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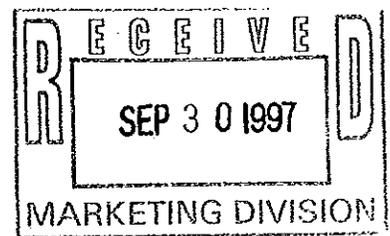
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**HOME GROWN WISCONSIN & RIVER VALLEY FOODS:
TWO STUDIES IN COOPERATIVE DEVELOPMENT**

by

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Submitted as the Final Report

to the

**State of Wisconsin
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HOME GROWN WISCONSIN & RIVER VALLEY FOODS: TWO STUDIES IN COOPERATIVE DEVELOPMENT

by Greg Lawless and Robert Cropp¹

INTRODUCTION

Original Intent

This is the final report for the grant project funded by the **Agricultural Development and Diversification (ADD)** program of the Department of Agriculture, Trade, and Consumer Protection (DATCP) of the State of Wisconsin. The lengthy title of grant project-- "Developing Local Markets for Wisconsin-Grown Niche Products through Cooperative Strategies and Customer Education"-- identified both the intent and the two-pronged strategy that was planned for the project.

The initial focus of the grant project was on establishing a new marketing enterprise called **Home Grown Wisconsin Cooperative (HGW)**. HGW was developed to market Wisconsin-grown organic produce to restaurants in Madison, Chicago, and Milwaukee. Formally, HGW was and is owned and controlled by Wisconsin organic farmers and Madison restaurant chefs.²

By the time the ADD money was granted, on July 1, 1996, HGW had already conducted two months of business with about nine Madison restaurants. The recipient of the grant was not Home Grown

¹ Greg Lawless is an outreach specialist for the University of Wisconsin Center for Cooperatives (UWCC); Robert Cropp is the Director of UWCC and Professor and Extension Specialist, Department of Agricultural Economics. It must be noted that many people, including farmers and other business owners, along with university and non-profit personnel, made significant contributions to both of the projects described in this final report. Their views and conclusions, however, are not included in this report. Project participants who read this report are strongly encouraged to convey their opinions to its authors. With that input, a revised report might be appropriate for further distribution.

² So far, "ownership" by restaurant chefs has been primarily symbolic. More than a year since formal incorporation, HGW still operates without by-laws. Formal by-laws should address the future role, if any, of restaurant members.

Wisconsin, but the **University of Wisconsin Center for Cooperatives (UWCC)**. As written in the grant proposal, UWCC was to assist HGW in three strategy areas:

1. Explore further opportunities for cooperation and for future market development;
2. Educate the customers of restaurant members about the many reasons to enjoy Wisconsin-grown food products;
3. Document HGW's first year and facilitate discussions regarding strategy changes for 1997.

Adjustments in Approach

Early in the course of the project, an opportunity developed that required a significant shift in plans. Local leaders in Spring Green, Wisconsin sixty miles west of Madison, began meeting with university and non-profit leaders to explore value-added processing of raw farm products. UWCC's Greg Lawless was invited into these meetings, and the work that followed made it necessary to forego the second strategy area above almost entirely. Essentially, no direct customer education was undertaken in this project.

Instead, UWCC salary time that was funded by ADD money was split, roughly 60-40, between support of Home Grown Wisconsin and a related but separate new venture that came to be called **River Valley Foods, Inc. (RVF)**. This final report will examine both projects.

HOME GROWN WISCONSIN COOPERATIVE

The seeds of Home Grown Wisconsin were planted back in April of 1994 with a series of meetings at L'Etoile restaurant in Madison. A one-year grant from DATCP's Sustainable Agriculture Program funded the market research and organizational development that led to the formation of HGW in April of 1996. The final report for that earlier grant project, titled "The Farmer-Food Buyer Dialogue Project", describes the work that led up to the start of the second grant from the state's ADD program.

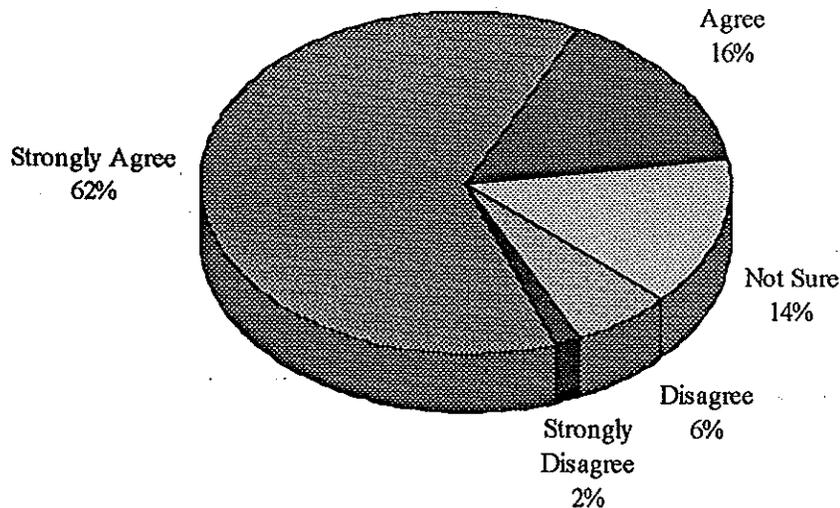


The ADD grant ran from July 1, 1996 to June 30, 1997, a time period that straddled HGW's first two seasons of business. As a marketer of fresh organic produce, HGW's business cycle runs from April through March. Volume of business peaks August through October.

HGW's first year of business was a difficult one. The goal of \$20,000 in gross sales, thought to be the minimum required to break even, was not reached. In fact, the \$11,000 in gross sales for 1996 was about a third of what was truly needed to break even that year. The business lost about \$3,000, which was distributed among farmer-members in proportion to the business each did through the cooperative.

With those disappointing results, the future of HGW was in doubt as late as mid-March of 1997. However, a market study conducted by UWCC of Madison-area chefs predicted that sales in Madison

There is some "market value" in being able to tell my customers:
"This food is locally-grown."



Box 1: Restaurant chefs and grocery managers agree: "local" has market value.

could be increased to between \$15,000 and \$30,000 with an increased emphasis on marketing. In addition, prospects for developing markets in Chicago looked very promising.

Finally, when a committee hired **Judy Hageman** as HGW manager in April of 1997, farmer confidence in the project jumped significantly, and by the end of May, just in time for business, HGW had lost only three of fifteen farm members from 1996, and gained three to take their place in 1997.

Roughly half-way through the 1997 season, sales are looking up. As of September 1st, Hageman reports that 1997 gross sales are around \$25,000, with two strong months of sales remaining. The effort in Chicago has been especially rewarding. Just this week, HGW hit the \$3,000 mark for the first time; more than two thirds of that amount was through Chicago. One Chicago restaurant ordered \$1,000 worth of produce-- more than all of Madison combined.

Hageman predicts HGW will gross \$50,000 by season's end, and she insists "we could do three times as much next year if we have the supply." While it is still too early to declare success, it is clear that new local markets have been developed. Long-term, sustained success of the new company should be possible if the right steps are taken. Recommendations for "next steps" will be offered after a brief discussion below of *the rationale* behind Home Grown Wisconsin; *the people* involved; and *the work done* in the context of the ADD grant.

The Rationale

There are certainly many different strategies that Wisconsin farmers can incorporate to enhance profitability and sustain long-term business success. For example, dairy farmers working in an increasingly competitive environment can modernize, expand their herd size, and/or manage their risk using dairy

futures. They might also reduce costs through labor efficiencies, or via innovative approaches like rotational grazing or seasonal milking.

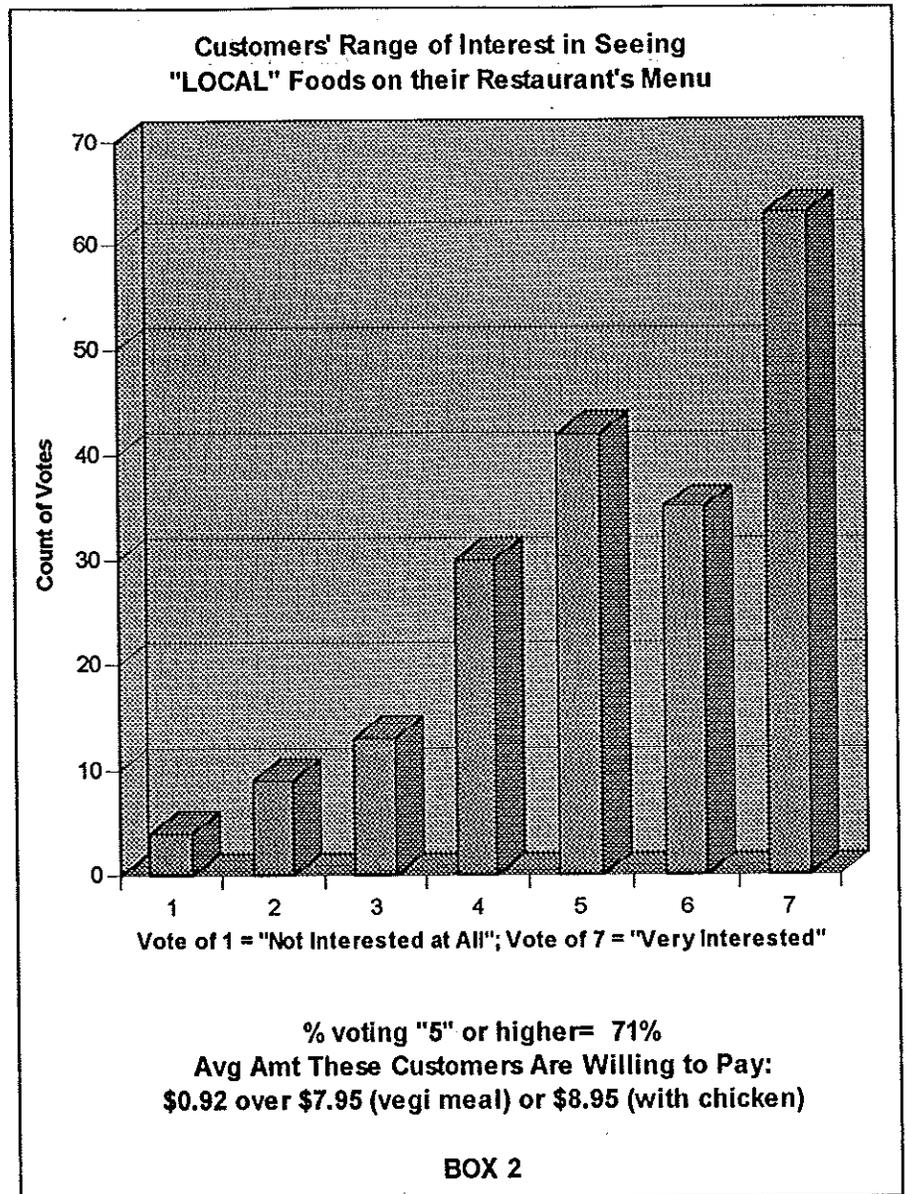
Other approaches to farm profitability and stability could entail diversification and niche marketing. Home Grown Wisconsin involved both strategies. By developing a new local market for organic produce (i.e., up-scale restaurants in Madison and Chicago), HGW offered existing organic producers another option for distributing their perishable products. In so doing, HGW also hoped to accelerate the growth of the local organic industry in general, thereby giving more farmers the opportunity to break into this market and diversify their operations.

Another market that HGW hoped to develop and expand involved "the local niche". Recent market research has shown that a significant percentage of food buying businesses and their customers value the "local label", and are interested in products that are produced locally (see Boxes 1 and 2). Individuals' definitions of "local" varied (see Appendix), but most survey respondents considered local foods to be those grown within the state's boundaries, or within 100 miles from their home or business.

