

A group of people, including men and women of various ages, are gathered in a large greenhouse. They are looking at several long tables covered with black trays of young green plants (seedlings). The greenhouse has a high, arched ceiling with a translucent covering and a dark mesh shade cloth hanging from the top. The people are dressed in casual attire, including jackets and sweaters. One man in a yellow jacket is taking a photo with a camera. The overall atmosphere is educational and focused on agriculture.

2012 ANNUAL REPORT

people's
FOOD CO-OP

A LETTER FROM YOUR BOARD OF DIRECTORS

It is a true joy to be able to address People's beloved Member-Ownership and to report all the wonderful work your co-op has accomplished over the past year. Because of People's Ends, your "little" co-op had a very big impact on the local economy, the environment, and community in 2012. The dedication of your co-op's staff and Board of Directors to doing the work that supports our Ends is truly something to celebrate.

We are happy to report that despite slower sales growth, largely due to external factors, your co-op—People's—is financially stable and continuing to grow. Hooray!

The Collective Management and the Board of Directors of your co-op know very well there are lots of ways to measure growth and stability beyond financial health. People's Ends, in short, are these other means by which we measure your co-op's health and vigor. In 2012, the Collective Management reported solid progress in reducing our impact on the natural environment, increasing our support of burgeoning local and cooperative economies, improving food access, fostering animal and land stewardship, and strengthening the co-op's democratic workplace. The work that the People's staff does every day supports your co-op's Ends, and every time you shop or invest in People's, you support them, too. Thank You.

In 2012, your Board of Directors also continued to evolve, growing into our roles and learning the art of servant-leadership, the leadership philosophy that weighs your input—People's Member-Owners—as heavily as our own. We have identified three themes that will support the work we do on behalf of People's Member-Owners and allow us to make the best and most informed decisions possible. We are striving to further educate ourselves on Collective Wealth and how to grow it, better understand our local Northwest Food Systems, and explore Deep Democracy. We have rich conversations around these themes to cultivate our understanding so that we can make effective decisions that you, People's Member-Owners, can support. It is challenging, rewarding, and enriching work.

Please take the time to read the 2012 Annual Report. We think you will find it to be an inspiring reminder that you are a co-owner of a very big "little" co-op. Your support—from the simple act of shopping, to investing in your Peopleshare, to communicating your thoughts to the Board of Directors and staff—fosters and supports all the good work you see reported here. And that should make you feel proud and hopeful for the future. In the coming year, with your continued loyalty and support, People's will continue to strive towards fulfilling our Ends, and support our local and wider communities.

—Board of Directors' President, Joel Brock

OUR ENDS STATEMENT

"People's is a passionate community working together for sustainability, progressive land and animal stewardship, human rights, social and economic justice.

thriving cooperative and local economies
a safe, welcoming community where all are valued
a democratic workplace where all workers' voices are valued
access to healthful foods our customers can trust."



Member-Owner instant photos were a big hit during our 2012 Co-op Month!

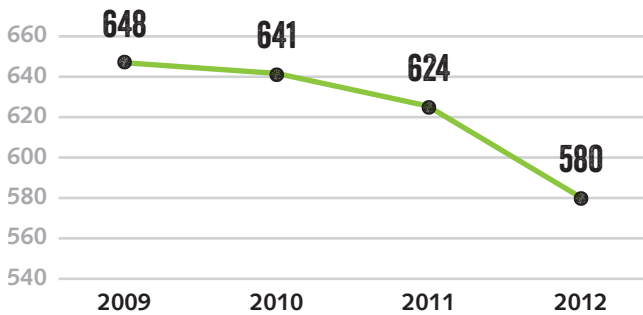
2013 MEMBERSHIP & INVESTMENT

In our fast-paced and sometimes chaotic world, it is all too easy to lose sight of the differences that make some things special and unique. The Annual Report you hold in your hands is an opportunity for you to remember that as a Member-Owner of People's, your investment is special and is the cornerstone of what makes your co-op unique. Community ownership gives People's the flexibility to be self-determining, independent, and move in directions determined by you, People's Member-Owners.

