

EVALUATION AND PLAN FOR A MAINE STATE-WIDE DISTRIBUTION SYSTEM FY 2009

Maine is dominated by three grocery chains and one wholesale distributor to the independent grocery stores who control over 90% of all food sales in the state. The major barrier to successful growth of small and mid-sized Maine farms into economically sustainable businesses is the inability of one small farm to effectively market to the major channel of food distribution. The challenge addressed by this project was to determine what is needed to create an efficient and effective statewide or regional wholesale distribution system for the small Maine family farm, and how to make that distribution channel happen. This study showed that a statewide centralized distribution business would not be supported by farmers, but local food hubs may be successful. The results also show that small family farms can compete successfully with larger or out of state farms when aggregated on a regional basis into food hubs and if the customer base is aggregated as well. Wholesale markets such as grocery stores, restaurants, institutions, or groups of individual consumers (buying clubs) are still challenges, but the business model tested of subscription-based prior purchasing for consumers and wholesale markets can make efficient use of physical distribution facilities, proximity to other direct market outlets and provide additional profit to the small farmer.

FINAL REPORT

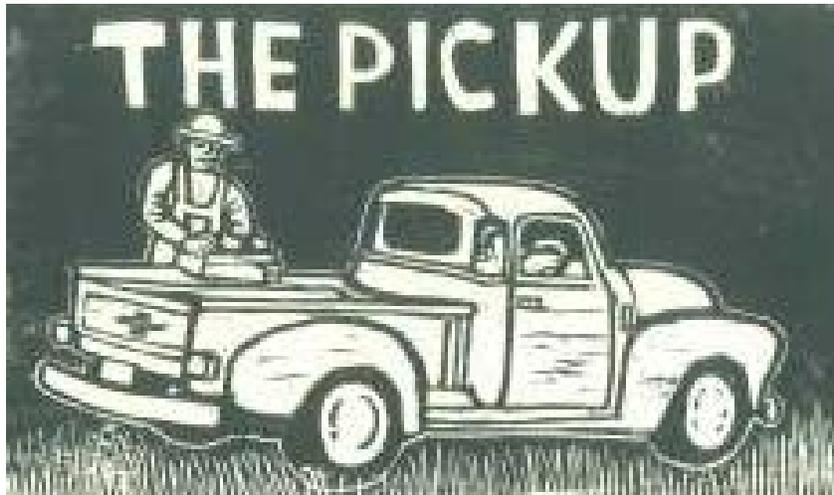
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Evaluation and Plan for a Maine State/Regional Food Distribution System

Final Report

For the USDA Federal State Market Improvement Program



By

Maine Department of Agriculture, Food and Rural Resources

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Doing Food Hub development involves lots of people power. However, it also needs a visionary. We want to especially thank Amber Lambke of the Somerset Grist Mill and the farmers and others of the "Pickup" for their dedication to developing local alternatives for small farmers who would otherwise be shut out of the wholesale market.

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Executive Summary

Maine's farms (8,136 per 2007 Agriculture Census) in the national sense are considered small family farms. While 180 farms have a thousand or more acres under cultivation, only 87 have annual gross income exceeding \$1,000,000. 70% of the farms have a gross annual income of less than \$10,000 and single or double digit acres under cultivation.

Conversely, the major sellers of produce, meat and food products are grocery stores. Maine is dominated by three grocery chains and one wholesale distributor to the independent grocery stores who control over 90% of all food sales in the state of Maine.

The opportunity presented small farms is the current consumer trend to purchase local products and the economic and environmental issues that may make local farm products more profitable to produce and market.

The opportunity for potential sales growth needs to be grocery chains, distributors or other aggregated consumer markets. By doing so, there could be a major resurgence in the local agricultural economy of Maine and increase in the number and size of farms and their economic sustainability.

The major barrier to successful growth of small and mid-sized farms into economically sustainable businesses is the inability of one small farm to effectively market to the major channel of food distribution.

The challenge addressed by this project was to determine what is needed to create an efficient and effective statewide or regional wholesale distribution system for the small Maine family farm, and how to make that distribution channel happen.

The Skowhegan region in Maine provided the elements necessary to develop a successful "food hub" and use the consumer supported agricultural model (CSA) of marketing the aggregated products from local farmers in the area. The CSA model is defined by pre-purchases of product and pickup at a centralized facility. This sales model was expanded to include wholesale buyers, a unique and effective method to expand the CSA model. A business plan was developed for this model and provided for use by other areas in the State that may have similar needs.

The study showed that a statewide centralized distribution business would not be supported by farmers, but local food hubs may be successful. The results also show that small family farms can compete successfully with larger or out of state farms when aggregated on a regional basis into food hubs and if the customer base is aggregated as well. Wholesale markets, such as grocery stores, restaurants, institutions, or groups of individual consumers (buying clubs) are still challenges, but the business model tested of subscription-based prior purchasing for consumers and wholesale markets can make efficient use of physical distribution facilities, proximity to other direct market outlets and provide additional profit to the small farmer.

Background

Small Farm Marketers Abound in Maine

Maine is a state where the small family farm is home. If large farms in non-western states are defined as having 1,000 acres or more, then Maine per the 2007 Census of Agriculture has 180 large farms. The remaining 8,000 farms are medium-sized and profitable or small and, if not unprofitable, then marginal at best. The following table looks at the Maine farm statistics from the 2007 Census of Agriculture.

Factor	Large Farms >\$1,000,000 Gross Sales	Medium Farms \$100 – 1,000,000 Gross Sales	Small Farms \$10 – 100,000 Gross Sales	Micro Farms <\$10,000 Gross Sales
Number Farms	87	685	1756	5608
% of Total Farms	1	8	22	69
Total Acres	220,366	330,037	278,615	518,548
Average Acreage	2,533	482	159	92
Harvested Acres	117,709	168,713	98,030	144,801
Avg. Harvest Acres	1,352	246	56	26
Total Sales	\$346,312,000	\$210,408,000	\$55,831,000	\$13,454,000
Average Sales	\$3,980,594	\$307,165	\$31,794	\$2,399
Total Net Income	\$71,664,000	\$45,564,000	\$16,669,000	(\$26,326,000)
Average Net	\$1,023,768	\$74,330	\$11,511	(\$5,266)

Source: The 2007 US Census of Agriculture.

In a report to the Maine legislature in 2007, the *Agricultural Creative Economy Study*, the Maine Department of Agriculture provided a sound appraisal of the state of the agricultural sector in Maine. The Department estimated that the creative economy (direct sales of all farm related products and services) was about \$75,000,000. However, direct sales only equaled 5% of the total food sales in the state of Maine.

ITEM	GROSS INCOME	% of SALES
<i>Wholesale Outlets</i>		
Grocery Stores	\$2,596,502,000	87%
Convenience Stores	\$205,602,000	7%
Specialty Food Stores	\$93,161,000	3%
<i>Direct Farm Retail Outlets</i>	\$75,000,000	3%

*Source: US 2002 Economic Census and *Maine Department of Agriculture estimate*

The Small Farm Marketing Dilemma – Access, Capacity to Wholesale

The focus of the Maine Legislative report was on the direct farmer to consumer channel of distribution in order to raise the farmer's profitability. In making recommendations, the report identified the top ten initiatives to improve the local agricultural economy. The very first one was to expand "**Maine farm food aggregation, distribution and food safety program to meet wholesale demand for farm products**".

The legislative report also made a point about the wholesale markets: **“Direct market farmers who can also profitably wholesale to grocery stores will capture more of the local consumer market. Individual farmers who want to access and maintain larger shares in the wholesale market need to get bigger, meet the demands of the market for price, quality, consistency and service”**.

Most food sales, whether fresh or processed, are made in the grocery stores in all markets. The Maine food market is controlled by 4 major retailers or distributors. This concentration in buying power and demand for large quantities of consistent quality, consistent quantity and consistent availability effectively create a barrier for Maine’s small family farms to sell to the majors. This concentration is shown in the following table taken from the Legislature Report. Small and medium sized farms have little penetration of this wholesale channel of distribution.

Maine Retail Food Outlets	Estimated Gross Sales	% of Sales
Hannaford Bros. Co.	\$1,222,457,000	39%
Independents (Maine AG)	\$708,208,000	23%
Shaws	\$598,432,000	19%
Walmart	\$500,000,000	16%
Farm Direct	\$75,000,000	3%

Source: The Griffin Report, October, 2007. Maine sales estimated by Maine Department of Agriculture by multiplying average per store income for New England. Farm Direct Sales conservatively estimated from combined information from various sources and from University of Maine REP Staff Paper #563.

