

Developing Shared-use Food and Agricultural Facilities In North Carolina



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February 2007

This research was funded through a grant from the
North Carolina Rural Economic Development Center



Acknowledgements

The authors gratefully acknowledge the support of the following individuals who assisted in preparation of this report:

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Table of Contents

Executive Summary	4
Chapter One: Introduction	7
Chapter Two: National Examples of Successful Projects	13
Vermont Food Venture Center.....	14
Denver Enterprise Center.....	17
University of Idaho Food Technology Center.....	20
Comparable kitchens: Lessons Learned.....	23
Conclusion.....	27
Chapter Three: Value-Added Food Processing Centers in NC....	29
Blue Ride Food Ventures: A case study.....	29
Creative Food Ventures.....	50
Culinary Technology Program.....	60
Community Opportunity Kitchen.....	66
Other Value-added Center Projects.....	68
Chapter Four: Shared-use Community Kitchens in NC.....	73
Stecoah Valley Food Ventures.....	73
Rockingham Community Kitchen.....	87
Cape Fear Creations.....	91
Other Shared-use Community Kitchen Projects...	94
Chapter Five: Shared-use Agricultural Processing Facilities.....	97
Madison County Agricultural Complex.....	97
Carolina Harvest.....	104
Other Shared-use Agricultural Projects.....	106
Chapter Six: Survey of Developers & Regional Demographics....	109
Chapter Seven: Conclusions and Recommendations.....	123

Executive Summary

In May 2006, the North Carolina Rural Economic Development Center awarded a \$35,000 Research and Demonstration grant to the Center for Assessment & Research Alliances at Mars Hill College to conduct an analysis of the development of shared-use food and agricultural facilities in the state. This research was designed to serve as a development tool for community leaders, stewards of state resources, funding decision-makers and elected leaders to identify strategies for supporting shared-use facilities within the parameters of measured demand, community capacity and available resources.

To date, at least nine different shared-use projects have invested more than \$3.4 million into feasibility analysis, facility renovation, equipment and personnel. Most of these resources have come from state, federal and private foundation grants. Another 16 projects have been identified as being under development or under consideration for development over the past three years.

In very broad terms, researchers have identified three types of facilities for shared-use food and agricultural processing:

1. Regional value-added food processing centers, which are large and provide a wide range of advanced equipment for value-added food processing and catering. These projects have programs for technical assistance, business training and access to capital. They are recommended to be 5,000 to 10,000 square feet to provide adequate production and storage space.
2. Shared-use community kitchens, which are typically rather small and provide limited cooking and value-adding food processing lines. These projects are housed at existing community centers and typically have less than 3,000 square feet of production and storage space.
3. Shared-use agricultural processing facilities, which are designed for use by farmers for collective grading, processing and packaging of farm produce or other commodities. These projects require the same levels of institutional capacity as regional facilities.

In North Carolina, researchers identified two existing regional food processing centers: Blue Ridge Food Ventures (BRFV) in Buncombe County and Creative Food Ventures (CFV) in Ashe County. Together these projects have invested more than \$2 million in resources since 2002. Over a nearly two-year period, BRFV has hosted 51 businesses, supporting the creation of 20 full-time and 63 part-time jobs. The value of products made and sold directly by the manufacturers at BRFV is estimated at \$660,917, with almost half of that amount produced in the second half of 2006. Client use fees generated for the project's operations have totaled \$100,604. The Ashe County project opened in January 2007 and does not yet have any measurable economic impact.

Regional processing facilities under consideration for development are found in Carteret, Harnett, Northampton and the western Research Triangle area. Only the latter two can be considered active projects at this time. Another project, in Cabarrus County, is now defunct.

Researchers identified two existing shared-use community kitchens: Stecoah Valley Food Ventures in Graham County and Rockingham Community Kitchen in Rockingham County. The Graham County project opened for business in September 2005. In the last six months of 2006, this project hosted eight individuals or businesses making food products for a total of 273 hours of use. The estimated product output value during this period was just over \$10,000. The

Developing Shared-use Food and Agricultural Facilities in North Carolina

Rockingham County project opened for business in September 2006 and has since had eight clients using the kitchen.

Community kitchen projects under active development can be found in Pender, Bladen and Columbus counties. Other projects under consideration for development are located in Hyde, Iredell and Stokes counties.

Researchers identified one existing project that meets the definition of a shared-use agricultural processing facility: the Madison County Multi-Purpose Agricultural Complex in Marshall in Madison County. This project hosts a consortium of approximately 25 farmers who are collectively processing and selling their production to area colleges and schools. Estimated value of production from August to December of 2006 was \$40,000.

Other shared-use agricultural processing facilities are under consideration in Franklin, Duplin, McDowell, Robeson and Wilkes counties. In addition, a feasibility study is now being conducted for shared-use processing by a food bank in eastern North Carolina.

Some key findings from this research include the following:

Successful regional food processing centers have the potential for significant economic impact. These projects serve as incubators for food entrepreneurship and can be a catalyst for job creation and income generation. These projects require the very highest levels of multi-organizational collaboration and institutional capacity to succeed and are most successful when located near large population centers that provide both markets for products and a large pool of aspiring food entrepreneurs. These projects require full-time staff and programs that provide clients with technical assistance, business development and access to capital. Significant economic impact for farmers can best be achieved with innovative targeted programs within these projects.

Community kitchens have very limited economic impact. Their value lies in a combination of economic *and* community development. They are successful as components of community centers and do not succeed as standalone projects. A cost-benefit analysis should be carefully considered when judging these projects for funding.

Shared-use agricultural facilities will be the next wave of the shared-use concept. Projects on the horizon include meat and poultry processing for independent growers and collaborative efforts with food banks to address food security.

Chapter One: Introduction

In May 2006, the North Carolina Rural Economic Development Center (Rural Center) awarded a research grant to the Center for Assessment and Research Alliances (CARA) at Mars Hill College for the purpose of conducting an analysis of the development of shared-use food and agricultural facilities in the state. This research was designed to serve as a development tool for community leaders, stewards of state resources, funding decision-makers and elected leaders to identify strategies for supporting shared-use facilities within the parameters of measured demand, community capacity and available resources.

In recent years, substantial interest has been generated in establishing shared-use food and agricultural facilities among state and local leaders in North Carolina. To date, at least nine different shared-use projects have invested more than \$3.4 million into facilities, equipment and personnel. Most of these resources have come from state, federal and private-foundation grants.

In February 2005, the Rural Center approved four Economic Innovation Grants totaling \$294,000 to organizations in Ashe, Carteret, Graham and Madison counties in support of developing shared-use facilities. This analysis was designed to pay particular attention to those projects, both in terms of their individual development and prospects for success and as sources of information for evaluating the efficacy of developing future projects.

Statewide interest in shared-use food processing largely stems from the development of Blue Ridge Food Ventures (BRFV), an approximately 12,000-square-foot facility located at the Enka Campus of Asheville-Buncombe Technical Community College. Opened in February 2005, BRFV provides training, education and technical support for farmers and food entrepreneurs accessing an FDA-approved food processing center with a wide range of equipment for sanitary commercial food production. This report offers a case study of that project's development over a nearly five-year period.

Since 2003, local governments and nonprofits from more than 16 counties have contacted BRFV staff about developing shared-use projects in their communities. Numerous requests for project support have been received by such funding agencies as the Rural Center, the North Carolina Golden LEAF Foundation and the Z. Smith Reynolds Foundation. Smaller facilities have already been established in Graham, Madison and Rockingham counties, with a comparably large facility opening in January 2007 in Ashe County.

While the groundswell of interest in shared-use facilities is encouraging, we see the potential for several problems with efforts at widespread replication across the state. Key issues of concern are as follows:

- Successful projects of this nature often require a substantial amount of capital resources, institutional capacity and community involvement. Despite the best of intentions, not all organizations who want to establish these projects will have the means to succeed.
- State, federal and private foundation resources are limited, and demand for support from a large number of projects at the same time could dilute available funding for any one project and threaten the potential of success for the most promising projects.
- A body of existing research shows that each successful project must be tailored to meet the specific needs of the community in which it's located and to serve the most viable

entrepreneurial sectors within that community. There is no “cookie-cutter” solution to assist replication of projects.

Finally, single-community feasibility studies cost approximately \$30,000. Researchers hope that the review of best practices, lessons learned, potentially viable locations and lead agencies for these facilities can substantially reduce the cost of feasibility analyses for any one project, without compromising crucial pre-development planning.

Researchers executed two primary sets of research for this study to contribute to rational future development of shared-use facilities, as follows:

1. A review of existing shared-use facility projects in the state and of exemplary projects from elsewhere in the nation. One goal of this research is to identify best practices and common characteristics that contribute to these projects’ levels of success. This research looks at each project individually, with an analysis of:
 - Pre-development preparedness
 - Cost of project, sources of funds and fundraising strategies
 - Legal structure of the organization and multi-organizational support
 - Lead agency institutional capacity
 - Management policies and personnel
 - Demographic characteristics of the communities being served

We report on each project’s economic impact in terms of jobs created, incomes increased, farm-gate impact, finished product gross value, and institutional, community and consumer support. Analysis of each project’s long-term viability focuses on post-development costs of operation, anticipated use fees and other income streams necessary to achieve self-sufficiency. Analysis identifies support programs affiliated with each project that serve to increase client success and increase the professionalism of their businesses. Interviews with lead fiscal agents, funders, management personnel and producer clients informed us of each project’s level of success and prospects for long-term viability. Aggregate findings identify common characteristics of lead agencies and project implementation strategies that may contribute to the success of existing and future projects.

2. A survey of community and regional development agencies throughout the state, coupled with analysis of secondary economic and demographic data. Researchers executed a mailed survey targeting regional and county economic developers, Small Business Center Network directors, county Cooperative Extension directors and nonprofits engaged in community and economic development in every county in the state. Through survey results and comparisons with secondary data, researchers have attempted to identify North Carolina counties and regions most conducive to future projects in terms of geographic suitability, industry sector and institutional capacity. Survey analysis is designed to indicate:
 - Locations showing the most promise for development of shared-use food and agricultural facilities
 - Appropriate lead agencies and partnering organizations
 - Anticipated economic impacts of recommended projects

This report attempts to inform policymakers of where the best opportunities lie for successful projects in terms of geographic suitability, industry sector, and institutional capacity.

Defining shared-use food and agricultural facilities

The concept of government and nonprofit organizations providing physical infrastructure to enable individuals and organizations to manufacture food and agricultural products is not new. As early as 1918, the concept of community canneries was well-established. According to one source, as part of the war effort there were 132 community canneries in operation at that time.¹

During the Great Depression, the North Carolina Emergency Relief Administration (ERA) supported a wide range of projects to ensure food security for the poor, including community canneries, abattoirs, community gardens and various other means of processing agricultural produce.² The ERA's 1936 publication *Emergency Relief in North Carolina* documents that the state had 579 canning centers and 971 other food preservation centers during the Depression. The ERA also established 31 canning demonstration centers. Typical of many centers was one in Gaston County:

The aim of the program was to have every relief family in the entire county can for winter use as many quarts of food as possible and as nearly as possible meet the standards of fruit and vegetable canning as set up by the State College Extension Department. The purpose of the project was therefore twofold: First, to teach families to save for their own use surplus food produced in the gardens or secured in other ways; and secondly, to can as many quarts of food as possible.

The state also began at that time a massive program to develop meat processing and canning:

Modern abattoirs were constructed at Hamlet and New Bern. Also repairs were made at existing abattoirs in Raleigh, Greensboro, and Wilson. At the same time, construction was rushed on canning plants at Wilson, Raleigh, New Bern, Asheville, Waynesville, Greensboro, Rockingham, and Troy. The modern equipment and size of these plants can be illustrated by the fact that at the plant in Greensboro the normal production per day was 15,000 one-pound cans. The equipment installed in the canneries was purchased on specifications which would enable same to be utilized in the general relief vegetable and fruit canneries. After completion of the meat canning, practically all equipment was put to use in the Emergency Relief canning program in the summer of 1935.³

According to several people at the North Carolina Cooperative Extension Service, community-owned canneries were not uncommon as late as the early 1970s. Virginia Tech lists 13

¹ Henderson, Archibald. 1920 North Carolina Women in the World War. Documenting the American South, University Library, University of North Carolina at Chapel Hill

² North Carolina Emergency Relief Administration. 1936. Emergency Relief in North Carolina. Documenting the American South. University Library, University of North Carolina at Chapel Hill

³ Ibid.

Developing Shared-use Food and Agricultural Facilities in North Carolina

community canneries still active in that state.⁴ In North Carolina, though, the sole surviving community cannery identified by researchers exists on the Qualla Boundary of the Eastern Band of Cherokee Indians.⁵



(1) Distributing homemade molasses, Iredell County. (2) Shelling and sacking peas, Mecklenburg County. (3) Threshing and sacking wheat, Mecklenburg County. (4) Squeezing juice from sugar cane for making syrup, Craven County. (5) Making syrup, Craven County. (6) ERA Community Cannery, Durham County. (7) Interior Community Cannery, Durham County. (8) Potato field, community garden, Goldsboro, Wayne County. (9) Filling orders at commodity storeroom, Wilmington, New Hanover County.⁶

While the physical infrastructure and nonprofit ownership of modern shared-use food and agricultural facilities are similar in nature to the community canneries of old, the impetus for their development and operation is very different. Without exception, and despite vast differences from one project to another, shared-use facilities are primarily (but not always exclusively) designed for entrepreneurial commercial food production rather than to address

⁴ <http://www.fst.vt.edu/extension/valueadded/commcan1.html>

⁵ <http://www.ces.ncsu.edu/assn/esp/awards2005/cherokeeres.htm>

⁶ From Emergency Relief in North Carolina

hunger relief and food security. All existing shared-use food processing facilities discussed in this report are inspected and approved for commercial activity by one or more local, state or federal regulatory agencies. Furthermore, the modern shared-use model envisions an environment in which private commercial entities are the primary manufacturers of food items, while the physical infrastructure is owned and managed by a support agency. It is, in effect, a hybrid of private enterprise and not-for-profit economic development.

In the opinion of the researchers, a shared-use food and/or agricultural production facility is one that centers on two equally important, critical elements of food or agricultural entrepreneurship. First, it provides access to the physical processing needs of tenants/users in a shared-use environment. Multiple users employ the facility to store their raw ingredients (dry, cooler and freezer), packaging materials and frequently their finished products. The facility also provides the means of production for the users by scheduling access to commercial or production-grade processing equipment.

Equally important, these facilities implement food and agricultural entrepreneurship programs. They frequently provide business support services through business training, technical assistance and access to capital through relationships with state, regional and local-area service providers. Support services can also include office space, conference rooms, computer access, secretarial and phone answering services and management guidance and mentoring.

In very broad terms, researchers have identified three types of facilities for shared-use processing:

1. Regional value-added food processing centers, which are typically rather large (5,000 square feet or more) and that provide a wide range of advanced equipment for value-added food processing and catering
2. Shared-use community kitchens, which are typically rather small (3,000 square feet or less) and that provide limited cooking and value-adding food processing lines
3. Shared-use agricultural processing facilities, which are designed for use by farm-based producers for collective processing, grading and packaging of farm produce or other commodities

Report outline

In this report, researchers examine active examples of all three general types of facilities and discuss what benefits should be expected from each type, their suitability for certain sectors of the economy and their best geographical placement in the context of a rapidly growing state.

Chapter Two of this report, “National Examples of Successful Projects,” examines three projects that provide guidance for efforts in North Carolina. These are the Vermont Food Venture Center, the Denver Enterprise Center and the University of Idaho Food Technology Center.

Chapter Three, “Value-added Food Processing Centers in North Carolina,” investigates the development of large regional facilities, with special focus on Blue Ridge Food Ventures and Ashe County’s Creative Food Ventures. Efforts at their replication in other areas of the state are discussed.

Chapter Four, “Shared-use Community Kitchens in North Carolina,” looks at the growth of small, mostly rural community kitchens, including Stecoah Valley Food Ventures, the

Developing Shared-use Food and Agricultural Facilities in North Carolina

Rockingham Community Kitchen and several other efforts that are either under consideration or being implemented.

Chapter Five, “Shared-use Agricultural Processing Facilities in North Carolina,” discusses the development of rural facilities specifically designed to meet the needs of farmers in processing, storing, packaging and adding value to farm-gate commodities, with a focus on the Madison County Multi-Purpose Agricultural Complex and its anchor client, Madison Farms, LLC.

In Chapter Six, “A Survey of Economic Developers and Review of Regional Demographics,” researchers analyze state and regional demographic data and results of a statewide survey of community leaders and attempt to identify locations showing the most promise for development of projects, appropriate lead agencies and partnering organizations and anticipated economic impacts of recommended projects.

Finally, conclusions in Chapter Seven, “Conclusions and Recommendations for Project Developers, State and Local Leaders and Potential Funding Agencies,” are provided to serve as a guide for lead agencies who may contemplate undertaking projects of this nature and for funding agencies who are likely to receive requests for assistance in their implementation.

Chapter Two: National Examples of Successful Projects

The number of kitchen incubators nationwide has been estimated at anywhere from 15 to 50 projects. Some of the variation has to do with what constitutes an incubator program. The National Business Incubation Association (NBIA) is the largest nationwide trade association of entities operating incubation programs. The NBIA website offers this definition of business incubation:

Business incubation is a business support process that accelerates the successful development of startup and fledgling companies by providing entrepreneurs with an array of targeted resources and services. These services are usually developed or orchestrated by incubator management and offered both in the business incubator and through its network of contacts. A business incubator's main goal is to produce successful firms that will leave the program financially viable and freestanding. These incubator graduates have the potential to create jobs, revitalize neighborhoods, commercialize new technologies, and strengthen local and national economies.

Critical to the definition of an incubator is the provision of management guidance, technical assistance and consulting tailored to young growing companies. Incubators usually also provide clients access to appropriate rental space and flexible leases, shared basic business services and equipment, technology support services and assistance in obtaining the financing necessary for company growth.

Incubators vary in the way they deliver their services, in their organizational structure and in the types of clients they serve. Highly adaptable, incubators have differing goals, including diversifying rural economies, providing employment for and increasing wealth of depressed inner cities, and transferring technology from universities and major corporations. Incubator clients are at the forefront of developing new and innovative technologies – creating products and services that improve the quality of our lives in communities around the world.

(Source: NBIA website: www.nbia.org/resource_center/what_is/index.php)

The inclusion of highly attentive management seems to provide the basis for business incubation. Entities that operate incubators pay attention to the critical needs of their tenants in three key areas: business training, access to capital and technical assistance. Incubator operators consciously develop in-house programs and direct linkages to outside service providers in these areas.

Now many communities have started what might be better termed community kitchens. A licensed facility and shared-use commercial kitchen equipment is available to tenants, but a formalized training and assistance program typically is not – generally not because of a lack of desire; rather, a lack of funding. This is especially true in rural areas where the absence of stable and substantial tenant bases precludes the development of such formal tenant assistance.

Three incubators that offer formal tenant assistance were chosen for this study. The Vermont Food Venture Center, located in Fairfax, was chosen as an example of a successful rural program. The Denver Enterprise Center – at one time arguably the most successful food incubation program in the country – was chosen as an urban example. And the University of Idaho’s value-added food facility, located in Caldwell, was chosen as an example of a hybrid program. This last incubator incorporates two interesting approaches to local-food entrepreneurship: a shared-use commercial kitchen and a pilot plant.

Vermont Food Venture Center Fairfax, Vermont



Vermont Food Venture Center

The Vermont Food Venture Center (VFVC) is a nonprofit food-business incubator. Founded in 1996 as a project of the Economic Development Council of Northern Vermont (EDCNV), it has approximately 35 active clients making over 150 food products. With the assistance of Sen. Patrick Leahy, EDCNV was able to obtain USDA/Rural Development funding to open the incubator kitchen and assist Vermont’s small food producers.

VFVC members receive comprehensive assistance in starting a food business and are able to rent the production facility on an hourly basis as their business grows. VFVC works closely with the University of Vermont and Cornell University to provide technical assistance and training to food entrepreneurs throughout the northeast. This is made possible by a 1999 federal grant establishing the Northeast Center for Food Entrepreneurship.

VFVC has a national reputation in the field of food-business incubation and its director, Brian Norder, has worked on feasibility studies for over a dozen incubator projects across the country.

In 2005, over 35 different companies or organizations manufactured their food products at VFVC. These companies ranged from full-time businesses producing several times weekly or monthly to startups producing less frequently. One trend that continues is increased value-added processing of foods of Vermont origin: maple syrup, apples, cheese, honey and berries, to name a few.

Additionally, VFVC has worked with over 75 individuals or companies in various stages of starting a food business. Not all of these have ended up going into business, but their interaction with VFVC staff helped provide them with the knowledge to make an informed decision of whether or not to start a business. A number of them are starting home-based businesses and could likely “graduate” to VFVC. They’ll do so with the knowledge that their foods are safe and that their business practices are based on the best information available.

While providing processing space and equipment remain the primary mission of the Vermont Food Venture Center, its staff provides a wide range of technical assistance and consulting services, many in collaboration with other organizations in Vermont. These help reduce duplication of effort and result in more effective use of resources. The following are among the past year’s projects:

- **VFVC Expansion Feasibility Study:** The center received a USDA/Rural Development grant to study expansion and relocation of the center and to evaluate the financial impact of value-added processing of agricultural commodities. That study indicates that an expanded Food Venture Center in central Vermont is feasible and will address gaps in Vermont’s food processing infrastructure.
- **Food Safety Analysis:** Working with the Department of Nutrition and Food Science at UVM and Cornell’s Experiment Station, VFVC staff test and review food products for safe processing techniques. The Food and Lodging Program of the Vermont Health Department refers many food processing licensees to the center for review. This collaboration provides Vermonters with easy access to world-class food science resources.
- **FDA Regulatory Compliance Help:** With funding from the John Merck Fund, value-added agricultural processors will receive free or low-cost help to comply with significant changes in federal regulations that were enacted to protect the nation’s food supply from terrorist attacks. While the greatest risk lies with large producers, most of the regulations apply equally to small enterprises that lack the needed resources.
- **Farm Viability Program:** VFVC has worked with the Intervale Foundation on a number of projects. Recently, two clients of the statewide Farm Viability Program have started processing businesses with extensive help from center staff.
- **Vermont FEED (Food Education Every Day):** Shelburne Farms, the Northeast Organic Farmers’ Association (NOFA) and Food Works (a nonprofit food-policy group that operates a working farm in Montpelier) developed a project to get more healthy, local foods into school meal programs. VFVC has been active in developing value-added foods for this program.
- **Value-Added Juice Project:** Under a USDA grant, VFVC has developed several juices for testing and provided costing and feasibility analysis for starting a juice processing company in Vermont.
- **Quality and Safety Consulting:** VFVC provides very reasonably priced services to Vermont companies needing assistance with quality- and safety-assurance programs. These programs are often a prerequisite to conduct business with large wholesale and retail accounts.

- **NxLevel and ServSafe Training Programs:** NxLevel’s “Tilling the Soil” is a nationally recognized business planning curriculum for diversified agriculture projects. VFVC’s director serves as state coordinator for the program and helps offer the class throughout the state. Both VFVC staff members are certified ServSafe food-safety instructors and provide training several times annually in various locations.
- **Association for Enterprise Opportunity’s (AEO) Food Sector Learning Cluster:** AEO is a national organization of small and micro-business technical-assistance providers. AEO received a Kellogg Foundation grant to help food-sector professionals share best practices.
- **Coordination of Services with Other Organizations:** VFVC’s staff recognizes that we live in an era in which resources are limited and duplication of services is an inefficient use of these resources. It therefore collaborates with many organizations around Vermont to avoid this duplication, take advantage of their program strengths and provide services not available elsewhere in the state.

VFVC has recently completed a study that details the feasibility of establishing a new facility. The developers believe that a new VFVC will represent a major upgrade of the existing facility and, as conceived, will meet the strategic needs of several key parts of Vermont’s food and agriculture sectors for the foreseeable future.

VFVC has noted a growing interest in “Buy Local” initiatives, value-added processing and needs for both meat and poultry processing and production space for larger companies. This interest will be addressed in the design. While the as-yet unwritten business plan and the ability to raise funds will have the greatest influences on the final configuration of the facility, the following capabilities are likely to be included:

- Processing of bulk fruits and vegetables for freezing or inclusion in value-added products such as soups and stews
- Post-slaughter processing of meat and poultry products: curing and smoking, sausage making, preparation of ready-to-eat meals and high-end cutting and packaging for food service and retail markets
- Preparing and freezing of local foods for inclusion in school meal programs
- Continuation of the food-business incubation model successful in Fairfax, with increased capacity for entrepreneurs to expand their businesses
- Dedicated food production space for extended leasing by larger companies.

The feasibility study identified the need for a 7,500-square-foot building. This figure didn’t include the space for the extended-lease companies (e.g., anchor tenants). That space would add another 1,500 to 3,000 square feet to the building. VFVC believes that a key task of the business planning process will involve obtaining letters of intent from companies that have expressed interest in such a facility.

The VFVC program has operated from three revenue sources over the years. The first was a one-time \$25,000 appropriation in 2000 for equipment upgrades and facility improvements. Aside from that, the center’s operating expenses have been met from income from tenant rental as well as contract and consulting work.

Developing Shared-use Food and Agricultural Facilities in North Carolina

For the upcoming year, VFVC is predicting about a \$10,000 budget shortfall. Assuming some 35 tenants, those tenants will generate approximately 150 rental hours per month. VFVC estimates its average rental rate at \$20 an hour, which will result in annual fee income of about \$50,000. Adding another \$60,000 annually from grants and contracts, total revenue is estimated at \$110,000. The VFVC budget calls for approximately \$120,000 in expenses. The two largest expenses in the budget are staff (two full-time employees totaling \$80,000 in personnel expense) and utilities (\$13,000).

Like all business incubation programs, VFVC has experienced tenant turnover. The program only tracks people who become members, and those are the ones who make a significant effort to bring their product to market. VFVC has roughly 10 site visits and inquiries for each one that ultimately becomes a member. There are several reasons for this ratio: inquirers realize that starting a business may take more time or money than they thought, or they were looking for technical guidance rather than center membership. Thus VFVC estimates that the total number of people served is roughly 10 times the number below (dating back to 1996):

- Current producing businesses: 18
- Former members producing at their own facilities: 20
- Former members at outside co-packers: 3
- Members who made test or prototypes but didn't proceed into business: 9
- Members who started businesses and then ceased operation: 11
(Of those 11, five ceased operation due to significant life changes, unexpected multiple children, death, health issues or career opportunities outside Vermont.)

In total, VFVC estimates that over 67 percent of the businesses that have worked out of its center are still in business – which is remarkable for any small business assistance program, food related or otherwise.

Denver Enterprise Center Denver, Colorado

Started in 1987, the Denver Enterprise Center (DEC) has graduated over 110 companies and created over 1,000 jobs. The DEC mission is, “To create jobs, re-vitalize the surrounding neighborhoods, and increase the tax base through small business development.”

The DEC is located 10 blocks northeast of downtown Denver's business district in a neighborhood known locally as Barrio Logan that's best characterized as “transitional.” Neighborhood demographics include the highest minority population in Denver (Hispanic and Black) and the highest unemployment rate in the city. The center is located adjacent to a large public housing project that features home ownership and rentals at both market and subsidized housing rates.

Layout and services

Spread across three floors, the center's 64,000 square feet of general incubator offers office and light-industrial space. The DEC offers shared office services and other incubation services as follows:

- Receptionist
- Copier/Fax
- Audio/Visual Training Resources
- Business Resource Library
- Conference and Meeting Rooms
- Shipping and Receiving
- Truck Height Loading Dock
- Industrial Freight Elevator
- 7-Day; 24-Hour Access
- Security Systems
- On-site Management
- Technical Assistance and Training

The center has received numerous and substantive recognition in the field of small-business development and business incubation over the years, as follows:

- 2000 Best Taste at the Taste – DEC Kitchen Center, Taste of Colorado
- 2000 Vision 2000 Award – U.S. Small Business Administration
- 2000 National Business Incubator Association (NBIA) – Graduate Company of the Year (Classic Sports)
- 1998 NBIA – Incubator of the Year
- 1997 NBIA – Incubator Client of the Year NBIA (Ram Sports – Light Manufacturing)
- 1997 Downtown Denver Partnership Award for Small Business Development
- 1997 Director's Merit Achievement Award – U.S. Economic Development Administration
- 1996 Milestone Achievement Award – Denver Chamber of Commerce and Rocky Mountain News

The DEC has worked with some of the most prestigious and successful startups in the Denver area. Two of its manufacturing graduates, Classic Sports and Dataworks, have been named to the *Inc. 500*. In addition, the *Denver Business Journal* ranked Classic Sports Company as the 3rd-fastest-growing company in the state of Colorado. Classic Sports was also ranked 6th nationally in *Inc.* magazine's Inner City 100 for the year 2000.

The remarkable accomplishments and recognition of the program are largely attributable to the work of Dr. David Gonzales. What makes the track record and history of the DEC all the more remarkable is the condition of the DEC upon his arrival as its director. Arriving to find a handful of tenants and a building of mostly broken windows, he began his tenure in the late 1990s. In the course of his term as executive director, Gonzales crafted one of the most successful incubator programs in the nation. In 1997, the DEC was honored at the NBIA National Conference as

Developing Shared-use Food and Agricultural Facilities in North Carolina

Client of the Year; the following year it was selected as Incubator of the Year; and in 2000 as Graduate Company of the Year.

In 1996, under Gonzales' direction, the DEC commercial kitchen was established. In 1995, Gonzales had attended the first kitchen incubator conference in Couer d'Alene, Idaho. This "how to" conference was designed to assist nonprofits and others in developing a working knowledge and understanding of kitchen incubators and to impart some of the best practices and tips from the establishment of a kitchen incubator in Spokane, Washington and a commercial kitchen located within the Bonner County (Idaho) Business Center incubator.

Upon returning to Denver, Gonzales enlisted the help of the Colorado Center for Community Development at the University of Colorado at Denver to undertake a feasibility study. The study was completed approximately six months later and the fundraising for the project began. Gonzales received grants from the U.S. Department of Commerce, the Economic Development Administration, the City of Denver and local charities to add on a 10,000-square-foot kitchen to the existing 64,000 square feet of general, mixed-use business incubation space.

The 10,000 square feet of shared-use commercial kitchen offers incubation space and services to food entrepreneurs. In addition to the services listed above, kitchen tenants are offered a licensed kitchen production facility; up-to-date kitchen equipment; mail-drop service; educational workshops, including technical assistance; and consultant referral for such services as product testing and recipe batching, product packaging and labeling.

The kitchen was built in 1996 at a cost of \$1.4 million and was funded primarily through government and private grants. Since opening, the DEC kitchen incubator has shown the following results:

- 28 companies at present; each company with an average of four employees
- Six graduates and 232 jobs created since its inception
- One graduate (Culinaire) has built a new licensed kitchen and employs 18 people. The company is currently growing rapidly and is looking for a new location to build a much larger kitchen.

