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Running A **FOOD HUB**



LESSONS LEARNED FROM THE FIELD

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Running a Food Hub

*Lessons learned
from the field*

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Illustration by David James, courtesy of Capay Valley Farm Shop

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Figure 1 — Location of Participating Food Hubs



Background and Approach

IN RECENT YEARS, several surveys—including the 2013 National Food Hub Survey¹ and the Food Hub Benchmarking Study²—have collected data on U.S. food hubs. What seems to be lacking from the current research on food hubs is information on operations and “lessons learned” from those involved in starting and operating food hubs.

To help fill this void, interviews were conducted with the leaders of 11 food hubs, using an open-ended, free-flowing format. This allowed for maximum flexibility during each interview and the ability to further capture the unique nature of each entity. The food hubs, located throughout the United States, represent a diversity of organization types, product offerings, operation structures, and missions.

Food hub leaders were interviewed via telephone or email during the early spring of 2013 and spring of 2014. The interviews were guided by a list of pre-selected topics that were common to all the interviews, but the goal was not to collect rigorous statistical data. As new topics were identified, additional questions were asked to further probe and capture the unique and individual nature of each entity.

Locations

As can be seen on the map in Figure 1, the food hubs that participated in the study are located across the country, with a generally higher concentration in the Midwest and East Coast, reflecting the large number of such operations in those regions. In many cases, the location of the food hub affected aspects of the business, such as legal structure and customer focus.

¹ Fischer, M., Hamm, M., Pirog, R., Fisk, J., Farbman, J., and Kiraly, S. 2013. Findings of the 2013 National Food Hub Survey. Michigan State University Center for Regional Food Systems and The Wallace Center at Winrock International. Retrieved from <http://foodsystems.msu.edu/activities/food-hub-survey>.

² Food Hub Benchmarking Survey: Report on Findings 2013. The Wallace Center at Winrock International in partnership with Farm Credit East, Farm Credit Council, and Morse Marketing Connections. Retrieved from <http://ngfu.org/resources/food-hubs>.

Food Hub Profiles

Table 1 provides a general description and comparison of the food hub businesses studied. These profiles cover basic points of comparison, including location, legal structure, number of staff, estimated number of participating producers, estimated sales revenues, and the year the entity was established. Additional information on the food hubs can be found in the appendix.

Table 1 — Participating Food Hub Profiles

Food Hub Name	Location	Legal Structure
Fifth Season Cooperative	Wisconsin	Cooperative
La Montañita's Co-op Distribution Center	New Mexico	Cooperative
Capay Valley Farm Shop	California	S-Corp
This Old Farm	Indiana	S-Corp
GreenMarket Co.	New York	Nonprofit
Sandhills Farm to Table Cooperative	North Carolina	Cooperative
Idaho's Bounty	Idaho	Cooperative
Nashville Grown	Tennessee	Nonprofit
Eastern Carolina Organics	North Carolina	LLC
Local Food Hub	Virginia	Nonprofit
Red Tomato	Massachusetts	Nonprofit

Lessons Learned

The use of the “open interview” format was intended to gather general information in order to highlight any similarities or differences in the operations of food hubs throughout the Nation as well as “lessons learned” that could be shared with other entities.

The remainder of this document groups these lessons learned by the food hubs according to the following key areas:

- Customers
- Labor
- Products
- Operations
- Food safety certifications
- Transportation
- Infrastructure
- Software
- Viability and success
- Common ground

Personnel	Estimated Sales	Number of Producers	Date Established
1 Full time, 1-3 Part time/ Seasonal	\$350,000-\$400,000 (2014)	25	2010
8 Full time	\$5,500,000 (FY 2014)	700	2007
10 (FT and PT)	\$1,000,000 (2014)	45	2007
22 (FT and PT)	\$1,400,000	40-125	2009
6 Full time, 4 Seasonal	\$650,000 (Fiscal 2013-14)	30-55	2012
3 Full time, 5 Part time	\$460,000 (2013)	30-38	2009
3 Full time, 7 Part time	\$900,000 (2013)	70-100	2006
2 Full time, 2 Part time	\$60,000 (2013)	12-54	2012
13 (FT and PT)	\$3,800,000 (2012)	50	2004
10-12 (FT and PT/Seasonal)	\$985,000 (2013)	80+	2009
6 Full time	\$3,750,000 (2013)	40+	1996

Customers

Types of customer varied significantly. Ranging from individual customers to large-scale foodservice operations, the targeted customer often dictates other aspects of the venture, including whether or not safety certifications were important, the level of infrastructure necessary, and the type of marketing approach used.

Small

Some smaller food hubs focus on selling primarily to restaurants, independently owned or regional grocery stores, and directly to consumers.

Medium

Mid-scale food hubs sell to the same customers as small food hubs, but also add institutions such as schools, hospitals and colleges, or larger regional grocery chains.

Large

Larger food hubs often focus on national chain grocery stores and distribution warehouses with limited sales to individual customers.

While all share a desire to increase local and regional access to fresh local foods and promote the success of agricultural producers, the food hubs took two distinct approaches to finding customers. Some organizations choose to market themselves as “direct from the farm.” They focus on the individuality of the farmer or the unique aspects of the products. Others have chosen to focus on freshness, flavor, and quality. They put a great amount of effort into packaging, maintaining a consistent supply, and ease of ordering.

Lesson Learned: *Determine who your customers are (retail, wholesale, organic, grass-fed, etc.), then tailor the food hub’s products and approach to suit the identified market.*

A producer-member of the Sandhills Farm to Table Cooperative (SFTC), in Whispering Pines, N.C., delivers a ‘thank you’ along with food. Photo courtesy SFTC.

THANK YOU,

Sandhills Farm to Table Subscribers
for allowing our family to share the
freshness of our garden with yours! *It's been a
wonderful season...*

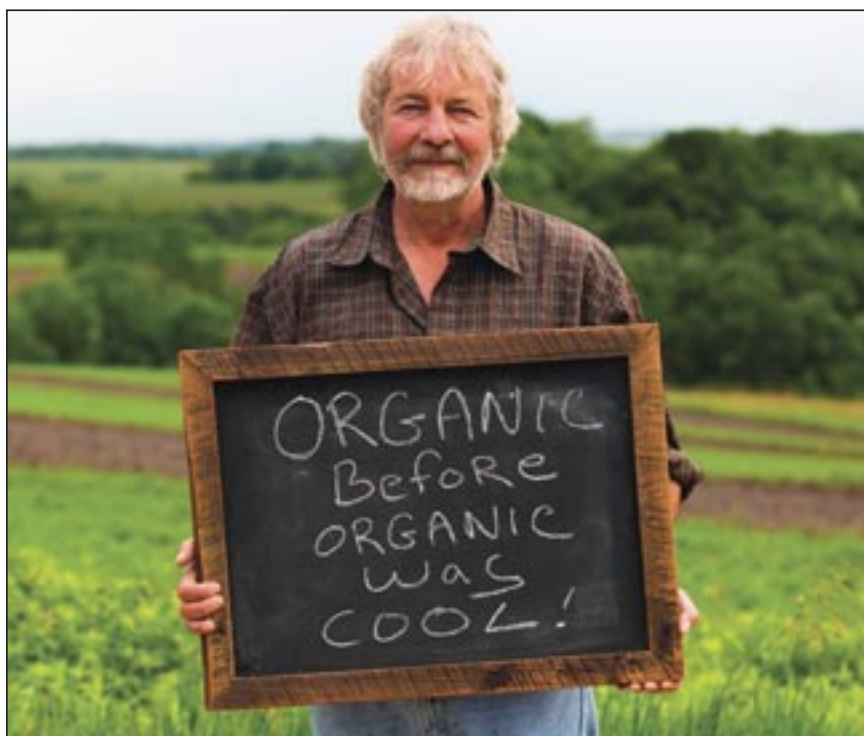


Your Sandhills Family
Farmers





Livestock on pasture that will be processed through a USDA-inspected facility and marketed through This Old Farm (TOF) food hub. Photo courtesy of TOF. Below: Like many of his fellow producer-members in Fifth Season Cooperative (FSC) in Viroqua, Wis., this producer is proud of his deep roots in organic agriculture. Photo courtesy FSC. Opposite page: This egg producer serves the local market around Charlottesville, Va., through Local Food Hub (LFH). Photo by Justin Ide, courtesy of LFH.



