

# The Organically Grown Company

## *Planning for the future harvest: Sustainability in the food industry*

A Natural Step Case Study—2008

### ORGANICALLY GROWN COMPANY

- Organic Produce Wholesaler
- In business since 1982
- 160 employees
- \$50 - \$100 million in sales

### CORE VALUES

1. **Health** of workplace, community, food supply, soil, and planet
2. **Integrity** in providing products and services and in community engagements
3. **Partnerships** that build trust with organizations in food production and consumption
4. **Sustainable** business model of distributing food that is “good, clean, and fair”



### Summary

The Organically Grown Company was formed in 1982 as an organic farmers' cooperative out of Eugene, Oregon. The cooperative expanded and eventually became a company so that employees could be included as shareholders. Today, it is the largest wholesaler of organic produce in the northwestern United States. From the outset, Organically Grown Company has promoted sustainability by selling organically-grown food to local communities. However, sustainability had not been integrated throughout all operations of the business. Organically Grown Company adopted The Natural Step Framework to guide this transition to a sustainable business model. It has since trained all employees in The Framework, created four long-term goals, developed annual action plans and routinely evaluated its progress. The long-term goals include the elimination of carbon emissions, material and toxic waste, and promoting social development with their employees and farmers. Organically Grown Company now draws 100% of its electricity from wind power, has reduced emissions in its fleet, and

contributes to socio-economic development for banana-farming communities in Mexico. It has done all of this while ensuring that its business is profitable. Recently, Organically Grown Company was recognized with a “Fleet of the Year” award by the Clean Cities Coalition and the “Mayor’s Bold Steps Towards Sustainability” by the Mayor of Eugene.

### Background

In the late 1970s, several small farmers in the Eugene, Oregon area were competing to sell locally grown produce to the natural foods market. After working independently to grow, package, and distribute their produce, competition gave way to collaboration. The farmers pooled their resources and in 1982, Organically Grown was formed as a farmer-owned cooperative. Later, Organically Grown became a company so that employees could be included as shareholders.

OGC was founded with the mission of providing healthy, organic food to communities in the Pacific Northwest. This mission has always been closely linked to environmental and social sustainability. By supporting organic agriculture, Organically Grown is committed to food that is grown without the use of synthetic chemicals, or petroleum-based fertilizers. The environmental benefits of eliminating

chemical inputs are long-term soil quality and the protection of local watersheds. While this promotes both local and global ecological security, Organically Grown also includes the health and prosperity of their workforce and the communities they serve as part of their core values. The company does this by covering 100% of employees' health care costs, providing retirement benefits, and ensuring that even their lowest-paid employees earn more than the market rate. This strong commitment to social equity has been rewarded with a very low turnover rate and a high level of employee job satisfaction. Organically Grown's vision of providing sustainably-produced food, building trust and partnerships, and setting high standards for employee benefits, is in line with The Natural Step Framework.

Despite these notable accomplishments, OGC recognized that sustainability had not been integrated into its entire business model. While organic produce was being delivered to customers, it was still being carried by a fleet of gas-chugging, carbon-emitting trucks and trailers. Heating and powering their three facilities in Eugene, Portland, and Kent, Washington were having the same effect. Sustainability was also not being addressed in the energy used in harvesting, the material waste in packaging, and the labor conditions of the workers who harvested the produce at home and abroad. While there had been employee initiatives to reduce office paper consumption and introduce a more efficient cooler, these were individual efforts, not part of a larger, company-wide strategy. All that changed in 2005 when Organically Grown's ownership—composed of farmers, former farmers, and employees—and Board decided that sustainability would become part of the company's mission and be embedded in all facets of its operations. A sustainable business model that will distribute food that is "good, clean, and fair" became the 4<sup>th</sup> part of their mission. Once this was settled, the Board focused on finding a framework on which to build their sustainable business model.

## Introduction of The Natural Step

The Natural Step (TNS) Network provides organizations with a scientifically-based framework to strategically integrate sustainability objectives. The framework is developed within an organization through a series of trainings, some which include the entire workforce and others that are developed for managers and directors. At Organically Grown, former interim CEO and current Chairman of the Board Rick Baker

had been a colleague of TNS trainer Duke Castle at Hewlett Packard. Baker recommended The Natural Step Framework because of its ability to translate sustainability into a business-friendly language while forming a clear action plan by connecting discrete initiatives. Sustainability Coordinator Natalie Reitman-White noted the appeal of the science-based approach to agriculturalists, the backcasting process to planners, and the funnel metaphor for business strategists. While both Reitman-White and Baker agree that The Framework in and of itself is not a toolkit, they liken it to a compass that helped Organically Grown Company orient its long-term goals.

