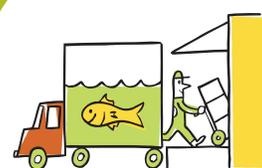


The Louisville Local Food Demand Analysis

PREPARED FOR

Seed Capital Kentucky & Louisville Metro
December 2012





Executive Summary	3
Introduction & Background	6
Methodology	8
Partners & Roles	8
Secondary Research	8
Primary Research	9
Context: Jefferson County's Food Landscape	13
Data Analysis	23
Commercial Survey	23
Consumer Survey	36
Commercial Buyers & Consumers: Common Themes	43
Conclusion and Recommendations: Using this Study	45
Introduction to the Vignettes	45
More Tools for More Food	46
Farm to Food Processor	50
Increasing Healthy Food Options at Retail	56
Pulling It All Together	62

Executive Summary

The Background

The Louisville Local Food Demand Analysis is a comprehensive, qualitative and quantitative analysis of demand for local food in Louisville Metro/Jefferson County, Kentucky. Seed Capital Kentucky, a non-profit with the mission to catalyze the success and resilience of regional agriculture and the regional food economy, engaged Karp Resources, a New York City-based food and agriculture consulting firm, to design, lead and manage this multi-stakeholder, multi-partner research process. The findings will be used to support efforts by Mayor Greg Fischer and others to create linkages between urban consumers and rural producers as a long-term, regional, integrated economic development strategy.

Louisvillians have built an enviably vibrant and diverse local food economy. In 2011, Louisville residents spent \$2 billion on food, approximately \$1.2 billion on food-at-home and \$800 million on food-away-from-home. There is much evidence that Louisville residents, businesses and policy makers are committed to growing local food's

share of those dollars. Louisville Metro government employs a Farm to Table Coordinator charged with making critical connections between businesses, producers and consumers. Farmers' markets operate every day of the week, several food distribution companies focus specifically on locally grown foods, and more and more restaurants and retailers are sourcing and merchandising local foods.

As the Demand Analysis reveals, much work remains to be done to satisfy Louisville's appetite for local food. Consumers across the demographic spectrum want more local fresh, prepared and processed food, at lower prices, and they want to buy that food where they already shop. Commercial buyers recognize that buying and selling more local food will require additional infrastructure and support, the kind of capital improvements that may require public and private dollars, but are keen to grow their local food purchases.

Fundamental factors that will underlie the success of Louisville's local food economy's continued growth include:

- **Strategic efforts** to tactically expand local food's presence must build on proven efforts.
- Meeting demand for local food depends on increased trust and strong communication between buyers and producers.
- New physical **infrastructure** for aggregation, processing and distribution will be needed to accommodate increased supply.
- **Support**— technical, business, marketing, and consumer education— is needed to ensure that producers, commercial buyers and consumers make best use of available supply.
- **Tracking** and tracing incremental growth and the stories behind the food is essential to maintaining momentum and making the case for growth.
- Farmers have the capacity and desire to increase **supply**, but they need assurance that the demand is real. Contracts between buyers and farmers will provide the security they need to take risks and make investments.

Supporting "local farmers and the local economy will make the city a better place."

The Findings

The Demand Analysis' research methods were diverse and incorporated the following:

- A synthesis of existing data and research on the context of demand, including factors influencing and impacts resulting from food purchasing and consumption in Louisville and insights into Kentucky and Southeast Indiana's agricultural character;
- More than 35 open-ended, hour-long interviews and focus groups with consumers, producers and commercial buyers;
- A survey of 75 commercial buyers representing 107 locations based on a random and stratified selection of all Louisville commercial food buyers; and
- A survey of 421 consumers based on a demographically representative sample.

The Demand Analysis yielded the following key findings:

Un-met demand greatly outstrips current supply of local food in Louisville.

- Louisville residents currently spend \$100 million on local foods, and are interested in purchasing an additional \$158 million each year, for a total demand of \$258 million
- Commercial buyers currently spend \$214 million on local foods, and would be willing to spend an additional \$139 million, for a total of \$353 million.
- Much of the food the commercial sectors purchase will be handled, transformed and resold in a variety of outlets, leveraging that \$353 million in local food purchases to contribute an estimated \$800 million to the local economy.¹
- Meeting commercial buyers' voracious demand for local food will contribute to satisfying Louisville consumers' \$258 million demand, with abundance to share with visitors, commuters, and consumers and wholesale buyers beyond Jefferson County's borders, thus becoming a meaningful economic driver for the city and county.

Total demand for local foods in Louisville is \$258 million among consumers and \$353 million among commercial buyers.

Almost 72% of Jefferson County consumers are already buying some amount of local food.

- Demand is relatively consistent across income levels and ages, with higher income consumers (over \$75,000 household income) and older consumers (55+) slightly more likely to purchase local foods.
- Quality is the number one factor influencing purchasing decisions, followed by price.

Local food means better food, and consumers are willing to devote more of their monthly food budgets to local food— on average, twice as much as they currently spend.

- More than 95% perceive local food to be more flavorful and of generally equal or superior quality compared to foods from elsewhere.
- Consumers are willing to purchase local foods of all types, with strongest interest in local fruits and vegetables.
- On average across all income bands, if it met their expectations of quality and price, consumers currently purchasing local foods would spend more than \$200 on local foods each month, more than twice what they spend now.

"I expect local food to be better (than food from further away). And it makes me feel better, buying local."

¹ This figure takes into account the value that will be added to local food as it moves through the supply chain and is re-sold in various forms by and to manufacturers, distributors, retailers, restaurants, and institutional food service companies. It is an estimate, based on industry standard costs of goods sold (COGS), which vary by sector.

Commercial buyers of all kinds are working to keep up with consumer demand.

- More than 63% of surveyed commercial food buyers intentionally purchase local foods.
- Product consistency, followed by taste and price, are the most important factors. The restaurant sector overwhelmingly identified distribution services and sufficient volume as key factors to increasing purchases, while supermarkets prioritize price.

Over 73% of commercial buyers said that they buy local food in order to support local business and the local economy.

- Over 51% buy local to support local farmers.
- More than 78% indicated that they see investment in local food as a viable anchor for a broader economic development policy.

87% of commercial buyers who don't currently buy local said that they would if barriers were eliminated.

- Among commercial buyers who currently do not buy local foods, almost 44% have previously done so but stopped due to issues with product packaging, lack of distribution services, insufficient available supply, and inability to get local foods from their companies' approved vendors.
- Product price and lack of distribution services were the key obstacles keeping those who have never purchased local foods from doing so.
- Interviews with producers aligned with commercial buyer survey findings, indicating that the greatest supply-side need is increased ease of access to market, including aggregation, distribution, sales, marketing and crop planning infrastructure and services.

The Action: Using the Data

The actions, innovations and investments of interested parties from many sectors will be essential to growing the city's capacity to meet this extensive demand for local foods. Investments of capital, technical expertise, long-view thinking, and collaboration were all noted as key actions needed to grow the local food economy.

The Demand Analysis concludes with vignettes that were designed to answer to the question: How can I use the findings of this study to help grow Louisville's food and agriculture economy? The vignettes explore three paths toward growing Louisville's food system:

- "More Tools for More Food" looks at the need for physical infrastructure and complementary technical support;
- "Farm to Food Processor" focuses on incentive programs to increase local procurement; and
- "Increasing Healthy Food Options at Retail" directs attention to making local food part of existing and new strategies to increase access to healthy foods throughout the city.

The concept underlying these vignettes is the "3 legged stool" that stands at the foundation of a healthy society and a healthy food system, and provides insight into the importance stakeholder engagement across sectors: 1) an effective and accountable government sector, 2) a dynamic private sector, and 3) a vibrant civil society, or not for profit sector.

Louisville's people— policy makers, nonprofit leaders, producers, food businesses, private investors and consumers— can utilize this Demand Analysis' verification of and nuanced detail about the strong demand for local food to immediately develop and execute a long-term economic and community development strategy for a vibrant and dynamic local food economy in Louisville.

Introduction & Background

The Louisville Local Food Demand Analysis is a comprehensive, qualitative and quantitative analysis of demand for local food in Louisville Metro/Jefferson County, Kentucky. This study's findings will be used to guide Louisville Metro/Jefferson County's ongoing efforts to provide outlets and channels for the growing demand for local food within the city/county jurisdiction, as part of a comprehensive economic development strategy that links rural production with urban consumption.

Seed Capital Kentucky, a non-profit with the mission to grow the regional agriculture and local food economy, engaged Karp Resources, a New York City-based food and agriculture consulting firm, to lead, coordinate and

We really do want to buy local. We want to keep the money local.

*-food service director,
Louisville-area hospital*

manage this study, in support of Mayor Greg Fischer's efforts related to strategic, long term, food-based economic development. Elected in 2010, Mayor Fischer has a particular interest in the burgeoning growth of Louisville's local food movement and how this movement can be harnessed, supported and grown to drive (and benefit from) a wide range of community and economic development strategies, including those focused on business attraction and expansion, job creation and wellness. The Demand Analysis is inclusive of demand by individual households and consumers, as well as commercial, wholesale food buyers. Among commercial buyers, the demand analysis has been

segmented by type of wholesale buyer: institutional food service and caterers, restaurants, distributors, processors and manufacturers, supermarkets and grocery stores, and other food retail establishments. The data gathered from these diverse buyers is intended to help Mayor Fischer and his administration make decisions about planning and infrastructure investments in Louisville that will help facilitate the sales of locally and regionally produced foods within the city and which will, complementarily, support the commonwealth's agricultural economic development.

That food is important to Louisville is undeniable. Zagat named Louisville one of the "Best Foodie Getaways Around the World," and Louisville came in 2nd place in Southern Living's 2012 rating, "tastiest city in the South." According to Josh Viertel, former president of Slow Food USA, "the extraordinary local businesses that reflect Slow Food's values "were among the main reasons that the organization hosted its National Congress in Louisville in 2012." And the quality of restaurants and dining opportunities in Louisville contributed to it being chosen by Lonely Planet as its "top destination in 2013."



Mayor Fischer, elected in 2010, promoted a vibrant food economy and local food's role in it as one of his campaign platforms, and has been true to his word while in office, employing a full-time staff person to oversee

local food initiatives within the Department of Economic Growth and Innovation and delivering annual “State of the Local Food Economy” updates. Since Fischer took office, Louisville has received funding to continue its Farm to Table program that aims to increase production, marketing, distribution and sales of Kentucky edible agriculture products and to meet Louisville’s demand for local foods. Under Fischer, the city has also launched an agribusiness loan program that is targeted to businesses that process foods grown by Kentucky farmers. To be eligible, the businesses need to be located in Portland, a Louisville neighborhood that is in need of redevelopment and increased employment opportunities. Portland is conveniently located near downtown with easy access to highways that food processing businesses often seek.

In 2007-8, in partnership with Market Ventures Inc., Karp Resources executed a study commissioned by Louisville Metro Government and the County Judges of 23 surrounding rural counties. The study’s goal was to assess the agricultural supply available at that time in those counties, as well as the greatest potential channels and marketplaces for locally produced agricultural products in Louisville and farmers’ interest in utilizing those potential channels. The study identified what farmers in the region need in order to produce more food for retail and wholesale direct sales in Louisville Metro/Jefferson County, and it tested producers’ interest in a number of strategies and investment priorities that would help them better access Louisville’s diverse marketplaces. Producers revealed strongest interest in increased access to scale-appropriate meat and value added food processing infrastructure and in agritourism efforts that would bring Louisville consumers out to their farms.

That study’s recommendations included establishing a food policy council to coordinate efforts around local food and local agriculture and to raise the profile of those efforts. Such a council was created prior to Mayor Fischer’s administration and has since been rolled into the Mayor’s Healthy Hometown Movement as part of the “Healthy Eating Committee.” The study also recommended establishing a Public Interest Broker™ as a staff position within Louisville Metro government, a person devoted to coordinating supply and demand to result in increased farmer access to markets (specifically wholesale markets) and, conversely, ease of access to farmers by food businesses. That position, Louisville’s Farm to Table Coordinator, was created in 2009 and has facilitated millions of dollars in increased sales by local farmers to Louisville wholesale buyers. It has also expanded local food’s customer base in Louisville to larger institutional food service providers, chain restaurants and grocery chains.

In Louisville, you’ll find an impressive amount of top-notch restaurants featuring both rustic and city-fied food... to pair with your brown spirits of course.

-Zagat 2012

Mayor Fischer and Seed Capital Kentucky, like the Metro Government and County Judges who commissioned the study in 2007-8, have a distinctly forward-thinking and action-oriented approach to strategic linkages between urban consumers and rural producers as a regional, integrated economic development strategy.

Kentucky has a food production and consumption landscape well-primed for such efforts: With more than 85,000 farms around the state, urban and rural Kentuckians are notably and visibly connected to agriculture, and Louisvillians have built an enviably vibrant and diverse local food movement. The goal of this study was to measure that movement in order to strategically grow it.

Methodology

Partners and Roles

The Louisville Local Food Demand Analysis was a multi-stakeholder, multi-partner endeavor. Key partners included Karp Resources as the study's lead designer and co-coordinator, and Seed Capital Kentucky and Louisville Metro as co-coordinators.

Community partners included the following organizations in the following roles: Greater Louisville, Inc. (GLI) conducted commercial buyer interviews and assisted with commercial buyer survey outreach; the Louisville Metro Department of Public Health and Wellness provided initial consumer and commercial survey analysis support; Oldham County Planning and Development Services conducted producer interviews; the Network Center for Community Change conducted producer, consumer and commercial buyer interviews; the University of Louisville provided research insights and data regarding community health and food access; the University of Kentucky (UK) provided research support on the context of agriculture in KY; the YMCA conducted commercial buyer interviews; and interns from Foodworks: Louisville and Karp Resources also supported the implementation of the commercial buyer survey.

Survey implementation and analysis partners included: Horizon Group International, which worked with Karp Resources and Seed Capital Kentucky to design the consumer survey instrument, and then implemented the survey and provided an initial level of data analysis; and New York University, which analyzed the consumer and commercial survey data using SPSS analytic software and created the charts accompanying the data analysis in this report.

Secondary Research

The secondary research related to supply was a round-up and review of existing research and statistics on Kentucky and Southeast Indiana's agricultural character, capacity, production categories and yields, to understand how local food is currently grown and marketed. Key sources included the Food Systems Innovation Center at the University of Kentucky (UK), Agricultural Economics Department of UK, the United States Department of Agriculture's (USDA) 2007 Agricultural Census findings¹, the USDA's National Agricultural Statistics Service (NASS) Kentucky Field Office, UK Cooperative Extension, and the Kentucky Department of Agriculture (KDA).

The secondary research related to demand and the food economy was a round-up and review of existing research gathered to create a portrait of the landscape, context, factors influencing and impacts resulting from food purchasing and consumption in Louisville, by individuals and by businesses. Key data sources included the US Census Bureau 2010 Census, the US Economic Census, the USDA's Economic Research Service and its Food Environment Atlas, the Bureau of Labor Statistics' Consumer Expenditure Survey, the Food Marketing

¹ The USDA conducts the Agricultural Census every five years. While USDA was gathering new census data in 2012, at the time the Demand Analysis was completed, 2007 numbers were the most recent Agricultural Census numbers available.

Institute, the Louisville Metro Department of Health and Wellness, and the Centers for Disease Control and Prevention.

Primary Research

Focus Groups and Interviews

At the core of the Demand Analysis were more than 35 open-ended, hour-long interviews and focus groups with consumers, producers and commercial buyers (representing a range of scales, industry segments, and products). These interviews were used to:

- Inform the creation and administration of two comprehensive surveys, one for consumers and one for commercial food buyers.
- Gather nuanced, qualitative information on how people and businesses make decisions about buying food and how local food is (or, just importantly, how it isn't) viewed, procured and used.

One farmer focus group was held in Henry County, at the Capstone Produce Auction on April 11, 2012, led by Karp Resources with support from Seed Capital Kentucky. Ten producers participated.

In addition to staff and interns from Seed Capital Kentucky and Louisville Metro Office of Economic Growth and Innovation, eight interviewers from five community partner organizations conducted interviews as a part of this study. All interviewers attended a two-hour training led by Karp Resources by video-conference.

Interviews were divided up among those organizations and individuals trained based on the trainees' key interests, background, knowledge-base and skill-set—organizations serving consumers interviewed consumers, while those serving farmers interviewed farmers, etc. All interviews were conducted in person, most with a lead interviewer accompanied by a note-taker. Some interviews were tape-recorded; most were documented via hand-written notes.

Commercial Buyer Survey

The universe of commercial food buyers was defined and a database was created by data managers at Greater Louisville Inc. (GLI), with data and input from InfoUSA. The companies were organized by their primary NAICS code (North American Industry Classification System), which is the federal government's standard tool for classifying businesses for the purpose of economic and commercial data collection and analysis; all companies with primary NAICS codes related to food service, retail, distribution, warehousing, processing or manufacturing were included. Though businesses can identify themselves by multiple NAICS codes, according to Louisville Metro research protocol, the database included only businesses that could be identified as commercial food buyers by their primary NAICS codes.

Because businesses self-report their NAICS codes, human error is a factor (e.g. a company specializing in taxidermy reporting as an "animal processor", a category meant for meat/food). After InfoUSA created the initial list of 3,423 businesses, GLI and Karp Resources removed inconsistent and irrelevant businesses. And Karp Resources finalized a database that included 3,294 businesses divided into broad categories, as follows²:

- Distributors and Wholesalers - 101 or 3.07% of total
- Food Service Companies, Institutions, Caterers - 208 or 6.31% of total
- Supermarkets and Grocery Stores - 304 or 9.23% of total

² Several inconsistencies were noted in the NAICS food industry breakdown between the data provided by Claritas for the aforementioned 2008 report and the InfoUSA data provided for this research. For instance 51 businesses were identified as Convenience Stores in 2008 vs. 223 in 2012. Similarly, 138 Supermarkets were noted in 2008, whereas 294 came up in 2012. Normal market growth would not account for these differences. InfoUSA attributed these inconsistencies to mistakes in NAICS self-reporting.

- Restaurants (including full service, fast food, cafes and snack bars)- 955 or 59.35% of total
- Processors and Manufacturers, 74 or 2.22% of total
- Other Retail (such as corner stores and specialty food stores) - 653 or 19.82% of total

Random Selection: Commercial Buyers

Karp Resources used a sample size of 300 (roughly 10% of the universe of Jefferson County commercial food buyers identified), and created a stratified sample, randomly selecting independently from each of the six categories detailed above to ensure that the breakdown of buyer types in the sample was representative of the breakdown of buyer types in the Louisville Metro area.

Research partners at Louisville Metro Department of Economic Growth and Innovation reached out to each of the 300 randomly selected buyers to ensure that they were still open for business, that their phone numbers were correct, and to identify the key food purchasing decision maker within the company. Sixty-eight businesses in the sample had closed or were otherwise unreachable for surveying, so an additional 68 businesses (stratified, as before) were selected to maintain a sample size of 300.

Survey Development, Testing and Implementation

Based on Demand Analysis interview findings, data from Karp Resources' 2008 work in Louisville and experience with similar initiatives in other marketplaces, Karp Resources drafted the commercial buyer survey, with review and input from partners at Seed Capital Kentucky and the Louisville Metro Department of Economic Growth and Innovation, and from data analysts at the Louisville Department of Health and Wellness. Karp Resources built the survey into SurveyMonkey, to capture findings online as surveys were administered.

The survey structure utilized "skip logic": depending on answers to certain questions, survey respondents were routed to different sets of questions. For example, commercial buyers who noted that they currently purchase local foods were routed to different questions than those who said that they do not. Staff from Karp Resources and the abovementioned departments and organizations, as well as select commercial buyers considered "friends and family" of Seed Capital Kentucky, tested the survey. The survey was posted on Louisville Metro's intranet on June 21, 2012, and the incoming data was managed by the staff of the Louisville Metro Department of Economic Growth and Innovation.

