

Exploring Regional Food Systems

An Overview



Exploring Regional Food Systems

Part 1: Regional Food Systems Overview

Local/Regional Food Systems:

- Definition and Components
- Marketing Channels
- Trends
- Farmers' Markets
- Food Hubs
- Impact on Communities
- Challenges
- Supporting Policies and Programs



The Food System and Its Components

Two major types of food systems:

- Global food system (only one)
- Local/regional food systems (many)



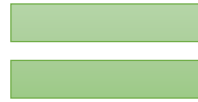
Local vs. Regional Food Systems - Is There a Difference?

- “Local” or “regional” has a geographic connotation, but no consensus.
- 2008 Farm Act definition of “local” or “regional” foods:
 - Less than 400 miles from its origin, or
 - Within the State in which is produced
- Other definitions:
 - Local ownership of the farm
 - Food is associated natural or organic production practices

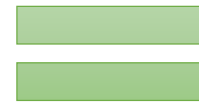


Are These the Same?

Local



Healthy



Sustainable

Two Types of Marketing Channels



Direct to
Consumer (DTC)

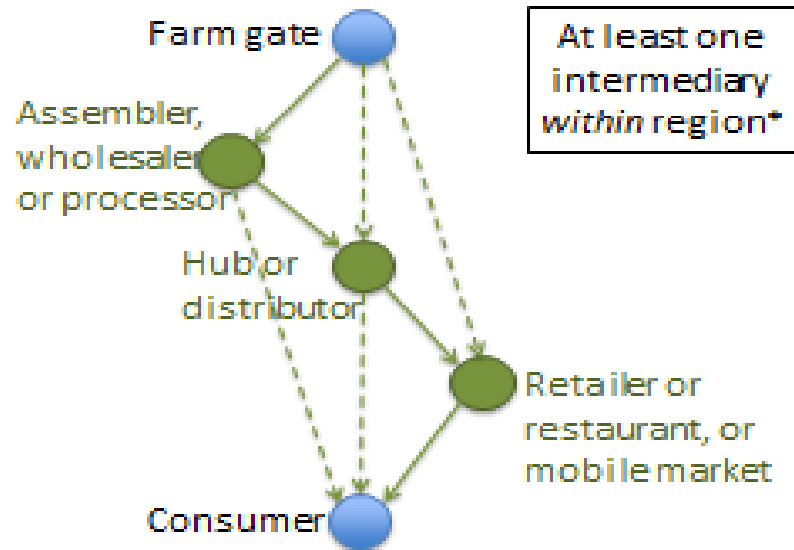


Intermediated

Local/Regional Food Marketing Channels

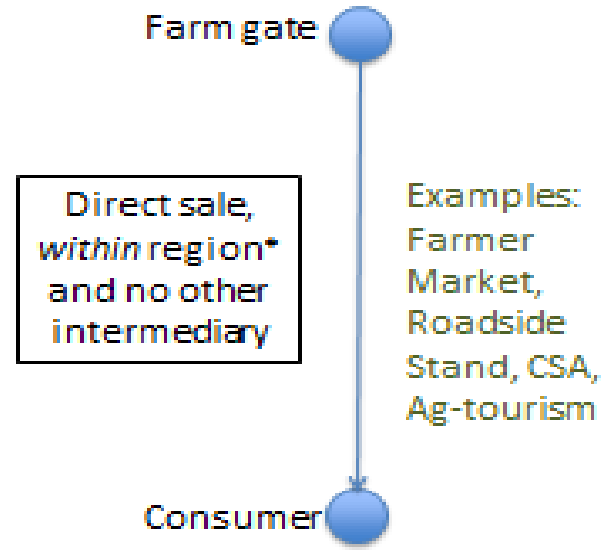
Food Marketing Channels

Intermediated



Illustrative examples only (storage also qualifies)

Farmer-to-Consumer



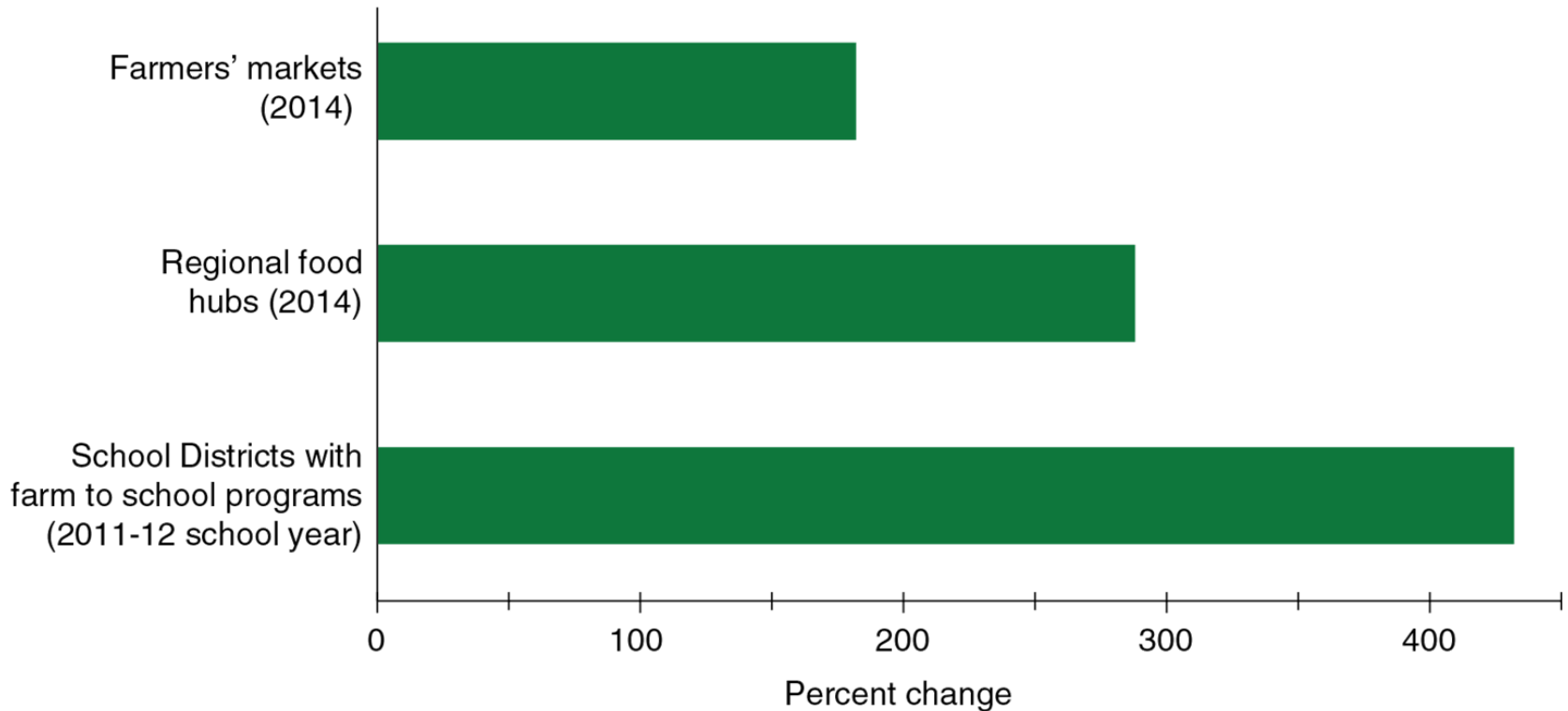
*Region defined as locations within 400 miles of production

Local & Regional Food Trends

Local/Regional Food Marketing Channels

Increase in local & regional marketing channels

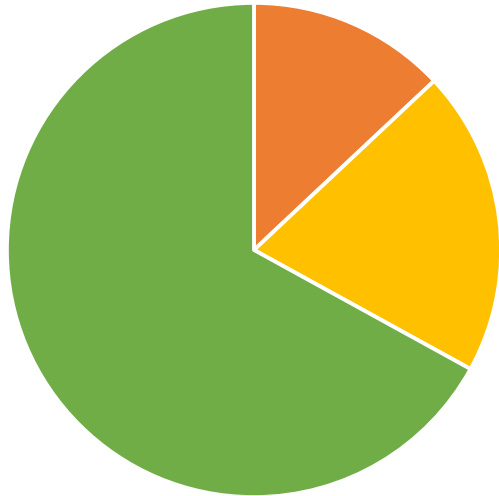
Since 2007, growth in--



Sources: USDA, Agricultural Marketing Service, Food Nutrition Service; National Farm to School Network.

