

Local Foods, Local Places Technical Assistance Program



Strengthening the Local
Foods System and
Downtown
Revitalization:

Actions and Strategies for
the City of North Little
Rock, Arkansas

June 18, 2015

Community Story

North Little Rock is a city of approximately 66,000 located just across the Arkansas River from the state capitol of Little Rock. The urban heart of the community is the historic Argenta neighborhood which is experiencing a rebirth with the addition of new residential, mixed use and retail offerings through redevelopment and infill. Activity in the historic Argenta neighborhood is anchored along Main Street which is also home to the River Rail streetcar – providing transit access to additional points in downtown Little Rock. The compact and walkable downtown area includes several locally owned restaurants, repurposed historic buildings and the Arkansas Innovation Hub. The Hub is a one-of-a-kind economic development incubator providing space for collaboration and hands on creation to foster new businesses and spark future economic development with the Argenta Arts District and beyond.



North Little Rock's Argenta neighborhood offers opportunities for continued reinvestment in housing, retail and food based businesses and organizations. The historic walkable community is well connected by streetcar to other key destinations within the greater Little Rock area.

In 2014, the Innovation Hub requested assistance through the Local Foods, Local Places program to develop an action plan for incorporating a local food program into the existing work of the Innovation Hub and fostering the creation of a strong place-based initiative for downtown Argenta and the region as a whole utilizing the opportunities afforded by Arkansas' wealth of agricultural production and burgeoning interest in local foods. The program is supported by the U.S. Environmental Protection Agency (EPA), U.S. Department of Agriculture (USDA), U.S. Department of Transportation (DOT), the Centers for Disease Control and Prevention (CDC), and the Delta Regional Authority (DRA). Implementing the actions described in this plan can bring several benefits to the community including:

- Better access to healthy local food, especially among disadvantaged groups.
- A revitalized downtown that is the economic anchor of the community.
- More economic opportunities for local farmers and businesses.

Context

Although agricultural and forestry uses account for 95% of all Arkansas land resources, and there are almost 50,000 farms statewide (97% of which are family-owned), 16% of Arkansas farms account for 92% of production¹. Many of Arkansas’ crops are grown for export on large-scale farms; for example more than 60% of rice is sold to buyers outside of the US, and as the 2nd largest producer of poultry meat in the US, the poultry and egg industry contributed \$3.7 billion to the Arkansas economy in 2012². Specific to the Central Arkansas Region, tomatoes, watermelon, and berries are all grown successfully at a large scale, yet are typically underutilized (or unavailable for purchase) by restaurants and consumers interested in purchasing locally grown food. Dietary and health trends (detailed below) in Central Arkansas underscore this dearth of availability of fresh, local foods. While plenty of good food is produced in the region, due to logistical, economic, and infrastructure obstacles, there still remains a lack of availability of fresh food for significant portions of the Central Arkansas population. One way this availability gap is currently being addressed is through large-scale gleaning programs organized by the Arkansas Hunger Relief Alliance. The Alliance works with large farms to procure “seconds”—healthy food that exist in the field or warehouse after all known markets have been satisfied—and distributes that food to families across Arkansas experiencing food emergencies through their network of food banks and pantries.

The goals of the Arkansas Regional Innovation Hub involve increasing individual, household, and community wealth through instigating and supporting entrepreneurship, realizing that the local food system provides an opportunity to address both the economic security of Central Arkansans well as their health.

Health Indicators	Pulaski County	Relative to Peer Counties
Adult Diabetes	8.7%	On Par
Adult Obesity	28.8%	On Par
Uninsured	18.3%	Better
Cancer Deaths	198 per 100,000	Worse

Source: CDC Community Health Status Indicators (2015)

Economic Indicators	North Little Rock	Arkansas
Median Household Income	\$40,170	\$40,768
Persons Below Poverty Level	21.9%	19.2%
Persons Using SNAP Benefits in Past 12 Months	16.2%	14.6%

Source: American Fact Finder (2015)

¹ Source: Arkansas Farm Bureau, 2015. URL: <http://www.arfb.com/for-consumers/arkansas-ag-facts/>

