Investing in Relationships

How Spokane can best support its emerging local foods industry

Ken Meter, Crossroads Resource Center
March 12, 2014

Several small clusters of commercial farms have formed in the Spokane region over the past few decades. However, what is lacking is the infrastructure — for example, warehouses, processing plants, packing sheds, transportation routes, knowledge, and supportive policy — that would make local food trade efficient.

In response to local demand and gaps in infrastructure, each farm cluster has built essential networks of support — essential because each network creates supportive relationships amidst a hostile economic context, and because each network creates financial flows that support emergent business activity.

The motivation for farm clusters to emerge is clear. Local food leaders report a steady, persistent increase in demand for local foods in Spokane markets. As one example, Megan White of Main Market reports that sales of frozen meats — 80% locally sourced — grew 250% last year. The store “cannot get enough eggs” to sell, and searches for locally processed foods, including cheese. Overall sales at the market are $2.7 million, with a growth rate of 10% per year.

“It is easy to document demand,” says Washington State University’s Small Farms Project leader, Marcy Ostrum. She does not recommend further demand studies, since trends are so clear. Further, she adds, studies show that farmers are interested in growing for local markets.

Yet prevailing food infrastructure is tailored to the needs of commodity farmers; it creates exceptionally efficient long-distance transport of food — both to and from the Spokane region. This has led to a bizarre condition in which an agricultural region imports more than 90% of the food it eats, even as farmers report declining incomes selling to global commodity markets. For the seven counties surrounding Spokane, consumers spend an estimated $1.5 billion (or more) per year buying food that is sourced externally.¹

Though wheat prices have been relatively high over the past few years, the overall economics of raising wheat have been eroding for decades. Over the past 23 years, the region’s farmers have spent $1 billion more producing crops and livestock than they earned by selling these products. Farmers’ net cash income was $160 million less in 2011 than it had been 1969 (in 2011 dollars). Farm production costs exceeded cash receipts for 15 of the past 23 years; meanwhile farmers spent an estimated $425 million per year buying essential farm inputs from distant sources.

Adding up these financial flows, the region sustains losses of $1.8 billion per year in the course of daily farm and food transactions. That amounts to a loss of nearly $5 million each day. This is clearly not sustainable.

The gaps in infrastructure are easy to spot: livestock farmers report that they lack local choices for processing meats and poultry. Produce distribution firms say they are looking for more farms that can produce large quantities of fruits and vegetables to distribute to local consumers at efficient scale. Some buyers long for an aggregation firm that can gather produce from dozens of small farms and ship larger loads to these same distributors.

Yet local food leaders also pointed out that the region is not yet ready for many of these hoped-for facilities. The supply of locally grown products is simply not large enough to support new business ventures that could sustain themselves financially by packing produce, processing fruits or vegetables, or processing meats. This is especially true since existing distributors and processors located in other regions of the world successfully convey their products to Spokane markets on a daily basis. It is not always easy to attract consumer loyalty for local foods when so many attractive products are available from far away.

Indeed, the food industry reflects larger patterns in the regional economy. Manufacturing income is at best holding steady, and in many cases declining. Forty percent of the region’s $21 billion of personal income is channeled through public programs or government jobs.

This means that one of every three residents (over 179,000 people) earns less than 185% of federal poverty guidelines — a minimal measure of a livable wage. So, amidst the fertile, rolling fields of wheat raised for export, many Spokane residents go hungry. Rising to this challenge, Second Harvest has developed a specialty of repurposing “excess unmarketable food,” in the words of Executive Director Jason Clark, by diverting that food to the region’s low-income population. The food bank donates 9 million pounds of food each year through its Spokane and Pasco operations, which include feeding programs and a mobile food bank.

Understanding how these local food business clusters have emerged is key to identifying the practical intermediate steps that will strengthen local food systems in the Spokane region. To do so, this report will focus on several emergent clusters: Main Market, Central Food, the Vinegar Flats farm, New Leaf Bakery Café, Davidson Commodities, Shepherd’s Grain, Gonzaga Dining Services, Second Harvest, and Green Bluff.

---

2 Meter, Ken (2013), 16.
Main Market

As noted above, Main Market is experiencing steady growth, and also some growing pains. General Manager Megan White points out that “We’re a three-year old co-op in a thirty-year building.”

She says this because the space the co-op occupies is larger than its young age would normally allow. Thanks to a “Guardian Angel” who invested in the idea of forming a co-op, the grocery was able to occupy a former downtown tire business, renovated into a LEED-certified (energy efficient) space. This gives the store room to expand. Rent is very reasonable, so the store has more latitude to build up its sales patiently than it would have had if it needed to pay for its space at market rates. This generosity also allowed Main Market to open as a full-service store.

In three years, and with 2,400 members enrolled, the store has attained an impressive $2.7 million in sales, and is growing at 10% per year, with 20% growth in 2013. Still, White points out that margins are still fairly slim, so the business is managed quite carefully.

The co-op tries to source as much food as it can from within 150 miles of the store. Yet the store has had to work hard to find farmers. “When we opened we had few local suppliers,” White says. “I started as the produce manager. I started by buying from one potato farm. Then I began Googling, making calls, sending e-mails, trying to find new growers. The most success I had was in the spring when I went to the farmers’ market. I told growers, ‘bring me what you don’t sell at the end of the market day and I will sell it at the co-op.’ I could not get enough local produce in the first few years.” Now, she adds, the store buys from 16-20 producers regularly.

In effect, the investor who offered favorable terms to the co-op simultaneously invested in the process of forming relationships among farmers, the store, and consumers. Indeed, this is why a co-op grocery is a special business in a local food system; it allows the Spokane community to define its own vision for the food it would like to eat. Members support the patient process of forging new linkages that reap long-term rewards in stronger collaboration in later years. A business run strictly for profit might not develop such relationships — and though it might make money, it might not serve the function of unifying the community to the same extent the co-op has done.

