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Local Food Systems and Interactions with Entrepreneurship

Sandhills Farm to Table¹

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Abstract

This paper explores the innovative multi-stakeholder cooperative structure of Sandhills Farm to Table Food Hub and how this business utilizes an innovative organizational structure to connect producers, consumers, and workers to each other and the community. Evaluating SF2T's structure demonstrates how a multi-stakeholder cooperative benefits, incentivizes, and equalizes the three stakeholder classes. We also analyze current business activities and comment on barriers to the cooperative's future growth and expansion. Finally, the paper highlights the multiple benefits the cooperative provides to the community and how their structure and activities enable the cooperative to address current objectives and plan for future goals.

Keywords: food hubs, cooperatives, multi-stakeholder, Community Supported Agriculture

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Farm Profile

Sandhills Farm to Table (SF2T) has taken a different, innovative approach to their business model by organizing as a multi-stakeholder cooperative. By including three different stakeholder groups (producer-farmers, consumer-customers, and employees) in the decision making structure of its operations, SF2T has been able to expand the scope of benefits and help address the issues



presented in a traditional cooperative structure. It is one of the first local food cooperatives in the country in which the farmers, consumers, and staff are all equal owners.

SF2T is a multi-farm, Community Supported Agriculture (CSA) cooperative that was organized in late 2009. Founder Fenton Wilkinson's goal for the cooperative was to create an entity that would

serve to meet the food demands of the local community with locally produced food, while also benefitting the producers, consumers, and workers themselves. Wilkinson also wanted to focus on strengthening the community through the cooperative by connecting the people who were buying the food to the people producing it (Matson and Thayer 2012).

Initial start-up attempts lacked the support and additional players it needed to reach potential, but Wilkinson continued to work to bring his vision to fruition. With the help of the Moore County Community Development Planner, Wilkinson finally had the foundation for his plans and SF2T was formed. Wilkinson continued to work to ensure the business' goals were met, but to move to the next stage, SF2T would need to switch focus from the start-up phase and begin looking for growth opportunities. In early 2013, Steve Peters took over Wilkinson's role and helped usher in a new era for the cooperative. SF2T began taking online memberships and subscriptions, a step that was a move toward "stabilizing the cooperative and positioning it for growth" (Natt 2013). Wilkinson is still involved with the cooperative as he continues to pursue other projects to help further its mission.

Products and Services

The cooperative's main source of revenue comes from produce box subscriptions. For 18 weeks in the spring and summer and eight weeks in the fall, SF2T members receive a weekly or bi-weekly, standard- or family-sized box featuring a variety of local, seasonal products. They also sell bulk produce in standard case lots and specialty produce, such as heirloom tomatoes and spring salad mix. The cooperative also markets shelf stable items such as honey, jams, and bread, as well as special handling items, including meats, eggs, and dairy.

Though the weekly boxes tend to be the main source of revenue for the cooperative, other business services are



critical to the success of SF2T. These services include producer and consumer education, product delivery, aggregation, training, and community outreach.

Location

SF2T is located in Whispering Pines, a town in Moore County, in the Sandhills area of N.C. Moore County is typically considered a rural area. In 2011, the N.C. Department of Agriculture and Consumer Services reported that Moore County had 804 farms covering 80,075 acres at an average farm size of 100 acres and 57 employees; however, it is also centrally located within the state near some major metropolitan areas that represent easily accessible buying power within 100 miles of the cooperative (NCDA&CS 2013).

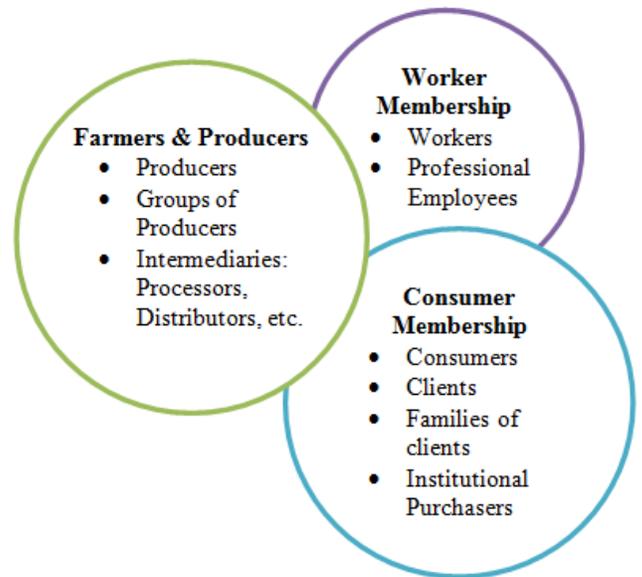
Business Situation: Interface with Local Food Systems

