

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; Fax: 202-720-0300

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

Report Date Range: <i>(e.g. September 30, 20XX-September 29, 20XX)</i>	October 1, 2014 – August 31, 2015
Authorized Representative Name:	Thomas R. Spaulding
Authorized Representative Phone:	(312) 389-8455
Authorized Representative Email:	grants@learnrowconnect.org
Recipient Organization Name:	Angelic Organics Learning Center
Project Title as Stated on Grant Agreement:	Laying the Groundwork: a Feasibility Study for an Urban-Rural Aggregation Initiative near Rockford, IL
Grant Agreement Number: <i>(e.g. 14-LFPPX-XX-XXXX)</i>	14-LFPPX-IL-0005

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Year Grant was Awarded:	2014
Project City/State:	Rockford, IL
Total Awarded Budget:	\$24,990

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: Deb Crockett; Email: deb@learnconnect.org; Phone: (815) 389-8455

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.

We have indicated our progress for each goal below. As this project is a feasibility study, we are not able to report on community impact at this time.

Goal/Objective 1: Complete market research to understand customer needs and potential market demand for additional aggregated food and farm products from the clientele of 6 existing markets and additional planned markets in Rockford and Caledonia, IL.

Outcome 1: A completed report on customer interest and demand for food needs and potential sales of aggregated food and farm products.

Beneficiaries 1: AOLC will have a good understanding of the food needs and buying power of customers of our existing market venues (total population=3,185) and potential expanded markets, and thus will be better positioned to meet those food needs with an aggregation model.

a. Progress Made: We completed a report on customer interest and demand with assistance from New Ventures Advisors. New Ventures Advisors developed a comprehensive report. In order to complete this report we conducted the following activities:

We developed and administered a market research survey via focus groups to five RHA sites (Buckbee Apartments, Oleson Plaza, Brewington Oaks, North Main Manor, and Orton Keyes). A separate survey was administered door-to-door in Blackhawk Courts. Over 70 people participated in these surveys; both tools assessed the residents’ interest and needs relative to the Farm stand, We Pick operation, CSA model, mobile market and freestanding store. Furthermore, the survey responses assisted us in understanding their needs and potential demand for aggregated food and farm products from farmers in the CRAFT network.

We administered another survey to existing Roots & Wings “Cares for Shares” CSA shareholders. This market research was focused on a) understanding the shareholders’ interest in including additional food or farm products in their CSA; b) evaluating our current CSA model; and c) gaining a better understanding why they support this CSA.

We conducted additional research with employees at Blue Cross Blue Shield who participated in market survey. Over 60 people participated in this survey, which was focused on the farm stand

operation at their corporate office. This survey assessed their interest level, product offering and customer service, and preferences for frequency of farm stand operations.

We contracted New Ventures Advisors to assist in completing some of our market research. New Ventures staff completed market analysis with 14 wholesale buyers using survey, phone and in person interviews.

Additionally, New Ventures Advisors worked with 31 farmers in the Collaborative Regional Alliance for Farmer Training (CRAFT) to complete surveys.

b. Impact on Community:

Our community impact goal was to have a good understanding of the food needs and buying power of customers of our existing market venues (total population=3,185) and potential expanded markets, in order to be better positioned to meet those food needs with an aggregation model.

Although we were careful to include input from many stakeholders in the study, we found that consumer surveys ultimately revealed limited insights, so primarily CRAFT grower and wholesale buyer research is included in the study, and has heavily informed the recommendations made throughout. Many consumers weren't familiar enough with different models to make their input germane for the questions at this stage in the process.

70 individuals in Rockford gave feedback on the need and potential demand for aggregated food from local farmers in Rockford. The results of these surveys showed that 44 (55%) of RHA respondents indicated they would likely purchase from the farm stand and 31(39%) indicated other as their answer. 18% of respondents indicated cost as the determining factor, 17% freshness, and 58% indicated other. When asked how much they would spend on products from the market (weekly), 35% said \$10.00 - \$20.00, 26% indicated other, and 15% said \$5.00-10.00. When asked how important it would be for residents to be able to purchase produce with their SNAP card, 63% said it was very important, and 27% indicated other.

