

# **“Local Is Delicious,” But It’s Not Always Easy:**

## **A Case Study of the Western Montana Growers Cooperative**



**A community-based action research project of the  
Environmental Studies Program, University of Montana,  
in partnership with the  
Western Montana Growers Cooperative  
& Mission Mountain Food Enterprise Center**

**November 2013**

This research emerged from a graduate workshop offered through the Environmental Studies Program at the University of Montana during Fall 2012. Sixteen students and Professor Neva Hassanein carried out this multi-dimensional case study of the Western Montana Growers Cooperative. Such community-based action research allows students to contribute to building our regional food system and to learn by doing.



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**To cite the document:** Please cite particular chapters as if in an edited volume. To cite the full document, we suggest:

Hassanein, Neva, Laura Ginsburg, Kimberly Gilchrist, Caroline Stephens, and Eva Rocke, editors. 2013. *Local Is Delicious, But It's Not Always Easy: A Case Study of the Western Montana Growers Cooperative*. University of Montana, Environmental Studies: Missoula.

**“LOCAL IS DELICIOUS,” BUT IT’S NOT ALWAYS EASY:  
A CASE STUDY OF THE WESTERN MONTANA GROWERS COOPERATIVE (WMGC)**

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AERO – Alternative Energy Resources Organization	
CBAR – Community-Based Action Research	
CSA – Community Supported Agriculture	
LCCDC – Lake County Community Development Corporation	
MMFEC – Mission Mountain Food Enterprise Center	
USDA – United States Department of Agriculture	
WMGC – Western Montana Growers Cooperative	

## DEDICATION

Jane Kile (1954-2010) was a pioneer in Montana's organic and community-based agriculture movements. She committed herself to conserving wild lands; supporting sustainable forestry, farming and ranching; and creating stable, self-sufficient rural communities. Jane was instrumental in the formation of the Western Montana Growers Cooperative. This report is dedicated to her memory and inspiration, which live on.



## ACKNOWLEDGEMENTS

The UM Environmental Studies Program gratefully acknowledges our community partners for their support and interest in the project and in students' learning. For financial support and helpful guidance, we thank Jan Tusick, Karl Sutton, and the rest of **Mission Mountain Food Enterprise Center**, a Division of the Lake County Community Development Corporation, as well as Rural Cooperative Development of the United States Department of Agriculture. We are especially grateful to the **Western Montana Growers Cooperative** (WMGC) for its willingness to provide input on the research and share information vital to this research, especially Dave Prather and the WMGC Board of Directors.



# EXPLORING A FOOD HUB IN THE NORTHERN ROCKIES

Neva Hassanein and Laura Ginsburg

## Introduction

With deep roots in the movement for sustainable agriculture and community-based food systems, the Western Montana Growers Cooperative (WMGC) formed in 2003. This agricultural marketing cooperative aggregates, processes, markets, and distributes products at a regional scale for its grower members. Using the tag line “local is delicious,” the WMGC serves wholesale markets (e.g., grocers, restaurants, institutions) and their own community supported agriculture (CSA) program. The business’ formation and the key partnerships involved reflect what many scholars and practitioners have increasingly recognized while working to promote local and regional food systems in Montana and elsewhere. That is, in order for such food systems to flourish, infrastructure and marketing channels supporting short, values-based supply chains must be developed, scaled appropriately, and sustained over time.<sup>1</sup>

The new term “food hub” and the attention being given to the concept reflect this systems orientation and interest in intermediated local/regional markets.<sup>2</sup> While food hubs may serve a variety of economic and social functions, they are most simply understood as businesses or organizations that actively manage the aggregation, processing, marketing, and/or distribution of local and regional food products. Aggregation refers to the combining of products sourced from multiple growers, and marketing and distribution networks typically retain some level of source identity with sales to wholesale markets.<sup>3</sup> Food hubs have adopted various legal structures, including privately held businesses, non-profit organizations, and cooperatives. Cooperative businesses constitute about 21% of the 168 food hubs identified by the United States Department of Agriculture (USDA).<sup>4</sup>

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<sup>1</sup> Diamond, A. & J. Barham. 2011. Money and mission: Moving food with value and values. *Journal of Agriculture, Food Systems, and Community Development*. 1(4):101-117.

<sup>2</sup> Horst, M. E. Ringstrom, S. Tyman, M. K. Ward, V. Werner, & Branden Born. (2011). Toward a more expansive understanding of food hubs. *Journal of Agriculture, Food Systems, and Community Development* 2, 209-225.

<sup>3</sup> Day-Farnsworth, L. & A. Morales. (2011). Satiating the demand: Planning for alternative models of regional food distribution. *Journal of Agriculture, Food Systems, and Community Development* 2, 227-247.

<sup>4</sup> Matson, J. M. Sullins, & C. Cook. (2013). *The Role of Food Hubs in Local Food Marketing*. USDA Rural Development, Service Report 73.

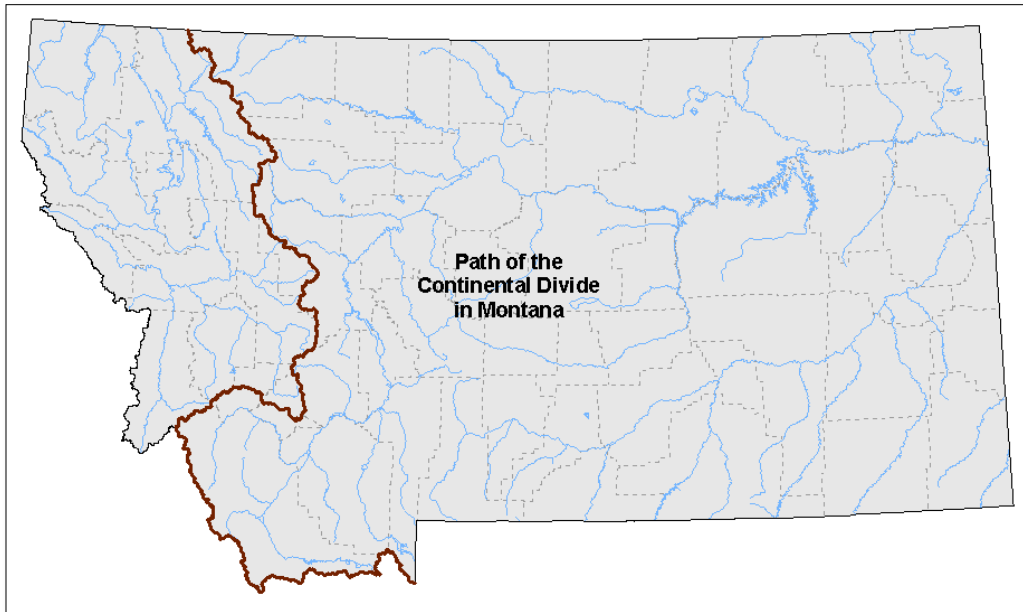
Continuing a long tradition of organized opposition to the concentration of economic power in agriculture, farmer cooperatives have strong potential as a vehicle for empowerment and solidarity.<sup>5</sup> As member-owned and controlled businesses, the democratic form of cooperatives creates an opportunity for the emergence of a shared identity around goals and values. In the case of food hubs, that collective identity seems likely to be constituted around the goal of and values associated with building a food system grounded in a particular place and network of relationships. In turn, the infusion of cooperative principles into food hubs might reinforce the development of values-based supply chains, which generate economic value *and* advance particular social, economic, or environmental values.

This report presents the results of a community-based action research project (CBAR) about one particular food hub, the WMGC, and its role in a local and regional food system in the Northern Rockies. Geographic factors certainly contributed to a strong practical interest among producers, economic development professionals, and other food system actors in developing this food hub. Montana's geography is roughly defined by the Continental Divide, which splits the western one-third and the eastern two-thirds of this vast state – the nation's fourth largest in area (see Map 1). With just over a million people, Montana is ranked 48<sup>th</sup> out of the 50 states in terms of population density. The vast majority of the growers in the WMGC (36 in 2011) are located west of the Continental Divide, especially in Flathead, Lake, Missoula, Ravalli, and Sanders Counties (see Map 2). Montana's cities and, therefore, larger markets are spread apart geographically. These include Missoula, Kalispell, and smaller towns around Western Montana, as well as points east, including the cities of Helena and Butte, Bozeman, and even Billings in Eastern Montana. The northern latitude and shorter growing season have logically led to partnerships to meet demand during winter through processing and storage facilities. Despite the fact that Montana is sparsely populated – or perhaps because of it – there are strong social and economic networks among those working on various alternative food and agriculture initiatives.

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<sup>5</sup> Gray, T. W. & G. W. Stevenson. (2008). Cooperative structure for the middle: Mobilizing for power and identity. In T. A. Lyson, G. W. Stevenson, & R. Welsh, (Eds.), *Food and the Mid-Level Farm: Renewing an Agriculture of the Middle*. Cambridge, MA: The MIT Press.

Map 1: Path of the Continental Divide in Montana



Map 2: Montana Cities and Counties





## Collaborative Research Approach

In conventional research, so-called “experts” decide on the issue to be studied, and mainly present their findings to other scholars. By contrast, CBAR aims to systematically answer questions in collaboration with community partners affected by the issue being studied and for the purpose of effecting change in some way.<sup>6</sup> The process rests upon strong relationships between the researcher(s) and the community or organization. In this case, for over a decade, Neva Hassanein, Professor of Environmental Studies at the University of Montana (UM), has worked in a variety of capacities with organizational, governmental, and individual actors engaged in efforts to transform the food system. As a result of those relationships, this project emerged from conversations among UM researchers, staff and board members of the WMGC, and staff from the Mission Mountain Food Enterprise Center (MMFEC) of Lake County Community Development Corporation (LCCDC).

During a graduate-level course at the UM during late 2012, a research team of 16 students and Hassanein carried out this multi-dimensional case study about the WMGC. In the spirit of CBAR, UM researchers met several times with our community partners to determine the scope of the project. The WMGC board and staff generated ideas for specific research questions, emphasizing interest in learning more about the perspectives of their members and their customers. The Cooperative Development Center at LCCDC was instrumental in creating the WMGC; therefore, their staff was particularly interested in a comprehensive case study, wanting to be able to tell the story of how the Cooperative functions in the emerging local and regional food system. With funds from Rural Development at USDA, LCCDC provided financial support for the project. Specific objectives included:

- To describe and analyze the structure and function of the WMGC and its role in the regional food economy;
- To explore the values-based supply chains associated with the Cooperative; and
- To learn about what is working well and what might be improved.

The research presented here not only answers questions of interest to the Cooperative and its partners, but also contributes to a general understanding of small-scale cooperatives operating as food hubs, values-based supply chains, and the possibilities and challenges associated with building a more democratic, regional food system in a large rural area.

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<sup>6</sup> Stoecker, R. (2005). *Research Methods for Community Change: A Project-Based Approach*. Thousand Oaks, CA: Sage Publications.

## Methods

Students joined one of three teams, each of which studied different links in the supply chain associated with the WMGC, including staff, partners, grower-members, and selected buyers. These relationships are illustrated in the schematic below:



A schematic representation of the Western Montana Growers Cooperative, its partnerships, membership, and buyers. Membership and wholesale sales percentages from 2011. Other sales (e.g., freight) were 6%. CSA sales are included in the institutional and other sales categories.

Student teams developed research strategies, and then collected and analyzed data in their particular topic area. Each of the teams reports in the following three parts:

**PART I: Structure and Function.** One team looked at the structure of the WMGC, its aggregation and distribution process, and the three primary (because other companies also distribute for them, not just Charlie's) strategic partnerships it has. In addition to document

review (e.g., sales data, organizational policies), the team carried out in-depth interviews with the all six of the staff members employed at that time, as well as some participant observation during warehouse packing and distribution. This team also interviewed five people from the three strategic partnerships – that is, at MMFEC; Common Ground Farm where the warehouse is located; and Charlie’s Produce, a partnering business that carries some of WMGC products to more distant cities in Montana.

**PART II: Members’ Experiences and Perspectives.** A second team focused on the grower-members of the WMGC. In addition to analyzing members’ sales and product data, the team conducted in-depth interviews with 15 of top 18 producers in terms of dollars sold through the Cooperative during the 2011 season (83% response rate). These semi-structured interviews focused on members’ interactions with and perspectives on the WMGC.

**PART III: Customers Experiences and Perspectives.** The third research team learned from selected customers about their experiences with this business enterprise. Because of the Cooperative’s interest in expanding the CSA, all 151 of its members were invited to participate in a self-administered survey; 112 members either filled it out at the pick-up site or returned it via mail for a response rate of 74%. Health food stores make up nearly half of total annual sales for the WMGC; therefore, this team conducted phone interviews with 10 buyers from nine stores. Lastly, because institutions constitute a perceived growth opportunity for the Cooperative, the team interviewed four of these buyers on the phone.

Interviews were recorded and transcribed; the research teams coded and analyzed the text to identify themes that answered the research questions using basic content analysis techniques.<sup>7</sup> The CSA survey mostly had closed-form questions, which were tabulated and cross-tabs were analyzed for significance; the few open-ended questions were coded and tabulated.

The research approach used here presents several strengths and weaknesses. Given the number of people in this course project, we were able to collect and analyze a considerable amount of multi-dimensional data in a relatively short period of time. Such a holistic understanding of an organization within its social context is a hallmark of the case study approach. The in-depth interviews<sup>8</sup> generated a detailed description of participants’ experiences and knowledge. Researchers asked all interviewees in a given group the same questions; however, participants also had a chance to raise unanticipated ideas, and probes were used to clarify, rather than assume, the meanings of terms. The strong response rates for both the survey and the interviews increase confidence in the data.

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<sup>7</sup> Hesse-Biber, S. N. & P. Leavy. (2011). *The Practice of Qualitative Research*. Second Edition. Los Angeles: Sage Publications.

<sup>8</sup> Interview guides available upon request.

In addition to the goal of contributing to regional food system efforts, this project was most of all a learning experience for the student researchers. For most of them, this was their first time doing research. The project gave them an opportunity to develop new skills in a supportive environment and with guidance from the professor. In the process, students built new relationships and developed a first-hand and fairly detailed understanding of social and economic activity in the regional food and agricultural system. The research teams presented the findings to the WMGC Board of Directors and some of their key partners in December 2012.



## **“LOCAL IS DELICIOUS,” BUT IT’S NOT ALWAYS EASY:**

### **A CASE STUDY OF THE WESTERN MONTANA GROWERS COOPERATIVE (WMGC)**

#### **SUMMARY OF FINDINGS**

##### **Structure & Function**

- The WMGC is an agricultural marketing cooperative that is owned by its grower-members. Cooperatives are self-governed, democratically controlled businesses whose profits benefit the member-owners.
- The WMGC is building the regional food system by providing a cost-based service, ensuring farmers receive fair prices, and connecting farmers to larger wholesale and institutional markets. The Co-op bases its prices on gross margin (i.e., percent of selling price that is profit), including 25% for produce and 20% for meats and eggs. The pricing structure could be revised so that is more robust and reflects the variety of products and distance to markets.
- Over the course of seven years, the Co-op experienced an average annual rate of growth of nearly 31% (2006-2012). At times, cash flow for operations is dependent on members’ contributions as either short-term loans or accounts payable. The Co-op has relied on philanthropy, especially in the early years, and on grants, such as a recent one from USDA’s Farmers Market Promotion Program.
- In Fall 2012, the Co-op had three full and three part-time employees.
- Operations could be better streamlined and safer by developing schedules that allow for adequate driver rest, utilizing labor and time saving equipment, and minimizing travel with an empty truck.
- Additional equipment has made the warehouse work easier and faster. Yet, improvements could be made with respect to boxes, labels, accurate poundage increments, and pallet wrapping.
- Re-location of the warehouse and offices to Missoula is under consideration, which would make it more central for growers who farm to the south and improve access to the Interstate.
- The Co-op will benefit by developing more year-round markets, which would help to retain trained staff over the winter months and increase cash flow.

- Clear, consistent communication among all players will be essential to continued success.

### **Partnerships**

- Partnerships with other businesses and non-profits have been and will continue to be key to the Co-op's success.
- The Mission Mountain Food Enterprise Center (MMFEC) has provided extensive assistance with cooperative development, processing facilities, food safety information and training, and connections to school and university markets.
- Common Ground Farm in Arlee (30 minutes north of Missoula) has housed the Co-op since inception and provided infrastructural support.
- For a fee, Charlie's Produce, a regional food distributor based in Seattle, has distributed WMGC's goods to markets in Central and Eastern Montana.

### **Producer Members**

- Growing from nine members in its first year, the WMGC had 36 by 2011, seven of whom served on the Board of Directors at the time of the study. Members are located across a large rural area. Most of the members' farms are certified organic, branded with a local eco-label (Homegrown), or both.
- Although Co-op members heavily contributed to the vegetable category (62% of the members sold vegetables through the Co-op), these sales accounted for less than 30% of the total annual sales in 2011. In contrast, when combined, products such as fruit, dairy, eggs, and poultry account for 55% of the total annual sales, while only 38% of members contribute to these categories.
- Three members provided product that amounted to 37% of the total annual sales in 2011; another four sold over 26%; and 8 made up nearly 25%. Of the 36 members in 2011, 21 sold less than \$10,000 worth of goods.
- Products sold by multiple members while representing a small portion of sales (such as vegetables) may indicate potential areas of conflict for grower commitments. Low sales item may indicate areas for growth and increased member participation (such as beef and pork).

- According to the members interviewed, the primary benefits are: the distribution and aggregation of goods; empathetic relationships with other members; working with committed staff; financial return; and belief in local products.
- The WMGC has been particularly helpful to small and/or beginning farms improving their financial viability through improved market access, assistance with production planning, and opportunities to grow with the Co-op.
- Primary challenges mentioned are: inaccurate sales projections; competition between growers over commitments; competition between members and the Co-op for the same market; short turnaround from sales to pick-up; and the sales margin.
- Some members of the Co-op are much more deeply involved and invested in it than others who have limited sales and tend to remain on the fringes. Ten of the 15 farmers interviewed expressed that they were definitely committed to and invested in the success of the Co-op.
- Member engagement could be strengthened with greater communication (e.g., a newsletter), trainings, work parties, and increased attendance at the annual meeting.
- Members think the Co-op is fulfilling its role in the local food system by being an aggregation and distribution hub; increasing access to local foods; improving the viability of small and beginning farmers; and being “the face” of local food in the region.
- Most members would like to see the Co-op continue to grow. They raised several issues and provided specific ideas regarding: increasing the number of buyers, more thoroughly saturating current markets, diversifying the kinds of products sold by the Co-op, necessary steps for growth, and increasing the number of producer members. When discussing individual growth, members expressed willingness to increase or change their farm’s production to meet changing demands of the Co-op.

### **Customers and Markets**

- Health food stores generated 47% of the total sales in 2011, followed by 26% at other grocery stores, 14% to restaurants, 7% to institutions, and 6% other.
- The sales from the CSA accounted for roughly 9% of the WMGC’s total sales (CSA sales are included in the institutional and other customer types above). The CSA has had positive financial impacts on the Co-op, while allowing more families to access local foods through the distribution of shares at multiple drop points and employees at an area hospital.

- Initiated in 2008, the CSA program has grown considerably to 151 shareholders in 2012. The Co-op aims to double that number in the next couple of years.
- Eight to ten farms provided for the CSA in 2011.
- CSA members consistently ranked the quality of the produce (freshness and taste) and the healthfulness of the food as being very important reasons why they participate. CSA survey respondents also greatly valued that they are “supporting local farming” (92%) and that they are “contributing to environmentally friendly agriculture” (86%).
- Buyers at institutions and health food stores valued being part of the movement to build a regional food system. They appreciated that the WMGC provides a reliable mechanism for purchasing in larger quantities and supporting a greater number of area farmers than the buyers could otherwise access. These customers also appreciated the high quality and freshness of the products, and they have generally found the ordering process convenient and easy.
- Buyers described their relationships with staff as strong and mutually beneficial. They praised the staff’s communication abilities and their willingness to address problems that arise. CSA customers also ranked the customer service of the CSA coordinator very highly.
- The buyers identified the need to improve packaging, provide more processed products, and increase quantities available.
- Knowing the particular farmers was not as important to CSA customers as the knowledge that they were supporting local agriculture. Conversely, health food stores noted that connecting a product to a certain farmer helped with sales. Indeed, they asked for more educational efforts around the meaning of certification labels and food source identity.
- Health food stores should continue to be a strong market because customers are more willing to pay premium prices for the high-quality, local/regional food. New opportunities in this market may be harder to find.
- Institutional markets – especially if processing expands – provide a growth opportunity for the Co-op. Their brand and information on the particular farms are less transparent to the end-user, however.



**PART I: THE STRUCTURE AND FUNCTION OF  
THE WESTERN MONTANA GROWERS COOPERATIVE**

Emily Davidson, Laura Ginsburg, Taylor Lyons, Stephanie Parker, and Caroline Stephens

**The Place of the WMGC in the World of Cooperatives**

Since its inception in 2003, the Western Montana Growers Cooperative (WMGC) has marketed and distributed agricultural products at a regional scale for its grower members. Every year, the WMGC has grown in number of members, sales, customers served, and pounds of products sold. The first section of this report focuses on the Growers Cooperative itself: the legal structure as a cooperative in the state of Montana; the history of the WMGC; past and current sales; an overview of aggregation and distribution practices; staff perspectives on a variety of topics; current partnerships; and future prospects.

This section is based upon data collected using three methods. First, our team carried out eleven in-depth, semi-structured interviews with all staff members and key partners. Interviews averaged 80 minutes in length. For nine of these interviews, two interviewers were present, and only one interviewer carried out the remaining two. All staff interviews contained standard questions about the individual's specific role; length of employment; questions regarding the mission, vision, and role of the WMGC; and thoughts regarding services the Co-op could offer in the future. Each employee also spoke to their own particular area of expertise within the WMGC. All interviews were recorded and transcribed and then coded for themes. Participants were assigned a unique code to identify their voices throughout this section and to increase the reliability of the reporting. In the findings below, employees of the Co-op are designated by the letter "E" and a number, and partners with the letter "P" and a number. The researchers have made every attempt to accurately reflect the opinions of the interviewees. Bear in mind that the thoughts expressed in the following sections reflect the perspectives of the staff and partners and not the grower-members. For the interview guide with staff members, see Appendix A.

The second method of data collection was participant observation through ride-alongs on pick-up and delivery routes and at the warehouse during order packing. Detailed field notes were taken during and after these experiences, which allowed researchers to observe first-hand the daily tasks of staff members.

The final method of data collection involved document review. Documents included such things as financials reports generated by the Cooperative, legal codes from the Montana Code Annotated, membership agreement forms, Articles of Incorporation, and By-Laws of the

WMGC. Document review gave us the ability to better understand the structure and functioning of the Co-op since its inception.

### **Cooperative Structure & Function**

For well over 100 years, cooperative businesses have been representing and meeting the needs of their member-owners in the United States. From credit unions to buying clubs, cooperatives allow people to come together to address the needs of their community with a business model that is flexible and responsive<sup>9</sup>. For agricultural producers, cooperatives first became popular in the early 1900s in an attempt to protect themselves collectively from undercutting pricing strategies of larger businesses that could exert more buying power and downward pressure on price<sup>10</sup>.

Three major characteristics distinguish cooperatives from other business models. First, governance comes from a board of directors, comprised of member-owners. Theoretically, the board of directors has direct buy-in to the success of the Co-op and decisions are typically made by majority or unanimous vote. Other business models hold the Chief Executive Officer (CEO) or President responsible for company decision-making. Second, cooperatives are managed for the success and profitability of its members. Cooperatives have a mandate to pay out earnings to members or reinvest for improved functioning, such as upgraded facilities or infrastructure, or savings accounts for future purchases or loans. Other businesses are managed for profit of the business and to pay dividends to shareholders; typically earnings are not returned to workers. Third, cooperatives ideally operate under seven guiding principles that encourage knowledge sharing, democratic functioning, open membership, and concern for community, also known as the Madison principles (see Appendix B). Cooperatives are likely to: share lessons of business success and failures with other cooperatives; be invested in the well being of their members and surrounding community; and encourage a thoughtful, democratic process for decision-making. Most other businesses consider business information as confidential or proprietary, give to their community as a form of charity, and do not encourage worker input on decisions regarding company functioning.

Laws governing incorporation of a business and the activities the cooperative can undertake vary by state. Montana Code Annotated (MCA) Title 35, Chapter 17 describes state law

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<sup>9</sup> Nadeau, E.G. 2012. *The Cooperative Solution: How the United States can Tame Recessions, Reduce Inequality, and Protect the Environment*. The Cooperative Foundation. Available at: [http://www.thecooperativefoundation.org/images/Cooperative\\_Solution\\_6x9-h\\_copy.pdf](http://www.thecooperativefoundation.org/images/Cooperative_Solution_6x9-h_copy.pdf)

<sup>10</sup> Reich, A. 2007. The agricultural exemption in antitrust law: A comparative look at the political economy of market regulation. *Texas International Law Journal* 42(843): 843-874.

regarding agricultural marketing cooperatives. In Montana, an agricultural marketing cooperative must have at least five members to form and operate as a nonprofit cooperative association. Under MCA 35-17-105, the permissible activities include:

1. Any activity in connection with the marketing or selling of the agricultural products of its members or with the harvesting, preserving, drying, processing, canning, packing, storing, handling, shipping, or utilization thereof or the manufacturing or marketing of the byproducts thereof;
2. Any activity in connection with the manufacturing, selling, or supplying to its members of machinery, equipment, or supplies;
3. The financing of the above-enumerated activities;
4. Or any one or more of the activities specified herein.

The first step in forming a cooperative is to draft articles of incorporation, which includes primary information about who is coming together, for what purposes, where, and for how long. Articles of Incorporation describe the structure onto which the specifics of how the cooperative will function are built. Bylaws include information about meetings; what constitutes a quorum; election and terms for the Board of Directors; membership rules and fees; payment or transfer of stock; and reasons for withdrawal of membership rights (MCA 35-17-206). See Appendix C for the Bylaws of the Western Montana Growers Cooperative.

The Board of Directors (BOD) is the main decision-making body in a cooperative business. Made up of member-owners, the BOD is invested in the outcome of their decisions regarding the operation of their cooperative. In the WMGC, the five-member board is elected for 3-year terms, staggered to provide overlap and leadership for new board members. The Board governs:

the business and affairs of the Cooperative and shall be empowered to adopt all necessary rules and regulations not inconsistent with the Articles of Association or Bylaws. The rules and regulations may be established for the operation of the business, the guidance of the officers and other employees, and the management of the Cooperative. The Board of Directors of the officer or officers to whom the power is delegated, shall hire and fire employees of the Cooperative, and determine duties, salaries, and other conditions of employment (WMGC Bylaw 3).

The BOD also has the power to form an executive committee that has nearly all of the same powers as the full board, or other committees to address regulatory changes. The four officer positions include a Chairperson, a Vice-Chairperson, a Secretary, and a Treasurer. These positions are filled by election at the Annual Meeting. Board members are compensated for

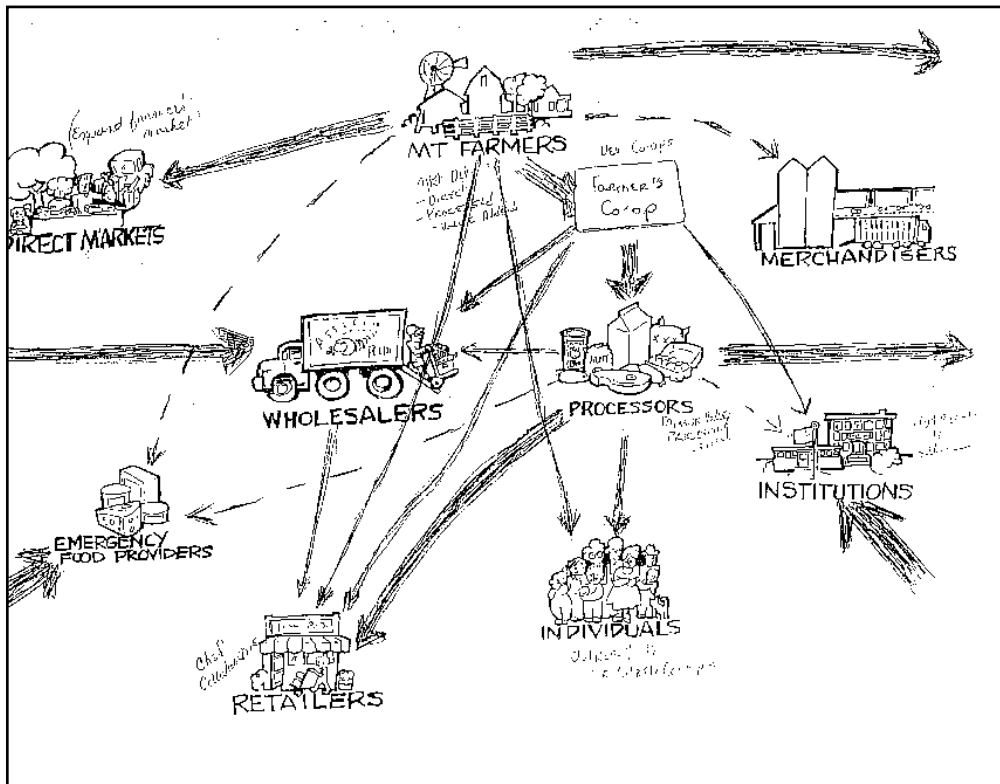
meeting attendance and those who hold officer positions receive further compensation as determined by the BOD.

Member-owners constitute the base of any cooperative, and have their own rules and regulations that must be followed. A potential WMGC member first fills out an application regarding their interest in the Co-op and then the manager meets with them to determine their fit with the Cooperative. If the new member is approved, they pay a membership fee. Members must abide by the Bylaws and membership agreement (Appendices C & D). Annual membership fees are included as income of the cooperative. Membership benefits in the cooperative include pick-up, transport, and delivery of the farm's products, and some member's goods are further processed into value-added items at Mission Mountain Food Enterprise Center (see below for further detail about this relationship). An agricultural cooperative is required by law to sell the majority of goods from members, but up to 49% of sales can come from non-members.

### **History of the Western Montana Growers Cooperative**

In the mid-1990s, a group of producers in Western Montana – that is, west of the Continental Divide – set the foundation of what would later become the WMGC. “There was a group of area producers that were just exploring the idea of marketing together. They called themselves the Mission Valley Organic Growers Cooperative,” said Jan Tusick, director of the Mission Mountain Food Enterprise Center (MMFEC). The organization was short-lived. Without technical assistance or existing infrastructure to work with, it struggled to establish itself. Nonetheless, the seed was planted to create a marketing and distribution cooperative that could help growers sell their products. Soon after, Jane Kile, an organic grower in Dixon, Jan Tusick, and other farmers were part of an initiative organized by the statewide Alternative Energy Resources Organization (AERO). AERO's Montana Food System Initiative involved a collaborative process for analyzing the food system in Western Montana and identified areas for development, particularly marketing and distribution of local foods. These concurrent developments, along with the dismantling of the Mission Valley Organic Growers Cooperative, set the climate for the founding of the WMGC.

In 2000, the MMFEC successfully secured a Community Food Project grant through the United States Department of Agriculture (USDA). The primary aim was to provide the seed capital for a growers cooperative. The founding members then had to convince other growers to join. “Jane went...up to Whitefish, she went up to Plains, Hot Springs, the local area and really held some good discussions with producers and identified their needs,” said Tusick. “A core group came together out of that work and organized the Western Montana Growers Co-op.” Incorporated in 2003, 2013 marks its tenth anniversary.



The above illustration captures early thought in the potential role for a growers' cooperative in Western Montana and was an outcome of the AERO Montana Food System Initiative.

The Co-op found its home base in Arlee at Common Ground Farm owned by Mary Stranahan. She had purchased the property a few years prior from the Bureau of Alcohol, Tobacco, Firearms, and Explosives, which had seized the land from its previous owners. The infrastructure left over—two warehouses and an office—became the aggregation and distribution facility for the Co-op. Another farmer who had previously leased land at Common Ground had built a refrigerated unit in one of the warehouses, which also was useful. Stranahan, a longtime supporter of the Co-op, charges very affordable rent for the Co-op's use of the warehouse. In order to develop infrastructure for distribution, Stranahan also helped the WMGC purchase a refrigerated truck. "I bought the truck and leased it to them and eventually, I donated it to them...when it looked like they were going to make it," said Stranahan.

From the start, the Co-op's primary vision was to increase food supply to the region by marketing, aggregating, and distributing local food products. The founding members hoped to

address the issues of increasing food access and local food supply by marketing and distributing local food products from local farmers. Yet the efforts at organizing faced challenges.

An important initial obstacle that had to be overcome was simply an apparent lack of interest among farmers. “The ones that were established were not interested in a co-op, because they were established and doing fine, and thank you very much, why add another layer,” said Stranahan. It took a lot of talking to farmers across Western Montana to increase membership. The founders of the Co-op had to “push people to join to some extent. [I had to] get some of my friends who were established farmers to join,” said Stranahan. But this barrier was “overcome within two or three years.” Indeed, by 2011 the number of members had grown to 36 in 2012 from the 9 founding farms in 2003. Details on the current membership are presented in Part Two of this report. The Co-op has also grown in terms of sales, reaching a high of over \$900,000 gross sales in 2012 (the time of this study).

### **Partnerships**

As explained further below, the WMGC has developed several key partnerships. First, the Co-op has a partnership with Charlie’s Produce, a regional food distribution company based out of Seattle, Washington. Developed in 2011, and the partnership helps the Cooperative reach markets further from Arlee, taking WMGC goods all the way to Billings (about 370 miles to the east). Also in 2011, the WMGC began to process some of their produce with Mission Mountain Food Enterprise Center’s (MMFEC) processing facility in Ronan. In 2012, processing has continued to increase, allowing Montana farmers’ produce to be sold to more markets, such as local public schools, and throughout the year as frozen product.

### **Employees**

In Fall 2012, the WMGC had three full and three part-time employees. Soon after data collection ended, the number dropped to five as the assistant manager stepped down, and two existing staff shifted roles in the wake of that transition. The number of staff typically decreases in the winter as the workload also diminishes but with the departure of the assistant manager and recently awarded grants, the WMGC retained the majority of staff during the slower season (winter 2012-13).

The general manager (GM), Dave Prather, completed his third season in this position in 2012. Previously, Prather worked as a driver, warehouse worker, and assistant manager. As GM, his job duties include: coordinating grower commitments; budgeting expenses; communicating with the Board of Directors; managing and hiring staff; growing the customer base and finding new markets; maintaining and procuring equipment; and helping in the warehouse as needed.

Perhaps most importantly, Prather coordinates the movement of produce from members' farms to its final destination, including scheduling processing at the MMFEC.

For nearly two and a half years, Jim Sugarek was the assistant manager and bookkeeper. His job mainly consisted of making sales calls, planning and budgeting, readjusting product prices, and working in the warehouse. Sugarek continues to do the books and create financial statements on a contractual basis. He stepped down as assistant manager in October 2012.

Steffen Brown has been the primary driver and distribution coordinator from mid-2011 through 2012. He does a lot of driving, for both pick-up and delivery routes. He also spends a good deal of time in the warehouse packing orders and coordinating with the other drivers as well as helping manage and train employees. Recently, he has been doing more direct sales with customers. Brown assumed the role of assistant manager in late 2012. The position is structured differently than in the past as it will not include financials and will be more centered on streamlining sales and distribution.

Connie Surber and Brianna Ewert both began their work with at the WMGC while the 2012 season was in full swing. As drivers and warehouse workers, they primarily pack orders and do delivery and pick-up driving. With recent staffing changes, Surber will now become the primary driver and distribution coordinator, assuming Brown's previous role. Warehouse workers often turn over each season.

Amy Pavlock has managed the Community Supported Agriculture (CSA) program for three seasons. She coordinates growers and production needs according to the CSA delivery schedule. Pavlock also markets the CSA during the off-season to gain new shareholders. During the growing season, she packs CSA boxes, ensures that people are paying for their shares, and writes a weekly newsletter included in each box.

### **Products and Price-Setting**

The WMGC carries a fresh product line, striving to have produce to their customers within 24 hours of picking it up from the growers. The bulk of sales consist of vegetables, fruits, poultry, and dairy. Less than ten percent of sales are from other products or services such as meat, herbs, dry goods, and freight. As discussed in Part Three, the WMGC sells nearly half of its products to health food stores, another quarter to other grocers, and the remainder to restaurants, institutions, and other venues. Five years ago, the Co-op developed a Community Supported Agriculture (CSA) program. Having started with just a few farms and around 30

shareholders, the CSA program served 150 shareholders in 2012, with more than 40 at one drop-site.

The WMGC carries Certified Organic, a local label called Homegrown, as well as conventional products. The USDA defines “Organic” as food or other agricultural products that have been “produced through approved methods that integrate cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity”. Organic farms must follow production standards and be certified by an accredited USDA certifying agent.

Formed in 2005, the Montana Sustainable Growers Union (MSGU) is a group of local farmers within a 75-mile radius of Missoula. MSGU administers the Homegrown label, and its farmers pledge:

- No use of synthetic herbicides, insecticides, fungicides, or fertilizer on crops, fields, or livestock;
- Sustainable management practices of the soil, water, and air quality;
- No use of chemically treated or genetically engineered seed; and
- No hormones or antibiotic-laced feeds or feeds of genetically engineered origin.

Homegrown producers complete a questionnaire concerning their farming methods, attend two meetings per year, pay annual dues of \$50, participate in annual farmer-to-farmer visits, and are asked to donate \$25 worth of their product in exchange for the communication coordinator’s volunteer efforts.

