



Food Hubs: Building More Efficient Local Food Systems





The Opportunity

“How can we create a system that puts money in farmers’ pockets and puts good food on the table in an environmentally sustainable way?”

Anthony Flaccavento



The Opportunity

Food Hubs provide a transformative opportunity for triple bottom line impact investing:

- Support important growth opportunities for farmers
- Provide viable alternatives to large-scale consolidated markets and distribution
- Revitalize local economies



The Opportunity

Food hubs are an emerging business concept in current local food system investment strategies and they are gaining significant traction very quickly.

- Los Angeles & Baltimore: **to incorporate food hub development** into strategic food policy plans.
- New York State: legislation to enhance distribution to institutional buyers **using food hub models.**
- **Sustainable Agriculture and Food Systems Funders (SAFSF):** dedicated panel on food hub development which explored how food hubs can have **broad economic and social impacts**



What are the experts saying?

“Food hubs are not just a flash in the pan. They are incredibly innovative business models specifically addressing some of our producers’ most overwhelming challenges.”

Kathleen Merrigan
Agriculture Deputy Secretary, USDA





What are the experts saying?

“Produce buyers are elated to work with regional food hubs, it gives them access to product that they’re having difficulty getting from other regular distributors.”

Jim Barham Agricultural Economist
USDA’s Agriculture Marketing Service



What are the experts saying?

“Food hubs create jobs and deliver measurable economic benefits by bridging the gap between small growers and the community food system.”

Kate Collier
Co-Founder, The Local Food Hub





Food hubs offer more than just distribution:

- aggregation
- storage
- processing
- logistical coordination
- distribution
- marketing services

Other potential food hub services may include:

- producer training
- consumer education
- regional labeling
- wholesale and retail vending space

...among others!





Exploring The Benefits

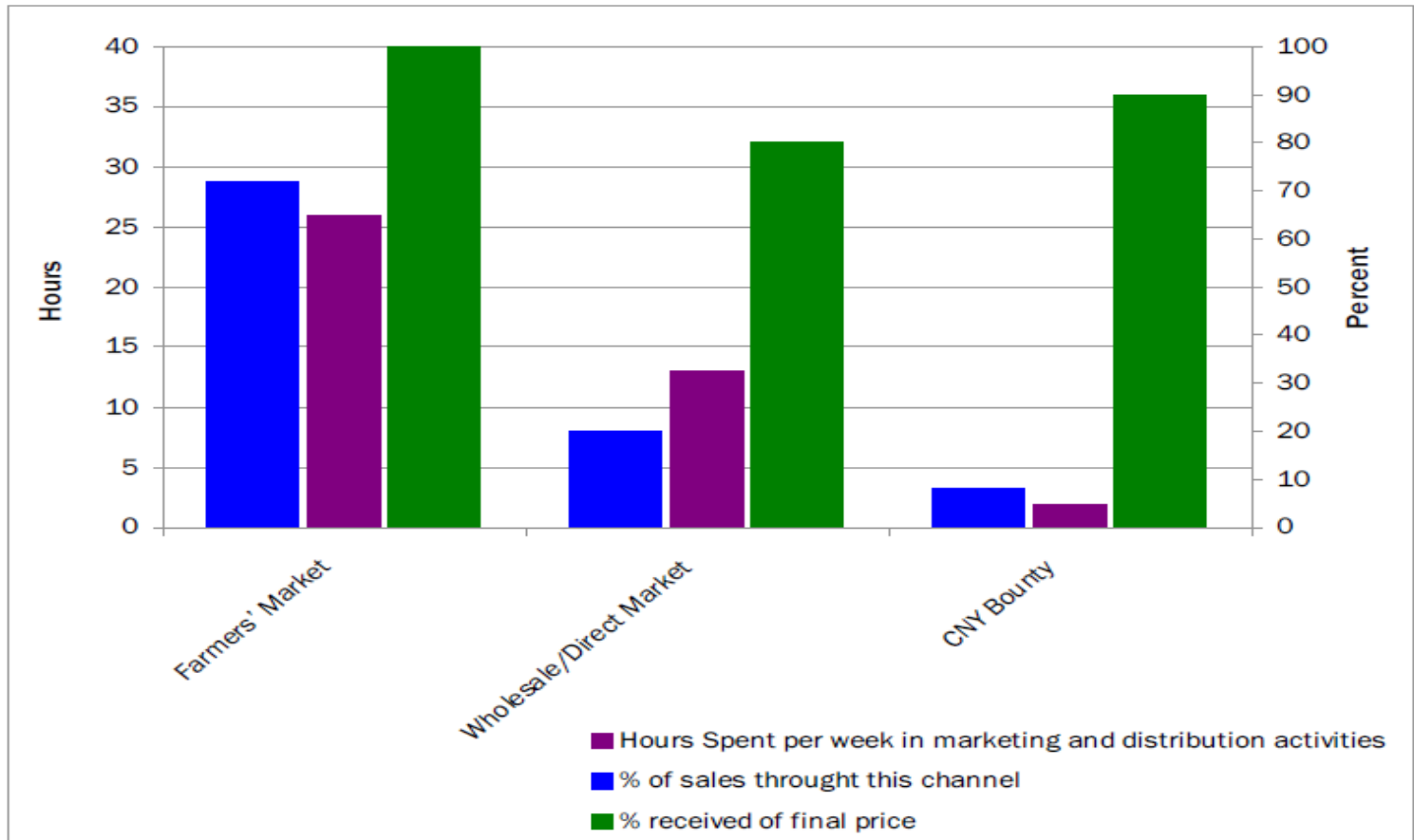
ADVANTAGES OF A FOOD HUB

Food hubs...