As with the open-ended interviews, Karp Resources led a two-hour video-conference training in June for all surveyors, comprised of staff and interns from Louisville Metro Department of Growth and Innovation and Seed Capital Kentucky. A second training was held in-person at Karp Resources' office in early August, with an additional six surveyors. Both trainings consisted of an in-depth introduction to the project, context of the project, instructions on how to effectively communicate with and reach commercial buyers, strategies for survey implementation and communication, and an in-depth review of the survey tool itself. Almost all surveys were conducted by phone by trained surveyors and entered online, but approximately three surveys were self-administered by commercial buyers who requested to complete it on their own time.

Surveying commercial food buyers is challenging work. They often work early morning and late night hours; it's a fast-paced industry in which much business is conducted by phone, so phone surveys are often interrupted multiple times; numerous calls need to be made to identify the correct decision maker to interview and then to track that person down; and, as in any industry, there are multiple vocabularies—each sector has its own terminology which often varies with the scale of the business. In addition, mainstream food industry terminologies differ substantially from the common vocabulary of the local food movement. For this reason, in addition to the training, a project "welcome kit" was provided to all surveyors, including talking points to be

used when scheduling surveys and a comprehensive glossary of food industry terms.

In the end, 75 commercial food buyers representing 107 locations in Jefferson County completed the survey, broken down by sector as follows: 3 Distributors/Wholesalers, 11 Food Service/Institutions/Caterers, 5 Supermarkets, 35 Restaurants, 6 Processors/Manufacturers, 11 Other Retail (Corner Stores/Specialty Food Stores/Convenience Stores), and 4 Other.

At the conclusion of the surveying process, Karp Resources and Seed Capital Kentucky conducted a “survey of the surveyors” to better understand the work and challenges involved in the administration process. Key findings shone light on the response rate received in this research and included valuable information for future research efforts. Surveyors reported that they reached out to as many as 70 companies apiece, with no surveyor reaching out to fewer than 10. They noted that “easy” surveys required a minimum of three calls to complete, while on average six to 10 calls were placed for each survey completed—surveyors placed the same number of calls to companies that did not, in the end, participate in the survey. Surveyors were asked to report the top reasons given by commercial food buyers refusing to participate in the survey. The most common reasons included insufficient time, corporate policies related to survey participation, lack of confidence that they would have the answers surveyors were looking for, and concern that the survey would not pertain to their business because they do not currently purchase local food. Two surveyors reported that language was a barrier in a number of cases. Surveyors indicated that the top barriers to completing more surveys included getting the right person at the right time, respondents not being available at the time of the scheduled survey call, and a perception that surveys in general are not a good use of time.

Consumer Survey

The Voice of Louisville (VOL), part of Horizon Group International, was contracted to implement the consumer survey. Karp Resources, with feedback from Seed Capital Kentucky, drafted the initial consumer survey and then worked with the Voice of Louisville to refine it, based on Karp Resources’ content expertise and Voice of Louisville’s experience administering surveys to Louisville consumers. Five drafts were made before the survey was finalized and ready for distribution.

VOL completes phone interviews using nationally recognized sampling frames provided by Survey Sampling, Inc. and Affordable Samples. Interviews were conducted from Horizon Group International’s offices by interviewers with an average of 15 years or more of experience in telephone survey administration.

Telephone research is challenged by a growing number of households without landlines, continuing growth in unlisted phone numbers, rising refusal rates, and contacting consumers under 35 (even when cell phone samples are included) is increasingly difficult. While half the surveys for this study were completed by telephone through random selection, the remaining 200 were completed online using a proprietary panel of 14,000 adults in the Louisville metropolitan area. The Horizon Group International has developed this panel over the past 15 years, inviting participants through advertisements on radio, websites, Facebook, and newspapers; at community fairs and other places where a wide range of local residents gather; and by references given by current panel members to friends, relatives, and associates. The entire panel is regularly “refreshed” with new individuals assuring access to new, diverse and willing consumers with each study.

Assembled in this way, the panel provides access to the very populations—and the same balance of populations—that are more and more difficult to survey by phone. The younger, higher socio-economic demographic, almost 40% of whom do not have landlines almost perfectly supplements the traditional telephone survey design that

is more likely to engage older persons and those with lower socio-economic profiles, creating a representative sample of the local community.

Four hundred and twenty one consumer surveys were completed for this study. According to VOL the results are within sampling error for everything except those who only completed high school and those who completed college. In those cases, VOL noted that the impact of this inconsistency would be minimal, resulting in less than a percentage point different in results.

Context: Jefferson County's Food Landscape

In order to interpret, appreciate and best utilize the findings from the Demand Analysis, it is essential to understand the context of Jefferson County's food economy—its makeup, trends, inputs and impacts. The following section provides an overview of the food landscape and the key participants, including the suppliers, commercial buyers and consumers.

Consumers and Consumption

There are 741,096 people in 309,175 households in Jefferson County according to 2010 US Census. According to the Greater Louisville Project 2012 Competitive City Update Report, between 2000 and 2010, Louisville experienced growth of nearly 6% in young adult residents (age 25 to 34) with a bachelor's degree or higher, the largest rate of increase when compared to a group of "peer cities" in the region. As of 2010, 33% of the working age population (25 to 64 years old) in Louisville held a bachelor's degree or higher; the city's goal is to increase that to 40%.³

The same report showed that Louisville continues to lag behind its "peer cities" such as Raleigh, Charlotte and Columbus in both employment (11th out of 15) and wage growth (14th).⁴ The poverty rate in Jefferson County is 17.3%, higher than the national rate of 15.3%, and 24.4% of Jefferson County children (under the age of 18) live in poverty, higher than the national rate of 21.6%.⁵

The Bureau of Labor Statistics (BLS) Consumer Expenditure Survey showed that for the South region of the US (which includes Kentucky) the total annual spend on food at home in 2011 was \$3,891, with the largest share of these expenditures (32.0%) on "other food at home", including "miscellaneous foods" (16.4%) and nonalcoholic beverages (8.9%). This is followed by "meat poultry, fish and eggs" (20.9%) and "fruits and vegetables" (15.7%). Compared to the nation overall, consumers in the south appear to spend a slightly larger share of their food at home dollars on beef, pork, and poultry, and a slightly smaller share on fresh fruit and vegetables.⁶ Jefferson County households spent an estimated \$1.2 billion on food at home in 2011.⁷

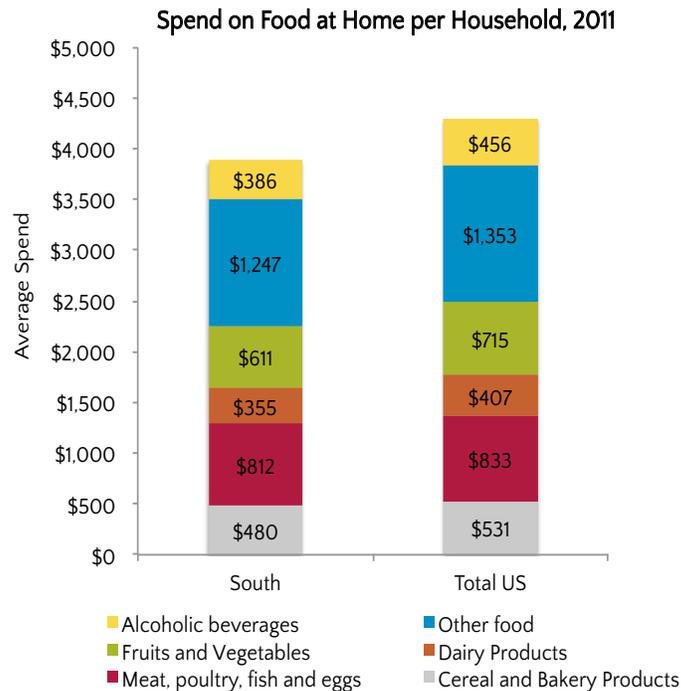
³ Greater Louisville Project. 2012 Competitive City Update Report. www.greaterlouisvilleproject.org

⁴ Ibid.

⁵ US Census Bureau, 2010 Census. <http://census.gov>

⁶ The Bureau of Labor Statistics Consumer Expenditure Survey, 2006–2011. <http://www.bls.gov/cex/2011/standard/multiyr.pdf>

⁷ In the 2008 report titled Building Louisville's Local Food Economy, spend on food at home was reported for all Louisville MSA households, while the current study pertains only to Jefferson County. According to the US Census Bureau, Louisville MSA had 514,214 households in 2010, while Jefferson County had 309,175 households.



In a 2009 report published by the University of Kentucky (UK) Department of Agriculture Economics that studied the perceptions and behaviors of Kentuckians with regard to food purchasing and consumption, the “most significant impact on panelists in terms of attitudes and behaviors concerning food seemed to have much to do with prices or budget constraints.” High cost was listed as the number one barrier to the consumption of more fresh produce.⁸

Only 23.9% of Louisvillians reported eating five or more servings of fruits and/or vegetables daily in 2009. While this is up from 18% in 2004, and slightly better than the national rate of 23.4%, it still indicates that over ¾ of Louisville’s residents do not eat the recommended amount of fruits and vegetables.⁹

Food away from home represents 38.9% of total food expenditure in the South region of the US, approximately the same share that it represents for consumers across the US.¹⁰ According to the Bureau of Labor Statistics, spending on food away from home has declined in recent years, and this appears to be the case in Kentucky as well. More than 60% of respondents to the 2009 Kentucky Food Consumer Survey indicated that they were cooking at home more and eating out less often.¹¹ Still, Jefferson County residents spent an estimated \$0.8 billion on food away from home in 2011.¹²

⁸ Williamson, Sara; Woods, Dr. Timothy; Hu, Dr. Wuyang. The Kentucky Food Consumer. The University of Kentucky Department of Ag Economics. 2009.

⁹ Louisville Metro Public Health Address, Dr. LaQuandra Nesbitt, March 6, 2012.

¹⁰ The Bureau of Labor Statistics Consumer Expenditure Survey, 2006–2011. <http://www.bls.gov/cex/2011/standard/multiyr.pdf>

¹¹ Williamson, Sara; Woods, Dr. Timothy; Hu, Dr. Wuyang. The Kentucky Food Consumer. The University of Kentucky Department of Ag Economics. 2009.

¹² In the 2008 report titled Building Louisville’s Local Food Economy, spend on food at home was reported for all Louisville MSA households, while the current study pertains only to Jefferson County. According to the US Census Bureau, Louisville MSA had 514,214 households in 2010, while Jefferson County had 309,175 households.

Louisville MSA residents spent an estimated \$2.0 billion on food in 2011.

Food Access

According to the North American Industry Classification System (NAICS) – the classification system used by federal statistical agencies for the purpose of collecting, analyzing and publishing economic data – there are ten supermarket chains present in Jefferson County with a total of 73 locations and total reported sales of \$1.9 billion. In addition, there are two warehouse chains (Costco and Sam's Club), with a total of three outlets and total reported annual sales of \$79.4 million. There are 228 independent supermarkets and grocers in Jefferson County, with total reported sales of \$466.7 million. In addition, there are 653 other outlets, including convenience stores, specialty markets, drug stores, gas station markets, bakeries and other food outlets with total reported sales of \$1.0 billion.¹³

Despite these myriad outlets, a report published by Community Farm Alliance concluded in 2007 that, “for many residents of West Louisville and East Downtown, it is hard to get good, healthy food at reasonable prices. There are not enough food stores in their communities and the food that is available is usually either low in quality, high in price or both. To make matters worse, many people living in West Louisville and East Downtown do not have access to vehicles, so they cannot drive to one of the few adequate food stores on their side of town, or to another part of Louisville where there are better food buying options...”¹⁴ In fact, while Louisville Metro has 72 “full service” food retailers for every 686,000 people, or one per 9,527 people, West Louisville and East Downtown have 5 retailers for every 80,000 people, or one per 16,000 residents.¹⁵

The United States Department of Agriculture defines a food desert as a low-income census tract where a substantial share of residents has limited access to a supermarket or large grocery store—for urban residents, the USDA defines limited access as one mile from a supermarket or large grocery store, and for rural residents, 10 miles.¹⁶ According to the 2010 Kentucky Health Issues Poll issued by the Foundation for a Healthy Kentucky and The Health Foundation of Greater Cincinnati, “1 in 5 Kentucky adults (21%) said it is not easy to get affordable fresh fruits and vegetables where they live.”

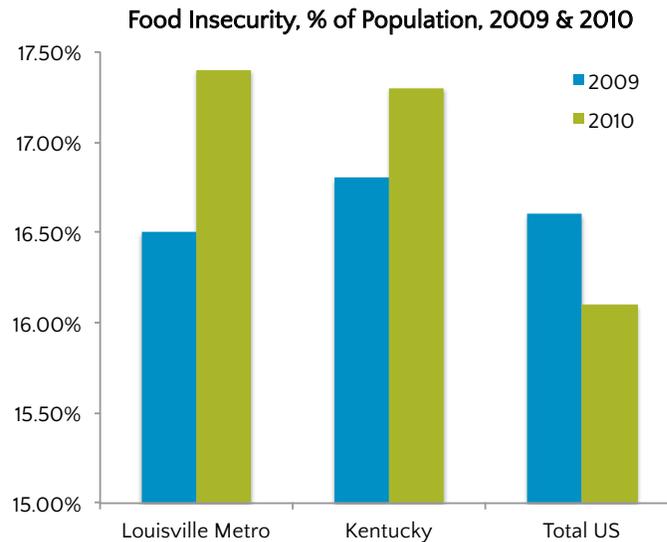
¹³ 2012 North American Industry Classification System (NAICS), U.S. Department of Commerce United States Census Bureau. <http://www.census/goc/eos/www/naics/>.

¹⁴ “Bridging the Divide: Growing Self-Sufficiency in our Food Supply” Community Farm Alliance, 2007.

¹⁵ Ibid.

¹⁶ <http://www.ers.usda.gov/data-products/food-desert-locator/documentation.aspx>

Lack of access to affordable, healthy food contributes to food insecurity, a condition that increased in Louisville between 2009 and 2010 even as it declined across the US in that same time period. The number of food insecure individuals in Louisville MSA rose from 117,310 in 2009 to 126,810 in 2010.¹⁷



In addition to rising food insecurity, food assistance enrollment has increased as well. Participation in the Supplemental Nutrition Assistance Program (SNAP) increased significantly in 2010 and 2011. In 2011, 18.8% of the population in Kentucky, or approximately 820,000 people participated in SNAP, an increase from approximately 700,000, or 16.3% of the state's residents in 2009. The overall participation rate in the state was 81% of eligible individuals in 2009, with no change from 2007.¹⁸ In 2011, 3.2% of the population in Kentucky, or approximately 142,000 people participated in The Special Supplemental Nutrition Program for Women, Infants and Children (WIC). That was relatively constant with 2009, when approximately 142,000 Kentucky residents, or 3.3% of the state's population, participated in SNAP.¹⁹

SNAP redemptions at food stores in Jefferson County were valued at more than \$206 million in 2010, an increase from \$119 million in 2008. In 2010, over \$11 million in WIC redemptions took place at food stores in Jefferson County, which was roughly even with the redemptions that took place in 2008.²⁰

According to a report by Dr. LaQuandra Nesbitt, Director of Louisville Metro's Department of Public Health and Wellness, the top 10 reasons for inpatient hospitalization in 2009 included heart disease (#1), stroke (#4), diabetes (#7) and hypertension (#10)—all diseases that are related to diet and obesity—with diabetes also listed as the #7 reason for inpatient hospitalization for youth under the age of 20. The percent of overweight or obese

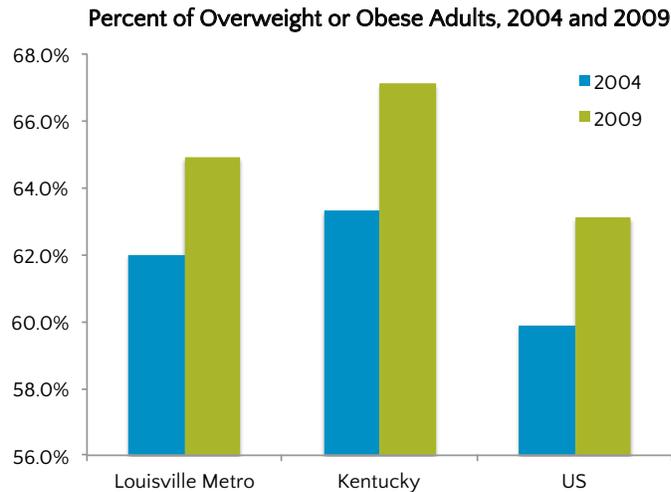
¹⁷ Feeding America. Map the Meal Gap 2011: Food Insecurity Estimates at the County Level.

¹⁸ USDA Food Atlas. <http://www.ers.usda.gov/data-products/food-environment-atlas/download-the-data.aspx>

¹⁹ Ibid.

²⁰ Ibid.

adults in Louisville rose from 62% to 64.9% from 2004 to 2009, higher than national obesity rates for those same years (59.9% in 2004 and 63.1% in 2009), but lower than Kentucky's state-wide obesity rates for those same years (63.3% in 2004, rising to 67.1% in 2009).²¹



Food Supply

Jefferson County and all of Kentucky have a rich farming heritage. There are 85,300 farms in Kentucky, representing 14 million farm acres. The 2007 US Census of Agriculture (completed every five years by the USDA) placed the market value of fruit and vegetable crops at \$24.0 million, (2.6% of gross sales), and the USDA Economic Research Service (ERS) valued the sales of fruit, nuts and vegetables at \$30.9 million in 2010, showing a “steady upward sales trend”²² for Kentucky-grown produce. In addition, Kentucky is the largest producer of cattle east of the Mississippi River, with 2.2 million heads (2.3%) as of January 2012. A University of Kentucky survey indicated 69% of producers sell at least 10% of their produce at community farm markets, on-farm markets, or CSAs (Community Supported Agriculture).²³ Only 13,000 acres of the total farmland are used to grow fruits and vegetables while more than 600,000 acres is idle cropland and nearly 88,000 acres is land on which crops were failed or abandoned. The majority of Kentucky's farms, more than 55,000, earned less than \$10,000, while only 6,200 had sales over \$100,000.

As a city that is closer to many parts of Indiana than it is to much of Kentucky, Louisville accesses “local” agricultural products from farms across the river in Indiana as well. Like Kentucky, Indiana has a strong agriculture sector, with 62,000 farms and 14.7 million acres of farmland. The 2007 Census of Agriculture (USDA) placed the market value of fruit and vegetable crops in Indiana at \$97.9 million (9.44% of gross sales).

Seed Capital Kentucky and Karp Resources conducted interviews with 15 farmers from the Kentucky and Southern Indiana agricultural counties that surround Louisville, all of whom already are connected to the Louisville marketplace, either through direct sales to consumers through CSAs or farmers' markets, or through distributors with a strong local food focus or program, such as Grasshoppers or Piazza Produce. In these interviews, farmers were asked what would make it easier to sell to the Louisville market. The most

²¹ Louisville Metro Public Health Address, Dr. LaQuandra Nesbitt, March 6, 2012.

²² 2012 Kentucky Produce Planting and Marketing Intentions Grower Survey & Outlook, Tim Woods, Matt Ernst, and Kevin Heidemann, Ag Economics, University of Kentucky, AEC Extension Publication 2012-15.

²³ 2012 Kentucky Produce Planting and Marketing Intentions

common response by far was that farmers need access to more processing and aggregation facilities closer to their farms. Almost all of the farmers interviewed stated that they do their own deliveries to markets, CSAs, distributors and restaurants.

Ideally, they would like to have facilities that combine processing and cold storage infrastructure, to provide value added processing services such as flash freezing or canning, but also to serve as aggregation points to increase efficiencies in distribution to the urban marketplace. Farmers also noted that processing facilities such as canneries would provide a much needed outlet for “seconds” (product that lacks the prime appearance and quality demanded by, for example, grocery stores and supermarkets, but is nutritious and otherwise good) that could be used in products like soups, sauces, jams, relishes or salsas. Farmers also continue to long for more coordination among farmers’ markets, with the goal of achieving stronger commitment from farmers to selling on a consistent basis, ensuring a healthy mix of products at any given market, and creating markets that are more consistent, predictable and reliable for consumers.

