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
- Public/Private Partnerships
- Nonprofit
- For Profit
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

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• More easily attract investors to fund start-up</td>
<td></td>
</tr>
<tr>
<td>• May be able to generate more profits for stakeholders</td>
<td></td>
</tr>
<tr>
<td>• Ineligible for most grants</td>
<td></td>
</tr>
<tr>
<td>• Subject to high corporate tax rate</td>
<td></td>
</tr>
</tbody>
</table>
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.

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