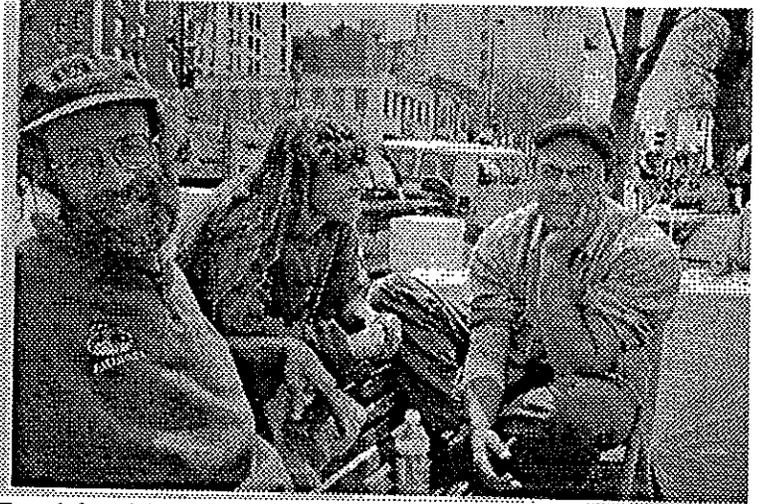
Home Grown Wisconsin sought to tap into both the organic and the local niche markets. Surveys sent in 1995 to restaurant chefs and grocery managers found that these food buyers would source more local farm products if there were one central supplier on whom they could count for dependable, high quality foods. Home Grown Wisconsin was established to meet that demand.

The People Involved

Four people played key roles in the establishment of Home Grown Wisconsin, surrounded by a wide circle of other individuals who also provided substantial support. **Steve Pincus**, an organic vegetable grower from just outside Madison, was elected Board President of the cooperative. Without the



involvement of a respected farmer, this project never would have gotten past the idea stage. Many years prior, Pincus had had experience starting a consumer-owned food cooperative in Milwaukee, so he brought organizational skills along with his reputation as one of Wisconsin's top organic vegetable growers. Finally, his proximity to Madison made it possible for Pincus to meet with local chefs, attend every board meeting, and provide advice to managers and consultants as needed.



From left to right, HGW Board President Steve Pincus, HGW Manager Judy Hageman, and Chicago distributor David Pederson relax for a moment at the Dane County Farmers Market.

In the first year, **Joe Sonsa-Novera** served as manager of the new business. Having served as office manager in another produce wholesale business, Sonsa-Novera brought practical skills to the project. His computer skills, in particular, meant that the HGW board had very solid data to examine after the first year of business. Sonsa-Novera also brought great enthusiasm, patience, and his own personal charm.

A recent article by Dr. David Cobia of North Dakota State University describes the critical role of an “organizational catalyst” in cooperative development. UWCC outreach specialist **Greg Lawless** did his best to play this role. As Cobia describes it:

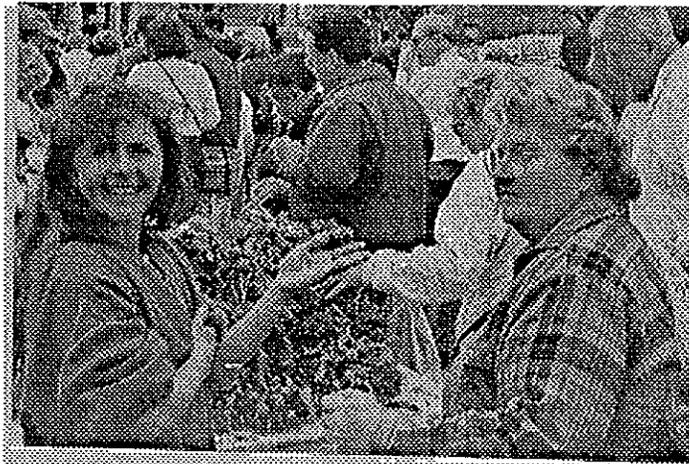
This person facilitates communication as the group moves through the early organizational phases, especially the gut-wrenching process of achieving the central business proposition, and provides information on qualified consultants. Organizational catalysts also provide guidance in timing of the various phases of development. Opinions vary concerning the ideal agency to sponsor this difficult to duplicate talent. The home organization must provide an unbiased base, free from political, pecuniary, and related biases.³

This was essentially Lawless' first experience with formal cooperative development, and it was not always a smooth process.

Finally, as should be clear to everyone involved, if Home Grown Wisconsin does succeed, the greatest recognition must go to its second and current manager, Judy Hageman. When Sonsa-Novera stepped down in late February of 1997 to take another job, the HGW board felt strongly that what this business needed most was a marketer. Hageman and her husband, Bill Warner, earned that reputation as owners and operators of a specialized organic farm in Belleville, Wisconsin.

Growing high-value organic produce under “hoop houses”, Hageman and Warner were able to sell products to chefs in Madison and Chicago weeks and months before just about anybody in the state. When

³ Cobia, David W., “New Generation Cooperatives: External Environment and Investor Characteristics”, presented at Cooperatives: Their Importance in the Future Food and Agricultural System, Las Vegas, NV, 17 Jan. 1997.



HGW Manager Hageman meets with HGW farmer-member Carla Kruse of Hickory Hill Farm, Loganville.

Hageman accepted the position as HGW manager, she brought her marketing skills and her restaurant contacts along with her. The result has been a dramatic increase in HGW's sales.

While Pincus, Sonsa-Novera, Lawless, and Hageman provide on-going leadership for Home Grown Wisconsin, a number of other people stepped in at various times to offer their expertise. This was truly a cooperative effort. A number of Madison chefs, including **Brian Boehm** of Deb and Lola's, **Leah Caplan** formerly of Bluephies, **Andrew Bowling** formerly of Botticellis, and **Odessa Piper** of L'Etoile, served on the HGW Board of Directors and offered invaluable advice about how HGW could best serve its restaurant

clients. **Rick Bayless**, a internationally renown chef from Chicago, was instrumental in introducing HGW to that city's market.

Besides Pincus and Hageman, other growers who played a leadership role included **Rink Davee**, **Rob Baratz**, **Claudia Echarvarria**, **Cheryl Lofton**, **Ann Guell**, **John Aue**, and **Matthew Smith**. **Mark Sheppard** of the Coulee Region Organic Produce Pool (CROPP), another organic produce wholesaler that targets the retail sector, provided information and blunt advice as the two cooperatives learned to "dance" together in the local marketplace.

Critical institutional support was provided by **John Hendrickson** of the University of Wisconsin's Center for Integrated Agricultural Systems (CIAS), who took excellent minutes at many board meetings, and by **Mary Myers** of Cooperative Development Services, who helped with the 1997 business plan and with development of organizational by-laws.

The names above do not include many more farmers and chefs, about a dozen or so of each, who had enough faith in HGW to do business with it, whether as supplier or customer. By taking the time to fill out and return surveys, attend meetings, and provide and/or purchase quality produce via Home Grown Wisconsin, it was these farmers and chefs who made it all happen on a week-to-week basis.

This exhaustive list of HGW leadership (with apologies to names forgotten) is presented partly to recognize important contributions. However, the list is mainly intended to convey a basic challenge involved with cooperative development. Simply maintaining adequate communication between all of these parties was-- and remains-- a substantial challenge.

Description of Work Done

Maintaining adequate communication involved a combination of letters, surveys, telephone conversations, visits, and meetings over the course of this twelve-month grant project. This

communication work was shared by the project's four key leaders (Pincus, Sonza-Novera, Lawless, and Hageman).

The time and resources that must go into this aspect of cooperative development cannot be understated. This particular project would not have been possible without grant assistance. The market potential that HGW represented to potential farmer members was simply not great enough to justify substantial early investment to support cooperative development. Rather than contributing \$75 apiece that first year, HGW's initial farmer members would have had to invest roughly \$600 apiece to support the work that UWCC conducted with ADD funds from the state.



At the same time, HGW has certainly not been entirely grant-dependent. Grant-funded activities were conducted in conjunction with and in support of HGW's day-to-day business of wholesaling organic produce to Madison and Chicago restaurants. These day-to-day business activities-- phoning and faxing farmer suppliers and chef customers, arranging deliveries⁴, processing invoices, etc.-- were carried out by HGW managers Sonza-Novera (in 1996) and Hageman (in 1997). Grant funds were not used to subsidize these day-to-day business activities. Rather, they were funded by a pricing system that established mark-ups to cover the cost of operations.

Besides "communication facilitation", grant-funded activities included promotional work, market research, and database development. These are described in detail below.

Grant-Funded Promotional Activities:

- HGW Brochure : lists participating farmers and chefs and produce varieties offered; Version 1, summer of 1996; Version 2, spring of 1997.
- Basic web page for HGW, summer of 1996.
- Booth at national chef gathering in Milwaukee, February 1997.
- Booth at Upper Midwest Organic Farming Conference, March 1997, Sinsinawa, WI.
- "Farmer-Chef Gathering", Deb & Lola's restaurant, March 1997.
- Article in Isthmus' annual Dining publication, spring of 1997.
- Article in CHEW magazine, a publication targeting Madison restaurant employees and customers, winter of 1997.

⁴ In both 1996 and 1997, deliveries in Madison were actually made by **Golden Produce**, a private produce wholesaler and distributor that has been very supportive of HGW. Owner Bobby Golden's only rule has been that HGW must only distribute locally-grown products from his dock. In 1997, distribution of produce in Chicago has been made by **David Pederson**, who is trying to establish a specialized trucking business that delivers Wisconsin-grown products to Chicago then backhauls Chicago specialty foods to Madison chefs.

- “Farmer Bios”: individual 8” x 11” fliers describing each farm that sent in requested photo and farm description, summer of 1997.

Grant-Funded Market Research:

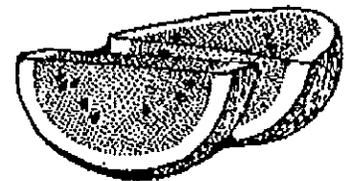
- Price comparisons of local wholesalers of organic produce, winter of 1997.
- Surveys and personal visits with two dozen Madison chefs, summer of 1996, and again in the winter of 1997.
- Internet search for top Chicago restaurants, winter of 1997. Results included, when possible, contact names, phone, fax, addresses, type of cuisine, and price per plate.
- Surveys and personal visits with selected Chicago chefs, winter and spring, 1997.
- Exploratory meetings with UW Madison Food Service, summer 1997.
- A survey of 2,200 customers of one Madison restaurant exploring their interest in locally-grown and organically-grown foods (conducted the summer of 1997). About 10% responded. The results are presented in Appendix A.

Other Grant-Funded Work:

- Design of a database of that included HGW’s pre-season supply and demand, price calculation formulas, and weekly record-keeping. This database still needs work, and was not fully completed in time for 1997 record-keeping.

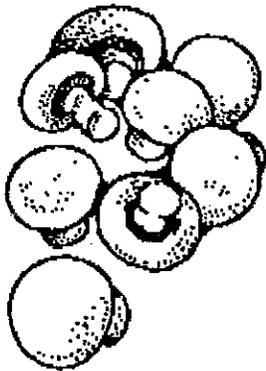
The Results

The “final report guidelines” for the ADD grant program ask important questions: “How will this project benefit the Wisconsin family farm?” and “What impact will this grant project have on the future of Wisconsin agriculture?” Within that broader context, the results of this small grant project are somewhat diminished.



Even if Home Grown Wisconsin does break the \$50,000 mark this season, and even if it triples its sales in 1998, as manager Judy Hageman boldly predicts, those dollar amounts are a minute fraction of the states’ agricultural industry. At best, those volumes of business might benefit three or four dozen farm families in Wisconsin.

The merits of this project should be found in the approach that the members and supporters of Home Grown Wisconsin have taken over the past two years. By targeting clearly defined markets, by carefully researching those markets, and by coordinating supply and promotion to secure those markets, HGW members have taken an aggressive, offensive approach to family farm survival.



Certainly, farms may take this approach on an individual basis, and there are undoubtedly gains to be made through individual, entrepreneurial efforts in the marketplace. But what HGW has shown is that these gains can also be achieved through a cooperative, entrepreneurial effort.

Indeed, HGW follows ten years behind the example provided by CROPP Cooperative of La Farge, Wisconsin. It has also coincided with the development in recent years of the so-called "New Generation" of value-adding farm cooperatives of North Dakota and western Minnesota. The members of all of these new cooperatives are simply learning what their grandparents and great-grandparents learned many decades before them: cooperation works.

Or at least it can work.

