



North Coast Oregon Food Hub Feasibility Assessment

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Introduction and Acknowledgements

This report is the result of Food Roots' north coast Oregon food hub and distribution system assessment, which took place over the course of November, 2018 to March 2019. Food Roots is a non profit organization, founded in 2006 with a mission to grow a robust food system on the north Oregon coast through community engagement, education, food producer support, and improved access to locally grown food. Our programs include Farm and Food Business Support, Access to Local Food, and Farm to School Education.

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Executive Summary

Background

Food Roots was contracted by Visit Tillamook Coast in late 2018 to assess the feasibility of a regional food hub or other delivery system for fishers, farmers and producers to expand their markets locally and/or into the Willamette Valley, and to identify the following: current markets reached by these producers and additional markets identified by producers; assessment of current delivery methods in place by local producers, gaps in these methods, and identification of more efficient delivery modes, both in the short term and long term; as well as opportunities and recommendations.

Process

The process for this assessment was implemented in four stages. Stage one: Identify stakeholders and implement preliminary data collection through online stakeholder surveys; Stage two: analyze survey data and determine targeted focus group content; Stage three: Focus group implementation; and Stage four: compile findings and report. Food Roots utilized both community and state partnerships at the Oregon State University Campus and Extension for resources and guides which have been developed and used by faculty for similar food hub assessments around the state.

Findings and Conclusions

The north coast region, in which this assessment has targeted, includes Tillamook and Clatsop Counties, a geographic region which stretches one hundred miles along our rural and geographically isolated coastline between the Pacific ocean and the north coast mountain range, which separates our region to the Portland metro area and Willamette Valley. Our north coast food system does not start or stop by county lines. There are producers who are taking their products further down or up the coastline and into the Valley.

North coast producers indicate that self delivery and marketing of products restricts the supply of locally produced foods. Small scale north coast producers are not currently producing enough supply to meet the demand of local markets, let alone markets that are outside of our coastal region. Producers are mainly delivering their own products to markets, whether coastal or valley-based. These delivery routes heavily overlap along our coastline and for some into the Portland metro area. The time spent marketing or delivering products is a barrier to their abilities to scale up production to meet the ever-growing market demand. Additionally, buyers of north coast products are also running up and down the coast to procure products for their businesses when deliveries are unavailable. Challenges for buyers correlate with sellers in that the time spent on logistics in identifying and procuring available local products take away from their capacity to staff and operate their consumer-facing businesses, mainly retail and restaurants. An additional juxtaposition indicated by assessment participants is that buyers want to purchase in smaller quantities to avoid product loss, but increase the number of weekly deliveries to ensure for product freshness, while producers prefer to sell in larger quantities for reduced deliveries and increased harvesting efficiencies.

A centralized hub to aggregate local products, provide information of product availability to buyers, and logistical support to producers such as storage, product marketing, and access to buyers has been identified as a need by assessment stakeholders, in addition to last mile deliveries in order to shorten distances for any one producer to their end market.

Recommendations for action

Food Roots recommends the development of a business plan and strategy for a centralized distribution hub, likely to be located in central Tillamook County, a center point between Astoria and Lincoln City, Oregon. This hub could serve the north coast region as well as connecting with the Portland metro area. This north coast food hub business plan should identify staffing needs, proposed distribution and collection routes, funding sources and financial viability. Food Roots has connected with a number of organizations who have developed food hubs in the state of Oregon and collected a resource library of people and best practices for those seeking to start a food hub and seeking financial investors. Models of public and private partnership are occurring around the state which provide resources to draw upon to reduce the time needed for an economic impact study. Short term solutions also exist to help make connections between buyers and sellers of north coast products and support last mile deliveries to market. Such solutions include providing networking opportunities for stakeholders to collaborate on distribution, as well as training opportunities for developing longer term business contracts.



Demographics

In December 2018, Food Roots worked to target a list of stakeholders to engage in this assessment through online surveys, phone and in person conversations, and targeted focus group sessions. Stakeholders consisted of north coast (Tillamook and Clatsop County) food producers and buyers of north coast products. Food Roots unique position as a non profit who serves and provides programming to beginning and expanding food businesses, provided built in relationships and trust to begin conversations related to business needs and challenges. Over the month of January, we collected thirty-nine surveys from twenty-four north coast food producers and fifteen buyers of north coast food products. Separate survey results and data can be found in the appendices of this report.

