



Case Study

Grown Locally

Northeast Iowa
Michael Nash, Sunflower Fields Farm

Grown locally demonstrates the usefulness of the Internet to market and manage a regional food cooperative. Customers may place orders on the cooperative's Web site, and the Web site is time dependent so that product availability changes with each order. Members of the cooperative (farmers) check the Web site daily for information on orders. The cooperative's Web site greatly reduced the time needed to coordinate the farmers' production with the consumers' demands.

Profile

Grown Locally is a limited-membership farming cooperative in northeast Iowa. Members of the cooperative are family farms that sell fresh, locally raised meats and produce to area households and institutions (e.g., schools, hospitals, restaurants, and nursing homes). Farm products available during the season include more than 40 fruits and vegetables plus eggs, honey, meats, cheeses, and prepared foods. Noninstitutional customers (generally households) and Grown Locally have a business relationship based on the model of Community Supported Agriculture (CSA). Households may make their purchases in terms of "shares" that are commitments for a weekly assortment of in-season produce. These share commitments are made prior to the growing season and the orders provide a baseline estimate for the cooperative's seasonal production. In addition, "by-the-piece" orders may be made online or by phone after checking product availability on the cooperative's Web site (www.grownlocally.com). Access to the order page of the Web site is password restricted to approved parties, and customers are billed monthly for their orders. The members of the cooperative ensure an adequate supply of farm products for the shares and "by-the-piece" orders by carefully estimating anticipated demand and obtaining pledges from the farmers for portions of the predicted amounts. The pledges are published, and the cooperative's coordinator provides reminders to members at planting and harvest times.

The farms in the cooperative are responsible for growing and harvesting their produce and transporting the products

to the packing facility. The final washing and packing of the produce occur at the cooperative's processing facility located on Sunflower Fields Farm. Grown Locally operates two order-delivery cycles a week with all deliveries on Tuesdays or Fridays to the customers' businesses or homes or to a designated drop site. The cooperative's goal is to get the product from the field to the customer in 24 hours or less. All customers are located within 40 miles of the processing facility to permit rapid, low-cost delivery. In 2006, Grown Locally had 12 institutional and 225 family customers. The cooperative retains part of the revenues from sales for capital improvements such as a delivery van and equipment for the packing and cleaning facility.

History

In 1999, a small group of northeast Iowa farmers met at a field day to discuss opportunities to enhance the success of individual farms by increasing the variety of crops produced on each farm and diversifying the markets for their outputs. The farmers were interested in selling to local institutions, and they needed an organization that used the production of multiple farms (order sizes exceeded the production of individual farms) plus ensured consistency in product quality. The farmers met with Michael Nash of Sunflower Fields Farms to discuss the appropriateness of the Community Supported Agriculture (CSA) model for their goals. Nash operated a CSA project (Sunflower Fields Farm Shares) that marketed local produce to area families. The farmers requested to participate in Sunflower Fields Farm Shares to sell to area families, and they organized a limited-membership cooperative (Grown Locally) to focus on marketing farm produce to local

Year online: **2000**
 Area Population: **8,172**
 Web site:
www.grownlocally.com

institutions. The operation of Grown Locally was patterned after that of Sunflower Fields Farm Shares. There was much overlap in the individuals that participated in Grown Locally and Sunflower Fields Farm Shares, and the two organizations shared the goal of developing local markets for local producers. Nash provided assistance to the two organizations in terms of Web site design, newsletters, product delivery, and overall coordination.

In 2000, Grown Locally acquired an \$8,000 grant from USDA's Sustainable Agriculture Research and Education Program (SARE) for the initial development of a Web site. The first Grown Locally Web site was developed by Nash and a professional Web site designer from Missouri who Nash met at a Small Farm Conference. The Web site was housed at Sunflower Fields Farm. A second grant from the Iowa Department of Agriculture in 2002 enabled the acquisition of equipment for onsite processing and packing, and a third grant (\$14,000) permitted the upgrading of the Grown Locally Web site to accommodate orders from families as well as institutions. At this time, Sunflower Fields Farm Shares were sold through Grown Locally. Web site upgrades were provided by an individual from Des Moines, and the new Web site was hosted by Hostway. The Web site is maintained by the coordinator (Solweig Hanson), and the data base is time dependent so that product availability is adjusted after every order. The coordinator downloads requests from customers and e-mails producers with updates on orders. All members of the cooperative are encouraged to have a computer and high speed Internet so that they can check order information daily. In addition, producer members are requested to update their inventories twice a week.