Other success stories include:

- Chocolate Farm: recipient of Ernst & Young Youth Entrepreneur of the Year for 1999. Featured in *People* magazine, the Donnie & Marie Show, the Ainsley television cooking show, Brian Gumbel's Early Show, Fox National News and local television.
- Elegant Catering: recipient of the ICON Gala Catering Award for Colorado and the Five Points Business Association Award
- Big Mike's Bar B Q Sauce: featured in *Newsweek* magazine and 3rd Place Taste of Colorado 2000.
- Gemini Tea Emporium: recipient of Five Points Business Association Award.

During the late 1990s, the DEC kitchen was generating rental revenue that was close to \$150,000 annually. This was sufficient to cover the kitchen's two largest expenses: salary and benefits for the kitchen manager and all utility expenses (the kitchen has separate metering from the main incubator). The rental revenue also covered the ancillary costs of operating a kitchen incubator, including marketing, kitchen cleaning and miscellaneous supplies.

Remarkably, the DEC incubator has recently fallen on hard times. The DEC was setup initially with two mirror boards of directors, one for the incubator and one for a business-loan program. The two boards would hold single meetings to decide policy issues for the programs and for reaching decisions on the facility. Due to disagreements between the staffs that operated the two functions, a struggle for control of the DEC began in early 2000 and lasted for several years. During this time, Gonzales left the project, as did the kitchen manager and other staff. As of December 2006, the incubator manager's position is vacant and the incubator is being run by an interim from the loan side. It's also being suggested that the remaining members of the incubator board of directors merge into the much stronger and larger loan board and that the facility operate with one governing body.

While the ultimate outcome of the Denver Enterprise Center is not yet known, it's clear that the once vibrant kitchen incubator will most likely not regain its former position.

University of Idaho Food Technology Center Caldwell, Idaho



University of Idaho Food Technology Center

The University of Idaho Food Technology Center (FTC) is an outreach unit of the College of Agricultural & Life Sciences. It's located in Caldwell, Idaho, midway between Boise and the Oregon border. Its commercial kitchen, equipped to handle baking, catering and wet and dry processing, currently serves more than 50 small-food companies from around the state. The FTC's pilot plant provides research and development services to mid-market and Fortune 500 food companies across the Pacific Northwest and the nation.

In 1997, a regional Council of Governments (COG) developed a food-related incubator in Caldwell. This facility was based in part on a Sandpoint, Idaho kitchen incubator and a University of Eastern Washington food incubator in Spokane. The intent here was not so much to provide a kitchen incubator for specialty-food production (as with the Sandpoint facility) or to

Developing Shared-use Food and Agricultural Facilities in North Carolina

provide a legal production space for area caterers (as in Spokane) as to attract co-packer work from firms in California, Oregon and Washington.

While a true market study for this venture was never done, the management of the COG believed that sufficient anecdotal information existed to justify a food incubator based on co-packing. This facility didn't focus on shared-use commercial-kitchen equipment (stoves, ovens, small kettles, etc.), but on mid-scale food processing equipment (50-gallon-plus kettles, medium-paced bottling line, etc). Its focus was on preparing jams, jellies, sauces and more for medium-sized food companies.

The original 7,000-square-foot kitchen building was part of a larger incubation facility. The allocated building cost of the kitchen portion was \$1 million and the commercial processing equipment was secured at a total cost of \$300,000. The project was funded by \$780,000 in grants (the Economic Development Administration and a HUD Community Development Block Grant) and a \$520,000 bank loan.

The combination of an ill-conceived market-demand analysis (lower than anticipated revenue) and a bank loan (with required debt repayment) proved fatal for this facility. It was closed and remained vacant until acquired by the University of Idaho.

In 1999, the university obtained the facility – along with 5.5 acres and the adjacent 22,000-square-foot industrial incubator – from the regional economic-development organization. At purchase, the facility was shuttered. Portions of the building had never been completed. The facility sat unused while the university made plans to revitalize it.

In 2002, the College of Agricultural & Life Sciences assumed responsibility for the entire site. The college's strategic plan called for the renovation of the food operation coupled with closer linkages with extension initiatives supporting small farms and local food networks. A team of UI extension educators and the incubator director began the task of developing the plan for what would become the Food Technology Center.

The university began by asking a fundamental question: "What must we do to become accessible, affordable, credible and sustainable over time?" Its team studied successes and failures from across the country, making careful note of what seemed to work and what guaranteed failure. They were determined to be realistic and to activate the operation in stages.

The first issue addressed by the university was that of credibility. It was abundantly clear to them that the success of food incubation programs flowed from expertise and not equipment. Many kitchen incubators – especially those that funded their facility through debt – were now closed. Others were staffed by well-meaning but technically unqualified personnel.

In 2003, the university hired the FTC's first manager, Drew Dalgetty, a versatile food scientist then working as a quality-assurance director with a local firm. Drew's credentials and reputation helped in dealings with the FDA and local health districts. In fact, the university reported that local health inspectors soon become some of the most enthusiastic recruiters – a notable departure from many other food incubators. Operated mostly by nonprofit organizations, most facilities across the country had to beg local universities to provide technical assistance through qualified food scientists. The University of Idaho project, conversely, was staffed by a qualified food scientist.

The university also redesigned the facility so that a much broader array of clients and product lines could be accommodated. Dalgetty supervised the transformation of the building from a one-

dimensional operation to a multiple-use facility with versatile and flexible equipment. A grant from the Idaho Department of Agriculture's Specialty Crop program funded the conversion of a portion of the building into a shared-use commercial kitchen for bakers, confectioners and caterers. A user-friendly semi-automated system replaced the complicated, difficult-to-operate and expensive-to-maintain automated bottling line. The addition of smaller scale kettles eased the transition from home stove to commercial production. A shift from fixed-base to portable units created more flexibility in meeting client needs.

Opening the operation in phases assured an orderly startup. One of the university's first objectives upon reopening was to accelerate the growth of existing specialty-food companies. Most clients had some local market presence but had been confined to small kitchens in churches and schools. Given exclusive access during the first months of operation, these firms ramped up production, cut per-unit costs and expanded product lines and markets. On-site assistance with technical and regulatory matters helped clients overcome what they previously considered insurmountable problems.

With the established firms beginning to thrive, the university focused next on pre-venture and startup firms. The implementation of an introductory course, *Developing Your Food Product Idea*, was made a prerequisite to kitchen use. This gave aspiring food entrepreneurs an opportunity to assess their ventures in a low-risk, low-pressure environment. The university has been careful to emphasize that the class qualifies, but does not obligate, prospective food entrepreneurs to become kitchen users. The university notes that the course has been excellent in sorting out those truly intending to start a food business from the "tire kickers." Of the 150 individuals who have completed the course, no more than 20 percent have opted to commercialize their food product.

The university maintains a flexible system open to both part-time and full-time ventures. Those choosing to continue may operate on a self-paced schedule. In fact, the university strongly encourages a pre-commercial phase allowing sufficient time to develop recipes and labels, establish vendor relationships and get a firm understanding of costs. There are no production minimums, nor is there a graduation policy. The current client base includes high-volume weekly users, chiefly bakers, but also seasonal clients and those who produce annually for holiday gift shows.

Food entrepreneurs benefit from a wide array of business and technical support services. The sliding fee scale ranges from \$12 an hour for baking and catering up to \$25 an hour for hot processing. Pre- and post- production storage is available at nominal rates. The university helps processors access locally grown produce to qualify their finished products for the Idaho Preferred program, which requires that products contain ingredients grown in the state. An ongoing education schedule keeps clients abreast of changes in the regulatory environment and marketplace. Recent classes have included the Better Process School, Hazard Analysis and Critical Control Point (HACCP) workshops and sessions on artisan cheese making and selling skills.

Most recently, the university has added a pilot plant. The facility administrators believe this will greatly increase the sustainability of the operation through increased revenue opportunities. The purchase of equipment from a private research and development firm and a joint venture agreement with its owner, a world-renowned food scientist, have enhanced the ability to provide research and testing services for large food companies. The revenue from these activities allows

the university to hire additional staff and student interns to assist the growing number of food entrepreneurs in the commercial kitchen.

In 2006, the University of Idaho Food Technology Center billed 1,626 total client hours, a 15 percent (200-hour) increase over 2005. This equates to 203 full working days out of approximately 245 available working days in the kitchen, and does not include those days set aside for travel or workshops.

Incubator staff believes that the FTC kitchen incubator is poised to achieve break-even status within the next year. While the salary of the facility director is paid separately by the university, the incubator kitchen is charged with the salary of the food technologist, utilities and all facility and program costs. In the future, staff also holds that the additional revenue available as the pilot plant matures will be sufficient to offset the food technologist expense as well.

There are few existing projects similar to this one. Morrisville State College in New York has a co-packing project called Nelson Farms but doesn't have shared-use availability for tenants wishing to produce their own products nor a pilot plant for research and development. Rutgers University in New Jersey has an extensive facility on the drawing board but hasn't as yet begun construction.

The University of Idaho Food Technology Center, while on a small scale, is a new trend in food incubators. Combining a shared-use commercial kitchen with a pilot plant offers many advantages to tenants. Most importantly, the University of Idaho rightly perceived, early on, the significant advantages of locating professional food scientists in its facility. With this addition, it fulfills all the needed assistance of its food entrepreneurs – business skills (including business planning and marketing), access to capital (forging linkages with all types of capital providers) and true, bona fide technical assistance in food preparation and packaging. Food projects in the future will be well advised to follow the example of the University of Idaho.

Comparable kitchens: Lessons learned

The authors have been involved in several feasibility studies for kitchen incubators throughout the years and have maintained contact with many operators and managers of food-related incubation programs. Some valuable lessons can be learned by following the examples of existing kitchen incubators – both the successful and not so successful. The following is a synopsis of those lessons learned.

- **Size** – Kitchens need to be of sufficient size to accommodate more than one user at a time. The key to developing a revenue stream that can fund staff expenses and utilities (the two single largest expenses) is simultaneous, multiple occupancy and keeping the facility open 24 hours a day. Traditional incubator space involves one tenant per space at a set rent per month. Kitchens offer the ability to rent out a space to more than one paying tenant at a time over a 24-hour renting period.
- **Storage** – Most facilities have underestimated the amount of storage space their tenants will require. Aside from limiting storage income, inadequate storage facilities result in fewer tenants than a facility can reasonably accommodate. This occurs because of federal regulation that requires producers to keep raw ingredients in the facility once the ingredient's packaging is opened. Thus, limited storage limits the ability to add new tenants to the facility. In addition to dry storage, many facilities haven't yet achieved the proper amount or mix of cooler

and freezer storage. Insufficient refrigeration storage can also limit the ability to add new tenants. The proper ratio of cooler to freezer space is dependent on such variables as the number of caterers versus specialty food producers, type of food products being produced and more.

- **Population** – Kitchens in areas of greater population have an advantage over those in sparsely populated areas. While kitchens in a rural setting can, under ideal circumstances, draw sufficient numbers to generate rent revenue adequate to meet expenses, those kitchens located in large population areas, especially urban areas, have a distinct advantage. This is because the base of caterers available for urban kitchens to attract isn't present in more rural locations. A strong base of caterers combined with those producing a specialty-food product can produce rent revenue sufficient to meet the kitchen incubator's expenses.

A more concentrated population offers another unique advantage in the quantity and quality of available community resources. Commercial kitchens in urban areas often have far greater and more qualified assistance for their tenants in the areas of training, access to capital and technical assistance. Kitchen incubators located in less populated rural areas often have to spread their resources thinly as they attempt to address these three aspects necessary to nurture growing businesses.

- **Tenant synergy** – To promote tenant synergy, many facilities supported tenant associations, cooperatives and other flexible networks of those producing products at the kitchen. These groups were often given their initial organizational start by the facility but have since developed into standalone organizations. Benefits provided to members include shared marketing and purchasing power, training in business and technical areas, as well as product liability insurance purchased by the group that is truly affordable to each member.
- **The incubator model is most successful** – Experience has shown that those commercial kitchens that follow the incubator concept have been most successful. Rather than merely being a landlord, kitchen incubators must play an active role in helping their tenants succeed. This is accomplished by providing support services in addition to the physical facility. Support services were provided by the incubator directly or through community linkages and were grouped into three main categories: training, access to appropriate capital and technical assistance.
- **Share community resources** – Experience shows that incubators can't be all things to all tenants. In their attempt to allocate scarce resources in providing appropriate tenant support, savvy incubators identify those in their community providing resources and tap into that supply.
- **FDA approval versus USDA certification** – Almost all facilities surveyed were FDA-approved community facilities. This approval allowed the production of most non-meat and non-dairy products. It's considerably easier to obtain, and FDA regulations (often combined with further state, county or city regulations) are far less onerous than USDA certification. Two facilities did obtain USDA approval for non-slaughter processing, which allows a facility to prepare such

items as pot pies, enchiladas and other meat products that contain meat originating from a USDA-certified source. Once obtained, the USDA certification supersedes FDA requirements and the USDA is the primary agency for inspection of the facility. Such licensing requires the facility to have separate areas (individual sub-kitchens) and precludes multiple users in a large, open processing area. Due to the additional and considerable expense of equipping separate kitchens, the desire of most facilities to have simultaneous use and additional more onerous regulation, most commercial kitchens have not pursued USDA certification.

One kitchen reported that due to additional, local regulation they were not being allowed to offer multiple-use access for their users, although their kitchen was licensed as an FDA facility. Regulators determined they would be required to build separate and individually equipped kitchens to be used by one tenant at a time. An important lesson to those planning community kitchens is to involve local and state regulatory agencies (and the FDA if this authority isn't delegated to a local agency) early on in the planning process.

- **Rental rates and hours of use** – Rental rates in the kitchen incubators surveyed varied depending on tenant uses of the facility over a given month. More frequent use means a tenant will have a lower rental rate than another tenant that uses the facility less frequently or only occasionally. It was apparent that all facilities were concerned about their ability to break even. Some had obtained operating grants for a short time to assist in meeting operating costs, but all those contacted were concerned about the eventuality of operating on a standalone basis. Some had just raised their rental rates to near market values, while others were contemplating how to raise their rates when tenants had become accustomed to a heavily subsidized rate. Newly emerging kitchens should develop a rental rate schedule that reflects market rates from the beginning. Substantially raising the rental rate at a later date was proving to be difficult for the incubators. Regardless of market rates, a rental rate approaching \$20 per hour was important in developing a revenue base that could achieve facility self-sufficiency
- **Anchor tenants** – Many successful kitchens have what have become known as anchor tenants. Anchor tenants are distinguished from other tenants in two important ways. First, anchor tenants are notable by the substantial number of hours of kitchen time they rent. In exchange for the certainty of large blocks of billable hours, facilities offer favorable rates to these tenants. Second, this large block of rented time usually underlies a business that is well managed and successful. Anchor tenants are renting large amounts of kitchen time because they are successful. Successful tenants develop into sustained rent revenue for the facility. Thus anchor tenants provide stability to the facility. Facilities most often report one or two anchor tenants that individually can rent anywhere from 15 to 150 hours per month.
- **Significant community interest** – It is important to note that initial significant community interest is often associated with those incubators that have later developed a strong tenant base (with one or two substantial anchor tenants)

resulting in 400 or more hours rented per month. Because the development of a kitchen incubator can take two or more years, it is also important to note that those individuals expressing an interest in becoming kitchen tenants may not necessarily be there when the facility opens. However, those first tenants tend to be the same type as those that expressed interest years ago when the feasibility work was being done. For instance, in an area that demonstrates a strong interest by potential specialty-food producers, the first group of tenants will tend to be led by specialty-food producers. This is also true for potential caterers and so forth. The important points are that potential users identified to utilize a kitchen will not necessarily be there when the facility opens, and a strong initial community interest is important to insure that some group of potential users is willing and waiting when the facility finally does open.

- **Sound management** – One aspect similar to most successful kitchens was that of sound facility management. In addition to traditional not-for-profit concerns such as budgetary, fundraising or grant-writing activities, well-managed kitchen incubators have developed marketing techniques that may seem more suited to a for-profit venture. The result for many was the ability to attract rent-paying tenants. While the incubator kitchen may be the only convenient, affordable and licensed facility in which to conduct a food business in a given area, well-run incubators have not rested on their monopoly. They use marketing techniques that any for-profit organization would benefit from. As an example, the marketing efforts of the Denver Enterprise Center brought that facility from less than a handful of tenants to a number of tenants sufficient for the kitchen to achieve near break-even in seven short months. In addition to traditional methods of community outreach such as informing area stakeholders, the Denver Enterprise Center management team embarked on such nontraditional areas as an aggressive radio and TV promotional effort. Successful kitchen incubator managers have developed nontraditional marketing techniques that when combined with proven nonprofit management tools have allowed facilities to attract rent-paying tenants.
- **Legal status** – The preferred legal form of ownership in the kitchen incubators surveyed is that of the nonprofit organization. While many groups used associations or cooperative arrangements in joining kitchen users, none chose either as the legal form of ownership.
- **Financing and breakeven** – Half of the facilities surveyed met all capital costs (those of building and equipping the facility) through grants alone, while the remaining facilities were obliged to augment their grants with loans. Given the choice, all facilities would have preferred to fund the capital portion of the project with grants and thereby not incur any ongoing debt obligation that would require funding through operating income.

Many of the kitchen incubators are co-located and/or co-managed with other facilities. In order to access the financial viability of the kitchen portion, managers were asked whether the kitchen could survive on a standalone basis. In other words, would rental revenue and storage fees offset operating expenses, including management salaries, utilities, equipment maintenance and debt service? Of the

fourteen incubators surveyed, only two felt they had reached self-sufficiency.

It was interesting to note that kitchens require time to develop a tenant base. Kitchen incubators may require local support until the facility achieves higher occupancy levels (one to three years). Also, none of the facilities surveyed made any provision for the eventual replacement of the kitchen equipment. No facilities were developing a cash reserve funded by operating income to replace equipment as needed.

Grant sources included USDA-Rural Development, the U.S. Department of Commerce, the Economic Development Administration and various states' Community Development Block Grants. Loans were obtained from the USDA, but the typical lender was most often a local commercial bank, making a commercial loan rather than a "community reinvestment" loan. Other lenders included Revolving Loan Funds and city and state economic-development agencies.

After periods of low interest or no payments, many kitchens were now facing a monthly debt service, often of formidable size. Experience suggests that communities take great care when considering loans as part of their funding strategy.

- **Benefits** – Communities have entered into kitchen incubators with the goal of assisting local food ventures and to create new businesses and additional community jobs. Kitchen incubators are, by the standards of traditional incubators, excellent generators of rental income. However, staffing and utility expenses offset the additional rent received.

Conclusion

- Successful kitchen incubator/food entrepreneur projects can be found in many places and forms. Each has special challenges and opportunities.
- Projects in rural communities can be successful but may well require special attention to revenue generation. Heavily focused on specialty-food producers, rural models typically do not have caterers to draw upon for additional revenue. Rural projects need to be creative in developing additional revenue streams. One rural example provides a variety of assistance on a fee basis, does consulting work and concentrates on providing value to both tenants and area nonprofits and service-providing organizations.
- Urban models have a decided advantage over their rural counterparts. Centered in large population areas, urban food incubators can draw both specialty-food producers and caterers. However, with the larger population comes the need to offer larger spaces which can significantly add to the cost of developing the urban project versus its smaller rural counterparts. The model used here was arguably the most successful kitchen incubator in the country at one point. However, disruption and fighting among the incubator management, both among the board of directors and the program's executive director, have all but eliminated this once exemplary incubator.

Developing Shared-use Food and Agricultural Facilities in North Carolina

- A new model, the university-hybrid project is just emerging. One successful example combines both a shared-use processing area and a state-of-the-art pilot plant. Realizing that the value in these projects comes from “expertise not equipment,” these hybrid projects are centered on the availability of business and technical assistance – especially through professional food scientists.

Chapter Three: Value-Added Food Processing Centers in North Carolina

Value-added food processing centers in North Carolina are perhaps the most well known form of shared-use food and agricultural facilities in the state, due to the development of Blue Ridge Food Ventures since 2002 and its opening for business in 2005. While every project is unique, value-added food processing centers tend to share the following characteristics:

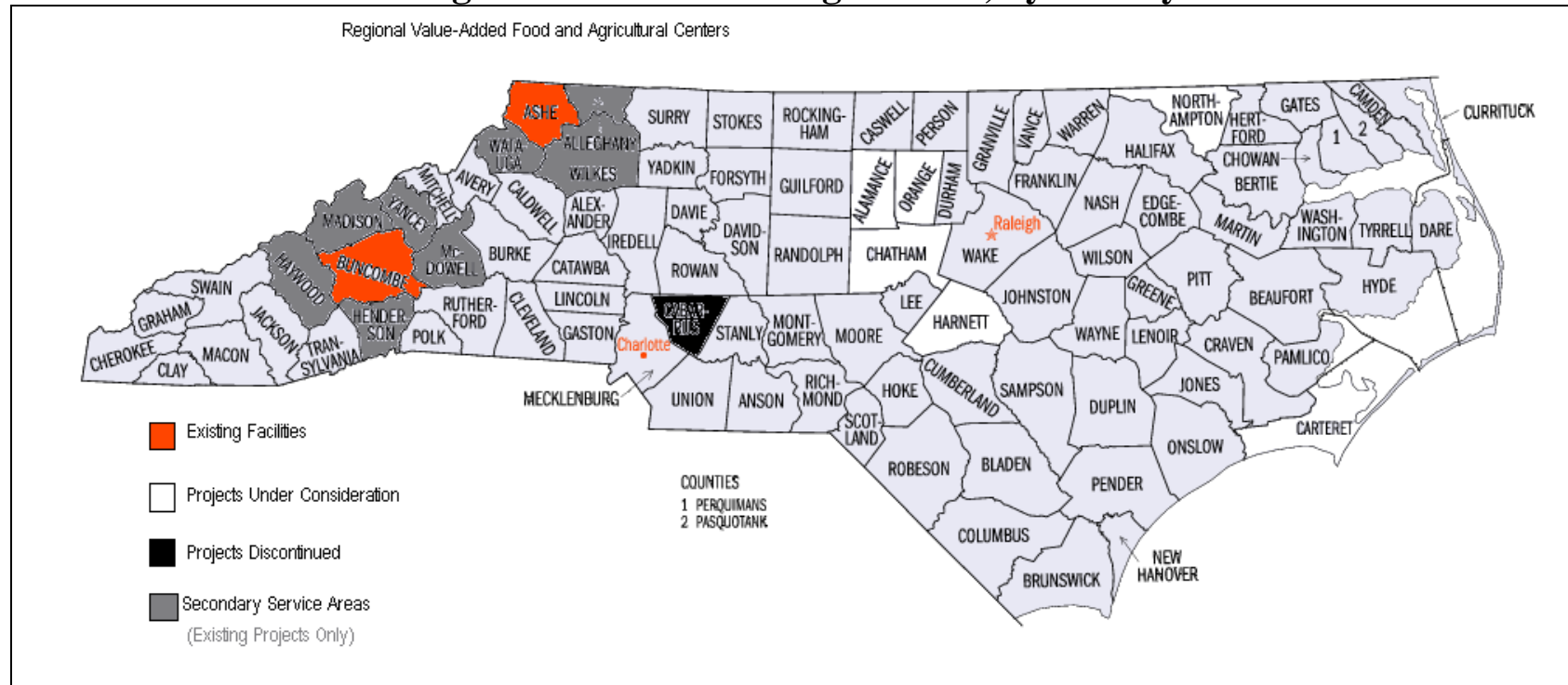
- These are large facilities (recommended at 5,000 square feet or more) with a wide range of food processing systems able to accommodate multiple users at the same time.
- They are regional in nature, able to serve multiple counties and communities, with a minimum geographical service area radius of 50 miles.
- They are relatively expensive, usually costing from \$800,000 to well over \$1 million to implement.
- They require at least one full-time executive/facility director.
- To succeed, these projects must have a relatively large number of users, with at least one or two anchor tenants using the facility 10 or more hours a week.
- They require a mission that includes training and educating its clients to professionalize their operations – they play the role of food-business incubators.
- They rely on the participation of multiple service providers and are usually intensely collaborative in nature.

In North Carolina, researchers identified two existing projects that match the above characteristics: Blue Ridge Food Ventures in Buncombe County and Creative Food Ventures in Ashe County. Several other projects that fall into this category have been contemplated in the state. Some of these projects have been discontinued due to a lack of institutional capacity. Others are in a state of hiatus following initial feasibility research and others are still in their earliest phases of pre-development. In addition to highlighting the two existing facilities, this section discusses efforts in Carteret, Harnett, Northampton and Cabarrus counties and one developing project that is a collaborative effort between Orange, Alamance and Chatham counties.

Blue Ridge Food Ventures: A case study

Blue Ridge Food Ventures
Asheville-Buncombe Technical Community College
Enka Campus
Candler, NC
Mary Lou Surgi, Executive Director
(828) 665-9464

Regional Food Processing Centers, by County



Developing Shared-use Food and Agricultural Facilities in North Carolina



Blue Ridge Food Ventures at AB Tech's Enka Campus

Quick Facts

Status: Open for business since February 2005

Grant Funds Awarded/Used: \$1,192,900

Total Investment Cost: \$1,308,400

Businesses Using Facility: 51

Full Time Jobs Created: 20

Part Time Jobs Created: 63

Output Value to 12/31/06: \$660,917

Client Use Fees to 12/31/06: \$100,604

Blue Ridge Food Ventures (BRFV) is a shared-use food processing center serving food entrepreneurs, caterers and farm-based producers. Its purpose is to provide legal food processing space, use of processing equipment and entrepreneurial development services to those engaged in manufacturing food products on a commercial basis. In many respects, BRFV serves as a food-business incubator for small enterprises wishing to begin operations or wishing to expand or professionalize their businesses. The project is located at the Enka Campus of Asheville-Buncombe Technical Community College (A-B Tech).

Facility clients add value to food through one of two primary means. The first is by processing either raw or processed food into a packaged food product that is sold either wholesale or retail. Examples of food processors include jam and jelly makers, cider makers, bakers and manufacturers of a variety of packaged foods, such as condiments (pesto, salsa, rubs, chips, etc.). These food manufacturers typically sell in the fancy or specialty-food areas of high-end grocery retail stores. These products are manufactured under the rules and regulations of the FDA and state health regulations as enforced by the North Carolina Department of Agriculture and

Consumer Services (NCDA&CS) Food & Drug Protection Division. The second basic type of processing occurs under the category of catering. This group prepares individual food products or meals that are sold retail and are subject to the rules and regulations of the Buncombe County Health Department. Because catered meat products have no shelf life, caterers are allowed to prepare meals that include meat.

BRFV does not have USDA certification and clients can't manufacture any packaged or wholesale products containing in excess of 3 percent meat.

As with any sector-based business incubator, BRFV is mindful of the need of their clients to have available business training, access to capital and technical assistance. In areas where BRFV does not provide for these needs directly, they have engaged community service providers to assist their kitchen clients. Key support services are offered from the Small Business Center, also located at the Enka Campus of A-B Tech, as well as Mountain Microenterprise Fund, the NC Department of Agriculture and the Appalachian Sustainable Agriculture Project.

Pre-development preparedness

The concept of a food-business incubator in Asheville had its beginnings in the summer of 2001, with the creation of the Western North Carolina Agribusiness Development Office, located in Asheville and under the direction of the NCDA&CS Division of Marketing. Smithson Mills (a co-author of this report) served as agribusiness developer in that office and was a lead project developer for BRFV.

At a summer 2001 presentation to NCDA&CS personnel in Raleigh by directors of the now defunct Technological Development Authority, Mills learned of A-B Tech's recent acquisition of the former American Enka plant in Candler and of plans to establish that facility as a new campus of the community college serving entrepreneurial development.

In November of 2001, Mills met North Carolina Department of Commerce Heritage Tourism officer Kaye Myers at a conference held at Western Carolina University. During that informal discussion, Myers stressed the need for value-added food manufacturing among area farmers and food entrepreneurs. Following this discussion, Mills began researching models of food entrepreneurship development around the country. A shared-use food processing center was identified in Athens, Ohio, managed by an area nonprofit, the Appalachian Center for Economic Networks (ACEnet). In telephone conversations, ACEnet staff recommended that any organization contemplating a shared-use facility first conduct a thorough feasibility study to measure demand and potential.

The project received initial assistance for a feasibility study from the North Carolina Rural Center in early 2002 with a \$15,000 grant from the North Carolina Agricultural Advancement Consortium, which is housed and funded through the NC Rural Center. These funds were used to match a \$15,000 Special Projects grant from the Western North Carolina Economic Development Commission (AdvantageWest) to pay for a feasibility study. The recipient of these grant funds was NCDA&CS.⁷

Before approving funding for the feasibility study, AdvantageWest required project organizers to visit the ACEnet Food Ventures project (www.acenetworks.org). Following a positive visit to

⁷ The project subsequently received a \$20,000 grant from the North Carolina Agricultural Advancement Consortium in 2003 for purchase of a juice pasteurizer, which was primarily aimed at assisting local apple growers to produce pasteurized apple cider. AdvantageWest later became the owner of the project.

ACEnet from NCDA&CS and AdvantageWest personnel in March 2002, funding for the initial \$15,000 for the feasibility study was approved.⁸

NCDA&CS engaged Wold & Associates, Inc. to conduct a feasibility study for establishing a shared-use value-adding agricultural processing/commercial kitchen facility in Western North Carolina. Primary feasibility research was conducted by a team of researchers led by Cameron Wold of the University of Colorado at Denver, from May to September 2002. Also part of the feasibility team were Bob Weybright, a Cornell University Extension Agent, Brian Norder, director of the Vermont Food Venture Center, and Tim Locke, with the Hunger Task Force of Milwaukee. The study team also engaged the support of Mills and other NCDA&CS personnel in disseminating potential user surveys and designing initial floor plans.

The results of the feasibility study were positive. Researchers were able to measure entrepreneurial demand in the Asheville region and identify marketing outlets for value-added goods, a suitable site for development and a committed lead agency and support organizations.

One of the most important components of the feasibility study was a measurement of entrepreneurial demand. From May to July 2002, the study team gathered 33 completed potential-use surveys from individuals and organizations interested in using a shared-use facility. It is important to note that the study stressed that identified potential users represented demand during a *certain period of time* – a sort of snap-shot of demand during the research period – and that this assisted in forming a demographic profile of the types of users who would access a facility once it was established. It was not intended as (and did not result in) a list of those who would use the facility once the doors were fully opened more than two and a half years later.

Complementing entrepreneurial demand, the study also documented the strong presence of a local-food movement in the Asheville region, retailers who were enthusiastic about carrying products and a lack of rentable commercial kitchen space to meet entrepreneurial demand.

The study confirmed that the A-B Tech Enka campus could adequately host an approximately 10,000-square-foot facility. The study produced a draft floor design for an existing wing of the former Enka pilot plant as well as a detailed list of needed equipment for the project.

