

## 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>	October 1, 2014 – Sept. 30, 2016
<b>Authorized Representative Name:</b>	December 28, 2016
<b>Authorized Representative Phone:</b>	Jonathan Netzky
<b>Authorized Representative Email:</b>	928-863-8105
<b>Recipient Organization Name:</b>	<a href="mailto:jnetzky@gmail.com">jnetzky@gmail.com</a>
<b>Project Title as Stated on Grant Agreement:</b>	Local Alternative Inc.
<b>Grant Agreement Number:</b> <i>(e.g. 14-LFPPX-XX-XXXX)</i>	Northern Arizona Tapa Burger and Food Processing Promotion Program
<b>Year Grant was Awarded:</b>	14-LFPPX-AZ-0009
<b>Project City/State:</b>	2014
<b>Total Awarded Budget:</b>	Flagstaff / Arizona

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. Café
  - i. Goal/Objective 1: *Increase domestic consumption and access to locally/regionally produced vegetables, meat products and especially the Arizona indigenous heirloom Tepary Bean.*
    - a. Progress Made: *We have expanded our locally sourced handcrafted Tepary bean based product line with new options. We are also now processing white and black, in addition to brown, local Tepary beans into turnkey solutions for special opportunities. We did this this year both for our long-standing client Xanterra Hospitality and our first Hilton/CMS Hotel client. We have produced and sold 38% more volume in 2016, on top 2015's, year over year, 18% growth. Per our plan, production did exceed our Flagstaff kale grower's seasonal capacity to produce our High Mountain Sweet™ Kale. Our secondary vendor, Whipstone Farm, is 78 miles away and 3000ft lower (warmer) in elevation. This increase in purchasing of 310%, from lower elevations, further mitigates the seasonal challenges of using a local food system year-round. It offset kale processing into small frequent batches while reducing our long-term freezer storage demands. Changes like this along with advancing our LEAN manufacturing systems are allowing us to improve efficiency and continue to source and produce locally rather than contract manufacture elsewhere.*
    - b. Impact on Community: *Tepa offers access to plant based locally sourced foods through regional high-volume food service operations that typically buy in volumes that require national and international sourcing options. Through these operations Tepa is making it easier for anyone to access more nutritious plant based local foods. We now have the manufacturing capacity to grow by at least 800% in our existing facility. Through sustainable agriculture we are set up to continue driving revenue to small communities that grow our inputs from larger ones, that consume our outputs.*
  - ii. Goal/Objective 2: *Develop new market opportunities for local farms and ranchers to serve local and regional markets through anchoring operations in high-profit, bulk volume annual contracts.*
    - a. Progress Made: *Tepa® sales have penetrated new markets from health care to hospitality, and national parks to burger chains. Tepa® brand products have joined a partnership of 12 local companies as Arizona Foods Together (AFT). The partnership has been founded by Stern Produce, the oldest food distributor in Arizona. The AFT partnership is focused on using “local” as the differentiator, beyond that which broad-line distributors are able. First shipments to the Institutional market place of Arizona State University (ASU) will take place January 5<sup>th</sup> 2017. Having proven product fit and differentiation in several markets we are now seeking funding to add sales and marketing support to accelerate the development of these new markets. These sales, aligned with the*

*production capacity gets us to the scale to participate in more predictable higher volume supply contracts for our local vendors.*

*b. Impact on Community: Tepa® is the plant based option focused on being uncommonly accessible to the community. It is the affordable, ready-to-use, locally focused, economically reproductive, sustainable protein source now accessible through some of the highest-volume foodservice operations in the state. Whether it be for the employees in Death Valley or consumers viewing a game in the Tucson Arena, most everyone can eat a nutritious and delicious Tepa option.*

iii. *Goal/Objective 3: Improve the economic viability of small producers in Arizona and reduce unnecessary food waste by providing aggregation, storage, value-added processing and packaging, marketing and distribution services from a central location.*

