

Wisconsin Department of Agriculture, Trade and Consumer Protection
Agriculture Development and Diversification Program

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WDATCP Contract # **17088**

Project Title: Farm to Table

Contractor: West Central Community Action Agency, Inc.
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Farm to Table Project
Final Program Report

A. Project Summary:

The goal of the Farm to Table project was to explore the feasibility of establishing a product development and marketing partnership between West CAP's Crossroads Kitchen in Menomonie and the Twin Cities Natural Foods Cooperative Association (TCNFC). The project demonstrated the potential for a direct marketing connection between local farmers, food product businesses and urban consumers. The expectation was that this link would allow local food products to be preferentially marketed to a network of urban cooperative food stores. The eight TCNFC stores have combined annual sales of over \$57 million, with 27,000 member households and 200,000 monthly shoppers. The goal was to have the TCNFC network work directly with the project to identify product opportunities and provide assistance in marketing.

The Crossroads Kitchen facility in Menomonie provided the primary production facility for the project. Crossroads is a shared-use commercial food processing facility with approximately 1,500 square feet of production space. The Kitchen shares a building with the Menomonie Market Food Cooperative, and provides a range of business incubation and product development services to local food product entrepreneurs.

The project was initiated in the summer of 2002 as an 18-month pilot project. The goal was not to establish a formal business, but rather to do a test marketing and feasibility effort that would "prove the concept" for this type of business model, and if successful, justify development of formal business model.

B. Participating Consultants and staff:

Jody Padgam – Project Coordination & production
Allen Whitney - Product development
Micah Maria – Design
Steve Braker - Photography
David Brier – Marketing
Jennifer Elliott – Product development and production

Staff:

Kris Pawlowski – Kitchen Manager
Tom Quinn – Business Development Program, Director
Chris Ryding – TCNFC
Corrine Schindelar - TCNFC

C. Project Activities:

1. Product Identification

The project pursued several strategies for product identification: (1) identifying specific products or product categories that TCNFC indicated there was a clear demand for in their stores, and (2) identifying existing local products that could fill that identified demand - or other local products that the stores would be interested in considering for placement, based on quality, use of local ingredients, and price.

Bulk Production for Deli Departments

In general, discussions with TCNFC stores proved to be more complicated than expected. At the suggestion of TCNFC, initial discussions focused on how Crossroads Kitchen could be used as a central facility to produce bulk foods for use in store deli departments. Most TCNFC stores have fairly small and inefficient in-store deli production facilities. The goal was to identify items that could be produced more efficiently at a central facility (Crossroads) and then repackaged or further processed at the stores. The hope was to generate efficiency in production and distribution that would allow Crossroads to establish a food production capacity with the least cost and risk, and begin fostering a relationship between Crossroads and the individual TCNFC stores.

Unlike a typical supermarket chain, where decisions about production and purchasing are generally established at a central level, TCNFC store and department managers generally make these decisions themselves. TCNFC staff expected some resistance on the part of individual deli managers (who are often invested in their personal recipes and production methods) but was surprised at the level of resistance. In the end, it was decided that this phase of the project would focus on one product that was of interest to most stores – a frozen Italian dough product that could be easily thawed and used in a variety of high margin deli products (pizzas, calzones, etc.). Crossroads was able to develop a high quality product that fit this need, and we produced it as a bulk item sold to Deli departments at five of the TCNFC stores.

Retail Products for Grocery

The project also explored the potential for products that could be produced and sold directly to TCNFC grocery buyers. It was anticipated that stores would be able to identify a set of products that Crossroads could then develop – in cooperation with TCNFC, using as many local ingredients as possible. This has also proven to be more complicated than anticipated. Store managers are used to having vendors present them with established products - which they can decide to carry or not. In discussions with grocery buyers it became clear that they would prefer Crossroads to develop products that were more heavily “niche” oriented than we originally expected. In response to their feed-back, we developed a set of two kinds of products that seemed to provide an acceptable compromise: frozen dough-based products (a retail version of the bulk dough’s, and several varieties of pizzas and calzones that a substantial amount of local cheese and other ingredients), and several varieties of gourmet granolas that also incorporated local ingredients (honey, maple syrup, oats, blueberries, hazelnuts, butter, etc.). These products were test marketed at three TCNFC stores.