The feasibility study also identified AdvantageWest as the strongest potential lead fiscal and development agent for the project. Feasibility team members discouraged their client (NCDA&CS) from being the lead agency for the project's development, making the argument that, based on previous experience, the project would be best served by a strong local or regional nonprofit corporation able to competently manage relatively large amounts of grant funds. By the end of the information gathering phase of the feasibility study, AdvantageWest had formally agreed to play this role.

The original project founders (Advantage West and NCDA&CS) engaged multiple state and local agencies for assistance. Important contributors were NCDA&CS personnel (Divisions of Marketing, Property & Construction and Food & Drug), North Carolina State University (Cooperative Extension and Food Science), the North Carolina Department of Commerce, Appalachian Sustainable Agriculture Project (ASAP), the Land-of-Sky Regional Planning Council and A-B Tech, where the facility ultimately was established. Local and state agencies

⁸ Also visiting ACENET on this visit was a researcher working with Blue Ridge RC&D, investigating the establishment of a shared-use facility in the northwestern NC region. This research ultimately led to the development of Creative Food Ventures in Ashe County.

Developing Shared-use Food and Agricultural Facilities in North Carolina

contributed cash, personnel and planning assistance, which proved invaluable to the founding group.

The founders of BRFV established a community advisory and steering committee immediately following the feasibility study phase. Members of the advisory committee represented the following organizations:

- AdvantageWest
- NCDA&CS
- NC Department of Commerce
- A-B Tech
- Madison County Cooperative Extension
- ASAP
- Mountain Microenterprise Fund (MMF)
- Land-of-Sky Regional Council (Region B Council of Governments)
- Asheville Area Chamber of Commerce
- WNC Community Development Association
- Carolina Organic Growers
- North Carolina Farm Bureau
- Center for Participatory Change
- Sodexo Food Services (Warren-Wilson College)

The advisory group was deemed helpful in two important areas. One was the brainstorming of ideas when the group needed assistance in any particular area and the other was by way of spreading the word about the project throughout the area. This included providing information to other community stakeholders and to prospective clients. Creation of a community advisory committee also verified the existence of community “buy-in” from the local and regional population of business and agricultural-development entities.

The project director was employed in August 2003, a full 15 months before the project began serving entrepreneurs. While pre-development costs were escalated by the early hiring of the project’s executive director, this allowed time for her to gather information on prospective clients and their intended uses of the facility and the equipment, establish policies and build relationships in the community. The executive director also attended a national food-business incubation conference in Greenfield, Massachusetts and visited several shared-use facilities elsewhere in the nation.

The BRFV founders centered in on the A-B Tech location very early in their research and planning process. They believe this helped build credibility in the community concerning the project versus trying to build credibility without a specific location. The founders believed that having a concrete site made it easy for community residents to visualize the project. It also secured buy-in from A-B Tech. The school brought the gas line into the section of the building where the facility was to be sited, estimated as a \$10,000 expense.

Project development



Dry Product Prep Area

A timeline of key fundraising and development activities to the date of opening follows:

Date	Activity	Comments
November 2001-January 2002	Initial conversations begin regarding establishment of a shared-use food processing center in WNC.	Talks among Smithson Mills, NCDA; Kaye Myers, NCDOC; Gary Gumz, ASAP; Others
February-March 2002	NCDA secures funding for a feasibility study. Project participants visit a shared-use facility in Athens, OH.	Funding Sources: AdvantageWest: \$15,000 NC Ag Consortium: \$15,000
April-September 2002	Feasibility study conducted by Cameron Wold, Bob Weybright, Tim Locke, Brian Norder, Smithson Mills.	Measured demand from surveys indicates feasibility of project. AdvantageWest NC agrees to become fiscal agent.
April-May 2002	Discussions begin with A-B Tech on use of space at former BASF plant.	A-B Tech President K. Ray Bailey verbally agrees to use if funds are secured.
August 1, 2002	Funding requests submitted to Golden LEAF and Z. Smith Reynolds.	Requests written by Smithson Mills on behalf of AdvantageWest for establishment of "Appalachian Food Ventures."
November 2002	Grants awarded by GLF and ZSR	GLF awards \$350,000, ZSR awards \$50,000
November-December 2002	Project advisory group is formed from local and state government, nonprofits, and food businesses.	14 members representing A-B Tech, AdvantageWest, NCDA, ASAP, MMF, NCDOC, others.
January-July 2003	Preliminary design work begins.	Close cooperation with NCDA&CS facility and management engineers.
January-July 2003	Grant awards from Progress Energy, Asheville Merchants Fund, Ag Consortium.	Total secured funding reaches \$500,000.

Developing Shared-use Food and Agricultural Facilities in North Carolina

August 2003	Project hires Mary Lou Surgi as executive director.	
August 2003	Project bids opened.	Lowest bid comes in \$100,000 over anticipated budget.
September-October 2003	Project secures support from NC Dept of Justice to close gap on build-out costs. Project name changed to Blue Ridge Food Ventures.	\$100,000 from class action settlement to states AGs.
December 2003	A-B Tech signs lease agreement for use of facility at \$1/year, plus utility fees.	Costs to A-B Tech are agreed at ca. \$33,000/yr with 3% annual increase. Payments to begin upon receiving certificate of occupancy.
March 2004	Renovation of 11,500-sq.-ft. wing of A-B Tech Enka campus begins.	Contracted renovation costs are \$440,000.
March-May 2004	Project receives USDA Value-Added Producer Grant.	\$53,400 on a one to one match.
September 2004	Project is awarded ARC grant.	\$157,000 shared among Stecoah Valley Ctr, Madison Co wash line, BRFV. Basic cooking equipment is purchased and installed.
November 2004	BRFV receives certificate of occupancy.	Begins payments to A-B Tech
November 2004	Receives second grant from GLF, grant from Janirve Foundation.	GLF: \$225,000 Janirve: \$75,000
December 2004- January 2005	Floors are sloped and tiled.	Facility closed during this period for floor improvement.
February 2005	First client uses BRFV	Sweet Potato Pie Company
May 2005	BRFV Grand Opening Celebration	

The facility received its certificate of occupancy from the City of Asheville in November 2004. The first clients used BRFV for manufacturing food in February 2005 and the Grand Opening was held in May 2005. Established in an existing manufacturing building, the cost of renovating and refitting the building for this purpose to date has been \$517,813. Equipment for the project has totaled \$288,155 to date.

Developing Shared-use Food and Agricultural Facilities in North Carolina

Major pieces of equipment used for food processing and preparation include:

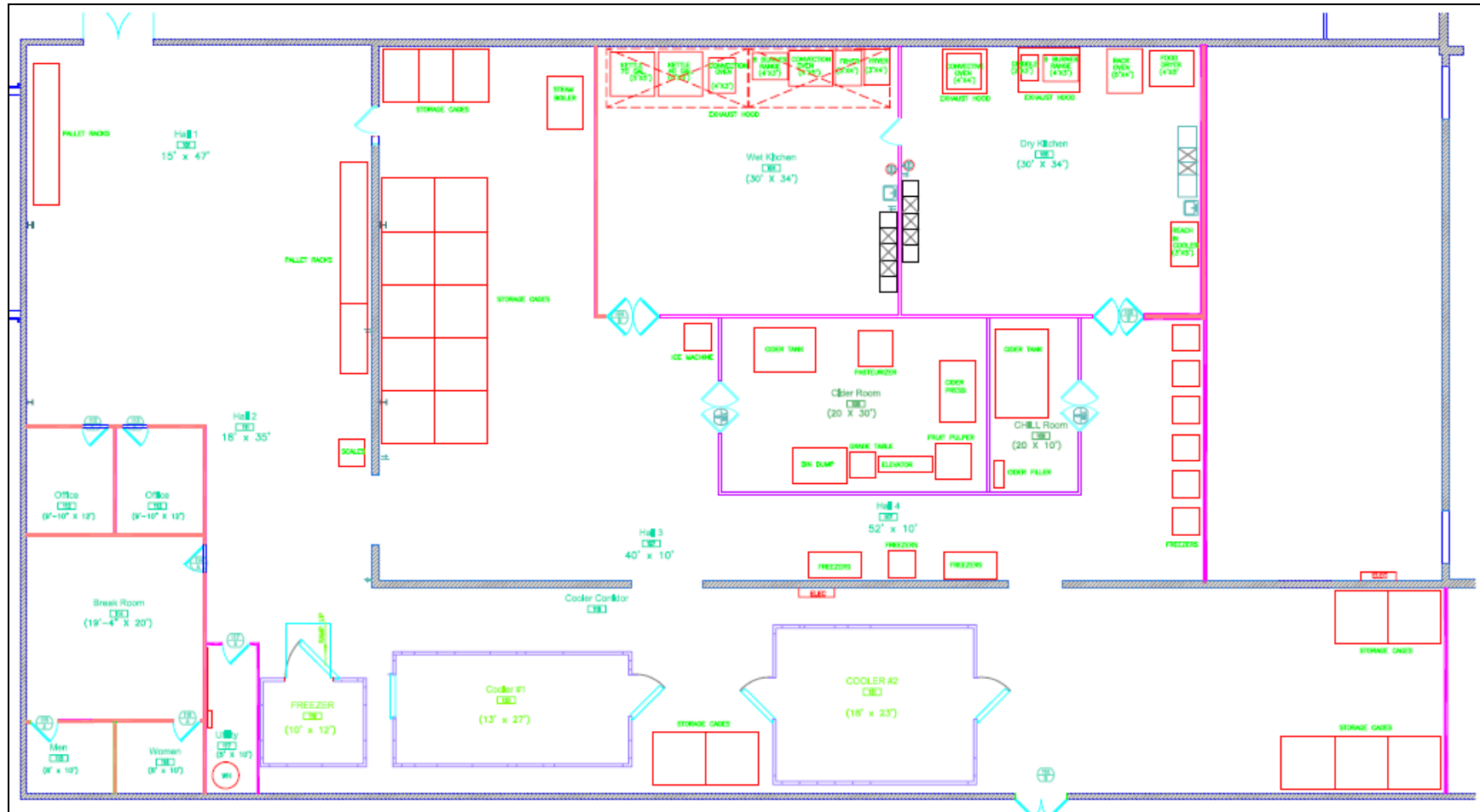
2 convection ovens	60-quart mixer
2 gas ranges w/ovens	20-quart mixer
Roll-in rack oven	40-quart cutter mixer
80 gallon steam kettle	Reach-in rack dryer
60 gallon steam kettle	Cider press w/holding tanks (400gal)
2 deep fryers	256-gallon/hour juice pasteurizer
Single-head piston filler	Fruit elevator and grading table
Weigh-filling machine	Bin dump
Vacuum sealer	5 reach-in deep freezers
2 3-basin sinks	Shrink-wrap bottle sealer
Label printer	Label applicator
120-sq.-ft. walk-in freezer	2 walk-in coolers (700 sq ft total)

The facility totals 11,500 square feet. This includes 2,840 square feet of processing space comprised of a 30' x 34' general (wet) processing area, a 30' x 34' dry product and bakery area, a 20' x 30' cider-processing room and a 10' x 20' cider-filling room. The facility has 700 square feet of walk-in cooler, 120 square feet of walk-in freezer and over 2000 square feet of dry storage. Additionally, the facility has an employee break room, a small office for the director, a second small office for record storage, bathrooms and a small utility room.

The project's post-feasibility implementation phase – between submitting the first development grant requests to the date of opening for entrepreneurial development – was August 2002 to February 2005, a 30-month period. The project encountered several challenges throughout its implementation phase. These included construction bids far higher than anticipated costs, a lack of understanding of regulations on food processing by the architect and incidental change orders prompted by subcontractors who felt they had underbid the project.

The project was almost derailed when, in August 2003, bids from general contractors came in over \$100,000 more than initial cost estimates determined by the architect. Fortunately, project leaders had already begun preliminary discussion with the state Attorney General's office about receiving support from funds set aside from a class-action lawsuit to support agriculture in the state. At the fall annual meeting of AdvantageWest in late 2003, Attorney General Roy Cooper announced the project would receive \$100,000.

Blue Ridge Food Ventures Floor Plan



Developing Shared-use Food and Agricultural Facilities in North Carolina

Before the project had opened, AdvantageWest had received approximately \$1,076,000 in grants for project design, development and first-year operations. Uses and sources of funding for project implementation have been as follows:

Uses of funds

Pre-Opening

Feasibility Study (NCDA&CS)	\$30,000
Building Design and Renovation	517,813
Equipment	288,155
Executive Director, salary & fringe	86,250
Legal fees	11,000
A-B Tech Utilities	<u>11,000</u>
Total Pre-Opening Costs:	\$944,218

Sources of funds

Pre-Opening

Golden LEAF	\$575,000
Z. Smith Reynolds	50,000
Progress Energy	25,000
Asheville Merchants Fund	50,000
NC Rural Center (Ag Consortium)	35,000
USDA	53,400
AdvantageWest	40,000
Appalachian Regional Commission	97,500
BB&T	5,000
Janirve Foundation	75,000
NC Dept. of Justice	<u>100,000</u>
Pre-Opening Total Grants:	\$1,105,900

Since Opening February 2005

Z. Smith Reynolds	\$50,000
Janirve Foundation	25,000
AdvantageWest	<u>12,000</u>
Post-Opening Total Grants:	\$87,000

In-kind Investment

NCDA Agribusiness Developer	\$97,500
A-B Tech Facility Improvements	10,000
Ingles Markets Equipment	<u>8,000</u>
Total In-kind Value:	\$115,500

Total Project Investment \$1,308,400

The director reported that during the first year of operation, she felt that the facility was in constant need of fundraising, both for operating capital and equipment purchases. It was strongly suggested that other facilities build partnerships with planning and other nonprofit community organizations that can provide fundraising services. Given the duties and time demands of a director running the facility without additional staff, outside grant writing and administration help is needed.

Legal structure

BRFV is a single member Limited Liability Company (LLC) that is wholly owned by the Western North Carolina Regional Economic Development Commission, a nonprofit corporation doing business as AdvantageWest. This type of legal organization – whereby a subsidiary LLC is owned by the primary nonprofit fiscal agent – is a relatively new development tool in the United States and was researched by lawyers hired to assist with legal formation. It allows the project to enjoy nonprofit status operating under the auspices of an existing organization, but to have legal liability separation from that parent organization.

Institutional capacity

Being a sponsored program of AdvantageWest has decided advantages for BRFV. For one, AdvantageWest has personnel able to handle grant administration. AdvantageWest also has staff that can undertake certain business functions for Blue Ridge, such as financial accounting. Additionally, certain secretarial work is available from AdvantageWest. An information technology specialist from AdvantageWest is available for BRFV computers and communication equipment. To the great benefit of BRFV, AdvantageWest brought much needed institutional capacity to the project.

BRFV built a strong multi-organizational support network by soliciting the help of community organizations through private and public presentations, press releases and newspaper articles and the occasional media spot. However, the most important aspect of network building comes through positive word of mouth, which is generated by existing clients and community stakeholder organizations (e.g., Chamber of Commerce, Farm Bureau, Cooperative Extension, etc.). Important support agencies for BRFV have included A-B Tech's Small Business Center, the NCDA&CS and NCSU. BRFV also received assistance from the Ingles grocery chain, which made early donations of equipment valued at \$8,000.

One small point of contention with NCSU has surfaced. At the outset of the project, it was felt that the university's food science department was not set up to help small businesses. Since that time, the project has developed a much better relationship with food science extension personnel and even supported, in 2005, a Better Process School short course with extension personnel at A-B Tech. However, the executive director feels that much more assistance for small food businesses is needed in the area of food science as well as business management.

As executive director, Mary Lou Surgi's significant level of training and experience is a primary factor contributing to the project's overall institutional capacity. She holds a Master's Degree of Public Health, a Master's Degree in Food Systems Administration and is a graduate of the A-B Tech Culinary Program. Before coming to the Asheville region, she spent some 20 years focused on grant-funded rural and agricultural development work in Asia and Africa.

Management and use policies

BRFV has a variety of written agreements covering its policies. Clients are given rate schedules and a written policy statement concerning rental use. Equipment manuals are easily assessable to users, as are the cleaning policies governing the facility. Additionally, the cider room has the required Sanitation Standard Operating Procedures (SSOPs) and an HACCP plan. The director is a graduate of the Better Process School and acts as the "processing authority" until a particular client can attend the school and be his or her own authority.

There is a formal lease between BRFV and A-B Tech. The one-year lease agreement allows for nine one-year extensions at \$1 a year. A facility maintenance and utilities fee is also included in

the lease, initially set at \$3 per square foot, with a 3 percent annual adjustment increase. Current maintenance and utility fees paid to A-B Tech total approximately \$35,000 per year.

The director developed a business plan for BRFV during the project's pre-development stage. However, the business plan has not been updated since opening. BRFV does go through an annual budgeting process, which is undertaken by the director.

The facility is marketed by the director, primarily through word of mouth. This effort relies heavily upon former and existing clients and BRFV's network of community stake-holding organizations. The director also makes formal presentations to community residents and heads of organizations, solicits articles in the local press and is developing a website for the facility.

The director is the only paid, full-time staff member of BRFV. Other personnel – including those providing cleaning services, equipment maintenance and grant writing – have been engaged on a contract basis. "Wish list" staffing would include a handy man to maintain the equipment, a cider room manager and someone for marketing support, either through a contract or as a part-time employee. The marketing person could both market the facility and help clients market their products. An estimated annual cost for this level of permanent support is \$60,000.

BRFV offers business plan training for their clients through network partners. Clients have worked both with A-B Tech's Small Business Center and private consultants to obtain business and marketing assistance. Funding assistance is offered through Mountain Microenterprise Fund, which also offers an eight-week training program to both BRFV users and area entrepreneurs. A-B Tech's Small Business Center also helps clients establish funding relationships, especially with local banks.

Production fees

The facility has a graduated rental rate fee structure as follows:

\$22 / hour	first 40 hours
\$18 / hour	41-80 hours
\$15 / hour	81-plus hours of rental

During 2006, the director attempted to modify some production fees for a per-unit produced cost structure, rather than on an hourly basis. This fee structure is used for cider production, which is set at \$0.60 per gallon. However, other production lines were found unsuitable for per-unit rates, as they do not encourage production efficiency from clients.

Storage fees

Storage fees are an important component of the project's overall cash flow, accounting for roughly 25 percent of all client use fees. These fees also tend to be more consistent and predictable on a month-to-month basis, whereas fees generated from production hours can vary widely.

Storage fees for pallets differ between dry, cooler and freezer, and range between \$20 and \$30 per month (dry); \$30-\$35 per month (cooler) and \$34-\$45 per month (freezer). Individual locked coolers are \$30-\$50 per month. A four-foot-long shelf in a cooler or freezer ranges from \$25-\$50 per month. Individual dry storage cages are also available at the following rates per month: 6' x 6' (\$35) and 6' x 12' (\$70). Racks in coolers or freezers range between \$25 and \$30 per month.

Client use and economic impact



Kim Austin, Carolina Culinary Prep

Among its clients in 2006, BRFV reported hosting four value-added farm businesses, two cider producers, eight bakers, eight caterers, three mobile food carts, 13 specialty-food producers (eight bottled products, three chilled products and two dried products) and two cooking instructors.

As of September 2006, 51 clients have started production at BRFV since the project opened its doors to entrepreneurs. At least three producers have graduated from the facility and six have ceased food manufacturing. As of October 2006, 41 clients are considered active. Of this group of clients, 10 to 15 producers typically use the facility in any given month, generating an average of 230 rental hours.

BRFV reports supporting the following job creation:

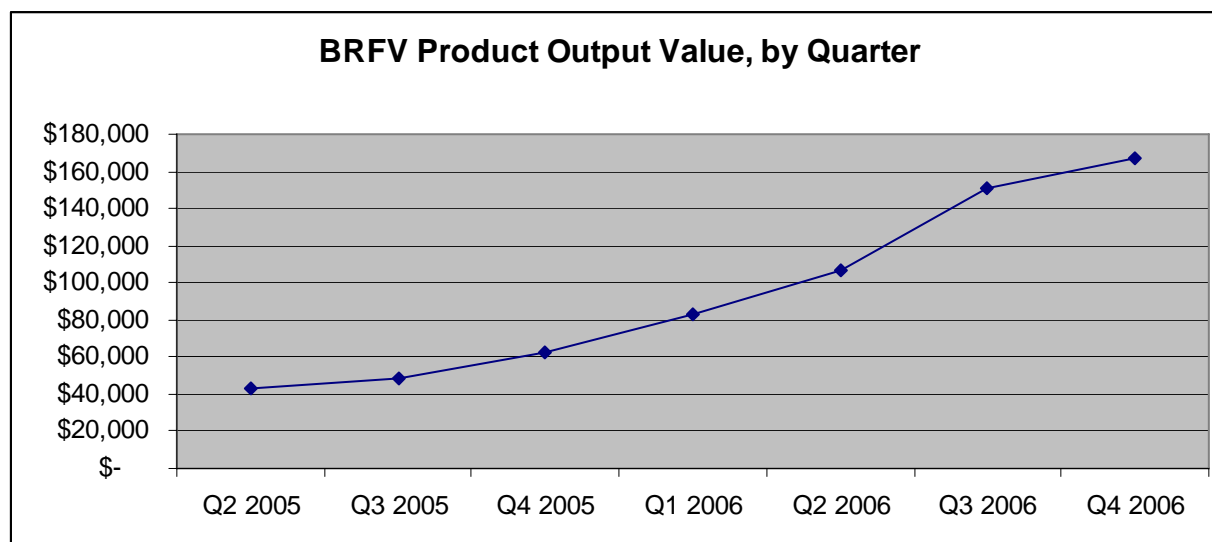
<u>Owners</u>	
Full time	20
Part time or supplemental	46
<u>Employees</u>	
Part time	17
Total jobs	83

From February 2005 to the end of December 2006, the combined production value of all clients' products was estimated at \$660,917. These figures are based on value of products sold directly

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by the clients themselves, whether wholesale, retail or catered meal. Over \$317,000, or nearly half of all value from project clients, was manufactured in the last two quarters of 2006.

On a quarterly basis, product output has steadily increased from quarter to quarter:



Farm-based economic impact



Pete Jankowski, Farmer and Food Entrepreneur

Developing Shared-use Food and Agricultural Facilities in North Carolina

The project received a large portion of its grant support based on the premise that it would serve as an economic catalyst for farm-based producers in the Western North Carolina region. The single most expensive production line at BRFV is its cider juicing, pasteurization and bottling line, which was developed largely to create value-adding opportunities for the region's many apple growers. To date, two apple growers have manufactured approximately 4,000 gallons of apple cider for retail or wholesale distribution, with an estimated value of \$16,000. Three thousand gallons of that production were by an organic apple grower for wholesale distribution at an estimated price of \$2 per half-gallon. The remaining 1,000 gallons were produced by a conventional grower who directly retailed cider at his corn maze, at an estimated retail value of \$4 per gallon. Other farm-based producers have benefited from the project in other ways, including a client who processes jams and jellies from locally grown small fruit, a hot sauce manufacturer who grows and buys local hot peppers and growers who regularly sell bulk produce to clients for further processing. While exact figures on farm-based producers generating income from the project are not known, of the \$660,917 of product produced to date, the value accruing to farm-based producers is estimated at from \$50,000 to \$60,000.



Juicing and Pasteurization Equipment

The number of farmers directly accessing the facility to manufacture foods has been lower than was initially expected. In 2006, six of the clients using the facility were primary growers of their raw materials. Many farmers appear to be uncomfortable with the prospect of being food manufacturers themselves. Process control, HACCP plans and other regulatory components of food processing are potentially intimidating to growers who are more accustomed to growing vegetables or burley tobacco. Other growers who expressed early interest in manufacturing juices and ciders have reported that they simply do not have enough hours in the day to farm and process food.

In an effort to increase economic opportunity for farmers, BRFV has attempted to pair up farmers with value-added food entrepreneurs using the facility. The idea behind this has been that the entrepreneurs could provide co-packing services for farmers, allowing farmers to pay a

fee for processing services and retain ownership of the value-added food products for wholesale or retail. In 2006, six businesses other than farmers were using a large volume of locally grown raw materials for their processing needs.

Client experiments, graduations and failures

Most clients accessing the facility since it opened continued to use its services in 2006. A few entrepreneurs have used the facility or the services of clients in the facility as a means of testing or proving a business concept and have since moved on. In 2005 and early 2006, a group of Madison County farmers used the services of a BRFV client to provide value-added processing of potatoes for distribution to area colleges and schools. After determining that the costs of co-packing fees were too high and that they were willing to provide the necessary labor, those farmers acquired their own FDA-approved processing area within the Value-Added Center of the Madison County Multi-Purpose Agricultural Complex.

Four businesses can rightly be said to have successfully graduated from BRFV. Sweet Monkey Bakery, a full-time operation run by a sole proprietor, graduated when the owner financed and built an inspected baking kitchen in the basement of her home. Income from baking at BRFV contributed to the addition of the kitchen. This business still uses BRFV for catering jobs that require more space or equipment than she has at home. Two other businesses relocated to their own restaurants and another moved her business out of state.

Two businesses ceased operations in 2006. One, a value-added trout producer, couldn't develop a packaging or formulation that could be sold. The other, a mobile cart operator in downtown Asheville, has decided to sell her carts and is in the process of doing so.

BRFV budget (Fiscal Year to June 30)

The following budgets were established for FY 2006 and FY 2007, ending June 30 along with the state's fiscal year. Actual year-one expenses only account for eight months when the project was paying fees to A-B Tech and five months when the project was generating client use fees.

Revenue	Year 1	Year 2 (Projected)
Production hours		
Bakery	\$15,732	\$21,710
Bottling	7,388	10,195
Catering	12,817	17,687
Other	6,564	9,058
Classes	860	1,187
Juice production	754	1,040
Packing only	<u>88</u>	<u>121</u>
Production revenue	\$44,203	\$60,998
Storage fees		
Cooler	\$1,902	\$2,625
Freezer	2,069	2,855
Cages	5,304	7,320
Pallet	<u>5,385</u>	<u>7,431</u>
Storage Revenue	\$14,660	\$20,231
Other Income	<u>2,948</u>	<u>4,068</u>
Total Revenue	\$61,811	\$85,287

Developing Shared-use Food and Agricultural Facilities in North Carolina

Expense

Salaries	\$47,720	\$49,152
Salary Burden	19,657	20,835
Other Professional Fees	5,330	6,700
Building Rental & Utilities	17,547	32,500
Insurance	2,748	3,000
Office Supplies	1,910	2,200
Cleaning Supplies	2,121	2,200
Waste Bin fee	865	950
Maintenance & Repair – labor	2,332	6,000
Maintenance & Repair – parts	2,376	4,000
Telephone	2,198	2,350
Travel	189	750
Legal and Accounting	75	800
Marketing	25	3,525
State Filling Fee	205	205
Other	<u>90</u>	<u>250</u>
Total Expense	\$105,388	\$135,417

NET INCOME (LOSS) (\$ 20,101) (\$ 50,130)

Grants Received \$107,000 \$95,000

2006: Establishing baselines for economic impact

2006 was the first full calendar year of operations for BRFV. Measurements from that year are therefore useful for establishing baselines of economic measurement from which to gauge future years' activities. Some key measurements for January to December 2006 are as follows:

Businesses using BRFV services: 49 (40 producers, nine for storage)

Number of consultations: 250

Percentage of consultations that result in clients: 10

Client sales of products made at BRFV: \$507,590

Client use fees paid to BRFV: \$71,301

Use fees as a percentage of sales: 14

Average rental hours/month: 230

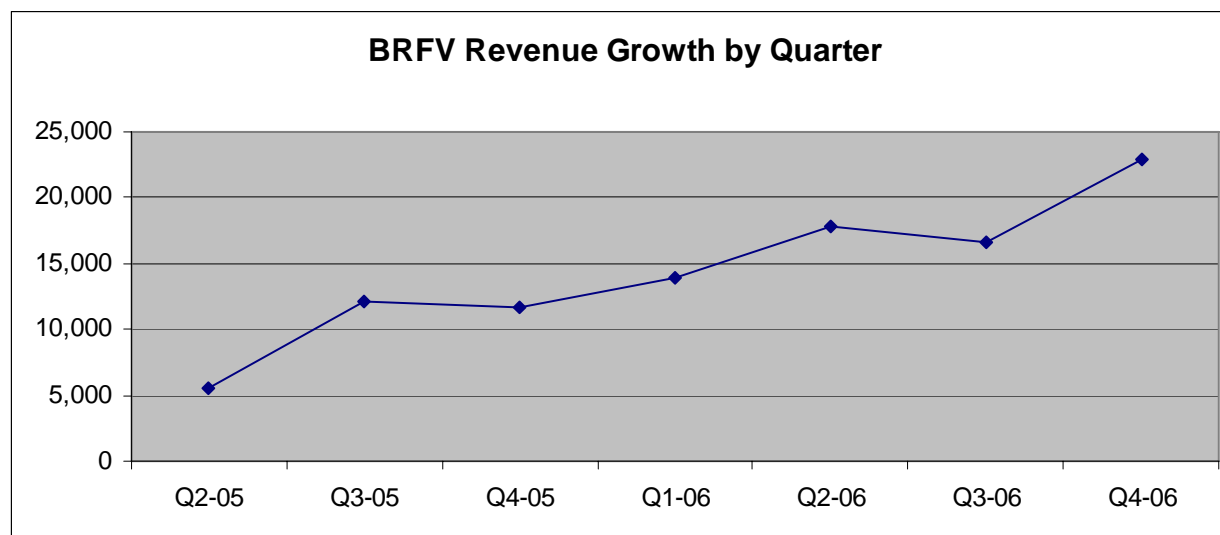
To set baselines for future comparison, calendar year 2006 expenditures are shown in the table below. For this 12-month period, basic costs of operation, excluding new equipment acquisition, were \$130,539. This works out to \$10,728 per month. By far, the largest expenses of operation are salary and fringe (\$68,714), building maintenance and utilities (\$34,927) and equipment maintenance and professional services (\$15,027):

CY 2006 Operations Costs	
<u>Category</u>	<u>Cost</u>
SALARIES	48,549
SOCIAL SECURITY	3,716
RETIREMENT	5,265
HOSPITALIZATION	10,746
UNEMPLOYMENT	438
LEGAL AND ACCOUNTING	533
STATE FILING FEE	205
OFFICE SUPPLIES	983
CLEANING SUPPLIES	2,542
WASTE BIN FEE	936
MAINTENANCE-LABOR	4,595
MAINTENANCE-PARTS	4,605
STAFF TRAVEL	980
TELEPHONE	1,222
CELL PHONE	801
OTHER PROFESSIONAL FEES	5,827
BUILDING MAINTENANCE AND UTILITIES	34,927
INSURANCE	2,767
DUES	240
RETURN OF DEPOSITS	202
Software	375
WEB EXPENSE	25
Service Charges	60
Base Cost of Operations	130,539
EQUIPMENT ACQUISITION	13,774
Total Expenses	144,313

Prospects for long-term viability

Project developers designed BRFV with the goal of achieving current account self-sufficiency after three years of operations. In nearly two years of operations, BRFV has had sustained increases in the number clients accessing the facility, with a corresponding steady rise in project income from client fees and value of product manufactured and sold by clients. From the second quarter of 2005 to the end of 2006, project revenue from clients rose from just over \$5,000 to almost \$23,000. Revenues from the fourth quarter of 2005 to the fourth quarter of 2006 rose by almost 100 PERCENT. During this same period, the quarterly value of products manufactured and sold directly by the clients rose from just over \$60,000 to \$166,681.

