

ACKNOWLEDGEMENTS

This report is a partnership between Sustainable Economic Enterprises of Los Angeles (SEE-LA) and the Urban & Environmental Policy Institute at Occidental College (UEPI). The project team are:

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LISC LOS ANGELES







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INTRODUCTION

Farmers' markets are well known as a venue for small farmers to access retail customers in their local communities and regions. In fact, many California small farms rely almost exclusively on farmers' markets as their primary source of revenue¹. Lesser known is that farmers' markets also play a key role in supporting beginning food entrepreneurs selling prepared (cooked at the market) or prepackaged (prepared off-site) foods. Farmers' markets provide a low-overhead way for small-scale operations to access customers and get their businesses off the ground. These farmers' market entrepreneurs, or "food vendors" are the focus of this report, which is a project of Sustainable Economic Enterprises of Los Angeles (SEE-LA) and the Urban and Environmental Policy Institute at Occidental College (UEPI), and funded by the Local Initiatives Support Corporation (LISCLA) HUD Section 4 grant. SEE-LA operates six Los Angeles farmers' markets as well as a variety of programs that support local food systems and communities, and UEPI is a research and advocacy institute at Occidental College that advances community-driven programs and policies to build healthy, thriving communities while achieving social, economic, and environmental justice, and has worked on farmers' market issues for nearly 10 years.

Our goal in this project is to learn more about who Los Angeles farmers' market food entrepreneurs are, the ways in which farmers' markets support them, and the resources they need most. The project also focuses on the experiences of BIPOC-owned (Black, Indigenous, and people of color) and women-owned businesses within this community, with the ultimate goal of better serving entrepreneurs from these groups, which are underrepresented as business owners. The project is also intended to provide insights about the broader landscape of small and early stage food businesses in the Los Angeles region, to inform recommendations for supporting the small-scale food business sector.

Within the first weeks of conducting research for this project in March of 2020, the COVID-19 safer-at-home order was announced. Though farmers' markets were considered an "essential service" and allowed to remain open with an approved COVID-19 operational plan, prepared food vendors were banned from all farmers' markets in Los Angeles County. Though brick and mortar restaurants were allowed to continue with takeout sales and even reopen for limited outdoor dining, prepared food vendors were not permitted to resume sales at farmers' markets for a full nine months. Additionally, some markets

Bragg, Farmers Markets as Small Business Incubators (USDA, 2017).

closed permanently as a result of the pandemic². These restrictions and closures were a devastating blow for vendors who rely on market sales for the majority of their income.

Though the original goal of this project was not to assess the impacts of COVID-19 on small food businesses, these entrepreneurs were so severely impacted that the scope of the project naturally shifted to include a more comprehensive look at how COVID-19 has affected these businesses, how they are adapting, and how they can be supported moving forward in this uncertain climate.

To address all of the identified project goals, the findings of the study are presented in three sections; an overview of small food businesses that analyzes general characteristics, an analysis of the role of farmers' markets in supporting these businesses, and an examination of the ways in which they have been impacted by and adapted to COVID-19 restrictions. The report concludes with a summary of recommendations for farmers' market operators and other small food business advocates on how to best support these entrepreneurs as they launch and grow their operations.

² For example, SEE-LA's MLK Campus farmers' market (located on a hospital and outpatient center campus) has been closed since the start of the pandemic as the site is now utilized in the response to COVID-19.



BACKGROUND

Starting a small food business is not easy, but that has not dissuaded food entrepreneurs from taking on the challenge. Before the pandemic, despite an estimated 17% failure rate among new restaurants within the first year¹, restaurants were one of the fastest growing small business industries in Los Angeles County². In addition to refining their culinary skills, small food business owners have to contend with financing, accessing infrastructure, navigating regulation, and marketing to customers, all in an industry with slim profit margins. In many cases, for BIPOC as well as women entrepreneurs, these challenges are compounded by additional barriers.

BIPOC Entrepreneurs

BIPOC are underrepresented as business owners in the U.S. While non-white Americans make up over one-third of the U.S. population, only 18% of firms or other enterprises across industries are owned by BIPOC entrepreneurs³. This pattern becomes even more extreme when looking at urban areas where 76% of the population is non-white, but only 23% of businesses are BIPOC owned⁴.

As is the case with so many inequities in the U.S., systemic racism appears to be at the core of this underrepresentation in the form of widespread challenges for BIPOC entrepreneurs in accessing capital. Startup capital is crucial for any beginning business, however, due to the substantial wealth disparities across racial groups in the U.S., fewer BIPOC entrepreneurs have access to financial support from their family members and communities or personal savings, and are therefore more likely than white business owners to rely on loans in order to launch their businesses⁵. Despite a greater need for loans, several studies demonstrate that BIPOC entrepreneurs have more difficulty securing bank loans than their white counterparts and often face higher interest rates on the loans they do receive⁶. Likely as a result of these discouraging trends, along with

- 1 Ozimek, *No, Most Restaurants Don't Fail In The First Year* (Forbes, 2017).
- 2 Mansfield, Startup Statistics The Numbers You Need to Know (Small Business Trends, 2019).
- 3 Initiative for a Competitive Inner City (ICIC), Helping Entrepreneurs of Color Grow Their Business (2018).
- 4 ICICI (2018).
- Bates, Bradford, and Seamans, "Minority Entrepreneurship in Twenty-first Century America" in *Small Business Economics* (2018).
- 6 Kiger, Minority Entrepreneurs Face Challenges in Business Development (Business 2 Community, 2016).



either a real or perceived fear of rejection by lenders, BIPOC entrepreneurs apply for loans less frequently than white business owners⁷, which further exacerbates this inequity in accessing capital.

Compounding the issue of startup capital, BIPOC are underrepresented in the business school admissions pipeline, which is a key avenue for developing mentor relationships, joining business networks, and forming partnerships. Cumulatively, this lack of investment, inclusion, and opportunity can be seen not only in the numbers of BIPOCowned businesses, but also in business earnings, where nonwhite firms earn only 48% of the revenue of whiteowned firms8.

Women Entrepreneurs

Women are also underrepresented as business owners in the U.S. Though women make up over 50% of the population, they own only 40% of businesses⁹. Although a gender gap remains, these numbers have improved substantially in recent years. In the decade between 2008-2018, the number of women-owned businesses increased by nearly 60%,

⁷ Fairlie and Robb, *Disparities in Capital Access between Minority and Non-Minority-Owned Businesses* (Minority Business Development Agency, 2010).

