

## 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 your assigned grant specialist 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>	April 1, 2016 – August 31, 2016
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<b>Recipient Organization Name:</b>	New Venture Advisors LLC
<b>Project Title as Stated on Grant Agreement:</b>	Building Rural Grocery Store Viability Through Food Hubs
<b>Grant Agreement Number:</b> <i>(e.g. 14-LFPPX-XX-XXXX)</i>	15-LFPP-IL-0128
<b>Year Grant was Awarded:</b>	2015
<b>Project City/State:</b>	Chicago, IL
<b>Total Awarded Budget:</b>	\$25,000

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: \_\_\_\_\_

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0581-0287. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable sex, marital status, or familial status, parental status religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program (not all prohibited bases apply to all programs). Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

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 of July 30, 2016, all project objectives have been successfully achieved.**

- i. **Goal/Objective 1: Assess the feasibility of embedding food hubs in rural grocery stores, in order to evaluate whether or not this strategy has the potential to be financially viable for rural grocery stores, and under what conditions the business model makes operational, economic and strategic sense for a store operator.**

a. Progress Made: As summarized in our previous report, the New Venture Advisors team worked with our academic partners in Iowa, Kansas and Michigan to identify and select four grocery stores: 2 in Iowa, 1 in Michigan, and 1 in Kansas.

The team conducted secondary research on agricultural production and demand in the regions surrounding the selected stores, and on the competitive landscape of existing food hubs and distribution models. The team then collected financial and operational data for each store and conducted on-site store visits in each location. During the store visits, the team documented capacity that could be utilized for food hub operations including dry, cold and frozen storage space. They interviewed the stores’ management teams and staff to understand the skills, interest and capacity for operating a prospective food hub. While on the ground at stores, the team also conducted several interviews with local growers in the regions surrounding the stores to develop an understanding of potential supply for a food hub. The team also conducted in-person interviews with local food systems stakeholders, such as existing food hubs and local food distributors.

Following the store visits, the team synthesized the data collected from the store owner and during the site visits, and conducted additional phone interviews with prospective suppliers, buyers and distribution partners identified during their site visit and secondary research. This data was used to develop a preliminary model assessing the potential throughput of a food hub operating in each store, leveraging available cold and dry storage capacity and managing around store delivery and operations schedules. Preliminary models were reviewed with the storeowners to validate assumptions and clarify operating constraints. The model was refined further, and a final feasibility assessment was developed for each of the four stores.

Findings from each of these individual case studies were rolled up into a public summary report, which confirmed the overall feasibility of embedding food hubs in rural grocery stores. The summary report compared and contrasted each of the case studies, and presented the conditions under which a store-based food hub makes operational, economic and strategic sense. Accompanying the summary report is an open access online widget developed by the project team to enable other rural grocery store owners to conduct a preliminary assessment of feasibility. The widget estimates maximum potential food hub throughput volume, revenue and profit contribution based on storage capacity and assets, location, and preliminary demand data entered by the grocery store operator. This widget leverages the key assumptions and analytical

methods developed for the participating store assessments, making this knowledge publicly accessible for the benefit of a larger number of storeowners.

b. Impact on Community: The final feasibility assessments and summary report indicate significant potential for a food hub operation to strengthen and sustain the business of a host rural grocery store, generating increased revenue and net income. The level of potential impact varied across our participating stores, with greatest potential in our Michigan store and one of the two Iowa stores studied. The other two stores might benefit from scaled down versions of the model analyzed. This potential impact on the grocery store business is critical in light of increased competition faced within their communities by large box and dollar discount stores, and greater challenges sustaining their top and bottom line as a result.

Additionally, the hub operations require an increase in staff, with the opportunity to convert existing part-time positions to full-time jobs or for new hiring within the community. Roles include hub management, delivery drivers, and product handling. The volume of job creation impact varies based on the throughput potential identified for each store.

Finally, the hub itself will provide a new sales and distribution channel for local growers and producers in the region – allowing them to sustain and/or increase their agricultural production and farm businesses. By offering wash/pack and inbound distribution services, the hub will provide market access to growers who might otherwise be unable to participate. In operating the hub, the grocery store operator will have greater access to local products to sell to customers, allowing for greater differentiation against competitors. And the hub will help channel a greater supply of local products to other regional consumers through institutions such as schools, hospitals and universities, as well as restaurants and other buyers.

