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**Division of Agricultural Development**  
**Agricultural Development & Diversification Program (ADD)**  
**Grant Project Final Report**

Contract Number: 17086

Grant Project Title: Stabilizing the Cranberry Industry for the Benefit of the  
Independent Grower

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Please use the following questions as a guide for writing your grant project final report. In your final report, please answer each question as it relates to your grant project.

- 1) What did you want to accomplish with the grant?
- 2) What steps did you take to reach your goal?
  - What worked?
  - What did not work?
  - What would you do differently?
- 3) What were you able to accomplish?
- 4) What challenges did you face?
- 5) What do you plan to do in the future as a result of this project?
- 6) How should the agricultural industry or the State of Wisconsin use the results from your grant project?

**Stabilizing the Cranberry Industry for the Benefit of the  
Independent Grower**

**Grant # 17086**

This business plan was developed for the Wisconsin Cranberry Cooperative in conjunction with a grant from the Wisconsin Department of Agriculture – Agricultural Development and Diversification.

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*This is a business plan and does not imply an offering of securities.*

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## **1. Executive Summary**

The Wisconsin Cranberry Cooperative is comprised of a group of cranberry growers that wish to add value to their crop. Prior to the formation of this cooperative organization, these growers were contracted with cranberry handlers who value-added and marketed the cranberries. The Wisconsin Cranberry Cooperative was formed to provide end-users, food service, and industrial ingredient suppliers with a grower-direct alternative for purchasing cranberries and cranberry-based products.

Handlers in the cranberry industry have had excess cranberries on hand, and as a result, prices back to the grower have plummeted. However, because there are very few cranberry handlers, some end-users of cranberries could not purchase fruit on the open market because a competing handler controlled it. Through the use of a value-added grant from the Wisconsin Department of Agriculture, and the hiring of a general manager, the cooperative learned about new marketing opportunities in the cranberry sector. <sup>106</sup>

The main marketing thrust of the Wisconsin Cranberry Cooperative is to provide customers with a high quality product, a fair price, a consistent supply, and excellent customer service. The Cooperative will focus its sales effort on selling free flowing highly colored cranberries in 40 lb. boxes. There appears to be a great market for customers wanting 40,000 to 160,000 lb. of frozen whole or sliced cranberries per year. The cooperative will grow and build its marketing platform to attract these customers. Based on conversations with current customers, most are happy to learn that there is a new source for high quality product.

## **2. COMPANY BACKGROUND**

### **2.1 Mission Statement**

The Wisconsin Cranberry Cooperative is a group of established cranberry growers in Wisconsin that grow and market their crop to customers. The cooperative will attract customers that need a reliable, long term, source of truckload volumes of high quality frozen cranberry fruit. The Wisconsin Cranberry Cooperative will focus their efforts on

growing and marketing the highest quality fruit in the industry, and outsource specialized processing methods to maintain competitive pricing.

## **2.2 Business Description**

The Wisconsin Cranberry Cooperative is a group of central Wisconsin growers who annually grow over 5 million pounds of fruit. In the past this fruit has been sold in bulk to cranberry processing companies for cleaning, sorting, and processing. Because four large processors control most of the cranberry fruit, there is an opportunity to service new customers that demand a consistent, high quality fruit. 106

## **2.3 Company History**

The cooperative started in July 2001. In the 2002 harvest season, the Wisconsin Cranberry Cooperative's fruit was outsourced for cleaning and processing. All the fruit was sold within 2 months after harvest to four customers, all of whom utilized the cranberries for sweetened and dried cranberry ingredients.

## **2.4 Current Position and Business Objectives**

It is the goal of the cooperative to feed the demand of the industrial ingredient and food service cranberry market. These markets include, but are not limited to, processors of sweetened and dried fruit, and institutional/baking ingredients for premium whole cranberries, or sliced fruit. This high value market niche is growing but they utilize small volumes of cranberries. The cooperative will focus its effort on the needs of this market, and utilize its internal resources to expand into other market niches. The Wisconsin Cranberry Cooperative is strictly a marketing cooperative. All cleaning and post processing will be outsourced to minimize the financial burden on the cooperative and allow aggressive pricing for services.

