A CASE STUDY OF PENNSYLVANIA'S SIMPLY SWEET ONION ®: A POSSIBLE MODEL FOR MARKET DEVELOPMENT OF SPECIALITY CROPS

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ABOUT THE AUTHORS

M.E. "Mike" Kotz, is a graduate of the University of Toledo (Ohio) and holds a Bachelor of Science degree. After eight years in sales and marketing services, he transitioned into a 15+ year career in agricultural research and product development most notable with The Andersons in Maumee, Ohio. He held several patents in the area of new product formulation. Under a USDA grant, he did a feasibility study on the potential for Western Pennsylvania horticultural growers to find markets in the wholesale produce segment. This work subsequently led to a three year stint as Senior Research Associate with Penn State University with a focus on identifying suitable crops and organizing a grower cooperative (the Western Pennsylvania Vegetable Growers) to service the wholesale market. He was involved with the original development and test marketing of Pennsylvania's Simply Sweet Onion®, first with the WPVGA and later as a partner in the start up venture, Cross Creek Farms LLC.

After assuming sole ownership of Cross Creek Farms, he spent the next five years as a grower's agent for producers of Pennsylvania's Simply Sweet Onion® securing business for truckload shipments going to the distribution centers of the major grocery chains in Pennsylvania. He secured the Federal trademark for the brand and served on the PVGA Simply Sweet Onion Committee from it's inception until his retirement in January 2008.

Craig Sweger has been a life long advocate for agriculture particularly in the area of economic development. Besides operating his own Vermeer equipment dealership for 28 years, he served as President of the Washington County (PA.) Farm Bureau for 8 years and was a State Board Director of PFB for two years. He was Chairman of the Washington County Farmland Preservation Board for 10 years. Most recently, he served as Director of the Agricultural Entrepreneurship Program at the University of Pittsburgh , Katz School of Business. He currently is the owner of Appalachian Lease Assurance Services LLC, a natural gas leasing and post leasing service and consulting business. He served as junior author and editor of this study.

INTRODUCTION

A recent USDA funded research initiative (ref.1), identified multiple needs, issues and concerns in the establishment of a stronger and more viable fruit and vegetable industry in the Mid-Atlantic region. Paramount among these was the need for markets and "...other state (marketing) models and grower models." Considerable emphasis has been placed by university and Extension staff on direct farmer to consumer sales i.e. farmers markets, farm stands and retail stores, CSA's etc. The reality is that a relatively small percentage of the buying public utilize these on a large scale and that these market segments are very easily saturated. The vast majority of fresh produce is moved through grocery stores and grocery chain distribution centers. To quote from an earlier USDA funded research project (ref.2), "...if farm sales are to be increased, a wholesale customer base which has the ability to buy large quantities needs to be developed." The need for at least one model addressing this wholesale market segment becomes obvious.

Pennsylvania's Simply Sweet Onion® is the only branded and Federally trademarked horticultural crop currently produced in Pennsylvania. It was conceived as an experimental design to incorporate marketing and organizational precepts as spelled out in the 1992 research cited above (ref.2).

From the original test market of the product in 2001 with approximately one acre of production, 500 cases of product and a half dozen stores in the Washington, PA., the product has made significant inroads into the wholesale market. For the 2011 season, current projections are for over 100 acres of production, 50,000+ cases of finished product going to virtually all the major chain store distribution centers in Pennsylvania as well as several out of state locations. The estimated value of the crop at the wholesale level exceeds $1.1 million and helps to support nearly 100 family farms. (Table 3) In a marketplace normally subject to wild swings in pricing and profitability, the "SSO" has enjoyed stability in pricing without a single reduction in it's 10 year history. Demand continues to exceed supply.

Pennsylvania's Simply Sweet Onion® approach has also opened doors for at least one grower group to supply additional vegetable crops in the range of $350,000 to $500,000 to the same buying organizations purchasing the "signature crop".

In doing this case study, it became apparent that two studies were actually required. The first involved the actual "SSO" plan as it evolved and secondarily, the reasons for the success or failure of the four grower groups attempting to implement their interpretations of the plan. This case study thus, hopefully provides both a marketing model and a grower model.

METHODOLOGY AND LIMITATIONS

Statistics on the current production and sales of Pennsylvania's Simply Sweet Onion® were obtained from the records of the PVGA Simply Sweet Onion Committee. Information on the years 2001-2002 were obtained from the author's personal records.

In excess of 60 hours was spent on interviews with 22 participants. Of these, 13 were past or current members of the four organizations studied and most held leadership positions. Seven interviewees were in "technical support" positions primarily with Penn State University or Cooperative Extension. Interviews were also conducted with a current and long time wholesale buyer and Seminole Produce, the sales organization representing the Lancaster Vegetable Farmer's Cooperative since 2008 and leading the sales and marketing efforts for Pennsylvania's Simply Sweet Onion®. Many of those interviewed are or were also members of the SSO Onion Committee and could give their perspectives of this organization.

The four organizations studied were: The Western Pennsylvania Vegetable Grower's Cooperative, the original Cross Creek Farms LLC, the Butler Onion Network (BON) and the Lancaster group now the Lancaster Vegetable Farmers Cooperative.

The questions asked of the four organizations above were on the subjects of structure and organization, financing, technical support (both in production and business management) concluding with an open ended question regarding their individual perception of the reasons for the success or failure of their business venture.

Issues addressed by the technical support group centered on utilization of their expertise by growers, their thoughts about the program in general and the businesses above in particular. Seminole Produce and the wholesale buyer were asked for general feedback about the program as a whole.

Because of the senior author's heavy personal involvement in Pennsylvania's Simple Sweet Onion® program, Mr. Sweger was asked to edit out any prejudicial comments that were not substantiated by fact or his personal experience.

LIMITATIONS

1) Because of cultural and religious beliefs, members of the Plain Community in Lancaster (Amish, Mennonite) would only agree to discuss their business with me with assurances that their individual names would not be used. Likewise, most of the other grower/members in the state requested confidentiality because "I gotta live here." For uniformity, growers are not identified by name in any quotes.
2) One business that deserved particular study was the BON. Superficially, it seemed to be a good candidate for success however it failed within 3 years. Unfortunately, the

economic development group largely responsible for it's inception, twice declined to participate in this study. Thus, the accuracy of some financial information may be suspect.

3) The Simply Sweet program is 11 years old. Some recollections, especially among the early growers are a bit hazy. Likewise, it is only human nature to minimize one's own contributions to a failure and assign guilt elsewhere. This lead to contradictory positions being taken by individuals within the same organization. A best effort was made to sort through these contradictions based on the most collaborative data and what made the most sense.

DISCLAIMER

1) Many of the individuals involved in this case study are personal friends or at least acquaintances. All of them stepped forward voluntarily to participate. The conclusions drawn here are not meant as personal attacks or to be judgmental. The observations were made to point out departures from good business practices and/or the SSO "master plan" in the hope that they will not be repeated by others. A failure to identify these errors in judgement would be a disservice to the groups supporting this study.
2) The officially registered trademark for the product discussed herein is: "Pennsylvania's Simply Sweet Onion®". By law, the use of the name/trademark is to be safeguarded/defended by the Pennsylvania Vegetable Growers Association against misuse. With apologies to PVGA, I have sometimes resorted to foreshortened forms such as "SSO" in this report. It is simply a matter of "better" writing style and trying to avoid redundancy.

A SHORT HISTORY OF PENNSYLVANIA'S SIMPLY SWEET ONION®

Note: An examination of Table 1, which is a summary of key needs, issues and concerns (along with some grower misconceptions) gathered from reference 1, would be of significant value to the reader in putting into perspective the SSO program and how it addressed these successfully. Likewise, Table 2 from reference 2 spells out some of the market demands incorporated into the SSO marketing program.

The successful introduction of a new specialty crop product into the market was a collaborative effort between a land grant college (Penn State University) and the private sector. This concept of "let everyone do what they do best and stay out of my territory" is, I believe, a key component of this product's success. Let producers do what they do best, i.e. production agriculture, leave the research to trained researchers (in this case Penn State) and let professional, experienced, successful sales/marketing organizations lead the way on moving product relieving the two former of the time consuming responsibility for which they lack expertise.

The selection of a sweet onion as a candidate for development was based on technical inputs from Penn State (non-competitive with any significant crop acreage in Pennsylvania, generally tolerant/resistant to wildlife damage, previous and on-going research in variety selection for PA. and a developing technology in plasti-culture production being evaluated at PSU).

Inputs from outside academia, from a marketing perspective were: A growing market demand for "super sweet" onions, (at the time) a brief window of opportunity to move fresh sweet onions with little competition which matched the projected harvest window for Pennsylvania product (a time of low supply), increasing transportation costs which could offset increased Pennsylvania production costs. (The "buy local" phenomena was not a major factor.)

A small scale test market of limited volume (1 acre, 500 cases) was done in Washington, PA.(2001) with approximately ½ dozen stores generally supplied by the distribution centers of two major chains the targets. This was proceeded by some media exposure in local newspapers as "newsworthy" local economic development efforts. This continuing media exposure over the next 6 years was extremely beneficial in creating product awareness by consumers and buyers. (ref. 4,5,6). Information on product/packing/packaging improvements was gathered from the test marketing.

A request was made by Four Seasons Produce (Lancaster, PA. area with Rick Stauffer as the COO) for approximately 2,000 cases of product in 2002 to do an expanded test market into more "sophisticated market areas" including Greater Philadelphia and Harrisburg. The original grower group declined to commit to this production citing investment costs for packaging and high risk.