Farmers noted a lack of effective communication and information flow between buyers of locally grown food and those who produce it. They believe that people want to buy local food because they value fresh and nutritious food, but also because it supports the local economy and builds community. But these producers do not fully understand what consumers want to buy. Besides the “big 5” crops (tomatoes, cucumbers, bell peppers, squash and zucchini), they need more concrete information about specific crops consumers are seeking. These producers also noted an overall lack of market mechanisms to create efficiencies of scale in the local food system.

Farmers also expressed concern over government and other regulations that can create barriers between them and the marketplace. GAP (Good Agricultural Practices) Certification—a USDA audit program designed to ensure that fruits and vegetables are produced, handled, packed and stored in ways that minimize the risk of microbial food safety hazards—was among those most often mentioned by farmers in this regard. While an increasing number of institutional and wholesale buyers require farmers to be GAP certified, many small scale farmers see the expense of a third party audit as untenable and unrecoverable given their current scale, their existing market opportunities and their perceived potential to grow.

**“If you want to stay
in business, you go
where the people
and the money are.
And for us, that’s
Louisville.”**

– Oldham County farmer

Connecting Local Food to Local People

There is much evidence that Louisville is serious about continuing to develop a thriving, sustainable regional food economy that connects local food to local people. As mentioned in this report’s Introduction, following the recommendations included in the 2008 research conducted by Karp Resources and Market Ventures, Inc., Louisville Metro government hired a Public Interest Broker™ and established a Farm to Table program to create relationships and connect suppliers with consumers.²⁴ Louisville’s Mayor Fischer has continued to support the development of the local food economy and has dedicated resources within his administration targeted to this work. In addition there are many other efforts underway in the “local food movement”:

Farmers’ Markets: There are 24 farmers’ markets in Louisville, located in the following neighborhoods: East Downtown (2 markets), Highlands/Crescent Hill (4), Hikes Point



²⁴ “Final Report: Building the Local Food Economy, Louisville, Kentucky” Market Ventures, Inc./Karp Resources. 2008, Page 14.

(1), South Central (2), Southeast (2), Southwest (2), St. Matthews (4), and West/Old Louisville (2) and Lyndon/Prospect (5). Farmers' markets in Louisville are not centrally organized or coordinated. Most are open one or two days a week in the growing season, and there is at least one market open each day of the week. Nine markets are open on Saturday.²⁵

Fresh Stop: A project of nonprofit New Roots, Inc., each week community members have the opportunity to buy a box of local, fresh produce that they pick up at one of three Fresh Stop locations: Fourth Avenue United Methodist Church, Redeemer Lutheran Church (in Shawnee neighborhood), and The Wesley House.²⁶

Community Supported Agriculture (CSA): There are 20 CSA programs serving Jefferson County, selling fruits, vegetables, herbs, meat, eggs, honey, flowers and value-added products directly from farmers to buyers.²⁷ All CSAs, with the exception of Grasshoppers Distribution and Fresh Stop, are run by the producer farm, with pickup locations onsite or at community drop-off sites specific to the CSA program. Most CSA programs are seasonal, running from late May to early November. It is estimated that 500 CSA shares were supplied to Louisville consumers in 2009.²⁸

Urban Agriculture: The Jefferson County Extension office manages the community garden program for Louisville Metro. Currently, there are more than 1,000 plots varying in size from 10' x 20' to 30' x 30' that comprise more than 24 acres at 10 different sites. The *potential* retail value of production is nearly \$750,000 and involves more than 1,600 community members. Many of the community gardens have a two to three year waiting list and, because of this, demand for site development involving food production systems is growing. Louisville Metro has many opportunities to increase the access of locally grown food to neighborhoods by utilizing vacant or abandoned lots. Presently, there are more than 4,000 lots that could potentially be used for vegetable production and most of these lots are located in "limited resource" communities where access to fresh fruit and vegetables is a challenge. Many of these lots contain soils that are, or perceived to be, contaminated with toxins especially heavy metals (lead), but where raised bed gardening could mitigate toxic soil issues.²⁹

Retail: Of the aforementioned 10 supermarket chains and two warehouse chains doing business in Louisville, several are notably active in procuring and marketing locally grown or sourced products.

- Fresh Market has a "Grown 'Round Here" designation to identify produce grown within one hundred miles of the store, as well as a "Miles Fresher" designation for produce grown outside the one hundred mile radius, but closer than what the company calls the industry's "main harvest region".³⁰
- Kroger also has "locally grown" and "locally produced" programs, and additionally, the company



"I have yet to see any local product in season where production exceeds our demand."

- Kroger representative

²⁵ <http://www.louisvilleky.gov/HealthyHometown/healthyeating/FreshStops.htm>

²⁶ Fresh Stops. <http://www.louisvilleky.gov/HealthyHometown/healthyeating/FreshStops.htm>

²⁷ Community Supported Agriculture Program. Kentucky Department of Agriculture. <http://www.kyagr.com/marketing/CSA.html>

²⁸ The State of Food. A Snapshot of Food Access in Louisville. Mayor's Healthy Hometown Movement, 2010.

²⁹ Information provided by Wayne Long, ANR Agent/County Coordinator, Jefferson County Extension Service, December 2012.

³⁰ The Fresh Market. Food From Your Neighbors. http://www.thefreshmarket.com/Departments/produce_Food_From_Your_Neighbor.html

works with 20 dairies in 15 states to process and deliver milk to all Kroger stores. Kroger participates in many state local agricultural marketing programs, including Kentucky Proud, the state's official farm marketing program, which promotes food products grown and produced in Kentucky.³¹

- Meijer's website claims that "Meijer is the largest purchaser of local produce in the markets we serve," which include Indiana, Ohio, Illinois and Michigan along with Kentucky. Meijer participates in Kentucky Proud.³²
- Walmart (Neighborhood Market & Supercenter) has a number of commitments related to sustainable agriculture, including increasing the income of the small and medium-sized farmers the company sources from by 10% to 15%. In 2011, Walmart increased the amount of local produce the company sources by 97%, which accounts for 10% of the all the produce it sells.³³
- Whole Foods Market has a Local Producer Loan Program, which provides up to \$10 million in low interest financing to farmers around the country. In terms of defining "local," each of the chain's 11 regions has its own specific definition, though in every case it cannot include products that have traveled more than one day (seven hours by car or truck).³⁴

In addition, Louisville has several smaller independent retailers that are by varying degrees purchasing and selling local products. Of note is Root Cellar, an independent retail food store that entered the Louisville market in April 2011 and now has two locations that sell local, farm-raised products of all varieties.

Local food distributors: Several companies have specifically focused on distributing locally-grown foods. Among them are:

- Grasshoppers Distribution is a local distributor that sells only locally grown food. The organization works with approximately 75 local farms to bring a full range of local products to consumers year round. In addition to business-to-business sales, Grasshoppers has over 1,200 subscribers to its local food grocery program, in Louisville, elsewhere in Kentucky and in Southern Indiana.³⁵
- Creation Gardens is a food distributor with hubs in Louisville and Nashville, specializing in providing produce and gourmet foods to restaurants and institutions (such as hotels and universities). The company serves over 800 customers in Kentucky, Tennessee and Southern Indiana. Along its distribution routes, Creation Gardens also stops at local farms, buying and picking up the majority of the local foods they distribute directly from the farms themselves. One of the lead distributors of Kentucky Proud labeled products, Creation Gardens has a full-time resource focused on procuring local foods, noting that "buying local helps our area farmers, our local economies and saves loads of fuel from transcontinental freight."
- Green B.E.A.N. is an Indianapolis-based company serving the communities of Indianapolis, Muncie, Ft. Wayne, Louisville, Cincinnati, Northern Kentucky, Columbus & Dayton, whose stated goal is "to make healthy and sustainably grown local food affordable, accessible, and convenient to the Midwest communities" they serve.³⁶

³¹ Kroger 2012 Sustainability Report. <http://sustainability.kroger.com/2012KrogerSustainabilityReport.pdf>

³² Meijer, Local Growers. http://www.meijer.com/content/corporate.jsp?pageName=local_growers

³³ Walmart Global Responsibility, Sustainable Agriculture. <http://corporate.walmart.com/global-responsibility/environment-sustainability/sustainable-agriculture>

³⁴ Whole Foods, Local Producer Loan Program. <http://www.wholefoodsmarket.com/mission-values/caring-communities/local-producer-loan-program>

³⁵ Grasshoppers. About Us. <http://grasshoppersdistribution.com/about-us/>

³⁶ Green B.E.A.N. About Us. <http://www.greenbeandelivery.com/kentucky/index.php/about-2/>

- Ehrler's is a micro delivery service focusing on local dairy products, in Louisville and the surrounding areas.³⁷
- Grow Farms is a wholesale grower and distributor of regionally grown fruits and vegetables with "acreage in production in Kentucky, Indiana, Ohio, Tennessee." Grow Farms is a subsidiary of Horton Fruit Company of Louisville, a leading re-packer, processor, and full-line distributor of fruits and vegetables based in Louisville.³⁸
- Piazza Produce is an Indianapolis-based fruit and vegetable distributor that sells approximately \$120 million worth of food each year in five states, with a focus on institutional food providers. In 2011, the company opened a small warehouse and launched a pilot local food program in Louisville, to sell KY Proud product to Louisville wholesale buyers.
- Campisano Fruit is a Louisville-based distributor that sources coast to coast, as well as internationally, and is also committed to sourcing local produce in season.³⁹

Jefferson County Public Schools (JCPS) has been purchasing local foods for its meal and snack programs for 3 years, partnering with food distributors and directly with farmers. JCPS serves a total of 87,000 meals and 5,000 snacks per day across 149 schools through the National School Lunch Program (NSLP) during the school year. In 2010, JCPS created local food procurement policy. The policy states that JCPS will seek to identify and execute opportunities for local purchasing of produce.⁵⁵ During the 2011 to 2012 school year, 17 locally grown items were included in the school lunch program at an estimated value of \$127,000. The Fresh Fruit and Vegetable Snack program purchased \$130,000 of locally grown produce.⁴⁰ The school district set a target of sourcing 25% of its produce from local farms in 2012.⁴¹

The University of Louisville has a "Green Purchasing" policy that includes the following clauses related to the purchase of local foods:

- When purchasing agricultural products, all food contractors shall purchase Kentucky-grown agricultural products if the products are available and if the vendor can meet the applicable quality standards and pricing requirements.
- All food contractors shall agree to work with their distributors to purchase a minimum of 15% locally grown products.
- All food contractors shall further agree that the 15% is an initial percentage and that all food contractors will purchase as much local produce and product as possible.
- All food contractors and University will review the local purchases annually and mutually agree on increases to the percentage where and when possible.⁴²

The University of Louisville also works with Sodexo on a variety of campus dining sustainability initiatives, including local purchasing. Roughly 20% of all food purchases are sourced from within 250 miles of campus, including produce, dairy, meats, breads and baked goods. In the second half of 2011, 21.7% was sourced locally.⁴³

³⁷ Ehrler's Micro Dairy <http://ehrler.deliverybizpro.com/home.php>

³⁸ Grow Farms. <http://www.growfarms.com/>

³⁹ Frank A. Campisano & Sons Fruit Co. Products. <http://campisanoofruit.com/dynPage.asp?id=2>

⁴⁰ Edible Louisville. Edible Tidbits. May-June 2012. <http://www.ediblecommunities.com/louisville/may-june-2012/edible-tidbits.htm>

⁴¹ Katayama, D. JCPS Prepares for USDA to Update School Nutrition Standards, WFPL News. January 24, 2012. <http://archives.wfpl.org/2012/01/24/jcps-prepares-for-usda-to-update-school-nutrition-standards/>

⁴² University of Louisville Sustainability. Green Purchasing. <http://louisville.edu/sustainability/operations/green-purchasing.html>

⁴³ University of Louisville Sustainability. Food. <http://louisville.edu/sustainability/operations/food.html>

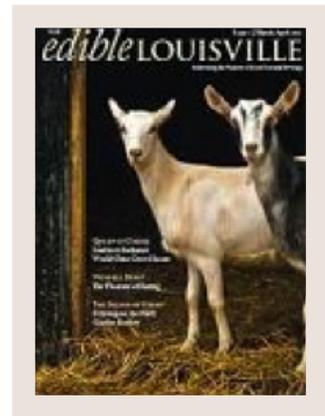
YMCA has partnered with the Louisville Department of Public Health and Wellness along with the Center for Health Equity in a “Healthy In A Hurry Corner Store” initiative that addresses the lack of fresh produce and vegetables in low-income areas. There are currently seven Corner Store locations.⁴⁴

Restaurants: Many Louisville restaurants have followed the national trend to add local food offerings to their menus. There are currently 43 Louisville restaurants in the Kentucky Proud Restaurant Rewards program⁴⁵, and several restaurants market their local menu items as a key distinguishing factor, including Harvest, Lilly’s, Mayan Café, Bristol Bar & Grille, Eiderdown and Bistro 301.

Community Farm Alliance: This state-wide grassroots organization has a strong policy focus. Through community organizing and strategic alliances, CFA works to bring a critical public voice to policy makers. A sentinel accomplishment of the group came in 2000 when CFA members led a campaign to pass HB 611 to create the Kentucky Agricultural Development Fund and a long-term commitment to diversify and rebuild Kentucky’s tobacco farming communities.⁴⁶

Edible Louisville magazine is a bi-monthly publication focused on local foods that aims to “connect consumers with local growers, retailers, chefs, and food artisans, enabling those relationships to grow and thrive in mutually beneficial, healthy and economically viable ways.”⁴⁷

Education: Outside of classrooms, there are local food-related educational efforts underway by various nonprofit organizations. The Food Literacy Project aims “to inspire a new generation of people to build relationships with healthy food, farming, and the land,” through its experiential programs that focus on plants, agriculture and food education.⁴⁸ Louisville also has a local chapter of Slow Foods International, which offers micro grants to farmers in the form of “agri wishes” and grants to schools for garden projects.⁴⁹



⁴⁴ YMCA. <http://www.ymcainlouisville.org/social-responsibility/social-services/healthy-in-a-hurry-corner-stores.html>

⁴⁵ <http://www.kyagr.com/marketing/restaurant-rewards-program.html>

⁴⁶ Community Farm Alliance. <http://communityfarmalliance.org>

⁴⁷ Edible Louisville. <http://www.ediblecommunities.com/louisville>

⁴⁸ Food Literacy Project. <http://foodliteracyproject.org>

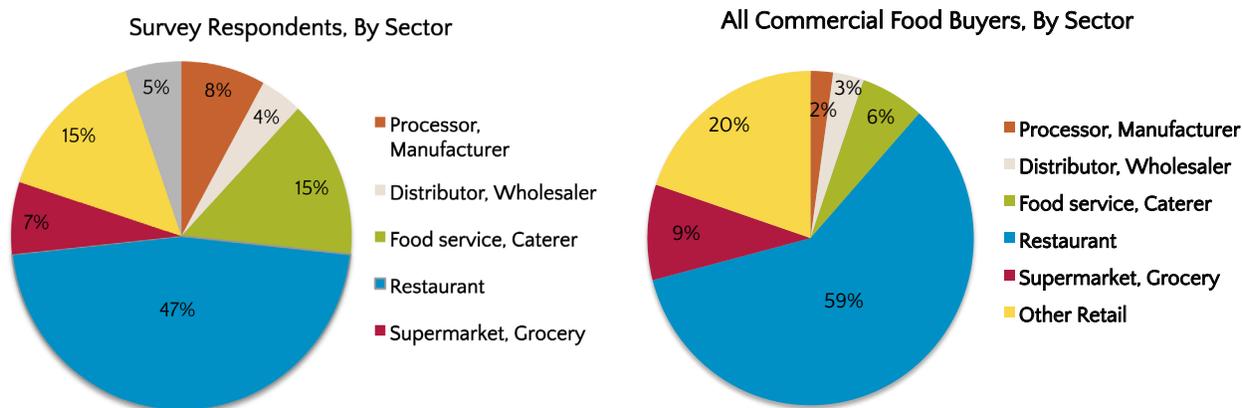
⁴⁹ Slow Foods Bluegrass. <http://www.slowfoodbluegrass.org/site/>

Data Analysis

Commercial Survey

Response Rate

As described in the Methodology section of this report, 75 commercial food buyers representing 107 locations in Jefferson County completed the survey, broken down by sector as follows: 3 Distributors/Wholesalers, 11 Food Service/Institutions/Caterers, 5 Supermarkets, 35 Restaurants, 6 Processors/Manufacturers, 11 Other Retail (Corner Stores/Specialty Food Stores/Convenience Stores), and 4 Other. The charts below compare the universe of survey respondents to Jefferson County's commercial food buying population as a whole.⁵⁰



The data has been organized to answer the following four broad questions:

1. How and what are buyers buying now?
2. How do buyers make purchasing decisions?
3. How do businesses' internal policies and protocol, supplier requirements and purchasing frameworks impact local food procurement?
4. How do buyers see local food as an anchor for a broader economic development strategy?

⁵⁰ For ease of reading, throughout this section, these categories are referred to as follows: Distributors, Restaurants, Food Service, Processors, Supermarkets, and Other Retail.

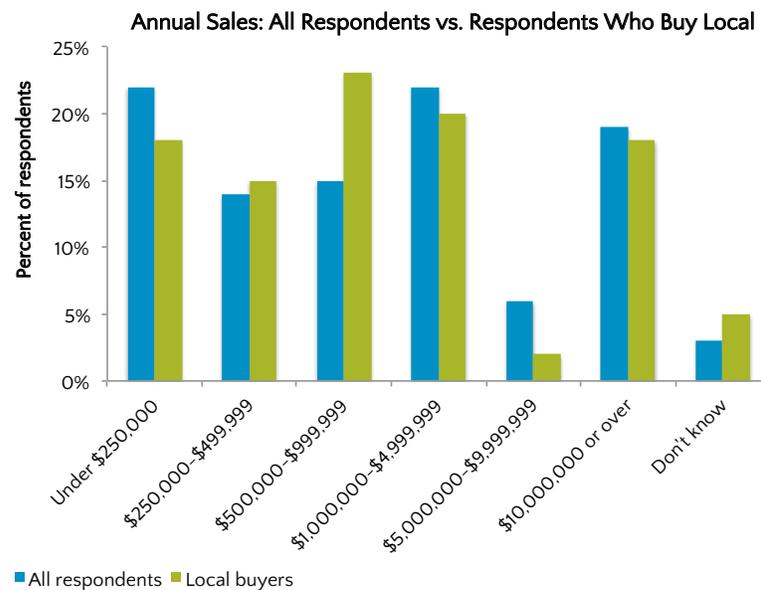
Question #1: How and what are buyers buying now?

To give a sense of the scale of the businesses surveyed, 77%⁵¹ of respondents purchase for companies with up to five Louisville locations. Just over 8% work for companies with 11 to 25 locations, and an additional 8.1% represent companies with more than 25 locations.

The majority of respondents indicated that they purchase a wide variety of foods, including fruit and vegetables, meat, dairy and grains. Food categories most frequently identified as the most purchased included meat (64.0%), fruits and vegetables (46.7%) and poultry (32.0%).

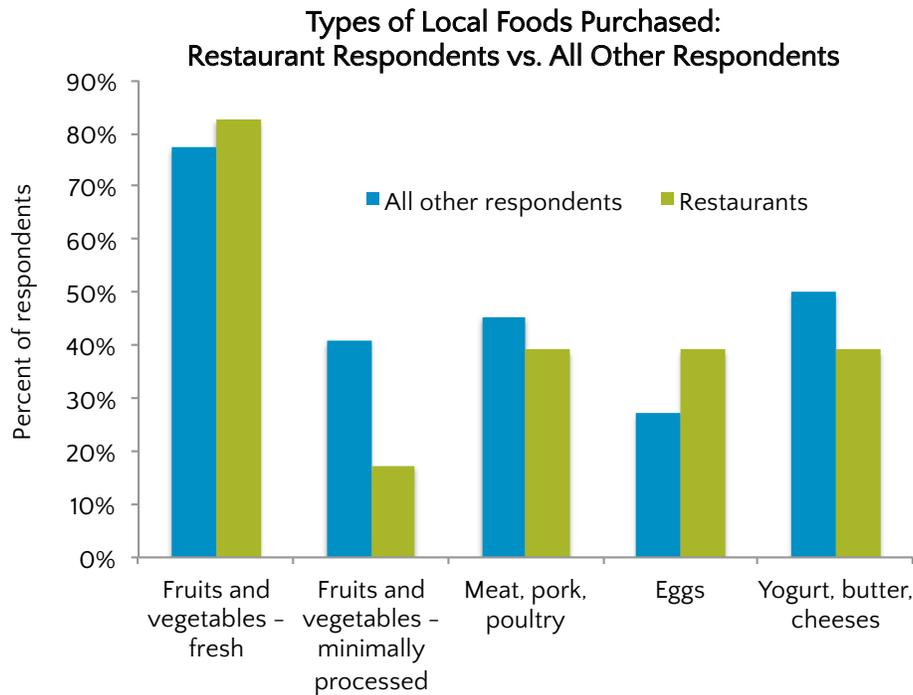
More than 63% of surveyed commercial food buyers in Jefferson County intentionally purchase local foods.

