

**Local Food Promotion Program (LFPP)
Final Performance Report**

The final performance report summarizes the outcome of your LFPP award objectives. As stated in the LFPP Terms and Conditions, you will not be eligible for future LFPP or Farmers Market Promotion Program grant funding unless all close-out procedures are completed, including satisfactory submission of this final performance report.

This final report will be made available to the public once it is approved by LFPP staff. Write the report in a way that promotes your project's accomplishments, as this document will serve as not only a learning tool, but a promotional tool to support local and regional food programs. Particularly, recipients are expected to provide both qualitative and quantitative results to convey the activities and accomplishments of the work.

The report is limited to 10 pages and is due **within 90 days** of the project's performance period end date, or sooner if the project is complete. Provide answers to each question, or answer "not applicable" where necessary. It is recommended that you email or fax your completed performance report to LFPP staff to avoid delays:

LFPP Phone: 202-720-2731; Email: USDALFPPQuestions@ams.usda.gov; Fax: 202-720-0300

Should you need to mail your documents via hard copy, contact LFPP staff to obtain mailing instructions.

Report Date Range: <i>(e.g. September 30, 20XX-September 29, 20XX)</i>	October 1, 2015 – September 29, 2017
Authorized Representative Name:	Christopher David Hartman
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Recipient Organization Name:	Headwater Foods, Inc.
Project Title as Stated on Grant Agreement:	Food Hub Market Expansion
Grant Agreement Number: <i>(e.g. 14-LFPPX-XX-XXXX)</i>	15LFPPNY0065
Year Grant was Awarded:	2015
Project City/State:	Fairport, New York
Total Awarded Budget:	\$100,000

LFPP staff may contact you to follow up for long-term success stories. Who may we contact?

Same Authorized Representative listed above (check if applicable).

Different individual: Name: _____; Email: _____; Phone: _____

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1. State the goals/objectives of your project as outlined in the grant narrative and/or approved by LFPP staff. If the goals/objectives from the narrative have changed from the grant narrative, please highlight those changes (e.g. “new objective”, “new contact”, “new consultant”, etc.). You may add additional goals/objectives if necessary. For each item below, qualitatively discuss the progress made and indicate the impact on the community, if any.
 - i. Goal/Objective 1: Acquire additional cooler capacity, expanding existing capacity by 50%
 - a. Progress Made: Targeted cooler capacity for the food processing room is installed and operational, effective August 31, 2016
 - b. Impact on Community: The expansion of the cooler capacity to support the food processing line enabled Headwater Foods: 1) to offer its customers across both retail and wholesale markets a higher product quality by facilitating a longer shelf life at optimal storage temperatures; and 2) to accommodate a larger and more diverse volume of product across all climate controlled categories, giving customers a significant increase in food choices.
 - ii. Goal/Objective 2: Establish a chopping, washing, and packaging processing line for salad greens in response to market demand
 - a. Progress Made: During the project’s timeframe, equipment was purchased and installed in the food processing room. Commissioning tests were successively completed; a Food Safety Plan was developed with the assistance from the Cornell Cooperative Extension; a Food Safety consultant provided on-the-job training to all Hub staff involved in food processing; and an inspection was completed by the NYS Department of Agriculture and Markets. Their recommendations resulted in the ordering of additional sanitation test equipment to meet newly established guidelines.
 - b. Impact on the Community: Regional retail and wholesale customers have access to a greater quantity of locally grown food that meets high standards and certification requirements, assuring greater food safety.
 - iii. Goal/Objective 3 (new): Develop and market a brand of NY grown and processed salad greens and begin the account development towards a key customer base to launch operations.
 - a. Progress Made: By the project’s end we had: 1) developed a brand, “Upstream Greens”, and marketing materials for our line of chopped and washed greens; 2) secured contracts to provide chopped and washed salad greens from customers in five marketing sectors: colleges and universities (2), secondary schools (4), hospitals and healthcare organizations (3), restaurants (5), and retail grocery stores (2); and 3) initiated conversations with additional area colleges and universities (2), secondary schools (3), hospitals and healthcare organizations (5), and restaurants (20).
 - b. Impact on Community: We developed capacity to offer producers an attractive option of providing produce to institutional buyers, particularly schools, colleges/universities, and large restaurants, whose chefs enjoy the greater convenience of the chopped, washed, and bagged produce.
2. Quantify the overall impact of the project on the intended beneficiaries, if applicable, from the baseline date (the start of the award performance period, September 30, 2015). Include further explanation if necessary.