Products

Fresh fruits and vegetables are often the main staples of food hubs. But many food hubs also offer additional product categories, including dairy products, meats, and more shelf-stable items—such as local grains and flours—to extend their operating season. This helps to mitigate drops in revenue during non-production months.

Increasingly, value-added products are another avenue being explored by many food hubs. A few of the food hub leaders interviewed manufacture their own value-added goods or have partnered with members who do. Many of the other food hubs are reselling value-added products in order to expand their product line. These products allow an opportunity for better margins than some traditional food hub products and also help extend the selling season.

A few of the food hubs also distribute non-local items that still fit the core values of the food hub. These items were often products not available locally, such as nuts, oils, or coffee, or which were designated as a “specialty” in some way, such a “fair trade” or a certified organic item.

Lesson Learned: *Seek to source and provide a mix of product that will allow you to satisfy demand or an identified need in the market. This may include distribution of products that are not strictly “local,” but which still suit the mission of the food hub.*



Food Safety Certifications

While each of the entities contacted expressed varying levels of concern and prioritization regarding food safety, every organization was aware of the need to consider safety certifications, which they expect to be even more important in the future. A few of the food hubs have begun to require mandatory Good Agricultural Practices (GAP) certification of their producers, while others simply help producers become more aware of food safety practices in an effort to prepare them for the future.

The general consensus among those interviewed was that if they were not already required, safety certifications would soon become



About 80 producers have partnered with Local Food Hub to provide a wide variety of produce and meats to customers, including the Brookville Restaurant (seen here) in Charlottesville, Va. Photo by Justin Ide, courtesy of LFH.

a mandatory part of doing business. Almost all of the hubs contacted are actively working in some capacity to move their producers and the business toward obtaining safety certifications.

The targeted customer base of a food hub has a large impact on its level of concern with safety certification. Organizations that focused on restaurant and direct retail customers were the least concerned with safety certification because these organizations are typically not pressured by their customers to offer GAP or other safety-certified produce. Instead, they were able to rely on their own assurances to customers regarding food safety.

A hub's level of compliance with safety certification is mostly due to the variety in demand in its market. As the size of the food hub increased, or as the hub became more focused on large-scale customers and institutional buyers, the level of concern over safety certification requirements increased. Those with institutional customers—including hubs that sell to hospitals and school districts, or those dealing with the sale of protein foods (such as meats, eggs, and dairy)—are typically much more interested in food safety certification and strongly encourage producers to be certified. In other cases, the hubs used surveys and other methods to gauge the readiness of member-growers to accept safety certification as a condition for supply.

Lesson Learned: *Allow the needs of the food hub customers to dictate the certification requirements of the hub. Whether required by customers or not, food hubs should take a long-term view by maintaining awareness of the food safety and regulatory environment in order to be prepared for future demand.*



Capay Valley Farm Shop (CVFS), Esparto, Calif., is a direct-to-consumer and wholesale food hub in Central California. It does wholesale business with independent specialty retailers, restaurants and corporate cafeterias. Photo courtesy CVFS. Below: A Greenmarket Co. delivery truck makes its rounds. Photo by Vitaliy Piltser, courtesy of GrowNYC.



Infrastructure

Infrastructure seemed to depend on two different approaches to operations:

Approach 1—Food hubs that provide more services—such as physical aggregation, grading, packing, sales, and delivery—often have a warehouse, equipment, and other infrastructure.

Food hubs taking this approach use the equivalent of a medium-sized warehouse (5,000-10,000 sq. ft.) that included sufficient room for truck parking, loading, product storage, dry goods storage, and cooling capacity. When one of these food hubs expands or begins to offer other services—such as light food processing or freezing—supplementary warehouse space and additional equipment are often necessary.

Approach 2—Other food hubs provide fewer physical services and thus have more limited infrastructure. They instead focus on coordination, payment, marketing, and promotion.

These food hubs tend to use much smaller warehouses (1,000-4,000 sq. ft.), or a mix of owned and rented/borrowed warehouse space (the latter can sometimes be supplied by food hub growers). While some hubs maintain long-term storage facilities, many use a “just-in-time” distribution approach that minimizes the need for storage and cooling space. Food hubs that use larger spaces often rent or lease excess space to producers or other entities for storage to help offset costs.

Of the food hubs operating with infrastructure, nearly all used company-owned trucks to do at least some local delivery to customers. Local trucking resources typically consist of smaller short-haul vehicles. However, based on their specific circumstances, some hubs outsourced hauling to local trucking companies to move large volumes of product over greater distances.

Lesson Learned: *Infrastructure will be based on the product handling and storage needs of the food hub, but food hubs should incorporate a long-term view of infrastructure and equipment to provide easier transitions through growth periods in the future.*



Greenmarket Co., a program of GrowNYC, was launched in 2012. It focuses on the wholesale distribution of locally sourced farm products. Photo by Vitaliy Piltser, courtesy of GrowNYC. Below: The Red Tomato food hub supplies much more than its namesake food, including peaches and other fruits. Located in Plainville, Mass., Red Tomato is a multi-structured nonprofit that partners with farmers and for-profit distributors. Photo by Diane Stalford, courtesy of Red Tomato.



Viability and Success

Many of the food hubs studied were not yet profitable. To remain in business, these food hubs exhibited some cost-saving advantage, such as volunteer labor, logistics arrangements and partnerships, or received outside funding, such as grants. Most have remained in business by obtaining outside funds, whether in the form of donations, grants, foundation funding, or by being part of a larger organization or by obtaining some form of business advantage.

Long-term financial goals of food hubs almost always include reaching a point where the business does not have to rely on outside funding. While a few hubs plan for outside funding to be a regular part of their operations for the foreseeable future, most believe that grants and other sources of short-term funding were necessary to begin operations or to reach a new plateau but were not good options for the long term, since continuation of such funding is not assured. Further, large amounts of time and effort are required to apply for grants and other outside funding. The vast majority of food hubs expressed a desire to cover operational costs internally by increasing sales.

Lesson Learned: *Use any available funding to get started but have a long-term strategic plan to achieve operational profitability, as this is necessary to ensure long-term viability of the business.*

Labor

Continuity of labor in management and sales is important because frequent staff changes can have a negative impact on food hub operations. Some food hubs experienced declines in sales volumes during periods of employee transition because these hubs typically rely on employee-customer relationship marketing.

Due to the specific skills needed to operate a food hub and reliance on relationships with producers and customers, finding good part-time labor is a common challenge. While some employees may be part time or seasonal, they still need to possess the skills necessary to communicate with growers, especially in cases where there are product quality issues. Honesty and work ethic are two other important traits needed in a labor force.

Nearly all the hubs had used volunteer labor in the past, or still use it. But many hub operators cautioned that volunteer labor lacks consistency and skill continuity. While volunteers are useful when the food hub needs more help, a hub needs to maintain key skills and a knowledge base to achieve stability in operations and sales.

