Values-based food supply chains: Idaho’s Bounty

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This series of case studies examines values-based food supply chains—strategic business alliances formed between primarily midsized farms/ranches and their supply chain partners—to distribute significant volumes of high-quality, differentiated food products and share the rewards equitably. Farmers and ranchers function as strategic partners rather than easily replaced input suppliers. All participants in these business alliances recognize that creating maximum value for the product depends on significant interdependence, collaboration and mutual support. These supply chains attach importance to both the values embedded in the production of the food products AND the values that characterize the business relationships.

Historical development through 2011

Introduction. Idaho’s Bounty Cooperative <www.idahosbounty.org> was founded in 2006-2007 as a multi-stakeholder organization with both customer and producer members. The founders were a group of community visionaries who received support from area farmers. Sales began in late 2007. The co-op was designed to provide logistical support for a direct-to-consumer, Internet-based food buying club. However, the co-op’s decision-makers are increasingly interested in wholesale food marketing agreements with regional supermarkets, restaurants and institutional food services. Idaho’s Bounty focuses on engaging producers, consumers and food-related businesses in three regions of southern Idaho: the Wood River Valley (Ketchum), the Treasure Valley (Boise) and the Magic Valley (Twin Falls).

Logistics for the Internet-based buying club—the retail component of Idaho’s Bounty—are facilitated by software designed for similar cooperatives around the country. (See <www.localfoodcoop.org>.) Farmer members each have a page on the Idaho’s Bounty website where they share their stories, offer food products for sale and set their own prices. Customer members place orders online. Sales agreements are between sellers and buyers and accomplished by credit card transactions through PayPal or by payment of cash or check at pick-up sites. Idaho’s Bounty never owns any product but

1Values-Based Food Supply Chains: Strategies for Agri-Food Enterprises-of-the-Middle explains the terminology and general characteristics of values-based food supply chains: <www.agofthemiddle.org>.
2All websites referenced in this document were accessed on 8/1/12.
3Idaho’s Bounty was modeled to a significant extent after the successful Oklahoma Food Cooperative. (See <www.oklahomafood.coop>.)
4This case study describes Idaho’s Bounty operations in 2010-2011, with some updates reported in 2012.
While Idaho’s Bounty does not own product, it receives all customer payments, maintains records of all sales and pays farmers on a monthly basis. Charges a 35 percent mark-up for maintaining the infrastructure for this direct marketing system, including the website. While Idaho’s Bounty does not own product, it receives all customer payments, maintains records of all sales and pays farmers on a monthly basis. Aided by seven to 10 retail customer member workers, the co-op’s staff and truck drivers manage the weekly collection and delivery of products to designated pick-up sites in the three regions. For a description of the co-op’s staff in 2011, see page 9.

During 2011, Idaho’s Bounty did business with more than 60 producers and more than 900 retail customer members—an increase of 250 customer members from 2010. Total sales for 2011 amounted to $626,000, which was 30 percent over 2010 sales. This increase was generated by growth in retail sales and significant growth in sales to supermarkets and grocery stores. 

Strategic and philosophical goals. Idaho’s Bounty positions itself firmly in the sustainable, local/regional food system movement, as indicated in this excerpt from their mission statement:

Idaho’s Bounty strives to serve the growth and long-term health of farmers, ranchers, market gardeners as well as chefs, families, restaurants and consumers by developing a sustainable local network that supports the promotion and distribution of organic, all-natural and fair trade food to our region...<www.idahosbounty.org/content.aspx?content=content12>

The co-op strives:

- To serve local consumers of all income levels
- To encourage producers to continually improve their land stewardship and conservation practices
- To use renewable energy sources whenever possible in distributing food
- To support the global cooperative movement and principles

A more detailed list of the cooperative’s philosophical commitments can be found on their Mission and Vision web page <www.idahosbounty.org/content.aspx?content=content12>.

Important strategic goals at this stage in the development of Idaho’s Bounty are:

- To develop multiple distribution and sales channels: not only individual retail sales but also wholesale restaurant, food store front and institutional food service accounts. (See “Current dynamics,” page 4.)

