

## Local Food Promotion Program (LFPP) Final Performance Report

The final performance report summarizes the outcome of your LFPP award objectives. As stated in the LFPP Terms and Conditions, you will not be eligible for future LFPP or Farmers Market Promotion Program grant funding unless all close-out procedures are completed, including satisfactory submission of this final performance report.

This final report will be made available to the public once it is approved by LFPP staff. Write the report in a way that promotes your project's accomplishments, as this document will serve as not only a learning tool, but a promotional tool to support local and regional food programs. Particularly, recipients are expected to provide both qualitative and quantitative results to convey the activities and accomplishments of the work.

The report is limited to 10 pages and is due **within 90 days** of the project's performance period end date, or sooner if the project is complete. Provide answers to each question, or answer "not applicable" where necessary. It is recommended that you email or fax your completed performance report to LFPP staff to avoid delays:

LFPP Phone: 202-720-2731; Email: [USDALFPPQuestions@ams.usda.gov](mailto:USDALFPPQuestions@ams.usda.gov); Fax: 202-720-0300

Should you need to mail your documents via hard copy, contact LFPP staff to obtain mailing instructions.

<b>Report Date Range:</b> <i>(e.g. September 30, 20XX-September 29, 20XX)</i>	September 30, 2015 – September 30, 2017
<b>Authorized Representative Name:</b>	Shira Tannor
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<b>Recipient Organization Name:</b>	Veritable Vegetable, Inc.
<b>Project Title as Stated on Grant Agreement:</b>	Dedicated Repack Cooler for Veritable Vegetable, Inc.
<b>Grant Agreement Number:</b> <i>(e.g. 14-LFPPX-XX-XXXX)</i>	15LFPPCA0079
<b>Year Grant was Awarded:</b>	2015
<b>Project City/State:</b>	San Francisco
<b>Total Awarded Budget:</b>	\$100,000

LFPP staff may contact you to follow up for long-term success stories. Who may we contact?

- Same Authorized Representative listed above (check if applicable).
- Different individual: Name: \_\_\_\_\_; Email: \_\_\_\_\_; Phone: \_\_\_\_\_

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1. State the goals/objectives of your project as outlined in the grant narrative and/or approved by LFPP staff. If the goals/objectives from the narrative have changed from the grant narrative, please highlight those changes (e.g. “new objective”, “new contact”, “new consultant”, etc.). You may add additional goals/objectives if necessary. For each item below, qualitatively discuss the progress made and indicate the impact on the community, if any.

As a regional, organic produce distributor with over 40 years of experience, Veritable Vegetable purchases, transports and supplies the highest quality organic fruits and vegetables available. We contribute to an equitable food system by supporting over 220 small to mid-size organic growers and by increasing access to fresh, organic produce through relationships with over 500 independent stores, co-ops, restaurants, corporate campuses, schools, meal prep/meal delivery companies and wholesalers.

We transport our organic produce via an award winning, environmentally sustainable green fleet of trucks and temperature-controlled trailers to ensure produce arrives fresh and safe. We deliver throughout California and to parts of Arizona, Colorado, Nevada, and New Mexico; we also ship to Hawaii.

Because improving food access is core to our mission, we serve independent stores throughout California and the Southwestern states, more than 25% of which are located in food deserts, as defined by the USDA. We work closely with our growers to offer over 750 individual items on average, daily. Prior to receiving this grant, we supported these smaller customers by assigning them an Account Manager, offering the ability to order online or by phone, and by learning their unique business needs. As a result of our dedicated Repack Cooler, we now are able to offer them a more diverse selection of organic produce in smaller quantities to better fulfill their needs.

There were many initial benefits to installing a dedicated, refrigerated Repack Cooler, and we expect to see more benefits in the future as the program gains momentum. Our new Repack Cooler allows us to keep our cold chain unbroken, which protects food quality and safety. The Repack program, also referred to as “Partials” and “Split-Case” program in this report, increases consumer access to organic produce by enabling us to offer a broad assortment of products in smaller quantities to small, local stores. Prior to the start of the program, we offered more than 50 differentiated items; this grant allowed us to increase the number of items we could offer as split cases including lemons, limes, ginger, turmeric and galangal. Some additional positive outcomes include the efficiencies we gained by having a dedicated cooler for repacking which results in fewer touches and steps by our staff, enhancing worker safety and satisfaction. Finally, this project enabled us to add two new jobs to our company.

