Growing Farmers’ Cooperatives: Adding Value in Central Appalachia

By

Steve Hodges
Growing Farmers’ Cooperatives:

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Two models of networks/cooperatives:

Appalachian Harvest of ASD (Appalachian Sustainable Development: Anthony Flaccavento, Executive Director)

A nonprofit-facilitated network of 15+ small, rural growers in northeast TN and southwest VA supplying value-added (organic) produce for mass merchandisers (supermarket chains)

Appalachian Spring Cooperative (begun by Jubilee Project, Inc.: Steve Hodges, Executive Director)

A member-owned agricultural cooperative of 60 small farmers and entrepreneurs in northeast TN and southwest VA for marketing their value-added food products (processed/packaged foods) for retail and wholesale markets
Pennies on the Dollar
The Farmer’s Cut
(Source: USDA Yearbook of Agriculture, 1997)
American Agriculture divided into Marketing, Farming & Input Sectors
Why Add Value?

- Increased price, profit & income: capturing a greater share of the food dollar (e.g. processing, marketing/distribution)
- Access to specialty markets, some paying premium prices (e.g. organic, gourmet)
- Increased shelf life and ease of distribution for packaged food products
Food Market Trends Show Niche Opportunities

Compound Annual Growth in Food Sales, 1995-2002

(Sources: eMergers.com, 2003 & treeoflife.com, 2003.)
Organic Food & Beverage Sales in the U.S., 2001

- 40% Branded packaged foods $3.4 billion
- 49% Prepared deli, baked goods, food service, etc. $0.8 billion
- 11% Perishable Fruit & Vegetables $2.8 billion

(Source: Gale Group, 2003, for the Organic Consumers Association)
“Buy Local” Interest Strong

- In surveys around the U.S. 70%-80% of consumers prefer to buy local foods*
- In local survey, 40% would be willing to spend 30% to 50% more for a local food product (ASD Consumer Survey)
- Main reasons consumers say they buy local: *
  - #1 Supports local economy (29%)
  - #2 Freshness of food (27%)
  - #3 Health & environment mentioned less often

*FoodRoutes.org, consumer surveys by member groups
Valuing “natural capital” is crucial for natural resource-dependent, labor-intensive farming communities for many reasons, including market potential of local, organic foods.

- Natural capital is a long-term asset
- Owners of most natural capital are small & private, not public
- We must assist these owners both as entrepreneurs and as stewards
Self reliant, sustainable community & agricultural development requires *infrastructure* lacking in rural regions

*Key Elements:*

- Facilities for adding value: wash/grade, processing
- Mechanisms for accessing markets, distribution
- Research & educational capacity that spawns innovation and sustainable production practices
- Must be accessible to & grounded in communities
- Networks or Cooperatives helpful for aggregating financial power, ideas, marketing efforts, visibility
Clinch-Powell Community Kitchens:
*Adding Value by Processing*

- A shared-use, inspected commercial food processing facility & business incubator
- Product/Recipe development services
- Business Planning Assistance
- Access to Credit
- Training & technical assistance

[www.clinchkitchens.org](http://www.clinchkitchens.org)

A program of Jubilee Project, Inc.
- **Benefit:** can test market before huge initial investment in equipment/facility; incubation services increase success rate
- **Capacity:** 4000 jars/day high-acid & acidified vegetable & fruit foods like salsa, jellies, pickles, marinades, mustards, sauces
Appalachian Harvest: Adding Value Through Cooperative Grading, Packing, Marketing of Organic Produce

A program of Appalachian Sustainable Development
Through the Appalachian Harvest program of ASD, Farmers in northeast Tennessee and southwest Virginia collaborate in:

1. centralized washing/grading facility
2. centralized distribution to sell fresh local produce
3. “umbrella” AH brand emphasizing local and organic features of the food
Appalachian Spring Cooperative:
A member-owned marketing cooperative of value-added producers

Salsas, jellies, relishes, pickles, marinades, BBQ & hot sauces, honey products, soups, habanero extract, mustards, sweet potato & pumpkin butters, herbal salves (www.apspringcoop.com)

Organized by Jubilee Project, Inc.
The Appalachian Spring Cooperative Deal…

1. Business planning & development assistance
2. Low-cost Product Liability Insurance & Bulk Purchasing
3. Low-cost umbrella label
4. UPC Bar Codes, Nutrition Panels
5. Centralized marketing services
6. Access to technology and training
7. Website design & online sales
Lessons Learned #1: Marketing to Mass Merchandisers has Pros and Cons

PROS:
- Produce: Attracts larger, more traditional growers
- Produce and Packaged Foods: Larger markets allow producer businesses to grow without additional search for markets or additional distribution cost

CONS:
- Produce: Lower prices/higher quality expectations & more “2nds” to deal with
- Produce: Greater cost of labeling, labor and other packaging
- Packaged: Most wholesale markets new to gourmet foods, not yet comfortable with premium prices
- Packaged: Slotting fees for packaged foods can eliminate profit margin
- Packaged: Year-round and volume demanded can overwhelm small producer

ALTERNATIVE: Small chains of gourmet and specialty food retail stores
Lessons Learned #2: Networks or Cooperatives?

Both Networks and Cooperatives help farmers…

- gain access to larger, better markets
- assure consistency and quality control
- learn new production practices & marketing standards
- build a “market presence” for regional products

**Networks:**

- Non-profits usually must play continual role of initiator and/or facilitator; provides initial stability but funding resources very limited

**Cooperatives:**

- Member-owned and –controlled means greater buy-in by farmers and greater chance of financial sustainability, but organizational capacity-building a crucial and difficult additional task
Lessons BEING Learned #1: Can telecommunication technology strengthen cooperatives?

*Tele-Guild Project* (Just begun): Appalachian Spring Cooperative members spread out over 5+ remote counties are

1. trained on laptop computers to track and improve their food product businesses against approved business plans,
2. participate in an online community for marketing coordination and other cooperative activities
3. Increase marketing channels to include an e-commerce strategy

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Lessons BEING Learned #2: Can food producer cooperatives gain from the development of local and regional food systems?

*Northeast Tennessee Food Council*: (now under formation)

1. Collect and publicize information on hunger, nutrition, food production and consumption, and other food security measures in a 10-county region
2. Initiate, support and coordinate a range of community food security projects including farmer market, senior and school nutrition programs; farm-to-cafeteria programs; and buy local programs
3. Develop policy recommendations for improved state and federal policy on the intersection of food, farm and nutrition issues
4. Explore the potential of linking local/regional food systems and buy local programs in other areas of the U.S. which also work with small food producers
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Clinch Powell Community Kitchens of Jubilee Project: www.clinchkitchens.org

Appalachian Spring Cooperative: www.apspringcoop.com