Developing Shared-use Food and Agricultural Facilities in North Carolina



Calendar year 2006 base expenses totaled \$130,539, exceeding the \$71,304 in project income from client fees by \$59,235. For the year, the project was just under 55 PERCENT self-sufficient.

The lead researcher believes that a correlation can be made between fees being paid by clients accessing the facility and product output value as a measurement of project viability. The project must be at once fiscally sustainable while remaining economically viable for clients. Since the second quarter of 2005, the percentage of client use fees to total product output value is just over 15 percent. This can be a useful formula for estimating the amount of product value a project must generate in order to meet anticipated operating costs.

CY Quarter:	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Totals*
Use Fees \$	5,530	12,105	11,665	13,986	17,796	16,661	22,861	100,604
Output \$	25715	48662	62060	82981	106798	151130	166681	644,027
Fees/ Output	0.215	0.249	0.188	0.169	0.167	0.110	0.137	0.156

*Does not include Feb and March 2005

As output values increase, and as clients presumably become more efficient, the percentage of fees to output value drops. On a quarterly basis, the fee to output percentage has dropped from over 21 percent to just below 14 percent.

The project is not likely to reach its original goal of 100 percent self-sufficiency by February 2008. It appears that 2007 will be a crucial year to measure whether the project's quarterly income stalls, slows or continues to experience rapid growth. A year-on-year quarterly income growth of 30 percent would be a healthy sign that the project can ultimately reach its goal of billing approximately \$130,000 per year in client use fees. The ratio of fees to client production output value would likewise need to remain in the same range of 14 percent as in 2006.

A healthy revenue projection for 2007, as demonstrated below, would have client use fees exceed \$90,000, with client product output values exceeding \$650,000.

2007 Revenue Projection, 30% Year on Year Quarterly Growth					
CY Quarter:	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Totals 2007
Use Fees \$	18,182	23,135	21,659	29,719	92,695
Output \$	129871	165250	154707	212278	662106
Fees/ Output	14%	14%	14%	14%	14%

Best practices and lessons learned

Executive director comments

The number one challenge facing BRFV is attracting and keeping clients. The director reports that in calendar year 2006, she received an average of about 20 inquiries a month from potential clients by phone and email. She had 25 new businesses start up in 2006, working out roughly to 10 percent of inquiries turning into real clients.

As would be expected, not all users stay in business. Some decide the food business is not for them and discontinue their use of the facility. Accordingly, keeping the pipeline full is a time-consuming yet crucial task if the facility is to keep clients.

A second major challenge is keeping the facility in good operating condition. Without maintenance personnel, keeping up with equipment maintenance and repair is difficult. The director also reported that the job of running a facility without help is difficult. The director's job can entail all interaction with clients, including client marketing and developing a client-services and technical-assistance plan, facility management and certain community economic-development tasks. If grant writing and administration is added, one person would be severely stretched to fulfill all those obligations.

On the positive side, the director was pleased that the facility was open and operating and still offered local residents economic opportunity in food businesses. Surviving through the startup phase was seen as a great success.

The director offered the following advice for anyone thinking of establishing such a facility:

- Base your decision on a sound feasibility study.
- Don't be an imitator – every community is unique, so approach food entrepreneurship from your community's unique perspective.
- Include individuals on your steering committee who are both detail oriented and have political savvy – you will need grant funding to establish your facility.
- Start with a fee structure that works for all types of users – it's hard to change your structure after you are open. Your creative fee structure may need to be based on something other than time (e.g., units, margin, etc.)

Researcher comments and conclusion

BRFV appears to be achieving measurable successes in job creation and income generation for clients accessing its services. However, the project faces several key challenges going forward:

- The project must target increased efforts to engage farmers and farm-based producers in using its services. A key lesson learned is that farmers need intensive outreach in order to recognize the opportunities in value-added food production.

Developing Shared-use Food and Agricultural Facilities in North Carolina

- For the foreseeable future, the project will continue to be understaffed and the executive director will continue to be stretched to supply the full range of services required by clients.
- Despite enjoying steady increases in client use fees and product output values, the project will need to experience sustained year-on-year quarterly growth to achieve a level of financial self-sufficiency.

In calendar year 2007, performance measures in terms of economic impact and project income from client use fees should give a clearer indication of whether this project will have long-term viability and be able to achieve a level of self-sufficiency.

Creative Food Ventures

Ashe County Partnership for Children
626 Ashe Central School Road
Jefferson, NC 28640
Carol Coulter, Executive Director
(336) 982-5127



Quick Facts

Status: Open for business January 2007 – Grand Opening Spring 2007

Grant Funds Awarded/Used: \$828,888

Total Anticipated Investment: \$1,200,000

Project description

Creative Food Ventures (CFV) is a full-scale, value-added food processing center located at Ashe Family Central. Like BRFV, it is designed to serve food entrepreneurs, caterers and farm-based producers. While only having 4,500 square feet of space, CFV is designed as a regional facility to serve the northwestern region of the state, including Ashe, Alleghany, Watauga and Wilkes counties. The small allocated space is offset by the fact that the project is located in a larger facility with access to office space and support staff. The project was championed and initiated by the Ashe County Partnership for Children (ACPC), a nonprofit organization designed to provide programs and services for families and children in that county. ACPC serves as an umbrella organization for family support programs including:

Developing Shared-use Food and Agricultural Facilities in North Carolina

- Smart Start programs to benefit children age birth through five years and their families
- Domestic Violence Services, including shelter services
- A family literacy program with transportation, child care, and family support services
- An Individual Development Account program, a matching program to assist the working poor with housing, small business or education
- Family Central, a community center offering Family Support, recreation and economic development programs and services

In addition, Family Central hosts the Ashe County JobLink/Employment Security Commission. JobLink/ESC is dedicated to providing and continuously improving career opportunities and services through the combined efforts of community resources, including human resources development, vocational rehabilitation and Work First.

Family Central is the former Ashe Central High School. It opened in 1998 and has since attracted a large number of programs and organizations broadly engaged in improving families and communities. Creative Food Ventures opened for business in January 2007 in the former high school's vocational education wing and brings Family Central up to 100 percent occupancy. More than 100 employees of various family-service agencies and nonprofits are housed at Family Central.

Pre-development preparedness

In many respects, Creative Food Ventures is a sister project of Blue Ridge Food Ventures. Initial plans for the facility date back to 2002, when an informal group of organizations including New River Community Partners, Blue Ridge Resource Conservation and Development and area Cooperative Extension agents began discussions on developing a facility somewhere in the region. In March 2002, representative from Boone accompanied a group of Asheville-area service providers on a tour of the ACEnet facility in Athens, Ohio, when the first funding requests for a feasibility study were being made for Blue Ridge Food Ventures. Also on this tour was a Brushy Mountains area apple grower interested in value-added processing.

Following this visit to ACEnet, the northwest group began a process of surveying potential users for a shared-use facility in the Boone area. According to Stan Steury, a former director of Blue Ridge Resource Conservation & Development, initial efforts were focused on establishing a facility at a former landfill in Wilkes County where methane gas could be entrapped to provide utilities for the project. However, during the feasibility study, researchers identified the Ashe Family Central location as the best option for developing the project. Researchers felt that use of the Jefferson location as a food-business incubator would still be able to attract users from as far away as Boone. Given the willingness by Ashe County Partnership for Children to host the facility and serve as a lead development agent, focus shifted to this location.

The executive director reports having benefited from the earlier development of Blue Ridge Food Ventures. CFV has not had to reinvent the wheel in developing policies and conceptual materials for the project and has been able to use existing documents from BRFV as a template. BRFV has also been an important source of information about equipment specifications, anticipated costs of development and recommended client use fees.

In terms of pre-development preparedness, this project was extremely well prepared to handle the multiple tasks and attention to detail necessary to get the project up and running. The

Developing Shared-use Food and Agricultural Facilities in North Carolina

identification of a preexisting site gave staff confidence that the project was real and was tremendously helpful in strengthening proposals. Pre-development staffing existed both within the lead agency, ACPC, and also within partner organizations like New River Community Partners and Blue Ridge RC&D. However, project development duties were add-ons to existing responsibilities, with very little project funding allocated to supporting staff at this stage. The executive director estimates that in-kind contributions of labor among all partners totaled \$80,000 over a two-year period.

Uses of funds



Basic Cooking Equipment at CFV

In 2004, New River Community Partners received a \$15,000 grant from RAFI-USA's Tobacco Communities Reinvestment Fund to conduct a feasibility study on establishing a shared-use food processing center in the northwest region. These funds were matched with a \$15,000 grant from the Z. Smith Reynolds Foundation. Feasibility research was led by Cameron Wold, a co-author of this report. Based upon the institutional strength of ACPC, the availability of a site located with other service providers and measured community demand for food processing facilities the feasibility study determined that this project was viable.

In early 2005, ACPC received a \$90,000 Economic Innovations Grant from the NC Rural Center for architectural and design fees, project management and construction. That same year, Ashe County government received a \$260,700 allocation from the Community Development Block Grant (CDBG) Entrepreneurial Incubator Provisional Grants program. This grant program was jointly managed by the NC Rural Center and the NC Department of Commerce. All of these funds were used for construction of the facility. Because of federal CDBG guidelines for use of these funds, the project will focus heavily on serving lower-income residents of Ashe County. Also in 2005, the county received a \$198,673 grant from the Appalachian Regional Commission to complete fundraising for the site's renovation and construction. The county also allocated

Developing Shared-use Food and Agricultural Facilities in North Carolina

\$17,500 to support the kitchen manager's salary once the project opened for business. Commissioners have since approved forwarding this allocation into 2007.

To date, the project has received grants and allocations of \$828,888. Building renovations have cost approximately \$588,000 and equipment acquisition costs are anticipated at \$300,000. The project is still seeking grant funds to complete equipment acquisition to provide the full range of food and agricultural processing services it has envisioned.

Project Revenue

Revenue for the Kitchen			
Source of Funds	Amount	Use of Funds	Recipient
County of Ashe	\$ 17,500.00	Kitchen Director	Budget Allocation
RAFI	\$ 15,000.00	Feasibility Study	NRCP
Z. Smith Reynolds	\$ 15,000.00	Feasibility Study	NRCP
CDBG	\$ 260,700.00	Construction	Ashe Co
ARC	\$ 198,673.00	Construction	Ashe Co
NC Rural Center	\$ 90,000.00	Architect & Construction	AFPC
Golden LEAF	\$ 92,000.00	Construction and Equipment	
Z. Smith Reynolds	\$ 30,000.00	Kitchen Operations	AFPC
RAFI	\$ 29,780.00	Kitchen Operations	AFPC
USDA FMPP	\$ 45,235.00	Kitchen equipment	Ashe Co
Golf Tournament	\$ 35,000.00	Construction	AFPC
Total	\$ 828,888.00		

Client use, economic impact and program development

CFV is designed as a regional project to serve farmers, caterers and food entrepreneurs in the northwestern section of the state. Because the project has just opened for business, no economic impacts have been measured. Based upon the experience of Blue Ridge Food Ventures, researchers recommend establishing a baseline of economic development activity at the end of calendar year 2008. In 2007, the project can be expected to attract numerous small businesses, however the uncertainties of a newly opened facility are guaranteed to present challenges and unforeseen issues that will need to be smoothed out before the project can be considered in full and normal operational mode.

Several entrepreneurs have indicated a willingness to start or relocate their businesses to CFV once it is fully operational. Other entrepreneurial opportunities have presented themselves to the project and the management expects to play a proactive role in capitalizing on them. Unlike BRFV, CFV anticipates setting up certain manufacturing services directly by the project. CFV will be a manufacturer of products as well as hosting clients who will manufacture themselves. For example, the Ashe County jail has entered discussions with the project to provide meals to inmates on a contract basis. The executive director plans to develop a culinary training program that will engage low-income individuals who will learn how to prepare meals for the jail and at the same time receive training in food preparation. Likewise, the project anticipates directly

providing co-packing services to farmers in the region to add value to their farm-based production.

With the site at Ashe Family Central, existing services within the complex are identified to be built up and tailored to support entrepreneurs accessing the kitchen. These include Job Link, Individual Development Accounts and pro-bono or reduced CPA and legal support. ACPC also plans to target financial literacy training for food entrepreneurs, including how to use such accounting software as QuickBooks.

CFV is considering developing a micro-loan program for clients accessing the facility as well as a rent-to-own program for specialized equipment needs. Family Central's existing Individual Development Accounts program creates development accounts where clients can put in \$1,000 in savings to receive a \$2,000 match. Those receiving financial literacy training must be earning 80 percent or less of the county mean for personal income.

Farm-based economic impact

The executive director anticipates developing targeted co-packing services for apple growers in the Brushy Mountains region of Wilkes County. Her model envisions the project buying raw materials (apples) directly from farmers, then processing them into such items as apple turnovers and other baked goods and then selling them back to the farmers on a wholesale basis.



PieMaster Turnover Machine

This strategy is untested in North Carolina but has the potential to address several needs. Based on the BRFV experience, farmers are often reluctant, unwilling or unable to directly manufacture value-added foods themselves. By having another organization handle food processing, Brushy Mountain farmers, many of whom have established direct retail sales for their apples, will be able to diversify their income streams without incurring the time and effort to manufacture products themselves. By partnering with workforce development organizations such as JobLink, co-packing services will provide a venue for training low-income individuals in food processing for future work opportunities in the food-service trades. Finally, the model of directly manufacturing and selling value-added food products could add a needed revenue stream to the project and help it achieve current account self-sufficiency.

Legal structure

The project is currently owned by the ACPC. The long-term plan for the project is to establish a new 501(c)3 nonprofit with overall management of the entire Ashe Family Central building facility, Creative Food Ventures and the IDA Program. Creative Food Ventures will be established as an LLC wholly owned by the new nonprofit. Project leaders plan to use as a model the development of Blue Ridge Food Ventures as a subsidiary LLC of AdvantageWest.

Institutional capacity

CFV enjoys deeper multi-institutional support from local and regional community and political organizations than any other shared-use food and agricultural project in the state. Unlike most projects, where a single lead fiscal agent receives and manages all external project funds, several of CFV's partners have received grants from various organizations and have played fiscal management roles for various parts of the development process. In addition to ACPC, the project has received substantial support from the director of Ashe County Economic Development, the High Country Council of Governments, New River Community Partners and Blue Ridge Resource Conservation & Development. Other support organizations include the Blue Ridge Electric Membership Cooperative, Appalachian State University's Appalachian Regional Development Institute (ARDI), AdvantageWest North Carolina and Blue Ridge Women in Agriculture

In terms of institutional capacity, the project is very fortunate. Executive director Carol Coulter has worked to develop Ashe Family Central for nearly 10 years. She is experienced in grant writing, project development and renovation of facilities. Partnering organizations have provided extensive services in the development phase. The county economic-development office has served as a recipient for several grants and the High Country Council of Governments has provided financial management and oversight for most federal funds allocated to the project. Other organizations have initiated training and outreach services to potential clients. ARDI has developed a food-based mentoring program pairing established food businesses with startups and Blue Ridge Women in Agriculture has received a grant to research institutional markets such as schools and hospitals to determine market demand for specific products.

The founders of CFV established a community steering committee representing the following organizations:

- New River Community Partners
- Ashe Cooperative Extension
- Watauga Cooperative Extension
- Wilkes Cooperative Extension
- Ashe County Economic Development
- Blue Ridge RC&D
- One value-added farmer
- One food entrepreneur
- One apple grower
- High Country Council of Governments

Management and use policies

CFV will borrow heavily from BRFV in establishing management and use policies, including a fee structure for production time and storage by facility clients. A graduated rental rate fee structure is recommended, ranging from \$15 to \$22 an hour. Storage fees will vary widely

Developing Shared-use Food and Agricultural Facilities in North Carolina

according to space and whether it is dry or cold storage. Project developers are advised to target storage fees to account for approximately 25 percent of total client use fees.

Management budget

CFV anticipated an annual operating budget of \$87,700 for fiscal year 2006-2007. Because of the delay in opening, actual FY operating costs should be much lower. The first full fiscal year's planned budget should adhere to the \$87,700 budget.

Kitchen Operating Budget (first full year of operation)	
Full Time Director*	\$ 35,000.00
Part time Assistant	\$ 12,000.00
Contracted Services	\$ 5,000.00
Travel	\$ 1,500.00
Office Supplies	\$ 3,000.00
Rent and Utilities	\$ 20,500.00
Telephone and fax	\$ 1,200.00
Insurance	\$ 3,500.00
Printing	\$ 1,000.00
Equipment	\$ 5,000.00
Total Costs	\$ 87,700.00

This is a shared position with Family Central

CFV enjoys a decided advantage over some other projects (including BRFV) in its tenant/landlord relations, in that the landlord is also the lead agent for the project's development. The cost of the full-time director position is shared with the landlord. While the anticipated lease and utilities fee is \$20,500 per year, Ashe Family Central would presumably have a degree of latitude in its rental fees based on income generation from client use fees and co-packing profits.

Project revenue

The project will attempt to achieve current account break-even after an initial ramp-up phase, estimated by the executive director to be two years from opening. While researchers believe this two-year period to be overly ambitious, to achieve this goal in a reasonable amount of time they recommend that project managers resist the temptation to heavily subsidize client use fees and co-packing production fees. At the same time, the business success of clients will have a direct correlation to whether the project can generate sufficient income. Focused business-development services from CFV and its partners – including account books training and market development – could be the crucial factor for this project's success.

Developing Shared-use Food and Agricultural Facilities in North Carolina

Efforts at workforce development and co-packing for farmers are innovative strategies that could generate a sizable portion of overall revenue. Should these efforts prove successful, other projects around the state and country could model similar components into their programs.

A reasonable breakdown of revenue streams after an initial three-to-five year startup phase could be as follows:

Production hour rental fees:	\$45,000 - 208 hours/mo @ \$18/hr
Client storage fees:	13,000 - ca. 25% client use fees
Consulting & Training:	10,000 - JobLink, consulting for other projects
Co-packing profits:	<u>20,000</u> - Foodservice for county jail, apple processing
Total Revenues	\$88,000

Demographic considerations

CFV's service area comprises all of northwestern North Carolina, mainly the counties of Ashe, Watauga, Alleghany and Wilkes. This region is mountainous and mostly rural, populated by a mix of long-term residents, retirees and highly educated employees of Appalachian State University in Boone. The region enjoys a robust tourism industry with the Blue Ridge Parkway, Grandfather Mountain and other tourist destinations nearby. The U.S. Census gave a combined-year 2000 population for the four counties of 143,338 persons.

The rural nature of the service area may hamper efforts to attract and develop small entrepreneurial businesses. However, positive factors – such as the existence of a large university, the positive effects of tourism on food-related businesses and the extraordinary collaborative nature of the project – may serve to offset weaknesses of location in a sparsely populated region.

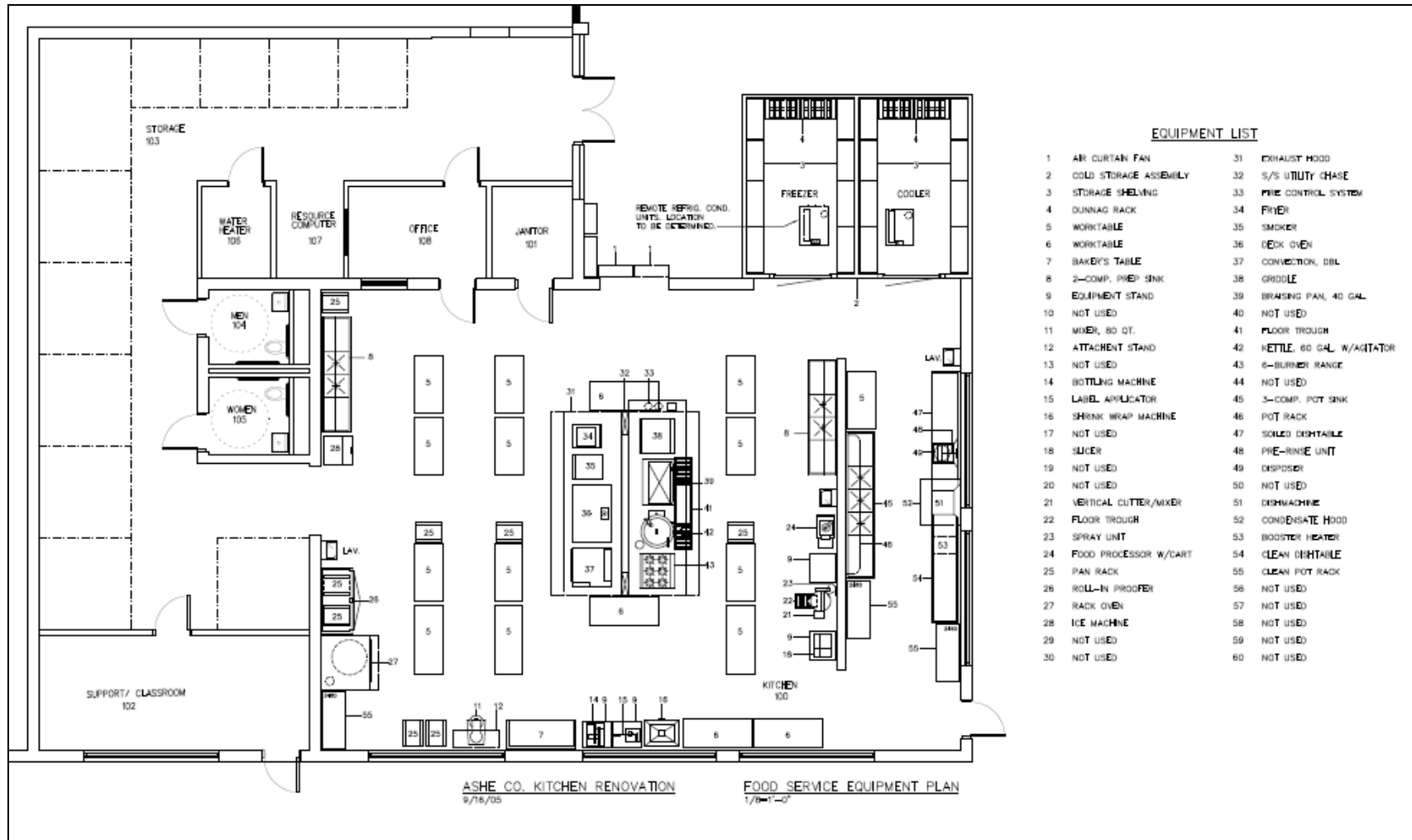
Current project needs

The period of time from when initial grant-funding requests were submitted to the date of project opening was approximately 28 months. The executive director reports that from the time grant funding was secured to get the project underway to the actual completion of the project, building materials increased in cost dramatically, especially for copper and stainless steel.

Due to these increased costs in building materials and the price of equipment, the project is now ready to open, but with limited equipment. The executive director reports that as of January 2007, the project's biggest need is for funding to purchase equipment, including a steam-jacketed kettle, a convection oven, a large floor mixer and a grill. They are also in need of packaging equipment, including a bottling machine, shrink-wrap tunnel, vacuum sealer and label applicator.

The second type of need is for continued operating support while the project builds its client base. The late opening (originally planned for early fall 2006) has forced the project to use operating funds to get open, without any attendant income. The project leaders have continued to apply for grants and are hopeful they will be successful. They expect to be able to break even in two years and then be able to generate a small profit after that.

Creative Food Ventures Floor Plan



The executive director reports a third need is to be able to meet with other shared-use community kitchen staff to share challenges, solutions, information and resources. She has proposed forming an association of kitchen staff that meets on a regular basis to strengthen programs.

Prospects for long-term viability

Like all shared-use food and agricultural facilities, CFV staff will have to work hard and think creatively to maintain long-term viability. As discussed in the section on Blue Ridge Food Ventures, the lead researcher believes there is a useful correlation between the value of products manufactured at the facility and the fees generated from client use and product storage. A reasonable ratio of use fees to client product output value is 15 percent. At that ratio, to generate \$58,000 in fees from client use, product value sold directly by clients should approach \$390,000. To achieve co-packing profits of \$20,000, total product output value should approach \$100,000 if a 20-percent profit margin is realized.

The lead researcher believes these goals can be achieved, although they are not likely within the two-year timeframe hoped for by project leaders. A more reasonable goal is to target self-sufficiency by the end of calendar year 2009.

The necessary product output value for both clients and the co-packing services is just under \$500,000 and is almost the same value of production at Blue Ridge Food Ventures in calendar year 2006. To achieve this level of production, CFV will need to have a range of production equipment and a client base that is similar to that found in the Buncombe County project.

Conclusions: Lessons learned and recommendations

Executive director recommendations for best practices

Institutional capacity is crucial. The executive director believes that a very important component of institutional capacity is a certain length of time of existence for the lead agency, with some experience and sense of project management. Lead project managers for this type of endeavor should have knowledge of facility maintenance, construction and grant writing. Also important is a supportive board of directors that allows for a high degree of creativity. The lead agency needs many good relationships and collaboration with other existing organizations.

According to the executive director, a project like this needs “lots and lots” of upfront planning. This includes engagement with the larger community and partnership development. Organizations planning a project of this nature should first and foremost proceed only if the plan is deemed feasible and not just because it is a “neat thing to do.”

Some major problems and challenges faced by the project were the huge lag time between engaging the architect and bidding the project, during which time material costs skyrocketed. Another issue was trouble with getting the architect to understand what the project entailed. The executive director finally sent him to Blue Ridge Food Ventures for a look, after which he understood much better how to design the project.

For the executive director, a major success has been getting the needed capital to complete the facility’s renovation and in developing the collaboration of partners who have written grants, promoted the project and recruited users.

Researcher comments and suggestions

CFV can serve as a prime model for those wishing to build institutional capacity for developing shared-use food and agricultural facilities. Funding agencies should take great care to assure that

Developing Shared-use Food and Agricultural Facilities in North Carolina

any project under consideration has a similar level of multi-organizational collaboration and institutional capacity before committing resources.

CFV reports that it will be unable to offer its planned range of food-production services unless additional resources are identified to purchase needed food-production equipment. Despite over \$800,000 in grant funds committed so far, the project cannot realize its potential without limited additional resources to buy the equipment identified in the section on Current Project Needs above. Good used equipment of this nature can be sourced with little difficulty for less than \$60,000.

Culinary Technology Program

Carteret Community College

Perry Harker

Vice president of Corporate and Community Education

Morehead City, NC



Culinary Technology Program

Quick Facts

Status: Feasibility study conducted in 2005

No development to date

Potential project development within existing culinary program

Project description

Carteret Community College (CCC) is among the 59 institutions that comprise the North Carolina Community College System. It is located along the Intracoastal Waterway in Morehead City on the shores of Bogue Sound. CCC started as a limited technical college, but over the years has broadened its course offerings to include a full range of technical and vocational programs.

This CCC food project is associated with the Culinary Arts program, which CCC calls Culinary Technology. CCC offers 18 courses under the culinary label, ranging from basic sanitation to advanced culinary skills. The program curriculum requires a total of 30 classes from Culinary Technology and other disciplines all leading to an Associate of Arts in Applied Science degree. The CCC Culinary Technology (CT) website states:

The Culinary Technology curriculum provides specific training required to prepare students to assume positions as trained culinary professionals in a

variety of food service settings including full service restaurants, hotels, resorts, clubs, catering operations, contract food service, and health care facilities.

Graduates can qualify for entry-level positions such as line cook, station chef, and assistant pastry chef. American Culinary Federation certification is available to graduates. With experience, graduates may advance to positions such as sous-chef, executive chef, or food service manager.⁹

CCC currently operates its CT program in a 50-year-old building that formerly housed a fast food restaurant. The food equipment has been placed in the building as well as the existing building configuration would allow. This configuration has also severely limited classroom space.

CCC does not believe the building is optimum for the CT program and wishes to develop a new site for its program. CCC believes that a new facility could meet the needs of the Culinary Technology program and offer suitable and legal processing space for area food entrepreneurs.

Pre-development preparedness

The concept of a shared-use commercial kitchen surfaced in the region as early as 2004. This concept was discussed at several area Cooperative Extension meetings. Based on information about the Blue Ridge Food Ventures program in Asheville, a local group was formed to investigate establishing a food incubator in the community. The group included representatives from the Carteret County Economic Development Council (EDC), the NC Seafood Lab, Carteret Community College, Carteret County Health Department as well as Cooperative Extension and the North Carolina Department of Agriculture.

Due to the loss of tobacco as a cash crop, a void had been created among local farmers. It was hoped the project would spur local farmers to pursue other crops to raise and investigate ways to add value to their harvests. The group also believed that there was a potential to add value to the aquaculture and seafood industry as well as home-based caterers.

In February 2005, a \$24,000 Economic Innovations Grant was secured from the NC Rural Center, and Wold & Associates, Inc. was engaged to perform a feasibility study. It was agreed among the group that the lead agency would be the Carteret County Economic Development Council.

A steering committee was formed which included representatives from the community college, local economic development, and several state agencies:

Name	Organization
Shirley Powell	Assistant Director Carteret County EDC
Betsy DeCampo	CCC, Microenterprise Program Coordinator
Van Reels	Divisional Director, Coastal & Applied Technologies
Dan Weathington	Agriculture Business Development Representative,

⁹ http://www.carteret.edu/education/academicprograms/culinary/culinary_index.htm

Developing Shared-use Food and Agricultural Facilities in North Carolina

	NC Dept. of Agriculture
Dr. David Green	Director, Center for Marine Sciences & Technology
Dr. J. T. Garrett	Director, Carteret County Health Department
Louise Mathews	CCC, Vice President of College Advancement
Perry Harker	CCC, Vice President of Continuing Education
Matt Tervo	Co-owner Insider's Guide
Barry Nash	Seafood Technical Specialist
Ray Harris	Director, Carteret Co. Cooperative Extension
Mary Marino	Food entrepreneur

No staff has been hired specifically by CCC for this project. CCC staff and other steering-committee volunteers have performed all the work on the project to date. The feasibility study was completed by the consultants in October 2005.

The study called for two possible options. One option was to develop a facility within a future Culinary Technology building on campus. This proposed building would house the culinary technology program, both classroom and food-preparation/storage areas and a space for a shared-use commercial kitchen/food processing area.

Another option was to add on to the existing Culinary Technology building. While the existing building was adjacent to the CCC campus, it was old and needed much renovation and improvement if it would house both a first-class regional culinary arts program and provide legal and appropriate processing space for area packaged food producers and caterers. The cost to completely renovate the old building made it prohibitive if the desire was to establish a first-class facility. Given this, the first option was deemed the preferable one, subject to the ability to secure funding.

