

World PEAs – Market Report and Review of New Sales Opportunities

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I. Introduction

This report was compiled as part of a school project for the Board Fellow & Social Enterprise Club (BFSEC). In October 2015, students were matched with charities to help them on a small consulting project. Based on our backgrounds, we requested to be partnered with World PEAs to conduct a market study on locally sourced agricultural products in the United States and more specifically the Boston area. In addition, we were tasked with identifying potential new sales opportunities for World PEAs along existing delivery routes in and around the Boston area. This report was compiled through a mix of primary and secondary research as well as reports published by the USDA and Massachusetts government. This report begins with an overview of trends in the United States, Massachusetts, and Boston. Next the report details existing competition to World PEAs as well as identifies new potential sales opportunities within the Boston area. Lastly, the report concludes by offering alternative opportunities to increase sales and improve brand awareness.

II. Overview of trends in the United States

a. A booming organic food sector

In looking at the popularity of locally sourced products, one can begin by looking at trends within the organic food sector. The 2007-2008 recession negatively impacted sales of organic products, as discretionary spending on what is often seen as a luxury product declined. Fortunately, sales have since rebounded strongly. Indeed, as per a recent statement by the USDA, while consumers "economized on their food purchases" during the recession, and farmers chose to take on fewer organic acres, organic food sales have now returned to a growth pattern. Industry analysts have estimated that organic food sales totaled about \$28 billion in 2012 – 4% of total at home food sales, and an 11% increase from the prior year and have continued to grow since.

The sale of organic food bodes well for local farmers, revealing a willingness by consumers to spend more on high quality produce. Farmers see this trend as one that is here to stay, with many of them adding more acres of certified organic cropland in the last few years.

b. Increasing popularity of local food – United States

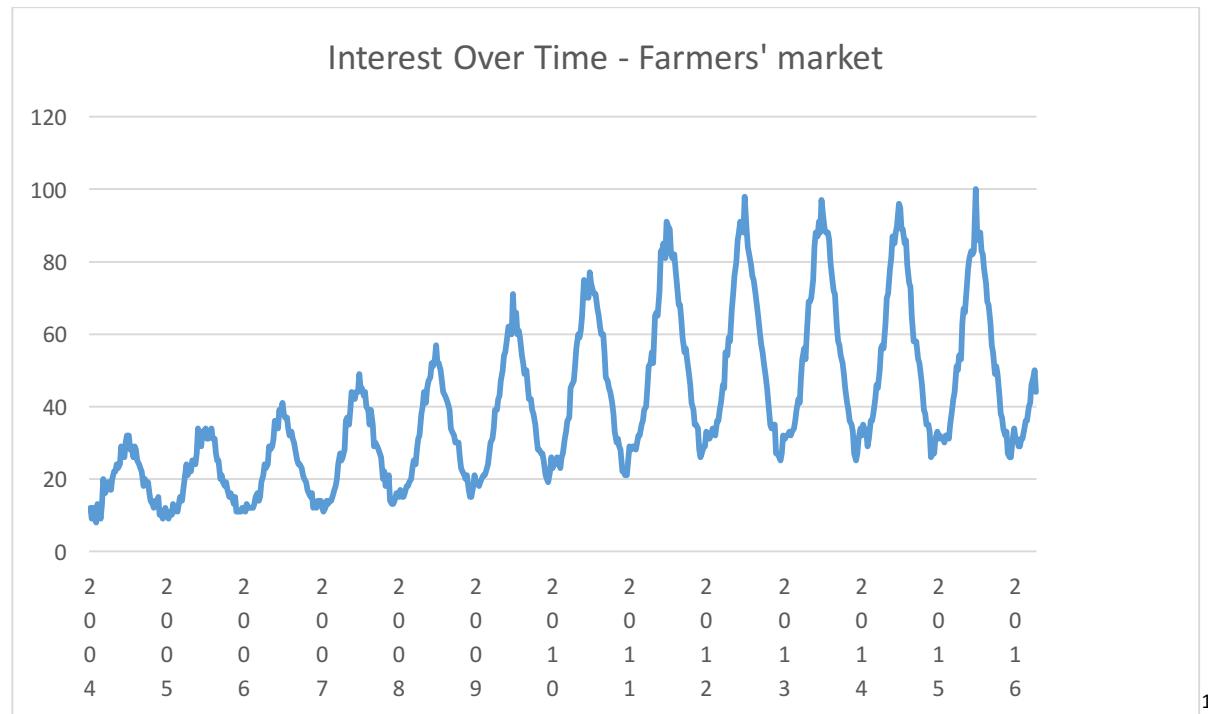
According to recent data from the USDA's Agricultural Marketing Service (AMS) there are now 8,268 farmers' markets across the United States, an increase of 76 percent since 2008. The data reflects continued demand and growth of farmers markets in every region of the country.