Challenges and Recommendations for Home Grown Wisconsin

As already stated, it's really too early to judge HGW a success. In fact, there are a number of challenges that have inhibited the growth of the new business, and which could threaten its success if not addressed soon. These challenges are described below, followed by recommendations for the 1998 season.

The Need for Greater Professionalism

Every new business has its growing pains, and a cooperative should be no exception. If Home Grown Wisconsin is going to survive over the long-term, it needs to address issues which it was forced to ignore amidst the chaos of getting the business off the ground. In short, it needs to become more professional.

Perhaps the most important step in becoming more professional is to strengthen the Board of Directors, who would then prioritize and provide the guidance for all other necessary improvements. Over the past two years, the HGW Board has essentially functioned only four or five months in each of those years-- the winter months. Meeting more regularly throughout the year would provide the manager with the guidance she may need to make important decisions and plan for the future.

Ideally, some or all of the Board members should take some type of training in the responsibilities associated with serving on a cooperative board of directors. UWCC offers just such training every spring and summer. Many of the long-standing farm cooperatives in Wisconsin send their board leaders to these training sessions, to ensure that board members can evaluate financial statements, develop marketing strategies, plan for the future, and learn other important skills.

Perhaps HGW could pursue grant moneys to pay for this training in its early years. The long-term goal, however, should be to strengthen the cooperative's board, its management, and its profitability so that it can become less dependent on soft money, and stand on its own feet as a self-sustaining enterprise.

Related to the need for board training is the need for formalized by-laws. Fourteen months after incorporation, HGW is still operating without formal by-laws. That could cause substantial legal problems

down the road. Consultant Mary Myers of Cooperative Development Services has made an excellent start on developing HGW by-laws, but the Board of Directors need to make some important decisions, such as:

- Is HGW going to remain a farmer-owned and chef-owned corporation? Might a second class of membership be created so that chefs can remain in the cooperative, but in a way that fits their interests and their involvement?
- Should HGW be an open or a closed cooperative? Should it sell shares based on committed volumes of produce? Should those shares be transferable to other farmers? The so-called "new generation cooperative" model may be worth looking at, especially if HGW looks forward to investment into value-added processing.
- Should members be asked to make annual capital contributions?

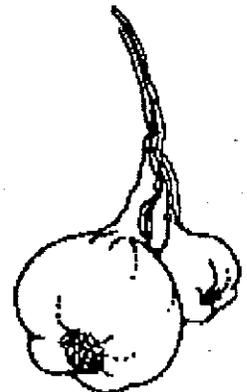
Another area that could become more professionalized would be the record-keeping system. A trade-off was made in the second year of business that everyone agreed was necessary. The excellent, computerized record-keeping under Sonza-Novera was given less priority than the need for stronger marketing and increased sales volume.

While Hageman has done an excellent job marketing, she was hired too late in the season to install a electronic system of records. Her time, or someone's time, will have to be dedicated to developing an electronic system of recording growers' sales, restaurant purchases, capital investment, etc. That work, and other "off-season" planning, will take time and will cost money. Funds to pay for it will either have to come from 1997 profits (if there are any), from increased capitalization by members, from bank loans, or from further grant assistance.

Another means of improving professionalism would be grower education and greater coordination of production. HGW has some excellent growers who provide the highest quality products-- as many chefs have said. The main area that some growers could improve on, according to Hageman, would involve packaging and marketing issues. Hageman suggested a Grower Retreat this winter or early spring to give growers a chance to share their knowledge and skills.

Hageman also has ideas about improving crop planning and coordination. She is firmly committed to spreading HGW' business fairly across all its farmer-members. She feels it would be much easier to achieve that goal if growers specialized in certain crops, and if plantings of similar crops were staggered over time so she could move through a succession of producers. All of this would have the added advantage of securing a steady supply of a wide variety of produce for restaurant customers.

Finally, HGW needs to improve upon the system of communication that has carried it through its first two seasons. Thus far, grant funds supported most of the mailings that informed board members and the general membership of up-coming meetings, agendas, decisions, and deadlines. Keeping people informed takes time and resources. At this point, the board has not appointed a formal secretary to take minutes of meetings and ensure good communication among members. This officer



should be appointed, and a modest amount of money should be set aside for the costs of mailings and phone calls.

In sum, board training, formal by-laws, computerized record-keeping, grower education, crop planning, and a system of communication are among the things that are needed to improve the professionalism-- and the profitability-- of Home Grown Wisconsin. All of these things will require commitment and resources. Grant funds can be pursued to cover some of the associated costs, but ultimately the farmer-members must decide whether they are confident enough in the profitability of the venture to justify their own personal investment of time and money.

The Need for Increased Capitalization

It is a very difficult thing to ask farmers to dig into their pockets and capitalize a "secondary" business like a cooperative. What surplus they do have at the end of the year, they tend to want put into strengthening their own farm business. However, what many farmers in North Dakota and western Minnesota have come to believe is that a profit-oriented, demand driven cooperative can become an extension of their personal farm business.

For example, durum wheat farmers in North Dakota, who have invested in a \$41 million pasta manufacturing plant, now see themselves not as wheat farmers, but as "pasta farmers". Those farmers have each expanded their individual farms vertically through cooperative investment in a value-adding enterprise.

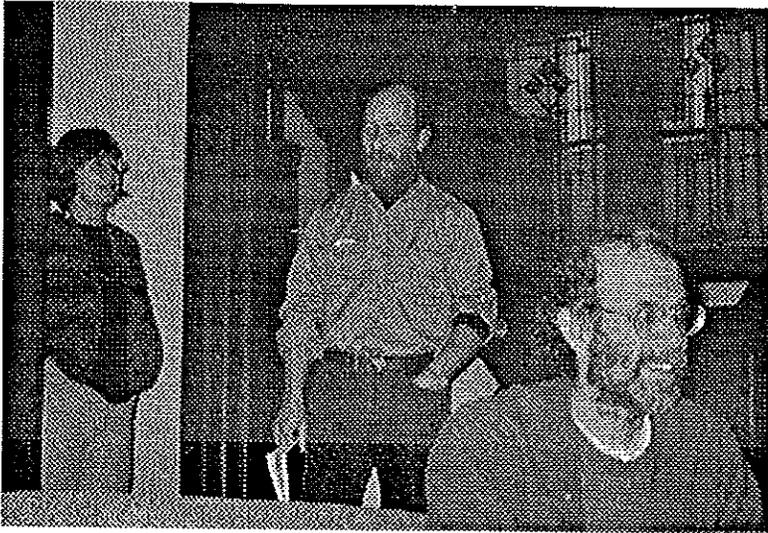


Forty-one million dollars probably sounds like a lot of money to the farmers of Home Grown Wisconsin. Fortunately, that amount of investment shouldn't be necessary to wholesale organic produce to up-scale restaurants in Madison and Chicago. However, the \$2,500 (or roughly \$4,500 including 1996 losses) that HGW farmers have invested so far is almost certainly not enough to sustain this business long-term. The Board and Manager need to determine just how much investment is necessary, and then convince the membership to make that commitment. Grant moneys will go only so far, and they are an unsustainable means of doing business.

It should also be noted that another means of increasing capital, besides asking current members to "up their ante", is to increase farmer memberships. Another common means is to join efforts with other established cooperatives to cut costs and increase the pool of available capital. A more meaningful partnership with the vegetable growers of CROPP Cooperative of La Farge might be worth exploring. While HGW has developed new markets in the restaurant sector, CROPP's vegetable pool manager Mark Sheppard has also made great progress in the retail sector. These two separate efforts, at the very least, would benefit from greater coordination and planning.

The Need for Increased Demand

So far, supply and demand for Home Grown Wisconsin have been roughly in sync over the past two years. Last year, supply slightly outpaced demand, this year, the reverse seems to be true. However, if HGW is going to have a substantial impact in the local organic sector, and if it's going to garner the profits



HGW members Cheryl Lofton, John Aue, and Steve Pincus mingle after a day of manager interviews.

to justify great member investments, then it will have to increase sales to current restaurants and reach out to far more restaurants and other food buying institutions.

Part of the “dance” that took place between HGW and CROPP over the past two years was territorial in nature: HGW would focus on restaurants, while CROPP would focus on the retail sector. A third sector with great potential would be the food service programs of major Madison institutions. The University of Wisconsin, for instance, has expressed interest in organic foods.⁵ Dane County institutions, the Madison Public School System, the Madison hospitals, and the new Monona

Convention and Community Center all represent large potential markets for organic and locally-grown fresh and processed food products.

Even if HGW maintains its focus on the restaurant sector, there may be the potential to increase sales in that sector far beyond manager Hageman’s vision of tripling 1997 sales. It may be that sales in Madison have already reached their peak, but that peak might be surpassed if HGW improves upon its current marketing strategy. Milwaukee is a very large city that is well worth exploring, and 1997 sales to Chicago are probably just a small fraction of the business that could be done in that city.

A marketing strategy that should appeal to many of the high-end restaurants of Madison, Milwaukee, and Chicago would:

1. convey the unique nature of each individual HGW farm to restaurant owners, chefs, and staff;
2. provide unique varieties and custom-tailored quantities and qualities of farm products for each individual restaurant;
3. deliver high quality produce, packaged in a professional manner, dependable every week; and
4. develop a restaurant “customer education” strategy that might include brochures, table tents, farmer visits, newspaper advertising, etc.

HGW may also want to consider offering restaurants products it does not currently offer, like organic meats, and also specialty crops that aren’t grown organically, for example, New Berlin farmer Ken

⁵ However, the UW, and probably other state institutions, are generally held to rules requiring open bidding that would most likely work in favor of suppliers that could provide fresh produce year-round.

Weston's antique apple varieties. Finally, another way that HGW could increase demand for its farmers' raw products would be to explore value-added processing. That potential market has been the focus of another project that is also underway in southern Wisconsin, called River Valley Foods, Incorporated.

RIVER VALLEY FOODS, INC.

While Home Grown Wisconsin is up-and-running, well into its second season of business, River Valley Foods remains "a work in progress". While some level of real business could still be transacted this fall, it's becoming apparent that a second winter of planning lies ahead.

The presentation, evaluation, and recommendations that follow are presented with limited input from other participants in the River Valley Foods project. The comments below are offered with the strong hope that this project will eventually achieve all of the goals that its founders have envisioned for it.

The Rationale Behind River Valley Foods

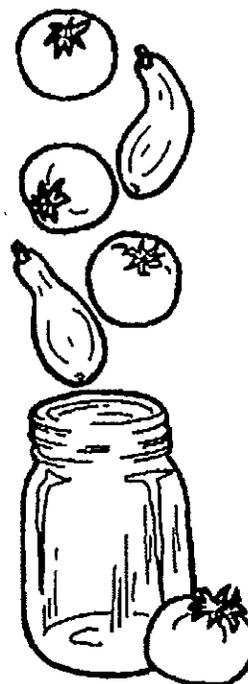
In a general sense, the rationale that has inspired and guided participants in the River Valley Foods was shared by all involved. That is, everyone saw value-added processing of raw farm products as a means of (a) increasing and diversifying farmer income and (b) generating economic development in the Spring Green area. Everyone agreed that family farms should be among the primary beneficiaries of this new business activity. There was also agreement that other rural entrepreneurs and also employees should benefit as well.

At the start, a vague business idea was also shared. Basically, that idea involved processing surplus and "seconds" from fruit and vegetable growers in the area, thereby creating a range of processed products that might vary from year-to-year. From the start, we planned to work with both organic and non-organic farms. While we expected that other types of food processors might benefit from our efforts (e.g., bakeries, candy makers, etc.), farm-based products were the primary focus.

Three similar yet distinct models inspired this project. One is the concept of a "community kitchen". This idea harks back to an earlier time in many rural communities, where common kitchens were shared by community women, generally, who would preserve foods there for home and modest commercial uses. Today, state regulations require that kitchens used for commercial processing, regardless of scale, be annually inspected and licensed.

A second concept that inspired River Valley Foods was the "food processing incubator". Typically, in this model, a non-profit organization seeks subsidies to secure a commercial processing building that can offer entrepreneurs the space to start new processing ventures. The building might include basic food processing equipment, along with office equipment like fax machines, computers, etc.

