



SOUTH CENTRAL OREGON ECONOMIC DEVELOPMENT DISTRICT

FOOD HUB FEASIBILITY STUDY

September 2019

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EXECUTIVE SUMMARY

Klamath County, like communities across the state, is grappling with issues related to community resiliency, loss of local economic opportunities and the corresponding decrease in residents' wages and at the same time, an increasing interest in supporting local food production.

The confluence of these issues has led organizations in the county to consider the local food system and the challenges related to growing and sourcing food locally. The challenges—such as high costs, low prices, difficulty in accessing markets and distribution networks—are many and are typical across communities, meaning that we can learn much from the experiences in other regions but in the end must find solutions that fit Klamath County's unique set of circumstances, organizations and individuals.

To that end, South Central Oregon Economic Development District (SCOEDD) commissioned the study of the feasibility of a food hub in order to understand the region's unique circumstances but also to understand what local organizations can do to best support small and mid-size farms and what investments make sense given existing market realities.

During the course of this study, we found that there is definite interest among local producers big and small to serve the local market, and likewise, there is interest among local and regional buyers to purchase from local producers. The evidence extends beyond the anecdotal discussions to an analysis of farm production, farm sales and household spending, all of which indicate that if the markets and networks for local products existed, producers would be supplying them and buyers would be purchasing within them.

However, while supply and demand are nascent and perhaps "waiting in the wings", the infrastructure to support these markets and the necessary customer (consumer and/or wholesale) marketing pieces are needed. Because food system infrastructure, such as a food hub, is not currently an obvious or existing part of a consumer's typical purchasing process or a wholesale purchaser's logistics or distribution network, it will take time to build this awareness. Alongside this, for many producers aspiring to enter this space, the necessary certification, quality standards and volume of production are not currently at levels that will sustain the scale of sales needed to support the costs of food hub infrastructure including capital asset investment and logistics and transportation networks.



In the short-term, we recommend that investments focus on building the underlying market support structures in terms of marketing and branding and continued producer assistance. We anticipate that if current small producer activities within Klamath County are able to continue to expand during the next two to three years, larger investments in food hub infrastructure will be both needed and justified.

For the interim period, we recommend actions that will continue to facilitate producer growth and market expansion.

INTRODUCTION AND BACKGROUND

This study was made possible through a USDA Rural Business Development Grant (RBDG) to conduct a Food Hub feasibility study of a potential multi-functional food hub facility or facilities. The study is meant to demonstrate the commercial viability of a facility to be created. As such, this study explores the potential for new and expanded markets for local food producers and estimates the resulting expanded employment base.

Prior to this feasibility study, SCOEDD and Oregon State University Klamath Basin Extension partnered to conduct interviews of local producers to:

- Identify produce/products that will be most desirable or easy to grow in the region
- Inventory the needs of the producers for services, resources, infrastructure, etc.
- Provide recommendations for the functional content of the facility.

These interviews indicated that while there is some interest in participating in a food hub that could provide services and access to markets, the costs of participating in terms of logistics and stable demand as well as prices to support necessary production would need to be clear.

The idea of a food hub, which is essentially an agreement among producers or related businesses to collaborate to reach markets, is not new. In fact, according to the basic definition of a food hub, Klamath County already has successful food hubs, such as Cal-Ore Produce.

Hubs can provide a range of services, depending on the needs of producers. For hubs serving small producers, the services typically begin with aggregation, negotiating pricing, establishing standards for quality and size, basic washing and handling, transportation, sorting, storage, packaging, marketing and distribution. In addition to these services, aggregation providers can also play a critical role in assisting with or obtaining certifications.

Hubs can also provide shared processing space in the form of commercial kitchens or value added processing. Hubs with these services require a higher level of investment and therefore are more successful if specialized. For example, if an area happens to have many small and medium sized tomato growers, a processing facility that can allow them to process tomatoes into value added products, such as canned or bottled tomatoes may be feasible.

A hub is considered infrastructure within a farming ecosystem. While “hubs” already exist in Klamath County, the intent for this study is to examine the feasibility of further efforts and investment in infrastructure to support small and mid-size farms.

In addition to supporting the diversity and resilience of a region’s farming community, a successful hub also supports regional job growth as well as the viability of new markets.

REGIONAL FOOD SYSTEM INITIATIVES IN OREGON

Organizations in nearly every region of the state are involved in some type of initiative related to local food or the regional food system. The impetus for this type of initiative is typically driven by an interest in addressing several issues, such as the inability of local residents to afford healthy food, a loss in the number of local farms, struggling small farms as well as local food predominantly funneling out of the local market.¹

Over the last two to three decades, farming has transitioned to larger operations mostly by necessity. In order to compete in markets, which have become global, farmers have had to scale up—both to serve buyers demanding higher volume as well as to lower costs. The complicated reality and costs of distribution and logistics have added to this trend as well, as grocers and restaurants have needed to streamline purchasing decisions in order to maintain necessary revenue to costs margins.

Further, as communities have begun to confront the lack of economic opportunities for their residents as well as the implications of lower incomes, food affordability has become an intensifying priority and has influenced the responses of grassroots organizations, community activists, economic development organizations and non-profits. The increase in community food system assessments, food access assessments and other similar studies document issues at the community level and have led to projects meant to support local food system resiliency. Food hubs have also been a component of the response.

¹ The challenges of farming, and in particular, small farming are well documented in current literature. Some of the challenges include increasing difficulty in accessing farm land, competitive challenges in accessing wholesale markets, increasing costs, etc.

Klamath County's interest in its food system sustainability and a potential food hub is mirrored in regions across the state. Below is a non-exhaustive review of similar food system initiatives in other regions and the many ways in which those regions have chosen to deal with issues of both food affordability and/or farmer sustainability.

Central Oregon Intergovernmental Council (COIC)/High Desert Food & Farm Alliance

A 2010 community food needs assessment indicated that the growing regional population was increasingly demanding local food, but local food suppliers needed support to scale up to serve those markets. The study also identified the challenges faced by small and mid-size producers in selling their products to wholesale buyers. In 2012, COIC conducted the Central Oregon Food Hub Feasibility Study. As a result of its analysis, COIC decided to partner with an existing private local food distribution business, Agricultural Connections. Agricultural Connections serves wholesale buyers and sellers of local farm/food products with an aggregation site, a farm pickup service, post-harvest handling with limited processing, storage and access to distribution. COIC has partnered with Agricultural Connections to raise new funding to add support staff and additional equipment. The region has initiated a public private partnership to support education for producers on post-harvest handling and packaging and marketing services. Another organization, High Desert Food & Farm Alliance, has signed on as a partner to support certification and product standardization training as well as transition to re-useable packing bins to reduce waste, and ramp up collaborative marketing in the region.

Gorge Grown

Gorge Grown operates under the mission statement: "To build a resilient and inclusive regional food system that improves the health and well-being of our community." Gorge Grown operates a number of programs that are meant to meet their primary goal of reducing hunger and strengthening their local food system. To that end, they assist in promoting local farmers markets, facilitate food business incubation through their local partners such as the Small Business Development Center and their local economic development district, connect local farmers to grocers, and supporting school garden programs.

Marion Polk Food Share

Marion Polk Food Share is a nonprofit organization which formed under the mission to end hunger in its region. It

collects and distributes food to its network of 100 partner agencies. In addition, it supports community garden programs, Youth Farm and job skills training programs.

Northeast Oregon Economic Development District (NEOEDD)

NEOEDD has been working with the counties within its district, Baker, Union and Wallowa, to improve its local food system in order to bolster the region's self-sufficiency and resiliency. The organization has sponsored a number of community food assessments and feasibility studies. Their 2017 food hub feasibility study indicated that while there is interest, a food hub will need to unfold in stages as small growers are able to gain the capacity and experience.