**“A lot of companies get started with a lot of little projects in different departments—cutting out waste, doing something about energy—and the problem is that companies tend to stall. They don't have this glue, this language, this overarching framework, which brings all these projects together.” –Rick Baker, describing The Natural Step Framework**

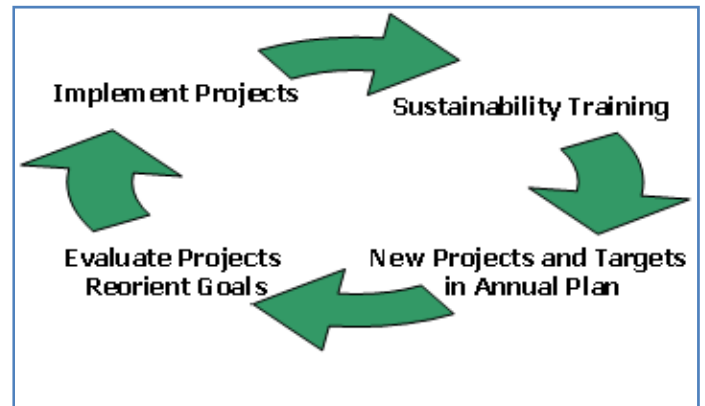
In 2006, under the leadership of new CEO Josh Hinerfeld, Organically Grown set out to educate its workforce in The Natural Step framework. One of Hinerfeld's first moves as CEO was to hire Natalie Reitman-White to be the Sustainability Coordinator. Reitman-White was given the responsibility of leading a management team in organizing, implementing, measuring, and evaluating the organization's sustainability efforts. Rick Baker describes this as a turning point for OGC's sustainability efforts:

**“A huge step for any organization is to hire someone who is truly devoted and dedicated to carrying out a company's sustainability mission.” -Rick Baker referring to Organically Grown's hiring of Natalie Reitman-White as Sustainability Coordinator**

In 2006, OGC invited Duke Castle to give a series of training sessions covering The Natural Step Framework. In January and February, Castle gave an executive briefing to senior management, followed by a training workshop to management and Board members. At the general training for all 109 employees in the summer of 2006, CEO Josh Hinerfeld gave a speech demonstrating the Company's commitment, Castle led a half-day workshop on TNS Framework, and

Natalie Reitman-White explained how employees could get involved. The training sessions addressed a multitude of issues, such as: creating a vision for sustainability, delivering triple bottom line results, changing employee culture, applying the framework, measuring results, and creating a timeline. The different training sessions enabled them to be adapted to their audiences. While the general training sessions provided a common language and understanding of The Framework, sessions held with management and the Board focused on bringing multiple initiatives together and assessing tradeoffs.

**Figure 1: Annual Sustainability Planning and Implementation at OGC**



Source: Organically Grown 2007 Sustainability Report

## Integrating The Natural Step Framework

Immediately following The Natural Step training, Sustainability Coordinator Natalie Reitman-White formed Organically Grown’s first Sustainability Steering Committee. The Steering Committee is composed of 12-16 members from different departments representing the three Organically Grown locations. The Steering Committee was given a three-part mandate:

1. Identify gaps in an internal sustainability audit
2. Articulate a vision of a sustainable future
3. Backcast to determine actions to be taken to reach this vision

The Committee convenes annually to educate new employees, evaluate progress, and plan for next year. Each year, the Committee provides an in-house training for all employees in The Natural Step Framework as well as the vision and strategies that have developed around the Framework. In addition to employee-training, the Committee meets to hash out its annual plan. The planning cycle reviews past projects, sets new goals, and integrates the new goals into the operating and budgeting plan. Reitman-White estimates that the Committee decides upon 10 new projects per year. These projects are developed using The Natural Step backcasting method. The Committee also develops partnerships outside the company, which will be discussed in more detail later. After the planning cycle, the Committee dissolves and work begins.

