

Local Food Promotion Program (LFPP) – 2014
GRANT NARRATIVE FORM AND INSTRUCTIONS

This narrative form is mandatory. AMS strongly recommends reading the form [instructions](#) (see page 5) and the “[LFPP Announcement and Guidelines](#)” before completing this form.

1.	<p>Executive Summary (200 words or less):</p> <p>The Local Foods LLC is partnering with X Processing Corporation to redevelop the long-vacant Food Processing Company factory into a multi-tenant food production small business center and kitchen incubator to promote small business, create jobs, improve access to healthy food, and strengthen the regional food economy. The \$14.8 million renovation is complete, and the facility just opened in May 2014. At full occupancy, the 36,000 SF building will provide manufacturing space to 50+ food entrepreneurs in a mix of shared-use and dedicated processing space. Local Foods LLC is the project developer and owner. X Processing Corporation is a key partner and anchor tenant. X Processing Corporation is leasing @ 45% of the building to expand its non-profit food business incubator.</p> <p>A prime feature of the new Food Production Small Business Center is creation of a new Local Regional Food Business Enterprise operated by Local Foods LLC. The new Commissary will utilize a portion of the building to create a new non-profit social enterprise providing aggregate purchasing, value-added processing, and contract storage for farmers and food businesses to build new channels for the distribution and sale of locally-grown and produced food. With support from the USDA we will begin this new social enterprise by year-end 2014.</p>
2.	<p>Background Statement:</p> <p>The Food Production Small Business Center is a \$14.8 million redevelopment effort providing manufacturing space for 50+ food producers. The facility opened in late May 2014. Local Foods LLC, which operates the community’s only non-profit food business incubator, is the anchor tenant and will be operating an expanded shared-use kitchen and separate commissary providing aggregate purchasing and value-added contract processing.</p> <p>Through 4+ year experience running a food business incubator, Local Foods LLC staff have seen first-hand the struggle that small specialty producers face in starting and building a business, and the difficulty accessing local produce because their volumes are so small and intermittent and cost of trucking is so high. Therefore, many local business owners rely on wholesalers like Costco and Restaurant Depot for most of their raw ingredients or source from larger national and even international distributors.</p> <p>Similarly, we have seen the struggle for local farmers to move beyond selling at farm stands, farmers’ markets, CSAs, and individual farm-to-table restaurants because they lack access to cold storage and/or light prep and processing facilities to clean potatoes or peel carrots, or chop onions.</p> <p>To address these challenges we are developing a new non-profit Commissary operation specifically focused on building connections between farmers, processors and consumers by creating the infrastructure needed for efficient sourcing, light processing and storage. Instead of each separate food business being responsible for their own ingredient sourcing, they will be able to contract with us to order and store what they need on site. Local Foods LLC can combine orders for multiple food producers, thereby reaching minimum order thresholds required by many</p>

local farms and distributors, plus lower the number of separate deliveries, and thus lower transportation costs.

USDA funding will be used to pay for start-up operations of the Commissary, including a portion of staffing, overhead (insurance, rent, etc.), and purchase of certain specialty equipment needed for this new social venture. The intent is to use the USDA funding to pilot this effort and demonstrate its potential impact. Our goal is to turn the operation into a fully self-sustaining business venture, where earned revenue from contracts covers the cost of operations.

The Need: Local Foods LLC and Food Processing Company have seen firsthand the increasing interest in locally-produced food and corresponding demand for small-scale processing space within the City. Together, we have also witnessed the huge challenge for entrepreneurs interested in starting or growing a food production business due to the high capital costs associated with commercial kitchen facilities—making these business endeavors out of reach for many low-income residents.

Food businesses—whether food trucks, full-service restaurants, or wholesale producers—are tremendously difficult to start and sustain. For example, for specialty food manufacturers, they have to develop the menu and recipes, design packaging & labeling, source and store raw ingredients, market their products, develop distribution channels, assemble financing, secure health permits and proper insurance, hire and manage staff, maintain the books, clean the kitchen sink, take out the recycling, and anything else that may be needed. It is a tall order for any business owner. With so much on their plates, business owners have little time to focus on local sourcing. They are often working at small volumes and with irregular ordering schedules, making it difficult and expensive to find, much less order from, local producers. Those that do source locally are often faced with expensive trucking and partial load costs, which raise product costs and limit market opportunities.

Currently, a large number of the food trucks and specialty food producers we see source raw ingredients from national wholesalers like Costco and Restaurant Depot because they do not meet the minimum order needs for local distributors or don't have the time to figure out how to do direct sourcing. For local restaurants, retail grocers, and others, they similarly struggle to balance the minimum order requirements and storage needed for local sourcing. For farmers, providing raw ingredients that have been minimally prepared—whether cleaned, peeled, chopped or diced—is often a key impediment for accessing institutional buyers used to working with fully prepped—and often frozen-ingredients.

