

Big Impact with Small Growers: How Patagonia Can Seed Regenerative Agriculture

Presidio Graduate School, Seattle Campus
WASC Senior College and University Commission

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Our Team

Kai Ottesen (he/him) is part of the 4th generation of his family to farm in the Skagit Valley of Washington State. His family has been farming in the lower Skagit delta since 1906 where they currently grow more than fifty different crops, including cabbage seed, small grains, fresh market produce, and a 5th generation Skagit farmer.

Alison Woitunski (she/her) hails from Massachusetts where she worked at The Food Project for five years before managing vegetable farms in New England and Hawaii. She's the author of *The Year Round Harvest* and has an equal love for heirloom tomatoes and heirloom bananas.

Lindsey Shelley (she/her) cut her teeth on Wall Street before transitioning to sustainable food systems. Currently, Lindsey is the Sales and Marketing Manager at Peak Sherpa, a growing food company bringing authentic Himalayan Tsampa to North American consumers.

Sylvia Raskin (she/her) has facilitated health and social justice trainings with over 20,000 people. Through the nonprofit organization she cofounded, Sylvia produced films made by teens across the U.S., Uganda, India and China. Sylvia serves as the co-chair of the Diversity and Social Justice Initiative at Presidio and is pursuing a specialization in Cooperative Business Management.

Gina MacIlwraith (she/her) is a recovering environmental engineer spending the past 20 years working in a variety of sustainability leadership roles, including 10 years in the seed and pesticide manufacturing industry. She is currently pursuing a specialization in Cooperative Business Management.

Danny Fisher-Bruns (he/him) is a creative facilitator, educator, and organizational change leader with 6 years experience working with small businesses and nonprofits to implement continuous improvement initiatives, collaborative decision making processes, and programs that focus on environmental and social justice.

We, the students on the honor code of our school, confirm that this proposal is our original work.

Executive Summary

When you walk into the Patagonia store in Seattle, it is easy to tell that eating local is central to Patagonia's culture of respect and appreciation for the environment. An employee by the Provisions display goes out of their way to tell the story of smoked salmon, "Did you know that was caught with no by-catch off Lummi Island just a hundred miles north of here?"

When you walk into the Boston Patagonia store there are no Provisions products that reflect the diverse array of local food producers in the region. Some of the products feature smaller scale producers, but the overwhelming majority of Provisions products are sourced from within major commercial agricultural hubs, albeit with a significantly different production mission. To create a model that is truly regenerative there is a key principle missing—localism. Eating local is a benchmark for a regenerative food system, yet Provisions products do not promote regional eating on a large scale. As such, we propose a new feature to Patagonia's sourcing model: one that accounts for regional sourcing on a national scale. We are not interested in replacing the role of large scale producers in Patagonia's model—large scale farms are critical to our food system and we believe in the work of converting them to organic—but we emphasize sourcing from small to mid-sized producers in order to source from regions outside of major agricultural hubs. To produce at a volume large enough for a nationally distributed product line, Provisions will need many small-scale suppliers. We call our model *200x2020*—200 new suppliers by 2020.

Our proposal details the strategy by which Patagonia can achieve this goal:

- Partnerships with a high volume of small-mid size suppliers in regions across the U.S.
- Aggregate a distributed national network of regional suppliers and create economic opportunity through access to larger markets.
- Utilize crop aggregation and strategic crop rotations to meet volume demands
- Develop regional product lines that address region and ecosystem-specific environmental problems and reflect the character of local food systems.
- Establish strategic product pricing structure that makes Provisions products accessible to a broad audience.
- Spark a movement that has the potential to convert more than 640,000 small farms and their 19.3 million acres of farmland to organic and regenerative practices.

