

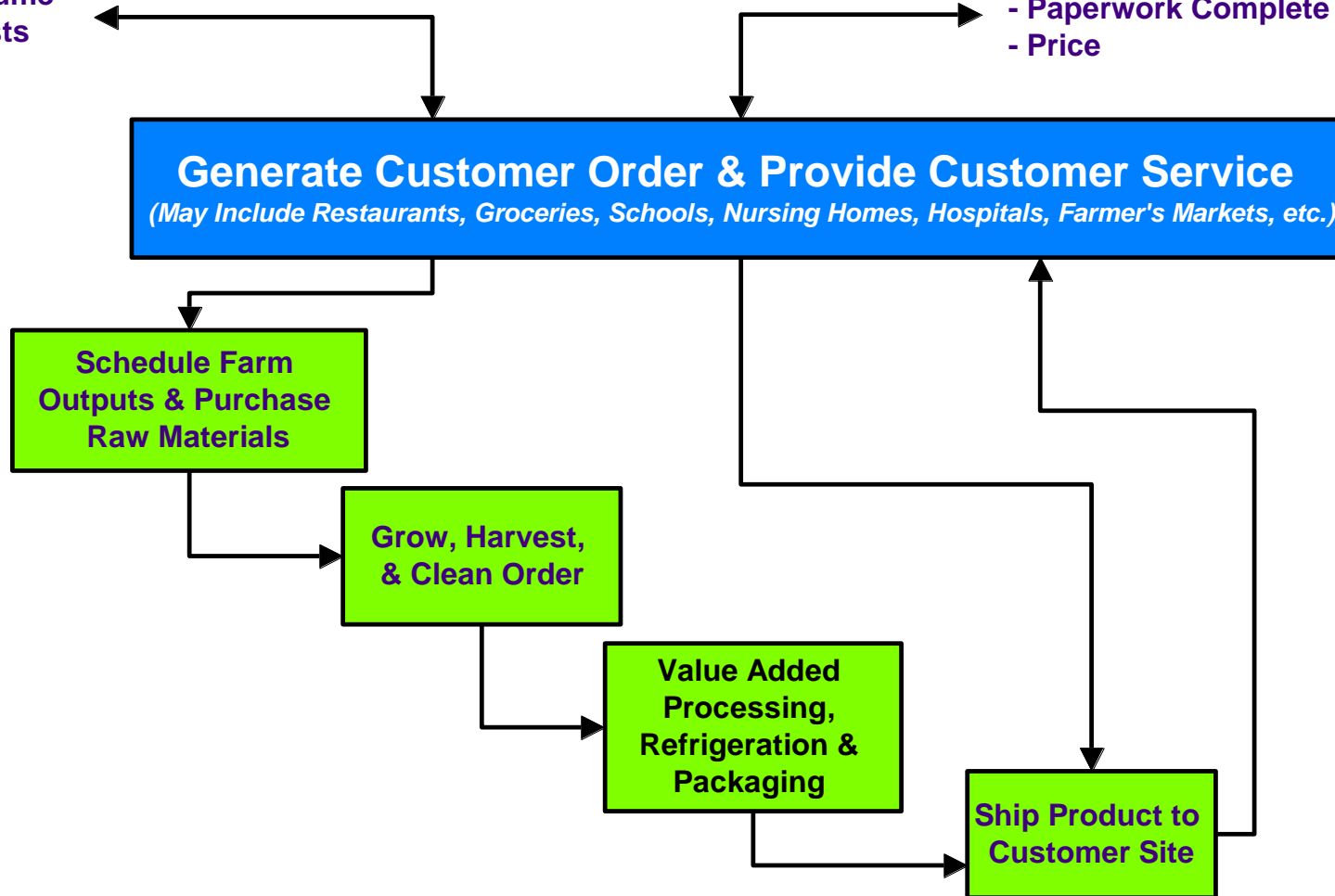
Local Food Value-Chain

Producer Capabilities

- Food Item
- Availability Timing
- Volume
- Costs

Customer Requirements

- Complete Order
- Meets Quality Reqmt.
- On Time
- Paperwork Complete
- Price



Customer Sourcing Options

Current Local Foods sourcing is primarily option B from individual farms when placed on the following scale: *(adapted food sourcing scale -Blue Planet Partners Consulting Group)*

Option A	Option B	Option C	Option D	Option E
Local, Sustainable Agricultural System		Aggregate Farm Sourcing (Foodservice, Groceries, Restaurants)	Industrial Agricultural System	
Personal Gardening	Individual Farm Sourcing		National Sourcing	Global Sourcing
Differentiated Foods (Benefits Drive Incremental Price)			Food as a Commodity (Lowest Cost Sourcing)	

Why are some consumers willing to pay more for “Differentiated Food”?

