

FOOD SYSTEMS FINANCING AND MARKET UPDATES



BUILDING NATIVE AGRICULTURE & MARKET REPORT
JULY 21, 2021

GUEST SPEAKERS



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AGENDA

- Recap of Webinar Series
- Quarterly Marketplace Update
- Organic Labeling
- Selling to the USDA
- Grant Recommendations
- Loan Options
- Questions



BUILDING NATIVE AGRICULTURE WEBINAR SERIES

Episode 1: Strategic Planning and Feasibility

- Food sovereignty assessments
- Feasibility studies
- Business plans

Episode 2: Funding Opportunities and Writing a Grant

- Finding grants
- Planning your project
- Developing a budget

Episode 3: Standing Up Infrastructure

- Assessing infrastructure needs
- Site selection
- Planning the facility

Sowing the Seeds of Growth Through Capacity Building



Funding Opportunities/Writing a Grant



STANDING UP
INFRASTRUCTURE
2:00 p.m. CT



BUILDING NATIVE AGRICULTURE WEBINAR SERIES

Episode 4: Labor and Training Opportunities

- Opportunities to find labor
- Training resources
- Training development

Episode 5: HACCP and Food Safety Plans

Episode 6: Using Tribal Products in Retail & Vertical Integration

- Planning
- Food security

Episode 7: How Tribal Foods Tie Into Feeding Program?

- Benefits of using tribal foods
- Places to use tribal foods
- Infrastructure and labor



BUILDING NATIVE AGRICULTURE WEBINAR SERIES

Episode 8: Agriculture Policy

- Farm Bill overview
- Tribal provisions
- Recommendations

Episode 9: Food Distribution, Storage, and Logistics

Episode 10: Regional Food Models and Opportunities

- NAAF's Regional Food Hub Model
- Marketing
- Funding Opportunities

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AGRICULTURE POLICY

JANUARY 20, 2021
2:00 PM CT



BUILDING NATIVE AGRICULTURE Storage, Distribution, and Logistics

February 17, 2022



BUILDING NATIVE AGRICULTURE Regional Food Models & Opportunities

March 17, 2022





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QUARTERLY MARKET UPDATES

Traffic Sources Overview

Map Overlay



■ Direct Traffic
3,097.00 (40.49%)
■ Search Engines
2,910.00 (38.04%)
■ Referring Sites
1,642.00 (21.47%)

QUARTERLY MARKET UPDATES

One word now dominates the food marketplace: Inflation

- Food-at-home prices jumped nearly 12% over the past year
 - Largest 12-month increase in 43 years
- 90% of consumers are concerned about food prices
- Short-term blips or long-term fundamental changes in consumer behavior may depend on the duration of the inflationary cycle



Shrinkflation

- Manufacturers are trying to buffer the impact of rising prices by quietly shrinking the size of the packages for their products.
 - Chobani® Flips yogurts are now 4.5 ounces, compared to 5.3 oz.
 - Folgers' Coffee® canisters are now 43.5 oz., compared to 51 oz.
- Packaging downsizing could have long-term impacts on dairy and beef producers.
 - 16% less milk would be needed to meet single-serve yogurt demand

MARKETPLACE TRENDS

Trend #1: Eating at Home More, Enjoying it Less

- Poll conducted late last year found that more than half of the people interviewed are tired of cooking the same recipes over and over again
- 70% say they would like to have more variety in the food they cook every week
- Most people want to spend less than 25 minutes cooking a meal
- Implications and Opportunities:
 - Indigenous meal kits and easy prep dishes
 - Provide some inspiration
 - Recipe websites/apps or food blogs (31%)
 - Social media (29%)
 - Cooking shows on TV or streaming (24%)
 - Cookbooks or magazines (24%)

○



MARKETPLACE TRENDS

CONT.



Trend #2: The Shift to Store Brands

- According to FMI's 2022 Power of Private Brands Report, 40% of consumers have purchased **more store brands** since before the onset of COVID-19
- Kroger's *Simple Truth* and Albertsons' *Open Nature* and *O Organics* labels have essentially become name brands.
- Implications and Opportunities:
 - Retailers offering store brands don't own the manufacturing facilities producing those products. Instead, they contract with outside manufacturers to produce private label products on the same equipment used to create branded products.
 - This movement may create more opportunities for co-manufacturing these types of products on a larger scale.

MARKETPLACE TRENDS

CONT.



