OREGON DEPARTMENT OF AGRICULTURE

Co-Packing in Oregon and the PNW Outreach & Research

Table of Contents

OREGON DEPARTMENT OF AGRICULTURE

Executive Summary

The Co-Packing in Oregon and the PNW Outreach & Research Project, focuses on supporting specialty crop producers, small food businesses, and underrepresented entrepreneurs in accessing co-packing services in the region.

PURPOSE

Led by the Oregon Department of Agriculture's (ODA) Agricultural Development Team and Community Co-Pack, this initiative, built on a decade of previous efforts by combining research, outreach, and educational workshops to uncover gaps and identify potential solutions to improve food processing infrastructure in Oregon.

This report represents a snapshot of a rapidly evolving industry. Significant changes occurred even within the two-year duration of this project, with vibrant projects shutting down, businesses relocating, and new initiatives launching. Oregon's food processors, farmers, and entrepreneurs continue to demonstrate remarkable resilience and innovation, often working under constrained conditions and resourcefully navigating challenges.

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The project adopted an *ecosystem* approach, analyzing Oregon's food production landscape as a whole rather than focusing only on co-packing, with the understanding that entrepreneurs often start in home and shared-use kitchens. Through surveys, interviews, and regional tours, it became clear that food processing capacity varies significantly by region, with rural areas often lacking essential infrastructure to support emerging entrepreneurs. As a result, food businesses in these areas have limited pathways for growth and are often forced to transport goods long distances for processing. The findings underscore the importance of developing a comprehensive, connected processing ecosystem across the state that can support the growth of emerging food businesses and specialty crop farmers alike.

FINDINGS

The project found that many Oregon-based food businesses struggle to scale due to limited co-packing options and prohibitive costs associated with expanding production. These limitations were especially pronounced for BIPOC and rural entrepreneurs who face structural and financial barriers. The absence of medium-scale co-packers, high order minimums, lack of accessible equipment, and geographic gaps in food processing facilities were significant challenges. Additionally, the project documented the impact of recent closures of small co-packers and the aging equipment in medium sized specialty crop processors, which further exacerbates the lack of local options that have the appropriate scale and capabilities.

In the project survey, it was found that 86% of surveyed co-packers possess available production capacity. Despite this availability, many small businesses struggle to meet the minimum production runs required by co-packers. This underscores the ongoing necessity for matchmaking services that connect co-packers with businesses, facilitating better alignment of production capabilities and business needs.

The project also highlighted the diverse needs of Oregon's specialty crop[1] growers and entrepreneurs, including demand for facilities with specific equipment and capabilities, such as HPP (high pressure pasteurized) processing, dehydration, retort, and IQF (individually quick frozen), essential for specialty crop processing. The majority of co-packers surveyed do not process raw products, but require crops to be pre-processed, pureed, IQF or in other forms. These findings make it clear that Oregon's food entrepreneurs and specialty crop farmers need a robust co-packing ecosystem to access the processing capacity necessary for growth and competitive market entry.

RECOMMENDATIONS

With investments in infrastructure, regulatory education and co-pack/client matchmaking, Oregon can foster a resilient co-packing and specialty crop processing industry that benefits both food entrepreneurs and regional specialty crop farmers. These investments would lay the groundwork for ongoing improvements to Oregon's food manufacturing capacity, helping to create new market opportunities and a more inclusive food system that supports small to mid-sized businesses, local communities, and the state's agricultural landscape.

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[1] Specialty crops, as defined by the USDA, are fruits, vegetables, tree nuts, dried fruits, and horticulture and nursery crops, including floriculture.

Background

BUILDING ON A DECADE OF WORK

2013

OSU's Food Innovation Center and ODA survey co-packers statewide, identifying gaps and guiding strategies to strengthen Oregon's food system.

2015

Ecotrust's gap analysis reveals a shortage of processing space and co-packing access for small food producers and ranchers.

2016

The Food & Beverage Industry Road Map outlines key investments in infrastructure, workforce, market growth, and streamlined services.

2019

ODA's Co-Packer Needs Survey shows demand for small production runs and fulfillment, helping Community Co-Pack with key data to secure a grant to launch the program.

Summer 2023

Senator Wyden's "Oregon Bounty" tour highlights the need for co-packing infrastructure and sparks the revival of the Food & Beverage Council.

Fall 2023

At OSU's Sustainable Food Manufacturing Forum, co-packing emerges as a top concern, with limited facilities, staff, and a call for sustainable, scalable solutions.

2013

Oregon State University's Food Innovation Center (FIC) and the Oregon Department of Agriculture (ODA) initiated a project to survey co-packers across Oregon, documenting their facilities, production requirements, and capabilities. Sarah Masoni, Director of the Product and Process Development Program at the Food Innovation Center, Oregon State University, emphasized the original project's impact on Oregon's food infrastructure development:

- **Infrastructure Gaps:** The survey pinpointed critical gaps in our food processing and distribution infrastructure. This insight guided strategic investments, enhancing support for small and mid-scale producers to expand into broader markets.
- **Strategic Partnerships:** Survey data facilitated collaborations among producers, co-packers, and distributors, boosting efficiency and strengthening the local food economy by retaining value-added processes within the state.
- **Policy Development:** Survey findings informed policy decisions, leading to initiatives that enhance food system resilience and sustainability, including funding for new co-packing facilities and programs promoting innovation in food production and processing.

This early work led to the creation of the original Oregon Co-Packer list, which the FIC and ODA collaboratively maintained. Over time, ODA took over responsibility for maintaining and annually updating the Co-Packer Locator, leveraging food license data from the ODA Food Safety team and the Washington State Department of Agriculture for comprehensive regional coverage.

2015

The Oregon Food Infrastructure Gap Analysis, conducted by Ecotrust, identified "lack of access to processing facilities" as a significant concern, particularly for value-added producers seeking appropriately sized production space or co-packing services.

2016

On behalf of the Oregon Food and Beverage Leadership Steering Committee, the Food & Beverage Industry Roadmap was completed as a working partnership of private and public stakeholders. In developing this Road Map, the Food and Beverage Leadership Council, Business Oregon, the Oregon Department of Agriculture, the Oregon Business Council, the Oregon Business Association, and the Northwest Food Processors Association co-led an effort to identify strategic investments and actions in key areas crucial to retain and strengthen Oregon's food & beverage industry's competitive advantages.

Strategic recommendations came out of this project to include:

- Recommendations for R&D and Technical Assistance Investments
- Recommendations to achieve a quality, well-trained workforce
- Recommendation to support critical investments in freight transport
- Recommendations to expand markets for Oregon food and beverage products
- Recommendations to streamline government services and requirements

2019

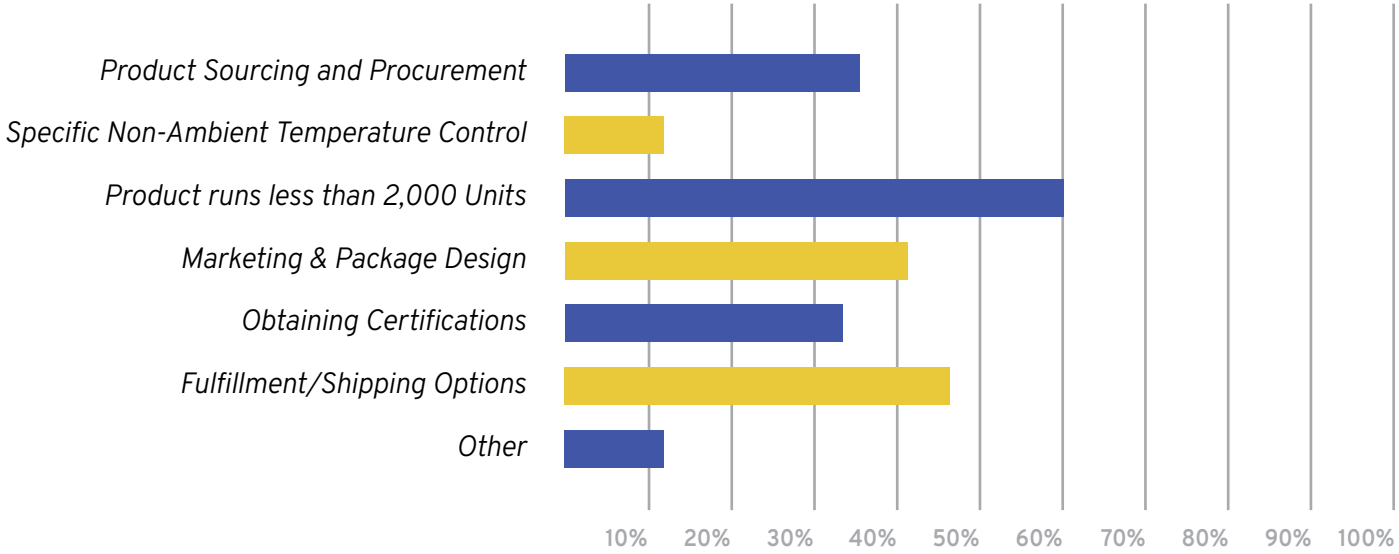
The Oregon Department of Agriculture (ODA) conducted a simple five question Co-Packer Needs Assessment Survey. The survey sent out on the OSU Food Innovation Center listserv to packaged food business owners, received 183 respondents. Respondents were surveyed about processing style needs (e.g. liquid packing, dry packing, sachets, multi-pack, vacuum packaging, acidified foods, etc) which was diverse with all responses landing between 35-25% and several other answers being written showing the diversity of processing needed in the state. There was not one gap or need that stood out amongst the rest. In response to the question, "Based on your current food co-packing needs, do you need assistance with the following," responses ranged from marketing support to

obtaining certifications, to sourcing support to fulfillment to co-packing scale. The top selected needs were as follows:

- 60 percent indicated a need for "product runs of less than 2,000 units."
- 40 percent highlighted a need for "fulfillment and shipping options."

In response to these needs, initiatives were launched to develop smaller minimum co-packing options and encourage collaboration among businesses to address these gaps. The results of this survey helped lay the groundwork for the High Impact Opportunity Grant application that funded Community Co-Pack. Business Oregon invested $500,000 in Community Co-Pack's launch, supporting system development, equipment purchases, and electrical upgrades that continue to benefit entrepreneurs. Community Co-Pack readily received active interest from the food business community with over 350 businesses completing the interest form.

2019 CO-PACKER NEEDS SURVEY



COMMUNITY CO-PACK CASE STUDY

Community Co-Pack was a pilot initiative based at The Redd Food Hub in Portland, Oregon, designed to reimagine co-packing through a community-centered lens. Focused on serving BIPOC and women entrepreneurs, this flexible-run facility offered low minimums and wrap-around support services from 2021–2023. With $500,000 in funding from Business Oregon's High Impact Opportunity Grant, the project supported over 25 clients through production, product development, and business navigation.

Client-Centered Co-Packing

Unlike traditional co-packers, Community Co-Pack emphasized active client involvement in production processes, allowing entrepreneurs to oversee supply chains, conduct quality assurance, and ensure recipe integrity. The facility became a space for hands-on learning, recipe testing, and scalable growth.

Facility & Equipment

Community Co-Pack operated out of a 1,400 sq. ft. kitchen within The Redd, with warehouse and storage support from B-Line. The kitchen underwent upgrades for food safety, electrical capacity, and workflow efficiency. However, much of the production was done by hand rather than with large-scale equipment, due to spatial limitations and the operational team's capacity.

