



AG INNOVATION NEWS

The newspaper of the Agricultural Utilization Research Institute

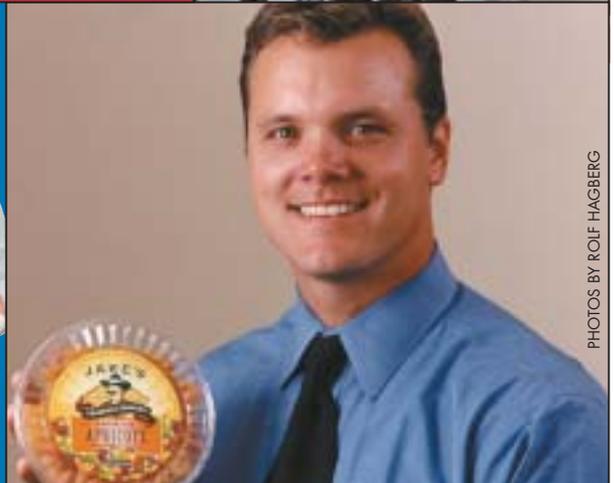
OCTOBER 2001
VOL. 10, NO. 4



SPECIAL FOCUS:

BRAVING THE FOOD MARKET

**ENTREPRENEURS
RELATE THEIR EXPERIENCES.**



Navigating a sea of food

Don't enter the food market without guidance

BY EDGAR OLSON

Modern Americans have a nearly endless supply of food product choices. Fresh, frozen, organic, boxed, bagged, bulk, domestic, imported — you name it, it's there for customers to buy.

Imagine trying to introduce one more product on top of the thousands already

available. Then trying to convince consumers that your product is better or different enough for them to try not just once, but repeatedly. Of course, at the same time you'd be competing with multi-million dollar companies and worldwide corporations for customers.

Sound difficult? It is.

Every year AURI works with dozens of entrepreneurs and businesses attempting to sell a new food product. Some will go head-to-head with established competitors; others will take alternate routes to differentiate their product in the marketplace. Whichever path is taken, it's no easy task.

In this issue of Ag Innovation News, we take a look at some of the challenges businesses face when introducing a new food product. Included is wisdom from some Minnesota entrepreneurs who have entered the food fray. You'll see what worked for them and what didn't.

Agriculture is more than just food, and a primary focus of AURI's mission is to help develop nonfood and industrial uses for ag products. However, food products are an important facet of Minnesota's rural economic health. We hope this issue of Ag Innovation News will provide helpful insight into the food segment of value-added agriculture. ■




OLSON.

Food safety's on the line

BY DAN LEMKE

Marshall, Minn. — Add the mouse and the monitor to the list of tools used to ensure food safety in Minnesota.

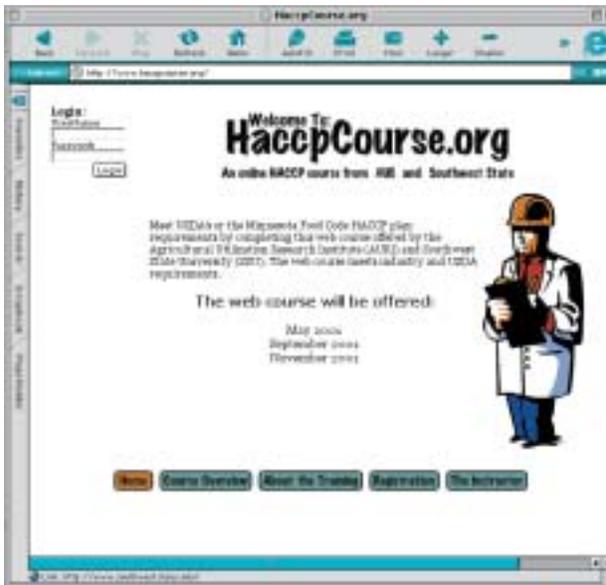
In September, AURI and Southwest State University in Marshall rolled out an on-line Hazard Analysis Critical Control Point (HACCP) class. Now food processors and students can study without leaving their office or home.

"This method offers a lot of flexibility," says AURI animal products scientist Darrell Bartholomew. "The on-line course is more convenient because participants can work at their own pace."

Students have one month to complete the coursework, but Bartholomew says it can be completed as fast as a couple of days. But don't let the convenience or the short timeline fool you — the instruction is every bit as rigorous as standard classes.

"(The students) have to pass a quiz, submit HACCP plans, go through HACCP steps of identifying hazards, identifying critical control points and developing monitoring procedures," Bartholomew says. "It's hands-on experience in developing a HACCP plan."

Current college students can take the on-line class as part of their coursework, while non-students can earn a college credit upon successful completion. In addition to the recently completed



September class, the course will be offered in November, March and May.

Bartholomew says the class is geared toward meat and poultry processors, but any food processor can gain from it and improve sanitation and good management practices. The course helps processors meet food safety standards and provides ongoing training for employees.

Bartholomew says utilizing electronic technology also gives participants access to resources they can use for their own operations. "They'll have examples of plans to work from to use as a basis for or as a complete plan for their operation."

College students can register for the class through Southwest State; others can register by contacting AURI at (507) 537-7440. The class is \$50 for Minnesota residents, \$100 for non-residents. ■

ABOUT AG INNOVATION NEWS

Cindy Green, managing editor
Charles Smith-Dewey, designer
Deborah Hoelcke, editing services
Rolf Hagberg, photography

Published by the Agricultural Utilization Research Institute to inform the food, agriculture and business communities and the general public about developments in ag-based products.

For information on AURI, call 1-800-279-5010 or visit our Web site: www.auri.org

Address correspondence or free subscription requests to:
Dan Lemke, Communications Director
Ag Innovation News
P.O. Box 251
Waseca, MN 56093
Telephone: (507) 835-8990
dlemke@auri.org



A nonprofit corporation created to strengthen rural Minnesota's economy, AURI helps businesses respond to market opportunities with new and value-added uses for agricultural goods. The Institute builds working partnerships with business innovators, agricultural groups and researchers, and provides technical support to clients conducting new product research and development.



Following is a brief overview of AURI services. For more information, contact the office nearest you.

An Initial Project Assessment helps determine the technical and market feasibility of an ag-based product or technology. Applicants must demonstrate their projects will impact the use of traditional or alternative crops and livestock. The IPA program is designed to add value to agricultural commodities and foster long-term economic growth.

The Market Assessment Program identifies new or alternative market opportunities that add value to Minnesota farm commodities and benefit the state's producers. MAP is open to farm organizations, commodity groups, grower associations, agribusiness groups, public entities, nonprofit organizations and/or producer groups and is specifically designed for projects where a business or research partner is not yet involved in commercialization.

The Technology Transfer program identifies and develops value-added technologies and helps move technology from public and private entities to Minnesota businesses. Applicants must demonstrate the technology will impact commodity use.

The Pesticide Reduction Options program funds research and demonstration projects intended to reduce the use of petroleum-based products in farm production.

AURI's Applied Research Services complement technical and financial assistance. The Institute's research staff works with agribusinesses, university scientists, federal labs and commodity groups to access new technology and link it to commercial partners.

AURI also operates several **laboratories and pilot plants** that support innovative, ag-based product development. With staff expertise and commercial-grade equipment, the facilities offer a full range of services, from ingredient analysis to test production runs.

Facilities include:

- Pilot Plant and Product Development Kitchen, Crookston
- Waste Utilization Laboratory, Waseca
- Fats and Oils Laboratory, Marshall
- Meat Laboratory, Marshall

AURI Field Offices

Southeast Office

Lisa Gjersvik or Mardell Jacobson
P.O. Box 251
Waseca, MN 56093-0251
(507) 835-8990

Northern Office

Michael Sparby
P.O. Box 599
Crookston, MN 56716-0599
1-800-279-5010

Central Office

Michael Sparby
P.O. Box 188
Morris, MN 56267-0188
(320) 589-7280

Southwest Office

Dennis Timmerman or Nancy Larson
1501 State Street
Marshall, MN 56258
(507) 537-7440

For e-mail addresses, visit AURI on the Web: www.auri.org

BRAVING THE FOOD MARKET

Don't expect a new food product to bring quick wealth, but planning, patience and persistence could keep you alive, say experienced entrepreneurs.

BY CINDY GREEN

Determined to put a new product into the fiercely competitive food marketplace? You could shut your eyes, plug your nose and jump in. Or you could spend months, even years, analyzing the product's technical feasibility, market potential and financial strengths — and maybe never launch it.

Most entrepreneurs start somewhere in between — aware enough to see where they're going, but not spotting all the land mines. For those willing to take the time, there's plenty of information out there on developing and marketing new food products, from books, studies, government agencies and consultants.

But perhaps the best advice comes from those who can avow the cliché: "Been there, done that."

In this issue, Ag Innovation News presents interviews with entrepreneurs and AURI staff who have first-hand knowledge of commercializing a new food product.

Each of the six entrepreneurs who responded to our Q&A has braved the marketplace for at least a few years, albeit on a shoestring. Indeed, AURI has seen dozens of food innovators successfully commercialize value-added ag products, an important part of our mission.

But beware, there are also a number of smart, hard-working AURI clients who have quit or sold out for a myriad of reasons: overbearing competition, high production costs, a fickle market, labor shortages, not enough financing. If you're thinking about starting a new food venture, talk to people whose ventures have failed as well as those who succeeded — both are valuable teachers.

While the risk is ominous, one winning value-added food product can make up for a half-dozen attempts. All of Minnesota gains when processing and marketing revenues from ag products stay close to home. ■

Note: Our discussion with these entrepreneurs wraps around the outside edge of the following pages ...

Who we interviewed:

PETE JAGER
JAGER FOODS INC.
LONG PRAIRIE, MINN.

Farmer Pete Jager started experimenting with shiitake mushrooms in the late 1980s "when prices were going down the tube and farmers were dropping like flies." After selling his dairy cows, he and his wife Susan started raising the exotic Japanese mushrooms on red oak and ironwood logs. At a local ag event, they served up shiitake and wild rice soup "to show people how to use them." Their neighbors enjoyed the soup so much that "they told us to forget the mushrooms, sell the soup," Pete says.

The Jagers first marketed their dry soup mixes through specialty shops, then the produce section of major grocers, and are now refocusing on niche gift, health food and upscale grocery markets. Jager Foods Inc. sells about 5,000 cases per year through mail order, Kowalski's, and co-ops such as the Wedge in Minneapolis.

For more information write to Jager Foods at Route 2, Box 70, Long Prairie, MN 56347, (320) 732-6925.

KIM SAMUELSON
RBJ'S SPREADABLE FRUIT
CROOKSTON, MINN.

