

Food Hubs: **SOLVING LOCAL**

Small-Farm Aggregators Scale Up With Larger Buyers

March 2014



Food Hubs: **SOLVING LOCAL**

Small-Farm Aggregators Scale Up With Larger Buyers

March 2014

AUTHORS

Patty Cantrell, Regional Food Solutions LLC
Bob Heuer, Public policy & marketing strategist

FUNDERS

The Wallace Center wishes to thank the Surdna Foundation and AGrEE – Transforming Food and Ag Policy for funding and partnership in this case study project. More information at <http://surdna.org> and <http://foodandagpolicy.org>.

ACKNOWLEDGEMENTS

The Wallace Center and report authors wish to thank regional food hub contacts and industry sources for invaluable input and insight. They include: Laura Edwards Orr, Sue Futrell and Sue McGovern (Red Tomato); Mark Fishman and Tony Schwager (Good Natured Family Farms); Bill Esch (Balls Foods Store); Adam Kamerer (SYSCO KC); Jenny Edwards (JE Dunn Construction); Leland Michaels, Marcus Brinson, Kelly Lively and Carrie Bourdages (Cherry Capital Foods); Leah Pillsbury (Common Market); Chuck Cerankosky (Northcoast Research); and Pete Pearson (Idaho Center for Sustainable Agriculture).

REFERENCES

Facts and figures in the report's overview section are from "Findings of the 2013 National Food Hub Survey," Michigan State University Center for Regional Food Systems and Wallace Center at Winrock International. Retrieved from <http://foodsystems.msu.edu/activities/food-hub-survey>.

PHOTO CREDITS

Photos and other art used in this report are courtesy of case study hubs and the Wallace Center.

DESIGN

Design by **Johari Cole-Kweli** – TechsGroup Technologies, Inc..

SUGGESTED CITATION

Cantrell, Patty & Bob Heuer (March 2014). Food Hubs: Solving Local. The Wallace Center at Winrock International. Retrieved from <http://ngfn.org/solvinglocal>

Food Hubs: **SOLVING LOCAL**

CONTENTS

OVERVIEW	1
CASE STUDY: Red Tomato	6
CASE STUDY: Good Natured Family Farms	8
CASE STUDY: La Montanita Co-Op Distribution Center	10
CASE STUDY: Cherry Capital Foods	12
CASE STUDY: Common Market	14
FOOD HUBS LOOK FORWARD	16

Your Go-to-Market Partner for Local Food

Getting local food into grocery and food service supply chains will require people who can navigate the tricky territory between smaller producers and larger buyers. The Wallace Center is pleased to present this report to food industry executives on the growth and readiness of that needed intermediary, the regional food hub.

Regional food hubs are forging a new business of helping wholesale buyers and smaller farm and food businesses respond to consumer demand for local food. They are building go-to-market strategies with retailers and food service companies that are willing to innovate.

Solving Local presents five examples of established regional food hubs. They are leaders in an emerging industry sector that we've been watching closely here at the Wallace Center.

Our mission is to facilitate market-based approaches to a more sustainable food and farm sector. In 2008 we launched the National Good Food Network, a learning network of regional food entrepreneurs and initiatives. With network partners, we've been digging into the new business models shaping this sector.

For example, an early research project with SYSCO involved one of the food hubs in this report. Sales from that food hub, Good Natured Family Farms, to SYSCO Kansas City increased 900 percent since 2009 to half a million dollars annually. SYSCO KC CEO Joe Martinez says this local food buy is working: "Local food has a great story associated with it that is certainly on trend in the industry."

More retailers and food service companies are finding that food hubs can help them deliver the real thing: Food from nearby with verifiable people, places, and practices behind it.

We encourage food industry executives to:

- Use business intelligence in this report to take the next steps with local food differentiation strategies.
- Encourage your company's buyers to get acquainted with the services of food hubs in their territories. We keep a running list of food hubs as well as research, news, and resources at foodhub.info.
- Participate in NGFN discussions, events, and research.
 - Our ongoing webinars, technical assistance, and intelligence gathering can help your company connect and collaborate.
 - Learn and share your expertise. Our second annual food hub financial benchmarking study in 2014 is one opportunity. Another is our annual national food hub conference: March 26-28, 2014 in Raleigh, NC.

We look forward to working with you.

Sincerely,



John Fisk, Director
Wallace Center at Winrock International





Food Hubs: SOLVING LOCAL

Small-Farm Aggregators Scale Up With Larger Buyers

OVERVIEW

Consumer demand for local food is undeniable and growing. Not so obvious is what qualifies as “local”. Nor is it clear how the food retail and service industries can pull safe and reliable quantities of small-volume product through large-volume wholesale channels.

