



# Home Grown Wisconsin: Marketing fresh produce cooperatively

Center for Integrated Agricultural Systems • UW-Madison College of Agricultural and Life Sciences • February, 2004

## Research Brief #69

Home Grown Wisconsin (HGW) is a cooperative wholesale business located in south-central Wisconsin that markets produce from member farms to restaurants in nearby cities. Its goal is to expand the market for fresh produce through professional distribution of high quality products that convey the quality, variety and value of Wisconsin's harvest. Other farms that would like to market produce cooperatively can use this case study as a model, learning from HGW's history and organization.

### Origins and membership

HGW was created in 1996 as a result of a research project conducted by the University of Wisconsin Center for Cooperatives (UWCC) in partnership with CIAS that looked at linking farms with local food buyers. During interviews and meetings, food buyers said that purchasing from local farms would be easier if it could be accomplished with one phone call, one availability list, one invoice, standard delivery days and professional service. The UWCC helped set up a co-op to link growers and chefs with consolidated ordering and delivery service.

HGW is comprised of 24 member farms, with a few growers selling through the co-op as non-members. Farms range in size from small market gardens under an acre to farms with more than 50 acres in vegetables. All of the members follow organic practices, although not all are USDA certified organic.

HGW is a closed cooperative. New members are considered by invitation only, and are accepted after a vote by a Board of Directors representing the co-op's membership. HGW has grown slowly, with new farms added as markets grow. New members purchase one share of common stock for \$75. Annual dues have ranged from \$20-50 over the years.

### Customer base and products

HGW began selling to Madison restaurants, but this did not provide a large enough market. Now, the co-op's main customer base is upscale Chicago restaurants, with additional sales to Madison and Milwaukee restaurants. There are

about 40 customer accounts, although a few major accounts dominate sales. "The co-op has benefited from eager chefs who go out of their way to support local, sustainable farms," says John Hendrickson of CIAS. In addition to restaurants, the co-op sells to colleges and retail stores, and sells at a grower's stand at a Chicago farmers' market. Members are prohibited from selling to existing HGW customers outside of the co-op, unless they are marketing an item that the co-op does not normally sell.

HGW sells an array of vegetables, herbs and edible flowers with over 150 items at peak season. The co-op also sells berries, apples, cider and eggs. Specialty vegetables, greens, root crops and tomatoes dominate sales.

### Organization, logistics and sales

Seven people—five voting and two advisory members—serve on the HGW Board. Until 2003, the co-op employed one person, a manager who worked on a commission basis and handled all management, marketing and bookkeeping. In 2003, HGW added a bookkeeper who handles accounting, compiling availability lists, taking orders and sending purchase orders to growers. The manager now spends more time on marketing and organizes farm tours, supervises dock workers and arranges trucking.

HGW delivers twice a week during the growing season and once a week during the winter. Growers send their availability lists to the bookkeeper. These are compiled and faxed or e-mailed to customers, who then place their orders. Growers have one and a half days to pick, pack, cool and deliver their orders.

Use of members' trucks and facilities kept expenses very low early on. The co-op had almost no capitalization costs in the early years—the only item they owned was a fax machine.

Now the co-op rents dock and warehouse space in Madison and subcontracts most deliveries. An employee makes Madison deliveries.

Sales are divided among farms through an allocation, or priority, system. For example,

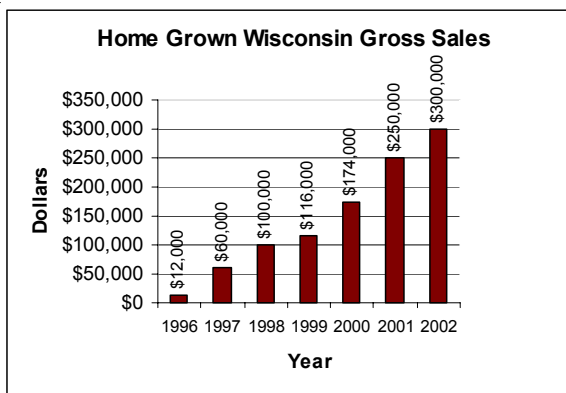
Patty's Produce Patch might be an 'A' grower for bunched greens and lettuce and a 'B' grower for carrots and beets. Non-member farms have no priority status. Growers may sell items for which they are not priority growers if no one else has that item or if sales exceed what priority growers can provide. Growers maintain their priority status based on their history and success of supplying a quality item, with the co-op striving for equity between members.

Priority growers set prices, although the manager may suggest a grower change the price if it seems high or low. If two or more growers offer the same product at different prices, the lower price offered by a priority grower prevails. This does not guarantee more sales, as the allocation system determines how sales are divided. However, other growers may choose not to sell at the low price, thereby giving the grower with the lower price more sales. Deliberate "dumping" has been limited, and most HGW prices fall at the high end of organic wholesale prices.

HGW sales grew from about \$12,000 in 1996 to about \$300,000 in 2002 (see graph). The co-op marks up produce 50% to cover overhead expenses such as trucking, labor, marketing and rent. If a grower offers a case of tomatoes for \$20, the restaurant pays \$30.

Sales for the first several years were mainly during the growing season. Year-round delivery commenced in 2003 with storage crops, hoophouse greens and frozen tomatoes offered through the winter.

"Most members rely on HGW as a secondary outlet for their products," reports Linda Caruso, co-op manager. The farms in the co-op all have other marketing enterprises including farmers' market stands, Community Supported Agriculture (CSA) and direct wholesaling. As the chefs' orders vary, sales through the co-op work best for farms with established products and other markets. In the early years of the co-op, growers did not plant crops exclusively with HGW sales in mind; HGW was an outlet for extra produce. This has changed as sales grow and become more predictable, but there is still no guarantee that an item will sell.



## Keys to success

The co-op has succeeded because of excellent leadership from committed board members and managers, and because produce is top quality and member farms have formed relationships with chefs. The HGW label includes space for farms to print their names or add their own labels so chefs know the origin of each box of produce. Farm tours are held for chefs each summer and kitchen tours give farmers a chance to visit the restaurants each winter.

Financially, HGW benefited greatly in the early years from very low expenses. In order to better serve its members, however, the co-op has needed to grow, and capitalization has become a problem. The co-op now withholds 3% of sales for a capitalization fund.

## The future

HGW faces some critical decisions about its future. Trucking logistics and expenses continue to be a challenge. Growers take issue with the short amount of time between order receipt and delivery. "Some members complain that their orders are not large enough to warrant their involvement, so we are reviewing the allocation system that divides sales among participating farms," says Caruso.

HGW continues to look at expanding markets through CSA and more retail and institutional sales. Another future project is setting up a web-based availability and ordering system.

### For more information, contact:

**John Hendrickson**, CIAS: (608) 265-3704;  
jhendric@facstaff.wisc.edu

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*The Center for Integrated Agricultural Systems (CIAS) brings together university faculty, farmers, policy makers, and others to study relationships between farming practices, farm profitability, the environment, and rural vitality. Located in the College of Agricultural and Life Sciences at the UW-Madison, it fosters multidisciplinary inquiry and supports a range of research, curriculum development, and program development projects. For more information on the Center or on the research in this Brief, contact: CIAS, 1450 Linden Drive, UW-Madison, Madison, WI 53706*

**Phone: (608) 262-5200 Fax: (608) 265-3020 E-mail: ramcnair@wisc.edu, www.wisc.edu/cias**

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