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Recipient Organization Name:	North 40 Farm Food SPC
Project Title as Stated on Grant Agreement:	Pilot Value Added Program to Promote Year Round Local Food Consumption
Grant Agreement Number: <i>(e.g. 14-LFPPX-XX-XXXX)</i>	14-LFPPX-WA-0174
Year Grant was Awarded:	2014
Project City/State:	Stanwood, WA
Total Awarded Budget:	\$98,628

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). X

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

We sought to accomplish our objectives by implementing 7 action items:

- 1) Create a fully integrated consumer education campaign about local food,
- 2) Procure contracts with B2B markets,
- 3) Establish an infrastructure for identifying, developing, and maintaining a regional food identity
- 4) Design a value proposition to promote consumption of local foods,
- 5) Execute training modules to encourage producers to obtain certifications for accessing larger markets,
- 6) Use sustainable SOPs that help producers reduce waste and increase profit margins, and
- 7) Incentivize producer participation in value-added processing activities.

Activities carried out under this project were designed to support each action item (sometimes several simultaneously), and deliver on key metrics, as established at the beginning of the program. Some major activities are outlined in this section, with examples included in appendices A and F of our extended Impact Report, which is posted online at: <http://north40farmfood.wixsite.com/local/impact-reports>. **All supporting documentation for this report is located in the appendices of that report and throughout the website.**

Goal/Objective 1: Increase the economic vitality of our region

Progress Made: Action items related to this goal were: procure contracts with B2B markets, establish an infrastructure for identifying, developing, and maintaining a regional food identity, and designing a value proposition to promote the consumption of local foods.

Several activities were executed under this goal. The first was to develop and implement the Port Susan Grown label to help consumers easily identify locally grown and processed foods, as well as to secure a regional food identity for our small farms. By program's end, 14 producers had adopted the brand and consumers actively opted for products with the label at Salt & Thistle (storefront).

The next activity was to implement quarterly agritourism events, with a focus on value-added processing and attracting B2B buyers. During the fall, we hosted a series of "Meet the Farmer" dinners. One farmer's product was featured per week, and that farmer was invited to speak about themselves in front of the community.

Those dinners led to more private customers for those farmers, as well as contracts with other restaurants. In winter, we partnered with a local farmer's market to host a Holiday Market at Salt & Thistle, featuring the value-added products made in our kitchen. Our co-packers helped farmers create gift-packs of their products and sampled the items to customers. These events drew several thousand customers and created long-term purchasing relationships with our farmers. In the Summer, we hosted an Ugly Veggies Market during a regularly scheduled farmer's market, and invited local chefs and business owners to both shop and process foods for patrons. Chefs made money by processing #2 produce into smoothies, soups, breads, and baked goods and the public was very receptive to purchasing #2s. In early spring we launched a Local Cookbook featuring unique value-added items from our producers and recipes for each item. The books were distributed at local restaurants, markets, and grocery stores. Each page lists where the item can be purchased and consumers are encouraged to inquire with management when they cannot find the product on store shelves. The hope is that vocal demand will help certain products into larger markets where they have failed through traditional routes.

□ Impact on Community: As a result of this program, respondents reported that value-added processing does contribute to the economic success of both producers and B2B buyers year-round. One producer described the financial benefit in this way:

It is so hard to be a start-up [business] and find somewhere to do my canning and freezing. I love that we have somewhere where it's okay to be small.

Another added:

[Value-added processing] is incredibly important. We have thousands of farms nearby and nowhere to process that is affordable. How does that make sense? If this kitchen didn't exist, I wouldn't be in business, period.

Comments also demonstrated a desire to feel comfortable in pursuing value-added businesses. Some producers felt that creating value-added goods is at odds with their identities as farmers and cultivators of their community's health. One producer defined the problem simply:

Do you know how much I can make off a jar of jelly? Six bucks. You know how much I can make off a pint of berries? Maybe seventy-five cents. It feels like I'm cheating...giving them [customers] a less nutritious product...but if they're going to pay it, and I'm over here going broke trying to pawn my fruit, well, what are you going to do?

