Progress in the Commercial Production of American Elderberry
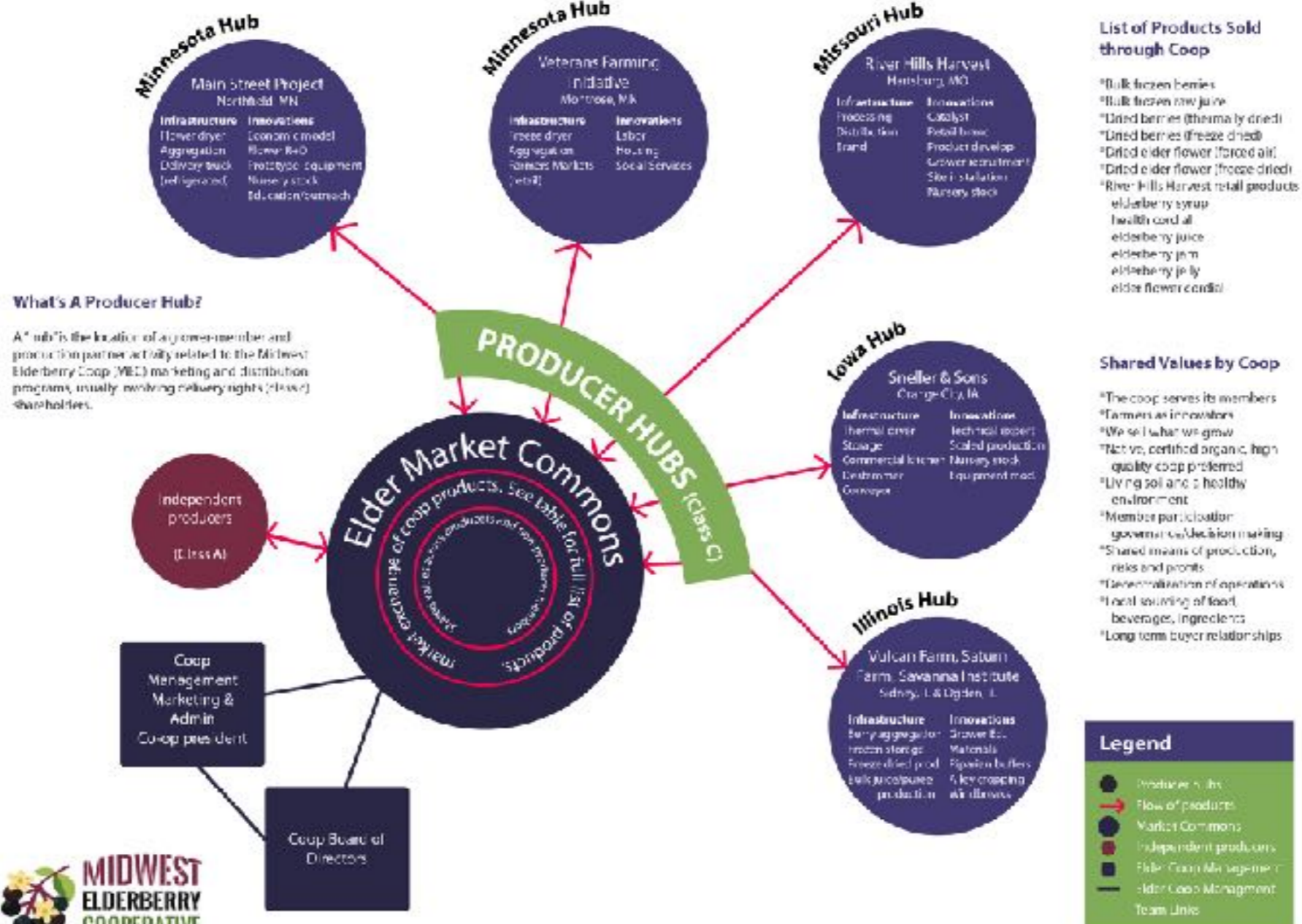

