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SAN DIEGO COUNTY

Food Hub Needs Assessment

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San Diego County Food Hub Needs Assessment

A Project of Community Health Improvement Partners
Prepared by Leichtag Foundation Research Consultants Sona Desai and Niki Mazaroli
Funded by the County of San Diego's Land Use and Environment Group

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Executive Summary

Community Health Improvement Partners (CHIP) is assessing the feasibility of a food hub in San Diego County to support increased community access to healthy food while improving the economic viability of local farmers. To advance this effort CHIP developed the San Diego County Food Hub Needs Assessment, the findings of which are summarized in the following report. The project assessed the preliminary feasibility of the development of a food hub in San Diego County via a two-part assessment: a formative study and a stakeholder landscape analysis. In addition, the project established a Food Hub Advisory Committee, consisting of a group of key food system stakeholders that guided the research scope, contributed expert insights, and will continue to evaluate the project's findings and development.

<u>Part One: Formative Study</u>
The goal of this initial phase was to aggregate, distill, and summarize the relevant available research to inform the development of a regional food hub focused on institutional sales in San Diego County. To this end, the research sought to answer the question: *What are the key attributes of profitable regional food hubs that sell to institutions?* The Formative Study included a review of food hub literature, food hub businesses across the country, and past and present food hub research and development efforts in San Diego County.

<u>Part Two: Stakeholder Landscape Analysis</u>
Building off of the findings of the Formative Study in Part One, the second part of the project analyzed the landscape of food hub stakeholders in San Diego County on both the demand- and supply-side of local food procurement. The Stakeholder Landscape Analysis was comprised of three components:

1. Online survey of buyers, including distributors, processors, restaurants, schools, and hospitals.
2. In-person interviews with food hub stakeholders.
3. Key findings from the UCCE San Diego Growers Needs Assessment.

<u>Project Conclusions</u>
The findings from the Formative Study demonstrated that there is no one-size-fits-all model for food hubs; various foods hub models can be economically viable and successfully serve institutional customers. The estimated minimum annual revenue needed across all food hub models for a hub to achieve financial viability is $600,000. A wholesale or business-to-business (B2B) food hub in particular will require significantly higher annual revenue to achieve financial viability: approximately $2,400,000 or greater. The keys to a food hub's success are good business management, strong relationships in their community, and a deep commitment to supporting local and regional food systems. In addition, food hubs selling to institutions are most profitable when they work with mid-scale growers, secure anchor customers and diversify their market channels. It is highly uncommon for viable food hubs to generate sales through institutions alone.

The findings from the Stakeholder Landscape Assessment showed **broad interest in a food hub from both local buyers and growers**. There was agreement amongst key stakeholders that the goals of a food hub in San Diego County should be two-fold: supporting local growers and supporting healthy food access for the local community, including low-income/underserved populations. However, there was also clear consensus that the **primary beneficiary of a food hub should be local growers**; this will be a key factor dictating the design of a hub's services and major features.

While there is presently an interest in food hub services and alignment around hub goals, uncertainty remains around the model and the precise services that it should provide. Services that are of most interest are: market development, brokerage, aggregation and distribution, farm labor support, and technical assistance. **Potential models that currently show promise to meet the interest and identified needs of buyers and growers are: value chain coordination, a virtual hub, and a physical hub**.

<u>Project Recommendations</u>
Given the broad interest in a food hub from buyers and growers in San Diego County, it is **recommended to proceed with the development of an in-depth design and business plan for a business-to-business (B2B) food hub** that prioritizes San Diego County growers as the primary beneficiary and leverages local wholesale customers (institutions, restaurants and grocery stores) as the primary markets. Based on this comprehensive design and business plan, the most appropriate model – value chain coordination, a virtual hub or physical hub – will be determined for implementation in San Diego County.

The following recommendations are made to guide the design and business plan development:

1. Continue building relationships with community stakeholders. Maintain the Food Hub Advisory Committee and cultivate stronger relationships with local growers.
2. Articulate the food hub project's commitment to the local/regional food system.
3. Take a diversified approach and consider a food hub that sells to institutions, restaurants, and grocery stores. To do so, conduct further demand research to identify anchor institutional customers and other key partnerships, including existing wholesale distributors to determine if they can adapt or expand their services to meet some or all of the functions of a food hub.
4. Consider and consistently plan for viability. Draft business model and strategy and determine how hub will meet the annual food hub gross revenue and expenditure profile necessary to achieve financial viability.

Additionally, the design should evaluate each of the three potential food hub model scenarios – a physical hub, a virtual hub, and value chain coordination – and determine the most appropriate model for implementation to ensure viability and the greatest benefit to San Diego County buyers and growers.

The San Diego County Food Hub Needs Assessment is the 1st phase of a three phase plan for development of a food hub, including the aforementioned design and business plan, followed by implementation of a food hub.

Introduction

Led by Community Health Improvement Partners (CHIP), the San Diego County Food Hub Needs Assessment project assessed the preliminary feasibility of the development of a food hub in San Diego County via a two-part needs assessment. The project's overarching aim was to determine whether a food hub can support better community access to healthy food while improving the economic viability of local farmers. The following report documents and summarizes the findings of the Needs Assessment, as well as recommended next steps for the project.

The research was conducted by Leichtag Foundation research consultants Sona Desai and Niki Mazaroli, under the direction of CHIP's Food Systems and Research Director Prem Durairaj.

Acknowledgements

CHIP would like to recognize the County of San Diego's Land Use and Environment Group for providing grant funding in support of the San Diego County Food Hub Needs Assessment. Additionally, CHIP is grateful to University of California Cooperative Extension (UCCE) San Diego for sharing the data from the San Diego Agricultural Growers Needs Assessment, which was used to inform the Stakeholder Landscape Analysis. Lastly, the following members of the Food Hub Advisory Committee and participants in the Key Stakeholder Interviews are acknowledged for generously contributing their time and expertise to this project:

Name (Affiliation)	Food Hub Advisory Committee member	Key Stakeholder Interview participant
Ariel Hamburger (County of San Diego)	X	
Bob and Roger Harrington (Specialty Produce)		X
Chris McCracken (UC San Diego Health)	X	X
Chris Wilbur (Plum Healthcare, University Care Center)		X
Chuck Samuelson (Kitchens for Good)	X	
Colin Bruce (Go Green Agriculture)		X
Danny Calvillo (Sunrise Produce)	X	X
Domingo Vigil (County of San Diego)	X	
Dwight Detter	X	
Ellee Igoe (Solidarity Farm)		X
Eric Larson (San Diego Farm Bureau)	X	X
Eric Span (Sweetwater Union School District)		X
Gail Gousha (Escondido Union School District)	X	X
Gilda Vasquez (Diamond Jack)		X
Jamie Phillips (Vista Unified School District)	X	X
Kevin Muno (Castagno Capital)		X
Mike Paluso (American Produce Distributors)		X
Naomi Shadwell (Oceanside Union School District)	X	
Noel Stehly (Stehly Farms)		X
Phil Noble (Sage Mountain Farm)	X	X

Prem Durairaj (CHIP)	X	
Ron Troyano (Alchemy San Diego)	X	
Sona Desai (Leichtag Foundation)	X	
Trish Watlington (Farm to Fork San Diego)	X	

Part One: Formative Study

The goal of Part One was to aggregate, distill, and summarize the relevant available research to inform the development of a regional food hub focused on institutional sales in San Diego County. More specifically, by reviewing past, present, and national efforts, this research sought to answer the question: *What are the key attributes of profitable regional food hubs that sell to institutions?* In this study, institutions are defined by CHIP as school districts, hospitals, government, early child care facilities, and universities.

The findings from the formative study are outlined in the subsequent four sections of the report: The first section provides an overview of the function, elements, and financial viability of food hubs, as well as the characteristics of the food hub sector. The second section outlines past and present food hub research and development efforts in San Diego County. The third section offers a summary of select food hubs from around the country, including five profiles of regional food hubs selling to institutions.

Overview of Food Hubs

The subsequent sections outline the functions, elements, and characteristics of food hub businesses and the sector as a whole. By understanding the scope of the sector and food hubs themselves, local stakeholders can begin to understand the potential role a food hub could play in San Diego County, as well as the challenges it could face.

First, what is and what isn't a food hub? The USDA defines a regional food hub as:

> *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.*[1]

In response, an alternative definition was proposed that is "inclusive enough to embrace different types of food hubs yet prescriptive enough to provide clarity on the roles food hubs play":

> *Food hubs are, or intend to be, financially viable businesses that demonstrate a significant commitment to place through aggregation and marketing of regional food.*[2]

"Source-identified" and "commitment to place" are important nuances that distinguish hubs from other food businesses similar in function. Specifically, the distinction of "source-identified" indicates that, to

[1] Barham, James, et al. Regional Food Hub Resource Guide, USDA Agricultural Marketing Service. Washington, DC. April 2012. Retrieved August 31, 2018 from: https://www.ams.usda.gov/publications/content/regional-food-hub-resource-guide

[2] Fischer, Micaela; Rich Pirog; Michael W. Hamm. 2015. "Food Hubs: Definitions, Expectations, and Realities." Journal of Hunger & Environmental Nutrition 10 (1): 92–99. https://doi.org/10.1080/19320248.2015.1004215.

some extent, the stories of the food, the producer, the production methods—or simply the location—stay with the product as it moves through the supply chain.

Food Hub Functions

Vanderburgh-Wertz and Moraghan (2014) classified food hub business activities into five categories listed below. A food hub may carry out one or all of these functions in its operation, and most commonly choose to focus on one or two. Additionally, a food hub may choose to broker these activities instead of undertaking them directly.

