Department of Agriculture, Trade and Consumer Protection
Division of Agricultural Development
Agricultural Development & Diversification Program (ADD)
Grant Project Final Report

Contract Number: **17147**

Grant Project Title: **Madison Shared Agricultural Facility**

Project Beginning Date: July 1, 2002 Project End Date: July 31, 2004

Amount of Funding Awarded: $25,000

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Please use the following questions as a guide for writing your grant project final report. In your final report, please answer each question as it relates to your grant project.

1) What did you want to accomplish with the grant?

Our goal: To determine the feasibility of an agricultural facility based in Madison that would enable the marketing, processing, storage and distribution of a wide range of farm products, as well as office space, that could be shared by farmers and other ag-related businesses and organizations from throughout southern Wisconsin.

2) What steps did you take to reach your goal?

Toward that end, ADD funding ultimately supported three feasibility studies, one led by Carla Wright in the summer of 2003, and two more led by Yellow Wood Associates in the spring and summer of 2004. The report from the first study, which was focused on marketing, was distributed at a meeting on August 8, 2003. Attendees included representatives from Home Grown Wisconsin (HGW) Co-op, Dane County Farmers Market, the Wisconsin Homegrown Lunch project, Community Action Coalition, Downtown Madison Inc., REAP, Willie Street Grocery Co-op, Commonwealth Development and several UW Departments with interest in local food systems.

Wright's report summarized focus groups and interviews she conducted with selected area farmers, restaurants and groceries. The report revealed at least some interest by many of the study participants in certain aspects of the proposed facility. Participants at the August 8 meeting expressed a great deal of interest in various aspects as well. However, three things became clear: (1) a formal steering committee should be formed to guide the project, (2) a dedicated project manager was needed, and (3) much more in depth research was needed to determine feasibility.

To that end, the renamed Central Ag and Food Facility (CAFF) established a Working Group, composed of representatives from the groups listed above. Anne Reynolds from the UW Center for Cooperatives (UWCC) was asked by the HGW board to assume management of the project when HGW manager Rink DaVee announced his departure from his position. And with help from UWCC, HGW submitted a request to the USDA's Value Added Producer Grant program for $20,000 to conduct further feasibility analysis.

The CAFF Working Group met and communicated regularly through the fall and early winter. In January 2004 HGW received the USDA grant. UWCC led a competitive bid process, and eventually Yellow Wood

Associates of Vermont was selected to conduct an in-depth study of two aspects of the CAFF project: (1) a state-of-the-art facility for processing fresh-cut produce for institutional markets in Madison and (2) a "public market" providing a year-round retail opportunity for farm- and food-related businesses. After meeting with the CAFF Working Group in March 2003, Yellow Wood proceeded with their study, with the help of their Madison partner, MSA Professional Services. Their two resulting reports, which will be submitted electronically, are summarized below.

Fresh Produce Processing Facility

This 85-page report (not including the 64-page of appendix) represents the preliminary feasibility analysis of a state-of-the-art fresh produce processing facility that would serve institutional markets in Wisconsin and within a 200-mile radius of Madison. The business concept is that of a stand-alone business that purchases Wisconsin produce in season and products of small farms throughout the United States when Wisconsin produce is not available and sells and delivers fresh-cut and whole produce to colleges and universities, hospitals, school districts, county facilities, and corporate cafeterias.

The capital cost of a small but expandable state-of-the-art fresh-cut produce processing plant is estimated to be $1,632,060. Annual fixed costs, including facility payments, are estimated to be $530,138. To break even, the facility must process 609,720 pounds of produce per year; at which point total costs and total revenues would each be equal to $649,661. This is the equivalent of 23% of Wisconsin's institutional market.

The institutional markets with the greatest interest in and potential willingness and ability to pay for regionally produced fresh-cut and whole produce include private hospitals and health care facilities, colleges and universities, and some public school districts. There may be potential as well in corporate cafeterias, and private, high-end retirement facilities. Any produce will have to be high quality, reasonably priced, and accompanied by excellent customer service to obtain and keep market share.

Estimates of Wisconsin produce supply for fresh-cut processing were based on sales of produce at the Badgerland Produce Auction in 2003. Based on 2003 figures, the supply of raw product from the Auction was sufficient to meet demand for 11 product types and insufficient for 18 product types. This means that the supply of produce would need to increase to meet the business's goal of increasing the percentage of regionally consumed produce that is produced regionally. The complexities inherent in securing supply in the off-season have not been fully addressed in this study.