⁸ ICIC (2018).

⁹ Women's Business Enterprise National Council (WBENC), *Behind the Numbers: The State of Women-Owned Businesses in 2018* (2018).

and businesses owned by women of color grew by more than double that rate¹⁰. Yet despite these encouraging trends, a substantial gap still remains in the size and success of these ventures. Though women operate 40% of firms, women-owned businesses account for only 8% of the private sector workforce and 4.3% of private sector revenue. Consistent with these small percentages, women-owned businesses have significantly lower earnings on average, with 88% of women-owned businesses generating less than \$100,000 in revenue¹¹. There is also a persistent revenue gap between women of color and non-minority women consistent with the findings described above. Though BIPOC women account for 47% of women-owned businesses, they are more likely to be "necessity entrepreneurs," or those who start businesses out of a need to make ends meet in tough economic times, rather than a drive to seize a market opportunity. These ventures are often part time companies that generate less revenue than full time operations¹².

Women entrepreneurs also cite access to capital and lack of mentorship and professional connections as the leading barriers to establishing and growing their businesses. Research shows that women are more likely than men to use credit cards for their businesses, while men are more likely to secure equity or investor financing. Consistent with this pattern, women are both less likely to seek financing for their businesses and also less likely to obtain loans or equity financing when they apply¹³.

Though women entrepreneurs report struggling to develop professional networks, mentorship is an important way for all entrepreneurs to learn and work through growth and process issues. Even as little as five hours working with a mentor (regardless of the mentor's gender) has been shown to increase the chances of a new business staying open¹⁴, so mentorship can be a powerful tool in advancing women business owners' success.

- 11 WBENC (2018).
- 12 American Express and Ventureneer (2019).
- 13 SCORE, *The Megaphone of Main Street: Women's Entrepreneurship* (2018).
- 14 SCORE (2018).

American Express and Ventureneer. *The 2019 State of Women-Owned Business Report* (National Association of Women Business Owners, 2019).

SEE-LA Farmers' Markets & Seasoned Accelerator Program

SEE-LA's mission is to build sustainable food systems and promote social and cultural activities that benefit both low-to-moderate income residents of Los Angeles while also supporting California small- and mid-sized farms and local small businesses. In 2019, over 125 food vendors participated in SEE-LA's six Los Angeles farmers' markets. SEE-LA's markets promote these small-scale food entrepreneurs and provide access to customers to build their businesses. Market managers and other SEE-LA staff also provide a range of direct supports, from social media posts, to new product recommendations, to navigating health department permits, as well as encouragement when taking steps to advance their businesses.

Though BIPOC and women are underrepresented as business owners across the U.S., a significant number of the small food businesses at SEE-LA markets are owned by women or entrepreneurs of color. To further support small and beginning food entrepreneurs, specifically those who identify as BIPOC and women business owners, SEE-LA recently launched a small food business accelerator program, the "Seasoned Accelerator," which is designed to formalize and expand the services that SEE-LA provides to entrepreneurs in its network. The objectives for the accelerator are to create a healthy local food economy, sustain and grow existing businesses, and create quality local food sector jobs, especially for people facing barriers to employment. The program achieves this by offering a combination of entrepreneurial training (business development), linkages to sources of capital, and technical assistance (coaching, advising, workshops and networking opportunities). Through this report we will explore how SEE-LA, the Seasoned Accelerator, and similar organizations can shape their programming to meet the current needs of LA's community of small food businesses.





METHODOLOGY

To take a deeper look at farmers' market vendors and the small food business landscape in Los Angeles, the project team used a combination of in-depth interviews and surveys to gain perspectives from a range of experienced and novice food entrepreneurs. Survey and interview questions were designed to capture information that would provide industry context and inform a clearer understanding of business owners' motivations, challenges, goals, and needs, as well as ways in which SEE-LA might learn from their stories and expertise to better support the vendors participating in their markets and the Seasoned Accelerator program.

Interviews

The project team identified 10 interview subjects from within SEE-LA's extended network of small food business entrepreneurs to participate in in-depth interviews. These interviewees were selected based on the following characteristics:

EXPERIENCE

All interviewees had extensive experience in the industry; several had operated different types of food businesses or ones that had evolved and grown over time.

BUSINESS MODELS

Interviewees represented a variety of business models, ranging from street vendors, to farmers' market booths, to brick and mortar restaurant owners, to business models that rely entirely on social media instead of actual food sales.

DEMOGRAPHICS

All interviewees represented BIPOC and/or women-owned businesses.

Seven interviewees were active SEE-LA vendors as of March 2020. Two were business owners who had collaborated with SEE-LA on events and programming, and one was a street vendor who was connected to the project team through a partner non-profit organization.

The interviewees provided key information and background about the experiences of small-scale food entrepreneurs. As representatives of their field, their responses were also used to inform the survey questions described below.

All interviews were conducted via video within the first month of the COVID-19 pandemic. Though impacts of the crisis were already being felt at that time, they have likely become much more acute over the subsequent months. While the interviews reflect only a brief point in time at the beginning of the pandemic, most of the trends that emerged during the initial lockdown continued, and the SEE-LA vendors surveyed several months later echoed many of the same issues introduced by the interviewees.

Surveys

To gain a broader perspective on Los Angeles' small food businesses, the project team developed a survey for packaged and prepared food vendors at SEE-LA's six markets. Seventy-six vendors received the survey (via email or as a paper form at the farmers' markets) and 41 responded, for an almost 54% response rate. Spanish translation and interpretation was also provided for monolingual Spanish speakers.

Surveys were conducted during the summer of 2020, which was a particularly turbulent time for small food businesses due to the pandemic. SEE-LA's food vendor sales were down by approximately 50%¹ and in accordance with COVID-19 restrictions, prepared food vendors had not been allowed to return to the markets since March. Therefore, the survey results convey a snapshot of a rapidly changing landscape for small food businesses in Los Angeles.

