

**Farm Fresh Connection**  
A Program of the Maine Sustainable Agriculture Society  
Orono, ME

***Background of the enterprise***

Farm Fresh Connection (FFC), a program of the Maine Sustainable Agriculture Society (MESAS), connects local agricultural production with public institutions, especially private colleges, by working with institutional menu-planners, chefs and food buyers, and by sourcing and delivering food products. FFC finds local producers who can meet certain institutional price, quality and delivery requirements.

FFC was conceived by Adrian Wadsworth, a dairy farmer in Turner, ME and president of MESAS, who believed that local institutions could offer more marketing opportunities for Maine farmers, allowing them to develop or diversify into higher value production options. A business plan indicated that, after a start-up period, there was adequate food purchased by four institutions in the central Maine area of Lewiston and Brunswick with preference for local foods to pay for a brokering function with margins that would be reasonable for the institutions and for local farmers and producers. The original strategy remains intact but evolving.

A number of forces drove the creation of FFC and each was critical to its inception. First, Wadsworth won the support of the MESAS board of directors to adopt the program and provide necessary administrative support through its association with the University of Maine. Second, Common Good Ventures, a local venture philanthropic organization that provides business coaching assistance to nonprofit entities through partnership arrangements, accepted FFC as a partner. Third, FFC secured the services of a full time operations director who was totally committed to the project, willing to work 24/7 for 9-4 pay. The project was launched with a \$30,000 initial commitment from CGV followed by a USDA Value Added Development grant of \$108,000. Both were essential to start up.

***Organizational form/scale/leadership***

MESAS is a farmer led 501(C)(3) entity of about 120 members with a mission to promote sustainable agriculture in Maine. The promise of FFC to create market opportunities and value for small and midsize Maine farms easily met that mission. FFC benefits critically from the partnership arrangement with CGV which provides strategic and business consulting services on a regular basis. Initially capitalized by CVG and a larger government grant, FFC is moving toward self-sufficiency from operating funds.

Most day-to-day operations are carried out by an operations director, Martha Putnam, who is critical to the project and who is guided by policy but provided substantial operating authority. She meets with institutional personnel on a regular basis, communicates regularly with farmer producers, and in most cases provides the physical distribution services. She is supported by a MESAS staff person who provides administrative and bookkeeping services. Overall responsibility for the project rests with the executive director of MESAS. The project is guided by an advisory group that meets monthly and includes the project personnel and MESAS and CGV staff.

Primary changes are occurring in the field. Distribution services are being contracted out under a memorandum of understanding with a commercial food distribution firm as a means of providing more time for the operations director to focus on the communication services. Additionally, a number of smaller accounts, mostly restaurants, providing greater gross margins are being serviced.

### ***Nature of products and the “value chain***

While whole vegetables and fruits represented the original product focus, about half the volume is now in livestock products, especially beef. Produce is generally picked up by FFC personnel at the farm, reassembled and delivered to buyers. Meat products are generally delivered by the supplier. The system works when institutions value locally produced food and when FFC can access food with the proper quality at a reasonably competitive price. Smaller producers who sell directly to consumers can supply some of the institutions’ needs, but the volumes necessary to reach viability will depend on larger scale mid-size farms. Institutions are generally willing to pay a modest premium for local product but insist on that product meeting their standards of quality and service. FFC generates value for local suppliers by engaging with appropriate institutional personnel on a regular basis. The impending exclusive alliance with a private institutional distributor that desires to expand its offerings of local products should strength the chain.

### ***Economics of the enterprise***

FFC provides institutions with pricing schedules for individual products based on regular communications with local producers. A number of local products are priced sufficiently to meet institutional budget constraints. By working with farmer producers on a regular basis, FFC can assure institutions that its product will meet their quality and delivery requirements. Conventional food service distributors represent the major competition. FFC product is selected when the price is reasonably competitive and the institution is confident the product can be appropriately delivered. FFC makes no attempt to displace individual farmers who have been supplying institutions.

The two initial target institutions represented nearly 50% of the market share the first year and about 25% in the current year. About forty other accounts, several of which make only episodic purchases, provide the balance of the purchasing. Sales for the initial and abbreviated year of 2003 totaled \$53,000, providing gross margins to FFC of \$7,300 that contributed to an operating budget of \$73,000. For year 2004, institutional sales are projected at \$151,000, contributing gross margins of \$18,100 to an operating budget of \$77,600. Sales to date, midway through the year, are on target. Beyond 2004, two more years of doubling sales with aggressive cost controls should provide project viability, although some further growth will be necessary to assure long-term success.

FFC works with about 60 farmers, of which half provide most of the product. FFC farmers receive higher prices than they could get from the regional wholesale market although they are lower than they get from selling directly to consumers. The market best fits those mid-sized farms that want to shift to or expand production of high value produce and livestock but need a premium over the regular wholesale market.

### ***Key opportunities and challenges engaged***

The FFC project is based on the premise that certain institutions prefer locally produced foods. That is proving to be true. Sales to institutions are increasing over time as FFC demonstrates the ability to deliver quality product with appropriate service. However, not all farmers who were initially interested can meet the institutional price points. A major FFC challenge is to match the price points of institutions with those of local producers. While this can be quite easily accomplished with a few specialty products, matching enough supplies to provide volumes necessary to achieve self-sufficiency is challenging. It is anticipated that mid-sized farms that can capture some economies of scale will provide most of the supply to institutions while

restaurant accounts that use smaller volumes will likely be the better option for smaller volume producers.

Other challenges include gaining the confidence of producers and institutions that projections can be met; adequate volume can be achieved only if confidence in FFC performance is adequate. Building an appropriately efficient assembling and distribution system represents a third major challenge. Achieving distribution efficiency with relatively low volumes is a challenge that FFC shares with most similar projects.

Serving colleges provides FFC with a rather unique opportunity to access student interns who have proven valuable both as a source of bright, enthusiastic, competent, and affordable labor and as a link to the student-body customers.

#### ***Replicability in other settings***

The FFC model should be replicable in other areas where institutions, especially private colleges, desire to provide locally produced food and support local agriculture. Institutional preferences for local products create the opportunity to establish value chains that benefit local farmers. Product localness can only be provided by local producers and the value of that characteristic should be passed down the value chain to the producer. On the other hand, producers must be reasonable about the extent of that value. While most institutions might want to show substantial financial preferences for local products, most are constrained by budget limitations.

Sustainable agriculture principles are generally promoted by the FFC model. While institutional demand requires volumes of products greater than many small farmers can supply on a regular basis, the volumes are less than those needed by industrial commodity producers. Farms that are most likely to utilize the institutional markets are mid-sized, integrated and relatively low cost, characteristics that fit a sustainable, integrated farming system.

#### ***Research, education/demonstration, or policy changes that would strengthen the enterprise or similar enterprises***

Two needs stand out. First, FFC will require additional, although decreasing, external funding for at least two years, and more likely three or four, before reaching financial viability. While funding sources have been successfully attained to date, bridge support to viability is not assured. Programs that support development of similar value chain mechanisms during the start-up period are essential.

Technical and financial assistance to farmers to enter or transition to these new value chains is also required. While a number of farmers in this case have been able to enter this market, others will require transition support. Additionally, market opportunities can be increased if farmers have more value added processing capacity that will likely require technical and financial assistance. Without adequate transition support, the development of similar value chains will likely not reach an optimal level.