

**Economic Development & Infrastructure Subcommittee
Of the North Carolina Local Sustainable Food Advisory Council
Eastern Carolina Organics and RAFI, Pittsboro, NC
April 1, 2011**

Minutes

The Subcommittee meeting began with a tour of Eastern Carolina Organics, Pittsboro starting at 10:00 a.m. In attendance: Jim Cummings, Council staff; John Day, Council member; Ron Fish, NCDA&CS staff to the Subcommittee; Debbie Hamrick, Council member; Scott Marlow, RAFI; Roland McReynolds, Council member; Dr. Richard Reich, Assist. Commissioner, NCDA&CS; and Garrett Wyckoff (for Sec. Keith Crisco), Council member. Sandi Kronick, CEO and Trace Ramsey, Project and Production Manager for ECO led the tour.

Eastern Carolina Organics (ECO) started with a \$48,000 grant received by the Carolina Farm Stewardship Association from the Tobacco Trust Fund Commission in 2001. The goal then was to help Santa Fe organic tobacco growers diversify. They had a truck, and a warehouse, then later launched a grower owned company in 2004. ECO's lifetime sales are just under \$7.25 million since April 2004 when they began. That equates to \$6 million paid to farmers. Sales have risen steadily since the start. Total sales last year were more than \$2 million. ECO ownership is 40% farmers (17 of them), 60% managers. About 20 farms are ECO's core supply. About 100 farms total in the system. Most sales are in-state, but there are some large, truckload sales out of state, and some sales into Canada.

Customers (restaurants, retailers/supermarkets, produce box delivery companies, etc.) order by 9 a.m., and then ECO calls farmers to coordinate their supply. M,W,Fr are peaks. About 90-95% of the volume is organic; the exception is product that's from land in transition or greenhouse tomatoes that are pesticide free. Most produce is not from GAP certified farms. However, the bigger farms are certified in GAPs.

ECO is like a small business incubator for some—farmers come in sell to ECO for a while and then move on. For some, it's an important way to refine their marketing focus to farmers markets, or CSAs and away from wholesale. For others, ECO becomes their major outlet. Each farm/farmer is different.

ECO maintains clear and frequent dialogue w/farmers on packing, grading, etc. Staff uses photos to go back and forth when there are issues.

Members of the Council and guests spent time listening to ECO CEO Sandi Kronick as she presented issues that the Council could potentially help with to benefit their business. The first of these is information. ECO currently has no way to benchmark their sales or company growth because the statistics for organic production are poor. Sandi pointed to the state of Georgia as a potential state to study.

Another area Sandi highlighted is the emergence of buying clubs—groups of consumers or an entrepreneur working to bring local and/or organic foods to North Carolinians. These organizations are beginning to make an impact. Sandi says ECO counts about 20 such companies as customers. It's a nationwide trend and the organizations are making a connection with consumers who wouldn't be able to go to a

farm or farmers market. Typically produce is home delivered. Among the issues to work on with this group would be safe food handling and transportation practices and the opportunity for helping the organizations develop marketing and operational guidelines and transparency on product sourcing and source information provided to customers.

Finally, another point the group discussed was how to integrate farmers into economic impact models. We need to be able to say we created this many new farm jobs with economic development efforts.

Subcommittee Meeting

Following the tour, Subcommittee members and guest moved to the Rural Advancement Foundation Inc., Pittsboro where they enjoyed lunch catered by Angelina's and paid for by NC Farm Bureau as an in-kind contribution to the Council.

Meeting attendance: Subcommittee members present: Debbie Hamrick, Chair; Roland McReynolds ; and Garrett Wyckoff (for Sec. Keith Crisco). *By phone:* Jamie Ager; Uli Bennewitz; Charlie Jackson; and Barry Nash. Guests; Jim Cummings, Council staff; John Day, Council member; Ron Fish, NCDA&CS staff to the Subcommittee; Scott Marlow, RAFI; Shivaugn M. Rayl, NC Coalition for Sustainable Food; and Linda Shaw, RAFI.

Working Group updates

Assessments Working Group Roland McReynolds, chair. From discussions during the ECO tour this morning, it's clear that the state needs to focus on benchmark numbers so that companies in the local foods economy have a better understanding of where they fit into the marketplace. Discussion ensued on how to pursue options given that obtaining funding for such an undertaking in today's budget climate is unrealistic.

