

Rooting the Local Food System in Cooperation

La Montañita's Co-op Trade/Foodshed Initiative

BY ROBIN SEYDEL

Cooperatives—given our community ownership structure, our commitment to the principle of concern for community, and our dedication to the values of equality, equity, self-help, and social responsibility—are perfectly poised to anchor the wave of interest in local/regional food systems. Before “food hub” was a common phrase, food co-ops across the nation were already at the forefront of the local foods movement, having in many cases birthed its foundational concepts. La Montañita Co-op is honored to be among this group of food cooperatives.

A food system odyssey

La Montañita operates five thriving stores in Albuquerque, Santa Fe, and Gallup, N.M. Our Co-op Trade/Foodshed Initiative began in 2006 with the preparation of a strategic plan; its presentation to the La Montañita board of directors; and, in December, the rental of refrigerated delivery trucks and our first Co-op Distribution Center (CDC) warehouse space.

Now in its seventh year, the Co-op Trade Initiative has been a food-system odyssey, with a host of projected and unforeseen challenges and opportunities. It has spawned a series of



projects in support of our initial concept: *a local/regional food-distribution network that, supported by our co-op retail locations, would increase markets and income for area farmers, ranchers, and value-added food producers; provide greater access to local food for shoppers; and support growth in the local economy while keeping La Montañita relevant in the increasingly competitive natural foods industry.*

Five years into the project, we realized that in order to succeed we needed to achieve an economy of scale that we hadn't recognized at the outset. Another aspect of the steep learning curve we were on was the extent of the financial investment a project of this magnitude would take. We had allocated an initial \$150,000 investment and projected that the CDC would be at break even, our strategic goal, by the third year of its operations.

Almost seven years later, La Montañita has invested nearly \$800,000. Although the CDC has continually improved its operational performance, over these years co-op management repeatedly assessed whether or not to continue investing in the project, especially given the national economic downturn. In 2012, thanks to data from member surveys and anecdotal information on the widespread community support generated by the strong branding and community-education campaigns of the marketing and membership departments, we reaffirmed our commitment to the project. At a cost of \$250,000, the CDC moved from its original 7,000-square-foot warehouse to our current 18,000-square-foot facility to attain what we believe will be the economies of scale necessary to grow the regional food system in earnest.

La Montañita FUND: Capitalizing growth

For the La Montañita Co-op Trade/Foodshed Initiative to succeed, New Mexico needed either individual or cooperatively networked farmers and ranchers who had reached a mid-size scale of production and were willing to sell the larger quantities needed by the Co-op Distribution Center (CDC), at wholesale prices. To help local farmers scale up, during the first few years the CDC made approximately \$40,000 in “prepayment for product” loans to local producers.

In the fall of 2009, La Montañita Co-op was asked to host the first national Slow Money conference in Santa Fe (“Co-op Principles Meet Slow Money Principles”). At that event, after a presentation on our fledgling foodshed project, a number of co-op members asked how they could invest in the local food system. By this time, requests from producers for prepayment

loans were becoming more than La Montañita was able and willing to manage. Recognizing that there was no vehicle for local investing to capitalize area food producers and build the regional food system, the La Montañita membership department facilitated the creation of the La Montañita Fund (LaM FUND) a grassroots investing and micro-lending project that is a wholly owned subsidiary of La Montañita Co-op.

A grant from a small, anonymous family foundation covered the \$37,000 in legal fees necessary during the first two years, fashioning a program that met New Mexico Securities Division requirements as an intrastate exempt security while keeping the original cooperative vision. In order not to compete with scarce resources, La Montañita does not have its own nonprofit status, but partners with like-minded organizations that are willing to be our fiscal agents for projects supported by the LaM FUND.



