Food Enterprise Center Market Analysis
City of Freeport, Illinois

June 22, 2012

Prepared for the City of Freeport, Illinois

Prepared by the University of Illinois Extension

Developed with funding from the USDA Rural Business Opportunity Grant program

Cover design by: VANDEWALLE & ASSOCIATES INC.
Madison . Milwaukee

Acknowledgements

The Food Enterprise Center Market Analysis was drafted by the University of Illinois Extension, led by the Stephenson County office, for the City of Freeport. The Market Analysis also was developed with assistance from the following organizations:

- **University of Illinois Extension Statewide** – In addition to the Stephenson County office, several other Extension staff with specialty crop production, local food system development, and business planning expertise contributed to the Market Analysis.
- **City of Freeport** – As the collaborative partner working with U of I Extension on this initiative, Community Development Director Shelly Griswold provided input, review and editing of the Market Analysis.
- **Vandewalle & Associates** – As an economic development consulting firm that is an active member of the Center planning team, V&A provided assistance with analysis and editing for the Market Analysis and authored the accompanying Food Enterprise Center Business Plan.
- **U.S. Department of Agriculture** – USDA supported the development of this Market Analysis (as well as the accompanying Business Plan) through a Rural Business Opportunity Grant.
- **U.S. Environmental Protection Agency** – US EPA is supporting the redevelopment of the proposed project site through Brownfields Cleanup grants for the Rawleigh Complex.
- **U.S. Department of Housing and Urban Development** – US HUD is supporting the redevelopment of the Rawleigh Complex and sustainable economic planning for the broader downtown riverfront through a Community Planning Challenge Grant.
- **Local Stakeholders –** Local stakeholders, including local producers, the Prospering Together Local Foods Team, the Northwest Illinois Local Foods Task Force, the Rawleigh Collaboration Team, and others have worked with the City and U of I Extension to advance this project.

Page intentionally left blank

Table of Contents

Tables

Figures

1 EXECUTIVE SUMMARY

The Food Enterprise Center ("the Center") came about as a strategy to promote entrepreneurship and support the expansion of regional specialty crop production in Northwest Illinois and the surrounding region while also contributing to a larger downtown riverfront redevelopment plan in Freeport. The Center is being advanced through a partnership between the City of Freeport and University of Illinois Extension. These project leaders are supported by a wide variety of partners and stakeholders in the region interested in advancing the regional food system and promoting sustainable economic development. In 2009, the City and U of I Extension (referred to herein as "the Project Team") took the concept for the Center to the next level when the City secured funding from a U.S. Department of Agriculture Rural Business Opportunity Grant (RBOG) to undertake this Market Analysis as well as a Business Plan for the Center, including a commercial kitchen, business incubator, and a public market.

As a cooperative partner under the City's RBOG grant, U of I Extension led the Market Analysis with input from the City of Freeport and Vandewalle & Associates, an economic development and business planning consultant with expertise in food systems. The Market Analysis includes the following elements:

- Producer Survey
- Producer Focus Group
- Consumer Survey
- Community Stakeholder Focus Group
- Retailer and Restaurateur Focus Group
- Freeport Downtown Market Study

Analyzing the data, the Project Team concluded that there is demonstrated demand from producers and consumers to justify continued business planning steps for the Food Enterprise Center, which is strengthened by continually expanding regional and national consumer demand for local foods. This analysis also highlights the need for the Food Enterprise Center project to incorporate producer education and development, consumer education, and a strategy to market products beyond the Northwest Illinois region to ensure success.

2 MARKET ANALYSIS SUMMARY

2.1 Project History

The Food Enterprise Center ("the Center") is an initiative that came about as a strategy to promote entrepreneurship and support the expansion of regional specialty crop production in Northwest Illinois and the surrounding region while also contributing to a larger downtown riverfront redevelopment plan in Freeport. The Center is being advanced through a partnership between the City of Freeport and University of Illinois Extension. These project leaders are supported by a wide variety of partners and stakeholders in the region interested in advancing the regional food system and promoting sustainable economic development.

In 2009, the City and U of I Extension (referred to herein as "the Project Team") took the concept for the Center to the next level when the City secured funding from a U.S. Department of Agriculture Rural Business Opportunity Grant (RBOG) to undertake this Market Analysis as well as a Business Plan for the Center, which was initially envisioned to include a commercial kitchen / food business incubator and a public market. The City pursued the RBOG grant at the same time (and in part as a result of) the publication by the State of Illinois of *Local Food, Farms and Jobs: Growing the Illinois Economy*, a report by the Illinois Local and Organic Food and Farm Task Force (appointed by the Governor to address the future of the local food system in Illinois), which was presented to the Illinois General Assembly. Governor Pat Quinn stated in the report "every Illinois Community would benefit from our farmers producing products for in-state purchase. I encourage and support all efforts that accomplish this goal."[1] Over 20 individuals worked on this project for several years—researching, gathering anecdotal and budget data, and meeting with farmers, specialty crop producers, and citizens throughout the state of Illinois.

In the summer of 2008, as part of this initiative, the Task Force held a Listening Session at the Freeport Public Library. Eighteen local producers and supporters of local foods activities in the area were able to share their stories with the chairperson on the Task Force. It was evident by the diversity of the group, and from the passion that they communicated, that Northwest Illinois has great potential to grow as a leader in local foods system development.

The *Local Food, Farms, and Jobs* report included several goals for supporting farms and food systems, including the following economic goals:

---

[1] Illinois Local and Organic Food and Farm Task Force as reported to the Illinois General Assembly. *Local Food, Farms & Jobs: Growing the Illinois Economy*. March 2009. Cover page. Accessible: http://foodfarmsjobs.org/wp-content/uploads/2011/08/2009-task-force-report1.pdf

- Provide incentives for farmers to invest in their enterprises
- Encourage diversified farm production
- Build infrastructure to move products from the farm to market
- Expand in-state markets for farm products
- Offer customer access to farm and food markets
- Educate the people of Illinois about the benefits of buying local food and farm products
- Establish local resource centers to build, maintain and expand local food systems

The Task Force released this report at a time when the City of Freeport, U of I Extension, and a host of others throughout the state were learning more about the opportunities to strengthen local food systems to grow local and regional economies. This momentum at the local level, supported by these state efforts, helped lead to the concept of a Center to provide resources for local producers and other food entrepreneurs.

The Project Team initially envisioned the Center, named the Food Enterprise Center for planning purposes, to include a commercial kitchen and food processing facility, a public market, producer and entrepreneur training and education, and outreach efforts to increase consumer awareness about local foods. The location selected for the planned Center is Freeport (the county seat of Stephenson County) serving Northwest Illinois and the surrounding tri-state area encompassing Northwest Illinois, Southwest Wisconsin, and Northeastern Iowa. The planned Center would directly support many of the goals outlined in the *Local Food, Farms, and Jobs* report, including opportunities for job creation, access to healthy fresh food, and the creation of local products available on a year-round basis.

2.2 Market Analysis Goals and Elements

U of I Extension designed this Market Analysis to include information about the market potential for the proposed Phase One elements of the Food Enterprise Center, including a cooperative incubator kitchen, business incubator, and public market. The market analysis aims to determine:

a. ***Production and capacity***, with the goal of estimating the potential pool of tenants for the cooperative kitchen, business incubator, and public market;

b. **Need for services** to meet the base of users for the Center, including revenue generating services to support its operations as well as an analysis of existing community resources that might collaborate with the Center; and

c. ***Interest and support*** from community leaders, stakeholders, and the public at-large.

To collect the necessary data, U of I Extension conducted primary research, including personal interviews, surveys, and focus groups. Additionally, U of I conducted secondary research, including gathering pre-existing, mainly published, information that would be relevant to the establishment of the Center.

The data and analysis from this Market Analysis are being used by the Project Team to undertake a detailed Business Plan for the Food Enterprise Center.

3 METHODOLOGY AND APPROACH

3.1 Research Team

With funding from the USDA RBOG Grant, the City of Freeport retained a research team from the University of Illinois Extension to undertake this Market Analysis. Team members included experts and outreach specialists in specialty crop production and local food system development both from the Stephenson County office as well as support from state-wide Extension staff. These included Peter Chege, Ph.D., Horticulture Educator; Maurice Ogutu, Ph.D., Local Foods Systems/Small Farms Educator; Al Zwilling, Community and Economic Development Educator; and John Pike, Local Foods System/Small Farms Educator. Local Extension staff included Nikki Keltner, Program Coordinator; Julie Miller, Administrative Support; Kerstin Curry, Summer Intern; and Margaret Larson, County Director.. The research team submitted and received approval of the proposed methodology to the University of Illinois's Office of Institutional Research in summer 2010.

The research team also received support and feedback from Shelly Griswold, City of Freeport Community Development Director, as well as from Vandewalle & Associates, the consulting firm retained by the City to develop the Business Plan that accompanies this Market Analysis. Additionally, the Local Foods Team—a community group established as part of *Prospering Together*, a county-wide economic and community development initiative—reviewed and provided input on the Market Analysis.

3.2 Data Gathering Process

The Project Team gathered Information for the Market Analysis in a number of ways, including personal interviews, surveys, and focus groups. Team members surveyed a wide range of producers to gauge the interest and capacity for use of such a center locally. The Team deemed public interest an important measure of feasibility and as such, used detailed methods to gather information specific to this project, while incorporating existing data from the 2008 *Freeport Downtown Market Study*. The Team also targeted key stakeholders for their input, insight, and supportive ideas.

After the University's Office of Institutional Research approved the research methods, the Team collected data in Summer 2010. The Market Analysis includes the following elements:

- Producer Survey
- Producer Focus Group
- Consumer Survey

- Community Stakeholder Focus Gruop
- Retailer and Restaurateur Focus Group
- Freeport Downtown Market Study

4 LOCAL FOODS PRODUCER SURVEY

4.1 Methodology

The Project Team made a survey available to approximately 250 area producers (from approximately eight counties in Illinois and some from two counties in Southern Wisconsin). Sixty producers completed surveys, for a response rate of approximately 24 percent. The Team mailed the survey to producers with self-addressed stamped return envelopes and made it available online via Survey Monkey for those wishing to complete it electronically. The sources for the producer mailing list included several publications that provide access to local foods information in Northern and Northwestern Illinois, including

- the "Local Foods Directory for Northern Illinois," which is produced by the U of I Extension office in Rockford and includes nearly 100 entries covering a nine county area, reaching into the suburbs, south and toward Freeport;
- the "Northwest Illinois Local Foods Directory," which is a product of the Northwest Illinois Audubon Society and the U of I Extension office in Freeport; and
- the "Jo Daviess County Locally Grown Directory," which is produced by the Jo Daviess County Farm Bureau.

In addition, the Team sent letters via e-mail, including links to the online survey, to participants in the Farm Beginnings class offered by the Angelic Organics Learning Center in Caledonia, Illinois, as well as to members of the CRAFT (Collaborative Regional Alliance for Farmer Training) Network, also coordinated by the Angelic Organics Learning Center.

4.2 Results

Part 1. Producer Profile

<u>*Tenure*</u>

Of the producers surveyed, over 40 percent have been farming for more than 21 years, whereas about 27 percent have only been farming for five years or less. The survey showed that about 74 percent of the households earn up to 25 percent of their income from specialty crops, whereas about 12 percent of the households earn between 76 and 100 percent of their income from specialty crops.

Acreage

Of the producers surveyed, 27 percent have more than 21 acres in specialty crops while another 22 percent have three or fewer acres devoted to specialty crops. In addition, 45 percent of the farmers have three or fewer acres for specialty crop production and another 21 percent rent more than 21 acres for specialty crop production.

Ownership and Labor

Of the people employed on the surveyed farms, 42 percent are family members working part-time on the farm and another 37 percent are non-family members employed full-time in specialty crop production.

Identity

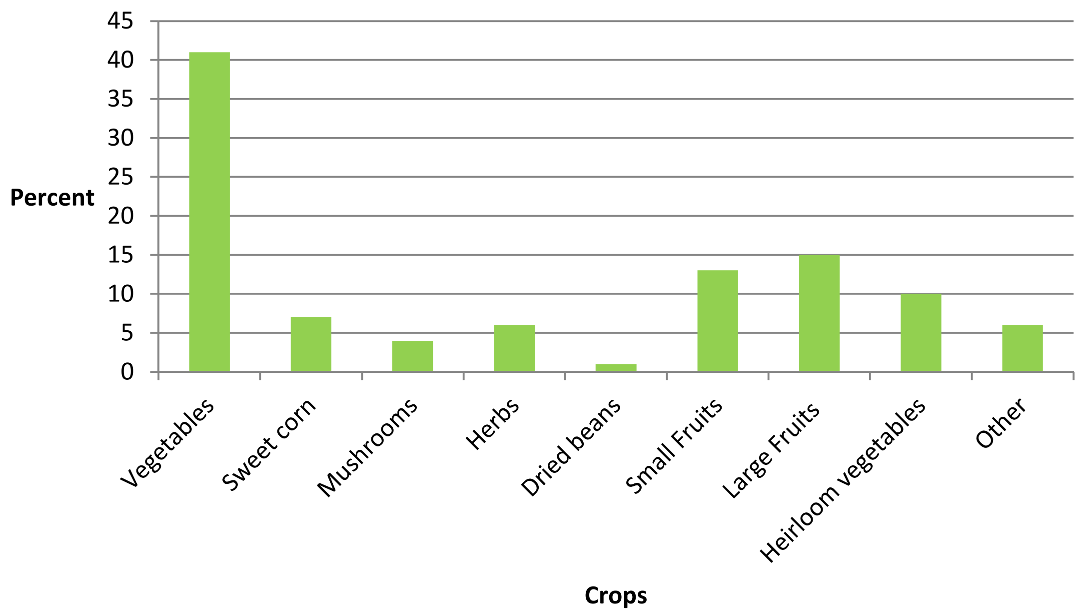
The survey asked respondents to describe themselves as a “producer.” Over 40 percent of respondents referred to themselves as a “farmer.” A very low percentage referred to themselves as a “sustainable farmer” and 34 percent referred to themselves as a “local food producer.” Respondents indicated several other terms to describe themselves as producers, including “farmer’s market vendor,” “gardener/grower,” and “soap maker.” There is probably greater affiliation with the general, and often used, term “farmer” than the other terms that might be more preferred or prevalent in urban, less agriculturally-oriented areas. This is also an indication that those interested in being part of the Center and Local Foods system in Northwest Illinois are more likely to have ties to the commercial agriculture industry, through current endeavors, family members, or family history.