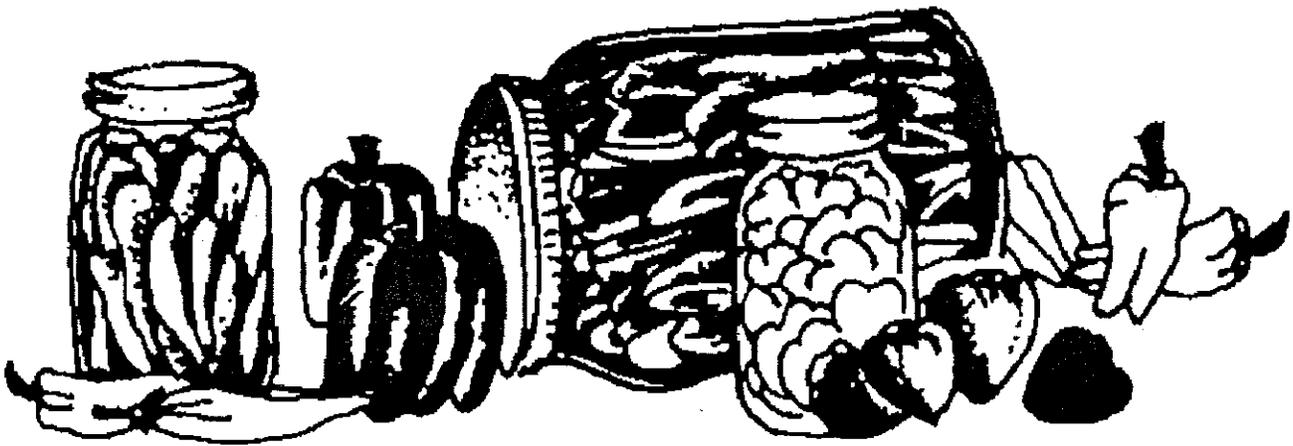
This second concept differs from the first primarily with respect to scale. A food processing incubator, like other business incubators, can easily involve hundreds of thousands of dollars in capital



investment. A community kitchen, in comparison, may require little more than what is available in many church basements.

A third inspiration for this project was the value-adding “new generation cooperatives” of North Dakota and Minnesota. These farmer-owned cooperatives typically are intensively market-oriented, require significant capital investment and product commitment from members, and limit farmer membership and raw product inputs to match demand. The pay-off for this approach, when it works, is the “value-added check” that the producers receive at year’s end.

Perhaps one of the things that has held this project back is that its participants never really came to complete agreement as to which of these three models were the goal. There was a rough attempt to blend all three into a kind of hybrid approach, but the resulting complexity and lack of focus has clearly slowed progress.



This hybrid approach involved the formation of a standard, for-profit corporation. That corporation, which became River Valley Foods, Inc., would provide the permanent, “core-business” that would anchor a food processing incubator in Spring Green. The primary mission of River Valley Foods would be to generate modest profits through custom-processing for busy farmers and, eventually, stronger profits through its own line of products.

A secondary mission of the River Valley Foods corporation would be to stimulate and support complimentary processing ventures through the Spring Green incubator. These ventures could lower the overhead costs for River Valley Foods. Finally, a sponsoring non-profit organization would seek grant moneys to help subsidize the start-up costs of both River Valley Foods and other entrepreneurial efforts.

This hybrid approach took a great deal of time and effort to develop, much to the frustration of some of the project’s participants. Indeed, this project may be suffering from *too much* university and non-profit “support”. If this is going to go anywhere, the circle of people involved in this project needs to expand soon to include more farmers and other rural entrepreneurs.

The People Involved

As was true of the Home Grown Wisconsin project, the food processing project in Spring Green has been blessed with strong commitment and support from a wide range of people of different backgrounds. Locally, dairy farmer **Dean Swenson**, basil grower and pesto manufacturer **Mark Olson**, along with **Joel Gaalswijk** and **Jessica Spicer**, have been involved since the start of the project in April of 1996.

Institutional support for this project was even stronger than was the case for Home Grown Wisconsin. Over the past year, individuals from four different organizations have been involved. **Steve Stevenson**, from the UW Center for Integrated Agricultural Systems (CIAS), provided excellent meeting facilitation for a year, at which point Dean Swenson accepted the role as RVF Board President. **Greg Lawless** from the UW Center for Cooperatives (UWCC), **Mary Myers** from Cooperative Development Services (CDS), and **Bill Wenzel** from the Wisconsin Rural Development Center (WRDC) also contributed significant time to the project.

Also, **Linda Barry** of Madison and **Gretchen Spicer** from Spring Green have often stepped in when needed. Food drying enthusiast **Mary Bell** provided advice and in-kind capital. In addition to these ten individuals, the group has reached out to dozens of Wisconsin vegetable growers and Spring Green residents to gather processing ideas and/or capital contributions. Farms with which River Valley Foods has explored processed products include: **Harmony Valley Farm** of Viroqua, **Cates Family Farm** of Spring Green, **Tipi Produce** of Madison.



River Valley Foods Kitchen Manager Jessica Spicer meets with Renaissance Farm owner Mark Olson.

While everyone involved thus far has played valuable roles, the project would be nowhere without the involvement and investments of Renaissance Farm owner and operator, Mark Olson. It was Olson who originally signed the lease with the landlord of the building that his business now shares with River Valley Foods. It was Olson who has taken the risk to purchase a variety of equipment-- including two large cookers and the makings of a small-scale commercial food dehydrator.

One of the underlying goals of River Valley Foods has always been to provide greater income opportunities to farmers in the surrounding areas. A producer himself, Olson has discovered that the market for value-added food products is much more rewarding than are those for most raw farm products. He's also found, however, that developing a successful food processing business takes a great deal of time, effort, and investment.

The other participants in the River Valley Foods project are also learning about the resources required to develop new products. Clearly, if new food processing activity in Spring Green is going to proceed, it's going to require involvement by more people, with more capital resources to invest.

Description of Work Done

Work on this food processing project was initially guided by monthly steering committee meetings composed of the people identified above. That steering committee eventually transitioned to the governing board of a newly formed subchapter C corporation called River Valley Foods, Inc. (RVF). Dean Swenson serves as president of that board.

Choosing the appropriate business structure itself took months of study and discussion.⁶ We needed some form of legal status in order to hold a processing license. The choices considered included a non-profit corporation versus a range of for-profit models. Of the various for-profit options, we considered the limited liability company (LLC), the cooperative (subchapter T) corporation, the S corporation, and the C corporation. Each of these models offered owners “limited liability”, unlike sole proprietorships or partnerships.

The formal cooperative form was bypassed early on. At the time, it was considered too complex or cumbersome for our needs. The lack of strong farmer interest and involvement may have also explained why the co-op model was not chosen. There simply wasn't a critical mass of potential members ready to invest in the business.

In some ways, the flexibility of the LLC model was appealing. However, the LLC is still a relatively new business form, and the attorneys and accountants available to us were less familiar with it than with the S or C corporations. We eventually chose the latter after being told we could shift to the S form at tax time, if appropriate.

A for-profit enterprise was chosen over the non-profit approach for a couple of reasons. First of all, Stevenson and J. Spicer's research into other “community kitchens” and “food processing incubators” around the country showed that too many were dependent on outside subsidies from grants and other “soft dollars”. It was felt that a for-profit corporation would be better suited, in the long-run, to stand on its own feet in the marketplace. Secondly, the Wisconsin Rural Development Center of nearby Mount Horeb offered to serve as a sponsoring agency that would seek soft dollars on RVF's behalf.

This decision to form RVF as a for-profit is now being criticized by at least one project participant, who feels that, at this early stage, soft dollars would have been most appreciated, and they might have been acquired more easily if RVF had not been formed as a for-profit corporation. While a small number of shares in the corporation have been purchased by farmers and Spring Green residents, it is true that a grant



From left to right, Jessica Spicer, Greg Lawless, Dean Swenson, and Steve Stevenson relax after the Spring Green farmers market.

⁶ Carla Wright, attorney Glen Reynolds, accountant John Bird, and CDS Executive Director E.G. Nadeau advised the steering committee in these discussions.

submitted to the state agriculture department's ADD program (by WRDC) did not make the final round of cuts.

Having chosen the business structure, the board of River Valley Foods worked with consultants Stevenson, Myers, Wenzel, and Lawless to develop a business plan. Essentially, that involved a three-tiered approach to generating income. This approach included:

1. River Valley Foods would recruit other food processing businesses to sublease kitchen space, in order to defray the overhead costs of operating that kitchen;
2. River Valley Foods would process foods *for* vegetable growers and other farmers who did not have the time and energy to process their raw products themselves⁷; and finally
3. River Valley Foods would eventually develop its own line of products, which it would market through its own marketing channels.

The problems, it seems, started when we tried to put this bold plan into action. With very limited resources, the group essentially tried to take on too much at one time, and, as a result, tangible results have been limited.

Efforts to recruit food processors and farmers (for strategies one and two above), were made through a public meeting in February of this year, by hosting a booth at the Upper Midwest Organic Farming Conference in March, and through a stand at the Spring Green farmers market in May. A fund-raising letter was also sent out in May and June. Newspaper articles appeared in the Wisconsin State Journal and the Capital Times. Many dozens of personal phone calls and visits were made to various farmers and other business people by the project's key participants.

As a result of all of these outreach efforts, a number of potential "clients" were lined up. For a short time, RVF was custom-processing bakery products for a local tourist attraction. While not a farm product, this project was accepted primarily to generate cash flow. Gretchen Spicer's son, Esau, was employed to produce the baked goods. Unfortunately, after about a month, the client withdrew his business. Had greater resources been available to improve the baking process, that business might have been retained.

Instead, what little resources were available were being spread thin in pursuit of other products and markets. The past five months (April through August, 1997) have been especially scattered. Significant time was put into developing a frozen eggroll product for Harmony Valley Farm. That project only became more complicated as time passed. Sourcing the most appropriate, low-cost packaging swallowed many hours of labor. Indecision over a process of baking versus frying led to scattered research into many directions, particularly sourcing equipment and exploring regulatory issues. Settling on a final design for the product itself still awaits input from the farmer-clients, who are far too busy in the midst of harvest season to be involved.

⁷ Also called custom-processing, this approach required processing clients to market the finished product themselves.

Research also went into designing a dehydrated, natural beef jerky product, and a wide range of dehydrated fruit and vegetable products. While these experiments were conducted by Barry and Lawless in Madison (using a home-scale food dehydrator), meanwhile Olson and Gaalswijk, amidst many other personal duties, were working to develop a larger dehydrator for commercial use. At this time, this drying approach provides the best opportunity to develop viable market products this fall.

Finally, in June a short survey was sent out to a number of Madison and Chicago restaurant chefs-- customers of Home Grown Wisconsin Cooperative-- asking for their ideas for value-added farm products that they might purchase for use in their restaurants. Many good ideas were offered, including canned organic tomatoes, and pickled vegetables of all kinds. Some chefs even offered to contribute seed capital to get new products going.

By mid-summer, however, we had already explored far too many products with far too few resources. Formal plans to offer "sweat equity" in the corporation may have come a little too late. Volunteer energies had just about been tapped dry.

The Results

There have certainly been a number of worthwhile results from the eighteen months of work put into River Valley Foods by its ten key leaders. A legal business structure was selected and incorporated. A processing license was obtained from the state; it runs through March of 1998. A three-tiered business plan, while somewhat vague, was developed and still provides guidance. Plenty of public exposure was achieved.

Experimentation with various products could still lead to viable market products. There are a few farmers and food processors who are seriously considering renting kitchen space through River Valley Foods this fall. Plans to custom-process frozen eggrolls, natural beef jerky, and dehydrated heirloom tomatoes and antique apple varieties could still take shape.

At the same time, it seems fair to say that more tangible results might have been achieved by now if fewer projects had been taken on at once. Projects or tasks might have been prioritized better and handled as time and resources permitted. There are still a few products that could be developed for various markets this fall. If that happens, it could provide the momentum needed to prepare better for the next season ahead.



RVF President Dean Swenson and client Dick Cates, looking for trouble after the Spring Green farmers market.

