2012 Business Report

Including: business plan, sales, funding goals
A big thanks to Paulette Phlipot for all the beautiful food images. Paulette can be found at www.p3images.com.
Idaho’s Bounty is much more than a business. We work to insure the integrity of our local food shed.

In supporting Idaho’s Bounty, you cultivate the network of relationships that insure healthy, sustainably produced food. Idaho’s Bounty Co-op consists of over 85 farms and 900 family, restaurant and store memberships.

Help us grow this network, and grow our healthy communities by supporting us today.

Purchase food · Donate · Volunteer · Tell your friends

With your help, we can insure that the work we have begun continues.
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OUR CO-OP : 2011 REVIEW

With the support of sales to committed retail and wholesale customers, grants, and generous donors, Idaho’s Bounty Co-op continued to grow in 2011. Our network of over 60 farmers sold $6,000 of local food in 2011, an increase of 25% from 2010. We continue to improve consistent supply and convenience, serving a wider geographic region with more diverse products year-round.

2011 saw the Co-op engaged in many productive changes. We hired a full-time general manager. We doubled our wholesale accounts, most notably by expanding into grocery store sales. We created an annual membership, and lowered the cost, inspiring over 400 new people to try us. We added a flat-rate delivery service, which accounted for ¼ of the overall business growth. We opened an office in Hailey to better serve staff, member worker and customer relationships. And we broke even for several months – a first since the Co-op began business in 2008.

Each change has gone beyond improving the business; better relationships and business logistics demonstrate important strides in establishing Idaho’s Bounty as a quality brand and important service in the communities we serve. In the last four years, Idaho’s Bounty has become one of Southern Idaho’s principle resources for local food.

2012 Goals
Operations and development depend upon the support of state and federal grants, private contributions and cash flow tools along with our consistently growing sales revenue.

For 2012 and beyond, the board of directors and general manager have set the following goals to meet operations and development goals:

1. 25% sales growth over 2011
2. $75,000 grants awarded
3. $25,000 private contribution
4. $150,000 preferred stock offering over 2012 & 2013

Each goal has been created based upon realistic achievement (demonstrated past experience) as well as projected need for the Co-op to make its final push toward fiscal independence.

Lynea Newcomer
General Manager
Ph: 208-721-3107
Business Results
BUSINESS RESULTS

Gross Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$323,234</td>
</tr>
<tr>
<td>2009</td>
<td>$372,153</td>
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<td>2010</td>
<td>$486,508</td>
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<td>2011</td>
<td>$626,12</td>
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Gross Sales to Cost of Goods Sold

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost of Goods Sold</th>
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<tbody>
<tr>
<td>2008</td>
<td>$214,724</td>
</tr>
<tr>
<td>2009</td>
<td>$289,976</td>
</tr>
<tr>
<td>2010</td>
<td>$380,092</td>
</tr>
<tr>
<td>2011</td>
<td>$475,283</td>
</tr>
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</table>

Donations-Grants to Gross Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>53%</td>
</tr>
<tr>
<td>2009</td>
<td>12%</td>
</tr>
<tr>
<td>2010</td>
<td>22%</td>
</tr>
<tr>
<td>2011</td>
<td>7%</td>
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<tr>
<td>Projected</td>
<td>12%</td>
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</tbody>
</table>
BUSINESS RESULTS

Cost of Goods Sold by Category

2011 Cost of Goods Sold

Vegetables 43.0%
Meats 19.3%
Dairy and Eggs 13.6%
Fruits 7.1%
Herbs 2.9%
Poultry 2.9%
Seeds, seed starts and plants 0.2%
Condiments & Sauces, 0.4%
Desserts 0.3%
Seeds & plants 0.5%
Dots, Grains, Flours and Pastas 0.7%
Beverages 0.8%
Honey & Molasses 1.8%
Other 0.0%
Prepared Food (Non-Refrigerated) 1.1%
Prepared Foods (Refrigerated/Frozen) 2.2%
BUSINESS RESULTS