Ten Rivers Food Web

Ten Rivers Food Web serves Linn, Benton and Lane Counties and it's primary focus is supporting direct to consumer sales for farmers through farmers' markets and similar events and supporting community purchasing of local foods through SNAP benefits, donations and nutrition education.

Two others, the North Coast Food Web and the Rogue Valley Food System Network, are both focused on education, promoting local food and supporting the affordability of local food.

Alongside these initiatives are a few food hubs. The Rogue Valley hosts Rogue Natural Foods and Fry Family Farm Food Hub, Eugene hosts Bohemia Food Hub. Like Agricultural Connections in Bend, these food hubs are largely driven by entrepreneurial efforts that see both a need and how to meet it. Coupled with strong support from local organizations, they are able to make significant progress in allowing small producers to scale their operations.

KLAMATH COUNTY FOOD SYSTEM

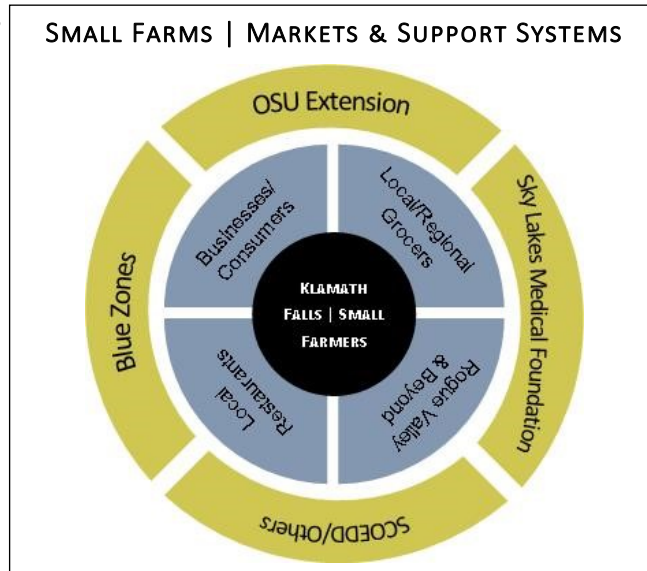
In conversations with local producers and organizations, we ascertained some key points regarding the regional food system in Klamath County. Anecdotally, small local producers have experienced that there is more demand from consumers for local produce than is being supplied currently. Further, producers have experienced that selling direct to consumers requires more variety of product

offerings to retain return business. On the other hand, wholesale accounts have typically required less diversity but demanded more volume.

Many small producers express interest in expanding in diversity and/or volume of product. As these producers expand, scaling up will be a critical time for support. Support will continue to be needed for producers navigating crop certifications. Additionally, funding for items such as pre-processing equipment and season extenders will be needed for small farmers wanting to transition in both scale and market sophistication. The producer transition tends to follow a typical path: Farmers' Markets/CSA/Restaurant accounts -> independent institutions -> regional grocers/hub -> larger institutions/grocers.

Lastly, as the region's small producers grow in sophistication and scale, branding will become an increasing necessity. Using branding as a tool to both market to and inform consumers will likely increase demand and in addition, entice larger producers, who have expressed particular interest in branding their products, to partner on hub efforts. Relatedly, among larger producers, there may be interest in serving "local" markets but their participation in a hub will be predicated upon the need for streamlined logistics and feasible prices. Further, there are many definitions of "local". The definition

of local may need to extend beyond the county boundary to so that Klamath County can play to its strengths. In other words, Klamath County can grow some crops better than others. Focusing on what it can do well and being willing to purchase "locally" outside the county to enable diversification of product may help a hub achieve greater scale if direct to consumer is an important component of the business model.



SUPPLY & DEMAND ANALYSIS

According to the USDA, in 2017, about 8% of all U.S. farms were selling in the direct to consumer market in some capacity, whether they sold directly to consumers or directly to retailers, institutions and hubs. Altogether, these sales accounted for 3% of all farm sales.

In Oregon, about 15.2% of all farms conducted business in the direct to consumer market which accounted for 1.7% of all sales. Further, in 2017 the USDA began reporting direct to wholesale sales from farms selling products directly to retail, institutions and food hubs which accounted for another 5.2% of all farms sales (Retail and institutional establishments include supermarkets, supercenters, restaurants, caterers, independently owned grocery stores, food cooperatives, K-12 schools, colleges or universities, hospitals, workplace cafeterias, prisons, foodbanks, etc.). In all, direct farm sales accounted for a total of 6.9% of Oregon farms sales. Oregon's greater number of small farms is most likely due to the growing region in the Willamette Valley. In comparison, much of the rest of the country is high desert or corn belt.

DIRECT TO CONSUMER MARKETS, OREGON & KLAMATH FALLS (2012-2017)

	2017			2012	2012-2017	2017*
	Direct-to-Consumer (DTC)	All farms	DTC share of All	Direct-to-Consumer (DTC)	DTC Annual Avg Growth Rate	Direct-to-retail, institutions & food hubs
Oregon						
Farms	5,720	37,616	15.2%	6,680	-3.1%	1,040
Value of sales	\$84,272,000	\$5,006,822,000	1.7%	\$44,177,000	13.8%	\$260,679,000
Average/Farm	\$14,733	\$133,104		\$6,613		\$250,653
Klamath County						
Farms	64	1,005	6.4%	85	-5.5%	16
Value of sales	\$294,000	\$192,598,000	0.2%	\$277,000	1.2%	\$996,000
Average/Farm	\$4,594	\$191,640		\$3,259		\$62,250

Source: USDA, 2017 Census of Agriculture – State and County Data, Food Marketing Practices. USDA: Food marketing practices. Direct-to-Consumer was a new statistic in 2012. The statistic consists of sales of edible agricultural products that are both produced and sold by the operation directly to consumers (farmers markets, on farm stores or farm stand, roadside stands or stores, u-pick, CSA, online marketplaces, etc.) or retail markets, institutions, or food hubs for local or regionally branding. Retail and institutional establishments include supermarkets, supercenters, restaurants, caterers, independently owned grocery stores, food cooperatives, K-12 schools, colleges or universities, hospitals, workplace cafeterias, prisons, foodbanks, etc.

*Data not available for 2012.

In Klamath County, about 6.4% of farms are participating in the direct to consumer market, accounting for 0.2% of farm sales. Sales from the direct to retail, institutions and food hubs market in Klamath County accounts for another 0.5% of total farm sales resulting in total direct farms sales about 0.7%. Klamath County's farm participation in direct to consumer markets is significantly lower than state and U.S. averages, which likely indicates local capacity to both participate in these markets and/or scale up production to increase sales.

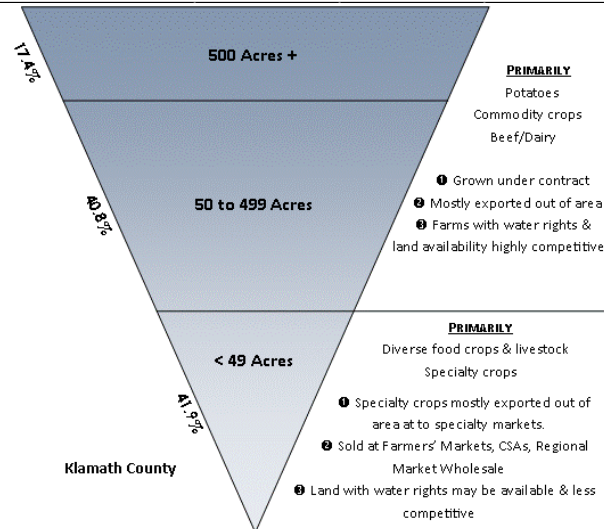
While Klamath County's growing season restricts the length and variety of produce grown on a large scale, it does not explain the disparity of the region's participation in direct farms sales compared to state and U.S. averages. Proliferating season extenders and greenhouses will be critical to future regional increases in production. It is possible that Klamath County average participation rates in direct to consumer markets may continue to trend below the state average due to the county's relatively greater number of medium to large farms. The share of farm sizes in Klamath County more closely mirrors U.S. averages than state averages (see Share of Farms by Size table below). Presumably, Oregon's greater rate of participation in direct to consumer markets is due to its greater number of small farms relative to the U.S. share.