A new business, Cross Creek Farms LLC, was formed to supply the Four Seasons request and to maintain a supply of product to the existing accounts in Washington, PA. Inputs from the initial test market and from reference 2, were incorporated into the marketing plan. The demand for product in 2002 was filled at the local level but supplies to Four Seasons were approximately 20% short because of post harvest field problems. The original Cross Creek Farms partnership was dissolved, ownership was taken over by a single member and the business converted into sales/marketing/consulting organization. The trade marking process was initiated and discussions began with PDA/PVGA about the formation of a regulatory body.

The 2003 season started with a much broader producer base stretching across the state including Washington, Butler, Erie, and Lancaster counties. By this time, a position had been adopted that acres planted were not to exceed the projected sales volume as provided by the wholesale customers. A request for product was first presented by SuperValu Pittsburgh Region and later by Giant Eagle. The latter could not be accepted because of the lateness going into the season and a lack of plant material. The onion was now being uniformly packaged in logo display boxes, to a uniform grading system, with PLU (Price Look Up) stickers in ½ truckload or greater quantities. There was still only a single "handler" promoting sales to the wholesale market.

The year 2003 saw the transfer of the unsecured brand name to the PVGA and the establishment of the PVGA Simply Sweet Onion Committee to regulate the use of the name and to formulate licensing requirements for growers. PVGA also assumed ownership of all packaging dies and plates to regulate their use. Onion volume continued to grow with the addition of additional wholesale distribution centers.

The years 2003-2005 can best be described as a time of turmoil. With demand exceeding supply, some growers were "back dooring" product selling directly to individual stores and bypassing their grower/seller contracts. Media coverage was expanding creating consumer awareness.(ref.4,5,6.) The Pennsylvania Simply Sweet Onion was being tagged as a possible "signature crop" for the Commonwealth.(ref. 7). Some growers (unsuccessfully) demanded special agreements including "finder's fees" for new customers, "rebates" on commissions (i.e. "kickbacks"), free lance, open markets for direct grower sales (in one case, over 15,000 square miles) etc. Some unlicensed growers began to piggy-back on the success of the Simply Sweet with knockoff imitations or by blatantly using the name without a license agreement. Likewise, some growers, unfamiliar with the results of a successful marketing program, promoted the position that "...the product sells itself. There is no need for salesmen. Why spend money on promotion?" . Many assumed (and some still do) that this was a government funded program that was open to anyone and everyone who wanted to use the branded name.

The PVGA Simply Sweet Onion Committee began establishing rules, regulations and licensing requirements for growers and handlers in an attempt to bring increased order to the program. These included standardizing grading, packaging, production methods, approving varieties, quality standards, fees etc.

While the majority of the product volume was going into the wholesale market by way of the chain store distribution centers, an increasing number of growers were acting as independents selling to eating establishments, at their own farm stands and to individual retailers. These independents initially dominated the Onion Committee membership and, unfamiliar with wholesale trade, tended to act more in support of preserving their own independent positions than the mainstream effort of the organized grower group to move volumes of product to wholesalers. Their perspective tended to be more of a short term outlook probably based on past experience with "similar" efforts. Conflict was inevitable.

The year 2005 also saw the formation of the Butler Onion Network (BON) a packing and sales/marketing organization formed as a competitor to the Cross Creek Farm group.

By 2007, several meaningful changes had occurred. Production had shifted from the Western area of the state to the Lancaster area. The overwhelming majority of product was being grown in Eastern Pennsylvania and being sold to the major distributor centers such as Giant Eagle, Giant Foods, Super Valu, Weis, AWI, Four Seasons Produce etc. in an organized and unified sales and marketing effort. The Lancaster growers had formally organized as a cooperative. Concerned with the lack of an adequate voice representing the needs of the growers working together to service the wholesale market, the Plain Community became involved with the Onion Committee and were success in securing three seats in that organization. Control now shifted towards the organized wholesale effort. With sales of over 16,000 units (almost exclusively from the Lancaster Vegetable Farmers Cooperative), the owner of Cross Creek Farms transferred all onion business interests to the LVFC and retired.

By 2008, the BON had collapsed. The Lancaster group recognized the value of having a professional sales/marketing organization coordinating sales and employed Seminole Produce with Rick Stauffer at the helm as their representative. Seminole initiated an aggressive and deliberately paced campaign to promote Pennsylvania's Simply Sweet Onion® and to use it as a door opener for the sales of additional, Pennsylvania grown vegetable crops. Going into the 2011 season, the LVFC and Seminole will be producing more than 95% of the Pennsylvania Simply Sweet Onion crop with an estimated 50,000 cases and a wholesale market value of over $1.1 million. An additional $350,000 to $500,000 in sales is projected for the ancillary vegetables.

TABLE 1

Selected Weaknesses and Threats Summarized from the SWOT Analysis of Reference 1

Group 1: Grower Misconceptions and Unrealistic Expectations as Noted from Survey

- "A lack of breeding programs for the Mid-Atlantic"
- "A lack of local wholesale infrastructure committed to local ag production"
- "Resistance to change in existing supply chains (cited twice)
- "Failure to make a profit consistently"
- "Specialty or high value crops not staple in hard economic times"
- "Lack of bargaining ability with retail markets"
- "Lack of control over wholesale market"
- "Hard to get into grocery store chains" cited 4 times

Group 2: Supply Issues (Some of these may also fall into Group 4)

- "(Lack of) consistency of quality and packaging from small growers" (cited twice)
- "Lack of scale-not enough of one commodity to supply market"
- "Local competition underselling each other"
- "Hobby farms undercutting market price"
- "Too many large farms flooding the market with cheap (commodity) produce"
- "Overproduction"

Group 3: Distribution Issues:

- "Logistics and distribution not optimized"
- "Lack of local distribution facilities"
- "Transportation for small scale producers to market"

Group 4: Lack of Grower Unity

- "Lack of a coordinated approach for problem solving"
- "Lack of coordinated marketing"
- "Lack of marketing money"
- "Cultural stubborness"
- "Fragmentation of the industry, small growers doing it their own (way)"

TABLE 2
BUILDING BLOCKS OF THE SSO MARKETING PLAN
SELECTED FROM REFERENCE 2

RECOMMENDATIONS FROM THE STUDY:

1) Development of a regional branded produce campaign.
2) Promotion of a "signature crop".
3) Formation of farmer cooperatives which foster orderly marketing procedures.

Specific Observations and Direction from Reference 2

1) "Agriculture has historically stressed production skills as the means to success. In recent years, marketing skills have been increasingly stressed."
2) "Times for payment: florists, restaurants, institutional food providers(26-29 days), independent grocery stores (12), chains (20), wholesalers(15)
3) "…local farmers share of the Mid-Atlantic wholesale produce market is minimal."; "…if farm sales are to be increased, a wholesale customer base which has the ability to buy large quantities, needs to be developed."
4) "…the buyer sets the rules of the game." "…unless local farmers adjust their products and marketing strategies to set standards and procedures set by wholesalers and other buyers, then buyers will continue to buy the vast majority of their produce from sources outside our region." "Reasons by buyers that "local" isn't/wasn't being bought :quality was inconsistent (33%); improperly graded, packed and uneven sizing (26%); level of service provided lacking (28%)." "…farmers need to ask buyers about product liability insurance"; "Forty per cent of all ideas suggested by buyers involved providing samples."; "To be successful in produce wholesaling, one has to understand the retail produce business.";" …buyers have also stated that without an improvement in the shelf life of local produce and a more committed effort on the farmer's part to recognize the needs of the buyers, very little local produce will show upon the stores' shelves."; "Wholesalers indicate a preference (for buying) larger quantities."; "Farmers must work together to move from deliveries with pickup trucks to shipping produce with tractors trailers."
5) "It is likely that orderly marketing procedures will have to be developed."; "If local farmers are going to significantly increase their market share…then cooperative, orderly marketing efforts are required."; "…farmers must each market quality produce before branding and cooperative efforts can be successful."
6) "…development of a "signature crop"…and the formation of cooperatives [or other structures]which supports these ideas."
7) "The Produce Marketing Association (PMA)notes that there is a trend towards branded produce .(and) …lessens the sensitivity of pricing."; "A Washington State Apple Commission study noted that there was a 48% increase in sales when boxes of apples contained a Washington apple logo on just one panel."

Table 3

2011 PENNSYLVANIA SIMPLY SWEET ONION STATISTICS

Total number of Licensed Growers = 92
Total number of Plants = 5.08 million
Total number of Acres Licensed (at 50,000 plants/A) = 101.6
Total Projected Yield = 55,015 cases (at 40 lb./case)
Projected Crop Value at Wholesale = $1.1-$1.2 million.

Breakdown by Grower Groups

Lancaster Vegetable Farmers Cooperative (All crop handled by a single sales organization, Seminole Produce)
% of Licensed Growers = 93.5
% of Licensed Acres, Projected Yield and Market Share = 96.6

Former Butler Onion Network Growers (All crop handled w/o a sales agent)
% of Licensed Growers = 6.5
% of Licensed Acres, Projected Yield and Market Share = 3.4

All Other Groups.
There is no longer any licensed PA. Simply Sweet Onion production done outside of the above two groups.