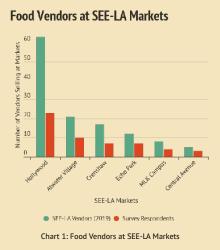
1 Measured by a comparison of average weekly sales in August 2019 and August 2020



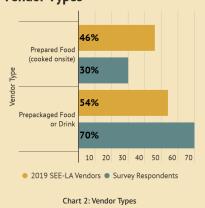
REPRESENTATION OF SEE-LA'S VENDORS

Though the survey was shared with all of SEE-LA's packaged and prepared food vendors—and efforts were made to support all vendors in responding—certain farmers' markets, vendor types, and demographics are slightly over or underrepresented based on our understanding of SEE-LA's vendors as a whole.

The survey asked participants to select the SEE-LA markets where they sell. Chart 1 compares the number of vendors at each SEE-LA market (pre-pandemic) to those who answered the survey. The chart shows that respondents are generally proportional to vendors at each SEE-LA market, where the smallest number sell at Central Avenue and the largest number sell at Hollywood. Despite aligning with this broad trend, Hollywood vendors are somewhat underrepresented among respondents. This suggests that the perspectives reflected in the survey are slightly more representative of vendors at SEE-LA's smaller markets.







As of 2019, SEE-LA's markets hosted approximately 125 food vendors. Of those, 46% were "prepared food vendors," meaning they cook and serve their food on-site, and 54% were "prepackaged food vendors," meaning they prepare and package their foods off-site, usually in a certified kitchen. Chart 2 shows that the survey responses did not mirror this ratio—only 30% sold prepared foods while 70% sold prepackaged foods. This result is likely because the Los Angeles County Department of Public Health's COVID-19 restrictions banned prepared foods from Los Angeles County farmers' markets from mid-March to mid-November.

At the time of the survey, prepared food vendors were not selling at SEE-LA markets, however, some prepared food vendors did switch over to a prepackaged model. Vendors not participating in SEE-LA's markets at the time of the survey received the survey via email instead of in person. The project team made efforts to reach out and include as many prepared food businesses as possible, but the response rate was highest among vendors actively selling at the markets who received the survey in person. Though prepared food vendors were most severely impacted by the pandemic, they are somewhat underrepresented in the findings.

SEE-LA does not formally collect demographic data for its farmers' market vendors. However, SEE-LA's market managers—who interact with vendors on a daily basis—suspect that white vendors are slightly overrepresented in the survey. This suggests that the perspectives of white vendors may be somewhat amplified in the survey results. It is unclear why a greater proportion of white vendors may have completed the survey, though market managers speculate that more BIPOC vendors sell prepared foods, and therefore were not attending markets where they could take the survey in person, which was the method with the highest response rate.

All vendors participating in the survey identified as either female or male. Similar to the results for race/ethnicity, SEE-LA staff and market managers believe that female vendors are slightly underrepresented in the survey results, as they estimate that there are more women-owned businesses at the markets.

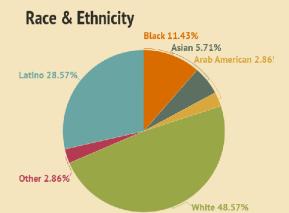


Chart 3: Race & Ethnicity of Business Owners

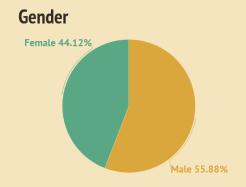


Chart 4: Gender of Business Owners



SMALL FOOD BUSINESS OVERVIEW

The following section is a summary of findings from our survey and interviews, looking specifically at how and why these small food businesses got started, how they generate income, the challenges they face, and the support they need.

Getting Started

Because starting a food business is such a major undertaking, the project team was interested in learning about what motivated entrepreneurs to take on the challenge.

Unsurprisingly, entrepreneurs were inspired by more than financial success. When asked about their motivations, the most frequently selected answer (Chart 5) was, "to provide healthier food options," indicating that these small business owners are deeply invested in the health of their communities. The more traditional motivations of earning income and addressing a gap in the market also ranked highly,

Motivation for Starting Business

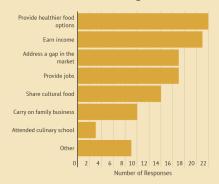


Chart 1: Food Vendors at SEE-LA Markets

but a significant number of entrepreneurs were also driven by the prospect of creating jobs, sharing cultural foods, and carrying on family businesses. Ruth Sandoval of Delmy's Pupusas captured several of these sentiments when explaining her family legacy and goals for success:



"Back then in 1998, no one knew what a pupusa was... the [farmers'] market gave my mom the opportunity... I am so proud to say my story. Last year in 2019 I got my restaurant. It was my dream. My hope is writing my book. I want more of my people to know about my restaurant. I want to one day be on TV telling my story. Me as a woman of color, I wanted to motivate other women that our mind is really powerful. We have to be strong, and for us to always say yes when it comes to work, not to give up, and do what we love."



Ruth aspires not only to successfully grow the family business started by her mother, but also to share her story and inspire other women of color. Though entrepreneurs' specific goals varied, a similar sense of idealism was tangible across the interviews. Business owners were inspired to overcome the odds and achieve financial success while also meeting more beneficent goals, such as serving their communities, raising the profile of their cultural foods, creating quality jobs, or sharing their successes to support others.

Even when discussing financial goals, vendors frequently cited community connections and interactions in their descriptions of success. As Mirna Cortez, a street vendor, described:

"Success is being able to support my children with what I sell and produce, the satisfaction of being grateful for God and life everyday. And seeing that customers and people keep coming back for more so that it's generating more income for my children. Also just seeing that people are happy with what I make."



Like many of the interviewees, though Mirna's primary goal is to support her family with her work, she is also motivated by positive feedback from her customers and serving her community.

The survey also asked entrepreneurs about how they developed their culinary skills in terms of "formal training" (culinary school, apprenticeships, etc.) versus "informal training" (learning from a family member or on the job). Though the number of respondents who received formal or informal training were nearly even, the vast majority of entrepreneurs had a combination of the two (Chart 6). This was the case among interviewees as well, where most got their start learning from family members and many followed up with some level of formal training. Across the board, interviewees emphasized the importance of their informal training. As Jocelyn Ramirez of Todo Verde expressed:

Types of Training

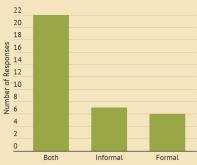


Chart 6: Types of Training



"I did go to a culinary school... but, my main teacher was my grandmother. I've had chef friends approach me and commenting, "wow, I just saw this article about you; who did you work for before this? What chef? Or who was your mentor?" And I respond, "my abuelita, my grandmother." That should be enough... I can carry on the legacy that my grandmother left behind of her traditions in the kitchen and these recipes. I think that's a big part of the success I feel with Todo Verde."

