

**Needs Assessment and Strategy**  
for a  
**Food-Processing Business Incubation Program**

**SUMMARY REPORT**

*Prepared for:*

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## **1.0 Introduction and Background**

In 2015 the Finger Lakes Regional Prosperity Network (aka Tompkins County Area Development Foundation) received a grant from the U.S. Department of Agriculture (USDA) - Rural Development for a feasibility study for a “Business Strategy for a Food Processing Business Incubation Center in the Finger Lakes Region”. The project is regional in scope, encompassing the seven New York state counties of Cayuga, Chemung, Cortland, Schuyler, Seneca, Tioga and Tompkins (referred to hereafter as the “Region”).

Food processing is defined as any deliberate change in a food that occurs before it is available for consumers to eat. A focus on the food processing sector is aligned with the overarching goals for economic development in Tompkins County and the Region: job creation, including better paying jobs for those with basic skills; a diversified economy; a strong business community where businesses start, stay and thrive; and wealth creation and reinvestment in struggling rural communities in the Region.

The Finger Lakes Regional Prosperity Network (FLRPnet) retained a consultant team, Business Cluster Development (BCD) and Food Spectrum (FS), to understand the needs of the local food sector, and recommend a strategy and conceptual framework for a food processing business incubation program. BCD and FS are industry leaders in business incubation. In particular, BCD focuses on cluster-based incubation, and FS has significant knowledge and experience in the food processing industry. They concluded that a clear need exists for a food-processing business incubation program that would serve early stage, growth and established food-processing businesses in the Region, and it would have an important impact on the sector.

### 1.1 Food Sector in the Region

Employment data for the food/beverage industry demonstrates its significance in the Region and the opportunities for growth and incubation. Overall, food and beverage manufacturing employment in the Region is about on par with the US, according to data downloaded by FLRPnet from JobsEQ<sup>1</sup>. Between 2010 and 2015, more than 500 jobs have been added to the sector, according to data from JobsEQ. FLRPnet indicates the following categories of growth in the Region: animal food manufacturing, confections, processed meat, commercial bakeries, breweries, wineries, and the general category of “food and beverage manufacturing” which employs the greatest number of employees in this sector. These growth areas were confirmed by observations during the discovery process for the report.

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<sup>1</sup> Chmura Economics & Analytics.  
Business Cluster Development & Food Spectrum - 2016

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Most of these growth categories can be categorized broadly as “specialty foods,” defined as foods and beverages that exemplify quality, innovation and/or style in their category. Such products maintain a high-perceived value and often command a premium price. A large number of entrepreneurs, who were interviewed for this report, expressed interest in entering the marketplace with a specialty food.

Other factors in upstate New York that support the need for a food business incubation program in the Region include: the extremely strong agricultural sector in the Region and neighboring counties; the tremendous growth of consumer interest in “local” foods; and the impact of the innovation, entrepreneurship, and success of Chobani.

### 1.2 Cluster-based Business Incubation and Food-Processing

Business incubation is a proven tool for regional economic development, and is used to promote entrepreneurial growth in industry clusters. Business incubators provide education and assistance to startup companies in all aspects of their development, including business planning, financing, marketing and sales, management teams and board development, revenue models, and strategic partnerships. Incubators mentor companies on how to achieve their goals and evaluate their progress. They assist in the formation of new businesses and jobs. Incubators help entrepreneurs overcome the hurdles often associated with startup and/or growth, thereby increasing their chances for success. Incubation programs may be place-based, providing a facility with space and shared equipment (in some cases like food processing), or simply provide programs and assistance.

Cluster, or sector, focused incubation is the application of cluster economic theory to business incubation. Regional business clusters may be defined as geographic concentrations of interconnected companies, suppliers, service providers and others in a particular industry or sector. Cluster-focused incubators help to diversify local economies and develop business and create jobs in emerging market sectors.

The business incubation program for the Region would focus on the food-processing cluster, which is a strength in the Region. It would help to generate entrepreneurial business and economic activity that will positively impact the cluster and the regional economy.

A cluster may be large, involving thousands of businesses and hundreds of thousands of workers, or small, involving a handful of businesses and a few hundred workers. Clusters typically develop for a combination of reasons, including access to natural resources, research universities, an appropriately skilled workforce, access to capital, local demand for products or services, and the existence of cluster-related industries.

