

MINNESOTA ELDERBERRY COOPERATIVE
FEASIBILITY STUDY REFLECTIONS:

*Assessing Market Opportunities and
Commercial Applications*

Market Study Comments & Implications

Christopher J. Patton, MA, MBA

Minnesota

Elderberry

Cooperative

Feasibility Study Reflections

Christopher J. Patton, MA, MBA

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References

- Minnesota Elderberry Cooperative
September 2013 Feasibility Study
by Cooperative Development Services
- River Hills Harvest Marketers, LLC
Experience, Sales & Financial Data
- Past Presentations by Terry Durham
on Growing & Processing Elderberry

Why Elderberry?

A marketing perspective answer to a few basic questions:

- If I grow elderberry, will I be able to sell my crop?
- Are farmers planting too many acres of elderberry?
- Why do we need elderberry grower cooperatives?
- Is there enough money involved to support a network of state-based grower cooperatives?

EU Market Profile

- Estimated at 30,000 acres of cultivated elderberry
- Est. annual yield of 107,000 tons, 95% of production from Austria, Italy, Czech Republic, Poland, Hungary
- Price equivalent of \$0.20 to \$0.35/pound for fresh, unwashed, on-the-cyme *S. nigra* berries
- Frozen in bulk for later de-stemming & processing
- Elder flowers a huge business in Europe

US Market Profile

- Estimated at 600 acres of cultivated elderberry (2015)
- Est. annual yield of 1,200 tons, conc. in the Midwest
- Price equivalent of \$1.00 pound for fresh, unwashed, on-the-cyme *S. canadensis* berries
- Price equivalent of \$2.00 pound for washed, de-stemmed and frozen *S. canadensis* berries
- Minimal commercial sales of domestic elder flower products

EU vs. USA markets

European Union

- Population of about 505.7 million
- 2013 GDP of about \$16.5 trillion

United States of America

- Population of about 315 million
- 2013 GDP of about \$17 trillion

Proxy for Planning

- How do we plan growth towards an established market?
- How can we estimate potential demand and corresponding supply?
- Use River Hills Harvest premium pure elderberry juice, an existing product with known parameters.
- Projected consumer use of this one product substitutes for all domestically grown elderberry product and ingredient categories.
- Provides a reasonable estimate of potential market size for strategic goal setting and organizational development.

Proxy for US Market

Estimating the potential market demand for elderberry products in the US using RHH elderberry juice as a proxy model for all varieties of elderberry products sold separately or as an ingredient in another product.

- Market participation by <1% US pop. = 3 million people @ **1 tbs./day**
(Assumes a very modest growth in public knowledge about elderberry)
- About 20 servings / bottle yields a demand for 12,500 cases/day
- Round to 4.5 million cases / year @ 20 lb./case = 90 million lb.
- **Est. proxy market of 45,000 tons** produced on c. **22,500 acres**
- **Rational target for initial phase of commercial development**

Annual Crop Values

Planning estimates derived from the preceding slides:

- Elderberry fresh yield of 45,000 tons = \$90 million
- Elderberry de-stemmed, sanitized & frozen yield of 45,000 tons = \$180 million
- Wholesale bottled elderberry juice cases delivered to retailer @ 4.5 million cases = \$578 million
- Intermediate timeframe of 10 - 20 years

Market Components

- Fresh or frozen berries and flowers, U-Pick, hobbyists
- Dried elder berries and flowers - 80,000+ lb/imported 2015
- Lightly processed elderberry products: juices, jams, jellies, and wines
- Highly processed elderberry products: extracts, concentrates, powders and nutraceutical inputs
- Natural dyes: dyes made from elderberries for use in food or textile industries

Networked Redundancy

- Farmed supply: network of state-based grower cooperatives to set quality standards, support research and promote best practices
- Multiple process options - flexibility w/stable to growing demand
- Multiple distribution channels: wholesale & retail market penetration without an expensive advertising campaign
- Encourages use in environmental management
- Accommodates multiple quality grades of fruit, including Certified Organic
- Promotes individual initiative and opportunity

Grower Cooperatives

- Network of grower cooperatives organized by state
- Grower members not necessarily limited to single state
- Some shared equipment and joint marketing and distribution of wholesale ingredients and/or retail products
- Quality control, savings from economies of scale, premium pricing, sufficient return on investment to grow capital base
- Encourages integrated university research and interfaces with government on behalf of growers, whole industry
- Pioneering research done by University of Missouri
- University of Minnesota seeks to build on that research with cooperation with Iowa & Wisconsin universities

Elderberry Options

- Grower option to supply fresh or frozen flowers & berries to local wineries, food co-ops and/or consumer hobbyists
- Grower option to make and sell farm-based value added products at farmers markets and/or retail stores
- Grower option to sell buckets of fresh picked or de-stemmed & frozen elderberries directly into the cooperative supply chain
- Grower option to aggregate harvest and processing activities with neighboring growers to share resources/ expenses in selling into the cooperative supply chain

High Quality

Makes commercially grown elderberry sustainable environmentally, ethically and economically from Farm to the Consumer including:

- Farmers
- Producers
- Wholesalers
- Distributors
- Retailers

Next Steps

- Increase the number of acres dedicated to the commercial cultivation of elderberry to meet present and estimated demand.
- Establish grower cooperatives in Midwest states to manage quality of crop and provide economies of scale to lower costs and grow both domestic and international market demand
- Develop farmer direct & cooperative supply relationships with local wineries, breweries, distilleries
- Support grower supply directly to local hobbyists of flowers and berries fresh/frozen, or as valued added products
- Establish University Agroforestry Extension in each state
- Increase certified organic production to develop and support organic processing
- U of MN: Diomy Zamora, Don Wyse, Gary Wyatt, Ken Dorn, Dean Current, Richard Warner, Matthew Clark, Emily Hoover, Paul Otten...