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The Big Vision

- **Decentralized Regional Processing Hubs**
  - Grower participation in more of the value chain
  - Chosen production varies by farmer resources & choice
- **Commercial volumes = repeat buyers @ competitive prices**
- **Commercial Competition: imported S. nigra, mostly European**
  - European IQF elderberries for $3.00 lb. (FOB east coast)
  - Annual contracts, pourable totes instead of frozen blocks
  - Low temperature powders from frozen berries & juice
- **Decentralization helps with distribution logistics & total price**

Regional Hub Org Chart

Market Forces
Both Friend & Foe

❧ **Strong demand for elderberry remains**

- Consumer trend for local and healthy foods

- River Hills Harvest & others' presence in the marketplace developed American Elderberry awareness and demonstrated potential growth

- Established companies jumped in using cheaper, certified organic European elderberry ingredients: IQF berries, concentrate, powders

❧ **Global competition affects local prices**

- Imports set volume buyer price expectations

- Buyer production lines designed for specific ingredient formats

- Dependable supply, year after year required

Market Forces
Both Friend & Foe - 2

- **Competitive retail distribution not for everyone**
  - Using traditional retail distribution > high marketing costs
  - Amazon > online, will price advantage last? 1-day delivery?
  - Trader Joes & Aldi > private label organic challenge
- **Better strategy: supply American Elderberry ingredients to established producer-distributors**
  - Requires dependable, high volume, lower margin berry ingredients
  - Requires documented nutrient presence & quality
  - Greatly reduces market risks, labor and development costs
  - Can be structured for repeat annual contracts for harvest

A Coop Answer
(General Principles)

- Cooperate to attract & proportionately share capital while increasing scale/size to compete effectively

- American Elderberry can benefit from traditional economies of scale: special machinery, aggregation of crop, etc.

- Should lead to more efficient field and crop handling, thus to lower costs of production:

  - Competes more effectively against global prices

  - Generates higher returns on invested $ and time

  - Spreads the risks geographically and by market segment

Challenge of Capitalization

- Cooperatives balance the freedoms of individual ownership with the opportunities of larger size.

- Coop ownership joins capital & labor to equalize distribution of wealth & opportunity

- Farmers share in production assets & operations > profits/losses

- Goal: lower costs of production to compete against imports

- Specialized equipment/technology required to lower production costs > labor hours, fixed costs/lb. in desired ingredient format

- High volume processing required to make existing co-packing services cost effective
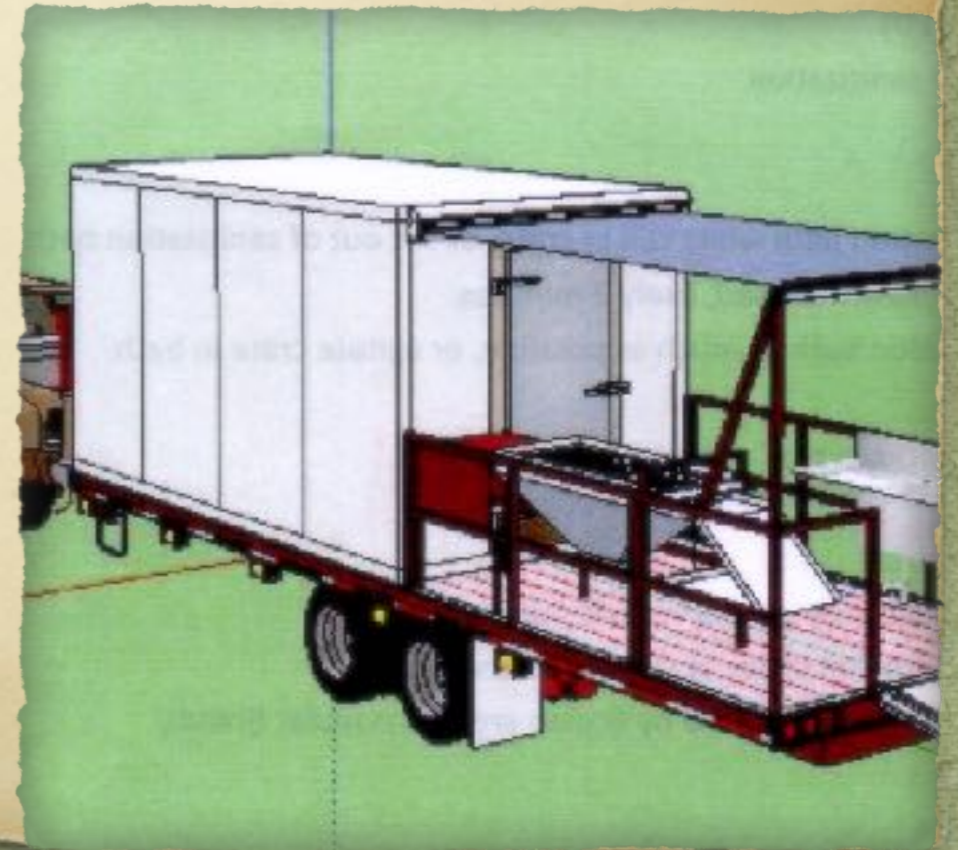
Cooperation = Capital