Additionally, 60 Blue Cross Blue Shield employees who participated in our markets gave feedback on the project. Results of these surveys showed us that 39% of the respondents thought the prices were the same relative to what they purchased at local grocery stores, 20% of the respondents thought the prices were better, and 22% said they were not sure. The overall perception was that our prices were moderate to high. Because we have a more educated customer base we can justify selling at a more competitive retail. This will help to offset the lower retail prices in low-income neighborhoods.

New Ventures Advisors worked with 31 farmers in the CRAFT network. These farmers completed surveys about the aggregation project. Our research showed that there are few thriving models for local food aggregation, which meet the financial needs of local food farmers solely through unsubsidized sales in low-income communities. This led to the recommendation to augment our direct marketing model with a wholesale business line.

14 Wholesale buyers helped our contracted consultant New Ventures Advisors to complete a market analysis. We learned that there are 6 interested buyers engaged for this study (2 have moderate interest), they included 1 broad line distributor, 2 restaurants, 1 CSA, 1 aggregator (self-identified as a food hub). New Ventures Advisors also found that most wholesale buyers require GAP (organic) certification, which many of our farmers find to be costly and may be a barrier to this model.

Goal/Objective 2: Assess the marketing needs, product volume, product value, and viability of aggregation models among 90-100 farmers of the CRAFT and Roots & Wings networks.

Outcome 2: Completed report on the marketing needs and interest in aggregation from 90-100 farms in Northern Illinois and Southern Wisconsin.

Beneficiaries 2: 90-100 farmers in CRAFT network understand potential collective marketing opportunity. AOLC has solid understanding of local products, volume, value and interest in aggregation. Ultimately, participating farmers would benefit from increased sales.

a. Progress Made: New Venture Advisors included the marketing needs and interest in aggregation from 90-100 farmers in northern Illinois and southern Wisconsin. Our staff met with the CRAFT steering committee to introduce them to the scope of the work in the feasibility study. We made contacts at this meeting and committee members committed to support and participate in future market research. Because the CRAFT members are primarily growers (suppliers) we decided to analyze the needs of potential distribution channels and customers first. More extensive market research with CRAFT members and other suppliers began in January. CRAFT members worked with New Ventures Advisors in the spring of 2015.

b. Impact on Community: We projected that the beneficiaries of this portion of our work toward a feasibility study would be the 90-100 farmers in the CRAFT and Roots & Wings networks. The project sought to understand the needs of farmers and develop an aggregation model that benefits these farmers. We learned through the feasibility study that, in order to make the food aggregation hub sustainable, we would need to add additional growers who manage 5-6 additional acres of production, whereas we currently have productive growing space limited to 14,000 square feet at our current location. In order to gauge grower's interest in becoming part of this model, 31 growers responded to the survey. Eight (31%) of surveyed growers are interested in expanding their participation in wholesale markets and 9 (33%) would consider expansion if certain barriers were addressed. Nine (35%) of growers are very or extremely interested in selling into a food hub. An additional 8 (31%) are somewhat interested. Comments from individual farmers are listed below.

Goal/Objective 3: Research and assess alternative aggregation models (including storefront, mobile market, and enhanced CSA packages) to serve rural and urban areas in northern Illinois, comparing finances, impacts on farmers and customers, and infrastructure needs.

Outcome 3: Completed report comparing different aggregation models for the Rockford (urban) and Caledonia (rural, destination) setting.

Beneficiaries 3: Up to 100 farmers and up to 3,185 existing customers, as well as other emerging markets and farmers.

a. Progress Made: We participated in the Wisconsin Food Hub member meeting to research their operation and to gain a better understanding of their business model.

With New Ventures Advisors, we completed a report comparing different aggregation models for urban and rural settings. We gathered additional research data from the following existing reports. Sources include: Central Indiana Food Hub Feasibility study, The Good Food Box Mobile Market, A case

for Multi-farm CSA, CRAFT Farmers Needs Assessment, Southern Wisconsin Food Hub Feasibility study, and Corbin Hill Road Farm Share.

Our staff participated in a conference call with William Gray from the Wallace Center at Winrock International who provided several additional resources, including the Food Hub Resource Guide, Starting a Food Hub, Successful Hubs Share Their Stories, and From Feasibility Study to Business Plan.

We held a conference call with Benjamin Bartley, director of Arcadia Mobile Market, and Darius Jones, Coordinator of McCormick Place Rooftop Garden. Both Benjamin and Darius offered insights, perspectives and guidance on the feasibility study.