The evolution of Grown Locally required that participating farmers change their production and marketing methods to meet the requirements of institutional buyers. The institutions wanted a specific contact for orders, all products in an order delivered in one delivery, and one bill a month for that month's deliveries. In addition, the cooperative was not completely embraced by the local producers and consumers because their activities were outside the traditional model for marketing farm produce in rural Iowa. Thus, Grown Locally continues educating local farmers and households regarding the potential benefits of the cooperative. The members of Grown Locally are a diverse and well educated group of individuals, and those characteristics enable the group to design a business strategy that is flexible and evolving.

Location

The member farms in Grown Locally are located primarily in three rural Iowa counties: Winneshiek, Allamakee and

Clayton. The largest city in the region is Decorah, Iowa (2000 population 8,172). The northeast Iowa area is approximately 150 miles south of Minneapolis, Minnesota.

Role of e-Commerce

The availability of the Internet is critical for the efficient operation of Grown Locally. Initially, many orders for food deliveries were placed by phone and fax, and much communication between the cooperative's coordinator and farm members was conducted by phone. However, reliance on the phone was a time intensive means of undertaking business. Nash estimated that the Grown Locally Web site saves the cooperative eight hours a day in administration time. The time savings for the coordinator will be even greater as more customers switch to the Internet for ordering. Currently, approximately 75 percent of the customers order online while the remaining customers continue to use the phone and fax. Internet use is not widespread in the cooperative's market area because of the relatively high age and low incomes of area residents and many families lack access to reasonably priced, fast internet service. A large number of Internet service providers are in northeast Iowa, but much of the local population considers Internet access a luxury.

The Web site also is a useful tool for recruiting new customers and growers to the cooperative. The site provides detailed information on the benefits of participating and guidelines for joining. This information is critical because many local farmers are not aware of Grown Locally, and some of those that are aware do not believe it is relevant to their sphere of operation. Thus the Web site provides an educational role as well as a marketing function.

Finally, Grown Locally can be an important source of income for member farms. Farm producers in Grown Locally supplement their incomes based on their commitments and participation in the cooperative. Nash estimated that Grown Locally's contribution to 2006 farm income ranged from 10 percent to 60 percent for its 15 members.

Grown Locally is undertaking a number of initiatives to increase the size, efficiency and profitability of the operation, and as a result, the benefits to member growers. First, the cooperative is trying to attract more household customers through promotions and by being more user friendly. Plans under consideration include providing greater flexibility in product orders, keeping the online store open for longer periods, and permitting the use of PayPal or credit cards for online orders. Second, the cooperative will hire a full-time coordinator for each growing/harvest season to oversee operations, and new investments in vehicles and processing

equipment are anticipated. The acquisition of a blast freezer would enable the cooperative to serve new institutional markets (e.g., schools, casinos on the Mississippi River) and lengthen the sales period for produce to traditional customers. Third, Grown Locally is updating its Web site to be a state-of-the-art example for growers' cooperatives focusing on marketing local products to area institutions and households.

The Leopold Center for Sustainable Agriculture at Iowa State University provided \$15,000 in funding to develop a template for organizations providing Web-based local food sales. According to the Leopold Center Web site, the goal of this project is "to create and test a functional, versatile, online sales tool that addresses the needs of farmer networks marketing products to institutional and household markets." The Web site will provide a stand alone, database driven store front that accommodates variable product availability. Modules will be included in the store structure that provide for security, online purchases, and flexibility for different types of organizations and producers. The template will be designed, hosted and maintained by a firm in Des Moines. The template will be available at no cost from the Leopold Center; however, Nash estimated that Grown Locally will need an additional \$10,000 to custom design the template for the cooperative's needs.

Challenges and Lessons for Rural Entrepreneurs

- The principal challenge facing Grown Locally is the limited regional market. Nash noted that northeast Iowa is relatively sparsely populated and household incomes are not high. Many of the farmers and households in the region are very traditional and reluctant to try something "new" like online produce sales. The limited market translates into lower prices for foods offered and relatively high costs for food deliveries.
- Grown Locally will attempt to overcome its market disadvantages by more aggressively recruiting growers and customers, adding freezer capacity to better serve the institutional markets, and hiring a full-time coordinator to enhance the efficiency and visibility of the operation. The winter (2007-2008) organizational meetings will focus on business strategy and promotional planning. Grown Locally wants to be a more visible entity, and its members will investigate means to become better known among area farmers and families.

From *e-Commerce as a Strategy for Improving Business Vitality: Lessons Learned from Small Businesses* by Deborah M. Markley, David L. Barkley, and R. David Lamie

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