PVGA Simply Sweet Onion Committee Financial Balance as of 4/12/11
Checking Account = $9,937.50
Money Market Fund = $18,005.42
Total = $27,942.92

PART I

BUILDING THE FOUNDATION FOR PENNSYLVANIA'S SIMPLY SWEET ONION® MARKETING MODEL

Discussion of Table 1

Although not completed at the time of or initially considered in formulating Pennsylvania's Simply Sweet Onion® plan, many of the issues raised in the SWOT (strengths, weakness, opportunities and threats) analysis raised in reference #1, were intuitively identified and addressed. It should be pointed out that the data compiled in Reference 1 was heavily producer biased and does reveal some common misconceptions and unrealistic expectations held by growers including many involved in the SSO program.

MISCONCEPTIONS AND UNREALISTIC EXPECTATIONS BY GROWERS.

Although breeding programs by land grant universities are not a universal part of their research, variety trials are the mainstay of much of the field work done by both the universities and Cooperative Extension. The breeding programs are performed by the seed companies who farm out variety trials to determine regional suitability. Interested growers need merely to utilize the data collected. This was done for the SSO and later by unlicensed growers trying to do piggyback products.

Pennsylvania's Simply Sweet Onion® has been in the market for eleven years returning a profit to the growers even during times of economic down turns. In the product history, it has never shown any reduction in the average wholesale price and has continued to have an increasing consumer demand.

Growers need to fully understand the wholesale market, if this is to be their target, before making broad statements about lack of market control, the inflexibility of buyers and the difficulty in penetrating this market. The wholesalers and grocery chains must maintain profitability in order to survive. The buyers have "total product package requirements" which must be met to insure this profitability. Producers who can not meet these basic requirements have no leverage to negotiate for this business or to gain any concessions. It has been my experience that once the buyer's basic needs are met, these "inflexible" companies can become very creative in helping to solve problems of the producer such as picking up product with their trucks as back hauls.

One of the corner stones of the SSO marketing plan was to give the potential customer exactly what he said he needed to operate efficiently. (Table 2)

DISTRIBUTION ISSUES

For the Simply Sweet Onion wholesale market plan there was a simple solution. The distribution centers of the wholesalers are strategically located and organized to most efficiently service their stores. Product needs to be assembled at a suitable grower location (a dock, loading equipment etc.) in volume and transported to the buyer's distribution center. Frequently, trucking could be arranged as a back haul or tailgated on a shipment of other produce going to the same location. It is the responsibility of the grower to get it to that assembly point. From an efficiency perspective, a grower generally can not afford to service these individual stores or for the grower group to invest in their own fleet of delivery trucks.

SUPPLY ISSUES:

Initially, the "growers agent/handler" (Cross Creek Farms LLC) developed a list of product and packaging specifications and a grower agreement that specified that all the grower's production was to go to him except for a small amount allocated for sales from the farmer's roadside stand. Later, the PVGA Simple Sweet Onion Committee took over most of the supply issues with a list of licensing requirements. These included: 1) Only licensed growers were allowed to use the trademarked name. 2) Growers were only issued licenses to plant acreage matching documented evidence of a confirmed buyer commitment. 3) All product was to be packed to a uniform set of standards using only Committee approved packaging (generally the Pennsylvania Simple Sweet Onion logo carton)

As long as demand exceeded supply (licensed production was never to exceed buyer projections) and the product price was largely determined by the large volume movement to wholesalers, it would be poor business sense for a grower to sell below market. This mechanism was not foolproof.

LACK OF GROWER UNITY

This was addressed in a multitude of ways but the bottom line was/is "You can lead a horse to water etc.".

1) The Simply Sweet Onion Committee assessed/assesses a per box fee which goes into a earmarked fund for use only in the areas of "research, grower education and product promotion". When money was available from the Pennsylvania Department of Agriculture, this could be used as matching funds for qualified marketing efforts. The Committee also has the authority and responsibility to control the use of the brand name in any promotional efforts.
2) Product specifications, including mandatory testing for sugar content and pungency, variety selection and growing technique are regulated by the Committee. The Committee has the authority to suspend and/or revoke a grower or handler license for violations of the licensing agreement. Thus, the Onion Committee attempted/attempts to maintain discipline in the grower ranks and a coordinated approach to problem solving.
3) Undoubtedly, there were probably some undetected or unreported violations of the rules however it is interesting to note that the highest grower survival rate can be attributed to those who followed the original SSO plan, the Committee rules and worked in concert.

MARKETING MODEL (CONTINUED)
Discussion of Table 2

The information gathered from reference 2, supplied much of the basis for the decision making process behind the plan for Pennsylvania's Simply Sweet Onion®.

Marketing needed to play a significant part in the development of the product. The wholesale market should be the target segment because of low grower penetration, ability to buy large volumes and a reasonable payment history. To service this market, the needs of the buyers needed to be met. As identified by the buyers themselves, these included the following:

a) consistent quality
b) product properly graded, packed and uniformly sized
c) adequate liability insurance
d) a level of service comparable to the competition (including price coding)
e) samples
f) volume (1/2 truckload or larger) shipments
g) competitive or superior shelf life

The concept of a "signature crop" and a branded approach made sense for a multitude of reasons. Concentration on a single crop would provide a specific focus for marketing, market development and grower education rather than diffusing the efforts over a broader range of targets. The signature crop could still be used as a springboard for other produce once entrée' into the buyer's arena had been accomplished. As importantly, it would be easier to regulate and control grower behavior in the marketplace and to establish orderly marketing procedures. It was recognized that any market/marketing inroads made could be eroded by "cowboys", "loose cannons" and other opportunists unless protection could be secured for the product. Finally, if one of the goals is to develop a product that has increased price stability, the PMA data strongly suggests that a branded approach is the route to go.

PUTTING IT ALL TOGETHER: THE MARKETING PLAN

As originally conceived, the plan was to be initiated in stages based on the success (or failure) of the previous test market. Likewise, monetary investment in the "props" i.e. special packaging, dies, plates, legal fees for trade-marking etc. were to be made only if the progress made warranted the expenditure.

The name Pennsylvania's Simply Sweet Onion® was chosen as an attempted tie in with the state branded produce campaign, "Simply Delicious". This was done with the consent and blessing of the Pennsylvania Department of Agriculture.

The first small test market was preceded by media fanfare in the local newspapers to help create consumer awareness. Market share was bought during the early weeks by promoting the product as a high value item at a generic Spanish onion (not super sweet onion) price. A buying blitz soon drained inventories and a more realistic super sweet onion price was only tested for a few weeks. Produce managers reported a high incidence of repeat customers even at the higher price.

The participating stores were selected because they were normally supplied by the distribution centers of Giant Eagle and SuperValu , two chains located in Pittsburgh and New Stanton respectively. Because product movement (or lack thereof) is monitored by the buyers at the distribution centers, it was hoped that buyer attention would be captured. Following the first test market, produce managers pointed out that their corporate buyers and merchandisers would require a) a stronger, standardized 40 lb. box preferably a display type and b) packing house applied PLU stickers, again, preferably logo. With a request by Four Seasons Produce for 2,000 cases of product for 2002, these changes were initiated.

With continuing success in the 2002 test marketing and increasing demand, additional components of the plan were phased in. These included starting the legal process of trade-marking the brand, a standardized grower/sales agent contract with product and packing specifications and discussions with PDA (PA. Department of Agriculture) and PVGA (PA. Vegetable Growers Association) about securing a marketing order and/or the formation of a regulatory body to establish and enforce "orderly marketing procedures".

The involvement of PVGA in this type of a venture was precedent setting. The formation, structure and activities of the PVGA Simply Sweet Onion Committee in helping to mold orderly market behavior is a long story discussed in a separate section which follows. It was not without conflict however the group did much to bring order to the program, address issues that had been previously identified in USDA studies and advance the product's status in the market.

It would be a serious oversight to dismiss the impact of Penn State University, the LVF Co-op and the sales organizations involved (most notably Seminole Produce) in the implementation of the overall marketing program. Penn State and it's Cooperative Extension have continued a program of onion research to give buyers a high quality product with high sugars, low pungency, good storage qualities and customer appeal. The LVFC group has had a constantly improving program in their grading and packing operation to meet buyer expectations including product tracking and GHP/GAP accountability. Seminole Produce has brought real world experience and expertise into the "coordinated problem solving" process. (Telling an unlicensed grower that he can't use the Pennsylvania's Simply Sweet Onion® because he is breaking Federal law, seems to be cost efficient and effective.) Seminole currently holds a seat on the Onion Committee.

THE PVGA SIMPLY SWEET ONION COMMITTEE

Part of the overall marketing plan for the SSO was the establishment of a regulatory body to establish orderly behavior in the market. This is done through the Simply Sweet Onion Committee.

The trademark for Pennsylvania's Simply Sweet Onion® is held by the Pennsylvania Vegetable Growers Association. It is administered by the PVGA Simply Sweet Onion Committee.

The responsibilities of the Committee are:

1) To defend the mark against any infringements by unlicensed growers, handlers, processors etc. and misuse by license holders.
2) To collect revenues from licensing fees and grower per box assessments.
3) To examine license applications for conformity to licensing requirements and issue when appropriate.
4) The per box assessment can only be used for projects in the areas of research, education and promotion. The Committee makes these determinations and allocations.
5) To select varieties of onions which are suitable to carry the PA. Simply Sweet Onion mark (These from Penn State recommendations.)
6) To establish standards for quality of the SSO and enforce them.