In 2011, nine percent of the WMGC’s sales came from the CSA program. The WMGC decides which farmers grow for the CSA based on hierarchy for what growers have produced in the past. As one staff member explained, “We did the policy and procedure thing, and we decided that if [the growers] have been growing for the wholesale for at least one season of successful production then they could be considered for CSA. It needed to be something unique for CSA that we didn’t have or something that someone else didn’t want to grow anymore or they decided that they can’t grow it in the quantity needed.” The CSA portion of the Co-op’s sales is projected to grow and expand, especially given a recent grant from the USDA.

### **Price-setting**

Certified Organic and Homegrown items are priced the same. According to S2, “conventional can be a little cheaper to quite a lot cheaper. And we really have trouble with conventional vegetable pricing because it’s really cheap.” Certified Organic and Homegrown products are priced at a premium using several methods:



- A consensus of the desired price expressed by growers;
- Historical data;
- Market research to set competitive prices, using Agriculture Marketing Service (AMS) reports and prices lists; and
- Reactionary pricing based on lowering the price if a product is not selling or, if possible, raising the price.

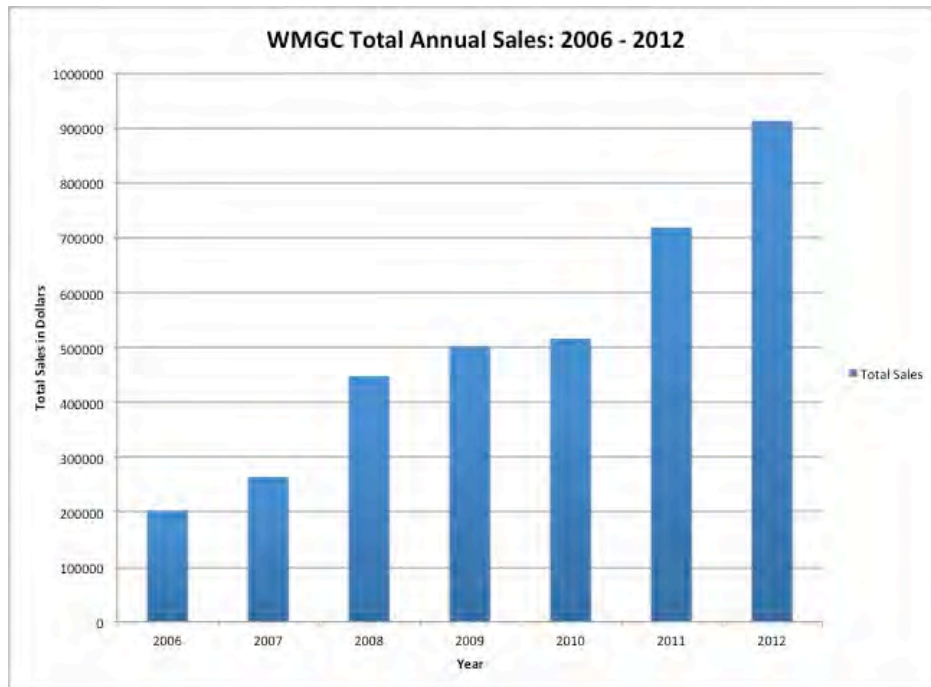
In return for distributing members' products, the WMGC keeps a gross margin of the price of each product, which is slightly different than a mark-up. The gross margin for produce is higher than other items at 25%, according to one staff member (S3): "Most of the produce is higher risk. If it is a bad batch, it is still our responsibility; but we can't always track it, or forget to. We can always track it but then we don't find out for another week or two if they [the customer] rejected it and then we have to work backwards, and maybe we have already paid [the grower]. So you end up with a lot of loss that way on the produce end that we can't really do anything about, so we need the higher margins to make that work." S3 also explained that, "A lot of high value items we can work on tighter margins." For instance, eggs work on a margin of 20% or less, the margin for meats is about 20%, and S3 believes the goal for everything this year (2012) is 22.5%.

A more robust, complex pricing system has been suggested, so the margins are set more equitably for everyone. This would involve greater flexibility based on the costs incurred by the WMGC and the benefits for the grower based on the different levels of marketing and the distance products are distributed for each grower. An issue brought up by S3 is that of sending products to places such as "Bozeman, Billings, and Helena, where it costs more to get there than Missoula, so in theory we could work on different margins for where things are going. But then you have to figure out the fairness issue for which growers get to send their stuff where."

## **Sales**

The following charts illustrate sales trends beginning in 2006. Chart 1 describes total annual sales from 2006 – 2012. Due to incomplete sales data for 2012, Chart 2 shows sales from 2006 – 2011 by category. Since 2006, gross sales of the WMGC have increased at an average annual rate of 30.8%

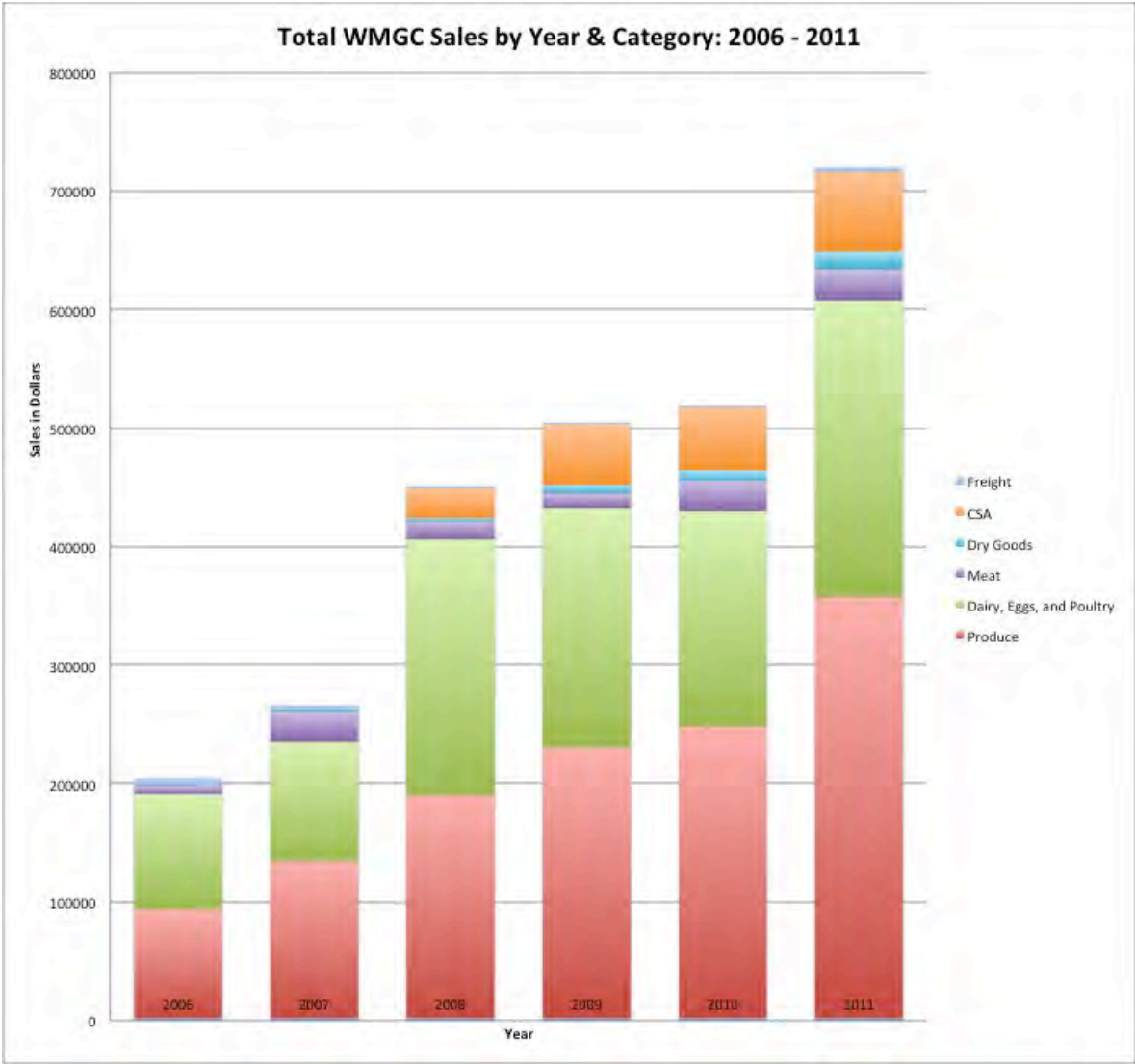
Chart 1. Total Annual Sales 2006 – 2012.



Although some categories, such as dairy, eggs, poultry, and meat, have seen fluctuations throughout the years, sales in each category of produce have steadily increased (see Chart 2). For certain products, supply is not meeting demand, particularly for carrots and potatoes, which were the most frequently mentioned items of which the Co-op's supply fell short. At times, the supply of the Co-op's products may not meet demand in terms of customers' access to certain products that can be found at the farmers markets before they are available through the WMGC. According to staff, untapped or unmet markets consist of hospitals, schools, institutions, and conventional grocery stores.

There is potential for the WMGC to expand to fulfill this unmet demand. For instance, certain WMGC growers wish to increase their operations and other growers in the region network with WMGC to fill in items that are in short supply. Expanding the CSA is another option being pursued, as is selling frozen products over greater distances by partnering with other distributors. Getting a better pre-season forecast for what the Co-op can do for customers by directly communicating with them may also help close this gap between supply and demand.

Chart 2. Total Annual Sales by Year and Category 2006 – 2011.



## Financial Stability

The major sources of the WMGC's revenue consist of sales to health food stores, restaurants, conventional grocery stores, institutions, and CSA shares. Currently, the WMGC's cash flow for operations is dependent on members' contributions as either short-term loans or accounts payable. In winter especially, the WMGC relies on credit cards and grants. According to S3, "It would be nice to be able to improve [the infrastructure] and not feel like we are working on a shoestring all of the time. Pretty much the only way I know how to do that is just sell more." The cash flow needs of the WMGC are to improve infrastructure and to finance operations in the slower winter season.

The Co-op has also relied on other sources of income, including grants and philanthropy. For the first several years, grants were especially key. Grants continue to provide important support for expansion projects, such as an award from the USDA's Farmers Market Promotion Program in 2012 to increase the CSA. In addition, the relationship the WMGC has with Mary Stranahan, owner of Common Ground Farm, includes financial and other types of support for the Co-op. Stranahan provided the Co-op with a free truck and inexpensive rent on its storage warehouse and offices (see partnerships discussion below).

To improve the financial stability of the WMGC, a possible goal mentioned (S2) was to have investments from growers instead of loans given out of necessity and to access to an outside line of credit. Indeed, as Margaret Lund of the University of Wisconsin Center for Cooperatives points out, "All businesses require capital to buy equipment, purchase inventory, secure work space, pay staff and cover other necessary expenses. 'Member economic participation' is one of the key co-op principles. This means that in a co-op, not only do members share in the economic rewards of the co-op; they also share responsibility for making sure the co-op has the capital it needs to operate effectively." In turn, outside lenders typically expect cooperative member owners to have a substantial level of equity investment, opening the door to other sources of capital.<sup>11</sup>

Several suggestions for lowering expenses also arose in interviews. One staff member believed handling a higher volume with the same amount of labor is possible. Having full loads and fewer loads were also suggested. According to S2, "there [are about 10 growers] that probably cost us more to deal with than we are getting out of it," creating greater expenditures to the

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<sup>11</sup> Lund, Margaret. 2013. Cooperative Equity and Ownership: An Introduction. University of Wisconsin Center for Cooperatives. Accessed at: <http://www.uwcc.wisc.edu/pdf/Cooperative%20Equity%20and%20Ownership.pdf>

WMGC. According to this person, it is logistically easier for the WMGC to distribute and sell large quantities of fewer items than it is to sell small quantities of a wide variety of products.

### **Aggregation and Distribution**

Transportation of agricultural products, especially vine-ripened produce, to consumers can be a challenging endeavor. As is the case with the WMGC, it can be even more challenging when you pride yourself on providing produce that was harvested just 24 hours prior to delivery. To maintain this competitive edge, the WMGC has overcome challenging transportation logistics, limited facilities and equipment, and developed a food distribution network that spans an area from the Bitterroot to Whitefish to Billings. This section outlines the WMGC's infrastructure and addresses the aggregation and transportation of products to customers. We conclude with thoughts on the possible relocation of the WMGC warehouse and offices.

#### **Product Transportation**

Transportation of goods is a time and resource-intensive task. In today's commercial and globalized food economy, food often travels many hundreds, even thousands of miles, from source to consumer. The WMGC deflates those miles to, at most, hundreds. In doing so, the WMGC provides its clientele with fresh products and aims to boost the local economy by serving its producer members. For this study, one leg of product transportation relates to how products arrive at WMGC from its members, while the other leg includes how packaged products leave the warehouse and arrive at their final destination. Based on an analysis of the data collected during in-depth interviews, several WMGC employees echoed similar themes.

The most prominent theme expressed was appreciation for the recent addition of certain pieces of Co-op equipment. Co-op employees understand the time and energy savings that something as simple as a truck lift gate can provide, or even just having two pallet jacks. One employee (S1) noted that they "did not believe in the lift gate, but now [realize] it's necessary." Also crucial for expansion was the addition of a second truck, as evidenced by the fact that both trucks run every day.

The drivers demonstrated a strong ability to communicate directly with growers and customers and be a "face" for the Co-op. Building rapport and addressing problems with produce managers can instill a level of confidence that otherwise may be absent from larger, corporately-owned food distribution companies. During one ride-along, an example of this was observed first hand, as a driver calmly addressed a disgruntled produce manager over a selection of apples. Due to the Co-op's style of management – where authority is shared as opposed to a more hierarchal chain of command – the driver was able to make a decision on

the spot and appease the produce manager. Also noted during the ride-along was the avoidance of empty miles (that is, driving the truck with no goods in tow). During product deliveries, the WMGC truck utilized empty truck space to pick up products from Co-op members on the back haul. This utilizes time and resources more efficiently. Another positive attribute that contributes to successful transportation of goods is that Co-op employees are time conscious. One employee, after a 14 hour day, commented to another employee that they “were sorry for taking so long” (S5) on their delivery. The other employee replied “don’t be sorry, it takes what it takes. You won’t have a guy that’s making eighteen dollars-an-hour come back apologizing for being gone fourteen hours” (S1). Overall, Co-op employees demonstrate a unique ability to turn produce around in 24 hours. Given limited access to facilities and equipment, their method of product pick-up and distribution is “necessary and sufficient” (S1).

Despite the dedication of the Co-op employees to execute successful product transport with limited resources, product transport could be improved. Most notable is the issue of irregular scheduling of employees. Several employees cited times when they were packing boxes for the following day’s deliveries at the Co-op until one or two in the morning, and then had to return at six or seven the next day to deliver the boxes of produce to Co-op customers. This negatively affects efficiency in that some of the drivers even reported having to take naps during their deliveries, as they were exhausted from the previous night. Although not on the clock, this still takes time out of the day and can lead to rushed work later on. Furthermore, given the inherent danger of driving, this irregular scheduling poses more risks on Co-op employees than may be necessary. One employee suggested that having more employees in the warehouse could help remedy the situation. With an additional employee to pack boxes, a driver could return from picking up a load of products and let the warehouse staff unload and pack the following day’s orders. This would allow the driver to return home at a reasonable hour and receive the rest needed for the next day.

Also hindering efficiency is longer-than-necessary pickup times at product drop points. Drivers have left explicit directions for growers at certain drop points on how to arrange products so that the driver can quickly load the products. When these directions are not adhered to, it causes delays and incurs costs. This does not happen frequently, but it does sometimes occur. Of all the routes the Co-op operates, the least profitable has been the one to Helena (about 2.5 hours from the warehouse one way). Unlike other routes minimizing empty truck miles, the Helena route has an empty truck on the way back. Helena’s orders tend to be small, which further exacerbates the poor returns. One suggestion was to advertise to haul goods back to Missoula, particularly goods that would not jeopardize sanitation requirements of a food truck.

## **Product Aggregation and Warehouse Operations**

Once products are picked up and brought back to WMGC's warehouse, packing commences. Products are unloaded from the trucks, sorted according to purchase order, repacked, and sometimes loaded back onto trucks to await delivery the next morning. Depending on a variety of factors, this process can be very efficient or inefficient. The addition of certain key pieces of infrastructure has made work easier. As noted by an employee (S4), the addition of a computer with Wi-Fi access located in the warehouse has been helpful: "Having a computer and having Wi-Fi access in the warehouse has been huge. That way, when we have a question about something that's on the packing slip, we can really quickly check the bigger computer system and see what's going on. So that's actually a great benefit." Other key pieces of equipment are the forty-foot tractor-trailer-cooler, the additional pallet jack, and a lift gate on the additional truck. Another employee (S1) pointed out that with \$14,000 dollars worth of produce that needs to be refrigerated, the "tiny walk-in cooler makes that kind of impossible," thus hinting to the significance of this key piece of infrastructure. Another benefit of two separate coolers is the ability to store apples away from other produce as apples release a certain chemical that affects other produce. Co-op employees are also appreciative of growers who "bundle" big orders and label their destination, such as the Good Food Store.

Once again, while investigating product aggregation and warehouse operations, certain core themes arose among Co-op employees. The most common theme is that of a faulty policy governing the boxing of products before they leave the farm. Box issues were discussed in all aspects of the product transport chain, but were especially highlighted with regards to warehouse aggregation. If a box fails, this can hurt the Co-op in two ways. One is that there is lost time in cleaning up, and two, the product could be jeopardized due to bruising or insanitation. One employee (S5) noted that they did not even know that there even was a "bad box policy," and if they had known, they would have voiced their concerns sooner. WMGC's reuse of boxes four of five times may be economical and environmentally friendly, but it hardly adheres to current distribution standards and may in fact be illegal. Another interviewee (S1) noted "what's the point of a bad-box policy if no one is going to enforce it?"

Labeling presents another hindrance when it comes to efficiency of warehouse operations. Employees noted that sometimes growers do not use correct descriptions for the contents of each box. When the warehouse employee tries to match the description on the grower's label to what is in the WMGC database and it's not listed, it takes time to figure out exactly what is in the box and where it should go. Another mistake that growers sometimes make is forgetting to take an old label off one side of the box and adding a new label on the other side. This results in a double-labeled box, adding to the time it takes to figure out which is correct.

From a distribution standpoint, improper labeling may have legal implications. One of WMGC's partners, Charlie's Produce, cited WMGC's labeling as falling short of current distribution standards in that the boxes should all be uniformly labeled with the name of the distribution company (WMGC) and that the producer's name should also be on the labels, which is not always the case. A WMGC employee also noted that the adoption of a more advanced labeling system would lead to increased efficiency.

Another misalignment between WMGC and growers is the discrepancy between produce increments offered by growers and amount that customers order. For example, a customer might order 60 pounds of produce but the farmer only offers 20 pound boxes. Sometimes this requires repacking into bigger boxes and mix-ups have occurred. Another suggestion from a WMGC employee that would reduce waste and potentially save money would be to look into reusable pallet wraps for loading and unloading pallets from trucks. The current method involves wrapping pallets just to get them off the truck, and then un-wrapping them once they are off, creating "mountains of plastic" (S4). In conclusion, one Co-op employee may have stated it best: "it [warehouse operations] just involves more work. But as the way it is set up, that is the way it has to be. We just need to work; [the Co-op is] still in its adolescence, but until [it] grows up...we're still awkward in our movements and our growth" (S1).





### **Considering the Relocation of WMGC**

As the WMGC continues to grow, the idea of searching for a new home has become a topic of discussion. The overwhelming consensus is that the new location should be in Missoula. Although the possibility of moving is speculative, interviewees did express why they thought a Missoula location would be beneficial. Its central location, relative to growers and Co-op customers, is a key factor. A move to Missoula would have a positive impact on transportation logistics. One driver expressed dismay over having to haul Missoula-bound products past Missoula up to Arlee (a half hour north) knowing that they would turn around and be shipped right back to Missoula. Therefore, products sourced from south of Missoula in the Bitterroot Valley would be positively affected, and northern-sourced products would just continue heading south. To complement this, there would be the added benefit of much easier access for eastbound trucks on Interstate 90, the only east-west interstate in Montana.

When asked what features Co-op employees thought would be most beneficial to the WMGC in a new location, several components emerged. In no particular order, the first would be access to loading docks, which would substantially reduce loading and unloading times. Second would be access to a temperature-controlled packing area. At the current facilities, Co-op employees struggle not to break the “cold chain,” that is, reduce the amount of time produce is exposed to varying temperatures. The new facility should also have larger and separate coolers located under one roof, which would also help with not breaking the “cold chain.” Lastly, having an office located in the same building as the warehouse would ease communication between management and warehouse workers, and allow for better oversight. Also, an office can provide a “face” to the Co-op with which potential customers and grower members could interact. Currently, the only “face” of the Co-op that many customers see are those of the drivers. An integrated facility with loading docks, proper cooling, and professional office facilities could really help WMGC soar to new heights. Finally, potentially sharing a facility with its distribution partner, Charlie’s Produce, would support both businesses’ values and make their partnership all the more efficient. There is the potential to streamline packaging, loading, labeling and to share equipment.

### **Working for the WMGC**

Staff members consistently report that they enjoy working for the WMGC. One of the most common remarks made by staff was how satisfying it is to deliver high quality, locally grown items to stores and restaurants across the region. One shared that, “It is really rewarding knowing that we’re helping farmers and also getting good food out to people,” (S4). Another noted that they think the most rewarding part of their job is “taking this amazing produce and

products that people make and seeing it go from their place to... a grocery store or restaurant...and being able to present that, and say this came from your neighbor” (S5). Staff members express pride in representing the work of the farmers and the WMGC, such as trying to provide excellent service. One staff member (S6) said, “I like the customer service part. I really like talking to our customers. Sometimes we get negative feedback, but for the most part it is really positive. And if it is negative, then we try to figure out how we can make them happy and stay. That is probably the best part.” Also, many of the staff members said that they are actively involved in helping create and expand the local food system through their work with the WMGC. One (S3) reflected, “Food is an important thing for me. It is important for me to see the system grow and be a part of that.” Staff members also report that they enjoy working with each other; the current staff seems to have a lot of camaraderie, which our research team noted during observation visits to the warehouse and during interviews.

When asked during interviews what improvements could be made to Co-op operations and business, staff members mentioned three key topics. The first issue relates to the seasonality of the work and annual hiring of new staff members. Five out of six staff members related that they think the seasonal nature of the work is a drawback. Financially, it can be burdensome to be fully employed during some parts of the year and underemployed, or even unemployed, during the slower winter months. One staff member said, “it just hasn’t done well for me because it’s full time in the summer but then the hours get cut in the winter...So it’s really hard to put so much energy into something and then have to turn around and do something else to make ends meet” (S2). While not directly stated by interviewees, it seems as if the need to hire new employees every year causes some challenges, as new employees have to be trained and the growers and customers do not have a steady Co-op representative with whom they can develop strong relationships. A staff member noted that this is the first year in the past three or four years that the WMGC has had a steady driver and that has led to “some really solid relationships” (S1). Another employee noted how a new hire did not work out this season; therefore the Co-op had to hire new people during the busiest part of the year, making it difficult to provide adequate training. Three staff members noted that it would be beneficial to be paid more for the work they do or for the WMGC to offer them paid time off or other benefits.

The second challenge noted by staff is the tight turnaround in the packing, delivery, and pickup schedule. The staff is often in the warehouse until midnight or later packing orders, and then the driver has to come back early the next morning to make deliveries. One employee noted this challenge specifically, explaining, “we might be there until midnight but we are getting up the next day at 6 or 7 and then start driving. There’s not a lot of rest” (S5). Although there has been an attempt to get the drivers home earlier; late nights still occur occasionally. Being tired

while driving is a serious issue that arises as a result of this scheduling, and is something staff members hope the WMGC can address.

Staff members related that the third area in need of improvement is the relationship between grower-members and the Co-op itself. Staff members, while they are proud to represent the hard work of farmers across the region, express that they feel the brunt of issues regarding the relationships between the Co-op and members. Negative grower attitudes were frequently reported as being one of the areas most in need of improvement, as they affect the staff and the ability of the Co-op to function. One staff member stated, “It feels a lot of times like egos just get in the way. That can be a little difficult” (S6). Another staff member mentioned, “sometimes people are on totally different pages and there is a lot of people talking behind each other’s backs” (S1). Regarding how some growers sell outside the Co-op, a staff member (S3) noted, “It is definitely annoying and it hurts us even worse when they are selling it for less.” Staff also mentioned that it would be helpful for growers to have to work in the warehouse for at least one shift so that they can experience how bad boxes, mislabeled items, or poor packing jobs decrease the efficiency. Staff thoughts on how growers relate to the Cooperative are expanded upon in a later section, which goes into more depth about perceived member commitment to the WMGC.

In conclusion, the staff members of the WMGC all seem to enjoy the work they are doing. Every staff member expressed pride, feeling they do a good job for the members and that they are directly involved in strengthening the regional food system. Though employees identified a few challenges, the overall sentiment among employees is one of positivity and pride in working for such an important regional organization.

### **Staff Views on the Co-op’s Role in the Local Food System**

A central question to this study was to understand how staff, member-growers, and key partners view the role of the WMGC in the local and regional food system. All interviewees were asked to step back from their own personal experience with the WMGC and explain their perspective on this topic. Interviewees offered diverse answers, but several themes emerged.

The WMGC has solidified its role as an aggregator of local products able to reach a greater number of markets. Without the Co-op, many local farms would be trying to sell smaller amounts separately, restricting their market access. By aggregating the goods of different growers, the Co-op is able to expand into more retail and institutional markets. One interviewee explained this relationship stating, “I think it has had a huge impact in getting more local food to more mouths. I think it’s had an impact on growing farmers...They have managed to network with regional distributing systems like Charlie’s Produce” (P1).

While aggregation is essential to reaching more markets, distribution is critical to getting goods from the farm to the consumer. The WMGC distributes the produce of their growers on their own trucks and through a strategic partnership with Charlie's Produce. Distributing on their own and with Charlie's Produce allows growers to reach markets that may otherwise be inaccessible, such as those in distant cities like Bozeman and Helena. According to one staff member,

Not everybody is going to buy everything direct from a farmer at a farmer's market or through their CSA. There's going to be some distribution that needs to happen...If we can send one big truck around that's really full, instead of a bunch of farmers driving all their individual trucks around... I think there's more efficiency there (S4).

Furthermore, the WMGC has bumper stickers, hats, and a logo on the truck so that people are able to associate their name and logo with local, high quality food. In lieu of nearly 36 farms all doing their own marketing, WMGC markets the aggregated goods as one brand. One Co-op employee expressed enthusiasm at seeing Co-op branding out in the community: "I had a moment the other day where I'm driving the truck and I'm behind a lady who has a 'Local is Delicious' bumper sticker on her car. And I'm just like, 'Yeah, that's pretty awesome.' It has our logo on it and it's pretty cool to see that" (S5). Another staff member (S1) added, "[It is important to] establish and maintain markets for our farmers because that helps...the money stays here, you are helping people that are here survive and in some cases, thrive."

One of the most important roles the Co-op plays is as a food hub for the entire region. Food hubs are simply understood as businesses or organizations that actively manage the aggregation, processing, marketing, and/or distribution of local and regional food products.<sup>12</sup> Through scale efficiency and improved distribution mechanisms, food hubs aim to meet growing demand for such products from households, retailers, restaurants, institutions, and wholesalers. Indeed, the WMGC is a focal point in Western Montana, or as one Co-op partner called it, a "Kingpin" (P1). The Co-op's Arlee warehouse, while not a convenient location for all, has become a food hub in western Montana's local food movement. By doing the aggregating, distributing, and marketing, they are an important point of contact between those who want to buy local food and those who want to grow and sell it. "I mean they're a food hub. That's what they are. Their business is social enterprise. It's there for its members and for the betterment of the food system," said P3. Additionally, WMGC is occasionally a food hub for growers outside the Co-op. When buyers have demands that cannot be met by the Co-op in a growing year,

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<sup>12</sup> Matson, J., M. Sullins, and Cook, C. 2013. *The Role of Food Hubs in Local Food Marketing*. USDA Rural Development Service Report 73.

they are able to work with other growers so that they can continue their commercial relationships. One partner (P4) explained, “There aren’t that many carrots available from within the Growers Cooperative. So that’s an example of how they’ll look to kind of fill their supply needs from outside of the organization.”

The WMGC is regionally unique and could serve as a model for other growers cooperatives in Montana. Some interviewees suggested that the Co-op might eventually evolve into simply the “Montana Growers Cooperative,” with branches serving both the eastern and western sides of the state. However it is organized, growers in other regions could use the WMGC as a model for other operations that focus on food distribution, aggregation, and marketing.

The WMGC also acts as a kind of advocate for local food and agriculture. On a daily basis, employees communicate to retail buyers the importance of local food during their sales pitches and check-in calls. The importance of being an effective communicator was particularly highlighted by the drivers, who take their jobs seriously and take pride in being the reliable and loyal “face” of the Co-op. “People complain to me, and I resolve it,” said one employee (S1), “and sometimes that involves me talking with the stores, and then talking with Dave and Jim, or kind of going directly to farmers when there [are] issues.” The local food message is also passed on to customers during the CSA as well as just by seeing on a restaurant menu that the food being served is locally grown and purchased through the WMGC. On this topic, one staff member explained, “There’s kind of an educational repercussion to it all, and that happens in different ways. It happens in restaurants when people open up the menu in Redbird and read a paragraph talking about [why they are] committed to WMGC” (S1). Another staff member (S3) noted, “We are just helping, just facilitating that relationship between the farmer and the customer.”

In its role in the Western Montana food system, the WMGC wears many hats. The ability of the Co-op to be an effective component of the supply chain requires that it be able to successfully fill its mission and various roles, most especially as a business that works for its grower-members.

### **Mission of the WMGC**

When asked about the mission of the WMGC, staff members were unsure whether or not there is a formally adopted mission statement. The organizational documents we reviewed do not contain an explicit mission statement, which suggests that the WMGC does not currently have one. However, the website does contain a short statement of purpose: “The Western Montana Growers Cooperative is a coalition of growers in the Flathead, Jocko, Mission, and Bitterroot Valleys whose goal is to provide the market in our region with fresh, quality products from our

farms. To reach that goal, the Cooperative provides a wholesale marketing and delivery service for its members. We strive to improve the local food system of our area by enhancing the sustainability of local farms and contributing to local economic growth, while reducing the demand of produce being shipped here from long distances.”

According to staff members, the mission of the Cooperative begins with “connecting small growers with the local community” (S6) or, as another put it, “simply to build a stronger food system in Western Montana” (S4). This includes “helping growers access the wholesale market” (S3) by “providing a cost-based service” (S3) and “helping them sustain and grow their individual businesses” (S1). A large part of this is enabling individual farmers to “sell more stuff” (S2) than they would be able to on their own, or “to increase access by getting local food into places where farmers couldn’t individually” (S4). This also includes providing a “comprehensive, fresh product line” (S3) to customers, getting a “fair price for farmers” (S5), and putting a “good face on the Co-op” (S1).

Staff members explained how they think the WMGC is living up to its goals. One staff member noted, “there are a lot of institutions that are purchasing from the Co-op because of the convenience...and the larger selection” (S4). Another employee said that “we are selling a lot of food from the growers, so...we have been able to grow and get new growers on [as members]” (S3). Increasing access to locally grown food for individuals is also an important part of the mission of the WMGC. One staff person shared a story of how a potential customer followed her as she was making deliveries because she “had heard about the CSA and wanted more information about it” (S4). Concerning the handling of goods, another employee stated, “Everybody’s really careful...we take really good care of the products that come in” (S5). One staff member offered a summary of how the WMGC is effectively impacting the local food system: “The other really great...part of all this is that we’re benefiting more than just ourselves. We are having an impact on the local food system. And actually in the past year, it is happening...being able to work with those people that are doing the snacks in the schools programs and stuff like that. We are kind of enhancing the food system” (S1).

Employees of the WMGC also had some thoughts on how the mission of the Co-op could be improved or enhanced. One staff member felt that, “if we could expand [sales] more through the Mission Valley, I would feel even more confident that we are sort of living up to the mission statement” (S6). Several employees commented that improving operational efficiency and the sustainability of staff schedules and workload would also really improve the organization (S4). On this topic, one staff member offered, “standard infrastructure improvements, whatever we can do to streamline operations and pick-up, orders, labeling” would really improve overall organizational effectiveness (S3). Another staff member felt that there needs to be a greater

“understanding (of) the different roles...producers understanding the aggregation piece...and warehouse people understanding delivery issues” (S5) to improve the efficiency of moving goods from the farm through delivery.

Thus, based upon information from the website and employee reflections, the mission of the Western Montana Growers Cooperative is to:

- Build a stronger regional food system by connecting growers with individuals, the community, and larger wholesale markets through aggregated sales;
- Provide a cost-based service;
- Mindfully handle products to ensure quality and freshness;
- Ensure farmers receive a fair price for their products, allowing them to sustain and grow their businesses.

### **Thoughts on Cooperative Structure**

When asked if they thought the WMGC was best operated as a cooperative business, four staff members were unanimous in their agreement that a cooperative structure is the best fit. Reasons given for the importance of remaining a cooperative include: ensuring the farmers “have some control and are being fairly treated” (S4); that being a cooperative “legitimizes” (S1) the work that they do; that customers might feel like they are “more directly supporting their local food scene” (S5); and that it helps in “relationships with other businesses” (S3). Of the two who did not completely agree, one said, “that is what it is, for better or for worse” (S3), while the other noted that what is most important is, “the relationships and how the business is run and how people are treated” (S2).

Despite the overwhelmingly positive response to the question of whether or not the WMGC is best served under a cooperative model, it was also noted that other business models such as LLC’s or corporations do provide some other benefits. Most of these benefits were related to differences in decision-making and leadership. One staff member said, “It would give us a little more flexibility in doing certain things and not have to be so democratic about everything. We could just operate as a business and make decisions that were based around the business itself” (S3). Another noted that the major issue they saw with the cooperative model is that “there is no clear leader or decision-maker” (S6), which means that it is more difficult to make decisions “towards the whole organization making money and profit sharing within that” (S6).

In order to remain successful as a cooperatively run business, staff members feel like farmers need a better understanding of what being part of a co-op means. One staff member noted, “I think [a greater understanding] is going to be critical to the continued success by actually having everybody buy into the...idea that it is a co-op” (S3). This sentiment leads directly into

the following section, which discusses how the level of producer buy-in to the WMGC may affect future success.

### **Thoughts on the Relationship Between Members and the Cooperative**

Several staff members expressed that growers are “really into working together” (S2) and that “they really want the Co-op to succeed” (S5). Staff gave examples of members that take the time to serve on the Board of Directors, how some members “whole-heartedly” (S5) agree with what the WMGC is trying to do in the food system, and that some members are “actively involved” (S4) in the success of the Co-op and the farmer-members. These sentiments directly relate to the understood mission of the WMGC, in that the Co-op is helping individual farmers become more successful by offering larger markets. Additionally, another employee noted that, “I’ve heard from farmers their gratitude at what a great job the Co-op does at representing their products when they [the staff of the WMGC] are selling them” (S4). The pride the employees take in representing the Co-op and individual farmers is noticeable to the members and appreciated because it puts a good face on the WMGC, the farmers who are a part of it, and the products that are sold.

When the WMGC was founded a decade ago, many of the current member-growers were already successful farmers in Western Montana. These growers had operated for years on their own, marketing their goods to area stores, restaurants, and direct to consumers at farmers markets. Most of these farms are widely recognized in the region and have made a name for themselves through their hard work and dedication. When the WMGC was formed, many of the businesses targeted as Co-op markets were already purchasing from individual farmers. Most of these farmers later became members of the Co-op while retaining many or most of their individual sales accounts. Thus, many of the members sell some items through the Co-op and other items individually to the same establishments, essentially competing with the Co-op for sales. Oftentimes, these farmers are selling the exact same product through the Co-op and via direct sales to the same buyer.

A non-compete policy that all members agreed to has existed since the early years of the Co-op, but it was not clear, fully understood or enforced. At the time of this study, the WMGC was going through a deliberative process to help address the issue of competition between members’ direct sales and the Co-op’s sales.<sup>13</sup> As mentioned briefly in earlier sections, selling outside of the WMGC can be detrimental to the Cooperative financially and for staff morale. This section explores staff thoughts on member-Co-op competition.

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<sup>13</sup> Soon after completion of this research, the Co-op formally adopted a new non-compete policy at their February 2013 Annual Meeting. See Appendix D.



Perhaps because the issue of competition between the WMGC and some of the members was being discussed at the time of this study, the area most in need of improvement from the staff's perspective is that growers need to understand that selling outside of the Co-op hurts the Co-op's success, thus hurting all of the member-growers. One employee said that the issue with grower competition is a "big deal" (S3) and is something that needs to be worked out. Four staff members mentioned that they feel as though some growers view the WMGC as a "Co-op of convenience," where farmers can sell their extra produce or they can sell more items, but they view the WMGC as essentially another customer.

The attitude that the WMGC is just another customer for a farmer is an interesting one, and was often mentioned by staff members. Staff members feel like growers do not understand that when they sell outside of the Co-op they are essentially competing against themselves. One employee explained that, "they also have to recognize that they are a part of something and that's a problem. Some [members] don't understand this...They understand their business, and they think of the Co-op outside of their own business" (S1). Half of the employees expressed the view that members need to more fully integrate the success of the Co-op with their own farm's success, instead of seeing the two as independent from each other. However, no employees explicitly said that individual farmers should give up their existing accounts, underscoring the importance of having these established, larger growers as part of the WMGC. The economic choices that farmers must make, particularly those who joined the Co-op with existing accounts, is highlighted by one staff member: "I don't think anybody is saying, 'oh, I want to go out and hurt this person in order to better myself,' but I think people are understandably really concerned about their own economic situation because farming is such a hard business...I think people should do things for their self-interest – it's part of doing business. You run a business to be successful" (S2). Although not directly stated, the overarching feeling of the staff seems to be that members need to have a better understanding of their role as owners of the WMGC, and what that ownership entails. The success of each member of the Co-op is based on the success of the Co-op as a whole, and this is directly linked to the ways in which individual farmers navigate the sales of their own products in relation to the sales of their products through the WMGC.

