



Between Two Crises: New York's Artisanal Food Startup Founders

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The Covid-19 pandemic forced a pause to a decade of growth for New York City's artisanal food startups. Strategies employed by their founders reveal the precarity of their circumstances and the importance of support from city government.

Food startups—small-scale artisanal food preparation enterprises—have proliferated in many global cities since the 2007–2008 financial crisis. In New York City, food manufacturing added 3,753 jobs between 2005 and 2015 (a 27% increase), providing opportunities for small-scale entrepreneurs (Center for an Urban Future 2016; Evergreen 2015; Schrock *et al.* 2019). In the United States, specialty food sales saw a 10.7% increase between 2017 and 2019 (Specialty Food Association and Mintel 2020). Mass layoffs in the 2008 economic crisis and continual uncertainty accelerated the sector's development, which provided a way for a diverse group of business founders, including immigrants, expats, and recent college graduates, to capitalize on their knowledge, skills, and networks. But the current Covid-19 pandemic has paused this decade-long development. Startup founders' efforts to adapt to pandemic conditions shed light on the precarious conditions that food entrepreneurs face in New York, and show the important role that the city government plays in supporting this group.

The food-manufacturing sector is generally characterized by low barriers to entry, but in New York it also reflects the opening of new production spaces such as kitchen incubators, new distribution sites such as outdoor food markets and indoor food halls (Mellers 2021), the city government's support for small businesses (Wolf-Powers and Levers 2016), and a large urban consumer base that is attracted to "authentic" and "exotic" foods (Johnston and Baumann 2015). Even in pre-Covid times, urban food businesses faced many uncertainties. They had to find reliable sources of fresh and affordable ingredients, a difficult task because of their small scale. They wrestled with the question of production space in a city whose rents have skyrocketed for decades and where industrial production spaces have been steadily declining, and they had to figure out how to store perishable products with short shelf lives. These risks have multiplied during the current public-health crisis, as the pandemic has struck food processing facilities and in-person, brick-and-mortar retail stores.

Aspirations and diversity

Between July 2017 and May 2018, Ivana Mellers and I conducted ethnographic observations at four kitchen incubators, two outdoor distribution sites (Smorgasburg in Brooklyn and Hester Street Fair in Manhattan), and neighborhood business promotions such as Harlem Harvest Festival. We interviewed 31 specialty food startup founders, as well as four kitchen incubator managers, three local small-business association directors in Harlem, and one economic development director at the

New York City Housing Authority (NYCHA), which oversees the city's many public-housing projects. In 2020, to see how these entrepreneurs were adapting to the Covid-19 pandemic, I undertook follow-up interviews by email with six food producers and managers of kitchen incubators whom we had previously interviewed. I also compared these interviews with digital content on social media, in newsletters, and on websites written by food startup founders during the pandemic. The results were surprising.

Figure 1. JianBing: Shanghai-inspired street food stand at Smorgasburg, Brooklyn, New York City



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Contrary to what we might assume about food startup founders, they were not aspiring chefs, but rather aspiring entrepreneurs. They did not aspire to create great food as much as they wanted to be business owners in the US city where the largest markets are. They founded specialty food companies in New York, produced food at shared kitchens, and sold their products at open street markets, local grocery stores, and/or through their websites. They produced “artisanal” culinary products, or foods produced in small batches, catering to urban consumer demands. As selling points, they often emphasized transparency about the origins of their ingredients and the contributions of their products to human and environmental health (Wolf-Powers and Levers 2016).

The aspirational entrepreneurs came from diverse backgrounds, and most of them were college graduates. They became food entrepreneurs by transitioning from another industry to the food industry or starting their own business after working in the food industry for a period of time. Out of 31, four have some college education (no degree), 22 (or 71%) have bachelor's degrees, and five have advanced graduate degrees. Six interviewees live in public housing. This field attracts a large proportion of women: 24 of the 31 are female founders. The field is also racially and ethnically diverse. In all, 15 people self-identified as whites (48.4%), nine (29%) as African Americans, three as Latinos (9.6%), one as Asian American (3.2%), and three as African

immigrants. This roughly reflects the ethnic and racial composition of New York City: 42.7% identify as white, 24.3% as Black, 29.1% as Latinos, and 13.9% are Asian. Six of the 31 founders were first-generation immigrants; four were children of immigrants.

