

SECTION III.

**IDENTIFYING
BARRIERS TO LOCAL
FOOD EXPANSION**



FARM DIVERSIFICATION & VALUE-ADDED PRODUCTION

Farm diversification is a strategy producers use to strengthen resilience by adding new enterprises or complementary activities alongside their core operation. Rather than depending on a single crop, or market channel, diversified farms spread risk, smooth out income fluctuations, and create steadier year-over-year returns. This can include agritourism, on-farm retail, offering private labeling, developing value-added projects to broaden market reach, or diversifying the crops and/or livestock the farm raises.

Value-added production refers to any process that enhances the value of a raw agricultural product by transforming it, differentiating it, or enhancing it in a way that increases its appeal to consumers. Value-added opportunities span far beyond jams and cheeses; they include ready-to-eat meals, smoked or cured meats, freeze-dried snacks, cold-pressed oils, infused honeys, specialty teas, baking mixes, syrups, condiments. Farms pursue value-added products because

these offerings help them capture a larger share of the consumer food dollar, enter new markets, build brand identity, deepen customer loyalty, and diversify income streams. By turning what they already raise into distinctive goods, farms can strengthen their economic position and create opportunities.

Yet despite the promise, both diversification and value-added ventures come with meaningful barriers. Many require substantial upfront investment in equipment, labor, facilities, packaging, and food safety compliance costs that can be prohibitive for small and mid-sized farms. High land prices and competition from non-agricultural development limit farmers' ability to expand or redesign their operations. Limited storage, transportation and processing infrastructure further complicate efforts to bring diversified products to market consistently. Plus, since value-added product often demands new skills like business planning, regulatory

navigation, marketing and risk management, farms hesitate to take on additional complexity in an already demanding profession. Together, these economic, logistical and knowledge-based challenges help explain why diversification and value-added production, while essential to a thriving local food system, remain difficult for many Indiana farms to undertake. Addressing these barriers is key to unlocking greater resilience, profitability, and opportunity across the state's agricultural landscape.

LABOR

Indiana's farming businesses face persistent and complex challenges in the agricultural sector: Finding and keeping the labor needed to sustain their operations. Across the state, from dairy to specialty crop farms, producers report that labor shortages are no longer occasional disruptions but a constant barrier that shapes what they can grow, how they operate and whether they can expand.

Indiana's Agriculture, Forestry, Fishing, and Hunting sectors are characterized by a thin labor supply and relatively low employer competition for available talent. The state employs 30,569 workers in this industry — well below the national expectation of 40,326 for a region of similar size, which highlights a persistent structural shortage of workers in the field. Geographically, job demand is concentrated



around key labor markets. These clusters reflect both agricultural production centers and locations where major employers or specialized operations are based.

Across the sector, employers primarily seek workers for traditional production roles.

Farmworkers and laborers in crop, nursery and greenhouse settings represent approximately 32% of all openings, making them the most sought after role. Farmworkers for farm, ranch and aquacultural animals account for about 16%, while fishing and hunting workers make up roughly 8%, forest and conservation workers about 4%, and agricultural equipment operators about 4% of total postings.

These proportions reflect the continuing dominance of hands-on, production-oriented roles within the sector.

Job titles associated with these occupations — such as Agricultural Equipment Operators, Farm Hands, Urban Forestry Interns, Sow Farm Technicians, and Farm Technicians — consistently appeared as the most frequently advertised.

Skill needs reinforce the hands-on nature of the sector. Employers consistently seek candidates with strong physical ability and operational competence, including lifting ability, animal welfare knowledge, biosecurity, machinery operation, and irrigation experience.





Many of these specialized skills are projected to grow, with particularly fast growth in machining, environmental education, and farm equipment proficiency. Common skills such as operations, communication, management, professionalism, teamwork, and willingness to learn are equally prominent, showing that reliability and adaptability remain essential traits for workers in this industry.