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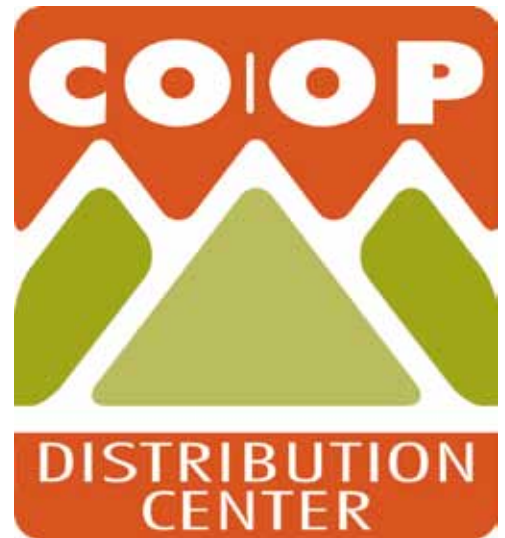
co-ops, independent grocers, Whole Foods stores, and Sysco Distributing. Filling the gaps where local products are scarce or unavailable, and to offset overhead costs for local products, the CDC distributes quality national brands along with its local offerings, including Applegate Farms, Organic Valley, Organic Prairie, Natural Value, Crystal Geysler, and others.

Getting to breakeven

Based on his extensive distribution experience, La Montañita General Manager Terry Bowling estimates the CDC breakeven point to be \$5 million in annual sales. Getting there presents a host of challenges, starting with the relatively small New Mexican population spread over a relatively large landmass, creating high fuel costs. Other challenges are: operational costs that all co-ops must address, including payroll; paying producers fair prices while keeping cost of goods in line; and marketplace pressure from other local, national, and—in the current food hub frenzy—newly created, grant-funded, non-profit distributors.

To get to breakeven sales goals, co-op staff are working with long-term producer partners on product development, providing support for new entrepreneurs (both farmers and value-added producers), helping producers scale up existing production, providing food safety preparedness information to meet current and expected state and federal guidelines, and driving sales with a new website that provides easy online ordering (www.coopdistribution.coop).

Our diverse community partners also



recognize the economic development the Initiative has provided and the regional markets it has opened for over 300 mid-sized food producers in our 300-mile-wide, high-desert regional foodshed. Another nearly 1,000 local producers, although they are not large enough to sell wholesale through the CDC, supply over a thousand local products through La Montañita store locations. Altogether, LaMontañita Co-op works with 1,348 local producers, and local products account for 20 percent of the \$32 million in total sales.

Recognition has not been limited to regional groups, with visits from federal and state legislators and most recently a visit from USDA Secretary Tom Vilsack. Vilsack's visit was to support both CDC activities and ancillary projects, including the Veteran Farmer Project, which, in conjunction with the New Mexico Department of Agriculture and the Veterans Administration Hospital, is training veterans of all branches of military service in farming and food production. ►

Thanks to careful management practices and aided by the blossoming food movement's increased interest in purchasing the local products found extensively at the co-op, La Montañita's storefronts are doing well. They have been able to provide the additional capital investments needed for the CDC to succeed. The CDC, in addition to increasing its dry goods storage area, now provides 2,832 square feet in refrigerator space and 1,152 square feet in freezer space. The facility allows for post-harvest storage, large purchases including supplies for producers, and product cross-docking services, among other activities.

Coming ever closer to operational breakeven, CDC Manager Michelle Franklin and her staff of eight generated \$3.5 million in sales in fiscal year 2012. They are selling to over 100 customers consisting of a wide variety of local restaurants, educational institutions, other

Now in its third year, the LaM FUND is open to all co-op members interested in investing, is approved for a \$200,000 total aggregate investment, and has raised \$125,750 in investments. It has paid a 2.10 percent and a 1.67 percent return on investment during 2011 and 2012, respectively, and from 2011 through June of 2013 has loaned a total of \$128,575 to 14 farm and food producers around the state, including providing the front money for USDA's EQIP grant recipients. With an application that helps design the beginnings of a business plan, loans that range from \$500 to \$27,750 have been made to new farmers and experienced producers, for everything from refrigerated delivery trucks to herd expansion, seed supplies, irrigation, fencing, and other equipment. The New Mexico Educators Federal Credit Union, a longtime cooperative partner, administers the loans.



Since the LaM FUND's inception, state-approved changes to the program include: allowing for investment choices of one, three, or five years for the longer loan repayment terms needed by farmers and ranchers; expanding investment enrollment periods from three months to six months each year; and allowing loans to non-food cooperative businesses in New Mexico. All LaM FUND documents are available at www.lamontanita.coop, and other cooperatives are welcome to use them in development of food system capitalization programs of their own. But others should check with legal counsel for specifics on their intrastate exemption requirements.

