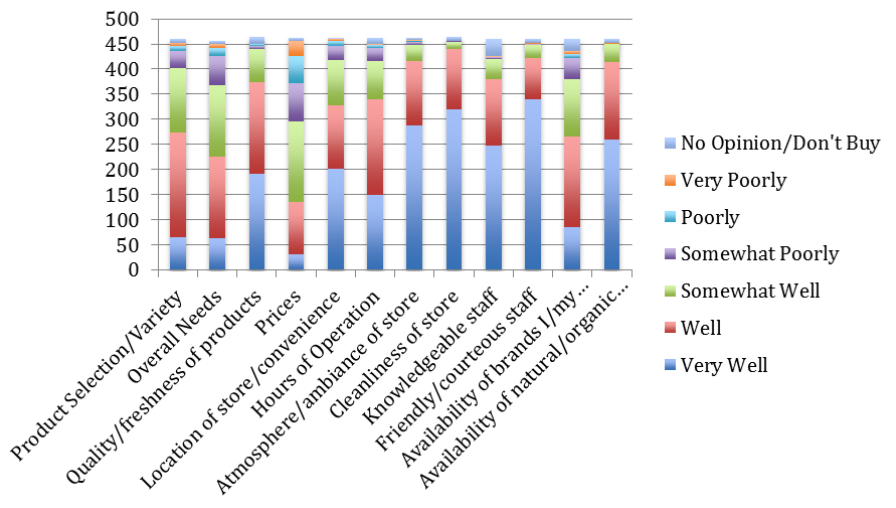
The top five factors when choosing where to shop for groceries, as selected by member-owners were: 1) Quality/freshness of products, 2) Availability of local products, 3) Prices, 4) Availability of organic products, and 5) Location of store/convenience. Following not too far behind was "Product selection/variety."

In the chart below we can see that overall, the Co-op is meeting the expectations of our member-owners, though there is room for improvement. In each category for this question, a majority of

responses fell into "Very Well, Well, or Somewhat Well."

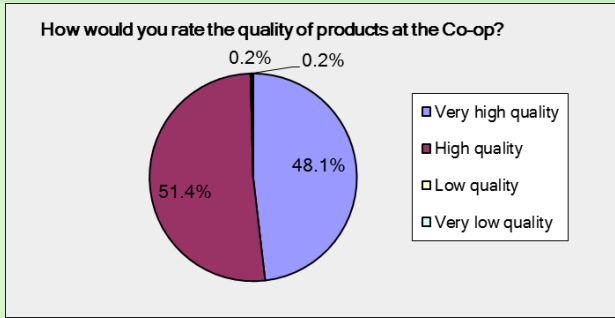
The category with the lowest rating for this question was "Prices." We are continuously working to make prices as competitive as possible. As a small, independent, start-up, it is often difficult to match the buying power of large and chain stores. We are working on an application to join the National Cooperative Grocers Association, which leverages the buying power of hundreds of cooperatively owned grocery stores across the country to attain lower prices.

Please rate how well the Co-op is meeting your needs with respect to the following store characteristics:



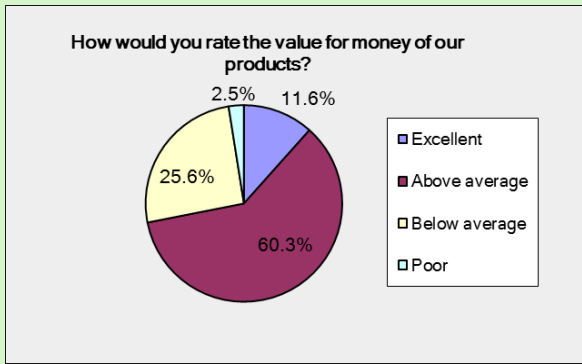
Since "Quality/freshness of products" was the top factor selected by member-owners in choosing where they choose to shop for groceries, the results shown in the chart at right were good news for the Co-op. Our department managers and buyers work very hard to find and bring in high quality products, and will continue to do so.

