



Growing a St. Louis Local Sustainable Food Market – What Is & What Must Happen Next

On Behalf of
The Franciscan Sisters of Mary

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Photo courtesy of Common Market Philadelphia

ONE-SLIDE REPORT

01. St. Louis local and sustainable food is roughly \$530 million in 2017.

Large grocers and distributors report that past compound annual growth in local has been almost 10% and will continue.

02. Demand for local food is rising according to smaller restaurants and groceries. Producers indicate that they as a group are willing to work together to develop the local sustainable food market.

03. Large distributors and grocers do not think there is a consistent definition of sustainable or local. Suggest: define sustainable first, then local.

04. Grocers and distributors report roughly balanced share of sales in produce, proteins, dairy, and other/grocery, and diversity of production is very positive. But all points in the supply chain can name a number of products that could/should be grown locally that are not.

05. Distribution capability, certifications, physical capacity, and access to financing are top challenges to building local and sustainable

06. Brokers, co-packers, and redistributors are central to local producers' very fragmented go-to-market strategies. An aggregator is needed to expand the market

07. Entrepreneurs, activists, and producers all have very similar wish lists: business education/advice, help marketing/selling; help creating value added products; coordination to make surplus food donations better; experienced workers who understand local food

08. Almost all of the hurdles to local sustainable food uncovered in this study can be answered wholly or in part by a broadly conceived aggregating system or food hub: high price of local; inconsistent supply; too labor intensive to get goods delivered and maintain many producer relationships; food insecurity issues are complex; community leadership is fragmented and duplicates efforts; difficult for producers to get on approved list of distributors for institutions; education at all points in the local food system; safety certifications

Working Definition of “Local and Sustainable Food”

We defined “local and sustainable food” as follows to develop market sizes and guide stakeholder interviews:

Includes	Excludes
<ul style="list-style-type: none">• Organic and/or sustainably raised whole foods from the greater St. Louis area• No defined mileage radius, but in practice nearly all falls within MCE’s 100-mile definition of the St. Louis foodshed (Jefferson City, Springfield, IL, and Cape Girardeau near the edges)• Products found in local grocery stores, served in restaurants or institutions, or sold via direct-to-consumer channels or through distributors• Whole foods account for a little more than half of the total	Commodity crops, protein from feedlots, most large scale dairy products
<ul style="list-style-type: none">• Small to medium scale brands of processed/value added foods using ingredients sourced from the greater St. Louis area (same as above)• Processed/value added foods account for a little less than half of the total	Products from large scale food processors or CPGs
<ul style="list-style-type: none">• Locally produced and bottled beer, wine and spirits served in restaurants or institutions, or found in stores• Accounts for a very small percentage of the total	Locally produced beer, wine and spirits that are sold/served on site in microbreweries or wineries

54 Interviews

Foodservice	Name
Cleveland-Heath	Rick Kazmer
Fresh Gatherings Café	Dan Brewer
Kingdom Coffee	Nathan Boaldin
Panera	Mindy Gomes Casseres
Seed Sprout Spoon	Brendan Kirby
The Dam	Matt Galati
Traveling Tea	Kateri Meyer
Sunfarm Food Service - Distributor	Danielle Camp

Grocery	Name
Fields Foods	Joe Sprenger
Legrands	Jim LeGrand
Local Harvest	Becca Widzer

Institutional	Name
MO Baptist Hospital MCE	by Rae Miller; Chef Nikki
St. Joseph Hospital MCE	by Rae Miller; Carol (evening mgr) Frank Romano (Triumph Grill)
Hotel Ignacio	
Southwest Foodservice	
Excellence	Krystal Simmons; dietician
U of MO StL	Joe Keniley, Sodexo
Washington U	Patrick McElroy

Producer	Name
	Amanda Morgan
Eckerts Farm	
Farm to You Market	Todd Geisert
Cock & Bull Farms	Carl Poettker
	Michael Gehman
Double Star Farms	
Rensings Pork and Beef	Chad Rensing
	Kurt Bizenberger
Windcrest Dairy	

Large Grocer	Name
Shop 'N Save	
Straub's	Tim Hollenbach
Price Chopper	
Ahold USA	
Reasor's	
Brookshire Brothers	
Heinen's	

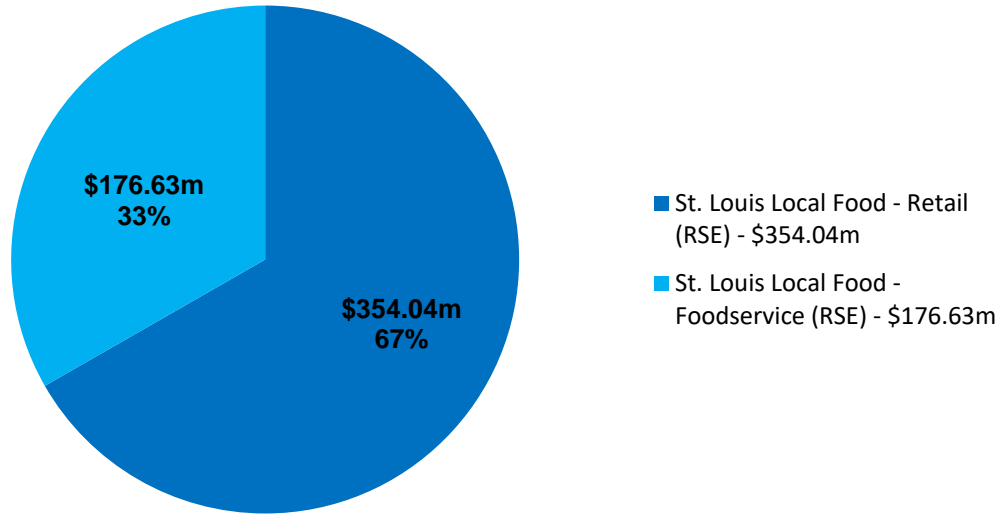
Distributor	Name
Supervalu	
United Produce	Dominic Greene
GFI Foods	
Merchant's Foodservice	
US Foods	
PFG	
Eby-Brown	
Ben-E-Keith	

Entrepreneur + Activist	Name
Bi State Development	John Wagner
City Greens Market	Dylan Naylor
Commerce Bank Foundation	Cynthia Crim
Connie's Green Grocer	Jason Asher
EarthDance	Molly Rockamann
Eat Here STL	Preston Walker
Fair Shares CSA	Sara Choler Hale
Fit and Food Connection	Joy Millner
Food Church STL	Nick Speed
Gateway Greening	Matt Schindler
	Mark & Roxanne Bowers
Mr Bs Salsa	
STL MetroMarket	Lucas Signorelli
STL Regional Health Commission	Julia Brucks
Justine Petersen	Galen Gondolfi
StL Area Foodbank	Lenora Gooden
StL Econ Dev Partnership	Erica Henderson

\$530m Sales Of Local Sustainable Food In 2017

Local food is 3.38% of the total \$15.7 billion St. Louis foodshed in 2017 across 4 million people; local food forecast 4% share in 2020

St. Louis Local Sustainable Food - Total (RSE) - \$530.66m



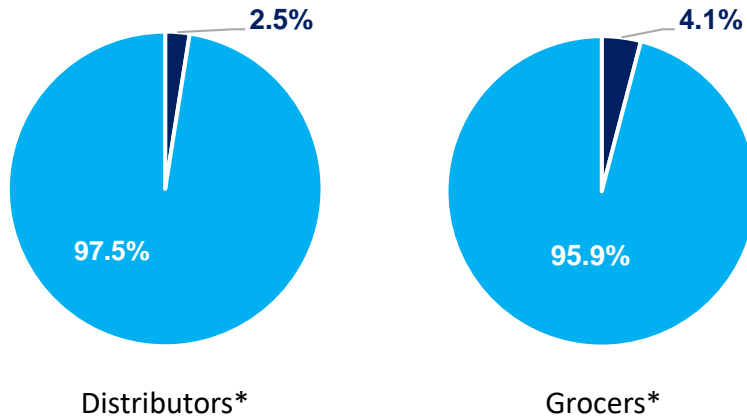
9% CAGR 2014-17
8% CAGR forecast for 2017-20

Snapshot of participants that make up the local sustainable supply chain

- 2,400 farms of 10 acres or less within 100 miles of StL; 11,000 farms with 10-49 acres and 11,200 farms with 50-150 acres.
- There are at least 120 grocery outlets; some with multiple outlets (Straub's, Schnuck's, and Dierberg's), and some with one or a few outlets (Legrand's, Local Harvest, Lucky's, Paul's, Field's Foods, City Greens Market, Eat Here STL, and STL MetroMarket)
- We estimate that more than 4,000 farms currently contribute to local sustainable food in StL, as well as several CSA's.
- There are at least 20-24 distributors involved in the system: Sysco, US Foods, Compass, Sodexho, Aramark, UNFI, plus at least 12-20 small broker/distributors
- The farms of 10 acres or less sell primarily to farmer's markets and direct to consumers, typically align with environmentally sustainable stewardship, and have less than \$50,000 in sales. None or few sell to institutions, stores, or restaurants. This group can use help with certifications, food handling safety, aggregation, and distribution. The larger farms, which contribute the largest number of dollars to the system, can use the same services as small farms to scale their businesses.
- Increasing the opportunities and participation for all three farm sizes is necessary to accelerate local sustainable food in St. Louis

WITHIN RETAIL, THERE IS MORE TRACTION IN GROCERY IN 2017

Mintel interviews estimate local versus non-local share of food and beverage sales for large grocers and distributors