*a. Progress Made: We have interviewed 18 local food companies, 12 less mature than our own. Through this process we have created a feasible business model to be a contract manufacturer of products based on our existing plant based meat alternatives. We did provide freezer storage for a local ranch. Yet as both businesses grew, we found another home for their freezer and reclaimed our square footage and amperage for our own operations. Food waste from operations is at less than 1%, with compost contributing 3%. We refer industry partners to local recycling services as we found no benefits to aggregating waste. The Tepa® model is portable of location driven products is viable anywhere in the world. Tepa production currently funnels over \$0.65 of every dollar we spend, to local companies.*

*b. Impact on Community: The existing community has a low inventory of small spaces with loading docks or 3 phase power and no non-retail existing food safe infrastructure/plumbing. Lacking infrastructure along with increases to minimum wages are making Flagstaff less hospitable to operate from. To compensate we have LEAN'd our manufacturing operations to get 800% capacity from our 700sq ft infrastructure of small machines. Operational goals are to increase value/labor ratios to afford higher paying manufacturing jobs and higher margins from higher cost specialty ingredients (Local Tepary Beans \$2.75/lb | Black Beans \$1.00/lb).*

iv. *Goal/Objective 4: Create jobs and business opportunities especially for small farms in low income and low access areas including: Flagstaff, Florence, Chino Valley and Verde Valley, Arizona and the Tohono O'odham Nation along the Gila River and the Navajo Nation at Luepp, AZ.*

*a. Progress Made: As we increase our sales all of the local businesses that we have founded our systems on are increasing their own sales, purchasing power and labor demands. This is true whether it is the increase of kale and chilies grown in Flagstaff, Sedona, and the Chino and Verde Valleys or the increase in the dedicated weekly shipments by 40% from Tohono O'odham Nation along the Gila River.*

*b. Impact on Community: All of our local partners are benefitting from the long-term relationships and expectations we have fostered. They now more predictably purchase resources, plan labor, sow seeds and harvest greater amounts of production based our annual contracts. We encourage each other to continuously improve efficiency, quality and profitability.*

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, 2014). Include further explanation if necessary.
  - i. Number of direct jobs created: 3
  - ii. Number of jobs retained: 3
  - iii. Number of indirect jobs created: 1
  - iv. Number of markets expanded: 3
  - v. Number of new markets established: 3
  - vi. Market sales increased by \$55,000 and production increased by 70%.
  - vii. Number of farmers/producers that have benefited from the project: 4
    - a. Percent Increase: 200%
  
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 have expanded our customer base by targeting accounts of similar character to our largest existing accounts from San Francisco, CA to Carlsbad, New Mexico. We have developed products to address additional dietary restrictions for the markets of vegan and allergen free, and done so at more accessible price point. We also now address the rest of the market, the third meal, by offering a delicious breakfast sausage flavor. These successes have allowed for further expansion in the markets of restaurants and hospitality while opening our first large institutional accounts as well.*
  
4. Discuss your community partnerships.
  - i. Who are your community partners?
    - a. Coconino County Workforce Development (CCWD)
    - b. Local First Arizona (LFA),
    - c. Arizona Department of Education (ADE),
    - d. Northern Arizona Center for Entrepreneurship and Technology (NACET),
    - e. Rev AZ, Arizona Commerce Authority (RAZ, ACA)
    - f. Northern Arizona University, School of Hotel and Restaurant Management (SHRM)
    - g. Cleantech Open International, Arizona Mentor Network (CTO-AZ)
    - h. Market Affinity Group (MAG)
    - i. Terra Birds 501 c5, Public Agriculture Education (TB)
    - j. Peak Produce, Arizona Food Distributor (PP)
    - k. EcoRanch 501 c3, High Desert Agriculture Education (ER)
    - l. Sterling Meats, Arizona Food Distributor (SM)
    - m. Peddler's Son, Arizona Food Distributor (PS)
    - n. Stern's Produce, Arizona Food Distributor (SP)
  
  - ii. How have they contributed to the overall results of the LFPP project?

- a. CCWD, CTO-AZ; Financial support,
- b. LFA, ADE, SHRM; Exposure, structured product testing
- c. CTO-AZ; Access to trusted knowledgeable advisors.
- d. CTO-AZ, ACA, LFA; Reputation builders
- e. RAZ – Manufacturer’s tax efficiency
- f. MAG – Sales Targeting
- g. TB – Growing seedling starts
- h. ER – Kale production
- i. PP – Local transporter
- j. SM, PS – Distributing Tepas® to the local marketplace

iii. How will they continue to contribute to your project’s future activities, beyond the performance period of this LFPP grant?