Among the full universe of surveyed commercial buyers, 63.4% indicated that they intentionally buy local food. Notably, businesses with annual sales between \$0.5 million and \$1.0 million were most likely to buy local foods. The chart below compares overall respondents by annual sales to those who indicated that they buy local.



Commercial buyers who purchased local food were most likely to indicate buying fresh fruits and vegetables, with 82.6% of restaurants (n=19) indicating this, and 77.0% (n=17) of all other buyers. Restaurants were less likely than other buyers to purchase processed fruits and vegetables and dairy products. The chart below illustrates purchases of local food by sector for Restaurants compared to all other categories.

⁵¹ In general, because some respondents abstained from answering some questions, the analysis provided is based on the valid percent of responses, which does not include non-responses.



Most buyers who shared information about the amount they spent on local food indicated that they spent less than \$50,000 per food category in 2011. Specifically, this was the case for 55.9% (n=19) of those buying fresh fruits and vegetables, 80.0% of those buying minimally processed fruits and vegetables (n=8), 55.6% of those buying meat, pork and poultry (n=10), 92.3% those buying eggs (n=12), and 100% of those buying dairy products (n=17).

Commercial buyers often purchased local foods from distribution companies that specialize in supplying local foods in wholesale quantities (64.6%, n=31), with 100.0% (n=5) of Processors and Manufacturers and 85.7% of Food Service companies (n=6) procuring local food that way. In addition, 45.8% (n=22) purchased local foods via their mainstream broadline distributor, such as The Horton Fruit Company or Sysco. Of those 22 respondents, 81.8% (n=18) noted that the local foods purchased from broadline distributors were marketed as local. In addition, commercial buyers indicated that there was some demand for local food that was going unmet. When asked about local foods they wanted but couldn't get, 22.9% (n=11) identified fruits and vegetables and another 10.4% (n=5) identified meat. Specific items mentioned included berries, tomatoes, asparagus, poultry, beef, and pork.

One distributor interviewed for this project noted that he goes to great lengths to offer his customers local foods, picking up 2/3 of the local product he buys direct from farmers along his distribution route and "backhauling" product from farms to his Louisville warehouse. He noted that demand is growing and rapidly, that more and more of his customers who have never requested local product before are asking for it now, and that these customers need to be supported in learning about seasonality and agricultural production. He said that on the supply side, infrastructure for aggregation, washing, packing, processing and grading would enable him to buy even more local product. The distributor projected that if these improvements were made, of the company's \$34 million in total annual food sales, as much as 40% could be local food.

Question #2: How do buyers make purchasing decisions?

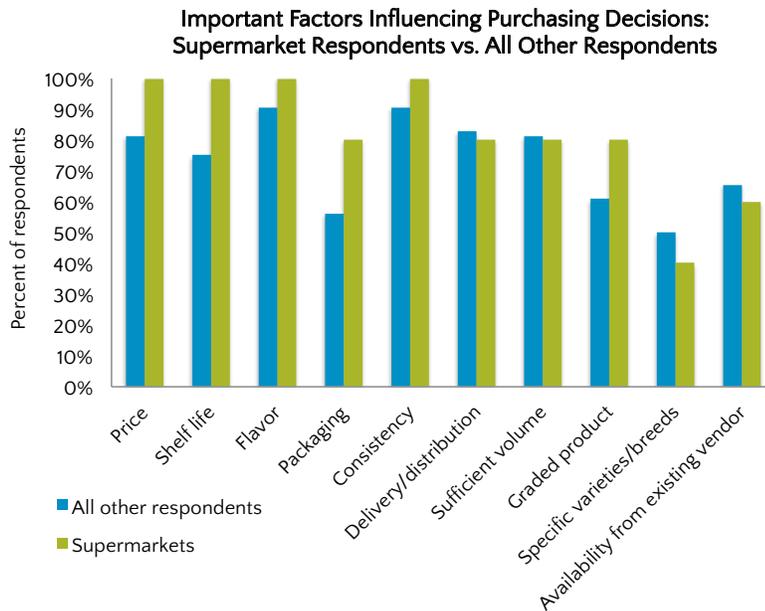
Purchasing Criteria

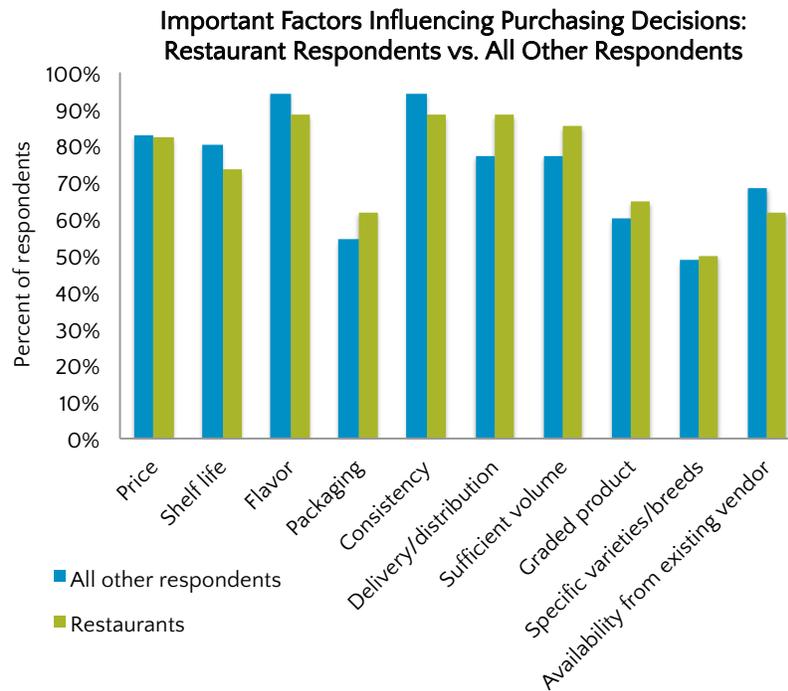
Among commercial buyers, product consistency was important to the largest share of respondents (93.1%), followed closely by flavor or taste (91.8%). Other important factors cited were availability of delivery or distribution, and price, both selected by 83.6% of respondents as important criteria. There were some differences in responses by sector, however. Supermarkets (n=4) unanimously rated factors such as price, product consistency and shelf life as important, but as the sample size here was especially small, these findings may not apply more broadly. In the case of Restaurants, the availability of distribution or delivery and sufficient volume were more important, while factors such as shelf life and consistency were less important. When

Purchasing local foods could “increase my sales while helping the local economy.”

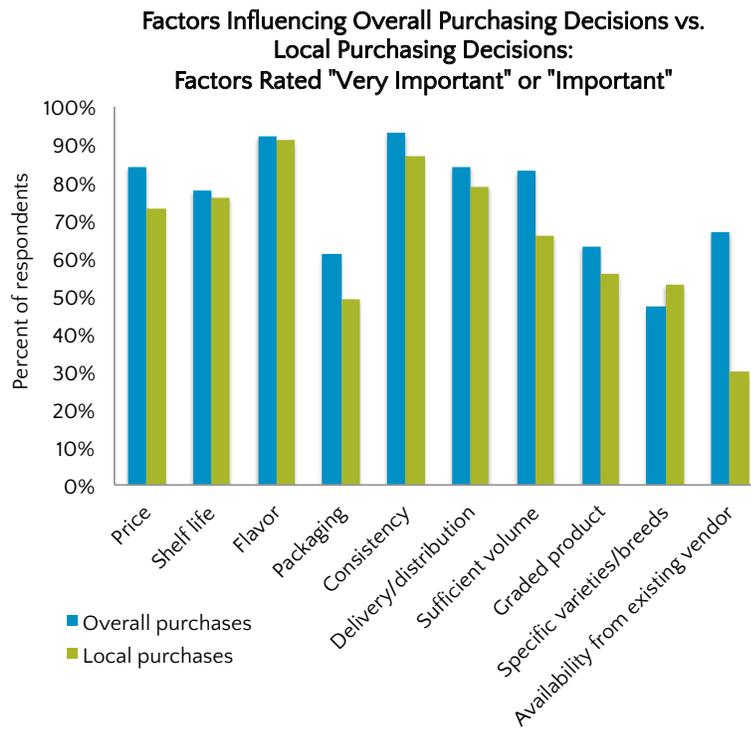
asked about local food, the largest share of those who purchase local foods rated product flavor or taste as an important decision factor (91.5%, n=43). Product consistency was also important, but its selection by 87.2% (n=41) of respondents indicates that it was less important when buying local food than when buying food that is not local. Other factors that varied in importance between local and non local purchases were availability from existing approved vendors, packaging, and availability of sufficient volume, all of which were less important in local purchasing decisions, as illustrated in the chart below.

Commercial buyers are purchasing local foods for a number of reasons, as illustrated in the chart below. The top reasons include supporting the local business and economy (73.3%), supporting local farmers (51.0%) and freshness (44.0%).





One large scale natural foods wholesaler noted in an interview that sourcing local product is part of his strategy for ensuring a consistent product supply over the course of the year. “It’s good to have diversification,” he said, “especially in food.” Though he was not sure strategically how he could increase the percentage of local foods he purchases (food safety was his primary concern), he noted that purchasing local foods could “increase my sales while helping the local economy.”



Perceptions of Local Food

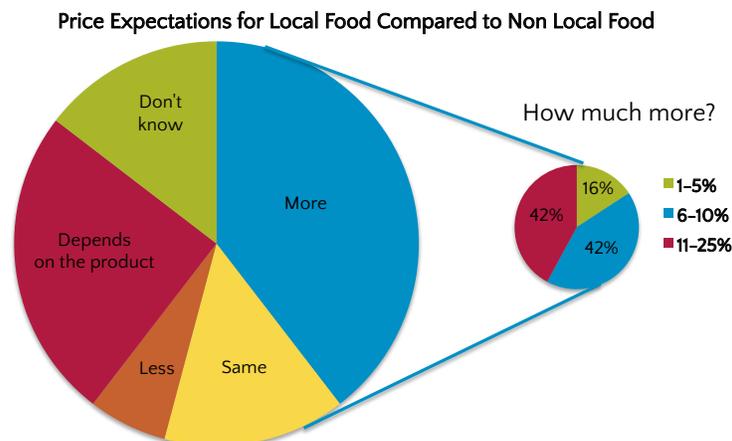


Commercial buyers who indicated that they purchase local food were asked to define local food; 25.5% defined it as food grown less than 150 miles away, followed by 19.1% who indicated that their company did not have a definition of local and another 19.1% who supplied other definitions, such as grown within 50 or 100 miles, or grown in Jefferson County.

Among the buyers surveyed who buy local now, there appears to be a willingness to pay more for local food. When asked about price expectations for local food, 39.6% indicated that they would expect to pay more, while another 25.0% indicated that it depends on the product.

Local food was seen to have the ability to generate enthusiasm among buyers and their employees. As the assistant director of a hospital food service operation said in an interview, “I want our people to be excited about what they do. And local food? They’d be excited about local foods.”

Among the 23 commercial buyer respondents who do not currently purchase local foods, 43.5% said that they did purchase local food in the past. When asked why they stopped purchasing local foods, product packaging, lack of availability of distribution services, lack of sufficient volume, and lack of availability from approved vendors were cited as key reasons. The remaining 13 respondents who have never purchased local foods



were asked to identify the top three factors that keep them from purchasing local foods. Two primary reasons emerged: product price and lack of distribution services. A large majority, 87%, said that if these top barriers were eliminated they would be interested in purchasing local foods, presenting yet another opportunity to broaden the reach of local foods in Jefferson County.

Question #3: How do businesses' internal policies and protocol, supplier requirements and purchasing frameworks impact local food procurement?

This section focuses in on the specific obstacles and complexities larger-scale, multi-location businesses face when seeking to purchase local foods.

Centralized vs. Individual Purchasing

Centralized purchasing can impact local food procurement in a number of ways. At times, centralized purchasing limits an individual location's autonomy in selecting suppliers or products. A company may require that individual locations select items to purchase exclusively from vendors who have gone through a pre-approval process. Individual locations within a larger business may be limited to purchasing specific approved products or brands, or to an existing catalog or automated inventory system. These practices are quite common in fast food, retail and restaurant chains, and institutional food service settings. Other companies may have catalogues, approved vendor lists and other centralized purchasing practices, yet may also grant buyers at each location purchasing discretion over a small percentage of their overall food budget. Allowances like these can stimulate procurement of local foods. The sections below detail some of the specific ways that companies' approaches to centralized or individualized purchasing, product specifications, protocol and policies impact purchasing decisions.

Far more often than not, buyers surveyed represent companies with multiple locations in which purchasing decisions are made in a centralized way, not autonomously by location.

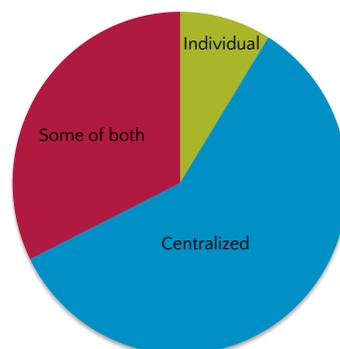
Nearly half of all survey respondents (47.3%) work for companies with multiple locations. Of those, 91.2% do some or all of their purchasing in a centralized way, with 58.8% of the companies making all food purchasing decisions on a centralized basis and another 32.4% purchasing some subset of products independently and others in a centralized way. Just 8.8% of the 35 respondents with multiple locations purchase on an individual basis.

Product Specifications and Purchasing Decisions

Commercial buyers were asked about the kinds of product specifications and production methods they require of their suppliers. Several noted that specifications and production methods requirements vary by product, yet several trends emerged.

Approximately 30.7% (n=23) of surveyed companies require that producers are Good Agricultural Practices

**Centralized vs. Location Driven Purchasing Decisions:
Respondents With Multiple Locations**



(GAP) certified. The Other Retail sector was least likely to require GAP (n=0), while Processors (83.3%, n=5), Distributors (66.7%, n=2), and Food Service companies (45.5%, n=5) were more likely than the universe of buyers as a whole to require GAP.

Companies that do buy local food require GAP certification more frequently than the universe as a whole, with 37.8% (n=17) requiring it. While some small and mid-scale producers see the cost of the GAP audit as prohibitive, others see the certification as a point of entry into new wholesale business relationships. Almost 74% of businesses that require GAP also purchase some amount of local foods.

Respondents were also asked about Hazard Analysis and Critical Control Points (HAACP), a self-regulated process and claim that companies along the food chain may undertake as a measure of sanitation, food safety and health standards. While it is not usually a legal requirement, many contracts between buyers and food producers require HAACP certification. Thirty-three percent (n=25) of all survey respondents require that their suppliers have HAACP certified facilities or HAACP plans in place. Of those requiring HAACP, 75% (n=18) reported that they intentionally purchase some amount of local food, while 40% of all local food buyers require HAACP. By sector, HAACP was most likely to be a requirement among Processors (83.3%, n=5), Food Service companies (45.5%, n=5), and Supermarkets (60%, n=3).

Thirty-seven respondents (49.3%) identified packaging standards as a supplier requirement. Twenty-six (72.2%) of those commercial food buyers that have packaging standards also purchase local foods; those 26 represent 57.8% of all businesses that purchase local food. The processing sector was, by far, the sector most likely to specify packaging standards for their suppliers (83.3%, n=5). Though they do not all count it as a requirement, 61.1% (n=44) considered product packaging either “important” or “very important” factor in making purchasing decisions. Eighty percent (n=4) of Supermarkets identified packaging as “important” or “very important.”

As with HAACP, GAP and packaging standards, buyers of local food were more likely to have grading standards than was the full universe of commercial buyers. In produce, grades are a measure of a product’s size, consistency of product size within a case, color, and the assumption of good flavor based on visible characteristics. More than 53% of local food buying companies require that their suppliers provide graded product, vs. 45.3% in the commercial buyer population as a whole. By sector, Processors (66.7%, n=4) and Supermarkets (60%, n=3) were more likely than the universe as a whole to require graded product. While 53.3% *require* graded product, 63% of all commercial buyers and 80% (n=4) of surveyed Supermarkets indicated that grading is an important or very important factor to them in making purchasing decisions.

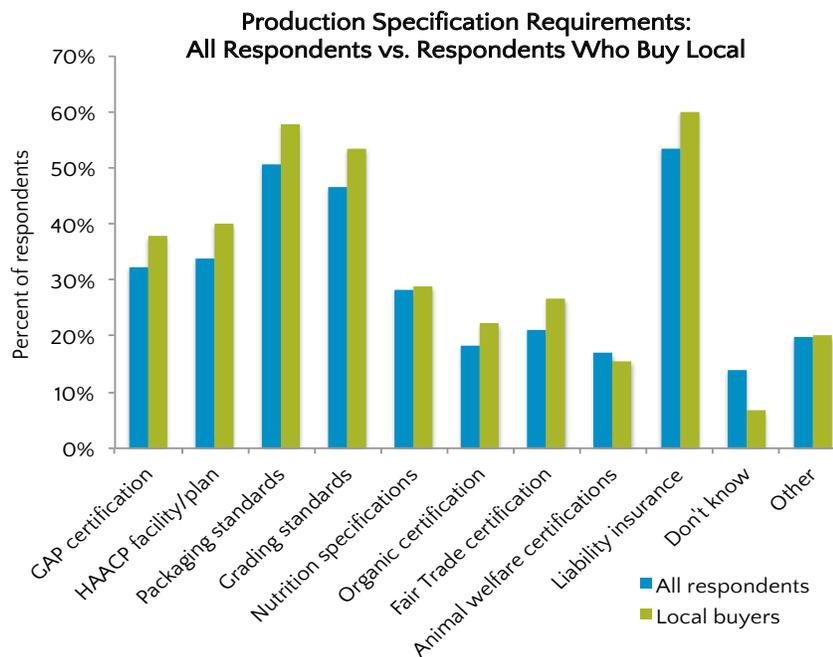
I expect local food to be better (than food from further away). And it makes me feel better, buying local.”

Surprisingly, just 50.7% of all surveyed commercial buyers indicated that they require that their suppliers hold liability insurance; an additional 14.7% (n=11) did not know. The requirement of liability insurance was most common among Food Service buyers (63.6%, n=7), Supermarkets (60%, n=3), and Processors (66.7%, n=4). Of those requiring that suppliers hold this insurance, 71.1% (n=27) purchase local foods.

Availability of product from approved vendors was an important or very important factor in making purchasing decisions to 67.1% (n=49) of surveyed buyers, and most important to Food Service (81.8%, n=9) and Other Retail (72.7%, n=8) buyers. Interestingly, local food purchasing by companies that buy only from approved vendors was prevalent among the surveyed population. Just over 44% of all companies that purchase local foods also purchase exclusively from approved vendors; seen another way, 60.6% (n=20) of all commercial buyers who buy only from approved vendors also buy local. Companies not limited to purchasing from approved vendors

were marginally more likely to purchase local foods, 65.8% (n=25). By sector, Food Service and Other Retail were most likely to only purchase from approved vendors *and* purchase local food, at 71.4% (n=5) and 75% (n=3) respectively.

