

Clifford Scholz: Hello, this is the Farms for Tomorrow Podcast. I'm Cliff Scholz and I'll be your host today. We're here with Kathy Sample and Bill Brinkerhoff, who are the founders of Argus Farm Stop in Ann Arbor, Michigan. Welcome.

Bill Brinkerhoff: Thank you.

Kathy Sample: Hi, Cliff.

Clifford Scholz: Argus is an innovative marketing outlet for local farmers, please tell us, what is Argus Farm Stop and why is it unique?

Kathy Sample: Argus Farm Stop is an everyday farmers market. We are easily accessible to consumers, and they can buy locally farmed products there every day of the week, all months of the year. We offer dairy, meat and produce. All of our product is grown locally or in the state of Michigan. And we're kind of like a grocery store, so our shelves are full and robust, and we use modern, grocery practices for making sure that everything is in perfect condition for consumers.

We're a conduit for local farmers to sell their produce, so they can bring their items in, and the customer is buying directly from the farm, because we are on a consignment model, so the farmer can set the prices, the farmer can fluctuate with the market, and the farmer can determine if they're the first ones in with a certain product, that they can command a premium.

So, it really makes a farmer able to act just like you would at a farmers market. Most of our farmers already sell at farmers markets, and we are just the next level of sales to allow them to grow their business to a level that's sustainable, and keep farmers in farming.

We're also a community space, meaning that part of our goal is to introduce and connect consumers with the farms, in a way that encourages interaction and education, so that consumers can begin to learn once again, where their food is grown, how it's grown, and how important it is to know where it's grown.

We have a great coffee bar. We have a great sense of community.

Clifford Scholz: How long have you been in business?

Bill Brinkerhoff: We opened, a little over seven years ago, in August of 2014.

Kathy Sample: Our first location is a few blocks outside of downtown in a very residential area.

Bill Brinkerhoff: We opened a second location in town in 2017. Now we've got two farm stops that have been operating in Ann Arbor.

Kathy Sample: Within a mile and a half of each other.

Bill Brinkerhoff: Yeah, they're pretty close, but, remarkably, they have distinct customer populations, and it really has let the farms almost double their sales by having two outlets in Ann Arbor. But getting customers that are really on different paths on their everyday lives coming into their own favorite location for Argus.

Clifford Scholz: How did you come up with the term, 'Farm Stop'?

Bill Brinkerhoff: Yeah, that's a good question. When you're starting a new entity, one of the most stressful things you can do is try to pick the

name of it. You have to imbue all of your hopes and dreams on this name. It puts a lot of pressure on it.

I'll talk about the Argus part first, we're located near the Argus Camera Company, that was making cameras back in the 1950s right down the street, and so it's kind of the Argus part of Ann Arbor. And it also happens to be where my father worked, for a chunk of his career, and so we really thought bringing Argus into the name would be nice.

When Argus was making cameras, it's when food was more local. It calls back to a time when food was more local. Where you might've had a milkman, you might've not had food coming from as far away as it does now. And so, we wanted that to be part of Argus.

And we spoke with a friend of ours who does marketing at Zingerman's, and we reviewed possible names and he also concurred, he said Argus, great name, he said also it would be fun to say Argus, it's a good name. So, that part was fine, so we said we're the Argus something.

But what are we exactly? We're not really a farmers market, 'cause that really connotes something special in people's minds that happens maybe one day a week and all the farms are sitting there around their tables. And we're not exactly that. We're not exactly like a grocery store because when you walk into Argus, every single thing on all of the shelves is from local farms, there's nothing from outside of our local kind of our food community. There's nothing from a giant distributor.

We needed to think about a new name, and we came up with Farm Stop with the help of our brother-in-law, Jim Azim, kind of thinking: What about a Farm Stop? Because farmers are gonna stop, this is kind of a respite in

their day. They're gonna bring their produce in, so the farms are still there, like a regular farmers market, you see the farm coming in to drop off those goods. Any time, any day, you might see a farmer making a delivery, and that farmer gets coffee for free whenever they're in Argus, for sure. So, it's part of their community, and so they can take a little respite, take a stop. And then they can move on with the rest of their day, they can go back and farm, and do the stuff they have to do, 'cause farmers are super busy.

And for customers, it's the same way. When you walk in there, you're likely to see a farmer, you're likely to have met some of our staff, and it can be a spot where they can also stop.

And for someone who wants to eat intentionally, wants to support local farms, but just couldn't make it to the farmers market that Saturday, it's a wonderful place to have in your community.

So, I think 'Farm Stop' really resonated with us when we started it. And then the reality of Argus as it's developed has really filled it in, we talk about it in our training as a noun, a farm stop is what other people can do in other towns. If you do something like this, it's a farm stop.

Clifford Scholz: Right. So, what motivated you to get started on this? What's your mission? Where did it start?

Bill Brinkerhoff: I think for a lot of people, food is really important. It's gathering around the table with your family and friends. And so, that drove us into thinking about different ways to impact the food system and where it needed help.

Kind of a broad question, when you're at a career juncture, where we could decide which way to go, we looked at potentially farming, maybe that would be how we could help out, and we found that people are way better at farming than us. We looked at other avenues, and what we really came to was that it was too hard to buy local food. It's harder than it should be, because you had to do it on a special day of the week, or you had to sign up for a box. It just took a lot of effort, and it wasn't the way most people shopped. And so, we thought we could focus on a better way to sell local food as what we should do.

The background reason for wanting to start a Farm Stop is we noticed in our area that almost all the farms have disappeared. Between 1950 and 2012, over 90% of our county's farms have disappeared, especially the ones that produce food. We felt like this is a trend that we don't want to continue. We wanna live in a community that's surrounded by farms, where the farmers are making sustainable wages. That they're producing great food. And we have multiple farmers markets that are great, in spite of everything we were doing in our town, the number of farms were still disappearing. And so, something needed to change.

Kathy Sample: And we also, in the course of being involved in the community, had met a lot of the farmers, and we'd met a lot of really interesting people who are interested in getting back into farming. At the same time, we noticed that the sustainability programs at the university here were becoming really popular. There's a Local Food Summit in our town, so we knew there was interest in this area, it was just, how could we have an impact on it?

Bill Brinkerhoff: So, we started to dig into some of the statistics, and one thing we found was really, the farms don't make very much money. On

average in the U.S, for every dollar that you purchase in the grocery store, less than 15 cents goes to the farmer who raised the food, and 85 cents goes to all the distributors and transporters, and middle people. Our food system is on average, taking food 1500 miles from farm to table, which is just expensive, and it's not sustainable environmentally. It didn't do well during COVID, that system.

Kathy Sample: It doesn't encourage farmers to grow with good practices. If you're only getting just such a small margin, why would you implement really sustainable practices? You wouldn't be able to pay your labor very much.

Bill Brinkerhoff: Yeah, we really got enamored with direct-to-consumer purchasing from farms, kind of the magic approach that retains a lot of the economics for the farms, and it could really make it possible to be a small and medium farm and be viable. That's the problem we're trying to solve. Lots of people wanna buy from local farms, and the farms around here could supply a lot more than they were, it was just too hard to make that connection.

And so, our mission really is to grow the number of farms that are growing food in our area, and grow the sales volumes, be one of the best places to be a farmer. The farmers that we know, they're not trying to get rich, but they need to make more than they've been making in order to do it.

Clifford Scholz: Yeah, that's a big mission. And it is an exciting project, too. So, what kind of background did you bring to this project? It's an ambitious one.

Kathy Sample: Yeah. So, Bill and I met in business school at the University of Michigan. We have business backgrounds. We both had careers in business: Bill in pharmaceuticals and me in chemical industry. And we were really happy with our careers, but we were hitting a point in life where we thought maybe we can do something together. As we started talking about this and considering it seriously, we looked at a number of things, and we started to learn about how people can work together as couples without throttling each other, and some of the basic things that successful small business owners have to look out for.

I feel like our experience in the workplace, you know, just understanding how to manage people, how to... We'd never done retail, that was the one thing that I think that was a box we hadn't checked. And we probably underestimated how important that was, but we grew into it. I mean, seven years later, we're still loving what we do. Bill's a finance guy, and I'm marketing, and so it works. We just stay in our lanes, and we've performed the roles that we can best add to the company.

Clifford Scholz: So, as you looked at how to start your business, you must have been looking for models. Uh, can you tell us how you came upon your model and anything about the other models that you came upon in your research?

Kathy Sample: When we were looking at what we could do together, we were talking about farming and the agricultural industry. We actually had met some people that farm, so we worked on their farm for a short time and realized how hard it was, and that our skill set was not a good match for farming. It's really, really hard work. At the same time, we went to take our middle son to the College of Wooster, which is a small liberal arts college in Ohio.

And in this small town of Wooster, Ohio, we happened upon this really cool market called Local Roots. I always say it was one of those “Aha!” moments where you walk in, and you look around, and you say, “What is this? This is so cool!” There were farmers delivering things and putting things out on display, and we were really enamored with the concept, and our first thought was, “Well, this would really work in Ann Arbor,” so we thought, “Let’s consider this.”

I think we talked about it all the way home from that trip, and then we called them back up and said, “Hey, we were in your store, and we would really like to talk to you about the concept,” and found out that this store was started by a woman, Jessica Eikleberry, who had tried to do a Thanksgiving dinner from all local farms, and ended up going to a ton of different local farms, and it was really a hard thing to do. So, she said, “I’m gonna fix this,” and she started this great store by getting a business together that was a farmer-owned cooperative. And so, she invited us to come down and shadow at Local Roots, and she really spent a lot of time with us, kind of coaching us through how you do the retail part of it, and how it works. And having that support and having that personal connection with someone who had successfully started this business in a small town, we felt a lot more confident that it would work here in Ann Arbor.

Bill Brinkerhoff: That was in 2013, about a year before we actually opened Argus, that we had that experience in Wooster. And we kind of thought about it, and we had a second visit to Wooster, and then in November, I think, is when we decided to really dig into this, like, this could be it, let’s start being serious about doing some diligence. And we started having discussions with anyone that we could speak with in town.

We talked to the Ann Arbor Farmers Market, and we talked to Whole Foods, we talked to The Produce Station, we talked to The Food Co-op, we talked to farmers, we talked to customers, and we just kind of pitched this idea.

And then at the local food summit early that next year, we did a little session, and we presented this concept-to see whether it would resonate: Would this work here? I'd say for anyone thinking about starting a business, having the 50 conversations is super valuable. That got us one layer deep across a broad spectrum of questions that we had about starting it, and what we heard was... Well, actually we were trying to talk someone else into doing it, was our goal and that didn't work. There are reasons, good reasons, why lots of other people couldn't do it, and they kind of ended all of these discussions with, "Why don't you guys do it?" And we're like, "No way we're gonna do it. We're not considering doing a kind of a retail operation at this point in our careers." But then the idea kept kind of soaking in and, you know—

Kathy Sample: —and we also talked to some other people who had tried things like Lunasa, Jane Pacheco's market, where it was an online marketplace, where she would do all the purchasing for people, kind of like a buyer's club, and then they would meet at this central location to get all their stuff every month. Super popular. All the people that we'd been talking to knew about it, loved Jane. And so, we started meeting people who were kind of thought leaders in this area, but maybe weren't currently doing things in this area, or, you know, people that you'd might need to know or have in your back pocket later.

So, when we started to get more serious, and we were talking to farmers, it was super helpful to go back and say, "Oh, we've been talking to Jane

Pacheco and she thinks it's a good idea." And then people would listen to you, because we were just two people they didn't know, but you get back to some thought leaders or people who had had success, and farmers thought well of, then you could further your mission, because they now believe that you were talking to the right people.

It was really important for us to find the right people to talk to, and that just took some sorting out. And for one of our farmers, we had been talking to this farmer for a long time, and we really liked this guy, and we weren't really getting a lot of forward motion, getting a commitment: "We're gonna be in your program." And then Jane, again, she enters the picture, and she said, "Oh, you're talking to Richard? You need to also be talking to Deb, they make decisions together, and you can't talk to one without the other." And she then made sure that the introduction was made, and then everything worked from there.

You have to kiss a lot of frogs to find a prince, and we talked to a lot of people, we talked to the City Planning department in Ann Arbor, naively thinking that perhaps they had a vacant building they would like to donate for this cause. We were met with a really positive response about what our concept was, but no hope of any kind of a building. But we learned a lot about the city and learned that we could work really in good communication and good relationship with the farmers market. So, the farmers market manager was like, "Oh, I think this is a great idea. If my farmers are stronger for the Saturday market, then it's good for all of us."

