

CENTER FOR ECONOMIC DEVELOPMENT

Mendo Grass

Technical Assistance Report

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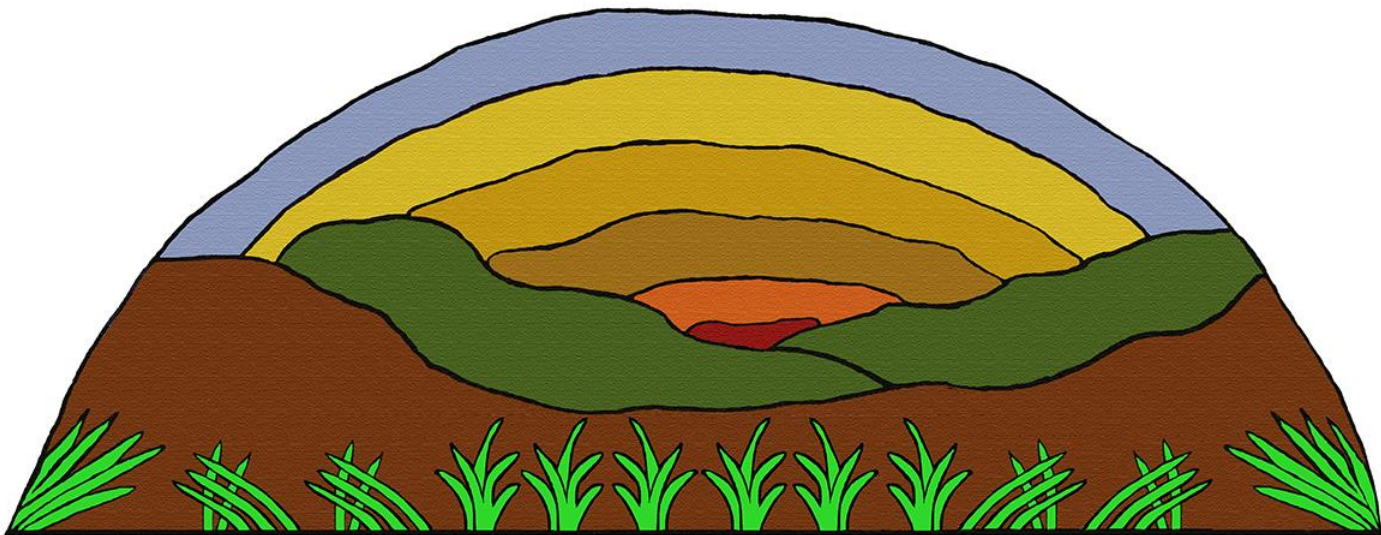
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MENDO GRASS

Market Research

Mendo Grass requested a market research report within the Sonoma County region but more specifically for Windsor, Healdsburg, Sebastopol, Petaluma, and Santa Rosa. CED staff conducted this market research using the Esri Business Analyst to create the necessary figures and tables for Mendo Grass to understand the region's market potential. CED staff also compiled a list of potential clients, competitors, and local farmer markets that could allow Mendo Grass the opportunity to showcase the benefits of organic microgreens to the general public.

When selecting factors that would provide Mendo Grass insight into the organic food market, CED staff chose variables that correlate with Mendo Grass's product line. These factors included the number of juice bars, the percentage of households purchasing organic food/juice, median household income, the total amount spent on vegetable juice, and the number of grocers that offer an organic section. CED staff provided the number of retail grocers, farmer markets, juice bars, restaurants, and population for each city in Table 1. Looking at Table 1, we can make a few observations, including the market size of each city in the researched region, which follows Santa Rosa, Petaluma, Windsor, Healdsburg, and Sebastopol. CED staff used color-coded maps for all included figures below and divided them into ZIP Codes to better represent the market. The CED also recommends that Mendo Grass consider a region's median income when proceeding with the organic microgreen market, as consumers who purchase organic food are generally higher income earners. This analysis is also further apparent when looking at Figure 1 and Figure 8, which display percentage of adults that purchase organic/natural food and median household income. We can see that the higher median-income areas correlated with the number of households purchasing organic food. After analyzing the data provided by Esri Business Analyst, the CED recommends that Mendo Grass focus on the following cities in order after considering all the above factors: Santa Rosa, Petaluma, Sebastopol, Windsor, and Healdsburg.

Organic Market in Santa Rosa and Sebastopol

Santa Rosa is the business hub of the north bay while also being the fifth most populous city in the Bay Area with a diverse and well-balanced local economy. According to Table 1, Santa

Rosa is the largest market among the selected cities, with the highest number of business avenues for organic businesses. Santa Rosa also benefits from being the largest city in Sonoma County. The local economy of Santa Rosa includes a strong tourism scene, internationally recognized restaurants, fine arts, agriculture, and high-tech manufacturing. Santa Rosa is also in close proximity to Sonoma State University, located in Rohnert Park.

