# Mission-driven marketing

## *Rocky Mountain co-ops expand opportunities for sustainable food production*

**By Jennifer Keeling Bond, Kellie Enns and Bill Brockhouse**

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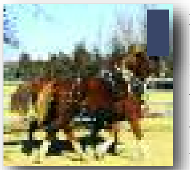


In response to the growing demand for locally grown and sustainably produced foods, two cooperatives have taken root in the Rocky Mountain region. The High Plains Food Cooperative (HPFC) serves member consumers and producers in a virtual marketplace, using Internet-based sales. The Colorado Farm and Art Market (CFAM) builds relationships through fostering personal contact between growers and buyers at bi-weekly farmers' markets.

In this article, we share the stories of how these organizations came to be, what philosophies link the organizations and how they created vibrant local foods communities through cooperation.

### High Plains Food Cooperative: *Finding solid ground in a virtual marketplace*

In 2004, a group of mostly organic, fresh and specialty produce growers in Rawlins County, Kan., began to discuss ways of coping with the physical distances between potential customers and their farms. Growers had to travel long distances to reach numerous farmers' markets along the Front Range, which was inefficient, expensive and resulted in a larger "carbon footprint" than the environmentally minded growers desired.

The group considered teaming up with a local food distributor to access larger retail markets. However, doing so would have maintained the physical distance between the growers and end-consumers while potentially reducing profit margins. A solution was needed that would allow growers to foster close relationships with customers while growing and marketing their products in a sustainable manner.

How to achieve these marketing objectives came into clearer focus after founding co-op members Chris and Sherri Schmidt attended a regional agricultural marketing workshop hosted by leadership from the Kansas Farmers Union and Ogallala Commons.

The workshop showcased the Oklahoma Food Co-op (OFC), an online community of producers and consumers that is dedicated to supporting local growers. Inspired by the OFC example, the Schmidts and a growing team of interested stakeholders began to firm up plans for what would become the High Plains Food Cooperative (HPFC).

Like the Oklahoma cooperative, HPFC would have an online presence aimed at uniting interests in locally grown food and locally made products. However, in addition to supporting local producers, HPFC would also reflect the desires of the original Rawlins County growers to promote food that was grown in an environmentally sustainable manner and to support socially responsible business practices of stewardship and cultural diversity and member empowerment.

Nearly 61 percent of responding fresh produce growers in Colorado are interested in joining a cooperative to assist with reaching new customers…

*Facing page: Serah Trobridge checks out an herb garden that is yielding products for the High Plains Food Cooperative (HFPC); above: Anna Morton buys carrots at the Venetuccii Farms booth at the Colorado Farms and Art Market (CFAM) in Colorado Springs. Photos courtesy HPFC and CFAM*

***Consumer-centric philosophy***

Three years after opening the co-op's "virtual doors" in 2008, producer-members now span three states (Colorado, Nebraska and Kansas) and the co-op's online marketplace offers a tremendous variety of seasonal products. For a one-time membership fee of $100, or an annual payment of $40, the 150 HPFC consumer-members have access to a catalogue of value-added products that can be shipped to the buyers' home or delivered to a nearby drop point for an additional fee.

HPFC also has a physical distribution site in north Denver, coincidentally at the confluence of three neighborhoods designated as "food deserts." Food deserts are areas without access to affordable, fresh food and are common in many low-income urban areas. The distribution site location underscores a problem identified by the initial founders of the HPFC: that people need and deserve access to quality, fresh food.

In addition to striving to provide healthful products for consumer-members, HPFC is committed to cultivating farmer-consumer relationships and enhancing rural sustainability. "On the website, we have to write a story about our products — why someone would want to buy them and what's the advantage," says Laura Reeser, a co-op member who sells herbs and eggs. "This allows me to actually develop a relationship with the customers."

In a sense, the website creates a "virtual bridge" between producers and consumers that encourages interactions and transactions while also educating buyers on sustainable production practices.

***Benefits of virtual marketing***

While links with customers are strengthened through HPFC, the website has also assisted in fostering the breadth of connections between isolated producers and markets. The Denver metro area includes 2.7 million people with a wide variety of niche tastes. The presence of HPFC's network in the region has allowed some producers to grow their businesses.