Taken as a whole, the survey results above indicate that companies that do intentionally purchase local foods are more likely than the surveyed universe of buyers as a whole to hold all their suppliers (local and non-local) to certain product specifications or production methods. However, the fact that Louisville commercial buyers with strong standards and specifications are purchasing local food is not necessarily an indication that local suppliers are meeting all those standards. In practice (based on in-depth interviews with commercial buyers for this Demand Analysis as well as Karp Resources' experiences working with large scale commercial buyers in other cities and markets), many commercial buyers with strict product specifications and supplier standards are willing to tweak those specifications and bend those standards in order to add some amount of



local product to their supply chains to meet customer demand. However, they are only willing to do so for a relatively small amount of product.

Reimbursements, Incentives or Subsidies

Survey respondents were asked about the kinds of reimbursements, incentives or subsidies they receive that influence their sourcing and purchasing decisions. The most commonly received incentive was bulk discounts (discounts for buyers who commit to purchasing sizable quantities of product either at one time or over the course of a contract period), with 48% (n=36) receiving these discounts for volume purchasing from their suppliers. This influence was felt most among Processors (66.7%, n=4) and Distributors (66.7%, n=2), and least among Supermarkets, where just 20% (n=1) received bulk discounts. Just 22.9% (n=8) of surveyed restaurants receive KY Proud marketing incentives or rebates.

Interestingly, all surveyed Processors receive some form of reimbursement, incentive, or subsidy in their supply chains. Of all commercial buyers, 33.3% (n=25) reported that they receive none. More than 54% (n=6) of Food Service companies and 60% (n=3) of Supermarkets also reported that no such discounts or subsidies influence their purchasing.

Company Protocol or Policies that Influence Purchasing Decisions

Survey respondents were asked to identify internal company protocol or policies that influence their purchasing decisions.

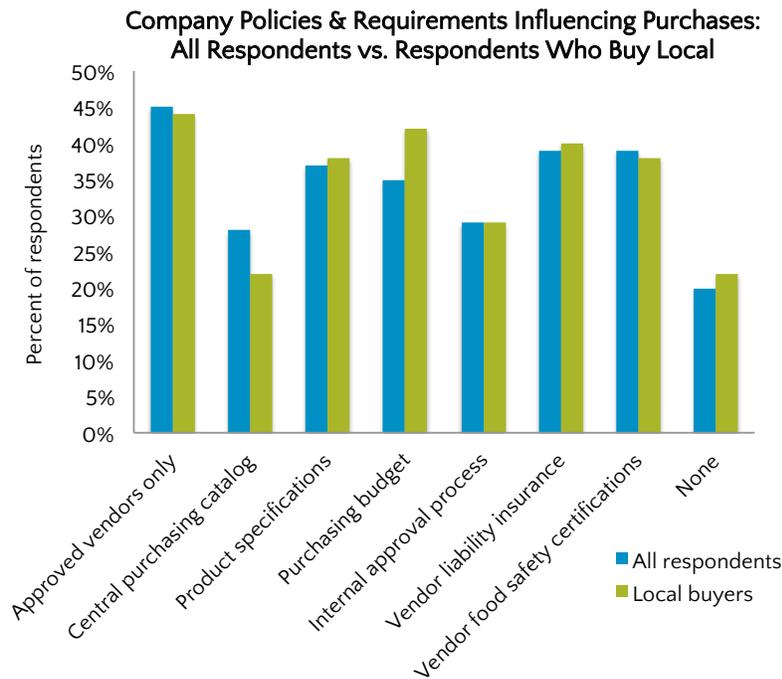
Twenty-eight percent purchase from a central purchasing catalogue or guide that is provided to them (i.e. by corporate headquarters). Use of such a catalogue was higher than average among Food Service companies (36.4%, n=4). Almost no Processors (16.7%, n=1) and no Distributors surveyed use such a catalogue. Among those companies that purchase from a central catalogue or guide, 50% (n=10) purchase local foods, representing 22.2% of all local food buyers. Of those commercial food buyers who do not use a central purchasing catalogue, 68.6% (n=35) purchase local foods.

Just over 37% of survey respondents identified product specifications such as variety, pack or grade among company policies that inform their purchasing. Processors (50%, n=3), Food Service companies (54.5%, n=6), and Supermarkets (60%, n=3) were more likely than other buying sectors to purchase base on product specifications. Among those who make purchasing decisions based on product specifications, 60.7% (n=17) purchase local, representing just 37.8% of all local food buyers.

Twenty-nine percent (n=22) of survey respondents indicated that their purchasing decisions are subject to an internal approval process (from, for example, a regional manager or corporate headquarters), and these processes are most prevalent among Food Service companies (54.5%, n=6) and least common among Restaurants (14.3%, n=5). Of the 22 respondents who are subject to internal approval processes, 61.9% (n=13) purchase local food; just 28.9% of the local food purchasing survey respondents were subject to internal approval processes.

Survey respondents were also asked about food safety certifications, and 38.7% (n=29) revealed that requirements for these kinds of certifications influence their purchasing decisions. Requiring food safety certifications more often than the universe as a whole were Processors (50%, n=3), Food Service (54.5%, n=6), and Other Retailers (63.6%, n=7). Just six restaurants (17.1%) required food safety certifications of their suppliers. Those with requirements for food safety certifications were less likely to purchase local food (58.6%, n=17) than those without (66.7%, n=28), yet 37.8% (n=17) of the entire universe of surveyed local food buyers *do* hold their suppliers to some food safety requirements or certifications. One Food Service company interviewed noted that food safety is his company's primary concern; though the company wants to purchase more local foods, "we can't just buy off the back of a farmer's truck."

Twenty percent (n=15) of survey respondents said that no internal protocol or policies influence their purchasing decisions, while 10.7% (n=8) wrote in other protocol and policies than those described above. One Restaurant that purchases through Sysco noted that Sysco has its own policies and protocol for vetting suppliers, a reminder that commercial food buyers are subject not only to their own company's protocol, but to *all* protocol, policies, and standards implemented by every supplier along their supply chains.



Question #4: How do buyers see local food as an anchor for a broader economic development strategy?

The concluding question commercial survey respondents were asked was: “Finally, what is your perspective on the extent to which investment in Louisville’s LOCAL food economy could drive broader economic development in the state and region? Please describe.”

More than 78% of survey respondents who answered this question responded in ways that indicated that they saw investment in local food as a viable anchor for an economic development strategy.

Supporting “local farmers and the local economy will make the city a better place.”

Respondents supported investment in the local food economy as part of an overall economic development strategy for a number of reasons. Several respondents noted that a broad range of stakeholders benefit when investment is made in the local food economy. One noted, “When we focus on local products, we can keep the money within our local economy which can support everyone.” Another elaborated, “[The local food economy] should be invested in... the farmers will do better and the food is better.” And another explained that when money is spent, business-to-business, locally, there’s a “trickle down effect” and “each business benefits.” One respondent saw it more broadly, linking investment in the local food economy to a broader kind of “civic minded” activity, explaining that supporting “local farmers and the local economy will make the city a better place”; this respondent noted that to the extent that his budget allows, he wants to support “that movement.”

Job creation was mentioned by several respondents as a driving reason they see investment in the local food economy as promising, and one elaborated, “Whenever you bring industry to an area, you’re going to create jobs”, and noted that, in this case, developing the food industry and economy would be “very important for both local businesses and local farmers.” One respondent framed the issue simply, saying, “Local food is better business. People trust local companies, and they want to help local businesses.”

In addition to elaborating on how and why investment in the local food economy would be broadly beneficial, several respondents explained why they think it’s the right strategy for Louisville and Jefferson County in

particular. Several described Louisville as a place of innovation and saw local food systems (and investment in those systems) as a part of that. One respondent said, “Taking advantage of the centralized location of the city, both for the state and the region makes Louisville an obvious central point for local food. Additionally, the citizens of the city support the movement.” Another noted that Louisville is a place in which “a lot of unique ideas have popped up in the past 5 years” and saw the city as “an untapped market” for local food on a larger scale. Another respondent echoed this theme, describing that he “sees how the farmers’ markets in the area are prospering” and believes “this could expand into a broader economic development strategy.” Thinking more broadly about Louisville’s position within the region, another respondent said, “Louisville is the biggest city in the state and has many potential outlets for local food. If the priority can become local food, it would have a tremendous impact in the region and in the state.”

“I see how the farmers’ markets in the area are prospering... this could expand into a broader economic development strategy.”

Some respondents took the idea a step further still and included thoughts on what Louisville needs in order to bring local food up-front-and-center in the city’s economic development strategy and in grocery store display cases. A handful of respondents discussed infrastructure in general terms, noting that the city “needs better infrastructure in order to make the movement sustainable.” One advised: “build the infrastructure.” Policy emerged in this discussion as well, with one business owner noting that small, independent locally owned businesses need support from policy makers, perhaps creating incentives that entice consumers to support local businesses over national chains. Another respondent saw it as a business-to-business issue, explaining that while he’s a commercial buyer himself and makes decisions as such, ultimately his duty is to serve his customers who are also commercial food buyers—and he said that he “wishes that some of the stores we service used local produce, but most do not.”

Several respondents took the opportunity to imagine a reconfigured food system for Louisville in which local foods, local businesses and local infrastructure were prioritized more heavily than they are in the current food system. One noted that “trust in the farmer helps grow (Louisville) businesses since it allows everyone to be proud of where they are from”, describing new kinds of business relationships that could shift the culture of commerce between farmers and food businesses in the city. Another imagined “If we had the investment, we would be able to create a distribution system like Sysco with entirely local food.” Another respondent took that vision to the next step, imagining that businesses and farmers could plan together, with “communications to set up potential crops for next year.” Still another saw a future in which local food purchasing was done by increasing numbers of large businesses, and noted that more local food would be sold “if the big distributors were pushing it,” perhaps with “incentives” for local purchasing.

In thinking about the scale of the potential for local food investment to drive broader economic development, several respondents were not sure (though they did reemphasize their own interest in purchasing from local vendors). One buyer noted that she saw limits to the kind and range of products produced locally that have real potential to have economic impact, and another respondent specified that the potential might be “limited because of growing season. From a produce standpoint (I am) not sure if the local food movement could grow much more. Sales of cheeses and livestock could probably continue to grow,” but it’s “hard to say what the

impact could ultimately be.” Another buyer thought about it less in terms of seasonality or specific product potential and more in terms of the scale-ability of local food to meet large scale food buyers’ demands, saying that he likes to “think local, think KY Proud”, but that with so many buyers focused on price and consistency, he wonders whether local food will expand far beyond the “alternative scene.”

Just 13 respondents answered this question in non-positive ways, including 10 who either responded that they did not know or preferred not to comment. Of the remaining three, one stated that he did not think it would affect the overall economy of the city, another noted simply that his customers “don’t care about local”, and a third felt investment in local food was a “precarious proposition,” specifying that any food-related investment focus should be instead on improving public school meals.

Other respondents answered with great certainty and, at times, great detail. One felt that the “largest impact would be with doing value added products,” but noted how essential it is to have sufficient processing infrastructure in place to ensure that product that is grown locally and sold locally is also processed locally: “Cattle farmers here ship cows (to) Texas for processing and then (they’re) sent back to Kentucky,” he explained. The city and the region “need better infrastructure in order to make the movement sustainable.” Two respondents felt the economic impact of local food system investment could be “huge,” another predicted that “it could be major,” and still another provided an example: “If we could buy KY chicken, beef, cheese, etc. we would, as long as (our) specs were met. Our little 32 location restaurant could have a \$12,000,000 purchasing impact on the local economy translating to \$30-35,000,000 at retail.” Another respondent stated that “as demand increases for locally grown and processed foods, we feel that flow through to other areas of production, distribution and even farming ... (and those sectors) will be expanded exponentially.”

One respondent answered the question with a question: “It’s only a matter of time before (local food) is mainstream. So why not start now?”

Consumer Survey

Respondent Profile

As mentioned in the Methodology section of this report, 421 consumers were surveyed as part of this study. According to the Voice of Louisville (VOL), the company implementing the consumer survey, the demographics of the surveyed sample aligned closely with broader demographic breakdown of the population, and the results are within sampling error for everything except those who only completed high school and those who completed college. In those cases, VOL noted that the impact of this inconsistency would be minimal, resulting in less than a percentage point different in results.

Participants were asked whether they knowingly purchase local foods. For the purpose of analysis, they were divided into those who do buy local food and those who don't buy local food based on the response to this question. Those who responded "*frequently*" or "*sometimes*" were classified as local food buyers and those who responded "*rarely*" or "*never*" were classified as non-local food buyers. The segmentation is summarized in the table below.

Buys Local Food		Does Not Buy Local Food		Total	
<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
302	71.8%	119	28.2%	421	100.0%

Consumers were further segmented by demographics, most often by annual household income and age. Of the 421 respondents, 370 shared their annual household income and 420 shared their age. The population of local and non-local food buyers with each of these groups is detailed in the following two tables.

Annual Household Income	Buys Local Food		Does Not Buy Local Food		Total	
	Number	%	Number	%	Number	%
Less than \$50,000	151	70.6%	63	29.4%	214	100.0%
\$50,000-\$74,999	50	72.5%	19	27.5%	69	100.0%
\$75,000 and greater	67	77.0%	20	23.0%	87	100.0%
All	268	72.4%	102	27.6%	370	100.0%

Age	Buys Local Food		Does Not Buy Local Food		Total	
	Number	%	Number	%	Number	%
18-34	93	68.9%	42	31.1%	135	100.0%
35-54	61	68.5%	28	31.5%	89	100.0%
55+	148	75.5%	48	24.5%	196	100.0%
All	302	71.9%	118	28.1%	420	100.0%

The data gathered in consumer surveys has been organized to answer the following three broad questions:

1. How and what are consumers buying now?
2. How do consumers make purchasing decisions?
3. What are the opportunities to meet or increase local food demand?

Question #1: How and what are consumers buying now?

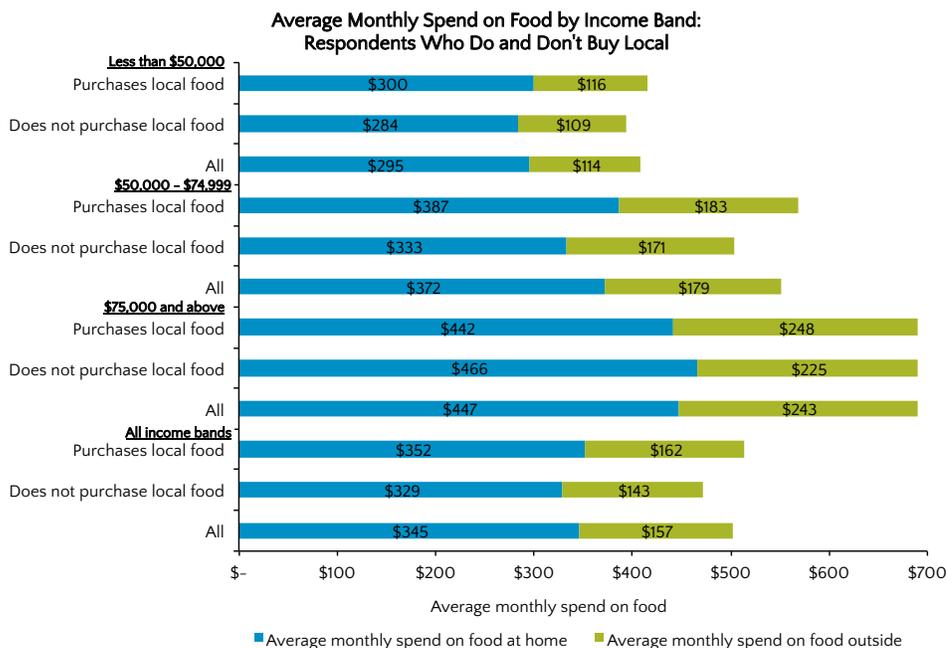
The consumers surveyed were asked to indicate the types of outlets where they purchased food for their household in the past year. Nearly all respondents, or 99.3%, had bought food from grocery stores, including supermarkets such as Kroger, discount stores such as Walmart and warehouse clubs such as Costco. In addition to obtaining food at grocery stores, 49.6% had purchased food from farmers' markets, 48.9% from convenience and corner stores and 48.0% from independent, local food stores such as bakeries or butcher shops. The chart below displays the percent of respondents who shopped at each type of outlet across household income bands. Those with annual household incomes greater than \$75,000 were more likely to report shopping at independent, local stores or farmers' markets.

Younger consumers, specifically those between 18 and 34 years of age, were more likely to make purchases at local, independent stores, with 55.6% of them purchasing food in this type of establishment. Older participants,



specifically those 55 years of age and older, were more likely to have bought food from farmers' markets, with 54.6% answering yes to that question.

Respondents indicated spending an average of \$345.49 per month on food for the household, and an additional \$156.65 per month on food consumed outside the home, for a total of \$502.14 spent on food each month. Unsurprisingly, the amount spent on food increased with household size, with average household food spend increasing from \$212.62 for a one-person household to \$506.25 for a household with four or more people and food purchases outside the home increasing from \$88.45 for a one-person household to \$194.53 for a household with four or more people. There were also notable differences in monthly food spend among different income bands. The chart below illustrates the average spend on food, both for the household and for external consumption, by household income band. Households with annual income exceeding \$75,000 spent the most, an average of \$690.00 on food each month.



Almost 72% of consumers surveyed indicated that they frequently or sometimes purchase local food.

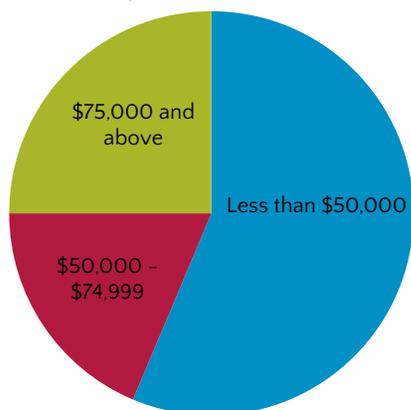
When asked specifically about local food, 71.8% of consumers surveyed indicated that they frequently or sometimes purchase local foods. Among those respondents who purchased local foods, average monthly spend on all food was nearly \$40.00 greater than those who did not purchase local food. The chart above provides further information on the average food spend segmented by respondents who did and did not indicate purchasing local food.

Among those consumers who indicated that they do purchase local food, those in the highest income group spent significantly more than other respondents. Those consumers spent on average, \$120.63 on local foods each month, compared to an average of approximately

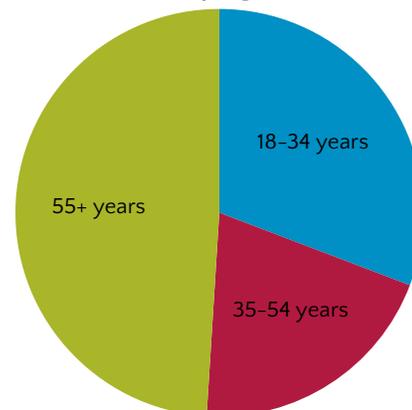
\$82.00 for those respondents with annual household income less than \$75,000.

There were a few differences in the profile of respondents who indicated that they purchased local foods compared to the entire surveyed population. Consumers who purchase local foods were more likely to shop at farmers' markets with 61.6% of them buying food there, compared to 19.3% of those who don't buy local. Independent local stores were more frequently visited by local food purchasers as well, with 53.0% of them shopping here, compared to 35.3% of those who don't purchase local. This response also divided along the lines of annual household income; respondents in the highest income group represented 25.0% of those who purchase local foods, but only 20.7% of all respondents. In addition, respondents aged 55 years and older appeared more likely to buy local food, representing 49.0% of those who purchase local foods, compared to 46.6% of all respondents.

Respondents Who Knowingly Purchase Local Food by Income Band



Respondents Who Knowingly Purchase Local Food by Age



Question #2: How do consumers make purchasing decisions?