AOLC Market Manager, Tedd Snowden, travelled to visit food hubs in other locations. Although Tedd originally planned to travel to Washington D.C., to research aggregation projects, he instead made trips to Detroit (to meet with Eastern Market, Peaches & Greens, and Fresh Corner Cafe) and Louisville, KY (to meet with Louisville Grows, and Fresh Stop Market). We determined that these other cities were more strategic connections in light of the emerging shape of the project. Instead of spending funds on travel costs to get to Washington DC, we were able to use published resources on the internet, combined with phone calls. In Chicago, Tedd attended Black Oaks' Healthy Food Hub and in Milwaukee the Urban and Small Farms conference as part of his research on aggregation projects.

Tedd Snowden also attended "The Urban and Small Farm" conference and participated in a workshop on innovative approaches to assessing food using mobile markets. Presenters included the following organizations: Farm Bus, Roots Cause and The BLK project.

We contracted New Ventures Advisors to help complete the feasibility project in the spring of 2015. New Ventures compiled infrastructure recommendations based on the recommended model for the food hub business, and identified several facilities in Rockford, IL for further investigation.

b. Impact on Community: As this project is a feasibility study, we gathered the following insights after our research with other food-hubs:

- Need to purchase produce from distributors/aggregating farmers in order to supplement produce grown in the Rockford urban farms
- Securing "Double Up Bucks" and accepting "SNAP" cards are critically important for low-income residents to access local foods
- Need for more affluent or corporate customers to offset price reduction in low income communities
- Education around nutrition and exposing the community to new foods is key
- A food hub would operate on small profit margin
- Inclusion of other services during given event can boost participation (Partner w/ health care provider, social services, nutritionist, university extension, farmers, local community, cooking demonstrations, taste sampling, coaching and job training, senior citizen services, and local churches, etc.)
- Most food hubs are highly dependent on grant funding and volunteer base to support the work
- Affiliation with a faith based organization seems to be a strong component when building a social network

Goal/Objective 4: Complete feasibility study and, if appropriate, strategic business plan for the aggregation project.

Outcome 4: Aggregation project feasibility study and strategic business plan is available for resource development and relationship building with farmers, urban partners, customers, and investors.

Beneficiary 4: We will share the feasibility study and strategic business plan with AOLC leadership, community partners (such as the Rockford Housing Authority), farmers, customers, and any investors who might want to buy into the plan.

a. Progress Made: We completed the feasibility study with additional support from New Ventures Advisors.

b. Impact on Community: We shared the feasibility study with AOLC leadership, community partners, farmers, customers, and others. Notably, we learned that development of a food aggregator will require additional growers and resources. We plan to share this feasibility model with other potential farmers and investors, and to utilize some of the recommendations to conduct additional market research with our customer base. As one of the recommendations was to plan for investment in the form of grants and contributions of at least \$100,000 during the start-up phase of the project, we will likely share this feasibility study and business plan with potential grantors and investors.

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, 20__). Include further explanation if necessary.

This project is a feasibility study. Although we have modeled projections of impacts for beneficiaries, we did not model the number of new jobs or markets to be created during the grant period.

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?

As a feasibility study, this project did not directly implement programs during the grant period. However, we conducted interviews with 70 residents from five new Rockford Housing Authority sites (all low income), as well as 60 employees of a corporation that currently partners with our urban farm, and anticipate that any project that emerges from this study will include this audience in its customer base. Our total market population is 3,185 individuals.

4. Discuss your community partnerships.

Who are your community partners? We are conducting this planning grant with participants of our community partners in Rockford, including residents at Rockford Housing Authority sites, youth in the Youth Leaders group, farmers in the Collaborative Regional Alliance for Farmer Training, and staff and customers of Angelic Organics Farm.

How have they contributed to the overall results of the LFPP project? Our community partnerships have helped us to recruit individuals to attend focus groups and provide feedback on our aggregation programs.

How will they continue to contribute to your project's future activities, beyond the performance period of this LFPP grant? If and when we launch a food hub, CRAFT growers and urban youth farmers will sell food to the hub. Further, we will continue seeking the input of RHA residents in ensuring they have access to affordable, culturally relevant food sold through the food hub. A committee of three AOLC staff leaders and two board members participated in regular advisory meetings over the course of the project. The results have been shared with board members and will be shared with other stakeholders as appropriate in the future.