Recent results from the National Restaurant Association [annual "What's Hot"](#) culinary forecast, confirmed the increasing popularity of local produce. In it, the association identified locally sourced products as the top trend for 2014. The survey, which takes into account responses from 1,300 professional chefs, found local sourcing, environmental sustainability and nutrition had been gaining culinary influence. When asked which current food trend will

be the hottest menu trends 10 years from now, environmental sustainability topped the list, followed by local sourcing, health-nutrition, children's nutrition and gluten-free cuisine.

More information to be found [here](#).

Further confirmation of this trend appears in the number of Internet searches for farmers' markets, having almost tripled in the last 10-year period and the number of newspaper articles that mention farmers' markets having almost quadrupled.



c. USDA local survey foods

No data currently exists at the national or state level on consumption and popularity of local agricultural products. As a result, the USDA has launched a new local-foods survey with data to be released in 2016. This new report should provide ample data on local trends and confirm the rising popularity of locally sourced products.

III. Massachusetts market

a. Agricultural landscape in Massachusetts

Massachusetts is the 3rd most densely populated state in the country and among the top three states for farmland value at \$12,000 per acre. In addition, factors such as a short growing season and high national competition make farming in Massachusetts a unique and challenging occupation. However, while farm numbers have continued to decline nationally, the trend in Massachusetts has been the opposite. Between 1974 and 1997, the number of farms in the state increased by 24 percent, while the average size of farms fell 31 percent, from 134 acres to 93 acres. 80% of Massachusetts farms are family owned and 95% fit the category of "small farms" according to the USDA definition of sales below \$250,000.

¹ Numbers represent search interest relative to the highest point on the chart. This does not convey absolute search volume.

Massachusetts farmers have emerged as agricultural entrepreneurs, with many taking advantage of small scale and diversified farming to meet upcoming trends and demands. Furthermore, experts say the new, smaller farms are appearing because there's more demand for local food, which is viewed as tastier, healthier, more environmentally friendly, and better for the local economy. With increased demand and the resulting higher prices, farmers can make more money from smaller plots of land.

"In the last few decades, interest in local food has spurred growth in people getting into farming on smaller commercial scales," said Brian Donahue, a professor at Brandeis University who studies New England farm history.

b. Local food sales in the regions

Local food and direct marketing opportunities, including farmers' markets, are one of the fastest-growing segments of agriculture. According to the latest Census of Agriculture, direct sales of food products from farmers to individual consumers rose by nearly 50 percent between 2002 and 2007. Worth an estimated \$1 billion in 2005, local food sales grew to \$4.8 billion in 2007 and nearly \$7 billion last year, according to industry estimates. Regional agriculture clusters are taking hold throughout the state, bound by networks of farms, "Buy Local-Eat Local" initiatives, agriculture commissions and informed consumers. More than a few are located in Gateway cities and regions.

The number of Massachusetts farms offering to sell their products directly to consumers — retail rather than wholesale —increased by nearly a third, from 1,659 in 2007 to 2,206 in 2012, according to the Census of Agriculture. Farmers do this through community-supported agriculture programs, farmers' markets, and farm stands.