Committee Structure:
The Committee was organized in February 2003. Initially, a loan was required from PVGA's general fund to finance the operations of the group and pay for the transfer of the trademark, plates and dies and existing packaging. PDA also supplied some money in the form of matching grants under a Market Development program. These monies were paid back to PVGA at the end of the first year of operations from fees collected by the Committee. The financial report for the SSO Committee as of April 12, 2011 shows a balance of $27,942.92. (Table 3) This balance is primarily the result of unallocated funds earmarked for programs in research, grower education and product promotion. Approximately $6,167 was spent in these areas in 2010. The Committee is financially self supporting.

There are seven functionally assigned voting seats on the Committee. One is assigned to Penn State to represent a technical perspective and to provide balance. One is a "handler" seat with a handler defined as one who acts as a sales agent. This is for a market/marketing perspective. One seat is held by a representative of PVGA to assure that decisions made are in the best interests of the Pennsylvania vegetable industry as a whole. Four seats, the majority, must be held by active, licensed SSO growers. There is also a non-voting recording secretary and meetings are attended by the Executive Secretary of PVGA.

The first appointments to the Committee reflected the small number of growers and a reluctance to become involved in the decision making process. The Penn State representative (Dr. M.D. Orzolek) and the PVGA representative were also SSO growers giving growers a 6 seat representation. Penn State withdrew from active production as soon as grower numbers increased and supplies of the product were more stabilized.

There were some periods of conflict within the Committee especially during the early formative years. 1) While the majority of the production and sales volume was being done by growers with a common sales/marketing handler, the majority of the voting seats were held by independent growers doing there own sales and distribution. 2) The Plain Community growers (Lancaster) are reluctant to participate in "English" organizations however, they were an ever increasing percentage of the overall production and product movement especially to the large distribution centers. Jeff Stoltzfus served as a representative 3) The PVGA representative was in a convoluted and potentially conflict generating position from the onset. His position as an active SSO grower and even more so later as an officer and share holder of an SSO business venture (BON), would be difficult to separate from his role as a "guardian" of the best interests of the industry. Conflicts of interest issues were raised. [In retrospect, the Committee may have done this individual a disservice in not identifying these issues sooner. For those individuals considering organizing a regulatory committee similar to that of the SSO, I would strongly recommend the appointment of individuals with clearly defined roles and no potential conflicts of interest.] 4) Although some of the voting members had experience in the direct retail market, none except the "handler" was familiar with the wholesale market. There was not even a basic understanding of PACA (Perishable Agricultural Commodities Act) the regulating law in the wholesale market or of USDA grading requirements. This often led to heated arguments regarding approaches to the market(s), legalities and what was in the best interest of the program.

In the licensing process, applicant growers must submit (or have their handler/sales agent submit) evidence of a confirmed market (a buyer) and volume. This is/was usually done with written projections provided by a buyer. Licenses are only issued to growers up to the projected volume of sales. This was initiated as an attempt to reduce/eliminate the potential for speculative and over production. This procedure could be better administered. Conflict arose when 1) Independent growers took a position that they would not reveal their customers to others on the Committee. (Some growers were "cherry picking" local stores in their area which were already buying SSO product from the warehouse centers.) 2) Independent growers selling primarily (?) through their own farm market offered little evidence that their operations could support the projected sales volume. 3) One organized grower/seller group, did not want to reveal it's customer sales base to the Committee fearing "pirating" by the competitor.

This latter issue was "temporarily" resolved by specifying that only the PVGA Executive Secretary would review the "verified" market projections of purchases with no disclosure of accounts, volumes or other sensitive information. This practice has continued to present date.

This procedure is flawed. 1) It places serious pressure on the PVGA Exec. Secretary to make determinations of accuracy and validity for which he may not be qualified and also subjects him to pressures to qualify special interest groups for licensing. As an administrator it should not be his responsibility to enforce regulations dictated by the Committee. 2) The current procedure is only partially working and needs to be modified. Historical evidence suggests that "adequate documented evidence of market" was not provided to support the licensing of some growers. [1]

Handlers as well as growers must be licensed. The current fee is $100/year plus a per box assessment of between $0.05 and $0.10 per 40 lb. unit sold. This is applied to growers only and is earmarked specifically for research, grower education and product promotion.

Prices are NOT set by the Committee. In the real world, product price is determined by supply and demand. As long as growers adhere to the licensing requirement of verifying a confirmed buyer and volume, prices can be stabilized. This policy likewise encourages farmers to prospect in season with samples for next season sales and discourages speculative over-production. Conversely, it encourages buyers to make pre-season commitments to purchase because they can not be assured of product otherwise.

The Committee has yet to officially defend the mark against unlawful use although there have been several occurrences of this by small growers. These have been addressed by handlers on a low key basis. A nuisance problem has developed with "knock off" onions claiming to be "the same thing as" and using spin off names i.e. Pennsylvania Sweets, Somerset Sweets, Prospect Sweets etc. "Imitation is the strongest form of flattery".

Although there have been and continue to be problems/issues within the PVGA Simply Sweet Onion Committee and it's mission, the concept appears to be basically sound. The major voice of the group needs to be the growers balanced by a near equal voice of objective, disinterested parties focused on the marketing and research (product improvement) aspects with program oversight provided by a representative of the body doing the actual licensing.

[11] Source: Personal communication from C.R.Sweger. At least one family of a grower asked for his marketing help to move an SSO crop because he reportedly has no customer for it. Also, a BON member began advertising his crop for sale in the classified section of the local newspaper.

"HELP!"
THE ROLE OF TECHNICAL SUPPORT GROUPS AND THEIR IMPACTS

Early in the interviewing process with grower/members of the four businesses studied, comments were given regarding help or lack there of in the area of technical support. Tech support defined as assistance in the agricultural aspects of producing the crop and in the business management arena. This line of questioning was then incorporated into the interviewing process.

The principle players in this area were Dr. M.D.Orzolek and the staff at Penn State University including Beth Gugino, the Horticultural Specialists with Cooperative Extension in Lancaster, Indiana and Washington counties and Jeff Stoltzfus with the East Lancaster School District Adult Farmer Education Program. There were also some collaborative studies done with Cornell.

In the area of business and business management, USDA and the Butler County CDC were identified by member/growers as providing inputs. From the business management perspective, I reviewed the pro forma prepared by USDA for the BON. (Ref. 7) As mentioned previously, the Butler CDC declined to make any inputs or comments on the SSO/BON project and the USDA person involved has since retired.

I asked the Cooperative Extension Specialists for their inputs about grower requests for assistance, their feelings about Pennsylvania's Simply Sweet Onion® program and the businesses involved.

The issue appeared to be a problem supporting inexperienced growers with unrealistic expectations. As shared with me by several Extension people, when a farmer loses his crop, there is little anyone can do to bring it back. All too frequently, an inexperienced grower would fail to recognize that he had a problem and call for help until it was too late. Even the growers interviewed conceded to this latter statement. In general, experienced vegetable producers familiar with the functions and roles of Extension voiced the opinion that assistance from them was adequate to more than adequate and provided on a timely basis.

The assistance provided by Penn State and collaborators was rated highly. Variety selection recommendations are invaluable. Special projects such as evaluating production with and without mulch, different mulch colors, bacterial disease, proper spacing etc. are addressing real world grower problems in optimizing grower returns.

The topic of more business management help is a bit tougher to address. There is no doubt that a lack of skills in this area contributed to business failures. However, the USDA pro forma for the BON venture was prepared professionally. The problem was faulty inputs from the member/growers and overly optimistic projections. Even so, the pro forma clearly shows that the project, as projected, had little chance of success and was a sure route to disaster if left unchanged. Nevertheless, the members chose to proceed and even though the pro forma was meant as a decision document, it was implemented as a business plan.

The former BON members interviewed were uniformly consistent in taking a position that the county economic development agency was a disappointment in providing assistance with managing their business. The normal role of an economic development agency is to facilitate funding not to instill business management skills. It appears that there were some serious communication problems between the two groups as to roles and that a sense of "entitlement" may have developed within the BON i.e. it was the agency's responsibility to make them successful. A question is raised however as to why the BON group was encouraged to proceed when the preliminary study of the venture showed that it was not viable.

The Lancaster group's effort is unique in its' access to support and perhaps one that can not be duplicated. From a technical assistance perspective, Lancaster county has not only a very highly qualified Cooperative Extension vegetable crop specialist and a research facility located nearby but the last Adult Farmer Education program operating within the state. Jeff Stoltzfus, who implements the program, is in the field working with farmers on a full time basis everyday. His reaction time in responding to a farmer problem is near immediate. The close proximity of the farms in this area, the tight knit relationships and the help-thy-neighbor philosophy makes for a solid support team. Coupled with this is a wealth of business savvy gained from the experiences of countless, successful non-agricultural based businesses within the Plain Community.

The comments from the Cooperative Extension agents were enlightening if not redundant.

1) Two of the vegetable specialists involved are also CED's of their respective offices with administrative responsibilities on top of directly servicing vegetable production clientele. Unlike areas in the East, horticultural operations in the Central and Western parts of the state are generally few and far between often situated in "micro-climates" defined by ridges, valleys and hills. Grower problems are different from farm to farm. The service areas are multi-county. To paraphrase one Extension Specialist, " There's not enough hours in the day or gas in the tank to visit the farms on a daily basis."
2) Extension has little manpower available that is devoted to issues such as proper business management. This situation is not going to improve with increasing budget constraints.
3) Extension Specialists are not mind readers. They have to be informed of a need or problem by individuals needing assistance through a timely request. They will provide as much help as they can in the most timely manner possible.