### (A) Creating Awareness

Since The Natural Step training in 2006, Organically Grown has required annual sustainability orientations for all new employees. The purpose of these trainings, says Reitman-White, “is to develop a common framework, language, and basis of understanding throughout the organization”. To date, 134 Organically Grown employees have participated in this training. The trainings focus mostly on staff, but also include Board members and growers, to a lesser extent. The trainings are designed to address the following questions:

- What is OGC's mission and why do we want to be a leading sustainable organization?
- How do our sustainability initiatives enable us to pursue our mission and company “Aspirations”?
- As an employee of OGC, what's in it for me? How can I participate in this process?
- What does the Natural Step framework mean and how will it help drive our triple bottom line?
- What's the blue-print and time-line for implementing the framework?
- How will we measure the results of our sustainability efforts?<sup>1</sup>

Besides these annual trainings, Organically Grown has developed several other initiatives:

- The Sustainability Steering Committee is composed of non-managers, giving employees an opportunity to become actively involved with project

<sup>1</sup> Source: Organically Grown 2007 Sustainability Report

development. The members can come from any department and all three facility locations.

- The annual employee survey includes questions to evaluate employee reaction and buy-in to the sustainability program. Ninety-five percent of Organically Grown employees “strongly agreed” with the sustainability mission on the most recent survey.
- Sustainability goals are integrated into the job description so that employees are not expected to perform them voluntarily but rather as part of their daily work.

## (B) Baseline Analysis

For the first baseline analysis in 2006, Organically Grown relied on a few different tools. A sustainability audit performed by Resource Innovations in 2004 identified unsustainable materials or processes within business operations. This was supplemented with an internal staff survey on how a sustainable future would be envisioned and a SCORE<sup>2</sup> (Sustainability Competency & Opportunity Rating and Evaluation) audit that measured management capacity for sustainability. While baseline analyses are generally considered a one-time event that occurs at the beginning, Organically Grown has added new baseline indicators since 2006. In 2007, for example, OGC began measuring the carbon footprint from employee commuting. Some of the results from this analysis are below:

- **Organic Produce:** 98.8 percent of produce produced was certified organic by Oregon Tilth and other USDA accredited third-party certifiers..
- **Transportation:** OGC assessed miles-driven, fuel consumption and biodiesel usage for its fleet of 21 trucks and 13 trailers in 2006 and 2007.

**Figure 2: Radishes and scallions are part of the nearly 100% organic produce at Organically Grown**



**Figure 3: The Kenworth T300 hybrid-electric biodiesel truck**



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<sup>2</sup> Developed by Axis Performance Advisors Darcy Hitchcock and Marsha Willard along with Zero Waste Alliance

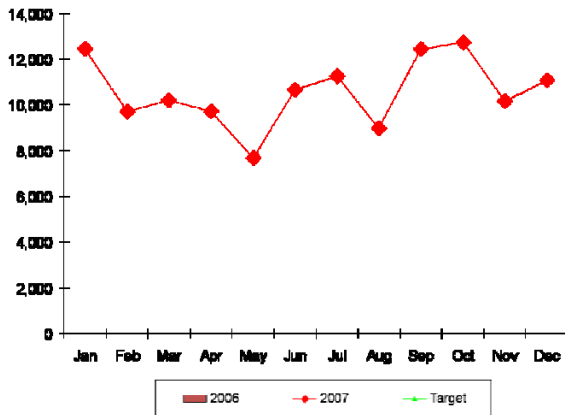
<sup>3</sup> All photos courtesy of Organically Grown Company

Table 1: Fuel Consumption in Transportation

Year	Miles driven	Diesel fuel consumption ( gallons)	Biodiesel Consumption (gallons)	Percentage Biodiesel
2006	835,823	129,740	25,967	17%
2007	992,798	108,120	50,096	32%

- **Energy:** Total energy use has been calculated at all three facilities since 2006.
- **Greenhouse Gas emissions:** OGC tracks greenhouse gas emissions resulting from electricity, diesel, biodiesel, and natural gas. In 2006, this produced 1,560 metric tons of CO<sub>2</sub>.
- **Return on Resources Consumed:** Organically Grown has developed a metric for measuring the total energy consumed for each case of produce delivered from Organically Grown’s shipping dock to the retail store or restaurant.