Part 2. Production Practices

Produce

Slightly over 40 percent of the producers surveyed reported that they were producing vegetables for sale. Nearly 13 percent reported that they were growing small fruits, including strawberries, raspberries, and others. Fifteen percent of respondents indicated production of large fruits, including apples. Of particular note is that 10 percent of the producers indicated that they were involved in some way in the production of heirloom vegetables, which is a higher-cost variety sought by many consumers, particularly in urban areas. Heirloom vegetables, particularly tomatoes, are high in taste and appeal, often have a unique shape and color, and are the focus of numerous magazine articles, featured in recipes and even some contests in communities very active in local foods programs.

Figure 1. Variety of fresh produce grown



Value-Added Products

The survey asked participants to list value-added products they make. The list was long and varied, and included pickles, relish, chutneys, jams and jellies, as well as baked goods, canned fruits, vegetables, meats, and other related products.

Survey responses under the meat and specialty meat section included several types including pork, goat, lamb, chicken, turkey, eggs, grass-fed beef, naturally-farmed beef, and free-range chicken, to name a few.[2] One producer indicated an interest in raising chickens if a local poultry processing plant was established. Currently, the only federally inspected poultry processing plant in the state of Illinois is located in Arthur, a six hour drive from Freeport. This currently inhibits many producers from delving into the meat poultry business in earnest.

A quick scan of these lists shows a diversity of products already being produced and processed in the general area, which would be available for sale in the public market. Items listed by respondents included jams, jellies, baked goods, wine, honey and honey products, flowers and plants, and, finally, farmstead soaps and skincare products.

[2] A glossary of terms often used by Local Foods producers, such as "organic," "natural," and "free range" is included as Appendix A of this report.

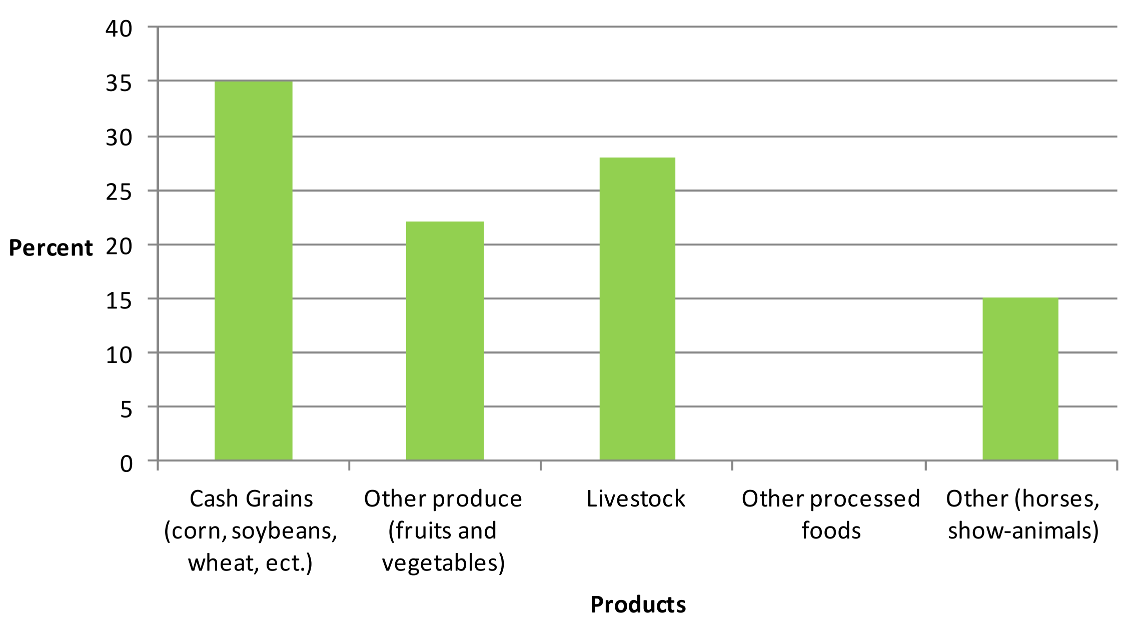
The survey asked producers to list their top three selling products or items.[3] Key findings from this question included:

- Protein products (predominantly meat and eggs, and to a lesser extent, milk) were listed as the highest selling item by 27 percent, and as the second highest-selling item by 20 percent and as the third-highest selling item by 23 percent.
- Vegetables were listed as the highest selling item by eight percent, as the second highest-selling by 24 percent, and as the third highest-selling by 30 percent. These included pumpkins, carrots, squash, sugar snap peas, garden produce, broccoli and other cucurbits, peppers, radishes, beets, and asparagus.
- Tomatoes were listed by 14 percent as the highest selling item.
- "Specialty" items were listed as the highest selling by eight percent. "Specialty" was not defined, but some producers listed items including maple syrup, hay, seed, and bees wax.
- Baked goods were listed as the second top-selling item by 15 percent.
- A small number of respondents listed plants, greens, cheese, sweet corn, and tomatoes as third top-selling items.

<u>Other Products – Not Sold at Markets</u>

The survey asked "*In addition to the products you raise for local markets, what other products do you raise on your farms which are NOT sold at local markets?*" The responses illustrated in the graph below give a snapshot of the producers' other agriculture-related businesses. It shows that many of our area specialty crop producers also are involved in commercial agriculture and other forms of agriculture.

Figure 2. Products raised but not sold at local markets



term.

22, 2012

Sales Outlets

Survey respondents indicated that they sold their local products through the following venues:

Table 1. Current Sales Outlets

Other Types of Direct Sales to Customers	80%
Farmers Markets	76%
Directly to Grocery Stores	55%
At Farm Stand on Their Farm	47%
Directly to Restaurants	45%
Pick Your Own on Farm	38%
To Wholesalers	26%
Community Supported Agriculture Operation	24%
Other*	23%
Directly to Institutions	11%
Farmer Co-op	5%

** Note: "Other" was a listed choice for survey respondents, though it is likely that many who selected "Other" may be thinking of sales methods that could have also been described as "Other types of direct sales to consumers."*

This is quite a diverse list of venues for sales of local foods in the area. Not surprisingly, it shows heavy dependence on farmers markets and "other types of direct sales to customers." This probably includes private arrangements on an informal basis with businesses and perhaps even groups. While almost half of the respondents list "farm stand," a quick informal survey would show that there are very few actual farm stands in Northern Illinois.

A large number of producers currently sell to restaurants, grocery stores, and wholesale. This indicates that there is a great need for local trainings related to food safety and Good Agricultural Practices (GAPs) planning—a necessary step for producers to establish long-term customer relationships with restaurants, grocers, and wholesalers (see "Certifications" section on the following page for more on GAPS needs).

Future Sales Plans

When asked about future plans for selling at markets or other venues ("future" was undefined), the Project Team notes several interesting indicators. Interest in future sales at farmers market and Pick Your Own venues remained about the same as producers' current use of those venues. However, respondents showed an increased interest in farm stands—from 47 percent currently using farm stands to 67 percent interested in future use of farm stands. Likewise, 24 percent of respondents currently operate CSAs[4] but 56 percent are interested in CSAs in the future—an increase of more than double. This substantial increase may be the result of perceived increased consumer demand for CSAs as well as producers just learning about CSAs as a direct marketing opportunity.

Many producers are also interested in exploring opportunities in alternative, targeted sales arrangements with grocery stores, restaurants, and institutions, including schools and hospitals.

Lastly, respondents indicated a notable increase in interest in selling through co-ops and wholesalers compared to those who currently sell through those outlets—the percentage of those interested in selling to wholesalers increased 50 percent.

Certifications

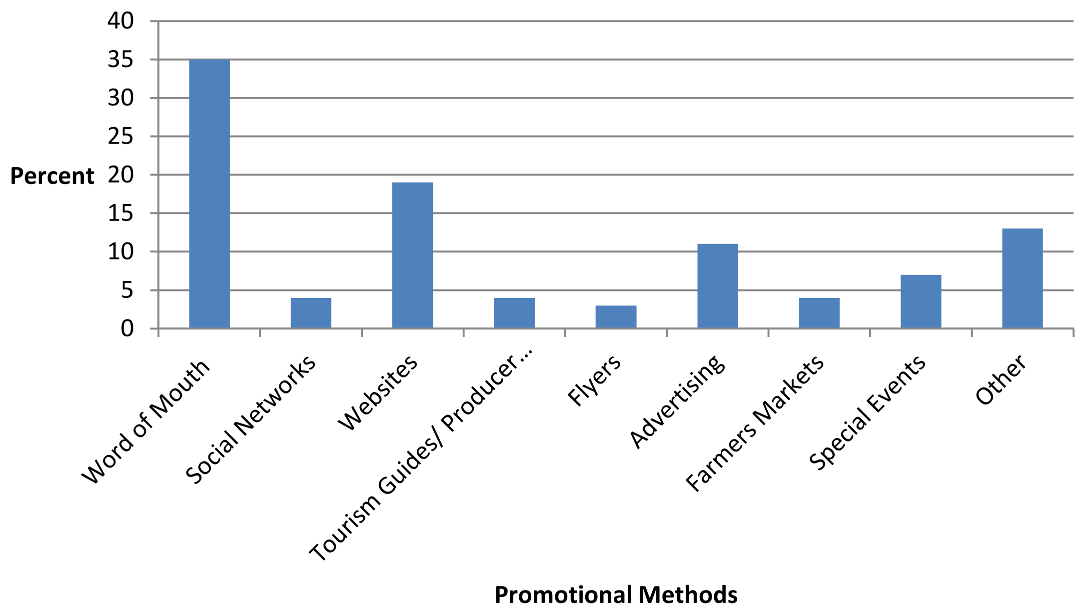
The survey asked respondents to provide information regarding certification of their products and information on any certifying agency that may cover their farm and operation. Of the 60 respondents, only two reported that they are Certified Organic. Several listed that they are Certified Naturally Grown, and several listed State of Illinois Meat Brokers and Egg Certifications. One producer listed Demeter USA Biodynamic Certification. It should be noted that no producers listed Good Agricultural Practices (GAPS) certification, demonstrating a need for producer GAPS training in the region.

Promotions

Farmer's market vendors, CSA owners, U-Pick operators and other specialty crop growers use a variety of methods to promote their products and produce. As with any large, diverse group, some are more advanced than others, some are more connected to one community or segment of the population, and some depend on second- and third- party marketing (such as through the Convention and Visitor's Bureau, for example).

[4] Community Supported Agriculture (CSA) is a direct marketing approach that requires subscribers to make a pre-planting time payment to a farmer for products (such as vegetables, fruits, and eggs) that are delivered on a regular basis (such as weekly or bi-weekly) during the growing season.

Figure 3. Promotional methods used



** Note: "Advertising" was not defined and consequently respondents may have considered this to include a variety of forms of advertising such as through print, radio, and web media.*

Thirty five percent of producers cited word of mouth as the most frequently used promotions tool. Website and advertising (term not defined - see note below Figure 3) were the second most used means of promotion, followed by "other." While social media and tourism guides are low on the reported lists, it is possible that they may be part of promotional campaigns run by second or third parties, such as farmers market managers announcing that a certain grower has heirloom tomatoes on Twitter, or a Convention and Visitor's Guide showcasing venues, farms, and events. Overall, responses demonstrate producers' needs for assistance with marketing, branding, and promotions.

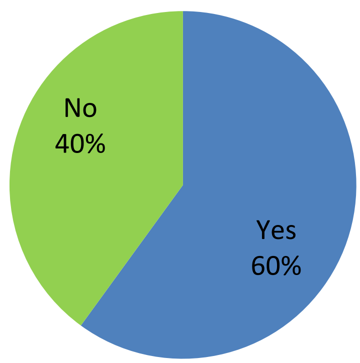
Part 3. Anticipated Use Of Food Enterprise Center

This section of the survey gathered information to enable the research team to assess producers' level of interest in pursuing value-added processing, training, marketing co-op arrangements, group buying, or other services that could be included as part of the Center's business plan. The producers were asked to envision how they would use the Center, and it was assumed that they all had a basic understanding of the venture from the explanatory letter that accompanied the survey. However, it is likely that some producers have a more realistic and accurate view of the opportunities for their businesses than others, and some responses may have been different if producers were given a more complete picture of the types of services and facilities that could be offered at the Center.

