

Overview:

After the first committee meeting, it was decided that Karen and Stephanie should complete case studies by interviewing different local food entrepreneurs in Minnesota. The interview questions were constructed to help us map out what the process looks like for individual businesses, better understand the problems food entrepreneurs face, and learn what suggestions food entrepreneurs have for improving the licensing process. 8 major themes, insights about inspector relationships, and many great ideas came out of these interviews! Interviewees were told that their identity would remain confidential to the best of our abilities given that some of the unique nature of their businesses might make their identity able to be guessed. Given this, we will just use single letters for interviewees and a general description of their business venture.

We interviewed 6 different businesses:

1. Hops Producer (E)
2. Commercial Kitchen (J)
3. Produce Business (S)
4. Condiment & Commercial Kitchen Businesses (M)
5. Two Meat Producers (D and L)

The major themes identified across all interviews included:

1. Respect for the rules & regulations
2. Confusion why certain rules are in place
3. Business doesn't fit into one "rule" category
4. Need consistency in rules across Minnesota
5. Feelings stuck at Pickle Bill size
6. Fear of losing business
7. Lack of business knowledge
8. Need a mentor/coach/advocate!

Key traits that made for positive or negative inspector relationships were also identified:

Relationship Building:

1. Presence in community OR effort to be a part of community
2. Belief in the value of the food entrepreneur's business
3. Acting proactively on the behalf of the entrepreneur
4. Helping the entrepreneur find ways to meet the rules/regs that fit within their business budget as much as possible
5. Consistency in judgement calls

Relationship Breaking:

1. Not being able to ask “why” (“well those are the rules” and conversation ends)
2. Inconsistency in recommendations between different meetings or different entrepreneurs
3. Not picking-up where previous inspectors had left-off after retiring or taking a new job
4. Not updating the food entrepreneur when rules or regulations change along the way

The following are major highlights from all six transcripts. We hope this can add to the general themes and select quotes presented during Monday’s meeting. Please feel free to contact us with any follow-up questions as well:

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Interview Highlights #1: Hops Producer (E)

- I. Background
 - A. My business (involves producing hops) and we decided to start growing hops 3 years ago because myself and one of my business partners were at a conference with students at the university and met a guy who was growing some hops. He was looking for something to do outside of school that was fun and I was looking for a crop for the farm outside of fruits and vegetables so we decided to try hops. We both also like beer and we're not very good brewers so we looked at our skills - B was a hort major at the U and I had some practical skills as a farmer. A year after the first planting we incorporated as an LLC and started growing at a serious level.
- II. Obstacles
 - A. ...Financing is our biggest obstacle but it's only been an obstacle for 6 months - give or take - when we have confirmed or have a more realistic picture of what our numbers are, what the risks are, what the opportunity is and then we're actually ready to go out and get the money that we need to expand.
 - B. ...There's been talk about, "How are they going to regulate us?" It's something that could easily ruin everything. They could say that you need an all-steel \$50,000 facility to separate the hops from the vine and that could ruin - that could destroy the industry and my business. So that's one of our biggest risks. When the regulation comes - what are they going to regulate and to what extent and how heavy? I don't think it's very likely that there'd be heavy, unnecessary regulation, because we're such a small industry - there's not that many impacts to regulate, there's not that many people who hate us - like we don't actively do bad things.
 - C. Regulations haven't slowed us down yet. I think we might get closer to that but it would be like when we build a building for our processing space because then it's building permits.
- III. Other Ideas/Future Thinking
 - A. The breweries generally get screwed pretty hard. Because they're producing alcohol, every government level in the state gets to have their say, so that makes it hard. And then you have to figure out what the process is - who do you need to go first for what and then what order do you do it all in because otherwise you end up looping back and wasting time. I haven't been through the whole process but it must suck and I know many brewers who are working on opening and a lot of it is at a food safety level - the type of floor that you have in your brewing space vs your serving space and defining those spaces is a common point of trouble and will often add significant cost because floor is really expensive. It will often add significant cost to a brewery's design.