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As a result, companies derive substantial benefits from participation in a cluster's "social structure of innovation."<sup>2</sup>

Communities choose to pursue cluster-based economic development strategies to capitalize upon their strengths to produce results, including new business formation, business retention and attraction, and job creation. It is also the strategy of choice for diversifying local economies. Cluster-based economic development strategies are a focused effort to grow and attract companies throughout the lifecycle and at different levels of maturity and size. It seizes market opportunities, encouraging the growth of companies in expanding markets that will have increasing chances to develop and sell products to meet market demands. Cluster strategies rely upon assets that are already in place—and those that will be developed as the cluster grows, whether driven by the leadership or developed organically—and the knowledge and expertise that make the community somewhat unique. The strategies seek to increase the interconnectedness between the assets and strengths, as that is the basis for clusters.

In its consulting practice, BCD uses a model for identifying strong, and potentially successful, clusters for economic development that involves several factors:

- Collaboration
- Capital
- Talent, or skills and abilities
- Innovation
- Asset base
- Business activity
- Growth sector
- Community support and leadership

While a number of the factors above may be present and the strength of the factors may vary, overall, critical mass is necessary in order to help to fuel cluster growth. Successful clusters, over time, develop strength in all the factors identified above. It is important for economic development organizations to dedicate resources toward those factors that can be strengthened in order to have an impact over time.

It appears that the food-processing cluster in the Region already has many of the factors present that are markers for strong clusters. Below is a very brief assessment of the food-processing cluster in the Region and some points indicating how the proposed incubation program would assist in strengthening each of the factors:

- Collaboration – A clear willingness to collaborate among the food-processing businesses (early stage and growth stage) was evident, and many businesses

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<sup>2</sup> Adapted from Michael E. Porter, "Clusters and the New Economics of Competition," *Harvard Business Review*, November-December 1998.

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already connect on a one-on-one. Efforts at collaboration among economic development agencies in the Region are also present. Clear opportunities to expand and enhance these efforts exist. The incubation programs recommended in this report will help to improve this factor.

- Capital – Many regions lack sufficient capital to help ensure company growth, especially entrepreneurial companies. The Region has some sources, including both public and private, and can work to expand the sources to support business startup and growth. Incubators play a role in helping entrepreneurs in their programs obtain capital, which will have an impact on the cluster.
- Talent, or skills and abilities – It appears that talent exists in the region for the startup and growth of food-processing businesses, as well as industry-specific consultants. It was apparent that businesses understood the basics of product development. Perhaps the addition of training programs at TC3, Cornell Cooperative Extension (CCE) and throughout the Region, aimed at the needs of the industry could help to strengthen this factor.
- Innovation – Entrepreneurs and businesses seeking to scale have innovative ideas and products for the industry, as they shared in the interviews. In addition, Cornell University is a source of innovation. The New York State Agriculture Experimental Station is among other resources in the Region. The incubator can help to spur and commercialize innovation.
- Asset Base – Assets for the cluster in the Region include educational and research institutions including Cornell that graduates a skilled workforce, trains business people on specific food-processing skills, provides a source of industry expertise and testing facilities. TC3, FLCC, and other higher education are potential resources for workforce training and regional assets. The industry associations are resources for knowledge and information for businesses in their respective industries. Commercial kitchens, co-packers, and food hubs can also be considered assets as they provide necessary resources to help businesses expand production and grow. In addition, distributors and service providers with deep industry knowledge and connections are assets.
- Business Activity – Business activity in this cluster is thriving, from first-time entrepreneurs to growth stage businesses to mature businesses. It appears that more mature businesses in the industry should be sought to help strengthen the cluster. At the same time, support like an incubation program can facilitate the growth and retention of entrepreneurial businesses.
- Growth sector – The number of entrepreneurs and growth businesses interviewed for the report indicate that food-processing is a growth cluster in the Region. Also, as described later in the report, consumer demand is increasing for

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the types of specialty food products that are produced in the Region. These factors are positive indicators for growth.

- Community support and leadership – Seven counties have come together on this project, and were represented on the Steering Committee and in the interviews, indicating that support in the Region is present. Adjacent counties to the Region also expressed interest and have assets that will benefit this cluster. At this point, the Finger Lakes Regional Prosperity Network, which obtained the federal grant funding this report, is a champion; however, the champion may shift based upon the direction that the Region chooses following this report.

