

**Local Food Promotion Program  
Interim Performance Report**

<b>Report Date Range:</b>	April 01, 2017 – July 31, 2017
<b>Today's Date:</b>	07-31-17
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<b>Recipient Organization Name:</b>	Maumee Valley Growers Association (MVGA)
<b>Project Title as Stated on Grant Agreement:</b>	The Toledo Food Hub
<b>Grant Agreement Number:</b>	15-LFPP-OH-0064
<b>Year Grant was Awarded:</b>	2015
<b>Project City/State:</b>	Toledo, Ohio
<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: \_\_\_\_\_

MVGA's quest as a Food Value Chain Coordinator progressed on schedule. The grant brought into focus the importance of collaboration between food producers, distributors, buyers and other community partners to the northwest Ohio region and beyond.

1. *State the goals/objectives of your project as outlined in the grant narrative and/or approved by LFPP staff.*

- i. Goal/Objective 1: (Modified from Food Hub to Value Chain Coordinator: See Report #1 dated March 31, 2016) Develop a regional food value chain that will serve as a year-round drop-off point for area producers in the northwest Ohio region whose distribution system will serve wholesale, institutional and local restaurants through collaborative partnerships.
  - a. Progress Made - Local Distribution has been a challenge. Most of our success has been regional as you will read in 1b.

This grant award initiated a new, start-up project. During the two years of the grant, MVGA developed partnerships with Azoti, a Columbus food software and sales company and Sirna and Sons, a Ravenna based food distributor to promote new sales opportunities for small farmers not currently working with any wholesale distributors.

The MVGA board decided in year one (2015-16) to take a tactical approach to limiting outreach to one distributor in NW Ohio. The purpose was to first set up the supply chain infrastructure, establish some sales, but not over promise and under deliver. Interestingly, no local sales resulted.

Upon establishing the supply chain and procurement software (through regional sales), year two allowed MVGA to expand operations and develop greater food volume and variety capabilities. As a result, the Board recommended offering produce to *all* local distributors. Again, this suggestion resulted in nominal sales

even though a partnering relationship was established with the largest local distributor in the region. This effort remains ongoing and is expected to improve in year three, 2018. We have concluded that the local culture is based more on price than paying slightly more to connect small farmers with chefs. MVGA is confident more sales will be made as greater community awareness is generated. Negotiations are ongoing.

Concurrently, MVGA set up several meetings in 2017 with leaders of the Northwest Ohio Restaurant Association to capture the interest of the 150+ chefs in the area. The goal was to create awareness of our program and assist their organization in coordinating "Demand Planning" meetings (available volume, variety, and price) with area small farmers. The association has been idle for 6 years and would like to reorganize. MVGA could play an important role in providing farmers as their produce resource to assist in their initiative. Collaborating with the restaurant association will build new relationships. Although this will require more time than anticipated, the goal of the establishing long-term local farmer/chef relationships has great value.

MVGA also met several times with the NW Ohio Food Bank for the purpose of launching other potential collaborative opportunities in NW Ohio's food deserts mainly in Toledo's central city. MVGA assisted in two grant submissions that would address Toledo's food desert. Results are pending.

Progress Made - *Regional* Distribution was fantastic! MVGA was able to accomplish its first-year goal of establishing a farmer to fork supply chain by partnering with distributor Sirna and Sons Produce based out of Ravenna, OH. From July until late October of 2016, MVGA provided Sirna & Sons with produce to 14 of their customers resulting in a modest \$7,100 in *farmer* sales (no grant revenue). This volume also allowed MVGA to establish a viable supply chain and develop a workable 24/7 software ordering system.

As anticipated, volume decreased to about half in November of 2016. Software and sales company Azoti [www.azoti.com](http://www.azoti.com) and distributor Sirna and Sons Produce <http://www.sirnaandsonsproduce.com/> recommended the program be suspended at that time until late April 2017 to fine-tune the software and re-examine future potential and capabilities. MVGA was not particularly happy with this decision since there was still a dozen or so cold crop items available. However, if it meant a more promising re-startup, we felt obligated to comply. It turned out to be a good decision.

