

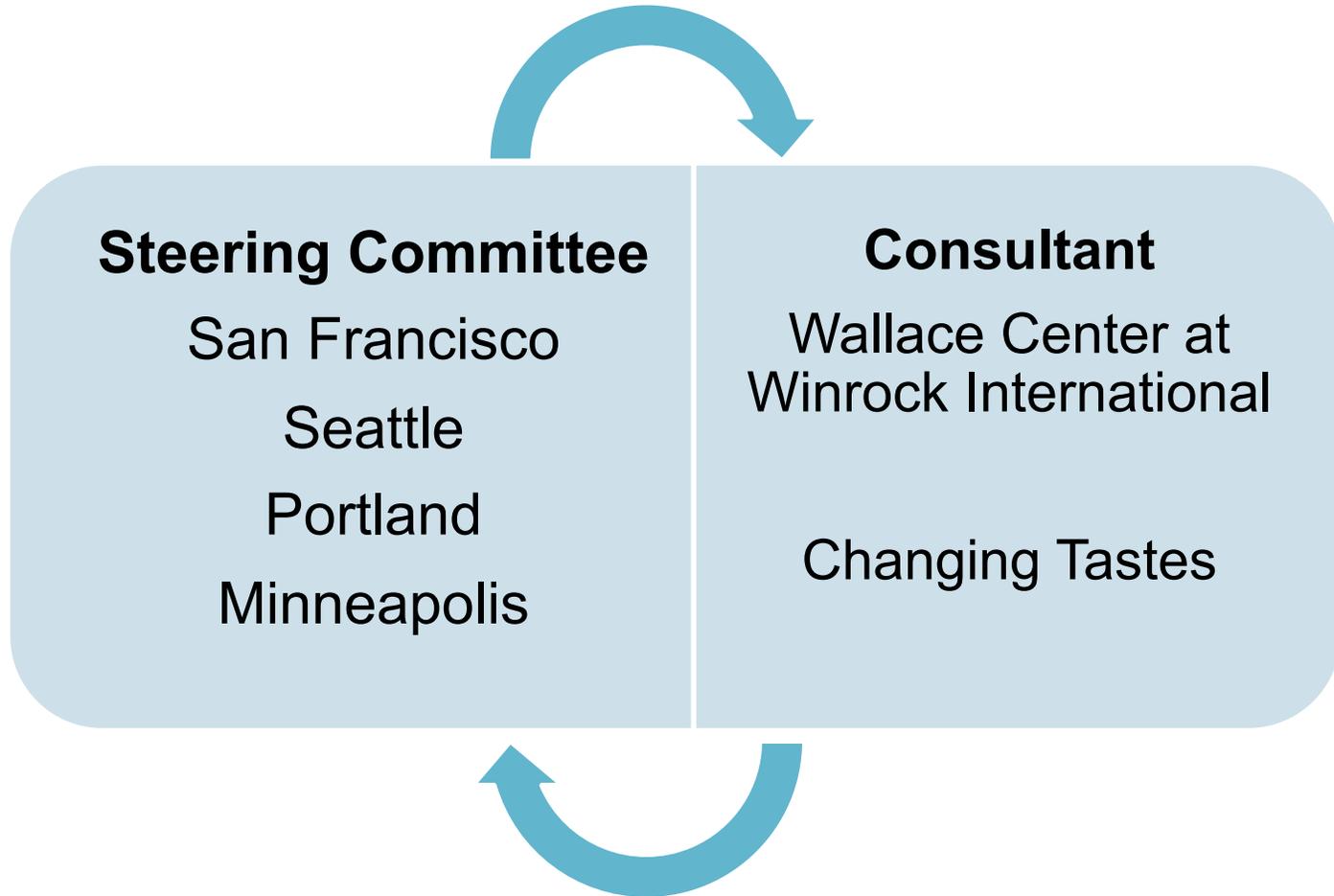
# USDN FOOD SECTOR SCAN

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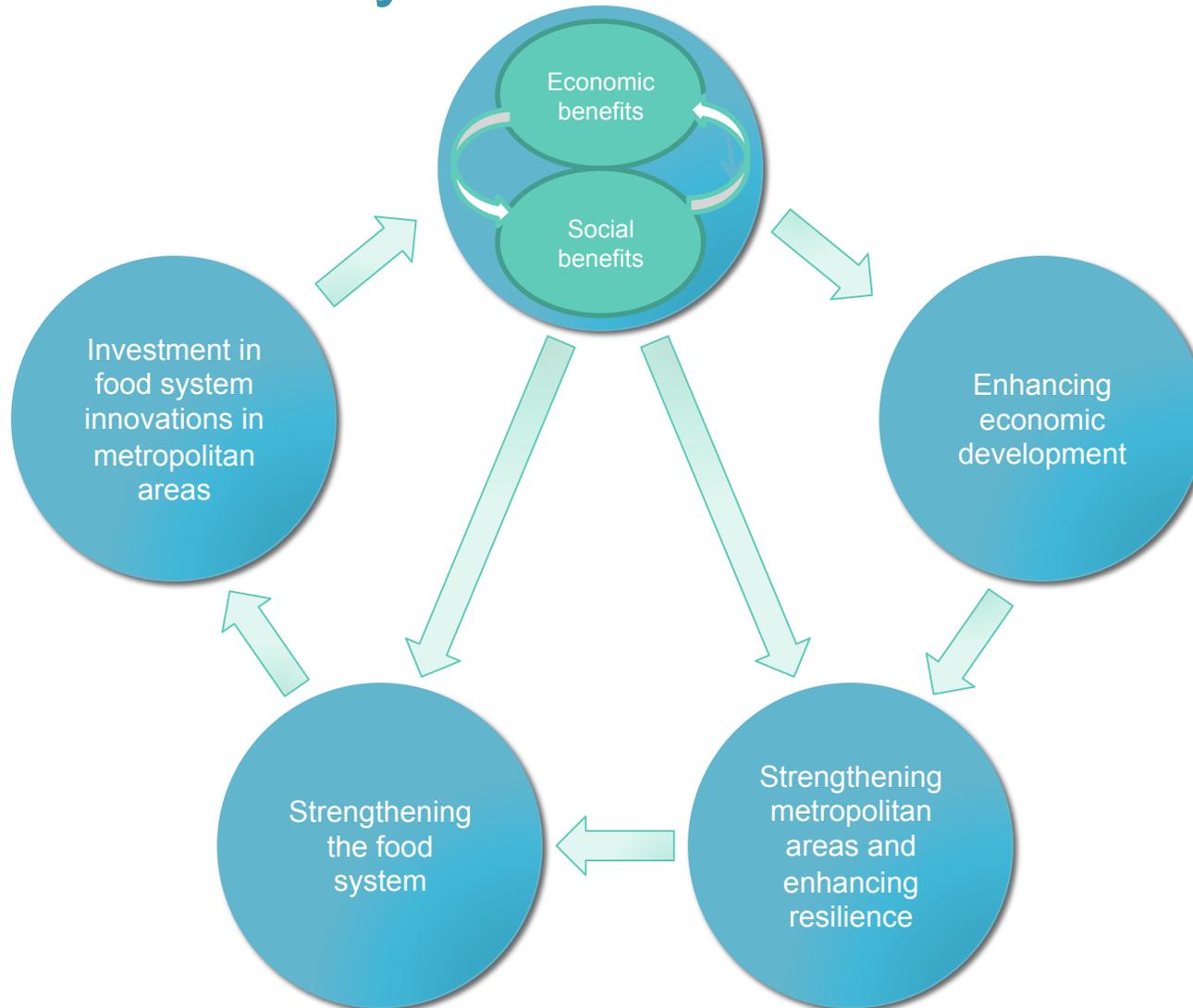


