



Regional Food Hubs:

*Further Findings from USDA and
the National Food Hub Collaboration*

James Barham, Ph.D.

Agricultural Economist

USDA Agricultural Marketing Service

February 3, 2012



SOME MORE RECENT SLIDES

Regional Food Hubs

- Why Regional Food Hubs?
- Revised Food Hub Definition
- Defining Food Hub Characteristics
- Producer and Social/Environmental Impacts (from Local Food Hub)
- Map with 168 Food Hubs
- Food Hub Classifications
- Financial Viability
- Regional Food Hub Needs
- Lessons Learned – 5 keys to successful marketing for food hubs
- The Big Picture...
- Next Steps



**KNOW YOUR FARMER
KNOW YOUR FOOD**

USDA's "Know Your Farmer, Know Your Food" Initiative

- Launched September 2009
- Designed to spur a “**national conversation**” on how to develop viable local and regional food systems and stimulate new economic opportunities
- Deputy Secretary Kathleen Merrigan oversees a “KYF2” task force with representatives from every USDA agency, which meets every 2 weeks. Designed to:
 - Eliminate organizational “silos” between existing USDA programs to support KYF2 mission through enhanced collaboration
 - Align existing Departmental activities/resources and “break down structural barriers” that inhibit local food system development



Regional Food Hub Taskforce

- **In May 2010, USDA established an interagency taskforce to examine the role and potential of regional food hubs to improve farmer/rancher access to larger volume markets**
- **Includes representation from the following agencies:**
 - Agricultural Marketing Service, *lead agency*
 - Rural Development
 - Food and Nutrition Service
 - National Institute of Food and Agriculture
 - Economic Research Service
 - Agricultural Research Service
 - Food Safety and Inspection Service
- **Coordinating efforts with other Federal agencies, non-profit organizations, and the private sector**



Why Regional Food Hubs?

Disconnect between growing retail/foodservice demand for local/regional food products and capacity of small/mid-sized farms to supply commercial customers with desired items.

Demand

- Local food sales were estimated to be \$4.8 billion in 2008, and are projected to climb to \$7 billion in 2011 (USDA-ERS report)
- In 2011 National Grocers Association survey, 86 percent consumers said the presence of local food “very” or “somewhat important” in their choice of food store (up from 79 percent in 2009)
- 89 percent of fine dining restaurants surveyed by the National Restaurant Association in 2009 reported serving locally sourced items
- Seven of the top 10 food retail chains in US now promote local sourcing (USDA-ERS report)



Why Regional Food Hubs?

Supply

- **Farmers continue to be challenged by the lack of distribution, processing and marketing infrastructure** that would give them wider market access to larger volume customers
- **Particularly acute for operators of mid-sized farms**, who are too large to rely on direct marketing channels as their sole market outlet, but too small to compete effectively in traditional wholesale supply chains independently
 - Between 1992 and 2007, the number of U.S. farms selling between \$50,000 and \$499,999 of farm products per year dropped by 21 percent
 - Their share of overall farm sales declined from nearly 25 percent of the value of agricultural products sold in the U.S. to under 17 percent

USDA believes *regional food hubs can play an important role* in supporting/retaining these “ag-of-the middle” farmers and encouraging smaller farmers to scale up their operations.



Regional Food Hub Definitions

Definitions vary from narrow market efficiency functions to those related to visions of building a more sustainable food system

Working Definition*

A business or organization that actively manages the aggregation, distribution, and marketing of source-identified local and regional food products primarily from small to mid-sized producers to wholesalers, retailers, and/or institutional buyers

*USDA is working with its partners to refine this definition. This is NOT an official USDA definition.