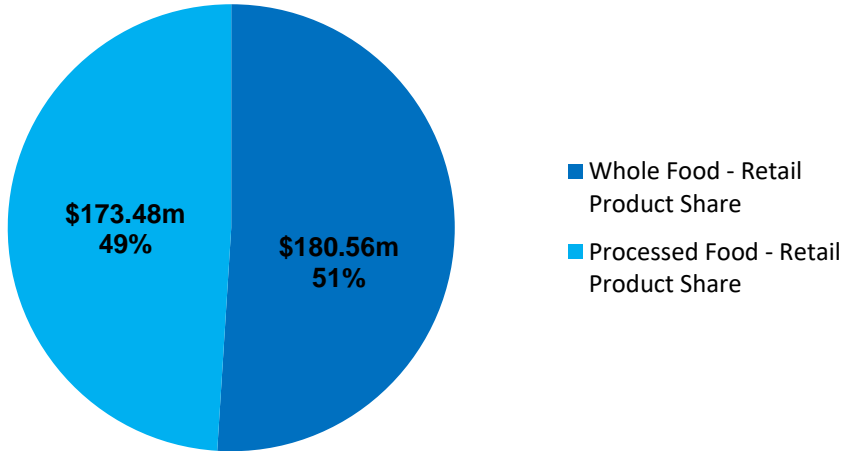
- Produce distributors may place more emphasis on local foods
- Upscale stores and locations in affluent areas focus more on local foods than budget grocers

*Aggregate figures across responses from St. Louis and non-St. Louis respondents

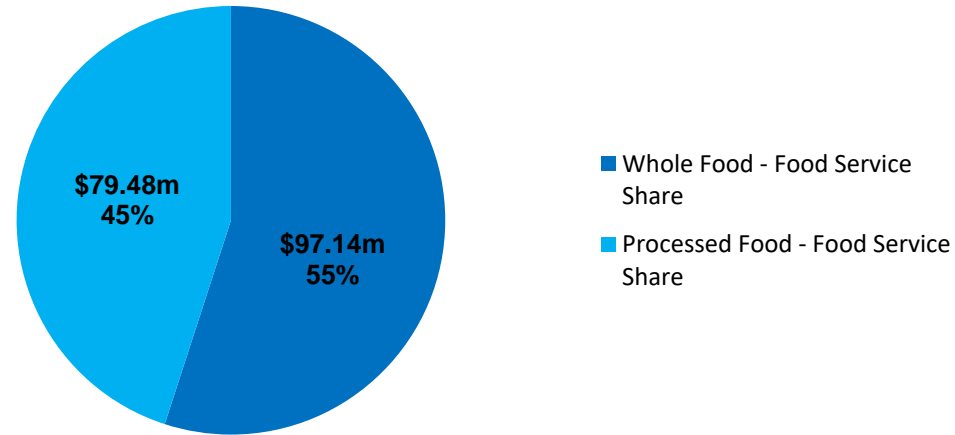
**Local food sales is a Mintel estimate based on interviews combined with projection of USDA ERS data

Local Is About Equal Parts Whole and Processed Foods

St. Louis Local Sustainable Food - Retail (RSE) - \$354.04m



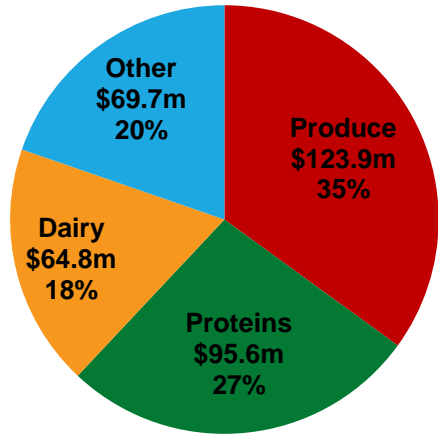
St. Louis Local Sustainable Food - Foodservice (RSE) - \$176.62m



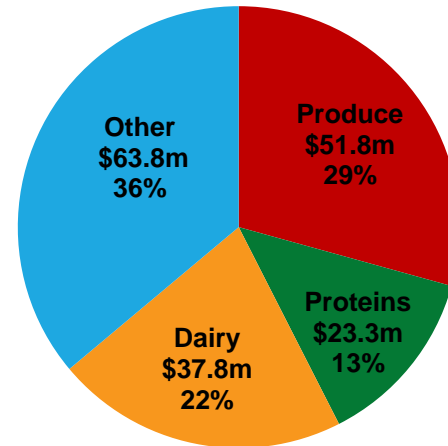
What Makes Up Local Food: All 4 Product Groups Contribute Impressively

Produce grows 14%, Dairy 12.5%, Proteins 6%, Other 3% (2014-17 CAGR)

Product Share – Grocery (RSE) (\$354m)



Product Share - Foodservice (RSE) (\$176m)

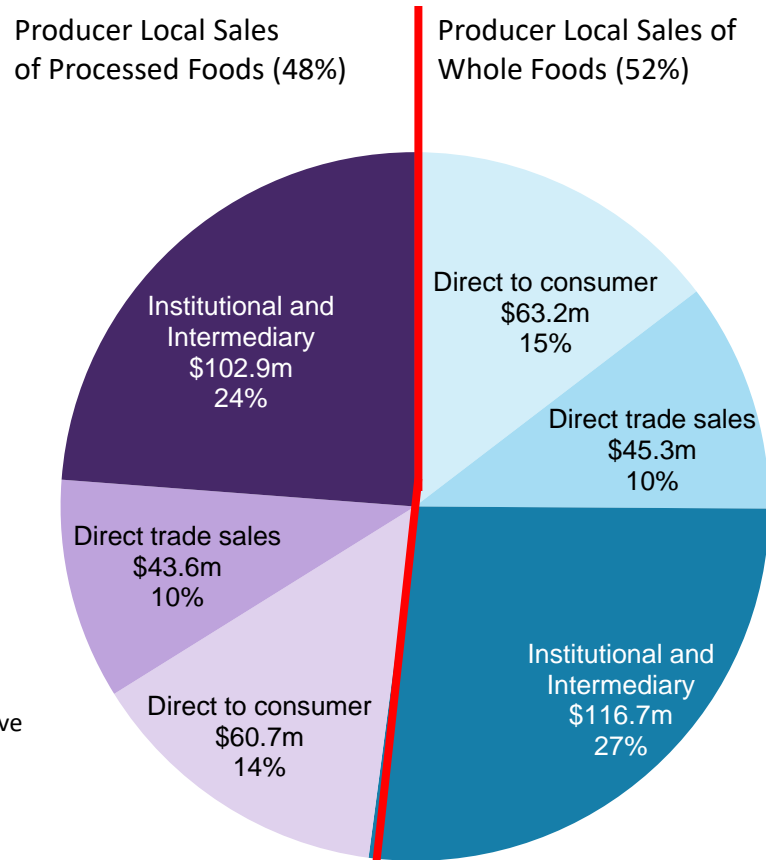


- Produce is the main category for local, but is still very seasonal in St. Louis. Some of the items identified as being needed, but not produced locally are apples, tart cherries, blackberries, raspberries, figs, husk cherries, garlic, plums, apricots, raspberries, parsnips, potatoes (all), asparagus, gooseberries, currants, more of the basic things (green beans, broccoli, cucumber), specialty cheese, more/better fish, like wild caught perch or bass.
- The “Other” category is called “Grocery” by some, as it includes products like bakery, honey, barbeque sauce, salsa, and jams

Producers Sell Primarily to Institutions / Distributors, Followed By Direct to Consumer

- Direct to consumer = sales at farmers market, farm stand, etc
- Direct to trade = sales to retailers and restaurants
- Institutional/intermediary = sales to institutions and distributors

Note: Does not sum to Total RSE of \$530.66m because retail markups have not been added for direct trade sales or institutional sales



KEY TAKEAWAYS & RECOMMENDATIONS #1

The market for local food shows strong growth that most participants expect to continue, but it could be even better

- Representative viewpoints that demonstrate the enthusiasm and guarded expectations that a wide range of people in the supply chain have for local food in St. Louis:
 - “Local is definitely growing, but the category is small, so it’s not making a big impact on our operations.” (Distributor)
 - “There’s definitely been growth in local. But will this be a shiny object that will fade? We’ll see.” (Grocer)
 - “Demand for local food is rising!” (from both small restaurants and small grocers)
 - “I believe that growers are willing to work together.” (Producer)
 - “We don’t see a lot of wholesalers selling local food, or much demand from our customers or staff” (Hospital)
 - A perceived bright spot is that food deserts are being addressed multiple ways, including mobile markets, low-cost markets like CityGreens Market, and kiosks at transport stations. Yet, there is also a lack of community leadership and duplication of efforts. (viewpoint expressed by many food entrepreneurs and local activists)

Key Takeaways & Recommendations #2

- Possibly the most encouraging conclusion from this study is that entrepreneurs, activists, and producers all have very similar wish lists. All groups express a need for:
 - **Business education/advice**, such as services that help sustainable farmers scale and refine their business models, or help with GAP certification, conversion to organic, achieving year-round production, or meeting customer's packing and delivery specifications
 - Help to create **value added products** – those already doing this can use help with technical advice and training, and those who are interested in starting need to understand costs, processes, and retail potential
 - Help for farmers with **marketing and selling** their produce, such as online platforms for farmers to showcase what is in season and services that streamline relationship management
 - Help with the **logistics** of consolidating and moving local food from producers to processors, restaurants, institutional purchasers, and other end-users
 - Coordination to maximize **surplus food** donation, requiring efficient communication, planning, and pickup/delivery between producers and agencies
 - **Experienced workers** who understand local food to help grow local businesses and manage commercial kitchens
- When all groups in a supply chain express common and related needs, a unified solution is possible

Key Takeaways & Recommendations #3

- Following directly from #2, interviews with small grocers and restaurants, entrepreneurs, activists, and producers suggest that **almost all of the hurdles identified can be answered wholly or in part by a broadly conceived aggregation system or food hub.** Here are some expected benefits of having a leading actor coordinating commercial activities, education, and marketing support:
 - Reduces the relatively high price of local food
 - Improve quality and seasonal consistency of supplies of food
 - Reduce labor for producers to deliver goods and maintain many customer relationships
 - Address some food insecurity issues by strengthening the local food system
 - Provide a focal point to for community leadership
 - Make it easier for producers to get on approved list of distributors for institutions
 - Increase education needed at all points in the local food system; especially on safety certifications

Key Takeaways & Recommendations #4

- What about the concerns of the large distributors and grocers? They state that there is not a consistent definition of local or sustainable, and suspect that this could hold the market down.
- Large distributors and grocers have some other negative observations:
 - Feel more buzz around local than actual volume
 - Equate local with weak or variable supply
 - Have a concern that much of it shuts down during cold months
 - Perceive that most of the opportunity is at the high end with “artisan” products
 - Say that local operates in an unstructured environment that makes it difficult to work with
 - State that safety standards need to become a priority. One says: “95% of the small producers that call on us get screened out on food safety alone.” – Specialty foods distributor (SQF – Safe Quality Food Institute – is most often cited)
- Mintel suggests: If sustainable is the primary goal, the definition of local might be less important. And sustainability measures should be easy to convey if organic is used as part of the standard.
 - Assuming that it is still necessary to have a definition of local, where marketing is concerned, precisely documenting and communicating what you are selling is worth more than meeting a specific set of criteria. And getting key consumer facing groups, such as groceries, restaurants, and institutions to agree on specs for local should not be difficult

Key Takeaways & Recommendations #5

- A “broadly conceived aggregation system” or food hub seems by far the most promising way to develop local food in St. Louis. It can also be a direct solution to the needs of large grocers and distributors, which are currently mostly unmet.
- Interviewees commonly remark that local producers’ go-to-market strategies heavily depend on using brokers, co-packers, and/or redistributors. An aggregation system with scale would serve the much-needed role of guaranteeing that local producers can meet standards for cost, quality, safety, operational efficiency, and transparency.
- If large grocers and distributors see the greatest opportunity in upscale or artisan local products, that is not a bad starting point. Guarantees of stable supply at a competitive margin will help them also see opportunity in promoting low-cost sustainable food.