We also are pleased to be part of the National Advisory Board for the Food Hub Management Program. With no clear path to resilient regional food systems, and with 20 percent of food hubs organized as co-ops, it is of strategic importance to share information and experience. For more information on the Food Hub Management Program, contact Eric Deluca at deluca.eric@gmail.com.

GETTING DOWN AND DIRTY

► Food Hubs: cooperation, collaboration, connection

A commitment begun nearly 30 years ago has been building relationships and a network of food producers to create as full a nutritional palette as possible—basically an import-replacement system for everything from “specialty crop” fruits and vegetables and value-added products to center-of-the-plate proteins. The process has provided opportunities to work with a wide variety of food producers and create multiple income streams, with an eye to benefiting participants throughout the value chain. This work has encouraged collaboration with both individual producers and nonprofit organizations in the development of agricultural, marketing, and retail co-ops; more value-added products; and the cultivation of supporting enterprises to enhance the regional food system.

One example is the Sweet Grass Co-op (SGC). La Montañita was pleased to work with seven northern ranchers in New Mexico and southern Colorado (the northern edge of our foodshed, at the headwaters of the Rio Grande) to facilitate the formation of their agricultural



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co-op and market their grass-fed, grass-finished, fresh beef year-round. Surprisingly, despite the large beef industry in New Mexico, this was the first year-round fresh-beef endeavor in the region. Starting small, with just two premium beeves per week sold only in La Montañita stores, the project now provides important income for participating SGC ranchers to build upon. The CDC distributes SGC premium beef, purchasing approximately 165 premium cows per year and distributing them throughout the state. Sweet Grass Co-op members are especially fond of the fact that the CDC purchases and finds markets for the whole cow, not just the more-in-demand cuts.

An offshoot of this successful collaboration is a grass-fed ground beef program that is popular both with local restaurants and individual consumers who want access to quality grass-fed ground beef at affordable prices. This part of the CDC/SGC collaboration utilizes another 80 beeves annually. This cooperative connection has provided stable sales for ranchers, the CDC, and La Montañita stores. Branding support—including logo, ad, poster and brochure development, sampling opportunities, and educational articles on the health and environmental benefits of grass-fed beef, provided by La Montañita as part of our commitment to SGC—has allowed its continuing cooperative expansion and bolstered the work of the nonprofit Southwest Grass-Fed Livestock Association.

Other meat production efforts spearheaded by La Montañita Operations Manager Bob Tero include a series of pork products. CDC staff work with Robert Kyzer of Kyzer Pork Farm (located just south of Albuquerque) and local artisan sausage makers to produce high-quality, value-added products: all-meat pork sausages that are nitrate-, nitrite-, and

byproduct-free (including a popular New Mexico green chile offering), as well as smoked meats, including ham, bacon, and meat jerky. These collaborations led the CDC to create a marketing program for center-of-the-plate protein that utilizes the skills of a CDC staff person dedicated to driving sales for these and other CDC products around the region.

Another success story is the distribution and branding of Freanna Yoghurt. Produced by Andle and Sjierkje van der Ploeg from their diary herd in Clovis, N.M., Freanna (named after their herd queen mother cow) is based on traditional Dutch yoghurt from an old family recipe. La Montañita's marketing department designed the Freanna logo and other branding materials. The CDC is not only distributing it throughout our foodshed region, but also working to create a wider market for this product.

Other value chain products growing out of the needs of farmers and consumers in our region have included locally grown and milled wheat flour; and an apple-pomegranate juice, conceived after a hail storm damaged pomegranates in the southern part of the state and apples in the northern part of the state—to help reduce farmer's loss of income, the CDC bought the damaged fruit, contracted with a regional cider mill, and distributed the juice.

While there is still much work to do and much to learn about how to rebuild local/regional food systems and rural cooperative economies, La Montañita's Co-op Trade/ Foodshed Initiative is steadily moving forward. For more information, visit www.laMontañita.coop, email Robin Seydel at robins@laMontañita.coop, or call her at 505-217-2027 or toll-free at 877-775-2667. ■

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