

Exploring Regional Food Systems

Examining Food Hubs

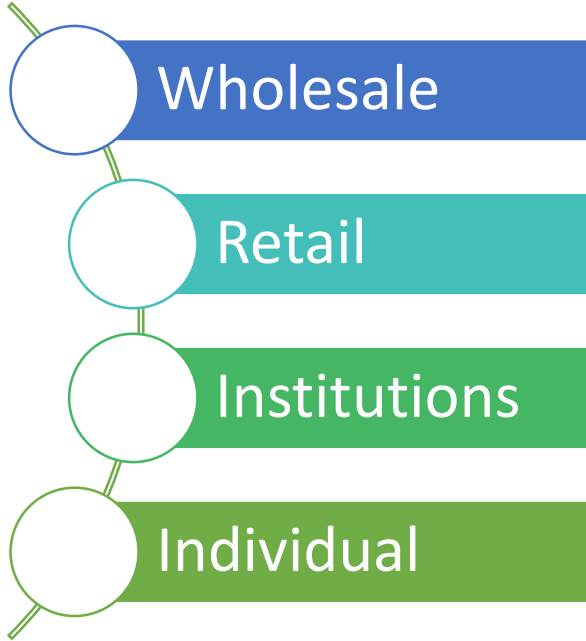
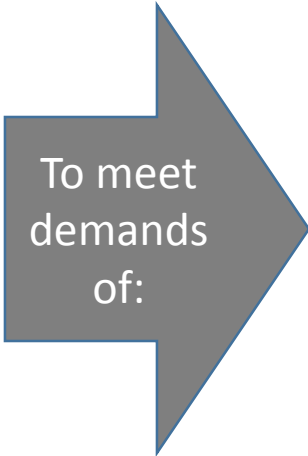
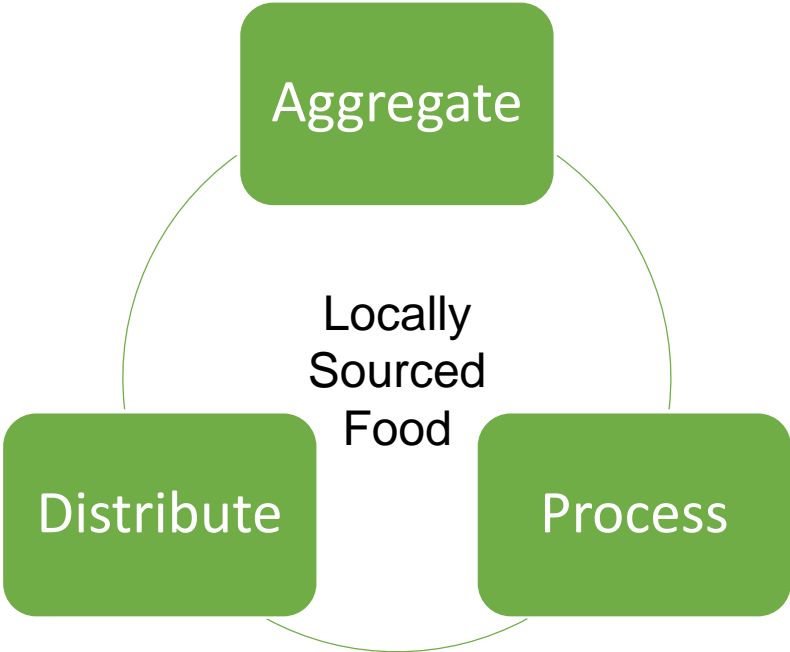


Exploring Regional Food Systems Food Hubs

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



Food Hubs:



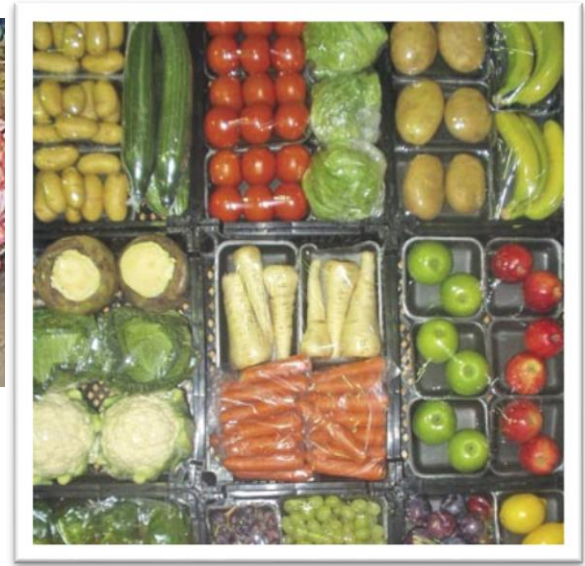
Food Hubs

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



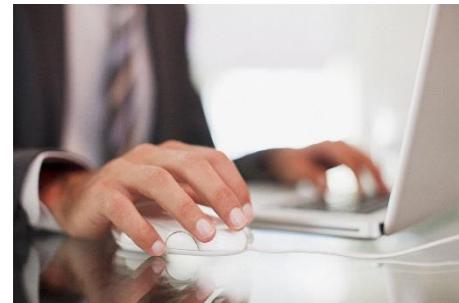
Source: USDA, Agriculture Marketing Service, 2014

