

## FOOD INCUBATORS: INNOVATION FOR MODERN RURAL ECONOMIES

Zuzana Palkova<sup>1</sup>

Elena Horska<sup>2</sup>

### ABSTRACT

The paper presents an innovative economic model for promoting entrepreneurship in rural areas and thus support sustainable and competitiveness rural development. This model represents one of the outcomes of the project “FITR – Food Incubators Transforming Regions”, which seeks to forge an effective and replicable model to provide the learning and strategic structure to develop food incubators as enterprise, training and support drivers at regional level.

In rural development entrepreneurship is the most fundamental feature. Activities typical for these areas are pushed into the background by non-traditional economic activities. In the case of services such as traditional food or local products production can be recognized significant shifting from the local/regional traditions. From this point of view, food incubators have the unique potential to spur productive, inclusive & sustainable economic development. They provide a strong foundation for the creation and expansion of food businesses and jobs by helping communities to revitalise underutilised buildings into powerhouses of food sector learning, innovation and production. At a time of rising social inequality, food incubators also offer the prospect of expanding employment in the growing food sector through educational opportunities for disadvantaged populations.

The project Food Incubators Transforming Regions (FITR), founded by European Commission through the programme Erasmus+, aims to fulfil following objectives:

- Establish 4 sector focused 4 Regional Partnerships to study and capture best practice in the development of food incubators.
- Create and publish a “The Essential Toolkit to developing a Regional Food Incubator” to facilitate the replication of both the Regional Partnership and the Food Incubator across Europe.
- Create and publish a course curriculum, guiding VET practitioners on the topics and skills most needed to establish and manage a Food incubator.
- Develop an intensive blended learning “The Essential Toolkit to develop a successful Food Incubator” course based on open education resources.

**Keywords:** *food incubator, agriculture, sustainable development, innovative curriculum*

**JEL Classification:** *Q01, R11, L26*

---

<sup>1</sup> PhD, Slovak University of Agriculture in Nitra, Nitra, Slovakia, email: [Zuzana.Palkova@uniag.sk](mailto:Zuzana.Palkova@uniag.sk)

<sup>2</sup> Prof.Dr, Slovak University of Agriculture in Nitra, Nitra, Slovakia, [Elena.Horska@uniag.sk](mailto:Elena.Horska@uniag.sk)

## 1. Introduction

Food and drink represents the largest manufacturing sector in the EU and encouragingly has sustained positive growth (EC, Food and drink industry, 2015). Even during the economic downturn, levels of employment in the food and beverage service activities remained quite stable. It is a fragmented industry with 1 519 thousands enterprises employing 7 806 thousands people (Eurostat, 2013). Based on the statistical data (Eurostat, 2013) more than half (55,3 %) of all the enterprises within the EU-27's food and beverage services sector were classified as belonging to the restaurants and mobile food services subsector. Moreover, small and medium enterprises (SMEs) account for 99 % of companies operating in this industry and, often, are part of highly fragmented and complex food chains (Smith & Barling, 2014).

From this point of view, food incubators have the unique potential to spur productive, inclusive & sustainable economic development. They provide a strong foundation for the creation and expansion of food businesses and jobs by helping communities, VET bodies, development agencies to revitalise underutilised buildings into powerhouses of food sector learning, innovation and production. At a time of rising social inequality, food incubators also offer the prospect of expanding employment in the growing food sector through educational opportunities for disadvantaged populations.

The project Food Incubators Transforming Regions (FITR), founded by European Commission through the programme Erasmus+, aims to forge an effective and replicable model to provide the learning and structure to develop food kitchens and incubators as enterprise (FITR, 2015). This in return will spur productive and sustainable economic development through an increase in available resources to start small businesses and creation of jobs in this sector.

The project undertakes a process of revitalisation at a local community level through the development of food incubators in dilapidated buildings. These buildings are an economic drain in communities and through FITR they can be turned into a hub for economic prosperity, by establishing food incubators in communities who provide training and workspace for these emerging food entrepreneurs.

## 2. Food Incubator as a model for food entrepreneurship

Food incubators are dedicated food grade production units. They also include the shared use commercial kitchen business model that culinary entrepreneurs can rent by the hour or block of time in order to commercially produce food products. Their availability makes it financially feasible for small and home-based food businesses to take advantage of a professional and licensed kitchen facility to develop and grow local enterprises without the onus capital investment of their own production kitchen.

