

Walla Walla Valley Food Hub Feasibility Study



Executive Summary

Prepared for:

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USDA Local Food Promotion Program

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Executive summary

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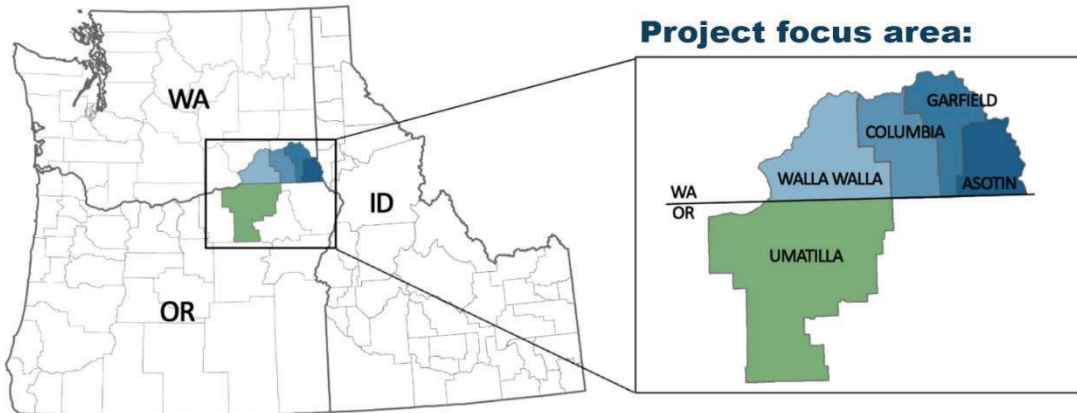
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Project purpose: To evaluate options for developing food hub services that best fit the BMAC Food Bank's needs and that are compatible with its operations.



Results integrate new and available data from multiple sources, such as:

- › Interviews with producers, grocers, distributors, food hubs, institutions, and other key informants
- › Ag Census, US Census, other secondary data sources
- › Survey of WWVFSC members
- › Survey of suppliers
- › Survey of grocery and institutional buyers
- › Participant observation

Production Assessment

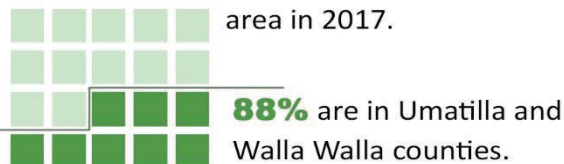
The Walla Walla Valley's capacity to produce high-quality vegetables, fruits, and associated value-added products is **well beyond** that needed for **many more business ventures of this scale.**

There's a lot of agricultural land in the five-county area. In 2017, there were:



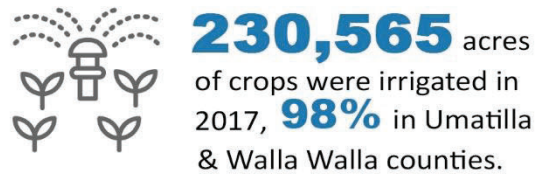
Together, supplier survey respondents represented **25,573** acres of farmland, **58%** grow vegetables and **52%** grow fruit (n=46).

There were **1,725** farms with **50 acres or less** within the five-county area in 2017.



Supplier survey respondents farmed from **2 acres to 10,000 acres**, but **59%** represented farms with **50 acres or less** (n=42).

Irrigation provides context for concentration of small-acreage farms & crop production:



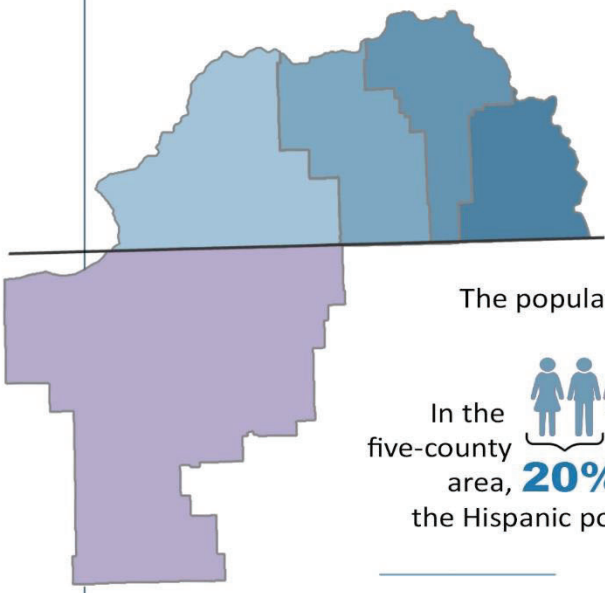
30% of current irrigation is used to produce fruits and vegetables.

