New Generation Cooperatives: *Case Study*

Home Grown Wisconsin: The Story of a New Producer Cooperative

by Greg Lawless

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Stipes Hall 518
Western Illinois University
1 University Circle
Macomb, IL 61455-1390
iira@ccmail.wiu.edu
www.iira.org

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by Greg Lawless

The seeds of Home Grown Wisconsin (HGW) Cooperative were planted back in the spring and summer of 1994 with a series of lunch meetings at L'Etoile, a nationally renowned, upscale restaurant in Madison, Wisconsin. It would be fully two years before HGW would make its first sale of organic produce, and another two years before the co-op would really show a profit. The four intervening years offer many lessons and insights into the process of cooperative business development. This case study presents a chronological summary of the efforts that resulted in a new farmer-owned marketing company.

The Beginnings of Home Grown Wisconsin

The meetings at L'Etoile in 1994 were sponsored by a short-lived, informal organization called Local Organic Agriculture for Markets (LOAM). The mission of this Wisconsin group was to "work with farmers, restaurants, retailers, distributors, processors, etc. to improve the marketing infrastructure for handling local and sustainable agriculture products." The core of the group included L'Etoile owner and chef Odessa Piper, organic vegetable farmers Richard DeWilde and Linda Halley, organic foods distributor Mark Dupre, his employee Joe Sonza-Novera, and Greg Lawless from the University of Wisconsin Center for Cooperatives (UWCC).

One of the main results of LOAM (which essentially disbanded later that year) was a $1,500 survey of 301 sustainable farmers in Wisconsin, funded by Dupre and conducted by Lawless. The survey targeted farms that direct marketed fruit and vegetables, meat products, and processed foods, plus a number of organic dairy farms. The 126 farms that responded were presented in the *1995 Directory of Wisconsin's Sustainable Direct Market Farms*.

The farmers, who self-identified their status as "organic," "transitional," "low chemical," etc., also indicated strong interest in a variety of marketing initiatives that were suggested. Sixty-two percent, for instance, expressed interest in a farmer-owned enterprise that processed and marketed organic produce.

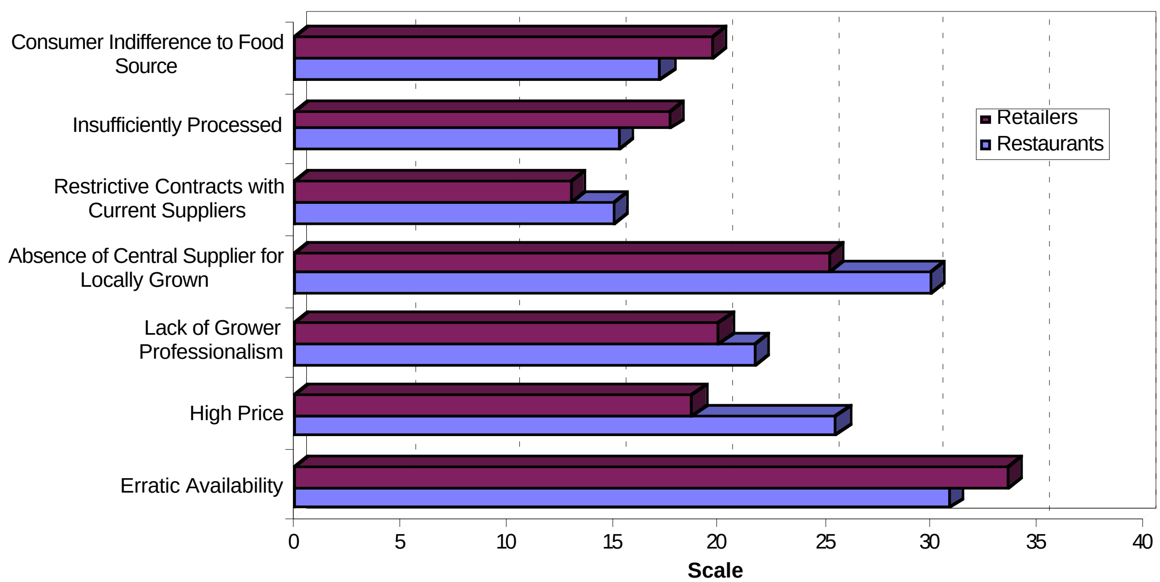
Lawless used this data to support a grant proposal to the state's Sustainable Agriculture Program (SAP) in November 1994. Titled the "Farmer-Food Buyer Dialogue Project," its purpose was to bring together farmers and food buyers (a term used to encompass restaurateurs, retailers, and institutional food service providers) to explore ways to increase local sales and consumption of locally and sustainably produced foods. The $10,000 proposal was funded through June 1996.