No matter what you love about People's—its unwavering commitment to wholesome, quality foods; its dedication to supporting and growing our local economy; its incorporation and expansion of green building techniques; its free and low-cost community events and classes; its empowered staff; or its charitable contributions to like-minded community organizations—all of this is possible because Member-Owners like you invested in a PeopleShare. You own all of this uniqueness. People's is a special place, and it's unique because you continue to invest in it.

In 2012, like the past few years, your co-op continued to see a decrease in the net number of new Member-Owners investing in a PeopleShare. This number has been on a downward trend since 2009, and in 2012, more Member-Owners refunded their PeopleShare than in any year previous.

NET NEW MEMBER-OWNERS*



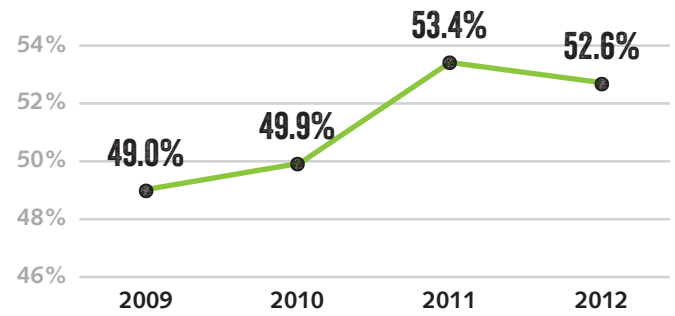
*Net New Member-Owners: Total New Member-Owners minus Total PeopleShare refunds.

The Collective Management is working on addressing this challenge through clarifying our message about the value of investing in People's and the importance of community-ownership, as well as expanding our efforts to curtail PeopleShare refunds.

In 2012, your co-op saw a very slight decrease in the percentage of Member-Owners whose PeopleShare entered "On-Hold" status. Effectively, On-Hold status deactivates a Member-Owner's benefits (dividend accrual, access to free movement classes and People's direct mails, voting eligibility in Annual elections, etc), but never "cancels" a Member-Owner's PeopleShare. Investments keep your co-op strong, and benefits are just one way of giving thanks for that.

Towards the end of 2012, we launched new, streamlined strategies for communicating with those Member-Owners approaching On-Hold Status, including incentives for re-investing. We hope that our "renewed" efforts will keep the trend moving downward.

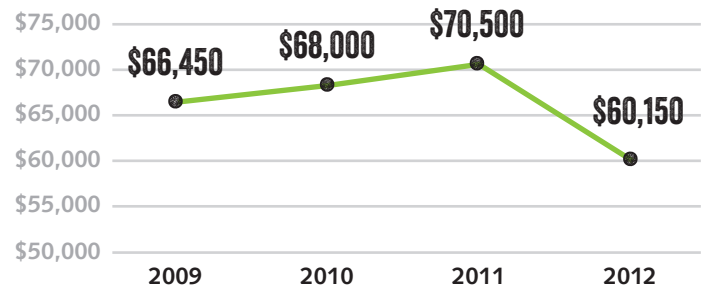
MEMBER-OWNERS WITH ON-HOLD* STATUS



*On-Hold Status: When a PeopleShare lapses into On-Hold Status, it means that (1) a Member-Owner has not yet attained the full PeopleShare investment of \$180, and (2) the Member-Owner has not contributed \$30 or more towards their PeopleShare in over a year.

Despite the most successful Co-op Month in People's history, with 151 new Member-Owners investing, and over \$16,700 invested in one month, the 2012 total for Member-Owner Equity marked a significant decrease from 2011 levels, dropping by \$10,350, or -14.7%.

NEW MEMBER-OWNER EQUITY* (NET)



*New Member-Owner Equity is the amount of money that People's Member-Owners invest in the co-op each year.