Barbara Cooper, owner of Cooper Kitchens in rural McDonald, Kan., says the co-op affiliation and web presence enabled her to "expand my production by 25 percent because of all the orders that come in from Denver. The website gives us the opportunity to reach some of those urban markets and sell our fresh items, something we couldn't do by ourselves."

Reeser found similar results. She was able to triple the size of her egg and herb business, working through the co-op. Consumers in her local market were not only very price sensitive, but they also didn't have a "taste" for some of her gourmet herbs, such as epazote, sorrel, lime thyme and lovage. In the Denver market, she found food connoisseurs with more sophisticated culinary pallets and a desire for her specialty products.

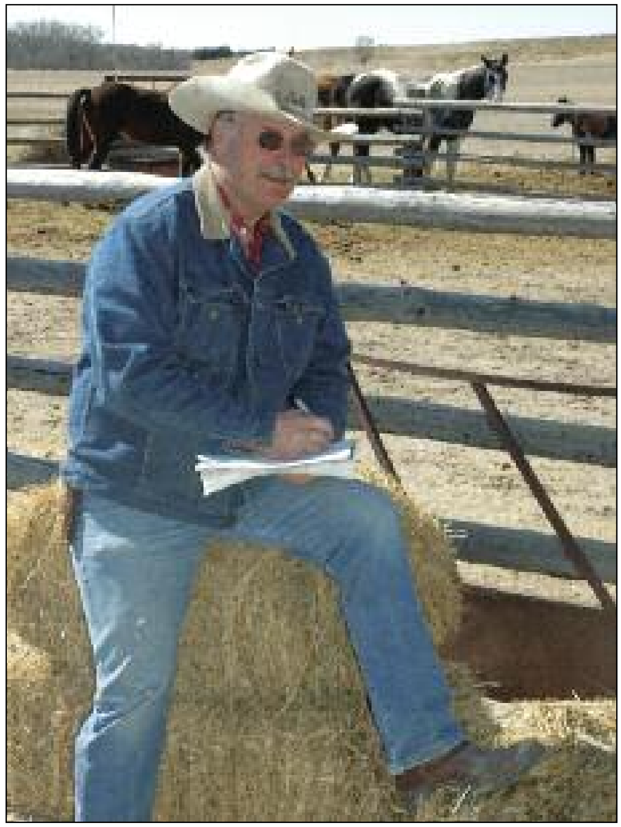
Beyond market access, the online cooperative provides a method for simply staying in business and connecting consumers to production agriculture. "The co-op is an opportunity for people to stay on the farm…and for consumers to know what food tastes like," says Jo Hagney, current HPFC treasurer and founding co-chair of the co-op.

"We realized that even though maybe we couldn't produce a lot of products, we had neighbors who could," adds HPFC President Chris Schmidt. "By being able to market food products to people either in the Front Range or elsewhere in Colorado, HPFC is a way of increasing our income and helping out with the financial situation in our area."

***Seeds of success***

Key personnel who are willing to sacrifice and serve the co-op are essential to building a successful business endeavor. "We started with eight or so very dedicated people who were interested in trying to get something going — not for personal gain, but to be able to help out neighbors and friends by marketing a product they have," says Chris Schmidt, reflecting on the dedication that has allowed the fledging cooperative to stay in business and grow in a crowded market. The same individuals are still supporting the cooperative and form the organization's "backbone," he notes.

Mutual support is a unifying factor for many of the co-op's producers. Their philosophical outlook, which is widely promoted by the organization's founders, serves to strengthen connections between the growers and create a network of environment- and health-conscious producers who are enthusiastic about sharing nature's bounty with the public. Members are so passionate about the organization's objectives that many volunteer their time to ensure that deliveries are made, bills are paid, and the day-to-day jobs associated with running the cooperative are completed.



*Dan Fields of Double Beaver Hay and Cattle company (also seen driving a horse-drawn wagon on facing page) works on a list of his upcoming deliveries. He and his wife, Yvonne, have been a driving force in the High Plains Food Cooperative. "Be patient – it takes a while to build up customers and find other producers," says Yvonne.*

In addition to a set of core values, the founding members attribute the organization's early success to a variety of strategic business decisions and a realistic outlook. When asked what advice they'd offer a producer who is interested in forming a marketing cooperative, Hagney cautions: "Find a support system, because you cannot do it all by yourself."