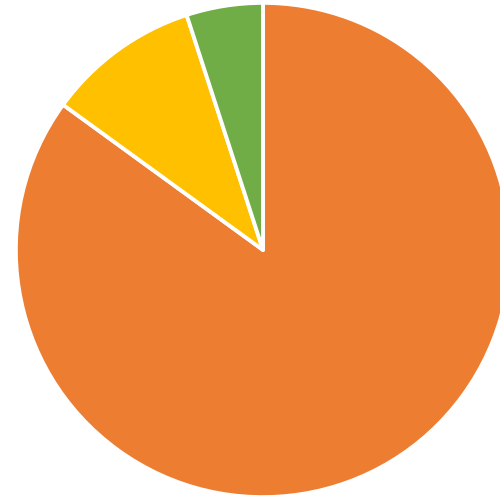
Comparison: Food Sales

% Local Food Sales by
Gross Cash Farm Income (GCFI)



■ Under 75K ■ 75k-350k ■ Over 350k

% Local Food Farms by
Gross Cash Farm Income (GCFI)

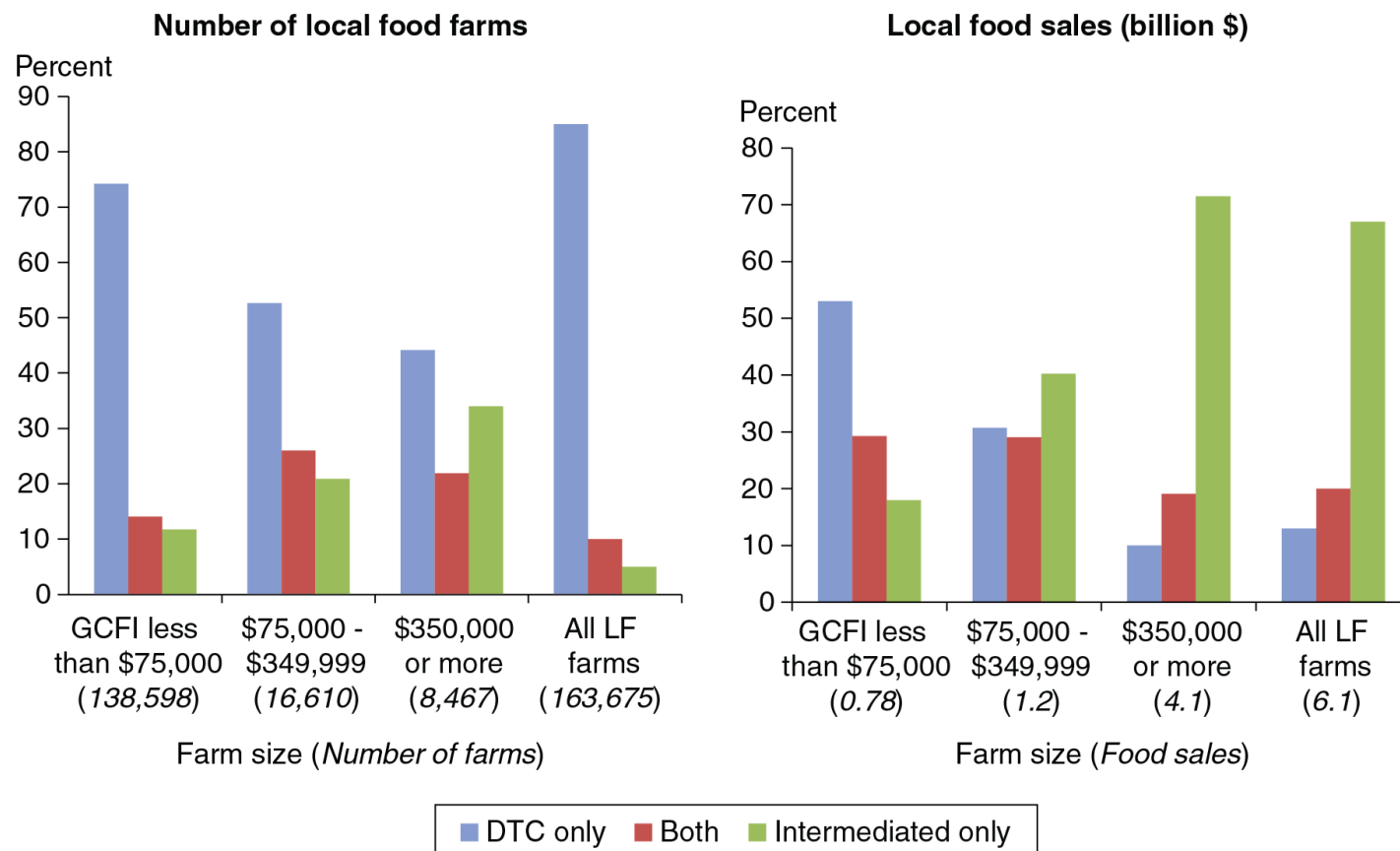


■ Under 75K ■ 75k-350k ■ Over 350k

2012

Comparison: Market Channels

Local food farms and sales by farm size and market channel use



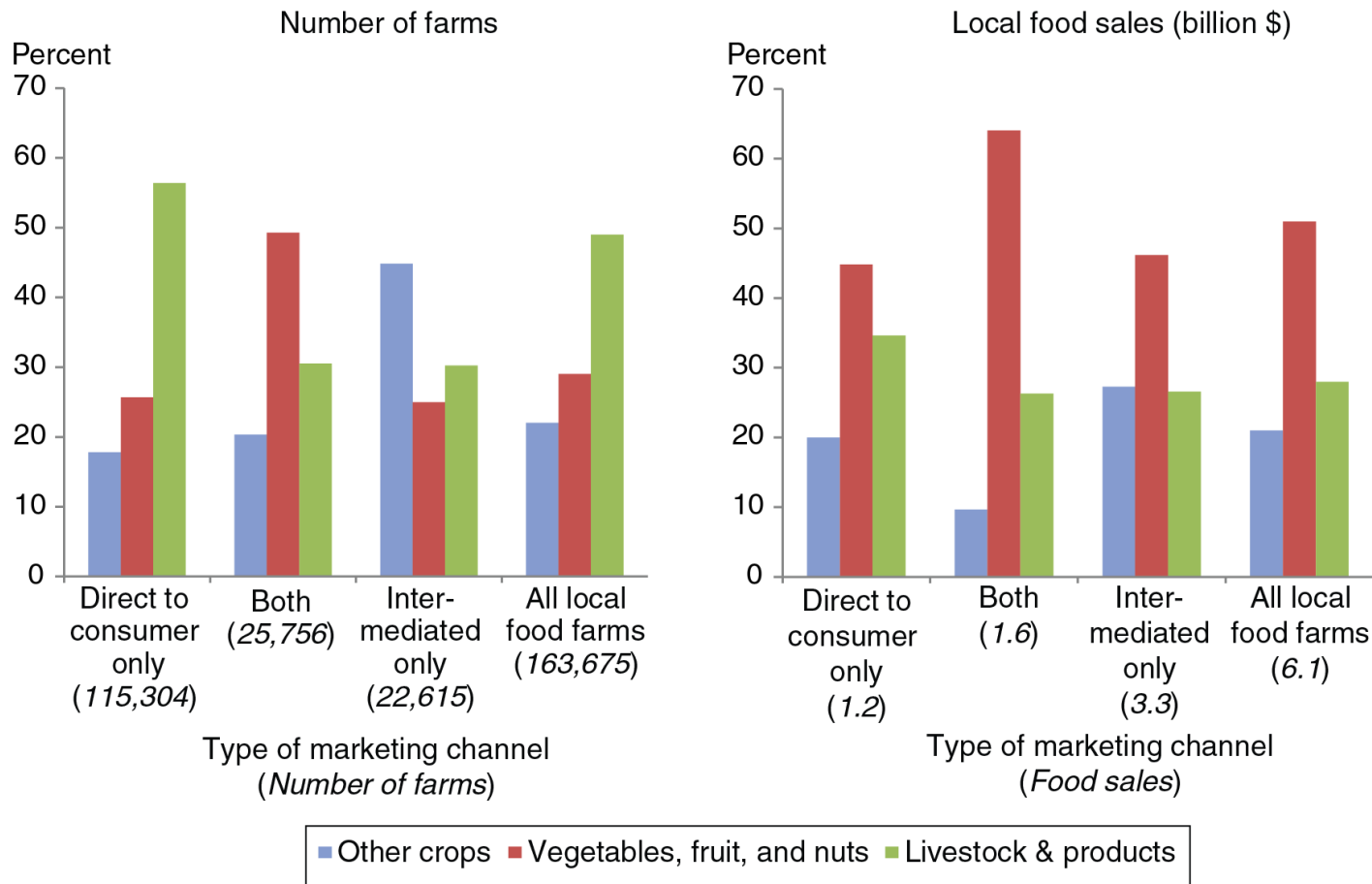
Note: The share of farms by farm size and marketing channel use are based on 2012 Census benchmark counts; the shares of total value of local food sales by farm size and marketing channel use are synthetic estimates.