² Source: The Poultry Federation, 2015. URL: <http://www.thepoultryfederation.com/industry/poultry-and-egg-industry-facts>

Figure 1 - Agricultural Statistics for Pulaski County, AR

U.S. Agriculture Census Figure	2007	2012
Total Farms	484	417
Vegetable Farms	30	28
Fruit, Tree Nut, and Berry Farms	25	32
Livestock, Poultry, and their Products Farms	229	193
Total Agricultural Sales	\$27,415,000	\$39,970,000
Agricultural Sales Direct to Consumers	\$250,000	\$145,000

Source: USDA Census of Agriculture (2012)

2012 Consumer Spending in North Little Rock	Total
All Food	\$173,097,367
Meats, Poultry, Fish, & Eggs	\$23,590,906
Dairy Products	\$11,327,499
Fruits & Vegetables	\$20,048,716

Source: ESRI Business Analyst

Engagement

The Innovation Hub hosted a small team of federal agency staff and consultants for a two-day workshop on March 6-7, 2015. The workshop included a tour of downtown Argenta, Main Street, and visits to nearby food-based assets including the St. Joseph’s Farm and the Arkansas Food Bank. Following the tour, more than 75 members of the public, non-profits, foundations, universities, local and state governments, and other stakeholders participated in the 2-day workshop to help clarify how to strengthen the local food economy across the greater Little Rock region, foster food based entrepreneurship, strengthen food insecurity programs and further catalyze place-based development activities in the historic Argenta neighborhood. Case studies and key considerations were presented to bring new ideas to the table, and the facilitators led participatory exercises to identify shared goals, obstacles, and opportunities. The workshop also allowed for much-needed networking time between many organizations and individuals that are already engaged in food system work across the region.