There is a tremendous opportunity to demonstrate that by simply providing aggregated purchasing amongst multiple small businesses, combined with options for cold, frozen, and dry storage, plus a range of value-added processing options on a fee-for-service basis, we can solve these access issues, and dramatically increase the demand and sale of locally-sourced fresh produce. Absent this new operation, specialty food businesses, food trucks, small restaurant owners, grocers, and others will continue to struggle to each find options for local sourcing; institutional buyers will continue to look to national distributors to bring in lightly processed, frozen products from around the country and world; and small farmers will continue to struggle to find ways to access larger markets that would make their business more efficient and sustainable. We believe this commissary approach can quickly become a regional and national model for how to fill in the infrastructure gap needed to strengthen regional food economies.

Scaling and replication: With as many as 50 different businesses working at the site each month, we see tremendous opportunity for using this newly renovated facility to introduce Commissary aggregate purchasing and storage. Instead of 50 different businesses each sourcing their own peppers and onions and tomatoes on varying schedules from multiple farmers, distributors, and grocery stores, **We** can provide bulk purchasing options in pallets and cases rather than pounds and bags.

In addition to managing the aggregate purchasing and storage, we will use the Commissary operations to support contract processing. For example, we are in discussions with a hot sauce business, and a tenant at to source all of his peppers, tomatoes, and onions from Massachusetts' farmers, and to then wash, roast, peel, cook, and jar during the harvest season. He would then have his base ingredients ready to use throughout the year to mix his local hot sauce. This same model would be a huge benefit to the salsa and jam makers, barbecue businesses, and many of our other entrepreneurs. Imagine if we collaborate to source fresh Maine blueberries, and then clean, portion, package, freeze, and store on site for use by businesses making jams or muffins. Imagine coordinated sourcing of dairy products are used by ice cream makers and caterers; or sourcing herbs and greens used by multiple food trucks. We see a tremendous opportunity to increase market access for regional producers by increasing sales volumes, improving sales predictability, and reducing trucking costs. The model incentivizes businesses to work with us for purchasing and allows us to directly connect supply to demand.

Similarly, we are working to provide a mixture of storage and light processing services directly to the farmers and other vendors selling at their existing downtown markets. The expectation is that this work will grow exponentially once the permanent Public Market is in operation in late 2015.

Another focus is on supporting the food trucks that use the site as their base of operations. We are in discussions with multiple food truck operators to have Local Foods LLC procure and prepare raw ingredients, load the truck for service, and unload and wash the truck at the end of each day. This approach creates efficiencies in sourcing and preparing food by using trained staff to bulk order, and then clean, peel and shred carrots or wash lettuce or slice cheese for multiple trucks at once, creating much greater labor efficiencies. It allows food truck operators to focus on sales, marketing, and financial management. We see huge potential in this model for building strong food truck business operations and driving demand for local food.

At a larger scale, we see tremendous opportunity for contracting with institutions such as hospitals, universities, and public schools, all of which struggle to meet local sourcing requirements. For example, we have had early discussions with the City of _____ regarding a potential contract to provide basic washing and wrapping of apples and other hard fruit, which would allow them to source locally. Currently, most of the whole fruit in the public schools comes from outside of New England. Other public institutions are looking for locally-sourced and lightly processed produce such as squash or pepper puree for their food service staff to use.

Finally, the LLC will serve as a licensed base of operations for several mobile food businesses focused on improving food access in low-income neighborhoods. For example, a renovated school bus that operates from the incubator space and focuses on selling fresh produce at public housing sites and public transit locations. Their offerings include mostly whole fruits and vegetables. Most of their produce is not currently locally sourced. Through our ability to aggregate purchasing, perform light processing, and provide cold storage, Fresh Truck is hoping

not only to do more local sourcing, but also to add more prepped and prepared food such as canned tomatoes, pickles, and cleaned and peeled carrots, to increase options. Similarly, we are in discussion to provide locally-sourced and prepared foods for their mobile business that focuses on a variety of prepared foods—sandwiches, hot meals, whole grains, etc. Their business model focuses on serving a mix of higher-income and lower-income neighborhoods to create a sustainable business operation. They expect to begin operations this summer.