A critical mass of activity, expertise and resources form a solid basis for the food-processing cluster in the Region. Yet, all of these factors require enhancement to build a truly strong cluster that can consistently foster and sustain new business start-up, business growth and expansion, generate wealth, and create new jobs. Access to information and expertise, skills enhancement, business and technical knowledge, and advice are areas where needs exist. The business incubation program can play an important role in addressing these needs and strengthening a food-processing cluster.

## **2.0 Needs Assessment**

The goal of the assessment was uncovering the needs in the Region that could be met by a regional food-processing business incubation program. A discovery process was conducted, which primarily involved meeting, hearing and understanding the perspectives of food-processing businesses (early, growth and mature stages), service providers in the industry, retailers and distributors, resource and assistance providers for early and growth stage businesses, and local industry experts. After careful review and analysis of the information and insights gathered, the consultants determined that a clear need exists in the Region for a food-processing business incubation program. Specifically three categories of need were identified and included access to:

(1) General information and resources - Entrepreneurs and established food businesses must have an understanding of, and an access to, general knowledge and information about many aspects of the food industry, including product trends, market research, business planning, capital access, corporate governance, regulatory and permitting requirements, legal matters, nutritional analysis and labeling issues, quality assurance and food safety, product and process development, ingredient and packaging sourcing, marketing and sales strategy, etc. The Region has some information and resources that are industry-specific or technical; however, businesses are disconnected from them. The Region lacks a single point of contact and online portal for the food industry, as well as a formal network for businesses, within a subsector or the sector as a whole, to connect with their peers.

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(2) Specific business guidance and customized mentoring - Entrepreneurs requested industry-specific, one-on-one long-term guidance, as well as subject matter experts to assist on a short-term basis with very specific industry issues. Workshops that can address topics of interest are also desirable. In the surveys, entrepreneurs identified a few key topics: product and process development, market access and sales generation, and access to capital. In addition, expertise in specialized technology, including High Pressure Processing (HPP), would help entrepreneurs in the Region to utilize the tremendous infrastructure that is being developed in the Region, and develop competitive products that take advantage of new technology. These types of services are not currently offered.

(3) Specific processing facilities that are not currently available - Opportunities exist to create a market niche in certain food processing sectors, based upon the raw material supply in the Region, and consumer demand for value-added products that can be derived from local raw materials. The niches, and their facility needs, are value-added produce processing; value-added meat and poultry processing; specialty food products, including a bottling line for shelf-stable or refrigerated, hot-filled products; and a larger-scale commercialization facility.

Beyond the needs articulated by the food-processing businesses, several over-arching opportunities were identified that would benefit the creation of a food-processing business incubation program and promote the growth of the cluster. They can be summarized as:

- (a) a combination of significant business activity and a strong degree of interest among food-processing businesses in scaling their businesses;
- (b) world-class food science and safety expertise at Cornell University and among experienced professionals in the Region;
- (c) growth in the market and demand for specialty foods, both locally and across the U.S.;
- (d) economic development organizations in the Region are supportive of developing the food-processing sector;
- (e) food-processing businesses in the Region demonstrate a clear willingness to network; and
- (f) several food-processing incubation (e.g. the Finger Lakes Food Innovation Center) and other resources for food businesses are emerging in and adjacent to the Region, and potentially, present collaboration opportunities. At the same time, challenges could arise, but the strategies presented here would assist in overcoming them.

### **3.0 Strategy and Recommendations**

The recommended strategy encompasses a broad spectrum of incubation program components and addresses the identified needs, as well as the opportunities. It would be phased in over time. The incubation program would aim to fill gaps in, complement, and leverage existing resources and assets, whenever possible.

### 3.1 Client Profile and Scale of Operations

The targeted clientele for the food incubation program include:

- (1) *Farmers, Ranchers, and Other Agribusinesses* desiring to create new businesses, enter new markets, and enhance their profitability with value-added and differentiated products and/or collaborative operational, organizational, marketing and selling practices;
- (2) *Startup Food Company Entrepreneurs* desiring to create new, prepared food business ventures, and in need of assistance with many of the topics identified earlier, as well as a food processing facility and equipment that will enable production under sanitary conditions and government inspection;
- (3) *Existing Small and Mid-sized Food Companies* seeking to access new technologies, expand operations, obtain industry-recognized certification programs, upgrade their quality assurance systems, enter new markets, export products or utilize an incubator processing facility to meet local, state and international food safety standards;
- (4) *Retail and Foodservice Establishments* seeking to market locally produced products, which could benefit from the incubator program's role in helping to increase the number of local companies producing local products; and
- (5) *Food Businesses Seeking to Scale their Operations* that seek a facility (*not* a small commercial kitchen) with equipment that provides "economies of scale" and enables growth to the next level.