The Aggregation-Distribution Challenge for Small Farms

There are three major challenges that currently exist and prevent effective and significant distribution of locally grown produce, meat and other agriculture and food products to the mass consumer markets in the state of Maine.

The first is that an aggregation or distribution system must exist for the farm in order to wholesale its products. This finding is identical to the Nebraska FSMIP funded study in 2001 titled “Evaluation and Development of an Effective Local Food System for Producers Located in Great Plains States”. In this study, the best available and most cost effective growing land and farmers are located hundreds of miles from the major consumer markets. Similarly, the most urban area in Maine is around the city of Portland and, at a little over 600,000 in population, is almost half the state’s population. Numerous studies have shown that consumers will only go 5 or 10 miles out of their way to purchase locally grown agricultural products and several of these original studies are quoted in the Maine legislative Agricultural Creative Economy report. It is neither cost efficient nor sustainable for an individual farm to handle distribution of its products to where the major consumer markets are.

The second is that most small and medium sized farms are not equipped to wash, chill, package, box for shipment, label for shipment or hold under refrigeration until shipment. The demands of the major retailers and distributor are for consistent quality, consistent quantity and consistent availability of locally grown and produced food products. This must be delivered either to a central warehouse or direct-to-store delivery in standard packaging or shipping units. Those that can do some or all of these activities are not low cost purchasers of supplies nor efficient at production. While individual small farm success stories in selling to the chains do

exist, they are by far the exception to the rule. In addition, the smaller the farm, the harder to get the investment dollars to put in the required warehousing and cold storage facilities.

The third barrier is time. Family farms that primarily utilize family labor have a limited amount of time. During the growing season, there is limited ability to manage the farm, maintenance, tend the crops or animals, harvest, market their products and then distribute those products. The success and growing use of Internet and buying clubs to optimize the direct to consumer marketing process by the farmer have been well documented. It is rare that this channel of distribution can use all of the farmer's harvest. The more time spent by the farmer in marketing, the less time there is for operating activities to the detriment of growth and any family life during the growing season. For growth to occur in any business there must be time to either expand production or markets. Rarely is that an option for a farmer who besides the day-to-day crisis has Mother Nature to contend with presenting too much rain, not enough rain, hail, freezing, winds, insects and diseases.

The Opportunity

National Trends

A number of demographic, economic and environmental trends are pointing to the reemergence of buying local food as the wave of the 21st Century. These all provide Maine with a unique opportunity to substantially increase its local agricultural production. While there are challenges, Maine must prepare itself and its farmers to take advantage of the opportunities presented.

Demographically, the baby boomers have become the older generation and while their affluence has been affected by the recent financial and economic meltdown, they still are the major buying influence whose disposable income enables them to be discriminating in their food purchases which are at historic lows as a percent of their income. The generations following the baby boomers have been raised on awareness of the importance of health, green, sustainability, organic and pasture or free-range fed animals. It is almost impossible to read an article today about cooking, food or health and not come across one or more of these “buzz words” – organic, local, natural, sustainable, pasture or range fed. These demographic changes bode well for small farmers who are looking for markets.

Economically and environmentally, petroleum based products and distribution will face severe cost pressures as the barrel price of oil escalates. While the nation currently enjoys a respite from \$150 per barrel oil with prices in the mid-forties, no prediction indicates this will endure beyond the return of the world’s growing economies when \$100, \$200 or more prices will return. Rising costs of fuel and corn affect the industrial farming sector in both production and distribution costs. These economic trends develop, as Michael Porter would explain, a major comparative advantage for local production of food. Combine these economic trends with the significant dangers from disease and contamination associated with industrial and overseas production and food safety becomes a motivating factor in the consumer knowing who produces its food. This is both a challenge and an opportunity for small farmers, as they are affected by fuel costs like large farmers, but can possibly price local product more competitively with larger, out of state farmers.

Local Opportunity

In central Maine, an existing building in downtown Skowhegan, the Somerset Grist Mill, was being repurposed to serve the processing and distribution needs of the greater Skowhegan area. In March 2011, the Somerset Grist Mill completed a study and analysis of a smaller localized aggregation point for food as part of its food hub development concept. As part of this study, organizers compared the costs of using existing in-town space to aggregate and distribute local food, compared with building a new facility.

Skowhegan, with a population of 9,000 people, has had a downtown farmer’s market since 1998. While the market has seen four-fold growth in the number of vendors and customers since 2005, from 5 to 21 vendors, organizers recognized that only an estimated 3% of Skowhegan’s population attends the market to purchase local food. There was no aggregation and distribution happening in the community to serve interested institutions like camps, schools, and the local hospital. In 2009, entrepreneurs Amber Lambke and Michael Scholz purchased a former county jailhouse downtown to site a gristmill for processing locally grown grains. The farmer’s market joined them on the site in a spacious parking area and allowed the use of public restrooms and storage space.

As a designated “Main Street” community¹, the Skowhegan Farmer’s Market began engaging with community organizers and volunteers in 2005 around the goal of maximizing the economic impact of the market. By attracting more shoppers to the Saturday morning market with live

¹ Main Street® is a program of the National Trust for Historic Preservation, implemented in Maine by the Maine Downtown Center for the purpose of revitalizing historic downtown centers.

music, children's activities, a weekly fun run and a demonstration garden, and by adding a second Wednesday afternoon market, direct-from-the-farm sales increased, more vendors were welcomed into the market, foot traffic in the downtown increased, and the planning and implementation of façade, pedestrian, and green space improvements began. The market spent several years increasing its visibility to residents and other organizations in the community, and built strong relationships with for-profit and non-profit community partners.

The ever-increasing desire amongst new farmers to join the market stimulated brainstorming around how to reach new markets. Additionally, local farm-to-school and obesity prevention work led by a local Healthy Maine Partnership program was driving increased demand for fresh local food by area institutions.

This FSMIP study presented the opportunity to engage organizers of the Somerset Grist Mill, the Skowhegan Farmer's Market, a business planning consultant, and a local chef to study the feasibility of adaptively reusing retail, cold storage and commercial kitchen space at the former jailhouse, already under renovation and conveniently located where the farmer's market meets. The aggregator business would improve sales opportunities for small and mid sized farms in the area, prompt the scaling up of on-farm infrastructure for storage and production of crops, allow wholesale buyers and institutions a convenient 'one-stop-shopping' point for local foods, and would reach new individuals and families for whom farmer's market shopping is not possible or desired.

Since Skowhegan area farms were still lacking the infrastructure necessary to scale supply for grocery chains and institutions (cold storage and refrigeration, season extension greenhouses, equipment, certified facilities, delivery vehicles), the focus of this feasibility study was how to aggregate and create a wholesale market for farmers with maximum return through premium wholesale pricing.

The Goal of the Study

The original goal of this study was to create a distribution system that would enable Maine's mass consumer market to buy locally from Maine's entire small farm agricultural sector – whether produced conventionally, organically or just sustainably. However, as you will see below, that goal was not shared by a majority of farmers surveyed. Of those farmers who described their marketing needs, a focus on regional food hub development seemed more acceptable and possible.

The goal of this study became to develop a business plan and financial model for an ideal centralized **Regional** Maine distribution system which would enable small and medium sized Maine family farms' products to be sold as locally produced food in the grocery stores and to other direct wholesale sales outlets. This system had to provide a maximum return through premium wholesale pricing while minimizing processed, packaged and delivered costs. By determining the processes, costs and returns, the plan is a feasibility study of the potential benefits in terms of both volume and financial return of penetrating the wholesale market and providing a volume alternative to other direct marketing channels for small farmers.

Objectives of the Study

To implement the goals required at least five objectives being met. **Only the first two objectives were addressed by this study.** The final three objectives would be considered if, and when, a larger scale facility, encompassing multiple regional food hubs, was to be developed.

1. **Phase One.** Develop a business plan that effectively provides a feasibility study of a centralized Maine distribution system for locally produced foods.
2. **Phase Two.** Using the business plan as a blueprint, implement as many aspects of the plan as possible using existing facilities, businesses and capital.
3. **Phase Three.** Based on actual experience and rising demand from both the farming community and the grocery store buyers, prepare a revised business plan to create a dedicated facility which incorporates all modern technology to achieve a system that delivers the freshest food products in the most effective and cost efficient manner to ensure the highest possible return to the farmer from selling wholesale.
4. **Phase Four.** Raise the capital and recruit the dedicated management to implement the distribution system.
5. **Phase Five.** Extend the facilities to encompass all products, fresh and processed, available from the farming community.