Consumers see it differently. The most common assumption about the Salt & Thistle storefront was that it sold strictly health-related products, or that it appealed only to certain dietary restrictions. Regardless, jobs, local market sales, and farm profitability all increased as a result of this program. Consumer habits also show a value for locally produced goods, whether or not they understand what that means.

□ Goal/Objective 2: Increase the environmental and economic sustainability of our participants

□ Progress Made: Action items under this goal were: Execute training modules to encourage producers to obtain certifications necessary for accessing larger markets, Use sustainable SOPs that help producers reduce waste and increase profit margins, and Incentivize producer participation in value-added processing activities.

Activities executed under this goal were: developed sustainable SOPs for all vendors of our S&T storefront. Policies include: use environmentally sustainable packaging, use whole-plant recipes, and use #2 produce whenever possible. We then developed programs that made it easy to accomplish these requirements without any extra effort by the producer. We brokered deals between processors and farmers to exchange #2 produce for a discount on value-added products made from that produce, that could then be sold by the farmer. We also purchased a small variety of sustainable packaging materials in bulk and used them as an incentive to process through our facility. This modified co-op model allowed us to take advantage of bulk discounts and divide them evenly among a number of participants. These two programs stood out as the highest motivators for participation. We also used creative marketing efforts to influence farmers to reduce food waste (like the Ugly Veggies Market, above). Lastly, we routinely purchased #2 produce at a premium (30-50% of #1 market value).

□ Impact on Community: Given the enthusiastic interest in triple bottom line practices, we expected to see large gains in environmental sustainability, and moderate financial growth. However, farms were either reluctant or unable to provide accurate numbers for on-farm food waste. We were able to gather supplemental information that signaled a change in use of food waste from compost to processing and increased sales of #2s, but to what level waste was impacted remains to be seen. From the data gathered, participating producers did make some progress toward environmental and economic sustainability. Environmental impacts were measured qualitatively, focusing on producer attitudes and discussion of our sustainable SOPs, while economic growth was traced quantitatively through census data, B2B customer surveys, and reports from regional certification authorities.

Quantitative data illustrates a steady rise in economic growth over the past two years. The desire to seek training about environmentally sustainable practices is less apparent. Supplemental narratives collected from our participants provide further evidence of change in this area. Farmers overwhelmingly declared a strict regulatory environment (83%) and difficulty understanding requirements (58%) as the main barriers to obtaining certifications. These issues were further illustrated during consultations with our staff.

Producers commonly seek Processor's Permits through our kitchen under the impression that they will: a) be able to acquire a permit in a short time span, or b) they can process without permits, often because a regulatory official provided them with misinformation, or because they sought out the wrong authority (e.g. Health Department for processing, WSDA for meat processing). In their survey responses, the frustration about these misgivings is clear:

[Health Department] said I don't need a permit to make salad mix. I just need to use your kitchen.

If you are processing leafy greens to package for later consumption, you must have a processor permit. [cite: USDA Green Book and WSDA Processor Permit packet].

Well, that seems pretty black and white. Why would [Health Department] tell me I don't need anything? They expect me to trace greens down to the row? That's impossible. We don't even grow in rows. And we harvest everything at once, throw it in a big bin, and mix it on-site. We can't sell at all!

This conversation is illustrative of many that our staff has had with producers over the course of the project. While we had the original ambition of creating a cohort model aimed at guiding producers through the

certifications as a group, it became clear that most producers lacked even a basic knowledge of food safety certifications and where to pursue them. We abandoned the cohort model and developed a number of step-by-step manuals for the most requested processes (GAP, Organic, Value-Added) and made them available on loan. Manuals include aggregated information from numerous sources, organized by logistical step, and supplemented with easy-to-digest learning tools that help the reader determine what their needs are at each step. These manuals became very popular for their ease of use, and because producers could use them at their leisure.