## **2.5 Ownership**

There are five cranberry growers in the Wisconsin Cranberry Cooperative, totaling 5 million pounds of fruit. Each member has one vote in the cooperative. The Wisconsin Cranberry Cooperative is licensed as a Chapter 185 Cooperative in the State of Wisconsin, but may consider changing to a new generation cooperative structure as designed by the Wyoming Cooperative statues, if additional outside investment monies are needed to achieve our goal.

# **3. PRODUCTS**

## **3.1 Product Overview**

The cooperative will provide sound, whole, frozen fruit to its customers. To achieve quality levels of some customers, post process sorting will most likely be necessary. Depending on the needs of the customer, this additional processing could either be outsourced to one or more companies.

The following product list is currently being used for sales and marketing. As customers

read over the different qualities, we can provide them with a product that is perfect for their needs.

**Premium-Select**

Our Premium-Select grade Wisconsin grown cranberries are matured on the vine to attain the deepest red coloration that Mother Nature will allow. The fruit is harvested late in the season, yielding uniformly red cranberries. The fruit is washed, dried, sized, and sorted to guarantee premium color. If your product demands a highly colored cranberry, you will not be disappointed with the superior quality and visual appearance of our premium-select fruit. 106

<p>IFF Premium-Select Whole Cranberries A premium cranberry in both color and quality. You won't find fruit any better than this!</p>	<p>IFF Premium-Select Sliced Cranberries Beginning with premium-select whole cranberries, this frozen fruit is uniformly sliced and packaged.</p>
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**Quality-Select**

Our Quality-Select frozen cranberries are washed, dried, sized, and sorted for excellent quality and color. This fruit is perfect for those applications that need a fairly uniform red color, along with the fresh tart taste of a quality cranberry.

<p>IFF Quality-Select Whole Cranberries A highly colored cranberry that is perfect for ingredients and food service.</p>	<p>IFF "Jumbo" Whole Cranberries In Wisconsin we grow our cranberries "Big", over 7/8" in diameter! Reserve your jumbo's early for this limited supply.</p>
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**Field-Grade**

Perfect for juice and concentrate operations, we offer field-grade cranberries in bulk semi's or cardboard bins. The fruit is washed, de-trashed, scrubbed and de-watered prior to binning and freezing, or bulk loading to your final destination.

<p>Field-Grade Fresh or Frozen Cranberries Quality cranberries available in economical bulk volumes.</p>	<p>White Cranberry Seconds When making any high quality product, there are always rejects that are "good, but not good enough".</p>
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**3.2 Research and Development**

The marketing strategy developed by the Wisconsin Cranberry Cooperative can easily be matched by any of the other competitors if they desire. Based on current movement in the industry, the cooperative should be able to enjoy a delay in this competition. However, we realize that the only way to stay ahead of the competition is to invest in research and development opportunities. 106