Next Phase – Steps To Be Discussed

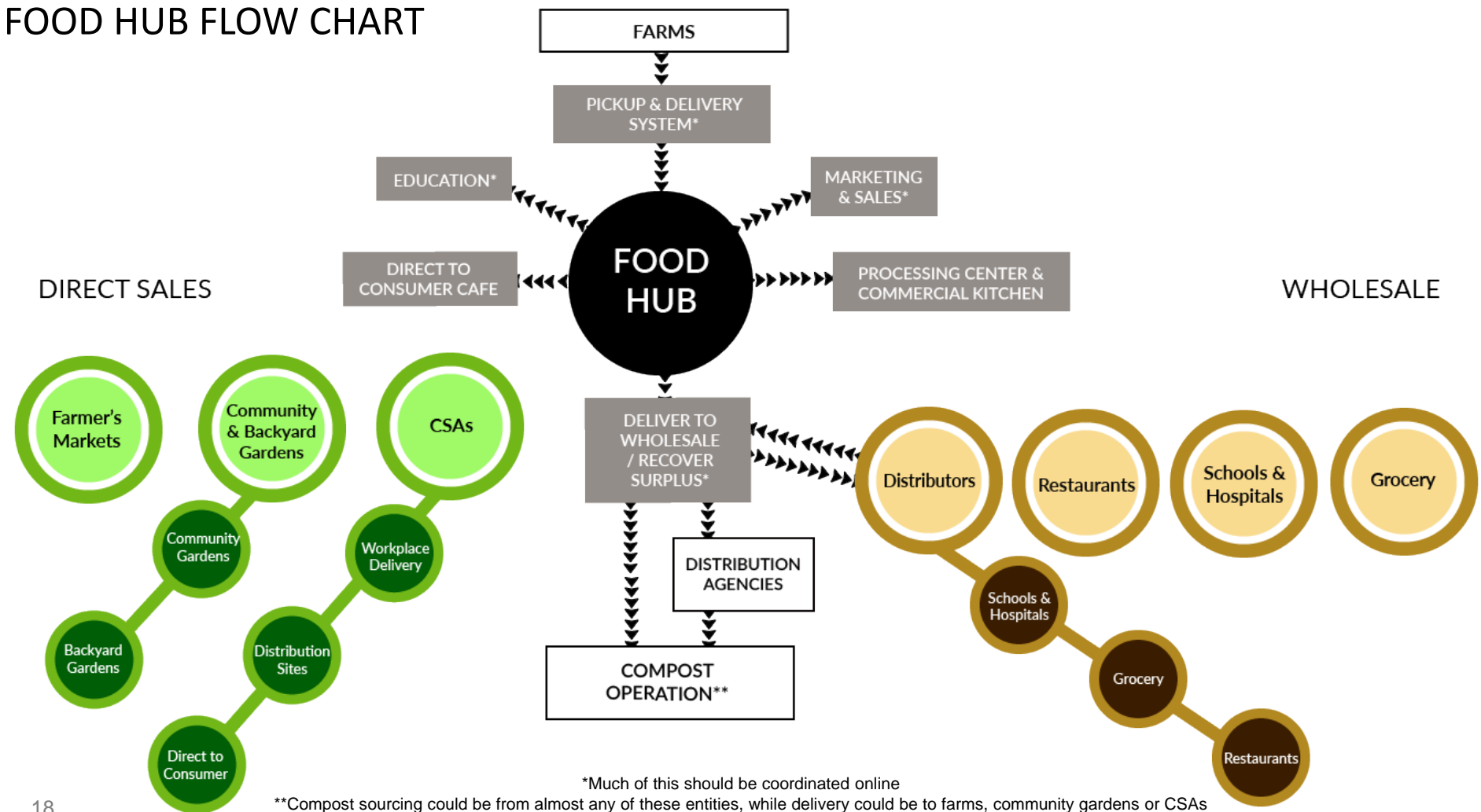
- 1) Discussion between FSM, its partners, and Mintel will determine the resolve to move forward with specific ideas presented in this phase or suggested by other research
- 2) Identify next steps, and whether the group believes that it has complete enough information to make decisions to move forward
- 3) Develop a Work Plan; potentially conduct further research

Next Phase Project Model Snapshots

- The following project models represent potential next steps for FSM to invest in the local food supply chain
- **Each of these concepts could stand alone, but we believe that the food hub / aggregation center is the critical piece from which the others should follow**
 - **A “slow start” alternative is to begin with any combination of the other steps, followed by the aggregation center**
- All of the concepts require some financial outlay by project participants, which will increase participant commitment to project success
- Some project models address the concerns of producers, while others focus on the needs of local food entrepreneurs that are creating value added products



FOOD HUB FLOW CHART



*Much of this should be coordinated online

**Compost sourcing could be from almost any of these entities, while delivery could be to farms, community gardens or CSAs

Project Concept 1: Food Hub

What Is It?	<p>This enterprise has the greatest power to transform the local food culture in St. Louis, and accordingly is the most capital-intensive project concept. A food hub (aggregation center, if you prefer) would serve the much-needed role of guaranteeing that local producers can meet standards for cost, quality, safety, operational efficiency, and transparency. It would also guarantee organized food offerings that make it easy for large distributors, grocers, schools, and other institutions to participate in a meaningful way. Finally, in addition to being good business, this appears to be a valuable contribution to existing food equity efforts in St. Louis by increasing availability and affordability of nutritious, local food.</p> <p>Functions could include: collecting produce from farms, washing and sorting, light processing (trimming, cutting and freezing), packaging and repacking, product storage, distribution, brokering, donating surplus, and assisting producers with sales/marketing.</p> <p>In addition, the center would assist producers with securing GAP certification.</p>
Inspiration & Potential Partners	<ul style="list-style-type: none"> • Justine PETERSEN (administrator for FSM's investment and/or to secure additional small business financing) • MCE, Greener Fields Together, and/or other organizations that assist with GAP certification • Food Policy Coalition (convened by MCE) • http://home.localfoodmarketplace.com/ (food hub startup and maintenance service supplier) • All of these exhibit parts of the concept: Double Star Farms, Eat Here St. Louis, Ole Tyme Produce, Sunfarms Food Service, Prairie Farms, Todd Geisert, Fields Foods, EarthDance Farms, Connie's Green Grocer, Gateway Greening, Thies Farms, STL MetroMarket, Good Natured Family Farms (KC), Fresh Farm HQ (KC)
Creates Urban Jobs?	<ul style="list-style-type: none"> • Est. 10-30
Estimated Cost	<ul style="list-style-type: none"> • Minimum example (a multiple of several times this is needed for St. Louis): USDA model of 6.3 FTEs with 70/30 split sales with producers; 6,500 sqft warehouse; two trucks; forklift; \$2.4 million revenue; cash outlay \$350k-\$400k
Questions To Solve	<ul style="list-style-type: none"> • What are the aggregation needs among producers in the St. Louis Area? • What partner or other facilities are available? Lease or need to build new? • Who would manage facility development and operations? Would the facility be owned and operated by producers?

Project Concept 2: Delivery On Demand for Producers

What Is It?	<p>With fresh foods and perishables, a highly efficient delivery system is a must. Producers have repeatedly told us it is not cost effective to personally deliver small orders to their customers – they would rather spend their time farming. Potential large buyers state that small producers do not meet their delivery standards (types of trucks, delivery windows, refrigeration, etc.). A Delivery On Demand project would make the process easy for both parties.</p> <p>Deliveries could be scheduled regularly or as needed (with notice), and could potentially include transportation of surplus food. Deliveries would be from designated counties in the St. Louis area to the city or near-in suburbs. Vehicles would be driven by contracted commercial drivers with their own (or the organization's) trucks.</p>
Inspiration	<ul style="list-style-type: none"> • Uber, Lyft, GoShare (“the Uber for moving”) • 1-800-GOTJUNK? • Nonprofit donation collection trucks • CSAs • Cultural shift toward reducing food waste, including emerging food and drink brands that utilize surplus and imperfect ingredients
Potential Partners	<ul style="list-style-type: none"> • St. Louis Foodbank, Operation Food Search • GoShare (not currently in St. Louis, but planned expansion to this area) • Food producers who own large trucks • Technology company to create delivery logistics software/app and provide ongoing technical support
Creates Urban Jobs?	<ul style="list-style-type: none"> • Potential job creation if project increases need for truck drivers in partner organizations
Estimated Cost	<ul style="list-style-type: none"> • \$TBD (project management, software development, vehicle cost, driver salaries, etc) • Farmers would pay a percentage of the delivery fee
Questions To Solve	<ul style="list-style-type: none"> • What are the delivery needs among producers in the St. Louis Area? • Who would manage the project and the drivers? • Must develop a scheduling website and/or app • How to ensure sanitary transportation of food? (The FDA's Food Safety Modernization Act specifies food transportation rules. However, this initiative may be exempt from the FSMA due to revenue under \$500K and/or transportation activities performed by a farm.) • How to make this concept work with meat and dairy? (require refrigeration)