Overview and Preliminary Results  
June 2013

# Project Team



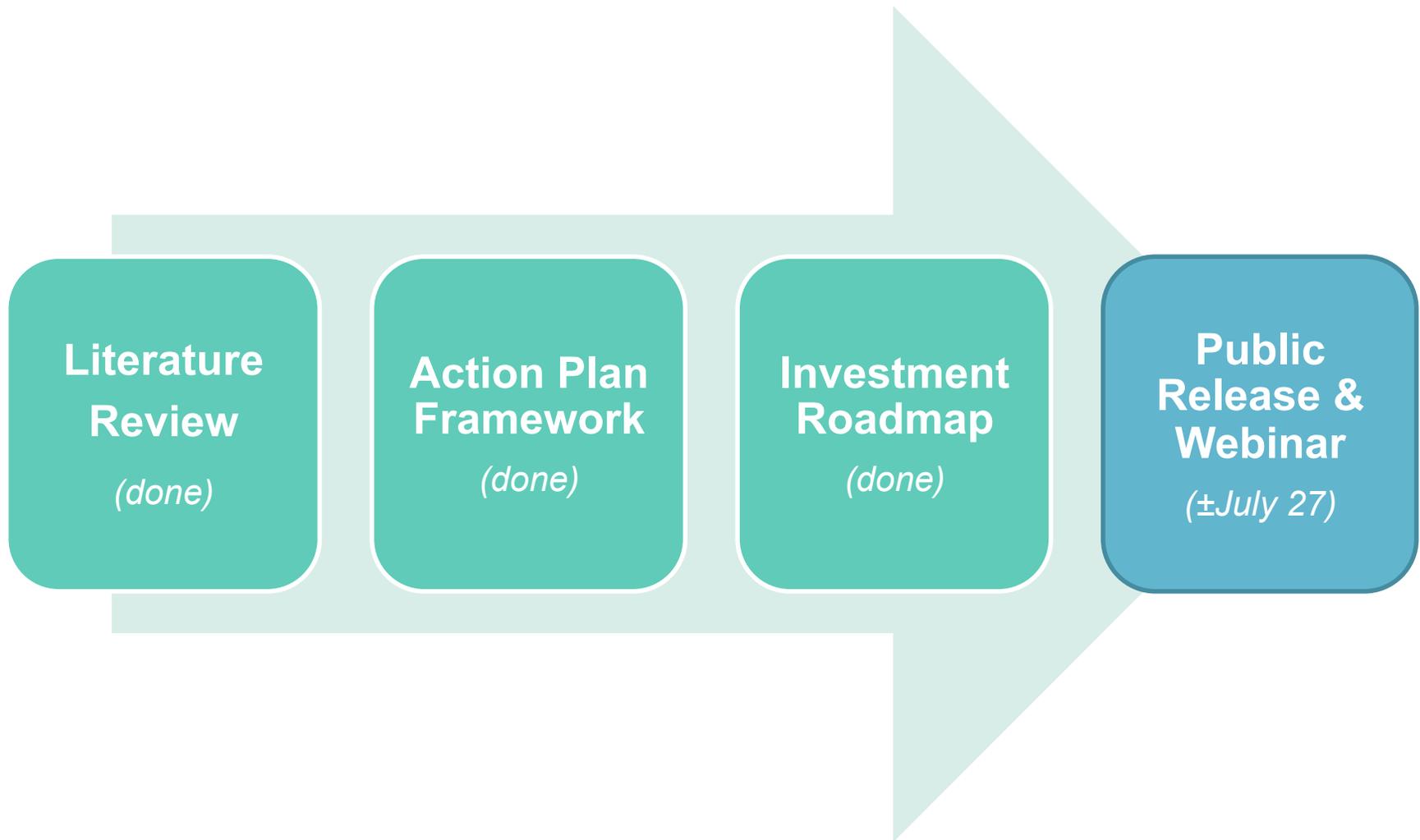
# How Innovation and Investment Benefit Cities and the Food System



