Regional Food Hubs: Linking producers to new markets

Know Your Farmer, Know Your Food (KYF2)
Regional Food Hub Subcommittee
May 24, 2010
Regional Food Hubs

- Definition & Core Components
- Two Food Hub Examples (Urban and Rural)
- Current Research and Lessons Learned
- Maps of Existing and Potential Food Hubs
- USDA’s Role - KYF2 Work Plan
Regional Food Hub Definitions

Definitions vary from narrow market efficiency functions to those related to visions of building a diversified food culture.

**Working Definition**

A centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products.
Core Components of Food Hub

1) **Aggregation/Distribution-Wholesale**
   - Key mechanism to create large, consistent and reliable supplies of locally-produced foods from small to mid-sized farms.
   - Drop off point for multiple farmers and a pick up point for distribution firms and customers that want to buy source-verified local food in palletized form.

2) **Coordination**
   - Provide the business management systems that most farmers lack, which is key to accessing wholesale markets.
   - Hub management oversee the local food supply coming into and going out to maintain an adequate supply of locally produced products.
   - Work with farmers to coordinate farm planting schedules and manage product varieties in order to promote variety in local product supplies, and consistent year-round production.
3) **Permanent Facilities**

- Provide the space and equipment for food to be stored, lightly processed, packed, palletized and possibly even sold under a Hub’s regional label (while maintaining the farm identity).
- Serve as the terminus for wholesale and retail vending of regional foods.

**Community Services**

- The Hub can provide space for the provision of health and social services.
- Possible services may include community kitchens, pilot sites for EBT and WIC technologies, community event space and offices for health and human service providers.
Regional Food Hubs provide an integrated approach with many potential benefits, including:

- Expanded market opportunities for agricultural producers
- Job creation in rural areas
- Increased access of fresh healthy foods for consumers, with strong potentials to reach underserved areas and food deserts
USDA-AMS Current Research

Alternative Distribution Models for Small-Scale Producers

- **Seeks to identify best practices and the relative effectiveness** of various direct distribution models in improving the economic welfare of small-scale and limited-resource producers.

- **Focuses on nine distribution models** at various stages of maturity with different management structures and organizational missions.
## Distribution Model Case Studies

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<td><strong>Non-profit Driven</strong></td>
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<td><strong>Producer Driven</strong></td>
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<td><strong>New N. Florida Cooperative, FL</strong></td>
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<td><strong>Consumer Driven</strong> (e.g., Buying Clubs)</td>
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La Montanita Co-op Food Market
- Urban Food Hub Model -

- 15,000 member food co-op with four retail store locations in New Mexico - with locations in Albuquerque, Santa Fe, and Gallop

- In 2006, invested $150,000 in renovating a warehouse and leasing trucks to assist regional growers with distribution and wholesale market coordination
La Montanita Food Hub Services

- **Provide market outlet** for growers at their food coop stores, as well as actively link growers with other wholesale buyers/markets.

- **Distribution services** with on farm or designated pick up spots for delivery to La Montanita store locations and other retail outlets.

- **Bulk purchase inputs/farm supplies** for growers (including ingredients for value added producers, like organic sugar).

- **Provide storage space** for value added producers at warehouse.

- **Provide business development services** to regional growers – increase their capacity to meet wholesale demand.
The Co-op currently stocks and sells over 1,100 products purchased from nearly 500 local growers and producers, at a value of more than $2.7 million annually.

Co-op is also regional distributor for national brands (e.g., Organic Valley) – crucial for covering overhead costs of maintaining warehouse, local distribution.

By the end of the 2008 produce season, the Food Hub had already reached its break-even point (projected at 150K/mo).

The warehouse has exceeded its capacity and they are now looking for a larger facility. Currently identifying “satellite” food hubs in rural areas to serve as aggregation points.
Non-profit established in 1995, based in Abingdon, VA (SW part of state near Tennessee border)

ASD helps farmers transition into organic specialty crop production through **training, technical assistance, mentoring** – many of the farmers in their network are former tobacco growers
- ASD’s Main program: **Appalachian Harvest:** A network of **53 certified organic farmers** who collectively market and distribute produce under one identifiable, regional brand.

- Established the brand name in 1999 “Healthy Food. Healthy Farms. Close to Home”

- Began to sell produce at White’s Fresh Food, a local, family-owned, 18 store chain, followed by Food City, a 100 store chain headquartered in Abingdon.
- The network’s **sales and marketing manager** works with buyers to gauge product demand and volume needs.