Processor, re: co-packing:

It's like a win-win-win. I really want to work with local farmers, but I don't know how to even start. If I can get what I need and help them out at the same time and have a wholesale customer built in.

Farmer:

I don't have the time to do all this stuff [licensing, processing] myself. You can get someone else to do it for me so I don't have to, and I can make money going in and coming out, I'm sold.

Selected responses from our Ugly Veggies Market include:

I guess I just have to wrap my head around being able to sell this stuff. It's still a lot of work and I don't know if it pencils, but I see what you're doing better now.

I still don't like putting my uglies on display because I want to give people a quality product. I can see doing events like this because people will expect it, but I don't know about trying to hock this stuff at restaurants or anything.

It was awesome. We had so many apples this year, it's such a waste just letting them rot on the tree. Just throw 'em in a smoothie. People love smoothies. Why not?

Receptiveness to this event varied, but the responses do indicate a slight shift in attitude from a group of people who, at the beginning of this project, were generally uninformed about the concept of sustainability. Participants as a whole made great financial strides and exhibited a slight positive change in attitude about environmentally sustainable farming and processing. The main motivator for changing habits was financial: cost savings, potential profitability, or new opportunities presented. Participants were less concerned with sustainability for environmental impact, or long-term financial stability. The second motivator was time. Farmers regularly avoided activities that required time outside of their regular routines, and latched onto activities that presented potential time savings.

- Goal/Objective 3: increase the year round production and consumption of local foods
- Progress Made: This objective was the heart of the program and several activities were executed relative to this goal. Prior to this program, no value-added processing facility existed in the region for small scale processors. A LFPP grant was acquired to build and promote such a facility. Additional funds were used to implement an incubator program for processors, including a permanent retail space, private label marketing program, and business consultation services. The original membership target for the program was twelve (two annual cohorts of six). These members could participate by

1) obtaining processor permits for their own value-added products, 2) selling to/through North 40 to processors, or 3) Completing food safety programs. Although the cohort model was abandoned (see lessons learned), the program saw significant results in producer recruitment and retention. Further actions under this goal were: Create a fully integrated consumer education campaign about local food, and incentivize producer participation in value-added activities.

□ Impact on Community: one hundred percent of producers who completed the program successfully opened businesses within one year. This number is in stark contrast to only 5% of successful producers who applied to use our kitchen to start or transfer businesses without assistance. Among successful producers, all credited the program as instrumental to their success.

I needed your encouragement and guidance to keep going and pare down my ideas to a manageable business. I've never had so much trouble starting a business. I had no idea how hard it would be just to make pickles.

We would never have succeeded without your help. Thanks for letting us use your manuals. It was so much easier to have it all in one place...and you really eased my mind about the inspection. I was terrified, but John [the inspector] was so nice and helpful.

Our [meat processing] facility is going to be up and running in December! If you weren't here, I would have given up a year ago. I wouldn't have even started.

Thanks for walking us through all the little things they don't tell you on paper. It really saved us from going down the wrong path. Like, they tell you all of the things you can't do, and nobody lays it out for you -- what you *should* do. What you *can* do.

Events like the Ugly Veggies Market, Meet the Farmer dinners, and monthly cooking classes focused on connecting farmers with new customers, but also at educating consumers. In addition, point-of-sale information and the Port Susan Grown label were developed to help consumers identify healthy local products. Consumers were interviewed and surveyed at Salt & Thistle and agritourism events throughout the program in order to track any changes in attitude or knowledge. All consumers were asked the same questions:

- How important is "local" when making your food purchasing decisions? (1-5 likert scale)
- Which of these words do you associate with local food? (choose from a list of opposing descriptors, i.e. expensive, affordable, high quality, low quality, etc.)
- How easy is it to find local foods (1-5 likert scale)
- How likely are you to eat at a restaurant that serves local foods (more, less, neutral, unsure)
- Would you be more likely to purchase if local foods were easier to identify? (Yes, no, unsure)
- Where do you purchase a MAJORITY of your food? (choose from: grocery, specialty grocery, restaurant, co-op, CSA, farm stand, grow my own, farmers market)