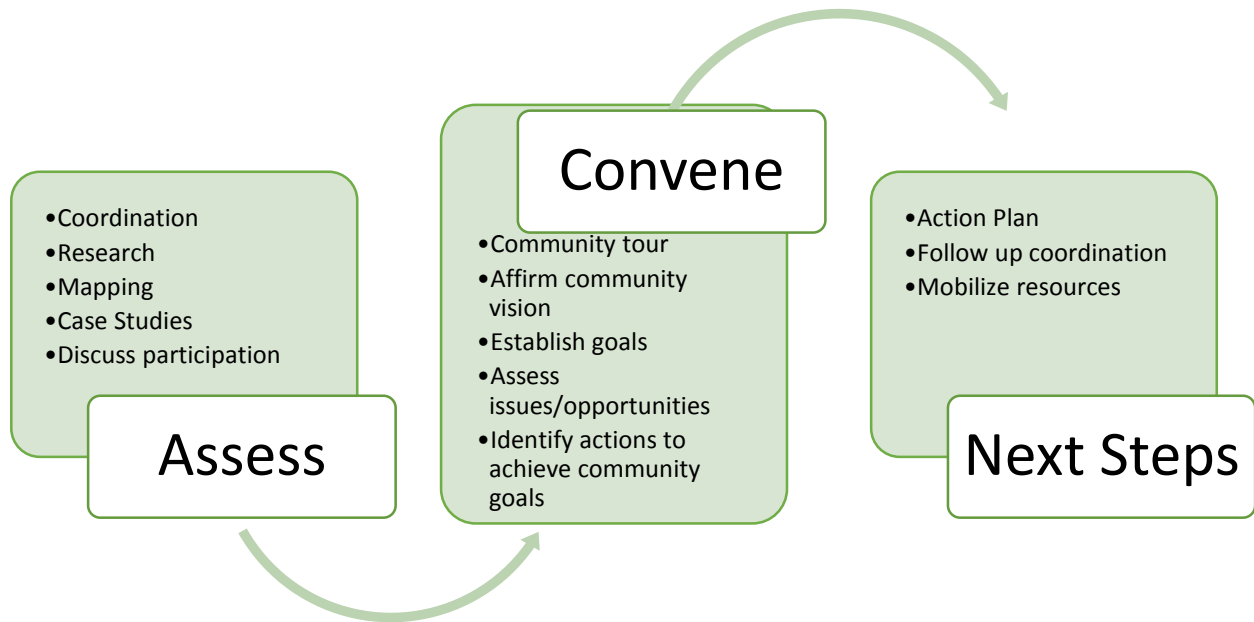


Figure 2 - Technical Assistance Process Diagram

Vision

The community’s vision is to advance the local food system and foster related entrepreneurial activities within the greater Little Rock Arkansas region. This includes creating a new Regional Food Innovation Center (RFIC) within the Arkansas Innovation Hub located in North Little Rock. The key elements include providing additional programmatic support necessary to foster food-based entrepreneurship, scaling up the local food economy, scaling up local hunger distribution networks and their ability to process and store gleaned produce, improving education and outreach, and further strengthening infill and redevelopment demand along Argenta’s main street.

As a result of the two day workshop, several goals emerged to support the vision noted above. The detailed listing of all stakeholder goals and needs is included in the appendix. As a result of these discussions, the project steering committee narrowed the goals into four primary areas as shown in Figure 3.



Figure 3: Goals for Advancing the North Little Rock Local Places, Local Foods Network

Workshop participants also identified some action steps for achieving each goal. Additional actions have been added by the workshop facilitators for consideration to supplement the actions needed to achieve these goals. The goals and corresponding actions are outlined in the Action Plan section.

GOAL 1: Develop a physical and virtual “hub” in historic Argenta (Regional Food Innovation Center (RFIC)) to support and encourage innovation within the Central Arkansas Food System. Work to match supply with demand and food system gaps with potential entrepreneurs.

- Action 1.1: Create programming such as gatherings, retreats, conferences, monthly or weekly lunches, and email and web-based information sharing, specifically geared toward small business support within the food system.
- Action 1.2: Create systems and staffing to capture both knowledge and names/affiliations of participants as well as instruments to disseminate this knowledge: add a page to the Arkansas Regional Innovation Hub website, develop newsletter for the RFIC.
- Action 1.3: Create a marketing plan and branding program for the RFIC.
- Action 1.4: Position the RFIC as an authority through publishing and presenting resources and innovative materials.
- Action 1.5: Conduct an interim study on policy recommendations for agriculture across Arkansas, specifically geared toward small food production and entrepreneurs, food insecurity, and food waste.

GOAL 2: Identify physical and programmatic needs to expand the regional food system in Central Arkansas. Need to explore and document gaps and opportunities in the regional food system targeted on identification of existing facilities, soft and hard infrastructure assets and the future needs.

- Action 2.1: Lead a Community Food System Assessment process—secure funding, coordinate partners, conduct assessment, and disseminate information.
- Action 2.2: Through the assessment process, identify the specific Argenta based multi-purpose facility program needs inclusive of small scale aggregation, demonstration kitchen and maker space elements.
- Action 2.3: Through the assessment process, identify the specific food insecurity based processing, aggregation and distribution needs to expand existing networks.
- Action 2.4: Ensure that there is broad participation in the assessment process—reach out to faith-based communities and other non-governmental and lesser-known initiatives, especially those with limited visibility who are working with communities of color and new resident populations.

GOAL 3: Support and amplify the role of key stakeholders in the North Little Rock area working within the food, farming, and food-system innovation sectors.

- Action 3.1: Help to coordinate business and technical assistance by creating new partners through the RFIC with other organizations such as Heifer CSA program.
- Action 3.2: Ensure that the business and technical assistance providers connected with the Regional Innovation Hub are available to assist with creating a business plan and strategy for the processing of gleaned produce as the capacity for the Alliance to do so increases and appropriate facilities are made available.
- Action 3.3: Better coordinate activities in the Argenta based hub with the AFIC, Heifer International, People Tree and others. Could include the Hub serving as a satellite location for processor workshops and information dissemination. Continue dialogue about expanding the scope and reach of the AFIC, assisting in their efforts to secure additional funding and possibly opening new, specialized processing facilities in other regions of the state.

