

Food Alliance

Background (initial strategy, evolution of strategy and enterprise structure, dynamics and resources involved in getting started; amount of start-up capital required?)

Food Alliance is rooted in principles of sustainable agriculture as defined by a diverse set of perspectives and stakeholders whose approach to change rests on the core assumption that marketplace rewards are among the most potent tools for creating a sustainable American agriculture and, more broadly, a sustainable food system. For this reason, we operate programs on both the supply and demand sides of the food system.

On the supply side, Food Alliance operates a certification and eco-labeling program for environmentally friendly and socially responsible agricultural practices. To earn certification, farms and ranches must meet a strict set of environmental and social criteria covering pesticide reduction, soil and water conservation, wildlife habitat conservation, safe and fair working conditions and animal welfare¹. Certified agricultural operations are granted the right to use Food Alliance's eco-label (*Food Alliance certified*) to distinguish their products in the growing marketplace for sustainably produced food.

On the demand side, Food Alliance operates an extensive market development program designed to increase awareness and use of Food Alliance certified products. We enlist retailers, restaurants, food service companies and distributors interested in sourcing and promoting Food Alliance certified products to their customers, and provide them with the understanding and tools to do so effectively.

Organizational form / scale / leadership (nature & legal form of the enterprise, number of members, capitalization and other major financial indicators, amount of product, leadership & decision-making structures, changes over time and reasons for changes)

Food Alliance was originally created as a project of the Washington State Department of Agriculture, Oregon State University, and Washington State University in 1994. Founding and ongoing participation from leaders in the organic movement, conventional agriculture, the scientific community, farm labor advocates, environmentalists, food industry experts and consumers has yielded enduring respect for Food Alliance's rigorous certification and market development programs.

In 1997 Food Alliance incorporated as a 501(c)(3) non-profit and began certifying and developing markets for Northwest crops in 1998. In 2000, the geographic reach of Food Alliance's program was extended to the Midwest, by means of a formal affiliation with Food Choices, a project of the Land Stewardship Project and Cooperative Development Services, based in St. Paul, MN. With the signing of the affiliate agreement, the project was renamed Food Alliance Midwest. This affiliate implements the certification and market development program in the Midwest region, and nominates two members of Food Alliance's board of directors.

Food Alliance is governed by a Board of Directors, and managed by an executive and four staff in the Portland Oregon office. Food Alliance Midwest has a director and two additional staff. All of the certification inspectors are third party contractors. A Stewardship Council provides guidance and technical expertise for social, economic and ecological issues by assisting staff in the development and monitoring of the certification standards. Council members include representatives from agriculture, extension, farm labor, consumer advocacy and environmental organization and regulatory agencies.

Nature of products and the "value chain"

¹ Food Alliance's certification program is founded on a set of guiding principles that define the organization's approach to sustainable agriculture. These are included in Appendix A of this document.

Food Alliance has certified over 175 Food farms and ranches in ten states that produce over 200 varieties of fruits and vegetables, as well as livestock, dairy, wine and grains. These certified operations manage over 2 million acres, the vast majority of which is rangeland. As a result of Food Alliance's market development work, certified products are being actively sourced for over 30 corporate and collegiate cafeterias, 60 restaurants, 90 retail stores and at numerous farmers markets, farm stands, specialty markets and on-line. The largest emerging market for Food Alliance certified products is coming from partnerships with national food service companies (Bon Appétit, Aramark, Sodexo) and restaurant chains like Burgerville in the Northwest.

Two examples of Food Alliance certified farmers and ranchers are Shepherd's Grain and Oregon Country Beef.

Shepherd's Grain is a group of dryland grain growers from Eastern Washington. The fundamental advantage these growers have received from Food Alliance certification is the connection that Food Alliance has helped him make with specialty markets for their value-added wheat flour and other grain products. Food Alliance certification helped distinguish Shepherd's Grain from commodity products. While it was still necessary for founders Karl Kupers and Fred Fleming to build the business relationship, Food Alliance was key to connecting them with buyers who valued Food Alliance certified grain.

Oregon Country Beef already had strong market relationships when they approached Food Alliance for certification. However, in keeping with their business ethic, Oregon Country Beef wanted 3rd party verification of their production claims from an organization that would stand behind them. Food Alliance was able to provide this Oregon Country Beef and act as an intermediary between Oregon Country Beef and the environmental community at large. Food Alliance is now encouraging marketplace relationships for OCB with partners like Bon Appétit (food service company) and Burgerville USA (restaurant chain near Portland). Burgerville's partnership with Food Alliance made the decision to use Oregon Country Beef their keystone product even more attractive.