Differentiated Characteristics Vs Commodity Food?

- Food Tastes Better – i.e., Fresher, Sweeter, More Tender, Better Appearance, etc.
- Enhanced Health Benefits – i.e., Absence of chemicals, nutrient-rich whole foods, etc.
- Benefits the Local Economy
- Lower Carbon Footprint – i.e., Fertilizer, Pesticide & Herbicide Usage; Transportation Distance, etc.
- Greater Food Security – i.e., Known producer & processor
- Environmental Benefits – i.e., Soil Erosion, Fertilizer Run-off, etc.
- Humane Treatment of Animals – i.e., Absence of Feedlots, Humane Slaughter, etc.

Customer Requirements

- **Product Quality**
 - Product flavor, texture and appearance attributes meet customer requirements
 - Product received with correct configuration and features – i.e., size, form, pre-processing, packaging, etc.
 - Shelf-life Remaining
 - Food Safety
- **Complete Order**
 - Quantity of product received equals order quantity
- **On-time Delivery**
 - Delivery occurs on specified date and time
- **Complete, Accurate & Timely Paperwork**
 - Invoice matches the quantity of product received
 - Pricing is identical to order pricing

Value Chain Requirements

Point of Sale

Requirements

Public
Schools

- Farm Co-ops (Fruits & Vegetables)
- Delivery through 3rd Party Distributor
- Further Processing is Required
- Tight Margins, Commodity Driven

Grocery
Store

- Farm Co-ops (Wide Variety of Food Desired)
- Common Hybrids, Packaging, etc.
- Further Processing May be Required
- Marketing Promotion Required

College
Food
Service

- Farm Co-ops (Wide Variety of Food Required)
- Farm Delivery or Distributor
- Further Processing May be Required
- Student Educational Component

Family &
Fast Food
Restaurants

- Farm Co-ops
- Common Hybrids, Packaging, etc.
- Further Processing is Required

White Table
Cloth
Restaurant

- Individual Farms or Farm Co-ops (Wide Variety Desired)
- Farm Delivery

Pull System (Customer Driven)

Value Chain Financial Model

Financial Drivers

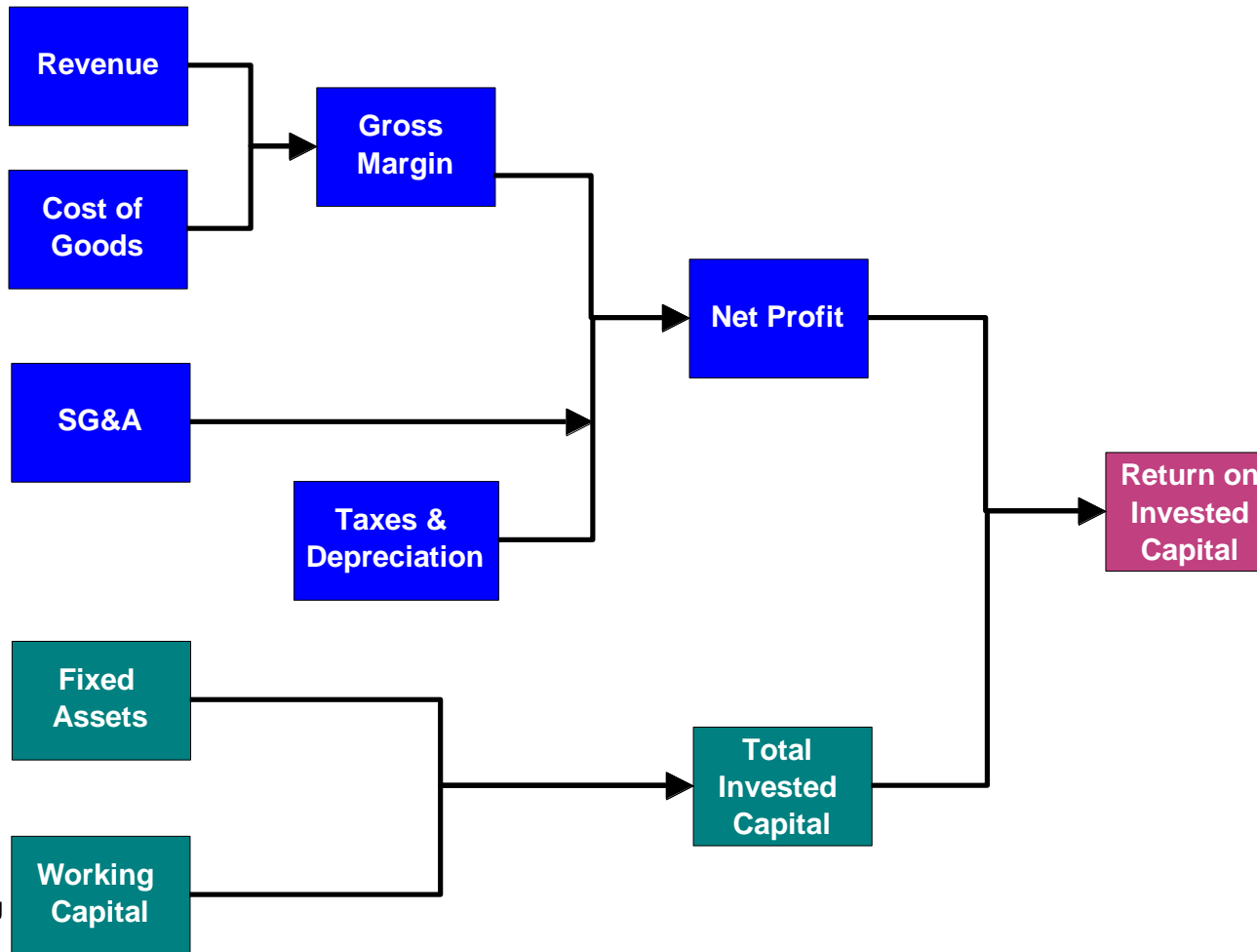
- Order Fill Rates
- On-time Delivery
- Invoice Accuracy
- Damage & Quality Level