Regional Food Hub

- Defining Characteristics -

- ✓ Carrying out or coordinating the aggregation, distribution, and marketing of locally/regionally produced product **from *multiple producers to multiple markets***.
- ✓ ***Committed to buying from small to mid-sized local producers*** whenever possible and considers these producers as core to their business model.
- ✓ ***Utilizing one or more product differentiation strategies*** (e.g. identity preservation, group branding, sustainable production practices, etc.) **to ensure that producers can get a good price for their products.**
- ✓ ***Working closely with producers*** to ensure they can meet buyer requirements by either **providing direct technical assistance** or finding partners that can provide this technical assistance.
- ✓ ***Aiming to be both financially viable and have positive economic, social, and environmental impacts*** within their respective communities



Food Hubs and Value Chains

Food hubs are often at the heart of value chains by:

- **Providing the distribution infrastructure and logistical support needed to develop value-added products and find the local and regional demand markets**
- **Building effective information flows and transparency among value chain partners**
- **Enabling every partner in the supply network to fully understand the operating costs of production, processing, transportation, and marketing**
- **Helping to ensure the value chains partners receive a fair return for their efforts**



Local Food Hub

- Charlottesville, VA -

- **Started in 2009** by two women entrepreneurs, one with a background in retail and distribution and the other in non-profit work
- **Mission:** “Local Food Hub is a nonprofit organization working to strengthen and secure the future of a healthy regional food supply by providing small farmers with concrete services that support their economic vitality and promote stewardship of the land.”





