



2022 annual report

people's
FOOD CO-OP



2022:

the year of
recovering
our **Capacity**

*by Charlotte Clement,
Collective Manager & Board Officer*

Capacity, capacity, capacity. If only I had a quarter for everytime I heard someone say 'capacity.' I truly think it's the People's Food Co-op word of 2022 and for good reason: our Co-op experienced a wealth of internal growth, and the benefits are blooming.

In early 2022 we immediately grew capacity by investing in our staff and Board of Directors. Because of the pandemic, much of our staff either reduced hours or moved on from the co-op, leaving collective manager roles vacant. Thankfully, at the turn of the new year we were in the process of hiring and training five talented individuals into the roles of Bulk Co-Buyer, Marketing & Membership Manager, Farmers' Market Coordinator, and Co-Personnel Managers. This brought new and eager energy to our team, which, at the time, was exhausted by managing a small business during a global pandemic. Our Board experienced significant growth, too. After years of operating with several vacant seats, the Board became a full group of nine diverse, compassionate individuals. Having a strong collective management and board meant we were able to tackle bigger projects and engage thoughtfully in our growing community.

The biggest project our increased capacity allowed us to finally tackle was renovating the store, after seven years of planning. We closed for just over a week in the summertime to paint our walls, install new shelving, replace our floors, and give the store an overall refresh. Strategically replacing our shelving supported our Buyers Team in improving and expanding our product selection, and in prioritizing buying from local businesses.

Alongside shifts in the pandemic, our increased capacity also allowed us to host in-person community events again. To celebrate our big renovation we held our Grand Reopening Street Fair in September, which featured a BIPOC Craft Fair, talented young musicians through Friends of Noise, food, and dancing with DJ Anjali and The Kid. Throughout the year we also held multiple celebratory farmers' markets and increased the number of market booths significantly. The Board also launched its new community engagement project, The Board Book Club, by hosting co-op scholar Jon Steinman, who challenged and encouraged us to grow our co-op creatively.



We got to engage with our community and like-minded organizations around the country in other exciting ways, too. We were one of the first stores to participate in the Amy's Kitchen Boycott, and our viral social media post led us to be able to engage with other co-ops around the nation about the importance of standing in solidarity with Amy's Kitchen workers. We also got the exciting opportunity to partner with Fairtrade America to educate consumers on the importance of choosing fairtrade products. Thanks to Fairtrade America and their *Choose Fairtrade* mural campaign, our Co-op is one of nine grocers around the country that feature a fair-trade farmer mural. The north side of our building is now adorned with the smile of Ghanaian cocoa farmer and activist Deborah Osei-Mensah, painted by local muralist Alex Chiu.

The biggest challenges of 2022 were the impacts of COVID-19 and inflation, which made it difficult to keep shelves stocked with affordable products and to remain a safe center for the community. Fortunately, our Collective Management had the resiliency and capacity to tackle these big challenges. We are so grateful for our staff, Hands-on Owners, Board members, Member-Owners, shoppers, and collaborators, who have all contributed to the Co-op's success and increased capacity in various ways. However, there is still a lot of work to do. One of our biggest challenges is increasing sales to reach pre-pandemic levels, and this feat will require the support of our entire community.

¹After publishing this Instagram post, representatives of the Food Empowerment Project and Veggie Mijas got in touch and clarified that they called for the boycott, not the Amy's Kitchen workers themselves.

We ask our Member-Owners and shoppers to choose to shop at People's first. Please spread the word of the Co-op and Farmers' Market to your friends, family, and neighbors. And please consider getting involved in the Co-op by voting, running for the Board, giving us feedback, and of course, shopping here as much as you can. Thank you for helping us build capacity, resiliency, and community.



Local muralist Alex Chiu with our Marketing team. Photo by Padraic O'Meara.



Thanks for doing the dirty work, James!



When you get the opportunity to ride thru an empty co-op, take it!



Painting is always a blast!



Kate the service dog was very helpful



2022 summer store renovation



Tired & wired from a long night of shelf assembly

2022

Finance Report

by Rachel Markley, Finance Coordinator, Amina Rahman, outgoing External Development Manager & Zahra Salim, incoming External Development Manager

2022 was our third year of co-op operations significantly impacted by the COVID-19 global pandemic. The Collective Management set a conservative budget for 2022 in the winter of 2021, as a lot was still unknown about how the landscape would shift. As the year passed, the pandemic landscape began to change and relax around us, and the Collective Management worked on investing co-op resources towards long-term financial health. The store was closed for 9 days in the summer to allow for renovation work and re-sets. We also saw the return of some in-person events. Climate catastrophe continued to worsen, impacting our vendors and growers and our year-round Farmers' Market. Supply chain issues – including long-term out-of-stocks and shipping delays – impacted our biggest distributors.