Client Profiles & Challenges

Of the businesses served, 62% were women and 77% BIPOC or multi-racial. Many lacked access to distribution, were self-delivering products, or had not yet scaled their manufacturing processes. Common challenges included lack of production capacity, infrastructure, and time, alongside rising costs and supply chain hurdles.

Client Success Stories

- *Mathilde's Kitchen* scaled hibiscus beverages for 40+ accounts while its founder provided humanitarian relief abroad.
- *HAB Sauce* transitioned multiple products to Community Co-Pack, allowing its founder to grow retail partnerships and develop new SKUs.
- *Sibeiho* pivoted quickly to work with Community Co-Pack after losing a co-packing partner, preserving farm partnerships and maintaining growth.
- *Hot Mama Salsa* ramped up chip production through consistent weekly runs, serving as an anchor client.
- *Plant Bomb, Irene's Atchara,* and others launched or scaled thanks to the pilot's flexibility and product development support.
- Even national brands like *A Dozen Cousins* used Community Co-Pack for specialized small-batch runs.

Keys to Success

- **Funding:** Grant support covered startup costs, rent, staffing, and initial infrastructure.
- **Relationships:** A collaborative model emphasized trust and client empowerment.
- **Anchor Client:** Securing consistent production volume early ensured cash flow and staffing stability.
- **Education & Navigation:** Over 200 businesses received guidance through free consultations and the "Roadmap to Co-Packing" educational series.
- **Partnerships:** Prosper Portland and IBRN extended business support services and subsidized access to co-packing.

Reflections & Lessons Community

Community Co-Pack achieved its goal of helping businesses scale but eventually hit capacity due to labor, facility, and equipment limits. The pricing model, designed for accessibility, was ultimately unsustainable in the high-cost Portland market. While deeply impactful, long-term viability requires either nonprofit subsidies or a reevaluation of pricing, staffing, and infrastructure strategies.

Conclusion

Community Co-Pack demonstrated the power and necessity of community-oriented food manufacturing spaces. Its legacy offers a blueprint for future models prioritizing equity, flexibility, and sustainability in co-packing.

COMMUNITY
CO-PACK

SUMMER OF 2023

During the Summer of 2023, Senator Ron Wyden's team held a statewide "Oregon Bounty" Tour, which also identified a need for co-packers that would work with and support emerging food businesses during launch and growth phases as well as Oregon's need for expanded processing capabilities, particularly in beverage co-packing. The tour inspired the re-establishment of the Food & Beverage Council under the Oregon Business Council.

FALL OF 2023

In the fall of 2023, the OSU Sustainable Food Manufacturing Summit adopted an unconference model, allowing participants to advocate for and discuss pressing issues. Co-packing emerged as one of the most frequently raised topics, with breakout groups highlighting:

- "Lack of processing facilities (co-manufacturing): money [for equipment upgrades/added capacity] and [co-packing] staff are also limited in existing ones."[2]
- "Current infrastructure doesn't meet all needs (food specifications, food safety, scale-up expertise)."
- "Co-manufacturing that is also sustainable (less water, energy waste, and means of minimizing or reusing processing byproducts)."

Also identified during the Summit was a need for equipment experts and the limited availability of individuals with food safety and equipment knowledge able to serve growing food businesses. A training program for food manufacturing equipment and process expertise was proposed.

SUMMARY

Since 2013, Oregon State University's Food Innovation Center (FIC) and the Oregon Department of Agriculture (ODA) have worked to address gaps in Oregon's food processing infrastructure, initially through a statewide co-packer assessment & survey. This effort highlighted infrastructure and distribution challenges and led to ongoing updates of the Northwest Co-Packer Locator. A 2019 survey revealed strong demand for small production runs and fulfillment services. By 2023, co-packing continued to surface as a critical need in statewide initiatives and summits, culminating in the 2025 Oregon Food & Beverage Council Strategy, which identified co-manufacturing capacity, distribution, and regulatory burdens as key growth barriers. Calls for sustainable, scalable, and technical support and co-packing solutions have driven further investment and training proposals. Much work has gone into connecting and assessing capabilities of the co-packing industry in Oregon. Experiences range from success to failures, yet it remains clear that it is an important area of focus, for food entrepreneurs and farmers alike.

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[2] At the time of this summit, COVID labor pressures were still being felt by the industry. It was very hard to find and retain skilled production labor.

Co-Packing Overview

WHAT IS CO-PACKING?

Contract packaging, or contract manufacturing, refers to working with a manufacturer, under contract, to pack or process a product. Co-packing is a collaboration that connects capacity with innovation.

Co-Packing is most common for food with long shelf life. This often looks like bottled acidified or naturally low pH foods and beverages or retort, but also extends to bars, dry mixes, frozen foods, and fresh foods supported to have a long shelf life. Whereas baked goods, fresh salsa, fermented foods are typically not foods that are co-packed, instead run as local/regional businesses with self-distribution as part of their business model.

WHY DOES CO-PACKING MATTER?

Co-packing enables food businesses and farms to access efficient, scaled processing, specialized equipment, and necessary quality and food safety certifications. It allows entrepreneurs to focus on business development, sales, and marketing while avoiding the financial burden of building manufacturing facilities.

Due to high entry costs and scale requirements, co-packing is a challenging leap for many entrepreneurs. At the same time, scaling food manufacturing is a significant investment that requires infrastructure, equipment, procedures, training, and workforce development.

AN ENTREPRENEUR'S PATH: THE SCALING GAP

Oregon's small food businesses flourish thanks to robust resources, infrastructure, and accessible markets that cater to their needs. Yet, a crucial gap emerges between the initial launch and subsequent growth phases. When businesses plan to expand their production volume, they encounter formidable barriers related to production capabilities and capital requirements. Typically, food entrepreneurs begin in shared-use commercial kitchens or home-based setups. However, scaling production introduces them to one of two pathways, each demanding substantial capital investment and presenting distinct challenges.

- **Building a production facility:** Establishing a dedicated production facility requires substantial financial outlays for equipment, labor, and infrastructure. Managing production also requires food safety plan development and maintenance and building out a skilled production team.
- **Transitioning to a co-packer:** Shifting to a co-packer often presents challenges such as high order minimums, large fees, and a lack of available infrastructure and capacity to accommodate growing businesses.

CASE STUDY: BRIDGING THE GAP WITH SWIFT CIDER

Swift Cider played a vital role in filling this gap in Oregon's beverage sector by offering co-packing services tailored to small to medium beverage businesses. With lower minimum order requirements and specialized beverage expertise, Swift Cider helped small brands scale their production in aluminum cans at volumes manageable within their financial constraints and retail commitments.

As explained in an **Oregon Business** article titled *More Cooks in the Kitchen*:

"[Co-packing] allows people to scale that otherwise would have no opportunity to scale," Currie says. "It also allows people that are already at scale to grow their business before they build the new facility. If you know that eventually you're going to have the revenue to support a 2-million-unit-per-year facility, then you can borrow your neighbor's [facility] until you get there and really hedge your risk a lot on that bench."

For example, Currie says, if a business has just secured a deal to place its product on grocery store shelves, the demand is uncertain. "Everybody hopes for the best, but the reality of it is that demand is its own thing. And so you have to kind of sit there and wait. A lot of people need this extra capacity in order to make these commitments to these large retailers just in case something starts selling a lot faster."

The full article, written as a result of this project's outreach and advocacy, is available at **Oregon Business**.

BARRIERS FOR SMALL BUSINESSES

The difficulties small businesses face to access co-packing services stem largely from the business structure of co-packing. Most co-packers in Oregon fall into one of two categories:

01. Large and medium-scale food manufacturers that fill production gaps to maximize their facility's efficiency and cover overhead
02. Full-time co-packers who primarily serve large clients, limiting availability for smaller producers

Neither model is designed to meet the needs of emerging food businesses. With good reason, emerging entrepreneurs come with more risk, less volume, and more hand-holding. Several barriers emerged from project findings that suggest small businesses face difficulty engaging with co-packers, including:

- **Limited outreach:** Co-packers often fail to actively promote their services to the entrepreneurial community. Co-Packers both lack capacity and incentive.
- **Lack of engagement:** Many co-packers do not proactively communicate with or follow up on inquiries from small food producers.
- **High upfront costs:** Fees for product research and development (R&D) and test runs can amount to thousands of dollars before production even begins.
- **High Minimums:** Efficient production equipment built for large food manufacturers require minimum gallons or units to be run at an efficient unit price, making the first run cost a significant investment for a scaling entrepreneur.
- **Rigid production models:** Due to food safety program requirements, co-packers have limited flexibility with processing methods and ingredients sourcing, and are unable to accommodate unique ingredients or processes—an issue particularly affecting businesses that produce culturally specific recipes.
- **Inconsistent use of NDAs:** Entrepreneurs often encounter variability in the implementation of non-disclosure agreements (NDAs) as well as formula ownership.
- **Limited mid-scale processing options:** Because food processing equipment is built for scale, there is a lack of medium-sized equipment and processing capabilities restricts access for emerging brands.
- **High order minimums:** The production and food safety requirements of many co-packers exclude businesses that have yet to reach significant scale.

Despite these hurdles, co-packing remains a lower-risk option for the right product type, as entrepreneurs invest in product runs rather than costly infrastructure. This flexibility allows them to adjust to market demand more effectively, while focusing on the many other aspects of building a food business. These hurdles also point to the need for early stage sales support.

EQUITY CONSIDERATIONS

These challenges disproportionately impact historically underrepresented communities in Oregon. Historically, BIPOC and women entrepreneurs have had fewer economic and social opportunities to take risks or secure the capital necessary to scale their businesses. As a result, many work harder with less efficient processes to grow their enterprises.

CONCLUSION

While these challenges are not new, they are part of the broader, long-standing issues within regional food systems that have persisted for decades, as outlined in the project background. Solutions are found in appropriate trust building and matchmaking, sales support for early stage entrepreneurs and developing more small and medium-scale manufacturers to offer co-packing services.

OREGON CO-PACKING LANDSCAPE

Oregon's co-packing landscape is diverse, with large automated facilities serving national markets, medium-sized solo operators, and small/emerging co-packers. Many co-packers report excess capacity but struggle with a mismatch between scale and processing capabilities. This suggests that while there is a need for co-packing services, proper matchmaking between businesses and co-packers is essential.

LOSS OF CAPACITY

Just within the duration of the project:

- A key small/medium-scale specialty crop co-packer, sold their branded business and ceased offering co-packing services, resulting in loss of certified organic raw produce processing. This was the result of aging leadership ready for retirement.
- A nut butter co-packer moved their operations out of state due to the lack of appropriately sized processing kitchens in Oregon.
- Near the end of the project, two key small scale co-packers supporting emerging brands, lacking the capital needed to continue operating, also shut down, further exacerbating the gaps in Oregon's co-packing infrastructure.

CO-PACKING BUSINESS MODEL

In talking with co-packers during the tours and interviews, it became clear that the business model of co-packing is a tricky balance. Running a small-medium scale co-packer is hard work and a business model that barely pencils, if at all. The amount of effort (time & money) required to support new food entrepreneurs or tinker with a scaling recipe and process doesn't often match the money made from the smaller scale, inconsistent production runs. This is why by and large, we see co-packers operating at a larger scale, requiring larger minimums, minimums that ensure the run's financial viability. Co-packers also favor consistent product and secure growing businesses that they know they will receive their return on investment from.

Successful small-medium scale co-packers typically have their own brands and have built out a facility to serve their own production, but with scale have achieved extra capacity. Co-Packing in this case is not their sole source of income and is more addictive to the business as a whole, similar to private label or foodservice. The business can also be more selective with their clients ensuring an appropriate fit.