Over the next 18 months, Lawless would also receive significant in-kind support from another unit on the University of Wisconsin-Madison campus, the Center for Integrated Agricultural Systems (CIAS). A research team, consisting of Steve Stevenson, John Hendrickson, Jasia Chitaranjan, and Doug Romig from CIAS, joined Lawless in a yearlong market research and development (R&D) effort. The goal of this research was to find out (1) whether Wisconsin food buyers valued locally-grown food products, (2) how much local food they purchased, and (3) what kept them from buying more. The team surveyed 300 food buyers, and also conducted focus group interviews with dozens of farmers, chefs, retailers, and food service providers.

Sixty-four of the surveys were returned (21 percent). After defining "local" on their own terms, 78 percent of the food buyers agreed that there was some market value in being able to tell their customers, "This food is locally grown." The focus group interviews revealed that restaurateurs also value "sustainable" and "organic," but more on a personal level—that is, those labels do not translate as easily into a value for most of their customers.

The food buyers also indicated what was preventing them from purchasing more local farm products (see **Figures 1** and **2**). The absence of a central supplier of these products was second only to seasonal availability as the number one obstacle. Price was also a limiting factor, but less so for some of the higher-end restaurants or the natural food groceries.

Figure 1. Why Don't You Buy More Locally Grown Food Products?

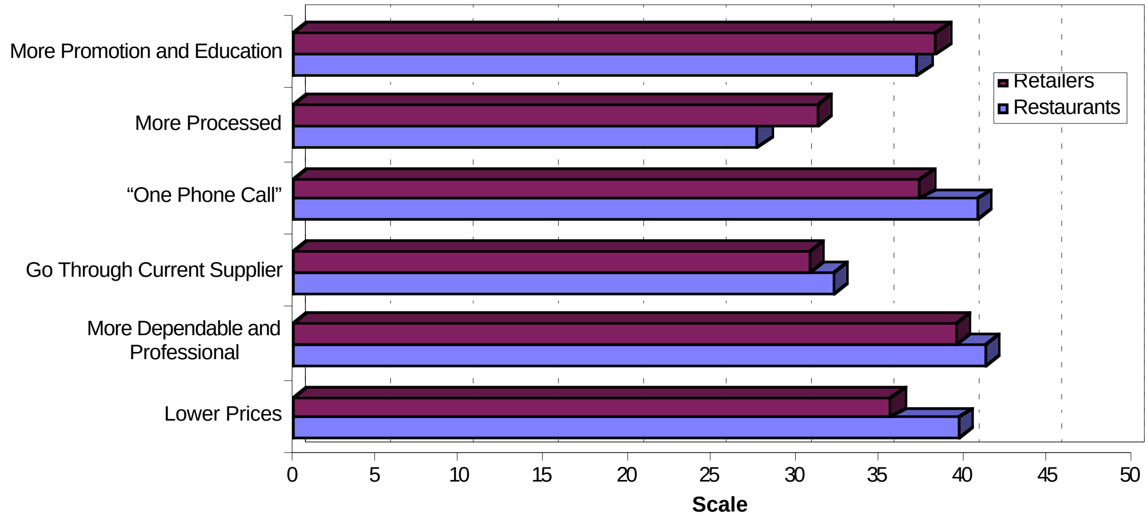


Food buyers were asked, "Why don't you buy **more** locally grown food products?" They were asked to rank each of the seven suggested obstacles presented above on a scale of 0 to 40. The higher the score, the greater the perceived obstacle. The bar chart shows averages of responses for retailers and restaurants, respectively.

Source: UW Research Team, R&D Survey 1996.

About the time this data was collected, the UW research team became aware of a farmer-owned cooperative wholesale business in Georgia that was marketing organic produce to upscale restaurants in Atlanta. This co-op provided a model for how many of the marketplace obstacles identified by Wisconsin food buyers could be overcome. For that reason, SAP grant funds were

Figure 2. How Likely Are You To Buy More Local Food . . . ?



Food buyers were asked, "How likely are you to buy more local food if each of the six improvements presented above were made in the local 'marketing infrastructure'?" Each corresponds to the obstacles in Figure 1, with the exception that no improvement was suggested to address erratic availability.