Lesson Learned: *Volunteer labor can be useful, particularly during startup or periods of growth. But long-term success will require regular employees and the continuity of institutional knowledge and the relationships they bring.*



These Eastern Carolina Organics (ECO) farmers are among the food hubs' 50 growers. Farmers own 40 percent of the business and retain 80 percent of total sales. Photo courtesy ECO.



Idaho's Bounty is a food hub in south-central Idaho that primarily focuses on wholesale marketing to local and regional grocery chains and restaurants. It also makes retail sales to individual consumers via the co-op's website and pickup locations. Photo by Paulette Phlipot, courtesy Idaho's Bounty.



Operations

Food hubs have proven to be innovators in dealing with, and offsetting, costs. In an effort to sustain their operations, food hubs have limited the scope of their initial operations or acquired sources of outside funding and capital, formed partnerships, or gained access to advantageous infrastructure.

One venture began operations by renting a truck daily and using a cell phone to communicate with the driver. When the time came to invest in infrastructure, efforts were made to source inexpensive facilities and used equipment that met the basic needs of the business. Another food hub manager said the operation could not have been successful selling only local produce. The solution was to work with a larger specialty manufacturer as a licensed distributor. This provided the food hub with many new sales opportunities, as well as a large amount of inventory, steady sales, and products that could be sold year-round.

Instead of developing new distribution infrastructure and trade networks, some food hubs have found ways to partner with foodservice companies to take advantage of the already efficient logistics network and large volume of sales and marketing. This could also involve making arrangements with food hub members or other nonprofit business entities for low-cost storage and cooling facilities or transportation equipment.

Lesson Learned: *Seek to find operational advantages through partnerships or by working with existing infrastructure in a region. Make sure the food hub has sufficient funding to sustain operations until revenues are at a sufficient level.*

Local Food Hub's (LFH) warehouse, handles incoming deliveries from producers and out-going shipment to customers. Photo by Justin Ide, courtesy of LFH.

Transportation

Transportation and delivery expenses were often identified as the main costs for operating a food hub. In addition to purchasing or leasing trucks, transportation costs include paying drivers and the time spent in organizing the logistics of pick-ups from producers and deliveries to customers—all of which contributes significantly to the financial overhead of the food hub. Even food hubs that have been able to acquire trucks, equipment, or other infrastructure items through grants or other funding sources still have to deal with the significant cost of ongoing maintenance.

Some food hubs have found ways to minimize the cost of transportation. Use of out-sourced shipping and trucking often alleviated some of the burden of maintaining a consistent method of delivery. Many hubs established relationships that help a trucking company fill empty loads while providing efficient transportation for the food hub, thus lowering costs for shipping and transportation.

Lesson Learned: *Whether leased or purchased, trucking and logistics will often be one of the largest costs of operating the food hub. Know your costs to avoid delivery expenses exceeding order values.*



Software

The food hubs use a broad range of information technology in their operations. Software used by hubs may include Microsoft Excel, custom-designed software, off-the-shelf products, such as Quickbooks, specialty food hub software, or a blend of all of the above. In general, there is little consensus on the optimal software for food hubs. Typically, food hubs use software to track:

- Inventory
- Finances
- Orders
- Customer and supplier information

Food hubs that have dealt with the creation of proprietary software have found that it is important to have the input of both designers and of those familiar with the food hub's intended operations during the software's design and implementation. Including both of these perspectives during the early stages of the process allows a software designer to benefit from the input of farmer contacts and can avoid costly redesigns in the future. They also note that custom software should be viewed as an ongoing process; many hubs continue to change or add components for years after an initial purchase at additional cost.

Lesson Learned: *There is no “one size fits all” software solution. Conscientiously choosing software to suit as many needs of the food hub as possible will lead to the greatest efficiency in operations, but will likely still not produce ideal results.*

Capay Valley Farm Shop (CVFS) trucks deliver to the food hub's customers in Central California. Photo courtesy CVFS.

Common Ground

Each of the food hubs included in this study had unique operations and goals that reflect the local community environment. While there is great diversity among them, the food hubs also share some common ground, including:

- All felt their own market and sales levels were still in a growth phase.

- All were operating with minimal staff. All staff members were fulfilling multiple roles in the organization.

- Most had their own transportation infrastructure. However, their vehicle fleets were limited. Many used local or regional transportation firms to augment their transportation capacity.

- Many were interested in aggregating and selling value-added products, often as a season-extending service.

- Only a few hubs were directly engaged in processing activities. Some of the hubs that attempted these activities in the past are now outsourcing them to other firms.

- The time and costs of safety certifications and insurances were of concern to all. They expressed keen awareness of the impacts of new food-safety regulations, especially those stemming from the Food Safety Modernization Act.

- Most hubs had access to a small- or medium-sized warehouse (1,000-10,000 sq. ft.) for storage, as well as holding coolers or their equivalents.

- They rarely used formal advertising or media campaigns. The food hubs depended mainly on relationship marketing and direct contacts with producers and buyers.

Because of their adaptability, no one measure can be applied to all food hubs. Each one must be measured by its success or failure in achieving its own underlying goals. From fulfilling a specific social mission to achieving independent financial profitability, food hubs are positively impacting both their member-producers and communities in numerous ways. Though much remains to be learned about them, food hubs continue to be one of the most exciting innovations in the local foods supply chain.

Food hub insights and recommendations

Many of the food hub operators interviewed offered insight into issues they had faced or provided information that was not directly related to the general categories covered by the interviews. These recommendations and observations include:

- Seek partnerships.
 - A local food bank, community kitchen, or retail store can provide access to distribution resources as well as to storage space and cooling facilities.
 - Logistics partnerships will help offset high transportation costs.
 - Be aware that if producers have already established direct marketing relationships, it will be harder to convince them to participate in aggregated distribution. The hub may have to work to educate producers as to the need or benefit of joining the food hub.
 - Involve leadership that has the necessary business experience and skill set to make decisions that will lead to long-term success. While vision and passion are important, make sure decisions include a solid business-oriented viewpoint.
 - Maintain continuity of human resources to retain the established relationships and institutional knowledge of the staff.
 - No matter how well you think you know your market, you will very likely have to be flexible in order to meet the actual demand. Be willing to change.
 - Building a food hub is like running a marathon with interval sprints every mile. Training, focus, and perseverance are keys to succeeding.
 - Lack of funding will constrain your growth.
 - Volunteers can be hard to train and difficult to manage.
 - Develop training materials and forms (order forms, contract forms, etc.) early in the startup process. Lacking these documents can cause inefficiency and take time to produce correctly.



These farmers (above and below) are some of the 700 producers that partner with La Montañita's Co-op Distribution Center in Albuquerque, N.M. This food hub's operations include retail stores and wholesale distribution services, as well as community involvement work. Fiscal-year 2014 sales surpassed \$30 million. Photos courtesy La Montanita.



Appendix

Food Hub Profiles

Fifth Season Cooperative

Location: Viroqua, WI

Organization: For Profit Co-op

Personnel: 4

Est. Sales: \$350-400,000 (Projected 2014)

Est. Producers: 25

Established: 2010



Headquartered in Viroqua, WI, the Fifth Season Cooperative was founded in 2010 as a for-profit cooperative with six membership classes. The cooperative began operations in 2011 by renting about 4,000-square-feet of warehouse space and access to a 600-square-foot cooler from the Viroqua Food Enterprise Center. The cooperative's staff currently consists of a single full-time operations manager, one part-time office worker, and two seasonal workers.

The primary customer base for the cooperative is foodservice distributors and industrial buyers. Voting buyer-members include two hospitals, one university, and three school districts. The co-op also serves a large buyer pool of over 100 accounts that include restaurants, K-12 schools, colleges, and hospitals.