Producer survey respondents self-identified as farmers, ranchers, fishers, value-added producers and one meat distributor, with locations of businesses dotting our coastline from Neskowin in the southernmost part of Tillamook County to Svensen in Clatsop County, Oregon which borders the Columbia River and the Washington state line. The majority of producer survey respondents (58%) identified as farmers (non rancher, fisher, value-added). We found that as a whole, survey respondents have been in business as short a time as one year, and for as long as 51 years; on average, surveyed businesses had been in operation for 12 years. 54% of our producer survey group falls under the USDA definition of a Beginning Farmer, of 10 or less years. Survey results from north coast food buyers came from area restaurants, breweries, retail outlets, hospital/institution, and one prison kitchen. Buyer locations were as far south in Tillamook County as Pacific City and north as Astoria, Clatsop County.

In February, we held two separate focus group sessions for producers and buyers respectively, and did so in order to encourage participants to speak candidly regarding their challenges where the presence of their customers or suppliers may have hindered candid conversations between peers. Producer focus groups brought together 13 north coast producers and 10 buyers of north coast products (mainly chefs or restaurant owners). All focus group participants, or someone else representing their business, had responded to the January online surveys.

In March, we held one follow up focus group, bringing together both stakeholder groups, producers and buyers, to further investigate interest, buy-in, challenges, and opportunities of a north coast food brand. This focus group meeting was attended by 6 stakeholders; 3 producers of flowers, vegetable and seafood products, and 3 buyers, including restaurant owners and retail outlet. All of these attendees were present at the previous focus group sessions. Low attendance can be attributed to 75 degree weather hitting our region in mid-March; ideal timing for farming business owners to be in their fields.



Existing Distribution Systems

With information received through the online surveys, we focused our in-person sessions on the following content: current distribution routes; access to a potential wholesale distribution network; limitations in growth/ability to scale up (supply meeting demand); purchasing contracts; and lastly, north coast branding. This section also includes details on additional findings from these meetings including; relationship development, networking, and trainings. When asked about products regularly sold to restaurant, retail and wholesale buyers, we found that farmers rarely answered with specific quantities sold. Restaurants on the other hand, were very specific about the amount of products that they were purchasing. Most reported that they purchased more local meats than fruits and vegetables. The most frequently purchased amongst these were beef products and seafood. Buyers indicated that the availability and consistency of produce prevented them from purchasing in larger quantities.

When asked how producers delivered their products to these markets, nearly all respondents indicated that they are self-delivering products directly to the buyer, however mode of transportation ranged from personal vehicle to business owned vehicles. Fewer indicated other delivery methods such as truck lines, airlines, or postal service. Some also indicated that their buyer would come pick products up from the farm.

Current Distribution Routes

Focus group attendees were asked to draw out their routes on a north coast map so that we could collect information that we suspected from the online surveys; small-scale north coast producers are traveling over the same routes and likely overlapping each other. 10 participants mapped their routes which have provided the following insight: 10 people or businesses travelled along the same route 1 or more times per week from Tillamook to Astoria. 3 of those businesses also traveled the same route as far south as Lincoln City. Each of the participants who mapped their routes indicated that they are also driving the identical routes to and from Portland 2 or more times a month. By participating in this activity, 3 of the producers left with the intention to coordinate delivery routes with one another to reduce each of their weekly trips.

Existing Storage

When asked if producers had a need for storage, 89% indicated a need for either dry, refrigerated or frozen storage space for their products. This was also a common theme for restaurant owners, as well. Frequently refrigerated or frozen storage space at restaurants is limited, which drives the need for deliveries to be made multiple times during the week.

