Framing Food Hub Investment and Programing Opportunities in Montgomery County

Prepared By: Cultivate Ventures

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Study Overview

- **Purpose:** Sought to determine the applicability and feasibility of possible investments in food hub related programming and infrastructure in the county that build on previous work and investments made to date to support small/medium farmers (with the notion of a 'Food Hub' being central to analysis).

- **Structure:** The analysis was structured around four strategic questions deemed as important to any organization or institution committed to the possible design, and / or investment in, food hub programming and infrastructure.

- **Methodology:** Three forms of information collection 1) Internal Reviews of MCFC due diligence, reports, etc.; 2) Desk study of best and worst practices of National Food Hub Landscape; and 3) Series of stakeholder meetings with key value chain actors in MOCO Ag Ecosystem. Duration was Roughly 4 months.

Framing Question 1

WHAT IS A FOOD HUB? WHAT ARE THE RELEVANT NATIONAL FOOD-HUB MODELS, LESSONS LEARNED AND BEST PRACTICES CURRENTLY AVAILABLE FOR MCFC TO LEVERAGE FOR ITS OWN PROGRAMMATIC PURPOSES?

Framing Question 1: Selected Learning's

- There are multiple structural and operational dimensions to the USDA's definition of a 'Food Hub' – Non-Profit vs For Profit, Business model, etc.

- The narrative on "the failure" of Food Hubs is fading, interestingly Food Hubs have a greater survival rate than start up businesses.

- There are clear attributes for defining success and drivers of why food hubs do fail.

- Wealth of resources available and accessible to guide formulation and implementation of a Food Hub (Winrock – Wallace Center, USDA, Michigan State Center for Regional Food Systems)

Key Outcome: MCFC Food Hub Framework

KEY FACTOR	KEY QUESTIONS TO BE CONSIDERED, VETTED AND APPROVED.
Existing Market	Who are the initial customers (suppliers, institutional and consumer buyers), why would the proposed Food Hub services be demanded, and what price are they willing to pay?
Future Market	At scale, who are the potential customers of the food hub (suppliers and buyers)? Is there a rational market / buyer as the food hub reaches operational capacity and will this change the original business model / mission?
Value Chain Constraint	What core market / value-chain bottlenecks will be the primary focus of the food hub and how will these constraints be resolved / alleviated? How will this be monetized?
Product Offering / Focus	What core products will the food hub focus on and why? How will this differ at scale. Is there sufficient demand to meet supply? Who will be the suppliers?
Operational Identity	What will be the defining business model and corresponding mission? Does this match the core offering and consumers targeted above?
Business Case and Plan	Is there a defined business case to justify the financial and intangible investments that need to be made? What types of human capital will be required to institute the plan? How will talent be financed / identified?
Viability Strategy	What is the capitalization strategy over the short to medium term? If services are to be offered that are not profit oriented, how will these be sustainably financed?

Framing Question 2

HOW CAN MCFC (AND THE MOCO GOVERNMENT) BEST LEVERAGE ITS OWN PAST POLICY, PROGRAMMATIC AND INFRASTRUCTURE INVESTMENTS TO SUPPORT THE DESIGN OF FOOD HUB-CENTRIC PROGRAMMING?

Framing Question 2: Selected Learning's

- The collective progress made to date on developing local food ecosystems is commendable.

- MOCO has excellent visualization of local producers, which includes clear spatial realities of MOCO Agriculture Reserve utilization and a good understanding of macro level food trends, opportunities and constraints – Noting, that greater emphasis on segmentation of agriculture industry group (different set of incentives/needs).

- MCFC's Council Member-led Working Groups seem to be effective mechanisms for convening passionate local citizens and sector actors interested in improving the food system.

- Regulatory clarity, Political will and Inter County coordination will be key to any push towards a 'food hub' investment.

Framing Question 2: General Conclusions

- Building on work already completed and currently planned by MCFC specifically, and MOCO generally, there is a strong foundation for future food hub related investment(s).

- MCFC needs to continue to develop and accelerate advocacy around an expanded food hub vision that moves beyond food access and insecurity into commercial, market development.

- Determining a clear and politically achievable plan for long-term food hub related investments are critical.

- Continued regional coordination is key, but also a delicate balance, as coordination should not drive the process, but rather bolster it.

Framing Question 3

WHAT ARE GAPS IN SUPPORT LIMITING KEY AGRICULTURE STAKEHOLDERS (ESPECIALLY SMALL AND MID-SIZED PRODUCERS, DISTRIBUTORS, PROCESSORS, ETC.) ACROSS THE VALUE CHAIN?

Stakeholder Analysis Methodology

We organized in two main sub-categories: supply-oriented (farmers / producers); and demand-oriented stakeholders (buyers, distributors and retailers). The primary focus of our questioning was to:

1. Garner an overall market perspective of the critical supply- and demand-side opportunities and constraints affecting day-to-day business.

1. Determine the general market understanding of local food and agriculture related policies and regulations, and determine if, and how, these policies and programs affect day-to-day business.

1. Determine the market understanding of what a "food hub" is, the purpose a hub could serve, and if this type of market actor (in whatever form) is something potentially beneficial to business.

1. Determine if there were any value chain outliers — such as the Crossroads Community Food Network — that had constituencies or the political capital to affect future design of food hub programming and how.

