
The power of food to build equity, opportunity, and resilience.



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It's undeniable. Food is hot- and terms like local, artisan, small-batch and craft, are the trends of the moment.

And yet, this nearly \$2 trillion U.S. industry is largely controlled by a handful of corporations that prioritize uniformity over diversity, consolidation over distribution, and efficiency over equity. According to the USDA's Economic Research Service, fewer than 20 corporations now control over 66% of the entire U.S. retail food market (over \$515 billion), while just 4 companies manage over 70% of the \$200 billion food service industry (colleges, hospitals, prisons, K-12 schools, airports, sports venue, etc.). Similarly, large family farms account for less than 3% of all farms, but account for 42% of U.S. production.

The consequences of this massive concentration range from poor labor conditions and stagnant wages for farmers, food processors, and food service workers; widespread use of harmful chemicals, preservatives, and plastic packaging to reduce spoilage and maximize profits; artificial deflation of the real cost of food; diet-related health issues due to lack of access to fresh, minimally processed foods; limited opportunities for new and diverse companies to enter the market; over-production of a handful of mostly monolithic crops leading to limited plant resilience, soil degradation, excessive water usage, and farm vulnerability; over 40% of food produced being thrown out, making food waste the third largest contributor to greenhouse gas emissions globally... The negative impacts are staggering.

It is time for a radical re-imagining of the food industry that address this complex array of challenges; one that breaks down silos, prioritizes equity and access, distributes opportunity, ensures environmental sustainability, values transparency, celebrates diversity, and acknowledges the real cost of real food.

CommonWealth Kitchen is working hard to help shape that vision.

A systems-based approach.

CommonWealth Kitchen operates Greater Boston's non-profit food business incubator and "small-batch" food manufacturing social enterprise.

CWK started out in 2009 with a mission to help diverse entrepreneurs affordably launch food companies as a means to build assets and wealth, create jobs with few barriers to entry, and close Greater Boston's growing wealth divide.

Boston has the dubious distinction of being one of the most unequal cities in the U.S., where the average White family has total assets of \$247,000, compared to the average Black family, with total assets of \$8. No- that's not a type-o. (Source: Federal Reserve Bank of Boston).

CWK's core programs include:

- **Start-up support**, including assistance with permits, formulations, costing, marketing, etc.
- **Wrap-around business and technical services**- incl. custom workshops, mentoring, and 1-on-1 support
- Fully-equipped **shared kitchens**
- **Pop-up retail** location(s)
- **Outsourced manufacturing**
- Coordinated **access to markets**

CWK's premise was simple: provide affordable access to fully-equipped shared kitchens, and diverse entrepreneurs will have what they need to start and grow successful food companies. Right? Not so fast.

In launching its operation, CWK quickly discovered that success for small food companies, particularly diverse, largely under-capitalized ones, requires more than a great recipe or service. Business owners need a clear understanding of the intricacies of permitting, food safety, sourcing, distribution, packaging, labeling, good manufacturing practices, sales channels, marketing, cash flow, margins, mark-ups, financing, etc. Further, with limited access to capital and few industry relationships of their own, these aspiring companies need help finding with distributors, connecting with buyers, acquiring customers, and securing sales. In order to meet its mission of helping build successful food businesses, CWK had to find ways to address all of these disparate needs. The shared kitchen was merely the starting point.

Working at the intersection of human, social and financial capital.

Today, in addition to shared kitchens, CommonWealth Kitchen offers wrap-around programs to address the human, social and financial capital needs of its 50+ diverse member food companies- over 75% of which are owned by women or people of color.