Some important changes of note are: The word "local" is not as important to people when making purchasing decisions. (At the beginning of the program, all responses were 5's, indicating high importance. Now, people mostly respond with a 3 or 4, indicating neutral or some importance.) People see a higher economic impact on local foods than at the beginning of the program, and judge less on quality. (Nearly every participant chose "good for the economy" in their response, while statements like "high/low quality" and "unique" were not used. At the beginning of the program, these words were used more often.) The perspective that local foods are

more nutritious remains the most prevalent response. In addition, buying habits are more traditional than originally reported, with a majority of respondents naming grocery stores and restaurants as their main source of food; originally, most respondents claimed to shop at farmers markets and co-ops.

Results of this assessment show that participants did benefit to varying degrees along each of the outlined outcomes, and in unanticipated ways as well. The most positive gains were made in the number of new consumers reached and new businesses/jobs established, and in producer productivity. Changes in producer and consumer attitudes were less clear, although all agreed that a program like this is a necessity in our community.

Quantify the overall impact of the project on the intended beneficiaries.

Because there was no existing program available at the beginning of this project, data reported assumes a baseline of zero, with the exception of profit increase, as reported by pre-existing farms and food businesses. Because that number is averaged between new and existing businesses, a range is also given, to give a clearer picture of the effect on new vs. existing businesses. Increases in the customer base at local farmer's markets were not counted, although participants did report farmer's market sales in percent local sales growth.

Number of direct jobs created: 14 jobs were created as a direct result of this program (employees of the program, hired to work directly with the program, or B2B businesses that cited this program as a main factor in their creation).

Number of jobs retained: 9 direct jobs were retained (defined as jobs that would otherwise be financially unsupported without this program)

Number of indirect jobs created: 6 indirect jobs were created or retained (jobs within program-related businesses created or retained as a result of general growth).

Number of markets expanded: 0 (Baseline: 0)

Number of new markets established: 8 new B2B markets were acquired (restaurants, food delivery business, catering/event venues, and local specialty markets/co-ops.)

Market sales increased by \$355,000 and increased by 20%.

Number of farmers/producers that have benefited from the project: 17

Percent Increase: 100% (Baseline: 0)

Additional quantitative data collected is included in our extended Impact Report.

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?

Demography of customers was not formally tracked. Observations by staff and SEO data from our social media accounts conclude that the majority of our customer base is middle-aged to elderly, mostly white, and mostly female. We did build relationships with several new businesses, some of whom attribute their start or expansion to the existence of this project.

Community Partnerships: Who are your community partners?

Several community partners aided in the execution of this project, including two local farmer's markets, an agricultural consultant/local delivery service, a newly developed local market, a regional inspector from the WSDA, other local farming resource groups, city officials and community planning organizations (see

acknowledgements, Impact Report). Without the aid of these resources, the many facets of this project would not have been possible to achieve.

How have they contributed to the overall results of the LFPP project?

We worked with the local farmer's market managers to recruit participants and help report on their progress. We also partnered with one local market to establish core B2B contracts with local farms and host several program-related marketing events. The local farmer-owner of a regional grocery delivery service and aggregator served both as a consultant on the project and as a B2B customer for many of our producers. Through this agreement, we were able to procure hundred of pounds of free or discounted produce in exchange for co-packing and marketing services. All of our B2B customers collected and reported data on jobs, market sales, and profitability. Existing farming resource groups provided routine classes, workshops, and business development help to our producers. Local and government authorities played vital roles in establishing, certifying and providing oversight on this project, as well as advising new businesses on how to best break into relevant markets. Representatives from the city and community planning board offered services pro bono throughout the life of the project, including selecting the location and negotiating lease terms.

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

We hope to continue and expand relationships with many of our B2B customers, and to continue work with other community businesses in establishing a healthy agritourism industry for our farms. We also hope to share out results of this program with key community development stakeholders in the hopes of sustaining it in the long term.

