

Department of Agriculture, Trade and Consumer Protection
Division of Agricultural Development
Agricultural Development & Diversification Program (ADD)

Grant Project Final Report

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Expanding and Stabilizing Southwestern Wisconsin's Untapped Resource

Final Report

A. Original Intent

An excellent market opportunity existed for farmers in Wisconsin to expand the maple syrup industry to meet the growing demand for organically produced syrup, and we first approached the Department of Agriculture, Trade, and Consumer Protection's ADD program for support.

Firm orders for organic syrup from both domestic and European customers were going unfilled due to limited domestic production. This was and still is an opportunity for Wisconsin to quickly jump into the lead in this high-margin niche market. Developing a proprietary product line, in addition to meeting the demand for bulk and private label products, will assure farmers long-term financial security.

Our application sought funds to research the feasibility of establishing a maple syrup production cooperative in Wisconsin for the purpose of developing a proprietary line of organic maple products. The cooperative would organize on-farm production, transportation, further processing, and marketing.

Once the operating structure is established for the new initiative, we intended to use funds from the project to do business planning. This will be done in order to solicit investment and participation from additional maple syrup producers, to secure the necessary start-up financing required for a successful launch, and for strategic planning

B. Accomplishments

With support from the Agricultural Development and Diversification Program (ADD), maple producers in southwestern and west-central Wisconsin have succeeded in launching a new cooperative venture, the Upper Mississippi Maple Cooperative (UMMC). Analysis confirmed that an excellent market opportunity exists for farmers in Wisconsin to expand the maple syrup industry to meet growing demand for organically produced syrup. We plan for this project to grow the Wisconsin maple industry and have it become a major national player in organic syrup.

Members, along with consultants, provided technical assistance and have conducted market and operational research, resulting in a strategic plan that is being used to launch the cooperative.

Initial outreach and recruitment resulted in 26 producers joining as charter members in late 2003 and early 2004. A board of directors of seven of these members was elected in January; the cooperative has been incorporated, and as of mid May, its by-laws were being drafted. As the co-op continues to grow it could impact as many as 50-100 producers, statewide, in a 3- to 5-year time frame.

An excellent relationship has also been established with the Wisconsin Maple Syrup Producers Association, the statewide umbrella group for maple farmers. A wide exchange of information has taken place, and the relationship should become an even greater asset to both organizations in the future.

C. Market Analysis

Maple syrup holds a distinct and romantic image in American culinary culture. Because of the labor-intensive aspect to syrup production, ever since the time that white settlers learned maple sugaring techniques from the indigenous peoples of North America, maple syrup and sugar have been highly prized luxury items.

Today, there are many other commercially produced and less expensive sweeteners. Consumers who purchase pure maple syrup do so generally for reasons other than strictly adding sweetness to their cooking. Generally, regular consumers of maple syrup can be broken into three distinct categories:

Gourmet Consumers: Although many prepared food items tout "maple flavor," the vast majority of syrup consumed in the United States is generally corn-based sweetener with artificial maple flavoring. High-end food restaurants, bakeries, other food manufacturers, and discerning grocery shoppers demand pure maple syrup for their recipes and will accept nothing less. Whether purchased in a specialty shop or a traditional supermarket these consumers tend to be long-term users of maple syrup, although commonly in modest quantities. Because of the relatively high price of maple syrup most of these consumers tend to be rather affluent.

Natural/Organic Consumers: During the past 25 years production and consumption of "natural" and organic food has grown exponentially. Because of food scares and a "back to the land" movement in the 1970s, the desire to consume a diet entirely of natural and minimally processed foods gained popularity. Books such as *Diet for a Small Planet*, by Francis Moore Lappé, and *Sugar Blues*, by William Dufty, advocated using natural sweeteners rather than refined sugar. Many health-conscious consumers switched to honey, molasses, maple syrup, and fruit juices as purchased ingredients and as components in prepared food. In addition to using unrefined sweeteners, consumers were encouraged to eat lower on the food chain (vegetarianism) and, in order to consume a diet low in processed foods, and depend heavily on whole grains.

In the past 10 years the sales of organically produced food has skyrocketed. Since 1990, the sales of organic food have grown by over 20 percent per annum. No longer a specialized market niche, organic food can be found at many traditional supermarkets—even Wal-Mart Supercenters—and has matured into a \$13 billion market. Some experts will argue that rather than a separate market, organic food is an evolutionary refinement of the original natural/whole foods movement. As this market has matured, more and more consumers are demanding that their food be not only natural but also certified organic. Buyers in major retail chains and outlets that cater to these consumers tell us that the market for maple syrup, in their stores, is quickly shifting to organic syrup. Although many of the stores, such as the market leaders Whole Foods and Wild Oats, offer an extensive selection of maple syrup, in various packaging sizes and grades, and conventional and organic, many retailers have now chosen to strictly stock organic maple products.

Consumers with Health Considerations: Although probably the smallest group in terms of sheer numbers, these folks, by a wide margin, probably consume the most maple syrup on a per capita basis. Some individuals can consume maple syrup and other natural sweeteners but have problems with refined white sugar. In these households, products like maple syrup become a diet staple. With maple products

no longer considered a luxury item and relegated to special meals, these families, who standardize on maple syrup as their primary sweetener, consume significant quantities. It should be noted that there is a marked crossover between these consumers and individuals interested in natural and organic food. Because of food sensitivity/health issues, they typically are also seeking out other specialty food items in addition to sweeteners.