So, that's been one of our processes, is to always focus on how this is gonna benefit all of us as opposed to acting competitively, because we never viewed this as a competitive thing that would survive only if you took somebody else out of the marketplace.

Bill Brinkerhoff: I think that's been an important part of our early discussions. One statistic that really helps when you're talking to a store that's also selling local food. They may feel like we're gonna put a farmers market out of business or compete in some way, but the statistics show that over 99% of the food purchased in the country, in our area, is through this indirect industrial channel, that's all coming from the distributors, the lettuce that you see in the grocery store is not from a local grower, it's from California or Arizona.

We're working together to take this tiny segment that is, less than a percent of sales that are direct-to-consumer. And if we could triple that to 3% or 4%, that would totally change the economics in our area, that would funnel enough money that we could have a vibrant food system in our area. And anyone buying regular groceries won't even notice the difference. And so that helps to disarm those kinds of discussions well, so if people are getting into similar discussions in their area, think about some of the statistics that could help maybe make it so it's a collaboration effort rather than a competitive effort.

Clifford Scholz: Yeah. I mean, you can grow a huge amount, doubling, tripling, like you say, it's still a tiny piece of the pie, still a lot of growth yet to happen. So, how did you decide on the arrangement, the specific consignment model that defines your economic relationship and contractual relationships with your farmers and producers?

Kathy Sample: That's what Jessica had done, the Local Roots collaborative. They're a consignment basis, and she explained why. When you're consignment, the consumer's buying directly from the farmer. So, you can say at the register, "So-and-so owns these blueberries. You're buying these blueberries from this farmer, and he's

got four kids, two dogs, he grows blueberries and his wife makes jam,” or you can say all the things that a consumer wants to know about how things are grown, you can talk about the techniques that he’s using to grow, what his future plans are, you can actually connect the consumer. So, having that ability to say that the farmer owns this is really important.

And what was really interesting is not having a retail background, we didn’t even consider the benefit of not having to carry all that inventory, right? But since our mission is to help the farmers, we just needed to make sure our farmers understood we’d take good care of their goods on a consignment basis. So, that’s why it’s consignment. And that’s also a good thing because you can fluctuate the consignment ratio as your needs change, so that’s what we found at Argus, is it’s important to have that the capability to be able to change it based on our finances.

Clifford Scholz: Can you tell us about how that worked? ‘Cause I remember from the webinar that you shared that you went from a lower consignment ratio to a higher one at some point in your— as you got started, and how did that work, and what was the rationale, and what were the outcomes?

Bill Brinkerhoff: So, we’re a mission directed organization, and we work to break even, and we’re not trying to make money on the backs of the farms, for sure, but we wanna have enough money to pay for staff, pay for an everyday store, and when you add all of that up, in our estimation, when we did our first kind of run at the numbers, thought 80/20 was about... We could literally afford to pay out 80%. So, remember, compared to 15% on average nationally, we’re paying more than five times higher.

So, we started that way, and it generally was correct, but it did require flawless execution and no unknowns that would crop up in order to make that work each year, and we found that that was not always the case. Like, refrigeration breaks, things happen. And so around 2017, we thought we should move it to a 25% share for Argus, 75% for the farm, so we're still paying out five times the national average, but we're taking more so that we can be sustainable and secure ourselves.

And we really polled the farms, we said, "We're thinking about doing this, and let us know if you want to still be with us or not, or if you have concerns." 100% of the farms said, "This is totally fine, this is by far the best thing that we've ever sold through and you guys need to do what you need to do to stay in business, 'cause we do not want you disappearing." And so, it was such a strong vote of support that we could make that change the following January, and then that allowed us to continue with a second store opening, and getting better and better at selling local food.

Clifford Scholz: So, how did you decide on the structure of the business? The LLC versus other legal over-arching umbrellas for building your business architecture?

Kathy Sample: That's a good story, because we took a class at MIFMA, which is the Michigan Farmers Market Association. So, most states have an association that kind of helps the farmers markets that are in the state with organizational things, and training, and [we] took this class to become farmers market managers, thinking that some of those lessons would be valuable for our market, which is not a traditional farmers market.

And it was a really good class, and in the course of the class, we met a guy who was consulting for a nonprofit in, I think it was at Grand Valley State, right? Matthew Downy, this guy was really compelling. And so, after the class, he talked about how farmers markets run, which people really don't know that some cities sponsor their farmers market, some don't, and then they have a hard time surviving. We didn't know all this. But Matthew, he seemed to know a lot about organization of markets, and so we called him afterwards, he came down and talked to us, and he suggested the L3C model. We had no knowledge of it, and he suggested that it might be appropriate for what we are trying to do.

Bill Brinkerhoff: And we were thinking about different ways to organize, and we were thinking, "Well, we wanna be mission-directed, so we should probably be a nonprofit." That was our initial thought. And what we learned is that nonprofits have some nice things, 'cause people know that they're mission-directed, but they also require an external board of directors, which can really have different ideas about what the business should be. And our worry was that that might be incompatible with a retail operation, where you need to make decisions day-to-day: Yes-No. It's not so deliberative, where you can bring things up to another body and have more of a complex governance.

So, we really started to think about the L3C, which is just like an LLC, except that we're restricted to have the income generated for the business go for the purpose of growing the local food system, as opposed to owner enrichment. You can still make a profit, you can break even and be positive. From the IRS point of view, they don't know what an L3C is, they only see an LLC, because legally, it's restricted in our articles, but most people don't know what an L3C is. It happens to be something in

Michigan that's established, and people in other states can do the same thing just by restricting their articles to a mission other than making money for the owners.

And what we found, I think with the L3C, is that it's been hugely valuable, not from a financial point of view because we would still pay taxes if we make money, but our customers and our farmers know that we're in it for the mission, and our staff is working on this mission that we're working on together. I think that's probably been the most valuable thing. There are some L3C benefits that you can approach community foundations for grants, and for program-related investment monies because of the way you're set up. But we haven't done that, we haven't needed to do that. We've really just had more of the intangible benefits of the L3C.

Kathy Sample: We didn't wanna be in a fundraising mode. There are plenty of nonprofits out there, but we felt like fundraising wasn't our— it's a skill set — we've done fundraising, but we didn't want it to be part of this business, where you're constantly distracted by trying to raise money to support it.

Bill Brinkerhoff: We've all volunteered for nonprofits where you do have to raise money. It's a big part of what you do every week, every month, every year. But we felt like there's so much consumer demand for these products, why can't we start a mission directed business that harnesses that consumer interest in buying, that doesn't require us to have farm dinners and do all of these extra things? Let the food itself raise the money if you just make it easier to buy.

And so, that was the big experiment, and I feel when people look at us, they say, "You're the best nonprofit we've seen, 'cause you're really

delivering a lot of money to these farms, and you don't have to have all these fundraisers." So, nonprofits think that we're really fantastic, and businesspeople think we're really terrible, because we're not making a lot of money, we're not paying back the owners, we're not doing all of the things that a normally constituted business would do, but we really like living in that little gap.

Clifford Scholz: Great. So, you told us a bit about how you did your market research talking to hundreds of people, basically, and looking into the various organizations that are already working in the area. How did you decide where to locate your actual storefront?

Kathy Sample: We had some pretty clear criteria. Like, we wanted it to be in a place that we wanted to go to every day, not too far away. We wanted it to be a neighborhood. We just started driving around in our car. We just drove around, and we would look at buildings, and Ann Arbor is a really hard place to find an empty spot, even seven years ago, it was a hard place to find an empty spot that didn't look derelict or uninhabitable.

So, we really spent a lot of time looking at places, and talking about places, and we finally found a place that we thought, "Oh, this would be a really good spot." And I think while we were parked in the parking lot, we called and found out it was already leased. And we went to turn around in another abandoned spot, that was an old gas station, and I think the Subaru got stuck.

So, we are already looking at this place, and we thought, "Oh, maybe this place would do." It was an old gas station, so you can picture like, it had the charm of an old gas station. It actually still had the pumps out in front, and it... But, you know, the windows were all boarded up, but it had the

big garage doors, and it was small enough. We knew we didn't want it to be big because we wanted to be able to pack it full and make it look robust. So, we contacted the owner and he agreed to lease it to us, he and his wife. And that was how we started that first location.

Oh, and another thing is, we sat in the parking lot, it was in the early winter, and we watched to see how people were going around. We saw a lot of people going downtown using the abandoned parking lot as just a cut through, and so we knew a lot of people were using it to go downtown. And we also saw on Saturdays a lot of people were going through the parking lot to go to the farmer's market. So, we were watching how consumer was using town on Saturdays, right? Just a lot of baby strollers and people walking around, so we knew the spot would have a robust audience. We also used the small business development association in town, which is a good resource, and they did a demographic analysis within a mile or two miles. You know, it's Ann Arbor, it's a university town, so there's a shocking number of people with degrees in the neighborhood. So, we figured these people would also be interested in local food, because it was in the news. So, we thought we'd have a good audience on that corner. And we — you know, blind luck or something — we were right.

Bill Brinkerhoff: It's turned out to be a great spot. We did spend some time with the National Food Co-op Association website, and they have great information about how to pick a location for like a food co-op, which turns out to be super applicable for us.

And so, we knew we wanted something that was small, but maybe 1,500–2,000 square feet. I think in Michigan, for one of these, you know, you

want something where you can have external areas for outside displays when the season is abundant, like July through October.

It turns out that this kind of old service station in a neighborhood, which are largely defunct now across the country, like these exact same kind of buildings are available in every town. Some people turn 'em into banks, some people turn 'em into different things, but they are a nice way to re-inject local food back into a neighborhood and make it a community spot. I don't think we would have that same community resonance if everyone had to drive and arrive there by car, which is the case on the outside belt around Ann Arbor, if we were locate out there, which lots of businesses are, I don't think we'd have people coming in on foot or by bike as much as we do now. And it's a nice mixture. We have enough for eight or 10 cars to park around the store, which is generally enough almost all the time for us.

Kathy Sample: But it's better to have that community of walkers, bikers. It allows you to have some community, because if people come in and walk in, or have their kid in a stroller, and you have seating around, they're gonna sit, and they're gonna see their neighbor, and they're gonna talk. And it just creates the atmosphere that we want, which is similar atmosphere to the farmers market, right? We want that community. So, we try to put bike racks and a bike pump, and things out there that... Dog dishes. You know, the little hooks to put your dog, hook 'em to a planter nearby so that people feel comfortable coming on foot, because our parking is challenged.

Clifford Scholz: It's a university town and you have a lot of bicycle traffic, so that helps. You mentioned that your inspiration came partly from your experiences down in Wooster, which is also a university town. Is that a

piece of what makes this work? And can it work in a town with a different kind of focus or energy to it than, than Ann Arbor or Wooster?

Bill Brinkerhoff: Yeah. it's a good question. I think what we found is the magic requirements for one of these to work is to have an active farmers market in your town. And if you've got that, that means that you've got a supply base. And that means you have customers who are intentional about their food shopping, and those are the two pieces. And a lot of times those come with university towns, but they come a lot without university towns, and they also come a lot with towns that have different income levels.

I think so long as you have a farmers market and you have a robust kind of a farming environment, you've got a good substrate to start one of these. And what we've seen, like the College of Wooster is a college town, but it has much lower income level than our area, and their store has been working fantastically, for longer than ours.

There's also one called The Wild Ramp, in Huntington, West Virginia, that's even in a lower income city. And they've been seeing this work well. We're working with a guy who's starting one up in Marquette. So, we've seen 'em in different towns, and I would think there is high hope for this model to work in a lot of places across the country.

Clifford Scholz: That perfectly anticipates a question that's been on my mind too, about these kinds of operations. How does it meet the needs of food insecure? 'Cause every community, even wealthier communities, have people who are food insecure. Was that ever part of how you visualized this? Or how do you meet those peoples' needs, bring them into the tent?

Kathy Sample: It's so important today too. Our focus is the farms, right? And the farmers need to be reinforced with a good business model to make a living. So, how do you get to the populations who are in food deserts or less advantaged? And we can do that through using SNAP, right? Accepting the food stamps. That's the old name for it, but it's supplemental nutrition program, the SNAP cards, which we do in a really seamless way.

