REGIONAL FOODS:
EXPLORING REGIONAL FOOD SYSTEMS

OVERVIEW

Purpose: During this session, participants will:
- Review the components of a food system
- Learn the main types of food systems marketing channels
- Learn about supporting policies and programs

Estimated Time to Complete: 7 hours

Materials Needed:
- Nametags
- Name tents
- Sign in sheets
- Flip charts
- Markers
- 3 x 5 Cards

Handouts:
- Handout 2 – Market Manager Duties
SLIDE 1
INSTRUCTIONS

Have this slide up as participants enter the room.

Icebreaker/Opener
As people enter the room, hand each person a 3x5 card and ask them to define “regional food system” and define its components. After several people have arrived, ask people to get up and share their definitions with others in the room to see where their definitions overlap and where they are different.

TIME: 10 MINS
SUPPLIES: 3 X 5 CARDS – ENOUGH FOR EACH PERSON TO HAVE ONE
HANDOUTS:
SLIDE 2

INSTRUCTIONS

Explain that the purpose of this module is to provide an overview of regional food systems. Local food initiatives and regional food systems have grown in popularity across the country in recent years as producers, consumers, and communities respond to the perceived business and economic development, health and nutrition, food security, social capital, and environmental benefits that regional food systems can provide.

The topics on the slide show what will be covered in the first part of this session.

Note that a lot of confusion exists around some of the definitions of these concepts. Ask participants to share some of the ways in which their definitions of “regional food systems” agreed and some places where they differed. [Possible answers might be kinds of foods included, whether value added was included, how far away we define “regional”, etc.] Also, briefly review the components that the participants identified. You may wish to jot some of the observations on a flip chart to integrate into the discussion as you move forward.
Briefly review the components of a food system ensuring that all participants understand the “system” nature (interconnected pieces). The image of the components of a food systems should help the participants understand the many interrelated functions and activities that constitute a food system.
Briefly explore the various attempts to define “local” and “regional” noting that no consensus has been established.

Poll the group to see what variations they came up with on their 3x5 cards.

The main point: “Local” and “Regional” has a geographic connotation however there is no consensus on distance between production and consumption. For some consumers “local” or “regional” may be based on ownership or natural or organic production practices.
Lead a short discussion on the differences between \textit{local} food and \textit{healthy or sustainable} food. Note that these are not necessarily the same. However, many people equate “local” food with characteristics such as fresh, healthy, and produced in an environmentally and socially responsible manner. However, technically, “local” means only that a food was produced relatively close to where it is sold and does not provide any indication about food qualities such as freshness, nutritional value, or production practices, and cannot be used as a reliable indicator of sustainability.

\textit{Sustainable food production} is a way of growing or raising food in an ecologically and ethically responsible manner. This includes adhering to agricultural and food production practices that do not harm the environment, that provide fair treatment to workers, and that support and sustain local communities.

Discussion:
\begin{itemize}
  \item How are the concerns and interests of proponents of these three concepts related [local, healthy, sustainable]? In what areas might they agree, and in what areas might they differ?
  \item Are there groups within this region focused on these concepts? If so, where do their interests lie?
\end{itemize}
Briefly describe the two main types of local/regional food system marketing channels:

- **Direct-to-consumer (DTC)** marketing channels include marketing opportunities where consumers buy directly from producers, including farmers markets, community supported agricultural arrangements (CSAs) roadside stands, pick-your-own, on-farm stores.

- **Intermediated** marketing channels include all marketing opportunities that are not direct-to-consumer sales, such as producers selling to grocers, restaurants, regional aggregators such as food hubs, and buying arrangements with the food service operations of schools, universities, hospitals, and other institutions.

The next slide gives more details.
SLIDE 7
INSTRUCTIONS

Use this slide to briefly demonstrate the two channels.

Discussion: What food marketing channel activity, direct and/or intermediated, are you seeing in your community and region?
SLIDE 8

INSTRUCTIONS

Local & Regional Food Trends

SLIDE 8

TIME: 5 MINS

SUPPLIES:

HANDOUTS:
Using this chart, explore the growth of food marketing channels from 2007-2014.

Growth, 2006-2014

- Direct-to-Consumer (Farmers’ Markets): +180% (8,268)
- Intermediated (Food Hubs): +288% (302)
- Farm-to-School (School Districts): +430% (4,322)

Discussion: Does any of this surprise you? If so, what and why does it surprise you?
A quick review of 2012 data reveals these observations:

- In 2012, local food sales totaled an estimated $6.1 billion
- Farms with gross cash farm income (GCFI) below $75,000 accounted for 85 percent of local food farms and only 13 percent local food sales in 2012.
- Farms with gross cash farm income (GCFI) above $350,000 accounted for 5 percent of local food farms and 67 percent of sales in 2012.

Main Point: While small farms make-up the majority of local food farms, large farms are account for majority of local food farm sales.

Source: Trends in U.S. Local and Region Food Systems

INSTRUCTIONS

These two charts break the data down further by separating out direct to consumer only, intermediated only, or both.

Ask participants for their observations.

Some guiding questions:

• How do small local food farms and large local food farms compare in their use of direct-to-consumer and intermediated marketing channels?
• Do small local food farms use one marketing channel more than another? Do large local food farms use one marketing channel more than another?