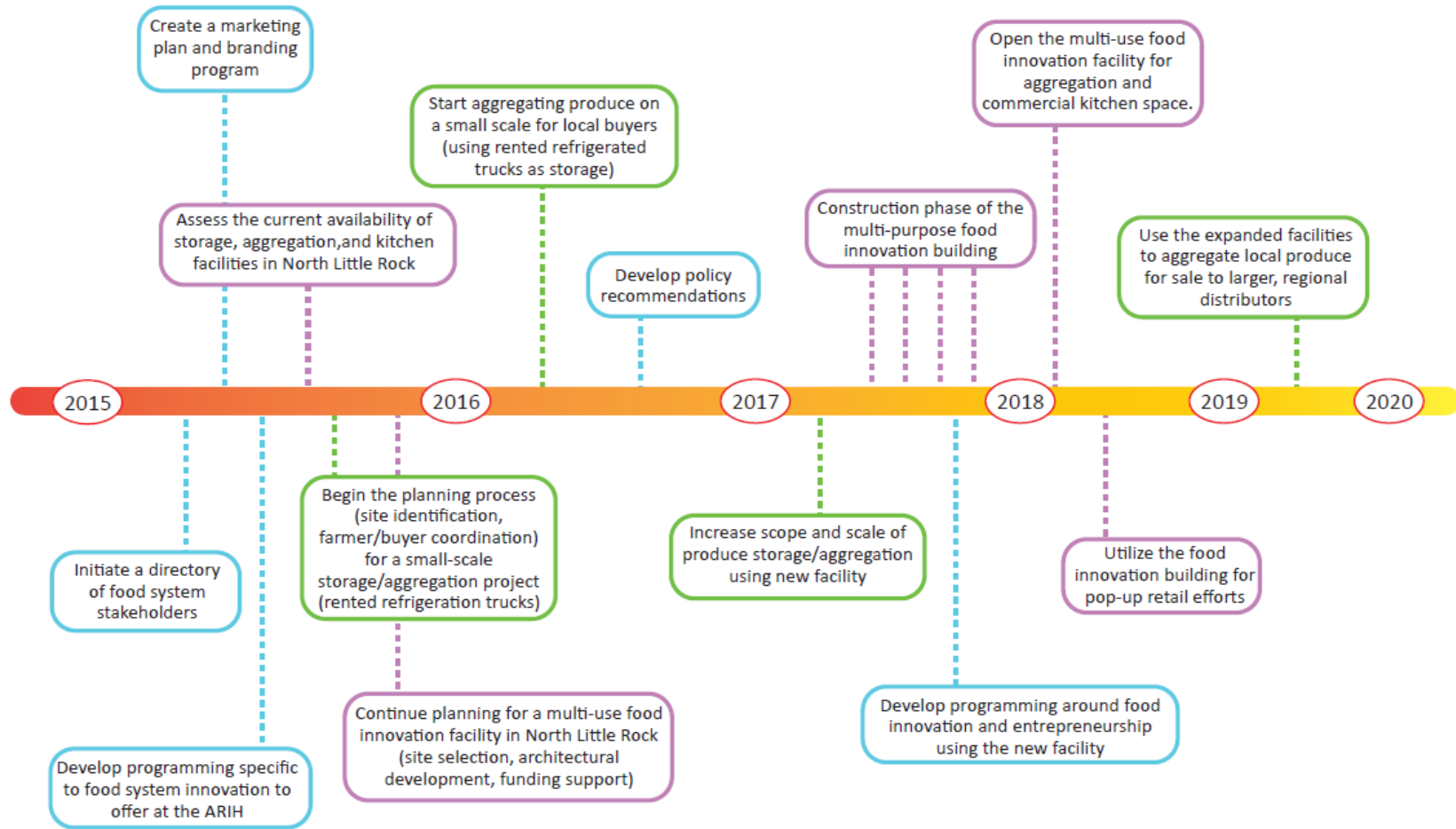
GOAL 4: Assist the Arkansas Hunger Relief Alliance in planning for a value-added food processing facility in the North Little Rock area.

- Action 4.1: Conduct a market feasibility study for a value-added processing facility specific to the needs of the Arkansas Hunger Relief Alliance and their associated Food Banks in processing and preserving gleaned produce for distribution to food pantries and other food-need agencies (coordinated with Action 2.3).
- Action 4.2: Complete a business plan for a potential food processing facility in the North Little Rock area.
- Action 4.3: After determining the specific capabilities needed in a local food processing facility, design a prototype facility to elicit feedback from stakeholders. Identify additional opportunities for programmatic support to be potentially located in the Argenta based multiuse facility.

