

Urban Small Farms Conference 2019

Wednesday, February 20th, 2019

Time	Local Food Markets and Farm Profitability
1:00	Update of Local Food Advisory Council Jack Wilbur, UDAF and Ruby Ward, USU pg. 135
1:30	Farm Profit and Local Food Markets - Ruby Ward, and Karli Salisbury, USU pg. 141
2:00	Preparing for Wholesale Markets - Laurie Seron, Utah's Own Director pg. 142
2:30 - 3:00 Break	
3:00	Realities of Buying Local: Buyer Panel - Steve Lunzer, Whole Foods Jason Gray, Marriott City Creek Muir Copper Canyon
3:30	pg. 145
4:00	Realities of Selling Wholesale: Farmer Panel - Holiday Dagleish, Keep It Real Vegetables Jordan Riley, Riley Farms Ben Hogan, East Farms
4:30	pg. 146

Click on the session you would like to view and it will take you there!

Update of Local Food Advisory Council

The Local Food Advisory Council was established in 2017 by HB 121 to set priorities for protecting and enhancing local food supply. This has pulled together a broad panel of interested parties and also created four sub-groups. The primary charge of the Local Food Advisory Council is to make recommendations on how best to promote vibrant, locally owned farms, promote resilient ecosystems, promote strong communities and healthy eating and develop a robust, integrated local food system. Several meetings were held by the council and sub-committees that have explored various issues related to local food systems and agriculture in Utah. These include potential gaps in food entrepreneurship support and potential food hub. This session will provide updates on what the committee has found and continuing plans.

Ruby Ward

Professor, Economic Extension Specialist
Utah State University
Ruby.ward@usu.edu

Dr. Ruby Ward was raised on a farm and ranch in South-eastern Idaho. From Texas A&M University she received an MBA and a PhD in Agricultural Economics. Dr. Ward is a professor in the Department of Applied Economics at Utah State University. She teaches agricultural finance and community planning. Dr. Ward has delivered educational programs in Utah and the surrounding region for the last 18 years. Ward currently co-chairs the Urban and Small Farms Conference in Utah. Ward is the project leader for the Rural Tax Education website (RuralTax.org) and Co-chair of the National Farm Income Tax Extension Committee.

Jack Wilbur

Information Specialist/Public Information Officer
Utah Department of Agriculture and Food
JackWilbur@utah.gov

Jack Wilbur is a public information officer at the Utah Department of Agriculture and Food. He also serves as staff for the Local Food Advisory Council, and coordinator for UDAF in urban Ag programs.



LOCAL FARMERS FIRST:

2019 Legislative Session
Total request: \$1,019,621

A Triple Win for Agriculture, Consumers and the Economy

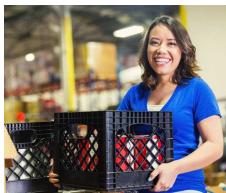
In 2017 the Utah State Legislature created the Local Food Advisory Council (LFAC) to develop ways to create vibrant local food economies, increase access to fresh local food, and support sustainable, vital agricultural operations throughout the state. In late 2018, working groups of the LFAC offered four proposals to achieve those goals. Here's a brief description of each program request.

Local Food Hub Startup and Development Fund: (\$250,000 one time)

Local food hubs are fresh and processed food aggregation and distribution centers that focus on locally grown and produced food. Conversely, most food distribution companies that operate locally are actually bringing in most or all of the food they sell to their wholesale food service providers and grocery stores from around the country and the world. Clients for a food hub include schools and school districts, restaurants, cafeterias and in-house food service providers at hospitals, universities and corporations, senior care facilities, day care facilities, etc.

A food hub is a distribution warehouse with dry, room temperature storage, a large walk-in refrigerated cooler a walk-in freezer, and one or more specialized delivery trucks/vans for pick-up and delivery. Many food hubs are now also offering at least basic processing of raw agricultural products to make those products easier to sell to food service organizations.

A \$250,000 one-time Legislative appropriation is requested to create a Local Food Hub Startup and Development Fund to provide grant seed money to contribute to food hub start-up costs.



A WIN FOR UTAH FARMERS:

- A food hub would provide a reliable distribution source for medium size and larger farms
- The aggregation feature of a food hub would allow small farms to enter wholesale markets

A WIN FOR UTAH CONSUMERS:

- More local restaurants, grocery stores, hospitals and schools would have consistent access to local food, especially farm fresh food.

A WIN FOR UTAH ECONOMY:

- The \$250,000 investment from the State represents a small part of the start-up cost of a food hub. That money would be levered with private and possibly local or federal government funds.
- Utah State University estimates that every \$1million in sales will result in \$2.31million in economic output (2.31 multiplier effect)
- Eventually each hub could generate \$5.1million in direct output, resulting in \$12.8 million in total economic output, and 32.9 jobs generated by the food hub.

Utah is one of only a few states without a food hub, but the concept will merge and connect small producers with large institutions.

Utah Produce Incentives--\$400,000 ongoing funding

A WIN FOR THE UTAH ECONOMY:

- Each dollar of SNAP/incentive generates \$1.79 of local economic activity (USDA). \$525,157 of economic activity was generated by DUFB between 2015 and 2017.
- Participating farmers report a willingness to hire more staff (23%), put more land into production (36%) and increase crop variety (45%).

A WIN FOR UTAH FARMERS:

- From 2015-17, Utah farmers received \$293,384 in combined DUFB and SNAP sales from farmers markets and farm stands and gained new, loyal customers
- 71% of participating farmers are selling more fruits & vegetables as a result of DUFB, and 76% said they are making more money.

A WIN FOR LOW INCOME UTAH FAMILIES:

- DUFB helped approximately 6,000 low-income Utahns in 2017, reaching more than 10,000 since 2015.
- 80% of DUFB participants ate more fruits & vegetables and in a wider variety because of the program.

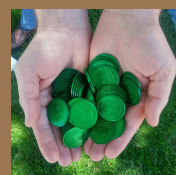
Since 2015, Utah produce incentives have demonstrated the power to increase the demand for local food, support local agriculture jobs, and improve diet quality for low-income families. Double Up Food Bucks (DUFB) is an example which matches \$10 daily of SNAP (food stamps) benefits to purchase fresh Utah fruits and vegetables at farmers markets and farm stands. In 2018, the program operated in 25 markets, farm stands, and mobile markets. The demand for these incentive in Utah has grown at least 20% annually since 2015. In 2017, the Utah Department of Health (UDOH) created the Utah Produce Incentive Collaborative (UPIC) to support DUFB and other incentive programs through cross-sector partnerships with over a dozen organizations. UPIC aims to support farmers by increasing access to fresh, local fruits and vegetables among Utahns, especially among low-income families and those at higher risk of chronic disease.

An ongoing appropriation of \$400,000 per year would support the cost of incentives and other program expenses, pumping \$626,500 per year into Utah's economy.



"The program has been really great for people who need it and for us as farmers. ... As far as the impact on sales, we've seen a nice surge of customers. We're reaching a new market of people which is making a visible difference."

~ Rachel, Wilkerson Farms



LOCAL FARMERS FIRST

Incentivizing Local Purchasing in School Meals (\$250,000, One-year pilot)

Buying locally-grown items from small farms often costs more than buying from major distributors.

Five states currently incentivize the use of local foods in schools through better reimbursement rates when food is local. This has significantly increased the percentage of local food served in schools. We propose \$250,000 for a one-year pilot of a Utah-grown incentive program, up to 20% of which would be administrative.

Schools will apply for program participation and submit invoices showing local-food purchases to receive the extra reimbursement.

Participation will be limited to 20 School Food Authorities (SFAs) during the pilot year. SFAs must meet minimum criteria outlined in the grant application, this states that the food must be grown in Utah and served as part of the National School Lunch Program, School Breakfast Program, or Seamless Summer Option.