Methodology and Results

Statewide Survey of Farmers

The Maine Farm Bureau took on the task of surveying farmers to see what interest, if any, they had in participating in a statewide or regional marketing and distribution organization. A copy of the survey document is appended to this report. The survey identified products farmers were interested in selling to local markets, including:

- When and how much;

- How far would they go to deliver product, based on total value of product;
- The farmer's ability to accept trucks for pickup and other considerations.

This survey went out to over 2000 farmers in Maine. Surprisingly, there were a limited number of returns. Out of the 2000 farmers, only 37 returned and participated in the survey.

The limited interest of farmers for a statewide distribution hub was evident. Larger farmers already have markets for their products. Many smaller farmers expect to receive, and must receive, close to market value to be able to profitably take advantage of the new markets created. However, there was enough interest shown such that we could see that a possibility existed for development of a regional distribution system.

Tabulation was done for the data, and a summary was made. The key findings were:

- There is an interest in a new distribution method for these farmers, as they did have excess quantities or ability to grow their business beyond their direct market outlets. This lends credibility to the assumptions that small farmers need help.
- On average, the respondents were willing to drive up to 50 miles to deliver a \$500 order, and some were willing to go up to 100 miles to do a \$1,000 order.
- Most had trucks or vans, few had semi-trucks. None had docking ability for truck pickup.
- Storage was a concern for some of the farmers.

Developing Buy-in from the Farmers and Community

In the summer and fall of 2010, organizers of the Somerset Grist Mill convened six different community suppers to survey residents and farmers about local food. Gatherings included both low-moderate income and upper income earners in the Skowhegan area. Farmers included those that were members of the Skowhegan Farmer's Market and those that were not, and some who aspired to join. Over 50 people attended in all.

The purpose of the suppers, titled the "One Pot" series, was to figure out the best way to expand the new markets for local food in the community and best utilize the excess space at the Somerset Grist Mill, which included cold storage and a commercial kitchen. While the farmer's market had been growing quite successfully, vendors were concerned about saturation, which was beginning to prevent their acceptance of new farmers into the market. If more demand was created, then more farmers in the community could be supported than with the farmer's market alone.

Developing a Concept for a Regional Distribution System

"One Pot" participants were surveyed as to their preference for the format of such market growth; a restaurant? Grocery? CSA? Participants from the community were also asked whether and how they might be willing to help in financing the start up of such ventures. In December 2010, FSMIP project partners traveled to several successful rural distribution areas, now called "food hubs", in Vermont and Maine to meet with organizers there about developing multi-farm CSA programs and food distribution models. The summary of those visits can be found in the business plan.

The term “Food Hub” has gained interest since first described by Adrian Morley et al. from Cardiff University in 2008 as the “Missing Middle” of the Local Food Infrastructure. The USDA has taken that information and developed it further with help from the Wallace Foundation. Food Hubs have been defined as:

“A regional food hub is a business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand.”

Project partners saw food hubs in action and determined that this model appropriately identified the Skowhegan project.

A multi-farm CSA (Community Supported Agriculture) model was identified as a first step in driving up volume on the supply side, educating customers about the seasonality of Maine food crops, and establishing relationships between farmers and customers. In a CSA model, shares consisting of different foods each week are pre-sold and picked up at the facility. The CSA model adds flexibility because adjustments can be made in the weekly share baskets in the event of crop failures or shortages, giving farmers time to grow the size and reliability of their scaled operations.

Wholesale distribution was included in the study so as to offer choice and reliability to wholesalers and institutions that would have a more difficult time planning menus on a CSA model. Encouraging institutions to embrace a CSA model, however, was also considered here, as a way to support local farms and achieve maximum value by buying what is seasonally abundant.

Somerset Grist Mill “Pickup” Food Hub Business Plan Development

Organizers of the central Maine feasibility study used the FSMIP research to make a plan and to test a business called the “Pickup” food hub (See appended pdf). The business began by conducting market outreach to see what types of customers (both individuals and food businesses) would be interested in a multi-farm CSA or grocery store model. Through the “One Pot” supper series, local community members revealed their overwhelming interest in helping to finance a new local food business via upfront payments for shares of the harvest (a CSA model).

Farmers expressed concern about lack of on-farm infrastructure that would allow them to produce at higher scales, and concern that wholesale price structures would not cover their overhead and cost of expansion. Recognizing that the farmer’s market customer base, while still growing, grows slowly and gradually, and that the majority of the population of Skowhegan area residents are still not purchasing local food, a CSA model was deemed the most appropriate next step. A CSA could address the known fact that some residents do not shop farmer’s markets for cultural reasons, lack of time, and inconvenience of market hours.

A typical wholesale distribution facility where farmers would bring product and wholesale buyers would purchase or distribute seemed a misfit due to the lack of appropriate scale in central Maine. However, a CSA model allows farmers to receive higher value for their crops and by co-locating the business at the Somerset Grist Mill, the “Pickup” could take advantage of existing cold storage space, a commercial kitchen, and retail café space. Farmers already

attending the Skowhegan Farmer's Market at the Somerset Grist Mill could sell excess inventory and utility grade crops to the "Pickup" for value-added processing

Common Themes Emerged from the Feasibility Work on the "Pickup" Food Hub

Common themes in the aggregation and distribution of local food were found in the market research on other food hub systems that were visited for this study, these themes included:

Business model~ a for profit business model competes more fairly with other farm-based business and yet partnerships with non-profits or founding aggregation businesses as part of a non-profit offer the financial advantage of grants and tax-deductible contributions. Co-op models offer egalitarian decision-making and profit sharing but may be delayed by a slower rate of decision-making. The decision to incur debt or not when starting a new business was also common, and interestingly all case studies interviewed for this report chose not to incur debt and continue to function successful.

Wholesale vs. retail markets~ the decision to offer wholesale distribution was carefully considered by all cases interviewed. Unless businesses can move high volumes of food, the smaller margins on wholesale distribution might not be sufficient for wholesale business alone. The CSA model on the other hand allows aggregator businesses to capture retail pricing that is more advantageous to paying fair prices to farmers and covering the overhead of the business.

Cold Storage Infrastructure~ Common concerns include how to keep food crops separate and at ideal storage temperatures and conditions. CoolBot technology now makes the use of standard air conditioners a less expensive solution to build in or turn-key walk-in refrigerator units. Other technology like Free Air Systems which utilizes the cold New England seasonal temperatures to offset energy costs are cost saving in the long run but require more capital up front. Appetite for debt and partnerships with non-profits that make infrastructure grants possible seem to be driving the on-the-ground solutions studied in this research.

Distribution model~ the delivery of food to customers impacts the overall costs of doing business. Various businesses are solving distribution issues through traditional truck routes, organizing food drop off sites, tacking on extra charge for bicycle courier delivery, or requiring pick-up of one's food. The density of population in a community will impact the choice of an effective and efficient distribution solution.

"Healthy Food Hub" development - A more recent term, "Healthy Food Hub" has been coined by the Wholesome Wave Foundation and is defined as: "A healthy food hub consists of a variety of fully integrated businesses, social services, and safe public spaces that mutually support each other in ways that leverage profitability and long-term sustainability in innovative ways. This type of food hub really defines what has developed in the Skowhegan area, around the Somerset Grist Mill project. The "Pickup" Food Hub, to be fully successful, has evolved with the rest of the businesses and spaces that attract a customer base in the area who have embraced local purchases of food from small farmers.

Summary

Based on the results of our modeling and testing, the development of a “Healthy Food Hub” and CSA distribution model in Skowhegan is feasible and actually necessary to meet the needs, develop sustainability, and promote long-term growth for farmers within the food hub region.

The obstacles addressed and overcome in the process of this study included:

- lack of coherent business structure for the venture,
- no communication between the markets (farmer, aggregator, value-added producer),
- lack of conventional financing and low start up return on investment,
- lack of understanding of key roles,
- lack of time for farmers to market to institutional and commercial users, and
- Inadequate infrastructure for storage and processing.

The results show a regional food hub, using a multi-farm CSA and value added processing and distribution model is possible by using an adaptive reuse model for infrastructure in Skowhegan. What this takes to develop the market channels are a shared- processing facility and a collaborative farm community with experienced farm managers and business leaders. The food hub could be profitable within three (3) years with the proper financing structure.

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A Multi-Farm Community Supported Agriculture Business

At the
SOMERSET GRIST MILL
SKOWHEGAN, MAINE

The Pickup Business Plan

VISION/MISSION

The Pickup aims to sell more local food to more people while offering the convenience of a one-stop ‘pick-up’ place for milk, eggs, vegetables, fruits, meats, and prepared foods. The Pickup will showcase the best in seasonal Maine foods, while also ‘putting food by’ for customers to enjoy as frozen, canned, dried, or prepared goods.