A third option had been discussed and then discarded during the feasibility process. It involved an empty middle school in the area. While the available school building was in much better shape than the existing CT building and would have been somewhat less expensive to develop than a totally new building, it too would require substantial refitting to accommodate the two intended uses. Perhaps most troubling, it was located a considerable distance from campus, and the shuttling of students between the two campuses would have been problematic.

Project budget and fundraising

The feasibility study developed project budgets for the two options mentioned above:

- Option A: The capital budget to fully develop and equip a 7,000-square-foot facility to be included in a future CCC Culinary Arts building of \$1,662,954, consisting of building costs (\$885,000), kitchen equipment (\$604,454), architecture and engineering fees (\$88,500) and a startup expense/capital reserve (\$85,000).
- Option B: The capital budget to fully develop a small 1,000-square-foot addition to the existing CCC Culinary Arts building and equip the facility of \$413,165, consisting of

building costs (\$189,750), kitchen equipment (\$154,440), architecture and engineering fees (\$18,975) and a startup expense/capital reserve (\$50,000).

The feasibility study clearly pointed out that when groups across the country attempted to finance such facilities with debt, they had fared poorly. It was suggested that CCC pursue grant funding to develop the shared-use commercial kitchen portion of the facility.

Legal structure and support

The feasibility study identified CCC as the most likely champion of this project. This was due in part to their instructional capacity and also to the fact that the project would marry the culinary technology program to a community outreach component.

While the school itself would not be eligible for certain grant funding tied to economic development, the college houses and enjoys a mutually beneficial relationship with the Carteret County EDC, which, as a 501(c)3 nonprofit, is eligible to apply for those grants. Further, CCC has established a foundation, the Carteret Community College Foundation, which is structured as a 501(c)3 and is therefore eligible to apply for many grants tied to economic development and job creation. Perhaps most importantly, CCC itself is able to use bond financing to construct college buildings.

Institutional capacity

Compared with many organizations that develop such programs, CCC has tremendous institutional capacity. The importance that the staying power of a large institution plays in the success of value-added food projects cannot be overemphasized. CCC has immediate availability to considerable financial and human resources. Further, to enhance the buy-in for the community and various state agencies, CCC formed a steering committee that very well represented the community, region and state.

Management

CCC is prepared to develop a management policy for the facility using the existing guidelines within the college as well as the management policy section provided for them in the feasibility report. The feasibility study provided much-needed guidance on management issues, including operations, regulatory environment and compliance, staffing and risk management. Perhaps most importantly, the study developed a tenant-services plan that showed CCC how to provide training, technical assistance and access to capital to their food processing tenants.

CCC has not developed a full business plan as yet. However, having the head of the culinary technology program already under payroll and having the availability of both CT and business faculty is a big advantage in the development of the business plan.

The feasibility study developed a three-year operations budget for both options discussed earlier. Revenues and expenses are highly dependent on the size of the facility. The larger, 7,000-square-foot facility could generate larger revenue, while the smaller 1,000-square-foot add-on to the existing CT building would offer more limited revenue due to the limited space.

Developing Shared-use Food and Agricultural Facilities in North Carolina

Facility design: Square footages

Option A: 7,000-square-foot added on to a future CCC Culinary Arts building

Area	Total Sq. Ft.
Food Production Area	
Wet/Hot/Bakery production	1,000
Total food production area	1,000
Warehouse/ dry and cold storage ¹	4,000
Administration / office / support	2,000
Total Square Feet	7,000

¹Includes Walk-in Cooler (576 sq. ft.) and Walk-in Freezer (576 sq. ft.).

Option B: 1,000-square-foot added-on to existing CCC Culinary Arts building

Area	Total Sq. Ft.
Food Production Area	
Wet/Hot/Bakery production	730
Total food production area ¹	730
Warehouse/ dry storage	0
Administration / office / support	270
Total Square Feet	1,000

Both options would be staffed by the head of the CT program (as director) and would include a part-time receptionist/administrative assistant.

Three-year operating budget options:

Option A – 7,000-square-foot addition to a future CCC Culinary Arts building

	Year 1	Year 2	Year 3
Projected Revenue:			
Annual Rental Income	\$70,200	\$91,440	\$121,680
Storage rental &			
Warehouse fee income	\$2,000	3,500	\$ 5,000
Misc. office fees	<u>\$ 1,000</u>	<u>\$ 2,000</u>	<u>\$ 3,000</u>
Total Income	\$73,200	\$96,940	\$129,680

Developing Shared-use Food and Agricultural Facilities in North Carolina

Less Expenses:

Personnel			
Salaries	45,000	62,250	65,362
Fringe (25%)	<u>11,250</u>	<u>15,562</u>	<u>16,341</u>
Total	56,250	77,812	81,703
Utilities (elec, watr, gas)	16,000	17,600	19,360
Bldg. Maint & Repair	2,000	4,000	6,000
Equip. Maint & Repair	2,000	4,000	6,000
Marketing	0	4,000	4,000
Supplies & Chemicals	2,000	2,500	3,000
Membership & Advertising	1,500	1,000	1,000
Postage	500	400	400
Telephone	3,000	3,000	3,300
Insurance	8,000	8,800	9,680
Taxes	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total Expenses	\$91,250	\$123,112	\$134,433
Net operating	(\$18,050)	(\$ 26,172)	(\$ 4,763)

Option B - Projected Revenue - 1,000-square-foot addition to the existing CCC Culinary Technology building

Annual Rental Income	\$26,460	\$34,020	\$44,460
Storage rental & Warehouse fee income	n/a	n/a	n/a
Misc. office fees	<u>500</u>	<u>1,000</u>	<u>1,500</u>
Total Income	\$26,960	\$35,020	\$45,980

Less Expenses:

Personnel			
Fixed contract	15,000	17,500	20,000
Utilities (elec, watr, gas)	8,280	9,808	12,388
Bldg. Maint & Repair	200	400	600
Equip. Maint & Repair	200	400	600
Marketing	0	1,000	1,000
Supplies & Chemicals	500	500	1,000
Membership & Advertising	n/a	n/a	n/a
Postage	100	100	100
Telephone	500	500	500
Insurance	4,000	4,800	5,200
Taxes	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total Expenses	\$27,780	\$35,008	\$41,388
Net operating	(\$ 820)	\$ 12	\$ 4,592

Use of demographic information

The feasibility study provided demographic information and information gathered about potential users based on a users survey. The study-area boundary included the counties of Carteret, Craven, Jones, Onslow and Pamlico. General demographic information was provided concerning population, housing units, etc.

Developing Shared-use Food and Agricultural Facilities in North Carolina

More specifically, the study provided information about prospective facility users based on the local users survey. A profile of prospective users was developed and included the following findings:

- The 37 surveys compiled all show consistent support of the shared-use commercial kitchen concept. However, survey support does not provide a sufficient basis for a positive feasibility determination. The number of potential users and the extent to which they would utilize the shared-use facility is insufficient to support a standalone kitchen incubator.
- While a standalone project is not feasible, a shared-use kitchen could be a part of the Carteret Community College Culinary Arts program. Establishing the kitchen as a component of an established and stable entity is feasible. As demonstrated in the survey results, a conservative estimate shows that a kitchen facility could generate several users willing to use the facility consistently on a weekly basis. This illustrates a small but ongoing demand for this type kitchen facility.
- Interested users identified themselves as producing (or wishing to produce) a variety of food items. The food categories mentioned were specialty/gourmet food production (52%), catering services (17%), value-added farm producer (8%) and church/civic group and cart vendor (6%) each. A number of the respondents plan to produce multiple food items or be a caterer and specialty food producer.

Best practices

CCC engaged an architectural firm recently to develop a master plan for the college. This group believes that developing a new building to house the CT program and a food processing facility is the best use of CCC resources. The “build new” scenario is especially important given the college’s desire to develop a first-class regional culinary arts program. To this end, CCC reports that in terms of this project their number-one challenge is fundraising.

Last year CCC submitted a grant to the NC Rural Center to further develop the project, and that grant was not approved. The college plans to continue pursuing funding and appears committed to further developing their Culinary Technology program.

Community Opportunity Kitchen

Community Opportunity Corporation
Leanne Powell
Concord, NC

Quick Facts

Project Status: As of January 2007, this project appears defunct due to lack of institutional capacity.

Brief project description

Community Opportunity Corporation (COC) attempted to establish a regional value-added food processing center in Concord, NC. The group was awarded funds from Golden LEAF to conduct feasibility analysis. However, the organization was unable to develop a plan of action within the grant-funded timeframe and the funds were never drawn down. Researchers believe this project is now defunct.

NOTE: The following narrative on this project was prepared before it was determined to be a non-starter. Useful information is found here for others contemplating similar projects and researchers have chosen to leave the report as originally prepared.

In addition to assisting area farmers develop value-added food products from their farms, the kitchen will solicit both caterers and specialty-food producers and act as a job-training facility for the area's disadvantaged. The project would help all those in the community who wished for the opportunity to pursue their food-entrepreneurship ideas. Especially important to COC is the ability to include low-to-moderate income families in the facility, allowing them the opportunity to turn family recipes into viable food businesses.

Pre-development preparedness

In developing this idea, the COC called upon the Cabarrus County Health Department to help sort out issues of regulation and facility governance. One problem was connected with the local health authorities and their concern that more than one caterer would be using the facility. COC reports that the interaction with the state and local health agencies was very positive as they attempted to work out solutions that would be practical for a shared-use facility and help assist the group in meeting health guidelines.

The idea originally came to the group via the USDA-Rural Development. One of the three founding members had connections with the USDA and became familiar with the shared-use commercial-kitchen idea through that contact. That individual had started a general store in the downtown area that featured many local products. It was believed that the kitchen could provide local value-added food products both for the general store and the adjacent local market.

A small certified kitchen was owned by one of the three original members. It was refurbished at the owner's expense and rented to the nonprofit as a shared-use facility. For reasons that are not entirely clear, the board member broke the lease with the nonprofit and has rented the kitchen to a single tenant. That individual is no longer a board member of COC.

Project budget and fundraising

COC applied for a grant from Golden LEAF in the amount of \$25,000 to conduct a feasibility study for establishing a shared-use kitchen incubator in the Concord area. COC has not drawn down those funds.

Legal structure and support

The COC started in May 2005 with three founding board members, including an individual with marketing background, an attorney and a community activist with a political background. All were from the local community. The group has finished their initial application for IRS nonprofit determination and is awaiting the IRS's reply.

As interest in the project has grown, the founding members have included more interested community residents in the process. The board is currently comprised of six members: two farmers, one community activist and three concerned citizens. However, no full-time staff has been hired for the project and all work continues on a volunteer basis.

Institutional capacity

Aside from the board members, the organization has limited institutional capacity. While the organization has rightly solicited participation from local residents, it realizes that it must recruit additional board members who are knowledgeable and experienced in areas related to the food entrepreneurship and business incubation.

Management

COC has no formal management policies in place. Concerning the proposed project, it is their desire that the feasibility study will include suggested operational and management policy guidelines.

Use of demographic information

COC has developed a formal profile of prospective users of the facility, which includes value-adding farmers, caterers, specialty-food producers and job-training participants. COC hopes to include job training for the area's disadvantaged through the Cabarrus Victims Assistance Network.

Best practices

The number-one challenge facing COC has been recruiting additional community partners. The board has had a difficult time getting the idea across in the community. Further compounding this was the short time the project was operating out of the old location. They are at present hoping to include the City of Concord in a more formal manner with the project and will be making presentations to the city requesting both financial and technical assistance.

The importance of the feasibility study was stressed. The group feels that it would be better served by engaging others knowledgeable in kitchen incubation to perform the feasibility work. As a board member stated, "Just because your heart is in the right place, don't think you know what you are doing."

Researcher comments and conclusion

Program officers for Golden LEAF have reported that COC failed to request extensions or file other necessary paperwork in order to draw down funds to conduct a feasibility study for this project, and the grant for the project has since been rescinded. The fact that project leaders, despite best intentions, were unable to follow fairly simple guidelines for grants management is a good indication that they would have lacked the institutional capacity to handle this project's full development.

Additionally, this project highlights the difficulties inherent in attempting to develop shared-use facilities in privately owned buildings. Future efforts should take heed to assure ownership of facilities by nonprofits or government entities.

Other Value-added center projects under consideration

Several other projects that could potentially meet the definition of a value-added food processing center are either under consideration or have had feasibility analysis conducted to determine their viability.

New projects or concepts for projects seem to develop every few months in the state. While researchers have attempted to identify every project that is in existence or under consideration, we cannot guarantee this as an all-inclusive list.

Harnett Area Agriculture Exhibition & Food Processing Center

Harnett County

Jennifer Walker, Director

Harnett Cooperative Extension Service (CES)

Lillington, NC

(910) 893-7530

In November 2004, the Golden LEAF Foundation awarded a \$30,000 grant to Harnett County CES to develop a feasibility and business plan for the potential establishment of the Harnett Area Agricultural Exhibition and Food Processing Center, a region-wide, shared-use, value-added food processing commercial kitchen. Harnett County commissioned Wold & Associates to conduct a feasibility study to measure potential demand for a facility and recommend a plan of action for project implementation.

In the spring and summer of 2005, potential-use surveys were disseminated over a multi-county region including Harnett, Wake, Lee, Johnston, Moore and Chatham counties. Secondary counties surveyed included Durham, Orange and Franklin.

Survey responses indicated that sufficient demand existed in the region to justify developing a regional value-added food processing center. A site owned by Harnett County was identified in Lillington for ground-up construction of such a facility. The feasibility team (of which the co-authors of this report were members) developed a recommended floor plan, an equipment list, cost estimates and a funding strategy.

To date, no action has been taken on actual development of this project. Harnett Extension Director Jennifer Walker reports that the land identified for the project has since been sold by the county for private industrial development and the county is currently focused on other pressing matters, most particularly the building of a new hospital. Walker reports that she is now attempting to identify an existing building in the county that can be renovated for a shared-use facility.

Seaboard High School

Northampton County

Liana F. Fryer, Ph.D.

NCSU College of Textiles

Seaboard Project Manager

liana_fryer@ncsu.edu

Seaboard is a small town in economic distress and has suffered a steady loss in population in the last 15 years. Community leaders, with support from the NCSU Colleges of Design and Textiles, are seeking funds to renovate the vacant Seaboard High School, which is a primary goal of the community's revitalization plan.

A diverse consortium formed by William Ivey Long (a four-time Tony Award-winning Broadway costume designer) and NCSU has developed a plan to use the building to address long-term poverty issues specific to this rural community. Such essential community facilities as a computer center, police station and meeting facility will be located in the building.

The renovated Seaboard High School will also house a comprehensive program that will help prepare residents for new opportunities, including those made possible by the development of Carolina Crossroads in nearby Halifax County. Programs offered include job training,

Developing Shared-use Food and Agricultural Facilities in North Carolina

employment and entrepreneurial development. The focus on entrepreneurship will be maintained as a core, long-term economic-development strategy. The following job training, employment and entrepreneurial opportunities will be provided in the renovated building:

- A Theatre Arts training program
- The Seaboard School of Fashion and Costume
- Tricorne Costumes, Inc. of NY, an independent for-profit business
- Hudson Scenic Studios of NY, an independent for-profit business
- A Culinary Arts and Hospitality training program

The Culinary Arts and Hospitality training program will prepare local citizens for employment and advancement in the new restaurant, hotel and entertainment operations of Carolina Crossroads. Five hotels, averaging 200 rooms each, are scheduled to open in April 2007, and local residents are currently unprepared to take advantage of the resultant job opportunities. The training program will be operated in conjunction with Halifax Community College in the renovated Seaboard facility. A fully licensed and FDA-approved commercial kitchen will support the job training program and also provide:

- A kitchen for farmers to perform value-added food processing on their agricultural products
- A kitchen for small culinary businesses or those with intermittent business, such as caterers and personal chefs
- An incubator to help new culinary businesses get started, such as street cart vendors, construction caterers or specialty/gourmet companies
- Kitchen facilities for local hunting and fishing guides to package meat and fish for their clients

Kitchen facilities for a nonprofit café located in the Seaboard High School and facilities for a nonprofit bakery will provide products for the new restaurants and hotels.

This project, if fully developed, may serve the function of a full-scale value-added food processing center, but only if entrepreneurs can tap into the new markets offered by the Carolina Crossroads development. It is more likely, however, that the project will function primarily for basic food-service training instead of entrepreneurial development.

Western Triangle Area Value-Added Center

Orange-Alamance-Chatham Counties

Noah Ranells

Agricultural Economic Development Coordinator

Orange County Economic Development Commission

Hillsborough, NC

(919) 245-2330

As of January 2007, leaders in at least three counties on the western side of the Research Triangle Park are discussing the potential development of a regional value-added food and agricultural processing center. This project, if developed, would enjoy a number of positive economic and demographic characteristics. The region in question has a strong local-food movement, small entrepreneurial farms and supportive retail establishments, most notably

Developing Shared-use Food and Agricultural Facilities in North Carolina

Weaver Street Market and Whole Foods. The region has a large and affluent population that would likely be supportive of locally produced, value-added food products.

Chapter Four: Shared-use Community Kitchens in North Carolina

Shared-use community kitchens are popular development models for small rural communities and are often situated in community centers. These projects tend to share the following characteristics:

- These are small facilities (usually less than 3,000 square feet) with a limited range of food processing systems and often can accommodate one or two users at a time.
- They serve a single county or a single community, often in rural areas.
- These projects are less expensive than shared-use food processing centers, usually costing less than \$300,000 to implement.
- They do not require full-time directors and are often sited at locations providing other community services.
- They often serve a community development purpose in addition to providing entrepreneurial opportunity.
- They are often limited in their capacity to provide a full range of business incubation services.
- They can be implemented by community organizations to enhance their existing services.

In North Carolina, researchers identified two existing projects that match the above characteristics: Stecoah Valley Food Ventures in Graham County and Rockingham Community Kitchen in Rockingham County. Another project, championed by the Pender Economic Development Alliance, is under construction at Cape Fear Community College in Burgaw in Pender County. Other projects – at the Spaulding-Monroe Community Center at Bladenboro in Bladen County and at the Spring Lake Family Heritage Center in Cumberland County – are in their earliest stages of development. Other projects being contemplated by local community organizations are located in Iredell, Hyde and Stokes counties.

Stecoah Valley Food Ventures

Stecoah Valley Center

Graham County

Lynn Shields, Executive Director

Denise Anthony, Kitchen Director

(828) 479-1466

Quick Facts

Status: Open for business since September 2005

Grant Funds Awarded/Used: \$245,000

Total Investment Cost: \$275,000

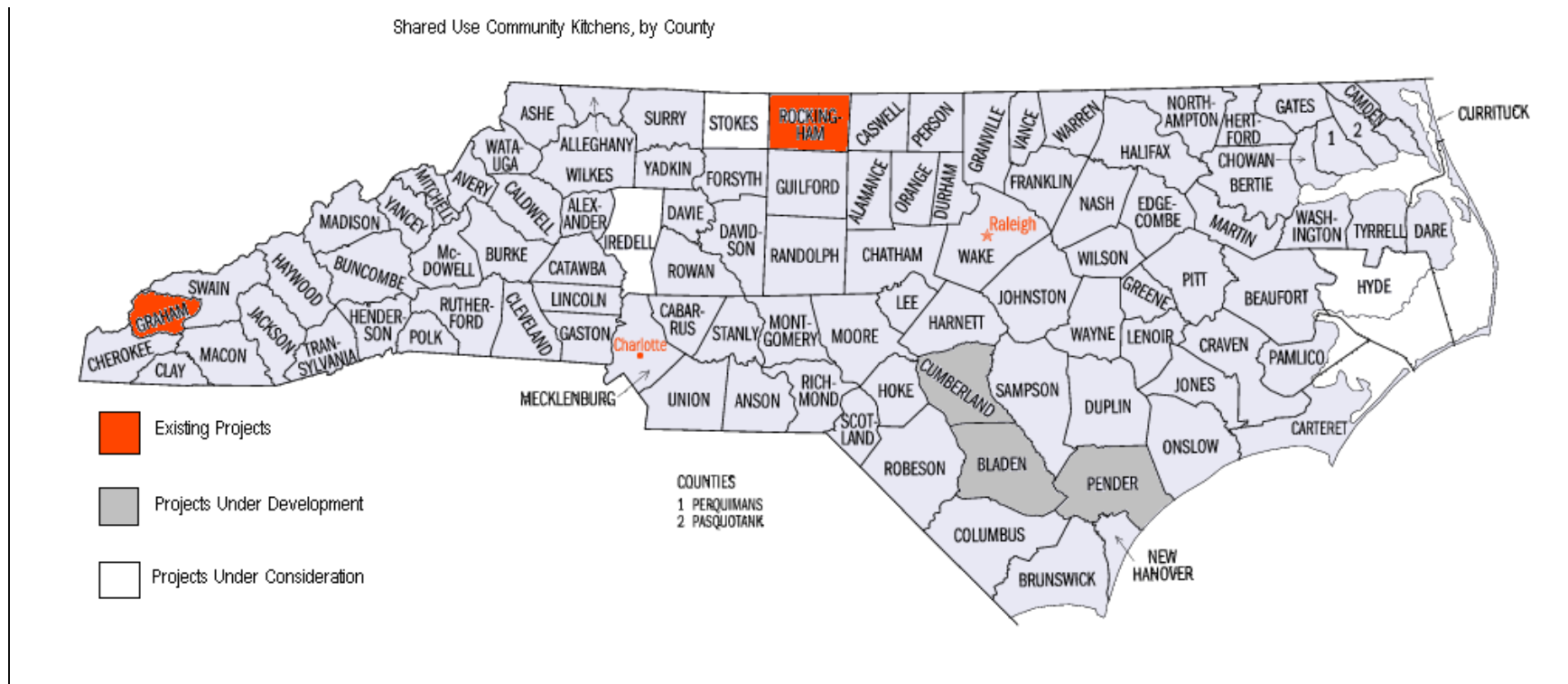
Individuals/Businesses Using Facility: 8

Food and Community Events Hosted: 13

Value of Production, 8/1/06 to 12/31/06: \$10,755

Hours of Use, 8-1-06 to 12-31-06: 273

Shared-use community kitchens by county





Steocoah Valley Center

Project description

Steocoah Valley Food Ventures (SVFV) is a small, 750-square-foot community kitchen at the Steocoah Valley Arts, Crafts & Educational Center (SVC). SVC is a nonprofit organization formed by a group of local citizens in rural Graham County following the closing of the Steocoah School in 1994. It is dedicated to the preservation of mountain culture, the community and the old Steocoah School buildings and grounds. This project was initiated from a desire among SVC staff to further the process of renovating the buildings of the former Steocoah Valley School and to accommodate small value-added production of locally grown foods.

Built about 1927, the rock school buildings and grounds are currently being restored to their original role as the center of the community. SVC's mission is to serve the people of Steocoah and Graham County through programs and services to the community, including a library, family resource center, after-school program, summer youth program, gymnasium, the Junior Appalachian Musicians Program (Jam) and the Appalachia Arts Program.

Project development

SVC was first exposed to value-added food production in 2003 when the staff allowed the Smoky Mountain Native Plants Association to produce a ramps cornmeal in the small non-commercial kitchen in the old school's main building. Ramps – a type of wild leek that grows in the mountains of North Carolina – are famous for their pungent odor. As a result of processing ramps cornmeal, the main building smelled of ramps for weeks. SVC executive director Lynn Shields then began seriously considering a renovation to the former cafeteria, which is in another building that also houses the school's gymnasium, so that ramps could be processed away from other SVC activities.

In March 2004, Shields met with NCDA&CS agribusiness developers Debra Sloan and Smithson Mills to discuss a collaborative grant request to the Appalachian Regional Commission (ARC) to fund renovation of the former cafeteria kitchen and dining hall of the Steocoah Valley School. A collaborative application to ARC was submitted by AdvantageWest on behalf of SVC, Madison County Cooperative Extension and Blue Ridge Food Ventures, and in September 2004 ARC awarded \$157,000 to the projects. SVC and NCDA&CS personnel contributed a match to the request in the form of in-kind labor.

Developing Shared-use Food and Agricultural Facilities in North Carolina

In November 2004, SVC was awarded a \$60,000 grant for the project from the Golden LEAF Foundation, and in February 2005 SVC received a \$90,000 Economic Innovations Grant from the NC Rural Center to assist with cafeteria renovations. With sufficient funds in place, SVC embarked on a complete renovation of the 750-square-foot cafeteria. New fan hoods were installed, commercial cooking equipment was bought and the dining hall was converted into a new meeting room.



SVFV Dining and Meeting Room

A breakdown of development funds and expenses are as follows:

Funds for Development

Appalachian Regional Commission:	\$ 30,000
In-Kind Match (NCDA&CS, SVC):	30,000
Janirve Foundation:	30,000
NC Rural Center:	90,000
Golden LEAF:	60,000
Total Development Funds:	<u>\$240,000</u>

Development Expenses

Building renovation:	\$140,000
Equipment acquisition:	50,000
Staff:	30,000
In-kind Labor:	30,000
Total Development Cost:	<u>\$250,000</u>

Since opening for business, the project has also received a \$25,000 grant from the Community Foundation of Western North Carolina and \$15,000 from the Blue Ridge National Heritage Area.

Shields reported that during the project's development, she conducted an internal feasibility study to identify potential users of the facility and consulted with interested personnel in the Cooperative Extension Service in the region. Shields conducted a financial projection to determine exactly what costs would be associated with renovating the cafeteria to enable it to pass county health inspection and meet FDA regulations for food safety.

In 2005, approximately 15 percent of Shields' time was devoted to developing the kitchen, including grants management and oversight of all phases of renovation. Because she acted as the project's general contractor, she estimates having saved as much as 50 percent on renovation costs. Shields reports that the construction company donated in-kind time to the project and an architect gave free advice on installing the new HVAC and three-phase power. SVC board members volunteered time painting and pouring sidewalk concrete.

Institutional capacity

SVC has sufficient institutional capacity to properly manage a project of this nature. Most of this stems from an impressive amount of skill and dedication to the project exhibited by executive director Lynne Shields. Prior to taking on SVFV, she had extensive experience in renovation work, having led the renovation of SVC's main building since 1996. She has many years of experience in grant writing, project development and managing grant funds. Her staff varies from four to nine people, depending upon current project needs and sources of funding, much of which comes from grants.

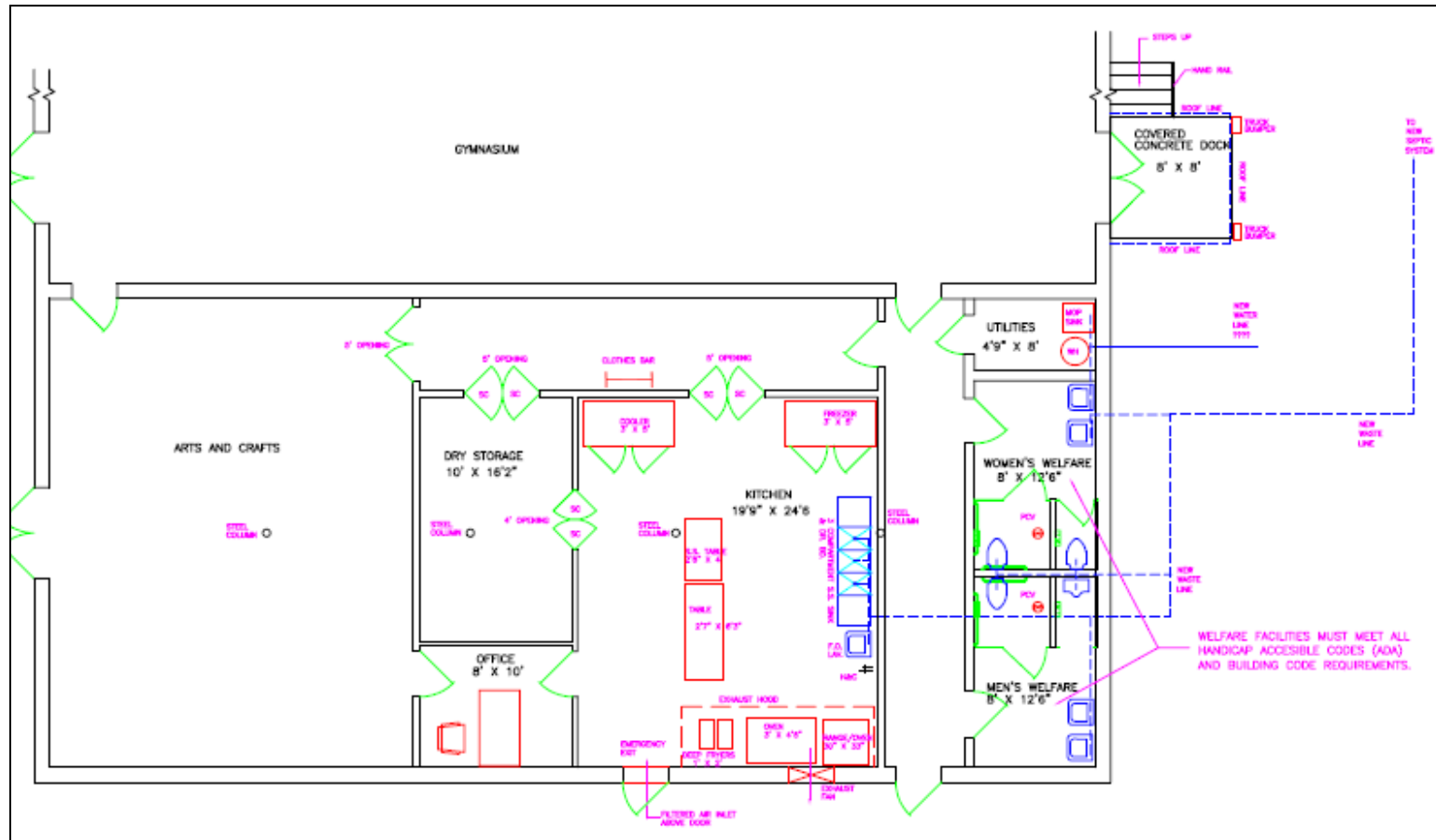
Shields and her staff are supported by an active 11 member board of directors who volunteer their time and effort to the mission. Staff and board members are experienced in grant writing and proper grants management. Martha Atwell, president of the SVC Board of Directors, has experience in food entrepreneurship and fully understands the concept around a shared-use commercial kitchen.

SVC has received significant non-monetary support from Blue Ridge Food Ventures executive director Mary Lou Surgi as well NCDA&CS offices, including Agribusiness Development, Property & Construction and Food & Drug Protection. Other supporters include AdvantageWest, the NC Arts Council and Cooperative Extension.

While the project received support from many organizations during its development, SVFV only established its advisory board in February 2006. Members were selected from identified organizations or communities serving the four counties of Cherokee, Graham, Jackson and Swain, as well as the Qualla Boundary, as follows:

Stecoah Valley Center
Blue Ridge Food Ventures
NCDA&CS
NC Cooperative Extension Service
Tri-County Community College
Smoky Mountain Native Plants Association
Graham County Farmers Market
Swain County Farmers Market
Clay County Farmers Market
Cherokee County Farmers Market
Eastern Band of Cherokee (unofficial representative)
Latino community

Stecoah Valley Food Ventures, Floor Plan



Developing Shared-use Food and Agricultural Facilities in North Carolina

The advisory board has assisted in developing kitchen-use policies and in recruiting potential kitchen users.