DTC = direct-to-consumer; GCFI = Gross cash farm income.

Source: USDA, ERS/NASS, ARMS data, 2008-2011; USDA, NASS, 2012 Census of Agriculture.

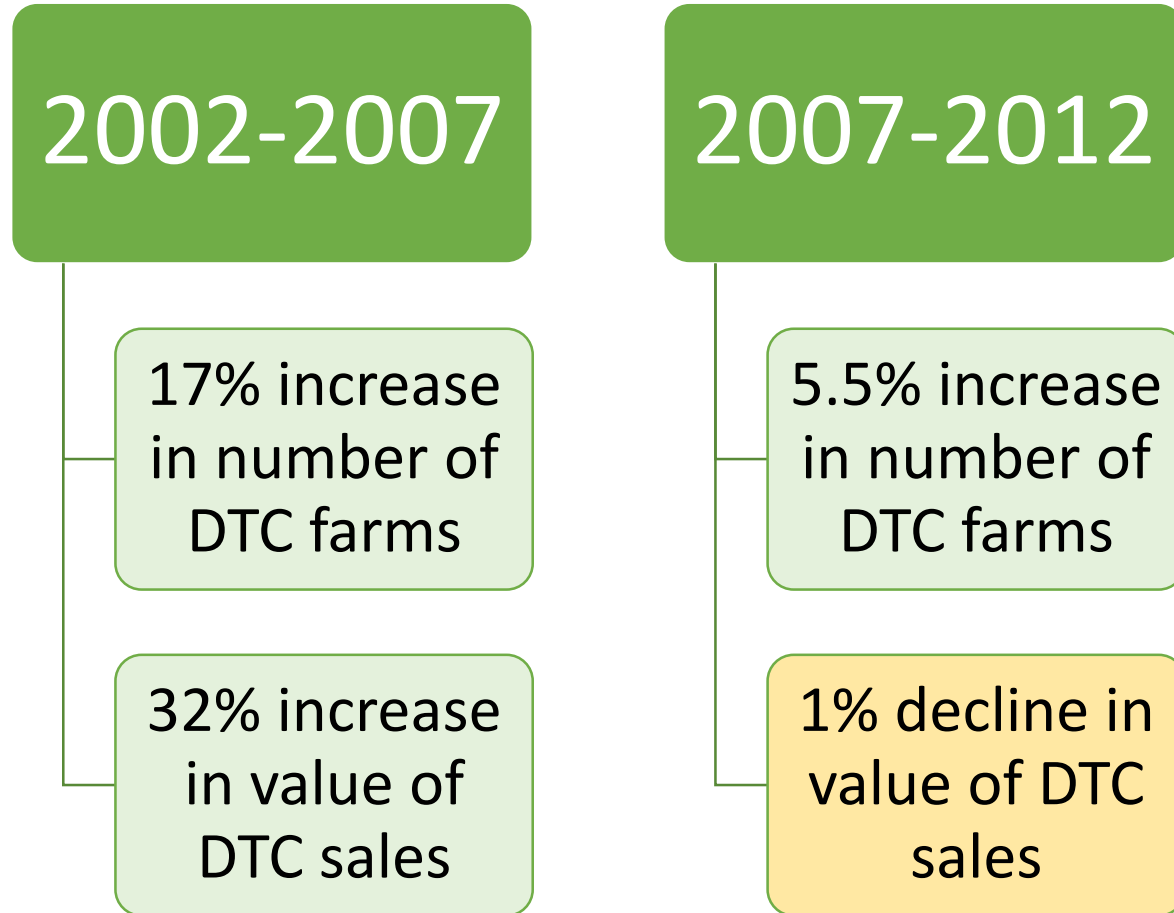
Comparison: Farm Type

Local food farms and sales by market channel use and farm type



Note: The share of farms by marketing channel use and farm production type are based on 2012 Census benchmark counts; the shares of total value of local food sales by marketing channel use and farm production type are synthetic estimates. Source: USDA, ERS/NASS, ARMS data, 2008-2011; USDA, NASS, 2012 Census of Agriculture.

Trends in the Number and Value of Sales of Direct-to-Consumer Farmers



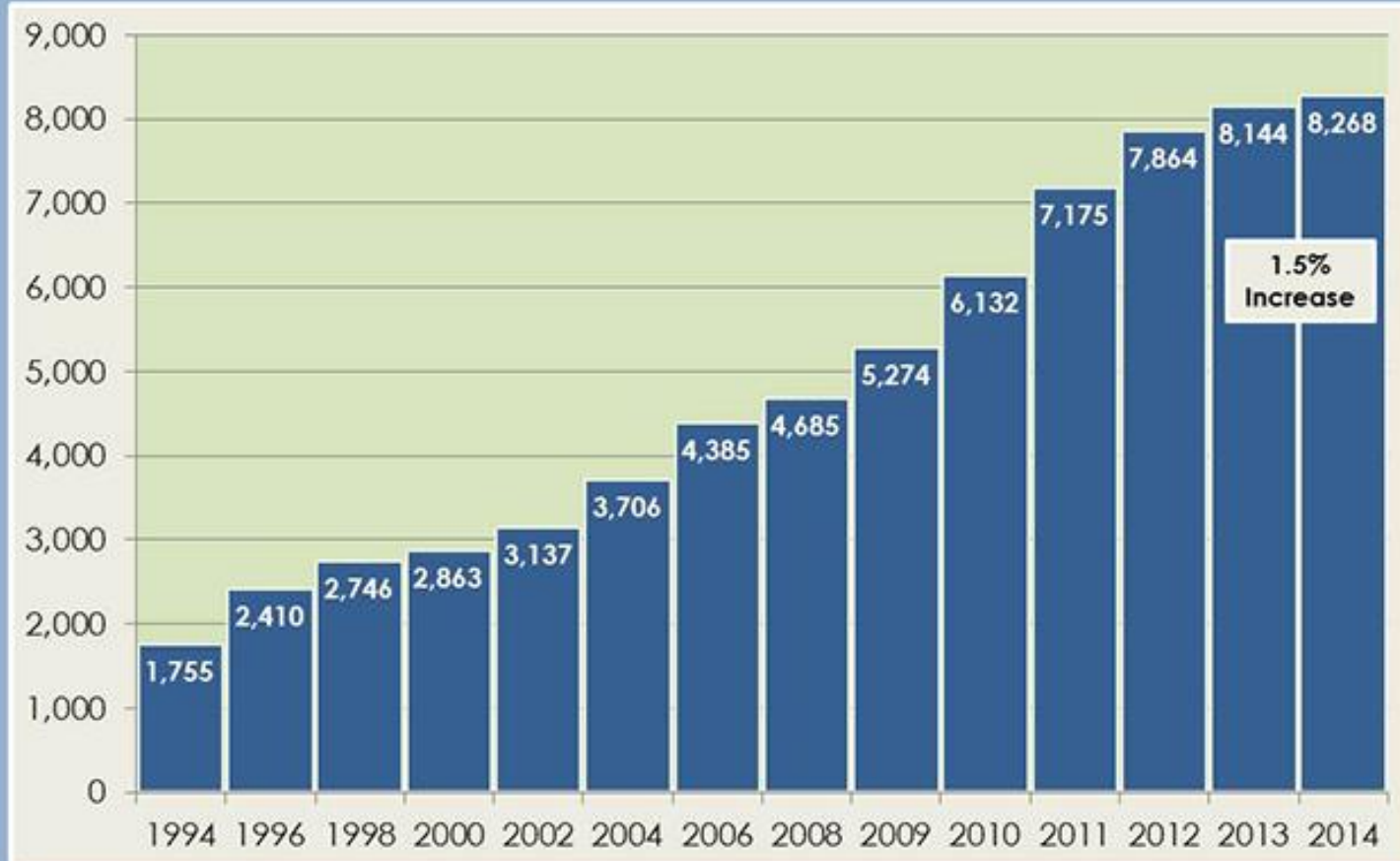


Farmer's Markets



Farmers' Markets - Trends

National Count of Farmers Market Directory Listings



Source: USDA-AMS-Marketing Services Division

Farmers Market information is voluntary and self-reported to USDA-AMS-Marketing Services Division