BUSINESS DESCRIPTION

Description

The Pickup is a multi-farm Community Supported Agriculture (CSA) business that will aggregate, market and distribute goods from Skowhegan area farms and sell them to individuals, families, local businesses and institutions. The CSA model has been identified as a way that local customers would feel most comfortable sampling seasonal local foods and supporting local farms.¹

The Pickup is a game changer for local farmers that will allow them to scale up their production to supply new markets. Increased sales will yield financial security on farms, create jobs, improve access to healthcare and preserve working farmlands.

The Pickup is modeled after successful multi-farm CSA businesses: The Intervale Food Hub in Burlington, VT, Pete’s Greens CSA in Hardwick, VT, and the New American Sustainable Agricultural Program (NASAP) in Portland, Maine. The CSA model has proven to be a successful one for farm and food enterprises across the nation, one that allows customers to become ‘investors’ in the success of the place they call home.

When the Pickup space is not being used for the CSA, available space will be used for community farm dinners, a coffee house, retail sale of goods and educational workshops on cooking, baking, and agriculture.

¹ *Community Supported Agriculture (CSA) is a sales arrangement between farmers and their customers whereby customers contract to purchase a share of the farm’s produce for the season and receive weekly deliveries of fresh food. This provides farmers with upfront capital to purchase seeds, equipment, and other resources at the start of the season and a market for their season’s produce. Shares often include recipes and tips on how to use fresh food that might be new to them, resulting in increased utilization of the food.*

Location

The business will be launched in downtown Skowhegan at the former Somerset County jail building undergoing renovation by owners Amber Lambke and Michael Scholz.

Located on the first floor of the Somerset Grist Mill adjacent to the farmer's market, the Pickup is a core Skowhegan food hub business run by local farmers and business owners that will expand retail and wholesale markets for local food.

The Somerset Grist Mill food hub clusters key local food businesses and health related programs in a development project that has attracted local, state, and nationwide interest. The development project has been supported by Somerset Economic Development Corporation for its impact on job creation, nutrition, food security, downtown revitalization, and the preservation of significant agricultural land. Somerset County is one of Maine's poorest counties with some of its worst rates of obesity and chronic disease making increased consumption and purchase of local food an important and timely issue.

Built in 1897 and renovated in 1984, the 14,000 square foot facility is located on a corner lot abutting Skowhegan's downtown municipal parking lot, adjacent to the major intersections of US Routes 2 and 201. This highly visible location, also located at the heart of the 'county seat' where people come from surrounding communities for essential goods and services, offers convenience for customers.

Skowhegan is one of nine Maine towns supported by the Trust for Historic Preservation's Main Street program. It is home to the Skowhegan School of Painting and Sculpture, Sappi paper mill, New Balance Shoe, Carrier Trucking, and Redington Fairview General Hospital, all businesses whose employees will constitute a target market for the Pickup.

According to USDA data, Skowhegan is surrounded by 37,814 acres of prime farmland with rich soils, along with a growing season and moisture supply well suited to produce high crop yields with minimal amounts of energy and economic resources. MOFGA reports 4,600 certified organic acres within 30 minutes of Skowhegan. Skowhegan is situated within the densest belt of certified organic dairies in the state.

MARKETING PLAN

Description of Product/Service

The Pickup will offer twenty-week shares ranging in price and food selection. Twenty-week shares will be offered June-October (Summer), and November-March (Winter). An abbreviated Spring share may also be added as more farmer suppliers put greenhouses into their operations for season extension.

The Pickup will sell shares at the following levels:

A **\$25/week Garden share**; (fresh in-season fruit and vegetables and prepared foods)

A **\$33/week Plow share**; (sampling of fruits, vegetables, bread, dairy and cheese)

A **\$50/week Harvest share**; (fruits, vegetables, prepared foods, weekly local offerings including bread, eggs, cheese, dairy, etc.)

Local Meat and Seafood share; \$20 or \$40/week

Chef's share (bulk quantity ideal for hospitals, schools, restaurants, camps, colleges)

Price: The multi-farm CSA model offers the added convenience of sourcing and assembling multi-farm shares at prices commensurate with retail farmer's market shopping in central Maine. The Pickup's CSA share pricing is favorable-competitive when compared to CSA prices in more urban areas. The business delivers top-grade staple produce and prepared foods. Community farm dinners on Friday nights and a Saturday morning coffee house to coincide with Saturday Farmer's Market will lend added revenue to the Pickup business during times when the packing room would otherwise be dormant.

Market Size

The population of Skowhegan is 8,800 people. Somerset County is home to 52,000 people. 51% of Somerset County residents currently qualify for federal nutrition assistance benefits.² The Pickup will set a goal of selling 150 shares by Summer 2012, 250 shares by 2013, and 350 shares by 2014 to reach break even (see attached Sales Plan). These sales goals hope to first, mirror the current average percentage of grocery dollars spent on local food in Maine.

Maine households spend over 3 billion dollars a year on food products; currently <4% of that expenditure is on local food. National efforts are mobilizing to increase purchasing of local foods in grocery stores, buying clubs, farmer's markets, and industrial wholesale outlets. A boom in farmer's markets in Maine, from 1 in 1971, to over 75 in 2009 is testament to the rising demand for locally grown food.

Assuming that CSA customers and farmer's market customers will not tend to be one in the same, Pickup sales goals added to the estimated number of regular Skowhegan Farmer's Market customers (350+400=750) still constitutes less than 1% of Skowhegan's population alone. The CSA is expected to draw customers from neighboring towns as

² *The federal Supplemental Nutrition Assistance Program, known as SNAP, is the name for assistance formerly known as 'food stamps'. Other federal nutrition assistance benefits include Women, Infants, and Children (WIC) and the Senior Farm Share Program.*

well, a conservative estimate on target market size that leaves plenty of room for growth as trends in local food consumption continue to rise.

Target Market

The Pickup aims to serve Skowhegan area customers of all income levels including low-income populations and businesses that cannot afford to offer health insurance to their employees. Target customers are those that are not currently shopping the bi-weekly Farmer's Market for one reason or another.

The model will appeal to the working food shopper who desires the aggregation of a diversity of products assembled for convenient pick up and cares about supporting farms in the region. The business will serve people for who attending the farmer's market is not possible or who travel a long distance to come to Skowhegan from rural areas for shopping, news about goings on, and services.

In addition, the Pickup will create a new market for farmers by reliably meeting the larger orders of institutional clients, including hospitals, schools, restaurants, camps, and colleges that have been reluctant to purchase local food due to unreliability and inflexible pricing.

Distribution

The business will offer convenient weekly 'pick-ups' of multi-farm CSA shares to individuals, families, businesses and institutions.

The Pickup is exploring the feasibility of truck delivery, or like they use in Burlington, VT, an in town bicycle courier service, for share delivery to downtown businesses. Many CSA programs across the country are building loyal customers through this kind customer service. Crown of Maine Organic Cooperative has also expressed interest in providing the distribution for institutional shares or shares to large businesses, should they be located in excess of 20 miles from Skowhegan.

Sales Promotion Strategy

Pickup organizers will utilize current research to harness the power of word of mouth marketing to accelerate CSA sales³. With strong social collateral in the community, Pickup board members and their supporters will organize strategic outreach to business leaders and groups to secure sales (See attached Sales Plan). Recent studies on word of

• ³ “Word of mouth is the organic spread of information from person to person, a natural conversation; word of mouth marketing is harnessing the power of conversation in a marketing objective: it's brand to person to person” (Virginia Miracle, *Harvesting the Power of Word of Mouth Marketing*, presentation Oct. 2007)

mouth marketing suggest that a majority of people have an average of 2.4 conversations a day about food and dining. The Pickup will impact these conversations by taking care to under-promise and over-deliver. Because ‘people don't trust companies, they trust you’⁴ the Pickup is positioned well to leverage the goodwill built over the last 5-10 years from persistent and positive changes made in Skowhegan by Pickup’s leaders.

By focusing on three major consumer demands, CONVENIENCE, ACCESS, and PRICE, The Pickup will meet the needs of today’s busy food shopper that wants to support area farms, eat healthy and keep their food dollars in the local community. Board members will rely on existing relationships to find linkages that help to close sales opportunities.

- Convenience: The Pickup offers a diversity of local goods, so that customers can enjoy one-stop shopping. The Pickup offers flexible hours for pick up and delivery of CSA shares and al-la-carte purchasing of additional items beyond the share allotment. Shares will also include prepared foods so that even the busiest of families can still eat healthy and local. The Somerset Grist Mill is a downtown, easily accessed location offering convenience.
- Access: The Pickup has relationships with a diverse set of farmers giving the customer access to a variety of locally grown and produced foods that they might not otherwise find at farmers’ markets, or have time to find on individual farms. The Pickup aggregates food from the region so that customers can avoid the costly trips to multiple locations to purchase from local growers.