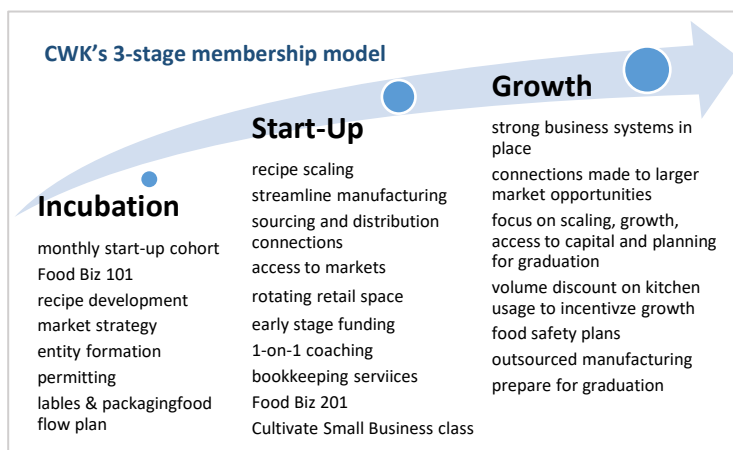
Programming includes a 13-week food business start-up class, custom workshops on topics ranging from product development and food safety to marketing and branding. CWK also provides mentoring, 1-on-1 advisory support, and an on-line resource library that includes sell sheet templates, social media best practices, and financial templates for costing recipes, calculating margins, and managing cash.

CWK is also a partner in Santander Bank's signature "Cultivate Small Business," a 6-month business education program for existing diverse food companies. Babson College provides the educational training. CWK connects participants with mentors and advises on curriculum. Initiative for a Competitive Inner City manages the program. To date, over 50 food businesses have participated. In the inaugural class, three businesses owned by women of color shared in nearly \$30,000 in grant funding to help them scale.

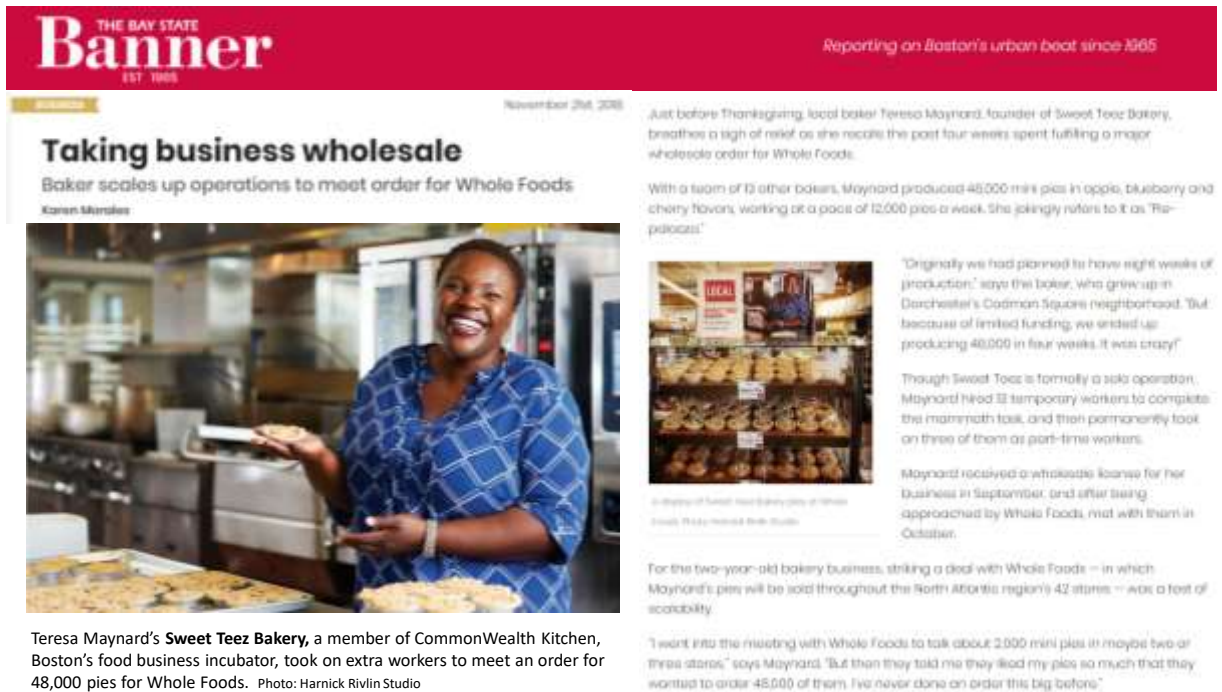
All of these services are integrated into CWK's 3-stage membership model, which is intended to connect members to specific resources along their entrepreneurial journey to incentivize strong business fundamentals by tying services, market connections and kitchen fees to business stage.

