PART 2:
ASSESSING
REGIONAL FOOD ENTERPRISES

Agenda

1 **Funding regional food enterprises as a process**

2 **Assessing regional food enterprises along 9 dimensions. Spotlight on assessing:**

- Business model and strategy
- Impact potential

3 **Try it out yourself with a case study activity!**

- Read a case about a regional food aggregator and distributor
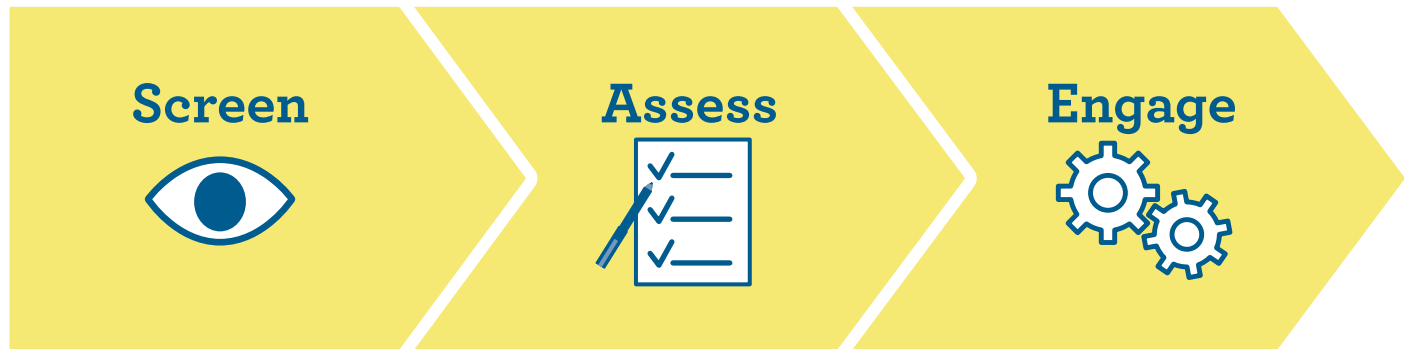- Assess its strengths and weaknesses

Gather a group of colleagues and do the training together!

Regional food enterprise funding is a process that starts well before executing a deal

Screen

Assess

Engage

Execute Deal

Monitor

Before executing a deal, screen and assess regional food enterprises, and engage potential funders

	Screen	**Assess**	**Engage**
Purpose	Get to know organization	Determine business's strengths and weakensses: do they need TA or other help?	Lay groundwork to secure investment
Key Questions	Is this a social enterprise that fits our criteria for investment and mission impact?	What is the enterprises' potential for growth, impact on the food system, and financial viability?	Which investors would be interested in this opportunity? How might each fit in a capital stack?

Wholesome Wave assesses 9 major dimensions of a regional food enterprises

OPERATIONS

BUSINESS MODEL & STRATEGY

IMPACT POTENTIAL

FINANCES

TECHNOLOGY & SYSTEMS

MARKET OVERVIEW

RISK MITIGATION

MARKETING & SALES

ORGANIZATION & MANAGEMENT

For each element, we collect data, analyze it, and compare it to benchmarks/examples

BUSINESS MODEL & STRATEGY

	DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
BUSINESS JUSTIFICATION	• What issue/need is the business addressing?	• A food hub should be able to explain what value it provides and why its business is necessary. Because most food hubs are launched in order to address unmet needs for producers and/or consumers, the operators should be able to articulate how the business helps these market constituents. This justification is made stronger when the food hub can speak to specific needs in its locale or region, and has supporting research.	• The business can clearly articulate why its services and products will be accepted in the market area it plans to serve. The hub has supporting data and analyses.	• The business only vaguely explains the need for its services and does not have sufficient data to support its claims.	• The business neglects to clearly outline what are its services and why they are needed.

CONTEXT/EXAMPLES

• Many of the microbreweries that have popped up across the country value local and do their best to incorporate local products in their beers. However, with barley production spread across the country and the world and only a handful of facilities in the country processing barley into malt, most breweries are not able get one of their key ingredients from local sources. Valley Malt built its facility in Hadley, MA to address this need.