Other Local Products

The project has also worked with several local food businesses to introduce additional local food products to TCNFC stores. This included products from Bullfrog Fish Farm, Jersey Crème Yogurt and River Chocolate – which use Crossroads as a production facility. As part of this process, TCNFC store managers were able to tour several of these farms and businesses.

2. Product Development & Production

One of the project's goals was to explore the feasibility of Crossroads developing its own food production capacity – most likely as either a West CAP owned social enterprise, or as a partnership between West CAP and a local food business. The project also wanted to explore the potential for West CAP to provide contract-processing services for local food businesses.

Crossroads Kitchen Products

During the project, Crossroads contracted with two local food businesses to provide product development and production services. The project developed nine distinct products for sale under the Crossroads Kitchen label (white and whole wheat frozen dough, three varieties of frozen pizza, two frozen calzones, and two versions of a local granola). Production was contracted to Jenny Elliot of On-Fire Bakeries, who also was a kitchen tenant for her own business.

Other Local Products

The project also assisted two local food businesses in developing product prototypes. Jenny Elliot worked with Herby Radman of Bullfrog Fish farm to develop a pickled trout product that allows Mr. Radman to utilize a portion of the trout fillet that is currently discarded because it has small bones that are impractical to remove. The project developed a very flavorful relish using local vegetables and Herby's trout pieces. The prototype demonstrated that the pickling process dissolves the trout bones and allows the "waste" fish pieces to be used in a value-added product.

Jenny Elliott also worked with Bob Watkins to develop a barb-be-que pork sandwich recipe. Mr. Watkins currently markets pork at area Farmers Markets and direct to customers. The prototype will allow him to market a frozen retail product at by both direct marketing and selling to local supermarkets as a retail grocery product.

In both cases, the project assisted the businesses in developing the recipe, formulating a larger batch prototype, determining and sourcing packaging, establishing a production methodology (at scale of Crossroads facility) and identifying costs and pricing. The project developed a Product Pricing Worksheet that allows food businesses to easily estimate costs of production and sales margins for their food products. A sample copy of this worksheet is attached.

3. Local Labeling and Marketing

One of the project goals was the development of a "local" label to identify products that are produced at Crossroads Kitchen, or are marketed in partnership with Crossroads. The project has developed a basic graphic design that can be used in both Crossroad's proprietary products and as a graphic that can be incorporated into a variety of formats for other local product labels. Examples of this label and design are included with this report.

4. Special Projects – Hay River Specialty Crop Project

The project also provided assistance to the first phase of an innovative specialty crop project. The Hay River Specialty Crop Project is working with West CAP to explore the feasibility of growing and extracting pumpkin seed oil as a specialty crop and high value food product for our area. During the first year, a group of four farmers planted test plots of six varieties of oil-seed pumpkins. The plots were harvested and the seeds were removed and dried. Oil was extracted at Badger Oils in Spooner. The formal evaluation of seed production and variety comparison is not yet completed, but initial results clearly show that while initial germination was a problem, the pumpkins produced well in local conditions and, most importantly, the quality of the oil appears to be very high. Also, the extraction rate for the oil was 35%, which is better than expected. We

will continue working with project to test the oil as a component of high value food products that could be produced at Crossroads Kitchen.

Next year the project will expand production, focusing on the 2-3 varieties that showed the most promise. In addition to the quality of the oil, the initial season demonstrated that the pumpkin flesh of at least one variety was remarkably favorable, and we will be exploring options for further processing. The oil seed meal may also have significant product value. The University of Maryland has asked for a sample of the meal to test for use in several chemical components, including a de-worming product.