We also saw historic rates of food and other cost inflation. Our staff worked hard to keep up with the frequent price increases from our vendors, with some products going up in price several times in the same quarter. Our gross margin felt the impact: we did 35.49% compared to our goal of 36.5%. On the sales end of things, we saw 7.51% growth compared to 2021, despite the store being closed for over a week in August for the remodel. Like many co-ops in the country, food inflation did not lead to equivalent sales growth, though national grocery sales saw a growth of 9.2%.

Our labor costs were nearly two percentage points less than budgeted for the year, due to both efficiencies and long-term unfilled positions, particularly during our busiest fourth quarter. 2022 marks the second year we'll be using money received through the Paycheck Protection Program (PPP) to offset labor expenses. We had anticipated to use \$100,000 of PPP money and \$50,656 of our retained earnings to end the year with a net loss of \$150,655, but ended the year with a net loss of only \$66,070 – all of which comes from the PPP money and none from retained earnings. We continue to think strategically about how to adapt our operations to offset increased expenses and cost of living for workers and shifting customer needs.

All considered, People's has fared well as we weathered the dramatic changes of the world and grocery landscape of 2022. 2023 will mark the last year that we will offset our labor expenses with the Paycheck Protection Program money. This financial cushion will continue to support us as we navigate the challenges of this year.

On the following pages, the Profit & Loss table shows the Co-op's operating income and expenses incurred in 2022. The Balance Sheet is an end-of-year snapshot of the Co-op's assets (what we own), liabilities (what we owe), and equity (what we have invested).

in 2022 we...

- **sold**
3,624 LB
of fresh ground peanut butter
- **distributed**
\$53,095
of Double Up Food Bucks at the Farmers' Market
- **raised wages by**
\$2/hour
- **raised**
\$11,810
for our Pay It Forward Membership Fund*

**learn more at
peoples.coop/pifmembership*



Profit & Loss

| | | 2022 | 2021 |
|------------------------|--------------------|------------------|------------------|
| income | Sales | \$4,535,278 | \$4,219,722 |
| | Other Income | \$48,311 | \$279,365 |
| expenses | Cost of Goods | \$2,925,506 | \$2,674,121 |
| | Labor | \$1,250,061 | \$1,157,258 |
| | Operating Expenses | \$474,092 | \$463,032 |
| | Income Taxes | -\$11,811 | -\$10,687 |
| Net Profit/Loss | | -\$54,259 | \$215,633 |



Balance Sheet

| Assets | 2022 | 2021 |
|---|--------------------|--------------------|
| Cash | \$1,342,345 | \$1,354,328 |
| Inventory | \$218,453 | \$229,714 |
| Other Current Assets | \$107,977 | \$16,159 |
| Equipment | \$446,132 | \$427,619 |
| Land & Building | \$975,032 | \$939,414 |
| Accumulated Depreciation | -\$858,927 | -\$807,554 |
| Other Assets | \$83,946 | \$121,881 |
| Total Assets | \$2,314,958 | \$2,281,561 |
| Liabilities | 2022 | 2021 |
| Accounts Payable | \$121,800 | \$94,302 |
| Patronage Dividends Payable | \$53,222 | \$54,279 |
| Other Current Liabilities | \$103,783 | \$84,437 |
| Long-Term Liabilities | \$0 | \$0 |
| Total Liabilities | \$278,805 | \$233,018 |
| Equity | 2022 | 2021 |
| PeopleShares (Member-Owner Equity) | \$1,229,748 | \$1,187,880 |
| Retained Patronage Dividends | \$500,736 | \$500,736 |
| Earnings from Current Year | -\$54,259 | \$215,633 |
| Patronage Dividends Payable from Previous Year | \$0 | \$0 |
| Retained Earnings | \$359,928 | \$144,294 |
| Total Equity | \$2,036,153 | \$2,048,543 |



the living wage question

by People's Living Wage Working Group

We sometimes get inquiries from Member-Owners and customers about the rate of pay at the Co-op, and whether People's workers are paid a living wage. In addition, we, as both Collective Managers and employees, have become concerned that People's current wage scale does not meet the needs of its workers or the needs of the Co-op as an enterprise. At the same time, we are constrained by the mandate to operate a financially responsible business which does not create an unsustainable wage structure, given the level of sales possible with our current store. The purpose of this report is to answer some of these questions for Member-Owners, and to share information regarding our dilemmas and concerns regarding the living wage question.