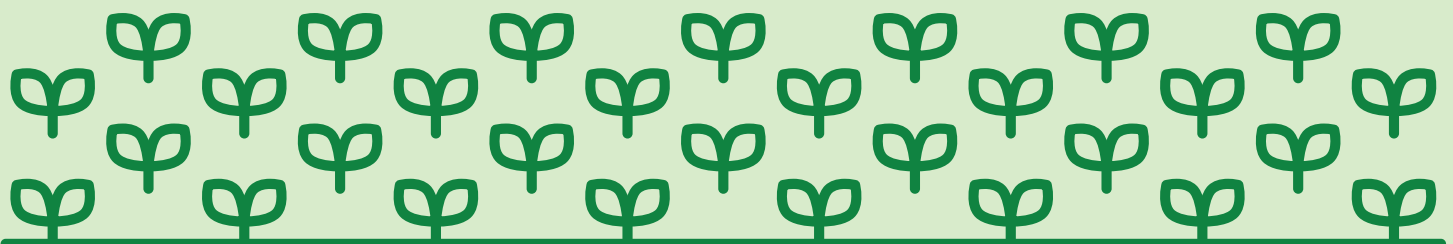
Even software skills feature in job postings, underscoring the increasing operational and administrative components of agricultural work.

Barriers to entry for workers remain low. Ninety-two percent of postings require no prior experience, and more than half list no minimum education requirement. High school diplomas appear in about one-third of postings, while bachelor's degrees are required only 13% of the time.

When employers do specify qualifications, they often focus on practical credentials such as commercial driver's licenses or standard driver's licenses.

These patterns suggest that the industry remains accessible to new entrants, which can be an advantage when trying to address labor shortages.

Economically, the sector contributes meaningfully to Indiana's economy, generating a Gross Regional Product of \$6.7 billion in 2025. Major expenditure categories include animal production, crop production, animal food manufacturing, and agricultural chemical production, reflecting the state's broad agricultural footprint and deep integration across supply chains.





Beyond availability, the high cost of labor places pressure on already thin farm margins. With wages rising and input costs increasing, labor often becomes one of the largest expenses on a farm. At the same time, the state's rural workforce continues to age, and younger generations show less interest in agricultural careers, further shrinking the long-term labor pipeline.

Infrastructure challenges add another layer. Many farm jobs are in rural areas where affordable housing, transportation, childcare, and reliable broadband are limited. Even when farms can recruit workers, retaining them becomes difficult when basic support is lacking.

Together, these hurdles create a cycle that strains Indiana's agricultural businesses: labor shortages reduce productivity, higher costs squeeze profits, and policy uncertainty prevents long-term workforce planning. The result is an industry that must constantly adapt through mechanization, workforce programs, community partnerships, and advocacy for clearer, more workable immigration and labor policies.

Indiana's farms are resilient and innovative, but the labor challenge is real and structural.



REGULATORY HURDLES FOR SMALL FARM, HOMESTEAD AND HOME-BASED VENDORS.

INDIANA HEA 1424 (2026) AND ITS IMPACT ON FOOD & FARMING BUSINESSES

Indiana's HEA 1424 represents a significant shift in state food-regulation policy in recent years, aiming to expand economic opportunity for small farms and homestead producers while redefining the relationship between these businesses and local regulatory agencies.

At its core, the bill creates a clear legal category for “homestead vendors” and “small farms,” defined as producers operating on their own property with gross annual sales below \$1.5 million. By formally recognizing these operations, HEA 1424 places them under a simplified regulatory framework that mirrors national “food freedom” trends seen in other states. Under the new approach, small producers would no longer be required to obtain local licenses, permits, or food-handling certifications beyond baseline federal requirements. This means that farmers selling everything from baked goods to uncut produce to certain value-added products can operate with fewer administrative burdens.

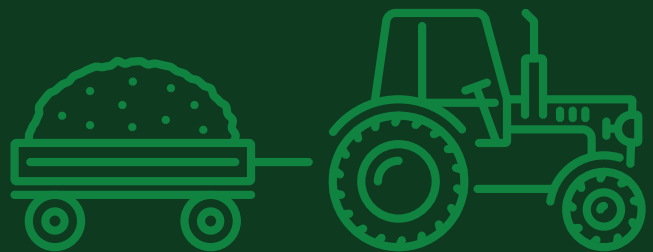


For food and farming businesses, the bill opens the door to greater flexibility. Many producers see HB 1424 as an opportunity to expand product offerings, reach new customers, and grow revenue without navigating multiple layers of regulations.

