

INTERMEDIATE MARKETING

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DEFINITIONS

Approved Source: This term can have more than one meaning. In legal terms, farmers are considered an approved source for food if they are in compliance with state food regulations. Approved source can also be used to indicate suppliers that are authorized by a food service management company or a distribution company to sell products to that company.

Collaborative Marketing Groups: A group of farmers can organize, formally or informally, to share some marketing tasks. A farmer cooperative is a special kind of collaborative marketing group, but there are other models as well. The collaboration can be simple and temporary, or it can be complex and long-term.

Distributor: A distributor is a for-profit business that buys food products from farms or food businesses and sells those products to restaurants, food services, or other retail food businesses.

Farmer Cooperative: This is a marketing method in which a group of farmers sell their

products cooperatively. This is a step away from direct marketing because the cooperative acts as a broker, distributor, or both. A co-op can allow farmers to offer a wider array of products to customers than would be possible if they were each selling independently. A co-op is also a way for farmers to share transportation and processing facilities and to pool their resources to hire a marketing or business coordinator.

Food Retailer: Any food business that buys food products for resale to the end consumer. Restaurants, grocery stores, specialty stores, and institutional food services are food retailers.

Food Service Management Company: This for-profit business supplies staff people with catering and restaurant expertise to work on-site at schools, colleges, and other institutions as well as corporate campuses to provide the food eaten at those locations by employees, students, and clients.

ADVANTAGES AND DISADVANTAGES OF SALES TO INTERMEDIATE BUYERS

Advantages:

- Can often move larger quantities of product than possible with direct marketing
- Can concentrate more on production of product than on marketing efforts
- Limited contact with the ultimate consumer (an advantage for those who dislike such encounters)
- Tend to have a regular volume of orders
- Tend to have standardized packaging, which can simplify packing

Disadvantages:

- Price the farmer receives is usually lower than for direct-to-consumer marketing
- Seasonal supply can be a challenge to relationships with intermediate buyers
- Channels for sales to intermediate buyers may be inaccessible to small farmers
- Limited contact with the ultimate consumer (a disadvantage for those who enjoy such encounters)
- Increased requirements for additional insurance and certifications

INTRODUCTION

Selling farm products to intermediate buyers can be an attractive option for many farmers who want to sell their products locally. These types of sales are a good fit for farms that are large enough that direct marketing methods cannot sell all of their product. Many farmers use both direct marketing and intermediate methods to sell their products.

Local food sales to intermediate buyers offer a

range of farmer involvement with the end consumer. For example, sales through a distributor may be quite anonymous. The food service that is buying your product through the distributor may be seeking out local food, but might not take the time to find out who you are. On the other hand, if you sell food directly to a restaurant, you might get involved with that restaurant's advertising and see your farm listed as a supplier next to the menu items.

Compliance with Food Safety Regulations

Few food marketing topics provoke more anxiety and misunderstanding than the regulations about marketing of food. Some farmers believe that the rules are so strict that no small independent farmer can sell to a food service or grocery store. Some food service and retail customers believe that it is not legal for them to buy from independent farmers. Neither of these things is true. In state food regulations farmers are considered an "approved source" for

all fresh, raw fruits and vegetables that they grow themselves. Processed products require farmers to have licenses and inspections, but the hurdle is not impossibly high. There are also ways for farmers to sell meats, poultry, and eggs to food services and stores. See the State Regulations section (page 81) for more information.

Post-harvest Handling, Storage, and Packaging

If you are shipping to a distributor, your products will not get to the end consumer right away. They may sit in storage at your farm for awhile, then in storage in the distributor's warehouse for a while before being sold. This makes it extremely important to get fruits and vegetables cooled to the proper temperature quickly after harvest and to maintain that proper temperature throughout the entire chain of transport from field to storage, storage to truck, and truck to distributor. If you are using storage facilities on your farm to help you extend your season for supplying products to a food retailer, you need to pay close attention to good post-harvest handling and storage conditions. Good post-harvest handling practices will increase the shelf life and maintain the quality of your fruits and vegetables.

Packaging and sizing of fruits and vegetables is also very important if you are selling to a distributor. The produce industry has standards of packaging and sizing that are known and accepted by distributors and their customers.

Some distributors do not do any re-packaging of products that they buy from farms. They expect the shipments from farms to be already in correct packaging that they can send along "as is" to their customers. Farmers need to know the correct packaging for their products so they can pack according to the accepted standards. Some food retailers that work directly with farmers might also prefer locally grown produce that is packed according to industry standards.

How can you find out what the packaging and size standards are for your products? And how can you find sources of the appropriate packing materials, which are probably not in stock at your local hardware store? One good way is to talk with other farmers who are already doing this kind of marketing. The Minnesota Fruit and Vegetable Growers Association sponsors an annual conference each winter, with workshops on a variety of topics. That is a good place to meet other farmers, and ask them where they get their materials.

Resources for Post-harvest Handling

Minnesota Fruit & Vegetable Growers Manual for the Beginning Growers: Harvesting and Storage, pp. 133–144. 2004 (rev). University of Minnesota Extension. Available in full text online or from: MFVGA, 15125 W Vermillion Circle NE, Ham Lake, MN 55304. (763) 434-0400. info@mfrga.org. www.mfvga.org. smfarm.cfans.umn.edu/mfvgmanual.pdf. This manual provides a wealth of information for small farm fruit and vegetable growers, and good specific information about harvesting and storing Minnesota fruit and vegetable crops. (verified 12/2010)

Packaging Requirements for Fresh Fruits and Vegetables. 1996. North Carolina State University. Publication no. AG-414-8. Available in full text online at: www.bae.ncsu.edu/programs/extension/publicat/postharv/ag-414-8/index.html. Contains specific information about appropriate packaging materials for shipping and storing different fruits and vegetables. (verified 12/2010)

Post-harvest Handling of Fruits and Vegetables. 2000. Appropriate Technology Transfer for Rural Areas (ATTRA). Publication no. IP116. Available in full text online or from: ATTRA, PO Box 3657, Fayetteville, AR 72702. (800) 346-9140 or (800) 411-3222 (Español). attra.ncat.org/new_pubs/attra-pub/postharvest.html. This publication covers post-harvest practices suitable for

small-scale operations, and points out the importance of production and harvesting techniques for improving quality and storability. Various methods for cooling fresh produce are discussed, and resources are listed for further information, equipment, and supplies. (verified 12/2010)

Post-harvest Handling for Best Crop Quality. 2001. Wisconsin School for Beginning Market Gardeners. Available online at: bse.wisc.edu/hfhp/tipsheets_html/postharvest.htm. (verified 12/2010)

Postharvest Technology Research and Information Center, University of California, Davis. postharvest.ucdavis.edu. This website is an up-to-date resource for research-based information on post-harvest quality, safety, and marketability of fresh horticultural products. (verified 12/2010)

Postharvest Handling for Organic Crops. Publication of the Small Farm Program and the Vegetable Research and Information Center at University of California, Davis. ucanr.org/freepubs/docs/7254.pdf. This publication covers harvest handling, postharvest storage, sanitation, postharvest treatments, and other considerations specific to organic production. (verified 12/2010)

Good Agricultural Practices (GAP) Certification

Good Agricultural Practices are fruit and vegetable production industry standards for food safety in the field and in the packing and storage areas. Distributors, institutional buyers, and some restaurants and grocery stores are increasingly wanting or requiring GAP certification from the farmers that supply their produce. The University of Minnesota Extension has a staff person, Michele Schermann, who trains farmers on how to pass a GAP audit, and GAP audits and certification are available from the Minnesota Department of Agriculture.

