## **Final Report**

# Expanding Regional Markets for Southeast Asian and Other Small Farmers in Sacramento: Linking Farmers, Processors and Buyers

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#### I. Goals & Objectives

#### Goals:

- 1. To expand regional market opportunities for Southeast Asian and other minority growers in the Sacramento region.
- 2. Increase sales from Southeast Asian and other minority farmers into the Sacramento regional market.
- 3. Increase availability of fresh, local foods in Sacramento region school districts, community food stands, restaurants and retailers.

#### Objectives:

- 1. Identify all school districts, wholesale distributors, food processors, aggregation hubs, community food groups and any other institutions interested in purchasing locally in the Sacramento region.
- 2. Evaluate institutional or customer demand and requirements for purchasing.
- 3. Identify all Southeast Asian and other minority famers in the Sacramento region interested in expanding market opportunities.
- 4. Evaluate farmer capacity to supply.
- 5. Host market-linking workshop bringing together all stakeholders to discuss opportunities for exchange, flesh out strategies and establish commitments when possible, for procurement.
- 6. Facilitate sales by providing support to Southeast Asian farmers and institutional buyers as needed.

#### II. Summary

Southeast Asian farmers in the Sacramento Region have difficulties accessing regional markets for their produce. These strawberry and mixed vegetable growers often plow under or leave their fruit and vegetables to rot in their fields after maximizing sales at their farm stands. At the same time, demand for local food is growing and produce buyers are responding to their customers by trying to develop "local" lines of product. This proposal aimed to link small Southeast Asian farmers together with buyers including wholesale distributors, school districts and processors to increase availability of fresh regional foods and support the economic viability of small immigrant family farmers. At the time of application, UCB and UCCE had successfully piloted a farm to school pilot, which had increased annual revenue for 12 small Hmong and Mien strawberry farmers by \$58,000 in one year. Yet rising concerns over food safety and liability issues have resulted in produce buyers imposing nearly impossible purchasing requirements for small, and especially immigrant farmers in California.

This study found that 24/30 produce buyers in the Sacramento region were interested in and/or committed to sourcing local produce. Interviews with 16 of them found that economic and social reasons surpassed environmental or culinary

reasons as the primary advantages of sourcing locally. Sourcing locally reduces freight costs, delivers the "local experience end users are craving", increases ability to visit the farm and see the product directly and make the connection with the farmer, it supports the local economy and community while capitalizing on the "local" branding such as farmer biographies. The most frequently cited challenge for sourcing locally is food safety concerns and lack of GAP certification & liability insurance. Quality control, volume, price and transportation were secondary challenges. The most critical information buyers were seeking was farmer contact information and product availability.

Twenty-nine farmers expressed interest selling beyond their farm stands. Their biggest challenges are inability to identify buyers, and knowing what products they want. In order to bridge the gap, we held a half-day market-linking workshop bringing together 27 buyers, farmers and advocacy groups. Buyer and farmer contact lists (including 7 farmer profiles) were distributed, and participants had a chance to meet one-on-one and exchange information. In order to measure impact, the project coordinator will continue to conduct follow-up interviews over the course of the year to identify how many sales were established as a result of the market linking.

Further research and outreach is needed to a) illuminate the inherent contradictions in sourcing "local food" and the impact it has on small, immigrant farmers, b) assess viable options for small and especially immigrant farmers to comply with industry-led food safety requirements working with government and industry stakeholders, c) explore cost-effective distribution models that enable small farmers to capitalize on being "local", d) evaluate potential economic cost/benefits of new cottage food law on small immigrant farmers.

#### III. Specific Results

<u>Objective 1:</u> Identify all school districts, wholesale distributors, food processors, community food groups and any other institutions for interest in purchasing locally in the Sacramento region.