Figure 1 might be the most crucial map for Mendo Grass as it displays the percentage of adults that purchased food labeled natural/organic. Figure 1 is vital because it provides Mendo Grass with a rough estimate of the market demand for organic food in each city. After combining the results from every ZIP Code within Santa Rosa, we found that the total number of adults that purchase foods labeled organic/natural led all other cities in total quantity, with approximately 30,150, which also came to be about 16.93%. This also showcases how we need to consider the population of these cities since, although Petaluma has a greater percentage of people buying organic food, Santa Rosa still has a larger population by almost threefold. Figure 2 is a map focusing on the percentage of households that reportedly used organic food products in the last six months. Santa Rosa also had the highest number of households that used organic food in the previous six months, with 21,249 households. Based on the findings from Figure 3, Santa Rosa had a ZIP Code with the highest percentage of households consuming organic juice in the last six months. To put that into perspective, that single ZIP Code in Santa Rosa also equated to almost half of Petaluma's total number of households that consumed organic juice in the last six months. Figure 4, which displays a map of the total amount spent on vegetable juice, shows that Santa Rosa was the only city with consumers spending more than \$488,835 in multiple ZIP Codes within the city limit and about \$2,398,004 in total.

As the art and creative center of Sonoma County, Sebastopol is a popular tourist attraction with a strong history in agriculture. Table 1 shows that although Sebastopol has the smallest population compared to the other cities, it has an impressive number of businesses promoting an organic lifestyle. This is because the community prides itself in being progressive in many things, including environmentalism, which organic farming falls in line with since it eliminates the use of pesticides known to cause soil, air, and water pollution. One of the biggest attractions of Sebastopol is The Barlow, a 12.5-acre culinary and arts center, which features many of Sonoma County's best restaurants, wineries, distilleries, art galleries, and boutiques.

Many of these restaurants and juice bars use locally sourced organic produce, which provides an opportunity for Mendo Grass to collaborate.

Figures 1 and 2 show Sebastopol as the city with the third-highest percentage for both adults ordering food labeled natural/organic and households that consumed organic food in the last six months. Figures 3 and 4 also had Sebastopol with the third-highest percentage of households that consumed organic juice in the previous six months and spent the third most on vegetable juice compared to the other cities. The findings in Figure 4 were the most surprising since Sebastopol households spent \$385,822 on vegetable juice, despite being the city with the smallest population. According to Figure 5, the percentage of Sebastopol households that consumed organic fresh fruit/vegetables was 31.22%, ranking third among selected cities. The fact that Sebastopol ranks third in all these categories while having the smallest population is a testimony to how important Sebastopol is for Mendo Grass as a target organic market. Since Sebastopol acts as a community hub for Sonoma County, building a presence in The Barlow could also expand Mendo Grass's name recognition.

Organic Market in Petaluma

CED staff found that Petaluma is one of, if not the most, organic-friendly cities in Sonoma County. This is evident after observing that Petaluma led in many of the figures below while having a third of the population of Santa Rosa. By far, Petaluma has the largest percentage of people that prefer organic food compared to the other cities, which provides context as to why Petaluma is a hotspot for organic business opportunities. For any organic business wishing to enter Petaluma's organic market, consider that much of Petaluma's consumer base already prefers organic products over non-organic products. This advantage avoids one of the biggest hurdles in the organic market: informing consumers of the numerous health benefits of organic and why they should choose organic produce over non-organic.

Table 1 shows that although Santa Rosa has almost three times the population compared to Petaluma, Santa Rosa only has a 2:1 ratio lead in organic business avenues versus Petaluma. Looking at Figure 1, we observed that Petaluma leads all other cities with the highest rate of adults that bought food labeled as natural/organic. Analyzing Figure 2, we can see that Petaluma has the highest percentage of households that used organic food in the last six months, with 31% for both ZIP Codes within Petaluma. Meanwhile, Figure 3 has Petaluma as the city with the

highest percentage of households that consumed organic juice in the last six months, with approximately 7.1%. Figure 4 shows households in Petaluma spending the second most on vegetable juice, with \$939,974 in total between both ZIP Codes. Figure 5 also had Petaluma lead in the percentage of households that used organic fresh fruit/vegetables in the last six months, with an average of 34% for the city of Petaluma.

Organic Market in Windsor and Healdsburg

Windsor and Healdsburg are both cities north of Santa Rosa in the heartland of wine country, with over 400 wineries and 600,000 acres of vineyards spanning Sonoma County. These cities are important markets for Mendo Grass because of their proximity to local wineries, allowing tourism to flourish in their respective sprawling downtown plazas. Tourism is the most significant avenue for both Windsor and Healdsburg's regional economies, as it generates income for local businesses and restaurants. Being home to the Charles M. Schulz-Sonoma County Airport in Windsor also allows a constant stream of visitors annually; according to the latest numbers, the airport brought in 435,427 passengers in 2021.

Figure 1 depicts Windsor with 18.65% and Healdsburg with 19.23% of adults who purchased food labeled natural/organic. Figure 2 puts into perspective just how popular organic food is within the community, with 28% of households in both cities consuming organic food in the last six months. Windsor and Healdsburg had a similar percentage of household consumption of organic juice when looking at Figure 3. Looking at Figure 4, we can observe that households in Windsor and Healdsburg spent the least on vegetable juice compared to the other cities. This could be explained by the smaller population in these growing cities and possibly from the lack of businesses. Figure 5 shows that both Windsor and Healdsburg had similar households consuming organic fresh fruit/vegetables with an average of 30%.

