A Tale of Two Food Hub Studies

February 5, 2013
Presentation Outline

- Technical Orientation
- Welcome
  
  **Jeff Farbman**
  *Wallace Center at Winrock International*

- Two Food Hub Studies
- Questions and Answers
WALLACE CENTER at WINROCK INTERNATIONAL

• Market based solutions to a 21st Century food system
• Work with multiple sectors – business, philanthropy, government
• Healthy, Green, Affordable, Fair Food
• Scaling up Good Food
NATIONAL GOOD FOOD NETWORK: GOALS

**Supply Meets Demand**
- There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

**Information Hub**
- The National Good Food Network (NGFN) is the go to place for regional food systems stories, methods and outcomes.

**Policy Change**
- Policy makers are informed by the results and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.
A partnership with USDA, the Wallace Center and its National Good Food Network and food hubs and their supporters across the country.

**USDA** Agricultural Marketing Service and Know Your Farmer, Know Your Food (KYF) team bring research and governmental support.

**Wallace Center** brings years of food systems and infrastructure experience.

**National Good Food Network** brings technical assistance, established relationships, and a national to regional to local approach.

**Farm Credit Council, Farm Credit institutions, Michigan State University**, and many other organizations research and support hubs in various ways.

Individuals including **consultants, technical assistance providers, researchers**, and more help this nascent field to be effective and efficient.

The **hubs** bring on-the-ground experience they are willing to share.
**NGFN Food Hub Collaboration**

**Study Hubs**
- Work closely with 8 hubs
- Provide TA
- Capture and share learning

**Community of Practice**
- Food hub “professional network”
- National & regional networking opportunities
- Peer to peer learning tools
- Goal: Accelerate innovation and increase commerce

**Technical Assistance Network**
- Leverage National Good Food Network Research
  - Help to coordinate research across country
  - Bi-annual survey

**Outreach & Communications**
- Case studies
- Webinars
- Links to financial and knowledge resources
- [www.ams.usda.gov/FoodHubs](http://www.ams.usda.gov/FoodHubs)
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**Gary Matteson**
VP Young, Beginning, Small Farmer Programs  
Farm Credit Council

**Rich Pirog**
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Center for Regional Food Systems  
Michigan State University

**Micaela Fischer**
Graduate Student,  
Center for Regional Food Systems  
Michigan State University

- Questions and Answers
A Tale of Two Food Hub Studies
Webinar - February 5, 2013

- Why two studies?
- How are they different?
- Why are they both important?
- Who is leading them?
- Timing and results
- Who to contact
Regional Food Hub Definition

- Regional Food Hub Definition (working USDA definition)
  - 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.

* USDA Regional Food Hub Resource Guide
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2013 National Food Hub Survey

• Who is conducting the survey?
  – MSU Center for Regional Food Systems; in association with Wallace Center for Sustainable Agriculture
  – USDA assisted in the development of the survey

• When is the survey open for completion?
  – Monday, January 28 through Friday, March 1, 2013
2011 Survey
(conducted by Wallace Center with development assistance from USDA)

- Focused on understanding the scope and scale of food hub operations, including questions on the types of services offered, markets served, and sales.
- Included some follow-up phone interviews with 20 hubs regarding financial viability and economic impacts)

NGFN Food Hub Collaboration
Why is the 2013 National Food Hub Survey important?

- Help understand what food hubs are learning and how to address challenges (increase conversation among food hubs)
- Help shape understanding and exposure of food hubs to inform policy and program initiatives
- Inform and catalyze new potential relationships between food hubs and investors, grant makers and other food hubs looking to find success
2013 National Food Hub Survey

- Builds on the 2011 survey with further investigation into such areas as food hub financial viability, economic impact, healthy food access, challenges faced, and emerging market opportunities (this type of data was only collected in the 20 follow-up interviews in 2011)
2013 National Food Hub Survey

• Provides a “state of the state” of food hubs
• Will allow us to report on aggregated data, not individual food hubs
• Will provide an overview of profitability, but not specific economic benchmarks
Attention local food practitioners working with food hubs!!

- Ask your food hub if they have received the survey
- Provide assistance if appropriate to help complete the survey
- The more we know about food hub challenges the better we all can provide support!
2013 National Food Hub Survey

• Between 85-90 questions (depending on answer logic) - will take ~ 45 minutes to complete
  – Question Categories Include:
    • Basic Finances
    • Employee Types and Numbers
    • Producers Types and Numbers
    • Local and Regional Aspects of the Hub
    • Operational Activities and Services of the Hub
    • Challenges and Opportunities for the Hub

• May need financial records from 2012 to fill out some of the questions
Any issues with specific survey questions should be directed to Micaela Fischer - fisch208@anr.msu.edu or 316-706-7459

http://foodsystems.msu.edu/

http://foodhub.info
Food Hub Benchmark Study

- Financial and operational information
- Measurable, repeatable, reliable, indicative
- Illuminate industry performance and trends
- Help Food Hubs improve results
- A financially sound local food sector is good for all

The Farm Credit Council
Why do a Benchmark Study?

• Progressive business owners are hungry for this information
• They love to share strategies with each other
• The Top Performers tend to:
  – Price more aggressively
  – Manage labor and other costs more carefully
  – Maximize the customer’s experience
  – Provide better value to local food systems
• Use benchmark information to develop an **action plan** that works.
What goes into a benchmark?

- Good financial records
- Operational information
- Can also include production measures, safety ratings, human resources practices
- Input from Food Hub businesses
Important Characteristics of the Benchmark Study

• Standardization
  comparisons that account for variation in operations

• Progressive Owners/Managers
  Willingness to contribute data and share ideas
  Desire to achieve

• Each operation’s data is confidential!

• Data collection is more than handing over the financial statements
What can be tracked?

- Percent of Sales
- Revenue Growth
- Gross Markup
- Gross Margin
- Overhead
- **Net Margin**
- **Net Worth**
- Safety
- Environmental Compliance

- Labor Hours
- Full-Time Equivalents
- Labor Efficiency
- Allocation of Duties
- Compensation and Benefits of Key Labor Positions
- Trends (with the business)
- Invoice per delivery stop
- Transaction count
Improve Food Hub results

- What’s the biggest expense?
- What should it be?
- What does everyone think they should cut first?
- But what if the problem is shrink?
- Or delivery logistics?
- Or allocation of that labor?

A benchmark can tell you that.
Action Plan (managing a Food Hub from benchmarks)

- Examine labor costs in different ways:
  - cost per worker equivalent
    - We spend $30,000 on a full-time equivalent if the benchmark is $30,500
    Conclusion: We’re spending an average amount per worker
  - hours worked per delivery
    - We put 0.25 warehouse labor hours into each delivery if the benchmark is 0.30
    Conclusion: Our workers are slightly better than average at efficiency
  - sales per full-time equivalent (FTE) worker
    - Our workers generate $750,000 of income per full-time equivalent if the benchmark is $1,000,000
    Conclusion: We’re not selling enough (stuff or dollars?)

Boost sales efficiencies!

Increase prices? Change product mix?
Add value? Sales training for staff?
Confidence

- In your record keeping and financials
- To compare performance against budget
- To manage from the planned budget
- To interpret management options
The Farm Credit Council

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