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What Works

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Stanford Social Innovation Review
518 Memorial Way, Stanford, CA 94305-5015
Ph: 650-725-5399. Fax: 650-723-0516
Email: info@ssireview.com, **www.ssireview.com**

what works

Strategies, Approaches, Developments

Organic Growth

How an all-natural Mexican farming cooperative is improving its community while making a bundle

by Ricardo Sandoval

The Los Cabos region of Baja, Mexico, is a hardscrabble desert interrupted by a few strands of palm forests, the occasional wetland, and fertile, ancient riverbeds. Its air is fragrant with herbs and wildflowers. At Baja's tip, the cobalt sea shimmers, and the tan sand bakes on uncrowded beaches.

Against this serene backdrop, the Rancho del Cabo farming cooperative whirs like a large hummingbird. Cooperative members flutter about the organic tomatoes, peppers, and herbs, culling poor picks and then washing and boxing the rest for storage in refrigerated warehouses. Stacks of shipping boxes, decorated with Rancho del Cabo's distinctive labels, surround the produce's reds, greens, and yellows.

When Rancho del Cabo was established in the mid-1980s, many local residents were abandoning farming in favor of new jobs in the nascent tourism industry. This made economic sense: Family farm income in the Los Cabos region was just a few hundred dollars per year.

Today, however, the average Rancho del Cabo cooperative partner earns $22,000 per year, with the most productive cooperative members earning between $50,000 and $125,000. Migrant workers from the area have given up construction and restaurant work in the United States to go back home and farm.

The cooperative has also transformed agriculture in southern Baja. Other farmers have adopted organic farming to compete in the expanding organic produce market. And there are few farm pesticide vendors.

With growing sales, little debt, and about $33 million in annual revenue, Rancho del Cabo is flourishing by any standards. How it did so in a nation with poor agricultural education, inadequate family farming infrastructure, and a spotty history of cooperative financial ventures is a study in skill, hard work, and luck.

Oscar Argundez Castro tends to an organically grown sunflower crop on his family's Rancho del Cabo cooperative farm.

PHOTOGRAPHS BY RICARDO SANDOVAL

Early to Market

In 1983, Larry Jacobs, the cooperative's founder, was in Baja's then-isolated Los Cabos resort, decompressing after working as an agricultural adviser in war-torn Guatemala. A soil science graduate of the California Polytechnic State University, he saw a chance to make a difference in the area's single-crop fields and struggling fruit plots. Local development officials finally allowed him to present his one-page business plan for an organic farming cooperative to local farmers.

As it happened, the farmers were in dire straights. After delivering a mango crop to an American buyer who paid with a bad check, the farmers did not know how to get their money. Jacobs straightened out the matter, winning the growers' trust. A group of *ejidos* – family farms created on public land parceled out after the Mexican Revolution – voted to follow Jacobs' plan and gamble on a new market: consumers in the United States and Europe who were willing to pay a premium for foods grown without synthetic chemicals.

"We were not doing well with traditional crops, but we didn't know any other way of farming, so we thought this could at least give us an alternative income," recalls Ángel Salvador Ceseña Burgoin, one of the original members of the cooperative. "At first there was no income, and some guys thought we had made another mistake. But it has turned out well for us since."

On Tourism's Wings

Jacobs set about establishing a marketing blueprint for the cooperative, and discovered that the booming tourism industry offered a surprise advantage: direct airline traffic to major consumer centers. The first shipment of fresh produce was aboard a nonstop Mexicana de Aviación flight to San Francisco, alongside the airline's nonagricultural commercial cargo. But it was not a smooth first flight. The shipment shifted out of its improvised wooden crates. Jacobs' wife, Sandra Belin, was there when the ground crew opened the cargo bay and saw an unfamiliar mess. Belin supplied the hammers and nails, and the crew members – many of them Latino immigrants – were eager to repair the boxes of their homeland's produce.

Jacobs recalls that the unusual shipments also drew the attention of customs agents. They adopted the Rancho del Cabo project, Jacobs says, because they seemed to enjoy the idea of selling cherry tomatoes and herbs from Baja in the United States. The agents helped the cooperative properly complete necessary customs paperwork.

These days, 80 percent of Rancho del Cabo produce is shipped via truck, since post-9/11 Homeland Security rules make it tougher to jet in produce. Moreover, Mexico's roads have radically improved.