30 Produce buyers in the Sacramento region were contacted. 24 expressed interest in and/or are sourcing locally. These included:

- 9 school districts (Buckeye, Rescue, Elk Grove, Roseville, Sac City, Yuba City, Marysville, Center Joint, Galt)
- 5 Sacramento wholesale distributors (Produce Express, Trinity Fresh, Rohrer Brothers, Pro Pacific, General Produce)
- 3 Non-profits (Soil Born, New Alchemist, Health Foundation)
- 2 Chefs (Hyatt, Embassy Suites)
- 2 larger food service distributors (Fresh Point, Sysco)
- 1 food service company (Sodexho)
- 1 Processor (Tam's)

1 hospital (Mercy San Juan)

<u>Objective 2:</u> Evaluate institutional or customer demand and requirements for purchasing.

#### What advantages are there to sourcing locally?

"We have a lot of Hispanic families and a lot of these families are working on those local farms. When we buy from those farms, it supports our own community and the local economy. It's win-win".

- Nutrition Services Director

"I liked the idea of saying it was grown right down the street from our school, so when you tell things like this to the Board of Directors, they like that."

- Nutrition Service Director

"It's the buzz word of the day"

- Wholesale buyer

Sixteen produce buyers were surveyed. Nine in-depth interviews were conducted by phone and seven two-page surveys were filled out at the workshop. Buyers expressed numerous advantages to sourcing locally including economic, social, health, culinary, and environmental advantages (see table 1). However, economic and social values (22) far outnumber other values for sourcing locally. This finding lends support to various efforts to "tell the farmer story" through developing farmer profiles. It also suggests the need for further research to highlight the link between the number of food dollars spent on locally grown foods and the farmers directly benefitting. Highlighting the impact of buying local on local farmers can create a feedback loop to increase consumer demand for local produce.

Table 1: Advantages for sourcing locally	Number of responses
<b>Economic advantages</b>	12
promoting economic viability of local growers	5
and community	
marketing opportunities - "it's the buzz word of	3
the day"	
supports local economy –keep tax dollars here.	3
Less expensive (freight costs)	2
Social advantages	10
Knowing the farmer who grew the food, they	4
are easier to work with	
the ability to visit the farm, see product & make	1
connection	
telling the story behind the food to the	2

students/customers	
delivering the "local experience" end users are	3
craving	
<b>Culinary advantages</b>	6
increasing food quality through freshness and	4
vine ripening	
better taste	2
<b>Ecological advantages</b>	4
sustainability/reducing carbon footprint &	4
food miles	
Health advantages	3
Building a healthy food system	2
Local "terroir" may have beneficial nutrients	1

#### What hurdles or concerns do you have about sourcing from local farmers?

"It's important to support the little guy that can't compete with the larger entities. But price does come into it; we would like to buy locally but we need a good price. We don't get a lot of reimbursement money."

- Nutrition Services Director

"The USDA may be doing more harm than good [to small farmers] by requiring that all farmers go through the bid process with school districts...Farmers are overwhelmed by the bid process...6 pages of legal language. There appears to be collusion causing a major barrier to sourcing locally."

- Nutrition Service Director

"What can and can't we do, based on the USDA requirements?" (regarding bid process, regarding food safety requirements, etc.)

Nutrition Services Director

"All the food safety issues need to be covered, pre-cooled product, 3<sup>rd</sup> party audit, GAP compliant, that's one of the biggest hurdles these small farmers have to deal with unless they get into a cooperative packing shed that has all these things in place."

- Wholesale Buyer

School districts' primary concern is the price point and logistical challenge of getting the product from the farmers & distributed to the local schools, in addition to food safety. Produce distributors are primarily concerned about food safety, liability insurance, 3<sup>rd</sup> party certification, followed by quality and standards (see table 2).

