



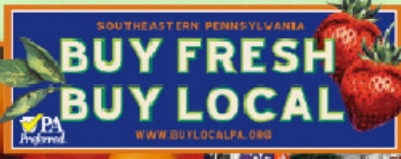
THE COMMON MARKET
Business Plan
for a
Local Agricultural Products Food Distribution Center for
Southeastern Pennsylvania

First Industries Agriculture Grant Program

Prepared for
The Commonwealth Financing Authority
Pennsylvania Department of Community and Economic Development

Prepared by
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Executive Summary

The Common Market is a values-driven wholesale consolidator and distributor of local food, linking regional farmers to Philadelphia-area communities and consumers. The Common Market differentiates itself from traditional food distributors in that the emphasis is on dealing directly with regional farmers and specializing in the distribution of their products thereby eliminating the various intermediaries typically present in currently prevailing food distribution chains. The Common Market is a non-profit corporation launched after a three year planning process undertaken by several organizations active in the local food movement in Philadelphia. The planning partner organizations came together around the dual goals of expanding the accessibility of local food to populations in urban Philadelphia and helping the viability of family farms in the countryside surrounding Philadelphia. The Common Market began operations in July 2008. Since then, it has sold over \$500k of local farm product, serving primarily hospitals, schools and universities. The business has consistently achieved its revenue, cost and fundraising projections and its operations are on course to become financially self-sustaining in 2011.

In both Philadelphia and around the United States, there has been an increasing awareness of the benefits of and demand for locally grown food. Purchasers of local foods realize a value and benefit in freshness and regional flavor; a sense of food security and support for the regional economy. Yet despite the rising demand for local and regionally produced farm products, many likely purchasers cite an inability to reliably and/or affordably source it. Numerous studies indicate that sufficient market demand exists to support local and regional supply; however there is a lack of distribution infrastructure to support wholesale sales volumes. This in turn limits the amount of locally produced farm food that finds its way to Philadelphia area consumers outside of the fragmented, direct farmer-to-consumer retail sales of farm markets, community supported agriculture and small-scale direct wholesale to restaurants.

The Common Market planning partner organizations came together around the dual goals of expanding access to local food to populations in urban Philadelphia who would not otherwise have access to this food and helping the viability of family farms in the countryside surrounding Philadelphia. Despite being in close proximity to some of the richest farmland in America, access to local food in Philadelphia is limited primarily to the affluent that are able to buy their food at farmer's markets, specialty stores and high end restaurants. The Common Market seeks to expand access by providing wholesale quantities of local food to the schools, colleges, hospitals, and grocery stores where most people get their food. The Common Market also seeks to help the viability of local family farms in Pennsylvania and New Jersey by providing the consolidation, distribution and marketing support that allows them to sell their product to these large-scale buyers in Philadelphia. Family farms in southeast Pennsylvania and south New Jersey are disappearing at an alarming rate, taking an immensurable toll on the environment, food security and culture of the region. Farmers are adjacent to the third largest market for food in the US yet many struggle to earn an adequate income due to the mainstream distribution system that favors product from global competitors. The Common Market is a solution to this market inefficiency- a means to enhance regional food self-reliance by creating an efficient local food distribution infrastructure that connects local farmers to urban communities.

Start-Up

The Common Market hired James DeMarsh, formerly Production Manager of a farmer-owned organic produce distribution cooperative, to be General Manager in May of 2008 and started distributing food in July 2008. Following the initial business plan, sales during the first season (July-December) were primarily targeted to Philadelphia institutions like universities, hospitals and schools and the product line was limited to produce from local farms. In addition, we served several retailers which were involved in the Common Market planning process.

We decided that targeting institutional customers presented the best opportunity at start-up for a number of reasons. Institutions have difficulty sourcing local food due to internal policies and practices that make it nearly impossible to buy directly from farmers. Creating a new market opportunity for farmers helps the Common Market to develop a loyal base of suppliers. Serving institutions has allowed the Common Market to scale up quickly because of their typically higher ordering volumes. In addition, targeting the institutions that prepare meals for large numbers of people brings us closer to fulfilling Common Market's mission of expanding access to local food to a broad audience.

In its first two years of operation, the Common Market's main focus has been on developing logistics and supply management systems; building the farmer network and product line; and developing its financial management infrastructure. In 2008, its first growing season of operations, it was successful at building the farmer network and developing the initial logistics infrastructure required to supply the needs of the limited number of institutions targeted in the business plan. In 2009, its focus was on developing a sophisticated logistics and financial management infrastructure that will allow the business to grow to scale. Going into the 2010 growing season, Common Market's primary goal is to expand its sales, both by building its customer base and increasing the availability of off-season product.

Our initial financial model for the Common Market projected revenues of over \$185k in its first year of operation, \$330k in its second year and reaching a break-even \$1 million of sales by the end of year 3. Based on operating experience, the board and staff decided to alter this projection by inserting an intermediary growth year with sales of \$710k between years 2 and 3 to reflect a more reasonable growth rate. Revenue projections are based on selling an average \$3,600 (225 cases) of food per week in the first year 2008, \$6,400 (400 cases) per week in the second year 2009, \$13,650 (852 cases) and \$20,480 (1,280 cases) per week in the third year. We expect that the Common Market would have operating deficits of \$55k, \$90k and \$50k in 2008, 2009 and 2010 respectively before breaking even during 2011 and would rely on start-up grants and contributions to supplement revenues.

Common Market's operations and financial results for its first two years in business were in line with expectations. The organization started with one full-time employee and a part-time bookkeeper, delivering product one day per week with one refrigerated delivery truck. By the 2009 growing season, the business had added a driver, two part-time warehouse assistants and sales volume was high enough to necessitate two delivery days per week and an additional delivery truck. In 2008, average weekly sales were slightly higher than anticipated (\$4,105 actual versus \$3,600 projected), although the total annual revenue was significantly lower than expected due to the later start date (\$105k actual versus \$185k projected). Average weekly sales in 2009 were in

line with projections (\$6,000 actual vs. \$6,400 projected), as was total revenue (\$310k actual vs \$330k projected).

The Common Market launched with a network of approximately 15 southeast Pennsylvania farmers who were suppliers to project partners. In the first season of operations, we found that we had to expand our network of farmers to include more medium-sized farms that were growing and packing at a scale that allowed them to fit into our ordering and delivery system. The General Manager successfully identified and recruited the handful of medium-scale suppliers whose product became the backbone of our supply in the first season, including several in south New Jersey. In 2009, the Common Market purchased from a total of 60 local farms, with the majority of product being supplied by the top 10.

The initial target customer base was the 14 institutions identified as “strongly interested” in purchasing local food by White Dog Community Enterprises’ Farm to Institution project. These include large hospitals, elder care facilities, large universities, small colleges and area private schools. Since its inception, some of these institutions have been the largest customers of the Common Market, including Thomas Jefferson University Hospital. The General Manger was also successful in building this customer base to include many other institutions, and some retail stores and restaurants.

The Common Market minimized start-up capital costs by leasing space from a long-established food distributor, the SHARE Food Program in North Philadelphia. SHARE is a nonprofit organization that distributes food to low-income people in Philadelphia, New York, Delaware and New Jersey by operating a food buying club and distributing food to cupboards, shelters and soup kitchens through the State Food Purchase Program and the federal Emergency Food Assistance Program. SHARE is centrally located in Philadelphia, is conveniently located to highways and has excess cold storage, loading dock and office space that the Common Market currently leases.

2010 Keys to Growth

In 2010, sales of the Common Market will grow 128% from a weekly sales average of \$6,000 to a weekly average of \$13,600, with a total annual revenue of \$710k. We have identified several opportunities for growth that we expect will allow the business to reach its targets.

- After focusing on building the operational and financial infrastructure for the past two years, Common Market will for the first time launch an **aggressive marketing campaign** aimed at developing its customer base beyond the “early adopters” that have been our loyal customers.
- Obtaining line of credit to **finance growth in receivables** will be key to maintaining Common Market’s commitment to paying farmers within two weeks while waiting 30-60 days for payments from institutional customers.
- Building relationships with **food service contractors** that run dining services for several major institutions. Common Market expects sales to UPenn to expand substantially in 2010, as a result of Bon Appetit being awarded the food services contract over Aramark (partly because of student pressure to include more local food in UPenn’s dining services). Common Market also recently negotiated a sales agreement with Parkhurst (the food

service contractor for several local institutions including Philadelphia University, Gwynedd-Mercy College and Arcadia University).

- New products **local turkey, eggs, canned produce and regional winter products** will increase our product availability during the off-season.
- Continue targeting K-12 **schools**, both private and public, including 5 school pilot program with Philadelphia School District.

Project Planning Partners

The Common Market was the result of a three year planning process undertaken by a coalition of organizations dedicated to building and strengthening a sustainable regional food system in and around Philadelphia. The coalition includes:

- Philadelphia's leading organizations working to help small scale farmers sell directly to restaurants, institutions, farmers' markets, CSA's and buying clubs (**Fair Food and Farm to City**)
- Philadelphia area retail food cooperatives that are committed to meeting their members' demand for local food (**Weavers Way Cooperative, Mariposa Cooperative and Swarthmore Cooperative**)
- Organizations dedicated to improving the food access, health and nutrition of low-income Philadelphia residents (**East Park Revitalization Alliance** and the **University of Pennsylvania's Urban Nutrition Initiative**)

Key Personnel & Board of Directors

James DeMarsh- (General Manager) James holds a BS in Industrial and Labor Relations from Cornell University. James worked for several years on a 200 acre vegetable farm in Massachusetts, managing field production as well as wholesale sales and distribution. James comes to the Common Market from Tuscarora Organic Growers, a 28 member grower owned marketing and shipping cooperative in Huntingdon County, Pennsylvania. James managed all aspects of the co-op's produce purchasing and production planning for growers. Additionally James recruited new farmers to grow for the co-op and expanded regional purchasing from other east coast organic farms and co-ops.