During the 4-month program suspension, many improvements were made:

- The first Azoti, Sirna, and MVGA Webinar were held on December 8, 2016, with nearly 60 interested "foodies" and chefs in attendance. MVGA reached out into the buying community with dozens of conference calls, group emails, texts, and webinars.
- Azoti software was updated to accommodate more produce volume and variety of choices for chefs with less mouse "clicks."

- Azoti offered a \$50 bonus to any sales person that opened up new accounts.
- Sirna's review of MVGA 's 2016 performance resulted in a significant increase in sales opportunities in NE Ohio. \$222,000 in pledges were made in February for the upcoming 2017 calendar year. At the conclusion of this grant, sales are forecast to be a minimum of \$50,000 or a 5-fold increase over year 1. This is a controlled growth scenario whose current supply chain system can easily support associated produce production, logistics, and sales needs. The decision of the board was wise to develop the project using an orderly, step by step strategy. MVGA anticipates this ramp up to at least double in year 3 and double again in year 4 enabling the program to achieve a sustainable level starting in year five based on projected expenses.

A produce drop point was established in 2016 at one of our MVGA member's greenhouse location. It worked out perfectly since it included the availability of a cooler and logistics equipment.

In 2016, Sirna provided the back-haul pickup from our drop point location in Toledo to their hub in Norwalk, OH but because of the significant increase in sales in 2017, MVGA was asked to provide all transportation needs to Sirna's two warehouses located in Norwalk and Ravenna, Ohio. MVGA committed to the purchase of a small refrigeration truck to accommodate the request. The initial weekly delivery day was Saturday, May 6, 2017. Three months later on Wednesday, August 2, 2017, a second weekly delivery day was added.

- b. Impact on Community: Impact on the local community has been mixed. As outlined above, very little local sales were achieved, so the effect on local institutions and restaurants were poor even though the awareness of the program was known. Both internal and external grant promotion did create program recognition beneficial to non-profit organizations which we have an ongoing dialog to this day. For example, this awareness prompted an easier expansion of our "seconds," #2's or "ugly veggies" in the area. MVGA's partnership with 3 non-profit entities; a private sector food bank (*EnPuzzlement*) and two food pantries (*University Church & Food For Thought*) increased #2 produce distribution volume and selection. The three non-profits continue to provide volunteers for pickup/gleaning and transportation of #2's to their consumers.

Naturally, the impact on the local farming community remains extremely successful and continues to create quite a "buzz." We have the ability to coordinate nearly 30 small farmers when searching for produce volume and varieties.

The impact on our partners Azoti and Sirna has also been very positive. The focus now is to successfully fulfill farmer orders, build capacities and establish food safety programs.

- ii. Goal/Objective 2: Provide an experienced management team that coordinates the value chain including finding new markets for producers.

- a. Progress Made: An Advisory Committee originally made up of 6-8 growers in 2016 has grown to about 19 farmers plus the MVGA Board of another 13 individuals. This group is made up of those individuals that have a vested interest in the program. They meet bi-monthly or as needed throughout the year with communications weekly (during the season) through texts and emails. MVGA also has the support of the NW Ohio Food Council which is made up of about 35 community and government leaders. MVGA keeps them informed at their bi-monthly meetings. Azoti, Sirna, and Al Peake are also strong advocates of the program often generating administrative recommendations and logistic assistance. MVGA anticipates this list of advisor/participants to gradually grow as the program progresses.
  - b. Impact on Community: MVGA continues to meet with City of Toledo officials regarding hoop house legislation. This includes the promotion of neighborhood gardens and agricultural zones. MVGA has made specific recommendations involving permitting and zoning regulations to create a more user-friendly environment within the city. The city is evaluating those recommendations and soon should have some (or all) suggestions implemented.
- iii. Goal/Objective 3: Create institutional buyer interest by promoting food safety measures, logistics, and quality control procedures involving volume and variety of available produce year-round.
- a. Progress Made: Part of the grant's role was to assist small farmers in their food safety training so they can conduct business at the wholesale level. MVGA greatly values food safety and farmer training. What was never required of small growers is becoming standard business practices. Continuing this education is essential to the success of this program long-term.