A WIN FOR UTAH'S CHILDREN

- Students will get farm-fresh local foods more consistently.
- Children will receive more nutrients critical to their development
- Cafeteria managers in states with similar programs report a drop in food waste and increase in fruit and vegetable consumption.

A WIN FOR UTAH'S FARMERS

- The incentive counters the sometimes-higher cost of local food from small farms.
- Schools provide a large, consistent market for local farmers.
- Children who eat local food are better educated about agriculture and will support Utah farms.

A WIN FOR UTAH'S ECONOMY

- Farm to School programming typically has a 2-to-1 return on investment. A \$250,000 pilot program should return \$500,000 to Utah's economy.
- Michigan saw three school districts increase local fruit and vegetable purchases from \$31,000 to \$150,000 a year during the first two years of a similar program.
- States with these incentive programs typically see participating schools spend more on local produce than reimbursed for.

Food Innovation Implementation Coordinator: (\$119,621, one FTE)

A WIN FOR UTAH FARMERS:

- The coordinator will help farmers that want to create their own value added products and help them connect with companies who want to buy their raw products.
- Farmers will have a more consistent income source.

A WIN FOR UTAH CONSUMERS:

- The coordinator will facilitate more local food on the market year round in the form of value added products.

A WIN FOR THE UTAH ECONOMY:

- The multiplier effect for value added products is estimated by Utah State University to be between 1.79 and 2.31 on average. Every \$100,000 spent on raw farm ingredients could easily generate \$175,000 or more to the Utah economy

The Food Innovation Implementation Coordinator would be a new FTE, with a total compensation and benefits package of \$119,621/year.

The position will initially be housed at the Utah Department of Agriculture and Food, and will coordinate and or be a liaison between food and Ag. entrepreneurs and all of the business assistance organizations, regulatory entities, etc.

There are a lot of resources and regulations out there that local farms and startup food companies must navigate.

A 2018 study by Utah State University identified a need for a person that can be dedicated to tying it all together.

USU extension is very supportive of this concept as are many other organizations.

This person would be responsible for coordinating resources, services and regulatory information for farms looking to expand into new markets or crops and food entrepreneur startups. This person would connect businesses with local governments, state agencies, SBA offices and services, non-governmental entities like USU extension, Incubator kitchens and skilled private sector professionals in business licensing, set up, product development, etc.





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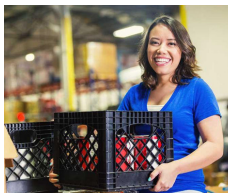
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Farm Profit and Local Food Markets

This session will cover why access to wholesale markets can improve farm profit and viability. This will pull from research that shows how the various types of markets affect profit. It will compare returns from different wholesale and direct market alternatives and how the overall viability of the business changes. This session will also look at the potential differences in labor costs and variability in returns from different types of markets both direct (i.e. CSAs, farmers markets) and wholesale (i.e. distributor, grocery store, and restaurant).

Ruby Ward

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Karli Salisbury

Research Assistant, Applied Economics
Utah State University
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Karli received her BS in Economics and her MS in Applied Economics with an emphasis in rural development from USU. She is currently working for USU as a research assistant providing money management outreach materials to American Indians, extension materials on farmers' market produce price trends as well as conducting impact analysis.



FARM PROFIT & LOCAL FOOD MARKETS

Urban and Small Farms Conference 2019

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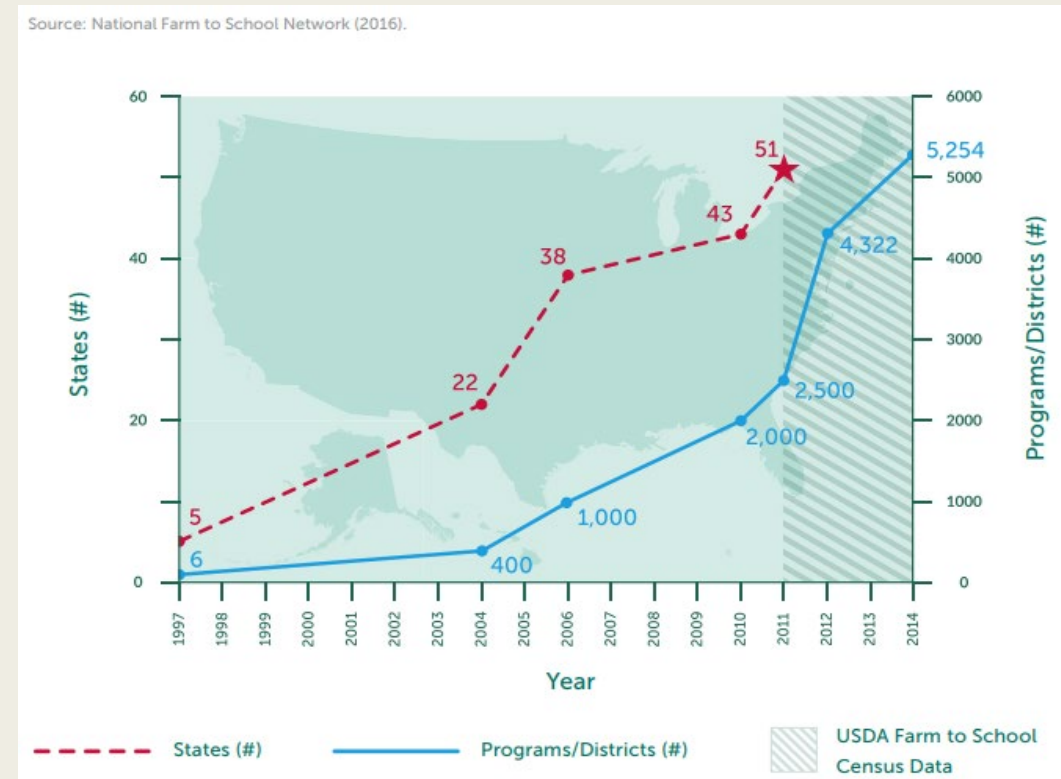


What Marketing Strategy is Best for Me?

- USDA Census of Agriculture's 2015 Local Food Marketing Practices Survey (1st ever survey)
 - *167,009 producers sold through local markets*
 - *Sales totaled \$8.7 Billion*
 - *35% of sales through direct-to-consumer (DTC) markets*
 - *27% of sales through wholesale markets*
 - *39% of sales through intermediate markets (K-12 schools, restaurants, hospitals, food hubs)*
- DTC sales have been plateauing since 2007, even though we have seen an INCREASE in the number of farms participating in DTC Outlets
- Farms with gross cash farm income below \$75,000 accounted for 85% of local food farms, but only 13% of local food sales
- Farms with gross cash farm income above \$350,000 accounted for 5% of local food farms, but 67% of local food sales

Growth in Local Food Marketing Channels

- From 2008 – 2017, farmers' markets
↑ 185%
- From 2007 – 2014, regional food hubs
↑ 288%
- From 2006 – 2014, Farm-to-School programs
↑ 362%



Source: Economic Impacts of Farm to School Case Studies and Assessment Tools, 2017

Farm Survival

2007 & 2012 Census of
Agriculture Comparisons

Business survival rates 2007-12 by initial farm size and marketing arrangement

2007 sales category	All operations		Beginning farmer in 2007	
	No direct sales in 2007	Direct sales in 2007	No direct sales in 2007	Direct sales in 2007
\$1-9,999				
Survival rate, 2007-12	0.453	0.549***	0.416	0.507***
Observations	484,211	51,535	177,392	22,170
\$10,000-49,999				
Survival rate, 2007-12	0.581	0.667***	0.521	0.611***
Observations	268,758	23,729	68,053	7,647
\$50,000-249,999				
Survival rate, 2007-12	0.656	0.738***	0.593	0.649***
Observations	194,563	11,270	35,364	2,661
\$250,000+				
Survival rate, 2007-12	0.728	0.791***	0.66	0.704***
Observations	178,515	5,450	27,115	800
All				
Survival rate, 2007-12	0.553	0.609***	0.474	0.543***
Observations	1,126,047	91,984	307,924	33,278

Notes: Asterisks denote rejection of the null hypothesis that the difference in means is zero at the (*) 10%; (**) 1%; and (***) 0.1% statistical significance levels. Sample includes all operations with positive sales in 2007. The survival rate is defined as the share of 2007 Census respondents with positive sales who reported positive sales in the Census in 2012.