• With the decline of tobacco production in North Carolina, many farmers were looking for new crops and new markets. Some had begun to grow vegetables, even organic vegetables, but did not have sufficient outlets for their production. Eastern Carolina Organics stepped up to work with farmers transitioning their fields from tobacco production to organic produce production connecting farmers with wholesale markets.

A full assessment might look like this

SUMMARY ASSESSMENT   **MEDIUM**

💡	BUSINESS MODEL & STRATEGY	**MEDIUM**
🍃	IMPACT POTENTIAL	**STRONG**
🧭	MARKET OVERVIEW	**WEAK**
👥	MARKETING & SALES	**MEDIUM**
⚙️	OPERATIONS	**MEDIUM**
🗂	ORGANIZATION & MANAGEMENT	**STRONG**
☂️	RISK MITIGATION	**WEAK**
💻	TECHNOLOGY & SYSTEMS	**WEAK**
$	FINANCES	**MEDIUM**

COMMENTS AND NOTES

For each area of assessment,
an explanation of the rating,
with a summary of the strengths
and weaknesses.

Now, we'll practice taking an in-depth look at regional food enterprises!

We've prepared a case-based activity about a local food aggregation and distribution business. Here's how it will work:

CC Image courtesy of USDA.gov on Flickr

1 **You read** the case.

2 **We explain how** to assess *business model and strategy*.

3 **You assess** the *business model and strategy* of the case business.

4 **You discuss with your colleagues** using the facilitation guide provided.

5 **We share** our assessments of *business model and strategy*.

6 **Repeat** steps 2–4 for assessing *impact potential*.

Read the case about a regional food enterprise
(~8 mins)

	Good Food Co *Wadesboro, NC*
Business activity	Wholesale produce aggregator and distributor
Target market	Wholesale for food service — institutions, restaurants, schools
Growth stage	Growth
Revenue (2014)	$1.6M

TOOL: Use a portion of Wholesome Wave's Business Assessment Toolkit to assess Business Justification

BUSINESS MODEL & STRATEGY

Refer to this portion of the toolkit →

23 **B** BUSINESS MODEL & STRATEGY | IMPACT POTENTIAL | MARKET OVERVIEW | MARKETING & SALES | OPERATIONS | ORGANIZATION & MANAGEMENT | RISK MITIGATION | TECHNOLOGY & SYSTEMS | FINANCES

BUSINESS MODEL & STRATEGY

BUSINESS JUSTIFICATION

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• What issue/need is the business addressing?	• A food hub should be able to explain what value it provides and why its business is necessary. Because most food hubs are launched in order to address unmet needs for producers and/or consumers, the operators should be able to articulate how the business helps these market constituents. This justification is made stronger when the food hub can speak to specific needs in its locale or region, and has supporting research.	• The business can clearly articulate why its services and products will be accepted in the market area it plans to serve. The hub has supporting data and analyses.	• The business only vaguely explains the need for its services and does not have sufficient data to support its claims.	• The business neglects to clearly outline what are its services and why they are needed.

CONTEXT/EXAMPLES

• Many of the microbreweries that have popped up across the country value local and do their best to incorporate local products in their beers. However, with barley production spread across the country and the world and only a handful of facilities in the country processing barley into malt, most breweries are not able get one of their key ingredients from local sources. Valley Malt built its facility in Hadley, MA to address this need.	• With the decline of tobacco production in North Carolina, many farmers were looking for new crops and new markets. Some had begun to grow vegetables, even organic vegetables, but did not have sufficient outlets for their production. Eastern Carolina Organics stepped up to work with farmers transitioning their fields from tobacco production to organic produce production connecting farmers with wholesale markets.

REVENUE GENERATION MECHANISM

DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
• How does the business generate revenue?	• A food hub should be able to clearly state how it will generate revenue. • Revenue models for food hubs can vary with activity and size and can include taking a percentage of wholesale or retail price, charging packing fees as price per case, charging markups on processed product, or charging rental fees for space/facility usage.	• The business knows exactly how it generates revenue and the revenue model is appropriate for its chosen activities (e.g., percent of sales for aggregation and distribution).	• The business demonstrates an understanding of the options to generate revenue, but has not yet determined its revenue model or has selected a confusing revenue path.	• The business does not know how it will generate revenue and does not demonstrate an understanding of the revenue models appropriate for its chosen business activity.