Budget: The \$14.8 million Food Production Small Business Center opened in May 2014. The LLC and Corporation were able to secure more than \$1,000,000 for kitchen equipment for the shared-kitchen and the Commissary, including refrigeration equipment, large production ovens, steam kettles, tilt skillets, etc. However, operating and start-up funds are still needed to pilot the Commissary kitchen. Our budget for this pilot is \$150,000: \$100,000 requested in this application to the USDA. A match of \$50,000 is already committed from other project funds, provided by the City. We will use the USDA LFPP funds well within the two year deadline. Once the program has been piloted, we are confident from our experience that the Commissary can sustain operations through contracts and earned revenue. In doing so, we can ensure the long-term operational health of the entire Food Production Small Business Center.

Outcomes: With a centralized warehouse and staff, food trucks and specialty food businesses will benefit from bulk purchasing; large institutions can fulfill local sourcing requirements; farmers will have increased access to markets; and consumers in low-income neighborhoods. This will benefit mobile grocers and increased options at the Farmers Market. This is a multi-faceted, high impact project as it reaches suppliers, creates jobs, increases markets, and consumer accessibility.

Work Plan, Resources, and Timeline Requirements::

Activity 1: Establish facility as a licensed warehouse facility

The warehouse designation expands the market for locally sourced food in the following ways:

- i. Supporting the Commissary’s aggregate purchasing for individual food trucks and other small culinary enterprises, allowing storage of bulk purchases that can then be apportioned to the individual food truck operators and specialty food entrepreneurs.
- ii. Providing contract processing for large institutions, such as public schools, hospital, and universities, to help them meet local sourcing requirements.
- iii. Providing cold and frozen storage for farmers’ markets. Farmers can harvest and drive in once to deliver produce to be sold at multiple markets on different days, and work with market managers to develop shared staffing, thus reducing overhead costs.

Activity 1 Work Plan Tasks:

1. Complete regulatory work to license the facility as a warehouse (develop HAACP plan and review/negotiate with City and State health department staff)
2. Develop accounting system for coordinating billing and tracking of sales;
3. Negotiate contracts with 2 or more businesses and/or producers for warehousing of locally sourced produce
4. Acquire storage equipment—storage racks for walk-in fridge and freezer, a pallet jack and order picker for handling deliveries
5. Hire dedicated shipping and receiving staff trained in federal regulations on food traceability and bioterrorism to manage and carry out warehousing operations

Activity 1 Milestones for Assessing Progress and Timeline:

Deliver HAACP plan to State by December 2014; apply for State Permit by February 2015, receive permit by April 2015, purchase equipment by April 2015; contracts negotiated and in place by June 2015. Our goal is to have warehouse capability in place by summer 2015, in time for height of the growing season.

Activity 1 Resources:

Personnel: Head Chef and Kitchen Manager to finalize HAACP, secure permits, buy equipment, sign contracts, hire staff to manage deliveries; and finalize financial model.

Facility: Licensed storage facility (The facility exists as part of the Food Production Small Business Center facility. This funding application includes a request for finalizing the licensing and remaining equipment purchase for warehousing).

Activity 2: Establish the Commissary as an aggregate purchaser and light processor of locally sourced food for food trucks, specialty food businesses, retailers and institutional buyers.

Developing a commissary business for aggregate purchasing and light processing expands the market for locally sourced food in the following ways:

- i. Most of the small-scale food businesses with whom the LLC works with lack the organizational capacity or production volumes to manage significant local procurement. However, the majority of the ingredients they use, such as onions, potatoes, carrots, herbs, and salad greens are consistent across multiple businesses. By contracting with the LLC for bulk purchasing, we will aggregate their orders giving us an economy of scale for local produce that does not currently exist.
- ii. Small specialty food businesses and food trucks mostly rely on part-time, seasonal staff to assist with production in order to keep their overhead low. Their staffs are often not well-trained for volume food production and leave business owners relying on frozen and prepared products for many ingredients. With the trained food production staff at Food Production Small Business Center combined with bulk procurement, we can provide a whole new service that can efficiently support multiple small businesses and promote local sourcing. It also allows business owners more time to focus on sales, marketing, financial management, and other organizational operations.

Activity 2 Work Plan tasks:

1. Hire and train food service staff. Note that focus of hiring is on individuals who may face barriers to employment—such as criminal record, language, or education. We hope to prioritize hiring of these hard-to-employ individuals in this facility.
2. Secure at least 3-5 contracts with food trucks, specialty food businesses, mobile grocers, retailers, and/or farmers' markets for storage, aggregate purchase, and/or light processing.

Activity 2 Milestones for Assessing Progress and Timeline:

Contract negotiation begins upon USDA funding award. Four contracts in place by April 2015. Production staff hired and trained by April 2015.