Like a farmers market, typically, a food stamp user has to go to the office, get these wooden tokens, take them out to the market, buy their thing with the tokens. And then the farmer has to come and redeem the tokens at the end of the day. So, it's a very cumbersome and obvious purchase. But SNAP users have a card that they can just run through a special reader, that we can accept. So, we've tried to amplify our presence to SNAP card users.

There's also a wonderful program in Michigan — that was started in Michigan, actually by the Fair Food Network — called Double Up Food Bucks. And now it operates in over 20 states under different names, but the whole thing was started here. And it's a fantastic way to get local food to SNAP users. So, if a SNAP user presents their card, they can get twice the value of their dollar for locally grown produce, right? So, they can buy \$40 worth of produce for \$20, which is really great.

Our challenge is to get the population who's using SNAP cards into our cute little farmers market that's really crowded that might not be the place that they typically shop. We are expanding our visibility by doing produce boxes, that they can use Double Up Food Bucks and get a \$30 box for \$15.

There's also some grant programs through the Michigan Fitness Foundation, the American Heart Association. The USDA has a lot of funding for programs that help access to SNAP. So, we are trying to partner with these groups to bring in these populations.

Right now, we do 50 boxes every month for our local housing community in Ypsilanti. It's working really well. But you have to really focus on outreach that way. So, only now have we gotten mature enough to be able to spend time focusing on these populations and getting to know the people that can help us access them.

But when you have a SNAP user come in and you can make it a seamless process, and they get 50% off their produce, it really is a win-win for everybody. And the more we can attract those populations, the happier we are. And it's really important to our staff too. It's not just Bill and me, it's our staff and it's the farmers. So, it's a goal.

Clifford Scholz: Thank you, Kathy. So, when we were there a couple of weeks ago you showed us around the Farm Stop, and you knew a lot of the people, it was really kind of obvious. Even people who were wearing masks at the time, you could still identify them across the way. And so, it seems like you've built some community there. How did you do that?

Kathy Sample: I know a lot of people in town, because I lived in town for a long time, and we have three kids, and we've had 11 exchange students. And you meet a lot of people that way. It's a skill though, to recognize people with a mask on. It's a really hard thing. And then we had that brief respite where we were all without masks. Now the masks are back on, and sometimes you see somebody that you haven't seen since the whole COVID thing appeared, and so many things have changed in

their lives. So, I'm always scanning to see who it is I recognize, and what's going on 'cause I wanna know how people are doing.

You know, it used to be that people would come into the store and they just hand me their baby so I would hold the babies while they shopped. And that was so much fun. Now, like nobody gives you their baby because, they just don't. Things are different now.

But caring about your community and knowing what's going on with them is also good business. I don't do it for that reason, but it also ensures that you have a regular customer base. That really sounds pretty commercial, but that's not where this comes from. It comes from the heart. And that fact that we are a group of people with a common mission. And so, we all wanna know our regular customers. And it's really interesting, 'cause I'll have staff every once in a while say, "Where's our Cold Brew Kathy?" Or "Where's So-and-so?" We have nicknames for people, 'cause you get these regular people in and you get to know them.

And the fact that our staff is thinking back about who's where, and caring about where people are, is just what you do at a farmers market. This is where your community starts, is where your food comes from. So, did that answer that question?

Clifford Scholz: I think wonderfully. And it also helps to understand how you were able to add things, be more responsive to your customers' needs over time. I think you mentioned too, that you've added new things since you've opened, in response to customer needs. And that would be a way that you could take the pulse of the customer base, and what they're needing and wanting. Can you tell us a little about what you've added, how you've changed your offerings over time?

Bill Brinkerhoff: We started Argus with just enough farms to have something on the shelf, in each category. So, we wanted to be a store that you could shop at, and you could get everything for dinner, or whatever you were shopping for. So, you needed dairy, you needed meats, so you needed produce, you needed grocery goods, and they all had to be local. And we could do that with about 30 or 35 producers. And that has evolved out. Like last year, we had over 200 producers selling through the store.

Clifford Scholz: I got a call a number of months back from a person who was looking to source local organic food in Ann Arbor. And I recommended Argus as a way, not only to shop for produce, but as a way to shop for farms, for potential membership in CSAs, for potential relationships with actual farms, build those relationships. That's one of the things that you offer, aggregating all that food into one location. It can generate a whole level of engagement in customers with their producers, sounds to me like it's part of your mission.

Kathy Sample: That's exactly right. We're trying to create brands for our local farms. And we do have people who come in and they look for the logo of the farm on the sign, because they're branded now, right?
"Anything that's Slow Farm I know is really good."

So, if they have a shopping list, they're gonna say, "Okay, does Slow Farm have tomatoes today? Does Slow Farm have asparagus?" It's really interesting to see. And now, on our online platform, we have a "by farm" category, so you can click a button and then everything we have from that farm is gonna show up online, because we're trying to push that branding.

I like what you said about that. You made me think about this time I spoke at a retirement center. They brought us in to talk about what we do. You know, you're talking to a bunch of people who lived during the, the era of Argus, right? So, we were talking about what we do, and how much stuff we have. And the whole meal was cooked with Argus products, which was really hard to get their cafeteria people to cook with real food, right? So, everything was really fun, and I loved talking about it. But we almost created an insurrection.

Because, at the end, this old man stood up, all the staff were standing there. "Why can't we have food like this every day? Why have we been eating the swill you've been feeding us?"

We hadn't anticipated that we'd create that kind of a throwback recollection. And it almost triggered some of these people about, "This is how I used to eat." The dining director and I were like, "Well, we probably won't be doing this again." And we never were asked back because they could never match it, right? They would actually have to start cooking instead of just reheating box potatoes, or whatever. Not that their food's that bad, but that man was angry.

Clifford Scholz:

There are people who are working to do exactly what you were attempting to do there. Which was to introduce institutional buyers to the local food market. And it's on our list of important things that could happen in local food, for sure. And I've heard of people who have worked with hospitals and, um, so that's a, it's a—

Kathy Sample:

There's hope.

Clifford Scholz:

Well, it's, so, it's also, it's that education component that you mentioned. Where, just getting people to think, "You— you're in the wellness business? Where does that start? You know, is it gonna start with food?" That is where, traditionally, starts. So, um, but we've kind of been mis-educated, or trained to think that wellness originates somewhere else than with the foundation of our daily habits of food, exercise, you know, et cetera.

Kathy Sample: The University has been great about introducing their chefs. They'll come in once a year, and do a thing at Argus, where we set up a whole breakfast thing. And then they bring a bunch of chefs in, that cook for the University, and other universities. Steve Mangan, who runs the University Dining Services, he's got a \$30 million budget for food. And he'll come in, and we'll feature a whole bunch of locally farmed stuff. It's fantastic.

The issue is, just the University of Michigan, which happens to be a pretty big school, none of our farms can s-... I mean, even... So, they love Dan Hiday's yogurt, and they really want it, but he's got 12 cows. It's not gonna happen. He's got 12 cows. So, it's really frustrating to them, because they would have to piecemeal it together, the way our farms are.

So, some of these farms could do a fantastic job if they just got to the next level. If Dan had 40 cows and was making just yogurt, he could supply the University of Michigan with a much healthier yogurt than they're buying, and a much tastier yogurt.

But it would require a commitment on the dining people, on the operations people at the University, on Dan Hiday. And one blip makes it really hard for them, because the privileged students need to have their yogurt. So, it's really an interesting supply chain consideration when you get to big buyers.

Bill Brinkerhoff: Yeah. Working with the University has been interesting. And they've really shared what they would need to— They wanna buy more local, but they have needs. Like they can't have pickup trucks delivering to the back of the dormitory, the food, with a handwritten invoice. They have a set of things they need from suppliers. They really wanna be local, but the suppliers have to meet these needs.

And so, we're hoping that the Farm Stop can be like the farm league and train these farms that maybe they will plant a giant field of potatoes and the University's gonna commit to buy those. And it might be under different terms, in a different way than they're selling through Argus, but we're kinda continually looking for ways to sneak local food into new places. And the University has been really good at trying to work through that with us.

Kathy Sample: Yeah, they're super good people. They're just only held back by the operational aspects. And also, the payables, right? A farmer does not wanna wait 45 days to get paid for his yogurt. He's not gonna put up with it. Whereas a lot of people will put up with that from the University, because there's such a big buyer. So, that all has to get worked out better. But they're good people and they're well-intentioned.

Clifford Scholz: As you launched, you had to get the right people into the staffing positions to make your business work. They're gonna be the

public face of your organization. And especially in the launch, you want those people to be the right people. How did you build your staff out, and how did that work?

Bill Brinkerhoff: It started with the two of us where I think Kathy gets a lot of energy from interacting with people and the customer base, and really exploring all of these producer discussions. And she spent time going out before we opened, to visit potential farms, sit at their dining room table, and take them through: We had like a little 10-page pitch deck about what this might be, would they be interested? And I think the reason that these farms gave us the time of day was because of that outreach and going out and having that conversation. And you know, my background has been more on the operational side and making sure that we can have the farmers get paid.

It's a very unique system where you have a store that's running, but all the goods in it are owned by the farms and you have to make sure that those farms get paid the right amount that they have really nice reports. So, they have confidence that it's all working for them. And I think between the two of us, we felt like we covered some of the bases, but we desperately needed someone who had retail experience, which neither of us had. And so, I will say that for people considering this: You don't have to have retail experience. And because this model is so innovative, actually if you had retail experience, you might've thought that it wasn't possible, because we've broken a lot of the paradigms of traditional retail businesses with what we're doing.

But in conversations with the coffee supplier that Kathy was having about a local coffee roaster, the person who ran that coffee shop was Laura Matney. She heard us talking to the owner and approached us and said,

“Are you guys opening this? I’ve been talking about moving on to the next level. And I’m working to figure out what that next step is. And would you be interested in talking with me?” And so, we had a number of discussions with people that had retail experience that wanted to become involved in this. And Laura joined us. And then another person who worked at the same RoosRoast Coffee Roastery, Brian, joined us. And that was our starting team of everyone who was on board before we opened.

Kathy Sample: And Travis.

Bill Brinkerhoff: And then we started hiring people.

Kathy Sample: Right.

Bill Brinkerhoff: And Travis joined, who’s been our store manager at Liberty for a long time, two weeks before we opened. And so, you need the rest of your staff to join right before you open, maybe a week or two before you open, so you can practice and not have your opening day where you’re training people, right? You have to get that lined up.

So, your team that you have on board needs to have that mixture of front of the house, back of the house, some retail experience somewhere in your team, and then there are some experts that you draw upon that you don’t need part of your team: we had an architect, and a lawyer, and different people that do a little role during the startup process. And someone with human resources experience is great, which we’ve always got through people that were more experienced with that, but not on our staff per se. People are often willing to share their professional expertise about how we should set something up.

Kathy Sample: And when you find staff members who have these, we call them superpowers, where you might have a staff person who worked in HR in part of their career, then you just put them on that thing to create XYZ, you know, documentation or whatever. So, we found that exploring all of the skill sets of our staff has allowed us to do far better at everything, because they're all creative and talented and a pleasure to work with.

Clifford Scholz: And how has turnover been, and how do you work with turnover?

Bill Brinkerhoff: So, it's always something you have to think about for sure, like in a retail environment. And we do have students from the university and they graduate and move on. So, we see what I'd characterize as regular turnover, because people are here for part of their lives and they're generally moving on at some point. What we don't see as much of as people just working for a little bit, just because it's a job and money, and then they move on to the next thing, because they're making a little bit more money. I think, that's not the kind of staff that we've had. We've had staff who are really interested in growing the local food system as their mission.

And the key interview question that we ask is: "Tell us about your kind of demonstrated interest in the local food system." And it can be anything from: "I love to cook, this is what I love to do." Or "I love to go to farmers markets," or "I worked on a farm and I really liked that." And it's— it's that kind of commonality that we have in our staff, whether it's the barista, or the cashier, or the person working with the farmers in the back: they all have that demonstrated passion for local food. And that has kept the camaraderie there and really minimized unusual turnover.

Kathy Sample: Yeah, we have very low turnover. I mean, our core management staff is still with us after seven years, right? We've grown enough that there have been opportunities for people to move up in the corporation, it's not a corporation, but to move up in the organization.

Clifford Scholz: Before you started, presumably you created models for cashflow and a business plan to make sure that this thing was gonna work. How did you do that and what should people who are thinking about doing this, think about doing as they plan themselves?