CONTEXT/EXAMPLES

• A food hub's revenue generation mechanism will depend on the types of activities it undertakes. The Food Hub Activity Classification, available for download with the toolkit's resources, summarizes these differences.	• Aggregators such as Farm Fresh Rhode Island, Blue Ridge Produce, and Common Market charge a percentage markup. For example, if the aggregator charges 20%, then for each $1 of product sold, the farmer is paid $0.80 and the revenue to the food hub is $0.20.
• Mad River Food Hub, an inspected vegetable and meat processing facility in Vermont, charges food producers by the day to rent the space and also offers distribution, HACCP plan development, and business development services. The food hub also offers fee for service meat processing.	• Farm to Table Co-packers in Kingston, New York offers vegetable and value-added processing services and charges per piece of production. For example, FTC would charge a dollar amount per case of jars of salsa they produced for a salsa company.

TOOL: Use a portion of the Business Assessment Toolkit to assess Revenue Generation Mechanism

BUSINESS MODEL & STRATEGY

Refer to this portion of the toolkit

B BUSINESS MODEL & STRATEGY | IMPACT POTENTIAL | MARKET OVERVIEW | MARKETING & SALES | OPERATIONS | ORGANIZATION & MANAGEMENT | RISK MITIGATION | TECHNOLOGY & SYSTEMS | FINANCES

BUSINESS MODEL & STRATEGY

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TOOL: Use a portion of the Business Assessment Toolkit to assess Value Proposition

BUSINESS MODEL & STRATEGY

Refer to this portion of the toolkit

B BUSINESS MODEL & STRATEGY | IMPACT POTENTIAL | MARKET OVERVIEW | MARKETING & SALES | OPERATIONS | ORGANIZATION & MANAGEMENT | RISK MITIGATION | TECHNOLOGY & SYSTEMS | FINANCES

VALUE PROPOSITION

DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
• Why would customers buy this product or service from this business? • Why would farmers/suppliers work with this business?	• At a basic level, the reasons why customers buy hinge on the price and quality of the offered product/service. In the case of food hubs, factors like product quality, range of product selection, and service experience are major drivers of value for customers. Suppliers and farmers focus on factors like price, trade terms, and ease of transaction. For mission-driven businesses, value also includes social and environmental impact, which is detailed in "Impact Potential."	• The business can articulate specific reasons why customers will buy its products/services and has sufficient research to support its claims. • The business also clearly explains why farmers/producers will sell crops to the hub over other market outlets.	• The business only partially explains why customers will buy products/services and why suppliers will sell, and/or there is insufficient research to support the business's claims.	• It is unclear why customers will value and purchase products and/or why farmers will sell to the food hub; the business has no research to support its claims.

CONTEXT/EXAMPLES

• Customers use Farm Fresh Rhode Island (FFRI) because it is an easy, convenient, and reliable way to source from over 70 local producers in one place. Farmers work with FFRI because they get control over pricing and FFRI pays farmers quickly. FFRI pays farmers within 2 weeks of receiving product, even though FFRI's customers often have longer payment schedules.

• Red's Best, a seafood aggregator based in Boston, offers fisherman transparency and quick payments unheard of in the industry. Through Red's Best's proprietary software, fisherman can see exactly where their fish were sold and for how much and are paid for their catch within a week. Red's Best also takes the whole catch from fisherman, allowing fisherman to fish for whatever is in abundance that time of year.

COMPETITIVE ADVANTAGE

DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
• Why will this business succeed against competition or alternatives?	• For many food hubs, the local products that they offer are difficult for customers to efficiently access on their own. Given the innovations and rapidly changing food landscape, there are many new entrants trying to offer solutions for local farm sourcing. To keep customers and suppliers engaged, a food hub should know why it is different and what it offers over other local sourcing options.	• The business provides evidence of how it is specifically different and distinctive from competing options and why those differences create an advantage in engaging customers and/or suppliers.	• The business relies on general factors or market trends to distinguish itself (e.g., relies on the local food trend as its competitive advantage).	• The food hub claims it has no competition or does not know or fails to identify specific reasons why it will succeed over competing options.

