

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>	September 30, 2015 – September 29, 2016
Authorized Representative Name:	Peter Frank
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Recipient Organization Name:	Philadelphia Area Cooperative Alliance
Project Title as Stated on Grant Agreement:	Local Cooperative Purchasing in the Philadelphia Area
Grant Agreement Number: <i>(e.g. 14-LFPPX-XX-XXXX)</i>	15-LFPP-PA-0057
Year Grant was Awarded:	2015
Project City/State:	Philadelphia, PA
Total Awarded Budget:	\$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: _____

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

i. Goal/Objective 1: The Philadelphia Area Cooperative Alliance along with the Keystone Development Center and staff from each of the area food co-ops will work together to determine the feasibility of establishing a purchasing co-op by 1) assessing whether there is enough cost savings to the four food co-op businesses through increased buying power to cover costs of a warehouse, delivery, and purchasing operation, and 2) determining if the purchasing co-op will make it easier for more local farmers and local vendors to sell more of their products at food co-ops.

a. Progress Made:

1. *“assessing whether there is enough cost savings to the four food co-op businesses through increased buying power to cover costs of a warehouse, delivery, and purchasing operation”*

- a. We’ve gathered vendor data from the four food co-ops involved in this project (Weavers Way Co-op, Mariposa Food Co-op, Swarthmore Co-op, Creekside Food Co-op); building a database with data from 1,084 vendors (local and non-local vendors). After reviewing the database, the initial reactions from staff from the four food co-ops included: “Blown away by the numbers we saw” “We could be selling more, because other co-ops are selling huge numbers” “We have a huge amount of purchasing power!” “Collective purchasing could really impact our margins. The savings could trickle down to us and our customers”
- b. We then identified 57 vendors that three of the four co-ops have purchased from to evaluate the potential for joint purchasing. 63% were local vendors.
- c. We also identified 29 other food producers that the four food co-ops would like to order from but currently aren’t able to on their own, but could if they did join purchasing. 90% were local vendors.
- d. We prioritized the list of vendors to a list of 12 vendors that would be ideal for the four food co-ops to do joint purchases. Those vendors were surveyed, asking them what prices would be for x size order compared to X size order, asking how they currently distribute their products. The responses we mixed, most vendors were not able to offer a discount beyond what was being given to each individual food co-op already, although some indicated that discounts between 5% and 20% were possible.
- e. Based on the responses of the survey, we are assuming that the Purchasing Co-op will receive a 1.5% discount on all items purchased. This resulted in us determining that there would not

be enough cost savings from bulk orders to cover the costs of a warehouse, delivery and purchasing operation.

2. *“determining if the purchasing co-op will make it easier for more local farmers and local vendors to sell more of their products at food co-ops.”*
 - a. We surveyed 12 local producers asking them if larger single orders and a single drop off to a warehouse would make it easier for them to sell their products to Philadelphia area food co-ops. The responses were mixed. For some it would help a lot and they were willing to offer discounts. Some were interested in discussing other creative ways to work together, through private labeling. For others, it would not impact them at all, and they wouldn’t be able to offer discounts.
 - b. Impact on Community: Some of the co-ops have already begun limited ordering together, which has expanded the market for local food producers. It’s not a substantial impact, and we don’t have any measure of the orders. But, it’s an exciting first step that demonstrates what will be possible when this project is implemented.
- ii. Goal/Objective 2: Develop a business plan that outlines the ordering, purchasing, warehousing, and delivery processes. The plan will also identify staffing needs, up-front capital needs, and specific local products that will be distributed by the purchasing co-op.
 - a. Progress Made:
 1. We’ve gathered data on business operation expenses (ordering, warehousing, and distribution operations) and start-up capital needs (expansion of current food co-op warehouse, cost of cold storage, vehicles, etc), and revenue information (volume, margins). We interviewed operators of Cooperative Partners Warehouse in Minneapolis, MN and La Montanita Co-op Distribution Center in New Mexico which operate similar operations. This information was incorporated into the pro forma.
 2. The pro forma indicated that there was not enough cost savings to justify a full scale warehouse and distribution operation that paid market rates for rent with a full staff. Staff from the food co-ops then evaluated three other distinct business models to see what might be feasible; 1) depot model, 2) distribution model, and 3) private label and exclusive deals model. We decided to pursue a scaled down hybrid model that utilized elements of the depot model and the private label and exclusive deals model.
 3. The largest food co-op in the region, Weavers Way Co-op already operates a small warehouse operation for its own stores, and they could increase the scale of their operation to serve the other food co-ops in the region. A business plan was developed for this model.
 - b. Impact on Community: None yet
- iii. Goal/Objective 3: We will organize the food co-ops to form the vision and structure of the purchasing co-op, establish a governance structure, and draft bylaws.
 - a. Progress Made: We convened ten meetings of the project steering committee. In these meetings we focused a lot of time developing a vision for the

purchasing co-op. We established an interim governance structure for the steering committee to determine how the group of individuals from four independent food co-ops make decisions. The group evaluated the feasibility, determining that the initial vision was not feasible. The group decided not to pursue formalizing the purchasing co-op through incorporation and drafting of bylaws.

b. Impact on Community: None yet.