The years have also changed the cooperative's relationship with the tourism industry. Hotels and restaurants now compete with the cooperative for the short supply of seasonal and part-time workers. And over the years, developers and Rancho del Cabo have argued over use of vital resources, especially water.

Whole Foods was at one time the single-largest buyer, in some years accounting for more than 10 percent of total revenue.

At the same time, tourism is offering a new avenue for market diversification. Los Cabos is one of Mexico's fastest-growing regions, with tourism leading the way around such towns as Cabo San Lucas, San Jose del Cabo, and Todos Santos. The region's lengthening roster of upscale hotels and restaurants needs organic produce to feed discriminating clients.

Meanwhile, in the United States, the Whole Foods Market and Trader Joe's chains are now Rancho del Cabo's biggest buyers. Whole Foods was at one time the single-largest buyer, in some years accounting for more than 10 percent of total revenue. But in the last decade the cooperative has diversified its distribution, benefiting from the growing consumer interest in organic foods at supermarket giants like Safeway and Kroger. Now, even retail monarch Wal-Mart is expressing interest in the Rancho del Cabo brand. To meet the demand, Rancho del Cabo has started smaller, similar cooperatives in other parts of Baja.

The Well-Governed Co-Op

Perhaps the most crucial element in Rancho del Cabo's success is the governance of the co-op itself. Jacobs created a model in which productivity is rewarded and members are free to grow their individual holdings as they see fit. The rules require members to contribute 5 percent of their annual revenue to the cooperative savings bank and retire-

CULTIVATING A SUCCESSFUL COOPERATIVE

- Identify profitable niche markets
- Take advantage of existing infrastructure
- Honor local needs and practices

Sulema Guada Gonzales (left) and Jesenia Leon process tomatoes in Rancho del Cabo's packing shed.

ment fund, as well as to chip in to cover special equipment purchases. Members must also attend regular meetings, complete a tour of duty as a cooperative director, and not use chemical fertilizers and pesticides anywhere near their crops. There are now 147 members of the cooperative, with another 300 or so associate and affiliate farmers who are under contract to the full members.

With the structure in place, Jacobs then identified the group's leaders, educating them to take the cooperative's reins. "That is vital," says Jacobs. "Cooperatives won't work without able, trained leaders from within the group who can convince others that the sweat and the work will pay off." To continue the leadership bloodlines, Rancho del Cabo still emphasizes education. The cooperative has helped some of its agronomists and technical experts get advanced training at schools in Mexico. Its directors are constantly flying off to organic farming seminars. And the cooperative regularly hosts troops of agricultural students from Mexican universities and from other countries.

After launching the cooperative, Jacobs kept his distance. "It was left up to them to flesh out the details," he explains. The cooperative adapted some of Jacobs' model to their local way of doing things. Long meetings in the style of traditional *ejidos*, for example, are not rare. "People from outside seeing these meetings might see an unorganized, meandering mess, but [members] get through it and make the decisions they have to make, on their own time schedule," says Jacobs.

Jacobs attributes Rancho del Cabo's success to members' dedication to the original plan, as well as to their rigid self-policing, not just on membership rules, but also on quality standards and organic farming guidelines. The self-policing came easy, Jacobs recalls. "Back then, this area was isolated and the population small. As a small town, people noticed when someone got out of line. That form of embarrassment, in a small group, is effective."

Aging a Little Too Well

At age 20, Rancho del Cabo is confronting a new challenge. The original cooperative members are getting older and less active, and that has affected overall productivity. Yet they believe their contributions to the cooperative over the years have value, so some are asking for their pay to be determined not just by farm yields, but also by sweat equity. Rancho del Cabo must now figure out how to continue ramping up its profits while staying true to its charter as a social organization.

"It is a problem other cooperatives face when success leads to the conflict between making money and taking care of the members of your social circle," says Jacobs, who is not a cooperative partner but, as its adviser, remains its face outside of Los Cabos. "The cooperative needs to find a way of either reminding members of their own rules, or of altering things a bit to incorporate the idea of putting a value on shares in the cooperative."

Ultimately, however, Rancho del Cabo leaders are grateful to have problems born of financial success. "This region was becoming 100 percent tourism, with no other work options for my generation," says Roberto Burgoin (no relation to Ceseña Burgoin), who, at age 36, is Rancho del Cabo's administrator and controller. "Today, the work is good, our incomes are good, and it has become easier to convince the young people of the area to stay with agriculture and for them to see that it can have a future." □