Resources for GAP

FSP4U (A Food Safety Plan for You). 2008. University of Minnesota Extension and University of Minnesota Agricultural Safety & Health Program. Workbook and templates for developing an on-

farm food safety plan that will pass a GAP certification audit. <http://safety.cfans.umn.edu/pdfs/FSP4U.pdf>. Contact: Michele Schermann, 1390 Eckles Avenue, St. Paul, MN 55108-6005, phone: 612-624-7444, or email: safety@umn.edu.

Good Agriculture Practices/Good Handling Practices Audits. Minnesota Department of Agriculture. www.mda.state.mn.us/licensing/inspections/fruit-veg-insp/fruitandvegetable.aspx. Website includes description of the audit, link to the USDA audit checklist, and fee schedule. To schedule an audit, contact Harley Olinske, phone: 651-201-6067.

RESTAURANTS AND GROCERY STORES

Nearly every small town in Minnesota has at least one restaurant or grocery store. These food businesses are too often overlooked by farmers who assume that the managers would not be interested in carrying local foods, or who think that it is not legal to sell products directly from the farm to these businesses.

Sometimes it will be true that the local store owner or restaurateur is not interested in local food. Sometimes this is because they also believe that buying direct from a farmer is not legal. The series of local food fact sheets in the Appendix (page 108) are available for you to copy and distribute as necessary to persuade potential buyers that you are an approved source for the food that you grow.

Persistence, good communication, and knowledge pay off. Buying locally is something that may have never occurred to your potential customers, so you need to do some patient education.

These topics may spark interest from restaurant or grocery store managers:

- Shipping costs are less or nonexistent for food that is locally grown.
- Local food is fresh. When vegetables are in season, you can have them delivered within hours of picking. Eggs can be delivered within a few days of being laid.
- Local food can benefit the store's or restaurant's advertising. Many consumers these days are becoming more conscious of their food choices, so having local food can be an enticement to customers.

- Local farmers can produce specialty crops not available from the store's or restaurant's usual distributors. Particularly in rural areas, access to anything other than mainstream vegetables is limited. Local farmers, though, can grow fresh herbs, heirloom tomatoes, super-sweet varieties of sweet corn, or other special requests.
- Local food can be competitive—if not in price, then in quality.

You need to have a price goal established before you approach a store or restaurant manager. Some farmers go to local stores and find that the store manager is interested in buying from them, but when the manager asks about price, the farmer asks what the store is willing to pay. That is not a good strategy. Store managers are not interested in guessing what the price should be. You need to research the wholesale and retail prices for products similar to yours, decide whether you deserve a premium for superior quality, remember that the store or restaurant also needs to make a profit, and have a fair price ready to quote to your potential buyer. And, too, if your price is higher than a typical wholesale price, you need to be ready to explain your higher pricing.

RESTAURANT NICHE

There are opportunities for farmers to sell what they grow to restaurants that have an interest in local food. Some restaurants prefer to work exclusively with distributors, some are interested in buying as much from local farmers as possible, and other restaurants

fall somewhere in between.

It is a myth that you have to be big to do wholesale marketing. Kay Jensen of JenEhr Farm near Madison, Wisconsin, notes that there is a niche for small farmers to sell products to restaurants. Restaurants may want a smaller

quantity that the larger growers are less interested in supplying. This is a perfect opportunity for a small farm to step in and become a reliable supplier of the product that the restaurant wants.

WHAT CHEFS WANT

- Quality communication, and lots of it. Chefs are too busy to hunt down farmers to supply them with local food, which is why they often rely on distributors who are easy to find. They need the farmers to come to them. Farmers need to be easy to reach by telephone or email. Farmers need to contact chefs often and in a professional manner, as a salesperson would.
- Food arriving at the restaurant in a professional, modern manner. Produce should be clean and of good quality.
- Consistency between what the chefs ordered and what they receive. A major frustration for chefs who work with farmers is getting something a little different or a lot different from what they ordered because the farmer ran out of product. If a farmer can't fill an order exactly, she or he needs to communicate with the chef about that before delivery.
- Packaging and sizing according to the chef's preferences. Some chefs might prefer things packaged according to industry standards, but some might want something different. Farmers need to check their buyers' preferences and then meet those preferences, or communicate with the chef to work out an acceptable alternative.
- Farmer product liability coverage for the food they are bringing in. Amount of coverage may vary depending on the type of food product.
- Information about what is available—what can be counted on, what products are coming up, what products are ending their season soon. Chefs need at least two weeks' advance notice on product availability so they can plan menus.
- Year-round locally grown salad greens and herbs. This is a serious challenge in Minnesota, but some farmers are meeting the challenge in innovative ways. See the Season Extension section page (102) for more information.

Source: Trish Johnson and the chefs of the Heartland Food Network, <http://www.mnproject.org/food-heartland.html>

INSTITUTIONAL FOOD SERVICE

Marketing farm produce directly to institutions is one way that some farmers have diversified their operations and found reliable markets for the food that they grow. The phrase “institutional marketing” makes some people think of large food service suppliers that sell everything from sandwiches to salads, and from coffee creamer to cherry pie, in any quantity desired. Such an image is pretty daunting, but some farmers and farmer groups have found success with a simpler model. A common theme among successful institutional marketers is that they have close communication with their customers. They ask what the customers would like, then grow what their customers want. They package it and deliver it in the way the customers want it packaged and delivered.

Potential customers of institutional-type sales include nursing homes, group homes, prisons, schools, including colleges, and hospitals. These potential customers have some similar requirements:

- Consistent supply of a product
- Standard types of products
- Compliance with food safety regulations
- Product liability insurance

Approaching an institution with a marketing plan for your product can be complicated. Farmers need to find out who directs the food service and plan their approach accordingly. A fairly common feature of institutional food services is that the food service is contracted out to a food service management company. The food service management company supplies staff people who run the entire food service operation. This can be a benefit to

farmers who want to sell to institutions. Some food service management companies have made commitments to source local food when they can, and some even actively seek out farmers to supply them. If you want to try institutional sales, a good way to start might be to find out which food service management companies are friendly to local food, and then approach local institutions that have food service contracts with those companies.

In addition to realizing there are complex layers of management for institutional food services, farmers should also be aware that the buyer of their products is not the same as the end consumer. Depending on the type of the institution, the end consumers might have some influence over the food service. The Stadnyks of Willow Run Farm made a point of coming to the Northland College campus and speaking with students to get them interested in the food that was being served at the college. They brought their produce, set up a booth, and talked to the students about sustainable agriculture and how their farming methods recycled organic matter back into the soil. The initial impetus for Northland College to buy local food actually came from a class on campus that did some research on where their food came from and why it cost less to purchase food from sources other than their own community. The students then researched ways in which they could make buying locally a more viable option.