Figure 4: Return on Resources Consumed: Energy consumed per case shipped (in BTUs)



- **Waste:** Waste reduction is one of the major ways in which Organically Grown felt sustainability could be incorporated into their business model. In 2006, OGC sent 1,882 cubic yards of trash to the landfill, 3,222 cubic yards to recycling, and 107 tons of food waste to composting services.
- **Packaging:** Organically Grown formed an alternative packaging project team to investigate substitutions

for corrugated cardboard boxes. In a Michigan State University Lifecycle Study of Reusable Plastic Containers and found that they generated 95% less solid waste, 29% less greenhouse gas emissions and consumed 29% less total energy.

### (C) Creating a Vision

When OGC decided to take The Natural Step to fully integrate sustainability into its business model, it was not a decision to change a core philosophy, but rather a challenge to embody the values and ethics that organic agriculture supports within its business practices. After the Sustainability Steering Committee performed the baseline analysis, it outlined four goals that would act as a compass for the future action plans.

#### *Organically Grown’s goals for a sustainable future:*

1. Achieve carbon neutrality and eliminate fossil fuel use
2. Eliminate solid waste and toxic substances
3. Achieve on-farm sustainability and small/medium farm viability
4. Foster a healthy and fulfilling workplace

These overarching goals are the basis for the annual projects that the Sustainability Steering Committee initiates. Organically Grown used The Natural Step backcasting method and funnel metaphor to develop these projects.

## OGC Sustainability Planning Process

- A → Creating Awareness
- B → Baseline Analysis
- C → Creating a Vision
- D → Down to Action

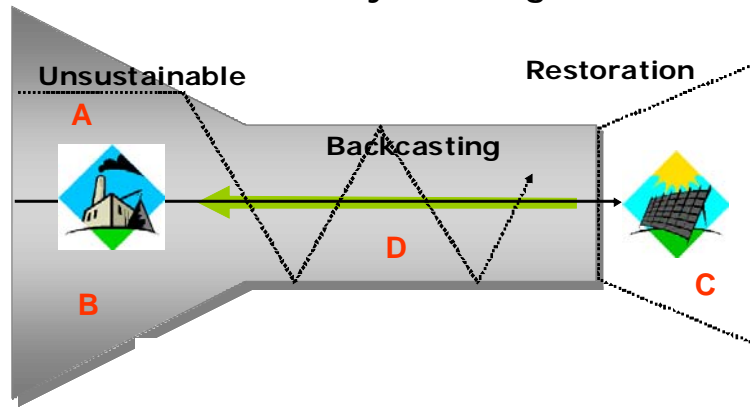


Table 2: 2008 Action Plan

2008 Initiatives	Sustainability Goal Addressed
Expand SMART commuting incentives for employees and measure results.	1
Develop software for food miles and carbon footprint measurement, tracking and reporting.	1
Increase backhauls to reduce driving trucks empty and set target.	1
Evaluate and implement video conferencing to reduce trips between facilities.	1
Review and expand Reusable Produce Container Program to include additional Northwest growers.	2
Reduce paper consumption by 10%. Evaluate and implement 2 sided copying, electronic data storage, paperless invoicing.	2
Organize a meeting with growers at Farmer-to-Farmer. Create and send survey to identify key areas where OGC can affect substantive changes that will enable small-to-mid-sized regional farms to improve the triple bottom line.	3
Draft energy resource guide for growers and organize energy audits of 5 farms.	1, 3
Implement employee communication improvements including quarterly open forums with management and create Human Resources bulletin boards.	4
Assess employee benefits--survey staff; procure bids; negotiate deal, conduct open enrollment meetings.	4

Source: Organically Grown 2007 Sustainability Report

### (D) Down to Action

Organically Grown’s action plan includes steps that are no-brainers—those that cut waste and costs—as well as those that must get budgetary approval because they are somewhat costly. According to Reitman-White, using a biodiesel blend currently costs the company more, but she was able to win approval because of a willingness on the part of management and the Board to “pay for their values”.

Reitman-White recognizes that these cost structures are also directly linked to factors outside of OGC’s control, such as federal and state policies, transportation infrastructure, and renewable energy technologies. Even in this regard, however, Organically Grown has been pushing for change. OGC has helped pioneer a cluster development group called the “Food Trade Sustainability Leadership Association” to join with other businesses within the food industry to lobby for the rapid development of sustainable technologies. The

cluster development group also provides the opportunity to network across the sector and share resources. Additionally, OGC is part of a hybrid truck users' forum that organizes around improving hybrid truck technology. This networking approach builds upon shared knowledge, lays the foundation for future partnerships, and generates a powerful voice for businesses that are serious about sustainability.