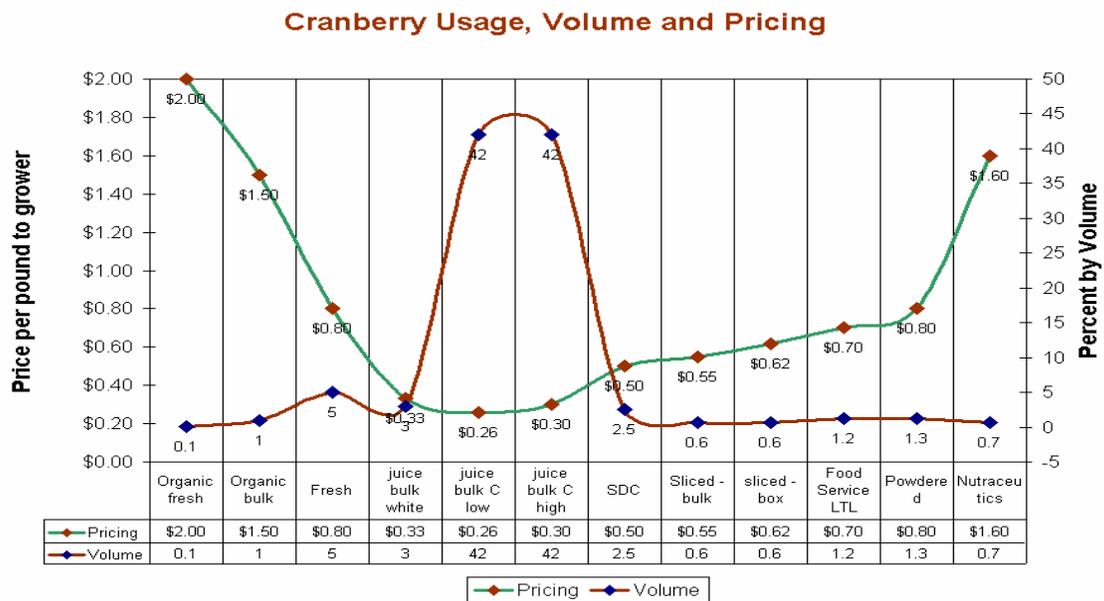
There is a great amount of opportunity for new product development in the cranberry industry. Where most competitors are experimenting with new R&D in the grocery aisle juice section, the cooperative plans to exploit its efforts in the more valuable sweetened and dried, food service and nutraceutical industries. There is tremendous opportunity, ready to be implemented, and with adequate research and development, and implementation, the cooperative can enjoy additional years of security.

For future products and services, the cooperative may consider value adding their fruit through continued post-processing for the ingredient, food service, or nutraceutical industry. This may involve high-end juice processing and concentrating, sweetened and dried fruit, miniature cranberries, new processing methods, and powdering processes.

#### 4. INDUSTRY / MARKET ANALYSIS

##### 4.1 Industry Defined

Most of the cranberries in the industry are converted to juice and sold in the grocery aisle. Fresh fruit usage is documented by the USDA and has been between 4-6% for the past few decades. At this time there is no data or information on the use of cranberries in products outside either juice or fresh fruit. Based on conversations with potential customers, the attachment is the most comprehensive guesstimate of cranberry usage in multiple categories. 106



Based on a six million barrel annual harvest in the US, the number of barrels utilized per year for each market segment has been estimated. The cooperative will focus its quality cranberries on the SDC (Sweetened & Dried), Sliced, Food Service, Powdered, and

nutraceutical markets. This market utilizes approximately 6% (414,000 bbl) of the annual supply of fruit. The cooperative will work to supply 15% of this market with high quality cranberries in 2003, and cap growth at 35% penetration in these selected markets.

Markets	Price	Volume	bbl
Organic fresh	\$2.00	0.1	6,000
Organic bulk	\$1.50	1	60,000
Fresh	\$0.80	5	300,000
juice bulk white	\$0.33	3	180,000
juice bulk C low	\$0.26	42	2,520,000
juice bulk C high	\$0.30	42	2,520,000
SDC	\$0.50	2.5	150,000
Sliced - bulk	\$0.55	0.6	36,000
sliced - box	\$0.62	0.6	36,000
Food Service	\$0.70	1.2	72,000
LTL			
Powdered	\$0.80	1.3	78,000
Nutraceuticals	\$1.60	0.7	42,000

### Market Needs

There is a need in these market segments for a supplier of raw cranberries that has no conflict of interest on the retail shelf. Users of high-end raw cranberry fruit need a consistent supply of fruit for their marketing strategy. We feel that, with a consistent supply of fruit, matched with quality and customer service, we can attain these goals.