Fifth Season focuses on moving regional foods to regional customers. The co-op provides a well-rounded line of 140 products, including dairy, frozen and value-added meats, shelf-stable products, refrigerated value-added products, and a full line of frozen fruits and vegetables. The co-op helps extend the season by offering a line of frozen, value-added vegetable blends "with a regional flair." While Fifth Season uses space at the Food Enterprise Center in Viroqua for its offices and gathering point during the season, the co-op plays the role of a broker for the frozen and refrigerated meat and dairy products to avoid storage costs. It also sells its own processed and frozen vegetable blends under the Fifth Season Label sourced from its producer and producer group members. This allows the co-op to move food efficiently across a 150-mile region.

Membership classes include:

- **Producers:** Growers in the region who sell produce, meat, or dairy;
- **Producer Groups:** Agricultural businesses in the region that aggregate and sell produce;
- **Processors:** Businesses from the region that make value-added products;
- **Distributors:** Businesses from the region that transport agricultural products;

- **Buyers:** Institutions and retail stores in the region that purchase product from the co-op;
- **Workers:** Employees who contribute to the co-op's success through their labor.

The membership fee for producers and workers currently consists of a \$250 equity contribution, while producer groups, processors, and distributors are required to pay a \$750 equity contribution.

Member expertise is used to assist with addressing specific functions of the cooperative. One example is the relationship with one of the co-op's distributor members, Reinhart Foodservice, in La Crosse, WI. This broad product-line foodservice distributor has made a commitment to purchasing local foods for customers.

The membership of Reinhart provides several operational advantages. The cooperative is able to access a large pool of ready customers by serving as a vendor for Reinhart. Reinhart uses its established distribution network to provide a platform for Fifth Season Cooperative products, actively promoting its local food products to customers.

The cooperative currently has a full product line available for sale through Reinhart, which accounts for 97 percent of Fifth Season's sales. In addition to serving as a distributor member for local products, Reinhart also meets the cooperative's transportation needs by backhauling cooperative products from several pick-up points across Wisconsin. Fresh produce is now aggregated solely in Viroqua and is back hauled twice weekly.

Using Reinhart's transportation service allows Fifth Season to forgo having to purchase expensive delivery and transportation infrastructure and reduces overall costs for the cooperative. The remainder of sales is made to smaller accounts, which are delivered by local transport companies and the co-op's other distributor-member, Keewaydin Organics, on an "as-needed basis."

Fifth Season has developed the first two products in a value-added, frozen vegetable line, geared toward K-12 schools and other institutional use. These products are unique in that they are all grown in the Driftless Region of Wisconsin and are processed by a family-owned business: Sno Pac Foods, in Caledonia, MN.

Winter Moon and Wisconsin Potato Fusion—two vegetable blends that are part of a line of seven products—have been well received by institutional customers and restaurants. These tasty, nutritious vegetable blends—which meet USDA menu color requirements to provide "eye appeal"—are proving popular with institutional buyers.

The relationship between the co-op and Sno Pac Foods quickly grew

beyond an initial processing run in 2013. It has bloomed into a processor-member status for Sno Pac, which is also now represented on the board of directors. By combining Sno Pac's vegetable line with Fifth Season's newly created blend product line, the co-op can now offer a full line of frozen, sustainably grown, regional vegetables.

Fifth Season has assisted producers with training, including one-on-one work with a contracted auditor, to help them comply with Reinhart's established rules for vendor food safety. Reinhart's regulations are largely based on GAP certification requirements and are stringent enough to satisfy the safety requirements of institutional customers without the costs of GAP audits and fees. Yearly audits are conducted at all Fifth Season farms and facilities via contracts with an independent food-safety auditor. The cooperative works with processor-members of the cooperative to conduct a HACCP (Hazard Analysis and Critical Control Point) audit or find assistance to have HACCP plans written if necessary.

La Montañita's Co-op Distribution Center

Location: Albuquerque, NM
Organization: Co-op
Personnel: 8
Est. Sales: \$5.5 Million (FY 2014)
Est. # Producers: 700
Established: 2007



La Montañita is a cooperatively structured grocery chain, which began operations in 1976. Today, the food hub has grown to include multiple activities, including retail stores, wholesale warehouse facilities, and community involvement work. The cooperative sources more than 1,100 products from nearly 700 local producers. It services multiple areas in New Mexico. La Montañita's fiscal-year 2014 sales will surpass \$30 million.

The co-op's retail division sells local and national brands at five retail stores in New Mexico. These include stores in Albuquerque, Santa Fe, and Gallup. Additional customers include retail location, such as Whole Foods, and local natural grocery stores that are unable to access the traditional natural foods industry because of the low volumes needed. Customers also include schools, universities, and Bon Appetite, which operates cafeterias in the area.

The co-op also offers revolving loan programs. One example is the La Montañita Fund, through which co-op members can invest to assist farmers, ranchers, and other food producers in the region.³

In January 2007, La Montañita opened its Cooperative Distribution Center (CDC) on Columbia Drive in Albuquerque. This center operates as a food hub by supplying wholesale customers and retail stores. During its first year, the CDC delivered more than \$100,000 worth of meat, eggs, milk, and produce from about 30 producers by engaging with Whole Foods, Raley's,⁴ Cid's, Los Poblanos, and other grocery retailers to build the co-op's wholesale market.⁵ The CDC also sells to retailers and restaurants, which extends La Montañita's operations and allows increased market access to regional producers.

The CDC is now housed in a 17,000-square-foot facility, which includes about 4,000 square feet of cooler space divided among four coolers. It also includes 1,000 square feet of freezer space, with the remainder of the facility used for general storage and handling, as well as administrative functions.

Until 2014, the CDC did not handle a significant amount of produce, instead focusing on animal protein, dairy, shelf-stable items, and “hardy vegetables,” such as potatoes and squash. Other seasonal items, including apples, are offered, as available. A recent investment in a dedicated produce cooler has allowed the co-op to scale up sales of more perishable produce.

Using a grant recently awarded through the Wallace Center, the CDC has been able to construct preparatory space within the facility, including areas for washing, meat smoking, and cryo-packaging for meat products. The grant also funded a dedicated produce cooler that is helping the co-op to move more into produce brokering.

Sales from the CDC will exceed \$5.5 million for fiscal year 2014. The CDC operates with minimal grant or foundation funding. While it has lost money in each year of operation, the losses have declined steadily, and it is approaching break-even status. During the most recent fiscal year, the loss dropped from \$100,000 to \$50,000. The support of the cooperative's profitable retail stores has enabled CDC to continue to focus on accomplishing its nonprofit mission, rather than on attaining a profitable status.

The Co-op Trade and Food Shed Projects—the initiatives ultimately responsible for procuring the warehouse facility—were started to create the

³ Community Development Financial Institutions Fund. Financing Healthy Food Options: Implementation Handbook Case Study. “La Montañita Cooperative”

⁴ This Raley's store has since been closed, although the chain remains in operation.

⁵ www.lamontanita.coop: “Food Shed”

opportunity for wholesale marketing and to facilitate pick-up, distribution, supply delivery, and storage for local producers through warehouse and trucking services.⁶ According to an article in “Cooperative Grocer” magazine, the cooperative realized that breaking even by focusing solely on local products would not be attainable. So, in 2007 it began sourcing selected products—such as meat, eggs, and dairy products—from national producers.

The facility handles deliveries and pickups. Larger producers find it more efficient to bring their own product to the center, while smaller producers often use La Montañita’s refrigerated box trucks to handle their product pick-ups. These trucks are primarily used for the delivery of product to customers, running regular routes 5 days per week. Logistics are handled in-house, with pick-up and back-hauling used whenever possible to mitigate costs.

The CDC uses a mix of software programs for coordinating accounting functions with the larger company. Sales and order processing, inventory, and invoicing are handled with Quickbooks Enterprise, which has been fairly adaptable to buying and selling operations and can use variable pricing levels.