Meats are an important part of the local food selections available at the co-op, as mentioned above. White says Main Market is just about to open up a fresh meat counter, allowing it to offer meats that have not been frozen, and giving consumers more choice about how the meats should be cut. So far, meat selections are limited by a lack of nearby meat processing. “I can’t get steaks now,” White laments. Along with four beef and two pork producers, the co-op buys chickens and turkeys from three poultry growers, eggs from 8-9 growers, cheese from 7-9 (only two of which are local), plus both cow and goat milk from several dairies. When local supply does not meet demand, White relies upon Charlie’s Produce and Spokane Produce, among others, to convey more distantly sourced items. The store also sources numerous foods from UNFI (United Natural Foods Inc.), an organic food distributor that supplies co-ops nationally — and many smaller natural foods firms.
To reduce her costs in sourcing local produce items, White would like to see Spokane create a distribution center for locally sourced foods. This would allow more farmers to produce food for local markets, knowing that the distribution center would allow smaller growers to bring in relatively small shipments that could be aggregated into larger shipments that would suit the needs of larger buyers (wholesalers such as Charlie’s Produce, institutions such as schools or hospitals, etc.). “Charlie’s Produce is committed to local foods,” White continues, “But they are looking for orders of a certain size.” Some intermediary entity needs to assemble larger shipments.

Yet White adds that she does not think there is enough deal flow in the Spokane region to support such an aggregator. “I don’t think we are there yet,” she says. She is quick to add that the co-op itself cannot serve this function (co-ops in other cities are beginning to play this role) — Main Market is simply too young to take on this new capacity at this point. She is hopeful that the Okanagon Produce Marketing Association (OPMA) in the Okanagon Valley is building a successful model among fruit farmers who ship jointly. Yet, she adds, “I see very little collaboration among local farmers [here in Spokane]. We’re doing too much too fast — everyone is doing different things.” Moreover, she adds, “Many farmers need some help on the business side.”

And White still looks for more steady supply of fresh eggs. More local meat processing is essential, but once again, she says, there does not seem to be a clear way to build that capacity from scratch. For the time being, her efforts appear to be focused on building stronger local collaborations so that overall coordination can be improved.

Central Food

Another key connection point for the Spokane food community is Central Food, a restaurant on the north side of the Spokane River northwest of downtown. In fact, owner/chef David Blaine says interpersonal connections form the core of his business, and he means this in a very expansive way.

“I would not be a chef here if it were not for the community building” that is happening here among the emergent food leaders. “The most important part of this is not economic. It is not the environmental impact. The key is forming strong relationships.” He steps back to take his own words in, and adds, slowly, “The churches no longer play this role, as they used to.” He gets connections through his quest for local food to serve at his restaurant. “We want a real dialogue about what we are doing.”

One crystalline moment Blaine experienced in the course of building such strong connections was a recent day when Central Food baker Hannah Bartholomew and sous chef Irina Burda traveled with Blaine out to Fred Fleming’s farm (Shepherd’s Grain) in Reardan, so the kitchen staff could “learn what it’s like to harvest wheat in a $250,000 combine.” The farmers explained how they grow the wheat, and how they take care of the soil. They also described how hard they had worked to build a strong brand name, with the devoted relationship-building that was required to build that economic presence. In turn, the
restaurant staff told the farmers stories about what was involved in transforming their flour into pastries and bread.

Many of the social bonds Chef Blaine has formed with other local food leaders date back to his tenure on the opening management team of the Davenport Hotel starting in 2002, he says. There, he met quite a few producers while sourcing food from local farms. He also helped foster discussions among farmers and chefs designed to increase local food purchases by Spokane area restaurants.

His network has expanded over the past ten years to include a wide variety of local producers. He highlights key partners on the Central Food website, but purchases a variety of greens, vegetables, fruits, berries, legumes, meats, and cheeses from local sources. Yet the 70-seat restaurant has grown so fast, “We’ve outstripped the ability of local farms to produce for us,” Blaine laments.

“Our region grows the best lentils and chickpeas in the world,” Blaine adds, “But only the people in France and Spain know it” [because these varieties originated in those regions of Europe, where people there are more conscious of food traditions].

Blaine has also witnessed the convoluted paths some foods take to get to market in the state. One potato farmer he knows drives to Seattle 52 weeks a year to market his potatoes, “because no one here will buy them.” People will pay more for food in the metro area. Yet even that is not enough to support the farm, so he is starting to raise cattle as well.

Another farmer opted to raise organic pastured poultry, but learned that it would cost $20,000 to build a permitted processing facility. Lacking those funds, the farmer decided he had little choice but to drive the birds to Walla Walla for processing — and then to Tacoma, where they are sold at an organic butcher shop.

Blaine also increasingly orders food through express delivery services. “The amount of food we buy through Amazon.com is growing every year,” he says. One distributor, Food Services of America, has even started shipping a dozen specialty products such as polenta and cannelloni beans solely through FedEx.

This is a sign that the prevailing infrastructure supports distant food trade, often to Spokane’s detriment. Blaine adds, “When food travels shorter distances, you are aware of the presence of those who eat the food.”

Yet Blaine is skeptical of third-party involvement. “I don’t trust the label on the wall at all, or any kind of certification. We all participate in a larger network, and what I get is primarily the relationship. I know Fled Fleming (of Shepherd’s Grain) in the old-world way. I’m in business and they’re in business and we’re all deciding what kind of standards we hold each other to.”

Blaine recalls that early in his career as a chef, some advisors in the profession told him, “If you are really serious about your career, move to a different market,” where presumably greater visibility and more resources would be available. They added, “If you are really committed to Spokane, then live here.” Blaine chose to stay.
Looking back over his decade of local food sourcing, Blaine is impressed with the growth of the movement. “Winning the hearts and minds of consumers is no longer the issue,” as it was in the early days, he says. “Now we have to create the distribution infrastructure so that these concepts can be scalable.”

Blaine would also like to see a cooperative canning facility developed, in order to process local ingredients into kitchen-ready products. Such a facility, he adds, would also help train young people to work in restaurants — helping to increase the pool of talented people who would be available to work at Central Food.

“The landscape has changed quite a bit,” Blaine says. “It’s a great time to do collaboration.” When our interview concluded, he was heading to a staff meeting for those who work in the kitchen. The primary goal? “To really improve how well we make relationships with new producers.”

**Vinegar Flats Community Farm**

The Vinegar Flats neighborhood, located along Latah Creek just minutes down the hill from downtown, has historically served as one of the areas within the city of Spokane where food is grown. The Taylor family still runs Lima Greenhouses there, and supplies local grocers from its 3-acre farm. Central Food is holding discussions with the family now about growing greens for the restaurant. Blue Moon Garden and Nursery is nearby, as is Urban Eden Farm, a produce farm owned by Jim Schrock and run by Tarawyn Waters, Patrick Mannard, and Ingrid Hannan.