Kim Samuelson never expected her rhubarb-strawberry jam to win fans across the country. Five years ago, the owner of RBJ's Restaurant just wanted "to serve something unique to our customers." Her unconventional marketing methods have ranged from sending

sample jars to retailers randomly selected from the yellow pages to appearances on the QVC television shopping channel.

Samuelson's product line now includes honeys, syrups and other fruit spreads such as rhubarb pineapple, strawberry peach and rhubarb almond. She also markets gift and sampler packages and a rhubarb recipe book.

RBJ products are in national grocery and specialty shops. For more information or to order by mail, contact Samuelson at 1-888-711-3636.

GEORGE ECONOMY
HELIOS NUTRITION
SAUK CENTRE, MINN.

In 1997, George Economy founded Helios Nutrition to produce kefir, a fermented dairy beverage with more beneficial bacteria than yogurt. Three years later, when the Sauk Centre creamery that was making the kefir decided to sell out, Helios Nutrition bought the 80-year-old plant, one of the few independent dairies remaining in the state. It bottles Pride of Main Street milk and ice cream as well as Gemini Guernsey milk and other private-label specialty products.

The rBGH-free milk and ice cream are delivered through independent distributors to homes and retail stores between St. Cloud and Alexandria. The Helios Nutrition Organic Kefir with FOS is sold in all 50 states in natural food stores as well as Coborn's, CashWise, Byerly's and Kowalski's.

For more information, contact Economy at (651) 735-0919 or geconomy@heliosnutrition.com.



STEVE KLEIN
KLEIN FOODS AND
WALNUT GROVE MERCANTILE
MARSHALL, MINN.

Steve Klein left teaching in the early 1980s to take over his dad's half-century-old bee business. Ten years later, he started adding flavors to whipped honey, such as hazelnut, amaretto, blueberry and apricot. He had so much success with his flavored honeys — frequent champions at the annual National Honey Show — that he expanded into more products. He now sells Walnut Grove Mercantile handmade soaps, syrups and preserves along with Klein and Camden Wood gourmet honeys.

Klein's products can be purchased at gift stores, tourist shops and by mail order, and are also sold under private labels. Klein is building a new facility "that will have a retail store and a lot more production capabilities," he says.

For more information, contact Klein at 1-800-657-0174.

EILEEN CARLSON
EICHTEN'S HIDDEN ACRES
CENTER CITY, MINN.

In the mid-1970s, Eileen's dad, Joe Eichten, a dairy farmer disgusted with his dwindling milk checks, heard that the University of Minnesota was looking for pilot farms to make European-style cheese. Soon after, Joe and his wife Mary made their first Gouda cheese; the wheel still sits in a cooler display at the 500-acre family farm.

Today, Eichten's Hidden Acres Cheese-n-Bison Farm produces

2,000 pounds a week of Swiss, Tilsit, Cheddars, flavored Gouda and other Dutch and Danish cheese. They also raise and process bison, making jerkeys, sausage and other specialty products.

Of the Eichten's 10 children, Eileen and three of her siblings are still active in the operation. Beside selling products through farmers markets, the Internet, mail order and delis, the Eichten run an on-farm store off Highway 8 near Center City.

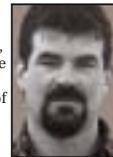
For more information, call (651) 257-4752 or visit www.specialtycheese.com.

TROY GULLEKSON
PENN FOODS
FERTILE, MINN.

Old-fashioned potato dumplings, pancakes and lefse are still loved by the descendants of Scandinavian immigrants. But spending a half day to make a batch isn't a 21st century ideal, so Troy Gullekson sells mixes that can be whipped up in 20 minutes. The appeal has reached a national scale, even with Czechoslovakians and Germans, who are adapting the mixes to their own recipes. Last year, Penn Foods added a dry bean soup mix to its line and is working on a multi-grain pancake mix and other products.

Gullekson purchased Penn Foods, which makes the Ragna's brand mixes, with his wife Michelle in 1999, though he is continuing his full-time job with the University of Minnesota-Crookston beef research herd. The potato mixes are sold primarily through retail groceries, gift shop markets and the Internet.

For more information, visit www.pennfoods.com or call (218) 945-6927. ■



PHOTOS BY ROLF HAGBERG



BRAVING THE FOOD MARKET:

HOW DID THEY DO IT?

It's a hard-knock life, maybe, but these food entrepreneurs are still at it ... and they've learned a lot.

Editor's note: The following interviews with six successful entrepreneurs were conducted by phone and e-mail. AURI extends a sincere thanks for their willingness to share their hard-won acumen with aspiring entrepreneurs.

From the ground up: development and financing

What are the most important ingredients in a business plan?

SAMUELSON: Marketing,

JAGER: Always, marketing

ECONOMY: Demonstrate a knowledge of the industry; show some product detail, a realistic budget, personnel requirements and contingency plans.

KLEIN: Is there a market big enough to make money? Are the margins good enough? Is the initial expense for start-up reasonable? How is this going to be sold? ... Who is going to do the selling?

CARLSON: Financial backing, long-range planning and marketing knowledge.

GULLEKSON: Customizing your goals so you end up where you want to be.

How important is adequate financing to a startup?

ECONOMY: Essential.

CONTINUES NEXT PAGE

A meal in every slice

AURI helps a Minneapolis bakery design nutrient-rich breads

BY E. M. MORRISON

Minneapolis, Minn. — A hearty new organic bread from French Meadow Bakery has all the right stuff: sprouted spelt, amaranth and quinoa; pumpkin seeds, flaxseeds and dates, plus one of the most nutritious and misunderstood food plants in the world — hemp.

Healthy Hemp™ sprouted bread is French Meadow Bakery's newest offering in the rapidly growing "functional foods" sector.

Functional foods are designed to meet specific dietary needs, says Lynn Gordon, president of the nationally recognized organic bakery, which sells two million loaves a year.

In addition to Healthy Hemp, French Meadow makes two other functional breads: Woman's Bread® with soy isoflavones and HealthSeed® spelt, both introduced last year. Later this year, the bakery will introduce a bread just for men.

Working backwards

Created for consumers who want lots of protein and fiber, all four breads present "a real baking challenge," Gordon says. She and business partner Steve Shapiro turned to AURI cereal scientist Charon Wadhawan in Crookston for help in developing the recipes.

Wadhawan began with the ingredients and nutritional qualities French Meadow wanted in each bread, then worked backwards. "I would formulate a recipe, fax it to them, they would bake it, and we'd analyze it for taste, texture, appearance and nutrition," Wadhawan says. Then the breads were tested at French Meadow Cafe, the company's busy restaurant in Uptown Minneapolis.

Wadhawan also found ingredient sources, assembled nutrient facts, and made sure product labels met federal and state regulations.

Ladies first

Of the "functional foods" breads, Woman's Bread was developed first and quickly became the company's second-best-selling bread. Like all



Lynn Gordon's hemp bread, developed with AURI's help, is the latest offering in a line of 22 varieties. The French Meadow founder says father Bob Smith inspired her love of nutrition and traditional foods.

22 French Meadow varieties, Woman's Bread is kosher, organic and naturally leavened. No sweeteners, dairy products or fats are added. Soy isoflavones in Woman's Bread supply 40 milligrams of phyto-estrogen per serving, touted to relieve symptoms of PMS and menopause.

HealthSeed spelt was developed at the request of French Meadow customers who wanted a high-protein, wheat-free bread. It's lower in carbohydrates than most breads, making it suitable for the popular "zone" diet.

Inquiries from Canada

Healthy Hemp sprouted bread was also developed by request. In late 1999, "Canadian hemp growers approached me and said we'd be the perfect company to do a hemp bread," Gordon says.

She had long been interested in the versatile hemp plant, which has thousands of food and fiber uses but suffers from a bad case of "mistaken identity." She and Wadhawan incorporated high-protein hemp flour into a toasting bread she calls "a meal in a slice of bread." Hearty Hemp made its market debut in May. Like the other functional breads, it is selling well, Shapiro says. "They're among our fastest growing products."

Now, Wadhawan is helping French Meadow develop a high-protein, high-fiber, prostate-friendly bread with saw palmetto for men, due out this fall. Says Gordon: "So many men were saying, you've got a bread for women, why not make one for men?"

When Good Morning America called

AURI has assisted French Meadow in other important ways. In July, for example, Woman's Bread was featured on the television show Good Morning America. The day before the broadcast, ABC producers called Gordon, asking for additional nutrition information.

"They had to have that information or they weren't going to feature the bread," Wadhawan recalls. "Lynn called me late in the afternoon, and we dropped everything to get it done." Gordon and Wadhawan worked for several hours, making phone calls to suppliers and calculating nutritional information in the form requested by ABC News.

The mad scramble paid off. Since that broadcast, Gordon says, "We've been getting 2,000 hits a day on our Web site." ■

A passion for bread

How French Meadow founder Lynn Gordon built a renowned national bakery

BY E. M. MORRISON

Lynn Gordon made her prosperous bread business from scratch.

The Minneapolis entrepreneur began French Meadow Bakery in 1985. She baked bread at night in a rented cheesecake factory, with help from her dad and a borrowed French chef. She begged shelf space in a handful of local food co-ops and delivered the bread herself. Her kids colored the advertising posters.

Today, Gordon and co-owner Steve Shapiro produce two million loaves of bread a year. Their nationally recognized bakery employs 70 and distributes to all 50 states. Twice named one of America's 10 best bakeries by Bon Appetit magazine, French Meadow has built "a reputation for excellence and quality," says Gordon, company president.

What did it take to make this bread business rise? "Tenacity and determination and dedication and commitment," she says.

Beginnings

Gordon, 47, grew up in the Twin Cities. Her mother died of cancer at 42, leaving three young daughters. Early on, Gordon's father, Bob Smith of White Bear Lake, instilled in his children an awareness of the link between diet and health. "Dad gave us things like wheat germ and blackstrap molasses, and we had a huge garden."

As a young mother, Gordon taught cooking at the Traditional Center for Macrobiotics in St. Paul. Later she became interested in the all-but-lost craft of naturally leavened bread and went to California to study with French baker Jacques de Langre.

"Now there's a great resurgence of artisan breads," says Steve Shapiro, French Meadow vice president. But in the early 1980s, few American bakeries were producing "real bread," made the old-fashioned way with fermented starter instead of yeast, he says. "No one in the U.S. knew how to do it. It was a lost art."

Gordon began buying naturally leavened bread from California for her students at the Traditional Center. "I was having hundreds of loaves shipped UPS." That

convinced her there was a market for Old World bread in Minneapolis.

Working all night

In 1985, divorced with three young children, Gordon rented time in a Burnsville cheesecake factory, going in at 8 p.m. and baking all night. Her mentor, de Langre, sent a French baker to Minnesota to help her.