Farmers' Market Benefits



Consumers gain:
Access to locally produced specialty food items
Increase access to variety of fresh affordable produce



Farmers gain:
Ability to produce and sell in relatively small volumes that provide more income than would be possible through other channels



Communities gain:

- Connections of communities to farmland
- Greater local food security
- Enhanced community economic development and agricultural diversity

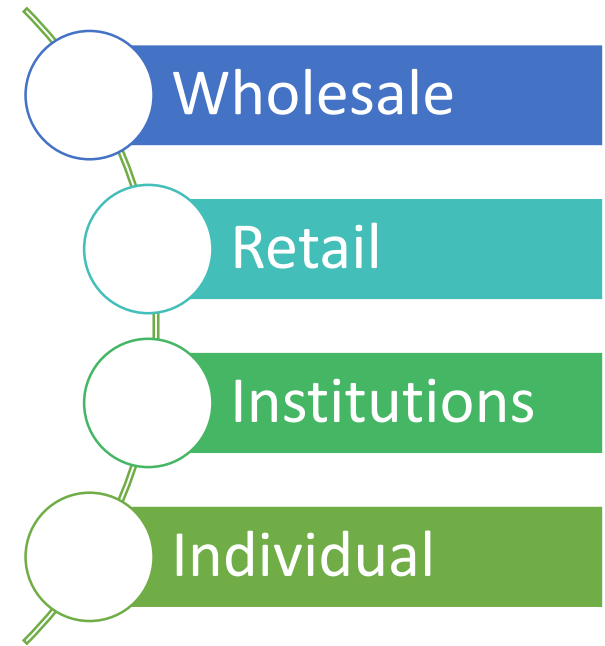
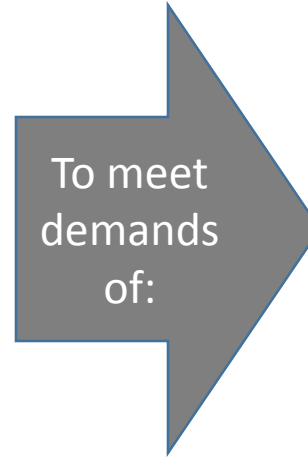
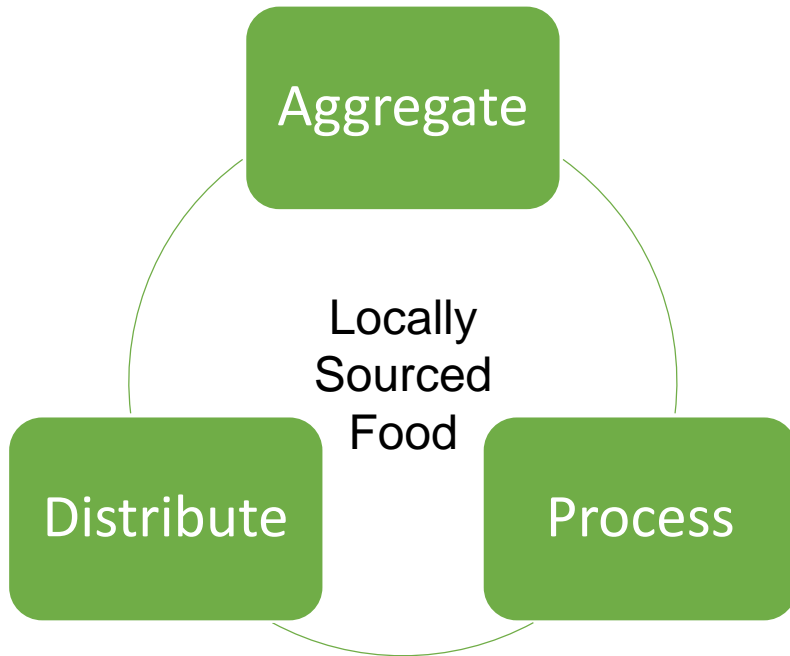
Farmers' Markets – Key Factors

- Market organization and structure
- Market management
- Market location
- Identifying, recruiting and retaining vendors
- Attracting and retaining customers
- Recruiting community partners



Food Hubs

Food Hubs:



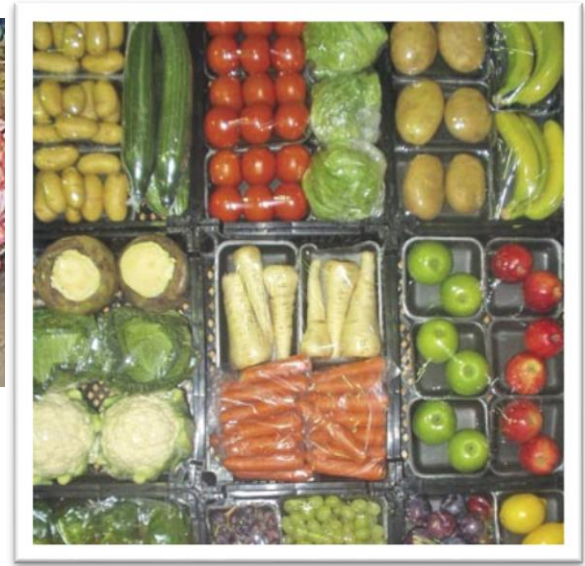
Food Hubs

Since 2006, the number of food hubs in the U.S. has increased by 288% to 302

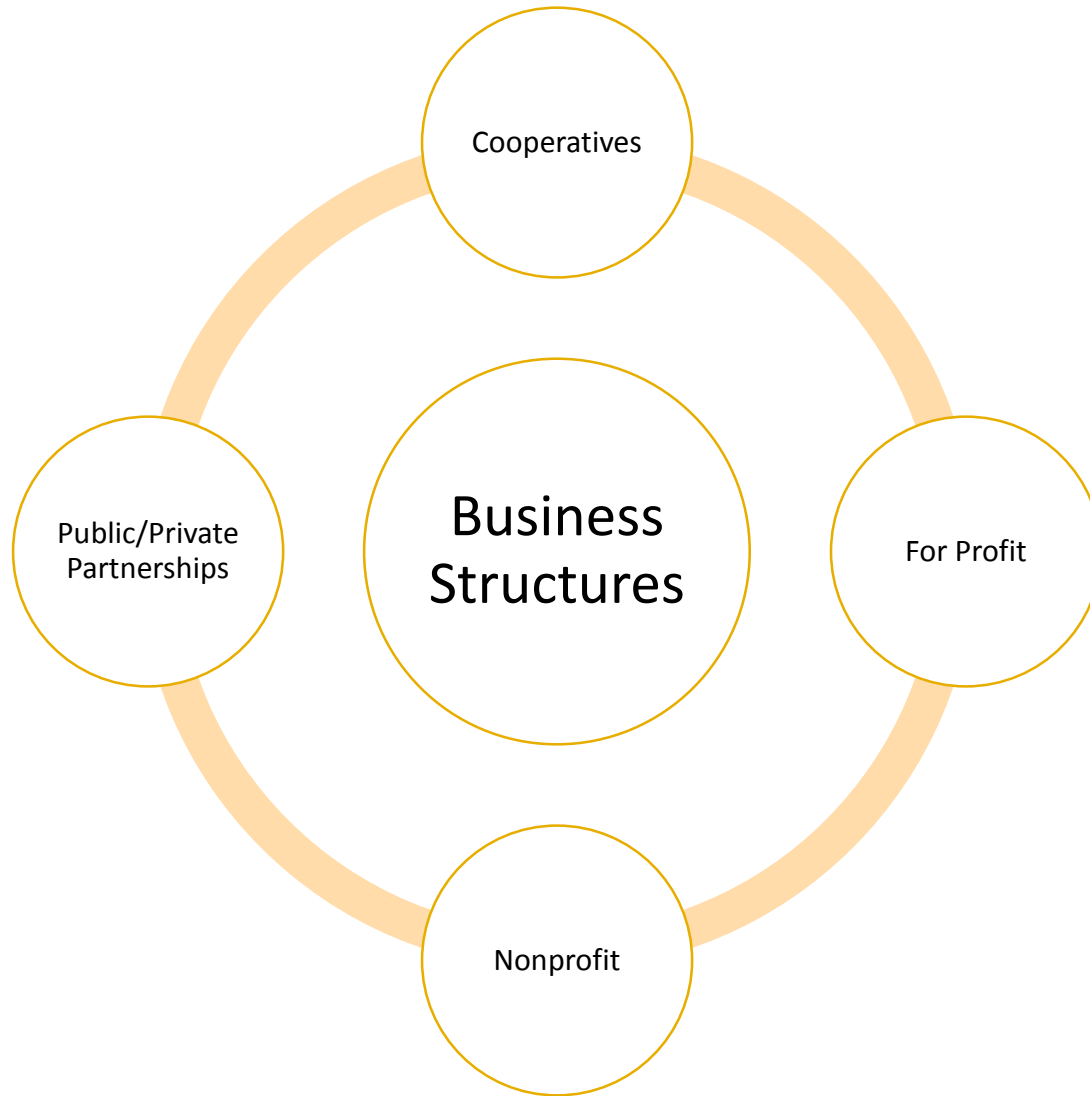


Source: USDA, Agriculture Marketing Service, 2014

Food Hub Infrastructure



Food Hub Legal Structures



Local/Regional Food Systems Impact on Communities

Positive community impacts include:

- Economic Development
- Health and Nutrition
- Food Security
- Social Capital
- Environmental



Local and Regional Food Challenges

Challenge #1: Food Safety Regulations

Requirements from:

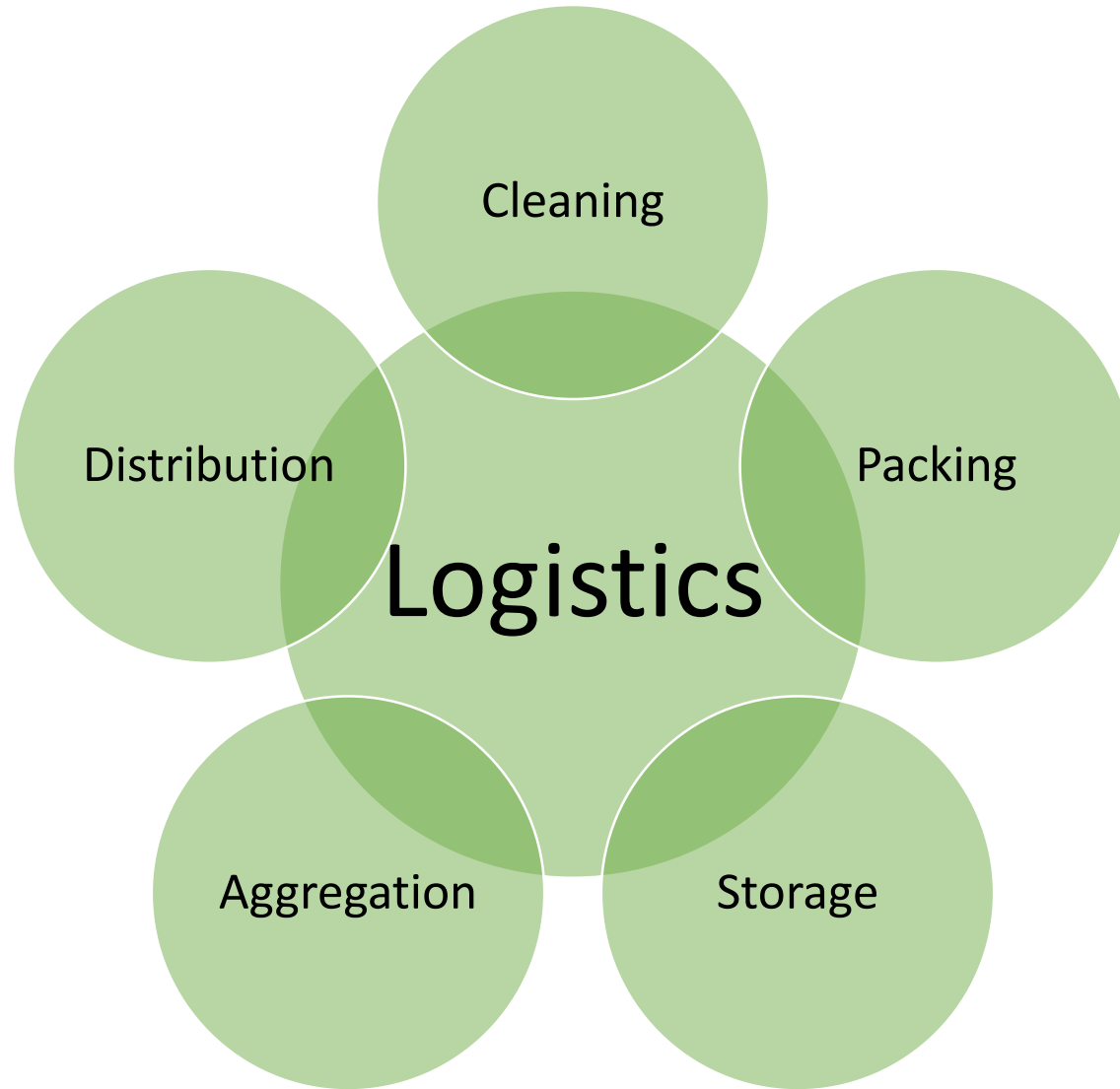
- Government regulations:
- Food Safety Modernization Act (FSMA)
- Local food buyers
- Large foodservice establishments

Sources of assistance:

- USDA Agricultural Marketing Service's:
 - Good Agriculture Practices (GAP)
 - Good Handling Practices (GHP)
- Private consulting firms – may be costly