Sales Plan

½ pallet= \$250/week; seasonal share=20 weeks

*Established relationships; 70-90% sales probability

Institutional Buyers	Person Contacting	# Shares Projected	Approx. \$ Value
* Redington Fairview Hospital	Amber Lambke Contacting Debbie Buckingham, HR and Trish Sprengle	1 pallet/week Summer and Winter	\$20,000
* Skowhegan School of Painting and Sculpture	Sarah Smith contacting Waneeta Marquis and Sarah	½ pallet/week Summer only	\$5,000

⁴ Greg Franklin, "Getting Your Customers to Tell Your Story", presentation, October 2007

	Workneh		
* MSAD 54	Sarah Smith, Amber Lambke and Bill Primmerman contacting Laura Pineos	½ pallet/week Winter only	\$5,000
* MSAD 59	Sarah Smith, Amber Lambke and Bill Primmerman contacting food service director	½ pallet/week Winter only	\$5,000
* Feed the Kids Program	Amber Lambke contacting Bill Primmerman	½ pallet/week Summer only	\$5,000
* Univ. Maine Farmington	Amber Lambke and Susan Cochran contacting Theo Kalikow	1 pallet/week Summer and Winter	\$20,000
* Franklin Memorial Hospital	Warren Cook and Sarah Smith contacting Becky Ryder	1 pallet/week Summer and Winter	\$20,000
* Homestead Bakery, Farmington	Warren Cook contacting Laurie Danforth	½ pallet/week Summer and Winter	\$10,000
Redington Home	Amber Lambke Contacting Crystal Tufts	½ pallet/week Summer and Winter	\$10,000
Spice of Life	Sarah Smith to contact Bryce/Brenda Boynton	½ pallet/week Summer and Winter	\$10,000
Maine Medical Center	Ann Mefferd to contact food service director	1 pallet/week Summer and Winter	\$20,000
Lakewood Theater	Sarah Smith and Amber Lambke contacting chef	½ pallet/week Summer only	\$5,000
Heritage House	Sarah Smith and Amber Lambke contacting Cheri Savage	½ pallet/week Summer and Winter	
Kennebec Valley Technical College	Amber L., Sarah S. Contact from Glen Cummings	1 pallet/week Summer and Winter	\$20,000
Good Will Hinckley	Eleanor Kinney and	1 pallet/week	\$20,000

	Amber Lambke, and Sarah Smith contact Glen Cummings and Emmanuel Pariser	Summer and Winter	
Saddleback Mtn.	Amber L., Sarah S., Marada Cook Bill Berry	1 pallet/week Winter	\$10,000
Sugarloaf Resort	Amber L., Sarah S., Marada Cook Warren Cook	1 pallet/week Winter	\$10,000
Western Mtns. Alliance- work from Buyer/Grower inventory of 13 buyers produced by WMA	Warren Cook, Amber, Sarah, Marada	3 pallets/week Summer and Winter	\$60,000
Individual/Family Buyers	Person Contacting	# Shares Projected	Approx. \$ Value
<i>Sales to occur through major employers and community groups sharing info with their employees</i>			<i>Average share price \$600 X 2 seasons</i>
* Worksite Wellness Program thru Somerset Heart Health	Amber Lambke working with Dir. Bill Primmerman	150 shares (\$1,000 shares) Robert Wood Johnson Foundation Grant <i>Pending</i>	\$150,000
* Redington Fairview Staff	Amber Lambke working with Debbie Buckingham and Pres. Dick Willet	30 shares/season	\$36,000
* MSAD 54 Staff	Amber to contact Pat Watts, principal, and Yvonne Hite, elementary school garden coordinator; Ann Mefferd to contact high school garden staff committee	30 shares/season	\$36,000
* Town of Skowhegan	Amber to contact Town Mgr. John Doucette to distribute to 30+	3 shares/season	\$3,600

	town employees		
* Main Street Skowhegan	Amber to ask Dir. Jen Olsen to distribute info to 400 newsletter readers	10 shares/season	\$12,000
* Skowhegan Savings Bank	Amber to ask Pres. John Witherspoon to distribute info to 40+ Skowhegan branch employees	10 shares/season	\$12,000
* Civic Groups	Pickup Board members to reach out to heads of 10 service organizations in Skowhegan; Amber has contact list	20 shares/season	\$24,000
* County Court House	Amber to contact Somerset County Commissioners and admin. assistant, Robin	5 shares/season	\$6,000
* Backyard Farms	Amber and Jennifer Dionne to contact VP of HR, Natalie Jones	15 shares/season	\$18,000
Sappi	Amber and Debbie Hight to contact appropriate HR personnel	15 shares/season	\$18,000
HP Fairfield	Amber to contact Howard Seavy, former owner	5 shares/season	\$6,000
Dirigo Stitching	Amber to contact Peter Schultz	5 shares/season	\$6,000
Western Mtns. Alliance	Jeff McCabe, Warren Cook, Tanya Swain for help selling in to West. Mtns. area	10 shares/season	\$12,000

Market Research

In 2009-10, a series of community potluck suppers were held in Skowhegan to discuss with potential customers the idea of having a local foods grocery/market at the Somerset Grist Mill. Organized by Amber Lambke and Wendy Hebb, the so-called 'One Pot Series' held four meetings with over fifty participants attending in total. By design, participants represented a wide socioeconomic range. Of the information collected from participants, several common themes emerged. Customers in higher socioeconomic brackets liked the idea of launching a new community business by way of a CSA model where their 'investment' reaped returns in local food. Second, customers from lower socioeconomic brackets, including those on federal nutrition assistance, valued the nutrition, freshness, and quality of local food, but also the economy that comes with bulk purchasing. They favored models that afford weekly payment plans and those that give them maximum value for their dollar in exchange for the seasonal commitment to purchasing local food.

This past winter, the Somerset Grist Mill was awarded a Maine Department of Agriculture Federal State Marketing Improvement Program (FSMIP) grant to work with area farmers and a business consultant to explore the feasibility of locating a retail and wholesale local food distribution facility at the Grist Mill. Principals in the study were Amber Lambke of the Somerset Grist Mill, Sarah Smith of Grassland Farm and manager of the Skowhegan Farmer's Market, and business consultant Mark Bourgeois.

As a component of the recent FSMIP study, citizens and farm suppliers were polled as to their interest in purchasing from and supplying goods to The Pickup. The Pickup had one institutional buyer, eight farmers submitted preliminary crop bids, and 30 community members committed to purchasing CSA shares in September 2011. Research supplied by the Greater Somerset Public Health Collaborative and stakeholder meetings hosted by the Western Mountains Alliance has informed the Pickup on specific purchasing criteria for local food amongst institutions across the Western Mountains and Somerset County region.

Cited as one of the biggest barriers to the effective and efficient distribution of local food by the Maine Department of Agriculture is the relative distance between Maine's best and affordable agricultural land and its major consumer markets. In a report titled "The Agricultural Creative Economy Needs, Opportunities and Market Analysis", authors suggest that,

"Numerous studies have shown that consumers will only go 5 or 10 miles out of their way to purchase locally grown agricultural products and several of these original studies are quoted in the Maine Legislative Report. It is neither cost efficient nor sustainable for an individual farm to handle distribution of its

products to where the major consumer markets are. An aggregation or distribution system must exist for the farm to wholesale its products.”⁵

Other barriers preventing small to medium sized farms from accessing more wholesale distribution channels include the lack of on-farm washing, chilling, packaging, boxing, labeling and refrigeration capability. Another is lack of time; “the more time spent by the farmer in marketing, the less time there is for operating activities to the detriment of growth and any family life during the growing season.”⁶ By launching the Pickup, we anticipate that not only will more individuals and families participate in local food purchasing due the convenience and diversity of the offerings, but institutional purchasers like schools, hospitals, camps, colleges and other large consumers will seek fresh local food for the one-stop shopping that aggregation affords.

In addition, working with SEDC as a fiscal sponsor, the Pickup has submitted grant applications to foundations for funding to reach two target audiences: low income customers and small businesses that are unable to offer health insurance. Beneficiaries of federal nutrition assistance programs (SNAP, WIC, Senior Farm Share) could purchase CSA shares, building upon successful programs serving Somerset County’s 51% SNAP eligible customers at the weekly farmer’s market. Existing partnerships with local WIC, DHHS, KVCAP, and doctor’s offices will allow the Pickup to advertise and disburse the incentives. The Pickup draws from markets in Portland, ME have already piloted the CSA model and incentives with low-income customers.