Source: USDA, NASS, Census of Agriculture, 2007, 2012.

Farm Growth

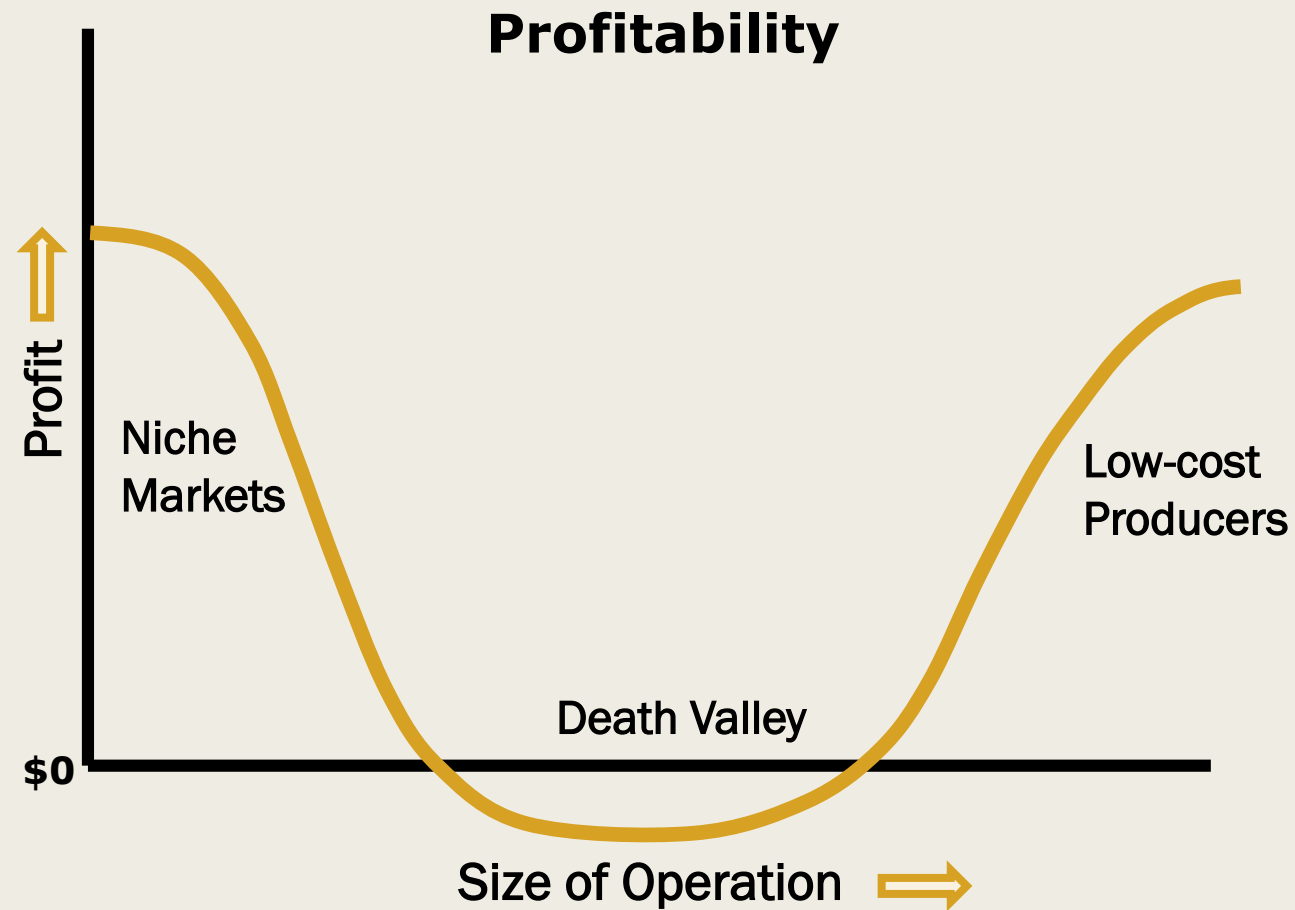
Percent change in sales 2007-12 by initial farm size and marketing arrangement

2007 sales category	All operations		Beginning farmer in 2007	
	No direct sales in 2007	Direct sales in 2007	No direct sales in 2007	Direct sales in 2007
\$1-9,999				
Arc percent change, 2007-12	36.9	31.8***	41.5	35.4***
Observations	225,862	28,981	76,121	11,521
\$10,000-49,999				
Arc percent change, 2007-12	2.8	-12.1***	2.1	-16.7***
Observations	158,367	16,057	35,902	4,736
\$50,000-249,999				
Arc percent change, 2007-12	12.1	-3.3***	14.6	-6.5***
Observations	128,175	8,350	20,941	1,736
\$250,000+				
Arc percent change, 2007-12	12.3	3.9***	11.5	-9.8***
Observations	130,434	4,336	17,936	559
All				
Arc percent change, 2007-12	19.3	13.5***	25.6	17.9***
Observations	642,838	57,724	150,900	18,552

Notes: Asterisks denote rejection of the null hypothesis that the difference in means is zero at the (*) 10%; (**) 1%; and (***) 0.1% statistical significance levels. Sample includes all operations with positive sales in 2007. The percent change for farm i is defined: $100 \cdot (x_{it+1} - x_{it}) / 0.5 \cdot (x_{it+1} + x_{it})$.

