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## **Food + Workforce:**

# **Connecting Growth and Good Jobs for NYC's Emerging Specialty Food Manufacturing Sector**

April 2015

## ACKNOWLEDGEMENTS

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This report was authored by Jenifer Becker and Caitlin Dourmashkin with research assistance from Tanu Kumar, Josh Eichen, Addison Vawters, and Annie Levers.

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Evergreen is a membership organization that champions manufacturing, creative production, and industrial service businesses in North Brooklyn and beyond. We connect businesses with resources and opportunities to help companies create and maintain high quality jobs at all skill levels. For more information about Evergreen's programs, please visit [www.evergreenexchange.org](http://www.evergreenexchange.org).

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# I. EXECUTIVE SUMMARY

New York City has always been a city known for its diverse and innovative food culture. In recent years, a growing, eclectic mix of artisanal food and beverage manufacturers is bolstering this reputation, creating new products ranging from cocktail mixers to vegan cupcakes to handmade salsas. There are always new and exciting products on the shelves of local specialty stores, and regular events celebrating local food. In fact, between 2009 and 2013, 1,294 food and beverage manufacturers opened for business in the five boroughs.<sup>1</sup> Many of these companies are now approaching the 3 to 5 year age range, a critical time for business growth and expansion, and are facing numerous challenges as they look to scale up.

This study seeks to understand the specific workforce opportunities created by the growing specialty food and beverage manufacturing sector and identifies strategies to ensure these opportunities remain accessible to a diverse population and that businesses have the resources they need to thrive in New York City. This study focuses on the emerging specialty food and beverage sector, companies that are producing high-quality products, often incorporating artisanal and natural ingredients.

The study's research is grounded in a survey of 45 small, specialty food and beverage manufacturers and dozens of in-depth interviews with manufacturers, workforce organizations and industry stakeholders. Specifically, we found that the emerging specialty food sector is:

- Largely comprised of companies 3-5 years old, a critical time for companies attempting to scale up in the face of a myriad of challenges to growing a manufacturing business in New York City.
- Less diverse than the overall food and beverage manufacturing sector.
- Generally optimistic about their growth potential in New York City.
- Expecting to double employment within three years, and will increasingly prioritize English skills for new hires.
- Increasingly facing difficulty finding new employees as the owners' personal networks are no longer meeting their growth requirements.
- Not adequately connected to NYC's large workforce development infrastructure despite the sector's need to find new, qualified employees.

To address these barriers and capitalize on the opportunities of this vibrant sector we recommend city agencies, the city's Industrial Business Service Providers and local workforce organizations work together to:

1. Promote a diverse workforce by forging relationships between workforce providers and food and beverage manufacturers.
2. Create policies and programs to help companies grow past the critical 3-5 year stage so they can scale up and provide quality employment.

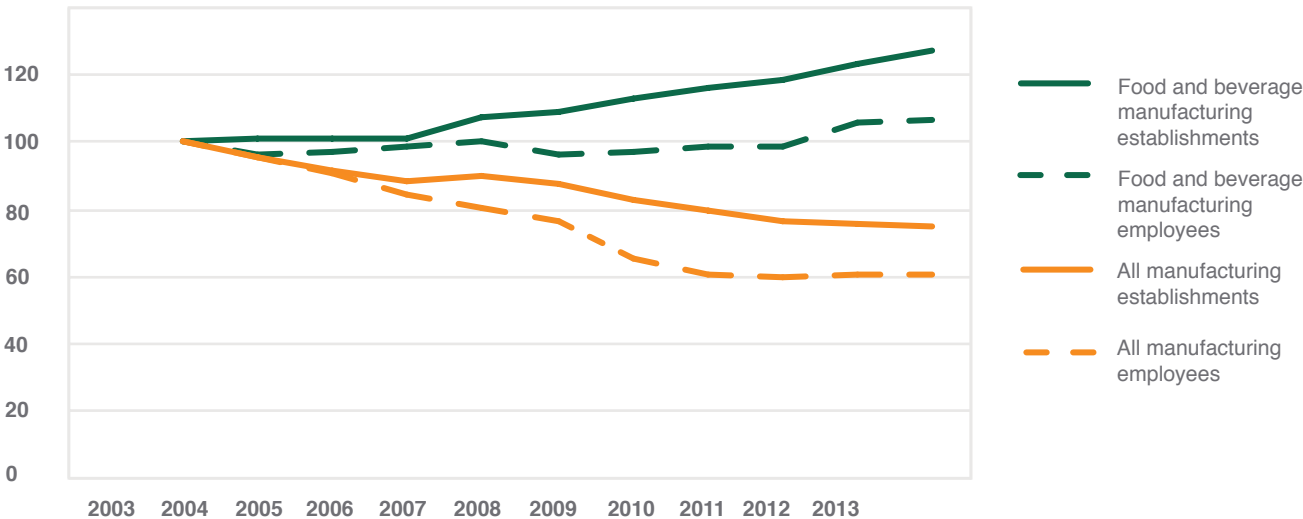
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<sup>1</sup> National Establishment Time-Series Database (NETS)

# II. INTRODUCTION

The food manufacturing sector in NYC has attracted much attention in recent years. The insatiable New York City marketplace for high quality food products has spurred a wave of entrepreneurs focused on meeting this demand. As the market shifts and adapts, trends within this sector have begun to reflect these changes. While manufacturing in the city has experienced an overall decline in the last decade, food and beverage manufacturing subsectors have seen positive growth in both number of firms (27%) and number of employees (6.3%).<sup>2</sup>

**Chart 1: Total NYC Manufacturing Employment and Establishments Vs. Food and Beverage Manufacturing, Indexed to 100**



Data source: BLS QCEW

In real numbers, the food and beverage manufacturing sector employed 15,712 people within 1,132 establishments in 2013, accounting for 19% of manufacturing establishments and 20% of the manufacturing workforce.<sup>3</sup> These companies are predominantly small firms. Median employment per firm is 4 (average is 9) and in 2013, 73% of the sector was comprised of firms employing between 1-5 employees.<sup>4</sup> Only 7% of firms employ more than 20 employees.<sup>5</sup> Bakeries continue to dominate the sector, comprising 76% of all active food and beverage manufacturers in the city today.<sup>6</sup> This includes bakeries that are a combination of retail, wholesale and production.