The chart below shows that while the ratings for value were mostly good, the Co-op is still making efforts to improve in this area by carefully examining prices in all departments and working to make prices as competitive as possible. You

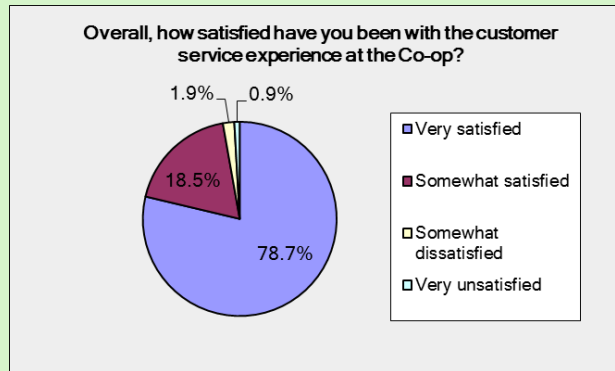


may have already noticed price reductions on many items since we opened. We are also working to ensure that we have competitively priced options for staples, and have increased monthly member-owner sales for these items. Despite the challenges, we have exceeded our monthly sales projections, and our staff are continuously looking for ways to strategically lower prices, particularly on staple items.

We were pleased to hear that nearly 80% of member-owners have been "very satisfied" by the customer service experience at the Co-op, and we will continue to work with all employees to ensure that all customers have excellent experiences in our Co-op.



One comment that we saw in this survey, and have had many discussions with Co-op community members about, is the idea of a "work shift." While most people are relieved that the Co-op does not require a work shift, others have expressed an interest in having one. The reason the Portland Food Co-op does not have a work shift option is because of federal and state labor laws. Several Co-ops in recent years have been sued because their work shift volunteers did not receive a minimum wage, and because the Co-op did not purchase workers' compensation insurance to cover each of these volunteers. For this reason, many co-ops have been moving away from work shifts. Some co-ops use work shifts entirely, and are not subject to the same laws because they are private clubs that are not open to the public. PFC hopes to continue to engage member-owners in new ways, such as volunteerism both within the Co-op and with local non-profit organizations.



One change that many people will be excited about is that we are going to be open from 9am-8pm every day, starting May 22nd. From this survey, it was clear that member-owners would like the Co-op to be open later on weekdays, and so we are making that change as soon as we can, and are hiring additional staff to accommodate these extra hours.



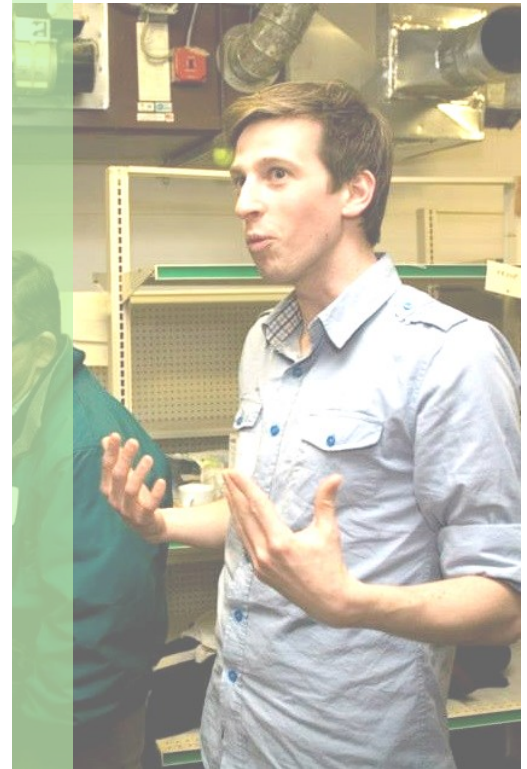
Ends: Co-op Community

Participating in a Cooperative Community - The Co-op Café: Keene, NH, March 2015

On a sunny Saturday in early March, PFC Board members Sarah Braik, Anna Kent, Gloria LaBrecque, and Chris Stacey attended a highly interactive and engaging day-long event centered around the topic of the competitive landscape facing food cooperatives across the country. These Co-op Café events are hosted by the Cooperative Development Services Consulting Co-op and National Cooperative Grocers, and represent just one way in which the Portland Food Co-op can participate actively in the wider local and national cooperative community.