- i. Number of direct jobs created: At the start of the project, Headwater Foods had a Full-time workforce of 7, a Part-time workforce of 3, and a Seasonal workforce of 5, totaling 15 jobs. By September 30, 2017, Headwater Foods had a Full-time workforce of 13, a Part-time workforce of 4, and a Seasonal workforce (FT) of 2, totaling 19 jobs. Four additional direct jobs were created by the project's end.
 - ii. Number of jobs retained: The 15 jobs at the start of the project were all retained.
 - iii. Number of indirect jobs created: We do not have a count of indirect jobs created, but anecdotal evidence from the partnering farmers indicates that their capability of selling a larger volume of produce to Headwater Foods for distribution through its Hub has led to increased employment on their farms. Headwater Foods always involves its partnering producers to participate in developing a crop schedule so they have specific, advance guidance regarding the volume that the Hub would anticipate purchasing from each farm. This effort facilitates their own workforce planning to expand as needed.
 - iv. Number of markets expanded: In 2009, when Headwater Foods was established, initial markets (exclusively retail) included Cities, Towns, and Villages in Monroe and Wayne Counties in the Finger Lakes Region. During this first year, 100 families were served. By 2017, the number served had expanded to include approximately 1,200 families mostly in Cities, Towns, and Villages in the initial markets of Monroe and Wayne Counties.
 - v. Number of new markets established: In 2014, Headwater Foods added a wholesale line of business, which enabled a significant expansion into new markets (additional counties). By 2017 its market reach included Monroe, Wayne, Ontario (Canandaigua and Geneva), Onondaga (Syracuse), Tompkins (Ithaca), Erie (Buffalo), NY County (Manhattan), and the Hudson River Valley.
 - vi. Growth in Sales: Over the project period Headwater Foods' sales increased by \$1,123,757 from \$476,243 in revenue in 2015, to a projected 2017 year-end revenue of \$1,600,000, a 236% increase, with the largest growth being in sales to wholesale buyers.
 - vii. Number of farmer/producer beneficiaries: At the commencement of this LFPP project in 2015, Headwater Foods sourced from 53 local producers, expanding to 80 local producers in 2016; and so far in 2017, to 93 producers, a 75% increase. This project has enabled producers to gain an improved access to markets. Small farms have particularly benefitted. Of particular note is the growing number of Amish and Mennonite farmers in the Finger Lakes Region. Over the past 40 years Amish and Mennonite families have migrated to the Finger Lakes Region to establish family farms. There are now 600 households, with the majority engaged in agriculture. Over the last several years, Headwater Foods has added six Amish and Mennonite farms to its supplier base. Approximately 65% of Headwater Foods' expenses represent purchases from farmers; thus the farming community in the Finger Lakes Region has gained approximately \$730,442 in additional revenue over the 3 year project period (a 236% increase). Headwater Foods' activities in aggregating and selling from many farms give farmers greater opportunity to be profitable, produce more crop/product, hire additional labor, and increase earnings, thereby revitalizing their rural communities.
3. Did you expand your customer base by reaching new populations such as new ethnic groups, additional low income/low access populations, new businesses, etc.? If so, how?

The Finger Lakes Regional Economic Development Council (FLREDC) in 2016 identified poverty reduction as a primary goal in its Upstate Revitalization Initiative (URI) strategic plan, in