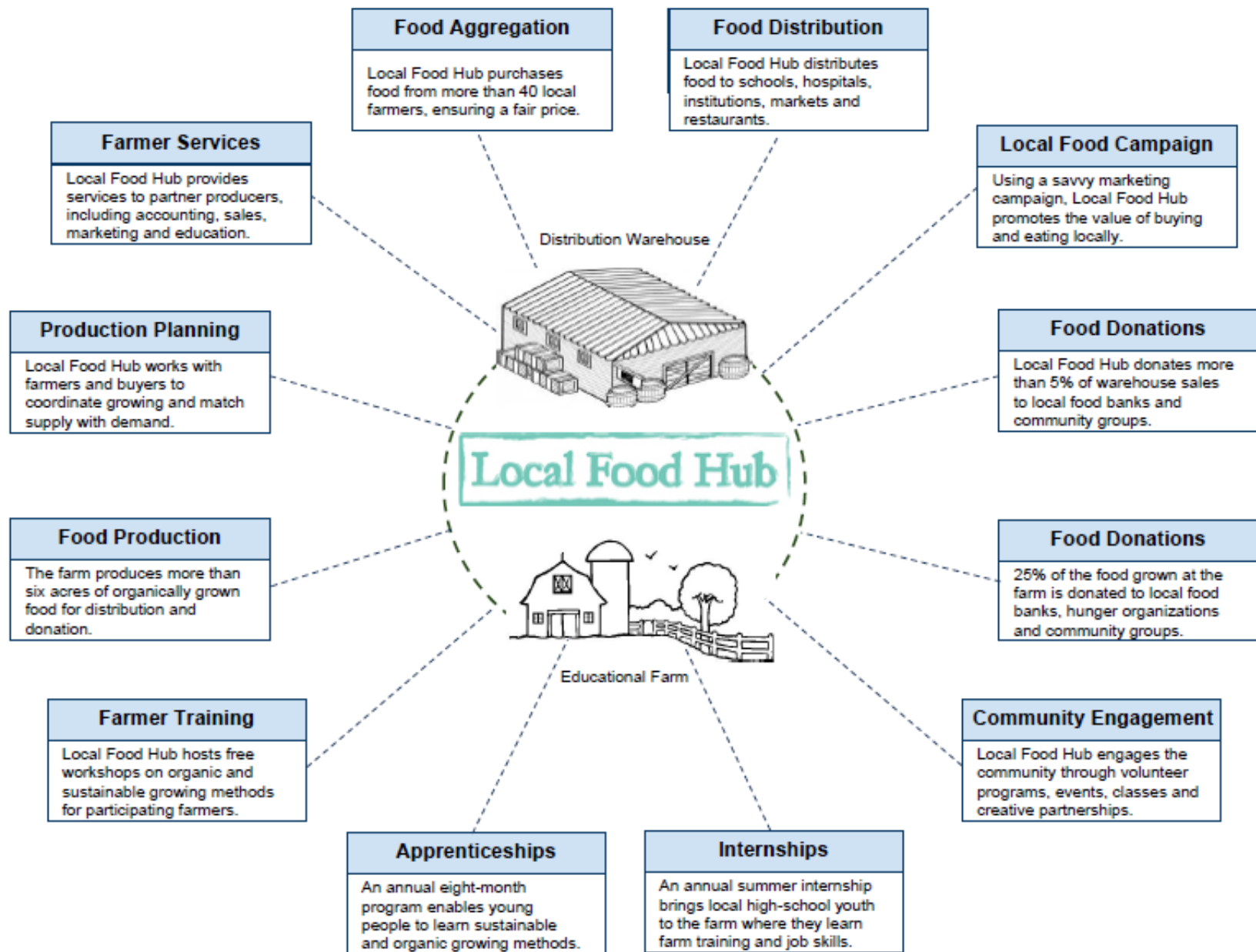
Local Food Hub

- Charlottesville, VA-

Non-profit food hub model with two major programs:

- **Local Food Distributor**
- **Educational Farm with a variety of outreach programs**







Local Food Hub

- Currently works with over **60 small and mid-sized family farms** (annual sales under \$2 million) within 100 miles from Charlottesville
- Produce farms from 1 to 30 acres and orchards from 20 to 500 acres
- Offers fresh produce and other food products to **over 100 customers**, which includes:
 - 45 public schools
 - 20 restaurants
 - 10 grocery stores
 - 4 senior centers
 - 3 college dining halls
 - 1 hospital (see video at <http://vimeo.com/14964949>)
 - Several distributors, processors, and caterers