Bill Brinkerhoff: The planning on our part, the business planning, I feel like the two important parts that we built in where one is the message the slides that Kathy was presenting to these farms, captured the "Wow!" breakthrough. Like, "This is a new way to sell local food. This could fundamentally change our food system in our city and it's pretty exciting. Do you want to be part of it?" So, I think the business plan we didn't write a prose long 40-page document, we did slides that communicated how many farms had been lost in our community, how farmers have a hard time making money, how there's tons of consumers who want to buy locally who can't, and this is a potential solution. So, we did a problem/solution kind of deck, you know. And going through that process really let us focus that our problem we're trying to solve is to get money from consumers to farmers.

And there's parallel things you could work on, like food access, getting food to people that have lower income, but that wasn't the primary purpose. This business plan that we developed was how do we get money from consumers into the hands of farmers and grow the local food economy? And that needs to come through in some exciting way to generate interest in this. And so, I think however that's done by

somebody that's the most important part. The second component was this pro forma financials, like just proforma is just means projected financials.

And we, we literally just projected the first month by month, the first 18 to 24 months of what this might look like after it opened, and we projected how much we would need to get it started. And so, this was just a process that we started going through and it was rough in the beginning. And we did not have a lot of the estimates. We had no idea how much money do you set aside for a rent? Or how much do you set aside for staff or what are your sales gonna be? And in each one of those areas, you could really say you have no idea. And that's kind of where we were. But for each one we started with reasonable estimates, and in our case, we realized that if we were going to try to pay out 80 or 75% to the farms, we needed some high margin components to offset that, bring in some more money.

And so, the coffee business kind of came into the business plan at that point because the pro forma financials, projected financials, didn't work just if you're doing a grocery only operation and paying out as much as we wanted to pay out. But when you bring in coffee...

Kathy Sample: We knew this from Local Roots. I mean, they have a café, right?

Bill Brinkerhoff: Yeah. Local Roots had a café, a full café, that was super nice. So, that was in our idea in the beginning, cause they could reuse some local food into what you're eating there at lunch. But then as soon as we settled on our location, it was so small, there was no way we could do a kitchen in there, but maybe we could do coffee. And so, coffee

came into the picture and then it came in, especially during the financials, where we were realizing that the margins on coffee are kind of the inverse.

You make 60 or 70% on coffee, which is why there's so many coffee houses around the country. But maybe if we had that in there, it could make the financials work. And so, we started iterating through each part of the financial plan to come up with better sales estimates and to come up with better cost estimates, and then eventually will this work? What does it look like for the first 18 months?

Clifford Scholz: How accurate were your projections?

Kathy Sample: Very conservative.

Bill Brinkerhoff: We were conservative. I'll take you through a little bit of a deeper dive on the financials. First of all, everyone's worried about rent. They're saying, "I got to find a cheap building to make this business work." It turns out rent is the least of your expenses, almost. It's all about wages and how many hours you're open, and how many staff you have. That's a giant number. The rent we cover really quickly, within the first few days of the month. And it's much better to have a location that might be \$1000 or \$2000 a month more for the right location, then to get a bargain on your location, it's on some backstreet that no one ever drives to. The rent turns out to be smaller importance than we thought.

When you come to staffing, you have to first figure out how many hours a day you're gonna be open. And because we are offering coffee, means you're gonna have to be open early, like 07:00 or 08:00 in the morning. And because you're selling groceries, you have to be open late, like 06:00 or 07:00, or at least in the evening.

So that already condemns you to 12 hours a day of being open and being fully staffed. Then you talk about how many people you need in the store. And there's a connection for staffing that if it's very low sales, you could really run the store with two people at a minimum. And so, in winter we thought, maybe we can run the store with two people, and we have on certain days.

When I say two people, it's two people on each shift. So, it really is probably four different people, but it can grow to five people or six people on a shift. Like right now at Argus, if you walked down there, there'll probably be six people on morning and six people on in the afternoons, and they're all working like crazy all day to match the season.

And so, one thing about this model is that it can really fluctuate, and we have a mixture of full-time and part-time staff so that you can ramp up in the summer when it's really busy, and you can winnow it down a little bit in the winter and still keep our same staff there that are the full-time crew.

And our projections were that we were gonna take probably 12 months to become cashflow positive. We thought we were gonna run at a deficit for about a year. We thought we needed to save up about \$25,000 in reserves before we opened on day one in order to survive the first year. And that was wrong. We had so many customers show up on day one.

There's such an interest from consumers to shop like this, that when we looked at the number of customers who go to the farmers market on any Saturday morning and the number of customers who don't, because something else came up, we completely underestimated that number.

And I really think for every customer who actually does go to the farmers market on Saturday, there's 25 or 30 in town who would have gone, but

for the Little League game or, but for the wedding or, but for whatever. And now those 25 or 30 customers don't have a plan B and they need to shop, so they've got to go back and get the California lettuce from the regular grocery store because they missed the farmers market. And by having Argus there, they come to Argus now, and they patronize the same farms on Monday, Tuesday, Wednesday, Thursday. So, I think we really missed our first...

Kathy Sample: ...and Friday and Saturday.

Bill Brinkerhoff: And Friday and Saturday.

Kathy Sample: Because you missed one thing, which is you have perishable stuff, so you have to be open every day. You can't let stuff sit on the shelf for over a weekend. So your model has to be — with perishable things — that you're selling for those farmers every day.

Bill Brinkerhoff: So, we thought, we'll be a six day a week place that we can close on Sundays. And it turns out no, you can't. Also, it turns out not to be a problem. That sounds really scary if you're thinking about starting a business, like you're gonna have to be there every single day for the rest of your life. But it turns out not to be, that you get lots of people attracted to help work in this area and they're really talented people, and you get lots of help. And so, the scary things like that turn out not to be as scary.

Kathy Sample: Go back to the pro forma and the split between products and things like that.

Bill Brinkerhoff: Yeah. So, with the pro forma, we were projecting to be negative — which you should, for a period of time — and you should have

some cash saved up on day one to cover that deficit, because that's typical retail. In our case, because we estimated that we would only have like 80 customers a day in the beginning and it might grow to 100 or 120 over time, we got over 100 customers a day right away coming in.

And that's just, again, because you're open 12 hours a day, you divide by 12, it's not that crazy of a number. It's a steady flow of people popping their head in and getting their groceries, and you'll be fine.

Kathy Sample: You kind of have to predict what your customer profile is what's your average ticket gonna be? Is it gonna be somebody just getting a latte or somebody just getting a black coffee, or is it gonna be somebody's grocery shopping and getting a latte? Like you have to kind of find a happy medium for who your customer's gonna be, which was an interesting thing to talk about. We've talked about that a lot, about, "What would you guess?"

Bill Brinkerhoff: For the café side, we went to Starbucks Annual Report, and they had an average purchase of like \$6, like a coffee plus something else. So, we said, let's just use that and we'll see on our café. And that's turned out to be exactly accurate. And on the grocery side, we're what's known as a one bagger, according to this consultant, like customers come in, they're not getting a shopping cart full of stuff and getting two weeks' worth of groceries to load in the minivan, they're getting one bag of stuff.

And they're generally gonna shop, twice or three times a week at your store, more like a European style of shopping. And our average on the market side is like \$17 or \$18 per ticket. So, it might be a bunch of vegetables and some meat or some milk, and it's on average \$17.

And so, that's what we used going in. And that was also very accurate, I would say until COVID, and during COVID that average went up to \$90 at the market side, people were buying lots of food and we were the preferred place in town, and that's somewhat continued. Filling out the financials also, I'll just say the National Food Co-op Association website has some great tools and they have things that you can ratio based upon how much sales you expect.

And so, all of these things like insurance, and supplies, and advertising, you don't have to put in giant amounts of thought into all of those, you can use percent of sales and they've turned out to be super accurate. That liability insurance or whatever is, whatever it is, is 1% of sales or half a percent of sales, and you just plug those in.

Kathy Sample: We didn't know what consumers would buy, and so when you're looking on the produce versus prepared food versus meat, you just have to put the numbers in. And we were really surprised that the current trends in prepared foods also translate to what we do. Like, people who shop at farmers markets also wanna buy prepared foods, which we underestimated and it's an important part of our business to find local sources of prepared foods who are using local ingredients, 'cause that's our commitment, right?

Clifford Scholz: Can you give us some examples of the prepared foods that people are buying and producing locally?

Kathy Sample: I can give you my favorite ones 'cause I eat there almost every day. So, really popular are quiches where a local, a restaurant, or caterer can make a quiche out of really pretty much local everything, right? Eggs, any vegetable in there, it can be locally sourced. And we

have local flour producers. So, I would say quiches, Mediterranean foods, burritos are super popular. Some of these preparers, it's interesting, there are local entities who have small kitchens, and so they can really increase what they're selling by selling through a place like Argus.

Soup is another one. You know, it's really hard to make a good soup. And so, these guys will make soup and customers will come in and buy quarts of soup and heat it up at home, and it's really good. Because a lot of people don't know how to make curried cauliflower soup, or something like that.

Once they get the idea about how many cool things you can make with local vegetables, I'm sure it incentivizes them to make it at home. I hope it does. But the prepared foods has pretty wide range of salads, beautiful salads.

Bill Brinkerhoff: Pastas.

Kathy Sample: Yep, and pasta bowls. You know, now they do these bowls with different chopped up vegetables and pasta, or different chopped up vegetables and quinoa. Egg salad, people love to buy an egg salad and some bread and just go make their own egg salad sandwich. So, it's been really interesting to see how many producers have responded to customer demand by kind of mixing up what they have. It's an area I'd really like to expand. Refrigerator space is really at a premium. I guess we'd just have to squish it in there.

Bill Brinkerhoff: When we were thinking about what would sell in the store, what we knew is we had to create a store that had everything for a customer to buy what they needed to make dinner. So it had to have all of the departments. But we really didn't know how much sales was gonna

come from each area. And so, over the first year we really learned more about that.

Clifford Scholz: When we were visiting, one of the things that Kathy pointed out was the locally produced beer that you have available. And I'm wondering now how that fits into your product mix and how retailing it affected your bottom line.

Bill Brinkerhoff: Getting a local beer and local wine first of all, in Michigan, that's not a sacrifice 'cause they're pretty awesome, the beers are amazing, and the white wines, especially from Northern Michigan are great. And so, we kind of felt like customers should have the ability to buy those. What we did notice is that we had a super robust café in the morning, lots of people come in for coffees and pastries and conversation, but by three o'clock in the afternoon, very few people are ordering espresso or cappuccinos.

And there was this opportunity to maybe bring in some beers on tap. And so, we started down this as one of the initiatives, to bring some higher-margin activity like beer and wine into the afternoon hours. When you get the tavern license, you have the ability to sell in your store also with just the to-go package license. And it's been a great part of our business, especially during COVID, lots of beer and wine sales happened because the bars were closed. These kinds of things fed into a good financial component for Argus.

And our staff were saying, "I literally can buy everything I need at Argus, but I have to go to the beer store. If I could just get beer at Argus, I would never have to shop at another place." And so, it was partially staff motivated as well.

Kathy Sample: But, you know, it's an interesting part of what we try to do because it has to be a robust shopping experience. And our overall goal is that our customers will come to Argus before they do any of their other shopping. And then they'll get whatever they can at Argus, and they'll see some really cool things, and be inventive in their cooking plans, and then they can go to the other stores to get things that are from far away. We understand that, but if they come to Argus first, they're giving the local farmers the first shot at their business. And I think a lot of our customers are starting to shop that way.

Clifford Scholz: What funding options might someone who's interested in doing this explore to get off the ground and get started?

Bill Brinkerhoff: I think first of all, think about the amount of funding that you would need. And so, this financial exercise where you kind of list out the, the cost to start up a store and to have it run cost us, for each of our stores around \$200,000, which can sound like a lot of money to some people, but it's actually not a huge amount of money for a typical retail store.

'Cause I think being a farm stop, you can have rustic floors and rustic walls, and you can make it look good without super expensive stainless-steel stuff. We do recommend people get good refrigeration, and secondhand refrigeration with old compressors is not a place where you want to pinch pennies because they always break when you least expect it.

So, think about the amount of money you need to start a reliable store, and we're happy to share all of this information. We're kind of an open-source place to share our financials and how the line items go. But in our

case it was \$200,000, roughly. A different one started in Chelsea, called the Agricole Farm Stop, and they raised \$250,000. Think about numbers in that range.

