

CASE STUDIES

Cooperative-structured businesses serve the needs of their members. A cooperative must first aggregate members with the desire to work together to achieve a common goal. During the formation of the cooperative, members share similar values regarding the need for the cooperative. In many cases the location, size of the members' farms, the crops grown, even the ownership, management, and labor requirements can be very similar from one member to another. All businesses change through time. Externalities such as government regulations, consumer trends, price of inputs, consolidation within the sector, etc., will impact the cooperative business and the members' businesses. As member businesses change the value of the cooperative to its members can remain the same, become more important, or less important. For the cooperative to remain successful the services that the cooperative provides and resources in which it invests should be in alignment with the needs of the members. This case study focuses on Eden Valley Growers, Inc.

EDEN VALLEY GROWERS, INC.

Eden Valley Growers, Inc. is a cooperative-structured business owned by 10 member farms located approximately 20 miles south of Buffalo, NY. The cooperative provides 'one-stop-shopping' for fresh produce – peas, summer squash, cabbage, broccoli crowns, cucumbers, sweet corn, beans, cauliflower, tomatoes, peppers, winter squash, eggplant, pumpkins and gourds to wholesale distributors and retail outlets. The cooperative is also a mechanism where members will pool purchases for greenhouse materials (soil mixes and fertilizer) and packaging materials for their respective businesses at a significant discounted price. Members agree to growing and harvesting protocols that meet Harmonized Good Agricultural Practices with Global Markets Addendum and practices of the New York State Produce Quality Assurance Program. All produce is grown using Integrated Pest Management practices. Most of the produce is sold to wholesalers and grocery store chains located less than 300 miles from the cooperative's distribution facility.



Figure 1. Eden Valley Growers, Inc.
Eden, NY

BACKGROUND

Prior to 1956, vegetable growers in the Eden Valley area would load their pick-up trucks daily during the harvest season, leaving their farms between 2:00 a.m. and 3:00 a.m. to travel to the Clinton/Bailey Open Market. Each farmer tended to grow a variety of vegetables. They sold their produce independently of one another to restaurants and grocery store owners in the early morning. As the day progressed the quality of the fragile product diminished. Near the end of the day the product not sold through the open market was transported across the street to the

wholesale packing houses. The packing houses paid minimal prices for the product they purchased. There was little incentive for farmers to expand their businesses. Limitations to expansion included size of the truck to transport the product, stagnate number of buyers, and minimal prices paid by wholesalers for surplus product.

In 1956 Eden Valley Growers, Inc. was formed by 23 farmers who owned and managed approximately 1,000 acres of hand-harvested vegetable crops. The purpose of the cooperative was to serve as an alternative market channel to the packing houses. Less than 100,000 cases of product were sold in the first year. The cooperative provided an opportunity for farmers to join together to aggregate product for sale and to jointly hire a person to market their produce. The cooperative was able to market product on behalf of its members at prices higher than they would receive individually from the packing houses. It soon became apparent that an aggregation facility was needed. In 1958 construction was completed that included a cooler to cool and refrigerate produce. The investment in the facility was a turning point for the cooperative. Instead of focusing on second or under-grade quality produce, the cooperative now focused on sourcing and marketing the highest quality produce from its members. Members were no longer limited by what they could sell from their truck on any given day. The sales area expanded as more customers were served from distances further away from the cooperative's aggregation facility. Farmers changed their production focus to become specialists of a select number of crops rather than a grower of a variety of vegetable crops.

Today the mission of Eden Valley Growers, Inc. is 'to provide the highest quality produce in a timely fashion.' Cooperative members are associated with 10 farms who own and manage 1,000 acres. Between May 1 and December 31st the cooperative ships over 500,000 cases of product on behalf of its members. Farm sizes range from 10 to 400 tillable acres. Most of the members are located an average of 3 miles from the cooperative facility with the furthest member approximately 10 miles away. The cooperative employs 8 to 10 full time employee equivalents. Management staff is responsible for coordinating aggregation and marketing of the product. At the peak of the harvest season the cooperative has 4 employees handling the dock responsibilities and 8 truck drivers.

