

# Rural Research Report



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## Is a Kitchen Incubator Right for Your Region? Five Questions to Ask Before Building One

The past three decades have seen an explosion of interest in the development of facilities and services that focus on the agricultural and food manufacturing segments of local, especially rural, economies. During the same period, business incubators continued to grow in popularity as a way to stimulate business growth and create jobs. Interests in local food converged with the business incubator model to produce a hybrid: the “kitchen incubator”—a facility with associated services where food entrepreneurs and farmers receive help in producing value-added food products (Lair 2013).

Large cities have always had an underground food economy that involved people making and selling specialties from home kitchens. This is often an important source of household income in immigrant communities and for others who have not yet entered the mainstream economy (Powell 2012). In rural areas, much of the initial interest came from agricultural leaders seeking ways to reverse the shrinking share of the food dollar received by farmers and the loss of farmland to other types of development. Some original kitchen incubators were located in places as different as Denver, Colorado; Athens, Ohio; and Fairfield, Vermont. Urban centers, university communities, and rural villages all became part of an experiment to find ways to grow and sustain food-related businesses.

The incubators were developed to serve a unique set of issues in each community: job training and business development for low-wealth residents, places for local farmers to add value to their crops, locations for food producers who had operated “under the radar” to access the equipment and skills needed to meet food safety laws, and so on. Especially in rural communities, the kitchen incubator was seen as a place where farmers and home cooks could preserve their produce so that it could be legally and safely sold in local markets.

Just as the impetus for each incubator has a unique set of characteristics, so do the funding models used to develop and operate them. Initially, many were set up by nonprofit organizations, usually economic development organizations or universities. Funding for the initial construction or renovation of the facilities often came from state or federal agencies and private foundations. Many are run today as for-profit ventures by private developers and some are food producers themselves. The ability to be self-sustaining is related to many variables: location, amount of services required by entrepreneurs, rental rates, competition, and other factors. A recent study by Econsult Solutions (2013) found that more than half of the incubators are for-profit and that most incubators report profitability or breaking even, with only a small percentage (16%) losing money.

In the Appalachian region of North Carolina, Blue Ridge Food Ventures (BRFV), an 11,000 square-foot shared-use food processing facility, was built in 2004 at the edge of Asheville, a small city that is the commercial hub of rural western North Carolina ([www.blueridgefoodventures.org](http://www.blueridgefoodventures.org)). This highly visible project was touted as a way

for farmers to add value to their products and, because it was under the auspices of the regional economic development partnership, to create jobs. More than ten years later, BRFV hosts a thriving community of 60 or more businesses, making products ranging from hot sauces and jams (from local produce), to nut butters, tempeh (a soy-based fermented product popular with vegetarians), candies, and health bars created from more exotic ingredients. It also has been the starting point for several companies that have built their own production facilities and now distribute products nationwide ([www.drinkbuchi.com](http://www.drinkbuchi.com); [www.lustymonk.com](http://www.lustymonk.com)).

More recently, shared-use facilities like BRFV are springing up in urban areas where a resurgence of demand for

local foods and artisanal production methods has occurred. Places like San Francisco, Brooklyn, Chicago, Houston, and New Orleans now host kitchen incubators, many of which specialize in specific types of businesses such as organic, vegan, gluten-free, microbrewing, and the like.

This *Report* reviews essential questions that community leaders can examine in determining the potential success for a kitchen incubator in their community to build on local food production and to create businesses. Answering these questions can go a long way in determining the viability of such a venture.

## Getting Started: Five Key Questions to Explore

For communities seeking ways to boost the local economy and create sustainable jobs, a kitchen incubator is an attractive prospect. Each community is different as is every facility. The following five questions, when examined by a cross-section of people exploring the idea, as well as the community to be served, provide a starting point. There are no right answers, but the process of answering them is a valuable way to bring out the underlying strengths and weaknesses of a proposed project.

**1. What are the goals for the facility? What do you want it to accomplish?** A project can have multiple goals as long as they are not mutually exclusive. In fact, addressing several problems in a coordinated fashion can help because there are more stakeholders, more potential funding sources, and more avenues to success. Rarely can one facility or project alone solve a single major problem such as declines in farming in rural areas or lack of jobs in an urban area. But a kitchen incubator can be one of many factors or projects that address these issues.