The recession that started in 2008 hit the sector hard with 574 food and beverage manufacturing companies closing in 2009; more than three times as many company “deaths” (i.e. companies closing) from the year before. However, the following year saw the single largest jump in company “births” (i.e. companies opening) by far, with 563 new companies forming in 2010 alone, a 335% increase or a 70% positive percent change from the year before.<sup>7</sup> “The economic downturn led me to reassess what I wanted to do as a career,” says Brian Ballan, a former banker and now Co-Founder of A&B American Style, a manufacturer of all natural condiments that opened in 2010. “I have always believed people should be more connected with their food. Launching a

<sup>2, 3, 6</sup> New York State Bureaus of Labor Statistics Quarterly Census of Employment and Wages (BLS QCEW)  
<sup>4, 5, 7</sup> NETS

company seemed the best way I could help achieve that. It felt like the right time to make that move.”

This entrepreneurial mindset runs through the sector. There is a growing crop of food incubators where burgeoning companies can rent kitchen space in short increments without committing to a lengthy lease. Varied distribution channels, including internet sales and food vendor markets such as Smorgaburg, are also enabling food companies to sell directly to consumers and to more quickly recoup production costs. This direct consumer access provides manufacturers with immediate product feedback, a

major benefit to a young company that is new to the market. In short, barriers to entry into the food and beverage manufacturing business are dropping.

**Barriers to entry into the food and beverage manufacturing sector are dropping, attracting entrepreneurs into the industry.**

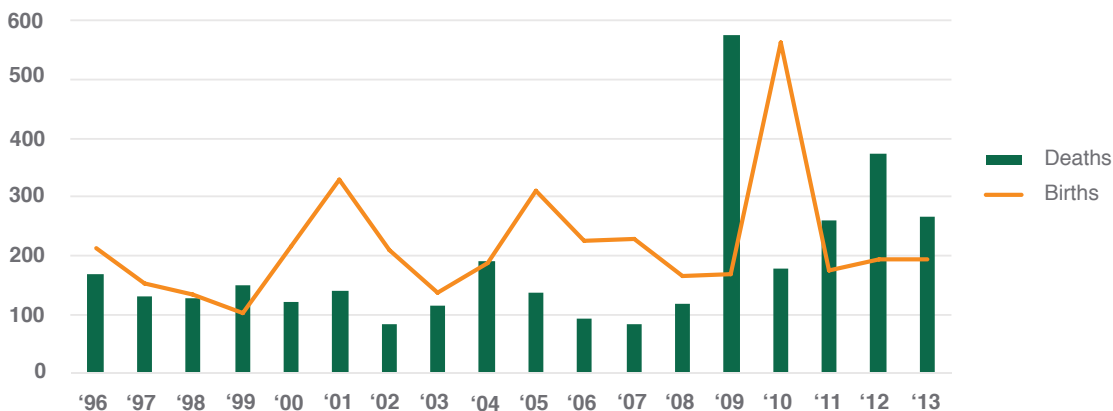
### NYC Food and Beverage Manufacturers: At A Glance

<b>76%</b> are “Bakeries and Tortilla Manufacturers”	<b>73%</b> of the food and beverage manufacturing workforce is people of color
<b>73%</b> employ 5 or fewer employees	<b>66%</b> of employees have a high school degree or less
<b>67%</b> have annual sales less than \$200,000	<b>\$32,377</b> were average annual wages for 2013
<b>38%</b> of employees do not speak English well or at all	<i>Data source: BLS QCEW, NETS, and the American Community Survey (ACS) Public Use Microdata Sample (PUMS)</i>

The reality, however, is that operating a food or beverage manufacturing business in New York City’s high cost environment is an extremely difficult venture. The industry’s low barriers to entry, which make it prime for entrepreneurial activity, also make it extremely competitive. Additionally, the margins on production are often slim, creating constant cash

flow issues for young businesses – a major deterrent to scaling production. Food manufacturers face tight timelines in bringing products to market and food brokers, distributors, and retailers, while an important part of the supply chain, are often an unforeseen expense and can cut into a manufacturing business’s bottom line.

**Chart 2: Births and Deaths of Food and Beverage Manufacturers 1996-2013**



Data source: NETS

These challenges seem to become most critical once companies are 3-5 years old, have several key accounts, and are ready to increase production. However, limited access to working capital, difficulty finding appropriate, affordable, permanent production space, and other growth hurdles can be fatal for a small company. Of the over 2,100 companies that opened and closed at some point in 1996-2003, 37% had been in business for 3-5 years at the time that they closed.<sup>8</sup>

Recognizing that the food and beverage manufacturers that have opened since 2009 (many of which self-identify as part of the specialty, artisanal food movement) are now in this critical 3-5 year period,