Jack Cavanaugh (Board Treasurer)- Jack has a BS and MS in Chemical Engineering from Cornell and an MBA from the University of Delaware. Professionally, Jack has worked for over 30 years in senior management positions for several large manufacturing corporations in the Philadelphia area managing financial and administrative functions. His last corporate job was General Manager for a division of Quaker Chemical. Jack was the President of the Board of the Swarthmore Co-op, a 70 year old cooperative grocery store, when the opportunity to build a much needed new store became possible in 2001. Jack changed careers to become the paid General Manager of the Co-op and led the organization in raising over \$640,000 in new member equity and member loans that made it possible to build a new \$2.4 million store that opened in late 2004.

Tatiana Granados (Board Member)- Tatiana is the co-founder and the former Executive Director of the East Park Revitalization Alliance, a community improvement non-profit serving the Strawberry Mansion neighborhood of North Philadelphia that focuses on revitalization through

health promotion and environmental improvement. In this capacity, she was responsible for raising over \$1 million of direct investment from foundations, individuals and government sources for health and environmental programs serving this distressed community. Tatiana has an MBA in Finance from the Wharton School and previously worked in investment banking for Citigroup.

Suku John (Board Member)- Suku is the Executive Director of the East Park Revitalization Alliance. Originally from India, he holds a PhD in Geology with a focus on Climate Change, and spent a decade working in academia. Suku's passion is to use his skills and knowledge to empower vulnerable communities to affect change in their own environments. Over the past 15 years, he has worked with a number of grass-roots environmental organizations around the world, including New Orleans, Haiti, India, Nepal and West Philadelphia.

Haile Johnston (Board Co-Chair)- Haile is the Pennsylvania State Director for the Center for Progressive Leadership. He is passionate about providing access to healthy local foods to residents of low-income communities in Philadelphia. Haile formerly worked as the Environmental Interventions Coordinator for the Philadelphia Department of Public Health's Division of Chronic Disease Prevention. In this capacity, he was instrumental in crafting the Health Department's testimony on the dangers of trans fat consumption before City Council which ultimately banned their use in Philadelphia restaurants. Haile is a graduate of the Wharton School with a concentration in Entrepreneurial Management.

Ann Karlen (Board Co-Chair)- Ann is the Executive Director of Fair Food. Fair Food fosters connections between family farmers and an ever-growing network of chefs, caterers and grocers by offering consulting services to both farmers and to a variety of wholesale buyers. Fair Food runs the Fair Food Farmstand, selling all local farm products 6 days-a-week at the Reading Terminal Market with annual revenues of approximately \$500,000. It is also the regional coordinator of the "Buy Fresh, Buy Local" consumer campaign in the Greater Philadelphia area, which has been very successful in raising consumer awareness of local food.

Nancy Lanham (Board Member)- Nancy is the recent past Executive Director of the Delaware Valley Grantmakers where she provided high quality programs and services for over 150 grantmaking organizations. With an MBA from the University of Chicago, Nancy is a results oriented marketing executive with diverse experience in technology, production and management. She has demonstrated abilities in problem solving, organizing and implementing profitable business or focused non-profit strategies.

Bob Pierson (Board Secretary)- Bob is the founder and president of Farm to City, a small business that operates buying clubs, a CSA support service and farmers' markets in the Philadelphia area and is responsible for catalyzing over \$1.6 million annually in sales by local farmers in 2008. Farm to City has also developed a web-based ordering platform and inventory management tool for its local seasonal buying club called "Winter Harvest." Bob is the Agricultural Development Educator at Penn State Cooperative Extension. In this capacity, he creates educational opportunities to help develop urban farmers in Philadelphia.

Financing Needs

Operating Subsidy

Food distribution businesses have thin margins and rely on selling a high volume of goods to be profitable. The Common Market needs to seek outside financing and subsidy in order to grow its operations to a profitable scale. We anticipate that we will need to raise a total of \$195k in operating subsidy to get the business to the point where it is self-sustaining. To date, it has secured \$164k in operating support from a combination of foundations, government sources and corporate sponsors. The Common Market also has a \$60k line of credit that allows it to finance receivables (i.e. quick payments to farmers while waiting to be paid by our customers) which is underwritten by the Reinvestment Fund (TRF) with a 50% loan guarantee from Pennsylvania Department of Community and Economic Development. In addition to this operating support, the three year planning process was funded through a \$100,000 grant from the Pennsylvania Department of Community and Economic Development's First Industries Grant Program.

Capital Expenditure Investment

The Common Market expects to make a major capital expenditure investment during 2010 in preparation for the 2011 growing season. This investment would involve fitting out additional space in the SHARE warehouse to better fit our needs and developing farm promotion branding materials. The total cost of this investment would be \$440k. We believe that this capital expenditure is necessary for the Common Market to build its capacity to handle the volume necessary to meet its sales targets in year 4 and to be able to become a self-sustaining business.

2010 Common Market Capital Expenditure Investment	
Fit-out of space (14,480 sq. ft.)	\$250k
Refrigerated/Freezer Area (3,081 sq. ft.)	\$80k
Delivery Truck	\$70k
Forklift	\$25k
Farm Promotion Branding	\$15k
Total	\$440k

Value Proposition

The Common Market aims to create the infrastructure to build a healthy and sustainable food system in the Philadelphia metropolitan area that. This enterprise builds an interdependent distribution network that links farmers who strive to produce quality products with consumers who value locally grown food. Mainstream food distribution centers favor large industrial-scale farmers, brokers and shippers, as they obtain the food they sell from a global supply and choose product based on the lowest price. This system puts local farmers in Pennsylvania and South Jersey at a disadvantage.

Many Pennsylvania growers do not operate on a scale that enables them to devote adequate resources to transportation and sales at their individual farming operations. In South Jersey, on the other hand, farms are typically larger, but the market for their products is subject to the influence of global prices due to the strong brokers and shippers who dominate the Vineland auction. This lack of competition reduces the prices that farmers receive for their product. The Common Market seeks to provide farmers access to a new market thereby improving the prices received for their product. We have found that where local farmers do participate in the large-scale wholesale market, a given farm and its products' identity are rarely maintained. This leads to a farm-side loss of potential earnings due to unrealized margins and lost marketing opportunities. In addition, we have found that many producers place a value on knowing that the food they grew is staying local.

For customers, the value of the Common Market is that it makes it easy for them to buy farm fresh local food without having to change the way that they purchase food for their cafeterias, dining rooms, patient meals, etc. This means that they can follow the same ordering, receiving and payment systems that they are accustomed to with their other suppliers. Each week, they receive a product list of available farm product. Buyers make their selections from this wide array of product and place their orders by fax or phone in the same way that they do with their other distributors. The Common Market then transports, consolidates and delivers the buyer's order, maintaining the farm identity of the food. As a consolidator of farm product, the Common Market is also able to comply with the insurance and billing needs of large wholesale buyers. The Common Market carries a \$2 million liability insurance policy, which is in line with other distributors. For billing, the Common Market is able to tap into a \$60k line of credit to finance receivables in order to offer 30-60 day payment terms to its large customers, something that would be difficult for individual farmers to finance but that is typical in the industry.

Value Proposition of Common Market	
Condensing Supply Chain	<ul style="list-style-type: none"> Eliminate the many middlemen who exist in the global food supply chain (jobbers, brokers, sales agents etc.) Return a higher percent of wholesale price to producers
Building Economies of Scale	<ul style="list-style-type: none"> Create point of consolidation for locally produced food for the Philadelphia market Consolidate fragmented marketing and distribution of local food
Creating Identity for Local Food at the Wholesale Level	<ul style="list-style-type: none"> Differentiate locally produced food from commodities in the global food supply chain Expand promotion of local food in Philadelphia region
Developing Identity into Brand Equity	<ul style="list-style-type: none"> Maintain producer identity from farm to consumer Enable farmers to receive a higher percentage of the market value for products valued by consumers and the trade

Company Summary

Vision, Mission and Values

The Common Market Philadelphia envisions a region where all communities have access to healthy, wholesome foods that are affordable and grown in a sustainable manner. These foods should be sourced locally when available, through a regional food system that is fair to growers, farm workers, consumers and the environment.

The Common Market has a dual mission: expanding access to local food to populations in urban Philadelphia who would not otherwise have access to this food and helping the viability of farms in the countryside surrounding Philadelphia. The Common Market seeks to expand access by providing wholesale quantities of local food to the schools, hospitals, colleges, and grocery stores where most people get their food. The Common Market also seeks to help the viability of local family farms in Pennsylvania and New Jersey by providing the consolidation, distribution and marketing support that will allow them to sell their product to these large-scale buyers in Philadelphia. It is committed to helping farmers by building the infrastructure to participate in the wholesale trade in a manner that will optimize their economic benefit by maximizing the prices received for their products while reducing their transportation and marketing costs.

Locally sourced food is fresher and more healthful, better for the environment and supports local agriculture. The Common Market aims to create the infrastructure to build a healthy and sustainable food system in the Philadelphia metropolitan area that will provide an alternative to the mainstream food distribution network. This enterprise builds an interdependent distribution network that links farmers who strive to produce quality products with consumers who value locally grown food.