- **Preseason planning:** The network meets monthly beginning in October to decide what to grow, how much, when and who will grow it.

- **Centralized facility** as aggregation point.

- Produce is sorted, graded, packed and shipped to **over 500 supermarkets**.
Results of Appalachian Harvest Food Hub

- Annual sales over $500,000
- Estimated demand is 2 to 3 times the available supply
- Network offers new revenue sources for direct marketing farmers, and a viable livelihood alternative for former tobacco farmers
Other “Food Hub” Model Examples

- **Non-profit driven models:** Alba Organics (CA), Intervale Center (VT), Growers Collaborative (CA), Red Tomato (MA)...

- **Producer driven models:** Grasshopper (KY), Good Natured Family Farms (KS), Tuscarora Organic Growers (PA), New North Florida Cooperative...

- **State driven models:** Many “State Farmers Markets” in the Southeast and Midwest, e.g., NC, SC, MI, FL...

- **Other “Hybrid” Models (wholesale/retail markets):** Syracuse Regional Farmers Market (NY), Eastern Market (MI), Hunts Point Wholesale Farmers Market (NYC), Marin County Farmers Market (CA)...

- **“Virtual” Food Hubs (online platforms):** Ecotrust (OR), FarmsReach (CA); MarketMaker (multiple states)...
Coordinated Food Hubs*

*This is not a comprehensive list – data are still be collected
West Coast Direct Marketing Summit (July 2009)

- Compiling proceedings report that will highlight emerging models related to direct marketing innovations and regional food hub development

Value Chain Research Collaboration (Writeshop, Dec. 2009)

- Using the writeshop process, brought together 20 leading researchers and practitioners to compile best practices and lessons learned in establishing and strengthening values-based value chains, all of which is highly relevant to regional food hub development.
Recent Research

Food Hubs: The ‘Missing Middle’ of the Local Food Infrastructure?

- 2008 study from Cardiff University, Wales
- Food Hubs best defined by the agent that takes the organizing lead
- Carried out SWOT analysis of proposed models
# Recent Research

## SWOT Analysis of Food Hubs

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<th>Retail-led</th>
<th>Public Sector-led</th>
<th>Producer Entrepreneur-led</th>
<th>Producer Cooperative-led</th>
<th>Wholesaler-led</th>
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</thead>
</table>
| **Strengths**  | Retail provides expertise  
                 Hub has common goal | Public stakeholder support  
                 expertise  
                 Open to funding | Individual commitment  
                 Simple management structures  
                 Entrepreneurial attitude | Broad expertise base  
                 Constituents able to do what they do best  
                 Broad resource base | Strong experience and understanding of market  
                 Good reputation  
                 Well-developed infrastructure |
| **Weaknesses** | Producer may be over-reliant on retailer | ‘Imposed Solution’  
                 Liable to: inappropriate financing/lack of emphasis on financial viability  
                 Inappropriate internal expertise  
                 Lack flexibility to respond to market change | Narrow expertise base  
                 Can lack financial resources  
                 Business ambition often reflects personal ambition | Relies on true cooperation including shared priorities  
                 Can suffer from management ‘by consensus’ | May lack understanding of sustainability  
                 Production issues  
                 May ‘cherry pick’ range  
                 Usually not commodity focused |
| **Distinguishing Opportunities** | Public sector support acts as PR/Advertising  
                 Set up to meet public sector needs (e.g. procurement) | Stakeholder respect for producer entrepreneurs | | | Able to engage in existing supply relationships |
| **General Opportunities** | Can tap into unmet demand for local food products from consumers  
                 Can provide environmental / social / economic benefits to localities  
                 Can assist food providers in developing positive PR | | | | |
| **Distinguishing Threats** | Retailer can switch hub/withdraw from local range  
                 Market with retailer may be limited | Changing demand | | | |
| **General Threats** | The development of other forms of local supply arrangements  
                 Market / Consumer demand downturn  
                 Supply problems due to localised supply base | | | | |
In most cases, the physical and “virtual” infrastructure is already in place, with an unmet demand for locally and regionally grown products.

What is needed?