Less visible, perhaps, but equally a part of the Vinegar Flats community is the Vinegar Flats Community Farm, a project of Catholic Charities of Spokane (CCS). Brian Estes, coordinator of the community farm program, says the farm was established in 2002 “almost by accident” when St. Margaret’s Shelter, an 18-unit emergency housing shelter for women and their children, decided to launch a community garden for its residents. The garden was intended to be source of fresh fruits and vegetables for the women and children, but also a way to learn gardening skills, gain business experience, and develop a sense of empowerment.

Echoing comments made by David Blaine at Central Food, Estes says, “The garden grows vegetables, fruit, flowers, and community. Vinegar Flats is a space intended to involve the community in a shared effort to ensure we all have access to healthy food. We hope to create direct access to food as an essential resource, harvesting several thousand pounds of fresh produce each year, but also to model what is possible with regards to local food production feeding local people.”

The 16,000 square-foot garden sells at local farmers’ markets and runs a Community Supported Agriculture (CSA) program in which participants living at several affordable housing programs receive a weekly share of the harvest. Through its engagement with farming, in 2008 Catholic Charities expanded its vision to include building the capacity of other food-focused entities to offer affordable access to fresh food. Examples of this
programming include helping farmers’ markets gain certification to accept SNAP benefits (so low-income consumers can use their benefits to purchase fresh foods from local farms), and a 5-year-old partnership with a farm in Deer Park, in which CCS subsidizes produce and provides delivery from the farm to a senior housing complex about 10 times per year.

Catholic Charities continues to venture into new capacity building programs, including social enterprise development involving food-oriented businesses. One potential business opportunity is to compost organic matter into a fertile soil amendment. The agency also sees itself as helping coordinate some of the food work in the area by serving as a communications point for local food initiatives, including participation in the newly established regional food policy council.

Estes adds that the challenges of distributing fresh foods to low-income communities are substantial. Certainly not all producers can take the time to deliver their own produce directly to the communities. An aggregation service may have difficulty charging a price adequate to cover distribution costs. Some hybrid for-profit/nonprofit models may be a wise community development tool, he adds, so that grants can continue to subsidize essential food deliveries that are not supported by market exchange alone. Estes envisions a diversified system in which not-for-profit and for-profit entities implement an array of models of food production and distribution that collectively maximize food access and positive economic impact for the region.

The potential for food production in the urban core of Spokane, as well as within the peri-urban boundaries of the city, provides opportunities for both the growth of food businesses, and for influence over how regional culture regards food production. “This could be an essential urban component of Spokane being Spokane — especially if we are committing ourselves to a regional sense of culture centered around food. Urban Spokane is in many ways unique, in that there are substantial opportunities for production within city limits and in immediate proximity to a dense center of population.”

Estes envisions that several places — already holding strong agricultural heritage in and near Spokane — might support clusters of new farms dedicated to local markets: Deer Park, Five Mile Prairie, Glenrose, the Latah River Valley, Spokane Valley, and the West Plains. All lie close to the urban population, and each has intact farming areas that are underutilized. Farming would also be one way to reduce the pressure of urban development in each area. He thinks that Spokane Valley, all the way to the Idaho state line (and beyond) and the Glenrose Prairie — are especially well suited for diversified vegetable operations managing 10-20 acres or less. In addition, Deer Park and areas to the north are great land for hay and livestock, while southern Spokane County is ideal for grain. And there is substantial potential for these areas to seed growth in outlying areas. “You can continue to go in any direction and continue to find good farmland,” he adds.

Yet he adds that it will not as simple as merely taking the step of launching new farms. Support systems must be built to complement farm enterprises. He suggests that many new farmers could use better business planning, more cogent distribution infrastructure, easier access to accounting software, home-grown farm inputs, and locally produced tools. He adds, “Much of the equipment I have used for urban-scale vegetable production comes from
New England, California, or outside the U.S.” He sees potential for local input firms to help supply his needs.

Transitions / New Leaf Bakery

Spokane’s Transitions seeks to engage low-income or homeless women and children in creating the food system of the future through the, New Leaf Bakery Café, directed by Jamie Borgan. Before 2008, Transitions focused on providing housing, and ran a drop-in center where clients would have a safe place off the street to form community. Yet over time, Borgan says, “We realized we needed to provide viable employment options” if people were to ramp out of poverty.

Transitions formed a team to explore the feasibility of several potential employment opportunities. “Food service was attractive,” Borgan adds, “because of all of the available options for employment.” The organization then invested in a small-scale commercial kitchen as a venue for hosting a training center. Transitions trains 4-6 low-income women at a time for six months, “preparing participants for basic entry-level positions in the food industry.”

Supplying this commercial kitchen are two garden sites, one on the site of one of Transitions’ housing properties, the other on the same property as the kitchen with a nearby greenhouse. Trainees help to run the market garden operation here, supplying food for the catering business, but also offering shares in a Community Supported Agriculture (CSA) farm, primarily to the organization’s staff and board.

Through participation in a number of income-generating projects, including involvement in local farmer’s markets, trainees learn practical skills in food preparation, but also gain insight into how to run a business — including planning, budgeting, management, and implementing cost-saving strategies.

Most of the earned income is generated through a catering business, New Leaf Bakery Café, which serves primarily nonprofit organizations, but also handles some wholesale accounts — for example, supplying several coffeehouses in town with granola to sell. Transitions also runs a coffee bar at Catholic Charities’ Administrative offices, where trainees gain barista skills, as well as learning about customer service.

While the program originally intended to earn enough income over its first three years to become self-sustaining, Borgan says that, “We’ve made great strides but we are not even close” to that goal. Part of this, she adds, is due to the priorities set by the organization — first of all, to find employment opportunities for its clients, second, to increase their self-sufficiency, and third, to meet individual priorities each client may have. “While food is important to us, it is secondary in a sense. Our focus is on the population we serve. We want to increase our employment outcomes, and increase our retention rates. And we want to make sure they know they can call on us.” Borgan adds that Transitions also needs to find better job placements for its customers.
Borgan says that it took her a long time to understand the transformative potential of the power that comes through knowing how to prepare food. “Our program defied my own expectations.” Her background as a social worker led her to ask critical questions at first. Now, however, “I’m more excited to teach low-income people about food. It’s making more of a difference, both in terms of their feelings of competence and their opportunities for securing employment, than anything I have seen over the past three years.”