The open access online assessment widget expands the potential impact of this model beyond the four participating stores, to other rural communities nationwide.

ii. Goal/Objective 2: ***Provide each of the three rural grocery stores that will serve as case studies for this research with their own customized feasibility assessment and preliminary go/no-go recommendation for pursuing a rural food hub as part of its operation.***

a. Progress Made: Detailed feasibility assessments were completed for all four stores and delivered to participating storeowners. Reports ranged from 50-80 pages each, with the following sections:

- **Executive Summary**
- **Introduction:** Project Background, Partners and Advisors, Problem Statement, Proposed Solution, Project Approach, Goals of Report, Store Overview
- **Store Analysis:** Approach, Capacity, Assets, Other Observations
- **Market Analysis:** Approach & Summary, Regional Demographics, Agricultural Supply & Demand, Food Distribution Landscape

- **Store-Based Food Hub Operating Model:** Design, Business Model Overview, Financial Assumptions: Revenue, Costs of Goods, Sales, General & Administrative Expenses, Financial Projections, Implications
- **Discussion:** Model Comparison, Risks & Mitigation Strategies, Recommended Next Steps

Each report was accompanied by a summary presentation for quick reference and to enable storeowners to share key information with other stakeholders.

- b. **Impact on Community:** As described in relation to Goal/Objective 1 above, substantial impact on the community is anticipated for the Michigan store and 1 of 2 Iowa stores in the areas of store financial sustainability, job creation, local agricultural production and consumption. The second Iowa store has much more limited capacity in cold and dry storage, and as a result, lower potential financial contribution. The participating Kansas store has higher capacity and higher potential financial contribution, but is located in an area with much more limited fruit and vegetable production, negatively impacting the likelihood of securing sufficient levels of supply at this time.
- iii. **Goal/Objective 3: Develop a toolkit to help rural grocery store operators assess their local food landscape (including supply, demand, consumer culture, and infrastructure partners) and determine whether or not to pursue next steps in support of an embedded food hub.**
    - a. **Progress Made:** As described in relation to Goal/Objective 1 above, the team has completed a final public toolkit for distribution to other rural grocery store operators nationwide. The toolkit includes two components:
      - An open-access **online widget** that estimates maximum potential food hub throughput volume, revenue and profit contribution based on storage capacity and assets, location, and preliminary demand data entered by the grocery store operator.
      - An accompanying 20-page **public report** that summarizes the research completed across 4 stores in 3 states to evaluate the feasibility of developing a food hub within a rural grocery store and provides information on key insights and resources for operators interested in exploring a model for their stores, with the following sections: introduction, concept overview, research methodology, findings, how to conduct your own analysis, closing and additional resources.
    - b. **Impact on Community:** The public toolkit, marketed in partnership with academic and prospective operating partners, will extend the potential impact of these feasibility assessments beyond the 4 grocery stores that were the focus of this phase of work to all other interested rural grocery store operators. The toolkit will allow them to embark on the same process of developing a new business line that would allow them to sustain their business, grow jobs, and enable increased production and consumption of local products.

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.

Note: The estimates below are of the **maximum potential** impact that could be created **if** both the Michigan and Iowa storeowners move forward with the launch of one store-based food hub each, as recommended in the final feasibility report.

