

Rebuilding the Local Food System

By Larry Fisher

A LOCAL AND REGIONAL ECONOMIC DEVELOPMENT STRATEGY

The Appalachian Center for Economic Networks (ACEnet) has, since 1985, been involved with rebuilding the local and regional economy in and around Athens, Ohio. One of the strongest sectors has been working with local food businesses through the Food Ventures program and the shared-use kitchen incubator. The program engages startup businesses, as well as seasoned entrepreneurs, from the local community and throughout Ohio and neighboring states. After more than 20 years in the sector, the shared-use kitchen generates over \$8 million each year in local food products. ACEnet has identified several key components for ensuring success in food related business incubation. These factors include providing effective training and technical assistance, planning and developing business incubation infrastructure, assisting clients in accessing capital, and building capacity.

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Economic development within a local food economy is a lot like growing your first asparagus. Once you plant the first seed, it will take three or four years to see the first harvest but, once established, it can be sustained for at least 20 years, if not longer. Over the past 20 years, the Appalachian Center for Economic Networks (ACEnet) has been involved with rebuilding the local food economy in and around Athens, Ohio, with some measure of success.

ACEnet, a non-profit community-based economic development organization, was incorporated in 1985 by a small group of community members committed to building a healthy regional economy in southeastern Ohio through the growth of locally owned businesses, especially those operated by lower income residents. The organization uses a variety of strategies to work towards its mission of building the capacity of Appalachian communities to network, work together, and innovate to create a dynamic, sustainable regional economy with opportunities for all. Staff carries out this mission by partnering with other practitioners in the area to assist low-income residents in starting businesses and obtaining quality jobs. This mission was furthered in 1991 when ACEnet established a small business incubator that offered below-market-rate office space and shared services.

ACEnet is best known for training and technical assistance to microenterprises aggregated in the food, agriculture, art, retail, technology and manufacturing sectors. Its comprehensive programs for markets, capital, and business incubation enable entrepreneurs to collaborate on regional brands and joint marketing campaigns, access new capital products, and utilize shared facilities and technology infrastructure. The organization operates five business incubator facilities in Athens and Nelsonville, Ohio, and microenterprises constitute the majority of the tenants. ACEnet has approximately 111 tenants in the Food Ventures Center, the shared-use kitchen incubator, and another 22 in the mixed-use facilities operating in art, wellness, retail, and manufacturing sectors.

Along with the tenants of the Food Ventures Center, the Food Ventures program works with an additional 100+ food businesses on an annual basis and assists at least 35 new food startups each year. The annual economic impact on the local food economy nears \$8 million, and the jobs impact continues to be in the hundreds of new and retained jobs each year. The program has also graduated numerous businesses into the local and regional economy, including

restaurants, small-scale food processing facilities, bakeries, retail outlets, and support services.

With the 20-year history, ACEnet knows that rebuilding the local and regional food economy can be a big part of growing the overall economy,

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The Athens Farmers Market.

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Failure to Launch is more than just a 2006 romantic comedy; it is a reality in some local food projects. There are numerous reasons that this can happen within a community: lack of adequate funding, lack of a food culture, or lack of sufficient planning. In one rural Pennsylvania project, the planning pointed toward recreating an urban catering kitchen model that could support up to 20 catering businesses. But there was one main problem, there was not an overwhelming need for 20 caterers in a rural setting, and the largest urban center was just over an hour away. The project was further complicated by the fact that the closest business neighbor to the planned facility was the largest catering business in the region.

With the facility ready to launch and starting to plan the grand opening event, it became apparent that they had not taken any steps towards getting the first local or state license to handle catering or local food production. With the project's failed launch, ACEnet was hired as a consultant to address the issues of facility usage and focus, facility operations, and an operational timeline for licensing. After several months of refocused planning and implementation, along with a broader approach to potential clients, the shared-use kitchen was ready to open the doors for the first round of clients. Today, the project is in its sixth year of operation and is continuing to support the local food economy of this rural community and the region around it.

and the work becomes an engine that creates sustainable development projects and provides opportunities for entrepreneurs.

While there are many strategies necessary to rebuild the local food economy, ACEnet has identified four that should be at the core of this work: Training and Technical Assistance, Business Incubation and Infrastructure Development, Access to Capital Services, and Capacity Building.

TRAINING AND TECHNICAL ASSISTANCE

Training and technical assistance becomes very important when working with new startups and expanding businesses within the food economy. Each entrepreneur can offer a unique challenge in this support area. For this reason, ACEnet has hired and trained staff to deal with the specifics of the food industry and created a network to provide general business support services to their business clients. By having a strong supporting network, including Small Business Development Centers, private individuals, and professional service providers, ACEnet has been able to expand the training and technical assistance offerings without adding additional staff and increasing expenses.

