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Research and development of an online local foods buying club cooperative

Abstract

The Iowa Valley Food Cooperative, established in August 2011, achieved its financial and operational goals and is positioned for continued growth. It has been leveraged to provide producer training in beginning farmer business planning, food safety, crop planning, labeling and licensing.

Keywords

Market research and feasibility studies, Supply networks

Disciplines

Marketing | Operations and Supply Chain Management



Research and development of an on-line local foods buying club cooperative

Abstract: Setting up an online food cooperative carries a special set of challenges. Eastern Iowa food system practitioners worked to create a successful cooperative operation to increase local food sales in their communities.

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Budget:
\$25,000 for year one
\$23,490 for year two

Q Can an online, direct to consumer, marketplace for food, fiber and other local products be established in eastern Iowa? Can the cooperative be leveraged to provide needed producer training or to create linkages with other similar groups to increase operating efficiencies and offer additional marketing opportunities for producers?



MARKETING

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Background

The Field to Family Regional Food Coalition region of eastern Iowa is one of few areas in the state that is gaining population. In this region there is pent-up demand for local food produced sustainably with sound environmental practices, equitable economic relationships, and concern for social impact. The ICFAC set a goal of improving regional access to healthy, seasonal and affordable food. Establishment of an online local foods cooperative was identified as a way to fulfill the goal, and support local farmers and food entrepreneurs.

The project objectives were to:

1. Determine challenges and resources needed to establish an online local foods buying club cooperative, Iowa Valley Food Cooperative (IVFC);
2. Research proven systems and models in similar cooperatives;
3. Develop the business systems, planning documents, operating procedures and policies necessary to organize the cooperative;
4. Build member and public awareness, support and understanding of local producers and the benefits of sustainable agriculture;
5. Build capacity, develop new outlets, and increase business stability of local producers; and
6. Write a case study on the development of the cooperative.

Approach and methods

These activities were conducted over the two years of the project:

- Created, supported and facilitated a steering committee and start-up Board of Directors to supervise the development of the cooperative.
- Researched and made decisions needed to finalize the cooperative's legal status, including Articles of Incorporation and By-laws.



- Developed business plans, including a start-up business plan and Year One and Two business plans with marketing and financial projections that guided the organization and growth of the cooperative.
- Oversaw installation, modification and troubleshooting of an open source software package to facilitate member transactions handled by the cooperative.
- Created a website to provide visibility for the organization and improve communication with members and the public.
- Determined IVFC product standards, product mix and preferred product attributes for use in recruiting potential producers and consumers.
- Researched accounting and other recordkeeping systems needed to open and operate the cooperative.
- Researched standard operating procedures, food safety procedures, inventory and ordering systems needed to open and operate the cooperative.
- Identified appropriate distribution locations based on established criteria.
- Moved the cooperative into its own space.
- Recruited a critical mass of consumer and producer members to open the cooperative.
- Researched and evaluated strategic alliances, business relationships and federation opportunities with other participants in the regional sustainable agricultural system.
- Researched and provided education and training needed by producer members in areas such as online marketing and use of the software.
- Recommended or created additional training opportunities for the cooperative's producer members on food safety, food business licensing, labeling, packaging, record keeping and QuickBooks.
- Researched, measured and reported on project outcomes.
- Leveraged the experiences of the group by producing a case study outlining the steps and decisions needed to form the cooperative.

Results and discussion

An excellent selection of sustainably produced specialty crops, meat, dairy and other differentiated agricultural products proved critical to the ultimate success of the cooperative. Recruiting and outreach focused on building capacity of local producer members; sourcing was done from non-traditional farmers and businesses whenever possible. The organizers leveraged the cooperative to offer research and provide needed training to assist producers in successful marketing and business development.

The cooperative structure minimized distribution and transaction costs, and its pricing policies allow producers to set their own prices. This allowed local farmers and communities to retain more of the value of food and fiber produced, while reducing their risk. Partnerships or possible structural linkages have been considered with other local food working groups, such as the Iowa Food Cooperative, the Regional Food Systems Working Group, NewBo City Market and Matthew 25 in order to expand this type of local food development in the state. In addition, the team has worked with governmental, non-profit and private organizations engaged in promoting the area's local and regional sustainable food system.



Conclusions

1. This can be done. A committed group of volunteers can open an online food cooperative with low costs and limited staffing.
2. The software chosen determines most operational details.
3. Professional legal, accounting and web design advice are critical in the beginning.
4. The leadership group should include individuals:
 - o With business skills and familiarity with accounting and financial statements.
 - o Familiar with web design and digital communication platforms such as Mail Chimp or Constant Contact.
 - o With good connections and credibility with the local grower community.
5. Strong personal relationships make for a stronger cooperative. Get to know the members and help them get to know each other.
6. Technical assistance and individual attention may be necessary to encourage grower sign- up.
7. The administrative needs of the cooperative are significant. Plan to hire paid staff.
8. Proper post-harvest handling, choosing the right equipment and keeping products at the right temperature during distribution are very important to maintaining product quality. The proper equipment and enough cubic storage capacity are critical.
9. Communication can be challenging. Not everyone reads e-mail. Orienting producers and consumers to how the co-op works is very important.
10. Collaboration on software improvements and modifications has proven unfeasible due to specific package and support limitations, although it remains the area of greatest potential.

Impact of results

The project and case study that summarize the steps taken to organize and open the Iowa Valley Food Co-op will provide strong reference points for those getting started during a period of rising interest in online grocery sales. All of the project objectives were fulfilled and the findings already have positively affected other Iowa networks of farms and businesses. The project investigators have had numerous communications with networks in the Quad Cities, north central Iowa and the Iowa Food Co-op in central Iowa. These contacts offered opportunities to share lessons learned, effective organizing documents, producer guidelines and contacts.

Education and outreach

The Co-op has introduced local foods to more than 400 consumer members. Six to 10 volunteers have helped at each distribution since IVFC opened. In a survey done in December 2011, approximately 90 percent of members said that being part of the Co-op helped them increase their local food purchases.

Before opening of the IVFC, the communication committee developed a plan that included online newsletters, blog posts, open houses and other events, farmer's market outreach and speaking engagements. Since then the communication plan has been refined and expanded. The Co-op now has almost 800 subscribers to its monthly e-newsletter with accessing rates frequently near 50 percent. The newsletter often features a producer profile and a description of growing practices and sustainable methods used is frequently part of the write-up. Table displays and literature always make use of the co-op's definition of sustainable agriculture.

In addition to the co-op's newsletters, more than 570 individuals connect with the Iowa Valley Food Co-op through social media on Facebook and Twitter. Social media outlets are used to update followers about the Co-op and also to publicize partner events and local conferences, as well as ongoing local and national food and agricultural policy discussions.

Investigators worked with the Leopold Center to develop a case study with sample documents, policies and other materials on how to set up an online food coop. The guide, *Starting an Online Food Co-op*, can be found by title on the Leopold Center website at www.leopold.iastate.edu/pubs/alpha.

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