



Kentucky Cooperator

Volume 6, Issue 3

Summer 2008

Grasshoppers Distribution: A Local Advantage



Grasshoppers Owners and staff: Ivor Chodkowski, Berea Ernst, Tim Mracek, Susan Schlosnagle, John Sharpe, & Samantha Williams

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The demand for the diversity of Kentucky Proud farm fresh products has grown across the Commonwealth in the last several years, but getting products from the farm to the markets has remained a challenge for many small farmers.

Out of a shared frustration with distribution options for small farmers, a group of producers came together to create Grasshoppers Distribution, LLC to be that conduit between the farm and the consumer.

A Cooperative Idea
“The idea started three or four years ago when several Community Farm Alliance (CFA) members realized there was a need for the distribution and marketing of more local farm products,” explained Grasshoppers’ Manager, Berea Ernst. “CFA hired a business organizer who began working with the farmers to organize the concept.”

The business organizer met with farmers around the state to help identify the needs of the producers and to gauge the interest in being a part of the organization.

In the end there were four farmers that came together in 2006 to establish Grasshoppers—John Sharpe, a farmer in Scott County; Ivor Chodkowski, a farmer in Jefferson County; Susan Schlosnagle, a farmer in Shelby County; and Tim Mracek, a farmer in Warren County.

“The founding principle of Grasshoppers is that we work with local, independently owned stores and restaurants, because they are flexible and responsive; they keep our market diversified and stable, and they circulate money back into our communities,” explained Ernst. “We don’t want to sell our products as commodities, because we don’t think small farmers

can live off that.”

A Quality Foundation
Establishing Grasshoppers Distribution has not been as simple as, “build it and they will come”; it has taken commitment, coordination and assistance from farmers and industry leaders alike.

The business organizer, hired by CFA, worked with the owners to apply for a USDA Value-Added producer grant to assist with operating costs.

In 2007, the fledgling business received an \$85,000 grant, which was matched two to one by investments from the owners and CFA.

The USDA grant allowed Grasshopper to hire a full-time manager, who

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Know Your Energy Costs

This summer the number one issue facing many of our clients at KCARD is the high cost of energy.

Energy is a key factor in producing, processing and transporting agriculture products. It is estimated that energy costs related to oil, natural gas and electricity represents 15 to 20 cents of every dollar that the consumer spends for food.

Most agribusinesses are vigilant in tracking the cost of raw materials, labor, and general overhead expenses which

is then utilized to properly price their products to customers.

In the past, energy has been relatively cheap and its cost to the business remained somewhat stable. Not so today as rapidly escalating energy costs are a major cost of doing business.

The increases in energy costs across the board make it imperative for all businesses, especially agribusinesses, to understand why knowing their energy costs is an important part of their business planning.

To remain profitable and competitive in today's business world, energy costs must be closely monitored and sales prices must be changed frequently to retain profitable margins.

Be sure to give attention to the energy costs for your business and use the information to competitively price your goods or services.

Not factoring energy costs into your business plan, could negatively impact the bottom line of your business at the end of the year.



While at the State Fair be sure to stop in at the Governor's Office of Agriculture Policy booth to visit KCARD clients and other businesses that have received funding from the KY Ag Development Board.

Thursday, August 14
Chaney's*
J.D. Country Milk

Friday, August 15
KDDC
Green River Cattle*

Saturday, August 16
Grasshopper*
Specialty Food Groups

Sunday, August 17
KY Ag Heritage Center

Monday, August 18
Campbell Wool Art

Tuesday, August 19
Little KY Smokehouse

Wednesday, August 20
Sheep & Wool Producers

Thursday, August 21
B & B Broadbent Foods

Friday, August 22
Elk Creek Vineyards

Saturday, August 23
KY Agritourism Council

Sunday, August 24
Chrisman Mill

* KCARD Clients

Event Announcement

Mid America Cooperative Council

The 2008 Mid America Cooperative Council Credit Conference focusing on Risk Management Tools for Credit Managers and CFO's will take place October 8 and 9 at the Radisson Hotel in Indianapolis, Indiana.

The conference will offer a variety of sessions to assist individuals in understanding risk management tools and programs and how they can be used in today's

shifting markets.

Topics for the conference include:

- New Risk Management Tools

- Impact of High Energy Costs on Farmer Credit

- General Economic Discussion: Begin at the macro level identifying the key drivers; then go to Farm Gate and explain the impact, and estimated time line; identify practical examples of how we should look at credit risks.