**37%** *Percentage of companies that had been in business 3-5 years when they closed.*

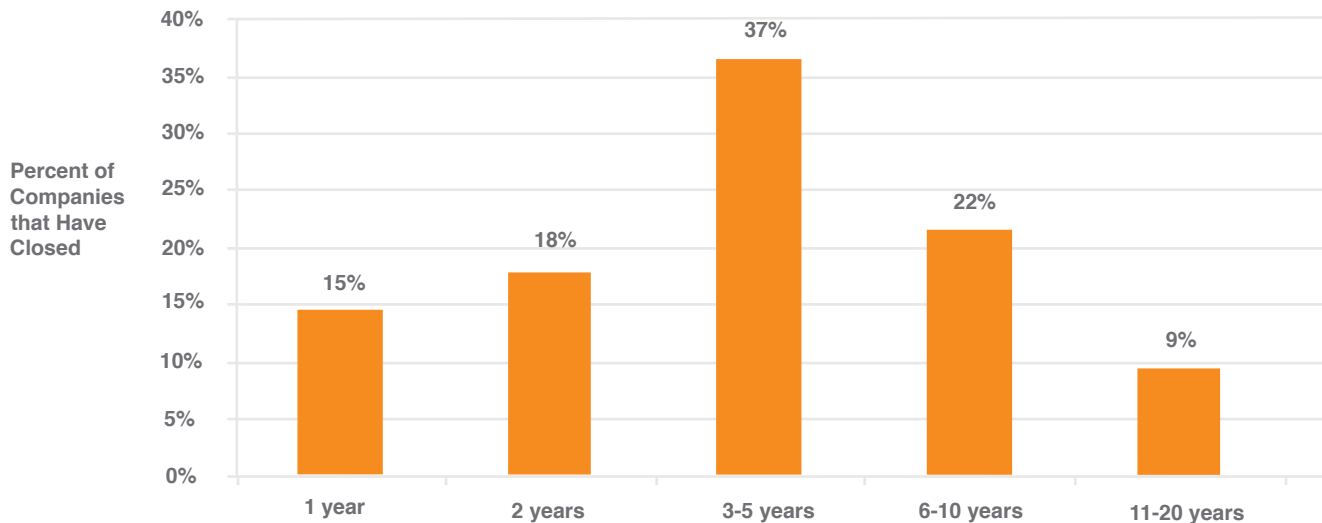
Evergreen (formerly the East Williamsburg Valley Industrial Development Corporation) partnered with Pratt Center for Community Development to understand the opportunities and challenges to growing employment and scaling these businesses.

This study focuses particularly on the emerging “specialty” food and beverage sector—companies that are by and large producing high-quality products,

often incorporating artisanal and natural ingredients. Available secondary source data sets do not classify food and beverage manufacturers in this way, so in order to identify the specific needs and opportunities for this cohort of firms, we conducted a survey of 45 small companies, interviewed 12 manufacturers, and spoke to dozens of industry stakeholders. We then utilized available data sets, including those from the U.S. Census American Community Survey (ACS PUMS), NYS Bureau of Labor Statistics Quarterly Census of Employment and Wages (BLS QCEW), and the National Establishment Time-Series Database (NETS) to supplement our primary research (see Appendix A for more information on the study’s methodology).

The surveyed companies are a diverse mix of predominantly young companies that are operating in 5,000 sq. ft. or less space. 40% have some operations located outside of New York City (11 of which use co-packers outside the five boroughs). Additionally, 24% have retail establishments in the city. On average, surveyed companies have 5 full-time employees and 4 part-time employees, with median employment of 2 employees each for both full-time and part-time. Surveyed companies are producing a wide variety of products including condiments and sauces, beverages, baked goods, frozen desserts, chocolate and candies, and other products. 89% of surveyed companies have been in business for 5 or less years; 45% of these have been in operation for 3-5 years.

**Chart 3: Age of Business (born between 1996-2013) When Closed**



Data source: NETS

<sup>8</sup> NETS

## 3-5 Year Old Food and Beverage Manufacturers: At A Glance

The National Employment Times Series Database (NETS), a private data set compiled by Walls and Associates, in conjunction with Dun and Bradstreet and accessed for this study through the Institute for Exceptional Growth Companies (IEGC), a project of the University of Wisconsin Extension Division of Entrepreneurship and Economic Development (DEED), offers a detailed look at the 3-5 year old cohort of firms.

There were 906 food and beverage manufacturers which opened in 2009, 2010 or 2011, 551 which are still active today. Of those 551 firms, 36% have increased employment since they opened at an average of 2 additional employees per firm. Only 1% have decreased employment; the remaining firms have maintained their original number of employees from the year of their opening. On average, these 551 firms have annual sales of \$274,000; 81% have annual sales of \$150,000 or less.



Photo Credit: Made in NYC

# III. KEY FINDINGS



## The emerging specialty food sector is largely comprised of companies 3-5 years old, a critical time for companies attempting to scale in the face of the many challenges to growing a manufacturing business in New York City.

906 food and beverage manufacturers opened for business in 2009-2011. Of this 3-5 year old company cohort, 61% are still active today. Passing this milestone is an important indicator for greater success - 37%, or the largest percentage of food and beverage manufacturers that opened and closed between 1996 and 2013, did so after being operational for 3-5 years.<sup>9</sup> This is a critical time for a company to scale and add accounts, which brings new challenges that need to be navigated in order to add employees. In addition to the need to add more sales accounts, 44% of survey respondents stated the need to find bigger and/or affordable space as a key challenge to growing their business. “We’ve seen incredible growth in the past few years,” says Liz Gutman, Co-Founder of Liddabit Sweets, a candy manufacturer that opened in 2009. “We recently moved into our own space but it was a hard search. Building out space for food production is time consuming and costly. If your lease is not long enough or your rent is not sustainable, it’s tough to make the required investment.”

