

Building a Food Hub in the Southern Tier West Region of Chautauqua, Cattaraugus and Allegany Counties: An Assessment of the Opportunities, Challenges and Overall Feasibility

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I. Introduction, Overview, and Context

INTRODUCTION:

The purpose of this study was to determine the feasibility of developing a “food hub” in the Southern Tier West (STW) region of Chautauqua, Cattaraugus and Allegany counties. A **food hub** can mean many different things. For the purposes of this study it was taken to mean *some form of enterprise or undertaking that increases the production, distribution and sales of local farm and food products in a coordinated, deliberate and sustained manner*. Food hubs can be quite challenging to initiate as well as to operate, but done well, they can substantially increase markets, sales and profitability for farmers, while also increasing the availability of healthy local foods for residents in the communities. Food hubs are also one of the primary vehicles by which small and limited resource farmers gain access to mid-size and larger markets, such as schools, colleges and universities, grocers and supermarkets and various institutional buyers. These “intermediated markets”, to use USDA’s terminology now comprise nearly 75% of all local and regional food sales nationwide.

The process by which I undertook this feasibility study involved three stages:

First, I gained background information on the STW region, especially food and agriculture, by talking with STW staff, reading previous surveys undertaken by STW and Appalachian Sustainable Agriculture Project, and by speaking with others from and/or knowledgeable about the area.

Secondly, I spent two and a half days in the region in mid-March, during which time I met with farmers, food entrepreneurs, local retail businesses, restaurant owners, Cooperative Extension staff and other key stakeholders. This information gathering time was critical to my understanding and helped begin to open the door for additional questions and data gathering that took place next.

Third, following up on the first two steps, I spent the next eight weeks identifying and interviewing more than sixty people including farmers, buyers, food aggregators and

distributors and others involved, or potentially involved, in the region's food system. These in-depth interviews included:

- 18 Farmers
- 30 Buyers
- 7 Processors/Aggregators
- 5 Farmers Market managers
- 9 Technical and community support people

*A copy of the question format for each different group is included in Appendix 1.

Based on the information gathered, this process and my own experience in food hub development, I offer the foregoing feasibility assessment. The document begins with an Executive Summary which provides the most pertinent points of analysis and the essence of the feasibility assessment. The balance of the document will nevertheless be important for understanding more of the details of the current context. These details provide the foundation for the recommendations forthcoming in the Implementation Plan for a Food Hub Enterprise.

EXECUTIVE SUMMARY

There is a broad and growing interest in local foods in the Southern Tier West region, though it is less broadly based and intense than in many other regions of the United States. In a rural area such as this, where fast food and franchise retail has so strongly penetrated, and where household incomes are generally lower than in other parts of New York and the nation, this lag is not unexpected. Nevertheless, interest is clearly growing and for that reason, the majority of people surveyed and interviewed believe that “the time is right” for development of a food hub.

The three “legs” or essential elements of a food hub are: *production* (farmers and food entrepreneurs); *markets* (the range of small to large buyers); and some form of *processing, aggregation and distribution* that effectively links producers to these markets in a manner that works for both. The current state of each of these three elements is summarized below, and in much greater detail in the body of the document. A critical fourth component – the organizational capacity to launch and manage the food hub – is also discussed. The Executive summary concludes with an overall assessment of feasibility.

Production

- The vast majority of the farmers surveyed are moderately to strongly interested in producing for a food hub, so long as participation in such a hub would be reasonably convenient and prices paid to them are not substantially lower than the direct market prices to which most have

become accustomed. Concern about price is widespread among farmers, and rightly so.

