

SUSTAINABLE AGRICULTURE &
FOOD SYSTEMS FUNDERS



A Critical Conversation about Food Hubs

Speakers:

- **Jean Hamilton**, *communications director, Black River Produce, VT*
- **Michael Rozyne**, *executive director, Red Tomato, MA*

Background Materials: PowerPoint (Jean and Michael's slides) and handout about food hubs (Wallace Center/USDA)

- Introductory questions:

- How many know what a food hub is?
- How many here are funding food hubs? (Laughter: more are funding food hubs than indicated they know what one is!!)

Jean H (Black River)

Review of different food hub models:

- Farm to direct model
- Food processing model
- Wholesale model
- Community-based/value-chain facilitation model

Black River Produce – founded in late 90s; 160+ employees; 36 daily truck routes; \$50 million in annual revenue (\$22+million in local food sales from 200 local producers, where “local” defined as what’s within the daily route range); primarily supply coops and independent grocers. Categories: produce, organic, seafood, dairy & cheese; meat.

Key challenges: market savviness/market expectations (challenges for producers); price sensitivity of end-users/consumers.

Michael R (Red Tomato)

In the business since 1981. Started Red Tomato in 1996. Currently nine employees and \$3.5 million in revenues involving 45 farms in New England, NY, NJ, and PA. Work mostly with moderate-sized farms (50-300 acres). Red Tomato has no “bricks and mortar”: since 2002 has focused on managing the supply chain.

Key question posed for consideration: Why doesn't the food system deliver local food? Conventional system very difficult to work with. Many difficulties around “less than a load” shipping (small loads, distributed system of small producers); erratic/extreme weather.

Other key issues/challenges:

- SKU (stock keeping unit) system: local food poses serious problems for conventional distributors because of the structure of the SKU system
- Ultra-local challenge: Highly localized food distribution is vulnerable to serious gaps in supply because of productive capacity, weather, food safety/compliance, etc. Regional supply chains more viable.
- Threats to existing relationships – traditional warehouses/distributors must provide year-round supply to their customers. Local/regional products not as reliable.
- Trust and transparency issues
- Food managers/distributors increasing “distance from agriculture” (i.e., lack of understanding of farming)

Questions/Discussion

How do you handle traceability issues across the supply chain?

How will new FDA food safety rule impact local food supply chains and local producers?

What is the likely impact of big players like Walmart getting into the local food business? Is it real?

Where does the regional food hub opportunity lie? What are its benefits? What are the best models?

What will success look like with the development of food hubs?

Important discussion around the issue of the range of values that define “good food” (as good, clean, and fair) and the relative weights placed on those values. Often not possible to achieve all three ends: emphasis on fair price for farmers/farm works may have adverse impact on affordability/accessibility (and vice versa). Trade-offs inevitable and funders need to be clear about what their primary goals are and whether they are realistic. Far too often grantees promise everything (projects that will deliver good/healthy and clean and fair food), only to find the real-world challenges of doing so.

How much of a role will internet-based technologies play in enabling food hub success?

How do smaller farms scale up to play in the wholesale market? High proportion of new farms focus on direct marketing of product. (Are we approaching a saturation point?) There is a need for training for farmers looking to enter the wholesale market. Wholesale growers need to produce higher volumes and sell at lower prices. They also need large-scale anchor accounts.

How do we invest strategically in food hubs? What is a healthy role for philanthropy in funding food hubs? What kinds of “financing” is appropriate for different kinds of food hub projects? For example, grants (private and public) may be appropriate for certain kinds of research or underwriting increased food access (subsidization); they may be far less appropriate for infrastructure investments, which is better financed through long-term loans. Need a 25-year perspective in thinking about many of these investments. Stranded assets: buildings and farms in need of a purpose are not necessarily good investments. Also important to remember that food hubs most often provide services that are public goods; the cost of these services will never be entirely internalized by markets; as such, they are appropriate targets for public investment/philanthropic support.