Cost of Goods Sold by Category

2010 Cost of Goods Sold
$380,092

Vegetables 30.7%
Meats 30.6%
Dairy and Eggs 12.0%
Fruits 6.6%
Poultry 3.8%
Beans, Lentils, Peas 2.2%
Oats, Grains, & Flours 1.3%
Honey & Molasses 1.3%
Honey & Molasses (Refrigerated/Frozen) 2.0%
Baked Goods 1.8%
Other 1.8%
Prepared Foods (Non-Refrigerated) 1.4%
Beverages 0.5%
Seeds & plants 0.5%
Desserts 0.5%
Pet Supplies 0.3%
Condiments & Sauces, 0.4%

2009 Cost of Goods Sold
$289,976

Vegetables 33.7%
Meats 20.0%
Dairy and Eggs 11.8%
Fruits 8.3%
Poultry 5.1%
Beans, Lentils, Peas 1.1%
Herbs 2.2%
Oats, Grains, & Flours 1.3%
Prepared Foods (Refrigerated/Frozen) 2.0%
Baked Goods 3.0%
Beverages 1.2%
Seeds & plants 0.5%
Desserts 0.5%
Pet Supplies 0.2%
Condiments & Sauces 0.4%

Your Local Food
One-Stop Co-op
### Membership Distribution

#### 2008-2011

<table>
<thead>
<tr>
<th>Region</th>
<th>Members Data, By Region</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Trial Members</td>
<td>Paid Members</td>
<td>Producer</td>
<td>Total</td>
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<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wood River Valley</td>
<td>338</td>
<td>712</td>
<td>11</td>
<td>1061</td>
<td></td>
</tr>
<tr>
<td>Magic Valley</td>
<td>79</td>
<td>81</td>
<td>33</td>
<td>193</td>
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</tr>
<tr>
<td>Treasure Valley</td>
<td>284</td>
<td>200</td>
<td>28</td>
<td>612</td>
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<td>Total</td>
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<td>993</td>
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<td>1766</td>
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<td>2010</td>
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<tr>
<td>Wood River Valley</td>
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<td>505</td>
<td>14</td>
<td>801</td>
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<td>Magic Valley</td>
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<td>43</td>
<td>35</td>
<td>92</td>
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<tr>
<td>Treasure Valley</td>
<td>224</td>
<td>126</td>
<td>23</td>
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<tr>
<td>Total</td>
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<td>2009</td>
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<tr>
<td>Wood River Valley</td>
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<tr>
<td>Treasure Valley</td>
<td>113</td>
<td>88</td>
<td>21</td>
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<tr>
<td>Total</td>
<td>358</td>
<td>548</td>
<td>66</td>
<td>972</td>
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</tr>
<tr>
<td>2008</td>
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</tr>
<tr>
<td>Wood River Valley</td>
<td>163</td>
<td>331</td>
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<tr>
<td>Magic Valley</td>
<td>2</td>
<td>29</td>
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<tr>
<td>Treasure Valley</td>
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<tr>
<td>Total</td>
<td>199</td>
<td>392</td>
<td>52</td>
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</table>
Executive Summary
Idaho’s Bounty is a community owned and operated Co-op that sells and distributes sustainable, locally produced and prepared foods and non-food items (made from food or animals). IBC is a non-profit cooperative in the State of Idaho, operating solely for the benefit of its members. Each member purchases an equal stock share in the business and is entitled to an equal vote. Annual meetings are held to determine any board positions open for re-election; the board may consist of 5 to 9 persons.

Mission Statement
Idaho’s Bounty strives to serve the growth and long-term health of farmers, ranchers, market gardeners as well as chefs, families, restaurants and individual consumers by developing a sustainable local network that supports the promotion and distribution of organic, all-natural and fair trade food to our region: including but not limited to individual retail sales pick-up points, wholesale restaurant accounts, and local-food friendly store fronts. The service is to be highly convenient and price competitive in order to engage as many people as possible.

Vision Statement
A vibrant, sustainable, regional food network in Southern Idaho

Progress Summary
Idaho’s Bounty has continued to grow at a 25% rate over four years of operation (2008-2011), a time that has been marked by recession for many businesses. IBC needs additional cash flow and operating capital to push into its next business phase on the path to sustainability.

