

From the Ground Up

Farmer-owned brands on the rise

BY THALEON TREMAIN

A growing category in grocery retail embraces farmer-ownership. What do Divine Chocolate, Ocean Spray, Tillamook, Organic Valley, and Florida's Natural have in common? They are all "farmer-owned" brands and actively promoting it.

Farmer-ownership is not new, of course. Agriculture has been the foundation of the world's societies and economy for thousands of years. But only recently has farmer-ownership emerged to become a focal point of product differentiation, and it is beginning to change the way we view our food.

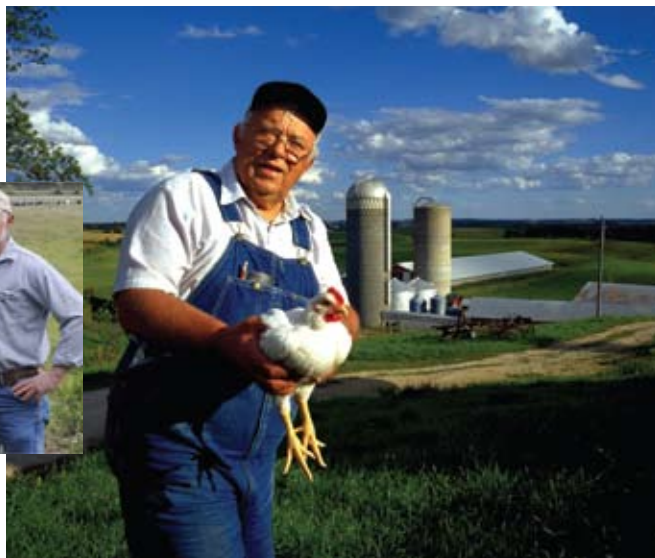
As you walk through your local natural foods grocery, you are likely to find several brands promoting their unique ownership structure. You might notice more products from independent local farms. You might also notice more products from farmers who have pooled their resources and democratically organized themselves into marketing cooperatives.

A prime example of a farmer-owned marketing cooperative is CROPP, best known for their Organic Valley brand of dairy products that emphasize "farmer-owned" on the packaging. Other popular farmer-owned brands include Cabot Creamery, Ocean Spray, Welch's, and Divine Chocolate, a company 45 percent owned by a cooperative of cocoa farmers in Ghana.

A new product category

You can easily find farmer-owned brands in your local food co-op today, but this has not always been the case. Kevin Edberg, executive director of Cooperative Development Services, observes, "What is interesting is the emergence of farmer-owned branding outside of dairy, with products like orange juice and coffee. Ocean Spray and Florida's Natural now differentiate their brands by farmer-ownership. And note that this is not just an added feature—it truly drives the core identity of the brand."

I am the general manager of Pachamama Coffee, a U.S.-based marketing cooperative 100-percent owned by thousands of small-scale coffee farmers around the world. In my role, I pay close attention to the marketing and promotion of farmer-owned brands. "Natural," "organic," "fair trade," and "eco-friendly" are all movements and niches that took root in the food cooperative community in the United States. Like those before it, the burgeoning farmer-owned movement finds its roots firmly in



Clockwise from top left: Farmers from Pachamama, Cabot Creamery, Organic Valley and Tillamook Cheese.

Some Leading Farmer-Owned Brands

Cabot Creamery, www.cabotcheese.coop

CoffeeCSA.org, www.coffeecs.org

Darigold, www.darigold.com

Doi Chang Coffee, www.doichaangcoffee.com

Divine Chocolate, www.divinechocolateusa.com

Farmer-Direct Cooperative, www.farmerdirect.coop

Florida's Natural, www.floridasnatural.com

Milk Thistle Farm, www.milkthistlefarm.com

Musselman's, musselmans.com

Ocean Spray, www.oceanspray.com

Organic Meadow, www.organicmeadow.com

Organic Prairie, www.organicprairie.com

Organic Valley, www.organicvalley.coop

Pachamama Coffee, www.pachamama.coop

Prairie Farms, www.pficecream.com

Tillamook Cheese, www.tillamook.com

Welch's, www.welchs.com

Westby Creamery, www.westbycreamery.com

PHOTOS COURTESY OF EACH FARMER-OWNED BRAND

the cooperative community and is poised for growth.

Price taker or price maker?

I worked for a small farmers' cooperative in rural Bolivia while serving as a Peace Corps volunteer in the 1990s. I helped to finance and market our members' corn, peppers, beans, and citrus to wholesalers in Santa Cruz—12 hours away—over challenging mountain roads. It was not a good business. I learned firsthand that the person who often works the hardest (the farmer) is paid the least. She earns less (and faces greater risk) than the processor, who earns less than the distributor, who earns less than the marketer, who earns less than the retailer.

At that point, it became apparent to me that a great deal of the risk and hardship faced by small-scale farmers could be alleviated by communicating directly with end consumers via a high-quality, branded product. More than 15 years after my experiences in Bolivia, the success of cooperatives like Organic Valley only reinforces this belief.

But why does brand ownership matter to the farmer? Let's compare the business of a rice brand to that of a rice farmer. The brand owner sets the price of his rice to include profit margins that he is willing to accept in exchange for the finished product. Most brands name a price that covers costs and provides a sustainable return on capital. On the flip side of this equation, the rice farmer has no say in

the price he is offered because no single producer can influence the market. As a result, the farmer must accept the price that is available in the market, and he will do so even if it does not cover his cost of production. The difference is that the brand owner has a differentiated product that the consumer values as unique, while the farmer is selling an undifferentiated commodity on a global market, far removed from the end consumer.

From the farmer's point of view, Raul del Aguila, the president of Pachamama Coffee and the general manager of the COCLA farmers' cooperative in Quillabamba, Peru, states: "We only want a good, stable price for our coffee harvest. It's difficult to run a business when you don't know what the market price will be next week. To gain greater independence, our farmers need to sell more value-added products and fewer raw commodities."

Farmers who own successful brands set their own prices and capture the benefits associated with product improvements because they have the economic incentive to pay close attention to detail. After all, it's their name and in some cases their picture on the package.

Know your farmer

Brands promoting themselves as farmer-owned are finding new ways to introduce the customer to the farmer. Organic Valley is perhaps the leader in this respect. The "Who's Your Farmer?" feature

on their website "aims to align the independent, farmer-owned brand with consumers who share its values, spirit, and dedication to local organic food. To deepen the connection between Organic Valley farmers and consumers."

"It's clear that the community wants to know where their milk comes from, and we want to create easy and fun ways to get to know our farmers," said Theresa Marquez, chief marketing executive for Organic Valley.

CDS's Edberg believes that "farmer-owned brands are making a difference and adding value by connecting with people in a more direct, visceral way." As you might guess, this movement is consumer-driven as much as it's farmer-driven. There is a growing consumer demand to support small-scale family farmers of high-quality products. Whether at the farmers market, the food co-op, or the local farm CSA, more people today want to know about the people and places that produce their food.

And who better to deliver this information than the farmer herself? Purchasing farmer-owned brands puts more power and more income into the hands of the farmer, and that is an appealing alternative for many consumers.

"It's not just a nice thing to do," concludes Edberg. "It's voting for democratic control of capital in a cooperative economy." ■

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