SUMMARY

The 2012 Membership and Investment numbers present all of us—Member-Owners, Collective Management and Board of Directors—with some questions to ponder. Let all of us view these numbers not as problems or a harbinger of things to come, but as challenges that we must act upon with a renewed sense of purpose, determination, and cooperation.

Organizationally, your Co-Managers are working on refining and simplifying our investment message, as well as improving access, options, and incentives for those in the community who would like to invest or reinvest. The Board of Directors is working on growing and enhancing community engagement with Member-Owners. For your part, encouraging your friends and family to invest in People's and continuing to support your co-op are the most powerful ways you can help your co-op thrive.

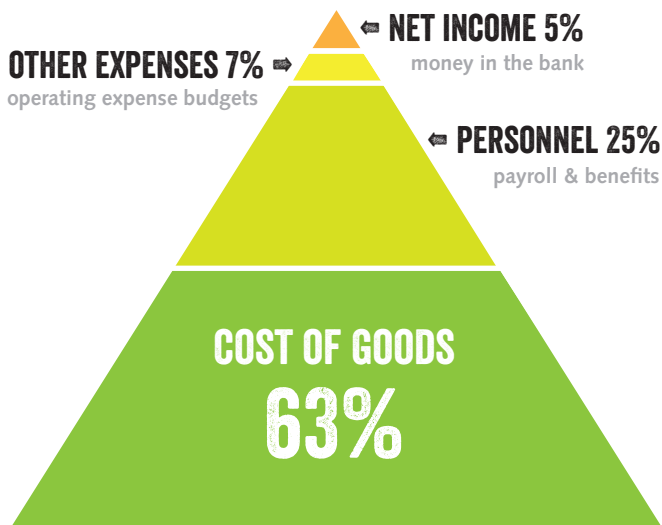


FINANCIAL SUSTAINABILITY

Your co-op's purpose is to do good things for community, as guided by People's' Ends. One of those Ends is sustainability, and one aspect of that is financial sustainability. The "old fashioned" bottom line is still crucially important in supporting the co-op in our quest for seeing our Ends come to fruition.

The ingredients for financial sustainability include vision, passion, solid operating skill and performance. Another key ingredient is an outlook of abundance and generosity. Fortunately, we seem to have a delicious balance of all of these. People's financial bottom line has been excellent in recent years, and our balance sheet is strong. This means we are well positioned should we encounter bumpy roads or need additional financial resources. As we continue to engage in dialogue about the evolution of People's, it is heartening to know we have the financial resources to support future movement.

DISTRIBUTION OF INCOME



WHERE YOUR MONEY GOES

Transparency and trust are at the heart of the cooperative model. When you shop at People's, you can rest assured that you hard-earned dollars will go right back into your community. The Collective Management at Peoples works hard, crunching numbers, to keep costs down and prices affordable.

THE BALANCE SHEET

The balance sheet is a key financial indicator regarding the health of a business. Our assets represent the sum of our equity and liabilities. In recent years, the co-op's liabilities (what we owe) have been shrinking, while our equity (what we own) has been growing. That's a good thing! By paying off debts and increasing our capital, we are poised to spring into action if and when an opportunity presents itself, as well as weather any economic turbulence.

2012 ASSETS

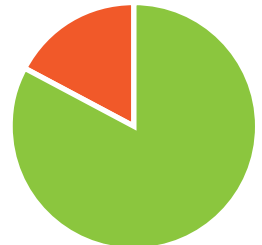
Cash	\$639,953
Inventory	\$166,104
Equipment	\$250,517
Land & Building	\$874,714
Accumulated Depreciation	– \$372,698
Other Assets	\$110,845
TOTAL ASSETS	\$1,669,435

2012 LIABILITIES

Accounts Payables	\$96,286
Patronage Dividends Payable	\$95,813
Other Current Liabilities	\$92,343
Long-Term Liabilities	\$0
TOTAL LIABILITIES	\$284,442

2012 EQUITY

Peopleshares (Member Equity)	\$698,694
Retained Patronage Dividends	\$421,591
Current Earnings	\$214,468
Retained Earnings	\$50,238
TOTAL EQUITY	\$1,384,992