This event gave PFC Board members an opportunity to tell the great start-up story that we are all still writing! Established food co-ops in New England were eager to learn how we are succeeding in a market that has stiff competition in the organic and natural foods arena. It boils down to our need to communicate very clearly how our ownership structure is different than our competitors and how we truly provide more of a local economic impact than they do, in many ways. The passion, enthusiasm and commitment that the PFC has for growing our local economy by increasing farm and producer participation in our retail operation is something that established food co-ops also had when they started out. Many realized that they have become complacent in their messaging and outreach and now have renewed energy to get back to their "roots" in reaching out to the public.

We also learned from the long-standing food co-ops that we need to demonstrate by numbers, products, people and dollars the impact that the Co-op has on the local economy. We heard notes and letters read from local producers emotionally detailing how much the business from co-ops has meant for their families and communities. These are compelling stories about how food co-ops change real people's lives and we look forward to incorporating those best practices into our own messaging.



Ends: Co-op Community

Volunteerism and Education Drive Community Engagement

Here in Maine, we have great co-ops to learn from and wonderful community organizations with which we can develop partnerships. PFC Outreach and Education Coordinator Mary Alice Scott is constantly seeking ways to build a satisfying relationship between member-owners and their co-op, and also engage the co-op with the community around us. The Member-Owner Engagement Committee helps develop and support these activities and meets every first Tuesday of the month from 5:30-7pm in the Co-op Café. All member-owners are welcome to join!

The Committee is planning some upcoming group volunteer opportunities - stay tuned for more details. These regular outings will build on our legacy of PFC work days on local farms and Portland Community Gardens, which we plan to continue.

Currently on display in the Co-op Café is the "Co-op Quilt" which was made in 1999 and travels to different co-ops around the country. It is on loan to us from Cooperative Development Services, an organization that was instrumental in helping PFC open the doors.

An important way that we engage with PFC member-owners is by soliciting feedback, engaging with customers in the store, and communicating through our website and emails. The Co-op also seeks to connect with the larger community by regularly organizing educational events on cooking, health, and wellness.



In Your Words

In the member-owner survey (see pages 9-10), we asked you to tell us "What do you like most about the Co-op?" and got a variety of wonderful answers:

"The people, the mission, the freshness all for the right reasons!"

"Local foods!"

"The benefits are for the member-owners and local farmers/producers and staff, not corporate raiders."

"Friendly, intimate, competitive pricing, location"

"The produce is higher quality and delicious. Most of all I am really happy to support an organization that cares so much about providing a thoughtful and caring shopping experience where local products abound. There is no comparison in Portland. I feel really good about the Co-op!"

"I like the local goods, beyond just produce. I don't mind paying a little more to support Maine."

"The welcoming atmosphere. The convenience because I live on Morning St. The concept of the co-op."

"It does feel like a great community space. Every time I go I seem to run into people I know and end up having nice conversations."

"Everything. Community building, supporting and respecting all people (workers, customers and suppliers), building more resilience by bolstering the local economy, learning about more local foods and value added products. I love the whole atmosphere and energy at the Co-op."



Celebration and Appreciation of the Buying Club

From 2008 until July 2014, the Co-op operated a pre-order/pick-up, warehouse-style buying club to provide access to food until a store could be opened. Originally dubbed "Food Now," the buying club offered biweekly ordering and was run on an entirely volunteer basis by dedicated member-owners. Starting first at the Munjoy Hill Neighborhood Association, then the Meg Perry Center, and later renovating and moving to a new space at 56 Hampshire Street, the buying club slowly grew to serve up to 150 member-owners each month. Many of us will always remember the anticipation of ordering, the chaos of splits, and the convivial coming together at pickup nights.

Besides benefiting member-owners, the buying club also contributed to our goal of helping to develop the local food system. In 2010, the buying club started a program called "Producer Direct" to purchase products from local farmers and vendors. Our purchases from Balfour Farm, Salt + Sea, Love KupCakes, Anne Riggs Designs, Kids Gone Raw, and many others helped these businesses to develop and expand. Local buying was always a priority, with more than half of our spending going to Maine farm products distributor (and fellow cooperative) Crown O' Maine. From 2009 to the end of the buying club, PFC bought nearly \$430,000 worth of goods from COM.