Project Concept 3: Shared Sales and Marketing for Producers

What Is It?	<p>While some producers are born salespeople, many find sales to be a chore that takes them away from their core tasks. But without expanding their customer base, their businesses can't grow. An FSM-funded, independently contracted sales representative would help many producers scale up their operations.</p> <p>Mintel envisions a sales representative who works for network of 3-5 producers, tasked with developing relationships and securing accounts with St. Louis area restaurants, grocery stores and institutions (schools, hotels, hospitals). A monthly salary would be augmented by performance-based commission. Each producer would pay a small, but increasing, portion of the salesperson's salary and commission, with the end goal of the producer group being able to pay for the shared sales rep on their own at the end of 12 -24 months. This would free up funds to hire another FSM-subsidized salesperson for another group of producers.</p> <p>In addition, each producer in the network would have access to a specific number of marketing consultation hours. Marketing support could include website and collateral development (eg, sell sheets) for the seller/buyer network to use, as well as social media, event planning, public relations and advertising. Along with a transportation network, this would create an efficient and professional supply chain.</p>
Inspiration	<ul style="list-style-type: none"> • Producer interviews citing need for sales and marketing assistance • Double Star Farms (markets products of other farms)
Potential Partners	<ul style="list-style-type: none"> • St. Louis job training programs, such as St. Louis Agency on Training and Employment (for subsequent salespeople) • Need resource for marketing help, as it is a different skill set than food sales
Creates Urban Jobs?	<ul style="list-style-type: none"> • Potentially; first salesperson (with adequate sales experience) could train subsequent salespeople from St. Louis communities
Estimated Cost	<ul style="list-style-type: none"> • \$25,000 - \$50,000 per year per salesperson. Marketing could be a single person or could be outsourced. • Farmers would pay an increasing portion of their salesperson's salary and/or commission, as well as any costs associated with website development, advertising fees, etc.
Questions To Solve	<ul style="list-style-type: none"> • What are the sales assistance needs among producers in the St. Louis Area? • Who would hire and manage the shared salespeople and marketing consultants? • Determine appropriate salary/commission contributions from producers over time • What happens if a producer becomes unable to pay his/her share of the salesperson's salary/commission?

Project Concept 4: Contract Processor or Shared-use Commercial Kitchen

What Is It?	<p>Aspiring food entrepreneurs require processing resources to bring their value added products to market. Many lack the knowledge, space and food safety certifications to process and package their own products. A contract processor or shared-use commercial kitchen would help local food entrepreneurs launch and scale their businesses and help producers create added value.</p> <p>A contract processor is the preferred option, as it would meet the needs of most local food entrepreneurs and buyers. The setup includes professional kitchen staff to produce food products for clients. It could include co-packing (involving assembly and packaging) or co-manufacturing (additionally involving food processing). The system would handle producers with their own certified recipes, and would also allow handling of both commercial-grade produce and excess or number 2 / commercial-grade produce to be processed and sold to wholesalers or foodservice companies.</p> <p>As an alternative, a shared-use commercial kitchen could be a first step. FSM could invest in the creation of a new shared-use commercial kitchen or subsidize kitchen rental for low income entrepreneurs. A drawback for buyers is difficulty in certifying production of all operators using the kitchens.</p> <p>Both options could work with entrepreneurs to leverage the abundance of surplus food that would otherwise be wasted.</p>
Inspiration	<ul style="list-style-type: none">• BEGIN New Venture Center and Commercial Kitchen• Food Church (pop up cafes and value-added products)• Mr. B's Salsa• Cultural shift toward reducing food waste, including emerging food and drink brands that utilize surplus and imperfect ingredients• Organic Valley Coop (Wisconsin)
Potential Partners	<ul style="list-style-type: none">• Intersect Arts Center (reopened in February 2018 with a commercial kitchen)• The Creative Cookery (shared use kitchen for rent)• Justine PETERSEN (for small business financing)• Food Distributors or Food Brokers
Creates Urban Jobs?	<ul style="list-style-type: none">• A new urban commercial kitchen could employ community members in addition to boosting sales for urban entrepreneurs
Estimated Cost	<ul style="list-style-type: none">• \$TBD
Questions To Solve	<ul style="list-style-type: none">• Is there enough demand for local value added foods to support this project? Focus on processing highly perishable produce?

Project Concept 5: Business Training for Producers and Entrepreneurs

What Is It?	<p>“I had to learn the hard way” was a recurrent story in our interviews with local food entrepreneurs – farmers and value added product creators alike. Practical food entrepreneurship training is difficult to access, and FSM could partner with a number of organizations to provide training in the following areas:</p> <ul style="list-style-type: none"> • General business education - Accounting, branding, sales, marketing, etc. • Agricultural business - Sustainable production, season extension, GAP certification, etc. • Food entrepreneurship - Product development, food safety, retail sales, financing, logistics, etc. <p>Our view is that GAP certification for producers could be most important, and likely requires mentorship through the process.</p>
Inspiration	<ul style="list-style-type: none"> • Food entrepreneur interviews; North City Food Hub / Dr. Mattfeldt-Beman • Service Core of Retired Executives (SCORE)
Potential Partners	<ul style="list-style-type: none"> • SLU Center for Entrepreneurship • St. Louis Small Business Empowerment Center • SCORE • University of Missouri Extension Commercial Agriculture Program • North City Food Hub (could train the trainers and host events) • Fresh Farm HQ (Kansas City; could provide consultation) • K-State Extension Food Safety Program, Greener Fields Together (GAP certification training and mentorship) • Good Natured Family Farms (Kansas City)
Creates Urban Jobs?	<ul style="list-style-type: none"> • No
Estimated Cost	<ul style="list-style-type: none"> • Can scale to any amount; expect that partners will already have a good idea about cost • Participants would pay nominal class fees
Questions To Solve	<ul style="list-style-type: none"> • What training is needed for local food entrepreneurs? How does that differ between producers and creators of value added products? • Who would develop and manage the program? • Who would teach the classes? • Where would classes be held? How to make classes accessible for participants across the region?

REPORT FROM INTERVIEWS WITH LARGE GROCERIES AND DISTRIBUTORS



About our research

- **Why large grocers and distributors ?**

- Large grocers and distributors are central nodes in the food supply chain with overarching insights into categories, producers, consumer preferences, and operator trends. As a result, both groups are an effective way of gauging local food penetration and overall market direction.

- **Interviewee profiles:**

- Distributors: Foodservice, produce, convenience store, and grocery distributors.
- Large grocers: Supermarket chains with large-scale, conventional supermarket layouts.
- Titles: Category management, procurement, marketing, and general management professionals.

- **Sample size:**

- A total of 15 interviews reflecting insights from 17 business operations.
 - Some organizations operate under multiple grocery brands or have both wholesale and retail grocery operations.
 - Some interviewees recently switched organizations and were able to speak to experiences at multiple organizations.
- St. Louis and non-St. Louis based organizations were interviewed to obtain diversity of perspective and comparison points between St. Louis and other metro areas.

KEY THEMES & IMPLICATIONS

Key themes

Implications

01. Distributors and grocers do not have a consistent definition of local.

- Local may be defined based on criteria spanning distance (in miles) from a product's place of origin to state-wide boundaries and/or other considerations.
- Grocers and distributors often struggle with defining local food strategies due to a lack of clarity.

02. Distributors and grocers typically view local as a small, but growing category.

- Demand for local food in St. Louis is cited as lagging behind the rest of the US, but are cautiously optimistic about the future.
- Distributors report an average of 2.5% sales share being derived from local producers while grocers report an average of 4.1%.*
- Grocers and distributors report that past compound annual growth in local has hovered around 10% and many believe this trend will continue.*

03. Category shares vary widely across grocers and distributors.

- Depending on the distributor or grocer's orientation, leading local categories vary widely.
- In most cases, produce is the category leader for local food. However, produce purchases are subject to seasonal variation.

04. Certifications, capacity, and access to financing are top challenges.

- Local producers are often small and find it challenging to meet the requirements of grocers and distributors.

05. Outsourcing and intermediaries are central to local producers' go-to-market strategies.

- Local producers are typified by small scale production and limited resources.
- Usage of brokers, co-packers, and/or redistributors is common.

*Aggregate figures across responses from St. Louis and non-St. Louis respondents.

KEY THEME #1

Large distributors and grocers do not have a definitive definition of local

There is no consistent definition of local

- “There isn’t one definition of local. The category is whatever someone want’s to call it.”
- –Grocer
- “Local is a buzz word, but nobody knows what it actually means. Sometimes it’s whatever the customer considers to be local”
- –Broadline foodservice distributor
- Across all interviews, not one distributor or grocer cited a definitive definition of local.
- In some cases, “local” remains undefined, with grocers and distributors highlighting products as local on a case-by-case basis.
- In some cases, the customer may consider a product to be local when the distributor or grocer does not consider it to be local and vice versa.

Attempting to define local: common criteria

While there is not one definition used for local, there is a number of commonly used criteria. Multiple criteria may be simultaneously used across various products. The table below highlights reported criteria.

Criterion	Frequency of mention*	Insights + Viewpoints
Distance from origin (miles)	● ● ● ● ●	<ul style="list-style-type: none">The most commonly cited distance for defining local is 150 miles, but cited distances range from 25 to 300 miles."Generally speaking local is about 150 miles. However, that's not definitive and the definition could be state-wide or even regional in some cases." –Grocer
Producer type and size	● ● ● ●	<ul style="list-style-type: none">In some cases, a producer may not be considered to be local if it makes mass-produced products."Just because you might be located near a Tyson facility doesn't mean that you consider Tyson to be a local brand." – Foodservice distributor
State boundaries	● ● ● ●	<ul style="list-style-type: none">"State boundaries are a nice clean way to define local. Although, that gets tricky depending on what state you're talking about." –Foodservice distributor
Region	● ● ●	<ul style="list-style-type: none">It's not common, but you could say something made in the Midwest could be local. Granted that something could be 300 miles away." –Grocer
Metro area	● ●	<ul style="list-style-type: none">"We have some St. Louis-based companies we work with. That's definitely encompassed within local, but getting down to the metro area as a definition is pretty specific." –Grocer

*Where ●●●● = very frequent and ● = very infrequent.