Additionally, to reduce friction and accelerate market access, CWK forges strategic partnerships all along the value chain- with farms,

distributors, retailers, wholesalers, purchasing agents, event planners, and anchor institutions. Activities include hosting an annual tasting event for buyers, managing a rotating retail kiosk for food trucks and caterers, securing dedicated vending sites for food trucks, developing a partnership with Whole Foods to feature member sauces on the hot bar, and exhibiting in the Incubator Village at the NYC Fancy Food Show.



CWK MEMBER SPOTLIGHT: Sweet Teez Bakery



The screenshot shows a news article from 'THE BAY STATE Banner' dated November 2nd, 2016. The headline is 'Taking business wholesale' with a sub-headline 'Baker scales up operations to meet order for Whole Foods'. The author is Karen Morales. The main image shows Teresa Maynard, founder of Sweet Teez Bakery, smiling in her kitchen. To the right, there are several text blocks and a small image of a display case filled with pies. The text describes how Teresa scaled up her operations to produce 48,000 mini pies for Whole Foods in just four weeks, a process she calls 'Pie-palooza'. It also mentions that she hired 12 temporary workers and then three permanent ones to help with the order.

Teresa Maynard grew up the daughter of Jamaican immigrants in Boston's Dorchester neighborhood. The mom of three shares a severe nut allergy with her daughter, and was constantly looking for delicious, nut-free treats they could both enjoy. With no options available in her neighborhood, Teresa set out to fill the gap by starting her own bakery.

She initially came to CommonWealth Kitchen looking for advice on opening a retail café. With no experience running a business, CWK encouraged her to start slowly by first scaling operations and building a customer base by working out of the shared kitchen.

Teresa launched Sweet Teez in 2016. An early turning point was the "cupcake retainer" she got from Babson College, which paid her in advance for future orders. Teresa used the cash to buy a printer capable of doing edible designs, which launched her corporate gift business to complement her direct to consumer sales.

As Teresa built confidence and began producing in larger volumes, CWK connected her with Whole Foods. Their first order: 48,000 mini-pies to be sold in 42 stores across New England!

Pie-palooza was born!

With support from CWK, Teresa took on this enormous challenge, and produced all 48,000 pies in less than 10 weeks. The effort involved securing agreements with suppliers and distributors, sourcing packaging, hiring and training staff, and securing short-term financing from a local impact investor. Teresa not only gained enormous knowledge and skills during the process, but was also able to employ 12 people to help complete the order, including 2 people living in homeless shelters. Both have since found permanent employment, including one with CWK.

According to Teresa, the highlight of her experience was getting to walk into a Whole Foods in downtown Boston with her three kids and show them the enormous display of her co-branded pies. Mom the CEO!

Teresa is a graduate of CWK's Food Biz 101 class and participated in the inaugural cohort of Cultivate Small Business.

To help the 70% of member businesses who produce packaged goods efficiently scale, CWK also operates its own small-batch manufacturing enterprise. The model allows emerging member companies to outsource production to CWK's dedicated kitchen staff, freeing up their time to focus on sales and finance.

Outsourced processing also allows CWK to aggregate part-time and seasonal jobs into full employment on its staff, and re-introduce quality manufacturing jobs back into the urban core. All of CWK's staff are paid a minimum wage of \$15/hr.

To make the economics work, CWK uses grants to acquire specialized equipment and partially automate production.