Overall Interest in Center Services

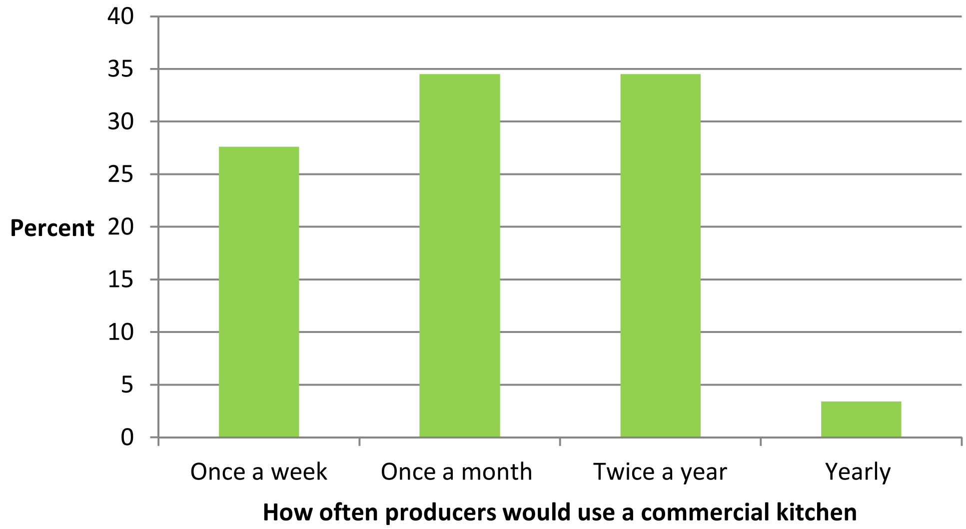
In the survey, a business incubator was described as "a program designed to accelerate the successful development of a group of people with a shared interest through business support resources and services." When asked whether they would be interested in being part of a business incubator, 60 percent of the respondents said yes. When asked about their interest in using a commercial community kitchen facility to produce a value-added product, 54 percent of the respondents answered affirmatively.

Figure 4. Interest in participating in a food incubator



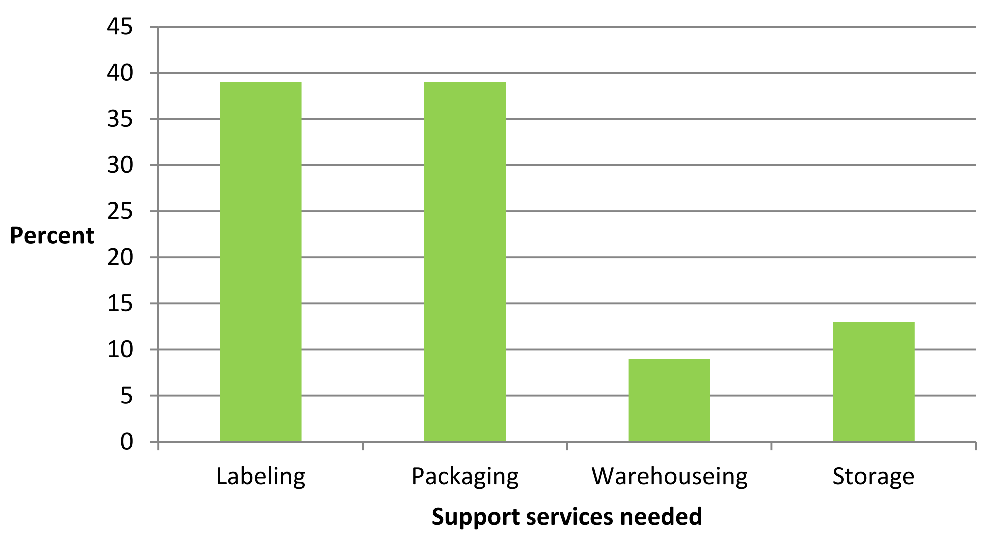
The response to use of the commercial/community kitchen facility to produce a value-added product was very positive, compared to some of the other responses to usage. Over 25 percent indicated that they would use the facility once a week; 35 percent indicated once a month, and an additional 35 percent indicated twice a year. This shows that the producers see this as a needed service and facility and envision themselves actively involved in the Center and the processing and production it would make possible. Regarding the length of time they would need for use of the Center, almost half indicated a full day, 42 percent indicated a half day and 10 percent indicated "longer [than a day]."

Figure 5. Estimated frequency of community kitchen use



Of the main support services that the commercial kitchen users would need, 38 percent cited labeling and packaging, 13 percent cited a need for storage while another 9 percent indicated a need for warehousing.[5]

Figure 6. Needed support services



[5] Though terms were not explicitly defined, "storage" was intended to refer to storage of ingredients and supplies whereas "warehousing" was intended to refer to storage of packaged products prior to distribution.

Training and Education Needs

The survey collected additional information about the type of education, training, and resources that producers felt they would need if they were part of this enterprise. Specifically, the survey asked "*What kind of information do you need to help you expand your specialty crop production/business?"* The survey also asked producers to prioritize their interest in different training opportunities.

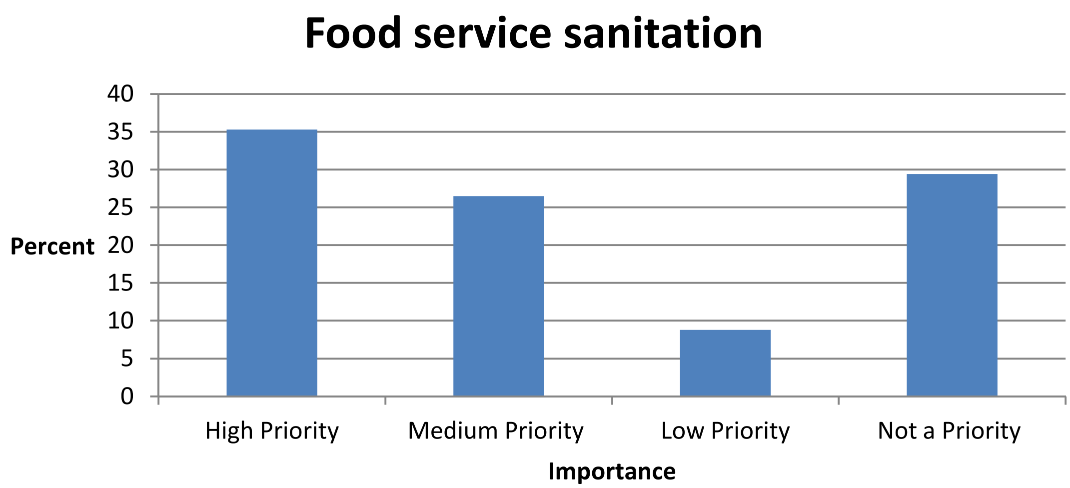
Responses indicate that many producers may not be completely aware of certain regulations or requirements associated with entering into a small- to medium-scale value-added food business. U of I Extension's experience is that many producers seek out certifications and develop plans only after identifying preferences from consumers, retailers, and other markets for their products. The research team identified the need for a great deal of basic education targeted to producers to ensure the success of the proposed Center and growth of the local food system. U of I Extension has and will continue to seek opportunities to present targeted trainings for producers on some of these topics.

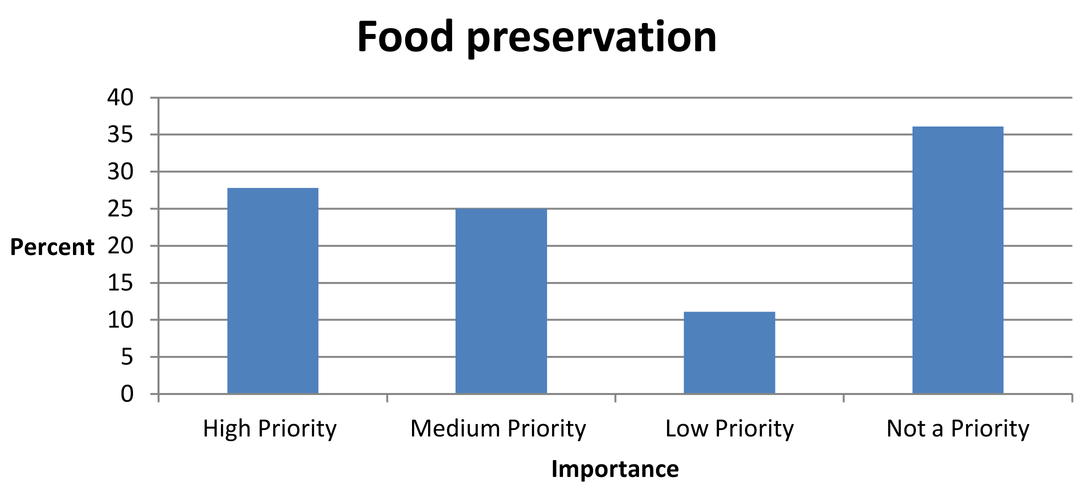
The responses to this section of the survey are listed below (in order of highest importance – as determined by survey respondents) and also are illustrated in the following graphs.

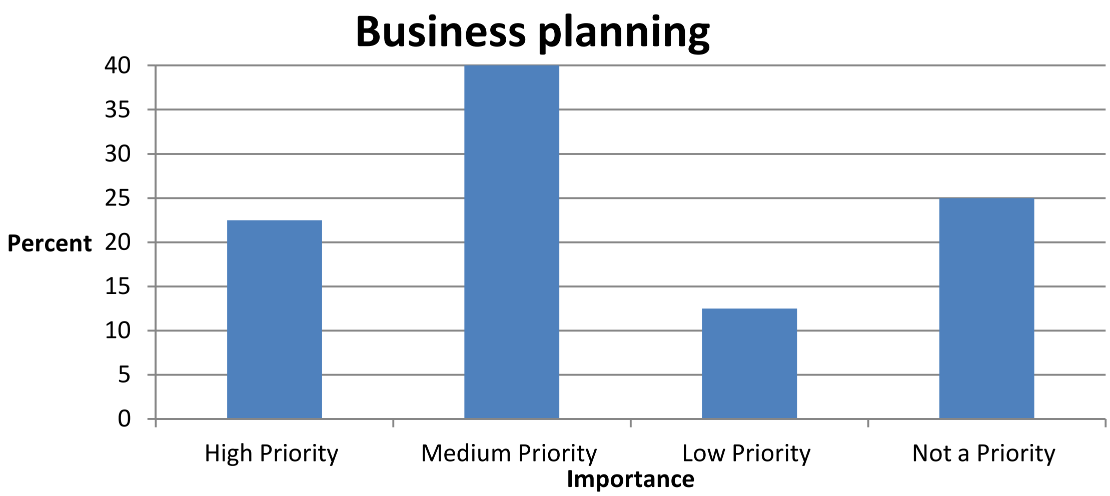
Table 2. Training and education priorities

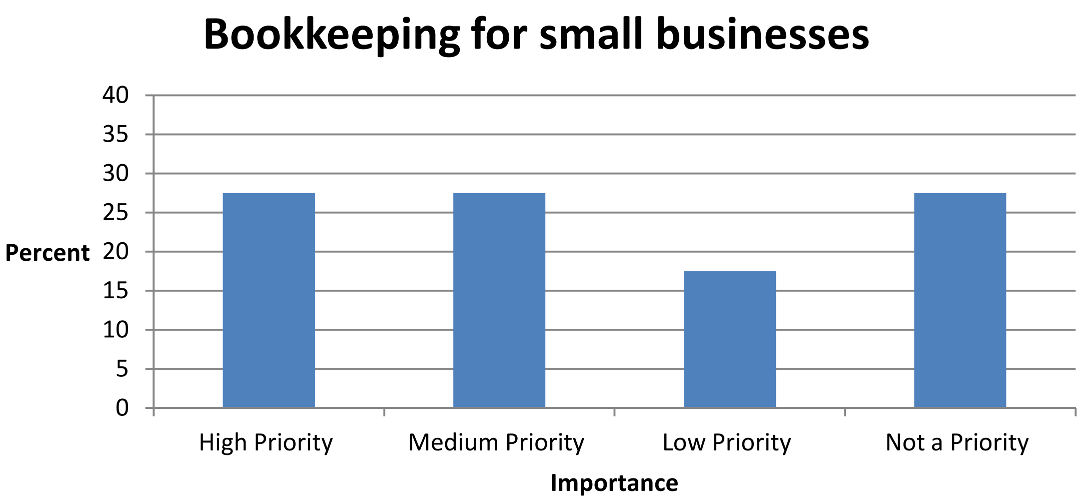
High Priority	**Medium Priority**	**Not a Priority**
– Hoop-House Production, Organic or Other Production – Grant Writing – Social Networking for Marketing – Food Service Sanitation – Cooperative Marketing – Bookkeeping for Small Businesses	– Business Planning – Commercial Readiness/ Wholesale – Production Practices – E-Marketing – Market Analysis/Potential Markets – Customer Service – Bookkeeping for Small Businesses	– Food Preservation – GAPS (Good Agricultural Practices) – Branding and Logo Development – E-Marketing – Bookkeeping for Small Businesses

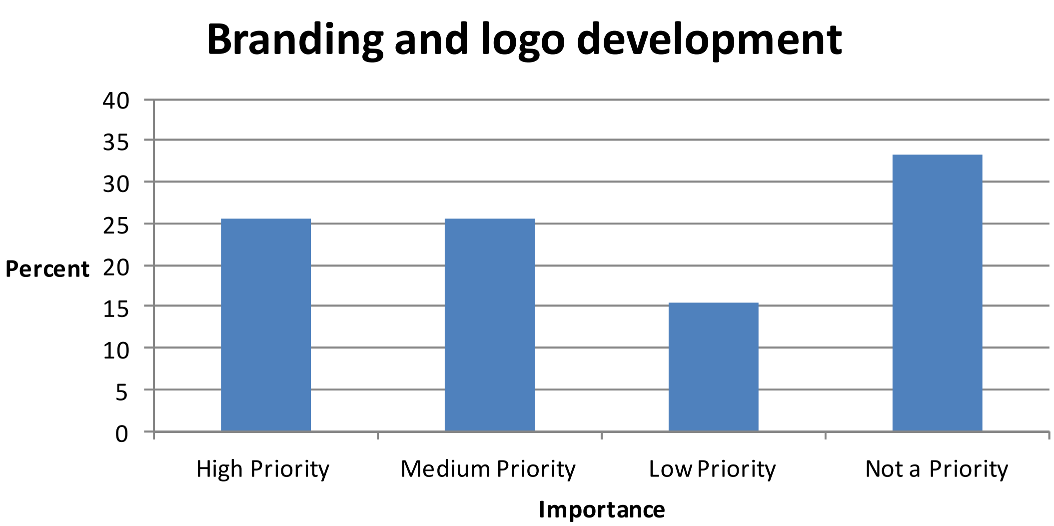
Figure 7. Prioritzation of each proposed training / support service