Additionally, the Pickup is collaborating with existing workplace wellness efforts of the Greater Somerset Public Health Collaborative (GSPHC). Small business owners who cannot afford health coverage will be able to offer CSA shares to employees who make healthy lifestyle choices. In the absence of health insurance, raising awareness about one’s health has been shown to improve health indicators (weight, body mass index and blood pressure) and reduce costs to employers incurred by sick time and injury. Modeled after Lincoln County Healthcare’s CSA promotion program in Damariscotta, ME, The Pickup will offer employers and their employees a 50% grant-funded match for first-time participation in a CSA. In doing so, the Pickup stimulates the most powerful form of marketing and sales growth: word of mouth.

⁵ ³ “The Agricultural Creative Economy Needs, Opportunities and Market Analysis”, Maine Dept. of Ag January 2008

Market Research- Comparative Food Hubs

Barrels Community Market

Barrels Community Market in Waterville, Maine was started as a project of Waterville Main Street, a non-profit organization dedicated to downtown revitalization and community development. Barrels provide a retail venue for small-mid sized farms in the region and aggregates local food to serve a Waterville hospital. As a project led and managed by a non-profit board of directors, staff at Barrels are paid by the organization. The business keeps overhead low by utilizing the in kind expertise of professionals on the Main Street board and seeks charitable grant dollars to fund overhead and education in the community. These grants allowed Barrels to start up without debt. Manager, David Gulak shared lessons learned with FSMIP researcher, Sarah Smith, specifically around raising sufficient capital for start up inventory, personnel costs, and multiyear operating capital. While not a cooperative, Barrels adopted a membership dues structure to help raise operating capital and benefits from volunteer workers that lessen the need for paid personnel. David was able to share management tips regarding estimated staff time spent on purchasing, sales, education, marketing, etc.

When examining profitability, Barrels focuses on mark-up, volume, and shelf life. Maple syrup, for example, has a high mark up, long shelf life, but low volumes sold. Seasonal berries have high volume, low mark up and very short shelf life. Bread is high volume and high mark up, etc. The key to running a successful food business, he said, is in understanding what products are profit makers. Barrels' adheres to a mark up of 50%.

Barrels manager, David Gulak felt that an aggregator business in Skowhegan, 20 miles away, would positively impact their business. Aggregation in Skowhegan would enable Barrels to buy in bulk quantities and save time by not having to incur travel and establish relationships with each individual Skowhegan-area farmer. David also felt that the commercial kitchen at the Grist Mill presented the opportunity for much needed value-added processing of things like tomato sauce and frozen vegetables as well as washing and packing stations to make case quantities possible.

Intervale Food Hub

In Burlington, VT, the demand for local food and desire to support local growers is also flourishing. Launched by a NESARE research grant in 2007, the Intervale Food Hub set out to research whether area farmers were interested in collaborating to start a multi-farm CSA program, in essence, providing a new wholesale account for farmers, and develop the business model. The Intervale set a first year goal of selling 125 shares and got 20 farms on board to produce the needed crops. Later, the business expanded sales to employee groups at area Burlington businesses as part of employee wellness programs that encourage healthy eating and as a convenient service to busy working populations. The Intervale employed a local bicycle courier service to delivery shares to businesses in downtown Burlington.

The Intervale shared with FSMIP researchers their business plan and lessons learned. Manager, Sona Desai said that a strong value of the multifarm CSA is to return the

highest price possible to farmers. In the first year, the project paid farmers 70% of retail price for product, applying 30% to business overhead. This split was not sufficient to cover fixed and variable costs for the business, so a shift to 65%/35% was made, still better pay than most distribution companies purchasing wholesale from farms. The Intervale aimed to show financial viability at \$500,000 in sales.

As in a typical CSA model, farmers at the Intervale contract for crops in January and are offered an advanced payment for their crop commitments to cover the cost of seed and planting in August. The remaining payment is made when crops are delivered. Offering first rights of refusal on new crops to those farmers incentivizes farmers who committed early to the CSA and those who deliver superior quality. Steady revenue for farmers has grown loyalty to the CSA. Key to the Intervale's success has been an organized schedule of contracting with farmers, making confirmation calls to check on crops and remind farmers of their delivery dates, and selling increased numbers of share to meet annual sales projections. The goal of the Intervale multifarm CSA is to make the business farmer-owned at some point. This transition, and choosing a business model are being facilitated by the Intervale Center, a non-profit organization.

Sona indicated that the Intervale utilizes CSA software called Farmigo. The software tracks shares, correlates it with production needs, generates packing and delivery reports, and allows for an online 'store'. Another web-based option offering smaller, community scaled solutions is FarmstandCoop.com, utilized by a food hub in Charlotte, NC.

The Intervale has incorporated a traditional wholesale model as a portion of their business in order to serve institutions that desire certain crops only. The profit margin on these sales runs at 15% and does not constitute a major profit area for the business. The Intervale noted that restaurants were not major consumers of local food yet, because of the difficulty changing habits, however the potential does exist if chefs and customers get excited about the added values that local food brings.

Pete's Greens

Born and raised on an organic farm, Pete Johnson of Craftsbury, VT began Pete's Greens in 1995. Pete's Greens has been a leader in the wave of increased awareness and support for locally raised food and delivers a high quality product. Pete's expanded the market for their vegetables by starting a CSA program called 'Good Eats', managed by Amy Skelton. FSMIP researchers met with Amy in VT to learn about the basics of their CSA business model.

Good Eats offers a variety of CSA offerings to accommodate different family sizes and customer preferences. While the majority of vegetables are grown by Pete's Greens, other items are purchased into the share program from other farms including cheese, bread, flour, sunflower oil, beans, oats and eggs. Share customers receive a weekly newsletter that helps them with recipe ideas and educates about the farms and crops that appear in their shares. Unlike the Intervale that benefits from the dense population of their hometown of Burlington, Good Eats operates in a more rural area of VT and has organized a system to distribute CSA shares to 17 different drop-off sites within a 50-60

mile radius. Customers pick up their shares at the nearest drop off station.

Good Eats finds that the majority of their 370 customers hear about the program through word of mouth or the web. Direct mail marketing has historically resulted in minimal responses. The CSA program requires the use of cold storage and packing infrastructure in a three-story barn on Pete's Green's Farm (the barn subsequently burned after this interview and new infrastructure was rebuilt). The CSA business was started debt free and necessary infrastructure was purchased as sales volumes warranted. Pete's perspective is that until all citizens of the state are consuming local food, there is no cap to the market potential of a CSA model. Amy noted that a CSA in Denmark provides door-to-door service for 40,000 customers within a 150-mile radius (total population 600,000).

Amy Skelton generously shared the weekly management model for picking, washing, packing, and delivering Good Eats' shares. Customers are permitted to join late in the season as long as supply permits. Using Farmigo as a model, Good Eats developed their own software system in house using File Maker Pro. Payments are accepted in cash or check only.

MANAGEMENT PLAN

Management

Once fully operational, The Pickup will hire five people. The first jobs consist of:

CSA Manager, full time, 20/hr with benefits

Admin Assistant, part time, 13/hr with benefits

Kitchen Manager/CSA Labor, 15.hr with benefits

2, CSA Laborers, 10/hr with benefits

The Board of Directors of the Limited Liability Corporation includes:

Sarah and Garin Smith- Grassland Farm,

Amber Lambke- Somerset Grist Mill,

Ann and Andrew Mefferd- One Drop Farm,

Amy Clark- Crooked Face Creamery,

Lisa Veilleux- The Baker and the Chef

Rosa and Adam Rosario, Blessed Main Herb Farm

John Martin and Kimm Cooney, Attorney and former restaurant owners

Sarah Smith of Grassland Farm will fulfill the position of CSA Manager.

She has experience running CSA programs, has been an integral part of researching and informing the Somerset Grist Mill FSMIP study this past winter, and has managed farm and food distribution programs since her days at Warren Wilson College in NC.

PRODUCTION PLAN

Supply

The Pickup has contracted with eight Skowhegan area farms to supply produce, meats, bread, cheeses, pasta, cider, coffee and tea, and flash frozen prepared meals. Some of these same farmers are members of the Skowhegan Farmer's Market, and some are not, representative of the expanding market opportunities for locally grown food. We anticipate that the Pickup will spur growth of new product lines and revenue streams for our farmer suppliers by servicing the demand amongst a new customer base.