AGGREGATION

All produce grown by member-owners of Eden Valley Growers, Inc. is aggregated through the cooperative facility. Eden Valley Growers, Inc. does not have contractual agreements with its members, nor are any expected in the future. The culture of the organization and the values instilled from one generation to the next are critical to the success of the cooperative. Present day members are the third, fourth, and fifth generations of the original founders. Culture comes from the oldest



Loading dock at Eden Valley Growers

generation relating the stories of hardship of the past and the impact and prosperity that the cooperative brought to the farm business. Awareness of the high quality of the product to be delivered to the cooperative is transmitted from one generation to the next. Third and fourth generation family members now belong to the cooperative. The cooperative is open to new members. A person seeking membership needs to build a relationship with a current member to learn and embrace the culture of the cooperative. The

“Quality standards are taught from one generation to the next.”
- Board Chairman, Eden Valley Growers

potential member needs to grow product desired by the cooperative and adopt the production practices of Harmonized Good Agriculture Practices, NYS Produce Quality Assurance Program, and Integrated Pest Management protocols. In any given year, the cooperative will purchase between 5 and 10 percent of product from non-members. This product is purchased to cover shortfalls, fill trucks, and increase diversity of product available. Non-members must subscribe to the same growing protocols of members.

Communication is critical to coordinate product delivery to the cooperative. Communication begins in the off-season when cooperative employees meet with each member-farm. The staff will share information on the desired produce to be grown, the quantities needed, and the expected delivery. Farmers will share expectations about the produce they plan to grow in the coming year. As the cooperative has matured, each farm specializes in 3 to 4 primary crops. From the meeting, consensus will be reached about what will be grown by the farm to be delivered to the cooperative. The pre-season planting meeting allows staff the opportunity to suggest new products desired by buyers. Farmers are conservative and cautious in their approach to growing new products. Small quantities are grown by a few interested growers. If the members can grow the crop successfully and if they are convinced that the cooperative can sell the product profitably, then more product will be grown. During harvest, cooperative staff will be in contact with the farmer via phone weekly to learn about the status of the crop to be picked the following week. Co-op staff will also contact the farmer via phone during a 2-hour period in the early morning during harvest to confirm orders for what is to be delivered and at what time. Another series of phone calls will be made in the afternoon for a status update.

The pre-season planting and delivery plan may be compromised by weather conditions, potential crop failure or crop surplus. Communication in these circumstances remains important. In the case of a surplus, farmers will give advance notice to the sales staff to allow them time to sell the product and put out a “deal” to customers if necessary. In the case of a shortfall, farmers will notify staff as soon as possible so that they can source product from another member or non-member, or when necessary notify the customer that the product is not available. Occasionally staff receives unanticipated requests from buyers for additional product. Members are contacted to determine if product is available. Farmers have the flexibility to pick and deliver the product in a timely manner to fill these orders.

Trust between the growers themselves and the cooperative staff is key to the success of Eden Valley Growers, Inc. Farmers must trust one another to deliver high quality produce

“Members recognize the competitive nature of the customer base and make adjustments as needed to keep markets satisfied.”

- Marketing Manager, Eden Valley Growers

within the designated time frame to the cooperative. Each vegetable species has a peak harvest window of 3 to 5 days. Cooperative staff schedules the deliveries to be made to the cooperative’s warehouse.

Product delivery is based on the delicate balance of knowing the maturity status of each crop at each member farm, volume available for delivery, capacity of the farm to make delivery at a given time, storage capacity of the warehouse, truck availability to move product out of the warehouse, and the product requirements and subtle nuances of a specific buyer.

The product is delivered to the loading dock of the Eden Valley Growers, Inc. warehouse. At the loading dock the produce is inspected by co-op staff. Product that passes inspection is assigned a lot number. The organization utilizes the Produce Inventory Lot System to source-identify the product. The system provides a tracking mechanism to the farm from which it came and the day that it was received at the dock. Product that does not pass inspection is returned to the farmer for re-grading and packing. Farmers have found re-grading and re-packing to be costly so product delivered to the loading dock is of high quality. Once the product has been accepted and assigned a lot number it is moved into the 16,000 square foot refrigerated warehouse until it is placed on a truck and delivered to the customer. Product is moved out of the warehouse on a first in, first out (FIFO) schedule.

Research and design changes in cooling and refrigeration have lead Eden Valley Growers, Inc. to invest in equipment that preserves the integrity of the produce. A vacuum cooler installed in 1999 best preserves the quality of lettuce. A hydro cooler installed in 2002 is best for preserving the quality of sweet corn and a forced air cooler installed in 2004 is best for preserving the quality of cucumbers and peppers. Use of the vacuum cooler and hydro cooler is available to other growers on a fee for service basis. Most recently Eden Valley Growers, Inc. has invested in construction of new holding cooler with the next phase to include a Slush Ice Cooler to cool broccoli. The integration of cooling capacity and refrigerated warehouse space maintains the cold chain.