Interview Highlights #2: Commercial Kitchen (J)

- I. Background
 - A. My business is (running a commercial kitchen), which I like to think of as an “incubator kitchen” or a shared use commercial kitchen. I opened in January 2014, but actually started working on my initial business plan & ideas in 2012. I started the business because I wanted a spot to do my own stuff. I make cheese, so I needed a kitchen and a facility to do it in...I also thought it would be fun to do the business parts of it all, learn some new things, and meet some new people.
- II. Obstacles
 - A. [We] need consistency among inspectors; it seems like there are so many judgement calls made -- can judgement call tendencies be shared? Can inspectors in different areas communicate more? And if the new inspector says something different, can there be a way to appeal?
 - B. Regulations are always behind – if you are the first people trying to do something new, the law will say no. New food businesses doing new things have the hardest time. The government needs forecasters that can open up the process on the regulatory side for when new ideas pop up - Find a way for them to fit into the regulatory system.
 - C. [There is a soup] business started by a man in Red Wing who wants to make frozen soup. He has to come make his soup in Minneapolis, because the Red Wing inspector was suspicious of a shared kitchen. So, if he drives 2 hours to Minneapolis where shared kitchens are well-known, he can make his soup. Why should driving 2 hours make a difference for food safety/whether or not you can make & sell your food?
- III. Other Ideas/Future Thinking
 - A. It would be great to be able to have food entrepreneurs work in every single commercial kitchen – ie have some sort of “membership to all commercial kitchens” so that they can easily switch between them all depending on their location. It would make it easier for food entrepreneurs if their license for one commercial kitchen could roll over to another commercial kitchen
 - B. Could we have regulations that are “graduated”? Like on a scale? Smaller businesses have smaller amounts of regulations to follow, larger businesses have larger amounts of regulations to follow. If smaller business, isn’t the risk smaller?
 - C. I want to figure out how to share-sell -- but we are not selling enough to pay for a counter person to sit there and sell the products. I wondered if people could take turns and sell each other’s products....but then do we need a wholesale license? So, I asked the city....who basically said they don’t know what to do for that...They said go ahead and do it for now, without a license. But what happens if the inspector changes his/her mind next week or if the inspector changes?

Interview Highlights #3: Produce Farmer (S)

- I. Background

- A. My business is produce (raw, dried, and canned) -- I also sell meat, either at a farmer's market (retail) or direct market (custom butcher) which has inspection requirements...I sell produce through a CSA and some canned produce out of my own home. I decided to start this business because I wanted to live on a farm and eat my own food -- I knew it wouldn't make me rich by any means.
 - B. I had a mentor - my dad -- who took the time to help me learn and guided me. He helped me realize I had to change my mindset from "passion" to "business"...I now consider my businesses successful because I'm not losing money and I get good sales. You really have to play to your markets -- the whole business aspect has to be a BIG emphasis when starting out.
- II. Obstacles
- A. The Pickle Bill is helpful, but there are a lot of other regulations that keep me from growing my business...I can't afford to build a commercial kitchen space for \$80,000-\$200,000
 - B. The commercial kitchen thing is a significant roadblock...what bothers me the most about it is that I watch food get thrown away when I have so much extra produce. Because I don't have a commercial kitchen, all of the extra food gets thrown away or eaten by pigs.
 - C. I didn't know anything - I did a horrible job. I didn't take cash flow seriously enough, I was not disciplined enough to get rid of animals who were not making me money....I didn't take a serious look at the business side of things for a very long time
 - D. What if the regulations change during the commercial kitchen process? I have a friend (Theresa) who was setting up her commercial kitchen and the regulations changed 3 times over the course of the year when she was building her kitchen. It was a horror story! It's not like she wasn't trying to follow the rules. But when the rules change that often, it's unfair! Completely unfair!
- III. Other Ideas/Future Thinking
- A. Regulators have their duty to whatever they need to do, which is sometimes at odds with what farmers need to do. They have different goals than the farmer.
 - B. I don't think navigating the regulations is the issue...it's the regulations themselves and how they limit me that are the issue. They prevent me from growing more, so unless I find significant investment, there is NO way that I can get bigger.
 - C. From county to county, the regulations are different. What? Why? It's ridiculous. Especially if the government is trying to promote small businesses. We need consistency.