The next slide looks at one more slice of the data.
Continue exploring the data by looking at farm types.

Guiding questions:
• How do local food farms compare in their use of direct-to-consumer and intermediated marketing channels based on the type of food they produce – vegetables, fruit, and nuts vs. livestock & products vs. other crops?
• Does the marketing channel used vary with the different types of foods?

Main Points: Small local food farms tend to use the direct-to-consumer marketing channel more, while the large local food farms tend to use the intermediated marketing channel more. Local livestock & products farms tend to use the direct-to-consumer marketing channel the most, local vegetables, while fruit and nuts farms tend to use the intermediated marketing channel the most.
Briefly explore these trends.

What are some possible reasons for the declining trend of number in farms and decline in value of DTC sales? Guide the group to consider these contributing factors if they do not surface from the discussion. Three factors may have contributed to the lack of growth in DTC sales since 2007

• Consumer demand for local food purchased through DTC outlets may have plateaued, such that DTC outlets are competing for the same consumer dollar.

• Where local food systems have been thriving, farmers may have been able to increase sales through intermediated marketing channels. That is, growing consumer demand for local food may have been met by retailers rather than through DTC sales.

• Food hubs may compete with other types of local food sales in certain regions.

Main Points: After strong growth between 2002 and 2007, the growth in the number of and value of sales of direct-to-consumers farmers declined sharply between 2007 and 2012. Several factors may have contributed to the decline including the rise in the sale of local food through intermediated marketing channels.

Question for Group Discussion:

What are the trends in the number of local food farms in your community and region?

Are you seeing an increase? What are the trends in the use of direct-to-consumer and intermediated marketing channels in your community and region?

Source: Trends in U.S. Local and Region Food Systems

In most local/regional food systems, farmers markets are the primary direct-to-consumer (DTC) marketing channel.
Examine these trends of farmers’ markets over 2 decades.

Key points are:

• Farmers’ markets are growing in popularity across the country. As of 2014, there were 8,268 farmers’ markets in the United States, having grown by 180 percent since 2006. There are many reasons for this, including the benefits that farmers markets provide to consumers, farmers, and the communities they serve.

• Farmers markets are the primary direct-to-consumer marketing channel. Farmers markets are growing in popularity across the country. Following a rapid increase in the number of farmers markets in the 1990s and early 2000s, the number of new markets has grown at a much slower pace.
A few potential benefits of farmers’ markets are noted on the screen. Ask participants what other values might be gained from these venues.

- **Consumers benefit from farmers’ markets** by receiving a wide selection of fresh, affordable, produce and specialty food items such as baked goods, jams, jellies, eggs, honey, cheese, meat products, herbs and spices, other value-added products, arts and crafts.
- **Producers benefit from farmers’ markets** by selling directly to consumers allowing them to produce and sell in relatively small volumes that provide more income than would be possible selling through other channels.
- **Communities benefit from the link** that farmers markets provide between food consumption and production, allowing community members to get a better sense of their food’s origins; by addressing the nutritional needs of individuals and families particularly the elderly and low-income; by encouraging and enhancing the preservation of farmland; and by contributing to local food security, community economic development and agricultural diversity.
Discuss some of the key factors in the success of a farmers’ market. Using the elements on the slide, examine how the region’s markets (if any) are doing. Do any of these factors seem to be helping or hindering success?

Establishing a viable farmers’ market requires attention be given to keys areas of:
- Market organization and structure
- Market management
- Market location
- Identifying, recruiting and retaining vendors
- Attracting and retaining customers
- Recruiting community partners

Main Point: To be successful farmers markets need to address key challenges including market management, market location, and recruitment of vendors, customers and community partners.

Discussion: What is the trend with farmers markets in your community and region? Are they growing in number? What challenges are they facing?
The following slides provide an overview to food hubs.
SLIDE 19
INSTRUCTIONS

Use the diagram on the slide to define and describe a food hub: Food hubs are enterprises that aggregate, process, and distribute locally sourced food to meet wholesale, retail, institutional, and even individual demand.

Food hub infrastructure can include things like a warehouse and cold storage facility to sort, grade and store food, and keep it fresh; processing operations to prepare products for schools, grocers or other buyers; and refrigerated trucks to transport local food.
Briefly show how the number of food hubs has increased significantly in the past 10 years.

Source: USDA, Agriculture Marketing Service, 2014
Briefly discuss some potential food hub infrastructure, including: aggregation centers, packing houses, processing centers, web-based aggregators, cold storage, warehouses, etc.

Discussion: What infrastructure exists in our region to support regional food hub initiatives?
Briefly overview the types of business structures that can be used to support food hubs. Note that the revenue models will be different for the various structures.
What transportation options do we have in the region to support tourism?

Add these to the tourism planning guide. Explore these potential positive impacts that local/regional food systems can have on communities:

**Economic Development** - The expansion of local food markets implies that consumers in a particular area are purchasing more of their food from nearby sources, and that more of the money they spend remains in their local community stimulating increased local production of food and non-food products and services, consumption, jobs, incomes and a larger tax base.

**Health and Nutrition** - Local foods may have a positive effect on health and nutrition by increasing the choices and assess people have to healthier food items that are fresher, less processed, and retain more nutrients (e.g., because of shorter travel).