- Most smaller farmers are not prepared for GAP certification at this time, precluding their selling to some of the larger markets, such as Wegmans and certain universities.
- There is a subset of mid-size to larger farmers who already sell to various wholesale accounts, or who at this time are better prepared to meet the requirements of producing for a food hub. For these farmers, the question becomes whether the benefits of participating in a food hub outweigh the costs, since they already sell into some larger markets.
- The “convenience” of a food hub includes many factors, such as timely payment for goods delivered, minimal paperwork, easy access to appropriate boxes and packaging, etc. Perhaps the most important and potentially limiting factor identified was the location of an aggregation facility, with most farmers hoping that it will be in their county or within a 20 – 30 minute drive. This presents a challenge in a rural area like the STW region.
- Increased production would be necessary to meet the demand of a food hub. Most farmers surveyed are hoping or planning to increase production, whether that is acreage of produce or herd size. However, the capacity of most to do this in the short to medium term is limited, primarily by lack of capital for equipment and infrastructure (and in some cases, land), and by perceptions of labor limits and costs.
- Among those raising produce, there is a surprisingly small number of high tunnels, hoop houses or other forms of season extension, given the relatively short growing season. These assets would be very helpful, perhaps necessary for a strong food hub that includes produce as a significant element.
- The proportion of farmers interested in the food hub who use organic or sustainable/pasture-based practices is high, well over 50%. This is a potential asset in meeting certain market opportunities, although it can also add to the price point challenge.
- There is currently no “grower network” functioning to support farmers, help disseminate experience and best practices, or provide a foundation for coordinated production and marketing, although a number of farmers expressed the desire for one. The closest to this is the group of farmers producing for the Produce Auction in Clymer, but their association with one another is relatively loose and unstructured (not an altogether bad thing...).

Markets/Buyers

- Virtually every current and potential buyer surveyed cited **convenience, reliability and consistency of quality** as key factors limiting their purchase of local farm products. Not surprisingly, nearly all are interested – and many, enthusiastic – about the possibility of a coordinated, “one-

stop-shop” system of ordering, delivery and billing that a food hub could provide.

- The perception among most potential buyers, be they chefs, food retailers or college Food Service staff, is that there is only modest interest among their customers in local foods; they see it as growing but neither broad nor deep, and as such do not believe they could sustain substantially higher prices for local items. It should be noted that this perception may be influenced by their own hesitation and by a lack of opportunities for their customers to choose local.
- Price is an issue for buyers to varying degrees, most intensely with the public schools and least so with the food cooperatives and specialty retailers. Most state a willingness to pay somewhat more, perhaps in the 10 – 20% range, if the quality and reliability needs are met.
- While the range of farm products desired by potential buyers is broad, produce is the most frequently cited and presents somewhat fewer or more manageable challenges, compared with meats, eggs and dairy, in terms of pricing, needed infrastructure and relative ease and cost of scaling up production.
- Season extension, as noted earlier, will increase buyer interest, not only for schools and universities, whose calendar is largely out of season for local produce, but for other buyers as well, whose interest in local purchasing is reduced by the short window of availability.
- Food co-ops and buying clubs are more willing to pay a higher price for local foods, including meats, eggs and dairy, because of the values and interest of their customer base. The demand for organic and sustainably raised is also highest among this group of buyers. For nearly all other buyers, organic is perceived as “too expensive”.
- Among public school food service directors, there is a strong desire to purchase local produce (none are interested in meats or cheese, as they receive these very inexpensively through USDA). However all are constrained by cost and believe that local food must be very competitively priced for them to consider using it. Those surveyed did show strong interest in the idea of purchasing high quality seconds as a means to bring their costs down while providing an outlet for items farmers may not be able to sell into other markets.
- Restaurants are too small, individually, to sustain the volumes needed to make aggregation and delivery economical. However, if grouped into clusters, for example in Olean or in western Chautauqua County, they may add up to sufficient volume for deliveries.
- Farmers markets are substantially “under-performing” in most of the region. Some concentrated attention and a modest infusion of resources could substantially expand these markets, helping to incubate newer farmers, increase the economic viability of small to mid-size farmers, and build the culture and grow the demand in support of local foods.