**Goal/Objective 1: Increase produce sales overall, and in particular for the 26% of our customers located in food deserts, as defined by the USDA.**

- a. Progress Made: This last year our company was hit by some unprecedented industry pressures. Not only did the organic food sector see drastic price decreases for produce both in California and nationwide, but we saw the trend hit producers, distributors and retailers alike. The price decreases were caused by an increase in

available supply coupled with extreme competition and consolidation in the marketplace that now includes big companies like Amazon, Walmart, Costco, and others. Though prices have trended back up, primarily because of weather related shortages and gaps, they have not returned to their 2015 levels. In the year since we launched our new Repack Cooler, we have experienced a 4.7% decrease in the dollar value of our overall sales even as our sales volume has remained fairly steady. However, in spite of the dollar value decrease, if we compare September and October 2016 to September and October 2017-- the first two months for which we have year-over-year data since we launched our new Repack Cooler-- we find an increase in both our partial (also known as split case) and full case sales volume to customers located in food deserts. September's numbers are especially encouraging, showing a 20% increase in partial sales volume over the previous September. (See attached PDF titled "Food Desert: Partial % Sales of Total Sales by Volume").

b. Impact on Community: The local and organic food sector has changed rapidly in the last year, mainly due to the entry of bigger retailers like Amazon, and the increase in popularity of home delivery, meal kits, and online shopping services. This has been impactful to our customers, particularly the independent food stores and food cooperatives who are feeling the pressure to compete by dropping their prices to remain competitive. Retail makes up the majority of our customer base-- 62% of our customers are independent retailers, and of those 44% are food cooperatives. Even though many of these customers are long-standing and values-aligned with us, they are exerting their own pressures to lower prices. We are currently collaborating with our customers to find new ways to educate the public on the true costs associated with growing and moving food from farm to table, and the vital need to support local economies in an equitable and sustainable manner. Research and our own experiences have shown that a race to the bottom does not lead to increased sales. As a mission-driven company that supports a values-based supply chain, we support a fair and sustainable food system.

ii. **Goal/Objective 2: Increase produce purchases by \$2.5 million from local, organic growers within the state of California or 400 miles from our warehouse.**

a. Progress Made: As we have stated above, the cost of produce in California and nationwide is being subject to extreme price pressure. We continue to closely monitor price trends and work towards effective strategies to respond to these market conditions. The ability to increase our purchases by \$2.5 million was not achievable during this grant cycle. Average sell prices for several core crops were significantly down. For example, in 2015 the average sell price for a case of broccoli was \$38. In 2016, the average sell price was \$22. In 2017, the average sell price was \$43. In 2015 the average sell price for a case of celery was \$46. In 2016 the average sell price was \$21, in 2017 it is \$33. Uniformly in 2016, all of these items average sale prices were down. This year, celery and strawberry prices have descended further, while broccoli and cauliflower look better than 2015. (See attached PDF titled "VV Sell Price in Major Categories"). We know some of the strength of the current average pricing is due to this year's winter rains which limited supply in the spring and caused prices to spike. We are hopeful that we will see a reversal in all categories and will reach our stated goal to increase produce purchases by \$2.5 million. We are, however, pleased to report, that we are seeing an increase in the volume of product produced within California (local by USDA definition) that is able to be sold in our Repack program. (See attached PDF titled "Received Goods by Volume and

Mileage (CA Only)). The data in this chart does not indicate the product was actually sold as a repack item, only that it could have been, (i.e., product that is re-packable (“partialable”).

We currently track by producer label, but a single label may represent multiple products grown in different locations. We have the ability to track all local goods which we define as all received goods picked up at California facilities excluding all product with an out of state or out of country origin designation. Comparing September and October 2016 to September and October 2017, the first two months for which we have year-over-year data, we see an increase of 12% in September, and an increase of 28.5% in October. We’re pleased by this trend and will keep monitoring it as the program gains momentum.

b. Impact on Community: We are glad to see that we have increased the purchase of local product that can be sold in our Repack program. As we grow the program, we expect to be able to offer an even wider array of re-packable product, which will positively impact both our regional farmers as well as our smaller customers. Additional re-packable products currently under consideration are items such as potatoes, tomatoes, onions, oranges, and other citrus.