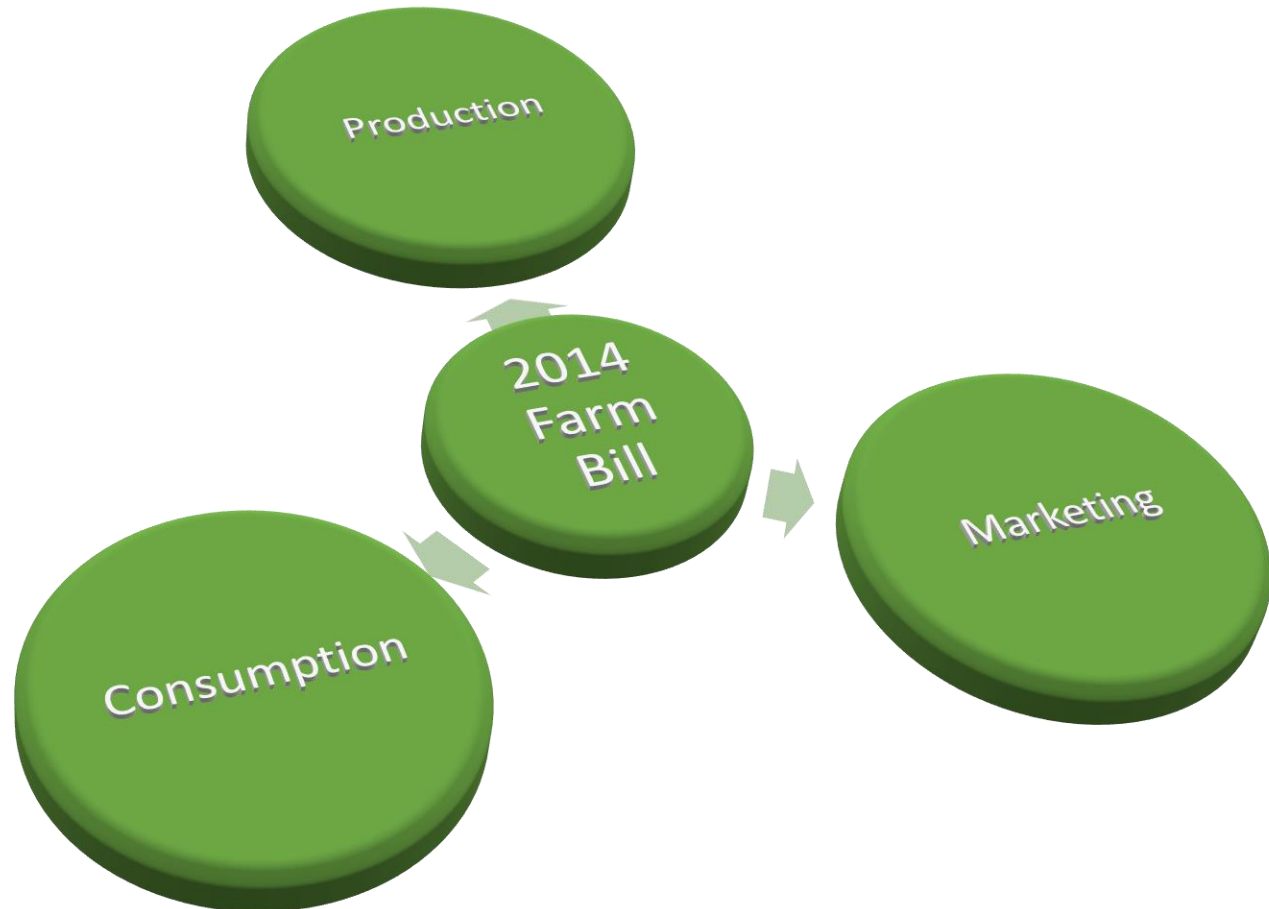


Challenge #2: Competition & Market Access



Supporting Policies and Programs

Supporting Policies and Programs



Supporting Policies and Programs: Production



- Value-Added Producer Grant
- Rural Business Development Grants:
 - Rural Business Opportunity
 - Rural Business Enterprise
- Farm Storage Facility Loan Program
- Local and Regional Food Enterprise Loan Account
- National Organic Certification Cost-Share Program

Supporting Policies and Programs: Marketing

- Farmers' Market Promotion Program (FMPP)
- Local Food Promotion Program (LFPP)
- Specialty Crop Block Grants (SCBG) Program



Supporting Policies and Programs: Consumption

- Food Insecurity Nutrition Incentive Grant
- Healthy Food Financing Initiative
- Senior Farmer's Market Nutrition Program
- Fresh Fruit and Vegetable Program
- National Farm to School Program



Supporting Policies and Programs: Other Sources

- State Local Food Policies and Programs
- Government and NGO Collaboration
- Private-Public Food Policy Councils
- Sub-state Policies and Programs





Exploring Regional Food Systems

Examining Farmers' Markets



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

Two Types of Marketing Channels



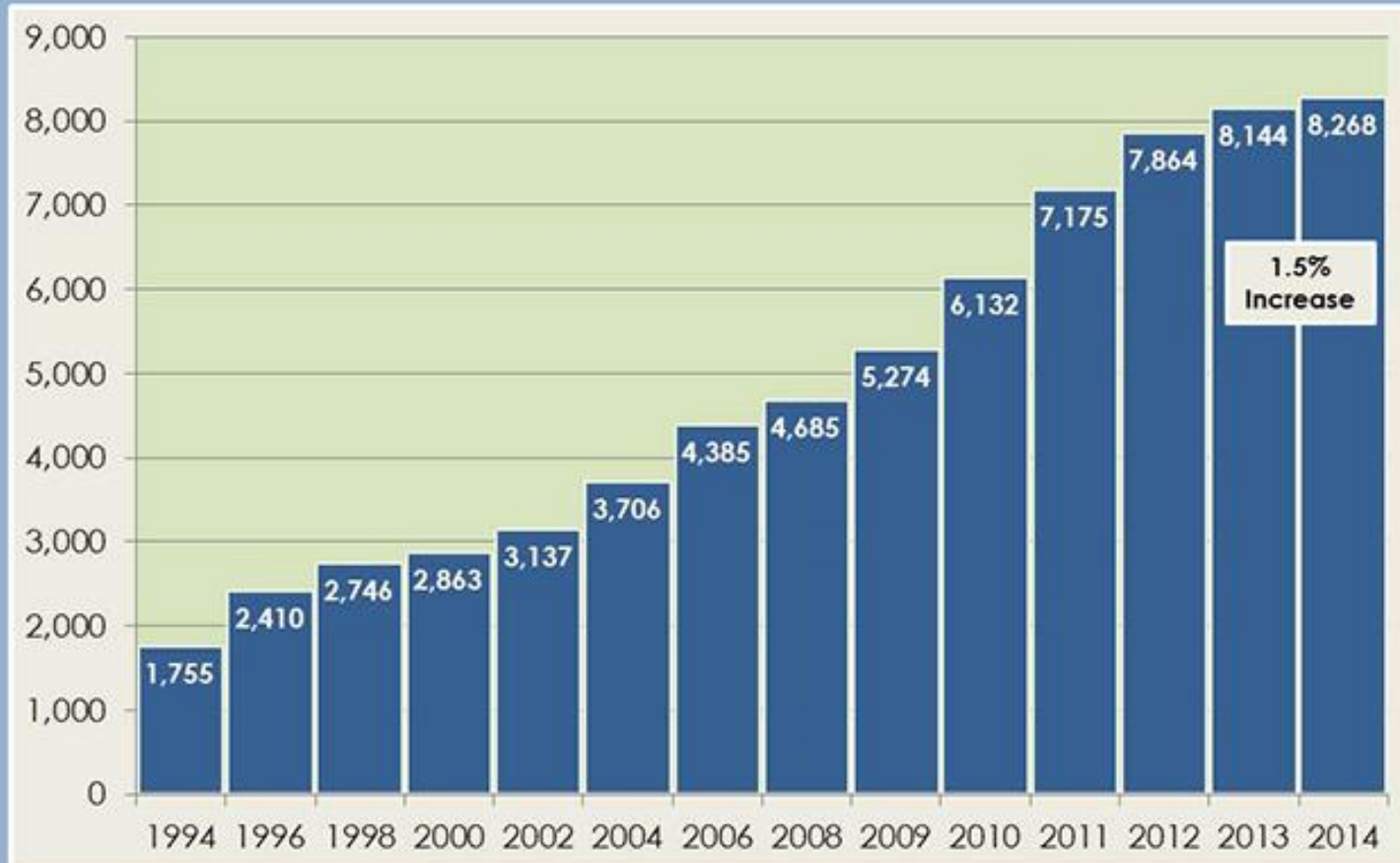
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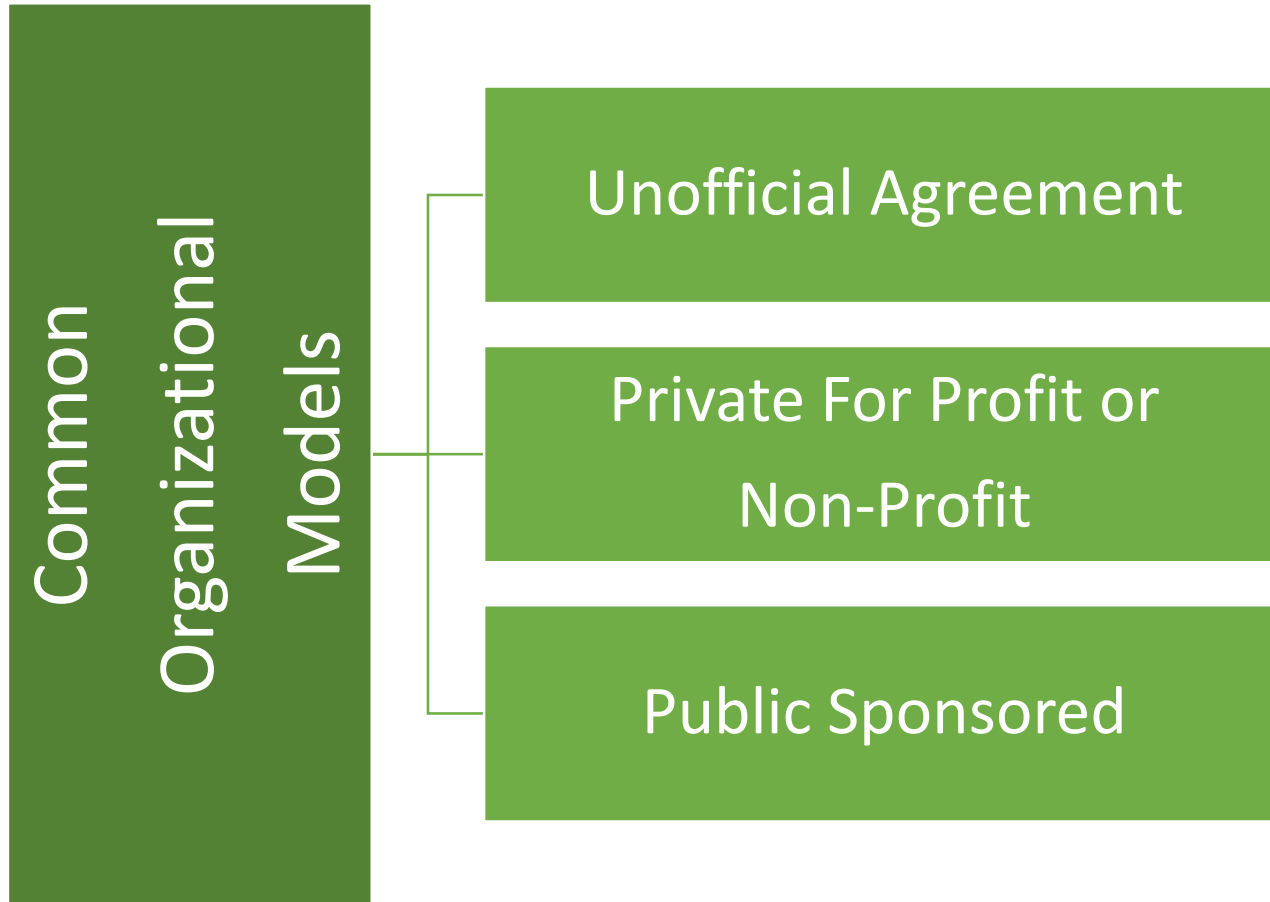
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Farmers' Markets – Key Factors

