

## FIRST PRIZE: LDEI's M.F.K. Fisher Award



### "Whole Foods Goes Small"

*The king of organic retailing sets out to find—and nourish—small farmers, bakers, and other artisans.*

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(*FORTUNE Small Business*) — **DAVE COLSON, A SPARE MAN WITH A WELL-TRIMMED** folksinger's beard and a dusty seed-catalog cap, doesn't seem like a talkative sort. But Colson, 50, and wife Chris, 55, are full of questions today. For more than 20 years the couple has been coaxing organic micro-crops — tomatoes, squash, and herbs — out of the nine cultivated acres of glacial soil that make up a portion of their New Leaf Farm in Durham, Maine, and today is their first meeting with Susan Phinney.

As Whole Foods' first full-time "forager," Phinney, 46, is tasked with finding and then helping small farmers, bakers, and other food providers cope with the exacting demands of the huge organic grocery chain. She voices an uplifting corporate mantra: "We think your products are great, and I'm here to see whether we can build a business together." Whole Foods, with annual sales of \$5.6 billion, is about to open its first market in Maine. The new store should be a natural outlet for the Colsons. But they wonder whether they can sell their produce to a big supermarket without sacrificing their souls—and their bottom line.

PHOTO: *Susan Phinney*



PHOTO: ETHAN HILL

On the face of it, the opportunity is enormous. The Organic Trade Association, a professional trade group located in Greenfield, Mass., estimates that the organic food market is growing more than 16% a year and, at \$16 billion, now represents close to 3% of all U.S. food sales. That kind of growth can be a bonanza for the thousands of small-scale farmers and food entrepreneurs who hoe and grow, bake and bottle: Getting into a Whole Foods Market can put a business on an entirely new scale. Cindy Elder, one of Phinney's first foraging finds, makes Bristol Harbor Homemade natural gourmet cookie and muffin mixes in a small, clean shop next to a gas station on the main road in Bristol, R.I. "Being on the shelf at Whole Foods gives you instant credibility," she says.

Yet becoming a supplier for a big, finicky chain such as Whole Foods is a risk



PHOTO: ETHAN HILL

PHOTO: *Dave and Chris Colson*

too. Small-business owners may need to ramp up production to meet growing demand. Where will the funding come from? What does it mean exactly to meet Whole Foods' exacting standards on issues ranging from packaging to organic ingredients to even the size of vegetables? Without adequate planning, possibilities can become problems.

Which is why Whole Foods invented the small farmer's friend. Phinney says her job is to safeguard the souls on both sides of the transaction. "My paycheck may come from a big corporation, but I don't see myself as working for a big business. Everyone in the mix is passionate about quality and food: the farmers, the shoppers, my co-workers -- all of us are committed to having people eat what's fresh, what's local, what's seasonal," she gushes.

The push to get closer with farmers is the result of a corporate directive that each Whole Foods Market aim for a product mix that is 10% to 15% local -- that is, coming from within a 25-mile radius of each store. David Doctorow, Whole Foods' regional vice president for the North Atlantic region, created the forager position and chose Phinney for it. Says he: "Not only do we believe that supporting local growers is a key component of our mission, we know it's good business too. Having an inventory mix of unique local products makes shopping at Whole Foods special for the customer and separates us from the supermarket chains that sell the same inventory coast to coast."

PHOTO: *Seeds for carrots, squash, and more.*



PHOTO: ETHAN HILL

Down on the farm, even corporate directives get personal. Indeed, Phinney isn't a loner kind of forager, trolling quiet forests for a hidden cache of black truffles; she's a hard-driving woman who travels New England's back roads in a beat-up SUV, suited up for farm visits in a down vest that looks as if it's weathered more than a few seasons in the planting fields. With her blond hair pulled back into a no-nonsense ponytail, she sits at her farmers' kitchen tables, shares mugs of java or herbal tea, and walks out to the field to pat the cows. What Phinney's aiming for is a strong relationship -- demanding, yet personal and supportive -- with her suppliers. "I can't leave without seeing the animals," she says, climbing through a barbed-wire fence.

On the other side of the table, of course, is the equally hopeful organic farmer, whose business may change dramatically after becoming a supplier to Whole Foods. Take David Jackson, owner-operator of Enterprise Farm in Wh

he says. "Without Whole Foods we'd still be a 13-acre organic farm, and I'd still be making just enough to pay the mortgage on the land," he says. Today Jackson plants 100 acres of bok choy, collard greens, cucumbers, kale, and loose-leaf lettuce.

Whole Foods accounts for 50% of his sales. Appropriately, he speaks the *lingua franca* of business: "Organic farming is all about economies of scale," he says. In fact, Jackson's experience with Whole Foods reveals the complexity of the small farmer's challenge. Beyond the economies he achieves supplying a large retailer, he also enjoys the income growth it has brought: "You might be able to get a better price per bushel if you sell direct to the consumer, but you can't live on that volume," he says.

There are also more personal benefits. Says Jackson: "As you go from ten acres to 100, your per-acre costs go down a little and you can afford to hire a few farm hands and delegate some of the work. Maybe you even have time to get a haircut or visit friends."

PHOTO: Dave Colson nurtures seedlings at New Leaf Farm in Durham, Maine.



PHOTO: ETHAN HILL

Of course, not all farmers are that fortunate. If one should overinvest in new equipment to satisfy Whole Foods' voracious demand and it then turns out that the product doesn't move well in the stores, well, a different kind of haircut awaits. To avoid that risk, some farmers, such as Dave Colson, will sell only 15% or so of their harvest to Whole Foods, and are content to remain small. Also, they can command better prices selling organic salad greens to local chefs and the rest of their crop directly to consumers who come to the farm or shop at local farmers' markets.

