

**Department of Agriculture, Trade and Consumer Protection
Division of Marketing
Agricultural Development & Diversification program**

Grant Final Report

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1). Original intent of project

The Farm-to-Market project was initiated to demonstrate an accelerated product development process for small food product entrepreneurs. The project intended to engage food entrepreneurs in a proactive partnership with a network of local business and technical assistance providers. Project objectives focused on facilitating a process that included: identification of product opportunities, establishment of community-based assistance networks, and provision of cutting-edge, intensive technical support. The ultimate goal of the project was to accelerate the process of successfully developing and marketing local food products.

Project objectives were modified somewhat in response to a unique partnership opportunity that developed out of early project activities. As part of our work plan, we initially contacted a network of cooperative grocery stores in the Minneapolis/St. Paul area (Twin Cities Natural Foods Cooperatives - TCNFC) to explore marketing opportunities for local food products. The TCNFC association includes seven stores, with combined annual sales of over \$57 million.

In the course of our discussions with TCNFC it became clear that they were interested in exploring the potential for a more significant partnership with local farmers - a partnership that could provide preferred access to a large urban customer base, and equally important, offer direct assistance in identifying and developing local potential products. Our project work plan was modified in order to take advantage of this opportunity, primarily by working directly with several local entrepreneurs to develop product prototypes and initiating a test marketing effort in cooperative stores.

2). Work conducted in this project

The following activities were undertaken towards accomplishing program goals:

Establish Local Marketing Connections

The project assisted with the relocation of Menomonie Market Natural Foods Co-op. The cooperative moved into the West CAP Crossroads Center on July 31, 2001. The lease was written with a five-year commitment and five-year renewal option. A clause in the lease states that the co-op grocery will carry products produced in the kitchen either through outright purchase or on consignment if the product meets the established criteria for stocked products. Generally, the product-purchasing plan seeks minimally packaged, organic/natural food products. An emphasis is placed on the purchase of locally grown and produced foods.

The project also supported expansion of the Menomonie Farmers' Market site as a retail outlet for value-added products. West CAP took over management of the farmers' market beginning in April 2001. An operating plan was established which included a booth cost and encouraged a season-long commitment from the

vendors. In previous years the farmers' market had no more than four or five regularly appearing farmers. In the summer and fall of 2001, between ten and fifteen farmers utilized the market, and sales were up over four-fold from previous years.

Keys to success at the market were: a) hiring an on-site manager to sign up new vendors and assist farmers and customers; b) certification of farmers for participation in the Farmers' Market Nutrition Program (FMNP) and WIC vouchers; c) diversification of the vendors to include bedding plant/perennial plants, fresh-baked products from the kitchen; and maple syrup.

In the seven-county area where West CAP coordinated the FMNP in 2001, over 600 low-income seniors participated and 72 farmers were certified to accept the vouchers as payment. The FMNP also included CSA farmers who worked with West CAP to break regular memberships into four boxes to more appropriately address individual senior food needs.

Accelerated Product Development Process.

Technical Assistance

The project was designed to explore the potential for establishing a network of technical assistance providers, with diverse expertise, to work with individual entrepreneurs. This network involved several components and the strategy for delivery of these components changed during the course of the project. The components were: (1) the West CAP's Business Development program provided basic business planning services, (2) the project contracted with a local consultant to work specifically on product development with individual entrepreneurs, (3) the project identified additional resource persons who had specific marketing and food product expertise – including faculty from nearby UW campuses (UW-Stout and UW-Eau Claire).

During the first six months of the project the West CAP staff and the consultant worked directly with several new entrepreneurs on product development, and UW-Stout faculty members were able to provide a limited amount of technical support. Early on, however, it became clear that while this approach could provide direct support, it was limited in its ability to encourage a more collaborative and strategic approach to market development by local entrepreneurs. During the second half of the project this technical assistance strategy was re-focused towards an approach that allowed greater access and participation, along with the potential for West CAP to be more pro-active in developing product opportunities.

During March and April of 2002 the project sponsored a six-week business development seminar for food product entrepreneurs. The seminar incorporated the NxLevel, "*Tilling the Soil of Opportunity*," business-planning curriculum

and provided training to seven new businesses. The NxLevel curriculum was developed by the University of Nebraska in cooperation with the USDA-SARE program. Our project Director, Karla Miller, completed program training as a facilitator for this training. Each session was four hours long, and included a presentation from one or more local technical assistance providers. Presentation topics included: legal issues for new food businesses, consumer research, marketing and advertising, food processing, food packaging, and market trends.

This format allowed the project to include a wider range of local technical assistance providers - university faculty as well as local business and professional consultants. The seminar also provided an opportunity for local entrepreneurs to begin discussing the potential for collaborative marketing strategies and opportunities for future cooperation. We expect that these discussions will lay the ground for a more formal association to develop, and West CAP is committed to supporting to that effort.