Responding to these market challenges is a new intermediary: The regional food hub. Retailers and food service companies, large and small, are teaming up with food hubs to differentiate themselves with local food programs and satisfy strong consumer demand.

Food hubs are the scaling up strategy for local food. Industry executives can get ahead of the curve by becoming acquainted with the food hubs in their territories and taking strategic steps to grow local food sales with them.

Food hubs bring farmer networks, food safety protocols, and logistics and marketing strengths. Buyers identify assets and opportunities, from receiving to merchandising, for fitting the small-farm aggregators and their diverse product lines into supply chains.



CASE STUDIES: Five Leaders

Red Tomato

This food hub lines up the supply, logistics, and marketing for branded local food programs featuring products from a network of farms in the Northeast.

Good Natured Family Farms

Operating out of a regional grocery chain’s warehouse, this branded alliance of 150 farmers supplies metropolitan Kansas City and beyond.

La Montanita Cooperative Distribution Center

This distribution arm of a retail grocery cooperative uses its Organic Valley routes to open markets for New Mexico producers from Albuquerque to Connecticut.

Cherry Capital Foods

The Michigan logistics company leverages accounts with Kroger and Chartwells to build statewide routes that connect demand and supply.

Common Market

The Philadelphia distributor brings wholesome food to the inner city and Mid-Atlantic region by linking area farms with small food service accounts.

These partnerships are delivering trust to the consumer, and the consistency and safety the market demands. They are building business models for scaling up the supply of local food with the attributes consumers want.

NEXT STEPS FOR EXECs

Solving Local is a resource to help industry executives get started. The report briefs industry leaders on the functions and expertise of regional food hubs. Case studies introduce five established food hubs from among a growing field of such enterprises across the country. The cases illustrate similarities and differences among food hubs, and the many ways retailers and distributors are working with them to build successful programs.

Food hubs bridge the gap between smaller-scale farms and larger-scale wholesale with knowledge and expertise in both worlds. They work with producers and buyers to address challenges involved in scaling up for wholesale channels while maintaining local food's value for increasingly discriminating consumers.

The distance food travels is only one variable in the local food equation. What more and more consumers are looking for is transparency.

"Local" embodies positive returns to farmers, workers, communities, and the environment. "Local" also means fresh and healthy food produced in harmony with nature and neighbors. Promoters call it "good food:" Healthy for the body, green for the environment, fair to workers, and affordable to everyone.

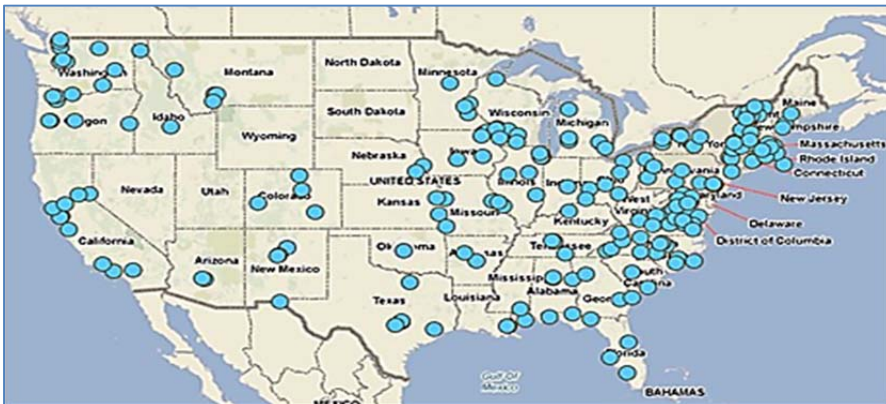
More than 200 food hubs are now in operation across the country, a product of market forces and new consumer values. Some are well established and growing. Many are new and developing. All are working with industry partners, and increasingly with each other across regions, to deliver the local taste and transparency consumers' demand.

"Timing is everything, and the value-focused wholesome foods provided by the farmers' market concepts look like they will coincide with a (millennial) generation that desires natural, organic, local and fresh food at reasonable prices."

Scott Mushkin
Managing Director
Wolfe Research
Supermarket News

"This new regional farm economy will tie the food, the philosophy and the labor policies into the value of the product that consumers want to buy... Suppliers' only concern won't just be the availability of the product."

Paul Muller
Co-owner
Full Belly Farms
Guinda, CA



U.S. Food Hubs, 2013



“It is exciting to see how successfully sustainable local and regional fresh food partnerships are working; particularly those offering customized solutions that escalate innovation, assist collaboration and increase consumer access for fresh local foods.”

