

**Testimony
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**to the
Subcommittee on Biotechnology, Horticulture, and Research
Committee on Agriculture
U.S. House of Representatives**

**at the hearing to review
Opportunities and Challenges in Direct Marketing – A View from the Field**

February 2, 2016

Introduction

Green City Growers, an Evergreen Cooperative, appreciates this opportunity to speak to the subcommittee today. As CEO of Evergreen and the Interim President of Green City Growers, I am honored by this invitation and welcome the opportunity to share experiences from our inner-city, hydroponic farm in Cleveland, Ohio.

In 2012, Green City Growers (GCG) constructed a 3.25-acre hydroponic, food production greenhouse in the heart of urban Cleveland, Ohio. The 11.5-acre plot of brownfield land in Cleveland's 'Central' neighborhood was the former site of 40 abandoned homes. Today, GCG operates what has become one of the largest food production facilities in a core urban area, while providing 36 full-time jobs and wealth-building opportunities for residents of Cleveland's Greater University Circle area. University Circle is home to the Cleveland Clinic, University Hospitals, Case Western Reserve University, and approximately forty cultural institutions.

Despite University Circle businesses purchasing more than three billion dollars in goods and services annually, the surrounding neighborhoods have 43,000 residents with a median

household income under \$18,500. Green City Growers, as part of the network known as The Evergreen Cooperative Corporation (501c3), is a component of the comprehensive Greater University Circle Initiative dedicated to stabilizing these neighborhoods through the creation of for-profit, worker-owned companies. The companies provide living wage jobs, medical benefits, profit sharing, and home-buying programs for the worker-owners.

After a thorough analysis of markets, crops, input costs, and projected revenues, stakeholders determined that a commercial food production greenhouse located in urban Cleveland would be a profitable and viable business employing 40-50 full-time employees (at capacity). The \$16 million hydroponic greenhouse facility was designed to grow three million heads of multiple lettuce varieties, and three hundred thousand pounds of herbs per year. These products are marketed to Greater University Circle (GUC) anchor institutions, supermarkets, and produce wholesale companies within a 150-mile radius around Cleveland, Ohio.

Specifically, GCG relies on three distinct go-to-market strategies: a direct sales effort via its own sales team, major distributors (who staff their own sales teams), and brokers who represent multiple farms to aggregate major produce categories which ship to large buyers (a '1-stop shop' strategy). As of today, this marketing approach has resulted in a customer base consisting of: both small and large retail grocery chains (40%); wholesale distribution to area restaurants, hospitals, and schools (40%); and food processors who utilize herbs as an ingredient in large-batch recipes (20%). It is now evident that consumers, institutions, and businesses in the region have begun to support locally-grown food initiatives as part of the ongoing revitalization of our city.

Current Status

As is the case for many startup companies, the first two years of operation for Green City Growers were turbulent. After the excitement of the ribbon-cutting of this ground-breaking venture, sales and marketing efforts were met with predominantly status quo buying habits. Other than a few early on adopters of this progressive solution to year-round, high quality produce, most buyers in the region stayed the course with their traditional buying habits (via long-distance hauling). This challenge, combined with our overly optimistic sales projections, created daily working capital hurdles – again, not uncommon among startups of any kind.

Year-round hydroponic farming involves significant operational overhead, requiring production at nearly 100% capacity in order to achieve consistent profitability. This is especially true in the winter months in Northeast Ohio. During 2015, GCG doubled its sales to get to 75% capacity. The market has finally begun to support strong growth, but much work lies ahead to get this inner-city farm to consistent profitability.

Challenges

The business challenges which GCG continues to face can be summarized in 3 broad categories:

1. Displacement of traditional buying habits and long-standing buyer-supplier relationships- an urban agriculture solution like ours is still new to many prospective commercial buyers. While much progress has been made in this area as of late, there are still a number of large regional players who have yet to ‘come around.’
2. Market position and pricing- consumer education relative to the high value of hydroponic growing is lacking, therefore many individual and institutional buyers are unwilling to pay more for this produce than similar field grown varieties. On the other end of the spectrum, hydroponic growers also compete with certified organic and other niche market producers, even though controlled environment hydroponic facilities provide advantages with respect to food safety controls and reduced water consumption.
3. High energy costs- despite award-winning facility design in the area of energy efficiency, there is no escaping the intense demand on electric power to run effective grow lights. GCG and others in the hydroponic industry will need to convert some or all electricity generation to one or more renewable sources. Incentives, tax credits and the like will be key to making this costly conversion.

Opportunities

Ongoing weather-related issues and inescapable drought problems in the western U.S. have begun to really drive commercial hydroponic growing. Added to this growing concern is the clear need for tighter food-safety controls, some of which can only be attained via the controlled

indoor farming practices found in facilities like Green City Growers. Opportunities for this agricultural model include, but are not limited to the following market differentiators:

1. Consistent quality of product, year-round;
2. Reliable availability (no crop loss regardless of outside weather conditions);
3. Pesticide-free produce;
4. Highest level of food-safety standards;
5. Sustainable growing (GCG uses only 1 gallon of water per mature head of hydroponic lettuce, as compared to approximately 40 gallons used for a similar field grown variety – and at GCG, over 80% of all water used in its growing ponds is captured rain and snow);
6. Reduced transportation costs by growing primary crops closer to dense population areas; and
7. A worker-friendly environment (90% of the company is owned by its employees).

Outlook

After almost three years in operation, Cleveland-based Green City Growers has emerged from a difficult startup by establishing itself as a reputable farm known for its consistency and industry-leading food safety practices. Discussions have now turned to scale: how will GCG and the hydroponic industry as a whole expand this hyper-local food production effort in order to have an even more significant impact? Among the many lessons learned since GCG's launch in 2012, priorities for the pathway to scale include:

1. Better financing options;
2. Better (lower-cost) land acquisition;
3. Tighter, more well-defined food safety regulations (to level the playing field); and
4. Affordable access to renewable energy such as wind and solar.

Conclusion

GCG is honored to be a part of this discussion and extends an open invitation to this Subcommittee to remain engaged with us along this important journey toward sustainable urban agriculture. Meanwhile, I would encourage the Subcommittee to give careful consideration to ways in which a future farm bill might address some of the issues confronting urban

agriculture. I realize this is perhaps not a traditional area of agriculture for a farm bill to deal with, but it is in fact a burgeoning sector in numerous cities across the country that might benefit from a seat at the table. The commercial growing and marketing of fresh, nutritious food while creating living wage jobs and economic development in low income neighborhoods is a win-win-win that should be encouraged and well-supported as an emerging part of the U.S food policy equation.