



# Values-based food supply chain case study: Co-op Partners Warehouse

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### Origins of Co-op Partners Warehouse

Co-op Partners Warehouse was established in 1999 by the Wedge Natural Foods Co-op in Minneapolis, Minnesota. This certified organic wholesale distribution warehouse serves retail stores, food service businesses and buying clubs throughout the Upper Midwest. It is an important link between customers and suppliers of local produce, dairy products and other perishable foods. Because it is wholly owned by the Wedge, Co-op Partners Warehouse carries out the goals and vision of Wedge co-op members. In addition to seeking out efficiencies in sourcing, warehousing and distribution, Co-op Partners Warehouse takes a special interest in fostering markets for smaller scale growers.

When Co-op Partners Warehouse was established, there were two other cooperatively owned natural food distribution businesses operating in the Twin Cities: Blooming Prairie Cooperative Warehouse and Roots and Fruits Cooperative Produce. Both were eventually sold to United Natural Foods, Inc. (UNFI). The Wedge considered selling Co-op Partners Warehouse to UNFI or converting it from a subsidiary of the Wedge to a cooperative owned by the Wedge and other natural foods co-ops. When Lindy Bannister joined the Wedge as general manager in 2005, she was concerned about Co-op Partners Warehouse's ability to make business decisions quickly in a rapidly changing environment if it were cooperatively owned by its customers. She therefore took steps to ensure that the Wedge retained sole ownership of Co-op Partners Warehouse.

The Wedge's acquisition of the 100-acre Gardens of Eagan certified organic vegetable farm in 2007 created a unified, cooperatively owned farm, wholesaler and retail store, which has created both opportunities and challenges.

### Key characteristics

In many respects, Co-op Partners Warehouse is a typical produce distribution business. On the surface, its facilities and day-to-day operations do not differ dramatically from other produce warehouses in cities around the country. On closer examination, however, it becomes clear that Co-op Partners Warehouse has developed some unique business practices, such as

the drop-ship program described below, that foster the distribution of local and regional food.

The warehouse has expanded twice in its original location, tripling its initial capacity to 45,000 square feet of space. As of September 2010, Co-op Partners Warehouse had 30 employees and served 160 accounts in five states. It owned five trucks and leased another, and worked with common carriers to deliver product farther than 100 miles.

### Strategic partnerships

Co-op Partners Warehouse has been instrumental in the growth of a vibrant market for locally grown produce in the Twin Cities area. It has provided a way for farmer-suppliers to retain and promote their identities and values in the marketplace while taking advantage of the logistical efficiencies afforded by a wholesale warehouse. Jack Hedin, farmer/owner of Featherstone Farm in Rushford, MN, says that Co-op Partners Warehouse, "...has allowed us to exist and get to our current scale. It gives Featherstone Farm huge reach and regional recognition."

Co-op Partners Warehouse offers a unique drop-ship program that encourages smaller producers' participation in the distribution of local and regional foods, while reducing their transportation costs and fuel use. Under this program, a farmer takes an order directly from a customer. Then he or she consolidates and packs the order and delivers it to Co-op Partners Warehouse with an invoice. Co-op Partners Warehouse stores the order until it can be delivered with the co-op's next regular shipment; the co-op does not take ownership of the product. The bill is paid by the customer to the farmer, and Co-op Partners Warehouse bills the farmer for the drop-ship, typically at a rate of \$20 per drop. This



*Co-op Partners Warehouse provides local food producers access to Twin Cities markets and consumers.*

program allows smaller producers to take advantage of the logistical efficiencies that larger suppliers enjoy, while maintaining and managing direct contacts with their customers.

Co-op Partners Warehouse is flexible, offering a variety of services and business arrangements to its supply chain partners. For example, Featherstone Farm leases warehouse and office space from Co-op Partners Warehouse for its Community Supported Agriculture (CSA) program and operates its own trucks out of the warehouse facility. Featherstone Farm also does contract hauling for small farms that participate in the co-op's drop-ship program.

The Wedge's ownership of both Co-op Partners Warehouse and Gardens of Eagan is a unique integration of a farm, distribution business and retail store under ownership of a consumer cooperative. This structure is set up with a strong focus on the retail customer. It creates the potential for a supply chain with consumer demand pulling products through the food system rather than producers and suppliers pushing their products through to the consumer.

Gardens of Eagan was a major supplier to Co-op Partners Warehouse and natural foods cooperatives in the area before its purchase by the Wedge in 2007. During 2008, the two entities operated independently, with Co-op Partners Warehouse continuing to buy some produce from Gardens of Eagan. In 2010, Co-op Partners Warehouse purchased Gardens of Eagan's entire production, creating new opportunities and challenges for the managers of these once-independent businesses.

One of the challenges was to spread profits equitably between the entities. The Wedge instituted an accounting arrangement for sharing net gains between the farm and the warehouse and gave Gardens of Eagan more autonomy in marketing its production. In addition, Co-op Partners Warehouse hired a new employee to proactively find new markets for the increased amount of produce that became available because of the purchases from Gardens of Eagan.

## Future directions

Co-op Partners Warehouse is large enough to achieve the operational efficiencies necessary in a highly competitive marketplace. It has developed unique

capabilities that allow producers to maintain their identities and links with their products all the way to Twin Cities' consumers. It will be difficult for competing produce distributors in the area to replicate these capabilities. Co-op Partners Warehouse also has the advantage of being owned by a natural foods cooperative. This provides a direct link to a dedicated base of consumers committed to growing the market for local, organic produce.

The relationship with Gardens of Eagan is still evolving. There is the potential for considerable growth and efficiency gains through this relationship. Realizing these benefits will be more likely if communication between the entities is made more transparent about fast-changing circumstances on the farm and in the marketplace.

Over the next five years, Co-op Partners Warehouse plans to continue helping small producers access the Twin Cities market. They aim to increase the use of the drop-ship program and grow sales to institutional food service operations. They hope to address the limitations of the single Wedge location through sales from refrigerated trucks in urban markets and fixed-price bags of produce offered for sale at transit stops.

One of the biggest challenges for the future will be the development of a growing workforce. This is a business that requires a combination of creativity, flexibility and teamwork, along with a willingness to do hard physical work. The key to this challenge may be in fostering employee engagement in an exciting, dynamic enterprise that significantly impacts the way food is produced and consumed.

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](http://www.cias.wisc.edu/economics/case-studies-profile-mid-scale-food-enterprises)

[www.agofthemiddle.org](http://www.agofthemiddle.org)

The Co-op Partners Warehouse web site is:

[www.cooppartners.coop](http://www.cooppartners.coop)

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