Phinney takes on all types. In many ways she's the perfect fit for the forager's job: she was an organic farmer before a tour of duty with the Massachusetts Department of Agriculture. On her days off she still works on a goat farm -- Crystal Brook Farm in Sterling, Mass. -- which keeps her in touch with the challenges that face New England's several hundred food artisans. She often helps business owners fill out the paperwork, coaching her prospective suppliers on how to meet Whole Foods' stringent quality standards, which largely revolve around definitions of

"organic." The USDA's definition is tortuous (it can be found at [usda.gov](http://usda.gov)). Put simply, to be classified as organic, crops must be grown without toxic chemicals and raised with natural and sustainable farming techniques that do not degrade the ecosystem. The differences in standards between dairy, meat, and crops are detailed and many, but the overall principle is the same: no toxic chemicals or fertilizer for plants, no antibiotics or chemically enhanced feed for livestock.

PHOTO: Cows in Caldwell's farm in Turner, Maine

But Whole Foods requires more. Sometimes Phinney tells a farmer where he can get new labels printed that use all-natural ink (a Whole Foods requirement for any in-store product). Or she may explain why he might need to switch to another processing plant or slaughterhouse to get his product accepted by Whole Foods.

Ralph Caldwell, 64, a cattle and dairy farmer in Turner, Maine, struggles through a standardized form that Whole Foods requires. "I wouldn't be spending the day at the dining room table filling out 39 pages of forms if I didn't want to do business with Whole Foods," he says in his thick Down East accent. "They want to know every detail?how I feed my cows, how I bed them, graze them, clean them. It takes a lot of my time. But it's okay. I'm glad to know that they are 100% on the same wavelength as me about being ecologically sensitive to cows."



PHOTO: ETHAN HILL

PHOTO: *Ralph Caldwell and his daughter Deedee with a tank of their creamy brew*



It's Phinney's job to tune in to both frequencies, the farmers and the corporate interests?for example, reminding Whole Foods' tech-savvy higher-ups that "not all farmers have e-mail addresses," while explaining to the farmers that they can't use plastic laundry tubs to haul their produce to Whole Foods' loading docks. ("That's okay for farmers' markets, but for us to accept your product you need to use clean, new, recyclable boxes," she informs them.)

The barrage of questions and tips Phinney puts to farmers gives new meaning to the idea of vendor care. "Call me if one of our produce buyers hasn't contacted you before you place your seed order next month," she cautions Colson as they lean against his barn and look across his dormant fields. "We should communicate about our standards for size and variety, so you don't roll up to the loading dock next summer with a load of veggies and then have us reject them." Rejection of deliveries is rare -- less than 5% of volume -- according to Whole Foods' staff, and usually for produce that's past its prime.

As she walks to her car, Phinney explains to Colson, "If there's a new squash you're dying to take a risk on, let me see if I can sell the idea to our produce buyer. We want to build a relationship here, a partnership, and we need to figure out ways to share the risk." One of the ways that Whole Foods plans to spread the risk is by establishing a \$10 million venture fund that will offer farmers and other food artisans low-interest loans to acquire equipment. One proposal under consideration is for a piemaker in Cambridge, Mass., to purchase a second oven for her commissary. While Whole Foods says it goes to great lengths to help its suppliers be successful, there are no written contracts and thus no guarantees that whatever investments the artisan makes will pay off.

Artisans can choose whether they want to make a one-store or a multistore deal with Whole Foods, which allows smaller producers to stay as modest as they want but gives more ambitious entrepreneurs the opportunity to grow. Phinney escorts artisanal producers with potential and appetite to Whole Foods' tasting fairs, where they showcase their products to buyers and executives.

For some producers, such as Colson, just supplying the new Portland store with seasonal salad greens will be a challenge. For others, such as Jim Amaral (*RIGHT*), owner of Borealis Bread in Waldoboro, Maine, who produces 700,000 loaves of handmade bread a year for Whole Foods, or for Ralph and Deedee Caldwell, who could easily double their production of organic milk, access to Whole Foods' regional marketplace represents a big opportunity.



Phinney, however, isn't the ultimate dealmaker. Whole Foods' buyers are responsible for juggling the individual store profit margins, a fair price for the farmer, and a reasonable markup that keeps local food attractively priced for the chain's upscale consumers. Amaral hopes that Whole Foods doesn't seek too high a markup, "I don't want consumers to think that 'local' is a synonym for 'expensive,'" he says.

While Phinney is the first full-time forager for Whole Foods, several of the chain's other regions are watching her closely and plan to establish similar positions within the year. Nor is Whole Foods the only food giant hoping to cash in on the buy-local movement -- it's just the best organized so far.

PHOTO: *Dough made from local grains at Amaral's artisanal bakery*



PHOTO: ETHAN HILL

One of Phinney's main worries: building expectations that she can't fulfill. "There simply isn't room for us to carry every good local jam or salad dressing, no matter how good it is. We still have to have shelf space for national brands," she explains.

While Phinney's instinct is to encourage all the artisanal farmers she meets, she knows that the task "isn't just to get more local products into the store; it's to get more local products sold."

She worries aloud as she drives back to Boston in the winter dark after a day of visiting local farmers: "I ask myself, What happens when a product I love doesn't sell? If it hasn't moved in four or five weeks, it's out of the store. How will I feel when we have to yank it?" Or more to the point, how will the farmer feel?

#### How to contact Whole Foods:

Whole Foods regional numbers and addresses are listed at [wholefoods.com](http://wholefoods.com). Susan Phinney can be reached at [susan.phinney@wholefoods.com](mailto:susan.phinney@wholefoods.com)

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