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6 For another case study of Idaho’s Bounty done by the Northwest Cooperative Development Center, see <www.nwcdc.coop/Resources/IBCCaseStudy.pdf>.

72011 Business Overview, p. 10.
To establish Idaho’s Bounty as the primary delivery service for locally produced food products sold in southern Idaho. (See “Future dynamics,” page 11.)

**Early enterprise development.** It’s important to recognize that Idaho’s Bounty remains a relatively young organization that finished its fourth full operating season in 2011. Key accomplishments during these four years include:

- A well-deserved reputation for facilitating the trade of high quality, regionally produced food products;
- A well-functioning, Internet-based retail sales platform in the Wood River Valley, the cooperative’s founding and home region;
- A well-functioning food distribution system in the Wood River Valley based on significant retail customer member involvement;
- A well-served and appreciative base of smaller producers supplying product for retail sales in the Wood River Valley;
- A committed board of directors, staff, smaller core producers and core retail customers in the Wood River Valley;
- A 30 percent annual increase in total gross sales over the past three years; and
- No outstanding debt, thanks to grants and gifts from generous supporters.

In early 2011, Idaho’s Bounty considered some of its strengths to include hiring a full-time general manager, building interest in local agriculture and increasing involvement of community groups in actively promoting local food products.

While the Internet-based retail enterprise in the Wood River Valley appears to be working well for a core group of producers and consumers, these economic activities fall far short of supporting Idaho’s Bounty staffing and organizational infrastructure requirements. Therefore, important challenges or development opportunities include significantly growing retail sales in the Wood River Valley and developing a robust wholesale market in the Treasure, Wood River and Magic Valley regions, working with larger farms and ranches.

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82011 Business Overview, p. 12.
92011 Business Overview, p. 10.
10Ibid.
Dynamics as of 2011

Creating and marketing significant volumes of differentiated, higher value food products. Idaho’s Bounty seeks to differentiate itself through:

- **Support for a local/regional food system.** Idaho’s Bounty emphasizes supporting the region’s food producers, consumers and food-related businesses as well as preserving southern Idaho’s cultural heritage, landscape, soil and air.

- **Provision of healthy, ethically produced food.** The cooperative supports certified organic and all-natural foods free of added hormones, antibiotics and genetic modification.

- **Facilitation of an effective food production and distribution system.** Idaho’s Bounty emphasizes a diversity of outlets, ease of accessibility and logistical efficiency. The organization seeks to become the one-stop shop for local food in southern Idaho (Lynea Newcomer, interview, 10/6/11).

The co-op’s business plan for 2011-13—2011 Business Overview <www.idahosbounty.org/media/2011_Idahos_Bounty_Business_Overview.pdf>—describes sales objectives and strategies for the following four customer channels:

1. **Retail customers.** These are participants in the Internet-based food buying club, including families, individuals and part-time as well as primary residents of southern Idaho. The 2011 objective for this sector was to increase retail sales by 40 percent from $298,000 to $417,000.¹¹ 2011 outcomes for this sector fell short of the $417,000 goal. Still, the co-op achieved $324,000 in retail sales that year, generating a nearly nine percent annual sales increase.¹²

The ongoing strategy for achieving this objective is to grow the retail customer base, in both value of sales per customer and number of customers. Idaho’s Bounty plans to expand its retail customer base by lowering the cost of membership to $10/year (from a lifetime fee of $75) and to increase the spending of existing members by using public media and educational forums, as well as co-sponsored events with area restaurants and local food groups.

The Wood River Valley region, where Idaho’s Bounty has its deepest history and organizational infrastructure, is the focus of these efforts. The considerably smaller base of retail customers in the Treasure Valley (Boise) is being maintained with little effort to enlarge it. As described below, the

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¹¹2011 Business Overview, p. 11.

¹²All 2011 sales figures were provided by Lynea Newcomer, General Manager for Idaho’s Bounty.
cooperative aims to increase wholesale customers and sales in Treasure Valley. The Magic Valley region (Twin Falls) is not featured in the Idaho’s Bounty 2011-13 strategic plan but is likely to receive attention in future years. Idaho’s Bounty explored the feasibility of a Twin Falls pick-up site during the 2011 season.