THE WESTERN PENNSYLVANIA VEGETABLE GROWERS COOP

The business evolved from a Pennsylvania Department of Agriculture grant administered by Penn State to expand the production of vegetable crops to supplement the loss of revenues from declining dairy production. The grant program was in place from 1999 through 2001. The program involved, in some cases, training small grain producers, former dairymen and beef cattle producers in the specifics of growing selected vegetable crops. The target market was to be the wholesale segment primarily food processors.

Organization and Structure: The group was loosely organized until 2000 but producing and moving product. A cooperative was formally established in the later part of 2000 and early 2001. The coop had the standard Board of Directors, president, vice-president, treasurer etc. A Penn State Senior Research Associate worked with the group on a day to day basis until 2002 when the funding terminated. He handled grower training, sales/marketing, organization of the business etc. until the initial stage of the project ended and the group was determined to be self supporting. The group had a peak membership of approximately15 growers in December 2001.

Following the departure of the Senior Research Associate, the WPVG chose not to secure a sales/marketing individual and the packing operation was run on an ad hoc basis with no trained crew or supervisor. Membership dropped with an exodus of the established (and often younger) growers.

Financing/Finances: The group was heavily and directly subsidized with multiple grants. In 1998, a USDA RBOG (Rural Business Opportunity Grant) in the amount of $26,000 was provided to fund a market feasibility study looking at the potential market for produce. Of this, $13,000 was later rolled over and earmarked for equipment purchases including a packing line and refrigerated storage. Through a special Cooperative Extension grant, another $5,000 was spent to purchase production equipment (mulch layer, transplanter, sprayer, mulch lifter etc.) which was to be shared by the growers. The PDA grant to support the operation of the program was in excess of $75,000 over three years Growers paid a nominal ($50-$100) membership fee and a percentage of sales was collected to support the running of the business. The WPVG had approximately $13,000 in the treasury as of January 1, 2002.

Support: USDA supplied a support individual who, among other things prepared a business plan for the coop. Besides the normal assistance of Cooperative Extension, the group had day to day help from the PSU Senior Project Associate and immediate access to Dr. Orzolek who was heading up the project.

What Happened: The WPVG did the first test market of 500 cases of the not yet trademarked Pennsylvania Simply Sweet Onion. It had already established a small though large volume customer base that was taking ½ and full truckloads of bell peppers and other produce. This was done under special agreements in which the customer supplied packaging, with guaranteed season long pricing and generally provided no cost transport with their own trucks.

USDA prepared a business plan based on the established business and customer projections for the SSO. The plan required minimal initial equipment purchases because these were mostly already in place. The group declined to pursue the SSO opportunity or to implement the business plan.

With a declining membership, no active recruitment program and no sales plan or sales force, the WPVG Coop soon disintegrated into a small group of independent growers sharing equipment. The group failed to fill contract deliveries in 2002 and made no efforts to sell as a group after this. Several of the growers continued as licensed SSO growers moving product in direct-store-deliveries to local stores for several years after this. The WPVG group dropped their PACA license, fell below minimum membership requirements for a legal cooperative and eventually disbanded and formally closed up shop in the late 2000's.

Assessment: The WPVG never supported an organized effort into the wholesale market even though some members served on the Onion Committee. They chose instead to compete as independents trying to make their own way with sales to individual chain stores. They did not survive.

Past Member Interviews: The growers stressed two major contributing factors: 1) The highly labor intensive cultivation of the SSO limited opportunities for individual farming operations. 2) The average age of a typical WPVG member escalated rapidly with the exodus of the younger growers. The older growers were looking at the SSO as a means of "supplemental income" not a major revenue source. They had already established their farm's primary source of money and direction. They saw no reason to make capital investments, to make major efforts at expanding the market or to pay sales commissions. (Note: As with many of the "independents", the growers benefited from the demand created by the Pennsylvania's Simply Sweet Onion® marketing program and their customers were frequently individual members of chain stores already purchasing from central warehouses.)

Additional insight was gained from an off hand comment. "Mr. ______ is right. The product sells itself. We really didn't need a salesman."

CROSS CREEK FARMS (THE ORIGINAL)

This business developed because of dissatisfaction with the WPVG group and a demand and need for approximately 2,000 cases of the (still un-trademarked) Pennsylvania Simply Sweet Onion. This was for an expanded test market with a wholesale distributor in the year 2002 to which the WPVG would not commit. This also required an investment in dies and plates for PLU stickers and onion boxes. The focus was to 1) Produce product for the test market. 2) Continue to supply the existing SSO customers in Washington, PA. 3) Test the idea that the SSO could be used as a springboard for increased revenue with sales of ancillary produce 4) Supply the established customer base of the WPVG as needed.(It was anticipated that the WPVG group would not be able to fully fulfill contractual obligations for a variety of reasons including lack of grower willingness to follow the production regime, "private sales" by individual growers depleting the group's inventory, no organized program for meeting customer packing requirements, no formal sales organization or responsibility and a host of other reasons.)

Organization and Structure: Cross Creek Farms was organized as a three member partnership in an LLC. The business was a sales/marketing and packing house operation. Two of the members were also to be producers supplying product to the LLC as individual businesses. There was a Sales/Marketing individual, an Operations Manager (responsible for harvesting, packing, shipments etc.) and one member at large. The paid packing line crew was supervised by the wife of the Operations Manager. This crew was comprised of local (again trained) labor experienced in meeting USDA specifications.

Finances and Financing: There was no government or grant funding involved. The three partners invested equal amounts of equity in cash, equipment, professional services or deferred rental/lease payments as agreed to for value. The greatest immediate financial cash burden was carried by the "Operations Manager" who elected to constructed a packinghouse and distribution center at his owned location as an investment at a cost of approximately $50,000. This facility had refrigerated storage for 3 semi-tractor loads of produce and could dry onions in truckload lots.

Support: The two producers were adjoining farmers who readily shared information. Cooperative Extension (with a vegetable specialist) was available and utilized. The Sales/Marketing partner had prior experience with the WPVG effort and industry background in the area of sales/marketing and agricultural product development. One of the two producer partners also operated six successful eating establishments in Pittsburgh and had experience in non-agricultural business ventures.

What Happened: To an even greater degree than expected, the WPVG group failed to provide any product to it's major customer or to provide even an explanation for non delivery. This is a major faux pas in the sales world. It appeared that product was being diverted by individual growers for "private sale" CCF did fill the gap with semi-truckload deliveries. It also supplied a variety of local produce (melons, cucumbers, squash, tomatoes, peppers etc.) to 8-10 local groceries. Two truckloads of Pennsylvania Simply Sweet Onions (less 20% because of post harvest problems and maintaining a quality image) were delivered to Four Seasons Produce for the expanded test market. This in addition to supplying the previous year's demand by local stores. Despite it's lack of commitment to the SSO, the WPVG requested (and received) logo display boxes and PLU stickers for their direct sales efforts. Sales for the year for CCF were approximately $80,000 with 2/3 of that coming from SSO sales. The company turned a profit. There were member issues and problems that resulted in a mutual agreement to transfer ownership, divide assets and start anew.

Assessment: Cross Creek Farms followed the basic marketing and business plan for the Pennsylvania Simply Sweet Onion and also supported the independent efforts of the WPVG group.The product image, market penetration, and volume was increased into the targeted market. The business was not sustainable simply because the members could not continue at the pace required to fulfill their multiple work related responsibilities on and off the farm.

There were some problems that resulted in the dismemberment of the original Cross Creek Farms. One member/grower relied on a cash flow from businesses in Pittsburgh to support his farming interests. Shortly after formation of CCF, he suffered a business fire that destroyed 3 of his 6 locations. This would take 6-12 months of concentrated effort to restore at an estimated cost of over $1 million. Meanwhile, the Operations Manager, working full time as a heavy equipment operator and managing a 75-100 head Certified Angus herd, was assigned to a construction site that required 10-12 hour days at a minimum of 5-6 days per week. Stress was considerable and tempers were short.

By mutual agreement, at the conclusion of the 2002 season, profits, equity and assets were distributed among the three owners in exchange for the name and goodwill being transferred to one member and the formation of a strictly sales and marketing oriented business.

Cross Creek Farms followed the original SSO plan and was both profitable and advanced the product in the marketplace. The overpowering influences in the demise of the original CCF were financial strain, stressful environment and disharmony generated by conflicting commitments.

THE BUTLER ONION NETWORK (BON)

"Build it and they will come." From the movie FIELD of DREAMS

The story of the BON could be a case study by itself. The venture was conceived as an enterprise to stimulate the agricultural economy in Butler county and one that would be the dominate force in Pennsylvania's Simply Sweet Onion® market. The business was to be a one stop shop providing the members with a facility to dry, grade, pack, and ship product along with a confirmed customer base. The emphasis appears to have been placed on creating the facility.

Organization and Structure. From the records available, it appears that the BON began organizing in 2004. It was a Limited Liability Company with approximately 15-18 initial members. Officers were elected including a president, vice-president and a treasurer however most decisions were made through a consensus of the members. The president also was placed in charge of running the facility. Sales efforts were done on an ad hoc basis with no designated salesman or sales force. The group declined the services of two sales/marketing organizations, Cross Creek Farms LLC and Seminole Produce. Members could utilize all the services of the BON or use only a limited number of them such as the grading and packing facility. The labor force for the facility was largely volunteer, unpaid and with limited training. This lack of experience in a business environment manifested itself in various inventory control problems[2] and some poor business practices. The business ceased to exist at the end of the 2007 season.