Interview Highlights #4: Condiment & Commercial Kitchen Businesses (M)

I. Background

- A. There are 2 businesses: the [condiment] project and the commercial kitchen business. The [condiment] project for SFA spurred me to move forward with the commercial kitchen project...the [condiment] project, still ongoing, was created with me as the consultant. It wasn't about making [condiments], it was about exploring what it would take to move fruits and veggies from the field into a value-added product on the shelves. It was kind of a test to see if any money could be made and to gauge consumer response to an uber-local product.
 - B. We have had a lot of help in a mentor way. For example, [another food entrepreneur] who makes BBQ sauce has been a wealth of information because he's a step ahead of us (by two years). He was able to tell us what we didn't know.
 - C. What's been most surprising is the number of people willing to volunteer their time to help the [condiment] project.
- II. Obstacles
- A. Our major obstacles were figuring out the "approved source," working with the inflexibility of HACCP plans, and money (getting funding).
 - B. Also, we completely overlooked marketing. Now I've been working with an advertising company that is helping with the marketing aspect...I think that marketing doesn't seem important to a lot of people, but it is so necessary. We are also working with a Co-op marketing team who is making the label and bottle design for the [condiments] -- this happened through networking -- friendly partnerships are so key.
- III. Other Ideas/Future Thinking
- A. Networking is very important -- there is a fear that someone will take your great idea, but it's best to be as open as you can with everybody because then you can get input from everyone
 - B. What if there was some kind of Food Entrepreneur Association/support group that could meet a couple times a year? [It would have] a closed directory, you apply to get in, and then you have access to networking connections/opportunities
 - C. The "mentor/coach/advocate" must be someone who is not just purely academic - - also needs to have business experience in the field. Someone who can prevent fires from happening instead of just putting out the fires
 - D. What if we could get the bigger distributors (Cub, US Foods) to partner with small food entrepreneurs to transport their local produce? They already have the distribution system in place...this would be incredibly helpful to these farmers because they cannot afford to create a distribution on their own, but they could largely benefit from being able to transport their produce on a larger scale

Interview Highlights #5: Meat Producer (L)

I. Background

- A. “The business is organized separately from the farm. It’s a Chapter S corporation. The original reason for starting the business was simply not being able to live with the commodity markets on hogs anymore. We just had taken too many losses and we just decided that if we were going to raise hogs then we were going to get control of the markets and if we couldn’t get control of the markets then we were going to quit raising hogs.”
- B. “(We went) down from 90,000 hogs to 3. That’s how serious we were about making some changes. When it came time to sell the production of those 3, I started by hauling them into the butcher and getting them cut the way we thought people would like them and gave it a try. We had a small cargo trailer that we put a few freezers on and that’s how we kept the meat. We did farmer’s markets – had a friend in the cities - and it started out small.”
- C. Karen’s notes: Initial steps were testing customer interest in the product and then started testing different market options (farmer’s market, buying club, co-op system). Very quickly realized the importance of assigning family members to marketing, hog raising, and money management based on their skills.

II. Obstacles

- A. Finding information: “Our son knew that in order to sell meat by the package we had to have an equal-to butcher to use, so that’s part of it coming right out of his head. At that point I don’t think I would have known in.”
- B. Dealing with MDA vs. MDH: “ We very soon had occasion to find out that the department of ag processes were quite easy to deal with and the department of health was more difficult...we were asked to do some kind of a show in the city center when we first started and were asked if we would sell brats individually. That’s a whole bunch of other hoops we had to jump through.”Equal-to/USDA frustration: “ Equal-to is pretty generally accepted now, but when we worked out an exchange... another hog farm selling pork was short of fresh ham. They called us if we had extra ham and we did. They said we’ll buy them from you and our guys will cure them up here and we’ll sell them. The other farmer’s processor was a USDA guy, and just as soon as he saw the state stamps coming in, he just rejected it and wouldn’t have anything to do with it. We had to pay rates on the fresh ham coming back here. And that was between two inspection services. It may have to do with lable politics or something, but I know that the state government has dinked around and dinked around. They said they were going to get this solved within a year or two and now it’s been a decade and a half and nothing has been done about being able to sell meat with an equal-to stamp across state lines. We were supposed to be able to do that almost immediately and now it looks like there’s no hope of that happening now..
- C. Inconsistency: “One thing we can say is that we notice a difference between inspectors when you’re talking slaughterhouse inspectors. One who does our sows

at the equal-to set-up give us very little liver back. She discards most of them. We use outdoor finishing facilities so there is the possibility of some worm-damaged livers - I can understand some of that - but I think that it shouldn't be anything approaching 80 or 90% of them, because if it was, our hogs would look pretty unhealthy and they don't. I've said, "well maybe she just doesn't want to look at every liver" but I don't know what the truth is. But there is a difference because when we take our sows to the other processor, there we get the livers back. And these are sows - they're older. With liver damage there should be a bigger chance with the sows than there is with a market hog. Anyway, it's just kind of an observation and it hasn't gotten in the way a big deal.