**Food Security** - Food security means that people have access “to enough food for an active, healthy life”. Those who are food insecure, often living in areas widely referred to as food deserts, have limited or uncertain availability of healthy, particularly fresh, and safe food or have uncertain ability to acquire food in normal ways. Direct marketing of local food has been a key component of community food security programs.

**Social Capital** – Local food systems help strengthen communities by enhancing trust and fostering cooperation through increased interactions between local producers and consumers that can have positive spillover (networking) effects on other sectors and activities in the community.

**Environmental** - Advocates for local/regional food systems cite environmental benefits of purchasing local foods including reduced transportation and greenhouse gas emissions, less processing and packing, and farmland and open-space preservation.
This slide introduces a brief overview of two significant challenges to local/regional food systems.
Provide a brief overview of the food safety challenges associated with local/regional food systems work. Talking points are provided below, but feel free to add others of which you may be aware:

Recent foodborne illness outbreaks in the United States have increased efforts by both government and industry groups to ensure that the U.S. food supply is safe.

The Food Safety Modernization Act (FSMA) was signed into law on January 4, 2011. FSMA calls for sweeping changes to the U.S. food safety system for produce as the focus shifts from ex post control and reaction to food safety incidents to risk-based preventive action with a focus on public health.

Like all producers, small producers participating in local food systems may be unclear about how new food safety regulatory agendas will influence their cost structure, profitability, and market access. A challenge is determining what they need to know and determining what they need to do, which must occur in conjunction with choosing their local food marketing channels.

Local food buyers often require producers and suppliers to abide by particular food safety requirements and compliance audits as they respond to increased consumer demand for food safety and assess their own liability risk.

Increasingly, larger foodservice establishments (e.g., schools, hospitals, food retailers, and even farmers’ markets) are requiring that their suppliers have food product liability insurance in order to mitigate the financial burden of foodborne illness outbreaks.

USDA’s Agricultural Marketing Service (AMS) offers voluntary Good Agriculture Practices (GAP) and Good Handling Practices (GHP) audits of produce suppliers throughout the production and supply chain. Growers are motivated to become GAP certified in order to ensure customers of food safety, meet buyers’ requirements, maintain market access, and manage their own business risk as an outbreak can damage a brand name or bankrupt a business.

Many private consulting firms and programs offer assistance with regulatory awareness and compliance, but their services may be costly for small farms.

Main Point: Increasingly food buyers are requiring producers and suppliers to compile with food safety requirements and audits. Small producers, in particular, are unclear about how new food safety regulatory agendas will affect their costs, profitability and market access.

Discussion: What challenges do food safety regulations pose for our region’s food system?
Briefly examine the challenges of competition and market access that are particular challenges for small scale producers that their large-scale counterparts do not face. Key points:

• Small-scale producers face growing competition from large-scale entities – producers and marketers – seeking to capitalize on growing consumer demand for local food.

• Small-scale producers face logistical challenges of aggregation, cleaning, packing, storage, and distribution of their products to local markets and buyers.

Main Point: Small-scale producers face growing competition from large-scale entities – producers and marketers – seeking to capitalize on growing consumer demand for local food.

Discussion: What challenges do competition and market access pose for small-scale producers in the local/regional food system?
This last section explores some of the supportive resources for establishing and maintaining a local and regional food system.
In recent years, Federal, State, and local policies have expanded to include programs supporting local and regional food systems. At the national level, these policies are set through overarching farm legislation, approximately every 5 years. The most recent, the Agricultural Act of 2014 (2014 Farm Bill) includes a number of policies and provisions related to local and regional food.

Most notably, support for intermediated marketing channels is greatly increased. Policies and provisions enacted in the 2008 Farm Bill are generally continued or expanded.

The 2014 Farm Bill provides support for several new and significantly revamped programs that promote the production, marketing and consumption of food locally and regionally, but also access to healthy foods. These are discussed in more detail in the following slides.

Main Point: The 2014 Farm Bill includes a number of policies and provisions supporting local/regional food systems. Most notably is support for intermediated marketing channels. The Farm Bill provides support for several new and significantly revamped programs that promote the production, marketing and consumption of food locally and regionally as well as access to healthy foods.
Provide a brief overview of these production focused programs:

- The **Value-Added Producer Grant** program, which is designed to help farmers develop farm-based value-added products (e.g., cheese, jam, packaged meats, sausages).
- The **Rural Business Development Grants** program (Rural Business Opportunity and Rural Business Enterprise) provide business development assistance to local food producers and local food projects.
- The **Farm Storage Facility Loan** program provides low-interest financing to food producers to purchase storage and processing equipment.
- The **Local and Regional Food Enterprise Loan account** was established within the **Business and Industry (B&I) Guaranteed Loan Program** to support development of local food system infrastructure (businesses that process, distribute, aggregate, store, and market foods).
- The **National Organic Certification Cost-Share Program** helps organic farmers offset the cost of annual certification, which may benefit organic local and regional producers.