2. **Restaurants.** In 2011, Idaho’s Bounty focused its efforts on restaurants in the Treasure and Wood River Valley regions. The objective was to increase sales to restaurants by 40 percent, from $185,000 to $259,000. They also hoped to increase restaurant order numbers per week from 10 to 18.\(^\text{13}\)

Actual outcomes reflected sales fluctuations. Sales to restaurants in 2011 were $167,000, a decrease of nearly 10 percent from 2010. This decline was due to underperformance through most of the season by the Treasure Valley manager responsible for creating and servicing restaurant accounts in the Boise area. Sales increased during the latter part of the 2011 season when they hired a new manager. The cooperative developed eight new restaurant accounts and reinstated 12 former accounts, creating a solid base on which to grow.

Their ongoing strategies for achieving this objective include lowering markups on wholesale sales (18 percent on wholesale versus 33 percent on retail),\(^\text{14}\) requiring more frequent deliveries for wholesale customers and building ongoing relationships and contact time with wholesale customers.

Idaho’s Bounty plans to hire full-time staff to make wholesale sales and deliveries in both the Treasure and Wood River Valley regions, with assistance in the Wood River Valley from the cooperative’s executive director. (See “Developing organizational and leadership structures,” page 8). To ease ordering and delivery, the co-op staff is working with chefs’ individual needs and exploring predictable delivery schedules through forward contracting with as many restaurants as possible. They are expanding existing restaurant accounts and establishing new accounts by featuring larger farms’ staple food products including meat, eggs, vegetables, cheese, milk, lentils and barley.

3. **Food stores and other wholesale accounts.** Idaho’s Bounty focused on food stores in the Treasure and the Wood River Valley regions in 2011. Their objective was to increase sales to these stores from $13,215 (seven months of sales in 2010) to $50,000 in 2011.

\(^{13}\)2011 Business Overview, p. 12.

\(^{14}\)The cooperative’s mark-ups are provided in the 2011 Business Overview, p. 16.
Outcomes in 2011 for this sector were promising. Sales to supermarkets and grocery stores were significantly better than projected. They amounted to $134,000, representing an increase of more than 900 percent over 2010. This increase was due to the development of 12 new accounts in stores located in both the Treasure and Wood River Valley regions. This increase in sales to stores compensated for the decline in sales to restaurants.

Their ongoing strategy for achieving this objective is to convince producers who sell directly to these stores to use Idaho’s Bounty as their delivery system. Over the long term, Idaho’s Bounty aims to be the primary delivery service for locally produced food to retail stores. (See “Future dynamics,” page 11.) To achieve this goal, Idaho’s Bounty staff will explore three different logistical options for growers:

- Experienced growers who operate their own accounts, sales and deliveries will be offered the option of shifting these logistics to the cooperative;
- Experienced growers may retain their own accounts and sales but contract delivery logistics with Idaho’s Bounty at a flat hauling rate; and
- New growers will be offered the option of developing wholesale businesses through their Idaho’s Bounty accounts.

As they do with restaurants and other wholesale customers, Idaho’s Bounty will attempt to establish predictable delivery schedules through forward contracting (Lynea Newcomer, interview, 10/6/11). Idaho’s Bounty is beginning to work with larger farms on supply planning and management, with emphasis on season extension approaches that will make product available earlier in the spring (February-April) and later in the autumn (October-December).

4. Schools and hospitals. Idaho’s Bounty focused on these institutions in the Treasure and Wood River Valley regions in 2011. Their objective was to better understand the institutional marketplace and establish beginning accounts. Outcomes in 2011 included Idaho’s Bounty staff members familiarizing themselves with the insurance requirements associated with selling food products to institutions. They also developed contacts with the food service managers at several schools and hospitals in the region.

Their ongoing strategy for achieving this objective is to build relationships in this sector, which represents a new frontier for the cooperative. Staff members prepare sales
documents, establish relationships with institutional contacts, verify insurance requirements and hold conversations with businesses already supplying the food services of area schools and hospitals.