CONTEXT/EXAMPLES

• Red's Best, a seafood aggregator based in Boston, has proprietary software that allows the company to aggregate from many small boats, maintain source transparency to the boat, and sell fish to buyers much more efficiently.

• Even though many food hubs are taking a novel approach to aggregation and distribution, all food hubs face competition. Customers always have an alternative to food hubs. They can use other food distribution channels, even if those channels carry conventional food that is not local.

• City Fresh, a healthy meal preparation company based in Boston, has over a dozen competitors in its market. City Fresh has distinguished itself by offering delivery of hot meals, specializing in ethnic cuisine, and serving the budget-constrained institutional market (senior care facilities and schools, among others).

TOOL: Use a portion of the Business Assessment Toolkit to assess Competitive Advantage

BUSINESS MODEL & STRATEGY

Refer to this portion of the toolkit

VALUE PROPOSITION

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Now you get to assess Good Food Co's business model and strategy!

1 Assess business model and strategy.

2 Think about the questions in the activity guide – how does the business hold up in these areas?

3 Use the excerpts from WW's Toolkit to guide your assessment.

4 Assessing business model and strategy should take about 10 minutes.

5 Discuss your assessment with your colleagues for 10–15 minutes.

Example assessment: 💡→ BUSINESS MODEL & STRATEGY

		Good Food Co
Business Justification	STRONG	• Aggregates, sells, and distributes products from local farmers • Serves an unmet need for farmers and unmet demand for local product in the market
Revenue Generation Mechanism	STRONG	• Percentage of sales: 22% • Clear but fixed and lower than industry
Value proposition	MEDIUM	• Customer: not much beyond local • Farmers: services and access to wholesale markets
Competitive advantage	WEAK	• Supply and small farm story but changing competitive landscape means more competitors getting into local

GOOD FOOD CO.

TOOL: Use a portion of the Business Assessment Toolkit to assess Social Impact

SOCIAL IMPACT

Refer to this portion of the toolkit

SOCIAL IMPACT POTENTIAL

	DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
ACCESS	• Does the food hub have a goal of providing greater access to healthy local foods for low-income/high-need consumers? • Where does the food hub operate that it reaches low income customers? By what channels, such as public institutions or food desert communities? Are efforts current or planned? • Other ways the food hub may reach low-income consumers.	• A food hub's types of customers suggest whether or not the food hub is helping to create access for low-income communities. If a food hub's customers include many public school districts, public hospitals, food banks, and other institutions that serve low-income consumers, the food hub is helping to create access. • If the food hub has customers (either individuals or community-serving institutions) that are in food deserts, as defined by the USDA or TRF's low supermarket access indicator on Policy Map, the food hub is helping to create access.	• The food hub has a clearly stated goal of creating access to healthy local food for low-income consumers and it operates in "food desert" areas or serves channels that reach low income consumers (including institutions or SNAP sales).	• The food hub has a stated goal to reach low-income consumers and is attempting to operate in "food desert" areas or through channels that reach low-income consumers.	• The food hub does not have a stated goal or intention to improve access for low-income consumers, and does not operate in food desert areas or sell through any low-income consumer channels.[2]

CONTEXT/EXAMPLES

• According to the 2013 Food Hub Survey, of those food hubs surveyed that sell direct to consumers, about half accept SNAP, and 27% accept WIC or Farmers Market Nutrition Program benefits. Of those surveyed that accepted SNAP, fewer than half had a program that matched the dollar amount of SNAP benefits. Fewer than 20% of retail-oriented food hubs operated a mobile market or offered subsidized farm shares.[2]

	DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
AFFORDABILITY	• Does the food hub have a goal of providing greater affordability of healthy local foods to low-income consumers? • What is the dollar and percentage volume of sales to customer segments defined as low-income or high-need (e.g., participants, or entities that serve participants receiving federal nutrition benefits like SNAP, WIC, and free and reduced lunch). • Other ways food hub is facilitating affordability for low-income consumers.	• The most tangible way to measure affordability is to measure sales to costumers or institutions that serve consumers who receive federal nutrition benefits.	• The business has a stated goal of providing affordable products and generates at least 20-30% of sales through channels that reach low-income customers (e.g. SNAP sales, public schools, etc).	• The business has a goal of providing affordable products, is attempting to make its pricing accessible, and generates more than 0% of sales through channels that reach low-income customers.	• The business has no stated goals around offering affordable products and is not making any efforts to provide products targeted to low-income customers. The business does not sell to any institutions reaching low-income customers.