ACEnet uses a variety of techniques for providing training and technical assistance, including one-on-one and group sessions that center around five assistance areas: business development, marketing and distribution, product development and production, access to capital, and workforce development. Efforts to disseminate more startup information have included providing a series of six very successful training workshops for food entrepreneurs. This series includes sections on Product Development, Marketing and Distribution, and Food Processing Regulations.

Since food processing is highly regulated, ACEnet staff has gained considerable expertise in food science matters such as product formulation, labeling regulations, and food safety Hazardous Analysis and Critical Control Point plans. This food science is essential in order for food businesses to move into regional and national markets. Should an entrepreneur's need for food science and technical assistance exceed ACEnet's capacity, staff has developed a referral relationship with two

university food science departments, Cornell University and The Ohio State University, and outside laboratories for independent food testing.

ACEnet has found that Short Targeted Trainings (STT), seminars ranging from one to three hours, provide the best model for communicating on specific business topics and some targeting specific industry issues as needed. These STT are offered as a direct result of issues raised by the business clients, and over the past five years, they have constituted a majority of the trainings. Most of the trainings center on marketing aspects for small food businesses, including access to markets and market readiness, along with training on finance and access to capital.

BUSINESS INCUBATION AND INFRASTRUCTURE DEVELOPMENT

ACEnet manages approximately 120,000 sq ft of business incubation properties that range from offices of 100 sq ft, to warehouse spaces in excess of 30,000 sq ft. It is within this business incubator program that the Food Ventures Shared Use Kitchen operates. In the beginning of the Food Ventures program, it was established that the area lacked the necessary infrastructure to provide the equipment that entrepreneurs needed to start their food businesses.

The next step was to raise the required capital to purchase an additional building and then renovate and equip this space for food production. The project found



Multiple clients using ACEnet's main kitchen.

support from a local banking partner, several local businesses, the U. S. Department of Agriculture (USDA), and the Economic Development Administration (EDA). Support also came from several partners in state and local government, including the state Department of Agriculture and county resources from block grants.

Based on experience and through working with projects across the U. S., ACEnet has identified several keys to working with infrastructure issues: projects should be incorporated into a larger existing project, projects do not fit into a “one-size fits all” mentality, and projects need a strategic model for positive cash flow.

After working with more than 20 shared-use kitchen facilities, a trend has developed that shows successful shared-use kitchen incubators are housed within larger projects, such as Small Business Development Centers, universities, community colleges, and community development organizations. These types of organizations can provide cost-sharing facilities management and administrative staffing services that lower startup and ongoing operational expenses. There are a few stand alone facilities, but most of these operate with some unique mission or program which provides additional streams of revenue.

Another pitfall in establishing a new kitchen project is trying to replicate another project that may not fit within the specific local food economy. Models are different in urban and rural areas, in areas with a strong agricultural history, and in areas with a strong local food culture. This means that all new projects require a serious time investment to identify potential businesses and products through surveying techniques and personal interviews with existing food businesses and rising food entrepreneurs.

Finally, these models all take time to reach a break even budget, and time is something that seems to press in on all projects in economic development. All projects need to develop a realistic financial plan that includes a minimum three to five-year forecast and a further look out to additional years to find the break even operational picture. Because of the demand of funding partners and the pressures for immediate success, many facilities create forecasts that point to a premature break even point scheduled to occur within the first three to four years.

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The Village Bakery – graduate of ACEnet's Food Incubator.

This has not been the norm in the industry for shared-use kitchen incubators and supporting infrastructure, and serious consideration needs to be given to this being a part of a longer-term economic development strategy for rebuilding the local food system.

ACCESS TO CAPITAL SERVICES

Every business startup or expansion needs to have some access to capital, and those in the local food economy are no different. There are needs for equipment, working capital, product development, and target marketing, to name just a few. There are also needs based upon a current economic environment and the credit issues faced by some entrepreneurs. Add on top of this the fact that many food businesses have a very short shelf-life and the final recipe is one of financial distress.

The health and sustainability of locally owned and operated restaurants that support our rural economy are of special interest to the work at ACEnet. The Restaurant Broker's study, which separates out chain restaurants from independent local restaurants, concluded that up to 90 percent of independent establishments close during the first year, and the remaining restaurants will have an average five-year life span. Other studies verify these findings, as they also point to the large number of restaurants that close within their first five years of business. This type of business history within a food economy makes access to capital extremely challenging.

ACEnet has taken on this challenge with their food entrepreneurs by providing financial planning training, working with local traditional and non-traditional lending partners, and by creating a separate loan fund to assist with small working capital loans, equipment loans, or shared-lending to decrease the risks of lending partners. The development of non-traditional lending partners has been a very successful part of ACEnet's access to capital strategy and has included work with angel investors, crowd funding, small targeted grant programs, and microenterprise lenders.



Local food producers at the year-round Athens Farmers Market.