Schools and Health Care Institutions

If you want to approach a local school or health care facility, it can help to know some of the language spoken by decision makers at those institutions. Present your farm's products in terms of things that they are concerned about, to gain their interest and give yourself a better chance of being considered as a food supplier.

Schools

Schools in Minnesota are now required to have a Wellness Policy for their students, and that includes policies on nutritious food. If you can present fresh, local produce as a healthy option

for your local school, that could be attractive to school administrators.

Health care facilities

"Health Care Without Harm" is a national campaign to raise awareness among health care workers on a variety of topics that impact health of patients. One of the topics is the food served at health care facilities. If you can find health care administrators who are sympathetic to the goals of Health Care Without Harm, that can provide you with an opening to talk about fresh, local food.

WEST CENTRAL MINNESOTA FARM TO SCHOOL PROGRAM

Preschool and Kindergarten through 12th grade students in the Willmar, Minnesota school district are finding out how good locally grown food can taste, and at the same time are learning about good nutrition, environmentally friendly farming, and the farmers who grow their food.

The program in the Willmar schools is based on a "3 Cs" approach: cafeterias, curriculum, and community. • Using healthy, local foods in the school cafeterias gives children an experience in enjoying fresh, local foods. • Integrating lessons in the classroom curriculum teaches children that their food choices matter to their health, to the environment, and to the people who grow their food. Local farmers come to classes to talk about how foods are grown, and a nutritionist provides information about the health benefits of these local foods. • Partnering with the community gives children experiential learning opportunities on farm

field trips as well as gardening and cooking experiences.

The Willmar School District food service offers local food dishes as part of the menu on special days throughout the year. That means that 2,500 portions of the local food item are served in the five district schools on those days. In the 2005-2006 school year some of the featured foods were local apples, squash, whole wheat flour, bison meat, and Minnesota wild rice. In the 2006-2007 school year September's featured local food was apples from Sunnyside Orchard near Pennock, MN. Roasted local potatoes supplied by Bix Produce were served in October. Wild rice from the White Earth Reservation was featured in November, and plans were underway to serve an ethnic dish using organic pinto beans in January of 2007, and more local grain options were being considered for the later months.

The Farm to School program in Willmar works because of a

strong partnership among Annette Derouin, the Willmar Food Service Director; a Kandiyohi County Public Health program called "Steps to a Healthier Willmar;" and the University of Minnesota's West Central Region Partnership. The program builds on local food system work by Pride of the Prairie, a partnership of organizations in western Minnesota. It is spreading out from the Willmar School District-- recipes and menu items used in Willmar have been expanded and bundled into an online toolkit now used by many other schools in Minnesota. Food service directors recognized that the program helps them serve tasty, appealing, and healthful foods.

Source: Lynn Mader, registered dietitian, consultant for the Farm to School program.

Consistent Supply

Year-round consistent supply of fresh, locally grown vegetables is difficult in northern climates, but seasonal sales are acceptable to some food services. Some farmers who market to institutions provide a seasonal supply of fresh vegetables, but manage their plantings to have a consistent supply throughout the growing season.

Another way to have a consistent supply is through careful storage of crops. This is the method that was used by Lee and Judy Stadnyk, who sold potatoes, carrots, and onions to Northland College in Ashland, Wisconsin. They

took produce directly from the field to cool storage, then took it out of storage during the fall, winter, and spring for weekly deliveries to the college (see Profile: Willow Run Farm).

Yet another method of consistent supply is to do some processing and preserving of produce during the growing season. The GROWN Locally farmer cooperative in northeast Iowa is working on a facility that will allow its members to freeze produce for winter sales.

See Season Extension (page 102) for more information.

Standard Types of Products

Labor costs are an issue for most food services. This makes it important for them to have products that are easy to prepare and serve. Good, frequent communication with institutional customers to find out their needs for size, uniformity, and preferred packaging is the key to marketing success.

Considerations for packaging and delivery of produce to institutions:

- Delivering clean produce is very important.
- Consistent size of vegetables is usually preferred.

- Check vegetable size preference with the customer. There might sometimes be special orders that are different from the standard sizes used by the produce industry.
- Check packaging preference with the customer. Stadnyks delivered their produce in plastic or mesh bags. GROWN Locally cooperative found that their customers preferred standard vegetable boxes.

Liability

Farmers or farmer groups who want to market to institutions need product liability insurance. Some farm insurance policies include coverage for products sold from the farm premises, but this is not adequate for sales to a food service. The amount of insurance that you need may depend on what products you are selling. Fresh, raw fruits and vegetables are considered low risk, and insurance for those might be less than insurance on higher-risk products like meats.

Finding an insurance agent with experience in farm direct marketing can be difficult. If your tried-and-true insurance agent is willing to work with you on a policy that will meet your needs, that's great. If not, it might be worthwhile to shop around for an agent with experience insuring market farms. See the Liability section (page 91) for more information.

Ordering and Billing Methods

Institutional buyers want ordering and billing procedures that are as simple and streamlined as possible. There are different ways to develop a process that works for both the buyers and the suppliers. Once again, the crucial marketing task for farmers is close and regular communication with customers.

- The GROWN Locally cooperative started out with a system of orders by phone and two paper receipt books: one for the farmers to record their deliveries to a central packing location, and one for a coordinator to record customer orders. Customers were billed according to the

order book, and farmers were paid according to the delivery book. The cooperative has since moved to an Internet-based ordering system.

- Stadnyks, on the other hand, took a weekly phone call from the food service manager and delivered an invoice along with the order. In their situation they were the sole suppliers of the locally grown produce, so there was no need for a more complex system of coordination.

Resources for Institutional Marketing

Farm to Institution. Leopold Center for Sustainable Agriculture. Retrieved Dec. 2010. www.leopold.iastate.edu/research/marketing_files/farmtoinstitution.html. For more information, contact: Leopold Center, 209 Curtiss Hall, Iowa State University, Ames, Iowa 50011-1050. (515) 294-3711. Resources for farmers and food service, including Selling to Institutions guide.

Farm2School. Retrieved Dec. 2010. <http://www.farm2schoolmn.org/>. For more information, contact: JoAnne Berkenkamp, Institute for Agriculture and Trade Policy, 2105 First Avenue South, Minneapolis, Minnesota 55404. (612) 870-0453. This site serves as an entry point, networking tool, and news service for those interested in farm-to-school in Minnesota.

Farm-to-School. Center for Food and Justice, Occidental College. Retrieved Dec. 2010. www.farmtoschool.org. For more information, contact: National Farm to School Program, Center for Food and Justice, Urban and Environmental Policy Institute, Occidental College, 1600 Campus Rd, Mail Stop M1, Los Angeles, CA 900421. (323) 341-5095. This is a comprehensive website resource about farm-to-school programs nationwide.

GROWN Locally Cooperative: A Case Study. 2002. Retrieved Dec. 2010. Practical Farmers of Iowa. Available in full text online or from:

Practical Farmers of Iowa, 137 Lynn Ave., Suite 200, Ames, Iowa 50014. (515) 232-5661. www.practicalfarmers.org/assets/files/resource/PFIResource_62.pdf. This case study examines the operating procedures of a cooperative in northeast Iowa. Contains useful information about ordering and billing practices.