CASE STUDY: THE LEGACY OF SWEET CREEK FOODS

Paul, the founder of Sweet Creek Foods, was a visionary. When the community-supported agriculture (CSA) movement began gaining momentum, he recognized the need for "Community Supported Processing." As an equipment expert, Paul set out to build a cannery to process local organic goods, including overages and imperfect produce from nearby farms. He created a brand that centered on supporting organic farmers, ultimately becoming a significant contractor for small farms.

Sweet Creek was one of the last medium-scale regional canneries working directly with farmers, and the closure of this facility marked the loss of a vital asset to Oregon's food processing sector. Moreover, many of the remaining facilities in the state operate with aging equipment, further exacerbating the challenges facing small and medium-sized farmers.

Project Purpose & Objectives

The purpose of the *Co-Packing in Oregon and the Pacific Northwest (PNW) Project* was to assess gaps, needs, and opportunities within the Oregon co-packing specialty crop processing industry.

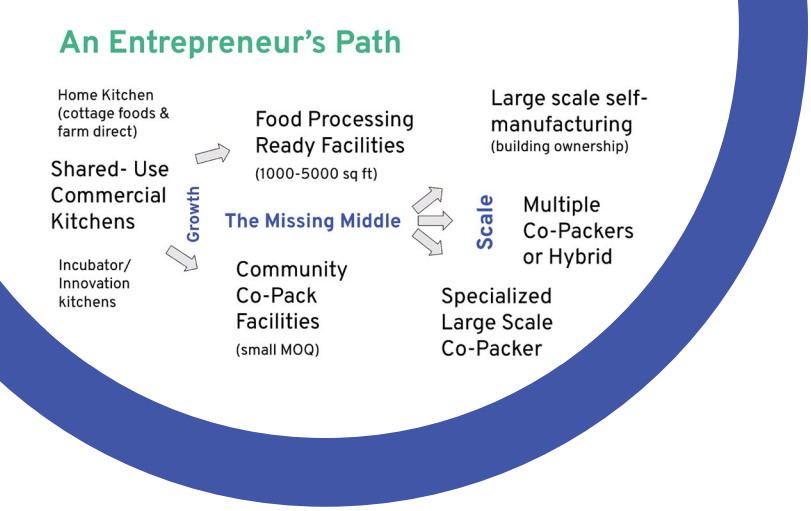
Our approach included conducting surveys, conversational interviews, facility and farm visits, and included regional tours. The project goals were two-fold, to connect co-packers with food and farm business, as well as to inspire and support mid-sized processors to offer co-packing services in their manufacturing niche.

FUNDING FOCUS & LIMITATIONS

This project was funded by a USDA Specialty Crop Block Grant, which prioritizes crops such as fruits, vegetables, tree nuts, dried fruits, horticulture, and nursery crops, including floriculture. As such, the project focused on Oregon's specialty crops while also prioritizing the experiences of BIPOC and rural business owners in accessing co-packing services.

Throughout the project, the team visited eight regions, attended 22 conferences and events, conducted 46 facility tours, delivered 24 presentations, and engaged in interviews with 34 specialty crop farmers, four fisher/ranchers, and 36 packaged food makers.

The co-packing market in Oregon has recently experienced considerable changes and upheaval. Several co-packers had shut down or relocated, while self-manufacturing food businesses and food hubs have begun incorporating co-packing into their business models. Additionally, key funding had been directed toward food manufacturing to strengthen food system infrastructure resiliency, including support for new co-packing operations. During 2023 and 2024, while the survey was live, the project team conducted processor tours and interviews. During this period, four co-packers offering low-minimums or flexible processing for food and farm businesses shut down. One active beverage co-packer sought funding to sustain operations supporting five small beverage brands, suggesting subsidized line time as a solution for smaller brands to access efficient processing.



Project Approach & Activities

ECOSYSTEM APPROACH

Rather than solely focusing on co-packers and their clients, this project considered the broader food processing landscape, particularly in relation to specialty crops.

The availability of shared-use kitchens, mid-sized manufacturing facilities, and mature manufacturers varies by region. Some areas have robust entrepreneurial infrastructure, while others lack essential resources, forcing food entrepreneurs to operate informally, travel long distances for processing, or circumvent food processing regulations altogether.

CONNECTION & EDUCATION

To address the challenges in co-packing and food manufacturing, this project prioritized resource connection and education. Over the course of the project, 24 educational presentations were delivered to food entrepreneurs, specialty crop growers, community leaders, and co-packers. A specialized workshop series, A Roadmap to Co-Packing, was held to support both co-packers and makers in fostering stronger co-packing relationships.

Project leads engaged with over 36 food businesses and 30 food enterprises exploring or actively offering co-packing services, as well as 34 specialty crop farmers. The project team visited 64 facilities and farms and participated in more than 22 regional convenings with farmers, food makers, and industry leaders. Resources were shared with statewide and regional organizations.

An additional focus was placed on encouraging small-to-medium food manufacturers to consider offering co-packing as a service. This approach aimed to create a network where emerging food entrepreneurs could collaborate with one another, rather than relying on larger, less accessible co-packers. Two workshops were held to support this effort, "The key Points of a Co-Packing Contract" and "Finding Right Fit-Customers." While progress in this area has been steady, it remains a developing initiative.

FOOD & BEVERAGE COUNCIL

Participation in the Food & Beverage Council was woven into this work, as it brought together food & beverage leaders and industry members across the state with businesses of all scales. The Food & Beverage Council produced a report, entitled "Oregon Food & Beverage Council Strategy", emphasizing co-packing and distribution as key focus areas for supporting innovation. The executive summary highlights the key barriers to growth as:

- Limited access to capital for expansion
- Insufficient co-manufacturing capacity for growing brands
- Distribution challenges, particularly for rural producers
- Increasing regulatory burdens and costs
- Workforce attraction and retention difficulties

EDUCATION: A ROADMAP TO CO-PACKING

Community Co-Pack, in partnership with Xcelerate Women and with additional funding from Oregon Community Foundation's Thriving Entrepreneurs program, co-led a class with Ashley Sutterfield to educate entrepreneurs on co-packing and sourcing co-packers. The course attracted 98 registrants, with 75 businesses attending live sessions. The recorded sessions continue to serve as a valuable resource for entrepreneurs exploring co-packing as a scaling strategy.

The participants represented a diverse range of backgrounds, from new makers curious about co-packing to experienced manufacturers interested in offering co-packing services. Additionally, service providers participated to strengthen their understanding of co-packing and better support their clients.

Series Outline

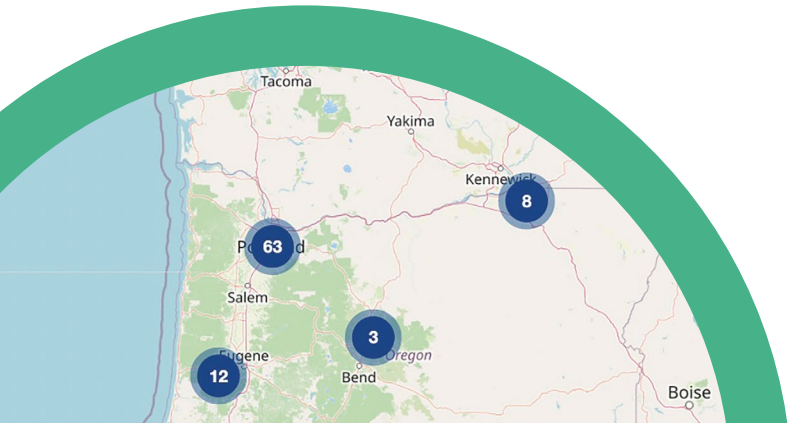
- **Holistic Business Review:** Grounding in long-term business goals, vision, and values to ensure the co-packing approach aligns with broader business objectives.
- **Production Options:** A closer examination of co-packing as a production model and its implications.
- **Formulation and Sourcing:** Guidance on preparing product formulations and sourcing ingredients for co-packing.
- **Co-Packer Search Process:** Key strategies, tips, and critical questions to ask when selecting a co-packer.
- **Testing and Pricing:** Insights into the testing and pricing process for co-packing arrangements.
- **Production & Beyond:** Preparing for production day and managing logistics post-production.

Participant Feedback:

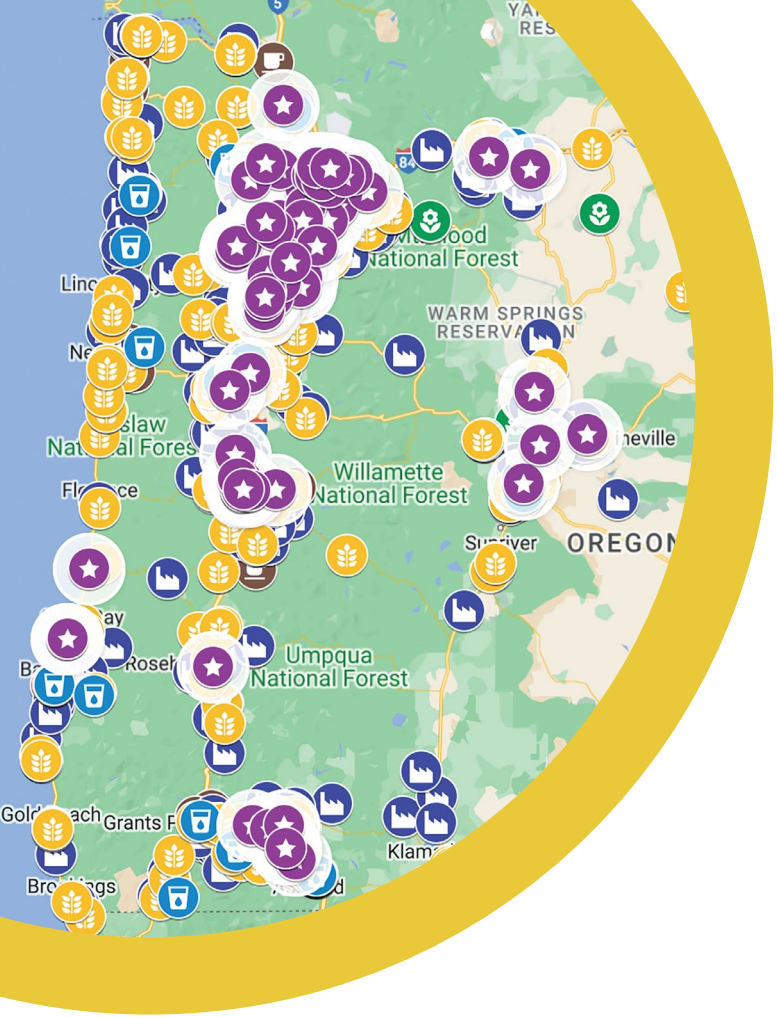
- *"Great resources and community. It was nice to find out that others had similar experiences and have come up with dedicated solutions. I also love how it is a reality check when it comes to volume and pricing, etc. People need to know these things."*
- *"The best overview of how to address the complex question: to use or not to use a co-packer."*
- *"Thanks for organizing and sharing the opportunity to participate in the amazing co-packing course with Ashley. I can't tell you how inspiring and helpful it has been."*

PNW CO-PACKER MAP UPDATE

As part of the project's efforts, the team updated co-packer listings, removing inactive businesses and adding new ones, increasing the total listings from 76 in October 2023 to 101 in March 2024.



