

## Cascadian Farm a.k.a General Mills<sup>1</sup> September 2004

The General Mills<sup>2</sup> executives gathered in the conference room grew visibly uncomfortable as the discussion on the video screen took a surprising turn.

“I feel betrayed. But I suppose I should have known that this is what big business is like.”

“I don’t think that I am going to buy Cascadian Farm products again.”

“Shouldn’t their packages have to say who makes this stuff?”

Just a few minutes before, the executives had exchanged nods and smiles as they watched the video of the focus group. The focus group participants had been singing the praises of Cascadian Farm<sup>3</sup> until Aaron, a twenty-something environmental engineer from Seattle, said: “Isn’t Cascadian Farms owned by General Mills?” The animated conversation temporarily ceased. When others spoke up, it was clear that this comment had affected the group.

“Yes, it’s true. Cascadian Farm wants you to believe that it’s a small, local company, but it’s actually owned by General Mills.”

“Wow. This makes me a lot less interested in Cascadian Farms. I don’t think I’m going to buy their stuff any more.”

“I like supporting small, local companies, not agribusiness.”

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It was early January 2004. The team of executives gathered at the Minneapolis headquarters of General Mills Inc. for a daylong series of meetings to discuss several of their smaller food brands. In the present session, they were to view and analyze the video of a focus group in Seattle that had discussed Cascadian Farm products in early November 2003.

General Mills had purchased the Cascadian Farm brand in 1999 as part of its acquisition of Small Planet Foods<sup>4</sup>, headquartered in Sedro-Woolley, Washington. Cascadian Farm was a well-

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<sup>1</sup> This case was prepared by Associate Professor Kevin J. Lavery, Business Administration Program, University of Washington, Bothell. Funds were provided by The Global Business Center (Home of UW CIBER) at the University of Washington under a grant from the U.S. Department of Education.

<sup>2</sup> <http://www.generalmills.com/>

<sup>3</sup> <http://www.cfarm.com/cfarm/default.asp>

<sup>4</sup> <http://www.cfarm.com/>

recognized brand in the natural foods industry, producing organic<sup>5</sup> products in several food categories: frozen fruits and vegetables, prepared dinners, and jams and jellies.

Organized and led by a Professor of Marketing at the University of Washington, Bothell, the Seattle focus group had twelve participants. They had been selected based on their willingness to discuss attitudes toward organically grown foods. The Professor began with a general discussion about the participants' shopping habits with respect to their concerns for health and for the environment, and then specifically asked the participants how often and where they purchased organic foods. It quickly became clear that the participants in the focus group represented a range of shopping habits. Some participants purchased organic foods almost exclusively, and bought Cascadian Farm frozen vegetables and frozen dinners in their regular trips to local natural foods stores. Other focus group members regularly shopped in "conventional" supermarkets, where many also purchased products under the Cascadian Farm brand. One father and one mother of small children said that their fear of chemicals led them to try to purchase organic food for their children, although they were less likely to purchase organic foods for the own consumption. They, along with several other participants, seldom shopped at natural foods stores such as the Seattle area PCC Natural Markets.<sup>6</sup> Responding to a question from the Professor, these participants said that they felt that PCC and other natural food stores had higher prices and lacked the range of products they needed to purchase when they went grocery shopping.

The Professor then asked participants what they knew about and whether they purchased various national and regional brands that represented organic products, such as Hain, Cal-Organics, Celestial Seasonings, Frontier Herbs, Essential Foods, Muir Glen, and Cascadian Farms. All of the participants were familiar with at least some of these brands, and the conversation moved quickly, as the Professor was a deft facilitator and made sure that all participants were engaged and offered their experiences and opinions. Perhaps predictably, the participants who did most of their shopping in natural foods stores were familiar with all or most of these brands, and a wider variety of their products, than were other participants.

The Professor then turned the focus group discussion to a more detailed examination of Cascadian Farm. The participants discussed the range of product offerings and the quality and availability of Cascadian Farm products.

"I always buy Cascadian Farms frozen vegetables at the PCC, but I wish that Safeway carried them."