### Market Trends

There is an increasing trend in cranberry usage in the non-drink category. There is a noticeable increase in the use of sweetened and dried cranberry products. <sup>106</sup> Sweetened and dried cranberries are being touted as a healthy food, and is being incorporated into a variety of ingredient and cereal products. Cranberry research is now being geared towards the medicinal and health benefits of the fruit, which should increase its usage in many types of products ranging from cereals to health food snack bars to dental hygiene products. Retail juice sales as well as the use of cranberry juice has been flat in recent years, due to the fact that less cranberry is being used in the blended drinks, and the expansion of advertising for orange juice products.

A majority of all fruit grown in the U.S. is converted into concentrate and consumed as juice. The fruit is harvested from grower's fields, cleaned, and frozen for conversion into concentrate by juice manufacturers. Since 1999 there has been an oversupply of these 'juice berries', resulting in low returns to the growers. To lower storage costs, manufacturers of juice products immediately convert their frozen fruit into juice concentrate to lower freezer storage costs and improve their books by having higher-valued concentrate in inventory.

#### **4.2 Competitive Analysis**

There are three major competitors in this market:

- Ocean Spray
- Decas Cranberry
- Northland Cranberries

Ocean Spray services this segment of the industry, but places its emphasis on larger users of frozen cranberries. Ocean Spray does most of their processing and packaging in Babcock, Wisconsin where they work frozen product from the freezer throughout the year. One weakness of Ocean Spray is their competing product lines. If a customer that could potentially steal market share from Ocean Spray, then they will not sell them fruit, or only supply them enough to maintain their needs. <sup>106</sup>

Decas Cranberry is a minor competitor in this market. Decas Cranberry does not have a large supply of high quality, large fruit, and may actually be a buyer of our fruit for its own sweetened and dried cranberry processing facility. Decas cranberry does grow high quality fruit and currently powders some fruit for the nutraceutical market. For customers that want quality, but not large sized fruit, Decas Cranberry will be a competitor. Decas is also the only customer that currently sells IQF (instant quick freeze) fruit, which is a very high quality, and expensive process. Our goal is to provide the quality and characteristics of IQF fruit in a less expensive form, IFF (individually free flowing).

Northland Cranberries, Inc. is a new competitor in this market. In the fall of 2002, Northland began sorting and packaging frozen or sliced cranberries into 20 and 40 lb boxes.

Other competitors not listed above but still a player in the industry are:

- Cliffstar
- Papas
- Atoka (Canada)

#### **4.3 Market Size**

The cranberry market in the United States is approximately 650,000,000 lbs or 6.5M barrels per year. 50% or 3M barrels comes from Wisconsin.

#### **4.4 Customer Profile**

Slow growth is expected in the consumer's use of cranberries. The lack of new products, including the lack of sales advertising is weighing heavily on the industry. As juice prices remain low, there will be increasing pressure on these alternative use areas to generate sales. <sup>106</sup>

## **5. MARKETING PLAN**

### **5.1 Competitive Advantage**

There are only two major handlers of cranberries that are supplying a significant volume of premium sorted frozen cranberries in bins or boxes, and with both companies, it is not their primary emphasis nor their long-term objective. Our primary strategy is to sell a premium quality cranberry. We approach this in a multi-pronged method, first by growing the highest quality fruit, secondly by cleaning the fruit prior to freezing, and third, sorting the fruit to attain the quality needed by the customers. On staff we have a Ph.D. horticulturist with 9 years of experience behind the production and packaging of quality fruit. We will also utilize his services for sales and marketing so that the customer can communicate their needs and know that it will be done. 106

Our second strategy is emphasizing relationships. We must market the company as well as the products we sell. We will encourage regular contacts with the customer, listening to their needs and concerns. Programs for marketing the company and its products include a 4-color sales brochure, attendance at the food trade shows, and direct mail. For our customers we include callbacks after installation, direct mail, and sales management. Programs for increasing sales per customer include upgrade mailings and sales training.