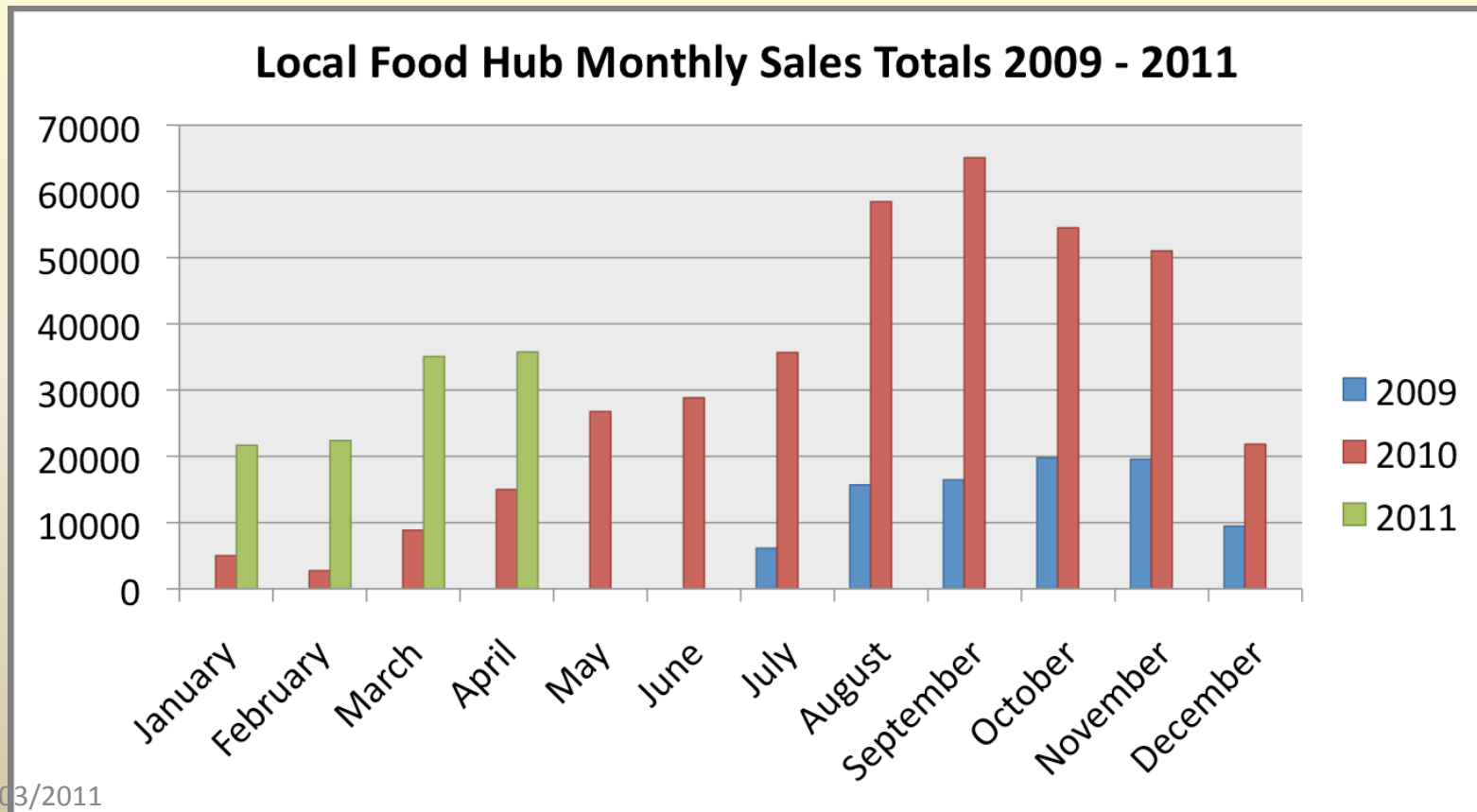




Local Food Hub

- Charlottesville, VA-

- **Annual Gross Sales for 2010: \$375,000**
- **Projected Gross Sales for 2011: \$675,000**





Local Food Hub IMPACTS

- Charlottesville, VA-

PRODUCER IMPACTS

- Ensures that 80% of the sales price goes back to the producer
- 100% of their producers rated product pricing fair to excellent
- Producers have increased farm sales by an average of 25% since working with the hub
- 60% of their producers plan to increase production
- Provides numerous workshops for their producers in areas such as Integrated Pest Management, season extension, crop rotation, farm business planning, and food safety (GAP/GHP).

Local Food Hub provided a “good opportunity to open up a market that was not available to us otherwise, and as a result, we have expanded production of our crops considerably and hired more folks due to increased demand.” – Whitney Critzer of Critzer Family Farm



Local Food Hub IMPACTS

- Charlottesville, VA-

ECONOMIC AND SOCIAL IMPACTS

- Reinvested over \$850,000 in the local farming community
- Created 15 paid jobs at their distribution and farm operations
- Hub services have helped to retain and support over 200 agriculture-related jobs
- The 120 active food hub buyers reported increasing their local food purchases by an average of 30%
- The hub's educational farm offers apprenticeships and high-school internships to budding farmers
- Donated more than 100,000 pounds of produce to hunger relief organizations, with 25% of the organic produce from their own 6 cultivated acres from educational farm donated to area food bank

Regional Food Hubs



Based on a working list of 168 regional food hubs identified by the National Food Hub Collaboration

07/03/2014



Regional Food Hub Classifications

Breakdown of Regional Food Hubs*

Food Hub Legal Status	Number	Percentage
Privately Held	67	40%
Nonprofit	54	32%
Cooperative	36	21%
Publicly Held	8	5%
Informal	3	2%

Intermediated Market Model	Number	Percentage
Farm to Business/Institution (F2B)	70	42%
Farm to Consumer (F2C)	60	36%
Both F2B and F2C	38	22%

*Based on a working list of 168 regional food hubs identified by the National Food Hub Collaboration



Food Hub Survey Key Findings

– Financial Viability of Food Hubs –

From follow-up phone interviews with 20 regional food hubs on their financial viability:

- **10 Food Hubs identified themselves as financially viable, i.e., presently covering their operating costs (breaking even) or turning a profit**
- **7 Food Hubs projected they will break even in the next 1 to 3 years**
- **All 10 financially viable food hubs have gross annual sales of \$1 million or more**



Regional Food Hub Needs

Common Goal = Become a Viable Triple Bottom Line Business

Profitable (or at the very least breaking-even), paying all staff for their work, paying on debts, and investing a percentage back into the business to increase efficiencies and expand sales and product lines.