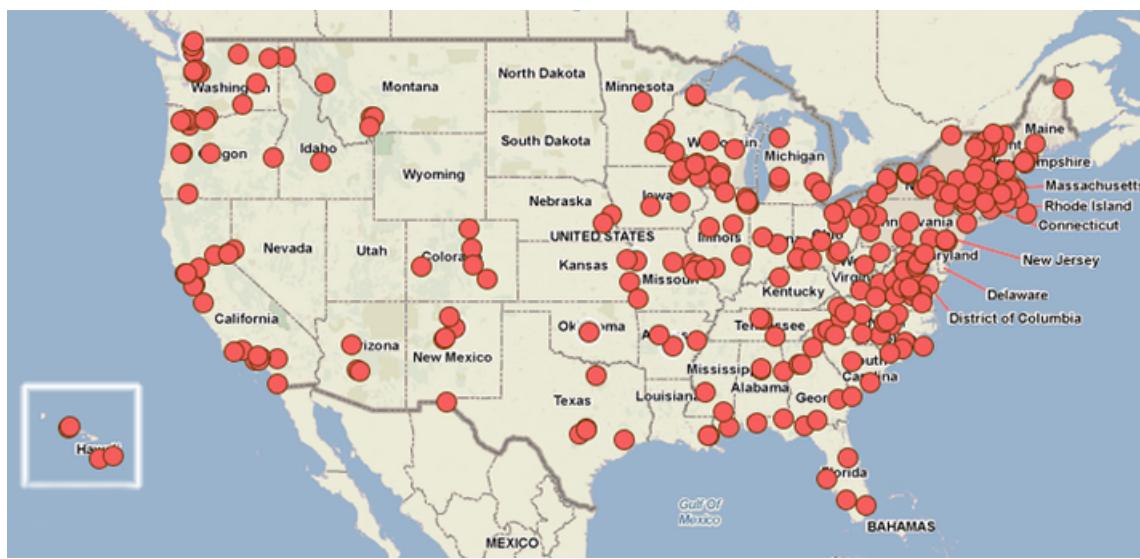
IV. Boston market

Data on the Boston sustainable food market is hard to come by, but evidence exists that demand for local products is strong and improving year on year. Indeed, Boston has been relentless in establishing green initiatives as well as promoting a "think local, buy local" mindset. To achieve this, Boston has established a network of sustainable food initiatives and events to support local farmers and artisans, such as the [New England Local Markets program](#).

Restaurants have jumped on the sustainable bandwagon as well, touting their use of local foods. "Chefs wanted to buy directly from farmers because the food tasted better," said Barbara Zheutlin, executive director of Berkshire Grown, a "Buy Local" organization. Despite what can be higher prices, Jesse Rye, of Farm Fresh Rhode Island, said the idea of supporting local food resonates with New Englanders. These local food consumers also are drawn to nearby farmers and markets because it makes them feel like part of a community which also shares passion for a "healthy lifestyle and a sustainable environment." Supporting the local food movement is a sort of civic duty, an act to preserve their local economy against the threats of globalization and big-box stores.

V. Competitors

The prevalence of hubs further supports that sustainable food is a growing market and there is a great opportunity for World PEAS to grow as well. However, the map also shows there is a heavy concentration of hubs in the Northeast which means more competition for World PEAS.



In Massachusetts alone there are at least 7 other food hubs. Common Wealth CSA and Farm Direct Coop are food hubs similar to World PEAS with sharing programs ranging from \$75 to \$800. While the other food hubs have competitive features that allow the customer to purchase sustainable produce with little inconvenience.

Food Hub Name	City	State
Red Tomato	Canton	MA
Boston Organics	Charlestown	MA
Berkshire Organics Delivery	Dalton	MA
South Shore Organics	Duxbury	MA
Common Wealth CSA	Greenfield	MA
Farm Direct Coop	Marblehead	MA
Massachusetts Local Food Cooperative	Sterling	MA

One competitive advantages over World PEAS is that some have more distribution points. For example, Red Tomato has over 90 distribution points for customers to buy, some of which are national grocery stores like Whole Foods. While Boston Organic streamlines the distribution process and delivers directly to the customers' door. Another competitive advantage these hubs have over World PEAS is that they require a lower minimum order. For example, Berkshire will deliver for any order above \$35. As well, many offer additional non-produce items for the customer to buy. For example, South Shore Organics offers meat, dairy, and other pantry products. These food hubs sell individual boxes or baskets of fruit from \$32-60 dollars and many offer weekly subscriptions that can be canceled anytime for no additional costs.