When enacted on July 1, 2026, HEA 1424 would impact Indiana's local food economy, offering unprecedented regulatory freedom while shifting more responsibility for transparency and safe practices directly onto businesses. This regulation did not repeal home-based vendor regulation, and it adds another layer for Indiana food and farming businesses to navigate. Small farm and homestead vendors can sell directly to consumers in person, by phone or online, including shipments or third-party delivery within Indiana only. Indiana's Home-Based Vendor (HBV) regulations established under HEA 1149 (IC 16-42-5.3) create an accessible yet structured environment for entrepreneurs to produce and sell low-risk foods directly to consumers. Vendors can operate from their primary residence and do not require the use of a commercial kitchen. HBVs may only prepare non-time/temperature-controlled (non-TCS) foods such as baked goods, jams made with high-acid fruit, candies, nuts, honey, and whole, uncut produce. High-risk items like meat, dairy, cut melon, pickles, salsa, and garlic-in-oil are expressly prohibited.

Sanitary compliance is a core requirement: vendors must use proper hand-washing, maintain food-prep areas free of animals, sanitize packaging and surfaces, seal products against tampering, and store food safely. Additionally, vendors must hold a Certified Food Handler credential from an American National Standards Institute (ANSI) accredited program and present it upon request. Labeling must be clear and include specific language. HBVs can sell directly to consumers in person, by phone or online, including shipments or third-party delivery within Indiana only. Sales to retailers, restaurants, or out-of-state customers are not allowed.

HEA 1149 (IC 16 42 5.3) remains the governing framework for home-based, non-time/temperature control for safety food production in Indiana. It requires strict sanitary practices and clear labeling for products sold directly to consumers. HEA 1424 establishes a new pathway for small farms and homesteads, offering expanded product opportunities but limiting





sales to direct-farm or homestead transactions and farmers markets. With the adoption of HEA 1424, Indiana businesses now have the flexibility to choose the regulatory pathway that best aligns with their business model, how they connect with consumers, and their long-term growth goals.

Indiana's home rule structure means county health departments have authority to interpret and enforce food codes differently. As a result, home-based vendors (and soon to be small farms and homestead vendors) often experience inconsistent guidance, conflicting expectations, and uneven enforcement as they operate across counties or try to scale into new markets. These differences were among the most frequently cited barriers identified.

Recognizing this, stakeholders recommended a statewide consistency strategy — one that keeps home rule intact while ensuring businesses receive predictable, accurate information no matter where they operate. This strategy includes:

- Mandatory statewide training for county health departments on home based vendor rules, HEA 1424 requirements, and retail food interpretations;
- Standardized inspector qualifications to promote uniform code interpretation;
- Regular state-led calibration and education sessions to align county practices;
- A cohesive statewide reciprocity process — housed at the state level — to help resolve disputes or conflicting interpretations in a fair, consistent and transparent manner;
- Clear communication pathways so businesses can understand expectations before expanding into additional counties.



Together, these recommendations acknowledge a core truth: Home-based food businesses succeed when regulations are clear, consistent and navigable. By pairing county authority with statewide training, calibration and a neutral reciprocity process, Indiana can create a regulatory environment that supports business growth, protects public health and provides consumers with confidence — no matter where in the state a product is made or sold.



ACCESS TO CAPITAL FOR FOOD AND FARMING OPERATIONS

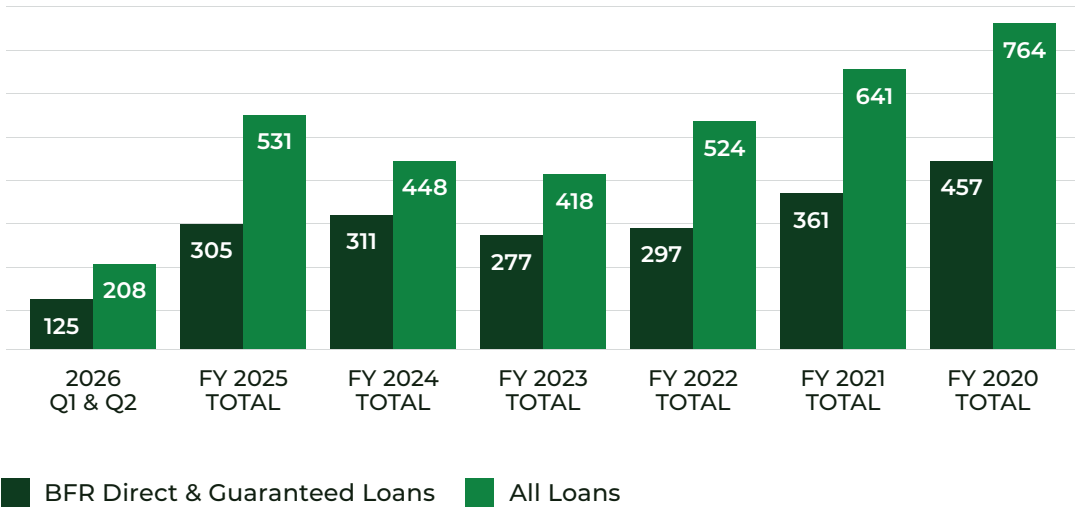
Access to capital remains a significant barrier for food and farming operations across Indiana. Whether a producer is launching a new enterprise, adding or scaling value-added production, modernizing equipment, or expanding market channels, financing often determines what is possible.