Because of the obvious pride and effort staff members put into their work, some staff members talked about the competition issue as being hurtful to themselves as employees of the Co-op. One staff member stated, "I feel like some of that success of the growers, of the individual members, has been at the expense of the staff and the infrastructure of the Co-op itself" (S2). Another staff member related that members, "need to know that the people that are there are working hard to get you [growers] the best price for your product and your hard work" (S5). Another employee, clearly passionate about his/her job and upset about the competition issue,

explained that, “we obviously have something more invested in this and...part of it is pride, at least from where I come from and from what I see in [other employees],” and later said, “everyone takes it [their job and the work they do] personally” (S1).

The issue of competition and the level of grower commitment to the WMGC is a sensitive and charged topic from the perspective of the employees. The staff members are overwhelmingly positive about the work they do and how the Co-op helps the success of individual growers while creating a stronger, more vibrant food system.

## **Partnerships**

Over the course of its first decade, the WMGC has developed three partnerships that have been important for its growth and success. This section describes the Co-op’s partnerships with Lake County Community Development Corporation (LCCDC), Common Ground Farm, and Charlie’s Distribution to better understand the role of partnership in the western Montana food system. The role of partnership is integral in creating values-based supply chains, or here called, value chains. According to Larry Lev and W. Stevenson (2011), these value chains have the potential to connect midsize farms and ranches to processing, distribution, and retail businesses. Partners along value chains can work collectively to build an alternative agri-food system<sup>14</sup>.

### **Lake County Community Development Corporation**

History of Partnership. One of the Co-op’s most deep-rooted partnerships is with Lake County Community Development Corporation in Ronan, Montana. LCCDC is made up of several centers, many of which contribute to its mission of community economic development. The first relevant to the Co-op’s history is the Mission Mountain Cooperative Development Center (MMCDC). Prior to the Co-op’s founding, in the late 1990s, a loose-knit group of growers in Western Montana was interested in marketing their produce together in order to reach larger markets. This group called themselves the Mission Valley Organic Growers Cooperative. While this early incarnation of the Co-op was not successful, it planted the seed that would later sprout into the WMGC. The MMCDC backed a study that evaluated what would be needed to build the local food system in Western Montana. The study identified a missing link in distribution along the supply chain. The MMFEC helped write the USDA Community Food Project grant that provided funds to start the WMGC in 2003. “The real focus of that grant was to organize a cooperative, to start bringing producers together to market whatever that cooperative decided to pursue,” said one founding member (P2). The MMCDC has continued to

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<sup>14</sup> Lev, L., & Stevenson, G. W. (2011). Acting collectively to develop midscale food value chains. *Journal of Agriculture, Food Systems, and Community Development*, 1(4), 119–128.

aid in development projects, including the Farmers Market Promotion Program grant the two organizations were awarded by the USDA in 2012.

The Mission Mountain Food Enterprise Center (MMFEC) is another arm of LCCDC and houses a food processing facility, which is available to community members who want to develop value-added processing. The processing facility had begun with a focus on manufacturing specialty food products that were not necessarily locally sourced. After the processing facility went through numerous financial dives, the MMFEC began to shift its focus. “With various funding streams like specialty block grants, the Montana Department of Agriculture’s Growth Through Agriculture program, and the High Stakes Foundation, [MMFEC] really had some seed capital to invest in some equipment for processing vegetables and also to experiment, develop markets for those vegetables,” said one partner of the Co-op (P3). With this additional funding, the MMFEC began its processing partnership with the Co-op, taking in raw product from the Co-op and altering it in some way to make it more marketable to certain buyers. According to one employee, MMFEC was shifting back towards its original mission for the processing facility by asking, “How do we work with local producers to help them...process their...seconds into usable products?” (P2).

A market study in Western Montana had identified a processing gap between growers and institutions. “It had...been identified as one of the biggest challenges of getting products to schools, because they don’t want raw products, they want processed,” said one partner of the Co-op (P2). K-12 schools find it much easier to purchase processed food, such as chopped lettuce, cut carrots, and pre-skinned and cut potatoes because “producers typically are not going to come in and do that processing” (P2). In 2011, the MMFEC hired a Montana FoodCorps<sup>15</sup> volunteer whose goal it was to further develop the Farm-to-Institution program to get more local food into nearby K-12 public schools. The Farm-to-Institution program was then better able to network with both the WMGC and institutional buyers.

Processing Arrangement. During the first year of this partnership, the MMFEC purchased raw product from the Co-op, and then re-sold it to institutional buyers. This model of ownership partitioned more risk for MMFEC than for either the Co-op or the buyer. Recently, however, the program has developed new models of ownership that spreads risk more evenly along the supply chain. In addition, the program began to cultivate a larger network of institutional buyers, including Kalispell Public Schools. It also began to develop more processed products. This past year (2012) has been the busiest for the MMFEC processing facility. As one WMGC

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<sup>15</sup> Montana FoodCorps is a program run by the National Center for Appropriate Technology and involves a partnership with Americorp’s VISTA. FoodCorps facilitates a statewide team of volunteers whose mission it is to build Montana farm-to-cafeteria programs, especially in schools.

employee observed, “They’ve processed a lot more for us...It’s probably been ten times more than it was last year” (S2).

The current arrangement between the Co-op and MMFEC regarding processing has taken time to develop, and was recently formalized with a Memorandum of Understanding. The partners identified two models of ownership, depending on the type of processed good. The first is for fresh processing. In this scenario, the institution purchases the raw product from the Co-op. The cost of processing is included in this cost, and the Co-op then pays the MMFEC for the processing service. This model is driven by demand; processing is dependent on what institutions are interested in purchasing. The MMFEC facilitates this transaction; they work with the institutional buyer to determine what food product they would like to purchase and in what processed form they would like that product. Fresh processed products include melons, cucumbers, beets, carrots, cabbage, bell peppers, and apples.

For frozen goods, the Co-op and MMFEC created a shared risk model. Because the frozen processing happens in such large volumes, they needed to be able to spread risk more evenly among organizations. So, in this case, the Co-op provides the raw product, MMFEC provides the labor and facility for processing, “and not until a significant percentage of that inventory has been sold will anyone get paid” (P4). The Co-op is the marketer for these types of products. The core products for this model have been Flathead cherries and butternut squash. This model is more supply-driven, because the Co-op members’ excess “seconds” determines what will be processed. “Last year we mastered...the fresh slicing, dicing, packaging, and now we’re working on freezing skills,” explained one MMFEC employee (P4). MMFEC is focusing in terms of product development on frozen products. “We’ve been kind of dabbling in it this year, we blanched and froze green beans, shredded carrots and zucchini and froze that. Last week we did frozen roasted pumpkin. Now we’re diving into butternut squash,” explained one employee (P4). This multi-faceted partnership that includes both business development and supply-chain development through processing is beneficial for both the WMGC and the LCCDC.

Benefits for the Western Montana Growers Cooperative. The Cooperative benefits in numerous ways. The first is financial, both through processing and cooperative development. Many employees noted the gross financial benefit of processing. “For the fresh pack for just the schools, it will be \$20,000 worth of product,” said one employee (S3). The financial benefit goes to both the WMGC as an organization, as well as the farmer members. “I think almost everyone grew squash. They’re all benefitting,” said another employee (S1). In addition to providing income for the Co-op, the frozen processing program also allows for the Co-op to extend their season and cash flow. They continue to sell product through the winter, increasing income flow during a slower time of year. “We have the help of MMFEC and we can get a few more value

added things in there to stabilize us throughout the year as far as cash flow is concerned,” said a WMGC employee (S1).

With processed goods, the Co-op is also able to enter new markets. Although the WMGC has had an important relationship with the University of Montana’s Farm to College program since inception, the partnership with MMFEC has been particularly effective at expanding sales to K-12 schools in the region. One employee of the Co-op explained that another benefit was not having to process the raw product themselves. With MMFEC processing for them, WMGC is able to expand their markets to institutions that would otherwise be less likely to purchase their unprocessed products.

Another benefit is market share. As the only business selling processed, frozen local products, WMGC essentially has the entire market in western Montana. “If their competitor wants the product, they can buy it from the Co-op. So there’s some market control...that they’re getting in these winter products,” explained an employee at MMFEC (P3).

Yet another benefit to the Co-op has to do with technical assistance, which both parties mentioned. Part of that assistance pertains to food safety. “We have really helped the Co-op start looking forward on how they can really be proactive in meeting upcoming food safety regulations,” said a LCCDC employee (P2). The general manager of the WMGC had to get a wholesale food license, which the MMFEC helped him acquire. These advancements in food safety and labeling help the Co-op ensure safety as a reputable business, which makes their products even more attractive to institutional buyers.

Finally, LCCDC has been able to connect the Co-op to a larger, nationwide network of food hubs and cooperative businesses that work in food systems. For instance, they sent the general manager of the WMGC to a food hub conference in Chicago, Illinois. Because of that conference, “the growers Co-op started looking at their CSA program, looking at hospitals, and possibly their human resources [at hospitals], and cost-sharing CSAs. That happened because of conversations at the food hub conference,” explained a LCCDC employee (P3). The MMCDC is able to link the Co-op to other similar businesses, building its capacity for growth and development.

Benefits for Lake County Community Development Center. The Co-op helps fulfill the mission and goals of the MMFEC, which is to process and market local foods to institutional buyers. “The benefit...is really the services that the Co-op provides. I came here with the mission to help local schools get local food. When I try to imagine doing that without the Co-op, oh my god!” said a LCCDC employee (P4). The Co-op provides the services of aggregation and

distribution of local food products that increase capacity for the Farm-to-Institution program. Without this system in place, one MMFEC employee noted that the Farm-to-Institution program would not be able to buy bulk orders of Timeless Seeds Lentils, which are used to make lentil burgers for local public schools.

MMFEC employees also noted that what was previously a financially unstable processing facility is now making a profit. “It’s bringing in a revenue that’s extremely healthy to this organization,” said one LCCDC employee, “We are actually functioning as a processing facility” (P2). In addition to bringing in revenue from the regular processing of both fresh and frozen products, the increase in capacity has led to the creation of three jobs and the retention of one, bringing the total number of current employees to four at the processing facility.

Areas for Improvement. Despite these recent successes in this partnership, the research team identified several areas for improvement. One of the biggest challenges is the steep learning curve in processing. One employee at the Co-op noted that, “They are still learning on their [the MMFEC’s] end... If they were totally set up and ready to go...that would just be one less thing to worry about” (S3). Employees at MMFEC echoed this sentiment. There have been challenges with both the raw product and processing equipment. MMFEC is trying to figure out which varieties of produce are best for processing, some of which may not be the more common fresh market varieties typically raised by growers. For example, one LCCDC employee said, “We had a year where the apples were different, and so we ran into some processing issues, we didn’t process apples last year” (P2). They are also refining processing techniques. For instance, in 2012, MMFEC tried a new method for processing pumpkin, because the method used the previous year had been too time-consuming. As MMFEC continues to process for the Co-op, they will continue to refine processing techniques.

Limited capacity on the part of both organizations constitutes another need of improvement. An increase in farmers growing greater quantities could increase the supply of food being processed. More employees at the Co-op and more employees on the floor of the processing facility could also benefit the partnership. “Last year we ran out of some of our core processing crops like carrots and beets. By February we were pretty much done processing,” noted one LCCDC employee (P4). Because of limited capacity in terms of both supply and infrastructure, processing moves at a much slower pace. “We have to go very slow because you always have to be concerned with your supply side,” said another LCCDC employee (P2).

Yet another challenge is the fluctuating nature of the supply and demand. “We were supposed to do 10,000 pounds of frozen cherries, but we didn’t end up with as much as we had hoped, which is totally stupid in a bumper crop year,” said one WMGC employee (S3). With a new

market avenue for processed goods just emerging, it will take time for the market supply to become more stable. Similarly, a few years ago, farmers brought in apples that were above cider quality. Blemished apples, known as seconds, are typically used for cider, to lower the cost of the value-added product. These farmers wanted to sell their firsts for cider; “They had no market for their number ones. They were dumping...their apples on the market, getting rid of them at a cider price” (P2). This market flooding was apparently due to Chinese apples flooding American markets, according to an employee at MMFEC. Market fluctuation is still unpredictable for regional businesses operating in global markets.

The partnership also faces challenges related to education. More education of growers about Good Agricultural Practices (GAP) would enable their processed goods to enter additional institutional markets, such as Montana State University, which requires GAP certification for local products. There could also be more education for buyer entities: “You get into a whole other component of advocacy of education on nutrition, education on freshness, education on economic return, which is what has to happen to really engage that market,” said a LCCDC employee (P2). Education of buyers as to the advantages of buying processed local foods through MMFEC and the Co-op would help ensure that those producer-consumer relationships will stand regardless of changes in food service directors, which sometimes dictates whether that institution will buy local products or not.

MMFEC noted the frequent communication that takes place, making this partnership work. One MMFEC employee said that the frequency of communication “probably wasn’t the most efficient way to do business” (P4). Developing strategies for efficient communication would help streamline business practices between the two organizations.

Best Practices. Despite challenges, the partnership has proven successful in a variety of ways. While there is a steep learning curve, “we’ve taken what we’ve learned and we have been able to identify a couple key products like the squash and the cherries that we’ll do year to year,” said one LCCDC employee (P4). And MMFEC continues to seek out new processing equipment to improve efficiency and lower cost; “We’re looking at a large truck oven that could very well bring some efficiencies to our baking” (P2). Continuing to develop efficient processing systems and products will allow this partnership to grow.

MMFEC has also established itself as a safe processing facility. “If I’m on the phone with the food service director, I can say with absolute confidence that the process was done under strict HACCP<sup>16</sup> plans,” said an LCCDC employee (P4). Institutional buyers trust the quality and safety

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<sup>16</sup> Hazard Analysis and Critical Control Points (HACCP) is a program of the US Food and Drug Administration that addresses food safety through regulations along the supply chain, from production to distribution.

of products processed at MMFEC. Those institutional markets would probably not be as available if they were not able to adhere to such safety standards and instill trust.

Despite the frequent and inefficient communication, the two organizations have been able to work closely to develop a strong business relationship. “We’re very honest about the hard numbers,” said one LCCDC employee (P4). There seems to be a sense of camaraderie between staff members at LCCDC and the Co-op. This was noted during participant observations in the warehouse when an LCCDC employee was picking up produce from the WMGC warehouse.

Future of Partnership. Both the WMGC and LCCDC plan to continue to collaborate, particularly in terms of expanding their processing capacity. MMFEC hopes to continue to develop its product line. “Right now I do feel like sometimes we’re very reactionary in our processing, so by really developing some more specific product lines I think we’ll create some stability to all this,” said one partner (P4). There are also opportunities for developing new products, based on what crops grow well in Montana. “We’ve done some coleslaw. They did that a little bit this year because the cabbage crop you can grow really well here,” noted a WMGC employee (S2).

MMFEC plans to continue to expand the market that the partnership reaches. “There are new markets out there that we should be discussing. Hospitals have come up,” said one employee (P2). One possibility is through “a grant-funded project to look at pooling together our area schools’ purchasing power. By bringing them together and forming real agreements, what could that mean in terms of efficiency and economies of scale?” (P4). Through market growth and development, MMFEC hopes to create a more sustainable business and fulfill its mission of community development. Expanding the market for processed local foods also contributes to the development of the values-based supply chain in western Montana.

In addition, MMFEC is developing a GAP certification program for Co-op members. This would address issues of limited markets to institutional buyers who require GAP certification. MMFEC is in a good position to develop this program, because of its past experience adhering to safety regulations in its processing facility. This kind of program could continue to expand the market for processed local foods.

### **Common Ground Farm**

History of Partnership. As with the LCCDC, the Co-op’s relationship with Common Ground Farm goes back to its inception. When the WMGC was first forming, they began the hunt for an appropriate location. One of their members, Mary Stranahan, had land with two large warehouses and an office. This infrastructure was left over from the land’s previous use as a cigarette production facility. A tenant farmer on Stranahan’s land had also built a refrigerated



unit in one of the warehouses. While the Co-op was forming, she was trying to find a use for this infrastructure. “The key to how to distribute was to have a storage place, a central storage unit. So my farm was used as a centralized storage place,” said Stranahan. At that point it made sense to put the Co-op on the farm in Arlee, a central location for farmers to the north but less so for those coming from the south.

The Co-op is still located on Common Ground Farm in Arlee. They use the warehouse with the refrigerated unit and the office, and pay a small amount for rent each month. “I think we charge them rent, but it isn’t very much...I think it’s pretty cheap,” said Stranahan.

Benefits of Partnership. The benefits to the Co-op come in the form of storage space and affordable rent. A philanthropist, Stranahan has also helped the Co-op purchase their two refrigerated trucks. The benefit to Common Ground Farm is that the land can be used successfully. “I just like that I’m a part of a successful enterprise. That’s my biggest pleasure,” said Stranahan.

Future of Partnership. According to Stranahan, “I think ultimately they’ll move out of there, cause they’re gonna need more than I can provide...That’s a natural evolution.” During our interviews, Co-op management agreed that they are outgrowing the warehouse space at Common Ground Farm. “We never really planned on staying here for very long,” said one employee (S5). However, the WMGC is still considering some way that they could continue to use the space at Common Ground Farm. “Maybe we could keep the trailer up there for fruit which would be a good thing because all of our fruit comes from the north, most of it,” said one WMGC employee (S1). If the Co-op continues to grow, they will have to address the issue of whether the Common Ground Farm location is best.

### **Charlie’s Produce**

History of Partnership. The most recent partnership, Charlie’s Produce and the WMGC began working together in 2011. Charlie’s Produce is a regional food distributor in the Pacific Northwest, with its main offices in Seattle, and its nearest regional office in Spokane. Charlie’s Produce has worked with small cooperative businesses throughout its 30-year history. For example, several years ago, Charlie’s was marketing and distributing for a growers cooperative based out of Seattle, Farmer’s Own. The cooperative failed in its first few years, and Charlie’s purchased the business, retaining its management and its brand identity. So, support of small cooperative businesses is not unprecedented for Charlie’s.

Jon Clarenbach started working at Charlie’s three years ago as the Missoula sales representative. His boss, Larry Gilbert, Sales Representative at Charlie’s, met Karl Sutton of

LCCDC at a local food conference in Moscow, Idaho. Jon followed up with Karl after the conference and the two discussed how both businesses could work together. They had a meeting at LCCDC in the winter of 2011 and subsequent meetings over the next six months to solidify the partnership between the Co-op and Charlie's.

Distribution Arrangement. Charlie's has distributed WMGC produce to Helena, Bozeman, Butte, Livingston, Kalispell, and Whitefish. They charge a shipping fee per box, or by the pallet, if orders are big enough. Charlie's also charges an additional fee to pick up produce in Arlee. Otherwise, the Co-op drops off produce at the Charlie's warehouse in Missoula. The Co-op owns the product and pays Charlie's for a freight service. Charlie's distributes for the Co-op twice weekly. This logistical relationship is beneficial for both the Co-op and Charlie's Produce.

Benefits for the Western Montana Growers Cooperative. Partnering with Charlie's benefits the WMGC in many ways. The most obvious benefit is the wider distribution access that a regional food distributor can provide. The Co-op doesn't have the infrastructure or freight quantity to move their produce those distances, so working with Charlie's helps them move into markets that would otherwise be inaccessible. According to one partner, "They've expanded their territory by using existing distributing companies, which is smart" (P1). Co-op employees expressed some of the same sentiment: "I drove the route to Helena a couple times this year, which was the first time we had actually driven to Helena, as opposed to having Charlie's...take it. It feels pretty silly to be driving this pretty empty truck from Arlee to Helena" (S4). Another benefit to the Co-op is that Charlie's charges by the box for freight, which lowers what the Co-op has to pay. "They give us a better deal than most people who charge by the pallet," said one employee (S3).

Both partners discussed another latent benefit, which is the mentoring relationship between Charlie's and the WMGC. In working with a multi-state distribution entity such as Charlie's, the Co-op is able to observe the standards and best practices of a 30-year old, established distribution company. Clarenbach said that they have been able to share things, such as how to build a pallet, but that there could be more communication about best practices. A WMGC employee echoed that thought, "They know a lot. It's nice to be able to pick their brains as far as trucking goes... We are still pretty amateur" (S3).

Benefits to Charlie's Produce. In distribution, there will always be a fixed cost for delivery. No matter how full or empty the truck may be, the cost for fuel, and for the driver will remain the same. Because of this fact, it is beneficial for Charlie's to carry WMGC produce. The fee that the Co-op pays for freight decreases the cost to Charlie's for distribution of its own produce. Another benefit for Charlie's Produce is being able to provide a desired product for their

customers. According to Clarenbach, customers want to buy local produce, not just organic produce. Charlie's doesn't sell a lot of local food products, so they can provide that to their customers by distributing WMGC produce.

Areas for Improvement. Despite this advantageous partnership, there are still areas for improvement for both Charlie's and the Co-op. One challenge is logistical. If a truck is sent to Arlee too early before the produce is packed and ready, then the driver wastes time. From Charlie's perspective, the Co-op's location in Arlee is a disadvantage because it is located away from their distribution center in Missoula and Interstate 90.

Another challenge is the amount of time spent coordinating sales and distribution. Clarenbach mentioned that both the Co-op and Charlie's make sales calls to the same buyer entities, which is very time-consuming. Both partners also spend time on the phone a few times a week coordinating with each other. Clarenbach mentioned that a more streamlined arrangement could be more beneficial for both partners; for example, if Charlie's buys produce from the Co-op and becomes a middleman to some buyers. Another suggestion was to create a closer relationship with Charlie's and the WMGC by sharing a warehouse space. Sharing space would allow for more efficient distribution, and would also facilitate more communication and sharing of best practices.

Additionally, there is a discrepancy in distribution practices between Charlie's and the Co-op. The WMGC's reused boxes are not legal in the produce industry and, according to Clarenbach, can be challenging for both Charlie's and the buyer to handle. The WMGC labels are also below distribution standards and can be challenging to work with. Better boxes and labels would streamline this partnership and create more transparency in distribution.

A final area for improvement is the volatility of this newer partnership. "My biggest fear is that they will just get tired of us one day and leave...They are a different company and they have their own needs and they have to look out for themselves first," said one WMGC employee (S3). In 2012, Charlie's stopped distributing to Helena for the summer, which meant that WMGC had to start sending their trucks there if they wanted to continue to sell to those buyers. More long-term commitments between Charlie's Produce and the WMGC would help solidify the partnership.

Future of Partnership. At the time of the interviews, both Charlie's and the Co-op see this partnership continuing and developing. About selling produce to Charlie's as a middleman, one Co-op employee said, "Ultimately we might be able to do a little more with that, especially sending stuff back over west into Idaho and Washington" (S3). Another employee said about

the Co-op's relationship with Charlie's, "We're gonna try and make it more streamlined" (S1). Both parties stated that they want to continue working in partnership; however, even during the course of this project, the partnership has experienced some strains.

### **Role of Partnership in the Western Montana Food System**

Throughout the interviews with WMGC staff and partners, the research team found a common theme of shared values. In trying to establish a new model for food production and distribution, different organizations and individuals found that cooperation, rather than competition, has been the most fruitful course of action in establishing an alternative food system in Western Montana. These cooperative business partnerships are built upon the foundation of real relationships. What strengthens those relationships and partnerships are shared values. "It's developing this food system, so creating or expanding markets for growers and increasing access to local foods for our people. By sharing those goals...we have a very unique relationship," said one partner (P4).

Although turning a profit is important to economic sustainability, the motive behind all of this collaboration and effort is not solely economic, even the logistical partnership between Charlie's and the Co-op. One employee mentioned that the two organizations share similar philosophies about organic food and food access. It is upon these shared values that the local foods supply chain is being built in Western Montana. "If you look at the growth of the Growers Co-op, the growth of this organization (MMFEC), and of the (University of Montana) Farm-to-College program, they all started about the same time," said one partner (P3). The coalition of individuals has been working together for over ten years, and has built the different components of the food system, from processing to distribution.

Over fifteen years ago, several community members who have been involved in the partnerships discussed in this research created a food vision as part of a Food Systems Initiative, coordinated by AERO. The image they drew to represent a food systems vision for Western Montana is useful in this context of values-based partnerships along the supply chain. The elements of the food system are coming together. It has taken time to form these strong values-based partnerships along the supply chain, but it is these partnerships that have created this interconnected web. One partner noted that, "There was turf at the beginning, but there isn't a lot of turf anymore" (P1). Rather, "there is just a core respect and trust amongst all of us...and I think that's made this [work]. It just seems to be a natural evolution of moving together in new directions," another partner observed (P2).

These organizations have been able to support one another while meeting both individual and shared goals. Strategic partnering of different types of organizations has also been beneficial.

“For-profit and non-profit partnerships are really critical as we start developing new inroads into local foods markets,” said one partner (P2). For example, MMCDC has been helpful in assisting the Co-op to secure grants that help fund new initiatives, such as the CSA. In helping the Co-op secure funding, the MMCDC fulfills its mission of cooperative, community development. “It’s about these whole value chains, where everybody along the value chain has to benefit. It has to be partnerships with people instead of always butting heads,” said a WMGC employee (S2).

Particularly when working to create an alternative to the industrial food system, these partnerships are important; “Without that [partnership] you’re always gonna be at a combative position, what’s best for me, and that isn’t conducive to creative maneuvering. And that’s exactly what we’re doing, creative maneuvering in a business world,” said an LCCDC employee (P2). One Co-op partner has great hopes for what these values-based partnerships have the potential to do for the Western Montana food system. “I put a lot of hope in this coalition of people, way beyond the Co-op. How do we solve these barriers to local production?” (P1).

### **Role of the WMGC and Future Prospects**

#### **Thoughts on Growth**

A majority of the staff agreed that some further growth of the WMGC would be positive for both the business and the local food system. Financial stability that might come along with more sales was a frequently cited reason for growth. With financial stability, the ability to move into or upgrade to more appropriate facilities would be possible, and as one staff member put it, “and not feel like we are working on a shoestring all of the time.” More growth would also allow the WMGC to take on additional growers and give them the ability to absorb the loss of producers or product because when a business is bigger “you can make those harder decisions.” Two staff members felt like the Co-op should only grow if members wanted it to, but that growth would provide the opportunity for increased sales and for staff to be more fairly compensated. One staff member did think the Co-op could grow, but that it should happen naturally. They must first solve issues of “fairness and...efficiency” in “serving the members we have right now” (S2).

The staff offered up avenues for the WMGC to consider as strategies for growth. Some staff suggested that the Co-op needs to market itself more and find ways to increase existing customer purchases. One employee wanted to “just to be a recognizable brand as it were, so when people buy something they can say, ‘oh this is from such and such farm from the Growers Co-op.’” Others suggested that growers need to understand their own costs when selling

outside of the Co-op and how allowing the Co-op to market for them could increase their overall productivity. One person proposed, “making the case that it is a smarter business idea to sell only through the co-op. It might not look like it at first because you are getting less price for your produce, but you don’t have all these other expenses anymore.” Some employees suggested expanding the sales into more institutions, either through the CSA program or with a greater variety of processed items. An employee illustrated this idea: “we can get a few more value-added things in (to institutions) to stabilize us throughout the year as far as cash flow is concerned.” Another staff member thought the multi-farm CSA model provides “stability and security,” while another employee noted that the CSA sales to institutions are a “big part” of expected growth. Others suggested that the WMGC just needed to sell more overall or get more growers to produce items that are in short supply.

### **What WMGC Could Offer Their Growers and Employees**

Staff members were asked for thoughts on what the Co-op could potentially offer its members in the future. Staff had a variety of ideas on this topic.

Sense of Community. One issue that was brought up often during our interviews is that the ‘cooperative’ aspect of the Co-op seems to get lost sometimes. Most staff members do not think that the growers feel like they are owners of the Co-op. “A lot of growers view the Co-op as not their business, they view it as something different. They view it as we are a customer of theirs essentially,” said S3. Because of this, some staff offered suggestions for ways in which the Co-op could help build a sense of community while also helping to keep costs down for growers. Some of the farmers don’t know each other very well. Farm tours could be a useful experience for growers. This would allow farmers to meet one another, see how other farms operate, and feel more included in the Co-op community.

Work Requirement. One employee suggested mandatory warehouse work as a way for growers to understand how the Cooperative operates and to feel more like they are a part of it. The work requirement suggested could be just a one-time thing, and it could promote understanding between the growers and the staff and create a feeling of community and common purpose.

Boxes. Issues surrounding the quality of boxes used for packing produce demand their own section because of the frequency with which they were mentioned during the interviews. Growers often use the wrong boxes for produce, which can lead to damage if the boxes break. Additionally, the boxes often have to be unpacked and repacked which takes time away from those who work in the warehouse. Most of the interviewees suggested that the Co-op begin supplying boxes to growers so that greater quality control and marketing could be guaranteed.

On this topic, one staff member (S5) noted the benefit of providing, “A packaging system that’s more uniform across the board so people aren’t scrounging for crappy boxes. And they’re not buying crappy boxes.” This would hopefully save employee time as well as the cost of produce that otherwise might spill from lower quality packaging.

Training and Certification. Staff mentioned that more training is needed. “It would be great for the Co-op to offer producers a manual or even some training in some of the production and packing guidelines. You know, these are the standards. This is what we mean when we say ‘Number 2.’ This is what we mean by sizes. This is the proper way to pack something. This is the proper type of box to use. This is how it should be packed,” said one staff person (S4). Another noted, “We have got these new food safety regulations coming up and we are going to have to do a lot of that to get people up to snuff. And then, just with beginning growers and some existing growers, working on quality standards, packing, things like that” (S3).

An additional recurring suggestion among staff was to assist growers seeking organic certification. Organic produce commands higher prices, but the certification process is extensive and costly. For the Co-op, it would be easier if everyone were certified organic so that all produce could be sold at premium prices and marketed uniformly. It would be beneficial to both producer members and the larger Co-op if the Co-op were able to help growers transition and/or navigate organic rules.

Equipment Sharing. Since some member farms are relatively close together, a few staff suggested that the growers could collaborate and buy or lease larger farm equipment. Equipment sharing would serve the dual purpose of lowering equipment costs on each farm while also creating an opportunity for farmer networking.

Health Insurance. A benefit not currently being offered by the Co-op but mentioned by several staff and a few growers is health insurance for producer members. Interviewees noted that the Co-op, because of the size of its membership, could potentially offer health insurance at costs lower than those paid by farmers individually. One staff member (S1) said, “Health insurance is something that I know a lot of farmers do not have...I mean, we have all these people, 30+ farms, we should be able to do something collectively to make things like insurance cheaper for everyone.”

### **Vision for the Future**

Staff members were asked to envision the future of the Co-op and to describe what it might look like in a few years. Employees offered numerous suggestions for what they would like to see happen. Regarding operations, five of the six staff members hoped to see improved

infrastructure that would lead to better efficiency, particularly in the warehouse. One staff member listed off the things s/he would like to see: “Maybe some additional trucks, additional infrastructure, another forklift, multiple coolers, just little knick-knacks you need” (S3). In conjunction with improved infrastructure, several staff mentioned moving to a new location with facilities better suited to the workload and needs of WMGC. One staff member explained that, “with a place that is easy to unload and load, you don’t need as much equipment. It can basically be just a pallet jack and people can just be loading and taking things off more easily” (S5). Another interviewee noted that the WMGC would improve existing partnerships and build new ones to increase efficiency in distribution and to reach a more distant market. On this note, one employee said, “I am also interested in some of these frozen things, being able to ship them further afield and working off other distributors. Things like frozen Flathead cherries could be marketed far and wide and that would be an easy one to do” (S3). Increasing sales was another thought, particularly to institutions and through the CSA.

A couple staff members thought the WMGC would be run more like a business that was fair to employees and growers. One (S2) said, “It should be a real job...that has a job description and a beginning and end to the pay scale.” Another envisioned that “a more business-minded model with the goal...at the end of each year [to give] the growers a percentage dividend of what the Co-op has made” (S6). Two staff members really emphasized that they would want the WMGC brand to be recognizable and in every store “from here (Missoula) to Whitefish” (S1) by really “inundating our customers...to where they don’t have an excuse to not market their stuff as locally grown from us” (S3).

## **Conclusions**

Throughout Part One a common and over-arching theme has emerged: the necessity and critical importance of communication and partnerships in the development of a strong regional food system. From the formation of the Western Montana Growers Cooperative to more recent developments, such as the partnership with Charlie’s Produce and delivering CSA shares to a local hospital, working together towards a common goal has been critical. Clear communication is key as the Co-op seeks to address issues that arise among members and between members and Co-op leadership. If there is a single take-away message, it is that growing a localized food system that benefits everyone from the farmer to the consumer takes hard work, dedication, and may not always be easy, but the results can have tremendous and far-reaching impacts.



## **PART II: EXPERIENCES AND PERSPECTIVES OF WMGC GROWER-MEMBERS**

Ellie Costello, Kim Degner, Quentin Means, Eva Rocke, Seth Swanson, and Dave Wise

### **Characteristics of Members and their Farms**

The Western Montana Growers Cooperative (WMGC) is a member-owned marketing and distribution cooperative comprised of a relatively diverse group of producers. The WMGC has grown from humble beginnings of nine members during its first year as an incorporated cooperative business in 2003 to 36 members in 2011. Its members are situated primarily across Western Montana (that is, west of the Continental Divide) and produce a variety of products ranging from fruits and vegetables to meat and dairy. Most of the members' farms are either certified organic, branded with a local eco-label (Homegrown), or both. A geographically and materially diverse group results in both intrinsic difficulties and unique complements for the WMGC.

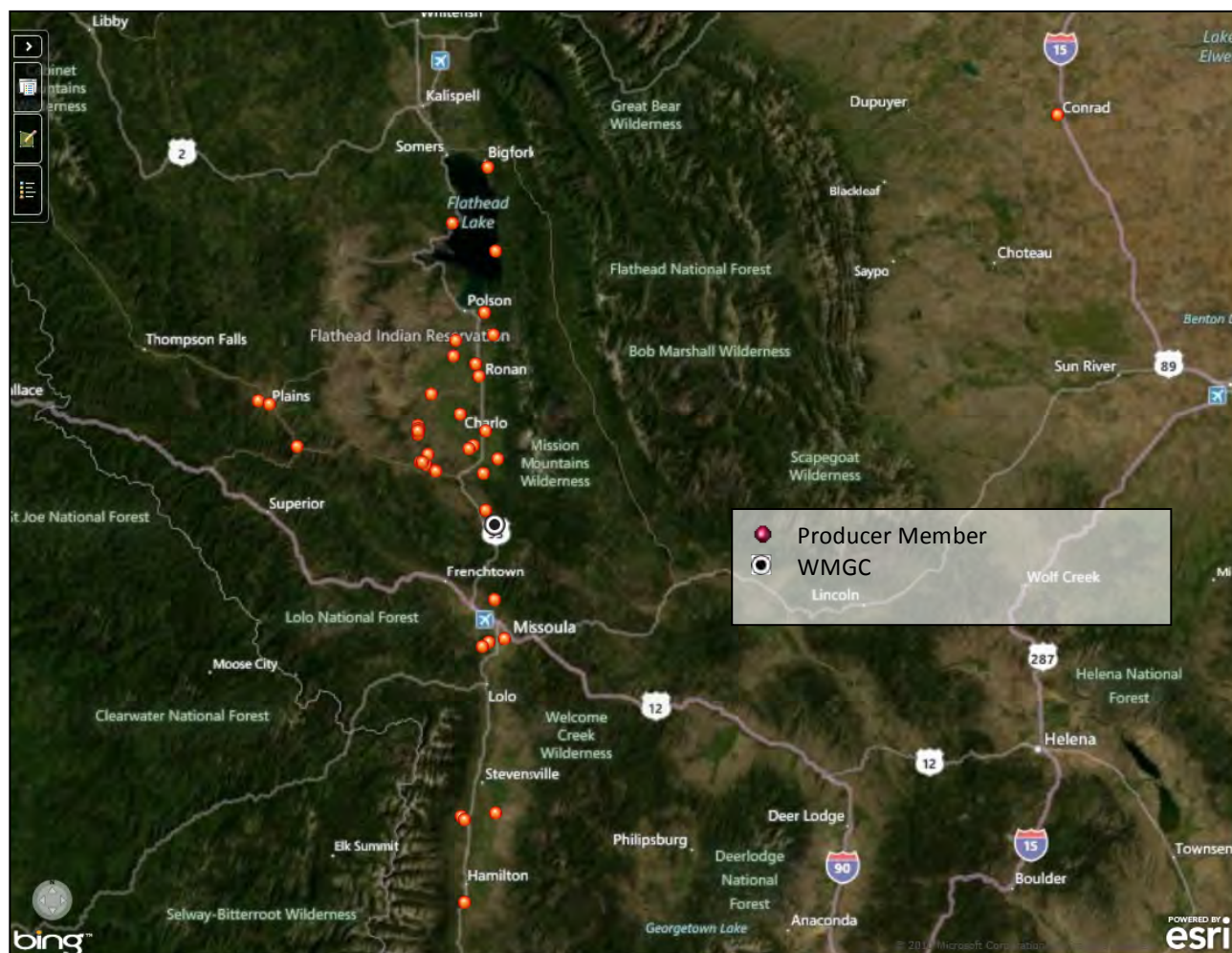
#### **Location of members**

The members of the Co-op range in location from the eastern shore of Flathead Lake to the rich soils of the Bitterroot Valley, and from the so-called "banana belt" of Sanders County to the open plains of Conrad, MT. The member locales encompass a large area of a large state, which encompasses over 147 thousand square miles. The members of the WMGC are spread over 6% of that area or nearly 9,000 square miles. Much of this area is limited to small valleys throughout this mountainous region.