- Opportunities were discussed including certifying Bob Grooms at NCDA&CS in the IMPLAN System..
- A conversation with NCDA&CS Statistics Division led that group to query a subset of fruit/vegetable producers who regularly contribute to their market reports regarding sales of local foods. However, none of the growers had clear information regarding the final destination of their products. A special survey (and the funding) would have to be developed and implemented.
- Appalachian Sustainable Agriculture Project has received a grant to survey buyers and distributors statewide to study their requirements and expectations for local products. This could offer an opportunity for the Subcommittee to ask a question. Results would be representational, not scientific, but could offer some insights into the distribution market for local foods.
- NCDA&CS' Bob Grooms recently conducted a survey of local food producers in WNC for the Department. This information will be available shortly and may offer insights into the WNC local foods markets.

Literature Review Working Group Barry Nash, chair. The NCSU contact has stated that Literature Review is on the list for the summer session. However, it is not guaranteed that the students will select the project since ideas are presented to the students who chose projects to complete. Chair will also reach out to ECU, UNC-Charlotte and UNC-

Wilmington. The working group will prioritize the documents they want to be sure to have reviewed in a conference call in April.

Regulatory Working Group Ron Fish, chair. Many issues are currently in play and moving quickly. NCDA&CS is coordinating with NCDENR Environmental Health on a guidance document for small processors using septic systems. Simultaneously, HB 162, which would accommodate small on-farm processors generating less than 1,000 gallons of water/day, is moving forward in the Legislature. If we continue to develop good ideas for regulatory reform or development that would benefit local foods, small farms and create jobs there is good support for moving those ideas forward.

The Subcommittee discussed ways to educate producers about land application of small amounts of wastewater from on-farm processing if HB 162 passes. NCSU Cooperative Extension has committed to helping. Also, NCDA&CS will meet internally to discuss additional ways to get information from DENR on land application to small farmers. It's in the producer's best interest to land apply correctly so that they are not in violation of ground and surface water protection standards.

During discussion, the issue of selling ungraded eggs surfaced. NC Egg Law states that eggs should be graded unless the producer marketing eggs of his/her own production sells the eggs on the premises where the eggs are produced or processed or if egg sales do not exceed 30 dozen/week. Questions during discussion asked how the 30 dozen limit was selected.

Further discussion included comments about the Subcommittee conducting meetings/listening sessions in other areas of the state to get input from farmers, farmers markets and others on the limitations and opportunities they encounter in developing local food sales/markets. One opportunity would be to begin such a dialogue with a session at the Carolina Farm Stewardship Association meeting in November in Durham and at the ASAP Marketing Conference in Black Mountain in February.

Infrastructure Working Group Debbie Hamrick, chair. The morning tour of Eastern Carolina Organics was conducted primarily for Subcommittee members to see a successful company providing distribution services for farms selling to in-state restaurants, "hybrid" home delivery CSA companies, retail outlets and to out-of-state markets. During discussion with ECO staff, infrastructural needs for additional curing capacity was raised. Members raised the possibility that a portion of existing curing capacity could be used to meet this need in sweet potato production locations.

Discussion included comments that shrimpers and processors along the coast need to add more value to their catch in order to capture higher sales from potential restaurant and institutional customers. Many markets will not take the product because it is not peeled, deveined and sized. Barry Nash asked the Subcommittee for assistance in locating advisors to help work on the project. In addition to shrimp, other shellfish and finfish can be included. Processing and freezing may be included in the project. Subcommittee members offered insights into existing freezer capacity that may be helpful in first steps toward achieving results.

Access to capital has been an issue also raised in the Land, People and Natural Resources Subcommittee. Farm Credit at the national level is very interested in working with the local foods community. Perhaps working with Farm Credit in North Carolina would be beneficial. Money, especially in the early phase of development, is an important aspect of developing local foods farms and companies. Discussion included comments

that the Tobacco Trust Fund has been a very important catalyst in helping farms/farmers/and small companies get started. Golden Leaf has also played a role.

Discussion also included general thoughts on the overarching directive for the Infrastructure Working Group. In past discussions the common element that weaves throughout is that farms/farmers must be at the core and that profit must accrue there. Further discussion refined the thought to the overarching principle for the Infrastructure Working Group that profit should accrue to those points in the chain taking the most risk and making the greatest investment: Let profit accrue to those points where value accrues. In the local foods community at this point, most of the time value accrues at the farm/farmer. Recommendations should center on ideas that increase margins and income for farmers, not simply to increase market share of local foods in the food economy. Recommendations that advance the farmers' share in the value chain in proportion with the investment and risk that the farmer takes.

Further discussion

After Working Group updates, the Subcommittee turned attention to providing input to the Executive Committee for the next full council meeting on April 28. At that meeting greater strategic direction for the entire Council will be discussed.

The meeting adjourned at approximately 3 p.m.