



Land Use & Natural Resources Committee

August 21, 2014

Rural-Urban Connections Strategy Delta Case Study

Issue: Should SACOG enter into a contract with the Delta Protection Commission to conduct a RUCS analysis of the portion of SACOG counties in the legal Delta?

Recommendation: That the Land Use & Natural Resources Committee recommend that the SACOG Board of Directors authorize the Chief Executive Officer to sign a contract with the Delta Protection Commission to conduct a RUCS case study for the areas of Sacramento and Yolo counties in the legal Delta.

Discussion: SACOG was approached by the Delta Protection Commission to apply RUCS tools to portions of Sacramento and Yolo counties within the legal Delta. The purpose of the study is to examine the potential for Delta farmers to take advantage of the burgeoning market for locally grown food. In particular, the project seeks to better understand the feasibility of expanding or creating new agricultural infrastructure, including distribution, aggregation, processing (fresh cut and wrap, freezing, pouches, drying, hulling, bottling, pressing, packing house), and storage. Housing this infrastructure in one facility has become known as a “food hub.” The feasibility of a food hub is dependent on adequate agricultural production, which will also be examined as part of this project. The scope of work for the project is included as Attachment A.

Over the last year and a half, SACOG has been conducting a feasibility analysis and developing a toolkit to assess the viability of food hubs. The toolkit includes data on the cost of inputs and operations, as well as market prices for food products. This information is used to assess feasibility for a range of food system conditions, including the economic practicality of farmers growing products for the food hub.

This project will employ RUCS tools to conduct a feasibility analysis for the study area. The work will involve developing data specific to the study area and examining a key consumer market, the San Francisco Bay Area, to which the Delta is strategically located, in addition to the Sacramento region. Scenarios will be analyzed to demonstrate possible strategies that Delta stakeholders may explore for food system economic development opportunities.

This project is not in FY 2014-2015 OWP and is not included in the September OWP update. If the committee and board approve the contract, staff will update the OWP in October to include this project. If the committee and board desire to include this project in the September OWP update, staff will include this project.

Approved by:

Mike McKeever
Chief Executive Officer

MM:DS:ts
Attachment

Key Staff: Kacey Lizon, Planning Manager, (916) 340-6265
David Shabazian, Principal Program Expert, (916) 340-6231

Scope of Work

Local Food System Assessment for Yolo and Sacramento County Delta Communities

As part of the Rural-Urban Connections Strategy work, the Sacramento Area Council of Governments (SACOG) has been building data and models to help answer questions about how to stimulate economic development in rural communities, and expand market opportunities for agricultural producers. Regional stakeholder outreach revealed that a major impediment to expansion in the agricultural sector is a lack of infrastructure. This project seeks to answer the following questions to better understand the feasibility of expanding and creating new agricultural infrastructure. These questions include:

- What is the feasibility and economics of developing needed agricultural infrastructure?
- What is the entry point for various types of specialty crop aggregation, distribution and processing?
- What is the strategy to scale up from entry-point position to larger facilities? What are feasible scales for this region?
- What costs and revenue are associated with developing new infrastructure needed to accommodate agricultural needs at various scales?
- Are there opportunities for cost sharing with existing distributors, processors, and food banks?
- What costs are associated with operating existing and new infrastructure, and how are those costs covered?
- What are the regulatory, marketing, and distribution barriers and other challenges to developing new and operating existing infrastructure?
- What are the recommended strategies and suggested action plans for establishing aggregation and distribution site(s) and establishing and expanding processing in the region, including resource identification?

Infrastructure for the purpose of this project refers to agricultural enterprises including distribution, aggregation, processing (fresh cut and wrap, freezing, pouches, drying, hulling, bottling, pressing, packing house), and storage. In food system parlance, aggregation, processing and distribution functions occurring in one facility constitute a “food hub.”

These questions have been addressed with a feasibility analysis toolkit developed at SACOG over the last year. The toolkit includes data on the cost of food procurement, aggregation, processing and handling, as well as market prices for food products. It uses this data to conduct economic pro forma analyses to determine feasibility for a range of food system conditions. The toolkit can be used to identify entry points and optimal scales of operation, ultimately helping users create business plans for food hub facilities.

This project will employ those tools to conduct a feasibility analysis for the portions of Sacramento and Yolo counties in the legal Delta. The work will involve developing data specific to the study area, which will be used for economic modeling. The project will also examine a key consumer market, the San Francisco Bay Area, to which the Delta is strategically located to capitalize on growing demand for locally grown food, in addition to the Sacramento region. Scenarios will be analyzed to demonstrate possible strategies that Delta stakeholders (member jurisdictions, partner agencies, non-profits, agricultural businesses and investors) may explore for food system economic development.