Supply Oriented Stakeholders: Summary of Findings

- Producers were segmented in 3 groups – Emerging Farmers, Established Enterprise Farmers & Traditional Ag Farmers - **Between these groups no single notable collective problem or opportunity identified.**

- Assumed Revenue Distribution - Raises concerns about supply/volume

Product	Emerging Farmers (Ave. $ Annually)	Enterprise Farmers (Ave. $ Annually)	Commodity Farmers (Ave. $ Annually)
Table Fruit and Vegetables	Less than $1M	$1M-$4M	Less than $1M
Traditional Commodity Ag Crops	N/A	Less than $1M	$40M +
Value Added Products (Various)	Less than $100K	Less than $250K	N/A

- High level of uniformity in services demanded within Emerging Farmer Group and some uniformity between Emerging and Enterprise in areas of TA, Finance Access, Ag Tourism Reg Reduction, access to Value Add Facility

- Main interest in notion of ‘Food Hub’ came from Emerging Farmer Group

- Better Ag Tourism seemed to be viewed as a real opportunity by both Emerging & Enterprise Farming Groups

Demand Oriented Stakeholders: Summary of Findings

- There robust and mature network of hundreds of food distributors and retailers in the DMV and Baltimore areas, many of which are already playing critical roles in the local agriculture value chain.

- Understanding the Produce Distribution Landscape is critical to any food hub trajectory (and any incremental program investment) – many of these folks view themselves as ‘Food Hubs’.

- All traditional retailers noted that the biggest barriers for working with local and smaller farms include lack of steady volumes, inconsistent pricing, overall quality assurance, and buying logistics.

- Digital CSAs appear to be viable partners for the emerging and enterprise groups – noting, some (e.g. One Acre Farm) prefer to create their own CSA for even higher margins.

Framing Question 3: General Conclusions

- MOCO producers — regardless of size, sophistication or product — operate in a highly competitive market environment that demands high quality product delivered on a consistent basis.

- Local produce that is entering the market is finding buyers readily, either hyper locally (i.e. farm stands), or from one of the myriad of market retail, wholesale or institutional channels

- The focus of any food hub related program needs to concentrate resources on developing and expanding market linkages that will allow smaller, emerging farms to capitalize on these diverse market opportunities, rather than directly participating in the supply chain as an institutional buyer or seller.

Framing Question 4

WHAT VIABLE FOOD-HUB CENTRIC PROGRAMMATIC OPTIONS ARE AVAILABLE FOR ADDRESSING IDENTIFIED MARKET DEMANDS FOR SUPPORT; AND HOW SHOULD THESE FISCAL AND TECHNICAL INVESTMENTS BE PRIORITIZED TO MAXIMIZE SUSTAINABLE IMPACT AND OUTCOME OVER THE SHORT-, MEDIUM- AND LONG-TERM.

Institutional Food Hub Model Summary

- **Operational:** At Start Stay Focused on Aggregation/Wholesale – cannot be everything to everyone – expand later to add consumer component – equity/access issues critical but should be separate programing.
- **Market/Legal:** For profit, B-Corp - aligning mission and market
- **Infrastructure:** Space with Min 6.5K feet @$3.38/ft, capable of passing USDA Good Handling Practice Audit, need logistics min 2 vehicles, centrally located ideally Gaithersburg area
- **Market Strategy:** Brand to differentiate MOCO products in crowded market
- **Financial Model:** Breakeven about $1.2M in annual sales
- **Capitalization:** Estimated roughly $600K - $900K required to cover working capital, equipment, line of credit
- **Risks:** Volume, Stiff Competition, and reliance on inter-gov coordination to address volume

Market Linkage Facilitation Summary

Market Linkage Model: Invest in 1-2 persons to serve as brokers for local producer community – Scope and role defined. Initial cost of $100-$200K, with supplemental revenue from sales generated.

Market Aggregation Support: "Mobile Aggregation Program" that would identify a third party partner to provide local aggregation support to emerging farmers

Value Added Processing Program: A targeted focus on identifying and linking producers to more suitable value added processing infrastructure - "co-packer", or an on-demand commercial kitchen to support produce cleaning, basic prep and possibly some value-add packaging.

Expand MCFC Advocacy Work: On farm dining, accommodation, event caps for wineries, ease of building codes on farm.

Recommendations

- Because there clearly enough supply and demand, value chain stakeholder support, and current overall momentum to warrant MCFC and its partners we recommend an expansion of current MCFC "Food Economy" programming.

- We recommend an incremental County approach to the expansion of this programing to begin with a Market Linkage Facilitation and Aggregation Support, and Increase Advocacy efforts to better enable on-farm economic opportunities.

- We do not recommend though that MCFC and the County focus initially on designing, developing and launching a full institutional food hub.

- We recommend following Six overarching best practices in MCFC programing moving forward.

Overarching Best Practices

1. Focus on increasing producer level market linkages and logistical support as broadly as possible, fostering in particular deeper relationships with regional food distributors.

1. Engage the private sector as much as possible in the management of food hub and related commercial activities to ensure both market based incentives are driving growth as much as possible.

2. Integrate all programming into tangible, well-funded, long-term focused ecosystems of technical resources that can both provide required technical assistance for expanding capacity at the farmer level, and support market linkages that increase access for this increased production.

Overarching Best Practices

4. Encourage regional collaboration wherever feasible, ensuring that models are leveraging regional programming, investment and support for its own future county-specific success.

5. Integrate market strengthening programming with targeted advocacy support that is focused on improving the competitiveness of the local agriculture policy environment — most importantly making it more conducive to increase on-farm commercial activities.

6. Ensure that expanding market oriented programming does not reduce the overall MOCO focus on improving access to at-risk and impoverished MOCO residents to local food. These programs can and should be designed to be mutually supportive.

Q & A