Timeline & Prototypical Multi-Use Facility

The diagram (Figure 4) on the following page reflects a potential timeline to support the development of the Regional Food Innovation Center (RFIC) in North Little Rock. Figure 5 represents a prototypical multi-use food hub facility scaled to fit within a walkable Main Street context.

Figure 4 – Timeline for Development of the Regional Food Innovation Center

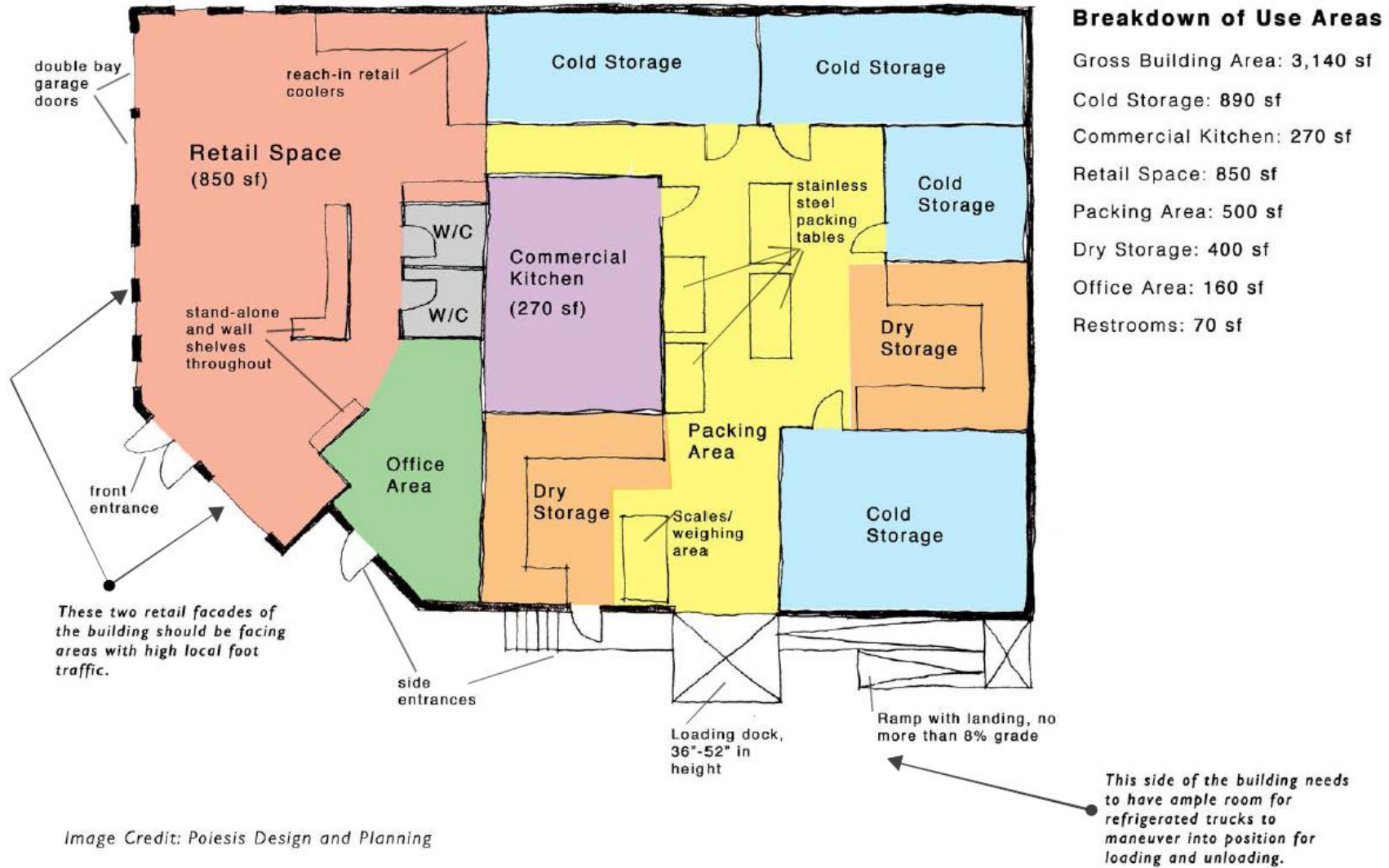


Regional Food Innovation Center
 North Little Rock, Arkansas
 Potential Timeline of Project Development