**Selecting markets and values-based food supply chain partners.** Idaho’s Bounty is engaged with the following strategic partners:

*Farmers/rancher partners.* For a list of the farms, ranches and other food businesses that sell food through Idaho’s Bounty, see <www.idahosbounty.org/farmers.aspx>. More than 60 farmers, ranchers and aquaculturists sold through Idaho’s Bounty in 2011. Products include a range of fresh and root vegetables, grains, fruits, herbs, dairy, poultry, fish and meat as well as specialty processed foods like baked goods, mustards, cheeses, sausages, soups and sorbets.

Over the next several years, staff will place high priority on working with producers on supply issues. Idaho’s Bounty needs to make sure that significant offerings are available during the winter and that product is available to support the strategic growth of sales in the retail and wholesale sectors. Balancing supply and demand under less-than-predictable market dynamics is an inherent challenge for most developing businesses. The situation is particularly challenging for Idaho’s Bounty because staff does not currently know the capacities or potential of most growers.

The cooperative needs a producer coordinator, and securing grants to fund this is a high priority (Lynea Newcomer, interview, 10/6/11). Idaho’s Bounty leadership envisions that producer coordination will be added to the job description for the currently part-time Wood River Valley manager and driver position. (See “Developing organizational and leadership structures,” page 8.)

*Retail/food system partners.* Nearly two-thirds of the Idaho’s Bounty retail customer base is located in the Wood River Valley. As indicated above, the cooperative’s goal in 2011 was to increase retail sales by 40 percent by increasing customer numbers and sales per customer. In achieving this goal, the cooperative faced two challenges in the Wood River Valley:

- The region’s year-round population is only about 12,000.
- The valley’s middle class population may not be as responsive to the nature and prices of Idaho’s Bounty’s food products as its upper middle class population, many of whom are part-time residents.

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15 One-half of the producers come from the Magic Valley (Twin Falls) region. See 2011 Business Overview, p. 16.
16 2011 Business Overview, p. 11.
Wholesale partners. Key wholesale partners include restaurants and grocery stores in Wood River Valley towns like Ketchum and in Boise, the center of the Treasure Valley region. Idaho’s Bounty seeks to develop strategic business relationships with restaurants and supermarkets that value high quality local food products and require significantly large weekly orders. Examples of such Boise restaurants include Bittercreek, Jenny’s Lunch Line and Café Vicino. (For more restaurant customers see <www.idahosbounty.org?content.aspx?content=content9>.) Supermarkets include the Main Street Market in Ketchum and the three Atkinson’s Markets in the Wood River Valley. The Boise Co-op is also a strong wholesale customer.

Member workers. Member labor is crucial to Idaho’s Bounty retail business. Each week, seven to 10 retail customer members assist the staff and drivers with collection, repacking and delivery of food products to designated pick-up sites, also staffed by retail customer members. These workers are compensated through co-op food credits valued at $7/hour. Benefits of member labor include a strong community connection and an opportunity for feedback and suggestions for logistical improvements. On the downside, member labor makes it difficult to maintain consistent quality control, and efficiency can vary from week to week. (For a related discussion regarding the tradeoffs involved in retail versus wholesale marketing, see “Future dynamics,” page 11.)

Education and fundraising partners. The cooperative works closely with a range of governmental and civic organizations on fundraising and community education. The region’s rural development agencies—the Wood River Resource Conservation & Development Council and the Ketchum Community Development Corporation—are particularly important partners for grant-based fundraising. The cooperative’s community education strategy is to offer assistance with food-related events to a range of civic organizations, including botanical gardens, YMCAs, chambers of commerce, colleges and schools, as well as joint food events with area restaurants.17

Developing organizational and leadership structures. The cooperative’s leadership includes a policy-setting board of directors and an operations staff. Given the co-op’s small size and informal culture, there is considerable interaction between the two groups. The board of directors is composed of area professionals with interest in local food as well as established Idaho’s Bounty farmers. The board’s president and secretary have been instrumental in Idaho’s Bounty since its inception. (For biographies of the co-op’s directors

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17For greater detail on fundraising and community education strategies, see the 2011 Business Overview, p. 13 and 15.
Values-based food supply chains and identities of key staff members, see <www.idahosbounty.org/Content.aspx?content=content11>.