There are significant differences in the average value of sales per farm in the two direct to consumer markets. While a small or medium-sized farm may begin selling directly to consumers, if the farm has any ambition beyond subsistence, it must move beyond selling directly to consumers to selling direct to wholesale retail/grocer, institution and food hub markets.

Klamath County has a greater number of large and mid-sized farms than the state average. Given the data and conversations with producers, it is likely that most production from farms in the largest two size classes (500+ acres) is grown on contract. The ability and interest of these producers to divert to local and/or regional markets is limited. The same is likely true of producers within the 50 to 499 acre size classes. Conversations with local producers has indicated that many of these producers are operating within specialty markets and if they were to consider diverting product, demand in the local/regional market would need to be clear and support feasible prices as well as provide transportation/logistics cost structures comparable to current contracts. Expansion of the supply for direct to consumer markets in Klamath County will likely begin with farms of 1 to 49 acres.

SHARE OF FARMS BY SIZE, OREGON, KLAMATH FALLS, U.S. (2017)

Farms by size	Oregon	Klamath County	U.S.
1 to 9 acres	33.3%	17.6%	13.4%
10 to 49 acres	33.8%	24.3%	28.5%
50 to 179 acres	16.1%	24.8%	27.7%
180 to 499 acres	7.1%	16.0%	15.4%
500 to 999 acres	3.4%	8.4%	6.5%
1,000 acres or more	6.2%	9.0%	8.5%



Source: USDA, 2017 Census of Agriculture

Klamath County produces about 5.7% of statewide cattle (5.3% beef cows and 5.5% milk cows), 1.7% of hogs and 2.7% of sheep and lamb. The county is not a significant producer of broilers (meat chickens). Of commodity crops statewide, the county produces about 1.7% of wheat, 24.9% of oats, 53.5% of barley and 9.1% of hay. The county accounts for 5.4% of statewide acreage of vegetables harvested, 94% of which is potatoes.

According to the Bureau of Labor Statistics' Consumer Expenditure Survey, consumer units outside of urban areas spend 84.6% of their income, 12.4% of which is spent on food. About 6.5% of the food expenditure is spent on meats, eggs, dairy, fruits and vegetables and other food for home consumption. Carrying that across to the household income ranges in Klamath County, we estimate that households spend \$68 million on fresh foods. Further, the USDA estimates that on average, U.S. households spend 0.79% of their annual food expenditures at farms, farmers' markets and other channels of direct selling by farms. If Klamath County households spent 0.79% of their annual food expenditures from farms through direct to consumer channels, the minimum local market demand would be nearly \$540,000 per year. As Klamath County develops and builds direct to consumer infrastructure, average annual expenditures per household is expected to exceed 0.79%.



ESTIMATED DEMAND BY CONSUMERS FOR LOCALLY PRODUCED FRESH FOOD

Household Expenditures Extrapolated for Klamath County by Household Income Ranges (2017)									
	%	Median Income	<\$10,000- \$24,999	\$25,000- \$49,000	\$50,000- \$74,999	\$75,000- \$99,999	\$100,000- \$149,999	\$150,000- \$199,999	\$200,000+
Income		\$42,531	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000	\$200,000
Total Expenditures as % of Income	84.60%	\$35,981	\$12,690	\$21,150	\$42,300	\$63,450	\$84,600	\$126,900	\$169,200
Food at Home	12.40%	\$4,462	\$1,574	\$2,623	\$5,245	\$7,868	\$10,490	\$15,736	\$20,981
Meats, Poultry, Fish, Eggs	1.60%	\$576	\$203	\$338	\$677	\$1,015	\$1,354	\$2,030	\$2,707
Dairy	0.80%	\$288	\$102	\$169	\$338	\$508	\$677	\$1,015	\$1,354
Fruits & Vegetables	1.30%	\$468	\$165	\$275	\$550	\$825	\$1,100	\$1,650	\$2,200
Other Food at Home	2.80%	\$1,007	\$355	\$592	\$1,184	\$1,777	\$2,369	\$3,553	\$4,738
Housing	28.90%	\$10,399	\$3,667	\$6,112	\$12,225	\$18,337	\$24,449	\$36,674	\$48,899
Utilities	7.10%	\$2,555	\$901	\$1,502	\$3,003	\$4,505	\$6,007	\$9,010	\$12,013
Healthcare	9.60%	\$3,454	\$1,218	\$2,030	\$4,061	\$6,091	\$8,122	\$12,182	\$16,243
Other	26.60%	\$9,571	\$3,376	\$5,626	\$11,252	\$16,878	\$22,504	\$33,755	\$45,007
Total Fresh Food/Other Food Expenditures per Household			\$825	\$1,375	\$2,750	\$4,124	\$5,499	\$8,249	\$10,998
Total Households			7,608	8,070	4,782	3,070	2,282	788	543
Total Expenditure on Fresh Food/Other Food			\$6,275,360	\$11,093,940	\$13,148,373	\$12,662,780	\$12,550,720	\$6,499,480	\$5,976,533
			Annual Expenditure Total for All Households						\$68,207,185
			Estimated Average Percentage of Potential Expenditures (0.79%) Purchased from Direct Selling by Farmers to Consumers						\$538,837

Source: Bureau of Labor Statistics, Consumer Expenditure Survey; USDA, Food Expenditure Series; and US Census Bureau, American Community Survey 5-Year Estimates.

Note that for household incomes under \$40,000, the income at which households are likely burdened by unaffordable housing costs, the available expenditure for food is likely reduced below 12.4%. The extent to which SNAP and other benefits may offset that reduction is unclear. Anecdotally, many SNAP benefits are being spent at the Klamath Falls Farmers Market.

Similarly, if Klamath County matched U.S. averages in direct farms sales, the County would have 78 farms (7.8%) participating in direct sales markets. Most farms would be small and would be participating in the direct to consumer market while a fewer number of larger farms would be selling through wholesale markets. Sales from operating in direct sales markets would equal roughly \$5.8 million (3% of agricultural sales) with wholesale market sales accounting for \$4.4 million and direct to consumer sales accounting for \$1.3 million.

An increase in local farm production and direct farm sales could result in significant economic impact within the local economy. According to findings from a recent study conducted by Oregon State University Extension Service in partnership with Central Oregon Intergovernmental Council and the High Desert Food and Farm Alliance, minor shifts that increase the viability and growth of producers serving the local market can have positive impacts on job created and local revenue.² To conduct the study, OSU based their methodology on a model established by the USDA to measure the economic impact of the local food sector. While the study's results are intended to inform the local food sector in central Oregon, we find that the geographic proximity and similarities in the type of producers analyzed offer a possible trajectory

for potential employment and economic activity impacts in Klamath County. Some similarities between the producers represented in the central Oregon study and Klamath County producers involved in hub efforts include:

- 1 The majority of producers are located near the region's urban core.
- 2 The majority of producers have established themselves since 2010 and secondarily, since 2000.
- 3 The majority of producers farm less than 50 acres with the bulk of those farming less than 10 acres.

As food system infrastructure and collaboration among small producers in central Oregon are about five to ten years ahead of similar efforts in Klamath County and assuming Klamath County producers follow a similar trajectory in terms of their ability to expand production, if Klamath County producers increased their direct farm sales to \$1.9 million (about 1% of total farm sales) from the existing \$1.3 million direct farm sales, it could result in 11 new jobs and over \$1 million in new economic activity.