Source: UW Research Team, R&D Survey 1996.

used to bring the founder of Georgia Grown Cooperative, Cynthia Hizer, to Wisconsin to speak to farmers at the Urban-Rural Conference on October 29, 1995.

Hizer's presentation to a crowd of producers was far more persuasive than any survey data that the research team could provide. Her detailed and colorful description of how they were "really doing it" generated a lot of discussion at the workshop. One farmer who was very impressed was Steve Pincus, an organic vegetable producer from Fitchburg, Wisconsin. Pincus would later play a lead role in forming HGW, and would serve as its first board president.

On December 15, 1995, significant progress was made at a meeting of farmer wholesalers on the UW campus. In arranging the meeting, the UW research team targeted only producers or producer groups that were marketing fresh organic produce directly to restaurants and/or retailers. After months of research, the team had judged that this group of farmers might be ready to cooperate, and that local, organic produce would be the easiest product to get into new markets with a "buy local, buy sustainable" marketing strategy.

The participants at the December meeting included David Bruce, vegetable marketer for CROPP Cooperative; Renee Randall, marketer for an informal group of Amish producers; and four individual producers: Dan Deneen, Linda Haley (former LOAM member), Reggie Destree, and Steve Pincus. Most of these individuals already knew each other.

The purpose of the meeting was to determine if, through cooperation, and with initial support from the UW, these farmers could break into new markets together that they couldn't achieve separately. They were presented the data from the food buyer research, and they discussed several options for new marketing initiatives. Cooperatively, they could (1) market to mainstream grocery stores in Madison (several were already hitting the natural food stores),

(2) market to upscale restaurants in Madison, (3) market to upscale restaurants in Chicago, or (4) explore value-added or food processing alternatives.

While there was interest in all four options, the group felt that (1) and (4) were more difficult, requiring more capital and more momentum than the group could muster in the short term. In the restaurant market, Haley (with her husband DeWilde) was already marketing a small portion of their production to Madison restaurants, and suggested the group target Chicago. Randall, however, was already marketing most of her Amish farmers' produce to chefs in Chicago.

By the end of the meeting, consensus was reached that both Madison and Chicago restaurant markets were worth exploring, with the possibility that any new efforts in Chicago could be merged with Randall's current business. Pincus, Deneen, and Randall agreed to work with UWCC and CIAS staff to explore these options, and a steering committee was formed.

The fact that six separate farmer-wholesalers could come to agreement on exploring a cooperative strategy may be explained in the following ways. First, the "organic community" in Wisconsin is fairly small, and these individuals had come to know each other, with some level of trust and respect. This provided an opening for collaboration.

Second, while these farmers were competitors in a number of markets, it was not a fiercely competitive environment. By their own account (and bolstered by industry statistics), demand for organic foods was growing by as much as 20 percent a year. Even if some individuals eventually opted out of the cooperative effort, there was room for more players, so most did not feel threatened.

Third, everyone at the meeting was interested in expanding production and sales, but market R&D is always a drain on resources. If the UW could use SAP grant funds to support this R&D, then at this point, there was very little risk in going along with the project.

Finally, there was the Capper Volstead Act of 1922. That federal legislation provides the legal foundation for cooperative business in the United States. It gives farmers a limited antitrust exemption, which is why it was legally acceptable for these growers to meet and discuss market share and other business information, with the intent of cooperating for the benefit of their individual businesses.

Forming a Cooperative Venture

In January 1996, the steering committee began to take steps to form a new cooperative. The first vegetable crops would be ready for sale by mid-to-late May, but planting responsibilities would limit farmers' time long before that. Essentially, the committee had about three and a half months to pull everything together.

Another survey was designed to send to farmers who, in the 1994 survey, had expressed some interest in cooperative marketing. It was decided to target only the southern third of Wisconsin's counties, simply for transportation reasons. In a cover letter to the farmers, the steering committee explained the proposed venture. Among other things, the survey asked what crops they might market through the co-op.

Over time, some 25 producers would show interest, and ultimately 15 would join the co-op. The survey data enabled the steering committee to create a Crop Availability Sheet, listing 94 different fruit and vegetable varieties. It also showed when each crop would be available, and that a range from one to nine farms stood behind each product.

The farmers were not asked (then or since) why they would join HGW. In the years to come, they would market between 5 and 20 percent of the produce from their individual farms through the co-op. For these sales, they would receive a wholesale price, which would be less than what they could earn marketing directly to consumers or directly to restaurants themselves.