The first thing that Kathy always talks about is if she was a mayor of a town, that's the first thing she would put on their budget. She would make sure that this was funded because it fundamentally changes a community. It becomes a hub that anybody would want in their town for farms and food and people. I don't think anyone has been successful of getting a big check from a city government yet, but I feel like there's an argument to be made there.

The traditional places where people go are to the people who care about local food in their community, and we'd recommend pitching this idea to different people, to see if there might be money there. 'Cause I think there is money in some communities that wants to invest in mission directed things. In Ypsilanti, there's a group called Revalue, and they listen to investment pitches.

There's crowdfunding possibilities. There's placemaking grants in Michigan at least if you're doing something that fundamentally revitalizes a downtown area. In Michigan if you raise \$50,000 on your own, they will give you \$50,000. That's what Agricole did in Chelsea. It becomes a mixture of investment from the founders. Friends and family may wanna put in a little piece. We've avoided debt funding, and I would recommend avoiding it if you can, because I think that there are sources of capital that are a little bit friendlier than that.

Kathy Sample: And we did a donor thing, when we opened our second store, we had a, an opportunity for the people who were in this

neighborhood where we were going to open the other store to contribute 100 bucks towards the establishment of something that wasn't a vacant building for ten years.

So we got a couple hundred people to give us money in that vein. And, in this way, we were able to invite them all to an opening party. We've been able to really communicate special things to that group of people as interested parties. It didn't raise a ton of money. It could have raised a ton of money, but what we were really interested in is gauging the neighborhood's interest in us revitalizing this abandoned building.

So, it's turned out to be a really good thing because those people feel invested. They gave us a hundred dollars; they got a mug and a party, and they will give us their feedback. But beyond that, they're not guiding us with their business ideas.

Because it's really hard when you get people in your business trying to guide you with advice. You get a lot of people in these businesses who come in and say, "You know what you should do..." When you're already doing things beyond your energy level, it's just a very interesting thing. You have to really think about who you want investing in you.

And so, having a neighborhood do it is fabulous because you don't have to get much money from everybody, but then you're not having to include them in board meetings and things like that. Which might be fine for some organizations, but for us, we just decided to do it that way.

Bill Brinkerhoff: We cover how to raise money to start a farm stop in our three-day class. There's so much interest in this model. And it's not our personal interest to actually start more of these, but we're happy to share whatever we've learned. And then we've had to kind of structure it 'cause

there's a lot of interest from different communities. But part of it is on fundraising. And we are fortunate in our community to have an extension officer whose sole job is to help economic development in the county. And she gives a 30-minute talk about sources of funding for things like this. And I think her information is available, which we can get it to you from the MSU website and the county website.

Kathy Sample: There are a lot of people looking at sustainable food systems, and there are so many grant opportunities and other funding opportunities. And the issue is timing, right? Because you could go for a federal grant like the LFPP, which is the Local Food Promotion Program, which is federally funded every year, but the timing of those grants might not coincide with your need for the money. And so, you're gonna have to have the money anyway, so it's just much easier not to rely on the grant funding that is timed inappropriately for what you wanna do.

And we should mention that timing is really important in this. You can't open a business like this in a season where there's storage crops only. I mean we have a robust produce deck now, and it looks great all year. But it took us this long to get it looking amazing, and if you look at our Instagram, you'll see. It's just crazy good. But you should be opening it in a part of the year where everybody gets excited about stuff that's coming in, and we really recommend that people think about doing that.

Bill Brinkerhoff: Yeah. In Michigan at least, I think you wanna open in July or August or September–October. Somewhere where you just have tons of amazing produce spilling out and—

Kathy Sample: —and fruit.

Bill Brinkerhoff: Then you get the first impression of those customers that this is an amazing, abundant place, and then you're off to a good start 'cause those customers will stick with you and actually be surprised. When you get to February and March in Michigan, there's still amazing food being produced — spinach and kale and greens, and we find great things all winter — but it's nice for your first impression for customers to be one that is as robust as possible.

Clifford Scholz: E-commerce. It probably played a bigger role during COVID. I'm wondering how that piece fits into your business plan now and what you see going forward.

Kathy Sample: That's a critical part of our business plan going forward. Wouldn't you say?

Bill Brinkerhoff: Yeah. We had a modest effort to sell online to local chefs before COVID, and we noticed that local chefs would come in and they would see something at, in our store and then they would buy all of it. And it's great 'cause, you know, we're trying to sell local food, and they're buying it. But we thought, maybe if we could let them know in advance, we could put it online and maybe they could even buy direct from the farm. We're not insisting that we're part of every transaction. We are open walls. As long as there's food being purchased from local farms, that's what we're after.

And we put this online system to facilitate those kinds of purchases, and then COVID happened. And we had customers that knew they were in the age demographic to be at risk of COVID, and they said they are gonna go to the ground, they are gonna be locked up until this thing is over, and in the beginning, everyone thought it might be a month or two.

And could we possibly deliver some food to them? And we said, “Of course.” They’re our customers, we’re gonna take care of them.

That group started multiplying and multiplying, and so this little nascent online system that we built using Local Line, which is a Canadian platform, had to change and grow with us. And just to give a sense of, like, the magnitude of change, we had seven orders a week in March before COVID — and we were feeling good about that — from chefs and so forth. And then, we went on in April and May and June to have 3,000 orders coming in, and it took everybody in all of Argus to get one of our stores shut down, to fulfill the orders that were coming in and to pack them. And we were running two packaging shifts a day in that store, and the farms that used to deliver once or twice a week had to come every day or every other day and keep bringing more and more and more.

Kathy Sample: At the same time, the farmers market closed. So, the city determined that the farmers market had to close. So, I remember ‘cause the farmers market manager came over, and I was at one of the stores, and she had a very concerned look on her face and said, “I have to talk to you. How can we work this out if this happens?” And we said, “We’re gonna bring on additional refrigeration. We’re gonna figure out a way.” Remember it was the time of year where the farmers are gonna do their first big market runs, in Michigan anyway. March, April are the beginning of the year.

We put in all these walk-in refrigerators all over the place, and we just had an agreement, we’ll do this for as long as you need us to do it. And that’s why this relationship, it’s so important that you just have good relationships around town. So, we just started figuring out a way. We had

staff delivering in their Subarus everywhere. It became way too much. We went and rented a van.

Bill Brinkerhoff: We rented a van from Hertz. We said, actually, we're not gonna get a delivery van. We were warned. Once you start going down the delivery pathway, it's gonna be really hard. But during COVID, we had no choice. We had to do it, and I think our conclusion is it's not bad at all. You should get a delivery van. They're super useful.

And then staff doesn't have to drive stuff around, or you don't have to borrow or rent things. It grew tremendously during COVID, and then as COVID has waned a little bit, people wanted to come back and shop in the store. But what we've found is that there's a segment of customers at Argus that are brand new, that didn't shop there before. They learned about us online, and they like to shop online, and they're still there.

And so, we believe it's gonna be an important part of our business going forward. And that the volumes are not as high as they were last year when everything else was closed, but they are way higher than any, normal trend line would've been if we looked at where we were growing up till COVID. So, I think it's been a step change in purchasing behavior, and—

Kathy Sample: We also added produce boxes, which was a big change for us. So, we started doing these, subscription produce boxes. It started out as like a six-week thing where you could get a produce box for every week for six weeks on Thursday. And we got it all worked out and it was running beautifully, but then, we thought why not just go to a complete subscription where there's no six-week thing where you have to go cultivate your whole customer base every six weeks?

So now we are on a rolling subscription where people can pause their subscription if they're not gonna be in town every week for a particular time, and it's always gonna be a well-curated box. And since we have access to over 200 farms, we can put all kinds of great things in there. So, it's really been a popular thing, and at this point, we're constricted only by space because, really, you have to have space to pack these boxes. There are things we've had to learn about packing and operational aspects of it, and it's been really interesting to learn.

It was all brains on deck at that point. We had to figure out how are we gonna get the stuff that we have in our store into customer boxes and in inventory, and how do you take pictures of everything to get them online? I mean, all these things were new to us.

Clifford Scholz: Did that require changing your staffing or hiring new people with new skillsets?

Bill Brinkerhoff: We definitely changed. A lot of people were working on the online business during COVID that were our normal staff, and people were driving delivery vans that were on our normal staff. So, I think everyone on our staff just stepped into new roles. As we often do, we kind of like just to solve these problems ourselves. Maybe we should spend more time talking to experts and learning how things should be done, but we kind of enjoy that process of figuring it out. And because our system is so unique with the consignment and the farms, it generally, it just makes sense for us to work our way through it.

And one conclusion is, it's great to have an online business on top of a farm stand or a farm stop that is a parallel outlet. We learned in talking to some food hub managers who are doing online businesses alone, that it

can be pretty stressful because if you get shorted on something from one of your many farms supplying it, you really struggle to how to replace that missing item. Or if someone has an overabundance of something, you don't have a way to sell it. And so, we just found that it's very synergistic to have the online store and the in-store retail space going back and forth.

And the farms now may deliver 300 pounds of carrots to us in a week, and it may be sold online, it may be sold in one of our stores, it could be into a produce box that we're selling, but it's easy for us to work with that and move that, those carrots across where the need is that week. It's much harder if you say, "Oh, I just wanna do an online-only business." We've heard a lot of stress from people that have tried to do only online, because you're just constantly having overages or shortages.

Kathy Sample: And for us, it's been a big advantage, too, to be small, meaning a small footprint, and we have a lot of SKUs because, you know, carrots come in bunches and pounds and whatever. We have a lot of SKUs, but we're nowhere near a big grocery store. So, what we've found is people came to us 'cause we're the only ones who could fill their orders during the high times of COVID, right? Because you would try to go to a big grocery store, they're trying to find your carrots in a 100,000 square foot store.

Argus people, we know where the carrots are, and we can go 10 steps and get those. Having a very small footprint makes us nimble. And plus, we know our customers. We know which ones are immunocompromised or which ones are really at high risk, and actually, with our online customer base we've been able to have a similar relationship to those same people that would come in the store and greet us, and we'd know their coffee drink before they even said it.

It's really interesting that these people have started to develop familiarity with staff even though we're ordering online with the notes and everything like that. It's kinda gratifying that people care that much. We have this tip line up for our online store, and people are still tipping the staff like crazy because they appreciate. They know the hoops that we're going through. We still have rental refrigeration outside the store.

We still are responding to COVID, and I think we're probably one of the ones that are in it for the long run. 'Cause I see that bigger stores are starting to kind of push off their online business 'cause it really does require a whole separate staff if you're in a big store. And we can actually integrate it with a small business like ours.

Clifford Scholz: Your business evolved into including larger chunks of e-commerce and even deliveries, uh, would you recommend to someone who is just starting out that they include those from the beginning in their plans?

Kathy Sample: I mean if you had the people, if you had staff members, if you could find somebody who'd run a CSA and had really good online platform skills and you had retail people and you had a barista, I could see doing it. But personally, I would say you should focus on getting really good at developing your core business and then expanding into those other things, because they really are different, and they require communication between departments.

Like the online department has to really know the retail department so that they can just call over the wall, "Hey, do you guys have any of those left? 'Cause we need those." It's like a tango. You're just dancing together, and you kinda know how everybody moves. I would envision it being really hard to do all that from the get-go.

Bill Brinkerhoff: For starting a farm stop, I would think just get the retail component up first because we know that works. And I think some people make a mistake, and they think about online that it's gonna be easier 'cause you don't have to actually run a store. But online only addresses like 20% of the problem of how to sell local food. The 80% is the logistics. The far bigger challenge is how do you coordinate 30 to 100 farms getting all the right things to the right place on the right day so you can pack an order? That is really hard.

If I was to take it from the beginning, probably to do it sequentially and do the retail store first, get it up and running. And as you get your feet underneath you, then launch a produce box or launch something that's complementary as a second. I think we've seen many online-only businesses start with high hopes and then fail because of all kinds of reasons. And so, the attrition rate in pure online grocery is very high.

Kathy Sample: And it would be higher if you were local.

Bill Brinkerhoff: For local, yeah.

Kathy Sample: Yeah.

Bill Brinkerhoff: Yeah, selling local food online is especially challenging because what is available each week changes based upon the weather. You have to be ready for curveballs each and every week, and so you have to design a system that is not afraid of that, that actually works better when it changes all the time. And so, I think the only national super online systems they're not as much dealing with produce and perishables because it's harder.