Health Care Without Harm, Healthy Food Systems. Retrieved Dec. 2010. http://www.noharm.org/us_canada/issues/food/. This website links to numerous resources for hospitals about food purchasing, including case studies of hospitals that have made changes in their food purchase policies.

Minnesota Farm-to-School Toolkit. www.mn-farmtoschool.umn.edu. Retrieved Dec. 2010. For more information contact: Stephanie Heim, University of Minnesota Extension Regional Office, 863 30th Ave SE, Rochester, MN 55904. (507) 319-0263. This website has an array of resources to help a school food service launch a farm-to-school lunch program. For 20 food items there are ready-to-use recipes and sample menus with nutrition information; ready-to-use posters, announcements, and newsletter articles; and lists of Minnesota farmers who supply the foods.

Profile: Willow Run Farm

*Lee and Judy Stadnyk
Ashland, Wisconsin
www.cheqnet.net/~wrfarm*

History

Lee and Judy Stadnyk and their two children, Nick and Becky, began Willow Run Farm as a dairy operation in 1980. Lee was a professor of environmental studies at Northland College in nearby Ashland, Wisconsin. Judy worked as a nurse. Judy eventually retired from her off-farm job to work fulltime on the farm, but Lee continued to teach. The dairy focus of the farm continued until 1993, when they were chosen for a farm privatization project by the USDA. They sold their cows, rented out their farm, and traveled to Russia to work and learn for about two years. In 1995 they returned to their farm, wealthier in friendships and knowledge, bought new cows, and began milking again.

Their experiences in Russia led them to add a direct-marketed organic produce enterprise. Lee said they discovered that direct marketing is often the most effective marketing strategy for a high-value product. In 1995, Judy and Lee began selling their produce at the Ashland Farmers' Market. Then they added sales to the Whole Foods Cooperative in Duluth, Minnesota, and to Chequamegon Food Cooperative in Ashland. In 1997 they found a great new opportunity with Chartwell food service at Northland College, which was willing to buy fresh, locally grown organic produce. They gained organic certification for their vegetables in 1998. Lee said that he has always been an environmentally conscious person, and they always recycled organic matter and used organic methods on the farm. Becoming certified organic was a natural step for them.

Farm Operation

The vegetable production field takes up about 4 1/2 acres. The plots are long and narrow, with grassy strips in between cultivated plots. This allows the use of field-size tillage equipment without constant turning of the tractor. Irrigation lines take water from a nearby pond and run along the length of the plots. The lines

are connected to sprinklers that can reach the full width of the plots. The Stadnyks use cover crops in rotation with the vegetables, and use composted manure from their cattle as fertilizer. An unheated greenhouse lets Judy and Lee cultivate some of their produce for about half of the year. Storage facilities allow them to sell produce for most of the year. Their main crops include potatoes, onions, carrots, winter squash, and beets. They also grow smaller amounts of green beans, peas, broccoli, black currants, summer squash, tomatoes, baby leaf spinach, cucumbers, and peppers. They use succession planting to ensure a steady supply of fresh vegetables at their peak of quality.

To ensure a quality product, the Stadnyks have exacting procedures for harvesting, packaging, and delivery of their vegetables. These quality control procedures take time and careful management, and Lee believes they are only possible for farmers working on a smaller scale. High quality and freshness are factors that set local produce apart from something that has been stored at varied temperatures and shipped across the entire country. Carrots are cooled in water in the field at the time of harvest and within an hour are in the storage cooler at 34° F and 100 percent humidity. When they are prepared for sale in the winter months, they are washed and delivered to the client within four to five hours. Potatoes are stored in a separate cooler at 43° F. Squash are kept at 53° F and low humidity.

The Stadnyks were able to set up their vegetable cleaning and storage facilities at a fairly low cost. One of the storage units is 8 x 16-foot with glass doors and a high capacity compressor, and was purchased for \$500 from an old liquor store. The other, at cost of \$300, is a side-by-side cooler with one 8 x 16-foot unit and the other 10 x 16-foot unit, each with its own compressor and evaporator. For the cleaning process they use a system of stainless steel sinks, pressure washers and hand scrubbing. Lee mentioned that the used sinks were very inexpensive, and the cost for the facilities was minimal. In the summer they do most of the cleaning outside, and in the winter they use an old milk house next to their barn as a packing shed.

Marketing and Pricing

The Chequamegon Food Cooperative pays organic wholesale prices for locally grown produce. Northland College had been buying organic vegetables from the Chequamegon Co-op at retail prices, and it paid the same prices to the Stadnyks. Lee mentioned that, “organic vegetables generally command a higher price. I believe that that can only happen in a sustainable fashion if you’ve really got a good product.”

Sales to Northland College each week during the school year include about 100 pounds of carrots, 100 to 200 pounds of potatoes and 100 to 200 pounds of onions. Jeff Spangenberg, the food service director at Northland College, said that Lee’s produce is similar in cleanliness and packaging to what he receives from other suppliers. Carrots are delivered to Northland College in 50-pound reusable plastic boxes with lids, and potatoes and onions are delivered in 50-pound mesh bags. Direct communication between the Stadnyks and Mr. Spangenberg led Lee and Judy to grow a larger Asian carrot (Kuroda) so the college can make carrot sticks from them. This is an advantage small-scale farmers have over larger industrial operations: They can plant varieties that are tailored to a customer’s specific needs.

The Stadnyks keep their ordering and billing methods simple. The food service director at Northland College telephones once a week and tells Lee what he needs. Judy and Lee have a blank order form for the Chequamegon Food Co-op with their products and prices listed. They collect that form on Monday and usually fill the order on Tuesday. They also do special requests by phone. To bill their customers, Lee and Judy have a manager sign a delivery receipt form at the time of delivery. They will then make out an invoice and send their customer a bill.

Judy and Lee have regular meetings with their customers to get their input. Lee emphasized that it is necessary to be very involved with your customers if you are direct marketing: “This kind of farming is totally different. You

have to go out and be willing to spend time with people and cultivate connections.” By always providing high quality produce, they can retain their current customers as well as find new ones. As Lee said, “It’s a slow way to build a business, but it’s a good way.” The Stadnyks have also participated in local food dinners and in educational events at Northland College as a way to engage potential customers.

Labor

Lee spends about 10 to 12 hours a day working on the farm during the growing season. The most time-consuming chores are baling hay and caring for their animals, but he mentioned that weed control is one of their biggest challenges. They use a combination of a tine weeder and flame weeding. They hire at least one person full time from June until September, and there are times in September and October when they will hire crews to come in and help with harvest. But while Judy and Lee spend a lot of time and effort making their farm successful, Lee said it is also important to take some time once in awhile to “stop and smell the roses.”

Local Cooperation

If one of their customers is looking for a product not offered at Willow Run Farm, Lee said that they would send the customer on to one of their neighbors or friends who might have the product. He explained that the Ashland farmer’s market operates with a healthy dose of “friendly competition,” similar values that were envisioned by Adam Smith.* The “invisible hand” of the market was meant to direct the self-interest of individuals into a positive benefit for society. In this manner competition would tend to drive down prices. In Ashland, if someone gets to the market early with a product, they may charge a higher price. As competition arrives, prices go down. Those who make an extra effort to show up early gain some benefit from that, but no one gets shut out of the market. Personal and friendly marketing relationships seem to benefit smaller scale farmers, as well as the market in which they participate.