Figure 5 Prototypical Multi-use Food Hub Facility

typical local foods multi-purpose facility



Additional Considerations

To begin implementing actions to achieve the above goals, it may be beneficial to conduct a more detailed feasibility analysis to determine the best location, design and purpose for new processing and aggregation facilities as noted above. The following provides some helpful information to aid in those considerations.

PRODUCE AGGREGATION FACILITY

What happens at this type of facility: Multiple farmers deliver produce to the facility already washed, sorted, and packed (according to the buyer's requirements). Produce from multiple farmers is sorted and aggregated into shipments to buyers.

The farmer's role: Send an updated list of available produce to the facility manager, predicting harvest times, amounts, and quantities for an upcoming period, usually two weeks. Deliver requested produce that is washed and packed according to specifications.

The facility's role: Maintain and document the cold chain for the produce after the farmer delivers to the facility. Broker the produce: market to restaurants and institutions, identify new buyers, track what the farmers have available, and inform farmers of sales several days prior to expected delivery. Determine and execute the logistics of delivery to buyers. Conduct customer service—follow up on buyer complaints and questions.

Fixed costs: Staffing. If run on a minimal budget, a small aggregation facility can be run by 1-2 full time staff, with a third full or part time person driving a delivery truck. With more than a few buyers, the staffing required will increase. Cold storage requirements include a cool packing room and at least two cold storage rooms (taking into account different temperature and humidity requirements of produce types). The cold storage areas need to be large enough to move produce around with a pallet jack, and the loading dock should be high enough to be level with the floor of a box truck. Utility costs should be estimated and considered. Running a small 700 square foot cold storage unit year-round costs around \$7,200³. Other costs include inventory software and equipment, temperature tracking equipment, labels and marketing supplies, and scales.

Profit mechanism: Aggregation facilities and brokers typically charge a 20% markup on produce sales. Often the farmers are paid a wholesale price minus 10% for their product and the facility sells the produce for wholesale plus 10%. Therefore, if an aggregation facility moves \$50,000 worth of produce (gross) in a season from farmers to restaurants and institutional buyers, approximately \$10,000 in revenue would be realized. Note that there is always some shrinkage and loss due to produce spoilage and produce returned from customers, potentially lowering the \$10,000 in projected revenue by an average of 10-20%.

³ Source: <http://blog.uscooler.com/operating-cost-walkin-cooler-freezer>

Example pro forma for a simple produce aggregation facility

	2016	2017	2018	2019
Estimated produce sales (gross)	\$25,000	\$40,000	\$55,000	\$80,000
Expenses				
Cold Storage and Facilities (cold units and packing retrofit only, excludes building rent or construction)	\$50,000		\$20,000	
Payments to Farmers	\$22,500	\$36,000	\$49,500	\$72,000
Staffing (year 1—1.5FTE, year 2—2FTE, year 3—3FTE, years 4-5—4FTE)	\$60,000	\$80,000	\$120,000	\$160,000
Utilities	\$10,000	\$15,000	\$20,000	\$20,000
Refrigerated delivery truck (used)	\$20,000			
Fuel for deliveries	\$3,000	\$4,000	\$6,000	\$8,000
Income				
Revenue from produce sales	\$5,000	\$8,000	\$11,000	\$16,000
Profit/Loss	(\$160,500)	(\$127,000)	(\$204,500)	(\$244,000)

Notes on sample pro forma:

- Items that are not included in this sample pro-forma, all of which are significant:
 - Building construction costs (only the cold storage units are included in the table above)
 - Equipment maintenance (including for delivery truck)
 - Staffing costs—I estimated \$40,000/year for a full time employee, including all taxes and benefits. This is low, and probably won't be helpful in retaining knowledgeable employees—one of the main lessons learned from existing facilities.
 - Any loss from damaged, spoiled, or returned produce. (Typically 10-20% of gross sales.)
- Estimated produce sales are based on current and projected local production capacity.
- It is possible to garner additional revenue by renting unused portions of the facility to other producers, aggregators, and small institutions.

