

GROWN Locally

Location: Northeastern Iowa

Business structure: Producer-led cooperative

Product offerings: Fresh produce and herbs, meat, honey, flowers, fruit and berries

Services: Production, marketing, distribution, storage and branding.

Suppliers: 22 member farms

Customers: In 2008, 38 percent of the co-op's sales were to households. 12 institutions, including colleges, hospitals, nursing homes, restaurants and casinos, accounted for 62 percent of its sales. Having increased its supply, the co-op anticipates expansion into the institutional market.

Volume: \$100,000 in 2009

Years in operation: 9

Grower requirements: Growers adhere to GAP standards, but are not certified. Likewise, while all growers comply with organic growing practices, only a fraction of them are certified. The co-op requires that all of its producers test their well water to ensure the health and safety of their on-farm washing facilities. While growers do not implement HACCP, the co-op has its own manual of post-harvest handling standards that it is currently revising to better accommodate large-volume sales to institutions.

of employees: One full-time coordinator

Pricing: Co-op committees establish tentative prices based on past sales and cost of production. They recalibrate prices throughout the growing season as needed.

Website: www.grownlocally.com



Based in northeastern Iowa, the 22-member GROWN Locally cooperative collectively orchestrates pre-season planning, pricing and distribution. Beginning with an emphasis on Community Supported Agriculture (CSA) and home deliveries, the cooperative has shifted toward the robust institutional market, which has proven to be more resource-efficient than household sales. GROWN Locally recently partnered with a local foods entrepreneur who has taken over the coordination and distribution of the cooperative's CSA enterprise. Together, they are exploring the development of a processed vegetable product line for the cooperative's institutional clientele.

GROWN Locally was established in 2000 by a group of small growers in northeastern Iowa to reduce competition between farms and increase their access to institutional markets through product aggregation and co-branding. (GROWN stands for "Goods Raised Only With Nature.") Member farms range from 500 square foot gardens to 10-acre operations, and specialize in a variety of produce and meats. Approximately 20 percent of GROWN Locally's member farms are certified organic. The rest adhere to organic standards but are too small to pursue certification. While many of the cooperative's growers sell at farm stands, farmers markets and through individual accounts, its coordinator, Johnice Cross, estimates that the cooperative's sales account for 75-80 percent of its growers' total sales.

2008 was GROWN Locally's first profitable year. Its \$100,000 earnings represented a 100 percent increase over 2007. The co-op may have earned even more had it been able to meet demand.

The co-op earned \$100,000 in 2009, despite eliminating a CSA program that accounted for 20 percent of its earnings in 2008.

Prices are set by co-op committees in advance of the growing season. Prices are based on production costs and past sales, with the anticipation of some adjustments in response to the market. GROWN Locally charges a 20 percent flat fee for its administrative, marketing and distribution services, and a 10 percent surcharge for meat products and orders delivered by the growers themselves. Its institutional customer base prefers to receive as few deliveries as possible. Therefore, the co-op aggregates products for these clients and limits direct deliveries by individual growers to low-volume hauls during the off-season.

Typically, growers wash and pack their own products according to wholesale post-harvest handling standards and haul orders to a central location for distribution. Large orders may contain

product from multiple farms, but retain farm identity. All product bears a single, uniform label branding the individual farm and the co-op, in order to ensure traceability.

Luther College, a GROWN Locally institutional customer, reports that the co-op's prices average 30 percent higher than conventionally sourced product. Cross cites commitment to the regional economy, product quality and active student demand as primary reasons for the college's procurement of local food, despite the high premium.

Recently, the co-op partnered with an entrepreneur who plans to convert a restaurant into a licensed processing facility and CSA packing and distribution hub. She and GROWN Locally are exploring the development of processed items including steam-ready carrots and potato products. The co-op has seen strong institutional demand for processed product, particularly from its nursing home and hospital clientele.

Challenges

Growing and operating within a margin that is sustainable for both the co-op and the growers. While GROWN Locally's grower members would like to cut back to a 15 percent mark-up, it has been difficult to break even at 20 percent. The lower markup would require considerably more volume, which, in turn, would require more infrastructure, time and capital.

Developing/hiring skilled leadership. The co-op model offers a horizontal leadership structure. Without clear responsibilities and delegation, however, this model can result in disorganization, leadership imbalance and fatigue. In the beginning, GROWN Locally relied largely on one member for coordinating purchases, deliveries, sales and infrastructure such as storage. Over time, this leadership arrangement was not sustainable because co-op responsibilities and resources were distributed unevenly among its members.

Internet marketing. The co-op's market basket program, which supplemented its CSA enterprise, let households place online orders for the products they wanted. Technical difficulties compromised the success of this program, and the co-op's shift toward institutional sales ultimately put an end to online ordering. The sales coordinator currently uses QuickBooks and orchestrates orders by email and phone according to buyers' preferences. She reports that these affordable, low-tech systems currently meet the co-op's needs.

Seasonality. GROWN Locally would like to offer products year-round. It is currently able to provide some eggs, meat and greens into the winter, and is investing in greenhouses to increase its supply of winter crops. These, and other, infrastructural improvements were largely made possible by small matching grants from Iowa State University Extension and the Northeast Iowa Food and Farm Coalition. Cross

believes that a larger, more diverse winter product inventory will foster stronger relationships with customers and supplement the co-op's revenues. Local processing has also been explored as a way to close the seasonality gap while meeting institutions' requests for ready-to-cook product.

Lessons

Skilled leadership and coordination are critical to an organization's sustenance and successful growth. Through trial and error, the cooperative discovered that it was more cost-effective to pay a higher salary to a management professional than to rely on volunteer members, interns or inexperienced staff to oversee its administrative tasks. Early in 2008, the cooperative hired a full-time coordinator with a background in business management and marketing. This hire enabled growers to focus on production.

Adaptability and responsiveness to the evolving market are imperative to an organization's longevity and financial sustainability. In 2008, technical difficulties with its online ordering service, combined with the complex orchestration of the CSA enterprise and home delivery network, compelled the cooperative to reevaluate its target market. After shifting its focus to the institutional market, it soon found that its new accounts more than made up for the loss of household sales and freed time to build stronger relationships with customers.

Technology is only useful if it is functional, updated and utilized. Online ordering mechanisms can be efficient and effective if customers and suppliers use them. Before designing an online distribution system, distributors should evaluate the ongoing funding and technical support necessary to maintain this system.

Small farmers face unique challenges in meeting and verifying wholesale post-harvest handling standards. Because of their small scale and production volume, many of GROWN Locally's farmers cannot afford the certification and infrastructure necessary to formally complete existing GAP and HACCP requirements. The cooperative takes precautions to ensure the quality and safety of its food. However, the co-op's shift toward the institutional market has raised new concerns about verifying product safety. As a result, GROWN Locally plans to adopt a post-harvest handling program for small, sustainable, wholesale growers that may lead to third-party certification.

Pre-season production planning helps farmers respond to market demand. GROWN Locally's farmers select crops and plan production volume based on customer demand ahead of the growing season. Prices are then set to reflect the true cost of production. In this way, the cooperative is able to meet the needs of both producers and customers.