# Project Approach



# Project Status



# LITERATURE REVIEW

## – KEY FINDINGS

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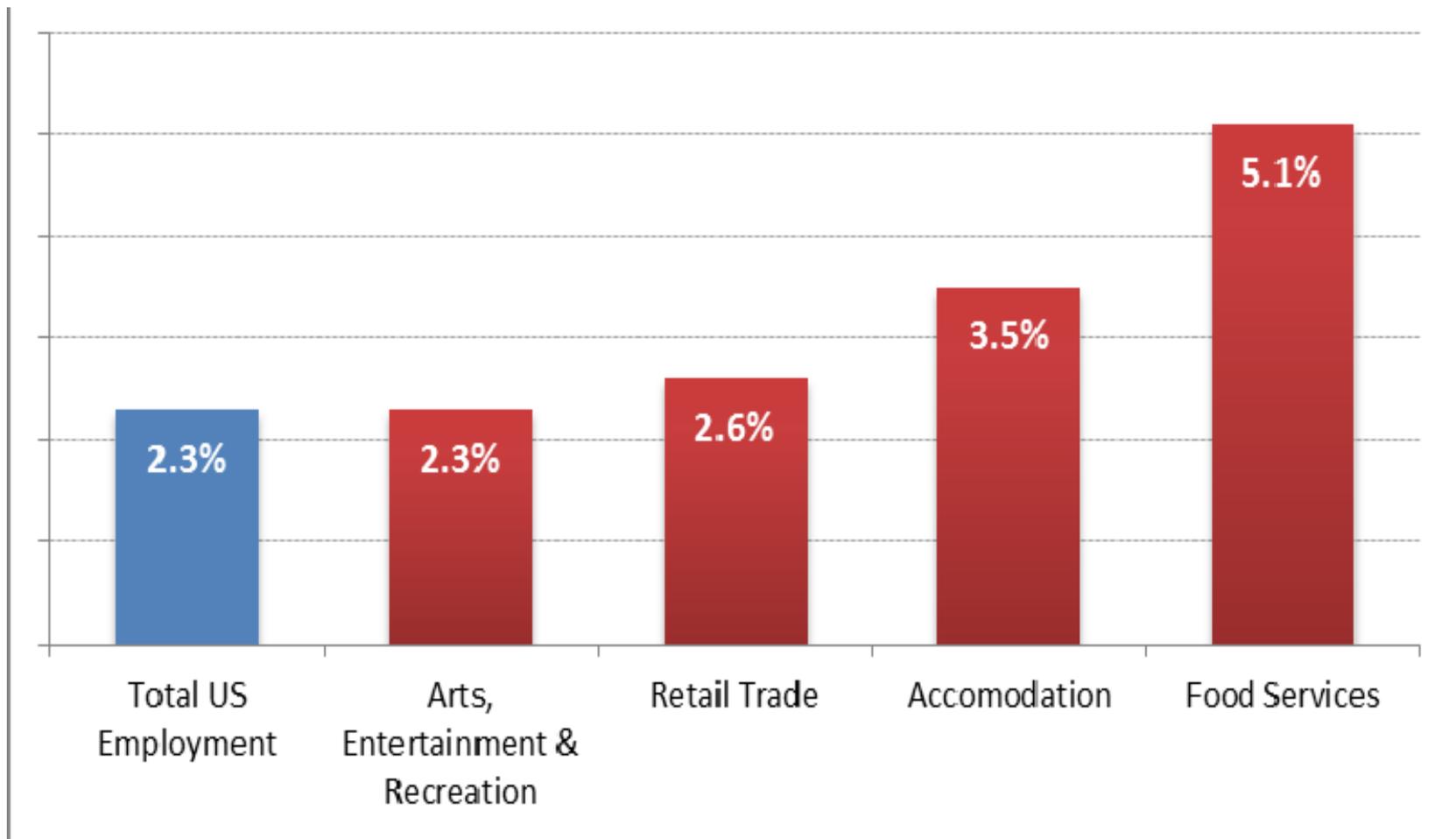
# Key Facts on US Food Systems Job Creation and Economic Benefits

- Food Services accounted for 30% of US jobs created in August 2012
- Each job created in the food sector creates between .45 and .78 additional jobs, depending on type and location
- Food sector economic activity in 2011 was approx. \$1.2T, or 8.3% of total GDP
- 3% of new food products launched in grocery retail remain in the market one year after launch
- 60% of food related businesses fail within one year of launch. 90% fail within five years

