INNOVATIONS IN LOCAL FOOD ENTERPRISE

Fresh ideas for a just & profitable food system
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**INTRODUCTION**

With increasing pressures on our food system, there has never been a better time for innovation in how we feed ourselves. Between the effects of a changing climate, a growing demand for food worldwide, increases in food related disease, the rise in food insecurity among many populations in the U.S., and stressed economies across the globe, the need to challenge assumptions and reinvent our nutritional pathways has never been greater. The growing interest and on-the-ground development of local and regional food systems is a bright spot in an otherwise challenging landscape. They offer new income opportunities to small and mid-size farms, regional economic development both rural and urban, and foster greater appreciation of how food is produced and how it reaches our plates. There is growing awareness that local and regional food systems can also help meet the needs of people with restricted access to healthy and affordable food. It is these communities that often bear the greatest share of negative health impacts directly related to diet.

In this report we focus on market-based, consumer-driven solutions to overcoming difficult food access and food equity issues. The market based approach to food access and equity merges two powerful forces: first, the need and desire to make a financial return on our activities and second, the desire and value held by people in all sectors of our society that getting healthy food to all people is the right thing to do. Combining these two drivers of change can spur innovation and offer opportunity where other approaches do not.

The collection of innovative solutions presented in this report are rooted in hands-on practice and grounded in rigorous research (primary, secondary, and applied). They support systems change in underserved, high-poverty, and historically excluded communities where systems change is the only real solution. They arise from an understanding of the life cycle of community development and of the life cycle of business development. Much of the innovation we see comes from how these two can be successfully interwoven.

We hope this report will be of use to multiple audiences: If you are a practitioner, look at what is here and see what jumps out at you and what can work in your community. If you are an investor (i.e., a foundation, government agency, or lender), look to see what types of investments can make a difference in your target area. If you are a policymaker, look here to see what types of policy supports or regulatory changes you can provide to create positive change in your town/county/state/region.

John Fisk, PhD.
Director, Wallace Center at Winrock International
PREFACE

Learning from Wallace’s Healthy Urban Food Enterprise Development Center

The Healthy Urban Food Enterprise Development (HUFED) Center at the Wallace Center at Winrock International was a three year project funded by the U.S. Department of Agriculture’s National Institute for Food and Agriculture. The outcome of congressional legislation passed in the 2008 Farm Bill, the Center was created to respond to the growing need to reorganize, rethink, and transform the way food is grown, sourced, distributed, marketed, and consumed in the U.S., in order to make more healthy affordable food available in low-income areas, to increase market access for small and mid-sized agricultural producers, and to promote positive economic activities generated by attracting healthy food enterprises into underserved communities. The HUFED legislation is one of many examples of the growing national momentum to address healthy, affordable food access.

This report aggregates and distills what we have learned from the HUFED project and from the work of others creating and implementing market-based and non-market-based food access solutions in a very hands-on, practical way. It came about in response to the expressed needs of practitioners, policymakers, and funders in an effort to fill a gap in the area of market-based strategies and technical assistance approaches to explicitly address food access in an otherwise expanding body of food systems knowledge.

The goal of this report is to inform, inspire, and prepare readers to innovate in their own communities and for those in decision making roles, to have this knowledge in mind as they envision and develop programs. The innovations and strategies shared in the report identify key elements that contribute to a successful business model and throughout the report case studies underscore how all communities and consumers are unique and have a unique set of assets and needs. The case studies also illustrate the importance of committed leadership and community engagement.

We at the Wallace Center have been honored to work with 30 HUFED grantees, an advisory council, and numerous others to explore and stimulate new approaches to increase access to healthy affordable foods in underserved communities across the U.S. and will continue to deepen the conversation around food access, poverty, and market-based food access solutions.

We hope that this report provides a useful resource to you, wherever you live.

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Funding for this study was generously provided by the United States Department of Agriculture (USDA) through a grant from the National Institute for Food and Agriculture (NIFA) and Winrock International through its Innovations Program.

We want to thank the many people that assisted in creating and guiding the HUFED Center program and provided input to our learning process. This includes our grant making committee, our program advisors, our program evaluator, HUFED grantees, and those enterprises and organizations that are case studies in this report.
WHY HEALTHY FOOD ENTERPRISE?