The need for food incubators stems from the fact that in many places it is illegal to run a food business out of a home/domestic kitchen. In many jurisdictions food products may only be prepared for wholesale or retail in a commercial kitchen that is licensed by the proper local or state regulatory agencies. Even in areas where certain products may be legally produced from home (per cottage food laws), many products still require a licensed facility depending on their risk categorisation. In addition, when home-based food businesses grow, the residential kitchen is often no longer appropriate to accommodate large scale production with quality control and safety standards required to mass market products to consumers.

In many cases, entrepreneurs who need licensed commercial kitchens do not have enough capital to invest in their own commercial kitchen and cannot develop their full potential. Kitchen incubators are notoriously expensive to develop (second only to the healthcare manufacturing environment). Entrepreneurs are often very creative and rent space from a restaurant after hours, use a church basement kitchen, or seek any other type of kitchens that may be available. Often these facilities are not ideal due to a lack of flexibility of when the space is available, inconsistent access, expense, and a lack of adequate equipment. Kitchen incubators/accelerators and shared-use kitchens seek to fill this gap and provide facilities for these entrepreneurs.

Food businesses are among the riskiest forms of enterprise not least because of the high levels of innovation needed to succeed in the marketplace and the high capital set up costs. At the same time, many people want to start a food business based on their passion for food. To help determine the goal of the food incubator, it is important to set out the different types:

- a food incubator offering independent food production units to start up or growing businesses;
- a shared use incubator kitchen where established small businesses can cut their operating costs;
- an accelerator training programme for people looking to change careers by becoming a foodpreneur;
- a combination of the above e.g. a shared use community kitchen which can be used for start-up food;
- enterprises and for training provision for the food and catering sector. A shared use community kitchen is an important component within the offering of a food incubator and will provide valuable rental income.

The concept of establishing multi-tenant food incubators has been enthusiastically progressed in the United States. Local communities and municipalities play a leading role in setting up commercial kitchens as part of their local economic development strategy.

Where food incubators provide a shared use kitchen, they offer two important benefits to start-up and existing food businesses:

1. The construction and equipping of a shared use production kitchen provides entrepreneurs with time-share access to production facilities and the opportunity to start and expand specialty food and catering businesses without the prohibitive cost of building their own commercial kitchen.
2. Such facilities offer a true “incubator approach”, offering start up food entrepreneurs access to business support services & training and technical assistance through the provision of food technologist (if resources permit) or by linking up with a third level institute or government agency who will then provide this technical assistance to the food enterprise tenants on a third party basis - essential ingredients to the success and growth of any start-up business.

For example, the successful food incubator The Food Hub, Drumshanbo, Co. Leitrim, Republic of Ireland (FoodHub, 2016) offers the following:

- provision of quality production facilities for growth orientated food business,
- incubation Units,
- shared Use Community Kitchen,
- onsite training facility for the long term unemployed to gain skills and employment in the hospitality industry,
- industry training – online and classroom based.

Moreover, established food incubators have also benefited their host communities by:

- Creating the employment opportunities that accompany successful small food business start-up and growth strategies.
- Creating food products that celebrate what is unique and best about a community – its local produce, ethnic traditions and creative populace – while keeping a greater percentage of food income circulating in the local economy.
- Providing new markets for local agricultural products and establishing rural-urban links.
- Help remove restrictive barriers of high cost capital investment associated with leasing or purchasing a kitchen and kitchen equipment;
- Allow specialty food businesses like processors, farmers, caterers, food cart vendors, and mobile food trucks the opportunity to start from nothing and grow.
- Reduce the risk of failure by removing additional start up barriers associated with no, or low skills in the areas of managing and maintaining a commercial kitchen.
- Can provide shared and value added resources related to distribution, branding, marketing account, insurance, and financing mechanisms.

While the concept of a shared-use commercial kitchen is not new (Topaloff, 2014), (Hour Kitchen, 2017), (NEOEDD, 2012), (Conover, Rubchinuk, Smith, & Cortez, 2015) the recent batch of kitchen incubators demonstrates diversity and creativity of approaches and models. The mix of value added services provided should be based on the needs of the local businesses and partners as well as on space availability and a robust cost benefit analysis.