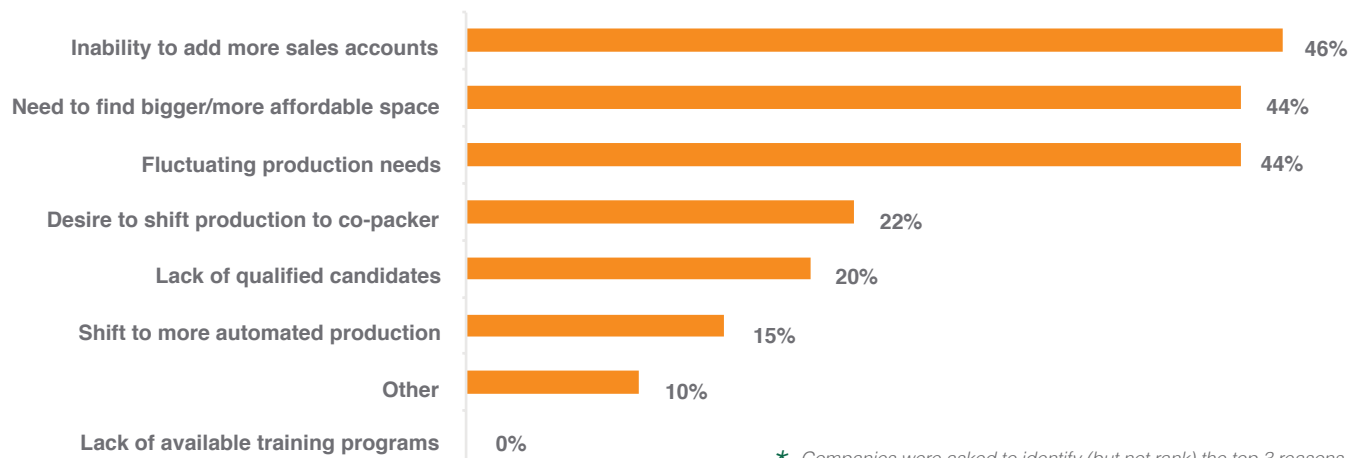
Access to financing is another critical challenge for young companies. While there are several loan programs available to food and beverage manufacturers, including the NYC Food Manufacturers Growth Fund created by the New York City Economic Development

Corporation in 2013, many companies still face difficulty obtaining the financing they need to invest in new equipment, manage their cash flow or cover other expenses necessary to scale. Some companies do not meet the eligibility requirements of the various loan programs, while others choose not to complete their applications due to the time or personal resources required to close on the loan. For entrepreneurs with their own personal debt, accessing loans can be particularly difficult.

**“Building out space for food production is time consuming and costly. If your lease is not long enough or your rent is not sustainable, it’s tough to make that investment.”**

“First you rack up personal debt to start the company, which then makes it difficult to get a business loan, which then makes it difficult to grow your business which would aid you in getting out of your debt. It’s a cycle that’s tough to avoid,” says Mike Schwartz, owner of Bad Ass Organics, a manufacturer of fermented drinks and foods.

**Chart 4: Primary Reasons That Would Prevent New Hires in Next 3 Years\*; N=41**



\* Companies were asked to identify (but not rank) the top 3 reasons

<sup>9</sup> NETS



Many recent food entrepreneurs are new to the food industry. The need to understand the particulars of the industry—from the complexity of working with a third-party distributor to the cost implications of particular packaging options—is critical to a company developing a realistic business plan that will position it for success. “There are resources to help companies with financial planning but most

firms don’t know about them or take advantage of them,” says Bryan Doxford, Senior Vice President and Program Manager for Community Lending at the New York Business Development Corporation, which manages the City’s food loan program. Having a sound and detailed business plan can help companies obtain loans as well as attract outside investors.

## 2

### **The emerging specialty food sector is less diverse than the overall food and beverage manufacturing sector.**

According to the U.S. Census, 73% of the New York City food and beverage manufacturing workforce is comprised of people of color,<sup>10</sup> compared to only 40% of the workforce of surveyed firms, which are mostly younger firms. This suggests a disparity in racial composition of the workforce between the overall food and beverage manufacturing sector and the subset of specialty firms. There are also differences between educational attainment levels and language ability between the overall food and beverage manufacturing sector and the younger, specialty firms. The younger specialty firms seem to have a more highly educated workforce with greater English language proficiency. Sixty-six percent of all food and beverage manufacturing workers have a high school degree or less,<sup>11</sup> compared to just 15% of surveyed firms that have employees with a high school degree or less. Fifteen percent of the sector’s overall workforce does not speak English at all (another 23% does not speak English well);<sup>12</sup>

just 2% of the surveyed firms’ workforce is non-English speaking.

Manufacturing in general has been a sector that is accessible to those of varied races, and with limited educational attainment and English skills. While the survey conducted for this study is small, and therefore cannot account for the entire specialty food segment, these demographic trends point to the need to proactively work towards maintaining a diverse workforce instead of assuming it will occur organically as it has in the sector overall. The lack of diversity in startups may reflect a structural phenomenon: entrepreneurs are themselves better educated. They initially hire people through their personal network which links them to people who are better educated. Only after they grow to a certain size do they open up their search to broader networks which are more likely to include people with lower levels of educational attainment.

## 3

### **The emerging specialty food sector is optimistic about growing in NYC.**

Despite the challenges of operating in the city’s high cost environment, 70% of surveyed companies plan to maintain their operations in New York City. When asked why they stay in New York City, many owners simply say because “this is where we live.” But operating in New York City is also a strategic business decision and the benefits often outweigh the drawbacks of expensive real estate, traffic and limited food infrastructure such as large warehousing

and freezer space. “New York City is my office,” says Ian Kelleher, Director of Strategic Sales Channels at Peeled Snacks, a producer of dried fruit snacks. “It’s very easy to meet with buyers and vendors from around the world. People are constantly travelling to the city for one reason or another, making it very easy for me to do business without having to travel far from the office. That’s a major time saver.”

<sup>10, 11, 12</sup> The American Community Survey Public Use Microdata Sample (ACS PUMS)

Quick and ready access to New York City’s enormous consumer base is another major benefit to operating here. Companies are taking advantage of numerous outlets such as summer stands at parks, outdoor food markets and entertainment venues. For example, Alchemy Creamery, a manufacturer of frozen vegan desserts, hires temporary employees in the summer months to run a stand on Governor’s Island that helps raise exposure for the young company’s products. Opening up combination retail/production facilities is another

avenue that specialty firms are utilizing to expand their consumer base while at the same time benefiting from retail’s higher profit margins. “Our long term goal is to have a combined retail and manufacturing space,” says Antonio Ramos, Co-Owner of Brooklyn Soda Works, a manufacturer of healthy sodas that currently sells mostly to restaurants and caterers. The two elements support one another in creating a cool, interesting space to draw customers and helps pay the rent. At \$30 a square foot you can’t manufacture something at a fair price.”