During the day, Gordon, formerly a top-selling travel agent for Dayton's, made sales calls, did store demos and talked to customers. On weekends, she and her dad sold bread at the Minneapolis Farmers Market.

Gordon's father, now 76, played an important role in getting the venture off the ground. "He made deliveries, helped in the bakery, did anything I needed — and he wouldn't take any money for it," she says. "He was a big part of my business."

A bakery booms

Gordon's initial market was Twin Cities food co-ops. As word of French Meadow spread, she began

getting mail orders. Then the bakery got some national press and natural foods distributors started calling. Gordon went to a gourmet food show in Chicago and landed 300 new accounts.

Steve Shapiro joined the business in late 1986 to oversee operations. That left Gordon free to concentrate on sales. She traveled extensively, developing bread accounts in all 50 states, Puerto Rico and Canada.

In 1989, Gordon and Shapiro moved out of their leased facility and opened a storefront bakery in busy Uptown Minneapolis. Three years later, they added an 85-seat cafe. French Meadow Bakery now bakes 7,000 loaves of bread a day; 90 percent are sold outside Minnesota, shipped frozen by 12 natural foods distributors.

The fourth child

Gordon built her company without going into debt. As a successful entrepreneur, she is often asked for advice about starting food ventures. "The food business is a low-margin business," she warns. "And it's highly competitive."

Seventeen years ago, French Meadow was one of the "pioneers" in the organic market. "But now, organic is far more competitive." In a crowded marketplace, having a good product is no guarantee of success, she says. Many good products "just can't get distributed; they can't get shelf space in stores."

Food ventures also demand tremendous time and energy. "If you don't have a huge amount of money to spend, you must be willing to devote at least 10 years of your life" to establishing a product. "It takes tons of work, day and night."

After 16 years on the road, Gordon recently hired a national sales manager. "But I still work all the time. I'm out in the stores, I talk to people, I do 10 food shows a year." Such commitment is only possible if you truly love what you are doing, she says.

"Your work must be your hobby and your passion. I still work seven days a week. I don't have to — it's my choice. French Meadow is like my fourth child. I love it." ■

"If you don't have a huge amount of money, you must be willing to devote at least 10 years of your life ... it takes tons of work, day and night."

— LYNN GORDON
ON STARTING A FOOD BUSINESS



Designed for specific nutritional needs, French Meadow breads tie new "functional food" trends to Old World baking methods. Coming soon: a bread just for men.

PHOTOS BY ROIF HAGBERG

FROM PREVIOUS PAGE



SAMUELSON: Very important. We are fortunate that we were an existing business. It would be difficult to go it alone.

KLEIN: Medium — I started with no financing.

GULLEKSON: You can do with what you have; you just have to adjust your plans accordingly. Starting a small food business doesn't have to be a high-risk venture.

CARLSON: It's very important to know what financing's available and where to get it at low interest.

What advice do you have for those capitalizing a new product venture?

GULLEKSON: It doesn't make sense to go beyond what you can reasonably do with your local bank.

CARLSON: Do not go into debt too heavily to start out, or you may get the product back.

JAGER: If you've got a good business plan and can show the banker how you're going to sell this, it's a lot easier. Of course, some sort of track record helps.

ECONOMY: In addition to tapping debt and equity sources, one can often find financing from suppliers, product manufacturers or co-packers. It's something people often don't think about.

What have been the most challenging regulatory hoops to go through?

CARLSON: All of the state regulations and licenses. And then FDA, especially with labeling.

SAMUELSON: Information is often difficult to locate.

KLEIN: We haven't had a whole lot. Initially it was understanding the parameters of labeling.

GULLEKSON: I guess it's gone pretty smoothly. Getting a food manufacturing license and all that was very easy — you just have to do what they want you to do.

JAGER: You talk to some people and the notion is, "How much can we get by with?" ... But I always got along well with the State people. Before we started, I called the ag inspector and said, "You tell me what to do." He said "do this, this and this," and we did. They're not the police, they're there to help — for everyone's benefit — yours and the consumers'.

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FROM PREVIOUS PAGE



ECONOMY: The most challenging has been relaying health benefits in a manner that's understandable to

consumers yet still conforms to FDA requirements. For example, there are many people with certain diseases who benefit from our product, but without clinical trials we're not allowed to make claims. Also, several states have their own requirements, above FDA. That was kind of a surprise. For example, we had to be licensed in Alabama, which costs \$250 a year.

What agencies or organizations have you found helpful?

ECONOMY: For me it's been AURI, the Minnesota Department of Agriculture (MDA), Minnesota Technology, the FDA and a variety of local organizations such as Stearns County and the City of Sauk Centre.

JAGER: For nutritional labeling, we went through AURI. We changed our line a little bit and went with low sodium; Charan Wadhawan was real helpful in reformulating that.

KLEIN: AURI was valuable. Small Business Development people were helpful for certain things, as was the Southwest Regional Development Commission.

SAMUELSON: AURI and the Minnesota and North Dakota agriculture departments.

GULLEKSON: MDA and AURI.

CARLSON: (Same) and the U of M Food Service and Extension Office.

People, promos, pricing: marketing factors

What are the best tools for assessing consumer interest in a new food product?

KLEIN: When you're starting off small, there's nothing cheaper than just making some of the stuff and getting the label and trying it. It's cheaper than focus groups, surveys, research. That's on a small scale.

CARLSON: Sampling and direct marketing to people you meet yourself.

ECONOMY: In-store sampling — defining your target consumers and getting their feedback in an actual store setting. I say 'define customers' because our product could be hated by 95 out of 100 people, but they aren't our target group — the five are.

CONTINUES NEXT PAGE

l i t t l e d e t a i l s m a k e b i g s a l e s

Apple Crisp mix finds a niche in specialty stores

BY GREG BOOTH

St. Louis Park, Minn. — Kari Lee Beutell appears undaunted by the 60,000 pounds of apple crisp baking mix behind her, waiting to be put in one-pound packages.

After all, that's how she and husband Tom started Kari Lee's Country Mix Company eight years ago. "We swept the floors, cleaned, hand-scooped and filled every package that left our place," Beutell says. "You have to do everything at the beginning yourself. ... If you don't, you can't teach others how you want it done."

Today, Kari Lee's manufactures in a 4,500-square-foot building and has 15 employees, yet the Beutells keep eyes and hands on every detail. Attention to the little things goes as far as how employees roll the coffee-style bags closed or how many decorations to attach with a glue gun.

Flavors and easy fixin's

The fixation on fine points has landed a dozen Kari Lee home-baking products in stores such as Williams-Sonoma and Cracker Barrel.

"We have 13 different products," Beutell says. "The biggest seller is Apple Crisp Mix. We do have a company that blends it. ... We get a truckload of Apple Crisp Mix every week, and we re-package it, from 50-pound bags to one-pound packages." Other mixes, from Apple Cinnamon and Blueberry 'n Bran muffins to Fruit Cobbler and Cinnamon Swirl Coffecake, are manufactured on site.

Packaged in plaid bags and aimed at family cooks who want time-saving ways to fresh-baked goods, the mixes sell at farmers markets, gift shops and other niche markets. Even the print on Kari Lee's Country Mix products is a

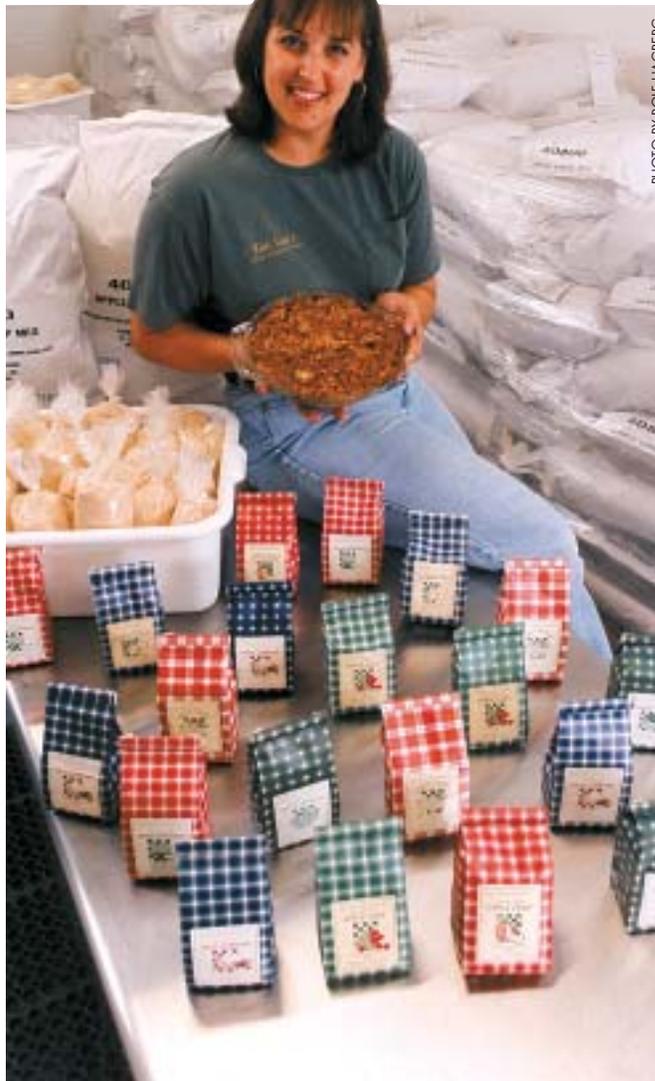


PHOTO BY ROIF HAGBERG

carefully crafted appeal. "Nothing is more comforting than our homemade Apple Crisp still warm from your oven. Juicy apples, tucked under our oat crumble topping, make a perfect treat year-round."

Pinpoint your prospects

"You have to really research your customers and make sure that you have a product needed in the marketplace," Beutell says.

"We didn't go out and try to get as many accounts as we could. We pinpointed our market — 'this is a product that would be good in Cracker Barrel.' We didn't spend a lot of money on direct mailings; we chose the customers we thought our product would work for, and it did work. It grew fast at the beginning."

That fast growth was difficult, especially with children ages 2 and 4, Beutell says. She and Tom tried to balance work with family, even as Tom's job moved him around the country.

Now Kari Lee's is permanently based in St. Louis Park. Tom "runs the business," Beutell says, "and my side is product development, sales and marketing. He loves doing production and managing people. I bring in sales and promote the company."

"For us, it was always our dream to do a business together and work together."

Kari Lee's Country Mix products are marketed directly at www.karilee.com. To order, call 800-230-3473 or e-mail the company at orders@karilee.com. ■

In eight years, Kari Lee Beutell has put 13 baking mixes on the shelves of such national stores as Williams-Sonoma and Cracker Barrel.

shake-up in Solway

Blackstar Dairy finds marketing its own products a welcome change

BY GREG BOOTH

Solway, Minn. — At Blackstar Dairy, the cream really does rise to the top.