200x2020: Big Impact with Small Growers

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The inclusion of diversely scaled operations will produce a Provisions product line that is national in scale but also representative of local food systems on small, local and regional scales. We envision flagship products from every food-producing region in the United States—clam chowder from New England, beef from Hawaii. Collectively, this line of goods will showcase the large-scale environmental impact of regenerative food produced and sold at a national scale. Individual products will address environmental issues specific to their region and promote localism. We’ve included two exhibits of such products in our Appendix: Hawaiian Beef and New England Clam Chowder.

Entry into a larger market offers small to mid-sized farmers a path to greater financial sustainability and security. Assistance in identifying and establishing the infrastructure needed to access this market is what makes the *200x2020* model possible. Integrating small to mid-sized producers into the Provisions’ sourcing model will increase the number of suppliers using regenerative organic practices and the number of acres converted to organic.

Innovation Through Sourcing: Power in Numbers

The cornerstone of 200x2020 is the inclusion of agricultural producers from an array of regions, including areas not normally represented by nationally scaled systems. These producers are inherently smaller in scale. Individually, small to mid-sized producers do not manage large acreage, but combined, their environmental and community impact is powerful. The same can be said about crop volume—alone, small scale farmers do not produce at the scale that Provisions needs. Together they do. 200x2020 will increase the number of suppliers working with Patagonia and the number of acres in regenerative organic agriculture. 200 producers works out to ten regional hubs with an average of twenty local participants, onboarding 3 to 4 sourcing regions per year. This is an achievable number, and three years to reach this goal is an ambitious, yet realistic call to action. The following is a chart portraying the potential scale of this impact.

<i>Region</i>	<i>Total Small Producers*</i>	<i>Number of Small Organic Producers*</i>	<i>Potential Acre Conversion from Small Producers</i>
North East	95,159	799	2,830,800
South	172,350	383	5,159,010
Mid West	116,672	540	3,483,960
Plains	157,144	222	4,707,660
Mountain	48,114	169	1,438,350
Pacific Coast	55,536	1,323	1,626,390
Hawaiian Islands	1752	40	51,360
Total	646,757	3,476	19,298,430

Source: 2012 U.S. Census of Agriculture; *Small Producers = 10-49 acres

Selecting Producers

Nationally and regionally, there are many small to mid-sized producers with whom Patagonia can choose to work. But not all of these farmers are the right fit for Provisions' mission and capacity. Some specific variables stand out as important criteria for selecting Provisions suppliers for our 200x2020 model. Since sourcing from small to mid-sized producers requires local and regional aggregation, the following criteria is applicable to producers operating within regional and local communities of producers.

<u>Producer Selection Criteria</u>	
Ability to Meet Product-Crop Alignment Needs	Preference given to growers engaged in crop rotations using regenerative practices that support the delivery of multiple crops for the Provisions line from a given region.
Majority of Relevant Structures Already Present	Relevant structures include physical and logistical infrastructure needed to produce the specific crops and products desired by Provisions. More nuanced non-physical structures like existing expertise and industry leadership are also important. Not all necessary structures must be present but the more that are, the less that Patagonia has to do to make the relationship work.
Producers Realize Tangible Value	Sustainable partnerships must be mutually beneficial. Producers that would have a measurable increase in financial security and income will be the best partners for Provisions.
Mix of Conventional and Organic Producers	A mix of established organic and conventional growers provides an opportunity for conversion and an environment of support. At minimum, producers within communities that already have a mix of organic and conventional growers have a context and preliminary infrastructure to provide logistical support and mentorship which are critical elements to success. One certified organic producer per community is recommended as a minimum criteria.

Broader Influence Through Economic Opportunity for Farmers

There is growing interest in regenerative agriculture as a career opportunity for young people. More than 70 colleges and universities have specific degree programs for sustainable agriculture or food systems¹. Similarly, enrollment in graduate programs with combined MBA/Environmental Management degree tracks with sustainability focuses like the Yale School of Forestry, show clear interest in regenerative agriculture and land use as career paths for young people. Yet, interest is growing faster than economic opportunity. Patagonia can change this.