iii. **Goal/Objective 3: Hire a minimum of two dedicated staff for Repack area.**

a. Progress Made: This goal shifted half way through the grant period because we reevaluated the hiring of two people specifically dedicated to the Repack area. We came to the conclusion that diversifying warehouse job responsibilities leads to better worker health and safety, better job satisfaction, and ultimately results in better job retention. We decided that all warehouse staff would rotate through the Repack area as part of their overall job. This meant that all Warehouse staff were trained on product handling and storage, order pulling, food safety training, safe lifting, pallet building and wrapping, and pulling repack orders. Instead of hiring re-packers, we hired two dedicated Field Merchandisers who would physically be visiting customers (including those in food deserts) to educate them on our programs, drive sales and promote our local growers. In this last year, we changed one of the Field Merchandiser positions to a New Business Development Manager position with the same goals in mind. We continue to expect these two new positions to help increase our repack sales as the program matures.

b. Impact on Community: We are getting lots of positive feedback from our Warehouse staff on the new Repack area. Benefits to staff include more diversity in their daily job application, and increased worker health and safety as we’ve mentioned. As we have operated in the new space, we have continued to develop and modify both the physical space as well as the IT systems that allow us to measure, track and evaluate our Repack program goals. Some key examples of physical improvements: We moved the computers that print out repack orders closer to the physical space, substantially cutting down on the number of steps warehouse staff must take to fulfill their orders. We installed better, faster label printers with easier to apply repack labels. We established a pick order that places high velocity items in the front of the space and slower velocity items in the rear, enabling a more effective and predictable pick and pack process. We started using smaller repack boxes for small orders, and replaced the hand trucks we used for picking repack orders with large flatbed carts. These improvements, coupled with the additional space the new Repack cooler has afforded

us, have led to a significant 30% increase in the number of cubes (product volume) pulled per hour. (See Attached PDF titled “Partial Labor by Hours Pulled and Volume”). Because repack work can be icy and wet, warehouse staff are particularly happy with their ability to move through the work faster and more safely than before.

Customers continue to tell us how much better it is for them to be able to see the distinction between full case items and repacked items both on the Daily Availability List and on their invoices. Customers are also availing themselves of the merchandising services we are now able to offer. In addition to in-store consulting services, the program also includes a Merchandising Tool Kit which provides guidance and easy to use templates for purchasing strategies, setting prices and in-store product re-sets. Also included is a comprehensive Produce Manual and retail signage designed to bring in customers and boost sales. In-store support includes working with our customers on how to coordinate their ordering to better support their local farms (some of whose produce is sold by Veritable Vegetable), consulting about display ideas and product presentation, and helping them reset their produce departments. Customers who’ve used the service have reported these efforts have helped them increase their sales, with one customer reporting a 14% increase in sales over the previous year. Internally, our Field Merchandiser has been able to bring back customer feedback and requests for certain products to our Account Managers. Our Outside Sales Business Development staff person also introduces prospective customers to the benefits of working with a company that directly supports local growers and smaller customers through our Repack program and others.

iv. **Goal/Objective 4: Increase overall VV sales volume by 4.5%.**

a. Progress Made: As we stated above, the cost of produce in California and nationwide is now subject to extreme price pressure caused by an increase in available supply and heavy competition and consolidation in the marketplace. However, in spite of the lower dollar value of our sales since we launched our Repack Cooler, we are happy to report that we have seen our year over year Repack (partials) cube increase when comparing September and October of 2016 to 2017. September repack volume increased by 4% over the previous September, and October repack volume increased by 8% over the previous October (See attached pdf titled “Partial Sales by Volume and Mileage”). Additionally, in this same period, we have also seen our partials sales cube (volume) to customers located in food deserts increase (See attached pdf titled “Food Desert: Partial % Sales of Total Sales by Volume”).

b. Impact on Community: As a mission-driven company, we support small and mid-sized independent growers and customers. Not only do our sales directly impact growers and customers including small, independent customers, customers in food deserts, and rural local growers in our region, but our program helps our small community markets, including those in food deserts, to offer a broader assortment of fresh, organic produce they are not otherwise able to provide. The program also offers our local growers a reliable and robust channel for distribution of their products. Our sales allow us to support a number of community partners by joining efforts, sponsoring events, collaborating, and donating our products and services.

2. Quantify the overall impact of the project on the intended beneficiaries, if applicable, from the baseline date (the start of the award performance period, September 30, 2015). Include further explanation if necessary.