- Allow producers to pool their products and access larger markets
- Provide buyers with consistent supply of local product
- Connect producers to consistent buyers.
- Allow farmers to spend more time focused on production.
- Are a one stop shop for buyers looking to source local!
One call, one delivery, one invoice.
- Liaise with producers and buyers to ensure supply meets demand.



Figure 4. Drover Hill Farm as an Example of Hours Spent in Marketing and Distribution Activities Compared with Percent of Sales and Percent of Final Price Received for Each



Source: Jablonski, B.B.R. (2009). Interview with William and Stephanie Lipsey, January 11, 2011. Note: Wholesale/direct market includes restaurants and grocery stores where product is marketed and distributed directly by farmers and processors.



Equiterre: Soup's On!

The Soup's On! program promotes the use of sustainable local food in our daycares, schools and hospitals.

- 2007-2009 pilot project matched 76 establishments with 16 local farmers
- Offers workshops and information kits, to help children from daycare to high-school age understand the sustainable food movement.
- Food hub study (results published in December 2011)



Who's Behind the Wheel?

Food Hub Models

1. Non-Profit Driven: A third of US food hubs are non-profit driven
eg: **The Local Food Hub, Appalachian Harvest Network**
2. Producer/Entrepreneur Driven: **GNFF**
3. Retail/Entrepreneur Driven
4. Consumer Driven
5. Hybrid Market Model (wholesale/retail food markets)
eg: **farmers' market**



The Local Food Hub

Charlottesville, Virginia

www.localfoodhub.org

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.





The Local Food Hub

Where? Charlottesville, Virginia

Who? Founded by Kate Collier & Marisa Vrooman

When? 2009

Why? 2008 economic downturn
pooled resources and targeted dollars

What? Non-profit , operating: a distribution warehouse and an educational farm.

How? Donations, foundation & county grants (CDA)



The Local Food Hub

Products:

- Produce from within 60-100 miles

Services:

1. Aggregation
2. Distribution
3. Marketing
4. Pre-Season Planning
5. Education
6. Light Processing
7. Marketing Materials





The Local Food Hub

Operations:

- 3800 square foot distribution warehouse
- 200 sq. ft. freezer space
- 2 offices
- 60 acres certified organic land
- Large greenhouse
- Packing shed
- Box cooler
- Barn for classes
- Housing for farm managers





The Local Food Hub

Supply Chain Logistics

- More than 50 family farms deliver direct to LFH warehouse
- Distributing to more than 100 locations, using a 16ft. refrigerated truck





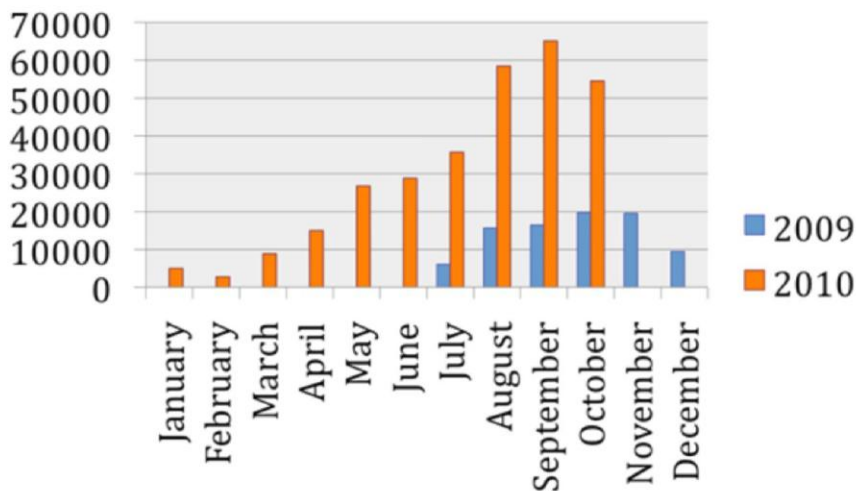
The Local Food Hub

Market Channels

- Public Schools
- Hospitals
- Restaurants
- Markets



Local Food Hub Monthly Sales



Financials

- **2009 Sales: \$75,000**
- **2010 Sales: \$375,000**
- **2011 (estimated): \$600,000+**
- 80% of sales direct to producers, 20% supports the business.
- Break-even: 1.2 million (anticipated in 2015)
- Funding: \$450,000/year: grants & donations (decreasing 15%-25%/year as sales increase).



The Local Food Hub

Going Forward...