Sandhills Farm to Table was created to address several critical needs in the community. These needs include:

1. The need of small and mid-sized local farms to find a path to economic viability.
2. The need of residents to have consistent access to enough healthy foods.
3. The need to provide households with convenient access to fresh local food at conventional prices, as well as education for healthy eating to address the escalating diet-related health issues of community residents, particularly childhood obesity.

Multi-Stakeholder Business Structure

Because the goals of a traditional cooperative often include benefitting multiple groups within the same structure, many ventures are experiencing increasing difficulty successfully operating a single-stakeholder business. SF2T strove to establish itself as more than just a traditional agricultural cooperative, and found that a multi-stakeholder structure offers a solution to the issues many beginning cooperatives face by balancing the needs of all three stakeholder classes: producers, consumers, and workers. This type of structure creates unique challenges, incentive structures, and information flow and sharing as it embraces the needs of stakeholders.



SF2T’s Board of Directors brings all three stakeholder groups together along with an at-large position that represents the cooperative. SF2T believes, “By including three different stakeholder groups in the decision-making structure of our operations, we are aiming to expand the understanding and respect of each stakeholder group so that each group can benefit the others” (Our Board). The board consists of two members from each class. Anything voted on by the cooperative board requires a majority vote, but must also have a vote from at least one member

from each class. This type of board structure ensures all class's needs are being met and they all have a say in the business' activities.

SF2T is able to bring these different groups together and allows them to strengthen their relationships, benefitting everyone involved. Leitschuh describes the relationship between farmers and consumers as a "dynamic accommodation," meaning the farmers are able to discuss pricing options while also maintaining a relationship with the consumers (Lund 2012). The consumers enjoy the opportunity to interact with producers as they are able to learn more about how and where their food is produced.

Membership Incentives

SF2T's incentive structure aims to benefit all of its member classes and these structures are an important part of maintaining interest and involvement with the cooperative.

The incentives for farmer and producer members to sell through the cooperative are that producer members have been able to receive prices well above what they would otherwise receive in a wholesale market and the ability to reach customers who may otherwise be outside the farmer's market area. Farmers also do not have to worry about the cost of staffing employees to sell their products, which helps lower their overall costs and increase revenue. With these benefits, producers can continue to grow their businesses and promote the area's agriculture.



Consumer members benefit from the cooperative's ability to bring together multiple producers and consistently deliver high quality, fresh local products. Another incentive the cooperative offers to consumers is the knowledge of where and how the products are produced, which is something consumers would not typically get at a traditional grocery store.

The final stakeholder class, cooperative workers, benefits from the cooperative by receiving an income and, at times, employment benefits.

Entrepreneurial Focus of Case Study

The founders of Sandhills Farm to Table have helped redefine the cooperative purpose and structure within their innovative business model. As evidenced in their business slogan, "Neighbors Feeding Neighbors," they focus on how different groups can work together to help create a better community and life for themselves and those around them. The cooperative's success is impacted not only by their unique organizational structure and community outreach, but also by their understanding and use of marketing, the supply chain, and growth challenges.

Marketing

The current marketing strategy SF2T uses is based on their extensive marketing plan. A large part of continued sales for the cooperative is through their produce box subscription model,

which helps producers plan future production so that they are able to meet demand and determine if they will need to sell through additional channels. This model also guarantees a consistent supply of fresh, in season product for consumers. The cooperative receives a monetary commitment, allowing for a more stable market for both producers and consumers. This subscription service enabled the cooperative to distribute over 22,000 boxes of produce in 2013. Initially, the cooperative relied on word of mouth marketing, free community news stories, and newspaper advertising. As the business has grown, they have incorporated more promotion outlets, including social media sites and an interactive website that gives customers the ability to sign up for a product box subscription and place orders for artisanal items.