The Common Market is a 501(c)3 nonprofit organization. It is led by a strong, all-volunteer Board of Directors and a paid General Manager who is responsible for day-to-day operations and reports to the board. The Common Market values are embedded in its by-laws. These include the business' commitment to local farmers and to expanding local food access to urban residents, as well as its values matrix for sourcing local and sustainably-produced supply. Once the food distribution enterprise has passed break-even, operating surplus of the Common Market will be reinvested in local food promotion programs, food access in under-served urban communities and creating value-added entrepreneurial opportunities in Philadelphia and the surrounding rural counties.

Products and Services

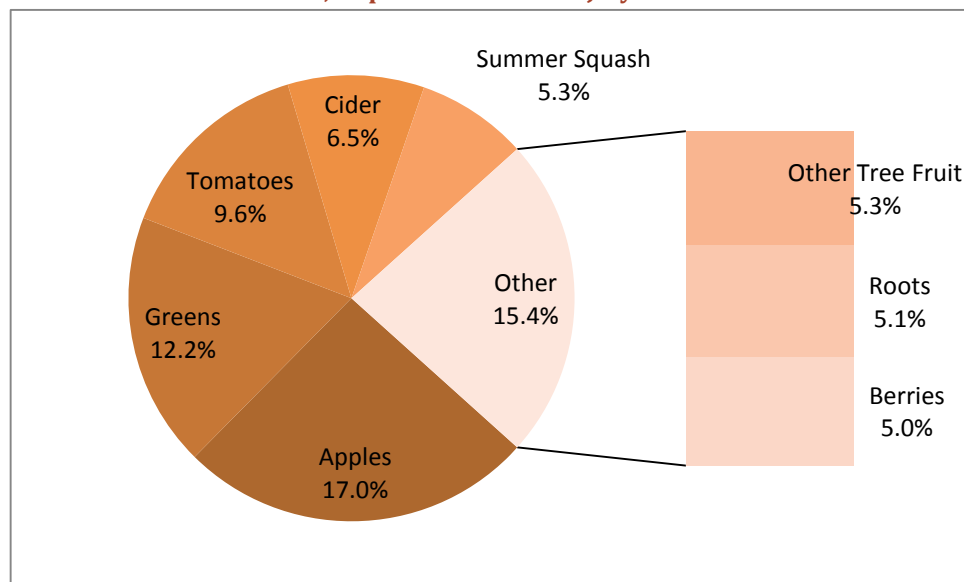
As part of the feasibility study for the Common Market, the project partners conducted a series of sector focus groups with potential customers and suppliers which included questions about which specific products and services this business should offer. There were a total of 10 focus groups conducted, four with potential suppliers and six with potential customers of the Common Market. On the supply side, the focus groups were with farmers from the vegetable sector, fruit sector, processed dairy sector and meat sector. Demand side focus group sectors were restaurants, caterers, institutions, retail coops, grocery stores and coffee shops. The focus groups demonstrated a clear need for an aggregator/consolidator and distributor for local food products which would

provide institutions, restaurants and retailers with a reliable supplier to meet their growing demand for locally produced food.

The products and services provided by the Common Market were initially guided by the preferences reflected in these focus groups. We currently offer an abundance of locally and sustainably grown nutritious foods produced in the Philadelphia region at prices competitive with national broad-line distributors. We serve as an aggregator of locally grown foods, offering a sales list to our customers of the freshest products available in-season. We also serve as a marketer and distributor for farmers who share our values of sustainability, picking up products from our growers and delivering to our customers within a couple of days after harvest. The Common Market Philadelphia is a purveyor of the freshest, most nutritious food grown in the Philadelphia region.

We offer our customers two delivery days for their procurement convenience while sourcing from our farms and processors three days per week. The Common Market currently specializes in wholesale packs and quantities of local and sustainably grown fresh and processed produce; grain-fed, antibiotic-free, all natural turkey products as well as numerous other locally produced, high quality food products.

Common Market, Top 8 Products Sold July 2008-March 2009



Note: top 8 products sold equal 66.4% of total sales

Marketing Strategy

With increasing awareness of food and health nationwide, the market for local food continues to surge, prompting speculation that “Local is the New Organic.” Nationwide, local food sales have jumped from \$4 billion in 2002 to \$5 billion in 2007 and are projected to rise to \$7 billion by 2011, according to the market research company Packaged Facts. In the Philadelphia market, the major organizations that coordinate sales of local food report enormous growth in demand. Sales at Common Market project partner Farm to City’s farmers’ markets, CSAs and winter buying club grew from less than \$200,000 in 2001 to \$1.6 million in 2008. Sales at the Fair Food Farmstand at

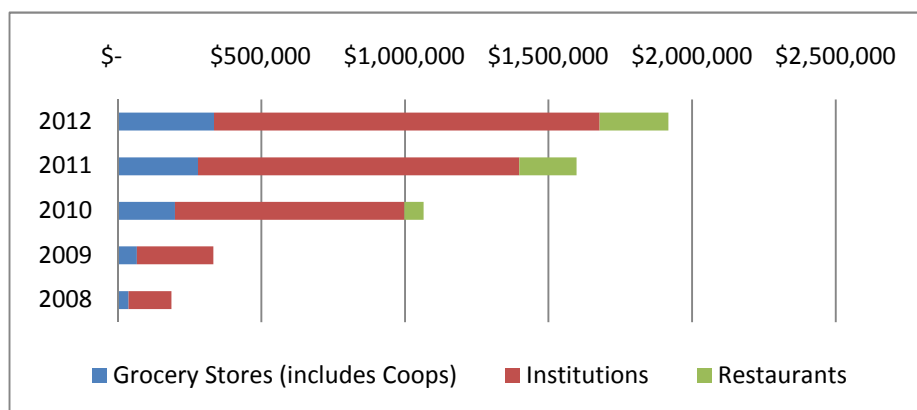
Reading Terminal Market increased 40% between 2004 and 2006 and sales at the Food Trust's farmers' markets grew from \$500,000 in 2002 to more than \$1 million in 2005.

As consumers' preferences change, more and more restaurants, retailers and institutions are adding local foods to their offerings to meet customer demand. The number of restaurants listed in the Philadelphia Local Food Guide 2007-2008 has doubled to almost 60 restaurants since two years ago. Institutions (like hospitals, universities, elder care facilities and schools), have also begun to respond to the growing demand from their clients by introducing limited local food options. In fact, the University of Pennsylvania recently switched its food service provider from Aramark to Bon Appetit largely as a result of student' advocating for more local food in the dining halls.

As in other parts of the country, access to local food in Philadelphia is limited primarily to the affluent that are able to buy their food at farmer's markets, specialty stores and high end restaurants. The Common Market planning partner organizations came together around the dual goals of expanding access to local food to populations in urban Philadelphia who would not otherwise have access to this food and helping the family farms in the countryside surrounding Philadelphia. The Common Market seeks to expand access by providing wholesale quantities of local food to the schools, hospitals and grocery stores where most people get their food.

Philadelphia is adjacent to some of the most productive farmland in the country, with \$720M in annual sales of produce, meats and dairy from Lancaster County alone. Although there is a growing demand for locally produced foods in the city, a small percentage of farm products are being sold to the Philadelphia market in a way that maintains its identity as local food. The Common Market will create a larger-scale distribution system to facilitate the sale of locally produced food to the institutions, retailers and restaurants that recognize its value.

Projected Sales by Target Market



Target Market Segments

The wholesale market for locally grown food can be divided into three primary segments: institutions, retailers and restaurants. The Common Market’s initial target customer base was institutions and project partner retailers. We started by marketing to the 14 institutions identified as “strongly interested” in purchasing local food by Fair Food’s Farm to Institution project and to the four local retailers that participated in our planning process. In its first two years in operation, Common Market has sold to a variety of customers in each of the market segments and found that the best fit was in sales to institutions, particularly schools and hospitals.

Segment	Market Size	Unique Needs
Institutions (universities, hospitals, eldercare facilities, schools)	\$22M ¹	<ul style="list-style-type: none"> • Will not buy direct from farmers • Want to minimize number of suppliers • Primarily produce • Uniform product • Demand for processed food (i.e. peeled and chopped vegetables) • 4-6 week payment terms typical • High Liability Insurance Requirements • Minimal packaging
Retailers (supermarkets, coops, cornerstores)	\$113M ²	<ul style="list-style-type: none"> • Retail packaging (i.e. UPC stickers on fruit) • Produce grading • Full spectrum of product • High Liability Insurance Requirements
Restaurants (full-service restaurants)	\$27M ³	<ul style="list-style-type: none"> • Minimal packaging • Frequent delivery • Small order size • High service requirement

¹ Based on White Dog Community Enterprise’s Fair Food Farm to Institution project and includes only produce estimates for institutions located in Philadelphia County

² From 2002 US Economic Census for Philadelphia County, includes all food products sold at grocery stores

³ From 2002 US Economic Census for Philadelphia County, includes all food products sold at full service restaurants

Strategy

Institutions

The marketing strategy for targeting institutional customers is based on a two-step approach. First, the Common Market identifies and targets the key purchasing decision makers. Secondly, we emphasize to those decision makers how the Common Market will help them meet their customer's growing demand for local food. The majority of institutions in the region contract with large national food service companies to provide meals to their patients, staff, customers, students and faculty. These food service companies make the food purchasing decisions for the institution and often have long-term contracts to buy from large national wholesale distributors.

Growing consumer demand and pressure from the institutions themselves have caused the large food service companies to explore ways they can purchase local food. Both institutions and food service companies have found enormous barriers to purchasing, including lack of supply at a scale and sophistication needed to meet the food service companies' insurance, billing and certification needs. The Common Market helps institutions overcome these barriers and to meet their customer's demand for local food.