The staff continues to grow as the co-op identifies operational needs and funding becomes available for positions, such as the producer coordinator referenced above. The hiring of a new general manager in the winter of 2011 has resulted in a more stable and better-led organization. Opening office space in the Wood River Valley to house weekly staff meetings and provide working space outside of home offices has been another positive development.

Throughout most of 2011, the staff for Idaho’s Bounty included a full-time general manager, a three-quarter-time operations and web manager, a full-time Treasure Valley manager and driver, a half-time Wood River Valley manager and driver and a half-time Treasure Valley driver.

Developing effective supply chain logistics. Successful values-based food supply chains require both strong business relationships among partners and increasingly sophisticated logistical systems as they grow larger and more complex. As outlined above, logistics for the retail component of Idaho’s Bounty were developed over four years and generally serve producers and consumers well. Once the Internet transactions have been made, Idaho’s Bounty drivers and other staff members distribute food in cooperative-owned trucks. Retail customer member workers assist at repacking and consumer pick-up sites.

Developing effective supply chain logistics for wholesale accounts was an important undertaking in 2011, given the goal of increasing accounts, orders and sales to restaurants and grocery stores in the Treasure and Wood River Valley regions. Idaho’s Bounty delivers product to its wholesale accounts twice per week (Tuesdays and Fridays) during the peak produce season. This allows faster sorting times for retail orders placed on Wednesdays and a full truck on the wholesale delivery days. Managers make sales calls to wholesale accounts on Mondays and Thursdays, also allowing integration with the retail logistics. Wholesale orders are filled by a smaller set of large producers that can meet quantity and quality demands. Plans call for scaling back to one delivery per week for wholesale accounts in the off-season.

The cooperative’s key challenge in developing a significant wholesale business is to improve their logistical software. With the support of a grant in 2011 from the USDA’s Rural Business Enterprise Grant (RBEG) program, the co-op hired a consultant to explore affordable software systems that would meet its needs. The consultant’s research indicated that such software systems did not exist. The current software is designed for the co-op’s retail operations and can only support one invoice per week per customer, not the two invoices required for most wholesale accounts.
Working with their operations and web manager, the consultant recommended that Idaho’s Bounty provide the leadership for a coalition of “food hub” enterprises to develop open source software that could be adapted for regional hubs throughout the country. To meet the cooperative’s short-term needs, the consultant recommended that it lease software from a private vendor.18

**Securing organizational and technical support.** Grants and donors have significantly assisted the development of Idaho’s Bounty.

**Grants.** With grant writers on its board of directors, Idaho’s Bounty has successfully secured funding for programs and equipment. In order to receive grant funding and further its business growth, Idaho’s Bounty has developed relationships with local economic development groups such as Wood River Resource Conservation & Development, Hagerman IDEA and the Ketchum Community Development Corporation. Grants received include:

- Farmer’s Market Promotion Program (2008), for planning and development
- Idaho Community Foundation (2008), to educate Wood River Valley residents on eating healthy food
- Utah State University Western Region SARE (2008), for producer training with online software, increased product supply
- State of Idaho (2010), for walk in refrigerator and freezer units
- Northwest Cooperative Development Center (2010), for software development, case study, online co-op “how to” manual and online co-op start-up webinar
- USDA Specialty Crop Block Grants (2011), to increase product supply, update website and expand infrastructure in Treasure Valley

**Individual donors.** Generous gifts from local supporters were instrumental in the early development of Idaho’s Bounty and allowed them to remain debt free. Gifts, both matching and outright, supported salaries, provided operating capital and allowed the cooperative to purchase refrigerated trucks and hire business consultants. Smaller membership fundraising campaigns also generated operating capital.

**Achieving economic sustainability.** Stated in their business plan, the cooperative’s goal is to increase sales within each customer channel. The immediate challenge is cash flow while the projected

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18To obtain a summary of the findings from the Idaho’s Bounty Software Research Project, contact the co-op’s operations and web manager, Laura Theis (<ltheis@idahosbounty.org>).
increases materialize. In 2011, Idaho’s Bounty reported losses of $25,000 on its business operations. During 2008-2010, business shortfalls were made up by grants and contributions from private donors. With banks reluctant to lend money to Idaho’s Bounty due to lack of capital, the staff and board will explore converting to non-profit status and opening up new funding strategies that might include social investors such as the Slow Money Alliance (<www.slowmoney.org>), more grants and new individual donors.