D. Corporate Ag Confusion: "For the secretary of state you have to register once a year for the corporate ag - that's kind of a headache trying to find my way through the computer system with that"

III. Other Ideas/Future Thinking

A. Friendly, helpful inspector relationship:

1. "He's a pretty reasonable inspector. He wants us to succeed. He told us we could use regular freezers at first but as the upgrades got more successful that we should get commercial freezers...Farmers marketing on their own is something that really lights his fire. He'll do whatever he can to make sure we don't run into trouble so he's been really cooperative right from the get-go."
2. "I can tell you one short anecdote about the department of ag inspections. We had a chance to put a small freezer in a liquor store by invitation. In fact it was something that never really worked. You can't sell meat to people who are focused on cigars, evidently, but we had it there about three months. Within the first month we had it there some - I think federal - inspector that supervised the slaughter at (a large meat processor) got in there buying cigars and he was raising cane about us selling unlicensed meats in there and the liquor store guy called us and we called (Inspector) and (Inspector) says, "I'll take care of that" so we the next thing we heard (Inspector) talked to the store and probably talked to the guy who made the complaint and assured everyone that everything was on the up-and-up. The guy who made the complaint may not have liked it very much but there was nothing he could do about it. **I thought that was the department of ag pulling ahead and doing their job in a way that sometimes it isn't**"
3. "A big thing is label issues because, when a label needs to be changed, we have to work with the inspector that oversees the slaughter. We haven't had much problem. She's been pretty forthcoming as far as getting our

materials into the state and getting our approval back when we have a new product or something that we have to add to the label.”

4. “Well, probably that most important thing when dealing with your regulators is if you have the attitude that they have a right to do that. If you have an attitude that they don’t have a right to do that then you’re going to find yourself studying law more than you’re farming. I can say that. But I know that’s bitter medicine to take when you have an inspector who’s really a dink, so I don’t know. You’d probably get a better story out of us if we had that kind of inspector.”

- E. "The Legal Guide For Direct Farm Marketing" by Neil D Hamilton was an especially helpful resource for this respondent getting started with direct marketing.

Interview Highlights #6: Meat Producer (D)

I. Background

- A. “The hog industry had a big outbreak that was tough because you worked so hard but you really don’t have any control over your market, so we wanted to take more control of our own destiny. A friend of ours who sold at the farmer’s market said, “Why don’t you sell your pork at the farmer’s market?” We didn’t know too much about selling meat that way so we researched it and we knew we needed to have a (equal-to or USDA) butcher but we didn’t want to limit ourselves to just MN so we did some research where USDA butcher shops were at. Found a butcher that had worked with a couple people who also sold to farmer’s markets and restaurants... We also called AURI. They said they didn’t work with individual farms selling direct to farmer’s markets but I think that has changed since then.”
- B. “We just funded ourselves and then we spent a lot of time on the internet researching regulations for selling meat. We called our local inspector who was from the Department of Ag. Talked to him and picked his brain a little bit and he helped guide us through what we needed to do - labels. We also learned about program put on by Land O’ Lakes called “Branding Your Belief” so we went through a couple of courses there to try to develop our image.”
- C. “I think (our first step) was talking to other entrepreneurs and talking to someone about the business plan. If you don’t have something people want then why even go through the process of talking to the inspector. First we wanted to see if what we had was even going to be marketable before we went anywhere else.”

II. Obstacles

- A. Labeling: “I think the labels (were a big obstacle) - we redid that quite a bit. That was something that you know you have to have certain info on your labels...I think Dept. of Ag spelled it out on their website so we researched that.
- B. Eggs: “We didn’t start bringing eggs to the farmer’s market 10 years later. Some of those (rules) were pretty different.”
- C. Inspector changes: “The first inspector worked out really well and he was really helpful. We could pick his brain as to what we needed to do and he was very helpful. We didn’t have to do all the research ourselves - he would give us ideas and suggestions as to what would work as far as your freezer truck or on-farm storage. Is that on-farm storage okay? Things like that. Then the next inspector we had, they didn’t seem like they had any of the initial records of what we had done with this previous inspector. What was going on there I don’t know.”
- D. Not fitting in current categories: “The MDA and MDH came out to our farm. We do have a health license for our mobile food unit and they kind of went back and forth on, “Do you want to license it? Do you?” because none of their licenses really fit what we do. Maybe I’m jumping ahead, but if I could recommend

another category for licensing - it's not just coming from me - but in talking to other meat farmers/direct marketers - we all feel like what we have (the license) doesn't really fit what we have. It's like they're trying to fit us into a retail or a wholesale but we're not really either of them. We need to have our own separate farm direct umbrella to be underneath."