An important element of our marketing strategy is creating a way that food service companies can signal their use of local product to institutions and their end consumers. In the focus groups, institutions indicated they would be interested in point of service promotional materials that featured information about the farmers that supply Common Market. During 2010, we expect to invest in developing these materials, which will help Common Market build a stronger relationship with its customers and to differentiate itself from other distributors.

At the outset, a significant percentage of the Common Market's institutional buyers had self-operated dining services (like Thomas Jefferson University Hospital and Cooper University Hospital). Over the past year, the Common Market has successfully built relationships with food service contractors in the region, allowing us to sell to the schools, universities and hospitals that they run. For example, Common Market recently negotiated a sales agreement with Parkhurst, the food service contractor for several local institutions including Philadelphia University, Gwynedd-Mercy College and Arcadia University. The University of Pennsylvania's recent switch in food service companies from Aramark to Bon Appetit also offers a tremendous opportunity for the Common Market, since a major reason for the switch was said to be students' clamoring for more local food and Aramark's inability to provide it.

Schools also offer a good opportunity for expanded sales in 2010. For the past two years, Common Market has supplied the School District of Philadelphia with local produce, through the Eat Right Now nutrition education program and a \$25,000 contract to supply a local food pilot program for five Philadelphia public high schools. We expect that this pilot will be increased to serve 20 schools in 2010. There is also opportunity to boost sales to private schools in the Philadelphia region. We currently serve several private schools in the region, including the George School (a Quaker school in Bucks County) and Girard College (a boarding school for low-income children in Philadelphia). In fact, Common Market's introduction of local turkey products has been very well received by our private school customers.

Common Market Institutional Customers as of 5/2009

	<u>Food Service Provider</u>	<u>Institution</u>
Hosp.	Thomas Jefferson University Hospital	Thomas Jefferson University Hospital
	Cooper University Hospital	Cooper University Hospital
	Morrison Management	Hospital of UPENN
Colleges & Universities	Haverford College Dining Services	Haverford College Dining Services
	Bryn Mawr College Dining Services	Bryn Mawr College
	Williamson Hospitality (subsidiary of Culinart)	Montgomery County Community College
	LaSalle University	LaSalle University
	Parkhurst Dining Services	Philadelphia University
Schools	Williamson Hospitality (subsidiary of Culinart)	William Penn Charter School
	Williamson Hospitality (subsidiary of Culinart)	Springside School
	Sustainable Fare	Lawrenceville School
	Culinart	The George School
	Girard College Dining Services	Girard College
	Saint Marys Nursery School	Saint Marys Nursery School
Elder Care	Kendal - Crosslands Communities	Kendal at Longwood
	Kendal - Crosslands Communities	Kendal at Crosslands
Phila Public Schools	Eat Right Now	Urban Nutrition Initiative at UPENN
	Eat Right Now	The Food Trust
	Eat Right Now	Drexel University
	Eat Right Now	School District of Philadelphia
	Food Service Pilot Project	School District of Philadelphia

Retailers

The Common Market’s marketing strategy for retailers hinges on providing product that is specially packaged for retail sales and maintaining the source farm identity of each product. While much of the food purchased by retailers is packaged in the same way as for other customers, retailers in the focus groups indicated a strong preference for retail ready items like bundled produce, fruit and vegetables with UPC stickers and retail packs of frozen meat. The Common Market currently sources some retail packaged product from farmers who already package for retail sales, like retail packs of canned tomatoes or blueberries in clamshells.

Retailers value the Common Market’s ability to maintain the identity of the source farm for each product because consumers will pay more for a differentiated farm product. The marketing strategy focuses on creating ways for the retailer to promote the source farm information to the end consumer. Currently, the farm source information is provided to our customers on their invoices each week. In 2010, we expect to invest in developing materials and systems that will help retailers promote local farms to their end consumers, which will help Common Market build a stronger relationship with its customers and to differentiate itself from other distributors. This will involve helping retailers set up internal systems for maintaining farm identity or point of sale promotional material about the farms for consumers.

During its first season of operations, the Common Market’s sales to retailers were primarily to project partner retailers, with a few additional natural food grocery stores.

Common Market Retailer Customers as of 5/2009	
Chester Co-op	Chester, PA
Fair Food Farmstand	Philadelphia, PA
Farm to City Winter Harvest	Philadelphia, PA
Grumblethorpe Farm Stand	Philadelphia, PA
Mariposa Co-Op	Philadelphia, PA
Pumpkin Restaurant & Market	Philadelphia, PA
Swarthmore Coop	Swarthmore, PA
Weavers Way Co-op	Philadelphia, PA
Whole Foods Market	Jenkintown, PA
Whole Earth Center	Princeton, NJ

Restaurants

The Common Market's marketing strategy for selling to restaurants will be based on responsive service and promotion of source farm identity. In the focus groups, restaurants, like retailers, stressed the value that they attached to being able to share source farm information with their customers.

As the only distributor of locally produced foods that is based in the city of Philadelphia, the Common Market will be able to provide better service than any of its competitors that are based in the farm country, as a result of both physical proximity and a better understanding of the city consumer's tastes. The Common Market will emphasize these advantages to customers by maintaining constant telephone and email contact with chefs, sharing upcoming product availability information, making suggestions and soliciting feedback. The Common Market intends to wait until 2011 to start aggressively targeting restaurants as customers.

Common Market Restaurant Customers as of 5/2009	
333 Belrose	Radnor, PA
Belgian Café	Philadelphia, PA
Capogiro	Philadelphia, PA
Fork Restaurant	Philadelphia, PA
Pumpkin Restaurant & Market	Philadelphia, PA

Sourcing Plan

At the outset, the Common Market planned to tap into the small farms who supplied the Fair Food Farmstand and Farm to City's Winter Harvest program. In our first season of operations we found that we needed to build on that network to include mid-size farms and to include more south New Jersey growers in order to meet our packing and logistics demands. The Common Market General Manager was successful in identifying and recruiting a group of these farms whose product forms the backbone of our supply. We found that these farms were enthusiastic to selling to the Common Market. Mid-size farms are caught in a difficult position, where they are too large to do direct marketing through farmer's markets or selling direct to restaurants, but they are too small to compete directly with mammoth industrial farms.

Common Market Pilot 10 Largest Farm Suppliers as of 3/2009		
Farm Name	Location	Amount Purchased
Frecon Fruit Farms	Boyertown, PA	\$ 16,254
Cedar Meadow Farm	Holtwood, PA	\$ 16,012
Flaim Farms	Vineland, NJ	\$ 9,378
Bauman Family	Sassamansville, PA	\$ 6,025
Weavers Orchard	Morgantown, PA	\$ 5,015
Graiff Farms	Newfield, NJ	\$ 4,971
Mother Earth Organic Mushrooms	West Grove, PA	\$ 4,238
A.T. Buzby Farm	Woodstown, NJ	\$ 4,237
Burkholder, Elvin	Fleetwood, PA	\$ 3,908
Butter Valley Harvest	Bally, PA	\$3,637

Competitive Analysis

As a distribution business, the Common Market competes for supply of local product as well as buyers for the product. This competitive analysis starts by exploring macro and micro trends in the food industry. It then looks at how the potential customers of the Common Market currently purchase their food and how the products of potential suppliers currently get to market. Finally, there is a competitor analysis of other wholesale businesses that are supplying Philadelphia with wholesale locally produced and identified farm product.

Trends

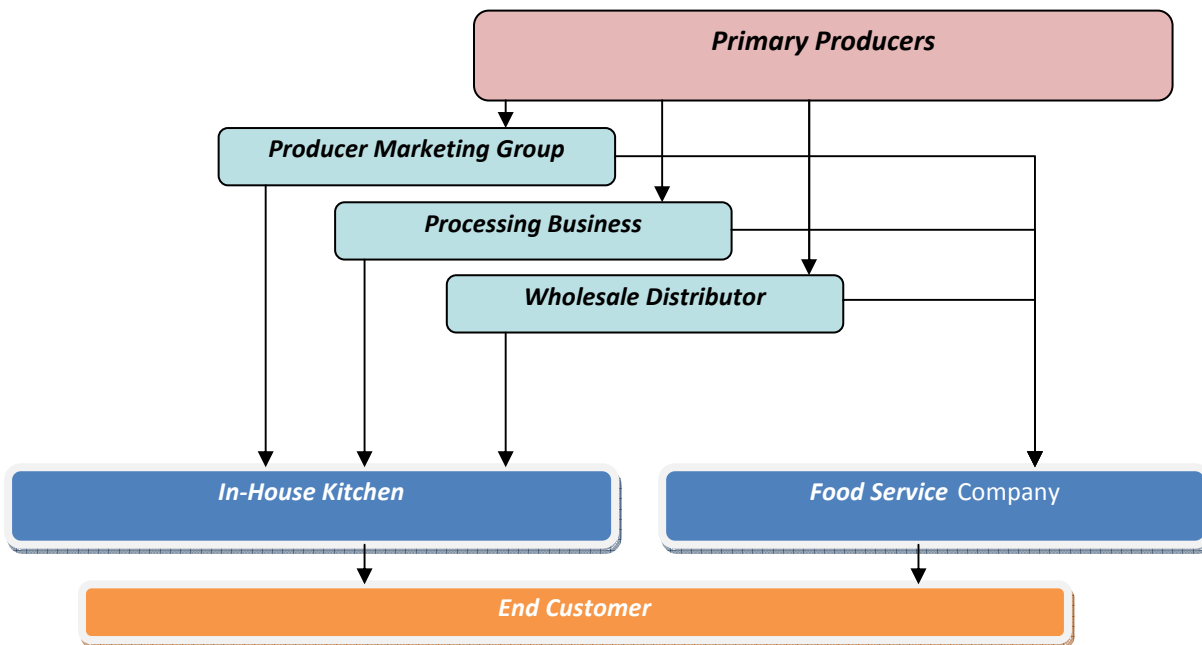
The Philadelphia food market mirrors national and international trends, with the dominant force toward globalization and supply concentration within the industry. According to the National Agriculture Information Service, produce in the U.S. travels, on average, 1,300-2,000 miles from farm to consumer. More and more of the food that is consumed is being prepared by national and international food service companies and/or distributed by the largest national wholesale distributors.