Jeanne von Zastrow,
Senior Director of Sustainability,
Food Marketing Institute

“The food industry has only scratched the surface of growing the business of locally grown.”

Denis Jennisch,
Produce Category Manager
US Foods

RESTAURANTS WANT LOCAL

In its 2014 Culinary Forecast, the **National Restaurant Association** lists local food-related trends in six of the top 20 trends. The local food trends and their rank in the forecast are:

- Locally sourced meats and seafood – #1
- Locally grown produce – #2
- Environmental sustainability – #3
- Hyper-local sourcing – #6
- Sustainable seafood – #9
- Farm / estate-branded items – #10

SHOPPERS WANT LOCAL

In a 2011 National Grocers Association survey 83 percent of consumers said the presence of local food was “very” or “somewhat important” in their choice of food store. The percentage is up from 79 percent in 2009.

“Local is the most influential product claim in grocery.”

New Hope Natural Media Survey

Supply Chain Solutions

Food hubs and their retail and distributor partners build the relationships and supply chain innovations needed for efficiency, effectiveness, and consumer confidence. Case study examples include:

Packaging and Quality Control

- Red Tomato's branded programs include packaging designed to both feature local farms' growing practices and protect perishable products.
- Like many food hubs, La Montanita Distribution works on the front end with producers to gear up for larger-scale sales, from cold chain to freight lines.

Food Safety

- Good Natured Family Farms expands its producer network by working directly with farms to achieve GAP certification and ship to buyers' specifications.
- Cherry Capital Foods assures food safety with its Good Handling Practices certification, traceability systems, and supplier inspections.

Seasonality

- Cherry Capital Foods and Red Tomato tap regional producer networks from south to north to extend seasonal availability.
- Common Market is expanding year-round supply with frozen local products, either from their own ventures or partner processors.

Consistency

- Good Natured Family Farms and its Kansas City retail partner secure steady supplies by guaranteeing prices to farms and moving surpluses to non-competing markets.
- La Montanita Distribution Center uses sales outside its five retail stores to build markets for producers.

Transportation

- Red Tomato contracts with third-party carriers and distributors to move product from its regional network of farms.
- Common Market and other food hubs set up multiple aggregation points for shorter hauls and fewer trips to farms.

"Food hubs have an explicit mission to strengthen producers' capacity to access new markets which place a value on the story of food staying with the product."

Gary Matteson
Vice President
Young, Beginning, Small Farmer
Programs and Outreach
Farm Credit Council

"Food hubs can help people already in the business understand how to use creative practices to both make money and address gaps in the current system."

Bob Corshen
Former Farm-Mkt Director
Community Alliance for Family
Farmers (California)



Food Hub Functions and Expertise

Food hubs link the commercial and community sides of local food. This combination can make the difference for wholesale buyers trying to build efficient and effective programs that consumers trust.

Commerce

For wholesale buyers, regional food hubs:

- Serve as aggregation points for local and regional food producers.
- Provide essential wholesale services ranging from food safety, storage, packing and distribution to light processing, branding, and market development.
- Offer a diverse selection of source-identified and branded local products.
- Increase the supply of local and regional products by facilitating market linkages for producers and providing training and technical assistance with proper grading, packing, food safety, and other protocols.

Community

Food hubs build credibility into marketing claims with commitments to small and mid-size producers and to communities. Activities often include:

- Nutrition, cooking, and gardening education.
- Distribution to neighborhoods that lack fresh and healthy food options.
- Partnerships with food banks and food pantries.
- Job training and employment programs.
- “Buy Local” campaigns and events.
- Producer standards (re. organic, GMO, pastured products etc.)

DEFINITION:

Regional Food Hub

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

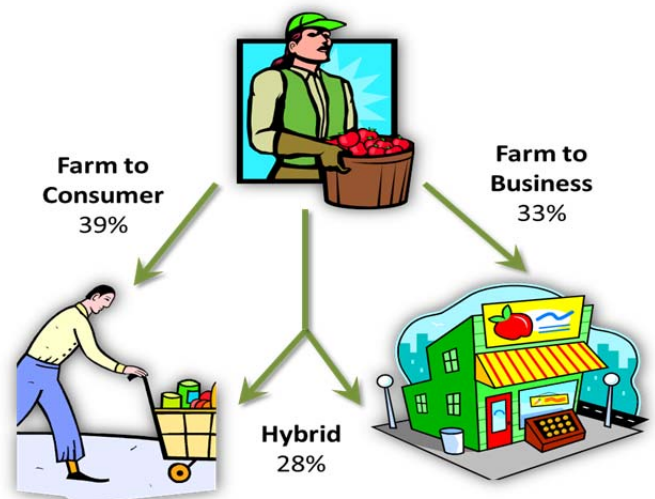
Food Hub Facts

- Approximately 222 regional food hubs operate in the United States.
- Food hubs averaged more than \$3 million in 2012 revenue
- 62 percent of food hubs surveyed in 2013 started up within the last five years.
- Half of food hubs are for-profit enterprises.
- Food hubs are profitable: More than half operate independently of grant funding.