2012



2011

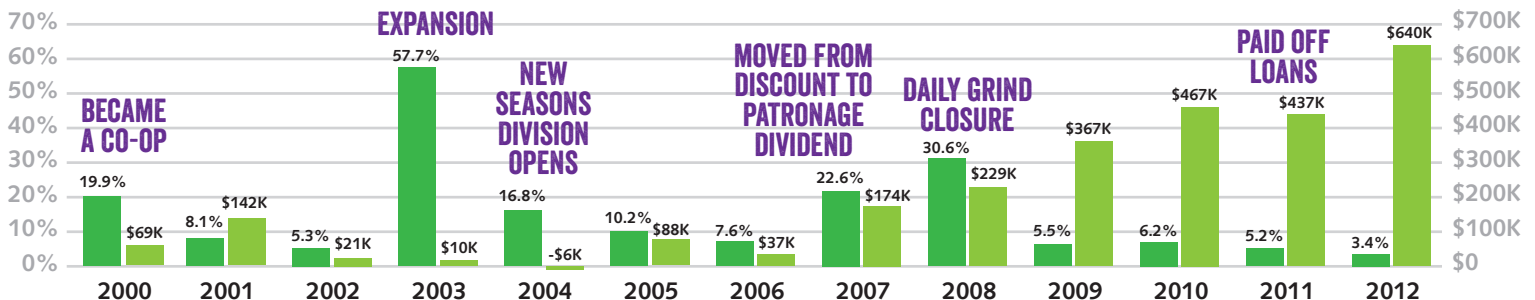


2010



2009

SALES GROWTH + CASH ON HAND



SALES GROWTH + CASH ON HAND

Sales in 2012 were 3.4% above the previous year, our lowest growth since 1998. One factor is that we have high sales for the size of our store, making sales growth less likely. Other food co-ops—especially those in NCGA's Western Corridor—generally saw lower sales growth, although People's' was among the lowest. We are looking at this closely and hoping to see a turnaround. In spite of low sales growth, we are growing our collective wealth to the tune of \$631,653 in the bank, thanks to a record 5.4% net income.

DEMOCRATIC MANAGEMENT

People's hums along everyday with the work, contributions and service of the Collective Management, Relief Staff, Hands On Owners and the Board of Directors. Happily, 2012 showed once again that People's continues to be a great place to work and contribute.

WAGES & BENEFITS

Your co-op's Collective Management and Relief Staff are well-paid, outshining grocery industry averages. We are seeking out ways to improve, of course, by researching a retirement program, solidifying a sustainable living wage structure, and examining ways to increase benefits for Relief Staff.

	People's Food Co-op	NCGA Food Co-ops	Conventional Grocery Stores
Avg. Earnings Per Hour	\$16.61	\$14.31	\$13.35
Full-Time Employees Eligible for Health Benefits	100%	68%	56%
% of Premium Paid By Employer	100%	80%+	Data Not Available

People's continues to be a leader in the industry for benefits and wages.

According to internal surveys, overall, your co-op's Staff feel that their voices are valued, they are empowered in their roles, they are comfortable, and their participation is valued.

LONGEVITY AND TURNOVER

According to a 2010-2011 Cooperative Grocers Network (CGN) survey of 24 food co-ops, average yearly turnover is 30%. Additionally, according to the Bureau of Labor Statistics, in 2012, average longevity in the retail sector was 3.3 years.

	2009	2010	2011	2012
CM Rate of Turnover	10%	32%	17%	13%
Avg. CM Longevity (in years)	4.1	3.9	4.2	4.6

These numbers show that the working environment at your co-op is inviting and fun while providing continuing opportunities for worker growth.



Shawn Furst, People's Development Manager, speaking at the 2012 Annual Meeting of Member-Owners

PEOPLE'S HANDS ON OWNERS

Over 100 of People's Member-Owners contributed to your co-op as Hands On Owners (HOOs) in 2012. Our HOOs help the co-op in a multitude of ways and People's could not function without their contributions!