Some common goals . . .

- Create jobs—on what scale? Five, ten, or hundreds?
- Enable individuals to have a supplemental income source.
- Grow existing food businesses.
- Develop job skills for the underemployed so they can find work in established businesses.
- Help provide food security.
- Process local produce for sale to schools, institutions, and retail.
- Strengthen local food systems.

- Build community or service delivery to the low-wealth communities.
- Encourage entrepreneurship and nurture new businesses.

The answers to these questions help determine the amount of support needed for entrepreneurs using the facility, and the amount and kinds of staff needed to provide appropriate services and oversight. For example, if job training/retraining is a major goal, a partnership with an existing program could leverage staff and funds to provide these services to users. If so, the facility would not have to provide those services from the income earned from kitchen rental. If a goal is to grow existing food businesses and create more jobs, then access to capital and mentorship programs might be an important service the facility would have to coordinate or provide.

One of the most important goals on the minds of those establishing Blue Ridge Food Ventures in 2003 was to be able to help former tobacco growers find new crops and make value-added products from them in order to maintain the local farm economy in a rural area. This was a popular idea and helped obtain support for the project from agricultural funders. However, it soon became apparent that the targeted farmers were not equipped with the skills or mindset to develop value-added products for the specialty foods marketplace. They were more interested in growing commodity crops for single buyers. So, BRFV had to be sure that its outreach to potential users was wide enough in scope to bring in food truck operators, caterers, health food developers, etc., and, thus, not expect the bulk of its revenues to come from farmers.

They did not neglect the farmers, however. BRFV developed a community-supported agriculture program of frozen local produce to pre-order vegetables and fruits from local farmers to help expand their markets—and extend their season ([www.wintersunfarmsnc.com](http://www.wintersunfarmsnc.com)).

The Shoals Culinary Center in Florence, Alabama, began in the early 2000s as a shared-use kitchen incubator under the auspices of the Shoals Entrepreneurial Center. It later recognized the need for training programs for at-risk youth and, thus, designed programs to address that need, putting it in touch with a different set of potential supporters and expanding its goals. It also offers a culinary team-building program for companies searching for unique ways to improve employee morale, boost group communication, and enhance job performance ([www.shoalsec.com](http://www.shoalsec.com)).

**2. Who will use it? Are there enough potential users in your catchment area (within a reasonable distance of the facility)?** *Build it and they will come . . . only works in the movies.* A kitchen incubator needs users—many different kinds of users. Many, many people can cook and some cook really well. Lots of friends and family members will say, “This is so good. You should sell it!”

But is that enough to create a viable business? Will it be a business that creates one or more jobs or brings only supplemental income to the producer? Will it provide job training skills? Going back to the goals of the facility, will there be enough successful users to help meet those goals in a sustainable way?

What is the population base from which the project will draw? What do people consider a “drivable distance”? Especially in rural areas, people often do not want to venture beyond their home county. This is especially true in western North Carolina. After Blue Ridge Food Ventures was established in Asheville, several nearby communities (2 to 2½ hour drive) wanted their own facilities. At least two were built, but they had to close within a very few years of opening. They just did not have enough entrepreneurs within their small population to be successful.

Is there an entrepreneurial heritage in the catchment area? Are there other thriving small businesses? This could indicate that people are used to the idea of starting and running a small business rather than asking large employers to fill that need. A community with many small businesses often indicates people are willing to support other small local businesses.

Or are people more accustomed to working in a factory or raising agricultural commodities for a single, well-established market? These residents might have a harder time

seeing themselves as entrepreneurs. In this case, more local training and small business development services might be needed to help encourage and develop entrepreneurial skills.

Other possible users might include the following:

- Farmers with value-added product ideas they have wanted to develop but did not know where to start
- Caterers with established demand but requiring better facilities
- Food trucks and carts needing a commissary
- “Foodie” entrepreneurs with ideas and business savvy
- Small operations with proven markets that have to expand to larger spaces
- Cooking instructors in search of a teaching kitchen

Many different types of potential users exist, and it is important to assess the various types of users likely to use the facility *before* building and/or renovation plans are finalized to make sure the most common requirements are accommodated. For example, if you encounter many potential jam makers and hot sauce aficionados in an exploration, then a large steam kettle and bottle filling machine should be included in the facility layout. Or, if bakers are asking for a place to produce, then they should be interviewed further to ascertain the types of ovens that will have the most use and serve the greatest number of entrepreneurs.