- Material Handling Costs
- Manufacturing Costs
- Inventory Carrying Costs
- Transportation Costs

- Order Management & Customer Service
- System Costs

- Mfg. Plant Utilization
- Truck Utilization
- Warehouse Utilization

- Days of Inventory
- Days of Sales Outstanding
- Accounts Payable



Return on Invested Capital

Profit:

- Yield Loss
 1. Lbs. of farm produce shipped Vs Lbs. of farm product Produced
 2. Actual Product Margin Profile Vs Ideal Product Margin Profile
 3. Lbs. of Processing Plant Output Vs Lbs. of Processing Plant Input
 4. Lbs. of product received by Customer Vs Lbs. shipped from Processor

- Storage, Processing & Handling Costs
 1. Processing costs per Lb. of finished product
 2. Post harvest handling costs per Lb. of Farm product shipped
 3. Inventory carrying cost for:
 - Farm Storage
 - Processor Storage
 - Customer Storage
 4. Transportation costs for:
 - Farm to Processor
 - Processor to Customer

Invested Capital:

- **Fixed Assets**
 1. **Farm Equipment**
 2. **Processing Facilities**
 3. **Storage Facilities – Farm & Processor**
 4. **Transportation Equipment**

- **Working Capital**
 1. **Farm Produce Inventory**
 2. **Processor Work-in-progress**
 3. **Processor Storage Inventory**

Financial Drivers

- **Processing Yield**
 - Net Yield % - Outgoing weight/Incoming weight
 - Fresh Produce - % #1 fresh quality, % fresh cut, % processed product, % food shelves, etc.
 - Meat Products - Meat Grade, % Value-added Meat Cuts Vs Ground Meat, etc.
 - Dairy Products – % Fluid Milk, Butter, Cheese, Ice Cream, etc
- **Processing Costs (Cost/Lb.)**
 - Throughput
 - Capacity Utilization
 - Days of Inventory
- **Producer Yield (Input Lbs/Output Lbs)**
 - Net Yield per acre and/or per animal – Product shipped to processor
 - Labor Costs /Lb of Delivered Product
 - Seasonality Constraints & Cost of Goods Sold
 - Delivered cost/lb of product shipped to processor (include transportation & storage)
 - Milk Fat, Meat Grade, etc.
- **Coordination, Distribution & Transportation**
 - Overhead costs/lb for planning, scheduling, purchasing & coordination
 - Single Product Type (Meat, Dairy, Produce, etc.) Shipment Vs Composite Shipment
 - Internal Vs External Distributor
 - # of Storage Points & Days of Inventory at each
 - Delivery Frequency
 - Transportation costs – Vehicle Size & Backhaul Capabilities

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