## **4 The emerging specialty food sector expects to double employment within three years, and English skills will be increasingly important for new hires.**

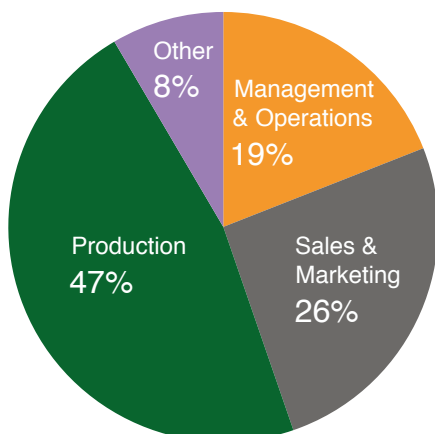
Companies are not just anticipating staying in New York City but growing their workforce as well. A resounding 89% of surveyed respondents stated they plan to hire additional employees within the next three years, for a total of 331 new employees within just 39 firms, double the current workforce of surveyed companies. Almost half of the new jobs are expected to be production-based with another quarter in sales and marketing.

A significant shift may be underway in the skills required for an entry level production job. When hiring new entry-level employees, companies are ideally looking for people with English skills, basic job readiness skills and previous work experience in the food industry. 86% of surveyed respondents stated the ability to speak English would be a requirement for a new entry-level hire (60% also cited the ability to write in English). This is a dramatic shift from the current sector’s English language skills, where overall 38% of employees do not speak English well or at

all. Grace Moore, Communications Manager at Hot Bread Kitchen, a manufacturer of breads and tortillas that also runs a commercial baking training program where participants produce the company’s breads as part of their training, notes that the workforce training participants must have a minimal level of English skills in order to communicate effectively with their English speaking management team. Participants also participate in a weekly paid English as a Second Language class to help improve their skills.

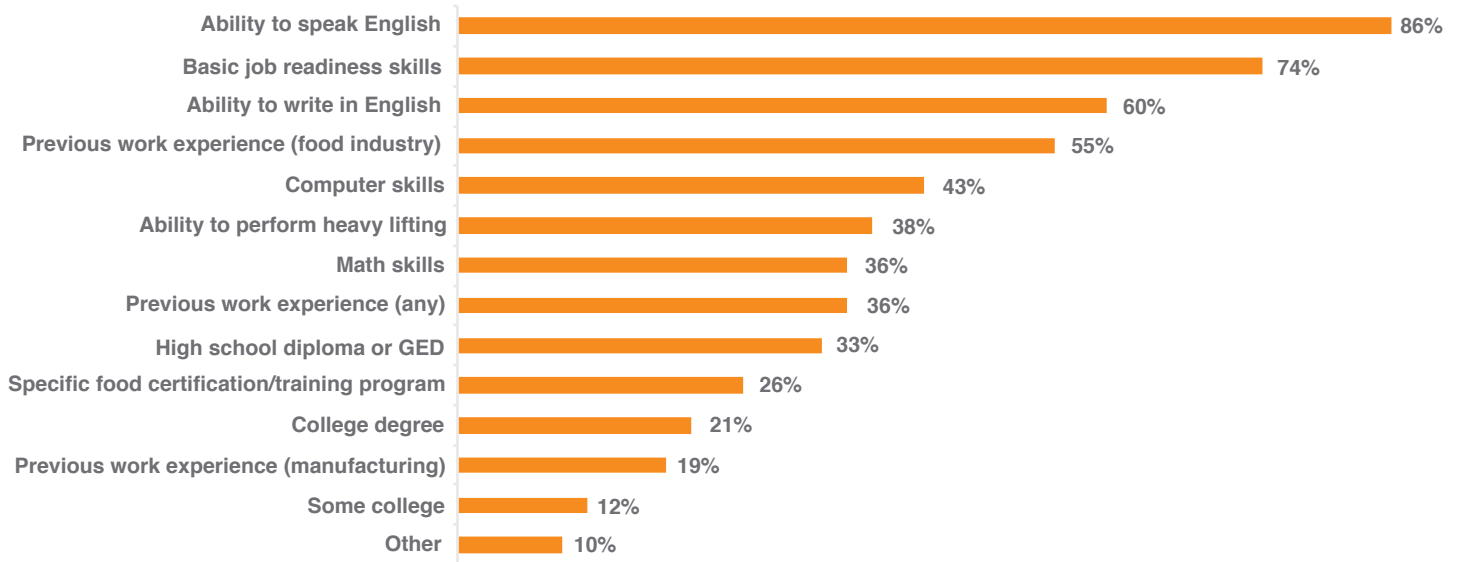
Higher educational attainment levels do not rank as high as a prerequisite for employment. Seventy-one percent of the surveyed respondents’ current workforce has a bachelor’s degree or higher, but only 21% of respondents stated a college degree would be required for new hires in a future entry-level position, and the majority of these positions would be related to sales. For all positions, 73% of respondents stated they would only require a high school diploma (or did not cite a minimum education level as a prerequisite).

**Chart 5: Expected New Hires By Position; N=331**



**89%** *Percentage of surveyed respondents who plan to hire additional employees within the next three years*

Chart 6: Minimum Skills Required for New, Entry-Level Employees\*, N=42



\* Companies were asked to identify all minimum required qualifications.

# 5

## The emerging specialty food sector is increasingly facing difficulty finding new employees as the owners’ personal networks are no longer meeting demand.

When searching for new hires, 80% of surveyed respondents stated they use their personal network and 71% stated they use employee referrals. But as the economy has improved, companies are noting that these networks are no longer as vast a resource to find new employees. “For a while it was fairly easy to find employees,” says Grady Laird, President and Co-Founder of Grady’s Cold Brew. “As the economy has picked up though, it is getting harder and harder to find qualified candidates.” Companies are increasingly turning to want ads to cast a wider net; 73% of surveyed respondents stated they used online/print job postings when searching for new hires. However, few interviewed companies said they actually hired a new employee from a want ad.