Customer Base

The customer base for SF2T is steadily growing as they continue to expand their marketing and community outreach. In 2013, the cooperative delivered produce boxes to more than 1,500 members or almost 3.5 percent of the households in Moore County. Many of the cooperative's customers tend to fall in the age range of about 32 years or older; about 52 percent of their customers have households with two people and 30 percent have between three and four people in their household. According to Margaret Lund (2012), the customer base for SF2T "include[s] not only the relatively affluent retiree communities in the area, but also a core group of 25 military families based at nearby Fort Bragg." Part of the cooperative's success is its ability to appeal to the higher-end market, while also servicing those in low-income areas.

Sales

Sales levels for SF2T are steadily increasing as the business grows. In their second year of sales, 2011, sales had already increased by 48 percent bringing overall sales levels to \$425,000. Farmers typically receive about 70 percent of retail price for their products, which is about 20 to 25 percent higher than the prices paid by most wholesalers. From their 2013 sales, about \$320,000 went to farmers and artisans and \$40,000 was contributed directly to community schools, churches, and organizations (2013 Community Impact).

Market Expansion

Some relatively untapped markets for the cooperative that are readily available within Moore County and surrounding area include wholesale markets such as restaurants, assisted living facilities, golf clubs and resorts, educational institutions, hospitals, and military bases.

The impact SF2T has had on farmers and the community has not gone unnoticed and, in fact, local government agencies are finding ways to help the cooperative expand their market and, ultimately, their impact. According to a blog from the N.C. Department of Agriculture & Consumer Services, "Lee County was awarded \$7,500 to work with SF2T Cooperative on a pilot program to assist farmers who would like to market produce to institutions under-served by local foods. The pilot program will serve Lee, Moore, and Richmond counties" (Garrison 2013).

Supply

SF2T built a network of farmers and producers they can rely on for fresh, high quality produce. Since its first season, the cooperative has grown to include over 38 farmer members and 14 invested core growers as of 2012. By having a personal stake in the cooperative, these growers are motivated to continually improve and develop their scale and quality standards. Along with these core growers, they also work with other suppliers on an as needed basis.

Sustainability is a large area of interest for the cooperative, and they believe, “Good nutrition starts with the soil, and most of our farmers universally use organic soil-building techniques like green manures and cover crops. In addition, none of the local produce sold through the co-op is sown with GM (genetically modified) seed” (Supported Practices). Although the cooperative does have quality standards for the product supplied by their farmers and producers, they do not require the produce to be certified organic.

Barriers to Growth

Although SF2T has experienced business growth, they are still facing some barriers. Their past and recent growth demonstrates a strong unmet demand for local food, while also presenting obstacles in growing sales to meet that demand. As stated in a previous study of the business, the cooperative is “a web, and every string is important” (Lund 2012). Two main barriers affecting the cooperative’s ability to increase sales are producer growth and increasing the customer base. The cooperative will need to continue building its network of producers that are able to supply the quality produce consumers demand. This may become problematic. As SF2T adds more producers, they face the issue of competition within the cooperative among this group.

Season extension is another barrier that many food hubs and their producers face. One of the drawbacks to SF2T’s supply is that they are limited to only what is produced locally and are subject to seasonality. One way to overcome seasonality obstacles is by using season-extending technology. Techniques to extend the growing season beyond its normal ranges in central N.C. include greenhouses (fixed location and heated) and high tunnels (semi-fixed and unheated). The area has a moderate supply of underutilized greenhouses, a remnant of the decrease in tobacco production in the region, that could be utilized for growing vegetable crops.

Along with an increase in the cooperative’s network of producers, SF2T will also need to increase its customer base to grow. The cooperative’s strategy for expanding their customer base involves making changes and/or additions that better meet consumer needs. Consumers have made it clear they want more control, more variety, and more choice, so the cooperative is constantly making changes to product packing and delivery to help preserve produce quality.

Positive Outcomes and Benefits to the Community

As part of Sandhills Farm to Table’s business goals, they state, “We are engaged in our community, helping to improve the quality of life for all, making local food accessible to Sandhills families, secure a living for the next generation, you and me!” (We are a community).

SF2T's unique organizational structure allows the cooperative to give back to multiple groups within the community.

As a farmer member, producer John Blue from Highlanders Farms has been able to benefit from the cooperative's multi-stakeholder structure, including condensed demand and an efficient delivery system. Blue also noted how the cooperative has worked to bring the different classes together. He states, "The co-op has been very successful in building a positive relationship between the farmers and community" (Leitschuh 2013). This is especially important to the producer and consumer classes as it can help foster a more balanced local foods system.