Legal organization

SVFV is part of SVC, a 501(c)3 nonprofit organization. There are no plans to make SVFV a separate legal entity. SVC did take out additional insurance for product and workers liability to cover the project. The current liability coverage is for \$1 million.

Project management

From March 2004 until January 2005, SVC executive director Lynn Shields was the lead project manager for developing the kitchen. In January 2005, SVC hired Denise Anthony as SVFV project manager. Anthony is an accomplished food entrepreneur with prior commercial-kitchen management experience. She also manages her own part-time business, Sweet Temptations, making candies in the kitchen. This arrangement has helped to reduce facility management costs to less than a full-time position.

SVFV has an established management plan in place. Policies on use and fee structures were developed with the support of BRFV executive director Mary Lou Surgi. Use policies are formatted to meet three specific types of uses:

- Individual Use - home canning or value adding for personal use
- Business Use – commercial production
- Group Use - use for community meetings, fundraisers for nonprofits, etc.

In the course of conducting internal feasibility analysis, Shields also wrote a business plan for the kitchen. For long-range planning, SVC has engaged the support of Tom Fleckenstein of the Small Business Technology Development Center at Western Carolina University. The SBTDC has facilitated a student mentoring service, where WCU students are developing a three-year strategic plan for the use of the kitchen.

The base annual operating cost for SVC is estimated at \$25,000 to \$30,000. This covers personnel, insurance, utilities, marketing materials and supplies. Shields reports that she needs one more year to track utility costs before she can accurately estimate those costs associated with the kitchen.

To assure proper fiscal management for the kitchen, SVC has established a separate bank account for kitchen activities. There are no commingling of funds between the kitchen account and other SVC activities.

For marketing the project to the larger community, SVC relies on word of mouth and stories in the local newspaper.

Client use and economic activity

Businesses and individuals accessing the kitchen have included a cookie baker, two caterers, Smoky Mountain Native Plants Association (SMNPA) and a native botanicals wildcrafter who gives classes on traditional uses of native plants. Shields reports that in the second half of 2006, the facility had eight users producing approximately \$10,000 in food and agricultural products.

Developing Shared-use Food and Agricultural Facilities in North Carolina

This nonprofit organization has three stated goals as follows:

- Helping people earn extra income through growing and marketing of Appalachian native plants
- Preserving native plants for future generations
- Providing education about Appalachian native plants species

Through use of the SVFV kitchen, SMNPA produces a spicy ramps cornmeal and locally grown, stone-ground cornmeal for sale to tourists and others in the region. The organization has dedicated storage space at the kitchen for storing raw materials and finished products. SMNPA is considered to be the kitchen's sole anchor tenant. Access to the kitchen has allowed SMNPA to more than double their production of cornmeal.

SMNPA is the only farm-based organization currently accessing the facility. Despite best efforts, SVFV has had minimal farm-gate impact. Project leaders report that they have had a difficult time attracting farm-based producers to the kitchen. However, the project intends to keep promoting the use of the kitchen to farmers via outreach meetings and presentations at county extension offices.

A critical point for SVC is that the meeting-room facility has been invaluable for hosting community meetings and is the only place in the county to have a private business meeting with a catered meal. In December 2006, SVFV hosted a gathering of three dozen members of the American Whitewater Association for a dinner meeting to discuss new rafting opportunities on the Cheola River. This river runs through National Forest land and has previously been off limits to recreational rafters due to its fragile ecosystem. By hosting the Whitewater Association, SVC staff feels that they have been able to support the ecotourism industry in Western North Carolina.

SVFV recognizes training and education in food entrepreneurship as an important part of the kitchen's mission. In January 2007, SVC staff entered into discussions with Tri-County Community College to conduct culinary training classes at the SVFV kitchen. This idea was inspired by a television segment on PBS' NOW program about a program in Chicago that trains low-income individuals for jobs as culinary assistants. Shields reports that providing culinary training in partnership with the Tri-County would further the mission of the kitchen and foster a sense of SVC as being a vehicle for training and education in an economically distressed area of the state. Also, beginning in 2007, SVC staff is holding cooking classes on the second Saturday of each month.

SVFV also aspires to be a venue for the promotion of the Southern Appalachian region's culinary cultural heritage. At the end of 2006, the project received a \$15,000 grant from the Blue Ridge National Heritage Area to hold a monthly "Appalachian Dinner" for the entertainment center. With grant funds SVFV will buy locally grown produce for the dinners and attract visiting tourists to enjoy a theater dinner while watching live Appalachian mountain musical performances.

Project challenges and best practices

SVC is limited in its capacity due to space and equipment restrictions. It has no walk-in coolers or freezers and only 150 square feet of rentable storage space. Other space is currently reserved for the SMNPA for their cornmeal raw materials. This will limit the projects' ability to host clients and certain types of higher-volume production. SVC has a strong relationship with Blue Ridge Food Ventures, and can refer clients to the larger facility should they wish to expand or diversify production.

Project leaders report the biggest challenges involve the process of helping clients understand cost structures for commercial food production and how to make optimal use of the kitchen for commercial food preparation. There is a steep learning curve for most of their clients who have never had experience in commercial food businesses. For others who may want to set up a community kitchen, project leaders say organizations need to understand there will be a lengthy development period that will require a lot of learning before client use and policies will be standardized.

Kitchen manager Denise Anthony reports that one of her greatest needs is to tap into the skills and experiences of other shared-use kitchens. She regularly sits in on a conference call among kitchen managers, dubbed "The Kitchen Cabinet," but would like to see greater collaboration and sharing of best practices with kitchen directors both in North Carolina and across the nation. Says Anthony, "We need to celebrate success and share failures in an effort to learn from those experiences."

Next steps for the project are to make a concerted effort to develop entrepreneurial skills among prospective clients. Staff intends to identify niche products that can be made at the kitchen and help develop small businesses that can make and sell them.

The staff cautions against being so supportive of new clients that they become totally dependent on the skills and services of the kitchen management.

Researcher comments and conclusion

As the first shared-use community kitchen to be developed for commercial economic activity in the state, SVFV is providing the state with a useful case study in applying the shared-use food and agricultural concept to rural economically distressed regions. To date, SVFV's success has been in creating a greater sense of community through culinary activities that enhance the existing programs at the Stecoah Valley Center. It is abundantly clear that a project of this limited size works best when integrated into an existing project. Chances for long-term viability are best when the kitchen is viewed as a component of the overall center's mission rather than as a standalone economic development activity.

Developing Shared-use Food and Agricultural Projects in North Carolina

Stecoah Valley Food Ventures

Project Budget

August 2004 through June 30, 2008

Refer to Sheet 2 for detail of Projected Receipts.

	Construction Period		Startup Period					Project
	08-01-04 / 09-30-05		10-01-05 / 06-30-06		FYE 06-30-07	FYE 06-30-08		Total
<i>Funds Received to Date</i>								
ARC (Sept 2004)		30,000						30,000
Confidential Source		10,000						10,000
GLF		60,000						60,000
Confidential Source		30,000						30,000
Janirve		30,000						30,000
NC Rural Ctr		90,000						90,000
<u>Projected Receipts</u>								
Confidential Source					15,000	10,000		25,000
Confidential Source			2,000		2,000	2,000		6,000
User Fees - See Attached Detail			5,000		7,500	15,000		27,500
Front Room Revenue - See Detail			1,200		2,000	3,000		6,200
Carryover cash excess from prior period			26,443		8,200	7,200		
Total Estimated Receipts		250,000	34,643		34,700	37,200		314,700
<u>Projected Expenditures</u>								
Compensation (incl. fringe benefits)								
Allocated technical assistance			1,000		0	0		1,000
Allocated technical assistance		20,000			0	0		20,000

Developing Shared-use Food and Agricultural Projects in North Carolina

Allocated technical assistance		3,300			0		0	3,300
Allocated technical assistance				2,000	1,000		1,000	4,000
Project Director (Part-time)		9,837		9,500	15,000		15,000	49,337
Supplies				2,500	1,000		1,000	4,500
Utilities		1,700		5,000	6,200		6,200	19,100
Marketing		663		4,000	2,000		1,000	7,663
Staff Development & Travel		700		1,800	500		500	3,500
Casualty/ Liability Insurance		1,357			1,500		1,500	4,357
Other Project Expenses				643	300		500	1,443
Kitchen Equipment & Refurb.		56,000		0	0		0	56,000
Capital Repairs & Renovation		130,000		0	0		0	130,000
Total Estimated Expenses		223,557		26,443	27,500		26,700	304,200
Revenue Over(Under) Expenses		26,443		8,200	7,200		10,500	10,500

Developing Shared-use Food and Agricultural Projects in North Carolina

Stecoah Valley Food Ventures

Project Budget - Detail of Projected Receipts

October 2004 through June 30, 2008

	Product or Project	# of Hours	Rate	10/01/05 06/30/06	# of Hours	Rate	Year 1 06-30- 07	# of Hours	Rate	Year 2 06-30- 08	Project Total
Kitchen User Fee Revenue											
User Name	User Product	300	\$5	\$1,500	350	\$7.50	\$2,625	500	\$10	\$5,000	\$9,125
User Name	User Product	175	\$10	\$1,750	200	\$10	\$2,000	300	\$10	\$3,000	\$6,750
User Name	User Product	50	\$10	\$500	60	\$10	\$600	100	\$10	\$1,000	\$2,100
User Name	User Product	5	\$10	\$50	10	\$10	\$100	50	\$10	\$500	\$650
Others/Community Use	Canning, reunions, etc.	25	\$10	\$250	50	\$10	\$500	100	\$10	\$1,000	\$1,750
Classes	Cookies, candy, chefs (net)	6	Varies	\$600	8	Varies	\$800	12	Varies	\$1,200	\$2,600
Stecoah Valley Center	Special Dinners & Events (net)	1	Varies	\$200	5	Varies	\$500	12	Varies	\$1,200	\$1,900
User Name	User Product				10	\$10	\$100	50	\$10	\$500	\$600
Surrounding County Users	User Product				10	\$10	\$100	50	\$10	\$500	\$600
Surrounding County Users	User Product				10	\$10	\$100	50	\$10	\$500	\$600
Surrounding County Users	User Product							20	\$10	\$200	\$200
Surrounding County Users	User Product							20	\$10	\$200	\$200

Developing Shared-use Food and Agricultural Projects in North Carolina

Special Fees:											
Application Fee	Food safety & sanitation training	6	\$25	\$150	6	\$25	\$150	15	\$25	\$375	\$675
Disposables Fee	Supplies, per person/day	50	\$3	\$150	75	\$3	\$225	150	\$3	\$450	\$825
Equipment Use/Storage	Cooler, freezer, dry storage	150	\$1	\$150	175	\$1	\$175	250	\$1	\$250	\$575
Equipment - Dehydrators	Special Use	30	\$5	\$150	40	\$5	\$200	50	\$5	\$250	\$600
Technical Services	Hourly Consulting Service	5	\$20	\$100	8	\$20	\$160	25	\$20	\$500	\$760
Total Kitchen Revenue				\$5,550			\$8,335			\$16,625	\$30,510
Less contingency factor (approx. 10%)				\$550			\$835			\$1,625	\$3,010
Net Estimated Receipts - Kitchen				\$5,000			\$7,500			\$15,000	\$27,500
Meeting Room Revenue*											
Nonprofit or individual	Meeting, 2 hours	12	\$25	\$300	24	\$25	\$600	30	\$25	\$750	\$1,650
Nonprofit or individual	Meeting, 4 hours	4	\$37.50	\$150	6	\$37.50	\$225	8	\$37.50	\$300	\$675
Nonprofit or individual	Meeting, 8 hours	3	\$50	\$150	6	\$50	\$300	10	\$50	\$500	\$950
Business	Double above amounts	1	Varies	\$100	2	Varies	\$200	3	Varies	\$300	\$600
Banquet Service	All day events	2	\$300	\$600	3	\$300	\$900	5	\$300	\$1,500	\$3,000

Developing Shared-use Food and Agricultural Projects in North Carolina

	w/table service										
Total Meeting Room Revenue				\$1,300			\$2,225			\$3,350	\$6,875
Less contingency factor (approx. 10%)				\$100			\$225			\$350	\$675
Net Estimated Receipts - Meeting Room				\$1,200			\$2,000			\$3,000	\$6,200
* Potential users include NC Cooperative Extension Service, Lions Club, Garden Club, Woman's Club, various businesses as well as community members for family reunions, showers, birthday parties, etc.											

Rockingham Community Kitchen

Rockingham Opportunities Corporation

Reidsville, NC 27320

Mark Wells, Executive Director

(336) 342-7853

www.rockinghamkitchen.org/



Rockingham Opportunities Corporation

Quick Facts

Status: Open for business September 2006

Grant Funds Awarded/Used: \$24,000

Total Investment Cost: \$24,000

Clients Using Kitchen: 8

Clients Receiving Training: 30

Product Output Value: > \$1,000

Brief project description

The Rockingham Community Kitchen (RCK) is a small kitchen incubator that operates within the Rockingham Opportunities Corporation (ROC). The existing kitchen – already in use to provide meals to people in the community with mental disabilities – was upgraded and received approval for commercial manufacturing of food under FDA regulations in 2006. Area food entrepreneurs are afforded the use of the kitchen to manufacture specialty-food products and conduct catering when the kitchen is not in use by the ROC.

The kitchen itself is quite small, measuring about 15' x 20', or 300 square feet. About 100 square feet of dry storage are available and the facility has a 6' x 8' cooler available for users.

The RCK, through its founding partners, is attempting to provide business training and technical assistance to the kitchen's users. The facility had its Grand Opening on September 12, 2006.



Project Logo

Pre-development preparedness

The idea for a community kitchen surfaced in March 2004 through focus groups conducted with area farmers. One idea that surfaced from these farmers was the need for a certified kitchen. The idea was further developed by individuals representing the three founding entities of the RCK: the Rockingham County Business and Technology Center, Cooperative Extension and the Rockingham Opportunity Corporation. The ROC provides work skills and training to those in the community facing mental challenges. The ROC operates a greenhouse as well as cleaning, packaging and bulk-mailing businesses utilizing its program participants.

As part of its program, the ROC provides one hot meal every day, which is prepared in the kitchen of the ROC facility. The building is leased by ROC from Rockingham County for a nominal sum on a yearly basis.

Individuals from the above organizations formed the steering committee to pursue the idea of establishing a local community kitchen. No staff was hired prior to the opening of the facility and all work has been provided on a volunteer basis.

The group did have a pre-identified site in mind as they were developing the idea. However, that certified kitchen was unavailable. During the development process, the group decided to more fully utilize the existing ROC kitchen. Building a new facility was never considered as it was deemed too expensive from the onset.

Project budget and fundraising

The steering committee applied for a RAFI grant in March 2006 and received notification of that award in April. Since that time the majority of efforts have been spent on readying the kitchen for commercial tenants.

Project Budget

Sources: RAFI Grant	\$24,000
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Uses

Building renovation	\$8,750
Equipment	14,500
Marketing	750
Total uses:	\$24,000

The majority of the building renovation involved redoing the kitchen floor. The equipment purchased included a double-stack convection oven, a three-compartment sink, a dehydrator, a freezer, an ice machine, a 23-quart canner, a pressure gauge tester, a mixer and mixing bowl, a colander, a lock box and miscellaneous plumbing fittings. In obtaining the grant, the group noted \$24,000 of in-kind match.

The fundraising strategy was developed by Cooperative Extension in an effort to assist local farmers in transitioning from tobacco to other crops. They believed the kitchen component would allow for value-added processing of the alternative crops.

Legal structure and support

Rockingham Community Kitchen is simply a name and is not a legal entity. The organizers are waiting to see the success of the project and would consider developing a separate corporation should the project prove successful.

Institutional capacity

The institutional capacity for this project is all through the donated efforts of the sponsoring organizations that developed the idea. The organizers called on resources not only from their own organizations but from some select state service providers as well.

It was pointed out that assisting area farmers and creating local jobs were convergence points for all the sponsoring organizations. All three organizations wished to create new economic opportunities with farmers and with the area's food entrepreneurs.

Most of the organizational work was done by the three sponsoring organizations. However, the group now believes it is time to broaden the reach of the facility and states that this can only be accomplished by broadening the stakeholders in the project. Accordingly, the steering committee is recruiting farmers, local nonprofit organizations and citizens to join the group.

Management

RCK has a variety of written agreements covering their policies. Tenants must follow a 32-step process to gain entrance into the kitchen. The process covers application, food and sanitation certification, equipment safety, rental fees and deposits and the written rules and regulations that govern facility use.

The tenant package includes a written lease agreement as well as other sources of information for the prospective user. It was pointed out that much of RCK's documentation and written policies were adapted from BRFV. It was clearly stated that the visit to the Blue Ridge Food Ventures was extremely helpful to the organizing group and that BRFV was very willing to share their resources.

As the facility matures over time, the group hopes to include other partners from the community in the operation and marketing of the facility.

The budgeting process was difficult for the group, as no project could be identified and reviewed where an existing kitchen was being rented part-time. The budget was based on 600 rental hours per year; this equates to 50 hours per month or 12 hours per week. To meet this revenue goal the facility would need to rent about 2 hours a day. The facility will open for use after the hot lunch program concludes each day. The facility will also be open seven days a week.

Assuming 600 hours per year at an average rate of \$15 per hour, annual revenue is projected at \$9,000. The RCK anticipates utility expense of about \$3,720 per year. No staff expense is budgeted as the ROC had donated the services of their kitchen manager. In this ideal case, revenues would surpass expenses by \$5,280 annually. After covering utility expenses, proceeds will be divided between the Business and Technology Center, Cooperative Extension and the ROC. Extension agent Brenda Sutton reports that all proceeds coming to her office will be reinvested in the kitchen.

In addition to the kitchen manager, the organizers will continue to donate their time and services in the strategic management of the facility. They will also work with farmers and food processors in their area of expertise. For instance, Cooperative Extension will work with farmers on production and processing while the Business and Technology Center will assist users with business and marketing issues.

All organizers have agreed to share the marketing duties and each is actively soliciting potential users for the facility. Given the limited marketing budget, the group will use word of mouth with some limited local advertising.

The organizers originally felt that farmers interested in value-added processing of their crops would be the largest market; this was the original target profile of a user. However, the group soon saw a need from caterers and was also interested in developing aspiring chefs as a possible market.

Client use and economic impact

From September to December 2006, the project had eight unique users manufacturing foods in the kitchen. These include producers of dehydrated shiitake mushrooms, cakes and cookies, jams and jellies and sugared pecans. Locally grown products used in production include mushrooms, peaches, muscadine grapes and pecans. The total manufacturing use time has been 60 hours. While exact output value has not been tracked, Sutton estimates the value at more than \$1,000.

Additionally, Brenda Sutton teaches a food-safety course, which is a requirement for use of the kitchen. As of January 2007, Sutton reports having trained 30 people in food safety at the kitchen and she anticipates many of these people will be using the kitchen for commercial activity in 2007.

Best practices

The organizers felt they faced two challenges. One was the amount of bureaucratic red tape on the part of local government. The group felt considerable wrangling was needed to get the idea across to local officials and to develop the appropriate permits. The second challenge was the facility itself. After starting the renovations they found that the kitchen was not wired for commercial equipment and considerably more work was required in the kitchen (including the floor) than was originally anticipated.

The group felt that their greatest success lay in the level of cooperation within the group. All organizing partners were utilized according to their skills and to the best advantage of the project. As one partner in the project said, "We were all doing what we do well."

Researcher comments and conclusion

The Rockingham Community Kitchen is an excellent example of converting an existing small rural kitchen into a commercial facility for limited economic activity. The project team has used a minimum amount of monetary resources to achieve their goals. Given sufficient cooperation and institutional capacity, other organizations can learn from this project how to develop shared-use community kitchens.

Cape Fear Creations

Pender Economic Development Alliance

Burgaw, NC

Virginia Teachey, Coordinator

<http://capefearcreations.com/>



Future Home at Pender Campus of Cape Fear Community College

Quick Facts

Status: Under Development

Grant Funds Awarded/Used: \$299,000

Total Investment Estimate: Unknown

Project description

In 2006, the Pender Economic Development Alliance (PEDA) was awarded a \$299,000 Community Development Block Grant to develop Cape Fear Creations (CFC), converting a 2,500-square-foot former vocational shop at the Pender County Campus of Cape Fear Community College into a shared-use kitchen. The project's website describes Cape Fear Creations as "A Shared Commercial Kitchen Facility and Food Entrepreneur Center Serving Nine Southeastern North Carolina Counties." The project is scheduled for development in 2007.

Pre-development preparedness

The concept of developing a shared-use kitchen came to a group of community developers organized as the Pender Economic Development Alliance (PEDA) as an outcome of participation in a three-year development program, the Duke Endowment's Program for the Rural Carolinas (PRC). The grant project's "trainer" organization was MDC, Inc. of Chapel Hill. For the final year of the program, MDC encouraged participant organizations to develop actionable projects with defined outcomes. As a result, in early 2005 PEDA's Agricultural Heritage Tourism

Developing Shared-use Food and Agricultural Projects in North Carolina

Committee recommended a plan for value-added agricultural production utilizing an abandoned restaurant in Burgaw. PEDDA reached an agreement with the landlord, began moving in, and then discovered that the building was structurally unsound and would not meet legal requirements for food processing.

In late summer 2005, PEDDA was able to get out of their lease agreement for this site, and in late 2005 settled on a former vocational shop area located at the Pender County campus of Cape Fear Community College. In November 2005, MDC engaged Smithson Mills (a co-author of this report) to spend a day with project developers to advise on proper development of a shared-use food processing center. Mills reviewed the existing 2,500 facility with project leaders and made recommendations, including very general cost estimates and site renovations for developing a small commercial kitchen.

PEDDA benefited from this three-year, PRC-funded organizational process. The process allowed for the development of a stable board of directors that had reached a high level of interpersonal cooperation and familiarity before embarking on the process of developing a shared-use kitchen.

Pender Economic Development Alliance, 2006 Board of Directors	
Job Title	Company
Director	Pender County Cooperative Extension
Mayor	Town of Burgaw
Superintendent	Pender County Schools
Commissioner	Pender County Government
Administrator	Pender Memorial Hospital
Director	Cape Fear Community College-Burgaw
President	Maple Hill Community Association
Director	Pender County Department of Social Services
Director, Economic & Community Dev.	Four County EMC
Coordinator	Pender Adult Services
Resident	

PEDDA chose not to conduct an external feasibility study in the planning phase of this project. Instead, PEDDA board members did a community survey utilizing survey tools developed through other feasibility studies conducted in the state. These included the studies for Carteret County and for the development of Blue Ridge Food Ventures. PEDDA executive director Virginia Teachey has also consulted with lead project developers for BRFV and Ashe County's Creative Food Ventures. Based on survey results from prospective users, PEDDA determined that a regional shared-use food processing center could be viable.

PEDDA has also decided not to pursue county health inspection certification, which would have allowed caterers access to the commercial kitchen. The executive director reports that the

county's health inspector expressed strong misgivings about allowing multiple organizations shared access to the same facility. Certification also would have required a refurbishment of the existing ceiling in the planned kitchen. As a result, only food entrepreneurs manufacturing food for wholesale distribution under FDA regulatory guidelines will be allowed access to the kitchen.

Project development

PEDA has engaged an architect for the renovation of the 2,500-square-foot area that will be Cape Fear Creations. In addition, PEDA's executive director reports that she will be using a portion of the CDBG funds to hire a project director with culinary skills.

The project has developed a web site (<http://capefearcreations.com>) with a project description and an online application for kitchen use. As of January 2007, progress on the project's renovation process and purchase of equipment is unknown, and repeated emails and phone messages from the researchers have not been returned.

Researcher conclusions and recommendations

This project carries several risks. The facility is too small to accommodate a large number of value-added producers. Despite aspirations to serve as a multi-county regional value-added center, this project clearly falls into the category of a community kitchen, albeit one that is very well financed. Unfortunately, the project's unwillingness or inability to gain county health inspection will severely undercut its ability to serve the role of a community kitchen, as many entrepreneurs who access these types of facilities are caterers.

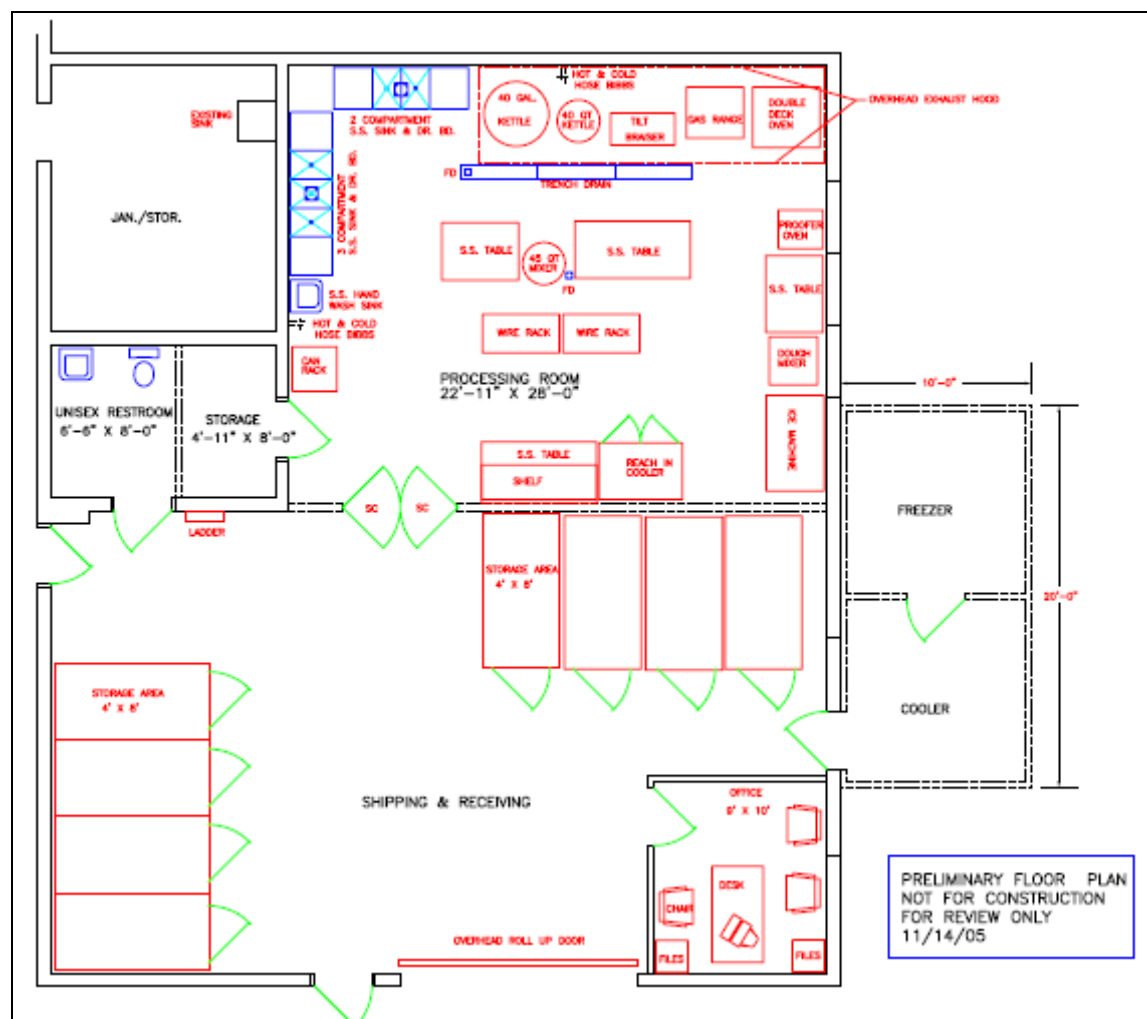
The project also has certain potential strengths that can be capitalized. First, the project is located at a community college with multiple campuses. Cape Fear Community College offers degrees in both culinary technology and hotel & restaurant management. Both of those programs could utilize the new kitchen being constructed on the Pender campus.

Secondly, the project is a direct outgrowth of the Duke Endowment's Program for the Rural Carolinas, with the local funding agency being Pender Memorial Hospital. Like all hospitals, Pender Memorial has need for certain types of foodservice and food products that could be provided through Cape Fear Creations. Continued mentoring and other support could be available from the Duke Endowment or its designated program trainer, MDC, Inc.

Researchers recommend the project consider two courses of action to achieve its full potential:

- First, project leaders should reconsider the decision not to make necessary renovations to meet county health inspection and should attempt to re-engage the health inspector toward designing the facility to assure safe and sanitary production of catered foods.
- Secondly, without a major facility expansion the project cannot adequately achieve its stated mission of serving a nine-county area as a value-added center. Should an expansion be deemed unfeasible, the project should refocus its mission to serve as a community kitchen that doesn't require full-time staffing and that can serve as a community hub for small food entrepreneurs in Pender County.

Cape Fear Creations, Proposed Floor Plan



Other Shared-use Community Kitchen Projects

Several other small rural community kitchens are either under consideration or at the very earliest stages of development. Among these are projects in Bladen, Iredell, Cumberland, Hyde and Stokes counties.

Spaulding-Monroe Community Center

Bladen County

Bladenboro NC

Anne Wright, Project Developer

(910) 648-2138

The Spaulding-Monroe Community Center is a planned project to renovate the former Spaulding-Monroe High School, a former African-American high school in Bladenboro. In September 2005, the N.C. Agricultural Advancement Consortium awarded a \$17,500 grant to this project to assist with an architectural review and renovation feasibility study of the high school buildings and grounds. The project seeks to develop the old high school as a “one-stop

Developing Shared-use Food and Agricultural Projects in North Carolina

shop” community center providing social support, economic and community development services.

Project champion Anne Wright envisions a renovation of the old cafeteria to serve caterers and farmers in adding value to their production. Additionally, the cafeteria can serve as a dining/meeting facility for community groups.

This project has taken the first step of conducting an architectural review of the buildings and grounds with visioning designs for training and educational facilities, a farmers market and community meeting space. The community kitchen would be a small component of the overall project.

Houstonville Community Center

Iredell County

Bailey Raiford, Project Manager

(704) 902-2217

The Houstonville Community Center is a planned project to renovate the former high school located in Iredell County’s predominantly African-American Houstonville Community. It is very similar in nature to the Spaulding-Monroe Community Center project. Project developer Bailey Raiford has indicated that the former high school cafeteria and kitchen can serve as a location for a catering organization to prepare meals for guests at a nearby hunting preserve, and even prepare wild game meals for the preserve’s clients.

The project is in its earliest phases of development and no funds have been secured as of January 2007.