CONTEXT/EXAMPLES

• Food hubs are using many creative ways to help improve affordability of healthy, local food for low-income people. For example, some food hubs use sales to more affluent customers to subsidize prices to low-income customers. Others try low-labor modes of delivery to lower costs which allows the hub to offer lower priced products to low-income customers.

TOOL: Use a portion of the Business Assessment Toolkit to assess Environmental Impact

ENVIRONMENTAL IMPACT

Refer to this portion of the toolkit

ENVIRONMENTAL IMPACT POTENTIAL

LAND USE AND AGRICULTURAL PRODUCTION

DATA	INTERPRETATION	STRONG	MEDIUM	WEAK

• Total farmland acres of all farms supplying the food hub.
• Total acres by type of production practices of all farms supplying the food hub.
  – Certified organic
  – Sustainable (non-certified organic)
  – Conventional
• If available, additional acreage put into production and acres converted to more sustainable practices in order to serve the food hub.
• If available, the dollar value per acre that the farmer receives from sales to the food hub.
• Total farmland acres of all farms in the state or region.
• Other environmentally beneficial land use; consider impacts in urban areas as well.
	• The amount of land food hub suppliers have under production suggests how much farmland the food hub is helping to preserve as working land. For example, a strong food hub may work with 70 farmers that cultivate hundreds of acres whereas a weak food hub only works with 5 farmers that cultivate a quarter acre each. This is particularly useful for early stage food hubs who may be able to capture data on acreage supplying the food hub and they can compare acreage over time to show growth in farms due to food hub activity.
	• Food hubs may support other land use impacts beyond farmland preservation, e.g., motivating organic cultivation, increased crop diversity, or expanding new growing methods like hoop houses.
		• The business sources from farms that make up significant acreage for the area.
		• The business actively supports sustainable production and sources from farms that comprise significant organic and sustainable acreage.
			• The business sources from farms that make up moderate acreage for the area.
			• The business attempts to or has plans to support sustainable production and sources from farms that comprise moderate organic and sustainable acreage.
				• The business sources from farms that make up little acreage for the area.
				• The business has no plans to support sustainable production and sources from no farms with organic or sustainable cultivation.

CONTEXT/EXAMPLES

• Food hubs can support farmers as they try new production techniques. For example, Grasshoppers, a former aggregator in Kentucky, committed to buying product from a farmer that was first learning to grow in hoop houses, allowing him to try out something new and have a market for his product should he succeed.	• The 2013 Food Hub Survey also found that about 24% of food hub respondents reported that all or most of their suppliers had adopted more sustainable production methods and 23% reported that all or most of their suppliers had increase their acreage since beginning to work with the hub.[3]
• The 2013 Food Hub Survey found that very few food hubs required specific practices from their supplier-farmers, but that many stated preferences for sustainable practices.[4]	• Eastern Carolina Organics does not require its farmer-suppliers to be fully certified organic, but works with farmers as they transition, providing support during the process of becoming certified.[5]

[3] 2013 Food Hub Survey, 17.
[4] 2013 Food Hub Survey, 16.
[5] Self-Help, in conversation with the author, August 8, 2013.