*Factors like these together with the other findings from the Literature Review provide the business case for Investment in local food systems to help Elected Officials make investment decisions and compare food systems investments to other opportunities.*

# Employment Growth by Industry

Feb 2010-2012



# Key Findings

- The food sector is a *high job creation industry*

**BUT**

- Investment in the food sector *can yield high returns* in terms of economic development and other community benefits

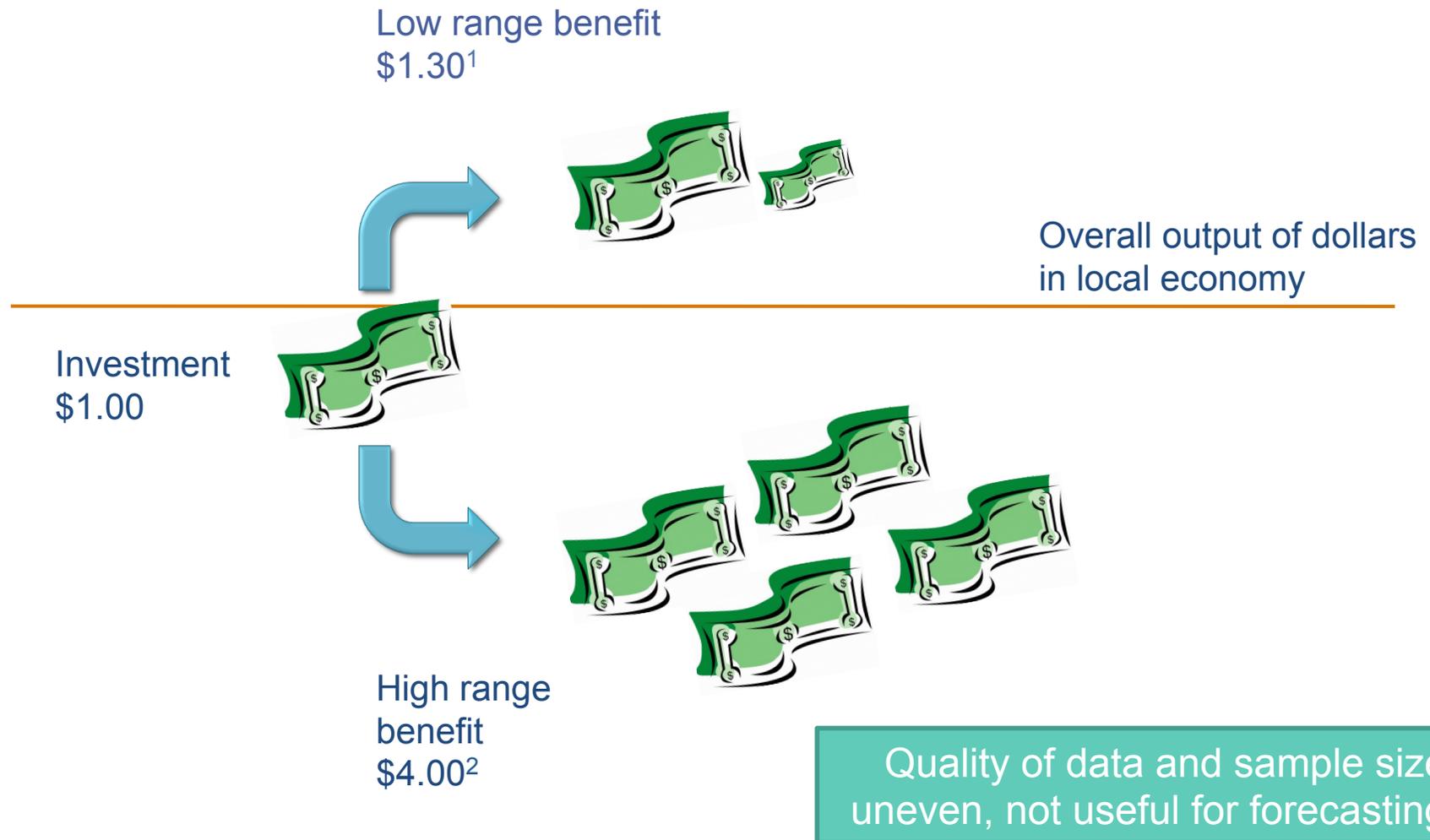
- Many jobs are *low paying*
- There is a *high failure rate* for new businesses. So risk is a key factor when deciding how and when to invest in new and innovative enterprises.
- A key challenge for public sector investors is *how to minimize risk and sustain economic development benefits* over time

# Key Findings

- Increased and sustained demand for local food
- Near term shifts in local/sustainable food business ownership
- Uneven quality in wages for new food sector jobs
  - Production and processing yield highest local multiplier effects with highest wages
  - Many food ventures employ relatively few people (3-50)
- Investment risk is comparable to other sectors
  - But not identical (many vs. few)
- Too soon to gauge success of recent innovations and business models
  - Many launched with nonreplicable advantages, not yet viable

# Overall Multiplier Effect of Local Foods Investment

(Dollar of Benefit/Output Per Dollar Invested)