The majority of interviewees echoed Jocelyn's experience in that family members were instrumental in providing training and were often the inspiration for entrepreneurs to launch their food businesses.

Revenue

Within the small food business sector, operations range in size. Of the food businesses surveyed, the largest group makes between \$100,000-\$500,000 in revenue each year (Chart 7). The next largest groups (of equal size) make between \$25,000-\$49,000 and over \$500,000, which emphasizes this range in business size. Of those surveyed, many of the food businesses are very small ventures. The majority make less than \$100,000 annually and over 37% earn less than \$50,000.

In comparing revenue aross race/ethnicity, Chart 8 shows that a higher percent of white-owned businesses make over \$100,000 in revenue (about 70%) than non-white businesses,

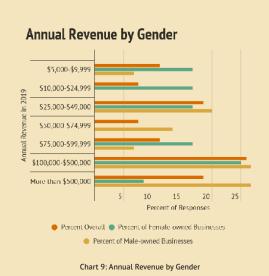


Chart 7: Annual Revenue of Business Owners

with only around 21% reaching that milestone. Among BIPOC-owned businesses, the largest representation (approximately 36%) was in the \$25,000-\$49,000 revenue range. Unfortunately, these results are consistent with broader local and national trends, described in the Background section above, in which BIPOC-owned businesses have lower earnings than white-owned operations.

The findings show a discrepancy in annual revenue across gender as well. While around 53% of male-owned businesses are in the highest earning categories (making over \$100,000), only 33% of women-owned businesses earn that much. At the same time, women-owned businesses are overrepresented in the lowest revenue ranges (under \$25,000). While a third of female-owned businesses are in this range, fewer than 7% of businesses owned by men earn under \$25,000.





DIVERSIFICATION

Though all survey participants sell at farmers' markets, they typically do not rely solely on the markets for their income. In fact, the majority of businesses have three or more revenue sources within their businesses (Chart 10). The most common of these other revenue streams are restaurants, vending at public events (other than farmers' markets), catering, and selling to retail stores (Chart 11).

Number of Revenue Sources

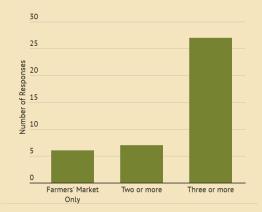


Chart 10: Number of Revenue Sources

Additional Sources of Revenue

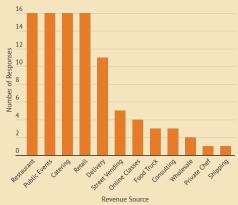


Chart 11: Additional Revenue Sources

Challenges

To get a better understanding of the obstacles that small food businesses face, we asked both interviewees and survey participants about their greatest challenges. At the top of the list—aside from those related to COVID-19—were accessing financial resources, marketing, and building a strong customer base (Chart 12).

The survey results indicate that some challenges faced by food vendors differ according to race. BIPOC business owners cited the challenges of "accessing capital" and "issues related to COVID-19" at significantly higher rates than white business owners (Chart 13), which suggests

Top Business Challenges

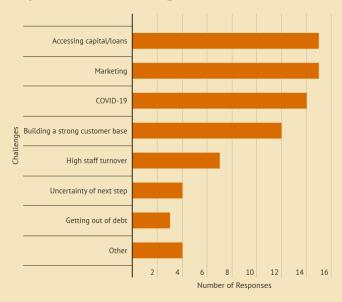
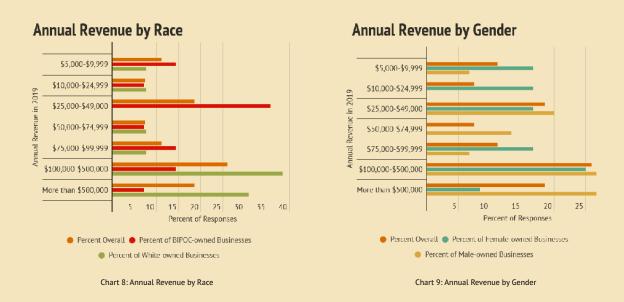


Chart 12: Business Challenges

that BIPOC business owners have suffered greater impacts from the COVID-19 pandemic and also have more difficulties accessing capital. The only challenge that was cited more frequently by white business owners was uncertainty about the next step for their business, which suggests that there is not a clear path for growth.

The survey results also highlighted some discrepancies in challenges faced across gender. Though higher percentages of women-owned businesses struggled with marketing, accessing capital, and staff turnover, male business owners were more likely to face challenges related to the pandemic, building their customer base, planning their next steps, and getting out of debt (Chart 14).



ACCESSING FINANCIAL RESOURCES

There are many costs associated with operating a small food business. These can range from purchasing equipment, renting space and facilities, and marketing, to paying for staff, regulatory fees, taxes, or professional services, among others. To cover initial startup costs, many business owners seek loans, yet finding lenders, securing loans, and accessing other types of startup capital was one of the primary challenges faced by both interviewees and survey participants. Based on interview conversations, an inability to access capital is often compounded by a lack of formal business training, and entrepreneurs often do not know where to look for support or guidance. In the absence of access to small business loans, beginning entrepreneurs frequently rely on credit cards to get their start. As Yonette Alleyne of Caribbean Gourmet described:

"Small businesses mostly struggle because people don't have the necessary finances to be where they need to be. We started with a credit card for \$10,000 and I started this business. Being a minority woman in America, there are more challenges, like accessing funding. Even though the challenges are many coming to a new country, if you have a positive outlook you can get there, the best is yet to come."



Like Yonette, several interviewees noted that women and BIPOC business owners face additional challenges in accessing financial resources. Juan Rivera of Erva Brew Co. pointed this out as well, explaining:

"It would be naive to say everyone's playing on the same playing field. For example, getting loans or grants is often more challenging if you're a woman or person of color. It's often more challenging to get lenders or get real estate people to believe in you or your concept."

These discrepancies in accessing capital also showed up in the survey results, where 65% of BIPOC-owned businesses cited accessing capital as a major obstacle, though only 24% of white-owned businesses considered this a top issue (Chart 13).