Presumably, each farmer found it economically advantageous to market some of their produce through the co-op because they produced more than they could market through their existing outlets, and because they could not get their products into new restaurants any cheaper than the co-op could do it for them. In other words, the co-op offered an attractive complement to their existing marketing strategies.

Narrowing the Target Market to Madison

That first Crop Availability Sheet would become a primary tool for engaging restaurant chefs. The earlier survey of food buyers provided estimates of how much money several restaurants had spent on local produce in 1995. Including purchases made directly from farmers and through other suppliers, 21 restaurants averaged over $20,000 the previous year (including one restaurant that purchased $250,000 in local foods, and excluding a local pizza chain that purchased $2 million worth of Wisconsin cheese).

Of those 21 restaurants, 16 were in Madison. None were in Chicago. The group did have one solid contact with a nationally renowned Chicago restaurateur, Rick Bayless of Frontera Grill, but the steering committee was increasingly leaning toward a focus on Madison for the first year.

There were at least three reasons for the focus on Madison. First, while committee member Randall was already marketing to Chicago, there was not consensus to merge her business with the new co-op effort. Second, aside from Randall, the committee had no data and only one good contact in Chicago. Finally, Chicago would involve higher transportation costs and other complications. The steering committee decided to wait and see how Randall’s second year in Chicago went, and to focus on Madison in the meantime. About this time, Randall stepped off the steering committee.

Two Individuals Step Forward

Two individuals deserve special attention at this point: Steve Pincus and Joe Sonza-Novera. While other committee members made important contributions, Pincus and Sonza-Novera were particularly critical.

By this point, the steering committee had elected Steve Pincus as its chairperson. After some 20 years growing organic vegetables, Pincus had developed a successful business for himself by marketing directly to consumers and to groceries. Most of the production from his 20 acres of vegetables was (and continues to be) marketed within a ten mile radius of his farm, conveniently located on the southern edge of Madison.

Pincus' personal success translated into several benefits for this co-op initiative: (1) his success earned him the respect of many other producers in the region, so he was a good spokesman for the project; (2) because his own operation had become systematized and stable, he was able to put some of his off-season time and energy toward a new project; and (3) he was willing and able to take a modest financial risk in order to build new markets and expand his production.

Twenty years prior, Pincus had been involved with the start-up of a cooperative natural foods grocery in Milwaukee, Wisconsin. His intervening years as an independent farmer did not dull those cooperative lessons, for as the months and meetings passed, his communication and process skills became very apparent. He guided the steering committee through a harrowing winter and spring of complicated planning and decisionmaking.

Joe Sonza-Novera had participated in the LOAM discussions back in 1994. Since then, he had quit his job as bookkeeper for Dupre's organic distributing company, Needs Lettuce. (Dupre was primarily marketing out-of-state produce to natural foods stores in Wisconsin.) Sonza-Novera's commitment to sustainable agriculture inspired him to contribute many volunteer hours to HGW. Eventually, he would be hired as a consultant to manage the co-op through its first year, but there were no funds to pay for his early involvement, and there were no guarantees that the venture would even get started. His background in bookkeeping and his experience at Needs Lettuce was quite valuable to HGW in its first year.

While the UW research team was also critical to this development project, they participated as paid employees of the state. On the other hand, Pincus, Sonza-Novera, and the other founders would volunteer countless hours to starting the new co-op. Without that commitment, the doors to the business would never have opened.

Developing Policies and Procedures

On February 15, 1996, the steering committee held its first public meeting with farmers at a community center in Mount Horeb. About a dozen producers attended. Market data from the food buyer surveys was presented, as were the results from the recent farmer survey. The Georgia Grown Cooperative model was explained in detail.

The steering committee made it clear that a lot of work still needed to be done. Among the issues still to be worked out:

- Monitoring quality—setting standards and educating growers
- Setting prices and developing an accounting system
- Transportation and communication logistics
- Crop allocation and supply management
- Chef education—marketing and promotion

- Hiring and monitoring staff
- Organizational and legal issues— incorporation, liability, taxes, regulations, and so on

Interestingly, the list of issues presented to farmers that day did not include the financial cost of getting the co-op up and running. Perhaps the steering committee foresaw that farmers would not commit much capital to start the venture. Since the Georgia co-op was started "on a shoestring" and eventually became profitable, the committee hoped it could do the same.

Following that first public meeting, the steering committee refined four policy proposals and an operational system for the business. The first policy, called a Governing Structure, offered an unusual twist to the co-op model: both farmers *and chefs* would be welcomed into the membership. Each member would have one vote in the election of a board of directors, who would hire and oversee a manager to run the operation. The board would consist of three farmers and three chefs, and those six would elect, by unanimous consent, a seventh "tie-breaking" member to the board.