Challenges and Recommendations for River Valley Foods

At the past two board meetings, some progress was made in setting up a system of prioritizing product development ideas that are presented to River Valley Foods. Mary Myers of CDS has put this system to paper in a series of worksheets that will be used to evaluate product ideas that farmer bring to RVF for custom-processing. Most importantly, these worksheets try to measure:

- how far along the farmer has come with the product idea;
- how much of the development work RVF will be asked to do; and
- how much of that development work the farmer is able to finance.

Until RVF acquires soft dollars to subsidize product development work on behalf of farmers and other aspiring food processors, it will be necessary for entrepreneurs to come up with the necessary funds themselves. RVF has a number of qualified consultants that it can tap, at relatively modest hourly rates, who can help with various aspects of product development.

The Need for Increased Farmer Participation and Capitalization

While grant subsidies and better planning would improve River Valley Foods chances of success, nothing would help better than influx of hard dollars. Understandably, no one should invest money in a business that is not carefully planned and stands a good chance of success. This winter represents an opportunity for farmers and other rural entrepreneurs to come together and inject new ideas and energies into this Spring Green initiative.



There are some natural linkages between the two projects described in this report. Both involve Wisconsin-grown fruits and vegetables. Both the raw products of Home Grown Wisconsin and the processed products from River Valley Foods could be targeted toward similar markets. For example, many chefs now buying HGW produce have expressed interest in relatively "low-tech" processed products like canned organic tomatoes and pickled beans. More significantly, perhaps, some of the larger institutional buyers that HGW has approached-- like the UW-Madison and the Madison School District-- are more interested in processed vegetables than the raw products themselves.

Another potential player could be CROPP Cooperative of La Farge. In a recent CROPP newsletter, produce pool manager Mark Sheppard wrote: "These next few weeks are critical for a successful season for all growers. If we don't pick and sell our vegetables now, we get no second chances." One of the main advantages to establishing a new vegetable processing operation is that farmers *could* get a second chance.

Still another potential player would be the Wisconsin Fresh Market Vegetable Growers Association, a collection of both organic and commercial growers. There is no inherent reason why organic and commercial growers could not invest in the same processing plant. Furthermore, it shouldn't be necessary that a farmer invest in a new processing company *through* a cooperative or some other secondary organization. Direct investments by individual farmers might also be an option.

Finally, workers and other community members from the Spring Green area could also become more involved. While fund-raising efforts early this summer were not very successful, non-farmers might be more willing to step forward if they see that farmers themselves have taken a serious step to locate a processing enterprise in their community.

One of the immediate benefits that can follow when farmers and other investors commit hard dollars to a project is that lenders and grant agencies are more likely to consider it worthy of support. Put another way, in this case, it is much better if the chicken precedes the egg. Commitments of capital can be made conditional on the results of a feasibility study or the attainment of a grant funds. They can also be made in a series of progressive steps, so that the various investors can reevaluate their commitment as the business plan progresses.

Innovative Approaches to Cooperative Investment

Investing capital in a new enterprise is always a risky venture. It's certainly not for everyone. And in our individualistic culture, perhaps, investing money in a new venture *with other people* appears all the more daunting. It requires a lot of mutual trust. It can be complicated. And, to many people, it's never quite as satisfying as having direct control over your own private affairs.

Nevertheless, some business opportunities are really only possible through a coordinated effort. To establish a new food processing venture that is farmer-oriented, with a long-term commitment to the local community, farmers and local community members must be involved and financially committed to making it happen.

Fortunately, innovative new approaches to capital investment have been developed in recent years. These new approaches make it easier for investors to protect themselves from excessive risk. They can make it possible to get in and out of a venture with relative ease and with minimal tax penalties. And for farmers, some new approaches make it possible to secure a market, enjoy annual returns, and transfer shares more easily.

Two of the legal business forms that make these new approaches possible are the limited liability company (LLC) and the "new generation cooperative". Without going into detail here as to how these legal forms work, a simplified example may help show how creative steps can be taken to make joint investment by many individuals and entities possible.

First of all, consider for a moment that each of the various legal business forms are something like "containers" that can store or entrust capital. Furthermore, some of these containers can fit inside one or more larger containers. Each of these "capital containers" is structured-- through tax laws, ownership limitations, and other legal means-- to serve different functions. Furthermore, each business form itself can be molded-- through by-laws, member contracts, etc.-- to fit the particular needs of the investors that use them.

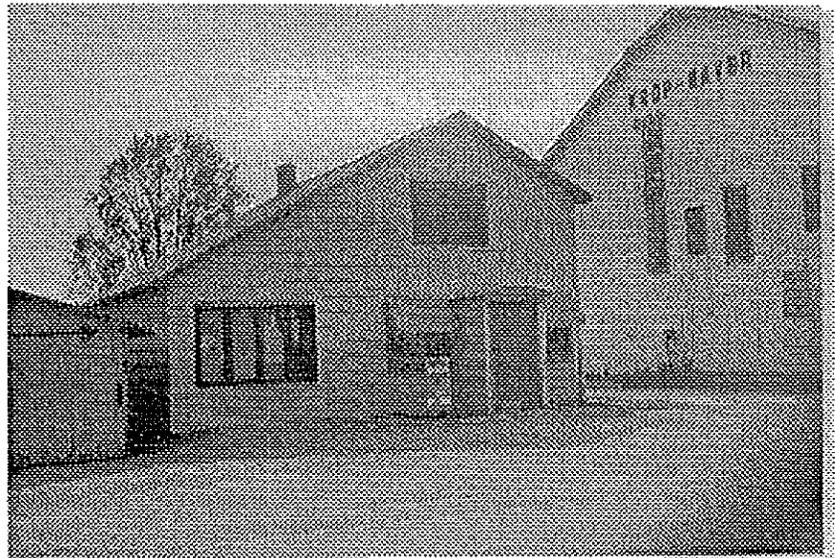
Perhaps the most flexible of the legal business forms is the LLC. The owners of an LLC are called "members". It would be quite common for an LLC's members to be made up of a mixture of individuals and corporate entities. One LLC can even be a member of another LLC.

The benefit to linking various enterprises into one limited liability company is that each of those enterprises can retain their separate nature, and each risks only what they put into the joint venture. Usually the LLC is dissolved as soon as one member withdraws, unless remaining members agree to continue the joint venture.

In the case considered here, a food processing venture in Spring Green might take the form of an LLC combining investments-- of varying amounts-- from individual farmers and local business people, from one or more established cooperatives, and perhaps from the recently formed River Valley Foods subchapter C corporation. The latter could be composed primarily of worker-owners from the Spring Green community who would provide the day-to-day labor and management for the processing venture.

Finally, another legal form that could be considered involves the “new generation cooperative” approach that was developed recently in North Dakota and Minnesota. This approach actually utilizes the standard cooperative business model that both Home Grown Wisconsin and CROPP Cooperative are based on. What distinguishes this new approach are primarily the by-laws and member contracts that new generation cooperatives have developed.

To put it simply, cooperatives can now follow a model whereby more entrepreneurial farmers can join together, make significant commitments of capital and crops, all in pursuit of annual returns from value-added processing. It may even be possible for existing, more traditional cooperatives to create a new class of stock within their current structure, in order to offer some of their members the chance to pursue new opportunities together.



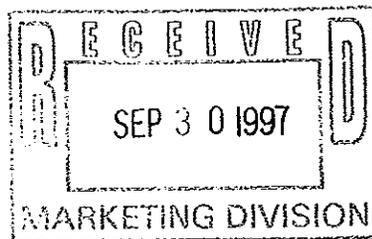
The building where River Valley Foods is currently housed:
307 S. Winsted, Spring Green, WI.

This discussion is presented to inspire individual farmers, other rural entrepreneurs, and existing cooperatives to sit down to the table and consider joint investment in a local food processing venture. Granted, at some point, professional legal advice would be necessary to ensure that no individual or entity shoulders inequitable or unnecessary risk. But going into these discussions, interested investors should know that today there are many creative approaches to developing new businesses.

For those who are interested, we do have another long Wisconsin winter ahead of us.

UW Center for Cooperatives

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Telex 3797422: UofWISC MD

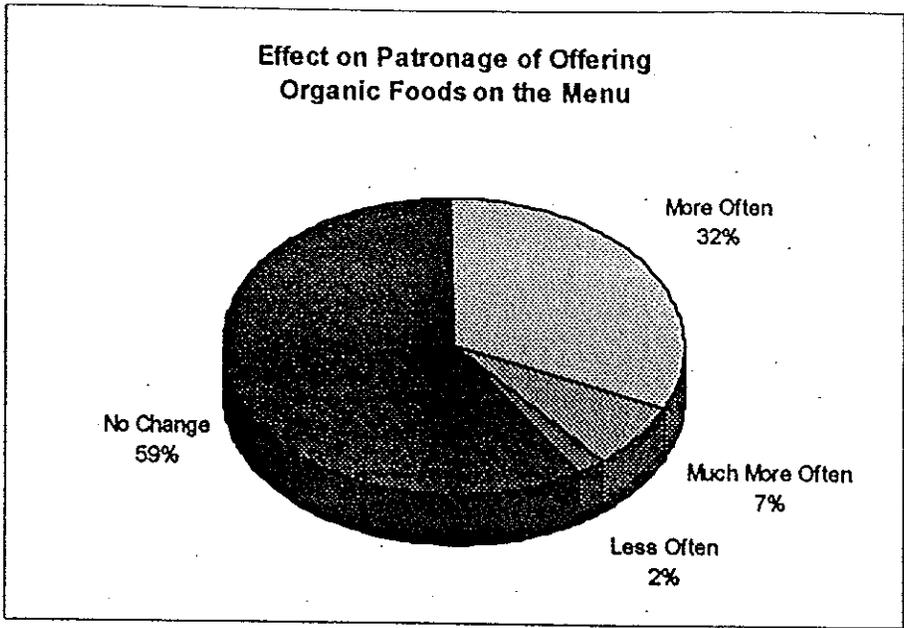


This summer (1997), the University of Wisconsin Center for Cooperatives (UWCC) conducted a survey of one restaurant's customers. That restaurant, the Arthouse Cafe of 2827 Atwood Avenue in Madison, Wisconsin, provided UWCC with its newsletter mailing list of 2,200 customers. Arthouse Cafe offers moderately priced meals, including vegetarian entrees, and also sells arts & crafts and hosts acoustical music performances in the evenings.

Of the 2,200 households sent the 2-page survey, about 200 (less than 10%) responded. This low response rate may be due to the fact that limited funding made it necessary to ask respondents to provide their own stamp postage. Also, as a result of technical difficulties, the survey was mailed a week after the deadline posted on the printed survey. Fortunately, the chance to win a free Arthouse dinner for two (a \$30 value) may have increased the response rate, and those surveys that were returned provided interesting information.

The results of the survey may be summed up as follows:

- Apparently, while most respondents wouldn't patronize a restaurant more often if it began offering "organic" foods, 51% showed interest in organics, and would pay up to 13% more for it. Interest was strongest for organic fruits and vegetables, followed by organic meats.
- Even more respondents (71%) expressed an interest in seeing "locally-grown" foods on their restaurant's menu. This group would pay up to 12% more for local label.
- When asked what matters more to them, local or organic, the most common response (66 votes) was that both mattered equally. 59 respondents leaned in the direction of organic, 63 in the direction of local.
- These survey results simply indicate that, at least in one Wisconsin city, there is a certain level of consumer interest in seeing both organic and locally-grown food, particularly produce, on restaurant menus. These consumers represent a small but not insignificant niche market opportunity. Restaurant owners and chefs may want to consider adding such items to their menus, and marketing these offerings to those customers who value them.



