



Small Farms Cooperative is a marketing organization made up of thirty small- and medium-sized farms and ranches. The group came together for the first time in June 1999, and has since formed into a marketing cooperative that markets their products with their Nebraska Natural Products label.

# ***Small Farm Cooperative: Quality and Innovation***

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### **Starting Out on the Right Foot**

Members of Small Farms Cooperative value trust, honesty, integrity, cooperation and a willingness to participate, and those values are the cornerstone of their cooperative.

There aren't a lot of formal, written contracts that govern the operation of the business. All of the equipment and labor sharing arrangements are based on a "handshake and the member's word."

In the beginning, however, the steering committee that formed Small Farms Cooperative took some steps to assure the maintenance of the shared values of this trust-based organization by outlining some membership requirements.

No one can become a member of the cooperative unless they share its values.

- Potential members can only be admitted if they are known by a current member of the cooperative.
- All members have agreed to nominate only persons who can be trusted to uphold all standards, primarily production standards, of the cooperative.
- Applications for inclusion need 100 percent approval by members of the cooperative.
- All members must be actively engaged in the day-to-day functions of farming or ranching.
- Each member will supply a portion of the livestock they are currently raising to meet market demands.

- Members must uphold, practice and document production standards for all animals, and pledge not to knowingly allow inferior or unqualified animals to enter the human food chain under their label.

Producer response to the cooperative's objectives is so enthusiastic that, two years into the group's development, fifty-nine additional applicants were on the group's waiting list.

### **Offering a Quality Product**

Small Farms Cooperative offers "natural" meat products raised to humane standards with environmentally sound production practices. These products include beef, pork, bison, sheep and poultry products sold under their NNP label (see page 66).

All animals are raised using Animal Welfare Institute standards (but without AWI certification), without the use of antibiotics or growth implants, and are raised from birth until finish on small- or medium-sized family farms in Nebraska.

One product line is "chemical free," essentially organic but without certification by a neutral third party. Additional product lines emphasize the human health benefits of consuming NNP meat products from animals fed on grass, taking advantage of emerging research on the subject.

The group maintains records, mandated by the USDA, that allow buyers to track products to individual farms and animals, which assures customers of the validity of the group's marketing claims.

### **Sharing the Burden**

By far, the most often-cited challenge to the success of Small Farms Cooperative has been a lack of adequate capital.

Contributions from members (which is a membership requirement) and income from sales have been adequate to cover mainly necessary services such as legal counsel, processing charges, webmaster fees, label approval, printing costs, attendance at a food show in California, product development and testing, frozen storage charges, and so on.

Expenses associated with breaking into the national and international markets have been far higher than estimated, however.

That is where the equipment and cost sharing arrangement has been of the most value. Members have allowed the cooperative to use vehicles, buildings, and equipment in an effort to "share the pain." Member Kevin Robart has donated the use of a building on his farm. Meat and samples are currently shipped from Kevin's "home base," and Kevin also handles all mail orders from his farm. Small Farms Coop rents a freezer from Kevin, and pays a fee to power the unit.

Without the equipment and cost sharing arrangements that have been developed, Small Farms Cooperative would probably not be able to survive without changing their bylaws, which currently do not allow non-farmer/rancher members or outside investors.

### **Capital Infusion**

USDA SARE Producer Grants awarded to the group in 2000

Current members of the group are: Clinton and Diane Becker of Fordyce; Dan and Teri Choat of St. Edward; Marvin DeBlauw of Hartington; Randy and Pam Egbers of Hooper; Kelven Foth of Ord; Steve Foth of Ord; Terry and Connie Gompert of Center; Mike and Ceil Heimes of Hartington; Dan and Linda Huenefeld of Aurora; Paul and Dori Huenefeld of Aurora; Brian Kaczor of O'Neill; Mark and Judy Keck of Crofton; Jim and Carolyn Knopik of Fullerton; Ron and Brenda Knopik of Fullerton; Kevin and Janita Kube of Crofton; Larry and Rose Mason of Dixon; Ray and Sheila Miller of Aurora; Dave and Aggie Ortmeier of West Point; Richard and Mary Rose Pinkelman of Wynot; Bryce and Rose Ritz of Arcadia; Kevin and Janelle Robart of West Point; Ben Schole of Hooper; John and Chihiro Smith of Pender; Richard and Kathleen Sobotka of Inman; Paul and Mary Jo Swanson of Hastings; Jim and Karen Tikalsky of Niobrara; Andrew and Sandy Uhing of Hartington; Kevin and Sandy Uhing of Hartington; Robert and Gudrun Warrick of Meadow Grove (retired members); Todd and Julie Stewart of Meadow Grove; and Ron and Danette Wortmann of Hartington.



and 2001 gave a boost to their progress in organizing expenses and developing their shipping and marketing procedures. Small Farms Cooperative has also applied for Nebraska's Agricultural Opportunities and Value-Added Partnerships grant fund to:

- purchase equipment and facilities, such as Kevin's that are being loaned to the cooperative;
- remodel the retail and shipping building on Kevin's farm; and
- purchase a walk-in freezer for this shipping facility.

These additions would greatly improve the co-op's capacity to store and ship inventory.

All of the equipment, including the frozen storage facility, purchased with grant funds will be owned by the cooperative and use of the equipment will be governed by a written agreement.

### ***The Challenge to Find the Right Market***

The niche being targeted by Small Farms Cooperative is the natural meat market, with a focus on the United States' east and west coasts as well as the European Union. Matching their

available supply with a comparable demand in these various markets has been a difficult task. It is also difficult to simultaneously tap the regional market and pursue national and international markets.

While the marketing department searches for the "right" market—the proverbial "home run"—on the coasts and abroad, meat is being offered for sale in retail stores across the state of Nebraska.

Meat from Small Farms is available in a regional supermarket chain in Omaha, Lincoln and Norfolk, as well as several local markets in smaller towns in east central Nebraska. Several health food outlets in Omaha and Lincoln also carry products bearing the NNP label.

Staffing sampling promotions in retail outlets has been a major burden for most members due to the distances and time involved. All members have contributed a lot of time by promoting their brand name, Nebraska Natural Products, directly to shoppers at retail locations carrying their products. Like their cooperative efforts in other areas of the business, members have pitched in to share the work on this important marketing task.

### ***Throwing a Wrench in the Works***

A potentially devastating problem has been the inability of the group to pay for most of the animals as they have been processed. Members expect that they will eventually get paid for their animals, although no written contract was drawn up between members and the cooperative. Producers continue to supply animals when needed for samples and sales, despite the delayed payment. Members understand that they are investing in the start-up of the business, and that the cooperative structure needs to be established before the members realize a profit.

### ***Tentatively Optimistic***

Members are tentatively optimistic about the future of the cooperative. They agree they wouldn't do anything differently regarding the informal nature of their equipment- and cost-sharing arrangements. Formal agreements will need to be drafted as a requirement of the Nebraska Value-Added grant, however.

The final score isn't in yet, but this group of committed and innovative farmers and ranchers has come a long way toward creating a successful marketing structure for their products.