Hands On Owners enjoy a delicious meal at the Annual HOO dinner in the community room.

NEW STRUCTURE

In 2012, the Collective Management launched a reorganized staff structure. The goals of the restructure are to facilitate greater equity, increase worker participation, and create mutual support systems, as well as improve the transparency and efficiency of working groups and teams. The Collective Management continues to refine the reorganization in order to foster trust, equity, and strengthen collaborative leadership. These are the skills necessary for People's to continue to grow, innovate and lead.

COOPERATIVE ECONOMY

In 2012, your co-op worked hard to grow local cooperatives. Portland's newest startup food co-op, Montavilla Co-op, made huge strides in collecting equity and membership. People's donated \$1,400 to their efforts, and will contribute again in 2013. We also endeavored to keep you connected to Montavilla's efforts through newsletters and event tabling. Of course, People's Co-Managers offered operational help however possible. To learn more about Montavilla Co-op visit: www.montavilla.coop.

In 2012, we re-booted People's-sponsored, quarterly "How to Start a Co-op" workshops. This time around, experts from the Northwest Cooperative Development Center educated attendees about the process and hard work required to start a cooperative enterprise. These workshops attracted 62 participants curious about starting a variety of consumer, worker, and producer-owned co-ops. We're continuing these workshops in 2013, and predict even higher attendance as the word spreads.

As always, in 2012 People's Collective Management lent their support to startup and established co-ops. We assisted these co-ops with their staff policies, technical systems, finances, and management/board relations. This work is very rewarding for the co-op's Co-Managers, and it contributes to the health of our cooperative economy.

THE ENVIRONMENT

Your co-op continued to make strides in improving environmental sustainability efforts in 2012. While there is still work to be done to lessen our environmental impact, 2012 was, overall, a good year.

GREYWATER INSTALLATION

People's installed a new greywater system in 2012 to collect wastewater from sinks and hold it in an underground tank. This water is then used for flushing toilets, and in the future, irrigating gardens. The system is still being tweaked to maximize its efficiency—soon, water from our dishwashing systems will contribute to the system. Currently in the final stages before going fully operational, the new grey water system is a huge achievement.



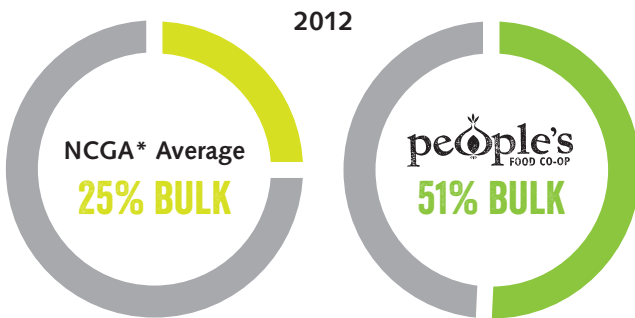
Follow the purple greywater piping to the co-op's restroom, where it deposits waste water to be reused in our toilets.

While the installation of new lighting slightly increased electric usage in 2012, training staff to efficiently use the HVAC system in all seasons sharply decreased gas usage. Moving from halogen to LED light bulbs should lessen electric use in 2013.

SALES OF BULK GOODS

People's continues to sell double the percentage of package-free bulk goods than the average NCGA member cooperative. Our bulk offerings are comprehensive, from "traditional" bulk offerings like grains, oils, and herbs, to less common offerings like sauerkrauts, hummus, and frozen berries and vegetables.

PEOPLE'S BULK SALES VS. CO-OP AVERAGE



* National Cooperative Grocery Association

Purchasing from People's' diverse and plentiful bulk offerings and putting them in your own containers not only lessens your co-op's environmental impact, it is also a fantastic way to stretch your budget!

Look for the addition of a new bulk perishables cooler with expanded offerings in 2013!

THE ANIMALS & THE LAND

Your co-op works in a myriad of ways everyday to promote and expand progressive land and animal stewardship.

