

High Desert Foods

Location: Durango, Colorado

Business structure: Independent business

Product offerings: Shelf-stable products including fruit confitures, tomato sauce, dried tomatoes, nut mixes and coffee.

Services: Outlet for number two fruit; exploring co-packing opportunities with local growers and natural food retailers.

Suppliers: 10+ orchards in Colorado and New Mexico, with supplemental product coming primarily from California and Washington.

Customers: Consumer-direct online; natural and specialty food stores nationally. High Desert Foods is exploring community-based sales through farmers' markets, house parties and other small, private venues.

Years in operation: 10

Grower requirements: Emphasis on small-scale, sustainable growing practices. Most fruit and other primary ingredients are sourced from organic and/or local growers. Products range from 70 to 100 percent organic.

of employees: 5 total—office, production and maintenance. Most positions are close to full-time during the peak season; hours decline during the off-season.

Pricing: High Desert Foods generally pays growers according to terminal pricing for organic number two (processing grade) products, with some variability depending on purchase volume and other factors. The price of its fruit confitures and other specialty products reflects the cost of sourcing organic ingredients and processing.

Website: www.highdesertfoods.com



High Desert Foods processes sustainably grown, shelf-stable conserves, sauces and nut mixes. The company was founded by Bill Manning, a certified organic orchardist. He struggled to make ends meet in the local, wholesale fruit market and sought to diversify by exploring economically viable seconds markets for his surplus. Partnering with renowned Slow Food chef Deborah Madison, specialty food designers and marketing professionals, Manning ultimately created his own product line and acquired a local processing facility. Today, High Desert Foods products are available nationally, both online and in specialty food stores.

Since 2004, High Desert Foods has provided a seconds market for the flavorful but blemished tree fruits grown at Kiva Orchards, a small, certified organic operation located in western Colorado. The region's cool nights and hot summer days, sandy clay loam soil and snowmelt irrigation are believed to produce fruit with exceptional flavor. However, unpredictable weather conditions in recent years have resulted in significant weather-related losses.

Unfamiliar with the specialty foods industry, founder Bill Manning sought the expertise of chefs, food designers and marketing professionals who shared his commitment to locally sourced, sustainable, high-quality, value-added products. After two years of market analysis and product development, Manning identified a market niche—organic specialty foods. (In the mid-1990s, the local, organic and specialty foods markets were largely distinct.) Eventually, Manning sold Kiva Orchards to focus on processing and acquired a 19,000 square foot, certified

organic processing and packing facility.

High Desert Foods now sources 90 percent of its fruits and vegetables from about 30 small farms located primarily in Colorado. Most of these farms range in total size from 3 to 50 acres. High Desert Foods purchases exclusively number two fruit, much of it organic. Its growers also sell number one product to regional wholesale buyers, at farmers' markets and through CSA shares. Sales to High Desert Foods comprise a relatively small percentage of their total business.

Delivery methods for fresh ingredients vary, ranging from hauls by Manning himself to deliveries by growers. Because High Desert Foods products are all shelf-stable, the company typically relies on conventional courier services to distribute its processed products. High Desert Foods sells its products nationally, both directly to customers through its website and through specialty food stores. Locally, it sells at farmers' markets and is exploring new venues such as house parties.

Challenges

Shortage of profitable seconds markets for small and mid-scale growers. Despite High Desert Foods' effort to address the local processing gap, many area growers still have organic seconds lying in their orchards that they can't sell. Further, many processors are unable or uninterested in processing fresh produce and would prefer to work with peeled, pitted, sliced or frozen fruit. Building the market for high-value organic seconds will require the development of a better small-scale, regional processing infrastructure.

Identifying economically viable, place-based specialty food markets. Western Colorado produces flavorful fruit with a distinct *terroir*—or taste and other qualities exclusive to the region where it is grown. By developing a specialty product line built on his products' strengths—*terroir* and organic certification—Manning transformed his seconds into high-value specialty products. However, because of the region's low population density, High Desert Foods must distribute its product widely to turn a profit. The company was unable to compete in the national retail grocery market because of the standard retail markup. It is now exploring direct marketing options with less costly margins.

Navigating the local versus organic versus sustainable debate. Manning shifted his emphasis to sustainability rather than exclusively certified organic production. For example, he made the decision to purchase high-quality, local ingredients such as honey instead of shipping organic ingredients from other states. Driven by his values, Manning has pursued a holistic approach to product sourcing based on relationships, quality and availability in the face of often contradictory information about consumer preferences and the ecological impact of his choices.

Lack of information exchange across the supply chain and between growers. As a grower with a background in ecology and an interest in the specialty foods industry, Manning was disconcerted by the lack of communication he observed between growers, ecologists, specialty foods entrepreneurs and other allied sectors. While superficially distinct, these sectors depend on each other to strengthen local markets and bolster sustainable production.

Transferability of models. While encouraged by the growing attention to—and innovations in—sustainable, regional food production and distribution, Manning cautions entrepreneurs against adopting models simply because they have succeeded elsewhere. To effectively utilize existing models, entrepreneurs must adapt them to suit the physical and market conditions of their local environment.

Lessons

Further exploration and development of economically viable markets for seconds would create valuable new outlets for regional growers. Creation of kitchen incubators, co-packing facilities and other small- and mid-scale processing infrastructure could dramatically expand regional food consumption. By adding value through processing, local produce can be sold year-round while creating new, potentially higher-grossing markets for number two product.

Partnerships and information exchange are critical to the success and improvement of both individual enterprises and the supply chain as a whole. Careful market analysis and strategic partnerships with culinary, design and marketing professionals make a significant difference in product development and marketability. While Manning has made a concerted effort to understand the workings of the entire supply chain, he emphasizes the importance of entrepreneurs recognizing the limitations of their own knowledge. They should solicit input and expertise as needed in order to improve product quality, production efficiency and market feasibility. Finally, as the specialty foods landscape is constantly changing, the market must be regularly reevaluated.

Adaptation is more effective than adoption when importing distribution and business models from other regions and sectors. As demand for local food increases nationally, local food entrepreneurs have much to learn from their cohorts in other regions. However, success will depend on foresighted adaptation rather than wholesale adoption of emerging production and distribution models. Local food is place-based by definition, and therefore particularly sensitive to immediate environmental and infrastructural opportunities and limitations.

Anticipate and respond to change. High Desert Foods has constantly evolved in response to new opportunities as well as unanticipated weather and market conditions. This responsiveness and flexibility, characteristic of a learning organization, has positioned High Desert Foods to grow and transform in ways that wouldn't have been possible if it had fought weather conditions or struggled to succeed in a saturated market.

Sharing processing and retail facilities with like-minded businesses can reduce costs and expand product offerings. In 2009, High Desert Foods opened a small retail storefront in Durango with four fellow farmers' market vendors. For High Desert Foods, this sharing has made business expansion possible even in a difficult economic climate.