* *Smith, Adam. 1904 (first published 1776). An Inquiry into the Nature and Causes of the Wealth of Nations. London: Methuen and Co., Ltd., ed. Edwin Cannan. Fifth edition. Online: <http://www.econlib.org/LIBRARY/Smith/smWN.html>. (Retrieved December 2006.)*

Future Direction and Advice

Lee said that in the future they plan to expand their organic vegetable production and might look into some new marketing outlets for their produce. They are also raising some grass-fed beef, which will be ready for market in the next couple years.

Lee offered some final advice for others who may be considering the possibility of direct marketing produce to an institutional market: "If you're going to market vegetables you have to be a reliable supplier, and you have to have quality." The best things small local farmers have going for them are high-quality varieties of produce and short shipping times. Being prepared with a reliable supply of high quality produce is vital. Farmers should be able to go to a potential buyer and tell them what they can provide, how much and how often they can provide it, and how they will do it. In addition to this, Lee said, "don't be afraid to take your products into a restaurant or foodservice." Let your potential customers see first-hand that you have a high quality product.

Epilogue

Late in 2004, Judy Stadnyk was diagnosed with an aggressive form of cancer. The Stadnyks scaled back their farming operation for the 2005 season and ended deliveries of vegetables to Northland College. They traveled and made the most of the time they had together. Judy died on June 29, 2006. At the time of this writing Lee Stadnyk was in the process of deciding new directions for the farm, and considering an organic grass-fed beef operation. A memorial to Judy is posted on the Willow Run Farm website: www.cheqnet.net/~wrfarm/pages/judy.html

Profile: Jeff Spangenberg, Food Service Director at Northland College

Jeff Spangenberg is the food service director for Northland College in Ashland, Wisconsin, and an employee of the Chartwell company. In a brief phone interview, he shared some helpful pointers for farmers thinking of attempting a direct marketing relationship with an institutional customer.

Working within an institution's processing and storage capabilities is often a challenge for local farmers. It can be easier if the institution has fewer people to serve. Northland, relative to other colleges, has a fairly small student body, so it is easier to meet their needs for both amount and quality of produce. Northland also has a vegetarian chef, so it is easier for their kitchen staff to use large amounts of produce in their menu plan.

Size and consistency of the vegetables are important to the school cafeteria. They have to peel the potatoes for many of their dishes, so large potatoes mean less labor. They typically use the carrots they get from Willow Run Farm for carrot sticks, so larger carrots also save on labor. Thus, the Stadnyks grow the large-sized Kuroda variety of carrot for the school.

Farmers should know that food service companies like Chartwell usually work on a fixed budget, which is part of their contract with the school. Smaller private schools often have a greater degree of flexibility to adjust the budget for their food service provider. The bureaucratic layers of a state-run system can make such financial flexibility more difficult for these universities.

It is important for farmers to have an understanding of how these institutions work. Most of the institutions are accustomed to the convenience of large processing and distribution companies, and working with a

local farmer often requires some new methods. A successful enterprise between these institutions and their local farmers will require both to be creative and flexible when trying to work out their marketing relationship. Good relationships and communication between farmers and institutional customers are vital. When asked about the ordering and billing process with Willow Run Farm, Spangenberg said, "Lee is just a phone call away."

One challenge for local farmers may be in dealing with payments from institutions. Spangenberg mentioned that initially, Stadnyks had to wait some time before getting paid for their first deliveries. Because of the complexity of institutional budget systems, it is usually not possible for payment on delivery. Once the payments are initiated, however, they are consistent.

Before telephoning a food service manager, farmers should have a good idea of how to make a direct marketing relationship with an institution possible and how to overcome common challenges. Institutional customers and food service directors may be interested in buying local, but it is vitally important for the farmers to recognize that this can be a challenge even when it is desired. Persistence and good communication are crucial to getting such a project underway.

BROKERS AND DISTRIBUTORS

Distributors

Food distributors are a key component of the food system in the United States. Restaurants, caterers, convention centers, school and college food services, and other types of food services all rely on distributors to get them the food and food-related products that they need to serve their customers. A recent University of Minnesota-sponsored study has shown that food service managers like the streamlined ordering system. Often, they can order everything they need from one or two distributors.

Farmers' opportunities to sell their food products to local or regional food services are limited by time, staffing, and money constraints on the farmers as well as on the food services. Distributors meet the needs of food services for specific quantities of specific products at a specific time. Distributors can also meet the needs of farmers by handling the marketing, ordering, billing, and delivery tasks, thus allowing the farmers to concentrate on their production. Farmers who want to tap into the food service market might consider working with a distributor. For more insights into the needs and wants of distributors and the food services that use them, see "Making the Farm-School Connection" and "From Barn to Banquet" in Resources for Sales to Brokers and Distributors, page 72.

Distributors often require or prefer GAP certification or similar documentation of on-farm food safety practices; as well as liability insurance from their farmer-suppliers. Be sure to read the Good Agricultural Practices (GAP) section on page 58, and the liability section on page 91.

Brad Donnay of Donnay Farms has a small-scale "farmstead" goat cheese operation that uses milk from the farm's own goats. Brad said that when he was starting his business he spent two to three days each week in the Twin Cities metro area, meeting with restaurant managers or corporate managers of restaurant chains and offering samples of his cheese. He found a good

market for his cheese at high-end restaurants. As his business grew he needed to spend more time on the cheese production. He asked his restaurant customers which distributors they liked, then approached those distributors and offered them the opportunity to take over the work of selling and delivering the cheese to his restaurant customers. He still supplies a few restaurants on his own. He has a non-compete agreement with the distributors, and charges the same base price to restaurants that the distributors would charge.

Brad said that it was not difficult to get appointments to meet with managers of restaurants or with the sales staff of distributors. If you want to be successful in marketing you need to be willing to pick up the telephone and call people. It is important to find out who the decision maker is for any organization or business and be prepared to answer that person's questions about how your product can meet his or her needs, as well as questions about your farming practices, your processing and food handling practices, and how you comply with state and federal regulations.

ADVANTAGES OF WORKING WITH A DISTRIBUTOR

- The distributor handles all of the ordering and billing.
- The distributor can offer products to a wider array of potential buyers than farmers could reach on their own.
- The distributor can smooth out the problem of seasonal availability by buying from local farmers in season, and sourcing products from elsewhere when the local products are not available.
- Farmers can sell larger quantities than they might be able to sell through direct marketing methods.
- Depending on product type, the farmers may not need to develop their own labels, brochures, consumer-oriented packaging, or other brand identity materials.
- Farmers can sell raw fruits and vegetables with minimal processing.
- Payment may be more rapid than with some other forms of sales to intermediate buyers.

TYPICAL REQUIREMENTS FOR FARMERS WHO SELL TO A DISTRIBUTOR

- Product liability insurance. The amount of insurance required may vary depending on the product and quantity that the farmer is selling.
- “Hold harmless agreement.” Farmers might be asked to sign an agreement accepting responsibility for any injury that may result from people eating their product.
- Product analysis and nutrition labeling. These may be required for processed products.
- Consistent packaging and sizing. Products are offered to the distributor’s customers in standard sizes, and the farmers need to package the products accordingly.
- On-farm storage. Farmers may need to be able to hold their product until the distributor has a need for it.
- Transportation. Farmers may need to arrange shipping for their product to a distributor’s warehouse. This may involve hiring a truck, or it may involve coordinating with a distributor-owned truck.
- Quality product. A distributor may be able to sell product that isn’t considered “premium,” but it still needs to have acceptable quality.