Rod and Sue Cloose and their cows make milk and yogurt the natural way — no bovine growth hormones, yogurt with active cultures, and non-homogenized milk delivered fresh every week. Customers shake the bottle to mix the cream back into the milk.

The Cloose duo had a shake-up of their own last year when they decided that 12 years of modern dairying were separating them from their five kids. Hoping to blend work and family and keep it on the farm, they enlisted the help of the Farm Business Management program at Central Lakes College in Staples, Minn. There they “ran those numbers,” Sue says, and decided that farm-based milk and yogurt production was “way too good a business to not do it.”

On March 28, they started bottling milk; on May 26, they began packaging yogurt.

The Clooses’ Blackstar Dairy is selling milk and yogurt in area grocery stores, where customers can pick up fresh products with a local connection.

“Some people don’t care if it’s natural,” Sue says, “they want a local product. Some are concerned about the natural, non-homogenized milk — it has more available calcium.” Consumers like the freshness, too. “Our milk is 24 hours from cow to shelf,” Sue says.

A lot to know and learn

Research told the Clooses they needed 90 to 100 cows, and a city of



PHOTOS BY ROIF HAGBERG



10,000 within 20 miles of the dairy. Their northern Minnesota location — 13 miles from Bemidji and Bagley on U.S. Highway 2, 20 miles from Clearbrook — was ideal.

“There’s a lot to know and a lot to learn,” Sue says, “but it’s not rocket science. The hardest part is marketing.”

At Blackstar Dairy, each cow has her own choice of bedding: wood shavings, paper, straw or sand. “Cows are like people,” Sue says, “they have their own preference.” The Clooses are proud of their cows: “You can’t produce a good product without healthy animals.”

Blackstar employs two full-timers and one part-timer to produce milk

and yogurt and handle the extra paperwork. Five yogurt flavors are in production, with three more in development, Sue says. Blackstar mint yogurt is unique in the marketplace. Their fruit yogurts — strawberry, raspberry, wild blueberry — are made with fresh, uncooked fruit. Milk production is split between two percent and skim.

While researching the marketplace, Sue and Rod considered how to improve on products already in stores. “First and foremost, you have to have the best product available,” Sue says. “Look at the market, and find something you can do better than anybody else out there.”

“I can’t make good ice cream, so we settled on yogurt and milk.”

Making the most of milk

When the Clooses took their idea to Lueken’s Market in Bemidji, “the yogurt sold them,” Sue says. Blackstar had “full commitment and backing” from Lueken’s; the grocer printed fliers and featured Blackstar products in advertising.

The Clooses and Lueken’s thought they could sell everything Blackstar produced. So far, that hasn’t happened, but the Clooses believe

they may reach that goal in a year or two. Milk not processed on-farm is sold to Associated Milk Producers Inc. The Clooses plan and bottle just enough milk to retail in a week, so they have no milk returned.

While getting the natural milk accepted by consumers hasn’t been difficult, Sue says approval from the Minnesota Department of Agriculture was a struggle. For the MDA, milk is defined as vitamin A- and D-fortified, so approval without those additives took some negotiating.

At first, “they wanted us to label our milk ‘imitation,’” she says. However, the milk and labeling were finally approved. AURI food scientist Charan Wadhawan also helped the Clooses with nutritional information and compliance with state and federal regulations. ■

UPPER RIGHT: Rod and Sue Cloose did the research and found their farm’s size and location is ideal for on-site dairy processing and local marketing.

AT LEFT: Blackstar Dairy’s milk is non-homogenized and goes from cow to shelf in 24 hours. The yogurt is made with fresh, uncooked fruit. “Find something you can do better than anybody else out there,” Sue says.

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SAMUELSON: In-store sampling and instinct.

GULLEKSON: Snoop around and find out what people want

and aren’t able to find. There are a lot of food products people want that corporate food companies won’t touch because they’re too low in volume. But a small food company can fill that need and make a profit.

JAGER: Going directly to the customer. We worked with Jim Cahill (a marketing consultant) and did a number of in-store interviews with customers and sent out surveys. Focus groups helped us formulate our Oriental (soup mix). Japanese families, for example, told us our products were too westernized, too hearty, too much rice. They like a delicate, more watery soup.

What’s your experience with outside marketing help, such as consultants or market studies?

KLEIN: In the specialty arena, not very good — nobody knows about it.

ECONOMY: When we’ve used people extremely familiar with the industry, our experience has been positive.

JAGER: I would recommend working with a consultant.

SAMUELSON: We are lucky to have a marketing consultant who has helped us stay on track.

CARLSON: Most (consultants) are too big and want too much money for a small starting company.

GULLEKSON: A marketing plan should be tailored to a client’s needs. A consultant could do a plan that could take you somewhere you don’t want to be.

Do you consider it best to develop and market one product at a time or to offer a variety?

CARLSON: One or two at a time.

SAMUELSON: (One at a time) ... product development is time consuming and expensive.

ECONOMY: I believe it’s best to start with one product but offer a variety of flavors. It’s complicated enough to get your brand identified, but you need variety to interest retailers, distributors and consumers. It also helps establish more shelf territory. The more you have, the better your sales. Four times the shelf space could mean more than four times the business.

JAGER: When you go to a distributor, they’re looking for a line.

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That's why we came up with four. What's strong in one region may not be in another. Our onion flavor, for example,

sells well in the South but is not as strong in other regions.

KLEIN: It's difficult to come into the market with one product unless it's an extraordinary thing.... You probably want three or four varieties to show you're a legitimate company.

GULLEKSON: New products need to be introduced carefully, after a lot of thought and research. We're trying to add one new product per year. If you rush it, you'll end up making mistakes or putting your resources down a dead-end road.

Do you have a Web site and has it helped?

SAMUELSON: Yes.

GULLEKSON: Yes, we've gained national exposure from our Web site and people are finding our products.

CARLSON: Yes, for about six years; it's basically a tool for additional sales.

KLEIN: Yes, it has helped some. More than anything, it has helped us sharpen our marketing focus and product presentation, rather than just selling a ton of stuff.

JAGER: The Internet is faltering a little, but I don't think it's dead. It's realigning. We just reinstated a Web site and the focus will be individual sales. We can make more money going direct to the consumers than in the mass market.

ECONOMY: In our case, it's not possible for a consumer to understand all our products' benefits by just reading the label. (The Web site) provides more information... including what stores are carrying the product.

How did you determine price?

CARLSON: At first, just by the price of milk.

KLEIN: To make the kind of margins you need with a specialty product, you have to sell it for three times the cost of production. Otherwise, it's not worth it.

SAMUELSON: We researched products like ours and factored in our costs. Some products we like didn't make the cut because they are just too expensive to produce and re-sell.

SO MANY STORES, SO LITTLE TIME

Papa George spreads his sausage message

BY DAN LEMKE

Stillwater, Minn. — No one knows more about George Ghanem's sausage consumers than he does. As producer of Papa George food products, he's gained that insider info the hard way — demo by demo, one store at a time.

Ghanem began producing ethnic sausages in 1993. Eight years later, his Papa George line has expanded to seven products: three flavors of ground pork rolls, gyros, cucumber sauce, ground lamb and salami. The line sells in Cub Foods, Lunds, Byerly's, Kowalski's, some County Market stores, select stores served by Super Valu, Rainbow Foods, Super Target and more. Papa George products were recently accepted by a large chain in the Chicago area. Ghanem says there is strong potential for his products to be picked up by retailers in North Dakota, South Dakota and Iowa, in addition to more outlets in Minnesota, Illinois and Wisconsin.

"You have to start by doing things directly yourself," Ghanem advises. "As an entrepreneur, you can't rely on someone else. You have to have done it yourself at least once."

Ghanem estimates his one-man show has given away well over two million samples during the past seven years. Those samples represent thousands of hours

logged at product demos in stores and at events. Yet the information he's gained is one of Ghanem's most valuable assets.

"The demo helps scope the potential," Ghanem says. "Consumer feedback helps to make the goals realistic."

Ghanem says he's done so many demonstrations he can tell who will likely buy his products and who won't. He's been able to develop a template, essentially a consumer profile, to describe the cross section of the population that uses his product.

"You get to know the consumer better — because you have to know how people like your product." ■



PHOTO BY ROIF HAGBERG

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Finding flavors around the globe

BY GREG BOOTH

Minnetonka, Minn. — Scott Jacobson's alter ego, Jake, is worldly, bold, eager to please. His motto: "I search the world to bring you the best."

Part of that search ended in Minnesota, where Jake's Trading Company found sunflower seeds and GMO-free soybeans. Other foods offered by the company are more exotic: dried apricots from Turkey, pineapple from Thailand. Jake's bold label lures customers with a taste for travel and adventure.

Jacobson sells his packaged snacks in specialty stores as well as big groceries like Byerly's, Lunds and Super One. He's received AURI assistance to get into trade shows and promote private-label packaging (manufacturing products for other companies under their label).

"The cost of distribution is the most difficult item," Jacobson says. "There's a lot of competition out there — a lot of established companies do a good job. But as a young

company, we have service others don't have. We have good quality products, and our customers' business means a lot to us."

Jake's Trading Company is expanding its product line this fall with new sunflower seeds, soy nuts, dried fruit and trail mixes in improved packaging, Jacobson says. AURI's Charan Wadhawan has helped Jacobson develop stand-up bags for the snacks.

In the food business, Jacobson says it's necessary to "do your homework. Understand your products and your markets; understand how things work.

"And," he adds, "whatever you think it's going to cost, double it."

For more information, visit www.jakestrading.com. ■

AT RIGHT: Scott Jacobson of Jake's Trading blends the fruits of Turkey and Thailand with Minnesota seeds and beans.

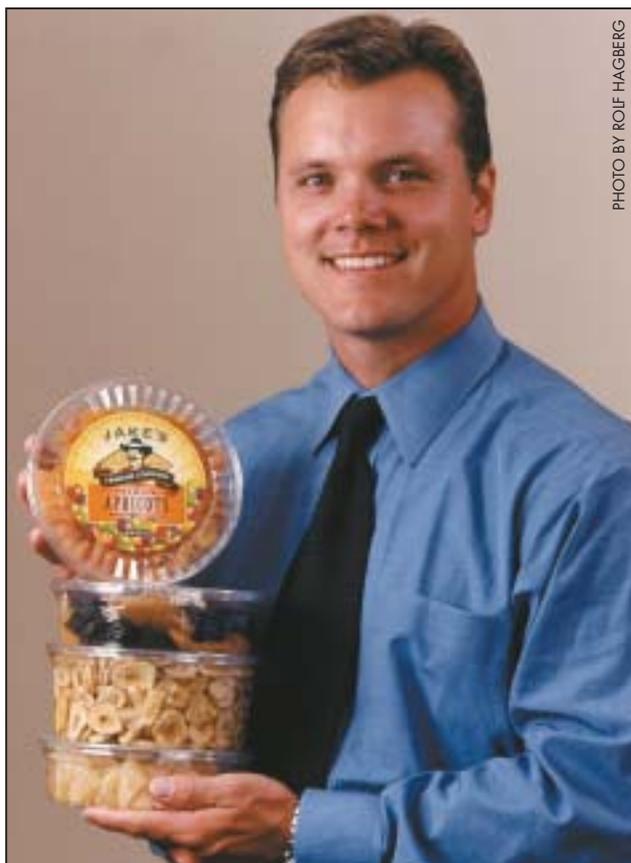


PHOTO BY ROIF HAGBERG

New meats on the menu

AURI study to generate market information for livestock producers

BY E. M. MORRISON

Need elk? Minnesota leads the nation in producing elk meat and antlers. The state's 264 elk farmers are pioneers in the small but growing specialty meats industry.

