Exploring Regional Food Systems
An Overview
Exploring Regional Food Systems
Part 1: Regional Food Systems Overview

Local/Regional Food Systems:
• Definition and Components
• Marketing Channels
• Trends
• Farmers’ Markets
• Food Hubs
• Impact on Communities
• Challenges
• Supporting Policies and Programs
The Food System and Its Components

Two major types of food systems:

• Global food system (only one)

• Local/regional food systems (many)
Local vs. Regional Food Systems - Is There a Difference?

• “Local” or “regional” has a geographic connotation, but no consensus.

• 2008 Farm Act definition of “local” or “regional” foods:
  • Less than 400 miles from its origin, or
  • Within the State in which is produced

• Other definitions:
  • Local ownership of the farm
  • Food is associated natural or organic production practices
Are These the Same?

Local = Healthy = Sustainable
Two Types of Marketing Channels

Direct to Consumer (DTC)

Intermediated
Local/Regional Food Marketing Channels

Food Marketing Channels

Intermediated

- Farm gate
- Assembler, wholesaler, or processor
- Hub or distributor
- Retailer or restaurant, or mobile market
- Consumer

At least one intermediary within region*

Farmer-to-Consumer

- Farm gate
- Direct sale, within region* and no other intermediary
- Examples: Farmer Market, Roadside Stand, CSA, Ag-tourism
- Consumer

Illustrative examples only (storage also qualifies)

*Region defined as locations within 400 miles of production
Local & Regional Food Trends
Local/Regional Food Marketing Channels

Increase in local & regional marketing channels

Since 2007, growth in--

- Farmers’ markets (2014)
- Regional food hubs (2014)
- School Districts with farm to school programs (2011-12 school year)

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

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

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

2012
Comparison: Market Channels

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

Number of local food farms

- GCFI less than $75,000 (138,598)
- $75,000 - $349,999 (16,610)
- $350,000 or more (8,467)
- All LF farms (163,675)

Local food sales (billion $)

- GCFI less than $75,000 (0.78)
- $75,000 - $349,999 (1.2)
- $350,000 or more (4.1)
- All LF farms (6.1)

Note: The share of farms by farm size and marketing channel use are based on 2012 Census benchmark counts; the shares of total value of local food sales by farm size and marketing channel use are synthetic estimates.
DTC = direct-to-consumer; GCFI = Gross cash farm income.
Comparison: Farm Type

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

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

2002-2007
- 17% increase in number of DTC farms
- 32% increase in value of DTC sales

2007-2012
- 5.5% increase in number of DTC farms
- 1% decline in value of DTC sales
Farmer’s Markets
Farmers’ Markets - Trends

National Count of Farmers Market Directory Listings

Source: USDA-AMS-Marketing Services Division

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

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

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

Communities gain:
• Connections of communities to farmland
• Greater local food security
• Enhanced community economic development and agricultural diversity
Farmers’ Markets – Key Factors

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

Aggregate
Locally Sourced Food
Distribute
Process

To meet demands of:
Wholesale
Retail
Institutions
Individual
Food Hubs

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

Source: USDA, Agriculture Marketing Service, 2014
Food Hub Infrastructure
Food Hub Legal Structures

- Cooperatives
- Public/Private Partnerships
- For Profit
- Nonprofit

Business Structures
Local/Regional Food Systems Impact on Communities

Positive community impacts include:

• Economic Development
• Health and Nutrition
• Food Security
• Social Capital
• Environmental
Local and Regional Food Challenges
Challenge #1: Food Safety Regulations

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

Sources of assistance:
• USDA Agricultural Marketing Service’s:
  • Good Agriculture Practices (GAP)
  • Good Handling Practices (GHP)
• Private consulting firms – may be costly
Challenge #2: Competition & Market Access

Logistics

- Cleaning
- Packing
- Distribution
- Aggregation
- Storage
Supporting Policies and Programs
Supporting Policies and Programs

- Production
- 2014 Farm Bill
- Consumption
- Marketing
Supporting Policies and Programs: Production

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

• Farmers’ Market Promotion Program (FMPP)

• Local Food Promotion Program (LFPP)

• Specialty Crop Block Grants (SCBG) Program
Supporting Policies and Programs: Consumption