Concurrently, there has been resurgence in smaller-scale markets for locally produced food products. The explosive growth of the local food movement in Philadelphia during the past 5 years fits into this trend. As previously stated, sales at Philadelphia farmers' markets, the Fair Food Farmstand at Reading Terminal Market, and Winter Harvest buying club climbed to over \$4.7 million in 2008 and continue to grow. While there is strong growth in the local food market, it is important to note that it represents a small percentage of the total market.

Customer Procurement Analysis

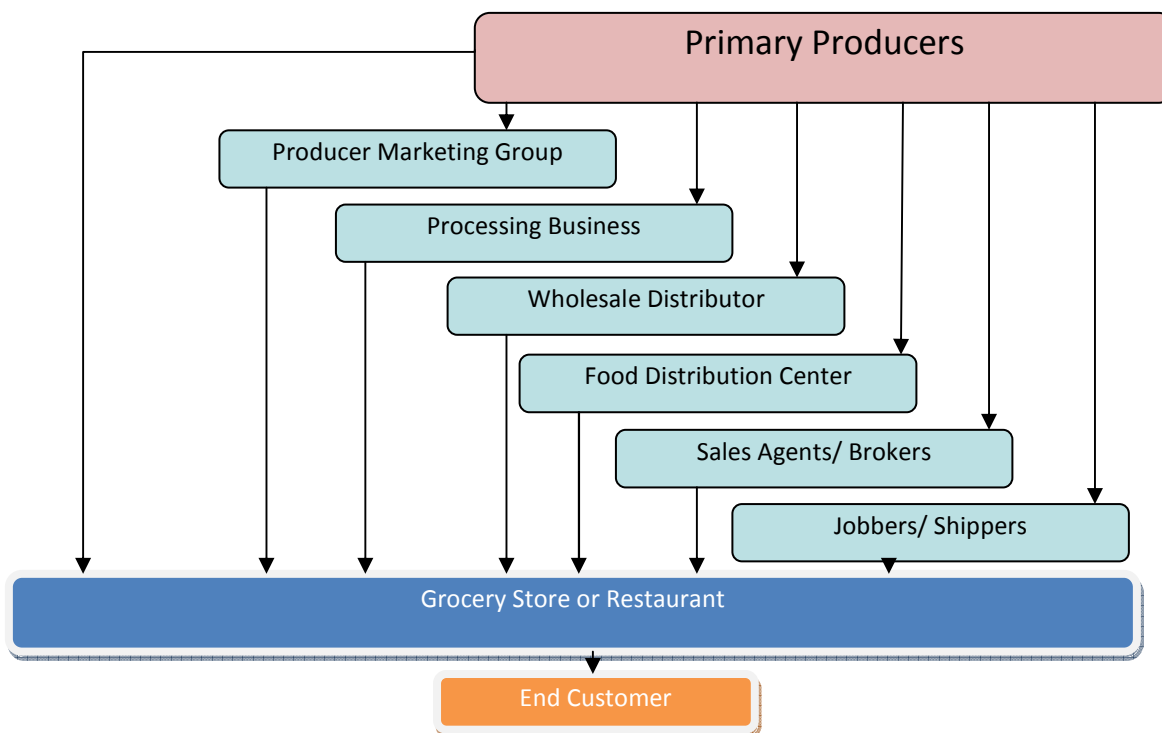
Institutions

Philadelphia's universities, hospitals, eldercare facilities and schools currently procure their food from a number of different sources, including producer marketing groups, processing businesses, wholesale food distributors and, to a lesser extent, directly from the producer. Many of the institutions in the Common Market's target market outsource food preparation to food service companies, who often have long-term contracts with suppliers.



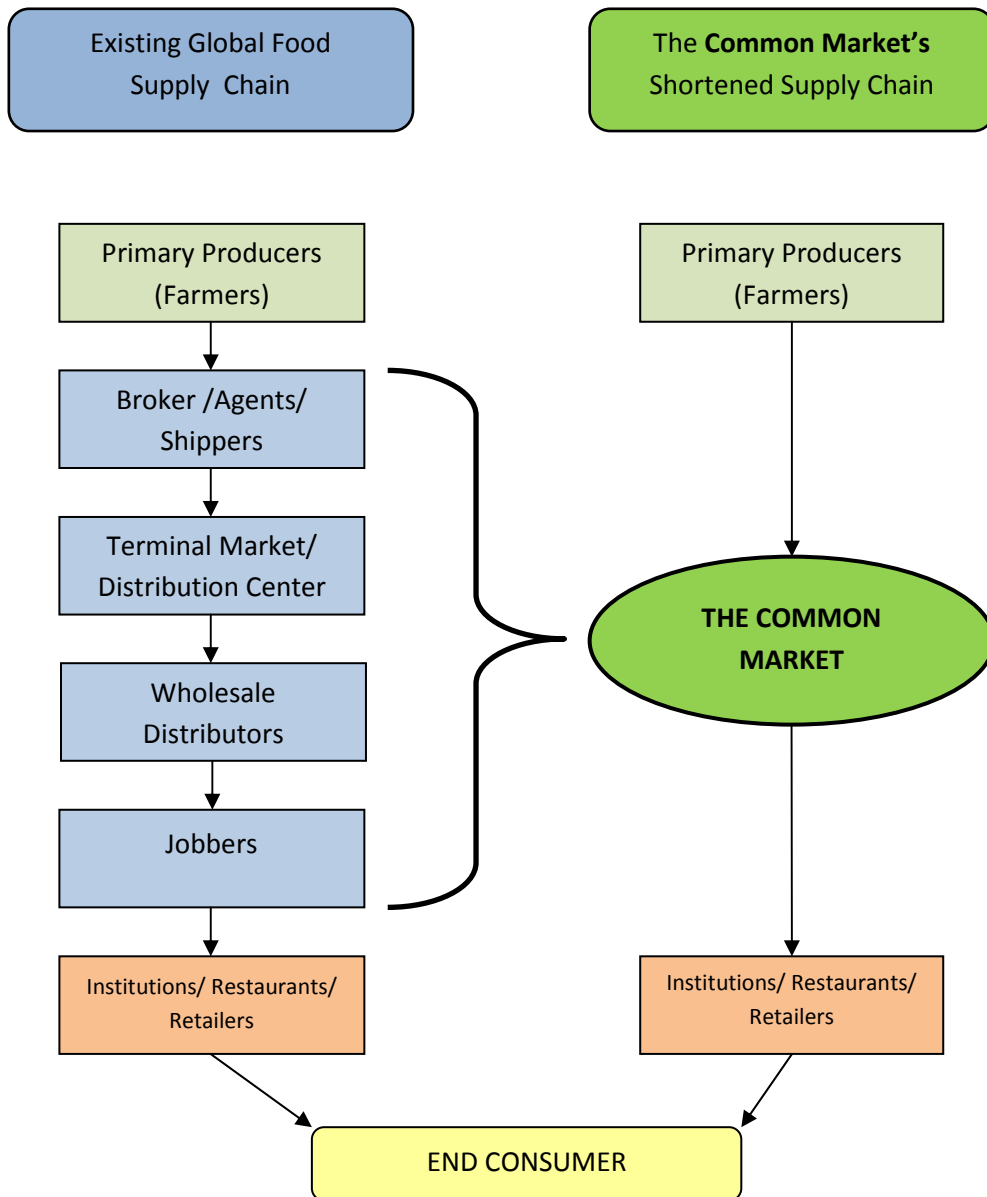
Retailers and Restaurants

Retailers and restaurants in the Common Market's target market currently source their food from a larger variety of food purveyors. In addition to those utilized by institutions, restaurants and retailers purchase food directly from the Philadelphia Food Distribution Center, from sales agents, brokers, jobbers and shippers. The Philadelphia Food Distribution Center dominates food supply for the region. This Food Distribution Center acts as a consolidation point for food imported from around the world in significant volume. The large volume and low wholesale prices of international food products place local farm producers at a significant competitive disadvantage when selling in the terminal.



Supply Chain

Much of the region’s farm products, particularly from the larger farms, are marketed through the conventional supply chain of packers, shippers, brokers, wholesalers, and processors. The Common Market aims to shorten the supply chain by eliminating the middlemen in order to increase the farmers’ share of the wholesale price.



Peer Businesses

We have identified several local food distribution businesses in the Philadelphia market that serve this growing demand for identifiable local food. In our first two years of operations, we found that the Common Market is typically not competing directly with these peer businesses since each has a niche that makes it appealing to certain kinds of customers.

Direct Wholesaling Farmers (Meadowbrook Farm, Branch Creek Farm and many others): Direct wholesaling has emerged as a viable marketing channel for some of the medium and large regional farms that allows for greater profitability by controlling more segments of the product value chain. The strength of the direct wholesaler is its ability to emphasize the identity of its farm and to build personal relationships with buyers based on being the face and name of their product. The main weakness of this model is the lack of economies of scale, product volume and variety. This model is also weakened by the time constraints on farmers who are growing, marketing and distributing.