² <https://extension.oregonstate.edu/sites/default/files/documents/10896/economicimpactlocalfoodscentraloregon.pdf>

FEASIBILITY & TIMING OF LOCAL FOOD HUB

The financial framework of a local food hub will depend on the business model chosen and the hub's target market, specifically on whether the hub sells only to wholesale markets or consumers or a mix. In the direct to consumer model, a hub is seeking to fill the space traditionally held by a grocer (or perhaps restaurants) and is acting as a direct middleman between producers and consumers. In a direct to wholesale model, a hub is seeking to fill the position traditionally held by brokers and distributors.

In some cases, prices can be lower for customers of a hub (consumer and/or wholesale) depending on the costs associated with logistics and overhead and if consumers are willing to take on direct costs such as sorting and pick up themselves. However, depending on the goals and objectives of the hub, it is unlikely that a hub can provide a price advantage for customers, particularly at early stages. For example, one of the goals of many hubs is the desire to provide fair prices to producers, many of whom are growing according to presumably higher standards (organic, regenerative, environmentally conscious etc.). This translates into higher production costs which include special certifications and more labor intensive processes. Therefore, a hub is typically paying a premium price to producers relative to other buyers in the market.

Secondly and perhaps more critical, because a hub typically does not have access to the extensive network of logistics infrastructure built by larger, established distributors, the distribution costs of a hub can be significantly higher until the hub is able to increase its own efficiency or cost-effectively connect to larger distribution networks.

Below are two basic pro forma scenarios for a hub at early and mid-stages. Estimates of lease rates for property and equipment as well as labor costs are based on local pricing. The pro forma scenarios were designed to back into the level of income a hub would need to achieve in order to support the costs of investment and operations.

FOOD HUB PRO FORMA EXAMPLES FOR EARLY & MID-STAGE SCENARIOS FOR ONE YEAR OF OPERATIONS

Food Hub Pro Formas		Scenario ❶ Early Stage		Scenario ❷ Mid-Stage	
Revenue					
Income from Sales		\$628,777		\$1,138,336	
Costs		Assumptions		Assumptions	
Variable	Cost of Goods Sold	\$440,144	70% to Producers	\$796,835	70% to Producers
	Labor	\$80,600	1.5 FTE	\$128,700	2.5 FTE
	Delivery & Logistics	\$8,400	Local & Rogue Valley Deliveries	\$10,400	Local & Rogue Valley Deliveries
Fixed	Property Lease	\$16,800	1,400 SF, Central Location	\$36,990	6,165 SF, Central Location
	Trucks & Equipment	\$8,000	Purchase Used Small Refrigerated Truck, Equipment Rental, Maintenance	\$11,000	Purchase Used Mid-Sized Refrigerated Truck, Equipment Rental, Maintenance
	General Expenses	\$70,000	Marketing, Legal, Insurance, Taxes, Certifications, etc.	\$150,000	Marketing, Legal, Insurance, Taxes, Certifications, etc.
	Financing Costs	\$4,833	Assume Business Loan to cover 40% of operating expenses	\$4,410	Assume Business Loan to cover 20% of operating expenses
Total Costs		\$628,777		\$1,138,336	
Breakeven		\$0		\$0	

Source: Estimates for property & equipment leasing and labor derived from local sources. Finance charges for equipment purchases are included within its line item. Other estimates are derived from USDA Running a Food Hub: Assessing Financial Viability, Vol 3. Assume the hub is passing along 70% of income to producers as accounted for in the COGS.

Note: These estimates are based on bare bones operations assuming hub operations will start small and evolve over time. According to the USDA, the breakeven point for a hub is about \$1.2 million in sales (usually years 2-5) which on average requires nearly 4 FTE. Long term viability is assumed to require closer to \$2 million in sales.

Until the hub is able to support the costs associated with increased operations, it will be important for it to focus on buyers who can be efficiently served. It likely makes sense for the hub to continue to sell direct to consumers if consumers continue to be willing to carry the bulk of logistics costs in terms of picking up product at designated locations and hours. Within the wholesale market, focusing on customers who purchase larger quantities at steady intervals for whom distribution can be easily designed will allow producers to increase production and invest in land, equipment and/or labor.

As local producers and hub efforts continue to evolve, other regions with similar initiatives have found that the transition results in three critical interim needs:

- ❶ Season extenders and wash stations are important for producers to expand production as well as meet quality standards inherent within the wholesale market.
- ❷ Establishing regional branding and marketing. Eventually this could be an important value-add function of a hub but a clear, well-known brand to support it is critical.
- ❸ Assisting producers to identify interim transportation/distribution options will be important. Unless producers or the hub is able to transport products more efficiently than established freight networks, it will be difficult to keep costs competitively low. During this time, forming partnerships to creatively transport through backhauling and other arrangements is critical.

Based on recent research regarding the economic impact of food hubs, we estimate that in the early stage of development, a food hub could support 10 jobs within the local economy and between about \$987,000 in economic stimulus. A successful food hub approaching long-term viability (estimated five to ten years of operation) could support 31 jobs within the local economy and more than \$3.1 million in economic stimulus.³

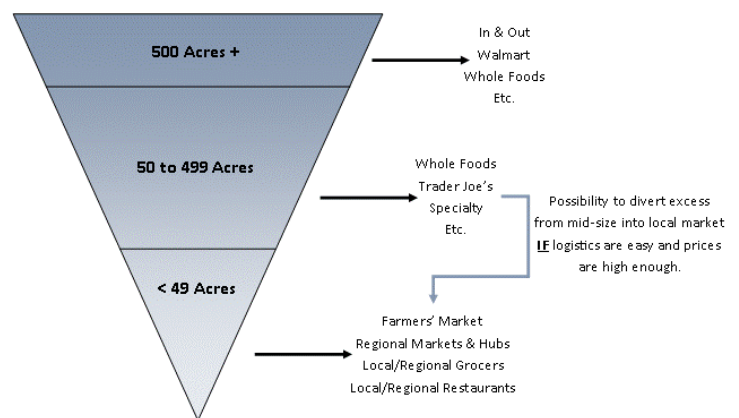
In conclusion, we found that while there is both supply and demand capacity in Klamath Falls, a food hub will be building a new market within the area. As hub efforts continue to grow and gain momentum, it will be important to foster partnerships with producers, wholesalers and consumers. In addition, a branding and marketing campaign will assist in customer knowledge, support and interest. Further, as hub efforts continue locally, we

anticipate that within five years, producers will need access to outside markets in order to continue growing. Starting now to build relationships with other regions such as the Rogue Valley will lay the ground work for future growth.

FINDINGS, RECOMMENDATIONS & NEXT STEPS

Grower Landscape

- ❶ The big (and mid-size specialty) growers in Klamath are well-established in their businesses and markets. For example, there aren't many potato growers anymore and those that remain grow in accordance with existing contracts and due to both the value and priority of those contracts, are unable to serve a local market. However, many of them indicated that if they have excess capacity and there is a clear market and ready transportation networks, they are willing to partner with a local food hub (or another local entity) to divert produce locally. Some larger growers also indicated they are interested in marketing "Klamath" produce, particularly to the Rogue Valley market.



- ❷ The Klamath Farmers Online Marketplace (KFOM) growers we spoke with seem ready to grow. They like what they are doing and want to make a living doing it. Local restaurants and/or grocers in Klamath and perhaps connecting to Rogue Valley may be enough for them, at least in the short term. We view the Rogue Valley connection as a crucial piece to have in place for their future, if not, immediate growth.

³ These estimates use economic impact multipliers of food hubs accounting for opportunity costs calculated in the following study: <http://ngfn.org/resources/food-hubs/2014-conference/Economic-Jablonski-03-27-2014.pdf>. While these estimates use the average multiplier of 1.57, it is important to consider that the economic impact of a hub will increase over time. In other words, a local hub's economic impact multiplier will likely be much less than 1.57 in its early years but possibly greater than 1.57 at full maturity.

