NETWORKS THAT WORK
INSIGHTS FROM THE MICHIGAN FOOD HUB NETWORK

Rich Pirog – MSU Center for Regional Food Systems
Marty Gerencer – Morse Marketing Connections, LLC
AGENDA

• Overview of Why Networks Support Regional Food Systems and Food Hubs
  • Overview of Michigan Food Hub Network – Progress, Successes, Challenges (Rich & Marty – 20 Minutes)
  • Progress of 3 Regional Pilots (Kathlyn, Pam & Ann – 45 Minutes)
  • Questions from Audience to the Panel (20 Minutes)
  • Info Sheet and More Information on the Regional Food Hub Network CoP (5 Minutes)
WHAT IS A FOOD HUB?

• National Food Hub Collaboration’s definition of a food hub:
  • “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.”
CLARIFYING THE FOOD HUB CONCEPT

- Multiple producers to multiple markets, priority – small and mid-size producers
- Utilizing one or more product differentiation strategies
- Not (usually) a farmers market
- Financially viable; sourcing locally, not globally
FOOD HUBS AS *DISTRICT* ANCHORS

food innovation district - geographic concentration of food-oriented businesses, services, & community activities
WHY FOOD HUB NETWORKS?

• Reduce transaction cost of building cooperation across businesses
• Increase commerce for local businesses Accelerate learning and innovation – learn from others and “fail faster”
• Improved coordination of technical and financial assistance
• Catalyze needed research and investment
• Learn how best to supply low-income markets
NETWORKS CAN PROVIDE VALUE TO DIFFERENT BUSINESS STRUCTURES

National Survey Data
Operational Structure (N=107)

- **For-Profit**: 47%
- **Non-Profit**: 34%
- **Cooperative**: 13%
- **Publicly Owned**: 4%
- **Other**: 2%
NETWORKS CAN EVALUATE FOOD HUB SERVICES FASTER

- Aggregation and distribution and packaging
- Farmer services – such as certification, accounting, marketing, new farmer training
- Offers apprenticeships, internships
- Food donations (food banks)
**MICHIGAN FOOD HUB NETWORK**

- Learning community of hubs and those that support or supply or do research with hubs
- Accelerate innovation and adoption of best practices
- Strong partnership with MDARD at state level and through field coordinators
- All MDARD-funded projects actively participate
- Increase capacity of food hubs to supply healthy foods to low-income communities
Michigan Food Hub Network Goals

• Increased learning, innovation, profitability of food hubs
• Increased access to technical, financial resources (local, state and national)
• Increased access to healthy food in underserved communities
• More business to business collaboration
• Best practices – food hubs and networks
• Increased MI collaboration to support food hubs
MICHIGAN FOOD HUB NETWORK - STRUCTURE

- Co-Conveners: Rich Pirog, MSU Center for Regional Food Systems and Marty Gerencer, Morse Marketing Connections LLC
  - 9 local food hub facilitators
  - List serv and recurring webinars
  - Quarterly statewide convenings
  - http://foodsystems.msu.edu/activities/food-hub-network
  - MDARD and MSU Extension partners
  - Funding - Kresge and Kellogg Foundations
Michigan FUNDING – Projects and Network Infrastructure

• Project Funding - MDARD:
  • A grant program ($1.95 million in FY2013)
  • Technical assistance (two dedicated MDARD FTEs)
  • 5 food hub projects funded – more than $900,000
  • Additional $1 million in funding in 2014

• Network Funding – Kresge & Kellogg Foundations:
  • Statewide network ($580,000 & $50,000) - 2012-2015
  • Hired 8 local/regional consultants
  • Leveraging additional funding and technical assistance
MICHIGAN FOOD HUBS AND THE NETWORK - 2014

**NW Michigan Hub**

- Eastern Market
- Allen Street Market Place
- West Michigan Co-op
- Sprout Urban Farm

- Cherry Capital Foods
- U.P. Food Exchange
- Washtenaw Food Hub

9 local food hub facilitators
MSU Extension & MDARD field support
385 people on the List serv

*Potential new food hubs in Flint, SE Michigan, Muskegon, Albion, Jackson*
Michigan Food Hub Network – Local Food Hub Facilitator Map

2013 - 2014 Michigan Food Hub Network Consultants
- Jane Bush: Barry, Jackson, Livingston, Washtenaw (Red)
- Joe Colyn: Calhoun, Kalamazoo (Light Blue)
- Cary Junior: Macomb, Oakland, Wayne (Orange)
- Megan Masson-Minock: Statewide
- Rory Neuner: Clinton, Eaton, Ingham, Shiawassee (Dark Green)
- Jayson Otto: Kent (Dark Blue)
- Dan Peat: Berrien, Van Buren (Light Green)
- Trish Varney: Mason, Oceana (Pink)
- Mary ZumBrunnen: Genesee, Saginaw (Brown)

MSU Extension is very active in assisting food hub development in the UP, NW Michigan, Grand Rapids, Lansing, Battle Creek and Detroit. MDARD also provides field support.