Inconsistent definitions reportedly create challenges across product marketing and procurement

“I get frustrated when people talk about local. There’s no definition for local.”

–Grocer

“It’s challenging to launch a local program when there’s no definition. Something could be local and be out of state. Or it could be in-state, but nowhere near us.”

–Produce distributor

“If you are based near a Gatorade bottling plant does that make it local? I guess it depends on who you ask.” –

Grocer

- Distributors and grocers find it difficult to market local foods without a distinct definition of what constitutes local. Even when a product is considered local by some, it may not be considered local by others.
- Local definitions are further complicated by the sustainable and small-scale connotation of local foods. In some cases, national brands are based locally and it is unclear whether or not they can be labelled as local.

KEY THEME #2

Large distributors and grocers typically view local as a small, but growing category

Local is perceived as a niche category across both distributors and grocers

“There’s a lot of buzz about local foods, but in terms of volume it’s still a small category.”

—Broadline foodservice distributor

“Local fluctuates based on the season. It’s probably less than 1% of our revenue during the winter since not much grows around here during the cold months.”

—Grocer

- Most distributors and grocers report that local foods comprise a small minority of overall sales.
- Percent revenue derived from local may shift based on season, especially for distributors or grocers where local produce is a focus.

St. Louis reportedly lags behind other metro areas in terms of local food demand

“I think customers in St. Louis are still a bit more traditional than what you may be seeing in other parts of the US.”—Grocer

“Most of what I see in Saint Louis tends to center around the staples. Gooey butter cake and toasted ravioli are the main movers. Even though these are technically made around St. Louis, to me local has more of a small-scale or artisanal element to it.”

—Broadline foodservice distributor

- Compared to what distributors and retailers see across the US, St. Louis is regarded as being slow to adopt local food trends.
- **Grocers and distributors cite a developed community of processors that cater to St. Louis-style foods across desserts, barbeque, and toasted ravioli. However, some do not consider these products to be “local” as many are not artisanal in nature.**

Demand for local is cited as being concentrated within upscale concepts and neighborhoods

“We operate 3 different concepts and two different brands. We own a budget retailer, conventional supermarkets, and a series of high-end markets. Local doesn’t mean anything for our budget location because shoppers at that store are only looking at price. Local means more to the upscale crowd than lower-income or budget shoppers.” –Grocer

**“I could see local being a good play with something like Schnuck’s Culinaria, but a lot of St. Louis doesn’t align with that type of offering.”
–Grocer**

- Local reportedly resonates with St. Louis’ upscale consumers as opposed to lower-income and budget-conscious customers.
- **Most interviewees believe that beyond select neighborhoods, much of St. Louis is dominated by budget grocers that may not put substantial emphasis on local foods.**

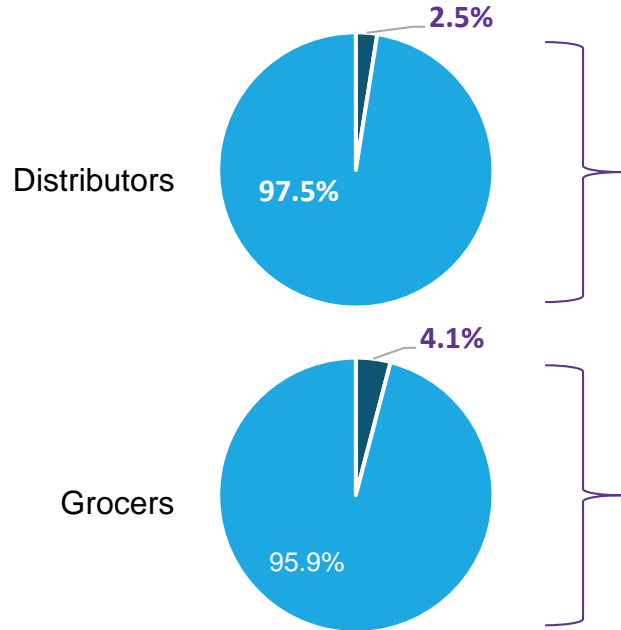
Leading St. Louis grocery chains may be shifting focus towards local, niche, and artisan products

“Schnuck’s and Dierberg’s are the big guys in St. Louis for grocers, especially conventional grocers. I’ve seen some interesting things emerging with them. Schnuck’s in particular has done some interesting things with their Culinaria concept. I could see local foods being important there. After those two the market kind of dissolves into budget grocers and smaller players.”—
Grocer

- **Schnuck’s and Dierberg’s are viewed as the major players in St. Louis for conventional grocers. After these two retailers, the market reportedly disperses across small-scale, budget, and up-scale grocers.**
- Schnuck’s has reportedly been branching into an upscale offering that features local foods via its Culinaria concept.

Overall breakdown: Reported local versus non-local food share

Average cited shares for local versus non-local food and beverage sales.*



- Range: 1.0-7.5% local.
- Produce distributors may place more emphasis on local foods.
- Category shares vary widely based on company strategy.

- Range: 1.0-10.0% local.
- Upscale stores and locations in affluent areas focus more on local foods than budget grocers.
- Category shares vary widely based on company strategy.

*Aggregate figures across responses from St. Louis and non-St. Louis respondents.

DESPITE ITS SMALL SIZE, LOCAL IS DESCRIBED AS A GROWING CATEGORY

Channel	Average cited CAGR*, past 3 years	Average cited CAGR, next 3 years	Details and Perspectives
DISTRIBUTORS	+10.4%	+9.7%	<div> <div>→ Details</div> <ul style="list-style-type: none"> Range (past 3 years): 2.5-23.8% Range (next 3 years): 2.5-22.5% <div>→ Perspectives:</div> <ul style="list-style-type: none"> "The local category is definitely growing, but you need to remember that this is off a small base-size." –Foodservice distributor "Our market hasn't seen much growth in local in the past, but it's picking up. You're starting to see some convenience stores that are carrying local sodas and snacks." –C-store distributor </div>
Grocers	+9.4%	+9.6%	<div> <div>→ Details</div> <ul style="list-style-type: none"> Range (past 3 years): 6.0-20.0% Range (next 3 years): 3.0-20.0% <div>→ Perspectives:</div> <ul style="list-style-type: none"> "Local is definitely growing, but the category is small, so it's not making a big impact on our operations." "There's definitely been growth in local. But will this be a shiny object that will fade? We'll see." </div>

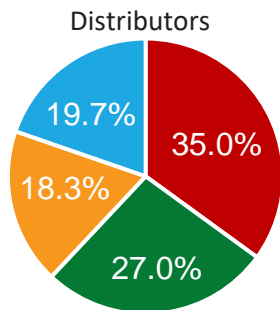
*CAGR: Compound annual growth rate

KEY THEME #3

Category shares vary widely across large grocers and distributors

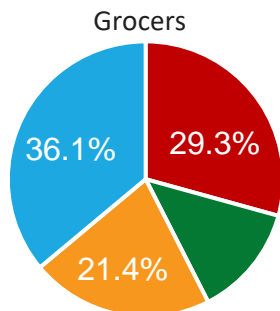
A breakdown of responses: category shares

Below is a breakdown of average cited category shares in aggregate (averaged across those responding to applicable category share questions).*



■ Produce
■ Proteins
■ Dairy
■ Other

- “Produce is the main category and I think that’s what people think of first when they think of local produce. With that said, we can’t get local produce year round in St. Louis, so this figure fluctuates.”
–Broadline foodservice distributor
- “St. Louis is a big pork producing area, so there’s a lot of locally supplied proteins for us.” – Broadline foodservice distributor



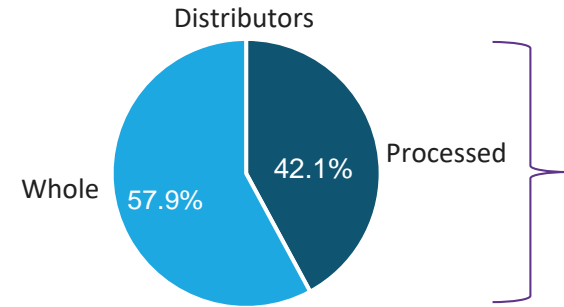
■ Produce
■ Proteins
■ Dairy
■ Other

- “Produce is a leader for us in the local category, but grocery is actually the bigger mover for us. We’ve also been marketing local St. Louis products in center store like barbeque sauces and jams.”
- “Sauces and products like salsa are growing areas for local. Things like produce and dairy are big, but local manufacturing is something that I think could be a growing area in the future..”

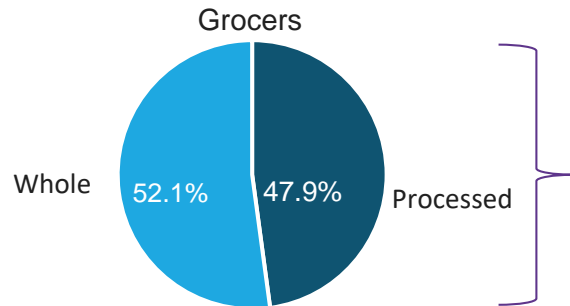
*Aggregate figures across responses from St. Louis and non-St. Louis respondents.

A breakdown of responses: whole foods versus processed foods

Average cited shares for local whole food versus local processed food and beverage sales*



“Produce is obviously a big mover with local. Proteins are also big because there is local supply. When it comes to dairy, fluid milk is heavy and expensive to transport, so it just makes sense that whole foods make up the bulk of the local category. **The main processed food that we would like to see more of is artisanal local cheeses.** That’s growing, but it’s still an emerging area in St. Louis.” –Broadline foodservice distributor



“Whole foods like produce and dairy are obviously important. However, we’re also trying to promote local sauces and packaged products. But when you think about square footage and volume, center store is also big and that’s mostly packaged products. We’ve been trying to feature more local sauces and jams in this area.”