Did you use contractors to conduct the work?

We did not use contractors to conduct project work.

Have you published any results yet? If yes, how?

We have publicized results on our website and social media pages in an expanded version of this report, which has been linked to this document. We will also provide copies to the City of Stanwood and community development board, and host a public webinar where results are disseminated later this month.

To whom did you publicize the results? The general public, and key stakeholders. We will also provide a copy to the USDA AMS.

How many stakeholders (i.e. people, entities) did you reach? The combined readership of the various publications we have submitted to (not including the AMS) is approx. 65,000.

*Send any publicity information (brochures, announcements, newsletters, etc.) electronically with this report.

<https://camano happenings.wordpress.com/2015/07/01/salt-thistle/> (local blog article)

<http://www.ci.stanwood.wa.us/community/page/salt-thistle-provisions-pop-restaurant-nights> (FFF ad)

<http://evergreen.edu/magazine/2015spring-summer/shaking-up-the-local-food-scene> (Evergreen Magazine)

http://www.scnews.com/news/article_5a1be092-0954-11e5-838d-938448cf8735.html (local news article)

<http://www.wherevent.com/detail/Salt-Thistle-Provisions-Stanwood-Holiday-Market> (Holiday Market ad)

<https://issuu.com/pnwmarketplace/docs/i2015052023043624> (front page article - Everett Herald)

<http://threeminutestonine.blogspot.com/2016/04/whats-better-than-chocolate-bar-making.html> (cooking class)

<https://www.youtube.com/watch?v=uLcYJy2kYDE> (demo video)

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

If so, how did you collect the information? We surveyed the community at routine intervals throughout the program, and also took note of any program-related commentary from customers at Salt & Thistle, and on our social media pages. In addition, we were interviewed by several local news venues and community groups, who offered commentary about the project at those times.

What feedback was relayed (specific comments)?

Local Community/Customers:

"This is the only place I can eat in Stanwood. You can't trust anywhere else. It's all fast food or junk."

"I appreciate you and everything you're doing. I try to buy local as much as possible, and it's really hard. I can't find everything locally, but I know I can get some things."

"I buy your baked goods through [grocery delivery service]. I just love, love, love it. What a cool concept, and delicious!"

Media/Community Stakeholders:

Mayor: "I wish you all the success in the world. This is something very important to our community. We've needed it for a long time. I really hope it goes."

Reporter: "Wow. I had no idea there were even grading standards on vegetables, or that GAP existed. The system is so much more complicated than I thought."

Inspector: "[Producer] is so on top of it. She just called me about adding a line of pickles. I'm impressed. She's going to take the world by storm, I think."

Farmers/Producers:

"I don't have thick skin. All this [regulatory] stuff is very hard for me. I thought 'this is the time'. I'm still learning everything, but this resource makes it so much easier."

"People ask me why I drive all the way into Stanwood to process when there's a kitchen closer, and I'm like, 'because they're so nice. They're helpful and easy-going, and they know about all this stuff, but they're not pushy. I'll drive out of my way for that, for sure.'"

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?

The project itself did not generate any income. All services were offered to participants free of charge. After the grant cycle, producers will be charged \$10/hour.

Summarize any lessons learned.

At the outset of the program, we anticipated using a cohort model for our producers, training and launching one group in the first year, and one in the second. We soon learned that other commitments would get in the way and that people took vastly different timelines to achieve the same goals. The average business took anywhere from one year to 18 months just to complete their labels and make it to the point of inspection. We had to abandon the cohort model and work with people at their own pace. While this required much more work on our part, it ultimately led to a higher success rate. At the beginning of the project, we projected that 12 businesses would matriculate. At the end, 17 businesses had achieved their goals and three more were beginning.

