



# Economic Development in the Food System: The Role of Kitchen Incubators

A listening session held by the Franklin County Local Food Council

September 16, 2014

Summary Report

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## Introduction

Kitchen incubators are commercially licensed, shared-use food processing facilities that create business development opportunities for food entrepreneurs. Such facilities allow entrepreneurs to develop their businesses without making major investments in space, equipment, or licensure. A given kitchen incubator may contain any variety of food processing licenses, allowing for the incubation of businesses ranging from catering to canning, freezing, and meat processing. According to Econsult Solutions, there were an estimated 135 shared-use commercial kitchen facilities operating in the U.S. in 2013.<sup>1</sup>

While kitchen incubators consistently seek to stimulate economic development through support of food businesses, the model is relatively new and highly varied in its execution. As such, data on the impacts of the model are sparse. However, Econsult Solutions conducted a study on the



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state of the industry in 2013. The study was based on data from a total of 46 shared-use commercial kitchens that responded to a 2013 survey, and highlights Columbus' own Food Fort as a model. "U.S. Kitchen Incubators: An Industry Snapshot" contains a wealth of information on the economic sustainability and impact of incubator kitchens, including:

- While 61% of kitchens surveyed were for-profit operations, only 31% reported making money, 53% reported breaking even, and 31% reported losing money.
  - The average hourly rental rate was reported as \$20.82 per hour. While over half of respondents reported charging \$10-\$19 per hour and only 12% reported charging \$30-\$39 per hour, there were no respondents who reported charging fewer than \$10 or more than \$40 per hour.
  - Most incubators reported having fewer than 25 users. On average, those users were 61% female, 28% low-income, and 32% minority populations.
  - The most common types of user businesses included baking, catering, value-added product manufacturing, pre-prepared meals, and food trucks.
- 73% of incubators surveyed offered business support services, including one-on-one coaching, help with licensing/permits/insurance, and assistance with sourcing ingredients. In addition, 29% of incubators reported offering job-training services.
  - The 53% of incubators who had kept data on the success of their users after leaving the space reported an average of 86% of users still in business. It is helpful to compare this number to the more than 50% of small businesses that fail within the first year, according to the U.S. Small Business Administration.<sup>2</sup>



#### Notes:

1 [http://www.econsultsolutions.com/wp-content/uploads/2013/08/ESI-SharedKitchenReport\\_2013.pdf](http://www.econsultsolutions.com/wp-content/uploads/2013/08/ESI-SharedKitchenReport_2013.pdf)

2 <http://usgovinfo.about.com/od/smallbusiness/a/whybusfail.htm>

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## Listening Session Summary

In September of 2014, the Franklin County Local Food Council hosted a listening session on the role of kitchen incubators as a tool for economic development in the local food system. “Economic Development in the Food System: The Role of Kitchen Incubators” marked the third listening session in a series hosted by the council in 2014. These listening sessions serve as public forums where diverse groups who are working on similar issues can share their ideas for change. The goals of the kitchen incubator listening session were fivefold:

1. Exploring ways to strengthen the kitchen incubator supply chain as a means of aggregating, processing, and distributing local food, as well as a means of supporting economic development through local food businesses.

2. Deepening understanding of the needs of start-up food businesses relative to kitchen incubator facilities.
3. Developing partnerships and innovative methods to make kitchen incubator facilities more accessible and affordable throughout Franklin County.
4. Exploring opportunities for local ingredients to reach consumers through the kitchen incubator supply chain.
5. Informing local government of opportunities to support kitchen incubators as an economic development strategy.

In order to achieve these goals, individuals from four distinct food system sectors were invited to share their challenges and opportunities relative to their participation in the kitchen incubator supply chain. Although the listening session was open to anyone who wanted to attend, food producers (farmers), kitchen incubator operators, active/potential start-up food businesses, and food funders/financiers were especially encouraged to come and share their perspectives. Ultimately, two producers, seven kitchen incubator operators, four food businesses, and four funders/financiers shared their unique experiences with a total of 40 attendees.

Attendees were divided into groups based on their representation of or interest in each of these four categories, and each



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group was asked about their experiences or needs relative to their participation in the kitchen incubator supply chain. Each group then had the opportunity to share highlights from their discussion with the entire room, discuss observations, and network with attendees from other sectors. Based on these discussions, the following themes emerged repeatedly:

### Benefits and challenges of the kitchen incubator model

- Kitchen incubators in Franklin County aim to strengthen the local/regional food supply chain by matching growers with businesses.
- In addition to space and equipment, Franklin County kitchen incubators support startup businesses through business development counseling, navigating processing and labeling regulations, and marketing assistance.
- The kitchen incubator model is very new, therefore making it hard to fund based on lack of good outcomes data and inherent weaknesses in proposals and models.
- Kitchen incubators in Franklin County all operate differently and therefore have no one consistent funding model.

### Regulatory barriers

- Regulations around processing animal

products, such as meat and cheese, are particularly difficult to navigate for producers, processors, and kitchen incubator operators.

- While food processing regulations can be difficult to navigate, kitchen incubators provide the support of having the appropriate equipment, licenses, and knowledge under one roof.

### The needs of food entrepreneurs

- More direct advising and support is needed for kitchen incubator users to be successful in accelerating their businesses to the point of self-sufficiency.
- A consolidated clearinghouse of resources—including a list of nearby kitchen incubators, regulatory knowledge, and an outline of the process for getting started—would be helpful for startup food businesses to succeed.

### The needs of producers

- Producers would like to be able to use kitchen incubators as commercially licensed spaces to make value-added products.
- Producers feel that they would benefit from having a space where they can bring raw product, process/package it, and sell it at a market all on the same site.

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## Outcomes

Though it is difficult to gauge the impact that strengthening the kitchen incubator supply chain could have on the local economy, the kitchen incubator listening session allowed for diverse stakeholders to come together and discuss strengths, weaknesses, and opportunities of the model. There appeared to be a general consensus that kitchen incubators are beneficial to startup food businesses, particularly with regards to addressing those business' needs for space, equipment, regulatory navigation, and marketing. While it is apparent that the novelty of the model creates gaps in funding potential, operational best practices, and impact assessment, attendees were generally interested in using kitchen incubators as a means to strengthen the local food supply chain. Of the 17 attendees who completed feedback questionnaires, 15 reported that they saw kitchen incubators as an important economic development tool in Franklin County. When asked what could be done to strengthen the potential of kitchen incubators as an economic development tool, respondents provided the following suggestions:

- Establishing a network to foster growth and sustainability of the industry
- Creating a resource guide for startup food businesses, which includes information on local kitchen incubators
- Finding experienced food industry professionals to assist kitchen incubator users with developing and scaling their businesses
- Standardizing meat processing regulations across counties
- Clarifying food processing regulations
- Using the Franklin County Local Food Council as a catalyst for supporting kitchen incubators
- Understanding the “ideal model” for how a kitchen incubator operates and is funded
- Increasing the availability of facilities for meat handling, canning, and flash freezing

For more information about the  
Franklin County Local Food Council, visit:  
[www.fclocalfoodcouncil.org](http://www.fclocalfoodcouncil.org)