"You don't need to go to PCC. Why don't you try another supermarket? I can get Cascadian Farm frozen corn at Ballinger Market or at Top Foods."

"Whatever. Check them out. Their organic frozen vegetables taste better than a lot of *fresh* vegetables I get at the supermarket."

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<sup>5</sup> Appendix 1 contains definitions of "organic" food and a brief description of the organic food industry.

<sup>6</sup> <http://www.pccnaturalmarkets.com/> PCC Natural Markets (founded as Puget Consumers Co-op) is the largest natural food cooperative in the United States and has seven stores in the Seattle area.

When one participant mentioned the Cascadian Farm Home Farm<sup>7</sup>, the conversation grew animated. What was interesting is that many of the participants recognized the description of the Home Farm as a seasonal fruit and ice cream stand, but a number of them had not connected it to the Cascadian Farm brand of foods. This information led to a crescendo of praise for Cascadian Farm.

“What a great place. We love to stop there for a smoothie after hiking.”

“Their fresh raspberry sundaes! The berries are just picked and still warm from the sun!”

“It truly is God’s country.”

“No wonder their vegetables taste so good.”

“Isn’t it wonderful having such a great company right here in western Washington?”

“Yeah. Organic is great. Robert Rodale used to say, ‘Feed the soil instead of the plant.’ That’s what organic is about. Create the conditions for plants to be healthy, and you’ll get good tasting food. And Cascadian Farm fruit and vegetables aren’t sent all over the country and stored in a warehouse. They’re grown locally. I like that a lot.”

At this point, no one watching the video of the focus group could have predicted the sudden change that was about to occur. All it took was the simple question: “Isn’t Cascadian Farms owned by General Mills?”

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The Professor let the discussion play out. Clearly, the remainder of the focus group session would be affected by the discussion – and the revelation to most participants – that General Mills was the owner of Cascadian Farms. A number of participants avowed that they would not be purchasing Cascadian Farm products in the future. It was clear that, for these individuals, various emotions had been stirred.

“I go out of my way to buy organic products from small local companies. No way am I going to do this for something that General Mills makes.”

“What I think is the worst is that they are not honest about it. Cascadian Farm presents itself as this little hippie farmer company.”

“If General Mills really believes in organic food, why don’t they put their name on it? Why aren’t they willing to say, ‘we’re General Mills and we are going to do our best to undo what agribusiness has been doing to the earth for the last century’? If they really believed in organic,

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<sup>7</sup> For a picture, see <http://www.cfarm.com/cfarm/products/homefarm.asp> Located outside of Rockport, Washington, the Home Farm is in the scenic Skagit River Valley, near North Cascades National Park. It is on a segment of State Highway 20 that is the main route to and from North Cascades National Park from all of western Washington, including the cities of Seattle, Tacoma, Everett, and Bellingham.

they could make organic cocoa puffs and spend millions advertising why organic is healthy and good for the earth.”

“Organic cocoa puffs? Now there’s a picture!”

“Organic really isn’t what it used to be. It used to be about values. Now it’s just about making money.”

At the same time, it was also clear that other participants were not joining in this part of the discussion. The Professor intervened, turning to those participants who had not spoken recently. “How do other people feel? Does General Mills owning Cascadian Farms affect you?”

Several participants offered that they still wanted to buy organic food for their families.

“If General Mills is making it, that’s fine, just as long as it doesn’t have the chemicals. I have to think about my six-year-old.”

“It doesn’t change much for me. I don’t go the natural foods stores, but if I see Cascadian Farm in the supermarket, I might buy it as long as it’s not too much more expensive. It’s a good product, whoever makes it.”

The focus group concluded shortly thereafter. The media operator turned off the video and dimmed the screen in the conference room.

The Vice President for Small Planet Foods, the General Mills division that includes Cascadian Farm, rose before any of the other executives could comment on what they had seen.