A Capitalization Policy was also designed. Each member would contribute $75 to the cooperative as an annual membership fee. This amount was not based upon how much money the co-op needed to get started, but on how much the committee believed the farmers would be willing to risk. To date, the company has not borrowed funds from commercial lenders.

Negotiations with Sonza-Novera, who was interested in the manager position, resulted in a $10 per hour rate for the manager's time to run the business. Once sufficient sales levels were realized, labor and all other operating costs would be covered by the co-op's mark-up on the produce. The trick to getting the co-op started then was to keep the fixed costs down.

A Pricing Policy stated that an average of other organic wholesalers' prices would be the basis for what HGW would pay its members and for what it would charge the chefs. Farmers would receive 80 percent of that average price for each product, and chefs would be charged 30 percent over what farmers received. (In reality, this complicated approach was never instituted. Eventually, farmers would submit to the manager how much they wanted for their produce, and he or she would mark that up 40 percent for Madison sales, and 60 percent for Chicago, representing margins of 28 percent and 38 percent respectively. Those margins are quite high by industry standards, reflecting the new co-op's higher costs and inefficiencies.)

A Market Boundary Policy was developed that said that any member who was already doing business with a restaurant could keep selling directly to that customer. However, off limits would be any new accounts that the co-op established that a member did not already have. This policy did not work both ways: the co-op *could* market to restaurants that any of its members had previously done business with.

In the future, this rule would be relaxed in the Madison marketplace, allowing members to compete directly with the co-op regardless of who got the account first. The rationale was that the co-op should exist to serve its members: if the members could serve the Madison restaurants directly on their own, they should be allowed to do so. However, that relaxed policy was not extended to the more distant Chicago marketplace, where HGW would find success in future years.

Finally, an Operational Plan was developed for the business, modeled very closely after the Georgia Grown Cooperative model. Every Sunday evening from May through November, each farmer-member would fax to the manager what fruit and vegetable crops they would have available. The manager would compile these into one master product list and fax that list to the restaurants.

Chefs had until Tuesday afternoon to call in what produce they wanted to order. The manager would then fax each farm to tell it what quantities of which produce it should deliver to a common delivery point in Madison. For the first year, this was the dock of another private produce distributor, Golden Produce of Madison.

Bobby Golden, who sold conventional (non-organic) produce to upscale restaurants in Madison, did not consider HGW a competitor. He judged correctly that HGW's sales to his own customers would be rather minimal, and yet by helping to get fresh, organic, locally grown produce to his accounts, he was distinguishing his business from his true competitors.

After producers got their produce to Golden's refrigerated warehouse on Wednesday, early Thursday morning the manager would arrange it for delivery and prepare the invoices. The produce was loaded onto Golden's truck and delivered to the restaurants in Madison. Golden initially wanted to charge $2 per box, but he kindly reduced that to $1 at the request of Steve Pincus, whom he had known for years.

Over the years, all of these policies and procedures would be refined—some dramatically. The $10 per hour payment to the manager, for instance, would be replaced with a commission approach (15 percent of sales). Furthermore, about 18 months after these policies were presented, the farmers would vote, and the chefs would consent, to converting the co-op into a more conventional *farmer-owned* cooperative. The chefs simply weren't interested and/or didn't have time to attend the meetings.

The development of the policies and procedures that spring did serve an important purpose: they gave farmers some level of confidence in the proposed cooperative, which by now had informally taken the name Home Grown Wisconsin. On February 26, yet another survey was sent to the interested farmers. Attached to the survey were the proposed policies. Farmers were asked if they would be willing to contribute $75 and become a member.

They were also asked to contribute a photograph and a short biography to describe their farm. As part of its marketing strategy, the co-op would always try to highlight the individuality of its member-farms. To this date, however, plans to create a calendar, a "glossy" brochure, or web pages presenting each individual farm have never been carried through to fruition.

Gearing Up for Business

In the same weeks that the steering committee was busy developing policies and reaching out to farmers, it was also reaching out to chefs as potential members and customers. On February 24, a letter was sent to the "sweet sixteen" Madison restaurants who had proven their support of local farms in the past with their purchases. The chefs were presented with the same policy proposals that the farmers received, but it was more likely the Crop Availability Sheet that caught their attention. The letter also included a short questionnaire, which, they were told, they could fill out when an HGW representative visited them.