Of supplier survey respondents (n=66)



The five-county area has a **great climate** to support a variety of crops and a **longer season** than many other areas in the Northwest.

Market Assessment



Many market opportunities exist to access sufficient buyers and consumers.

83% of the population within the five counties resides in Umatilla and Walla Walla counties.

The population in the five-county area grew **2.6%** from 2010-2018.

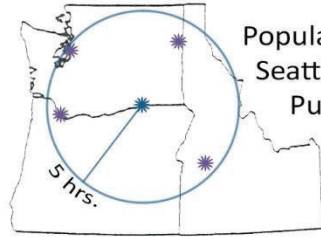


In the five-county area, **20%** of the population was Hispanic in 2017, and the Hispanic population grew **19%** from 2010 to 2017.



There are both high-end and limited-income consumers locally.

18% of households had incomes of \$100,000 or more in 2017, but **29%** made less than \$30,000.



Population centers of Seattle and the broader Puget Sound area, Portland, Boise, and Spokane are all within a 4-5-hour drive, providing access to regional markets.

13/14 buyers representing local grocery stores and institutions said they were **likely** to purchase food products from a food hub if one existed in the Walla Walla Valley.

Buyers expressed interest in a wide variety of local fresh, frozen, and other minimally processed food products.



Together, the buyers who participated in the study source **a lot** of food and represent **considerable purchasing power**.

Three product attributes that were most important for the greatest number of buyer respondents.

- Produced in the Northwest
- Produced in the Walla Walla Valley
- In season

Top-three challenges buyer survey respondents said complicate their ability to buy local:

- > Price of products
- > Lack of distribution system for local products
- > Food safety concerns



Liability insurance, an easy ordering system, and delivery would increase buyer respondents' likelihood of using a food hub.

BMAC Food Bank

The BMAC Food Bank:



Has about **100** sources of food and distributes to **24** agencies in the five-county area



Annually provides
\$173,575 in salaries and benefits,
\$263,059 in gross regional product, and
\$553,989 in sales.

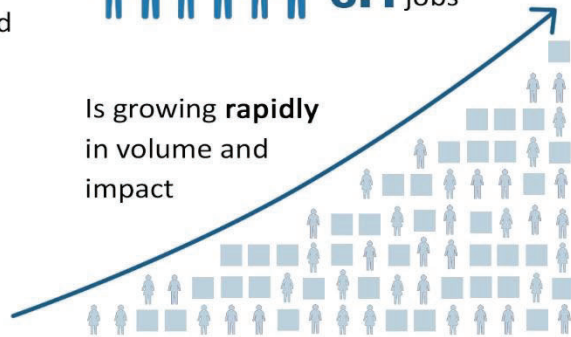


Creates **6.1** jobs

Contributes **\$17,649** in taxes annually, including:

\$5,420 in property taxes,
\$10,092 in sales and excise taxes, and
\$2,137 in other taxes.

Is growing **rapidly** in volume and impact



Owns vehicles, a building, warehouse equipment, and other resources.



Needs:



- New refrigerated truck and van
- Electric forklift and pallet wrapper
- More space for everything
- Separate public and warehouse space
- Cold, variable temperature, and dry storage
- Equipment for minimal processing (washing, drying, cutting, and trimming)
- Packaging (fresh, dry, and frozen foods; bottling)

The project assumes the Food Bank will expand to meet its own needs with room to grow regardless of what food hub develops.

Supplier Interests

88% of supplier survey respondents said they were **likely** to use a food hub if they had access to one in the Walla Walla Valley (n=61).