Processing, Aggregation and Distribution (PAD)

- USDA-inspected processing for meats is available, but limited, particularly in the fall of the year when most beef producers bring their animals in for slaughter. If more cattle producers could bring animals to weight in the spring or early summer, overall processing capacity would increase substantially without additional outlay of capital or expansion of facilities. This is challenging, however, as it requires much more hay and other feed to get animals through an additional winter.
- One slaughterhouse owner (Grizzly's) expressed openness to increased processing in the fall of the year, by adding shifts.
- At least three options currently exist for some form of processing and value adding for produce, and all are supportive of food hub efforts. Two are in the region – Jamestown Public Schools and Brick Village Gourmet – while the other, EAT Market, is in Buffalo.
- No aggregation site currently exists for the three county area.
- Refrigerated delivery trucks ("reefers", for short), which may be necessary at a future date, currently cost in the range of \$18,000 - \$30,000 for a mid-sized truck of 22 – 24'. These can transport approximately 500 – 600 cases per delivery, equivalent to \$7500 - \$12,000 of product.
- In the short term, deliveries would best be met by working through an established distributor. Of those operating in the STW region, Regional Access (based in Ithaca) provides the best fit and shows the most interest in partnering with a food hub.

Organization and Management

A successful food hub requires a "champion", an entrepreneur backed by a dynamic business, non-profit or cooperative. The individual and the organization must have or earn the trust of farmers and at the same time, be market driven and able to cultivate and sustain a range of buyers, most of whom are "all business" (ie, have limited patience for mistakes and inconsistency). They must also be able to keep the three core elements of the food hub – production, markets and PAD – working not only simultaneously, but in tight coordination.

At present, the STW region does not appear to have this organization or business, though it has a number of businesses, agencies and organizations committed to playing different roles in the food hub. The champion, the "hub of the hub" must emerge in order for the food hub to launch and succeed. There may be a role for existing organizations to help incubate this organization over the next 1 – 3 years.

Overall Assessment of Feasibility: *Given the issues and challenges outlined above, especially the current restraints on production increases among farmers, and the price sensitivity among most buyers, a fully integrated and independent food hub in the STW region is unlikely to succeed at this time. However, a coordinated, systematic local foods scale-up initiative, through which markets, market access and production all*

grow by two to three fold over the next 3 – 5 years, is feasible, with the emergence of an entrepreneurial and high capacity champion as the primary driver of the effort.

Forthcoming recommendations will describe a path towards this local foods scale-up, including the critical ingredients and likely challenges.

CONTEXT:

For food hubs to succeed, three core elements must be present or developed in tandem with one another: Markets, Producers and some mix of Processing/Aggregation and Distribution, or PAD. Each of these is critical to building and operating a food hub but not equally so.

- **Production:** Whether produce, meats and poultry, eggs, dairy or processed goods, the producers are the “*sine qua non*” of a food hub, ie, “without which, there is nothing”. If a sufficient base of farmers is not both capable and strongly desirous of producing for a hub, it will not get off the ground. A common misconception is that markets are the key ingredient in building a food hub and that if present the producers will materialize.
- **Markets:** A broad demand for “local foods” or organic and sustainably produced food has arisen in many parts of the country, including the Southern Tier Region. However, a general demand for local foods is definitely not the same as specific and regular commitments from particular buyers. It is this latter, very specific demand, that must be secured in order to launch, grow and sustain a food hub. Fortunately this can be built incrementally, especially if the base of farmers is relatively small. Note: Direct markets, which are not generally considered part of a food hub can play a critical role, both in building broader demand among the consuming public and in increasing the commercial capacity of newer and/or smaller farmers.
- **PAD:** Different food hubs utilize different types of processing, aggregation and distribution, ranging from shared-use commercial kitchens to web-based ordering systems linked to local distributors. In some cases all elements of PAD are integrated into a single business or non-profit organization; in other instances different businesses comprise the system, coordinated under the umbrella of a lead organization. Regardless of the business model it is essential that PAD connects producers to markets in such a way that buyers’ needs for consistency, convenience, quantity and quality are met; and that farmers (and/or food entrepreneurs) see expanded markets, reasonably good prices and reduced time marketing themselves.