Retail and wholesale memberships contribute approximately equal amounts of gross sales to the business; Wholesale is set at a lower margin of profit than retail. Flat-rate delivery will be developed further, as it performed a significant role in the overall growth during 2011. The Co-op’s relationships with producers are stable and continue to grow. Likewise, our supply continues to grow in diversity and quality. Overall, the initial picture of a set group of people strongly supporting these food choices has enlarged to encompass the longer term viability of the population at large gaining access and interest in local food.

Staff
The full-time General Manager, in addition to overseeing business development and staff management, manages wholesale sales in the Wood River Valley. A full-time Treasure Valley employee works to develop the Boise area with large focus on wholesale. An Operations manager, based out of Hailey, works to manage retail pick-ups and customer relationships, wholesale accounts receivable, and web site issues. All three of these positions work together to manage producer relations. Two drivers (part-time for half year, full-time for other half) do the bulk of distribution. Contract drivers are hired for additional support during periods of high volume.
Market Analysis
Local Food Marketing, 2008, USDA Economic Research

Direct-to-consumer outlets: 877 million in sales
(without sales / distribution help)

2008 is the only data available for national trends: This report’s data collection suggests that prior data, focused on direct-to-consumer sales, missed a relatively large portion of local food sales – sales of food for human consumption to grocers and restaurants.

Intermediated marketing channels: 2.7 billion in sales
(Idaho’s Bounty is an example)

This is three times higher than the value of local foods marketed exclusively through direct-to-consumer channels, and two times higher than the value of local foods marketed by farms using combo approach.

Local Food Marketing, 2008- Present, Southern Idaho
Despite the lack of national data to support continued growth in local food marketing following the financial crisis of 2008, Southern Idaho specifics support the strength and continued growth in this marketplace sector.

Idaho’s Bounty:
steady 25 – 30% growth rate

Farmers markets:
steady 10% growth rate

Sales to restaurants/grocery stores:
steady 7% growth rate

Financials – Southern Idaho
Population = 717,732 (Ada, Blaine, Canyon, Gooding, Jerome, Twin Falls) counties
• % of income spent on food = 11.4% (national average, both at home and away from home food purchases)
• Total potential food sales = $1.3 billion in just 6 Southern Idaho counties
• Total currently spent on local food = 2%, or $20,600,000. Includes farmers markets, grocery stores.
• Goal by 2020 = 20% of food sales by combined purveyors of local

Financials – Idaho’s Bounty Co-op
Population served = 1,000 memberships (Ada, Blaine, Custer, Gooding, Twin Falls, counties). Approximately 2,500 people weekly.
• Costs: $10/year membership for all customers; $60/year membership for all producer
• Goal by 2015 = 3% of Southern Idaho regional food purchases, or $3.9 million in 2011 dollars

Performance – Idaho’s Bounty Gross Revenues
Competition
Competition is perceived in the form of other organic product vendors, farmers markets, CSAs, and grocery stores. Prices and consistent supply continue as the top issues to frustrate customers. Further, price and supply issues continue to limit the Co-op’s ability to work with institutional buyers. The United States public spends less on food than any nation in the world (which tracks this data); this lower valuation of food in our culture is the foundational difficulty that the majority of food marketplaces are built upon. See: http://civileats.com/2011/03/29/mapping-global-food-spending-infographic/.

Idaho’s Bounty Co-op works to establish buying practices based on product quality and direct local economic support. A suite of services sustains the business. The Co-op partners with farmers, customers and diverse sales outlets in order to service year-round local food distribution. With the new option of flat rate delivery fees, introduced in July 2011 in conjunction with a longtime producer co-op member, Idaho’s Bounty branched into extensive diversified distribution. In doing so, brand recognition has grown from beyond our product lines into increased service options to diverse vendors in Southern Idaho. The Co-op will continue to work in a diversified manner such that the natural ebb and flow of local food is supported with consistent revenues.