Table 2: Challenges sourcing from local farmers	Number of responses
Food safety & liability	10
food safety/lack of GAP certification	8
lack of "appropriate" liability insurance (hold	2
harmless liability insurance & proper workers	
comp if use own truck to deliver)	
Quality Control/standards	7
standardized packaging	2
Consistency/quality	3
availability/product picked too early to fill	2
demand is poor quality	
Price	6
Too expensive	6
Transportation/coordination	6
ability to access distribution system	4
(transportation)	
Language barriers	
Volume	5
Insufficient volume	4
returning boxes is problematic	1
School district constraints	3
schools: navigating the bid process: can small	1
local farms be exempt from bid?	
Not sufficient reimbursement rate	1
What food safety requirements do we need to follow?	1

#### Product delivery: How do farmers get their product to you?

There are three ways farmers' product gets to the produce buyer: 1) Delivered direct (mostly to schools, smaller wholesale distributors, processor) 2) Buyer picks up from farm (one wholesale distributor—but this was not ideal) 3) Cross-docked & backhauled (larger distributors), or 4) a combination of direct farmer deliveries and local wholesale distributor (schools).

#### What information or logistical solutions would help you source locally?

"Its tough to have lots of different vendors, that's why we just stick with one."
-School district representative.

"Some farmers are hesitant to sell direct to us because they are scared to upset their distributors".

- School district representative.

"Keep with a supplier who has done you right"

-Distributor

The most frequently cited solution to enhance buyer capacity to source locally was to have access to grower contact information and product availability. Having a storage and distribution mechanism in place, as well as food safety and quality/packing training were also cited as necessary solutions. Efforts to create an online Google group social networking site for buyers to exchange experiences and strategies about sourcing locally and obtain grower contact information were unsuccessful. Buyers did not sign on. Online "hub" interfaces being piloted by the Yolo County Agricultural Commissioner (<a href="http://www.harvesthubyolo.org/">http://www.harvesthubyolo.org/</a>) and Om organics <a href="www.omorganics.org/">www.omorganics.org/</a> may effectively link some small growers with potential buyers, however because Hmong and Mien farmers are unable to access the Internet & supply regular product availability updates, this approach would largely exclude this grower population. Table 3 shows key logistical solutions cited to increase sourcing local product.

Table 3: Solutions to sourcing locally	
Contact information & biographies	9
Contact information for growers, what they	
have and when its available (8)	
Online map; on internet; or come to your door.	
Grower biographies: "people like a story"	
Storage & distribution mechanism	3
an aggregator (like growers collaborative) or	
cooperative to avoid backhauling.	
Cooler/coop/packing standards	
collaborating on distribution/aggregation hub;	
cooperative	
Food Safety	3
Food safety inspection for warehouse is 1,300.	
Farmers same!?	
List of food safety certified growers	
3 <sup>rd</sup> party audits	
Farmer Training	2
Ability for farmers to easy access food safety	
Ability for farmers to package product properly	
Understanding quality	
Understanding the distribution process	

<u>Objective 3:</u> Identify all Southeast Asian and other minority famers in the Sacramento region interested in expanding market opportunities.

There are over 140 identified Hmong and Mien vegetable and strawberry farmers either residing and/or farming in the Sacramento region. For a partial list/map of

their farms see <a href="http://strawberrymap.ucanr.org">http://strawberrymap.ucanr.org</a>. Based on surveys conducted of approximately 40 farmers at two meetings, 29 strawberry farmers expressed interest in expanding market opportunities beyond the farm stand and diversifying their crops to enhance sales. The list of farmers was distributed to the buyers.

Objective 4: Evaluate farmer capacity to supply.

Of the 29 farmers interested in selling beyond the farm stand, there is tremendous potential to supply local markets depending on purchasing requirements. Based on response from most workshop attendees, there appear to be both strengths and weaknesses in current capacity to supply local markets:

First, most farmers grow predominantly strawberries (Albion, Chandler and Seascape varieties) on relatively small plots of land (the average farm size is 5.7 acres) with a relatively short growing season (peaking mid-April through mid-June) and shorter shelf life than coastal berries, making it challenging to meet demand. On the other hand, Central Valley strawberries are unique. Because the Central Valley is hotter and drier, conventional berries from the Central Valley are more likely to have had fewer chemicals applied to them (such as fungicides) than on the coast, and the varieties grown are known for their exceptional sweetness. Albion has a slightly longer shelf life than the other two varieties (1-2 days maximum. Whereas farmers are able to pick and deliver quality product the same day, some buyers a) need larger volumes, b) are unable to turn product over quickly enough to match the berry's shelf life, and c) ship product to their central packaging facility and then ship it back, reducing quality of product. Buyers who are able to coordinate deliveries from multiple farmers and turn over product quickly are essential.