While Indiana offers a strong mix of federal, state and community-based funding options, navigating these pathways can be challenging, especially for beginning, small- and mid-sized businesses.

Many farms rely on traditional agricultural financing, but conventional loans often require collateral, long credit histories or significant equity conditions that newer or smaller operations struggle to meet. Federal programs, such as USDA Farm Service Agency loans, help bridge this gap by supporting land purchases, equipment upgrades, operating expenses and disaster recovery. Yet, these programs can be complex, paperwork heavy and take a minimum of 6 months, making it difficult for time-strapped producers to fully access them.

The first chart compares the number of beginning farmer and rancher (BFR) loans FSA has made over the years to the total number of all loans. Our goal this year is to make 308 BFR loans. You can see FSA is a little behind that goal as we are halfway through our year. This is primarily due to the 43-day federal shutdown during the first quarter, which has created quite a backlog for the agency.

INDIANA FARM LOAN PROGRAMS (FLP) 2020-2026

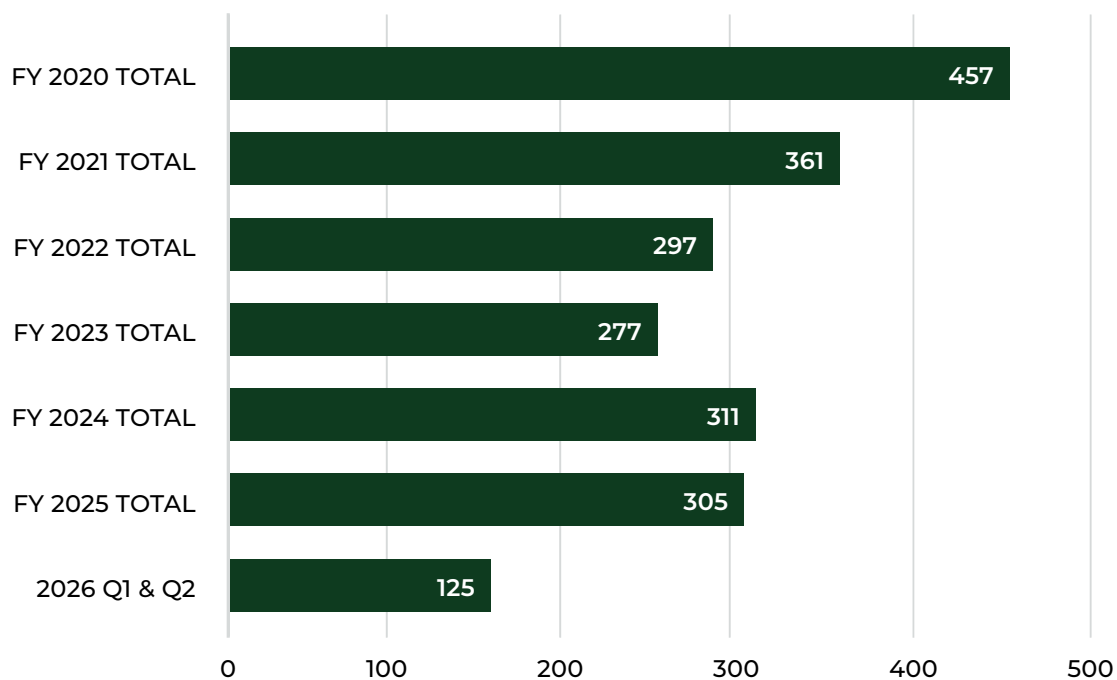


This table shows the percentage of loans made to BFR and the five-year average (21-25). Historically, most of the loans FSA makes are to BFR.