Purchasing Criteria

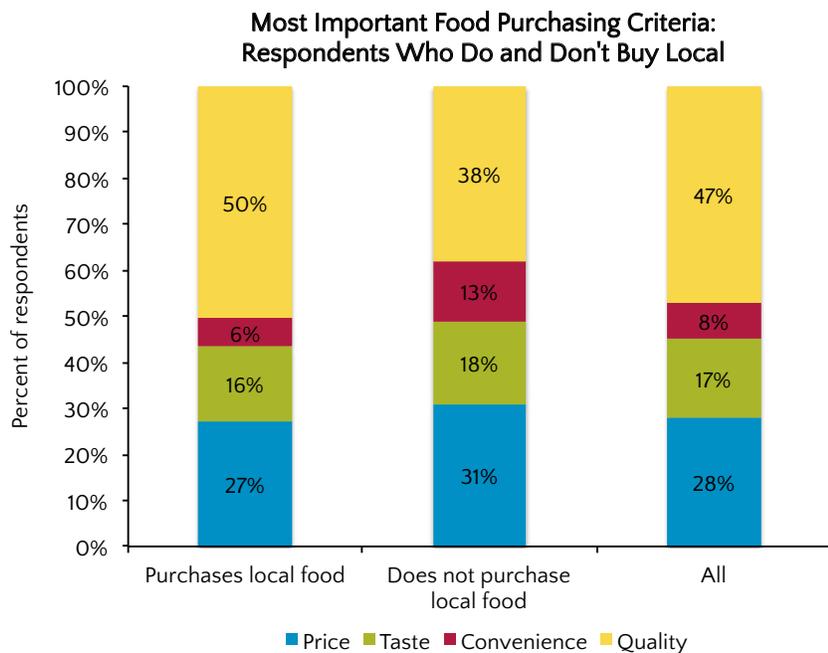
Consumers were asked to identify, based on the list below, which criteria were most important in their food purchases:

- Price (how much it costs)
- Flavor (how it tastes compared to other similar products)
- Convenience (ease of purchase and preparation)
- Quality (based on what respondent knows about the food or the brand)

The largest number of respondents rated quality as most important, with 46.8% of them selecting it as the top priority. This was followed by price, selected by 28.3% of respondents. Respondents with annual household incomes less than \$50,000 indicated that price was as important as quality, with 36.9% selecting price as the most important factor, and 36.4% selecting quality. On the other hand, respondents with annual household incomes of \$75,000 or greater overwhelmingly indicated that quality comes first, with 71.3% responding this way.

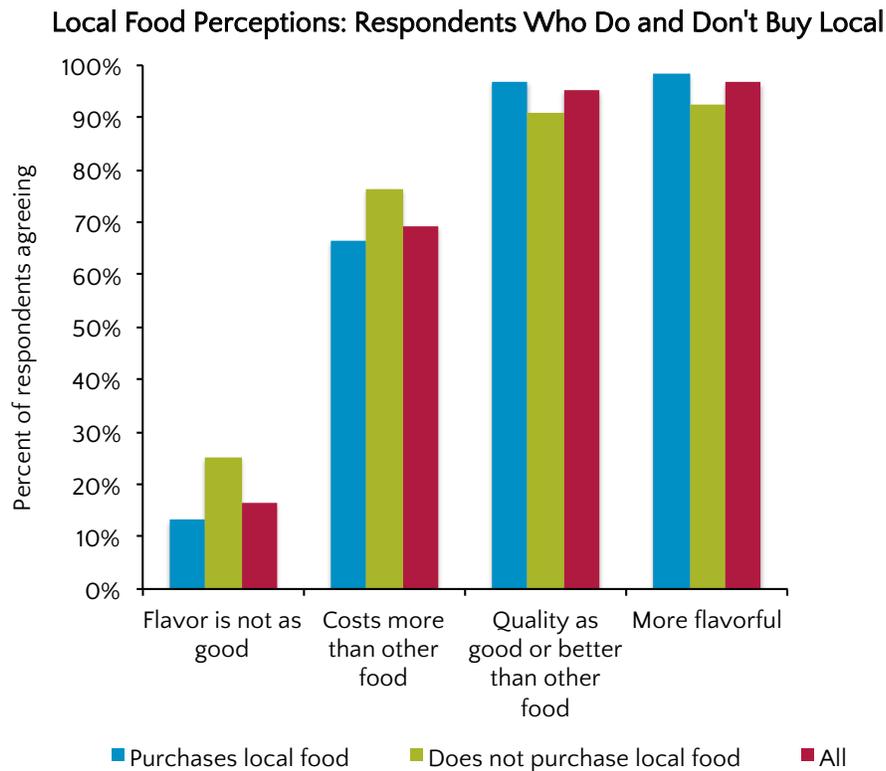
“Local food is homegrown, freshly grown and not imported... and it’s better for you.”

Among consumers who indicated purchasing local food compared to those that did not, there were some differences in priorities, as illustrated in the chart below. For instance, 50.3% of respondents who indicated that they purchase local food rank quality as their primary concern, while that drops to 37.8% among those who do not buy local. On the other hand, convenience was more important to respondents who don’t buy local, with 13.4% of them selecting it as the first priority, compared to only 6.3% among consumers who do buy local.



Perceptions of Local Food

There were generally positive perceptions of local food across the entire universe of consumer respondents, with 95.2% of respondents agreeing with the statement, “The quality of local foods is probably just as good or better than national brands.” Similarly, 96.7% agreed with the statement, “Local foods are probably more flavorful than foods from far away.” While a majority of consumers agreed with the statement, “Local foods probably cost more than national brands” (69.4%), a greater share of non-local food purchasers (76.5%) agreed with this statement compared to local food purchasers (66.6%). Most respondents associated local foods with higher prices.



Local food was also associated with freshness and healthfulness, a theme that was evident during the 14 in-depth consumer interviews conducted as part of this study. Interviewees shared the following thoughts:

“...Local food is homegrown, freshly grown and not imported...and it's better for you.”

– 37 year old woman in a five-person household receiving SNAP and WIC, who sometimes shops at farmers' markets

“...It's fresher, lasts longer. I don't throw as much away.”

– 51 year old woman, lives alone, subscribes to Grasshoppers local food grocery program, and spends approximately \$50 per week on food

Question #3: What are the opportunities to meet or increase local food demand?

Based on the responses from consumers, there appears to be significant opportunity to expand offerings of local food. A majority of respondents, regardless of whether they are already purchasing local food, expressed willingness to purchase local foods of all types, with the strongest interest from both segments in local fruits and vegetables. Among local food buyers, 99.0% would consider purchasing local fruits and vegetables, while among non-local food buyers, the rate was nearly as high at 95.8%. When asked about dairy products, 89.5% of all respondents indicated interest in purchasing local, and 88.1% would consider purchasing local grains such as bread or pasta. These responses were relatively consistent across consumers who do and don't buy local at present. It appears that they felt somewhat differently about meat, poultry and fish; 87.1% of respondents who purchase local food would purchase these products, while that rate dropped to 76.5% among respondents who do not currently purchase local food.

One challenge facing local food is the expense, specifically the perception among consumers that local food costs more than the alternative. As noted earlier, a majority of survey respondents believe that local food is more expensive than national brands. Similar concerns were raised during the interviews, where participants shared the following:

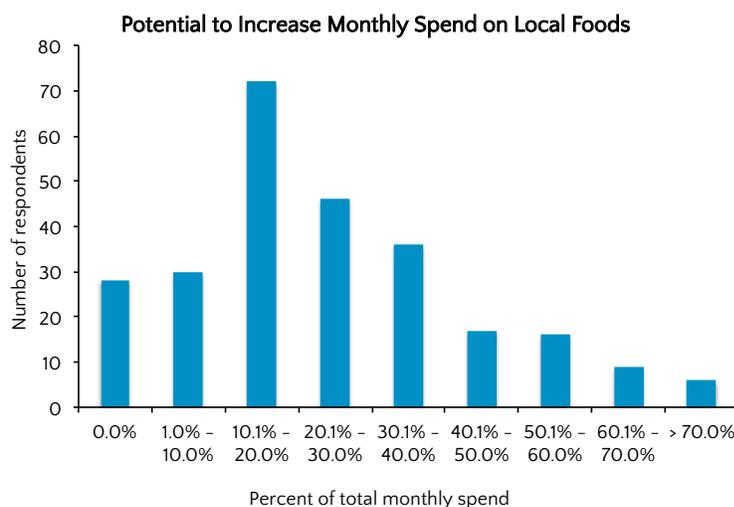
"...Price is (the) main obstacle to buying local foods."

- 63 year old diabetic woman raising two teenage granddaughters living in the Portland neighborhood, participates in SNAP, utilizes a local food pantry, eats all meals at home

"Better availability and reasonable prices are key obstacles to eating more local."

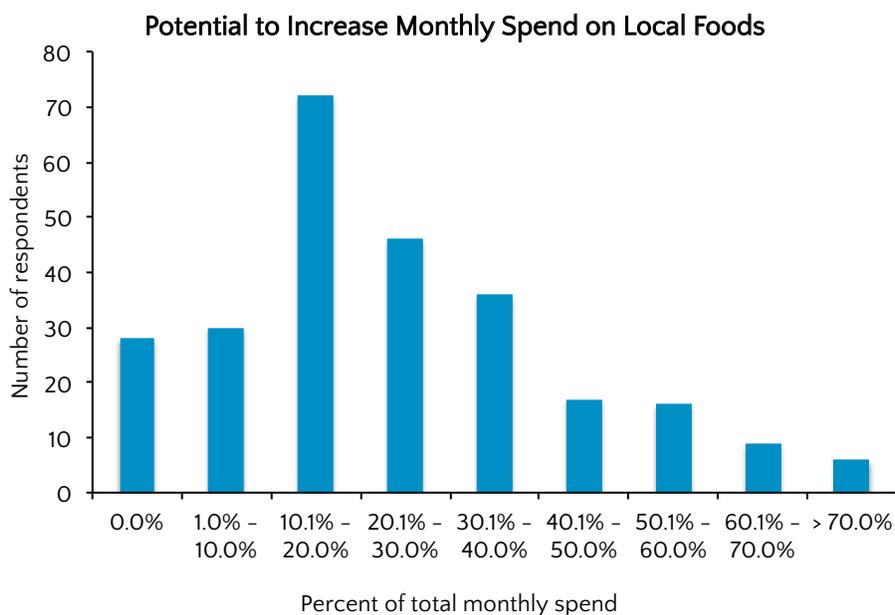
- 30 year old woman, three-person household, spends \$300 per month on food and dines out multiple times per week

While local food is perceived to be more expensive, it also appears that those who already purchase local foods may be willing to pay more, as evidenced by the average monthly spend on food at home and outside the home of \$505.55 among local food purchasers, compared to \$468.13 among non local food purchasers. Consumers are willing to increase their monthly spend on local foods. When asked how much they would spend on local food if it were more easily identifiable and accessible, 27.7% of local food buyers responded with a figure that implied a 10% to 20% increase, while another 17.7% indicated a figure that implied a 20% to 30% increase. The chart below summarizes the additional amount that local food buyers might contribute to local food, expressed as a share of their total reported monthly food budgets.



Finally, respondents across all income bands indicated that they could spend an average of \$203.76 on local foods each month, over twice the average of \$91.52 that local buyers indicated as their current level of spend. The average potential spend rose significantly for respondents with annual household incomes of \$75,000 or more (n=84), who indicated that they could purchase an average of \$276.49 in local foods each month.

Consumers indicated that they could spend over \$200 per month on local foods, more than twice the amount spent at present.



Commercial Buyers & Consumers: Common Themes

There were some visible similarities in the ways that commercial buyers and consumers defined the term local. Approximately 25% of commercial buyers defined local as food grown less than 150 miles away, while others defined it as food grown and produced within shorter distances, such as 100 miles or even 50 miles. In in-depth consumer interviews, consumers were asked to define local, and their responses expressed similar sentiments. “It is food that doesn’t have to travel farther than 50 miles. It doesn’t have to be stored in warehouses, or go through customs or arrive from overseas. I see smaller farms, not big conglomerations.”

While commercial buyers valued flavor and product consistency most when purchasing local food, consumers sought quality. These criteria may in fact represent similar priorities, with product consistency and flavor serving as more specific indicators of quality that are especially relevant to commercial buyers (whose survey did not include the more general “quality” as a possible criteria).

Both consumers and commercial buyers were most likely to identify fruits and vegetables above other food categories when specifying local foods they have purchased. This is not surprising as fruits and vegetables can be delivered whole and unprocessed (as opposed to meat and dairy for example). Furthermore, both groups' responses suggest that there is additional demand for local food beyond what is sold at present. A number of commercial buyers noted that they were sometimes unable to obtain desired local foods, especially fruits and vegetables including berries, tomatoes and asparagus, as well as meat. Among consumers, more than 95% of respondents indicated a willingness to purchase local fruits and vegetables, regardless of whether they are already purchasing local food today.

When discussing obstacles to local food procurement, price was identified by both groups of customers. Commercial buyers who have never purchased local indicated price as a primary reason for not buying local foods, and nearly 70% of consumers surveyed believe that local foods are more expensive than national brands. In in-depth interviews, many consumers cited price as a significant barrier to buying local food.

While some respondents identified price as an obstacle, others were hungry for more local food in Louisville. There is evidence that customers, both commercial and consumer, are willing to pay a premium for local food, and believe that local food offers superior quality and flavor. Among commercial buyers, nearly 40% revealed that they would be willing to pay more for local food; an additional 25% expressed willingness to pay more on a product-by-product basis. Consumer responses indicated that local food buyers already spend an average of \$40 more per month on food (for consumption at home and away) compared to those who don't buy local food. And these consumers reported that they could increase their local food purchases even further: nearly 30% of local food buyers would spend an additional 10% to 20% on local foods.

Summary of Demand

Based on the survey responses, Louisville residents currently spend \$100 million on local foods, and are interested in purchasing an additional \$158 million each year, for a total demand of \$258 million. Commercial buyers currently spend \$214 million on local foods, and would be willing to spend an additional \$139 million, for a total of \$353 million.⁵² Much of the food the commercial sectors purchase will be handled, transformed and resold in a variety of outlets, leveraging that \$353 million in local food purchases to contribute an estimated \$800 million to the local economy.⁵³ Meeting commercial buyers' voracious demand for local food will contribute to satisfying Louisville consumers' \$258 million demand, with abundance to share with visitors, commuters, and consumers and wholesale buyers beyond Jefferson County's borders, thus becoming a meaningful economic driver for the city and county.

⁵² Estimates of current and projected spend on local food are based on the responses to the consumer and commercial buyer surveys, specifically those respondents who indicated that they do buy local, and those that said they would buy local, as well as the median current spend and median potential spend calculated from the relevant responses. The numbers initially calculated were annualized, and therefore required adjustment to reflect the realities of Louisville's seasonal agriculture, particularly in the case of fresh and minimally-processed foods, which are not available year-round. The numbers presented here assume that the full range of local foods is available for approximately six months out of the year.

⁵³ This figure takes into account the value that will be added to local food as it moves through the supply chain and is re-sold in various forms by and to manufacturers, distributors, retailers, restaurants, and institutional food service companies. It is an estimate, based on industry standard costs of goods sold (COGS), which vary by sector.

Conclusion and Recommendations: Using this study

Introduction to the Vignettes

In order to best assess the demand for local food in Louisville, the context of that demand and its parameters and conditions, the Local Food Demand Analysis looked at a broad base of kinds of buyers—households and individual consumers, restaurants and food distributors, institutional food providers and the food service companies that serve them, processors and manufacturers, and food retail establishments of all scales. Like its subjects, the audience anticipated for this research, the range of stakeholders involved and the breadth/range of their interests is complex and diverse.

How can I use this study to help grow Louisville's local food and agriculture economy?

The following vignettes were composed with that diversity of perspective in mind. The goal of this section is to illustrate the answer to the question: How can I use the findings of this study to help grow Louisville's food and agriculture economy? Specifically, this section of the report seeks to address that question for numerous stakeholders, including (but not limited to) producers; government leaders at the city, county and state level concerned with agriculture, planning, food access, health and economic development; non-profit organizations working on those same issues; university researchers and extension agents; and food business owners of all scales, along each step of food supply chains.

Three vignettes follow:

1. More Tools for More Food
2. Farm to Food Processor
3. Increasing Healthy Food Options at Retail

The concept underlying these vignettes is the “3 legged stool” that stands at the foundation of a healthy society and, similarly, a healthy food system: 1) a government sector that is effective and accountable, 2) a dynamic private sector that generates economic opportunity, and 3) a vibrant civil society, or not for profit sector, that works with government and business to improve people's lives.

Each of the three vignettes that follows shows players from across these sectors working together to take advantage of an opportunity to create a more vibrant local food system in Louisville, but in each vignette, a different sector or stakeholder plays the role of “convener” or facilitator. Each vignette also includes a metric. Just as the narrative of the vignette is meant to illustrate one path toward growing Louisville's food system, the metrics are provided not as plans, but as simple math meant to describe potential returns on food system investment and potential impacts on the farm and food economy.

More Tools for More Food

The Headlines

- Among commercial buyers who don't currently buy local, 43% did so in the past and cited insufficient and inconsistent supply (including seasonal shifts in supply) as key reasons they stopped.
- Louisville's commercial buyers want to support local farmers—it was the third most popular reason they identified for purchasing local foods.
- Numerous commercial buyers interviewed wished for a longer growing season, and closer to year-round access to a broader range of local foods.

The Opportunity

Kentuckians and others around the country are increasingly seeking new ways to address a fundamental problem in local food: Agriculture waxes and wanes with the seasons, but people eat all year round. Further, the wholesale businesses that serve consumers at home and away seek suppliers who can provide high quality and consistent quantities of fresh food year round.

Increasingly, there are relatively low-cost, environmentally efficient technologies and methods for extending the growing season into the winter. Prime among these are high tunnels, or hoop houses. These are greenhouses, usually unheated, and built from low-tech, widely available materials, such as PVC plastic piping and thick commercial grade plastic sheeting. These simple structures enable farmers to maintain temperatures warm enough to grow a range of fruits and vegetables year round, helping them meet commercial buyers' demand for year-round access to locally grown fruits and vegetables—getting more local food to more buyers and eaters more of the year.



A few years ago, the USDA's Natural Resource Conservation Service (NRCS) began a pilot program that provides financial and technical support to farmers for on-farm high tunnel installations. The program has resulted in the creation of more than 4,000 high tunnel installations nationwide. In 2012, NRCS in Kentucky offered this support to KY farmers for the first time.

The Story

In 2012, through the Environmental Quality Incentives Program (EQIP), NRCS's Kentucky office began offering grants to producers to build and install high tunnels. To spread the word about this new resource, the organization worked with partners at University of Kentucky (UK) Extension and the state's Conservation Districts to speak at agricultural conferences, place articles in local newspapers, and promote the program in their own publications. They also relied heavily on word of mouth in the agriculture community. NRCS received approximately \$700,000 from the federal government, but since demand among KY farmers far exceeded that number, the NRCS KY field office chose to fund all interested and eligible farmers, and contributed a match from their normal annual program budget, which brought the program's



funding total to \$1.3 million for 2012. This resulted in approximately 225 contracts with farmers to build high tunnels. In this first pilot year, NRCS did not gather data on participating farmers, so a general profile of hoop house contracted farmers (scale of operation, what they grow, etc.) is not available. NRCS did report that farmers from 72 Kentucky counties were funded in this initial year, and that there was a concentration of applications from south central Kentucky, an area rich in vegetable production.

NRCS contributes \$2.57 per square foot of hoop house, up to 2,178 square feet, or 5% of an acre, resulting in contracts of up to (and often exactly) \$5,597. About 50 tunnels have been installed in KY to date, representing about \$284,000 in contracts paid out by NRCS. For many farmers in KY, the deadline for installing their high tunnels will come in the summer of 2013, after which they will not be able to receive reimbursement for high tunnel installation. NRCS representatives noted that while not all contracts will be seen through (due to, for example, a farmer's personal health concerns), most will be.

Because it was the program's first year in KY, NRCS provided several trainings for farmers. NRCS's field staff worked with farmers to ensure that hoop houses were sited well (on well-draining soils, in places where they won't be flattened by prevailing winds, etc.), and all farms receiving funding also received a NRCS visit.

NRCS's work is generally restricted to natural resource conservation. While NRCS sees high tunnel installation as related (i.e. farms that thrive economically keep farming and thus preserve farmland), the program was a departure for them. Because of this, NRCS does not have in-house technical support capacity for this project, and has partnered with UK to provide the technical support farmers need to operate their hoop houses effectively. Trainings were held in the fall of 2012, and several well-attended NRCS field days (farm tours organized to feature good conservation practices) were dedicated to high tunnels. UK and NRCS together will be training Extension agents on technical production issues this winter.