Test Marketing

The project also experimented with a test marketing of local food products. West CAP contracted with two local food businesses to develop and market a line of fresh deli products. This initiative allowed the project to develop prototypes for products that can be produced using primarily local ingredients. It has also provided local entrepreneurs with direct experience in developing and testing new products.

Marketing Focus Groups

In the spring of 2002, the project worked with a senior level marketing class at UW-Eau Claire to coordinate two consumer focus groups. Each focus group engaged 10 participants in an evaluation of marketing themes for local food products and a taste test of sample products. The discussions of each group of were summarized in narrative reports, which are attached to this document.

The students also conducted shopper surveys at the deli departments of Twin Cities area cooperatives. They interviewed customers and deli staff to determine the best approach for label development, image creation (how to market the product), and suggested marketing/advertising options to launch the new line of products. Summaries of their findings and label suggestions are also attached.

Marketing partnership with Twin Cities Natural Food Cooperatives (TCNFC)

One of the most promising product and market development opportunities identified by the project involves the potential to form a partnership between Crossroads Kitchen, local farmers, and the Twin Cities Natural Food Cooperatives. TCNFC is an association of seven cooperative grocery stores in the Twin Cities area. The stores are located less than 50 miles from Crossroads

Kitchen. The seven stores have over \$57 million in annual retail sales, with 27,000 member households and 200,000 monthly shoppers.

This partnership opportunity resulted from West CAP's research on opportunities for regional marketing. In looking at potential markets in the nearby Twin Cities metropolitan area, we found that co-op store managers were among the most receptive parties. This led to discussions with the TCNFC association staff and board, and these discussions led to an agreement to explore the potential for a partnership between urban stores and a rural community. Both parties have agreed to initiate a pilot project to explore the feasibility of having Crossroads Center contract to produce a line of proprietary products for sale in eight co-op stores.

TCNFC is interested in several objectives: (1) explore the potential for cost efficiencies in production of fresh and packaged foods, (2) develop the capacity to offer high quality "co-op signature" products that can be promoted as naturally and locally produced, and (3) provide a direct connection with farmers that will both enhance member loyalty and provide market differentiation from their competitors.

West CAP's goals in the project are to develop a model for a cooperative marketing service that can secure preferred access to a large urban market. West CAP's specific objectives include: (1) establishing a market development service to provide cooperative marketing of local food products, (2) implementing a partnership agreement with TCNFC to develop, produce and market products for sale in their stores, (3) developing a business model that will allow Crossroads Center to contract or partner with local food entrepreneurs to produce products for sale within the TCNFC agreement, (4) providing farmers, cooperatives and food processors with a local, premium market for specialty crops and other farm products, (5) organizing opportunities for farmers and rural communities to build direct relationships with urban consumers.

3). Outreach

The project, and participating farms and entrepreneurs, received a significant amount of press coverage. Examples are attached.

4). Results of the Project / Lessons Learned

The project has helped West CAP deepen its understanding of food product business incubation strategies, and also develop several very promising innovations in entrepreneur training, product development, and marketing. A few lessons learned:

- The delivery of intensive one-to-one technical assistance to new entrepreneurs is most efficient if those entrepreneurs have already made significant progress in their own business and product development process. Not surprisingly, most people who start the food product development process do not end up actually

starting a business or producing a product. In most cases, it is not efficient to provide access to intensive technical support (product development, packaging, marketing) to these entrepreneurs until they have completed a significant amount of initial planning and demonstrated a high level of personal commitment.

- A multi-session, group training format is an effective way to assist entrepreneurs in their initial planning process. The Next Level Training sessions allowed the project to have extended contact with a core group of prospective entrepreneurs. The group-training format provided for efficient use of both Crossroads business development staff and local technical assistance providers. Local professionals and university faculty were very willing to contribute 3-4 hours to a group presentation, but were somewhat reluctant to provide on-going consultation with a new and untested entrepreneur.
- The project has provided an important opportunity for market research with the TCNFC association, and this research has opened the potential for establishing a very unique marketing opportunity for local farmers and food entrepreneurs. This partnership can provide an innovative business model for expanding local food production; a model that allows local producers to partner with a retailer to identify product needs and opportunities, to secure preferred market access, and build customer understanding and loyalty. West CAP will fully explore this model as a pilot project over the next two years.

5). Usefulness to Wisconsin Agriculture

The project is developing models for how to most efficiently provide technical assistance to new food product entrepreneurs. These results will increase the effectiveness of the business development process for food product business incubators and other business support programs. The partnership with the TCNFC association will provide direct benefits to a significant number of Wisconsin producers, and provide a model for similar partnerships in other communities.