



Values-based food supply chain case study: Idaho's Bounty

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Origins of Idaho's Bounty

Idaho's Bounty was founded in 2007 as a cooperative with both customer and producer members. It provides logistical support for a direct-to-consumer, Internet-based food buying club. The co-op focuses on three regions of southern Idaho: the Wood River Valley (Ketchum), the Treasure Valley (Boise) and the Magic Valley (Twin Falls).

Farmer members each have a page on Idaho's Bounty website where they share their stories, offer products for sale and set their own prices. Customer members place orders online. Sales agreements are between sellers and buyers. Idaho's Bounty never owns any product but charges a 35 percent mark-up for maintaining the infrastructure for this direct marketing system. The co-op manages the weekly collection and delivery of products to designated pick-up sites in the three regions.

The co-op's decision makers are increasingly interested in wholesale food marketing agreements with regional food stores, restaurants and institutional food services that value high quality, local food products and require large weekly orders. Wholesale sales to supermarkets and grocery stores represented the co-op's highest growth area in 2011.

Instrumental in the co-op's early development, and critical for its ability to remain debt free, have been grants from federal and local programs and generous gifts from a few local supporters. Gifts and grants have helped support salaries and operating capital along with purchases such as refrigerated trucks and walk-in refrigerators.

Key characteristics

Idaho's Bounty is a relatively new co-op. During 2011, it did business with more than 60 producers and more than 900 customer members—an increase of 250 customer members from 2010. Total sales for 2011 amounted to \$626,000—30 percent over 2010 sales.

Idaho's Bounty has a policy-setting board of directors, which includes local professionals with an interest in food and well-established farmer members. Throughout most of 2011, the staff of Idaho's Bounty included two full-time and three part-time employees in management, web operations and

driving. Staff numbers continue to grow as the co-op identifies operational needs and funding becomes available for positions.

Nearly two-thirds of the co-op's retail customer base, who purchase food through the Internet-based buying club, is located in the Wood River Valley. The year-round population of the region is only about 12,000 people, and these largely middle-class residents may not be as responsive to the nature and price of Idaho's Bounty's products as upper-middle class customers, many of whom are part-time residents.

The co-op's retail sales grew nine percent in 2011, which fell short of its objective for that year. Idaho's Bounty plans to expand its retail customer base by lowering the cost of membership to \$10 per year (from a lifetime fee of \$75), and to increase the spending of existing members by using public media and educational forums, as well as co-sponsored events with area restaurants and local food groups.

While the Internet-based retail enterprise in the Wood River Valley appears to be working well for a core group of producers and consumers, these economic activities fall far short of supporting Idaho's Bounty staffing and organizational infrastructure requirements. Therefore, in addition to significantly growing retail sales in the Wood River Valley, the co-op aims to build a robust wholesale market in all three regions.

While the co-op's retail sales to restaurants in 2011 decreased nearly 10 percent from 2010, sales to supermarkets and grocery stores increased more than 900 percent during this time. This increase was due to the development of 12 new accounts in stores located in both the Treasure and Wood River Valley regions. Their ongoing strategies for increasing



Photo: Janine McCann

Idaho's Bounty works with a variety of growers across southern Idaho.

wholesale sales include lowering markups (18 percent on wholesale versus 33 percent on retail), requiring more frequent deliveries for wholesale customers and building ongoing relationships with these customers. The co-op hopes to convince growers who currently sell directly to stores to instead use its services for these sales.

A future wholesale outlet for Idaho's Bounty is school and hospital food service. Staff is currently contacting those institutions, checking insurance requirements and holding conversations with current suppliers.

Over the next several years, staff will place high priority on working with producers on supply issues. Idaho's Bounty needs to make sure that significant offerings are available during the winter and that product is available to support the strategic growth of sales in the retail and wholesale sectors. Balancing supply and demand under less-than-predictable market dynamics is an inherent challenge for most developing businesses, including Idaho's Bounty.

Strategic partnerships

More than 60 farmers, ranchers and aquaculturists sold through Idaho's Bounty in 2011. Products included a range of vegetables, grains, fruits, herbs, dairy, poultry, fish and meat as well as specialty processed foods like baked goods, mustards, cheeses, sausages, soups and sorbets.

Key wholesale partners included restaurants and grocery stores in Wood River Valley towns like Ketchum and in Boise, the center of the Treasure Valley region. The Boise Co-op was a strong wholesale customer in 2011.

Member labor is crucial to Idaho's Bounty retail business. Each week, 7 to 10 retail customer members assist with collection, repacking and delivery of food products to designated pick-up sites, also staffed by customer members. These workers are compensated through co-op food credits valued at \$7 per hour. Benefits of member labor include a strong community connection and an opportunity to hear feedback and suggestions for logistical improvements. On the downside, member labor makes it difficult to maintain consistent quality control, and efficiency can vary from week to week.

The region's rural development agencies—the Wood River Resource Conservation & Development

Council and the Ketchum Community Development Corporation—are particularly important partners for grant-based fundraising.

The cooperative's community education strategy is to offer assistance with food-related events to a range of civic organizations, including botanical gardens, YMCAs, chambers of commerce, colleges and schools, as well as joint food events with area restaurants.

Future directions

In addition to growing retail sales, Idaho's Bounty aims to be the area's main networking source and delivery service for locally produced food.

Idaho's Bounty is exploring long-term strategies for shifting its primary business model from retail to wholesale. Retail sales help raise consumer consciousness and serve small producers. But these sales depend on member volunteer labor, do not reach a large segment of the population and serve the cooperative's larger producers less effectively. Robust wholesale platforms can reach more consumers and better serve larger producers, but are weaker venues for raising awareness of food issues. However, the co-op faces challenges in developing software to make its wholesale enterprise run as smoothly as its retail operation.

Ultimately, Idaho's Bounty hopes to capture the best of both wholesale and retail sales while meeting its goals of serving customers at all income levels, encouraging producers to continually improve land stewardship practices, using renewable energy for food distribution whenever possible and supporting the global cooperative movement.

A longer version of this case study (and related research) is available at two locations:

www.cias.wisc.edu/economics/case-studies-profile-mid-scale-food-enterprises
www.agofthemiddle.org

The Idaho's Bounty web site is:
www.idahosbounty.org

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