5. Educational and Public Outreach

The project has completed several significant public outreach efforts. In the spring of 2003 we hosted a tour of Crossroads and several area farms. The tour brought five TCNFC store managers to Wisconsin. We also sponsored three round table discussions on local foods at Crossroads Kitchen. The goal was to introduce the Kitchen and the project to a broader audience of area educators and agriculture professionals, and to initiate a strategic discussion about local food production. Attendees included UW Stout faculty and staff, UW- EXT agents, area high school teachers, and interested entrepreneurs. Each session averaged 12-15 persons. Two sessions featured local food businesses and farms, and one session featured a presentation by Karla Miller, from the N.W. Area Foundation in Minneapolis. Ms. Miller is a staff for the foundation's Community Futures program and is working with communities in seven states to develop innovative business models for local economic development. She reviewed several successful projects she is working with (Washington and Montana) and participated in a discussion of how we can initiate similar efforts in our area. Examples of promotional materials for these sessions are attached to the report.

D. Project Experience and Future Plans

1. Experience

- Production Facility: One of the main limitations faced by the project was the Crossroads facility itself. The Kitchen is organized to serve small-scale production and we found ourselves struggling at several points to maintain a level of production efficiency that was cost effective. We addressed a number of these issues during the project by reorganizing production stations and purchasing new equipment (e.g. a flash freezer that allowed us to assure consistent quality and quantity in our frozen products). Some issues are more long-term (e.g. the facility is located on two levels and moving product in and out of storage is inherently inefficient).
- Product Development: The project has allowed us to see clearly the benefits for the Kitchen of having consistent staff support for product and recipe development. This service has proven very beneficial to the local food businesses we worked with on new products, and we believe that it will allow new business to overcome some of the early obstacles that can slow down or even de-rail a new business.
- Marketing: Developing marketing materials proved to be more complicated and time consuming than we expected. Part of this comes from the need to produce initial marketing materials (labels, shelf talkers, etc) in fairly limited amounts until we were confident of sales potential. At the same time, we felt that a fairly high level of design quality was important to best position the products. We solved this by using a designer to produce the core design and "look" for materials and then developing in-house skills and equipment to adapt and print in smaller quantities.
- Distribution: This remains one of key obstacles for the project. Because our main goal was to prove the business concept, we tolerated a high level of inefficiency in

product distribution. Future expansion will most likely require us to utilize some kind of existing distribution system. This will add costs and require higher levels of production efficiency to maintain margins.

- Product Promotion: In any future expansion, the project will need to dedicate more staff time to promotion and marketing. We had hoped that the organizational partnership with stores would lower the need for intensive marketing support. Our experience seems to be that this is only partially true. Building a personal and consistent relationship with grocery buyers is still an absolutely critical element. We were able to provide several in-store product demos and they proved to be very successful. Our business plan will need including funding for staff, farmer, and food business to participate in these efforts.
- Business Model: West CAP has envisioned the Farm to Table project as a prototype for a West CAP-owned social enterprise that can earn income to support the costs of maintaining and staffing Crossroads Kitchen. This will continue to be a primary goal, but our experience in the project and the highly competitive nature of the food business (even with a level of partnership between stores and production) is pushing us to also consider a business model that incorporates some level of partnership with a private entrepreneur.
- Further Research and Outreach: West CAP has been invited to continue its participation in the Local Foods Sector working group of the Association for Enterprise Opportunity. Over the next year, we will have an opportunity to share information and intensive dialogue sessions with a small group 5-6 similar food projects from around the country.
- Next Steps: West CAP has secured some follow-up funding for this project, and is in the process of determining our follow-up plan for the 2004 season.

Attachments:

- Examples of Crossroads labels and design
- Product Development Spreadsheet (food product costs and pricing)
- Public Information Materials