- a. CCWD; continuing support for imminent new hire.
- b. LFA; significant and intentional social media exposure.
- c. ADE – new market opportunity
- d. MAG – grow sales and sales effectively
- e. TB, ER, PP – continued operational roles
- f. SP – Positioned to succeed and distributing Tepas aggressively in 2017 & beyond

5. Are you using contractors to conduct the work? If so, how did their work contribute to the results of the LFPP project? *Ted Ferkenhoff Consulting (TFC) specified and implemented most of the equipment purchased with has continuously improved Tepas production and our economic tracking. We have a 0% no pay rate 2 years in a row. TFC was successful managing 3<sup>rd</sup> party food safety HACCP certification.*

6. Have you publicized any results yet? Yes.

- i. If yes, how did you publicize the results? *We have completed a new website that provides depth of product description and our local story. Initial target audience is information seekers and evangelists.*
- ii. To whom did you publicize the results? *Potential clients, evangelists and consumers.*
- iii. How many stakeholders (i.e. people, entities) did you reach? *Roughly 5000. We are building the social media foundation to further focus how we get the word out to the target buyers.*

\*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).

7. Have you collected any feedback from your community and additional stakeholders about your work?

- i. If so, how did you collect the information? *Historical invoice data, continual client survey, mentor interviews and structured sampling.*
- ii. What feedback was relayed (specific comments)? *Tepas is great tasting and filling. Ideal market alignment for the plant based initiatives in the market. Tepas® brand products attract new market share and increase gross revenue.*

8. 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: X  X
- ii. Did the project generate any income? *No.*
  - a. If yes, how much was generated and how was it used to further the objectives of the award?

9. Lessons Learned:

- i. 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). *We learned that the demands of operating in unique ways lead to continuously doing things differently. Unless you choose to be part of the system, you need to create your own systems. Since, the perspective of the local food system lends itself to small batch manufacturing, we premised our systems on that and found a path to scale up while maintaining differentiable quality. We have found difficulty finding valuable marketing support and sales services that understand the value of Tapa in the marketplace and can focus on pushing it forward. We now require funding ahead of revenues to bring on internal marketing and sales resources to grow the business rapidly.*
- i. If goals or outcome measures were not achieved, identify and share the lessons learned to help others expedite problem-solving:
  - a. *Goal 3: It was a challenge beyond the scope of growing our business to find a fit for combining resources. Many of the products we interviewed for alignment were differentiated by their access to different efficiencies for distribution; frozen, dry, cheap standard post, etc. Others were differentiated by demands to serve different markets; wholesale, retail, online, etc. In the future we will seek out alignment with partners working in the markets we want to be in rather than use geography as the key criteria for marketing alignment.*
- ii. *We anticipated the infrastructure being completed by August of 2015 on the back of finding a new location to expand into. Spending a year learning there was almost no chance of any existing infrastructure presenting value, we began planning for and building out our existing facility, which has taken an extra year. Therefore, our revenue is behind where we intended it to be.*
- iii. Describe any lessons learned in the administration of the project that might be helpful for others who would want to implement a similar project: *Be prepared to manage the grant as an active aspect of your business. One person should be responsible for all financial grant reporting activities and if possible a second person for all implementation activities.*

10. 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. *The LFPP grant funding has empowered us with high quality and redundant equipment needed to ensure continuous production. Now capable of higher volumes and prepared to work without mechanical failure, we are positioned to negotiate and*

*accept larger contracts. Having the new website in place and a new product line of flavors and form factors we have the solutions that our clients have been seeking and the means to tell the consumers where to find them.*

*Next stage operations include additional B2B and the inception of B2C packaging and eCommerce.*

- 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?

*Tepa is well seated and focused on two things: growing revenue and finding funding to accelerate the pursuit of new revenue. The key activities are business pitching and networking, both a bit more challenging when operating from a remote rural location.*