The CDC typically operates with about eight staff members. These include warehouse workers, delivery drivers, an outside salesperson, a buyer, a customer service representative, and a warehouse manager.

The CDC is encouraging producers to pursue food safety certifications. A survey of producers was used to create awareness of the need for food safety procedures and to gauge the reaction of participating farmers. Responding to the survey was mandatory if a producer wanted to continue to supply to the CDC. The next step involves finding ways to help groups of growers become food safety certified. The center has worked on food safety procedures individually with the larger producers, stressing the importance of compliance.

Outside of its own proprietary retail stores, La Montañita’s CDC serves about 100 wholesale customers, with sales of nearly \$2.6 million. Other than La Montañita’s own retail stores, the main customers are wholesale purchasers looking for whole cases of items. There is no fee, other than the cost of the items purchased, for buyers looking to purchase product from the CDC.

⁶ www.lamontanita.coop: “About Us”

Capay Valley Farm Shop

Location: Esparto, CA

Organization: S-Corp

Personnel: 10

Est. Sales: \$1,000,000

Est. # Producers: 45

Established: 2007



Capay Valley Farm Shop is a direct-to-consumer and wholesale food hub in the Capay Valley of Central California. Established in 2007, the food hub does wholesale business with independent specialty retailers, restaurants, and corporate cafeterias. A CSA-style “FarmShares” program is available to individuals and families. FarmShares members choose a size (bushel, peck, or bite) and receive a mix of seasonal fresh fruits and vegetables. The food hub website offers a wide selection of pasture-raised meats, eggs, and value-added products, including olive oils, jams, honey, nuts, and herbs. These products are sold as “add-ons” to the FarmShares or as a stand-alone purchase. Website purchases can also be bundled into monthly mixes called “MeatShares” and “PantryShares.”

The fastest growing portion of the food hub is the wholesale program, which surpassed CSA sales in 2013. The food hub prepares a list of aggregated and source-identified products three times a week for wholesale customers. As of October 2013, the food hub operates in 3,000 square feet of a 4,000-square-foot dedicated warehouse adjacent to a USDA-inspected meat facility. Plans call for a retail store to be established in the remaining space. Previously, the food hub used space provided by member farms for storage and aggregation activities.

The food hub makes deliveries using its own two refrigerated box trucks: a 14-foot and a 16-foot truck. The food hub originally considered leasing the trucks, but found that the rural location made it difficult to schedule regular truck maintenance, due to the distance from where the trucks were leased. California’s emissions rules and other regulations affecting the use of refrigerated trucks have resulted in added costs for the food hub.

The hub’s wholesale business grew out of its CSA program. Many of the CSA pickup sites were at corporate or commercial cafeterias in the San Francisco Bay Area. So, it was a natural extension of the business to begin selling in wholesale quantities to these entities.

The CSA portion of the food hub relies mostly on CSAware software to manage orders and inventory. However, the food hub also relies on a mix of

Excel and Google documents, as well as Quickbooks online, for internal tracking. Management is considering other software options to determine the best program to upgrade the current software system.

Capay Valley Farm Shop's employees are all paid staff of the food hub. The hub currently operates with a staff of 10. These include: a president (who functions as the general manager), operations manager, assistant operations manager, packing crew, delivery driver, and a purchasing manager who communicates and coordinates with growers to determine availability and product flow.

Sales staff consists of a director of business development, sales manager, sales associate, and marketing and communications coordinator.

Administrative functions are handled by a bookkeeper and office manager.

The food hub works with 45 producers, with product pickup from member farms 5 days per week. It uses a "just-in-time" system to purchase products from member farms, pick up products, and deliver them to customers. Member-farmers set their own prices for products, with a markup percentage added to the cost, based on product availability and demand.

The food hub manages some inventory items, such as dry goods and shelf-stable value-added products. But these items represent a small portion of overall sales. Meat sales are generally handled through a brokerage arrangement with a nearby slaughter facility. Producers drop off their animals for processing, with the slaughter facility handling the delivery of the packaged meat.

The hub does not experience significant demand from customers requiring GAP certification, but it is preparing for GAP and other food safety certifications related to the Food Safety Modernization Act (FSMA). The hub is currently reviewing the requirements for GAP certification and working with member farms.

Prior to receiving a Wallace Center Food Hub Development grant in 2014, the food hub had not used any grants in its operations. It has instead used private funding for startup and operations. Sales for 2014 are anticipated to approach \$1 million. The wholesale operation will continue to be the primary driver for growth of the food hub.

This Old Farm

Location: Colfax, Darlington, IN

Organization: S-Corp

Personnel: 22

Est. Sales: 1.4 Million (2013)

Est. # Producers: 40-125

Established: 2009



This Old Farm was started from the Smith family’s original 88-acre farm. It has grown over time to include a USDA-inspected meat processing facility. It oversees the processing of all the meat sold through the This Old Farm food hub to ensure humane, clean handling of all meat products and that there is consistent meat quality. While This Old Farm is formally organized as an S-Corp, it partners with an informal alliance of producers to offer fresh produce, meat, and value-added products.

The food hub typically only acquires 10 percent of sales from produce items. In recent years, it has been focusing on building relationships with producers, helping them to “scale up” their operations so it can broaden its product line. In the past, the hub was able to function using various small-scale coolers. It is currently looking to expand its cooler space to accommodate more of this type of product. Plans call for this new facility to have about 2,500 square feet of cooler space, which would facilitate a sales volume of \$3 million–\$5 million.

Most of the produce the hub offers moves directly from farms to customers. It operates primarily by working with larger farms in the network that have the facilities for aggregation and product handling.

The meat processing facility was purchased in 2009, at which time it was a custom-slaughter facility. It was subsequently updated and readied for USDA inspection. After a fire destroyed the facility, the owners chose to rebuild on the existing site, where it has operated ever since. It is now a 10,000-square-foot facility.

The food hub seeks to work with producers who need help with quality control and in producing consistent supply. The hub is experiencing significant demand for GAP-certified production and is thus working with producers on these certifications. The current producer base is a mix of GAP-certified and non-certified farms, so the food hub must ensure the separation of these products. The owners’ experience with the food safety aspect of meat slaughter and processing has allowed them to successfully work to acquire these certifications.

The This Old Farm store accounts for about 10 percent of the hub's meat sales, while wholesale customers—primarily foodservice operations—account for a large share of the meat and produce sold. Direct sales of produce to consumers are limited due to the perishable nature of produce and the rural location of the hub. So, the food hub has chosen to focus primarily on wholesale channels.

Meat processing was seen as a need in the region, and the hub leaders felt there was a good opportunity to make a meat business work. Most of the meat products handled by This Old Farm are frozen, although its facility can produce fresh cuts of meat for sale. The food hub owns two trucks that can handle about six pallets each. One is used as the primary delivery vehicle and the second functions as a “flex” vehicle used for emergency deliveries or to accommodate seasonal sales.

The food hub handles deliveries for non-local sales by contracting with less-than-truckload (LTL) carriers and works with a regional produce company to arrange backhauling. While these arrangements have worked well for the food hub, the owners still see a need to maintain their own transportation vehicles to satisfy customer demand in a timely manner.

This Old Farm uses custom-designed software to manage its operations. The software continues to evolve, based on business needs. It currently is used for traceability, bar-coding, labeling, and order fulfillment.

The food hub and slaughter/processing facility currently operate with 22 employees, including 5 managers. Four employees, including one driver, handle the produce portion of the operation, while the remaining employees work in the meat slaughter and processing business. The most difficult part of the human resource needs was finding and training individuals for the hub, because there were few in the labor pool with experience related to a food hub.