¹ Holt, S. (2015, September 22). Majoring in Food: Colleges Offering More Courses, Degrees | Civil Eats. Retrieved February 10, 2017, from <http://civileats.com/2015/09/22/majoring-in-food-colleges-offering-more-courses-degrees/>

For the vast majority of Americans who do not have access to family agricultural land or significant capital, to become a farmer is a lofty dream that requires significant expertise with little financial security. When our teammate Alison was growing up outside of Boston, she wanted to be a farmer but quickly learned that she would be choosing to struggle financially for the rest of her life. After years of farming she went to business school. A recent article by the New York Times titled “*Don’t Let Your Children Grow Up to be Farmers*”² paints an accurate depiction of the lack of financial viability in the world of small to mid-size organic farming. Yet ensuring that we have a large emerging population of small-scale organic producers is critically important for our environment and food system. By sourcing from small to mid-sized farmers and facilitating the infrastructure needs required to make this system work, Patagonia will create a place in the food system for new regenerative farmers to emerge. The 200X2020 model will not only realize a significant increase in the number of Provisions suppliers in the next few years, in the next decades it will directly increase the number of young people who choose organic farming as a career path.

The primary obstacles for any farmer to convert to regenerative organic practices can be summed up in two words: money and infrastructure. Provisions’ principal leverage points for transitioning food producers to regenerative organic practices are the company’s ability to assist in establishing necessary infrastructure and to function as a consistent and primary buyer. By including small to mid-sized producers in Provisions’ sourcing model, Patagonia will widen and deepen the pool of producers to source from. For small scale producers with point of sales typically limited to local farmer’s markets, local restaurants, and Community Supported Agriculture programs, selling product to Patagonia Provisions represents a compelling opportunity to add financial resilience to their business models.

As the age of the average American farmer continues to rise³, Patagonia can foster an emerging generation of regenerative food producers. To accomplish this, organic farming needs to be seen as a viable career opportunity. A regionally produced product line that promotes localism on a national level creates economic opportunities for new and established farmers.

² Holt, S. (2015, September 22). Majoring in Food: Colleges Offering More Courses, Degrees | Civil Eats. Retrieved February 10, 2017, from

<http://civileats.com/2015/09/22/majoring-in-food-colleges-offering-more-courses-degrees/>

³USDA - NASS, Census of Agriculture - Publications - 2012 - Highlights. (n.d.). Retrieved February 10, 2017, from

https://www.agcensus.usda.gov/Publications/2012/Online_Resources/Highlights/Farm_Demographics/

Scaling the Big Wall: Obstacles with Solutions

The most significant obstacles that Patagonia will face in sourcing from small to mid-scale producers on a regional basis are achieving necessary product volume, financing infrastructure and setting a price point within reach of a large customer base. Patagonia's greatest advantage is their vantage point. Producers operate on ground level, with few opportunities to capitalize on opportunities for efficiency or strategic partnership. Patagonia operates at both ground level and at 50,000 feet, allowing it to recognize and implement what would otherwise be missed opportunities. Our model combines a broadly applicable approach with region-specific application. In our Appendix we provide examples of regional application in Hawaii and New England.

Crop aggregation at a regional level. Small-scale producers must be willing and able to aggregate crops to meet volume demand. Crop aggregation and resource sharing are common practices in agricultural communities comprised of small-scale producers. Patagonia's global vantage point allows Provisions to facilitate crop aggregation on a large scale. In many communities, this facilitation role is as simple as identifying an existing producer-leader with the resources to coordinate physical aggregation. In other communities, formal business and cooperative structures amongst farmers will be necessary. Our New England example in *Exhibit 2* displays Patagonia's potential role involving a producer cooperative structure.