TASKS:

1. Data and Model Development

Build the field-level datasets needed to establish “existing conditions” of the Delta’s agriculture production and related aggregation and processing infrastructure. This data will be used to establish a “base case” to which future production and processing scenarios will be compared. Included in the field data development will be soil type and water availability to the extent that these data are readily available. This task also will build upon the University of California Cooperative Extension Cost of Production Studies to generate production economic data for a range of existing and possible future crops grown for market opportunities identified in Task 2. Particular attention will be placed on crops that do not have a cost of production study for the region. These production studies will customize data from other regions for use in the Delta region. The data will be used to specify existing models for agriculture economic analysis for application to the Delta.

Deliverables:

- a) Field-level crop data for existing and possible future crops;
- b) Cost of production data;
- c) Soil and water availability data;
- d) Report describing existing conditions of Delta agriculture, and aggregation and processing infrastructure.
- e) Delta-specific agriculture economic analysis model and documentation describing parameters, use, and operating assumptions

Date of completion: October 2014

Cost: \$5,439

Personnel: Amy Lee, SACOG
Garett Ballard-Rosa, SACOG

2. Market Analysis

Conduct analysis of potential market opportunities, particularly demand for locally grown food in the San Francisco Bay Area. Assess existing and excess capacity for aggregation, distribution, processing, and capacity for marketing, including in-depth analysis of existing wholesale distributors. The aggregation and processing infrastructure inventory will be used to determine if existing facilities can be repurposed for new market opportunities or if new facilities will be needed to meet market demands. Derive market demand from assessing market segments including, but not limited to, food banks, distributors, retailers, and institutions to determine target crops, total tonnage consumed, as well as emerging markets, food trends, and policy drivers that will affect the amount and type of demand.

Deliverables:

- a) Report summarizing key findings, data gaps, demand and barriers for local markets;
- b) Inventory of existing food system capacity and needs for new infrastructure to capitalize on market opportunities

Date of Completion: November 2014

Cost: \$6,928

Personnel: Garett Ballard-Rosa, SACOG
Consultants

3. Facility Cost Analysis

SACOG will use existing food aggregation and processing infrastructure cost estimates for a prototypical food hub and information from Task 2 to determine the type and amount of investment needed to advance a food system in the Delta oriented toward local market demand, particularly in the San Francisco Bay Area. The cost estimate will include estimates for capital improvement (facilities and equipment) and operating expenses for food aggregation/distribution, storage, basic processing facility, and marketing (central plant and receiving stations) at three scales: a new facility, modifications of an existing facility, and partnering with existing facilities.

Deliverable: Feasibility analysis toolkit tailored to application in the Delta study area, including preliminary cost estimates for an entry-point and additional selected levels of scale for the aggregation/distribution/basic processing facilities.

Date of Completion: February 2015

Cost: \$5,928

Personnel: Garrett Ballard-Rosa, SACOG
Consultants

4. Crop Production Analysis

Synthesize the results of the market analysis and facility cost analysis to estimate the demand for a range of crops including leafy greens, root vegetables, brassicas, cucurbit, onions, solanaceae, beans, citrus, pom, berries, and stonefruit). The crop demand will be translated in acres of production needed to support the facility and the types of value-added products envisioned. The crop map and cost of production studies will be used to assess the feasibility of growing these crops.

Deliverables:

- a. Estimate of crop demand (type and amount)
- b. Estimates of acres of production for local markets
- c. Feasibility analysis of crop production for local markets (using crop map and cost of production data)

Date of Completion: February 2015

Cost: \$3,013

Personnel: Amy Lee, SACOG

5. Scenarios and Feasibility Testing

Develop scenarios and sensitivity analysis using the tools described above for crop production and food hub operations to help users select the most desirable models for their communities. Using these tools, consider the business and capital cost factors and requirements, as well as revenues, for entry-point and at various levels of market and scale. Identify and model the feasibility of more value-added processing. Identify possible crop production locations based on soil, water and other factors to the extent those data are available, as well as, the economic feasibility of growing those crops for the identified markets.

Deliverables: Scenarios and analysis of model results demonstrating how the models can be used and concepts for possible future agricultural enterprises in the Delta.

Date of Completion: March 2015
Cost: \$6,694
Personnel: Amy Lee, SACOG
Garett Ballard-Rosa, SACOG

6. Draft and Final Reports

A comprehensive draft report describing all work, with assumptions, pro-forma analyses and findings will be provided. The draft report will be reviewed Delta Protection Commission staff and other stakeholders as appropriate. A final report will reflect feedback on the draft report.

Deliverables: Draft and Final Reports

Date of Completion: April 2015
Cost: \$9,359
Personnel: Garett Ballard-Rosa, SACOG
Amy Lee, SACOG
Consultants

7. Project Management

Coordinate SACOG staff with consulting team members and oversee project administration. Meet at least monthly with the DPC staff to review and discuss findings, information and strategies. Review deliverables.

Deliverables:

Meetings with and reporting to DPC and others as needed

Date of Completion: Ongoing **Cost:**
\$7,727
Personnel: David Shabazian, SACOG

Total Budget: \$45,088.00

Timeline: September 2014 – September 2015