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## What Are Food Hubs and Why Do They Matter?

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One of the more novel concepts to recently enter US food systems lexicon is the term food hub. The concept has sparked interest from a wide array of food systems funders, planners, businesses, researchers, and service providers. With this interest, there has come a fair amount of scrutiny on the utility of the term, from both supporters and detractors. USDA and our national partner, the Wallace Center at Winrock International, have been at the forefront of the food hub “wave,” attempting in our own way to provide some clarity on the food hub concept, and to make a case for its utility as one strategy for creating robust local and regional food systems.

### What is a Regional Food Hub?

Having engaged and learned from a great number of food hub stakeholders, we propose the following definition which we believe adequately reflects the full range of food hub enterprises operating in the United States:

*A regional food hub is 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.*

At the core of a food hub is a business management team that actively coordinates supply chain logistics. Some food hubs work on the supply side to support and train producers in areas such as sustainable production practices, production planning, season extension, packaging, branding, certification, and food safety—all of which is done to enable these producers to access wholesale customers, such as buyers for foodservice institutions and retail stores. Simultaneously, food hubs also work on the demand side by coordinating efforts with other distributors, processors, wholesale buyers, and even consumers to ensure they can meet the growing market demand for source-identified, locally or regionally grown products.

Regional food hubs are generally classified by either their structure or their function. One way to classify food hubs by structure is by their legal business structure, which includes: nonprofit organizations (which often develop out of community-based initiatives), privately held food hubs (a limited liability corporation or other corporate structure), cooperatives (owned either by producers and/or consumers), and publicly held food hubs (often the case where a city-owned public market or farmers market is carrying out food hub activities). There are also a few food hubs that are operating without a formal legal structure, which are classified in the table below as “informal.”

The legal structure of a food hub often influences its operation and function, particularly in such areas as capital investment, risk management, and liability exposure. For example, nonprofit food hubs have greater access to grant programs and donations than privately held food hubs because nonprofits are eligible for more Federal and State assistance programs than private entities. On the other hand, nonprofit food hubs have greater difficulty accessing traditional loans, revolving lines of credit, and other forms of private investment than for-profit business entities. As another example, producer cooperatives have the advantage of tapping member equity and taking advantage of business services offered by cooperative extension programs, but find fewer grants and loan programs available to them than nonprofit organizations.

Food hubs can be functionally categorized by the primary market they serve. These markets can be delineated as:

- Farm-to-business/institution model
- Farm-to-consumer model
- Hybrid model

Under the farm-to-business/institution model, food hubs sell to wholesale market buyers, such as food cooperatives, grocery stores, institutional foodservice companies, and restaurants. Under this model, food hubs provide new wholesale market outlets for local growers that would be difficult for them to access individually.

While this is one of the primary purposes of a food hub, some food hubs focus on the farm-to-consumer model. In this case, the food hub is responsible for marketing, aggregating, packaging, and distributing products directly to consumers. This includes multi-farm community supported agriculture (CSA) enterprises, online buying clubs, food delivery companies, and mobile markets.

Under the hybrid model, the food hub sells to wholesale market buyers and also directly to consumers.

### **Why Do Food Hubs Matter?**

#### *Overcoming infrastructure challenges*

Many farmers and ranchers are challenged by the lack of distribution and processing infrastructure of appropriate scale that would give them wider access to retail, institutional, and commercial foodservice markets, where demand for local and regional foods continues to rise.

Regional food hubs have emerged as an effective way to overcome these infrastructural and market barriers. For those smaller and mid-sized producers who wish to scale up their operations or diversify their market channels, food hubs offer a combination of production, distribution, and marketing services that allows them to gain entry into new and additional markets that would be difficult to access on their own. For larger producers, food hubs can provide product-differentiation strategies and marketing services that ensure the highest price in the market place. Moreover, for wholesalers, distributors, retailers, and foodservice buyers who would like to purchase larger volumes of locally and regionally grown products, food hubs lower the transaction costs by providing a single point of purchase for consistent and reliable supplies of source-identified products from local and regional producers.

### *Fulfilling essential services*

In many parts of the country, wide gaps exist in local distribution and processing infrastructure, making it difficult for small and mid-sized growers to gain access to markets where there is unmet demand for source-identified locally or regionally grown products. Regional food hubs are increasingly filling a market niche that the current food distribution system is not adequately addressing—the aggregation and distribution of food products from small and mid-sized producers into local and regional wholesale market channels (retail, restaurant, and institutional markets). Additionally, because food hubs provide a number of additional services that build the capacity of local producers and also engage buyers and consumers to rethink their purchasing options and habits, food hubs are emerging as critical pillars for building viable local and regional food systems.

Although regional food hubs are filling a market niche of small farm distribution, this does not mean they do not engage with conventional supply chains. In fact, many food hubs complement and add value to these more traditional distribution channels by enabling regional food distributors—and their national food distribution clients and partners—to offer a broader and more diverse selection of local or regional products than they would otherwise be able to source. In addition, they often add significant value to conventional supply chains by providing a reliable supply of source-identified (and often branded) local products that conform to buyer specifications and volume requirements and still enable their clients to “tell the story” behind the product. For this reason, regional distributors—and even broadline, full-service national distribution companies like Sysco—are beginning to view food hubs as critical partners instead of competitors to ensure they can meet the market demand for locally and regionally grown food.

### *Positively impacting the communities they serve*

Even though many food hubs are relatively new, they demonstrate innovative business models that can be financially viable and also make a difference in their respective communities. Economically, they are showing impressive sales performance and helping to retain and create new jobs in the food and agricultural sectors. To varying degrees based on their business model and mission, many food hubs are also looking to leverage their economic impacts into wider social or environmental benefits for their communities. Socially, most food hubs are providing significant production-related, marketing, and enterprise development support to new and existing producers in an effort to increase the supply of local and regional food. In addition, quite a few food hubs make a concerted effort to expand their market reach into underserved areas where there is lack of healthy, fresh food. Environmentally, there are some food hubs that

are encouraging their producers to use more sustainable production practices, as well as finding innovative ways to reduce their energy use and waste in the distribution system. In summary, food hubs and those that operate them represent a new kind of food entrepreneur, one that is increasingly demonstrating a financially sound business model that can be both market *and* mission driven.

*Author's note: Much of the content of this article comes from the USDA publication entitled, "[Regional Food Hub Resource Guide](#)." The guide was a joint project between USDA and the Wallace Center at Winrock International and represents over two years of research and examination of the food hub concept, the impacts of food hubs on regional food systems, and the financial resources available to support their growth and development. Both USDA and the Wallace Center have websites dedicated to research on and resources for food hubs. The "[Regional Food Hub Resource Guide](#)" and many other resources can be found at the USDA website at [www.ams.usda.gov/foodhubs](http://www.ams.usda.gov/foodhubs) and the Wallace Center website at [www.foodhub.info](http://www.foodhub.info). Also, Michigan State University's Center for Regional Food Systems and the Wallace Center recently released the findings of the 2013 National Food Hub Survey, which can be downloaded at [www.foodsystems.msu.edu](http://www.foodsystems.msu.edu).*

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