
Adding Values: The Potential Role of “Food Hubs” in California Agriculture

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“Local” and “Sustainable”: Changing context in the food system

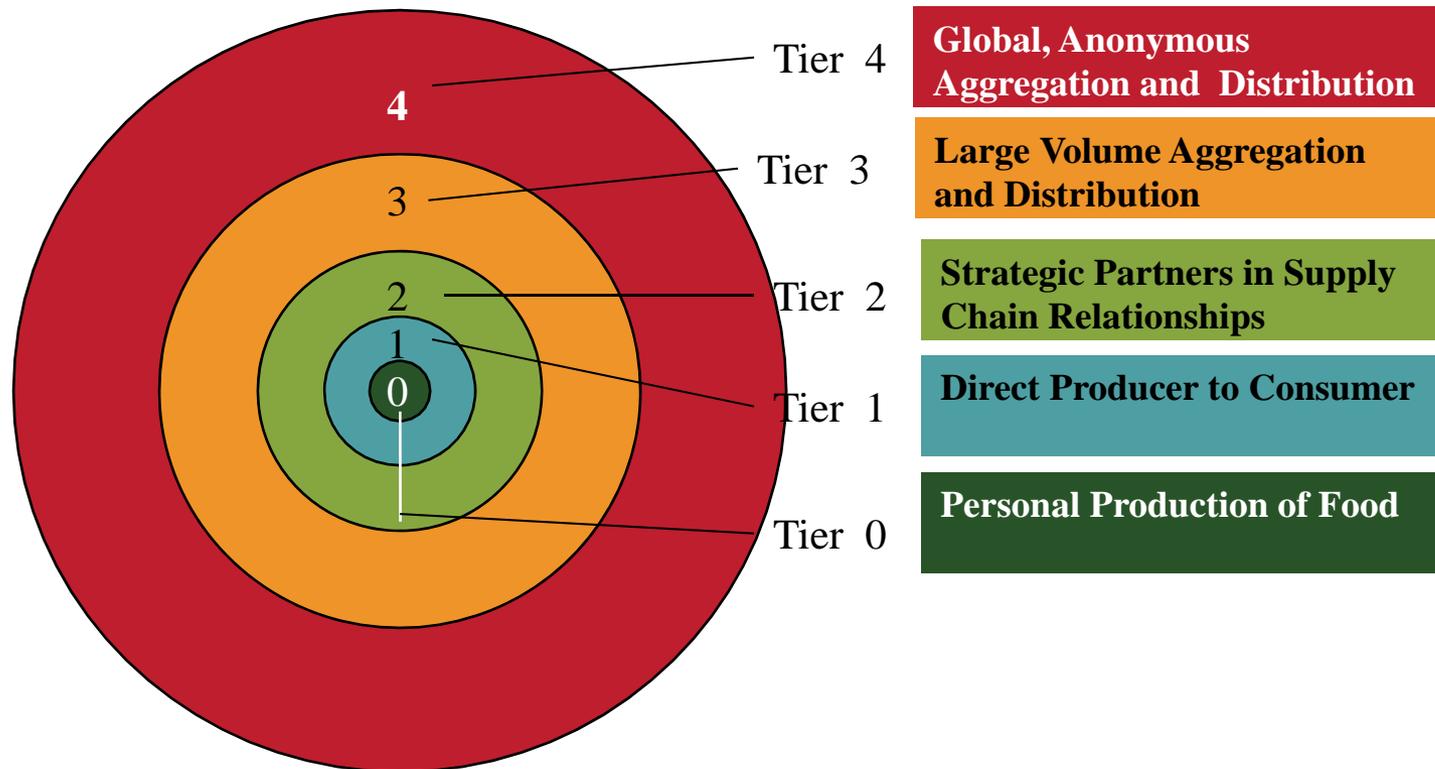
- ❑ Demand for new values: “local/regional,” “sustainable” has increased markedly
- ❑ Little infrastructure in the current food system to get foods with these values from “farm to fork”
- ❑ New entities, enterprises emerging everywhere, especially as part of distribution networks.
- ❑ Engage small and mid-scale growers
- ❑ Become part of *“values-based supply chains”*