Table 1: Market research in the Santa Rosa region

City	Santa Rosa	Petaluma	Windsor	Healdsburg	Sebastopol	Total
Retail grocers	24	11	5	3	5	48
Farmer market	1	1	1	1	1	5
Juice bars	11	5	1	2	1	20
Restaurants	29	14	3	4	13	63
Population	178,127	59,776	26,344	11,340	7,521	283,103

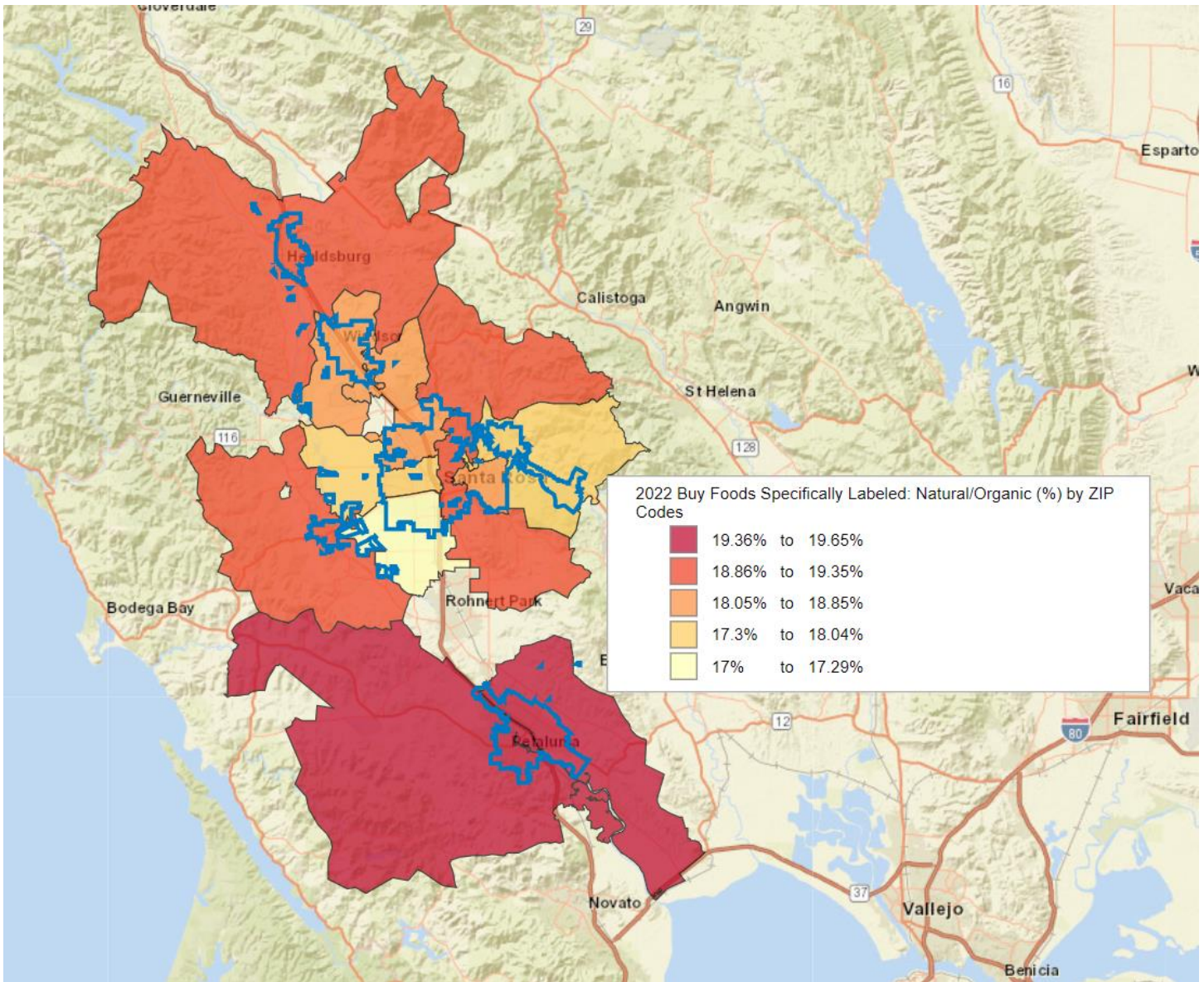


Figure 1: Percentage of adults who purchase foods specifically labeled Natural/Organic by ZIP for Windsor, Healdsburg, Sebastopol, Petaluma, and Santa Rosa.