4. The projected loss can be mitigated through a combination of grants, in-kind donations for facilities and equipment, low-interest loans, and on-going fiscal support through a supportive agency. However, a strategy to attain fiscal sustainability by year five is strongly suggested before proceeding.

5. According to the current director of a successful produce aggregation facility who has served in a consulting capacity for a number of years, the minimum amount of gross produce sales to break even as a produce broker/aggregator is \$3,000,000 although she says that it can be done for less if leakage is minimized. Her firm began in 2004 as a private, grower-owned LLC, currently realizes over \$3,000,000 in gross sales, and projects to reach a net profit in 2017.

Challenges for Large Scale Produce Aggregation in the Argenta Neighborhood of North Little Rock:

1. A facility operating at a sustainable scale requires multiple mid and large-sized trucks accessing the facility, and the space for their ingress/egress from the site may present some challenges within the walkable, small-scale neighborhood of Argenta.

2. In order to achieve fiscal sustainability, there must be enough producers willing to sell through the facility at a wholesale price. Research is needed to confirm the current production capacity of area farmers and their interest in new wholesale markets among current North Little Rock area farmers. In addition, it is necessary make a realistic assessment of the potential to generate new producers within the next few years that are willing and able to sell at the scale and price necessary for wholesale distribution.

3. Likewise, it is necessary to have commitments from various buyers that they will purchase the aggregated produce during the time frame that the farmers will be growing it and for the price that they and the farmers agree upon. That price may be significantly higher than what they normally pay through their distributor. Additionally, this small-scale aggregation facility will not be able to fulfill orders as quickly as their current distributors—a common complaint for restaurants making the switch to local purchasing.

4. It could be difficult to garner enough funding support to build and operate this facility since the potential for realized fiscal sustainability may be limited due to the low wholesale production of produce crops in the area whose growers are interested in small-scale sales. As such, it will be helpful to consider partnerships and collaborators whose agency mission allows for a significant annual loss while providing an “incubator” for existing and new farm businesses.

Opportunities for Small Scale Aggregation in the Argenta Neighborhood of North Little Rock

An initial smaller scale opportunity to for aggregation in the Argenta neighborhood could include having the Regional Food Innovation Center procure the short-term rental of a 24’ refrigerated truck trailer. The truck can be rented for the time that a specific produce is in season, substantially curtailing facility costs. The truck can also be set up in a highly visible location in Argenta to foster increased awareness of local produce offerings. Steps involved in setting up a short-term, one-crop aggregation/brokerage project include:

a. Locate a company that leases refrigerated trucks and trailers and negotiate the price and dates that the trailer is needed. In the Little Rock Area, Xtra Lease is one example of a local company that could serve this need, although there are several other companies with similar offerings.

- b. Well before the time that the farmers begin planning for the follow season’s planting plan, the RFIC can connect with farmers who are interested in selling produce through a wholesale venue, and with potential institutional/restaurant buyers interested in purchasing from the Regional Food Innovation Center. Ideally, the RFIC would meet with each group separately to determine interest levels and obtain a commitment to the process; then help to negotiate price and terms. This process would likely take between 2 and 5 meetings.
- c. Once the price, grade, and timing have been settled upon, the RFIC would line up the rental of all equipment needed during the project. This includes the trailer mentioned above, a tent and fans to provide shade and airflow during weighing and packing, and certified scales.
- d. One of the primary goals of this initial project is to build communication capacity between the growers and the buyers. This means that the project will take considerable staff time to manage so that there is adequate staff on hand to foster these communications and address any issues that arise, such as having produce rejected by a customer or other related customer service needs.
- e. The RFIC will also need the financial wherewithal to enable payment to farmers within 15 days of the date that they delivery their produce. Often, institutions will wait 30 to 90 days to pay a distributor for goods received, so the aggregator needs to have the cash on hand to cover the expenses (including paying farmers) during this time.
- f. The RFIC staff managing the facility will need to document the process and keep records, soliciting feedback from both farmers and buyers about how the process went. After the end of the first season, this documentation can provide a summary statement of the project which will help solidify the relationships created, as well as to serve as a recruitment tool for additional buyers and sellers in subsequent years.