Entering the fresh-cut produce arena means entering a highly competitive, relatively low margin sector with demanding health and safety standards. Effective management and effective marketing will be required to gain and maintain market share, and this will not be accomplished all at once. There is no similar business with matching goals currently serving Wisconsin and surrounding markets. If viewed as a regional development project with multiple benefits that will take sustained commitment over time, considerable expertise, and the capacity to manage complexity to achieve profitability, a fresh-cut produce processing facility for Madison, Wisconsin could make a positive contribution to the Wisconsin economy. A committed entrepreneur or group of entrepreneurs with patient capital may have good reason to look more closely at this opportunity.

Madison Public Market

This study begins with a list of eight "public markets" across the U.S., revealing a diversity of approach in a wide range of cities, that included both public and private ownership, and varying degrees of farmer participation. Taking lessons from these markets and supplemental literature, the report offers insights and advice concerning vendor mix, space utilization, vendor turnover, anchor tenants, restaurant involvement, ownership and management, staffing, market rules, market promotion, etc.

The study then considers the feasibility of a public market suitable for Madison. They propose a 20,000 sq. ft. facility with 11,000 sq ft for lease to 22 fulltime vendors at $20/sq. ft. (Vendors might typically include 3 produce vendors, 3 dairy vendors, 2 bakeries, 2 flower vendors, 3 meat vendors, 4 prepared foods vendors, 2 seafood vendors, 1 fair trade store, 1 restaurant, 1 non-food agricultural product vendor.) The report's financials also assume 4,800 sq. ft. of refrigerated space ($1.25/sq. ft) and 2,400 sq. ft. of dry storage ($.50/sq. ft.); four full- and part-time employees, 30% fringe benefit rate; 8 office spaces (225 sq. ft., rate unspecified, 3

office used by market itself); 25 days/month of operation, year-round; and a stall vacancy rate in Year 1 decreasing to 5% after four years. Most significantly perhaps, the report's financials also assume zero debt, meaning that the City of Madison or other entities pay for the building and rehab. Based on those assumptions, they forecast the facility breaking even in Year 3 with about $266,000 in rental income.

Based on estimates from other markets, to cover their rent the permanent vendors would need to do about $3.3 million in gross sales in Year 1, expanding to $4.3 by Year 5. By comparison, the Dane County Farmers Market estimated about $7.8 million in sales in 2003 from its 26 Saturday markets.

The report went on to compare possible locations based on accessibility, existing buildings, community plans, land values, etc. Four existing buildings and three areas of Madison were considered. A figure of $7.2 million was presented as generalized cost of development. The 27-page report concludes with a presentation of the various city, state, and federal programs that might help funds these development costs.

3) What were you able to accomplish?

The reports developed by Wright and Yellow Wood represent our most tangible accomplishments. Furthermore, the formation of the CAFF Working Group has provided valuable linkages between several different groups sharing similar goals. For instance, we are now working closely with the Wisconsin Homegrown Lunch (WHL) program, which aims to get local farm foods into the Madison Public School system, and Williamson Street Co-op, which is looking to establish a new off-site processing facility, may provide access to that facility to conduct pilot food processing for the schools, which will directly support WHL while also providing real data to compare to the CAFF studies. The CAFF working group also served as a communication vehicle for a variety of local food groups, plus the City of Madison. The Mayor included the CAFF project in his economic development plan and a city food policy subcommittee is interested in the project.

4) What challenges did you face?

The challenges we faced getting the studies conducted were not significant. However, looking forward, the key challenges would include: (1) mobilizing farmer interest and broad public support for the Public Market, including financial support from the City of Madison and other levels of government; (2) mobilizing farmers and other entrepreneurs who see sufficient financial prospects in the Fresh Produce Processing Facility to make the necessary investment to capitalize that proposed business: and (3) identifying the leadership to carry (1) and (2) forward.

Leadership is particularly important at this juncture. Initially, Rink DaVee, former manager of Home Grown Wisconsin Cooperative, played the role of "project champion". However, in November 2003, Rink resigned as the HGW manager, and there has been significant turnover on the co-op's board of directors. As a result, HGW has essentially relinquished all leadership responsibilities for the project. The Public Market and the Processing Facility may be of some interest to individual HGW members, but thus far none have stepped forward to assume the role of project leader. UWCC staff have assumed this role for almost a year, and cannot continue to do so for much longer.

5) What do you plan to do in the future as a result of this project?

Meet with the coordinators and farmers associated with the WHL program in August, reconvene the CAFF Working Group in August, and meet with other interested parties in the months to come and determine if there is enough interest, support, and leadership to move either the Public Market or the Processing Facility or both projects forward.

6) How should the agricultural industry or the State of Wisconsin use the results from your grant project?

We would appreciate any assistance in publicizing both opportunities described in the Yellow Wood reports.