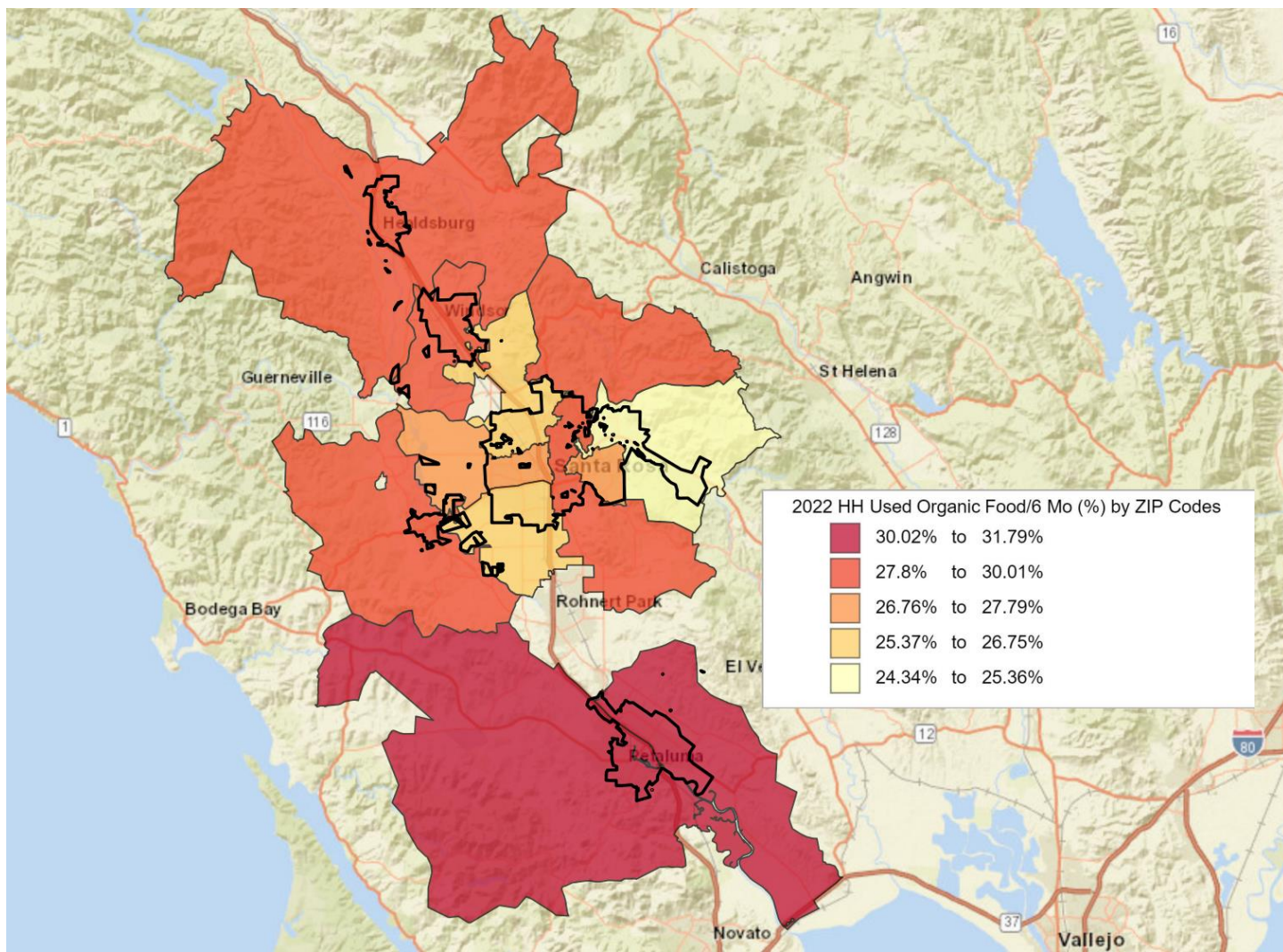


Figure 2: Percentage of Households that consumed organic food in the last 6 months for Windsor, Healdsburg, Sebastopol, Petaluma, and Santa Rosa.