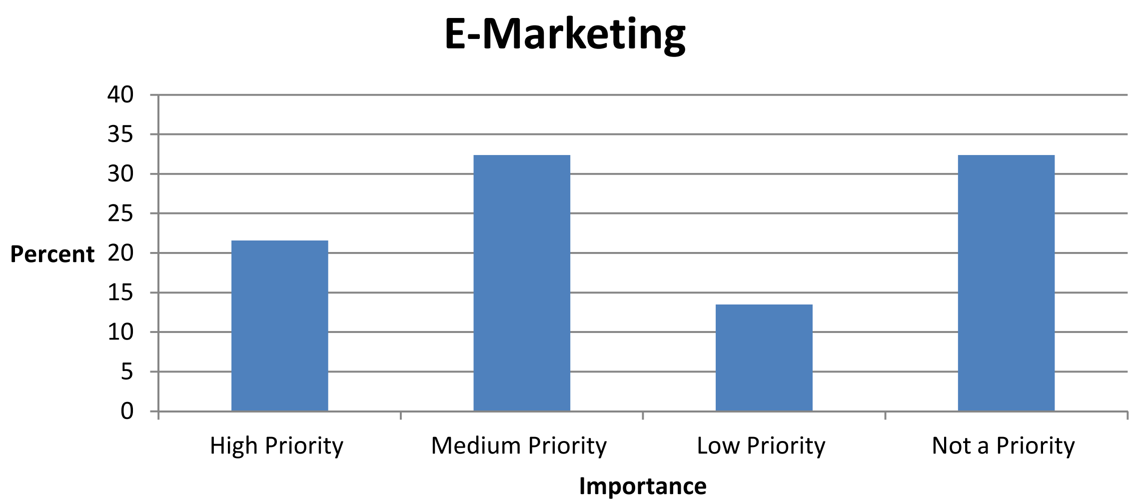


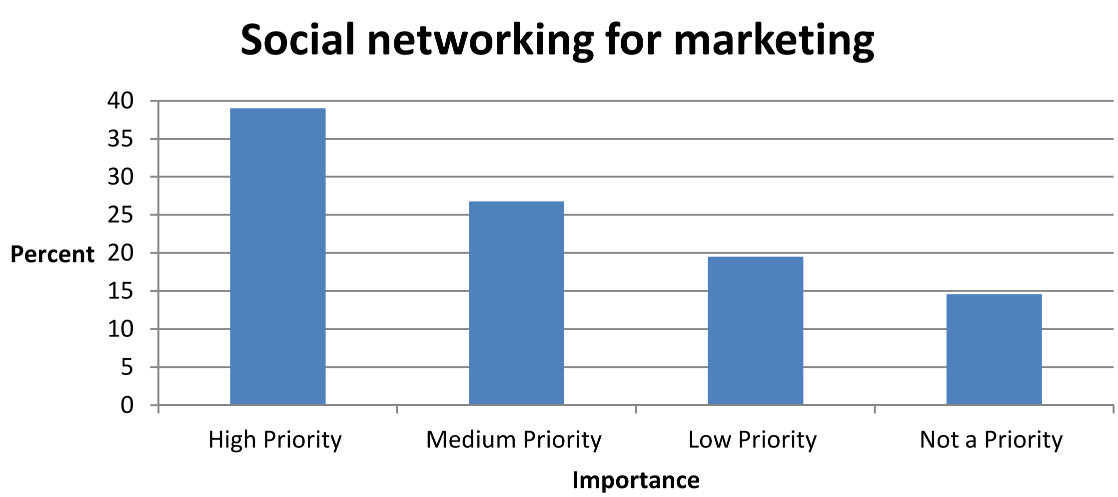


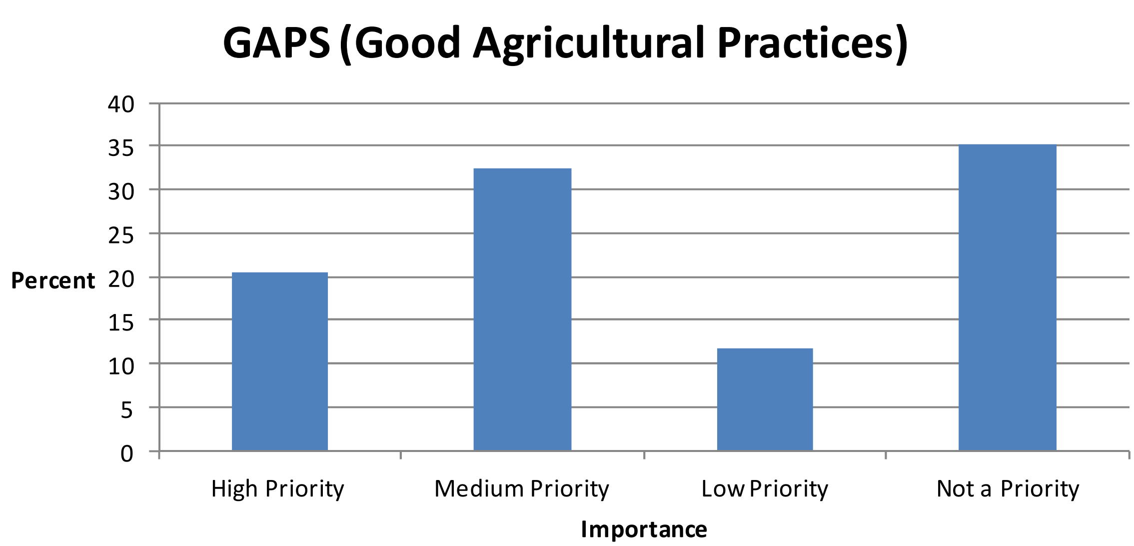

Business planning
40
35
30
25
Percent 20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance

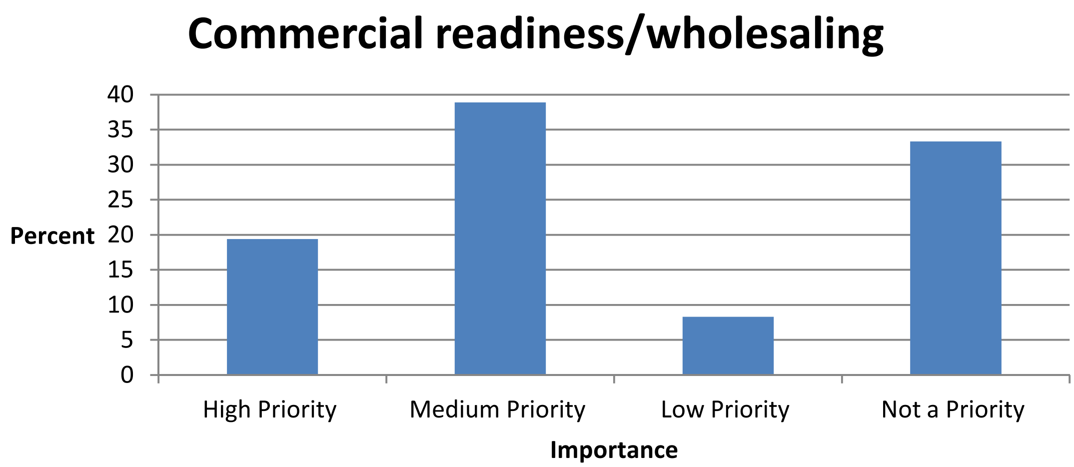

Bookkeeping for small businesses
40
35
30
25
Percent 20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance

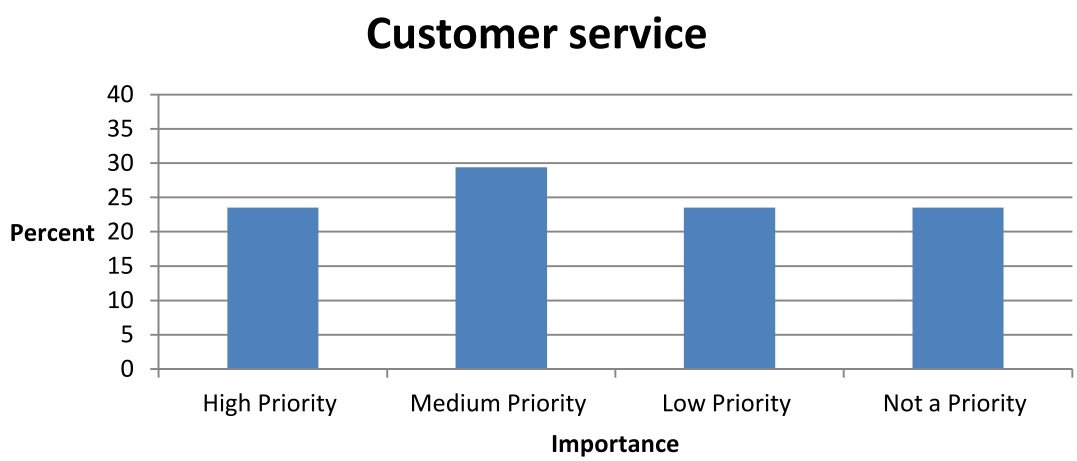

Branding and logo development
40
35
30
25
Percent 20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance

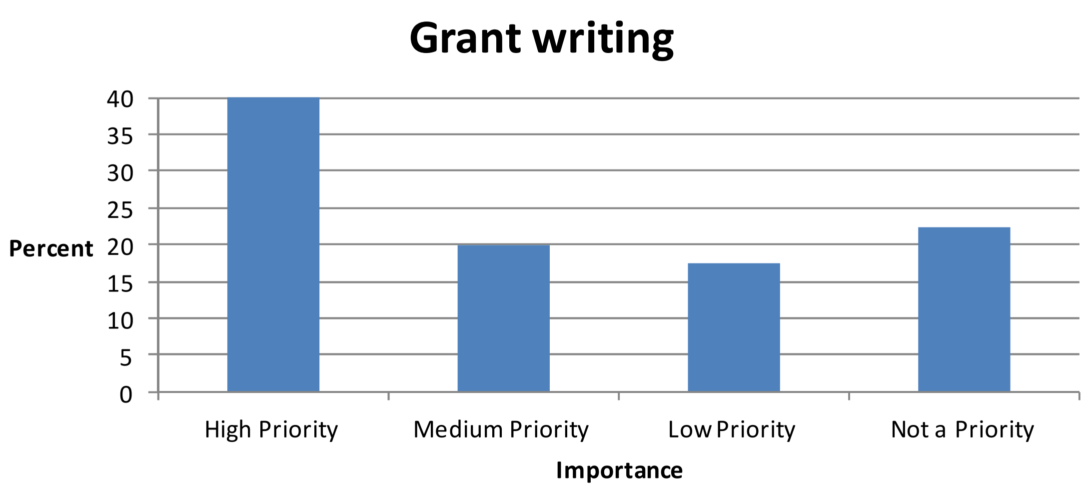

E-Marketing
40
35
30
25
Percent
20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance

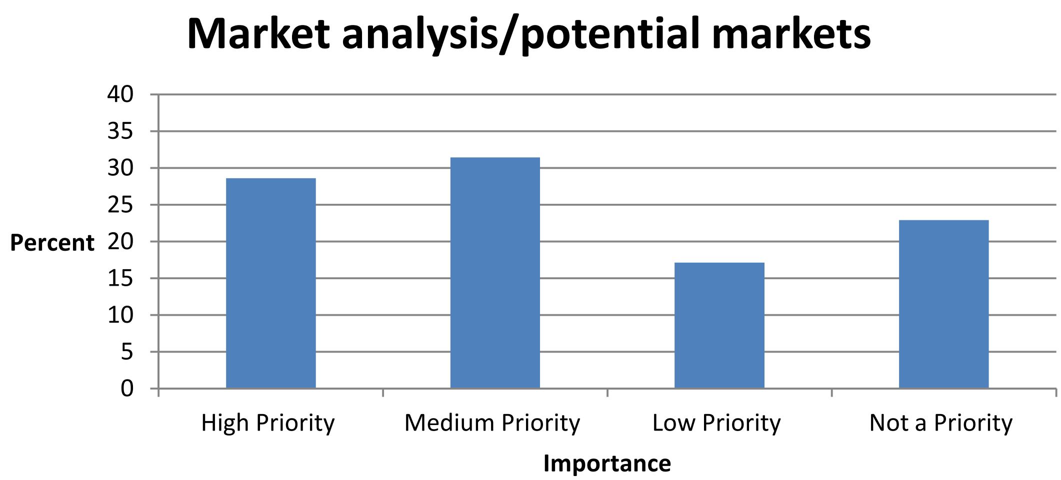

Social networking for marketing
40
35
30
25
Percent
20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance

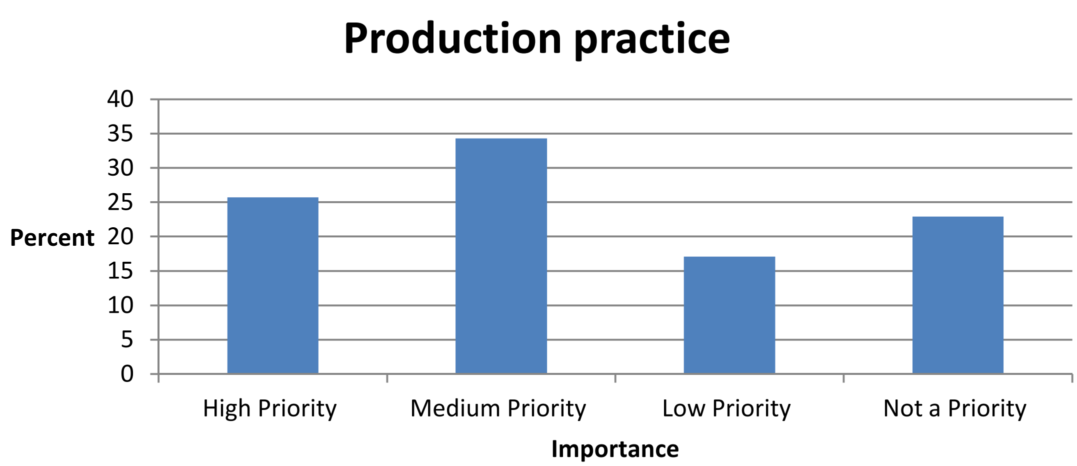

GAPS (Good Agricultural Practices)
40
35
30
25
Percent
20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance

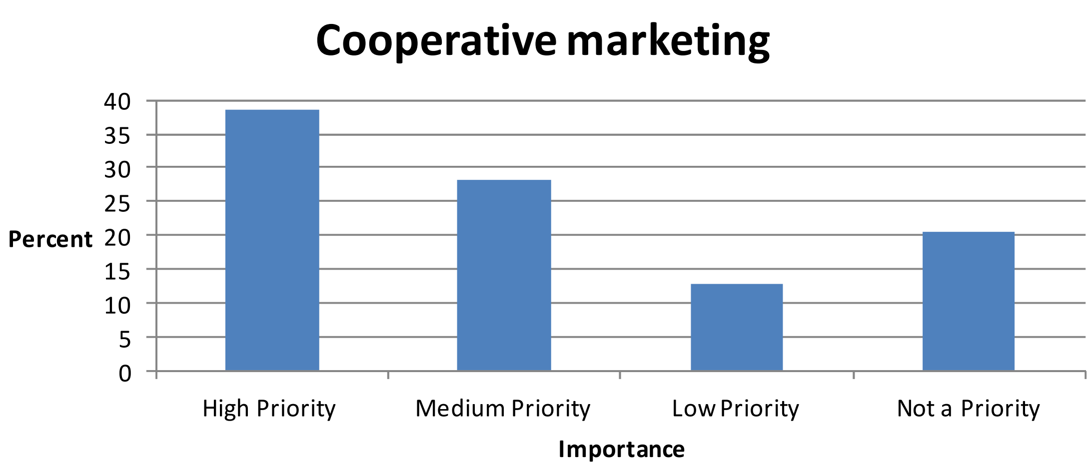

Commercial readiness/wholesaling
Percent
40
35
30
25
20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance

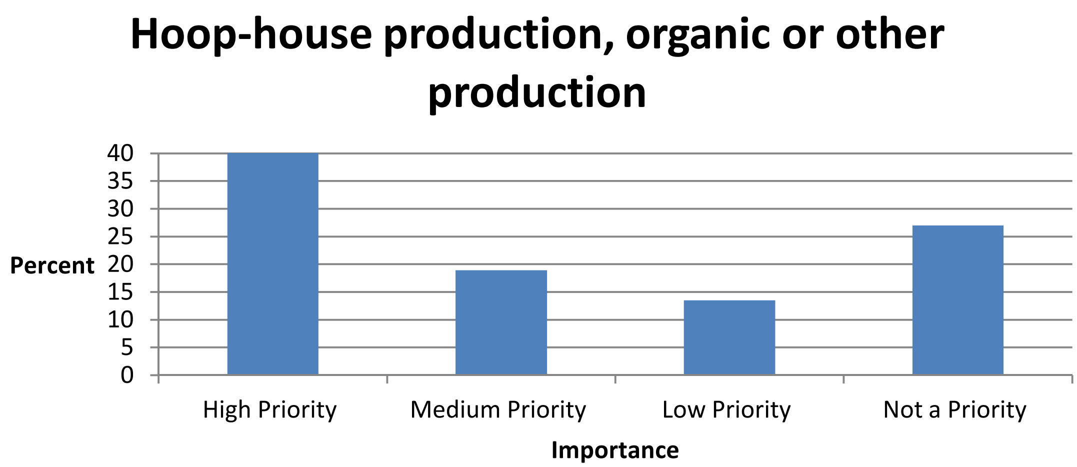

Customer service
Percent
40
35
30
25
20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance


Grant writing
Percent
40
35
30
25
20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance


Market analysis/potential markets
Percent
40
35
30
25
20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance


Production practice
Percent
40
35
30
25
20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance


Cooperative marketing
Percent
40
35
30
25
20
15
10
5
0
High Priority
Medium Priority
Low Priority
Not a Priority
Importance

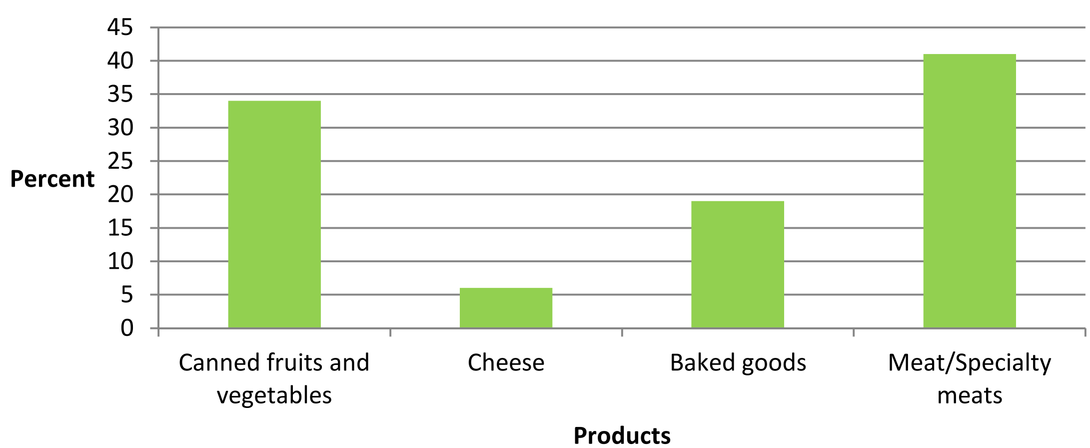


Interest in Marketing Methods and Types of Products to be Sold

In response to whether they would be interested in being part of a year-round market, 68 percent responded yes, 34 percent of whom said that they would sell canned fruits and vegetables during winter months and 41 percent of whom would sell meat (including specialty meats). Of the same survey participants, 18 percent expressed interest in selling baked goods during winter months and 5 percent would sell cheese.

When asked if they would like to be part of a co-op (the term was not explicitly defined), 67 percent of the respondents indicated that they would. Only 14 percent indicated an interest in opening a storefront business.

Figure 8. Products to be sold during winter months



4.3 Key Findings

Summary of Key Findings

On the whole, the producer survey illustrates the interest by local producers in the services and facilities proposed as part of the Food Enterprise Center—60 percent of those surveyed indicated an interest in participating in a food incubator and 68 percent indicated interest in a year-round market. Some key observations from the survey included:

- Specialty crops do not constitute a majority of most producers' income—it is still a new and untested venture for many area producers with an opportunity for growth.
- A significant number of farmers have been farming for fewer than five years (27 percent); these newer farmers may have more interest in trying specialty crop and value-added production.
- Specialty crops produced in the region primarily are vegetables but also include a wide variety of other crops. There is a significant variety of value-added products produced in the region.
- The majority of local food products are sold through "other" informal means and there is significant interest and need for more visible and formalized means of sales. Producers have significant interest in expanding and broadening future sales opportunities including through wholesaling, direct to restaurants and institutions, and through CSAs.
- Producers have many training and education needs, particularly in food safety, business planning, marketing, and funding recruitment (see more detailed observations on training needs below).

Training and Education Needs

One major conclusion from the producer survey is evidence of a significant need for producer training and education in the region. Specifically, the following trainings and certifications should be offered at the Center to help address these needs:

- GAPS (Good Agricultural Practices) is the term for a formal food safety plan; an audit is required for most retailers and wholesalers. Extension offers training programs that guide producers through this process.
- A Food Service Sanitation License will be a requirement for use of the Center, so producers who move forward with value-added products will be completing this certification requirement as well. This training is offered by Highland Community College and the Stephenson County Health Department.

- Commercial Readiness/Wholesale Training is offered by the U of I Extension and prepares the grower to scale up and meet the requirements of selling on a larger scale and would be an appropriate program for the users of the Center.

5 PRODUCER FOCUS GROUP

5.1 Methodology

A focus group was held at Highland Community College in Freeport, with fourteen producers participating. Invitees included producers identified by the Stephenson County Extension office as potential users for the Center based on their interest/current practices in local foods production as well as their perceived potential interest in scaling up production of value-added products. The focus group was facilitated by (and questions were developed by) Peter Chege, Ph.D., Horticulture Educator and Al Zwilling, Community and Economic Development Educator. Other Extension staff took notes during the focus group. Except where quotations are used, the responses below have been summarized to provide clarity and context.

5.2 Results

Defining "Local"

When asked whether they produce for local markets (with the research team defining "local" as within 200 miles of one's farm), eight producers (57 percent) answered yes. When asked about their own definitions of "locally grown," some defined it as produce grown within a 100-mile radius. Others defined "local" as

- "Any place that is on the same basic growing schedule as we are."
- "Local can be bigger area depending on where you are… definition changes with the season."
- "No middle man."

Variety of Products Currently Produced / Made

The focus group participants indicated that a wide variety of fruits, vegetables, grains, flowers and value-added products are produced in Stephenson County. When asked what they currently produce for local consumption, one producer listed 60 different varieties of vegetables and fruits, and added that she will try anything that will grow in this region. Another producer indicated that she produces 50 plus varieties of vegetables, small fruits, and grains—notably rye. Other producers said that they produce vegetables and dried flowers, nest grown eggs, and fruits; others indicated that they had at one time baked and sold bread but were now selling value-added products such as jams, jellies, and pickles.

Perceived Opportunities

The producers in the focus group expressed great support for a commercial kitchen and food business incubator in Freeport. Participants saw value in collaborating with other producers in activities and using shared facilities which would otherwise be too difficult to undertake, construct, or finance on their own. Participants saw value in the business incubator in identifying markets for products and developing business strategies. They also saw value in potential assistance with funding, legal advice, group insurance, and coalition building.

When asked what locally grown products they might add value to if a commercial kitchen were available in Freeport, the producers listed:

- Tomato products, salsas, and pasta sauces
- Relishes and pickles
- Other preserved products including chutneys, dried sweet corn, and “healthy” products
- Pastas, locally whole grain products, and baked goods
- Ciders
- Canned beef

The focus group participants also believed that there would be substantial community support for the envisioned Center.

Perceived Challenges

Producers were also asked about potential challenges that might be faced by the Center. One common concern related to compliance with Health Department codes, specifically the need for a food service sanitation license and the costs associated with licensing. In response, the research team suggested that U of I Extension can offer the appropriate food safety training at the envisioned Center and offer other support to help the commercial kitchen users meet Health Department requirements.

Focus group participants also were asked to identify reasons why some producers may not support the establishment of the Center. A summary of responses is included below:

- Food safety code compliance is a challenge; rumors about cleanliness have, in the past, closed down restaurants in this small, tight-knit community where rumors can travel fast.
- Fees for use of the Center must be affordable for potential users.
- Competition was discussed as both a challenge and an opportunity. Competion among producers and Center users can be difficult in this market. At the same time,

competition enables businesses to learn and the Center creates an opportunity for businesses to test their ability to succeed.

- Revenues from locally-produced products don't cover costs of the farm. A producer shared that they operate a small, sustainable farm due to their values of land stewardship, but have not always achieved financial sustainability.

Additionally, the following summarized contributions were made during this discussion:

- The Center creates an opportunity for businesses to access technical assistance for feasibility studies, business plans, etc.
- A participant asked about the role the Center would play in helping with cooperative marketing, including to the Chicago region.
- The Center creates an opportunity for a shop owner to seek out new products to feature in their stores.

Defining Success of the Center

The focus group participants were then asked to define the success of the envisioned Center. Summarized responses are listed below. Participants believed the Center would be successful if it:

- Provides staff to answer users' questions and provide information on needed permits, certification, etc.
- Provides group insurance.
- Brings groups together toward a common goal: "we partner and build something of it."
- Helps growers to thrive and make a profit.
- Produces viable new businesses; take an idea and turn it into a reality.
- Helps to create new products with demand in the marketplace.
- Brings people together toward a common goal and helps people to feel good about supporting their local community. "There is a human component"
- Provides sufficient support to all potential users.
- Creates an opportunity for co-op (for distribution or other shared business needs) and on-site local foods processing.
- Expands institutional purchasing of local food products.

Equipment Needs

The participants recommended that the facility have equipment such as a canning/processing unit, mixers and oven for baking; sterilizing equipment; and storage space. Also necessary would be packaging equipment such as trays, pie pans, labeling equipment, and a vacu-seal. The participants also supported the idea of forming a co-op through the Center to order items in bulk.

Roles of Producers in Supporting the Center

When asked in what ways local producers could support the envisioned Center, they suggested the following:

- Offering voluntary time to mentor others on a limited basis.
- Participating on the Advisory Board to resolve issues.
- Forming partnerships to build synergy in business endeavors; share equipment.
- Collaborate on ttransportation and distribution.
- Buy raw goods from other Center users when creating value-added products.

Additionally, the following summarized contributions were made during this discussion, many relating to roles that other community partners could play. Participants shared that the Center creates an opportunity to:

- Involve local clubs to both buy and launch their own products.
- Create a central meeting point to build networks among producers, chefs, retailers, and others.
- Market products via retail outlets such as the Red Barn as well as to outlets that market in/to the Chicago area.
- Use the kitchen for community education.
- Promote Freeport Area Church Cooperative's (FACC) efforts related to food security.
- Provide a commercial-scale facility for food preservation that does not currently exist.
- Engage regional partners to support the Center such as community service organizations, the newspaper, and FACC.
- Create learning opportunities for schools.