PURCHASING

People's Produce Team Buyers carefully scrutinizes the produce you see in the store, placing a premium on items that are certified organic or Demeter bio-dynamic. Ninety-nine percent of produce sold in 2012 met these standards.

% CERTIFIED ORGANIC PRODUCE SOLD

2012



* National Cooperative Grocery Association

In 2012, your co-op purchased produce directly from over forty area farmers, cutting out the middleperson; this benefits the farmers because they see more profits, and it benefits your co-op's shoppers by keeping prices lower on high quality, local produce.

FARMER LOANS

From 2009-2012, your co-op has lent over \$18,000 dollars, interest-free, to local farmers through People's' Farmer Loan Program, with one third of that (\$6000) lent in 2012 alone. That \$6000, a 25% increase from the previous year, was lent to Able Farms, Mt. Hood Organics, Obrist Family Farm, Naked Acres Farm, and Red Tree Farm. In the coming years we are hopeful that we can expand the program in order to even better serve the needs of our local farmers, keeping our area rich with supported growers.

FOODSHED PROGRAM LAUNCHED

The Foodshed Program was designed in order to help educate co-op shoppers, at a glance, about where their food is being produced. We developed an innovative color-coding system to increase transparency, letting you know if your food was produced in our Foodshed region, or even better, grown here!



Look for the Foodshed icons the next time you visit the co-op to find foods grown and/or produced in Oregon and Washington.

THE COMMUNITY

Every year, your co-op contributes to dozens and dozens of organizations that are in line with our Ends, and 2012 was no exception. In fact, 2012 was exceptional—donations more than doubled. Special attention was given to supporting co-op startups, giving larger, more meaningful amounts, and donating primarily within our Foodshed region and economy.

DONATIONS WITHIN OUR FOODSHED 2012



86%
of donations were to organizations in Oregon and Washington

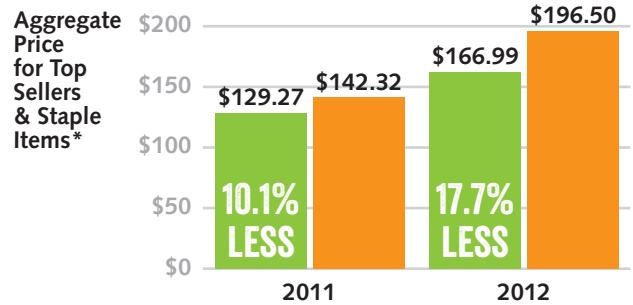
2012 FOODSHED & OTHER DONATION RECIPIENTS

- BROOKLYN CO-OP PRESCHOOL • BUD CLARK HOMELESS SHELTER • CARE: HURRICANE SANDY RELIEF • CENTER FOR INTERCULTURAL ORGANIZING • CORNUCOPIA INSTITUTE • FARMWORKER JUSTICE • FOOD ALLIANCE • FRIENDS OF FAMILY FARMERS • GARDEN OF WONDERS/ABERNATHY • GROW PORTLAND • IN OTHER WORDS BOOKSTORE • KBOO RADIO • LAUGHING HORSE BOOK AND VIDEO COLLECTIVE • LEARNING GARDENS LABORATORY • METROPOLITAN FAMILY SERVICES: LATINO FAMILY NIGHT • MONTAVILLA FOOD CO-OP • MULTNOMAH COUNTY FOOD POLICY COUNCIL • MY STREET GROCERY • NATURE CONSERVANCY • NORTHWEST ENVIRONMENTAL DEFENSE CENTER • OCCUPY PDX • OOLIGAN PRESS • OUTDOOR SCHOOL • PCC FARMLAND TRUST • PEACE AND JUSTICE WORKS • ROSEHIP MEDICAL COLLECTIVE • SE KITCHEN SHARE • SE PORTLAND TOOL LIBRARY • SEXUAL AND GENDER MINORITY YOUTH CENTER • STEVEN SILLERS FOUNDATION: HURRICANE SANDY RELIEF • UNITED FARM WORKERS • VILLAGE BUILDING CONVERGENCE • VILLAGE GARDENS/FOODWORKS • YOUTH EMPOWERED ACTION CAMP • ZENGER FARM

FOR EVERYONE

One crucial component of carrying high-quality, wholesome foods is endeavoring to make them accessible to people of all economic backgrounds. The Collective Management at People's is continually seeking out ways to make products more affordable, without compromising quality or ethical standards.