The first GAP training workshop was a general safety meeting held on February 22<sup>nd</sup>, 2017. It was co-sponsored by OSU-Extension and Toledo Grows with 19 food enthusiasts in attendance. About half were farmers.

The second meeting was the following morning on February 23<sup>rd</sup>, 2017. It was an invitation only meeting geared toward local farmers who had shown interest in the program. There were 10 farmers in attendance and our first attempt to assist the growers in preparing their individual safety guides. It did not go well. Growers commented that it was too complex, too many variables, didn't know how to interpret questions, didn't know what applied and what didn't to their specific operations, didn't want to take the time to cross reference attachments, etc. MVGA was reminded they are growers and not taking a college academic course. Pretty strong feedback! After three hours, we decided to reconvene when a completed template could be more easily adapted.

The third meeting was scheduled for March 9<sup>th</sup>, 2017. Only two farmers attended. Why? Frustration with the process, too busy, not convinced they need to expand their retail operations to a wholesale business model based on the hassle and expense of becoming certified. This gave us pause to reconsider our strategy.

Based on the fact that wholesalers were at the height of their season and retailers were soon to be, it was decided to schedule each grower separately during a 3-hour block of time of their choosing.

OSU Extension Agent Beth Scheckelhoff completed a generic template for all growers to follow. Starting the end of July, she will assist each grower (interested) at their business location to complete the safety guide including the attachments. Hopefully, MVGA can convince 10 growers to complete their guides by September of 2017 with about half of those ready to be inspected and become GAP certified.

- b. **Impact on Community:** MVGA continues to promote year-round produce production. Within the current number of growers, there are five greenhouse growers that operate 9 months out of the year. Having winter produce available year-round provides a huge advantage for everyone participating in the supply chain. Chefs using local farmers in the summer and having to return to suppliers outside the region or country is not conducive to positive vendor relationships. This is a difficult challenge MVGA will continue to pursue.

2. *Quantify the overall impact of the project on the intended beneficiaries, if applicable. Include a further explanation if necessary.*

- i. **Number of direct jobs created:** Based on national statistics and early project indicators, MVGA calculates creating 1-2 full-time equivalent jobs and several part-time volunteer positions within five years of operation. Currently there are 2 part-time volunteer positions created involving produce aggregation and logistics. These positions will eventually become paid positions as the hub develops to a sustainable operation. Azoti has two full-time paid staff and one intern on their payroll mostly due to MVGA's program. They are supported in part through Angel investors and a 5% commission on sales.
- ii. **Number of jobs retained:** 0 (new operation)
- iii. **Number of indirect jobs created:** Difficult to ascertain an exact number because of volunteer participation. However, because the project impacts the entire food supply chain, there is supportive data that indirect jobs will be created eventually in areas such as aggregation, transportation, sales and administrative.
- iv. **Number of markets expanded:** The programs greatest challenge to date ironically has been local sales. Essentially no markets were expanded although great strides were made for 2017 growth. We anticipate measurable results in 2018. Local distributors are having difficulty (trust) understanding that our program *augments* existing private sector commerce without competing with them. MVGA added a strong distributor (Al Peake) who is supportive of hyper local small farmer produce but has yet to support this in sales. This is also true of our collaboration with the local restaurant association. We believe both collaborations will develop into profitable partnerships.
- v. **Number of new markets established:** Great news! We are providing produce to two hospital systems and restaurants located in the Columbus, Cleveland, and Akron areas. Adding a food drop to include both Wednesday in addition to Saturday should increase sales significantly. A few more weeks are needed to determine what degree of sales increase.
- vi. **Market sales change:** Starting with \$0 sales at the beginning of the grant, 2016 produced \$7,100 in first-year sales for the farmers. We calculate a minimum of \$50,000 at the conclusion of year two in 2017.