Second, about 1/3 of the strawberry farmers interviewed have begun diversifying their crops to include other berries such as blackberry, boysenberry and raspberry as well as various row crops such as snap peas, pumpkin, watermelon, beets, green beans, garlic, onions and cucumbers, cantaloupe, tomatoes, squash, and bell pepper. Some have begun growing cultural foods in response to farm stand customer demand including okra, tinda, certain pumpkin varieties and various chilies. However most farmers are risk averse. Two-thirds of those interviewed are interested but hesitant to diversify or scale up production until they know there will be a market.

Third, labor is often cited as a limiting factor to both scale up production and commit to delivering product. All farmers currently farm their entire acreage alone or with their spouse with occasional help from family and friends on an as needed basis. Farmers are typically willing to supply to the downtown wholesale market, or direct to schools nearby, but driving outside of the county is challenging, as it takes away from farming time.

Fifth, since most farmers have farm stands, they want to maximize profits at premium price before shifting sales to wholesalers. Knowing when and how to communicate availability to wholesalers can be a challenge; especially since strawberry quality and yields are highly sensitive to temperature and weather.

Six, about two thirds of the farmers have attended UCCE and Strawberry Commission Food Safety Trainings, satisfying food safety requirements for some produce buyers, yet none are third party certified, and therefore are ineligible to sell to many other wholesale distributors.

Finally, communication poses a challenge with many of these farmers trying to sell direct to schools or wholesale. Buyers expect regular contact with the farmer, especially when setting up a supply channel; such as discussing logistics around timing of delivery, location and frequency. Phone numbers change, or farmers don't answer. The vagaries of nature including heat waves and rainstorms heavily impact strawberry supply and quality. As such, farmers are wary of committing to supply schools or other customers in the event that weather will impede their capacity to meet the demand.

<u>Objective 5</u>: Host market-linking workshop brining together all stakeholders to discuss opportunities for exchange, flesh out strategies and establish commitments when possible, for procurement.

Twenty-seven people attended the market-linking workshop including 11 farmers, 9 prospective buyers (6 reps. from wholesale distributors, 2 school districts, 1 processor, 1 chef) 1 ag. Commissioner, 1 from the Strawberry Commission, 1 UCD graduate student, 1 Soil Born Farms rep, 1 from NCAT, 1 Ag. Consultant. Buyers were introduced to the farmers, the kinds of products they grow, and their food safety training. Buyers described to the farmers what their expectations were. Increasingly most are requiring 3<sup>rd</sup> party food safety certification. None of the farmers present were 3<sup>rd</sup> party certified. However there was some discussion about buyers exploring ways to assist small farmers to effectively prepare for and pass a 3<sup>rd</sup> party audits.

A buyer contact list with 17 produce buyers committed to sourcing locally was distributed to the farmer attendees (see attached). A farmer contact list (29 farmers) was sent to 26 potential buyers (11 wholesale distributors, 8 school districts/food service, 1 hospital, 1 processor, 2 non profits, 1 store and 2 chefs), 1 Ag. Commissioner promoting local foods, and 1 Mien translator who offered to support farmers in making linkages. Potential buyers also received a link to the UCCE Sacramento area strawberry farm stand map:

http://strawberrymap.ucanr.org. Eight new farmers were added to the map through this project. To date, there have been 17,000 "views" to this link since 2008.

<u>Objective 6</u>: Facilitate sales by providing support to Southeast Asian farmers and institutional buyers as needed.