What is a living wage?

A living wage is the theoretical amount of income required for individuals or households to be able to afford adequate shelter, food and other necessities.

There are different ways to calculate a living wage, and, for the purpose of this report, we are using the 2023 living wages calculator for Multnomah County presented by MIT. The additional background information regarding historical living wage calculations in the Portland area is provided by Multnomah County Living Wage Calculator, archived data.

The amount that constitutes a living wage is different for single individuals, households with multiple incomes, households with dependent children, and single individuals with dependents; but for simplicity, in this report, we will refer to the living wage calculated for a single person with no dependents.

For a single person with no dependents, living in Multnomah County in 2023, a living wage is currently calculated to be \$21.85/hour.

Although all workers at People's are paid by hourly wage, rather than by salary, it may be helpful to understand that for a full-time schedule of 35 hours per week, this amounts to yearly gross pay of \$39,767.

It's also important to note that for families with children, the amount considered to be a living wage is higher, calculated at \$39.70/hour. For single households with one dependent child, the calculated living wage is: \$40.94/hour. These factors can make employment at People's very difficult for people who have, or who want to have, children; they make it nearly impossible for anyone who is a single parent or solo care provider to be able to work at People's.

Do we currently pay a living wage to workers?

Our current starting wage is \$17.68, which is roughly \$4/hour less than Multnomah County's living wage of \$21.85.

Currently, only 5 out of our 33 workers are paid at an hourly rate at or above living wage, due to their longer tenure at People's.¹ This means that 28 workers – all of the employees who have been at People's for less than seven years – are not currently paid a living wage.

The last time People's paid what was considered a living wage (as starting pay for a single person with no dependents) was 2019. At that time we paid \$14.75 as a starting wage, with Multnomah County living wage calculated just a bit lower, at \$14.59.

¹We pay all of our full time workers – who are all Collective Managers – according to the same wage scale, which includes raises on a yearly basis. So all full-time workers with the same tenure receive the same wage, no matter what their particular position is. Substitute (part-time) staff are paid according to the same scale, so they also start at \$17.68, but their wage varies because they accrue tenure more slowly, as they don't work regular schedules.

| Year | People's Starting Pay | Living Wage <i>(single person, no dependents)</i> |
|-------------|-----------------------|--|
| 2012 | \$12.58 | \$9.52 |
| 2015 | \$12.58 | \$11.25 |
| 2016 | \$13 | \$11.42 |
| 2019 | \$14.75 | \$14.59 |
| 2020 | \$15 | \$15.16 |
| 2021 | \$16 | \$18.86 |
| 2022 | \$17 | \$21.60 |
| 2023 | \$17.68 | \$21.85 |

What is People's history with payment of a living wage?

Looking back, People's has traditionally paid workers well for our industry. Going back 10 years, in 2012 we paid a starting wage of \$12.58. That's \$3.16 higher than what the living wage was calculated to be at the time – \$9.42 for a single person with no dependents.

In the table above, you can see how People's pay scale has changed over time and has not kept up with the living wage (we've skipped several years for clarity). In years before 2020, workers would start out with a pay rate that was several dollars higher than the calculated living wage at the time. In 2020, workers at People's would reach living wage within their first year of employment.

But since 2020, the rising cost of living has made it impossible for People's Collective Management to continue to pay a living wage while also holding to the commitment to keep the co-op sustainable and profitable.

In 2020, our starting wage was \$15, just 16 cents lower than the calculated living wage at the time. Then, in 2021, when the living wage went up with the cost of living to \$18.86, our starting wage at People's remained at \$15. In 2021, the Collective Management worked hard to calculate and im-

plement a wage adjustment, raising starting wages to \$17/hour while making sure to offset this by careful sales projections. This decision by the Collective Management enabled many of our current newer staff and collective managers to apply and accept positions at People's, which would have been much less feasible at a starting rate of \$15/hour. However, in this same year, the cost of living went up again, and the living wage was re-calculated to \$21.60, which put Co-op wages behind once again.