1 The True Cost of the Global Food System

3 Watering the Seeds of Change

5 The Solutions are Hiding in Plain Sight

6 What is a Value Chain?

7 Methods

INNOVATIONS

9 An Introduction

10 Cross-Cutting Issues

11 An Overview of Four Types of Affordability

13 One: Innovations in Affordability and Profitability

22 Two: Innovations in Infrastructure and Logistics

32 Three: Innovations in Community Engagement

42 Four: Innovations in Marketing

52 INNOVATIONS MATRIX

REINVENTING FOOD ACCESS, ONE COMMUNITY AT A TIME

55 Next Steps in Making Change Happen

57 Understanding Cross-Cutting Issues

61 CONCLUSION

CASE STUDIES

18 Shagbark Seed and Mill

20 DC Central Kitchen

28 Lake County Community Development Center

30 Agriculture & Land-Based Association

38 La Mujer Obrera

40 Detroit Black Community Food Security Coalition

46 Dream of Wild Health

48 La Cocina of San Francisco
The ways we produce, process, distribute, and purchase food in this country influence our environment, economy, society, and health. The network of intertwined enterprises and organizations, large and small, that move food from farm to fork make up our food system.

The food system we have is cost efficient, well-organized, and produces an abundance of food. As a result of logistical and technological advances and the support of government programs, the cost of food in the United States (U.S.) has been reduced to the lowest level of any nation in the developed world.¹
Thirty years ago, the average U.S. household spent about 17 percent of its income on food. Today the average U.S. household spends about 11 percent. These positive attributes, however, mask unintended negative consequences that make a difference to everyone. Fresh healthful foods are more expensive than highly processed, less healthful foods on a per-calorie basis. Highly processed food is linked to obesity and diabetes; large-scale animal agriculture to drinking water contamination and antibiotic resistance; and globalization and farm sector concentration to the failure of small and mid-sized family farms and unfair labor practices. The list of concerns is long, and the costs are great.

In general, low-income communities bear the brunt of the food systems negative and unintended effects. They often lack access to healthy, affordable food. Fifty million Americans are food insecure, most of them within low-income and minority populations. They suffer in greater percentages from obesity and diet-related diseases. By 2018, it is estimated that obesity will cost Americans $334 billion in medical expenses, and 43 percent of Americans will be obese. The percentage of overweight children in the U.S. is growing at an alarming rate with one in three children considered overweight or obese. Problems are especially acute in underserved communities and vulnerable populations, including minorities, children, seniors, and veterans. With respect to health, the food system is broken and needs fixing.

In the early 1900s, nearly 40 percent of Americans lived on farms and most food eaten in the U.S. was grown locally. One hundred years later the food system offers cubes of frozen, chopped basil grown in a desert thousands of miles away from consumers which often costs less than fresh basil being sold at local farmers markets. In large part these changes occurred following World War II, when the food system shifted from local and regional sources to national and global sources due to low transportation...
costs and improvements in refrigerated trucking.\footnote{12} In addition, the field of modern chemistry flourished and created hundreds of new food ingredients that changed the lifespan, texture, and flavor of many of the food products Americans eat every day.

Even though the current national and global food system engenders abundance, it also produces an enormous variety of cheap, highly processed, less healthy foods. The food system is a for-profit endeavor which tends to create economic externalities or side effects that are not built into the product cost but absorbed by society as a whole in various ways. These side effects need to be addressed.

The Wallace Center at Winrock International, through the Healthy Urban Food Enterprise Development (HUFED) Center, determined that in order to sustainably respond to problems in the food system, stakeholders needed to be innovative in their approaches, creating and implementing market-based and non-market-based food access solutions across the food enterprise spectrum. While the existence of good-quality retail food stores and food pantries in low-income communities is very important, it is not enough.

The HUFED hypothesis, growing out of program activities, is that food access solutions need to reach beyond physical access to healthy food (e.g., distance to store or food pantry) to include social, environmental, cultural, and other factors. In addition, the role of business or market-based solutions needs to be maximized. These market-based solutions appear to be more sustainable and offer more opportunity to low-income populations by supporting them in both entrepreneurial thinking and healthy eating.