### 3.2 Strategy for a Food-Processing Incubation Program

The strategy for the incubation program in the Region prescribes the development and deployment of a continuum of services, from the more straightforward (e.g. providing access to information needed by food-processing businesses) to the more complex (e.g., a dedicated facility with equipment for the incubation of food-processing businesses in the Region). The table below serves as an overview of the identified needs and the continuum of incubation programs that address the needs. Businesses need access to the following:



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<b>Information</b>	<b>Business Guidance &amp; Mentoring</b>	<b>Specific Processing Facilities Not Currently Available</b>
Community/Network	Industry-specific assistance	Shared equipment in a food hub (or other existing facility)
Portal	Mentoring	Incubator facility
Navigator	Subject matter experts	Commercialization space
Informational meetings	Workshops	
	Regional branding	

(1) Information

*Community/network* – Food entrepreneurs seek to connect with their peers to share information and advice. Some entrepreneurs would have more extensive industry and/or business experience, and others would have less. Facilitating connections among them is therefore important, and creating both online and face-to-face networking opportunities would be part of the incubation program. Beyond information and advice, the community could serve as an aggregator and matchmaker for equipment and facilities, connecting a supply of available equipment and facilities with business demand, by sharing this information through the network.

*Portal* – A portal is a web-based, one-stop shop for all information regarding starting and operating a food business. First, it would provide links to business and technical resources and information. Second, it would share articles on relevant topics and a blog on current issues in the industry. Third, the portal would host an online exchange (mentioned above) posting the supply of equipment with excess capacity at local food processors, and the needs of local food-processing businesses for specific pieces of equipment and the hours required. Fourth, users would post questions through the portal, and the manager of the portal would respond, or through a moderated dialogue.

*Navigator* – The Navigator is a connector and facilitator. This high-touch service is especially valuable for entrepreneurs who lack the time to navigate a portal, or figure out the types of resources that they would need. The Navigator, a staff person who is knowledgeable about available resources, would respond to questions and direct food entrepreneurs and businesses to resources. He or she would personalize the process, increasing the likelihood that entrepreneurs would take advantage of it. Working with other entities in the region, the Navigator could facilitate information meetings to introduce assets for this cluster.

(2) Business Guidance and Mentoring Programs

*Industry-specific Business Assistance* – The food industry is a specialized industry with challenging product and process development, food safety and regulatory issues. In addition, food businesses need assistance with business strategy and planning,

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marketing and sales, and assistance with access to capital that is directed at food businesses. The assistance here would be industry-specific, and not overlap with the more general business assistance currently available in the Region. Also, the specialized assistance that is currently available is provided one-time or in a very short interval, differentiating it from the mentoring program described below.

*Mentoring* – Entrepreneurs in the Region have a clear preference for mentoring by individuals who understand the business and technical issues faced by their particular type of food-processing business. This specific type of mentoring is not currently available in the Region. The incubator’s mentoring program would include active management in which a staff person would recruit and manage a stable of mentors with the appropriate experience, and ensure that the match between mentor and entrepreneur is satisfactory. Mentors would have the requisite skill and experience to advise entrepreneurs on the issues identified in the “industry-specific business assistance” section above. The relationship would be long-term, often extending over several stages of the business’ lifecycle, and milestone based.

*Subject Matter Experts (SMEs)* – SMEs advise entrepreneurs, short-term, one-on-one on a specific business or technical issue. Expertise on specialized technology such as HPP, as described earlier, would be provided by SMEs. SMEs would be obtained through mentor contacts, as well as through a network of developed by the incubator program.

*Workshops* – Some topics would be taught or presented to groups of 10 to 50 people through workshops. Topics ranked highest on the survey were marketing, sales and distribution, followed by food safety. Single session workshops, or a series that covers a range of topics over several sessions, would be provided. Speakers would be screened for their expertise and ability to communicate well in a workshop format. Workshops would supplement the mentoring process. Plus, the group format would enable participants to connect with peers.