In late 2022, the Collective Management agreed to a Cost of Living Adjustment (COLA) for 2023, as per our wages policy. This adjustment helped to offset some amount of inflation, but did not bring us significantly closer to a living wage.

It should also be noted that the Collective Management has continued to prioritize fringe benefits, including health insurance, which matches or surpasses that of our competitors and many employers in other fields.

What do our policies say about a Living Wage?

In 2010, People's Collective Management created our current Living Wage Policy, that includes the following text:

People's is committed to providing a living-wage to all staff. In 2007 we implemented our full living-wage and benefits package. Staffing expenses comprise the highest cost to the co-op after the cost of goods. The natural foods industry is a highly competitive market with a slim profit margin; because of this, strict monitoring of labor benchmarks is an important part of maintaining a sustainable benefits package for staff while ensuring a healthy business. In addition, the CM may revise the Living Wage Policy on an annual basis in order to balance the dual priorities of fairly compensating our staff and maintaining healthy financial standing.

Who Makes How Much, When?

- A. The wage scale shall be the same for all staff, regardless of number of dependents.*
- B. All full-time and co-management staff shall be paid at least a living wage for a single person by their 1-year anniversary.*
- C. All staff shall be paid a starting wage that is no less than 90% of a living wage for a single person.*

Also relevant, in a general sense, are People's Ends, which describe the co-op as "A passionate community working together for sustainability, progressive land and animal stewardship, human rights, social and economic justice."

Why don't we pay a living wage right now at People's?

The financial challenge of paying a living wage to workers is not unique to People's; the sudden, sharp increases in the cost of living, as well as rapid increases to the cost of grocery goods, affects co-ops and other grocery stores across the industry. At People's, we have been working diligently to make sure our wages are comparable to those of other grocery stores in our region – which have fallen well below current living wage standards in recent years.

As Collective Managers, we have conflicting policies that require us to balance the commitment to pay workers a living wage and the directive to ensure that the Co-op is profitable and sustainable. During these challenging years of the pandemic we have prioritized the sustainability and profitability of the Co-op out of necessity.

However, at a time when the cost of living for workers is skyrocketing due to inflation and high housing costs, continuing to pay People's workers less than a living wage is proving unsustainable over the long-term.

What are some impacts of not paying a living wage?

The effects of failing to pay a living wage extend beyond the individuals who comprise our staff. Wage deficiency also impacts the well-being and sustainability of the Co-op itself.

The serious impacts of paying most Collective Managers and staff a less than living wage include:

- High turnover
- Difficulty in recruitment and retention
- Loss of institutional knowledge
- Loss of experienced and skilled workers
- Some Collective Managers and staff require second jobs to meet basic needs, impacting their availability and energy for People's
- Absence or limited presence of workers who support families
- Negative impact on workers who are caring for dependents



“As Collective Managers, we have conflicting policies that require us to balance the commitment to pay workers a living wage and the directive to ensure that the co-op is profitable and sustainable.”

- Difficulty in meeting goals of creating and sustaining an inclusive and diverse workforce when wages paid are not able to keep up with the cost of living.

What's the gap cost in dollars?

In a recent calculation, we have estimated that the deficit in the labor budget for one year (strictly in terms of dollars) that prevents People's Food Co-op from paying all workers a living wage is approximately \$200,000. This figure may not include all associated costs of raising wages for all People's workers.

What is the impact on Co-op staff?

Looking strictly at dollars in our annual labor budget, we can assume that this budget gap of \$200,000 is currently being borne by the 33 Co-op staff (presently 21 Collective Managers and 12 substitute staff). This same number of \$200,000, when spread across 33 workers amounts to an average of \$6,060 per worker. This is the financial impact of the wage gap on workers at the Co-op.

How can we get People's workers back to a living wage?

This is the challenging question we, as a community, are presented with. Until now, the approach of the Collective Management in addressing this living wage gap has been to work as hard and as strategically as possible to increase sales, to try to keep the sales-per-labor-hour within an optimal range, and to continue to improve the profit margin of the Co-op so that we can then responsibly raise worker wages.

However, with current high rates of inflation and costs of housing in Multnomah County, we are realizing that it is not possible to raise pay to a living wage for all workers using this traditional equation, at least not with the size of our current location. While the cost of living has drastically increased, we are not able, given the physical reality of our store, to increase profits to match those increases. In other words, the numbers simply don't work, in our current location, for the foreseeable future.