❧ Present crop challenges make it easier for a Big Corporation to buy from MEC than do it themselves.

❧ We will reduce grower costs to lower prices - not profits

❧ Secure & retain multi-year sales contracts

❧ Consolidate harvest destemming, processing in hubs with continuous flow capabilities, IQF American Elderberries

❧ By combining our existing production and efforts we can attract good agricultural financing, grants

❧ Midwest Elderberry Cooperative: coast-to-coast

Destemmer Challenge

- Must destem, clean, pack & freeze on day picked
  - Organic production & SWD quality control
  - Berries spoil in days even when refrigerated
- Current destemmers batch process 300-500 lb./hr.
  - High labor requirement: 3-6 people or more
- Goal is continuous flow @ 1500+ lb./hr., 2 workers
- Service growers within 2 hr. travel time of hub
- Includes process line to clean & pack, frozen storage

CLC Market Development Grant

- Progress on American Elderberry's technological challenges
- Funds fabrication of a New Design Continuous Flow Destemmer
  - Fountain Ark Farms, LLC in Delano, Jon Jobes & Brian Weber
  - Additional funding still needed to build/acquire a processing/cleaning line and on-site frozen storage
  - Potential for a future mobile version
- Scalable with challenges
  - Best matched with Individually Quick Frozen pack
  - Unfunded plan to adapt an existing prototype in WA state

American Elderberry Ingredients Market

❧ Progress in market discovery & copacker partnerships

❧ U of Minnesota Forever Green & U of Missouri since 2000

❧ Renewing the Countryside, Food Investment Institute, The Agroforestry Coalition, Savannah Institute, American Aroniaberry Association, The Walton Family Foundation

❧ Investing in the future of regenerative and sustainable agriculture with specialty crops, woody perennials

❧ American Elderberry has best market potential

Goals for 2024

❧ Functional Foods Grant - Renewing the Countryside

　　～ The Walton Family Foundation

　　～ Food Investment Institute - U of WI

　　～ Elderberry, aronia berry and black currants

❧ Berry Ingredient Business Plan

　　～ Individually Quick Frozen Processing - any small fruit

　　～ Whole berry powders

　　～ Juice & pomace powders

　　～ Single fruit or combinations

Pilot Product Runs

❧ Identify best ingredient candidates by market demand

❧ Use business plan to secure project financing

❧ Produce certified organic ingredient(s) in volume

  ～ At least minimum normal process run ~ 20,000+ lb.

  ～ Analyze production costs and pricing

  ～ Grower profitability from field crop & coop participation

❧ Test the market & develop commercial buyers

Hub Business Plan

- Contracts for crop & ingredients in advance of harvest

- Market demand and revenues by ingredient pro forma

- Facility location, configuration and construction or renovation

- Proximity to & capacity for sufficient grower production

- Financing

    - Grant and government programs

    - Investors: MEC a 308B coop with non-voting preferred shares

    - CoBank and/or other lenders