The Co-op headquarters on the Common Ground Farm in Arlee is near the center of this large area. The members of the Co-op are located anywhere from 0 to 227 miles from the headquarters with an average distance to headquarters of over 37 miles. Clusters of producers are found in various agriculturally productive regions throughout Western Montana, but primarily situated along the MT Highway 93 corridor. Map 1 illustrates the location of all grower members, with Highway 93 being the vertical line most growers are organized around.

The diverse climate, topography, and soil types of Western Montana allow members to produce an array of agricultural products. Unique, regionally-specific products are grown, such as Flathead Lake cherries from Big Fork and lentils from the Golden Triangle in North Central Montana. Farmer ingenuity and season extension techniques also play a role in the ability of warm season crops, such as peppers and tomatoes, to thrive in a region otherwise limited by a short season.

Map 1. Location of Producer-Members in Relation to WMGC Headquarters in Arlee



Currently, the WMGC sells products based upon the members' agricultural system; see Chart 1. Members are classified as Certified Organic (COG), a local eco-label called Homegrown, or conventional (other). Those producers who are COG must adhere to regulatory guidelines provided by the United States Department of Agriculture (USDA) and the National Organic Program, including input restrictions, detailed record keeping, inspections, and associated fees. The COG label ensures the consumer that the product purchased was produced with minimal inputs and an environmentally responsible fashion.

Many producers have found that obtaining and maintaining COG status is not always practical. Accordingly, the Montana Sustainable Growers Union developed the Homegrown label as a result of their concerns about the National Organic Program. A small group of farmers in Western Montana formed MSGU in 2005. The group's members pledge to abide by certain

practices (many of which are consistent with organic certification) and to review among the peer-producers. Participating members of the MSGU are able to use the Homegrown label for their products as an alternative to the COG label; however, some WMGC members have both.

The last category of producers is simply not classified with the COG or Homegrown labels. The lack of label is not necessarily an indication of agricultural practices. These producers too may utilize low-input, sustainable agricultural practices, but do not carry a label. About half of the Co-op members are classified as either Homegrown or COG, and some members carry both a COG label and a Homegrown label.

Chart 1. Grower Classification: Total Membership and Sales, 2011

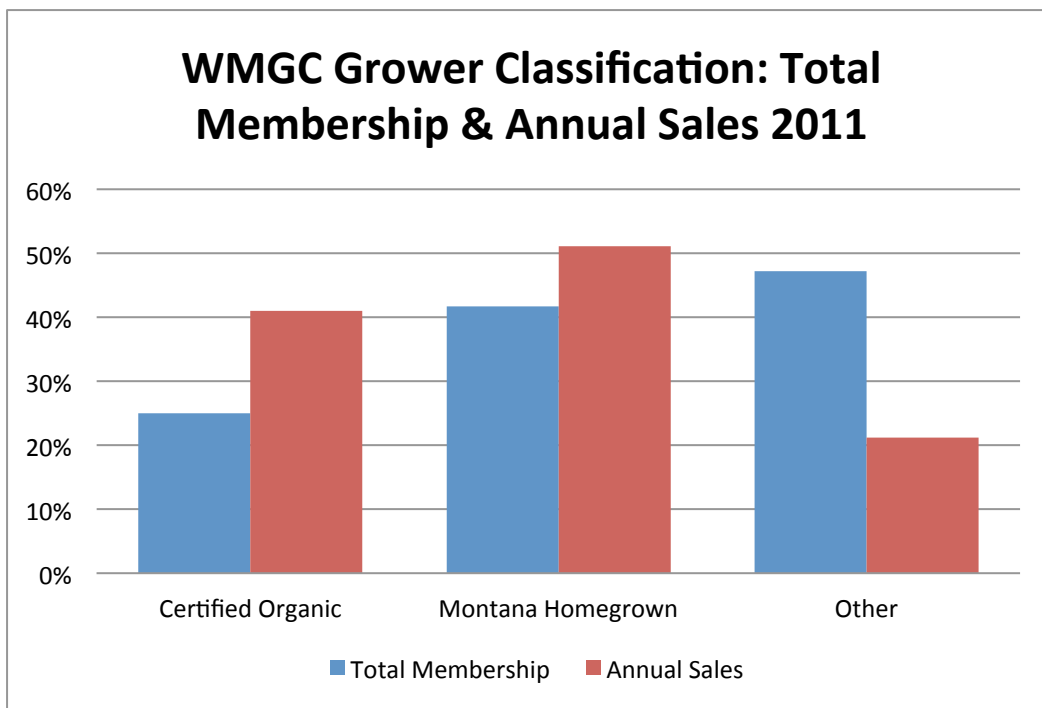


Chart 1 illustrates that the total annual sales by classification type was weighted more heavily on the COG and Homegrown labels than on conventional products. It should be noted that because producers can be both COG and Homegrown, there may be duplicate representation in Chart 1 for total membership in each label type. The difference in annual sales may be the result of specific products or volumes contributed by members, or could be the result of premiums given to COG products, or consumer demand.

## Methods

The perspectives of individual members are vital dimension to a case study of the WMGC. According to the 2011 purchases by vendor, 36 members of the Co-op sold product through it in that year. The research team determined that the most effective means to understand the perceptions of the members was to conduct individual face-to-face interviews. A limited time frame meant that only a sample of the overall membership could be effectively interviewed.

Table 1. Producer Classification, Number of Members, and Sales, 2011

Producer Classification (total 2011 membership)		Number of members	Share of total member annual sales of WMGC
Annual Sales through the Co-op	>\$40,000	3	37.4%
	\$30,000-\$40,000	4	26.5%
	\$10,000-\$29,999	8	24.8%
	<\$10,000	21	11.3%
Production classification	Certified Organic	9	41.0%
	Homegrown	15	51.1%
	Conventional/other	17	21.1%
WMGC governing board	Current board member	7	35.6%
	General membership	29	64.4%
Membership Term	1-2 Years	10	21.8%
	3-6 Years	16	39.1%
	7-9 Years	9	24.0%

As previously discussed, the members of the Co-op are a diverse group according to their geographic location, product specialty, production practices, and annual sales through the Co-op. As Table 1 illustrates, members can be categorized based on their total annual sales through the Co-op, production classification (certification type), and current board affiliation. The research team decided to purposively sample by selecting the members in the top three sales categories. That is, we selected those who sold more than \$10,000 worth of product through the Co-op in 2011. The fifteen members comprising these three sales categories make

up over 88% of the total annual sales of the WMGC. The research team assumed that these members would have greater involvement and, therefore, greater familiarity with the Co-op because of the volume and value of the products they move each year. Ideally, all members would be interviewed, but time was a limiting factor.<sup>1</sup>

Ultimately, fifteen interviews were completed for a total response rate of 83%. To recruit participants, each member invited through a personal letter explaining the project goals. A phone call followed to determine whether they were willing to participate and to coordinate an interview time. Of the fifteen originally contacted, two were unable to be reached after multiple attempts, and a third member declined the interview, stating personal reasons. The team then moved down the list of members (ranked according to sales) and contacted three more for a total of fifteen.

### **About the Study Participants**

The fifteen members who were interviewed included a diverse group of producers. Their products ranged from vegetable produce to fruit and from eggs to meat. The members were also diversified in regards to their certification, board standing, and annual sales, seen in Table 2. The members interviewed provided a fairly balanced representation of production classification with five COG producers, six Homegrown producers (two classified as both COG and Homegrown), and six conventional/non-classified growers. Over half of the board members were among the interviewees. Though we were not able to interview all members, those we did speak with appear to be fairly representative of various characteristics in Table 2.

Each member participating in the interview was asked 14 questions (both open-ended and closed-form), with supporting queries and comments unique to each conversation (see Appendix E for interview guide). All interviews were recorded, with the consent of the participant, transcribed, and coded to identify themes.

Though the interviews were primarily focused on member interaction and perception of the Co-op, additional member characteristics were discovered. Every member interviewed indicated that they have alternative sales outlets for their products. For a majority of these members, less than 50% of their total annual sales go through the Co-op. According to the member responses, many utilize a variety of alternative sales outlets including farmers markets, direct to grocery stores, other direct sales (individual CSA's, individual sales, etc.), and restaurants.

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<sup>1</sup> During spring 2013, David Wise carried out a follow up study and interviewed many of the members who sold less through the Co-op in terms of sales. The report is available from the Mission Mountain Food Enterprise Center.

Table 2. Classification and Sales of Grower-Members Participating in Study

Producer Classification (15 member sample)		Number of members	Share of total annual sales of WMGC
Annual Sales through the Co-op	>\$40,000	2	20.6%
	\$30,000-\$40,000	4	26.5%
	\$10,000-\$29,999	6	16.5%
	<\$10,000	3	4.6%
Production classification	Certified Organic	5	41%
	Homegrown	6	30.6%
	Conventional/other	6	16.6%
WMGC governing board	Current board member	4	18.9%
	General membership	11	49.7%

### Member Sales Analysis

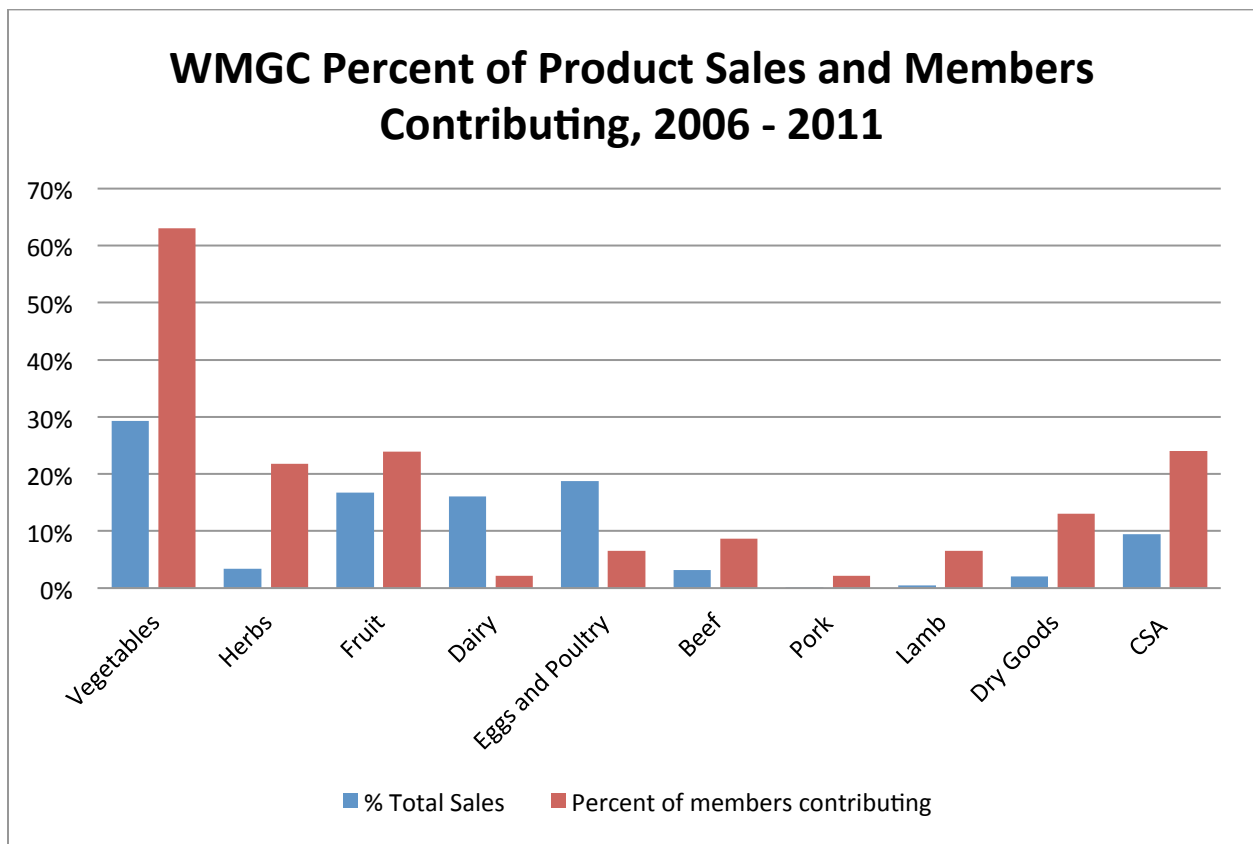
The research team conducted an analysis of past sales documents and categories to understand the broader picture of member contributions to the WMGC. Based upon 2011 member contributions, most Co-op members produced vegetables, whether conventional, COG, or Homegrown for the Co-op. The next major group of products were fruit and herbs. The relative homogeneity of the crops produced can be associated with some similarities in production areas. Hyper-specialty crops or products, those fulfilling specific market niches, seem to fall into unique environmental regions such as Flathead Lake, or unique member identities such as the only dairy producing member.

Although Co-op members heavily contributed to the vegetable category (62% of the members sold vegetables through the Co-op), these sales accounted for less than 30% of the total annual sales in 2011, as shown in Chart 2. In contrast, product categories such as fruit, dairy, and eggs and poultry account for 55% of the Co-op's total annual sales when combined, while only 38% of members contribute to these categories. Without direct feedback from members, this seems like an area of potential conflict and competition between members. These product categories

with relatively few contributing members compared to the weight in annual sales may be potential areas for niche production.

Low annual sales derived from the meat categories (beef, pork, and lamb) do not necessarily indicate that these products have low sales potential, but are just an indication of low annual sales through the Co-op compared to its other products. These items could be addressed as potential areas of growth. These assumptions do not take into account the market potential, per unit price value, or the volume sold of any of the products, but may highlight opportunities for member diversification.

Chart 2. Percent of Product Sales by Category and Members Contributing, 2011



## Benefits of membership

As a member-owned cooperative, an awareness of personal member gains is critical if the Co-op is to continue serving its members effectively. What benefits are producers receiving through their Co-op membership? The ability to recognize and articulate benefits may solidify for members the shared interests of their cooperative values.

Interviewers asked questions to help identify benefits of Co-op membership (Appendix E). In addition to asking specifically about the financial benefits of Co-op membership, we also posed the open-ended question, “What benefits have you experienced as a member of the WMGC?” Interviewees noted a range of benefits of Co-op membership throughout their interviews when discussing the WMGC in our local food economy, the effectiveness of Cooperative governance, the communication among members and staff of the WMGC, services that members would like that the Co-op is currently not providing, overall commitment to the WMGC, and plans for the future of the Co-op. Our analysis strives to synthesize all of these reflections.

In general, benefits mentioned by producer-members fell into two broad categories, financial benefits of membership and those associated with being part of a local producer community, which are discussed below. Members less frequently mentioned benefits related to seasonal planning or to the convenience of working with the WMGC. In descending order, the following are the general benefits mentioned by five or more producers:

- Distribution of goods;
- Empathetic relationships with other farmers;
- Aggregation of goods;
- Committed staff;
- Overall financial gain; and
- Belief in local products and altruism.

### Financial Benefits of Co-op Membership

Importance to Members’ Operation: Farmers emphasized to varying degrees the importance of the financial benefits of Co-op membership in relation to their farming businesses. Many WMGC members have seen the financial success of their farm businesses improve with Co-op membership. When asked to rank the Co-op’s importance to the financial success of their business, responses ranged from “critically important” to “not very important.” Eight farmers reported that the Co-op was either “critically” or “very” important to the financial success of their business, while 4 members classified the Co-op as “somewhat” important. Three members did not specify the level of the Co-op’s importance, though these members did specifically mention other benefits of WMGC membership. Although the degree of importance varies, 87%



of the participants did report some aspect of financial gains as a main factor in their continued WMGC involvement. The financial benefits members mentioned generally coincided with the functions of distribution, aggregation, and marketing that are provided by the Cooperative.

### **Financial Benefits**

Related to Distribution, Transportation, & Freight Services. Farmers had a lot to say about Co-op benefits related to production transportation, distribution, and the basic freight service it sometimes provides. Fourteen out of fifteen members identified factors related to distribution as benefits of membership, with 8 of the 15 farmers interviewed mentioning specifically that “distribution” is a benefit. One farmer explained, “Distribution in Montana is...a really weak link to creating a sustainable food system in the state, and for us, WMGC is an important distributor” (PM15). Another member noted: “The vast majority of our business is through the Co-op...If the Co-op didn’t exist, we wouldn’t be able to deliver to all the markets that the Co-op delivers to” (PM5).

In addition to supporting producers through improved distribution, two growers noted that the Co-op has taken over the transportation of their farm products to some businesses with which these farmers were already conducting business. These growers described efficiencies created by having the WMGC transport their products given low volume or limited infrastructure. For instance, one said: “Well, all the driving...for relatively small amounts of produce” (PM12). Another grower (PM13) also noted that the Cooperative was replacing his need to travel as far by distributing his products for him. By providing distribution, marketing, and transportation for local producers, the Co-op saves producer members’ time as well as money.

Six of the 15 farmers interviewed noted saving time through Co-op membership. One farmer explained that marketing and distribution, “requires so much of my time, and I’d prefer to be growing and putting the distribution and marketing to the Co-op so, I guess to me, the margin that the Co-op requires in order to function is worth it” (PM16). The “margin” refers to the sales margin on goods sold through the WMGC, which differs depending on the product being marketed.

In addition to offering transportation and distribution of products sold through the Co-op, the WMGC also offers basic freight services to some members who choose to pursue direct sales. One member uses this freight service and describes the benefit of it this way: “It takes time to run here, there, and everywhere to deliver [my goods]. Letting the Co-op do some distribution makes good sense from my end and it also helps the Co-op’s bottom line” (PM8). Another member also described using the WMGC for this freight service: “We do all the sales and the order...directly with the Good Food Store, and then the Co-op just charges us freight to deliver

them, which is a lot lower of a margin and makes sense financially for us” (PM5). This benefit of freight transport through the Co-op illustrates how, for some growers, their relationship with the Co-op is fairly utilitarian and business-oriented. One grower expressed this clearly: “In a sense, they’re just another customer for us” (PM15). However, one grower who uses the Co-op as simply freight service noted that this relationship “also helps the Co-op’s bottom line” (PM8). Use of the Co-op as a freight service can thus be interpreted in a couple of ways. First, some members appear to be more interested in direct sales outside of the Co-op and perceive the WMGC primarily as a distribution company. Secondly, those members shipping freight want to support the Co-op financially, even though they are choosing to sell some of their products directly to buyers.

Benefits of Aggregation. Aggregation of goods was another frequently cited benefit of Co-op membership, noted explicitly by 40% of farmers interviewed. The WMGC’s ability to aggregate members’ produce and sell a larger quantity of various items allows small farmers access to larger markets. Members who addressed this benefit noted the difficulty of being a small farmer and trying to market to stores and institutions that are used to buying from large distributors. For example, one interviewee stated that buyers “wouldn’t want to come and buy from you when they can buy it from Sysco or from other people that are a lot bigger” (PM13). Another member described several benefits of WMGC’s aggregation, explaining, “I think Western Montana Growers serves that purpose...of aggregating a lot of agricultural products and distributing them to restaurants, to stores, to buying clubs, because it’s just either financially feasible or kind of physically feasible, logistically feasible” (PM15).

Financial Benefits of Expanded Markets. The most frequently mentioned benefit was the Co-op’s ability to provide access to new markets that had previously been unavailable to members, a benefit also related to the Co-op’s distribution services. Eleven of the 15 farmers expressed that they have accessed new markets since becoming a WMGC member. One grower explained that, “It is because of [the Co-op]...that many restaurants, small grocery stores, places like that get our [product] that never got them before, because we don’t have the man power” (PM4). This same farmer later added, “They have gotten us into stores that wouldn’t accept us before, so I give them credit for that.” Another member agreed with this sentiment: “They go all over Western Montana, you know all the way over to Billings and up to Whitefish and down in the Bitterroot. And some stuff you can get back hauled through Charlie’s like over into Spokane” (PM5). The importance and necessity of these new markets to the producer members was summed up well by one interviewee, who said, “I know that if small farmers want to survive economically...we have to go outside of our local region...for that, I depend on the Co-op” (PM16).

Financial Benefits of Resource Sharing. A benefit noted by two interviewees is that the Co-op is more efficient in terms of overall resource use. Specifically, growers noted that the aggregation of many farmers' goods onto one truck reduces fuel usage, which is a positive outcome. One farmer reflected that the WMGC distribution system makes the shipment of their products more economically viable than other shipment methods. He described how the WMGC is saving thousands of miles in food transportation:

It would be less expensive for the Good Food Store to buy from UNFI [United Natural Foods Inc.] than it would be to buy from us directly and have us ship it over by UPS or FedEx ground, a 100 pounds once a week...Western Montana Growers Co-op...fills that niche and having the opportunity and ability to actually supply Montana grown [products], in our case, to a store in Missoula...They're [the Co-op] gonna be able to do that with 2300 miles less diesel fuel than it would by using a national distributor (PM15).

### **A Sense of Community**

Along with noting the financial benefits of membership, several producers described experiencing empathic relationships with other farmers and a sense of community that comes with being a WMGC member. For participants, this sense of community revolved around shared values, personal interactions, staff appreciation, and opportunities for knowledge-sharing.

Connection and Shared Values among Members. Nine of the 15 members interviewed described the member community as a key benefit of the WMGC. One farmer described the value of connections, "I like it because I like being part of a group of farmers. I feel like the community of farmers is small and there are not very many other people that understand what you do with your day and I like that" (PM15). Another member observed, "Our main personal interest in it [the WMGC] is not our direct income, but it's our participation in a network of farmers" (PM12). One interviewee described the WMGC as a sort of "family" stating,

The Co-op, that's our brothers and sisters, that's who we really need to support. And the more we can push through there...the better for everybody...I really feel like we need to make that thing work (PM17B).

The sense of community that the WMGC inspires is, in part, rooted in the shared values held by Co-op producer members. Four interviewees mentioned that the Co-op fits with their values of supporting a local food system, indicating that a benefit of membership for them is not only financial, but also values-based. One interviewee stated that, "Being local, we want to sell as much of our product locally and that's what we're trying to do together" (PM11). Another

grower explained, “Our mission is to participate and help support a more sustainable food system and Western Montana Growers is a model for how that can be done” (PM15). These sentiments of selling local and supporting a sustainable food system illustrate that the participation of farmers in the Co-op is values-based as well as motivated by financial benefits of membership.

Personal Interactions among Farmers. An additional benefit of membership noted by several interviewees was that of having personal interactions with other farmers through WMGC-facilitated gatherings. Face-to-face meetings among members contribute to the sense of community; yet, not all members who expressed that the WMGC provides a stronger farmer community regularly attend the WMGC annual meetings, typically held in January. Attendance at these meetings is not mandatory, but was described as a benefit by 3 members interviewed. Similarly, monthly board meetings were mentioned as a beneficial part of the WMGC community. One member who has been in a governance position connected this with her sense of Co-op involvement, stating, “I feel much more connected to...our greater picture of what’s going on with sustainable farming in Western Montana...I think I wouldn’t have if I weren’t a Co-op member and on the board” (PM5). These in-person meetings seem to benefit members because they add to the sense of cooperation and community. Since the members work together to determine commitments for what each will produce for the upcoming season, this benefit also reflects the importance of having Co-op members actively participate in information sharing and decision-making.

Appreciation of Staff Time and Dedication. A recurring theme in producer member interviews was growers appreciation for the WMGC staff’s dedication and work ethic. This appreciation was mentioned among other “benefits of membership,” indicating that growers understand the importance of staff in overall Co-op success and functioning. As one member put it:

*Awesome* to work with. Really good...I know Dave and Jim work so hard. And they work at night sorting produce and putting it together for people and of course they accept our product the way we sell it...which means that they have to do the work...So they’ve been awesome (PM4).

Six members specifically mentioned the staff as one of the biggest benefits of WMGC membership. In several interviews, members also noted that the staff is underpaid and at risk of “burning out.” One grower explained: “I also don’t think the staff is paid enough for all the work they do” (PM2). Producer members simultaneously recognize the value of the Co-op’s dedicated staff as well as the unsustainability of their current operating situation. One farmer described the stress on the Co-op and the staff: “The [staff] don’t have benefits. They don’t get

paid much. They don't have health insurance. They work long hard hours" (PM6). Thus, members seem aware that the current situation for staff is unsustainable and that losing WMGC employees would have a major impact on membership benefits.

Knowledge Sharing among Members. Another community-related benefit described by members is the opportunity for knowledge sharing among farmers that Co-op membership provides. This benefit was mentioned by two members, both of whom spoke of the Co-op's role in supporting new farmers through planning and crop information and with emotional support. One interviewee described a somewhat formal process of knowledge sharing that has taken place between WMGC staff and producers:

Dave or Jim, or maybe another grower, would work with the person to help that process, see where the barriers to having the quality that's needed, see where the barriers lie, and have some established person who's familiar with that help them through the hoops (PM12).

In this way, more experienced farmers are able to encourage young farmers and also ensure the product quality that they expect all WMGC members to meet. Aside from knowledge sharing, three farmers mentioned other ways the WMGC's support of new farmers is a benefit of membership. One member explained, "Our main personal interest in it is...encouragement for new farmers to get started...because I think it is a major help for people who are new to doing this and who don't have long established contacts with outlets" (PM12). In addition to new growers receiving the benefit of education and informational support, more experienced growers expressed that seeing new growers receive the support they need is an additional benefit of membership. The ideal of creating a supportive farming community and a "noncompetitive" attitude within the WMGC is one that members seem to support. Their emphasis on empathic relationships and an appreciation for a community of farmers suggests that financial gains are not the only thing of value to WMGC producer members.

### **Convenience and Efficiency of WMGC Membership**

Less frequently mentioned than the financial or community-related benefits were comments related to the convenience and efficiency of working with the WMGC. The convenience of drop-off sites for produce was noted by two members, with one farmer describing how his membership in the WMGC makes what would otherwise be a prohibitive part of farming instead quite easy: "The fact that there's this drop point, and it's only five miles away, that part

is not onerous” (PM12). A second convenience noted by two members is the online ordering system the WMGC uses to receive and fill orders. One producer stated:

[Online ordering] is easier for us to make offers, just that it enhances communication both ways cause we can put in offers more easily. It doesn't involve the time and complexity of individually contacting by phone, which can be awkward. This way, if 10 people want at the same time to put in their offers, or check on what the sales were, there's no limitation...If you eliminated the internet...from this, it would be much harder to see it working on this scale (PM12).

### **WMGC Benefits Related to Production Planning**

Lastly, production planning was mentioned by a small number of members as being beneficial to their farm operations. Two members noted that WMGC membership enhances the crop variety on their farm and that they see this as a benefit of membership accomplished through production planning for Co-op sales. One farmer described how the WMGC “allows me to grow some crops that I can't sell as much as I'd like through other means” (PM2).

Only one member mentioned the CSA as a benefit of the WMGC, which was unexpected as it is about 10% of the Co-op's annual sales and appears to be a significant part of guaranteed sales. This member felt that the benefit of the CSA is that it facilitates “the direct involvement of the consumer.” Other benefits mentioned by only one member and have not yet been discussed in this section include: the ease of accounting, receiving feedback from consumers, the professionalism of the Co-op's interactions with buyers, reduced competition between farmers, meeting other members monthly for board meetings, providing financial security, and saving some manual labor that the member would otherwise be required to do.

### **Benefits Summary**

Participants in this study clearly articulated benefits of membership associated with the Co-op's ability to effectively aggregate, market, and transport their products. Growers particularly noted the benefit of working with the Co-op in establishing new markets and markets with which they would otherwise have difficulty working due to the volume of produce needed or marketing effort required. Our interviews also revealed the importance of the sense of community and shared values among producers. Growers feel a key benefit of Co-op membership is their feeling of connection to a larger food movement and their ability to participate in a local food system. Overall, benefits of Co-op membership are clearly not just related to increased farm business viability and success, but also relate to the sense of community and participation in a values-based food system important to producer-members.

## Members' Perceived Challenges

### Introduction

Members' experiences and perceptions of challenges within the Western Montana Growers Co-op are significant because member dissatisfaction, if not addressed, could lead to reduced membership and tension within the organization. In this section, the focus is on the challenges faced by individual members in their experience with the Co-op. To understand what challenges exist for members in working with the Co-op, our research team asked growers, "As a member of the Co-op, what challenges have you experienced?" In response, producers identified challenges faced in their interactions with WMGC, challenges they experience with other producers, and challenges they face as farmers that do not necessarily relate to Co-op membership. Three interviewees did not identify any challenges in their business or personal experiences with the Co-op, though all growers did describe general concerns with the Co-op as a whole. The following challenges, listed in descending order of frequency mentioned, are the general categories that three or more producers discussed:

- Inaccurate sales projections;
- Competition between members within the Co-op for growing commitments;
- Competition between the Co-op and members who sell outside the Co-op to the same markets;
- Sales and pick-up schedule is too short; and
- The 25% sales margin.

### Inaccurate Sales Projections

The challenge most frequently mentioned among member producers was inaccurate sales projections by the Co-op that results in food produced but not sold. At the beginning of each year, the Co-op provides sales projections for the upcoming farming season in which crop sales predictions are made. Based on these projections, farmers then make commitments to grow these crops for the Co-op to market and distribute. Of the 15 producers interviewed, seven identified inaccurate projections as a challenge due to their crops/commitments not being sold. In describing this challenge, one producer explained, "We committed to what they wanted us to grow and they didn't buy it" (PM17). A second grower commented, "Everybody is so dang busy. Inevitably what happens is that we don't do our planning right as a group and then somebody grows something, somebody grows too much of one thing, then you basically eat it because you can't get rid of it" (PM3). One interviewee explained that inaccuracies in projections and commitments are hardest on producers who grow exclusively for the WGMC,

as these particular growers have fewer markets to solicit if they are left with food the Co-op cannot sell (PM3).

### **Competition between Members for Crops and Commitments**

Currently, producers with a history of providing specific crops get the priority in the following year's commitments (PM8). Five producers identified competition among members to grow certain crops (seasonal crop commitments) for the Co-op as a challenge. One grower noted, "It's hard to sell what you have now that there's so many people all growing the same thing" (PM2). Another member noted, "Now that we have a priority, or hierarchical system, I guess there are things that I would want to grow but someone else is already growing them" (PM16). One producer expressed frustration with the way crop commitments are assigned and how this may or may not act as an incentive for greater Co-op commitment among members:

I guess another frustration... is the whole commitment thing and these really desirable crops being sucked up... by other farmers and you want them and you feel like you're really good Co-op members and want to grow more of certain crops and sometimes commitments can be held by farms even when their quality sucks. And that's super frustrating (PM19).

According to the producers we interviewed, commitments are distributed among members without considering the extent to which a producer is involved or engaged in the Co-op or the quality of the product that has been produced in the past.

### **Competition in the Marketplace between Members and the Co-op**

Four of fifteen members interviewed identified competition between Co-op members and the Co-op (because of direct sales by producers) as being a challenge. For several producers, the challenge of competition with other members selling outside of the Co-op is very significant. One grower commented that, "It causes bad feelings...I was recently having a conversation with (anonymous) and that person was explaining this to me how the Co-op can't possibly continue the way it's going if the members aren't going to support it by handing over their stuff" (PM6). The Co-op has steadily grown since first starting in 2003, but some members see the competition between the Co-op and some of its members as being a major barrier to further growth. One grower stated, "Or, if they're competing with the Co-op too, if they're competitive with the Co-op and they still hold a commitment on a crop that we would like to grow...That's super annoying" (PM19). This farmer elaborated on this concept, explaining:

So, you know, they take one crop and they sell it direct themselves in Missoula, but then they still get the commitment priority with the Co-op, so they're getting



all the far away markets too and so, not only do we not get the Missoula market, but we don't get any of the markets (PM19).

Some members feel that those producers who sell through the Co-op and who also direct market their produce are acting unfairly towards other producer members.

In contrast, two producers specifically stated direct sales to the same markets as the Co-op was not an issue. One farmer stated:

Well, if we direct market, we get more return. We basically can sell directly, roughly the same price that the Co-op is selling, and so for markets where we have established relations, sometimes we sell to them directly things that we're also selling through the Co-op and we don't see that as conflict (PM12).

Direct marketing brings a producer a premium for their product because they do not have to pay the Co-op the 25% sales margin charged for its services. Further, some members are reluctant to end long-term relationships with some markets and this influences their decision to continue with direct sales. The combination of established relations with buyers along with being able to earn more profit through direct sales are believed to be sufficient reasons to continue direct marketing efforts among growers. One producer member views the Co-op as being in competition with his/her farm in the marketplace, explaining, "I feel that the Co-op has taken away some of my business, so by joining the Co-op I'm trying to make up for that amount of money that I'm not making" (PM2). This reveals how producers may see the Co-op as both supporting and challenging their businesses.

### **Tight Schedule between Sales and Pick-up**

Three of the 15 members interviewed identified the current system that the Co-op uses to facilitate sales and to pick-up goods as a challenge. The WMGC does all sales on Monday morning and makes its offers to farmers so that they can harvest that afternoon and drop the goods off at the drop points in the evening (PM2). On the topic of ordering, scheduling, and delivery, one producer commented, "The Co-op is a pain... we get the order on Monday and have to deliver on Monday" (PM17). In contrast, one producer noted the quick turnaround and accompanying stress of the current ordering and harvesting system (PM12).

### **25% Sales Margin**

The Co-op sells members' products at a 25% margin in order to cover operating costs. Three producers mentioned the margin in their interviews as being a "challenge" of Co-op membership. When commenting on the margin, producers noted that small-scale farming and

production is financially challenging even with the Co-op increasing marketing and making delivery more efficient. The financial challenge of farm operation is what inspires growers to avoid the margin when possible by using direct sales. One producer commented on this, stating, “It’s that time of year, late fall, when things are slow enough around here we can drive down to Missoula a couple times a week and...it’s worth it for us because the difference is such a huge difference at 25% on that. We just flat out need the money” (PM5).

### **Irregular Quality & Packaging**

One challenge identified by two interviewees was the issue of poor packaging quality and sometimes poor product quality by some producers that reflects negatively on the Co-op as a whole. One grower explained, “I kind of hate to see our stuff, that I’m very proud of, lumped together with other stuff that, if I boxed it up, I would be less proud of. That’s always a big issue for me...I still feel like it effects the whole order in a negative sort of way, which includes our stuff sometimes” (PM19). Although the Co-op can reject a farm’s goods due to low quality, it is often impossible for staff to inspect all the goods distributed due to staffing and time limitations (PM19). Products of poor quality can reflect on other producers of the same goods when aggregated for distribution. A second grower identified this same challenge, noting that, “We just re-use wax boxes that we get from the produce venues like Good Food Store...they don’t look good. They’re not uniform... A lot of times they’re kind of junky. They fall apart. They rip and they just don’t look like... you see a pallet of our stuff... it doesn’t look professional” (PM5). Two producer members feel that the Co-op is not presenting itself professionally with poor quality of product and with poor quality of boxes, both of which affect all members.

### **Other Challenges**

Two producer members identified various issues associated with the Community Supported Agriculture (CSA) that the Co-op offers. One member feels that the CSA makes crop planning challenging because, “they only want things once every third week” (PM2). A second member views the CSA as “not of real help to the Co-op because...what the Co-op does really well is wholesaling, and it’s too much individual consumer outreach...I think that’s what a store does very well and a farmers’ market does very well” (PM12). Two interviewees identified challenges with equipment, both of them noting in particular issues with trucks and the cooler as being key challenges the Co-op seems to face (PM 4, 6).

An additional six challenges were identified in interviews with producer members that were unique to individual farms. These challenges include: the expense of packaging, lack of incentive for selling through the Co-op, transportation to pick-up point (producer doesn’t drive), Co-op board not effective in completing duties, punctuality of Co-op drivers during pick-up and delivery, and low beef sales by the Co-op. Although these challenges were unique to a single

producer, that does not mean that they are insignificant or that they may not also be shared by growers who have yet to be interviewed. Interviewees also made general observations about Co-op operations that they see as being potential challenges but that do not necessarily relate to their businesses. These included: lack of communication among growers and between board and producers; poor marketing; lack of member engagement; and staffing issues.

### **Challenges Summary**

Pre-Season Planning. Considering that the two most frequently cited challenges pertain to pre-season planning, this may be an indication that some additional time and energy could be dedicated to this aspect of Co-op operations. As noted earlier, 62% of all Co-op members grow vegetables, while vegetables account for only 32% of annual sales, potentially accounting for the perception of competition for crop commitments among producers. Based on some of the comments made during interviews, we recommend that some additional time be taken to explain how crop commitments are handled and how planning can be done more effectively in order to address these feelings of competition and poor planning.

The Co-op is Divided. Another challenge noted by growers is the issue of competition both among growers within the Co-op for crop commitments and between the Co-op and members who choose to use direct sales while also selling through the Co-op. Out of the 15 farms interviewed, a total of six, or 40%, specifically referenced this topic. Members described feeling affected by this conflict in two ways: First, growers indicated that direct sales prevent Co-op growth and increased sales by occupying some of the markets the Co-op might serve were it not for direct sales by individual growers. Second, some growers are frustrated that other members are simultaneously selling outside the Co-op while simultaneously claiming desirable crop commitments that others feel should be given to more “committed” Co-op producers.