A particular focus was placed on identifying small-scale and niche co-packers, many of whom are small food manufacturers, with their own experience in building a business and an openness to supporting new food businesses. The project team also cross-checked the list with national resources like Rodeo CPG's co-packer database, which initially only identified 36 Oregon co-packers. This underscores the need for better visibility of Oregon's co-packing resources nationwide and speaks to the eagerness of several of the co-packers on the workshop to be connected to right-fit clients that might not be regionally based.



MAPPING

To facilitate outreach and organize regional tours, the project team created a map of ODA-licensed food businesses in Oregon. This mapping effort allows for a visual assessment of co-packing accessibility in different regions. The 2023 ODA license data has 577 registered food processors in the state of Oregon.

The map was developed using 2023 ODA license data and categorized into 10 data layers to reflect processing capacity. Specific layers were designated for dairies, bakeries, slaughterhouses, coffee roasters, wineries, brewpubs, and cannabis processors to allow targeted analysis. The map offers a robust view into Oregon food processing capabilities and opportunities. Noting that cottage food and farm direct processors would not be reflected as they are not required to obtain an ODA license.

Findings from this mapping effort are detailed in this report.

REGIONAL TOURS

The project team conducted multiple regional tours visiting food manufacturing facilities, co-packers, and farms. The project team visited Central Oregon, Southern Oregon, Eastern Oregon, Eugene, Portland, The Gorge, The North and Central Coast and the Northern Willamette Valley. The regional tours provided critical opportunities for connection, education, and deeper insights into the needs of operators. Facility tours allowed for in-depth conversations and observations that continue to inform this project's findings and recommendations.

During the statewide outreach, the project team identified unique characteristics in every region of Oregon. It has long been clear that Oregon has distinct agricultural regions with specific crops, and this was also echoed in food manufacturing from a concentration of bottled water and beverage facilities in Central Oregon to specialty crop processing in Willamette Valley. In every region the project team found fermentors and salsa makers, brewers, bakers and coffee roasters, either highly perishable or highly consumed foods. The potential exists for producing and co-packing specialized products tailored to the strengths of each region.

Following is a brief synopsis of each region:

The Gorge

The Gorge offers numerous small-medium food processing facilities that support small business development along with a shared use commercial kitchen being made available by the local community college. The Gorge also boasts a few co-packers along with the established food manufacturers and beverage brewers in the region. Distribution access is an issue particularly for frozen and fresh foods. Many entrepreneurs drive into Portland on a regular basis for either ingredients or final product drops. Opportunities lie in novel fruit processing, like freeze dried or dehydrated, as well as in how the region responds to drop and shift in fruit markets, so the fruit does not go to waste.

North Eastern Oregon

Eastern Oregon with its more dispersed population, boasts many small cottage / farm direct makers. There is a general need for commercial kitchens and several communities leading efforts. Distribution solutions (Good Groceries Food Hub) and challenges (access to larger markets). The remoteness of some of the towns brings a stronger local support with stand out local retailers that only sell locally made goods.

Central Oregon

Central Oregon has an active community of mentorship and investment for their food & beverage manufacturers and startups. There are numerous small successful manufacturers and shared-use commercial kitchens. There is however a general lack of co-packing outside of beverages. Beverage is a strength of Central Oregon. Distribution challenges are reported by entrepreneurs who have to bring packaging and ingredients over from the I-5 corridor only to ship the finished product back to the I-5 corridor.

North Willamette Valley

The Willamette Valley boasts a large evolved industry and with years of shift and consolidation, a lot of internationally owned businesses, located near the valley's fresh unique crops. On the flip side there are also a lot of small makers selling on Facebook marketplace, small craft fairs and markets. Not much of a middle industry, however three shared-use commercial kitchens have come on line in the last few years. Don Froylen Creamery is a great example of a steadily growing family run company that received strategic support from local economic development to build out a bigger facility. SEDCOR acts as a key player supporting supply chain linkages and support of regional industry.

South Willamette Valley

The Eugene area is another Oregon hotbed of natural product companies and entrepreneurship, with a legacy of building industry-leading natural product companies. There is an emphasis on dairy and grain. Shared use commercial kitchens are a hot commodity, several Eugene businesses drive south to Cottage Grove to access a scaled up commercial kitchen. With a more developed industry there are facilities for rent that have housed food businesses prior that provide opportunity for growth for new businesses. Self-manufacturing is a strength of the businesses from this region.

Coastal Oregon

Coastal Oregon is getting more connected and organized under the leadership of the Oregon Ocean Cluster Initiative, through North Coast and Central Coast Food hubs, entrepreneurs are getting access to new markets and support. However a clear need for small scale fish co-packing came to the fore. Also in conversation with entrepreneurs who use seaweed, a specialty crop, there is a need to explore changing Oregon rules around harvest and licenses so that more product innovation can be supported with this abundant resource. Shared-use commercial kitchens are sparse and small. Some coastal entrepreneurs report needing to move to the valley to grow their businesses.

Southern Oregon

Southern Oregon with its warmer dryer growing climate has an emphasis on herbal product growers and processors. However, a local leader noted, that as the food manufacturing businesses that had been key employment anchors for the region have been sold to multinational corporations without ties to Oregon, the manufacturing has gradually shifted out of state leaving a hole. Southern Oregon entrepreneurs report a need for more shared-use commercial kitchens across the region and additional right-sized food manufacturing facilities, where the ones that are vacant are much too large for one growing business. There is also a need for Southern Oregon-located hot fill co-packing.

Portland Area

With so much support of new food businesses and so many sales outlets, Portland has a rich food business entrepreneurial ecosystem. It is a more mature market with numerous shared-use commercial kitchens, small individual buildings for food manufacturing and industrial buildings for growing businesses. The gaps lie in flexible-run co-packing and mid-sized facilities around 10,000 sq ft.

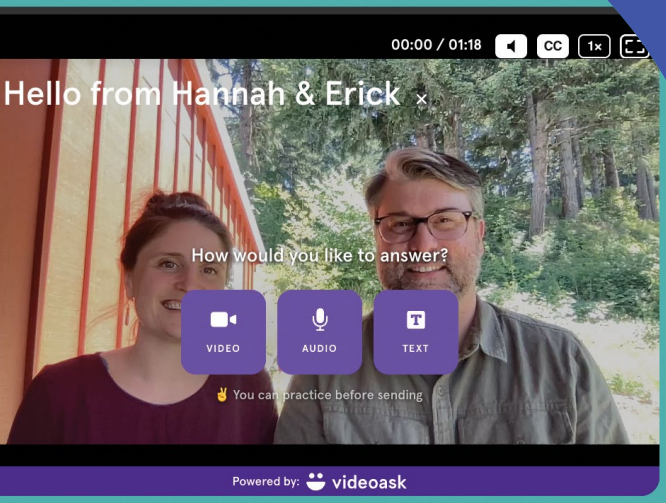
Survey

In this work, we wanted to dive deeper than the basic understanding that more co-packing capacity was needed.

The maps, survey data, and regional tours revealed more nuance. Co-packing is a key tool for business launch and growth, however, since the 2019 survey, markets have shifted, and more businesses have responded to the need for small and medium-scale co-packing services. Additionally, many businesses are maturing and building their own facilities. Yet, in the volatile labor and business markets, many of these small co-packers have had the hardest time staying in business and offering consistent services.

RESPONDENTS

On average, it took participants 43 minutes to complete the survey. For some respondents, the survey was quite short, while for others, it was more in-depth. This variation contributed to the 46.7% completion rate, with 428 opens and 200 completions. The survey was shared with existing farmer and maker networks, including the ODA Co-Packer/Processor Listserv, and was available in both Spanish and English.



Food & Beverage Processing and Co-Packing Survey

The Oregon Department of Agriculture is thrilled to announce a groundbreaking collaboration with Community Co-Pack to conduct an all-encompassing survey aimed at gaining insight into the state of processing and contract manufacturing within Oregon's food & beverage industry.

Take the Survey

Respondents were 60% female, 37.2% male, 1.0% non-binary, and 3% preferred not to answer. The racial/ethnic composition of respondents was largely Caucasian (68.8%), followed by Hispanic/Latinx (7.5%), Asian (7.0%), and Black/African American (7.0%), with 12.6% preferring not to answer. We also received responses from veterans (2.5%), refugees/immigrants (2.5%), and people identifying as disabled or impaired (2.0%).

The majority of responses came from retail and packaged food companies (117 respondents, 58.8%), followed by co-packers and contract manufacturers (25 respondents, 12.6%), farmers/growers (15 respondents, 7.5%), service providers representing farmers and food businesses (5%), restaurants/food trucks (8 respondents, 4%), and food hubs (5 respondents, 2.5%). Another 19 respondents (9.5%) identified as businesses such as bakers, fishers, and distributors.

We define value-added businesses as food manufacturers/processors—companies that package food products at various scales. This also includes food brands that co-pack their own products.

LIMITATIONS

While efforts were made to do outreach and solicit responses from a wide variety of businesses who are invested in the co-packing industry in Oregon, the nature of self-selection in a survey affiliated with the government means that respondents are limited. In 2023 Oregon had 577 licensed food processors.

Many questions in the survey allowed for unrestricted (no minimum or maximum) multibox selections. This means we can report whether certain options were selected, but not the relative importance of those selections. For example, many businesses indicated a need for "food processing equipment" to expand, but this may simply reflect the general applicability of that equipment rather than its absolute importance to respondents.

For questions requiring discrete quantitative data (e.g., "How many years have you been in operation?" or "What is your annual revenue?"), the groups were unevenly distributed. This may distort the relative size of certain groups and the weight of their responses. For example, many respondents selected "Less than 1 year" (less than 12 months), which is considerably different from the "5 to 10 years" range (60 months).

While the survey included multiple business types and support industries, only the "Retail Packaged Food Business Owners" subgroup had a large enough sample to draw specific conclusions. Additionally, some businesses that work with packaging/co-packing services may not prioritize this aspect of their operations, making their responses less reflective of the broader co-packing landscape.

RESULTS

Tertiary Sectors

Tertiary sectors in this study were those who self-identified as Retailers, Distributor, Food Hubs, Food Banks, or were somehow involved in supply chain support for retail packaged food businesses. Of these 23 respondents, the top three most needed aspects of food processing that they highlighted in the communities they serve were: grants for equipment (87% of 23 respondents), more small- and medium-sized co-packers (74%), and shared-use kitchen space and cold storage (both 65%). Their top barriers to growth were access to capital (34.8%) and access to labor (34.8%), followed by access to distribution (30.4%) and new customers/ sales channels (30.4%).

Retail Packaged Food Business Owners

Among retail packaged food business owners who responded, most had been in business less than five years (35.5%). Other respondents had been in business for 5 to 10 years (25.2%), 10 to 20 years (26.8%), and only 12.5% had been in business for more than 20 years.

In terms of revenue, the majority of businesses made less than $250,000 annually, with 29.8% making less than $50,000 and 26.6% making $50,000 to $250,000 in gross sales. Larger businesses also responded, with 10.5% making $250,000 to $500,000, 16.1% making $500,000 to $1M, and 16.9% making over $1M. Most businesses had no employees (29.5%) or 1-5 employees (41.9%), with fewer businesses employing 6-10 (7.8%), 10-20 (10.1%), or more than 20 (10.9%).

Of these businesses, 72.4% indicated that their value-added food business is their primary source of income.

Regarding aspirations, 37.6% of businesses aspired to build a national brand, while 33.3% aimed to create a strong regional brand. This suggests that regional brands are seen as viable and profitable for many Oregon companies, not all of whom aim for national scale.

More than half (51.2%) of businesses indicated plans to expand their production lines or upsize their facilities in the next 5-10 years. Additionally, 25.6% planned to build a co-packing/private label manufacturing line, and 20.7% intended to build their own production facility for their own product.