TOOL: Use a portion of the Business Assessment Toolkit to assess Economic Impact

ECONOMIC IMPACT

Refer to this portion of the toolkit

ECONOMIC IMPACT POTENTIAL

JOBS

DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
• Number of full-time, part-time, and seasonal food hub employees. • Total number of full-time equivalent (FTE) food hub positions. • Ratio of the highest to lowest wage paid by the food hub; (a low ratio indicates less disparity in pay). • Difference between the average wage and median wage; (if the median is well below the average the company may have many low paying jobs and a few high paying jobs). • Average length of employment for staff. • Job training or development services available in-house or through partnerships.	• One aspect of job creation we consider is the quality of jobs created or maintained. The food sector is notorious for low-paying jobs with no benefits. Many food hubs aim to do more by creating high-quality, full-time jobs with benefits. The number of full-time versus part-time and the ratio of lowest and highest wage can indicate how the food hub fares in terms of the quality of the jobs it creates. The average length of employment provides a gauge for turnover, which can indicate the quality (or lack of) the food hub jobs. The availability of job training or development services that allow workers to advance is another critical component of job quality.	• The business employs many full-time employees with living wages and benefits. The average length of employment for staff is many years. • The food hub has clear career development ladder with job training and development services available to help move workers from lower to higher pay positions.	• The business employs few full-time staff and uses mostly part-time workers with low wages and benefits. The average length of employment for staff is a couple of years. • The path for career advancement is somewhat fuzzy, but the organization encourages professional development that can lead to advancement.	• The business operations rely on few poorly compensated staff and/or mostly volunteer labor. The average length of employment for staff is less than a year. • The food hub lacks any way for workers to move from lower to higher paying positions.

CONTEXT/EXAMPLES

• The 2013 Food Hub Survey found that the median number of full-time, year-round employees for food hubs of all sizes is 3, part-time year-round employees is 2, and seasonal employees is 1. Food hub respondents had on average 11 full-time employees.[7]	• Eastern Carolina Organics has shared ownership among the founder/CEO, farmer-suppliers, and ECO employees. Having worker-owners not only increases those individuals drive to make the business successful, but also helps to build the workers' individual wealth.

FARM INCOME

DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
• Food hub's cost of goods sold (i.e. the amount paid to producers for products). • Percentage of wholesale price paid to producers. • Percentage of retail price paid to producers. • Pricing process. Does the producer play a role in determining price?	• The dollar amount of sales paid to farms shows concretely how much the food hub is contributing to producers' incomes. • To achieve greater impact on farm income, food hubs typically pass along a greater percentage of the wholesale or retail price to farmers than the conventional food distribution industry. • The process for setting prices shows the extent to which a food hub is distinct from a conventional aggregator/distributor. In the conventional commodity market, the producer is often a price taker and the aggregator/distributor largely views farms as interchangeable suppliers of a commodity. The strategies that food hubs use to set pricing create transparency, empower farms, differentiate the products, and secure greater income for producers.	• The business has over $1 million in revenue and pays over 65% of that to suppliers for product. • The business has a transparent process for setting prices with farmers.	• The business has less than $1 million in revenue and pays a fair market % to producers. • The business has a transparent process or other form of farm-favorable pricing.	• The business passes along a very small portion of revenue received to farms. • The business has unclear, non-transparent process for setting prices or puts pressure on farms in the pricing process.

[7] 2013 National Food Hub Survey, 12.

Now you get to assess Good Food Co's social, environmental, and economic impact

1 Assess the impact of Good Food Co.

2 Think about the questions in the activity guide – how does the business hold up in these areas?

3 Use the excerpts from WW's Toolkit to guide your assessment.

4 Assessing impact should take about 10 minutes.

5 Discuss your assessment with your colleagues for 10–15 minutes.

Example assessment: IMPACT POTENTIAL

		Good Food Co
Social	N/A	• No mention
Environmental	MEDIUM	• 50 farmers sustaining acreage in agricultural use • Supporting diversity of farms? Supporting sustainable farms?
Economic	STRONG	• Significant farm purchases = farm income

GOOD FOOD CO.

An example completed summary scorecard might look like this

SUMMARY ASSESSMENT		STRONG
	BUSINESS MODEL & STRATEGY	MEDIUM
	IMPACT POTENTIAL	STRONG
	MARKET OVERVIEW	STRONG
	MARKETING & SALES	MEDIUM
	OPERATIONS	MEDIUM
	ORGANIZATION & MANAGEMENT	STRONG
	RISK MITIGATION	WEAK
	TECHNOLOGY & SYSTEMS	STRONG
	FINANCES	STRONG

COMMENTS AND NOTES

For each area of assessment,
an explanation of the rating,
with a summary of the strengths
and weaknesses.

Thank you!

For more information about Wholesome Wave
and to download resources, such as the
Food Hub Business Assessment Toolkit,
please visit **www.wholesomewave.org**

Please visit the
Know Your Farmer, Know Your Food
portal for a plethora of resources on local
and regional food systems
at **www.usda.gov/knowyourfarmer**