Closing Comments

At the end of the focus group, participants were asked to share final ideas and observations, which included the following (responses are summarized):

- The proposed public market is a very important component that could offer a monthly tasting party, cooking classes, classes on stretching food dollars, etc.
- There is increasing demand for and opportunity to produce ethnic products such as goats and other unique vegetables.

- Greater direct marketing opportunities would encourage producers to grow more. "I won't plant a seed unless it is sold."
- Facebook and public radio are current successful marketing tools.
- At least one producer raised concerns about price points for local foods: "will the American consumer really pay more for real food?"
- The commercial kitchen is an important first phase of the project.
- The commercial kitchen should be designed to ensure adequate availability for users.
- Schools will need to be retooled (modern schools do not have sufficient kitchen preparation space) to integrate local foods throughout the school year (with the Center assisting with integrating seasonal and preserved foods beyond the most abundant summer season).
- The Center could be rented out by ccommunity groups, such as the Girl Scouts, etc.

5.3 Conclusions

In conclusion, the focus group participants were in favor of the envisioned Center but realistic about potential challenges. The discussion supported many findings from the Producer Survey, including the variety of local foods in the region demonstrating the potential for continued growth. Participants saw value in the shared resources the Center could provide and also drew attention to perceived challenges including their ability to comply with food safety codes. Overall, participants believed there would be substantial community support for the Center and encouraged further planning.

6 CONSUMER SURVEY

6.1 Methodology

In an effort to learn more about consumer understanding of local food, locally grown products and value-added products, the Research Team prepared a consumer survey and conducted the survey in the Freeport area in 2010. The team solicited participants at the Northwest Illinois Audubon Society's popular Food for Thought workshop and at the Stephenson County Ag Breakfast in Freeport. Survey respondents at the Food for Thought Festival completed a written questionnaire which was then inputted by Extension staff. Survey respondents at the Ag Breakfast were interviewed by a research team member who then entered responses. The Team decided not to distribute the survey at area farmers markets in an attempt to realistically gauge the understanding of "Local Foods" in the area. The Team also e-mailed the link to the online survey (developed using the Survey Monkey website) to approximately 100 people including Extension volunteers and community leaders in Stephenson County who were asked also to forward the survey to their constituents. Team members assessed the e-mail distribution list to ensure that it did not over-represent people with prior knowledge of local food issues and efforts or have specific involvement in those issues. Of the respondents to the survey, a large percentage would not have had prior knowledge of related activities and efforts.

Seventy-four survey responses were provided in total, providing a cross-section of viewpoints on local food, value-added agriculture, and shopping in downtown Freeport. Of these responses, 54 (73 percent) were residents of Freeport, 13 (18 percent) were residents of rural areas in Stephenson County and the remaining seven (9 percent) were residents of other rural communities in the region.

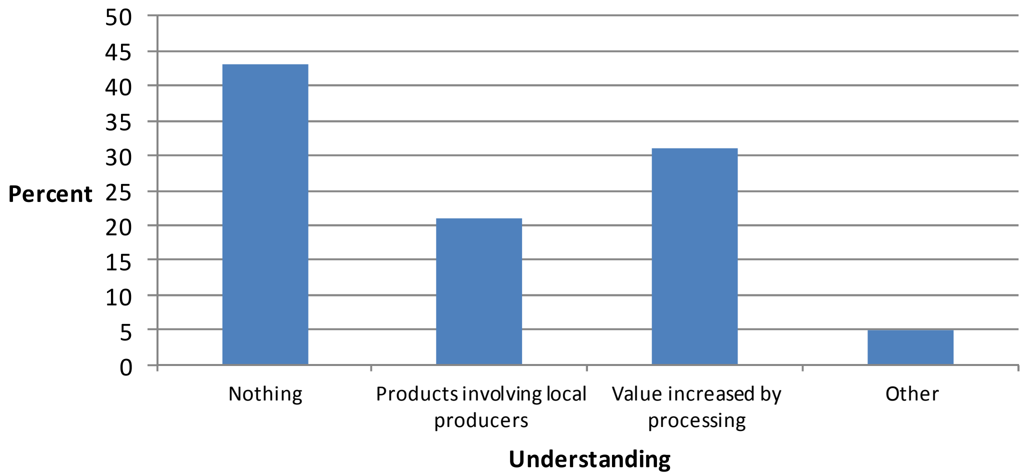
6.2 Results

Responses to survey questions are provided below. Many questions included an opportunity for open-ended comments in addition to the multiple-choice responses. For clarity and context, these responses have been summarized, except where quotations are used.

Understanding of Value-Added Products

When asked "*What do you understand about value-added products?*" most claimed to have no understanding, with 30 percent stating that "value-added" involves increasing product value through processing. Several comments were added to the responses, listed below.

Figure 9. Understanding of value-added products



Summary of Comments:

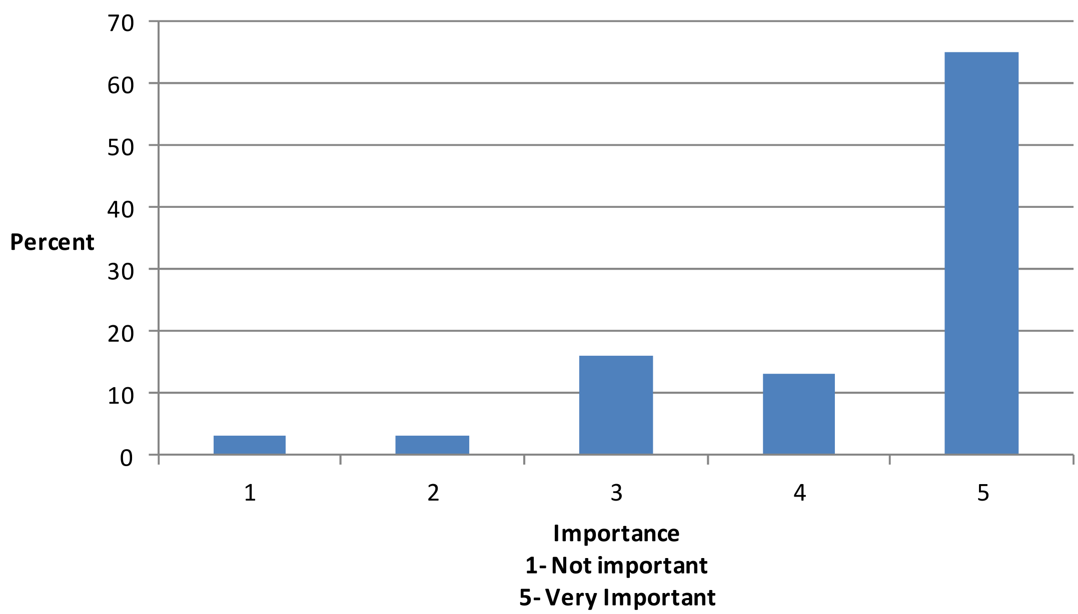
Comments below are included verbatim from the survey in order to most accurately relay the definitions used by respondents,

- “I realize it is a lot of work- very labor intensive. Probably more costly than mass produced.”
- “They are farmer-grown with labor added, e.g., jams & jellies, flour [sic] arrangements, fruit pies.”
- “I understand they are very valuable to me and my family.”
- “Value-added products are those products or services that are not typically found with most providers, and add value above and beyond what someone might be expecting in a service or product.”
- “They are products that are more than the original- for example, if I grow corn for sale, that is my product. If I make & sell cornbread from that corn, that is a value-added product.”
- “They are good for the local economy as a way to bring additional dollars for our farm products.”
- “They are products that are at a basic level, sold to another manufacturer who does something to them or adds something to them to increase their value. i.e. milk to cheese.”

Importance of Locally Grown Products

When asked on a scale of 1 to 5 "*How important is locally grown to you?*" 65 percent indicated the strongest support of "5," with a total of 88 percent indicating a 4 or 5—demonstrating very strong support.

Figure 10. Importance of locally grown



Summary of Comments:

Reasons cited for the importance of purchasing locally grown products included the following:

- Supports the local economy and local farmers (four comments). One comment included: "it puts money in [the] local economy which could lead to more jobs and a better place to live."
- Local foods are believed to be fresher (some comments cited higher nutritional value, greater flavor, and use of "quality/wholesome" ingredients (four comments)
- Local food products can be safer (one respondent seeks out products that adhere to US EPA standards for pest and disease control) (two comments)

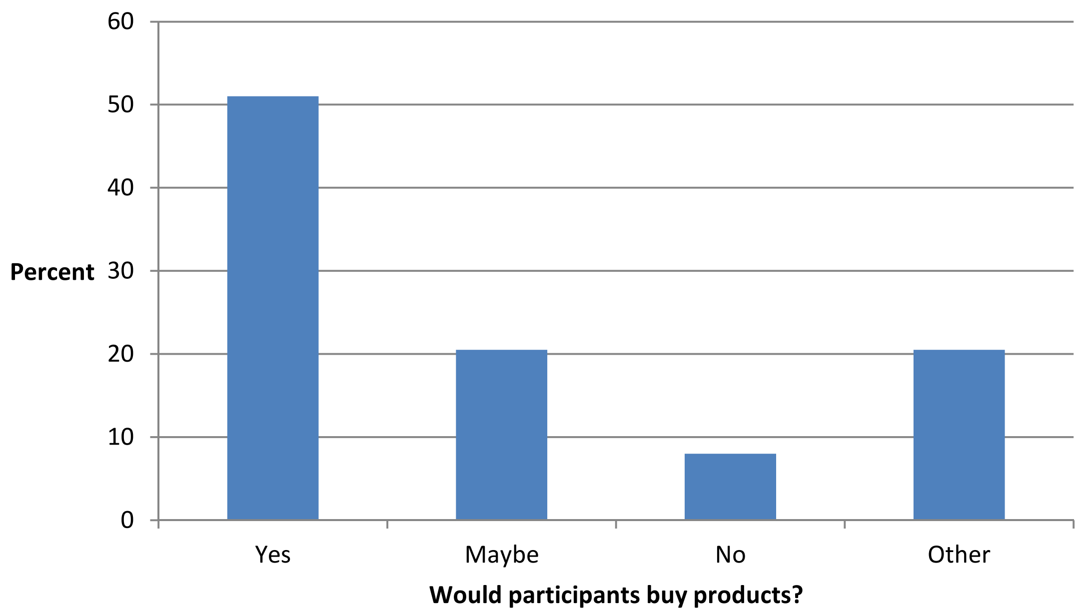
Some cited barriers / concerns to purchasing locally grown products included:

- Accessibility of local products (three comments). One comment included: "ease/access would make it more likely for me to purchase."
- Cost of local products (one comment)
- One respondent simply listed "Questionable."

Purchase of Locally Grown Value-Added Products

The next question asked "*If there was to be a commercial kitchen or business incubator, would you be willing to purchase locally grown, value-added products such as baked goods, salsa, jams etc?*" 71 percent of respondents indicated "yes" or "maybe."

Figure 11. Purchase of locally grown value-added products



Interest in a Public Market

This question asked, *"If there was a year-round public market featuring locally grown and locally produced food products, would you shop there?"* 97 percent of the respondents responded "yes."

Frequency of Shopping in Downtown Freeport

When asked, "*How often do you shop in downtown Freeport?*" over 40 percent indicated either weekly or monthly.

Figure 12. Shopping in downtown Freeport

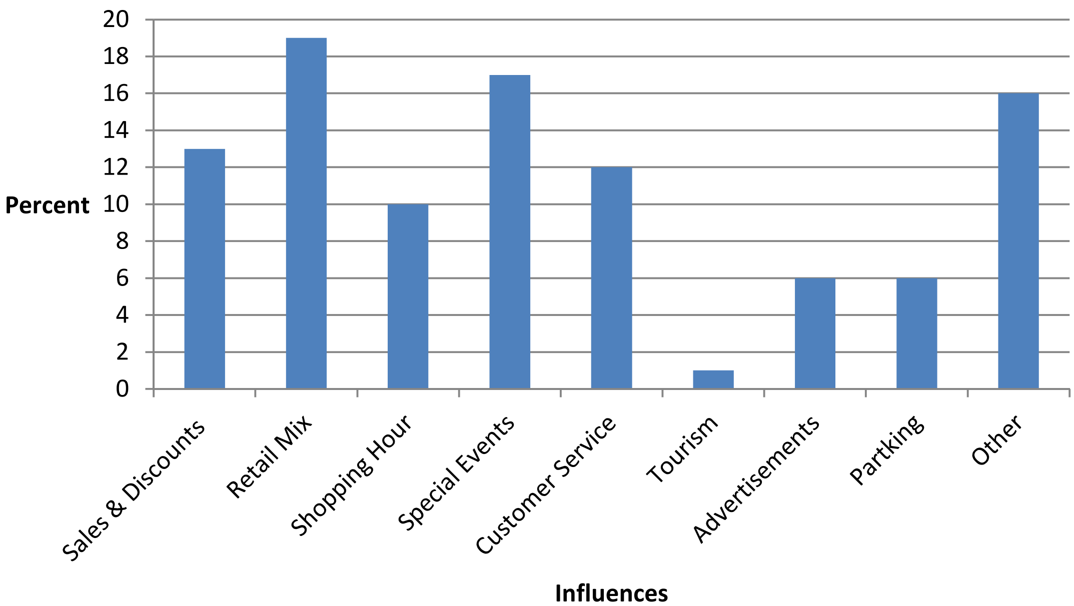
Summary of Comments related to "Other" responses:

- Two respondents indicated that they frequently shopped downtown (one specified "bi-weekly")
- Two respondents indicated they shopped downtown a couple times per year.
- Two respondents shopped downtown but did not specify how often. Comments included "depends on what I need, we do restaurants there more often."
- Eleven respondents indicated that they never or very infrequently shopped downtown. Of these, three cited limited selection and two raised concerns with limited evening hours. Comments included "only when I need a product I cannot find anywhere else" and "no reason to go downtown."
- Four respondents cited that they worked downtown (not all elaborating on the frequency of their shopping, but alluding that working downtown results in more downtown shopping. For example, comments included: "[I] work downtown so it's more convenient…" and "I work in the downtown area—I'm here 5 days a week."