53% said Walla Walla is the most convenient location for a new food hub (n=57).



64% are interested in producing and selling processed or value-added food products in the future (n=67).

The markets supplier survey respondents currently most commonly access are:



However, many are “very interested” in increasing sales not only in these markets, but also with:



Scenario 1: Distribution



+ Strengths

- Strong synergy with the Food Bank
- Strong producer interest
- Qualifies for grants
- Local expertise available

Weaknesses

- Realistically needs \$500,000 to \$1 million to launch and fully scale up an operation from scratch
- Profit margins are still generally low even when successful
- No one currently committing to move forward
- Hard work to set up, make profitable, and keep profitable
- Can take 7-10 years to become profitable

Economic impacts

A distribution food hub would annually create **19** regional jobs, **\$553,879** in salaries and benefits, **\$1.17 million** in gross regional product, and **\$1.9 million** in sales.

And annually contribute **\$312,934** in taxes, including **\$107,102** in property taxes, **\$199,399** in sales and excise taxes, and **\$6,322** in other taxes.

The breakeven point for a distribution food hub ranges from **\$500,000** to **\$1.2 million** in sales.



Scenario 2: Value-added processing

Value-added products—processing raw ingredients into a finished product that increases its value for local and regional markets.

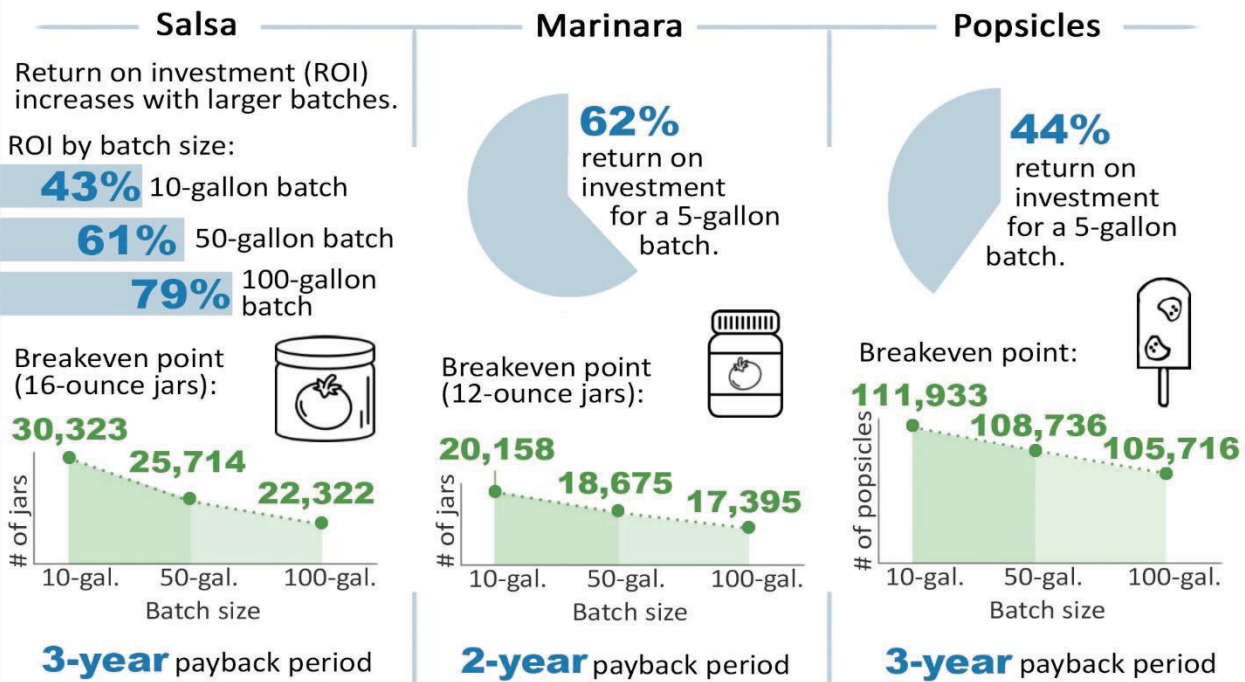
Strengths

- Strong stakeholder interest and commitment—a group is already moving forward
- Highest return on investment and quickest path to breakeven
- Mutual benefit for the Food Bank
- Capital costs are relatively low and processing lines can be scaled to fit the size of farms and number of producers committed
- Compatible with farm schedule—can process value-added products in farming off season

Weaknesses

- Potentially capital intensive
- Competition with conventional products

We analyzed three example products: salsa, marinara sauce, and popsicles.