Keys needed for Success
• Cost increase adjustments for diversified margin gains
• Board development plan implementation
• Strengthening of internal policies and controls
• Transition the retail customer base into independent buying clubs/pick-up sites
• Grow wholesale accounts, in amount of sales per customer and in number of customers
• Continue to grow producer base and variety of product offerings
• Develop and implement a certification process through a third party to insure quality of products
• Develop software to grow business as needed
• Secure funding in the form of grants and/or private investments to pursue next phases/goals in the Business plan
• Continue to educate members and public-at-large with regard to the value of local food shed stability, and benefits to the members

Our Strengths
• Full-time General Manager, Operations Manager and Treasure Valley regional manager
• Stable producer group (over 50 farm businesses involved)
• Stable consumers, grocery stores, restaurants
• Community groups taking partnered action to promote local food
• Largest, most diverse network of producers selling through our distribution to multiple sales channels in Southern Idaho
Plan of Action

Organizational Development Plan
Consolidate staff tasks
- Create Sales position in WR Valley, potentially coupled with producer relations work
- Move general manager into more extensive development work
- Transition retail pick-up responsibilities to contract workers
- Hire appropriate contract drivers for heavy product season

Board Development Plan
- Engage two board members in Treasure Valley
- Establish fluid working partnership with staff; assigned policy chair positions

Audiences & Marketplaces
Our audience consists of existing customers, and new customers focused heavily in the realms of more diverse grocery store departments and institutions such as hospitals and schools.

Short-Term Business Strategies
- New business software, insuring easy, quality shopping experience, easy farmer interface, and increased efficiencies for staff duties
- Transition retail pick-up into pointed drop locations, and contract worker management
- Acquire more flat-rate shipment customers
- Build brand awareness in grocery stores through signage

Long-Term Business Strategies
- Branding of Idaho's Bounty to represent Local, Sustainable Southern Idaho food
- Extended, increasingly diverse offerings in store fronts to expand our presence/convenience in each community
Budget
General Manager, Operations Manager and Board Chair are to track incoming and outgoing monies monthly. See attached documents for 2012 budget, as well as previous years' financial reports. Sage Bookkeeping, based in Hailey, Idaho, acts as the Co-ops bookkeeping services. 2012 marks the fifth year of operation for the Co-op. Additional funding is projected to be required through 2013 in order to move into a sustainable business pattern. In addition to sales increasing, the Co-op will pursue additional funding through the methods listed below.

Grants
The Co-op has been successful in receiving grants towards specialty crop needs in 2010, as well as others in the first years of operation. The Wood River RC & D office, and in particular Polly Huggins, have been instrumental for these grants. Board member Kaz Thea has also achieved success, writing a grant which brought in $36,000 in 2010 for the Co-op. Lynea Newcomer, Idaho’s Bounty general manager, achieved a $25,000 for software in 2011. Idaho’s Bounty plans to continue work with both the RC & D office and Mrs. Thea to obtain grants throughout 2011. Our goal for grant monies is a minimum of $75,000 received, and $300,000 in applications.

Small Business Bank Loan
Idaho’s Bounty Co-op will continue to pursue a loan or line of credit in the amount of $50,000. The board will consider restructuring membership to be eligible for this financial tool.

Preferred Stock Offering
Idaho’s Bounty Co-op will pursue additional financial tools in the form of a preferred stock offering, such that community members interested in a social investment contribute $150,000 over two years. These investors will be paid interest for the use of their funds, and receive dividend payment when the Co-op makes money.

Additional Funding
Charitable contributions – The Co-op can continue only with the commitment of all members (producers and customers), as well as community members at large committed to the mission of the Co-op. Charitable contributions have, in addition to grants, helped us meet our financial need from 2008-2011. The Co-op anticipates needing a minimum of charitable contributions totaling $25,000 in 2012. This will be pursued with a Co-op-wide funding drive.

Strategy:
• Design handout materials reflecting successes and this business plan
• Identify potential funders from within membership
• Set up meetings with board president and other appropriate persons

All charitable contributions and grants received are put towards the following:
• Producer development (education; market development; communication)
• Staff development
• Operational costs (truck purchasing/maintenance; warehouse maintenance, etc.)

<table>
<thead>
<tr>
<th>Break Even Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Break even projections based on:</td>
</tr>
<tr>
<td>- a gross sales of 1.2 million for a total of 12 months (23,500 gross sales per week)</td>
</tr>
<tr>
<td>- 2012 projected expenses of $23,000/month</td>
</tr>
<tr>
<td>- a 25% margin on combined sales</td>
</tr>
</tbody>
</table>
Supply Chain Development
After an initial review with the largest 15 producer for the Co-op, no concern exists in meeting the 25% predicted growth. The Co-op will, however, engage in thorough producer relations to forge relationships and supply needs for the future.