1. "One example, an inspector was asking me if I was mostly retail or mostly wholesale. I said, "Well, we're kind of both. When you talk about the farmer's market, I would call that retail but a different vendor considers herself wholesale." Then the inspector goes, "Well, if you're retail, then the floor you have in your walk-in freezer is not correct so you need to have a different floor. If you were a wholesaler you could go with a cement floor in your walk-in freezer but if you think you're retail then you need to cut that out and put all epoxy floor in your walk in freezer." So, I go, "Well I guess I'm wholesale."...**You want to be in compliance but yet you worry you're probably not with the parameters that they have now.**"
2. "You know, (we need to) have our own set of rules or a combination of rules from health and ag but have more exemptions in there. You don't need to overkill all these rules. You're talking frozen food - frozen meat - in a USDA or state-inspected plant. Now if you're butchering on the farm, that's another (issue), but if you're taking your product and having it be inspected at the inspection plant, bringing it back to your facility's freezer that's clean, correct temperature - these parameters - then I think you've already gone through how many inspections before you even get to a farmer's market?"
3. "Most people that I talk to on the meat end... when we talk about inspection, "Oh, what did they tell you? What did they tell you?" It's always confusion that builds. There needs to be a clear set of rules for farm direct. There's other people that are frustrated too."

III. Other Ideas/Future Thinking

- A. Lard Regulations: "As far as the lard goes, getting rendered lard - if you had a hog custom processed yourself - the way the regulations are, the consumer buys a hog from us, we take it in to have it processed, and then they take it home. So they can have it done anyway they want. They can have the lard rendered - really anything. If I'm going to take a hog in and have it sold at a farmer's market, the number of regulations just for lard are ridiculous. Must test for water and other tests just to call it rendered lard. It's a color test, it's a water test, and some other things. Only one place in Minneapolis who will give us the Lovey test for lard. It's all ridiculous the process that you have to pass to just sell lard. Consumers are like, "What, why?" They can't understand why there's such a big kabosh on lard. I'd

really like to see something like that changed. A consumer can buy half a hog and get the lard back, why is that any different than when I take it back and sell it at the farmer's market?"

- B. Egg Confusion: "One place I had a lot of confusion at farmer's market was with eggs. Talked to egg lady at MDA and went through all of our stuff in order to sell and refrigerate and all that. A lot of consumers are wondering why you need to refrigerate coming right from the farm to the farmers market since you're not transferring across country and all that. I think there needs to be another rule for the egg people. I think you should be able to sell eggs directly from the farm that aren't refrigerated (at the farmer's market). When you pick an egg at 10:00 in the morning or 2:00 in the afternoon - they're warm - and the shell on an egg is very porous so it's when you change temperature of that egg that you start opening up the pores for salmonella or other problems but when you keep them as close to nature as possible you can eliminate some of the potential for more bacteria to cross over through that egg shell...I think maybe the refrigeration came in when eggs were being transported for long distance. Here you're talking about a short period of time. What we pick on Sunday is now being sold today (Wednesday) and none of our eggs are around any more than 5 days. You're talking about a real short period of time. I know when you refrigerate an egg you can keep it up to a month, but we don't need to keep them for a month. We're not keeping them for a month and then selling them. We have more control and we date so we know how long they have been around. The grocery store - they can get lost in the shuffle so I can see how they need more regulations there. I would recommend farmers market eggs not have to be refrigerated."
- C. Property taxes: "Since we take our own hogs to the butcher for processing and bring them back for storage, the property tax rules look at this product as non-ag, and commercial business and thus tax your (storage) building as a commercial building, and not ag building any more. This triples the taxes on this building. Say from \$300 to \$1500 a year. I don't think this is right and some counties enforce this and others do not. I think this should be changed. If you sell home grown products from your farm as well, it should be ag business."