Kathy Sample: They started out that way. But then, you look at their websites, and there's no produce on their website, and it's all canned stuff. It's because communicating with the farmers is a skillset, and once your staff learns how to communicate with farmers, especially in the harvest season right now, where, "Okay. We gotta fill 150 produce boxes, and we need enough tomatoes to put a quart of tomatoes in 150 produce boxes, and what if the Tantré tomatoes that come in there's not quite enough?" Well, you can go to Schwartz, or you can...

We know we can pivot. We know how to communicate with the farmers. We know who's coming in that next day so that we can depend on them. It really is a beautiful thing to see how our staff communicates. But 100% of the time, people underestimate what an art that is. Because it's not just knowing when the farmer might come in, it's knowing what the hiccups could be, what other things they might come in with.

Knowing that this is an Amish farmer and so you can't really communicate with them beforehand, or this farmer only texts or this farmer only works off of voicemail. Or you have to call this guy, and if he doesn't answer, call his wife. It's really fraught with inconvenience. But that's part of how humans operate, and that's part of what we get our energy from. So, I think our staff takes pride in knowing all those little details. It gives us a lot of resilience.

Bill Brinkerhoff: I think e-commerce can be wonderful for an individual farm or farmer that wants to sell more product, so I think we've seen innovation in some of our local farms having direct-to-consumer outlets that they do with e-commerce, and those are super successful.

It's kind of another question about a farm stop. If you want a robust, online, multi-farm system, I think that that one requires some kind of an

anchor place where all the farms can deliver and where customers can buy directly.

Clifford Scholz: Let's talk about this from the farmer's perspective. In working with Argus, how is that relationship initiated?

Kathy Sample: Well in the beginning, we had to go out and find farms that had a broad range of products because we knew we had to fill all of our shelves. Now, farmers find us and we have a waiting list across most categories. But let's talk about, how I would find a farm if I needed a certain product. I would probably go to the farmers market directory to see who's at the market, or I'd just call Stephanie, the farmers market manager and say, "Who do you have that has bok choy?" And she would tell me her favorite bok choy farmer 'cause not everybody grows the bok choys or tatsois.

I would get in touch with them and generally they know about Argus, especially if it's at the Ann Arbor farmers market, but if it's something more exotic, like chestnuts, I would have to do some research. I'd call the MSU extension office and see if there's anybody who knows a chestnut farmer in Michigan, and they would refer me to the Michigan Chestnut Growers Association which nobody knows exists, but it does, and then I would contact them and explain what we do at Argus and set up that relationship.

If it's an individual farmer, I'll generally talk to them, go out and visit them, talk about their growing practices, and generally they're pretty close so you can go and spend time at their farm. When we had a smaller staff, we would do staff visits out to all the farms, but it's hard to corral all of our people at this point to do that. But you talk to the farmer, understand what

their situation is and we depend on people being pretty frank with us about growing practices.

We have an application. So, they have to fill out the application, and that actually identifies all the things we wanna know about how they're growing, where they're growing, what else they're growing and then we will approve them in the categories that we need their product. And what you'll often find is that people find it's such a good relationship that they'll start bringing stuff that you didn't need them for in the beginning. Like everybody grows tomatoes, right? So, right now, we're well beyond our number of three per category. We probably have 10 tomato growers.

But some people grow paste tomatoes, and some people grow just cherry tomatoes, and it just depends on what your staff feels like they can take. So, there's a lot of communication with staff too, like, if I bring on this new producer, are we gonna be able to put their stuff on the shelves and make it look fantastic? Can we handle it in the cold box? Do we have room to store it? Because that's always a big thing. We don't have a big warehouse in the back like a big grocery store, we are managing with a relatively small storage capability.

Talking with the farmer, explaining how the relationship is gonna go. We've never had a farmer leave us, feel like it wasn't a good deal for them. In fact, the opposite, is we have communication from people, particularly during COVID, we've had farmers come back to us and say you absolutely saved our farm, we would literally have had nowhere to sell. Particularly a lot of Amish ones, they don't have an online business, and they have been growing all early season to sell.

And if they didn't have a market to sell at or limited markets because remember that market was even amended a little bit with spacing so that

not everybody could get in. So, the farmers gave us feedback that this model really works. They give us feedback that if they have an illness or something they can't get to the farmers market on a Saturday, we were able to fill the gap by letting them deliver and then they could sell everything at Argus. It's a joint effort on the part of the farmers and the Argus staff and even the market manager who refers things to us.

When they can't let a vendor in but the vendor has something cool, they'll call me and say, "Hey, this person who's applied but we don't have any room right now. Do you think you could fit him in at Argus?" And in a heartbeat, I would accept more cheesemakers, because artisanal cheese is really hard to get people to do that. We could handle another yogurt maker. Some of the really specialty things that require a lot of licensing are hard to fill. There's a lot of attrition in these smaller artisanal businesses.

Bill Brinkerhoff: One of the cool things Kathy did in the beginning was we got up and running with our 30 or 35 suppliers, but she knew that there was a missing thing, like especially in items that were not available in our food system from anybody, but they should be. And so, she made a top ten list of things that if you produce these, we will feature you and sell them at Argus. And on that list, top of the list was locally produced yogurts. There was zero in our area.

And from that list, I think another thing was hard cheeses. We had some soft cheeses, but we had nobody doing harder cheeses. And we're thinking, if you have a robust food system, you should have like — think Vermont or other areas — they have great dairy, great cheeses, why don't we have it here? We should. And I think the response to that was new producers came in, multiple yogurt producers came in and started

businesses and they don't only sell at Argus, but they were, I think driven there by your top ten list.

Kathy Sample: Yeah. I mean a couple of them started and we were their only outlet and now they're in local grocery stores and I see that, and I welcome them. I mean, I'm super happy to see that they have grown beyond the two stores that we can sell at and that their products are offered elsewhere. It just makes me feel good 'cause that means we've launched them.

Clifford Scholz: And where would a perspective yogurt producer have seen that top ten list? I'm just wondering where was it posted?

Kathy Sample: We put it on the website, and we put it in communication to our farmers. So, farmers talk. Farmers markets they are beehives. You tell a rumor at one end of the farmers market, and it will end up in some form at the other end of the market. So, if you tell your farmers that you're looking for something, somebody is gonna call you with what they need.

Generally, people will come to Argus often, and say, "Oh yeah, I heard about you at the market and they told me to come on down here." And we welcome that because you have people who go out of making honey because they decided they wanna just do maple syrup or whatever. And so, you're gonna have people who changed what they're doing for a living, and that's natural. You know, people retire. I can only hope that they retire in a way that transfers their farming business to somebody else.

And we're seeing that. Like our garlic farmer, Dick and Diana Dyer who had Dick's Pretty Good Garlic, fantastic, they had great garlic, but they just decided they wanted to focus on honey. So, then Stephanie Stouffer

bought their garlic business, and she actually ran it on their farm until she moved it to her own farm. This is all happens because people need succession plans, and they know that in the beehive of the farmers market, they can make succession plans.

And we try to keep an eye on that because we also know who our farmers are, who are more vulnerable. You know, maybe they're, they're getting older, and you don't see family members who are involved in the business. So, we kind of keep an eye on who's coming up and who's potentially going out.

Bill Brinkerhoff: One of the challenges with local supply is that in the beginning, none of the farmers really trust that you're gonna be totally successful. They weren't planting for us in the first year. We were getting what didn't sell at the farmers market and that was great, but the thing is that we sold everything that they couldn't sell at the farmers market and so with garlic, we ran out of garlic in the entire county by January.

It's a crop that should be available all the way through May–June, when the green garlic is coming up, but we were gone. And so, then the next year those farmers planted way more garlic, increased 50% and we sold out again in February–March. And so, it took three or four years for that garlic as an example, to acclimate to this giant new sales outlet where you could talk about the difference of buying garlic from a local producer. Like the product is totally different when it's not desiccated coming from, you know... Asia is the source of a lot of garlic in the grocery stores. It travels a long ways, and that's a crop that again if you're trying to support your local food economy, should be buying your garlic from one of these local farms.

Kathy Sample: And that's a perfect example 'cause garlic is like the gift that keeps giving. So, if somebody plants garlic and they're planting hardneck garlic, you're gonna get garlic scapes. So, why not introduce customers to these fantastic products, garlic scapes that can be used in so many cool ways? And so, now you're using a part of the garlic that the farmer needs to cut off anyway because it reinforces the growth of the bulb. Garlic scapes are wonderful. Then you have green garlic, so those farmers who are willing to part with the garlic before it's formed a clove, it's a beautiful mellow flavor.

Then we can sell the green garlic, then you sell the cloves. And then you can sell powdered garlic if somebody has the means to powder or chop up the garlic and dry it.

I mean there's things about our food system that we've lost and it's places like Argus and the farmers market where somebody's gonna be able to give somebody advice on how to use that, because you're not gonna get it at the grocery store because the person at the grocery store is literally a person putting a product on a shelf that goes on the same shelf every week, but they don't know where it came from, they don't know the farmer, they don't know sometimes even what it is, right?

A rutabaga, try to ask at the grocery store person, "What do I do with this rutabaga?" We can tell you more than you ever wanted to know what to do with the rutabaga.

Clifford Scholz: I think the way that your business is signaling to the market in the way that you described, Bill, with the demand that suddenly is there for producers of various things, garlic, cheese, yogurt, et cetera, that's incredibly important. And I also think it's that education component, Kathy, that you're talking about what do I do with this thing? That can be

leveraged to not only new products that people can sell, but dietary shifts towards healthier ways of relating to our food that just change the whole community dynamic. I think it's really beautiful what you just both described. Is there a formal onboarding process that your farmers go through as you establish that relationship, and how does that work?

Kathy Sample: It's taken us time, but we pretty much have a very nice form. So, when they come in with their first delivery, the staff explains everything to them about how their product's taken in, where we keep it, how we barcode it or how we sticker it. So, that every time that Cliff buys a head of garlic and it's from Dave Steinhauer, Dave gets credited with that garlic. So, picture all the SKUs in our store, you got to get it right, right? So, the farmers have to have a high degree of trust that we're gonna get it right. And it's been a very few times where we'll get a phone call from, let's stick with the garlic, where the garlic guy will call and be like, "How come I got paid for a chicken?"

You know, it happens very rarely, and the turnaround time in fixing that is immediate, and I think the farmer feels that we have things under control. So, being trustworthy with their stuff that they've grown so carefully is really important. And I think at some point we should mention that with these farmers and all this stuff that we're selling for them we've put together a beautiful a way to pay them and itemize what they're getting paid for. And so, we've had farmers who take our payout sheets, and they can go to the bank and say, "This is what I'm doing at Argus. This is my annual summary."

You can't get that at the farmers market, right? Because you come home from the farmers market and your pockets are full of cash and you might've done really well, but it's really hard to keep — at a chaotic

farmers market environment — keep everything in the right pocket and actually itemize that this is exactly what I sold, and this is what I didn't sell, right? It's just a different atmosphere. So, we can provide some documentation for the farms to do the other things they need to do to run their business, which is to get loans, to prove what they're selling.

Bill Brinkerhoff: For farms that are selling at Argus they need to bring things in a sellable condition. So, it should be bunched or bundled, it should be ready to go. And then, our staff takes over and makes sure that it's stored the right way and that it looks great for sale and follows through. And one of the challenges of being a staffer at Argus is that you have a wide variety of farms supplying the store. And so, there are some professional farms that exactly know when you harvest lettuce in the morning and you keep it under certain conditions and when it arrives, it looks beautiful.

But we also like to support and sell the Ann Arbor Public Schools' gardens, and some community gardens that are not quite professional, but customers want to buy and support the apples from the school farm as much as the other. And so, it takes a little extra effort to educate and curate, you'll see something come in that's not quite right. And so, our staff will say the kale, this time, it's looking a little sad, what can we do to get it corrected so that it's gonna sell?

Kathy Sample: Always with a positive attitude. We have a very clear culture that we're just gonna make it better. We're gonna work with the farmer to make it a better product in a positive way, rather than skunking them or making them feel bad. We really try to move things forward in a positive way. And I have to say, it's rare that we have any big issues with farmers. So you'll have a farmer who wants to bring their carrots in with

all the greens, which take up a lot of room, right? Then the customer comes to the register and doesn't want the greens, so the staff cuts the greens off. We make the customer happy and the farmer's happy 'cause they got to deliver the way they wanted to deliver 'cause they love how their carrots look with the greens on. You just figure out a happy medium.