MARKETING & BUILDING A STRONG CUSTOMER BASE

Marketing to customers and building a strong base was a challenge for entrepreneurs across the board. Though women reported more difficulties with marketing, men were more challenged by building and maintaining a strong customer base (Chart 14). When looked at together under the umbrella of "attracting customers," the struggle is apparent across gender as well as race.

Marketing was also a consistent challenge among interviewees, with many struggling to reach consumers and effectively communicate the value of their products. As Danielle Bell of de Porres explained:

"The challenge is properly marketing our product, and getting it into enough people's hands and being clear about what it is we can do. Anyone that's gone to our dinners, they know. Anyone who's gone to the market knows too. We have a larger vision and it's hard to get there, to reach people who don't know."



Several business owners also expressed a lack of experience or savvy with digital marketing and did not feel confident in their ability to use social media and/or other digital tools to develop their customer base. Of those who did use platforms such as Instagram and Facebook for advertising, social media played an important role in attracting customers, yet most felt that their digital marketing could be improved.

Resources Needed

Findings from both the surveys and interviews made clear that food entrepreneurs need support, especially since the start of the pandemic. To better understand how farmers' market operators and other organizations can assist small food businesses during these challenging times, the survey asked participants to identify which resources they need most. Mentorship from experienced entrepreneurs ranked at the top of the list, followed by support with marketing, and then general business consulting (Chart 15).



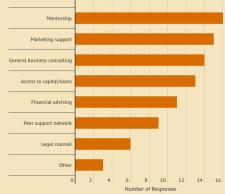
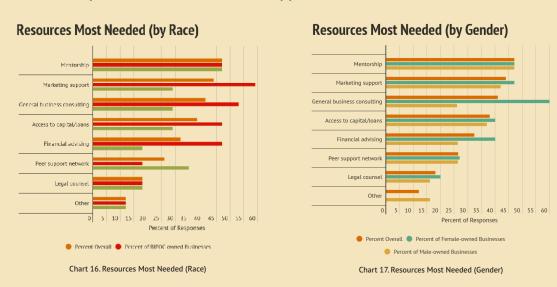


Chart 15. Resources Most Needed by Business Owners

When factoring in the race of business owners, though there is no distinction in the desire for mentorship, BIPOC business owners were almost twice as likely as white entrepreneurs to see marketing support as a key need, which suggests that BIPOC entrepreneurs are struggling more to reach or retain customers. There was a similar trend among BIPOC respondents regarding the need for general business consulting, accessing capital, and financial advising. This indicates that BIPOC entrepreneurs in particular might benefit from additional financial coaching and direct connections to lenders.

Overall, the results varied less across gender, with the exception that women were more than two times as likely as men to consider general business consulting as a key need. This suggests that women entrepreneurs might benefit from broader guidance on business operations as opposed to focused efforts on a narrower range of topics. Women also ranked financial advising more highly than men, which indicates that this is an area in which female entrepreneurs need additional support.



MENTORSHIP

A lack of mentorship was the most widely shared challenge across business owners. Though many entrepreneurs reported having strong mentors and guidance when it came to developing their culinary skills, few knew where to turn for reliable advice on operating and growing a business. Many expressed a desire to learn from someone who had been through it and could relate to the experiences they were going through.

MARKETING

Based on the number of vendors who reported marketing as a major challenge, it makes sense that "marketing support" was one of the most desired resources. Although a need for mentorship was ranked the most highly among vendors overall, assistance with

marketing was in highest demand among BIPOC entrepreneurs, with nearly 60% of BIPOC survey respondents prioritizing this need (Chart 16).

GENERAL BUSINESS CONSULTING

Small business owners also craved advice on operating a business. Many of the entrepreneurs interviewed and surveyed were self-taught when it came to business operations, and had little formal training to deal with the complexities involved in keeping a business afloat. When it comes to expanding a small food enterprise into a brick and mortar restaurant, Joceyln Ramirez explained that:



"You're going to need an accountant, attorney, real estate broker, you're going to need a general contractor to get bids, then you're going to need a good lender... Good partnerships are hard to come by when you're doing this for the first time. I wish there was a trusted list of people... If there was a way to figure that process out in a more smooth fashion with trusted sources, I think that would help grow businesses more efficiently."

Several other vendors echoed similar sentiments; there is a need not only for guidance on business processes, but also for connections to real world partners who are reliable and trustworthy.



FARMERS' MARKETS

Farmers' markets are a foundation for many small food businesses. They represent a low-overhead opportunity for vendors to get a foothold in the market, yet there is always room for improvement. Based on survey and interview findings, this section examines the reasons that food entrepreneurs attend markets, what they value most, and what challenges markets pose. These insights from vendors highlight what markets are doing well and also how they might better serve the small food business community.

Farmers' Market Benefits

When asked about the advantages of selling at farmers' markets, respondents clearly saw markets as a strong opportunity to build their client base (Chart 18). Perhaps a more surprising finding is that food vendors greatly value their interactions with farmers and other vendors at the markets. Many reported buying ingredients for their products from farmers, and even more listed their interactions with other vendors as a top benefit. This shows that farmers' markets are not just places for conducting sales transactions. They foster relationships among the entrepreneur community and function as a hub that supports the small food business ecosystem. Danielle Bell of de Porres, described this value of farmers' markets, explaining:

Benefits of selling at farmers' markets

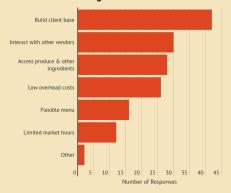


Chart 18. Farmers' Market Benefits



"The benefits are that you can really increase your client base. You also have a lot of access to really good ingredients and farmers will work with you and give you a deal. It's building your client base really, and being able to be on top of your game, always knowing what's in season or being able to see an interesting ingredient and grabbing it."

In addition to sourcing ingredients, Ruth Sandoval of Delmy's Puposas highlighted the value she gets from the community that farmers' markets cultivate and the opportunity they provide to build relationships with customers. As she expressed:

"At the farmers market we're a family. I enjoy when people share with me. I enjoy that, putting the smile on their face with my pupusa. There's so much love at the farmers market. They call me aunt, they're my adopted kids. It makes me so happy because they've made me feel so much love. And I love the opportunity to get my fresh veggies."

In terms of accessing customers, several business owners also pointed out that because vendors at farmers' markets are curated by the operator, it reduces competition. Unlike a city block with multiple coffee shops, each specialty is highlighted at a farmers' market, which leads to better sales, and often, more loyal customers.