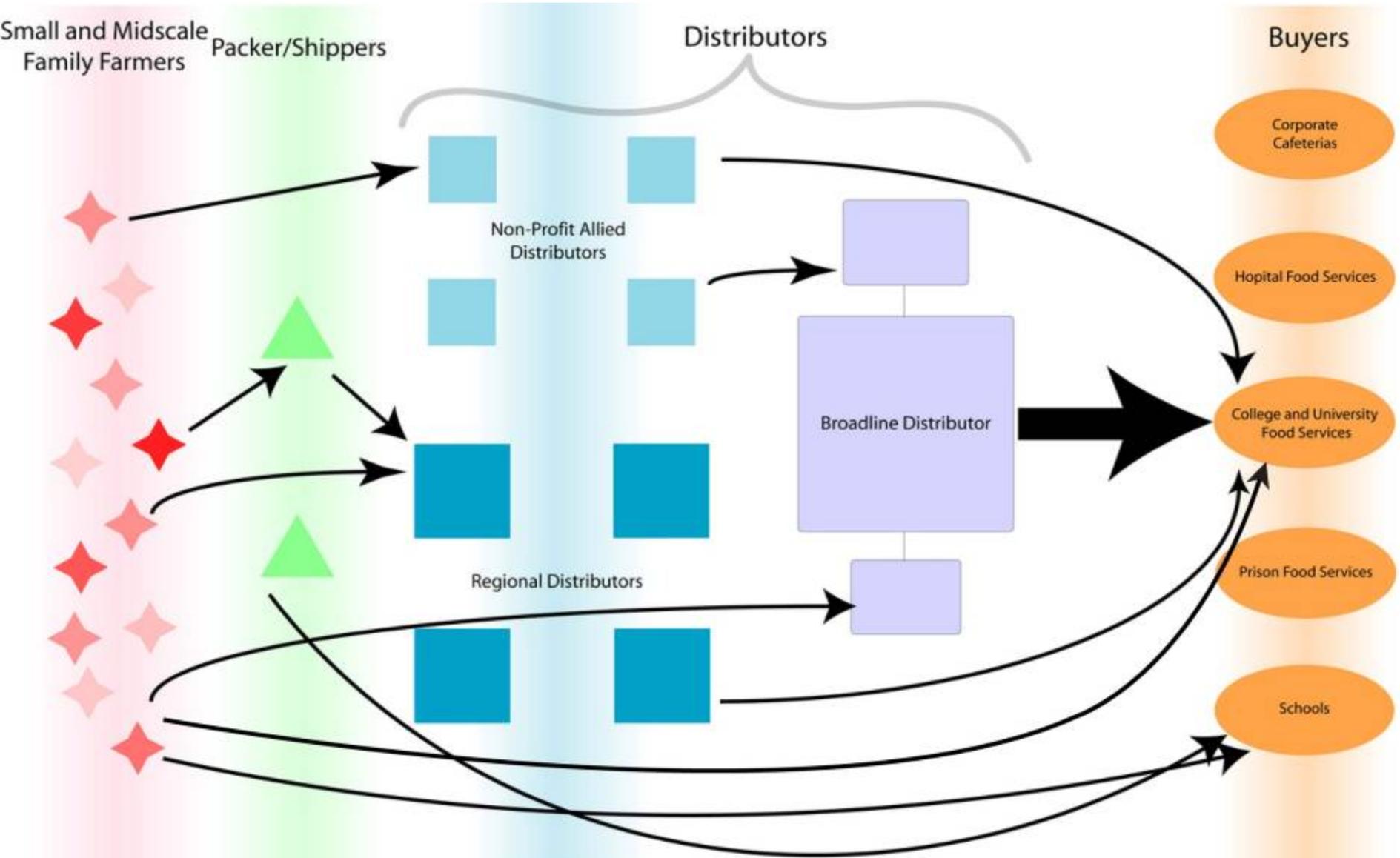
Values-Based Supply Chains (VBSCs)

- ❑ Growers treated as strategic partners vs. input suppliers
- ❑ Able to provide increased volumes and reduced transaction costs through aggregation
- ❑ Differentiated products – local branding
- ❑ Rewards and responsibilities distributed equitably across the supply chain
- ❑ Product's value includes “story” of the people and business practices

Tiers of the Food System



Produce Distribution Models



From: Feenstra, Gail, Patricia Allen, Shermain Hardesty, Jeri Ohmart, and Jan Perez. 2011. "Using a supply chain analysis to assess the sustainability of farm-to-institution programs." *Journal of Agriculture, Food Systems, and Community Development*, Vol 1(4). <http://dx.doi.org/10.5304/jafscd.2011.014.009>

What is a “Food Hub?”

A business or enterprise that facilitates the:

- aggregation,
- storage,
- processing,
- distribution, and
- marketing

Of locally or regionally produced food products, especially for small and mid-scale farmers and ranchers.