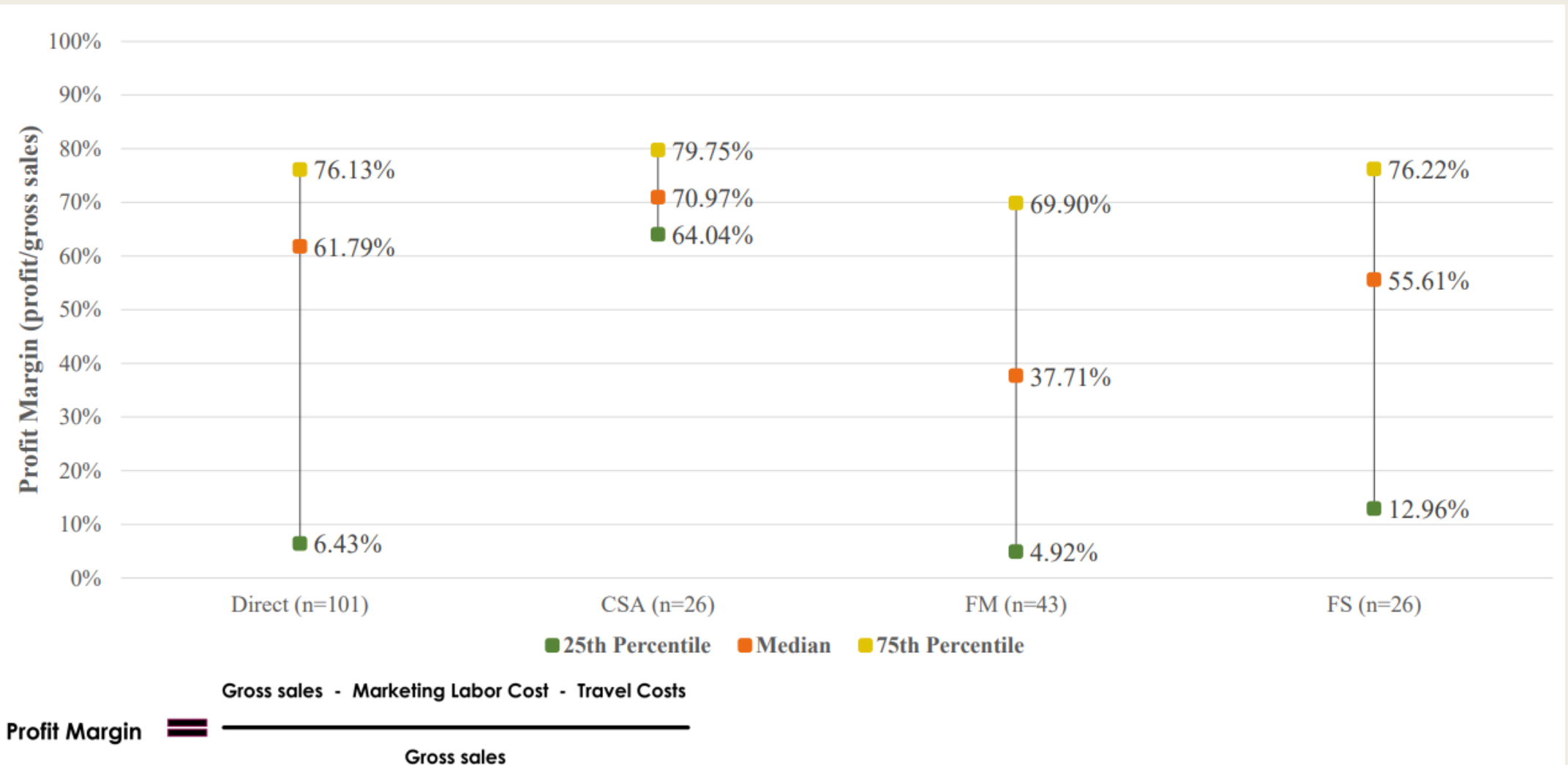
Source: USDA, NASS, Census of Agriculture, 2007, 2012.

One Interpretation of Agricultural Markets



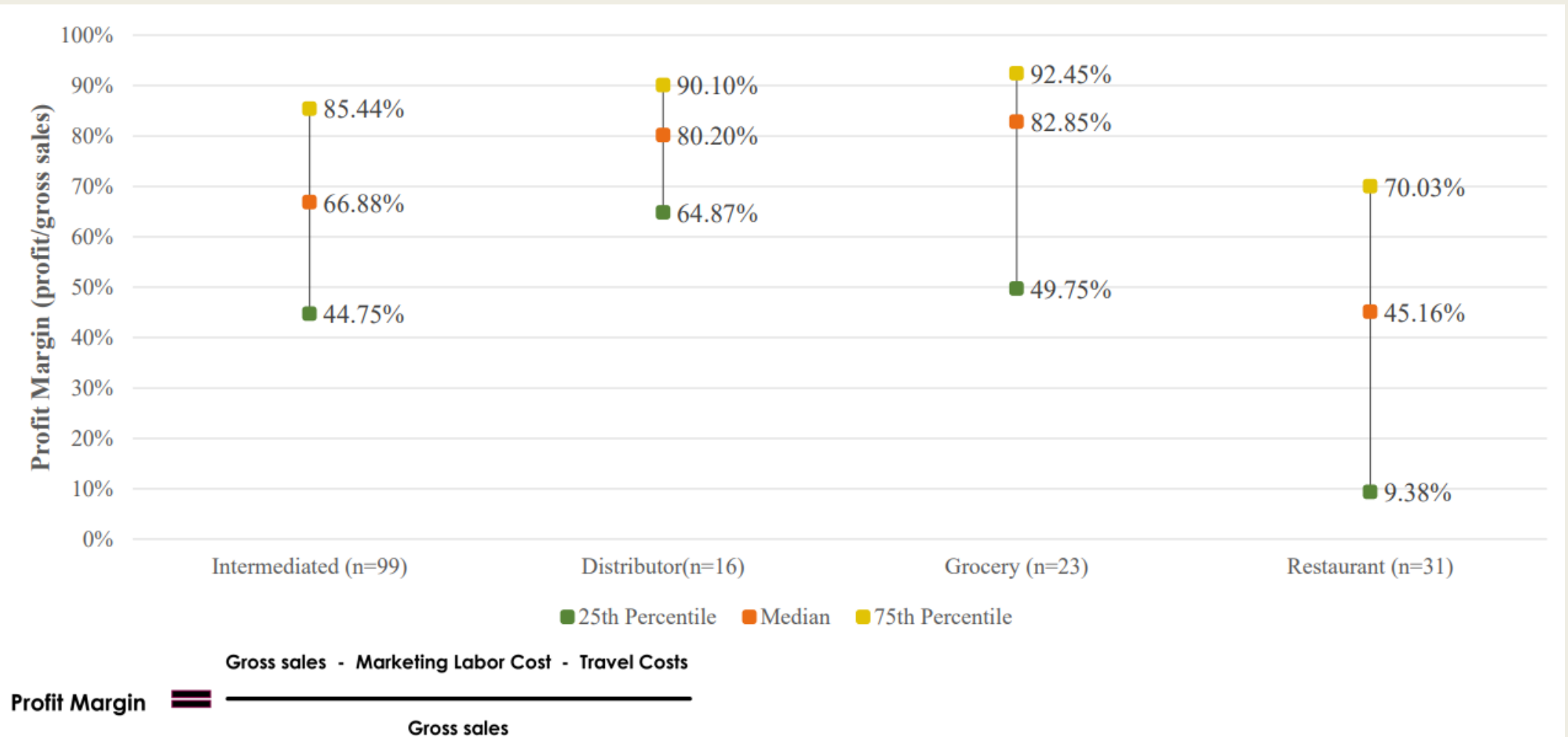
Profit Margin Percentiles, Direct Channels