There also exists a few “farmer/aggregators” who fill wholesale restaurant orders by purchasing products from neighboring farms and deliver directly to the city. This allows them to offer a wider range of products at a higher volume than individual farmers, but most still face the same scale and route time limitations.

Lancaster Farm Fresh: To gain economies of scale with sales and distribution costs, some local organic producers in Lancaster County have formed a marketing cooperative to service the growing demand for local organics in the restaurant industry. These growers also have the ability to respond to customer demand and shift production burden across the numerous member farms. Lancaster Farm Fresh’ sales have grown from \$300k in 2005 to what is estimated to be over \$1M for the 2007 growing season.

Lancaster Farm Fresh faces a few obstacles. First, its product offerings are limited to food produced by its members. This means that it is unable to provide its customers with uninterrupted year-round service of the products they need. Organic products also tend to be more expensive than sustainably grown products and our target customers indicated that they were not willing to pay premiums for organic products. The commoditization of the organic market has also placed local organic producers at a major price disadvantage in the institutional market.

Paradise Organics: Larger farmer/direct wholesaler who supplements its own organic produce with other organic produce from the organic commodity market. This is a hybrid approach, with some food whose local farm source is clearly identified and the ability to provide customers with a year-round supply of the organic products they require.

Direct Competitors

In our first two year of operations, we found that Common Market’s main competitors were the large-scale conventional food distributors that serve institutions, retailers and restaurants. That is, our customers used Common Market’s local products to supplement their larger orders from these distributors, in many cases substituting our locally grown product for the same global commodity version of that product during the local growing season. Our goal is not to entirely replace the

relationship that these companies have with institutions and retailers, but to pick off a percentage of their sales to institutions and retailers that value local food when local product is available.

US Foods: Large, national broadline foodservice distributor. Markets and distributes a wide variety of food and related products and services to more than 250,000 customers, including restaurants, hospitals, hotels, schools and governmental operations. US Foods employs more than 26,000 associates, operates more than 60 distribution centers and offers more than 300,000 fresh, frozen, dry and nonfood products from every major national brand.

In our first year of operations, we found that US Foods supplied most of our institutional customers for a wide variety of products. US Foods' business model makes it impossible to buy from small farms or to maintain farm identity through distribution, so they were unable to meet their customers' demand for local food. We found our prices to be more or less in line with US Foods' listed prices for produce. However, distributors like US Foods typically have customer loyalty programs that reward high levels of buying with rebates on purchases, making our real prices slightly higher than US Foods'. This implies that institutions who bought from us are willing to pay a slight premium on local food.

I. Ambrogi Food Distribution: An independent owner-operated produce distributor based in New Jersey that serves mainly food service accounts in the mid-Atlantic. Ambrogi offers daily delivery of a full line of conventional produce and has a limited local line in season, buying from some of the same farmers that supply the Common Market.

Four Seasons Produce: One of the largest independent produce wholesalers in the country, Four Seasons serves institutions and retailers in the mid-Atlantic and New England. Four Seasons is based in Ephrata, Pennsylvania and offers a full line of produce. Although Four Seasons buys from Lancaster County farms, it does not have a special local line of product that markets and identifies it as local.

Sunny Acres: Farm-side shipper which consolidates and distributes conventional product from 15 local vegetable growers to retailers and restaurants during the growing season. Sunny Acres served 6-7 regional Whole Foods stores as well as several Wegmans stores. There was some conjecture that Sunny Acres may not be interested in doing direct store delivery to Whole Foods this summer, which might create an opportunity for Common Market.

Keys to Success

- **Growing demand for local food, supply not currently keeping up.** As the demand for locally grown farm products has risen sharply, supply to the Philadelphia market has not kept pace. As an early, large-scale distributor of locally grown food product in Philadelphia, the Common Market will facilitate the growth of the market for local food and be recognized as the premier supplier within this market.
- **Scale of operations.** Although Philadelphia is adjacent to some of the richest farm land in the country, much of the local production never reaches the local market due to a fragmented and inefficient local system for distribution. Competition from the global commodity market creates price and scale disadvantages for local producers. The Common Market will create a distribution center of appropriate scale that consolidates sales and distribution functions for regional farmers, making them more competitive through economies of scale.
- **Early market entry.** As an early, large-scale distributor of locally grown food product in Philadelphia, the Common Market seeks to position itself as the market leader and capture a significant share of this growing market.
- **Marketing and product differentiation.** The Common Market's success as a distributor of local food will be based on its ability to differentiate the products of local farmers from the global food commodity market. The differentiation strategy is based on maintaining source farm identity through to the end consumer and building on the strong reputation and experience of project partners in the Philadelphia local food movement. Developing point of service materials that promote our farmers to the end consumer is integral.
- **Product Consolidation.** Focus groups show that wholesale purchasers seek to minimize the number of distributors they buy from. The Common Market will provide a "one-stop-shop" for local product procurement.
- **Implementation Strategy.** The Common Market has minimized start-up capital costs by utilizing the excess capacity of an existing distribution facility during its pilot phase. The business is structured as a nonprofit corporation which allows it to qualify for the subsidy that will permit it to reach the scale necessary to compete with conventional food distributors and become a financially sustainable business.
- **Product sourcing.** Building on the strong relationships of the project partners in the farm community, the Common Market will build a strong supplier network.

Risks

Risks	Mitigating Factors
<p>Imitation by existing distribution businesses</p>	<ul style="list-style-type: none"> ➤ The Common Market’s strategy as an early entrant into local wholesale distribution is to achieve scale by capturing a significant percentage of the institutional market and leverage that market share to supply high volume retail markets. ➤ The Common Market will build superior brand equity through consistently high quality product, reliable service and by developing point of service promotional materials highlighting the farmers who supply Common Market.
<p>Change in consumer taste (demand shift)</p>	<ul style="list-style-type: none"> ➤ The Common Market will seek to grow the demand for local product through the education of wholesale buyers as well as end consumers. Its locally branded products will embody health and flavor in the Philadelphia market ensuring the sustainability of demand.
<p>Seasonality of supply</p>	<ul style="list-style-type: none"> ➤ The Common Market will build its product offerings to include products that can be sold during the winter season, including canned, frozen and root vegetables, meat and dairy.
<p>Reaching break-even scale</p>	<ul style="list-style-type: none"> ➤ Its nonprofit business structure and low-cost start-up strategy will allow the Common Market to fund budget gaps while working toward fiscal sustainability. ➤ Selling to Institutions first allows Common Market to scale-up quickly ➤ Financial models have been constructed using conservative estimates of cost and income yet show break-even in year three.
<p>Cash flows</p>	<ul style="list-style-type: none"> ➤ Responsible cash flow management is central to early fiscal stability. The Common Market manages its working capital needs by using a business line of credit from The Reinvestment Fund (TRF).

Personnel Plan

The Common Market's operations staff consists of a full-time General Manager, Operations Assistant and Truck Driver and a part-time Bookkeeper and Warehouse Support/Truck Driver.

Position	Annual Salary (2010)	Responsibilities
General Manager	\$44k	<ul style="list-style-type: none"> • Setting-up Systems • Office Management • Hiring & Supervising Staff • Sales & Marketing • Quality Control • Compliance
Operations Assistant	\$30k	<ul style="list-style-type: none"> • Warehouse Support • Provide Assistance to General Manager • Quality Control
Warehouse* support	\$11k	<ul style="list-style-type: none"> • Warehouse Support • Provide Assistance to General Manager
Bookkeeper	\$12k	<ul style="list-style-type: none"> • Billing, Invoicing • Bookkeeping • Preparing reports for Board
Truck Driver	\$38k	<ul style="list-style-type: none"> • Delivery to Institutions, Retailers, Restaurants • Pick-up from Farms
Truck Driver*	\$11k	<ul style="list-style-type: none"> • Delivery to Institutions, Retailers, Restaurants • Pick-up from Farms

* positions held by same person

Financial Plan

The food distribution business typically has thin margins and requires high volume in order to be profitable. A critical question at start-up is how the business will maintain operations and growth until it reaches break-even volume. The Common Market employs three strategies that will enable it to successfully reach profitability.

- The Common Market minimized start-up capital costs by partnering with an existing food distributor and leasing excess cold storage, loading dock, assembly and office space.
- As a nonprofit corporation, the Common Market will be able to raise grant funds, donations and low-interest loans to pay for the start-up and expansion capital costs. It relies on start-up grants and contributions to supplement revenues and cover projected operating deficits of \$55k, \$90k and \$50k in 2008, 2009 and 2010. We anticipate that we will need to raise a total of \$195k in operating subsidy to get the business to the point where it is self-sustaining. To date, it has secured \$164k in operating support from a combination of foundations, government sources and corporate sponsors. The Common Market also has a \$60k line of credit that allows it to finance receivables (i.e. quick payments to farmers while waiting to be paid by our customers) which is underwritten by the Reinvestment Fund (TRF) with a 50% loan guarantee from Pennsylvania Department of Community and Economic Development. In addition to this operating support, the three year planning process was funded through a \$100,000 grant from the Pennsylvania Department of Community and Economic Development's First Industries Grant Program.
- The Common Market focuses on providing Philadelphia institutions with local produce. By targeting one market segment and product type during start-up, the business was able to focus on developing the logistics and supply management systems and building the farmer network that will allow it to grow naturally into other market segments and product lines.

Capital Expenditure Investment

The Common Market expects to make a major capital expenditure investment during 2010 in preparation for the 2011 growing season. This investment would involve fitting out additional space in the SHARE warehouse to better fit our needs, developing farm promotion branding materials and purchasing produce accounting software. The total cost of this investment would be \$440k. We believe that this capital expenditure is necessary for the Common Market to build its capacity to handle the volume necessary to meet its sales targets in year 4 and to be able to become a self-sustaining business.