Several of our interviewees started their food businesses after the 2008 financial crisis, but for various reasons. One told me they wanted to fill a market need such as “opening the neighborhood’s traditional bagel shop instead of [residents] having to go to another neighborhood” because there was no “authentic, hand-made bagel shop” in South/Central Harlem when they first moved there. Another entrepreneur from Nigeria decided to sell products of West African cuisines to mainstream American consumers through Whole Foods Market. Two West African entrepreneurs quit their corporate jobs to create consumer brands. Significantly, all founders used their own savings or borrowed from friends and family to start their companies.

The founder of the bagel business used Kickstarter, a crowdfunding platform, to obtain initial capital for the enterprise. They were able to raise \$20,000 to buy equipment to produce hand-made bagels. This indicates that some artisanal food startup founders are well informed and well resourced. Moreover, some of the 31 founders received support from the city government, private groups, and universities, including the Tory Burch Foundation, Columbia University, and Dartmouth College. Yet, despite being endowed with social and financial capital, business owners faced many difficulties running manufacturing companies in an urban area.

Food startups’ challenges in New York City

Before the Covid-19 pandemic, food-manufacturing firms experienced space constraints because, in New York City, affordable manufacturing space is extremely limited. Real-estate developers and the city government focus on “real-estate-led economic development practice,” whereby “lucrative commercial development” takes priority over mixed-use zoning and manufacturing spaces (Schrock and Wolf-Powers 2019). This makes it difficult for small manufacturing firms to expand and grow in place (Foggin 2019). One solution for young firms in our sample was to work in kitchen incubators that provide space in manufacturing buildings with industrial equipment, storage, and facilities that meet the city department of health’s stringent standards. In 2017, when I interviewed kitchen incubator managers, the four largest incubators in the city received grants from the city government to make memberships more affordable for food producers. Entrepreneurs who are NYCHA residents could apply to NYCHA’s Food Business Pathways, which also subsidized a small amount of kitchen incubator membership fees for a few entrepreneurs every year.

However, the equipment at shared kitchens was not always what the founders needed. Christina, a candymaker who lived in Manhattan and hand-made her products in an industrial space in Brooklyn, said: “The problem is that my candy requires specific equipment. And my equipment is big, which you can’t just bring to a shared kitchen. I called a [kitchen] incubator several times asking if they have this type of tool. They replied that they don’t have it. I ended up getting my own space out in Brooklyn to produce my candy.” Christina’s situation was typical of artisanal founders because kitchen incubators usually only provide standard industrial kitchen equipment. If a founder produces a specialty product that requires special equipment, or when they scale up their production, they often rent their own manufacturing space or move out of New York City. Although the Brooklyn Navy Yard, a city-owned industrial complex, provides manufacturing space at low rent to several established small food businesses, observers of the industry have called for more assistance from city government to help very small, artisanal founders to scale up in place (Evergreen 2015, Wolf-Powers and Levers 2016).

Like hobbyist chefs, food startup founders perform a “labor of love” (Demetry 2017). All told me that, even in good times, producing food is labor-intensive, and that the products need constant care because they are perishable. Kalisa, an organic beverage producer, said: “I didn’t want to use preservatives in my organic limeade. I had to figure out how to do proper labeling. I had interns go

to different stores and pitch to the managers. We were delivering to 18 stores. Yet there were a lot of returns, and a lot of expired products. It became financially difficult.” She eventually shut down the company before the pandemic due to insufficient funding. All the founders said they had problems with assuring a reliable supply of products to their distributors. They also had to find a way to deal with returned items before the expiration date, when they would have to throw them out. These are issues for all food producers, and not only in New York.