Sources:

Jeff Larson, SYSCO Minnesota

Duane Pflieger, Bix Produce

Brokers

Food brokers are business entities that source products from farmers for resale. They are different from food distributors in that they typically do not carry a complete range of food service products, or even a complete line of a certain type of product. They may focus on a few types of products, or a certain specialty line. Or, they may deal with a wider range of products but without the regional or statewide distribution system a distributor has. An example of a broker is a livestock auction house. The auction service sources animals from farmers and provides a central location for buyers to come and bid on the animals. There are some individuals and businesses in Minnesota that function as brokers for local foods.

The local food broker is a model that has potential for creative uses with a variety of farm products. Some farmers discover that they are good at direct marketing their products, but many farmers prefer to concentrate on their farming and would like to have others do the marketing. Local food brokers are one way that this can happen.

Thousand Hills Cattle Company, owned by Todd Churchill, is one example of a local food broker. The company is based in southeastern Minnesota. It buys grass-fed beef raised using a prescribed protocol from regional farmers, arranges processing at the Lorentz Meats processing plant in Cannon Falls, Minnesota, and then markets the beef to grocery stores and restaurants in Minnesota and Wisconsin.

The farmers get a premium price for animals sold to Thousand Hills. Thousand Hills adds value to the beef by marketing it as a premium product in urban locations that the individual farmers could not reach on their own. Thousand Hills takes full responsibility for the marketing, and in return the company reaps the benefits of the price spread between what they pay the farmers and what they earn from sales to food retailers. This arrangement allows the farmers to concentrate on what they do best: raising excellent beef on pasture. Todd believes that it is important to have different types of business risks owned by the proper entities. Farmers are best suited to bear the risks of production, but the marketing risks should be borne by a marketing business. A common downfall of farmer-owned cooperatives is that they do not spend enough money to develop a good marketing program. Todd estimates that Thousand Hills spent half a million dollars to develop its brand and build a stable marketing program with a broad and diverse group of customers. They work to find at least three different types of customers for each cut of meat to ensure that they can sell every cut from the carcass. He views the Thousand Hills business as a relationship of mutual benefit between himself and the farmers. He depends on the farmers to supply top quality grass-fed beef, and they depend on him to market it effectively so that they can make a profit. Todd believes that his for-profit marketing business is a good model for building a sustainable local food system.

FORAGERS

Foragers are individuals who are paid to find local suppliers of food. A forager might be hired by a caterer to find the local food products that are needed for a special event meal. For example, the University of Minnesota-Morris campus has

hosted sustainable agriculture events featuring local food meals. The food service hired Anne Borgendale to “forage” for the food needed for those meals. Anne grew up in that part of Minnesota, so she was familiar with the area farmers

and their products. She estimated that for a 600-person meal it took her about 8 hours to locate the food that would be needed, drive to the farms to get the food products, and deliver the food to the Morris campus food service.

Resources for Sales to Brokers and Distributors

From Barn to Banquet: Opportunities and Barriers to Greater Use of Minnesota Grown Food at Conferences. 2005. J. Berkenkamp. Minnesota Grown Program, MDA. Retrieved Dec. 2010. Available online: misadocuments.info/from_barn_to_banquet_1005.pdf. Results of a survey of Minnesota meeting planners to identify needs and preferences for local food at conferences.

Making the Farm-School Connection: Opportunities and Barriers to Greater Use of Locally-grown Produce in Public Schools. 2006. J. Berkenkamp. Department of Applied Economics, University of Minnesota. Retrieved Dec. 2010. Available online: misadocuments.info/Making_the_Farm--School_Connection.pdf. Results of discussions with food service directors to identify potential for greater use of local food in public schools.

The Packer: The Business Newspaper of the Produce Industry. The Packer, 10901 W 84th Terrace, Lenexa, KS 66214. (913) 438-0784. Retrieved Dec. 2010. Available online at: www.thepacker.com. This produce industry newspaper contains information about industry standards for handling of fruits and vegetables, requirements and proposals for tracking and identification, price reports, and other information that farmers may find useful for communicating with distributors and food buyers. Access to most of this information online requires a paid subscription.

Thousand Hills Cattle Company. Retrieved Dec. 2010. www.thousandhillscattleco.com. For more information contact: THCC, PO Box 68, Cannon Falls, MN 55009. (507) 263-4001. tlein@thousandhillscattleco.com. This website contains information about grass-fed beef and operational guidelines for producers who want to raise cattle for THCC.

COLLABORATIVE MARKETING

Farmers can work together to accomplish marketing goals that they could not achieve by themselves. Sometimes, farmers and consumers or farmers and nonprofit groups work together to achieve marketing goals that benefit the farmers. Marketing collaboration is an area that is wide open for creative efforts.

Farmer cooperatives, or co-ops, are one specialized form of group marketing; this is what most farmers think of when they think of collaboration with other farmers. Co-ops are owned by the farmers, and the farmer-owners have a lot of hands-on involvement in the day-to-day operation of the business. The MISA publication, “Collaborative Marketing: A Roadmap and Resource Guide for Farmers,” details the process of forming a farmer co-op (see Resources for Collaborative Marketing). Co-ops tend to have some difficult challenges. Sometimes they work well, often they struggle, and sometimes they fail. Farmers who want to form a marketing co-op need to expect to spend a lot of time and effort on activities such as feasibility studies, business planning, and marketing plans. Honest, unflinching analysis of the co-op’s financial prospects and sales potential is needed. Another crucial component of co-op success is commitment on the part of the farmer-owners. Building a new business is a difficult and long-term process. Co-ops that have succeeded have had members who were willing to put in “sweat equity” as well as monetary support for the co-op.

Co-ops are not the only way for farmers to work together. There are other models:

- Nonprofit organizations take the lead in developing a marketing effort that benefits a group of farmers. Pros: The farmers have little risk; they are not asked to put in

money up front as they would for a farmer co-op. Interested consumers can be involved in the effort, and grant funding may be more accessible to the nonprofit organization than it would be to farmer-owned entities. Cons: The farmers have little control over the effort. Examples of this model in Minnesota:

Heartland Food Network, www.mnproject.org/food-heartland.html (verified 12/2010)
Pride of the Prairie, www.prideoftheprairie.org (verified 12/2010)

- Public agencies take the lead in developing a marketing effort that benefits a group of farmers. Pros: The agencies can direct a budget and staff time toward work on the marketing effort, and may have access to other resources that can help—the farmers have little risk. Cons: The farmers have little control over the effort. Efforts may be disrupted by staff changes or by budgeting changes that are beyond the agency’s control. Examples of this model in Minnesota:
Local Foods Partnership, www.localfoods.umn.edu. (verified 12/2010)
Superior Grown, www.superiorgrown.org. (verified 12/2010)