Contrasting these views are two producers who do not see a conflict. Growers who did not share these concerns feel that the premium prices earned through direct sales compensate for any conflict between their business and the Co-op and that maintaining relationships with businesses through direct sales is a priority for them. Clearly, members are divided on the impact and logic behind direct sales, making it a particularly relevant issue for discussion and problem-solving as the Co-op continues to improve its cohesion and operations.

## **Member Engagement & Commitment**

### **Introduction**

Communication among various tiers of management within a business is a challenging endeavor. In a cooperative business, where the members are owners and operators,

communication is a critical function for successful and fair operation. Communication is also a means to establish member involvement and, in turn, commitment. The subject of communication within the Cooperative was specifically raised during our in-depth interviews, though responses described below include other answers that still address the topic of communication. Specific we discuss how the Co-op's Board of Directors communicates with the members; member involvement within the Co-op; and the resulting commitment of the Co-op members to the success of the WMGC.

### **Board Communication & Member Participation in Governance**

According to the 2011 Business Plan, there are currently seven members of the WMGC board, all of whom are producer members. One member who plays a leadership role in the Co-op stated that new board members are elected every three years during an annual member meeting. Each member of the Co-op has a right to vote, the opportunity to serve on the board, and ultimately the ability to influence the decisions and directions of the organization.

General Member Participation at Board Meetings. Open communication between the board and producer members plays a role in determining the success of the participatory ownership model of the Co-op. The board is volunteer-based and members are encouraged to attend the board meetings to discuss operational matters. However, most of the producer members we interviewed, including those who have played a leadership role in the Co-op, expressed difficulties in including producer members in the board meetings. Two of the producer members we interviewed, both of whom have served on the Co-op board, stated that it is difficult to engage members. One explained, "We've got a really good board, and they do a lot of volunteer work. It's all volunteer, but it's really hard to get other members involved that aren't on the board. Anyone who's a member is welcome to come [to the board meetings]" (PM5). Another member, who used to play a leadership role in the Co-op, explained: "It gets a little much when non-board members show up and they don't know the history of the topic...so unless you have a connection with someone on the board, it's a little hard to figure out exactly what's going on and I don't like that part" (PM12).

Members who have not played a leadership role in the Co-op also expressed lack of interest or motivation in attending board meetings. According to Jan Tusick, Center Director for Mission Mountain Food Enterprise Center, cooperatives are, "user-owned, user-controlled, and user-benefitting." The best opportunity for producer members to become involved in the ownership and control of a cooperative is to participate in their shared governance model, most directly by attending board meetings or serving on the Board of Directors. However, at least 6 out of the 15 members we interviewed expressed a lack of interest in or time for attending the board meetings. One farmer stated, "I just grow and sell, and I don't really pay too much attention

about the government” (PM18). Members also expressed the need to spend their free time with family or running their business. When asked how they feel the board communicates with producer members, one farmer stated, “I’m the worst to ask because they have meetings on Saturdays, well, I like to spend time with my kids so I don’t go to the meetings” (PM13). Since board meetings are actually during the week, this answer might suggest that the board does not regularly communicate the dates of their board meetings with the entire membership.

WMGC members can participate as much or as little as they want in the governance of the Co-op. When asked about board communication with members, one producer stated, “Probably good enough. They publish the minutes of their meeting. You can go to a meeting. You can have as much to do with it as you want. There aren’t any secrets” (PM6). Some members mentioned that participation in Co-op governance is unequal among growers, with some producers putting in regular attendance and others participating minimally. As one put it: “There’s a core group of people that go to the meetings or come to the annual meeting, and there’s some people that you never see and you just don’t know how interested they are” (PM3). Another member discussed common interests, saying, “I know most of the Co-op members that are running the Co-op work as farmers, are farmers. I think that’s good. I think that the board should be farmers. The people running the Co-op should understand what farming is all about. If they don’t, they should come out and work with us one day and understand the issues” (PM11).

Communication between the Board and the Membership. Examples of the difficulties communicating with the board did come through in the interviews. When asked how they think the board communicates with members, 4 out of the 15 farmers we interviewed expressed overall disappointment in communication between the board and Co-op members. One farmer responded, “Actually, terribly. It’s really something that I would like to see changed. I mean, unless you’re on the board, you really have no idea what’s going on” (PM12). Similarly, another producer stated, “I don’t think they do communicate to us anymore. We used to get a letter every few months, but I haven’t received one recently. I don’t even know rightly who’s on the board these days. So there’s not a lot of communication.... Maybe the board doesn’t do a lot, I don’t know” (PM8). One farmer responded bluntly, “Poorly. The only time that I hear from them is when they’re having their annual meeting, or maybe it’s a semi-annual meeting, I don’t know. And again we’re geographically... we’re distanced to the point that it’s not a convenience for me to get to the meetings” (PM15).

Besides geographical distance, board members noted that not all members have email access, making communication even more challenging. One farmer who has played a leadership role in the Co-op stated, “Yeah, I’d say we could definitely communicate better with the membership.

We can send out, you know, kind of blanket emails to our membership. But not all of our members are even on-line. We do send out letters occasionally if there's really important things we need to get across" (PM5).

The lack of participation in the governance of the Co-op was frustrating to a few of the interviewees. One farmer who has played a leadership role in the Co-op said, "A lot of our members kind of just see us as a distribution service and don't want to put in any extra time or energy into making it work. Even though it's their business, I think a lot of people don't understand...they kind of view it as a separate entity, when really if you're a member, then you're an owner" (PM5). On the other hand, a few members expressed that they hadn't heard anything from the board for a while. One member stated, "I don't even know when the annual meeting is. There's supposed to be one in November, maybe they haven't set it up yet. And then after the meeting they take all the information and write a letter for the minutes and I don't get [anything] from the board anymore" (PM13).

Member Communication with Staff. Many members shared that their frequent communication with the staff, rather than the board, keeps them informed of Co-op business. Because of apparent communication challenges, members often contact the Co-op staff for information rather than board members. One member stated, "I don't know what's going on, because I don't get anything. And maybe I need to make a call and find out. I talked to Dave about it and it's going smooth" (PM13). Another producer member who has played a leadership role in the Co-op stated, "We've tried at different times, but then the board changes and the people who are doing it aren't there, and maybe, I know one board member said that they thought Jim and Dave were doing such a good job that there's not even really any need for a board. But, of course, there is structurally" (PM16). Another producer stated, "What communication we get usually comes through Dave Prather. He'll shoot us an email if there's something that is a major importance I guess, but we don't get a lot of communication" (PM8).

### **Member engagement**

Trainings and Work Parties. Throughout the years of operation, the Co-op's Board of Directors has made attempts to organize trainings and work parties with producer members in order to communicate standards and engage new members of the Co-op. Three of the producer members we interviewed discussed these trainings and the work parties in their interviews. In the past, these trainings aimed to build community and cohesiveness within the Co-op, and were viewed by members as a communication tool. The trainings were started with the inception of the Co-op. One producer member explained,

There was a protocol for whenever a new member wanted to come in. Basically, we needed to have quality produce and consistency...people would join, and they wanted us to sell their product, so we would see if they were a good fit. If they were real gung ho young people that didn't know much about it, we would try to assign a local grower that would try to do that. That was important, because it gave a morale boost to the new grower (PM3).

The trainings were not required or very formal, according to one producer: "Sometimes, it's been direct visiting from an established producer to a, say a new producer. Sometimes it's more informal, just communication between the growers" (PM16).

A fourth farmer suggested that a training might be useful in helping members understand the Co-op's structure and role, stating, "I think for new members and beginning folks there needs to be some 'welcome to Wholesale 101,' 'this is what we expect of you'...members could teach the class" (PM19). This farmer continued by saying that members could teach these trainings, and the training time could count as volunteer hours. Trainings such as these for all members could help Co-op members understand the role of the Co-op in creating a farmer-owned distribution service, as well as the bylaws and overall operations and structure. Many of the new producers to the Co-op used to be supported by the more experienced growers of the Co-op. One producer mentioned, "When we were recruiting all of these new growers, they weren't used to what the market [requires], as far as handling and boxes and grading your vegetables. So we used to put out a packet with that, and that kind of came and went depending on how much time the marketer had.... And then there was also basically an informal crop improvement association within the Co-op for new growers where several members would go out to a new member and try to help them" (PM3).

In the past, the Co-op also organized occasional work parties. These provided another opportunity for producer members to become engaged in the Co-op. As one member explained, "We haven't so much in the last couple years, but in the beginning for sure, we were having a lot, needing to have a lot of work parties" (PM12). However, this same member emphasized the lack of participation in these activities, saying, "The only people who volunteer are the people on the board because they're the only ones who know about it; they're sort of the ones that feel more responsible" (PM12). According to this producer member, these work parties included things like infrastructure upgrades for the Co-op such as installing coolers in the storage space.

Newsletter Communication. Nearly half (7 out of 15) of the producer members we interviewed also mentioned the fact that the Western Montana Growers Co-op used to put out a newsletter

to communicate with the Co-op members. However, 5 out of the 15 interviewees also noted that the lapse in newsletters was likely due to staff and board being overwhelmed and too busy. Among the interviewees, there was confusion about the current status of the newsletter; however, they mentioned that they enjoyed the newsletter and saw it as a communication tool to stay in touch with the Co-op. According to one producer member, "They [newsletters] were just kind of keeping you up to date on what's going on and the board members and who they are, and just how things were going to operate" (PM13).

Some members have helped out in the past, but there are challenges in keeping a newsletter going, especially when there are one or two new board members elected every year. Producer members understood the complications of keeping a newsletter going. While discussing the upkeep of the Co-op newsletter, one producer member mentioned, "It's really hard for the management, because they are kind of over worked and under paid" (PM3). One farmer who has played a leadership role in the Co-op also mentioned, "There's not usually a ton of news. Once a month would be too much. Maybe a quarterly newsletter would be good" (PM5). Two members mentioned that a former board member used to put together the newsletters, which answered many of the questions members had regarding the status of the Co-op. According to these interviewees they view the board as being responsible for the production of the newsletter. Since 7 out of 15 of the interviewees mentioned the newsletter when communication within the Co-op was brought up, this is apparently an important communication piece between producer members and the Co-op board and staff.

Annual Meeting. The Co-op's Annual Meeting is another opportunity for the staff to share an overview of how the year went, discuss finances with members, and address any issues within the Co-op. However, member participation has often been low or infrequent. At the annual meeting, general membership is welcome to bring up any topics they would like to discuss. Members are also asked to vote on any policy changes, changes in the by-laws, and new board members are voted in. The Co-op's annual meeting serves as a platform for member involvement and participation, but, in many cases, participation in the annual meeting is relatively low. According to one farmer who has played a leadership role in the Co-op, "I'd say maybe a quarter or a third of members show up every year" (PM5). Reasons for not attending and a lack of interest in the annual meetings were prevalent in our interviews, especially when compared to just a few benefits related to attending the annual meeting.

Producer members had many reasons for not attending the annual meeting. Some were just too busy, while others were frustrated by the structure of the meetings. However, 3 out of the 15 farmers interviewed mentioned the benefits and importance of the annual meetings. The number of members who do not regularly attend the annual meeting was surprising. Only 5 out



of the 15 producers interviewed said that they regularly attend the annual meetings. Out of the 15 member interviews, even those who rely on the Co-op for a majority of their sales have only been to the Co-op annual meeting one time.

### **Investment in the Success of the Co-op**

The WMGC, because it is a cooperative, is intended to work as a participatory organization. Commitment to the cooperative model serves as a model for success. We have discussed the involvement of producer members in the Co-op board and annual meetings, as well as communication between the board, staff, and producer members. During the interviews, we also asked to what extent producer members feel invested in the Co-op's success. Not surprisingly, a majority (10 out of 15) of the farmers interviewed expressed that they were definitely invested in the success of the Co-op. One member stated that, "We'd do anything to help them out" (PM4). Another farmer answered, "Yeah, [we are] super invested. It would be super challenging for us to, basically, redefine our business if the Co-op wasn't here" (PM19). Farmers also really appreciate the community that comes with the Co-op. One producer mentioned, "I feel totally committed to the Co-op and really invested.... I guess it comes back to being able to grow food and get it into lots of different local markets, and being a part of something a little bit larger than what our farm is. That part is important to me and having something that is owned by the growers is really important to me and not selling to a distributor" (PM16).

A few (3 out of 15) members said that they were just "fairly" invested in the success of the Co-op. One farmer stated, "I'm fairly committed. I believe in their mission...if one of the small accounts the Co-op has a problem, it's not a major problem for either the Co-op or myself. You know, you can always go find somebody that can take a couple [product]" (PM8). Another 2 out of the 15 farmers we interviewed admitted to being unsure of their commitment to the Co-op model. One of these producers admitted to using the Co-op strictly as a distribution service (PM6). The other producer mentioned, "I don't know that the Co-op is such a good fit for me. But then, it feels weird for me to think that oh, I would need to sell harder to these places where the Co-op is selling. I don't want to hurt the Co-op. But, I also feel like, I don't know, I had these accounts before there was a Co-op" (PM2).

Throughout the interviews, we found that loyalty, commitment to the cooperative model, and a sense of ownership all factored into how invested a member was to the success of the Co-op.

A Sense of Loyalty. A couple of the producer members interviewed have been with the Co-op since its inception and therefore expressed a sense of loyalty to seeing the Co-op succeed. A tenured member of the WMGC stated, "Over the years, you kind of come to feel like you

belong” (PM18). One producer member had even been approached by other distributors but stated that they decided to stick with the WMGC out of a sense of loyalty. This producer appreciates the longevity of their relationship with the Co-op and values the staff and other growers enough to continue working with the Co-op (PM14). Other producer members expressed a sort of nostalgia for and ownership of the Co-op. One long-time producer member stated, “We've watched them grow! You know, we've been a member right from the very beginning and we've watched them grow and get more organized” (PM4).

Being involved with the governance of the Co-op has also played a role in the loyalty producer members feel for the WMGC. One farmer who has played a leadership role in the Co-op explained that:

Being on the board really sort of enhanced that commitment. Just getting to know the inner workings of it as a business and understanding the struggles that we face feels like, in that way, I want to see it succeed. And now that it has grown so big, it seems to be such an important part of our community that I wouldn't want to do anything to jeopardize that so, that's why I want to put all effort into it (PM12).

Commitment to the Cooperative Model. Besides being loyal to the Co-op, several members also expressed commitment to the Cooperative model. The Cooperative model involves producers, the distribution business, and retail outlets. Since one of the challenges of farming in Western Montana is the geographic distance between markets and growers, a few farmers recognized the importance of the WMGC in this region of the state. Many (6 out of 15) of the producer members mentioned their commitment to the mission of the WMGC model. One member stated, “I am very supportive of the model, of the Cooperative model. I just think that makes a lot of sense” (PM15). Another producer explained, “That part is important to me and having something that's owned by the growers is really important to me and not selling to a distributor” (PM12). Another farmer also recognized the role the Cooperative model plays in Western Montana's food system. She stated, “By being a member of the Co-op I'm helping to supply local food to Western Montana in a way that wouldn't be possible without the Co-op” (PM5). By being supportive of the Cooperative model, these members are helping to supply local food through a distribution service that is owned and operated by those producing the products.

A Sense of Ownership. Members' degree of commitment to the Cooperative was also illustrated by the personal pronouns that our interviewees used when discussing the Co-op (“they” versus “we”). By definition, a cooperative business is an organization owned and operated by a group of users for their own benefit. Each member is inherently an owner of the

Cooperative, but feelings of ownership are not necessarily shared by all members. Members referenced the Co-op using both first person and third person possessive pronouns. For example, during the interview process, nearly all of the producer members would talk about the WMGC by referring to the staff that does the distribution and business side of the operations (“they”). By contrast, producer members who either had been on or were connected to the board used the word “we” when discussing the decisions and governance of the Co-op. One of the farmers even alluded to this tendency stating,

I think that most of the members look at the Co-op as passive customers to the Co-op as opposed to members...you just look at it as the language; they call the Co-op something other, it's not like *our* business or anything like that. It's 'they' want it, 'they' want it. You always refer to the Co-op as 'they' or 'them,' and even in a weird kind of way, we all compete a little with the Co-op...because none of us sell everything to the Co-op (PM17).

Another mentioned, “I think sometimes people confuse that role [of the Co-op], and get the inverse, like, not ‘what can I do for the Co-op,’ but ‘what can the Co-op do for me?’” (PM19).

Producer members who seemed to have no interest in the board meetings or annual meetings mostly used “they” when referring to the Co-op. Those producer members consistently talked about the staff of the Co-op and never about the Co-op membership as a whole. That many members look at the Co-op as if it is a customer, rather than as a business of which they are an owner, emerged in a number of the interviews. For example, one member stated, “They don’t ask much of us and we don’t ask much of them. In a sense, they’re just another customer for us.... Except for basically the philosophical commitment to changing a food system in Montana, they don’t offer any additional benefits to us that a non-Co-op distribution [company] would or another customer that was out of state. Their relationship is really pretty straight forward” (PM15). The disconnect between a successful farm business and the success of the cooperative model also sheds light on the lack of participation and investment in the success of the Co-op that was mentioned earlier. Although not intentional, a general lack of engagement and participation comes through in these statements.

Interestingly, some members who do not seem to want to play a governance role in the Co-op referenced the Co-op in a first person possessive form, “we,” when discussing the overall success of the Co-op. For instance, one member expressed a sense of ownership by saying, “We don’t even pay our way; I think somebody gives us office space. And somebody gave us start-up money...” (PM6). Occasionally, interviewees would switch between referring to the staff (“they”) or the Co-op (“we”) in their statements. One farmer stated, “Every winter they have to borrow

money from members to get through the winter, so it's not like there's a lot of cash floating around. I do think it's something we should work towards soon or we don't deserve to have these really loyal guys selling our stuff" (PM2). The way this particular farmer seems to conceptualize the relationship between the Co-op membership and staff illustrates the complicated nature of Co-op ownership and the sense of commitment held by members.

## **Discussion**

Engaged members will ultimately determine the success of the "user-owned, user-controlled, and user-benefitting" cooperative model. A few themes stood out while studying the commitment producer members have to the WMGC. While the majority of producer members we interviewed (10 out of 15) expressed investment in the success of the Co-op, few were actually engaged with the Co-op meetings and decisions. Focusing on trying to engage producer members in the operations of the WMGC on a regular basis will help to accomplish the mission of making the WMGC a farmer-owned and operated local food distribution service for Western Montana.

Regular Communication between the Board and Members. Board members should set up regular communication with the Co-op. There are many ways to communicate with the producer members of the Co-op. And while a few of the interviewees suggested that the board was doing a good job overall, others were concerned that the board was either over-worked or clueless as to what the board was currently up to. Regular communication through mail or e-mail to all members is recommended. Nearly half of the members we interviewed also brought up the fact that the Co-op used to put out a newsletter. This does not have to be every month, but creating a newsletter committee could also help with the communication between the board and general members. If the board feels that they already have too much on their plate, the close vicinity of the Co-op operations to the University of Montana also makes hiring an intern to put together a newsletter a possibility. The UM Environmental Studies Program is filled with students eager to learn more about Western Montana's local food system. Regular communication from the board to the members would also make the board more accessible and open to hearing suggestions from farmers. Keeping farmers up-to-date with current decisions will also make them more likely to attend the board meetings and annual meetings.

Monthly Work Commitments. Board members should set up some sort of commitment for producers to work for the Co-op on a monthly basis. While most farmers have very busy schedules, if they are going to benefit from the Co-op as a distribution service, the farmers should also contribute to the success of the Co-op with occasional volunteer time. One interviewee mentioned that teaching trainings could count towards volunteer hours. Requiring all members to volunteer as little as five hours per month could help out the over-worked,

under-paid staff tremendously. This could include anything from calling members, putting together e-mails, updating the sales sheets, coming in to help pack boxes, or even just attending a board meeting or two. Volunteer hours will not only help out the staff and board, but will also help provide transparency and understanding to the work that goes into the operations of the Co-op for the producer members.

### **The Future of the WMGC & Member Thoughts on Co-op Growth**

In order to get a sense of member perceptions of Co-op growth, we asked interviewees if they believe that the Co-op needs to grow or expand. In addition, the research team also asked members about opportunities or services the Co-op could offer, about important steps for growth, about willingness to increase production, and what they want the Co-op to look like in five years. In response to these questions, and during responses to other questions, members discussed growth and areas for change at the broad Co-op level and at the individual farm level. When discussing Co-op growth, members brought up the following issues: increasing the number of buyers, more thoroughly saturating current markets, diversifying the kinds of products sold by the Co-op, necessary steps for growth, and increasing the number of producer members. When discussing individual growth, members shared their willingness to increase or change personal production to meet changing demands of the Co-op. The responses to these questions give insight into members' perceptions about growth and can help the Co-op grow in the ways that may be most beneficial to its members.

#### **Growth at the Co-op Level**

Despite having some reservations, the majority of producers feel some kind of growth is beneficial. Of the ten members that generally felt growth would be beneficial, one producer discussed the need to grow in terms of the ability to find an ideal financial balance: "I think that at some point we are going to find a sweet spot where we sell more and our expenses can stay relatively the same" (PM5). Even though most producers were in favor of growth, some discussed ambivalence, which seemed to be related to skepticism about the idea of growth in any context, not just with the Co-op. One producer who held this view stated, "Could grow, yes. Needs to grow, I don't know. It seems like we [society] get caught in that cycle" (PM16). Another producer agreed and also mentioned, "You don't want to be too big so that you lose the sense of community" (PM18). Another grower who felt ambivalent about growth did acknowledge, however, that the Co-op's growth up to this point has gone smoothly: "I feel like they've been really doing a good job and are probably growing at an adequate pace" (PM2). Members feel there is an opportunity for the Co-op to expand slowly and responsibly as they have been doing, but they believe growth should not trump other Co-op values.

As noted in earlier sections, members feel the Co-op offers an opportunity to get their products to buyers who are less likely to work with individual growers. Half of the producer members we interviewed felt the Co-op should play a role in pursuing these markets which make less economic sense for individual producers to access because of small returns in comparison to the effort required to reach and satisfy those markets individually. As discussed earlier, the Co-op functions as an aggregator, marketer, and distributor. Producers feel this advantage enables the Co-op to reach marginal markets that would be otherwise unattainable for smaller growers. One producer commented that, “If a store or an institution has an interest...in emphasizing local...food, they would really have problems if there weren’t a Co-op...making personal contact with the number of different farmers that are involved would be prohibitive” (PM16.) The Co-op’s three main roles provide an opportunity for growth in selling to buyers that seek local food but cannot logistically work with so many producers to acquire the volumes they need.

Apart from one producer who pursued buyers individually, the majority of members who said new markets were needed felt it was the role of the Co-op to identify and cultivate these new buyers, but members also recognized the difficult nature of this task and are empathetic to the Co-op obstacles. One producer stated, “I think there’s an opportunity for the Co-op to pursue more markets than they do. But that may be again one of those critical mass things where you can only go so many directions at once. For them to pursue more markets, it might be a major jump” (PM8). Members understand the difficulties associated with acquiring new buyers but feel confident that the Co-op can access new buyers for them due to the advantages of Co-op aggregation, distribution, and marketing.

New members could facilitate growth by producing greater volumes for the Co-op, and some current producers feel there is a need to train new members in order to standardize Co-op product quality. Several members pointed out the importance of the Co-op as a facilitator and educator for new producers during the process of growth: “I know there as an attempt to do at least some of that [education] for new growers, or people who were growing new crops that they hadn’t grown before” (PM12). In order to reduce uncertainty about the quality and quantity of crops producers deliver and ultimately to maintain the reliability of the Co-op for new buyers, education is necessary to ensure all producers meet commitments and deliver acceptable products.

In addition to feeling that there is a need for new buyers, members also discussed the need to fully utilize existing, easily accessible markets in Missoula. Some participants feel there is competition between Co-op members because the Co-op attempts to access the same markets that members also market to directly. In contrast, other participants felt like the sales potential

for these markets has not been met and that the Co-op could work to facilitate increased sales in these areas.

### **Accessing Premium Markets**

The Co-op sells many products with local, Homegrown, or Organic certifications, which allow the items to be sold to consumers at higher prices. Some producers feel there is no more room for additional sales in these markets. Stores, restaurants, and institutions around Missoula that are willing to pay premium prices for certified Organic, Homegrown, and local products are limited, thus making them somewhat competitive among growers. One producer acknowledged the small size of markets willing to pay higher prices in Montana saying, “What’s the percentage of people that eat organic? Is it 5, maybe 7%? So out of a million people, how many people is that? That’s not a huge number of people, so that market is not a huge market” (PM17). Another producer illustrated this using a specific buyer as an example, because the store “can only sell so much winter squash or so much garlic or basil...So it can get kind of tense I guess would be the best word” (PM5), referring to relationships between growers. In general, these producers feel there is no more room for increasing sales in Missoula markets.

Two producers who sold directly to Missoula markets before the Co-op, and also feel like Missoula markets are currently filling up, expressed that they plan to continue selling products directly to buyers even if these direct sales compete with the Co-op. One member noted explicitly that direct sales by members is common and that this prohibits the Co-op from taking full advantage of premium markets in Missoula: “They [Co-op] can’t take advantage of the big market right at their feet” (PM6). These competition issues are discussed in more depth in the challenges section, but they should also be taken into consideration when thinking about organizational growth. Such issues can be divisive and potentially detrimental to the long-term success of the Co-op because growth in a values-based supply chain requires more than just the ability to outcompete others in the marketplace.

Some newer growers who sell a large percentage of their produce through the Co-op also feel Missoula markets are small and competitive. One producer believes the Co-op should give priority to new members who contribute a higher percent of their crops to the Co-op when deciding which producers get sales priorities for high-paying Missoula markets: “It would be a good business move for the Co-op to try to pick up a commitment [promise to grow] from a grower who’s more committed [invested] to the Co-op...with this current setup, the local markets are all snagged up” (PM19). Some of the newer producers who believe higher paying markets are being filled are frustrated by other members’ decisions not to give up direct marketing when those sales compete with the Co-op.

### **Filling in the Gaps Existing in Readily Available Local Markets**

While some members believe Missoula markets are saturated, other members feel there is still room for expansion. One producer felt Missoula markets want products that the Co-op could provide:

They [store] have Mexican conventional...I'm just saying that if the Co-op was able to organize growers, like let's make sure that among us there is hot peppers for [store name]...all summer they [store] had no local peppers at all...[store] is a huge untapped resource and can be difficult to work with. I've asked before, what do you not get locally? [Store staff] didn't answer that question (PM17).

Another producer also sees opportunities to grow within Missoula markets: "I feel like there's definitely more of a demand that we could fill" (PM12). Another producer indicated an interest in seeing more Co-op products in institutions, implying that these markets have yet to be filled by local produce which the Co-op could offer: "I'd like to have a greater role in providing food to institutions in five years...more to the University, and more to public schools" (PM5). In contrast with members who feel Missoula markets are full, a few members feel certain areas in these markets could be better utilized which would reduce challenges arising from competition between the Co-op and Co-op members who choose to conduct direct sales.

### **Market Feedback**

One barrier to producer growth noted by a few interviewees is the need for feedback about crop planning and consumer preferences. Such feedback is crucial to improving product quantity and quality in order to increase sales through the Co-op. One interviewee noted specifically that feedback related to quantities determined during crop planning in January has been a challenge to growth: "We have to commit to certain crops and how much, and we'll get feedback...but the feedback is not all that good" (PM2). Another grower felt that the Co-op could play a vital role in sharing customer feedback about product quality, noting, "Cause they [Co-op] are in the markets every day, which is wonderful cause that means I don't have to be there...but the downside is that it's important to know the market trends, the feedback from buyers, consumers, at the ground level cause I'm kind of one step removed from that" (PM15). When a producer sells directly, they have the ability to respond to customers' feedback. This opportunity seems less available for some producers working with the Co-op, creating a potential barrier to increasing sales, both for individual growers and the Co-op as a whole.

### **Diversifying Types of Products Sold**

In addition to increasing the overall number of markets accessed and saturating markets in Missoula, several members feel the Co-op could increase sales by increasing product diversity



and enhancing its infrastructure. Four producers specifically mentioned the benefit of being able to sell meat: “It would be nice if somehow we can figure a way to really incorporate meat...some way to have a steady, solid, bigger supply of meat” (PM17). Another producer agreed and also suggested meat could be sold as a value added product: “Some people wanted to get...a Co-op burger going...[beef] is a trickier thing to sell, but [PM7] thinks it is a problem that can be overcome” (PM3). Among producers who discussed the possibility of increasing meat sales through the Co-op, most felt that the challenges to meat distribution could be overcome such that the Co-op would benefit from increased meat sales.

Aside from suggesting increased meat sales, a few members suggested increasing the number and variety of products the Co-op is able to sell specifically during winter months. One producer commented, “They should focus their energy on expanding their products, the diversity of what they carry so that they can carry more products in the winter and early spring” (PM14). Another producer agreed and noted that storage crops are a potential area for growth, saying, “We’ve talked about trying to put in a Co-op storage facility to have that available for all growers, but so far we haven’t figured out a way to do that, so growers are responsible for their own storage crops” (PM12). Currently, producers bear the weight of keeping storage crops until their sale, but if the Co-op were able to provide storage, some producers feel it would encourage more production of these crops and increase year-round sales for the Co-op.

In addition to meat and long season crops, two producers also discussed processing as a means to diversifying Co-op products. One producer seemed to think the Co-op could be directly responsible for processing items: “I talked to them about it [coleslaw]. That’s something you could do for several more months through the winter. Lake County Community Development has the processing facility, but they want too much money for the use of it” (PM8). Another producer felt that the Co-op should operate as a facilitator for processing but should not be involved directly. They also felt strongly about producers being responsible for seeking out opportunities to process their products, although they did feel that the Co-op should actively encourage this behavior. From the producers’ perspectives, the potential role of the Co-op in the production of value-added products lies in the Co-op’s ability to aggregate and transport products and to actively coordinate production for processing.

### **Secure, Responsible, Low-Risk Growth**

At least eleven of the producers sampled discussed the desire for the Co-op to grow responsibly, securely, and with minimal risk because of the close ties between the success of an individual’s operation and the success of the Co-op. Issues mentioned by these producers included economic viability, infrastructure, and efficiency.

Growing in an Economically Secure Way. Interviewees expressed confidence in the ability of the Co-op to grow responsibly, based on growth and improvement over the last several years, though many still expressed a desire for cautious, slow growth. About half of the producers expressed a need for careful economic consideration when considering the Co-op's potential for growth. One producer discussed this, citing a board decision to raise his membership fee: "Responsible growth has to be economically viable...they raised my dues this last year, but they have a legitimate reason to" (PM8). Another producer addressed the importance of careful economic decisions because of the Co-op's limited financial resources and assets, saying, "We don't have any cushion. We don't have any assets or anything like that. We're always going to have to be sort of a...balancing act" (PM17). While expressing concerns, several producers recognized that the Co-op has improved their financial viability: "I think they've got a better handle on those things, making numbers work, than they did two years ago" (PM 8). Because of tight margins, producers feel the need to grow in a way that will not jeopardize the Co-op and are simultaneously willing to make necessary, personal contributions because of their confidence in the Co-op.

Infrastructure, Logistics and Efficiency. A number of producers mentioned possible efficiency and infrastructure improvements that they believe are necessary for Co-op growth. At least five producers addressed physical infrastructure, referring to the need for warehouse space and functioning trucks: "It seems like...security of our distribution is probably our most important, so making sure that our trucks are reliable" (PM12). In addition to physical infrastructure, producers also stressed the need to improve the pay and time requirements of Co-op staff. One producer explained, "My biggest fear is losing managers, they're really talented. And drivers, we kind of burn through the drivers, because we used to have 16 hour days, which is not the best thing" (PM3). While several producers expressed the desire for improved infrastructure, many observed that it has already improved notably over the last few years. As one producer put it, "we need the infrastructure to be efficient. And I think we're doing a lot better on acquiring that infrastructure" (PM19). Several producers mentioned the challenge of balancing infrastructure improvements with the need to keep costs low. As one producer stated, "the more we sell, the more our expenses go up too, because we have more labor costs and more fuel costs...so far it hasn't happened where we've got that extra capital to invest" (PM5). For members, the viability of growth, especially secure growth, seems to be associated with steady, cost-effective improvements to infrastructure, and with good working conditions for the staff.

Aside from increasing the efficiency of Co-op operations, some producers noted the importance of economies of scale and partnerships for growth. One producer said the following about economies of scale: "[It] is not just an abstract concept, it's a reality. Especially when you're travelling distances and especially when you're dealing with relatively low value products per

pound, that economy of scale comes into play in a very positive way” (PM15). This producer suggests that one of the simplest ways to decrease the cost paid by the Co-op for each item they sell is to sell more items at a time with existing infrastructure. Along these same lines, one producer felt there was an opportunity for the Co-op to partner further with a processing facility and noted, “It might be nice to have a processing center that would buy stuff and process it. We don’t really have something like that around here. There’s Mission Mountain, but you have to process it yourself” (PM19). Another producer believes there are additional partnership opportunities between the Co-op and other organizations in Western Montana and offered transportation as an example: “there’s two ways to grow; you have your own trucks...and you grow that way, or you partner with another distributor in Billings to carry...the Co-op products” (PM11). Producers believe economics of scale and partnerships similar to the current partnership with Charlie’s would enhance Co-op distribution without necessarily additional infrastructure investments.

### **Increasing the Number of Producer Members**

When making decisions about taking on new members, it is necessary to determine gaps in Co-op products that could be filled by new farmers. In general, four members felt there should be additional growers. One described their vision for the Co-op in five years saying, “Have lots of growers. I think there are a lot of growers that want to grow, they don’t” (PM4). Other members expressed ambivalence about additional producers who would potentially increase competition among growers in and outside of the Co-op: “New farmers...I don’t know. Sometimes I think that if too many people are growing the same thing, there’s going to be too much” (PM18). One producer suggested the need for additional producers depended upon the crop, saying, “With herbs, no problem, it depends on the crop, but some crops we [producer] are maxed, tomatoes, we’re maxed out” (PM16). For crops that have a large market, it may be prudent to incorporate additional producers when current producers cannot or will not increase their production of that crop. This kind of close, crop-by-crop consideration is necessary when making decisions about growth.

### **Growth at the Individual Level: Willingness to Increase or Change Production**

In addition to sharing their thoughts on overall Co-op growth, producers also discussed their willingness and ability to increase production on their farms. Five producers (8, 11, 13, 4, and 5) all discussed their plans to increase production under the assumption that the Co-op would be able to sell their additional products. For these producers, sales through the Co-op have either steadily increased to the point where the member feels comfortable increasing production, or the member assumes they can increase production because they offer a product that does not currently seem to have limited markets. Although some producers mentioned future projections in planning with the Co-op, most did not seem to include projections in their

decision making process. Instead, decisions to expand production seemed to be based on the producers' understanding of past years' sales with the Co-op or decisions were based on member's dedication to the Co-op regardless of sales.

For many producers, willingness to change their production depends on the crop. According to one grower, if they knew the Co-op "wanted something that really sells well, I would be willing to increase production" (PM18). Another grower also mentioned they might change their production to crops that the Co-op has in lower quantities: "last year I switched to crops they didn't have, broccoli and cauliflower, and they sold everything I had. I didn't increase production on a producer scale, but I changed my production for the Co-op" (PM17). Guaranteed supply and sales are not the norm in agriculture, but careful evaluation of potential sales on a crop-by-crop basis makes decisions easier for producers who are willing to expand or change their production.

Other members would not be willing or would be unable to increase production for various reasons. Several producers are limited by regulations outside of the Co-op. For one producer, USDA poultry certifications restrict the size of their operation (PM14). Another meat producer felt they could not increase production because their farm is not certified: "They [Co-op] told me that if I did certify, I would have more likelihood of selling...from my point of view, I usually don't blame the Co-op because I'm the one that's not certified organic" (PM3). This producer finds the organic certification difficult to obtain, which makes it difficult to increase sales through the Co-op. One fruit producer stated explicitly that they would not be willing to change their production practices based on the Co-op's needs even if this decision increased competition between their operation and the Co-op's: "Missoula is an easily accessible market right now, the Co-op hardly sells anything in Missoula...all of the members, including myself, we sell directly in Missoula because we can get more money that way by bypassing the market of the Co-op" (PM 6). Members who have established markets in Missoula and other locations that are easily accessible are less willing to change their practices to benefit the Co-op.

### **Recommendations:**

- To grow securely, the Co-op should increase sales volume (market demand can be increased by raising the number of markets accessed or more effectively saturating markets, and by providing more desirable products to those markets by providing market feedback to producers) while refraining from increasing investment in added staff members or physical infrastructure.
- When producers do not obtain certifications, which could help increase their sales through the Co-op, the following solutions are available:
  - The Co-op could facilitate producers' adaptation to the regulations.

- Emphasis could be placed on marketing in order to promote members' products as they are
- With regard to incorporating new producers, the Co-op should decide the extent of its role as a facilitator for new producers: Does the Co-op primarily see its role as a distributor of local food and thus a service for all producers of local food, or does the Co-op see its primary role as a service to current producers?

The Co-op should take on new producers if the producers can function easily within the current infrastructure (ex. can they deliver their own produce to drop points). Taking on these new members is a way to increase volume in order to create better economies of scale, which will provide more revenue without increasing costs.

### **The Role of the WMGC in the Regional Food System**

This report has included producer reflections on benefits of Co-op membership, challenges associated with membership, and member engagement and commitment. Gaining a better understanding of what growers understand the Co-op's function in the regional food economy to be provides insight into grower perceptions of what the Co-op is currently doing well and what they *should* be doing well. The WMGC was initially begun as part of a network of community organizations and partners dedicated to local food system vitality. In order to identify whether the WMGC is meeting its mission and organizational goals, it can be useful to hear from members and partners what their understanding of the role of the WMGC is in our regional food system.