- **First-mile aggregation:** The food hub works directly with producers to aggregate and store different products (fruit, vegetables, dairy, meat, etc) from multiple farms to one or more centralized locations.
- **Last-mile distribution:** The food hub stores and transports products to end customers (i.e. restaurants, schools, hospitals, individuals, etc).
- **Retail or diversified markets:** The food hub engages in a variety of activities that can include wholesale, retail, real estate rental, and educational activities. This category also includes “community retail hubs” that sell product to end consumers through retail outlets, online grocery sales, and CSA-style farm share boxes, among others.
- **Processing for convenience:** The food hub processes fruits and vegetables to make them more convenient for the end customer. Often called “light processing,” processing for convenience includes washing, peeling, chopping, and/or bagging. This category of activity can also include preparation of meals through a commissary as well as slaughtering and butchering.
- **Processing for preservation:** The food hub processes food to a shelf-stable or frozen condition. Heavy processing for preservation includes canning, pickling, jam-making, among many others. Making charcuterie and other preserved meats also fit into this category of activity.[3]

The Food Hub Sector

Providing a sense of the scope of the food hub sector in the U.S., the 2015 National Food Hub Survey conducted by National Good Food Network and the Michigan State University’s Center for Regional Food Systems found that:

- There are approximately 360 food hubs in the U.S., 75% of which began operation in the last decade.
- Food hubs work with an average of nearly 80 farmer and food business suppliers.
- 46% of hubs require producers to show proof of food safety regulation compliance.
- More than 90% of food hub farm or ranch suppliers are located within 400 miles of the hub, and 75% of food hub customers are located within 400 miles of the hub.
- More than 90% of food hubs source exclusively or mostly from farms and ranches with gross sales less than $500,000.[4]

The 2015 Food Hub Financial Benchmarking Study found the top challenges facing regional food hubs to be:

1. Balancing supply and demand
2. Managing growth

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[3] Vanderburgh-Wertz, Darrow; Malini Ram Moraghan. Food Hub Business Assessment Toolkit. Wholesome Wave. February 2014. Retrieved on October 2, 2018 at: http://ngfn.org/resources/ngfn-database/30%20-%202015%20Food%20Hub%20Survey%20Report.pdf

[4] Hardy, Jill, et al. Findings of the 2015 National Food Hub Survey. Michigan State University Center for Regional Food Systems: East Lansing, MI, USA. May 2016. Retrieved September 14, 2018 from: https://www.canr.msu.edu/resources/2015-food-hub-survey

3. Access to capital[5]

Additionally, a USDA report released in November 2017 showed that the five-year survival rate for food hubs is 88%, which is significantly higher than the survival rate for all types of new businesses (53%). Food hubs have also weathered the most recent economic recession much better than other small businesses.[6]

To understand the unique opportunities and challenges facing regional food hubs it can be useful to consider how they differ from conventional produce wholesalers and processors. Figure 1 compares the traditional produce wholesaler and processor sectors to the food hub sector across a variety of categories:

Figure 1. Conventional versus Food Hub Sectors

	Traditional Produce Wholesaler	Traditional Produce Processors	Food Hubs
SUPPLIER TYPE	• Large • International • Conventional production	• Large • International • Conventional production	• Small and mid-sized • Regional • Diversified, sustainable production
PRICING	• Producer is price taker • Opaque pricing	• Producer is price taker • Opaque pricing	• Producer is favored in pricing or has some input into pricing • Transparent pricing throughout supply chain
SUPPLIER MANAGEMENT/ DEVELOPMENT	• Onus is on producer to meet standards	• Onus is on producer to meet standards	• Producer is supported in meeting standards and growing for wholesale markets
SALES VOLUME PER COMPANY	• $12 million average	• $49 million average	• $3.7 million average[32] • $324,500 median
GROSS MARGIN	• 13-14%	• 22-24%	• Not available[33]
PROFIT MARGIN	• 1%	• 2%	• Not available
WAREHOUSE SIZE	• 10,000-400,000 sq ft	---	• 4,000-50,000 sq ft

Source: Vanderburgh-Wertz, Darrow and Malini Ram Moraghan. Food Hub Business Assessment Toolkit. Wholesome Wave: February 2014. Pg. 20.

[5] Cantrell, Patty. New financial data to help local food sector grow. Wallace Center: Good Food Economy Digest. 2015. Retrieved October 2, 2018 from: http://www.ngfn.org/resources/food-hubs/benchmarking-study/press-release-food-hub-benchmarking-study#documentContent

[6] Feldstein, Sasha; James Barham. Running a Food Hub: Learning from Food Hub Closures. USDA. August 2017. Retrieved on September 30, 2018 from: https://www.rd.usda.gov/files/publications/SR77_FoodHubs_Vol4_0.pdf

A major characteristic that sets the food hub sector apart from conventional producer wholesalers and processors, and other food supply chain businesses, is an explicit "commitment to community through the distribution of locally and regionally produced foods".[7] The 2015 Food Hub Benchmarking Study exhibited a variety of social goals that food hubs seek to address or impact as part of their missions and additional efforts:

- Almost all (99%) hubs' missions were related to increasing small and mid-sized farms' access to markets.
- 64% of hubs' missions were related to increasing human health in their surrounding community.
- 55% of hubs' missions sought to address racial disparities through access to healthy food.

Outside of their mission, the 2015 study demonstrated that food hubs function as values-based businesses through non-revenue generating activities such as:

- 83% of hubs donated food to local food pantries or food banks.
- 19% of hubs selling directly to consumers offered subsidized shares.
- 6% held community health screenings

Serving the Institutional Market

> The farm-to-institution market holds more power to benefit farmers and fisherman than any other local food market.[8]
>
> Nessa Richman, Metrics Project Manager
> Farm to Institution New England (FINE)

While food hubs can provide a suite of services (as outlined in the Food Hub Functions section), hubs generally take the form of three models based on their sales outlets:

1. **Direct to Consumer,** selling via CSAs, Buying Clubs, store fronts, etc.
2. **Farm to Business or Institution** (also known as Business to Business, B2B), selling to hospitals, schools, colleges, food services, restaurants, grocery stores, etc.
3. **Hybrid,** selling both direct to consumer and to institutions or businesses

Given CHIP's historic Farm to Institution efforts and the goals of the San Diego County Food Hub Needs Assessment project, this report is focused specifically on understanding farm to business/institution models and hybrid models that serve the institutional market.

As identified by the Wallace Center's *Food Hubs: Solving Local* report (2014)[9], hubs can provide essential services that serve institutions. These services include:

- Serving as aggregation points for local and regional food producers.

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[7] Hardy, Jill, et al. Findings of the 2015 National Food Hub Survey. Michigan State University Center for Regional Food Systems: East Lansing, MI, USA. May 2016. Retrieved September 14, 2018 from: https://www.canr.msu.edu/resources/2015-food-hub-survey

[8] Clark, Leilani. Why Farm-to-Institution Sourcing is the Sleeping Giant of Local Food. Civil Eats. August 2016. Retrieved from https://civileats.com/2016/08/29/forget-farm-to-table-its-farm-to-institution-sourcing-that-could-make-a-real-dent-the-food-system/

[9] Cantrell, Patty; Bob Heuer. Food Hubs: Solving Local. The Wallace Center at Winrock International. March 2014. Retrieved October 4, 2018 from: http://ngfn.org/solvinglocal

- Providing wholesale services ranging from storage, packing and distribution to light processing, branding, and market development.
- Offering a diverse selection of source-identified and branded local products.
- Increasing 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.[10]

Operationally, regional food hubs oriented to institutional buyers serve the following functions:

- Aggregation Facility
- Brokerage
- Packinghouse
- Web-based Aggregator
- Processing Facility

A 2016 report from John Hopkins Center for a Livable Future asserts that the "vast purchasing power and educational opportunity provided by institutions" are key to shifting institutional food purchasing towards sustainable and local purchasing.[11] While the potential is vast in terms of the sheer size of institutional food purchasing budgets, realizing local purchasing from both the perspective of institutions and of food hubs selling to institutions is not without its challenges.

For over ten years, the Intervale Food Hub has been working with the contract food service provider Sodexo to help the University of Vermont meet its local food procurement goals. The hub became an official vendor of Sodexo in 2015, an experience which is summarized in the 2016 report produced by the Intervale Center. In this report, Intervale Food Hub staff provide key insights into the barriers hubs face in selling to institutions, summarizing their lessons learned from their role as a Sodexo-approved vendor as follows:

- Strong relationships and pre-planning with institutional chefs and buyers is critical
- Flexibility is necessary to meet institutional needs
- Institutional price points are a significant barrier
- Systemic changes in food procurement at the institutional level require true culture change[12]

Additionally, a 2015 survey of food distributors in New England found the two biggest obstacles to selling and procuring local products were insufficient and inconsistent supply (in part due to a short growing season in New England) and the high price point of local products for their customers, many of which included institutions.[13] The 2015-2016 State of Farm to School in San Diego County Report, produced by Community Health Improvement Partners, looked at the barriers to local food procurement by schools in San Diego County. The study reported competitive pricing and the lack of methods for ordering from

[10] Ibid

[11] Fitch, Claire; Raychel Santo. Instituting Change: An Overview of Institutional Food Procurement and Recommendations for Improvement. The John Hopkins Center for a Livable Future. February 2016. Retrieved September 29, 2018 from: https://www.jhsph.edu/research/centers-and-institutes/johns-hopkins-center-for-a-livable-future/_pdf/research/Instituting-change.pdf

[12] Intervale Center. Lessons Learned: Selling to Sodexo at the University of Vermont. Burlington, VT. 2016. Retrieved October 8, 2018 from: https://static1.squarespace.com/static/5877a359f5e231f7a6d2b622/t/590b4936893fc0d318a02cf9/1493911899197/Intervale-Food-Hub-F2I-Lessons-2016.pdf

[13] Farm to Institution New England. Getting it There: Understanding the role of New England Food Distributors in Providing Local Foods to Institutions. August 2016. Retrieved September 1, 2018 from: https://www.farmtoinstitution.org/sites/default/files/imce/uploads/FINE%20Distributor%20Report_0.pdf

multiple local farms through a single platform as the top two challenges that school districts face in procuring from local farms.[14]

Related to supply limitations, mid-sized farms[15] represent a key and often-missing piece of institutional local food procurement. Due to their size, mid-sized farms are best positioned to provide a diversity of wholesale local products to large markets, such as institutions.[16] However, these same farms have also been steadily decreasing in number, a trend that the USDA has tracked and acknowledged.[17] In both public and private sectors, there has been a movement to reform institutional food procurement in order to increase the purchase of local and healthy food products; this movement has been most active at colleges, universities, and public school districts.[18] Given the increasing demand for local food from institutions, there is great potential for food hubs to help local mid-size farmers bridge the gap for this demand. Food hubs can facilitate the procurement of local food for institutions and the viability of mid-sized farms by helping mid-sized farms connect to new markets and build relationships with large buyers, and ideally a few anchor institutional buyers. Through the institutional procurement of local food there is also the potential to "open up access to local food for the populations served by public institutions", including low-income populations that might not otherwise have access to local produce or products.

Elements of a Food Hub

The table below is adapted from Wholesome Wave's Food Hub Business Assessment Toolkit (2014). It includes key elements of any food hub business, as well as questions to consider and data to gather in the development of a food hub.