The organization has also found that the various government revolving loan funds can be strong partners in working with other lenders or in providing capital for equipment needs. These funds include local foundation funds and block grant funds that are managed by county or city governments.

Other resources for capital in many regions can include USDA programs, the various SBA lenders who have programs with loan guarantees, and the Community Development Financial Institutions (CDFI) housed under the U.S. Treasury Department. An example of this type of lending can be found in RSF Social Finance, an organization that has focused on developing innovative social finance vehicles that help serve unmet needs for investors, donors, and social enterprises.

CAPACITY BUILDING

In order for there to be a successful effort to rebuild any local food economy, a community or region must increase the capacity of its market and its entrepreneurs. ACEnet has primarily focused on three interventions: product innovation, access to markets initiatives, and collaborative branding. In one visit to a larger grocery store, it does not take long to see that the local food economy is full of competitive food products that try to appeal to the consumer while struggling for shelf space and facing the constant pressure to lower prices.

For a local food economy to thrive, there has to be an organized effort to develop new products that can meet the food needs of the local consumer. This can be done by focusing on foods that may be unique to the regional culture, by incorporating local ingredients, and by developing products that do not require all the additives that are typically found in most mass-produced food products.

Product innovation also involves fresh, new packaging ideas, and creative new flavor combinations, such as those found in a line of wine-based products at Vino de Milo, an artisan wine-based specialty foods company that began at the ACEnet food incubator in 2003. Vino de Milo began with three pasta sauces that ACEnet marketed locally and regionally in Ohio. Now, 10 years later, they have a creative list of over 30 products which sell

throughout the U. S., and they have featured their products in six different countries.

The Vino de Milo experience highlights the need for access to markets as a means of growing the local food economy. The first step is to grow the local and regional markets that will make accommodations for local food products. ACEnet developed a strong partnership with the local Kroger grocery store and several of the locally owned grocery and convenience stores in the community. This provided a great launching pad for those entrepreneurs who wanted to grow their businesses. But each market, whether rural or urban, has a limited capacity for upward growth. Once this limit is reached, it then becomes necessary to move beyond local or regional borders into a multi-state, national or even international marketplace.

ACEnet has long been engaged in creating partnerships with other rural and urban markets to expand the reach of the local food economy. This has been done through building key relationships with specific retailers that encourage local, fresh, and healthy foods and with distribution networks that focus on consumers who are looking for these same types of foods.

Another step that became important was accessing the specialty food shows held throughout the United States, where small food entrepreneurs could meet larger grocery markets and national and international distributors who would promote their products to international markets. ACEnet began this process by purchasing booth space at several shows over a two-year period and inviting the larger clients to attend these events and showcase their products. Today, several clients attend these shows



Vino de Milo's salad dressings were recognized in 2012 as the healthiest in America by Nutrition Action magazine. The dressings are manufactured by Milo's at ACEnet, and are carried on store shelves across the country, as well as in several other countries around the world. Milo's was recognized in 2010 with an Ohio Governor's Award for Exporting.

ACEnet has been innovative in creating a variety of marketing programs to help increase the visibility of local food products, retailers, and restaurants in the region. Building upon the success of the *Food We Love*™ marketing program, ACEnet launched the *Athens 30 Mile Meal*™ brand in 2010, in partnership with the Athens County Convention and Visitors Bureau, and now has over 150 food and farm branding partners. With the program's success, ACEnet was encouraged to license this product to share with other communities in the region and around the country, and they are currently working in two additional Ohio communities and one in West Virginia.

At the 2013 Ohio Economic Development Association (OEDA) Annual Summit, OEDA presented ACEnet as a finalist for the Excellence in Economic Development Marketing award for their role in launching and promoting the *Athens 30 Mile Meal*™ brand. This award recognizes successful marketing campaigns by individuals and organizations in Ohio in the areas of economic and workforce development.



Food We Love™ display at the local Kroger store.

on their own or partner with various state agencies who want to showcase Ohio products to the nation and to the world.

As the amount of local food products began to expand in the local and regional markets, it became necessary to think about how to brand the products together in some fashion that would move consumers and markets to try other locally made food products. After extensive research and planning, ACEnet launched the *Food We Love™* branding campaign in 2001, with seven local food businesses. The branding program featured images of the entrepreneurs with their products and started with a joint advertising program with local stores; eventually, ACEnet began creating display stands and later gained access to sections on the shelves within local stores. After 12 years of joint branding, more than 47 businesses participate with the scope of *Food We Love™*, representing more than 250 products.

The branding campaign's success and the increased consumer access to local foods have led ACEnet to a recent innovation in branding the local food economy, a new branding program called the *30 Mile Meal™*. This campaign provides a shared identity for our many farmers, specialty food producers, retail markets, food events, and independently-owned eateries and bars which feature locally sourced menus.