6 YEAR TOTAL TRENDS	FY20	FY21	FY22	FY23	FY24	FY25	5-YR. AVG.
TOTAL OF ALL D & G LOANS	764	641	524	418	448	531	512.4
TOTAL OF ALL BFR D & G LOANS	457	361	297	277	311	305	310.2
% OF ALL BFR D & G LOANS	59.82%	56.32%	56.68%	66.27%	69.42%	57.44%	63.67%

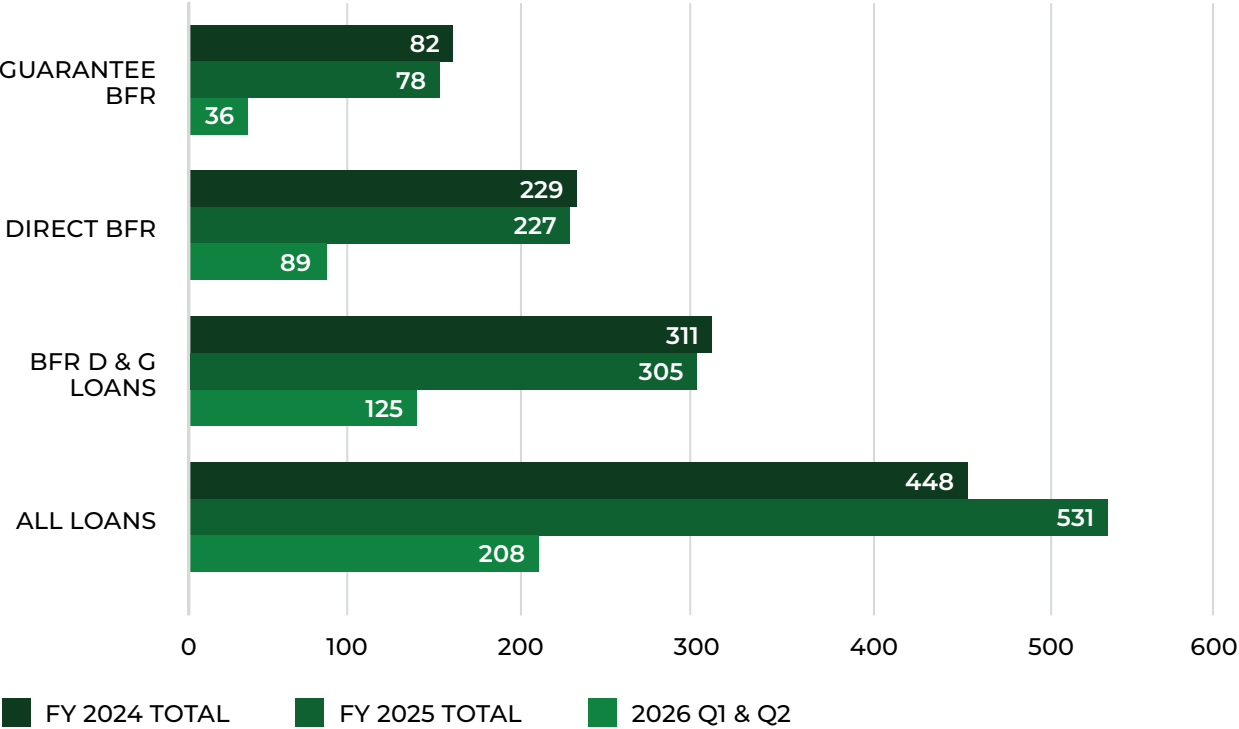
The second chart is only comparing the number of Direct (D) and Guaranteed (G) of BFR loans made over from 2020-2026. There was an exceptional amount of farm sales in 2020 and 2021, when it was more favorable to enter into farming. Since then, there have been more unknowns, increased prices of land, inputs, increased rates, more market disruptors, etc.