2. Quantify the overall impact of the project on the intended beneficiaries, if applicable, from the baseline date (the start of the award performance period, September 30, 2015). Include further explanation if necessary.
 - i. Number of direct jobs created: 0
 - ii. Number of jobs retained: 0
 - iii. Number of indirect jobs created: 0
 - iv. Number of markets expanded: 1
 - v. Number of new markets established: 0
 - vi. Market sales increased by \$insert dollars and increased by insert percentage%.
 - vii. Number of farmers/producers that have benefited from the project:
 - a. Percent Increase:
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? No
4. Discuss your community partnerships.
 - i. Who are your community partners?
 - a. Fair Food Philly is a well-respected local non-profit that helps Philadelphia consumers connect with local food producers. They provided us with guidance about our overall approach and identified local food producers that we could connect with.
 - b. Weavers Way Co-op, Mariposa Food Co-op, Swarthmore Co-op, and Creekside Food Co-op are the four main food co-ops that serve on the steering committee of the purchasing co-op. They are contributing their time to the project by attending meetings and conducting some research between meetings.
 - c. Kensington Community Food Co-op, South Philly Food Co-op, Ambler Food Co-op, and West Chester Food Co-op are new food co-ops in formation that have expressed interest in participating in the purchasing co-op once their stores are open. This has helped the steering committee think about how the warehouse could expand its operations in the future.
 - ii. How have they contributed to the results you've already achieved?
 - a. They have helped us form a vision for the purchasing co-op that will help both local food producers and local food co-ops.
 - iii. How will they contribute to future results?
 - a. We will continue working with all of our partners as we implement the project beyond this grant term.
5. Are you using contractors to conduct the work? If so, how did their work contribute to the results of the LFPP project?

Yes, the Keystone Development Center assisted with gathering data on warehouse business operation expenses (ordering, warehousing, and distribution operations) and start-up capital needs. They gathered local vendor data from food co-ops; which vendors they currently order from, including amounts and current prices. They built a pro forma that modeled the financial performance of the Purchasing Co-op.

6. Have you publicized any results yet?*
- i. If yes, how did you publicize the results? Yes, an article was written about our project by Generocity, a local social impact news and events group. A presentation was given to the Consumer Cooperative Management Association Conference on June 10, 2016.
- ii. To whom did you publicize the results?
 - a. (<http://generocity.org/philly/2015/11/06/purchasing-cooperative-local-food-access/>)
 - b. Attendees of the presentation at the Consumer Cooperative Management Association Conference were staff and board members of other food co-ops throughout the country that were interested in pursuing some joint purchasing of their own.
- iii. How many stakeholders (i.e. people, entities) did you reach? We don't know how many people have read the article unfortunately. There were 30 people in attendance at the conference presentation.

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

7. Have you collected any feedback from your community and additional stakeholders about your work?
 - i. If so, how did you collect the information? Yes, we received feedback from local food producers through our interviews that are referenced above on page 3. What feedback was relayed (specific comments)? When vendors were asked how this project would impact their businesses, we received mostly positive and some neutral responses. Below are some of the responses:
 - a. Sandy Ridge Eggs – “May be willing to do a deeper discount if we bought other products aside from just eggs.”
 - b. Food and Ferments – “we would love to be in more co-ops than just Weavers Way. Would maybe offer a small discount for the convenience once they see a volume increase, since they currently are not in the other co-ops.”
 - c. Wholesome Dairy – “we are expanding, and looking to pick up a few distributors. We will be able to offer a distributor price, but don't know what that is yet. Also will be starting a new brand with Federally registered trademark, will communicate that when it happens.”
 - d. Seven Stars Yogurt – “Weavers Way currently picks up biweekly, and receives a volume discount. A single pick-up for all of the co-ops would extend the volume discount to the other co-ops.”

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?

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).
 - a. Cost savings through bulk purchasing did not yield as much cost savings as expected. We had hoped that combining the purchasing power of four independent food co-ops would result in more cost savings than the cost of operating a warehouse. This forced the steering committee to develop a new business model that was feasible.
 - b. Through the project, the steering committee discovered enough overlapping benefits beyond cost savings to continue pursuing a smaller scale and lower cost warehouse operation. The biggest additional benefit was the additional storage space that a warehouse would provide that the food co-op stores couldn't accommodate.
- ii. If goals or outcome measures were not achieved, identify and share the lessons learned to help others expedite problem-solving:
 - a. Through the business planning and feasibility analysis process, we were able to identify a business model that was financially feasible while addressing current challenges faced by each food co-op. This means that a warehouse operation will be implemented at a smaller scale than previously anticipated, but the success of the operation and impact on the community in the long-term will be much greater because of the planning process.
- 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. We learned to be flexible in our vision for the business plan, letting the feasibility analysis dictate what was possible. We were able to maintain focus on the overall goal of the project to benefit local producers and local food co-ops. In the end, we have a more realistic business plan that will benefit food co-ops and local producers, while earning enough money to cover the costs of the operation.

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 Steering Committee for the Purchasing Co-op will re-convene in January, 2017 to begin implementing the Purchasing Co-op.

- b. After the warehouse is operational, we estimate that \$623,000 worth of products will flow through it in the first year, growing conservatively by 10% each subsequent year.
 - c. Initially the Purchasing Co-op will employ two part-time staff directly. We anticipate that 5 indirect jobs will be created at the food co-ops as a result of increased sales for each food co-op. We also estimate that 30 indirect jobs will be retained and created at local food producers: This is more difficult to estimate, but we expect that the Purchasing Co-op will impact approximately 300 local food producers. We've also estimated that 10% of these producers will be able to retain or create 1 new job as a result of the increased sales to food co-ops.
 - 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?
 - a. Beyond the length of the grant period, PACA will continue facilitating meetings of Philadelphia area food co-ops, supporting them as they move into the implementation phase of the Purchasing Co-op. PACA will facilitate dialogue with local lenders who may contribute financially to the start-up costs of the Purchasing Co-op. PACA will also be available to advise and share resources with other regional food co-op groups who are interested in forming a purchasing, warehousing, and distribution operation to serve co-ops within a region.