Figure 2. Banzai Fresh: Japanese street food stand at Smorgasburg, Brooklyn, New York City



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Coping strategies during Covid-19

Culinary startup founders have been especially vulnerable during the coronavirus pandemic. Some had to pause their businesses because of New York’s state-wide business closure mandate in March 2020. Many entrepreneurs had no or only limited access to their usual production spaces and equipment because kitchen incubators imposed restrictive guidelines. Hot Bread Kitchen, which operates shared production spaces in Brooklyn and Harlem, announced that they had to “adjust the kitchen usage,” and that they were “faced with competing priorities,” which were both to keep up with new health-and-safety guidelines and provide ongoing services to small businesses.¹ Kitchen incubators grappled with the question of how safe is safe, and what capacity they would have when the city is no longer under lockdown.

Business owners reduced the number of employees who could use the workspace at the same time, and many had to close their businesses intermittently when an employee or an employee’s family member tested positive for Covid-19. Even if they remained open, the demand for their

¹ Source: newsletters from Hot Bread Kitchen in 2020.

products was reduced tremendously, and they operated at lower capacity. They then turned to their local communities for support and appealed to their customer base to keep their business running by reaching out to neighbors and regular customers through social media and email lists. Many also began to serve essential workers such as nurses and doctors, with costs sometimes paid by online donations.

Digital strategies emerged as an important part of founders' survival tool kits. Niki, an entrepreneur in Harlem, told me: "A digital strategy is necessary. For those that did not [have a strategy], they had to quickly learn. But we are not as savvy in harnessing the true power of social media the way we should have been." A digital-marketing strategy is no longer optional; it must be built into business plans. Niki suggested that, even when the economy enters the final opening phase according to New York State's timetable, businesses will have to utilize digital engagement with customers because direct-to-consumer distribution spaces—such as the outdoor market Smorgasburg—and many restaurants are still closed or operating at less than their full capacity.

Startup founders communicated with customers through their websites, social-media platforms, and newsletters when in-person interactions were restricted. A juice company in Harlem announced through its newsletter that it was featured in a FedEx commercial, which showed that small businesses could still operate and distribute their products to customers through FedEx delivery services. Others kept their customers abreast of their operations through social media. One constantly distributed pictures of their production site to regular customers (Uptown Bagels, April 5, 2020).

Falling through the cracks

As a response to Covid-19, the US Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which included the Paycheck Protection Program (PPP). This program provides forgivable loans to small businesses. But many of the founders I interviewed could not apply to the program because they did not maintain an official payroll or proper bookkeeping practices. In the food industry, hiring temporary workers informally or "off the books" is common. Startup founders did not foresee that maintaining a proper payroll might be necessary to receive loans from the government during a crisis. Others received a PPP loan, but demand for their products declined to less than half, and their workers had to stay home to take care of their children when schools were closed. Even if they wanted to remain open, and kept paying their workers, the slow economy and the uncertain availability of workers prevented them from doing so.

Food manufacturing in the post-pandemic City

There are questions about whether New York City will be able to sustain a diverse and vibrant food-manufacturing sector after the Covid-19 pandemic is over. Food startups that have employed many New York City residents have gone out of business and might never come back. Those still in business struggle with lower demand and decreasing revenues. Despite having resources including financial and social capital, the startups in this study struggled to survive. Other food makers such as street vendors and independent caterers would face even more barriers during this economic and health-care crisis.

The city government's economic development agencies could offer support to small food enterprises. They could offer producers financial assistance to encourage their contribution to the city in terms of both jobs and culture, or the Department of Small-Business Services could offer digital-marketing training to help entrepreneurs with digital strategies, as many founders, especially ethnic-minority producers, lack the skills, time, and resources to meet with their customers in an online marketplace. Such a program could offer paid internship opportunities to public university students at City University of New York (CUNY) through the city's Tech Talent Pipeline. The

Covid-19 pandemic has forced the food-manufacturing sector to adapt rapidly to new production conditions and consumer needs; future research should look at how these changes take place on the ground.

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