The availability of short term cold storage as soon as summer 2019 was identified and offered in central Tillamook county at Oregon Coast Flowers, owned and operated by Patrick and Monika Zweifel. Cold storage usage at Oregon Coast Flowers would be made available for one entity to aggregate and store products. This stipulation was made to limit the logistics and challenges that would likely incur if the space was made available to multiple small scale users. Food Roots' storefront, FarmTable, in downtown Tillamook has also been used as a drop off location for last mile deliveries for growers and buyers. This is another short term existing opportunity to be utilized for small scale quantities of products. Last mile delivery is defined as the movement of goods from a transportation hub to the final delivery destination.

Existing Markets

78% of producers surveyed indicated that they are already selling to wholesale markets, with 100% selling to north coast wholesale markets, and roughly 43% selling to wholesale markets outside of the coastal region. Market assessment of north coast food buyers shows that larger scale buyers (larger restaurants, institutions) have an obvious need for larger scale of products. This scale of product at prices that are fair to producers is a barrier to large buyers. However, smaller scale buyers (smaller restaurants, retail) have more flexibility to procure smaller scale product amounts. One example of this was identified in a conversation with Ken Henson, lead buyer with the Pelican Pub Brewery (now with three locations) and the Meridian Restaurant, a boutique farm-to-table style restaurant. The Pelican needs to procure \$600,000 of hamburger meat each year to meet their menu and match consumer demand, while the Meridian's beef budget averages around \$5,000 per year. Larger scale markets have to account for higher labor costs, which dig into their product procurement budget. When this was discussed with both buyers and sellers, both stakeholders suggested that if there were regular wholesale market opportunities, they could envision building in more flexibility in product cost if they could rely on regular consistent sales or wholesale purchasing outlet.

When asked, north coast producers indicate that due to the supply and demand imbalance in our region, their energy is focused on north coast markets, a demand of which they currently do not fully supply. Some focus group participants suggested that it is also a factor of "community impact" that determines their interest in continuing to grow the supply for north coast market demand. Producers care about their community and want to see it flourish with increased access to local product, for increased economic development and health and wellness. Portland metro area and Willamette Valley markets however, do provide higher price points for many products so it is of importance to continue facilitating these buying/selling partnerships for some.

Challenges of Current Systems

Delivery of Products to Markets

Barriers to delivery of products that popped up over and over again from survey respondents include: cost of delivery; time and labor; limited supply of product vs. demand; relationships between seller and buyer: trust and communication; logistics; irregular orders from buyers; delivery of small quantities isn't ideal for seller -- restaurant buyer orders tend to be smaller quantities with requests for increased

weekly deliveries; need for infrastructure to scale up production to meet market demand -- commercial kitchen facilities, cold storage; delivery day requirements from buyer vs. variability of seafood catches -- weather, and tides.

Survey respondents indicated many of the same challenges in delivering product to markets outside of the north coast region, with increased time and labor; relationship development barriers, including distance; supply and ability to scale up due to logistics barrier; the need for marketing support; and also indicated increased costs of delivery to further distances. Small scale producers indicated their preference to focus on local markets, because of these challenges.

Limitations in Grown

Expansion to sales into the valley would likely lead to more time away from the farm and more money spent on deliveries of further distances if such deliveries continued by self delivery method. Small scale producers participating in this assessment have limited time away from their farms/food businesses and further distances outside of our north coast region take more time away from their abilities focus on increasing food production. North coast buyers are also clear that they have clear interest in increased local food purchases and prefer to increase those purchases wherever and whenever possible.

Buyer Product Access

90% of buyers in our online survey expressed their desire in continuing to purchase north coast produced foods with 70% of these same buyers indicating that they were “very likely” to increase their purchases of local food products in the future. However, buyers indicated a number of challenges that make increasing these purchases difficult. Such barriers include accessibility and lack of consistent distribution/delivery options from producers; lack of supply in volume; lack of knowledge of who/which farms are selling, what they are selling and how much, and consistency of the product.

When asked what specific products buyers would like to source more of, they identified fresh tuna, rockfish in more consistency, poultry, foraged foods, orchard fruit, “whatever’s available, we’ll buy it?”, retail and ready to eat/processed items.

