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Introduction

In 1996 Kimball-area producer JoAnn Mueller was looking for help in starting up a hay-marketing cooperative that would provide economic opportunities for people in western Nebraska. Little did she realize that she would have to travel to North Dakota to find the assistance her group needed.

At the time Mueller was also serving on the Nebraska Rural Development Commission, and her inability to find cooperative funding in Nebraska led her to challenge the commission to initiate a cooperative assistance program. Two years later the Nebraska Cooperative Development Center (NCDC) was founded with a grant from the United States Department of Agriculture's Rural Business Development program.

The founding of NCDC addressed a critical need in the eyes of Mueller and other rural Nebraska entrepreneurs: it kept people in rural areas by helping them work together to develop a market for value-added agricultural products.

The USDA defines value-added agricultural products as products that have experienced a change in their physical state or form (such as flour made from milled wheat or jam made from strawberries); products that are grown or processed in a way that enhances their value, as demonstrated through a business plan (such as organically produced vegetables or grass-fed beef); and

products or agricultural commodities that are physically segregated in a manner that enhances their value.

Many groups, coalitions, alliances, and agencies are assisting new value-added businesses and cooperatives in Nebraska. Some of these organizations are operating as creatively as the NCDC, which is helping to form new-style, innovative cooperatives and value-added agricultural enterprises through a virtual, Web-based office.

Utilizing a remarkable partnership with more than two-dozen rural development and educational entities, both public and private, NCDC—in its first year alone—not only assisted Mueller's proposed hay-marketing cooperative but also helped a winery, a birdseed growers group, an aquaculture cooperative, a year-round farmers' market, and more than a dozen other associations, ventures, cooperatives, and alliances that are bringing new economic opportunities to rural Nebraska.

In order to channel as many resource dollars as possible to producers, NCDC uses co-employed staff members. Lynn Lutgen, an agricultural marketing specialist at the University of Nebraska—Lincoln, is the NCDC's current executive director. Jim Crandall of Holdrege is the NCDC's associate director and its cooperative development specialist, a position originally funded by USDA Rural Development, the UNL Cooperative Extension program, the Rural Development Commission in North Platte, and the Center for Applied Rural Innovation at UNL. Elaine Klaege is the NCDC's cooperative development specialist.

In the months following the creation of NCDC, the center identified prospective members for various value-added ventures. After the completion of feasibility studies, select cooperatives like the "aquaculture cooperative" or the "pork-marketing group" shed their generic designations to become the Nebraska Sandhills Yellow Perch Cooperative and Nebraska Farmers Choice, respectively.

One way to learn about the diversity of Nebraska is to drive the many highways and blacktop roads of this huge agricultural state. Another approach is to sit down over a cup of coffee and ask

an entrepreneur how a particular wine cooperative, community grocery store, or a business that makes soap from sheep's milk got started. What could the managers of value-added businesses tell us about their trials and tribulations, their smashing successes, and their fundamental needs that would help more Nebraskans take up the value-added mindset and run with it all the way to the bank?

As for trials and tribulations, these cooperatives and entrepreneurs have faced many. They need better access to legal counsel with solid cooperative experience. Cooperative law is outdated and ill-suited to the challenges facing modern cooperatives. Each entrepreneur must feel his or her way through a frustrating maze of legal issues, feasibility and business plans, and market studies every time a cooperative is initiated. Moreover, they also face a shortage of knowledgeable resource personnel at the university and in state government, of individuals who are experienced in value-added and diversified product fields. Non-traditional agricultural entrepreneurs in Nebraska need expert advice at the state level to guide them to cutting-edge production and marketing information.

Unfortunately, value-added businesses are often treated as second-class enterprises in a state economy dominated by commodity production. Trade missions to major export markets work for a few businesses, but value-added producers need more creative approaches to market development. The need to develop value-added alternatives to the commodity export market was never more apparent than when the first BSE, or "mad cow," scare was raised in Canada and in the northwestern United States.

The shortage of marketing dollars is always a looming challenge for newer cooperatives and value-added businesses. Grants may be available to study the feasibility of a prospective business or to create a business plan, but by the time a new value-added business is ready for promotion, the grant well has often run dry.

Despite these obstacles to developing value-added businesses, there are many successes. This book is filled with examples of re-

markable people who have learned to work together for the good of a group, a community, a region, and even an entire state. The communities featured in *Roots of Change* have been enhanced and transformed through the creation of new businesses with new jobs: Arthur's community grocery store, Anselmo's sheep dairy and soap operation, Axtell's ethanol plant, or Ainsworth's wood products showroom. Small communities in Nebraska are enjoying new business growth thanks to the value-added philosophy of "one-person-at-a-time, one-business-at-a-time."