Financing/Finances[3]: Participation in the LLC required a one time, $1,000 membership fee that generated $15,000 to $18,000 of capital. The group was heavily but indirectly subsidized. The facility was located in a designated Economic Development Zone with a tax abatement program. The 5,000 square foot facility (reportedly costing in the neighborhood of $1,000,000) was constructed by the local economic development authority with their funds and a $300,000 grant from the Mellon Foundation.(ref.11) This building was to be leased to the BON. This building and the lease were the basis for considerable contention. (ref.11)

There is some confusion among the members interviewed regarding this lease. One position was that a two year period of "free rent" would be provided as a start up incentive. Others did not recall this incentive. A copy of the proposed lease (ref.9), shows a 16 month term of occupancy beginning June 1, 2006 for a base rental of $17,500. In any case, the lease payment schedule was geared towards maximizing payoff during times of the heaviest cash flow with reduced, token payments to be made during the off

[2] Among these was an unaccountable loss of two pallets (ca. 500) Simply Sweet Onion boxes. Not only was this a direct monetary loss to the PVGA Committee but raises the question about sales and distribution of off grade product and non-payment of per box assessments.

[3] The sources of information on Finances are listed as references 8,9 and 10. However, these documents were considered "privileged" and may not be readily available to the reader.

season. In the event the BON failed to vacate at the end of the lease period or resign a lease , rental was to be on a month to month basis at twice the base rental ca. $2,200/mth.

The lease did contain a sublet provision that the BON hoped to utilize during the off season to offset expenses. Several former BON members said that assistance was to be provided in these subletting attempts however it did not materialize.

Equipment purchases were to be financed through the economic development authority with low interest loans. The equipment purchases included a state of the art, high capacity packing line custom built in Vidalia Georgia at a reported cost of $50,000. The drying unit was also state of the art from the onion growing region of New York. Cost for this unit was stated as being between $15,000 and $18,000. Other equipment included a forklift and a time clock (!?).

Revenue was to be generated from commissions collected on product sold and per box charges for grading, packing and handling. An operating loan of $8,000-$10,000 for the first year was projected. Additional funding was anticipated from another grant source.

Financially, the BON carried a heavy debt load with a poor cash flow. It was dependent on additional subsidizes, grants, "bumper crop" yields and favorable market development. There was no "wiggle room" to operate in the event of a shortfall.

Support: Technical support for field production was available through Penn State Cooperative Extension. While experienced onion or vegetable growers said the level of support was "fine" they also said that inexperienced first time growers and those who had no farming background found the support lacking. The estimate from those interviewed was that 50% or more of the member growers lacked experience in the production of vegetables.

From a business management perspective, there were some deficiencies. USDA did prepare a pro forma for the business.(ref.8) The members interviewed were generally dissatisfied with the contributions of the local economic development authority. The in-house experience pool was shallow with most business expertise in the retail, agriculturally related area. There was no major guiding force familiar with the wholesale market. There was some knowledge available from individuals employed in the non-agricultural business arena however the comments shared indicated this advice tended to fall on deaf ears.

What Happened: The story of the BON is a long one with a lot of detail but it is presented here as completely as possible because it is an example of what NOT TO DO.

The USDA pro forma (ref.8): These pro forma's are prepared using standardized software and calculations based on historically sound methods. The fly in the ointment is that they are dependent on the accuracy of the inputs provided by the prospective business group. The BON data was seriously flawed, overly optimistic, inaccurate and just plain wishful thinking.

Examples:

1) Despite a membership that was heavily geared towards inexperienced growers, projected yields were 24%-75% higher than the average yields of the most experienced group of SSO growers.
2) Projected average onion bulb size was approximately 30% larger than the state average.
3) Revenue was to be from a sales commission of $2.40/box and a packing fee of $4.00/box.
   a) Despite various growers using less than the total package of services offered by the BON, the $6.40 figure was applied to all projected, harvested crop.
   b) Cost of sales was projected at "$0.00". No formal sales/marketing effort was to be initiated but growers were expected to accept a $2.40 charge. (One prevailing doctrine being promoted was that "The product sells itself.)
4) Average annual growth in the number of growers was projected at 25% with a 100% retention of all previous growers.
5) For the four year period of 2006 to 2009, the growth in sales volume was projected at between 94% and 55% each year. This with no sales/marketing effort or costs and no established customer base.

Despite these optimistic projections, the pro forma showed (on the first page) that the venture would lose money. Wiser heads were over ruled and the general membership voted to proceed.

The Simply Sweet Onion Committee requires evidence of a verified market of a volume large enough to support the license application and the acres to be planted. As noted previously, there are some indications that the information supplied by the BON was not a package of hard commitments by buyers. If so, this would undermine one of the basic concepts of the SSO to balance production with market demand. In the marketplace, the BON lack of experience in the wholesale market was challenged with buyers attempting to renegotiate pricing after delivery and complaints of off grade and off spec product. (It is unknown whether these were legitimate or not.) Growers were going off on tangents pursuing sales with individual grocery stores and retail outlets, restaurants, direct off the farm and food service.

From the former BON member interviews, there was a 50%, first year crop loss due to inexperience and poor management practices. Although a delivery schedule was set up, many growers ignored it and either asked for special accommodations be made or simply showed up with product. This was a nightmare for the individual in charge of the facility. At a rated capacity of 600 cases/hour, the equipment purchased for the facility was overbuilt for the anticipated production volume and payments were a heavy drain on cash flow.

By the year 2007, the BON was projecting sales of 4,777 cases (ref.10) which was a 10% reduction from the projected volume in their year one and only 30% of the volume originally projected in the pro forma for the year 2007. Lease on the building was $11,000/year. Add to this operating expenses and principle and interest payments on equipment and an operating loan and the business was soon buried in expenses with no prospects for getting out of the hole by moving more volume. They did not have enough market or product.

In 2007, the group was "locked out of the building"[4] along with their equipment and moved "temporarily" into a rent free facility at a member's farm using a borrowed packing line. This was too little too late. The BON fell 90 days delinquent on the loan repayments and defaulted with the equipment being seized by the economic development authority (ref.11).

Comments from Member Growers: "What was supposed to be a feather in the cap for the CDC turned out to be an arrow in their back." "There was no set of experts that we could turn to for advice from the beginning to the end of the project." "Some of us recognized that our problem was a lack of market but we couldn't convince anyone to pay someone professional to move our product…not even on a commission only basis. We didn't have a plan for getting business or people assigned to do it" "We'd still be in business today if only we didn't have to pay rent for a building. (?!) " You want to know about problems? The projections were unrealistic and overly optimistic. We had loose cannons everywhere. We couldn't get either growers or buyers to make and honor commitments. No cooperation." "You can't expect to get a full-time paycheck with a part-time effort. That never did sink in with some members." "The group wouldn't work together on even the simplest things." "We were guinea pigs." "If someone is looking at trying to do this kind of thing-your model thing-they should look at what those Lancaster Amish are doing."

The majority of the comments given seemed to reflect the general frustration of the group which anticipated a road paved to success by local political interests, a never ending flow of cash from grants and problem solving provided by the economic development authority. There was no sense of "We own this and have to take charge."

As summed up by Indiana county Cooperative Extension CED and Vegetable Specialist Bob Pollock, " The BON lost track of the Simply Sweet program, it's direction and purpose. It (Simply Sweet) was a marketing program approach to try and solve a market/marketing problem. It was not a no-available-facility problem. The BON did not have enough market to support their existence. They had no sales/marketing plan.. They had no personnel in place to solve this problem. Their approach to the market became fragmented, haphazard and segmented. There was no focused effort at solving problems. There was no organization."

[4] Source: Former BON member to C.R. Sweger while seeking assistance in negotiating an agreement with Butler CDC.

THE LANCASTER VEGETABLE FARMERS COOPERATIVE

The first efforts with the Pennsylvania Simply Sweet Onion in the Lancaster area began in 2003 with three growers and approximately two acres of production. This is on a scale comparable to the original work done by the WPVG group.

Going into the 2011 harvest, the LVFC has become the dominate force in the production and sales of the SSO with 90+ acres and 95+% of the licensed acres and growers. They will be moving into their fourth packinghouse upgrade in seven years. The organization has in the neighborhood of 100 active members with 35 on a waiting list. Additional crops now included in rotation are being sold along with the onions and include cauliflower (15-20 acres), hard squash (35 acres), and broccoli (30 acres). Value of the onion crop is projected at $1.1 million with projected sales of all crops at a wholesale level to be in excess of $1.5 million.[5]

Organization and Structure: Prior to the formal organization of the Coop in 2005-2006, the group worked as a tightly knit organization sharing production skills and know-how, assembling product at common shipping locations under a single sales agent and holding regular meetings. The Coop has a five member Board of Directors who are also officers. Two of the officers operate their own successful, non-agricultural based businesses in addition to farming. The packing facility is operated by a paid manager and a crew of trained packers, the majority of whom are paid employees. This has evolved from early beginnings of on-farm packing with shared, experienced packers. Attempts are made to have a carryover of experienced line workers from one year to the next. All product goes strictly to the wholesale market through a commissioned sales organization.