Source: “Findings of the 2013 National Food Hub Survey,” Michigan State University Center for Regional Food Systems and Wallace Center at Winrock International.

Across Market Segments

Nationally 33 percent of hubs are farm-to-business operations bringing local food differentiation into wholesale supply chains serving grocery and food service markets. Another 28 percent are hybrid food hubs, supplying wholesale as well as farm-to-consumer markets, such as direct delivery to large-scale corporate wellness programs.



CASE STUDY

Red Tomato

Plainville, Massachusetts

Established 1996

24/7 PROGRAM INSPIRES REGIONAL CHAIN

Same-day local produce was an untested concept. But Paul Kneeland decided to give it a try. Kneeland is vice president of produce, floral, seafood and meat for Parsippany, N.J.-based Kings Food Markets. In 2012, he piloted the 24/7 program with its developer – the regional food hub Red Tomato.

Soon his phone started ringing: “I’d never before gotten unsolicited compliments from produce managers.”

Within weeks Kings expanded the four-store pilot to all 25 of its northern New Jersey stores. By Labor Day, 2012, the 24/7 program accounted for 10 percent of Kings’ produce sales over 12 weeks.

Thirty New Jersey growers delivered more than 50 products to their farmer-owned Landisville Cooperative for cooling, packing, and labeling. Red Tomato’s third-party logistics firm hauled pallets to Kings’ distribution center for store delivery.

In 2013 Red Tomato replicated this system for the Kings’-owned Balducci’s Food Lovers Market stores in four Connecticut locations. Between 2012 and 2013, total 24/7 sales increased from \$165,882 to \$292,609.

BUSINESS BASICS

Non Profit

2013

- \$3.8 million in sales
- 7 employees

Supply Base

- Coordinates the sale and marketing of fresh fruits and vegetables (308 SKUs in 2013).
- Offers produce from early to late in the season through an 80-farm network that stretches from New England to New Jersey.

Customer Base

- Supplies 22 retail chains and distributor customers in 14 states.
- In 2013, 80% of product went to retailers and 20% to distributors serving a mix of retail and food service accounts.

Supply Chain Approach

- Develops marketing, packaging, and branded programs to build farm identity and differentiated products.
- Manages all supply chain logistics to move produce through relationships with more than a dozen distributors and a network of third-party carriers.



The program has been a public relations homerun and an employee motivator.

Last summer, a busload of Kings employees visited the New Jersey farm that supplies the majority of leafy greens. “A lot of produce managers had never seen a vegetable farm,” grower Ryan Ploch says. “They seemed excited about going back and telling customers ‘I know where this stuff came from.’”

Red Tomato’s 24/7 program is one example of its sourcing and marketing initiatives, which all begin with on-farm research.



“I’ve never seen a company like Red Tomato,” says Felix Danato, manager of the century-old Landisville Cooperative. “They first came here years ago to learn about peak growing seasons and get a handle on our items. They created grower profiles and visible labels so consumers can recognize where the product comes from. Now we’re all looking for ways to grow the volume.”

“We wanted to differentiate ourselves from the competition through a local food program. We have partnered with Red Tomato to ensure that our customers access unique produce from reputable New England farms.”

Hannah Mathews
Sales Representative
Katsiroubas Bros.

“Red Tomato looks for ways to get farmers paid a little extra. I want to find ways to work together with them more.”

Richard Marolda
Owner
Marolda Farms

GROWTH AND PLANS

Growth

With nearly 300% growth in sales over the last seven years, Red Tomato is working to diversify its customer mix as it expands.

Key Development

A new distribution model and organization-wide re-branding campaign leverages an increasing number of season- and region-wide product lines. The campaign targets independent retail locations and institutions in the Boston and New York City metro markets.



CASE STUDY

Good Natured Family Farms

Bronson, Kansas

Established 1997

SHARED WAREHOUSE SPACE WORKS

Kansas City's Balls Foods Stores never stopped buying from local producers since opening its first store in 1923. In recent years, the chain has ramped up local sourcing through a partnership with regional food hub Good Natured Family Farms – an alliance of farms and food producers that use a common brand and put products in most every store aisle.