Issued: 2/4/14
NGFN – Food Hub Collaboration

• National Good Food Network – Food Hub Collaboration:
  • Partnership with the Wallace Center at Winrock International
  • Supported by USDA, Kresge Foundation, Surdna Foundation
  • Monthly webinars, site visits, financial literacy and business planning workshops, and technical assistance
  • Support to emerging food hubs
  • www.foodhub.info
NESTED NETWORKS AND RELATIONSHIPS

NGFN Network

MI Food Hub Network
CRFS, MMC, MDARD
Local facilitators, MSU Extension

Other Regional Networks

MSU Center for Regional Food Systems & Morse Marketing Connections, LLC
Benefits – MI Food Hub Network

• Provides coordinated support, technical and financial assistance, and R&D
• Provides opportunities for Michigan farmers to access new markets
• Increases business to business cooperation
• Addressing various challenges to keep small producers competitive in larger markets
• Leverages state investments with private and federal investments (grants, loans)
FOR MORE INFORMATION

• Contact:
  • Rich Pirog – MSU Center for Regional Food Systems (rspirog@msu.edu)
  • Marty Gerencer – Morse Marketing Connections, LLC (marty@morseconnections.com)
Building Networks that Work: Cultivating Networks to Support Food Hub Commerce

MARCH 27, 2014
WHO WE ARE

- 501(c)3 Nonprofit
- Established 1995
- Southwest VA/Northeast TN
- Natural Asset Based Eco Dev
- Operated Appalachian Harvest food hub since 2000
APPALACHIAN HARVEST

- Market: large wholesale markets (e.g. grocery store chains, produce brokers)
- Products: fresh, whole produce
- Infrastructure
  - 15K sf facility ~ 1/3 cooled
  - 2 tractor trailers
- Services
  - Market products
  - Education
  - Work with producers to fill demand
  - Bulk purchasing of supplies
  - Aggregation & Distribution
FOOD HUB CHALLENGES

• Distance to market is a barrier to farmer participation and food hub profitability
• Limited local marketing opportunities resulted in an un-diversified model
• Large wholesale markets require GAP certification
• Demand consistently exceeds supply
WHY COLLABORATION?

- Distribution:
  - Costly
  - Complicated/Difficult
- Supply/Demand imbalance: not enough supply
- Cooperation makes us all stronger
COLLABORATION EXAMPLES – INFRASTRUCTURE

- Produce Broker 1 – meet at drop off in Norton - traveled 30 miles to get our product 392 miles away and vice versa
- Produce Broker 2 – picks up at our facility as a backhaul
- Small Aggregator – cross docking and transporting
- Farmer Aggregator –
  - Delivers multiple farmers’ products to facility
  - When LTL, Appalachian Harvest may take his load or vice versa
COLLABORATION EXAMPLES – INFRASTRUCTURE (CONT.)

• Farmer Supply Issue – when a farmer runs short and needs to fill a large order, communication about needs can make the difference. Large broccoli order – 12 pallets on a 22 pallet truck; AH filled the rest of the 10 pallets

• Southwest VA Farmers Market
  • Box purchasing
  • Does farm pickups, cools the product, and stores it so it can be picked up by AH
  • Appalachian Harvest broccoli – provides ice and temporary cooling facilities
DISTRIBUTION LESSONS LEARNED

• Learn from your experiences; don’t be afraid to experiment but always track the financial return

• Always keep your trucks full – outbound and inbound

• The age and condition of your distribution infrastructure is critical to success.

• Freight Brokers – good for building knowledge and backhauls
SUPPLY COORDINATION PROCESS

- Aggregate demand from buyers
- Work with buyers to identify demand for new crops
- Convert aggregated demand into plant population and phases

- Work individually with producers to assist them with determining what they will grow, in what quantities and in which planting phases
COLLABORATION EXAMPLES - PLANNING
A BROCCOLI AND CABBAGE STORY

- Demand: 1120 cases of broccoli and 720 cases of cabbage per week
- Retail value between $1.37M and $2.14M in revenue for the region.
- Magnitude of deliveries: each pallet on a truck can hold 48 cases of broccoli or 30 cases of cabbage. A 53’ reefer trailer can hold 22 pallets. The demand above represents more than 2 tractor trailer loads per week.
SUCCESS … KIND OF …

Success!
- Worked with regional partners – farmers and aggregators – to fill demand
- Were successful in filling over 1800 cases per week

And then…
- Quality Issues
- Inability to forecast supply accurately
- Ultimately, a lack of commitment and engagement from some farmers cost the group fully half of the broccoli demand

Lessons Learned
- Clear opportunities promote collaboration
- A solid framework for collaboration is absolutely critical
COLLABORATION EXAMPLES - PLANNING

- Planning for supply in 2014 – VA Cooperative Extension and the SW VA Farmers Market
PLANNING LESSONS LEARNED

- Know your collaborators
- Communicate clearly around quality and buyer requirements
- Know the commitment of your buyers

- Be transparent with your partners, particularly when you know your issues
- Forecasting and reliability impact pricing and demand as well as collaboration
- Plan … but also plan for nothing to go according to plan
CHALLENGES

- Making time for laying the groundwork; particularly difficult for smaller/emerging food hubs
- Finding the opportunities around which to collaborate
- Collaborating with partners of varying sizes and who serve different markets
- Establishing trust
NEXT STEPS

• Working with existing and emerging food hubs with different models to identify collaboration opportunities

• Researching creative distribution/logistics solutions
RECOMMENDATIONS

• Know the self-interest of your potential collaborators
• Know who is (can be) a partner and who is not and share information accordingly
• Experiment constantly
• If you are distributing:
  • Backhaul – keep your trucks full
  • Don’t own equipment or be responsible for distribution if at all possible
  • Buy new equipment if at all possible
• Find ways to add value to the collaboration – e.g. GAP training and certification support
• Leveraging the purchasing power of larger partners (e.g. lower box pricing)
• Talk to the experts & other food hubs
QUESTIONS?

Kathlyn Terry
Appalachian Sustainable Development
kterry@asdevelop.org
276.623.1121