Main Point: The 2014 Farm Bill includes a number of local/regional food production programs that promote farm-based value-added products; provide business development assistance and cost-sharing; and provide low-interest financing for local food system infrastructure.
Briefly overview these programs to assist with marketing:

• Farmers’ Market Promotion Program (FMPP) - supports marketing through DTC outlets (e.g., farmers’ markets, CSAs, others)

• Local Food Promotion Program (LFPP) – support marketing through intermediated channels such as farm-to-institution, food hubs, and other businesses that process, distribute, aggregate, or store locally or regionally marketed food products.

• Specialty Crop Block Grants (SCBG) Program - is administered through State departments of agriculture and regularly includes funding for projects related to locally and regionally marketed food (particularly fruit and vegetable production).

Main Point: The 2014 Farm Bill includes a number of local/regional food marketing programs that support the development of direct-to-consumer and intermediated marketing channels and the development of local and regional food product branding.
Note the programs that provide assistance on the consumption end of the spectrum:

- The **Food Insecurity Nutrition Incentive Grant** program offers grants to fund programs (e.g., coupons and vouchers) that incentivize increased consumption of fruits and vegetables among SNAP participants.
- The **Healthy Food Financing Initiative** provides grants and loans to retail food projects in underserved communities, expanding healthy food access.
- The **Senior Farmer’s Market Nutrition Program** provides low-income seniors with coupons and vouchers that can be used for eligible foods at farmers’ markets, CSAs, and roadside stands.
- The **Fresh Fruit and Vegetable Program** provides fruit and vegetable snacks to school children throughout the day.
- The **National Farm to School Program** encourages school districts to source locally produced food for school meals. The program includes grants, training/technical assistance, and research to help school districts plan and implement farm to school programs to source locally and regionally produced food products for school meals.

Main Point: The 2014 Farm Bill includes a number of programs that improve underserved populations and school districts access to healthy local and regional food.

Discussion: Which of these programs is our region tapping currently? Which ones might we want to explore further?
Note these other potential sources of policy or programmatic support that may exist in the region:

- **State Local Food Policies and Programs** – States have adopted legislation to provide financial incentives for local food retailers, farmers’ markets, and community gardens to locate in areas with low access to healthy food with the goal of increased food access.

- **Government and NGO Collaboration** – Aside from government legislation, a number of nongovernmental programs and organizations exist to support and promote local and regional food systems. State farmers’ market associations typically provide member markets with technical assistance, marketing and promotion services, networking opportunities, assistance with insurance, and general advocacy.

- **Private-Public Food Policy Councils** have also emerged to address local and regional food policy. In these councils, local government officials and stakeholders work together to develop policies that support local food systems.

- **Sub-state Policies and Programs** – City, county, and regional governments have implemented innovative public policies to support local and regional food systems. Policy instruments employed include official plans, regulations, fiscal incentives, and government institutions and programs. Local governments are also providing fiscal incentives including loans, grants, or reduced permit and license fees to local food producers (e.g., urban farms or community gardens), retail stores, or farmers’ markets.

Main Point: Most states, oftentimes in collaboration with NGOs, support programs that promote local and regional food production and consumption by providing financial incentives and other forms of support for local food retailers, farmers’ markets, and community gardens. Many policies have been implemented at the sub-state level by city, county and regional governments including plans, regulations, fiscal incentives, and programs to promote and support local and regional food systems.

Discussion: What local/regional food system policies and programs- federal, state, and local are being utilized in your community and region?
SLIDE 33

INSTRUCTIONS

Be sure to include your contact information.
SLIDE 34
INSTRUCTIONS

SLIDE 34
TIME: 5 MINS
SUPPLIES:
HANDOUTS:
Exploring Regional Food Systems
Farmers’ Markets

- Farmers’ Markets Overview and Trends
- Elements of a Successful Farmers’ Market
  - Market Organization
  - Market Location
  - Identifying, recruiting and retaining vendors
  - Attracting and retaining customers
  - Recruiting community partners
Local & Regional Food Trends
Briefly describe the two main types of local/regional food system marketing channels:

- **Direct-to-consumer (DTC)** marketing channels include marketing opportunities where consumers buy directly from producers, including farmers markets, community supported agricultural arrangements (CSAs) roadside stands, pick-your-own, on-farm stores.

- **Intermediated** marketing channels include all marketing opportunities that are not direct-to-consumer sales, such as producers selling to grocers, restaurants, regional aggregators such as food hubs, and buying arrangements with the food service operations of schools, universities, hospitals, and other institutions.
Examine these trends of farmers’ markets over 2 decades. Key points are:

- Farmers’ markets are growing in popularity across the country. As of 2014, there were 8,268 farmers’ markets in the United States, having grown by 180 percent since 2006. There are many reasons for this, including the benefits that farmers markets provide to consumers, farmers, and the communities they serve.

- Farmers markets are the primary direct-to-consumer marketing channel. Farmers markets are growing in popularity across the country. Following a rapid increase in the number of farmers markets in the 1990s and early 2000s, the number of new markets has grown at a much slower pace.
A few potential benefits of farmers’ markets are noted on the screen. Ask participants what other values might be gained from these venues.

• Consumers benefit from farmers’ markets by receiving a wide selection of fresh, affordable, produce and specialty food items such as baked goods, jams, jellies, eggs, honey, cheese, meat products, herbs and spices, other value-added products, arts and crafts.