Survey Questions, as asked:

Would you visit Arthouse (and other restaurants) more often if they switched to more organic foods? Circle one:

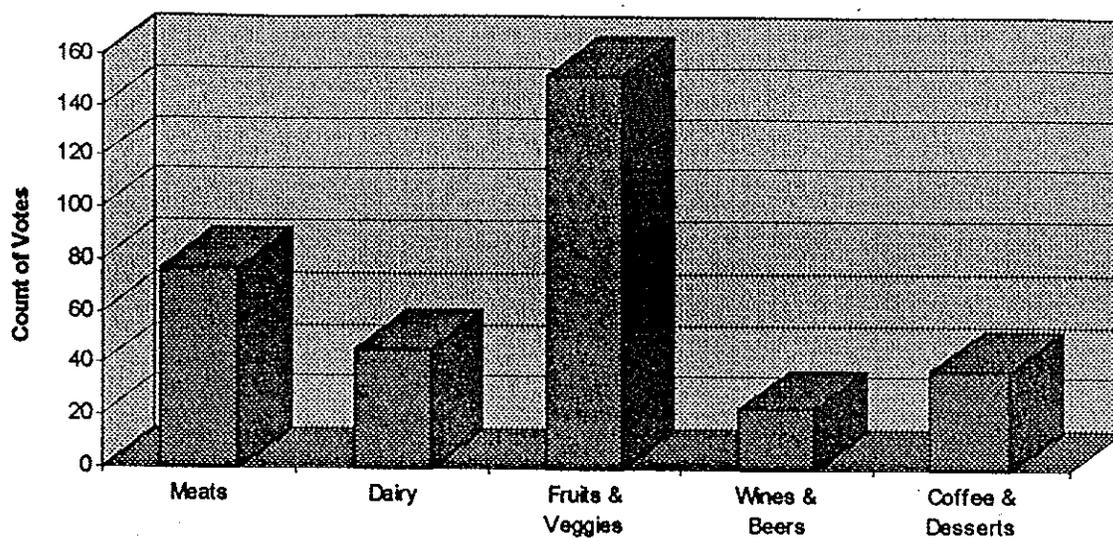
Less Often

No Change

More Often

Much More Often

Interest in Organic, by Food Category



Survey Questions, as asked:

Are you especially interested in (circle one or more):

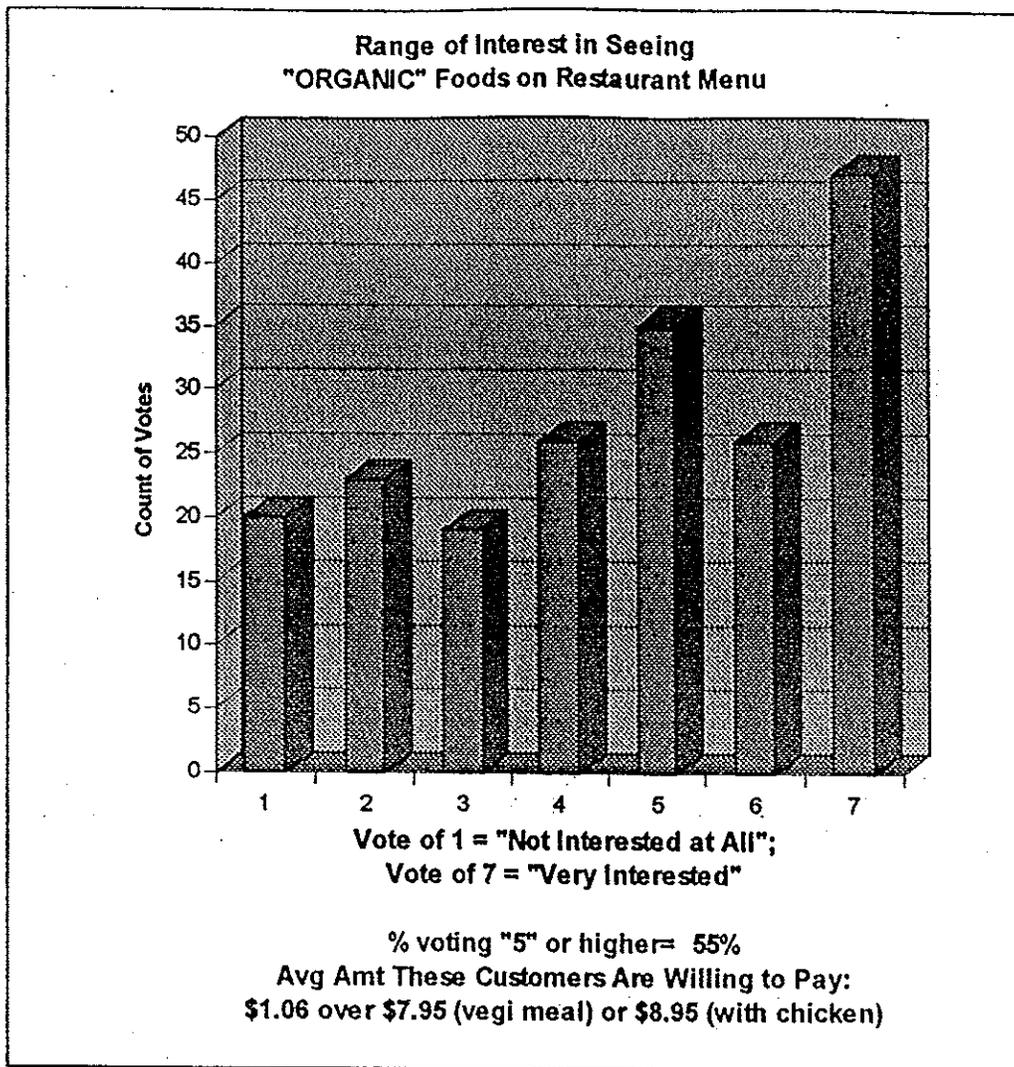
Organic
Meats

Organic
Dairy

Organic
Fruits & Vegetables

Organic
Wines & Beers

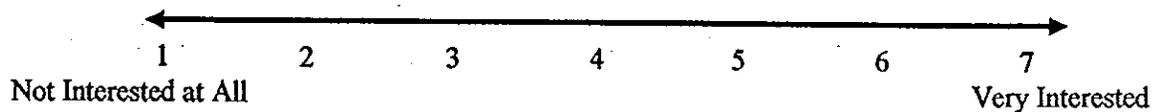
Organic
Coffee & Desserts



Survey Questions, as asked:

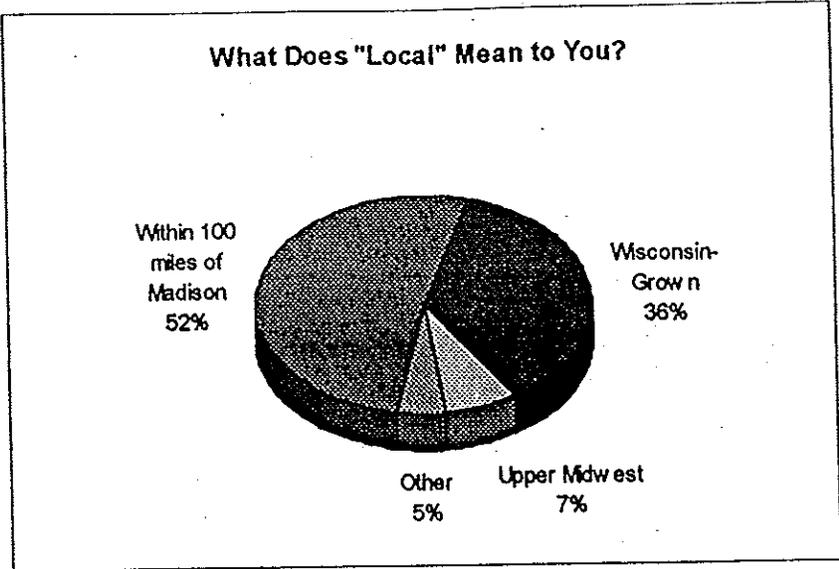
The Arthouse Cafe (and other Madison restaurants) are seriously considering increased purchases of organically-grown food. However, doing so will generally increase their food costs somewhat, making it harder for them to survive in a highly competitive market. To make the switch, they need to know whether enough of their customers would appreciate organic food in their menus.

Please rank your interest in seeing ORGANIC food on the Arthouse menu. Circle one number in the range from 1-7:



You and a friend have decided to go out for a special dinner at the Arthouse Cafe. You're considering a Greek Salad (greens tossed with tomatoes, Greek olives, onions, feta cheese, fresh herbs, lemon juice and olive oil). It's priced at \$7.95, (\$8.95 with chicken). How much more would you be willing to pay if the ingredients were ORGANICALLY-grown? Please circle one:

- 0¢ 25¢ 50¢ 75¢ \$1 \$1.25 \$1.50 \$1.75 \$2 \$2.25 \$2.50 \$2.75 \$3



Survey Questions, as asked:

The organic "niche market" is just one way that Wisconsin farmers can by-pass "commodity markets" and increase their farm's income. By dealing directly with local consumers, restaurants, and groceries, farmers can capture more of the "food dollar". Stronger farms mean healthier rural economies, less economic pressure to sell farmland into development, and the flexibility to adhere to (costly) sustainable farming practices.

First of all, when it comes to food, what does "locally-grown" mean to you? Circle one below:

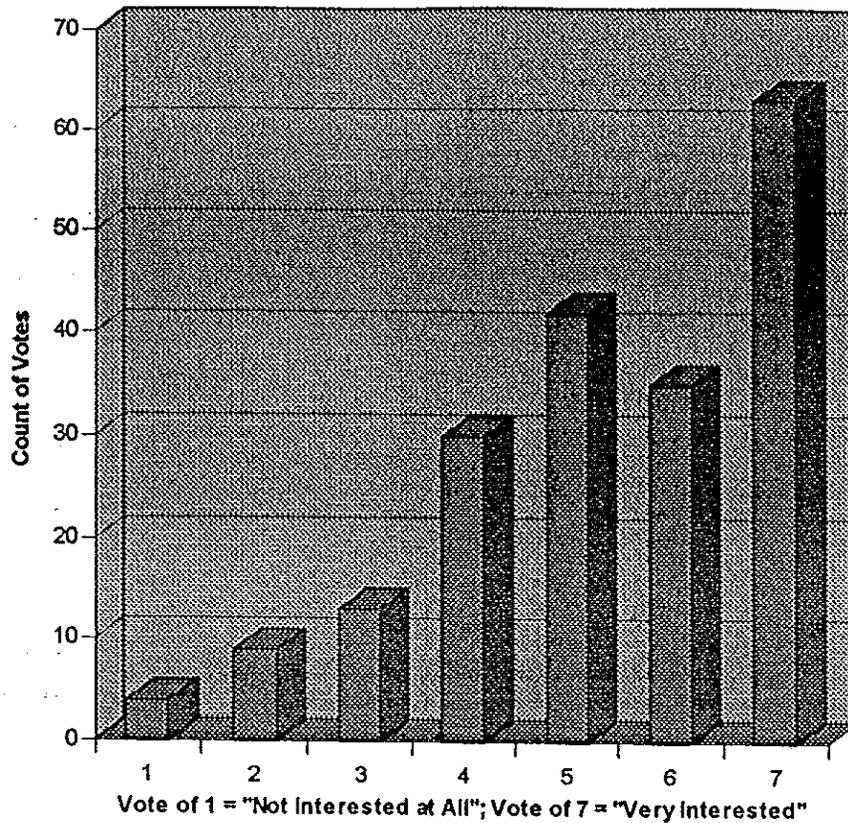
Within 100 miles
of Madison

Wisconsin-
grown

Upper
Midwest

Other: _____

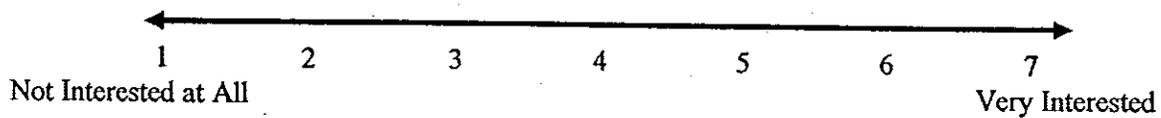
Customers' Range of Interest in Seeing "LOCAL" Foods on their Restaurant's Menu



% voting "5" or higher= 71%
Avg Amt These Customers Are Willing to Pay:
\$0.92 over \$7.95 (vegi meal) or \$8.95 (with chicken)

Survey Questions, as asked:

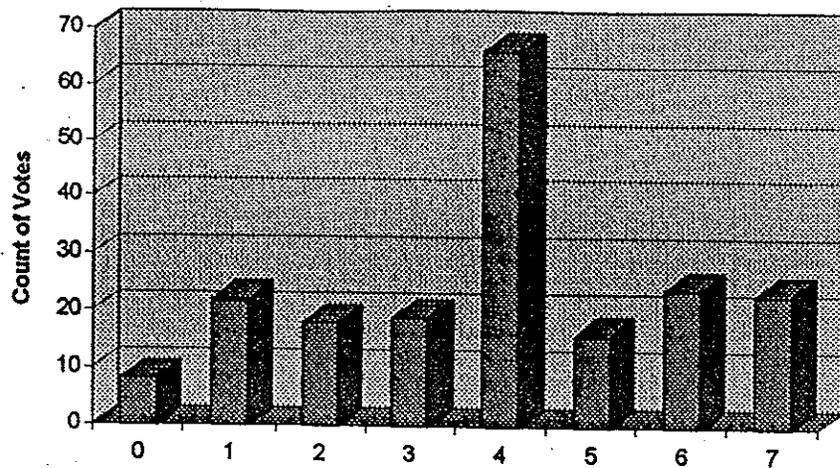
Please rank your interest in seeing more LOCAL food in the Arthouse menu. Circle one number in the range.