Success, too, is found among newer growth industries in Nebraska thanks to the hard work and vision of entrepreneurs in the areas of viticulture and aquaculture. There's new hope for traditional agriculture, too, thanks to the non-traditional thinking of some enterprising farmers. Those who raise hogs and cattle or soybeans and corn can find new opportunities for growth through cooperative marketing and alternative uses for commodity crops.

Common roots shared by successful cooperatives include funding, leadership, labor, and patience. Groups adept at seeking grants are getting ahead of the game, as are those that develop a diverse and strong leadership body. Labor issues are paramount for cooperatives. Successful groups plan ahead in order to have the resources to hire managers and marketers at critical moments of business growth. A group that depends on labor from its own members needs to create realistic work schedules and guidelines. Moreover, cooperative members from different backgrounds must be able to work together when facing difficult challenges in often uncharted territory.

What, finally, can Nebraska do to help grow value-added opportunities? The first step requires a paradigm shift by the state of Nebraska to a value-added mindset—a necessary start to addressing the needs of a changing agricultural landscape. Next, value-added groups and businesses need assistance pulling together financial resources to get off the ground and operating before their energy, and the opportunity, evaporates. The state and other agencies need to go beyond merely providing informa-

tion on grants and loans and start offering technical assistance in managing complex financial and marketing decisions. What sizable business, after all, has one person or a small steering committee solely responsible for marketing, financial, management, production, and labor decisions?

Nebraska could require the use of locally produced food products in tax-funded entities, including our state colleges and public school cafeteria programs. Our state could assist in establishing year-round markets throughout Nebraska, building on a powerful community-enhancing resource and at the same time promoting profitable grower markets.

In sum, we need to offer hope to rural communities. Hope for the producer who no longer sees the point in growing, harvesting, and shipping his or her product to a distant processor and experiencing only a shrinking profit each year. Hope for the small and the not-so-small communities that are losing residents and tax dollars, schools, and businesses. And hope for our state, often embroiled in revenue shortages that may prove to be a long-term burden if the people who populate our farms, ranches, and communities cannot realize profits in their businesses.

Although some of the business owners profiled in the following stories have since moved on to other ventures, their tremendous spirit and the knowledge they graciously lend to us remains steadfast. Value added means more money in the hands of those who stand the most risk and who do the most work to bring their agricultural products to the consumer. Value added offers hope for the future prosperity of this state and her agricultural producers, and to the sustainability of its rural communities.

1



GROW Nebraska

The success of value-added products depends on the ability of communities or businesses in rural areas to develop markets for entrepreneurs who may or may not be physically located near a sufficient customer base. Since 1995 the Holbrook-based Grassroots Resources Opportunities for Winners—or GROW Nebraska—has encouraged value-added businesses by promoting unique Nebraska products through its marketing and training programs for Nebraska entrepreneurs.

It all started when GROW Nebraska founder and CEO Janell Anderson Ehrke pitched products from eight Nebraska businesses to Don Macke, then director of the Nebraska Rural Development Commission. Realizing that the needs of Nebraska entrepreneurs were not being addressed, Anderson Ehrke and Macke assembled a team of consultants to meet with business owners and employees in south-central Nebraska, in an effort to gain an understanding of their unique businesses.

Armed with a \$75,000 U.S. Department of Agriculture (USDA) Rural Enterprise grant, Anderson Ehrke financed a feasibility study and business plan. She then arranged for fifty Nebraska-based, value-added businesses to be juried by larger, established businesses. From that point on, GROW Nebraska really started to grow. Today, GROW Nebraska represents a variety of artisans and

manufacturers with value-added products including handmade soap, candles, gourmet food products, glass, limited figurines, and home décor items.

Member businesses that are interested in selling their products through GROW Nebraska's markets must be juried. Twice a year, GROW Nebraska hosts juries with a panel composed of one of its own members and five to six professional store owners and fine art gallery curators, with at least one of the jurors coming from a state other than Nebraska. Interested members submit their products to the jury along with pertinent information on pricing, how they make the product, and unique features of the product.

The jury critiques each item using checkpoints such as pricing, packaging, labeling, uniqueness, marketability, and visual appeal. "We want this to be a constructive, educational process," said Joan Hansen, GROW Nebraska services coordinator. Each juror offers at least three comments on each product, including suggestions of ways to change and improve it.