Jim Barham, 2011, Regional Food Hubs: Understanding the scope and scale of food hub operations (powerpoint presentation), USDA

Core Components

□ **Aggregation/ Distribution**

- Drop off point for multiple farms; pick-up point for customers; Source-identified

□ **Active coordination**

- Of supply chain logistics between suppliers and buyers

□ **Permanent facilities**

- Space and equipment for storage, light processing, packing, maybe label

Customer segments served

- ❑ Restaurants (~ 83%)
- ❑ Grocery stores (~ 68%)
- ❑ Colleges and universities (~ 61%)

- ❑ Food co-ops; Distributors; School food
- ❑ Multi-farm CSAs; Caterers
- ❑ Hospitals; Food processors; Buying clubs

Jim Barham, 2011, Regional Food Hubs: Understanding the scope and scale of food hub operations (powerpoint presentation), USDA

Food Hub Benefits

- ❑ **Suppliers:** Expanded market opportunities
- ❑ **Buyers:** Increased access to fresh, healthy foods; some instances for low-income communities, food deserts
- ❑ **Communities:** Job creation in rural and urban areas

Questions for “Food Hubs” and new values-based enterprises

- ❑ How stable are these new enterprises?
- ❑ What elements lead to success?
- ❑ What constraints do these enterprises face and how are they overcome?
- ❑ Who benefits? Who experiences risks?
- ❑ How can these enterprises be strengthened and supported?

Exploring the Viability of Food Hubs

**New Marketing and Distribution Channels for
Farmers** [funded by USDA RD, 2010]

Yolo County Food System Assessment

[UC Davis graduate class, for Yolo Ag and Food
Systems Alliance, 2011]



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New Marketing and Distribution Channels for Farmers



Committed to the future of rural communities.



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Project Team

- **Research team:** Gail Feenstra, David Visher, Tracy Lerman, SAREP/ASI, UC Davis
 - Shermain Hardesty, VBSC project, UC Davis
- **Advisory committee:**
 - David Runsten, Community Alliance with Family Farmers
 - Luis Sierra, California Center for Cooperatives
 - Jonathan Reinbold, Tierra Miguel Foundation (for 9 mos)
 - Karen Firestein, USDA Rural Development

Project Goals

- ❑ Compare and assess the many types of “collective” values-based aggregation/ distribution strategies used by small and mid-scale producers in California.
- ❑ Help farmers and ranchers understand the opportunities and risks of various strategies in light of their own operations.
- ❑ Provide a set of questions farmers may want to ask before participating in these values-based supply chains.

Methodology

- Review existing studies, reports on aggregation, distribution networks.
 - Annotated bibliography produced:
<http://asi.ucdavis.edu/resources/publications>
- Identify wide variety of examples of values-based aggregation/ distribution enterprises in California.
 - Web-based research
 - Interviews
- Identify benefits and considerations for producers and questions they should ask.

Review of “food hub” landscape in California

- 38 enterprises selected
 - Throughout CA
 - All scales
 - Urban and rural
 - Diversity of business models (co-ops, LLC, S-corp, other for profit; NGO)
- 25 reviewed that fit definition
 - 5 in development
 - 2 no longer in business
- 18 remaining “food hubs” categorized, analyzed

“Food Hub” Enterprises in CA

- Characteristics:
 - Values marketed
 - Size of operation
 - Geographic reach
 - Years in operation
 - Ownership type
 - Business model/customer targets
 - General benefits to producers
 - Considerations for producers

Analysis: two salient features

- Size
- Ownership
 - Farmer-owned
 - Not farmer-owned
 - for profit and
 - non-profit



Enterprises by Scale and Ownership

farmer-owned

smaller cooperatives/
collaboratives
(may be formal or
informal structures)

larger values-based
cooperatives with large
distribution regions (usually
more formal structures)

farmer-run values-based
co-packers/shippers

scale

small

large

NGOs aggregating and
distributing produce

consumer cooperatives

farmers markets coordinating
aggregation

values-based distributors in
short or local supply chains

distributors
in longer or regional/national
supply chains with a values-
based line

not farmer-owned

Kinds of questions producers should ask...

- ❑ Age of enterprise
- ❑ Contracts
- ❑ Location of enterprise
- ❑ Kind of infrastructure available
- ❑ Crop planning
- ❑ Prices paid
- ❑ Certifications, insurance, other buyer requirements
- ❑ Grant funded/self-sustaining
- ❑ Level of producer involvement
- ❑ Marketing materials/farm story

How UC ANR/UCCE can support development of VBSCs

- Help ID needs, feasibility, demand, supply
- Provide training on regulatory compliance, business planning, recordkeeping and finance to producers involved with VBSCs
- Conduct assessments of local/regional food processing, storage and distribution facilities
- Facilitate collaboration among producers needing such facilities
- Identify potential funding sources for such facilities



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UC SAREP/ ASI