Due to unforeseen circumstances, the market-linking workshop occurred later than expected. Based on feedback from most buyer attendees at the workshop, most are not in a position to source local product immediately due to a) farmers' lack of 3<sup>rd</sup> party food safety certification and b) volume issues/buyers' inability to coordinate with numerous small vendors. Some buyers who had participated in pilot sourcing in the past continue to do so (2-3 school districts and 1 produce buyer), but are looking for ways to reduce cost and streamline distribution, while guaranteeing a fair price to the grower. Project coordinator will continue to distribute Buyer Contact Lists to growers at upcoming meetings and workshops and will distribute farmer contact lists to any additional interested buyers. The project coordinator will continue to provide support to local farmers in preparing for third party audits, and over the course of the year, possibly work with produce buyers to facilitate the process. The project coordinator will also provide backstop support on an as needed basis to farmers seeking markets, by following up with promising buyers in March of 2013 (prior to the strawberry season).

#### IV. Potential Benefits/Impacts on Agriculture and/or Food Systems

Results from this study indicate two contradictory trends. On the one hand, there is tremendous increase in demand among produce buyers at all scales (national, regional, institutional [schools, hospitals], and local) to source local food to support local farmers, improve the quality and freshness of available product, and to capitalize on this new consumer trend. There would apparently be great promise in creating new opportunities for small, local farmers to increase sales and enhance the economic viability of their farms. On the other hand, there has been a rapid and dramatic shift among produce buyers toward more sophisticated food safety and liability insurance requirements. Whereas two years ago, regional wholesale buyers' purchasing requirements centered on quality product and standardized packaging, they are now increasingly requiring expensive third-party food safety audits and sizeable liability insurance requirements. School districts have shifted away from a willingness to source direct toward mandating similar requirements, and often defer to sourcing through their contracted produce distributor for logistical and liability reasons. Chefs at large-scale restaurants source food through their distributor, again for liability reasons.

The FDA Food Safety Modernization Act, signed into law on January 4, 2011, is to provide the regulations and guidance for the food industry to ensure the U.S. food supply is safe. Small farms earning \$500,000 or less in annual sales will be exempt from many of the arduous record keeping and audit requirements of larger farms. In the meantime, however, industry is setting their own guidelines requiring large and small farms, regardless of scale or scope to comply with the same sets of rules. In response to industry demand, large farms are hiring Food Safety Managers to oversee the implementation of GAPs standards and to comply with copious record

keeping requirements. Small farms, however, are struggling to stay competitive in these mainstream markets as they seek to not only maintain profits in light of rising costs associated with these new requirements, but also face the real possibility of being excluded due to incapacity to comply. A Packing House Field Rep in Fresno recently stated in an interview with the project coordinator that 20% of the minority farmers supplying their packinghouse dropped out when they shifted to requiring third party audits. This is despite the company's efforts to reach out to the farmers & help them prepare for the audits. Furthermore, a shortage of audit staff this season effectively held farmers hostage as they awaited the availability of audit staff to certify their product for sale.

The potential impact of these industry driven requirements on small and especially immigrant or limited resource farmers may be devastating. The power differential between small, undercapitalized farms and larger more industrial farms places disproportionate burden on the small farm, and may eventually force them to rely on farm stand sales and highly saturated farmers' markets.

In addition to the GAPs certification & liability insurance barriers, there are additional reasons why most small immigrant farmers fail to benefit from this new "locavore" movement. First, cultural and language barriers make it difficult for immigrant farmers to communicate to the buyers. This project aimed to address those issues. Second, the concept of "local" itself masks a heterogeneous assembly of farm size and type, yet capitalizes on certain values associated with "local". Similar to the critique of "organic", the values embodied in the concept of "local" such as smaller, sustainable, family-farmed don't necessarily match up with the "local" farms on industry hot sheets. The concept of "local" fails to differentiate a) size or scale of operation (small family farm vs. large corporate verticallyintegrated operations), b) values embedded in the mode of operation (CAFO, conventional or sustainable), although organic can be differentiated, c) actual food miles, as the actual proximity of the farm to the retailer may not actually be the distance the product travels from farm to end-user. For example, companies that distribute to but are not based in Sacramento require Sacramento growers to deliver product direct or via backhauls to their main warehouses (out of county). Their product then is labeled, and gets shipped back to the source of origin the following day, but does not reflect the actual miles the product traveled, d) finally, there are many definitions of scale with respect to what constitutes "local": within the county, 100 or 200 mile radius, state of California. Again, these criteria may not always take into account actual miles produce traveled.