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- Market management
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Farmers' Markets Key Factors: Market Organization and Structure



Farmers' Markets Key Factors: Market Management



Board of Directors



Market Manager

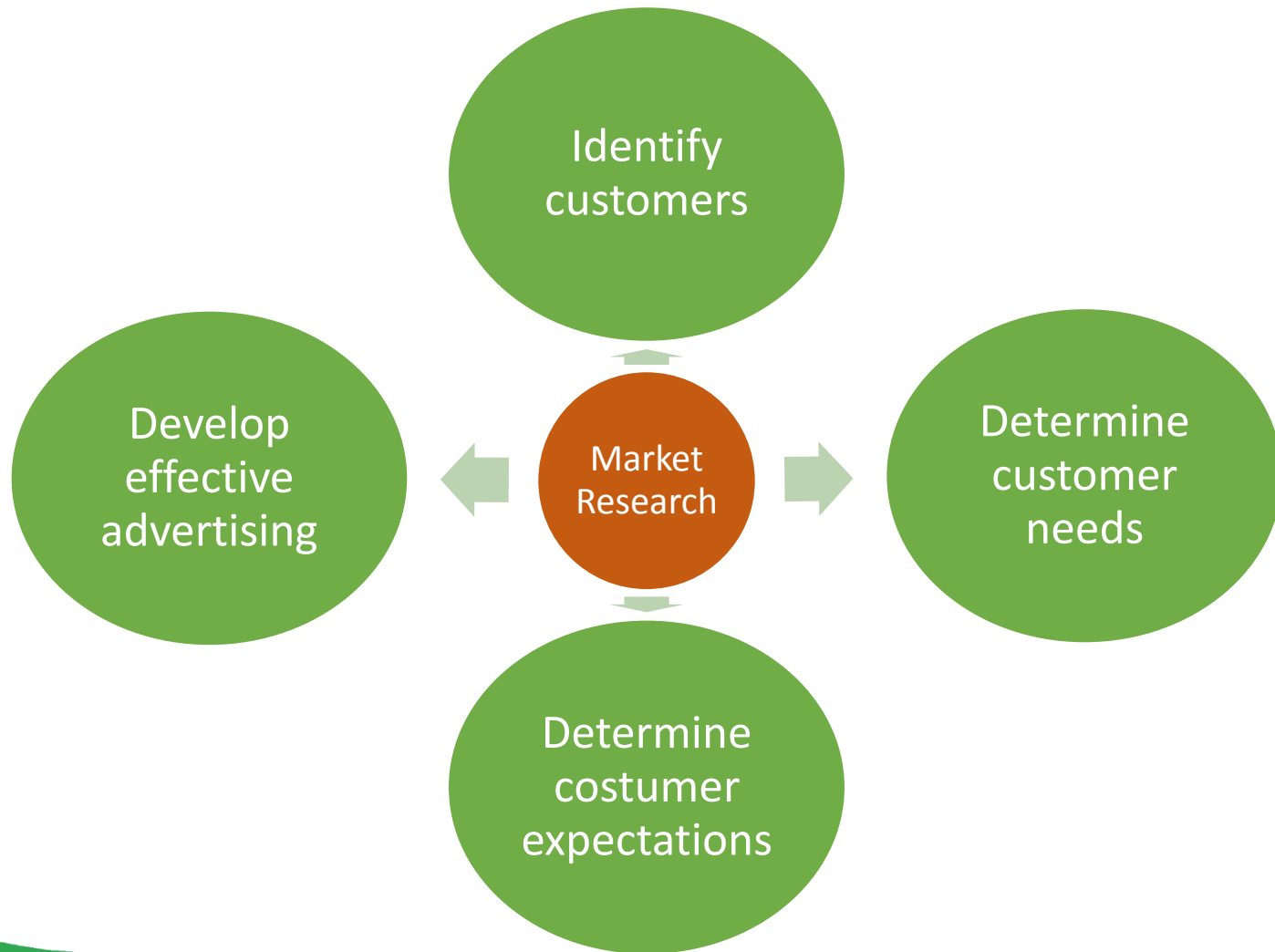
Farmers' Markets Key Factors: Location

- Centrally located
- Easily visible
- Accessible for vendors
- Reachable by consumers
- Inviting environment

Farmers' Markets Key Factors: Identifying, Recruiting and Retaining Vendors



Farmers' Markets Key Factors: Attracting and Retaining Customers





Exploring Regional Food Systems

Examining Food Hubs



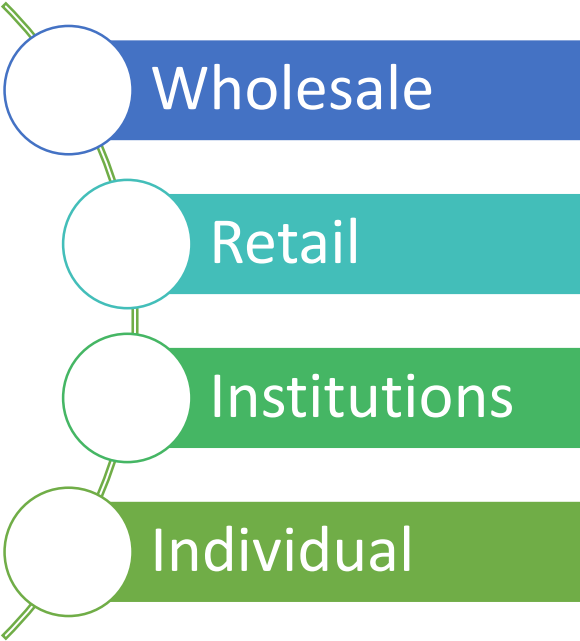
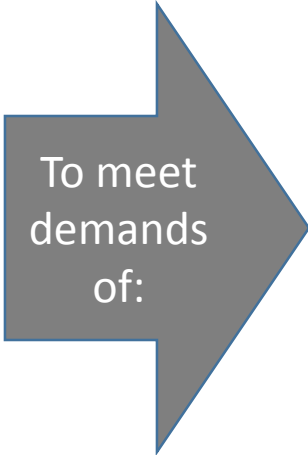
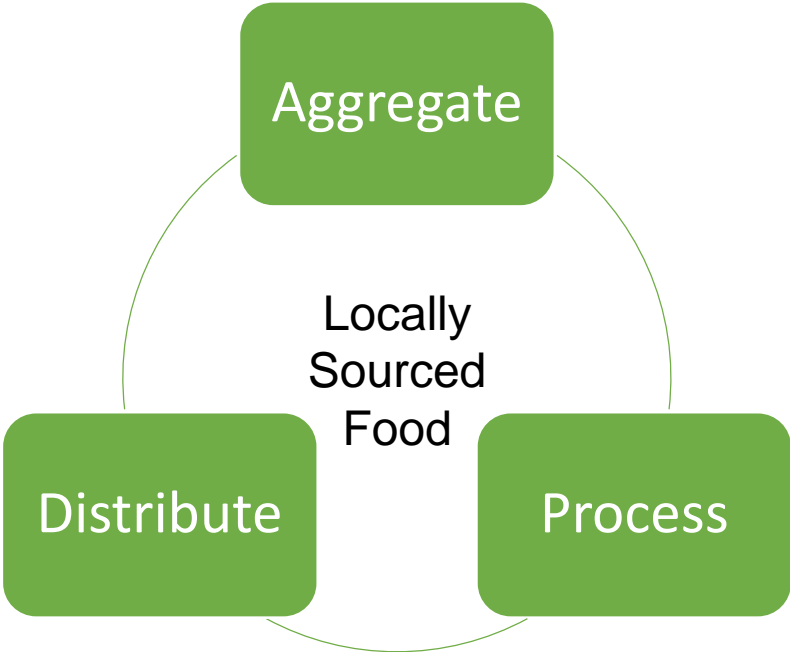
Exploring Regional Food Systems