Table 1. Elements of and Questions for the Development of a Food Hub [19]

Food Hub Element	Guiding Questions & Data Needs
Business model and strategy	*What issue/need will the business be addressing?* *How will the business generate revenue?* *Why will customers buy this product or service from this business?* *Why will farmers/ suppliers work with this business?* *Why will this business succeed against competition or alternatives?*

[14] Community Health Improvement Partners – Food Systems. The State of Farm to School in San Diego County 2015-16. San Diego, CA. 2017. Retrieved on August 31, 2018 from: http://www.sdchip.org/wp-content/uploads/2016/06/2015-16-State-of-F2S-in-SD-County.pdf
[15] The USDA defines mid-size farms as those with annual gross sales of $50,000 to $200,000 or 50 to 999 acres in size.
[16] Fitch, Claire; Raychel Santo. Instituting Change: An Overview of Institutional Food Procurement and Recommendations for Improvement. The John Hopkins Center for a Livable Future. February 2016. Retrieved on September 14, 2018 from: https://www.jhsph.edu/research/centers-and-institutes/johns-hopkins-center-for-a-livable-future/_pdf/research/Instituting-change.pdf
[17] Burns, Christopher. The Number of Midsize Farms Declined From 1992 to 2012, But Their Household Finances Remain Strong. United States Department of Agriculture Economic Research Service. December 2016. Retrieved on October 2, 2018 from: https://www.ers.usda.gov/amber-waves/2016/december/the-number-of-midsize-farms-declined-from-1992-to-2012-but-their-household-finances-remain-strong/.
[18] Clark, Leilani. Why Farm-to-Institution Sourcing is the Sleeping Giant of Local Food. Civil Eats. August 2016. Retrieved from https://civileats.com/2016/08/29/forget-farm-to-table-its-farm-to-institution-sourcing-that-could-make-a-real-dent-the-food-system/
[19] Table adapted from: Vanderburgh-Wertz, Darrow; Malini Ram Moraghan. Food Hub Business Assessment Toolkit. Wholesome Wave. February 2014. Retrieved on October 2, 2018 at: http://ngfn.org/resources/ngfn-database/30%20-%202015%20Food%20Hub%20Survey%20Report.pdf

Impact potential	**Social impact:** *Will the food hub have a goal of providing greater access and affordability of healthy local foods to low-income consumers?* *In what ways will the food hub contribute to community development?* **Environmental impact:** *What practices and procedures will the food hub have in place to reduce waste, minimize energy consumption, and recycle and compost any waste created in the operation of its facility?* **Economic impact:** *Total effect on the supply chain and local economy, calculated using multipliers for direct and indirect impacts.* *Pricing process: Will the producer play a role in determining price?* *Number of full-time, part-time, and seasonal food hub employees.* *Food hub's projected cost of goods sold (i.e. the amount paid to producers for products).* *Percentage of wholesale price to be paid to producers.* *Percentage of retail price to be paid to producers.*
Market overview	*What is the size of the addressable market for local food (i.e., the offerings of the business)?* *Market sizing: Population, per capita consumption, and, as growth indicators, consumer trend data.* *Profiles and data on relevant customer groups.* *What is the competition in the region?*
Marketing and sales	*Who are the target customers? What are their needs in terms of specific products and services? If the food hub is an existing business, how do target customers compare to current customers?* *Why will customers buy from this business? Both at first and in the long run?* *What kind of value will the business create for producers?* *Why will farms start supplying to this business? Why will they continue to supply to this business?* *How will the hub find potential customers?* *What will the prices be for products and services?*
Operations	*Describe the activities the business will undertake to provide its products and services.* *List the physical infrastructure and assets that the business will need.* *How will the hub manage relationships with its suppliers?*
Organization and management	*Structure of ownership and operation of the food hub.* *Governance structure between management and board.* *Board's fulfillment of fiduciary responsibilities and oversight of management.* *Size of board and process for adding board members.*
Risk mitigation	*How will the food hub ensure food safety?* *Is there a food safety plan and GAP, GHP, or HACCP certifications?* *What supply issues pose major risks to the food hub based on quantity and quality of producers and geographic and climate conditions?* *What changes in the local political setting of the food hub would affect the business and operation of the food hub?*
Technology and systems	*What technology and systems will the food hub use to manage its finances, inventory, orders, customer service, supply traceability, and compliance with regulations and certifications?*
Finances	*Project and measure the following financial metrics: Annual sales; sales by month; sales per FTE; revenue sources other than sales; and annual growth of sales by month and of total revenue.*

The 2017 USDA Report *Running a Food Hub: Learning from Food Hub Closure*[20] conducted statistical analysis on active and inactive food hubs from across the U.S. and found that the most significant factors to food hub success or failure were: (1) **internal management issues**, such as the quality of the staff and business decisions made by food hub managers; and (2) **board governance**, particularly as it pertains to providing sound advice and guidance to the food hub management team.

Additionally, it is important to remember that beyond trends and best management practices, food hubs are community-driven enterprises. As such they must be designed with a full understanding of the local food systems opportunities and barriers.

Financial Viability

National studies and surveys of food hubs have repeatedly shown that hubs of all ages and operating structures can be financially viable. One such study[21] found that the most important predictors of financial viability are the absolute amount of annual gross revenue the hub generates and the expenditure profile of the food hub. The study's findings support the highly cited reasons why small businesses fail: "insufficient capital and overinvestment in fixed assets".

Figure 2. Predictors of Food Hub Financial Viability

Annual Gross Revenue:
Due to slim margins and high cost of goods and labor, the average annual revenue needs to be approximately $600,000 or greater for a food hub to achieve financial viability.[22] *A wholesale or B2B food hub in specific will require significantly higher annual revenue to achieve financial viability: approximately $2,400,000 or greater in revenue.*[23]

Expenditure Profile:
The most financially viable food hubs are emulating these more traditional food distribution businesses in their expenditure patterns, spending closer to 15% of revenue on employee salaries and benefits and 70% on food and product purchases.[22]

A recent article by Civil Eats looked at the issue of scale as it relates to the place-based and small-scale nature embedded in a food hub's design. The article quotes Kate Danaher of RSF Social Finance describing the obstacles that food hubs face in achieving financial viability:

> *[C]hallenges to making [a food hub] business work are vast. The margins are incredibly slim, and the business needs to get to a certain scale in order to be viable. That scale*

[20] Feldstein, Sasha; James Barham. Running a Food Hub: Learning from Food Hub Closures. USDA. August 2017. Retrieved on September 30, 2018 from: https://www.rd.usda.gov/files/publications/SR77_FoodHubs_Vol4_0.pdf

[21] Fischer, Micaela; Rich Pirog; Michael W. Hamm. "Predictors of Food Hub Financial Viability." Journal of Hunger & Environmental Nutrition, 2015. 10 (1): 100–114. https://doi.org/10.1080/19320248.2014.962774.

[22] Ibid

[23] Matson, James; Thayer, Jerimiah; Shaw, Jessica. Running a Food Hub: Assessing Financial Viability. USDA. Service Report 77, Volume 3. March 2016. Retrieved July 28, 2018 from: https://www.rd.usda.gov/files/publications/SR%2077%20FoodHubs%20Vol3.pdf

can be impossible to reach without capital, which is hard to secure when the company's collateral is perishable food like lettuce and tomatoes.[24]

Kate Danaher quoted in Civil Eats article, 1/31/2018

While slim margins present a challenge to growth and thus the achievement of a sustainable scale of business, the minimization of profit margins means that food hubs are able to optimize the price that they can pay to their local producers. This is important to supporting the regional food system players and can be viewed as an investment in the future product supply to the hub; as a hub seeks to scale, it will need local producers that are financially viable and able to grow with them. Thus, large margins may not ultimately be indicators of success for food hubs as typically thought of in conventional businesses. Grant funds can and often do play an important role in the early stages of a hub's growth, supporting them to grow to the size at which loans or equity become appropriate."[25]

Slim margins and operating near breakeven are actually signs of success when your intention is to make good food accessible to all while also paying farmers fairly and equitably.[26]

Tina Prevatte, Co-CEO of Firsthand Foods

Food Hub Efforts in San Diego County

There has been a punctuated discussion amongst local food system stakeholders, especially within the nonprofit community, about the potential of a food hub in San Diego County. Previous research efforts assessing the potential of a food hub in San Diego County included:

- March 2012: *Feasibility Study and Needs Assessment for the San Diego Regional Food Hub.* This research was conducted by the County of San Diego's Land Use and Environment Group. It was initially commissioned by the Tierra Miguel Foundation and was focused on the Foundation's network of 25 farmers. After the Foundation unexpectedly ended its involvement in the project, the University of California San Diego stepped in to support the project with a renegotiated scope and contract. The findings from the project are detailed in the *Healthy Works San Diego Regional Healthy Food System Strategic Plan*. This project did not lead to further development of a regional food hub.
- December 2014: *New Roots Food Hub Feasibility Study*. This study was commissioned by the International Rescue Committee and was produced by New Venture Advisors to inform the potential of a food hub to support the farmers that IRC works with. Different models were considered and ultimately IRC decided not to pursue further development of a food hub.

While neither of these studies led to any further regional food hub development, both of these efforts and the affiliated organizations serve as important resources and lessons learned for a renewed local effort in San Diego County. Additionally, given that past efforts have not been successful in developing a food hub, it will be important to acknowledge any skepticism and fatigue that growers, buyers, and funders

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[24] Held, Lisa. Can Food Hubs Scale Nationally and Stay True to the Cause? Civil Eats. 2018. Retrieved October 3, 2018 from: https://civileats.com/2018/01/31/can-food-hubs-scale-nationally-and-stay-true-to-the-cause/

[25] Vanderburgh-Wertz, Darrow; Malini Ram Moraghan. Food Hub Business Assessment Toolkit. Wholesome Wave. February 2014. Retrieved on October 2, 2018 at: http://ngfn.org/resources/ngfn-database/30%20-%202015%20Food%20Hub%20Survey%20Report.pdf

[26] Cantrell, Patty. New financial data to help local food sector grow. Wallace Center: Good Food Economy Digest. 2015. Retrieved October 2, 2018 from: http://www.ngfn.org/resources/food-hubs/benchmarking-study/press-release-food-hub-benchmarking-study#documentContent

might have in reaction to this project; opinions have been formed, ideas have been ruled out, and it may be with frustration that stakeholders engage again in this conversation.

Communication, transparency, and conflict resolution strategies that strengthen the commitment among local food hub stakeholders will be critical to building new partnerships, as well as rebuilding failed ones.

In addition, there are existing distributors (Specialty Produce, Sunrise Produce, American Produce, and Diamond Jack) serving San Diego County and regional efforts currently underway that could inform or synergize with CHIP's San Diego Regional Food Hub Assessment project. These efforts include:

- UC San Diego's Center for Community Health – Urban Growers Collaborative: The Center for Community Health is currently researching the barriers and opportunities for collaboration among small urban growers to improve their financial viability and entry into new local markets, particularly markets that serve (or can serve) low-to-moderate income urban residents. The first phase of the project conducted an in-depth analysis of urban growers in San Diego County to understand the supply of local urban agriculture; phase two will look at the demand for urban-grown produce, and the potential for a collaborative project amongst interested urban growers.
- Lucky Bolt: Based in San Diego, Lucky Bolt is a recently established business in San Diego County, currently focused on preparing local foods for delivery to workplaces. The company may expand in future years to serve as a local aggregator and/or distributor.
- Old Grove Orange: Based in San Bernardino County, Old Grove Orange is an established hub that is currently serving institutions (namely schools) in the Inland Empire, and Los Angeles, Orange, and San Diego counties. Founded in 2005, the hub sells mostly fruits and some "key" vegetables from its 67-acre farm in Redlands, and purchases and aggregates product from 16 other growers.

In addition to the distributors, each of these efforts are worthy of further inquiry and it is recommended that project leads engage with the organizations spearheading these efforts in order to (1) identify common goals, (2) avoid duplication, and (3) share findings. It will be important to understand previous and current efforts in the context of the goals of CHIP's project. Equally important is the ability to communicate early on to a broad set of stakeholders how CHIP's efforts will build off of historic efforts, as well as any differences in strategy or approach.

Review of Food Hub Efforts Nationwide

A scan of food hubs operating nationwide was conducted with a focus on regional food hubs that sell wholesale to institutional buyers. The goal of this scan was to learn from the successes and failures of other food system efforts from all over the country, and to compile a small database of relevant models to inform the San Diego County Food Hub Needs Assessment project moving forward.