HUFED findings show that the most innovative solutions share the following characteristics:

- They are both needs-driven and consumer-based
- They focus on non-conventional forms of social enterprise
- They are location-specific
- They build on existing assets
- They have an emphasis on selling to underserved consumers, but sometimes (or perhaps even often) also sell to consumers of higher income levels to ensure economic sustainability
- They are regional and local in scope
- They are informed by innovation and experiences across the country
- They are always learning from others in both formal and informal ways

**WATERING THE SEEDS OF CHANGE**

Faced with the interlinked and intractable problems presented by the current national and global food system, one could be forgiven for raising a white flag and sitting down with a bag of Locos Tacos Flavored Doritos\footnote{13} in one hand and a Red Bull\footnote{14} energy drink in the other. However, thousands of people in low-income communities across America chose another path. In these communities, which often lack financial capital, people draw upon other forms of capital.
Understanding, respecting, and cultivating multiple forms of capital in low-income communities is critical for community well-being. Each form of capital can be targeted and measured as an outcome of success. The Ford Foundation’s Wealth Creation in Rural Communities project created a rural development process aimed at building many forms of wealth, a method they identify as being more likely to create rural livelihoods that are sustainable over the long term. This project identified the following seven forms of community wealth:

### Seven Forms of Community Wealth

- **Financial wealth**: the stock of unencumbered monetary assets that can be invested.
- **Natural wealth**: the stock of unimpaired environmental assets (e.g., air, water, land).
- **Social wealth**: the stock of trust, relationships, and networks that support civil society.
- **Individual wealth**: the stock of skills and physical or mental health of a community.
- **Built wealth**: the stock of fully functioning infrastructure or built assets.
- **Intellectual wealth**: the stock of knowledge, innovation, creativity, or imagination in a region.
- **Political wealth**: the stock of power and goodwill held by individuals and groups that can be used to achieve desired ends.

For communities to increase their level of wealth, change needs to occur. Change happens in complex systems in three stages. First, loose networks form based on self-interest—people network together for their own benefit. This happens when an event or issue affects a number of people or families. These networks have fluid membership with people moving in and out of them based on how much they personally benefit. Second, Communities of Practice self-organize—people realize that they share common goals and that they can be in a committed relationship with members caring about their needs and the needs of others. Third, a system of influence arises and the efforts of a few pioneer become the accepted standard.

The HUFED Center, grounded in an understanding of the seven forms of community wealth and this theory of change within complex systems, created a new approach to sustainable food security for underserved communities.

The HUFED Center played host to grantees’ innovations and their inclination to share. By injecting financial, technical, and networking capacity into these community-based and community-driven initiatives, the Center gained a singular vantage point for understanding this complex and evolving field. The Center used communications technology to create new opportunities for HUFED grantees to cultivate a Community of Practice that has brought local conversations to the national level.

The Center also developed a deep understanding of innovation in this field. This report distills and communicates the Center’s findings in order to turn the efforts of these leaders into accepted standards that communities across the country can learn from, reimagine, and use to create change.

Sustainable food systems arise when agricultural producers and value chain partners thrive economically and employ environmentally sound practices, consumers of all socioeconomic levels have affordable access to healthy local and regional food, and practitioners, policymakers, and funders support innovative, enterprise-based food access solutions.
THE SOLUTIONS ARE HIDING IN PLAIN SIGHT

From grade school vegetable gardens to state-of-the-art local food processing facilities, the number and variety of food and farm projects seeded, cultivated, and grown across America in the last decade is truly amazing.

Within this multitude of projects, there is a subset that generates income. Within this subset, there is a range of profitability, from projects that are nearly 100 percent subsidized to ones that cover all of their operating costs and make a profit. Each income-generating project sets its own profitability goals based on its vision and mission. Some strive and plan for profitability, while others hope to break even, and still others do not expect to make a profit but plan to depend partially on grants and donations in perpetuity.