Activity 2 Resources:

Personnel: Executive Chef and Executive Director will negotiate and sign contracts; Executive Chef to coordinate purchase, delivery and processing. Executive Chef will hire and train staff. Commissary Kitchen Staff to process the food. The employment specialist to assist with recruitment and screening of potential employees and referrals.

Facility: Licensed processing facility (in place) and licensed warehouse (in progress).

Activity 3: Promote and support access to fresh produce and locally prepared foods to low-

income neighborhoods, farmers' markets, and the City Public Market.

Developing part of the LLC's work as a commissary business will improve access to local produce for communities across the region and locally sourced & prepared foods in the following ways:

- i. The LLC currently provides space to a mobile grocer, which sells produce out of a refurbished school bus in low-income neighborhoods. With the advantages of contracting for aggregate purchasing and processing, they can add more locally sourced fresh and prepared food offerings. The LLC is also negotiating with a new food truck, whose business model is to focus on fresh, prepared meals brought to underserved neighborhoods.
- ii. Collaborate with the new City Public Market to provide storage and light processing to market vendors, including farmers and specialty food producers.

Activity 3 Work Plan Tasks:

1. Contract with local producers to coordinate purchase, delivery, and storage.
2. Identify vendors in need of storage and light processing to support their market activities.

Activity 3 Milestones for Assessing Progress and Timeline:

3-5 contracts for bulk purchasing and processing in place by April 2015.

Activity 3 Resources:

Personnel: Executive Chef and Executive Director will negotiate and sign contracts; Executive Chef to coordinate purchase, delivery and processing. Executive Chef will hire and train staff. Commissary Kitchen Staff to process the food.

Facility: Licensed processing facility (in place) and licensed warehouse (in progress).

ACTIVITY 4: Develop model and disseminate outcomes.

Over the course of the USDA grant period, we will be completing careful analysis to assess the true impacts of the various components of the Commissary business model as it relates to promoting business growth, local sourcing, and job creation. We see tremendous opportunity for replication and scaling of this light processing and warehousing model. Our goal is to use the USDA funding not only to pilot this work, but also to demonstrate its scalability and replicability through careful data analysis and dissemination.

Activity 4 Work Plan Tasks:

1. Develop side-by-side financial analysis of the cost for 3 or more businesses to compare the cost of procuring and processing themselves vs. contracting with a national supplier. Our hope is to demonstrate that contracting for procurement, light processing, and storage will result in greater efficiency, cost savings, and financial sustainability, leading to additional job creation and greater profitability, and increased local food.
2. Develop detailed cost analysis for each component of aggregate purchasing to create clear cost of operations and basis for billing services.
3. Disseminate this information to the many food hub operators and food business incubators operating regionally and nationally to share the data and lessons learned.

Activity 4 Milestones for Assessing Progress and Timeline:

Identify 3 or more businesses willing to participate in the comparative financial analysis by year end 2014. Develop baseline data by April 2015. Begin aggregate purchasing and contract processing by May 2015. Assemble comparative data by September 2015. Complete summary analysis and dissemination by Spring 2016. Final report and dissemination

	<p>September 2016.</p> <p>Resources Required for Activity 4:</p> <p>Personnel: Contract financial analyst. Staff time to populate data. Consultant to assist on final data analysis and report writing.</p> <p>Facility: Office and computers with financial software available on site.</p>
	<p>Expected Outcomes and Intended Beneficiaries:</p> <p>By the end of the grant period, the LLC expects to secure a minimum of 10 contracts with food trucks and other culinary businesses for a combination of aggregate purchasing focused on local sourcing; cold storage warehousing; processing by full-time staff; food truck loading and clean-out; licensed warehouse storage; and coordinated farmer's market distribution. These contracts will benefit the business operators to scale up their businesses, the staff that Food Production Small Business Center will hire, the farmers for product sourcing, the institutions who will more readily achieve their local sourcing requirements; and consumers all over the region who will have increased access to locally sources and prepared foods. The outcomes of establishing this pilot program will be:</p> <ol style="list-style-type: none"> 1. Direct Jobs: 10 new full-time employees with at least half coming from the local community re-entry program. The employees will be trained in all aspects of food service production. We will evaluate whether we have met our hiring goal at the end of the grant period, with a progress check in July 2015, after we have started work on 2 or more contracts. 2. Indirect Jobs: We expect that the Commissary operations could result in as many as 10-15 indirect jobs for the businesses and farms we work with who now have greater market reach. These jobs could be in farming, trucking, marketing, sales, etc. 3. 5 contracts from food trucks, other manufacturers and/or retailers for aggregate purchasing plus contract processing that focuses on local sourcing. The amount, in pounds or dollars, is difficult to quantify at this point, but will be tracked and included in the final report. 4. 5-8 contracts for bulk purchasing and monthly storage of New England-sourced produce. We will evaluate our progress toward meeting this goal in April 2015, when the first contracts will be in place. 5. Markets expanded for local farmers. Through our aggregate purchasing, we can increase demand and markets for local produce, and demonstrate that local sourcing is not necessarily more expensive. (Down the road, we also want to look at locally sourced meat, fish, and poultry.) The interest is already evident. For example, one of the food trucks who will contract with us, would prefer to buy local potatoes. However, as a sole proprietor, cooking and running her food truck each day, she does not have the time to do the local sourcing. With our aggregate purchasing and commissary staff, we can make that happen. This will be tracked with the ongoing side-by-side financial analysis that will be part of the Commissary business and evaluated no later than October 2015 (@ 6 months after the first contracts are in place) and again at the end of the grant period. 6. Consumers will benefit with increased access to locally sourced food. The mobile food businesses will bring more locally sourced food into the communities they serve. Through