YKnot Farm is another example of how SF2T has been able to help upcoming farmers. Owner Kelly Brott partnered with SF2T and with the help she received from cooperative members and a loan through Slow Money NC, she was able to increase her modest flock of chickens to 500 chickens, 50 ducks, and 36 turkeys (Hewitt 2013).

These businesses are examples of how the cooperative multi-stakeholder structure is successfully returning benefits to one of its stakeholder classes. Typically the cooperative works with small to mid-sized farmers who are either looking to break into the local foods market or hoping to expand their customer base. As a multi-stakeholder cooperative, SF2T has also been able to focus on the producer and allow them the benefit of receiving fair and consistent pricing, which, allow the farmers' businesses to grow. They have had a tremendous impact on their 35 producer-members by paying between 70 and 85 percent of food dollars spent. This benefit to producers continues to grow today by increasing the return to producers through increased sales.

The cooperative also provides opportunities for locals to become involved with their community by using volunteer labor for their packing house and gathering sites. In 2013, SF2T had over 38,000 volunteer hours (We're all in this Together).

They continue to innovate and expand their community impact by branching into areas not considered traditional cooperative territory; 2011 marks the first year they began offering community enrichment classes through the cooperative. SF2T uses the winter time when most CSAs experience a lag to educate and connect with the community. They started the SF2T University where farmers "teach what they know," allowing members to share their knowledge and experience with the community. Not only does this program allow for the co-op to build their community connections, but it also helps grow and preserve the area's agriculture and farm culture. In 2010, SF2T was also able to connect an abandoned four acre blueberry patch with a 4-H Club. The Club took on this business because the co-op agreed to buy their entire production. Their multi-stakeholder model is providing inspiration for several other rural cooperatives in N.C., and their unique contributions have been recognized by a recent article in the USDA Rural Development Magazine. They have also encouraged N.C. State and farmers to look for areas of expansion in the local foods industry.

In 2010, SF2T donated more than three tons of produce, which farmers were paid for, to families in need; they are also involved in two local projects to increase the access to and the consumption of fresh local foods by residents of a local low-income community. In 2013, the cooperative donated over \$40,000 to local schools and non-profit organizations in the area and

their dedication to community outreach continues today. The cooperative also works with the West Southern Pines Citizens for Change to begin the “Affordable, Healthy Local Food Access Initiative,” which works to connect areas of low income to healthy food and increase support to farmers.

The cooperative continues its work with schools to help raise money for organizations and engage students. Sandhills Farm Life Elementary receives two dollars for every subscription box that is picked up at their location. The school also receives five percent of online sales from the cooperative’s Artisan Market (Sandhills Farm Life).

Services Provided by Other Community Organizationa and Partners

For the most part, SF2T has been the lead organization for many community projects, but without outside organizations and partnerships, the cooperative may have never existed. SF2T can credit much of its implementation success to outside organizations and partners. Many times, it can be difficult for a multi-stakeholder business to qualify for additional funding and support resources since the different stakeholder classes may cause the business to become ineligible for certain funding programs. Through the Rural Advancement Foundation International (RAFI) grant and the USDA Rural Cooperative Development Grant (RCDG), as well as support from USDA Rural Development staff, N.C. MarketReady, and Matson Consulting, the business was able to get off the ground.

Moore County Community Development Planner Tim Emmert was instrumental during the cooperative’s implementation. He was able to get public agencies, organizations, and citizens involved to help build the foundation for the business. Bruce Pleasant was another key player in moving the cooperative into the next phase of development through his position as a business/cooperative programs specialist with the USDA Rural Development N.C. state office. SF2T also worked with Moore County Partners in Progress, an economic development organization, and a key factor in the county’s plan to create a tri-county food hub. Moore County Partners in Progress commissioned a study and report on the available produce supply and demand in the area, which has been an important resource in determining areas of expansion.

Operationally, partnerships with outside organizations and community members remain vitally important. Through their partnership with local schools, the cooperative is able to offer more convenient pick up locations, or “gathering sites,” to members and can promote their brand by sponsoring PTA fundraisers. SF2T has also partnered with local businesses to help implement a Workplace Wellness Campaign where they can educate business owners on the benefits of integrating employee wellness programs.

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