Using Oregon-sourced ingredients (67.7%) and specialty crops (91.3%) is a common practice among respondents, with the majority of businesses traveling less than 15 miles to their manufacturing facilities—25.9% with manufacturing on-site, 31.5% traveling less than 5 miles, and 27.8% traveling 5-15 miles. These short distances suggest a strong local food ecosystem with easy access to ingredients.

Waste reduction is a priority for many businesses, with 80.5% using strategies like composting (41.5%), feeding waste to animals (15.2%), and producing zero-waste products (23.8%).

Self-Manufacturing Food Businesses

For businesses involved in self-manufacturing/ self-production, the most common need for growth was access to grant funding (77.6%). Other needs included consulting/advisory services (44.9%) and time (42.9%). Businesses also expressed interest in funding through investments (34.7%) and loans (32.7%). While sample sizes are not large enough to conduct significance testing on differences based on company revenue, preliminary analysis suggests that smaller businesses are more likely to need consulting, investment funding, or “other” assistance than businesses making over $500,000 a year in revenue. While businesses making over $500,000 a year are more likely to report needing staff.

Signifiers of quality, such as certifications, are also important, with 44% of businesses seeking at least one certification. The most common certifications were Non-GMO (62.1%), gluten-free (51.5%), organic (45.5%), and kosher (33.3%).

Of 29 self-manufacturing businesses responding to questions about co-packing, 93.1% had previously considered switching to a co-packer, with 37.9% seeking national options. However, only 31.0% found a suitable co-packer in Oregon/PNW. This indicates that many businesses are struggling to find a regional co-packer that fits their needs.

When asked about the need to become co-packers themselves, most businesses indicated a need for processing equipment (80%), help finding vetted clients (65%), and funding for expansion (60%).

Co-Packers

In this survey, 22 of the respondents identified themselves as co-packers. The majority of co-packers (86.4%) reported having excess capacity but indicated a need for equipment funding (68.2%) and staff funding (45.5%) to grow. **54.55% of co-packers regularly turn down clients due to mismatches in processing equipment and minimum production requirements.** 95.5% of respondents report working either directly or indirectly through clients with farmers, which suggests a willingness on the part of co-packers to facilitate contracting with farmers, but potentially need for assistance in facilitating those connections.

Many co-packers expressed interest in being added to the ODA Co-Packer Locator, highlighting the continued need for matchmaking services between co-packers and businesses. Notably, Oregon's co-packer landscape lacks mid-sized co-packers, creating a barrier for businesses that need scalable options.

Of the co-packers who responded, 59.1% report taking steps to effectively manage waste from their production in line with guidelines from DEQ. Strategies utilized include making a zero-waste product (27.3%), utilizing excess as animal feed (22.7%), and compost (18.2%). Additionally, each of the co-packers who responded indicated having at least one kind of quality certification, with 10 (45%) indicating having more than one. The top quality certifications reported are Gluten Free (40.9%), Non-GMO (40.9%), and Organic (40.9%), and Kosher (22.73%).

Working with Co-Packers

For businesses using co-packers, the largest group (29.7%) had worked with the same co-packer for 5-10 years. Many respondents (35.1%) co-packed "hot-fill acidified foods," followed by "wet-blending" (18.9%), "form-fill and seal packaging" (16.2%), and "carbonated beverage canning" (16.2%).

A significant portion (83.8%) of businesses indicated that it was important to them to have a co-packer located in Oregon or the Pacific Northwest. However, only 51.4% found a "right-fit" co-packer in the region, and the average difficulty rating for finding a co-packer was 3.8 out of 10.

Resources

When asked about how easy it is to find resources, the average response was 4.95 on a scale of 1-10, indicating that finding resources is neither particularly easy nor difficult. Most respondents found resources through their business community (72.4%), Google (62%), and resource websites like the Food and Beverage Roadmap (31%).

The majority of businesses expressed a need for grant funding for equipment, with 52.3% seeking micro-grants and 56.3% needing large grants.

Key Findings: Business Goals & Access to Capital

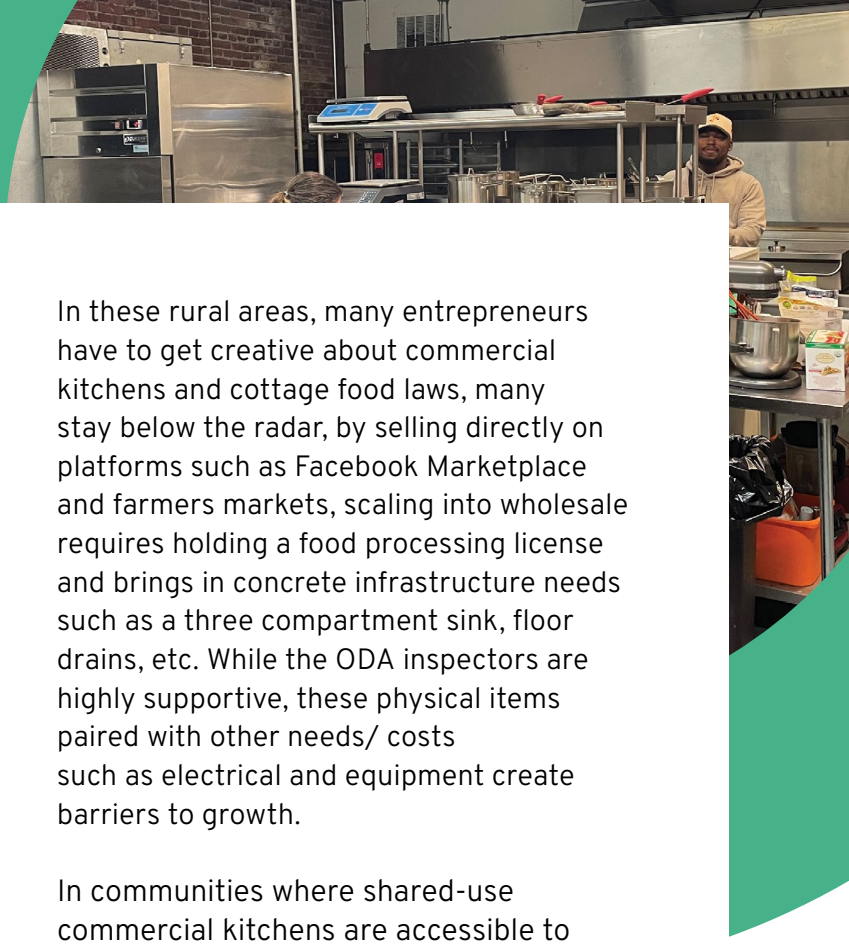
Of the 174 businesses surveyed about their aspirations, 56% aimed to grow a sustainable regional or local business, 36% sought to grow a national business, and only 5% aspired to expand internationally. This is important because the focus of much of our funding support is on international trade, while regional infrastructure may need more attention.

Access to capital emerged as the most common barrier to business growth, with 37% of respondents identifying it as the primary issue. This was followed by access to new customers/ sales channels (16%) and co-packing (11%).

Equipment Needs

For the 161 respondents who provided equipment data, the most commonly owned or rented equipment included general kitchen equipment (39.8%), packaging/bottling equipment (29.8%), and processing equipment (18.0%). When asked about their equipment needs, 78% said they were unable to purchase it outright, and most businesses needed new equipment to either maintain current operations (55.4%) or scale up (38.8%).

While sample sizes were not large enough to conduct significance testing on differences based on revenues, some possible associations exist between the revenues earned by businesses and the kinds of equipment they said they needed. Some examples include, for businesses over $500,000 in annual revenue, they were more likely to report needing equipment such as fillers, pitters, pasteurizers, packaging and bottling equipment, pouring equipment, kettles, fermenting equipment, and brew tanks. Businesses under $500,000 in revenue were more likely to report needing freeze-drying equipment, dehydrators, magnets and general purpose equipment. While not conclusive, these differences suggest, in line with our informal understanding, that the needs of businesses will vary based on the scale of their operations and that the kinds of equipment utilized by smaller-scale operations will be different from larger-scale operations.



Project Findings

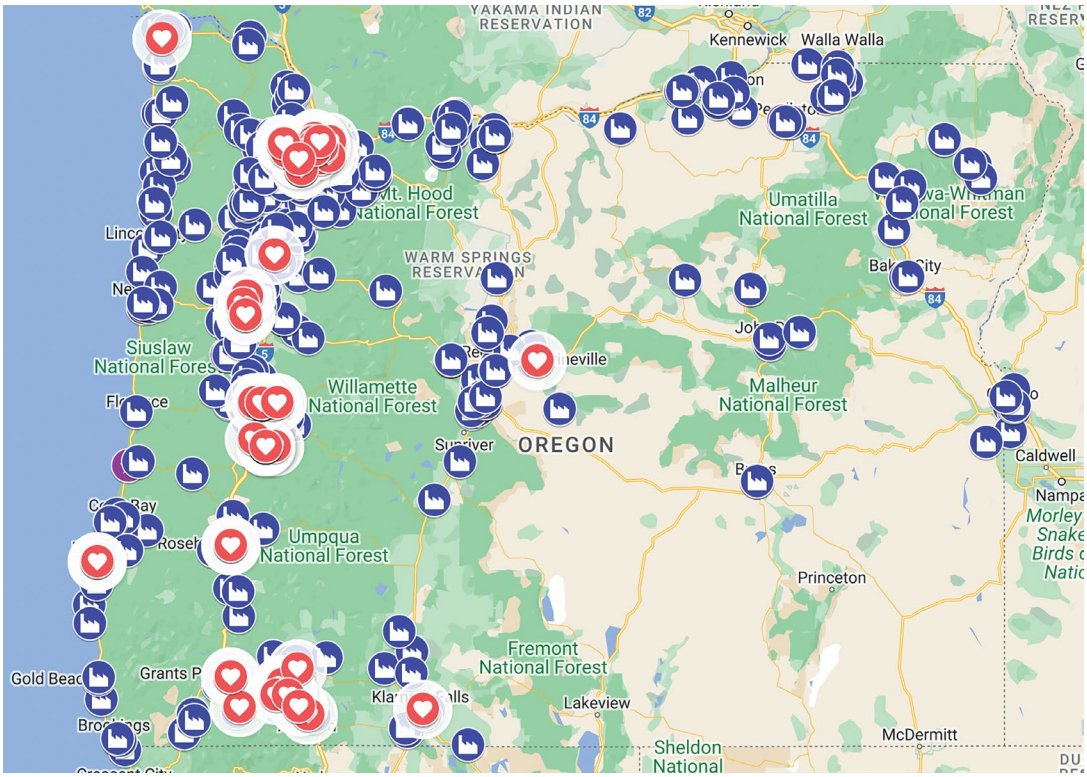
RURAL REALITIES

During the project team's state tours, it became evident that many rural communities not only lack access to co-packers, these businesses lack access to the first stage in business growth: shared-use commercial kitchens, a resource that is highly sought after, even in smaller towns like Cave Junction, Hermiston and La Grande. Due to these rural challenges, entrepreneurs are often compelled to pursue alternative paths. Several entrepreneurs choose to construct ODA-licensed kitchens in their garages, rather than traveling over an hour to utilize a shared-use commercial kitchen or work with a co-packer.

The map below illustrates Oregon's food manufacturers, with an emphasis on shared-use commercial kitchens. As shown, numerous rural communities are without this vital startup resource, especially along the coast and in Eastern Oregon.