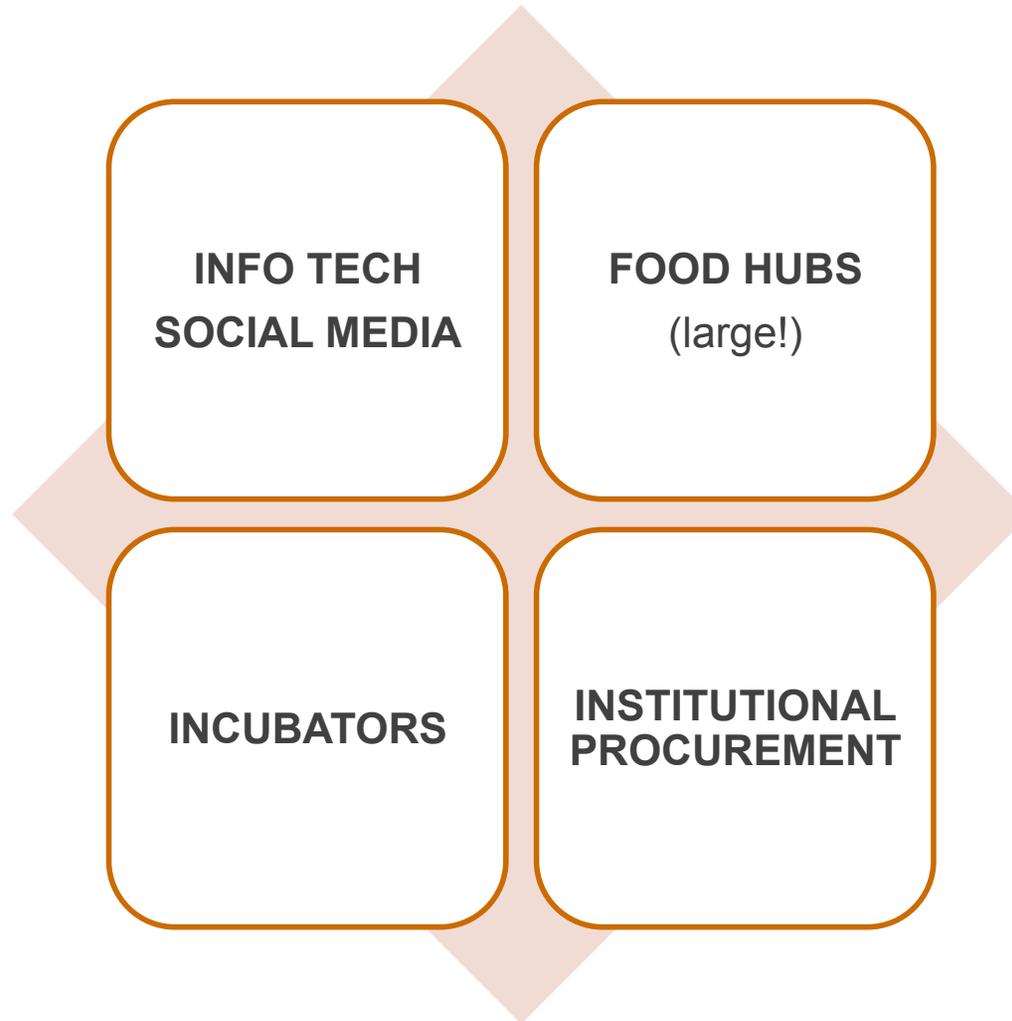


# Overall Multiplier Effect of Local Foods Investment

(Range of Food Sector Local Jobs Created)



# High Impact Innovations



# Critical Success Factors for Local Policy and Financial Investments

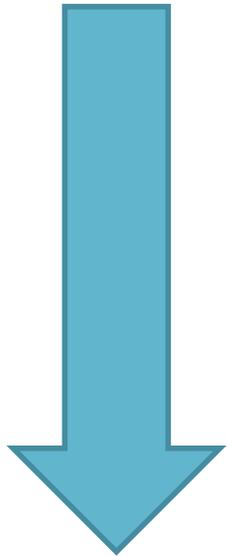
- Systems approach
  - Multiple interventions in all Community Asset Areas matter most
- Targeted institutional procurement policies and incentives
- Supportive infrastructure (aggregation, processing, distribution) — \*asset mapping
- Streamlined permitting and services
- Business/technical assistance
- Access to sufficient capital

# ROADMAP

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# Investing in Local Food Systems: A Roadmap for Cities