<u>*Major Draws for Downtown Shopping*</u>

This question asked, "*What top 3 factors most influence your visits downtown?*" The top three responses included the downtown retail mix, special events, and sales and discounts.

Figure 13. Influences of downtown visits



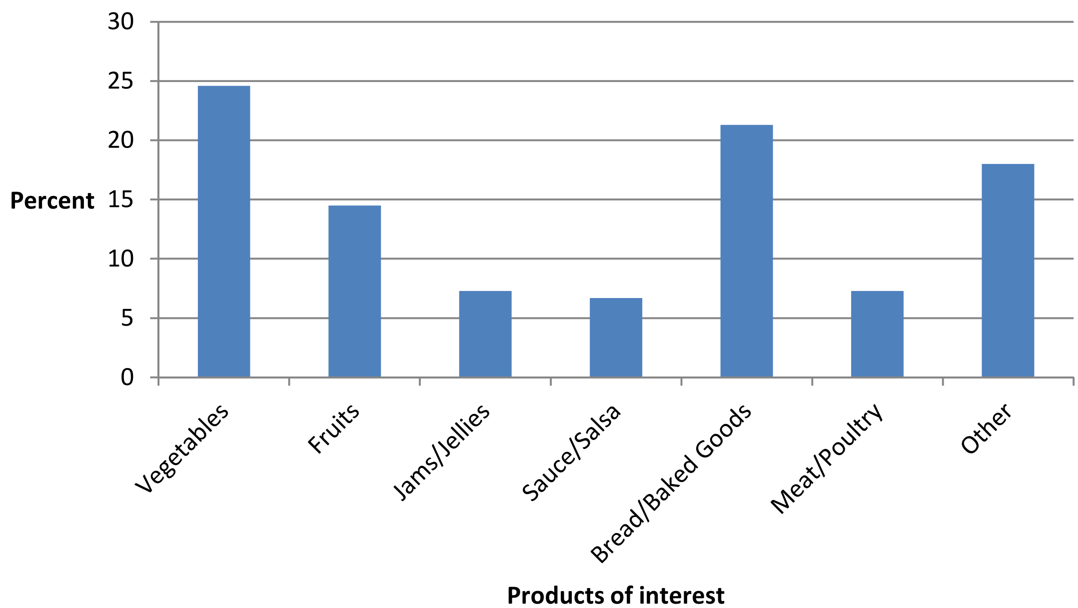
Summary of Comments related to "Other" responses:

- Ten respondents cited shopping as a draw. Of these, four cited the availability of unique / specialty / gift products. Other specific shopping draws included second-hand stores, "leisure shopping," and Wagner's (each cited once).
- Eight cited restaurants, many of which listed coffee and lunch specifically.
- Four indicated that they work downtown.
- Three respondents cited convenience / location.
- Three indicated they infrequently or never visited downtown. Reasons included lack of a large grocery, 2-hour parking limits and poor business mix (each cited once).
- Two cited the Lindo movie theatre.
- Two cited the post office.
- One cited downtown events.
- One cited the library.
- One indicated he/she gets a haircut downtown.

<u>Interest in Fresh and Value-Added Products</u>

This question asked: "*What types of fresh and value-added products are you interested in purchasing?*" The respondents to this question offered an extensive list of products, illustrated on the chart below, with fresh vegetables and bread and baked goods topping the list. While it is obvious these are very popular items at farmers markets, the responses for other products may be low because they are not readily available at Farmers Markets.

Figure 14. Interest in fresh and value-added products



6.3 Conclusions

The consumer survey helped provide a snapshot of key consumer challenges and opportunities for the Food Enterprise Center. Some key findings are summarized below:

- The Center should include a strong emphasis on consumer education about the value of local foods.
- There is strong support for locally grown products (88 percent of respondents indicated “locally grown” was important to them)
- 71 percent of respondents indicated a potential interest in purchasing products from the Center.
- 40 percent of respondents already shop downtown at least monthly, nearly half of those weekly.
- The Center would be a good fit for downtown which currently draws consumers based on its unique mix of stores and special events.

7 2008 Freeport Downtown Market Study

The Freeport Downtown Development Foundation (FDDF) commissioned the *Freeport Downtown Market Study* in 2008. Terri Reid of Reid and Associates conducted the study, which was funded by a US Small Business Administration Grant. The FDDF has been supportive of local foods efforts in the area and in 2006 financially supported the start up of the Downtown Freeport Farmers Market.

Data gathered from this study has been included in this Market Analysis as it helps to supplement the Consumer Survey described in the previous section, particularly as it relates to consumer interest in shopping at a proposed public market. Reid and Associates distributed a survey to collect the data for this study. Respondents included residents of Freeport and 14 other municipalities.

7.1 Excerpts from 2008 Freeport Downtown Market Study

<u>*Executive Summary*</u>

As part of its efforts to enhance and revitalize its historic Downtown core, the Freeport Downtown Development Foundation commissioned Reid and Associates Marketing to conduct an analysis of the Downtown market. The analysis is based upon a series of focus group discussions, including those with retail business owners, property owners, shoppers, non-shoppers and other stakeholders. These groups yielded a good cross-section profile of the Downtown user and also provided numerous suggestions for enhancements to the Downtown that would attract more users on a more consistent basis.

<u>*Summary of Focus-Group Perceptions*</u>

Downtown's primary user group lives in or near the City of Freeport. Many residents of the city come Downtown frequently and tend to be strong supporters of the Downtown, but also strong critics of some of its current offerings. County and City workers and professionals also use the Downtown on a daily or near-daily basis, but do not tend to take advantage of the many retail opportunities throughout the downtown.

Downtown's primary user group is slightly older than middle aged and female and lives in a household with an annual income exceeding $30,000. Many of these families are not families with children, although second-generation shopping (taking the grandchildren downtown) is popular. The other user groups are distributed about evenly among singles and senior citizens.

About one half of Downtown shoppers come there at least once per week. They prefer to shop both on weekdays and weekends. More than one half of the Downtown users participating in the focus groups stated that they prefer evening shopping hours, and some participants gave the Downtown low marks for not having enough stores or restaurants open in the evenings. Many focus-group participants criticized Downtown businesses for not staying open in the evenings.

Downtown's primary attractions (other than government facilities) are entertainment (Lindo and Music on Chicago) and restaurants, followed by shopping. Downtown users particularly like its historic fabric and small-town, pedestrian-oriented ambience. Many are particularly fond of Nine East and Alber's Ice Cream Parlor. Other popular establishments include Cole's Confectionary's, Wagner Office Supplies, Twice As Nice and Riteway Furniture.

Participants were asked if they visited any of Downtown's recreational events and even the non-shoppers stated for the most part that they came downtown to enjoy Music on Chicago. Downtown's users give it very high marks for customer service and overall appearance, although comments were made about lighting at night and the perception of danger when shopping at night with so few stores open.

On business hours and product selection their views are mixed, with non-shopper residents expressing predominantly negative views about the Downtown on these issues.

Area-resident views about Downtown parking are also mixed, with participants who routinely shopped Downtown expressing mostly positive views and persons who rarely shopped Downtown as well as retail owners expressing mostly negative views on Downtown parking. However, a select group of participants who were connected with groups representing those with disabilities noted that the number of handicapped parking spaces were not sufficient, the number of ramps to sidewalks were not sufficient and they also had difficulties maneuvering into and throughout many retail stores.

Focus-group participants would like the Downtown to have more restaurants with good food, more nightlife options, and more adult eating establishments that were upscale. They also want more entertainment options, moderately-priced clothing stores, (especially women's clothing), convenience retail (especially for nearby residents and workers), and family-oriented attractions.

They also expressed strong support for the development of a performing arts center Downtown and for a Local Foods/Local Products store.

7.2 Implications for Proposed Food Enterprise Center

This information from the Downtown Market Study is useful to the Food Enterprise Center Market Analysis in that it highlights some of the ongoing dialogue about Downtown Freeport and opportunities for downtown revitalization. In 2008, as the summary states, the participants in the focus group “expressed strong support for……a Local Foods/Local Products store.” In the “Recommendations for Downtown Enhancement” section, the Study recommended considering “a Local Foods/Local Products” retail outlet. One of the Organizational Initiatives outlined in the report was: “working with Economic Development partners, help recruit new businesses that will serve Downtown’s primary and secondary markets and encourage them to have viable business plans and to maintain agreed upon operating standards.“ Taken together, these findings and recommendations support efforts to establish the Food Enterprise Center to foster an entrepreneurial environment focused on value-added agricultural products and supporting existing and new small businesses.

8 COMMUNITY STAKEHOLDER AND RESTAURANT / RETAIL FOCUS GROUPS

8.1 Methodology

In addition to the producer focus group, two additional focus groups were conducted in Summer 2010. The first consisted of community leaders and stakeholders and the second consisted of local restaurant and store owners who have a vested interest in local products. Each group was asked to reflect on a series of predetermined questions posed by the facilitator. The focus groups were facilitated by (and questions were developed by) Peter Chege, Ph.D., Horticulture Educator and Al Zwilling, Community and Economic Development Educator. Other Extension staff also took notes during the focus groups. In addition, Extension made a transcript of the focus group discussion.

8.2 Community Stakeholder Focus Group Results

The Team facilitated the Community Stakeholder Focus Group to elicit input and insight on the proposed Center. Recognizing the importance of community support and partnerships for the success of the Center, this group helped to unveil important challenges and opportunities as the planning team moves forward.

Clear Definitions of Purpose, Geography, and Users

The first topic addressed by this group was that the Center should serve Northwest Illinois and a larger region than Freeport/Stephenson County. The name needs to reflect the true reach of the effort and make it clear that the local leaders support providing a service not just for local growers and entrepreneurs but for those in a large geographic area. The group emphasized the importance of clearly defining terms, such as “locally grown” to ensure community and producer understanding and support of the project. Participants emphasized the importance of clearly defining the targeted users of the Center so that producers and other users will self-select and the efforts of the Center can be focused on these targeted users.

Potential Contributions of the Commercial Kitchen / Food Incubator

When asked to comment on what a commercial or cooperative kitchen would contribute to the community, the group had a number of comments. A significant contribution of the Center would be its role in ensuring that food safety practices and standards are followed by users, including Health Department regulations. As such, the group encouraged strong involvement of the Stephenson County Health Department in the project. The group also discussed the importance of supporting users’ work to scale up production (producing large quantities of products in a relatively short amount of time), creating greater profit margins and meeting consumer demands more efficiently. The group also discussed the importance of the Center for providing marketing assistance to users, who otherwise may not be ready to launch a full-fledged marketing effort for their product.

The group was asked to list potential activities at the Center which would both draw in users and generate income during the start-up period. Ideas included availability of the Center for:

- Chef demonstrations and cooking classes.
- Families preparing large batches of recipes.
- Fundraisers—either for products prepared by a producer/food entrepreneur or developed by the group undertaking the fundraiser themselves.
- A Christmas market / Indoor market / public market.

On the whole, the group emphasized the importance of marketing the Center to potential users as one of the biggest keys to its potential success.

Community Support for Local Products

The group was then asked to comment on the level of community support for purchasing locally grown products. Participants identified a number of community assets and opportunities that help to bolster the potential success of the Center, including:

- Local foods are increasingly in demand and supported. Participants cited local farmers markets and gardens and one stated that “there is a national buzz and it has trickled down to Freeport.”
- U of I Extension’s efforts to make restaurants and stores, as well as consumers, aware of the benefits of buying locally grown food have been helpful.
- There needs to be sufficient quality and quantity of local foods to support feasibility of increasing use/ sales of these products in stores and restaurants.
- Stores should increase their promotions (“make a bigger deal”) of the locally grown/produced items they are already being sold.
- Culinary / food preparation education should be a part of the Center’s efforts; help people to “learn or re-learn” to cook local foods.
- Local healthcare organizations could be potential partners for community outreach and education on the benefits of fresh fruits and vegetables.

8.3 Retail and Restaurant Focus Group Results

The Team conducted a Restaurateur and Retailer Focus Group in July 2010. Approximately twelve restaurateurs and retailers with an existing or potential interest in local foods were invited and four attended. Though this was a small focus group, the information garnered from this group was very useful and shed a different light on the need for the proposed Center. Participants included the owner of a local winery, the chef and owner of a local restaurant and catering business, and the owner and a staff member from a northern Illinois organic grocery store that also features local foods. Comments have been summarized and edited for clarity and context.

Defining "Locally Grown"

In contract with the producers focus group, the retailers defined "locally grown" as:

- Products from a 100-mile radius; this natural foods grocer indicated, howeer, that it's difficult to limit local products to just a 100-mile radius.
- Small-scale production "where cows have names, chickens run loose, kids are in 4-H and people have a very personal relationship with animals."
- Connecting and talking with growers about their production practices (this participant believed "food miles" were less important).
- Food grown "close" to where a person lives.