- vii. Number of farmers/producers that have benefited from the project: To date, 8-9 farmers participated during the first year. We currently are working with 19 growers in 2017. Our strategy remains the same; maximize each farmer's capabilities first before adding additional producers. All farmers agree and support this rollout policy.
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?*
- i. Providing seconds or #2's has resulted in new relationships with the area food banks (public & private), pantries, churches and central city non-profits and their community leaders. These groups are primarily low to mod income individuals with minimal access to healthy local food. Because #2's can often be processed, we have had discussions with CIFT (Center for Food Technology) regarding partnership involving canning, dehydration and flash freezing opportunities. We anticipate this segment of our operation to develop in year 3 or 4.
4. *Discuss your community partnerships.*
- i. Who are your community partners? Categorically, we view our community partners to be producers (farmers), distributors and food buyers (chefs). This can also be segmented into institutional (hospitals) and restaurants. Much of our matching dollars are from these groups. Completing the 2-year grant, our partners have the following understanding of our initiative:

Farmer Community:

- Create new opportunities for small to mid-size farmers in northwest Ohio.
- Define the definition of a small farmer in northwest Ohio. (primarily <\$100K)
- Provide small farmer food safety training and GAP certification. (2017)
- Offer greater food awareness and education/outreach to communities and neighborhoods in and around Toledo.

Distributors:

Grant year 1 progressed gradually as MVGA established a basic food value chain involving seed to sale transactions. The supply chain incorporated a state of the art procurement software system based on pre-sold produce between farmers, distributors and buyers (chefs) on a 24/7 basis which generates less waste and handling. This was accomplished through our Sirna and Azoti collaboration in the NE and central Ohio areas. Benefits outlined below:

- The importance of small farmer offerings and the pre-sold food concept.
- Fair farmer pricing.
- Telling the small farmer story. Marketing pieces were developed and distributed.
- Presold produce using 24/7 software directly ties the farmer to the chef and visa-versa offering improved planning, ordering convenience, accuracy and less waste.
- 1-click reports and statistical displays enhance value chain analysis for all users.

Institutional Buyers:

- Currently working with two hospital systems, one in Cleveland and the other in Columbus. Still in development are the two medical systems in Toledo.
- Agree to participate in the grant cycle as a pilot project.
- Participate in a Demand Planning session where chefs can meet with small local producers enabling more certainty for producer's crop planning.
- Promote winter crops through greenhouse operations both in soil and hydroponics.
- Re-visit onsite Farmers' Market (stand) for hospital employees. (2018)
- PR value through a variety of community-based projects such as wellness and healthy living education programs throughout the area.

ii. How have they contributed to the results you've already achieved?

Other than apprehension with our local distributors, our relationship with the farmers, regional distributors, and buyers are excellent. Building trust within the supply chain takes time and continues to develop. We have found that even though our marketing pieces pique interest and excite buyers, it is the reputation of MVGA, Azoti and Sirna & Sons that produce the most results by far. Word of mouth is paramount.

As discussed, statewide food sales continue to grow steadily as a result of our partnership with Azoti and Sirna and Sons while local sales are taking longer to develop.

iii. How will they contribute to future results beyond the grant period?

Locally, the program is available to all local distributors. With the supply chain now in place, MVGA is positioning themselves to continue expanding the program using a steady, strategic roll out. For the same reason, Sirna & Sons are promoting the program to only 5% of their customer base. They too see the value in a slow, steady growth initiative. Azoti, on the other hand, is much more aggressive regarding the procurement of sales. This is totally understandable knowing much of their income is based on volume and sales staff commissions. This partnership makes for an interesting dynamic.

5. *Did you use contractors to conduct the work? If so, how has their work contributed to the results achieved thus far?*

- i. No contractors were used in this grant.

6. *Have you publicized any results yet?*

i. If yes, how did you publicize the results?

There was an initial press release published on 10-5-17 by Congresswoman Marcy Kaptur. Progress has been encouraging. Both Ms. Kaptur and MVGA Executive Director Joe Perlaky were quoted in the piece. Although regional sales were the first to develop and show genuine success, MVGA was reluctant to issue a mid-term press release because of the uncertainty of local sales in year one. MVGA sent a final press release at the conclusion of the grant on 08-01-17 focusing on accomplishments and future plans.

ii. To whom did you publicize the results?

The press releases were distributed to all local news organizations in NW Ohio including an email copy to those on the MVGA email and texting lists.

iii. How many stakeholders (i.e. people, entities) did you reach?