• Producers benefit from farmers’ markets by selling directly to consumers allowing them to produce and sell in relatively small volumes that provide more income than would be possible selling through other channels.

• Communities benefit from the link that farmers markets provide between food consumption and production, allowing community members to get a better sense of their food’s origins; by addressing the nutritional needs of individuals and families particularly the elderly and low-income; by encouraging and enhancing the preservation of farmland; and by contributing to local food security, community economic development and agricultural diversity.
Discuss some of the key factors in the success of a farmers’ market. Using the elements on the slide, examine how the region’s markets (if any) are doing. Do any of these factors seem to be helping or hindering success?

Establishing a viable farmers’ market requires attention be given to key areas of:
- Market organization and structure
- Market management
- Market location
- Identifying, recruiting and retaining vendors
- Attracting and retaining customers
- Recruiting community partners

Main Point: To be successful farmers markets need to address key challenges including market management, market location, and recruitment of vendors, customers and community partners.

Discussion: What is the trend with farmers markets in your community and region? Are they growing in number? What challenges are they facing?
Briefly describe these three common organizational models and the advantages of each:

- **Unofficial agreement among producers/vendors:** While the agreement among producers model does not carry the same bureaucratic requirements as a more formal business model (private for-profit or nonprofit or public authority) it places a heavy time burden on the producers/vendors that is hard to handle during the peak of market season.

- **A private for-profit or nonprofit organization:** A big advantage of the nonprofit organization model, not available to for-profit organizations, is the eligibility for grants tax-exempt status, and some protection from liability.

- **Public sponsored market run by a public authority such as a city government:** An advantage of the public sponsored model is the sharing of administrative costs and responsibilities (such as insurance and promotion) and reduced business risks. In turn, surplus revenues generated from staff and membership fees can be used to start other community projects. This model can strengthen community support for the market and benefit not only vendors but the consumers as well.

**Main Point:** Farmers’ markets can be organized through an informal agreement between producers/vendors or through more formal arrangements including for-profit, nonprofit and public authority sponsorship. Each has its advantages and disadvantages.

**Discussion:** How are farmers markets organized in your community and region? Does one form of organization seem to work better than the other(s)?
Examine these two common management structures:

**Board of Directors**
- Is the decision-making entity for a farmers’ market operating as a nonprofit or for-profit organization? Some farmers’ markets are sponsored by an umbrella nonprofit and do not require a separate board.
- Oversees many aspects of a market’s operation and is a required organizational component of a nonprofit corporation. Guidelines for how the board shall conduct itself should be clearly stated in the organization’s articles of incorporation and bylaws.
- Is responsible for the overall vision and governance of the market. The board is responsible for shaping the market including providing direction in strategic planning, monitoring, evaluation, public relations, and promotional activities. The board hires and works closely with the market manager to develop and implement the market’s long-range plans as well as with day-to-day activities.

**Market Manager** - The task of the market manager/coordinator can be daunting and often is equated to the job of parenting. While trying to nurture, support, and promote the “child’s” life, they simultaneously must help it (the market) conform to external codes of conduct and to communicate values of sharing, patience, and teamwork. See Handout #2 for a listing of typical duties of a market manager.

**Main Point:** Most farmers markets have a board of directors and a market manager. The board of directors is responsible for the overall vision and governance of the market. The board hires and works closely with the market manager to develop and implement the market’s long-range plans as well as with day-to-day activities. The duties of the market manager are many and the task of managing the market can be a daunting task.

**Discussion:** Are the farmers markets in your community well managed? What management shortcomings do you see, if any? How can the management of your market(s) be improved?
Review these important points to consider in locating a market. Poor market location is one of the primary reasons for why farmers’ markets fail.

Important factors to consider when selecting a market site include centrality, visibility, access, parking, and surrounding environment. An ideal site for a farmers’ market is a central location close to areas where potential customers live, work, and shop. The site should be easily visible and accessible from the main thoroughfare or adjacent streets.

Parking is important to both the consumers and vendors. Consumers are not going to want to shop if it is inconvenient to find a parking space or if they have to walk far between their cars and the market. Vendors need room to move their vehicle into the stall area and unload.

The market should enhance, not detract, from its surroundings. Seating and picnic areas, parks, foundations, and gardens can provide shoppers with inviting places to relax and enjoy their market experience.

Main Point: Poor market location is one of the primary reasons for why farmers’ markets fail. Important factors to consider when selecting a market site include centrality, visibility, access, parking and the surrounding environment.

Discussion: What are some the location issues with the farmers’ markets in your community and region (if they exist)? How have they been addressed? If markets don’t exist or the locations are inadequate, what other options might make good locations?
Lead a short discussion of where vendors may be found and how to consider recruiting them.

Vendors are a critical component of a farmers’ market. Potential vendors can be found in diverse groups of individuals with varying degrees of experience in direct-marketing including home gardeners, former farm workers, immigrants or refugees, and beginning farmers and horticulturalists fresh out of high school vocational agriculture programs.

Managing expectations is important to retaining vendors. Farmers have different production costs, which influence their prices. Consequently, farmers can have different expectations regarding their sales and income. New farmers’ markets often face challenges in meeting vendor sales and income expectations. This can also be true for existing markets and new vendors.