The owners say volunteer labor has been essential to the successful startup of the food hub, and it continues to use small levels of volunteer labor. However, the owners now recognize the importance of maintaining a paid staff of individuals who are able to accept longer term responsibilities.

Another significant challenge was the need to develop forms for the business. There were few standard forms suitable for a food hub such as theirs. Thus, many forms had to be developed in-house to facilitate agreements, information capture, ordering, etc.

Producers were initially paid using an 80/20 split of sales (80 percent for the producer, 20 percent for the food hub). This allowed the food hub to build trust based on transparency and to solidify a consistent producer network. The food hub currently negotiates prices with producers, based on a balance between producer and hub needs.

Greenmarket Co.

Location: New York, NY

Organization: Non-Profit

Personnel: 10

Est. Sales: \$650,000 (FY 13-14)

Est. # Producers: 30-55

Established: 2012



Greenmarket Co. is a program of GrowNYC, a nonprofit entity established in 1976 and now comprised of multiple programs, including the Greenmarket farmer's market program. Greenmarket Co., which began in 2012, focuses on the wholesale distribution of locally sourced farm products. The wholesale food hub began with modest operations, using shared space provided by City Harvest, a food rescue organization serving New York City.

After about 16 months, the program outgrew the available space. In June of 2013, it relocated to another shared warehouse where it uses about 1,500 to 2,000 square feet. That included about 1,000 square feet of cooler space, with the rest used for dry storage and office space. Greenmarket Co. quickly outgrew its original space and, in its second year, moved to a 5,000-square-foot warehouse in the South Bronx, with 3,000 square feet of cooling space, a freezer, and offices.⁷

Greenmarket Co. does not offer any processing. It receives product that is already washed, packed, and ready to sell in case quantities. During the growing season, the hub makes deliveries to customers in two 16-foot refrigerated trucks and one auxiliary van. One of these trucks was purchased with a grant from the City of New York in 2013. In the winter and early spring, a single truck is needed to make deliveries.

While the hub deals primarily in fresh produce, it is also seeing significant growth in the sale of local grain products. GrowNYC's Greenmarket Regional Grains Project has worked with producers, universities, and culinary partners in the region to promote local grains and to test different varieties to determine the best products. Greenmarket's role in the project is to investigate strategies for accessing regional markets for these grains and to promote their unique attributes to customers. The grain sales have allowed the food hub to remain busy during slower winter periods

⁷The hub intends to utilize the extra space by renting to farmers for interim storage.

and help to provide a more steady flow of revenue.

Greenmarket Co. employs six full-time and four seasonal, paid staff members. This includes one to three drivers and one or two “picker” positions, depending on the volume of deliveries. The food hub chose not to use volunteer staff, even during startup operations. Because of the steep learning curve involved in this type of operation, it did not want to make volunteers responsible for key operations.

Continuity was considered a key aspect of human resources, and the institutional knowledge built by the employees was considered to be an important part of success and growth. The collective knowledge, relationships with farmers, and overall experience was a valuable resource that the food hub wished to retain in its employees.

In addition to wholesale distribution directly to customers such as restaurants and retail stores, the food hub also supplies product to GrowNYC’s Food Box and Youth Market programs, which operate independently with their own dedicated staff. While these programs are operated by the same entity, they are also considered customers of the food hub.

In the past, the hub managed orders and inventory by using Quickbooks. But after consideration of what software would best suit the operations and still mesh with the main organization’s financial reporting methods, a switch was made to software designed by Food Connex.

The food hub works with about 55 producers, about 30 of whom are consistent suppliers. The hub is not GAP certified, nor does it require its producers to be. But records are kept to identify the producers who have achieved these certifications. Very few of the food hub’s customers require GAP certifications. Producers wishing to sell to the food hub provide a list of their products. Greenmarket Co. staff selects product to purchase outright from the producer, which is sold to the food hub’s customers. These customers number from 30 to 40 per week in low-demand months and more than 100 during peak season. For the food hub’s last fiscal year, it had about \$650,000 in gross sales. More than 60 percent of Greenmarket Co.’s sales to date have been to buyers serving low- to mid-income consumers, including senior centers, charitable food pantries, nonprofit organizations, and GrowNYC’s food access programs.

The food hub has relied heavily on grant funding, especially during startup, due to the significant infrastructure requirements to operate the hub and the low margins that are typical of produce sales. The food hub received several grants from foundations to begin operations and continues to use the remnants of those grants. While distribution is seen as a continued growth area, the food hub would not currently be profitable without grants.

Sandhills Farm to Table Cooperative

Location: Whispering Pines, NC

Organization: Cooperative (Multi-Stakeholder)

Personnel: 8

Est. Sales: \$460,000 (2013)

Est. # Producers: 30-38

Established: 2009



Sandhills Farm to Table Cooperative is a multi-farm, community supported agriculture (CSA) cooperative organized in late 2009. The goal of the cooperative, set by founders Fenton Wilkinson and Jan Leitschuh, was to create an entity to meet demand for locally produced food while also benefiting the producers, consumers, and workers. They also wanted to focus on strengthening the community through the cooperative by connecting the people who were buying the food to the people producing it. The cooperative is now exploring the idea of a commercial operation focused on providing locally grown food to commercial kitchens.

Sandhills Farm to Table Cooperative (SF2T) has been formed as a multi-stakeholder cooperative. By including three different stakeholder groups (producers, consumers, and employees) in the decisionmaking structure of the operation, SF2T has been able to expand the scope of benefits and help address some issues present in a traditional cooperative. It is one of the first local food cooperatives in the country in which the farmers, consumers, and staff are all equal owners.

The main products sold are produce-box subscriptions. For 18 weeks in the spring and summer, and 10 weeks in the fall, SF2T members can receive a weekly or bi-weekly box of produce. These feature a variety of between seven and nine local products, depending on the season. Two sizes are offered: standard, intended to serve two people, and family, which serves four.

The co-op also sells bulk produce in standard case lots and specialty produce, such as heirloom tomatoes, spring salad mix, etc. Along with fresh produce, the cooperative also sells shelf-stable items, such as honey, jams, dry pasta, and bread. It also handles meats, eggs, and dairy products. The cooperative has about 1,400 consumer-subscribers.

The subscription business model benefits both the consumer- and producer-members. It helps producers plan future production so that they are able to meet demand and determine if they will need to sell through additional channels. Consumers are guaranteed a consistent supply of fresh,

in-season product. By allowing members to subscribe for a season, the cooperative receives a monetary commitment, creating a more stable market for both member classes.

The cooperative relies on a strong pool of producers to provide a wide variety of high-quality, local products. It sources products from producers and farmers within Moore County and eight surrounding counties. Prices are comparable to those of farmers' markets and quality grocery stores. Value-added products are priced according to their local retail price.

Although the produce boxes tend to be the main source of revenue for the cooperative, the other services provided by the business are often the most important to the success of SF2T. These services include producer and consumer education, product delivery, aggregation, training, and community outreach.

The co-op's business is growing, with steady sales increases. In 2011, its second year in operation, sales had already increased by 48 percent, to \$425,000. In 2013, the cooperative delivered 22,000 boxes of fresh produce to 1,500 members. Of the 2013 sales, about \$320,000 went to farmers and artisans, with \$40,000 contributed directly to schools, churches, and community organizations.

Farmers typically receive about 70 percent of retail price for their products. Although this payment is less than they would receive at a retail outlet, the cooperative still pays about 20 to 25 percent more than most wholesalers.