Strategy:
• General and Treasure Valley managers to visit with farmers during first 6 months of and review pertinent materials.
• Survey results (done of customers at close of 2011) to be shared with farmers to inform planting decisions
• Distribution requirements to be put in place (standardized boxing and labeling).

Software Research & Development
research by Don Sawtelle, www.stonecutter.com

The marketplace of software systems for regional food hubs is extremely immature. It is very common that regional food hub operators understand they need an integrated software system that addresses the unique needs of small-scale food distribution and directly provides e-commerce to producers and buyers.

The majority of these organizations are frustrated in their attempts to evolve their present system to a more advanced software system that will meet their needs. The exceptions to this situation are larger operations that have internal IT, or can afford Enterprise Resource Planning (ERP) systems for perishables that serve traditional food distribution, or that focus on particular commodities such as beef, eggs or fruit.

Quick stats:
• Over 200 organizations contacted
• Correspondence with 100+ groups / organizations
• 32 systems reviewed closely and found to not be a good match for Idaho’s Bounty operations
• 42 food hub organizations interested in the solution that Idaho’s Bounty develops
• 2-4 very real partners for development and funding, relationships in progress

Idaho’s Bounty should lead the development of a modern open source solution for regional food hubs. It is the way to give producer and buyer a great online experience, achieve an efficient internal business process, ensure flexibility to support the continued evolution of Idaho’s Bounty’s operations model, and have a stable path forward. Leading this effort would be a major contribution by Idaho’s Bounty to evolution and partnership in regional food hubs at the national level. In turn this will strengthen Idaho’s Bounty’s local operations by greatly increasing visibility and credibility with all stakeholders: producers, buyers, funding sources, partners, and governments.

Please see the Idaho’s Bounty Software Pitch Deck for more details and for next steps regarding this aspect of the business.
2012 - 2013 BUSINESS PLAN

Growth Targets

Retail consumers:
Includes families, individuals, buying clubs, primary and part-time residents. We exceeded our preliminary goal of 500 members by May 2009. We currently have 700 paid members, as of February 2012. Tourists purchase our products second-hand through restaurant meals.

Business objective: increase retail sales in 2012 from $324,279/year (2011) to $405,349/year, a 25% increase.* This percentage increase was selected as a goal in consideration of each year’s growth since 2008 (25%), as well as in reflection of what sales are required to sustain the business.

Strategy:
- Expand retail penetration by development of extensive pick-up spots managed by contract member-workers.
- Employ marketing outreach to catalyze increased spending of existing membership by:
  - Saturating hard news, television and other information outlets to encourage increased participation
  - Bring human interest stories of farmers and consumers to the monthly newsletter and regional newspapers
  - Continue to sponsor partnered events at restaurants
  - Focus on education, particularly seasonal cooking and eating practices, through partnerships with local food-friendly groups

Measure success:
- Utilize internal sales tracking worksheet: track weekly sales, in comparison to past four years data
- Establish a per-pick-up spot minimum number of orders
- Survey clientele to establish other convenience needs

| Table of sales/cost projections for retail and restaurants |
|----------------------------------|------------|------------|------------|------------|------------|
|                                   | 2008       | 2009       | 2010       | 2011       | 2012       | 2013       |
| Retail sales                      | $214,700   | $306,044   | $298,278   | $324,278   | $421,562   | $590,187   |
| Wholesale sales                   |            | $64,997    | $168,230   | $301,866   | $392,426   | $529,775   |
| Total sales                       | $214,700   | $371,041   | $466,506   | $626,145   | $813,968   | $1,119,962 |
| Cost of goods sold                | not available | $297,700   | $351,200   | $475,283   | $589,351   | $730,795   |
| Expenses                          | not available | $171,901   | $160,105   | $222,691   | $279,266   | $302,700   |
| Net sales                         | not available | -$98,560   | -$24,797   | -$71,729   | -$54,629   | $86,467    |
| Grants                            | -$100,910  | -$32,215   | -$59,772   | -$26,570   | -$75,000   |
| Donations                         | -$12,232   | -$14,000   | -$46,155   | -$19,990   | -$25,000   |
| Year end                          | (52,345)   | $81,130    | ($25,169)  | $45,371    | $86,467    |
Restaurants: include eating establishments in all marketplaces.