In these rural areas, many entrepreneurs have to get creative about commercial kitchens and cottage food laws, many stay below the radar, by selling directly on platforms such as Facebook Marketplace and farmers markets, scaling into wholesale requires holding a food processing license and brings in concrete infrastructure needs such as a three compartment sink, floor drains, etc. While the ODA inspectors are highly supportive, these physical items paired with other needs/ costs such as electrical and equipment create barriers to growth.

In communities where shared-use commercial kitchens are accessible to rent by the hour and have ample storage capacity (ambient, frozen and fresh) bring ease into an entrepreneurs process of building their business.



SPECIALTY CROP CO-PACKING

From a processing perspective, Oregon boasts a mature and developed food manufacturing industry, particularly for certain crops and processes. These include crops that thrive in the state's climate, such as peppermint, pears, cranberries, and blueberries. Farmers within vertically integrated systems operate at scale, and crops that are grown in large acreages such as potatoes, onions, and hops are processed in large volumes. However, this scaled infrastructure can leave out small and middle-sized growers who are being priced out or scaled down. For example, where does a 20-acre organic berry farmer go for processing and cold storage? Additionally, crops that perform well in Oregon but may fare better in California or even China—such as garlic and peppers—lack scaled processing infrastructure. Local sourcing becomes challenging for makers who either have to process and peel hundreds of pounds of these products by hand or source pre-peeled, diced, or IQF (Individually Quick Frozen) versions from outside the state. This scenario is far from ideal for Oregon's many outstanding regional hot sauce and salsa makers.

Throughout this project, it became clear that the co-packing ecosystem is generally not structured to work directly with farmers and specialty crop growers. Of the 23 co-packers surveyed, not a single co-packer in the survey offered vegetable processing, juicing, retort/canning, or dehydration—key processing techniques for specialty crops. Moreover, only 9% of co-packers processed vegetables at all. During interviews, this was confirmed with most co-packers indicating that they only work with very specific raw agricultural goods based on their business' unique history such as mustard seed for mustard or horse radish root for horseradish sauce. Consequently, 40% of respondents required their specialty crop ingredients to be IQF or frozen puree, while 23% needed them to be fresh processed, seeded/peeled, or pureed.

Additionally, 90.9% of co-packers surveyed do not wash and process raw fruits and vegetables. At small scales, without specific equipment, vegetable processing is labor-intensive. The reason for this lies in ingredient tracking requirements of food safety programs like CGMP and SQF. As a result, regional co-packers rely on pre-processed fruits and vegetables, such as IQF or purees. While this approach makes sense from an efficiency standpoint, it leaves small and medium-sized farms without a viable processing option for local produce.

Despite these challenges, there is eagerness and opportunity. Ninety percent of respondents indicated that they use Oregon-grown ingredients whenever possible, and 30% indicated that they use seasonal produce. However, the phrase "where possible" highlights gaps in the state's specialty crop processing infrastructure. Due to tight schedules and minimum order requirements, manufacturers often choose the easiest, lowest-cost solutions, as reflected in the data above.

CASE STUDY: BARHYTE FOODS

Barhyte Foods, based in Pendleton, Oregon, is a well-established condiments manufacturer known for its branded line, private label offerings, and co-packing services. As a family-run business, Barhyte takes great pride in its strong connection to local farmers and emphasizes the importance of supporting regional agriculture. One of their most notable products is their organic mustard, made from locally grown mustard seeds.

The brown mustard seed harvest takes place just 20 miles north of their facility, where 300 acres of mustard seed are harvested each year. This harvest is scaled, following the typical seed-cleaning process to ensure the highest quality. The ease with which Barhyte can source these seeds locally is a testament to the well-developed seed cleaning infrastructure in Oregon, which plays a critical role in facilitating successful partnerships between co-packers and farmers.

To see more about the harvest process, watch this video: **Mustard Seed Harvest**.

This efficient supply chain allows Barhyte Foods to continue its commitment to working with local farmers, ensuring that high-quality, organic mustards reach the market.

CASE STUDY: HINSVARK FARMS

Jim Hinsvark, the owner of Hinsvark Farms, a third-generation organic berry farm, faces the challenges of being caught in a system designed for scale. With only 35 acres of land, Jim and his son primarily supply a regional organic juice manufacturer. However, with the rising costs of production, including freezer storage for their annual harvest, their wholesale relationship may no longer be viable. Jim is now exploring aseptic processing for his organic berries, but the minimum order required is 50,000 pounds.

CO-PACKING FOR SMALL FARMERS

During project interviews, the project team learned that some specialty crop growers have explored the idea of transporting their produce to California for co-packing, driven by the availability of resources there. Other growers, after years of navigating production capacity and crop timing, have worked to establish on-farm commercial kitchens to bring production back to their farms. More commonly, specialty crop growers have partnered with makers to grow unique local produce for their products. Overall there is a scale gap where facilities for minimally processed fruit and vegetables do not exist.

Co-packing for farmers can take many forms, ranging from traditional canning and preserves to more collaborative projects, such as a manufacturer making sauerkraut for a CSA, or barter-based co-packing with gleaned peppers. For instance, Gorge-based Muirhead Canning Co. works directly with small farms to process canned peaches and pears. Muirhead represents one of the last of its kind in an era when farm-direct processing was more common.

In the course of this project, the farm-direct law was updated to allow for additional processing techniques and sales. The OSU Extension Service organized a series of educational events across the state to educate small farmers about the new laws and processing options. As many farmers are now choosing to process their products directly on-farm and sell directly to consumers, the next step is to develop systems of support, connection, and manufacturing facilities that are equipped to work with seasonal, raw ingredients.

CASE STUDY: PRESERVE FARM KITCHEN

Preserve Farm Kitchen (PFK) was a farm-direct co-packer based in Sonoma County, California, specializing in producing value-added products such as jams and tomato sauces. These products were returned to farm customers for sale at their farm stands or retail outlets. In 2021, Preserve Farm Kitchen (PFK) processed over 117,976 pounds of produce for 23 farms.

According to the 2021 PFK Impact Report, 66% of farms that had been selling their PFK-made value-added products for more than a year either maintained or increased sales—none reported a decline. Farms reported that selling value-added products had a positive impact on overall income, improved cash flow by providing products to sell beyond the harvest season, enhanced customer satisfaction, and boosted brand visibility.

PFK's founder, Merilee Olson, had been serving farm businesses as a processor for the past decade. However, in the past year, she faced mounting challenges with labor shortages and rising costs, ultimately leading to the decision to shut down the business. Throughout this process, Olson shared key insights:

- Community-oriented processors require financial support—the business model is not sustainable without subsidies. Whether through government programs, local nonprofits, or investors, external funding is necessary for viability.
- Stock recipes with process authority letters are essential for working efficiently with farmers. Having these pre-approved recipes significantly reduces onboarding costs and eliminates the need for test runs.
- Simple, bulk-processing recipes can be highly effective, particularly for surplus or second-grade produce such as tomatoes and berries.

This case underscores the importance of financial and structural support for small-scale, farm-focused co-packers and highlights strategies for improving efficiency and sustainability in the sector.

OREGON INNOVATION: A NEED FOR INFRASTRUCTURE BEYOND DEVELOPMENT

Oregon has long been a national leader in food product development and innovation, bolstered by organizations like the **OSU Food Innovation Center** and the **Portland Community College Getting Your Recipe to Market** program. Products developed in Oregon are often embraced by the state's rich and diverse farmers' markets and small natural retailers. However, to sustain and grow this innovation within Oregon, more support is necessary. Several examples highlight the challenges faced by local entrepreneurs:

First, Nick Mendoza, founder of Neptune Jerky, worked with the Food Innovation Center on product development, winning an award in the process. His jerky, made from Oregon-sourced fish, is a prime example of local innovation. Unfortunately, Mendoza struggled to find a co-packing partner in Oregon. The company went so far as to hire a commercialization consultancy that researched and contacted a list of hundreds of facilities over several months, but failed to generate any viable options in the region, ultimately resorting to having his product manufactured in another state, over 2,000 miles away.

Next, Heyday Canning Co. is revitalizing the canned food category with gourmet flavor profiles. Co-founder and process expert Jaime Tulley, an Oregon native with deep industry expertise, faced a similar challenge. Despite her qualifications and Heyday's strong market performance, she was unable to find a co-packer in Oregon that met both their capacity and capability needs.

Sh'mallow, an innovative spray-on marshmallow product, faces a unique issue. While co-packing options exist for this novel product format, the minimum order quantities required by co-packers are prohibitively high for a self-funded entrepreneur. As a result, the founder has been forced to build his own manufacturing facility, starting in his garage, while working full-time to fund his venture.

Finally, Chedz, a crispy cheese snack, another innovative Oregon product developed in partnership with the Food Innovation Center, was able to co-pack in Oregon for over a decade. However, when their co-packer closed, Chedz faced a significant challenge due to the unique combination of processing equipment needed. The founder, Susan Hall, ultimately had to shut down the business. Only recently has the product re-emerged through a partnership with a co-packer based in Mississippi.

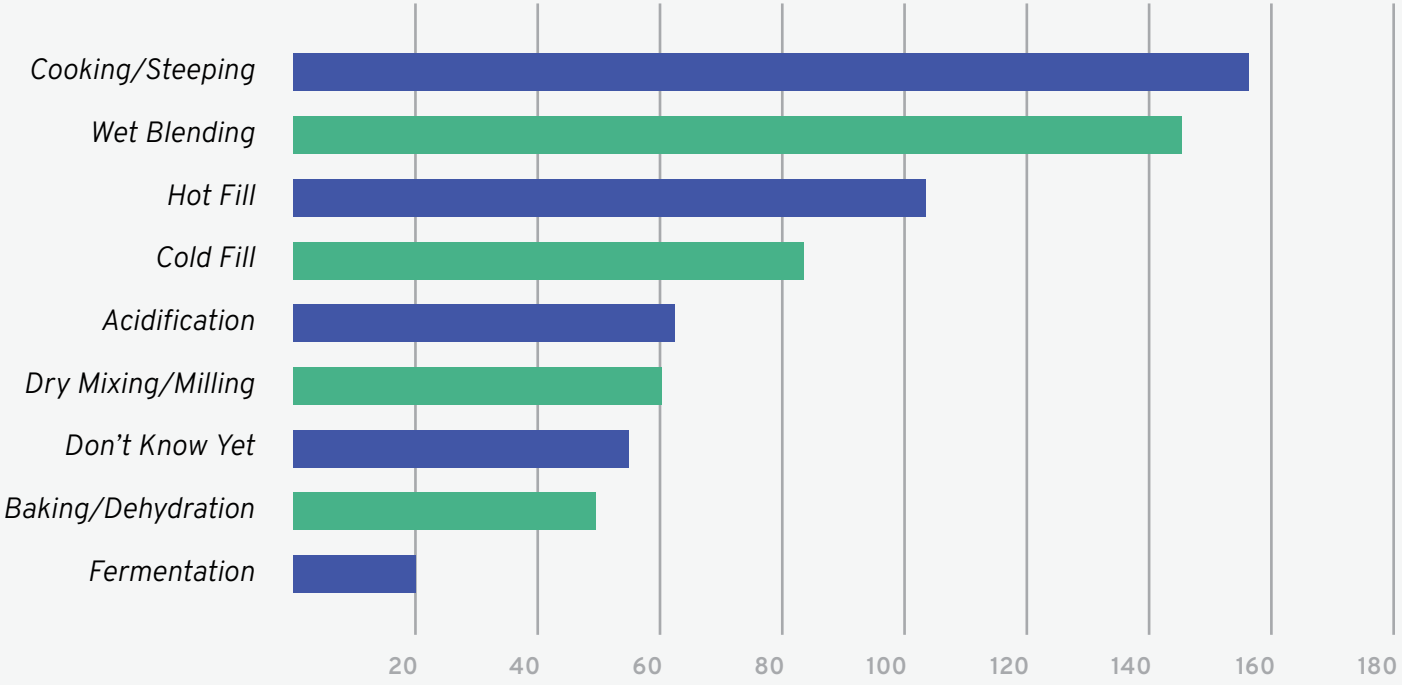
These examples underscore the pressing need for increased infrastructure and support for co-packing services in Oregon to ensure that local innovations can thrive and remain within the state.