Farmers are showing interest in other livestock, too, including goat, lamb, bison, rabbit, ostrich, deer, duck, pheasant and free-range poultry, says Lisa Gjersvik, AURI project director in Waseca. "Over the years, we've had a lot of inquiries about alternative livestock from producers who want to diversify."

Good information about specialty livestock production and marketing is hard to come by, Gjersvik maintains. That's why AURI recently commissioned a detailed study of this emerging food-industry sector.

The \$20,000 study, now underway, will outline consumption trends and identify potential

markets for specialty meats. It will also survey the current volume of specialty livestock produced in the state and the capacity of Minnesota meat processors to handle these species.

The study should help farmers evaluate the risks and benefits of raising alternative livestock, says Dennis Timmerman, AURI project director in Marshall.

The study will also reveal where farmers can work together to supply markets. "While some specialty meat producers have collaborated through co-ops, the majority go it alone," Gjersvik says. The industry needs "a concerted effort to bring these producers together to reach a critical mass for supplying the market."

The study, conducted by DeHaan and Associates, a market research firm based in Kansas City, will be available later this fall. ■



PHOTO BY ROIF HAGBERG

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JAGER: You bring everything to bear — raw ingredients, packaging, labor, what it costs to deal with a distributor or

broker and the cost of money. So if you can run a net profit of 6 to 10 percent, that's covering all the bases. You have to reach a certain sales volume, too, and figure out what the break-even volume is.

ECONOMY: Price is based on the competitive situation, interviews with retailers and establishing sufficient profit margins to cover sales and marketing expenses. Often people will make the mistake of looking at initial costs to determine price. They need to understand that as volume goes up, expenses go down. You have to weigh in the disadvantages of setting a price too high ... be prepared up front to break even or even lose money if it helps you be more competitive. Down the road you'll make money.

GULLEKSON: I suggest comparative pricing, keeping your final end result at a reasonable price yet profitable. And not being too greedy.

What have been your best advertising and publicity tools?

CARLSON: Local newspaper articles about the product.

GULLEKSON: Doing a booth at festivals — like Barnesville's "Potato Days."

SAMUELSON: We've had a lot of local press as well as national — the best tools were the ones we didn't have to pay for.

ECONOMY: We spent a lot of time and money on the product packaging, so it's a nice sales point. Articles in Ag Innovation News and trade magazines have helped. We haven't advertised in major ways. Sometimes stores and co-ops have newsletters that we advertise in, but in-store demos have generally been the best advertising.

KLEIN: The products themselves ... word of mouth.

JAGER: I think I'm still looking for them.

In your view, is it better to target a niche market (gourmet, organic, regional, etc.) or tap into the mass market?

SAMUELSON: Target a niche market.

CARLSON: Niche market, for small companies knowing their specialty product.

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GULLEKSON:

Anybody who thinks they can produce a cookie or anything else cheaper than Keebler is crazy. You

have to find something unique, different — that there's a demand for.

JAGER: Mass marketing is so expensive and that was part of our problem, not realizing the exorbitant cost. We're switching to specialty markets and we keep getting letters from individuals who want to buy direct, by the case. You charge what would be going to the store, after the distributor. I'm making more and I don't have all the associated costs of in-store demos, coupons, paying a broker.

KLEIN: I don't know how anybody starting up can go into a mass market. If it's food, I would say it's virtually impossible because grocery stores want slotting fees — your rent for the space — that will cost tens of thousands of dollars right off the top. Your margins are going to be very small. If you're ready to make a million products a year, you probably have enough money already.

ECONOMY: Niche market is the only way to go. Your consumers are more in touch with you and you're not competing against major brands. There are no slotting fees and price is not the driver.

Move it out: distribution challenges

Can you give some insight on food distribution channels — where have you had the most success?

KLEIN: Commissioned sales representatives. If you're going to do mail order yourself, that's extremely expensive. If you're going to hook up with somebody else in the mail order business, it's very difficult. There are companies we've been pitching for seven or eight years — it's difficult to make inroads.

CARLSON: Our best success is direct marketing at farmers markets.

GULLEKSON: Mail order and the Internet work well. But to move volumes you need to get into retail. Some of our product goes to a gift mall where shop owners decide what they want to buy. You can't ignore any avenue even if it's low volume; everything adds up.

JAGER: We're looking more at going directly to the individual. We have a

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pitching soup

Once a professional baseball player, Jim Wheeler is now marketing Minnesota-grown soup mixes.

BY GREG BOOTH

Minnetonka, Minn. — Like a pitcher facing a starting lineup, Jim Wheeler has stared down some powerful forces in the struggle to grow his specialty food company.

Wheeler, who spent two years pitching in the Detroit Tigers association, is in his fourth year of running Soup 2000 Inc. The company markets Cabin Cuisine soups, snacks, gift foods and Mama's One Pot Meals — soup mixes from Minnesota-grown vegetables, potatoes and wild rice.

Wheeler says there are three essentials for success:

Manufacturing: "Regardless of brand or label, if you can't fulfill orders, you can't make it," Wheeler says. After a few balks, Wheeler found Northwestern Foods in St. Paul. The co-packer provides "close control of manufacture for all my soup mixes."

Packaging: "I started with a package that was not grocer-friendly." With AURI's help, led by Lisa Gjersvik of Waseca, "I developed a new gusseted, stand-up, shelf-ready and retail-friendly package."

Marketing: "I tried to (make sales) without having the first two buckled down," Wheeler says. Now that manufacturing and packaging have improved, "it's easy to market. I've had an increase in acceptance from groceries and gourmet/gift shops. The packaging has opened up a lot of doors."

The brand's convenience is also a natural for campers and canoeists. Large soup batches can be mixed up in minutes, one-cup versions in seconds. The Soup 2000 line is both earthy and gourmet: the Web site touts Roasted Garlic Soup Toppers, for example. "Just because you're camping doesn't mean you shouldn't eat in style."

Wheeler takes his soup mixes and snacks to specialty food trade

shows in New York, San Francisco and Chicago. He's also "making an aggressive move" to make private label foods for other companies, as well as convenience foods for office cafeterias.

Direct sales are handled through the Soup 2000 Inc. Web site, www.soup2000.com ■

Manufacturing and packaging changes made it easier for Jim Wheeler to market his Cabin Cuisine and Mama's One Pot Meals soup mixes.



PHOTO BY ROF HAGBERG

Road maps to market

AURI's Gjersvik and Wadhawan share tips from years of observing and coaching food entrepreneurs

Lisa Gjersvik, project director at AURI's Waseca office, and Charan Wadhawan, AURI food scientist in Crookston, have been with AURI since its first years. For over a decade, Gjersvik has shown food entrepreneurs the road map to the marketplace, forked with business plans, market research and distribution strategies. Wadhawan does the nutritional analysis and formulations that can turn a favorite family recipe into a shelf-stable commercial product that meets today's rigorous labeling and quality standards.

Both have seen entrepreneurs successfully launch new food products, but they have also seen some who have failed. Their combined wisdom, from the business and technical aspects of commercialization, is worth thoughtful attention.

First Steps

When entrepreneurs come to you with ideas for new food products, what is the first step you advise them to take?

GJERSVIK: I encourage them to spend time assessing their intended market before they get caught up in product development, processing and distribution — it can save them a lot of headaches later on.

WADHAWAN: Concept development is the first and most important step. Is there a market? Does the entrepreneur have technology to develop the product? If not, AURI helps him or her get there. Should the product be co-packed? Do they have the right mode of distribution? For developing the actual food product, the entrepreneur needs to have a reference point and set preliminary parameters for ingredient costs, nutrition profiles and processes.

How do you evaluate whether an idea has merit and market potential?

GJERSVIK: I use common sense first. Are there truly any unmet wants or needs in the marketplace that the product can fulfill? If not, there's no potential. Simply being different than the competition does not mean the product is filling a niche. Sell what your customer wants to buy, not what you want to sell.



Wadhawan.

WADHAWAN: I look at the product's uniqueness and consider market research or information about similar products.

What are the most important ingredients in a business plan?

GJERSVIK: They're all important. Just like you would never go on vacation to a place you've never been without a map, so you should never go into business without a "map" on how you plan to get from point A (starting a business) to point B (a successful business). The business plan ensures that all aspects of the business have been critically evaluated for feasibility, from production and marketing to management and cash flow.

WADHAWAN: The business plan is a principal sales tool for the entrepreneur to raise capital. The most important ingredients are: money — how much is needed and where it will be spent — and marketing strategies.

What advice do you have for capitalizing a new product venture?

WADHAWAN: It is very important to figure out all costs. Insufficient financing is a major cause of small business failure.

GJERSVIK: Adequate cash flow is the most important consideration when financing. You need to have enough in the bank to cover expenses and service your debt (if any). You also need to be aware of the timing of cash going out and cash received from revenues.



Gjersvik.

Unless it's a cash business where payment is received immediately upon sale, which is rare, there will be a time lag. A business can't run long if cash going out exceeds cash coming in.

What agencies or organizations would you advise them to contact?

GJERSVIK: Small Business Development Centers, their local economic development professionals, Regional Development Commissions and regional Initiative Funds — and, of course, AURI. All of these agencies have programs, whether financial, business assistance or both, that help entrepreneurs get started. Some provide microenterprise or revolving loan funds as well.

WADHAWAN: Also, the Minnesota Department of Trade and Economic Development for their publication: *A Guide to Starting a Business in Minnesota ...* and the Minnesota Department of Agriculture marketing division for state licensing and marketing assistance.

Are there regulatory issues entrepreneurs often aren't aware of in the start-up phase?

WADHAWAN: Yes, there are a variety of issues entrepreneurs aren't aware of. One of the most common is that the product must meet FDA standards of identity and quality. Standards of identity define what a given food product is, its name, and the ingredients that must or may be used in its manufacturing. Standards of quality assume that the food is

properly prepared from clean, sound materials, without such factors as impurities, filth or decomposition.