- Institutional Buyers: (12 meetings, several phone & email correspondences)

- Distributors: Okun Produce, Al Peake, Fresh Thyme: (9 meetings, many calls, emails)
- Farmers /Producers: (19 Association meetings, 297 in attendance, countless individual phone conversations, email and text correspondences and personal visits).Communications and 24/7 procurement access were the backbones to the success of the hub.

7. *Have you collected any feedback thus far about your work?*

i. If so, how did you collect the information?

Daily word of mouth remains positive from all of our value chain participants.

ii. What feedback have you collected thus far (specific comments)?

Comments such as: “We like the fact you are not overpromising and building the program gradually by maximizing each farmer’s capacity first before inviting additional growers. That would only dilute the effort and discourage participation.” Because of our modest success in 2016 and substantial growth in 2017, early skepticism has subsided . Producer attitudes although optimistic are still somewhat guarded. The word on the street is project intrigue and satisfaction.

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?

There was no project income.

Were there revisions to the budget during the reporting period?

In this report (4 of 4), \$2,900 was authorized and moved from Indirect Costs to Travel. In report #2, MVGA was authorized to move \$5k of the \$6k set aside for rent to the marketing column. Labor was originally divided between two individuals. The positions were consolidated while keeping the original personnel funding request of \$62,400 unchanged.

Total amount spent during the grant period:

Personnel:	\$64,762.42
Contractual:	\$0
Equipment Purchases:	\$0
Travel: Auto	\$8,226.99
Conf., Hotel, Airfare	\$7,754.39
Supplies:	\$4,919.19
Other:	\$13,632.50
Indirect Costs:	\$704.51
<b>TOTAL:</b>	<b>\$100,000.00</b>

Amount of matching funds/in-kind contributions used during the reporting period:

MVGA received \$10,143 of in-kind match from the University of Toledo, \$24,741.23 of in-kind from MVGA, \$5,000 in cash from Lucas County and \$1,500 of match from Mercy Health System. Feed Lucas County Children which pledged \$1,950 never returned phone calls and

did not participate. The total grant match obligation was \$33,470. \$41,384.23 was ultimately contributed exceeding the match requirement by \$7,914.23.

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).

The grant continues to be an interesting journey. We remain cautiously optimistic regarding our second-year (2017) progress and sales results as acknowledged by the increase in food sales volume and variety involving our small farmer's level of participation.

MVGA is also breaking cultural barriers and understanding of the 24/7 software procurement program. Farmers, distributors, and chefs are starting to experience the benefits of a seamless ordering system that reduces waste, helps in planning and is available 24/7. Doubters become believers; the program only strengthens as word of mouth becomes the number one promotional vehicle.

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

We would have liked to have seen two initiatives advanced further. First, although we continue to have excellent working relationships with both local hospital systems, we were never able to penetrate their procurement schedule. Much of this challenge was MVGA's reluctance to use public sector dollars (grant) and compete head on with private sector companies. This self-imposed restriction did diminish our ability to accomplish this goal during our grant period. However, we will continue to work with these companies in year three to enhance the betterment of the area's local food value chain. MVGA firmly believes this philosophy is appropriate in achieving a successful long-term community development goal. Collaborating in such a manner will only strengthen our small farmer initiative and enhance our nutrition and wellness directive in our central city and its constituents.

Second, MVGA's biggest challenge remains the urgency of convincing farmers to complete their safety plans and ultimate GAP or Group GAP certification. Hopefully, with the added sales volume, this will redirect the grower's reluctance to prioritize this benefit. The goal is to set up 10 safety plans and complete 5 certifications by the end of September and another 2 certifications established in February (greenhouses). This has now become our number one focus.