- i. Number of direct jobs created:
  - a. **Iowa:** 4 (1 Food Hub Manager: seasonal, 15 hours per week for 20 weeks per year at an hourly rate of \$16 plus 15% fringe benefits. Responsibilities include hub sales outreach, weekly product/price list development and order management, oversight of product handling and delivery operations, grower and buyer relationship management, finance / cash flow management; 1 Food Hub Delivery Driver: seasonal, 20 hours per week for 14 weeks per year at a fully loaded rate of approximately \$18 per hour. Driver would utilize the store's delivery vehicle to pick up food hub products from participating farms and drop off food hub products at customer locations, including restaurants, schools, hospitals; 2 Food Hub Product Handlers: part-time, average of 20 hours per week for 14 weeks per staff member plus an additional 4 hours total per week for remaining 38 weeks of year. Staff members would be responsible for receiving food hub product deliveries, washing and packing 50% of product received, storing food hub products, and preparing products for outbound distribution – all in compliance with standard operating procedures and HACCP plans.)
  - b. **Michigan:** 7 (1 Food Hub Manager, 2 Food Hub Delivery Drivers, 4 Food Hub Product Handlers)
- ii. Number of jobs retained: While it would not be accurate to state that all current store jobs would be lost if the food hub did not move forward, the estimated maximum profit that could be generated by the food hub could significantly impact the continued financial feasibility of the store, and play a role in saving these jobs.
  - a. **Iowa:** Up to 20 (estimated number of current store employees)
  - b. **Michigan:** Up to 150 (estimated number of current store employees)
- iii. Number of indirect jobs created:
  - a. **Iowa:** 5 (Regional growers or food producers. In the maximum potential financial projections laid out for the Iowa store-based food hub, approximately \$137,000 in regional grower / food producer income is anticipated. Assuming that this is distributed across a set of hub suppliers, this income is anticipated to support the creation of approximately 5 farmer or producer jobs at an average annual income level of \$27,400.)
  - b. **Michigan:** 29 (Regional growers or food producers. In the maximum potential financial projections laid out for the Iowa store-based food hub, approximately \$795,000 in regional grower / food producer income is anticipated. Assuming that this is distributed across a set of hub suppliers, this income is anticipated to support the creation of approximately 29 farmer or producer jobs at an average annual income level of \$27,400.)
- iv. Number of markets expanded: 2: Institutional and retail markets for local food products in Central Iowa and in Northeast Lower Michigan.

- v. Number of new markets established: N/A
  - vi. Market sales increased by \$1,246,541 and increased by N/A%. Note: this is maximum potential revenue estimated for Iowa Store #2 (\$187,757) and Michigan (\$1,058,784). Current market value is not available, but can assume this is a significant increase from close to \$0 in current value.
  - vii. Number of farmers/producers that have benefited from the project:
    - a. Percent Increase: N/A. At maximum potential throughput, it is estimated that the prospective Iowa store-based hub would benefit approximately 10 local farmers/producers, and that the prospective Michigan store-based food hub would benefit approximately 50 local farmers/producers.
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? It is anticipated that both the Iowa and Michigan store-based food hubs would reach low income / low access populations by distributing produce to local schools, hospitals, and grocery store shoppers. A significant percentage of the population in both regions is comprised of low income and/or low access households.
4. Discuss your community partnerships.
- i. Who are your community partners? The project team worked with two types of partners:
    - a. Local academic and/or community partners included representation in each of the three states in which we worked:
      - Dr. David Procter, *Director, Center for Engagement and Community Development*, Kansas State University
      - Kamyar Enshayan, *Director, Center for Energy and Environmental Education*, University of Northern Iowa
      - Shane Tiernan, *Director of Lending*, GNB Bank
      - Rich Pirog, *Senior Associate Director*, Center for Regional Food Systems Michigan State University
      - Dave Glenn, *Consultant*, Northeast Michigan Council of Governments
    - b. Storeowner partners:
      - Owner / operator of rural grocery store chain in Iowa
      - Owner / operator of rural grocery store chain in Michigan
      - Owner / operator of rural grocery store in Kansas
  - ii. How have they contributed to the overall results of the LFPP project? Our local academic and/or community partners served as expert advisors, facilitated introductions to grocery store owners and local stakeholders, provided access to regional agricultural and economic data, and are assisting with the publication and dissemination of public findings to communities of research and practice. Our storeowner partners were the focus of our study - they shared data on their store's financial structure, real estate, operations, competitive landscape, staffing strategy and relationships with distributors and suppliers. They hosted the project team for a site visit and provided a tour of the front and back of house. They reviewed interim feasibility assessments, and participated in feedback calls to discuss assumptions and outcomes. They grounded the study in real world operations and provided the insight and expertise to help the team evaluate the feasibility of a store-based food hub model.