Some standards set nutritional requirements, such as those for enriched bread or nonfat dry milk with vitamins A and D, etc. Foods with a nutrient content claim or modified from a standardized food (e.g. "reduced fat" or "reduced calorie") must comply with certain standards. All the FDA food standards are published in annual editions of the Code of Federal Regulations, Title 21, Parts 130-169.

GJERSVIK: Entrepreneurs need to get connected with someone who can help them navigate the regulatory labyrinth. FDA regulates labeling and marketing claims on packaging and the Federal Trade Commission regulates marketing claims in advertising and promotional materials. And then there are regulatory food inspections, depending on the product type and where it is processed.

Catching the trends

How do you determine where consumer interest is heading in the next five years, rather than just respond to current trends?

GJERSVIK: That's the \$64,000 question. Every year trade magazines have special issues focusing on trends, such as Prepared Foods or Food Product Design. These are must-reads.

WADHAWAN: Analyze demographic trends, attend new product seminars and industry shows, conduct independent market research, review advertising and brand publications and do a Web search.

What are the newest food trends and niches entrepreneurs could tap into?

GJERSVIK: Consumers want it all — their food to taste good, be easy to prepare and healthy. There will continue to be a merging of medicine, wellness and food. Here's where it's at: nutraceuticals,

ROAD MAPS

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base to start with.

ECONOMY: We have limited options. We have a refrigerated product so it's the

most difficult product imaginable to distribute. We have no ability to do direct marketing or mail order, so we go through a distributor.

SAMUELSON: We've tried it all, with success in each area. Direct marketing has been the most successful.

Should entrepreneurs pitch their own products or work through brokers?

ECONOMY: Initially, it's essential (to pitch your own product). The enthusiasm of an entrepreneur is unmatched. As sales are established it makes sense to go through a distributor.

CARLSON: You have to pitch your products whenever possible; brokers don't know your product.

KLEIN: I know some fairly successful companies that basically pitch their own stuff, but as a whole you simply don't have enough time.

SAMUELSON: Selling on your own is very expensive and time consuming, but hopefully you are your own best salesperson.

GULLEKSON: Pitch your own products; you've got first-hand knowledge of what's going on — that can get lost in the paperwork of a big firm. Distributors are pitched food products daily, and 90 percent fail. They are not willing or excited to talk to you.

Were you expected to pay for retail promotions? (in-store demos, samples, point-of-purchase, coupons, ads)?

SAMUELSON: Yes.

CARLSON: Yes and no (for some distributors). Do not give slotting fees to distributors.

JAGER: We're always expected to pay. That gets to be part of the deal with a distributor taking you on — how much are you willing to do (in store promotions, advertising). And you're usually paying some type of sales broker on top of it. Then, the distributor does not ensure that you're going to be in the stores — they ensure that if somebody else places the order, they'll take it off the truck.

KLEIN: In niche markets, generally not. In a mass market, yes, you have to do something — pay for a demo, give free cases, something.

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PHOTO BY ROLF HAGBERG

Editor's Note: This is the final installment in a four-part series following a year in the life of Bruce Tiffany, an entrepreneurial farmer who created wildlife treats from local commodities. Last spring, Tiffany mulled over what to give up — his

The life and times of an
ENTREPRENEUR
PART FOUR OF
A FOUR-PART
SERIES

livestock or his machinery repair business — to make time for his new venture. He's decided to forgo repair: "I'll just say 'no' more often and my customers will get the idea I'd like to quit." Although Tiffany's treats aren't yet in the marketplace, he recently found an opportunity in the bear bait market that could supplement sales to deer and wild turkey hunters.

Ag Innovation News will continue to update our readers on Tiffany's venture from time to time — so stay tuned.

BY CINDY GREEN

Bruce Tiffany was stalking for deer when he landed a bear — the market, that is.

When he perfected his pelletized apple and corn wildlife treats last year, Tiffany was expecting to attract deer — and the people who hunt or photograph them. Then he noticed wild turkeys enjoying his treats. And when Ag Innovation News started writing about his business last January, an old college buddy who leads bear hunts near Clearbrook,

Minn. called and suggested Tiffany try for bear.

So Tiffany designed a bear feed, sweeter and fatter than the deer treats. But with all the work to package and market his deer and wild turkey treats, he laid the bear bait aside.

At least until this summer, when his wife Ann saw a DNR-sponsored television ad about bear clinics coming in July and August. Tiffany got permission to hand out sample bags of bear treats at Twin Cities and Grand Rapids

Hunting for the bear market

Ag Web sites

BY JENNIFER PENA

Here's another potpourri of Minnesota-based sites for Internet aficionados. Expand your knowledge base, find something you want to buy, or just stay entertained for a while. And stop by AURI to see our newly remodeled look at www.auri.org.

area clinics, and friends have taken the treats to events he couldn't attend — in Clearbrook, Walker and Roseville.

A foot in bear clinics

"I believe it will open doors for us," Tiffany said after attending his first bear clinic in Eden Prairie on July 26. "The good news is we now have 75 people in the Eden Prairie area who are thinking about our product — whether good or bad."

At the clinics, following a DNR officer's overview on bear biology, habits and hunting laws, a local volunteer instructor knowledgeable about bear hunting "finishes up with a 'how-to' on doing the hunt and caring for bait.

"Each (hunter) told about their favorite baiting methods — saving fish guts, putting out a pickup load of cookies, finding places to buy fat and lard. Then they pointed me out. I told them what I had, said some captive bears had shown a liking for it, and now I'd like to see how it works with wild bears.

"They had a lot of questions and were free flowing with their knowledge. They were all pretty impressed with getting what they need in a bag. They can grab one, two, 10 or 20 and head to the woods. And they don't have a vehicle that smells like rotting fish guts."

Twice the wild bears?

Although the deer hunting market is much larger than bear — there are about 400,000 deer hunters and fewer than 20,000 bear hunters in Minnesota — it is legal to bait bear during hunting season, and the bag limit was raised this year to two.

"(Bears) were nearly eradicated when there was no regulated hunting — you could hunt them at will," Tiffany says. "But since (the 1970s) there's been a limited season and licensed bear hunting and the population has grown — about double what the DNR wants it to be. It's expected to get larger next year because food has been plentiful.

"These (hunters) are people who respect the bears' habitat and they have to try to figure out how to outsmart them. Bears like fat and sugar because they are getting ready for hibernation, so they have to take in as many calories as possible. Apparently what triggers the hibernation is when the food supply dwindles and they're burning more calories than they're consuming."

Just be honest

Along with samples of bear treats, Tiffany has given out stamped return envelopes and surveys designed by Ann to solicit how the treats worked, if hunters would buy them and for how much, and if they would recommend the bait to other hunters and retailers. After the two-month bear season ends on October 14 and the surveys start coming back, Tiffany expects to get a better handle on his treats' market potential.

"I'm hoping we get negatives if there are any; we want honest opinions. ... It's easy to give away products; turning that into customers who want to buy is something else — although I've had people ask if they could buy it. I said, 'a year from now, you should be able to get it in a store, and if they aren't carrying it, tell the store you want it.'"

Still playing with the brand

Tiffany is hoping to get his treats into the marketplace soon, but he wants to be careful to package them just right. Stunned by the price tag on bids he has received for printing labels, Tiffany realizes the design has to be exactly what he wants — or he could waste thousands of dollars on discarded labels.

If the bear market is promising, Tiffany will look at two or three treat varieties. His original label features a buck and wild turkey, but he may package separate treats for each game. And he'll need a new design for the bear treats.

"It's difficult to know where to position yourself," Tiffany says. "People say 'hire a market researcher.' The problem is, there's no product like it to compare it to.

"I don't really have a goal in mind — a certain number that I want to sell by this date. Having a certain goal is not as important as being successful."

Tiffany says he wants to stay open-minded and flexible to take advantage of opportunities he may not yet foresee.

"I don't know how far this thing can go, but I think we can adapt." ■

If you missed the first three installments, you can read them online:

<http://www.auri.org/news/ainjan01/08page.htm>

<http://www.auri.org/news/ainapr01/08page.htm>

<http://www.auri.org/news/ainjul01/12page.htm>



IPM resource

<http://vegedge.umn.edu>

Ah, remember summer? Warm days, cool nights and ... bugs ready to devour anything planted in the fields. "VegEdge" was created to help solve pesky pest problems. Bill Hutchison and Suzanne Wold of the University of Minnesota entomology department maintain the site to assist Midwest vegetable growers, processors and crop consultants with timely pest information. Integrated pest management tools include pest fact sheets, forecast maps, newsletters and state-by-state pest reports.

BREAD PHOTO BY TOFF HAGBERG • MONITOR APPLE.COM



Farm tours

www.snowvalleyfarms.com

By offering on-farm educational events, Snow Valley Farms caters to those who want to understand natural prime beef production. Visit this site for information on how to participate in a family farm day. See how cattle are raised, help with feeding and watering animals, attend "Hamburger University" to find out about beef cuts, or try horse and donkey school before wandering through gardens, orchards and vineyards.

Go where the auction is

www.agholine.com

This is an impressive listing of upcoming auctions in Iowa and Minnesota. Bookmark this place to check updates often. Agholine auctions sell everything from farm equipment to antiques and household goods to real estate. A "click-and-go" site — perfect for those who want to get straight to select information.

Dedicated to healthy soil

www.aglabs.com

International Ag Labs improves crop quality through nourishing and returning essential microbes to the soil. Soil problems are solved using Dr. Carey Reams' Biological Theory of Ionization. Reams was a soil scientist who viewed the soil as a living part of the environment, and staff at International Ag Labs carry on his efforts today. The company offers a wide range of services, including soil, plant tissue and water analysis.

Gardening up north

www.northerngardening.com

Few know the trials and joys of gardening in a northern climate better than Master Gardener Terry Yockey. A columnist and 21-

year veteran of Minnesota gardening, her site includes photographs of her and others' work, articles and tips, a forum where gardeners can trade questions and advice about short-season gardening in northern climes, and much more. A great resource for anyone interested in northern horticulture — even if you live in Alaska.

Soybean news

www.soygrowers.com

Everything you need to know about soybeans and the soybean industry can likely be found at this American Soybean Association Web site. News articles, legislative alerts and updates, soybean projects, markets and biodiesel promotion are just a few of the many issues covered. A community center and discussion forum also offer visitors the chance to connect with soy experts.

Pig pages

<http://netvet.wustl.edu/pigs.htm>

A plethora of sites feature pigs — but how to find the page you need? NetVet's made the search process simple by arranging a gigantic list of pig-related links by category, such as producer organizations, health issues, farm and pets. Want info on a different animal? Click on another species from the bottom of the page and you're off to another list.