Market Channel Assessment Benchmarks – Colorado State University



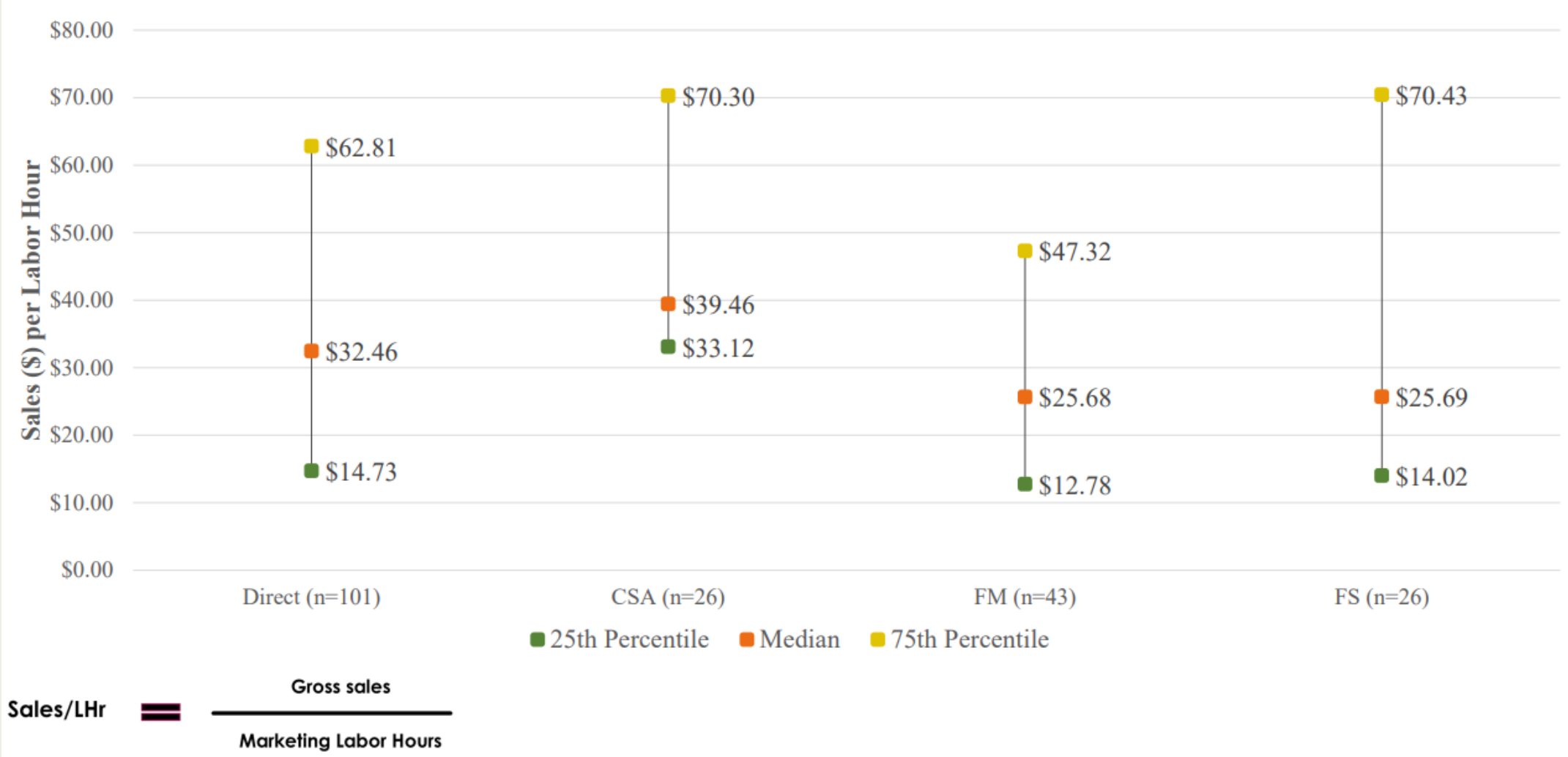
Profit Margin Percentiles, Intermediate Channels

Market Channel Assessment Benchmarks – Colorado State University



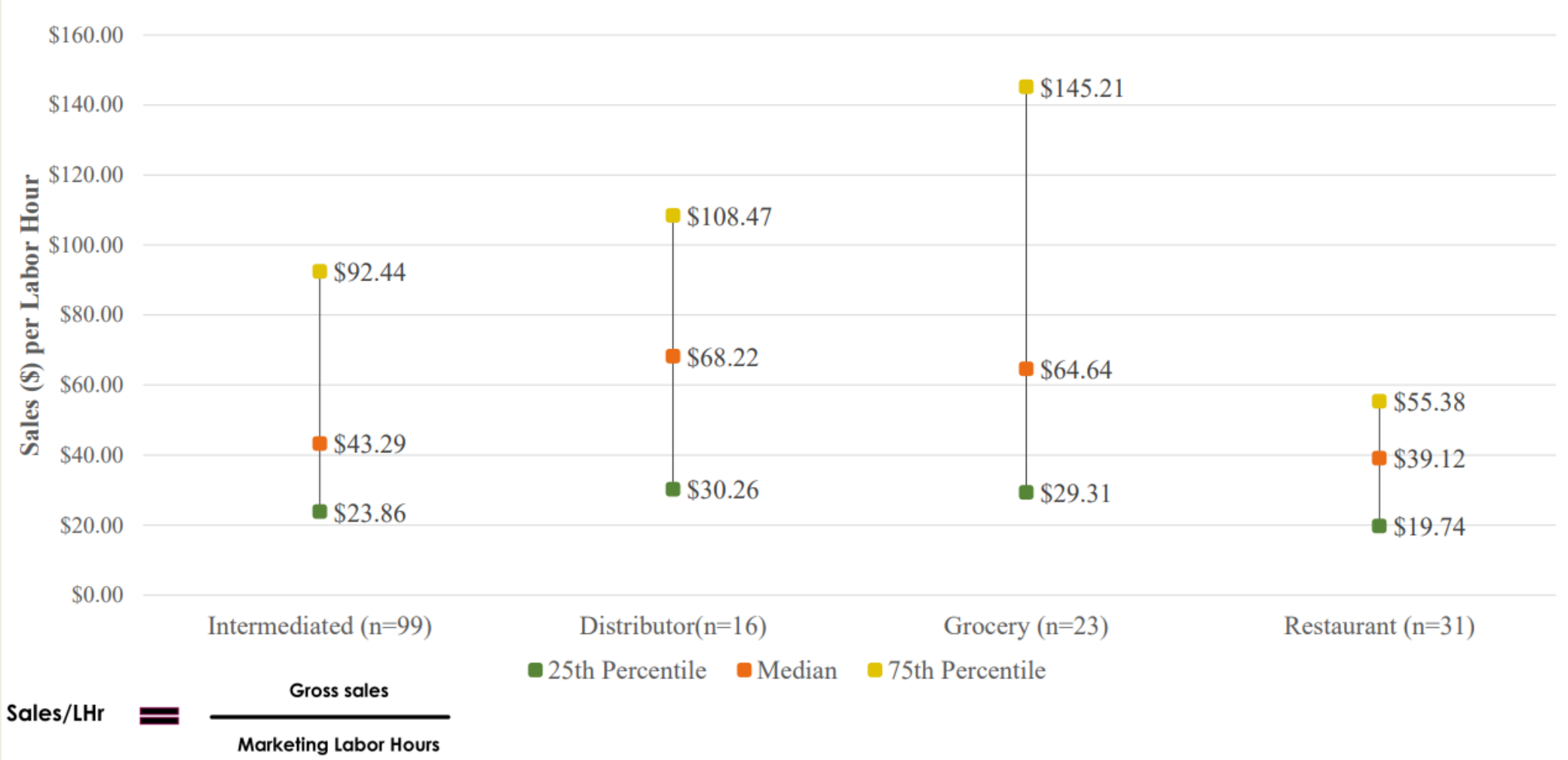
Sales per Labor Hour Percentiles, Direct Channels