Economic impacts

Salsa and marinara sauce production had the same economic impact.

Both would annually create **12** regional jobs, **\$448,479** in salaries and benefits, **\$543,986** in gross regional product, and **\$851,075** in sales.

And annually contribute **\$31,926** in taxes, including **\$9,372** in property taxes, **\$17,447** in sales and excise taxes, and **\$5,107** other taxes.

Popsicle production:

Would create **8** regional jobs, **\$375,885** in salaries and benefits, **\$528,749** in gross regional product, and **\$889,001** in sales.

And annually contribute **\$68,206** in taxes, including **\$22,489** in property taxes, **\$41,868** in sales and excise taxes, and **\$3,849** other taxes.

Scenario 3: Retail

Sells locally and regionally produced produce, meats, and other products to local consumers.

Requires:

5,000 - 15,000 sq. ft.
of retail floor space

To lease 10,000 sq. ft. would cost **\$5,000 per month** or **\$60,000 per year** at \$0.50 per sq. ft.



\$250,000 - \$500,000
for equipment, freezer space, shelving, & other infrastructure

At least **\$150,000** investment in food inventory to start



As much as **\$500,000** investment in food inventory for scaled-up operation

Strengths

- Could qualify for grants
- Local expertise available
- Strong supplier interest in more retail outlets

- Long lead time to make profitable
- Difficult to make profitable
- Likely incompatible with Food Bank operations
- Capital intensive

Weaknesses

- No one currently committing to move forward
- Higher human capital required
- No suitable buildings available

Economic impacts

A retail food operation would annually create **60** regional jobs, **\$1.9 million** in salaries and benefits, **\$2.7 million** in gross regional product, and **\$4.4 million** in sales.



And annually contribute **\$535,525** in taxes, including **\$179,066** in property taxes, **\$333,377** in sales and excise taxes, and **\$23,082** other taxes.

Scenario 4: Commercial kitchen

Provides access to equipment and resources to support business development.



Generally commercial kitchens are developed, managed, and supported by a local public agency.



A commercial kitchen's value is more as a support for food entrepreneurs than as a profit center for a food hub.

Strengths

- Leads to new food entrepreneur businesses
- Complements other food hub opportunities and operations

Weaknesses

- Not likely to be profitable
- No one in WWVFSC interested in leading the effort
- Perception it could compete with Blue Mountain Station
- Less compatible with Food Bank

Equipment costs range from **\$15,000** to **\$500,000**.

We estimated the cost at about **\$130,000** for new equipment and facility modifications for a commercial kitchen.

Human & social capital



The **most important** enabling or limiting factor for all scenarios was the **engagement of people** with the knowledge and skills needed who are committed to making it happen.



Knowledge & skills

Most engaged participants had impressive experience and expertise sufficient to successfully launch the operations discussed.

Relationships

Those involved collectively had many relationships useful to a food hub with producers, distributors, buyers, and others important to these supply chains.

Interest & motivation

Those engaged throughout the process became most interested in value-added processing options. Motivated participants are committed and actively setting up a food hub.

More opportunity

We encountered many people who could step forward to join the effort or develop a new enterprise that complements the value-added effort and Food Bank.

Start-up plan

Producers in Walla Walla Grown are leasing space, developing recipes, and submitting grant proposals for equipment and the initial phases of development.

The plan:



Pool resources to develop recipes and pay for initial expenses



Write grants for start-up tasks and equipment



Set up in leased space



Start manufacturing and selling value-added products



Become profitable as quickly as possible and scale up



Move into Food Bank building when it is ready

WWVFSC's preferred food hub organizational structure

For profit
Triple bottom line
Limited Liability Company
Producer and employee partners