### **5.2 Pricing**

As a new entity in this small market, we will need to match prices of our competitors until we have a good track record with our buyers. We plan to advance sell about 2/3 of our fall harvest, focusing primarily on sales into 20-40 lb. boxes.

### **5.3 Promotional Plan.**

- 5.3.1 We will heavily promote our company and its products at trade shows around the United States. Trade shows attract the small and large buyers, and present a degree of professionalism to the company and its product line. We will focus our efforts on trade shows such as The Fancy Food Show, the FMI, the IFT, the World Food Expo, Supply-side west, and the Natural Products Expo. 106
- 5.3.2 In an effort to create an identity with our company, we will develop a brand identity that reflects attributes of our premium quality product. A brand identity will help differentiate our product from the competition. We will utilize this brand identity on all packaging and sales flyers. The brand identity will be focused around free flowing product. Dubbed IFF for "Individual Free Flow". This is similar to the most expensive cranberry products that are IQF, or individually quick frozen. Free flowing fruit is a valuable asset for high quality product and premium pricing. We will work to identify the IFF brand logo along with our company name.

## **6. OPERATING PLAN**

### **6.1 Location**

#### **6.1.1 Cleaning Facility:**

6.1.1.1 All fruit will need to be cleaned to at least 98% clean, with less than 2% rot and debris. The cooperative will contract out cleaning with Wisconsin Receiving Corporation. All fruit will be delivered to this location if it doesn't meet the specifications required by the cooperative. Wisconsin Receiving Corporation will clean the fruit and load it onto a semi, for bulk shipment to either a freezer or for post processing, or binned directly into crates or totes. The price for contract work will vary by workload, but be comparable to other public cleaning facilities in Wisconsin

#### **6.1.2 Processing Facility**

6.1.2.1 All fruit will need to be processed into its finished form and packaged into cardboard for shipment to customers. The cooperative will contract out post-processing needs with Premium Packaging, Inc. Fruit will arrive at the processing facility either from the freezers directly, or from the receiving station. It will be packaged to the cooperative's specifications and then loaded onto a semi for its final destination..

### **6.2 Freezer Facilities**

6.2.1 The cooperative has secured freezer capacity at Gardner Cold Storage and Total Logistics Corporation in Beaver Dam. Both freezer facilities can offload semi's into crates. Total Logistics can handle and store cardboard totes of berries in their racking system, but Gardner Cold Storage can only receive and store wooden crates.

### **6.3 Operating Equipment**

6.3.1 The cooperatives' only investment in capital inventory will be the wooden crates used for storage. Crates were purchased by the original members to store their own fruit. These crates, as well as new crates, will be purchased by the cooperative at their original invoiced price. The cooperative will pay to have the crates fixed and maintained as necessary.

### **6.4 Suppliers and Vendors**

6.4.1 The cooperative will be responsible for the purchase of cardboard for finished product. Competitive quotes will be compared from three companies to determine winning bids. 106

6.4.2 The cooperative will be responsible for trucking costs from the receiving station to the freezer. Competitive quotes from three companies will determine the winning bid for fruit transport from Tomah to the freezers.

### **6.5 Personnel Plan**

- 6.5.1 The cooperative will only need to hire the general manager, Jonathan Smith, for handling day-to-day operations. All personnel needed at the receiving station and processing plant will be secured by the contract companies. It is possible that marsh personnel from the cooperatives marshes will be used in these facilities. These personnel will be paid by the contract companies, separate from their marsh duties or cooperative obligations.

## **6.6 General Operations**

- 6.6.1 All general operations will be overseen by the President of the Cooperative, as well as the General manager. The cooperative will hold monthly board of director meetings to discuss operations. Yearly meetings will be held for all cooperative members, to review board of director actions.

