

Co-op Partners Warehouse

Supporting organic and local

BY LORI ZUIDEMA

As Midwestern farmers gear up for a busy summer of planting, tending, and harvesting crops, Co-op Partners Warehouse prepares to move the resulting produce into retail stores and restaurants. During the months of the short Minnesota growing season, more than a third of the produce we ship out is sourced from farms in this area. A portion of that consists of direct sales from farm to retailer that we facilitate by consolidating product at our warehouse and delivering it for the grower. Expanding the ways that we support local agriculture is a primary focus of our business, a natural outgrowth of our history and mission.

Co-op Partners Warehouse (CPW) is a Midwest distributor of organic produce and other perishables, specializing in the foods of local producers. We opened in 1999 as an extension of the Wedge Community Co-op in Minneapolis. The store was experiencing tremendous growth and decided to undertake a direct produce buying program.

Produce personnel at the Wedge believed that no wholesaler in town adequately represented products from small, quality-focused organic growers—locally and throughout North America. They viewed this as a supplier niche that they could build on as a basis for competitive differentiation, rather than primarily carrying well-known labels from the large organic farms.

During a lead-in phase, the Wedge contracted with a local wholesale distributor to handle product that the store's produce staff bought directly from regional farmers and from brokers in California and Washington. Wedge paid the distributor a per-box fee to receive and inspect the incoming product and to store and deliver it. The partnership operated successfully for two years, at which point it was determined that the Wedge's needs would best be served by setting up its own warehouse.

Owning a warehouse provided the rapidly growing co-op with several conveniences. Bulky overstock items such as water, pet food, and flour for the in-store bakery could be stored off-site and delivered daily as needed. Contracts with local growers were forged that not only guaranteed the Wedge's purchase of their product but provided storage and delivery for the growers' other customers as well. With supplier relationships in place, an experienced produce staff, a warehouse, and refrigerated trucks, CPW could offer our unique product mix to other area co-op retails and increase our volume for better pricing and efficiency.

Co-op retails continue as our largest customer base, although we now service restaurants, buying clubs, and independent natural food stores in five states. Since Co-op Partners is an offshoot of a retail co-op, we naturally share many concerns and ideals with our customers. However, the



retail-distributor dynamic is different than it was 15 or 20 years ago. In the early era of co-op distribution, we built our product lines according to what co-ops wanted to stock in their stores, and they bought from us wherever possible. Cooperative retails and distributors were linked by a common vision and set of principles which tempered economics.

Today, the competitive landscape requires retail buyers to source extensively for variety and value. They have a much larger selection of vendors to purchase from, especially in major metropolitan areas. In the Twin Cities area, for example, there

are six major distributors of fresh produce that stock organics. Buyers exercise their choices according to the standard criteria of price, quality, and availability, with price taking a higher-than-ever priority. The intensified competition has prompted CPW to improve our service and selection, add new market bases, and differentiate ourselves with programs that emphasize our commonality with retail co-ops. The latter strategy incorporates product selection that supports co-ops as champions of the local food network.

Initially focused on organic produce, CPW added organic dairy and soy within the first year of operation. Since then, our non-produce lines have continued to expand into many types of grocery items, mostly perishables. Product diversification is not so much the result of a clear plan as a response to requests from our customers and from local producers needing distribution for their goods. Taking on more grocery products offered us an opportunity to broaden the scope of our mission to include promoting regionally made salad dressings, ice cream, cheeses, barbecue sauce, baked goods, pesto, frozen pizza and tortillas. Most use natural and/or organic ingredients.

The local food artisans who make these products utilize CPW to transition beyond selling directly to stores or at farmer's markets. For example, Pumphouse Creamery is a Minneapolis ice cream shop that makes premium ice cream using Wisconsin organic milk and cream. When owner Barb Zapzalka decided to package her product for retail sale, she approached CPW as a logical route to her envisioned target market of retail co-ops. (Zapzalka's Kulfi ice cream—flavored with pistachio, cardamom, and rosewater—is a local legend.) Helping local, high quality products find their market is one of the most rewarding aspects of our work.