At core, Borgan says, “this work is very relational. It has to be done by people who care about each other.” If this is true, she adds, it will grow organically, based on its own strengths. “People will eat healthier food,” Borgan says, “if a caring person shows them how to do it.”

That sense of connection also extends to the graduates of Transitions’ training program, Borgan adds. “It is a big deal for our people when they can go into a coffee house and see their product on the shelves.” At that moment, each one can see they are participating in their community in a valuable way.

**Lazy R Ranch**

Beth and Maurice Robinette, a daughter-father team who run a natural beef operation in Cheney, have been making a slow transition in their cattle operation for over two decades. Beth reports that in the 1990s, when cattle prices were “not that good,” the family began moving from conventional practices. She took a training course with Holistic Management International, and came home with a richer understanding of the critical role livestock can play in providing fertility for the farm, and the importance of feeding cattle on grass.

By the end of 2000, the Robinettes had transformed their operation into grass-fed. As a college student, Beth took a marketing class, and “It came to me that we would double or triple our revenue if we marketed our beef directly,” As part of that course, she wrote a business plan for the farm. “In the first year, I planned that we would market half of our cattle direct to the consumer. For the second year, my goal was 100% direct. In the third year, I thought I could get paid.”

Beth acknowledges that she was able to sustain such a business plan because her grandfather had purchased this land long ago, and she was able to launch her plan without paying all of the business costs up front. At the same time, she was also able to economize by raising all of the hay needed to feed the herd in 2013. “We grew almost all our own hay this year to save money — but I am not sure that will be sustainable over time.”

Robinette adds that the Lazy R Ranch prices its finished beef at a price well below organic beef at local supermarkets, and she notes that she might be able double those prices if she were selling to the Seattle market — but she wants to sell to her neighbors in Spokane. “Demand is huge,” she adds. “The Spokane market is really taking off. We have a waiting list at the end of every year.”

Surprisingly, with demand increasing, Robinette plans to scale back production so the farm can make more money. “We used to sell 100 cattle per year. Now we have cut back to
about 40. Next year, we may cut back to 25 so we won’t have to buy hay” — which has become quite expensive due to weather disruptions.

Robinette adds that one of the key limitations to her business is processing. “I'm lucky,” she says. “If I want to sell direct to my customers I can have the slaughter and packing done at a custom shop ten miles away.” But if she wanted to reach larger markets, such as selling to a grocery store or an institution, she would need to have USDA processing. “If processing were more convenient, I could get more serious about marketing. All of the processing options are about 90 miles away in different directions. There is a small plant in Chewela, and another in Sandpoint, Idaho. There is also a plant in Ellensburg. Something in my soul just breaks that I have to drive 90 miles to deliver my cattle.”

She adds that a new cooperative plant is opening up in Odessa, only 40 minutes away, called Cattle Producers of Washington. She is very hopeful that this will provide high-quality processing on favorable terms. She also would like to explore development of a mobile meat processing unit, as Lopez Island has done.

As a business graduate student at Bainbridge Graduate Institute, Robinette has also begun to envision several opportunities for shoring up the local food system. Recalling that “Every Grange used to have rentable freezer space,” Robinette would like to see similar locker space available to Spokane area consumers.

Robinette recently took a tour of a commercial kitchen in the Flathead region of Montana, the Mission Mountain Food Enterprise Center, which can process local farm products into value-added products for sale to local grocers and schools. She would love to see a similar enterprise developed in Spokane. She also “love to see a business incubator developed here” to foster food-related businesses, similar to the co-space project in South Perry neighborhood. There, she adds, businesses often work collaboratively. These new firms would need patient capital, she adds.

Davidson Commodities

Chef David Blaine says the chickpeas and lentils raised in Eastern Washington and Western Idaho are the best in the world (see above). It was fitting, then, to meet Kim Davidson, marketing director for Davidson Commodities, at Central Food, to learn how these legumes move to market.

Davidson explains that her firm represents one group of regional growers, the PNW Co-op. Based in Genesee, Idaho, the firm has outposts in the Willamette Valley of Oregon and Montana’s Golden Triangle. The co-op was formed over a century ago, in 1900, by wheat farmers who — like the strawberry farmers on Green Bluff a few decades later — realized they needed to band together if they were going to get a fair price and respectful treatment in the marketplace. “A lot of the farmers in the co-op are working the same land that their ancestors homesteaded,” Davidson adds with pride.

At one time, lentils were primarily a crop a farmer worked into a crop rotation — since its roots support bacteria that are efficient at fixing nitrogen for nearby plants to draw upon, it
would help fertilize the following year’s crop. Because of this, lentils had been only a second thought, after wheat and barley, for many decades. Yet the co-op gradually identified distinct varieties of chickpeas, split peas, and lentils with appealing flavors and special cooking qualities that made them attractive to chefs. Since growing conditions in the Palouse are ideal, farmers could easily produce at the wholesale level.

Now boasting 750 members (350 of them farmers), the co-op has built impressive export reach, but also supplies large soup companies with legumes for processing. A small core of 14 growers raises specialty varieties of legumes, getting more control over the marketing and a better price by doing so. The co-op also became known for its “Mighty Mustard” cover crop seeds, which help to suppress pathogens in the soil. “It became a source of pride,” Davidson adds. “The farmers used to put their beans in the truck, but never knew where they were going. Now they have more control. One of our missions is to make farming more enticing,” Davidson says.

Yet even with this global reach, the co-op decided it wanted to diversify, and to do so by looking to its immediate neighbors. “Two years ago the CEO of PNW Co-op told us, ‘We would like to make the local connection again,’ ” Davidson relates. PNW Co-op was already selling to the grocery co-op in Moscow, Idaho, and its specialty legumes are certified by the Food Alliance — so its GMO-free, quality beans became an attractive vehicle for attracting the support of individual consumers. (All PNW Co-op Specialty Foods and Mighty Mustard are Non-GMO Project verified.)

Now, one can buy two-pound bags of several varieties of lentils and chickpeas at Main Street Market, and larger customers can buy bulk quantities. PNW Co-op legumes are also sold locally at Huckleberry’s Natural Market, Super 1 Foods, Yoke’s Fresh Market, and Pilgrim’s Market. All told, the Co-op’s specialty products are sold at 108 stores in the Pacific Northwest, Southwest, South, and Midwest, as well as to numerous restaurants and private-label manufacturers.