contracts with the Commissary, the LLC will be able to increase the local produce they stock on their mobile grocery bus, and the Commissary will be able to feature local produce right from the start. We will evaluate our success through tracking the pounds/volume and/or dollar value of food locally sourced that is sold.

7. Institutional buyers will have a new resource for local sourcing. We will reach out to at least 2 institutional buyers to negotiate contracts for light processing and warehousing. We will evaluate our success through tracking the pounds/volume and/or dollar value of food locally sourced that is sold.
8. Other food incubators and accelerators will benefit from our financial analysis work. We are in contact and regularly share information with a range of regional food incubators and hubs. We are committed to reaching out and sharing our progress and outcomes with all of them, as well as presenting the information at local gatherings, and we will also reach out to the regional conferences, both of whom regularly disseminate information nationally on food hubs, and other efforts to improve regional food systems. In their support letter, Regional Foods indicated their eagerness to work with us to disseminate our model and results to the 28 states in which they work.

Outreach

██████████ and ██████████ are both well-established, well-regarded non-profit organizations, with strong local, regional, and national partners. The high profile ██████████ Food Production Small Business Center has already been featured by the Regional HUD office on their website; was featured in several national non-profit finance journals, and was a feature story in the May 2014 issue of ██████████, attached.

Both ██████████ and ██████████ are very interested in assessing the impacts and efficacy of the Commissary model and will be pleased to share the results broadly through our networks. Within the local food advocacy world, ██████████ already collaborates with a wide range of groups, including ██████████. We are also in early discussions with the ██████████, which owns and leases hundreds of acres of land across ██████████ to farmers, about future collaboration on value-added processing and local food manufacturing. We welcome the opportunity to share our work and our data broadly.

██████████ and ██████████ will work closely with ██████████ and other organizational partners and collaborators to share the results of our work widely. Both organizations are regularly asked to speak at events regionally and nationally about our work, and welcome the opportunity to share what we hope to learn with the Commissary project. Through these channels, we will continue to share the lessons and experiences beyond the grant term.

3. Budget Justification:

USDA funding will be used to pay for start-up operations of the Commissary, including a portion of staffing, overhead (insurance, rent, etc.), and the purchase of certain specialty equipment needed for this new social venture. The intent is to use the USDA funding to pilot this effort and demonstrate its potential impact. Our goal is to turn the operation into a fully self-sustaining business venture, where earned revenue from contracts covers the cost of operations. None of the funding for this project goes toward capital expenses. All of the other infrastructure necessary for operations—including a licensed commercial kitchen and large cold and frozen storage facilities, are already in place. The \$150,000 budget to start the Commissary kitchen includes the requested \$100,000 from the USDA and a \$50,000 match that is already fully committed. This budget is sufficient to develop and implement the commissary model and track and disseminate results.

The USDA funds will go toward the work plan items of

Establish Food Production Small Business Center as a licensed warehouse facility

\$3,500 to develop and negotiate HAACP plan

\$500 State Warehouse Permit

Implement aggregate purchasing and contract light processing of locally sourced food

\$17,250 Contract development and negotiation

\$50,600 FTE Production Staff

Develop model and disseminate outcomes

\$4,400 side-by-side financial analysis model

\$7,750 to collect data and populate model

\$11,000 Final Report on Process and Outcomes

Indirect Costs of \$5,000 can be applied across all work plan items

The matching funds will go to the work plan items of:

Develop model and disseminate outcomes

\$4,250 to collect data and populate model

Implement aggregate purchasing and contract light processing of locally sourced food

\$38,500 for equipment purchase

Indirect Costs of \$7,250 can be applied across all work plan items