While it may be challenging to organize a complex new business and difficult to wait through periods of market adaptation, Yvonne Fields of Double Beaver Hay Cattle offers encouragement to others considering establishing a new co-op. "Be patient," she says, "it takes a while to build up customers and find other producers." According to Hagney, cooperative entrepreneurs should also keep in mind that "just about anything is possible, if you have the dedicated people who are willing to put the effort forth to develop the market."

For many fresh and specialty food growers along the Front Range, HPFC serves as an example of how to successfully merge philosophical and economic interests in a way that supports the growing local food movement. With consumer demand for value-added food products on the rise and growing interest in sustainable agriculture, HPFC appears poised to capitalize on market momentum and create real member benefits from a virtual marketplace.

## Colorado Farm and Art Market:
***Market with a mission***

Frustrated with a lack of managerial support for local and organic producers at a popular Colorado Springs market, growers banded together to form a new organization in 2003 that would promote their distinctive products. The mission of this new association would be to educate consumers about local food systems and promote the message of sustainable agriculture while putting a "face" on area farmers.

In the early days of the market, growers were approached by a group of Southern Colorado artisans and asked to form a joint venture. The proposed organization would showcase not only fresh, locally grown produce, but also high-quality regional art in a variety of media, providing a multi-sensory experience that would appeal to a wide range of patrons.

This meeting of the minds resulted in the formation of what is now called the Colorado Farm and Art Market (CFAM), a cooperative of 40 vendors and numerous consumer-members.

"Start small and follow your dream. If you believe in the concept, get in there and push for it."

***Community of customers***

On a typical Wednesday afternoon in September, a wide cross-section of Colorado Springs residents can be found shopping at the CFAM in America the Beautiful Park. The market is easily accessible from Interstate Highway 25 and draws crowds from nearby downtown, the University of Colorado-Colorado Springs, the U.S. Air Force Academy and local neighborhoods. Young families, students, "urban-hipsters" and retirees mingle among booths overflowing with the season's offerings.

Anna Morton, a student, explains that she prefers local, fresh produce and feels that local farmers create a welcoming experience. To better serve their growing customer base, CFAM's board of directors organized an additional Saturday market that is now held in northern Colorado Springs. The Saturday market attracts a great number of families and patrons, who, on average, are slightly older and have higher incomes, relative to the downtown market goers.

The Slow Food Movement and Colorado State University Extension are among those that make regular appearances and contribute to an atmosphere of learning and discovery at the market. The Colorado Springs Slow Food chapter is part of an international group of food enthusiasts who are dedicated to "sustainable local agriculture" and to "counteracting fast eating and a fast food lifestyle." Members encourage others to literally slow down to enjoy the food they eat and participate in local food traditions. The group regularly offers samples to CFAM patrons using locally grown products available for sale at the market, thereby promoting vendors' goods and providing education on serving suggestions.

## Member outlook:
***Dan Hobbs***

Grower Dan Hobbs helped to found CFAM in 2003 as a new kind of farmers' market, one that was "democratic and sold organic food direct from those that produce it locally." A fifth-generation Coloradoan who farms organic vegetables and open-pollinated seeds in Avondale, Hobbs is also executive director of the Organic Seed Alliance and a former cooperative specialist with the Rocky Mountain Farmers Union (RMFU).

He brought a wide range of experience and expertise to CFAM. In particular, through his role with RMFU, Hobbs was able to assist the group in forming a business and marketing plan while also finding legal help to get the group incorporated. The Rocky Mountain Farmers Union Cooperative Economic Development Center provided in-kind assistance and helped CFAM to secure a USDA Rural Business Enterprise Grant (for more information on this program, visit: www.rurdev.gov, or call 800-670-6553).

While seeking technical assistance, Hobbs and other members solidified their business philosophy. An educational mission was selected with the goal of informing consumers of the differences between store-bought produce and locally grown, organic products that are purchased direct from the producer.

The commitment to supplying value-added produce sets CFAM apart from other area farmers' markets that offer conventional produce. Not surprisingly, the produce available at CFAM often commands a premium. Through education and the building of personal relationships, Hobbs says consumers are "more willing to pay a higher price for locally grown and organic produce that is not sourced from a grocery store chain." In this manner, the educational mission serves to support small-scale farmers and to contribute to sustainable agriculture.