- Start-up capital to renovate facilities for aggregation, storage, packing, light processing, and distribution.
- Working capital for business management systems to coordinate supply chain logistics (e.g., grower-buyer transactions, aggregation, distribution, and marketing).
- Enterprise development training and technical assistance to increase grower capacity to meet wholesale buyer requirements (volume, quality, packaging, food safety, etc.).
Potential Food Hub Sites with existing infrastructure

- “Hybrid” Markets (combined wholesale/retail)
- Shipping-point Markets
- Wholesale/Terminal Produce Markets
**Hybrid Market**

- **Definition:** A combined wholesale/retail market where growers and other merchants sell fresh products to businesses and individual customers.

- **Example:** Syracuse Regional Farmers Market
Definition: A facility where fresh horticultural products are cooled, graded, packaged and marketed to larger wholesale distribution centers and/or retail grocers.

Example: Plant City, FL State Farmers Market
Shipping-point Markets*

*This is not a comprehensive list – data are still be collected
**Definition:** A facility where wholesalers receive large quantities of fresh fruit and vegetables by rail, truck and air from around the world for sale to grocers, restaurants, institutions, and other businesses.

**Example:** San Francisco Wholesale Produce Market
*This is not a comprehensive list – data are still be collected
Existing and Potential Food Hubs*

*This is not a comprehensive list – data are still being collected.
TWO MAJOR DELIVERABLES

1) Create Regional Food Hubs Resource Guide
   - Use lessons learned from literature review and from other regional food hub examples to prepare a resource guide on establishing regional food hubs.
   - Carry out outreach (webinars, workshops, etc.) about using USDA programs and resource guide.

2) Develop a prioritized list of existing USDA funding streams that could be used to target regional food hub development.
Establishment of KYF2 Regional Food Hub Subcommittee, members include:

- **Errol Bragg**, *Committee Lead*, Director, **AMS** Marketing Services Division
- **Stacy Brayboy**, Director, **RD** Economic Community Development
- **LeAnn Oliver**, Deputy Administrator, **RD** Cooperative Programs
- **Carolyn Foley**, Assistant Director, **FNS** Benefits Redemption Division
- **John Pitchford**, Director of International Affairs, **GIPSA**
- **Sally Maggard**, National Program Leader, **NIFA**
- **Christa Essig**, Public Health Analyst, **HHS-CDC** (on detail at FNCS)
- **Jim Barham**, Agricultural Economist, **AMS** Marketing Services Division
- **Steve Martinez**, Agricultural Economist, **ERS** Food Markets Branch

*Also member of Tactical Team*
The KYF2 Regional Food Hub Subcommittee has identified members for the Tactical Team, these include:

- **Jim Barham**, *Tactical Team Lead*, AMS Marketing Services Division
- **Alan Borst**, RD Rural Business Services
- **Christa Essig**, CDC (on detail at FNCS)
- **Brenda Griffin**, RD Rural Business Services
- **Sally Maggard**, NIFA National Program Leader
- **Steve Martinez**, ERS Food Markets Branch
With assistance from the Subcommittee as needed, the Tactical Team will carry out the following activities:

- **Identify USDA programs** that have been used to study or develop food hubs

- **Identify examples of food hubs** in existence, development, planning, or under consideration (with or without USDA support) – *Example: San Diego “Healthy” Food Hub, supported by CDC stimulus money*

- **Engage Food Hub stakeholders** to identify opportunities, challenges, best practices, lessons learned

- Based on literature review, current research, and stakeholder perspectives, **create Regional Food Hub Resource Guide** and carry out outreach/technical assistance to support food hub development

- **Develop a prioritized list of existing USDA funding streams** that could be used to target regional food hub development
Upcoming outreach events:

- **Regional Food Hub presentation to Rural Development State Directors.** Purpose: Introduce Hub concept, work plan, and begin to identify existing RD funded Hub projects

- **Regional Food Hub presentation to HHS/CDC.** Purpose: Coordinate USDA-HHS research/funding activities, particularly around “healthy” food hubs targeting schools, institutions, and underserved areas
Errol Bragg, KYF2 Food Hub Subcommittee Lead
Division Director – Marketing Services Division
USDA Agricultural Marketing Service
Errol.Bragg@ams.usda.gov

Jim Barham, KYF2 Food Hub Tactical Team Lead
Agricultural Economist – Marketing Services Division
USDA Agricultural Marketing Service
James.Barham@ams.usda.gov