Main Point: Vendors are a critical component of a farmers’ market. Generally speaking, the more vendors at the market means more variety of food products available which has the positive effect attracting more buyers. Potential vendors can found in diverse groups of people – home gardeners, former farm workers, immigrants, recent high school vocational agriculture program graduates. Managing vendor sales and income expectations is important to retaining vendors.

Discussion: Does the farmers’ market in your community or region have a large number of vendors? What is being done to attract and retain more vendors? If no farmers markets exist, how can we identify, recruit and retain vendors?
Address these key points related to attracting and retaining customers:

- Attracting and retaining customers begins with market research to identify the target customer and what they want. To create and implement an effective marketing plan and sales strategy to grow the farmers’ market, the board of directors and market coordinator should first engage in a dialogue with its existing and prospective customers, vendors, and community partners to assess the extent to which the market is fulfilling its mission and goals.

- Market research can be used to identify your customer and determine their needs and expectations as well as develop effective promotion, advertising, and activities to bring more customers to the market.

Main Point: A farmers’ market without customers will not survive. Attracting and retaining customers begins with market research to identify the target customers and determine their needs and expectations as well as develop effective promotion, advertising, and activities to bring more customers to the market.

Discussion: Does the farmers’ market in your community or region have a large number of customers? What is being done to attract and retain more customers? If no market exists, what might be the first steps of a market research?
SLIDE 46
INSTRUCTIONS

TIME: 5 MINS

SUPPLIES:

HANDOUTS:
Stronger Economies Together

Doing Better Together

Local and Regional Food Systems - Examining Food Hubs

Michael Patrick, New Mexico State University
This segment is designed to provide greater detail on food hub structures and issues. Use this segment if your region is interested in pursuing such a system.
Be sure to include your contact information.
Use the diagram on the slide to define and describe a food hub: Food hubs are enterprises that aggregate, process and distribute locally sourced food to meet wholesale, retail, institutional and even individual demand.

Food hub infrastructure can include things like a warehouse and cold storage facility to sort, grade and store food, and keep it fresh; processing operations to prepare products for schools, grocers or other buyers; and refrigerated trucks to transport local food.

Food hubs work with farmers to preserve the source-identified characteristic of the food’s origin and any special practices or circumstances under which the food was grown. By maintaining this information transparency throughout the local food supply chain, food hubs attempt to provide premium prices to farmers by selling differentiated products.
Briefly show how the number of food hubs has increased significantly in the past 10 years.
Briefly discuss some potential food hub infrastructure, including: aggregation centers, packing houses, processing centers, web-based aggregators, cold storage, warehouses, etc.

Food hubs do many things – aggregate products from small and midsized farms, many provide packing and processing services, market the products to regional buyers, and even coordinate local and regional distribution. Access to the infrastructure that it takes to carry out these functions can open up tremendous opportunities for the local economy.

Food hub infrastructure can include things like a warehouse and cold storage facility to sort, grade and store food, and keep it fresh; processing operations to prepare products for schools, grocers or other buyers; and refrigerated trucks to transport local food. Access to refrigerated storage space means that a farmer wait for a competitive price for his or her product rather than having to sell immediately after harvest. Buyers can more easily source from many small farms without the burden of additional paperwork if the farmers have a warehouse in which to aggregate and cooperatively market their products.

Discussion: What infrastructure exists in our region to support regional food hub initiatives?
Provide an overview of these five basic food hub models: aggregation centers, packing houses, processing centers, and web-based aggregators.

**Aggregation Centers** – are facilities that bring together products from any number of local growers, usually within a radius of 100 miles. By aggregating and storing produce across multiple farms, the aggregation center becomes an attractive supplier for wholesalers who purchase in large quantities. These centers may offer a variety of different services including cooling, cold storage, marketing and distribution. However they do not offer the services traditionally associated with packing houses such as washing, grading, sorting, packing, or re-packing. Produce delivered to the aggregation facility is already packed with farm-specific branding and labeling.

**Packing Houses** – are facilities that receive unpacked fruits and vegetables from local growers to be packed and sold to wholesale customers. Packing house business models vary based on the needs of the grower community, wholesale buyers, and goals of the packing house owner. Potential services include cooling, washing, sorting, grading, packaging, labeling, cooled storage, processing, sales and distribution. Packing houses and aggregation centers can vary greatly in size, from a facility serving hundreds of farmers with tens of thousands of square feet of packing and cooling space, to a single farmer serving fewer than ten local farmers from a converted farm shed. Both play important roles in a vibrant local food system.

**Processing Centers** – have the equipment, infrastructure (including ventilation, drainage and cooling), and food safety qualifications necessary for users to create and market value added products. The same processing operation can serve the needs of a number of different types of users – growers with produce, food artisans, caterers, and buyers looking for preserved produce.

**Web-Based Aggregator** – connect growers and customers through an online marketplace. These serve smaller-scale customers, such as individual restaurants or households. Some of these technology solutions are producer-driven, where a single grower or a group of growers post their available products in a given week and buyers can place direct orders, while others are run by entrepreneurs outside the grower community. These sites either regularly drop off a delivery to a remote collection point or manage direct delivery services. Creating an online marketplace could be a viable first step toward creating a brick-and-mortar aggregation center.