Land Availability & Resources

- ③ Land with larger contiguous (minimum of 60 to 80 acres) acreage is competitive among larger growers, particularly with land irrigated within the Federal Reclamation Project. However, there are potential 1, 2, 3 and 5 acre parcels, some can be aggregated, with good water rights that could be excellent interim growth opportunities for small growers.
- ④ The continued efforts of community partners (e.g. Sky Lakes Medical Foundation and Blue Zones) to facilitate services for local producers, such as certification training and grants will be essential for growers who want to sell to wholesale markets.
- ⑤ Given the experience of other communities, the focus of supportive services should continue to focus on food safety and other certifications, funds for season extenders and on farm processing equipment (such as washing stations), local agreement on standardization (based on needs of buyers) and laying the ground work for transportation infrastructure.



Food Hub Feasibility, Markets & Producer Growth

- ⑥ At this time, given current supply levels and the lack of (or not understood) demand channels, investing in a physical “hub” or stand-alone space for a food hub could be premature. However, the confluence of current activities such as KFOM, Blue Zones, Sky Lakes Medical Foundation, etc. indicate that within five to ten years, the scale of activities may justify such an investment.
- ⑦ Regarding the Community Food Assessment, we recognize that the study was about food affordability, not necessarily access to food. For the sake of producer and KFOM sustainability, we caution against confusing the two issues. While the community needs economic growth opportunities and policy instruments to assist with residents’ affordability issues, producers need access to markets that are willing to pay prices that cover the costs and profit margins that allow producers to sustain, reinvest and grow.

It will be important to set clear objectives and goals of food system infrastructure activities. In other words, food affordability and producer sustainability are both critical issues within the community’s well being but they are not the same problem and each requires different solutions. While Klamath County benefits from multiple organizations confronting food affordability issues, producer sustainability and/or food hub initiatives must necessarily focus on the business and market realities of food producers.

- ⑧ Based on the demand analysis, we expect that in addition to connecting with more local buyers (grocers, restaurants, etc.), access to regional markets will be necessary to achieve the desired local market producer growth. To achieve that growth, we have identified several next steps that could be put into motion now:
 - A| We have spoken with two Rogue Valley buyers, one in Medford and one in Ashland, who are willing to purchase Klamath produce if it can be delivered to them. The buyers expressed particular interest in potatoes and specialty items and are willing to purchase other items as well. We recommend capitalizing now on the future potential of these relationships.

- B|** Capitalizing on regional demand for local potatoes may be the key to unlocking access to regional markets. Therefore, forming relationships with and designing networks to aid in the ease of logistics for potato and other specialty growers will be critical.
- C|** To facilitate regional transportation of produce in the short-term, we identified a local egg producer that transports products from Klamath Falls to the Fry Family Farm in Medford. In addition, there is a baker from Ashland that sells at the Farmers Market. These are two potential partnerships that could provide inexpensive transportation services.
- D|** One of our interviews identified a company that recently built a cold storage facility near the community college. It is our understanding that, currently, the company may have excess capacity. It could be worth exploring whether producers could lease a small portion of the cold storage space, if needed.
- E|** The idea of branding “Klamath” products was an idea that arose in many instances through the course of the study in talking with producers of all sizes as well as service providers. Further exploration of how it might impact local and regional demand and how it might be executed is recommended.
- F|** Consider joining the Oregon Community Food System Network in order to access information and foster regional partnerships.
- G|** Hemp and implications of its growth should be considered in thinking about the future of farmland/production, supply and demand. As the market develops, the county may see more farmland converting to growing hemp.
- H|** While continuing to work with the school districts is important, the complexity of serving them is high enough that it will likely be helpful to focus on other interim buyers who will allow growers to gain the necessary sophistication to comply with the structure and capacity.
- I|** In designing and growing a hub, continue to ask questions that may increase efficiency and reduce costs: is a food hub more efficient and less expensive than existing distributors? How are distributors keeping their costs low? Is it absolutely necessary for a hub to create alternate networks?

NEXT STEPS

Building off the findings and recommendations in ❶ through ❸, we recommend the following next steps:

- i |** Local producers should continue to seek support from OSU Extension, the Oregon Department of Agriculture and local organizations to aid in certification training and supplemental funding for farming and market access resources.
- ii |** Continue to build local relationships within Klamath County agriculture with the goal of identifying leverage points for logistics and marketing of local agriculture within Klamath County. (See Appendix B)
- iii |** Build relationships and logistics solutions to connect local products to neighboring regions. (See Appendix B)
- iv |** Initiate exploration of regional branding and marketing.

APPENDIX

Appendix A: Interview Notes

Appendix B: Recommended Scope & Budget for Phase II Relationship Building

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JOHN DEY, BIG JOHN'S GARDEN

5 AUGUST 2019

Sells mostly to wholesalers, customers who either resell or plant the bulbs and backyard growers. Largest client is a catalog company in Vermont who buys about 40,000 lbs of seed garlic every year. Does not do much business locally. Local client is Rogue Natural Foods (Ashland), who buys about 10,000 lbs of smaller less desirable garlic at the end of the season and sells to customers between Eugene and Redding.

John has two other growers who grow garlic for him. All three grow on about 5 acres, 165,000 plants. Greatest risks are water, increased demand and shipping long distances. Does not have a backup well.

He is completely at capacity and only has 2 ½ month shipping window. He is starting to get uncomfortably large. He has never sold locally and does not see a market for his product. Most local garlic is imported.

He thinks that there is a fair amount of local organic product and a food hub/aggregation/wholesale coop would be good for Klamath.

MEGHAN MILLER, LOST RIVER HIGH SCHOOL FFA

5 AUGUST 2019

She has developed a program where they grow vegetables in the greenhouse, raise chickens, have a barn and sometimes animals. Last year they harvested four steers. They supply 100% of the eggs used by the school cafeteria and some of the vegetables. Meghan also went through the process with the school district to send the steers to a federally inspected plant to harvest steer and then had meat sent to Diamond S for processing. Was able to supply about 3 months worth of hamburger to the school cafeteria. Considering pork next year as well as expanding vegetable growing.

District purchases all food a full year in advance, so to provide meat, etc., need to have it lined up early.

Also raised plant stock in greenhouse and raised \$11,000 in sales.

Raised 22 lambs this year, sold 12 at Fair.

Always looking for more opportunities to provide kids with hands on experience.

Greatest challenges are dealing with regulatory environment of multiple agencies: ODE, USDA, etc.

Would like to do more and expand but need to know where product is going before investing so that all regulations can be considered early on.

Transportation of product from the school to a hub/market would be challenging.

MARC STAUNTON, CAL-ORE PRODUCE

5 AUGUST 2019

Co-op was started in 1976 with five farms. Co-op favored consistency over farmer flexibility. It made it harder for farms to jump in and out of potatoes but created a consistent supply for co-op.

Potatoes in the Klamath basin haven't had a processing outlet since the 1980s. Cal-Ore struggled to find a niche but relied on quality. But as larger buyers favored lower prices, quality began to matter less.

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Cal-Ore lost their contract to Safeway in 2015 when Albertson's acquired it.

Ten years ago all of their products were conventionally grown. Now, Cal-Ore's main focus is on organic potato products and markets looking for "locally grown" products. Some of largest customers are California Walmart stores, Whole Foods. Organic fits their opportunities on the farm—high elevation and short season.

Cal-Ore is always looking for new markets. For now, they decrease/increase volumes to meet market demand but it is a constant challenge to balance market and supply.

They sell about two truckloads/week to the California food bank through a brokerage, usually a processing grade potato.

Other buyers: Amy's Kitchen, Imperfect Produce (San Francisco), KPay (Woodland).

Challenges: Labor costs associated with overtime, water.