When not producing for member companies, CWK leverages this manufacturing infrastructure to provide recipe development and on-demand processing for regional farms, turning surplus and B-grade crops into value-added products, like pickles, marinara, and applesauce, diverting food waste.



CWK's Farmer Value-Added Processing Initiative

CWK develops recipes and completes scheduled process, HACCP plan, FDA registration, etc.

CWK outreaches to farms with product list, minimum orders, and batch pricing

Farms drop off raw produce to be processed; CWK secures all other ingredients- jars, labels, spices, etc.

CWK processes into ready-to-use product, complete with custom label

Farm pays CWK \$3-\$6/container; Farm sells product, makes \$3-\$5/container on product that likely would have gone to compost

In 2018, CWK processed 50+ tons of surplus produce into more than 20,000 containers of finished product.

CWK also produces its line of custom, plant-forward products sourced primarily from regional farms specifically for food service customers. By developing its own unique products—like vegetarian meatballs, falafel, kale and arugula pesto, apple crisp, and roasted butternut squash puree, CWK has secured strategic partnerships with some of Boston's highest profile institutions.

Current institutional partners include:

- Harvard University dining services
- Boston Children's Hospital
- Brigham and Women's Hospital/Sodexo
- MIT dining/Bon Appetit Management
- Emanuel College/Bon Appetit Management
- Blue Cross/Blue Shield /FLIK
- Boston Public Schools.

To fulfill orders, CWK works through a range of local and national distributors.

CWK's capacity to produce a range of sauces, soups, baked goods, and similar products for retail and food service customers is filling a critical gap in the market. Traditional co-packers make money by staying narrowly focused on producing 1-2 products at very large scale. In contrast, CWK is building expertise in nimbly working in smaller volumes, with a range of crops, products, and pack sizes. This approach allows CWK to work with smaller farms and quickly respond to fluctuations for drought, surplus, consumer demand, or seasonality.

As an example, CWK purchased surplus kale from two local farms, which was turned into pesto, and sold to Sodexo, who served the item as a special on the menu at Brigham and Women's Hospital.

Quantifying Impact.

Over the past 5 years, Commonwealth Kitchen has grown by nearly 500%. For 2019, over 40% of the \$2.75m annual budget is projected to come from earned income shared kitchen rental plus contract revenue for manufacturing work.

Of the 50+ member businesses using CWK's kitchens, over 65% are owned by women, 55% are owned by people of color, and over 1/3 are owned by first generation immigrants. Together, these businesses employ 160+ in one of Boston's lowest-income neighborhoods. Many of the people employed previously faced barriers to employment, like English language skills and prior involvement in the criminal justice system.

The combined earnings of CWK's own operation plus the work of its member companies, is more than \$10m/year- or \$10 for every \$1 of grant funding, a powerful multiplier effect.

Every year, CWK "graduates" 3-6 companies into their own dedicated operations. Sixty of these graduates are still in business today, creating over 600 jobs, generating a combined \$65m+ in annual gross revenue, and contribute nearly \$9m/year to the State tax base.

Additionally, CWK's work processing surplus and B-grade produce for more than a dozen farms not only diverts food waste, it generates found revenue for farmers through sale of value-added products. The items produced by CWK through its farmer value-added processing initiative are sold through a mix of outlets- including directly by farms at farm stands, CSAs and retail outlets, and by CWK to institutional customers, including Boston Public Schools.

The powerful social and economic impact of CWK's work is undeniable.

Lessons of working with institutional food service.

CWK's focus on institutional food service was seeded after seeing its packaged goods member companies struggle to navigate the highly competitive retail market. For these companies, securing shelf space in smaller, independent specialty food stores is a good first step, but generally does not provide sufficient sales volume for the business to be profitable.