BFR DIRECT & GUARANTEED LOANS



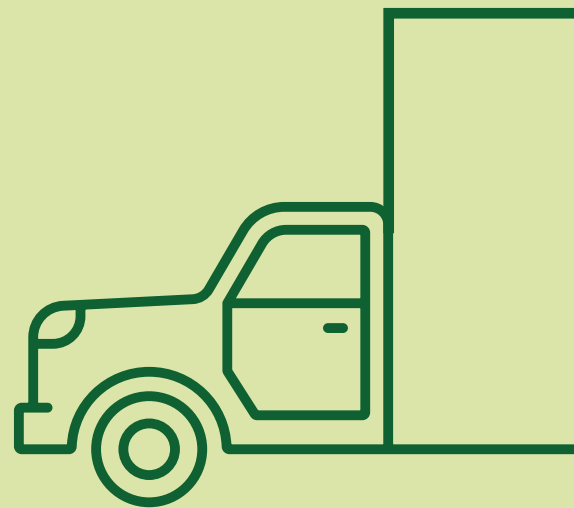
The third chart compares the total number of loans made in 2024 and 2025 to 2026, breaking them down into BFR loans, BFR Direct loans and BFR Guaranteed loans. The FSA offers two types of programs: Direct loans, which it funds, and Guaranteed loans, which are made by agricultural lenders and backed by the agency.

FARM LOAN PROGRAMS LOAN MAKING 2024-2026



Indiana has leveraged federal grants that strengthen the food system, including funding for food safety improvements through the Specialty Crop Block Grant Program and mid-chain infrastructure via the Resilient Food Systems Infrastructure program. These grants can be transformative, but they are often project-specific, reimbursable and require detailed reporting barriers that limit accessibility for smaller operations without administrative capacity. The funding also provided in these federal level grants barely scratches the surface of the support indicated by our Indiana food and farming businesses.

Accessing capital isn't just about finding available funds. It's about having the knowledge, preparation and partnerships needed to tap into them. Strengthening these pathways is key to ensuring that Indiana's food system continues to grow, innovate and serve communities across the state.



INFRASTRUCTURE AND DISTRIBUTION CHALLENGES

Indiana's food and farming sector depends heavily on the strength of its processing, aggregation and co-manufacturing infrastructure.

Yet, gaps in the middle of the supply chain continue to constrain growth for farms and food businesses across the state.

While the state has a strong production base and growing demand for Indiana-grown and value-added foods, the systems that convert raw products into finished, market-ready goods remain uneven, creating barriers that are most acutely felt by small- and mid-sized producers.

Comanufacturing support has expanded in recent years. Shared-use commercial kitchens now offer licensed, affordable environments where emerging food entrepreneurs can produce compliant products without the high upfront cost of building their own facilities. Programs like Purdue University's Food Entrepreneurship and Manufacturing Institute and various food innovation incubators provide technical guidance, business development support and

access to pilot-scale processing equipment that help entrepreneurs move from idea to early commercialization. However, these resources are concentrated primarily in metropolitan areas.

This unevenness extends into postharvest handling and produce processing. Shared wash-and-pack-facilities sometimes called shared use post harvest hubs or aggregation hubs, and handling centers play a critical role in helping small and mid-sized specialty crop growers meet food safety standards, achieve consistent quality, and access wholesale and institutional markets. Some Indiana food hubs offer wash-and-pack areas with shared equipment, cold storage and traceability systems, while cooperative, grower-owned facilities provide shared space and equipment necessary for wholesale readiness. Yet, like co-manufacturing facilities, these post harvest resources are very limited in number and not evenly distributed across the state.

Producers and food entrepreneurs attempting to scale frequently encounter processors operating at or near capacity or facilities that lack