Consider the dining scenario (in question #7 above) once more, but substitute the word "organic" with LOCAL. How much more would you be willing to pay for a locally-grown Greek salad?

- 0¢ 25¢ 50¢ 75¢ \$1 \$1.25 \$1.50 \$1.75 \$2 \$2.25 \$2.50 \$2.75 \$3

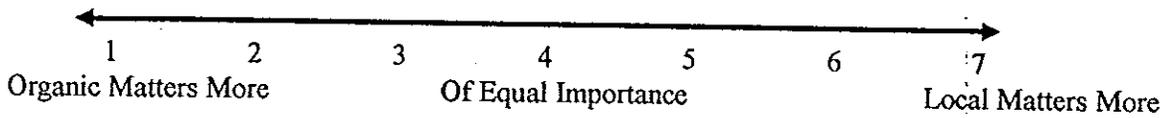
What Matters More to You: Organic or Local?



Rank of 0 = "Neither Matters"
 Rank of 1 = "Organic Matters More"
 Rank of 4 = "Of Equal Importance"
 Rank of 7 = "Local Matters More"

Survey Questions, as asked:

What matters more to you, that your food is organically-grown or locally-grown? Circle one number in the range:



Neither Matters
 To Me

HOMEGROWN WISCONSIN LEAVES HOME

Kevin Ducey

Madison, with its outdoor farmers' markets, its Community Supported Agriculture group, and several organic groceries, would seem to be a community ready for a farmers' co-op supplying local, organic produce to area restaurants. At least that's what a group of local farmers believed, and at the beginning of last year, supported with market research and organizational assistance from UW's Agriculture Development and Diversification Program, they formed Homegrown Wisconsin, a farmers' co-operative. Homegrown allowed area small farmers access to Madison menus and gave the restaurant buyers a single conduit to produce coming from a number of local organic farms.

We met Steve Pincus last spring at WORT radio station when he appeared as spokesperson for the freshly formed Homegrown Wisconsin. At the time, Mr. Pincus, an organic farmer, was board president of Homegrown. He was enthusiastic about the new co-operative and spoke intelligently about the care and growth of a farmers' co-op. Mr. Pincus has been farming since 1976 and runs a 14-acre organic farm just south of Madison. He's been active in organic farming and co-ops since the early '70s.

This January I called Mr. Pincus to see how Homegrown was getting along. "Well, it's not. We're not sure there's going to be a Homegrown Wisconsin this year."

We drove down to Mr. Pincus's farm, "Tipi Produce" to find out what he had to say. We had coffee, kept a wary eye on the cat, and talked about the business.

"We started out," Mr. Pincus says, "in a pretty business-like fashion. Bob Golden of Golden Produce volunteered storage and truck space for staging and delivery of produce. The co-op had 16 to 18 start-up farmer members and we sold from May to December." The co-op supplied restaurants with everything from asparagus to winter potatoes, but

enthusiastic when we did our marketing research."

Mr. Pincus figures the farmers' co-op would need consistent sales from 12 to 15 restaurants in order to make a go of it. This last season they had one consistent buyer, Bluephie's on Monroe Street.

"I'd have to say the sticking point was price," Mr. Pincus concedes. When the local growing season peaked, Homegrown's produce was comparably priced, but otherwise Homegrown's produce could be 20% more expensive than commercially available produce.

ORGANIC ALL OVER

The marketing surveys indicated that Madison restaurants and the Madison restaurant-going public were aware of local versus commercial, organic versus non-organic issues and that the customer would be willing to pay a little extra for the organic, local produce. "Everyone thought it was a GOOD IDEA," Mr. Pincus says. "But the actual sales results didn't bear that out."

Deb Boehm, Chef of Deb & Lola's, notes that the presence of the farmers' market on the Capitol Square is in some ways Homegrown's "best ally and worst enemy." Organic, local produce is well known and appreciated in Madison, but the local restaurateur needs only to take a spin around the Capitol on a Saturday morning to pick up the greens. And, as Mr. Pincus points out, the farmer makes a

better profit on his produce selling at the farmers' market or to the groceries in town than he makes through Homegrown. Homegrown, from the farmers' viewpoint, is a tertiary market. "Do we even need Homegrown to sell our produce?" Mr. Pincus asks. "There are so many places to sell organic in Madison."

Mr. Boehm sees the disappointing first year as growing pains and expressed surprise that the farmers were considering abandoning the project. "There were some difficulties with infrastructure [in getting the produce to the diners' plates] that raised the price a little," but nothing that Mr. Boehm saw as insurmount-

able obstacles to Homegrown's eventual success.

RESTAURANTS LIKE TO SEE SALESREPS

Leah Caplan, chef at Bluephie's, and Homegrown's most consistent customer, sees the disappointing sales results as a marketing issue. "The farmers expected it to be an instant success because it was a co-operative. Homegrown needs to open up competition between farmers and focus more on what the customers [restaurants] want, rather than what the farmers happen to grow." Ms. Caplan is also on the Homegrown Board of Directors,

Continued on page 4



Farmer and Homegrown Wisconsin Member, Steve Pincus

sales were disappointing.

"We sold half of what we'd hoped to sell. If we made a single mistake, we assumed that sales would be easier than they were because restaurants had been so

HOMEGROWN

Continued from page 3

so she has been involved with plans to hire a salesperson for the coming season. She is hopeful that sales will improve if there is a second year. Ms. Caplan sees it as only a matter of getting the word out. I asked her if price was an issue for her as a restaurant buyer and she admits that the produce from Homegrown was sometimes a little more expensive than commercial produce trucked in from California. "But when I saw the [Homegrown] product, the extra cost made sense. There's less waste, less labor cost spent prepping and cleaning the produce, and you get higher yield out of a case. So, in that sense, it's a better buy."

Mr. Pincus echoes the "value added" theme of the local produce; when a restaurant menu can feature the use of local, organic asparagus, for example, some of the extra cost may be offset. But he notes, "Homegrown learned a good deal last year about how flexible a restaurant can be." Not every restaurant buyer was able to adjust their menus quickly enough to accommodate the shifting growing season of the upper midwest. Ms. Caplan believes menu planning might be less of a problem when the Homegrown salesperson starts making the rounds, letting chefs know a couple weeks in advance what produce is coming to harvest.

SOMEWHERE NORTHWEST OF TEAL CITY WITHOUT A FARMERS' MARKET

With the abundance of outlets for organic produce in Madison, Homegrown's growth problems might have more to do with Madison than Homegrown. At the end of January, Homegrown members met with a group of Chicago restaurateurs who were very excited about working with a professional organic farmers group. Mr. Pincus, speaking after the Chicago trip, was cautiously optimistic. It seems he's heard that sort of enthusiasm before, but the Chicago restaurants are much more limited in their access to local produce. Chicago deliveries would involve larger logistical problems for the co-op, but the money might carry Homegrown through the season, and subsidize the Madison market. Chicago's needs might be Madison's gain.

The losses of the first year were passed on to the co-op farmer members and, as Leah Caplan notes, "It's up to the farmers whether this continues or not." While the farmers are thinking about it, a Homegrown farmer/chef gathering is planned for Deb & Lola's on St. Patrick's Day.

SIDE DISH

Farm to table

A Madison cooperative links area organic farmers and restaurants.

By BOB WHITBY

Here's a good idea: Why not get all the local organic farmers—and there seem to be about 150,000 of them, judging by the number of stalls at the Farmers' Market—to supply produce to all the restaurants in Madison—and there seem to be about 150,000 of them, judging by the Annual Manual—so we can all eat better food when we go out to eat?

It's a fine idea, and Home Grown Wisconsin, a unique farmer/restaurant cooperative about to embark on its second year of business, thinks so too.

But wait. If it's such a good idea, why did the cooperative end up \$3,000 in the red last year? Why did they almost scrap the program this spring? Are Madison restaurants and, ultimately, diners ready to support locally grown produce in the

only way it counts—by paying more for it?

The answer to these and other questions will have to wait until next fall when Home Grown finishes its sophomore year. But the people who organized the program, and those who buy from it, think it's got potential.

"It's the quality," says Leah Caplan, executive chef at Bluephies restaurant. "There aren't any purveyors who have products that come close."

Bluephies has the distinction of buying more produce from Home Grown than any other restaurant. Quality is one reason, says Caplan, and convenience is another.

"Home Grown enables me to purchase from more than a dozen vendors with one order and one payment. That to me is the greatest advantage," she says.



The cooperative is the confluence of two distinct groups: produce buyers and sellers. Last year, there were 16 farmers and eight restaurants signed up.

It began as an ongoing conversation among local restaurant owners and organic farmers. It evolved into an idea blessed with a \$12,000 grant from the University of Wisconsin's Sustainable Agriculture Program.

The grant paid for the services of Greg Lawless, an outreach specialist at the UW's Center for Cooperatives.

"Both sides had been looking at this for a while," says Lawless. "We started having some meetings, and the end result was last April we formed a new

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business."

To offset startup costs and break even, Home Grown needed 12 to 15 restaurants spending at least \$100 a week each, says Steve Pincus, a farmer and president of the group's board of directors. No such luck.

"We misjudged last year," says Pincus.

At the outset, Home Grown members believed they could make a go of it on quality alone, that the product would sell itself. That didn't happen, and one reason was cost. Competition is fierce in the restaurant business, and few places can afford to raise prices enough to cover the costs of buying locally.

"No matter how good an idea they think it is, they can't spend too much more on a meal," says Pincus.

Restaurants are accustomed to paying as little as possible for produce, says Pincus, while organic farmers are accustomed to getting top dollar.

"We get two or three times what they are paying for things like carrots, onions and potatoes," he says.

Those staples are generally grown on huge farms, handled mechanically, never touched by human hands, and priced accordingly.

Most organic farmers get their best prices at retail events like Farmers' Market, he notes. Wholesaling to grocery stores is second best, and selling to restaurants is a distant third.

This year there are a couple changes in the works, including a streamlined marketing system to keep restaurant buyers apprised of what crops are coming in, and a possible expansion of the sales territory to include Chicago and Milwaukee. Lawless says he would also like to see Home Grown selling to mainstream grocers in the Madison area.

If the program catches on, Pincus envisions a day when restaurants will do more to pitch locally grown organic produce to diners. The goal this year, however, is more modest: They simply want to break even.