**3. Where will the products or services produced in the facility be sold?** Just as the facility must have enough users to justify its existence and pay the bills, each user must sell enough products to break even and, someday, make a profit. Without an enormous budget for a national marketing campaign and distribution system, these small producers will probably begin to build brand recognition in their local communities before going regional and beyond. Obviously, each facility user will focus on a specific targeted demographic market for unique products. But before that happens, the group studying whether to establish a facility must consider the range of likely products to be made in the facility and evaluate if a sufficient local market for those general types of products can be reached by local self-distribution.

For example, a kitchen incubator in a sparsely populated area located hundreds of miles from the nearest population center is unlikely to have a sufficient number of entrepreneurs to produce and sell their products through national distribution channels. In this case, a shared distribution system or cooperative might be created to reach more distant markets.

In many cases, local farmers' markets are the first point of entry into the retail food system. These markets enable food entrepreneurs to gain real customer feedback on the quality and price point of their products. It also allows them to begin establishing their brand identity and customer loyalty, which can then be used to reach buyers at more mainstream markets and stores. If a "buy local" campaign or ethos already exists locally, it can be an impetus for a thriving local market scene and provide a convenient outlet for the production and sale of locally made products.

Blue Ridge Food Ventures is located in a town with a strong "buy local" program started by the Appalachian Sustainable Agriculture Project ([www.asapconnections.org](http://www.asapconnections.org)) and was home to a wildly popular, locally owned natural foods grocery store committed to putting locally made products on its shelves. This store was acquired by Whole Foods Markets and subsequently continues to highlight local products.

Does the area have seasonal attractions (e.g., beaches, ski resorts, music festivals) that bring large numbers of visitors to the area? In Asheville, North Carolina, for example, The Biltmore House is a major regional draw. Are there colleges and universities whose students and faculty are likely to support local entrepreneurs and draw crowds for special occasions? The users and facility will need as much local visibility as possible. BRFV works closely with the local tourism office and participates in many media events that promote the region as "Foodtopia" ([www.exploreasheville.com/foodtopia](http://www.exploreasheville.com/foodtopia)). It participates in big-draw events like BaconFest and the Asheville Wine and Food Festival, simultaneously looking to attract new entrepreneurs and promote the businesses that make their products at BRFV.

All these factors will help the initial launch of a new food product and allow food entrepreneurs to launch businesses. Once they develop a production, marketing, and distribution system, they can approach other markets with confidence. If the community does not have any of these factors, one must assess the possibility that products could be efficiently moved to larger population areas. Obviously, this option means higher costs for producers and might necessitate creating a shared aggregation and distribution system.

Of course, it is always possible to sell on the Internet. Relying solely on online sales negates the need for a local market, but it demands a sophisticated marketing program to spread the word about new products. And competition for the product goes up astronomically. Being a "local" product is no longer of relevance to consumers across the globe. That means that products must catch buyers' attention based on other factors such as uniqueness, price, smashing packaging, and related marketing techniques.

Yes, these are all questions that an individual entrepreneur or small business owner must consider. But if they are considered in the exploratory phase of a project, they will help inform decisions about whether to establish a facility for such businesses. The best facility in the world cannot exist without successful businesses and that means enough businesses selling enough products to make the facility financially viable.

**4. Are the right support systems in place, and are they supportive?** Small businesses and entrepreneurs often need many support services to create, maintain, and grow viable businesses. Too often, "foodies" are enamored with the process of creating the perfect recipe but do not know much about ways to create and sell a marketable product. Farmers are experts at growing but may not be well-versed at selling specialty products. And everyone needs help in meeting ever-tightening food safety regulations.

Are existing service providers—whether from the Small Business Development Centers in community colleges, Small Business Administration offices, local banks, or other information sources—ready and able to help? Will they become familiar with the myriad food safety regulations that food producers must navigate to be able to adequately guide their clients?

Are there courses, workshops, and training programs to help entrepreneurs set up their accounting systems, navigate social media, develop an Internet sales system, and gather other business tools? A food entrepreneur must be on top of the latest marketing trends. Sometimes they become so engaged in producing their product that they forget about finding ways to market it.

