

Zia Taqueria: Building a Local Supply Chain in Southwestern Colorado¹

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Abstract

Zia Taqueria is a full-service restaurant in Durango, Colorado whose owners have steadily increased the proportion of local vegetables, grains and meats they source and serve to their customers. They created new supply chains that add value to heritage products grown in the Four Corners area, invested in building capacity in local farming operations, and created a restaurant brand known for its commitment to serving high-quality, reasonably priced meals. In addition to operating a profitable and energy-efficient business, they support other local businesses and community events and have become leaders in developing a vibrant local food economy in Southwest Colorado.

Keywords: supply chain development, local sourcing, production planning

¹This paper was prepared for the National Agricultural & Rural Development Policy Center themed collection on *Local Food Systems and Interactions with Entrepreneurship* and was supported by competitive grant no. 2012-70002-19385 through the U.S. Department of Agriculture, National Institute of Food and Agriculture. A special thanks to Tim Turner for the information shared about his business in support of this paper.

Business Profile

Zia Taqueria is a restaurant and catering business that serves fresh Mexican cuisine in southwestern Colorado (see Figure 1 below). Zia was initially launched in 2005 by Tim Turner, a former bakery owner from Massachusetts, and his wife Becky, who is a silversmith. Tim originally moved to Durango in 2001 to become a partner in Bread, a Durango bakery. Inspired to open his own business after several years, Tim travelled to San Francisco to research recipes and menus for high-quality Mexican fare. He subsequently opened Zia's first location on May 5, 2005 on Main Avenue in Durango. He opened a second location on South Camino del Rio in Durango in April 2013 adjacent to Ska Brewery. The second restaurant initially operated out of an Airstream trailer, but now has its own location. The restaurant name is symbolic of the owners' business philosophy. A taqueria is a restaurant or stand specializing in Mexican dishes, such as tacos and burritos, while the Zia sun symbol originated with the Indians of the Zia Pueblo. The Zia Sun was often referred to as the "Giver of all Good Gifts," and Zia Taqueria's owners are involved in a wide range of community food systems outreach and activities.

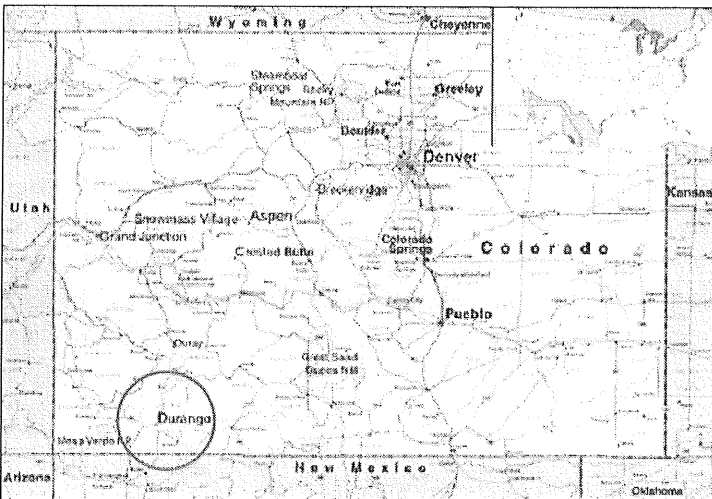


Figure 1. Southwestern Colorado region

What makes this business unique is how their value proposition infuses every aspect of their food sourcing and service. They state, "Our commitment to local food stems from our belief in the benefits of eating nutrient-dense food, which is grown locally. Supporting local farmers and ranchers is central to building a healthy and sustainable community. Purchasing local food keeps dollars in our regional economy, reduces our carbon footprint, and offers healthier food options to our patrons." As this study illustrates, Tim Turner's desire to create more direct, localized supply chains from which he sources food for his restaurant and catering businesses, has served as an example to other local businesses to reconsider where they purchase their inputs and the manner in which those inputs are produced.