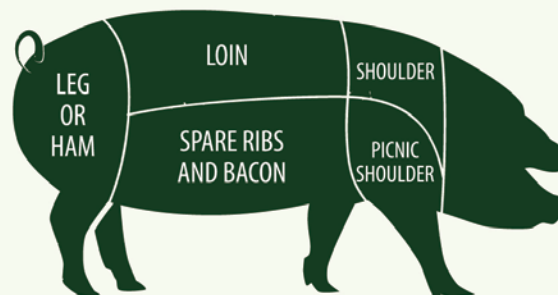
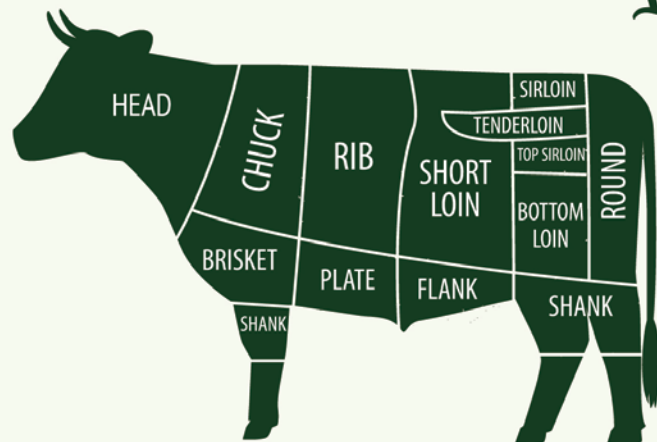
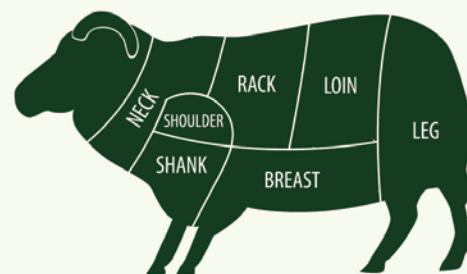
the specialized equipment needed for modern food products. Entrepreneurs with minimally processed vegetables, shelf-stable items, fermented foods or value-added portfolios often struggle to find co-manufacturers willing to take on small runs or custom processing. Similarly, producers seeking commercial kitchen space encounter widely inconsistent availability and equipment, constraining the ability to enter into new markets. The result is a system where strong infrastructure in select regions contrasts sharply with deficits elsewhere, reinforcing geographic inequities.

The recommendations in this study respond to these challenges with targeted, statewide strategies designed to strengthen the supply chain infrastructure that food and farming businesses rely upon. The study recommends supporting the ISDA agricultural-market development fund, which invests directly in processing, aggregation and co-manufacturing capacity through equipment and infrastructure grants, shared-use commercial kitchen development, mobile processing units and innovation grants that expand production capabilities. Regional food hub development efforts create pathways for public-private partnerships to build aggregation and handle capacity, supported by state matching funds and technical assistance. Enhancements to producer food safety programs aim to expand market access for growers entering schools, institutions and wholesale markets.

Together, these strategies position Indiana to build an entrepreneur-friendly and producer-ready food system, one where farmers and food businesses have the facilities, technical support and distribution networks needed to reliably move from concept to commercially viable products. Strengthening the middle of the supply chain is essential not only for expanding market access and increasing the economic competitiveness of Indiana producers, but also for ensuring that the state's food dollars circulate locally, creating and supporting thriving rural communities and a robust statewide food economy.



Butchery GUIDE



MEAT PACKING AND PROCESSING

Indiana's meat packing and processing sector sits at a pivotal moment, shaped by market dynamics, workforce constraints and infrastructure gaps that influence the future of locally sourced and processed proteins. The industry continues to be influenced by the four large national processors, whose pricing power and scale shape farmer decisions and often steer producers toward livestock auctions rather than local markets. When animals are sold at auction, they typically enter national commodity supply chains, which limits opportunities for local processors to secure a consistent, predictable supply of livestock. This also reduces farm-level control over pricing, and sends much of the economic value out of state. As a result, small- and mid-sized processors face irregular, seasonal throughput, making it difficult to plan staffing, invest in infrastructure or operate efficiently year-round. These interconnected pressures illustrate why strengthening regional processing options is essential to building a local anchored economy.

The post-COVID landscape has also introduced new pressures. After a brief period of expansion fueled by pandemic-era disruptions, several newer facilities now find themselves financially vulnerable, navigating a highly consolidated national marketplace while managing fixed costs, volatile supply and shrinking margins. At the same time, global trade continues to influence local realities, with foreign markets absorbing livestock at scales small processors cannot compete with, further tightening local availability.

Consumer demand for beef, pork, poultry and niche proteins remains strong, but rising prices have shifted purchasing behavior toward more affordable cuts, reasonable processing costs and value-added products. These trends present real opportunities for Indiana processors and butcher shops to elevate the visibility of Indiana-sourced meat. Stakeholders noted, however, that stronger marketing, retail partnerships and institutional awareness are needed to fully connect consumers and large buyers with Indiana grown protein.