A virtual horse ranch

www.innerworld.com/horse

This virtual horse ranch, featuring Maple Ridge Farm of Bemidji, Minn., delivers high-quality, low-cost advertising for horse sellers. The site showcases photographs and descriptions and puts buyers in direct contact with sellers via the Web. Free classified listings are available for horse-related merchandise and services, and soon visitors will also be able to link to a variety of horse-y sites and read horse ranch reviews. ■

ROAD MAPS

FROM PAGE 11

wellness foods, designer foods and near ready-to-eat foods that taste great and require minimal preparation.

WADHAWAN: I agree. Food trends are for functional, organic and healthy foods. Organic food sales reached approximately \$5.6 billion in the USA last year, up from \$4.7 billion in 1999.

Consumers are choosing foods based in part on how they protect against disease or enhance performance. Rising health costs and aging baby boomers are motivating food companies. For example, new federal guidelines calling for people to lower LDL cholesterol spike interest in foods with cholesterol-lowering ingredients.

Is it wise to purchase marketing services?

GJERSVIK: Yes. Unless the entrepreneur is experienced in marketing, it is wise to seek professional assistance. The challenge is finding a reliable consultant — be a wise consumer, ask for references and check them out. Try to find someone experienced in the market you're seeking to get into. Not all consultants are created equal.

WADHAWAN: It all depends upon the entrepreneur's background and the availability of experienced employees to take up marketing functions. If those elements are not present, then it is wise to purchase marketing services.

Is it best to develop and market one product at a time or to offer a variety?

GJERSVIK: In my experience, it is best to develop one new product at a time, establish the business during this learning period, then expand the product line. Do what you know best first. Ultimately, however, if you're looking to distribute products through a broker or distributor, some have a preference for product lines rather than sole products.

WADHAWAN: In my opinion it is best to focus on developing and marketing one product in the two to three most acceptable flavors (through sensory evaluation) and in two different sizes, such as single-serve and multi-serve packages. This causes less confusion in collecting market data.

How important is a Web site?

GJERSVIK: It depends. Having a Web site can be a convenient way to provide consumers with company and product information. But having one won't necessarily make you any more successful.

What are the advantages and pitfalls of marketing over the Internet?

GJERSVIK: One advantage is that it can provide a more level playing field for the little guy to compete with the big guys. However, that depends on how well the small business generates traffic to its site through search engines or printed materials. Most Web traffic still comes from written ads or promotional materials.

A Web site is good for providing information on the company, its product line and contact information. Some may want to sell on-line

via e-commerce. But companies can often be just as successful providing information for off-line ordering.

WADHAWAN: The Web provides a low-cost product display and easy consumer access. But you need extra staff to track Internet orders and the means to ship products. Order size can vary from day to day and you must be able to fulfill orders instantly, which requires extra inventory. So you also need to look at the product's shelf life under a variety of environmental conditions.

Attributes for success

Are there assets or personality traits you've observed in successful entrepreneurs?

GJERSVIK: Personality traits I see are optimism, ambition, self-discipline, self-confidence, innovation, goal-orientation, good sales ability and ability to problem-solve and take risks.

Assets needed include intelligence, strong interpersonal skills, leadership abilities, good management skills in employee and customer relations, operations and finances ... with a broad-based understanding of how to run a business. And above all, have a product or service that fills unmet wants or needs.

What is the main reason new food ventures fail?

WADHAWAN: Inadequate research: several studies confirm that is a major reason for new product failure. Other reasons for small business failures are a lack of necessary resources, such as people and funding, poor market understanding, a lack of commitment, no formal development process, poor decision making and a lack of focus and discipline.

GJERSVIK: Businesses fail for one or more of three reasons: money, management or marketing. Either they weren't capitalized well enough, the management wasn't experienced enough at their type of business, there wasn't a market for the product or, if there was a market, the business did not succeed at reaching it.

What is the most important advice you can give an aspiring entrepreneur?

WADHAWAN: Commitment. Focus on strategic objectives, with a long-term commitment to achieving those objectives. Know when to cut your losses and seek new directions.

GJERSVIK: There is a very high rate of failure for new businesses. Go into this with your eyes wide open. You must be willing to work very long hours and risk losing everything you put into the venture. Do your homework, make sure there's a market and seek the counsel of competent advisors.

Any other suggestions?

GJERSVIK: Although I don't usually promote any particular business toolkit Web site, there is one I have found to be comprehensive and useful for the small, startup company. Business Owner's Toolkit: www.toolkit.cch.com, particularly the site's guidebook: www.toolkit.cch.com/scripts/sohotoc.asp. ■

FROM PAGE 11



ECONOMY: Generally, we pay for in-store demos in larger stores; in smaller stores, we provide the product. In independent stores you don't generally have to pay for demos. In some larger stores, you can do your own, but you have to have a food handler license.

How do retailers determine price?

KLEIN: If it's a specialty niche market, that's most likely a 100 percent markup. Many products we buy cost six times what they cost to make.

ECONOMY: Many retailers work off a formula — 20, 30, 40 percent margins. Sometimes the strict adherence reduces sales. It's best when you can work with a retailer to show that a lower margin can increase sales.

GULLEKSON: Basically most have a set percentage markup they operate on.

Personality plus: keys to success

What personal attributes are necessary to an entrepreneur?

SAMUELSON: A belief in your idea and foresight, ability to dig in when times are tough, determination.

KLEIN: You have to have confidence. All the other stuff you learn as you go — marketing, managing, financials. Many times you don't start out with that knowledge

ECONOMY: Definitely a steadfast belief in your idea and the ability to deal with unforeseen events. I think, too, a willingness to learn is more important than management expertise. And a frank self-awareness of what's going well and what isn't.

CARLSON: Be able to take the ups and downs. And believe in quality of your product.

GULLEKSON: Patience, good people skills, determination and aggression.

JAGER: Persistence.

As a start-up entrepreneur with long, irregular hours and unstable income, how do you avoid burnout?

SAMUELSON: I truly love my job and feel that "someday" there will be a benefit from it. It helps to have good employees and a supportive family.

GULLEKSON: If you're fired up and excited about your product, enthused and set goals, it becomes fun.

ECONOMY: The key is to enjoy what you're doing and to set aside personal time. Something I realized over the years is the less I do, the more I accomplish. If you have a longer time horizon — that not all of it is going to get done today — then you can pace yourself.

JAGER: I've been a little frustrated recently, but my enthusiasm is picking up again because many customers are coming back without any prompting. You never seem to have enough money — you have to figure out what you need, ask for twice that much, and be frugal.

CARLSON: We did not let up on the quality of our product. We kept our focus on a daily basis.

KLEIN: Make money — that makes it all worthwhile.

If you could do it all over again, would you? Is there anything you would do differently?

GULLEKSON: Absolutely — 10 years earlier. The one who doesn't make any mistakes hasn't done too much.

SAMUELSON: Yes. I would be a little more cautious, but it is the challenge and the ability to rebound that makes it fun.

CARLSON: Yes and no. I would get an education in marketing first.

KLEIN: Oh yes. The biggest thing I would do differently is add a lot more products. We had interesting products, but the biggest thing in a niche market is, "What's new?" We tried to ride what we had a little too long without coming out with new stuff.

JAGER: I probably wouldn't pursue the mass markets the way I have. I'd spend that money going after niche markets. But they tend to be fickle, too, because what works one year might not work the next. Some years we've done very well in the gift market with gift packages, and then again, some years we've done very little.

ECONOMY: I think the important thing is to have a set of values, a greater awareness of what you're trying to accomplish that will have a positive effect on people's lives. People tell us we've had a tremendous impact on their lives — it's very rewarding.

Do you have other advice for "would be" food entrepreneurs?

CARLSON: Do lots of research and investigate similar companies.

ECONOMY: A couple times I've dealt with suppliers, distributors, customers that haven't felt right, and I've probably stayed with them too long. I have a fear of the unknown. My advice would be: don't be afraid to cut something off and start over.

JAGER: Marketing costs way more than you plan. There's always one more little problem or area to cover. Be very sure before you make a move because redoing something is expensive. Our first products had MSG and we found that didn't go with the health appeal of shiitake mushrooms. After just a little move — going to no MSG — we had thousands of labels that are no good — and it costs money to have those labels printed. Think and rethink it and get as much outside help as you can.

GULLEKSON: Don't let anybody discourage you if you believe in what you're doing, and keep at it. Dealing with warehouses and food brokers is very difficult. Start small and local and work your way up.

SAMUELSON: Slow and steady wins the race. Set goals and monitor them. If you desire to become rich you must remember it isn't quick and easy. If it were, everyone would be doing it. ■

Elsewhere in ag utilization

BY JOAN OLSON

Editor's note: As a service to our readers, we provide news about the work of others in the ag utilization arena. Often, research done elsewhere complements AURI's work. Please note that ARS is the research arm of the USDA.

Tops in organics

Minnesota is the top state in production of organic corn and buckwheat, according to a new report. The state is also second in organic soybeans and flax and third in organic small grains. "The Status of Organic Agriculture in Minnesota 2001" report is available on the Minnesota Department of Agriculture Web site at www.mda.state.mn.us.

Source: *Sustainable Agriculture, Vol. 9, Issue 5, May 2001.*

Which white corn?

An ARS geneticist in Iowa is working with Wilson Genetics, LLC, Harlan, Iowa, to characterize and compare starch and milling properties of 20 unique white corn lines. The research is part of a worldwide search for corn germplasm to improve productivity and add value to the U.S. corn crop.

Source: *Doane's Agricultural Report, June 1, 2001.*

Nipponese nibbles

Japanese consumers have a new sorghum-based snack food, thanks to the efforts of the U.S. Grains Council and the U.S. sorghum industry. The product, made with U.S.-grown white sorghum, hit Japanese grocery shelves in June. It's produced by the Japanese company Tohato, Inc.

Source: *Doane's Agricultural Report, May 25, 2001.*

Milo pies

Three Nebraska farmers have discovered a way to make their milo — a white-grained sorghum variety with a sweet taste — worth a whole lot more. The growers formed Twin Valley Mills, LLC to grind milo into flour on the farm. Marketing the flour to consumers allergic to gluten products, the company sells via direct mail and its Web site: www.twinvalleymills.com

Source: *Progressive Farmer, July 2001.*

Soy milk for malnourished

Over the summer, the World Initiative for Soy in Human Health, or WISHH, a checkoff-funded project, taught leaders of private volunteer organizations (PVOs) how to use soy to feed the malnourished in Third World countries.

PVO reps spent three days working with soy food applications and using a mini soy-processing unit referred to as a "soy cow." The "cow" processes whole beans into a milk and a tofu-like product that can be eaten directly or further processed. Soy cows have been set up as micro-enterprises in India, Kenya and

Russia; a few people in a village can process and feed a high-calorie, high-protein product to other villagers.