Major Decision  
Points

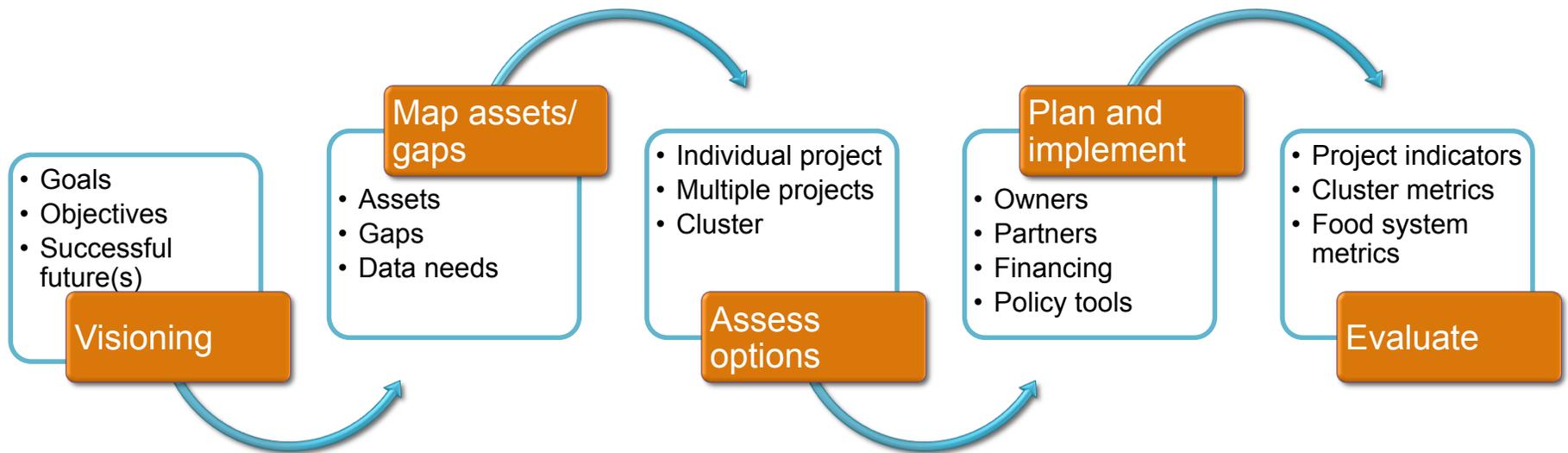


- **Vision of Critical Elements & Innovations**
- **Asset Mapping & Assessment Framework**
- Investment and Policy **Tools & Strategies**
- Investment **Options Analysis**
- Planning and Implementation Framework and **Evaluation Tools**
- **Overall Recommendations** from Project Team
- **Resources** – questionnaires, worksheets, and references

