



Southeast Iowa Nut Growers Co-op

*Tom Wahl, Marketing Coordinator
Wapello, Iowa*

Operation

The Southeast Iowa Nut Growers Co-op is a cooperative of about 40 chestnut growers, located primarily in Southeast Iowa, who pool their crop and sell it through a marketing coordinator. According to the marketing coordinator, Tom Wahl of Wapello, Iowa, the growers are working with the University of Nebraska's North Central Initiative for Small Farm Profitability to look at the feasibility of marketing the smaller nuts as processed chestnut products.

Motivation

Most of the members were attracted to chestnut production by promises of profitability due to high demand for chestnuts and almost no domestic U.S. chestnut production. Wahl estimates a mature chestnut planting with numerous trees has the potential of producing between 1,000 and 4,000 pounds per acre.

Business Development

Most of the current members planted chestnut trees between 1992 and 1995. When the first trees began bearing in 1995, some of the members had no idea what to do with the product and began seeking assistance with marketing. Local growers banded together in January 2000 to form a marketing cooperative to assist growers who did not have the time or skills to market their crop.

Member-growers bring chestnuts to Wahl for marketing. The nuts are sold for \$2 per pound. Members receive \$1.75 per pound in return. Wahl said the group has two members owning certified organic trees who are marketing their organic nut crop separately.

Wahl said the group is now in the process of organizing as a 501 agricultural cooperative. The group looked at a number of other organization options including LLC and partnerships. They chose the 501 cooperative because it seemed to be the best option for what they wanted. The 501 co-op option also offers flexibility to change as the group's needs change.

Market Access

A market for domestic chestnuts was already waiting. The United States imports 41 million pounds of chestnuts from Europe every year, according to Wahl. Larger chestnuts can be worth up to \$4 to \$7 per pound. The cooperative is producing practically the only edible chestnuts in Iowa, and the demand is huge.

In 2002, the group marketed about 3,000 pounds of chestnuts, about 1,000 pounds more than the previous year. Approximately half of the 2002 chestnut crop was sold directly to consumers. The group markets to ethnic customers who buy chestnuts in quantities of 100 to 300 pounds at a time.

The rest of the crop was marketed in bulk to retailers, mostly grocery stores. The chestnuts are not sold under a brand. However, the Southeast Iowa Nut Growers supply brochures to the grocers with information on storing and curing chestnuts and some recipes. Grocery stores are encouraged to share the brochures with their customers. According to Wahl, most Americans have no experience with chestnuts and don't know what to do with them.

Critical Steps

The first critical step was planting the trees in the first place. It takes from two to seven years after planting before a tree begins bearing and that is a major barrier that keeps most people from ever considering the enterprise.

The next critical step was organizing as a group. Many of the members, while being independent and individualistic, were able to see the benefits of cooperative marketing.

Another important step for the group was getting involved as a producer cluster in the North Central Initiative for Small Farm Profitability. This may eventually lead to a good market for the smaller sized nuts as processed products.

Barriers to Success

The biggest barrier, according to Wahl, is establishing and maintaining chestnut tree plantings for several years before they begin bearing.

One potentially serious problem in the future is USDA's involvement in establishing quality standards. Wahl said the proposed USDA standards are lax and would accommodate poor quality chestnuts that are grown in other states. A nut defect known as multiple embryos is not counted as a defect by USDA. The proposed standards, he believes, would allow a high proportion of defective nuts be sold to consumers.

Unexpected Problems

Damage to chestnut trees caused by deer was heavier than expected by the growers. Another problem was slow tree growth due to soil compaction in fields that were formerly in row crops.

Success or Failure

The business is succeeding beyond anyone's wildest expectations. Future plans include marketing smaller nuts as processed products, and coordinating tree planting, maintenance and nut harvesting labor. Some other possibilities include marketing some other types of nuts and native fruits.

Industry/Market Changes

The demand for chestnuts is expanding rapidly and many members of the group are expanding their tree plantings. At the current rate of tree planting in North America, domestic chestnut growers should be able to meet the demand as it was in the year 2000 by sometime between 2080 and 2100. There is no foreseeable possibility of supply actually catching up with demand (and it has never happened in the 5000-year-long history of chestnuts as a commercial crop).

Lessons Learned

Wahl said the best time to start would have been 20 years ago. The second best time to start is now. Beyond that, it would be advisable for a beginner to seek advice from the more experienced growers, especially in the area of selecting, planting and maintaining new chestnut plantings. To that end, the Southeast Iowa Nut Growers have published a chestnut grower's primer aimed at new growers in Iowa. The primer is available for free, online at the Practical Farmers of Iowa Web site: www.pfi.iastate.edu/.

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