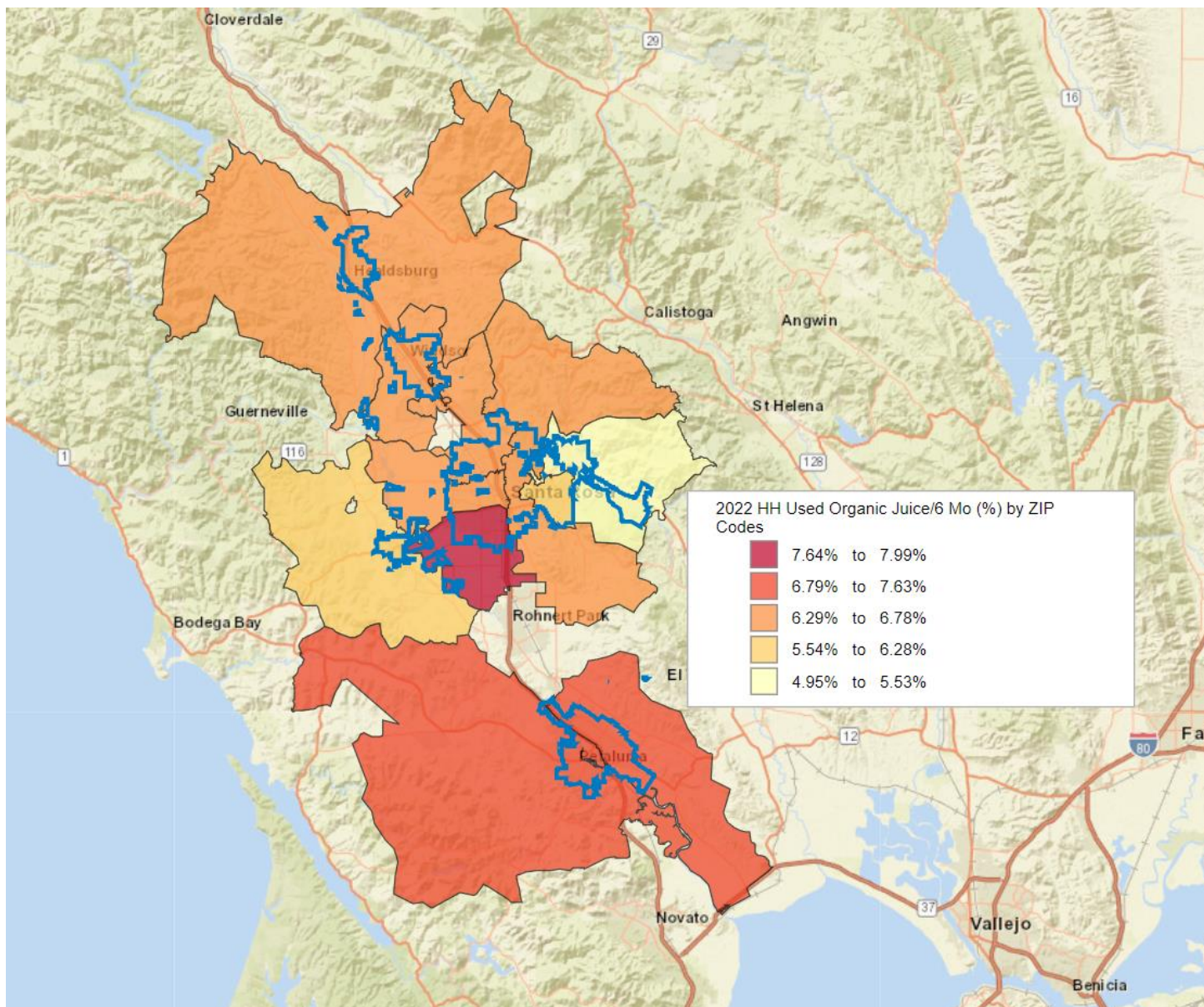


Figure 3: Percentage of Households that consumed organic juice in the last 6 months for Windsor, Healdsburg, Sebastopol, Petaluma, and Santa Rosa.

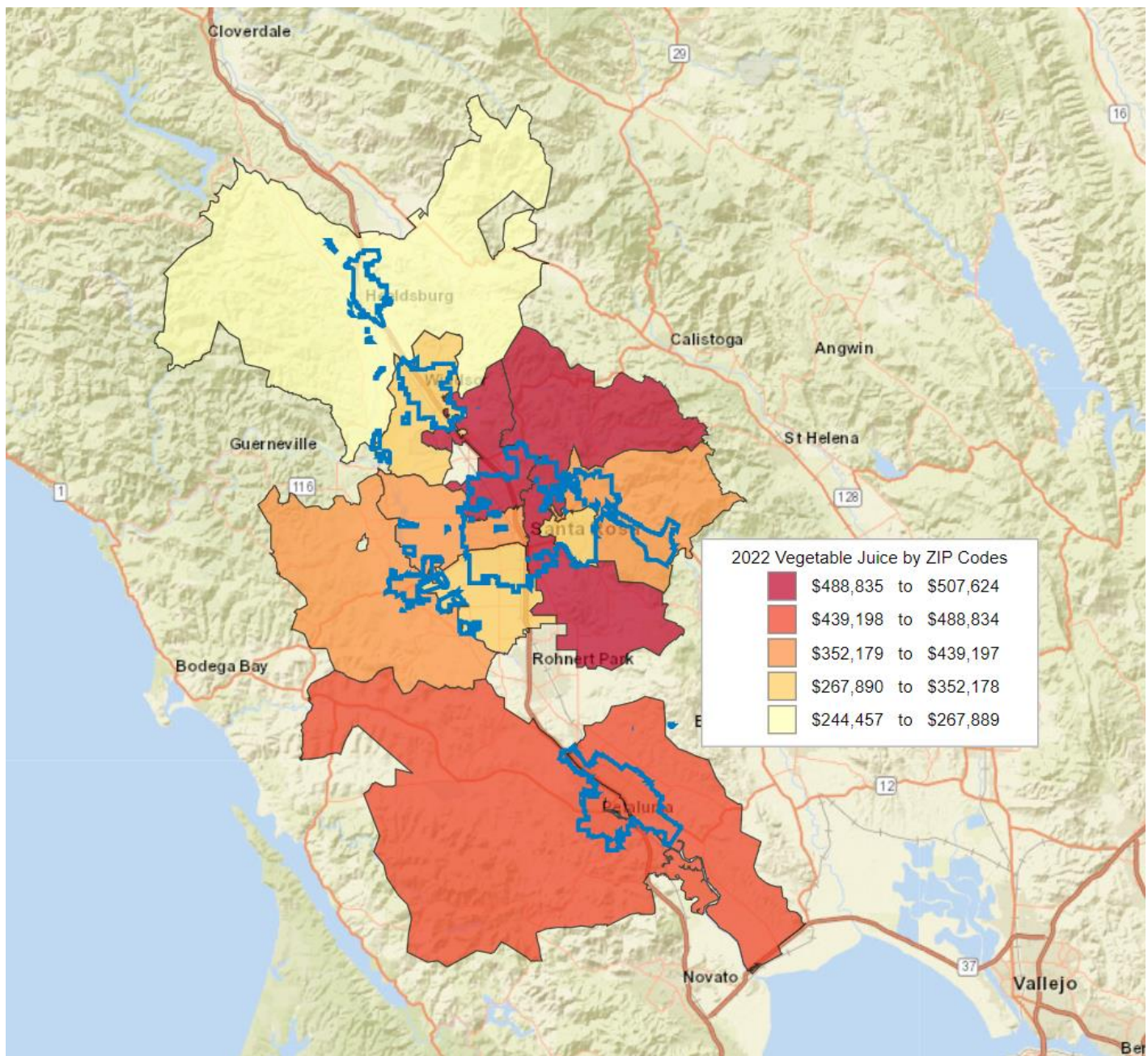


Figure 4: Total amount spent on vegetable juice by all households in Windsor, Healdsburg, Sebastopol, Petaluma, and Santa Rosa for 2022.