Yet Davidson’s stance as a commodity broker was an unusual one as she focuses on expanding her reach in local markets: “There is nothing too small for us. We need to grow this gradually.” All PNW Co-op Specialty Foods legumes are sold in bulk and 2-pound bags at co-ops and grocery stores across the country. The 2-pound bags supplement the bulk sales.

In exploring these regional markets, Davidson channels business from the Co-op to a wide variety of food distributors, including UNFI (United Natural Foods, Inc.), Spokane Produce, Merlino Foods, Fastway Freight, and others. Zipline Interactive designs the firm’s marketing materials. Justus Bag prints all packaging, including cloth bags in 2-pound and 25-pound sizes, and customized shipping boxes.

The commodity firm, in other words, stands at the nexus of a broad network of farmers, buyers, shippers, and truckers who convey fresh legumes to the Inland Empire and beyond. In this case, an established exporter diversified by looking inward.
Shepherd’s Grain

Fred Fleming describes the birth of Shepherd’s Grain as an effort to reconfigure the opportunities available on his farm near Rearden. “I had to reinvent the farm my great-grandfather started if I was going to have a legacy to pass on to the next generation.”

Fleming’s family began homesteading here in 1888; starting with a 160-acre parcel, his ancestors built up the farm to 1,100 acres that was run by three families. Yet Fleming realized he would need to diversify his income stream, add more land, and create value-added products if he was going to make the farm sustainable in new, competitive markets. “Working in agriculture [at the time] was [to make only] a subsistence living,” he recalls. “We were living off of the government subsidies.”

He began to realize that the difficulty was that farmers were price-takers; they would devote an entire growing season to producing the finest grain available, and then wait to be told what the market price would be once they harvested. The only way to command a higher price would be to offer a unique product that could be differentiated from the commodity stream. After conversations with Deborah Kane of the Food Alliance, Fleming also realized that third-party certification as a sustainably raised product would also help separate his grain from commodity products.

By 1985, Fleming had added a seed company to the farm; then through conversations with Karl Kupers about a decade ago, Fleming realized more might be done. “Karl and I said to each other, ‘we’ve got to be trying different things,’” Fleming says. “We asked ourselves, ‘what do we do best?’ We grow wheat.”

There were no mills to grind the wheat into flour at the time, but Fleming had met a buyer at ADM in Spokane by selling him seed grain. ADM had a mill, but was not using it for sustainable production for local markets. ADM agreed to grind the wheat that Fleming and Kupers were producing; that agreement flourished into a long-term partnership in which ADM has the right to mill all of the grain that Shepherd’s Grain produces. “The only reason we are here today is this little mill in Spokane” that would mill flour to the growers’ specifications, Fleming says. In the process, he adds, “We helped ADM become more sustainable” by offering them a new line of business.

Fleming and Kupers moved deliberately, lining up buyers before asking growers to join them. “We built up the market before soliciting farmers,” Fleming says. It was a relatively easy switch for farmers to make. They had the proper equipment already, and would mostly need to follow specific protocols that would ensure they could pass a Food Alliance audit. The firm worked with Washington State to develop a precise cost calculator so that each step of the production process could be tracked financially. This allows them to manage with great precision, and hold costs low. The wheat quality lab at WSU also helped them verify the quality of each wheat variety they sell.

Significantly, Fleming adds that this was more of a process of discovery than a closely calculated business strategy. “No one ever really came down with a strategic business plan,” he says. “We just set things in motion. We would go down one road, and if doors opened,
we would pursue that direction.” Over time, he adds, “You’ve got momentum.” In its first year, Shepherd’s Grain sold 2,000 bushels of grain; now it sells 600,000 bushels per year.

Today Shepherd’s Grain boasts 52 participating growers in Washington, Idaho, Oregon, Southern Alberta, and Southern California. “We’re one of the few grain companies that can do this farmer-led and farmer-driven,” Fleming says with pride. “Others have less authenticity.” Although structured as an LLC, into which member farmers invest as stockholders, Shepherd’s Grain runs “something like a co-op.” As the business expands, however, the firm has set out to find a CEO that can bring new drive to the business.

Among the Spokane partners that feature Shepherd’s Grain flour are Central Food, Masselow’s (At Northern Quest), the Spokane Falls culinary school, Gonzaga food services, a Hutterite bakery, the bakery at Fresh Markets, DeLeon’s, Benedetto Pizza, and Rizzuto Pizza. Shepherd’s Grain also works with similar clusters of farmers and food businesses near both Seattle and Portland, and also maintains marketing offices in Portland. From that office, Shepherd’s Grain helps promote Hot Lips Pizza, which makes a concerted effort to source food locally.

“It’s a huge miracle that we are where we are,” Fleming adds. He attributes this success to “investing in relationships — the one we have with you, and the one you have with us.” All told, Fleming chooses his collaborators carefully. “We collaborate with people who have like-minded needs. For example, ADM knows how to mill wheat.”

Not surprisingly, Fleming also holds a long-term view of his future partnerships. “I’d like to see the school systems engrain in kids better food habits,” he says. “In 15 years, they will be the buying public.”

**Gonzaga Dining Services**

Dan Harris and Chuck Faulklinberry gleefully note that “we’re renegades” in the food industry, because of their concerted effort to source foods locally for Gonzaga Food Services. Yet, they are unlikely rebels: “We have 60 years in the food service industry between us,” Harris says.

Feeding more than 25,000 meals per week to some 1,700 customers at two locations, Gonzaga’s food service purchases about $4 million of food each year. Harris reckons that about $1.2 million of that is produce — and that half of that is purchased from sources in the Pacific Northwest and Northern California.

Harris says he likes to purchase “as locally as possible,” but the Spokane region does not have enough producers at this stage to meet his needs. Yet he devotes considerable time and energy to networking with others in the region, hoping to foster more local production. He does this with a can-do attitude that never quits: “We find ways to make it work,” Harris says.

Gonzaga’s main food provider is Sysco, but Harris says he prefers to turn to Charlie’s Produce — a Seattle firm with a warehouse and sales office in Spokane — when he wants to
source locally. Harris adds that he tries to purchase from small- and medium-sized farms whenever possible.

Harris and Fauklinberry have adopted multiple approaches in their efforts to make their commitment to local foods more visible. They installed a hydroponic growing shelf (devised by a local expert) in the window of their temporary cafeteria, which helps start a dialogue with students about where their food comes from. They hold organic wastes so that Barr-Tech can pick them up for recycling into compost, thereby saving the university $500 per week.