- Food Insecurity Nutrition Incentive Grant
- Healthy Food Financing Initiative
- Senior Farmer’s Market Nutrition Program
- Fresh Fruit and Vegetable Program
- National Farm to School Program
Supporting Policies and Programs: Other Sources

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

Examining Farmers’ Markets
Exploring Regional Food Systems
Farmers’ Markets

• Farmers’ Markets Overview and Trends

• Elements of a Successful Farmers’ Market
  • Market Organization
  • Market Location
  • Identifying, recruiting and retaining vendors
  • Attracting and retaining customers
  • Recruiting community partners
Local & Regional Food Trends
Two Types of Marketing Channels

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• Market organization and structure

• Market management

• Market location

• Identifying, recruiting and retaining vendors

• Attracting and retaining customers

• Recruiting community partners
Farmers’ Markets Key Factors: Market Organization and Structure

- Common Organizational Models:
  - Unofficial Agreement
  - Private For Profit or Non-Profit
  - Public Sponsored
Farmers’ Markets Key Factors: Market Management

Board of Directors

Market Manager
Farmers’ Markets Key Factors: Location

- Centrally located
- Easily visible
- Accessible for vendors
- Reachable by consumers
- Inviting environment
Farmers’ Markets Key Factors: Identifying, Recruiting and Retaining Vendors
Farmers’ Markets Key Factors: Attracting and Retaining Customers

- Identify customers
- Determine customer needs
- Determine customer expectations
- Develop effective advertising

Flowchart:
- Market Research
  - Identify customers
  - Determine customer needs
  - Determine customer expectations
  - Develop effective advertising
Exploring Regional Food Systems

Examining Food Hubs
Exploring Regional Food Systems
Food Hubs

• Overview and Trends
• Models
• Legal Structures
• Revenue Models
Food Hubs:

Aggregate

Locally Sourced Food

Distribute

Process

To meet demands of:

Wholesale

Retail Institutions

Individual
Food Hubs

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

Source: USDA, Agriculture Marketing Service, 2014
Food Hub Infrastructure
Food Hub Models

- Aggregation Centers
- Packing Houses
- Processing Centers
- Web-based Aggregator
- Core Business Services
Food Hub Legal Structures

- Cooperatives
- For Profit
- Nonprofit
- Public/Private Partnerships
Food Hub Legal Structure: Agricultural Cooperative (Co-op)

Advantages
- Strong grower support
- Equal voice in decision-making

Considerations
- May have challenges generating funding for infrastructure
- Collaborative decision-making can be slow
- Key decisions made by the group rather than specialized experts.
Food Hub Legal Structure: For-Profit Ventures

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

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<thead>
<tr>
<th>Advantages</th>
<th>Considerations</th>
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<tr>
<td>• More easily attract investors to fund start-up</td>
<td>• Ineligible for most grants</td>
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<tr>
<td>• May be able to generate more profits for stakeholders</td>
<td>• Subject to high corporate tax rate</td>
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Food Hub Legal Structure: Nonprofit

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

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

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<th>Advantages</th>
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<tr>
<td>• Can apply for grants</td>
<td>• Takes time to set up</td>
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<td>• Not subject to corporate tax</td>
<td>• Partners may lack capacity to run the organization.</td>
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<td>• Sales tax exemptions</td>
<td>• Lack of financial reward to partners may hinder efforts to maximize profitability.</td>
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<td>• Postal rate discounts</td>
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<td>• Reinvested profits can strengthen the ag. community</td>
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Food Hub Legal Structure: Public/Private Partnership

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

Considerations
- May require feasibility studies
- Support may shift with changing government budgets and policies
Food Hub Revenue Models
Food Hub Revenue Models: Aggregation Facility & Packing Houses

- **Aggregation/Distribution**
  - Delivery fees
  - Covers labor and transportation costs

- **Packing**
  - Flat fee
  - Covers direct costs

- **Marketing**
  - Consignment
  - Direct purchase
Food Hub Revenue Models: Processing Centers

• Contract Processing

• Private Labeling

• Shared-Use Kitchen for Farmers

• Shared-Use Kitchens for Others

• Food Business Incubator