- 1) Financial Support**
- 2) Accelerating Innovation**
- 3) Technical Assistance and Business Development Services**
- 4) Community Support and Wider Stakeholder Engagement**
- 5) Building Effective Networks and Peer-to-Peer Learning Platforms**



Regional Food Hub Needs

1) Financial Support

- Access to capital for infrastructure needs
- Innovative and creative loan options with technical assistance
- Less traditional equity investments or gift capital

2) Accelerating Innovation

- Food hub “on the ground” pilot programs to develop models and innovative approaches
- Innovation in securing land and facilities, contractual relationships to farmers, meeting the needs of food insecure populations



Regional Food Hub Needs

3) Technical Assistance and Business Development Services

- **Balancing social and environmental values/goals with the business plan**
- **Specific and detailed information about getting started**
- **Illustrative business models for various growth phases**

4) Community Support and Wider Stakeholder Engagement

- **Investment in communications and outreach efforts to educate key stakeholder groups (e.g., producers, distributors, processors, buyers, foundations, government offices, economic development organizations, city and county planners and their trade associations)**



Regional Food Hub Needs

5) Building Effective Networks and Peer-to-Peer Learning Platforms

- Face to face and on-line communities of practice to facilitate networking among food hub operators and partners
- Communities of practice at the local and regional level
- National Community of Practice to facilitate investment, innovation, information, and communication needs



Lessons Learned

– Five Keys to Successful Marketing for Food Hubs –

✓ **Don't sell commodities**

- Product differentiation is key (unique product attributes, source identified, production practices, social equity), telling a compelling story, branding, certifications

✓ **Be there all year for your customers**

- Must sustain operations year round to cover costs and keep customer communication constant. Be pragmatic about your approach in terms of sourcing “locally”

✓ **Get the commitment**

- Be clear about volume order expectations and use a combination of specials, incentives, rewards, public recognition for “committed” buyers

✓ **Think farmers first**

- Ensure good prices for producers and find ways to build their capacity to grow and be successful

✓ **Sweat the small stuff**

- To tell an authentic and compelling story, all staff need to know every detail of the production and handling practices of the product sold under the brand (even the truck drivers!)



The Big Picture...

- Regional Food Hubs and the Food System -

Regional food hubs are filling a market niche not adequately addressed by the current distribution system: the aggregation and distribution of food products from small to mid-sized producers into local/regional wholesale market channels

Strong potential partnerships between regional food hubs and other distributors/wholesalers. Regional food hubs can:

- Serve as aggregation points for regional distributors/wholesalers
- Provide a reliable and ready supply of local/regional products
- Offer a broader and more diverse selection of source-identified and branded local products
- Increase supply of local/regional products by providing training/technical assistance to “grow” more producers
- Take advantage of the existing infrastructure available at wholesale/terminal markets across the country



National Food Hub Collaboration: Next Steps

Innovative Pilots: Key leverage points

- Partner with new/existing Hubs
- Large Buyer
- Farm to School / Institution
- Rural / Tribal / Underserved populations

Community of Practice

- National & Regional Networking
- Peer to peer learning tools
- Clear access point for new stakeholders
- Accelerate innovation

National Food Hub Collaboration

Technical Assistance Network

- Leverage National Good Food Network
- Both “strategic” and “tactical” support

Outreach & Communications

- Case studies
- Webinars
- Links to financial and knowledge resources
- www.FoodHub.info
- www.ams.usda.gov/FoodHubs



The National Food Hub Collaboration



Coming Soon!

Regional Food Hub Resource Guide

- An inventory and profile of existing food hubs
- A synthesis of lessons learned, challenges, opportunities, emerging best practices for the development of food hubs
- Identification of existing and potential resources (i.e., grants, loans, technical assistance) that can be used to support food hub development



USDA Food Hub/Food System Resources



USDA's Food Hub Portal
www.ams.usda.gov/FoodHubs

A catalogue of USDA's findings, resources, and support for food hubs



USDA's "Know Your Farmer, Know Your Food" Website
www.usda.gov/knowyourfarmer

See links to "Grants, Loans, and Support" and "Tools and Resources"



National Food Hub Collaboration Contacts

- **USDA Agricultural Marketing Service**
Jim Barham, Agricultural Economist – Marketing Services Division
james.barham@ams.usda.gov
- **Wallace Center at Winrock International**
John Fisk, Director
Jfisk@winrock.org
- **National Good Food Network**
contact@ngfn.org
- **National Association of Produce Market Managers**
Ben Vitale, President
bvitale@cnyrma.com
- **Project for Public Spaces**
Steve Davies, Senior Vice President
sdavies@pps.org