2010 Common Market Capital Expenditure Investment	
Fit-out of space (14,480 sq. ft.)	\$250k
Refrigerated/Freezer Area (3,081 sq. ft.)	\$80k
Delivery Truck	\$70k
Forklift	\$25k
Farm Promotion Branding	\$15k
Total	\$440k

Appendix A: Proforma

	2008	2009	2010*	2011*	2012*	2013*
Sales	\$105 (July-Dec)	\$310k	\$710k	\$1.065M	\$1.6M	\$1.9M
Operating Income (Loss)	(\$55k)	(\$90k)	(\$50k)	\$0	\$25k	\$100k
Operating Subsidy Received (Grants)	<ul style="list-style-type: none"> • \$40k-Claneil Fdn. • \$38,500-PA DCED • \$10k-Jefferson Univ. Hospital 	<ul style="list-style-type: none"> • \$40k-Claneil Fdn. • \$25k-Anon. • \$10k-Fels Fdn. 				
Operations Staff (FTE)	1.5	3	4	4.25	5.25	5.5
No. of Trucks	1	1	1.5	2	3	3
Cold Storage Space (Sq Ft)	500 (shared)	500 (shared)	1,500	1,500	3,000	3,000

Appendix B: Media Coverage

Common Market distributes local farmers' produce

By Harold Brubaker Inquirer Staff Writer

Source: Philadelphia Inquirer, The (PA); 808 words

Published: 2008-08-06

Section: BUSINESS | Page D01 | Edition: CITY-D

In their 27 years of farming, Andy and Dawn Buzby have taken all the usual routes to selling the produce from their 153-acre Salem County farm.

They have sold to distributors in Vineland, N.J., and Philadelphia, directly to small grocers, and to consumers at farmers' markets.

But the Buzbys had no easy way to sell to a potentially huge market right in their backyard: institutions, such as hospitals and universities.

That changed last month when the Common Market, a nonprofit distributor of fruits and vegetables from farms in the region, started operating.

"I'm just very excited about our product staying local," Dawn Buzby said. "It's fresher. They get the best quality."

Farmers and food-service managers said the Common Market could play an important role in continuing the momentum gained by local-food advocates in recent years.

Many high-end restaurants are big buyers of local produce sold at a premium, and farmers' markets are thriving, but the overall impact on the food industry has been slight because it is hard to hook up local farms with local institutions that buy much more than a typical household does.

"The Common Market is a new frontier for locally grown because it's targeting the institutions and some of the other things that just haven't been as convenient," said Lancaster County farmer Steve Groff, who is selling tomatoes and raspberries through the Common Market.

"I can't go to Philadelphia with my truck and make 15 stops with two or three items that I might grow," Groff said.

Produce buyers at Thomas Jefferson University Hospital in Philadelphia and Cooper University Hospital in Camden said they were thrilled with their weekly deliveries of peaches, green beans, cucumbers and other items.

The hospital food purchasers said buying locally was part of their broader effort to serve healthier food.

Mary Grant, assistant director for production services at Jefferson, said she tried last year to get local produce through her main food distributor. "It was a trial for them and a trial for us," she said.

Dealing with the Common Market has taken all that frustration away, Grant said, and to her relief as a purchaser on a budget, "pricing is extremely comparable to the big guys." She has placed \$1,000 orders with the Common Market.

At Cooper in Camden, the director of food and nutrition, Fran Cassidy, has been ordering for the hospital cafeteria. She said the quality of the fresh-picked produce has been great and has helped educate consumers. "We had to tell people 'This is really what a fresh local tomato looks like.' "

In Common Market's fifth week of operation, sales were better than expected, reaching \$4,000 for today's deliveries to nine customers, said general manager James DeMarsh.

The local-food advocates, who have been planning the Common Market for more than three years, projected first-year sales of \$137,000. It rents space in the Share Food Program warehouse on Hunting Park Avenue.

The distributor received a \$100,000 planning grant from Pennsylvania in 2005. The state and the Claneil Foundation in Plymouth Meeting each provided \$40,000 to cover a projected operating deficit for the first year, and the Reinvestment Fund, a Philadelphia nonprofit investment group, lent \$100,000 to pay farmers before Common Market collected from its buyers, said Haile Johnston, one of the organizers.

But the goal is to be self-sustaining by the end of the second year, said DeMarsh, 27, who came here in May from the Tuscarora Organic Growers Cooperative in Fulton County, Pa.

Before that, DeMarsh, who grew up in a Boston suburb, worked for five years at Ward's Berry Farm in Massachusetts. That experience has enabled him to talk to growers with an understanding that is almost unheard of in distribution, said Michael Rozyne, founder and codirector of Red Tomato Inc., a Canton, Mass., distributor of local produce from Ward's and other farms in New England, New York and Pennsylvania. "He paid his dues," Rozyne said.

DeMarsh said he missed farming, but was convinced that he has an important role to play. "I want to prove to our growers that this idea makes sense."

Dawn Buzby, the Salem County farmer, is on the board of directors. She said her oldest son, Eric, came back to the farm after college because he said he wanted his children to experience what he did growing up.

"The Common Market," Dawn Buzby said, "is part of that future, I think."

Contact staff writer Harold Brubaker at 215-854-4651 or hbrubaker@phillynews.com.

A city hospital puts 'farm' on the menu

By Rick Nichols Inquirer Columnist

Source: Philadelphia Inquirer, The (PA); 1158 words

Published: 2008-10-02

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Grabbing a quick lunch in Jefferson University Hospital's soaring Atrium Cafeteria at 10th and Chestnut one day last week was the hospital's president, Tom Lewis, his gray hair curly, his schedule tight.

He picked up his usual multigrain roll from Metropolitan Bakery, and filled a bowl at the salad bar, beyond which he could eye a tub of steamed hot dogs and an orange pool of molten cheese.

Lewis isn't a doctor. But you didn't need a medical degree to know which lunch was a better bet. And indeed next to the hot dogs was a pan brimming with Lewis' vision of the kind of food he's pushing to see more of in the future - herb-roasted fingerling potatoes and green and yellow squash from family farms in Fleetwood and Quarryville, Pa.

It might seem overdue and somewhat of a no-brainer to be augmenting hospital cafeteria menus (and soon patients' meals, as well) with wholesome, local produce; to cut down on the fatty, processed foods that land people in the hospital to begin with.

But it is one thing, as Lewis has learned, to preach the fresh-local gospel and another to put it into large-scale, daily practice. In fact, some hospitals have opted out, turning their cafeteria service over to the very fast-food franchises that give doctors agita. And others have dragged their feet, knowing the hassles ahead: Like a battleship, the lumbering, urban hospital kitchen wasn't built to turn on a dime.

Consider the headaches:

Coolers at Jefferson originally designed to store compact frozen vegetables overflowed quickly with boxes of unruly Jersey cukes and peppers.

Just because eggplant is bountiful one week, you can't devote an entire menu to Moosewood eggplant dishes.

Washing out the sand from the field, peeling the potatoes, and cutting the green beans isn't exactly a walk in the park: It requires extra hands, extra space and hours.

Still, in only the second full summer of the fresh-local push, Jefferson can point to a 25 percent or more gain in locally sourced products; from 20 cases of zucchini last year, for instance, to 160 cases this year.

The effort, surprisingly, has been revenue neutral - the prep costs higher, transportation costs often lower.

And the variety has been vastly expanded: Last year the distributor didn't offer much local fare beyond squash and apples. This year, the hospital has ordered local sweet potatoes and peaches, beets and cucumbers, radishes and herbs.

It still makes up a tiny portion of the hospital's larder (less than 10 percent of the total), but staffers on the front line - staggered at the start by the sheer complexity of switching gears - are newly and outspokenly bullish.

Mary Grant, who oversees sourcing, knew attitudes were changing recently when a cook chastened her for falling back on packaged product: "Why don't we have fresh green beans?"

In fact, one particularly tasty skillet of braised summer vegetable stew - Jersey tomatoes and Japanese eggplant, fresh basil and yellow squash - never made it out of the kitchen.

The team of line cooks ate it on the spot.

The Jefferson initiative is called "Healthy Food in Healthcare." And its ambition ranges far wider, overall, than refurbishing the cafeteria menu.

On Thursdays there's a fledgling sidewalk farmers market (operated by a group called Farm to City).

Grant and her colleague Shelley Chamberlain, who supervises dining services, pushed Wawa dairies to get bovine-growth hormones out of their milk order or risk losing their contract.

Tastykake was told to take its pies off the shelves until it got rid of the trans fats.

Howard Weitz, the chief of cardiology, enlisted after seeing on the cafeteria line too many of the foods implicated in heart disease: "As an institution we were sending the wrong message, supporting the [ruinous] Philadelphia diet."

He has yet to win his fight to banish hot dogs and cheesesteaks. But he says he sees progress toward the goal of using Jefferson's mealtimes not just to feed, but to educate the 3,000 staffers and visitors who eat there each day.

It has certainly been an education for Jefferson, as well.

Lewis, the Jefferson president, said he first read about a similar local-food project in a rural community nine years ago.

He was already sensitized to the issue; he'd donated to the Food Trust, a local nonprofit devoted to fresh-food access, a group he later joined as a board member.

So he jumped on it, "naively," he says now, even though Jefferson runs its own food service: "I thought it would be easy."

Likewise, Grant and Chamberlain were attending conferences, hearing about farm markets in California hooking up with hospitals; taking tours of local farms.

But it was a series of false starts and short yardage, vendors balking, orders unpredictable until two practical players entered the picture.