Food Hub Infrastructure

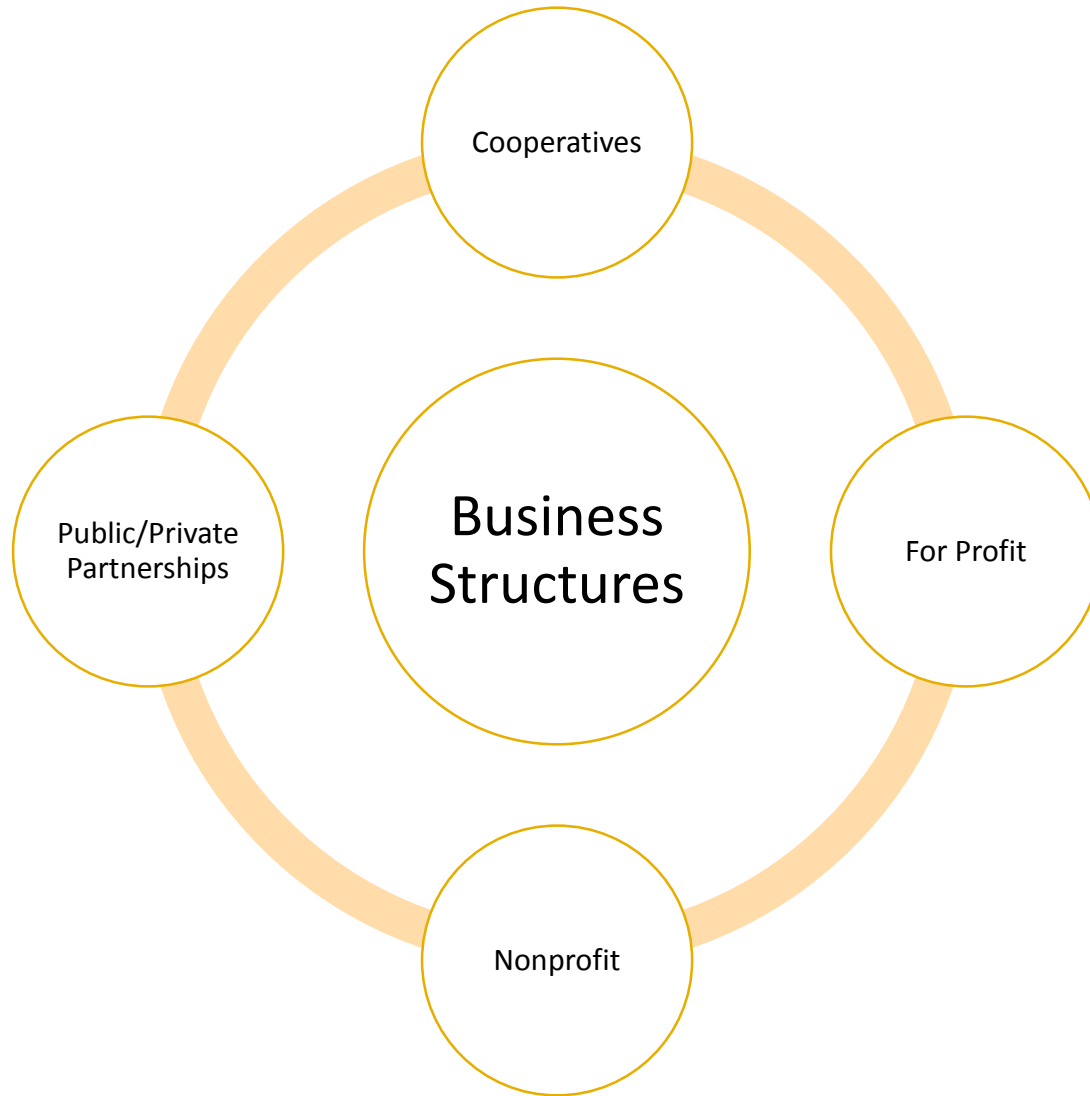


Food Hub Models

- 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