The research identified and profiled 12 hubs currently in operation and one hub that has ceased operations. Each of these hubs sell directly to institutions or other businesses (such as grocers and restaurants) and provide diverse examples of regional food hub models. Of the food hubs profiled that are currently in operation, four of these hubs are located in cities across California. Information was obtained through secondary research, which drew heavily from the USDA's Food Hub Directory profiles. A general outreach was sent via email to representatives of each hub requesting information that could not be obtained via the Directory, company website, or existing articles or case studies.

Table 2 below summarizes the food hubs found through this research scan. These represent a cross section of food hub efforts from across the country and showcase varying hub models that are serving institutions and other food businesses.

Table 2. Food Hub Research Scan Findings

Food Hub	Business Description
Capay Valley Farm Shop Location: Esparto, CA Legal Structure: For profit, S Corp Food Hub Model: Business-to-Business (B2B) Market: Consumers; Corner stores, bodegas; Government and corporate cafeterias.	*Aggregates produce from small and mid-sized farms and ranches for sale to SF Bay Area customers. All farms and ranches are located within a 20-mile radius of the food hub's location in Esparto. Many of them are small operations with limited or zero access to markets on their own. The Farm Shop had previously done direct to consumer sales through a CSA, which the business decided to end in 2016. This business decision allowed the Farm Shop to hone in its B2B model and achieve profitability.*
Cherry Capital Foods Location: Traverse, MI Legal Structure: For profit, LLC Food Hub Model: B2B Market: Large supermarkets or supercenters; Small independent grocery stores; Food retail cooperatives; Restaurants; Caterers, bakeries; Food processors; Pre-K food service; K-12 school food service; Colleges/Universities; Hospitals; Senior care facilities; Government or corporate cafeterias	*A logistics company, this Michigan food hub leverages accounts with Kroger and Chartwells to build statewide routes that connect demand and supply. Uses anchor institution model[27], with Kroger stores accounting for 30% of sales, and Chartwells school food service accounting for 10%.*
Common Market Mid-Atlantic Location: Philadelphia, PA Legal Structure: Nonprofit Food Hub Model: Hybrid Market: Consumers; Small independent grocery stores; Food retail cooperatives Restaurants; Distributors; Pre-K food	*Aggregates local product from farmers and producers within 150 mile radius of Philadelphia and distributes product via anchor institution model through large contracts with institutions such as hospitals and universities. This model allows the hub to impact food system at a regional scale. Common Market's business plan is available here: https://www.thecommonmarket.org/assets/uploads/reports/common_market_BP_march_31_2010-v2-1.pdf* *See the Common Market Mid-Atlantic Food Hub Profile in the subsequent section for more details.*

[27] **Anchor institutions** are place-based organizations that serve their surrounding communities, such as hospitals, schools, and universities. These institutions are most often large in terms of the number of employees and the constituents they serve, and have large purchasing power as a result. Thus, the **anchor institution model,** with regards to food hubs, leverages these institutions' commitment to place and their interest in supporting local economies through the purchasing of local food products.

Food Hub	Business Description
service; K-12 school food service; Colleges/Universities; Hospitals; Senior care facilities	
Green Mountain Farm Direct Location: Newport, VT Legal Structure: Nonprofit Food Hub Model: B2B Market: Consumers; Small independent grocery stores; Corner stores, bodegas; Restaurants; Caterers, bakeries; Pre-K food service; K-12 school food service; Colleges/Universities; Hospitals; Senior care facilities; Correctional facilities	*Green Mountain Farm Direct is a regional food hub that aims to increase access to healthy food through localized aggregation and distribution from local farms to schools, restaurants, and institutions in Northern Vermont.* *See the Green Mountain Farm Direct Food Hub Profile in the subsequent section for more details.*
Growers Collaborative - CLOSED Locations: Ventura, Davis, and Oakland, CA Legal Structure: Nonprofit, LLC, to nonprofit/private partnership Food Hub Model: B2B Market: Restaurants; Pre-K food service; K-12 school food service; Colleges/Universities; Hospitals	*Growers Collaborative was launched in 2004 in Davis, CA, as a project of the nonprofit California Alliance with Family Farmers (CAFF). The project began in response to growing demand from local school districts to increase their procurement of local food and to have a coordinated process. Growers Collaborative started by driving its own trucks to purchase, pick up, and aggregate product from family farms, then sold and delivered it to institutional and retail customers. These included schools, hospitals, and a restaurant company.* *The food hub closed in 2011. See the Grower Collaborative Food Hub Profile in the subsequent section for more details.*
Intervale Food Hub Location: Burlington, VT Legal Structure: Nonprofit Food Hub Model: Hybrid Market: Consumers; Colleges/Universities	*An enterprise of the Intervale Center, Intervale Food Hub aggregates, distributions and direct delivers over weekly local food subscriptions featuring produce, meat, cheese, and other value-added products from over 30 Vermont farmers and producers directly to residents and educational institutions. Their college-specific spring and fall subscriptions are tailored to college semester schedules and delivered to campuses. The Intervale Food Hub is also an approved wholesale vendor to Sodexo at the University of Vermont.*

Food Hub	Business Description
La Montanita Co-Op Distribution Center Location: Albuquerque, NM Legal Structure: Consumer Cooperative Food Hub Model: B2B Market: Small independent grocery stores; Corner stores, bodegas; Food retail cooperatives; Restaurants; Distributors; Pre-K food service; K-12 school food service; Colleges/Universities; Hospitals	*La Montanita Co-Op is the distribution arm of a retail grocery cooperative in New Mexico. The Co-Op's mission is to "increase the number of medium sized farms and food businesses in our region, thereby fostering a healthier, more sustainable local economy".* *The Co-Op operates a dry, refrigerated, and frozen food pick-up and delivery system, and facilitates access to market for producers and wholesale buyers. As a distributor, Co-op Distribution purchases food from farmers and producers for resale and used existing Organic Valley distribution routes to open markets for New Mexico producers outside of the state.*
Local Food Hub Location: Charlottesville, VA Legal Structure: Nonprofit Food Hub Model: Hybrid Market: Consumers; Large supermarkets or supercenters; Small independent grocery stores; Corner stores, bodegas; Food retail cooperatives; Restaurants; Caterers, bakeries; Distributors; K-12 school food service; Colleges/Universities; Hospitals; Senior care facilities	*Local Food Hub aggregates and distributes fresh produce and other local products from more than 75 Virginia producers to markets in Central Virginia. This hub provides a wide variety of services for producers including production planning, networking, marketing assistance, and educational opportunities such as farm worker training, workshops, and an incubator plot program. In addition to visiting the hub's educational farm, community members can also access educational workshops, increased food access, and outreach activities.* *Additionally, the hub partners with local non-profits and businesses to host 'pop-up markets' that accept EBT and have lower prices for consumers in low-income neighborhoods. They also donate to food banks and soup kitchens, and have an extensive Farm to School program.*
Mandela MarketPlace Location: Oakland, CA Legal Structure: Nonprofit Food Hub Model: Hybrid Market: Consumers; Small independent grocery stores; Corner stores, bodegas; Food retail cooperatives; Restaurants; Caterers, bakeries; Mobile retail units/food trucks; Farm stands	*Under the umbrella of Mandela Foods, Mandela MarketPlace is a non-profit food hub and business incubator that also includes a produce distribution company connecting small farmers of color to community-owned businesses; a network of corner store owners excited to feature fresh produce; and an educational program providing health and wellness workshops and cooking demonstrations to families and community groups.*

Food Hub	Business Description
Old Grove Orange Location: Redlands, CA Legal Structure: For profit, S Corp Food Hub Model: B2B Market: K-12 school food service; Colleges/Universities	*A for-profit hub based in San Bernardino County, Old Grove Orange currently serves school districts across the Inland Empire Los Angeles, Orange, and San Diego counties. Old Grove Orange works with 16 other Southern California farmers to provide mostly fruits and some "key" vegetables to 17 school districts serving 600,000 kids.* *The hub was established in 2005 by Bob Knight, a fourth generation farmer in Redlands. He originally started selling to schools in order to achieve the scale necessary to make his farm viable. He went on to establish a food hub and began marketing product from other farms in Southern California to help meet institutional demand. Knight is also the founder of the Inland Orange Conservancy.*
Red Tomato Location: Plainville, MA Legal Structure: Nonprofit Food Hub Model: B2B Market: Large supermarkets or supercenters; Small independent grocery stores; Food retail cooperatives; Distributors; Colleges/Universities	*Red Tomato lines up the supply, logistics, and marketing for branded local food programs featuring products from a network of farms in the Northeast. Red Tomato relies on existing wholesale distribution channels to deliver its fresh fruits and vegetables to local grocery stores, produce distributors, neighborhood restaurants, schools and colleges across the Northeast. Red Tomato markets produce for a network of regional farms and apple orchards to over 200 retail stores in New England, New York and the mid-Atlantic, as well as a few select markets outside the region.* *See the Red Tomato Food Hub Profile in the subsequent section for more details.*
Veritable Vegetable Location: San Francisco, CA Legal Structure: B corp Food Hub Model: B2B Market: Large supermarkets or supercenters; Small independent grocery stores; Restaurants; Pre-K food service; K-12 school food service; Distributors; Colleges/Universities; Hospitals; Corporate cafeterias	*Veritable Vegetable is a women-owned, for-profit mission-driven, organic produce distributor that places a high value on relationships with growers, customers and employees and on a sustainable food system. The company was originally formed as a collective and was the country's first organic wholesaler. It was designated a Certified B Corp in 2014.*

Food Hub	Business Description
Western Massachusetts Food Processing Center Location: Greenfield, MA Legal Structure: Nonprofit Food Hub Model: B2B Market: Consumers; Large supermarkets or supercenters; Small independent grocery stores; Corner stores, bodegas; Food retail cooperatives; Restaurants; Caterers, bakeries; Distributors; K-12 school food service; Colleges/Universities; Hospitals	*A project of the Franklin County Community Development Corporation, the Food Processing Center is a shared-use, fully equipped, modern food production facility that meets federal, state, and local standards. From start-up to market, the Center works with people to provide every advantage when launching or expanding a food business. The Center helps with business planning, recipe development, scale-up and testing, product testing, licensing, production, marketing, storage and distribution. In 2009, the FPC launched the Extended Season program in order to increase the region's capacity to lightly process fruits and vegetables (freezing and canning) in order to make local food accessible year-round.* *See the Western Massachusetts FPC Food Hub Profile in the subsequent section for more details.*

Eight of the 12 food hubs profiled that are currently in operation were willing to share financial information. Of these hubs, annual sales in 2017 ranged from $360,000 to $49,000,000, with an average of approximately $8,000,000 in sales in 2017 and a median of $1,800,000. The large majority of the eight food hubs that provided financial information reported being at break-even or are profitable; the remainder of this subset are able to stay in business with the help of philanthropic funds to bridge the gap or help with cash flow issues.