Crops will be pre-contracted with farmers in advance of the planting season. During the season, produce will be dropped off at the Pickup on Mondays for prepping and packing on Tuesday, and Pickup on Wednesday afternoons. For customers picking up their orders at the Somerset Grist Mill, pick up time will overlap with the Skowhegan Farmer's Market's Wednesday afternoon market so that al la carte items can be purchased directly from farmers and customers can 'meet their farmer' if they so choose.

FINANCIAL PLAN

The Pickup intends to be self supporting after the third year of operation. Pro-Forma financial documents are available upon request. The assumptions used in developing the Pro-Formas is as follows:

Assumptions

- Identification of Food Shed as Region

For the purpose of data metrics for this report it was agreed that the food hub- the local food system, including farms, distribution facilities, aggregator operations, product storage, and value added production, and the efforts to create more sustainable ways of producing and consuming food within the Skowhegan hub area is a 50-75 mile radius from Downtown Skowhegan and will be define as the Region.

- Model Limitations

The base financial data for all models and scenarios is based on multiple meetings with producers/farmers and was obtained from meetings, visits, and discussions with other distribution systems and relayed to the modeler. It consists of two (2) base models. One, the estimated labor for a Regional aggregator type CSA, including development of an CSA type share system for commercial and institutional users, as well as a value added processing and kitchen operation, and the second the estimated start-up costs. The third model/table is a cost evaluation based on readily available infrastructure within the Region and identifies via a stage gate methodology the best scenario for developing adequate space in the Region. In that model, the following were identified and explored:

- Rental of adequate space in Region
- Buying of adequate space in Region
- Development of Downtown Food Hub in adaptive reuse building (Somerset Grist Mill)

During the process the standard for selection was:

- Minimum of 2,500 to 3,000 +/- square foot with potential expansion
- In the downtown Skowhegan area, accessible via public transportation and “walkable” in within the service area
- Value consideration was given to properties that already have value added/commercial kitchen infrastructure
- Priority was given to properties that already have farm/agriculture related operations to ensure market penetration

Margin Summary-Farm to Market Spread-as Table for Comparison

As the purpose of development of this market system is for the benefit of both the farmers and consumers, it was agreed that the modeler would use an alternate farm-to-market spread. Generally margins from the farm to the consumer (spread) for the majority of products (excluding eggs, meat, and milk) run an average of fifty percent (50%) of retail. For the purpose of these models, and to assist in the increase in margins for the participating farmers to invest in infrastructure to increase production within the Region, we used sixty five percent (65%) of our retail on average as our cost (wholesale price) to producers. The table below identifies our cursory assumptions.

Farm-to-Retail Spread Calculation Baseline for Skowhegan Food Hub Group

To final sale location to end user based on \$1

% of Retail	Chanel		\$
65%	Farm	Wholesale to Farmer	\$0.65
5%	Transportation	COGS-Aggregator	\$0.05
15%	Packaging	COGS-Aggregator	\$0.15
15%	Interest/Infrastructure/Repairs	Fixed Overhead	\$0.15
7%	Rent/Depreciation/Advertising	Fixed Overhead	\$0.07
5%	Other	Variable Overhead	\$0.05
8%	Tax	Variable Overhead	\$0.08
10%	Value Added Processing Costs	Variable Profit Margin	\$0.00
10%	Profit	Variable Profit Margin	\$0.10
			\$0.00
140%	Equals Retail Selling Price		\$1.40
		Wholesale value	\$1.00

Cost Comparisons for a Regional Food Hub Physical Location - a most important component to a successful Food Hub

Option	Cost per SF	SF	Total	Monthly Cost	Comments
Rent Space in Region 1- Shopping Center (1) (+)	\$6.00	3,000	\$18,000.00	\$1,500.00	NNN does not include utilities, no commercial kitchen, outside of town center near Madison Line, estimating \$50-\$250k work, no adequate transportation system for low income users without a car, not walkable
Rent Space in Region 2- Solon (2) (+)	\$6.00	3,000	\$18,000.00	\$1,500.00	NNN does not include utilities, no CO and would be change of use, Environmental Issues, no commercial kitchen, estimate additional \$150-\$350k work, lead and asbestos abatement, in FEMA flood zone, elevators out of code compliance, traffic flow and parking difficulties, insurability issues
Rent Space in Region 3- Industrial Park (3) (+)	\$4.00	3,000	\$12,000.00	\$1,000.00	NNN does not include utilities, no commercial kitchen, estimating additional \$50-250k work, for low income individuals without car not walkable
Buy Space in Region- Solon (4) (+)	\$2.82	79,698	\$224,748.36	\$5,000.00	Based on 20 year commercial mortgage purchase price plus remediation cost total \$350,000 @ 15%, no commercial kitchen, needs re-permitting for occupancy, on MDOT frontage requiring a traffic study, will require estimated additional \$150-\$350k work, lead and asbestos abatement, in FEMA flood zone, elevators out of code compliance, traffic flow and parking difficulties, insurability issues
Build Steel Warehouse with Land (5)	\$131.00	5,000	\$655,000.00	\$8,624.97	Estimate cost of 5,000 sf building in Downtown \$65,000 land cost, 20 year commercial mortgage @ 15%, total with kitchen infrastructure +/- \$175k

Rent Grist Mill (6)	\$1.00	2,880	\$2,880.00	\$2,880.00	\$1 per square foot, engaged sympathetic landlord working to create complimentary, cross promoting co-location of businesses, home of the farmers' market with an existing agricultural identity and market familiarity, site has high visibility amongst state and national funders and food hub developers, added value of commercial kitchen and cold storage space
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- (1) Kennebec Village-Town Data
- (2) Estimate based on average
- (3) Average estimate based on SEDC Data
- (4) Listing
- (5) National Construction Estimator Land Cost Court Street Property
- (6) Rental estimate from owner

(+) does not include commercial kitchen infrastructure costs

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Sign up today for your first CSA share from The Pick Up in Skowhegan!



Eat well this fall with a weekly basket of local fare from The Pick Up in downtown Skowhegan!

**The First CSA Shares are Ready for You!
Sign Up Today and Tell a Friend!**

What is The Pick Up all about again?

The Pick Up is a new business opening at the Somerset Grist Mill in downtown Skowhegan that will feature foods from local farmers and food producers. With your purchase of one of our CSA shares offered below, you will receive a basket of food each Wednesday. Each week you will find a diverse array of the vegetables and fruits in season. Here is what you might find in your shares during week 1: Tomatoes, Cucumbers, Summer Squash, Scallions, Melon, Blueberries, and Salsa. You will find new and exciting products each week! For those of you interested in the Plow Share or Harvest Share, you will also be enjoying locally produced bread, eggs, cheese, jam, honey, and more. The full meat share will offer a diverse selection of local beef, pork, chicken, goat, lamb, and buffalo. A sample week would be: 2 lbs. of ground beef and 2 lbs. of pork sausage. The next week you might find: One 5 lb. whole chicken and 2 lbs. of pork chops.

When and Where do I pick up my share?

You will pick up your share at The Somerset Grist Mill from 3 to 6 pm every Wednesday. It won't take but a minute to swing in and grab your goods! For those of you who would like to socialize with old friends and new, there is ample opportunity to mingle at the Skowhegan Farmers' Market taking place in the parking lot outside.

How do I sign up?

The local farmers have been planning to provide you with a diverse mixed basket of farm fresh foods and locally produced breads, cheeses, and more. We are ready for your commitment to supporting this new business. Please print the following, marking which share you are interested in purchasing, your payment selection, and mail in your payment by August 20th.

For More Information Contact:
Sarah Smith
399-4923
thepickupcsa@gmail.com



Share Options: Please Circle Your Selection

- Garden Share- A basket of fresh local fruits and vegetables and prepared local foods such as salsa, slaws, or soups. Cost for Sept. - Dec. 2011 is \$425



Payment Options- Please Circle One

1. One check paid in full by August 20th.
2. Four equal payments predated for the 20th of each month: August 20th, September 20th, October 20th and November 20th (We won't deposit the checks until the date arrives)

Subscription List View Payments RSS **Market** How Often Do You Want to Receive a Weekly Food Basket (Share with Us) **Like** **Comment** **Share** **Tweet**

- more. Cost for Sept. - Dec. 2011 is \$560
- Harvest Share~ The Garden Share plus weekly bread, eggs, and milk along with cheese, honey, syrup, jam, and more. Cost for Sept. - Dec. 2011 is \$850
- Local Meat and Seafood Share~ A diverse weekly selection of local meats and fresh Maine seafood. Cost for a full share \$680 or for a half share \$340

due by the 20th of each month
August through November.