One was Ann Karlan, who helped run the White Dog Cafe foundation's "Farm to Institution" project aimed at linking medium-size farms with colleges, hospitals and retirement communities.

(One of its challenges is to get produce into the so-called fresh-cut system, the network of middlemen who wash, peel and chop local potatoes, beets and such, taking the labor burden off the hospital kitchen.)

The second player was the Common Market, the new, nonprofit local-produce distributor that operates out of a warehouse on Hunting Park Avenue.

Together, those two programs - the first assessing Jefferson's needs and costs; the second giving local farmers a place to pool harvests and a common delivery mechanism - took the crimp out of the local-fresh pipeline.

In the Atrium Cafeteria, its ceiling soaring eight stories above, the sky suddenly seemed the limit.

The space is due for a thorough overhaul soon. Better signage is planned to highlight the local produce: The first priority is local; organic is secondary.

There's an effort afoot to see if no-hormones, grass-fed beef can be added to the menu, and maybe even local fish.

The salad bar has taken over acreage once occupied by self-serve sloppy Joe stations. Big stuffed Ramapo tomatoes on occasion have crowded the hot dog tub. The braised escarole is local: "When it isn't," says Chamberlain, "we'll take it off the menu; it teaches them about seasonality."

Lewis, for one, will be sorry to see the season end (late next month) for the sidewalk farmersmarket.

The day before he had lunch in the cafeteria last week, he'd bought baby peppers there, and local tomatoes to make a salsa for a dinner of grilled tuna steak.

Sadly, the blackberries he'd had a summer fling with just weeks before were long gone.

Contact columnist Rick Nichols at 215-854-2715 or ornichols@phillynews.com. Read his recent work at <http://go.philly.com/ricknichols>.

Illustration/Photo: Katherine Nelson mans the Fruitwood Orchards stand at the farmers market at Jefferson, part of the hospital's emphasis on healthful, locally grown food.

Photograph by: Feed Loader

Jefferson colleagues Mary Grant (left) and Shelley Chamberlain with some of the locally grown produce now offered in the hospital cafeteria. Jefferson's initiative is called "Healthy Food in Healthcare."

Photograph by: Feed Loader

Tom Lewis , Jefferson's president, pushed for more healthful foods.

Photograph by: Feed Loader

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June 2008 W.K. Kellogg Foundation, Food and Fitness Initiative

Many faces, many voices

From Farm to Institution:

The Common Market in Philadelphia

"We wanted to find a way for farm products to get into the city, especially to families with lower incomes . . . "

Facts at a Glance

Vibrant regional food systems reduce energy use, support nearby agriculture, and increase access to fresh, healthy food. But local food systems depend on local distribution networks. By focusing on distribution, Philadelphia’s Common Market project has succeeded beyond all expectations, creating new markets for local farmers and improved access to fresh produce — at better prices — for urban households.

The East Park Revitalization Alliance (EPRA) works to promote health and improve the environment in Philadelphia’s Strawberry Mansion neighborhood. As part of their health promotion work, EPRA wanted to improve neighbors’ access to healthy food with a farmers market or buyers club. They met with the local non-profit Farm to City, and learned that this wouldn’t be easy at all.

“In our meeting with Farm to City, we learned that a number of barriers existed to bringing food from local farms into the city,” says Tatiana Granados, EPRA’s co-founder and Executive Director. “Prices at farmers markets tend to be higher because of the cost to the farmer of driving in, not to mention the time it takes away from farming. We also learned that demand for local food outstrips supply,” a problem complicated by the absence of a distribution infrastructure for local foods.

EPRA envisioned a food distribution network that would become the Common Market project. “We wanted to find a way for farm products to get into the city, especially to families with lower incomes, says Granados. “We brought together a consortium that included the food co-ops, Farm to City, White Dog Community Enterprises, the Urban Nutrition Initiative, and distribution consultants.”

In 2005 with the help of Farm to City, EPRA was awarded a \$100,000 State of Pennsylvania Department of Community and Economic Development grant for a comprehensive feasibility study. Their analysis of both supply and demand for local produce showed that the institutional market, although it involved particular challenges, was one of the greatest niche opportunities for local farmers.

“Selling to institutions is our greatest challenge,” says Johnston. “There are insurance, regulatory, and licensing requirements that most farmers don’t have the resources to negotiate.” The Common Market steps in to meet these requirements, opening this market to the farmers they work with.

Institutional clients’ demand typically greater and more variable have fluctuating than a single farmer can supply. The Common Market consolidates and manages supply to provide the quantities

The Common Market’s feasibility study showed that the institutional market was one of the greatest niche opportunities for local farmers.

White Dog Community Enterprises works with mid-scale farmers, distributors, and institutions to improve the local food system.

This model maintains the identity of the producers—consumers want to know where their food comes from.

Links

[Common Market](#) - The Common Market is a Philadelphia-based distribution center that supplies universities, hospitals and grocery stores with locally grown food.

[White Dog Community Enterprises](#) - Cultivates a Philadelphia regional economy that is inclusive, just, environmentally healthy, and based on local business ownership.

[Farm to City](#) - A Philadelphia-based program whose goal is to unite communities, families, and farmers year-round through good locally grown food.

institutional customers need. The volume and scalability of the institutional market provides the benefits of increased stability and reduced risk to the farmers that they may not find elsewhere.

The Common Market's interest in the institutional market caught the attention of Ann Karlen, the founding director of Fair Food, a program of White Dog Community Enterprises that works with mid-scale farmers, distributors, and institutions to improve the local food system. "When I learned about the Common Market," says Karlen, "I saw immediately the ways that our projects could work together."

"One thing we know is that consumers want to know where their food comes from," says Karlen. "We're committed to maintaining the identity of the producers — this is an important component of buying local."

The team credits the lengthy planning stage and focus on market feasibility with the project's initial success. "The gap between paying the producer and waiting to be paid by the client is a challenge for many distributors," says Karlen. Common Market secured a \$100,000 line of credit to provide the required safety cushion. "We have planned carefully," says Granados.

The team hasn't just planned for the launch of the Common Market, they've planned for future growth. This may really pay off — interest has already surpassed their expectations. A week before the first delivery, Granados said, "We're prepared to scale, we just might be scaling a little more and a little sooner than we thought — we're really pleased at the success so far."

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Meredith Aska McBride | Connecting with the Common Market

Students need to play a part in helping Penn Dining and Aramark tap into the local food network

By: Meredith Aska McBride

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It might seem easy for a school located in a city surrounded by great farmland to source its food locally.

I'm talking, of course, about Penn, located in Philadelphia, a fairly quick drive from Lancaster County, Bucks County and New Jersey.

But try finding enough lettuce to feed thousands of salad-eaters several times a day, every day of the week, for eight and a half months of the year. Until recently, Penn Dining's best efforts to source sustainable food were hampered by the logistical difficulties of finding local food in university-sized quantities.

Since this summer, we've been in luck. The Common Market, a wholesaler of southeastern Pennsylvania-raised produce, opened down by the port in South Philly. Aramark's been in talks with

their management to authorize the Common Market as one of Penn's suppliers. This is great news both for our stomachs and for Penn's carbon footprint.

But the effort doesn't end with Dining doing bureaucratic legwork to make local food happen. While - newsflash - the Pennsylvania climate permits year-round vegetable growing, Penn students must create a demand for winter produce in order to make the relationship with the Common Market feasible year-round. We have to start demonstrating now that we care about supporting local business and making our University sustainable.

Unfortunately, the school year coincides with the time of the mid-Atlantic growing season that Penn students are probably least familiar with. It wasn't until a few months ago that I tasted a rutabaga. And who eats turnips or winter chard on a regular basis or is willing to eat only apples for their fruit until April?

"We want to source other things than produce, especially in the winter months," such as meat, dairy and eggs, said Bob Pierson, a Common Market board member and director of Farm to City, a local non-profit organization. This would be another way for Penn to sustain a relationship with the Common Market through the winter months (at least until rutabagas become the next big thing).

But we've got to keep up our demand for local, low-impact food if we want Penn, Aramark and the Common Market to keep untangling the threads of this complicated process. "Any time you are procuring ... from a new vendor, you have a series of questions or procedures to go through," said Laurie Cousart, Penn's director of Business Services, which is why Dining hasn't been able to source from the Common Market yet this school year. "It doesn't happen overnight."

Penn requires so much food on a daily basis that the Common Market's suppliers would actually have to plan in advance for the next growing season in order to meet our needs. However, Cousart and the rest of Penn Dining's management already work with some local suppliers.

"The way we conduct business is compatible with the standards of a place like Aramark," said James DeMarsh, the Common Market's general manager. And Cousart is optimistic that Penn will be sourcing from the Common Market by next fall. Indeed, the primary reason for founding the Common Market was so that the local food supply chain would be compatible with the standards of a corporation like Aramark.

A primary difficulty hospitals, universities and other large-scale operations were having in sourcing locally was the high volume of food they needed and the necessity of their suppliers having certain types of legal certification and insurance. This is often financially impractical for smaller farmers, but the Common Market, a larger operation, can afford these things and therefore makes it feasible for small farmers to get their harvest to Penn students or HUP patients.

So head out to the plethora of farmers' markets in West Philly, join a CSA or take SEPTA over to Reading Terminal. Let Dining know how much better local food is than the cardboard-tasting Chilean apples you find at FroGro in December. Try some weird root vegetable you've never eaten before, then ask if Dining

can buy it from the Common Market next December.

In a business that's student-driven, we have to take greater charge of what we fuel our bodies with. Don't just accept that Dining won't ever have great-tasting food that's friendly to our environment and local economy. We have the power to ask here, and Dining really wants to say yes.

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