PROCESSING GAPS & NEEDS

Food Entrepreneurs

Over three years around 300 entrepreneurs completed the Community Co-Pack interest form. Respondents indicated the following processing needs. While this is not an exhaustive representation of processing gaps it points to the areas where entrepreneurs most often seek co-packing services.

PROCESSING NEEDS AT A GLANCE



Specialty Crops

Specialty Crops Oregon's specialty crop processing sector faces several critical gaps that represent both challenges and opportunities for growth:

- **High Pressure Pasteurization (HPP):** Many entrepreneurs with innovative products seek HPP processing but must adjust their formulations due to the lack of available processing options.
- **Retort Processing:** There is a gap in processing for low pH fruits and fish, particularly after the closure of Sweet Creek Foods. Major retort processor in Oregon does not serve any local clients.
- **Small-Medium Scale Dehydration:** An Oregon seaweed grower has been seeking a dehydration partner for some time but has yet to secure one.
- **Medium-Scale Freeze Drying:** With the rise of home-based freeze-drying and cottage food companies, there is a growing need for scalable freeze-drying solutions.
- **IQF/Freezing:** While freezing is not allowed under the new farm-direct laws, it presents an opportunity for farm-to-school and other markets.
- **Pepper Processing:** There is a need for processing facilities that can handle peppers, both frozen and dried, for hot sauce and chili oil makers. Special de-stemming equipment would be required.

- **Small-Scale Jam Making:** There is an opportunity to collaborate with statewide berry U-picks and food banks for small-scale jam production. While Portland boasts small and large scale jam co-packers, there is a need for a facility located in the valley.
- **Vinegar and Pickling:** Local pickle and vinegar production, especially with seasonal cucumbers, presents another processing need. Several email inquiries have been sent around for this specific type of co-packing that requires hand-filling jars; no partner was identified.
- **Garlic Processing:** Fresh, peeled, dried, and diced garlic processing is another opportunity for Oregon. It grows well in Oregon and food makers, chefs, and food carts tend to buy pre-peeled or diced garlic from conventional restaurant supply stores.
- **USDA Value-Added Processing:** There is demand for USDA processing capabilities, such as for dumplings and other value-added products. Entrepreneurs with this category of product are choosing to stay small or build out their own facilities.
- **Certified Organic Co-Packing:** Several organic farmers and businesses that reached out for co-packing connections with organic-certified co-packers were unmet in their search. This is an area of opportunity for Oregon as the Organic market grows.
- **Fermented Foods:** Fermented vegetable and fruit co-packing is an emerging need in Oregon's food processing landscape.
- **Herbal Products:** Despite Oregon's robust herbal growing industry, many herbs are still imported due to a lack of local harvesting and processing infrastructure. One Southern Oregon herb grower had to crowdsource funds to move beyond hand processing.

Among the co-packer survey respondents, none selected dehydration, fermented foods, HPP processing, raw juice processing, retort/canning, or vegetable processing as services they currently offer.

Several of these challenges, gaps and needs could be addressed through some of the opportunities reviewed in the following "Discussion & Opportunities" section, such as pilot funding, a co-packer community of practice and overall investment in the co-packing sector in Oregon.

Discussions & Opportunities

The Co-Packing in Oregon and the PNW Outreach & Research Project highlights critical gaps and opportunities in Oregon's food manufacturing ecosystem.

As this report demonstrates, many Oregon-based food businesses face significant challenges in scaling production, particularly due to limited access to co-packing services and the high costs associated with expanding operations. Rural entrepreneurs, in particular, are affected by geographic and financial barriers, compounded by the recent closures of smaller co-packing facilities. Meanwhile, other manufacturers and food hubs are stepping up to offer their services, but face business/funding hardships.

While there is a clear demand for medium-scale co-packers and more affordable options, the survey data also underscores a more complex landscape. Many businesses expressed a preference for building their own production facilities rather than seeking external co-packing services, revealing the diverse needs of the industry. Additionally, the fact that some co-packers with capacity are actively seeking clients suggests that matchmaking and strategic collaborations could play a vital role in addressing current gaps.

To support the growth and resilience of Oregon's food economy, future efforts should focus on facilitating connections between food producers and available co-packers, as well as supporting the expansion of processing infrastructure. This includes targeted investments in equipment, grants, and policy development to bridge the gaps identified by this research. As Oregon continues to foster innovation in its food systems, it will be crucial to prioritize sustainable practices, local sourcing, and scalable solutions to ensure the long-term success of the state's food businesses.

The following is a list of specific opportunities to advance Oregon's food processing and co-packing industry:

INVEST IN FACILITY DEVELOPMENT AND ACCESSIBILITY

The COVID-19 crisis highlighted the importance of resilient local and regional food systems. Many new food businesses are operating in an ecosystem where doing business is 5-10 times more expensive than a decade ago. To support growth, businesses need creative, collaborative solutions that do not require large upfront investments. There is an opportunity for statewide funding to support the growth and expansion of small and emerging food businesses, with a focus on processing and manufacturing infrastructure, similar to the Oregon Farm2School Infrastructure Grants. Prioritizing projects that offer affordable rent, accessible equipment, and proximity to rural areas will help fill critical infrastructure gaps and ensure no part of Oregon is underserved.

Strategy

- Establish recurring state funding to support collaborative food processing facilities, including shared-use commercial kitchens, cooperative manufacturing facilities, mid-sized facilities that can accommodate emerging businesses, and processing facilities that can process crops for numerous farmers.

SUPPORT DEVELOPMENT OF RIGHT-SIZED FACILITIES

From Southern Oregon to the heart of Portland, food entrepreneurs reported having difficulty accessing right sized, food manufacturing ready buildings. The choices were too large of building or getting creative about capacity in smaller buildings and spaces. A few builds stood out on our tour. The Port of the Dalles and Port of Hood River have both built buildings with medium sized commercial spaces (~2000 sq ft) that support food manufacturers.

Strategy

- Encourage development of 2000-7000 sq ft food processing ready spaces, including floor drains, wash down walls, electrical capacity.

PATHWAYS TO BUILDING OWNERSHIP

The elephant in the room is that building ownership is critical to our state and the health of the entrepreneurial journey. A business cannot guarantee success, especially in growing instability and shifting markets, but if they diversify in the investments and put facility money towards an asset, the founder can have more choices around capital, growth and exit. Ownership was a critical consideration for several business owners we spoke with that chose to buy a little bigger than capacity or buy and build rurally and move their operation.

A recurring issue is businesses renting commercial space and investing heavily in build-outs for processing or food safety, only for the business to close for various reasons. This limits long-term resilience, as these business owners do not build equity in their space. Many facilities are left empty after businesses close, and key production assets are often lost.

Strategy

- Create pathways for building ownership, including working with landlords to transition their assets, Develop programs that support building ownership, build developments with ownership in mind.
- Establish matching grant funds for ownership opportunities.
- Change Oregon construction policy, ensuring construction has to be guaranteed past 10 years to enable condominiumized commercial ownership.

CASE STUDY: BLISS NUTWORKS & ELIOT'S NUT BUTTER

Bliss Nutworks initially launched production to create nut butters for their own brand. However, they quickly recognized an opportunity to partner with local nut butter businesses, such as Eliot's Adult Nut Butters, to expand their operations and maximize the use of their equipment and facility.

After several years of growth, Bliss Nutworks found themselves outgrowing their space, as they were operating across three small warehouses and had reached their capacity. Given the popularity of the nut butter category, they frequently received inquiries from potential clients seeking co-packing services.

Founder Danielle Bliss struggled to find a food-manufacturing ready facility in the Portland Metro area that was appropriately sized and did not require a significant investment beyond her access to capital. As a result, she made the difficult decision to relocate the business out of state to partner with a co-manufacturer who already had a fully equipped facility. This move led to a merger that proved to be a positive step for their operations, but it represented a significant loss for Oregon.

The fallout from this relocation had a broader impact. A local hazelnut farmer lost access to co-packing and processing services, and Eliot's Nut Butter, which had recently won a Good Food Award and was on track for a successful year, had to shut down. This closure had a ripple effect on other businesses within the ecosystem, including the Redd on Salmon and B-line. Michael Kanter, founder of Eliot's Nut Butter, had a double stall, pallet, and office space rented as a key subtenant, which disrupted the business network at the Redd.

You can read more here.

BUSINESS RETENTION

A juxtaposition was identified during conversations and interviews with leaders around the state: we have state economic development programs to recruit businesses and manufacturing to the state, yet we let businesses who originally chose Oregon, founders that live in Oregon to leave for lack of options or support.

Strategy

- Allow business recruitment funds also to support retention.
- Deepen our statewide support of food manufacturing as a sector to lift up homegrown industry and support businesses in the ways they need support.

PRIORITIZE FOOD MANUFACTURING: THE COST OF BUSINESS TAXES ON LOW MARGIN FOOD MANUFACTURING

In the project team's discussions, several businesses expressed dissatisfaction with the high cost of manufacturing in Portland. In contrast, those who relocated to smaller municipalities within the metro area were pleased with the reception they received and the lower utility costs and fees. This trend was also observed in Eugene and Springfield, where businesses operating in Eugene chose to move to Springfield to avoid multiple taxes.

Strategy

- Cut down on permit timelines or create pre-permitted sites for ease of establishment.
- Reduce utility costs for food businesses
- Consider waiving certain taxes for food manufacturers.

RECOGNIZE & SUPPORT BI-STATE ECOSYSTEMS

Project tours revealed clear bi-state ecosystems in areas like the Columbia Gorge, where entrepreneurs live and work on both sides of the border, or in Northeastern Oregon, where Wallowa County sources Portland produce via a food hub network in Washington. Similarly, a Hermiston entrepreneur must travel to the Tri-Cities in Washington for access to commercial kitchens. We must think creatively with regulations, permits, and licenses to support entrepreneurs working across state lines.

Strategy

- Establish cross-state licenses to ease these challenges.

AUTOMATION GRANTS

Labor shortages are a key challenge, both for businesses switching to co-packing and for those struggling to meet staffing needs. Automation could improve working conditions for Oregon food manufacturers, reduce pressure on staff, and increase efficiency. Many businesses on our tours still rely on hand-packing or semi-automation, where basic tasks like filling and packing could easily be done by machines.

Strategy

- A matching grant program for automation equipment.

LINE-TIME SUBSIDIZATION AT CO-PACKERS FOR EMERGING BRANDS

Financial and scale access to large scale co-packers is an on-going issue. What if there was a program that helped create access by compensating the co-packer for holding line time for emerging entrepreneurs, or offered a stipend for taking the time to work with a higher-needs client?

Strategy

- Create a highly-vetted fund for specific co-packing projects.