Many interviewees also brought up low barriers to entry as an important benefit of selling at farmers' markets, explaining that operating at a farmers' market is cheaper than opening a restaurant or launching another type of food business. Because SEE-LA markets charge vendors based on a percentage of their sales instead of a flat rate, vendors also see markets as taking the risk with them and having a stake in their success. As Joceyln Ramirez of Todo Verde explained:

"It doesn't cost very much to buy the supplies you need to pop up at events or get a permit. You pay the farmers' market based on the percentage of sales, so if you don't make that much money, they don't make that much money."

Several interviewees even credited farmers' markets with making it possible for them to start their businesses, and some who went on to new ventures (such as a brick and mortar restaurant) still continue their market booths. Though only slightly over 60% of survey

respondents selected "low overhead costs" as a top benefit of selling at farmers' markets, they may have been viewing the costs as standalone rather than in comparison to other selling options, as the interviewees were.

Farmers' Market Challenges

Despite the many advantages, selling at farmers' markets is not without its challenges. As outdoor events, survey respondents unsurprisingly selected "weather conditions" as the top disadvantage. Farmers' Markets demand that vendors stand outdoors for hours with little protection from the elements. Particularly as heat waves have intensified over the last few years in the Los Angeles area, this is understandably difficult.

Fees and regulatory demands were cited as the next most pressing challenge. Market vendors have to comply with an often confusing series of regulations, many of which have fees attached. These range from

Disadvantages of selling at farmers' markets

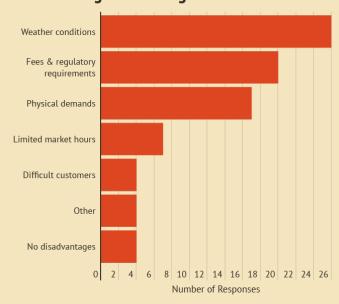


Chart 19. Farmers' Market Disadvantages

food safety requirements, to business licensing, to fire codes. As of March 2020, those food vendors allowed to return to markets have also had to contend with COVID-19 protocols. Vendors who had previous experience in other states attributed some of the difficulties to California state regulations. As Jamila Musayeva of Avocado Toast explained:

"It's not easy to do business in California. You learn as you go because there's not one resource you go to. It's kind of embarrassing when the inspector shows up and tells you you need something... It's not a small business friendly state. Compared to South Carolina, it's a 200% increase [in cost]. For fees, paper work—it's a challenge when there is inconsistency across different city bureaucracies."



Working at a farmers' market is also physically demanding. Vendors bring all of their products to the market, set up their booth, work for several hours, and then have to break down and drive home again, all in a matter of hours. If they sell at multiple markets, this is something vendors must do several times a week. As Jamila Musayeva continued to describe:

"It's underestimated how much work it is to be at a farmers' market. We wake up at 4am, some people don't sleep at night and they just prepare. Coming in and setting up and lifting heavy weights—it's a very physical job that is a challenge for sure."

Overall, contending with weather, regulations, and physical demands (as well as the occasional difficult customer) all factor into the cost of doing business at farmers' markets. With a very limited number of hours for sales, these costs can weigh heavily, despite the advantages that markets provide.





COVID-19

Nearly all of those interviewed and surveyed for the study were tremendously impacted by COVID-19. The entrepreneurs participating in the interviews during the spring of 2020 were still reeling from the immediate shock of the pandemic, yet their determination and resilience was already apparent. Just a few weeks into the stay-at-home order, nearly all of the interviewees had already adapted their business models to continue operations in compliance with new regulations and shifting customer demands. By midsummer, when the severity of the pandemic and impacts of the lockdown were a bit clearer, survey respondents still reinforced these themes of adaptability, creativity, and perseverance.





Impacts

Of the food entrepreneurs surveyed, the most common impact of COVID-19 was loss of revenue, which is unsurprising given the ban on prepared food vendors at markets and overall reduction in vendor sales. Over one third of the respondents also reported that they had to change or adjust their business operations. Many also had to furlough or lay off staff, and several stopped their operations altogether.

The impacts of COVID-19 did not show extreme variation across race or gender. However, because prepared food vendors were prohibited from returning to Los Angeles County markets, the project team was interested to learn if their businesses were more acutely

impacted. The biggest difference across prepared and prepackaged food vendors (Chart 21) was that a higher percentage of prepared food vendors (50%) had to lay off staff, while less than 20% of prepackaged food vendors had to let employees go. The fact that prepared food vendors did not report significantly higher rates of stopping operations indicates many were able to adapt their business models rapidly enough to avoid shutting down.

COVID-19 Impacts on Businesses

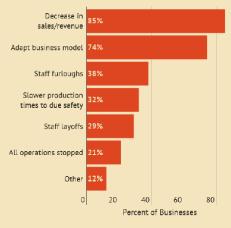


Chart 20. COVID-19 Impacts on Businesses



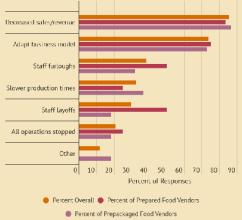


Chart 21. COVID-19 Impacts by Business Type

Loss of revenue was the most frequently reported impact of COVID-19. While some business owners had to stop operations altogether, leaving them with no revenue at all, even those that stayed open were hit hard. As Yonette Alleyne of Caribbean Gourmet explained:

"Everything that we've set up for the year has gone. For farmers' markets, they've shut ours down. This is the fifth week the market is down - the Saturday market. At the Sunday market we had it for two weeks then they stopped it. The two weeks we had it we had to do everything prepackaged, cold. We were down at least 60%."

Other interviewees had similar stories. Furloughs, layoffs, and slower food production times accompanied the increasingly low sales numbers. The loss of revenue was particularly difficult for businesses that were in the process of expanding. In several cases, the timing of COVID-19 happened to coincide with pivotal moments in their business development. For example, several had already made investments in brick and mortar locations, but no longer have the cash flow to move forward. Juan Rivera was one of these entrepreneurs, as he explained:

"We've been impacted severely; this couldn't have come at a worse time. We had the spring and summer of 2020 packed with events that were supposed to fund the last stage of our buildout. When the Safer at Home order cut off that revenue stream, it was really devastating and disorienting. Honestly, it was the 'worst case scenario' imaginable for an events-based business."