Food Hubs

- Overview and Trends
- Models
- Legal Structures
- Revenue Models



Food Hubs:



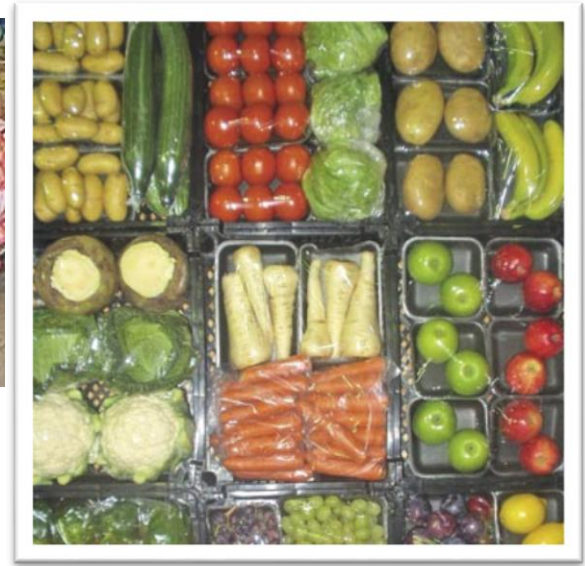
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Food Hub Infrastructure

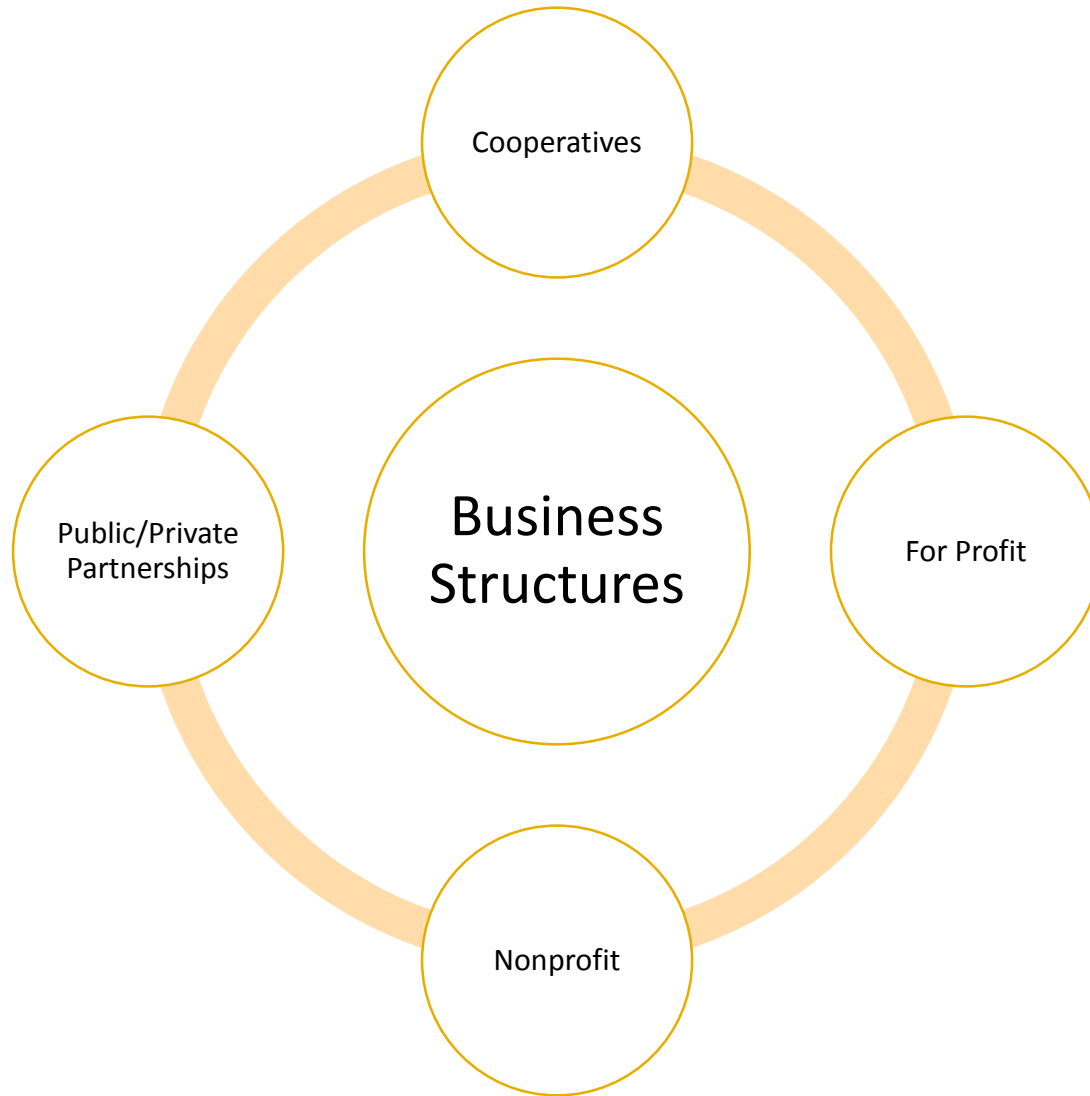


Food Hub Models

- Aggregation Centers
- Packing Houses
- Processing Centers
- Web-based Aggregator
- Core Business Services



Food Hub Legal Structures



Food Hub Legal Structure: Agricultural Cooperative (Co-op)

Advantages

- Strong grower support
- Equal voice in decision-making



Considerations

- May have challenges generating funding for infrastructure
- Collaborative decision-making can be slow
- Key decisions made by the group rather than specialized experts.

Food Hub Legal Structure: For-Profit Ventures

- Primary function: generate profit for its stakeholders.
- Structure options:
 - Sole Proprietorship
 - Partnerships
 - Corporations

Advantages

- More easily attract investors to fund start-up
- May be able to generate more profits for stakeholders

Considerations

- Ineligible for most grants
- Subject to high corporate tax rate

Food Hub Legal Structure: Nonprofit

Nonprofit food hub function: to advance a social or environmental mission.

Nonprofits must have a board of directors, file articles of incorporation, and apply for both nonprofit status with the IRS and liability insurance

Advantages

- Can apply for grants
- Not subject to corporate tax
- Sales tax exemptions
- Postal rate discounts
- Reinvested profits can strengthen the ag. community

Considerations

- Takes time to set up
- Partners may lack capacity to run the organization.
- Lack of financial reward to partners may hinder efforts to maximize profitability.

Food Hub Legal Structure: Public/Private Partnership

Advantages

- Public funding can be used to purchase equipment and/or buildings to boost start-up.
- Public/private support can help withstand less profitable seasons

Considerations

- May require feasibility studies
- Support may shift with changing government budgets and policies



Food Hub Revenue Models



Food Hub Revenue Models: Aggregation Facility & Packing Houses



Aggregation/ Distribution

- Delivery fees
- Covers labor and transportation costs



Packing

- Flat fee
- Covers direct costs



Marketing

- Consignment
- Direct purchase

Food Hub Revenue Models: Processing Centers

- Contract Processing
- Private Labeling
- Shared-Use Kitchen for Farmers
- Shared-Use Kitchens for Others
- Food Business Incubator