Sandhills Family Heritage Center

Cumberland/Harnett County

Sandhills Family Heritage Association

Ms. Ammie Jenkins, Executive Director

Spring Lake, NC

(910) 497-0628

The Sandhills Family Heritage Association (SFHA) is a grassroots, nonprofit organization dedicated to rural economic development and the preservation of the natural and cultural heritage of African Americans whose family roots are in the Sandhills region of North Carolina. Project director Ammie Jenkins is in the planning stages of renovating the former Spring Lake Civic Center into a cultural heritage center that will include a shared-use community kitchen.

In the fall of 2005, SFHA received a grant from the Rural Center’s Agricultural Advancement consortium to conduct preliminary site preparation for the facility. The \$20,000 award was targeted for construction drawings, permitting and planning.

Hyde County Community Kitchen

Hyde County

Swan Quarter, NC

Margie Brooks, Executive Director

Greater Hyde County Chamber of Commerce

(252) 926-9171

The greater Hyde County Chamber of Commerce has been interested in developing a shared-use kitchen for several years. Executive director Margie Brooks reports that the project can be championed by the Hyde County Community Development Corporation through the Hyde Davis Business Enterprise Center. Partnering organizations would include the Hyde County Chamber of Commerce and the Northeast Economic Development Commission.

Brooks identifies project weaknesses as the lack of capital to support budding entrepreneurs, the lack of knowledge of marketing techniques and physical distance from larger municipalities who would have resources and potential customers and clients.

Despite discussing and studying the idea for several years, Brooks reports, “Things move very slowly in Hyde County, and we've had several large obstacles [hurricanes] that have set us back. I think that such a project could work in Hyde County, but in a much smaller scale than the BRFV project. We need to think outside of the box while being realistic at the same time.”

Stokes CORE Shared Community Kitchen Project

Stokes County
Walnut Cove, NC
(866) 728-0303

Stokes CORE (Center of Regional Economics) is a nonprofit community organization developed through Stokes County's participation in the Duke Endowment's Program for the Rural Carolinas. Originally conceived to become a community foundation, Stokes CORE is currently emphasizing development of the underlying social infrastructure of its region on its path to becoming a sustainable community resource.

Stokes CORE is currently investigating the potential demand for establishment of a community kitchen. On its website (www.stokescore.org) the organization is soliciting for potential users of a kitchen facility to fill out an online survey instrument that is based on similar surveys administered for other projects in the state.

Other community kitchen projects: Conclusions and recommendations

Community kitchens are the most popular form of shared-use food and agricultural facilities. This is likely due to the presence of existing former high schools and community centers throughout rural North Carolina and to the fact that these projects require lower levels of investment than larger regional value-added centers. Funding agencies can expect many more of these kinds of projects in years to come.

Community kitchens cannot be expected to contribute significantly to agricultural economic development and the overall economic impact from job creation and income generation should be modest. However, the lower overall investment costs of small community kitchens may justify the lower anticipated impact.

The prime recommendation for organizations who envision renovating former schools into community centers that can serve food entrepreneurs is to learn from the development process of Ashe Family Central in Jefferson. This project, while hosting a regional value-added center, is a good model for aspiring community centers that wish to host small kitchens. A decade-long development process has successfully turned the former Ashe Central High School into the hub of community services for Ashe County. Shared-use food production is only one component of the project's overall mission to contribute to the social and economic well-being of the larger community.

Chapter Five: Shared-use Agricultural Processing Facilities in North Carolina

Shared-use agricultural processing facilities are designed to meet specific needs of farm-based producers to add value to their agricultural commodities. These projects tend to share the following characteristics:

- They meet a specific, well-defined need for adding value to farm-based commodities
- They serve a defined group of agricultural producers, often in rural areas
- They require significant management and implementation support from professional agricultural service providers
- They are best implemented with programming support to professionalize business operations, including quality control, marketing and basic business development.

Researchers identified one existing project in North Carolina that matches the above characteristics: the Madison County Multi-Purpose Agricultural Complex in Marshall in Madison County. Other projects under consideration for development can be found in Wilkes, McDowell, Franklin, Duplin and Robeson counties. Another effort is underway to assess the viability of value-added processing for the Food Bank of Eastern North Carolina, with prospective sites in Durham, Pitt and New Hanover counties.

Madison County Multi-Purpose Agricultural Complex

Marshall, NC

Ross Young

Cooperative Extension Director

(828) 649-2411

Quick Facts

Status: Fully Operational Since August 2006

Grant Funds Awarded/Used: \$450,000

Total Investment Cost: \$1.25 million

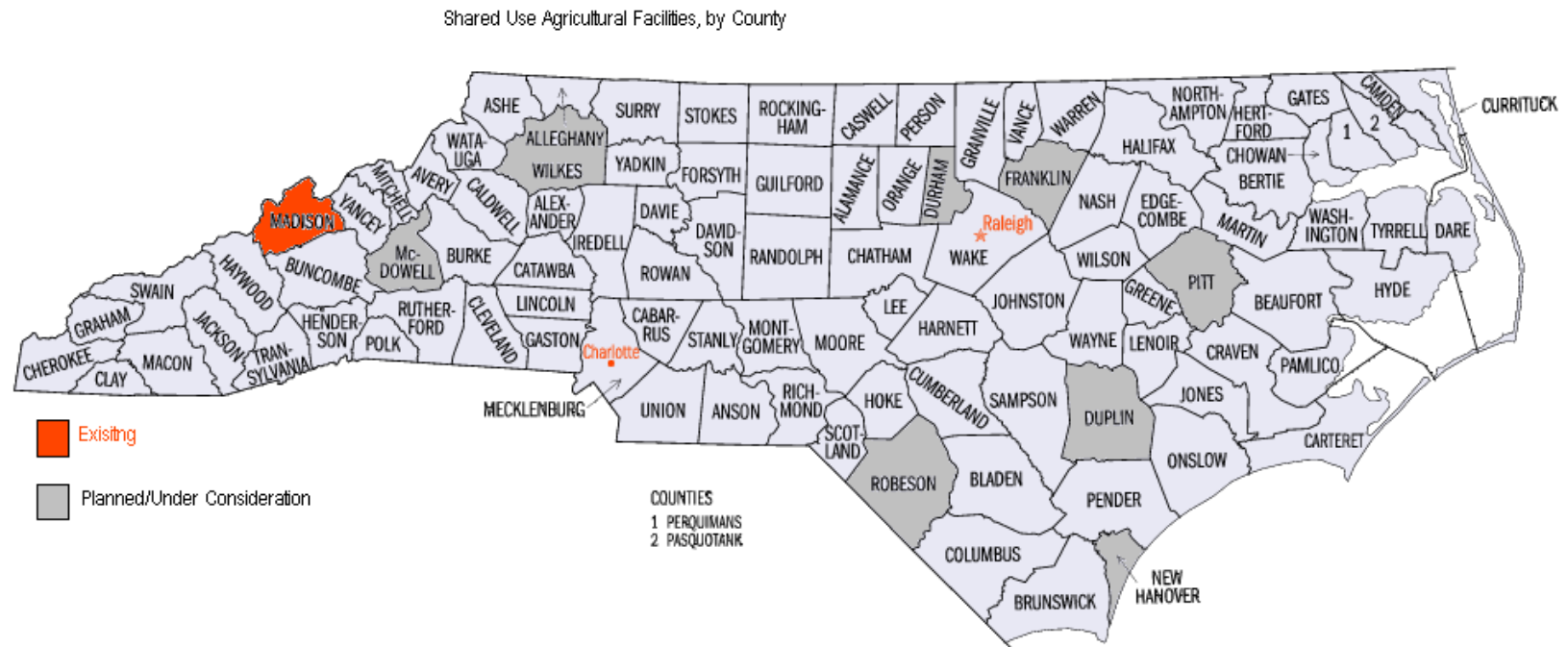
Farms Receiving Processing: 28

Product Output Value Aug-Nov 2006: \$40,000

Project description

The Madison County Multi-Purpose Agricultural Complex (MCMAC) serves as a hub for the gathering, processing, storing and selling of locally produced foods in Madison and surrounding counties. The primary market for these foods is to local schools. Madison Farms is a network of 25 area farmers who process their farm produce at the Value-added Center within the agricultural complex. Madison Farms serves as the project's anchor tenant, while the physical infrastructure is owned by the county and supported through the Cooperative Extension Service.

Shared-use Agricultural Facilities, by County





Loading Docks and Cold Storage

The complex was renovated from a former glove factory and was partially opened in the summer of 2005. The Value-added Center became fully operational in August 2006.

The foods gathered, processed and sold in the second half of 2006 through the Value-added Center include tomatoes, potatoes, lettuce, green peppers, green and red cabbage and apples. In addition, Madison Farms has served as a broker for apples grown in Henderson County and has begun having locally grown beef processed at a USDA facility in Greeneville, Tennessee. These foods are largely processed, packaged and then marketed to institutional buyers comprised of Mars Hill College, the University of North Carolina at Asheville and local public schools.

In 2005, a small group of area farmers led by Dewain Mackey was involved in the pilot phase of Madison Farms. Working closely with Brenda Spence, school nutritionist for Madison County Schools, and Ross Young, County Extension director, Mackey and approximately eight other farmers began selling fresh produce to the Madison County schools. The initiative was supported by school staff, school board members and the county commissioners. The initial success of the first year led the organizers to plan a formal project and to apply for grant support.

The project organizers sought experienced former tobacco farmers seeking new value-added crop alternatives. Over this pilot period, produce was processed and marketed to three accounts: Mars Hill College, Madison County schools and Asheville City schools. In addition, several independent farmers growing organic vegetables used the washing and grading services available in the complex.

Madison Farms' relationship with institutional buyers is beneficial both for the farmers and the overall project. A farmer is provided with a known sale price for his produce. Likewise, Madison

Developing Shared-use Food and Agricultural Projects in North Carolina

Farms knows it will have product to sell at a set price. This enables the product to be marketed at a fair and reasonable markup, which also benefits the local institutional purchasers. Most importantly, it allows area farmers to take advantage of the higher produce prices available through the value-adding process of cleaning, sorting and packaging.

The mechanism for Value-added Center operations is fairly straight forward. Farmers bring their produce to the facility and process it using the equipment provided. The washed, graded and packaged products are then stored on site in the appropriate dry and/or temperature-controlled storage areas. Madison Farms purchases the product from the farmers once it has been washed and stored. This purchase price is a higher price than the farmers could receive for their product in the local spot market. Other farmers, especially those growing organic produce, use the wash line to grade and pack produce but do not sell through the Madison Farms organization.

Madison Farms derives program income by the differential between the price at which the produce is purchased and the price received from the institutional buyers.

Pre-development preparedness

The Madison County office of Cooperative Extension is the lead development agency for both the Value-added Center and the entire complex. The project is an outgrowth of years of planning for the time when tobacco would no longer be the main source of agricultural income for the county's more than 900 farms. The 2004 tobacco buyout effectively ended burley tobacco's reign as the sole major cash crop for the county.

Since 1997, Extension has focused on developing programs and assistance for farmers transitioning from burley tobacco production to other profitable farm-based activities.

Recognizing that no single commodity, product or service could replace tobacco, Extension has stressed the need for diversification into a broad range of opportunities, including agri-tourism, organic vegetables, niche crops and certified beef.

In 2003, Blue Ridge Food Ventures assisted Extension in purchasing a small vegetable washing and bagging line for \$11,000. The original plan was to allow independent farmers to use the line, and it was sited in the former cafeteria of the old Marshall Elementary School on Blahasset Island in the middle of the French Broad River. Extensive damage from the floods of September 2004 made the old school unusable and the wash line was disassembled for relocation.

In addition to networking the farmers, project organizers engage local organizations to further the idea. Early supporters were Mars Hill College, Cooperative Extension, Madison County and the local citizenry.

Project budget and fundraising

The Madison County Multi-Purpose Agricultural Complex was established using the following grant funds:

NC Rural Center	\$ 90,000
ARC	30,000
Golden LEAF	275,000
Madison County	<u>10,000</u>
Total	\$405,000

Of these funds, approximately half were applied towards the development for the Value-added Center within the complex and for staffing and program management for Madison Farms.

Developing Shared-use Food and Agricultural Projects in North Carolina

Madison County purchased the building in which the project is sited along with 11 acres of land for \$800,000 in May 2005. This substantial capital investment was extremely valuable in attracting support from outside funding agencies. The lead fiscal agent and grant applicant for project development has been Madison County Government.

Some project fundraising occurred before the project had secured its new site. In September 2004, the project received \$30,000 as a portion of a multi-county grant awarded to AdvantageWest for the development of Blue Ridge Food Ventures, the Stecoah Valley Center and the Madison County project. The original intent of these funds was to support the wash line operations at the former elementary school. The floods of that month precluded expenditures there and the Appalachian Regional Commission subsequently allowed the award to support the new Value-added Center.

A \$90,000 Economic Innovations Grant in early 2005 funded the initial renovations for the 2,000-square-foot Value Added Center. A portion of a \$275,000 grant from the Golden LEAF Foundation was used in 2006 to fund program activities and enhance the Value-added Center, including installation of walk-in coolers and freezers.

In November 2006, the project was awarded a \$45,000 grant from the Z. Smith Reynolds Foundation to support staffing and programming for Madison Farms.



Signage at the Value-added Center

Legal structure and support

Legally, Madison Farms is not a cooperative, but is rather a nonprofit agribusiness support organization. The primary champion for this project is Cooperative Extension. The team of volunteers that developed the project included individuals from Cooperative Extension, Madison County, Mars Hill College as well as local farmers.

Madison Farms has filed articles of incorporation with the state of North Carolina under the legal name of Madison Family Farms, LLC. The group has engaged an attorney to develop the legal structure and provide assistance in obtaining 501(c)3 nonprofit status. They hope to develop institutional capacity through the use of a formal board of directors as well as less formal committees.

Institutional capacity

Much of the institutional capacity for this project stems from the Cooperative Extension Service in Madison County along with strong advocates for farming in the community. The county commission is extremely supportive of farming and value-added agricultural production. Madison County has made a substantial investment in the facility and is dedicated to seeing the project through to completion. Madison Farms currently uses the Value-added Center free of charge. Madison County Government funds utilities and maintenance for the facility as part of regular budget appropriations. Cooperative Extension personnel are likewise funded through annual county appropriations and support from both state Cooperative Extension Services.

The project has an informal network of community stakeholders, including local nonprofit organizations and state agencies and service providers. The organizers are interested in stakeholders who see themselves as fellow stewards and are recruiting individuals with needed talent, such as food specialists, to be part of the project and/or board of directors.

Management

Although a substantial amount of produce was washed and graded on a trial basis in 2005, the facility began full operations processing produce in August 2006. Because the facility has just completed what it considers a trial period, there are no formal, written management policies in place. The group is working on developing a written set of rules and regulations for the users of the facility. They do not have a formal lease with the county at present covering their use and term of use for the building. The group does have a draft business plan that will contain formal job descriptions and pro forma operating budgets.



Developing Shared-use Food and Agricultural Projects in North Carolina

Washing and Grading Organic Potatoes

Madison Farms staffs the Value-added Center with one full-time and one part-time employee who conduct the primary functions of the business: overseeing processing, marketing the processed produce and delivering the product to the institutional customers. The annual budget has an allocation for this at \$45,000 per year.

At present, the project has not been mass marketed to area farmers. Project organizers do not want to ramp up capacity and then not be able to sell all the produce they process.

The value of produce processed at the facility from August to December 2006 is estimated at \$40,000. This figure is somewhat lower than originally hoped for, primarily due to crop failures of broccoli and sweet potatoes.

Use of demographic information

The organizers did use some statistics during the development of the project. This was especially true of statistics relating to tobacco farming and tobacco farmers. The group was also concerned with the number of children this project might affect. According to project organizers, Madison Farms is selling produce to educational institutions serving approximately 9,600 staff and students. The group is also interested in child nutrition and has developed statistics that support incorporating fresh local produce into school lunches.

The organizers developed a target profile of the farmers they wished to include in the project. The key factors included linking the farmer to tobacco production and what crops the farmer might develop as an alternative. A match was needed between the produce the project needed and the produce the farmer was willing to grow. It was also important to target crops that could be stored easily and without degradation prior to and after processing. No beginning farmers were targeted, as project organizers felt by initially targeting experienced farmers it would enhance the success of the project.

Best practices

The number-one challenge facing the project has been raising external funds while the project grows to the point where external support is no longer needed. Aside from that, the project faces the normal and usual problems of agricultural-related projects. Severe weather can destroy crops well before they can be processed and marketed.

The group felt their biggest success was getting the building remodeled and the facility open for business.

The number-one best practice they would pass along to others considering this type of project is to practice patience. As one organizer stated, "The road was long and the need for perseverance great."

Researcher comments and conclusions

While the formal development of the Value-added Center and Madison Family Farms, LLC is new, the project is really the culmination of planning and development activities that have been going on since at least 1997. The project was developed through consensus, hard work and a strong effort to enlist full political and social support in Madison County.

Project leaders also demonstrated a significant amount of flexibility and creative thinking in the course of development. Some funds were secured even before the current site was purchased by

Developing Shared-use Food and Agricultural Projects in North Carolina

the county, possibly serving as a catalyst for the county's \$800,000 investment. Despite a devastating flood that destroyed the original site, project leaders continued to support its development.

Other organizations seeking to replicate Madison County's success should pay particular attention to the fact that the project had tangible monetary support from the county commission. Strong multi-organizational support from the school board, the school nutritionist and area colleges and universities has significantly contributed to development.

In order to reach a level of sustainability without grant support, Madison Farms will need to sell approximately \$225,000 of product annually, assuming a 20 percent overhead charge on sales.

Carolina Harvest

North Carolina Coalition of Farm and Rural Families

Carolina Harvest Value-added Products Project

Charnelle Green, Director

Fayetteville, NC

Brief project description

North Carolina Coalition of Farm and Rural Families (NCCFRF) is a nonprofit organization dedicated to assisting farmers and rural families in North Carolina. The organization promotes economic self-development and a higher standard of living for minority farmers and those rural families of limited resources.

NCCFRF describes its mission as follows:

“ ... to promote self-economic development and a higher standard of living for African American, Native American and limited resource farmers and rural families in North Carolina by: 1) promoting better use of resources; 2) providing technical and marketing assistance; 3) fostering knowledge-based growth and development; 4) strengthening the leadership and capacity of farmers and rural families to create sustainable enterprises; and 5) promoting civic responsibility. Its vision is a state with a higher standard of living for farmers and rural families through better utilization of resources and the promotion of growth, individually and economically”.

The project at hand is being called the Carolina Harvest Value-Added Products Project (CHVPP); it endeavors to renovate the group's harvest packing shed in Duplin County and establish a micro-commercial food preparation facility to add value to southern leafy greens and other food commodities.

NCCFRF has received a grant from Golden LEAF in the amount of \$25,000 to conduct a feasibility study for this project.

Pre-development preparedness

NCCFRF targeted 22 tobacco counties around Duplin County to offer area farmers the opportunity to pursue value-added strategies as they developed alternative crops to tobacco. The current configuration of the packing shed includes an office, conference room, bathroom, some cold storage and a processing area. The shed is surrounded by a two-acre plot that is used as a

Developing Shared-use Food and Agricultural Projects in North Carolina

crop demonstration area. Current renovations are underway to the adjacent greenhouse and a mushroom house is in the works.

The basic idea of this project is to build a small kitchen inside the shed by utilizing some of the processing area, which is basically unfinished. In addition to providing target farmers and rural families with the means to undertaking value-added processing, NCCFRF would provide training in processing, packaging and marketing.

The education model employed by NCCFRF is to first train area master trainers, called “cluster farmers,” who would in turn be able to provide assistance to other target farmers in their geographic area.

Last year NCCFRF received \$100,000 from the NC Rural Center in support of their efforts. Over the years, the group has received assistance from a variety of state funders, including NCDA&CS, Golden LEAF, Z Smith Reynolds, the Conservation Fund (CNEF) and both the Risk Management and Rural Business sections of the US Department of Agriculture. Additionally, the Federation of Southern Cooperatives, Cooperative Extension and several of North Carolina’s institutions of higher education (NCSSU, NC A&T and Fayetteville State) have provided technical assistance.

NCCFRF often employs what they call “cluster groups” to fulfill steering committee activities on their projects. Five cluster groups are assembled from different regions of North Carolina, each headed by a cluster farmer. In addition, NCCFRF has a governing board of directors.

Project budget and fundraising

The budget originally submitted by NCCFRF for the project was:

<u>Budgeted Item</u>	<u>Budget Request</u>
Equipment	
Receiving Scales	\$ 1,500
Stand for Scales	250
Food Cutter	6,225
Work Table 24” x 24”	320
Work Table 24’ x 30”	380
Sinks 3-Hole	1,380
Processing Bins	<u>1,300</u>
	\$11,355
Construction	
Test Kitchen	<u>\$88,645</u>
Total	\$100,000

The Golden LEAF grant, however, called for feasibility determination prior to funding the hard assets of the project. That grant, in the amount of \$25,000, is to provide funding for a feasibility study.

NCCFRF had a previous grant from Golden LEAF and applied again for the kitchen project. The grant was approved by Golden LEAF at the lesser amount (\$25,000, rather than the \$100,000 requested). However, NCCFRF has yet to draw down the grant and is currently seeking an extension of the award.

Legal structure and support

The project name is simply that; the legal structure is held in the nonprofit organization: NCCFRF, a 501(c)3.

Institutional capacity

Being a small organization, NCCFRF will not employ staff until a grant is secured. Funding is typically included in grant requests to employ the project managers and others needed to undertake the program. As such, NCCFRF has limited institutional capacity until it receives grant funding. However, the five cluster farmers and the board of directors are active participants in the organization and provide institutional capacity in their areas of expertise and experience.

Concerning this project and grant awards, NCCFRF intends to contract with a third party for the feasibility study. The director believes it would be more cost effective and appropriate to contract with those that have expertise in this area rather than use other program resources and attempt to conduct the study on their own.

Management

NCCFRF has an employee policy handbook that was developed by the staff and approved by the board of directors. Concerning the project at hand, NCCFRF is in the feasibility stage. Management and policy decisions governing the operation of the proposed facility are awaiting feasibility determination.

The Duplin County site was acquired in 1991 and is owned by NCCFRF. Aside from that, NCCFRF leases a mall office in Fayetteville to house the director.

The director believes that marketing support will be crucial for the success of this project. However, no funds are currently available to hire a marketing support position either as staff or as a contractor. Should the project be deemed feasible, and NCCFRF decides to pursue it, NCCFRF will attempt to secure the funds necessary to include marketing support in the project.

Use of demographic information

NCCFRF developed a target audience profile for this project as follows:

The target audiences are limited resource farmers (former tobacco growers) from Bladen, Duplin, Green, Jones, Lenoir, Onslow, Pender, Robeson, Sampson and Wayne counties. This project's short-term goal is to affect a minimum of 20 limited-resource farmers and their families. Its long-term goal is to affect over 100 limited resource-farmers and their families, increasing its targeted audience to include farmers from Alamance, Bertie, Halifax, Harnett, Hertford, Johnston, Martin, Nash, Northampton, Wake, Warren and Wilson counties.

Best practices

The number-one challenge facing NCCFRF is getting funding to carry out its various programs. Continuing programs – let alone starting new ones – has been a great challenge. The director believes the best advice to give to groups seeking to develop programs similar to this one is to do their homework. Lining up prospective program participants ahead of time will help gauge interest in the program before incurring the expense of a full feasibility study.

Other Shared-use Agricultural Processing Projects

Several projects that fall into the category of shared-use agricultural processing facilities are in their earliest phases of development. Many of them have received support for first-phase feasibility analysis, with a total of \$175,000 in identified grant funds received as of February 2007. The following projects could be seeking grant support for development in the near future.

WNC Small Animal Processing Pilot Plant

McDowell County

Ron Fish, NCDA&CS

(828) 733-7912

Smithson Mills, Feasibility Study Team Leader

(828) 689-1280

In November 2005, the Golden LEAF Foundation awarded \$50,000 to the NC Department of Agriculture & Consumer Services to conduct a statewide feasibility study on establishing a small-scale slaughter facility to serve the needs of independent poultry processors in the state who do not currently have access to inspected processing facilities. The department subsequently contracted with Smithson Mills (a co-author of this report) to conduct the feasibility study.

Results from more than 60 completed surveys indicate that the largest unmet demand for slaughter services exists in the western region of the state, west of I-77. The recommended site location for such a facility was determined to be in Marion in McDowell County.

The research recommends the development of an approximately 2,000-square-foot pilot plant with a maximum throughput of up to 1,000 chickens per day. The facility is also recommended to be able to handle turkeys, rabbits and other small fowl. The estimated cost of project development is \$600,000.

This project is recommended to be a nonprofit effort with a board of directors consisting of representatives from NCDA&CS, the College of Agriculture and Life Sciences at NCSU, the McDowell County commissioners and two area farmers. Farmers interested in supporting the project are also organizing a WNC Independent Small Animal Processors Association.

Northwestern North Carolina Cold Storage Facility

Wilkes County

Blue Ridge Resource Conservation & Development Council

(828) 297- 5805

In 2003, Golden LEAF awarded a \$60,000 grant to the Blue Ridge Resource Conservation & Development Council to conduct planning for the establishment of cold-storage facilities using methane gas from landfills in Wilkes and Watauga counties. The project has envisioned use of the cold-storage site as a hub for unified sales of agricultural produce, including specialty vegetables and apples, from farms located in the region.

Following the initial planning stage, project leaders unsuccessfully applied for implementation funds from Golden LEAF. This project is not now considered active. The original project leader, Stan Steury, has joined the Appalachian State University Energy Center to conduct the development of other landfill gas-entrapment projects in the state.

American Indian Mothers

Beverly Collins-Hall

Christina Locklear

Shannon, NC

The researcher was unable to develop any information concerning the American Indian Mothers and existing or planned agricultural or food entrepreneurship projects.

Developing Shared-use Food and Agricultural Projects in North Carolina

The researcher traveled to Shannon on September 11, 2006, having made an appointment several weeks earlier to visit. Upon arrival, the researcher was told the group had been called to an emergency meeting in Raleigh with a funder. It was agreed that the researcher would call later to schedule a time for a telephone interview. Although several messages were left by the researcher to establish such a time, the calls were not returned.

Food Bank of North Carolina, Incorporated

Eastern North Carolina
Earline Middleton, Director
(919) 875-0707

In 2006, the Golden LEAF Foundation awarded a \$65,000 grant to fund a joint planning initiative and feasibility study for the Food Bank and area farmers to potentially collaborate and share processing, storage, warehousing and distribution capability in central and eastern North Carolina. A February 2007 meeting with Dr. Nicholas Didow of the UNC Kenan-Flagler School of Business indicates the project is considering the development of a shared-use food and agricultural type facility that could serve food bank needs and foster economic development.

While this project is in its earliest stages of feasibility analysis, the potential exists for the development of a regional value-added food processing center, a shared-use agricultural processing center or a hybrid of the two. Potential site locations for a project are located in Durham, Pitt and New Hanover counties.

Franklin County Meat Goat Processing Center

Franklin County
Martha Mobley, Extension Director
(919) 496-3344

Plans are currently underway for a feasibility study to determine a development plan for a slaughter and processing facility to serve members of the North Carolina Meat Goat Producers, Inc., a co-op formed in 2001 by 40 Franklin County producers. The organization is currently soliciting for funding of the stud but very little concrete information is available about the project at this time.

Chapter Six: A Survey of Economic Developers and Review of Regional Demographics

In October 2006, CARA staff mailed a survey instrument to over 300 organizations in every county of the state, for the purpose of identifying economic development groups that may be interested in championing shared-use food and agricultural projects and regions of the state where such projects may have a strong likelihood of development. Surveys were mailed with an explanatory cover letter and a stamped, pre-addressed return envelope. Survey recipients included every county extension office, regional extension directors, every small business center located at the state's community colleges, regional offices of the Small Business Technology Development Center, county economic developers and chambers of commerce and the seven regional economic development partnerships.

A total of 53 surveys were returned from organizations serving 65 of the state's 100 counties. Twenty-four surveys were returned by county extension offices, 11 from county economic developers, 10 from small business centers, three from regional offices of the SBTDC and three from regional economic development partnerships. The remaining two were from a workforce development office and a nonprofit managing a business incubator.

Recipients were asked eight questions about their organizations and their regions (See survey instrument below).

1. Are you familiar with the concept of shared-use food and agricultural facilities? If yes, how did you learn of it?

Forty-six of the 53 respondents reported that they are familiar with the concept. The six who were not familiar with the concept were individuals with the Halifax and Scotland county extension offices, the Charlotte Chamber of Commerce, the Cabarrus County EDC, the Durham County Office of Economic and Workforce Development and the Northeastern Office of the SBTDC. An individual with Gates County extension reported that "maybe" she was familiar with the concept. These negative respondents were all either from heavily urbanized areas or from extremely rural areas that are considered economically distressed.

Of the respondents who were familiar with the concept, 14 specifically mentioned Blue Ridge Food Ventures as how they knew about these projects.

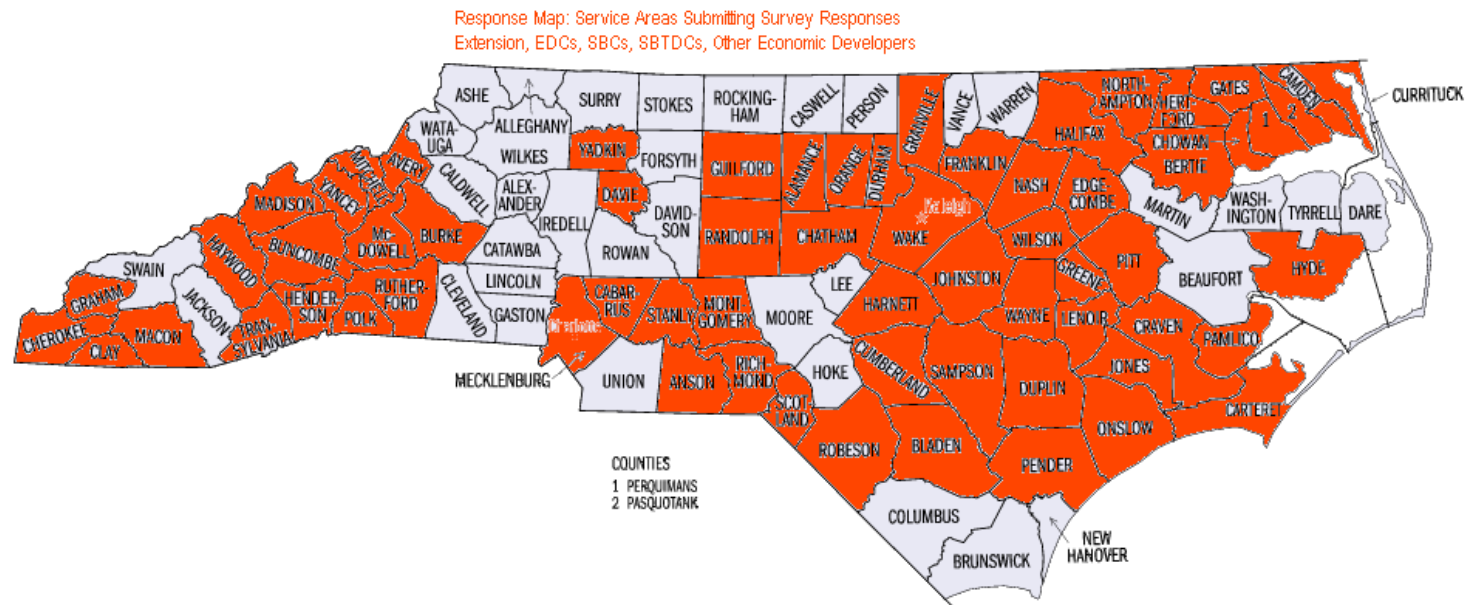
2. Are you aware of any groups or organizations in your service area that have such a program?