More than being just rental space, food incubators can offer full-service business assistance whereby participants have access to information and training regarding all aspects of starting a business. They can help would-be entrepreneurs with understanding the food business, navigating licensing and other regulations, and making connection with both suppliers and customers.

### **3. Building a regional partnership**

A partnership is an agreement to do something together that will benefit all involved, bringing results that could not be achieved by a single partner operating alone, and reducing duplication of efforts. A successful partnership enhances the impact and effectiveness of action through combined and more efficient use of resources; promotes innovation; and is distinguished by a strong commitment from each partner. One key motive for implementing local and regional partnerships is the belief that working together is more effective than working in isolation. Partnerships – an effective way of working together – operate under different local conditions, depending on the detailed nature of the problems, the institutional environment, political factors, experiences and culture.

The following are the major steps in the process ( FITR, 2015):

- planning the process,
- audit and analysis (zero-measurement),
- resulting in a ‘Business case’,
- establishment of Partnership.

#### **Slovakia FITR Regional Partnership**

The one of the first activities realized at the very beginning of the project lifetime represents the establishment of the Regional partnership and development of the Action plan. Slovak University

of Agriculture in Nitra and New Edu, n.o. in these consequences tried to find answers on following questions - What we can understand under a term “food incubator” in conditions of Slovak republic? What are the national and regional policies? What are industry policy and developments? What are the key stakeholders and what is their position? What are opportunities, benefits, and synergies for creating a FITR Partnership in Slovak republic?

For the Slovak Republic is very typical problem of higher unemployment rate on the countryside compare with the cities. The traditional way of farming - cooperatives in the form of alliances - and a new system of independent management are still not very common. Lot of people from rural areas are clueless - they have land, they desire to do something, but do not know how.

Therefore is very important to have communities and contact points that help to potential entrepreneurs and/or farmers with the selling of their products, advise them how and where to start, help them with marketing and so on. Moreover, it is essential to establish an effective link between agriculture and rural tourism, which open possibilities for tourists to buy domestic and agriculture products.

The main aim of the Slovak Regional Partnership is to create business and job opportunities for the people from rural regions via establishment of food incubators. The mission of the partnership will be not only to support creation and activities of food and catering companies, but pointed on the possibilities that rural area open for commercial activities.

Planned activities can be defined as follows:

- Supporting of small and family farmers and rural tourism:
  - o To realize Need analysis - natural and climate conditions, what there should grow, feed, the intention of small landlords to use their fields/gardens/orchards, agro touristic potential of region and its potential of for development of region.
- Education:
  - o To prepare learning modules for small and family farmers and beginners in agro business focused on the development of practical skills and knowledge about production of high quality products. Main topics of the learning modules: marketing, communication and presentation, IT technologies (online marketing), rural tourism.
- Common activities
  - o To establish a system of cooperation - networking.
  - o To establish a structure of Food Incubator as an organization/municipal enterprise that will manage and coordinate activities.
  - o To identify and modify the space, where they will prepare/distribute/sell/store food/agricultural products. The most important factor that has to be consider is compliance with hygiene standards.
  - o To close agreement between local producers and Food incubator managers and secondly to find contact with relevant restaurants and food shops.
  - o To process a marketing system – agreements with end users like as restaurants, schools, offices and presentation of products.

The overall objectives of the FITR Slovakia Regional Partnership aim to bring innovative business model of incubator acting in rural areas to Slovakia and leads to improvement competitiveness of enterprises and labor market in agriculture sector. This aim is based on two basic pillars:

### 1. Building Prosperity:

- Competitiveness – support of establishment of food incubators and support of start-ups & spin-offs in the rural areas across region will significantly increase the competitiveness of regions extraordinary depended on the agriculture.
- People and skills – agriculture is not sector where is evident support of start-up companies, that's why the Partnership aims to teach stakeholders - using developed tools and learning materials (FITR, 2015) - how to support agri business.

### 2. Strengthening the Region:

Based on the Eurobarometer report (2012) 37% of Europeans would like to be their own boss. More self-business means more jobs, better employment, more innovation and a more competitive region. Entrepreneurship 2020 Action Plan (EC, Growth, 2017) emphasizes the crucial role of education in fostering the entrepreneurial spirit amongst youths. In this document, start-ups and incubators play a considerable role and FITR Slovakia Regional Partnership aims to support entrepreneurship via Network structure of food incubators and plans to contribute to following Europe 2020 Strategy pillars:

- First pillar - Innovation by improving the framework conditions to transform ideas into marketable products or services – innovative business model, decision-support tools and learning materials.
- Second pillar - the priority area on the competitiveness of enterprises will improve the business environment, especially for SMEs.
- Third pillar - inclusive growth as it reinforces the human capital. This will be complemented by better functioning of the macro-regional labor market. It also emphasizes the fight against poverty, especially against the marginalized communities.