Trend #3: The Rise of Online and the Fall of Store Loyalty

- 75% of U.S. consumers tried a new shopping behavior in the pandemic's wake
 - "Mainstream grocery is losing these consumers faster than they can replace them" – John McCann of RetailAI
 - Consumers shopping online tend to spend more each month on groceries, but tend to have little loyalty to any outlet.
 - Consumers are relying on the internet to make shopping lists, prepare menus and find digital coupons, and are even ordering their groceries for home delivery
- Implications and Opportunities:
 - Market disruptions created an opportunity to introduce new products without traditional advertising and promotion
 - Tribal brands can capitalize by promoting the value and values of their products in regards to climate change and personal health.



**THIRD PARTY AUDITED LABEL
CLAIMS:
ORGANIC - THE GOLD STANDARD**

BACKGROUND



- By the late 1970's the term "organic" began to emerge to describe food produced from animals and crops raised without synthetic fertilizers, pesticides, growth hormones, or antibiotics.
- The organic community lobbied for a uniform set of national organic standards.
 - Resulting in the Organic Foods Production Act (OFPA) in the 1990 Farm Bill
- The Act authorized a new USDA National Organic Program (NOP) to set national standards for the production, handling, and processing of organically grown agricultural products.
 - NOP also oversees mandatory certification of organic production
- The Act also established the National Organic Standards Board (NOSB) to advise the Secretary of Agriculture in setting the standards upon which the NOP is based.
 - The NOSB was also given authority over establishing the National List, which would specify the materials that can be used for organic production and handling.

GROWTH OF THE ORGANIC MODEL



- Roughly 45% of the public reported consuming organic food at least twice monthly in 2019.
- According to the Organic Trade Association's 2021 survey, organic food sales grew by 12.8% in 2020 alone, reaching a new high of \$56.4 billion.
- In 2019, organic meat and poultry sales marked a 17.2% increase over the previous year.



ORGANIC CERTIFICATION



- USDA does not conduct certification of organic products.
 - Instead, the National Organic Standards established a process through which companies, state departments of agriculture and nonprofit organizations could be accredited as official certifiers.
 - USDA regularly audits the accredited certifiers and is empowered to investigate any formal complaints against certified organic operations.
 - USDA is authorized to impose financial penalties, along with revocation of organic certification, for operations violating the standards.
- USDA offers a cost-share program to assist farmers and ranchers with the transition to organic certification.
 - That provides a match of 50% of the cost of developing an OSP, with a maximum of \$500.
 - Agriculture Secretary Tom Vilsack recently announced a \$300 million commitment to assist with organic certification

ORGANIC CERTIFICATION

CONT.