MARKETING

The cooperative is responsible for marketing all of the produce grown by members of Eden Valley Growers, Inc. Ninety-five percent of the product sold by Eden Valley Growers, Inc. is perishable vegetables with the remaining 5 percent being root vegetables, winter squash, and pumpkins. Fifty percent of the product is sold to grocery store chains and 35 percent is sold to wholesalers with the remainder sold to processors and food service. One person is responsible for all marketing activities.

Building and maintaining strong relationships with buyers is very important to the success of Eden Valley Growers, Inc. Relationships are built on trust, reliability, and good communications. The Eden Valley Growers Marketing Manager noted, “There are no secrets in the produce business.” In early winter cooperative staff meets with buyers. Buyers are especially attuned to the trends of their respective customers. They share these trends with the Eden Valley Growers Marketing Manager. Discussion also focuses on the product provided and delivered by the cooperative over the past year and expectations in desired products and quantities to be purchased and delivered in the coming year. Throughout the year cooperative staff has kept up-to-date on trade publications. They attend trade shows. Farmers have read trade publications and attend meetings to learn about new vegetable varieties, new production practices, and new consumer trends. Marketing staff will review the sales records of previous years. Once the information is collected the staff and the board of directors meet to share insights and perspectives on the demand for product in the upcoming growing season. Staff will develop a plan for the product needed for the upcoming growing season. Cooperative staff will meet with each farmer individually to suggest what the farmer could grow, how much could be grown and when delivery would be anticipated. The farmer will share his or her perspective on what they could grow. Consensus will be reached between the farmer and the staff member as to what will be provided from the farm for the upcoming growing season.

“There are no secrets in the produce business. Your reputation is critical to your success.”
- Marketing Manager, Eden Valley Growers

During the harvest season, Eden Valley Growers Marketing Manager will be in contact with buyers to share information on product availability and price. Buyers will place orders. Price may or may not be negotiated. Buyers will also notify the Marketing Manager if they plan to run a special promotion and anticipated product and volume needed. Based on this knowledge the cooperative staff will contact the farmer(s) to specify the product desired and request product delivery. Eden Valley Growers, Inc. operates on a pooled pricing system. Similar vegetables from each grower will be ‘pooled’ or commingled, marketed, and sold together. Each producer who participates in the pool is paid the average price received for all the product of like quality delivered during the time allocated to the pool. The members share of the pool proceeds is determined by the volume of product contributed and can be adjusted to reflect a premium or discount to account for quality differences. Pools at Eden Valley Growers Cooperative are one week in length. At the end of each week, a pool price is calculated for the product delivered. Farmers usually receive payment within three weeks of delivery, less a handling fee for each box received.



Eden Valley Growers logo on co-op owned tractor trailer.

Balancing the supply of product available with the demand for the product is challenging. Much of the product is pre-promised to buyers based on the customer meeting in the off season and buyer trends from previous seasons. Plantings are staggered on each farm to extend the growing season and to minimize the chances that excess amounts of product will come to maturity at the same time. When excess product is expected or in some cases even planned, pricing and deals are set up with customers in advance in order that the product will move into that market channel. When customer demand is filled and the cooperative is still heavy with product, quantities are offered at a discount or out to price, as the product needs to be moved so that new product can flow into the warehouse. Commodity buyers are contacted. The cash price may or may not be known when the product is sold. A transportation charge will be assigned by the cooperative on the product moving long distances to reduce the cash value in the pool. When product demand exceeds supply the cooperative will purchase product from non-member farms that grow produce to the standards of the cooperative. In some circumstances, such as a crop failure, there is no product available. This is an industry-wide event that becomes known to buyers and suppliers. Eden Valley Growers marketing staff will notify the buyers that product cannot be secured. Notification to the buyer maintains a positive relationship with the cooperative. Failure to notify the buyer will damage the trust of the buyer-seller relationship and the reputation of the cooperative.

Eden Valley Growers, Inc. has and will continue to be viewed by their customers as a local food supplier. During the early years of the cooperative most of the product sold was within 100 miles of the warehouse. At present most of the product is sold within 300 miles of the facility to customers (including those in New York City and Pittsburgh) who view the cooperative as a supplier of local produce. Interest in locally-sourced foods has increased the demand for product from the cooperative. Chain grocery stores have emphasized that they source their product locally. Eden Valley Growers, Inc. has developed a brand that is placed on each case of product and on packaging for consumer purchase. One grocery store chain brands Eden Valley Growers as a source of local foods. A competing grocery store chain has requested that the farm be prominently featured on the packaging. Eden Valley Growers will be responsive to their customer needs, whether it means the Eden Valley brand or the individual grower label. The local food movement has provided 10 percent to 15 percent higher returns on product from retail buyers. Reliability of high quality product delivered at the desired time to retail outlets is critical to receive these price premiums.