TOP SELLERS AND STAPLES PEOPLE'S VS. NEW SEASONS DIVISION



*We found this percentage by totaling the prices on top selling and staple items from each department for each store. Items audited include top sellers like coconut milk, frozen berries, chia seed, and Epsom salts, as well as "staples" like bananas, eggs, rolled oats, and laundry powder.

FOOD FOR ALL

Member-Owners of People's who are experiencing restricted incomes and sign up for the Food For All (FFA) discount receive four percent off transactions. In 2012, there were nearly \$11,000 in discounts, an increase of 16% from 2011 levels. In mid-2013, the Food for All discount will increase to five percent, a goal finally realized.

EBT usage increased by 32% at our Farmers' Market in 2012 due to the addition of an outdoor EBT terminal. However, EBT use within the store declined 3%, compared to a 3% increase for Multnomah County. In 2013, People's looks forward to adding an EBT matching program for the Market, which will improve access and increase sales for People's Farmers' Market vendors.



LITTLE CO-OP, BIG HEART

In 2012, People's continued to have an impact on the health of our shoppers, land, and community.

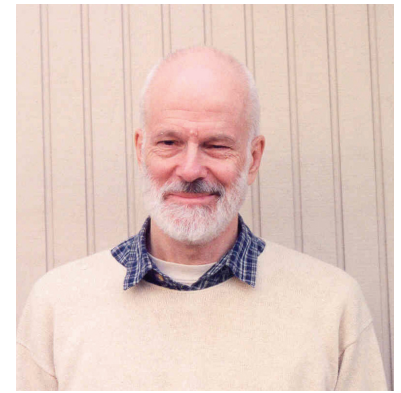
You are passionate about your co-op, as shown by 2012 sales growth and Member-Owner equity. We continue to operate in a financially sustainable way, and have a decent nest egg of savings in the bank. We are making improvements to our infrastructure and operations, while also reaching out to co-ops around the country, local community organizations, and the farmers who contribute to the health and fertility of our Foodshed.

People's Member-Owners have always been passionate about these issues. Most importantly, you trust People's to provide healthful and delicious food. With your help, we can continue to provide Portland communities with amazing food and so much more. Investing in your Peopleshare, spending a few more of your grocery dollars at People's, communicating your thoughts to the Board of Directors and Collective Management, telling friends and loved ones about all your co-op has to offer—all of these things make your co-op stronger and more capable of greatness.

Regardless of debt-to-equity ratio, our most important asset is you, our Member-Owners. We hope this report has inspired you to continue, or even deepen, your support of People's: a little co-op with a big heart.

A GENEROUS DONATION

In 2011, long-time Member-Owner Larry Juelfs passed away. A dedicated supporter of the co-op, Larry left a portion of his estate to People's. We are grateful for this amazing gift and plan on creating a way to honor Larry's life and generosity in a way that furthers the co-op's Ends. We will update you as we know more.



Larry Juelfs was interested in Buddhism and spiritual practices. He was a lawyer, but didn't practice law. Instead, his professional career was devoted to mediation, mostly in the context of divorce. He was a proponent of peaceful conflict resolution, and served for many years as a mediator with Clackamas County Family Court Services.

He was, of course, interested in food, and supported local, healthful foods. He had a well-equipped kitchen, and put a lot of mindfulness into eating. He was also a great believer in conservation of natural resources and environmentalism, as evidenced by his support of Opal Creek.

Fellow cooperators from Equal Exchange toast to another year of plenty at the 2012 Harvest Festival.



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