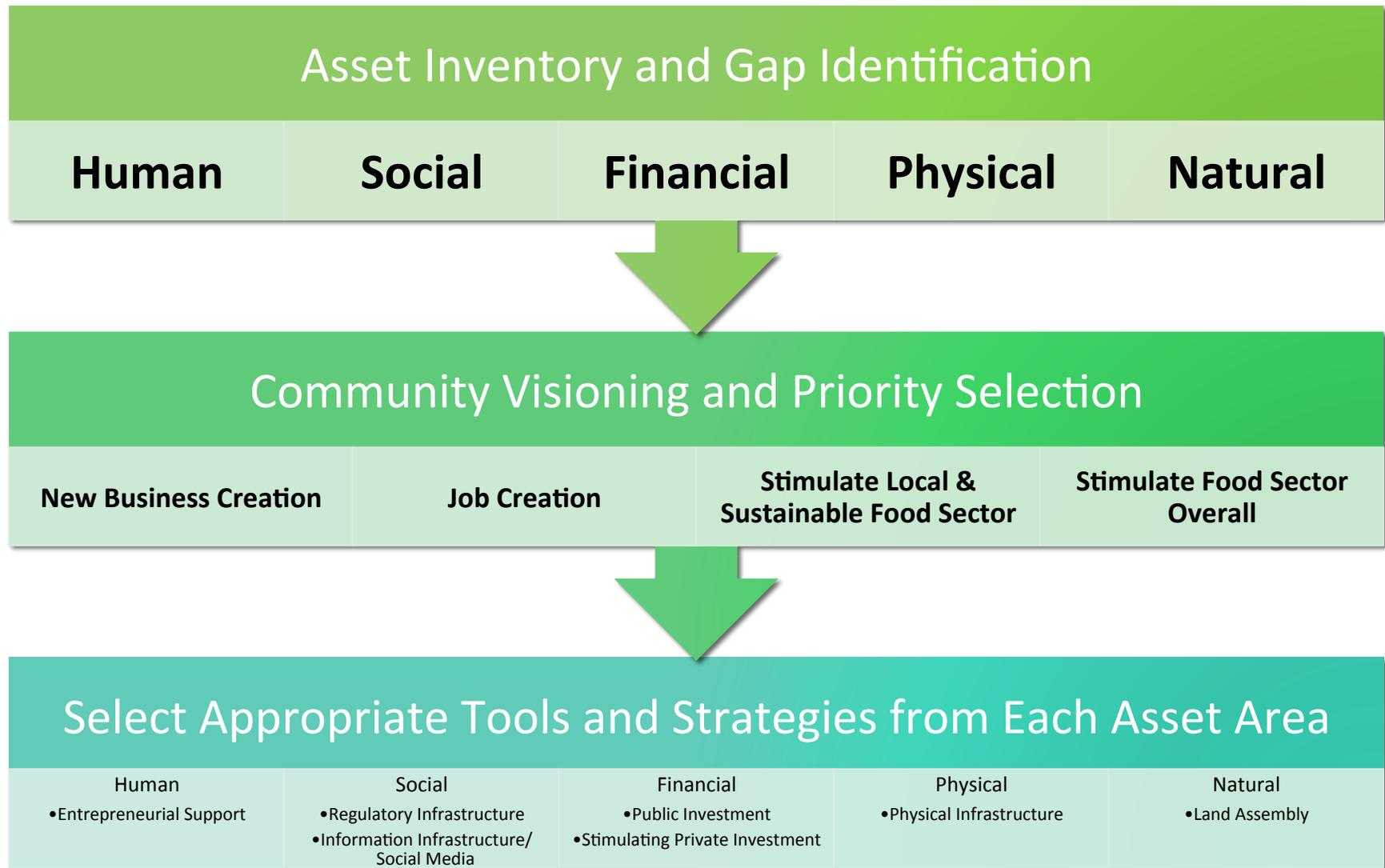
# ACTION PLAN FRAMEWORK

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# Action Plan Framework



# Asset Framework and Functions



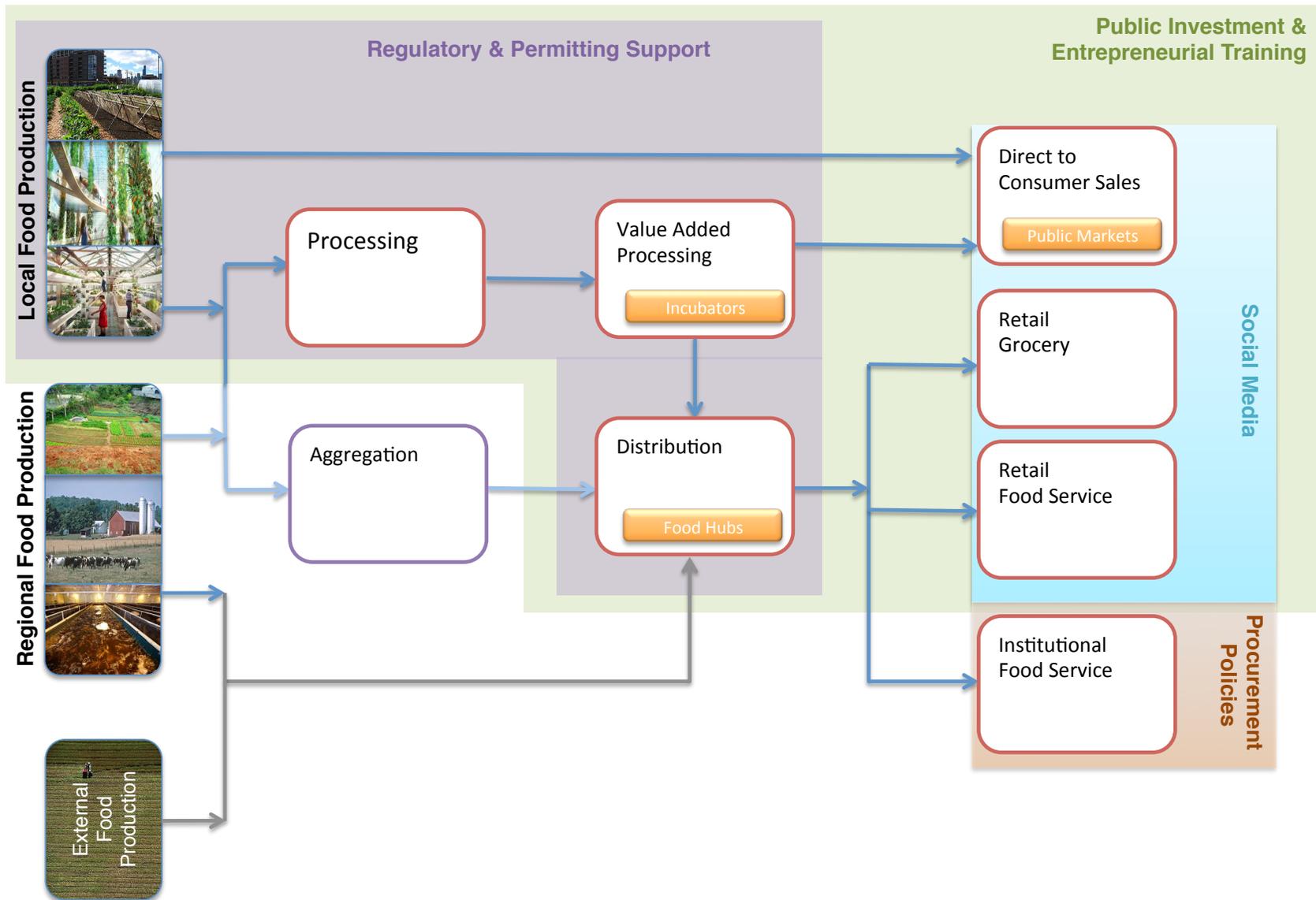
# INVESTMENT DECISION TOOLS

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# Proven Tools and Strategies for Cities

Asset	Type of Action	Use	Tools
<b>Human</b>	Entrepreneurial Support	■	Business Training
		■	Food Start Up Business Incubators
		■	Food Sector Innovation Clusters
		■ ■	Community Prep Kitchens
<b>Social</b>	Regulatory Infrastructure	■ ■	"One Stop" Permitting
		■ ■	Local food Procurement Policies
		■ ■	Supportive Land use Planning and Zoning
		■	Mobile Foodservice & Retail Access
		■ ■ ■	Food Policy Councils
	Information Infrastructure/Social Media	■ ■	Social Media Placement Advocate
		■ ■ ■	Online Aggregation Platforms
<b>Financial</b>	Public Investment	■ ■	Direct Investment
		■ ■	Public Loans
		■ ■	Tax Incentives
	Stimulating Private Investment	■ ■	Orientation for Banks and Loan Officers
		■	Connecting Angel and Venture Investors with Entrepreneurs
		■ ■	Matching Public and Private Investment
		■ ■	Incenting Private Lending through New Market Tax Credits
<b>Physical</b>	Physical Infrastructure	■ ■ ■	Food Hubs
		■ ■	Infrastructure Renewal
<b>Natural</b>	Land Assembly	■ ■	Land Assembly