Though these technical support opportunities were available to farmers, they were not mandatory, and as a result, some producers are struggling operationally with their new high tunnels. Though technologically and architecturally simple, farmers note that there's a steep learning curve involved in using high tunnels— achieving optimal ventilation can be complicated, temperature management requires detailed attention and knowledge, and plants within (though protected from most pests and animals) are susceptible to fungi.

Marketing and sales supports for farmers entering new seasons with new products were beyond NRCS's capacity or scope. Recognizing how essential this kind of support would be, NRCS staff have been presenting

One commercial buyer feared that the economic development potential of local food investment “might be limited because of the growing season... (and for season extension) capital costs are so high up front.”

information on the high tunnels program to assorted fruit and vegetable associations statewide, in hopes that they will promote the program to their members and take a lead in providing marketing support and producer education.

While NRCS is working to provide these supports, participating producers and some of the wholesale businesses that buy from them have recognized opportunities to build up the technical support component of the program. For example, in support of the farmers that supply them, Grasshoppers Distribution has taken an active role in providing support services to complement those of NRCS— ensuring that farmers knew about the opportunity, that they took advantage of it, and that they are making the most of it.

Grasshoppers began by spreading the word about the availability of funding to producers, Extension agents, and all others working in support of producers. The company then supported eligible interested farmers

through the application process and associated paperwork.

Because crop planning and new winter market development supports have been minimal for this still-new program, producers are planting with some uncertainty, unsure of what markets they will serve or which they want to serve. Interviewees within the USDA, UK and local food distribution companies noted that because of this, the 2013 winter market may be oversaturated with lettuce, leafy greens and tomatoes, crops that farmers have planted without buyers securely lined up.

The Metric

Though Grasshoppers has the truck and warehouse capacity to dramatically increase their distribution volumes, the company lacks sufficient staff to sell the large amounts of product currently growing in their suppliers' new high tunnels. If \$60,000⁵⁴ (less than 5% of the \$1.3 million EQIP high tunnel program budget) was raised from private sources to complement to NRCS's infrastructure investment, and was used to hire a full time sales person at a local food distribution company dedicated to selling product for NRCS's contracted high tunnel farmers, that investment could result in secure sales for farmers in a season in which income is usually very limited.

As farmers learn how to make best use of this new infrastructure in year one, product consistency and production efficiencies are likely to be lower than they will be in future years; and product prices may, as a result, be higher. Utilizing a mix of marketing approaches, including CSAs, restaurants and schools (that could offset the premium price with KY Proud Restaurant Rewards Rebates), grocery stores (which can often absorb a price premium of up to 20%), and select institutions (those able to pay a small premium), a sales person focused on selling locally grown winter product could sell about \$500,000 in local produce between November and May (prime high tunnel season). In future years, such a sales person could focus on strategic crop planning with high tunnel growers to ensure a strong and balanced product mix. And as product consistency increases in proportion to farmer experience with the tunnels, more institutional and high volume buyers could be targeted, increasing sales to up to \$2,000,000 and increasing the reach of winter local food in Louisville to more consumers.

High tunnel production costs and revenue potential vary tremendously by type of crop, by the number of plantings a producer can do over the course of the winter, by type of weather anticipated, and by varying levels of researcher optimism. UK made sample budgets for leafy greens and herb production in high tunnels, in which they found that production costs would total \$0.70 per high tunnel square foot per season.⁵⁵ Researchers noted that they were being very conservative in estimating potential gross revenue to average \$1.30 per square foot. Iowa State University Extension found that a greens high tunnel business could generate approximately \$3.22 per square foot in income, while a Cornell study found that successive plantings of greens planted in high tunnels in the winter months could generate gross income of \$1.67 per square foot, though one grower included in the study earned \$2.43 per square foot. The Cornell study noted that several of the more productive farmers grew far more than they could sell.

The largest and most common size of KY NRCS-funded high tunnels is 2,178 square feet. If 95% of NRCS's contracts are fulfilled at the maximum contract size, Kentucky could realize more than 455,000 square feet in high tunnel production capacity by summer 2013, with investment from NRCS of \$1,196,358.75.

This additional indoor growing capacity has the potential to generate farm-gate income for participating

⁵⁴ \$35,000 base salary, plus commission or bonuses, plus expenses.

⁵⁵ This calculation includes variable and fixed costs of production, harvest, and marketing costs, 20 hours of contributed labor by owner operator and \$9/hour for all other required labor.

producers ranging from \$592,711⁵⁶ to \$981,197⁵⁷ in year one (the vast range is based on the factors described above). A dedicated salesperson housed within a company with existing strong distribution infrastructure and a proven commitment to local produce – funded as a complement to the infrastructure NRCS has made and will continue to make in coming years— would ensure millions of dollars in sales of high tunnel grown product over the course of the program’s initial years, generating more income for farmers and that much more local food available to Louisville consumers.

Conclusion

A suite of tools—including financial products like grants, start-up and working capital through loans, as well as education, technical support and other ancillary services—are essential to growing the local food supply and to meeting the local food demand. Any one of these missing links can greatly limit the efficacy of any

More Tools for More Local Food

Opportunity: Commercial buyers and consumers want a consistent supply of local food, year round if possible

Convener: Finance sector, and local food marketing and education organizations

Players: NRCS, Seed Capital Kentucky, UK, KDA, local food distribution companies

Approach: Scaffold new USDA/NRCS investments in season extension infrastructure with marketing supports and resources

Investment: \$1,196,358 in high tunnel installation contracts. \$60,000 in local food sales staff

Benefits: Up to \$981,197 worth of product could be grown in the program’s first winter. About \$500,000 could be sold in year 1, up to \$2 million by year 3

other component, or of any single investment and will discourage producers from engaging in experimentation. As new physical infrastructure is developed, best use of existing infrastructure should be considered (in this case, existing marketing and sales infrastructure in the form of distribution companies dedicated to local foods). And complementary infrastructure (i.e. the soft costs described herein, such as technical assistance and sales support) required for its success must also be created, identified or maximized. The NRCS high tunnel funding is an invaluable resource for farmers and a boon for buyers looking for year round access to local produce. NRCS predicts that farmer interest and applications will remain high, as will the agency’s commitment to providing financial support to those farmers. The first year of

implementation in Kentucky has revealed opportunities that exist for increased investment—in education, technical support, sales expertise—that will ensure that this new infrastructure is maximized, productive, lucrative and sustained.

⁵⁶ Based on the aforementioned UK projections.

⁵⁷ Based on the average of the aforementioned studies’ income projections: \$2.16/sf.

Farm to Food Processor

The Headlines

- 100% of Processors surveyed receive subsidies, rebates or bulk discounts that influence their purchasing choices (compared to 66.7% of the surveyed universe as a whole).
- 78.7% of commercial buyers surveyed purchase processed and prepared foods, yet just 29.2% are currently buying locally processed foods.
- More than 88% of consumers said they were interested in purchasing locally processed foods.

The Opportunity

Consumers around the country are increasingly pressed for time and are, as a result, eating out more often while seeking ways to make cooking at home more convenient and less time consuming, and Louisville's consumers are no exception. Louisville's commercial food buyers, across sectors, purchase large amounts of processed foods, from washed and chopped fresh vegetables to frozen meals to pre-peeled and cut carrots. But a very small portion of the processed foods commercial buyers are currently purchasing is locally sourced. Opportunities exist for local manufacturers to grow their businesses by adding new products featuring local ingredients, and in doing so, adding new markets, in and beyond Louisville. At the same time, farmers interviewed indicated that they are interested in selling to processors, assuming agreeable terms and pricing could be arranged. Many farmers view access to area processors as a missing strategy that could support farm viability through stable farm product sales.

“The largest (economic) impact would be with doing value added products.”

- a commercial food buyer

In recent years, Jefferson County Public Schools (JCPS) has taken a lead on local food procurement in Louisville, both whole fresh items and minimally processed fruits and vegetables (washed, chopped, peeled, frozen, or diced, for example). They and other institutional food service providers rely heavily on these minimally processed products to feed large groups of consumers efficiently and nutritiously, and are increasingly looking for ways to align the logistics and economics with producers and food processors to receive the foods they need in the form they need. JCPS has had great success in increasing their local food procurement by issuing direct contracts with area farmers, which can serve as a model for other institutions or processing companies interested in following suit.

At the same time, as more and more consumers are requesting local foods from the institutions serving their meals, and as local food increasingly plays a role in organizations' sustainability objectives, institutional meal providers are increasingly focusing their produce specifications on qualities other than price or, for example, the size of the apples it wants and the number of apples that should come in each box. They are including in the product specifications they send to their food service, food processing, and food distribution company partners statements of preference for local foods. In addition to these, target local food purchasing percentages are sometimes set (e.g. a goal of procuring 10% of the apples an institution uses from local producers over the course of the year). An opportunity exists to support institutions interested in creating specifications or preferences that include local foods in making those goals transparent to their suppliers; and to support their suppliers in meeting their institutional (and other) customers' demand for local food.

Local food purchasing (by area manufacturers) creates distinct opportunities for players along food supply chains: consistent, traced and known ingredient sources provide processors with the opportunity to tell a story about the products they create; the high food safety standards required by food processors can drive

increased capacity on area farms in order to enter these supply chains, while the relatively large quantities of product that enter food manufacturing chains can boost production at the farm level, perhaps creating economies of scale that result in more sales to other commercial buying sectors. Consumers—faced with a superabundance of food options, labels and claims to make sense of—are increasingly interested in not just local foods but foods that come from a business they can trust. Increased local sourcing by the processing sector could yield benefits for all these stakeholders.

The Story

Greater Louisville Inc. (GLI), the Louisville Metro Chamber of Commerce, is very engaged with Louisville food processors and manufacturers, acts as a spark and resource for the sector on food business and product development, works to ensure that their member businesses trend with what consumers want, and understands the economic development potential of increasing the amount of local foods utilized as ingredients in the processed food sector. They are poised and open to strategies to promote local ingredients.

GLI has a strong role to play in supporting a wide variety of food processing and manufacturing companies to figure out where and how local food fits in, how it adds value to their product, and how best to tell the story. Because of the costs of production, development, and equipment and the importance of producing in volume, processors and manufacturers cannot reasonably be constrained to serving one geographic market. For instance, GLI represents a tortilla manufacturer that strategically sources ingredients globally, manufactures only in Louisville, and ships their product nationally. Since what's local to a consumer in KY isn't local to a Californian, the story, power and value of local procurement would lie, not in the consumer getting a product local to them, but in supporting a company that supports its home region's agriculture. This is not the most common local food story told, but it matches a finding of this Demand Analysis: The most commonly selected reason commercial buyers surveyed provided for why they buy local foods is to support the local economy. For another kind of company, it could be one product or one part of their company portfolio that engages local. GLI can help draw out those opportunities. They know their participating businesses "in and out" and can go into that level of business planning, product development and supporting members in building new brands and product lines.



While local food appears in industry report after industry report as "trending" and demand is growing, many processors argue that demand for local still represents a very small percentage of overall demand for food. For this sector above all others, product characteristics like product pack size and consistency rise to the top.



One approach to increasing the amount of food that travels from regional farms to Louisville processors (and then on to consumers) would be to create a performance-based incentive program for processors interested in introducing local foods to their supply chains, in keeping with the successful model of the KY Proud Restaurant Rewards program. With funding from the KY Agricultural Development Board, the Restaurant Rewards program provides a rebate of up to 20% on money restaurants, caterers and institutional food service providers like school districts spend purchasing foods from KY Proud businesses, with an annual ceiling of \$12,000 in rebates per participating business. One restaurateur

interviewed for this study noted that while \$12,000 is a small percentage of her total purchases, the rebate does impact her purchasing decisions and means a lot to her capacity to source locally, which she does above and beyond the amount of product rebated by the program. Further she notes that the process and the paperwork involved in Restaurant Rewards participation is simple and clear.

KY Proud is a strong existing tool—a known and understood program, name and brand. It makes sense to leverage that success and brand recognition, and to extend and adapt the program to more food buying sectors. Because the processor program like the Restaurant Rewards would be transparent and performance based, not promise-based, risk undertaken by the funding agency would be minimal: If participating food processing companies purchase local foods, they receive a rebate. If they do not purchase local foods, the money remains in a pool that can be reallocated to other businesses.

Leaders at GLI noted that a program like this should be rigorous, that companies should have to work to receive rebates, and that economic impact on the state that results from investment in Louisville-based food processing businesses should be measured and assessed, including further business opportunities that emerge as outgrowths of the program as the Kentucky Department of Agriculture, UK and other critical agencies working in support of the state's agricultural build stronger relationships with the food processing industry. Further, while farm-to-manufacturer programs have been piloted on small scales elsewhere around the country, a performance based incentive program such as this could potentially become a national model as Restaurant Rewards recently did when the Alaska Department of Agriculture modeled a local food rebate program after KY Proud's program.



Essential to making an incentive program like this work will be an available “subject expert” to match the businesses to strong suppliers, particularly considering the volumes that could be at play. This is a very specific body of content knowledge and will require dedicated staff- at GLI, elsewhere in city government, or from beyond the public sector- that understand food processors' needs, the challenges and opportunities producers face in meeting those needs, and who know food supply chains and all the issues that arise along them. The Farm to Table Coordinator (housed now at Metro Economic Development and Innovation) will be a key technical support resource: connecting processors with well-matched producers, making accessing local food easy for processors, ensuring that distribution companies that have the infrastructure and local food know-how to serve the processing sector are brought on to do so.

With support from the Agriculture Development Board, GLI could take the lead in promoting and executing this program. As some leadership shifts are occurring within GLI at the end of 2012, it will be essential that the agency work first internally to ensure that organizational leadership there is aligned in support of this program, to ensure that the program will be long term and stable, creating strong opportunities for food businesses and stable selling opportunities for producers. GLI could then work in partnership with KDA, UK, and other government agencies, associations and nonprofits that work in support of farmers to ensure that as many producers as possible are ready to serve a new high volume market.

Like consumers, processors need to trust in reliable, consistent suppliers. Those suppliers could be local suppliers. In addition to a possible financial incentive, other benefits food processors yield could include proximity and thus improved communication with suppliers, increased product traceability and with it the ability to increase storytelling and brand building around ingredient provenance, and co-development of suppliers, such as working with growers to trial new varieties that might enhance a new processed product.

The Metrics

According to the Kentucky Department of Agriculture, the Kentucky Proud Restaurant Rewards Program “reimbursed more than \$129,000 to 170 participating restaurants in 2011, amounting to a farm impact of more than \$885,000.”⁵⁸ If these businesses on average received a rebate for about 14.6% of their KY Proud purchases, then on average each business received a rebate of about \$759 and spent about \$5,206 on local food for which they submitted rebate paperwork. Currently, 172 restaurants, school districts, and other institutional dining services are listed as participating in the Restaurants Rewards program.⁵⁹ If each of these 172 participating commercial buyers received the maximum rebate available (\$12,000), the Restaurant Rewards rebate budget for 2013 would be \$2,064,000. And if that budget represented 14.6% of the KY Proud purchases made by program participants, the program could result in at least \$14.16 million in sales of KY Proud foods.

A larger per-year rebate ceiling might be required for a processor rewards program because the processing sector purchases, transforms, and sells tremendous volumes of food in comparison with the restaurant and food service sector—processors surveyed for this Demand Analysis spent almost five times more on food each year than surveyed restaurants. Detailed market research would be required to determine what an effective incentive ceiling would be. If half of the potential Restaurant Rebate budget (not currently being received by businesses, \$1,032,000) were diverted to create a pilot KY Proud Processor Rewards program, with an annual rebate ceiling of \$24,000 per participant (a larger ceiling since the average processing company has a substantially larger food purchasing budget and thus the incentive would need to be higher) and processors were offered up to 20% in rebates on purchases of KY Proud foods, 43 processing businesses statewide could participate. If they all received, as Restaurant Rewards participants have, an average rebate of 14.6%, Processor Rewards would drive at least \$7,080,618 in sales of locally produced foods by farmers and KY Proud businesses in its first year.

Local food procurement has the potential to lead to job creation within the food processing sector: new positions for pre-processing ingredients that might be received in a more raw or whole state; sourcing local ingredients requires additional time and skills resulting in additional purchasing staff positions or hours; brand extensions or new product lines could be created to promote the local sourcing which could uplift company sales overall; and storytelling vis-à-vis how ingredients were sourced or the significance of place/origin to a food product could generate new marketing, communications, and public relations staff needs within a company. Nationally, \$1,000,000 in sales in the food processing industry is estimated to generate nine new full time jobs.⁶⁰ The Louisville-based non-profit Community Food Alliance (CFA) has cited an employment multiplier of 1.5⁶¹, meaning that if local food procurement in the processing sector, stimulated by an incentive program, were to generate \$1,000,000 in new sales for those businesses in the program’s first year, as many as 14 full-time jobs could be created.

The metrics of success and impact with a program like this extend back from the processing company through the food supply chain and have the potential to positively impact farm expansion, farm-gate income, and stable on-farm employment, factors which several farmers interviewed for this project noted restrained their potential for growth to serve larger markets. According to a 2011 USDA study, every \$1 million a producer sells into regional markets generates 13 full time operator jobs (plus part time and seasonal jobs), compared with 3

⁵⁸ <http://www.kyagr.com/pr/newscenter/Alaska-patterns-Restaurant-Rewards-program-after-popular-Kentucky-Proud-initiative.htm>

⁵⁹ <http://www.kyagr.com/marketing/restaurant-rewards-program.html>

⁶⁰ <http://blogs.edf.org/restorationandresilience/2010/02/24/economic-ratios-and-employment-multipliers-leaving-through-the-lingo/>

⁶¹ Bringing Kentucky’s Farm and Food Economy Back Home. CFA, 2003.

jobs created by the same farm sales made outside the region.⁶² Seven million dollars in local food purchases driven by a Processor Rewards program could generate 91 full time farm operator jobs. Further, CFA has cited employment multipliers for Kentucky agricultural production at 1.3, meaning that those new 91 farm operator jobs could generate an additional 27 farm service sector jobs for Kentuckians.

While investment would need to be made in incentives for processors, supports for farmers wishing to access these new markets would also need to be put in place. For the purposes of this case study, several farmers were asked to imagine that there was potential to plant an acre of tomatoes for a processing company—

More Local Foods From Farm to Processor

Opportunity: Buyers want to purchase locally processed foods, but few do so now.

Approach: Extend the successful and proven KY Proud Restaurant Rewards program to incentivize local procurement by processors.

Convener: Government sector: GLI, in support of the private sector.

Players: KDA, The Agricultural Development Board, food processing businesses, producers.

Investment: \$1,032,000 in local food rebates.

Results: \$7,080,618 in sales of locally produced foods resulting in 118 farm sector jobs. New product and brand development opportunities for food processors. Fourteen food processing sector jobs created per million of sales generated.

what would need to happen to make the deal work and make it a deal worth working for? One farmer noted that he would need a contract that stated that if quality standards were met, the processor would purchase a specified volume of product at an agreed upon price. A good price, he thought, would be about 75 cents per pound, enough to support him if yields ended up being quite low.

This farmer already has the on-farm staff in place to take on a customer in this way. He estimated that his operational costs would include an estimated 400 man-hours (costing about \$5,000) per acre of staked tomato plants, plus about \$8,640 in seed, inputs, packing, storing, etc. In considering capital costs he would face, he noted that he would also need to invest in a grading and packing line, which

depending on the size and age of the equipment, would be \$2,000–8,000. A good yield from that acre would be about 15 tons, resulting in \$22,500 in gross income, resulting in \$8,860 in profit per acre (not counting the capital machinery investment).

He noted the importance of strong relationships between farmers and buyers, in which farmers communicate and buyers understand how perishable produce is at peak ripeness; in which buyers are prepared to take product when it's ready and best; in which buyers are very clear about standards and payment schedules. The farmer was enthusiastic about this kind of relationship, noting that it would "allow a farmer to make the capital investment necessary to produce and deliver a desired product to a stable buyer" and could result in "more stable farm income."