Area chefs who are attracted by the desire to support local agriculture and sourcing fresh, diverse products are patronizing CFAM in increasing numbers. The strengthening relationship between restaurants and market vendors has led to a chef's tour and increased direct sales.

Despite these positive developments, Hobbs believes that wider acceptance of local and organic produce is hindered by growers' inability to supply fresh product year-round. As such, distribution has primarily been limited to "white tablecloth" restaurants that specialize in seasonal dishes and/or strongly promote local partnerships with producers.

To capitalize on demand during the limited growing season, Hobbs and other vendors try to keep abreast of trends in consumer taste and preferences. Recent interest in "open-pollinated" or "true-to-type" produce offers a promising opportunity for growers, such as the multiple varieties of heirloom garlic marketed by Hobbs.

Other areas of potential growth include biodynamic, or so-called "beyond organic," produce, grass-fed beef and raw milk. Although consumer interest has been somewhat limited, at least one producer believes that through education, patrons will come to appreciate these value-added products in greater numbers.

## Member outlook:
***Doug Wiley***

For more than 20 years, Doug Wiley has farmed on his family's Larga Vista Ranch in Boone, Colo. As proponents of sustainable agricultural systems, Wiley and his wife, Kim, strive to create an agricultural ecosystem that is in harmony with the natural environment and surrounding community. "The greatest gift we can leave our kids is productive and fertile soils," says Wiley.

Educating consumers about the benefits of biodynamic produce, grass-fed beef and milk is a passion for the Wiley family. As CFAM members, they are able to tap into the organization's resources to help share information about sustainable agriculture and the "need to develop markets for local foods." Enhanced local and national awareness of the benefits of value-added and locally grown products has increased the number of consumers demanding the Wiley's goods, and they service a growing and loyal customer base.

To make food pick-up more convenient for their primarily Colorado Springs-based customers, the Wiley family now brings raw (or unpasteurized) cow's milk to CFAM during the market season. By state law, raw milk can only be provided to cow-share owners who purchase a portion of a cow's production in advance.

By selling at CFAM and direct to restaurants and visitors at the ranch, Wiley is able to create personal relationships with customers and to teach them about the importance of respecting the environment and supporting local growers. Through education, he has found that customers have come to appreciate the Wiley's products even more and that they in turn share what they have learned with friends and relatives.

This grassroots marketing campaign has been an effective way to grow demand. However, Wiley has found that seasonality and limited supply create natural restrictions on the scope of Larga Vista's operations. As a small farmer, it is "hard to make ends meet," he says.

With limited production of organic produce and grass-fed beef, the Wiley's operation is too small to attract orders from grocery stores. While restaurants can provide an additional source of demand, sales through CFAM and direct from the ranch are the most important sources of revenue.

"It is the people that make the difference and make the work worthwhile, says Wiley, reflecting on the hard work necessary to make Larga Vista Ranch profitable.

***CFAM's community of customers***

In the years since CFAM's formation in 2003, the market has succeeded in sustaining itself in the midst of strong competition and in educating a loyal and growing customer base. In particular, board members take pride in their efforts to reach out to low-income families and the market's ability to spread a philosophy of food as pleasure and sustainable agricultural systems as a means of building stronger communities.

Associations with like-minded groups, such as the Slow Food Movement, have assisted the young market to gain distinction as have relationships with area restaurants that promote local and organic food. Growing consumer knowledge about the benefits of eating healthier, purchasing locally and supporting environmentally friendly agricultural practices have also assisted the cooperative. However, it is the "community of customers" that sustains the organization and to whom the board looks to for continued success.

***Growing markets through education and access***

Despite differences in business models, HPFC operates "virtually" while CFAM markets take place at multiple locations in the Colorado Springs area; both cooperatives share a desire to promote healthful eating and closer connections with the land and farming families.

HPFC markets products from a diverse multi-state area, giving the organization an advantage over traditional farmers' markets that draw vendors from relatively smaller geographic areas. CFAM strives to provide in-depth food education and sensory experiences for market patrons and to build community among patrons and vendors. Significant increases in market sales have demonstrated that the different approaches taken by the co-ops have resulted in similar positive outcomes.

Growing popularity with market patrons may, in part, be a result of increased producer participation. Both HPFC and CFAM have added many growers to their membership roles in recent years. New members may be inexperienced and looking to break into the local foods movement or established enterprises seeking new outlets for their products. Regardless of background, partnering with either cooperative has the potential to leverage individual marketing efforts.