The pair also says that the new food service building, soon to be built, will feature a greenhouse on the roof, hydroponic production, and beehives. “Our goal is to grow enough food to supply the campus, and send some of the surplus to Second Harvest,” Harris adds. He predicts that the new building will be able to produce all of the lettuce the food service needs in about two years’ time.

As Harris has worked with local farmers, he has noticed a distinct “lack of trust among the small growers. We’ve tried twice now to bring them together. A lot of the growers don’t seem to trust each other.” He says that limits the possibilities. He notes that the food co-op is Moscow, Idaho, has arranged for farmers who supply them to save considerable money by purchasing insurance together, rather than separately. He would like to see the birth of a farmers’ co-op in Spokane so farmers could pool resources.

Harris adds that he hopes that farmers will “understand that sustainability issues are huge in the food service industry right now,” and this represents business opportunities for farmers. Gonzaga’s Chef, Thomas Morrisette, adds that he would like to see “more communication” with the growers — though he quickly adds, “but not all through me.” If an aggregator can tell him what farmers have ready for harvest, Morrisette adds, “I’ll use it.”

Ultimately, communication was the theme favored by Harris and Fauklinberry, as well. As Harris points out, more important than the number of miles food has traveled is the quality of the communication he has with growers and suppliers. “Creating the dialogue is more important.”

Charlie’s Produce

The largest purveyor of locally grown produce in the Pacific Northwest, Charlie’s Produce was founded in 1978. The firm is based in Seattle, and operates a sales office and distribution center in Spokane.

Art Vega, Director of Procurement and Foodservice sales at Triple B Corporation (the parent firm to Charlie’s Produce), is quick to say, “It would make Charlie the happiest man if we sourced all of our produce locally. The demand is there. I just wish I had more growers out here [in the eastern part of the state]. Still, we have to ensure the product is safe.” Still, Vega says he is able to source vegetables, sweet corn, squash, beans, tomatoes, apples, stone fruit, and lettuce from local farms. “We had 100% growth in local food sales this year,” Vega adds. This is because new farmers and new buyers have entered the market.
To help foster new farm production, Charlie’s Produce has instituted a “Farmers Own” label. Vega says this creates a structure that helps farms be profitable. The program has more than 25 participating farms, each raising organic produce on farms of five to twenty acres. To qualify, farmers have to certify that they are selling locally grown, organic produce that meets food safety guidelines, and the farmers must carry insurance. “Each grower we use is either larger than before, or growing more food,” Vega adds.

Vega would like to see some person or organization act as a “produce czar,” someone who could help pitch local produce to local buyers. “It would be a great partnership” if Charlie’s Produce could coordinate with such a marketing effort. “We could market across our diverse customer base.”

To that end, Vega says, “I am starting a side company that will bridge the gap between the small local grower and distribution. With the support of Charlie’s Produce, my new company, ‘SpoFresh,’ will be dedicated to growing the local food economy. Its focus will be to grow the “food hub” we have all talked about for so long.”

**Second Harvest Inland Northwest**

Even as Spokane area consumers seek food grown on local farms, and as farmers position themselves to meet this demand, hunger persists in the region. Nearly one of every three Spokane region residents earns less than a livable wage.³

“Hunger is an industrial-sized problem,” says Jason Clark, President and CEO of Second Harvest Inland Northwest, the primary hunger-relief network for the region. The regional hunger relief organization seeks out food from diverse sources, including local farms, grocers, wholesalers, and corporate donors. All told, Clark adds, the Spokane and Pasco operations distribute more than 20 million pounds of food each year to more than 40,000 people per week, at more than 250 sites in Washington and Idaho. More than 15,000 people each month are served by the food bank in Spokane County alone, which distributes 9 million pounds. The food bank receives $40 million in food donations each year.

It is a massive logistical task, calling upon efficient coordination of food donations, packaging, and shipment. “Our specialty has become obtaining and distributing excess unmarketable food,” Clark says. At times, a farmer will bring in surplus produce, or volunteers will glean produce that could not be economically harvested.

Yet Second Harvest also finds that many recipients live in dispersed sites across the food bank’s 26-county service area. Few of the food shelves in these remote locations have adequate refrigeration to store perishable products, so the food bank is increasingly delivering to remote locations through a “mobile food bank,” a refrigerated truck that

---

³ A livable wage is roughly 185% of the federal poverty level. Below this income, children qualify for free or reduced lunch at school. See Meter, Ken (2013). Spokane Region Farm & Food Economy. Crossroads Resource Center, produced for the City of Spokane and the Spokane Regional Health District, p. 1. Available at http://www.crcworks.org/crdocs/waspokesum13.pdf
conveys food to far-flung sites. This mobile food bank served one hundred fifty sites last year, reaching 1,000 people per week.

Second Harvest is also trying to have a stronger impact on the local economy by purchasing food from local farms when possible. The Boise firm, Agri-Beef, sells beef to the food bank at cost, and many producers will donate an animal to Second Harvest directly from cattle auctions.

Clark adds that Second Harvest is not really content to simply hand out food. As resources allow, the food bank also focuses on cultivating skills among their customers so they can be more self-sufficient. Obesity and diabetes have become important concerns to the national food bank network, Feeding America. Eight percent of Spokane residents have been diagnosed with diabetes, and as much as $350 million is being spent each year by the region to pay for the medical costs associated with overweightness and diabetes. Accordingly, Second Harvest has ramped up its nutrition education component, offering health and wellness training to its customers.

Yet while hunger may be an “industrial-sized issue,” Clark points out, the solution is “retail,” involving close and patient contact with food bank customers. “We try to offer windows of opportunity so people can opt out of the situation they are in,” he adds. Yet this engaged work is expensive, he continues — and funding sources are limited.

**John J. Dill II, entrepreneur**

A relative newcomer to the Spokane community, John Dill arrived four years ago to launch a biodegradable packaging business. His loose-fill packaging materials are made from a cornstarch base, and he sees considerable potential for industrial growth that uses renewable materials such as this.

A biologist by training, Dill also says he has been involved in various agricultural research projects during his career. His current plan is to launch an organic seedling business that would provide thousands of seedlings for high-value products such as lavender, oregano, and patchouli, so larger-scale growers could grow them out for commercial extraction of their oils. “All of the technology has been pinned down,” Dill adds. He is growing the first test batches this winter.