FARMER COOPERATIVE CHALLENGES

- Farmers have to give up some control over their marketing, and sometimes over their production methods as well. This is difficult for many farmers to do.
- Farmers have to sacrifice some short-term self-interest for the long-term good of the cooperative. For example, if livestock prices on the open market are high, the farmers may get less money selling through the co-op than they could just sending the animals to market.
- It takes longer and costs more to get through the business planning, paperwork, and filing stages than anyone anticipates. People get tired of going to meetings, and become frustrated by delays and difficulties that arise. Farmers may be asked to contribute more money than they had planned on to get the co-op organized.
- It takes longer and costs more to get the co-op operations functioning than anyone anticipates. Farmers may be asked to contribute more money than they had planned on to keep the co-op afloat in its early days, when it is still trying to develop its markets.
- Some types of products require processing, and co-op members may be tempted to invest in processing infrastructure so they have control of that aspect. This can lead to large debts that are hard to pay off, and can remove members' focus from important business planning and marketing tasks.
- The farm families often try to do a lot of the co-op work themselves, to save money that would have to be paid to an employee or a consultant. This can lead to overwork and burnout for the farm family members. It can also lead to mistakes made by people who do not have the necessary expertise for the task.
- Some members of the co-op may end up doing more of the work than other members. This can lead to resentment on the part of those doing more work. It can also lead to a sense of disenfranchisement on the part of other members who may feel that they have no right to comment on co-op operations since they are not putting in as many volunteer hours.
- Hiring, training, and keeping employees is a challenge for any business, but a co-op has some special challenges. An employee expects a regular paycheck and regular pay raises for good performance. The farmers may be putting in volunteer time and not getting any higher prices for their product, so that creates some tension over employee expectations.
- Grant funding may help co-ops through some financial troubles, but can also become a burden. The work needed to fulfill the terms of the grant can take time away from work needed to build the co-op's business.

The Heartland Food Network is an example of nonprofit organizations, state agencies and potential buyers of local food coming together to form a marketing effort that will benefit consumers and farmers. The Minnesota Project convened a steering committee which included MDA's Minnesota Grown Program, Food Alliance Midwest, the Farmers Union, and local chef Paul Lynch. In 2006, this group launched a unique collaboration of chefs, farmers, processors and distributors committed to bringing high quality, locally grown, sustainable and organic products to Midwest dinner tables. Initial efforts are focusing

on increasing the amount of local food served in restaurants.

The chefs, processors and distributors make a commitment to buy locally grown food, and to increase the amount of local food that they buy each year. The restaurants in the Network advertise their use of local food to customers. Minnesota farmers have been recruited to supply the products that the distributors and chefs want.

This is a low-risk collaborative marketing effort for the farmers. The chefs and distributors are putting money into the marketing effort, and the farmers

are not. In exchange for little risk, the farmers have limited control over the marketing. Decisions on how the Heartland Food Network is presented to the public are made by the chefs and distributors who are members. Farmers can have some influence over what food is served, though, by being in direct communication with the chefs about what products they have coming available. Chefs need that communication from the farmers, since they do not have time to spend making phone calls to find out what is available.

Resources for Collaborative Marketing

Collaborative Marketing: A Roadmap and Resource Guide for Farmers. 2000. R. King and G. DiGiacomo. MISA. Publication no. BU-07539. Available in full text online or from: University of Minnesota Extension Distribution Center, 405 Coffey Hall, 1420 Eckles Ave, St. Paul MN 55108-6068. (800) 876-8636. www.extension.umn.edu/distribution/businessmanagement/DF7539.html.

This document outlines the steps needed for farmers to organize a farmer-owned marketing cooperative, and profiles ten cooperatives that were formed or in the process of forming during the years 1996 through 1998.

Romance vs. Reality: Hard Lessons Learned in a Grass-Fed Beef Marketing Cooperative. Updated 2010. A. Wilson. Available online on the Iowa State University Extension website: www.extension.iastate.edu/agdm/wholefarm/html/c5-220.html. Retrieved Dec. 2010. This is candid reflection about the operations and challenges faced by the Tallgrass Prairie Producers Co-op, written by Annie Wilson, a member and former business manager. Tallgrass Prairie Producers Co-op operated from 1995 to 2000, raising and marketing grass-fed beef from ten Kansas ranches.

Profile: PastureLand Cooperative

Jean Andreasen, Manager
www.pastureland.coop

PastureLand Cooperative is owned by a small group of grass-based dairy farmers milking roughly 625 cows in southeastern Minnesota. PastureLand’s award-winning butter and cheese are made from the milk of 100 percent grass-fed cows, and are sold primarily at retail outlets in the Twin Cities and Southeastern Minnesota. PastureLand also has a mail order business that ships product nationwide, which accounts for seven to nine percent of sales. PastureLand has built a successful niche within a highly competitive dairy environment.

PastureLand was organized in 1998, and its membership consists of five dairy farms operated by six families. They began selling cheese in 1999, and butter in 2000. Jean Andreasen, their general manager, was hired in 2004. All of the farms are organic and Food Alliance certified. In 2006 the co-op’s gross income was \$1.2 million dollars; \$253k were generated from the sales of value-added products. The co-op’s signature gourmet butter has taken top awards at the American Cheese Society Competition and Judging for three consecutive years. PastureLand recently obtained a Value-Added Producer Grant (VAPG) from the USDA to help it expand its regional sales. The hire of Steve Young-Burns as their sales director in 2006 will help facilitate this process.

Whether to rent processing capacity or purchase processing facilities is always an issue for value added products, and PastureLand chose to not invest in its own processing infrastructure, but works with co-packers to produce their butter and cheese. The co-op produces its butter and cheese during the peak of the grazing season. Product is stored both on a co-op member’s farm, and at Co-op Partners Warehouse in Saint Paul. Up until now the co-op has kept ownership of its distribution system. This has meant more work to get products delivered to markets, but has minimized expenses. As sales increase, it is possible that the co-op may outgrow the capacity of their co-packers and their storage facilities. The lack of dairy processing facilities in the immediate area of their farms has forced them to look at processing options further away.

Finding markets for by-products—skim milk, whey, and buttermilk—can also be difficult because of limited local outlets.

Jean notes PastureLand is fortunate to have members who were truly committed to the co-op from the beginning and willing to invest their time and personal resources to grow and nurture the business. The cooperative is also fortunate to have high-quality products that fill a specific market niche. Natural food cooperatives and retailers have proven to be effective outlets for their products as target customers tend to be well educated, health-conscious and eager to support sustainable farming practices. Other things that have benefited the co-op in recent years include:

- Time spent on a visioning process, which allowed the members/staff to build consensus on where they wanted to take the co-op
- Preparation of a formal business plan
- Regularly scheduled board meetings
- Standardized financial reporting, which gives board members an opportunity to compare recent numbers with past performance.

PastureLand is poised to expand, and with expansion will come additional challenges. The board members will need to spend less time on operations, and more time on governance and developing tools for measuring the co-op’s progress. The co-op members will have to look carefully at the pricing of products to make sure they can sell a good volume of product without harming profitability. The grant funds will help them through sales expansion, but they need to be sure the co-op can pay its expenses with funds generated by the business once the grant is completed. Finally, the co-op will have to expand its membership in order to increase its milk supply as sales increase. Organic milk is a product in great demand, and competition for new producers is fierce. For some dairy producers it can be a temptation to chase short term gains, rather than supplying a co-op with milk and committing to the slower process of growing a business and brand of their own. PastureLand is interested in engaging farmers in building a brand and an organization they can be confident of, and that gives them a good return on their investment.