Market Channel Assessment Benchmarks – Colorado State University



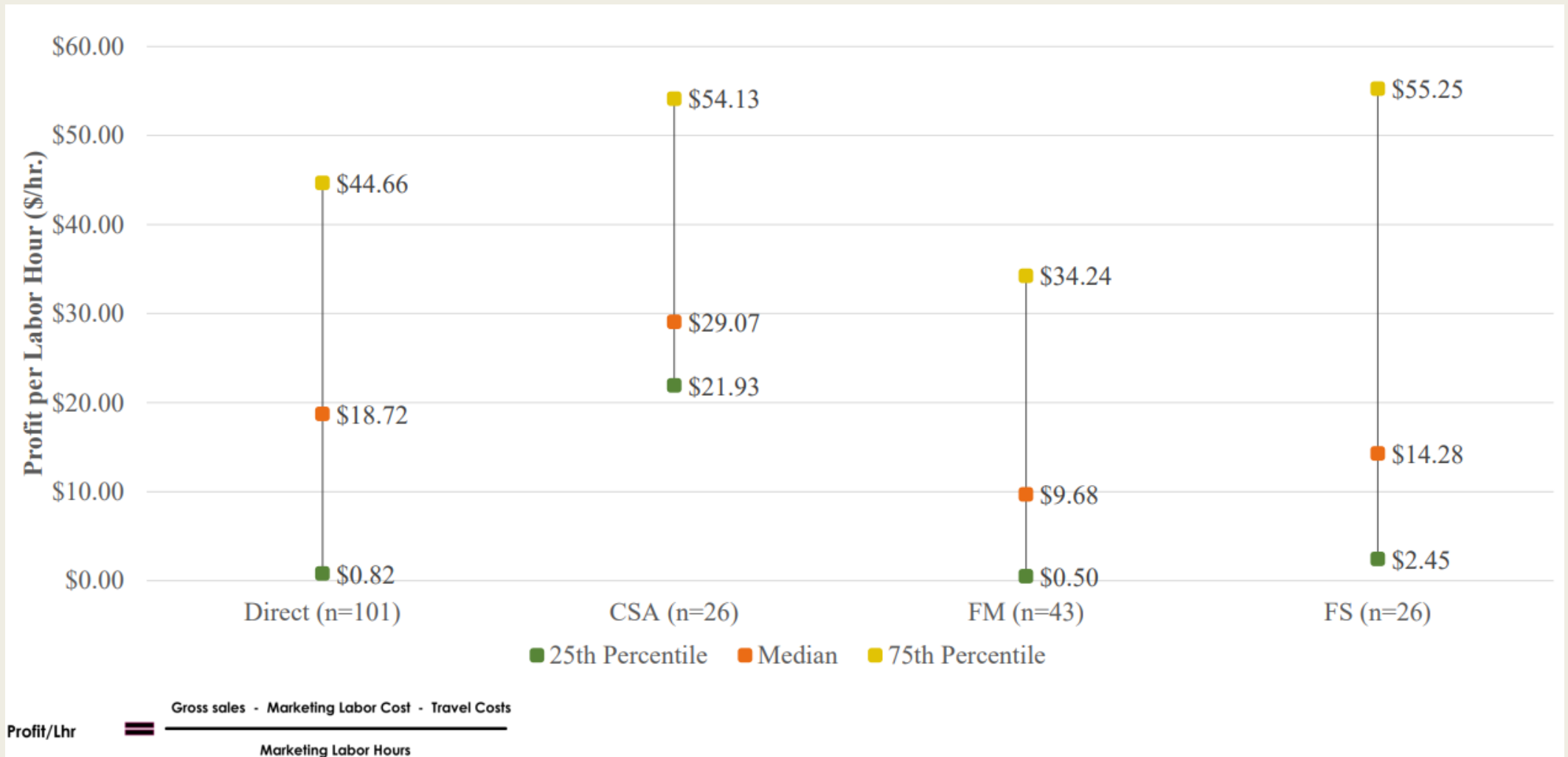
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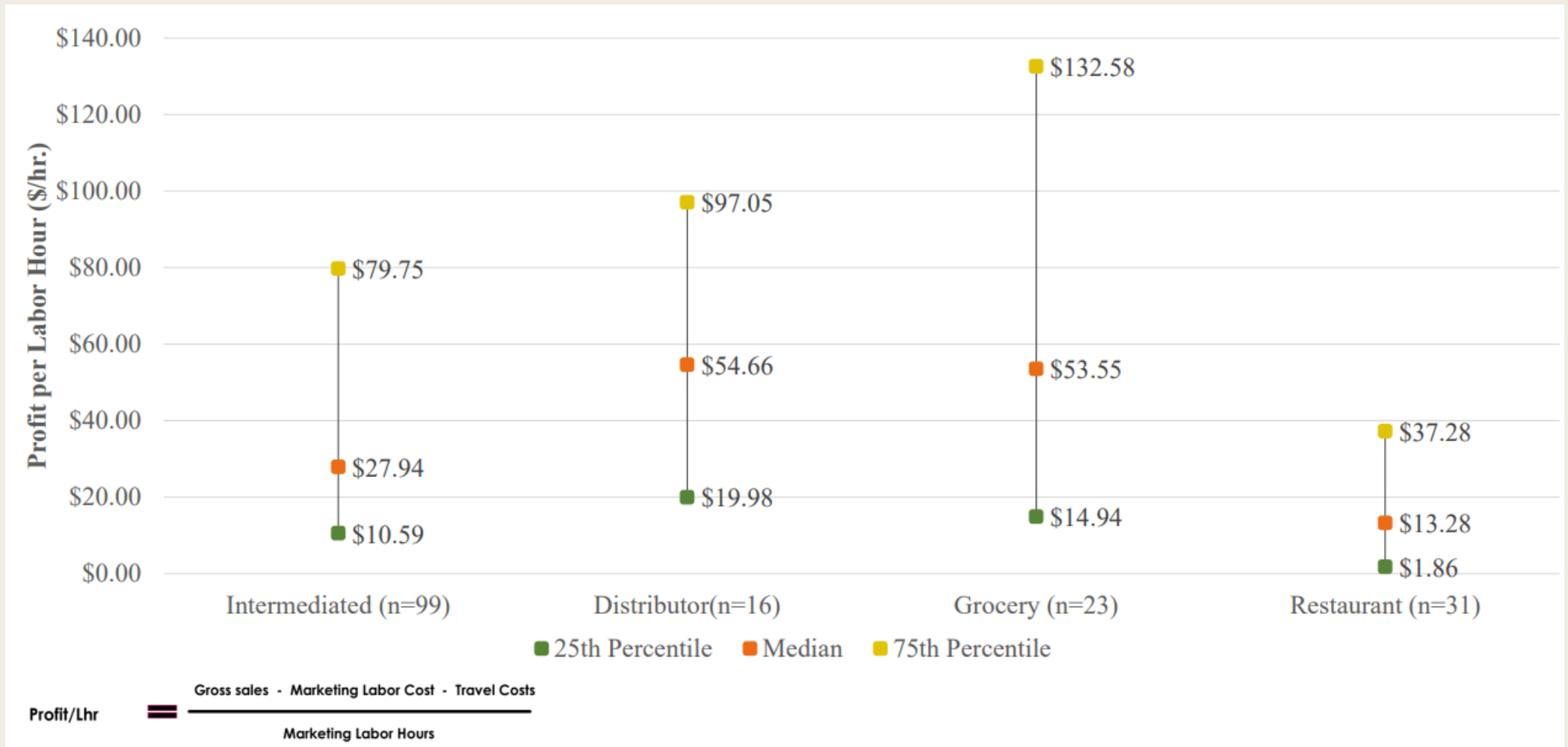
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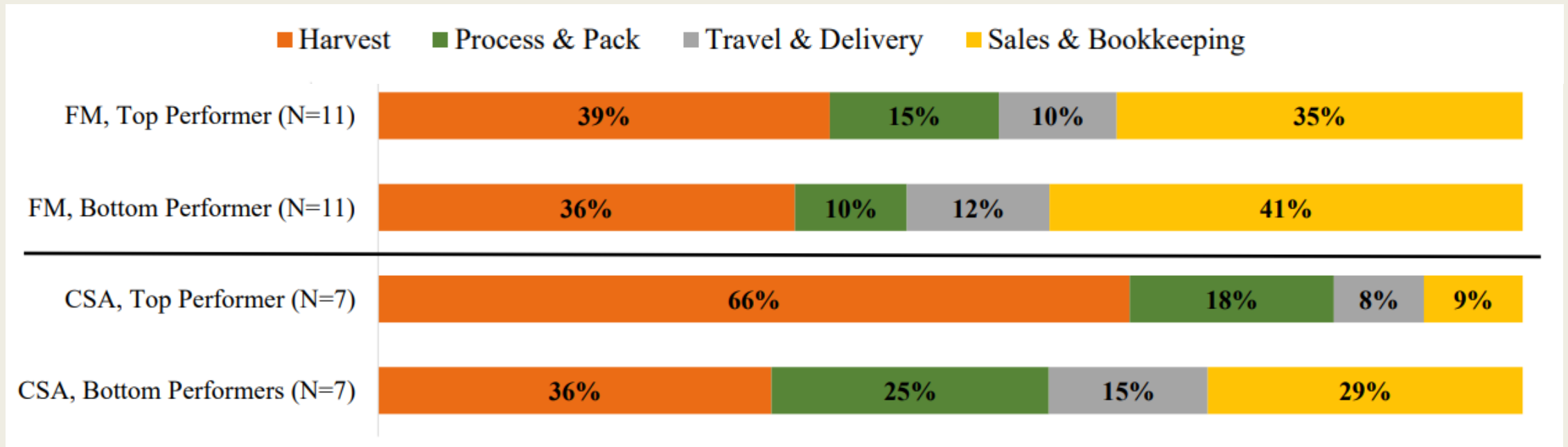
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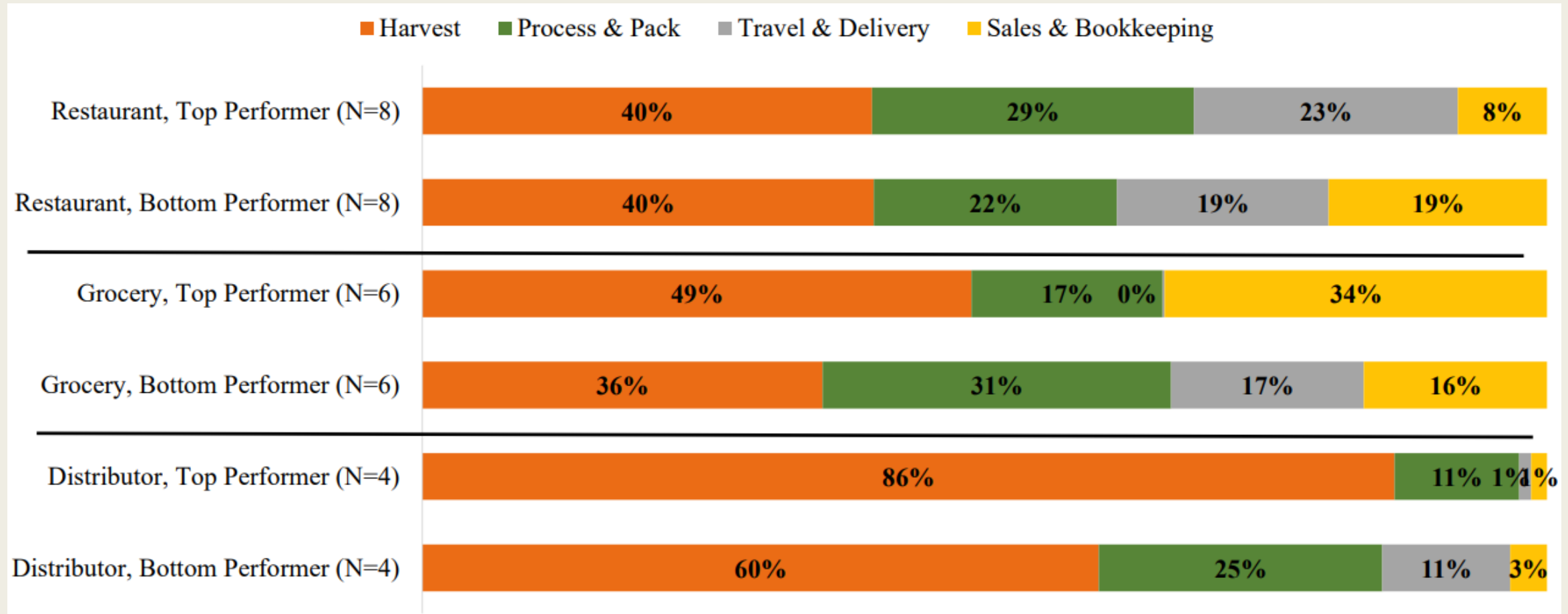
Percentage of Labor Distribution by Marketing Channel, Direct Channels