- Ag Supply Co-ops Staying in Capital & Use Markets During this Volatile Time.

- Farm Bill Update

- How to Garner Assistance from Sales to Help with the Credit Crunch

- Roundtable Discussion on General Credit Issues

To learn more about the Mid America Cooperative Council and the 2008 Credit Conference visit the MACC website at www.macc.coop.

Grasshoppers...continued from front

worked feverishly with the owners, farmers/growers, and customers in setting up all the systems, accounting, and delivering routes for the business.

In tandem, the owners continued to work toward securing additional funding to make the venture sustainable for all involved.

It was during this time that the owners also began working with the Kentucky Center of Agriculture and Rural Development (KCARD).

“The previous manager began meeting with Nathan Routt at KCARD on what should be included in an budget for the Ag Development Fund grant,” explained Ernst. “We continued to work with KCARD throughout the grant process and they have helped us understand how to structure the business plan and financials to

address the questions the KADF Board had about our project.”

Nathan Routt, a Business Development Specialist with KCARD admits that Grasshoppers has been an exciting business to work with as the business has developed.

“The owners and management remained passionate about the business through the entire start up process, and I’m glad KCARD could assist with drafting budgets and business planning,” explained Routt. “KCARD will continue to support Grasshoppers in the future by providing such services as profitability and break even analysis.”

In February 2008, Grasshoppers was approved for \$182,980 in state KADF for the distribution of local foods to restaurants, retailers,



Owners and staff work together at Grasshoppers to fill orders and store products.



and individuals in the Louisville area.

“I felt like Larry Snell was really helpful to us as we worked through the Ag Development grant,” said Tim Mracek, one of Grasshoppers founding producers. “He was able to make a distinction in what were doing and what the cooperatives did in our business plan.”

KCARD’s role with Grasshoppers has continued after the funding process, as a member of Grasshoppers advisory committee.

“I think the professional feedback from KCARD during the KADF application process was

really what we needed,” said Ernst.

Grasshopper’s goal is to be a very lean middle man, returning 70 to 80 percent of the sale price back to the producer. As they continue to expand their market they are also working with the Kentucky Proud program to help develop marketing and producer profiles to tell the farm fresh story of the products.

“It has been a long process to get from the idea to the point we are at today,” said John Sharpe, one of Grasshoppers founding producers, “but it has matured into something great!”



The Kentucky Agricultural Council was approved for \$200,000 in state Ag Development funds to assist in the coordination,

implementation, and continued development of the Strategic Plan for Agriculture.

The Kentucky Agricultural Council, over the next two years, will use the funds awarded to carry

out the Strategic Plan’s goals and initiatives. Some of the funds will be used to provide professional services, management to implement the strategic plan, general administrative expenses, printing and report production, feasibility

study and business plan development.

For more information on Kentucky’s Strategic Plan for Agriculture visit the Kentucky Agricultural Council’s website at www.kyagcouncil.org.

Kentucky’s Strategic Plan Funded

Cooperative & Business Development

K CARD provides clients assistance in the formation and start-up of a business or organization by offering a diversity of business development activities.

KCARD recognizes the importance of organizational members taking ownership of any project, so staff works with the group in providing assistance on necessary tasks.

KCARD's hands on approach during the development process keeps staff involved during each of the following steps:

Assessment meeting:
Designed to understand proposes business activity and assess needs of the group;

Organizational meeting: Create steering committee, develop action plan, and assign tasks and responsibilities;

Pre-feasibility analysis:
Evaluate market potential for business activity;

Feasibility study:
Provide market analysis, identify opportunities and threats, and perform due diligence services;

Business plan: develop a comprehensive plan that includes a management plan, marketing plan, financial management plan, and financial projections;

Secure financing: obtain legal and accounting counsel, conduct equity drive, acquire grant

funding, establish bank relationship, and secure debt;

Incorporate: draft and file articles of incorporation and finalize bylaws;

Board of Directors: elect initial board of directors;

Organization structure: write job descriptions, hire manager, and develop operating policies; plus

Acquire land and equipment and starting operations.

KCARD is committed to following sound business development practices in assisting cooperatives and businesses in the development stage to make sure they have the best chance to succeed!