“There is one more thing that I would like you to hear. This is the analysis from the Professor who led this focus group. The full report will be in the packet we distribute at the end of the day.” The Vice President read the following excerpt of the Professor’s report:

In the past year I have facilitated 23 focus groups under a contract to study consumer awareness of and attitudes toward Cascadian Farm brand products. These focus groups have taken place in cities of various sizes in Washington, Oregon, Idaho, and Northern California. I used various means to identify participants who would be both regular and occasional purchasers of organic foods. In each focus group, we achieved the goal of assembling a group of individuals that was more aware of organic foods and spends more money on organic foods than the average in their city. The participants were told that they would be discussing organic foods, but I did not mention Cascadian Farm or any other brand specifically before the meetings of the focus groups.

Although I found generally that Cascadian Farm has a very high awareness level and positive image, I must comment on one remarkable result: *the association with General Mills is a potential liability for the Cascadian Farm brand, particularly among a core group of shoppers who seek organic for all or most of*

*their food purchases.* In five of the 23 focus groups, an individual brought up the fact that Cascadian Farm is owned by General Mills. In every case in these five groups, participants who had an opinion viewed this negatively. Not a single participant in any of these five focus groups addressed the positive aspects of Cascadian Farms being owned by General Mills, such as more capital for expansion, wider distribution, more marketing support, or reliability in supply – all factors that would seem to be important for organic foods shoppers.

The video (copy attached) of the Seattle focus group shows one of these five instances. It actually is rather typical.

The conversation was upbeat, positive. People love Cascadian Farm. Then someone says “General Mills.” Not many people know about the connection going in, and it seems to offend the “dedicated” organic foods shopper.

But I think the more important point is what happened to the group as a whole. The revelation of General Mills’ ownership deflated the room. You may be able to garner from the Seattle video this sense of “letdown.” Having been there, I can tell you it was palpable. After the discussion of General Mills, there was none of the earlier excitement about Cascadian Farms. The words were there, but none of the enthusiasm. People in marketing know this all too well. Potential customers *say* that they will purchase your product, but without some enthusiasm, it may not happen. Stated intentions are not automatically translated into behavior.

In the other 18 groups, in which the General Mills ownership did not come up, the individuals had uniformly positive opinions of Cascadian Farms. In each group, there was a combination of committed, loyal customers plus people who were hearing very positive things about Cascadian Farms and, in my judgment, will now have a high probability of becoming steady customers. This is exactly what we want.

What is notable is that all 23 focus groups started the same way. Cascadian Farm is well thought of, and the enthusiasm spreads throughout the focus group to people who previously had not known the brand. But all it takes is one mention of the connection to General Mills and everything goes flat. Again, this process happened in each of the five focus groups where General Mills came up.

Obviously, this finding is not statistically significant in a technical sense, but nonetheless it is very real. I believe that the dynamics that I observed in the focus groups could easily be played out in any family, work, or social setting. In my opinion the association with General Mills is the single most important issue for image and strategic positioning that the Cascadian Farm brand faces.

“I know this is a lot to take in all at once,” the Vice President said, “and since we have other brands to talk about today I only have a little time. But I would like to hear from you what you think of this tape and report.”

One of the most senior executives spoke first. “I don’t know where this could possibly be coming from. We aren’t talking about Enron here. General Mills is one of the most respected companies in the world!”

“Fair enough,” the Vice President replied, “but we are talking about two things here that might make a difference. First of all, we are dealing with a product category – organic foods – in which many shoppers believe that respectability comes more from being small and local than from traditional ideas about what it means to be a good corporate citizen. Second, many of the shoppers in this ‘market space’ themselves have values that ... ‘alternative’ is a nice way to say it. They have a greater distrust of big business than the population as a whole.”

“What, then, do you suggest we do?”

## Appendix 1: The organic foods industry

There is not a single definition of “organic” food. In 1995 the Organic Trade Association<sup>8</sup> adopted a definition that states:

Organic agriculture is an ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological activity. It is based on minimal use of off-farm inputs and on management practices that restore, maintain and enhance ecological harmony.

According to the United States Department of Agriculture<sup>9</sup>,

Organic food is produced without using most conventional pesticides; fertilizers made with synthetic ingredients or sewage sludge; bioengineering; or ionizing radiation.