Challenges to Viability

Email communication with a subset of the food hubs currently in operation (eight respondents in total) outlined above in Table 2 revealed some of the primary challenges these hubs face today in achieving or maintaining viability as a business. Responses were aggregated and include the following themes:

- **Market development,** specifically finding and retaining new customers
- **Cash flow management**, especially an issue for the hubs listed, given that they take ownership of the product they sell
- **Access to large accounts,** particularly food service management companies and contracts
- **Infrastructure limitations** (i.e. need additional trucks)
- **Staffing** ("We have a small staff that wear many different hats. We lack depth and the ability to cross train.")
- **Fluctuating/diminishing producer base** ("[F]armers retire without a succession plan or younger farmers going off to do something else.")
- **Market dynamics/fluctuations** – "There are more kinds of market channels (ecommerce, super stores, corner stores, meal kits, etc.) and all of them are trying to build out local programs in response to customer demand."
- **Limited product supply**, in terms of diversity of products available
- **Navigating regulations**

Food Hub Profiles

The following profiles highlight five food hubs from the research scan. These hubs each represent a different food hub model and are highlighted because they (1) make/made the majority of their sales to institutions or businesses, (2) offer valuable lessons learned, and/or (3) use anchor buyers as a key element of their revenue model.

The Common Market Mid-Atlantic

Food hub function: Aggregator & Distributor

Established in 2008 in Philadelphia, Pennsylvania, the Common Market Mid-Atlantic buys, aggregates, and distributes product from nearly 50 producers (representing nearly 200 farmers, as some are co-ops) in the Mid-Atlantic region, which includes Philadelphia, Baltimore, Washington, D.C, and New York City (all within 150 miles of the Philly headquarters). The Common Market Mid-Atlantic food hub distributes product via anchor institution model through large contracts with institutions such as hospitals and universities. While the large majority of sales are to institutions or businesses, the Common Market also sells product direct to consumers through multi-farm farm shares.

The company has a strong social mission and subsidizes wholesale products for community based organizations serving low-income residents in the mid-Atlantic region. Additionally, 25% of sales go to institutions that serve low-income communities and communities of color. More than two thirds of the Common Market's staff and board members are people of color.

A Civil Eats article in January 2018 reported that, while the hub "worked directly with smaller institutions at the start, they now focus significantly on partnering with national companies like Aramark and Sodexo that manage the food service at large hospitals and universities". Additionally, the article also points out that the inherent conflict in a hub working with large food service companies: "food hubs set out to shorten the supply chain, and this approach adds a link back in".[28]

The Common Market also operates a hub in Georgia where it works with 40 producers out of a separate facility; the company is also in the process of scaling up and out across the country, including its most recent expansion to Texas.

Green Mountain Farm Direct

Food hub function: Aggregator & Distributor
Annual sales: $360,000

Based in Newport, Vermont, and founded in 2008, Green Mountain Farm Direct (GMFD) is a nonprofit regional food hub that aims to increase access to healthy food through localized aggregation and distribution from local farms to schools, restaurants, and institutions in Northern Vermont.

Early on, Green Mountain Farm to School recognized the need for distribution of local farm fresh products to schools, and a service tailored to assisting institutional buyers in procuring these products. Green Mountain Farm to School created Green Mountain Farm Direct (GMFD) in order to provide the sales, marketing, purchasing, aggregation, and distribution services necessary to sell products from local farms to schools. In 2011, in response to rapid growth in sales and increasing demand for their services, Green Mountain Farm to School established a partnership with a local distribution company, D&S Distributors, to create their present model of GMFD. Currently, GMFD delivers local food to over 90 retail and institutional customers within a seven-county region. In addition to wholesale markets, GMFD sells direct to consumer through sales to local buying clubs.

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[28] Held, Lisa. Can Food Hubs Scale Nationally and Stay True to the Cause? Civil Eats. 2018. Retrieved October 3, 2018 from: https://civileats.com/2018/01/31/can-food-hubs-scale-nationally-and-stay-true-to-the-cause/

GMFD also provides opportunities for farms to connect directly with buyers – in addition to matchmaker events – including, a local food show, annual dinner and other community events. GMFD consults extensively with producers on their sales base through GMFD, institutional market standards, food safety, marketing and business development, and refers producers to other service providers for specific questions that require deeper expertise.

Red Tomato

Food hub function: Broker

Based in Plainville, Massachusetts, Red Tomato is a nonprofit regional food hub founded in 1997 that manages the supply, logistics, and marketing for branded local food programs featuring products from a network of farms in the Northeast. This longstanding hub offers produce from early to late in the season through an 80-farm network (farms and apple orchards) that stretches from New England to New Jersey, and supplies 22 retail chains (over 200 retail stores) and distributor customers in 14 states.

Red Tomato experienced major growth early on leading the company to pause and rework its business model.[29] Red Tomato initially attempted to provide product development services, warehousing, trucking, logistical services, and marketing.[30] However, they quickly recognized that as a small nonprofit enterprise they did not have the physical and financial resources to successfully provide this full suite of services despite their high growth in sales, which had reached as high as 32 percent in a single year.[31] With a network of more than 50 farms spread from Vermont to New Jersey, Red Tomato's operators decided to sell its fleet of trucks and its warehouse, and outsource shipping and storage so paid staff could focus on coordinating the supply chain and promoting farms along with the benefits of buying local food. As a result, Red Tomato has developed innovative, lean systems that rely on existing wholesale distribution to enable its small organization to deliver fresh fruits and vegetables to local grocery stores, produce distributors, neighborhood restaurants, schools and colleges across the Northeast.

Western Massachusetts Food Processing Center

Food hub function: Processor and business incubator

Based in Greenfield, Massachusetts, and established in 2002, the Western Massachusetts Food Processing Center (FPC) is a nonprofit shared-use and fully equipped food production facility. FPC's mission is to promote economic development through entrepreneurship, provide opportunities for sustaining local agriculture, reduce food miles, and promote best practices for food producers. From start-up to market, the Center currently works with over 30 food businesses and helps with business planning, recipe development, scale-up and testing, product testing, licensing, production, marketing, storage and connect to distributors. There is an annual fee of $900 to use the FPC facility, which includes access to the facility, technical advising services, and orientation and training.

FPC also produces a variety of specialty, natural, and organic products for wholesale and retail. They train people to produce their own products or have Center staff do the co-packing. In 2009, the FPC launched the Extended Season Farm to Institution program in order to increase its capacity to lightly process fruits and vegetables (freezing and canning) and make local food accessible year-round,

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[29] Breitenbach, Sarah. States See Value in Backing 'Food Hubs' for Farmers and Consumers. The Pew Charitable Trusts. January 2017. Retrieved July 8, 2018 from: http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/01/19/states-see-value-in-backing-food-hubs-for-farmers-consumers
[30] Davis, Mandy; Desai, Sona. Moving Food: How Farmers and Nonprofits Are Building Localized Food Systems for the Twenty-First Century. Intervale Center. September 2007. Retrieved October 5, 2018 from https://www.intervale.org/research/
[31] Breitenbach, Sarah. States See Value in Backing 'Food Hubs' for Farmers and Consumers. The Pew Charitable Trusts. January 2017. Retrieved July 8, 2018 from: http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/01/19/states-see-value-in-backing-food-hubs-for-farmers-consumers

especially to schools. FPC pays farmers a "fair" price for their produce, taking ownership of the product, and then adding value by processing and packaging food items at their facility.

Growers Collaborative

Food hub function: Aggregator & Distributor
No longer in operation

Growers Collaborative was launched in 2004 in Davis, CA, as a project of the nonprofit California Alliance with Family Farmers (CAFF). While CAFF ultimately had to close this food hub, the organization's experience launching and evolving the Growers Collaborative offers important lessons.

The Growers Collaborative began as a project in response to growing demand from local school districts to increase their procurement of local food and to have a coordinated process. The Collaborative started by driving its own trucks to purchase, pick up, and aggregate product from family farms, then sold and delivered it to institutional and retail customers. Customers included schools, hospitals, and a restaurant company.[32] The Collaborative evolved greatly over time, trying out multiple business lines, including production and packing assistance, marketing, distribution, and branding for institutional sales as well as direct-to-retail outlets. At its peak, the Collaborative was purchasing from over 180 farmers in 30 different counties across California, and making sales to 122 different accounts.

In a report released in 2014[33], CAFF shared the challenges that it faced in operating the Growers Collaborative, providing an important snapshot of the barriers that food hubs can face:

- *Scale – Sourcing only local, family farmed produce meant that the Collaborative could not offer a full product line. Particularly in Northern California, produce availability was seasonal. This kept orders small and irregular.*
- *Costs – Produce distribution is not a high profit margin business and depends on sufficient volume and carefully planned routes in order to make trucking efficient. GC had relatively high labor costs for the amount of produce sold. It also made many small deliveries at great distances, particularly in Southern California, in order to satisfy its main customers.*
- *Readiness – Many institutional buyers were accustomed to the homogenous, consistent produce that came off of large-scale farms through the traditional distribution infrastructure and often relied on fresh-cut and packaged products to save time. Many hadn't yet adapted equipment, menus, staff skills, infrastructure, and ordering systems to accommodate the unique qualities of whole, local, in season product.*
- *Equipment and Experience – Both GC facilities operated with substandard facilities and equipment. The trucks in particular were well used and broke down frequently. GC staff had some farming experience but no real produce distribution experience.*

After the food hub operations closed in 2011, CAFF established the "Farm to Market" program, which is currently active. Through this program CAFF plays the role of a food value chain facilitator, "connecting

[32] Feldstein, Sasha; James Barham. Running a Food Hub: Learning from Food Hub Closures. USDA. August 2017. Retrieved on September 30, 2018 from: https://www.rd.usda.gov/files/publications/SR77_FoodHubs_Vol4_0.pdf

[33] Abellerra, Diana, et al. Making the Invisible Visible: Looking Back at Fifteen Years of Local Food Systems Distribution Solutions. Community Alliance for Family Farmers. October 2014. Page 8. Retrieved September 13, 2018 from: http://caff.org/wp-content/uploads/2010/07/CAFF-Lessons-Local-Distribution-102814.pdf.

farmers to existing mainstream distributors as well as directly to buyers, rather than running a parallel distribution system of its own"[34].

As a result of its experience with the Growers Collaborative, CAFF discourages the development of new food hubs, instead recommending that food systems stakeholders with food hub interests "weave together a multi-faceted approach that relies…[on] existing food system infrastructure"[35].

Part One Findings Summary

Hubs take different approaches to achieve very similar goals.[36]
Michelle Franklin Manager, La Montanita Co-op Distribution Center

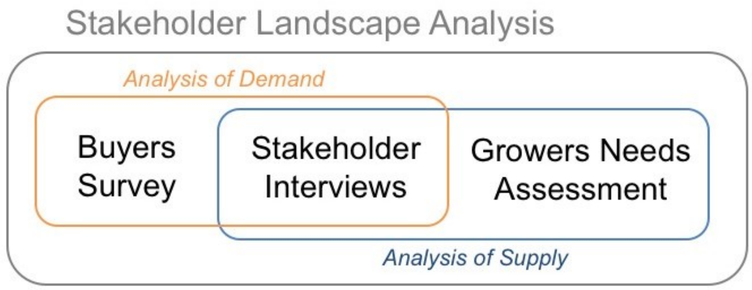
In conclusion, there is no one-size-fits-all model for food hubs. The research demonstrates that, despite the very real challenges, foods hubs of all shapes and sizes can be economically viable and successfully serve institutional customers. Across all food hub models, the estimated minimum annual revenue needed for a hub to achieve financial viability is $600,000; wholesale or B2B food hubs in particular require approximately $2,400,000 or greater in annual revenue to achieve viability. **The keys to their success are good business management, strong relationships in their community and a deep commitment to supporting local and regional food systems.** In addition, food hubs selling to institutions are most profitable when they work with mid-scale growers, secure anchor customers and diversify their market channels. It is highly uncommon for viable food hubs to generate sales through institutions alone. As local food hub stakeholders in San Diego County assess the feasibility of developing a food hub, it will be important to consider these key attributes to ensure success.