The *30 Mile Meal™* brand created collaboration between ACEnet, the Athens County Convention and Visitors Bureau, and more than 150 local food partners. This 30 Mile initiative pushes the envelope on the growing 100 Mile Meal movement creating our own "super-local" effort to assist visitors and residents in finding local foods and places where a consumer can savor the flavors and food experiences of the region.

TWENTY YEARS LATER

After 20 years of working to rebuild a local food system, success can easily be seen and tasted. Over the life of ACEnet's Food Ventures program, they have experienced many "graduations" of clients and have some cli-

ents who are still using the incubator after 15 years of production.

Today, the local and regional food economy supports six bakeries, more than 35 locally and family owned restaurants (many feature local foods and participate in the *30 Mile Meal™*), a beautiful winery, a distiller, a brewery, a mill, and a dairy that produces local milk and yogurts. There are also new entrepreneurial startups that include retail outlets for local and Ohio products, and several graphic artists, and other components of the supply chain.

There has also been great progress in the growth of local and regional food processors and in the number of innovative, local products available to consumers. Local food products from more than 80 processors can be found throughout the local communities, the state, and even the nation.

CHALLENGES

While ACEnet admits that there are many challenges to the economic development efforts involved in rebuilding a local and regional food economy, there are a few that each new project must consider. First, this economic development strategy is about creating a long-term systemic change in the economy. It involves changing the purchasing habits of consumers to generate demand, rebuilding the capacity of the system through new infrastructure and branding to increase supply, and filling in the gaps within the supply chain to support the growing market.

Second, any program or shared-use kitchen facility needs to be supported within some existing project, such as a university or community development program, that can help support the development during the first six to ten years of operations. Shared services and a business support network are critical to keeping costs at a level that can be supported with some operational grant support.

Finally, an economic development project focused on rebuilding the local food economy must engage in extensive planning so as to identify the gaps in the supply

During the current economic downturn, many local restaurants have struggled to remain in business and in our local region, and ACEnet is often there to help. Kiser's BBQ Shack, a family owned and operated restaurant committed to authentic low and slow pit-smoked barbecue, was looking for a way to strengthen their bottom line and to look into expansion. Their first step was to partner with other local food producers and join the *Food We Love™* brand and the *30 Mile Meal™* program. Kiser's also turned to the Food Ventures Center to develop and produce a line of bottled barbecue sauces and spice rubs that could enhance sales and increase marketing exposure through local stores.

Have these steps helped them through the downturn? Kiser's BBQ now has two locations, they have added five additional employees, and the owner's parents have relocated from Chicago to Athens to help with the growing food processing business. Kiser's also has four flavors of sauce and three spice rubs out in the community that help build their brand and expand their customer base.

chain, identify potential retail and distribution partners, and identify the food entrepreneurs that are waiting for the right infrastructure to help them grow, or start their new businesses.

LESSONS LEARNED

In reflecting back on the evolving process of rebuilding the local food economy, ACEnet has learned some very valuable lessons that they always share with new or potential participants who come to visit their location.

Don't start too small – ACEnet started as a “community kitchen” and would work with anyone who wanted to rent the space, even if they did not want to create a product for market. The facility also lacked warehouse and cold storage units that really limited the ability to grow companies to serve a larger retail market. A project should be sized to support the mission and the long-term vision of the local food economy. New projects generally get one round of funding support for infrastructure, so get all that you can and be careful not to choose a facility that will limit the growth and potential of your clients.

Don't fall into the social enterprise trap – Many new projects look to fill the gaps of a supply chain with some form of social enterprise. Social enterprises are nonprofit businesses that create jobs as a way of addressing social or environmental problems. ACEnet used this strategy

when there was little retail space for local products. To address the supply chain gap, they created their own storefront called the Marketplace. The space was a great spot to introduce new products to the local food economy and build some demand, but it came at a great cost of program dollars and it could not be sustained. If there

is a real gap in the supply chain, there needs to be an effort to locate and encourage an entrepreneur to begin a new for-profit enterprise. The project may be able to help support the new business with assets, access to capital, or business coaching.

Create a system of shared ownership with clients – At ACEnet there is a one-time fee to begin the process of working with their Food Ventures program. Once into the program, the income from clients is mostly generated through hourly rentals and storage fees. The clients have no real investment in the shared-use facility, the equipment, or the branding programs. As ACEnet staff members work as consultants with new projects, they are pushing the concept of creating co-
operatives or shared-ownership opportunities where clients will have a stake in the purchasing of equipment, insurance, and other shared services. By having local entrepreneurs investing in the programs and operations of a shared-use kitchen incubator, there will be a larger group of stakeholders whose aim is to not only have a successful business but also a successful economic development project for their community and region. ☰



Food Ventures Center graduate Chams Lebanese Cuisine. Chams Ekelman now operates her own restaurant, employing six people.

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