The USDA program distinguishes among “100% organic,” “organic” (minimum 95% organic ingredients), and “made with organic” (minimum 75%).” In addition, a number of states, including Washington and California, have standards for products labeled “organic.”

The term “natural foods” is less well defined than “organic.” Most people would agree that “natural foods” implies attributes such as minimal processing and the lack of chemicals in growing and processing, and that “natural foods consumers” place a high priority on health and the environment.

The Organic Trade Association estimates that the U.S. retail market for organic food was over \$10 billion in 2003 and projects a growth rate in excess of 20 percent annually over the next five years.<sup>10</sup> While a large number in absolute terms, it is a small fraction of the \$498.3 billion spent on food consumed at home in the U.S. in 2003.<sup>11</sup> However, organic food is one of the fastest growing categories in the food industry. For example, growth in the total spent on food consumed at home is less than 5% annually.

The growth of organic foods has been accompanied by several important trends: consolidation of producers, the entrance of larger producers, and mainstream involvement. While the United States has over 20,000 “natural foods stores.”<sup>12</sup> However, in 2000, for the first time more organic food was purchased in “conventional” supermarkets than through any other channel.<sup>13</sup> The USDA estimates that organic food can be found at 73 percent of conventional grocery stores.<sup>14</sup>

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<sup>8</sup> <http://www.ota.com/organic/definition.html>

<sup>9</sup> <http://www.ams.usda.gov/nop/Consumers/brochure.html>

<sup>10</sup> <http://www.ota.com/organic/mt.html>

<sup>11</sup> <http://www.ers.usda.gov/publications/agoutlook/aotables/jul2004/aotab36.xls> An additional \$412.7 billion was spent on food consumed away from home.

<sup>12</sup> <http://ers.usda.gov/AmberWaves/Feb03/Findings/OrganicAgriculture.htm>

<sup>13</sup> *ibid.*

<sup>14</sup> *ibid.*

## Appendix 2: General Mills and Cascadian Farm

Since the 1999 purchase, General Mills has managed Cascadian Farm, along with Small Planet Food's other brand, Muir Glen, as a single business unit. This is consistent with General Mills' "multi-divisional" structure, in which each of the business units (e.g., Green Giant, Pillsbury, and Old El Paso) is responsible for developing plans for product and market development and is accountable for sales and profitability results.

General Mills' ownership of Cascadian Farms is unknown to most consumers, as the General Mills name appears nowhere on any Cascadian Farm package.<sup>15</sup>

Small Planet Foods, headquartered in Sedro-Woolley, Washington, is a subsidiary of General Mills, Inc. It has approximately 150 employees; 2002 sales were estimated to be approximately \$12.5 million.<sup>16</sup>

General Mills, Inc., 2004 sales are estimated at \$11 billion; the company has over 11,000 employees.<sup>17</sup>

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<sup>15</sup> However, as of September 2004, the Cascadian Farm website [http://www.cfarm.com/learn\\_more.asp](http://www.cfarm.com/learn_more.asp) has included this information for at least two years.

<sup>16</sup> <http://biz.yahoo.com/ic/130/130888.html> and [http://www.hoovers.com/small-planet-foods/--ID\\_130888--/free-co-factsheet.xhtml](http://www.hoovers.com/small-planet-foods/--ID_130888--/free-co-factsheet.xhtml)

<sup>17</sup> <http://biz.yahoo.com/ic/130/130888.html> and [http://www.hoovers.com/general-mills/--ID\\_10639--/free-co-factsheet.xhtml](http://www.hoovers.com/general-mills/--ID_10639--/free-co-factsheet.xhtml)



# Cascadian Farm a.k.a General Mills<sup>1</sup>

Teaching note  
September 2004

The case examines the challenges that General Mills has for managing its Cascadian Farm brand of organic food products. In the case, I have collaged information I have gathered from interviews and secondary sources into a scenario that presents a focus group on organic foods and Cascadian Farm. In the scenario, a researcher who has conducted a series of focus groups concludes that Cascadian Farm may be harmed if consumers know that General Mills is the owner.