"That's not too bad if in the second year you meet your first year's goal," says Pincus. +



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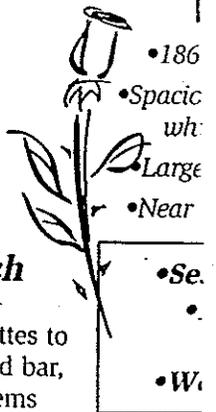
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1997 Farm Members

- Blue Valley Gardens**
Matthew Smith, Blue Mounds
- Butter Mountain Potatoes**
John Aue, Richland Center
- Coopers Natural Foods**
Cheryl Lofton, Whitewater
- CROPP Cooperative**
Mark Shepard, La Farge
- Earth Song Farm**
James Welch & Daron Joffe,
Readstown
- Happy Face Farm**
Clarence Liautaud, Bloomington
- Happy Valley Farm**
Kate & Kevin Lucey, Black Earth
- Hickory Hill Farm**
Harold & Carla Kruss, Loganville
- Ladybug Farm**
Ann Guell, Oregon
- Pleasant Hill Market Garden**
Rob Baratz, Stoughton
- Shooting Star Organics**
Rink Davee & Jenny Bonde,
Mineral Point
- Skyview Farm**
Tom & Cindy Crofton, Richland Center
- Sunshine Valley Farms**
Claudia Echavaria & Jennifer Evans,
Wonecoc
- Tipi Produce**
Steve Pincus, Board President, Madison
- Twinhawks Hollow Farm**
Kathy Bowman & Sandy Eldredge,
Hillsboro

1997 Restaurant Members

Home Grown Wisconsin Cooperative was organized in 1996 as a farmer-chef-owned company. As such, eleven Madison restaurant chefs joined the co-op to ensure a professional supply of top quality, local organic produce. Four chefs (* below) served as board members and provided critical information and support to this new venture.

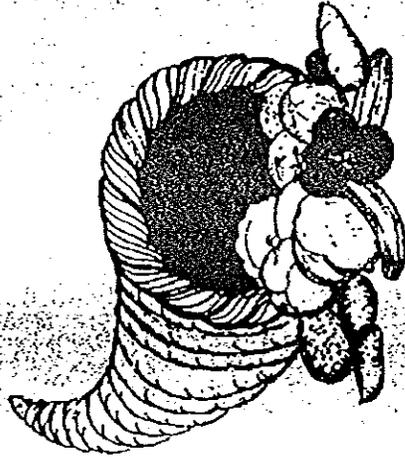
- Atlas Pasta**
Mark Rudy, Chef & Proprietor
- Bluephiles**
* Leah Caplan, Chef
Call (608) 231-3663 for reference.
- Botticelli's**
* Andrew Bowling, former Chef
- Deb & Lola's**
* Brian Boehme, Chef & Proprietor
Call (608) 255-0820 for reference.
- Elegant Edibles**
Brian Miller, Chef, and Ana Laramendi, Proprietor
- Kennedy Manor Dining**
Anne Breckenridge, Chef
- L'Etoile**
* Odessa Pipet, Executive Chef & Proprietor
Call (608) 251-0500 for reference.
- Sunporch Cafe**
Linda Derrickson, Proprietor
- Monty's Blue Plate Diner**
Stephen Hoyle, Chef
- Savory Thymes**
Krisin Sumar, Chef & Proprietor
- Taqueria Gila Monster**
Jill Watson, Chef & Proprietor

Home Grown Wisconsin also looks forward to doing business with the following Madison-area restaurants in 1997. (If we've left your restaurant's name off this list, we're sorry, PLEASE call us.)

- | | |
|----------------------|---------------------------|
| Arthouse Cafe | Opera House |
| Blue Martin | Pasta Per Tutti |
| Chantara | Tornado Room |
| Clay Market Cafe | Otto's Restaurant and Bar |
| Concourse Bistro | Quivley's Grove |
| Fyfe's Corner Bistro | The Edgewater |
| Grikanan Bris Cafe | Top of the Park |
| Madison Club | Waterfront 131 |

Home Grown Wisconsin has also begun exploring relationships with restaurants in Chicago and Milwaukee. Chefs in those cities who would like to secure fresh organic farm products from Wisconsin are encouraged to call Manager Judy Hageman today!

HOME GROWN WISCONSIN



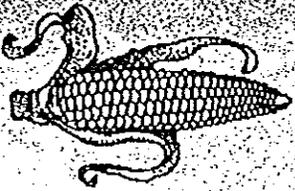
COOPERATIVE

For more information, please contact:

Manager Judy Hageman
1170 Hageman Dr.
Belleville, WI 53553

Phone: (608) 424-3296
Fax: (608) 424-6129

Home Grown Wisconsin



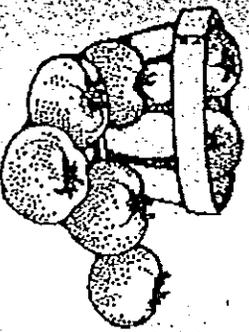
In 1996, Home Grown Wisconsin (HGW) Cooperative completed its first season as a wholesaler of locally-grown, organic produce. Through a combination of high ideals and a professional approach to business, eleven Madison restaurant chefs and eighteen Wisconsin farmers joined together to move food from local farms to restaurant tables. We are now set to begin our 1997 season, and we want you to be a part of it with us.

What we can offer your restaurant:

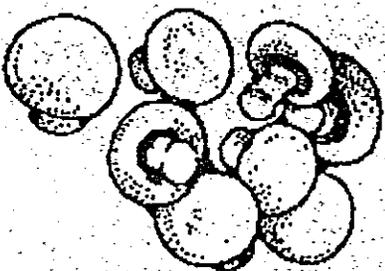
- * High Quality Organic Produce
- * Distinctive, Hard-To-Find Varieties
- * Professional Distribution & Service
- * The Opportunity To Support Local Farms and Sustainable Agriculture
- * Other Food Products May Soon Become Available, Including:
 - * Free-range chickens, organic dairy products, processed vegetables

Advantages of Home Grown Wisconsin Produce:

- * Our Fresh Local Produce Offers:
 - * Longer Shelf Life
 - * Less Waste
 - * Less Labor Time
 - * Higher Yield
 - * GREAT TASTE



Cooperative



Below are just some of the many crops & varieties that our farmers can provide for your restaurant.

apples:	unique varieties
asparagus:	green & white
baby vegetables:	sprouts
beans:	green, yellow, mixed, haricoot verts
beets:	red, choggia, gold
broccoli:	
brussels sprouts:	
cabbage:	green, red, napa
carrots:	
cauliflower:	
celeries, celery:	
cucumbers:	standard, oriental
eggplant:	standard, oriental
fennel:	
flowers:	ornamental, display
garlic:	
greens:	arugula, bok choy, chards, collards, frisee, kale, mustard, radicchio, tabouli, watercress
herbs:	basil, cilantro, dill, parsley, etc.
leeks:	standard, wild
lettuce:	battavia, crisp green, green leaf, red leaf, romaine, salad mix, specialty
mushrooms:	mursh, watermelon
onions:	morels, oysters, shallots etc.
peas:	red, spanish, Texas, walls walla, white, yellow, etc.
peppers:	snow, sugarsnap
potatoes:	green, red, yellow bell, hot baking/fishn/russets, blue, new, red, specialty, yellow firm, yukon golds
radishes:	franch breakfast, red, winter
root:	burdock, jersusalem artichokes, parsnips, rutabaga, turnips
scallops:	shallops
spinach:	
squash:	baby, party pan, pumpkin, summer, winter (all varieties), green & golden zucchini
tomatoes:	cherry, heirloom, orange, yellow, red, roma, tomatillos
yams:	



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Home Grown Wisconsin survives rocky start

Fennel frittata, or a garlic-delicata squash puree? On a recent train layover I found both were being served in Chicago restaurants, and both were prepared from vegetables grown on small farms near my home. It made me proud of the marketing prowess of the group of small-scale producers that have made Home Grown Wisconsin happen.

Home Grown Wisconsin is a producer-owned organic vegetable marketing co-op begun after a 1995 survey of 126 Wisconsin sustainable farmers found significant interest in a farmer-owned enterprise that processed and marketed organic produce.

A follow-up survey indicated that Madison area food buyers (restaurants, institutions and food retailers) thought their customers would be interested in locally grown food. But the buyers also said that a reliable and consistent supplier was needed. The buyers made it clear that individual producers were unable to meet their needs.

This was a market opportunity! It was a perfect time to form a cooperative. Add a group of committed, hard-working producers and marketers, support specialists and willing funders (a \$10,000 grant from the state's now-defunct Sustainable Agriculture Program, and a \$12,600 grant from the Wisconsin Agricultural Development and Diversification Program), and you have the basic ingredients for a successful co-op.

Meeting for the first time in the winter of 1996, six producers formed the Home Grown steering committee. The group spent many hours hashing out the systems and standards that co-op members would be asked to follow. Producers were surveyed again and given information, resulting in 15 start-up members.

The steering committee also made personal appointments with Madison restaurant chefs to explain the products and get commitments. A co-op manager was hired, trucking was arranged, and the co-op was off and running for the 1996 season.

With average sales of \$500 per week in the first year, the co-op didn't cover costs and ended the season with a \$3,200 debt.

At the fall member meeting, the joys, hazards, problems and potentials were outlined and argued. Hard marketing was identified as the key to reaching a positive bottom line. The co-op needed to court new customers, give them a hard sell, and provide stellar service and product quality.

The group recommitted for the 1997 season, decided to expand into the Chicago market (bringing on new logistical challenges) and hired a new manager who was extremely sales-focused.

Starting any business is hard, and starting a cooperative is no different.

Making a profit in the first year of operation is usually an unrealized dream. By deciding to move on, after making significant changes in operations, Home Grown producers gave the business the chance it deserved.

Like most other businesses, losses generally are absorbed by the owners, which in this case are the member farmers. In Home Grown's case, a very generous producer member offered to express his belief in the co-op by taking on the loss, loaning the co-op the amount of the loss until the day he could be repaid. This action was a great vote of confidence.

The difficult decision to continue in 1997 turned out to be a good one, and the co-op is thriving today with 20 producers serving five restaurants in Madison and 16 in the Chicago area.

It's been a long road from the early days to the current \$4,000 to \$5,000 per week gross sales average. Rink DaVee, a producer and the co-op's present coordinator, has much to reflect upon, having been a member since the early years.

Mr. DaVee notes that the focus of the cooperative has changed since its inception. Formed out of a need for professionalism and uniformity on the side of the restaurants, the co-op early on set strong standards and systems for producers. The restaurants have grown to trust the co-op, its products and its producers.

The role of the co-op as market developer has now risen to the surface as the key to its success.

"There are a limited number of hours in a day, and allowing the farmers to use them doing their specialty, production, while the co-op works on its specialty, marketing, is what makes it all work," Mr. DaVee said.

A recipe for success? Mr. DaVee says that much of the success of the co-op depends on the identity of each producer coming through to the buyers and diners at each restaurant.

Consumers need to know that there is a small-scale, hard-working farmer producing each morsel of food. Home Grown's product availability list, faxed to buyers twice a week, lists each product by producer name.

But beyond that, Mr. DaVee mentions that it is key for the producers to make the effort to meet and share stories with the chefs at least twice a year, through on-farm visits and shared meals at the restaurants. He cautions that producers can't expect to just drop product off at a dock -- they need to put in some time, to put their face on the product.

Mr. DaVee also notes that Home Grown has succeeded because it has been flexible. "This was an experiment when it started, and some of the assumptions and early decisions that were made have had to be changed. Home Grown has become strong by changing as we go."

Although the co-op's 2000 estimated gross sales of about \$170,000 split among 20 producers are not going to make anyone rich, the extra chunk of income and diversification of market can be a welcome stabilizing influence for a smaller producer. The annual membership fee of \$75 and return to producers of approximately 70 cents of every sale dollar seem like reasonable prices to pay for the co-op's role in creating something bigger

than what each individual producer can do on his or her own.

Without the co-op, most of these producers would not be selling products to restaurants in either city.

Getting high-quality organic Wisconsin produce in the kitchens and on the tables of restaurants in Madison and Chicago where consumers have the opportunity to learn about and support small Midwestern sustainable farms is a huge victory for Home Grown Wisconsin.

Home Grown has done a good job of defining its special niche and will continue to thrive in the future.

There is some opportunity for new growers to join if they can produce specific items and are within the co-op's geographic area. To learn more, contact Rink DaVee at (608) 967-9368, or e-mail starfarm@mhtc.net.

Jody Padgham is an outreach specialist at the University of Wisconsin Center for Cooperatives, a part of University of Wisconsin Cooperative Extension within the College of Agricultural and Life Sciences. She can be reached at padgham@facstaff.wisc.edu, or by calling (608) 262-0705.

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