Each of the Co-op's producer members interviewed for this study described what they understand the role of the Western Montana Growers Cooperative (WMGC) to be in the regional food economy. Posing this question to them got at a central aim of our research, providing the interviewees with an opportunity to reflect upon the mission of the Co-op after they had already shared with us the services and benefits their own operations receive from Co-op membership. Overall, participants' understanding of the role of the WMGC aligned closely with their description of Co-op benefits, including the Co-op's function as a key aggregating, marketing, and distribution agent in our food system. Many participants also reflected on how the Co-op's role includes supporting the popularity of local food, supporting small-scale farmers, and, more generally, to support a changing food system by offering critical improvements to transportation and access. This suggests that, in addition to performing these three central functions in the regional food system, the WMGC has had a broader impact, leading members to see the Co-op's "role" as including more than just marketing, aggregation, and distribution.

### **Aggregator, Distributor, Marketer**

With the exception of only two interviewees, all participants clearly identified the WMGC's role in the regional food system as including three functional dimensions: local food aggregator, distributor, and marketer. Each member highlighted one of these three roles as important to their relationship with the Co-op depending in part upon the size and geographic location of their operation. For example, producers located in more geographically remote locations emphasized the importance of the WMGC as the *transporter* of quality local products. One producer for whom this was of particular importance noted that the WMGC goes:

all over western Montana, you know, all the way over to Billings and up to Whitefish and down in the Bitterroot...Because of the remoteness of our farm, there's just no way we could do that. And there's really no local restaurants or grocery stores around us that we could make a living supplying anyway...Our business totally relies on the success of the Co-op (PM 5).

By contrast, growers who operate smaller farms or who prefer to grow a greater variety of items in smaller quantities tended to focus on the role of the WMGC's role as *aggregator* of products such that these products can then be marketed to businesses and institutions that would otherwise be uninterested in purchasing produce in smaller quantities. One producer who described this relationship reflected that:

The Co-op is good in a way because it can get you out to the stores where we wouldn't be able to get into the stores. They wouldn't want to buy from you when they can buy it from Sysco or from other people that are a lot bigger. For the little grower it's a good thing (PM13).

Finally, some members who have particularly benefitted from the WMGC's outreach to new stores, institutions, and other markets (PM 4 and 8) emphasized the importance of the WMGC's role in marketing quality local products to diverse markets in western Montana. One producer commented that the WMGC has established relationships with small rural stores in parts of the region that had previously not been accessible to his farm or that had not been interested in purchasing local produce. Our data clearly indicates that grower members understand the central role of the WMGC to be that of aggregator, marketer, and distributor of local produce, but their focus on one particular function seems to depend on the type and size of the operation and the geographical location of the farm. This suggests that when the Co-op wants to convey the benefits of membership to existing and potential members, they may want to emphasize the functions that are most relevant to the audience in question.

### **Improving the Viability of Small and New Growers**

By successfully filling the role of aggregator, marketer, and distributor of local, and often organic or “sustainably-produced” products, the WMGC has also helped small and/or beginning farms across western Montana grow. In order to build and maintain the financial viability of their farms, small and beginning farms require market access and opportunities to establish new market relationships as their businesses grow. Five growers noted that this has been a major part of the work of the WMGC in the regional food system. One farmer couple explained:

I just know that, for us, we’re pretty new farmers and...our sales to the Co-op are the place where we can continue to grow...the bulk of our income and our increase in income come from increased sales through the Co-op...It has pushed us or allowed us to become producers of larger quantities of fewer items, which I think is more efficient and I think it’s easier to do and I think it will allow us to keep doing this longer. I think it’s a more sustainable approach (PM19).

For these farmers, the WMGC has not only increased the market for their produce, it has also influenced their production planning. Another farmer explained that the Co-op provides “encouragement for new farmers to get started because...it’s a major help for people who are new to doing this and who don’t have long-established contacts with outlets.” This grower also felt that Co-op membership provides additional “clarity and direction” for new growers and could even help them establish “higher standards of crop production” (PM16). In addition to offering outreach to and new markets for *beginning* farmers, participants reflected that the WMGC is also critical for existing small farms because of the services they provide. One farmer noted that, prior to the WMGC, “the distribution and the marketing were lacking, and the production, the farmers were here, but there was no established market, no kind of guarantee, semi-guaranteed market for when you were planting” (PM16). In this way, the WMGC’s role has been to support small farmers in western Montana who might otherwise be unable to sell and distribute their produce as effectively as they can with the Co-op’s assistance. These responses suggest that through their role as distributor and marketer of local produce, the WMGC has supported new *and* existing farmers in their efforts to establish viable farm businesses, thereby increasing the number of farms in western Montana and, in turn, the quantity of local produce.

### **Increasing Access to Local Food**

Looking at the role of the WMGC from a broader perspective, several interviewees commented that the Co-op has played a crucial role in increasing access to local food in rural communities and, to some extent, lower income groups. In other words, by virtue of their role as distributor

of local goods, the WMGC is playing a role in the expansion of an alternative food economy. One producer noted that this has seemed particularly important for the communities in the central part of the state that are served by the WMGC (PM6). Another grower expressed appreciation that communities north of Missoula have increased access to healthy, fresh foods because of the Co-op, while other members noted the importance of aggregation (and thus of the WMGC) in getting local food to geographically more remote locations for efficiency reasons (PM17, 13). In addition to their ability to reach more remote areas, the WMGC is also supporting an alternative food system through its work with institutional buyers, including hospitals, universities, and schools. Their role in building farm-to-institution programs is a critical step in expanding the breadth of a local foods movement and an alternative food system, but also has meaning for producer members, who recognize that they may not otherwise be participants in such programs without the involvement of the WMGC. One grower noted that:

We used to try selling, for instance, to St. Patrick's and...the guy after a few deliveries showed me this list that he gets from Food Service of America and he says, 'we want this, we make an 'x,' we want this quantity, we make an 'x' here, and we put this together, we fax it in, and we get it next week'...It was clear enough, I take up his time, I deliver twenty pounds of onions, and in that span of time, he could have made his whole food order for St. Pat's (PM16).

Because of their involvement in these programs, the WMGC is both an active participant in our local foods movement as well as the "glue" that connects individual farms and farmers to broader community efforts to build a new system. Specifically, the WMGC plays a key role in accessing wholesale markets that want and need to work with one marketing and distribution entity rather than with multiple small producers.

### **Transparency and Accountability**

A key impact of the WMGC appears to be the increasing transparency and accountability present in our regional food system. Specifically, one of the producers interviewed felt that this was a particularly important role being filled by the Co-op because our dominant food system seems to discourage consumer awareness of food origins and production practices (PM14). Another producer offered similar thoughts and feels that the WMGC is (and will continue to become):

the premier distributor of local, quality product...That they can explain to the consumer that they are friends with the consumer, that they are not the enemy, that they are not trying to sell them a product that isn't a quality product, that they are protecting the consumer by doing nothing but selling and servicing



them with quality farmers that care about what they grow...and a healthier product (PM11).

The perception that the Co-op is enhancing transparency and accountability within our regional food system stems from the connections between producers and staff, as well as from the perception that staff communicate frequently and thoroughly with buyers.

### **The “Face” of Local Food**

Many participants expressed the belief that the WMGC plays a critical role in the rebuilding of a more viable, sustainable food system. One producer commented that “...our mission is to participate in and help support a more sustainable food system and WMGC is a model for how that can be done” (PM15). Another member explained his thoughts on the WMGC’s role being:

critically important if we’re looking at establishing a viable and sustainable food system within the state or within the Co-op’s particular piece of the state, because in addition to providing food, they’re also providing the advocacy for a sustainable food system. I would say it’s critically important (PM16).

Besides aggregating products which are then marketed and distributed, a couple of producer members feel the WMGC plays a central role in the “bigger picture,” meaning that their work is about more than simply improving the viability of small farms in western Montana. For instance, one farmer noted that the Co-op “aggregates us,” meaning the producers, and connects them to each other and to the broader scope of the alternative food system work being done in our region of Montana (PM19). By bringing together like-minded farmers and identifying buyers who value quality local produce, the WMGC is acting as a key structure within the alternative food system they are hoping to build.

Because the Co-op has been effective at marketing and distributing local products around western Montana, a number of growers reflected that an additional function of the WMGC is to “represent” local food and agriculture through its business operations. One grower explained that, “part of the reason the Co-op exists is to promote local agriculture” (PM6). Another grower expressed his belief that stores and institutions around Montana “look to the Co-op for quality local produce” as the demand for “local” increases in popularity (PM14). In other words, producers recognize that the WMGC serves to promote and advocate for local agriculture by focusing its marketing and aggregation services on specifically local, and oftentimes organic or “sustainably-grown,” products. By serving as an advocate for local products and agriculture and by supporting the viability of small and/or new farms around Montana, the WMGC fills a vital niche in our regional, values-based food economy. In his interview, one grower noted the

unique role WMGC plays in the food system and that they take a different approach than other businesses with similar functions:

Their basic role is to provide that distribution that otherwise would not exist and sort of beyond that, provide it as a kind of a mission and service-driven enterprise versus a profit-driven enterprise (PM15).

Their use of the cooperative business model, combined with their focus on supporting small, local farms and working with institutions to increase the volume of local purchasing, means that the WMGC embodies a set of values that is shared by its membership. These values are expressed by its membership as being focused on a healthier, more sustainable agriculture, a more transparent food system, and smaller farm operations.

### **Conclusions**

- Products sold by multiple members while representing a small portion of sales (such as vegetables) may indicate potential areas of conflict for grower commitments. Low sales item may indicate areas for growth and increased member participation (such as beef and pork).
- Primary member benefits are: the distribution and aggregation of goods; empathetic relationships with other members; working with committed staff; financial return; and belief in local products.
- Primary member challenges are: inaccurate sales projections; competition between growers over commitments; competition between members and the Co-op for the same market; short turnaround from sales to pick-up; and the sales margin.
- Overall member participation in the Co-op is divided – some members are deeply involved and invested while others remain on the fringes.
- Members think the Co-op is fulfilling its role in the local food system by being an aggregation and distribution hub, increasing access to local foods, improving the viability of small and beginning farmers, and being “the face” of local food in the region.

### **PART III: MARKETS OF THE WMGC**

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#### **Overview**

This part of the report explores the market outlook for the Co-op, including customer and staff perspectives and market considerations. We targeted three specific areas that the staff and Board of Directors of the WMGC desired to have more information about– the growing Community Supported Agriculture (CSA) program, the strong health food store customer base, and the potential growth opportunity of institutional buyers. We first review our research methods, followed by a discussion of perspectives from each of the above-mentioned target areas. Each market section explores customer satisfaction with ordering and delivery, perceptions of product quality and variety, marketing, benefits, challenges, and market considerations for the Co-op. We conclude with an overview of the role of the WMGC in our regional food system from a customer perspective and conclusions from this part of the report.

A 2007 case study of the WMGC interviewed wholesale buyers, and in this study, Neeley (2007)<sup>1</sup> concluded:

The Western Montana Growers Cooperative helps its wholesale customers overcome many challenges of purchasing local food by providing: high quality products; access to a wide variety of items from many growers; a convenient process of ordering, delivery, and payment; a professional business strategy in-line with industry standards; and somewhat reasonable prices. Despite many positive aspects of buying from the Co-op, however, participants also suggested several areas in which the Co-op could better meet their needs, including: increasing supply; promoting stronger connections between Co-op members, wholesale customers, and end consumers; doing more planning in the off-season; delivering directly to all customers; doing more promotion; and, in some cases, the high prices of Co-op products.

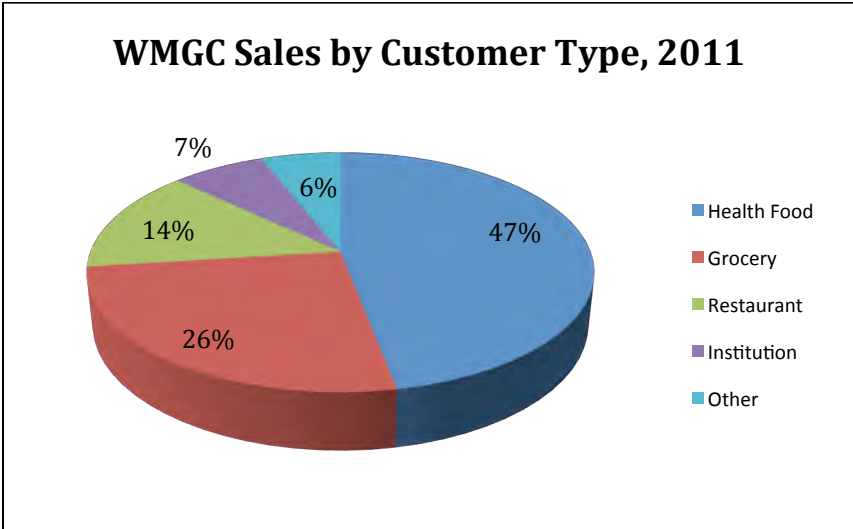
Since that study, the WMGC has experienced a substantial increase in sales across all product sectors, with total sales increasing 254% over the past six years. This growth reflects expanded inventory categories as well as a broadening of the types of customers served by the WMGC.

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<sup>1</sup> Neeley, B.A. (2007). *Building a Better Local Food System: A Case Study of the Western Montana Growers Cooperative*. (Graduate Thesis). University of Montana, Missoula, Montana.

The distribution of sales by wholesale customer type in 2011 can be seen in Chart 1 (data does not include CSA sales).

Chart 1. WMGC Sales by Customer Type, 2011.



Health food stores generate a significant majority of WMGC sales, compared to a minor percentage of sales generated from institutional customers. With the Co-op being so disproportionately represented in different markets it’s a strategic time to study their current standing in the marketplace.

**Methods**

To conduct our study of the WMGC markets, we used two primary data collection methods: mail-in surveys and phone interviews. We also interviewed staff and partners for their views on the CSA program (see Appendices F & G for survey tool, tabulations, and interview guide).

**CSA Survey**

The WMGC CSA program has experienced a lot of growth since its inception, and more expansion is planned for the coming seasons that will require increasing commitment from WMGC staff. In interviews of staff and Co-op partners we asked questions about the CSA to gain an insider perspective of the program. All opinions discussed in the Perspectives on CSA section are based on in-depth interviews with staff and key partners.

Mail-in surveys were used to gather information and opinions of individual CSA members which aimed to understand demographic characteristics of the members, important factors in choosing to be a member, and overall member experiences.

Data Collection and Analysis. Demographic questions asked about pickup location, length of CSA membership, age, gender, and education level. To gauge important factors of choosing to be a CSA member a series of statements were written in which the respondent may choose varying levels of importance, including “Very Important”, “Somewhat Important”, “Not Important”, or “Don’t Know.” To evaluate member experiences with the CSA a series of statements were written in which the respondent may choose how true they feel the variable statement is, including, “Very True”, “Somewhat True”, “Not True”, or “Don’t Know.” These survey questions and their corresponding responses are shown in Appendix F.

To reach a deeper level of understanding from the CSA members, the final portion of the survey asked open-ended questions. This was to get a range of items the members would like to see more or less of in terms of produce; whether the CSA share met their weekly produce needs; and an explanation of why they do or do not intend to continue being a CSA member.

The aim of the research team was to get as many of the 151 current CSA members as possible to respond to the survey. Team members were stationed at the four largest pick-up locations in the Missoula area to distribute surveys and collect them once completed. A postage-paid, self-addressed envelope was given to respondents who were unable to complete the survey on-site. These locations included: St. Patrick Hospital, the Trailhead, and two areas near the University of Montana. For all other pick-up locations surveys were distributed into each member’s share box on the last delivery date of the 2012 season with a postage-paid, self-addressed envelope attached for return. Of the 151 CSA members, 112 members responded to the distributed surveys, a 74% response rate.

The survey collected data from summer CSA program participants only. Using statistical software (SPSS) for analysis, cross tabulations were analyzed to determine significance at the .05 level according to Chi-Square tests.

Limitations of the CSA Study. Our strong response rate made the surveys an integral tool in the collection of information about the CSA members. There were, however, errors in the survey design. One question used to determine the characteristics of the sample, in this case family size, asked participants to check a box with a range of household sizes in increments of two, i.e. the CSA fed 1-2 people, 3-4 people, etc. There was a repeated number in the range 5-6 people

and 6-7 people, which may have distorted the demographic characteristics of the sample. One question appeared twice on the survey, but many respondents caught this error and did not answer the question. Another question assumed that all respondents had children: “The vegetables I feed my children are healthy,” which led some respondents to write in “N/A” or “Does not have children” beside the question. There was also a double-barreled question that asked: “Did the quantity of the produce meet your weekly produce needs? Or did you need to visit a grocery store for supplemental items?” Lastly, a set of questions asked members if they wanted more information on the following topics: 1) The farmers who grow for the CSA 2) The Western Montana Growers Cooperative or 3) Other local food issues, such as (with a blank for respondents to fill in particular food issues). Each question had a box to check if they wanted more information. We could not assume an unchecked box equated to a respondent not wanting to know about a certain topic. Therefore, these questions were not used in analysis.

### **Wholesale Buyer Methods**

To study the WMGC’s wholesale buyers, we conducted phone interviews with a selection of current WMGC customers. To determine the potential participants, we identified a purposive sample, focusing on two types of buyers: health food stores and institutions. We focused solely on these two types (and thus left out grocers, restaurants and others) because they currently represent the Co-op’s largest market and an area for potential growth, respectively.

Health Food Store Sample. Health food stores comprise the largest sales category for the WMGC (47% of total sales) and represent the Co-op’s largest market. In general, individual health food stores also buy more WMGC products than individual restaurants or grocery stores, and therefore seem to have a more established relationship with the Co-op. Looking to draw on the knowledge these particular customers have about the Co-op, we interviewed those stores that purchased at least \$4000 worth of goods from the WMGC so far this year (as of September 2012). Because these stores regularly conduct business with the Co-op, we anticipated they were most likely to provide us with the best opportunity to gain insight into the WMGC’s role in our local food system.

Our proposed interview sample consisted of 10 different health food stores (out of a total of 24 current health food store customers of the Co-op) with a total of 12 different interviewees. We chose to interview two people in some stores because of their size and the fact that different departments work with the WMGC (e.g., some stores have separate produce, deli, and dairy departments which order products independently). Two people did not respond to our request for interviews, so our sample consisted of 9 different health food stores, with 11 total interviews, a response rate of 92%.

Institution Sample. Institutions are an emerging customer base that presents a lot of growth potential for the WMGC. As this is an opportunity the Co-op is interested in pursuing, our research team felt it was important to learn from these customers as well. WMGC had six institutional customers in 2012, however one of those customers was new. From the 2012 customers, we chose to interview the five institutions that were also customers in 2011 and therefore had at least a one-year relationship with the Co-op. We were unable to schedule an interview with one of these institutions, so our institution sample consists of four interviews, a response rate of 80%.

Data Collection and Analysis. We conducted individual phone interviews with our two institution types and on average these lasted about 30 minutes. Each interviewee was asked the same questions; some were closed-form and others were open-ended questions. We analyzed the close-formed questions for high frequencies to determine themes or trends. We then analyzed the open-ended questions by reviewing transcripts of each phone interview and identifying recurring themes regarding topics of particular interest.

Strengths and Limitations of Methods. We chose to conduct phone interviews rather than face-to-face interviews so we had the opportunity to talk with customers from all of the areas of Montana. Otherwise, we would have been limited by time and funding in traveling considerable distances to areas such as Billings and Bozeman. As a result of the phone interviews, we were able to capture the perspectives of a broader range of customers, giving us a more holistic view of how the Co-op functions as a food distributor in our region. Our phone interviews were also more in-depth than a self-administered survey would have been because we were able to probe during interviews to gain the level of detail needed to conduct a thorough analysis.

Furthermore, conducting phone interviews gave us the ability to reach a larger portion of the WMGC customer base. We were also able to interview buyers from different sales tiers, so we heard the viewpoints of large, mid-level, and smaller buyers. By interviewing institutional buyers, including some with smaller sales, we were also able to gain perspective in this area of potential growth for the Co-op. Again, speaking with a broader range of buyers gives us a better picture of their perspectives on working with the WMGC.

Our study is not without its limitations. Although we were able to get more in-depth in our phone interview than with a self-administered survey, we were not able to get the level of depth that would come from a face-to-face interview. We interviewed people far away who have busy schedules, so participation in our study could not take up too much of their time. As a result, there will likely be some details missing that we were unable to explore in more depth

(as one would in a face-to-face interview). Also, we had five different students conducting the interviews, so the level of depth may be greater from some interviews than others.

As previously mentioned, we chose to interview more than one person from a few stores. Although we feel this ultimately gives us a clearer picture of that store's relationship with the WMGC, it does mean that the perspective of some customers may be over-represented in the findings. In addition, once one interview in particular was underway it became apparent that many of our interview questions were not applicable due to the type of relationship this customer has with the Co-op; however, this customer has a deep knowledge of the WMGC and is an important customer so we still decided to include this information in our data.

### **Perspectives on Community Supported Agriculture (CSA)**

A CSA is a means for consumers to buy local, fresh food direct from farmers. It has grown in popularity since it began in the Northeastern US during the 1980s. The way a basic CSA works is that the consumers, or shareholders, make a down payment at the beginning of the growing season and in exchange get a box of produce, sometimes including dairy or meat products as well, usually once a week. The items in this box are chosen by the farmer and the amount may fluctuate week to week depending on what they are able to harvest. The farmer gets advanced capital and the shareholder is able to invest in a farm and access fresh and local produce.

#### **Background of the WMGC CSA**

Although the WMGC was founded in 2003, it was not until 2008 that the Co-op established a CSA. WMGC's CSA is a little different than a typical single farm program, in that it is an aggregated CSA. Instead of CSA members buying shares in one farm, they buy shares in the WMGC CSA, which sources from eight to ten grower members.

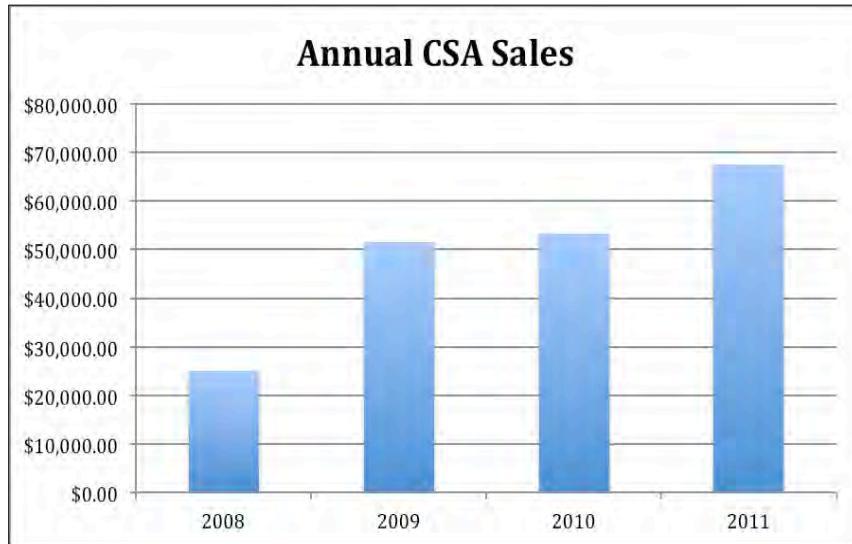
CSA members may choose between two share sizes, a large share, which costs \$550, or a small share, which is approximately two-thirds the size of a full share and costs \$365. Members are not required to pay for the entire share upon signing up for the program. There is a deposit required, but there are payment plans for those who do not want to pay for the entire share all at once. Supplemental Nutrition Assistance Program (SNAP) benefits are also accepted as a form of payment.

The summer CSA runs from June through October and has nine drop-off points once a week in Missoula, Arlee, Dixon and Helena among other places. The fall CSA has three deliveries with storage crops and costs \$230 total.



WMGC CSA Sales and Shareholders. The WMGC CSA program started with fewer than 30 shareholders and sales of roughly \$25,000. In its second year, both its membership and sales nearly doubled. By 2011, CSA sales accounted for roughly 9% of the WMGC's total sales and membership grew to 151 shareholders in 2012. Annual sales of the CSA are shown in Chart 2.

Chart 2. Change in Annual CSA Sales, 2008 – 2011.



The WMGC secured a Farmers Market Promotion grant this year that was based on a plan for growth, so the staff and partners are looking forward to a future with a larger CSA program. The grant proposal stipulated “that we wanted to double our membership within two years, so be at 300 people within two years for the summer share,” said S6. P3 believed that CSA growth is a no-brainer. “And then targeting like the CSA which is barely tapped. I mean one producer can do 150 CSA shares. One producer up in Eureka does. They should be at 1000. So how do they get there?”

### **Staff and partner perspectives on the CSA program**

The following section discusses the opinions of WMGC staff and partners about the CSA. All the benefits and areas for improvement highlighted here are based on interviews with staff and partners and do not take into account the opinions of the growers or CSA members. The next section will discuss member opinions of the CSA based on surveys.

Benefits for the WMGC and Growers. The growers of the WMGC benefit from the CSA program in a number of ways. Prices for certain items sold through the CSA, like herbs and green beans,

are higher than the items they sell retail. In addition, growers do not have to worry as much about excess produce during the CSA season because they can fill the boxes with whatever produce they have. This serves to both reduce food waste and help the growers bottom line. There are no requirements to have a certain number of any one thing in each box, although consumers do have preferences.

The CSA also provides cash flow for the growing season. It requires payment early in the year so the growers receive an investment for necessities like seeds and equipment. "And the CSA, like other CSAs, gives them a down payment at the beginning of the year for their operational costs," said Co-op partner P3.

The CSA also markets and sells for the growers, taking that labor and time commitment away. "So there is a huge cost-benefit because we do all the marketing for the growers, so that it kind of takes away a lot of extra work they would have to do. It just kind of adds another market for them," said S6. It is also a powerful marketing tool for the WMGC. While a shopper at the Good Food Store, for example, may not realize where their produce comes from, CSA consumers are much closer to the producers of their food and communicate directly with the Cooperative itself.

Benefits for Consumers. One of the primary benefits that Co-op staff saw for consumers was freshness. "They are getting fresher produce than they would normally get at market or the stores because we pack on Wednesday and everything is delivered on Thursday," said S6. The produce being packed on Wednesday is usually picked Tuesday or even Wednesday morning.

The drop-offs are also meant to be convenient for consumers. For example, employees at St. Patrick's Hospital can pick up their CSA boxes anytime between 2:00pm until 6:00pm at the hospital cafeteria. This offers them the convenience of picking up produce where they work. In addition, the employees are able to have the cost of the CSA split up and deducted from their paychecks during the season instead of paying at once.

Additionally in a time where much of our food is shipped to us from across the country and around the world, WMGC's CSA allows buyers to know where their food comes from. Even though the members do not know exactly which farmer grew their produce, they still know about the WMGC and what it stands for and therefore know that they are getting a fresh and local product that supports Montana growers.

The CSA also offers competitive prices for produce and offers the convenience of additional online ordering for items like meat, cheese and eggs. These goods typically cost about 25% less

through the CSA than they do through retail channels. S6 elaborated, “it is not just vegetables they are getting, they can kind of custom order what they want and I don’t know of any other CSA that does that...If you are buying that stuff every week anyways, why wouldn’t you just buy through the CSA, it is cheaper for you.”

Areas for Improvement for WMGC and Growers. The Co-op staff also highlighted some areas where they believe that the CSA could improve. One was that the CSA boxes often take a lot of work to pack and organize. Additionally, while some growers make the CSA their first priority for their best produce, others use it as an outlet for their excess. “What I would like to change, I would like the growers who grow for the CSA to grow first for the CSA and then their other commitments are second to that. That is how the CSA was originally started, the growers who did it, that was their primary market and whatever they didn’t sell to the CSA they sold wholesale or they had market commitments or whatever,” said S6.

There is also some competition over who grows for the Co-op and what they grow. Not everyone can grow whatever they want and certain growers, usually the ones who have been there longer, get first choice. This issue isn’t just specific to the CSA. Competition over commitments is also discussed in other sections of this report as an issue at the WMGC.

Another challenge is consumer perception. While the CSA is always looking for more members, it can be challenging to have shareholders who do not understand the how a CSA works. Some people like the idea of eating seasonally from a CSA but do not recognize the limitations that it can bring. “That has been a dilemma because last season we tried to really market on saying that we are selling produce that is cheaper and fresher than what you would buy at the market, and that was our marketing push. But I think when we did that we got some customers who were just looking for cheaper produce and didn’t understand the CSA model,” said S6. Additionally, according to S6, the boxes at the beginning of this past season were practically empty due to weather, and confused customers thought that they were supposed to be getting roughly \$17.00 of produce per week. Additionally, when they went to the farmers market, they saw produce, sometimes from WMGC farmers, that was readily available to be purchased but had not yet appeared in their boxes. “Because when we have 153 members, like for a grower to sell the first week of market and they have 3-5 heads of bok choy...that is not enough to source our CSA but they can still sell it to market. So our members will go to market, see our growers with things that we don’t have in the boxes yet and want to know why they are not getting it in their box yet. So...how do we sort of bridge that to make sure our growers are contributing to the CSA the same things that the public is seeing?” Bridging the gap between public expectation and the reality of what a CSA is without dissuading potential customers is a challenge that Co-op staff is working to overcome.

## CSA Member Perspectives on the CSA Program

The survey used in this study collected data from summer CSA program participants only and aimed to determine demographic information of the CSA members, discover the most important factors to members for choosing to be part of a CSA, and to evaluate member experiences with the WMGC CSA. Below we provide an overview of findings from the survey; complete survey responses can be found in Appendix F.

Demographics. Demographic information helps the WMGC understand who their current CSA membership is and also target markets for future years. Respondents came from nine drop points ranging in location from the Bitterroot Valley up north to Polson and east to Helena. Women were the majority of respondents (83%, n=88) and ranged in age from 20 years old to 79 years old, with 41% (n=43) falling between ages 30-39. The respondent population was also highly educated, with 48% (n=52) having a college degree and 42% (n=46) having attained at least a graduate degree. The majority of respondents (67%, n=73) have only been CSA members for one year and fed either 1-2 or 3-4 people with their share

Most Important Factors for Choosing a CSA. Several questions were designed to determine factors and benefits CSA members found to be important when choosing to become shareholders. The most important factors for CSA members fall into several categories: taste, freshness, local and sustainable agriculture, and health. Table 1 shows the statements that CSA members found to be most true and their corresponding percentages:

Table 1. Statements CSA Members Described as “Most True” Regarding Decision to Become or Remain a Shareholder. (n=112)

<b>Category</b>	<b>Statement</b>	<b>Percent of Respondents</b>
<i>Freshness</i>	The vegetables are extremely fresh	93.7%
<i>Local Agriculture</i>	I am supporting local farming	91.9%
<i>Taste</i>	The vegetables taste so good.	89.2%
<i>Health</i>	I am doing something that is good for my health.	88.3%
<i>Sustainable Agriculture</i>	I am contributing to environmentally friendly agriculture	86.5%

Shareholders’ Experiences with the WMGC CSA. The survey gauged CSA member experiences through general questions about the CSA, about drop point convenience, and about the

respondent’s likelihood of joining the following year. Respondents cited customer service, convenience and value, and trust as the most important experiences as CSA members. Table 2 shows the statements that CSA members found to be most true and their corresponding percentages:

Table 2: Statements CSA Members Described as “Most True” Regarding Member Experience as a Shareholder. (n=112)

<b>Category</b>	<b>Statement</b>	<b>Percent of Respondents</b>
<i>Value</i>	Season length is appropriate.	91.9%
<i>Customer Service</i>	CSA Coordinator responsive to concerns and questions.	87.7%
<i>Convenience</i>	The drop point was convenient for me.	82.7%
<i>Trust</i>	I feel a sense of trust in the Co-op and the food I get from it.	82.7%

Drop Point Convenience. The WMGC aims to make drop points convenient for its CSA members. The survey asked respondents to determine the statement, “My drop point is convenient,” as “very true,” “somewhat true,” or “not true.” The majority of respondents (82.7%) answered that this statement was very true. In statistical analysis, a strong significance (Chi square test – R = .000) was found between a specific drop point and drop point convenience. Of the 19 respondents that determined the drop point convenience statement to be somewhat or not true, 10 of those respondents came from a single drop point (Helena).

Future Plans. A strong statistical significance (.000) was also found between responses as to whether or not the CSA program was a good value and whether or not the respondent will be a CSA member next year. Respondents choosing “somewhat true” or “very true” when asked if the CSA program is a good value also frequently responded that they would be CSA members next year. Additionally, statistical frequency output was used to determine the reasons for or against continued CSA membership. 93.6% of respondents said they would like to be CSA members next year compared to 6.4% of those who would decline membership. Respondents had the option to say why they would or would not choose to be a CSA member next year and 42% chose to respond.

The reasons for continued CSA membership with the greatest frequency were:

- 1) Supporting local food and/or the local economy
- 2) Good value
- 3) Quality and/or freshness of the food

#### 4) Overall good experience

Those who have decided against CSA membership next year, listed the following as a reason for not doing so:

- 1) Preference for farmer's market
- 2) Presence of a personal garden
- 3) The drop point was inconvenient

There were more respondents that were unsure as to whether or not they would continue to be members next year compared to those who decided against continued membership. Some of these undecided respondents noted that their membership might be contingent on the following factors:

- 1) Decrease in membership price
- 2) Establishment of personal garden
- 3) Difference in quantity and variety of produce

#### **Market Considerations**

Staff perceptions of the consumer benefits of the CSA were right in line with what survey respondents said. Freshness, convenience, and the locality of produce are important factors for CSA members both in choosing to participate in the program and in valuing their membership. 93.6% of respondents reported that they would like to be CSA members next year, clearly indicating that respondents were overall very satisfied with the program. This high customer satisfaction coupled with the awarded grant money present many opportunities for growth for the WMGC CSA program.

In order for the growing CSA to be a continued success additional infrastructure and commitments will be necessary to accommodate the increasing demand. Staff cited concerns about member commitment to growing for the CSA, staff preparation time, and consumer misperception. The WMGC may consider increasing the amount of delivery days per week to spread out the packing time and recruiting more farmers to participate in the CSA. These are all areas that will need extra thought and planning to accommodate a larger CSA.

Although staff felt an obstacle for the CSA might be that the consumers do not get to know a specific farmer's produce, survey results did not support this. It was a top priority for the respondents to feel they were contributing to a local and sustainable food system, but they were less passionate about knowing the farmers themselves. Over 85% of respondents said supporting local farming and contributing to environmentally friendly agriculture were very

important to them, compared to 43% who said that knowing the people who grow the vegetables they eat is very important. Although improving farmer identity may not be a high priority improvement for the CSA, it still presents opportunities. Farmers that wish to have more of a presence and brand with CSA members can host farm tours or farmer meet-and-greets. These opportunities may help build loyalty from those members who do wish to know individual farmers.

Some other things to consider as the CSA gets ready for future seasons may be:

- Advertise the options of using alternative payment plans or SNAP benefits to pay for CSA shares. One of the reasons some respondents cited against continued membership is the cost of membership and more knowledge of different payment methods may encourage continued or new membership for those who feel they cannot afford to participate in a CSA.
- Provide an opportunity for prospective members to taste produce since freshness and taste are some of the highest rated qualities of the CSA.
- Although it is difficult to cater to individual palates, sending a survey out to enrolled members before the CSA season begins to determine what they would or would not like to receive in their weekly share may help retain CSA members and help growers meet the needs of CSA members.
- Explore opportunities to provide CSA shares to other institution employees, as has been successful with St. Patrick Hospital, paying particular attention to opportunities with other cooperatives, such as the Missoula Federal Credit Union.
- Most importantly, continue the high quality customer service the WMGC is already providing. Responsiveness to customers and quality customer service is important to CSA members.

### **Health Food Store Perspectives**

We examined the overall satisfaction of health food store customers with the WMGC by having the customers evaluate the ordering and delivery processes and product quality of the Co-op, in addition to marketing by the Co-op and the benefits and challenges of being a customer. At each store we interviewed the person responsible for making purchasing decisions. Each participant was given a code; health food store participants are noted with a “HFS” and a number. If more than one person was interviewed from a particular store the code also has a letter “A” or “B” to differentiate the different people.

## **Ordering**

Health food store purchasers have a positive view of the Co-op's ordering process. Seven out of ten buyers rated the ordering process as very convenient, and three rated it as somewhat convenient. No interview participants felt the process was inconvenient.

Of the seven who rated the process as very convenient, three mentioned consistency as a primary reason. For example, HFS-4 appreciates the "consistent order times." Three of these health food buyers also mention that the process makes purchasing local food much more convenient for them. HFS-3A said that it is nice "Not having to do all of these orders separately. It's nice being able to group all of these orders into one order instead of having to order from one farm then call another farm and so on." HFS-2B said the convenience of ordering local food through the Co-op allows them to spend their time to "just work the customers." In addition, four health food stores like that the WMGC manager, Dave, calls them every week. HFS-1 likes it that the "Co-op always calls his cell phone." HFS-6 said that "Dave is good at calling and going down the list of what they have available."

The three health food stores that rated the ordering process as somewhat convenient would prefer to order more than once a week. HFS-3B said that "Once a week is not nearly enough. It makes me cram all my ordering into one shipment." HFS-5 also struggles ordering everything that they need in a weekly order and that they prefer to not order in bulk; but, the only way to ensure that they will get the product that they want in a once-a-week ordering system is to order in bulk.

## **Delivery**

Health food store purchasers tend to have a positive view of the ordering process as well. Seven of the buyers rated the process as very convenient, two rated it as somewhat convenient and one rated it as not convenient.