*Regional Branding* - Creating a regional food brand may generate heightened interest by consumers, and increased value for local producers. The local food movement appeals to consumer groups for several reasons, including an interest in sustainability and the reduction of “food miles,” a desire for organic and natural foods, and social/ethical issues.

### (3) Specific Processing Facilities

The need for specific food processing facilities could be met, at first, with a rather simple approach, and then expanded upon as needs develop over time. At first, the need could be resolved rather quickly through an exchange (see portal in description above), which facilitates access to equipment and facilities without the need to create a new and costly facility. However, once certain products cannot be produced legally or safely in facilities

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and equipment shared through the exchange, the development of specific processing facilities may be desired. Then, as demand for processing equipment and space increases, the next step would be providing shared equipment in a food hub or other existing facility. A future and more significant step would be a dedicated incubator facility. Later, a commercialization space would help to retain and attract both early stage and mature, food-processing businesses.

Surveys and interviews revealed the need for production capacity, which could be provided through an incubator and commercialization space; capacity should be further assessed as part of the planning of the incubator program. The incubator and commercialization space capabilities could be integrated into a single facility, or two stand-alone facilities; however, a single facility would be most cost-effective. The recommendations for facilities (in order of the steps) are described below:

*Shared Equipment in Food Hub (or Other Existing Facility)* - The Finger Lakes Fresh Food Hub, as described earlier, has space available that could be adapted for incubation program use, as either a temporary or permanent solution. Currently, it has equipment for baked goods, including tortillas, and processing and dehydration equipment for fresh-cut fruits. The equipment has applications in value-added produce processing. Its management has expressed an interest in sharing the facility with the incubation program. While it would not have the complete functionality that a dedicated incubator facility would provide, it could help to address a few of the needs sooner. Other potential, existing facilities should be identified and surveyed as locations for an interim or permanent incubator facility.

*Incubator Facility* – An incubator facility would assist the Region in capitalizing upon the market niches in certain food processing areas identified earlier. The incubator facility would be designed for value-added produce processing, value-added meat and poultry processing, and a specialty foods bottling line for shelf-stable or refrigerated hot-filled products. An incubation facility must be “best in class” in terms of sanitary design, fit and finish, and operating protocol. It must also provide flexibility, including:

- (a) Versatile equipment, with some degree of automation to enable least-cost manufacturing that would help a client from bench-top to commercialization;
- (b) Accommodation of a diverse array of value-added processes enabled in a relatively small space for ready-to-eat, ready-to-heat, and ready-to-cook products; and
- (c) Varied array of packaging, including semi-automatic filling of bottles, cups, bags, trays, etc., for retail, foodservice, and industrial applications. Incubator facilities must operate under county, state, and federal regulatory guidelines, including U.S. FDA and USDA inspection.

Commercialization Space - A larger scale, commercialization space for independent food production under a long-term rental/lease agreement would have the following uses, and meet company needs described earlier:

- (1) graduation space for local entrepreneurs (including those “graduating” from the incubator space described above, and others seeking to scale their operations) that want to expand their production space and scale,
- (2) “landing pad” for domestic and international food businesses that require larger spaces and long-term use agreements, and
- (3) R&D and manufacturing facility for companies in the Region requiring dedicated space for product R&D and manufacturing in order to expand their operations, enter into new markets, etc. This type of space would help to retain food-processing companies in the Region.

### 3.3 Phased Approach

Given the wide range of services and offerings proposed for the incubation program, it is recommended that it be developed and implemented in two phases. A phased approach would allow a quick start by providing some of the incubation services, thereby seizing upon the momentum already gained. In the first phase, the incubation program would strictly consist of services (without ownership or management of a dedicated facility). Basically, all of the services and programs described above, with the exception of the incubator facility and commercialization space would occur in Phase One. In terms of timing, some programs and services during this phase could be launched simultaneously, and others started sequentially.

In Phase Two, a *dedicated* food-processing incubation facility could become available for the program, in addition to the continued operation of the incubation services provided in Phase One. It is common for a time gap, which may last several years, to occur between the first and second phases because funding, planning, constructing and equipping a food-processing incubation facility is very complex and costly. The funding process alone—which commonly involves obtaining grants from federal, state and/or local sources—could take two to five years. Then, after funding is obtained and a site identified, construction could take an additional one to two years. In addition, funds to support operations must be secured.