Without the buying club, the PFC would not have had the strong, committed, passionate base of member-owners from which to grow the retail store. We sincerely thank each and every one of you who sustained the buying club and helped write a wonderful chapter in our co-op's history.



Our Shared Investment :

A Primer on Patronage Dividends

When you were deciding whether to invest in the Co-op by becoming a member-owner, you may have asked what benefits you could expect. The primary benefit, of course, was opening a fantastic store dedicated to serving its member-owners and the community. Now that the store has opened, you have likely seen other benefits too, such as special member-owner sales and educational classes.

A benefit that you may have wondered about is the patronage dividend. What is it? When do we expect our co-op to be able to declare one? Who decides, and how? We hope this article will help answer these questions.

Consumer cooperatives like the Portland Food Co-op are created by member-owners as a way to serve their own economic and social ends. Member-owners invest by purchasing a common share, which helps provide start-up and operating capital for the business. A common share is the member-owner's "equity" in the co-op. Our pooled equity is a powerful shared, democratic investment in a mutually-beneficial business.

Besides member-owner equity, the capital needed to start and operate the Co-

op generally comes from two other sources: debt and earnings. Some of you may have extended a loan to the Co-op during our start-up campaign, which is an example of the Co-op's debt, while earnings are the profit that the Co-op achieves from operating the store successfully. While the Co-op's goal is not to maximize profits like most other shareholder-owned businesses, a reasonable, stable profit is necessary to grow the capital that will ensure the future of the Co-op and its services.

Earnings may be used in a variety of ways, including a patronage dividend. A patronage dividend is simply the distribution of some of the annual profits back to member-owners. The amount refunded to each member-owner is in proportion to the amount of money he or she spent at the store. Member-owners economically benefit based on their use of the co-op, rather than based on the amount of equity capital they are able to invest in the business. This is a founding principle of cooperatives and a contrast to other more familiar financial investments, such as stocks.

Patronage dividends are favored by many co-ops over other profit-sharing methods like a daily member-owner discount.

A standing discount can prematurely reduce earnings, essentially "giving away" the Co-op's profit before it is known whether and to what extent the store will be profitable in a given year. Patronage dividends also ensure that member-owners get the fullest benefit possible, unlike a fixed discount, which may under-return profits in good years.

The yearly decision of whether to declare a patronage dividend is

the responsibility of the board. When the Co-op has a profitable year, the board must consider the full financial picture and future plans of the Co-op before deciding if and how much money can be refunded. What are our strategic needs going forward? What capital needs do we foresee? Do we have long-term debt to repay? These and many other questions would be discussed by the board before making a decision.

When a patronage dividend is declared, tax laws and our by-laws require that a minimum of 20% of the dividend be directly refunded to member-owners in cash or store credit. The board may opt to retain up to 80% of the dividend as equity to sustain and grow our cooperative business - for example by adding to capital reserves, retiring debt, or expanding the organization. The Co-op is not subject to income taxes on the declared patronage dividend, so retaining part of it is a simple and cost-effective way to continue increasing our pool of equity without additional out-of-pocket costs to our member-owners. In this way, the Co-op can grow and secure its long-term future and reinvest our shared profits to keep our money working in a sustainable, equitable, and community-oriented way.

Because our retail operation is so new, it is hard to predict when the Co-op will be in a position to declare a patronage dividend. Anecdotally, other cooperatives in the northeast have seen their first dividends around five years after start-up. The strength of sales that we have seen so far is an encouraging sign that the Portland Food Co-op is headed towards a bright and strong future that will bear many benefits for our member-owners.





We did it! The grand opening ribbon cutting was held on December 10th.



People of all ages enjoyed checking out our new store.



Local producers provided samples of their delicious wares to customers.



Staff show off the huge selection of products.



Beautiful music filled the space.



The registers hummed all day, and volunteers jumped in to help out with bagging.