Garden Share four payments of \$106.25
Plow Share four payments of \$140
Harvest Share four payments of \$212.50
Full Meat Share four payments of \$170
Half Meat Share four payments of \$85

Mail your payment(s) to:
The Pick Up
Somerset Grist Mill
PO Box 2060
Skowhegan, Maine 04976

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Our mailing address is:
PO Box 2060
Skowhegan, Maine 04976

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The Pick Up · PO Box 2060 · Skowhegan, ME 04976





The Pickup

Enrollment Form

Please return this completed form to:
PO Box 2060, Skowhegan, Maine 04976

Share Baskets Available~

Garden Share (\$25/week)~

fresh, local, seasonal vegetables and fruits
plus one prepared food item.

Plow Share (\$33/week)~

Garden Share plus sampling of other local products.
Bread every every other week, weekly apple cider in season,
honey, syrup, coffee, and more.

Harvest Share (\$50/week)~

Garden Share plus weekly bread, eggs, and milk; occasional
cheese

Half Meat Share \$20 /week~

A selection of local meats, varying each week!
Example: Half Share Week 1: 1 lb. ground beef,
1 lb. pork sausage, and 1 lb. chicken breast.

Full Meat Share \$40 /week~

A selection of local meats, varying each week!
Double the quantity of the half sized meat share.

Other offerings from The Pickup:

*Institutional CSA Shares: Sign up Today!

Bulk food shares offered to restaurants, schools,
hospitals, and other institutions. Each week will
include bulk offerings of seasonal food from June
through October.

Half Palette Share: \$250 per week

Full Palette Share: \$500 per week

*Wholesale Weekly Purchasing:

Receive a weekly list of available food for wholesale
purchase, both fancy and utility grades.

To receive notice of weekly offerings, send a request
to: thepickupcsa@gmail.com.

NAME:

ADDRESS:

PHONE:

EMAIL:

TYPE OF SHARE :

Garden Half Meat
 Plow Full Meat
 Harvest Institutional Half/Full

PAYMENT OPTION I AM INTERESTED IN:

payment in full at the beginning of the
season
 payment plan (4 equal payments)
 weekly EBT deductions

*Payment not required at time of enrollment,
The Pickup will contact you for billing info.*

Share pick up is Wednesday afternoon, 2-6 pm

For More Information:

Sarah Smith- Manager
thepickupcsa@gmail.com
(207) 399-4923

The Pickup
PO Box 2060
Skowhegan, Maine 04976



"Like" us on Facebook

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Skowhegan, Maine 04976
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The Pickup CSA Marketing Agreement (revised 7/11/2011)

1. Producers have several options in receiving payment for product during the season.
 - a. Producers may choose to be paid on delivery for the product with no season advance.
 - b. Producers may invoice The Pickup to be paid biweekly.
 - c. Producers may choose to receive 50% of the total value estimated for the season two weeks before the start of the allotted season. Each invoice will then be paid out at 50% of total value until your original 50% advance is covered. At the time the advance has been covered in full invoices will be paid to producers at full value. (Should we make this an option only after 1 year in good standing with quality and quantity?)

2. Weekly Process.
 - a. The Manager of The Pickup will send a reminder email to producers on Thursday, more than a week before scheduled delivery of product. The undersigned producer agrees to reply to the Manager of The Pickup with any issues with a crop or product by Monday in order to give the Manager a week to fill any voids.
 - b. The Manager will remind you of the set time of delivery for your crop in the email on Thursday. The producer may reply to the Manager by Monday in order to negotiate the time of delivery for the following week.
 - c. The Manager will ask for any “seconds” available for purchase in the Thursday email. If you are not on the list to be contacted that week, but would like to sell The Pickup seconds, email the Manager by Monday one week ahead.

3. Quality Standards.
 - a. All produce must meet the packing standards approved by the Manager and Board of the Pickup. The Pickup reserves the right to refuse any or all of the produce it judges to be unacceptable due to quality, packaging, cleanliness or for any other valid reason.
 - b. The Pickup may accept part of an order and pay for it at full price and deem the other portions of the order to be seconds and buy them at a lower price.

- c. Members may be charged an extra fee for any extra effort required by the Manager or Staff of the Pickup to sort out the “seconds.” Producers will be notified at the site at time of delivery whenever possible. If such a determination is not made until after the member has left The Pickup, then the Manager will notify the member as soon as possible.
 - d. If customers of The Pickup complain about any product in the weekly share, the Manager will attempt to determine the source and notify the producer. The Manager and producer may come to an agreed upon resolution. The producer may choose to bring in replacement produce another week or offer some other means of satisfying the customer or forgo payment by The Pickup. The Pickup will make good faith efforts to satisfy the customer.
4. Delivery to The Pickup.
- a. Producers will deliver their produce and/or other local product to The Pickup by 4:00 pm each Tuesday or by 10:00 am Wednesday morning, whichever was arranged with the Manager for that specific crop or product.
 - b. Each producer will be granted one week per year where they may show up late with their goods and not be penalized.
 - c. Beginning with the second time that a producer is late, they will pay a \$25 late fee and if the delivery occurs after 12:00 pm on Wednesday the late fee will be increased to \$50. The Manager will be responsible for noting time of delivery on invoices. The Manager and Board of The Pickup can, in its discretion, waive any penalty in the event of lateness due to circumstances beyond the producer’s control.
 - d. If product is delivered after opening of The Pickup at 3:00 pm the producer will either: (1) Bring in an equivalent number of substitute crop the following week for each customer who showed up before the late delivery, or (2) if the producer cannot replace the crop the following week the grower will not be paid for the number of units delivered late on the first week and will be charged the late fee.
 - e. If a producer has been late three times or more in one year, the Manager and Board of The Pickup will meet with the member to discuss what actions can be taken to assist the producer in meeting their deliveries for the year and also insure The Pickup is receiving the goods ordered on time. If the Board is not satisfied with the proposal of the member then the Manager and Board may elect to adopt stricter measures. The Manager and Board will reserve the right to place a limit on the amount of goods purchased each week from the producer until the issue has been resolved.

5. Priority will be given to producers who produce crops either certified organic or raised organically. Exceptions will be made at the discretion of the Manager when the crop is not available chemical-free.

6. The undersigned producer agrees to make good faith efforts to meet his/her Production Estimate.
 - a. Low sales due to either crop failure or a change in delivery agreed to by both parties do not constitute a lack of good faith efforts by the producers.
 - b. If total sales for a particular crop or product to The Pickup fall below 70% of a producers Production Estimate commitment, and this is found to be due to members selling that crop to other market(s) instead of The Pickup, then The Pickup may seek damages as described below:
 - i. Limiting the producer's right to bid on crops the following year.
 - ii. Removing the producer's preference in the bidding system the following year
 - iii. Charge the producer for any expenses incurred by The Pickup in locating and picking up replacement crop. This money may be withheld from money due for produce already delivered to The Pickup.
(This might also say instead that we would not increase the total value of crops/product to be sold to The Pickup by the producer the following year.)
 - c. The Pickup may make contracts with producers that differ in terms from this one, with the consent of the Board.
 - d. Board members of The Pickup will receive 1st priority in crops they bid to grow for The Pickup over other producers wishing to supply the same crops.

7. Each producer agrees to provide storage of their own crops until the crop is needed by The Pickup. Rental space will be available for TBD. The Pickup takes full responsibility to keep the products in good condition until it is picked up by customers.

8. Any disputes will be resolved by the Board.

Date: _____

Farm/Business Name _____

Print Name

Signature

IMPLEMENTATION PLAN

Goals

Goals of the business include:

- * Promote a local sustainable food system by expanding markets for farms, increasing farm revenues;
- * Create five jobs and create more work on local farms
- Expand the market for nutritious local food, creating increased access to local food.

Increase revenues and profits at local farms to help farmers keep farming their land, preserving it as open space for productive use

Time table for Business Plan Implementation

By September, 2011:

Secure financing to hire manager part time, sell shares for summer 2012, manage necessary renovations, and purchase essential infrastructure.

Work with Maine Grain Alliance to implement kitchen renovations.

Get signed marketing agreements from the 8 committed farmer suppliers.

Furnish fall share to 30 committed individuals/families.

Begin to create policy and procedure that includes the board of directors in the business governance as well as for general operations.

By Summer 2012:

Sell and secure supply for 150 CSA shares.

Hire additional employees commensurate with shares sold.

Launch Friday Night farm dinners and coffeehouse.

Solidify subleases with others interested in using the kitchen for processing.

By Summer 2013:

Sell and secure supply for 225 shares for winter and 225 shares for summer.

2013-2017:

Reach sales goal of 400 summer and 400 winter shares, an at least 10 institutional shares.