*Aggregate figures across responses from St. Louis and non-St. Louis respondents.

LOCAL CHEESES ARE A NATIONAL TREND AND MANY BELIEVE THIS WILL EVENTUALLY EXTEND INTO ST. LOUIS

“Local cheeses are probably the most exciting thing right now. It’s an emerging area, but I think it’s going to be big.”—Broadline foodservice distributor

“I travel the US going to food conferences and local cheeses are where I see the most action. I’m not sure if it’s hit St. Louis yet, but give it time.”

—Broadline foodservice distributor

“We sell a lot of Missouri wine and I think cheese is similar. Right now, wine isn’t very high-end, but I’d like to see that change. Most people think of Provel around here, but hopefully we’ll catch up with the artisanal products.” —Grocer

- Like other categories, the St. Louis local cheese market appears to lag behind other major metropolitan areas in terms of diversity and sophistication.
- Many would like to see more variety across local cheeses and believe local cheeses will eventually emerge as a local St. Louis trend.

KEY THEME #4

Certifications, capacity, and access to financing are top challenges

The local scene is like the “wild west”

“There’s a lot of challenges with local. It’s like the wild west, there are no standards or rules.”—Foodservice distributor

“When I tell you that you could have a supplier show up on your back door step with a pick up truck and two goats I’m not kidding.”
—Grocer

- The local food ecosystem is described as lacking standards and specific procedures.
- **Local producers vary widely regarding their expertise, food safety protocols, and financial resources.**
- **The unstructured environment of the local food ecosystem often puts it at odds with the strict procedures of grocers and distributors.**

Partnering with local food suppliers: top challenges

The table below highlights various factors used when distributors and grocers decide to designate a product as local:

Challenge	Frequency of mention	Insights + Viewpoints
Food Safety	●●●●●	<ul style="list-style-type: none">“95% of the small producers that call on us get screened out on food safety alone.” –Specialty foods distributor
Demand	●●●●●	<ul style="list-style-type: none">“I have guys calling me all the time. What they don't realize is that there's a million other producers that want space on a shelf. If I put their product in, will anybody notice? Is it going to sell?” –Grocer
General know-how	●●●●	<ul style="list-style-type: none">“I had one vendor that sold us cheese curds. It was a great product, but we were getting it without UPC codes. They just labelled plastic bags with a permanent marker.” –Broadline foodservice distributor
Capacity	●●●●	<ul style="list-style-type: none">“If a product takes off they need to be able to supply us with the product. A lot of small guys don't know what they're getting themselves into.” –Grocer
Marketing spend	●●	<ul style="list-style-type: none">“The little guys have trouble competing because they don't have money to promote their products. Getting us to carry the product is just one piece of the equation. I try to give local producers breaks on marketing programs to get them started up.” –Grocer

*Where ●●●●● = very frequent and ● = very infrequent.

Spotlight on food safety certifications

“You would be surprised at what we encounter across the local landscape. Food safety is a big issue. Local producers sometimes don’t grasp what you need in terms of food safety. I had one guy try to sell me salsa and he was making it in his bathtub.”

—Grocer

“I’ve been shocked a few times. It may be hard to believe, but I’ve had to turn people down because they were making food in their garage.”

—Grocer

- Food safety is arguably the biggest challenge when dealing with local suppliers. The reason for this is a mixture of local producers’ lack of awareness and financial constraints.
- Lack of awareness leads many local producers to disregard or underestimate the importance of food safety.
- **Third party certifications and audits can be a substantial burden on local producers.**
 - **Safe Quality Food Institute (SQF) is the most commonly cited certification.**

KEY THEME #5

Outsourcing and intermediaries central to local producers' go-to-market strategies

A lack of resources causes many local producers to work with third parties when pushing their products to market

“I don’t know how any of these guys would sell their products without brokers. They can’t afford to build sales teams.”

–Grocer

“Redistribution is the main way that we get local products. Most local producers don’t direct ship to us.”

–Broadline foodservice distributor

- Many small-scale producers do not have sufficient budget to engage in large-scale sales and marketing efforts. Brokers are often an important part of how products are sold into distribution and retail channels.
- While some large-scale local producers may be able to independently ship products to grocers and distributors, most rely on redistributors to disseminate products across channels.

SPOTLIGHT ON REDISTRIBUTION

Below is an illustration of the typical route to market for local products

01. PRODUCTION

02. CONSOLIDATION

03. SOLD INTO RETAIL OR FOODSERVICE



*Produce is often redistributed by produce distributors (to larger distributors like Sysco), while other goods go are bundled by redistributors like DOT and KeHe and then sent to larger distributors like Sysco.

Spotlight on redistribution (cont'd)

Why redistribution?

Many distributors and retailers prefer redistribution for local producers. The table below lists reasons and frequency of mention.

Reason	Frequency of mention	Insights + Viewpoints
Case minimums	● ● ● ● ●	<ul style="list-style-type: none">“Our revenue as a company is in the hundreds of millions. We’re set up to receive large, bulk direct shipments. If we need niche products, it’s better to get them all on one truck from a redistributor.” –Broadline foodservice distributor
Vendor limitations	● ● ● ● ●	<ul style="list-style-type: none">“A lot of guys just don’t have their own trucks. I’ve seen people drop stuff off in an Uber. If they can’t get to us easily it is sometimes better to have local guys go through redistribution.” –Grocer
Loading dock congestion	● ● ● ●	<ul style="list-style-type: none">“When you have a bunch of little guys dropping stuff off you get congestion across loading docks. I’d prefer ton have smaller producers go through redistribution.” –Grocer
Access to product	● ● ●	<ul style="list-style-type: none">“It’s hard for us to be out there looking for niche producers. Sometimes leveraging our relationship with a produce distributor is the best way to learn about new local producers.” –Broadline foodservice distributor

*Where ●●●●● = very frequent and ● = very infrequent.

Report from interviews with:

Entrepreneurs & activists (13)

Small restaurants (7)

Small groceries (3)

Institutions (2)

Producers (2)



INTERVIEW HIGHLIGHTS – 1

Whole and processed foods made or bought

Most common is fruit and veg, but narrow range of fruit

Big opportunities in all types of dairy - milk, cheese, ice cream - also possibly mushrooms, nuts (or maybe seeds), flour, herbs, spices, fish

Beef and pork seem to have good penetration but not chicken, goat, lamb or other

Sourcing of goods

8- Direct to producer

3 - Direct to aggregator/producer

3 – Distributors

2 - Farmers markets

1 - From website

Interview highlights - 2

Organization goals (entre/activists only)

- 3 - Reduce food deserts
- 2- Support individuals in need
- 2 - Develop a local food market
- 1 - Decrease food insecurity
- 1 - Economic development
- 1 - Community development
- 1 - Support food pantries

Why local?

- 12 - Purchasing local food supports the local economy
- 7 - Local food is higher quality than non-local food (focus on freshness)
- 6 - Local food is environmentally friendly
- 6 - Local food can help people with food insecurity
- 5 - Customers/clients/diners ask for it

Interview highlights - 3

Methods of communicating that food is local

- 7 - Website or social media
- 6 - Verbally discuss local provenance with customers
- 5 - Printed on packaging or menu/board
- 5 - Point of sale signage
- 1 - Brochures
- 1 - Don't communicate it

Importance of sourcing products locally

- 10 - Very important
- 0 - Important
- 1 - Neither important nor unimportant
- 4 - Somewhat important
- 1 - Not all important

Interview highlights – 4

Percentage of food purchases that are local

5 - 80%-100% (entrepreneur/activist)

1 - 75%; 4 - 30%-40%; 1 - 1% (foodservice)

1 - 60%-70%; 1 - 20%-25%; 1 - 2%-3% (grocery)

1 - 0%-5%; 1 - 0% (institutional)

2 - 100% (producers)

Obstacles encountered in attempts to source local food

5 - Local food is too expensive to justify, compared to non-local alternatives

4 - There is not enough of a needed ingredient grown or raised locally

3 - No difficulties

3 - Lack of wholesalers, retailers, or distributors selling local food

2 - Needed ingredients are not grown or raised in this area

2 - Constant challenge to educate people about the need/benefits of local

2 - Too labor intensive

1 - Quality of ingredients is unacceptable

Interview highlights - 5

Easier or harder to source/sell local food than it was five years ago

11 - Easier

0 - Harder

Kinds of local foods wish were available

Fruit! Climate can support apples, tart cherries, blackberries, raspberries, figs, husk cherries, garlic

Plums, apricots, raspberries, parsnips, potatoes (all), asparagus, gooseberries, currants

Specialty cheese, and more of the basic things (green beans, broccoli, cucumber)

More/better fish, like wild caught perch or bass

INTERVIEW HIGHLIGHTS – 6

All of the most insightful quotes received speak to the need for local supply chain leadership – help with scaling, education, logistics, and coordination

WHAT MAKES AN IDEAL LOCAL FOOD SUPPLY CHAIN

I wish that producers would go bigger and focus on doing a few things very well. I don't like farmers markets. It's a lot of work for farmers, but people don't buy much. I don't like CSAs. People want everything every week, so [growers] have to grow a bunch of different things. **Farmers should let other people sell.** Would be nice if farmers' offerings were online, but I'd have to really commit to getting people on board to automate. - Jason Asher, Connie's Green Grocer

How to move food around – when Slow Food Foundation for Biodiversity grant focused on less common crops. What if they put their \$15K towards a delivery service that lots of farmers could use. **Free up farmer's time to do farming** – could pay something towards delivery but would be less expensive. Like an Uber for moving produce around. Organic – how important. I'm also on Midwest Organic Sustainable Education Service MOSES board. They have always held the bar high. **If we are going to have a larger voice need to be certified organic.** Hard to be excited about organic certification board because just approved hydroponics. Where does non-GMO fit in? This is such a grey area. Certified Organic is automatically non GMO. But if things are non GMO certified can still have pesticides. Non GMO isn't enough but better than GMO. Have heard about funders who fund sabbaticals. Investing in leaders in general in the food movement. It's really important to develop leadership and give them a change of scenery. Rest and renewal. – Molly Rockmann, EarthDance