Despite the financial hardships resulting from so many businesses being forced to stop selling at farmers' markets, at the time of the survey, only 40% had received any type of government support. This lack of a safety net is discouraging considering the severity of the income loss that so many vendors faced due to circumstances beyond their control.

Looking more closely at staff changes following COVID, nearly a quarter of businesses had to furlough or lay off staff as a result of the pandemic. As discussed above, these rates were higher among prepared food vendors who were unable to sell at farmers' markets between March and November.

COVID-19 Financial Support

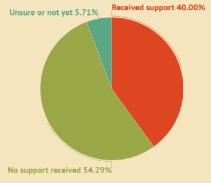


Chart 22. Receipt of COVID-19 Financial Support

Staff changes following COVID-19

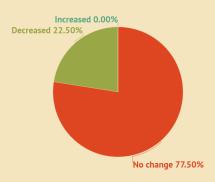


Chart 23. Percent of Businesses Reporting Staff Changes since COVID-19

Adapting Businesses

Business owners were quick to adapt when the pandemic hit. To stay afloat, entrepreneurs rapidly channeled their efforts into alternative revenue models such as food delivery services, online sales, and subscription-based models. Though these new strategies have not been as profitable, they have prevented many businesses from going under. Yonette Alleyne of Caribbean Gourmet pivoted her business model as soon as the announcement came that she could no longer sell at farmers' markets:

"We decided to do meal delivery, we posted on Instagram, and orders started coming in. Now we've had to change the [order] cut off times because it's getting really really busy now. It's really working! We're not making as much money, but we're reaching people and they're reaching back. They're saying we want to support you. It feels good to have all these great relationships. It's a really good feeling."

In addition to adaptability, entrepreneurs seemed appreciative of their customers' loyalty, as well as their ability to continue serving them, providing products that can bring some joy and relief during such a difficult period. Danielle Bell of de Porres captured this, explaining:

"We're adaptable. We got our delivery system in place within a week and we're able to keep the lights on... There are a number of people who've told us their de Porres meal was the highlight of their week. People are eating our food in their Zoom dinner parties and specifically seeking out certain things that make them feel comfort."

Across interviewees, it was clear that these business owners provide more than just nourishment. Because of the face-to-face nature of their operations, these entrepreneurs are part of a reciprocal community where customers appreciate them for the products they make and feel a sense of responsibility to support them in tough times.

The quick responses described by interviewees could also be seen across the entrepreneurs surveyed, where 86% adapted to the circumstances of the pandemic by launching a new business element (Chart 25). Unsurprisingly, most common were delivery, online ordering, and curbside pickup. This was true of Amara Kitchen, as Paola Guasp recalled:

Added Business Elements



Chart 24. Business elements added since COVID-19

"I had to shift really quickly from our normal operations to an online store so we could have no contact. Setting up delivery, which we weren't doing in house delivery before, and doing a market cause that's what people needed."

Similar to Amara Kitchen, over 60% of businesses surveyed added more than one new component to their business that would comply with COVID safety protocols and meet new customer demands (Chart 26).

One of the most significant findings regarding business owners' adaptations is that nearly 68% of respondents reported that they are planning to keep their new business models in place even after the pandemic. This suggests that COVID-19 will have a lasting impact on the way that small food businesses operate.

Number of New Business Elements

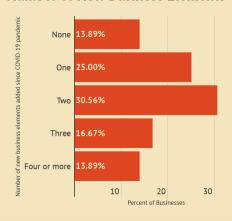


Chart 25. Number of New Business Elements Since COVID-19

Percent planning to continue new business element(s)

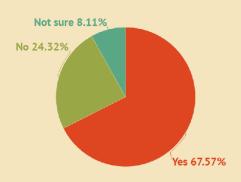
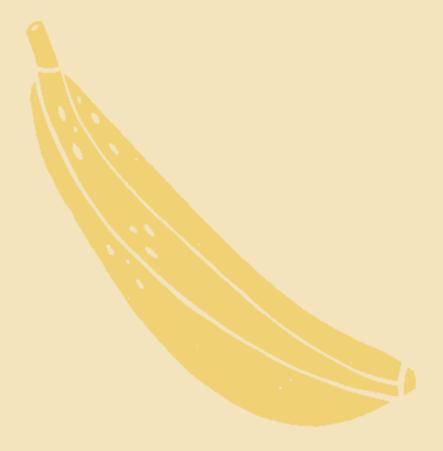


Chart 26. Continuation of New Business Elements





LOOKING FORWARD

Across both interviews and surveys, clear themes emerged around entrepreneurs' goals and ambitions for the future. Among interviewees, despite the recognition that COVID-19 will have long-term financial and structural impacts on the food industry, most still aspired to expand their businesses. Several even reiterated their goals of starting a brick and mortar restaurant.

Among survey respondents (Chart 27), the most common goal was to increase overall profits, which was expected given the pandemic's impact on earnings.

The second and third most common goals had to do with staff; creating more jobs and paying higher wages. This may in part be a response to the furloughs and layoffs, but according to several of the interviewees, valuing staff and creating good jobs was high on their list of priorities.

For several interviewees, hiring staff and paying good wages was not just a measure of economic success, but a part of a larger vision to contribute positively to society.

Business goals for the next 5-10 years

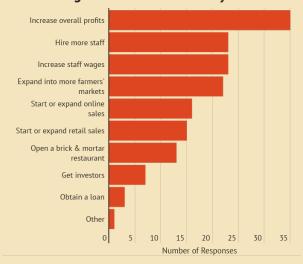


Chart 27. Business Goals

Overall, despite the extreme challenges entrepreneurs are facing right now, their resilience and determination is tangible. Each business owner's vision for success is a mix of economic and idealistic goals and they are driven to meet them with high standards. Even with abundant dedication, entrepreneurs need help to achieve these ambitious goals. Based on the study's findings, the following is a summary of recommendations for farmers' market operators, as well as other small food business support programs, to help small and early-stage entrepreneurs with the foundational skills and resources they need to succeed. These recommendations are followed by a list of topics for further research that could expand support for small-scale food entrepreneurs.