BILL WALKER, GOLD DUST POTATOES

6 AUGUST 2019

In 1972, Bill and his brother formed a partnership to sell potatoes. Had about 1,200 acres, 50% potatoes. When market crashed in mid-1980s, they got into the chipping business. They were able to get a little bit of business with Grannie Houston Foods until they were bought by an investor group and eventually shut doors. In 1990s were able to get a contract with Frito-Lay.

Now farming 1,400 acres, 1/3 of which is organic. Growing potatoes, hemp, grain and hay. Need help on the banking side with the hemp business. Bank of the West might be willing to make a deal on the hemp side. Grain crops are a loser right now. Due to the size of their business, they are able to find buyers but smaller grain farmers struggling.

In 2001/2, they were able to gain more contracts selling to Asia and at one time were exporting almost 1/3 of crop, but that has decreased a bit.

Started selling potatoes to In & Out, which is now second largest customer. They are working on a deal with Kettle Chips currently.

At capacity? They have over 2,000 acres of growers who grow for them. Their shed is at a maximum. If they needed to increase, they could add a shift.

They collaborate with their growers (they have about 4 growers, one of which is the Stauntons).

They would love to find a specialty/rotation crop that is drought resistant to replace grains.

Hemp replaces nitrogen and they are putting in a hemp oil processing plant. They are also looking for processing companies that are making long-term investments in hemp processing.

STEVE PARKINSON, IVI

6 AUGUST 2019

They specialize in cold storage and post-harvest chemicals. Their territory stretches from central Oregon to Mexican border. Their local customers are on average about 150 to 200 acre to the largest farmers.

Their cold storage customers need a minimum of 5,000 tons. They have done some specialty cold storage that is smaller (e.g. shrimp freezer by KCC) and have done a few spaces that are shared by smaller farmers.

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They have witnessed a major decrease in producers over time. There are only 3 packing sheds in the area now. Most farmers quit, you see absentee landowners, widows who may lease out land, etc.

Many farmers would like to be smaller but can't—it doesn't pencil. If a farmer is going to survive, there is a size threshold in order to absorb the prices they receive.

There is also a dearth of family members returning to the farm to keep it going. Gold Dust is unique in that the children all returned to run the farm.

The 2001 water shutoff was a breaking point and the area lost many smaller producers.

Strawberry transplants have experienced 90% growth in the area during the last couple decades.

Most larger farming is a rotation of potatoes, alfalfa/hay and grain.

A food hub is a good plan for the area if we can figure out how to make it work. People will grow to the market.

KATIE SWANSON, SWEET UNION FARM

29 JULY 2019

Until recently, Katie farmed a small scale vegetable farm. Farming about 1/3 acre using intensive management and diversified crops. She sold direct to consumer (CSA), to restaurants and at the farmers market. Simultaneously, she worked as a project manager for the Blue Zones for two years. She met Betty through the Blue Zones food systems committee. One of the goals that came out of the committee was to start a food hub, which they decided to start as a virtual online market rather than a brick and mortar space. KFOM was started in the fall of 2017—Betty and Nicole Sanchez were highly involved. It started small and began to get more buy-in from producers. As KFOM began to show promise, they developed an advisory board to determine next steps. They recognized the potential but needed more information. In conversations with medium/larger producers, they indicated that they are producing lots of food but need to know the [local/regional] market is solid.

KFOM is now farmer owned. Five local farmers/ranchers own the LLC. They are about to launch a new website and are considering a distributor role. They are now a supplier for the Sky Lakes market—employees can use their paychecks pre-tax. They drop their cases off the night before (every other week), there have been some issues with storage.

Their relationship with the Farmers Market is good but has been work to keep collaborative. About 50% of KFOM suppliers also sell at the Farmers Market. They still maintain a contractual partnership with Blue Zones until November 2019 at which time both entities will reassess relationship.

KFOM

Five owners, three member managers: Sweet Union Farm, Box R Beef and McPherson's High Desert Highlands.

Other two owners: Fresh Green Organic and Simple Gifts.

They have around 15-20 registered to sell producers and an average of six to ten posting items for sale every week.

Most producers are small scale, the larger are usually meat producers.

They always have meat, eggs and honey but vegetables tend to sell out quickly and are generally in short supply not only through KFOM but at the Farmers Market, etc.

Feedback they have heard is that people would like more variety. They have found that the more variety, the more customers they have and the more return/consistent customers.

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Current distribution model: each producer drops customer orders (in bags/boxes with customer name) at drop point (currently the Herald and News building/Blue Zone space). Customer finds bags/boxes, etc.

Fresh Green Organic has a refrigerated trailer that they have considered using but running into logistic/liability issues. They have also considered other existing trailers that would need repair work. Ideally, they would have walk-in cooler (cool bots can refrigerate inexpensively) with chest freezers for meat people.

Katie to connect us with Kelsie Randall with Box R Beef and Josh McPherson with McPherson's High Desert Highlands. Kelsie has been thinking about regional distribution/connection opportunities.

KELSIE RANDALL, BOX R BEEF

8 August 2019

Kelsie is from northern Montana and husband grew up on big farm/ranch between Klamath Falls and Ashland. Box R Beef prefers selling direct to consumers.

What is vision for regional connection? A few communities have been successful in marketing their region...Klamath Falls doesn't have "a thing". Would like to see the region develop a brand that can link the region within itself and outside.

What are barriers to growth in Klamath Falls? Scale or talent to market. Socioeconomic barriers for people locally although barriers reduced significantly since the recession. Could be greater county level involvement. Have not had much luck with non-profits working on the food system. KFOM: Growth through KFOM is limited by knowledge and a convenience barrier. Don't have the staff to make it convenient.

Box R Beef? At capacity and backlogged 3-4 months. At this time, do not have cows or land to do more. They are satisfied with capacity but would like more acres and more cows. Currently both her and her husband have day jobs and a handful of other businesses.

SCOTT AYCOCK & JANEL RUEHL, COIC

20 August 2019

Central Oregon Intergovernmental Council (COIC) is the regional council of governments organization as well as the economic development district for Deschutes, Crook and Jefferson Counties.

COIC completed their food hub feasibility study in 2012 and by 2018 were considering business plans to move forward. At the same time, a business in the area, Agricultural Connections, which had started as distributor of CSA boxes had moved toward more of a wholesale aggregator and distributor. Rather than pursue a separate entity, COIC decided to support and partner with Agricultural Connections. COIC's role is technical assistance in grant writing, business issues and facilitating regional and outside the region partnerships.

Agricultural Connections provides brokerage, storage and distribution services to farms in Deschutes, Crook and Jefferson Counties. They prioritize sourcing from the three counties whenever possible and secondly will source from small family farms in the Willamette Valley for hard to grow locally items and lastly will source from Organically Grown Company. Most of their local growers are small (average ½ acre) to medium (50 to 100 acres).

COIC view their market and growers as maturing. Many started on small farms in Deschutes and are relocating to larger farms in Crook and Jefferson where land is less expensive and larger acreage available. It seems to be working that Deschutes is the

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“incubator” for smaller farms who are able to scale up and move to larger farms but maintain access to urban markets in Deschutes and Willamette Valley.

Producer certification is something they are working on now. COIC is also partnering with Agricultural Connections to develop a handling instructions training as well as standardization. They are also working with OSU to conduct a producer survey to understand the economic impact of local foods. It is a two year check in to create trends data.

They are also focused in on how to help growers access wholesale markets locally and outside the area. Transportation is a major expense for central Oregon companies to access larger markets so COIC is working to develop a backhaul network with transportation providers who are already carrying freight to Portland, etc. They are working on a grant to hire a coordinator responsible for developing wholesale accounts. They are working on removing expensive plastics from packaging materials and to move into using reusable crates. They are working on label standardization, traceability and branding campaign.