Pulling these three legs of the food hub stool together requires a dedicated, nimble and entrepreneurial organization, be it a non-profit, a cooperative or a for-profit business. It

is utterly essential to have focused and sustained organizational attention to the food hub. This can be a stand-alone organization or business during the start-up phase or a dedicated “program” of an existing organization.

II. Feasibility Assessment

A. PRODUCERS:

There is a widespread interest among farmers in the STW region in a food hub as a means to expand their markets while reducing time spent in marketing of their products. This is true of farmers in all three counties, though somewhat less so among those surveyed in Allegany County. It is strongest and most widespread among those raising produce, less so among egg and meat producers. The strength of interest in producing for a food hub is much less consistent, mitigated by three common concerns:

- Price: With few exceptions, farmers expressed strong concerns about price, most stating that they could manage only slightly reduced prices (10-20% lower than direct retail), as a trade-off for larger volumes and reduced marketing time. Price sensitivity is strongest for meat and egg producers (with a few exceptions); it is also related to farm size, with larger producers more accustomed to and/or willing to take reduced prices for convenient, large volume transactions. The same trend of larger farmers/reduced price sensitivity appears to hold among organic producers and sustainable grass-based livestock farmers.

Price is an issue for every farmer with whom I spoke and it is clear that traditional wholesale prices will not be adequate. It should also be noted that the 10- 20% reduction in price most farmers seem willing to take is not generally equivalent to the 10 – 20% premium that most buyers state they’d be willing to pay, as the latter is an increase over wholesale prices, while the former is a reduction from direct-to-consumer prices.

- Food Safety Certifications and Requirements: A very small subset of produce farmers in the STW region is, or is willing to be, certified under GAP or Good Agricultural Practices. This is by no means a universal requirement among buyers, but would impact access to certain retail chains and institutional buyers (Sodexo, Aramark, Sysco). . Most farmers also don’t carry product liability insurance, often a requirement of larger buyers. The cost of securing a modest product liability insurance policy, should it be necessary, starts around \$250, according to one carrier in the region. Among livestock producers, food safety certifications pertain primarily to poultry, as access to USDA-inspected slaughter of chickens and turkeys is not available in the region. Those doing beef, buffalo, lamb and pork all use USDA inspected facilities. These farmers, nevertheless, face a challenge of limited overall processing capability for their animals. (More on this later.)

- Challenges to Scaling up Production: Though many farmers, including produce and meat producers, expressed interest in scaling up their production, most also mentioned two obstacles to doing so: 1) Labor cost and reliability and 2) Financing and capital. This is a common dilemma among small famers and involves calculating the risks and benefits associated with stepping up to a level of production beyond what they can manage entirely, or mostly, on their own. For many this also includes the reality that an off-farm job provides financial security, yet is an impediment to farm expansion.

Production capacity – overall assessment: There is not currently sufficient production capacity to support a major aggregation and distribution effort, nor is there likely to be within the next one to three years. Scaling up production is likely to happen slowly, though it can be accelerated by providing a number of incentives and types of support. Given this, a food hub initiative must be structured in a way that it is phased in, providing inducements to increase production without over-committing to buyers or taking on significant debt for elements of PAD. It is also essential that the base of farmers involved be expanded to include some larger scale producers who are capable of producing larger volumes at somewhat lower margins.

B. MARKETS:

Five different types of markets were surveyed and analyzed as part of this assessment:

- Restaurants
- Buying clubs and cooperatives
- Small to mid-sized retail
- Public Schools
- Colleges and Universities

Each of these represents potential market partners in a food hub aggregation and distribution system. While most of those surveyed are located within the STW region, some of the mid-sized and larger markets - universities, co-ops and retail - are in Buffalo or Rochester. Consideration of market potential should include nearby population centers, as these can provide hubs of larger buyers easily reached by truck. It is also the case that chefs, co-ops and specialty retailers in a city like Buffalo are likely to be able and willing to pay somewhat higher prices for local and/or sustainably produced farm products.