- i. Number of direct jobs created: 2
  - ii. Number of jobs retained: 135
  - iii. Number of indirect jobs created: N/A
  - iv. Number of markets expanded: 34 new markets brought on within our existing customer base since the launch of our new Repack Cooler.
  - v. Number of new markets established: 116 new companies (companies with whom we have not done any prior business) since the launch of our new Repack Cooler.
  - vi. Number of farmers/producers that have benefited from the project: We have sold repacked product from 104 different grower labels since the launch of our new Repack Cooler.
    - a. Percent Increase: 79% increase in number of grower labels since we launched the new Repack Cooler.
3. Did you expand your customer base by reaching new populations such as new ethnic groups, additional low income/low access populations, new businesses, etc.? If so, how?  
 We now have two full months of year-over-year data since we launched our new Repack Cooler in mid-August 2016. September 2017 is showing a 3% increase in partials sales cube (volume) to customers located in food deserts, and October 2017 shows a 20% increase to customers located in food deserts. (See attached PDF titled "Food Desert: Partial % Sales of Total Sales by Volume"). Allowing for seasonal differences and fluctuating supply inherent to fresh produce, and in spite of the price pressures we are experiencing, we are heartened to see that the volume of product going out to our customers located in food deserts is trending up.
4. Discuss your community partnerships.
- i. Who are your community partners?  
 Our community partners include our staff, customers, vendors and organizations and businesses in our region.
  - ii. How have they contributed to the overall results of the LFPP project?  
 Our partners are all participating in elements of the program. Staff are operating in the new Repack Cooler, local producers are selling produce to us, and customers continue to buy our repacked products.
  - iii. How will they continue to contribute to your project's future activities, beyond the performance period of this LFPP grant?  
 We expect that our growers and customers will increase their capacity to both grow and purchase our products, specifically local growers and customers located in food deserts.
5. Are you using contractors to conduct the work? If so, how did their work contribute to the results of the LFPP project?  
 Yes. We used contractors to install our insulated metal panels and refrigeration mechanicals. The costs for contractors is not included in our LFPP budget.
1. Have you publicized any results yet?\*
- i. If yes, how did you publicize the results?  
 As we completed the Repack Cooler and launched the program, we worked with our Marketing Communications team to roll out an announcement to our customers. It

described the new system, and educated customers on the new ordering procedures and pricing information (See attached marketing email sample). We also trained our Sales staff on how to talk with their customers about repack items, and how to ensure that their customers could easily navigate ordering those specific items. Additionally, we added a key to our Daily Availability List that made it easier for our customers to decipher which items were available by partial case (see attached Availability List Sample). For example, all items listed in bold are available by partial case, all split case quantities are listed on the right-hand column. Our internal IT system now enables customers to easily view the cost of a full case or unit vs. a partial case on our Daily Availability List. Prior to the system change, customers had to do manual calculations themselves. This new feature is particularly helpful for our smaller customers, who often work with specific budgets.

- ii. To whom did you publicize the results?  
We sent our communication to our customer database. Our purchasers also spoke with their vendors about production planning throughout the year, including those products that we sell in partial cases. We hired a Field Merchandiser and a New Business Development Manager who are regularly in the field promoting the program.
- iii. How many stakeholders (i.e. people, entities) did you reach?  
Our initial communication at launch was sent to approximately 1,240 community partners.

\*Send any publicity information (brochures, announcements, newsletters, etc.) electronically along with this report. Non-electronic promotional items should be digitally photographed and emailed with this report (do not send the actual item).

- 2. Have you collected any feedback from your community and additional stakeholders about your work? Yes.
  - i. If so, how did you collect the information?  
Our Sales team interacts with our customers daily. At launch, they solicited feedback from our customers on the new Repack program, and have continued to do so. Our Field Merchandiser and New Business Development Manager have also solicited feedback from our customers in the field, and we have conducted internal operational meetings to solicit feedback from our warehouse personnel and their managers.
  - ii. What feedback was relayed (specific comments)?  
We've heard an overwhelmingly positive response to the changes our customers are experiencing from our new program. Customers continue to report that they find seeing the distinction between full case items and repacked items on the Daily Availability List and on their invoices much easier to navigate. Many customers have mentioned that they really like not having to calculate the cost of repacked items and that the new Availability List is much easier to work with. They love the ability to buy repacked items in small quantities and many are asking for us to further expand the program to include additional products. Additionally, warehouse staff have reported they are very pleased with all the new efficiencies afforded by this new space.