What efforts have been most helpful? 1. Working with OSU extension on a cost of production program. Have help workshops for small farmers who haven't been able to come to grips with tracking costs. Overall the program has led to greater consistency in pricing among producers which has led to more openness from wholesale buyers. In addition, their work on standardization has led to more consistency among producers on the size and cleanliness of their products which has also led to more openness on the part of wholesale buyers. 2. COIC wrote a grant for cost-sharing programs for season extenders and installation of on-farm wash stations. The season extenders have led to a boost in production for the eight producers who went in on the cost-share. Secondly, COIC worked with farmers to plan and budget for, then pay for the wash stations. It has helped producers be ready to participate in wholesale markets.

DORENE CHASE, KLAMATH FALLS FARMERS MARKET

20 August 2019

Farmers market typically has about 50 to 55 vendors every weekend, about 27 of whom sell food items. Vendors are local, small farms. Do not have vendors coming from out of state or commercial farms. Berries come from Silverton as it is difficult to grow berries in the Klamath Basin. They had a local bakery but he is too busy to participate in the market now, so Ashland Village Baker comes this year.

Vendors must accept SNAP benefits to participate in the market. It is not a requirement to practice organic growing but all farms do but they are not certified as it is too expensive and onerous for small farms (annual soil testing for seven years, tests in all years must return negative for chemicals. Cost \$1,000/year).

The market estimates that they have 2,000 to 3,000 visitors on average every week. Dorene guessed that farmers average about \$500 in sales every week.

Market operates every Saturday from 9:00 am to 1:30 pm between the second Saturday of June and the last Saturday of October. Vendors pay an annual \$30 membership application fee and \$15-\$30/spot every week.

RENEA WOOD, FOOD POLICY COUNCIL, SKY LAKES MEDICAL CENTER FOUNDATION

21 August 2019

Through the Find Your Farmer events she has observed an increased interest among producers to develop and grow their operations in order to participate in wholesale markets. Their barrier is understanding the requirements (bar codes, packaging, certification and labeling) at different levels. Having someone in the middle to coach producers on the system and requirements

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would be helpful. The Food Policy Council (FPC) is talking with ODA about creating some pre-certification trainings to help producers prepare for and understand certifications, etc.

The FPC is supporting OSU efforts to work with the school districts to influence policy and shift the culture around supporting local foods.

KFOM is working to bridge the gap between small producers and local wholesale markets. Their contract with Sky Lakes Hospital has been successful so far. The hospital orders bi-weekly from KFOM from May through October to sell at their farmers market that serves patients and staff. Whatever is not purchased, Sky Lakes will sell in the cafeteria or integrate into their food service. This is the first year and they are selling out of KFOM supplies (e.g. by lunch time, most produce is gone; the honey supplier is selling more honey than ever). It has been a good pilot for KFOM to meet demand. The next level is dealing with certifications. The FPC is looking at grants to support this.

DAN CHIN, WONG POTATOES

22 AUGUST 2019

Dan is a third-generation farmer in the Klamath Basin. His Grandfather immigrated to this area from China early 1920's. Traditionally the farm grew Russet Burbank and/or Norkota (Baker Potatoes/fresh market). Dan transitioned and now grows, specialty potatoes, onions (for dehydration), alfalfa, grain and hemp. His biggest customer is Wal-Mart California and Whole Foods. He also sells to other smaller retailers along the west coast, primarily in the Seattle area. Varieties of potatoes grown include Russian Banana, Purple Fiesta, Amoroso, French Fingerlings, Ruby Crescent and others. He also grows round reds and round yellows. About seventy percent of his potato crop is organic.

Until about 7 years ago he shipped to Taiwan, Vietnam and Hong Kong? However, he contracted with Wal-Mart California around 2012 and no longer had the volume to send to the Asian market.

Wong potatoes ships to customers from about September through May. Reds, yellows and the specialty potatoes don't have the storage life that chippers and Russets have.

He would like to see more local produce (potatoes) sold locally, but it would have to be a large enough volume with a high enough price point. Local markets would also have to accept some seasonality issues based on his current business model. He would consider expansion, but it would have to be the right circumstances.

Challenges include: Excessive regulations and tax issues in Oregon and water availability/predictability.

KELSEY MUELLER, BLUE ZONES

03 September 2019

Kelsey has been on staff with Blue Zones since April of 2019. She served as an intern (2015) during the lead up to the formation of the Klamath Farmers Online Marketplace (KFOM) and did quite a bit of work at that time including direct outreach to producers. She is very passionate about local food and its role in proper nutrition. She also is practical and understands the economics must work.

KFOM is now an LLC owned by several producers. Blue Zones still dedicates Kelsey's time for a "management" role for KFOM. It is unclear how long this might continue, though she felt the Blue Zones would always be involved at some level. Kelsey has worked to have KFOM accept benefits from USDA's Supplemental Nutrition Assistance Program (SNAP) and is now working to accept VA benefits and Women Infant and Children (WIC) benefits. Transportation (getting to and from KFOM pickup location) is also an issue for much of the population who uses these benefits. She is working with Sky Lakes Medical Center to have KFOM pickup covered by TransLink, which is a Non-Emergent Medical Transportation for qualified Medicare customers (funds pay for local taxi or other shuttle).

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The Find Your Farmer event organized in the past revealed some interest in local purchasing from restaurants and grocery stores. Restaurants were reluctant at first because of changes in availability of produce and seasonality for various reasons but mostly a concern with menu changes, etc. Since that time, some local establishments have worked through those issues and embraced them. Kelsey mentioned three local restaurants that purchase local produce. They are the Ruddy Duck at the Running Y, Leap of Taste, and Rodeos Pizza. She also noted that Sherm's Thunderbird Market also came to the Find Your Farmer event and has shown a strong interest in purchasing locally. Sherm's is a well-established Southern Oregon grocery store. They have stores in Medford, Roseburg and Klamath Falls <https://www.shermsmarkets.com/StoreLocator/State/?State=OR>. Holiday Market also has a presence in Klamath Falls and is owned regionally with stores throughout Northern California <https://www.shopholidaymarket.com/locations.html>. They have also shown interest in purchasing locally grown products. Klamath Falls is their only location outside of California.

Other Items of Note:

- Kelsey thinks that in the future a more centralized location for KFOM pickup would be beneficial
- KFOM has 500 customers registered
- Kelsey meets on farm or personally with each new producer who wants to sell through KFOM
- She also recruits most new producers, finds many of them at the farmers market
- Her experience from cold calling bigger producers as an intern was that they are not interested in KFOM.
- KFOM now taking credit cards
- KFOM charging producers 10% of sales to cover admin and credit card fees. Some smaller producers have taken issue with this, harder for them to make money.
- She believes the demand is strong for local food – Suggested talking to Charlie Wycoff of the Farmers Market for more information on demand.

PATTY CASE, OSU

04 September 2019

Patty has been with OSU Extension since 2015 where her focus is community health. Prior to that she worked at Sky Lakes Medical Center. She does many things but notes that food and nutrition are a growing part her focus. She has worked quite a bit on the Farm to School Grant program. She has works a lot with Chris Dalla who is the County Schools Food Supervisor. Last year she worked with a rancher, Bruce Topham (Flying T Salers) to get beef (hamburgers) into the schools. The process of getting the grant was fairly straight forward. However, the challenges and logistics of making it work for a large school district were challenging. Cattle had to be transported to a USDA processing facility (Eugene/Springfield area). Per USDA rules, the patty size of the hamburgers had to be 2 oz. Special equipment had to be made to make hamburgers this size. Transportation was an issue, the ranch did this all at their own expense.

Mr. Dalla, with the school district said he probably wouldn't do it again, because it was really more work than it is worth. There is an issue with proper equipment at the different school cafeterias. The hamburgers were very dry and not that well received (perhaps because of different cooks and knowledge about preparation, or perhaps not having the right equipment, or other reasons). Patty believes the school district needs a strong incentive to make it happen. This doesn't exist right now. It also appears the amount of the Farm to School Grant isn't enough of an incentive.