**Core Business Services** – differ by food hub model. A packing house typically will provide a complete range of services that cause a product to move from the field to the consumer. Some packing houses may even offer harvesting services. Aggregation facilities and web-based aggregators do not handle the product to the same degree, but common to all models is aggregation, sales and marketing, and distribution (although this may be outsourced).
There is no one model that would work best for food hubs. The decision about what type of business entity to establish should be decided with the input from legal counsel, grower needs, community culture, existing leadership, and financing options.

Different business entities to consider include an agricultural cooperative, for-profit business, nonprofit business, and a public/private partnership. These are discussed in more detail in the following slides.
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Describe an Agricultural Cooperative (co-op) and the associated advantages and considerations

A Co-op is owned and operated by a group of producers.

Profits are distributed to members based on amount of usage. Co-ops elect a board of directors and make major decisions through democratic voting. There are different methods of financing the cooperative:

- Direct contribution through membership fees or stock purchases
- Agreement to withhold a portion of net earnings
- Assessments based on units of product sold or purchased.

Advantages: Many experts believe that the single biggest driver of food hub success is the level of investment and support of its growers. Cooperative models inherently lead to stronger grower support, given that growers are investors and profit sharers in the business, and have equal voice in decision making.

Considerations: Producer groups may not be able to generate funding to invest in the necessary infrastructure. The collaborative nature of cooperatives can slow down and even hinder effective decision-making processes; key marketing, operations, or financial decisions are made by the group rather than by specialized experts.
Describe a for-profit structure

Primary function: generate profit for its stakeholders. There are several business for-profit venture choices:

- **Sole Proprietorship**: Business owned and operated by one individual.
- **Partnerships**: An association of two or more people who co-own and are personally liable for the company obligations. Limited Liability Companies (LLC) and Limited Liability Partnerships (LLP) are partnerships in which partners are personally shielded from company obligations are two common examples.
- **Corporations**: Consists of shareholders who finance and own the business, and who elect a board of directors to govern the business. S-Corporations and C-Corporations are two common examples.

Advantages: For-profits can more easily attract interested investors to fund the high start-up infrastructure costs. Additionally, with a for-profit structure, owners and board of directors may pursue business strategies that generate more profits for all stakeholders – owners, staff, and producers.

Considerations: For-profits are ineligible for most grants, which can help fund necessary start-up costs. Additionally, for-profits are subject to a high corporate tax rate. It is important to consult a lawyer to determine which business entity a for-profit should adopt.
Briefly discuss nonprofit food hubs.

Though a Nonprofit food hub will generate income, its function is to advance a social or environmental mission. Therefore, all profits are invested in advancing the organization’s mission. Many nonprofit food hubs invest profits in farmer technical support, beginning farmer training, marketing support, consumer education, and many other initiatives. Nonprofits must have a board of directors, file articles of incorporation, and apply for both nonprofit status with the IRS and liability insurance.

Advantages: Nonprofits can apply for a myriad of government grants and individual foundation funding. Nonprofits are not subject to corporate tax. Additional tax benefits include sales tax exemption and postal rate discounts. Because the profits cannot be distributed to the organization’s members, reinvested profits can help educate and strengthen the local agricultural community, ultimately resulting in high revenues for individual growers.

Considerations: Setting up a nonprofit takes more time than setting up a for-profit. Producers and partners may not feel that a mission-based nonprofit has the business wisdom and industry knowledge needed to successfully run their business. If organizational leaders are not financially rewarded by the success of their food hub, they may not be incentivized to maximize its profitability, resulting in lower sales and revenues for member growers.
Briefly describe how public/private partnerships might be used to establish a food hub.

A Public/Private Partnership takes into consideration the public interest in investing in the facilities and infrastructure that will increase farmer access to markets. Public/private partnerships can take many different forms. For instance, a municipality can provide needed infrastructure (land, packing house, packing equipment, etc.) and a private company might own and operate the facility as a tenant without seeking full ownership of the property.

Advantages: Public funding can be used to purchase the equipment and the building. Additionally, by garnering support from both public and private entities, this business form may be likely to more easily withstand difficult, less profitable seasons.

Considerations: Feasibility studies are often required to accurately assess need and measure the impact of a public municipality investing in a local food hub. Any venture that has some stream of public funding will be subject to shifts in government budgets and fiscal policies.
The revenue model is the manner in which the company generates sales. One company may have a number of different profit centers or separate business units that generate sales using different revenue models.

The revenue model for aggregation centers, packing houses, and processing centers are generally different. These are explored in more detail in the following slides.
Describe the potential funding streams of Aggregation Facility and Packing Houses. These brick-and-mortar facilities will have a number of profit centers depending on the business model. Generally, these include three core functions – aggregation/distribution, packing, and marketing. Each may have a different revenue model, whether commission, margin, or markup.

The aggregation/distribution operation handles logistics of farm and customer pickups and deliveries. Delivery fees are added to the invoice if handled by the packing house. The fee generally covers the labor and transportation cost for the delivery plus a profit margin. This function is often outsourced and may not be included as a profit center in the business model.