Dill says his vision is also fueled by his presence on the board of the Sustainable Resources Inland Northwest. In that capacity, he attended a Slow Money gathering in Boulder earlier in 2013. “The message was that if a community wishes to prosper and be sustainable, it has to approach a point where local food production exceeds the amount of food it imports. Other communities, we learned, that don’t produce a lot of food have an industrial base that may not be sustainable.”

That has fueled Dill’s interest in investment in local food businesses. He serves as chairman of the Local Money Council that has helped guide the creation of a private investment club — a group of investors who coordinate with each other to consider investment opportunities — focused on local agricultural businesses. The investment club has raised
$22,000 so far. Another group of investors is looking into the possibilities of investing in commercial kitchens in the Spokane area. Potential sites are now being surveyed. Through their efforts, underutilized kitchen spaces may become available for rent to small-scale entrepreneurs who want to produce a product of their own.

Dill also sees further possibilities in other processing businesses, such as canning or flash freezing, as well as great opportunity for transportation of locally produced food items.

Dill adds that investment has become the most difficult part of the local foods equation. “We have to find a bridge to investors,” he says. “Some efforts are moving along well. What is stuck is that in Spokane County, according to a BALLE (Business Alliance for Living Local Economies) calculator, local monies are invested in Wall Street firms at an estimated level of $36 billion per year. Imagine if we moved 2% of those funds into local investment. That would be a staggering amount of money — $720 million.”

**Green Bluff**

Food businesses have collaborated since the city’s earliest days — when a combination of farms, farm supply stores, wholesalers, and grocers traded with each other, both to feed local residents, and to ship grain to foreign ports.

Yet it seems likely that the farmers’ collaboration at Green Bluff is the region’s longest-lasting food business cluster. Atop the bluff twenty miles northeast of Spokane, more than thirty growers collaborate in joint marketing programs centered around the lush harvests of strawberries, cherries, apples, peaches, and apricots that are harvested from member orchards.

Originally founded more than a century ago, in 1902, when the bluff’s strawberry growers were threatened by outside competition, the Green Bluff Direct Marketing Association shored up local farms by selling products directly to the region’s residents at prices higher than the commodity market would bear. In so doing, they also garnered loyalty from local consumers no distant supplier could win, so they ensured themselves more stable prices for a while.

Since then, Green Bluff has transformed itself into a tourism destination experience for Eastern Washingtonians who wish to visit a rural setting. Running several weekend programs each year, the Green Bluff growers sponsor spring tours when the orchards are in full bloom; early summer cherry festivals when visitors can pick their own fruit; a late summer peach festival; and a six-week fall celebration of the apple harvest. The year concludes with chances to purchase Christmas trees and holiday trimmings in a rural setting.

Green Bluff growers proudly point to the fact that their bluff is unique in the entire country — a large concentration of farms in one relatively small area of about 12 square miles. Grower Steve Cole says that the bluff enjoys a rare good fortune: “The soil is so fertile here that almost anything you put in the ground grows well. There are no rocks to contend

---

4 See http://www.greenbluffgrowers.com/history/index.html
with.” One exception, he adds, is warm-weather crops like tomatoes that require a longer, hotter summer than the Bluff provides.

Yet this is also a very discrete collaboration. Each farm sells its products independently of the others, and only one event each year is held in a central location. As Cole points out, “We do collaborate a bit, and we also compete with each other.” Each farm offers its “own unique events, services, and attractions during each of the Bluff’s festivals,” the growers’ web site points out.

Cole adds that “We do get along for the most part,” though he notices that “Some farmers are strictly business, while others also focus on the bigger picture.” Yet the marketing of the Bluff is something “We have to do together,” he says. He adds, “I always push for choices that work for the community around us, for the people who are not farmers who live on or near the Bluff. They have to put up with a lot.”

Their common product is a map showing where all of the growers are located, with a guide to touring the farms. The growers also engage in a common strategy of marketing the special events listed above. The growers publicize their events through a web site and Facebook page, attracting thousands of visitors each year. In addition to fruit, the Bluff hosts an alpaca farm, a horse ranch, a lavender grower, pottery, and more. At least one farm is forming a Community Supported Agriculture (CSA) farm, in which nearby residents can “subscribe” for fresh produce shipments during the growing season. Three farms have developed family restaurants with a rural ambience. Some of the more expansive operations feature corn mazes, amusement parks, wagon rides, and musical entertainment.

Yet the history of Green Bluff also shows some of the impact of prevailing economic infrastructure, and the nature of the food market in the Spokane region. Quite apparently, growers can make money by marketing the experience of visiting a farm, and sampling traditional products, as well as from actually selling products to consumers. Most of the restaurants on the Bluff serve foods that are sourced and delivered through conventional commodity channels, supplementing that with specialty items (for example a baked apple pie) that can be fashioned from home-grown fruit.

Cole, however, is venturing into new terrain. For seven years, he has been the only tree-fruit farm in the Spokane/northern Idaho region to be certified organic. Although a pioneer in the Spokane region, he watches apple growers in the North Central part of the state as they have diversified. “Direct marketing is happening more and more. Many of those growers were raising red delicious apples when the market turned to different varieties. They were forced to downsize and diversify. Some are selling more out of roadside stands. It is going well for them, I think.”

Cole has such coveted fruit that he often does not need to staff his farm stand except in peak weeks after mid-September. “Customers are so appreciative of what we grow, we have a waiting list. Many come back every year. I call them when the fruit is ripe, and they come by to pick it up.” This suits Cole’s schedule since he also holds down a full-time job. “I’m limited in space, with only about five acres. I purposely keep it small so that I can do 98% of the work myself.”
He adds, “I just feel so much better about growing organically. Before, people would come here just looking for the cheapest vegetables they could find. Now, people are just not that concerned about price — although I set mine well below those at the store. People are happy to meet the grower.”

As he listens to his customers when they visit, he also captures new insights into a rapidly changing marketplace. “If I hear two people ask whether I grow a certain vegetable, it does not take long for me to find out a way to grow it if I can.” Yet this also suits one of his goals for the farm — to diversify production so he is less dependent on any one crop or any one year’s price levels.

Cole is content to be the only organic grower on the Bluff, but he wishes more people in the Spokane region would grow their own food. “If I did not have a farm to run, I would go to people who are trying to grow food in their backyards, and help them grow more. I think there are lots of landowners who would be happy to exchange fresh produce for the use of their land.”