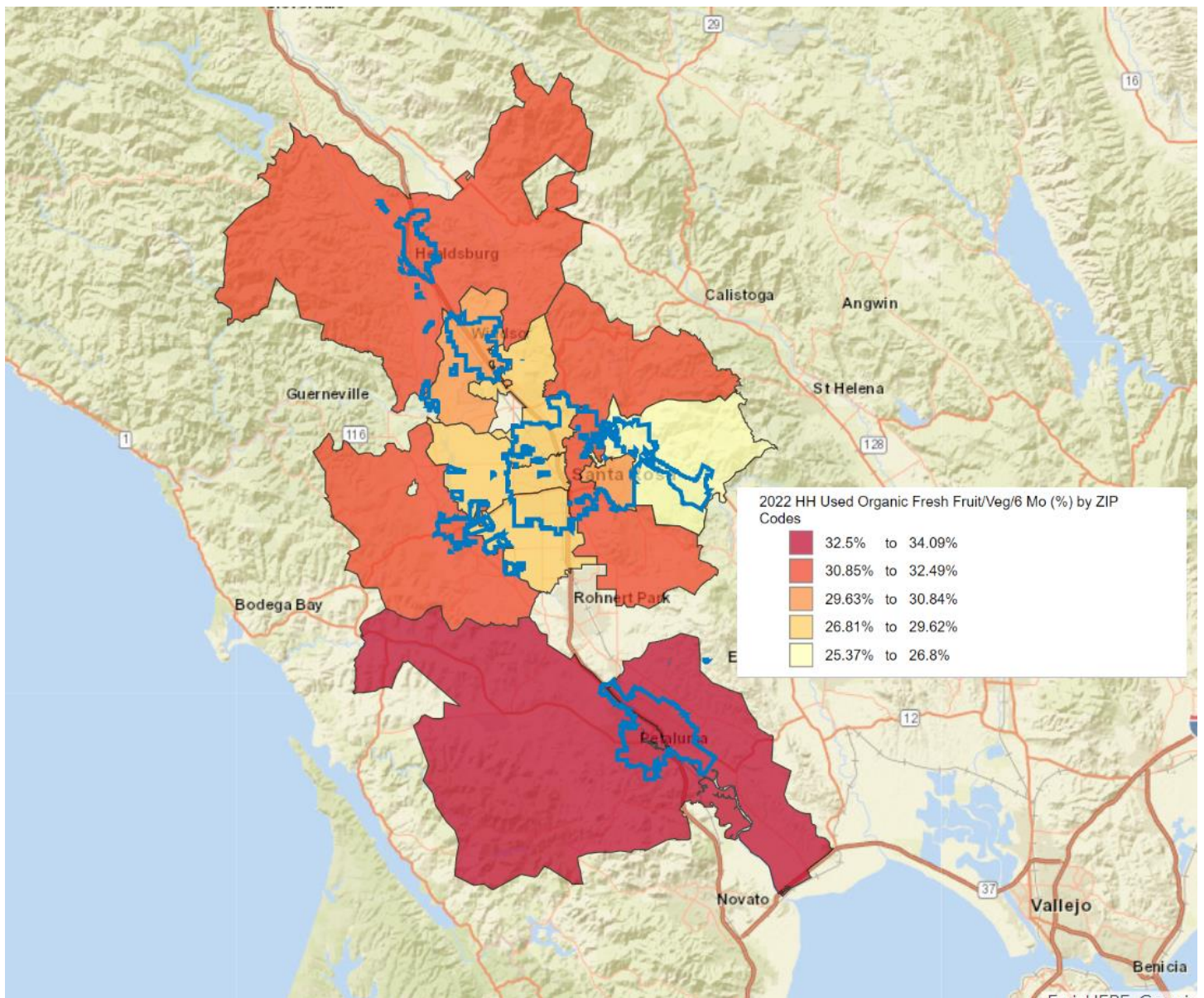


Figure 5: Percentage of Households that used organic fresh fruit/vegetables in the last 6 months for Windsor, Healdsburg, Sebastopol, Petaluma, and Santa Rosa.