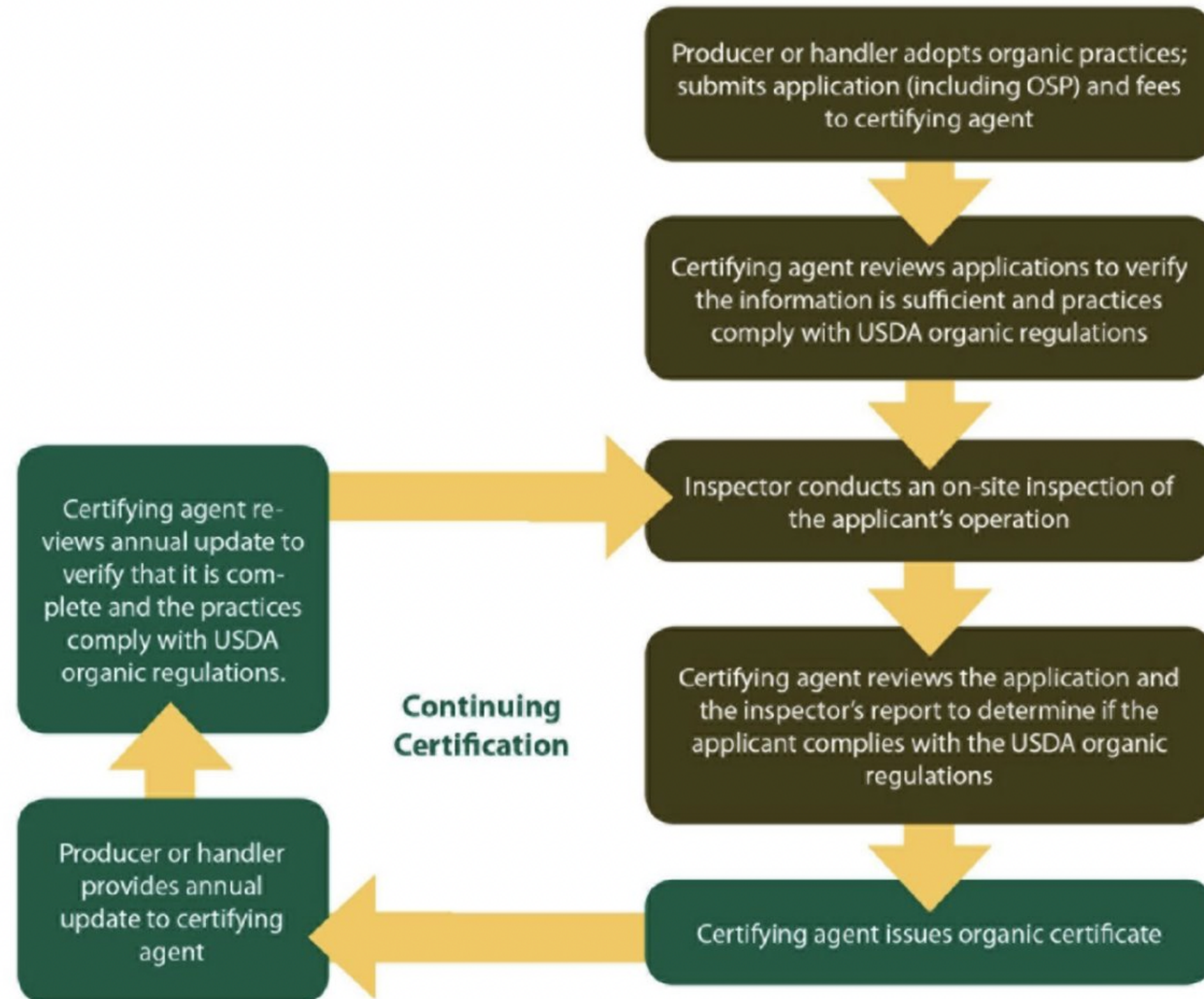
- Organic certification begins with the development of an **Organic Systems Plan (OSP)** for each operation.
 - Methods that the operation will use to assure that the products meet organic standards
 - Start developing an OSP by selecting an accredited certification organization
 - Once certified, each operation will undergo an annual audit from its certification agency
- The conversion to organic certification generally requires a transitional process for crop and livestock production.
 - There are some steps to short-step the transition period for land if there is adequate record keeping to demonstrate that the land has already been treated organically (e.g., some land coming out of CRP will meet these requirements).

ORGANIC CERTIFICATION PROCESS



The Five Steps to Organic Certification

Organic Certification Process



ORGANIC REQUIREMENTS



- Land and Crop Requirements
 - Each operation must have clearly defined boundaries, with buffer zones as needed, to prevent contamination by prohibited substances.
 - Producers must use crop rotation, cover crops, tillage practices, and other procedures to enhance fertility.
 - Must only utilize materials for pest control as allowed in §205.601 of the National List.
- Livestock Requirements
 - All Antibiotics and growth hormones are prohibited.
 - A limited number of synthetic parasiticides are allowed, and can only be used as an emergency treatment in dairy animals and fiber-bearing animals. All synthetic parasiticides are prohibited in slaughter stock.
 - All ruminants must be managed on pasture so that they receive a minimum of 30 percent of their dry matter intake (DMI), on average, throughout the grazing season

ORGANIC REQUIREMENTS

CONT.



- Livestock Requirements Cont.
 - Livestock can receive normal vaccinations.
 - Materials used to maintain livestock health and nutrition must be listed as allowed in §205.603 of the National List
- Handling Requirements
 - Each operation must have strict protocols to assure that organic products are not co-mingled with non-organic products.
 - Each operation must have organic certificates from the suppliers of any ingredients to be used as a part of the organic contents in a product labeled as Organic or Made With Organic.
 - All materials used for food processing, sanitation, and pest management must be listed as allowed in §205.605 of the National List
 - Any non-organically grown agricultural ingredient included in a certified organic product must be listed as allowed in §205.606 of the National List.