Another training program for PVOs will be held this fall.

Source: *Illinois Soybean Farmer Leader Newsletter, May 2001; (309) 662-3373, www.wish.uiuc.edu.*



Pork, perch and more

Nebraska's Agricultural Opportunities and Value-Added Grant Program is set to grant \$1 million per year through 2003. Some of the winners this year:

A cooperative of 29 producers interested in direct marketing pork products received a \$32,000 grant to help develop a promotional program, establish a Web site, and purchase or construct a storage facility.

The Nebraska Sandhills Yellow Perch Co-op received \$54,247, which will allow the startup to deliver both fingerling and mature fish to market.

The Plains Produce Co-Generation Greenhouse will use its \$50,000 grant to study the feasibility of and develop a plan for a hydroponic vegetable facility to use some of an ethanol plant's byproducts.

And a \$75,000 grant will provide professional consulting on the viability of a producer-owned sunflower crushing facility in the Kimball area. Sunflower producers currently market their sunflowers out of state.

Source: *Nebraska Department of Agriculture; www.agr.state.ne.us/valueadd/main.htm.*

DuPont advances in Asia

In a move to expand its soy protein business in Asia, DuPont Co. will acquire Hubei Longyon Protein Food Groups soy protein facility. As DuPont Yun Meng Protein Co. Ltd., the new food venture will allow DuPont to meet growing demand for nutritional additives in food segments such as beverages, supplements and processed meat products.

Source: *Doane's Agricultural Report, June 15, 2001.*

WIFE's tanked-up

Women Involved in Farm Economics (WIFE) has made renewable fuel promotion its number one priority for 2001. In June, the board of directors met in Washington, D.C. and hand-delivered the booklet "Biofuels 2001" to Congressmen. WIFE says any U.S. comprehensive energy plan must include renewable fuels.

Source: *Pamela Potthoff, Potthoff@phibred.com, (308) 276-2548.*

Industrial veggies

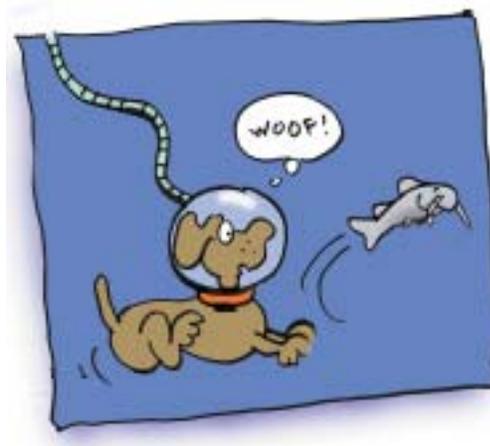
Cenex now offers a vegetable oil-based tractor hydraulic fluid. BioMax THF uses approximately 20 percent canola oil and is 50 percent more biodegradable than hydraulic fluid made from synthetic or mineral oil stocks. In coming months, more Cenex products with a vegetable-oil base will be available, including food-grade hydraulic oils, chain bar oil, industrial RO-AW hydraulic oils and MP gear lube.

Source: *Cooperative Partners, July/August 2001.*

Kentucky catfish

Catfish ponds are becoming commonplace in the far west of the Bluegrass State. The Purchase Area Aquaculture Cooperative recently finished a plant that processes catfish two to three days a week. Kentucky Department of Agriculture grants and a county extension agent helped start production and processing.

Source: *Focus on Agriculture, American Farm Bureau Federation, June 25, 2001; www.fb.org/views/focus/index.html.*



Pork payback

A new hog marketing program for the National Farmers Organization is called PorkPayback. When independent producers

deliver directly to the packer or an NFO marketing center, they receive rewards on a grade and yield basis, and their high-quality cuts display the American Family Farms label.

Source: *National Farmers Organization, www.nfo.org, 800-247-2122.*

Litter for the land

A joint venture between Perdue Farms and Perdue AgriRecycle, LLC is producing a fertilizer called MicroStart60 at a new plant in Seaford, Del. The plant converts poultry litter into fertilizer pellets through a process that recaptures nitrogen and phosphorus while preserving organic matter.

Source: *Doane's Agricultural Report, July 30, 2001.*



Ethanol a break over MTBE?

EPA's denial of California's request to opt out of the federal reformulated gasoline oxygen requirement gave a big boost to the ethanol industry. The National Corn Growers Association projects the estimated 230 million bushels of corn needed to produce ethanol for California motorists will boost prices by 10 to 15 cents per bushel, increasing the value of the nation's crop by as much as \$1 billion.

According to Renewable Fuels Association statistics, there are 34 ethanol plants undergoing expansion, eight plants under construction and over 40 additional plants scheduled to break ground nationwide. Bob Dineen, RFA vice president, says refiners can replace roughly 18 cents of MTBE with just 7 cents worth of ethanol, a savings of 11 cents per gallon for California consumers.

Source: *The Land, June 22, 2001. ■*

HERBIVORES FOR HEALTH

Growers start a small co-op to share knowledge and market medicinal herbs

BY JENNIFER PENA

Lakeville, Minn. — If someone isn't doing it, then do it yourself, Renne Soberg decided. Since the mid 1980s, he had been interested in medicinal herbs. But Soberg was surprised by the lack of information on growing nontraditional varieties. So he decided to fill in the blanks and helped organize the Organic Herb Cooperative two and a half years ago.

The co-op's six members "want to focus on processing and getting herbs ready for bulk markets," Soberg says. Since its beginning, the Organic Herb Cooperative has seen markets opening up and more growers are contacting the co-op for information. "It's really starting to work," Soberg says.

Search for the 'right' herbs

One challenge is knowing exactly what to grow. "Many grow a variety of herbs but don't know which to expand on," Soberg says. The co-op has been investigating a variety of industries, including cosmetic oils and traditional Chinese medicinal herbs. Members have been conducting growth trials on such herbs as Chinese mint, white sage, wild yam and chrysanthemum. They recently studied 20 lavender varieties for the cosmetic industry.

"AURI is helping them identify markets for medicinal herbs and discover which ones can actually be grown in Minnesota," says Lisa Gjersvik, AURI's project director in Waseca.

The Organic Herb Cooperative grew out of the Medicinal Herb Network. Founded

by the University of Minnesota's Center for Alternative Plant and Animal Products and the Center for Spirituality and Healing, the network is comprised of herbalist health-care practitioners and medicinal herb growers who meet once a month to discuss herb production and use.

A few Medicinal Herb Network participants saw a need to work together to build production methods and a market for medicinal herbs. They formed the Organic Herb Cooperative and have kept in touch through meetings, phone and e-mail. "We're seeing a lot of dialog between members," Soberg says.

Sign up quality people

To encourage medicinal herb growers, the co-op holds two field days a year. Soberg also speaks at conferences to get the word out, but the co-op doesn't advertise; growth has come mainly by word of mouth, Soberg says. "We're not interested in the number of members so much as the quality. We would like more established growers." From the original six, the co-op now numbers 13 growers from Minnesota and Wisconsin.

For more information on the Organic Herb Cooperative, call Renne Soberg at (952) 469-2527 or e-mail rensob5147@aol.com.

■ **ABOVE:** Codonopsis pilosula.

AT RIGHT: Herb farmer Renne Soberg examines the quality of *Angelica dihurica*, one of many medicinal herbs tested by the Organic Herb Cooperative. The co-op facilitates information sharing among members and is researching herb processing for bulk markets.

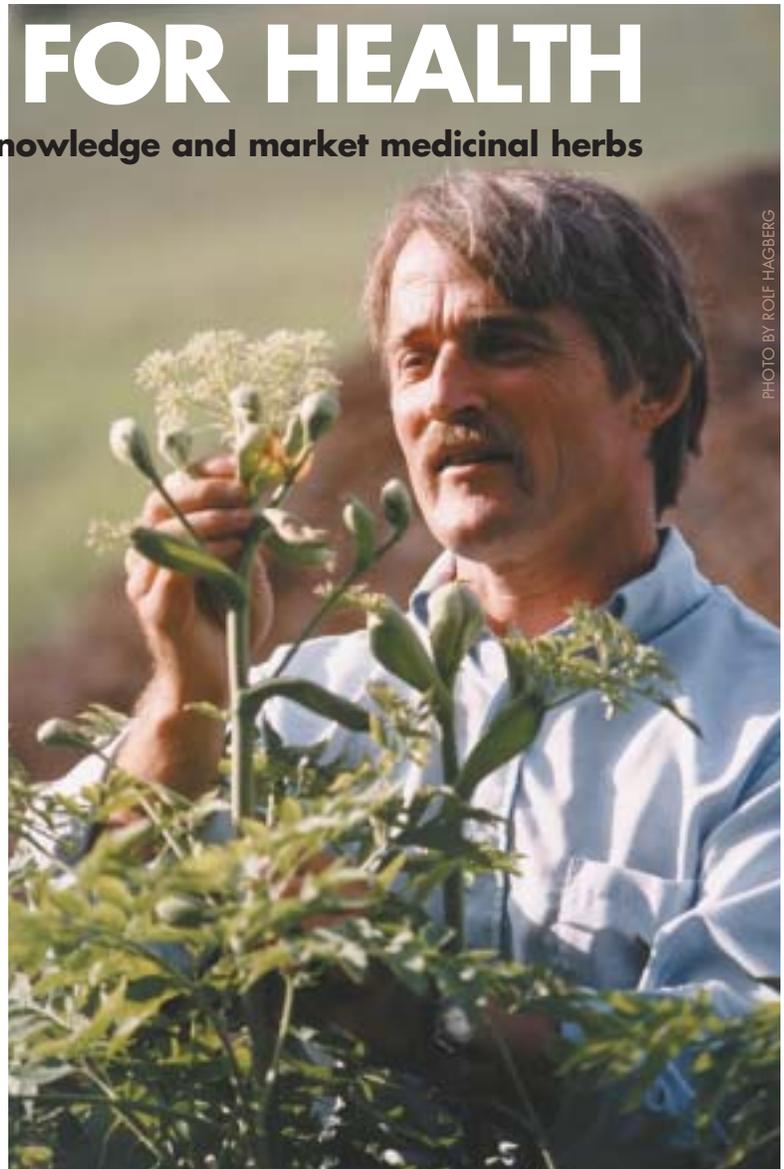
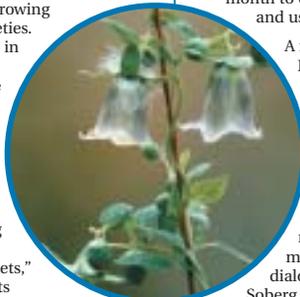


PHOTO BY ROLF HAGBERG