Profile: Whole Farm Co-operative

Long Prairie, Minnesota
Robert Bromeling, Manager
www.wholefarmcoop.com

The Whole Farm Co-op, based in Long Prairie, Minnesota is an example of a farmer cooperative that has struggled, but has stayed in business for ten years. It is made up of about 30 farm families who pay annual membership dues of \$75, plus 30 percent of sales to the co-op. The annual dues can be paid in \$75 cash, or in \$25 cash plus work at the co-op in lieu of the remaining \$50 cash payment. Annual dues are used primarily for advertising. The co-op operations are funded from the 30 percent of sales retained by the co-op. Running the co-op on 30 percent of sales is an ongoing struggle. Equipment repairs or upgrades are very difficult to finance. When repairs or upgrades have been necessary, one or more co-op members have usually stepped in to help.

All co-op members are eligible to serve on the board of directors, which is elected at annual meetings. Manager Robert Bromeling meets with the entire membership once per year at the annual meeting, but then also has one or two meetings per year with each “product group,” made up of all the farmers that produce a particular product. The farmers have direct control over the prices that the co-op charges for products.

Whole Farm Co-op offers a wide array of products, including beef, pork, chicken, eggs, cheese, jams and jellies, baked goods, fruits and vegetables, flour, pancake mixes, bread mixes, maple syrup and honey, wooden utensils and furniture, gift packages and cards, and teas and coffee. All products are from the local area except the tea and coffee. Robert noted that they carry the line of organic and fair-trade teas and coffees at the request of their customers.

The co-op does not have a limited membership, and has never turned down new members. Prospective members have an entrance interview and a site visit by the board members, then pay their annual dues and are eligible to sell through the co-op. Members hold their products at their own farms until the co-op needs them, then they deliver their products to the co-op. The exception is meat. The co-op schedules processing at a USDA-inspected processing plant. The farmers deliver the animals to the plant and pay for the processing of their animals, but then the processed meat is stored at the co-op building until it is sold. Beef slaughter is typically done in June and October to take advantage of the peak quality times for grass-fed beef.

When several farmers can supply the same product, the co-op rotates orders so that everyone gets a chance to

supply. Farmers do not sign a contract to deliver product to the co-op, but the long-term members have a commitment to the co-op and will deliver their product when called upon. All products sold by the co-op can be traced back to the member that produced them.

Members are paid after their product sells. This can lead to a delay for payment on beef and pork, as some cuts are more popular than others and it takes some time to sell all of the cuts from an animal. Farmers who sell meat through the co-op basically give the co-op a zero-interest loan on the product, and the term of the loan varies depending on the demand for meat.

Whole Farm Co-op has standards of sustainable and humane production that its farmer-members commit to following. Broiler chickens must be free-range, laying hens must never be caged, beef must be raised on pasture and without sub-therapeutic antibiotics, and farmers must use sustainable cropping practices. Co-op board members and the co-op manager do occasional spot-checks on farms to verify that the standards are followed, but thus far they have not used any outside verification of the farmers.

Whole Farm Co-op is unusual among co-ops in that it does not attempt to impose any standard livestock breeds or feeding regimen on its livestock farmers. That means there is a lot of variation in the meat, chicken, and egg products. Robert said that this has not been a barrier to their marketing. In fact, this is a strength of the co-op because the farmers are free to keep their own originality and do not feel “micromanaged” by the co-op. Customers need some education about the variation they must expect in the products, but then they are very accepting of it.

The co-op sells to some grocery stores, and has had a range of responses from the stores. Some stores have “bought in” to the idea of local food, and are reliable customers of the Whole Farm Co-op. Other stores have been looking for a certain type of product, such as grass-fed beef, at the cheapest price and are not concerned about whether it is a local product. The co-op’s customer base is faith communities and nonprofit organizations in the Twin Cities metro area whose members have made a commitment to buying local food. Whole Farm Co-op has more than 30 delivery sites in the metro area, most of them at churches, as well as a few other sites in St. Cloud, Brainerd, Little Falls, and Duluth. Most farmers who choose to work for the co-op in lieu of an annual \$50 payment are asked to travel to some of the delivery sites to meet with the customers there. This is a very important part of the co-op’s marketing effort: the urban customers greatly appreciate the chance to meet with the farmers who are growing their food.

Profile: Southeast Minnesota Food Network

Dover, Minnesota

Pam Benike, Manager

www.southeastmnfood.com

The Southeast Minnesota Food Network is a business composed of farm families in southeastern Minnesota. The Network sells a variety of products including fresh fruits and vegetables, beef, pork, chicken, and eggs primarily to restaurants and food services in southeastern Minnesota and in the Twin Cities. It is organized as a Limited Liability Corporation (LLC).

The Network has some features that mark it as a true farmer collaborative. All current members are informed when a new member is added. If a member has production questions, the Network manager will help them contact another member who is producing the same kind of product. The Network holds training workshops for the members on topics such as timing of harvest and post-harvest handling of fruits and vegetables. Experienced farmers teach the newcomers at these workshops. Members meet with the manager each spring to plan the product line and assess the likely quantities that will be produced in the upcoming summer season. At this meeting, farmers can sign up for group ordering of plastic bags, twist-ties, boxes, and other supplies.

Farmers can ask to join the Network at any time, but most of the recruiting of new farmers happens during the winter. The Network maintains a waiting list of farmers who can supply products that the Network sells, and new suppliers are added from this waiting list as the demand for the product grows. Members join the Network by buying one share in the company at a cost of \$250. One share equals one vote at the annual meeting. Prospective members also must have a farm visit by a board member and sign a statement that they will follow the Network's sustainable production guidelines.

The Network members must have their own product liability insurance for products that are processed in any way. Vegetables straight from

the field do not require insurance, but washed and bagged salad greens do require it. The farmers have found that it is much easier to find insurance for some items than others. Pam noted that it is fairly easy to find insurance for beef, because insurance companies that work with farmers have a lot of experience with beef sales and because most of the liability is borne by the processor. On the other hand, finding product liability insurance for farmstead cheese can be extremely difficult. If you have trouble finding insurance, Pam recommends calling other farmers who produce a similar product and asking them where they get their insurance.

The Network keeps a portion of each sale for distribution expenses, and another portion for general expenses. Pricing of products is based on the cost of production, including the cost of the farmers' labor to produce it. When the Network began, the farmers pooled their financial data to calculate their costs of production and then added on a profit margin for the farmers and the percentage needed by the Network to arrive at the selling price for products. Now, the Network manager does market research to find reasonable selling prices for products. Then they work backwards to determine how much the farmers would receive and compare that to the farmers' production costs. If the farmers cannot profitably produce a certain product, the Network probably will not carry that product.

There are few models for this type of business, so the Network is learning as it goes. There have been growing pains. Ideas have been tried that have not worked. Some things that the Network would like to do are not possible at this time because a larger operation would be necessary. Grant funding from the USDA has helped the business expand and hire a salesperson. Pam said that the expansion has helped the Network to operate more efficiently and they are moving toward independence from grant funding.