Idaho's Bounty

Location: Boise, ID

Organization: Cooperative (Producer-Consumer)

Personnel: 10

Est. Sales: \$900,000 (2013)

Est. # Producers: 70-100

Established: 2006



Idaho's Bounty is a food hub in south-central Idaho that primarily focuses on wholesale marketing to local and regional grocery chains, restaurants, and chefs. It also makes retail sales to individual consumers via the co-op's website and pickup locations. The food hub serves a three-valley region of Idaho through three locations: in Boise, Buhl, and Hailey.

Idaho's Bounty began as a cooperative buying club formed by a group of residents interested in procuring fresh, local food. A CSA had recently ceased operations, leaving behind a dedicated core of individuals looking for a new way to buy local foods. Over time, growth resulted in the hub selling increasing amounts of food through wholesale channels.

Because the food hub operates in three areas of the State, its facilities are dispersed among the locations. The main warehouse in Boise is leased from a member-producer; space in Buhl is also located at the farm of a participating producer, while the Hailey location houses hub office space, as well as some refrigerated storage and additional office space that is leased from a local juice company.

In all, the food hub uses about 2,000 square feet of warehouse space, spread among the three locations. While the food hub does have access to cooler space, it is used primarily to hold product for a short period of time prior to delivery to customers.

The food hub uses its own trucks (two or three) to pick up product from producers and for deliveries to customers. Product is received from producers in a "ready for sale" condition. The food hub works with smaller producers to ensure that their product arrives properly washed and in consistent packaging. Producer pickups take place at designated points to allow for easier product aggregation and consolidated pickups.

The hub's primary product is produce, but it also sells large quantities of meats and some value-added items. Individual customers place orders by going to the Idaho's Bounty website or mobile app., choosing the items they want, then picking up their order at a designated pick-up location.

Most wholesale products are sold and transported in box or pallet quantities. Wholesale customers include Whole Foods, Albertsons, a local grocery chain, and a local consumer co-op. The food hub uses Local Food Marketplace (LFM) software and Quickbooks, but it is currently working with LFM to better integrate the two programs.

The hub operates with three full-time staff and seven part-time employees, most of whom are drivers. Part-time workers also do general labor. The food hub's ability to enlist producers has been affected by the large number of local producers already engaged in direct marketing. The hub has had to work to attract producers through outreach and education.

The food hub currently sources product from about 100 producers, a figure which fluctuates based on availability and the needs of the producers. Management estimates that the co-op has about 50 active wholesale accounts and currently services about 2,000 customer-members through a mix of wholesale and online retail sales.

While the food hub relies on grants to sustain operations, the increase in

wholesale business has moved the hub closer to sustainability. Staff estimates that the break-even goal is \$1.5 million in annual sales. In addition to sales revenue, the food hub charges membership fees, both for consumers and producers.

Consumers—whether restaurants, retailers, or individual customers—pay a \$10-per-year co-op membership fee. Producers pay a membership fee of at least \$50 per year, or 5 percent of their sales through the food hub, whichever is higher. But the fee is capped at a maximum of \$5,500 annually.

The food hub does not currently face pressure from customers to achieve GAP or other safety certifications. The only certification obtained by the food hub is an organic handler certification, due to the large amount of organic produce handled by the hub.

Nashville Grown

Location: Nashville, TN
Organization: Non-Profit (Pending)
Personnel: 4
Est. Sales: \$60,000 (2013)
Est. # Producers: 12-54
Established: 2012



Nashville Grown is a recently organized food hub that primarily connects local growers to restaurants in the Nashville area. The food hub uses very little infrastructure, although it has recently acquired a grant to assist with the purchase of a refrigerated truck, commercial coolers, and to lease a warehouse facility. The food hub primarily sells fruits and vegetables, as well as some eggs and grains.

The food hub's producers include "backyard" gardeners and full-time farmers. Product is picked up from among a rotating group of 54 producers for immediate distribution among the hub's 64 wholesale customers.

One unique feature of this food hub is its willingness to work with backyard gardeners, who may over-produce a certain item that they would like to market. To minimize overhead costs for low volume pick-ups, the hub frequently arranges for small-volume producers to deliver their product to the hub.

Filling wholesale orders usually requires repacking of produce to meet the customer's quantity and variety needs. The food hub strives to maintain

the producer's identity throughout the process to ensure a strong link between the producers and the wholesale buyers.

The hub does not do any additional processing or cleaning of product when assembling orders. Restaurant customers generally perform any additional cleaning of the product.

In the near future, Nashville Grown will be moving into a rented warehouse, where facilities will include a prep table and a three-phase washing area. The food hub will be able to help with the washing and preparation of certain items on an "as-needed" basis. The new warehouse will also have additional storage space, with 280 square feet of cooler space with two temperature zones, good for storing traditional "cooler items" and for root vegetables, such as potatoes.

Producers take stock of their harvest for the coming week, then input the information—along with their desired pricing—on a spreadsheet given to food hub staff. The hub applies a mark-up percentage to cover operating expenses. Nearly all the product ordering and tracking uses Microsoft Excel and Google spreadsheets, as well as an e-commerce platform designed by Core Commerce.

The food hub aggregates supply estimates and notifies customers of product availability, then collects the orders. The ordering information is relayed to the producers, who harvest the needed quantity and prepare it for delivery. Almost all the product is harvested and delivered with little to no storage in between.

Staff includes two full-time workers, with other individuals helping on an "as-needed" basis. The food hub makes use of volunteers, but only for a limited time during very busy periods.

Hub leaders are aware of the need for GAP and other safety certifications to reach larger institutional customers. But at this time, the restaurants that are the primary customers are not placing pressure on the food hub to achieve such certifications. Nashville Grown thus has no immediate plans to pursue the certification.

Eastern Carolina Organics

Location: Durham, NC

Organization: LLC

Personnel: 13

Est. Sales: \$3.8 Million (2013)

Est. # Producers: 50

Established: 2004



Eastern Carolina Organics (ECO) operates a food hub that specializes in offering local organic foods. Founded in 2004 by the Carolina Farm Stewardship Association, the hub works with 50 growers to provide year-round, fresh produce to local wholesalers. These farmers own 40 percent of the food hub and retain 80 percent of total sales.⁸ The food hub is not GAP certified, nor does it require its producers to obtain GAP certification.

The food hub started with a \$48,000 grant in 2004. The only subsequent grant it received was \$50,000 to make building renovations when it moved to Durham, N.C. In 2005, ECO reorganized as a grower- and manager-owned LLC. By 2013, the food hub's annual sales were about \$3.8 million.

Infrastructure consists of a 26,000-square-foot warehouse and 12,000 square feet of office space. About 5,000 square feet of cooler space is available for food hub use. The 13-member staff is divided nearly equally between operational and administrative personnel.

The food hub uses two refrigerated trucks, owned by ECO, for deliveries, which are conducted within a 3-hour radius of the warehouse. ECO also contracts with freight carriers that can deliver as far north as Montreal and as far south as Florida.

⁸ Matson, James, Martha Sullins, Chris Cook. *The Role of Food Hubs in Local Food Marketing*. USDA. 2012.

Local Food Hub

Location: Charlottesville, VA

Organization: Non-Profit

Personnel: 12

Est. Sales: \$985,000 (2013)

Est. # Producers: 80+

Established: 2009



Local Food Hub is a nonprofit food hub located in Charlottesville, Virginia. Founded in 2009, the food hub specializes in food grown within a 100-mile radius of Charlottesville. The hub grew out of growers' need to better reach large-scale customers. While many growers were able to target chefs and smaller retailers, they were not able to meet the insurance, volume, food safety, and traceability requirements to access institutional buyers.

Local Food Hub, which focuses mainly on aggregation, operates a central warehouse as the center of its food-delivery system.⁹ From this facility it distributes produce, meat, and value-added products for its more than 80 partner producers. The food hub carries a \$3 million liability insurance policy for the individual producers.