Utilize existing infrastructure when possible. Build new when needed. With a merger of a nationally scaled food system and smaller, regional systems, there is potential to meet efficiency needs and environmental goals by using infrastructure that already exists. In many cases the carbon footprint of transporting raw, regionally sourced products to more centralized processing facilities is a smaller carbon footprint than new infrastructure development in regional communities. In other cases, it makes more financial and environmental sense for new infrastructure to be built. By operating on a national level, Patagonia can identify potential points of infrastructure utilization between producers and distribution systems. These areas of efficiency maximization are impossible for producers to identify themselves because the lens in which they operate is operation and community specific. Patagonia can take a higher-level approach and view the system(s) from their elevated vantage point.

Strategic pricing enables diverse product lines. Achieving sufficient volume will be possible through crop aggregation. Sourcing from small producers can be more costly than

sourcing from individual large-scale single producers. Strategic pricing across the Provisions line will mitigate this additional cost and position of Provisions products at a price point within reach of a large share of the population. A diverse range of products with different cost structures will give Patagonia more control to meet pricing demands.

Product and Pricing Structure

Provisions Products	COGS	Patagonia Margin	Wholesale Price	SRP
<i>New England Clam Chowder</i>	\$4.32	20%	\$5.40	\$10.00
<i>Hawaii Frozen Ground Beef</i>	\$5.31	18%	\$6.48	\$12.00
<i>Midwest Kernza Bread</i>	\$1.62	40%	\$2.70	\$5.00
Buffalo Jerky	\$4.32	20%	\$5.40	\$10.00
Fruit and Almond Bars	\$9.71	26%	\$13.12	\$24.30
Pouch Salmon	\$5.18	20%	\$6.48	\$12.00
Dried Soup	\$2.32	34%	\$3.51	\$6.50

***Bold shows existing Provisions Product knows.** All other numbers are based on industry norms.

Summitting The Big Wall

Patagonia has the unique opportunity to revolutionize the food system by connecting customers to their local environment. Our 200x2020 model integrates local connections on a massive scale. By including small to mid-sized suppliers in the Provisions sourcing strategy, Patagonia can play a key role in transforming regenerative organic agriculture from a niche subset into a powerful economic driver of environmental impact. Through partnership with Patagonia, producers who once had limited market opportunity gain access to national marketplaces and become economically viable. Distributed puzzle pieces come together to form regional resiliency that is necessary for large scale regenerative agriculture to take place. Smoked salmon from Lummi island sparks conversation and connection to the environment for people in the Northwest. The same will be true with a Hawaiian beef product and clam chowder from New England. Multiply this outcome by every product and every region and the impact of Patagonia Provisions is just as awesome as the obstacle it seeks to overcome.

APPENDIX

Exhibit 1

Hawaiian Beef

Beef production in Hawaii poses a unique opportunity for Patagonia to produce an environmentally positive beef product through the conversion of 700,000 acres to regenerative practices. Unique to beef production in Hawaii is the opportunity to address invasive plant species through strategic livestock management. Hawaiian ranchers are aware of the marketability and increased profit potential for sustainable beef products and are well-positioned for a conversion.

Faced with limited land resources and the largest invasive species problem in the country, Hawaii has over 700,000 acres of land in cattle production and some of the largest cattle ranches in the nation. Hawaii's land-intensive cattle production is not environmentally sustainable in its current form. Yet beef can play an important role in responsible ecosystem management in Hawaii. Silvopastoral systems can utilize a combination of animal tillage and mechanized tillage to control invasive species without the use of herbicides. Perennial strip gardens of diverse crops such as native trees, vegetables and perennial produce can be interspersed to improve soil health while improving additional crops.

By employing mixed cropping and animal systems that utilize existing land resources and established agricultural structures, there is opportunity in Hawaii to produce a beef product with the unique market differentiation of directly addressing the invasive species crisis in Hawaii.