By this time, Pincus, Sonza-Novera, and Lawless were essentially sharing the day-to-day responsibilities of moving the project forward. The rest of the steering committee guided and reviewed their progress at several meetings through March and April. These three individuals divided up the 16 restaurants between them, or sometimes went in pairs, and met with the chefs in person.

Most of the chefs were interested. Many had recently become members of a national effort called Chefs Collaborative 2000, which was committed to supporting farmers and sustainable agriculture. Besides those idealistic reasons, the co-op did offer the promise of a professional, dependable source of a wide assortment of high-quality, locally grown produce. Some hesitated at the idea of paying $75 and becoming a member of the co-op. They had justifiable questions about liability, for instance. They also had concerns about price—at that time they could only be offered rough estimates.

Eventually, 11 chefs did contribute $75 to the co-op. More importantly, a number of them became involved on the steering committee, and later served on the board of directors. The direct and meaningful feedback that the farmers received from Brian Boehm, Odessa Piper (former LOAM member), Leah Caplan, and others was invaluable to the new business. In particular, these key informants advised about how to approach other chefs, about how restaurants operated, and about the quality of product and service that high-end restaurants demanded.

The questionnaires asked the chefs to indicate how much of which crops they would be interested in receiving. It did not ask them to commit to any contracts, and it's doubtful that any would have done so. But together, the questionnaires and the discussions with the key informants gave the steering committee some idea of how much of which crops would be in demand.

On April 18, 1996, HGW held is first quasi-official membership meeting. ("Quasi-official" because the business would not incorporate for several months, and would operate without bylaws for another two years!) Fifteen farms were represented. The bulk of the meeting was spent "allocating" different crops to different members. For each crop variety, the co-op needed between one and three "priority growers" to meet projected demand.

Surprisingly, there was not much conflict over this issue. It was true then and in subsequent years that members varied quite a bit in what they wanted to sell through the co-op. The earlier crop availability sheet had accurately predicted that the co-op would be able to offer a wide range of products throughout the summer.

In another interesting organizational twist, CROPP Cooperative of La Farge became a group member of HGW. While CROPP was concentrated on marketing to natural foods stores in the region, they were willing to be a "back up" supplier on any crop when HGW's priority growers fell short of demand. In the first three years of operations, this scenario rarely occurred, but CROPP's cooperative support offered a degree of security.

At the end of the April meeting, the farmer membership was officially closed for the 1996 season. One subtle effect of having an exclusive membership policy was that there was a risk to not providing quality product or not following proper procedures—expulsion from the group.

Around this time, human resources to move the project forward were running pretty thin. Farmers were increasingly being called to their fields for planting. The SAP grant that supported Lawless' involvement was drained dry. Sonza-Novera, the acting manager, could no longer contribute on a purely volunteer basis.

To address these pressures, one individual made a personal loan of $500 to the company so that it could pay its manager until cash flow was generated. (That no-interest loan was repaid by the co-op two years later.) In addition, Lawless wrote another grant proposal, this time to the state's Agriculture Diversification and Development (ADD) program. That grant was funded for $12,600 through June 1997, allowing him to justify continued involvement on university time.

In April and May, the last steps were taken to prepare for the coming season. The manager would operate out of his own private office space, at no charge to the co-op. (This paralleled Georgia Grown Cooperative, which operated out of Cynthia Hizer's living room in its early years.) Overnight storage and trucking would be purchased each week on a per-box rate from Bobby Golden. Remaining expenses would include the cost of goods sold, the manager's salary, a $300 fax machine, phone bills, and assorted legal fees.

On April 15, Sonza-Novera submitted documents to get a federal ID number for the business. Come October, that paperwork would trigger bureaucratic processes that would force the organization to backtrack and prove that its manager was not an employee, but an independent contractor. The complicated issue of employees vs. consultants involves government-mandated employer costs, and penalties for failure to comply. (The following year, the co-op decided to avoid the risk of penalties and made its manager a formal employee.)

Over the course of the first year, HGW spent about $800 on legal fees, most of it for developing Articles of Incorporation that fit with the co-op's unique Governing Structure. These Articles, plus one short form, and about $30 were all that were needed to incorporate as a formal cooperative under Chapter 185 of the state code. Only then could the company legally add the word "Cooperative" to its business name.

The incorporated status was not granted until August, which means that the company did business for three full months without any of the protections of corporate limited liability. On top of that, it would be another year before the co-op purchased business and product liability insurance. As mentioned, the co-op's bylaws were not completed until after the 1997 season was completed. Finally, no tax reports were filed with either the state or the federal government until June 1998!

