

**Non-Profit Food Hubs:  
Summary of Economic Viability**

As the market for locally grown food continues to grow, farmers, community-based organizations, and others are looking for ways to help smaller farms access larger, conventional market outlets and increase the distribution of locally grown food. Food hubs – food aggregation and distribution facilities – have emerged as a key strategy. In an effort to understand the opportunities and challenges offered by food hub models, ASAP conducted a review of studies conducted on the financial viability and sustainability of hubs operating as non-profits. This report summarizes the research.

### **Data That Have Been Compiled**

The only available quantitative compiled data on food hub viability were collected by the Regional Food Hub Collaboration (a partnership between the USDA Agricultural Marketing Service, The Wallace Center, National Good Food Network, National Association of Produce Market Managers, and the Project for Public Spaces). Reports from these data are expected to be released in 2012, but preliminary data have been made available through a series of webinars given primarily by Jim Barham (Jim Barham 2011; Fisk et al. 2011).

Out of 72 food hubs (non-profit, for-profit, and cooperative) across the country that received an invitation to fill out an online survey, 45 food hubs replied. Of those, 60% had been in operation for 5 years or less but 25% had been in operation for 15 years or more. While 60% of the food hubs received government funding to begin operations, 30% still receive some government funding.

In follow-up interviews with 20 more or less “established” food hubs, half of those hubs (10) reported that they were covering operating costs without external support. Seven of the remaining 10 food hubs projected that they would be able to cover costs without external support within the next 1 to 3 years.

### **Anecdotal Data**

The remainder of data that exists on food hub viability is anecdotal and exists in the form of case studies where food hub participants have been interviewed about their operation. Six non-profit food hubs were the subject of case studies that documented financial performance; five of them report that they currently rely on external financial support, while one (the Growers Collaborative) was in 2007 reportedly self-sustaining. They range in age from 16 years (Red Tomato) to 3 years (The Local Food Hub). In case studies, three of the food hubs reported that they expected to break even in a few years, while one did not expect to end its reliance on external financial support and two did not address whether the organization would be able to break even.

Four of these six organizations utilize a very typical food hub structure: they own or lease a central facility, usually a warehouse, where food can be held in cold storage. Products are aggregated at the food hub either in farmers' vehicles or vehicles owned by the food hub, and are distributed to wholesale accounts in a vehicle that is owned or leased by the food hub. **The Local Food Hub, Appalachian Harvest Network, CNY Bounty, and the Intervale Food Hub** fit this pattern.

Interestingly, two of the profiled food hubs have moved out of the business of distributing food and have focused instead on product marketing and branding. **Red Tomato**, the longest-running food hub profiled, invested in physical infrastructure at its inception in the late 1990s. After four years, its leaders decided that the physical infrastructure was too great an expense and that it could do better work by focusing on marketing and "logistical orchestration" of carefully branded items. Similarly, the **Growers Collaborative** dismantled its produce distribution business in 2010 because it was unable to compete with mainstream distributors. Instead, the Growers Collaborative turned its focus exclusively to marketing, farmer training and promotion of its regional brand.

When existing food hubs identify their barriers and challenges, all mention a lack of capital (Broache et al. 2011; Davis and Desai 2007; Day-Farnsworth et al. 2009; Jablonski, Perez-burgos, and Gómez 2011; Schmidt et al. 2011; Melone et al. 2010; Shuman, Barron, and Wasserman 2009; Snodgrass 2011; Stevenson 2009). Other challenges include identifying, recruiting and training growers to meet demand (Melone et al. 2010; Shuman et al. 2009) and efficient information management (Melone et al. 2010; Shuman et al. 2009).

### **Red Tomato (Canton, MA)**

Established 1996

Staff: 5 full-time (two co-directors, logistics manager, development director, development assistant)

In 2007 trading income (from marketing and logistics services) accounted for 40% of the overall budget

The remainder of income came from consulting fees and grants and gifts

In the future the organization hopes to increase trading income to 50% of the operating budget with the remaining 50% coming primarily from gifts from individual donors, which it is focusing its development on

Sources: Davis and Desai 2007, Stevenson 2009

In 1999 Red Tomato purchased trucks, docks and coolers and began distributing produce primarily in the Boston area. But in 2003, the physical infrastructure was abandoned and Red Tomato focused its activities on marketing and "logistical orchestration." They now see their

niche as a “food de-commodifier” (Stevenson 2009), adding value to food by conveying information about its story, quality, and ethical/environmental responsibility. Because the Red Tomato brand does not depend solely on identification through regional origins, they also source products from the Southeast and abroad: “Red Tomato holds the belief that ‘local allegiance in a global marketplace is illogical (when profitability is the main standard)’. Accordingly, Red Tomato seeks out relationships with farmers outside city and state political boundaries to extend seasonal and product availability” (Davis and Desai 2007).

It is interesting to note that Red Tomato is very particular about the farmers that it will work with. They prefer to work with farmers that serve primarily wholesale markets (as opposed to those who sell much of their produce through direct markets or CSAs) because those farmers have a “wholesale mentality” (Davis and Desai 2007). Farmers that work with Red Tomato must do their own packing and much of the distribution, so they need to have significant infrastructure of their own. All of Red Tomato’s growers have the capacity to maintain post-harvest cold chains, and growers must have refrigerated transportation for their products (Stevenson 2009).

#### **Appalachian Harvest Network (Abingdon, VA)**

Established 2000

Staff: 3 full-time

In 2007 (the most recent data available), grant funding represented about 25% of net income

Has not reached the breakeven point yet; had hoped to break even in 2011

Source: Shuman, Barron and Wasserman 2009

#### **Growers Collaborative (Davis, CA)**

Established 2005

Staff: unclear

In 2007 was reported to be financially self-sustaining

After four years of operating as a distributor (growers were responsible for packing), in 2010 the collaborative moved toward a private-nonprofit partnership structure in order to focus on aggregation and branding, and to orchestrate physical distribution by pairing with mainline distributors

In its new incarnation the Growers Collaborative is responsible for packing (so that all producers’ goods are identically packaged and bear the Growers Collaborative brand) and sells to mainline distributors

The organization found that it was not possible to compete economically with larger produce distributors. According to Local Food Systems manager Bob Corshen, “as a small business, we found it difficult to compete with larger distributors.”



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