Of those stores that rated the Co-op's delivery process as very convenient, five mentioned the consistency and promptness of the deliveries as a reason why they are very convenient. "They arrive on time from week to week," said HFS-3B. Three of these buyers also commented that they appreciate the courtesy of the WMGC's drivers.

The two buyers who rated the delivery process as somewhat convenient said the following: HFS-2B noted that the process is "not super convenient, but better than others. With the Co-op, often times, someone needs to pick-up the shipment with a forklift, then go and sort it together. The packages are reused and recycled, which are hard to differentiate. They're sorted almost randomly." HFS-4 said that the delivery occurs too long after they have ordered.



The buyer who rated the delivery process as not convenient also said that their store has to wait too long for the delivery.

### Quality of Product

First, we determined what types of products these health food stores purchase, with the most frequently purchased products being produce and dairy products. In addition, our interviews with health food store purchasers explored what these buyers think about the products that they buy from the Co-op. We asked these buyers to compare the freshness, packaging, appearance, availability, quantity and prices of WMGC products to other distributors. We also asked if they were satisfied with WMGC prices given the quality of their product. Lastly, we asked if the buyers process any Co-op products and if they would be interested in purchasing more processed goods if the Co-op offered them.

When asking buyers to compare Co-op products to other distributor products, we did not specify which products they were comparing, and if they were comparing to a conventional distributor or another local distributor. These comparisons are meant to provide a general indication of the buyer’s perception of the Co-op’s products. Overall, the Co-op’s products fared well in these comparisons. Freshness was the biggest standout factor, being rated better than that of other distributors by a large majority. Appearance of the product was also rated better by a majority of participants.

Packaging seems to be the area in need of most improvement, as almost half of the participants rated this factor as worse than other distributors. Other factors of mixed opinions were availability of product and quantity of product. Full results of these comparisons can be seen in Table 3.

Table 3. Health Food Store Comparison of WMGC Product Quality to Other Distributors. (n=10)

<b>Product Characteristic</b>	<b>Better</b>	<b>Same</b>	<b>Worse</b>	<b>Don't Know</b>
Freshness	9	1	0	0
Packaging	1	4	4	1
Appearance	6	4	0	0
Availability	4	3	3	0
Quantity	1	5	3	1
Price	3	5	1	1

Price. Three health food store purchasers rated price as better, five as the same, and one rated the price as worse compared to other distributors (one buyer did not respond).

As a follow-up, we asked if they are satisfied with the WMGC's prices given the quality of their product, to which all 10 respondents responded that they are satisfied with the Co-op's prices given the quality of the product.

Processed Products. Four buyers process goods that they buy from the Co-op while six do not. When asked if they would buy more processed goods from the Co-op if they were available, four health food store buyers said they would, while six said that they would not. It is important to note that many buyers indicated that it depends exactly what the Co-op offered and at what price before these buyers responded with a yes or no.

### **Marketing to Health Food Stores**

We asked the health food store customers about two different marketing strategies: (1) How effective the Co-op is at marketing to the particular store, (2) How Co-op products are marketed to the end consumer. We also inquired about the meaning of the Organic and Homegrown certification labels to the particular store's customers.

Marketing to Stores. When asked whether the Co-op is adequate in marketing to health food stores all 10 respondents said "yes." Aspects of the Co-op's marketing that health food stores found particularly helpful were the weekly availability bulletins and the Co-op's website. Another buyer spoke on the communication aspect of marketing the store has with the Co-op. "Personal communication with Jim and Dave and Steffen has been good – we've been communicating with them on a really regular basis, which is fundamental to cooperatives."

Point of Sale Marketing. Farm information cards were also discussed favorably during a number of interviews. Although the cards did not arrive at the store consistently, six stores mentioned their effectiveness at the point of sale. One buyer said, "The cards that show what farm the food comes from and describes the farm are great. The customers seeing these visual aids really helped. Customers are more likely to buy the produce affiliated with the farms that have these cards- many [customers] are usually only willing to buy certified organic, but they are willing to buy the produce that have these cards about the farms even if it's not certified organic."

Montana Homegrown and Certified Organic. A series of questions asked how meaningful the terms organic and Homegrown are to the store's customers. All 10 participants stated the organic designation is "very meaningful" to their customers. When asked how meaningful

Homegrown products were to their customers, only one replied “very meaningful.” Three participants believed Homegrown was not meaningful to their customers and two respondents did not even know what Homegrown meant. We then asked if the buyer would like to see a larger presence of Homegrown goods in their store. Six respondents replied no. One respondent explained, “Customers want “Organic” or “Local”. [The store] understands “Homegrown”, but customers don’t.” Another respondent said, “It’s not a well-known term. I think customers think of Homegrown as a literal term, not a certification. If people knew the certification, that would be helpful. It may be better, but we don’t know that.”

Several stores expressed openness to educating their customers about what Homegrown is and helping however they could in this education process. “People like local! Education on where their food comes from is necessary and very good for everyone. People really enjoy finding out where their food comes from!” Another buyer said, “People don’t know what it is, so it doesn’t help me sell anything. It creates a new opportunity for educating customers.” Finally, six of the stores mention that they would be willing to buy more Homegrown product if the proper educational tools were used. “The [Co-op] can either sell more certified organic, or conduct a very well executed plan to educate them (consumers) about what Homegrown is.”

### **Benefits of purchasing from the WMGC**

Buyers were asked to list their top three benefits of working with the Co-op. Of the varied answers we received, several themes emerged, including personal relationships, ease of local purchasing, and quality.

Personal Relationships. The personal relationships the stores are able to have with the Co-op was a benefit expressed by nine of the buyers interviewed. This was expressed through the face-to-face interactions as HFS-9 explained, “You get to know the people that deliver to you. You get to know their faces.” The importance of the personal relationship was also expressed through the responsiveness, effectiveness and pride the Co-op staff has in their jobs. “They stand by and back up their product. If I don’t like the product when it’s delivered, [they] work with me by either giving me credit, a discount, or replaced what I don’t like with a different product so I’m not affected by not having the product I originally wanted.”

Ease of Local Purchasing. The majority of buyers listed the ease of local purchasing as a benefit of buying from the Co-op. This sentiment was expressed several ways: as expanding access to local food, simplifying local purchasing, and consolidating local sourcing. The Co-op’s ability to aggregate the product, rather than having the store work with many farmers directly, gives more stores the ability to purchase locally. Many buyers expressed an appreciation for simply buying local as a benefit of the WMGC. HFS-8 said, “Availability is being addressed by multiple

growers and small growers can focus on farming rather than burning up a lot of gas running around everywhere.” A couple of buyers also expressed appreciation at how well run and organized the Co-op is. This attribute only makes it easier for customers to use the WMGC as a distributor.

Quality. The quality of product was another important benefit expressed by the buyers. As a benefit of buying from the Co-op, HFS-3B describes, “Being able to offer a local product to our customer base comes down to quality and freshness that’s not traveling thousands of miles to get here.”

### **Challenges of Purchasing from the WMGC**

Alongside the many benefits of working with the Co-op, the stores were asked to describe areas of improvement the Co-op may want to address. As indicated in previous sections, the themes to emerge here involved packaging and labeling and quantity of produce, and Homegrown education.

Packaging and Labeling. One of the more prominent themes to arise was the need for a more consistent packaging and labeling system. One buyer said, “Consistent packaging – standardized boxes like, broccoli in broccoli boxes, that sort of thing. That would improve quality of boxes and labels.” Another buyer stated, “It would be great if they could have a more professional production system in packaging.”

Homegrown Education. A few buyers also expressed a need for better education about the Homegrown label. HFS-5 explains as a suggestion, “either more certification for organic, or a very well executed plan to educate about what Homegrown is.” Another health food store purchaser stated, “If they’re going to do Homegrown, they need more education, awareness and marketing for it.”

Quantity. More consistent quantity of produce was also requested. One buyer stated that when they order twice a week, several of the items they needed have already been sold. This forces the buyer to order one item in bulk per week to ensure the stores gets what they ordered.

Miscellaneous. Finally, information about the Co-op at point of sale was requested by a buyer, and that the delivery time, from when the store ordered the product to when it is actually delivered, is shortened, along with more deliveries. Another suggestion was to expand the Co-op into other regions around Montana.

## **Market Considerations**

Health food stores continue to be a viable, high-value market for Co-op products. Success in this market has already been proven for the WMGC and it is evident that customers are generally happy with the service and products they receive. Additionally, farmers are able to get better prices for their products in this higher-end market. However, new, efficient opportunities may be harder to come by since the WMGC already has a strong presence in the health food store market.

The Co-op has the opportunity to make a strategic decision about which markets may be most beneficial and efficient to pursue. Some considerations we recommend thinking about in regards to the health food store market include:

- How can marketing be improved, especially in preserving farmer identity and Homegrown education?
- Are there other health food stores outside of the Missoula area that may also help with delivery efficiency and make sense to pursue?
- Is there a particular niche or further health market opportunities within Missoula?

## **Institutional Perspectives**

We examined the overall satisfaction of institutional customers with the WMGC by having the customers evaluate the ordering and delivery processes and product of the Co-op. We also asked interviewees to respond to questions regarding WMGC marketing and the benefits and challenges of working with the Co-op. At each institution we interviewed the person responsible for making purchasing decisions. Each participant was given a code; institutional buyer participants are noted with an “INST” and a number.

### **Ordering**

When asked to rate the ordering process with the Co-op as “very convenient, somewhat convenient, not convenient, or don’t know”, two institutions said the process was “very convenient”. The other two described their experience with the ordering process as “somewhat convenient.” Those who found the process to be very convenient mentioned helpfulness and availability of WMGC staff when ordering as factors contributing to convenience. The two institutional buyers who rated the ordering process as only somewhat convenient both commented that an online ordering system would offer more convenience. INST-1 recalled having to wait to receive the list of available items from the Co-op, then discuss with staff which orders to purchase, then call back to place an order. INST-1 said, “It’s not as convenient as online ordering from other distributors, but is more personable, which is a plus.”

## **Delivery**

Three of four institutions rated the delivery process as “very convenient”, while only one said it was “somewhat convenient”. The three institutions that viewed the process as very convenient mentioned the consistency of deliveries both in regard to punctuality and accuracy in supplying the correct product order. One institution said that when orders were not accurate, they were corrected “on the spot”. Another institution appreciated the “good communication” with the driver at the delivery site. The institution that rated the delivery process as “somewhat convenient” did so because they found it more convenient when their orders could be delivered twice per week. However, the buyer at that institution said that they understood the Co-op couldn’t be as convenient as a larger distributor.

## **Quality of Product**

First, we determined what types of products the institutions purchase. Three institutions purchase produce, and one purchases dairy. In addition, our interviews with institutional purchasers explored what these buyers think about the products that they buy from the Co-op. We asked these buyers to compare the freshness, packaging, appearance, availability, quantity and prices of WMGC products to other distributors. We also asked if they were satisfied with WMGC prices given the quality of their product. Lastly, the interview asked if the buyers process any Co-op products and if they would be interested in purchasing more processed goods if they were offered by the Co-op.

When asking buyers to compare Co-op products to other distributor products, we did not specify which products they were comparing, and if they were comparing to a conventional distributor or another local distributor. These comparisons are meant to provide a general indication of the buyer’s perception of the Co-op’s products.

All four institutions stated that the quality of the Co-op’s products were better than that of other distributors. Three buyers indicated that the appearance is also better than other distributors’ products, and one institutional buyer found it to be the same. Three indicated that price of the Co-op’s products is “worse” than other distributors, however all agreed that given the quality of the products they are satisfied with the prices they pay.

Packaging, availability, and quantity all received mixed reviews; responses are shown in Table 4.

Table 4. Institutional Buyer Comparison of WMGC Product Quality to Other Distributors. (n=4)

<b>Product Characteristic</b>	<b>Better</b>	<b>Same</b>	<b>Worse</b>	<b>Don't Know</b>
Freshness	4	0	0	0
Packaging	1	2	1	0
Appearance	3	1	0	0
Availability	2	0	2	0
Quantity	1	2	1	0
Price	0	1	3	0

Processed Products. Two institutions process products once they are received from the Co-op, and three institutions indicated they would be interested in buying more processed products if they were available, assuming the price and quality met their standards. When asked which products respondents would like to buy that were not currently offered, institutions mentioned a desire for chopped lettuce and frozen fruits and vegetables.

**Marketing to Institutions**

We asked institutional customers about two different marketing strategies: (1) How effective the Co-op is at marketing to the particular institution, (2) How Co-op products are marketed to the end consumer. We also inquired about the meaning of the Organic and Homegrown certification labels to the particular store’s customers.

Marketing to Institutions. Two of their buyers felt the Co-op does an adequate job of marketing itself to them. One noted liking the weekly availability email and the face-to-face communication, another said that the Co-op did not even have to market to them because the institution had sought them out. A third institution stated they wished the Co-op would be more persistent with them as a reminder that the Co-op’s products are available. This question was non-applicable to the fourth institution.

During our interviews we also inquired as to how the institutions’ relationships began with the Co-op. We found that the stories with all four institutions were consistent with the above comment about the institution seeking out the WMGC. In each case, a third party suggested the institution start purchasing local food and the Co-op was recommended as a possible avenue for doing so. We believe the Co-op has an opportunity to begin marketing directly to institutions, as was proven successful with many health food stores.

One institution was able to start purchasing WMGC products using federal dollars from the Fresh Fruits and Vegetables Program. After the first year of this relationship, the institution was then able to prove that it was feasible to add WMGC products to the regular budget. This opportunity may be relevant to other institutions and help the Co-op get their foot in the door with them.

Another avenue to pursue is offering CSA shares as a benefit to institution employees. This process was a great success for one institution and could be a viable model for others as well.

Point-of-Sale Marketing. We found that all institutions used their own marketing materials for their food service. In addition, organic and homegrown labels were either somewhat or not meaningful to all institutional customers. In fact, one institution specifically noted that they would not want to advertise organic or homegrown as they felt it might be perceived as wasteful spending on the institution's part. Also, the Co-op's products may simply be labeled as "local" or "Montana" food instead of a WMGC or specific farmer product. These results indicate that although an institution may buy local food products, specific labels or the origin of the food may not fully trickle down to the end consumer.

For these reasons, if the Co-op decides to pursue greater institutional sales, direct marketing to potential institutional customers will be more effective than concentrating on point-of-sale marketing materials. Co-op branded marketing materials for institutions may be an area for potential growth in the future, once the WMGC has more experience in this market and can make more informed strategic marketing decisions.

### **Benefits of Buying from the WMGC**

Throughout our interviews with institutional buyers a few main themes emerged as benefits these customers receive when working with the Co-op. The benefits mentioned most were: the high quality of produce received, the great relationship they have with the Co-op, and the ability to access local products.

High Quality Products. Institutional buyers unanimously felt the Co-op consistently provided them with high quality produce. Three institutions specifically stated the quality of product as being the best benefit of buying from the WMGC. As previously noted, when the institutions were asked to compare the Co-op's products to products from other distributors, Co-op products were consistently ranked better than the others -- so much so that institutions were comfortable paying a higher price for this level of quality.



It is important that these institutions explicitly listed the high quality as a benefit of buying from the WMGC. Historically, institutions such as hospitals and schools were not known for the quality and taste of the cuisine in their foodservice. However, food service is becoming more of a priority as consumers are starting to care more about their food. Serving high quality food allows institutions to stand out in the marketplace and can bring them more notoriety.

Strong Relationships. When specifically asked what the institutions felt the top three benefits were of buying from the Co-op, one institution mentioned their “special relationship” with the Co-op, while another noted the ability to talk and plan with the Co-op face to face as a benefit. Throughout the interviews three institutions spoke about the great communication between them and the Co-op, which we consider a key aspect in fostering these positive relationships. Some examples of statements that showed an appreciation for this line of communication are references to the helpfulness of coordinators of the WMGC when ordering products or signing employees up for CSA shares, the willingness of the Co-op to accommodate the institution’s needs, the personable ordering process requiring verbal communication (even though online ordering would be more convenient), and the great communication and service when deliveries are made.

Other recurring themes amongst institution interviews were the high quality of produce from the WMGC, and timely, convenient deliveries. These accounts signify a confidence in the Co-op, which fosters a sense of trust between the Co-op and the institutions and further builds upon these positive work relationships.

Consistent, honest, and helpful communication helps the Co-op to build a strong relationship with their institutional customers. We also see this as a strong benefit from the health food store respondents. We believe this is a core strength of the Co-op and note that this should be an area of high importance to continue this level of personable, high-level customer service. This relational aspect of working with the Co-op is clearly valued by many of its customers and is something that may be lacking in the working relationships these stores and institutions have with other distributors. By continuing to promote personal relationships built on quality and trust, the Co-op allows itself to stand out from other distributors that may be competitors.

Providing Local Food. All institutions noted as a benefit that buying from the Co-op allows them to serve local food. This benefit was viewed differently between institutions. One institution noted that buying from the WMGC allows them to serve products from a larger mix of farmers than they would otherwise be able to. Another institution liked buying local food to have that money benefit area farmers. Two other institutions stated that buying from the Co-op makes it easier and more convenient to buy local. As one institution noted, “We really like farmers, but

we don't like talking to them." Another expressed appreciation at the efficiency of not having to order from 40 different farmers by stating, "They [the WMGC] make it possible for institutions and restaurants to get in on the local food action too."

This ability to make purchasing local food convenient for institutions is very important. Whatever the ideals or values behind an institution's desire to serve local food, the fact is that they are busy and work with high volumes, and therefore need an efficient, convenient avenue for purchasing local product. The WMGC may serve as the impetus for an institution to actually move forward with local purchasing, instead of being discouraged by time and efficiency constraints.

### **Challenges of Purchasing from the WMGC**

In addition to benefits, we asked about possible suggestions institutional buyers may have for the Co-op. Two respondents mentioned expanding or focusing the Co-op's ability on processed and value-added goods. Other suggestions included: expanding the Co-op itself (either by adding more members or starting a new one in a different area), further extending the growing season, work on providing higher quantities of some products to be more in line with demand, and deciding on a particular markets to focus the Co-op's energy on.

### **Market Considerations**

Institutions provide a new market opportunity for the Co-op, an opportunity that may act as an incentive for WMGC members to work more closely with the Co-op in order to gain access to this market. Serving institutions could also help local food become more mainstream because the food ends up being consumed by people who might not otherwise choose to eat locally (i.e. hospital patients and school children). However, as discussed in the marketing section the Co-op brand, farmer identities, and product labels (Organic and Homegrown) may be diluted once the food gets to the end consumer.

The Co-op has the opportunity to make a strategic decision about which markets may be most beneficial and efficient to pursue. Some considerations we recommend thinking about in regards to the institutional market include:

- How may serving more institutional markets affect product demand, and can the Co-op sustain a possible shift to higher quantities?
- Are there more opportunities to process value-added products that make sense both for the Co-op and institutions?
- What institutions make sense to pursue as new customers and how can the Co-op effectively market themselves to these potential customers?

## **Role of the WMGC from Customers' Perspectives**

From the perspective of its institutional buyers, health food store buyers and CSA members, the Co-op plays a critical role in the regional food system of Western and Central Montana. As previously mentioned, the number one reason for current CSA members wanting to continue their membership is to support the local food system and economy. In fact, 91.9% of the CSA members who filled out the survey say that supporting local farming is very important to them.

Institutions and health food stores value being a part of the regional food system as well. HFS-3A proclaimed, "We're glad to be a part of the local Montana food system with WMGC!" Specifically, institutional and health purchasers value the aggregation and distribution of locally produced food from a variety of local growers. Nine of the institutional and health food store buyers mention the aggregation and distribution as a critical function of the WMGC in the regional food system. These buyers view this consolidation of local food as a great convenience that allows them to more easily purchase local food. HFS-2B lists, "simplified local purchasing" as a top benefit of buying from the Co-op and INST-1 says that the "ease of local purchasing" is also a top benefit for them. More than just the increased convenience of buying local, three buyers commented that the WMGC expands access to local food. Institutions such as public school districts now have a means to access local food that they otherwise might not have. INST-1 said, "[The] Co-op plays a crucial role in organizing and aggregating to serve their markets. [The] Co-op is almost an entire supply chain up to the consumer."

Several buyers also appreciate that the Co-op gives more local farmers access to markets that the farmers otherwise could not access. HFS-3A said the following about the role of the WMGC in the local food system: "It's huge. It gives growers the opportunity to distribute food that they wouldn't otherwise be able to. Getting products to market is hard, so WMGC allows them to do that which is huge." INST-4 reiterated this sentiment when they assert that the "WMGC gives a way for smaller farmers to get goods into the market in a sustainable way." Several buyers appreciate the fact the WMGC provides a reliable framework and distribution system that allows purchasers to support a larger number of local farmers.

The WMGC's consistent, consolidated supply of quality and fresh food expands regular access to healthy, local food for its CSA members, customers of health food stores, and for those who eat at institutions. As access increases to local food, so does the amount of money that goes back to local farmers and re-circulates into the Montana economy.

## **Conclusions on Markets of the WMGC**

Results from our study indicate that the WMGC is a highly valued local distributor to its customers that provides high quality products, convenient and accessible local food, reliable delivery, and excellent working relationships. In fact, appreciation for the relationship between the buyers we spoke with and the WMGC came up throughout our interviews. This personal touch is an important aspect of the WMGC's business and is one that may differentiate the Co-op as a distributor in our regional marketplace.

Providing adequate quantities, delivery days, pricing, availability, and education about certification labels are all areas in which the Co-op might better improve itself, but the pillars for continued success are all there. The Co-op is poised for future growth, and now is the time to think strategically about what markets most complement the Co-op's abilities. It is essential to ensure that the grower membership and Co-op infrastructure are all on-board with the organization's growth trajectory. Once all these pieces are fit into place word can really spread about how delicious local truly is.

## **APPENDICES**

A – Interview Guide with WMGC Staff

B – Cooperative Principles

C – WMGC Bylaws

D – Membership Agreements including: (1) Prospective Member Letter; (2) Member Application; (3) Member Commitment Agreement; and (4) Statement of Cooperation

E – Interview Guide with Producer-Members

F – Community Supported Agriculture (CSA) Survey Instrument and Tabulations

G – Interview Guide for Wholesale and Institutional Buyers

H – Co-op Curtsey – A song composed by Taylor Lyon

## **Appendix A**

### **Interview Guide with WMGC Staff**

## WMGC BASE INTERVIEW GUIDE

**Introduction.** Thanks for taking the time to participate in this interview. As you know, our class is doing this research with the Western Montana Growers Cooperative.

Before we start, I'd like to let you know that we will not attribute any direct quotes to you in our writing. Since it could be obvious who we spoke with at the Growers Cooperative, if there is any sensitive material, we will contact you first before we include it in our report and we encourage you to speak freely about your experiences and ideas.

We'll be presenting our research to the WMGC in December and we hope you will come listen. We will let you know when that will be happening.

With your permission, I'd like to record this interview. This ensures that your views are most accurately recorded. Is that ok?

*If yes, turn on recorder.*

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### **Current Operations:**

To start off I would like to ask you some questions about your history working at the WMGC.

#### **Role**

1. What is your role at the Western Montana Growers Cooperative?
2. How long have you been employed in your current position?
3. As an employee, what is the most rewarding thing about your work with the co-op?
4. As an employee, if there was one thing that you could change about your job, what would it be?

### **Vision for the Cooperative**

For these last questions I would like to speak with you about the mission of the WMGC and your vision for the future of the cooperative.

8. What is the mission of the growers cooperative?

Probe: In what ways do you think WMGC is fulfilling this?

Probe: What areas are most in need of improvement?

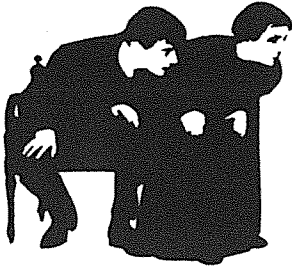
9. In what ways do you think the members buy into the mission of the cooperative?
10. Are there opportunities or services you wish the co-op would offer its producer members that it does not currently offer?
11. Do you think the co-op should expand? If so, how?  
Probe: Why do you think expansion is important?
12. Stepping back now from your own experience with the co-op, what do you think the role of the WMGC is in our local and regional food system?  
Probe: Is it important that it is a cooperatively run business and if so, why?
13. Try to think about the future and imagine the co-op in 5 years. What would you like it to look like?

Thank you again for taking the time to speak to us. We really appreciate and value your input. Is there anything else we haven't yet covered that you'd like to discuss?



## **Appendix B**

### **Cooperative Principles**



## WHAT IS A COOPERATIVE?

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A cooperative is an organization that is owned and controlled by the people who use its products, supplies, or services. Although cooperatives vary in purpose, they share in common the fact that they are formed to meet the specific objectives of members, and are structured to adapt to members' changing needs. Self-reliance and self-help are the hallmarks of cooperatives.

Although cooperation, that is, people working together for their mutual benefit, has been practiced throughout human history, the cooperative as a form of business organization began during the Industrial Revolution. Cooperatives were useful for promoting the interests of the less powerful members of society. Farmers, producers, workers, and consumers found that they could accomplish more collectively than they could individually.

*Cooperatives can be used to address a multitude of shared needs:*

**Producers** like farmers, artisans, or industrialists use cooperatives to market or process their goods jointly.

**Workers** in areas as diverse as bicycle sales, baked goods production, and catalog sales use cooperatives to create employment that offers many of the benefits of ownership—more control over their work, and wages or income that directly correspond to the economic results of the business.

**Consumers** use cooperatives to gain better prices, acquire unique goods and services, or to meet social or cultural desires.

**Private business or public entities** can use cooperatives to gain purchasing power through bulk buying, acquire products or services that are difficult to obtain individually, or share administration of certain projects to reduce overhead costs.

*The International Cooperative Alliance (ICA), composed of cooperative leaders from around the world, has established seven fundamental principles that guide cooperatives:*

1. **Voluntary and open membership.** Cooperatives are voluntary and non-discriminatory organizations. Membership is open without regard to gender, social class, race, political affiliation, or religious beliefs.
2. **Democratic member control.** Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and decision making.
3. **Member economic participation.** Members contribute equitably to, and democratically control, the capital of their cooperative.
4. **Autonomy and independence.** Cooperatives are autonomous, self-help organizations controlled by their members.
5. **Education, training, and information.** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives.
6. **Cooperation among cooperatives.** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together.
7. **Concern for community.** While focusing on members' needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

**Appendix C**

**WMGC Bylaws**

**BYLAWS  
OF  
WESTERN MONTANA GROWERS COOPERATIVE**

**BYLAW 1  
MEMBERSHIP**

**Section 1.1 Eligibility for Membership.** Producers of agricultural products who reside in the territory served by the Cooperative shall become members of the cooperative by:

- (1) Applying for membership;
- (2) Being approved for membership by the Cooperative's Board of Directors;
- (3) Becoming the holder of one (1) membership certificate, value of which will be determined by the Board of Directors; and
- (4) Entering into an annual Producer Commitment Agreement with the Cooperative.

**Section 1.2 Termination of Membership.** Membership in this Cooperative may be terminated by the Board of Directors if any of the following events occur:

- (1) A member ceases to be an agricultural producer or has become ineligible for membership for any reason;
- (2) A member has failed to patronize this Cooperative for a period of one year or more;
- (3) A member that is an individual dies, or a member that is not an individual ceases to exist as a legal entity and leaves no successor; or
- (4) The Board of Directors by resolution finds that a member has:
  - (i) intentionally or repeatedly violated any provision of the Cooperative's Articles of Incorporation, its Bylaws, or its rules and regulations;
  - (ii) breached any contract with or obligation to the Cooperative or any of its members including, but not limited to, the Producer Commitment Agreement; or
  - (iii) willfully obstructed any lawful purpose or activity of the Cooperative.

**Section 1.3 Consequences of Membership Termination.** Upon termination of membership, voting rights and other rights of membership shall cease. Termination of membership alone shall not affect the rights or liabilities of either the member or the Cooperative under any individual contract.

**Section 1.4 Evidence of Membership.** Membership in the Cooperative shall be evidenced by the records of the Cooperative. Membership certificates will be issued by the Board of Directors as evidence of membership.

**Section 1.5 Nonliability of Members.** Members and patrons of the Cooperative are neither obligated to pay nor liable upon any Cooperative obligations.

## **BYLAW 2 MEETINGS OF MEMBERS**

**Section 2.1 Annual Meetings.** The Annual Meeting of the members of this Cooperative shall be held annually at the principal place of business of the Cooperative, or at any other place conveniently located within the area served by it, as may be determined by the Board of Directors. The Annual Meeting shall be held on such date, place and hour as determined by the Board of Directors. The notice of the meeting shall state the date, place and hour of the meeting. At the Annual Meeting, the members shall transact business as may properly come before the meeting.

The officers of the Cooperative must submit reports to the members at the Annual Meeting which cover the business of the Cooperative for the previous fiscal year, and which show the condition of the Cooperative at the close of the fiscal year.

**Section 2.2 Special Meetings.** The Chairperson shall cause notice of a Special Meeting of members to be given upon a written petition by at least twenty percent (20%) of the members, or upon a majority vote of the Board of Directors. The notice shall state the time, place and purpose of the Special Meeting. If a Special Meeting is called by virtue of a member petition, the notice of such meeting shall be issued with ten (10) days of presentation of such petition and the Special Meeting shall be held within thirty (30) days from the date of presentation of such petition. No business shall be transacted at a Special Meeting except that stated in the notice of the meeting.

**Section 2.3 Notice.** Notice shall be given by the Secretary of all Annual Meetings and Special Meetings of the members by mailing a notice of the meeting to each member at the member's last known address not less than ten (10) nor more than thirty (30) days prior to the date of the meeting. The failure of any member to receive the notice shall not invalidate any action which may be taken by the members at the meeting.

**Section 2.4 Quorum.** Five (5) members or fifty percent (50%) of the membership, whichever is a larger number, shall constitute a quorum at any properly called annual or special membership meeting. Members represented by signed votes may be counted in computing a quorum only on those questions as to which a signed vote is taken. If less than a quorum is present at any meeting, a majority of votes present in person may adjourn the meeting from time to time without further notice.

The attendance of a sufficient number of members to constitute a quorum shall be established by a registration of members of the Cooperative who are present at the meeting, which registration shall be verified by the Chairperson and Secretary, and shall be reported in the minutes of the meeting.

**Section 2.5 Voting.**

- a) Each member shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members.
- b) All questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws.
- c) Voting by proxy and cumulative voting shall not be allowed, but signed votes may be used when specifically authorized by resolution of the Board of Directors. When so authorized, signed votes shall be valid and entitled to the same force and effect as a vote in person if the member has been previously notified in writing of the exact motion or resolution upon which the vote is taken.
- d) A member that is not a natural person must designate and authorize a representative to cast its vote in the affairs of the Cooperative. The designation must be in writing, must be properly authorized by the member, and must be provided to the Secretary of the Cooperative. Such a written designation will remain effective until it is superseded by a more recent written designation meeting the same criteria. In the absence of written notice that some person has been designated to represent a member who is other than a natural person, such member may be represented by any of its principal officers. No individual may be authorized to cast more than two votes for a nonperson member entity in addition to his or her own membership vote at a membership meeting.

**Section 2.6 Order of Business.** Insofar as practical, the order of business at the Annual Meeting and, where applicable, at all other meetings of the members shall be:

1. Registration of Members;
2. Call of Meeting to Order;
3. Proof of Notice of Meeting and the Report as to the Members Present in Order to Determine the Existence of a Quorum;
4. Reading of Minutes of Prior Meeting;
5. Reports of Officers and Committees;
6. Election of Directors;
7. Unfinished Business;
8. New Business; and
9. Adjournment.

**Section 2.7 Action Without a Meeting.** Any action which may be taken at a member meeting may be taken without a meeting if a writing setting forth and approving the action shall be signed by a majority of the members entitled to vote on such action.

**Section 2.8 Procedure.** The rules of parliamentary practice comprised in Robert's Rules of Order, most recent edition, shall govern this Cooperative in all situations in which they are applicable and are not inconsistent with the Articles of Association of this Cooperative or these Bylaws.

### **BYLAW 3 Directors**

**Section 3.1 General Powers.** The Board of Directors shall govern the business and affairs of the Cooperative and shall be empowered to adopt all necessary rules and regulations not inconsistent with the Articles of Association or Bylaws. The rules and regulations may be established for the operation of the business, the guidance of the officers and other employees, and the management of the Cooperative. The Board of Directors of the officer or officers to whom the power is delegated, shall hire and fire employees of the Cooperative, and determine duties, salaries, and other conditions of employment.

**Section 3.2 Number, Qualifications and Terms of Office.** The government of this cooperative and the management of its affairs shall be vested in a Board of Directors composed of a minimum of five (5) members elected from the Cooperative's membership. The terms of office shall be for three (3) years except for the initial staggered terms under Section 3.3. All directors shall hold office until their successors are elected and qualified. Any vacancy in the Board, other than by expiration of a term of office, shall be filled by a majority vote of the remaining directors. If a vacancy in the Board of Directors extends beyond the next annual meeting, such vacancy shall be filled until such meeting at which meeting a director shall be chosen by the members for the unexpired term of such vacancy; otherwise the vacancy shall be filled by the directors for the unexpired term.

**Section 3.3 Director Elections.** At the first meeting following the adoption of these Bylaws, two (2) directors shall be elected/appointed to serve for a term of one (1) year, two (2) directors shall be elected/appointed to serve for a term of two (2) years, and one (1) director shall be elected/appointed to serve for a term of three (3) years. Annually thereafter as many directors shall be elected/appointed to serve for a three (3) year term as there are regular vacancies in the number of directors. The Board of Directors may establish a Nominating Committee, which shall be responsible for placing into nominating the names of qualified candidates. Moreover each member present at the Annual Meeting and eligible to votes may place into nomination at the meeting the names of eligible candidates. Voting shall be by ballot and each member may vote for one (1) candidate for each vacant director position. The candidates receiving the highest numbers of votes for the vacant positions shall be elected to the Board.

**Section 3.4 Annual Meeting.** Within thirty (30) days after each Annual Meeting of members, the Board of Directors shall meet for the purpose of electing officers of the Cooperative and for the transaction of such other business as shall come before the

meeting. The Annual Meeting of the Board of Directors shall be held at such time and place as may be fixed by resolution adopted by a majority of the whole Board of Directors.

**Section 3.5 Regular Meeting.** Regular Meetings of the Board of Directors shall be held from time to time at such time and place as may be fixed by resolution by a majority of the whole Board of Directors.

**Section 3.6 Special Meeting.** Special Meetings of the Board of Directors may be called by the Chairperson, the Secretary or by any three (3) of the Directors and shall be held from time to time at a time and place as may be designated in the notice of the meeting.

**Section 3.7 Notice of Meetings.** Notice of each annual regular or special meeting of the Board of Directors shall be given by the Chairperson or Secretary who shall give at least seven (7) days prior notice of the meeting to each director by mail, telephone, telephonic facsimile transmission, telegram, or in person. Notice shall be deemed given upon mailing, if notice is given by mail.

**Section 3.8 Waiver of Notice.** Notice of any meeting of the Board of Directors may be waived either before, at or after the meeting, in writing signed by each director. A director, by attendance and participation in the action taken at any meeting of the Board of Directors, shall be deemed to have waived notice of such meeting.

**Section 3.9 Quorum.** A majority of the whole Board of Directors shall constitute a quorum for the transaction of business except that, when a vacancy or vacancies exist, a majority of the remaining directors shall constitute a quorum. All questions shall be decided by a vote of a majority of the directors present at a meeting. Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or any such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

**Section 3.10 Removal.** Any director may be removed from office, for cause, by a majority vote of the members at an Annual Meeting or a Special Meeting called for that purpose. In case of the removal of a director, the members may elect another director to fill the vacancy for the unexpired term at the same meeting.

**Section 3.11 Executive Committee.** The Board of Directors may appoint an Executive Committee of not less than three directors. The Executive Committee shall have authority to exercise all powers of the full Board of Directors between the meeting of the Board except,

1. Powers reserved by the board itself.
2. Apportionment or distribution of proceeds.
3. Election of officers.



4. Filling of vacancies in the board.
5. Amendments to the bylaws.

**Section 3.12 Committees.** The Board of Directors may establish committees from time to time making such regulations, as it deems advisable, with respect to the membership, authority and procedures of such committees.

**Section 3.13. Compensation.** Directors who are not salaried officers of this Cooperative may receive such fixed sum per meeting attended or such fixed annual sum as shall be determined, from time to time, by resolution of the Board of Directors. All directors may receive their expenses, if any, of attendance at meetings of the Board of Directors or any committee thereof. Nothing in these Bylaws shall be construed to preclude any director from serving the Cooperative in any other capacity and receiving proper compensation for the service.

## **BYLAW 4**

### **Officers and Employees**

**Section 4.1 Officers.** The officers of this Cooperative shall be a Chairperson, a Vice-Chairperson, a Secretary, and a Treasurer, who shall be elected in the manner as provided in Section 4.7 of these Bylaws. The offices of the Secretary and Treasurer may be combined and when so combined shall be termed "Secretary-Treasurer". The clerical work of the secretary and treasurer may be delegated by the Board of Directors. The Chairperson, the Vice-Chairperson, the Secretary, and the Treasurer shall be members of the Board of Directors.

#### **Section 4.2 Chairperson:**

- (a) Shall preside at all meetings of the members and the Board of Directors;
- (b) May sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments executed on behalf of this Cooperative, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and,
- (c) In general, shall perform all duties incident to the office of the Chairperson and such other duties as may be prescribed by the Board of Directors from time to time.