5. Are you using contractors to conduct the work? If so, how did their work contribute to the results of the LFPP project? We contracted a consulting group, New Ventures Advisors, Inc. to assist with this process. New Venture Advisors assisted the Learning Center by:

- Advising on questions, process and timeline for our feasibility study
- Coaching our lead staff member on the implementation of the surveys and interviews.
- Identifying peer organizations and similar projects to research.

6. Have you publicized any results yet?*

i. If yes, how did you publicize the results? We have not distributed the results of this project widely. We will share the results with partners and stakeholders as appropriate.

ii. To whom did you publicize the results? We have shared the results with funding partners and other parties involved in the project.

iii. How many stakeholders (i.e. people, entities) did you reach? In the course of conducting this feasibility study, we reached 212 (70 RHA, 37 CSA?, 60 BCBS, 14 Wholesale buyers, 31 CRAFT) individuals through focus groups and market studies. These stakeholders informed the study.

*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). We have submitted the full feasibility study report the LFPP administration.

7. Have you collected any feedback from your community and additional stakeholders about your work? We worked with multiple community members and additional stakeholders to conduct the feasibility study. These individuals included residents of the Rockford Housing Authority, shareholders of the youth-led Community Supported Agriculture Farm, customers of our farmstand at Blue Cross Blue Shield of Illinois offices, and farmers in the Collaborative Regional Alliance for Farmer Training.

i. If so, how did you collect the information? We collected information through surveys of participants and focus groups.

ii. What feedback was relayed (specific comments)?

Eight (31%) of surveyed growers are interested in expanding their participation in wholesale markets and 9 (33%) would consider expansion if certain barriers were addressed. Growers offered the following comments:

-I can get more money if I can sell direct or at a market. Wholesale cuts my profits too much at the moment to be considered.

- We can currently sell all we produce at retail prices, so we'd have to determine what price we'd require for wholesale accounts.
- Would like to sell to a sustainable food "Food Hub"
- Given my scale, probably not that interested in wholesale (i'm a very small farm)
- We have a significant base of direct customers that will come to the farm and purchase direct from us. We also have a waiting list for all products, so we are not looking for additional distribution at this time.

Nine (35%) of growers are very or extremely interested in selling into a food hub. An additional 8 (31%) are somewhat interested. Growers offered the following comments:

- I'm not really close to Rockford but I like the idea of a food hub.
- We'd love to participate in getting more good food to a wider group of people, but we also want to make sure that these type of sales make sense with our business needs.
- Need this as another source of revenue!
- We would have to learn more about the organization and what exactly is the end benefit and how does it benefit others. Does it benefit low income people? We feel no one should go to bed hungry and feel the current food chain is broken. Who is the organization is it Non-Profit? Is it a Super Walmart? If so, then not interested.
- Our biggest sales of vegetables is CSA and Food Hub could be a good source to sell if we have some extra in a week.
- We are in the process of starting a micro creamery and may be interested in selling small amounts of cheese. We would be interested in selling goat milk soap and/or black walnuts as well. Our creamery will to be running for at least another 12 months.
- As noted previously, we don't have extra capacity at this time but will consider when our production is higher.

8. Budget Summary:

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

Did the project generate any income? No income was generated

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).

Positive Lessons Learned: Our research showed that there are few thriving models for local food aggregation, which meet the financial needs of local food farmers solely through unsubsidized sales in low-income communities. This led to the recommendation to augment our direct marketing model with a wholesale business line. The financial modeling done by New Ventures was extremely important in understanding the scale of the project that would be necessary for it to make financial sense, as well as helping us understand the resources we will need to mobilize in order to implement the project.

Negative Lessons Learned: As mentioned above, we were careful to include input from many stakeholders in the study. We found that consumer surveys ultimately revealed limited insights, so primarily CRAFT grower and wholesale buyer research is included in the study, and has heavily informed the recommendations made throughout. Many consumers weren't familiar enough with different models to make their input germane for the questions at this stage in the process.

ii. If goals or outcome measures were not achieved, identify and share the lessons learned to help others expedite problem-solving: We met our goals for the project.

ii. 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 met the goals of the project, we learned during the course of implementing the feasibility study that we needed resources beyond our staff team to conduct a thorough project. We were able to hire New Venture Advisors to assist with the completion of the project.