The other issue she mentioned related to procurement is that there is no knowledge of what products may be available. Farm to School Grants require food purchased to be grown or processed in the state where the school is. She said school districts are on such tight budgets that varying much from the prepared food they are to purchasing, isn't worth it. They also make purchasing decisions 6 to 9 months in advance. Some of the food procured by school districts is actually excess Department of Defense

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produce <https://www.k12.wa.us/policy-funding/child-nutrition/food-distribution/fresh-fruit-and-vegetables> that is very cheap or even free if transportation is paid. The vendor for this produce is Duck Delivery from Portland <https://www.duckdelivery.com/>.

All food used in schools, regardless of origin, must meet very specific nutrition requirements. Prepackaged foods make this easy. Making meals from scratch makes this much more difficult for the school district. There are also concerns about food safety and liability that need to be addressed.

Patty indicated that even with these challenges, there can be ways to make it work. She noted that 40% of the produce (maybe meat and eggs) consumed in the Bend/LaPine School District is “locally” produced food. However, the bottom line seems to be that the risk and incentives need to align for the school procurement officers, schools (cafeteria workers), and producers.

Klamath County Schools do their own food procurement. It appears the Klamath Falls City School district contracts procurement to a third party <http://www.kfalls.k12.or.us/foods.htm>.

Find Your Farmer – Patty noted that this is an annual event held every February and includes the public, producers, buyers and potential buyers. She does think local stores like Sherm’s Thunderbird and Holiday Market are interested in buying local, but she wasn’t aware of what requirements they had for local sourcing.

MARTIN HICKS, MARTIN’S FOOD CENTER (MERRILL)

12 September 2019

Martin is an independent grocer who has worked in, managed, or owned grocery stores his entire professional career. He is an extremely community-minded person. He has owned and operated this store for nearly 30 years. He and his store support many causes in the local area. Martin’s is the epitome of rural independently owned small business.

When asked about how he decides on purchasing local products, his response was “I just wait for someone to come talk to me and sell me something”. He has bought local eggs, potatoes, horseradish, honey, corn and other miscellaneous produce. He notes that his volume is not large, so it doesn’t always fit well with bigger producers. For potatoes, he visits local producers and potato sheds, purchases direct and handles his own transportation.

He is very open to purchasing local products and welcomes any suggestions on how to do it better and more efficiently. His store isn’t very big, so he is limited, for example, by the size of his refrigeration/produce displays.

JIM DILLON - STORE MANAGER, SHERM’S THUNDERBIRD (KLAMATH FALLS)

18 September 2019

Sherm’s is very community oriented. They purchase fair animals (at a premium) all over southern Oregon and sell the meat in their stores. They also currently purchase herbs, some smaller produce, and potatoes from local producers. They are typically interested in what is available but look for something that can meet their (significant) volume.

Sherm’s has stores in Medford, Roseburg and Klamath Falls. Each store has central distribution in Medford, but each store also has their own warehouse and cold storage. As a store manager Jim does have the ability to do his own purchasing and make those decisions independently. He indicated that they are very interested in any locally produced products. They prefer to purchase and deal directly with producers. He was familiar with KFOM and indicated a willingness to consider a food hub if it was the preferred method of distribution for the farmers. He knows Katie Swanson and I believe purchases from her now.

Challenge in local production can be transportation, they need it delivered. He does prefer an adequate volume and consistent supply. Seasonality can be OK, but he doesn’t really want to go through the process for something that might only be available for a very limited time.

They do require that anyone they purchase food products from provide a “certificate of liability”.

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RICK WALSH – FRESH GREEN ORGANIC GARDENS, MIDLAND

19 September 2019

Rick Walsh has farmed many years commercially and organically. Started focusing on organic vegetables around 2007. At or around that time he began leasing/operating several large, geothermally heated greenhouses in the Lower Klamath Lake area of the Basin. Currently his focus is on a variety of microgreens including salad mixes, broccoli mixes, Kale and others. He also grows and markets fresh herbs and spices. He is a founding member of KFOM.

He use to sell much if not most of his products via CSA boxes at the local farmers market. He no longer does that because of the time commitment. He focuses now on directly marketing to grocery outlets. He has customers in Roseburg, Medford, Ashland and Klamath Falls. In Klamath Falls he sells locally to Holiday Market and Sherm's. He is certified to sell to Kroger/Fred Meyer but isn't doing that at this point. He doesn't deal too much with restaurants because they only purchase very small quantities and it costs him more in labor and transportation/delivery costs than it is worth.

His products sells for the same price at grocery stores as they do at KFOM. He believes most local people who like is product prefer to buy it at Holiday or Sherm's as opposed to KFOM (for convenience or they don't know about KFOM). He does not make money selling through KFOM. When asked why he is involved with KFOM he said because he wants to support the people and local farmers. He has one of the larger and more consistent supplies of products on KFOM.

He doesn't grow many vegetables anymore because people want them year-round. It is cost prohibitive for him to grow the same quality vegetable in the green house. Because of the short days in the winter months, grow lights are needed and this gets very expensive.

His challenges are finding enough customers who will pay a premium for his high-end product. He thinks that nutrition programs are important now because so many people don't know how, or don't have the time, to cook and resort to processed foods. Much of the population doesn't see the value (nutritionally or otherwise) of spending more dollars on something like microgreens.

He is interested in growth and could build more capacity if he knew he had a predictable market.

LYMAN MASON – CO OWNER/CHEF, MR. B'S STEAKHOUSE, KLAMATH FALLS

19 September 2019

Lyman Mason is the Executive Chef and co-owner of Mr. B's Steakhouse in Klamath Falls. Mr. B's has a long history as a quality-higher end restaurant in the area. Mr. B's previously had other successful owners who retired in 2015. Lyman and his family bought and re-opened the restaurant in October of 2018.

The restaurant is very interested in local products. Currently they purchase all their beef from Country Natural Beef, a statewide co-op of cattle producers, including several local producers. He is currently in discussion with Wong Potatoes about supplying fingerling and baker/russet potatoes. He would be very open to other local products but is focused on quality and consistent supply. For example, if he market's a high-end burger with heirloom tomatoes, he wants to have those tomatoes available year-round.

He thinks the prices of local products tends to be a little higher, but offers other advantages including freshness, and price stability. For example, country natural beef uses a pricing formula that only changes four times per year. If he is planning a Christmas party in October for 80 people, he can tell them exactly the cost of the prime rib, because he has this quarterly pricing model. With other vendors he can't guarantee a price that far out. This helps his budget and planning as well.

He was not familiar with KFOM but seemed pretty interested when it was described to him and said it could be something he is interested in and will check it out.

APPENDIX A | INTERVIEW NOTES

He uses Sysco for other food/produce needs. An interesting note (that I regret not follow up on) was a comment he made that Sysco does or has shown interest in some local/regional food purchasing and distribution.

Lyman and Mr. B's are very focused on quality and freshness. He is quite interested in local opportunities and welcomes the idea of a "food hub" but stressed again the importance of consistency and quality.

APPENDIX B | RECOMMENDED SCOPE FOR PHASE II RELATIONSHIP BUILDING

Proposed Scope of Work			
Phase II: SCOEDD Food Hub Feasibility			
	Hours	Est. Deadline	Deliverable
❶ Meet with KFOM/Other producers (as a group) to discuss potential partnership arrangements with larger producers and logistics solutions	3	31-Oct	
❷ Meet with key large producers who have expressed interest in selling products locally or regionally	7	31-Oct	
❸ Make phone contact with Rogue Valley buyers to provide introduction to building relationships	2	30-Nov	Meeting Notes or Summary Memo
❹ If appropriate, facilitate meeting with KFOM representative(s) and large producers	6	31-Dec	
❺ If appropriate, facilitate regional meeting with Rogue Valley buyer(s), KFOM and large producers	7	31-Dec	
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