There was simply so much to be done in that first year, and so little money to spread around, that, unfortunately, shortcuts and risks like these were often unavoidable. In subsequent years, turnover in the manager's position meant that some details—like filing taxes—slipped through the cracks. This experience of HGW is certainly not something to model after closely! But despite all of the challenges and limitations, on May 26, 1996, the co-op made its first sale of organic produce.

Finally Doing Business

In that first week the co-op grossed only $162, mainly from the sale of asparagus. In planning the season, Steve Pincus estimated that, to break even, the co-op would need to average $1,000 in gross sales each week through 26 weeks of business. He arrived at that very rough estimate based on the costs outlined above, and a guess as to how many hours the manager would need to spend each week to arrange sales and prepare deliveries.

Looking back, his guesswork was not too far off. Unfortunately, the co-op never reached $1,000 in gross sales in any week that first season, averaging just under $500. Not long into the season, it became clear that most chefs were not going to place an order unless continually called, prodded, and convinced. In other words, their moral support for the co-op in April was not enough; the manager would need to aggressively market the produce.

The leadership of HGW underestimated how much work it would take to make sales each week. While the manager increased his efforts, Lawless, working under the new ADD grant, pursued new accounts for the business. He approached another 25 Madison restaurants in June and July. Sixteen showed interest, and began receiving weekly Crop Availability Sheets from Sonza-Novera. HGW's sales did increase as the season progressed, due largely to the increased selection of crops, and there was hope that the big harvest months of August and September would help the co-op catch up with its bills.

The steering committee met only once that summer, to sign the incorporation papers and to elect Pincus its interim board president. (With incorporation, the steering committee became the interim board of directors, until formal elections could occur at the next full membership meeting.) Lawless and CIAS's Hendrickson would serve as nonvoting advisory board members.

By now, however, the farmers were far too busy with their own businesses to give any attention to their co-op. To everyone involved, HGW that first year was an experiment. As one board member put it recently, "It was a laissez faire approach." Just enough was done in the preseason that year to get the business up on its feet. After a season of real business, the experiment would be judged on its own merits.

By the end of November, the co-op ceased deliveries. It had grossed only $11,000, far short of the $26,000 break-even estimate set by Pincus. In actuality, the co-op would have needed closer to $32,000 in sales to avoid a loss that first year. Instead, it ended about $3,200 in the red. The board called a General Membership meeting for November 23, and only three farmers showed up! Sales to their co-op had represented only a small fraction of most members' business that year. With these grim numbers, it was certainly difficult to judge the experiment a success.

Giving It Another Shot

Over the next four months, the board of directors studied the 1996 season and considered several issues. Pincus made a strong case that, despite the $3,200 loss, the operational plan (the system of faxes and deliveries) had run very smoothly. Having set that system in place, it might be worth giving it another chance.

Second, they had to decide how to handle the $3,200 loss. They proposed dividing the loss among the farmer members, in proportion to the sales each made to the cooperative. As the largest of the farmers involved, Pincus had sold more than double any other member, and his sales represented a third of the co-op's business in 1996. When he agreed to take on the largest share of the debt, most of the other farmers were willing to follow suit—with the hope of being repaid eventually out of future co-op profits.

Third, to become profitable, the board knew that it had to improve in one major area—marketing. It needed to find new customers, and once found, they had to get a much harder sales pitch each and every week. The board took two important steps to address this issue: it decided to target Chicago restaurants for new business in 1997, and it hired Judy Hageman as its manager.

Of course, the idea of marketing to Chicago had always been there. Now that the co-op had developed a working system of fax communication and deliveries, it was more willing to leap into the larger Chicago restaurant scene. An earlier connection with restaurateur Rick Bayless led to two meetings with him and other Chicago chefs in January and February.

In these meetings, Pincus and Lawless found that several chefs were not happy with their experience dealing directly with farmers in recent years. Even more than the Madison chefs, they demanded top quality produce and very professional service. They were presented with an updated HGW Crop Availability Sheet. When they heard that the co-op had done business for a year with 14 respectable restaurants in Madison, they expressed strong interest.

However, like the Madison chefs, they would not sign contracts and were somewhat vague as to what they would order. But their volume of sales and their menu prices far exceeded most Madison restaurants. It was becoming clear that Chicago would be the key to HGW's success. There were logistical issues to sort out—namely transportation—but it was the co-op's best and only hope.