- Working with government agencies, foundations, universities and buyers to be able to quantify their impact on job creation, the environment and public health.
- Fine Tune operations with the goal of creating a model that can be replicated in other regions. This is done also through the consulting services that LFH offers.



Appalachian Harvest

Abingdon, Virginia

www.asdevelop.org

AHN has helped **local farmers convert their old rows of tobacco, into thriving organic fruit and vegetable fields** and has connected these farmers to a new distribution system with major retailers and grocers in the region.





Appalachian Harvest

- Where?** Abingdon, Virginia, serving Appalachian Virginia and Tennessee
- Who?** Founded by Anthony Flaccavento
- When?** Appalachian Sustainable Development was founded in 1995, opening the Appalachian Harvest Food Hub in 2001.
- Why?** To assist farmers looking to transition out of tobacco crops.
- What?** Non-profit, Farm-to-Market Cooperative, Farmer Training & Incubation
- How?** Donations & grant support from individuals & foundations including the Virginia Tobacco Commission.



Appalachian Harvest

Products:

- 30+ types of certified organic produce
- Free range eggs

Services:

- Aggregation
- Distribution
- Marketing
- Education
- Light processing
- Labeling and packaging
- On-farm training and technical assistance





Appalachian Harvest

Operations:

- 15,000 sq. ft. packing and grading facility
- 3 ½ FT year round professional staff, + 12-15 seasonal employees
- 3,200 sq. ft. cooler space
- Multiple grading lines.





Appalachian Harvest

Supply Chain Logistics:

- Distributes to over a dozen centers who in turn distribute to over 650 sites.
- ASD certified organic produce is available in over 600 grocery stores (regional and national chains) in 5 states.
- 2 x 24 ft. refrigerated trucks and 1 54 ft. tractor trailer



Appalachian Harvest

Financials

- Net revenue to contribute to the costs of community outreach, marketing and producer education.
- Nonprofit status allows AHN to receive foundation grants including significant support from the Virginia Tobacco Commission
- The ASD board plans to transition AHN as a for-profit subsidiary of the organization.



Appalachian Harvest

“Becoming financially viable after ten years seems to me awfully slow. But when we started, there was no local food movement and little of the market there is today. There was also no infrastructure for aggregating and distributing local foods and very little support from university agricultural extension services or training available for organic production. **We had to create all these things.**”

Anthony Flaccavento



Appalachian Harvest

Going Forward

- Proposed artisan food center for value added products.
- Grant-subsidized model appears solid. Net sales have grown while cost of goods sold has been managed down, increasing gross profitability.
- Costs have also grown more slowly than sales, suggesting that strong future sales growth and continued careful cost management might one day allow AHN to be self-sustaining without grant funding.
- Grant funding currently bridging the gap between net income and net loss.



Good Natured Family Farms





Good Natured Family Farms

Products:

- Produce
- Meat – Beef, Poultry, Bison, Pork
- Dairy
- Honey
- Eggs
- Specialty Items: jams, jellies & salsa

Services:

- Marketing
- Branded packing materials
- Customer events
- Meat processing facility





Good Natured Family Farms

Small and Efficient Production

A management owned and federally inspected processing facility allows members to have their products processed in the same facility.

Dedicated production facility:

- Ensures consistent quality
- Eliminates inefficiencies: closed feedback loop tells producers when to speed up or slow down the feeding process
- Is one of the state's only multi-species processing facilities



Good Natured Family Farms

GNFF Processing Facility

Capacity per day: 8-10 head of cattle per day, 300 chickens per day

Species: Cattle and Chickens

Square feet: 4,500 sq. ft.

Employees: 3 full-time, 2-4 part-time

Annual sales revenues: \$3 million in annual sales



Good Natured Family Farms

A Organizational Structure that Offers Flexibility

The Role of the GNFF Producer:

- Concept offers members flexibility to sell their products outside the GNFF brand
- Under the GNFF brand, producers are responsible for meeting outlined quality standards



Good Natured Family Farms

The Role of GNFF Management:

- Ensures adequate supply
- Creates standard operating procedures, quality control systems & conducts farm audits
- Builds and manages relationships with suppliers and buyers



Good Natured Family Farms

Supply Chain Logistics

Distribution Methods:

1) Individual Producers, or Producer Collectives:

- Deliver their product directly to the Ball Foods warehouse.
- Ball Foods collects product from individual farmers

2) One group of GNFF farmers transports their produce to a local, on-farm warehouse – creating their own hub!

- Packed & labeled
- Ball Foods collects product from this central warehouse

* In this model, individual producers are responsible for initial cost of transportation. **The cost of washing and packing the product is shared by the farming collective.



The Opportunity

“As a social enterprise, food hubs are critical and an integral part of our social investment. The movement’s got the talent to take something old and make it new again.”

Jim Slama

Founder and President of Family Farmed



Additional Resources

National Good Food Network

www.ngfn.org

Wallace Centre: Community Food Enterprise Profiles

<http://www.communityfoodenterprise.org/case-studies/u.s>

PBS Now: Enterprising Ideas. Growing Local, Eating Local: Appalachian Sustainable Development

<http://www.pbs.org/now/enterprisingideas/asd.html>



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Contact

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