Organically Grown has also developed partnerships to improve socio-economic conditions for farming communities in the U.S. and abroad. The critical social element to sustainability is the ability for people to meet cultural,

economic, and political needs, represented by the fourth Natural Step system condition. Natalie Reitman-White points out that while toxic chemicals are absent, organic certifications do not ensure that labor conditions are beneficial to the workers. To confront this issue, Organically Grown partnered with Organics Unlimited as part of their "Giving Resources and Opportunities to Workers (GROW)" program. OGC now purchases bananas exclusively from the GROW program for an extra 60 cents per box, the sales of which in 2007 sent \$83,571 to fund educational and health programs in southern Mexico.

### ***Cool Tools for Sustainability***

- OGC's fleet now boasts on-board computers by ArcLogistics which optimize driving routes and compare drivers' fuel efficiency. This promotes friendly competition between drivers as to minimize idling and improve efficiency.
- After estimating the carbon emissions from employee commuting as close to one-third of those generated by the distribution fleet, OGC started an employee SMART commuting program with workshops on alternative transportation and incentives such as punch cards and prize drawings for not driving. In the first year, 20-25% of employees participated, mitigating 25 tons of carbon.

**Table 3: 2007 Action Plan Results**      Key: √√√- Achieved      √√- Making Progress      — Did not achieve

<b>What was planned in 2006</b>	<b>Overall Goal</b>	<b>What was accomplished in 2007</b>	<b>Self-Rating</b>
Conduct sustainability workshops at Vendor Faire. Share information with growers and retailers about options for addressing climate change through renewable energy use and waste reduction.	<b>#3</b>	105 people attended workshops on the topics of "Energy Efficiency and Renewable Power" and "Sustainable Packaging" options. Feedback from participants was very positive.	√√√
Develop and implement plan to reduce trash by 50%.	<b>#2</b>	By 3/31, Eugene and Portland facilities had reduced trash output by 50%	√√√
Install onboard computers on tractors to	<b>#1</b>	On board computers were installed on time on all trucks	√√

increase MPG by 10%.		across OGC.	
Test and install fuel heaters on tractors to enable trucks to run 99% biodiesel	#1	Fuel heaters installed on 4 tractors. Successfully ran 99% biodiesel fuel for 10 months. Recent corrosion issues.	√√
Optimize route structure via training, software, and daily analysis to increase fleet utilization by 10%.	#1	The Portland operations team completed the initial installation of Arc Logistics software by 9/30.	√√√
Train staff in computer/phone procedures to conserve energy, and paper and minimize paper faxes.	#2	Introduce e-fax at Kent and Eugene facilities by 6/30. Stalled due to complexity of implementation and pricing, employee concerns about feasibility. Intend to move forward with 5 out of 8 machines on e-fax by 1/08.	—
Develop employee smart commuting plan with carpooling and alternative transport incentives.	#1	The Smart Commuting plan was set and implemented ahead of schedule in Eugene and Portland. Forty employees attended 2 educational luncheons. Since the punch card program began in July approximately 900 days alternative transportation was utilized. The shower was installed in the Portland facility for staff who bike to work.	√√√
Pilot Reusable Produce Containers (RPCs).	#2	OGC organized a test of RPCs with Siri & Son Farm and New Seasons Markets over the summer. The test revealed internal tracking issues and the complexity of trying to create a close loop system where one had not existed previously.	√√
Develop OGC pallet management program.	#2	A team worked to develop an understanding of the overall flow of pallets in and out of OGC. Team was on point to develop and implement a system to track pallets via Produce Pro, but task was not complete. Plans to implement in 2008.	√√

- **Greenhouse Gas emissions:** In 2007, GHG emissions fell to 1,347 metric tons due to greater biodiesel usage and increased green power purchases.