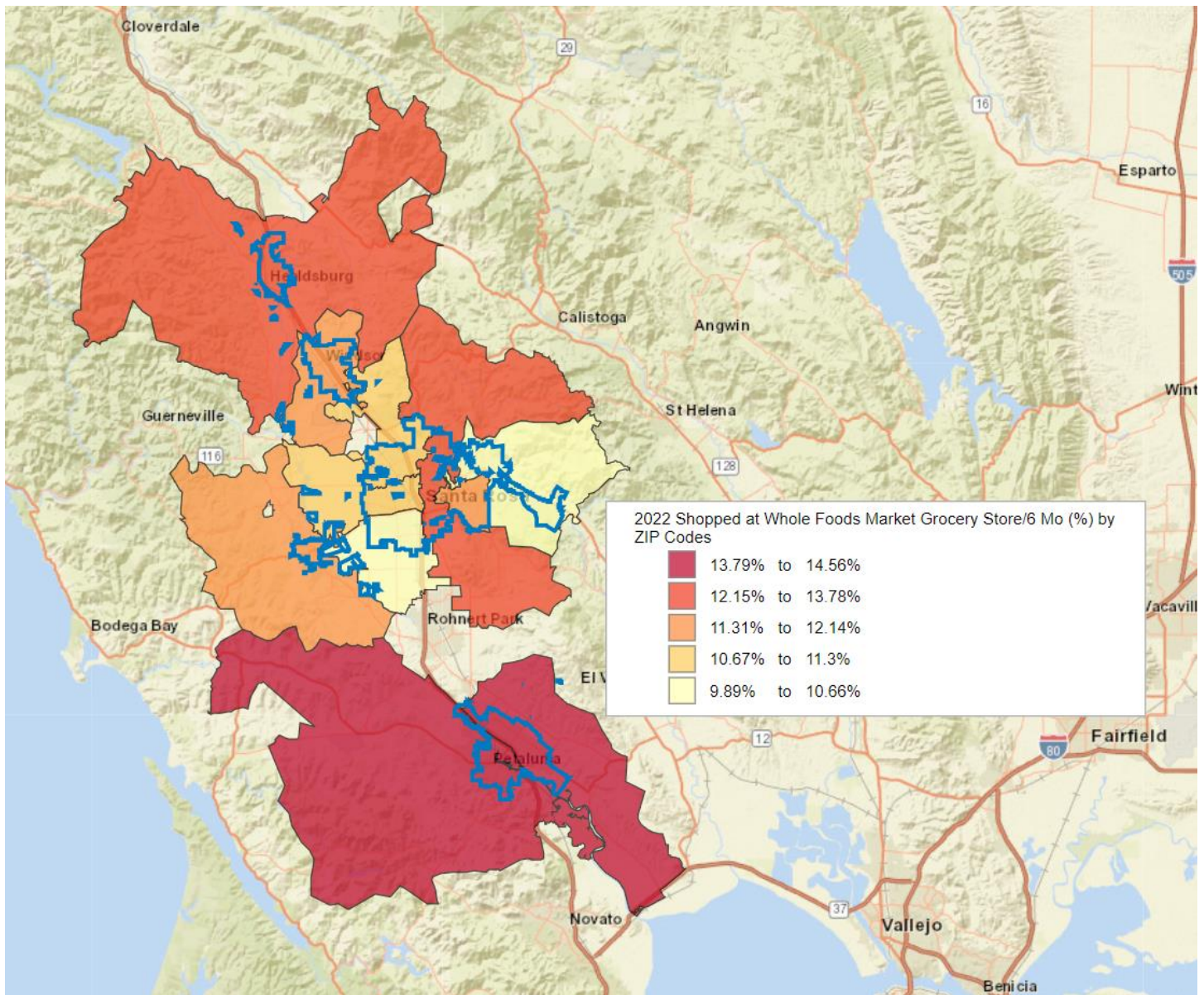


Figure 6: Esri 2022 estimate of the expected number of adults and Market Potential Index (MPI) for Shopped at Whole Foods Market Grocery Store Last 6 Months for Windsor, Healdsburg, Sebastopol, Petaluma, and Santa Rosa.

