

MINNESOTA ELDERBERRY COOPERATIVE

*A Model for Midwest Elderberry Growers*

*A Review of Market Implications & New Bylaws*

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# 22,500 ACRES

- That's the main thing to remember
- Sustainably grown, documented, profitable
- Update from last year's presentation, which is posted on the Minnesota Elderberry Cooperative website
- Certified Organic opens huge volume potential in the national and global marketplaces

# 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?
- What does a regional grower cooperative look like?

# US MARKET PROFILE

- Estimated at c. 500 acres of cultivated elderberry / an annual yield of c. 2,000 tons, conc. in the Midwest
- Commercial price of \$.75-1.00 pound for fresh, unwashed, on-the-cyme *S. canadensis* berries
- Commercial price of \$2.00 pound for washed, de-stemmed and frozen *S. canadensis* berries
- Minimal Certified Organic premium due to added costs of retail distribution and commercial production
- Few commercial sales of domestic elderflowers

# EU MARKET PROFILE

- Estimated at over 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

# 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 = **\$70-90 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

- Ingredient component or lightly processed elderberry products: fresh, frozen or dried berries and flowers, juices, jams, jellies, teas, sodas, brews 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/regional grower cooperatives to set quality standards, support research and promote best practices
- Multiple process options - flexibility w/stable to growing demand
- Multiple distribution channels: local wholesale & retail market penetration without an expensive advertising campaign
- Encourages growth of local relationships between grower, retailer and consumer
- Accommodates multiple quality grades of fruit, incl. Certified Organic
- Promotes individual initiative and opportunity while strengthening elderberry as a small fruit industry

# GROWER COOPERATIVES

- Networks of growers cooperating or grower cooperatives
- Some shared supply, marketing and major distribution channels for wholesale ingredients and retail products
- Requires commitments of supply to make sales contracts
- Keep your customers happy with ups and downs of harvest
- Quality control, savings from economies of scale, premium pricing, sufficient return on investment to grow capital base
- Not necessarily only buyer of your crops, lower pricing
- Encourages integrated university research and interfaces with government on behalf of growers

# ELDERBERRY OPTIONS

- Grower option to supply fresh, dried or frozen flowers & berries to local wineries, breweries, food stores and/or hobbyists
- Grower option for farm-based value added products to sell locally or regionally: jellies, jams, juices, vinegars, tinctures, etc.
- Grower sells buckets of fresh picked, de-stemmed & frozen, or dried elderberries directly into the wholesale supply chain
- Growers aggregate harvest and processing activities with neighboring growers to share resources/expenses in selling through a cooperative into the wholesale supply chain

# HIGH VALUE

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

- Farmers
- Local to National Food & Drink Producers
- Wholesale Distributors
- Retailers
- Consumers



*Wholesale Ingredient  
Distributor*

Longer lead time 2-3 years  
Feasibility Studies  
Ingredient Specifications  
Certified Organic



# FRONTIER SUSTAINABILITY

Doing business sustainably involves measuring your success in terms of social and environmental responsibility as well as financial results — assessing the "triple bottom line" of people, planet and profit. Our co-op values are the basis for our belief in and support of sustainability. We care deeply about the effect Frontier has on the world we live in — the people and communities we do business with, the way the production of our botanical products affects the environment, the holistic health of us all.

# COOPERATIVE STRUCTURE

The **Minnesota Elderberry Cooperative** was created as a 308B cooperative. What does that mean?

- Voting Grower Members - own 1 share Class A stock
- Non-voting Associate Members, try us out, no crops yet
- Grower Delivery Rights - set by # shares of Class C stock
- Investors own non-voting Class D preferred shares, earn %
- Elected Board of Directors by Class A shareholders
- Board elects officers
- Board Committees run operations
- Board sets prices & policies in consultation with members

# COOPERATIVE STRUCTURE

## Growers as Patrons

- Contribute capital to the cooperative
  - Class C shares - grower decides, cannot be forced to add
  - Per Unit Retained Earnings - not fully paid at the time of sale to coop as set by the directors to manage cashflow
  - Accounts set up to track Retained Earnings, paid later
  - Members must report their share of profits and losses regardless of the amount of cash received - tax law
  - Coop has the option to treat non-members as members in commercial transactions

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