Regional Food Hubs:

Linking producers to new markets

Debra Tropp

Branch Chief, Farmers Market and Direct Marketing Research

USDA Agricultural Marketing Service

The Role of Institutions in Local Food,
Airlie Conference Center, Warrenton, VA
August 8, 2011

Presentation Overview

- Why Food Hubs?
- USDA Regional Food Hub Subcommittee Workplan
- Food Hub Definition & Core Components
- Preliminary Results of Food Hub Survey
- USDA Food Hub Resources

Why 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 through all marketing channels in the United States were estimated to be $5 billion in 2007 (Packaged Facts) compared to $1.2 billion in direct-to-consumer food sales for human consumption (NASS, 2007).
- 2011 sales of local food projected at $7 billion (Packaged Facts)
- 89 percent of *fine dining restaurants* surveyed by the National Restaurant Association in 2009 reported serving locally sourced items
- Close to three in 10 *quickservice (fast food) operators* surveyed in 2009 currently served locally sourced food, expect trend to increase
- Seven of the *top 10 food retail chains* in US now promote local sourcing
- *Farm-to-school programs* up to 2,350 as of mid-2011, compared to only 400 in 2004 and 2 in the 1996-97 school year.

Why Food Hubs?

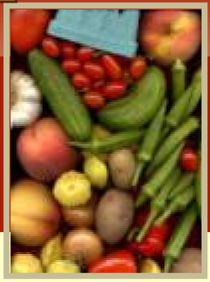
Supply

- 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 Subcommittee

- **Part of USDA's "Know Your Farmer, Know Your Food" initiative**
- **Food Hub Subcommittee includes representation from the following USDA agencies:**
  - Agricultural Marketing Service, *lead agency*
  - Rural Development
  - Food and Nutrition Service
  - National Institute of Food and Agriculture
  - Economic Research Service
  - Agricultural Research Service
- **Coordinates efforts with other Federal agencies (e.g., CDC)**
- **Established Food Hub Tactical Team to accomplish workplan**



Food Hub Subcommittee Workplan

With assistance from the Subcommittee and external partners, the Tactical Team is carrying out the following activities:

- **Identifying examples of food hubs** in existence, development, planning, or under consideration
- **Developing preliminary profile of food hubs** through interviews and surveys of industry practitioners (food hub managers, wholesale market managers), **through participation in National Food Hub Collaborative** (USDA, Wallace Center, NAPMM, PPS)
- Create **Regional Food Hub Resource Guide (to be published fall 2011),** which will include synopsis of primary research
- **Develop a prioritized list of existing USDA and other funding streams** that could be used to target regional food hub development
- Sharing lessons learned through new USDA **food hub portal**

Regional Food Hub Definition

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

Working Definition* (unofficial)

A centralized business entity with a business management structure that actively coordinates the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products from multiple farms to multiple wholesale customers

*

Four Core Components of Food Hubs

1) Active Coordination (what makes food hubs distinct)

- Full –time business management team that coordinates upstream and downstream activities between value chain participants (producers, processors, distributors, buyers). May include:
  - Working with farmers to coordinate farm planting schedules ,promote variety in local supplies, extend supply availability
  - Instituting and leveraging cost of business management systems that ensure products meet buyers specifications, re: quality attributes, volume, packaging, source-identity, food safety certification, etc.

2) Aggregation/Distribution

- Providing large, high-quality, consistent and reliable supplies of locally-produced foods from multiple small to mid-sized farms through aggregation and related marketing services.
- (Optional) Providing accessible drop-off point for multiple farmers and pick-up point for distribution firms and buyers that want to buy source-identified local food in wholesale volumes

Four Core Components of Food Hub

3) Physical Infrastructure

- Provide the space and equipment for food to be stored, lightly processed, packed, palletized and possibly even sold under a food hub's regional label (while maintaining farm identity).

4) Value Chain Relationships

- Farmers, processors, and marketers establish *strategic partnerships* for mutual benefit; not simply transactional relationships between buyers and sellers.
- Transparency and trust are manifest in food hub partnerships.
- Social and/or environmental goals are part of enterprise.

Preliminary Findings from Food Hub Survey*

Regional Food Hub Survey

- Online survey was sent to 72 food hubs and 36 “public” markets in January 2011.
- Surveys completed by Feb. 7 were included in analysis.
- 45 food hubs completed the survey (63% response rate).

* This presentation of preliminary findings is subject to revision as further analysis is completed

Food Hub Online Survey

	West	Southwest	Midwest	South	Northeast	TOTAL
Sent Survey	11 (15%)	5 (7%)	22 (31%)	15 (21%)	19 (26%)	72
Completed Survey	7 (16%)	2 (4%)	13 (30%)	8 (17%)	15 (33%)	45

Food Hub Survey Key Findings

- **More than 100 food hubs are in operation** around the country, with large clusters in the Midwest and Northeast
- **Entrepreneurs were the lead in** establishing food hubs (40 pct)
- **A nascent industry:** 60 percent of the food hubs have been in operation for *five years or less*
- Average food hub sales are nearly **$1 million annually**
- **10 food hubs identified themselves as** presently covering their operating costs (breaking even) or turning a profit; **seven food hubs projected they will break even in the next 1 to 3 years**
- Food hubs employ on average **7 full-time and 5 part-time employees** with an average of **5 regular volunteers**

Food Hub Survey Key Findings

- **The median number of suppliers to a food hub is 40**, many of whom are small and mid-sized farmers and ranchers
- **Offers a wide range of food products**, with fresh produce being its major product category, and **sells through multiple market channels**, with restaurants being an important entry market
- **A socially driven business enterprise** with a strong emphasis on "good prices" for producers and "good food" for consumers
- **Actively involved in their community**, offering a wide range of services to both producers and consumers
- **More than 40 percent of existing food hubs are working in "food deserts"** to increase access to fresh, healthful and local products in communities underserved by full-service food retail outlets

Food Hub Potentials
- from one food hub survey respondent -

THEN (1989)

"I had been an organic farmer from 1979 to 1989…. [and] I realized what was needed was a food distributor focused on helping farmers get access to larger urban markets than they already had."

"We started with $20,000 in savings, bought a refrigerated truck and a computer, used a spare bedroom as an office and our garage as our initial warehouse."

NOW (2010)

- A regional distributor with over **100 suppliers**, many of whom are small and mid-sized producers, offering **over 7000 products** to a wide range of market channels, including food cooperatives, grocery stores, institutions, corners stores, and food banks.
- Own a 30,000 sq. ft. warehouse and 11 trucks, with **34 full-time paid employees** and **over $6 million in gross sales** for 2010.

Priority Needs of Food Hubs

- **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.)

USDA Food Hub/Food System Resources

USDA's Food Hub Portal

www.ams.usda.gov/FoodHubs

USDA's research and resources on regional food hubs

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

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