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### **Assessing the Need for a Food Hub**

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Food hubs have emerged as a gateway through which small and mid-sized farms can sell source-identified (local, farm-branded) products into intermediated market channels. Intermediaries can include wholesalers, distributors, retailers, restaurants, institutional buyers, and, indeed, food hubs. Many intermediaries already exist. People developing food hubs must be sure to identify the need for or competitive advantage of the new business.

Cooperatives have provided services similar to food hubs in aggregating, marketing, and distributing products; solving a common problem or need; securing economic power; or creating opportunity together, which could not be achieved by working apart. Like cooperatives, new and emerging food hubs have to fill a need in the market place in order to be successful.

*Building the Success of Food Hubs through the Cooperative Experience* (Cornell University, Charles H. Dyson School of Applied Economics and Management Extension Bulletin 15-04) examined four cooperatives and the reasons they were formed by their farmer-owners. Cooperative leaders of Eden Valley Growers, Eden, NY; Tuscarora Organic Growers, Hustontown, PA; Upstate New York Growers and Packers, Oriskany, NY; and the Capital District Cooperative, Menands, NY were interviewed. The experiences contained in the four case studies can be useful to persons organizing food hub enterprises.

Eden Valley Growers Cooperative (EVG) was formed by a group of farmers to balance their economic power with that of wholesalers. Over fifty years ago farmers brought produce to an open air market to be sold to restaurants and “corner, mom and pop” grocery stores. Once the needs of these buyers were filled, farmers had two choices, one, to take the leftover product home and dispose of it and the other to sell it to nearby wholesalers. Wholesalers paid low prices as they recognized that farmers had limited options. The farmers formed a cooperative as a means to sell surplus product. They built a warehouse and soon after installed refrigeration. The cooperative was able to pay competitive prices to its members. At the same time, the retail

grocery sector began to consolidate. EVG became the primary market through which the farmers sold the bulk of the produce they grew. Well before the emergence of the 'local' movement and through development of their brand "From the Garden of Eden," EVG was recognized as a reliable source of high quality vegetables. The cooperative and their customers have jointly benefited from consumer interest in locally-sourced foods from the Eden area.

Tuscarora Organic Growers (TOG) was formed to meet the expanding demand for organic produce in the Baltimore/Washington, D.C. area thirty years ago. These growers were selling produce through farmers markets and restaurants. Each farm had their own individual sales accounts. Time and distance constraints had made it difficult to manage the production aspects of their businesses and transport and sell the product in the metro area. The three growers decided to informally work together. More growers became part of the group. In time, a need for a refrigerated warehouse became apparent. They organized the cooperative and built the warehouse. Similar to EVG, TOG members also produce to the highest quality standards. Prior to the emergence of the local movement they were and continue to be recognized in the market place as a source of high quality organic produce. As the sales manager noted, "The product really sells itself." The emergence of the local movement has only increased the demand and sales for their products.

A group of farmers, a local Cooperative Extension agent, and local leaders came together to form the Upstate New York Growers and Packers Cooperative (UNYG&P) from the collective recognition of the emerging local foods movement. Each farmer had existing customers. They believed there was a need for a formal organization through which they could benefit by selling the produce that they grew. The organizing group also concluded that a formalized business would be able to secure funding they anticipated would become available to support local foods initiatives. Members decided that one of the focus areas of the cooperative should be the development of value-added products containing ingredients sourced from their farms. This resulted in the development of Golden Butternut Cookies™ and Really.Good.™ Vegetable Soup. The cooperative was also contacted by C.H. Robinson to provide vegetables to BJ's Wholesale Club. The cooperative members readily admit that they have collectively benefited from working together as no one individual farm had sufficient supply for the buyer.

Over 60 years ago the Capital District Cooperative (CDC) was originally formed by a number of growers with a need for a physical space to bring product to sell to a large number of store and shop buyers, processors, and restaurants. The farmers found a need for "one place to establish healthy competition amongst sellers under free market conditions." This need was so profound that farmer-members mortgaged their farms to capitalize the cooperative. CDC does not take possession of the product sold at the market. The local movement has benefited members of the co-op as they purchase product from one another and non-members to diversify and supplement product sold at nearby direct farm markets.

The case studies describe four groups formed to satisfy a need and benefited from consumer interest in local foods. Many farmers have developed sufficient wholesale markets through which they sell produce, prefer the price premiums they receive through direct-to-consumer sales, have made a lifestyle choice to not expand into wholesale channels or are constrained by access to capital, labor, or land. They are not necessarily interested in or have the

capacity to sell to another buyer in the market place. A feasibility analysis is a useful tool to determine the need for and competitive advantage of a food hub. A robust needs assessment of the farmer-suppliers' willingness and preference to sell product through the hub should be conducted when organizing a food hub.

While not all inclusive, the following is a list of questions food hub organizers should ask farmer-producers.

1. Are producers genuinely interested in selling to a food hub that will purchase product at wholesale prices?
2. Are producers in the area growing products marketable through a new food hub?
3. Are producers willing to provide product that meets food safety standards required by the food hub?
4. Are producers willing to obligate product based on a pre-season commitment or growing plan?
5. Are producers willing to pack to industry standards?
6. Do producers have the resources, i.e. land, labor, capital, and experience to expand production to be sold through a food hub?

There are substantial resources and significant interest on the part of non-profit organizations, cooperative development specialists, economic developers, and entrepreneurs to establish food hubs as a means to strengthen access to local foods sourced from small and mid-sized farms. However, the true need for and competitive advantage of a food hub must be defined and product sources identified. The experiences of cooperatives can provide useful insights for new and emerging food hubs. To learn more about the best practices utilized by cooperatives in aggregating, marketing, and distributing locally-sourced products from their member farms see: Cornell University, Charles H. Dyson School of Applied Economics and Management Extension Bulletin 15-04, *Building Success of Food Hubs through the Cooperative Experience – A Case Study Perspective*. The extension bulletin may be found at: <http://publications.dyson.cornell.edu/outreach/extensionpdf/2015/Cornell-Dyson-eb1504.pdf> ). The project was funded by the Federal State Marketing Improvement Program of the Agriculture Marketing Service, U.S. Department of Agriculture.

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