10. Future Work:

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 feasibility study recommended that the AOLC Food Hub would be a blended food hub that sources from CRAFT growers and its own Roots & Wings farms, and sells through both a wholesale and retail business line:

The wholesale business line would serve institutions (hospitals, schools, etc), grocery stores, restaurants and distributors in Rockford, Chicago and surrounding counties.

The retail business line would be structured as a CSA, serving subsidized members through the Rockford Housing Authority and full price paying members across the city of Rockford.

The pro forma P&L for the food hub in steady state shows a net income of \$0 and an annual cash flow of \$1,300 if the food hub's CSA business line serves 140 members and is able to raise \$5,200 in grant funding for subsidization and double bucks benefits for qualified members. Total gross sales would be \$955,000 annually.

The trajectory of growth and timeline to achieve this steady state will be determined by a number of factors, including available supply and commitment level from growers, sales relationships, harvest yields and the degree to which the business balances growth against other goals.

The P&L suggests that an AOLC food hub can be financially self-sustaining if it 1) operates with lean principles and focuses solely on the wholesale and retail lines of business (and not also providing technical assistance support to CRAFT growers, or Roots & Wings' growers, within the food hub's operating model), 2) is able to secure grant funding for CSA member subsidizations, 3) secures a facility at a heavily subsidized rate, and 4) accesses grants for at least \$100,000 of start-up costs. Based on the size of the population in Rockford, IL and Roots & Wings' current ability to serve 30 customers through a very small set of delivery locations in its initial year of offering a CSA, it is likely

that the food hub can successfully bring on 140 members through 7 delivery locations at steady state.

Achieving these sales levels will require:

- 35 acres of production among AOLC food hub suppliers for the wholesale business line.
- At least 1 (ideally 2-3) GAP certified grower. Thus far, 1 GAP certified grower has been identified, with many more willing to pursue GAP certification if demand warranted the investment.
- 20,000 lbs of produce secured over 10 weeks to serve 140 CSA customers. This will require approximately 5-6 additional acres of production among CRAFT growers beyond what is produced by Roots & Wings' two 14,000 sqft parcels of production.

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? The results of the completed feasibility study provided a set of recommendations for AOLC, including that AOLC pursue a series of specific research steps to better understand and solidify assumptions behind the key drivers of the food hub's financial viability. These steps include:

- Verify that a CSA model is the best direct to retail business line for the food hub, by (1) engaging and educating Rockford Housing Authority residents about the service and more accurately gauging interest, barriers and willingness to pay; and (2) marketing the AOLC CSA to full paying members across Rockford and gauging interest level, willingness to pay full price and identifying optimal drop off locations. Confirm that the price point of \$360 per 10 week share (and the 50% subsidization rate) is viable. The team may also consider conducting more in-depth exploration of alternative models such as mobile markets and retail enterprises alongside this step. Note that these steps are primarily aimed at ensuring the AOLC Food Hub would successfully achieve one of its core missions of increasing access to and consumption of healthy, locally grown produce, versus solidifying the team's confidence in the pro forma profit and loss statement.
- Confirm that there is at least \$955,000 in demand among Rockford and Chicago area buyers, and verify that a subset of interested CRAFT growers can successfully meet their requirements. It is recommended that AOLC engage a supporter or contractor with sales experience and relationships in the area, who would focus on generating and confirming high interest among large, Chicago area wholesale buyers.
- Confirm buyer interest in certified organic, and willingness to pay the market premium of 40% for these cases.
- Vet the assumption of a 25% case margin by following up with interested growers, educating them on wholesale pricing models and the benefits of wholesale markets.
- Solidify confidence in the facility assumptions of \$1 per square foot and the ability to secure just 1,800 sq. ft. of space. This will require continued discussions with city real estate partners with whom AOLC has already been in conversations, and clarifying specific spaces and subsidies to which AOLC would have access.
- Identify \$150,000 in likely sources of grant and low interest loan funding to cover start-up costs, and additional, ongoing grants to cover the cost of subsidizing CSA members.

As these steps are taken, the team can solidify financial assumptions, refine the pro forma profit and loss statement, and more confidently make the decision to move forward. This "go" decision will direct the project into business planning. In this phase the project will be taken to the next level of commitment: an entity established, an operator chosen, a site identified, occupancy costs for the facility confirmed, supplier quotes received, operating agreements with partners negotiated, a sample price list vetted by growers and buyers, salaries for staff and workers actualized, etc. The completed

plan will include a more robust financial model expanded into projections through breakeven.