Regional Food Hubs: A New Approach for Mid-Scale Farms

Food Hubs and their impact on economic development, job creation, and food access

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Regional Food Hubs

- USDA’s “Know Your Farmer, Know Your Food” (KYF2) Initiative
- Definition & Core Components
- Food Hub Example
- National Food Hub Collaboration
- Food Hub Findings to Date
- Next Steps
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
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**

- 2011 sales of local food projected at $7 billion (Packaged Facts)
- In 2011 National Grocery 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.
Local Food Hub
- Charlottesville, VA -

- **Started in 2009** by two women entrepreneurs, one with a background in retail and distribution and the other in nonprofit 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
Identified Food Hubs to Date

**Food Aggregation**
Local Food Hub purchases food from more than 40 local farmers, ensuring a fair price.

**Food Distribution**
Local Food Hub distributes food to schools, hospitals, institutions, markets and restaurants.

**Farmer Services**
Local Food Hub provides services to partner producers, including accounting, sales, marketing and education.

**Local Food Campaign**
Using a savvy marketing campaign, Local Food Hub promotes the value of buying and eating locally.

**Production Planning**
Local Food Hub works with farmers and buyers to coordinate growing and match supply with demand.

**Food Donations**
Local Food Hub donates more than 5% of warehouse sales to local food banks and community groups.

**Food Production**
The farm produces more than six acres of organically grown food for distribution and donation.

**Food Donations**
25% of the food grown at the farm is donated to local food banks, hunger organizations and community groups.

**Farmer Training**
Local Food Hub hosts free workshops on organic and sustainable growing methods for participating farmers.

**Community Engagement**
Local Food Hub engages the community through volunteer programs, events, classes and creative partnerships.

**Apprenticeships**
An annual eight-month program enables young people to learn sustainable and organic growing methods.

**Internships**
An annual summer internship brings local high-school youth to the farm where they learn farm training and job skills.
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](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
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
The National Food Hub Collaboration

Partners include:

- Wallace Center at Winrock International, *co-lead*
- USDA Agricultural Marketing Service, *co-lead*
- National Good Food Network
- National Association of Produce Market Managers
- Project for Public Spaces
First phase of collaboration:

- Identify existing food hubs

- Develop a greater understanding of the scope and scale of food hub operations, and their challenges and opportunities for growth, by:
  - Carrying out focus groups with industry stakeholder groups
  - Conducting an online survey with food hubs and “public” markets, and
  - Carrying out phone interviews with a survey sub-sample of food hubs and public markets.
Regional Food Hubs

Based on a working list of 129 regional food hubs identified by the National Food Hub Collaboration
# Regional Food Hub Classifications

## Breakdown of Regional Food Hubs*

<table>
<thead>
<tr>
<th>Food Hub Legal Status</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privately Held</td>
<td>54</td>
<td>42%</td>
</tr>
<tr>
<td>Cooperative</td>
<td>37</td>
<td>29%</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>34</td>
<td>26%</td>
</tr>
<tr>
<td>Publicly Held</td>
<td>2</td>
<td>1.5%</td>
</tr>
<tr>
<td>Informal</td>
<td>2</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intermediated Market Model</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm to Business/Institution (F2B)</td>
<td>56</td>
<td>44%</td>
</tr>
<tr>
<td>Farm to Consumer (F2C)</td>
<td>43</td>
<td>33%</td>
</tr>
<tr>
<td>Both F2B and F2C</td>
<td>30</td>
<td>23%</td>
</tr>
</tbody>
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*Based on a working list of 129 regional food hubs identified by the National Food Hub Collaboration
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).
- Follow up phone interviews with 20 food hub operations

* This presentation of preliminary findings is subject to revision as further analysis is completed.
### Food Hub Online Survey

<table>
<thead>
<tr>
<th>Region</th>
<th>Sent Survey</th>
<th>Completed Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
<td>11 (15%)</td>
<td>7 (16%)</td>
</tr>
<tr>
<td>Southwest</td>
<td>5 (7%)</td>
<td>2 (4%)</td>
</tr>
<tr>
<td>Midwest</td>
<td>22 (31%)</td>
<td>13 (30%)</td>
</tr>
<tr>
<td>South</td>
<td>15 (21%)</td>
<td>8 (17%)</td>
</tr>
<tr>
<td>Northeast</td>
<td>19 (26%)</td>
<td>15 (33%)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>72</strong></td>
<td><strong>45</strong></td>
</tr>
</tbody>
</table>

**Map**

- **Completed Survey**
- **Sent Survey**

The map shows the distribution of survey responses across different regions of the United States.
Food Hub Survey Key Findings

- **Well over 120 food hubs are in operation** around the country, with large clusters in the Midwest and Northeast.

- **Entrepreneurs took the organizing lead** in establishing 40 percent of the food hubs.

- **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**.

- Food hubs employ on average **7 full-time and 5 part-time employees** with an average of **5 regular volunteers**.

- The median number of suppliers to a food hub is **40**, many of whom are small and mid-sized farmers and ranchers.
Food Hub Survey Key Findings

- 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.

- Over 40 percent of food hubs are working in "food deserts" to increase access to fresh, healthy, local food products in communities underserved by full-service food retail outlets.
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
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.
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.).
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
Existing and Potential Food Hubs

Legend:
- Regional Food Hub
- Hybrid Markets
- Terminal Markets
- Shipping Point Markets
Second phase of collaboration:

- **Broaden involvement** in the collaboration and establish a Food Hub Advisory Group of diverse stakeholder groups (e.g., national and regional non-profits, Federal agencies, foundations, private sector industry groups)

- **Help launch Food Hub Communities of Practice**
  
  - Regional and national networks for sharing resources and knowledge on established and emerging “best practices”
  
  - Accelerate process through training programs, convenings, webinars, online communities, hub-to-hub mentoring, etc.
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

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