[34] Feldstein, Sasha; James Barham. Running a Food Hub: Learning from Food Hub Closures. USDA. August 2017. Retrieved on September 30, 2018 from: https://www.rd.usda.gov/files/publications/SR77_FoodHubs_Vol4_0.pdf
[35] Abellerra, Diana, et al. Making the Invisible Visible: Looking Back at Fifteen Years of Local Food Systems Distribution Solutions. Community Alliance for Family Farmers. October 2014. Page 8. Retrieved September 13, 2018 from: http://caff.org/wp-content/uploads/2010/07/CAFF-Lessons-Local-Distribution-102814.pdf.
[36] Cantrell, Patty; Bob Heuer. Food Hubs: Solving Local. The Wallace Center at Winrock International. March 2014. Retrieved October 4, 2018 from: http://ngfn.org/solvinglocal

Part Two: Stakeholder Landscape Analysis

Building off of the findings of the Formative Study in Part One, the second part of the project analyzed the landscape of food hub stakeholders in San Diego County on both the demand- and supply-side of local food procurement. The Stakeholder Landscape Analysis was comprised of three components:

1. Online survey of buyers, including distributors, processors, restaurants, schools, and hospitals.
2. In-person interviews with food hub stakeholders.
3. Key findings from the UCCE San Diego Growers Needs Assessment.



Each of above-listed components provided unique insights into the key supply and demand considerations that a potential wholesale or B2B food hub in San Diego County must consider in its development and design.

The subsequent sections of the report outline the findings from each of the Stakeholder Landscape Analysis components.

Buyers Survey

Methodology

The goal for the Buyers Survey was to learn about wholesale buyers that would potentially purchase from a food hub in San Diego County. The survey sought to understand business' core values, procurement practices and policies, and any potential interest in purchasing local products through a food hub. We chose to administer the online survey (using the SurveyMonkey online platform) to reach a broad target audience, after which we followed up with key buyers and other stakeholders as part of the Key Stakeholder Interviews. The survey was initially sent through CHIP's Farm to Institution Center to approximately 60 institutions (school districts, hospitals, government, early child care facilities, and universities). The survey was also forwarded to local distributors, retailers, and restaurants through intermediaries.

About the survey participants

A total of 35 individuals responded to the Buyers Survey between March 5th and April 10th, 2018. The majority (75%, 27 respondents) identified as institutions. In addition, 4 distributors, 3 restaurants, and 1 grocery store participated in the survey. Please note: there was marked attrition in survey response after this first question; the below survey analyses indicate the number of responses per question in parentheses. The large majority of survey respondents' (18 of the 19 survey respondents to this specific survey question) purchase from wholesalers. Additionally, purchases from wholesale distributors make up the majority (66%) of participants' food annual food purchases. There was a large range ($10,000 to $20,000,000) in total annual food purchasing budgets amongst survey participants.

The following sections summarize survey responses as related to buyers' (1) motivation to procure local products, (2) current local procurement; and (3) desired features of a food hub.

Local procurement motivators

- 76% (13/17 responses) indicated that their respective organization or company has goals in place related to local food procurement.
- When asked how their respective company or organizations defines “local”, responses included:
    1. “California” / “state” (5/14)
    2. “San Diego County” (4/14)
    3. “250 miles” (3/14)
    4. “50 miles” (2/14)
- When asked what motivates their respective company or organization to purchase local products, respondents ranked the following as the top three motivating factors:
    1. Support for local farmers (76%, 13/17)
    2. Fresher products and superior quality (59%,10/17)
    3. Local purchasing is aligned with our brand and reputation (53%, 9/17)
- The survey asked buyers what price they were willing to pay for local products; the responses are ranked in the table below:

Rank	Price differential willingness
1.	I am willing to pay a <u>small premium</u> (less than 15%) for local products (41%, 7/17)
2.	Prices should be the <u>same</u> as non-local products (24%, 4/17)
3.	I am willing to pay a <u>premium</u> for some local product but not for all (18%, 3/17)
4.	I am willing to pay a <u>high premium</u> (over 15%) for local products (6%, 1/17)

In summary, 11 out of 17 respondents (65%) stated that they would be willing to pay some premium (small or large) for some local products. Other responses included:

- “It all depends on the product and the consumers being able to bear the price.”
- “I am willing to pay a small premium on a pilot basis but if participation drops, then I would go back to the non-local products.”

Local procurement in practice

Per each stakeholder organization or business’s definition of “local”:

- All of the respondents purchase a portion of their whole, fresh produce needs locally.
- The top three food product categories in which respondents purchase highest percentage of local product are (ranked):
    1. Dairy
    2. Bread and baked goods
    3. Whole, fresh produce
- Respondents indicated that their primary channel for procurement of local food products is (1) <u>wholesale distributors</u>, followed by (2) <u>direct from producers</u>.
- The top three challenges that respondents face when purchasing local foods are:
    1. Limited and/or inconsistent volumes of local products (64.71%, 11/17)
    2. Limited diversity or seasonality of products (52.94%, 9/17)
    3. Inability to find products at required/manageable price points (47.06%, 8/17)
- The top two most desired products that respondents are interested in sourcing locally are: <u>salad greens</u> (38%, 6/16) and <u>tomatoes</u> (19%, 3/16).

Food hub features

The buyers surveyed indicated that the two most important food hub features are:

1. “Delivers orders directly to my facility” (81%, 13/16 responses)
2. “Ensures each involved farm meets food safety requirements” (81%, 13/16 responses)

"Offers certified organic products" was ranked as the least important food hub feature among the respondents with 50% (8/16) of respondents ranking it as "not important" and 44% (7/16) as "somewhat important".

Key Stakeholder Interviews

Methodology
Interviews were conducted with key stakeholders to gather targeted qualitative data as a complement to the quantitative information collected through the Buyers Survey. To this end, the goals of the Key Stakeholder Interviews were three-fold:

1. To build relationships with food hub stakeholders;
2. To gain expert insights in order to inform the vision for a local food hub; and
3. To raise awareness and potential support for the current project and future development of a food hub.

Given these high-level interview goals, we designed the interview to be a series of open-ended questions in order to stimulate dialogue and discussion. Additionally, we chose this approach given the diversity of stakeholders that this project sought to interview across a small sample size (n = 14). This approach allowed us to use one set of interview questions across four categories of food hub stakeholders: growers, distributors, institutional buyers, and leaders of local agricultural organizations.

About the participating stakeholders
A total of fifteen food hub stakeholders were interviewed, including:

- 3 school districts
- 5 farms
- 4 distributors/processors
- 2 healthcare organizations
- 1 farmer member organization

A total of nine questions were asked of interviewees, including three questions about stakeholder interviewees' "food hub vision". The following sections summarize interviewees' responses to the three main interview questions:

1. *What do you see as potential opportunities for a food hub to serve the needs of your business/organization?*
2. *What are potential challenges or areas of concern for a food hub from the perspective of your business/organization?*
3. *What do you think should be the main goal(s) of a local food hub in San Diego County?*

Potential opportunities for a food hub to serve the needs of stakeholders
<u>All of the stakeholders interviewed expressed some interest in either purchasing produce or meat from a potential food hub or, in the case of producers, selling their products through a food hub.</u> Additionally, stakeholders view a hub as potentially playing an important intermediary role between buyers and small local farms, especially larger institutions. Specifically, interviewees mentioned that food hubs should provide the following services/roles, which highlights the type/model of food hub stakeholders are interested in:

- Farm production planning
- Aggregation
- Marketing
- Distribution
- Create new markets and stimulate new demand

Lastly, interviewees expressed a clear role for food hubs to mitigate risk for farmers; the logic being that if there was more demand guaranteed or generated by a food hub, this could help farmers expand and ultimately help to increase supply across the County.

Potential challenges or areas of concern for a food hub from stakeholders' perspective
Interviewees expressed the following potential challenges and concerns:

- Limited supply from local farms, especially of high quality products.
- General viability of a food hub, specifically the ability of a food hub to meet buyer price points and be competitive amongst a set of long established distributors currently serving San Diego County.
- Institutional buyers that have contract vendor requirements are limited in the overall purchases they can make from out of contract vendors[37]; thus, quantities by these institutions would be small to start.
- The institutions interviewed have multiple locations (i.e. healthcare systems and school districts) and lack central kitchens; thus, decentralized delivery was a potential area of concern or challenge for a food hub to address.

Main goals of a local food hub in San Diego County
When interviewees were asked what they thought the two main goals of a local food hub in San Diego County should be, the following two food hub priorities emerged:

1. Supporting the needs/viability of San Diego County growers.
2. Supporting healthy food access for the local community, including low-income/underserved populations.

While support of local growers was the dominant goal expressed and local growers the most important beneficiary population of a food hub, some respondents also mentioned the need to balance both of the aforementioned goals, supporting growers' and community (consumer) needs.

Additionally, stakeholders mentioned that a goal of a food hub should be to operate as a financially viable or "sustainable" business in a competitive landscape. Viability / sustainability was not explicitly defined and should be explored further, as it will inform the business model of a potential food hub and the ratio of earned revenue to grant/charitable funding.

UCCE's San Diego Agricultural Growers Needs Assessment

The third component of the Stakeholder Landscape Assessment leveraged the expertise and existing efforts of University of California Cooperative Extension (UCCE) in San Diego to survey growers in San Diego County. Synergistic with goals of the Food Hub Needs Assessment, the UCCE San Diego Agricultural Growers Needs Assessment survey conducted in June and July 2018 provided a robust overview of the challenges, motivations, and benefits experienced by growers in San Diego County. The goal of the needs assessment was "to provide current data for consideration and strategic communications as policy, business and training education programs are planned, developed and or

[37] Three out of the five institutions interviewed (UCSD Health, Plum Healthcare, and Vista USD) have primary distributor contracts, meaning that they purchase the bulk of their products through a single distributor; having a primary distributor contract limits the percentage of products that can be purchased from vendors outside of contract, thus reducing the amount of discretionary purchasing available for other vendors such as a local food hub.

accessed by public and private stakeholders."[38] The results of this assessment provide a snapshot of the "types, changes, challenges, motivations and benefits of farming in San Diego County."[39] The assessment was inclusive to all producers in San Diego County regardless of age, length of time farming, acreages farmed, etc.