# Roadmap for Investment – Application of Tools and Strategies for Cities



# Investment Evaluation Tool

- Compares multiple project proposals to identify top investment opportunities
- Aggregates multiple projects to compare to single larger investments in other sectors
- Evaluates return on investment in terms of overall local economic activity, number of jobs, and overall wages (payroll creation)
- Uses a balanced scorecard approach to provide a customized investment request rating for a proposal based on each city's specific priorities

## Proposed Investment Information

### Business Financial Information

\$	100,000.00	Projected revenue in Year 3
	10	Number of (new) jobs created by year 3
\$	100,000.00	Value of (additional) payroll created in Year 3

### Business Ownership Information

Yes	Locally Owned
No	Cooperative Ownership
No	Nonprofit or Public Ownership
	1. Age of Business (New or # of Years)

### Business Function Information

Retail Grocery	Type of Business
	NAICS Code (or combined)

## Investment Request Information

### City Investment Requested

\$	100,000.00	Value of investment or loan
\$	10,000.00	Other costs

### Goal/Asset Information

Yes	Business provides a function that is a city priority and provides new service
No	Business provides a Function that is not a priority and provides new services
No	Business provides a function that is a city priority and duplicates functions of existing businesses
No	Business provides a function that is not a citypriority and duplicates functions of existing businesses

## Government / Community Economic Development Goals Information

*Balanced Scorecard Rating <For Illustration, with Local Economic Benefit as Top Goal>*

\$	22,980.00	Target Threshold Wage	<i>NB Placeholder is 200% of Poverty Level for a Family of 1 in 2013</i>	60%	Local Economic Activity Ratio	10
\$	100,000.00	Minimum Gross Revenue Threshold		20%	Payroll Ratio	10
\$	100,000.00	Minimum Gross Payroll Threshold		0%	Job & Wage Creation/Poverty Ratio	
	20.00	Minimum Number of Jobs Threshold		10%	Business Ownership Benefit	
	5%	Minimum Share of Relevant Local Food Marketplace Threshold		0%	Business Activity Benefit	
				0%	Priority Asset Area Benefit	
				10%	Local Economic Benefit Multiplier	
				<b>100%</b>	<b>TOTAL</b>	

## Return on Investment Analysis

### 3 Year Return on Investment

3 Year Direct Return on Investment	91%	<b>Too small to fund</b>	<i>&lt;Note for illustration purposes only, based on too few jobs created (A7)&gt;</i>
3 Year Direct + Indirect Return on Investment	213%	<b>Too small to fund</b>	<i>&lt;Note for illustration purposes only, based on too little impact on local food system&gt;</i>
<i>(Local economic benefit * Local Multiplier)/(Value of Investment + Other Costs)</i>			
Investment per job created	\$ 11,000.00		

## Project Evaluation (Balanced Scorecard Method)

		Weighting for Sample Screens					
		Local Economic Benefit Weighting		Good Job Creation Weighting		Building a Healthy & Local Food System Weighting	
Local Economic Activity Ratio	0.91	0.6	0.55	0.1	0.09	0.1	0.09
Payroll Ratio	0.91	0.2	0.18	0.1	0.09	0.1	0.09
Job & Wage Creation/Poverty Ratio	0.44		-	0.5	0.22	0.1	0.04
Business Ownership Benefit	1	0.1	0.10	0.2	0.20	0.1	0.10

# Risk Management Tool

- Evaluates proposals based on their likelihood of success.
- Assesses overall expected return from multiple small projects based on specific odds of some, but not all, underperforming.
- Helps assemble a set of projects that are more likely to meet a city's goal for local economic development and strengthening the local food system as well as its tolerance for risk.

## Proposed Investment Information

sample data

43% SBA Loan Repayment Failure Rate for Businesses with same NAICS code

48% Business Age Adjusted Risk of Failure

sample data

## Risk Adjusted Return on Investment Analysis

3 Year Return on Investment

3 Year Direct Return on Investment

43%

3 Year Direct + Indirect Return on Investment

102%

(Local economic benefit \* Local Multiplier)/(Value of Investment + Other Costs)

Investment per job created

\$ 23,046.30

## Risk Adjusted Project Evaluation Score

For Select Balanced Scorecard Methods

Please use the one score derived from the balanced scorecard appropriate for your circumstances

Weighting for Sample Screens

*Local Economic Benefit*

*Good Job Creation*

Risk Adjusted Score

0.46

0.35

## Portfolio Assessment

Note All Sample Data Manually Entered

	Project A	Project B	Project C	Project D	Project E
Total City Investment	\$ 100,000.00	\$ 100,000.00	\$ 50,000.00	\$ 100,000.00	\$ 50,000.00
Direct Return on Investment	49%	69%	79%	82%	85%
Direct + Indirect Return on Investment	63%	98%	114%	123%	135%
Investment per Job Created	\$ 20,463.00	\$ 18,975.00	\$ 11,000.00	\$ 10,754.00	\$ 18,765.00
Business Age Adjusted Risk of Loan Failure	54%	43%	32%	21%	58%
Score	0.52	0.49	0.83	0.78	0.43

QUESTIONS?

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