## **7. MANAGEMENT ORGANIZATION / OWNERSHIP**

### **7.1 Management/Principals**

- 7.1.1 The cooperative is positioned to be a marketing cooperative, outsourcing the value-added cleaning and processing to allow ease of flexibility as the marketplace changes. Marketing cooperatives are the most financially stable cooperatives since the costs to the cooperative are fixed, and returns can be easily projected for growers.

### **7.2 Organizational Structure**

- 7.2.1 The cooperative consists of a board of directors, including President, Vice President, Secretary, and Treasurer. The daily operations, marketing, and sales, will be guided by the General manager, Jonathan D. Smith. The general manager reports directly to the President on all matters related to cooperative interests.

### **7.3 General Manager/ Professional Consultants**

- 7.3.1 The cooperative has taken the position that they would like no employees. Instead, they would like to hire management talent to conduct day-to-day operations, marketing, and sales. In a three-year contractual arrangement, The Wisconsin Cranberry Cooperative has hired Berry Works, LLC, and specifically Jonathan D. Smith, Ph.D., as general manager. Dr. Smith has worked as Vice President of Research and Development for Northland Cranberries for eight years, as well as partnered with a new startup nutraceutical/oil extraction company for two years. Dr. Smith is a Ph.D. plant physiologist and nutritionist, who is very familiar with all the competitors in the cranberry industry. He understands the product as well as the market, and can be successful in positioning the cooperative for long-term relationships with purchasers of whole cranberry fruit. <sup>106</sup> Dr. Smith also has the potential to bring fresh new marketing and development ideas to the cooperative. Dr. Smith has worked with other companies to write patents on new products such as cranberry oil and the production of miniature seedless

cranberries. The goal of the cooperative is to market into specific niches, and new product development could be a guiding factor in the security and growth of this cooperative.

## **8. GOALS and STRATEGIES**

### **8.1 Business Goals**

8.1.1 We seek to return a price to the grower that is above the cost of doing business. We seek to place our product into markets that rely on premium quality fruit, intelligent customer service, and dedication to the customer. Finally, we seek to grow to a size that fills the market niches we create.

### **8.2 Keys to Success**

8.2.1 We grow to a size of at least 8 million pounds by the second year. We market the fruit, and provide grower returns that exceed 40 cents per pound. We make a good name for ourselves in the marketplace with a quality product, and quality customer service.

## **9. FINANCIALS**

### **9.1 Start up Costs**

9.1.1 The cooperative is outsourcing most of its processing needs. The one item that the Cooperative will have in its possession is wooden crates. The wooden crates hold approximately 1300 lb. of raw cranberries. Although most fruit will be sold in cardboard containers in its final form, storage in local freezers dictate the need for wooden crates. For the first year the individual members purchased enough crates to hold their crop for the 2002 harvest season. As new growers are added, more crates will need to be purchased. The crates will be purchased back from the members over the next 5 years.

### **9.2 Break Even analysis**

9.2.1 The average price for raw contracted cranberries was approximately 29 cents per pound for the 2002 crop. <sup>106</sup> Depending on yields, this is the cost of basic production in the field with no margin for growth or expansion. The Cooperative members have set a price of 40 cents per pound as break-even goal. At this price, the cranberries can be grown and harvested with the care needed to produce high quality fruit.

### **9.3 Projected Financial Statements**

#### **9.3.1 Income Statement**

9.3.1.1 At least 50% of our income will be collected in November and December of each year. As fruit is post-processed and shipped to buyers, additional income will be

collected through the first and possibly second quarter of the year. We anticipate all payments to be received by the beginning of June.

**9.3.2 Cash Flow Statement**

9.3.2.1 We will have a negative cash flow through the months from June to October, 2003. Expenses related to selling the next season's crop will be paid by an administrative fee that is collected on the previous seasons' cranberry harvest, as well as grant funds.