During that gap period, the needs and conditions may change, and new opportunities may emerge. Specifically, given the evolving and planned programs to serve food processing businesses in (and outside of) the Region and New York State, different options may arise that could alter the type of facility needed, possibly negate the need for a facility, create opportunities for partnerships with others that provide the necessary equipment and facilities, or some other unanticipated option. It is important to

reconsider the options for facility-based needs during the gap period and develop a new plan, as necessary.

### 3.4 Recommendations on Incubator Operations

Key elements and recommendations for the initial operations of an incubation program are discussed here, including an overview of the organization structure, partners, management and staffing, and types of funding sources. Typically, the details of organization, operations, staffing, funding and program would be handled in a business plan. It is contemplated that a full business plan and financial model will be developed for the phases of the cluster incubation program.

#### 3.4.1 Organization Structure

Based upon our experience with numerous incubation programs across the U.S., it is recommended that the incubation program operate as a non-profit 501(c)(3) organization and startup under an existing, or “host”, non-profit organization. 501(c)(3) non-profit status is a designation from the U.S. Internal Revenue Service (IRS) that allows charitable contributions from corporations and foundations. Many governments can only make grants to non-profits with 501(c)(3) status, and grants are an important source of, at least initial funding, for food-processing incubation programs. Starting under a host organization would be much faster than completing the lengthy, costly and difficult (and somewhat risky) process of creating a new, 501(c)(3) organization. The host organization provides fiscal oversight and governance.

The capabilities of the potential host organization are crucial in making a selection decision. The capabilities include the proven ability to seek and obtain grants or other diversified funding sources to support the initial programs and operations, provide oversight, create effective partnerships, and ability to hire and manage staff to develop and manage the initial programs. Aside from the legal structure and capabilities, the host organization must have the skill to operate the incubator program in a business-like and entrepreneurial manner. After completing the discovery process and considering potential host organizations in the Region, it is recommended that initially the Finger Lakes Regional Prosperity Network serve as the host organization for the incubation program, perhaps along with partner organizations such as CCE, Community Colleges, or other existing or emerging incubators as phase one is implemented.

Managing and operating a food-processing incubation facility (Phase Two) is complex and requires an organization with the right capabilities and expertise. At this time, it does not appear that an existing organization could manage the responsibilities. However, given that Phase Two may not occur for several years, the options may evolve. All possible options should be explored at that time.

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Alternatively, the Steering Committee has identified the options below for the organization structure:

- For-profit – The incubation program, and in particular the facility component, could be operated as a for-profit firm, or alternatively, a non-profit could contract out all or some of its operations to an existing, for-profit firm, such as a co-packing or toll-processing facility. One important limitation to operating as a for-profit is the elimination of opportunities to obtain grants, which are typically an important source of funding for financially sustainable, food-processing business incubation programs. A way to work around this limitation, to some extent, is provision of services by a non-profit, which could obtain grants, and provision and management of the facilities and equipment by a for-profit. A second limitation to operating as a for-profit is the potential for excluding entrepreneurs and early stage companies from using the facility and/or services. For-profits would charge market rate for services and use. While more mature food-processing businesses would have the ability to pay market rate, startups often lack the financial resources.
- Non-profit organization associated with a college or university – As a non-profit, a university or college with the requisite capabilities could serve as the host organization. However, the university or college must have the ability to partner and collaborate effectively with others in the Region, and work in an entrepreneurial manner.
- Non-profit organization under an IDA in the Region – This option would place one of the IDAs in the role as host. Consideration should be given to potential hosts among the IDAs located within the Region, provided that the IDA possesses the necessary capabilities and can work in an entrepreneurial manner.

An Advisory Committee would be formed to provide strategic oversight to the program, as well as food business expertise to the incubator and its clients. It should be comprised of 7 to 15 representatives from the food-processing industry with technical and business expertise, and include geographic representation from the Region.

### 3.4.2 Partners

The partners for the incubation program would be organizations and firms who agree to work together to achieve the program's mission, and are vested in the success of the program. To start, the incubation program should engage four types of partners:

(1) economic development organizations in the Region, which could promote the program within their counties, refer clients to the program, and participate in program development and other activities, as requested;

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(2) Cornell University and its various programs, including Cornell Cooperative Extension, can offer a wide range of expertise and resources, such as workshops, subject matter and business expertise, specialized labs, food safety programs and guidance, and other assets that would be invaluable to the incubation program;

(3) food hubs (e.g. the Fingers Lakes Fresh Food Hub) and other food incubation-type programs (e.g. the FLFIC in Geneva) that are both existing and emerging inside and outside of the Region, that may have space and/or services that could complement those offered by the incubation program; and

(4) out-of-region academic institutions and food business incubators that could share their industry and incubation knowledge and best practices, and also provide unique resources that would benefit the incubator and its client companies.