CO-PACKING COMMUNITY OF PRACTICE MARKETING SUPPORT

Out of the co-packer workshops a theme emerged around capacity and connection. Co-packers in the workshops identified not having enough time to field all the calls that come into their businesses and simultaneously wanting better connections with other regional co-packers as referrals for the calls they are able to field. For the co-packers with capacity, there was also eagerness and excitement around the ideas of collaborative marketing for co-packing in Oregon such as joint trade shows. A community of practice could also welcome in new co-packers and food manufacturers ready to offer co-packing within their particular processing niche.

Strategy

- ODA led trade shows marketing co-packing services in Oregon.
- Co-packer community of practice to build stronger relationships and referrals.

GRANTS TO "RE-LOCALIZE YOUR SUPPLY"

Oregon has a well-established food manufacturing industry for specialty crops such as peppermint, pears, cranberries, and blueberries. However, mid-sized growers often struggle to access cost-effective processing and cold storage facilities. Additionally, crops that grow well in Oregon such as garlic and peppers, lack adequate processing infrastructure. As a result, Oregon-based producers must either manually process these crops or source pre-processed ingredients from out of state.

Strategy

- Provide grants to support makers and co-packers in sourcing from local or regional farmers. These grants could assist with equipment, storage fees, capital for seasonal processing, and the time and investment needed to shift sourcing to local farms.

CASE STUDY: SEDCOR, LOCALLY GROWN SUPPLY CHAIN & VALUE CHAIN COORDINATION

"We are a dot connector" - Alex Paraskevas

SEDCOR in one of their Locally Grown Supply Chain events connected Yamasa Soy sauce and a grower, Ruddenkual Farms to grow hard red wheat, not typically grown in the Willamette Valley in the recent past. Now they have had a successful partnership for 5 years. To build on this success, SEDCOR is hosting annual locally grown supply chain connection events for pre-contracting between farmers and manufacturers.

You can learn more about SEDCOR's amazing work here.

SEDCOR

CONSISTENT FUNDING FOR VALUE CHAIN COORDINATION AT REGIONAL AND STATE-WIDE LEVELS

Across Oregon, many individuals and organizations have taken it upon themselves to serve as connectors, helping entrepreneurs, manufacturers, and farmers navigate the business ecosystem. These efforts are often underfunded. A coordinated regional effort would significantly improve supply chains and food systems.

Strategy

- Funding regional events to connect local farmers with makers, co-packers, and manufacturers.
- Start a Food Business Connector & Catalyst Program with contracted individuals located in each region of the state similar to the Farm to School regional leads or Business Oregon representatives.

COLLABORATIVE MARKETING & REFERRAL FOR CO-PACKERS

One ongoing frustration is that clients often do not hear back from co-packers. Co-packers who are responsive are overwhelmed by the volume of inquiries they receive. There is an opportunity to create a service that supports resource navigation and co-packer triage for manufacturers. On a national level, Oregon could also highlight itself as a premier destination for co-packing services.

Strategy

- Fund food connectors with an emphasis on co-packing.
- Create a state-wide role for an individual responsible for co-pack marketing and referrals.

PILOT PROJECT FUNDING

To drive innovation, we need more pilot projects that allow businesses to test and implement new solutions. Currently, much of the funding is directed toward feasibility studies hosted by non-profits, while entrepreneurs continue to operate on tight budgets, testing the same concepts. A more integrated funding approach would enable creative change agents to test and build new systems that lead to tangible business impacts. An example and model for this is the investment in Innovation offered by The Pacific Coast Coalition to support the dairy industry to support innovation and efficiency in the sector. One notable example is Nico's Ice Cream, which blends fresh Willamette Valley fruit with Oregon-made vanilla ice cream. Also funded is a small scale dairy co-packer.

Strategy

- Create a statewide fund for pilot project funding, focusing on innovative solutions that have potential system-wide impact.

HIGHLIGHT: WASHINGTON'S LOCAL FOOD SYSTEM INFRASTRUCTURE GRANTS

Washington State has an ongoing Local Food System Infrastructure Grant program that strengthens local food supply chains and market access for farms, ranches, food processors, and distributors. This program has invested over $24 million in 275 projects, expanding processing, manufacturing, storage, and distribution infrastructure.

WORKFORCE DEVELOPMENT

It's not just about hard infrastructure, it's also about soft infrastructure: Another theme that emerged during our conversations with co-packers and food manufacturers alike, was the need for individuals trained in food manufacturing, equipment repair, equipment maintenance, etc. Once a business scaled up beyond smallwares into robust food processing equipment, an expertise gap emerged.

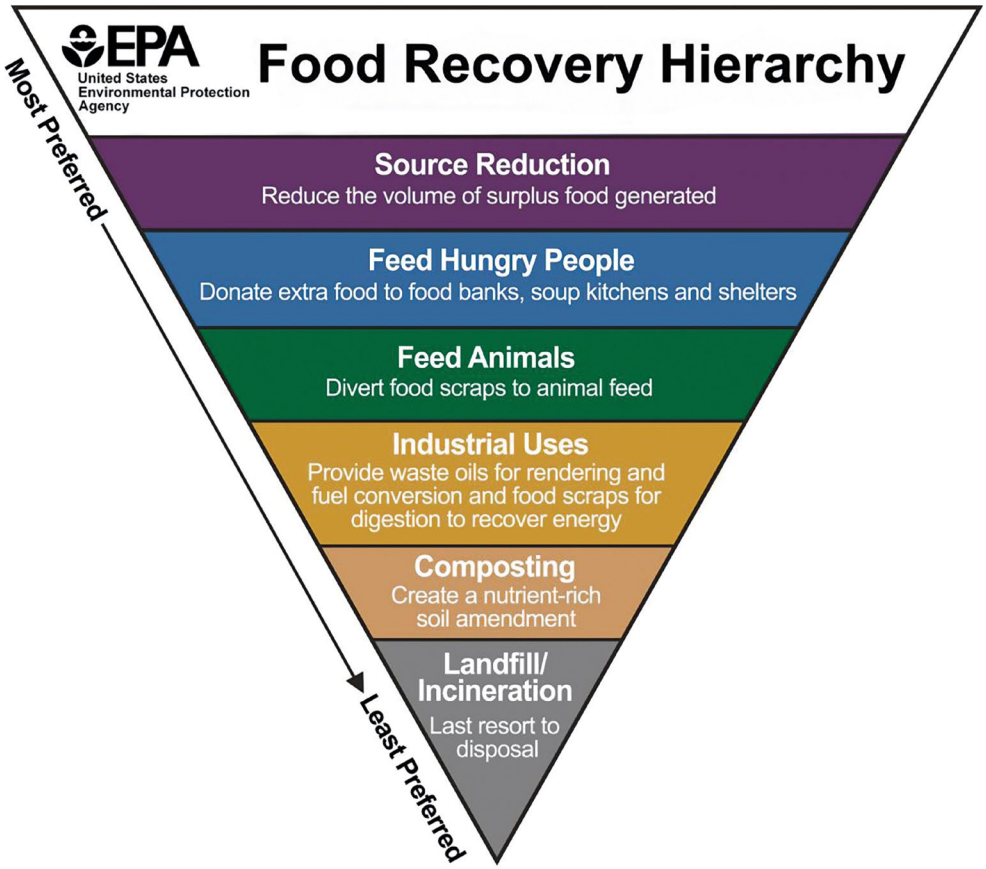
Strategy

- Work with local community colleges to develop food processing equipment training programs & internships.

OPPORTUNITY FOR FOOD WASTE AND BYPRODUCT PROCESSING

Many businesses compost, but there is a lack of capacity to process food waste into secondary products. There is significant waste on farms that goes unutilized due to the absence of systems for capturing it.

- **Slaughter Waste:** Rendering facilities for animal fats (tallow and lard) are needed. With rising interest in animal fats over seed oils, we lack facilities to render these fats on a large scale.
- **Fish Waste:** Similar to slaughter waste, fish guts and bones are discarded, but they could be turned into valuable byproducts such as fish sauce, fish bone broth, and even pet food as demonstrated in Iceland and Norway.



Future Research

This overview of the co-packing landscape in Oregon provides stakeholders with information about what kinds of co-packers are available and what key issues are in the industry. While this is a critical first step, we believe this exploratory research identifies some key areas for future research.

First and foremost, this research shows that 86.4% of co-packers report having excess capacity, while many value-added manufacturers and tertiary businesses in the Oregon agricultural industry report issues finding co-packers who will manufacture their product. Of the co-packer respondents, 68.2% also report having to turn down clients due to a mismatch between their equipment, processes or certifications. Given this disparity, research is needed to understand how to improve "matchmaking" between that excess production supply and the unmet needs for value-added production.

This research should emphasize understanding what obstacles exist between co-packers and the businesses looking to contract with them, and how those obstacles can best be removed or worked around for the businesses impacted. Secondly, the vast majority of the businesses surveyed (80.5%) indicated that a reduction/elimination of food waste was a key priority for their business with composting (41.5%), feeding to animals (15.2%) and making a zero-waste product (23.8%) being the leading strategies. In line with Oregon Department of Environmental Quality's goals for sustainable food systems, more research should be done on the strategies employed by these co-packers and food businesses on the strategies they use to reduce waste and the areas of critical need for further reductions in waste to identify key areas of investment needed for infrastructure and market development.

Furthermore, Oregon-sourced ingredients were listed as a preference for most food businesses surveyed (67.7%); however, based on discussions with farmers, many have difficulties connecting with processors and food manufacturers to sell their ingredients for these purposes. More research into gaps of alignment between buyers and sellers in this market might help facilitate more local purchasing, reduce food miles, and improve rural economies.

Additionally, a recurring theme in this research is difficulties with accessing capital in order for food businesses to get the land, labor or equipment needed to grow or optimize their operations. Future research should identify if the obstacles to capital are due to difficulties such as communicating value to lenders on the part of the food businesses, conducting cost/benefit analyses on investments, or a lack of availability for capital that suits their needs. For capital-granting organizations, research may be useful to help them identify key indicators that a food business is ready for scalable capital. Future research would benefit from developing a greater understanding of what is needed to facilitate capital access.

Lastly, several businesses indicated a desire to obtain signifiers of quality such as “Non-GMO,” “Organic,” “Gluten-free” or Kosher. Despite this, less than 10% of products on the market are “non-GMO” and only 3% of crops in the U.S. are certified Organic. Research may help identify the tools and resources needed for Oregon co-packers and manufactured food product companies to gain the quality signifiers they want.

Appendix

RESOURCES FOR CO-PACKERS

To support food manufacturers stepping into co-packing, a comprehensive resource folder was compiled, featuring:

- A roadmap for establishing a community-centered co-packing facility.
- A draft master service agreement, with recommendations for legal review.
- An onboarding flowchart.
- Sample intake and interest forms.
- A test-run pricing calculation spreadsheet.
- A product complaint/recall documentation template.
- Informational blogs on preparing to work with a co-packer.

This resource folder was distributed to over 25 businesses and organizations and remains an ongoing resource. Many emerging co-packers are in early-stage development or recently funded, and these materials provide foundational guidance.

Erick Garman

Trade Development Manager, Oregon Department of Agriculture

Erick Garman's role at ODA includes marketing Oregon food and agriculture products locally, domestically and internationally. Erick works closely with small to mid-sized producers to advance sales, enhance market access and development, provide regulatory assistance and export consultation.

Hannah Kullberg

Connector & Catalyst

Hannah supports the growth of Oregon's regional food system by advising packaged food and beverage entrepreneurs on business launch and expansion. With experience co-founding and scaling a national natural products brand, she provides strategic guidance, resource navigation, and network-building support. Hannah is the founder of the PNW Packaged Food & Beverage Group and former co-founder of Community Co-Pack, a community-centered contract manufacturer.