Envisioning the Goals and Services of the Center

When asked what comes to mind when they hear "Northwest Illinois Agricultural Entrepreneurship Center,[6] the participants shared that the Center could create an opportunity to:

- Support producers and food entrepreneurs. More specific comments related to affordability of services, potential to "turn a hobby into a business," help businesses to plan for scaling up / determing scale, establishing prices, and adhering to food safety standards.
- Support small producers who "have more pride and ownership in their product."
- Educate consumers and assist with marketing. Comments included "people are more connected to their food and want to know where it comes from" and "[consumers] ask for locally grown but don't want to pay for it."

---

[6] The original proposed name for the Food Enterprise Center used at the time of this focus group

The participants believed that the proposed business incubator and commercial kitchen would be vital to growing the local food system and would be an asset for current and potential food entrepreneurs (such as people who currently make small-scale baked goods, as an example). Participants lamented that it is difficult to tell people “no” when they are approached about selling products that are not made in a commercial kitchen. Participants believed that a commercial kitchen would bridge the gaps that currently prevent entrepreneurs from creating and selling local food products (including the need to adhere to specific regulations) and a food business incubator could foster significant opportunities for entrepreneurship and small business growth. Participants also supported the idea of a producer co-op through the Center.

The retailers also gave suggestions on activities that might generate income in the Center. Some of the suggested income-generating activities include:

- Assist with product / recipe development to help users with scaling up production. This respondent also cited concerns with obstacles in distribution.
- Sell products on site. This participant referenced a kitchen in Iowa and mentioned the need for product storage.
- Assist with online marketing, such as through Facebook, to connect sellers and consumers. The participated cited the affordability and “green”ness of this approach.
- Offer cooking classes: “people don’t know how to make food or a meal with the produce they get from the farmers markets.”
- Include recipes along with products.
- Charge sufficient fees for use of the Center.

Community Support and Resources

The group believed that the level of community support for the Center would depend on consumers’ understanding of the potential benefits of the Center; consequently, thorough education and outreach to consumers and the community at-large should be a part of the Center’s mission. Participants also suggested that the Center be easily approachable for producers and other users and that its services be advertised to broad user groups. Other comments included: “it’s about the image” and “it’s about making your customer feel welcome and also remembering that people buy things because of the flavor.”

The focus group participants also suggested a number of existing services and resources in the community that could support the envisioned Center. The Small Business Development Center could help develop businesses and bridge the gap between just producing a value-added product and using that product to successfully grow a business (providing business planning, marketing advice, etc.)[7] Additionally, the Center could facilitate business-to-business networking and relationship building. Seminars could be hosted by U of I Extension at the Center to help connect small businesses with growers (continuing and building on services U of I Extension already provides).

Additional Comments

Additional comments made by participants included:

- The Center could help educate entrepreneurs about securing small business loans since they can be complicated and difficult to secure.
- The Center would encourage local businesses supporting other local businesses.
- Participants indicated an interest in purchasing the following products from the Center: jellies, salsa, maple syrup, vegetables, and anything without preservatives (including BHT) and high fructose corn syrup.
- Producers can never be "too proud of their products."

8.4 Conclusions

On the whole, participants hoped that the proposed Center becomes a reality. They emphasized their appreciation for local support of their businesses and supported the Center as an opportunity to support other local businesses and entrepreneurs. Participants believed the Center would create a needed place to market products in downtown Freeport.

[7] Since this focus group was conducted, the local Small Business Development Center has been closed due to funding difficulties. Some of these services are still provided, for a fee, by the Highland Community College Business Institute.

9 CONCLUSIONS: STRENGTHS, CHALLENGES, AND NEXT STEPS

9.1 Project Strengths

Based on the information gathered from surveys, interviews, focus groups, and secondary research, the investigators identified a number of strengths that support continued business planning for the proposed Center. The project has experienced a great deal of support so far, from many members of the community including established producers, community stakeholders, retailers, and restaurant owners. Awareness of and interest in local foods and locally produced products has increased on a national, state and local level. This Market Analysis and additional work to assess the feasibility of the concept is enabling the Project Team to plan for the Food Enterprise Center based on a thorough, data-driven decision making process which strengthens the project's likelihood for success.

Leveraging Partnerships and Resources

Some services needed to support the Center in the community already exist; others can be developed as needed given the willingness of community partners to explore possibilities and engage in discussion about expanding efforts. The University of Illinois Extension has been educating consumers about the benefits of supporting the local food system and providing educational workshops, technical expertise and increased marketing opportunities for producers. Networking opportunities, such as the Farmer/Chef Mixer in 2009, the Local Foods Dinner Series, and Small Farm Tours all have led to expanded interest and support of local producers.

Educational workshops and trainings have given producers an opportunity to learn about GAPS (Good Agricultural Practices), working within the Illinois Farmers Market Network, Commercial Readiness, Hoophouse Production, and Legal Issues for Direct Farm Marketing, to name a few.

The project team also has engaged and/or identified potential community partners, such as Highland Community College's Business Institute, banks and farm lending organizations, the Illinois Farm Bureau and local county farm bureau offices including the Stephenson County Farm Bureau, Freeport Downtown Development Foundation, the Northwest Illinois Development Alliance, and the Chamber of Commerce, all of which are very aware of local efforts to increase the viability of the local food system as a sustainable economic development strategy.

Local Economic Development through Local Foods

Focus group discussions and other stakeholder comments included a focus on growing the local food system as part of a broader effort to strengthen the local economy. Some respondents were aware of the benefits of local food system development and many voiced the need to educate consumers about the local economic benefits. Many individuals identified the importance of "local" for the economy, including supporting local farmers markets, supporting development of value-added products and sales in our area stores and use by area restaurants, or just the process of increasing the value of a local business venture, such as producing goat cheese to sell commercially from locally raised goats.

Many participants identified the variety of locally grown and produced foods in Northern Illinois as a major driver and asset for development of the Center. Meat, cheese and dairy are abundant in this area, and many breakfasts and organizational celebrations highlight the production of these products and the economic impact provided by related business. The variety of fruits and vegetables raised in the area, regardless of scale of production, also illustrates the opportunities that exist. One producer claimed to raise sixty varieties of fruits and vegetables; another listed fifty. If given the opportunity to add value to and expand their market for their products, these and other producers could perhaps narrow their diversification in order to concentrate on scaling up production of a smaller number of vegetables or fruits. While expansive diversification is of great benefit to a farmer's market vendor, the ability to concentrate on raising a less diversified crop and pursuing value-added products from those few crops could dramatically improve a producer's economic opportunities.

Building on Existing Local Food System Momentum

There is an impressive level of support for the already existing and expanding opportunities to purchase locally raised/grown products, which include:

- the addition of three local farmers markets in the past six years
- the opening of a vineyard and winery in Stephenson County
- efforts by local groceries and restaurants to feature local produce in season
- establishment of two community gardens in Freeport and Lena
- development of the "Grow Freeport" effort by the Freeport Area Church Cooperative, which helped create community gardening opportunities on the east side of Freeport and generate support for local foods initiatives from the faith-based community.

Churches, in particular, have been instrumental in increasing the amount of donated fresh produce to local food pantries as part of the Plant a Row for the Hungry Program (part of a national effort). Many churches have established their own community gardening programs, supporting increased access to and consumption of fresh, healthy food by both their congregations and food pantry patrons.

Most recently, as a final example of support for this initiative, Freeport Township administrators expressed an interest in using the proposed commercial kitchen as part of an educational series of programs for their clients, in cooperation with U of I Extension.

9.2 Threats and Challenges

Threats and Challenges as Identified by Stakeholders and Community Leaders and Retailers and Restaurants

Need to Educate and Cultivate Local Consumers

Based on comments made in both Focus Groups, plans for the Center must include a concerted effort to educate consumers about "where their food comes from." Consumer education will lead to more demand for local food and the value-added products that will be available through the Center. There are opportunities for the Center to become a leader in local foods education, including preparation of fresh, local produce. One participant commented that only 15 to20 percent of individuals care about where their food comes from. Another told of a customer asking her if her bananas were local. Other participants emphasized the importance of educating consumers about food seasonality. These discussions clearly point to both the challenges as well as the many creative opportunities for educating consumers to help create stronger market demand for local foods.

A question posed by several respondents was whether local consumers will pay a premium for locally grown or produced food. Many have a misconception that local means expensive. One participant questioned whether sufficient local market demand exists to support purchase of products from the Center. And if the demand does exist, can it support the higher price that will be expected for the product?

The terms "high end" and "elite" were used to identify products made at the Center. Questions were raised about the buying habits of local residents. Clearly there will be efforts made to market the Center's products both locally and to other markets, including tourists travelling from the Chicago area to Galena as well as directly to the Chicago metro-area market.

Need to Provide Thorough Support and Affordable Services for Center Users

Participants emphasized the need for start-up, business planning, and technical assistance for Center users. It would be overwhelming for many producers to take on these tasks alone. This challenge also reinforces the opportunity for the Center to serve producers who currently face these challenges in an atmosphere of cooperation and collaboration.

Participants also raised concerns about funding and insurance. These concerns are valid and issues that the Project Team will need to address prior to moving forward. Use of the Center cannot be cost prohibitive for a local producer striving to raise their price point. Too many costs and fees will turn all but the most serious and well-funded growers away.

Threats and Challenges as Outlined by Producers

Economic Challenges

There are valid concerns about the cost of specialty crop production and whether these costs will inhibit more producers from attempting to grow and market specialty crops and value-added products. Participants cited competition between producers as a concern as well as an opportunity; while not all businesses will survive, the Center would create an opportunity for entrepreneurs to test their ability to succeed. One producer reiterated concerns about consumer demand and price point, commenting that people say they want “local food” because it is trendy, but do not want to pay a higher price for it.

One producer in the focus group described her family’s reason for being involved in local food production: it supports their definition of stewardship. This outlook is shared by many involved in local farmers markets and CSAs. This same participant stated that she also feels her family is paying to feed other people. In other words, the costs they endure to grow specialty crops and provide stewardship of their farm are not fully compensated by the income they receive from selling products at local farmers markets

Perceived Difficulties in Adhering to Food Safety Regulations

A main concern voiced by producers related to the difficulties in adhering to food safety standards and codes from the Illinois Department of Public Health and the Stephenson County Health Department. Participants were concerned that some producers may not become involved with the Center because they perceive that Health Department codes will be too restrictive. On the other hand, one community leader pointed out that in this small, tight-knit community, restaurants have been closed down from rumors about their lack of cleanliness, pointing to the importance of the Center to educate users on these regulations.

Need for Ongoing Support to Expand Local Production

While most of the producers involved in this project have been supportive and interested, there is not clear evidence of a cadre of growers/producers prepared to delve into value-added production. Until we are able to determine the level of commitment each one has, as well as the feasibility of their own business plans, it is unknown how many producers may be involved in the initial efforts of the Center. Providing for good, solid business support is imperative; without it, some Center participants may not be successful. The Project Team does not have a clear picture of the level of financial backing local growers have and therefore cannot project the level of production growers may bring to the Center. However, to date the planners have not assessed the need for the Center's services with other user groups beyond farmers, such as bakers, small food related entrepreneurs (who may or may not use local produce in their products), caterers, and others—all of which create an opportunity to expand the user base for the Center.

9.3 Next Steps

Analyzing all of the Market Analysis components together, the Project Team determined that there is demonstrated demand from producers and consumers to justify continued business planning steps for the Food Enterprise Center, which is strengthened by continually expanding regional and national consumer demand for local foods. This analysis also highlights the need for the Food Enterprise Center project to incorporate producer education and development, consumer education, and a strategy to market products beyond the Northwest Illinois region to ensure success.

This Market Analysis will be followed by a Business Plan for the Food Enterprise Center. The Business Plan will use the key findings of this analysis to inform planning for the user mix, proposed Center services, financial projections, partner and funding recruitment strategies, marketing strategies, and identification of detailed next steps for planning and starting up the proposed Center.

Page intentionally left blank

10 APPENDIX A: PRODUCTION PRACTICES GLOSSARY

The following are definitions related to production practices often used by local food producers are provided by the University of Illinois Extension, most of which are summarized from the U.S. Department of Agriculture.[8]

100% Organic: With the exception of water and salt, contains only organically produced ingredients and processing aids. For animals, this includes all feed.

Biodynamic / Demeter Certified Biodynamic: Term originates from Dr. Rudolf Steiner, a turn-of-the-century Austrian philosopher and scientist. The biodynamic farming approach focuses on natural forces that use specific practices and preparations, such as herbal preparations to guide decomposition in manure and compost, that enable the farmer or gardener to work in concert with these natural forces. Foods produced through biodynamic methods are certified for consumer markets by the Demeter Biodynamic Trade Association: http://www.demeterbta.com/biodynamic.html.

Fresh: Raw meat and poultry products may be labeled as "fresh" only if their internal temperatures have never dipped below 26 degrees.

Free Range: Producers must demonstrate that birds have been allowed access outside. However, this does not necessarily mean the birds spent much time outside.

Grass-Fed: An animal must be raised entirely on grass and forage and have continuous access to pasture during the growing season. According to the USDA, animals that have been fed grain do not qualify for this certification, although hay is acceptable.

Made with Organic Ingredients: Processed products that contain at least 70 percent organic ingredients.

Natural: Only products containing no artificial ingredients or added color and that are "minimally processed." According to the USDA, any product labeled as natural must briefly explain what this means specifically. For instance, "no added preservatives."

Naturally Raised: Meat or poultry raised without growth hormones or antibiotics and never fed animal byproducts.

[8] USDA definitions, upon which these summarized versions are based (other than Biodynamic), were taken from the US Department of Agriculture Food Safety and Inspection Service. *Glossary Webpage.* Accessible: http://www.fsis.usda.gov/help/glossary-b/index.asp

Organic: Must contain at least 95 percent organic ingredients – excluding water and salt. The remaining ingredients must be nonagricultural substances from a USDA-approved list.

Sustainably Harvested: There are no restrictions limiting the use of this term to describe a food product, although the claim must be truthful, according to the USDA.