Lastly, we learned that co-packing was the backbone of our business. While we had originally planned on training every farmer to create and process their own value-added products, most found it easier and more beneficial to work with non-farm processors who were already working toward their own processor permits. Farmers had the benefit of time savings, ease of traceability, and control over their product. Processors had the benefit of free or reduced raw materials, a built-in customer in the farmer, and a built-in platform through Salt & Thistle. Although it took a lot of relationship building and timing to match a processor to a farmer, both found it extremely beneficial when the relationship worked. Through this process, we also found that we could save money by purchasing a small variety of packaging materials (canning jars, vacuum seal bags, tins, labels, etc.) in bulk and portioning them out to processors as "free" incentive to work with us. Shared labor and shared materials contributed to a huge cost savings for all.

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

On-farm food waste is difficult and complicated data to collect. While we had hoped to offer some insight through this project, we were also unable to collect any concrete data from our participants. Since an estimated 30%-40% of food in North America goes to waste (United Nations), this is obviously a huge issue. An opportunity exists to locate and track sources of food waste throughout the food chain. Waste diversion also contributes to the sustainability and profitability of small farms, which are both key to the success of those farms. In order to properly track these elements, more must be known about the amount of waste produced and disposal methods. Long term studies that track small farm business growth are needed.

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

Processing incubators and food hubs tend to rely on mid-sized farms to sustain their operations. While resources for mid-sized farms are important, it is incredibly difficult for small farms and processors to break in and maintain business at the rates required by even the smallest hub without co-mingling product. Often, co-mingling is not an option for processors who need to provide absolute separation and traceability for their private label products. There is a gap in the market for processing hubs that can provide space and business guidance to farms of 50 acres or less. As our model has shown, a concentrated area of very small farms can produce enough product to sustain a micro processing facility. Agropreneurs interested in starting hubs without an adequate number of mid-sized farms should consider adopting a similar model in order to best serve their communities.

How will you continue the work of this project beyond the performance period?

Our next steps involve partnering on programmatic activities with local municipal groups who have the consistency of resources to benefit more farms and processors, continuing to build the value-added businesses of our participants, and establishing permanent oversight for this program. Most of our work in the coming months will center around maintaining the employment and market growth we have already established, and pushing our producers to seek assistance from community groups, processing hubs like this one, university extension courses, and the WSDA for free or low cost food safety education that will help them grow their businesses. We anticipate at least four of our businesses will be on pace to sell nationally within the next year.

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?

Several patterns arose from the data that indicate that value-added processing for very small producers is a viable way of supporting local food businesses in rural communities. Respondents reported higher success rates, greater confidence, and higher financial returns through participation in the program. There is further work that can be done to build upon this one example, with the potential for duplicating the program nationwide.

Encourage private business to work with small farms and prioritize local sourcing. B2B relationships are beneficial to the farms, businesses, and surrounding communities where they take place. Money is not diverted away from the community, farmers are able to produce and sell more consistently, and businesses often experience cost savings and gain consumer support. Within the short span of this project, several businesses rooted in the support of local farms were formed. In so doing, our small farms saw a major boost in year round activity. However, decentralized corporate business models that benefit from economies of scale and competition are less likely to support small farms within the communities they serve. In order for our small farms to grow, they must be able to either a) break into these larger chains, or b) take on more localized B2B customers. In order for this to happen, the business community must be shown the value of supporting small farms. Potential opportunities include: tax incentives, purchaser education, and collaborative farm-business events such as “ugly vegetable” campaigns and two-tiered marketing.

Increase efforts to clarify and streamline value-added and food safety certifications. The largest deterrent for farmers in seeking more secure and profitable businesses was fear of retribution. The second largest was lack of time. Common under both of these responses was the belief that the challenges outweighed the benefits. Our farmers thought that they didn’t need certifications in order to sell, saw the application process as too confusing and/or demanding, and demonstrated a lack of clarity about the regulatory environment. In our project, the difference in outcomes between those who sought clarification and those who did not was staggering. If more effort was made to reduce paperwork and time expense at the federal and state levels, more small farmers may be encouraged to engage in the certification process.