#### Suggestions for future research, policy evaluation and education

Food safety has become the top concern of all produce buyers, many of whom now require third party audits. Volume, quality control and communication remain core challenges as well. Some suggestions for further research and outreach are as follows:

- 1) Food Safety Advocacy for Small Farms: Small farm and especially minority farm advocates need to pursue dialogue and strategic planning with the CDFA, the USDA, produce buyers and third party auditors to ensure that small and immigrant farmers are not squeezed out of the market. Further research and advocacy work may help illuminate these inequities and work toward more scale-appropriate certification and distribution models for small and minority farmers. This may include working with produce buyers and third party auditors to develop a tiered system of audits, rather than a "one-size-fits all" approach. It may include working with the USDA to ensure contractors supplying schools and the military adhere to FSMA exemptions rather than industry standards for small farms.
- 2) Examine Distribution Models: Further research on various aggregation/distribution models such as aggregation hubs, cooperatives, cross-docks, or packinghouses that can a) aggregate volume product, b) educate farmers about quality control & standards, c) provide liability coverage (as CAFF's Grower's Collaborative previously did) d) facilitate and obtain 3<sup>rd</sup> party audits for the growers, e) distribute product and/or f) serve as a cross-dock, and g) communicate product availability to buyers, which is essential. Explore possibility of engaging current local farmers who serve as "cross-docks" for large distributors to aggregate product from smaller farms.
- 3) Evaluate USDA School Lunch Program procurement policy: USDA policy requires that government contractors who supply all schools, tribes and military commissaries domestically must source only domestic product. It also requires school districts to accept lowest bids from vendors. Research to evaluate USDA-National School Lunch program policies to a) identify whether small farmers are or could be exempt from the bid process allowing for greater access of direct sales and b) leverage produce buyers to adhere to FDA Food Safety Modernization Act exemptions for small farmers, rather than imposing industry-driven third party audit specifications.
- 4) Explore alternative liability models whereby an organization may be able to serve as an "umbrella organization" or a "virtual aggregation hub" and hold liability insurance and food safety certification for a group of farmers, thereby reducing the cost. Similar to Grower's Collaborative model, but without the actual transport of product.
- 5) Sharing the cost: Research to measure not only the added costs associated with food safety and liability insurance compliance but the actual impact of added costs on these very small farmers is needed. This data could be utilized to advocate for distributing the food safety and liability cost burden up the food supply chain.
- 6) <u>Sharing the profits</u>: Since produce buyers capitalize on "delivering the local experience end users are craving", farmers should be coached on asking for higher prices when supplying product along with their grower biography.
- 7) Education/advocacy/coaching: Expand outreach and coaching efforts to provide linguistically, culturally and scale-appropriate educational opportunities for both small & minority farmers to address market barriers.

8) <u>Value-added opportunities</u>: Evaluate new Cottage Food Law and potential economic benefit to small farmers. Develop educational opportunities for immigrant growers to become certified through their Dept. of Health to make value-added homemade jams and provide links to markets.

### V. Dissemination of findings

Information gained in this project will be utilized in future discussions with produce buyers with regards to exploring tiered GAPs and liability insurance requirements that are scale appropriate. It will also be used to continue to prepare Southeast Asian farmers for 3<sup>rd</sup> party food safety audits. Products developed (buyer lists, farmers seeking markets, and UCCE Sacramento Sales & Marketing resources handout) will continue to be disseminated to growers at each grower meeting and to interested buyers. All produce buyers received copies of the online strawberry farm stand map link either by email or in person. Results of this project will be incorporated into a Cal Ag article on Hmong and Mien immigrant farmers in California.