⁶² Know Your Farmer Know Your Food Compass. United States Department of Agriculture, 2012

Conclusion

As with any new initiative, an essential element of a Processor Rewards program would be tracking of the program's success. Such evaluation is essential to demonstrate the value of investments in local food system infrastructure, be it physical infrastructure (like packing or freezing lines), human/staff capacity (such as the Farm to Table Coordinator), marketing infrastructure (such as brands that processors may create or the KY Proud brand itself), or infrastructure of another kind. While depending upon that infrastructure for its success, a Processor Rewards program—and evaluation of that program—should demonstrate the value of that infrastructure to drive continued investment and growth. Such evaluations, tracking local food purchases by commercial buyers in Louisville for instance, could be carried out annually by an interested third party such as Seed Capital Kentucky.

GLI has a series of tools available when working with food processing companies, some related to market development, others to product development, still others related to cost saving. A program like this would be another tool in their toolkit, a tool specific to local food and a pathway into a conversation about local procurement that remains a rarity in the food processing sector. Assuming such a program was seen to align with the state's and Jefferson County's planning priorities, GLI believes they could sell it.

Increasing Healthy Food Options at Retail

The Headlines

- About 50% of surveyed consumers shop at specialty food stores and at corner stores.
- Survey respondents coming from households of less than \$50,000 in annual household income are more dependent on convenience stores and corner stores than are higher income survey respondents: 54.7% (97) of households with income less than \$50,000 shop at these stores vs. 44.8% (48) of those with income over \$75,000.
- Just 23.9% of Louisville Metro adults eat five or more servings of fruits and vegetables each day.

The Opportunity

The Local Food Demand Analysis survey results revealed that almost 72% of Louisville consumers are already buying some amount of local food (29.5% of all surveyed consumers reporting that they do so “frequently”). Many more would be interested in purchasing local food if it were available to them where they already shop. Consumers of all income levels depend on farmers’ markets and other direct from farm-to-table approaches more and more, and some amount of local food is available in mainstream food retail establishments. Still, an opportunity remains to increase the prevalence of local food in all kinds of food retail venues, specifically the small grocery and corner stores that Louisvillians—particularly those with lower household annual incomes—depend on for their food.

“A healthy choice should be an easy choice.”

*—Steve Tarver, President and CEO,
YMCA of Greater Louisville*

This case study explores the opportunity to reposition local food as a normalized, rather than specialized, part of Louisville’s broader food supply. And whereas other sections of this report focus on increasing access to locally grown foods for buyers of all kinds, this case study expands that focus and that goal and asks: *How can access to affordable healthy foods be increased in all venues where consumers shop? And when possible, how can more of the healthy food filling these establishments be procured locally?*

A portion of the food dollars that low-income Louisville residents spend come from the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps. Almost \$217,000,000⁶³ SNAP dollars are spent in Jefferson County every year, and the program is growing. In 2011, 18.85% of Jefferson County’s residents were SNAP participants, up from 16.27% in 2009.⁶⁴ Since 2008, Jefferson County has had a 96% participation in SNAP, meaning that 96% of households that are eligible for the benefit receive it. This is among the highest SNAP participation rates in the nation. Still, in 2011, with benefits averaging \$272.15 per recipient case, unclaimed SNAP benefits (that remaining 4%) represented \$9,039,734 that could have been circulating through the Louisville food economy, but were not.⁶⁵

SNAP redemption at farmers’ markets in Kentucky is not currently tracked at the county level, but statewide, in 2011 just 0.004% (-\$8,500) of all SNAP dollars were spent at farmers’ markets, compared with 0.016% nationally. Yet SNAP redemptions at KY farmers’ markets increased by 77.6% from 2010 to 2011⁶⁶, as mobile electronic

⁶³ <http://chfs.ky.gov/NR/rdonlyres/1735C870-040D-41A7-BA2D-58DC7967007C/0/Combined.pdf>

⁶⁴ USDA Food Atlas (Jefferson County Data)

⁶⁵ “SNAP Access in Urban America: A City-by-City Snapshot.” January 2011, The Food Research and Action Center (FRAC), Washington DC. FRAC uses 2008 data because at the time of publication, that was the most recent year for which census data is available to calculate the number of people potentially eligible for SNAP/Food Stamps.

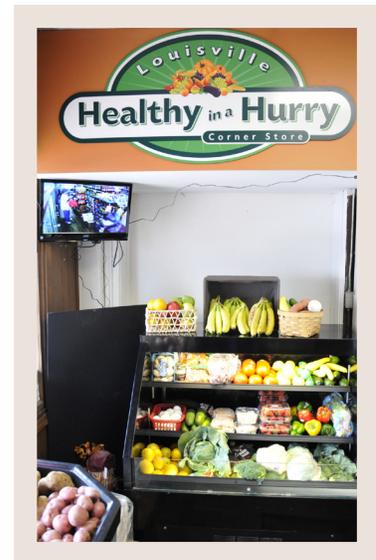
⁶⁶ USDA Food and Nutrition Services Benefits Redemption Division (data for all of Kentucky for Farmers’ Markets)

benefit transfer (EBT) infrastructure has been made increasingly available to enable those sales.⁶⁷ This arena is growing in Kentucky and in Louisville, and an opportunity exists to increase the pace of that growth, enabling more SNAP dollars to be spent at farmers' markets on healthy, local foods.

But like all dollars, most SNAP dollars are spent not at farmers' markets, but at brick and mortar retail establishments: supermarkets, grocery stores, corner and convenience stores. More dollars (including but not limited to SNAP) can be spent on healthy foods at retail—and an increasing amount of healthy food could come from local farm and food businesses. It will take more resources focused on ensuring that more who are eligible are receiving benefits, on matching retailers seeking healthy and/or local foods with suppliers of those foods, and on maximizing infrastructure that supports local foods' entry into supply chains that already fill retailers' shelves.

The Story

One of Louisville's premiere programs focused on increasing healthy food access for lower income consumers is Healthy in a Hurry. Operated as a partnership between the Jefferson County Department of Health and Wellness's Center for Health Equity and the YMCA, the program supports corner stores in Louisville neighborhoods that have been identified as food deserts (defined in the Context section of this report) with infrastructure, technical assistance and merchandising supports to expand the fresh produce selection in their stores. Funded in part by a Health and Human Services' Communities Putting Prevention to Work (CPPW) grant, the program launched in 2009, and is now up and running in seven Louisville corner stores.⁶⁸ For stores that have previously not sold fresh and highly perishable foods like fruits and vegetables, the obstacles and risks associated with carrying these products are numerous: lack of experience handling and selecting produce, lack of resources for promoting it, lack of infrastructure like walk-in coolers in the back-of-the-house and in-store refrigerated display cases. Through the program, stores receive grant funds for program signage, marketing, display refrigeration, community outreach support, technical assistance and more, the kind of physical and information infrastructure that enables a small business owner to take try something new that builds their business and, in this case, benefits the community at large. With these supports in place, the seven participating stores each sell \$8,000–9,000 worth of produce every month.



Around the country, a number of successful programs are flourishing—some run by non-profits, others by city agencies—that provide consumers (some of them SNAP beneficiaries) with additional dollars to spend on fresh foods purchased at farmers' markets. Participants in the New York City Department of Health and Mental Hygiene's (DOHMH) Health Bucks program receive an additional \$2 in Health Bucks for every \$5 in SNAP that they spend on fresh fruits and vegetables at NYC farmers' markets. NYC's is the largest city-operated SNAP incentive program in the country. Like Louisville,

⁶⁷ EBT (Electronic Benefits Transfer) is a system that enables the federal government to distribute benefits such as SNAP to program participants on a payment card that functions like a debit card.

⁶⁸ <http://www.louisvilleky.gov/Health/equity/HealthyinaHurry.htm>

NYC receives federal funding through CPPW, and in 2010–11, DOHMH used a portion of this funding to grow the farmers' markets' capacity to accept EBT cards. Health Bucks are distributed on-site at farmers' markets, through community organizations (to increase outreach to SNAP recipients not yet shopping at farmers' markets) and by other means, and DOHMH distributed \$260,000 in Health Bucks in 2011. Combined with federal SNAP dollars spent at markets through the program, the program was estimated to have generated more than \$642,000 in regional economic activity.⁶⁹ Giving SNAP shoppers a 40% bonus on what they're already spending for local produce has had big impacts: one participating market reported \$340.67 in average daily EBT sales prior to launching Health Bucks and \$1,607.88 afterwards, an increase of 472%. Further, a program evaluation revealed that 71% of consumers ate more produce and 72% of farmers sold more as a result of the program.

The nonprofit Wholesome Wave operates an innovative pilot program called the Fruit and Vegetable Prescription Program (FVRx) that, like Health Bucks, provides additional money for fresh produce bought at farmers' markets. But rather than linking those dollars to SNAP, Veggie Rx provides them in the form of a "prescription" for one serving of produce each day (valued at \$1) per household member. Rather than SNAP beneficiaries, FVRx target participants are overweight and obese children and pregnant women and their families. The program creates and depends on strong, integrated partnerships between community members, their health care providers and their neighborhood farmers' markets to change participants' food consumption habits, to measure those changes and then to assess their impact on participants' overall health and community health. The program, operated at 12 sites nationally in 2012, is effective: in 2011, it reached 1,222 people who, on average, saw a 38% decrease in BMI in four months of program participation. The program also resulted in almost \$50,000 in new farmers' market sales.⁷⁰

It is important to note that for incentives to be linked with SNAP dollars at farmers' markets or anywhere else, USDA waivers must be obtained. The USDA is supportive of SNAP farmers' market incentive programs and with Farm Bill funding has recently undertaken the Healthy Incentives Pilot (HIP), through which consumers receive SNAP incentive dollars to spend on fruits and vegetables in retail establishments (including approved grocery stores and corner stores). An in-depth evaluation of the incentives' impact on healthy food consumption is expected in 2013. Still, while HIP is in pilot and testing phases, a program like Veggie Rx that does not link incentives to SNAP or other federal money, though more complicated in other ways, could involve fewer regulatory hurdles.



There is not currently a state- or nonprofit- operated program that incentivizes local food or fresh food purchases with (or without) SNAP money in Louisville, Jefferson County, or elsewhere in Kentucky. Louisville would make a strong Veggie Rx pilot city, a farmers' market program like Health Bucks could be created, or a hybrid of the programs described above could be created for Louisville. Built on the success of the strong existing partnership between the city's Department of Health and Wellness and the YMCA through Healthy in a Hurry, and engaging other nonprofit leaders focused on health and food access, a SNAP incentive program could be developed which would enable SNAP shoppers to spend incentive dollars at farmers' markets, Healthy in a Hurry corner stores, and all retail establishments where SNAP is accepted. To keep the program simple for consumers and for participating retailers in its initial years, the program's eligible foods could be limited to whole, fresh fruits

⁶⁹ http://www.nyc.gov/html/doh/html/cdp/cdp_pan_health_bucks.shtml

⁷⁰ <http://wholesomewave.org/fvrx/>

and vegetables, local or not local.

Work already being undertaken through CPPW to measure Louisvillians' food consumption habits could be expanded to evaluate how much more produce is being sold and eaten as a result of the program.

The city's nonprofit sector would have a key role to play in communicating the demand for local and healthy foods to existing retailers; providing merchandising supports, culinary education or nutrition information on-site for consumers; leading the charge on increasing SNAP outreach to ensure that all consumers eligible for benefits are receiving them and that as many of those as possible are also participating in the city's SNAP incentive program; and creating a map and guide for program participants that clearly demonstrates where incentive dollars can be used and for what kinds of foods.

Dare to Care is a strong potential partner for this work. The organization distributes more than 5,000,000 pounds of fresh produce each year, including some donations from farmers and a pilot Farm to Food Bank program through Capstone Auctions that resulted in 200,000 pounds of local food sent to emergency food providers in Louisville last year. Further, the organization's educational programming, Kids Café and Cooking Matters⁷¹, could be expanded to serve SNAP incentive program participants.

As Healthy in a Hurry has done, there is an opportunity to partner more with existing distributors who focus on local foods to get more fresh food, local when possible, into venues that may not have previously carried those foods. A SNAP/healthy food incentive program could also drive expansion of Healthy in a Hurry into more corner stores in the neighborhoods where fresh food access is most limited.

Metro government's Department of Economic Growth and Innovation, and specifically the Farm to Table Coordinator, would have key roles to play as well, working with retail establishments to ensure that their offerings were local whenever possible and ensuring that those retailers have the educational and marketing materials to promote local product when it IS available; articulating new supply chains that serve grocers/merchants of various scales with healthy local foods; and investing in infrastructure like refrigeration that better enables fresh food and local food to move through these channels. While the primary goal would be increasing access to *all* fresh fruits and vegetables, local foods and the experiences people have with local foods are celebrated nationwide as a gateway to creating new relationships between people and produce, with the intention of broadening the way consumers think about food.

When infrastructure and supply chains are built that support local food's entry into more marketplaces, that infrastructure will broadly support a more vibrant and healthy food system. The result will be increased utilization of SNAP benefits and associated multiplier effects flowing through Louisville's economy, new business opportunities for food retailers of all scales, more healthy foods purchased and consumed by Louisville residents, and in some cases, new marketplaces for the region's farmers.

⁷¹ These are local programs of national initiatives designed by Share our Strength (www.strength.org)

The Metrics

The highest SNAP participation rates nationwide are 98%. SNAP participation in Louisville is already very high, but increasing it to match the highest in the nation would bring an additional \$4,519,595 annually into circulation in Louisville's food economy, for a total of about \$221.5 million SNAP. Approximately 19.6% of SNAP dollars nationwide are spent on fruits and vegetables.⁷² With increased participation, Louisville's SNAP shoppers could be reasonably expected to spend \$4.5 million on fresh produce each year.

More Healthy Food at Retail

Opportunity: Increase consumer access to fresh, healthy foods – local when possible – where they shop.

Approach: Create a program to incentivize purchases of fruits and vegetables with SNAP dollars, and support regional supply chains to make as much of that produce as possible local produce.

Convener: Nonprofit sector.

Players: Department of Health and Wellness, YMCA, Metro Economic Growth and Innovation. Dare to Care and other nonprofits committed to healthy affordable food access.

Investment: \$650,000 – \$500,000 in incentives. \$105,000 in refrigeration, \$45,000 in administrative and marketing supports.

Results: \$2.67 million additional fresh fruit and vegetable sales to SNAP shoppers.

If \$500,000 were invested in incentives and those incentives drove an increase in SNAP participation and a 5% increase in the amount of fruits and vegetable SNAP shoppers purchase with their benefits, an additional \$2.67 million worth of fruits and vegetables would be purchased each year.

Beyond the potential economic impact of increasing SNAP participation, corner store owners report that they have to encourage their customers to spend the full value of their Women, Infant and Children (WIC) Fruit and Vegetable Voucher, and that much SNAP money allocated toward produce goes unspent. To encourage beneficiaries to make use of their benefits while readying the stores to supply these consumers, Healthy in a Hurry could engage nutrition education programs such as UK Cooperative Extension's SNAP-

Ed, advocacy organizations like the Network Center for Community Change, and neighborhood organizations and churches to reach the broadest base of consumers.

Healthy in a Hurry currently does not have a funding stream for expansion. An investment of \$150,000 could double the size of the Healthy in a Hurry corner store network to 14 stores⁷³, expanding the program's reach beyond West Louisville to other food insecure parts of the city. With that funding in place, the program could also develop consumer education and outreach as described above and could coordinate participating store owners to leverage their purchasing power, making more produce available to more people at more affordable prices.

⁷² A Review of Strategies to Bolster SNAP's Role in Improving Nutrition as well as Food Security. Food Action Research Center, February 2012.

⁷³ 7 stores x \$15,000 grants (\$10,000 for a walk-in storage unit, \$5,000 for a produce display case) + \$45,000 for staff and administration

Conclusion

Key to the continued success of any initiative like this is measuring and clearly demonstrating that success. To do so, program evaluators could follow the money to see how many incentives are distributed and redeemed, what products are purchased, how many more produce portions people are eating as a result (CPPW), to what extent stores are experiencing an uplift in overall sales as a result of the program, and how much local food is entering participating marketplaces (Louisville Farm to Table). By purchasing produce with SNAP incentive money, consumers demonstrate the demand for healthy foods (and local foods), enabling the corner stores, agencies and organizations to answer that demand with ever improving access to healthy food in all Louisville communities.

Pulling It All Together

Thematic threads, both stated and understated, weave through these vignettes. The stories demonstrate how local food system stakeholders can act on this report's findings. The synthesis below links the vignettes to each other and brings to the foreground the fundamental factors and themes underlying current and future work for growing Louisville's local food and agriculture economy. They are as follows:

- **Strategy:** New efforts to tactically, incrementally expand of local food production and distribution investments can build on existing resources and proven efforts (including small scale successes that might be scale-able) to bring Jefferson County closer to meeting its demand for local food.
- **Trust:** Meeting demand for local food is as much about trust as it is about supply. Growing local food's status in Louisville from a specialized to "normalized" part of the food supply will require strong communication and relationships. Commercial buyers will need to be clear with suppliers about the products and volumes they need and the prices they can pay. Producers will need to engage actively with potential new buyers and the service industries (brokers, distributors) that can help them reach those new buyers (promoting what they have available, for example). And consumers must be clear with the owners of food businesses they depend on about the kinds of foods they want and where they want those foods to come from.
- **Infrastructure:** New infrastructure will be required to increase the available local food supply (and the quality of that supply). More infrastructure will be needed to handle these increased volumes of local food, in the forms of aggregation, processing or distribution infrastructure. As this physical infrastructure expands, complementary investment should be made to expand technical assistance and marketing capacity. Specifically, where local expertise, resources or programming already exist, investments should focus on growing, utilizing and scaling existing effective resources.
- **Tracking:** Essential to maintaining the momentum of a growing local food system will be tracking progress along the way. Tracking and evaluation should demonstrate clearly and measurably investments' and strategies' values and impacts (amount of food sold, farm income gains, increased consumption of healthy foods, new companies and jobs created, e.g.)
- **Place:** Louisville businesses place primary importance on supporting Louisville's economy and on the economic stability of area farmers, bringing additional dollars into circulation through business growth, and creating jobs that weren't there before. Farmers, consumers and businesses of all scales want Louisville's economy to thrive, and they see local food as a means to that end. The very strong sense of pride in Louisville and Kentucky is an asset in those efforts—and a differentiator among its peer states and cities.
- **Support:** An array of "supports" in the form of education, technical support, advisory services, and other forms of professional assistance will be required for farmers who wish to grow and serve new commercial markets, for buyers who want to source local, and for consumers seeking to change the way they shop or eat. Commercial buyers will need assistance creating (for example) product specifications that state preferences for local food. They will need support working with existing and new suppliers to access those local foods. And they will need marketing assistance to promote the foods themselves and the impacts their companies are making by sourcing locally.
- **Supply:** Farmers will grow to meet Louisville's demand, but they need assurance that the demand is real. Farmers and the businesses who purchase from them noted that among even the best-intentioned people, at times there is a disconnect between how people think of themselves (or their

businesses) and what they actually do. In the case of purchasing local food, commercial buyers express interest in volumes that regularly exceed what they actually buy when harvest time comes. Contracts between commercial buyers and the farmers who want to supply them will provide the security farmers need to take the risk of scaling up production for new, unproven markets.

Housed within the big picture of Louisville's demand for local food—and essential to the city's capacity to meet that demand—are diverse opportunities for investments of capital, technical expertise, innovation, long-view thinking, and collaboration. The concept of innovation and its link to economic opportunity arose repeatedly in the course of this research. By seeking to understand the demand for local food in a major commercial marketplace and with a vision of an economic development policy anchored by the connections between urban food consumption and rural food production, Louisville has established itself an innovator and thought leader.

This study identified and quantified \$258 million in demand for local food among individual consumers and \$353 million among commercial buyers. Louisville's people— policy makers, nonprofit leaders, producers, food businesses, private investors and consumers— can utilize this verification of the demand for local food to create a long-term, robust, and productive economic and community development strategy.



KARP RESOURCES



SEED
CAPITAL KY

FOOD
SYSTEM
PLANNING

STRATEGIC
SOURCING

RESEARCH
&
EVALUATION

SUSTAINABILITY
SOLUTIONS

RECRUITING
&
ORGANIZATIONAL
EFFECTIVENESS