

# Food Hubs

## PURPOSE

A regional food hub is an organization or business that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers. Food hubs strengthen the producers' ability to satisfy wholesale, retail, and institutional demands.

## CHARACTERISTICS OF A FOOD HUB

- » Carries out or coordinates the aggregation, distribution, and marketing of primarily locally/regionally produced foods from multiple producers to multiple markets.
- » Considers producers as valued business partners instead of interchangeable suppliers and is committed to buying from small to mid-sized local producers whenever possible.
- » Works closely with producers, particularly small-scale operations, to ensure they can meet buyer requirements by either providing technical assistance or finding partners that can provide this technical assistance.
- » Uses product differentiation strategies to ensure that producers get a good price for their products. Examples of product differentiation strategies include identity preservation (knowing who produced it and where it comes from), group branding, specialty product attributes (such as heirloom or unusual varieties), and sustainable production practices (such as certified organic, minimum pesticides, or “naturally” grown or raised).
- » Aims to be financially viable while also having positive economic, social, and environmental impacts within their communities, as demonstrated by carrying out certain production, community, or environmental services and activities.

## Business structure classifications

- » Nonprofit food hubs may be tied more to a social mission than to business profitability. Therefore, nonprofits may emphasize products that are more expensive to source, such as organic and fair trade products, but are valued by its consumer base. The focus on, and ability to cultivate, programs that respond to community and producer needs isn't as widely seen in other business models.
- » Cooperative food hubs, whether producer-led, retailer-led, or with consumer members, there are several advantages to the cooperative business structure that make it a good fit for an emerging food hub. The cooperative structure is a well-known and established community entity with strong roots in agriculture that is owned and democratically controlled by its members. The membership



fees provide working and investment capital for the food hub, and any surplus revenues are returned to the members.

- » A co-op is managed by a board of directors elected by the members, which – in the case of a food hub – may be made up entirely of producers who will manage the organization to meet their members' needs, such as providing a fair return on products sold, arranging transportation of goods to end consumers, promoting a certain production practice, or serving a certain geographic area.
- » Public run food hubs are often a city-owned public market or farmers market that is carrying out food hub activities. They play a “matchmaker” role, helping farmers connect to a market outlet and sell their food products. Entrepreneurs and established businesses have pursued local food hubs as a potential area for profits.

## Primary service markets

- » Farm to business or institution food hubs sell to wholesale market buyers, such as food cooperatives, grocery stores, institutional foodservice companies, and restaurants. Under this model, food hubs provide new wholesale market outlets for local growers that would be difficult for them to access individually.
- » Farm to consumer food hubs are responsible for marketing, aggregating, packaging, and distributing products directly to consumers. This includes multi-farm community supported agriculture (CSA) enterprises, online buying clubs, food delivery companies, and mobile markets.
- » There are also hybrid food hubs that focus on both markets.

# BENEFITS OF A FOOD HUB

## Overcoming Infrastructure Barriers

The lack of distribution and processing infrastructure of appropriate scale restricts many farmers and ranchers from better accessing retail, institutional, and commercial foodservice markets, where demand for local and regional foods continues to rise.

Regional food hubs have emerged as an effective way to overcome these infrastructural and market barriers. For those smaller and mid-sized producers who wish to scale up their operations or diversify their market channels, food hubs offer a combination of production, distribution, and marketing services that allows them to gain entry into new and additional markets that would be difficult to access on their own. For larger producers, food hubs can provide product-differentiation strategies and marketing services that ensure the highest price in the market place. Moreover, for wholesalers, distributors, retailers, and foodservice buyers who would like to purchase larger volumes of locally and regionally grown products, food hubs lower the transaction costs by providing a single point of purchase for consistent and reliable supplies of source-identified products from local and regional producers.



## Fulfilling essential services

In many parts of the country, wide gaps exist in local distribution and processing infrastructure, making it difficult for small and mid-sized growers to gain access to markets where there is unmet demand for source-identified locally or regionally grown products. Regional food hubs are increasingly filling a market niche that the current food distribution system is not adequately addressing—the aggregation and distribution of food products from small and mid-sized producers into local and regional wholesale market channels (retail, restaurant, and institutional markets). Additionally, because food hubs provide a number of additional services that build the capacity of local producers and also engage buyers and consumers to rethink their purchasing options and habits, food hubs are emerging as critical pillars for building viable local and regional food systems.

Although regional food hubs are filling a market niche of small farm distribution, this does not mean they do not engage with conventional supply chains. In fact, many food hubs complement and add value to these more traditional distribution channels by enabling regional food distributors—and their national food distribution clients and partners—to offer a broader and more diverse selection of local or regional products than they would otherwise be able to source. In addition, they often add significant value to conventional supply chains by providing a reliable supply of source-identified (and often branded) local products that conform to buyer specifications and volume requirements and still enable their clients to “tell the story” behind the product. For this reason, regional distributors—and even broadline, full-service national distribution companies like Sysco—are beginning to view food hubs as critical partners instead of competitors to ensure they can meet the market demand for locally and regionally grown food.

## Positively impacting the communities they serve

Even though many food hubs are relatively new, they demonstrate innovative business models that can be financially viable and also make a difference in their respective communities. Economically, they are showing impressive sales performance and help to retain and create new jobs in the food and agricultural sectors.

Many food hubs are also looking to leverage their economic impacts into wider social or environmental benefits for their communities.

## Socially

Most food hubs are providing significant production-related, marketing, and enterprise development support to new and existing producers in an effort to increase the supply of local and regional food. In addition, quite a few food hubs make a concerted effort to expand their market reach into underserved areas where there is lack of healthy, fresh food.

## Environmentally

There are some food hubs that are encouraging their producers to use more sustainable production practices, as well as finding innovative ways to reduce their energy use and waste in the distribution system. In summary, food hubs and those that operate them



represent a new kind of food entrepreneur, one that is increasingly demonstrating a financially sound business model that can be both market and mission driven.



## LINKS TO MORE INFORMATION

FOR MORE INFORMATION ABOUT FOOD HUBS, VISIT THE LINKS BELOW.

<http://www.fccdc.org/about-the-center>

<http://www.ngfn.org/>

<http://www.wallacecenter.org/foodhubcollaboration>

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### FOR MORE INFORMATION, PLEASE CONTACT

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