We found additional overlaps in our two stakeholder groups, in which both groups identified the need for a centralized hub, both physical and web-based, to aggregate, market and distribute north coast product. Buyers also indicated their desire for producers to make local products available further into the shoulder season months. Season extension resources do exist such as the Natural Resources Conservation Service, a program of the USDA and their Environmental Quality Incentives Program. Funding through the EQIP program includes specific support for producers to acquire high tunnel hoop houses. The purpose of the “High Tunnel System” conservation practice is to assist producers to extend the growing season for high-value crops in an environmentally safe manner. The practice has the potential to assist producers to address resource concerns by improving plant quality, improving soil quality, and reducing nutrient and pesticide transport. Food Roots’ Individual Development Account program is another access to capital program for season extension equipment purchases.

Opportunities for More Efficient Distribution Systems

Short-term solutions exist for producers to coordinate delivery routes together to reduce repeat trips and reduce over all trips for any one food business. Last mile opportunities, as mentioned previously, also provide short term solutions to delivery challenges. Long term solutions identified by some focus group buyers include indicated commitment to investing in funding the cost of aggregate deliveries if such costs could be divvied up among stakeholders. Relationship building and communication facilitation is necessary to achieve any short or long term solution to enhance delivery methods.

Access to New Wholesale Distribution Network

With centralized aggregation of product, with access to storage for cold, dry, fresh and frozen products, producers could spend their time delivering product to one location, saving time on multiple delivery routes. Stakeholders also identified a retail outlet space in conjunction with a wholesale aggregator/distribution hub so that smaller scale buyers could purchase in smaller quantities and to provide an additional outlet for local product direct to consumers. Additional thoughts on this from focus group participants is the need to provide clear and transparent messages on where this food is coming from for buyers of this product. This is where a north coast brand could come to play. A centralized hub may provide the opportunity for consumers/buyers to access more product diversity by aggregating product and opening up the capacity for producers to focus production on what they are best at; streamlining production across our region. A centralized hub would also provide opportunities to access institutional buyers such as schools and hospitals with needs for larger scale of products that an aggregator such as a centralized hub/distributor and producers could scale up to in time.

One survey respondent noted when asked about barriers to delivery, that if there was “some kind of aggregation business, co-op or something, that I could sell to that takes care of the marketing and distribution logistics, this could make expanding much easier as I could focus on production.” When surveyed directly, and asked “If there was an additional wholesale market or distribution network in our region, could you envision your business expanding to sell to it?”, 83% said yes.

Purchasing Contracts

Developing trust and confidence on both sides of a local food transaction was communicated clearly in focus groups, as both a challenge and a need for development in order to increase local food sales and continue to develop efficiencies. Primarily this conversation was at the level of small scale producer with small scale buyer such as restaurant owners and their lead buyers. Both stakeholder groups identified and discussed the need for contracts between producers and buyers that provided flexibility and safeguarding for counterparts to work around the determinants of weather, crop failure, quality control and other variables that could contribute to lost product. These contracts would provide stability and consistency for both the buyers and sellers. Trainings or templates for developing such contracts was requested from stakeholders when asked to identify additional business support needed.

Producers indicated that a written contract would be of value in order to provide confidence in production labor for specific crops or products.

Not all small scale producers were ready this year to go into contract with a buyer due to supply, though they indicated interest in future contracts with their ability to increase production. Buyers more than producers indicated their confidence in “handshake” contracts, but strong and effective communication was a major factor in buyer confidence. Some buyers also indicated that they are setting contracts already. One buyer from Fort George Brewery has made agreements with poultry producers in advance so that the producer has confidence in “taking out a loan for chicks and knowing he has an established market.” One producer focus group participant noted that “standing orders are essential to our (fishing) business; we don’t harvest unless we have a market. Also, our product is highly perishable (live, wild product) and we would need to invest in holding systems or value-added processes which would require additional labor to be able to take additional contracts at this time.” Contracts for seafood products can be a catch 22 in that knowing you could sell X amount of product can justify the longer trips or to hire a dive boat for example for clamming. Knowing that there is an order to fill is more incentive. The catch 22 is that filling the contract can be risky because of the variable weather and water conditions. Water quality issues in the bay and weather conditions to get out in the water can be risky and may not always provide an opportunity to fill an order due to such risks. Seafood contracts may need even more flexibility to account for so many unknown factors that contribute to product availability.