### 3.4.3 Management and Staffing

The host organization provides strategic direction for the incubation program, and is responsible for its initial management, staffing and fundraising. The host organization would have on-going responsibilities for partnership development, coordination with the economic development organizations in the Region, and budgeting of the programs. One of the host's first actions would be to seek a grant or other funding to support the creation of the program and, in particular, to fund one staff position to launch a few initial programs.

The staff person must have broad food industry and entrepreneurial experience, and the ability to create and manage a network of external resources and capabilities to meet client needs. He or she must have experience in program development and management, and excellent communication and coordination skills. His or her role would be developing and managing the initial incubation programs, which include the network, portal and navigator, in addition to re-assessing/refining the needs based upon information gathered while interacting with and assisting food-processing businesses. The strategy in the report strictly focuses on the initial management; a business plan would identify a complete staffing plan.

### 3.4.4 Funding Overview

The International Business Innovation Association (InBIA), which is the industry organization for business incubation, states that, from the start, a best practice incubation program should have a plan for long-term financial sustainability that includes multiple sources of revenue. Incubation programs, especially those that are facility-based, often require seed funding in the early years, which provide a runway for

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developing new and diversified sources of funds. Seed funding often includes grants from federal, state and community agencies and/or subsidies in personnel, utilities, etc. from its parent or partner organizations.

A comprehensive assessment of the funding opportunities should be developed and implemented in order to leverage a variety of funding and revenue-generating opportunities. Possible funding sources include federal, regional and state grants; fees for the provision of certain services; foundation and/or corporate grants; corporate sponsorships; in-kind contributions of equipment and supplies; and individual donors.

### 3.5 Metrics

At this early stage of the incubator planning process, the appropriate metrics are industry best practices since they are the best indicators for success. They include: agreement by the participating counties on a common strategy and mission for the incubation program; development of a complete business plan that supports the strategy; identification of a capable and experienced organization to serve as the host; operation of the incubation program in an entrepreneurial manner; hiring of a qualified staff person with the requisite skills in food-processing and entrepreneurship; development of a realistic budget and funding plan that puts the program on a path to sustainability; implementation of the initial programs identified in this report; and collection of quantifiable data and information on the incubation program to ensure that the program is meeting its mission.

### **4.0 Conclusion and Next Steps**

The recommended incubation program is designed to meet the critical needs faced by food-processing businesses that are seeking to start and grow in the Region. The proposed continuum of programs, from the straightforward to the more complex phased in over time, can help the Region to strengthen and grow the food-processing cluster, creating jobs and wealth across the Region.

It is important to note that the needs assessment and strategy contained in this report do not substitute for a complete business plan, and therefore the development of a business plan is strongly recommended and essential for the future success of an incubation program. However, prior to the creation of a business plan, some initial steps could be taken to build upon the momentum already gained.

#### **Initial Implementation Steps:**

- (1) Identify host organization for phase one;
- (2) Obtain funds to support staffing (Navigator) and for activities such as portal development and outreach;



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- (3) Conduct a regional asset map for a food-processing cluster;
- (4) Assess/refine needs & resources for food-processing businesses;
- (5) Create online community;
- (6) Plan/implement networking events;
- (7) Develop web portal for existing and future businesses; then
- (8) Create business plan & financial model for incubator; and
- (9) Obtain funding and partners to implement incubator business plan

Taking these initial steps would send an important message to stakeholders and businesses inside and outside of the Region about commitment to supporting the growth of the food-processing industry. They would also have a critical impact on the startup and scaling of food-processing businesses in the Region and New York State.

***Steering Committee for this study:***

***Needs Assessment and Strategy for a Food-Processing Business Incubation Program***

*Janet Hawkes, Chair, Finger Lakes Regional Prosperity Network, Steering Committee Chair*

*Dan Fessenden, Executive Director, Fred L. Emerson Foundation*

*Gary Woloszyn, Store Manager, Ithaca Wegmans*

*Jeannette Frank, Executive Director, The ARC of Schuyler*

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