

Buying the Farm

Chequamegon Food Co-op purchases a fruit orchard

BY TIM WHITE

At the end of 2008, Chequamegon Food Co-op in Ashland, Wis., made the decision to purchase an abandoned 82-acre fruit farm located near the town of Bayfield. It was not a decision that came easily for the board of directors. Northern Wisconsin is generally pretty conservative financially, and Chequamegon Food Co-op (CFC) is no exception. In existence since the mid-1970s and having grown steadily to current annual sales of just under \$2 million a year in 1,800 square feet of retail space, CFC had significant cash reserves and a very positive pro forma: not bad for a town of 8,000 residents.

Why the leap to purchasing a farm? Was this a visionary move or an emotional attempt to diversify into something we all support but know little about? Only time will tell. The story will no doubt continue.

The Ashland area is well known for its commitment to sustainable practices, being home to Northland College, an environmentally focused private school. Many “alternative” people move here to escape the city, and there has been a steady back-to-the-land movement for decades. To the north, Lake Superior’s beauty dominates the landscape for miles in and around town. Bayfield, located on the lake 25 miles north of Ashland, is one of the finest tree and bush fruit-growing areas in the Midwest. Sheltered by the lake and possessing a unique microclimate, this area can grow apples, pears, grapes, currants, raspberries, and blueberries on a commercial level.

But many small orchards there are closing. In the last 50 years, orchard production has dropped from over 1,000 acres to around 200. Bayfield is regionally known as an apple producing area, with blueberries being the rising star. Soil, water and climate conditions are very conducive to blueberry cultivation. One of the largest growers there recently had yields of 10,000 pounds an acre, topping Michigan’s average yield by nearly 60 percent, and other growers are planting new fields with blueberries. With Minneapolis being one of the largest consumers of berries per capita nationwide, a huge potential exists for wholesale distribution.

Taking the leap

When then-board President Charly Ray found the former Betzold orchard listed by a local



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Realtor, he took notice. With 70 acres of available land, three ponds, excellent soils, southern exposure and several useable buildings, including a house, it was a very attractive property. One year after he privately toured the farm and after it was nearly two years on the market, CFC negotiated and finalized an agreement giving the co-op ownership. We closed December 29, the same day we were welcomed into the National Cooperative Grocers Association: a pretty exciting day for our co-op.

None of us ever imagined Chequamegon Food Co-op owning a farm this size, but it was the right time and the right piece of property. We felt that since we purchased the property for 25 percent less than its appraised value, there was little or no risk to the co-op. We were practically debt-free and anticipating profits in the 3–6 percent range going forward. The worst-case scenario was that we could not develop a good business plan or secure extra funds to develop the farm. If that happened, it was

reasonable to anticipate that we could profit from selling the property at that time. At least we would control who got the farm.

The farm is protected from being developed as residential property through a conservation easement, although that covenant doesn’t require that it be farmed. The former owners really wanted us to have the farm and to continue its rich agricultural history. At one time, it was the largest operating fruit farm in the area, growing, processing, and freezing fruit for the bakery industry. Other potential buyers wanted to have a private retreat and would not operate this valuable agricultural land as a working farm. We saw it as an opportunity to help the whole region’s agricultural community and be an example of sustainable and organic farming.

Old orchards are notorious for having heavy lead/arsenic contamination, so before closing, we conducted soil and water tests. These came back with varying levels of contamination. None was above the USDA acceptable guidelines for agricultural use, but caution must be used. Research showed that these toxins do not transfer into food, but dangers still exist if/when soils are disturbed. Problems occur when the soil is ingested, much like lead present in the paint of older homes. Therefore, any contaminated areas are best suited to bush and tree crops, where soil is minimally disrupted and cover crops are grown to prevent erosion. Areas of the farm not contaminated can be used for field crops like vegetable and strawberry production. Clearing this hurdle, we moved forward.

Shortly before closing, when the news got out about the impending purchase, some co-op members voiced opposition to the purchase. Issues concerning membership approval and process were presented to the board of directors, as well as concerns for the long-term financial health of the co-op. Our lack of a business plan did not go over well with some members either. We felt that the risk was minimal and to wait for such a plan would endanger the co-op’s ability to acquire the property. Given the down real estate market, it was thought that, if needed, an acceptable exit strategy existed when real estate values rebounded. The board of directors proceeded with the purchase despite these concerns, having decided it was in the co-op’s mission and best interest to proceed.

After closing, the real work commenced.



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PHOTOS COURTESY OF CHEQUAMEGON FOOD CO-OP

A farm advisory committee was formed, made up of many growers, board members, and interested co-op members. We conducted a meeting with all local growers to reassure them we were open to their concerns and ideas.

Our goals for the first year are simple. Get the 3,000-square-foot house divided into two apartments and rented, prune the existing 20 acres of apple orchards, make any needed repairs and updates to buildings, and do general cleanup of the site. As of the end of May, half of the old orchard had been pruned, one tenant

had been found for the house, and an 11-acre area containing dead cherry trees had been cleared and readied for cover crop.

Plans for the future are being discussed. End statements for farm production are needed before any real planning can be done. Fruit farming is a long-term proposition, since it can take up to 10 years to reach peak harvest levels. Discussions concerning whether or not the farm will be 100 percent organic and what constitutes local food will be difficult at best. We will have to balance the varying desires for clean, efficient

production; safe food; environmental stewardship; fair labor practices; cooperative ownership; and financial viability.

Complicating matters is the fact that the co-op is rapidly outgrowing its retail facility, with relocation planning needing to be undertaken soon. Though we are strong financially, developing a farm of this size will require sizable investment and could slow the store's expansion. Partnerships with local growers will be sought, but very few have the resources to take on a project like this one. Raising the money needed from an uncertain membership may be difficult, and selling the farm idea to the membership will be of the utmost importance.

Ideally, this farm will have many components. Community gardens, an education and retreat center, wholesale production for the Twin Cities, a fruit CSA, consolidation point for area growers, value-added production facilities, and start-up land for new farmers are among the ideas being discussed. This coming year, we will construct feasibility studies and enterprise budgets and should create a business plan for the farm. This will be the point at which we see whether or not our decision to purchase this valuable agricultural resource was indeed visionary.

Without the Chequamegon Food Co-op taking the risk, this valuable piece of property most likely would have slipped away like so many small farms in the Midwest. We just weren't willing to let that happen—hopefully a happy ending will be coming in the near future. ■

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