FOOD PROCESSING FACILITY

This type of facility is almost exclusively found in a University or teaching setting or in an existing, specialized for-profit co-packing business. The infrastructure needed, including the types and scale of cold storage, is quite different from the aggregation facility described above.

Successful facilities (those that are able to continue operation from year to year) fall into two general categories:

1. Commercial packing plants that specialize in one type of product (and therefore one set of specialized equipment) and operate for at least 2 shifts a day, at least 6 days a week. While most packing plants in this category produce food products under one brand, there are a number of “co-packing” facilities that operate by processing similar foods for different brands. Many small farmers and grocers utilize co-packers to produce small batches of items that utilize their produce and recipes and are sold alongside their produce at a farm stand or market, but the farmer does not have to participate in the production process.
2. University-affiliated teaching facilities which have a selection of different equipment, but generally lack the layout and specialized equipment that would allow a producer to take a product from small batch production to commercially successful regional distribution. Additionally, even when rental fees are charged to the producers, these facilities require large amounts of outside funding support every

year for facilities maintenance, staffing, and utility costs. They offer services that are unavailable through co-packers—namely, food science and food safety experts who provide their assistance at little to no cost as part of their teaching and extension duties.

The construction and management of some food processing facilities are more expensive than others. For example, processing spaghetti sauce (an acidified food) can be accomplished with a state-level inspection and basic labeling requirements, while processing a shelf-stable low acid food (lima beans and corn) requires pressurized equipment and process controls that are documented through a federal process.

While it would indeed be convenient for local potential entrepreneurs and the Arkansas Hunger Relief Alliance to have a facility similar to the Arkansas Food Innovation Center in Fayetteville in North Little Rock, there are some challenges to consider:

- Local ordinances may not allow for industrial uses such as a food processing facility. Processing facilities require large trucks moving product in and out, and sanitation rules require that food waste be contained a certain number of feet from where food is processed to limit insect contamination. Additionally, processing facilities pose an enormous strain on municipal water and sewer services—utilizing these services may not be allowed by the North Little Rock local government, and even if allowed, may prove to be cost-prohibitive to the facility.
- The location of a processing facility in North Little Rock may not be conveniently situated for producers to deliver their produce. There may be a better location, perhaps along a major thoroughfare, in the Central Arkansas Region that would be more amenable to producers and the needs of the ARHA.

ADDITIONAL SUPPORT FOR SMALL FARMERS INTERESTED IN SELLING TO MAINSTREAM MARKETS

In addition to processing and aggregation, there are other creative ways to support the scaling up of the regional food economy and the entrepreneurial efforts of food businesses:

- For supporting small farmers interested in selling wholesale to mainstream markets, an Argenta based Regional Food Innovation Center could consider serving solely as an intermediary—initiating and supporting the conversation between small producers and restaurants and institutions, providing the technical and business support needed for both, but not taking possession of the produce. As the intermediary, the RFIC’s mission is to foster direct sales between farmers and institutions.
- The Regional Food Innovation Center can also provide resources to small farmers interested in selling to mainstream markets by supporting the additional packing and transportation needs. Specifically the RFIC can help by coordinating training workshops with University Extension on post-harvest handling, USDA packing requirements, grading for specialty crops, and farm production planning.

Appendices

The following pages contain the detailed action plan steps, transcribed notes from the two day workshop, list of workshop participants, the workshop photo album, a listing of additional funding resources and relevant references, copies of the workshop presentation slides and images from the food system diagramming exercise.

- Appendix A – Action Plan Details
- Appendix B – Workshop Notes – Goals and Needs
- Appendix C – Workshop Participants
- Appendix D – Workshop Photo Album
- Appendix E – Funding Resources
- Appendix F – References
- Appendix G – Presentation Slides
- Appendix H – Local Food System Diagrams