Through GNFF and its own sources, Balls stocks its 28 stores with 45 percent local produce (174 items) at the peak of the growing season. More than 100 year-round products include meat, dairy, eggs and honey. National Food Routes "Buy Fresh-Buy Local" branding promotes a farmers' market theme throughout Balls Foods' 11 Hen House markets.

GNFF has paved a two-way street between Balls Foods and producers. The retailer has learned what the local producer needs to be successful. Producers learn the required packing and delivery process.

Balls Foods President and CEO David Ball explains: "Our solution was simple and direct. We provide the packing supplies at our cost to the local producers and the directions for proper use and delivery of their product. Then we take the time to teach and educate producers in the proper process."



BUSINESS BASICS

For Profit

2013

- \$4 million in sales
- 9 employees

Supply Base

- Builds markets for 150 family farms and small food businesses.
- For-profit branded alliance supplying some 275 year-round and seasonal products.

Customer Base

- Supplies grocers, food service, and farm-to-consumer accounts.
- 60% of sales to Kansas City-based Balls Foods Stores, 10% to SYSCO KC, and the balance to smaller accounts (corporate employee groups, restaurants, and farmers' markets).

Supply Chain Approach

- Leases central warehouse space from the 28-store Balls Foods chain.
- Collaborates with Balls Foods on local food marketing, pricing, quality control, internal systems, and producer relationships.
- Guarantees prices to farmers through the sale of surplus products to non-competing markets including grocery chains in nearby regions.

GNFF leases space in Balls Foods' 55,000 square-foot central warehouse, where it services Balls Foods stores as well as other accounts such as food service buyers. The arrangement allows each to optimize the flow of local food products. "It's rare for a retailer to treat a vendor like a partner," Balls Foods local food procurement manager Del Housworth says.

"I buy from them and they buy from me to sell to other accounts. Our working relationship is like a moving jigsaw puzzle that flips over two or three times a day. Our program works because Good Natured Family Farms understands both the wholesale business and the guy who sticks his hand in the dirt."



"Local food has a great story associated with it that is certainly on trend in the industry. Having a strong local program like good natured family farms gives Sysco the ability to supply food products that meet high standards of safety, quality, traceability, and social and environmental stewardship."

Joe Martinez
CEO
SYSCO KC

GROWTH & PLANS

Growth

The regional food hub projects continued exponential growth through its food safety assistance to small farmers. Good Natured Family Farms' farmer-to-farmer GAP certification training program has thus far enabled 50 producers with 1-50 acre operations to access SYSCO, Chipotle and other large-scale market channels.

Key Development

Market diversification includes expanding corporate CSA sales. In 2013, Good Natured Family Farms' four-year-old corporate CSA program supplied \$25 bags of farm-fresh foods to 800 employees at nine major Kansas City companies. In 2014 the plan is to increase the number of employees participating at each company.

"J.E. Dunn was part of a pilot CSA program with Good Natured Family Farms for the Kansas City area. ... (We) plan to expand CSA programming to more of our office locations (around the country) with other local CSA groups in 2014."*

Terry Dunn
President and CEO
J.E. Dunn Construction Co.



Good Earth • Good Food • Good Life

*Community Supported Agriculture (CSA) involves consumer subscriptions to farm-fresh food boxes. CSA is expanding into the workplace wellness space.

CASE STUDY

La Montanita Co-Op Distribution Center

Albuquerque, New Mexico Established 2006

NATIONAL SALES BUILD LOCAL SUPPLY

Taking “local” national is fundamental to success at the La Montanita Distribution Center, a subsidiary of New Mexico’s five-store La Montanita Cooperative. Accounts with national companies allow the regional food hub to build sales in New Mexico and open doors to sales outside the region.

The backbone of La Montanita’s local food distribution business is an exclusive contract with Organic Valley to deliver milk across the state to restaurants, institutions, and grocery stores. New Mexico is outside of main U.S. freight routes. Organic Valley was a receptive partner nearly a decade ago when La Montanita considered becoming a wholesaler.

The retail cooperative needed to increase supply of local food to retain and increase membership. Organic Valley wanted to sell fresh milk and lower fuel costs. La Montanita used weekly milk orders to build statewide truck routes for its local food business.



BUSINESS BASICS

Cooperative

2013

- \$4.6 million in sales
- 8 employees

Supply Base

- Cooperative distribution center sources from a base of 1,300+ New Mexico producers who also provide direct store delivery to parent company La Montanita Cooperative five stores.
- Distributes farm-fresh and value-added products in all categories (900 active SKUs).