Market Channel Assessment Benchmarks – Colorado State University



Percentage of Labor Distribution by Marketing Channel, Intermediate Channels

Market Channel Assessment Benchmarks – Colorado State University



Preparing for Wholesale Markets

This will cover both basics of certification and other issues, but also cover the specifics in how different markets may need products in different forms. For example, a restaurant may want a whole head of lettuce, but a school district may need it washed, chopped and bagged. For some wholesale markets a food hub may be needed to do the processing.

Laurie Seron

Utah's Own Program Director
Utah Department of Agriculture and Food
lseron@utah.gov

Laurie Seron has been a food producer in the Salt Lake Valley for over 20 years. She is founder of Laurie's Buffalo Gourmet Tortilla Chips. Laurie has lived through the ups and downs of being an entrepreneur in the food industry. In 2011, Laurie organized a successful vendor community group called "Utah Specialty" which gave food vendors a place to gather, share their experiences and be educated. As a result, in 2015 Laurie was hired by the Department of Agriculture as a Business Liaison. In January of 2018, Laurie was happily promoted to Utah's Own Program Director. Laurie currently serves on the Board of Directors for Women in Business and on the committee for the Women's Entrepreneurial Conference. A conference that is held annually to award grants ranging from \$500 to \$5,000 to women who are beginning or growing their business. Laurie and her husband live in Salt Lake City and have 6 children and 6 wonderful grandchildren.



Preparing for Wholesale Markets

Retailers, Restaurants, Hospitals, Schools, Hospitality...



- 
- Certification
 - Food Distribution and Local Market Share
 - Preparation
 - What is a Food Hub?
- 