Business objectives for restaurants: increase wholesale sales in 2012 from $167,382/yr (2011) to $209,353/yr, a 25% increase.

Strategy:
• Expand our existing restaurant accounts utilizing our larger producers’ staple goods
• Ease the ordering process by working with chefs’ individual needs
• Explore forward contracting with such restaurants
• Establish new accounts using larger staple goods

Measure success:
• Track weekly sales, in comparison to past four years data
• Review monthly sales to verify meeting a 25% growth target

Store fronts and other wholesale accounts: Consist of Atkinsons’, Boise Co-op, Boise Fry, many others, and smaller retail outlets such as Nourish Me.

Business objectives for store fronts and other wholesale: increase sales from $118,000/year (2011) to $147,500/year in 2012.

Strategy:
• Work with our producers to establish ID Bounty as the delivery service for all locally produced goods to these stores
• Explore forward contracting with these stores

Measure success:
• Set monthly sales goals

While expanding Idaho’s Bounty’s offerings into store fronts has the potential to cannibalize the online retail markets, the Idaho’s Bounty mission directs the business plan to explore local food sales to the broadest population arena possible. This strategy of working with store fronts and other wholesale accounts represents a natural progression from establishing a solid, individualized retail experience to moving local foods into the mainstream shopping trends.

Schools and hospitals: consist of all such institutions in all marketplaces.

Business objectives for schools and hospitals: establish beginning accounts.

Strategy:
• Prepare sales documents for easy presentation of our offerings
• Establish relationships with relevant people
• Partner with established groups already in these venues, act as their one-stop food source
• Focus on staple, seasonal foods
• Verify insurance needs
Marketing Overview  Marketing Message for 2012: Your Local Food One-Stop Co-op

Monthly Approach:
- Idaho’s Bounty and the Treasure Valley Food Coalition will pursue joint promotion of the Idaho Healthy Dozen, the follow-up marketing to the Year of Idaho Food begun in 2011.

Short-term Strategy:
- Newsletter, with farmer/customer interviews, recipes, relevant links to educational material
- Promotion of goods, 10% discount for one week of promoted item(s)
- Partner events (see below) – one per month
- Brochure with year-long schedule of events/partner events

Long-term Strategy:
- Label all food items sold through Idaho’s Bounty with an IDB certified sticker
- Educate consumers about our labeling system
- Work with producers to create a transparent and easy labeling system

Measure Success:
- Review sales figures as labels are implemented
- Review sales figures for promotion weeks
- Conduct customer surveys monthly, choosing randomized grouping of 25 people

Education and Events

Strategy: offer resources of client base and IBC General Manager to the following partners for outreach events. Follow-up with press release/photo.

Partner events with:
* Sawtooth Botanical Garden - Focus on seasonal classes related to gardening, cooking
* Hunger Coalition - Focus on cooking, food distribution to those in need
* Restaurants:
  - Taste of Idaho’s Bounty, 1x/yr. wherein farmers and chefs come together to showcase local food
  - Ticketed event.
  - Galena Lodge event
  - Spring local foods festival with many restaurants
* Film screenings - at YMCA. Relevant films shown to members and non-members.
* Sustainability Center - gardening classes on-site; cooking classes on-site; coordinate with pick-up days;
* Sage School - volunteer hours of students weekly; engage teachers in planning further collaborative efforts (ex. plant sale in spring to IBC members using school’s greenhouse)
* College of Southern Idaho - encourage cooking classes to source food through IBC
* Farmers Markets - have information materials available at all such events; do appropriate tastings 1x/mo. with volunteer effort
* Sun Valley Company - joint marketing effort, with chamber, highlighting entire food community available, putting on a joint event/providing food for a particular event, and develop relationship with one restaurant within resort to be marketed as local food establishment