Customer Base

- Supplies the 40-year-old La Montanita Cooperative (51% of sales 2012-2013).
- The balance to external accounts including Whole Foods, Bon Appetite, small businesses, and other retail co-ops.

Supply Chain Approach

- Provides product pick-up, distribution, wholesale capacity building, and sales brokering.
- Operates a 17,000 square-foot warehouse with refrigerated and frozen storage.



Matthew Provost, Organic Valley’s Central U.S. regional sales manager, explains: “We gave La Montanita the confidence to build their own distribution channels. The constant weight of our products on their trucks allowed them to become creative about developing a full plate of business.”

The La Montanita Distribution Center now courts larger buyers, including retail competitor Whole Foods.

“Members want us to invest in regional food systems,” enterprise development coordinator Steve Warshawer explains. “The more we sell to companies like Whole Foods, the better our distribution system covers its overhead and costs.”

A few years ago, Warshawer brought ristra — strands of dried chili peppers — to a Santa Fe Whole Foods store. Soon the Denver regional distribution center was using that ristra to market the “Southwest flavor profile” of prepared fresh bean chili. In 2014, Whole Foods’ North Atlantic region is committed to buying up to 3,000 25-ristra boxes through La Montanita.

This food hub is committed to both moving product and building producer capacity. “I manage the chaotic process of linking product from small farms to wholesale channels,” Warshawer says. “A key is helping small producers understand you have to engage buyers at their level and play by their rules.”

“La Montanita is one of a growing number of retail co-ops finding new ways to participate in the development of regional food systems. While most hubs push product into the marketplace on behalf of farmers, retail co-ops can provide a complementary hub function by using their supply chains to pull product into their stores.”

C.E. Pugh, COO
National Cooperative Grocers
Association

“Bon Appetit has a great relationship with La Montanita. They’re constantly bringing us New Mexico specialty products as they become available, including pinto beans, pecans, honey, fruit, pork, grass-fed beef, and all the flour for our baking.”

Chef Guido Lambelet
Bon Appetit

GROWTH AND PLANS

Growth

Sales to external customers are now on par with those to La Montanita stores. Outside sales defray operational costs and allow the parent company to invest in business practices that build co-op brand identity and member loyalty.

Key Development

La Montanita identifies like-minded operations in the market territory and initiates networking discussions. It builds on collaborators’ strengths to increase product movement intra-region, with particular emphasis on learning and developing capacity to meet larger buyers’ needs.



CASE STUDY

Cherry Capital Foods

Traverse City, Michigan

Established 2007

STATEWIDE ACCOUNTS EXPAND REACH

Competition for the local food consumer is fierce in Michigan, the second most diverse agricultural state in the nation. State-sponsored “Pure Michigan” advertising resonates with consumers who want to buy Michigan apples, dried cherries, and even potato chips at the grocery store.

Matt Birbeck is food product specialist at Michigan State University’s Product Center for Food, Agriculture and Biology. It’s his job to help producers of Michigan-made value-added products find their way into stores. A little competition among major buyers helps.

In 2012, Birbeck called Kroger. The national grocery chain’s major competitor in Michigan — Meijer— had just launched a 33-store pilot for promoting Michigan-made, value-added products. To keep pace, Kroger needed a Michigan-made distributor.



BUSINESS BASICS

For Profit

2013

- \$2.2 million in sales
- 32 employees

Supply Base

- Manages more than 4,000 SKUs with an inventory system that tracks and maintains specific farm identity for each item.
- Sources from more than 150 small farms and value-added food enterprises across Michigan.

Customer Base

- Distributes to food service, grocery and high-end restaurants.
- Kroger stores account for 30% of sales, Chartwells school food service 10%.

Supply Chain Approach

- Brokers relationships between local food producers and buyers.
- Provides distribution through two warehouses (total 60,000 square feet) and a fleet of 12 refrigerated vehicles.
- Picks up approximately 75% of supply at producers’ locations.

Birbeck called Cherry Capital Foods.

Based in northern Michigan, this regional food hub started in 2007 supplying produce and value-added products to nearby high-end restaurants. Expanding statewide, Cherry Capital intensified its focus on finding year-round buyers of Michigan value-added products and proteins.



The company also knew future growth meant getting into grocery stores, where people shop.

That supply network and wholesale expertise sealed the deal for Cherry Capital as Kroger's preferred distributor for Michigan-made value-added products in 60 stores. MSU's Birbeck says the food hub's commercial savvy makes the difference: "Cherry Capital is very good at negotiating all the protocols and red tape" that can stop small distributors from supplying large companies.