Unique to this organization is the use of product coordinators. An individual or individuals is assigned to each crop. It is his/their responsibility to coordinate variety selection, cultural practices, planting dates and acreage, harvest dates, packing schedules etc. This provides additional technical support, organization and product management.

Recruitment has been by word-of-mouth from those individuals who are satisfied by their returns. Sales and marketing is left in the hands of the sales organization.

Financing and Finances: Members pay a $200 membership fee to participate. All charges to growers are done on an at-cost basis. (Packing fees are based on hours to handle a grower's product times crew required at the standard pay rate. This encourages growers to field sort and remove off grade product prior to delivery to the shed.) Except for Pennsylvania's Simply Sweet Onion® license fee, all charges (box and sticker costs, per box assessments, sales commission, freight etc.) are collected and paid by the coop and charged to the grower's account.

As seen in Table 4, the management of this group has a high level of business savvy being able to identify, resolve, address and negotiate key business and financial issues.

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[5] Source: Personal communications with LVF Coop officers and Seminole Produce.

This is done with little, if any dependency, on outside resources and no subsidies with government or grant monies.

An internal loan by one of the members is usually required to finance box purchases and there is one outstanding bank loan. The group has never applied for and will not accept any grants or government funding. It is solvent and has met all it's financial obligations in a timely manner.

Support: This group has, by far, the strongest technical support of any organization affiliated with the SSO program. Penn State, Cooperative Extension, the Adult Farmer Education Program, the natural, interdependent neighbor-to-neighbor help and the Coop's "product coordinators" are all available for assistance with production agriculture problems. From a business management perspective, the Board, with the insight of the two independent business owners, has done an excellent job of negotiating the minefields. Jeff Stoltzfus of the Adult Farmer Education Program has also been called on for his guidance and to help the coop source outside resources as needed.

What Happened: The Lancaster effort has been and continues to be a success in all interpretations of the word. They applied the basic principles of the original Simply Sweet program maintaining the marketing plan and using their organizational skills to implement the coordination of the production, packing and shipping aspects of running the business.

In the interviewing process (and my personal experiences), certain qualities and characteristics were identified by grower/members and by the support individuals as being major contributing factors.

1) Good, solid leadership. The quality of the leadership provided by the decision makers of the group instilled confidence and trust within the member/growers and in the sales/marketing team.
2) Unity and Discipline. Although the group may have had differences of opinion, once a course of action had been decided, it was/is fully supported and implemented by all members. There were/are no "loose cannons".
3) Transparency and looking out for grower interests. Transparency can be an overused word. Within this organization, trust was universal that the management would do "the right thing" for the members even if they inadvertently made a mistake. Personal interest, self promotion and greed were never issues.
4) Sales. "We always had good sales people. We didn't have to worry about our product being sold." "The sales people always had a plan and they seemed to know what they were doing."
5) Scale of Business and Investment. "How much money you spend should be based on how much business you hold in your hand. Not how much you'd like to have." The LVFC (and the predecessor organization) chose to grow incrementally with investments in equipment and personnel based on actual business volume and solid sales projections from their sales organization. They manage their debt load.

6) Commitment to a Longer Term Perspective. Not too surprisingly, I was told that LVFC members expect to lose money their first year. If they don't (lose money), they consider that a bonus. Their focus is on providing for their families and community "down the road".
7) Growers are Happy. There is an emphasis on keeping growers happy by making them a profit and generating a sense of ownership in every member. Besides regular meetings and "Twilight Sessions", the LVFC president sends out a monthly newsletter. According to Jeff Stoltzfus, average year to year retention is over 90%. In 2010, there was a high crop loss because of poor transplants, despite which, only 5 growers out of 70 dropped out. His estimate is that grower retention over a 5 year period is above 50%. This would be higher but Lancaster County Plain Community farmers begin to down size their operations as they approach age 50 in preparation for " a lunch bucket" job and a transition of the farm ownership.
8) Work Ethic and Cultural Influences. In the Plain Community, it is recognized that there are leaders and followers in every activity based on skills. This reduces conflict in trying to establish the "pecking order" and leadership. No one is easily offended. They are used to following rules. The leaders are not afraid to delegate responsibility. The Community members work hard, together.
9) The LVFC has Realistic Expectations. There are no perceptions of getting rich quickly, especially in agriculture. The group has seen "fly-by-night" schemes and experienced first hand, storms, drought, crop loss and market price crashes. They know what to expect in the best and worst of times.

From the Sales/Marketing Business Perspective. (Per Seminole Produce)

The main factors that make this work for LVFC.

1) "We had firm marketing parameters for the product when we started." USDA grading standards, defined sugar and pungency levels, proper, market acceptable packaging, sizing etc. " We were given a product that met the buyer standards not just something the growers wanted to sell." [Part of the SSO program]
2) "We had a very definitive market plan and we were transparent with both the growers and the buyers. Pricing was to be based on sustainability of the product in the market and the growers producing it along with their other crops. This meant, pricing based on a consistent return to the growers, NOT, market swings of competitive onions." (For obvious reasons, the overall program was not disclosed.)
3) "We, had and have, a broad base of customers/buyers. We could deal with the short term issues of the growers like a temporary shortage of one size and an over abundance of another. A delayed harvest, an early harvest. This helps growers and buyers alike. That's what we do. We have some expertise in this area to help growers and our end customers."
4) " We have a good balance. These growers do a really good job on meeting our (and the market) needs with quality production and a quality packing job…with some ups and downs on new products. The learning curve. I think a lot of it has to do with getting the right mix of production ag(riculture), proper packing and the sales/marketing component. All I can say is, we have committed a sales rep that has

been seasonally relocated in PA., have assigned a PA./regional marketing person in Pennsylvania and have secured other areas within Pennsylvania for additional crop production. We would not make that sort of commitment, from a business perspective, if we thought it we are not going to get a dollar return."

Some Final Words from Dr. Mike Orzolek.

" There have been some individuals with personal agendas associated with the Simply Sweet program. This can be counter productive in the overall scheme of things. The Lancaster group isn't like that. They are structured to act together as a unit. They are disciplined. They have street smart business savvy. They had a marketing plan and direction. They had good leadership and management. They sort of put it all together."

TABLE 4
FACILITIES COMPARISON OF THE BON AND LVF COOP

Total Enclosed area	BON=2,500 square feet	LVF=18,000 plus "overflow" area
Office space and dock?	Yes	Yes
Refrigeration area	No	9,000 square feet
Drying area	External	Internal 5,000 square feet
Exterior Space (staging)	2,500 square feet	18,000 square feet
Utilized	8 weeks	5 months
Average Monthly Rent	$1,100	$7,400
Payment Schedule	12 months	5 production months only (utilized by owner 7 months)
Enclosed Area in season cost	$0.44/sq.ft.	$0.41/sq.ft.
Enclosed Area, cost/year	$5.25/sq.ft.	$2.02/sq.ft.
Lease Term	16 mths., renewable	5 year, renewable up to 20 Years.

ASSESSMENT: As of mid-July, 2011, the drying area of the LVF facility was at full capacity with some overflow going into temporary storage. Likewise, the refrigerated storage area was at near capacity with either finished product ready for shipment or bins of unprocessed onions ready to be packed. Four semi-tractor trailer loads of SSO were to be shipped on Monday July 19 freeing up warehouse space. The packing line operates 6 days a week with a single 10 hour shift. Harvest and movement of product into the facility is ongoing. Despite the large size of the facility, it is being fully and efficiently utilized.

The in-season cost/square foot of the LVF building and that formerly used by the BON are nearly identical however the LVF group has a second packing line dedicated to non-onion crops and has an extended 5 month use season. This helps to defray fixed costs. They were also successful in negotiating a 5 month period-of-use lease that reduces their total annual expense. They were able to create a crop production and facility use schedule that matched the needs of the building owner for his own warehousing needs. This is in contrast to the BON that only used their facility 15%-16% of the year but paid for 12 months of the year usage and did not secure a sublease.

Final Observations: It is interesting to note that the lengths of the leases appear to reflect the short term versus long term perspectives of the two groups (16 months compared to 5 years renewable for 20.) The Lancaster group had to overcome serious economic and political land use issues (tillable agricultural land in this area sells for up to $15,000/acre and township authorities severely limit "non-agricultural" development.) Again in contrast, the Butler County group had the support of the local political bodies and the facility was located in a designated(Brownstone, KDZ) redevelopment zone with tax incentives and little, if any, value for either agricultural production or commercial development without these incentives.

MARKETING MODEL

"In business or science, it only takes one stoke of the pen to change a minus (-) into a plus (+). The problem is finding the pen and someone to hold it."
Dr. Donald E. Anderson, retired head of The Andersons Research and Development Dept.

The Pennsylvania Simply Sweet Onion was a marketing experiment targeting the wholesale distribution centers of grocery chains using a "signature crop" approach as a door opener. Details of this are included in the case study under Part I. This may not be the appropriate market segment or approach for all readers. Here are the steps to follow in determining what may fit specific grower group needs.