Workforce shortages remain a bottleneck limiting processor throughput and the sector's ability to expand. Many facilities struggle to recruit and retain trained meat fabricators, processing technicians and value-added staff. Indiana currently has no statewide, industry-aligned training programs to build a skilled, modern meat processing workforce.

To directly address this gap, stakeholders recommend establishing the Indiana Butchery Training Program, housed within Purdue University's animal sciences department. This initiative would provide hands-on instruction, technical skill development and value-added product training tailored to small- and mid-scale processors. Designed to operate statewide, the program would supply a consistent pipeline of skilled workers, support regulatory readiness, modernize processing practices and enhance product diversification. The program could become a linchpin of Indiana's processing resilience, reducing bottlenecks, increasing capacity and supporting processor competitiveness.

INNOVATION AND VALUE-ADDED PRODUCT DEVELOPMENT

Innovation represents another major opportunity. Demand continues to grow for value-added meat products — jerky, meat sticks, smoked items and ready-to-cook offerings — but processors face barriers to expansion. Many stakeholders are stuck in “survival mode,” unable to pursue new product lines without outside technical assistance or business development support.

The proposed agricultural-market development fund would help fill this gap by supporting:

- Value-added production initiatives.
- Technical assistance for new product development.
- Business readiness and commercialization support.
- Equipment or infrastructure investments that enable processors to diversify.

When combined with BOAH's strengthened inspection capacity, processors would gain the regulatory support necessary to innovate safely and efficiently.



INSTITUTIONAL AND LOCAL MARKET ACCESS

Local and institutional market access continues to be a barrier. Despite strong statewide interest in sourcing Indiana-grown protein, processors struggle to enter K-12 schools, healthcare systems, universities and state parks. Contract rigidity, distributor dominance and transportation constraints reduce flexibility and make it difficult for Indiana-sourced products to compete with national suppliers.

A SYSTEM READY FOR STRATEGIC INVESTMENT

Taken together, Indiana's meat processing sector stands to benefit from a coordinated, statewide investment in workforce training, infrastructure support, market development, value-added innovation and regulatory alignment. The Indiana Butchery Training Program, paired with expanded processing support, enhanced inspection capacity and improved institutional procurement pathways, creates a strategic foundation for modernizing the industry.

FLOW OF FOOD FROM GROWER TO CONSUMER





Indiana's flow of food begins at the farm, where growers produce a diverse mix of crops and livestock that anchor the state's agricultural identity. While the state is widely recognized for its strength in corn and soybeans, our farms also contribute a significant range of fruits, vegetables, livestock, eggs and specialty crops that supply local and national markets, which contributes globally. Once harvested, products move through wash-and-pack facilities, processors, food hubs and distributors before reaching retailers, institutions, restaurants and households. At every stage of this chain, the reliability of infrastructure and coordination determines how efficiently food can move from the field to the consumer.

Seasonality shapes this entire system. Indiana's climate supports abundant summer and fall harvests, and crops like sweet corn, tomatoes, melons, peppers, apples, pumpkins and leafy greens are at their peak during warm months. The state is a major producer of watermelons, cantaloupes, tomatoes and sweet corn, generating significant seasonal volume. Livestock and grain production function year-round, though they still face seasonal pressures, including fluctuating feed costs, weather disruptions and winter slowdowns in outdoor operations.

For specialty crop farmers, seasonality brings both opportunity and constraint. Peak-season abundance often overwhelms the limited processing and storage capacity available, pushing farms to rely heavily on short-term, direct-to-consumer sales. Once winter arrives, local availability decreases sharply unless farms have invested in season-extension systems that can extend production but are costly for smaller operations. This variability affects market access, particularly for wholesale buyers like schools, hospitals and grocery stores that expect consistent year-round supply.

As food moves beyond the farm gate, differences in processing and aggregation infrastructure further influence how effectively farmers can access markets.

Together, Indiana's growing conditions, seasonal rhythms and uneven infrastructure create a food system with strong potential but distinct limitations. The recommendation as part of this study is to repurpose and provide support to the ISDA agricultural-market development fund, which will allow a dedicated investment in storage, processing, coordination and regional market access. More farms could stabilize their revenue, meet year-round demand, and expand their reach strengthening the flow of food from Indiana growers to the consumers they serve.