Last summer, a rural school district's request for locally sourced apples led Chartwells School Dining Services to launch an in-state purchasing program for 150 public school districts. Cherry Capital got the business. Brian Casey, the food service company's Great Lakes regional vice president, says "Cherry Capital's access to farmers made it a lot easier for us to take advantage of an opportunity."

It's another major account helping Cherry Capital grow its statewide, year-round business and thus its value to growers and buyers alike.

"Cherry Capital has been the backbone of our Michigan product engagement initiative and instrumental in supporting our stores and go-to-market processes. They've done far more to place product in our stores beyond traditional brokerages and delivery operations."

Dale Hollandsworth,
Manager of Consumer
Communications
The Kroger Co. of Michigan

"Cherry Capital Foods understands the limits facing small business start ups. Their service resulted in an immediate 25 percent spike in sales and an opening to northern Michigan markets we never could have otherwise reached."

Zach Crawford
General Manager

GROWTH AND PLANS

Growth

Cherry Capital averaged 50% annual growth from 2009 to 2013. The recent purchase of two small distributors is expected to add 25% to 2014 sales volume. The acquisitions will advance plans to expand year-round product offerings in meats, cheeses, dairy and other proteins.

Key Development

Cherry Capital uses a new statewide school food service account with Chartwells to build truck routes that service other customers such as niche food makers across the state, including Michigan's remote Upper Peninsula.



CASE STUDY

Common Market

Philadelphia, Pennsylvania Established 2008

EXEC JOINS HUB AHEAD OF CURVE

As chief financial officer and general counsel for Maryland-based SAGE Dining Services, Tina Rodriguez has helped grow a national company by meeting institutional demand for scratch cooking and sustainable sourcing.

Rodriguez became acquainted with Common Market when the regional food hub launched in 2008. She thought it might be a good fit for SAGE’s Mid-Atlantic college cafeteria accounts. She couldn’t justify a contract, however, citing one of the industry’s core concerns: “We want local, but we need safe and local.”

Instead, Rodriguez joined the start-up’s board. Today she’s bullish about a business she believes is the lynchpin of regional food system infrastructure. “Food hubs are the boots on the ground, figuring out how to link produce from very small farms with wholesale channels,” she explains. “Common Market knows their farmers far better than any of our 800 other vendors around the country.”

“Tina brought an understanding of our core market segment that we didn’t have,” Executive Director Haile Johnson recalls. “She helped us to build internal competencies needed to quickly scale our ability to provide institutional food service to vulnerable populations.”



BUSINESS BASICS

Non Profit

2013

- \$1.7 million in sales
- 15 employees

Supply Base

- Stocks 700+ sustainably produced SKUs, including fruits, vegetables, dairy, meats, grains and value-added products.
- Sources from 75+ farmers in the Mid-Atlantic region.

Customer Base

- Delivers to 200+ customers.
- Market share for 2013 sales includes schools and colleges (23%), retailers (24%), workplaces (21%), and restaurants (13%). The balance to hospitals, nonprofit organizations, and faith-based institutions.

Supply Chain Approach

- Brokers local food sales.
- Operates in 20,000 square-feet of a warehouse in North Philadelphia that Common Market owns, with 100,000 cubic feet of cold storage available.
- Operates a fleet of three refrigerated trucks, picking up from producers’ locations and rural aggregation points.



"One of the 21 Philadelphia charter schools we serve asked us to work with Common Market in 2012. Common Market now helps us supply 16,000 breakfasts and lunches a day to inner-city children at 13 charter schools who may not be used to seeing something so simple as a carrot."

Russ Hengst

Vice President Operations
Lintons Managed Services

Helping the organization get a handle on food safety and logistics meant finding efficiencies in the small-farm model. For example, Common Market has reduced transportation costs by developing aggregation points where growers drop off product.

The board includes a Penn State University agriculture development specialist, the CEO of Washington, D.C.'s Central Kitchen and a former Microsoft lobbyist. This unique blend of expertise helped Common Market raise \$2 million to underwrite its 2012 warehouse purchase and related expansion activities.

"The fruit Common Market delivers is cleaner, fresher and lasts longer. I can count on one hand the products that have arrived damaged or bruised."

Chef Will Murray

Wissahickon Charter School

The financing package included an \$800,000 loan and \$100,000 grant from RSF Social Finance, a lender that uses capital from high-net-worth individuals and foundations to generate social and environmental benefits.

RFS lending director Ted Levinson called the experienced board Common Market's "secret sauce."