Communications

Both groups identified communications and relationship building with counterparts as both a challenge and a need for their ability to either purchase or sell more north coast product. Buyers indicated in surveys and again in the focus groups that a major challenge is knowing who has what product, when, and how to track it down. Buyers expressed their desire for a centralized website where available product could be listed and supply updated and where they could buy or reserve product and select delivery options and frequency if available. A website such as this could complement a physical hub location if managed properly and listings were kept up to date in “real time”.

North Coast Brand

Authenticity is often a key value of consumers seeking locally grown products. State, regional, and local brands are working to make it easier for consumers and retailers to know the location of origin of the products they are buying. When consumers see a food product brand logo that they know and trust, they have confidence that they’re buying a quality product, and that their dollars are supporting a specific community or economy. In most cases, this is a community or economy that is explicit about their values around land, culture and history which has been conveyed in the brand vision and marketing. Successful food brands and hubs might include the following services or benefits to their members that thereby help grow trust from consumers: Quality standards for products; Certification & Oversight; Marketing & Promotions; Special Events; Local Food Guides; Regional Information; and Environmental Standards or Practices.

To identify our region's needs, Food Roots asked a series of questions to both the producer and buyer focus groups. When asked, participants stated that they were ready to join a north coast food brand sometime in the next 12 months, but indicated that a high level of trust was needed in the entity that would manage this brand. Focus group participants identified Food Roots as an organization in which they had this level of trust. An additional branding focus group was formed after the initial producer and buyer focus group session in February. Branding focus group participants indicated that a regional food brand would compliment current existing services already provided in our region, such as Visit Tillamook Coast's North Coast Food Guide, Crave the Coast, and Food Roots local food guides and other local food and agriculture-centered events. The general consensus of participants was that now is a great time to develop a regional brand and carry forward the momentum of current and future north coast food system projects.

During the branding focus group, participants made it clear that the authenticity of our coastal communities would need to be represented along with a clear respect to the generations of heritage that exist in this area. Both producers and buyers participating in this assessment agreed that transparency in a product, where it was grown or produced, by whom, and through what practices, build enormous consumer confidence and that leads to a dedicated market for such products. Focus group participants also suggest that having events where customers can meet with north coast producers is also a great opportunity to grow that brand trust.

Priorities identified for a north coast brand were: high standards and quality control; identification a trusted agency to house and manage the brand; the importance of environmental standards and land based growing practices, but a clear consensus not to require Organic or GAP certification in order to create a space for beginning food production businesses; and creating a dynamic logo that speaks to a wide audience.

Trainings, Events and Additional Resources Requested

Food Roots has identified a need for the following trainings, resources, and networking opportunities for north coast producers and buyers: a twice a year producer/buyer event so that new procurement relationships could grow; a producer focused aggregation event so that producers could come together to collaborate on product to grow for local markets; Farm visits for chefs; a guide for selling to local wholesale buyers; peer connection or network gatherings; templates of wholesale contracts; and targeted farm business development training opportunities. From attending these focus groups, buyers and producers have both made connections that have since benefited their business, from new product sources to delivery route shares.



Conclusion and Recommendations

While demand for locally grown food is evident in our north coast region of Oregon, consistent sourcing remains problematic for wholesale buyers, while farm-direct deliveries of product prohibit producers from scaling up production in order to grow consistent supply. Challenges for both producers and wholesale buyers include communication, logistics and distribution, training, and knowledge of existing and potential business counterparts. It is clear that a niche business model of a food hub is missing in our region, which would have huge economic and food access impacts. Area producers need support in aggregating, storing, and distributing their products to both local and Portland metro area markets in order for them to build on-farm capacity that will enable scaled-up food production. The time is right for a small scale aggregation, distribution, and processing business that would make local and regional food sourcing easier while improving producer livelihoods and increasing opportunities to purchase nutritious food items. Such a food hub enterprise, if managed well, could have the potential to be a viable food sector business that efficiently connects rural north coast production with local demand as well as to support urban demand for north coast products.