Clifford Scholz: I thought the idea of carrots with the greens is that they wilt really fast. So, you know, if the greens are still fresh, the carrots gotta be fresh. But it doesn't necessarily reflect on the quality of the carrot in my experience.

Kathy Sample: Right. But the consumer who's never seen carrots with greens on them, a consumer who buys carrots in a bag at the grocery store they're not educated enough yet to know plus they don't think like other people say, "I'm gonna bring those for my gerbil or whatever." You can use those greens, or you can use them for your stock. Or, you know, a lot of people have alternate uses for those things, but some customers are just like, get these— oh, turnip greens, okay, or beet greens. They want us to cut the greens off the turnips or the beets.

And this is a great opportunity for staff to say, "Oh, no, you're going to want to save those. They are super nutritious and you're going to want to put them in your stir fry. They're a wonderful product. You should keep the greens." So, it's all education and timing, right? Just knowing how to deliver that message to the customer, that these greens would be really good for your cat to chew on or whatever. It's all delivered with a nice educational bent.

Clifford Scholz: In the consignment model, the farmers own the produce in the store, how are the prices set?

Bill Brinkerhoff: At Argus, the farms set the prices and they really appreciate having that commercial control about whether they wanna be the high-priced product, the median, or the low-priced. And that's totally up to the farm. And we find when you have three or four producers, they find their own lane and it all works out. So, we do not have to have central administration of pricing, and it works. We sell their products that they bring in.

I think what we like about the consignment model is it breaks the traditional paradigm of a grocery store, where in traditional stores, you try to buy as cheaply as you can from the farm. And you try to charge the customer as much as they'll bear for that product. And that's how groceries make money.

You know, in our store, when we're paying out 75% to the farm, which we're paying out now, if something costs \$4, a customer knows that \$3 is going directly to that farm. And they know that \$1 going to us is helping to run this store, that's open every day. So, everybody feels good about it. I think we also get very few complaints about prices because customers know it's going to the farm and that there's a variety of price points, right?

Kathy Sample: And then they expect the farmers market pricing, it's not going to be the Costco pricing. Right?

But one thing that I really love to see is when staff looks at something and says, "Oh, these should be priced higher because these are really special." And we'll call up the farmer and say, "Hey John, do you mind if I mark these up? Because I think we can do better on these." Or, if flowers come in and they're just unbelievably beautiful and the staff says, "Oh, that's too cheap for these."

The staff really helps guide the farmers. They'll also go the other way. If somebody comes in and they just have too many sauce tomatoes, the staff will say, "Hey, John, do you mind if I put these in a box and sell the whole box for 20 bucks? I could probably sell 10 of those boxes today." You know, the farmers appreciate that feedback. They would be doing that at the market, trying to quickly figure out how, what the customer needs. So, that's good guidance for them.

Bill Brinkerhoff: The way the payouts work for the farms is they get paid out twice a month. And so, we, we run sales from the first to the 15th. And as soon as the register's closed on the 15th, we start a process where we combine all of the sales and create reports by farm, and it shows exactly what they sold by item and by location, now that we have a couple of stores. And then, it shows the total sales and then it deducts our share, and it gives them the net amount, and then we do a direct deposit or a check, whatever the farm prefers.

And so, it gives the farm confidence that they see exactly what sold. And over seven years, we've had just very few cases where something went wrong. Little corrections to make here and there. But in general, this consignment model works really well for the farms, much better than they thought and has very little food waste. So, one of the things farmers worry about with the consignment is that they're taking the risk and they're just leaving the stuff there. If it doesn't sell, it's on the farmer. But it just turns out that there is such frequent deliveries and frequent turnover that there's very low food waste in this kind of a farm stop system.

Clifford Scholz: Why is that? Why would there be so little waste and for the little waste that you do create, what do you do with it?

Kathy Sample: It is low because we have the staff who understands, a lot of them have worked on farms or work on farms. They understand what's involved in growing this, because we're not growing on an industrial level, right? So, the staff understands the planning period, the planting period, the raising the product, the watering, the weeding, all that kind of stuff. Then it has to get to our store. So, the last thing they want to do is see that tomato in a compost pile, the very last thing.

So, they know our good regular customers, they know who are cooks, and they'll say, "You know what? Well, let's put these tomatoes at 50% off because they're a little bit bruised." So, they'll figure out ways to make things that are really attractive and appealing to customers. They don't want to see it go in the compost bin. And then what little we do have we service our stores with residential compost bins from the city. It's quite small, we have a lot of coffee grounds. We have some of the worm people come in and get coffee grounds 'cause it's a good medium for worm bins. Other people want them for their compost piles, but I would say coffee grounds they're wet and heavy.

So, I'd say between coffee grounds and produce, we pretty much have it managed quite well. And some farmers will bring their buckets in and say, "Fill these with all your greens today for my pigs, or chickens." And those go off to good places. And one more thing is we have, Food Gatherers, which is a fantastic food rescue place. So, if we have extra bread and other things like that, if it's in good saleable condition, it can go to Food Gatherers. They come twice a week, and so if we did have some things like watermelons that were cracked and not sellable, but still great watermelons, they will make prepared stuff out of them, or they really are a fantastic organization.

Clifford Scholz: How do farmers know how much to bring to the store in the first place?

Bill Brinkerhoff: We've worked out the best ways to communicate with farms. And I'll back up to say, we've worked out that it's important to communicate with the farms, because in the beginning we were thinking, it's their little farmers market, their little farm stop, their little section, whatever they want to bring, they should bring. But we realized pretty quickly that we had all the information, and we knew what was selling. We knew what was selling faster, slower.

And so, we said, "We've really got to find a way to communicate with these farms." And we have farms that like to be communicated by text, some by email and even the Amish farms, they call us at a certain time each week and they say, "What should we bring?" Even though it's a consignment model and the farms own their goods, we've migrated to more of an official ordering process where we suggest what they should bring in and make it a dialogue.

Kathy Sample: And we're getting sophisticated enough that every day of the week, there's what we call the daily market happenings. And on that list, the staff member prints that list out in the morning and they know, "Oh, today these six farms are delivering, these five farms, we need to call. These other things we need to do." So, we have gotten it kind of regimented. It's really nice. So, the person in the market knows who they're supposed to communicate with, and they really want to cross those things off the list, which is good.

Clifford Scholz: To help our listeners understand the process and visualize how it works in the store from the farmer's perspective, farmer

wheels in on a two-wheeled cart, a stack of crates all filled with a variety of produce. Can you walk us through that process? What happens next?

Kathy Sample: This is a really good question. It's part of the charm of what we do. We have a very clear set of things that have to happen 'cause that's precious goods, right? So, let's say it's a hot day. Farmer comes in the back; we see the truck pull up the back. We know everybody's truck. Somebody says, "Oh, Jon Goetz is here, Jon and Karlene are here." They're going to start unloading their van. And somebody is going to go out back to meet them so they can get that stuff right in the cold box, because you do not want it sitting out on a hot day.

So, as it's going into the cold box, you're labeling it with whose farm stuff it is, what it is, the date that it came in and the person who did the intake from Argus. So, that tomorrow, if somebody says, "Hey, who took in that celery? Did he say what variety it was?"

Somebody can say, "Oh, Isabelle did." And Isabelle can say what she knows about it. So, it goes into the cold box into our areas where we store it, or it goes right in the store. If somebody says, "Oh, we don't have any celery on the shelf." Bam. It goes right into the store and gets labeled. Farmer is done delivering, they come in or they have told the person who's doing the intake, "I want my iced caramel latte."

The person tells a barista, "Hey, get Karlene her iced caramel latte." And Karlene comes in and just starts talking to people and meeting customers. And the staff introduces, "Hey, that's Karlene Goetz, do you ever see all that stuff that in the shelf from Goetz Farm? She grew that." And she's waiting for her coffee, she's talking to customers.

The staff is putting the stuff where it needs to go, Karlene, she's not one of the farmers who requires an invoice. We don't do invoicing 'cause it's consignment. But we have the sheet that says I took in these ten things, this is the price, communicate with Karlene. Are you sure you want to keep these same prices that you had in the last batch? She will tell you, yes, keep the same pricing. So, we've determined that we're going to sell this stuff the right way from the right farmer. It's in the right spot. It's safe. She's got her coffee. She's talked to a couple of customers, off she goes. So, you've completed all the things you need to do to educate customers 'cause they've seen the farmer.

And I'll give you another example of a meat deliverer, who will come in and, you know, meat deliveries have to go right in the freezer, and they're precious goods. So, somebody on staff needs to be talking to the farmer who's standing there in the store and will make sure that they introduce any customer who's nearby to this farmer, because we want to do product branding.

We want customers to ask questions about how do you grow your meat? If they have any questions about why is this price point at this spot, they can talk to the farmer. Why do you never have enough bacon? Get an education that pigs are not all bacon. There's only a little bit of a pig that's bacon, but there's a lot of other wonderful things you can buy on a pig.

So it's all effort to get customer education, which I have to say, I'm really happy that we're getting back more to normal a little bit, because during COVID, we wouldn't let the farmers come in the store, right? To just make barriers. So, they would drop everything off at the back door and the customers weren't coming in the store either, at one store, at least. So,

you had limited ability to get those customers to meet the farmer. So, I'm glad we're getting back to the place where we can educate people.

Bill Brinkerhoff: For the delivery process, it's probably the most different part from a regular store. Delivering to a farm stop is a totally different experience than what your other grocery store would have, where they're ordering from a distributor and a semi-truck's coming up and it's pallets. Every single delivery to Argus is a pickup truck. It's a small farm. At the big store you have to deliver before hours. And even if you were allowed as a small farm, you could not bring your stuff out and stock it or talk to customers.

You'd never run into a farmer in a regular grocery store. In our store, they can deliver whenever it's most convenient for them. Can be morning, noon, or afternoon. And what they bring in has been, normally, discussed. We're kind of expecting that they're going to be there, and we get the information about what's delivered and get it into our, make sure it's in our point-of-sale system.

Kathy Sample: But the farmer they'll come in and look at how their stuff's displayed. And I mean, one great memory I have is Mary Wolf coming in and we have our cherry tomatoes and she's got yellow ones and she's got red ones. And she's very picky about how they're displayed. So, the staff person says, "Well, would you like me to do?" So, Mary gives the entire staff a tutorial on how to display cherry tomatoes at a farmer's market, so that it looks like a chess board. You have a alternating red and yellow and it looked so beautiful. And then that day, all those cherry tomatoes had sold.

How do you make sure things look abundant and beautiful? These are things that the farmers have learned at the market, and we should be learning from them when we're merchandising their products. So, there's a lot of benefits to having farmers stomping around in your store. And when we first started, I remember going to Whole Foods, and this was back in the days when Whole Foods actually had some local farms delivering to them. I mean, they really did. And so, they would put up with something coming in not in a shrink wrap pallet or whatever, and very quickly after Whole Foods changed hands, all that's been eliminated.

Clifford Scholz: There's displaying the merchandise, there's the proper ways of handling it. There's also signage that helps your customers to identify their various suppliers and the farms, and build those relationships. Is there something that you'd like to share with us about any of those topics?

Kathy Sample: Well, one thing that we've learned, signage is really important in our culture. It has to give the information that the customer needs immediately. So, it needs to be clear and clean. And for us, we want to communicate a brand of the farm. So, if we can get a logo from them and often they have a beautiful logo and sometimes there's no logo and I just make one up. Um, I do.

Bill Brinkerhoff: I know.

Kathy Sample: 'Cause the Amish, you know, you just find something that looks German and make a logo. But if you make a sign and you make it correctly, it's gonna convey the type of farm that it is. It's gonna tell — if it's certified organic — it's gonna say the certified organic symbol. It's gonna say the five words that the farmer wants to convey about their

farm. And it'll be clear. Hopefully it'll say what kind of lettuce that is, and it'll say the price and it will be done in really good lettering.

So, we have a few staff members who have beautiful handwriting, and I've noticed when they come in on shift, I'll see the shift manager go, "Hey, okay, Julia, your first job, fix all the signs on the produce deck." Because they care, they want to make sure customers are gonna buy that stuff. And they're gonna make the beautiful signs. And we have customers who actually will come in and volunteer. We used to have a grade school principal who would come in and she would just get an Expo marker that we'd give her. And she would fix the signs. Handwriting really mattered to her. It was a delight to have your community people helping you help farms.