**Agriculture and Forestry Education Foundation**

Working in the background has been Dave Roseleip of the Agriculture & Forestry Education Foundation, who has trained hundreds of local leaders who are engaged in food activity throughout the region. Indeed, Roseleip is so seasoned that he has trained the fathers of two of the region’s current food leadership. His story emerges more indirectly, through the actions of his program’s graduates.
Emergent qualities of the Spokane region farm and food system:

1. Demand for locally grown foods is very strong, and increasing rapidly. See Megan White and Marcy Ostrum's comments above.

2. Although Spokane region farmers are ramping up production to meet this demand, the supply of local foods falls short.

3. Since the prevailing food infrastructure favors long-distance transport of foods that are easy to store, fresh perishable items often suffer an economic disadvantage. See page 1, above.

4. As a result, farmers, food buyers, processors and consumers are forming commercial clusters in which people trade directly with each other through relational networks — ones that build social loyalties as well as commerce. These clusters include nonprofits, for-profits, and public agencies.

5. This new commitment that Spokane residents are building to local food production appears to be effectively unifying the community, transcending traditional political, social, and class tensions. As one restaurant owner puts it, customers often come to his restaurant for some of the same reasons people attend church.

6. The economics of conventional commodity production are not as favorable as many assume. Wheat farmers, in particular, face declining margins over time, unless they have tapped specialty markets in which consumers are loyal to purchasing their product. See data presented on pages 1-2, above.

7. The Spokane region leaks $1.8 billion each year because its farmers largely produce food for export outside the region while purchasing essential inputs like machinery, fertilizers, and fuels that are not produced locally, while Spokane area consumers buy over 90% of their food from distant sources. Many farmers already build local soil fertility through composting, manuring, and crop rotation, and commercial composting operations are underway. These are very promising initiatives that should reduce the need for imported farm inputs.

8. Medical costs for treating diabetes and related conditions in the Spokane region are an estimated $354 million per year. Costs of local foods infrastructure must be understood as an investment in reducing these medical costs, as well as repatriating dollars already earned by Spokane region residents.

Strategic recommendations:

1. The City and County of Spokane should embrace the growth of emerging food business clusters, surrounding them with supportive policy and creating incentives when local efficiencies are produced, and when local collaborations are strengthened. These networks of mutual loyalty provide a modicum of stability in an economic climate that is relatively antagonistic to local food trade. These networks also create
the foundation for a stronger local economy over time, including higher economic multipliers.

2. Although the creation of a physical “food hub” (an aggregation and distribution center) is an essential long-term goal, in the short term a higher priority should be placed upon growing new farmers, and on building soil fertility using local resources. The supply of food available does not appear to be sufficient to make an aggregation business self-sustaining until more food is produced locally for local markets.

3. Several intermediate steps are recommended:
   (a) creating an internet platform through which farmers and food buyers can directly connect to make deals, similar to one in the Tri-Cities region;
   (b) ensuring that all Spokane children learn how to produce food (since this is the essential step to them learning how to consume wisely, and how to prepare food for themselves);
   (c) ensuring that local products such as wheat, lentils, and chickpeas are regularly purchased by Spokane region schools (adding more items as resources allow);
   (d) investing in projects that encourage new farmers to cluster together, following a plan created in South Carolina. [See www.crcworks.org/scfood.pdf].
   (e) strengthening and expanding ongoing initiatives that build soil fertility using local resources: composting using organic scraps from the metro region, green manuring, safe applications of animal manure, and crop rotation.

4. Following the lead of Green Bluff, The City and County of Spokane should designate specific areas where production of food for local markets will be encouraged for generations to come — by protecting land for agriculture, and by creating physical and economic infrastructure supportive of local food trade. Possible locations for these agricultural zones would be:
   (a) Five-Mile prairie
   (b) Deer Park
   (c) Lataw Valley (this would also be a heritage site for local agriculture)
   (d) Spokane Valley
   (e) Glenrose
   (f) West Plains

5. Foundations and public agencies should invest in building stronger collaborations among stakeholders in the region’s food system, including a community of practice (for example the Spokane Food Policy Council) that brings people together to form a common vision and to coordinate implementation activities.

6. Spokane Regional Health should explore the launching of an “Eat Five, Buy Five” campaign similar to that initiated in Southwest Colorado. Such a campaign would call upon each resident to eat five fruits and vegetables per day, and buy $5 of food directly from a farmer each week. As noted above, if this goal were met, medical costs might be reduced and the region would generate $159 million of revenue for local farms.
7. Although appropriate meat processing is an important gap in the regional food system, the costs of creating new capacity seem prohibitive, unless substantial private, city, state, or federal moneys become readily available. Even if such funds were located, it would be difficult to manage new meat processing capacity until a local management team has been assembled, and local workers have been trained.

8. Should a building become readily available for siting a food aggregation and distribution business, or should private donations (or the ongoing support of an established business such as Charlie’s Produce) become available for such a food hub, then launching an aggregation and distribution business could be a positive step forward; yet it must be recognized that any such business is likely to require public and private financial support in its early years. It is unlikely that this business could be self-standing based on current supply of local food products.

Local foods leaders interviewed for this report:

- David Blaine — Central Food
- Jamie Brogan — Transitions
- Jason Clark — Spokane Food Bank
- Steve Cole — farmer, Green Bluff
- John J. Dill II — Entrepreneur in agricultural sector
- Kim Davidson — Davidson Commodities
- Brian Estes — Catholic Charities / Vinegar Flats Community Farm
- Fred Fleming — Shepherd’s Grain
- Dan Harris and Chuck Faulklinberry — Gonzaga Dining Services
- Marcie Ostrum — Small Farms Program Leader, Center for Sustaining Agriculture and Natural Resources (CSANR) Washington State University
- Beth Robinette — Lazy R Ranch
- Dave Roseleip — Agriculture & Forestry Education Foundation
- Art Vega — Charlie’s Produce
- Megan White — Main Market (Co-op Grocery)

*Note. In-person interviews were carried out during the final week of September, 2013, with selected follow-up interviews in succeeding weeks. Due to limited time and resources, only a few local food leaders could be selected for interviews. This sample cannot completely capture the breadth of issues facing the Spokane region, but hopefully is enough to identify major patterns of emergence.