The hub offers a diverse product mix that includes fresh fruits, vegetables, ground beef, ground and cured pork, eggs, local honey, vinegar, apple cider, bottled water, stone-ground grits, cornmeal, whole wheat flour, pancake mix, hushpuppy mix, non-genetically modified organism (non-GMO) grains, and value added products not directly produced by hub members.

The hub addresses seasonality issues by educating consumers about when different types of local foods are available and by carrying shelf-stable and value-added product lines year-round. It also works with growers on ways to extend their growing seasons, sometimes even through the winter. The hub has formed a group of producers who help other growers find ways to extend their growing season.

Local Food Hub had sales of \$985,000 in 2013, and projects having \$1.2 million in sales for 2014. Due to the high cost of infrastructure and the level of service provided to its growers and buyers, the food hub is not yet profitable, but it is in a growth phase and estimates that it will reach a break-

⁹ Matson, James, Martha Sullins, Chris Cook. The Role of Food Hubs in Local Food Marketing. USDA. 2012.

even point when annual sales are between \$1.5 million and \$2 million.

The hub is also supported by grants and donations from the community. Local Food Hub donates generously to local hunger organizations, partners with other nonprofits, and has a strong year-round presence in the schools. The hub is also active in local food-policy discussions and provides food for many local community events. During the region's Farm to School Week, the food hub coordinates with the public schools in five districts to provide local produce and grass-fed beef for school lunches.

The 80 producers the hub works with represent a wide range of farm sizes and types. Some producers provide multiple crops, while others grow just one or two crops. Local Food Hub requires growers to deliver product to the food hub. The hub purchases products outright from growers and then resells the product, adding a 15-25 percent service fee paid by customers.

The customer base for the food hub includes more than 200 accounts, with customers falling into three major categories: institutions (such as universities, hospitals, and public schools), chefs and caterers, and retailers and buying clubs.¹⁰

The hub's roughly 3,400-square-foot warehouse previously served as a distribution center for Independent Grocers Alliance (IGA) stores. It is comprised of refrigerated space, divided into multiple temperature zones, and dock space. The temperature zones are maintained at 50 degrees, 38-40 degrees, and a walk-in cooler at 34-37 degrees. There is also a walk-in freezer.

The food hub does all deliveries to end customers using a refrigerated cargo van and two refrigerated box trucks (one 16-foot, the other 14-foot). Delivery expenses are a major operational cost. One truck is leased for \$1,200 a month, and—added to the cost of fuel, mileage/maintenance, driver labor, and other factors—it costs the hub \$20-\$30 per stop for deliveries. To reduce delivery costs, the hub does backhauling for its foodservice buyers. As a vendor for Sysco and US Foods, the food hub is able to fill its empty trucks for the return trip, saving money on fuel and other costs.

Sales depend on building good relationships, so hiring and maintaining good staff is key. The food hub employs 10 full-time employees and one or two part-time or seasonal employees in its administrative office and warehouse. The warehouse staff fluctuates between six and nine workers during the course of the year.

¹⁰ The food hub currently serves 5 public school districts, equaling about 50 public schools, as well as some private schools.

Local Food Hub does not require that its producers be GAP certified, but several have achieved safety certifications. It does require a water test showing that any water used for washing or processing meets set standards. The hub plans to partner with water-testing companies to provide reduced testing rates for its members.

The hub's warehouse is GAP certified, and it is working on an internal, quality-assurance program for growers moving toward GAP certification. While many customers do not require food safety certification, lack of certification has affected the hub's ability to supply some larger accounts.

Local Food Hub is working to upgrade software used for its operations. With regard to inventory, the hub uses a cloud-based, inventory-control module created by Quickbooks that syncs with its accounting system. It conducts monthly manual inventory counts.

The hub conducts a number of training workshops for its producer-members in such areas as sustainable production practices, season extension techniques, and food safety, and helps them coordinate their planting decisions to better meet local demand. The hub does a limited amount of food processing, such as producing salad mixes, and provides off-season storage for local producers.

Red Tomato

Location: Plainville, MA

Organization: Multi-structured nonprofit

Personnel: 6

Est. Sales: \$3.75 Million (2013)

Est. # Producers: 40-plus

Established: 1996



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Red Tomato, founded in 1996, is another example of a food hub that focuses on distribution to the traditional food chain. Located in Plainville, Mass., Red Tomato is a multi-structured, nonprofit that partners with farmers and for-profit distributors.¹¹ Its mission is to connect farmers and consumers through its marketing, trade, and education efforts and through its

¹¹ Matson, James, Martha Sullins, Chris Cook. The Role of Food Hubs in Local Food Marketing. USDA. 2012.

“passionate belief that a family-farm, locally based, ecological, fair-trade food system is the way to a better tomato.”¹²

Red Tomato helps producers located in the same general area coordinate their storage activities. The logistics of pickup and transport is outsourced, which helps the food hub reduce its costs. This allows Red Tomato to return up to 90 percent of revenue to its growers.¹³

The organization currently operates with six full-time employees. Red Tomato, which had about \$3.75 million in sales in 2013, works with about 40 small-scale producers in the Northeast. It supplies about 200 retail and foodservice customers. A large portion of its sales are made to about 10 distribution centers, from which product is shipped to many stores.

In addition to sales, the organization also receives what it refers to as “development funds” that come from fundraising efforts, individual donations, and foundation support. About 60 percent of its revenue comes from these development funds, with the remaining 40 percent generated by sale profits.

Until 2002, the company used a traditional approach to aggregating and selling local product. It operated a warehouse and delivery trucks for fulfillment of orders. However, the high cost of labor, coolers, insurance, maintenance (for equipment and infrastructure), tight margins, and the high product volume necessary to sustain the operation prevented sufficient time from being devoted to marketing efforts.

Now, Red Tomato operates by coordinating the setup of clusters of from two to five producers located in close proximity to one another. These farms are spread from Vermont to Pennsylvania. The farms have different infrastructures. Typically, only the larger farms have access to coolers, trucks, and other equipment. Red Tomato thus sets up networks of farms within a region which then work together to consolidate shipments at larger farms. This ensures that the “cold chain” is maintained throughout the process.

The entire operation uses a “just-in-time” inventory approach. A product manager is responsible for maintaining contact with farmers. This manager works with individual farmers to project produce availability about 2 weeks into the future. This information is communicated to an account manager, who then works with customers to procure orders. Orders are maintained and tracked using an in-house designed Excel spreadsheet program. As of

¹² www.redtomato.org

¹³ Davis, Mandy and Sona Desai. 2007. Moving Food: How Farmers and Nonprofits Are Building Localized Food Systems for the Twenty-First Century. Paper from the Intervale Center, September 1, 2007.

2014, all order processing, invoicing, etc., were being managed using Edible™ software.

When orders are received, individual farmers are responsible for packaging their products and consolidating them into pallets for shipment. The packaging is the primary form of point-of-sale marketing. Packaging is customized by each farm, which allows each farm's own logo and identification to be prominent. However, packaging standards stay consistent throughout the Red Tomato network of farms.

Once packaging is complete, Red Tomato notifies one of its local or regional trucking company partners. This company picks up the goods from the designated farm, then delivers it to either a retail store or a regional distribution center.

Red Tomato has developed relationships with trucking companies that allow them to help fill partial loads, which benefits the trucking company and results in lower shipment costs. Red Tomato offers 48-hour turnaround for all products except stone-fruits, which are typically shipped even faster.

Red Tomato customers are increasingly asking for food safety certifications. Even before the increase in such customer requests, most of the hub's growers anticipated this demand and were working to become safety certified. Through its education and fundraising efforts, Red Tomato is trying to help producers—especially small-scale producers—mitigate the costs of safety certification.