### **Other accomplishments:**

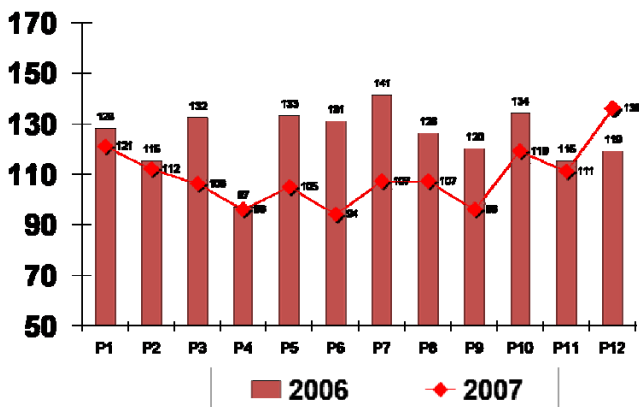
- **Transportation:** Biodiesel is purchased from Sequential Biofuels, which sources 95 percent of its biodiesel from used cooking oil feedstock. In 2007, all trucks used a B20 (20% biodiesel), while a pilot project was launched using B99 in four trucks. Organically Grown also purchased its first hybrid-electric biodiesel truck (pictured at right). The truck saves 10%-30% on fuel and has a gross vehicle weight capacity of 33,000 lbs.
- **Energy:** In 2006, warehouse capacity expanded, increasing energy use, but by 2007, all facilities were operating on 100 percent green power.

## Measuring the Results

While sometimes overlooked because of lack of experience or resources, good metrics are critical to assessing progress. With the increasing availability and accuracy of metrics such as life cycle analyses and carbon footprinting, it is becoming easier for companies to find and implement these tools. Organically Grown has developed a metric for almost every major category of its sustainability program. Financial, environmental, and social data are collected and measured

each period and used to determine how projects may be improved. In the early stages, Organically Grown borrowed the measuring methods from the sustainability reports of other companies within the food industry, as well as the Global Reporting Initiative. When a metric was not available, Reitman-White has been able to backtrack the goal to the material or flow that needs to be measured. One more advanced metric that Organically Grown has developed is the “Return on Resources Consumed”--where the total energy (in BTUs) is measured for each case of produce shipped. In each annual planning session, the Sustainability Steering Committee analyzes the metrics by assessing goal progress vs. financial cost, and uses the information to discuss goal feasibility.

**Figure 5: Greenhouse gas emissions at OGC for 2006 and 2007 (in Carbon Dioxide metric tons)**



## Challenges

Since the decision to adopt The Natural Step framework and form a Sustainability Steering Committee in 2006, Organically Grown has developed a sustainability vision along with short and long-term goals, measurable results, and clear progress indicators. These are laudable accomplishments, especially considering that several goals have been met in the first few years. Of course, all innovative and progressive organizations face challenges when they choose to be an early adopter of new information or technology. One of the benefits of membership in The Natural Step Network is that members can be alerted to these challenges and lessons by the past experiences of fellow members. In essence, The Network provides a roadmap to a sustainable business model for early adopters, where the landmarks are the lessons learned by

other members. Listed below are highlights of some of the early challenges that Organically Grown has faced.

- It is crucial to allow employees sufficient time to implement new practices. If employees are delegated new responsibilities, but expected to complete them voluntarily, or in addition to their normal workload, the project is likely to fail. New initiatives need time to take effect and if this isn't provided, employees may not view the work as integral to their job, or they may be resentful of the increased workload.
- While some projects will reduce financial costs—reducing waste is an example—others will cost more. Organically Grown made the decision to use 20% biodiesel even though the price tag was higher because the Board decided that a strong commitment to their values was worth the added cost. Organically Grown has succeeded in balancing higher-cost programs with those that save money.
- The current state of technology and infrastructure may inhibit a company from choosing more sustainable solutions. Organically Grown, for example, has not found transportation for large loads of produce that does not rely on fossil fuels.
- Decisions that include social and environmental criteria will require more time to properly assess. Managers should expect decision-making processes to become more-involved and allocate time appropriately.

## Benefits and Lessons Learned

- The Natural Step training series offered by Duke Castle was very helpful in providing a framework for action. The framework has provided employees with a common language and understanding of sustainability.
- The Network has given Organically Grown the opportunity to learn from other companies and share valuable experiences. This has been especially useful when the company faced challenges.
- Management and leadership need to be engaged and supportive of programs for them to have a lasting effect. Employees should see their work in these programs reflected in their job descriptions.

- The decision to adopt a sustainable business model has fed into customer loyalty and solidified relationships with customers.
- The A-B-C-D process has been instrumental. Natalie Reitman-White recommends having a long-term vision, a baseline, measured results, and taking the time to share the results with management and employees.

**Written by Jesse Worker for The Natural Step Network.**