About the participating growers

- Total of 296 growers participated in the Needs Assessment
- The most commonly produced commodities (in terms of the number of growers producing them) are avocados, citrus, and vegetables [Q3]
- Approximately 84% are under 50 acres, with 64% under 10 acres[40] [Q10]
- 38% are currently profitable [Q12]
- Approximately half of growers are interested in aggregating their products with others to reach new markets [Q33]
- 75% have the desire to expand production if new, profitable market outlets can be accessed [Q75]

Summary of responses to relevant questions

The below table summarizes grower responses to a subset of questions[41] from the Growers Needs Assessment that are most relevant to the goals of the Stakeholder Landscape Analysis and the San Diego County Food Hub Needs Assessment more broadly.

Question [Q#]	Top responses
What marketing channels do you use to sell your farm products and what percentage of your farming operation's estimated gross sales are generated through each? [Q28]	1. Packing houses 2. Wholesalers 3. Retail stores 4. Restaurants 5. Farmers markets
What additional marketing channels would you like to start using? [Q30]	1. Restaurants 2. Retail stores 3. (tie) Farmers markets 4. (tie) Online sales 5. CSA 6. Food hubs (Approximately 20% growers indicated that they do not desire new markets.)
What resources or support would allow you to expand or diversify your marketing portfolio? [Q32]	1. How-to information (i.e. marketing, sales and promotion technical assistance) 2. More staff

[38] University of California, Division of Agriculture and Natural Resources. San Diego Agricultural Growers Needs Assessment. University of California Cooperative Extension San Diego County. 2018. Retrieved September 21, 2018: http://cesandiego.ucanr.edu/Agricultural_Resources/San_Diego_Agricultural_Growers_Needs_Assessment
[39] Ibid.
[40] Acreage refers to total farm acreage.
[41] Data from the following questions from the UCCE San Diego Agricultural Growers Needs Assessment were analyzed and summarized in Table #: 3, 10, 12, 28, 30, 31, 32, 33, 34, 35, 36, 37, 46, 51.

	3. Market link services or platforms (link farm product availability to buyers)
Please tell us why you would not be interested in aggregating your product with others. [Q34]	1. Loss of individual brand/identity 2. Lack of need for new markets 3. Too much time needed for collaboration
What prevents you from wanting to expand production? [Q36]	1. Land 2. Labor
What support programs or promotional activities would help you market your products? [Q37]	1. Increased public awareness/demand 2. Online platform linking growers and buyers
How concerned are you about these business and financial issues in your farming operation? [Q46]	Top concerns are: 1. Cost of doing business 2. Laws/regulations 3. (tie) Business planning 4. (tie) Recordkeeping 5. Regulatory issues related to labor
How concerned are you about these marketing issues in your farming operation? [Q51]	Top concerns are: 1. Sales prices 2. Direct marketing 3. Marketing alternatives 4. Trade and foreign competition (Market development, domestic market competition, and value-added opportunities tied for 5th place.)

Part Two Findings Summary

Findings from Part Two analyses helped to illuminate the broad scope of stakeholder interest in purchasing from or supplying to a food hub in San Diego County. The idea of a food hub was initially met with skepticism and caution from key stakeholders; however, targeted outreach and relationship building with these stakeholders from January to July 2018, including three meetings of the 12-member Food Hub Advisory Committee during this period, cultivated significant interest in the goals of the San Diego County Food Hub Needs Assessment. Conclusions from each component of the stakeholder analyses are summarized below:

Buyers Survey
Survey participants are interested in and have commitments to procuring locally grown products. The majority (76%) have goals in place for local food procurement. However, definitions of "local" vary among buyers with half using the limits of California State and half using the boundaries of San Diego County. Thus, a prospective food hub should consider the appropriate geographic scope to ensure that it can meet both supply-side and demand-side needs. Additionally, findings from the survey suggest that a prospective B2B food hub should focus on providing (1) fresh whole produce, (2) aggregation and delivery services, and (3) a strong commitment to ensuring food safety across the products it provides and the producers that it sources from.

The survey exposed three areas for consideration or further exploration:

- While institutions are interested in and some committed to purchasing local products, existing contract requirements and low overall demand (in terms of the volume of product desired)

suggests that the ability to significantly scale up institutional demand in the short-term may be limited. Thus, further analysis is needed to determine key anchor institutional customers for a potential food hub.
- Given that survey outreach was conducted primarily via CHIP's Farm to Institution Center listserv, survey responses were predominantly from institutions. As a result, relationship building, outreach, and further research will be required to assess general interest and demand for food hub services from buyers that were underrepresented in the survey, namely restaurants and grocery stores.
- Survey findings indicating that the majority of local food is purchased from wholesale distributors suggest the need for further exploration of partnerships with existing wholesale distributors, including Specialty Produce, Sunrise Produce, American Produce and Diamond Jack.

Stakeholder Interviews
The stakeholders interviewed unanimously expressed interest in selling to or buying from a food hub. Stakeholders recommended that a B2B food hub in San Diego County provide the following business services: aggregation, distribution, marketing, farm production planning, and market development. In terms of the goals of a food hub, the consensus among the stakeholders interviewed is that the main goal of a food hub should be to support local San Diego County growers as the primary food hub beneficiary; the secondary goal should be to support healthy food access for the local community, including low income/underserved populations. The perceived challenges for a prospective food hub were limited institutional demand, supply constraints, and overall financial viability of a food hub operation.

Growers Needs Assessment
The UCCE San Diego Agricultural Growers Needs Assessment provided a timely overview of the production challenges and motivations growers in San Diego County face, pertinent to the goals of the Food Hub Needs Assessment. The assessment showed that the most commonly produced commodities (in terms of the number of growers producing them in the County) are avocados, citrus, and vegetables. Of the growers that would like to expand into new markets, the top market channels desired are restaurants, retail stores, farmers markets, online sales, CSA, and food hubs. 75% of growers are interested in expanding production if more local, profitable markets were available. In addition, there is interest among growers to aggregate produce with other growers (1) if farm identity can be maintained through the aggregation process, and (2) if the process is not overly onerous to the grower. Additionally, the growers expressed a need for greater support with marketing and market development, navigating laws and regulatory processes, and business planning. These needs align with and help inform the types of services that could be provided by a food hub in San Diego County.

Project Conclusions

The findings from the Formative Study (Part One) demonstrated that various food hub models can be economically viable and successfully serve institutional customers. A review of food hub literature and food hub businesses across the country identified three key components of a food hub that successfully partners with institutions: good business management, robust community relationships, and a strong commitment to the local/regional food system.

The findings from the Stakeholder Landscape Assessment (Part Two) show broad interest in a B2B food hub from both buyers and growers. This interest is accompanied by concerns of a limited supply of local products (namely produce); limited demand for local products, especially from institutional buyers; and the general feasibility of a food hub in San Diego County.

Concerns of limited supply of local produce expressed by buyers and some key stakeholders was countered by findings from the UCCE Growers Needs Assessment indicating produce as the top category and highlighting growers' interest in expanding production. This incongruence suggests the need for further research and engagement with local food producers to better determine the estimated available supply of produce in San Diego County.

The findings of the Growers Needs Assessment provided important context to understand the needs of local growers. A food hub can help growers access additional market channels, which is desired by approximately 80% of the growers surveyed. Furthermore, when asked what support programs or promotional activities would help them market their products, growers' top responses were: increased public awareness/demand, and an online platform linking growers and buyers. A food hub can be designed to serve both of these needs. In addition to addressing needs, a food hub must also address growers' concerns. With regards to aggregating product, growers are concerned with the loss of their farm's individual brand/identity, as well as the amount of time it might take to carry out such a collaboration. These concerns can often be effectively addressed by food hubs by ensuring that farm identity – sharing the stories of the food, producer and production methods through social media, newsletters, events, point-of-sale, and outreach materials – is maintained through the supply chain and developing strong leadership and management to streamline procurement and minimize the impact on farm suppliers.

Interviews with key stakeholders showed that there is consensus around the main goals of a food hub in San Diego County: (1) supporting local growers, and (2) supporting healthy food access for the local community. However, there was also clear agreement that the primary beneficiary of a food hub should be local growers, thus their needs will dictate the design of a hub's services and major features.

While there is presently an interest in food hub services and alignment around B2B hub goals, uncertainty remains around the model and the precise services that it should provide. Aggregation and distribution services are desired; however, there is also an expressed need for simply coordinating logistics and facilitating connections between wholesale buyers and growers through value chain coordination services rather than physically buying and selling through a bricks and mortar food hub. In summary, services that are of most interest are: market development, brokerage, aggregation and distribution, farm labor support, and technical assistance. Potential models that currently show promise to meet the interest and identified needs of wholesale buyers and growers are: value chain coordination, a virtual hub, and a physical hub.

Lastly, findings from both Parts One and Two clearly advise against developing a food hub that solely or even predominantly serves the institutional market. Very few regional food hubs sell solely to large institutions (i.e. hospitals, schools, universities); most also sell to restaurants or grocery stores and/or include direct to consumer sales. To this end, further research is required to assess market demand specifically from restaurants and grocers in San Diego County to assess the feasibility of a B2B food hub and to ensure viability of such a project. This research would also help address growers' desire to diversify markets and their interest in selling to more restaurants and retailers, as demonstrated by the findings of the Growers Needs Assessment.

Project Recommendations

Given farm to institution progress in San Diego County, the broad interest from local buyers and growers, and strong alignment around the community goals of supporting local growers and heathy food access, it is recommended to proceed with the development of an in-depth **design and business plan for a business-to-business (B2B) food hub** that prioritizes San Diego County growers as the primary beneficiary and leverages local wholesale customers (institutions, restaurants and grocery stores) as the primary markets. Based on this comprehensive design development, the most appropriate model – value chain coordination, a virtual hub or physical hub – will be determined for implementation in San Diego County.

The following recommendations are made to guide the design and business plan development:

1. **Continue building relationships with community stakeholders.** Maintain the Food Hub Advisory Committee and formalize its role in the food hub design. Cultivate strong relationships with local growers and invite more growers to the Food Hub Advisory Committee and/or develop a separate growers group to ensure strong engagement and participation from producers. Additionally, it is important to continue to acknowledge previous food hub efforts in San Diego County and address skepticism head-on.

2. **Articulate the commitment to the local/regional food system.** The mission, vision, values, and motives of stakeholders in such a project are as important as the financial fitness of the business. Food hubs are distinguished by their commitment to community and they often advance a variety of food system goals – including increasing local grower access to markets, promoting human health in the community, and addressing economic and racial disparities through access to healthy food – as part of their mission. The potential of a food hub lays in its ability to address multiple local and regional food system goals; however, there should be agreement on these goals from the beginning and they must be understood and constantly evaluated.

3. **Take a diversified approach.** Consider a food hub that sells to institutions, restaurants, and grocery stores. Conduct further demand research to identify anchor institutional customers as well as food hub interest and local product demand from restaurants and grocery stores. Explore partnerships with existing wholesale distributors to determine if they can adapt or expand their services to meet some or all of the functions of a food hub.

4. **Consider and consistently plan for viability.** Begin to draft business model and strategy; this will help better understand each stakeholder's interest in developing a food hub. "A food hub's business model and strategy explain the food hub's purpose, how it will make money, and why customers will pay for its services and products."[42] Focus on how to obtain the annual gross revenue a food hub generates and the expenditure profile necessary to achieve financial viability.