CWK's high level impacts:

- 50+ member companies; over 75% owned by women and/or people of color;
- 160+ people employed in one of Boston's lowest-income neighborhoods
- 25+ manufacturing customers, including institutions, farms, restaurants, & retailers
- For every \$1 of grant funding, CWK and its members generate \$10 in earned income
- 70% of companies in business after 2 years
- 58 graduates still in business, generating a combined \$65m/year+ and employing over 600 people

As an example, CWK had a fresh salsa company selling into more than 100 stores regionally through an outside distributor support. Even at this scale, she was still unable to pay herself a living wage. Her business needed to be doing 2-3 times the volume to be profitable.

For companies like this salsa business, moving from independent stores to regional and national chains is traditionally the next step. However, it is also one of the largest hurdles, requiring enormous cash outlays for marketing, tastings, specials, and rebates that are industry standard for large grocers and distributors. Access to this kind of high risk capital is enormously challenging for any food business, but nearly impossible for most of CWK's diverse companies, who lack personal or family finances or connections. Further, these diverse companies often make products that are less familiar to a wide consumer audience- like Haitian pikliz, African peanut sauce, Indian spiced tea, or Asian pesto- and therefore are seen as even more risky and marginal to investors.

To address this challenge, CWK began researching alternate markets where these products could thrive, with much larger sales volumes (albeit with lower margins) without the same intense need for financing. Through this work, CWK began assessing the enormous potential of institutional food service, particularly colleges and hospitals, who have captive audiences of eaters, and face growing pressure from changing consumer tastes and demographics to diversify offerings and source more locally. Additionally, with a tight labor market, many food service operators are searching for items that can save labor.



The alignment was clear.



Securing interest from anchor institutions to increase local sourcing has been fairly easy. The hard part has been navigating the numerous roadblocks of working within this very rigid, complex, risk averse, and opaque industry. Challenges of securing institutional sales have included pricing, pack size, recipe reformulation to meet nutritional requirements, allergen statements required for a shared-use kitchen, integration into menu cycles, on-boarding with pre-approved distributors, required insurance and food safety certifications, etc. Further, sorting out the puzzling and largely opaque relationships between distributors, food service management companies, and Group Purchasing Organizations has been a huge hurdle.

Slowly but surely, CWK has been breaking through each of these challenging roadblocks. Over the past few months, with CWK's third party food safety audit complete, partnerships established with four different distributors, and sell sheets created with detailed nutritional information for all products, CWK is finally beginning to see real traction in purchasing- and with far less pushback on pricing than expected.

The secret to this slow but steady growth has been a few key themes. 1) CWK's unrelenting focus on providing buyers and distributors an array of unique, ready-to-use bulk products- kale pesto, ready-to-bake frozen apple crisp, vegetarian meatballs, 5-ingredient marinara, roasted

butternut puree, 1-ingredient applesauce, pre-portioned cookie pucks, and ginger-scallion sauce. 2) CWK's willingness to work closely with each individual buyer and distributor to identify needs, and establish ordering and distribution processes that can easily integrate into their existing systems. 3) CWK's ability to tick multiple boxes in the supplier diversity/local sourcing/non-profit partnership box.

This anchor institution focus is driving larger sales volumes for member companies. For example, CWK has a cookie company who is finally able to start paying herself as a result of standing orders for frozen, pre-portioned dough to several college accounts.

For CWK, the effort advances its mission of supporting diverse food companies, and creates consistent earned revenue to support operations.

Conclusion.

Working with diverse entrepreneurs to start and build successful food companies as a means to build assets and wealth, create jobs, and improve food access is an enormously complex endeavor- particularly when running up against the largely immovable forces of a centralized, consolidated food system, where a handful of players control the vast majority of it.



Creating meaningful pathways for business success requires taking a comprehensive, systems-based approach that both actively lobbies and advocates for changes to address issues of access, equity and opportunity, while acknowledging that change also requires finding opportunities to collaborate and connect within the existing framework.

Through these efforts, Commonwealth Kitchen is beginning to demonstrate what a values-based regional food economy that prioritizes equity, opportunity and resilience, while aligning interests up and down the value chain can look like.

CommonWealth Kitchen

Common Goals. Common Purpose. CommonWealth.
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