USDA Certifications

Retail

Restaurants and Cafeterias

Hospitals

K-12 Schools

Universities

Hospitality

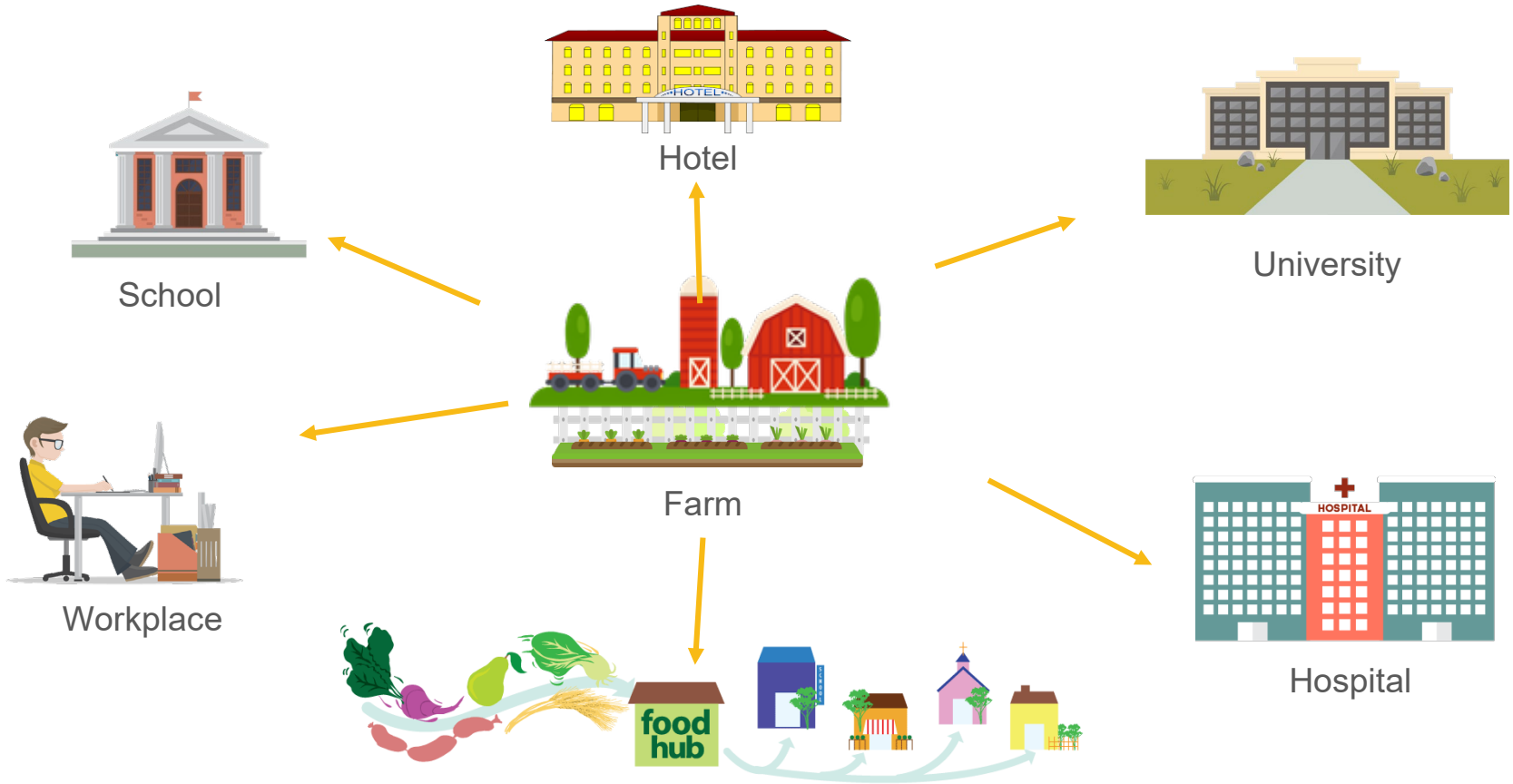
Senior Care

*Good Agricultural Practices (GAP) &
Good Handling Practices (GHP)

*GroupGAP Food Safety Program

ams.usda.gov/services/local-regional/food-sector/food-safety

Food Distribution and Local Market Share





Minimal to Expansive Processing

Processing Needs

School Districts

- Lettuce, spinach, other greens—always chopped and bagged
- Apples—bigger districts buy sliced, especially for the younger grades
- Carrots—typically all “baby” carrots, usually individual serving bags but also in bulk for salad bars
- Cucumbers—bought whole and sliced on site
- Tomatoes—almost always purchase cherry tomatoes
- Potatoes/sweet potatoes—usually sliced (into fries, hash, etc.) and frozen, with the exception of mashed potatoes (dehydrated)
- Peas—almost always frozen
- Sweet corn—frozen or canned

Restaurants

- Lettuce--Full heads
- Lettuce--Baby/Spring loose leaf mix
- Apples--Whole
- Carrots--Whole
- Cucumbers--Whole
- Tomatoes--Whole, full size and cherry
- Potatoes/sweet potatoes--
- Peas--
- Sweet corn--

What is a Food Hub?

A food hub is a business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers in order to satisfy wholesale, retail, and institutional demand. Food hubs also fill gaps in food systems infrastructure, such as transportation, product storage, and product processing.



Food Hub Benefits

- **Assists farmers in marketing to well over 2,000 institutions and workplaces that are currently not purchasing local food**
- **Central location for all institutions, workplaces and food manufacturers**
- **Increases procurement by institutions, workplaces and food manufacturers**
- **Reduces food miles thus lowering the cost of distribution**
- **Creates a healthy regional food system**
- **Greater economic development**
- **Potential to provide year round produce**

Aggregation:

Compile products from different suppliers/farms to distribute through a single channel.



Distribution:
Store products and transport
them to the customer.



Marketing and Sales:
Find buyers, sell and advertise
products, and promote farms'
brand identities.





The Big Picture A Healthy Local Food System



Realities of Buying Local: Buyer Panel

This session will provide a panel representing various types of potential wholesale markets. Each panel member will discuss both what they need in terms of product characteristics, why they try to buy local, and their experiences in seeking local agriculture products.

Steve Lunzer

Produce Coordinator

Whole Foods

steve.lunzer@wholefoods.com

I am the produce coordinator for the Rocky Mountain Region. I am responsible for all Produce Operations, Purchasing, & financials for the following area's CO, UT, ID, TX, KS, & NM.

Jason Gray

Executive Chef

Marriott at City Creek

Jason.gray@marriott.com

Jason started his journey at NC State University where he took a job in a kitchen to make extra money for school. He found his passion for the industry and left Raleigh to attend Johnson & Wales University in Charlotte, North Carolina. He started working with Marriott while attending school and found his niche within the Marriott culture. In addition to his Marriott career Jason cooked for the James Beard foundation in New York and has also spent multiple years cooking for AT&T at the Master's Golf Tournament in Augusta, Georgia. Jason met his lovely wife Grainne, while working at the Charlotte Marriott City Center and they have traveled together across the country working at multiple properties together. Jason has two wonderful daughters Avery and Autumn and enjoys spending time in the mountains of Utah hiking, camping and exploring.

Cooking for 20 years 15 with the Marriott, Jason has worked front and back of the house as well as in country clubs, restaurants, hotels, and owned a catering business.

Muir Copper Canyon

Distribution Center

Salt Lake City

Muir Copper Canyon Farms is the Intermountain West's premier produce and specialty foods distributor to the food service trade. With a state-of-the art distribution center in Salt Lake City, we service the entire state of Utah -- from Logan to St George. Also, via our facility in Idaho Falls, we service Eastern Idaho and Wyoming, including Pocatello, Rexburg, Idaho Falls, and Jackson. Muir Copper Canyon also serves multiple school districts within Utah.

Realities of Selling Wholesale: Farmer Panel

This session is a companion to the previous panel and will discuss from the farmers point of view, their experience in selling to or seeking to sell to various types of wholesale markets. They will discuss advantages and disadvantages as well as the issues they have encountered and what they would like to see happen.

Holiday Dagleish

Producer

Keeping It Real Vegetables

HolidayRay@gmail.com

Holiday Dagleish, farmer and co-owner at Keep It Real Vegetables. Studied Wildlife Biology at Humboldt State University, and went on to earn undergraduate degrees in Latin American Studies and Spanish. In an exchange program to Northern Mexico in 2006, she studied desert agriculture and green building, and co-led an organic gardening project with orphaned and under-privileged children at a monastery.

After moving to Portugal in 2009 she became enamored with the Portuguese approach to accessing affordable fresh organic vegetables. When Holiday moved back to her hometown of Salt Lake City in 2012, she turned her front and back yards into fruit and vegetable gardens, and began working with Tyler at Keep it Real Vegetables. After learning from Tyler and her other small farm friends about the many aspects of commercial urban organic farming, she launched her own successful business in 2014, Doc Holiday's Organically Grown Veggies. In 2015, Holiday and Tyler joined gardens, efforts, and expertise under Keep it Real Vegetables and continue to grow high quality organic food for their community.

Jordan Riley

Producer

jordandri@gmail.com

Jordan Riley runs 200 acres in 9 orchards in Perry and Willard, growing cherries, apricots, peaches, apples and more. He grew up farming orchards his family -- Alan and Christopher -- still operate today. From direct sales, wholesale, distributing, farmers markets, processing, there are not many ways Jordan has not tried to sell fruit. He can talk about how he has used those markets and current issues he has encountered. He can also talk about potential solutions to improve selling local fruits and vegetables into various markets.