DISTRIBUTION

Cooperative staff schedules delivery and transportation of product to the location desired by the buyer. Delivery is accomplished by 8 truck drivers hired seasonally to drive 4 tractor trailers and 4 box trucks owned by the



Portion of Eden Valley Growers truck fleet.

cooperative. These drivers deliver product to local buyers. An additional driver is contracted to deliver product at longer distances. As a consequence to current and anticipated regulatory changes in the trucking industry and expectations in expanding the business, Eden Valley Growers expects to rely more on long distance haulers. Technological changes in truck performance have reduced environmental impacts. Deliveries are coordinated to minimize fuel consumption. A reliable truck fleet and seasoned, reliable drivers are keys to the successful movement and delivery of product. Trucks carry the Eden Valley Growers logo and truck drivers wear Eden Valley Grower hats. Truck drivers have to be personable and service oriented as they interface with the staff of the buyers.

“Truck drivers have to be personable and service oriented as they interface with staff and buyers.”

–Marketing Manager, Eden Valley Growers

COOPERATIVE GOVERNANCE

Eden Valley Growers Cooperative has five people who serve on the board of directors. As cooperative membership decreased the number of board members decreased from seven to five members. The board officers include a President, Vice President, Secretary, and Treasurer. The board has a standing Labor Committee to deal with human resource issues and ad hoc committees, which may include both board and non-board members. Each director serves a three-year term. The cooperative has two types of stock. New members must purchase one share of common stock within the first year of membership. This share of stock provides the member the right to vote and eligibility to serve on the board of directors. The other stock is purchased by members when there is a financial shortfall by the cooperative and the board of directors determines that members should make an additional investment. Most recently the board of directors decided to allow one share of non-stock membership. The non-stock membership was given to the cooperative’s general manager in recognition of his dedication to the growth and success of the cooperative.

An important change was made by the Eden Valley Growers board of directors to align the business year of the cooperative with the growing season of its members. The cooperative’s books close in March. Thus members are aware of the profit made by the cooperative in the preceding year of the upcoming growing season. Produce is sold through the growing season and accounts receivables are mostly paid by November. Management has evaluated the physical wear and tear of equipment and emerging trends in the marketplace. This allows them to make recommendations to the board regarding needed capital improvements or funds to explore emerging opportunities. As the growing season is complete, grower-members have evaluated the profit and loss of their respective operations. After all of these factors are considered, the board of directors determines the portion of net returns to be retained by the cooperative and the portion to be distributed to member-farms. Patronage is allocated to member farms in proportion to the number of boxes that were delivered from each member farm and sold by the cooperative.

Another important service provided by the cooperative to its members is to aggregate orders for inputs of planting supplies. The members of Eden Valley Growers, Inc. have

substantial greenhouse operations. Members aggregate orders for potting mixes, water soluble fertilizers, containers, plastics and drip tape supplies to receive large volume discounts. This has proven especially helpful for small farms, as they receive the same quantity discount as larger growers. Reduction in costs of inputs has increased profitability of the cooperative's members. This service also builds loyalty of the members to the cooperative.

KEYS TO SUCCESS

Several reasons have led to the success of Eden Valley Growers Cooperative. Management and staff noted the importance of trust, integrity, and good communications. Members instill from one generation to the next the importance of delivering high quality produce to the cooperative. Growers trust each other and trust the staff to coordinate delivery of product to the aggregation facility at a point beneficial to the member and to the cooperative. The pre-season planting plan is necessary to anticipate and manage supply of product available.

Communication by phone daily and sometimes hourly is necessary during the harvest season to anticipate the quantity of product and time of delivery. At the same time there is a need for flexibility. Building and maintaining strong relationships between the cooperative and buyers is important. Providing a quality product and meeting the expectations of the buyer is critical. If expectations cannot be met, the relationship can be preserved if the cooperative notifies the wholesaler or retailer in advance so that the buyer can purchase product from another source and in the case of the retailer, modify promotional materials.

"Trust is a greater goal. There can be resentment between members when one member views his crop as ready to harvest and sees the same crop being harvested from another member's field. Members have to trust that management and the organization to achieve the greater goal." – Board Chairman, Eden Valley Growers

To learn more about Eden Valley Growers, Inc. visit the following website:

<http://edenvalleygrowers.com/>