

Division of Marketing  
Agricultural Development and Diversification (ADD) Program  
1997 Grant Final Report

Grant Number 12091

**Grant Title**     The Wisconsin Organic Meat Initiative (Phase 1)

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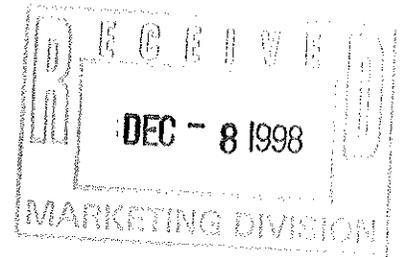
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# THE WISCONSIN ORGANIC MEAT INITIATIVE

## Final Report

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# **The Wisconsin Organic Meat Initiative**

## **Coulee Region Organic Produce Pool**

### **Final Report**

#### **A. Overview**

In 1997 farmers from around the state, both dairy farmers and beef producers, voted to officially form their new co-op, the Meat Pool at CROPP. Over 750 farmers were invited to get involved and 100-200 have either joined or expressed interest in shipping through CROPP.

This grant endeavored to finish developing our proprietary line of products, establish a national distribution network, tap overseas markets and recruit the additional farmers necessary to reach the requisite "Economies of scale". Farmers involved and CROPP have made a major investment to achieve these goals. Without the assistance of the ADD program this project would have been significantly slower to come to market and would have opened the door for competitors outside of Wisconsin to permanently capture market share.

During the past year of support by The Wisconsin Department of Agriculture, Trade and Consumer Protection's ADD program, the Wisconsin Organic Meat Initiative has, in fact, successfully organized a new marketing cooperative serving organic livestock producers -the meat pool of the Coulee Region Organic Produce Pool (CROPP).

With the help of ADD, CROPP, which is celebrating its 10th anniversary, has become the nation's largest organic farmers' cooperative, with approximately 150 family farm members. In the past year the meat pool has successfully operated a fresh meat pilot project with a retail partner in the Twin Cities and has introduced its first nationally distributed product, frozen-packaged hotdogs, ground beef patties and ground beef - bulk pack.

In addition to the aforementioned marketing successes, the meat pool has completed development work on an integrated data processing program that will manage the logistics and accounting requirements of the initiative.

Additional market research performed indicates strong market demand and producer interest in pursuing the market development of pork and poultry products.

## **B. Project Achievements:**

### **1. Job Creation/Retention**

Based on the number of days that cattle are slaughtered and the additional value added processing that occurs at to other packing plants, with added employment at the cooperative, the estimated number of jobs created has been 2-3 full-time equivalent employees (FTE).

This employment is in addition to the jobs that have been created/retained on member farms. No estimate of these jobs is available at this time, but at the end of our second phase, when the volume has increased, we will venture to do a study and supply the ADD program with this statistic.

### **2. New Investments**

Since the inception of the project, a total of \$165,524 has been invested in the development of an infrastructure for the production, marketing and distribution of organic beef. This total includes both direct out-of-pocket expenses and an allocation for general/administrative overhead and marketing support.

This is in addition to the investment (\$60,000-80,000) previously made by a consortium of groups headed by the Wisconsin Farmland Conservancy prior to the formation of the Meat Pool at the CROPP cooperative.

### **3. Development of New Agricultural Products**

#### **➤ Frozen Branded Beef**

In 1998 CROPP introduced to market three frozen branded retail products. They were previewed at Food Expo West in Anaheim in March and rolled-out this past summer. CROPP completed design work for labels and promotional materials for these products (enclosed), using a combination of professional designers and in-house staff for development. The cooperative is actively working on the distribution of these products. These frozen retail branded products will improve the utilization of lower end product and help make the best use of the carcass, which is critical to the success of the program. They are the first nationally distributed organic meat products in the country.

This development and approval of the label (including name identity and graphics) was a major element of the marketing program that was accomplished.

Due to the continuing prohibition on labeling organic meat by the USDA, considerable efforts were expended in developing a label that would differentiate our "organic" product from that of other "Natural" meats. This was a delicate task, in that the USDA was an uncooperative participant in the process.

The Food Safety and Inspection Service (FSIS) refused to approve the use of our trade name, Organic Valley. . . Family of Farms. It was decided that a similar logo would be developed complete with a name that would elicit some association with Organic Valley. Valley's Finest was ultimately decided upon by.

Capitalizing on the controversy concerning organic meat labeling, the cooperative designed an advertising and promotional campaign featuring the *American Gothic* farm couple gagged. This very successful graphic image, which is enclosed in this report, was included in a distribution made to every natural foods distributor in the country and the media. The back of this sheet was produced as a catalog insert, and many distributors included it in their mailings to retail outlets.

Research was invested in packaging design and development assuring size conformity to processing equipment. Market research was conducted to determine appropriate sizes and case packs for the marketplace.

➤ **Fresh**

We have succeeded in supplying a fresh meat counter in a Minneapolis co-op grocery store with a consistent product, both in terms of quantity and quality since April, 1997. We have accomplished this by working with our farmers to produce quality animals and have managed the pool to ensure the steady supply. This has been aided by CROPP's consultant, Ken Knight, who is partly paid through ADD funds.

➤ **Plant relationships**

CROPP has also worked diligently with a number of small and medium-sized slaughter and processing plants to integrate organic meat into their production systems. This has created opportunity and employment for these plants. If this project realizes its full marketplace potential, organic meat processing can have a sizable impact on a number of these facilities .

The plants that the cooperative worked with were selected because of their specific expertise which was viewed as a key element of the program. A quality assurance program was designed for each particular plant. CROPP worked with each facility to obtain their organic certification.