The packing operation earns revenue by charging a flat fee for cooling and packing. The fee schedule covers direct costs, which vary based on packaging and cooling required for each crop, indirect costs, and a profit margin.

The marketing operation will handle two types of sales: consignment and direct purchase. In a consignment sale, the food hub facilitates the sale to a buyer on a commission basis but does not purchase the product from the grower. Commission ranges widely from less than 5% to as much as 20%. In a direct purchase the food hub buys the product from the grower at a set price and strives to sell it to a customer at a profit, generating a gross margin that ranges from 18 to 25% or more.
Describe the potential funding streams for Processing Centers

Compared to the aggregation and packing service food hubs business models, there are a greater variety of models that processing services can adopt.

• **Contract Processing** – the kitchen maintains professional staff to produce food products for clients, either as a contract packager or manufacturer (also known as co-packing or co-manufacturing). Co-packing generally involves assembly and packaging, whereas co-manufacturing includes food processing as well.

• **Private Labeling** – is a contract processor that also produces a line of products under its own label. The kitchen purchases ingredients directly from farms and other suppliers and manufactures/processes private label products, or branded products based on their own recipes.

• **Shared-Use Kitchen for Farmers** – is a rent-by-the-hour or membership-based commercial kitchen serving primarily local farmers to conduct value-added processing of excess produce and/or seconds. These kitchens are used primarily for the production of packaged products as opposed to catering. This model is often combined with contract processing and private labeling.

• **Shared-Use Kitchens for Others** – is a rent-by-the-hour or membership-based commercial kitchen fully equipped for catering, pastries, and storage.

• **Food Business Incubator** – supports and fosters entrepreneurs in the food processing industry. In addition to providing certified kitchen space, incubators have a strong commitment to providing technical and business support to entrepreneurs whose businesses are being incubated at their facilities. Technical support includes recipe development, label development, taste testing, and ingredient sourcing. Business support includes input on marketing and sales and financing.
SLIDE 61
INSTRUCTIONS

Be sure to include your contact information.
Exploring Regional Food Systems - References

THE FOOD SYSTEM AND ITS COMPONENTS

Economic Research Service/USDA (http://www.ers.usda.gov/media/122868/err97_1_.pdf)

Trends in U.S. Local and Regional Food Systems: A Report to Congress / AP-068 (January 2015)


Applying The Principles of Sustainable Farming (2003), Sullivan, Preston, ATTRA

LOCAL/REGIONAL FOOD MARKETING CHANNELS


LOCAL/REGIONAL FOOD TRENDS

Trends in U.S. Local and Regional Food Systems: A Report to Congress / AP-068 (January 2015)

FARMERS’ MARKETS


**FOOD HUBS**


**LOCAL/REGIONAL FOOD SYSTEMS AND COMMUNITY IMPACTS**


**The Economics of Local Food Systems: A Literature Review of the Production, Distribution, and Consumption of Local Food** (September 2014) Pinchot, Ariel, University of Minnesota Extension,
Extension Center for Community Vitality

*Market Forces: Creating Jobs Through Public Investment in Local and Regional Foods Systems*
(2011) Union of Concerned Scientists
(http://www.ucsusa.org/food_and_agriculture/solutions/expand-healthy-food-access/market-forces.html#VTR0OiFViko)

**LOCAL/REGIONAL FOOD SYSTEM CHALLENGES**

Economic Research Service/USDA (http://www.ers.usda.gov/media/122868/err97_1_.pdf)

*Trends in U.S. Local and Regional Food Systems: A Report to Congress / AP-068* (January 2015)

**LOCAL/REGIONAL FOOD SYSTEM SUPPORTING POLICIES AND PROGRAMS**


USDA Production Programs
Value-Added Producer Grant Program (http://www.rd.usda.gov/programs-services/value-added-producer-grants)


Local and Regional Food Enterprise Loan Account
(http://sustainableagriculture.net/publications/grassrootsguide/local-food-systems-rural-development/local-food-enterprise-loans/)

Farm Storage Facility Loan Program (http://www.fsa.usda.gov/programs-and-services/price-support/Index)
National Organic Certification Cost-Share Program

USDA Marketing Programs
Farmers’ Market Promotion Program (http://www.ams.usda.gov/AMSv1.0/fmpp)

Local Food Promotion Program (http://www.ams.usda.gov/AMSv1.0/lfpp)

Specialty Crop Block Grants Program
(http://www.ams.usda.gov/AMSv1.0/ams.fetchTemplateData.do?template=TemplateN&rightNav=SpecialtyCropBlockGrant0Program&topNav=&leftNav=CommodityAreas&page=SCBGP&resultType)

USDA Consumption Programs
Food Insecurity Nutrition Incentive Grant Program (http://nifa.usda.gov/program/food-insecurity-nutrition-incentive-fini-grant-program)

Healthy Food Financing Initiative (http://www.acf.hhs.gov/programs/ocs/resource/healthy-food-financing-initiative-0)

Senior Farmers’ Market Nutrition Program (http://www.fns.usda.gov/sfmnp/senior-farmers-market-nutrition-program-sfmpn)

Fresh Fruit and Vegetable Program (http://www.fns.usda.gov/ffvp/fresh-fruit-and-vegetable-program)

National Farm to School Program (http://www.farmtoschool.org/