KCARD Business Development

Creating Steering Committees

Market Assessments

Feasibility Analysis

Researching Comparative Business Structures

Developing Articles of Incorporation

Developing Bylaws

Writing Job Descriptions

Hiring Managers

Developing Operational Policies

Establishing a Record keeping System

Planning and Implementing Capitalization Strategy

Development of Comprehensive Plan

Governor Appoints New Ag Board Members

The Agriculture Development Board welcomes four new members to the Board; Patrick Henderson, Sam Lawson, Troy Rankin and Jim Sidebottom.

Patrick Henderson of Irvington, is a full-time

farmer. He has previously served as president the KY Association of Conservation Districts. Henderson represents active farmers on the Board.

Sam Lawson, of Bowling Green, is the president and chief executive officer

of Hartland Equipment Corporation. Lawson serves representing the Kentucky Chamber of Commerce.

Jim Sidebottom, of Greensburg, is the owner and manager of Sidebottom Farm, a Holstein dairy operation



Jim Sidebottom, Troy Rankin, and Sam Lawson three of the four new Ag Development Board Members

in Green County. Sidebottom comes to the board after serving on the Green County Agriculture

KCARD Board Member Spotlight

Lionel Williamson



Lionel Williamson
photo courtesy of UK

Lionel Williamson was born one of ten children in a small farming community in central Mississippi, where his mother ran the country store and his dad ran a logging operation.

“With my mom and dad both working, it was the oldest son who was responsible for all the farming operations,” explained Williamson. “That was me for a number of years while growing up.”

When Williamson finished high school he decided to leave the farm and pursue a different career in agriculture, going on to receive a PhD in Agriculture Economics from the University of Missouri.

In 1981, Williamson came to KY State University as Assistance Director of Extension. After four years at KSU, Williamson

accepted a position at the UK College of Agriculture where he has worked the last twenty-two years as a Professor and Extension Specialist in the UK Agriculture Economics Department.

“Over the years in my role as an extension specialist I have worked with farmers to organize coops,” explained Williamson in talking about the idea behind KCARD. “In the process of doing co-op programs and training across the state, I discovered there were two or three other organizations with the same interest.”

Williamson began meeting with other organization leaders to see how they could collaborate on cooperative development; from these meetings came the foundation for KCARD.

“We wanted an entity that

would not be viewed as an appendage of UK,” explained Williamson. “So once we received funding and became incorporated, we solicited participation from the major players in Kentucky agriculture to sit on the Board.”

Williamson believes that KCARD has made a real difference in being able to help clients on a consistent basis, while also being able to bring needed expertise to Kentucky’s rural and agriculture community.

“I see KCARD as becoming stronger and the demand for center services expanding in the years to come,” said Williamson.

Governor Appoints cont...

Development Council; his appointment is that of an active farmer.

Troy Rankin, of Georgetown, is the owner and manager of Tollgate Farm, a diversified farming operation which

includes tobacco, beef cattle, and equine in Scott County. Rankin’s appointment is that of an active farmer on the board.

“Each new member brings a different

agricultural expertise to the Board,” said Roger Thomas, GOAP Executive Director. “We appreciate their dedication to public service and willingness to serve on behalf of Kentucky’s agriculture and rural communities.”

KCARD Board

President

Dennis Cannon

KY Association of Rural Electric Cooperatives

Vice President

Bill Green

Aquaculture/Nursery Cooperatives

Secretary

Lionel Williamson

UK College of Agriculture

Treasurer

Mickey Miller

KY Council of Cooperatives

Debra Chaney

Chaney’s Dairy Barn

Mark Haney

Kentucky Farm Bureau

Mac Stone

KY Department of Agriculture

Wayne Cropper

Burley Tobacco Growers Cooperative Association

Roger Thomas

KY Governor’s Office of Agriculture Policy

Ann Bell Stone

Lexington Farmers’ Market

Derrick Wagner

CoBank

Ex-Officio Members

Jeff Jones

USDA Office of Community Development

Tim Woods

UK College of Ag

*Kentucky Center for
Agriculture and Rural
Development fosters
business success and
growth by developing
and delivering technical
assistance and by
providing educational
opportunities for
agricultural and rural
businesses seeking to
enhance their economic
opportunities.*



KCARD Staff

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Brent Lackey, Business Development Specialist
Nathan Routt, Business Development Specialist
Rich Laing, Business Development Specialist
Thelma Davis, Staff Assistant

To learn more about KCARD visit our website at
www.kcard.info

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