Cascadian Farm came to General Mills in 1999 as part of the purchase of Small Planet Foods of Sedro-Woolley, Washington. Small Planet Foods continues to be run as a relatively independent business unit, and Cascadian Farm packaging does not mention that General Mill is the owner, although the information is on Cascadian Farm's web site.

The case can be used in a number of different courses. If used in a strategic management or marketing strategy course, the case could be used to illustrate a number of central concepts: positioning of a brand, management of a small high-growth business unit in a large corporation, and strategy principles such as value chain analysis. The case could easily be used in an international business course, particularly if supplemented with material on the global food industry, by addressing the potential for Cascadian Farm as a global brand for General Mills. Finally, because the issues raised are accessible to students from a wide range of disciplines, the case could be used in with course with students from outside the business school on topics such as environmental management or business and society.

My intention in designing the case is that students will get the most out of the case if it is combined with assignments that require them to gather primary and /or secondary data. This is discussed later in this note.

I wrote this case in part to sharpen my own thinking on some pretty big questions. Obviously, not all of these can be assigned to students for a single case, but I offer them as suggestions for how to use the case and guide discussions in different types of classes. Why do large corporations purchase small "mission driven" companies? Is this a good strategy given the cynicism about large corporations, particularly among purchasers of "alternative" products such as organic foods? Why do the companies not just build their own brands? (I would claim that a company such as General Mills is pretty good at doing this!) Can you expect to make money by purchasing a viable business such as Small Planet Foods? Are there synergies that you can achieve that make a brand such as Cascadian Farm more valuable to the larger company like General Mills (e.g., by leverage supply, marketing, distribution capabilities)?

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<sup>1</sup> This note was prepared by Associate Professor Kevin J. Laverty, Business Administration Program, University of Washington, Bothell, to accompany the case "Cascadian Farm a.k.a General Mills." Funds for the development of the case and this note were provided by The Global Business Center (Home of UW CIBER) at the University of Washington under a grant from the U.S. Department of Education.

### Assignment questions

1. In the focus groups, why is there such a negative reaction to the revelation of General Mills' ownership?
2. Was the purchase of Cascadian Farm/Small Planet Foods a good strategic move for General Mills? Why or why not?
3. What should General Mills do about the apparent negative feelings that – as we can reasonably infer from the focus group results – consumers have about a multinational corporation owning Cascadian Farm?
4. If General Mills wants to tap into the organic market, what other steps could they take in addition to attempting to grow “acquired brands” such as Cascadian Farm? NOTE: This question can be asked in this open-ended fashion to see what students come up with. Alternatively, for more guidance, the following more directed questions could be posed:
  - a. Evaluate a potential strategy for General Mills in which they launch their own brand of organic foods in house under two scenarios: first, as an independent brand (i.e., not generally associated with General Mills, as is the case for Cascadian Farm), and second, as a brand more closely associated with General Mills? Would either be successful? Would one be more successful than the other or more successful than Cascadian Farms? Why or why not?
  - b. Evaluate a potential strategy for General Mills in which they transform existing product lines into organic brands (or make an organic option within an existing brand). What about organic Green Giant peas? Organic Cheerios? Organic Cocoa Puffs?

### Class exercises

1. Assign students a project to design and conduct a survey and/or interviews to determine the consumer market segments for organic foods. A project such as this could have many dimensions, such as identifying where organic foods are sold locally (e.g., natural foods stores and supermarkets) and determining the premium different segments of shoppers are willing to pay for organic.
2. Have students identify the “corporate” ownership of organic and “alternative” brands. (Note: among those I know of, in addition to Cascadian Farm, are Odwalla, Ben & Jerry's, and Seeds of Change.) Assign students to find out (via interviews or surveys how many people know who owns these brands. Assign students to find out if this matters to consumers (as a whole or to particular segments).
3. Ask a student team to research the results of General Mill's multi-million dollar investment in the Sunrise Organic brand.<sup>2</sup>

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<sup>2</sup> <http://shop.store.yahoo.com/nbj/genmillaunor.html>