Has the local agricultural support community bought into the project? Faculty and staff at cooperative extension and land-grant universities are key partners for spreading the word about the facility and providing important support services such as product testing, regulatory guidance, and nutrient analyses.

A food business incubator without these specialized support services is just a kitchen for rent, and the chances of meeting the goals of providing jobs, businesses, and skills to the target population may be limited.

Two key supporters must include the local health department and the state department of agriculture. In most states, these agencies are responsible for food safety and protecting public health. They must be a part of the project from the start to provide support, guidance, and education to all involved. Blue Ridge Food Ventures was extremely lucky to have a very forward-thinking leader in

the Department of Environmental Services of the local health department who provided input throughout the design process in the actual building of the facility. That cooperation has continued through the years. As new facilities arise across the state, local health department officials are happy to explain to their counterparts how they successfully dealt with inspection issues at BRFV that satisfied everyone's goal of safe food production.

How about a robust local media scene that spotlights trends and innovation in the community? The kitchen incubator and its entrepreneurs will need major media exposure to build their brands and attract attention in a crowded marketplace. The ability to spread the word via bloggers; social media sites; and all the usual TV, radio, and print media to attract both users for the facility and buyers for the products is key to success.

Finally, be sure local economic developers are on board. A cluster of business development efforts centered on food, fibers, farms, and the like attracts related businesses and adds to the "quality of life" factors that make an area attractive for individuals and businesses seeking to relocate.

The western part of North Carolina has organically and strategically developed just such a cluster. Local government offices, development organizations, and funding partners all have some version of food, farming, agribusiness, natural products, and/or outdoor products as part of their targeted clusters for economic development. Now home to more than 30 microbreweries, three hard cider producers, and at least one legal moonshiner, this region has attracted three of the largest craft brewers in the U.S. to set up their East Coast operations there. Support exists for home-grown enterprises and for bringing in related manufacturers to the region who are attracted to its concentration of like-minded operations. Western North Carolina also boasts the country's first shared-use natural products manufacturing facility at BRFV, and a private, shared-use

fiber mill that is spurring the region's renaissance as a home to fiber production and textile arts (National League of Cities [NLC] 2013).

**5. Are there other options?** A community will often jump to the conclusion that "We need a kitchen incubator!" without thoroughly examining the questions herein. Or, they may have an empty building, old schoolhouse, or empty restaurant and say, "Hey, this would make a great kitchen incubator." But creating or retrofitting a space for shared-use value-added products is not an inexpensive endeavor. Hundreds of thousands of dollars will be spent to meet health and building codes, acquisition and installation of filling and packaging equipment, and much more. While a commercial kitchen that was used as a restaurant or even school cafeteria may have some of the required equipment, it is usually not the best equipment to mass-produce jams, jellies, hot sauces, and the like.

First, an inventory of the existing rental kitchen or similar facilities should be taken. Often, these have excess capacity or times when they are not in use (e.g., summer camps). Does the local food bank have processing capabilities, or could they share a new facility? Is there a food hub that aggregates and markets agricultural produce? Do they have produce washing facilities and extra space?

Does the community really need the kitchen, or do existing entrepreneurs urgently need other types of technical assistance to grow their businesses? A virtual incubator that provides specialized technical assistance for food production, marketing, regulations, and so on might be the first step to growing and strengthening new or existing businesses already in the community. Depending on local and state regulations, some food products can be safely and legally produced at home or on farms. All these possibilities should be explored as alternatives or as first steps in creating a new facility.

### Is a Kitchen Incubator Right for Your Community?

A kitchen incubator is an attractive concept for many economic and community developers. They come in many shapes and sizes, and they can be an effective way to create and support small businesses. Use these five key questions to examine the real assets, barriers, and resources specific to a community to help answer the big question, "Is a kitchen incubator right for us?"

A negative or blank answer to any of these questions should not be considered a deal breaker. It is just that a

thorough, honest look at the characteristics of potential users, available markets, and community support helps inform not only the decision whether or not to establish such a facility but exactly what the most important factors are to consider in the design to meet the realities of each situation. The answers will help design a model that best suits current needs and will also provide important and persuasive information to use in approaching funders for a project.

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