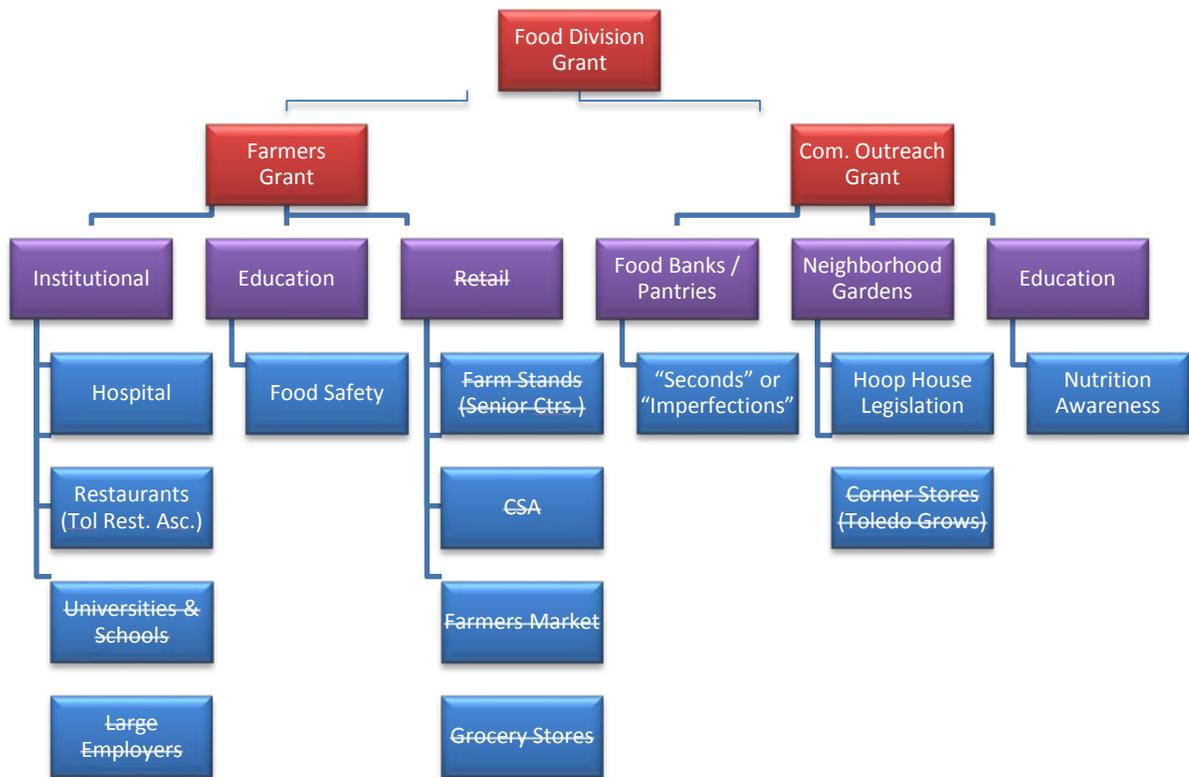
- iii. Describe any lessons learned in the administration of the project that might be helpful for others who would want to implement a similar project:

There are always barriers to adoption. Some of those MVGA encountered that were most challenging were culture, custom, and habit. Businesses are reluctant to change because whatever system they use, even if it is still pen and paper, it has generally worked for them for years or generations. Buyers still rely on last minute phone calls and emails as their "crutch" for not planning ahead. Chefs may be reluctant to modify their ordering habits because of this industry norm and practice. Finally, time and effort needed to set up a new system or build a business are always twice as long as your most conservative estimate.

MVGA believes now more than ever their role as a value chain coordinator was a much better strategy than investing initially in a traditional brick and mortar food hub operation. This enabled MVGA to focus in areas most important to generating cash flow opportunities such as marketing material, procurement software, logistic management, and sales staff. It is understood that if sales continue to increase a facility will be required, but only when supported by an appropriate income stream.

10. Future Work:

- i. How will you continue the work of this project beyond the performance period?  
 MVGA will continue the development and growth of the program beyond the grant period. We have negotiated a small commission of 12% with the distributors that will offset logistic costs. Food purchases from the buyers (chefs) remain encouraging as they increase weekly. We anticipate if only a fraction of their produce needs become small farmer purchases (5%?), the program will track to a sustainable level within 2 years (end of 2019). Furthermore, MVGA recently received word of being awarded a 2-year \$70,000 Specialty Crop grant for the specific purpose of elevating the program to a cash flow neutral at its conclusion!
  
- 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?  
 Sustainability is the number one goal. GAP certification is the number one threat. MVGA will continue to stay the course and develop small farmer niches as illustrated in the chart below:



*Note:* A more comprehensive version of this report (24 pages) and other important support materials is available. Please contact Joe Perlaky at [perlaky@bex.net](mailto:perlaky@bex.net)