partnership with the Rochester-Monroe Anti-Poverty Initiative. True to its mission and its status as a Certified B-Corporation (a business committed to social and environmental justice), Headwater Foods has woven into its core values and operational processes a focus on playing an active role in helping people impacted by poverty. One of the Rochester Economic Development Council's major strategies for reducing poverty is expanding the population's access to fresh, local, healthy food. Sourcing from small/midsized Finger Lakes farms that use sustainable agriculture practices, Headwater Foods is proud to distribute food to low-income consumers through a variety of programs, for example: a) in collaboration with the Rochester City School District and the Greater Rochester Health Foundation, Headwater Foods provides produce to three inner-city school cafeterias several times per year and engages students in conversation about healthy food options; b) in its retail business, Headwater Foods accepts payment through NYS's Supplemental Nutrition Assistance Program; c) Headwater Foods has partnered with the City of Rochester's summer Recreation Programs to provide bulk foods for City youth to sell at neighborhood farm stands to introduce their families to the value of healthy food; d) Headwater Foods provides a weekly food distribution to 150 children and their families who participate in a summer learning program for children in Rochester's inner-city neighborhoods; e) funded by other grants, Headwater Foods has partnered with numerous school and community-based not-for-profit groups to support educational efforts that promote the use and appreciation of healthy food; and f) Headwater Foods works collaboratively with Foodlink, a national "Feeding America" food bank, as one of its suppliers, providing fresh produce from its extensive farm network to complement Foodlink's food offerings.

4. Discuss your community partnerships.

i. Community Partnerships: Through the design and implementation of this project, Headwater Foods worked with Cornell Cooperative Extension, Cornell University's Food Science Department, Foodlink, area colleges and universities, and its network of local farmers.

ii. Contributions of Partners: Partners brought to the project their core areas of expertise and understandings. Cornell played a crucial role in the drafting, finalizing, and approval process associated with our Hazard Analysis and Critical Control Point (HACCP) Plan and in our gaining NYS food processing approval. Foodlink, as the organization has worked to build out processing capacity, has been involved in sharing best practices and participating in discussions around complementary activities and shared processing capacity. Area leaders in college and university food service departments have been involved in consulting on the project from day one, providing ideas and feedback regarding desired product mix and volumes, necessary product quality, and future product development. Farmers have also been involved since day-one assisting in the development of a crop schedule, an understanding of crop utilization, and in modeling the economics of the project from the farm's perspective.

iii. Partners' Future Contributions: As this project continues to move forward, all of these key project partners will continue to stay involved in these same important ways.

5. Are you using contractors to conduct the work? If so, how did their work contribute to the results of the LFPP project?

We used contractors to help draft and finalize our Food Safety Plan relevant to the introduction of the food processing line. The Plan was essential to Headwater Foods' successfully gaining certification from the NYS Department of Agriculture and Markets for the food processing line.

6. Have you publicized any results yet?

A majority of the publicity related to this project was in the form of marketing materials developed and displayed where our chopped and washed greens were being served. Maintaining that the story behind the processed greens is as valuable as the greens themselves, we worked closely with all of our college/ university and other institutional partners to help tell the story of sourcing from local farmers, developing local processing capacity, building a sustainable food system, and serving the best and freshest of foods. Included with this report are examples of display materials like this.

We have also given numerous tours and facilitated site visits for representatives of our wholesale buyers and other groups and individuals interested in this project and in processing in general.

7. Have you collected any feedback from your community and additional stakeholders about your work?

Throughout our project we have worked closely with all of the stakeholders to get real time feedback on progress and issues. From both farmers and food service providers, we have had ongoing communication regarding logistics, crop quality/availability, product quality/availability, and other key details related to the project. Information was collected verbally during routine communications, via email, or at specific meetings scheduled to discuss the project. All the feedback was positive as far as the general goals of the project and the general nature of the operations and outcomes. We had a significant learning curve associated with shelf life of the processed food product and sought and received a lot of feedback regarding this aspect of product quality.

8. Budget Summary:

- i. As part of the LFPP closeout procedures, you are required to submit the SF-425 (Final Federal Financial Report). Check here if you have completed the SF-425 and are submitting it with this report:
- ii. Did the project generate any income? Yes, see answers to Question #2.
 - a. If yes, how much was generated and how was it used to further the objectives of the award? The increased revenue from this project (\$1,123,757 over the project period) enabled Headwater Foods to employ additional staff and cover added expenses associated with handling a larger volume of produce at the Food Hub, e.g. additional delivery trucks, gas, and truck maintenance to serve a significantly expanded geographic market area, and additional equipment and

supplies at the Food Hub (fork lift, conveyers, and supplies to facilitate food packing and truck loading for distribution).