The restaurant concept is to serve fresh, mostly local food in a way similar to Chipotle restaurants--customers can see the ingredients that will become their meal and choose from a variety of beans, rice, meats, vegetables, cheeses and salsas. Both restaurant locations are open seven days a week for lunch and dinner, year-round. Zia also serves daily specials for those who

don't want to construct their own plate. They have gluten-free offerings, as well as "Smart Meal" options which were developed under the Colorado Smart Meal Restaurant and Eating Establishment Program, where restaurants can be designated as having menu items that meet calorie and nutrition criteria for healthy eating.

Business Location

Both Zia Taqueria restaurants are located in downtown Durango—a growing city with significant tourism, a small undergraduate student population, and a competitive food service environment. Durango is the seat of La Plata County and its most populous municipality. La Plata County lies in the Four Corners area whose states—Colorado, Utah, Arizona and New Mexico—are often linked in regional food systems transactions. The city of Durango holds one-third of the county's total population of 52,506, and was estimated at 17,269 residents in 2012 (State Demographer's Office 2014). Fort Lewis College is located in Durango, with a student population of 1,736 in 2012. In addition, Durango sees considerable tourist traffic as it lies 35 miles from Mesa Verde National Park, and is known for whitewater rafting, fishing, the Durango & Silverton Narrow Gauge Railroad and many other sites. In fact, La Plata County consistently receives more than one-third of all traveler spending in its nine-county region—estimated at \$251.6 million per year for 2012 (Dean Runyan Associates 2013). The median income for La Plata County residents is \$73,400—higher than the state average of \$72,100 for 2013 (BEA 2013). The county's 2012 median income estimate was equivalent to the state median of \$74,100.

Durango and the surrounding area have a substantial base of potential resident and visitor restaurant customers, and it has become a rich location for eating and dining establishments. Labor Market Information data for La Plata County list 77 full service restaurants as of March 2014 (by 6-digit NAICS code) (BLS 2014), with most of these located in Durango (61 total, or 79%). In addition, there are nine restaurants in Bayfield (population, 2,416), and six in Ignacio (population, 705). Overall, there are twice as many restaurants per 10,000 residents in La Plata County than there are in Colorado overall.

Business Situation: Interface with Local Food Systems

Although there is a lot of competition for customers among Durango's many eating and dining establishments, there are opportunities for differentiation among businesses. The region has growing public and private support for its local foods community through an umbrella organization known as Growing Partners of Southwest Colorado. In addition, there are some unique opportunities for building a differentiated business based on sourcing local products and featuring seasonally available and appropriate menu items. Leveraging these assets allows Zia Taqueria to capture a market share of regular lunch and dinner patrons, and generate catering clients who are drawn to the restaurant's menu, philosophy of service, and willingness to work with local organizations.

Of particular interest is the manner in which Zia Taqueria's operations create a supply chain for locally grown and processed foods in Southwestern Colorado—even beyond the restaurant's own market. Not only does Tim Turner purchase fresh produce, grains, beans and meats, but he creates both backward and forward supply chain linkages that are anchored in the Four Corners region. Ultimately his goal is to bring new suppliers and processors into La Plata County,

support existing ones within the county, and center these purchases within a 30-mile radius of the restaurant. Tim's vision is to be a leader in demonstrating that many different types of buyers can support local food production—retail (direct to consumer) and wholesale buyers alike. This creates more consistent demand for his suppliers' products which allows them to engage in more deliberate and economically viable production planning. For example, Tim works with growers before they plant their crops so he can let them know what his needs will be over the season, both in terms of varieties grown and quantities needed. His investments in season extension techniques (he has purchased greenhouses and high tunnels for three growers, and small-scale field equipment for another) means that he lengthens the supply period for local produce and creates new capacity among those growers so they can seek other sales outlets for the produce they grow in using Zia's investments.