**Section 4.3 Vice-Chairperson:** In the absence of the Chairperson, or in the event of the inability or refusal to act, the Vice-Chairperson shall perform the duties of the Chairperson, and when so acting, shall have all the powers of and be subject to all of the restrictions upon the Chairperson; provided, however, that in the case of death or resignation of the Chairperson, the Board of Directors may declare the office vacant and elect a successor. The Vice-Chairperson shall also perform such other duties as from time to time may be assigned by the Board of Directors.

**Section 4.4 Secretary:**

- (a) Shall cause minutes of the meetings of the members, of the Board of Directors, and of any executive committee to be kept;
- (b) See that all notices are duly given in accordance with these Bylaws, or as required by law;
- (c) Supervise custody of the records of the Cooperative;
- (d) Cause a register of the names and post office addresses of all members to be kept; and
- (e) In general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Directors.

**Section 4.5 Treasurer:** The Treasurer shall supervise the custody of all funds, securities and property of the Cooperative. The Treasurer shall cause deposit of all funds in the name of the Cooperative and cause disbursement of the same upon the authority of the Board of Directors. The Treasurer shall perform such other duties as may be prescribed by the Board of Directors.

**Section 4.6 Delegation of Responsibilities: Other Officers:** Notwithstanding the duties, responsibilities and authorities of the directors and officers provided for in these Bylaws, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular and routine administration of, one or more of such officer's duties to one or more agents or other officers of the Cooperative who are not directors.

The Board of Directors shall appoint a general manager who shall manage the affairs of the Cooperative, under the supervision of, and in accordance with the policies of, the Board of Directors. The Board of Directors may elect such other officers from time to time, and in such event shall establish appropriate duties and responsibilities for any such officers.

**Section 4.7 Compensation.** The officers of the Cooperative shall receive compensation for their services as may be determined, from time to time, by resolution of the Board of Directors.

**Section 4.8 Election of Officers: Vacancies.** At its Annual Meeting, the Board of Directors shall elect from its number, a Chairperson, a Vice-Chairperson, a Secretary, and a Treasurer. The offices of the Secretary and Treasurer may be held by one person and when so combined, shall be termed, "Secretary-Treasurer". Election for persons to fill any other offices established by the Board of Directors pursuant to Section 4.1 of these Bylaws shall be held at the Annual Meeting of the Board of Directors or at any other meeting of the Board of Directors, provided that notice of such election has been given in the notice of such meeting. The officers shall hold their offices until their successors have been elected and have qualified, except as provided in Section 4.8. Any vacancy in

an office shall be filled by a majority vote of the Board of Directors for the un-expired term of such office.

**Section 4.8 Removal of Officers.** Any officer may be removed by the Board of Directors, with or without cause, at any meeting called for that purpose. The removal, however, shall be without prejudice to the contract rights of the person to be so removed.

## **BYLAW 5 Indemnification and Insurance**

**Section 5.1 Liability of Directors, Officers, and Manager.** Directors, officers and the manager (who is the person most responsible for carrying out the policies and directives of the officers or Board of Directors) are immune from civil liability for any act or omission relating to their service or function as a director, officer, or manager, except as otherwise provided in the Cooperative's Articles of Incorporation or required by law.

**Section 5.2 Indemnification.** This Cooperative shall indemnify each director, officer, manager, or employee of this Cooperative, and any person serving at the request of this Cooperative as a director, officer or manager of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines and amounts paid in settlements actually and reasonably incurred to the extent to which such officers, directors or managers of the Cooperative may be indemnified under the law of this state.

**Section 5.3 Insurance.** This Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, manager, employee, or agent of this Cooperative, or is or was serving at the request of this Cooperative as a director, officer, manager or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted and incurred in any capacity.

**Section 5.4 Bonds of Employees.** The Board of Directors may require all officers, agents and employees charged by the Cooperative with the custody of any of its funds or property to be adequately bonded. Such bonds shall be furnished by a bonding company, and the cost thereof shall be paid by the Cooperative.

## **BYLAW 6 Operations on a Cooperative Basis**

This Cooperative shall be operated on a cooperative basis. Each transaction between this Cooperative and each member and patron shall be subject to and shall include as part of its terms and provisions the Articles of Association and the Bylaws of this Cooperative. Upon contracting to market commodities to this Cooperative, each member shall be entitled to the patronage refunds, as described in these Bylaws, that arise out of the patronage transactions with the Cooperative.

## **BYLAW 7**

### **Calculation on Annual Savings and Distribution of Annual Savings Based on Patronage**

**Section 7.1 Gross Receipts.** All proceeds received by this Cooperative from any source shall be deemed to be “Gross Receipts”. This Cooperative shall account separately for gross receipts from business with or for members and patrons, and for gross receipts from sources other than business with or for members and patrons.

**Section 7.2 Deductions from Gross Receipts.** For purposes of making the calculations described in this Bylaw 7, this Cooperative shall account separately for deductions from gross receipts from business with or for members and patrons, and for deductions from gross receipts from sources other than business with or for members and patrons. This Cooperative shall deduct the following costs and expenses from its gross receipts from business with or for members and patrons, and from its gross receipts from sources other than business with or for member and patrons, respectively:

- (1) all operating expenses and costs;
- (2) the cost of goods sold;
- (3) the cost of services performed;
- (4) all taxes and all other necessary expenses;
- (5) reasonable and necessary reserves for depreciation, depletion, and obsolescence of physical property, and other valuation reserves, all of which shall be established in accordance with usual and customary accounting practices; and
- (6) all accounts deemed worthless by this Cooperative and actually charged off on the books of the Cooperative.

**Section 7.3 Annual Savings.** The remaining gross receipts after all deductions, calculated on a fiscal year basis, shall be called “annual savings”, and shall be distributed and paid as provided in these Bylaws. This Cooperative shall account separately for annual savings from business with or for members and patrons, and for annual savings from sources other than business with or for members and patrons. In determining the amount of annual savings, the amounts of gross receipts as defined in Section 7.1 above, and deductions from gross receipts as defined in Section 7.2 above, shall be adjusted so as to include only such amounts as are includable or deductible for federal income tax purposes.

**Section 7.4 Allocation of Annual Savings Between Departments and Divisions.**

Annual savings from business with or for members and patrons shall be distributed to the members and patrons of this Cooperative on the basis of their patronage with the various departments, divisions of operation, or functions of this Cooperative.

**Section 7.5 Capital Reserve.** The Board of Directors may annually set aside as a capital reserve a reasonable reserve for any necessary purpose.

**Section 7.6 Manner of Distribution of Patronage Refunds.** The remaining annual savings, excluding amounts allocated to capital reserves, shall be distributed to members and patrons annually as patronage refunds in cash, stock, or in the form of written notices of allocation (sometimes referred to as “equity credits”), or in any combination thereof on a patronage basis. The written notices of allocation may be qualified or nonqualified, as determined by the Board of Directors, and may be issued in non-certified form. A notice shall be sent to each member and patron showing the amount distributed to the member or patron, including the amount distributed in cash and the amount distributed in capital credits or patronage equities. The notice shall be sent not later than eight and one-half (8 ½) months after the close of the fiscal year.

## **BYLAW 8 Unit Retentions**

**Section 8.1 Unit Retain.** The Cooperative may require investment in its capital in addition to the investments from retained patronage. These investments shall be direct capital investments from a retain on a per unit basis of the products purchased from its members. The unit retention, if required, shall be made on all products delivered, in the same amount per unit and shall at no time become a part of net annual savings available for patronage. Each member, by continuing to be such, agrees to invest in the capital of this Cooperative as prescribed in this Bylaw 8. Such investments shall be accounted for separately in a unit retention account set up on the books of the Cooperative. Any unit retain, prior to implementation, shall first be approved by the membership.

**Section 8.2 Income Tax Treatment and Consent to Take Qualified Per Unit Retains Into Income.** The Board of Directors shall have the power to determine whether any unit retain shall be a “qualified per unit retain” or a “non-qualified per unit retain” within the meaning of the Internal Revenue Code. Each person or organization that hereafter applies for and is accepted for membership in this Cooperative and each member of this Cooperative on the effective date of this Bylaw who continues as a member after such date shall, by these acts alone, consent that upon a determination of the Board of Directors that a unit retain authorized by this Bylaw 8 is to constitute a “qualified per unit retain”, the member will take the per unit retain certificate issued to the member in connection therewith into account at its stated dollar amount in the manner provided in 26 U.S.C. 1388(h) and will report such amount in the member’s income tax returns for the taxable year in which the per unit retain certificate is received.

## **BYLAW 9 Consent**

**Section 9.1 Consent to Take Patronage Distribution Into Income.** Each person or organization that hereafter applies for and is accepted for membership in this Cooperative and each member of this Cooperative on the effective date of this Bylaw who continues as a member after the effective date shall, by these acts alone, consent that the amount of any distributions with respect to patronage which are made in written notices of allocation (as defined in 26 U.S.C. s 1388), and which are received by the member from

this Cooperative, will be taken into account by the member at their stated dollar amounts in the manner provided in 26 U.S.C. s 1385 (a) in the taxable year in which the written notices of allocation are received.

**Section 9.2 Consent Notification to Members and Prospective Members.** A copy of this Consent Bylaw, and a statement of its significance shall be given to each member, and to prospective members before they become members of this Cooperative.

## **BYLAW 10**

### **Losses**

**Section 10.1 Netting of Losses.** In the event of a loss in one or more departments or divisions of operation of this Cooperative, but not of such magnitude as to cause an overall loss for the fiscal year of the Cooperative, such loss or losses may be prorated against each of the remaining profitable departments on the basis of their respective percentage of the total net proceeds during such fiscal year.

**Section 10.2 Allocation of Net Loss.** In the event this Cooperative shall incur a net loss in any fiscal year, the Board of Directors, in its sole discretion, may (a) charge such net loss against any earned surplus or paid-in surplus which is unallocated, or against any unallocated reserve other than valuation reserves; or (b) may recover the amount of such loss from prior or subsequent years' net margins or savings. If such loss exceeds the total of said unallocated earned surplus and unallocated reserves, or in any event, if the Board of Directors so elects, the amount of such loss may be recovered from prior or subsequent years' net margins or savings. In no event shall the Board of Directors have the authority to make any assessment against members or patrons. This selection shall not be construed or administered in such a way as to deprive the Cooperative of the right to carry back or carry forward net operating losses to past or future years, in accordance with the applicable provisions of the Internal Revenue Code or state taxing statutes.

## **BYLAW 11**

### **Fiscal Year**

The fiscal year of this Cooperative shall be determined by the Board of Directors.

## **BYLAW 12**

### **Amendments**

These Bylaws may be amended by the members at the Annual Meeting, or at any Special Meeting for that purpose, if approved by a majority of the votes cast, provided that the notice of any such meeting contains a summary statement of the proposed amendment.

## **Appendix D**

**Membership Agreements –including (1) Prospective Member Letter; (2) Member Application;  
(3) Member Commitment Agreement; and (4) Statement of Cooperation**

# MEMBERSHIP APPLICATION

**Applicant's Statement.** I hereby apply for membership in WESTERN MONTANA GROWERS COOPERATIVE and agree to abide by the articles of incorporation and bylaws of the association, now and hereafter in effect, copies of which have been presented to me for inspection. I certify that I am a producer of \_\_\_\_\_ (product), agree to purchase one annual membership certificate, agree to sign an annual producer commitment agreement, and have met such other qualifications for membership as have been explained to me.

After my membership shall have been in effect for one year from the date of its acceptance by the association, either party may terminate it by notifying the other party in writing of this intention. If neither of the parties to this agreement so notifies the other, annual renewal of membership certificate and producer commitment agreement will not require resubmitting this application form.

Date \_\_\_\_\_, 20 \_\_\_\_.

Applicant's: Name: \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

Telephone Number \_\_\_\_\_

Social Security or EIN Number \_\_\_\_\_

Applicant's Signature \_\_\_\_\_

Acceptance. This certifies that \_\_\_\_\_ is a member of *Western Montana Growers Cooperative* and is entitled to all of the rights, benefits, and privileges of membership in the association.

Date \_\_\_\_\_, 20 \_\_\_\_.

Chairperson: \_\_\_\_\_

Secretary: \_\_\_\_\_





*Western Montana Growers Cooperative*

*P.O. Box 292*

*Arlee, MT 59821*

*Phone: (406) 726-4769*

*grower@wmgcoop.com*

Dear Prospective Member:

Thank you for your interest in healthy food, local economies, and the Western Montana Grower's Co-op. This packet contains our by-laws, Articles of Incorporation, membership application, and commitment form.

Participation in the co-op can be a real benefit to any farmer whose ability to raise food is greater than their ability to sell it. For farmers who already sell all they raise at a farmer's market, or CSA- congratulations, you are already reaching your customers in the most direct way. If you raise or would like to raise, more than your present outlets can use, the co-op offers important possibilities.

Started 10 years ago, our Co-op has grown from a grouping of 5 farmers and sales of \$10,000 to our present membership of 35 and sales of \$715,000. Our distribution network reaches from Missoula to Whitefish, Helena, Butte, Bozeman, Billings, Great Falls, and is centered in Arlee, at the Common Ground farm. We are reaching retail stores, institutions, restaurants, and individuals who come together at central drop points in their communities. It is by joining together that we can provide enough volume and variety of food to enter these many markets.

Members have both rights and responsibilities. A person becomes a member after completing the membership application, an interview, and submitting a payment of \$150 for your first year. Membership dues are adjusted annually based on the farms sales through the Coop. Each member is an owner of the business, with a right to vote, to serve on the board, and to determine the Co-op's future directions. An annual meeting is held each winter, when new board members are elected, the year is reviewed, and general interests are shared.

In addition to the membership fee, the Co-op sells the member's product at a 25% margin. That 25% margin provides the operating funds for the business. We have five employees, and own a refrigerated truck for deliveries, a forklift and cooler space for storage.

The marketing and distribution that the Co-op performs is a cost based service, and any revenue that is generated beyond the operating needs will be returned to you as a member-owner, or put toward infrastructure needs, as members decide by voting.

We go through an extensive planning process each winter through which the needs of our market are identified and the growers decide what they can produce to meet those market needs.

We welcome your interest and participation. This is a business, but it is also an effort to form an effective community of people.

With Best Wishes,

Dave Prather  
General Manager

WESTERN MONTANA GROWERS COOPERATIVE  
PRODUCER COMMITMENT AGREEMENT

THIS AGREEMENT, made as of this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, by and between \_\_\_\_\_, herein referred to as “Producer,” and *Western Montana Growers Cooperative*, an agricultural cooperative having an office at Arlee, MT, herein referred to as “Association.”

**RECITALS**

- A. Association is an agricultural cooperative organized under the laws of the State of Montana.
- B. Producer is a member of the Association who produces \_\_\_\_\_.
- C. Producer has purchased one membership certificate and paid to the Association the sum of one hundred fifty dollars (\$150.00) or the amount required based on the previous year’s patronage with the Association. This entitles Producer to all the benefits of membership in the Association for one year as long as Producer complies with the articles of incorporation and bylaws of the Association and the provisions of this agreement.

In consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

**Section 1. Sale of Products.** Association agrees to sell and distribute and Producer agrees to produce for Association as defined by USDA standards and grown by Producer all products agreed upon from Member Product Commitment Summary Sheet or otherwise confirmed between producer and association.

This agreement is not intended by the parties to pass an absolute title to above units of product grown by Producer between dates specified, and such product shall be at the risk of Producer until delivery to and acceptance by the client.

**Section 2. Payment to Producer**

Association shall market Producer’s product and Producer shall accept as payment for Producer’s product a set price based on a predetermined averaged price or the current fair market price in the area for the specific product of like grade and quality. The payment option will be agreed upon at the beginning of the marketing season between the Association and the Producer.

Association shall pay the amount due Producer, less deductions authorized in Section 5 of this agreement, not more than 30 days after delivery of the product to Association or Association's prescribed location.

**Section 3. Delivery.** All product shall be delivered by Producer at Producer's expense at the earliest reasonable time after harvesting, or at such time as called for by Association, to Association's principal place of business or to one of Association's authorized locations as prescribed by Association. The Association will use its best efforts to locate locations within a reasonable distance from Producer's farm.

**Section 4. Inspection and Grading.** All marketing of products received by Association from Producer shall be based upon USDA Grade 1 or better, and Producer agrees to accept the grading established by USDA. Furthermore, all marketing of products received by Association from Producer shall be based on quality standards established with clients that may have more requirements than the USDA grading standards, and Producer agrees to accept the requirements established by the clients. Association reserves the right to not accept any products that do not meet the standards established by USDA and/or the clients.

Prior to acceptance by Association, all products that require it shall be inspected and graded by the USDA in accordance with USDA standard rules and regulations.

**Section 5. Deductions.** Association agrees to market for Producer the product set forth in Section 1 and to pay to Producer for said product the price set forth in Section 2, less an amount to be determined annually by the board of directors, in the sole discretion of the board, to meet the general contingencies of the business of the Association including operating and transportation expenses.

**Section 6. Liens.** Producer shall notify the Association of any lien on any product covered by this agreement. Producer shall obtain permission from the lien holder for Association to market such product and to retain any deductions from the payments to Producer authorized hereunder and under the articles of incorporation and bylaws of the Association. After any such deductions, Producer authorized the Association to apply the balance of the sale proceeds, or so much thereof as necessary, for payment of the lien.

**Section 7. Liquidated Damages.** The remedy at law would be inadequate and it would be impracticable and difficult to determine the actual damages to the Association should Producer fail to deliver the product covered by this agreement. Therefore, Producer agrees to pay to the Association for all such product delivered or disposed of by Producer, other than in accordance with the terms of this agreement, a sum equal to 100%

of the agreed purchase price of the product that should have been delivered to the Association, as liquidated damages for the breach of this agreement.

Failure to deliver the product committed herein due to ACTS OF GOD shall not constitute a breach of this agreement.

**Section 8. Specific Performance.** Producer agrees that in the event of a breach or threatened breach by Producer of any provisions of this marketing agreement regarding delivery of product, the Association shall be entitled to a preliminary restraining order and an injunction to prevent breach or further breach hereof and to a decree of specific performance hereof. The parties agree that this is a contract for the sale of personal property under special circumstances and conditions and that the Association may, but shall not be obligated to, go into the open markets and buy product to replace any that Producer may fail to deliver.

**Section 9. Legal Costs and Expenses.** If the Association brings any action whatsoever by reason of a breach or threatened breach of this agreement, Producer shall pay to the Association all court costs, costs for bonds, travel expenses and all other expenses arising out of or caused by the litigation, including reasonable attorney's fees expended or incurred by Association in such proceedings, and all such costs and expenses shall be included in the judgment.

**Section 10. Termination and Renewal.** This Agreement shall remain in effect so long as Recitals A, B, and C are met and a Member Product Commitment Summary Sheet or other product agreement is submitted annually. After this agreement has been in effect for one year from the date of execution, either party may choose to terminate the agreement for any reason.

**Section 11. Nonconforming Agreements.** Association may enter into agreements with other growers differing in terms from those contained herein, consistent with the bylaws of the Association, without invalidating this agreement, provided that Producer at Producer's request may sign a similar agreement as a substitute for this agreement.

**Section 12. No Contrary Agreements.** Producer warrants that Producer has not contracted to sell, market, consign, or deliver and will not contract to sell, market, consign, or deliver any product during the term of this agreement to any person, firm or corporation, contrary to this agreement.

**Section 13. Forfeiture of Membership.** Violation of this agreement in any material respect by Producer shall be grounds for the board of directors to terminate Producer's membership in the Association.

**Section 14. Articles and Bylaws.** Producer agrees to conform to and observe the articles of incorporation and bylaws of the Association now in force and as they may be amended hereafter.

**Section 15. Entire Agreement.** It is agreed that the articles of incorporation and the bylaws of the Association, now or hereafter in effect, and this marketing agreement constitute the entire agreement between the Association and Producer, and that there are no oral or other conditions, promises, covenants, representations, or inducements in addition to, or at variance with, any terms of this agreement.

**Section 16. Governing Law.** This agreement shall be governed by the laws of the State of Montana.

IN WITNESS WHEREOF, these parties have executed this agreement as of the day, month and year first above written:

Producer \_\_\_\_\_

Cooperative Chairperson \_\_\_\_\_

ATTEST:

Cooperative Secretary \_\_\_\_\_

## Western Montana Growers Cooperative Statement of Cooperation

The Western Montana Growers Cooperative (WMGC) is a union of growers and producers that choose to work together to market their products in western Montana. Together, our growers are better able to increase distribution efficiency, scalability, and marketing power. The goals of WMGC are: to provide fresh, sustainably-produced farm products to our region; to access new and diverse marketing outlets for our members; and to receive a fair price for our products.

1. Members of WMGC agree not to market or sell their products either directly to Co-op customers or indirectly to distributors who compete with the Co-op by selling to Co-op customers. WMGC members agree not to sell to other producer co-ops. WMGC members who sell through the Co-op CSA agree not to operate private CSA's.

Exceptions to this agreement:

a). Members may maintain direct accounts with Co-op customers provided said accounts were established prior to their becoming Co-op members. These accounts need to be documented and submitted to the board of directors prior to being approved for membership to WMGC. An established account is defined as having sold a specific product to a customer multiple times per season on a regular basis.

b). Members may conduct direct business with Co-op customers by special arrangement with the Co-op manager or assistant manager provided it is approved of by the board of directors.

2. Members of WMGC may sell directly to businesses with which the Co-op does not currently have accounts. Members agree to disclose those business relationships on a separate disclosure form at the time they submit their commitment forms. The disclosure form will document farmers' markets attended, current CSA business, and other direct accounts including specific crops or products sold. This information will be used to better coordinate crop commitments and potential business collaboration between individual members and the Co-op, and will be made available solely to Co-op staff, unless the staff should deem it necessary to bring a potential conflict of interest to the attention of the board.
3. If there is a question of non-compliance with this agreement, a Co-op staff member or member of the board of directors will meet with the individual member to discuss the issue. The member will be informed of the manner in which they are non-compliant, and the staff or board member will work with them to define what needs to be corrected and a timeframe in which this needs to be accomplished. If an agreement cannot be reached the matter will be referred to the board. This process will be documented in a written correction agreement which is signed by both the staff or board member and the Co-op member. If the non-compliance issue is jeopardizing the Co-op, or a correction agreement is not executed, the board will issue a Disciplinary Letter, or a Discharge Letter.

A Disciplinary Letter will:

Clearly state how the member is in non-compliance, how the non-compliance can be corrected, a timeframe in which the non-compliance items must be corrected, and the consequences for not correcting the non-compliance items within the timeframe stated. These consequences will be determined by the staff and board and may include loss of crop commitments, or a higher margin charged for using Co-op services while operating in direct competition with the Co-op.

A Discharge Letter will:

Clearly state the reasons that the member is being discharged from the Co-op, reference the relevant policy, and provide a detailed description of the member's appeal rights.

The purpose of this policy is to help our membership more efficiently meet our common goals. It is intended solely for the future good of our Co-op, to ensure that we work together in cooperation to help WMGC become a thriving, dependable, sustainable business for all of its members.

I \_\_\_\_\_ (name) and all representatives of our business,  
\_\_\_\_\_ (business name), agree to abide by the Western  
Montana Growers Cooperative Statement of Cooperation Policy. I understand that the purpose of  
this policy is to create an agreed-upon expectation for doing business as a member of the Western  
Montana Growers Cooperative. I understand that a breach of this policy is grounds for dismissal  
as a member of the Western Montana Growers Cooperative.

## **Appendix E**

### **Interview Guide with Producer-Members**



## Producer Interview Guide

### **Before Interview**

Check Tape

Name:

Farm Name:

Date:

Name of Interviewee:

---

**Introduction:** Thank you for agreeing to participate in this interview. As I think you know, I am working with a team of researchers from the University of Montana to learn how the Western Montana Growers' Co-op is functioning within our regional food economy. We are especially interested in learning more about the perspectives of co-op members. So, we have some questions for you about your experiences as a member of the co-op, what it involves for you, and other things like that.

Before we get started, I want to let you know that your identity as a participant in this study will remain confidential. Your name will not be specifically associated with any data in any presentations or written reports. In other words, I want you to feel free to share your opinions with us.

Once we have finished interviewing and have compiled all of our research, we will present the research at a time that is best for those involved in the Co-Op. So, if you're interested, we hope you'll watch for announcements.

If it is OK with you, I would like to record the interview. Taping ensures that your views are accurately recorded and allows me to really listen to you instead of scribbling notes the whole time.

Is that OK with you? **IF YES, TURN ON RECORDER.**

---

To start us off, I'd just like to get a better sense of your operation.

1. First, please tell me a little about your farm and what you produce.
2. Approximately what percent of your annual sales go to the Co-op?
3. How else do you market what you produce?

Now let's talk about what being a member of the co-op means to you.

4. When you think about the financial success of your farming business, overall, which of the following best describes how important being part of the co-op is to you:

Critically important, very important, somewhat important, not very important, not at all.

Please explain why you chose the answer you did (**PROBE for depth**).

5. We've talked a little about the financial aspects of being a co-op member. Are there other benefits of membership?

PROBE: Are there any other benefits of being a member that you haven't already mentioned?

6. As a member of the Co-op, what challenges have you experienced?

PROBE: Have there been any other challenges?

Now, let's talk a little about the governance of the co-op.

7. How well do you feel the board communicates w/ co-op members?

8. Do you regularly participate in the co-op annual meeting?

9. Do you think that the co-op needs to grow or expand? Why or Why Not?

PROBE: What do you think are the most important steps in helping the co-op grow?

10. Would you be willing to increase production to accommodate greater demand as a result of the co-op continuing to grow? Why or why not?

11. Are there opportunities or services you wish the co-op would offer its producer members that it does not currently offer?

PROBE: Any other ideas?

12. To what extent do you feel invested in the co-op's success as a cooperative business and committed to supporting it into the future?

PROBE: Could you say more about that?

13. Stepping back now from your own experience with the co-op, what do you think the role of the WMGC is in our local and regional food system?

PROBE: Would you say that its role is critically important, very important, somewhat important, or not very important?

14. Try to think about the future and imagine the co-op in 5 years. What would you like it to look like?

Thank you for all of your thoughtful responses. Is there anything else you think we should know or that we haven't already discussed?

Thank you again so much for your time and willingness to talk with us. We will keep you posted as we move forward with our research and determine when and where we end up sharing our findings.

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## **Appendix F**

### **Community Supported Agriculture (CSA) Survey Instrument and Tabulations**

**Western Montana Growers Cooperative CSA Survey 2012**

The Western Montana Growers Cooperative appreciates your participation in the CSA this summer. To serve our CSA customers better, researchers at the University of Montana are conducting a study to learn more about your perspective. **We would appreciate you taking a few minutes to complete this brief questionnaire.**

Responses will also contribute to a University of Montana study of the role of this cooperative in the local food system. If you cannot complete this survey at this drop point, please return it in the postage-paid envelope we gave you by **November 5<sup>th</sup>** so we can still hear your feedback. Thank you for your time!

- 1. Where do you pick up your share?**  St. Ignatius  St. Pat's (Missoula)  Polson  
 Trailhead (Missoula)  University area  Ronan  Arlee  Charlo  Bitterroot Valley

- 2. How many years have you belonged to the Western Montana Growers Co-op CSA?**  
 1  2  3  4  5

- 3. Please indicate how important the following are to you as a CSA member.**

	<b>Very Important</b>	<b>Somewhat Important</b>	<b>Not Important</b>	<b>Don't know</b>
a. I know the people who grow the vegetables I eat.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. The vegetables I feed my children are healthy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. The vegetables are extremely fresh.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. I am supporting local farming.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. The vegetables taste so good.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. I am doing something that is good for my own health.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. I am contributing to environmentally friendly agriculture.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. I am able to order extra items online (eggs, meat, cheese).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**\*\*Please be sure to fill out the back side\*\***

**4. Think about your experience of belonging to the Western Montana Growers Coop CSA. Please indicate the degree to which each of the following is true for you.**

	<b>Very True</b>	<b>Somewhat True</b>	<b>Not True</b>	<b>Don't know</b>
a. The CSA shares were a good value for my money.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. I have learned how to prepare and eat new vegetables.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. I am happy with the variety of produce provided throughout the season.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. The length of the season was appropriate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. The CSA coordinator was responsive to my concerns and questions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. The drop point was convenient for me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. I have learned how to prepare and eat new vegetables.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. I have learned that more vegetables can be grown in our area than I have realized.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. I enjoy eating vegetables more than I used to.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. My desire for high quality vegetables has increased.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. My awareness of and attention to the larger food system has increased.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. I feel a sense of trust in the co-op and the food I get from it.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. I feel that I am supporting my local economy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please provide a short response to the following questions:

5. My CSA share fed:  1-2  3-4  5-6  6-7  7+ people.

6. Did the quantity of the produce meet your weekly produce needs? Or did you need to visit a grocery store for supplemental items?

7. What items would you like to see more of?

A. \_\_\_\_\_ B. \_\_\_\_\_ C. \_\_\_\_\_

8. What items would you like to see less of?

A. \_\_\_\_\_ B. \_\_\_\_\_ C. \_\_\_\_\_

9. Are you interested in being a customer next year?

Yes  No Why or why not? \_\_\_\_\_

10. Your age: \_\_\_\_\_

11. Are you:  Female  Male

12. What level of schooling have you completed?

Less than high school  High school  College  Graduate degree

13. Would you like more information available on:

- The farmers who grow for the CSA
- the Western Montana Growers Cooperative
- other local food issues, such as:

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**Thank you for filling out this survey!**

**If mailing the survey, please return it by November 5 to:**

**Kim Gilchrist  
Environmental Studies Department  
University of Montana  
Ranking Hall  
Missoula, MT 59812**

**For any questions, call Neva Hassanein at 243-6271.**

## **Western Montana Growers Cooperative CSA Survey 2012**

Kim Gilchrist, Arza Hammond, Morgen Hartford, Katie LeBlanc, Rachel Mockler  
University of Montana

The survey was administered at the end of the 2012 CSA season. The following presents simple tabulations of the results. These tabulations are based on 112 completed surveys (overall response rate was 74%). The **N** column indicates the number of people who gave each response to a given item, and the **%** column indicates the corresponding percentage of people who gave that response (based on the total number of people giving valid responses to the item, and thus omitting people who skipped the item or answered 'don't know' or 'not applicable'.)

	<b><u>N</u></b>	<b><u>%</u></b>
<b>1. Pickup location:</b>		
St. Ignatius	3	2.9 %
St. Patrick's Hospital	40	38.1%
Polson	14	13.3%
Missoula – Trailhead	13	12.4
Missoula – Univ. Area	13	12.4%
Ronan	4	3.8%
Charlo	3	2.9%
Bitterroot Valley	3	2.9%
Helena	12	11.4%
<b>2. Number of people fed with CSA share:</b>		
1-2	50	46.3%
3-4	44	40.7%
5-6	12	11.1%
6-7	2	1.9%
<b>3. Years have belonged to CSA:</b>		
1	73	67.0%
2	19	17.4%
3	12	11.0%
4	2	1.8%
5	3	2.8%
<b>4. Age of member:</b>		
20-29	8	7.8%
30-39	43	41.2%
40-49	18	17.2%
50-59	15	14.5%
60-69	18	17.5%



**5. Gender:**

Female	88	83.0%
Male	18	17.0%

**6. Highest Level of Education:**

High school	10	9.3%
College	52	48.1%
Graduate	46	42.6%

**7. HOW IMPORTANT IS EACH OF THE FOLLOWING TO YOU?** (Response options were: Not important Somewhat important Very important)

	<u># of Respondents</u>			<u>% of Respondents</u>		
	<u>Not</u>	<u>Some- What</u>	<u>Very</u>	<u>Not</u>	<u>Some- what</u>	<u>Very</u>
The vegetables are extremely fresh.	0	7	104	0	6.3	93.7
I am supporting local farming.	0	9	102	0	8.1	91.9
The vegetables taste so good.	0	12	99	0	10.8	89.2
I am doing something that is good for my own health.	0	13	98	0	11.7	88.3
The vegetables I feed my children are organic	3	8	90	2.9	7.7	86.5
I am contributing to environmentally friendly agriculture.	1	13	96	0.9	11.7	86.5
The CSA shares were a good value for my money.	1	57	47	0.9	52.8	43.5
I know the people who grow the vegetables I eat.	20	46	43	18.0	41.4	37.8
I am able to order extra items online (eggs, meat, cheese).	37	42	26	33.3	37.8	23.4

**8. HOW TRUE IS EACH OF THE FOLLOWING FOR YOU:** (Response options were: Not true Somewhat true Very true and Don't Know [DK])

	<u>N</u>				<u>%</u>		
	Not	Some -what	Very		Not	Some- what	Very
The CSA coordinator was responsive to my concerns and questions	0	5	93		0	4.7	87.7
The length of the season was appropriate.	0	19	91		0	17.3	82.7
The drop point was convenient for me.	7	12	91		6.4	10.9	82.7
I feel a sense of trust in the co-op and the food I get from it.	0	29	80		0	26.6	73.4
I am happy with the variety of produce provided throughout the season.	4	41	61		3.8	38.7	57.5
I have learned how to prepare and eat new vegetables.	9	38	63		8.2	34.5	57.3
My desire for high quality vegetables has increased.	12	35	62		11.0	32.1	56.9
I have learned that more vegetables can be grown in our area than I have realized.	16	40	50		15.1	37.7	47.2
My awareness of and attention to the larger food system has increased.	15	45	49		13.8	41.3	45.0
I enjoy eating more vegetables more than I used to.	31	34	45		28.2	30.9	40.9

**9. Interested in purchasing a share next year?**

	<u># Respondents</u>	<u>% Respondents</u>
Yes	88	93.6%
No	6	6.4%

## **Appendix G**

### **Interview Guide for Wholesale and Institutional Buyers**

## Buyers Interview Guide

Rachel, Kim, Arza, Katie, Morgen

### Instructions to interviewer:

**Introduction.** Thank you for agreeing to participate in this interview. I'm part of a research team studying the Western Montana Growers Cooperative.

We will present our research to the Grower's Cooperative this winter and we will provide a copy of our report to all of our participants as well.

If it is OK with you, I would like to record this interview. This assures that your views are accurately recorded.

Is that OK with you? IF YES, BEGIN RECORDING.

**Relationships.** I would like to begin by talking about your relationship with the cooperative.

1) How long have you been buying product from the co-op?

Probe: How did this relationship begin?

Who contacted who?

Tell me more, how did that first interaction go?

2) What factors influence your purchasing decisions regarding buying?

Probe: Do you think that providing local food from the grower's co-op attracts more customers to your store? Why or why not?

**Buyer Experiences** Now I would like to discuss your experiences buying from the co-op.

3) Walk me through the ordering and delivery process for your store.

Probe: How does this process work for you?

4) Do you consistently have access to the quantity of product that you want?

Follow-up: How does it affect your business when you can't order what you want?

5) How does the quality of the co-op's products compare to products from your other distributors?

Follow-up: Given the quality, are you satisfied with the prices you pay for these products?

6) Do you process any of the products that you purchase from the co-op?

Probe: Would you buy (more) processed goods from them if they were available?

7) Are there any products you'd like to purchase from the co-op but are unable to?

Follow-up: Would you need to happen for you to start purchasing these from WMGC?

8) I understand that WMGC meets with their customers during the winter. How helpful are these meetings from your perspective?

Probe: Are there ways these meetings could be more helpful?

**Marketing.** Now let's discuss marketing strategies for the Co-op products.

9) What is your perspective on how the co-op markets itself?

Follow-up: What suggestions do you have for the co-op when it comes to marketing?

10) What kinds of display materials does the co-op provide you with for use at point-of-purchase in the store, if any?

Probe: Are these materials adequate?

Follow-up: Do you use any of your own materials to advertise the co-op?

11) We understand that the co-op typically provides products that are either certified organic, carry the Homegrown (local) label, or both. Please tell us a little how this affects you as a customer.

Follow-up: Do you think organic has meaning in your marketplace?

Follow-up: Similarly, do you think Homegrown has meaning to your customers and in your market?

Probe: Would you like to see more of a Homegrown presence?

**Benefits and challenges.** I would like to finish by discussing some of the benefits and challenges you see in working with the co-op.

12) Are there any challenges you have experienced that we haven't talked about already?

Probe: What could they do better?

13) What are the benefits you have experienced from buying from the co-op?

Probe: Are there any unexpected benefits? What are they?

14) What do you like most about working with them?

Thank you for your time today. I will be in touch to let you know when to expect the final results of our report.

## **Appendix H**

### **Co-op Curtsey**

**Based on his observations, student researcher, Taylor Lyon, composed this song. He played guitar and sang it for our research team at our final group gathering.**

## Co-op Curtsey

Composed by Taylor Lyon December 2012

1<sup>st</sup> verse:

G C G  
Well it's 6 am and I'm gone again off to make my pay

D  
Got a boss to please and a load to haul got me some bills to pay

G C  
And I got some pride that I just caint hide that I wear all over my face

G D G  
And I do what I do because I want to thats the WMGC way

2<sup>nd</sup> verse:

We're a little renegade a little out of the way a little scrappy but that's just fine  
Cause we pick it fresh and we pick the best and get it to you on time  
Well our labels suck and fork lift too and our boxes just get in the way  
Oh but we don't mind cause our golden goose is that good ole CSA

Chorus

3<sup>rd</sup> verse:

Well we got a friend who lends a helping hand to help us down the road  
On an east bound truck with some empty space he helps us carry our load  
And a philanthropist who shacks us up and gives us pretty cheap rent  
So the money comin in is money in the bank instead of money spent

Chorus/4<sup>th</sup> verse

Chorus:

D C G D C G  
Hats off to you for all that you do

D C  
Well yer food taste great and your service is fine

D C  
When you gonna start selling whiskey and wine?

D C G  
Hats off to you!