Average industry wages are part of the challenge. The average annual wage in the food and beverage manufacturing sector is \$32,377, higher than average wages in retail and restaurants but lower than the average for all industries in the city.<sup>13</sup> Real wages, when adjusted for inflation, exhibited an overall

negative percent change of 17% between 2003-2013. Real wages in all private industries during this time showed a percent change increase of 0.4%.<sup>14</sup> Within the food and beverage manufacturing industry, wages do rise significantly with higher educational attainment: the average annual wage for employees with a bachelor’s degree or higher is \$64,621.<sup>15</sup> Companies in start-up mode often have a harder time paying higher wages, and several young companies stated that the owner was the last one to be paid when cash flow is tight.

**“As the economy has picked up, it is getting harder to find qualified candidates.”**

However, there are several companies that view paying employees living wages as an integral part of their business strategy.<sup>16</sup> “Paying living wages is intuitive,” says Shamus Jones, Founder of Brooklyn

<sup>13, 14</sup> BLS QCEW

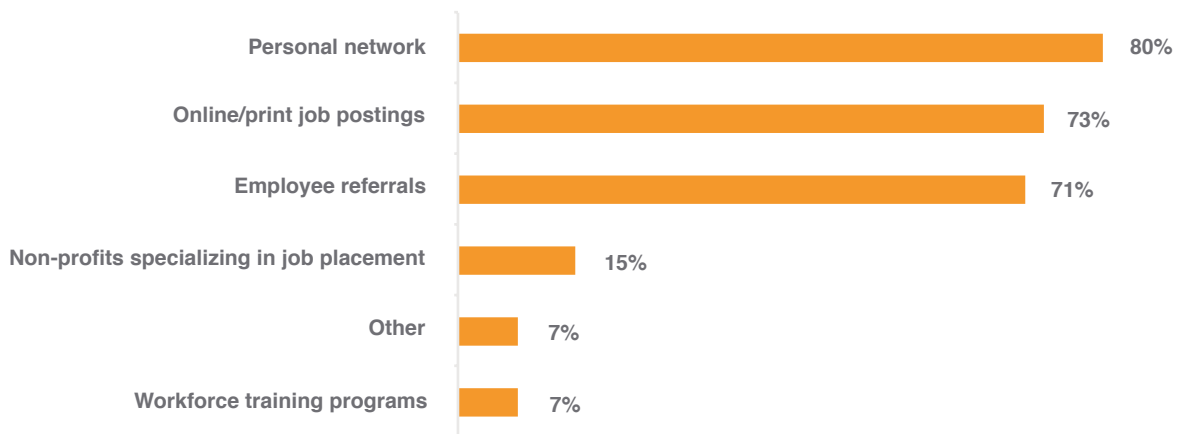
<sup>15</sup> ACS PUMS

<sup>16</sup> Companies define living wages differently but all included wages higher than minimum wage for entry-level workers.

Brine, a manufacturer of pickled foods. People start at \$16/hour. We get great worker retention, people have a great attitude and it really breeds efficiency.” Forbes Fisher, Co-Founder and President of Steve’s Ice Cream, has a similar outlook. “We have a specialized staff so we pay high wages. It’s key to our worker recruitment and retention strategy.” Still many others struggle with their ability to pay higher wages despite their desire to do so. “We

have raised wages in an attempt to find the qualified people we need but we can only pay so much,” says Marisa Wu, owner of Salty Road, a manufacturer of salt water taffy. “The cost to manufacture in New York City is extreme but this is our home and we want to stay here. Our rent and equipment are expensive and our ingredients are high-end. It’s hard to make it all work but we’re trying.”

**Chart 7: Employee Recruitment Sources, N=41**



**6**

**The emerging specialty food sector is not adequately connected to NYC’s large workforce development infrastructure despite the sector’s need to find new, qualified employees.**

New York City has a vast and complex network of workforce development and job placement programs administered through non-profit organizations, educational institutions, and government agencies. However, this system is not adequately connected to the specialty food and beverage manufacturing sector. Many of these programs successfully target the manufacturing sector in general (including but not specifically food), such as the Southwest Brooklyn Industrial Development Corporation and the City’s Industrial and Manufacturing Workforce 1 Center, and some target specific sub-sectors in manufacturing such as Brooklyn Workforce Innovation’s Brooklyn Woods program, which prepares participants for jobs in woodworking. While there are many workforce training programs in the city that prepare people for jobs in restaurant and food-based retail, there is only one program in the city targeted specifically for production jobs in commercial baking:

Hot Bread Kitchen’s Bakery Training Program. This 9-12 month paid training program prepares participants for jobs in commercial baking through course work such as English as a Second Language, baking math, and food prep modules such as bread shaping and mise en place, as well as hands-on food production experience manufacturing Hot Bread Kitchen’s line of breads and baked goods.

Only 7% of surveyed respondents reported successfully placing an employee through a workforce training center or placement program. 93% of respondents said they have never successfully placed an employee through this type of program, 84% of which simply because they have never used these services. However, 68% of respondents cited identifying qualified prospective employees as their biggest workforce challenge, indicating a need for this type of assistance.

Many workforce training providers that were interviewed for this study indicated an interest in creating a program geared towards food and beverage manufacturing if there was true demand for jobs and if the jobs were of similar quality to those in their other programs. Youth programs in particular could be key in creating a strong long-term pipeline for qualified candidates. Many specialty food companies cited the need for temporary, seasonal positions (that could be filled by seasonal youth) and for full-time workers that have food industry experience and basic job readiness skills (which youth program graduates could be prepped for). “Youth programs are less about gaining specific skills and more about gaining core competencies and helping youth become job-ready,” says Randy Peers, Chief Executive Officer at Opportunities for a Better Tomorrow, a non-profit specializing in workforce programs aimed at disconnected youth. Drive Change, a new program that trains previously incarcerated youth on all aspects of operating a food truck, is an example of a program that is specifically targeting the food industry for youth employment opportunities, and a model that

could be expanded upon to include the food and beverage manufacturing sector as an employment option.