Furthermore, by working with local and regional meat, grain and bean processors, he has more influence over the origin of the raw product and the quality of the processed product. For example, he purchases locally raised beef and pork and has it processed at Sunnyside Meats, a USDA certified slaughter and processing facility outside of Durango. He can work directly with the processor on the cuts he needs, and obtain lower processing prices because he can use flexible scheduling (off-peak processing warrants a discount with that facility).

Product Sourcing

Zia is known for its menu offerings based on locally raised beef, pork, beans, tomatoes, tomatillos, peppers, cabbage, salad mix, lettuce, squash, zucchini, potatoes, cilantro, and other products. The Turners have defined local for their business practices as originating within a 30-mile radius of their restaurants, while any regional product they select comes from either La Plata or neighboring Montezuma County. The business also supplements its local sourcing with food products from two mainline distributors: Shamrock Foods (which has distribution centers in Commerce City, Colorado and Albuquerque, New Mexico, among other locations), and Labatt Food Service (a Texas-based company that distributes food and related products from distribution centers in San Antonio, Dallas, Lubbock, and Houston, Texas and Albuquerque, New Mexico).

Zia obtains its fresh produce from a variety of small farms located around Durango and Hesperus that grow summer and winter vegetables. The majority of Tim's purchases are based on long-term relationships and production planning with 6 growers, but he also purchases some produce from vendors in the Durango farmers market. He purchases meats from several area livestock growers. While local beef is relatively easy to source, pork and poultry are more difficult to procure. Pork is in short supply since local demand has been increasing. Tim is usually only able to buy residual quantities of wholesale pork that vendors can't first sell through retail channels. He has also purchased animals through the county 4-H program to support emerging livestock producers.

Zia's mainline distributors play an important role in supplying products that Tim cannot source locally. For example, there is no chicken meat available for retail distribution since there is no poultry processing in the region. In fact, the closest in-state poultry processing facility was in Northern Colorado; however, it too recently closed. Lastly, Tim is able to source a variety of dry beans and spices from Dove Creek in nearby Dolores County, and he buys white and blue corn near Shiprock, New Mexico from Ute Reservation farms.

Product Processing

In addition to purchasing fresh, local foods, Tim tries to have those foods processed to his specifications in the region. In the case of meats, whole animals are processed at Sunnyside Meats, a USDA-inspected and custom livestock processing plant outside of Durango. Tim purchases the Ute Mountain corn by the pallet, and ships it 270 miles to be made into masa and tortillas in Clifton, Colorado, east of Grand Junction. The masa is then returned to Durango and made into gluten-free corn chips at the Chip Peddler, using seasoning obtained from Adobe Milling in Dove Creek. Although this processing arrangement entails larger than ideal transportation and handling costs, it is the only way to process heritage corn varieties and use them in Zia's food service.

Marketing

Zia Taqueria engages in both direct and indirect marketing. The restaurant reaches its current and potential customers through its web site, Facebook page, intermittent articles in local publications (Edible San Juan Mountains, Durango Herald), and a YouTube promotional video. The web site informs visitors of the business's values, menu, and outreach activities in the community. The restaurant's Facebook page helps to connect its community of regular diners and those who participate in broader community activities through frequent posts and photos.

Indirectly, Zia promotes its products and values through its many community sponsorships and events. The restaurant caters many special occasions, such as weddings, business lunches and dinners, conferences, and community events. In addition, Zia has contributed to more than 400 events and organizations in the last 9 years through financial gifts or food donations. In fact, throughout 2013, Zia supported all of Growing Partners' events and programs (see Services Provided by Other Community Organizations and Partners). This is not only a powerful marketing tool for the restaurant business, but it also promotes the food producers from whom Zia sources.

Lastly, Zia Taqueria provides occasional meals for two charter schools in Durango—Mountain High Middle School and Animas High School—by offering several menu items for the children to choose from. This has the benefit of showcasing local products to children, promoting healthy eating choices, and reaching the families of those students.