Economics of the Enterprise

Food Alliance operates an extensive market development program – connecting farmers and ranchers with consumers across the country. Food Alliance has established partnerships with independent grocery chains, restaurants, national food service companies, wholesalers, food cooperatives, and specialty stores. Food Alliance commits to providing a range of market support services, public relations efforts, marketing strategies and point of sale materials while partners commit to sourcing and promoting Food Alliance certified products.

Food Alliance currently certifies 175 different operations, varying from small fresh produce farms to the large-scale grain and livestock operations like Shepherd's Grain and Oregon Country Beef. Farmers pay a certification fee of \$500 in the first year to cover the cost of the inspection, and must be renewed every three years for \$350. In addition, farms and ranches pay annual fees based on a percentage of their gross earnings on a sliding scale. The minimum annual fee is \$250 and a producer with gross earnings of \$1.5 million would pay \$6,000 in annual fees.

Food Alliance surveys growers each year on their experience with the certification program, but has not been able to track data on the total volume of certified product sold. . Reported market benefit varies dramatically from producer to producer and is dependent largely on the effort the producer makes to leverage the certification in their marketing. For instance, a small fresh market producer already marketing through Community Supported Agriculture or a farmer's market might not receive nearly the market benefit that Shepherd's Grain has by shifting from commodity grain to specialty markets. Food Alliance has made it clear that certification is merely one "arrow in the quiver" of successful agriculture. One comment that Food Alliance consistently hears from certified producers is that Food Alliance certification has enabled them to capture market share they otherwise might not have.

Key opportunities & challenges engaged

Food Alliance has made recent inroads in developing markets in the food service arena, greatly increasing the demand for certified product. This poses a challenge in growing the supply rapidly enough to meet the explosion in demand. For instance, Oregon Country Beef had estimated that its market growth rate would be a whopping 33%. In 2003, they

exceeded that growth expectation with market growth of 45%. Oregon Country Beef is expanding as quickly as possible to meet this growth, but with a product that requires nearly 2 years from decision to market availability, it is critical to project accurately. Another challenge generated by developing food service markets is the need to have consistent product available year round.

In addition to offering its signature certification program, Food Alliance has begun to offer consulting and custom certification and auditing services for producer groups and food companies with more narrow or specific production and supply chain concerns.

Food Alliance has met a need in farm and farm product certification and is a leader in making social and environmentally responsible certification available for larger producers and buyers of products. Director Scott Exo has come to realize that “farmer’s markets and CSA’s are not going to save the world. We need to pay equal attention to the larger producers.” Negative feedback on this position has been remarkably non-existent. Early on they received the occasional complaint from consumers who desired a higher “purity bar” for certified product (i.e. totally organic), but most people have been willing to accept that Food Alliance certification is serving a distinct need separate from other certification programs, such as organic. Food Alliance has made every attempt to be transparent about their efforts and to demonstrate that they are not in competition with organic certification because they are trying to reach a broader cross-section of agricultural producers and food industries. This approach and transparency has helped Food Alliance maintain healthy and cordial relationships with organic certifiers such as Oregon Tilth.

Replicability in other settings

In the past five years, Food Alliance has grown from a Northwest regional success to a national effort with more than 175 farms currently Food Alliance certified. The majority of these are in Washington and Oregon, and in the Midwest, where our affiliate administers our certification and market development program. In the past year alone, the number of certified acres has grown by 12% and the amount of certified product moving through the food system has increased by 122%. The number of Food Alliance marketplace partners has grown from just 48 in 2001 to well over a 150. This number is expected to rise significantly as Food Alliance embarks upon major new marketplace initiatives. As a result of this rapid programmatic success and ensuing visibility, Food Alliance is increasingly sought out by food industry companies as a source of guidance on issues related to sustainable agriculture and certification, leading the organization to offer custom certification, auditing, and consulting services.

Research, education/demonstration, or policy changes

Food Alliance would benefit from research, education/demonstration and policy changes that could help its producers overcome barriers to certification and to sustainable production. For instance, further research on systemic changes in grain production would help Karl Kupers meet his Food Alliance certification objective of becoming more sustainable over time. Financial incentive to offset producers overcome the cost of certification would also be beneficial. Policy analysis and influence on the pending rules for the Conservation Security Program, such as determining whether Food Alliance certification meets the Tier 2 or 3 standards for CSP (and the resulting payments), could make certification more attractive to producers. In addition more rigorous qualitative and quantitative assessments of the economic value of Food Alliance certification would help potential producers and buyers make decisions about certification.

The presence of members of WSU and OSU Extension employees on Food Alliance’s Stewardship Council has facilitated the development of Food Alliance as a viable certification and market development program. The continued involvement of these institutions is a key to success. Furthermore, the continued promotion of certification as a “good thing to do” by Extension personnel supports Food Alliance.