## 4. Conclusion

The paper presents an innovative economic model for promoting entrepreneurship in rural areas and thus support sustainable and competitiveness rural development. This model represents one of the outcomes of the project “FITR – Food Incubators Transforming Regions”, which seeks to forge an effective and replicable model to provide the learning and strategic structure to develop food incubators as enterprise, training and support drivers at regional level.

One of the main outputs of the project represents Slovakia Regional Partnerships which aims to study and capture best practice in the development of food incubators.

### Acknowledgements

This project has been founded with support from the European Commission. The content of this document does not necessarily reflect the view or legislation of the European Commission. Neither the European Commission nor the project partners or any person acting on behalf of the Commission is responsible for the use that might be made of the information in this document.



## References

1. Conover, E., Rubchinuk, E., Smith, S., & Cortez, Y. (2015). *History of Shared-Use Commercial Kitchens: A Case Study Analysis of Kitchen Success*. Retrieved from History of Shared-Use Commercial Kitchen A: [http://scarab.bates.edu/community\\_engaged\\_research/30/?utm\\_source=scarab.bates.edu%2Fcommunity\\_engaged\\_research%2F30&utm\\_medium=PDF&utm\\_campaign=PDFCoverPages](http://scarab.bates.edu/community_engaged_research/30/?utm_source=scarab.bates.edu%2Fcommunity_engaged_research%2F30&utm_medium=PDF&utm_campaign=PDFCoverPages)
2. EC. (2015, 12 22). *Food and drink industry*. Retrieved from Internal Market, Industry, Entrepreneurship and SMEs: [http://ec.europa.eu/growth/sectors/food/index\\_en.htm](http://ec.europa.eu/growth/sectors/food/index_en.htm)
3. EC. (2017). *Growth*. Retrieved from The Entrepreneurship 2020 Action Plan: <http://ec.europa.eu/growth/smes/promoting-entrepreneurship/action-plan/>
4. Eurostat. (2013, 5 7). *Key indicators, food and beverage service activities, EU-27, 2010*. Retrieved from Eurostat Statistics Explained:
5. [http://ec.europa.eu/eurostat/statisticsexplained/index.php/Food\\_and\\_beverage\\_services\\_statistics\\_-\\_NACE\\_Rev.\\_2#Country\\_analysis](http://ec.europa.eu/eurostat/statisticsexplained/index.php/Food_and_beverage_services_statistics_-_NACE_Rev._2#Country_analysis)
6. FITR. (2015). *Food Incubators Transforming Regions*. Dostupné na Internete: Our goal: <http://www.foodincubators.how>
7. FoodHub. (2016). *The Food Hub*. Dostupné na Internete: [www.thefoodhub.com](http://www.thefoodhub.com)
8. *Hour Kitchen*. (2017). Dostupné na Internete: <http://www.hourkitchendallas.com>
9. NEOEDD. (2012). *Feasibility Study for a Commercial Shared-Use Kitchen for Wallowa County*.
10. SBA. (2015). *Slovak Business Agency*. Dostupné na Internete: <http://www.sbagency.sk>
11. SBA. (12 2015). *Slovak Business Agency*. Dostupné na Internete: Mapa inkubátorov na Slovensku: <http://www.sbagency.sk/mapa-inkubatorov-na-slovensku>
12. Smith, J., & Barling, D. (2014). Social impacts and life cycle assessment: proposals for methodological development for SMEs in the European food and drink sector. *International Journal of Life Cycle Assessment*, 944-949.
13. Topaloff, A. (September 2014). The Shared-Use kitchen planning toolkit. Iowa State University.
14. Weisova, L. (2012). Podnikateľské a technologické inkubátory na Slovensku. *Podnikanie v Európskej únii. Obchodné právo EÚ II : zborník príspevkov z medzinárodnej vedeckej konferencie* (s. 169-175). Nitra: Slovenska poľnohospodarska univerzita v Nitre.