Twelve respondents answered this question in the affirmative. In addition to referencing the projects already discussed in this report, additional projects that respondents identified as shared-use facilities were the following:

- the Macon County Fruit and Vegetable Cooperative (not in operation)
- two people who share a rejuvenated school lunchroom in Benson
- Albemarle Cotton Growers Co-op, Peanut Growers Cooperative Marketing Association
- a small community kitchen in Marshall owned by Zuma Coffee

The four examples mentioned above, while being examples of food-based business efforts, do not meet the definition of shared-use facilities. In the case of cooperatives and the Zuma Coffee project, these are privately owned. For all four, no public or nonprofit assistance in technical support, business development or access to capital are apparent.

Response Map- All Represented Service Areas



3. Are you aware of any groups or organizations in your service area that are planning such a program?

Thirty-two of the 53 respondents were not aware of any efforts towards developing such programs in their service areas. In addition to efforts already identified in this report, respondents mentioned the following projects:

- Yancey and Mitchell County farmers have interest in a packing/shipping/cold storage facility for producers. Also, a “Yancey National Products” dehydrator is currently under construction for shared-use to dry mushrooms and herbs
- Cherokee County is investigating a feasibility study on a processing facility
- the Avery County Community Development Foundation is interested in developing a project at the old Banner Elk Elementary school
- Lee County (may be confused with the Harnett County feasibility study)
- Zuma Coffee in Madison County is establishing a community kitchen.

4. Based on your knowledge of your service area, is such a project or program viable?

Forty-five respondents replied to this question: 27 said yes, 12 said no and six were unsure of the viability of such projects in their service areas. Of those who said no, four were individuals from county extension offices in Burke, Sampson, Robeson and Halifax counties. Some telling responses included the following:

- Halifax CES: “No – lack of motivated and educated work base.”
- Robeson CES: “No. Possibly from 1 or 2 individuals, but not enough support to facilitate.”

Four negative responses came from directors of Small Business Centers in Durham, Guilford, Mecklenburg and Mitchell counties, three of those four being largely urban areas. Likewise, three EDCs – the Charlotte Chamber of Commerce, Cabarrus EDC and Harnett EDC – said such projects were not viable in their service areas.

Possibly reflective of urban economic developers, the Cabarrus EDC reported, “Agriculture is fading out.” The Harnett EDC tempered their comment with, “Not yet; maybe in the future.”

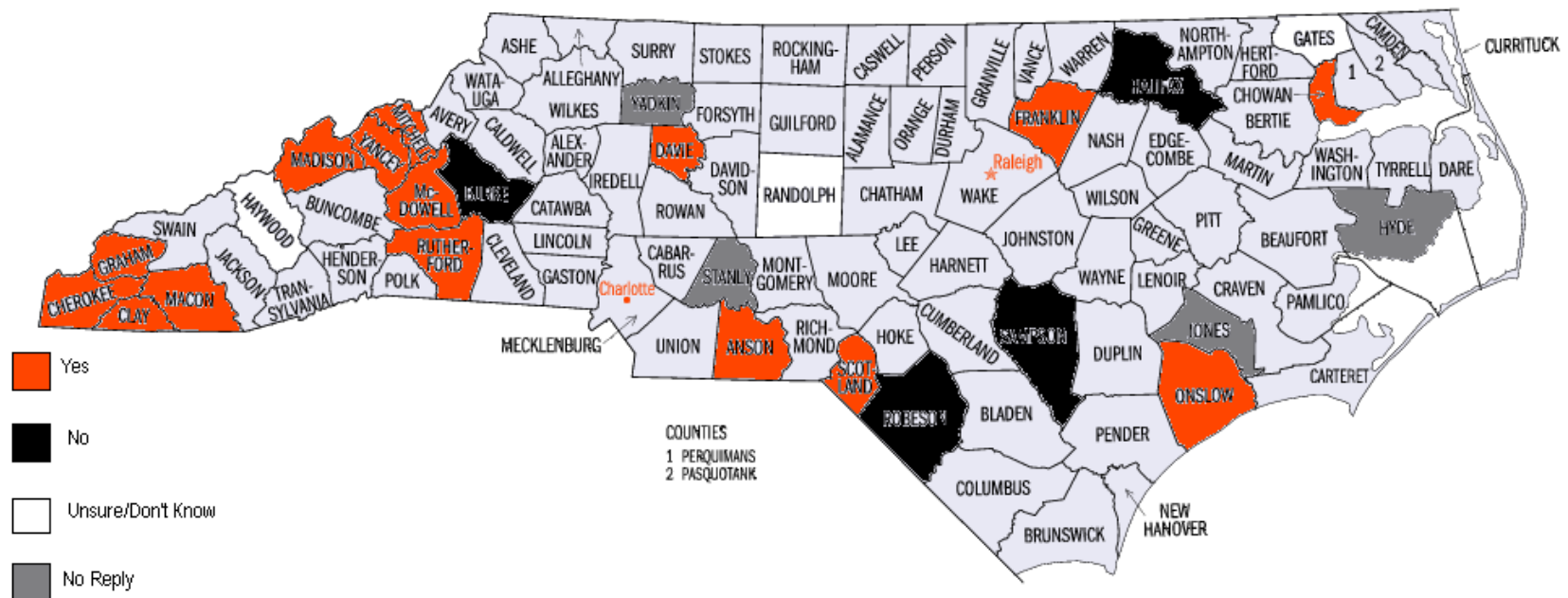
Negative determinations among urban respondents seem to reflect a belief that shared-use food and agricultural facilities are essentially rural enterprises that serve farmers. This indicates a general misunderstanding of these projects, as research shows they are much more likely to serve as incubators for non-agricultural food entrepreneurs than as incubators for farm-based producers. Comments from rural extension agents on lack of motivation and insufficient demand seem much more accurate in assessing a lack of project viability.

Of the 27 positive responses, two comments are of interest. Said a Mitchell County extension agent: “Livestock processing is what is needed! Perhaps [we need] more of a region-wide facility.”

And a staff person with the Research Triangle Partnership added, “Yes. In the ‘halo’ counties around urban areas.” This reflects a good understanding of the relationship between successful regional centers and large population bases.

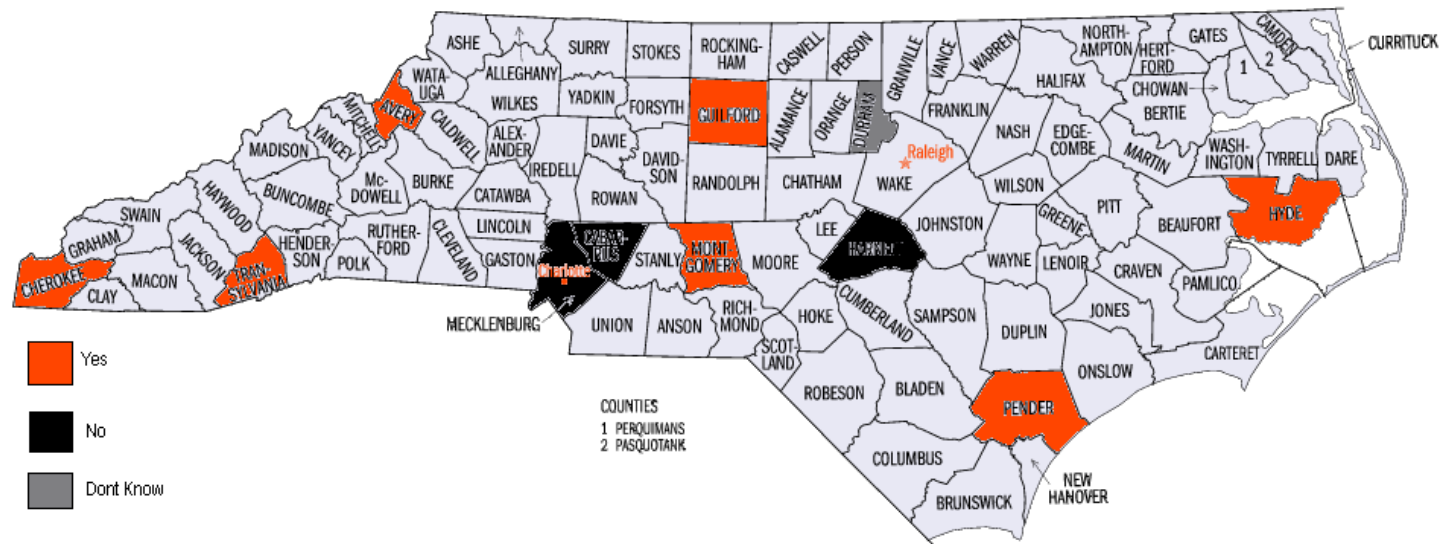
Response Map, County Extension Offices

Is such a project or program viable in your service area? Cooperative Extension responses only.



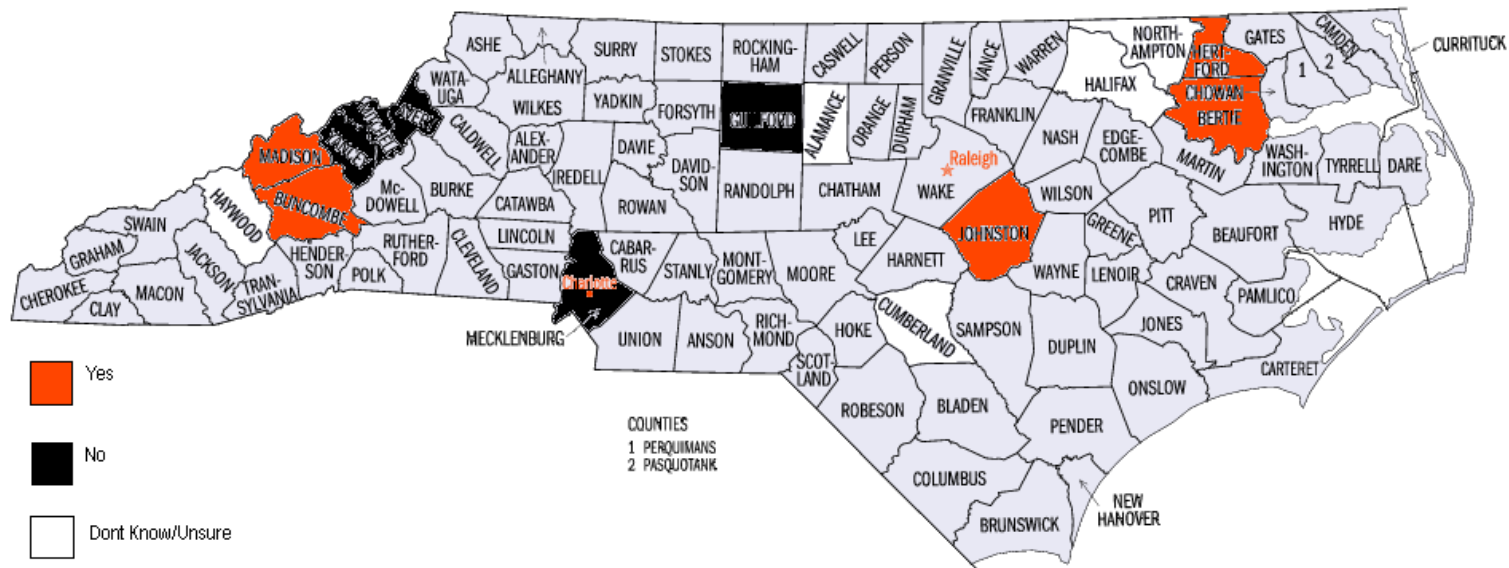
Response Map, County EDCs

Is this type program or project viable in your service area? EDCs only.



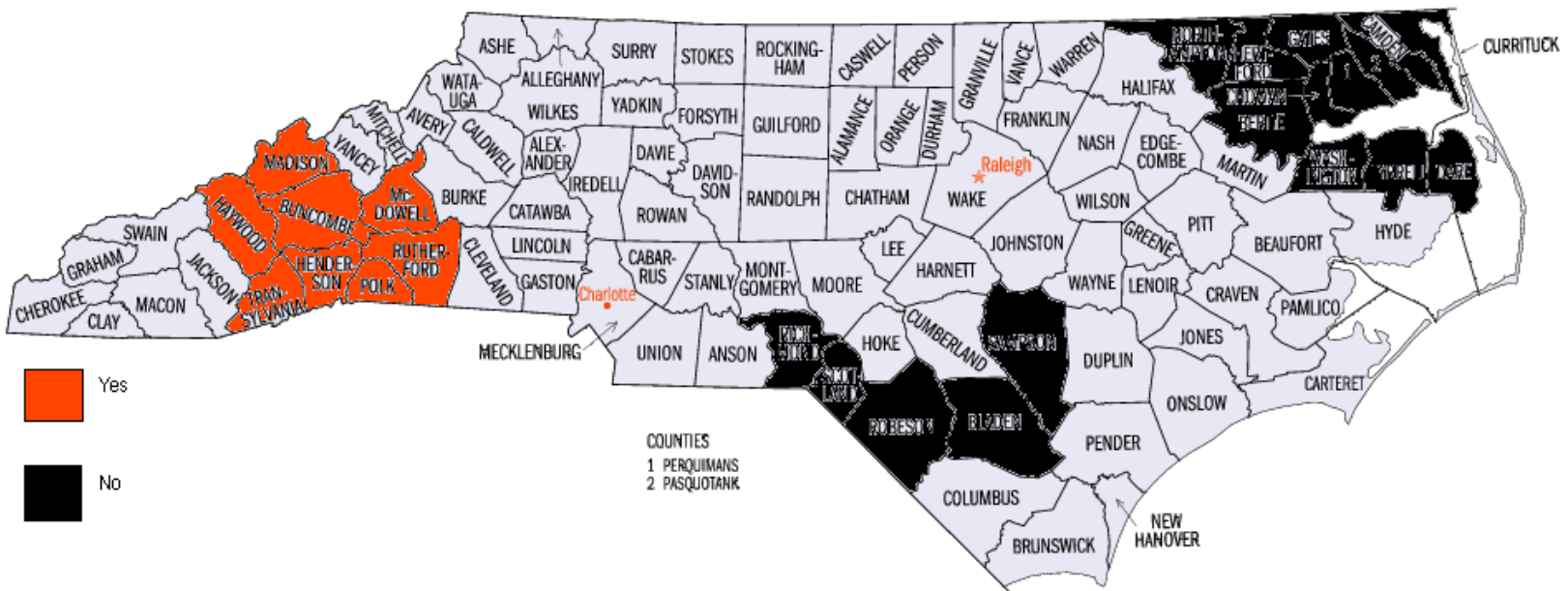
Response Map, Small Business Centers

Is this type of program or project viable in your service area? SBCs Only



Response Map, Regional SBTDCs

Is this type program or project viable in your service area?



4a. What are the regional strengths that would support such a project?

To this question, the following responses were provided:

Anson County: “Organic producers, growing population from Charlotte area, rural county with production potential, regional agri-tourism emphasis.”

Buncombe County: “Depends. A study of all 42 kitchens by our MBA students this year showed no capacity to be self sustaining by any of them.”

Chowan County: “Production of bright hulled Virginia Type peanut for in hull market.”

Davie County Extension: “ ... growing affluent population; favorable planning and zoning; community support; county focus on entrepreneurship, economic, and workforce development; community center structure.”

Franklin County: “Close distance 25-35 miles for Research Triangle Park and population -- Wake Durham Counties. Franklin counts as the third fastest growing county in the North Central District behind Wake and Johnson Counties.”

Guilford County: “Large population center, above average income for local consumers, interstates 40 and 85 intersect here, central location in NC, NC Agricultural and Technical University, existing Del Monte facility nearby, 14 or more strawberry farms, more horses than any other county, most acres farmed are in small grains, most ag. dollars are from landscaping/nursery.”

Harnett County: “Entrepreneurial spirit, work ethic, and support of county leaders!”

Haywood County: “Key agencies working together – good cooperation.”

Jones County: “Population centers in New Bern, Jacksonville, Morehead City ‘should’ be strong enough to support this. However, right place, right time have not yet been found.”

Montgomery County: “Land and labor availability and experience to produce multi-crops for processing. The sanefills area (center) was once a thriving happening area. Peorks, toknea, corn, tomatoes, sweet potatoes.”

Macon and Clay counties: “Producers that are capable of supplying raw materials. Good roads for transportation. High rates of tourism and access to most areas of the counties.”

Madison County: “NCSU, MHC, county government, school system, ASAP, Cooperative Extension, farmers, BRFV”

McDowell County: “A strong agricultural base, high interest by some community groups, high interest from county government.”

Mitchell County: “Fairly close proximity to major market areas. Plenty of livestock.”

Northampton County: “Access to major urban markets through interstate 95 (Richmond and Norfolk areas), growing tourism development.”

Onslow County: “There is a large population of agricultural businesses as well as a great number of potential food processors who would support it.”

Pender County: “According to surveys sent out there was an overwhelming positive response to this concept. I have received email and phone calls to secure more interest.”

Developing Shared-use Food and Agricultural Projects in North Carolina

Randolph County: “We do have many farmers who are growing vegetables. Some are processing the vegetables into salsas, etc.”

RTP: “A supportive economic development environment and the use of Council for Entrepreneurial Development (CED).”

Eastern Region: 1. “Agriculture/Food processing re mainstays of the region's economy. 2. Entrepreneurial/ Small business support infrastructure is improving.”

Yancey County: “Strong interest in local food; skilled farmers, unique climate, fertile farmland, supportive educational programs for farmers.”

4b. Which organizations or entities could lead such a project?

Yancey County: “A project like this needs to be led by the farmers themselves with support and assistance from Cooperative Extension and nonprofit organizations.”

Transylvania County: “AdvantageWest.”

Scotland County: “The Food Bank of Central and Eastern, NC. 910-692-5959”

Rutherford County: “Foothills Connect, Realize Rutherford Ag serving agencies”

RTP: “We could help market and lead the project and once the location has been determined and have it lead by the local county economic developer.”

Randolph County Extension: “We could on a small scale.”

PEDA: “It must be a collaborative project. It would be difficult to survive with just one organization.”

Onslow County: “The NC Cooperative Extension, Onslow County Economic Development.”

Northampton County: “Cooperative Extension could be a leader with support of NCSU.”

Montgomery County: “The Yadkin Pee Dee Lakes Project. Starworks Business Incubator located in star former housing mill, 187, 000 sq. ft.”

McDowell County: “Cooperative Extension, McDowell County”

Franklin County: “Ours! Franklin County Extension Center.”

Guilford County: “Statewide associations such as vegetable growers or greenhouse growers. Carolina Farm Stewardship Association or Eastern Carolina Organics (ECO).”

Davie County: “NCCE (ourselves) and the Farmington Community Center, in partnership with county development services and Health Dept.”

Chowan County: “NC Peanut Growers Association and the Cooperative Extension”

4c. What weaknesses exist in your service area that would hinder such a project?

Anson County: “Number of producers, funding, collective network ability of producers, turf issues”

Buncombe County: “Number of companies”

Cherokee County: “The expertise of setting this up and getting the right people to manage the day to day operations and marketing products. \$ to get it going.”

Chowan County: “Local competition for limited market.”

Developing Shared-use Food and Agricultural Projects in North Carolina

Davie County: “Capital, lack of local Farmers Market, lead ship from growth with this common interest, don’t know if adequate interest to support, manage and lead.”

Hyde County: “The lack of an organization for person with a fever to make the project successful.”

Graham County: “The existing program is hindered by its remote mountain geography and the fact that we are one of the most highly economically distressed counties in the state.”

Guilford County: “High land prices and development pressure, no existing network among farmers (competitive atmosphere, according to agricultural agent).”

Harnett County: “Lack of knowledge/organization.”

Hyde County: “Our weaknesses would be the lack of capital for our budding entrepreneurs, the lack of knowledge of marketing techniques (website design, etc.) and our physical distance from larger municipalities who would have resources and potential customers/clients.”

Jones County: “#1 PROBLEM Lack of produce farmers and entrepreneurial spirit.”

Macon and Clay counties: “High costs of production, land, and the independent spirit of producers”

Randolph County: “May not be enough growers to support it.”

Rutherford County: “No interstate access, small grower size, lack of commodity organizations.”

Eastern Region: “1. Lack of dual-use incubators. 2. Access to funding. 3. Easy access to an lack of knowledge of entrepreneurial support infrastructure.”

Yancey County: “Lack of funds to purchase or upgrade existing facilities; could use more support from the community.”

5. What other information should we know about your organization and your service area in regards to shared-use food and agricultural processing facilities?

Durham County: “We support an urban area and have little contact with agricultural producers.”

Cumberland County: “The clientele of this SBC have not, historically, been involved with agricultural endeavors.”

Sampson County: “We have seen minimal interest in this type of facility.”

Avery County: “We also have an empty industrial building of 60,000 sq/ft that is available for lease all or in part. Ideal for this use!”

Cabarrus County: “We do have several food manufacturers and limited agriculture. Under construction is a large nutritional research campus that you might contact, www.ncresearchcampus.net”

Cherokee County: “I will be willing to help in any way possible. I would be willing to assist someone in getting information for a feasibility study.”

Davie County: “Have possible facility with basic needs, was an old school kitchen, now a satellite senior center, needs renovations.”

McDowell County: “We are currently looking at several shared food facilities.”

Montgomery County: “I would be glad to put up a meeting of interested parties. I believe it would be successful in our county.”

Onslow County: “I often receive calls from citizens who would benefit great from such a facility. I would be very interested in assisting in anyway I could.”

PEDA: “Blueberries are becoming a popular crop in our area. Farmers are eager to add value to their efforts through our commercial kitchen.”

Survey data conclusions

Survey responses shed useful light on the attitudes of various economic development service providers towards the concept of shared-use food and agricultural facilities in general and to their applicability to their service areas in particular. A simple survey can in no way provide enough information to indicate a project’s true suitability to a particular region – much less so in determining project feasibility. However, the intensely collaborative nature of these projects would likely rely on these service providers in order for any one of them to succeed. This is especially true among county economic developers, county extension agents and community college Small Business Centers. Organizational attitudes towards such projects may be harbingers of a given region’s institutional capacity *vis a vis* shared-use facilities.

A review of survey origins indicates that these projects are viewed more favorably in the state’s western region. This is probably due to the fact that four of the five existing shared-use facilities are located in this region. Among 17 survey respondents from the western mountains region, only two – from the Burke County extension service and Mayland Community College – did not believe such projects were viable in their service areas.

In the central Piedmont region, especially along the Interstate 40 and Interstate 85 crescent from Raleigh to Charlotte, survey respondents seemed to be much more skeptical of the concept. Along I-85, no county extension offices chose to return surveys. Four EDCs in the area did so: Of these, both the Charlotte Chamber and the Cabarrus EDC said these projects would not be suitable for their region. The Durham EDC was unsure and the Guilford EDC was the lone EDC on the I-85 corridor to indicate a belief that such projects could be viable. (The Guilford Tech Small Business Center, however, did not agree).

As discussed above, urban agency representatives appear to consider shared-use facilities to be purely rural and agricultural projects, a misunderstanding that overlooks these projects’ value as incubators for urban food entrepreneurs. On the contrary, these projects’ viability is probably most in question when they are sited in extremely poor, rural communities with low population density.

Eastern North Carolina agencies were likewise split in assessing the viability of their regions for these projects. The coastal counties of Pender, Onslow and Hyde all reported various levels of interest in such projects. The ex-urban counties of Johnston and Franklin also appeared to recognize their potential to link farm-based producers to the urban markets of the Research Triangle area.

However, service providers in the northeastern region and the inland coastal plain tended to have deep reservations about these projects for their areas. Survey respondents repeatedly cited lack of organization, low population and a lack of entrepreneurial activity as hindrances to these projects.

CARA

The Richard L. Hoffman

Center for Assessment and Research Alliances

Box 6711 Mars Hill College

100 Athletic Street, Mars Hill, NC 28754

Telephone: 828-689-1337, Email: smills@mhc.edu

Please answer the following questions

Organization name: _____

Geographic Service Area: _____

Contact Person: _____ Phone Number: _____

Your Mission Statement _____

Does any part of your mission statement intersect with a shared-use food and/or agricultural production (or processing) facility (or program) as defined above, or with prospective users of such a facility?

No

Yes – How? _____

1. Are you familiar with the concept of a shared-use food or agricultural processing facility?

No

Yes – How did you learn of it? _____

2. Are you aware of any groups or organizations in your service area that have such a program?

No

Yes – Name(s) and location _____

(Please see reverse side→)

3. Are you aware of any groups or organizations in your service area that are planning such a program?

No

Yes – Name(s) and location _____

4. Based on your knowledge of your service area, is such a project or program viable?

Developing Shared-use Food and Agricultural Projects in North Carolina

No

Yes – If yes, please answer the following:

4a. What are the regional strengths that would support such a project?

4b. Which organizations or entities could lead such a project?

4c. What weaknesses exist in your service area that would hinder such a project?

5. What other information should we know about your organization and your service area in regards to shared-use food and agricultural processing facilities?

Please return this completed survey in the pre-addressed envelope provided.

Chapter Seven: Conclusions and Recommendations for Project Developers, State and Local Leaders and Potential Funding Agencies

New projects supporting the development of shared-use food and agricultural facilities in North Carolina can be expected for many years to come. While the suitability for any given project depends on unique characteristics that include institutional capacity, community or regional demand and multi-organizational support, subsequent efforts should be able to learn from a body of understanding and applied research that is encapsulated for the first time in this report. Future research should build on this modest beginning to develop a sound institutional understanding of these projects as they develop in new and possibly unforeseen ways.

Until now, most developers appear to have understood shared-use facilities as being of one type and geared towards supporting farm-based producers in rural communities. Our collective understanding should instead recognize these projects as incubators of food entrepreneurship in three forms: value-added regional food processing centers, rural community kitchens and shared-use agricultural processing facilities. To the greatest possible extent, projects must incorporate core programs to provide technical assistance, marketing support and access to capital.

Even in the case of purely agricultural shared-use processing, participant farm-based producers will need to approach their businesses as entrepreneurial endeavors, every bit as much as agricultural operations, in order to succeed. Additionally, while North Carolina does not have such a facility at this time, an intensely urban project incubating urban food entrepreneurs could prove as successful as any other in terms of job creation and income generation.

Project developers and state and local leaders will benefit from considering the following activities and concepts:

- Foster a formal association between existing and planned projects in order to learn best practices. A North Carolina-based annual or semi-annual conference of shared-use facility directors and their support agencies would contribute substantially to these projects' collective success and rational future development.
- Engage statewide service providers in a more formal and organized way. Projects have not fully utilized the potential value of relationships with such organizations as the NCDA&CS Division of Marketing for support in sales of locally produced value-added foods. Likewise, NCSU's food science extension services have been reactive rather than proactive in supporting food entrepreneurship. All projects will greatly benefit from deeper collaboration with trained food scientists.
- The state can only support a limited number of regional value-added centers. These will have their greatest chances of success if they encompass the larger population centers, including the RTP region, the Triad and the Charlotte/Mecklenburg region. The southeastern section of the state, centered in Wilmington, may be the only area of eastern North Carolina able to adequately host a large value-added center.
- Rural community kitchens will succeed as components of larger community and economic development projects, rather than as standalone entities. These projects are encouraged to learn from the successful development of Ashe Family Central as a community hub of social services and economic opportunity.

Developing Shared-use Food and Agricultural Projects in North Carolina

- Shared-use agricultural processing projects must engage the active support of statewide service providers, local extension offices and local political structures, such as county commissions and school boards. Development of these projects will signal a new direction for shared-use facilities and will not enjoy a large body of secondary research and national examples.

Key questions

When evaluating the viability of projects, potential funders should ask the following:

- Is the project a regional value-added center, a community kitchen or a shared-use agricultural facility? Do project leaders understand these concepts and understand their project's potential and limitations?
- Who are the project collaborators? Is there multi-organizational support for the project? What is the breadth and depth of institutional capacity?
- Has the site for the project been identified? Is it owned by a government, educational or nonprofit agency?

For value-added regional centers:

- Has the project conducted a third-party feasibility study?
- Does the targeted region have measured unmet demand for food processing or commercial kitchen space?
- Does the project have active support from a local extension office, a state university, a community college or a well-established economic development organization? Are there programs to address technical assistance, business training and access to capital?
- Will the project be located adjacent to or near existing support organizations? Does it have a minimum of 5,000 square feet with significant storage space?
- How close is the project to other value-added centers? Will the project be in competition with other similar projects in the region?
- Does the targeted region have an existing commercial infrastructure for sales of products made at the facility, such as locally owned grocers, schools and hospitals? Does the region include a population likely to support locally made foods?
- What is the anticipated annual cost of project operation? Multiply that amount by 6.67 to estimate the needed production value to achieve break-even.
- Do the collaborating agencies have extensive prior project development experience, especially in developing physical infrastructure and significant grants administration?
- Does the project have an individual identified as the lead project developer? Does that person have a high degree of self-motivation and skills that will enable the project to succeed? Is that individual likely to stay with the project for a minimum of two and a half years from the beginning of project development (post-feasibility study)?

Developing Shared-use Food and Agricultural Projects in North Carolina

For Shared-use community kitchens:

- Is the project affiliated with an existing organization able to host the facility?
- What is the estimated cost of development in comparison to estimated economic impact?
- What is the available supply of commercial kitchen space in the target area?
- Does the lead project entity have existing programs or projects that can complement kitchen activities and support the success of clients?
- Have project leaders conducted internal feasibility analysis to measure potential demand?
- In addition to economic development, is the project also able to contribute to non-economic community development efforts?

For shared-use agricultural facilities:

- Does the project have active support from local and state agricultural service providers? How formal or reliable are commitments of support?
- Does the project meet a measured demand for a specific type of agricultural processing?
- Does the project enjoy participation and support from local government leaders?
- Who are the farmers who will be using the facility? What is their level of existing organization or prior collaboration? How serious are they about using the services of the facility?

Red flags

Some factors that should be considered warning signs about a project's viability include the following:

- Projects championed by new organizations with no prior experience in physical infrastructure development and/or program and project management
- Projects where the physical infrastructure is privately owned and is to be leased to the lead project agency
- Large projects without external feasibility assessments determining positive viability
- Projects that are 100 percent standalone, without location at or near other support agencies
- Projects that do not demonstrate significant multi-organizational support
- Projects that do not clearly identify an individual as lead project developer – development by a committee does not usually work