A recent USDA Rural Development-funded study (conducted by the authors of this article) found that nearly 61 percent of responding fresh produce growers in Colorado are interested in joining a cooperative to assist with reaching new customers, while more

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than 46 percent of respondents said gaining more sales resources would motivate them to join a co-op. Encouraging member-growers to share personal stories of how these benefits are being achieved through participation in marketing-oriented co-op's such as CFAM and HPFC may be a compelling means of advocating for co-op membership.

In general, recommended methods of growing cooperative market participation among producers are similar to those that have been successfully employed to increase consumer patronage. Namely, co-ops are encouraged to provide education and access. Sharing credible personal stories of success can be one component of a cooperative education program that showcases multiple experiences at well-timed workshops and seminars.

To appeal to time- and location-constrained producers who want to learn more about cooperatives, an online and interactive website that features case studies, personal experiences, interviews and other resources may provide greater access to useful information. The Cooperative Community of Practice on eXtension is an excellent model of such an interactive website that may be used as a template for state- or region-specific sites.

Access to receptive audiences may be achieved through non-electronic means as well. Case studies and articles in non-cooperative-oriented trade publications (e.g., Spudman and Progressive Grocer) may serve to enhance the visibility of local co-op organizations and provide a reference point for those who are otherwise unfamiliar with the business form. An alternative and grassroots approach to communicating the value of cooperatives may be as simple as meeting with potential members at their place of business or market location.

In the heavy recruitment phase of membership, both HPFC and CFAM employed many of the methods described above. Ultimately, membership and patronage have increased for both, providing evidence of the symbiotic relationship between grower-member involvement and consumer support.

Reflecting on the hard work it has taken create a sustainable co-op, Jo Hagney of HPFC recommends that other organizations "start small" and "follow your dream. If you believe in the concept, get in there and push for it." Her enthusiasm reflects the passions that producer-members have for the CFAM and HPFC co-ops. The shared clarity of purpose has lead to the formation of marketable identities for both organizations, which serve to attract customers while uniting existing and new producers. ■

## How co-ops do it

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and the manufacturing processors will use 2.5 million pounds. The cooperative will have 4.2 million pounds of milk a day in excess of demand by fluid plants and manufacturing processors (table 2).

On the other extreme, the same calculation will show that the daily excess volume will be 2.9 million pounds in the fall months (September through November); a reduction of 1.3 million pounds a day from May.

If the cooperative has its own manufacturing plants to use a constant volume of 2.9 million pounds of milk a day, then the cooperative still needs to have facilities to handle a seasonal surplus of 1.3 million pounds of milk a day in May. During other months, the seasonal surplus balancing facilities will be under-utilized and will run dry in the fall months, resulting in costly plant operations.

If a cooperative does not have enough surplus balancing capacity (or in the case of bargaining cooperatives that do not have any plant capacity), there are two ways for them to dispose of surplus milk. They can sell the surplus milk in the spot market, usually at a price discount, or they can pay a "tolling fee" to have the milk manufactured into storable dairy products at plants owned by others.

The price discount and the tolling fee are charges for defraying the costs of owning and operating surplus handling plant facilities.

### Other marketing cooperatives

The unique economics of cooperative marketing operation is applicable in the situation where the cooperative is the exclusive marketing agent of the milk produced by members. Other agricultural commodities (such as fruits, vegetables, nuts, poultry, sugar, etc.) that exclusively rely on the cooperative to market members' products would have unique economics of cooperative operation similar to that of dairy cooperatives.

However, they differ from milk in some important aspects. The main difference is that milk is a "flow" product — day in and day out — while other farm commodities are harvested in lumps toward the end of the growing season of several weeks or months.

In the analysis of the economics of cooperative marketing of milk, the unit of time used is on a per day basis. The same analysis of other commodities has to use a unit of time that is appropriate for a particular commodity.

Some producers of commodities that are storable and have a long marketing season (such as grains and oilseeds) may view the cooperative as but one of multiple outlets and market through it only if the cooperative offers the best terms and services among all alternatives. In such a case, the cooperative may still maintain its uniqueness in its cooperative structure, organization, governance and equity financing. Its marketing operation, however, is not different from other marketing firms (firms other than cooperatives). ■