The majority of Hawaiian cattle production takes place on the island of Hawaii⁴, but Patagonia's initial entry into Hawaiian beef should occur on the islands of Maui and Molokai. On these much smaller islands, cattle production businesses and industry structures currently exist but there are limited land resources that make it hard to compete with operations on larger islands. These ranching businesses would benefit from the market differentiation that Patagonia and branded regenerative practices can provide. Existing processing systems and facilities with the capacity to produce a variety of fresh, frozen and smoked/dried beef products that complement the existing product line as well as expansion to everyday consumption and grocery store shelves.

Exhibit 2

⁴ Ranchers challenged to keep beef on-island. (n.d.). Retrieved February 10, 2017, from <http://westhawaii.com/news/local-news/ranchers-challenged-keep-beef-island>

North East Region Cooperative Investments and New England Clam Chowder

The North East region is comprised of almost 100,000 small-scale (10-49 acres) agricultural producers that typically operate farms in close-proximity to one another. Due to regional landscapes and the ecological limitations of a short growing season, NE farmers often do not individually produce enough crop volume to fit the large scale purchaser market requirements of a company like Patagonia. Partnering with agricultural producer co-ops offers an attractive business solution to this problem. Co-ops can efficiently source products from the thousands of small scale farmers in the region, allowing Patagonia to purchase aggregated volumes of crops from a single supplier to create regionally branded products such as New England Clam Chowder.

In addition, to filling a sustainable purchasing role, Patagonia could provide much needed investments to new or established co-operative agricultural producers to address the co-op business model's critical challenge of acquiring adequate equity capital to help finance growth and provide increased working capital⁵. For example, with an investment from Patagonia, Maine Farm and Sea Cooperative, could develop infrastructure to ensure a constant, quality agricultural supply chain and provide loans to member-farmers to facilitate conversion to regenerative organic practices. With a capital investment along with a market for their outputs, Maine Farm and Sea Cooperative can purchase more higher-margin products from their local farmers and fishers, making the transition to regenerative practices worth the investment.

Additional financial advantages of this business model for small farmers originate in the dividend and federal tax structure for co-ops. Patronage dividends provide another revenue stream for farm and build a capital base farmers can use for conversion, expansion, and innovation. Dividends retained by the co-op are tax-exempt under cooperative tax law Subchapter T. Retained dividends can be used to further scale the co-op and support member-farmers' businesses, creating a self-sustaining investment pool. Finally, co-ops promote a regenerative economy because the profits from production, consumption, and investments support people and businesses in the local region.

Democratic participation and governance is a key differentiator and competitive advantage for cooperative businesses. By bringing together farmers from a variety of

⁵ Barton, D., Bolland, M., Chaddad, F., & Eversull, E. (2011, Fall). Current Challenges in Financing Agricultural Cooperatives. *Choices*, 26(3). Retrieved February 10, 2017, from <http://www.choicesmagazine.org/choices-magazine/theme-articles/critical-issues-for-agricultural-cooperatives/current-challenges-in-financing-agricultural-cooperatives>

agricultural sectors of the North East (e.g. clam, dairy, and produce communities) to produce Provisions' products, the co-op can facilitate the cross-pollination of ideas amongst diverse stakeholders in the region. Building relationships facilitated by the co-op, creates mutual understanding and willingness to address unique regional business and environmental issues. Investing in a cooperative business model is an investment in democracy. By investing in the co-op, Patagonia supports member-farmers to gain experience and skills relevant to self-help and democratic participation. Experience participating in a democratic business such as a co-op, increases the likelihood and effectiveness of co-op farmers and fishers in policy advocacy work at local, state, and national levels.

Like Patagonia, cooperatives are guided by their values of concern for community, self-help, and social responsibility. For hundreds of years, agricultural cooperatives have helped farmers meet their long-term economic needs. Cooperatives have massive transformation potential, yet they lack capital. By connecting small growers to market opportunities and investments through agricultural co-ops, Patagonia Provisions has the opportunity to spark a movement rooted in mutually beneficial relationships between humans, businesses, and the planet. Agricultural co-ops scale readily to meet the needs of their members generating regional resiliency and large-scale social impact.