iii. How will they continue to contribute to your project's future activities, beyond the performance period of this LFPP grant? Local academic and community partners will play a key role in the dissemination of the public report and toolkit, enabling other rural grocery storeowners nationwide to leverage the information and preliminary assessment widget. This will, in turn, help New Venture Advisors improve and refine the widget, to ensure that it can be more accurately and effectively utilized to drive store-based food hub model evaluations, and where appropriate, implementations. They will also help identify new case studies that might emerge from the dissemination of the toolkit, and continue to expand the industry's understanding of opportunities to bring together local food distribution and rural grocery store sustainability. Participating storeowner partners may continue to engage with us as they look to pilot a store-based food hub, and eventually, fully launch and build their hubs. If they choose not to move forward with a full-on hub, we hope to hear how they leverage the knowledge gained through the feasibility assessment process to extend their services to drive new revenue and greater financial sustainability. We also hope that they will refer other storeowners to the public report and online preliminary assessment widget, helping spread the word and potential impact of this study.

5. Did you use contractors to conduct the work? If so, how did their work contribute to the results of the LFPP project? All work was conducted by New Venture Advisors staff.

6. Have you publicized any results yet?\* Yes, we have begun to publicize results.

i. If yes, how did you publicize the results? Kathy Nyquist of New Venture Advisors shared a summary of the study's preliminary results as part of a breakout session at the Kansas State University Fifth National Rural Grocery Summit on June 6 in Wichita, Kansas. Additionally, a public report summarizing the study and advising readers on the use of a preliminary assessment widget is complete and in the process of being disseminated. The public report will be made widely available on the New Venture Advisors website, featured on the New Venture Advisors blog, and shared by the project's academic partners.

ii. To whom did you publicize the results? Attendance at the KSU Fifth National Rural Grocery Summit breakout session included rural grocery store owners, as well as academic and nonprofit capacity builders. The New Venture Advisors website and blog will reach a diverse set of food hub, local food distribution, and broader industry stakeholders. In partnership with the project's academic partners, including the KSU Rural Grocery Initiative team in particular, the team will seek to reach a greater number of rural grocery store owners and their supporters nationwide.

iii. How many stakeholders (i.e. people, entities) did you reach? To-date, the reach of publicized results has been limited to attendees of the KSU Fifth National Rural Grocery Summit, which as a whole saw attendance of approximately 200 participants representing a large number of states and entities. Continued efforts will be made to reach a larger number of stakeholders with the public report and preliminary assessment widget, with a strong focus on rural grocery store owners and supporters.

\*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). The public report is attached.

7. Have you collected any feedback from your community and additional stakeholders about your work?
- i. If so, how did you collect the information? Feedback has been collected in two ways. First, the team sought to schedule interim and final feedback sessions with participating rural grocery store owners. All three rural grocery store owners participated in interim feedback sessions in which they provided their input on the assumptions used in the feasibility assessments developed for their stores, and shared feedback related to the findings and recommendations. This input was incorporated into the final reports, store-specific assessments and the public report. The team has attempted to schedule final feedback sessions with all participating storeowners, to provide an opportunity for additional feedback in response to the final feasibility assessment reports. At the time this report was written, one storeowner had participated in a final feedback session. The team was continuing to work on scheduling a session with the other two storeowners, with September 2016 as a target completion timeframe. Second, the team has held several interim feedback calls with our academic partners. A final feedback call is scheduled for August 29, 2016.
  - ii. What feedback was relayed (specific comments)? A sample of storeowner feedback:
    - a. "There is clearly a viable path for back hauling of local product [to our primary distributor]. They in turn could distribute product to some or all of their some 400 plus stores in both the corporate world and in the independent world."
    - b. "It would seem there are many potential opportunities for new agribusinesses to develop if the transportation lines could be created (i.e. back hauling). One example discussed would be a fish raising farm. Tilapia is a great example and production has already been perfected."
    - c. "We have been talking with [Grower Name] of [Farm Name]. She is already working to expand her growing range to almost 9 months. Getting product down state to a distribution plan already in place seems doable."
    - d. "The fact that we have periods when our refrigeration systems are nearly empty suggests the right logistics might be able to accommodate the needs of the store and the needs of the producers."
    - e. "The amount of prep work and who will do it, and where, will sort itself out as we move from the theoretical to the real. There is a win-win for all involved if we explore the options."
    - f. "By lessening the distance of product from farm to store, we will be able to reduce transportation costs."
    - g. "The biggest hurdle will be our ability to ensure the product will be safe for consumers 100 % of the time AND the folks involved will have a real path to growth and success."
    - h. "There are a lot of assumptions, parts and pieces that would have to go together. We would want to be able to test this at a small scale to better flesh these out."
    - i. "[Store 1] looks better than [Store 2]. If we could earn this kind of money with things going fairly smoothly, it would be interesting to try."
    - j. "One very important side benefit is that we may have more access to more locally grown produce to sell in our own stores."
    - k. "Given the regional agriculture production data presented in the report, it doesn't look like a food hub operating out of our store would work at this

