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

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

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- 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”*

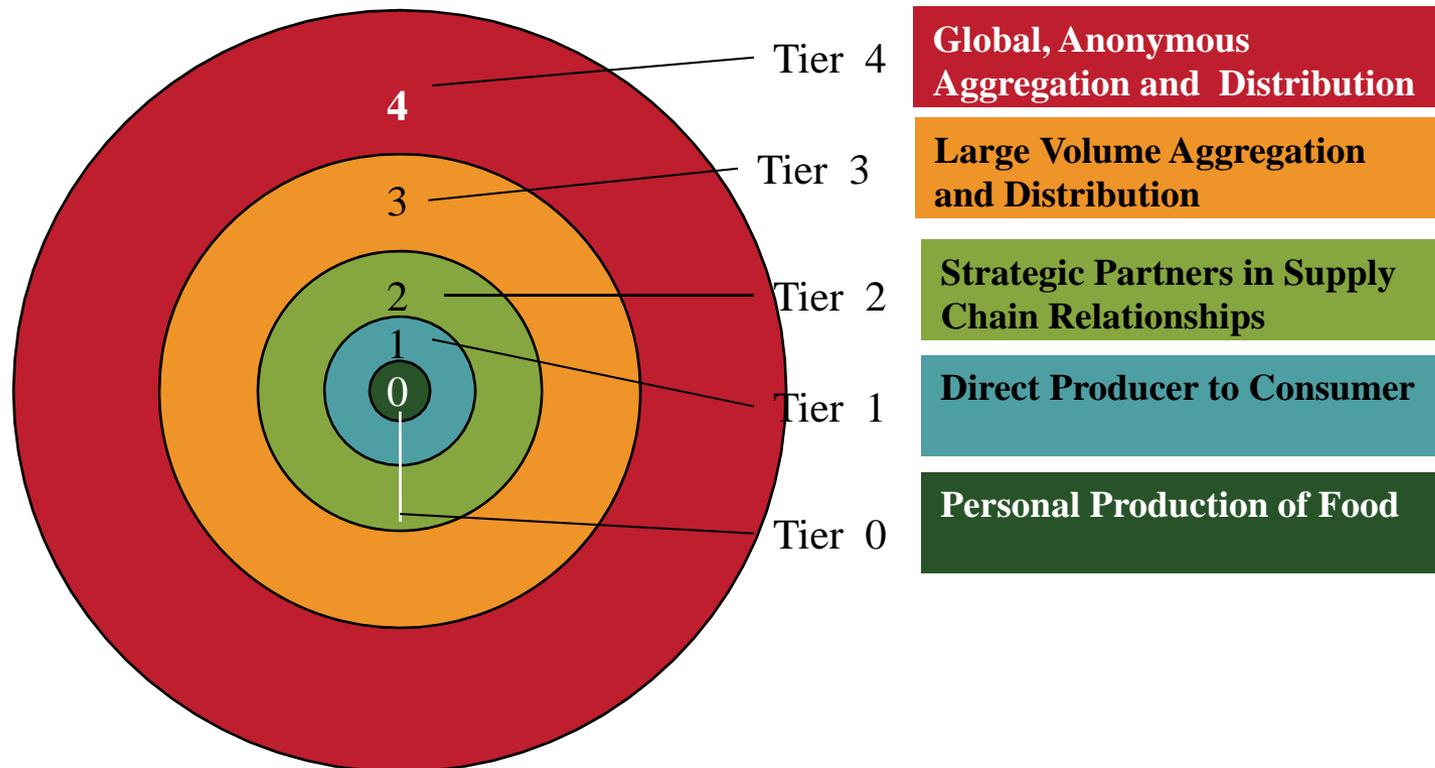


# Values-Based Supply Chains (VBSCs)

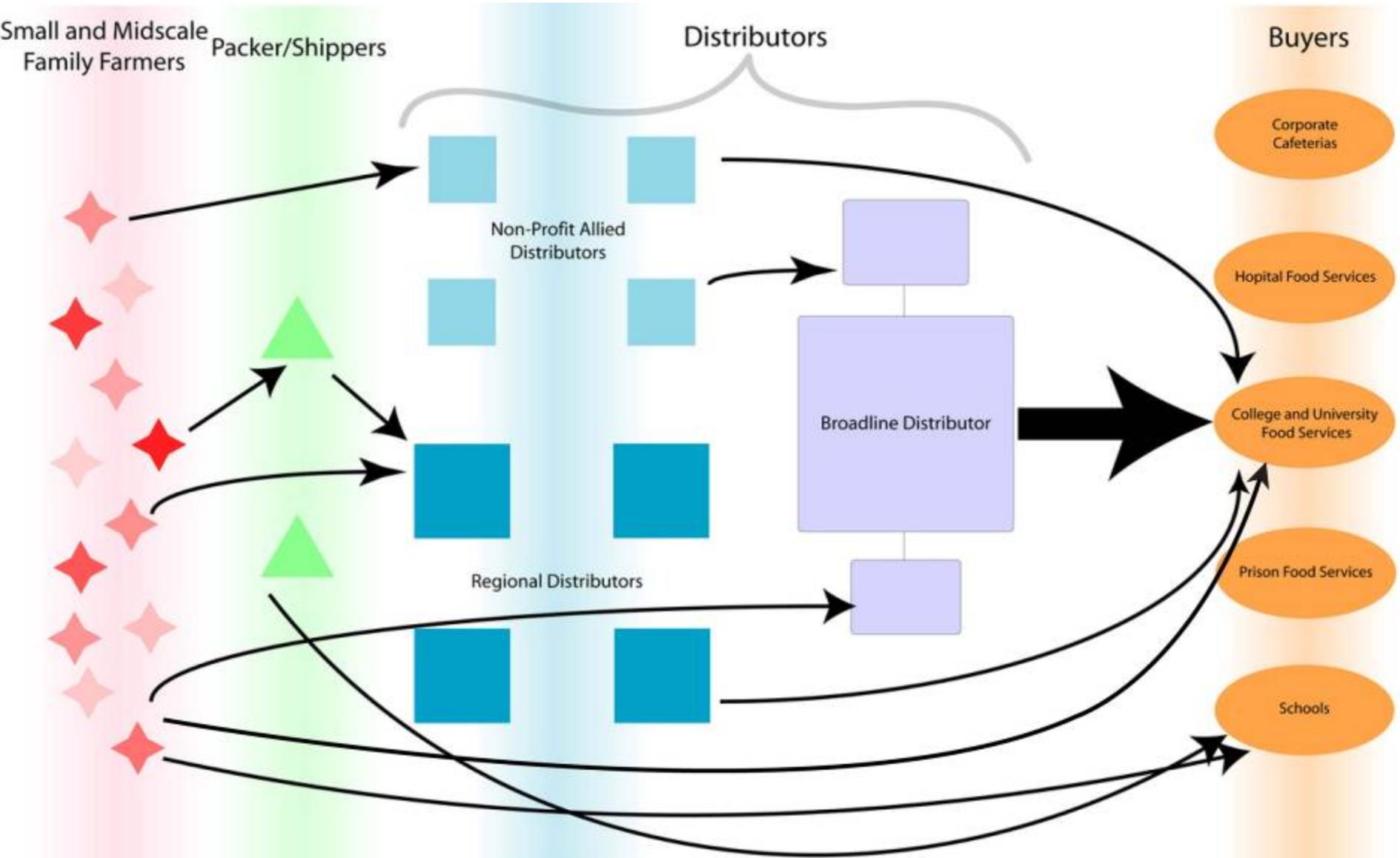
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- ❑ Growers treated as strategic partners vs. input suppliers
- ❑ Able to provide increased volumes and reduced transaction costs through aggregation
- ❑ Differentiated products – local branding
- ❑ Rewards and responsibilities distributed equitably 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?”

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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

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## □ **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

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- ❑ 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

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- ❑ **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

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- ❑ 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

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**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.



This presentation was supported by generous funding from USDA Rural Development.

# Project Team

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- **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

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- ❑ 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

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- 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

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- 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

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- 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...

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- ❑ 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

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- 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



# For more information:

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UC SAREP/ ASI

