Stand-alone Fresh Produce Cross-docking Facility
Agriculture Innovation Center

Project Overview
AIC is a new fresh produce cross-docking facility located in XXX. The purpose of AIC is to link local growers to large scale channels. Currently, AIC is not generating enough profit to remain revenue neutral.

Process

Define
Utilization of the facility is lower than the initial forecast.

Measure
Volume of produce is at a minimum, operating costs and expenditures are higher than expected.

Analyze
Collect the cross-docking facility costs.

Improve
Create cost analysis model.

Control
Update quantity usage and costs, as needed.

Cross-docking Process

Farmer arrives at cross-dock → Unload produce → Cooler Storage → Freezer Storage → Processing Room → Buyer pick up produce

Observations
AIC is not generating enough revenue.

Recommendations

- Create cost analysis spreadsheet to see what is needed to maintain cross dock facility as revenue neutral.
- Communicate the benefits of using the facility from a farmer’s standpoint, as well as from a buyer’s standpoint.
- Conduct marketing campaign.
- Encourage growers to get GAP certified by showing benefits of becoming certified.
- Focus on small scale outlets such as restaurants to get exposure, then eventually expand to larger outlets.

Cost Analysis Model

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Income</th>
<th>Price</th>
<th>Paid/Paid</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Rental</td>
<td>$250.00</td>
<td>per month</td>
<td>5</td>
<td>$1,250.00</td>
</tr>
<tr>
<td>Dry Storage (4 x 4 spaces)</td>
<td>$20.00</td>
<td>per month</td>
<td>2 spaces/yr</td>
<td>$40.00</td>
</tr>
<tr>
<td>Cross-Docking</td>
<td>$0.75</td>
<td>per case</td>
<td>15 cases/day</td>
<td>$10.625</td>
</tr>
<tr>
<td>Cooler Rental</td>
<td>$120.00</td>
<td>per pallet</td>
<td>4 pallets/mo</td>
<td>$4,800.00</td>
</tr>
<tr>
<td>Freezer Rental</td>
<td>$120.00</td>
<td>per pallet</td>
<td>4 pallets/mo</td>
<td>$4,800.00</td>
</tr>
<tr>
<td>Processing Room</td>
<td>$20.00</td>
<td>per hour</td>
<td>20 hours/yr</td>
<td>$400.00</td>
</tr>
<tr>
<td>Equipment</td>
<td>$10.00</td>
<td>per day</td>
<td>50 days/yr</td>
<td>$500.00</td>
</tr>
</tbody>
</table>

Benefits of AIC
Abundant resources to help farmers get started
Potential to enter larger, diverse markets
Aggregation of produce, making the center a one-stop pickup

Growers | Buyers
--- | ---
Abundant resources to help farmers get started | Consistent, locally sourced produce.
Potential to enter larger, diverse markets | Aggregation of produce, making the center a one-stop pickup

Cost Analysis Model:
- Abundant resources to help farmers get started
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BUS 479 Spring 2018

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