Traditionally, maple syrup producers find their highest returns with direct marketing strategies (mail-order, farmers markets, Web, sales on the farm/farm stand). However, as producers grow, or have conflicts with other on-farm enterprises or off-farm employment, they end up marketing a percentage of their syrup on the wholesale market, in bulk. Historically these prices are quite low, and individual producers have little clout in negotiating. The purpose of this cooperative is to help members find a premium price via a number of different market channels.

Natural/Organic Food Retailers: The fastest growing area of maple syrup retailing is taking place in the natural foods industry. All three types of customers profiled in section 4.0 of this document look to natural food stores as a source for a high percentage of their food. And this percentage is growing rapidly. However, it should be noted that because of market share gains by natural food supermarket chains such as Wholefoods, Wild Oats, and Trader Joe's, many supermarkets, especially in urban areas, are aggressively adding natural and organic products to court these customers. We will attempt to setup direct distribution to stores in the Midwest and on the West Coast. Selling direct to stores, in bulk packaging (drums or 5 gal. pails) will minimize investment and simplify logistics during the first year of operations.

National Distributors: The cooperative will set up distribution with a select number of national distributors, again first for bulk syrup. By concentrating on specific geographic areas where the co-op has a price advantage due to freight costs, a cost-effective approach to surrogate sales/marketing can be established.

Supply Contracts: The cooperative has established a dialogue with an emerging marketer of organic maple syrup. Presently they procure the majority of their supply in Quebec and are quite interested in sourcing Wisconsin organic syrup. The potential to establish a long-term contract that protects producers will be further explored. This potential partner has many years of experience in the industry and has increased their investment in marketing and distribution infrastructures in recent years. This might prove to be one of the lowest investment/risk marketing options for the co-op.

European Markets (Organic/Biodynamic): Since no continental production of maple syrup takes place, and the market there is growing, European sales might prove to be one of the simplest ways to move large quantities of bulk syrup. In addition to organic, or as the Europeans identify it "biological" production, consumers in some countries, including Germany, Europe's largest organic market, are increasingly looking for products certified as produced utilizing biodynamic practices. Although the cooperative will not be in a position to initially take advantage of this opportunity, continued research will take place to verify whether the extra investment in certification is warranted.

The markets identified above will be pursued only to disperse syrup that the cooperative is unable to market directly through their Web site, direct mail, farmers markets, and other retail opportunities.

D. Materials Developed

A business plan has been developed with funding from this project and has been used as a strategic planning tool by the consultants and board of directors. Because the future of this project will be determined, to a great degree, by the success in building the membership during Phase II, the framework for fiscal analysis has been established, although the final figures are pending final data.

Since the business plan contains proprietary information, and the only need to date has been for its use internally, it will be shared only to the extent necessary, in the future, to secure loans or additional equity investment.

A plethora of communication documents have been created and have resulted in widespread press coverage in the agricultural and local media (in the geographic areas of membership development). Educational materials were secured through the grants from other institutions, some of whom were partners in this project.

E. Future Plans / Additional Research and Development

In the second phase of this project we will continue outreach, execute the production plan, and develop the cooperative's marketing infrastructure.

In the past, Wisconsin producers have been handicapped in competing nationally due to the small size of their operations. Most of our syrup is sold within the state. In fact, Wisconsin imports a considerable amount of syrup to meet marketing demand. UMMC's innovative organizational plan calls for identified member-producers to act as central processing facilities (Pods), receiving raw sap from surrounding farms. This allows smaller operators to start up with a more limited initial capital investment. At the same time, this will improve the competitiveness of the cooperative, and Wisconsin's maple syrup industry in general, by allowing the member-farms that will be processing the accumulated sap to ramp up to the scale necessary to utilize certain state-of-the-art technologies (more efficient combustion chambers, preheaters, reverse osmosis, and vacuum) that have been less than common in our state. This will allow Wisconsin syrup to be competitive in national and international arenas while retaining enhanced profits for the membership.

We will use project results to create the logistical and marketing infrastructures necessary to develop additional income opportunities for family-scale farmers. Although we plan to expand recruitment and development statewide, the counties where our initial membership is located (Vernon, Richland, Crawford, Buffalo) tend to be the most economically disadvantaged in the state. Additional income from maple syrup production may very well prove pivotal for many smaller dairy operations and enable them to diversify and continue in business.

In addition to dispersed rural economic development, by helping farmers launch their individual processing businesses, and tying them together with other members supplying additional sap, Phase II of this ADD project will formalize a marketing plan, designate and design packaging and other promotional materials, and sell the cooperative's first "crop" in the spring of 2005. Already, initial market research has indicated that Wisconsin organic syrup can capitalize on our freight advantage and successfully compete with syrup from Vermont, Maine, and Quebec on the West Coast, creating new business activities for Wisconsin agriculture.

F. Enhancing the Benefits of the ADD Program

We could not be more pleased with the collaborative environment and supportive staff at DATCP! At times we were faced with significant challenges in putting together a viable cooperative structure that would gain credibility and respect in the eyes of our membership and prospective members. Over and above the critical funding that was supplied by the ADD program, marketing staff at the department became valuable resources in helping to overcome our challenges and successfully launch our cooperative. The state's agricultural community, and its overall economy, would benefit by the legislature's continued or expanded support for the Agricultural Development and Diversification program.