time. Other parts of the state seem to be leading the charge on increasing local food production. Once they figure it out, hopefully it will spread to this part of the state. In the meantime, we'll look at ways to start small and continue to differentiate our store by focusing on support for local growers – potentially by hosting a farmers market.”

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:
- 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? N/A

9. Lessons Learned:

- i. Summarize any lessons learned. Draw from 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).
  - a. Find supportive and connected community partners. We found tremendous value in having supportive and connected community partners serving in an advisory role. These partners came from academic institutions with strong community initiatives, or from community based planning organizations. This was critical to ensuring a successful search for store participants in the study. These partners were able to help us develop store selection criteria and then conduct a preliminary assessment of alignment of potential participants against that criteria, with a strong focus on finding store owners who could serve as early adopters. They were also critical in connecting us with local growers, buyers and distributors who engaged in primary research, adding much needed color to secondary data. Without these introductions, the team would likely not have been able to make as much progress in such a short period of time or had as much in depth understanding of the feasibility of this model in the current environment.
  - b. Identify engaged and innovative storeowners. At this early stage in model exploration, the most important characteristic of the storeowners we worked with was their appetite for innovation. This came from a deep understanding of their business and the competitive landscape, a demonstrated commitment to community support, and an ability to look ahead and imagine the possibilities. Given the ambiguity that must be worked through at such an early stage in a project and model development, it was critical to engage storeowners that could ideate with us, provide feedback, and ground our research in reality without minimizing the potential impact. We were incredibly fortunate to have found this characteristic within all of our storeowner participants, and we attribute that to the wisdom of our community partners who identified these storeowners.
  - c. Place an emphasis on primary research to truly understand the potential. While secondary data on regional agricultural production, existing demand for local food products, and current distributors was immensely valuable in understanding the feasibility of a food hub within the participating stores,

primary data collected during interviews made all the difference. Our grower interviews shed light on burgeoning movements of local food production with information that has yet to hit databases in a marked way, and gave purview into the true growth potential within a region. In other areas, the lack of ability to identify interested growers and producers led us to a preliminary conclusion, paired with secondary production data, that the time is not yet right for this model to be developed in that region. Buyer and distributor interviews drove our understanding of potential distribution models, structures and networks. While secondary data is critical, primary research should also be included.

- d. Start with in-depth case studies to identify scalable findings. Without digging deep into four different case studies in three states, it would have been challenging to understand commonalities and differences. By starting deep, we were able to expand out and develop findings, recommendations, and tools that could be leveraged on a national basis.
- ii. If goals or outcome measures were not achieved, identify and share the lessons learned to help others expedite problem-solving: N/A. Goals were successfully achieved.
- 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:
  - a. See lessons learned as summarized in (i) above, with an emphasis on partner and participant selection and engagement. In addition, we built the public toolkit with future projects in mind – with the hope that others who might want to implement a similar project could leverage our model, recommendations and widget to start from a more established foundation – then make it their own. We hope that the toolkit is successful in providing this foundation.

#### 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.
  - a. The public toolkit, and in particular the online preliminary assessment widget is one particular area of continued focus for the team. Its dissemination, and the feedback we receive from users will help us continue to expand the impact of this study nationwide. We are currently pursuing funding to develop a future iteration of the widget, in a user-centered design process.
  - b. We also hope to stay involved as an advisor to our storeowner participants in this study who choose to move forward with pilots and/or implementation of a store-based food hub model.
  - c. Finally, we have secured Rural Development funding for a follow-on study in North Central Kansas, using the model and toolkit developed in this study.
- 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've attached research plans for the North Central Kansas follow-on study funded by USDA Rural Development and the rural grocery food hub preliminary assessment widget expansion project, submitted for 2016 LFPP funding consideration.