Clifford Scholz: Let's talk about how Argus has evolved. You launched Argus in the summer of 2014. What have you done different since then? What's new, and what's made the biggest difference for your business?

Bill Brinkerhoff: Sure. I think we started in the beginning with 30 farms and producers, and we've grown to a much bigger set. And one of the things we learned was that we can sell out of certain items that local farms are producing, but customers still really expect you to have those local items. Like when we would run out of parsnips we had great parsnips for sale, as an example, but then we may sell out of them.

And we've developed a partnership with Cherry Capital in Michigan, which is a distributor, but they sell only locally produced items. They've become an important way to make sure that whenever we have completely exhausted the local supply of a particular item, parsnips, garlic, whatever, that we have the ability to put an order in and have those

back on the shelf from a farm that's still in Michigan, but it's coming through this Cherry Capital.

And that has made life easier for our staff, for our customers, to always know that you can get some local items, even when, as we keep growing our business, we sell out of lots of local produce.

Kathy Sample: And some of the prepared food people, the people who are making jams and jellies and oils, that's a great category now because we had no oil when we first started Argus. And now there's canola and camelina oil. I mean, it's makes them me happy to see that. Those companies will usually go through a distributor because they're making a product that is better served through distributors, or they got big enough that they needed to have a distributor because they didn't drive it around in their car anymore.

It's really good to have Cherry Capital, and it rounds out your offering. You can get all kinds of things that I could not get some of these people to deliver to us, because we don't sell as many cases as maybe a big grocery store would. So, yeah. That's an important thing.

Bill Brinkerhoff: Yeah. I think it's been important for us to keep the customer shopping experience in mind as we've evolved the store. That's an important piece. But I think a lot of questions we get sometimes is, "What's your definition of local? Like, is it 50 miles? Is it 100 miles?" And for us, the answer is, it's as local as possible, but we want to give the customers a full experience.

And we also would love it to be consignment because that pays the farmer more, but we also have learned, you've got to be flexible, that there are some producers that are producing something that's totally

good and unique, and they just cannot deal with this consignment concept because as an accounting principle it's harder, especially for bigger places. So, our commercial bakery and our big commercial dairy, that are both locally produced and awesome, need to sell to us at the wholesale level. So, we end up making more money on the items that we sell that way. It's the only way they'll sell to us.

But then we also have artisanal bakers and artisanal dairy people as second or third producers. I think we've probably learned to be more flexible on the business model and to have guidelines. It's definitely all local, but when you're trying to attract a Michigan producer that was creating shrimp, Michigan-raised shrimp he wanted to sell it wholesale to us, and we were fine with that. But people were amazed.

They came into the store, and they said, "I thought you said you were a local store, and you got shrimp." I'm like, "That is locally raised shrimp." So, it was worth it for that kind of surprise, but it took some business model flexibility, is one thing we figured out.

Clifford Scholz: You've been doing this for seven years, very successfully. You've been able to grow. Going back to the start of this conversation and your mission for promoting local food, how are you helping others who would like to do this in their own communities?

Bill Brinkerhoff: We get a lot of interest and requests from people that walk into our store and maybe they're visiting from another area, and they immediately want to have this in their town. Why can't we have this in our town? And we used to handle those discussions on an ad hoc basis, and we will talk and our staff will talk to anyone who asks questions like that

because we're really interested to see this model succeed in other communities.

What we found was that it was much better to actually schedule a monthly session, which we've been doing since the beginning of COVID, where we can give the background of how the store operates, what's happening behind the scenes. So, you may like the store and be really intrigued by the concept, but we'll tell you more about how it was started, how it operates, how do you finance it?

And we do that in an hour overview every month. And then for people that are more serious, and they're really thinking about it, we offer a three-day class that goes into the background of how do you create your pitch? If you're trying to raise money, how do you pull the statistics from your community to help get together a business case for this? Then if you're operating it, how does it actually run? How do you hire people? How does this thing operate?

That's the same or different from a normal grocery store. And then we get into the store layout and the equipment and all the other details. It's been interesting to see other communities really come and embrace this. And I think since we've started, we've probably seen five or ten additional farm stops start around the country. And our approach is just that we freely and openly share whatever lessons we've learned.

We're not pretending to be the experts on this, but to the extent that any of our experiences are useful for someone else on the same journey, we're happy to share.

Clifford Scholz: With the three-day course, where do people come from? What's the background of the people who are participating in that course

and what do they experience? What do they learn? What do they leave with?

Bill Brinkerhoff: The people coming into the course are from a variety of backgrounds. For example, the city of Bloomington, Indiana sent 15 people to participate. And it was a collection of people that were funded by their farmers market, their city. They recognize a farm stop would be a valuable addition in their town. Their food co-op also recognized this need, that there was, needed to be more channels for local food, so the food co-op in Bloomington funded and sent some people.

And then some farmers from the area heard this was happening and they all came. So, the group had this disparate group of people from farmers to the produce manager at their co-op, that all went through this. And really, what they learn is what we operate is a totally different way to sell local food. There's no other stores that have 100 farms delivering any day of the week through the back door that is selling so much local food that is totally fresh and different each week.

And so, the logistics of how that runs and how it's organized, I think is probably the most unique part of the course. 'Cause that's something that there are no experts around the country to talk about. But in addition, we have the person that does the payouts take them through, here's how the data is gathered from our point-of-sale system, here's how I create the reports. This is what they look like. You know, here's how you close the loop, and you finish, and you actually pay the farms.

Kathy Sample: These people come from all over the country. They are in all walks of life. There are people who are managing farmers markets elsewhere who want to do something bigger than just a farmers market.

There are people who have a retail store somewhere, and they want to move in the direction of local. It's been a really wide variety of people, which makes it even better, right? Because we do an introduction and people can meet people around the country.

And we've actually been able to make a lot of connections because you'll have somebody from Denver attend a class one month and three months later, somebody else from Denver's in the class. Well, they're both trying to do the same thing in Denver. So, we asked them independently, would you like to meet the other person who's interested in this? Because it takes a village, right? So, then we do the introduction, which has been fun.

Bill Brinkerhoff: More than once that's led to the formation of a new team and the actual start of a farm stop. And so, the connection making is useful.

Kathy Sample: Because people need to know there are other people interested since this is such a complicated model, complicated in a good way, it's good to know that somebody else wants to do the same thing. So, when we talk to people about opening one, we recommend that they have a partner to do it with — somebody who has complimentary skill sets — because I think it would be very hard to do it if you didn't have a really well-rounded group of skill sets.

So, one person, I really feel like it'd be hard for one person to do everything to get the thing off the ground. And actually, the ones like in New York, everyone has been a group of people so far.

Bill Brinkerhoff: The successful ones have generally been a group of several people coming in to learn, and maybe the person who's really

good in finance or accounting decides that they're just going to chip into the effort from the background, but they can't leave their job, but someone else has the opening and actually I can do it, I can be the manager. I can really get this thing off the ground.

And someone else says, I can do it part-time and all of a sudden those three or four people have a critical mass, and now they're looking for a location and thinking about this. And I think that more than once has led to successful formation.

Clifford Scholz: So, you and your staff lead both the monthly Zooms and the periodic three-day courses?

Kathy Sample: The monthly Zooms are usually Bill and I, and then the three-day courses, that's where we get our staff. They love to teach this. So, it's not us. We do an introductory thing. And we talk about a couple specific things, but it's really the staff who comes in and does the specialty stuff.

Bill Brinkerhoff: It's also pretty good for career pathing for staff where, they've been working at Argus, we have a really talented staff and just that opportunity to do the consulting side or the education side is appealing. And so, it's a great opportunity. The one-hour one is free and the three-day one is like \$500.

There's a cost associated with the three-day one, but that lets us secure and take all these staff off their schedule. And they're really dedicated, you get that expert's full attention for their section that they're teaching. And it also lets that staff have this experience and interact with different farm stops all over the country.

Clifford Scholz: And you outsource expertise as needed as well? For those three-day workshops.

Bill Brinkerhoff: Right now, it's entirely taught by our internal staff with the exception of the fundraising component. We normally have a fundraising expert come in and take people through all of the ways that you can raise money to open one of these. And that information is detailed, and it tends to change and there's different opportunities. So, that's one that comes from outside.

Clifford Scholz: What's next for Argus? You're opening a new store. Are there any other plans?

Bill Brinkerhoff: What we found during COVID is that we needed to really open an online business and have it running. And it's been taking up half of one of our stores. The opportunity became available to lease additional space next to our Packard store. And so, one of the big projects that's happening this fall is the build-out of this third location that's going to be where that grocery and online business is housed.

That's going to let customers come in and actually have a little bit more room than they've ever had at an Argus and where we actually did secure some of those little shopping carts, the mini ones that people can use. And I think it's going to make an experience where you can shop for local food and not have the café being exactly in the same location, which will be nice, I think, for some shoppers who really want that experience and make it easier.

The existing store on Packard is going to be focusing on eating local food that's prepared. So, prepared foods from local restaurants will be there. So, it will be a reliable place for lunch. It'll be the place where the café is

with pastries in the morning, and it'll be the place where there's the tavern and tap beers in the evening. So, there'll be the Argus café and the Argus market.

And it's kind of as if they could have been in the same building if it was much bigger, but they're 300 feet apart. And so, it's quite possible that you could come visit Argus on Packard and go do both, and have a great grocery shopping experience and stop for a salad or sandwich afterwards.

Kathy Sample: It's going to allow us in the new location to do a very efficient online packing. It'll allow us to grow our produce box program, to expand with other partners, to get access to food improved. We're not landlocked anymore 'cause we were totally—

Bill Brinkerhoff: —bursting at the seams.

Kathy Sample: Yes, yes. No room.

Clifford Scholz: When is that going to be opening?

Bill Brinkerhoff: It should open by the end of this year. We're beholden to the schedules of refrigeration manufacturing. So, there's some big refrigeration that's coming in, so that'll be the rate-limiting factor. I think that's our biggest project on hand at the moment.

Kathy Sample: But we have some other cool things. We're working with a bunch of entities around town to start a black farmer fund to start funding land for black farmers. We're expanding the reach with local programs for food access. I feel like we still are trying to broaden our horizons on the important things that impact food in our agricultural

economy. And on that note, I wanted Bill to mention what he's found in researching the agricultural census since we first started Argus.

Bill Brinkerhoff: Yeah. One thing that we're always curious about, so we, we work to innovate on this model, and we haven't really spoken about it broadly. We wanted to make sure it was working before we started saying this is a great model, but I think seven years in, we can say: This is a great model. This could work in a lot of communities. And as you're trying to figure out what the impact is.

So, we hear the stories, and we know farms that have been saved because they could sell through this outlet when one farmer had a broken leg and we know the individual stories where this farm stop model was super helpful for them, but we've been searching for how do you measure that on a community impact? And one of the reasons that we started the second store was to see if we could impact the whole community, not just make some happy farms and some happy customers, which is good, but take it to the next level.

And then the online business further increased the reach. When we look back, how can you see whether this is actually working? The original premise or concept was that farmers selling direct to consumers are the ones that make sustainable margins. And so, making it easier to sell directly to consumers is kind of the name of the game for farmers, and taking that all on themselves is challenging. So, can a farm stop help? The statistics source that's useful for the entire country is the US Ag Census.

We compared the 2012 Ag Census before Argus opened to the 2017. And we were happy to see for our county, 41 new farms open that were

selling directly to consumers. And so that is something that happens when it's easy to sell directly to consumers. Argus isn't the only reason that happened. We're one of the features in our food system that's working in a positive direction, but that number, 41 new farms in our county, put us at the top of Michigan. The number one county in Michigan.

I think we are doing something different than a lot of other counties that don't have a farm stop but are also doing as much as they can. And I think nationally, it put us in the top ten as a county. I think that that's one statistic that gives us some encouragement that this can really make farming sustainable and attractive because new farms opening only happen if the right economics are there, and we were happy to see that statistic.

Clifford Scholz: Thank you so much for coming. This has been an amazing thing to hear about. I'm sure you're going to be doing great things in the future. I'm sure this is going to be incredibly interesting to all of our listeners, and I look forward to talking with you again.

Kathy Sample: Thank you, Cliff.

Bill Brinkerhoff: Yeah, it's been a pleasure. Thank you very much.