Alternative distribution methods

Sometimes a product doesn't quite fit our distributor profile, or the producer prefers to maintain a direct relationship with the end customer. CPW developed our drop-shipping program to offer an alternative to the conventional distribution model, allowing us to transport local grass-fed beef, organic milk, Middle Eastern deli items, fair trade coffee, and many

other items. Rather than have each purveyor deliver separately to the same accounts, CPW can offer an efficient means of service by consolidating the products at our warehouse and delivering them on our trucks.

Customers order from and are billed through the producer. CPW assesses the producer a small delivery fee. The drop-ship program provides four major advantages to producers:

1. It is efficient in both fuel and human labor.
2. It maintains the direct relationship between producer and retailer.
3. It allows a local product to become regionally distributed, reaching a much wider audience.
4. It bypasses the distribution mark-up, allowing producers to get the maximum amount of money for their product.

Local organic fruits and vegetables were our original focus, and partnering with farmers remains a cornerstone of our service and our alliance with co-op retailers. Our Midwest region has a wealth of organic growers: we buy from about 30 Minnesota and Wisconsin farms, sourcing everything from mushrooms to sprouts, apples, pears, fresh herbs, and many kinds of vegetables. If we extend the definition of local a bit further, we can include cherries and peaches from Michigan, blueberries from Indiana, and potatoes from North Dakota. Many local farmers sell through a combination of farmer's markets, direct retail sales, distributors, and their own Community Supported Agriculture (CSA) program. With the exception of farmer's markets, Co-op Partners assists with all phases as a distributor, drop-shipper, and adjunct supplier to CSAs. (We sell organic fruit that isn't available locally, such as plums, apricots, and nectarines, to CSAs that wish to offer an expanded market basket option to their members.)

Wedge Co-op farm purchase

The Wedge's purchase in 2007 of the Gardens of Eagan farm adds another dimension to supplying local produce. Gardens of Eagan has provided Minnesota co-ops with organic produce for over 20 years. Martin and Atina Diffley's land is now surrounded by urban sprawl, the last surviving farm in the area. When the couple decided to retire, they wanted to ensure that their property would be kept intact as farmland and not developed. They approached the Wedge, a longtime customer and supporter, with a proposal to transition the farm to Wedge ownership.

Martin and Atina will remain involved as hands-on educators and develop training that will provide resources to the next generation of organic farmers. 2008 will be the first season of operation under the new ownership, a changeover expected to happen seamlessly. Customers will continue to maintain direct relationships with the farm: they'll order from Gardens of Eagan, and CPW will warehouse and deliver the product. The vertically integrated chain of a cooperative farm, distributor, and retail outlet is one of those utopian scenarios we dreamed about way back when—now it's a reality.

Another way that we have partnered with co-ops in this region is by collaborating with the National Cooperative Grocers Association (NCGA) in the distribution of specialty deli products. The NCGA prepared foods division developed a line of partially organic deli salads and soups, including tuna salad, egg salad, pico de gallo and garlic pasta salad. More than 15 bulk prepared food items can be purchased and used in the deli or packaged for a store's grab-and-go section.

The NCGA signature recipes provide a common thread between co-op delis in this region and present the image of "co-op branded" products to the consumer. A St. Paul manufacturer supplies us with frozen five pound boil-in bags of chili and mac and beef, using local grass-fed beef. There are also five types of frozen cookie dough made to natural food specifications by a local bakery, in pre-portioned amounts—just bake and sell. All of these NCGA-developed products are offered exclusively through CPW.

CPW currently resides in 45,000 sq. ft. of warehouse space in St. Paul, Minnesota. Our Vandalia Street location also houses Wedge Worldwide, an online supplier of gifts featuring natural home and body care. ■



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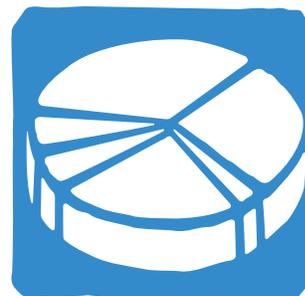


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