ORGANIC RESOURCES



- USDA's National Organic Program has a wealth of resources to assist producers and handling operations in organic certification and compliance.
 - The NOP homepage is **available here**.
 - The NOP Organic Handbook contains guidance and instructions for most steps involved in organic production and handling. That handbook is **available here**.
- The **Organic Materials Review Institute** maintains a database of generic and brand name products allowed to be used in organic production and handling.





SELLING TO THE USDA

BACKGROUND



- The USDA purchases ~\$6 billion of domestically grown fresh/frozen fruits, vegetables, meat and poultry, dairy products, and other commodities each year.
- In most cases, FNS determines the need for commodities to supply a specific distribution program. Then, AMS purchases those commodities from eligible suppliers.
- This overview will provide information on:
 - The types of food distribution programs;
 - The commodities purchased by USDA; and
 - How to qualify as a vendor to supply those commodities.



USDA FOOD DISTRIBUTION PROGRAMS



- School Breakfast/Lunch & Summer Food Service
 - The National School Lunch Program (NSLP) is a federally assisted meal program
 - Provides nutritional, low-cost or free lunches to children each school day
 - Participating school districts and independent schools receive cash subsidies and USDA Foods for each reimbursable meal they serve.
 - USDA Foods Available for SY 2023
- The Child and Adult Care Food Program (CACFP)
 - Helps child and adult care institutions and family or group day care homes provide nutritious foods to young children, at-risk youth, and chronically impaired adults
 - Receive cash reimbursement for serving meals and snacks that meet Federal nutritional guidelines to eligible children and adult participants.
 - May claim reimbursement for up to two meals and one snack, or two snacks and one meal per day to each eligible participant

USDA FOOD DISTRIBUTION PROGRAMS

CONT.



- Food Distribution on Indian Reservations (FDPIR)
 - Provides USDA Foods to income-eligible households living on Indian reservations and to Native American households residing in designated areas near reservations.
 - Products distributed through FDPIR are limited to those on USDA's Foods Available List for FDPIR.
 - Fresh/Frozen Beef products on the list are limited to 85% lean ground beef, and frozen beef round roast. (Canned beef and canned beef stew are also on the list.)
 - Pork products are limited to boneless pork loin chops.
 - USDA also determines the "unit" size of each item available.
- Here is a list of the foods available for purchase from FDPIR: **USDA Foods Available List for FDPIR | Food and Nutrition Service**

USDA FOOD DISTRIBUTION PROGRAMS

CONT.



- Commodity Supplemental Food Program (CSFP)
 - CSFP is targeted exclusively at low-income senior citizens.
 - Except for refrigerated cheese, most products purchased for distribution must be shelf-stable.
 - Here is the list of the foods available for purchase list for CSFP: **USDA Foods Available List for CSFP | Food and Nutrition Service**
- Temporary Emergency Food Assistance Program (TEFAP)
 - TEFAP is a federal program that helps supplement the diets of low-income Americans by providing them with emergency food assistance at no cost.
 - TEFAP was heavily utilized in 2020 as the primary program vehicle for the Farm to Family Food Box Program implemented during the COVID-19 pandemic.
 - Here are the foods available for purchase in TEFAP: **USDA Foods Available List for TEFAP | Food and Nutrition Service**

BECOMING A QUALIFIED VENDOR



- Determine if your business is capable of supplying federal food distribution programs
 - USDA generally purchases products in truckload quantities, which will require them to process, store and deliver at least 40,000 lbs. of products at a time.
 - USDA's procurement standards include stringent food safety provisions
 - For beef and bison products, USDA requires that all products reach 0° Fahrenheit within 72 hours of being placed in a freezer. That may require access to a blast freezer.
 - There are five authorized facilities nationwide for poultry.
- Start the **AMS Commodity Procurement Qualification Requirements Checklist**
 - System for Award Management (SAM) Registration
 - Web-Based Supply Chain Management (WBSCM) Vendor Registration Form
 - Company Letter certifying capability to perform
 - Three Letters of Reference
 - Current Audited or Reviewed Financial Statements

BECOMING A QUALIFIED VENDOR

CONT.



- Approved companies can sign up with AMS to receive notifications of solicitations
- Review solicitations carefully to determine the ability of your business to supply the products. The USDA specifications will include items like:
 - Product Descriptions
 - Grades/Standards; Commercial Item Descriptions (CIDS)
 - Harvest/pack season – current production
 - Formulation/Fabrication requirements (fat, sodium, sugar)
 - Packaging/packing/labeling
 - USDA inspection, grading, and/or auditing requirements
 - Food Safety Requirements for Suppliers; Good Agricultural Practice/Good Handling Practice Audits; and
 - Delivery points – USDA as designated delivery locations for each program/commodity.
 - Be sure to review any amendments to the specification.
- Approved suppliers can then use the WBSCM to submit their bids.