**47%** *Percentage of surveyed respondents who have promoted an entry-level employee*

Creating career paths is a primary focus of the Mayor DeBlasio’s new workforce development agenda,<sup>17</sup> paving the way for stronger connections for workforce providers and specialty food and beverage manufacturers. 47% of survey respondents stated they had promoted an entry-level employee to a mid-level or supervisory position. Companies are also providing training for entry-level employees: 56% stated they provide training and many companies mentioned the value of cross-training employees on all aspects of the business, granting a more varied work experience for employees.



Photo Credit: Carolyn Walsh

<sup>17</sup> The City of New York, Career Pathways: One City Working Together, November 2014.

## IV. RECOMMENDATIONS

The growing number of food and beverage specialty manufacturing firms in the city and the opportunities for employment in the sector indicate that there is a potential for longer term economic benefit. However, there are unique challenges facing food manufacturers that must be addressed in order to support business development and growth, and to ensure that the sector provides better quality employment opportunities. The following recommendations and strategies are designed to address these barriers, and capitalize on the opportunities of this vibrant sector. There are two broad categories of recommendations for the sector:

**1**

**Promote a diverse workforce by forging relationships between workforce providers and food and beverage manufacturers.**

**2**

**Create policies and programs to help companies grow past the critical 3-5 year stage so they can scale up and provide quality employment.**

Combined, these strategies will strengthen the foundation of the emerging specialty food and beverage manufacturers and help build the networks and infrastructure needed to help these, and future companies grow in New York City.

# 1

## Promote a diverse workforce by forging relationships between workforce providers and food and beverage manufacturers.

New York City has a vast workforce development infrastructure that includes training, recruitment and placement services. Despite many programs that train and place people in the restaurant sector, Hot Bread Kitchen is the only program that specifically trains for jobs in commercial baking. As manufacturing companies expand their workforce beyond their initial hires (that tend to come from their immediate personal network) they have difficulty finding

prospective employees with the required skill sets. To help ensure the manufacturing workforce remains accessible to people of all backgrounds and educational attainment levels, it is critical for companies to work with local workforce organizations to train and place qualified employees and to raise awareness about opportunities in the food sector in communities of color.



Photo Credit: Made in NYC

## a

### Develop a skills-based training program for food production.

With over 150 companies opening up each year, and many looking to hire new employees, there is a need to prepare more people for jobs in the food and beverage manufacturing sector. Industrial Business Service Providers (IBSP) should work with city agencies, workforce intermediaries, and training organizations to develop a skills-based program specifically for food production with feedback loops to ensure potential employees are trained for the pipeline of jobs companies anticipate needing to fill. This program could be a spin-off of an existing

culinary training program, such as Kingsborough Community College's program, or a new program, which is modeled off of successful sector-based training programs such as Brooklyn Workforce Innovations' Brooklyn Woods. In addition to class modules on job readiness and food production basics, the program should include contextualized English as a Second Language classes for a manufacturing workplace and hands-on learning opportunities through internships or contract production assignments for the workforce training organization.

## b

### Create a youth apprenticeship program for the food production industry.

While high school equivalency is still looked upon by many employers as a prerequisite, many employers in the food production sector also value experience in the food industry over higher education. To widen exposure to careers in food and beverage production and to provide businesses with energetic candidates interested in learning all facets of the business (a plus for small companies that tend to cross train their

employees), IBSPs should work with city agencies and workforce intermediaries to create a youth apprenticeship program for the food and beverage manufacturing industry. This program should be linked to the city's high schools, especially those with a focus on culinary arts, and could be tied to existing youth programs or developed as a new standalone program.



## Create a food and beverage manufacturing consortium program to bridge communications between employers and workforce providers.

There is a myriad of business service programs available to companies in the city, but locating the right resource can be a time consuming effort for a business owner. In order to streamline offerings and provide more targeted assistance, the city should support a central Food Consortium Coordinator at one of the Industrial Business Service Provider organizations to develop programming for the food and beverage manufacturing sector. This coordinator should leverage the city’s other IBSPs to funnel resources and services on a local level to city businesses. Specifically, the Food Consortium Coordinator should be charged with:

- Building connections between IBSPs, food and beverage manufacturers, and workforce intermediaries
- Providing a central job development service to place qualified candidates with expanding companies
- Training in-house staff at the city’s IBSPs on issues specific to food companies

- Developing workshops and seminars that can be hosted by the city’s IBSPs on workforce related topics

Additionally, the Food Consortium Coordinator can work with the city’s IBSPs on promoting high road employers as models for the industry. Many companies have met the growing market call for quality and wholesome food products by creating goods made with healthy and sustainably sourced ingredients. As part of the discussion around quality foods, it is also important to raise the workplace conditions in which these goods are produced. As stated in the Mayor’s 2014 Career Pathways report, the City is looking to launch the NYC Good Business initiative that will identify “champions of high-road workplace strategies.”<sup>18</sup> The Food Consortium Coordinator and its partners should seek out potential applicants to this program and promote them as models and mentors to advance high-road workplace strategies throughout the sector.



## Create policies and programs to help companies grow past the critical 3-5 year stage so they can scale up and provide quality employment.

It is important to maintain the city’s support for entrepreneurs and start-ups, but it is equally important to increase support for businesses poised to scale, especially those in the 3-5 year stage that without some additional support are more prone to

close. As companies face challenges, it is critical they have the assets they need to succeed, including affordable real estate, accessible financing and expert guidance.



## Promote real estate development and land use policies to support food and beverage production.

Finding appropriately sized space for food and beverage manufacturing at various points in their lifecycles is extremely difficult in NYC. Not only are rents high but building out space specific for food production can be costly and timely. The City should

actively promote development and land use policies that support growing businesses and enable companies to capitalize on the city’s large consumer base.

<sup>18</sup> The City of New York, Career Pathways: One City Working Together, November 2014.