Other competition with food hubs is the up rise in farmers' markets. Boston has thus become renowned for the number of farmers' market across the city, such at the SoWa's farmers market, the Greenway Open market or the Cambridge Open market. In the last 5 years, the [Federation of Massachusetts Farmers Market](#) has helped communities statewide to open

over 100 new markets. Many of the markets now accept Supplement Nutrition Assistance Program, SNAP, benefits which have brought in additional income.

VI. Sales opportunities

As part of the process, we were asked to identify potential sales opportunities for World PEAs. Requirements were that locations had to be within a short-distance of the existing truck-route and orders per week had to be significant (\$100+).

Looking at World PEAs existing customer list and after discussion with our key partners at World PEAs, five types of organizations were significantly targeted as part of this process: large retailers, universities, restaurants, grocery stores and local charities catering to lower income families/homeless individuals.

Initial research resulted in 29 organizations which fit the different criteria from across all focus categories. A thorough interview process was subsequently conducted, in order to better understand customer needs and potential interest in locally sourced products. Six companies expressed a strong interest in discussing potential sales opportunities with World PEAs:

Name	Address	Description	Phone	Website
Pantry	1622 Beacon St, Brookline, MA 02446	Gourmet Grocery Store	(617) 487-5209	pantrystores.com
The Foodery	28 Damrell St, Boston, MA 02127	Delivery Restaurant	(617) 207-4080	fooderyboston.com
Fruit Center Marketplace	10 Bassett St, Milton, MA 02186	Gourmet Grocery Store	(617) 696-5274	fruitcentermarketplace.com
Vee Vee	763 Centre St, Jamaica Plain, MA 02130	Restaurant	(617) 522-0145	veeveejp.com
Egleston Farmers Market	29 Germania St, Boston, MA 02130	Farmers market	617) 283-6914	eglestonfarmersmarket.org
House of Hope	812 Merrimack St, Lowell, MA 01854	Homeless shelter	(978) 458-2870	hopelowell.org

In addition to these, we identified a further **seven** organizations which we think have high conversion potential. Unfortunately, during our interview process, we were not able to extract firm commitments.

Name	Address	Description	Phone	Website
Life Alive	765 Massachusetts Ave, Cambridge, MA 02139	Restaurant	(617) 354-5433	lifealive.com
Red Lentil Vegetarian & Vegan Restaurant	600 Mt Auburn St, Watertown, MA 02472	Restaurant	(617) 972-9189	theredlentil.com
Johnny's D's Fruit & Produce	381 Washington St, Boston, MA 02135	Produce market	(617) 254-0500	N/A
Tropical Foods	450 Melnea Cass Blvd, Roxbury, MA 02119	Grocery Store	(617) 442-7439	tropicalfoods.net
City Feed & Supply	672 Centre St, Jamaica Plain, MA 02130	Neighborhood market	(617) 524-1700	cityfeedandsupply.com
UMass Lowell South Campus	1 University Ave, Lowell, MA 01854	University	(978) 934-4000	www.uml.edu
Lowell Transitional Living Center	189 Middlesex St, Lowell, MA 01852	Homeless shelter	(978) 441-0805	ltlc.org

In addition to the above, we were able to derive a number of insights/comments based on the feedback we received from interviewees:

- Large retailers (e.g. Wholefoods, Trader Joes):
 - We sought to talk to a number of organizations within that segment. Unfortunately, because these are often large chains with a centralized purchasing department, decisions have to be made at the regional or even national level. These involve lengthy negotiations and finding the right person to talk to can be quite challenging.
 - In addition, because of their size, these organizations require regular and high volume deliveries, something which local food producers might find challenging to address.
 - Furthermore, the category enjoys significant bargaining power, resulting in potentially low margins for local producers.
 - Some of these chains (e.g. Tropical Foods), however, cater to immigrant communities and therefore seek produce not commonly offered. These organizations could potentially be successfully targeted, provided that consistency of delivery could be proven.
- Universities (e.g. UMass, BU):
 - There has been a strong push (partly led by students) for universities to sustainably source many of their food produce. Universities like BU or U Mass appear to have committed to such initiatives.
 - Unfortunately, attempts to contact people responsible for procurement at both institutions have been unsuccessful.
 - Considerable research has been done in the area of procurement to institutions by the Harvard Business School. We are providing a summary of some of the main points at the end of this report.

- Restaurants:
 - Restaurants are capitalizing on increased interest from consumers for locally sourced products. These owners are able to charge a significant premium on their menu vs. traditional restaurants due to the quality of their produce.
 - As a result, certain restaurants have expressed a clear interest in engaging in talks with World PEAs. These cater to a wealthy clientele for who spending a little bit more in order to get higher quality products is not an issue.
 - Frequency of delivery, quality of ingredients and relationship with the supplier is the most important factor.
- Grocery stores - ethnic:
 - Certain grocery stores which specialize in selling ethnic produce have expressed strong interest in initiating discussions.
 - Concerns exist however on frequency of delivery, price and quality of products.
- Homeless shelters:
 - There are a number of homeless shelters near existing World PEAs delivery points which have expressed interest in locally sourced products
 - Homeless shelters provide an interesting opportunity – they cater to a segment of the population important to World PEAs, they require regular deliveries though products need not be the same week on week.
- Organization serving locally sourced products:
 - [Listing of places which serve sustainable food](#)
 - [Innovative agricultural projects](#)

VII. Alternative Solutions

The biggest growth obstacle facing World PEAS is a limited sales force and small distribution network. A huge time investment is required in order to sell to more institutions, restaurants, and stores. The costs to acquire an additional wholesale customer is high for both large and small venues. Just to start the conversation, hours of research, phone calls and visitations are needed. Then to be considered by the purchasing departments/owner, applications and detailed sales pitches are required. Next is a competitive selection process which may or may not result in a new customer. Additionally, World PEAS is limited in the distribution footprint of its truck routes which makes it even more difficult to find new wholesale customers in the geographic vicinity. Since World PEAS is a nonprofit with limited funds, below are some out of the box solutions to increasing sales given these constraints.

One solution is to partner with an online vendor. This would allow World PEAS to reach more wholesale customers with little additional investment. There are multiple online platforms, a good example is [Farmer's Web](#). This online platform is available directly to farmers or food hubs nation-wide. There is a nominal monthly fee which includes marketing, financial management, customer & order management and logistics & delivery. The online platform will give World PEAS visibility to wholesale customers interested in buying sustainable produce as well create tangible efficiencies by streamlining the back office work. World PEAS can use its current delivery trucks or connect with a 3rd party logistics provider. Additionally, membership can be canceled at anytime with no hassle.

Another out of the box solution would be to capitalize on accepting government food stamps. However, in order to reach this customer segment World PEAS would need to make itself more convenient. Households receiving SNAP benefits do not have disposable time or access to transportation to easily pick up their groceries from the World PEAS sites. If World PEAS

can make pick up easy then they would be more likely to buy. For example, partnering with a local elementary school and doing an educational seminar with students would be a great way to educate students and their families about health eating as well build a relationship with the school and perhaps making it a future pickup site. Children have to go to school and parents are near or around schools throughout the week which makes the location very convenient. The [Farm to Institution New England \(FINE\)](#) nonprofit has a mission to bring increasing the amount of New England-grown and processed food served in our region's schools, hospitals, colleges, etc. They have a Farm to School initiative. Contact Betsy Rosenbluth from VT FEED at brosenbluth@shelburnefarms.org for more info.

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