Interview highlights – 7

All of the most insightful quotes received speak to the need for local supply chain leadership – help with scaling, education, logistics, and coordination

WHAT MAKES AN IDEAL LOCAL FOOD SUPPLY CHAIN

Need education for food entrepreneurs. Most of the products are hot process and there is only one class in Joplin, MO, and only offered 2 times per year. So many of us need the info about how to be compliant and not expose ourselves. – Mark & Roxanne Bowers, Mr Bs Salsa

I believe there is a really good group of small, young NPOs that are run by great local activists/entrepreneurs. Already have great operations that are up and running. Would like to see us as a network get an infusion of funds. That's what will let us scale. Getting our organizations to collaborate on a big system-wide reshaping. Another missing link – getting community members to take ownership, start their own grocery stores. Getting access to capital for neighborhood residents. – Lucas Signorelli, STL MetroMarket

It would be easier if local guys used technology more. They are still pushing a pencil. It would help me if local vendor would understand the retail end of it more. Applies mostly to the processed/value added products. Farmers are pretty good at getting their stuff to market. It's the entrepreneurs (sauces, chips, sodas) who don't understand how retail works. – Joel Sprenger, Fields Foods

Interview highlights – 8

All of the most insightful quotes received speak to the need for local supply chain leadership – help with scaling, education, logistics, and coordination

WHAT MAKES AN IDEAL LOCAL FOOD SUPPLY CHAIN

Intentional **coordination between organizations is lacking**, even if they don't have shared agenda – Julia Brucks, STL Regional Health Commission

Do you start at the farm side or the demand side? Need to attack from all fronts and stick with it. Some things that we need more are commitment and stability from large entities (like WF) to keep things going. – Molly Rockamann, EarthDance

We are getting more local foods in the grocery stores so interest in CSAs is waning – Matt Schindler, Gateway Greening

Money has been the biggest challenge. We talked to 8 banks before we could get a loan for the market. Got some grant money to get started and keep us afloat. But that money will eventually run out. **Biggest two issues are cash flow and getting the right people in place to get things to the next level.** Hydroponics – will be a wave of the future. Have a bigger window of what you can do. Have been selling other farmer's hydroponic lettuce. Holds up wonderfully because roots still on it. Is it cost efficient to scale up? Don't know but looking into it. – Todd Geisert, Farm To You Market

Supporting Material



Supporting material - 1

USDA defines a food hub as “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.”

Along with providing these core operational functions, food hubs often provide training and assistance to producers in areas such as sustainable production, season extension, post-harvest handling and packing, branding, certification, and food safety—all of which can increase access to wholesale customers, such as food service and other institutional buyers. At the same time, food hubs often engage directly with their community through donations, educational programs and health-awareness campaigns.

In a series of reports on the financial viability of food hubs, the USDA details the finances of a “typical wholesale food hub”, stating that the breakeven annual sales level is around \$1.2 million, and long-term sustainability can be reached near \$2.4 million. The example is built on the assumption of 6.3 FTEs, a 70/30 split of sales with producers, rental of a 6,500 sqft warehouse, purchase of two used 20ft trucks, forklift rental, and a product mix of 70% Produce, 10% Dairy, and 20% Other. Cash outlay would be \$350,000-\$400,000. Source: USDA Assessing Financial Viability of FoodHubs Vol3 - Mar 2016

Of course, the recommendations in this report would use a wholesale food hub as a starting point, adding transportation both in and out of the hub; education for producers and entrepreneurs; outreach / coordination with all points in the StL local food movement; a commercial kitchen / contract processing site; marketing support for local products at groceries, restaurants, and institutions; and a food waste recovery program.

Supporting material - 2

Types of Services Offered by a Food Hub

PRODUCER SERVICES	OPERATIONAL SERVICES	COMMUNITY SERVICES
• Actively linking producers to markets	• Aggregation	• “Buy Local” campaigns
• On-farm pickup	• Distribution	• Distributing to “food deserts”
• Production and post-harvest handling training	• Brokering	• Food bank donations
• Business management services and guidance	• Branding and market development	• Health screenings and cooking demonstrations
• Value-added product development	• Packaging and repacking	• Food stamp redemptions
• Food safety training	• Light processing (trimming, cutting and freezing)	• Educational programs
• Liability insurance	• Product storage	• Youth and community employment opportunities

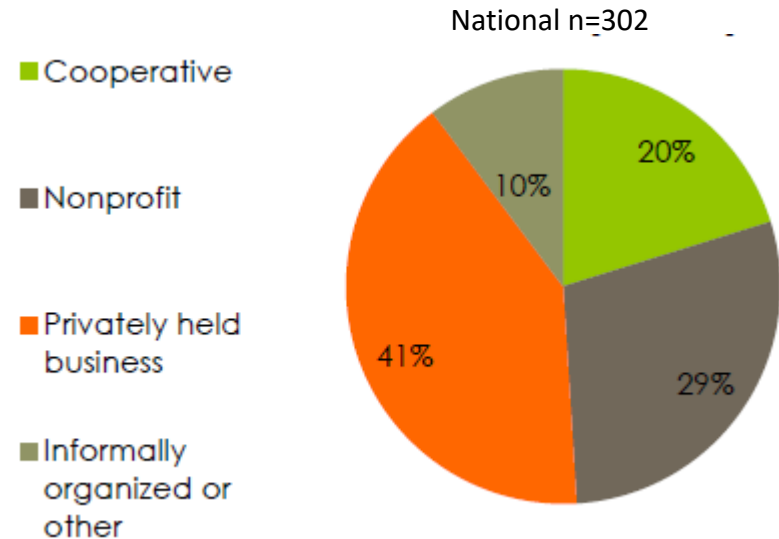
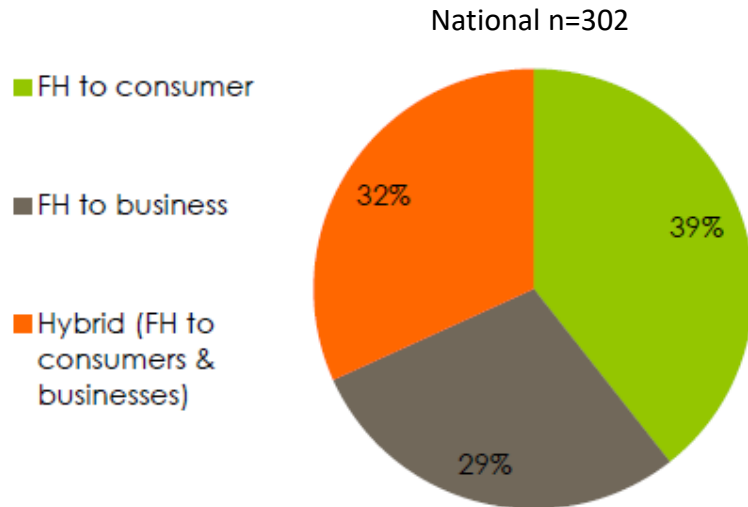
As a follow-up to the 2012 Census of Agriculture, the National Agriculture Statistics Service completed in 2016 the first ever Local Food Marketing Practices survey. It found that in 2015 more than 167,000 farmers and ranchers sold over \$8.7 billion of local foods directly to consumers, retailers, institutions and local food intermediaries that market and sell locally branded foods, such as food hubs, distributors and wholesalers. Of this total, \$3.4 billion, or 39 percent of all local foods, were sold to institutions and other local food intermediaries.

Source: Institutions: An Emerging Market for Local and Regional Foods, p191

(Note: USDA has other estimates for the size of local food sales, another being \$12 billion in 2014)

Food Hub Facts

Findings of the 2013 National Food Hub Survey showed that the most successful food hubs are for profit and cooperative in structure. Cooperatives tended to be the lowest cost businesses to operate (Fischer, et al., 2013). Cooperatives are well known business structures that farmers voluntarily join, are democratically controlled, with members providing the operation and investment capital as needed. One of the challenges of food hubs is to access capital to establish and grow the business.



Supporting material - 3

Our philanthropy is focused on identifying the highest impact opportunities to drive system-wide change with our capital. Supporting regional food systems is a component of our strategy, but we've narrowed our priorities as follows:

- shift large demand toward environmentally healthy food produced in a just and resilient manner (proven demand to encourage producers);
- demonstrate the environmental and economic benefits of sustainable animal agriculture;
- remove obstacles to processing and distribution (aligned infrastructure);
- increase access to healthy and affordable food for underserved communities (equitable development)

Source: Investing in Innovation: Philanthropic Support of the Local Food Movement; Julia Sze; Managing Director, Impact Investing; Arabella Advisors P212-213

According to Feeding America, the country's largest food bank system, more than one in five of Missouri's children (21.6 percent) live in food insecure households (Feeding America, 2013). This amounts to more than 350,000 hungry children in Missouri (Feeding America, 2013).

In Missouri, approximately 1.04 million people were eligible for SNAP (more commonly known as food stamps) in 2012, with approximately 89% of those participating in the program (Cunyngham, 2015). More than 255,000 Missourians were eligible for WIC benefits in 2011, but only approximately 57% of those participated (USDA, 2014).

Supporting material - 4

Within the 100-mile radius of St. Louis, more than four million people live in 59 counties across two states

According to the USDA's Economic Research Service, the St. Louis Regional Foodshed and its four million plus residents spent about \$17.2 billion on food in 2011.

In 2007, 1,198 operations in the Saint Louis Regional Foodshed harvested vegetables.