   The business plan should produce a complete set of financials and address the following elements of a potential food hub:
   - Business model and location
   - Legal structure
   - Products and services (with a focus on produce aggregation, marketing, and distribution)
   - Market analysis, including:
     - Detailed analysis of demand from anchor institutions, retail, and grocery stores
     - Detailed analysis of produce supply in order to address concerns of low supply volumes by buyers against growers' expressed interest in expanding produce production
     - Detailed competition analysis of existing distributors, businesses and organizations that are providing similar services
   - Operational plan
   - Management structure
   - Financing plan

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[42] Vanderburgh-Wertz, Darrow; Malini Ram Moraghan. Food Hub Business Assessment Toolkit. Wholesome Wave. February 2014. Page 12. Retrieved on October 2, 2018 at: http://ngfn.org/resources/ngfn-database/30%20-%202015%20Food%20Hub%20Survey%20Report.pdf

Lastly, the analysis should evaluate each of the following three scenarios of food hub development (1) a physical hub, (2) a virtual hub, and (3) value chain coordination, in order to ensure the greatest benefit to San Diego County buyers and growers.

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Appendix A: San Diego County Buyers Survey

Introduction
Community Health Improvement Partners (CHIP) is assessing the feasibility of a food hub in San Diego County. The project's goal is to determine whether a food hub can support better community access to healthy food while improving the economic viability of local farmers. This survey is part of an analysis of San Diego County food hub stakeholders, including both supply (growers) and demand (distributors, processors, restaurants, schools, and hospitals). The goal for this survey is to learn about your business, including the business' core values, procurement practices and policies, and any potential interest in purchasing local products through a food hub.

This project uses the USDA definition of a food hub:

> *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.*

This survey is 23 questions and should take only 20 minutes to complete. We'd appreciate your survey responses by [DATE]. The results of this survey will be kept confidential and only published in summary form so as not to reveal information about individual respondents. If possible, please forward the survey link to other buyers who you believe might be interested in participating. Thank you for your time and consideration!

If you have any questions, please contact Prem Durairaj at pdurairaj@sdchip.org.

<u>Business Overview</u>

1. Choose the option below that best describes your operation:
   a. Distributor
   b. Processor
   c. Institution (hospitals, colleges, schools, prisons, retirement centers, etc.)
   d. Grocery Store
   e. Restaurant
   f. Caterer
   g. Other (please specify)

2. How long has the business you represent been in business?

<u>Procurement Practices & Policies</u>

General Procurement

3. What food vendors do you use to purchase products and how much of your product purchases come from each vendor?

Vendor	***Percentage of product purchases***
Producers & Processors	
Wholesale Distributors	
Produce/Farm auctions	

Brokers	
Grocery Stores	
Farmers Markets	
Other (specify)	

4. Who are your top three food vendors? (The vendors that your company makes the most purchases from in terms of dollars spent.)

5. How important are the following criteria when you purchase farm products?

	Very important	*Somewhat important*	*Not important*
Food freshness			
Compatibility with menu			
Vendor brand recognition			
Food safety			
Food quality			
Price			
Vendor customer service			
Ability to receive through existing distributors			
Growing practices and/or certifications			
Other (please specify)			

6. What are your vendor requirements for food safety? Choose all that apply.
   a. None
   b. Must offer traceability
   c. Must pass our on-farm audit
   d. Must have on-farm food safety plan
   e. Must be GAP and/or GHP certified (for whole produce)
   f. Must be HACCP certified (for processed produce)
   g. Depends on our distributors' requirements
   h. Other

7. What are your vendor requirements in terms of liability insurance?
   a. Not required
   b. Required
      i. Please indicate minimum coverage amount:
   c. Depends on our distributors' requirements

8. How much do you spend annually on food purchases?
   a. $20,000,000 +
   b. $15,000,000-19,999,999
   c. $10,000,000-14,999,999
   d. $7,500,000-9,999,999
   e. $5,000,000-7,499,999
   f. $2,500,000 – 4,999,999
   g. $1,000,000 – 2,499,999
   h. $500,000 – 999,999
   i. $250,000 – 499,999
   j. $100,000 – 249,999
   k. $50,000 - $99,999
   l. $20,000 – 49,999

m. $10,000 – 19,999
n. Less than $10,000

9. What is your approximate annual spending in the following categories? (All survey responses will be kept confidential and used in aggregate form only).

Ranges to select from:

- *$20,000,000 +*
- *$15,000,000-19,999,999*
- *$10,000,000-14,999,999*
- *$7,500,000-9,999,999*
- *$5,000,000-7,499,999*
- *$2,500,000 – 4,999,999*
- *$1,000,000 – 2,499,999*
- *$500,000 – 999,999*
- *$250,000 – 499,999*
- *$100,000 – 249,999*
- *$50,000 - $99,999*
- *$20,000 – 49,999*
- *$10,000 – 19,999*
- *Less than $10,000*

	Annual purchasing volume ($$)
Whole, fresh produce	
Processed (fresh cut, frozen, etc.) produce	
Eggs	
Dairy	
Poultry	
Meat	
Seafood	
Grains/Flour	
Nuts, olives, and oils	
Bread/Baked goods	
Specialty foods (sauces, salsas, spreads, honey, etc.)	
Other (please specify)	

Local Food Procurement

10. Do you have organizational or company goals in place for purchasing local foods?
    a. Yes
        i. If yes, please describe:
    b. No

11. How does your company define “local”?

12. What motivates your company to purchase local products? [Select all that apply]
    a. Demand from customers
    b. Can sell at premium price
    c. Requirement that a certain percentage of our purchases must be local

d. Support for local farmers
e. Local purchasing is aligned with our brand and reputation
f. Fresher products and superior quality
g. We are not motivated to purchase local
h. Other

13. Approximately what percentage of the following purchases are local?

	0%	*<10%*	*10-25%*	*50-75%*	*>75%*	*100%*
Whole, fresh produce						
Processed (fresh cute, frozen, etc.) produce						
Eggs						
Dairy						
Poultry						
Meat						
Seafood						
Grains/Flour						
Nuts, olives, and oils						
Bread/Baked Goods						
Specialty foods (sauces, salsas, spreads, honey, etc.)						
Other (please specify)						

14. Which of the following channels do you use to procure local food products, and what percentage comes from each channel? (include table with column for percentages)
    a. Producers & Processors
    b. Wholesale Distributors
    c. Produce/Farm Auctions
    d. Grocery Stores
    e. Farmers Markets

15. What challenges has your company faced when purchasing local foods? Choose all that apply.
    a. Limited and/or inconsistent volumes
    b. Limited diversity or seasonality of products
    c. Inconsistent/poor quality of local products
    d. Inconsistent/poor communication with local producers
    e. Producers that are unable to meet food safety, liability insurance, and delivery requirements
    f. Insufficient options for processed produce (fresh cut, frozen, etc.)
    g. Inability to find products at required price points
    h. Lack of appropriate on-site infrastructure for receiving, storing, processing, etc. of local products
    i. Lack of customer demand
    j. Lack of available information on local product availability
    k. Inability to work with multiple producers and/or vendors
    l. Contracts with distributors that limit discretionary purchasing
    m. We do not experience any challenges with purchasing local foods
    n. Other:

16. Are you interested in sourcing more local food products?
    a. Yes
    b. No

17. What are the top food products you are interested in getting from local sources?
Please be specific, i.e. heirloom tomatoes, carrots, chicken breasts, fresh cut salad greens, 1% milk in pints, shell eggs, honey, etc.

Product 1	
Product 2	
Product 3	
Product 4	
Product 5	
Product 6	
Product 7	
Product 8	

18. What prices are you willing to pay for local products? [Select all that apply]
    a. Prices should be the same as non-local products
    b. I am willing to pay a small premium (less than 15%) for local products
    c. I am willing to pay a high premium (over 15%) for local products
    d. I am willing to pay a premium for some local product but not for all
    e. Other (please specify)
    f. Comments

Food Hub Interest

USDA definition of a food hub: *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.*

19. If it could meet your requirements, would you be interested in purchasing from a local food hub, as defined above?
    a. Yes
    b. No
    c. Maybe
    d. Comments:

20. How important are the following features of the food hub?

	Not at all important	*Not very important*	*Somewhat important*	*Very important*	*Extremely important*
Offers full line of products, including produce, dairy/eggs, proteins, grains, nuts and specialty products.					
Delivers orders directly to my facility					
Has an online ordering system					
Offers flexibility in order sizes					
Has a strong consumer-facing brand that stands for local/regional products					
Offers consistent supply of the items we use most					

Offers certified organic products					
Offers farm-identified products					
Is locally owned and operated					
Other – Please describe					

21. Of the food hub features listed in the above question, please rank your top three most important features.

22. What additional concerns or suggestions do you want to share regarding food hubs?

General Information

23. Please provide your contact information:
    e. Name
    f. Company* [required]
    g. Address
    h. City
    i. State
    j. ZIP
    k. Email address
    l. Phone number

Thank you for participating in this survey! If you would like to discuss this survey or research please contact: Prem Durairaj at pdurairaj@sdchip.org.

Appendix B: San Diego County Stakeholder Interview Template

Thank you for taking the time to participate in this interview! It is comprised of 9 questions and should take 45 minutes to complete. There are no right or wrong answers. You may decline to answer a specific question, or even stop the interview if you want. You may also ask questions about the interview at any time. The results of this interview will be kept confidential and only published in summary form so as not to reveal information about individual respondents. (Names and other distinguishing information will only be available to the researchers if you chose to provide it.)

The interview will be conducted by Sona Desai, Director of Food Systems Development at the Leichtag Foundation. If you have any unresolved questions or concerns about the project, please contact Prem Durairaj at pdurairaj@sdchip.org or 858-609-7962.

PROJECT BACKGROUND

Led by Community Health Improvement Partners, the San Diego County Food Hub Needs Assessment project is assessing the initial feasibility of a food hub in San Diego County. More specifically, the project's goal is to determine whether a food hub in San Diego County can support better community access to healthy food while improving the economic viability of local farmers. Interviews are being conducted with key San Diego County food system stakeholders, including both supply (growers) and demand (distributors, processors, restaurants, schools, and hospitals) side. The goal for this interview is to learn about your business or organization, as well as any experience or insights you might have or would like to share related to food hubs.

INTERVIEW QUESTIONS

Please be prepared to discuss your thoughts on the following questions:

Part I: About You and Your Business/Organization

1. How long have you been involved with your business/organization and what is your role there?
2. What does a typical day look like at your business/organization?
3. What is the most challenging part of what your business/organization does?
4. What is the most rewarding part of your work or contribution to the business/organization in particular?

Part II: Food Hub Efforts

This project uses the USDA definition of a food hub:

> *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.*

5. Do you agree with this definition? Is there anything that you would add?
6. Have you been involved in food hub or hub-related development efforts in the past (formal or informal)? If so, please share any insights from previous efforts.

Part III: Food Hub Vision

7. What do you see as potential opportunities for a food hub to serve the needs of your business/organization?
8. What are potential challenges or areas of concern for a food hub from the perspective of your business/organization?
9. What do you think should be the main goal(s) of a local food hub in San Diego County?

The Mission of a San Diego County Food Hub
To support the business viability of San Diego County farms while providing healthy food access for the local community, particularly among low-income and underserved populations.

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