9. Lessons Learned:

- i. Summarize any lessons learned. They should draw on positive experiences (e.g. good ideas that improved project efficiency or saved money) and negative experiences (e.g. what did not go well and what needs to be changed).
- ii. If goals or outcome measures were not achieved, identify and share the lessons learned to help others expedite problem-solving:
- iii. Describe any lessons learned in the administration of the project that might be helpful for others who would want to implement a similar project:

This project has served as an excellent experiment in the establishment of appropriately scaled processing capacity. Such an experiment is something being worked on by a few, considered by many, and something that is clearly an important part of the future of regional food system growth. Here are a few of the important things (hypotheses) we confirmed as true or false:

- Confirmed as true are our hypotheses that 1) current crops of romaine lettuce being grown by local farmers need a market for the portion of the crops that does not meet “standard” retail specification and 2) there is opportunity to scale that up significantly. There is great opportunity to grow significant amounts of romaine lettuce, building out a retail market for a certain percent of that and building a supply chain for processing with the remaining crop.
- Confirmed as true is our hypothesis that there is significant interest among institutional buyers to purchase and serve locally grown and processed salad greens. There is significant demand potential for a high quality, locally produced salad bar lettuce if the local sourcing story can be told (to students, administration, etc.) and that the price point does not exceed 20% of standard market prices. There may even be additional room for the price premium because the “loft” and the quality of the product allows for better yields on the plate and better economics through the kitchen. Further research needs to be done so consistent product experience can be achieved.
- Confirmed to be true is our hypothesis that an appropriately scaled processing line can be set up to process salad, cooking, and juicing greens from local farmers to meet institutional demands. In fact, the equipment and lay out designed and setup through this grant represented an impressive and effective facility that included the flexibility to process in many different ways. Although it took us time to get all the equipment finally together as needed and to develop our food safety and operational plan accordingly, the finished product shows significant potential as a right sized processing line for the project goals.
- Proven false was our hypothesis that we have the current capacity to develop well as a processing organization. Perhaps most significant in the category of “Lessons Learned” was our process attempting to staff (including the hiring, training, and overseeing) and maintain (including meeting ongoing and evolving food safety requirements) an active processing facility. A huge part of our story launching this project was the overwhelming nature of the operational needs associated with processing a high volume, ready to eat product. Specific areas of challenge included: hiring an appropriate and reliable work force, training each member adequately, lining up product supply with ready labor and the scheduled distribution of orders, dealing with any issues that had this sequence out of whack (delayed or problematic product deliveries, days when we were short labor, crop readiness in the fields vs. demand, etc.) and meeting food safety guidelines from start to finish for the whole product flow. Our efforts to develop as a processing organization literally overwhelmed us and negatively impacted our ability to run this project as

well as our ability to run Headwater Food Hub broadly. As a result, we are making the strategic decision to end our role as processor in this way as of October 2017 and are now actively pursuing processing partners that can take over this part of the project.

10. Future Work:

- i. How will you continue the work of this project beyond the performance period? In other words, how will you parlay the results of your project's work to benefit future community goals and initiatives? Include information about community impact and outreach, anticipated increases in markets and/or sales, estimated number of jobs retained/created, and any other information you'd like to share about the future of your project.
- ii. Do you have any recommendations for future activities and, if applicable, an outline of next steps or additional research that might advance the project goals?

As mentioned above, we are now focused on meeting with three potential, experienced, processing partners to explore their managing and operating the processing line. Headwater Food Hub will remain active as the organization that coordinates with farms, planning crop schedules and product availability. Headwater will also continue to "make the market" by developing customers within institutional markets and will continue the branding, marketing, selling and delivering of chopped and washed product. We continue to see great opportunity related to this project: the supply and demand for the product exists and is growing. Our efforts to identify and support the right processing partner will facilitate making this project successful in the long-term.

The likely candidate is strategically focused on building out their processing capacity, has significant food processing experience, is focused on workforce development within the food sector, and has significant, complementary overlap with Headwater Foods' mission. Although we had challenges in our first year of offering food processing that seriously compromised the success of the first year of production, we now believe that this new direction will place us in a good position to successfully steward this project. We aim to work out the details and execute this plan over the next several months, prior to the spring growing season.