Entrepreneurial Focus

Local Investment

Zia Taqueria's role in effectively developing and supporting a new supply chain for local foods can be evaluated through two metrics:

1. The increasing quantity of produce, meat and other food products that Zia Taqueria sources directly from a diverse and growing number of suppliers; and
2. Capital investments in suppliers' capacity to increase production and sell their raw agricultural products to Zia Taqueria.

In its initial year (2005), Zia Taqueria sourced 5-6% of its meat and fresh produce locally. By working with growers on production planning to generate output levels that meet Zia's quality standards and desired harvest timing throughout the season, over the last 8 years Tim has been able to increase local sourcing to 18% of all food used in both his catering and restaurant businesses. His goal for 2020 is to increase the proportion of local sourcing to 45% of all food purchases (see Figure 2 below).

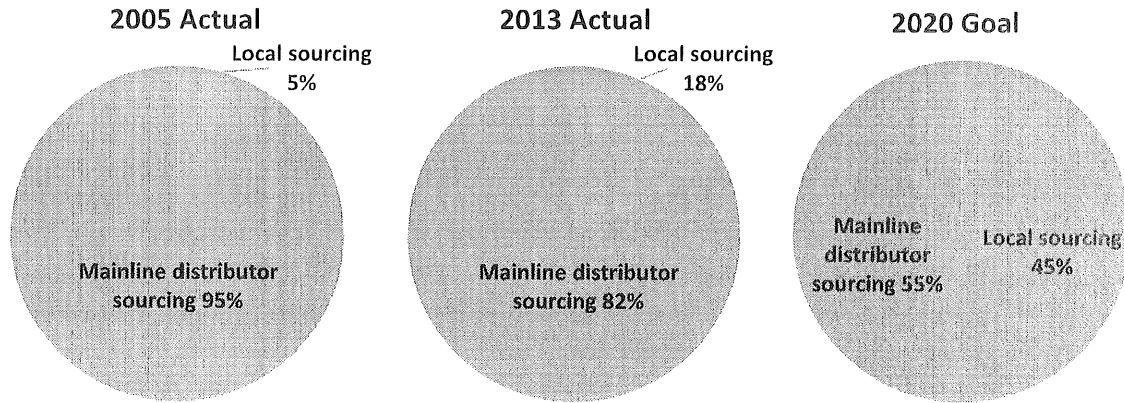


Figure 2. Zia Taqueria's local vs. non-local product sourcing, 2005-2020

Although Tim's goal is to develop long-term procurement relationships with existing businesses, he has found no local facility to cut and freeze or preserve fresh vegetables for year-round use in his kitchens. To mitigate this problem, Tim is planning on constructing a small vegetable processing facility in Montezuma County that will likely be operational in 2015. Although he currently purchases from growers throughout the region, he has considered starting his own farm to provide additional produce for his business. He already has control over some portions of the restaurant and catering business's supply chain by working directly with produce and meat growers, and using tortilla and chip manufacturers that will receive and process his Ute Mountain-sourced corn.

Zia has invested approximately \$45,000 in greenhouses and high tunnels, which includes the cost of labor to build the structures. In addition, he has purchased \$5,000 in small-scale farm equipment that is being used for cultivation in one producer's vegetable fields. These capital investments serve two purposes. First, they help Tim secure a more reliable and higher quality supply of produce that will be available over a longer period of time—especially in terms of extending the production season into early spring and late fall when cold temperatures preclude open field production. Second, they represent Zia's investment in the growers' capacity to produce other products and expand into new markets, since they have the option of selling their produce to other buyers once they fulfill their commitment to Zia. Tim makes the initial purchases and the growers take possession of the structures and equipment. These growers have periods ranging from 4-7 years to pay for the cost of the capital purchases (interest-free), which they do by selling a proportion of their produce to Zia at a 50% discount. Zia retains ownership of all structures and implements until they are paid off, which allows Zia to depreciate these items until their ownership is transferred to the grower.