Building a Local Supply Chain in Southwestern Colorado

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Zia Taqueria - Southwestern Colorado

Full service retail food establishment:

- 2 locations in Durango
- High-volume restaurants
- Small floor space (& small kitchens)
- 43 FTE employees
- Cost control through energy efficiency and strategic use of durable supplies for food service
- Philanthropy plays large role in business plan
Zia’s value proposition

“Our commitment to local food stems from our belief in the benefits of eating nutrient dense food, which is grown locally. Supporting local farmers and ranchers is central to building a healthy and sustainable community. Purchasing local food keeps dollars in our regional economy, reduces our carbon footprint, and offers healthier food options to our patrons.”
Business situation

- Privately-owned retail food establishment
- Competitive environment—how to differentiate a restaurant?
- Difficult food production and processing environment
- Area removed from major cities by mountain passes & distance

Restaurants by La Plata County location

- Durango: 79%
- Bayfield: 12%
- Ignacio: 9%
Growing local food sourcing
(% total food cost)

Local = sourced within 30-mile radius of restaurant
Regional = within La Plata & Montezuma Counties

2005 actual
Mainline distr. 95%
Local/reg. sourcing 5%

2013 actual
Mainline distr. 82%
Local/reg. sourcing 18%

2020 goal
Mainline distr. 55%
Local/reg. sourcing 45%

Local = sourced within 30-mile radius of restaurant
Regional = within La Plata & Montezuma Counties
Business profile

- 80% of customers come from local area; 75% repeat

  “The most successful restaurants aim to get at least 60% of their customers to visit their restaurant once a week,” (senior vice president of finance for restaurant chain).

- Modestly priced meals ($10 max; only 2 competitors in this price range with some local offerings)

- No menu price increases since 2010 (while consumer prices for food away from home have risen by 9.4%)

- Consistently high quality, fresh food—build your own plate

- Restaurant sales grow ancillary business (catering now 12% of all sales, from 1-2% in 2005)
Entrepreneurial focus

- Increasing the quantity of produce, meat and other food products coming from a diverse and growing number of suppliers

- Making capital investments in suppliers’ capacity to increase overall production, some of which is sold to Zia and some to other markets
Community linkages—an anchor in the regional food system

- Support *Growing Partners of Southwest Colorado*

- Help farmers grow retail markets for fresh vegetables
  - La Plata County Beginning Farmers Program
  - Old Fort Farm Incubator
Connecting businesses & growing a supply chain by

Developing long-term relationships to source from:
- 6 produce farms
- 3 livestock growers

Supporting local markets and producers in spot transactions
Supply chain development strategies for fresh produce

- Identifies growers ➔ La Plata County Building Farmers graduates, Old Fort Farm Incubator, farmers markets
- Provides infrastructure & equipment for farms to build capacity (season extension, labor-saving)
  ➔ Purchases hoop houses & equipment for growers, who then provide 50% discount on produce sales
- Engages in production planning that meets restaurant needs for varietals, timing & quality of produce
How does Zia Taqueria measure up?

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<thead>
<tr>
<th>Category</th>
<th>Industry Standard</th>
<th>Zia Taqueria</th>
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<tbody>
<tr>
<td>Labor</td>
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<td>COGS</td>
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<td>Earnings/Profit</td>
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Notes: COGS=Cost of Goods Sold. Zia reports its earnings as EBITDA (before interest, taxes, depreciation and amortization)
5 farms & 3 livestock producers

2 manufacturing positions (chips produced in La Plata + tortillas produced in Mesa County)

43 FTEs restaurant staff (high retention)

Estimated total of $1.04M in annual wages paid, 24% of which are attributed to indirect employment created through local product sourcing.

Source: QCEW data, 2013.
Marketing is key to success

Direct marketing

• Web site, Facebook, articles in local/regional publications, YouTube

Indirect marketing

• Community sponsorships (donations of food), catering special events, charter school meals
Integrating local and regional meat & grain processing

Barriers:

- High local demand for retail pork narrows the wholesale market
- Cannot purchase chicken since no poultry
- Supporting heritage corn production on Ute Tribal lands & processing it entails significant transportation costs (361 miles total)
Expanding local produce sourcing?

• **Volume**: Southwest Farm Fresh (new 20-producer, *new* 3-county coop offering distribution of meats, vegetables and fruits)

• **Seasonality**: cold storage (fall 2014) and processing facility (2015) in neighboring Montezuma County

**Barriers:**

• Location
• Land prices
• Scarcity of ag production water
• Time required to locate farmers, manage multiple accounts & smaller lots of produce
The future

- Expand network of growers who supply restaurants and catering business (cultivating farmers, leveraging new coop)

- Increase vertical integration:
  1. build a cold storage & produce processing facility to can or freeze and store fresh local product for off-season use
  2. start own farm to source produce for restaurant

- Continue sales growth of 15-20% per year