Though most of the region's cattle are finished at feedlots outside the region, the Saint Louis Regional Foodshed is home to four American Grassfed Association (AGA) certified farms that offer an alternative to feedlot cattle

Source: St Louis 2014 Food Study Executive Summary (MCE)

In the United States, organic food sales increased by 8.4% in 2016, reaching \$43 billion. Organic fruits and vegetables are the largest category, accounting for almost 40% of all organic food sales, rising 8.4% to \$15.6 billion in 2016. Almost 15% of the produce Americans ate in 2016 was organic. Sales of organic meat and poultry shot up by more than 17% in 2016 to \$991 million, for the category's biggest-ever yearly gain. Continued strong growth in that category should push sales across the \$1 billion mark for the first time in 2017. Source: OTA, May 2017

KEY THEMES

Foodservice	Grocery	Entrepreneurs & Activists		Producers	Institutional
Demand for local food is rising! (6) Idea of an aggregator sounds good (7)(8)	Demand for local food is rising! (3)(4)	Positives!		Belief that growers are willing to work together! (2)	
Hurdles to increased business very familiar: high price of local; inconsistent supply; currently labor intensive to get goods and maintain many producer relationships (3)(5)(7)	Hurdles: high price of local; growth in grocery could hurt CSAs (2)(5)	Hurdle: Complexity of food insecurity issues. Answer: system must aim to fulfill basic nutritional needs for all - filling the gap won't work. This means schools and grocery first. Restaurants are important because they bring in the entire city and create a buzz around local food. (3)	Perceived bright spot: food deserts being addressed multiple ways, incl mobile markets, low-cost markets like CityGreens Market, kiosks at transport stations (5)(6) Frustration: Lack of community leadership and duplication of efforts in food insecurity and economic development (4)		Hurdles: Getting on list of approved distributors to institutions; meeting stringent safety standards (2)(3)
A system that brings producers together with restaurants, and specifically so they can showcase the producers properly, would be very valuable (2)(4)(8)		If enough volume is found (above), can also supply to distributors.	All of these can be partly or wholly answered by an aggregating system		
		Wish list: Business education/advice; help creating value added products; coordination of surplus food donations; workers who understand local food to help grow businesses; commercial kitchens (2)(3)(4)(6)	Very similar needs!	Wish list: Help marketing/selling; help creating value added products; coordination to make surplus food donation better (3)(4)(7)	

Project Goals

(from the original project proposal)



The Challenge

Arabella Advisors and The Franciscan Sisters of Mary (FSM) would like to conduct a study that researches the size and market dynamics of the local, sustainable food market in the St. Louis metropolitan area. The results of this study are expected to help Arabella/FSM continue its mission to increase collaboration within the local food, environment, poverty reduction, and health sectors, which will in turn strengthen the local food supply chain, and increase demand for local and sustainable food.

More specifically, this study aims to measure the size and especially the dynamics of the local, sustainable food market in St. Louis, including factors affecting the supply chain and institutional demand in the following ways:

- Market size the local, sustainable food industry
- Break down the types of food produced (ie, produce, meat, dairy, other)
- Estimate the proportion that is processed vs. whole foods
- Identify key factors that have driven changes in supply over the last five years
- Measure food production, processing, storage, and distribution capacity in St. Louis, where it is located, and which communities are being served and not served
- Measure the size and nature of institutional demand for local, sustainable food

The scope of this study is broad, and includes:

- Food entrepreneurs
- Farmers
- Funders and investors
- Government officials
- Groceries, foodservice, institutions
- Food processors and distributors

Process Overview Toward a Local Sustainable Food Market

Phase 1: What Is

Stakeholder interviews describe the opportunity using the voice of people at each point in the local food ecosystem - current activity, desired activity, and hurdles. Also, market size and forecast the local food market and its capacity

Phase 2: What Must Happen Next

With a detailed picture of the local, sustainable food ecosystem and forecasts with possible scenarios, Mintel and Arabella/FSM work together to assess opportunity and risk so that we can make plans (and alternate plans) to build a food system that increases food security, grows the local economy, and helps people see that local, sustainable food equals joy

Phase 3: Introduce Stakeholders / Build An Ecosystem

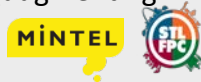
Bring the vision to reality by engaging, organizing, and funding stakeholders. Also lay the groundwork to scale initial efforts to encompass more of the people of St. Louis

Phase 1 – Stakeholder Interviews

Listen

One-on-one interviews (approx. 30 minutes) to identify each person's role, views on what has driven changes in supply over the last 5 years, what works/doesn't work, and outlook:

- Farmers' participation in, future plans for, and barriers to increased engagement in local, sustainable food (augmenting MCE work)
- Existing local food market, including farmer's markets, direct sales to retailers and restaurants (drawing heavily from MCE work)
- Rest of ecosystem – large and small grocers, schools and institutions, distributors, food banks, other advocates



Measure

Market size for local, sustainable food, with these subsets:

- Types of food currently produced (meat, dairy, fruit, veg)
- Percentage whole foods vs. processed
- Schools, restaurants, farmer's markets, direct to retailers
- Capacity of storage, processing and distribution
- Trailing 3 Years and Projected 3 Years sales
- Potential growth under various assumptions (eg, creation of 1, 2 or 3 food hubs; faster uptake among schools)

Interviews and market sizing will be conducted concurrently. Mintel and Arabella need to agree on a definition of “local, sustainable” before starting. Retail sales will be used unless otherwise noted.



Phase 1 – Stakeholder Interviews

Mintel will continue to work with Arabella/FSM to ensure the necessary mix of interviews, suggesting:

- 5-7 large grocers (eg, Schnuck's, Aldi's, Trader Joes)
- 5-7 smaller/local grocers (eg, Field's Foods, Legrand's, Food Outreach)
- 10-15 restaurants
- 5-7 food distributors
- 10-15 local government officials / schools and other institutions / existing stakeholders in the sustainable, local food ecosystem
- 50-70 farmers (Note: it appears that Phase 1 will take place during harvest time, and while not all farmers are affected the same way, it seems prudent to delay most of this work. Mintel will work with MCE to learn as much as possible. It will be necessary at some point to talk with larger or non-participating farmers that MCE has not interviewed.



Total 35-51 interviews; 85-121 with farmers

Phase 1 – Deliverables

A Picture of Opportunity, built on interviews, data, reports, and presentations:

- Identification of key individuals/groups in the local, sustainable food ecosystem and a narrative explaining each of their roles and plans/hurdles for growth
- Description and/or sizing of existing infrastructure, including capacity of storage, processing and distribution. We think it would be most efficient to refer to interactive maps that MCE has created for things like farmer's markets, food banks, etc, rather than create new ones
- Graphs and data for all market sizes
- Report of opportunities and barriers to growing the local, sustainable food system in St. Louis

Mintel will provide interim updates to Arabella/FSM throughout the process, as well as be available for live presentation and discussion of findings

Phase 2 – What Must Happen Next

Phase 2 work will flow seamlessly and immediately from Phase 1. The first phase is described as “a picture of opportunity”, but it is more precisely a series of detailed possible futures for St. Louis

The first step will be a workshop (possibly the same day or next day following the shareout from Phase 1) with Arabella/FSM and Mintel to determine whether pieces of information crucial to the decision making process are missing. If so, Mintel will gather that information, either through interviews or local meetings, as appropriate.

Farmer interviews could potentially be inserted here

In the same or a following workshop, Mintel and Arabella/FSM will examine the assumptions made in each forecast, and rank the possible futures based on a set of criteria that include such things as cost, time, risk, and positive impact to the community

Phase 2 must remain partially defined until Phase 1 is complete. It is possible that the St. Louis market needs only a nudge to immediately enact a plan that will greatly increase local, sustainable food availability. It is also possible that Phase 1 will reveal substantial hurdles that require a fallback plan, such as supporting small-scale food distribution while infrastructure or regulatory challenges are removed.

A rule of thumb is that Phase 2 will be completed in significantly less time and budget than Phase 1.

Phase 3 – Introduce Stakeholders / Build An Ecosystem

Phase 3 puts into action the decisions made in Phase 2. The core of the program will be meeting with stakeholders in whatever way is most effective to make implementation happen.

Potential engagements include small-group meetings, focus groups, workshops, establishing a website, and distributing information directly to local businesses or citizens. In this phase, everyone in the ecosystem must become aware of what is happening, at what scale, and when.

The exact needs and timing of Phase 3 can be planned during Phase 2

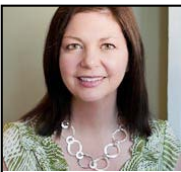
Core Team



David Lockwood, Director Consulting

David Lockwood has been a research pioneer for more than 30 years, and specializes in identifying and starting new lines of business. Before joining Mintel, Mr. Lockwood spent 20 years forecasting global fixed income markets for major financial institutions. His forecasting techniques are developed from a social psychology perspective, blending neatly into Mintel's consumer-focused business.

Mr. Lockwood founded Mintel's Consulting unit in 2008, and did likewise for Mintel's European Consulting team during 2011-16. The consultancy teams help clients build brands, put consumer trends to work, drive innovation, and develop strategy. Prior to 2008, Mr. Lockwood managed Mintel's US Syndicated Reports team.



Michele Golden, Consultant

As a Mintel Consultant, Michele provides custom research, strategy and innovation solutions to clients across a range of industries.

Michele has over 10 years of marketing, brand strategy and market research experience. In addition to her work with Mintel, she has worked as an account executive at a global advertising agency, a brand strategy consultant to startups, and a market research provider to a Fortune 500 agricultural company, which included qualitative research with farmers. She also has over a decade of experience working with nonprofit organizations, which included strategic planning, marketing and coalition building among community stakeholders.

Michele has a B.A. in Communications from UCLA and an M.S.W. from University of Illinois at Chicago.

Core Team



Aaron Gillum

Aaron has over 14 years of experience in developing growth strategies, sales and marketing, and restructuring strategies for Fortune 500 and middle market companies. He has completed engagements ranging from VoC research to market strategy and acquisition due diligence.

Aaron earned an M.B.A. from the University of Chicago Booth School and B.A. in economics and public policy from the University of Michigan, with honors.



Jonathan DeVito

Jonathan helps organizations activate groundbreaking ideas through applied anthropology. Leveraging Voice of the Customer (VoC) and ethnographic research, he specializes in translating human-centered insights into bold new products and growth strategies. His work has been featured by the Booth School of Business at the University of Chicago, the University of Massachusetts Amherst, and Forbes.

He holds a B.A. in anthropology, summa cum laude, Phi Beta Kappa, from the University of Massachusetts Amherst and is a member of EPIC (Ethnographic Praxis in Industry Conference).

Thank you!

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