1) Do the homework (research). Examine the available data to see what market segment appears to fit your grower group's requirements.
2) Do more research to find out what that market segment demands. Is the grower group prepared and/or willing to meet ALL these demands? If not, move on to another.
3) Attempt to identify some general market voids or needs i.e. a tomato with more taste (the Ugli tomato).
4) Team up with the local land grant university and pick a brain or two. Not surprisingly, these researchers have been exposed to countless potential products and know on a first hand basis about their unique characteristics. It has been my experience that the researchers have just never been asked to identify varieties/products with defined parameters. Also ask about new production techniques that may help to resolve a problem. Examples would be advances in plasti-culture, grafting dissimilar plant species, high tunnel production etc.
5) Do some testing (better yet have the University do some) and evaluate the candidates for suitability in filling the market need. Get the potential customer involved. This will help to develop a sense of ownership by him.
6) Prepare a preliminary market/marketing plan being sure to include the magical 4-P's (Product, Price, Place, Promotion). Ask for feedback from the potential buyers. [A special word about pricing. Some pricing parameters should be collected early on from the potential buyers. The growers have to make a "reasonable profit" or they will exit from any sort of organized effort. If the buyer's position is to low ball price or make unreasonable demands that will not generate additional revenue, it is best to end the relationship.]
7) Arrange for a test market or two to check assumptions. Be prepared to make some short term price concessions to get the ball rolling but let the cooperator know that these are temporary.
8) Adjust the marketing plan based on the results of the test market.
9) Secure protection for your product. This may be a market order, a PVP (Plant Variety Protection) order, a licensing agreement with the university, a trademark etc. Rest assured, if the product is successful, someone will try to imitate or duplicate it. It just makes good business sense to try and protect the investment made in time and dollars.
10) Create product awareness in the targeted market. Demand can not be created without first generating awareness. This media exposure should be aimed at the targeted

market that may involve specific trade publications and/or newspaper coverage. Reporters are looking for good, newsworthy copy.

11) Initiate the formation of a regulatory body for the product or program. There will always be "cowboys" and "loose cannons" trying to beat the system. The grower group needs to work as a single, unified, disciplined body and the rules will need to be enforced.
12) A balance will need to be maintained between supply and demand or the price structure will erode especially during the early formative years. There is no room for "speculative" production. This concept can be totally foreign to many farmers and there is a likelihood that some participating growers will try to circumvent this. This is not the time for being a "good-ol-boy" and looking the other way. This sort of activity will destroy the market gains in nothing flat. Recent moves by the potato industry to limit production were successful in creating a rebound in pricing in a formerly severely depressed market.
13) A mechanism for funding future efforts in the areas of research, product promotion and education should be implemented. This should be self-sustaining. Organizations can no longer count on grants and government funding to do the job.
14) The individuals involved should have a long term perspective and realistic expectations. From initial field work, up to the present, 13 years were involved in the evolution of Pennsylvania's Simply Sweet Onion®. And the process is not complete nor has the product's full potential been reached.
15) It helps if there is a "product champion". This is an individual who is determined to prove that the program will work.
16) A major underlying barrier unveiled in this study, is the lack of understanding by growers, of marketing or it's value. In their minds, it is the same thing as "selling/sales" and they already know all about that through personal experience.. Lacking an understanding of the fundamentals of marketing versus sales, and a belief in them as a possible route in problem solving some major grower issues, is, in my opinion, an insurmountable obstacle. At the very least, when organizing a grower group or project approach, the parties involved have to grasp and accept, some new concepts. It is not, "Gran Pap, always did this and he got through." even though he dug in "The Mines" or "Worked in the Mill" or etc. "on the side".
17) A recommendation: Land grant universities should make a Marketing Basics 101 (just to learn the terminology) course a mandatory part of the curriculum for Agricultural students.

Footnote: I am a firm believer in "partnering" among the private sector (like CCF or Seminole Produce), land grant universities such as Penn State and producers especially after doing this case study. Each brings their own perspective and set of skills to the table. This type of coalition is vastly underutilized in trying to make new inroads for agriculture. Real world marketing know how must be incorporated into the business plan of every agricultural venture or it is doomed to failure. With all due respect to academia, today's rapidly changing economic society can quickly outstrip the textbooks in the application of those textbook examples. We need to encourage more interface among these three groups.

THE GROWER MODEL

Certain patterns and common traits for the success or failure of grower businesses emerged from this case study although the sample size was admittedly limited. These observations may not be all inclusive but do suggest some directions to follow and paths to avoid.

1) Organization and Structure. Formal structure (Coop, Corporation, LLC etc.) does not seem to play a significant part in determining whether a business will become a success or a failure. It appears to be "whatever floats your boat". Internal organization with delegated responsibilities, qualifications of the holders, determination of who-does-what, does matter.
   a) Groups with a defined marketing plan and a designated, experienced, at least semi-professional sales/marketing arm survived. Others did not.
   b) Quality leadership, again experienced, with demonstrated success in non-agricultural business management, improved chances of survival.
   c) The ability to delegate responsibilities to qualified and willing individuals is a must as the business evolves.
   d) A defined plan to gradually convert to a "normal" business structure with paid, trained, experienced, work force and managers is a positive direction.

2) Financing and Finances:
   a) Access to grants, federal aid, and political support is no guarantee of success, it actually could be counterproductive. Based on this limited case study, privately financed efforts did a better job of managing cash and resources than did government subsidized efforts. "Free money", low interest loans and promises of more grant money encouraged expenditures such as an automated time clock when there were limited (no?) hourly paid employees.
   b) A/the business needs to be self supporting without any anticipation of subsidy.
   c) Investment in dollars should only be to a level that matches the size of the actual customer base. Investments in facility rental or purchase, equipment, employee payroll etc. should be done in incremental stages matching the business growth not based on optimistic, best case scenarios.

3) Support:
   a) The business should have an adequate support network in three areas: Business management, sales/marketing and production agriculture practices. The level of support should be geared towards the "slowest ship in the convoy". What might be adequate production support for a group of experienced vegetable producers or adequate marketing support for a group of wholesale suppliers would be inadequate for say a group of first time farmers or a network of growers with experience limited to direct retail. There is no substitute for qualified, experienced professional individuals in these areas.
   b) Leadership. A successful business needs good leadership. Besides good judgement, a strong leader should have a high energy level, be competent, possess

good people skills, be willing to sacrifice personal gain and be dedicated to getting the job done.

c) To be redundant, the success of a business venture depends on profitable sales. As shown in this case study, it is false economy to "cut down expenses" by eliminating salesmen. Products do not "sell themselves". In many cases, particularly for start up ventures, a commission only agent may be the most cost effective approach.

4) Unity and Discipline: A reoccurring factor echoed by growers themselves, whether in a successful or unsuccessful effort and by the third party interviewees was the need for unity and discipline of member/growers. With the independent nature of the farming community, this can be a challenge. Venture participants need to have a common focus and work in harmony to achieve this goal even when it goes against their natural tendencies. It was very clear while doing this project that those organizations with fragmented approaches to the market, memberships with a "look-after-number-one", "me-first" attitude and a general lack of commitment to common goals, soon ran into trouble. Along with this goes the matter of discipline. A reoccurring issue with grower groups is the individual(s) who want to bend the rules or be granted special privileges. This is compounded by other members who look the other way. If the group is to survive, there is no room for this sort of behavior. Rules must be enforced and order maintained.

5) The Need for a Long Term Perspective. The average age of a farmer in Western Pennsylvania is between 58 and 60 years old. In many/most cases, there is no succession plan because the offspring have little interest in farming. In the Lancaster area, the average age of farmers involved in the SSO program was 35-40. There is also a semi-tradition (succession plan?) that the farm owner phases out of the actual farm operation around 50 (?), passes the farm on and takes up a "lunch bucket" job. These divergent approaches create two different perspectives. A "pass-it-on", "look-to-the-future" point of view encourages personal commitment to working on projects with a long range outlook for success. In putting together a working body of farmers, this perspective needs to be factored in as does recruitment efforts.

6) Market. Readers may note there has been a heavy emphasis on the sales/marketing end of the business. From a position of one who has been a longtime advocate of the importance of science and technology (I made much of my living doing so), this may seem a bit of a role reversal. It is not. Products need to be sold to generate revenue to support businesses that support families. This is about economics which is the driving force of much of what we do. A new venture grower organization needs to know that it has sufficient business (market) to sustain itself and access to that market. From this study, it appears that many ventures either don't do the market homework or (more frequently) are unable/unwilling to make corrections to access the market. A grower model needs to include a willingness to adopt and adapt to changing market requirements. A prime example of this is the initiation of the Lancaster group to incorporate farm identification numbers on product long before tracing to point of

origin became buzz word nomenclature. Size the market, see what it demands and if the group is willing to, not only meet those requirements but is prepared for projected change, there is a better chance of survival.

7) Be Ready for Change. Nothing remains constant in today's society. A grower group needs to be aware of change and willing to make mid-course corrections. Case in point: The original Pennsylvania's Simply Sweet Onion® display carton was designed to be "simple" in graphic design with a two color format to reinforce the folksy, simple concept of the product. Produce managers and merchandisers have recently started using competitive onion boxes to display SSO's in the stores because they have more "eye candy" appeal. This detracts from brand identification. Despite the investment in plates and dies, the carton will be changed with more color and higher graphics.

8) Scale and Volume: It seems to be a paradox. Farmers want to move more product volume into larger market segments but have difficulty grasping the concept that this requires shipments of a larger size. This doesn't necessarily mean larger individual farms but rather being able to assemble product en mass. Escalating fuel prices are dictating changes in the transportation industry. Pallet loads and multiple drops may soon become a thing of the past. Grower organizations need to be able to conceive of increasing their business and production to the level of multiple truckload shipments as being a matter of routine.

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