GROWTH AND PLANS

Growth

Buoyed by 60 percent increase in sales since 2011, Common Market looks north to New York City and south to Baltimore for more customers and bigger orders over a broader geographic territory.

Key Development

A new frozen spinach pilot is the first foray into local, source-identified frozen produce. Institutional customers, primarily hospitals, are driving demand for lightly processed fruits and vegetables, which offers year-round business.



Food Hubs: **LOOKING FORWARD**

Leaders Offer Insight on Direction, Momentum

“Regional food hubs are the next step for retailers and food service companies ready to stock and scale local food,” says Wallace Center director John Fisk. “Industry partnerships with small-farm aggregators like those introduced in this report are key to bringing to market the ‘good food’ consumers want.”

Managers at each of **Solving Local’s** five profiled regional food hubs agree.

Report authors asked each how the food hub community nationwide will help grow the volume of direct-marketed food products in large-scale wholesale market channels. Their insights resonate with what the food industry is discovering about changing consumer preferences.

Hub Managers Look Ahead

“Hubs take different approaches to achieve very similar goals ... Future success will mean more hub-to-hub activity as we all look to build a better delivery system that meets larger buyers’ needs.”

Michelle Franklin
Manager
La Montanita Co-op Distribution Center

“I think Michelle makes a good point about hub-to-hub activity and I would add that the movement of product through this system will likely begin to reflect the different growing regions and timing of crops coming into the marketplace. By that I mean the first strawberries from our southern growers might be moving north early in the season and as the crop comes on later in the north that process might reverse. Given that demand is still ahead of supply on many fronts, this seems like a likely solution and points out the value of the collaboration and transparency we are all finding to be essential to meeting the demands of our higher volume customers.”

Evan Smith
Senior Operations Manager
Cherry Capital Foods

“Small-scale agricultural businesses serve the important purpose of providing consumer choice and innovation. Many rural communities look at potential aggregation facilities as an economic driver in the same way that grain elevators used to be. Only now it’s a refrigerated space with pricing and logistics models designed to fit into the existing food system.”

Diana Endicott
President
Good Natured Family Farms



“Hubs fill voids in the marketplace that established companies aren't serving. For decades, the industry strategy has involved reducing procurement relationships to the detriment of the small and medium sized family farm. The demand for local food substantiates a change toward procurement focused on values that transcend cost alone. Every year we add new cohorts of farmers and buyers and take the time to deeply understand their needs while building trust through trade. We seek partners who have a real commitment to improving our region's economy and ecology.”

Haile Johnson
Co-Founder & Co-Director
Common Market

“Food hubs around the country are well situated to help retailers and distributors build programs that will bring local to the next level, foster long-term relationships with growers and ensure quality control and food safety. Together these kinds of partnerships could go a long way towards creating a sustainable future for farmers and increasing access to fresh, local food for everyday shoppers.”

Michael Rozyne
Executive Director
Red Tomato



Retail Trade Group Committed to “Solving Local”

Food industry leaders see the food hub value and are ready to help. The Food Marketing Institute is one. FMI members in the United States represent nearly 40,000 retail food stores and 25,000 pharmacies with a combined annual sales volume of almost \$770 billion.

“The retail industry recognizes the broad consumer shift towards fresher foods. We also know that meeting this demand means addressing the challenge of how to pull consistent volumes of safe, locally sourced products through the supply chain. FMI looks forward to exploring how regional food hubs can help our members implement economically viable solutions.”

Mark Baum
Senior vice president
Industry relations and chief collaboration officer
Food Marketing Institute



National Good Food Network to Expand Hub Collaboration

The Wallace Center's National Good Food Network is the place where architects of new supply chains, linking local producers with larger markets, meet and collaborate.

“NGFN is committed to building food hub capacity through connection, outreach, research, technical assistance and partnerships,” Fisk says. “Going forward, we anticipate using findings from this report to foster constructive dialogue between the hub community and retail and food service buyers. Together we can work toward ensuring that all distribution channels provide healthy, green, fair, and affordable products that consumers are demanding.



National Good Food Network – Food Hub Collaboration

The NGFN Food Hub Collaboration project builds the capacity of food hubs by creating opportunities for connection, conducting outreach and research, providing technical assistance, and initiating multi-stakeholder partnerships. By supporting food hubs we are accelerating the growth of regional food systems. These regional systems make healthy and affordable food available to more communities while creating viable markets of scale for regionally focused producers.

Website: www.foodhub.info. Browse our full range of food hub resources, and connect with hubs and partners.

Email: contact@foodhub.info. Contact us with your questions, suggestions, and comments.