**Future dynamics as viewed in 2011**

Idaho’s Bounty decision makers are exploring long-term strategies for shifting the cooperative’s primary business model from retail (the Internet-based buying club) to wholesale (selling branded food products through stores, restaurants and institutions). Current thinking evaluates the strengths and weaknesses of each platform. Retail sales, for instance, help raise consumer consciousness and serve small producers. But retail sales do not reach a large segment of the population, are dependent on member volunteer labor and do not serve the cooperative’s larger producers as effectively. Robust wholesale platforms can reach more consumers and better serve larger producers. However, wholesale accounts are weaker venues for raising consumers’ consciousness of food issues.

In the short term, Idaho’s Bounty will evaluate the following aspects of shifting from a predominately retail to a predominately wholesale business model:

- Increasing sales to restaurants, grocery stores and institutions
- Working with the cooperative’s larger producers to guarantee consistent supplies of high quality food products to match the projected increase in sales
- Establishing Idaho’s Bounty as the primary delivery service to restaurants, grocery stores and institutions for locally produced food products in southern Idaho
- Developing logistical software that fully supports wholesale business operations
- Developing a third-party-certified Idaho’s Bounty brand/label to support growth in the wholesale sector

**Policy note**

Idaho’s Bounty has procured grants from a number of federal programs including the Farmers’ Market Promotion Program, the Sustainable Agriculture Research and Education (SARE) program, Value-Added Producer Grants and Specialty Crop Block Grants, as well as the Idaho Community Foundation and the Northwest Cooperative Development Center. (See “Securing organizational and technical support,” page 10.) They have received no material support from the state of Idaho. The local Blaine County Development Corporation has helped them procure donations.

Kelly Weston, who was the aggregator for Idaho’s Bounty in 2011, knows little about the possible use of programs such as subsidies and the Environmental Quality Incentives Program (EQIP) by their farmers (Kelly Weston, interview, 4/25/11).

Idaho’s Bounty has recently engaged with the implementation of the new federal National Leafy Greens Marketing Agreement regulations. Weston believes that the new food safety regulations are going to financially burden smaller farmers, especially those producing greens. These farmers might meet the criteria for exemption from these regulations. But they will eventually have to comply because of potential liability and the need to meet standards at many levels, including those of retailers who can require that smaller-scale growers meet their standards even if exempt from government regulations.

Idaho’s Bounty has peripherally engaged in policy change with several rural and environmental groups. At the present time, they are prioritizing support for the construction of small-scale processing plants, modifications in health and safety regulations for these plants, three- to five-year organizational grants to help establish small businesses, improvements in access to credit (because they have none right now) and more funding for specialty crop programs.

Weston enthusiastically supports Michelle Obama’s attention to good eating and health and thinks more of this type of support is needed.
Credits

Lynea Newcomer, Laura Theis and Kelley Weston provided the primary interviews upon which this case study and the policy note are based. The policy note was authored by Kate Clancy, University of Minnesota Institute for Sustainable Agriculture.

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Organizations involved with this report:

*The National Initiative on Agriculture of the Middle* is concerned with a disappearing sector of midscale farms/ranches and related agrifood enterprises that are unable to successfully market bulk commodities or sell food directly to consumers. See www.agofthemiddle.org. The initiative has three areas of emphasis: new business and marketing strategies; public policy changes; and research and education support.

*The Center for Integrated Agricultural Systems (CIAS)* is a research center for sustainable agriculture in the College of Agricultural and Life Sciences, University of Wisconsin-Madison. CIAS fosters multidisciplinary inquiry and supports a range of research, curriculum and program development projects. It brings together university faculty, farmers, policy makers and others to study relationships between farming practices, farm profitability, the environment and rural vitality. For more information, visit www.cias.wisc.edu or call 608-262-5200.

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