**(i) Tighten zoning regulations in Industrial Business Zones so that for-profit and non-profit development of affordable production space is available for growing companies.** Many start-up food companies begin in home or shared commercial kitchens but often cannot find affordable, step-up options when looking to establish their own production spaces. While the market has begun responding to the growing demand for smaller production spaces, there is still unmet demand for growing companies of various sizes to expand. Production space is threatened by the wide range of non-industrial uses, such as big box retail, hotels, self-storage and large entertainment venues, that can locate in a manufacturing zone as-of-right, but can pay much more for the space than manufacturers can, therefore inflating real estate costs.

In order to create a real estate market that is affordable to manufacturers, the City should strengthen its Industrial Business Zones by limiting the type and size of non-industrial uses that can locate there without a special permit. By doing so, more space will be available for manufacturing uses only and in turn, will keep prices to a more affordable level. In addition, the City and City Council should expand the Small Manufacturing Investment Fund, originally created by the City Council after the Greenpoint-Williamsburg rezoning, to support non-profit development of industrial space. Non-profit industrial development is more likely to result in long-term, affordable real estate options that can fulfill an organization's job-creating mission.



**Provide targeted resources aimed at small but growing companies with built-in incentives for offering high-quality employment opportunities.**

**(i) Establish a pool of food industry experts to provide subsidized consulting services for companies providing quality jobs.** While group workshops and seminars are helpful, many companies also require one-on-one assistance tailored to address challenges specific to their business. The Food Consortium Coordinator, mentioned above, should establish a pool of consultants with deep expertise in the food industry that can be recommended to growing firms to assist with a wide range of issues including revising business plans and financial planning. To help encourage high quality employment practices, the City should subsidize these services to businesses that can demonstrate they are providing quality jobs with decent wages, benefits

**(ii) Promote programmatic clustering of food businesses that incorporate retail and production.** Sector-based clusters are not new to New York City. Historically similar types of manufacturers and associated suppliers tended to locate near each other (e.g. the garment district, printing district, etc.). Real estate pressure and zoning changes have dissipated many of these districts, dispersing industrial businesses across the five boroughs. However, in the past decade, new food clusters have emerged—most notably in Long Island City and in the Pfizer Building in Williamsburg. By bringing food and beverage manufacturers in close proximity to one another, opportunities arise to create “industrial destinations” that have consumer appeal, as well as to facilitate cooperative purchasing, transportation and marketing efforts. More recently, Industry City is attracting food companies to Sunset Park to co-locate food retail and manufacturing facilities. Hybrid retail/manufacturing space enables greater direct-to-consumer sales, and therefore greater profit margins, and as a result a greater number of companies are opening co-retail/manufacturing spaces in Sunset Park and elsewhere in the city.

The City should identify opportunities to create food destinations that incorporate retail, production and dining experiences that help promote the brand of NYC's food industry and provide greater exposure and sales opportunities for food and beverage manufacturers. This could be accomplished in partnership with the non-profit industrial development fund mentioned above.

and/or other pre-determined value to their employees. To meet the needs of busy business owners who often cannot spare time away from their facility, these consulting services should be provided at the company's place of business.

To further encourage investment in quality jobs in the food sector, the City should explore offering loan modifications to NYC Food Manufacturers Growth Fund loan recipients that can demonstrate that they have provided well-paying jobs. Modifications could include making portions of the loans forgivable and/or offering interest rates adjustments based on recipients meeting pre-determined employment metrics established at the outset of the loan.

**(ii) Build a Food Investor Network to facilitate private investments in the local food manufacturing sector.** Angel and other types of investors are increasingly interested in food companies. Companies such as Food + Tech Connect and individual high-profile investors are drawing attention to the sector as promising opportunity. The NYC Economic Development

Corporation should work with the City's IBSPs to create a Food Investor Network to bridge connections between local food and beverage manufacturers and local investors. The Network could sponsor matchmaking events, pitch competitions and other programs that bring entrepreneurs and investors together, as well as provide business mentoring to food companies.

## V. CONCLUSION

New York City's food and beverage manufacturing sector has seen significant growth in the past decade, with a particular spike of new, specialty firms in the past five years. This cohort of firms is now in a critical stage as they attempt to scale up, a milestone that many firms of their age have failed to achieve in the past. Notwithstanding the myriad of challenges that manufacturers operating in the city face, these firms are optimistic about growth. However, to ensure the sector remains accessible to a diverse population, city agencies, the Industrial Business Service Providers and workforce organizations need to work together to bridge gaps in services and institute programs and policies to support these companies to thrive in New York City.



Photo Credit: Grady's Coldbrew.

## Appendix A: Methodology

**Evergreen (formerly the East Williamsburg Valley Industrial Development Corporation) and the Pratt Center for Community Development** have been working with food and beverage manufacturers for decades and leveraged our long-standing presence in the industry to conduct this study. Specifically, the research team:

- ◆ Surveyed 45 food and beverage manufacturers operating in New York City
- ◆ Conducted interviews and focus groups with 12 food and beverage manufacturers
- ◆ Conducted interviews with 11 organizations offering workforce training or job placement services in the culinary and/or manufacturing sectors
- ◆ Conducted interviews with 12 other stakeholders including organizations running kitchen incubators, financing programs and job advocacy programs as well as other experts in financing, marketing and business development
- ◆ Compiled and analyzed several secondary data sources including:
  - ◆◆ U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages (BLS QCEW)
  - ◆◆ New York State Department of Labor Occupational Employment Statistics (OES)
  - ◆◆ U.S. Census American Community Survey 5 Year Public Use Microdata Sample (ACS PUMS)
  - ◆◆ National Establishment Time-Series Database (NETS): a private data set compiled by Walls and Associates, in conjunction with Dun and Bradstreet and accessed through the Institute for Exceptional Growth Companies (IEGC), a project of the University of Wisconsin Extension Division of Entrepreneurship and Economic Development (DEED).