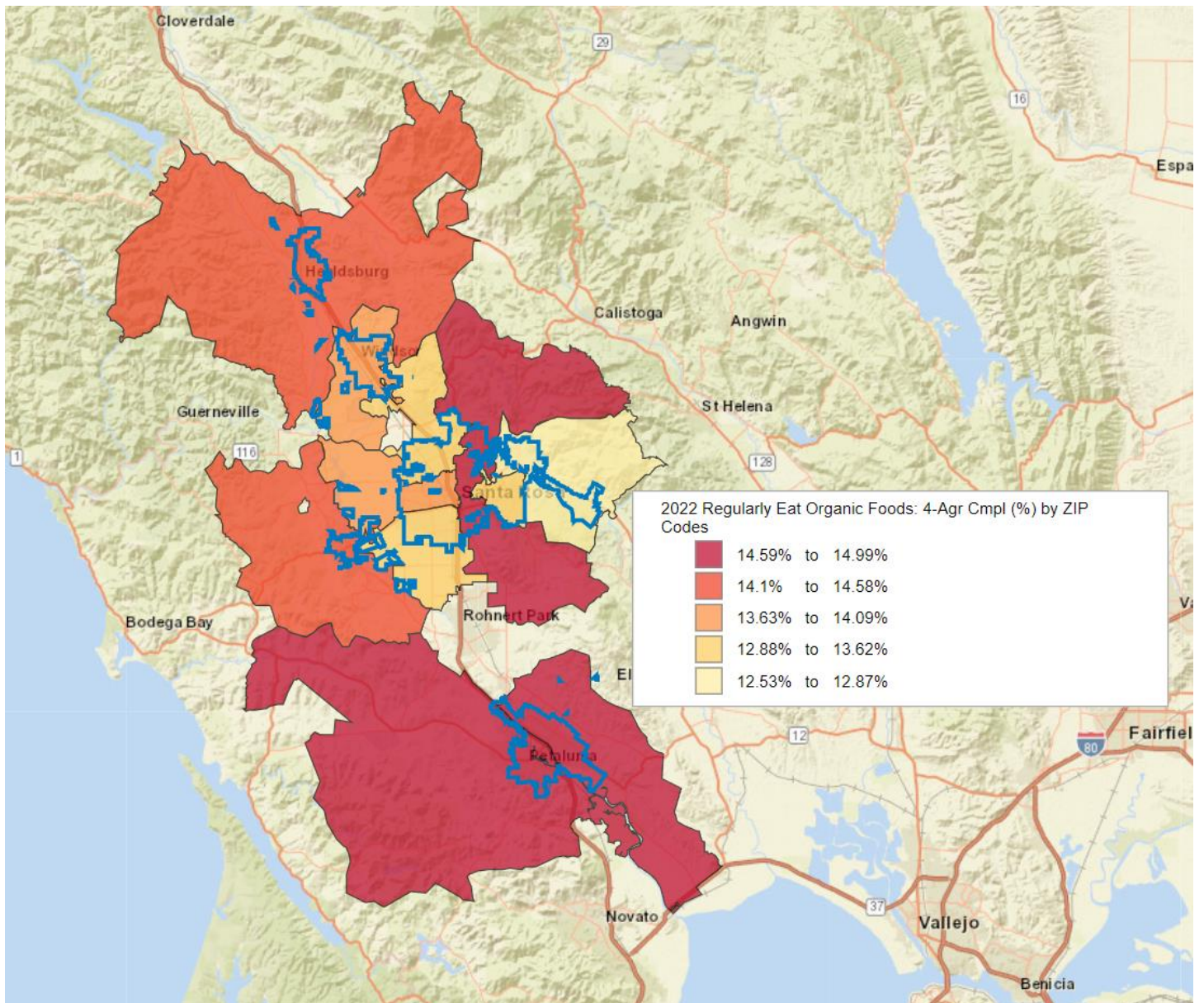


Figure 7: Map of Windsor, Healdsburg, Sebastopol, Petaluma, and Santa Rosa that showcases Market potential demand that regularly eat organic food (Esri 2022 estimate of the expected number of adults and Market Potential Index (MPI) for Regularly Eat Organic Foods).

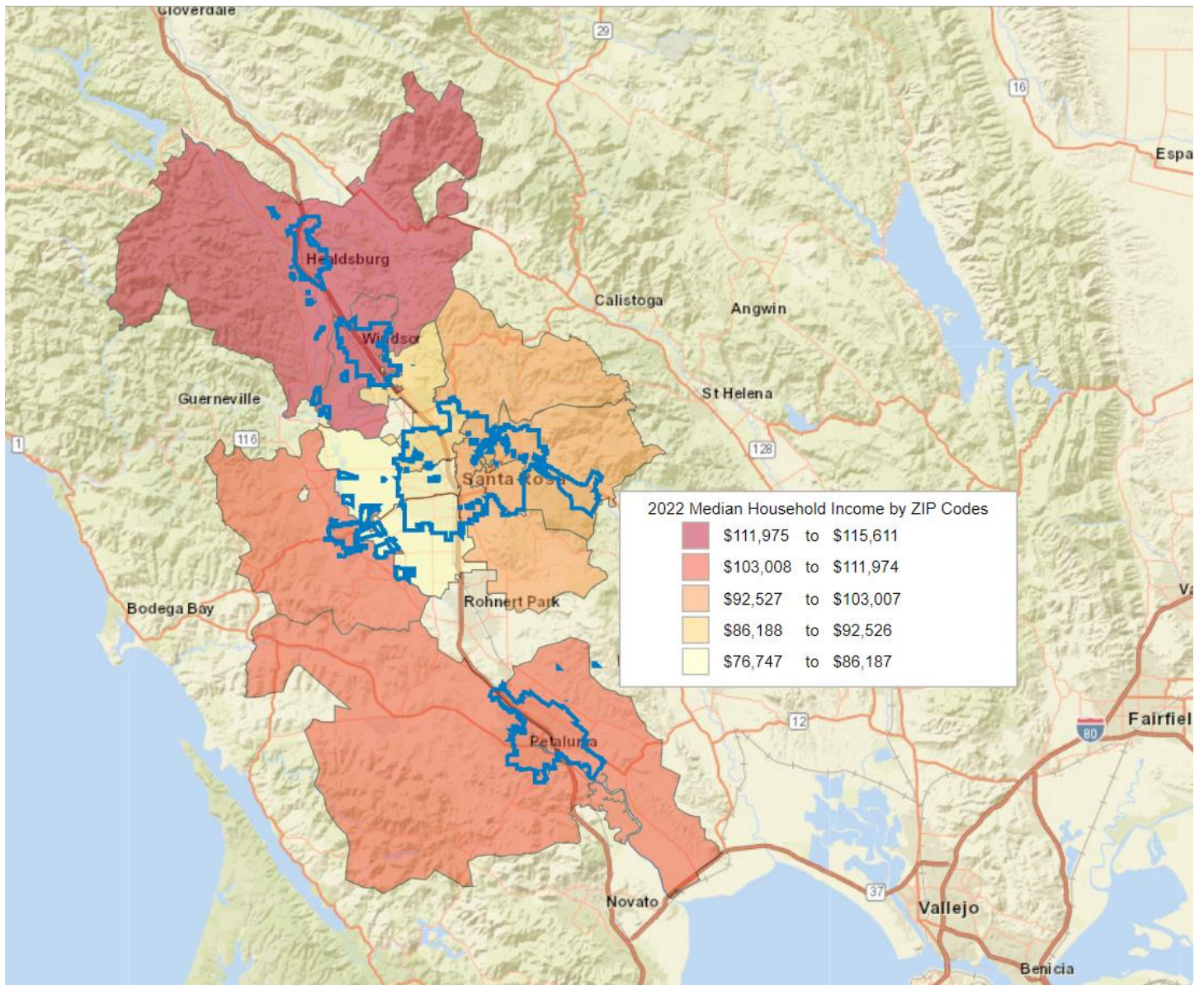


Figure 8: 2022 Median Households Income by zip codes for Windsor, Healdsburg, Sebastopol, Petaluma, and Santa Rosa.