#### **4. Market Expansion/Development and Expanded Distribution**

The thrust of this program has been devoted to expanding the opportunities for family scale livestock producers. This has been accomplished by researching marketplace opportunities,

educating the farmers on the requirements of the marketplace and developing the marketing infrastructure necessary to develop a new business enterprise.

In addition to the aforementioned products that have been introduced, CROPP is researching further marketplace opportunities for beef, pork and chicken.

Furthermore, with the assistance of the ADD program, we developed a sophisticated, automated management system designed to efficiently operate this enterprise while assuring the highest return to the farmer for each carcass processed.

### **Export**

CROPP shipped its first sample of organic beef to Japan in December of 1997 and is trying to following up on this market. Though the Asian financial crisis will affect this opportunity, plans are being prepared to develop further opportunities that will build on this first experience.

#### **➤ Chicken**

CROPP has done a trial run with 500 spent hens, slaughtering and deboning at a small USDA plant at Utica, MN. We are studying the results and costs and will have preliminary information regarding availability for potential buyers at the Expo West show. We anticipate having a supply of 60,000 hens available during 1998.

We are collaborating with the poultry processing project in West Central Wisconsin, being administered through Wisconsin Farmland Conservancy and aided by an ADD grant. This project is assessing the feasibility of constructing a small USDA processing plant in that region, and also looking at ways to organize producers.

#### **➤ Pork**

CROPP sent out a survey in January 1998 to assess the supply of organic pork in the region. The returns indicate strong interest and supply, and staff is now working on establishing this Pool.

#### **➤ Organic label**

CROPP has been active in providing leadership during the comment period of the proposed organic rule implementing the Organic Foods Production Act of 1990.

#### **➤ Development of Management Systems**

Though the volume of the business is manageable now, expected growth requires developing a database system for the Meat Pool, an activity that we proposed in our 1997-98 grant. Our consultant, Gary Wilson, is a programmer from the Western Wisconsin Technical College. Wilson has worked closely with Meat Pool Coordinator, Pam Saunders and CROPP's in-house technical staff to design a custom program that will perform a number of functions. This program will, among other things:

- Store basic information on pool members
- Maintain records of producer investments

- Track and report where and when cattle are available
- Track cattle marketed to date
- Generate producer payment data
- Store detailed carcass data and report historical information
- Report on value of carcass cut-out
- Generate inventory of products

This will be a powerful set of tools for accommodating growth without being buried by paperwork or high administrative costs. It incorporates innovations, such as the cut-out system of paying farmers, and makes them part of the day-to-day operation of the meat program.

➤ **Pool Development**

The Meat Pool has been formalized and has an active Meat Executive Committee, according to established Pool policy.

**5. Market Expansion - Technology**

None

**6. Improvement of the Competitive Position of Wisconsin's Ag Industry**

Just as CROPP has accomplished in the area of organic dairy, it hopes and envisions that organic beef producers in Wisconsin will become the dominant suppliers in the marketplace. There are already more organic dairy producers in Wisconsin than any other state. Obviously, a byproduct of this production is organic beef. This gives this initiative a jump-start in creating the production capacity necessary to meet the invasion demand.

When organic meat labeling is approved by the USDA, this cooperative and its members will be in an excellent position to capitalize on the initial excitement that will be created.

**7. Efficient Use of Farmland and Other Agricultural Resources**

The key to CROPP's success has been to return a greater percentage of the marketing pie to each farmer/member. Returns from organic production far outstrip those that can be derived from conventional livestock. This enables Wisconsin's family scale farmers to operate in an ecologically and environmentally sustainable matter. Especially in the western third of our state, there is a tremendous amount of land which is inappropriate for crop production. This is due to the steep and rugged hillsides which are prone to erosion. This makes livestock production an ideal enterprise for a considerable number of farms in this region.

In addition to the efficient usage of marginal lands, this project has the great potential to positively impact upon a number of small-scale meat processors.

## **C. Evaluation of the Results and Benefits of the Project, Including Meeting Original Expectations**

This project was successful in developing the first three products of our proprietary product line, hot dogs and two types of ground beef. A successful relationship was developed with a number of Wisconsin meat processors to accomplish this initial introduction.

In addition, the first phase of our fresh meat marketing program was successfully introduced into the Twin Cities.

The initial research and trial processing runs were accomplished in the ongoing project as it relates to poultry products.

It was determined that a strong market and producer interest exists for developing a pork pool and associated products. This research is also on going.

A number of contacts have been developed for utilizing byproducts in pet food production.

Initial success in developing export markets was realized. However, recent financial upheavals in Asia have temporarily impacted on this potential.

In the area of farmer recruitment, the initiative has successfully developed a base of farmers capable of both satisfying current demand and significant growth. Additional recruitment will be necessary as the market expands.

## **D. Description of Information/ Educational Materials Developed**

Through out the life of this project, CROPP has participated in a number of field days and outreach meetings. These were designed to both train and recruit former participants. Enclosed, please find a copy of a training manual that was produced, in part, with the support of the ADD program.

## **E. Future projections resulting from receipt of grant funds**

The cooperative is quite bullish on the future potential of the Organic Meat Initiative. Revenue projections for 1998 exceed \$400,000. "Level one expansion", which constitutes completely satisfying market demand in the Twin Cities, for fresh organic meat, would exceed \$1.5 million. Level two expansion, which would encompass product introduction (fresh meat) into the Chicago metropolitan market, would exceed \$2.5 million.

The size of the national market is hard to gauge, being dependent upon the timing of the FDA approval of organic labeling and also contingent on the number of marketers prepared to enter the marketplace after a label approval.

## **F. Other appropriate information related to the project**

See enclosures.