Recommendations for Farmers' Market Operators

Farmers' market operators are in a unique position to support small food businesses, as the barriers to entry are relatively low and they provide access to the infrastructure and customer connections that beginning businesses need. According to our findings, SEE-LA markets are already successfully supporting food vendors in a variety of ways, and nearly two thirds of food vendors surveyed reported wanting to expand into more markets (Chart 27). Based on the feedback from market vendors and other small-scale food entrepreneurs interviewed for the study, the places where farmers' markets can be most helpful are as follows:

MARKETING & CUSTOMER RELATIONSHIPS

Farmers' markets naturally support their vendors, as they benefit from both the market's advertising and customers. Markets can enhance these effects by adopting intentional marketing techniques that help support their vendors, including both print and digital marketing opportunities. These might include signage that directly promotes vendors, as well as highlighting vendors on digital platforms, and even providing training to vendors on best practices for social media marketing. Successful marketing for vendors can promote the farmers' market as well.

NAVIGATING REGULATIONS

One of the main challenges cited by farmers' market food vendors was navigating complicated regulations. Several interviewees and survey respondents pointed out that there is no single resource that tracks vendor regulations or explains it for beginning food businesses. As an entity that interacts with many vendors (and has a stake in them doing well), farmers' market operators are in a position to offer a formal orientation and training course for market vendors that provides an overview of the regulations that impact them along with strategies for successfully complying. Though a training course would take some effort to set up on the front end, based on survey and interview findings we expect that it would be a great benefit to food vendors. By avoiding much of the time and effort vendors are currently using to navigate these regulations, vendors will have more time to put into their businesses, which is also a win for markets.

Z BUILDING COMMUNITY

Food vendors benefit from their interactions with other vendors as well as farmers, and farmers' markets are successfully facilitating these relationships. Markets are also connecting vendors to new customers. Based on the findings, these relationships are already forming organically, but market operators have the potential to play an active role in fostering these beneficial relationships. By making introductions and holding orientations or other events, markets can expand opportunities for peer-to-peer learning, accessing fresh ingredients, and building connections across the market community.

Recommendations for Small Food Business Support Programs

The study's findings highlight several areas where small food businesses need support. Specifically looking at the challenges businesses face, the additional ways they have been impacted by COVID-19, and the resources they want, the most pressing needs are around mentorship, marketing support, and consulting on business operations. Interviewees in particular expressed a desire for one-on-one coaching from experienced professionals, mentorship from entrepreneurs who have had similar experiences, as well as workshops that build specific skills. Beyond the scope of what most farmers' market operators can offer, these supports and resources would be better provided by a more robust program such as SEE-LA's Seasoned Accelerator, or an organization that specializes in assisting small businesses. The top ways that programs such as SEE-LA's Seasoned Accelerator can support vendors is through:

MENTORSHIP

The need for mentorship is clear. Across race and gender, entrepreneurs expressed a strong desire to learn from successful business owners who understand what they are up against and who can offer advice and guidance that is rooted in personal experience. The Seasoned Accelerator program already builds mentorship connections. The study findings indicate that expanding this component of the program would benefit participants and that other organizations seeking to support small food businesses should include mentorship as a core element of their programs.

MARKETING

Marketing is one of the greatest challenges for small-scale food entrepreneurs. It is an entirely different skill set than preparing food, and yet, most small

business owners are taking on both. According to the survey, marketing ranked highly as a need overall. It was also the most commonly reported challenge among female business owners and the most desired resource among BIPOC entrepreneurs. Offering a robust training program to build marketing skills will specifically benefit these populations who are underrepresented among business owners. Because entrepreneurs are so busy with all of the other business operations, it is important to emphasize streamlined digital and print marketing techniques that can reach a significant number of customers with relatively little effort.

Z BUSINESS CONSULTING & RELATIONSHIPS

In both surveys and interviews, a strong majority of entrepreneurs cited business coaching and connections to trusted professionals as a critical need. However, entrepreneurs' business development needs are broad, ranging from financial connections to lenders and legal counsel, to financial advising, to "general business consulting." Therefore, we recommend that small food business support programs such as the Seasoned Accelerator offer a curriculum that covers business operations basics. Along with these foundational skills, we recommend that programs cultivate relationships with trustworthy professionals (lenders, lawyers, contractors, etc.) who work with small businesses and introduce them directly to participants. This network of professionals and partners would particularly help first-time entrepreneurs, with limited connections in the field.

Recommendations for Further Research

Through the process of analyzing findings and developing this report, the project team identified several topics that would be valuable to study in more depth. These include:

BUSINESS CONSULTING & RELATIONSHIPS

Immigrant entrepreneurs represent a significant percent of Los Angeles' food vendors. Our study did not ask if entrepreneurs had migrated to the U.S., therefore that information could not contribute to the analysis. However, based on the stories of interviewees and conversations with farmers' market staff, we recommend further investigation into this topic. Specifically, we recommend an examination of the specific barriers that immigrant entrepreneurs face as well as ways that farmers' markets and small food business support programs can serve them.

LANGUAGE ACCESSIBILITY

Building off of the first topic, issues of language accessibility among immigrant populations warrants further exploration. While many farmers' markets have implemented bilingual signage in Spanish, Korean, and other languages, SEE-LA staff are increasingly aware of the presence of Indigenous languages among market customers and vendors and gaps that exist in current capacity to translate or interpret. Therefore, we recommend an examination of: 1) the need for other languages to be accommodated and in what ways (e.g. interpretation, signage, paperwork, etc.), and 2) the success of current signage and other efforts in reaching their intended audiences.

Z LONG-TERM IMPACTS OF COVID-19

Research for this study was conducted during the first five months of the pandemic. The full impacts of the COVID-19 closures on small-scale food businesses is still unclear, but based on initial findings, we expect that they will be significant. Therefore, we recommend exploring this topic again once COVID restrictions are fully lifted to determine the ways in which businesses have been impacted and the support and resources that business owners need most.

✓ TECHNOLOGY

Technology is playing an increasingly important role in the operations of small-scale food businesses. Since the start of the pandemic, technologies such as online sales have even become essential, as vendors transition to offering curbside pickup and delivery options. With the growing importance of technology in operating a small-scale food business, we recommend further investigation into entrepreneurs' current use of technologies, as well as their gaps in knowledge, and technological needs. SEE-LA is already working on several projects to test new technology platforms that support farmers' market vendors. For example, through a partnership with Common Stock Foods, they will be piloting an affordable "last mile" delivery option to reach customers in the COVID-impacted marketplace, through a digital platform currently in development that enables farmers' market pickup and delivery. We recommend that SEE-LA builds on the findings from these pilots to identify next steps for further investigation and/or broad implementation.



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