### 3. Budget Summary:

- i. As part of the LFPP closeout procedures, you are required to submit the SF-425 (Final Federal Financial Report). Check here if you have completed the SF-425 and are submitting it with this report:
- ii. Did the project generate any income?  
Yes.
  - a. If yes, how much was generated and how was it used to further the objectives of the award? We generated \$1,412,395 in repack/partial sales in the year since we launched the program. We direct all profits back into our operation in furtherance of our mission.

4. Lessons Learned:

Summarize any lessons learned. They should draw on positive experiences (e.g. good ideas that improved project efficiency or saved money) and negative experiences (e.g. what did not go well and what needs to be changed).

Though there is no question our new Repack program has been a success, there are a couple of things in hindsight we would do differently:

- 1) Involve internal stakeholders better and earlier. We would recommend setting up cross-departmental meetings more regularly to speed up the process and increase adoption of the program. Though we met with department leaders when we received the grant and before we sent out our initial communication, if we were to do it again we would set up monthly meetings and include all department directors. This would allow for ongoing support of the program and feedback for improvement.
- 2) Confer with key customers to confirm appropriate pricing. When we launched our new program, we rolled out a new pricing structure that was initially too high. We realized very quickly that the higher cost was causing our customers to purchase full cases instead of split cases. Though this was beneficial to our growers because it meant we were purchasing more product from them, we wanted to ensure the program also served our smaller customers. This led us to adjust our margins to ensure that our repack ("split case") product was properly priced. Consulting with our key customers before launch would have saved time and resources and brought us closer to the initial goal.

- i. If goals or outcome measures were not achieved, identify and share the lessons learned to help others expedite problem-solving:  
When we applied for and received this grant we were seeing year over year growth in the demand for our local, organic produce. During the grant period, we experienced unprecedented market pressures that are continuing to disrupt the organic industry and significantly impact the business of independent distributors like us. These market changes made it impossible for us to reach our stated goals of increasing our overall sales and volume.

Another change to our original goal was that instead of hiring two people to work in the Repack Cooler, we hired a Field Merchandiser and a New Business Development Manager who physically visits customers (including those in food deserts) in an effort to educate them on our programs, drive sales, and promote our local growers. They also makes sure our customers know about our split case program, specifically how it helps our local farmers and benefits our small, independent customers.

Describe any lessons learned in the administration of the project that might be helpful for others who would want to implement a similar project:

Although we were able to run reports and collect data for our project when we applied for the grant, it would have been better if the technology and methodology for how we were going to track and measure our data during the grant period was in place prior to starting. We were well underway working in our new Repack Cooler when we implemented a data visualization application called Power BI. Power BI allows us to better analyze patterns and trends in our data in more real time. However, implementing Power BI required resources for higher level IT expertise as well as staff training time, and its adoption was time consuming. Indeed, we are still refining our approaches and methodologies for working with this new tool.

5. Future Work:

- i. How will you continue the work of this project beyond the performance period? In other words, how will you parlay the results of your project's work to benefit future community goals and initiatives? Include information about community impact and outreach, anticipated increases in markets and/or sales, estimated number of jobs retained/created, and any other information you'd like to share about the future of your project.

Now that we have a dedicated Repack Cooler for our split case program we intend to continue to refine and improve the program. This means evaluating sales numbers and staff time to increase efficiency and sales. We also intend to launch a more targeted marketing campaign to drive sales and increase awareness of the program, for example to add more information to our website under "Become a Customer". We are also looking into expanding our offerings for split cases by incorporating new products into the program which will drive our purchases from local growers and increase sales to our customers.

- ii. Do you have any recommendations for future activities and, if applicable, an outline of next steps or additional research that might advance the project goals?  
We are always looking for ways to continuously improve our operation. Our goal is that as the Repack program gains momentum, we can work with our Account Managers to make more targeted visits to smaller businesses, including restaurants, to further promote the program and increase sales. We will also look at ways to increase our efficiencies in the Repack Cooler, by allocating resources to pre-prep more product and potentially having workers pair in teams to facilitate an even faster pull. Finally, we plan to launch regular, cross-departmental meetings to find ways to improve the program as we move forward.