The enterprises featured here aim squarely at healthy food access in low-income communities and income generation for their own operations and/or new income streams for local farm and food enterprises. They are exceptionally diverse, including urban, rural, and suburban communities. They also span the food system from production and processing to aggregation/distribution and retail – sometimes all within one enterprise!

While the examples featured here work to make local farm and food enterprises profitable with a focus on low-income communities, many have diversified funding streams, offering products to people from both low-income and other populations in order to be economically viable.

Creating a typology for a complex system can be useful. This graphic representation of the range of food systems projects offers a platform for cataloguing, sorting, comparing, and analyzing the universe of revenue generating food access strategies. Within this universe there are many constellations. These can be roughly divided into four
segments: retail, marketing, aggregation/distribution, and processing (see Table 1).

Although there are food access projects similar to these that do not include local and regional food sales as an objective (e.g., healthy corner store projects that do not encourage local food purchasing), this report focuses on the projects that do. This emphasis grows from a core belief that food access in a just and profitable food system is attained when all links in the food marketing chain, from producers to consumers, are respected and given opportunity to thrive.

While these are the basic components of any food marketing chain, local food access enterprises work to create new relationships between businesses and consumers, and new relationships between businesses and other businesses in pursuit of a healthy food system “Value Chain.”

**WHAT IS A VALUE CHAIN?**

A “value chain” is a supply chain that is designed to link supply with markets efficiently while promoting certain core values, including:

- Equity and fair pay – for farmers, farm-workers, food producers, and workers in the supply chain
- Ecological sustainability – beginning with more sustainable farming practices, but also considering the total ecological footprint of production, packaging, shipping, etc.
- Community capacity – to better meet its own food needs and to build a more self-reliant economy, primarily through locally owned infrastructure and assets
- Health and food access – for all, with a particular concern for people of limited means

*Healthy Food Systems: A Toolkit for Building Value Chains*
Recent research on value chains conducted by the Wallace Center and the United States Department of Agriculture (USDA) indicated that there are four key business practices of successful food value chains, including:

1. recruiting producers and developing producer networks
2. identifying, branding, and marketing differentiated farm products
3. managing infrastructure to transform, pack, and transport farm products
4. negotiating with buyers to secure a fair return for producers

Food Value Chains: Lessons Learned from Research and Practice

Hundreds of enterprise-based food access projects were initiated in the last ten years. Some thrived, while others failed. Each grew out of a unique set of circumstances (assets and needs), and each owes its existence to a unique set of stakeholders (community members, nonprofit organizations, government agencies, elected officials, foundations, lenders, and philanthropists).

Most new ideas need assistance in the start-up phase, both cash (e.g., tax breaks, low interest loans) and in-kind (e.g., sweat equity, targeted technical assistance). Subsidy funding may always be needed for a subset of enterprise-based food access projects in order to achieve the desired social impact. Understanding how to direct time and resources wisely to the projects that make the most difference can maximize impact on multiple bottom lines.

**METHODS**

The core of this report is based on 30 in-depth, one-on-one experiences that took place over months and years. Staff worked closely with practitioners, making multiple site visits, experiencing not just the carefully written applications and final reports, but also listening to people in the community talk about their successes and their struggles over time. This report is supplemented by additional research and learning, including data gleaned from peer-reviewed research; personal communications with innovators across the country; and reports in popular social, economic, and marketing publications.

Out of an understanding and respect for the uniqueness of each community, this report does not provide a set of one-size-fits-all options. Instead it provides a menu of innovations that span business-based food access strategies. Different sets of strategies will come to the foreground for each community. Through this report, the Wallace Center continues its work developing market-based solutions for “good food” – food that is healthy, green, fair, and affordable.
ENDNOTES


4 University of North Carolina School of Medicine. (2011, April 26). Link between high-fat diet and type 2 diabetes clarified.


16 More information about GAP can be found on the USDA AMS website at http://www.ams.usda.gov/AMSv1.0/GAPGHPAuditVerificationProgram


40 Ibid.

41 See http://www.farmtoschool.org/ for contact information for state representatives.


46 The Wallace Center at Winrock International. (2011). 2010 and


53 Ibid.


65 Ibid.