After Sonza-Novera resigned as manager to take another job, the board hired Judy Hageman around the end of March. Hageman brought to the co-op not only her exceptional marketing skills, but also her connections. She and her husband Bill raised early season crops under hoop houses, and were already marketing their high value products to several top Chicago restaurants. She was certainly not intimidated about making weekly calls to chefs and "pushing product." Hageman agreed to work for HGW on a percentage basis—15 percent of sales.

Having hired Hageman so late in the winter, the co-op's second season began almost as chaotically as the first. Not only did she have to learn an unfamiliar business; she had to take that business into an entirely new market.

Despite these challenges, Hageman and the board prepared well for the 1997 season. They were able to secure weekly transportation from Madison to Chicago: an independent trucking firm owned by one of the co-op's original farmer-members, James Welch. The drop-off point for both Madison and Chicago deliveries was moved from Golden's warehouse to Pincus' farm, a more convenient location with a new cooler that Pincus rented to the co-op.

At the same time, still supported with ADD grant funds, Lawless did a thorough comparison of the co-op's 1996 prices against other organic distributors. There was a lot of variation: with some crops HGW was high, with others quite low. In some cases, adjustments were made. Lawless also visited each of the Madison restaurant customers, and he created a crude brochure for promoting the co-op. Meanwhile, Hendrickson of CIAS was making contacts with the food service program at the university in Madison, offering a potential new market to the co-op.

With the hiring of Hageman and the prospects in Chicago, most of HGW's farmer-members rejoined for Year Two. The few that resigned were replaced by new members. Once again, crops were allocated among the 15 farmers. By the end of April, Hageman was already making sales of watercress, as well as potatoes stored from the previous season. As the season progressed, sales in Madison increased somewhat over 1996, but it was the trips to Chicago that made all the difference. In one week alone, a single Chicago restaurant purchased more than all of Madison combined.

By the end of the year, Hageman had sold $60,000 in produce, nearly a sixfold increase over the first season. Another winter of meetings, adjustments, planning, and customer visits was followed by a third season that reached $100,000 in sales. The debts incurred by the farmers that first year were all repaid, and the business finally had a surplus to worry about. By the end of 1998, however, Hageman announced her resignation. The challenge of running the co-op on top of her own farm and her family responsibilities proved too much for her.

Fortunately, Rink Davee took over where Hagemen left off. Davee brought a wealth of experience to the job. He once worked for Chez Panisse a nationally renowned restaurant in Berkeley. He worked for years as the produce manager at a natural foods store in Madison. He quit that job to become an organic vegetable farmer, was an original member of HGW, and served for a time as its board president. Under Davee's leadership, halfway through its fourth year of business, gross sales for the co-op are on a steady incline.

Some Closing Thoughts

An alternative title to this case study might have been "Home Grown Wisconsin: How NOT To Start a Successful Cooperative!" Looking back at those early years, it is hard to admit all the short cuts and mistakes. It was a chaotic experience. Rather than focusing on what went wrong, however, it will be useful to briefly consider what contributed to the co-op's success.

First and foremost, it was the people. The dozen or so individuals who made substantial contributions to the project not only offered their talents and their time, but they got along with each other. That's not to say that there weren't difficult moments, but respect and friendship have continually strengthened this cooperative venture.

Other contributing factors included grant support from the state; market research; market demand; high-quality produce; professional service; and finally, *marketing, marketing, marketing*.

Without the support of two grants totaling $22,600, the project simply never would have happened—period. That money made it possible to conduct the market research that showed there was a demand for the co-op's product. It enabled Lawless to support Sonza-Novera and then Hageman in developing initial relationships with restaurant chefs.

Obviously, if those chefs did not purchase the co-op's products, the business would have failed. Fortunately, there appears to be a growing appreciation among many restaurant chefs, and presumably among their customers, for fresh, high-quality, locally grown farm products. Furthermore, by developing a working system of communication, transportation, and accounting, HGW was able to offer a level of professional service that all restaurants demand.

Finally, the farmers of Home Grown Wisconsin Cooperative have come to realize that it is not enough to produce good food. You must also find someone to buy it—preferably at the highest possible price. That requires a marketing strategy that involves continuous research, risk-taking, and promotion. Even in the midst of the current season, the HGW board met recently to discuss their experiment with a new organic farmers market in Chicago. They hired a new part-time employee to revisit chefs in Madison, where sales have been slipping. And they're finally getting around to developing that glossy promotional brochure, highlighting the unique character of each member farm.