Products that pass the jury process are included in GROW Nebraska markets. Currently 80 to 90 percent of products pass the jury process. This wasn't always the case, however. "We've been really surprised at the quality," Hansen commented. "It's so much better now than six years ago."

Hansen said that producers don't have to be GROW Nebraska members to be juried. The cost for submitting a product to the jury is \$50 for non-members, \$25 for members who have not yet juried their products, and \$10 for members who want to repeat the jury process.

In January 1998 GROW Nebraska sponsored sixty-three booths at the first wholesale market in Kearney. Fifty-one businesses signed on as GROW Nebraska members during the event. That same year, GROW Nebraska placed a national cooperative advertisement in *Country Business* magazine, reaching twenty-five thousand store-owners nationwide. Since 1998 the organization has sponsored an annual wholesale market and has placed cooperative business

advertisements twice each year. “Now some members are buying their own half-page ads,” said Anderson Ehrke.

In 2003 GROW Nebraska reported 176 members, an 83 percent retention rate, and a budget of \$181,000. GROW Nebraska members realized an estimated \$9 million in sales. The group also started an endowment fund to provide for the growth of its marketing and educational components, important reasons for its success. GROW Nebraska’s continuing mission, according to Anderson Ehrke, is to build social awareness of the immense talent and creativity in Nebraska through marketing, training, and mentoring.

The group aggressively sought financial assistance to pay for its operations, receiving grants from the Nebraska Department of Economic Development, the Nebraska Department of Agriculture, the Nebraska Cooperative Development Center, the Nebraska Department of Tourism, the Nebraska Arts Council, the National Endowment for the Arts, the USDA Rural Development, the Ewing Marion Kauffman Foundation, the Buckley Trust, and the US Bank Foundation. Membership fees and service fees account for 42 percent of GROW Nebraska’s annual budget.

For an organization focused on staying current and teaching marketing strategies, GROW Nebraska practices what it preaches. Its first business plan, written in March 1998, has been revised annually. It plans to increase and diversify its national cooperative advertising and increase the number of national markets its members attend. The organization will also continue to build relationships with national chain stores and catalogs and enhance its marketing tools, including increasing member usage of e-commerce.

GROW Nebraska continues its struggle to find funding to maintain technical assistance services for start-up or struggling businesses. According to Anderson Ehrke, more technical “nuts and bolts” training sessions are needed to help member businesses with legal, accounting, and employment issues. “The program is really understaffed,” she said. “Everyone who works for the program is vital to the program’s success.”

The organization has published an annual member directory since 1999. In 2004 the directory became self-supporting through advertising sales to connected businesses and through GROW Nebraska's online catalog at www.grownebraska.com, which offers basic home pages for members.

GROW Nebraska hopes to develop more widespread marketing for its members. In 2003 it produced a "Nebraska Treasures Map" to entice travelers to stop at Nebraska galleries, studios, restaurants, and historic inns, and it is planning a corresponding guidebook for the map. The group modeled "Nebraska Treasures" after North Carolina's successful "Handmade in America" campaign.

Ultimately, GROW Nebraska owes its successful growth to its one-on-one contact—its encouragement of members, the coaxing and coaching of emerging entrepreneurs. Anderson Ehrke, who began conducting marketing workshops in 1999, now averages nine workshops each year in locations throughout Nebraska. Workshop attendance is strong, with 168 business representatives attending marketing workshops in 2002 alone.

GROW Nebraska has collaborated with Great Plains Communications to expand the marketing workshops to include presentations on Web sites and telecommunications services, and GROW members are now becoming more savvy in marketing their products through the Internet. Of the fourteen members who have utilized GROW's Web-building expertise, eight have now created their own Web sites, Hansen said. In addition to sessions on Web-based marketing, the expanded workshops also sponsor a vendor fair featuring businesses and programs that can provide services to small businesses. The first expanded workshop sold out and had a waiting list. Workshops are free to GROW Nebraska members and cost \$10 to non-members.

Who benefits from the financial successes of GROW members besides the members themselves? The communities around them do, especially through employment. GROW businesses provide many jobs in communities of all sizes throughout Nebraska. As

of 2002 organization members employed 120 full-time employees and 83 part-time employees.

“It’s in the employment opportunities that [members] benefit the small communities,” Hansen explained. These opportunities also transfer to other businesses, because GROW members have a heightened interest in buying their product components locally or from another Nebraska company.

GROW Nebraska not only grows businesses, but also opportunities for all Nebraska businesses.