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FINANCING

FINANCING OPTIONS

- Grants
 - Money provided by a funder for a specific project/purpose
 - Generally do not have to pay back money
 - Typically referring to competitive grants
 - Federal vs. private grants
 - Eligibility criteria, grant amount, and reporting requirements differ by grant
 - Able to apply for multiple grants at once
- Loans
 - Money that is borrowed and expected to be paid back with interest
 - Loan terms vary drastically based on lender, project, and loan amount
 - Private banks and credit unions
 - Being awarded grants can help lower your risk for a loan

FINANCING OPTIONS

CONT.

- **Grants.gov**
 - Federal grants
- Newsletters
 - **NAAF**
 - **USDA departments, etc.**
- **USDA.gov/meat**
 - General meat processing updates and open programs
- **Candid.org**
 - Paid subscription service
 - Detailed funder profiles
- Grant writing “season”: October – March



FINANCING OPTIONS

CONT.

- Read Request for Applications (RFA) *thoroughly*– then read it again
- Check eligibility criteria
 - May need to register for SAM number and Unique Entity Identifier (UEI) for federal grants
- Understand requirements
 - Fiscal matches
 - Reporting commitments
 - Waivers of sovereign immunity
 - Tribal resolutions
 - Payment schedules
- If possible, have project ideas, strategic plans, budgets, and other ideas ready
- Grant writing resources:
 - **See Episode #1- Funding Opportunities and Writing a Grant for more information**
 - **An Introduction to USDA Grant-Writing_**

GRANT RECOMMENDATIONS



Rural Development
U.S. DEPARTMENT OF AGRICULTURE

- Rural Development
 - **Food Supply Chain Guaranteed Loan Program**
 - Loans of up to \$40 million for qualified lenders to finance food systems projects, specifically for the start-up or expansion of activities in the middle of the food supply chain
 - Eligibility: Lenders, including banks, credit unions, CDFIs, loan funds, and others, must be approved under the OneRD Guarantee Loan Initiative
 - **Meat and Poultry Intermediary Lending Program**
 - Closes July 25, 2022
 - Eligibility: Private nonprofit corporations, public agencies, Tribes, and cooperatives that finance – or plan to finance – the start-up, expansion, or operation of meat and poultry processing are eligible to apply
 - Meat and Poultry Processing Expansion Program (MPPEP)– Round 2 (TBD)

GRANT RECOMMENDATIONS

CONT.



- NIFA
 - **Tribal Colleges Education Equity Grants (TCEG) Program**
 - Designed to help build Tribal education capacity in the food and agricultural sciences for Native Alaskan/American Indian students
 - Priorities include:
 - Culturally relevant curricula design and materials development,
 - Culturally responsive faculty development and teacher preparation, and more
 - **Agriculture and Food Research Initiative- Education and Workforce Development**
 - Focuses on developing the next generation of research, education, and extension professionals in the food and agricultural sciences
 - Supports:
 - Professional development opportunities for educators,
 - Non-formal education for youth,
 - Fellowships, and more

GRANT RECOMMENDATIONS

CONT.



- Farm Service Agency
 - **Farm Storage Facility Loan Program (FSFL)**
 - Provides low-interest financing so producers can build or upgrade facilities to store commodities
 - Loan terms vary from 3 to 12 years.
 - The maximum loan amount for storage facilities is \$500,000 and \$100,000 for storage and handling trucks
 - **Disaster Assistance Programs**
 - A variety of programs to help those who have been impacted by natural disasters
 - Categories:
 - Livestock assistance programs (LFP, LIP, ELAP, ELRP)
 - Farm loans programs
 - Crop losses programs
 - Farmland damage programs
 - **Heir's Property Relending Program**
 - Helps you resolve heirs' land ownership and succession issues on agricultural land

LOAN OPTIONS

- Food Systems Lenders Network
 - Specifically lending money to food processing and food production operations
- Private Lending Institutions (local banks)
- CDFIs
- **Farm Credit**
- **American AgCredit**
- **Agamerica Lending**

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