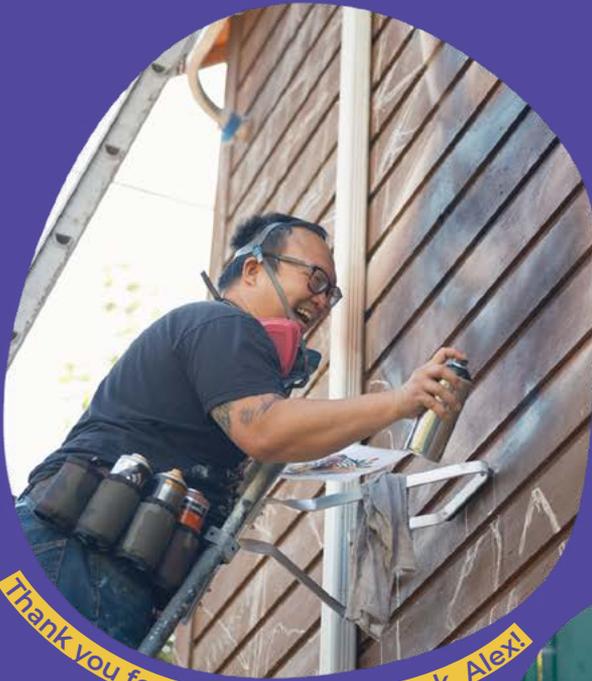


For this reason, we need to think outside the box in order to bring the wage scale at People's back towards a level that is sustainable over the long term for the Collective Management, staff, and for the well-being of the Co-op itself. This means thinking creatively to develop a plan to bring workers back to a living wage.

We hope that Member-Owners will help us think through these questions, and we welcome support from Member-Owners in helping to bring People's Food Co-op back into alignment with our values of paying all workers fairly, and with our policy that makes a commitment to pay all workers a living wage.

We look forward to discussion with you at the Annual Meeting and in conversations beyond.

People's Living Wage Working Group emerged from a series of Worker Well-Being Conversations with the Collective Management (CM) in late 2022 and early 2023, and convened recently at our CM Confluence in May, 2023. At this gathering, we made a commitment to identify the challenges that currently prevent the Co-op from paying a living wage to all workers, and to generate discussion among collective managers and member-owners about what might be done to reduce the financial burden of this on workers and the CM who staff the Co-op.



Thank you for your incredible work, Alex!



thank you,
Fairtrade
America!

our

fair
trade
mural!



The news came by more than once to get the scoop!

Co-Manager Charlotte introduces our mural at big unveiling!



Photos by Padraic O'Meara

2022

Patronage Letter

The patronage dividend is a common model among cooperatively owned businesses. In years when People's has a taxable net income, the cooperative can issue patronage dividends to the Member-Owners (you!). The dividend is allocated and paid proportionally based on the individual purchases of each owner. In other words, the more an owner spends at People's, the larger their dividend. With the advice of the Co-op's finance team, the Board ultimately decides whether or not to issue a patronage dividend.

Unfortunately, People's did not earn a taxable net profit in fiscal year 2022.

Because People's operated at a loss in 2022, the Board is unable to allocate a patronage dividend.

If the Cooperative does not have a net profit for the fiscal year, the Board cannot allocate a percentage of that net profit. The past few years have been difficult for the grocery business. In Portland, we saw the closure of Green Zebra, a small locally owned grocery store with three locations, and the closure of our sister food cooperative, Food Front. Fortunately, People's is on solid ground financially. Our financial team closely monitors our profits and losses and reports to the Board on the financial affairs four times a year. We, as a Board, are confident that People's is viable on a long-term basis. We hope that we can allocate patronage dividends in the next year or two.

~ People's Board of Directors

we hope to see you at the

2023 Annual Meeting of Member-Owners

***Tuesday,
August 29th
6:45-9:15p
on Zoom***

Join us for an in-depth discussion of our 2022 finances, highlights from our Board of Directors, and to hear from the Living Wage Working Group about their work and ideas!

Plus, save the dates for these fun community events!

***Wednesday,
August 23rd
(time TBA)***

**People's Pedalpalooza
Market Ride**

***Friday,
August 25th
(time TBA)***

**Community Happy
Hour in the Courtyard**

***Sunday,
August 27th
(time TBA)***

**Morning Yoga &
Pastries in the
Courtyard**



people's
FOOD CO-OP