Farmers markets in the STW region were also considered through conversations with farmers market managers (Angelica, Olean, Jamestown, Fredonia and Westfield) and some of their participating farmers. It is clear that farmers markets regionally, on the whole are “underdeveloped” both in terms of vendors and customers, relative to the size of the towns in which they’re located. Some focused attention and resources dedicated to the top three to five markets in the region could increase their size (vendors, customers,

sales), by 100% over the next five years. This in turn would help build awareness of and demand for local foods in the region while “incubating” new farmers, some of whom could also produce for the aggregation enterprise.

Restaurants:

Chefs and restaurant owners were contacted in all 3 counties, most of them in three “hubs” including Olean, Fredonia and western Chautauqua county, and the Cuba/Belmont/Angelica corridor.

The vast majority of those contacted currently do some local purchasing, though for the most part it is quite limited. With one exception, all expressed interest in buying more locally raised foods, depending upon the price premium and convenience. All showed enthusiasm for a coordinated aggregation system, as a means to reduce their time involved in buying from local farms and to increase reliability.

Perceptions of their customers’ interest in local (and organic/sustainable) varied, from minimal to very strong, but overall was not a strong motivator (ie they don’t feel that their customers are clamoring for this, but some would probably appreciate it).

Key issues and obstacles related to local purchasing, in order of prominence:

1. Consistency and reliability – Currently not high; needs to improve significantly for them to increase local sourcing significantly.
2. Price – About three fourths are willing to pay “a bit more” – generally in the range of 10 – 20% more - but only if quality and consistency improve.
3. Convenience – all favored a system where they received deliveries and where a single source provided offerings from multiple farmers.

Some provided specific information on items of interest and weekly purchase volumes, but most did not. From the information available (and experience with many other independent restaurants), the primary demand will be for produce, with a smaller group interested in meat, eggs and dairy. Weekly purchase quantities will likely be small, generally less than \$100 per restaurant at the outset, assuming one delivery per week. With time, and with an expanded array of products, this figure could double or triple, though this will take real commitment to local foods on the part of the restaurants.

Buying Clubs and Cooperatives: Furniture City Buying Club (Jamestown), Allegany Harvest and Lexington Food Cooperative (Buffalo).

Lexington Market in Buffalo is over forty years old with 9500 members and over \$10 million in annual sales. Only 12% of its products are sourced regionally, a figure they would like to increase. Furniture City and Allegany Harvest are both quite new and far smaller. All three want to purchase more from local farmers. Lexington Food Coop and Allegany Harvest were especially enthusiastic about an aggregation system as a means to

increase their purchase of local foods while reducing the high transaction costs they now incur when buying locally.

Lexington Market has very strong potential to be a core partner in an aggregation and distribution system that includes Buffalo. An increase from 12 to 20% in regional purchasing would represent meats, dairy, produce and some value added items, or \$10,000/week if evenly distributed. This alone is sufficient potential demand to make LFC a high-priority market partner. There is also a willingness to pay more, though price on local meats and dairy do limit their sales somewhat.

As evidence of the LFC's commitment to local farms their markup is 30% of Gross Profit Margin for local items compared with 38-40% on all others. (For an item retailing at \$10, they'd pay \$6 to non-local suppliers, \$7 to the local farmer.)

Items of special interest for LFC: Better cuts of pork, fresh rather than frozen beef (would command a higher price), off-season (early, later, winter) produce, and organic/sustainably produced food.

Both Allegany Harvest, which has a store front, and Furniture City Buying Club are still building their customer base, still cultivating demand. Furniture City has over 100 people as "members", but only 15-20 order on a regular basis. Allegany Harvest has 250 members though demand has been less than surveys projected. However, having only started in September of 2012, they are still building membership and demand in their 1200 square foot retail space. There is a particularly strong demand for local items and what was described as "deeply local" (within 20 miles). Their challenges include: Reliance on faculty at the University as the bulk of members means that sales decline during the summer months; and price point on local meats, especially the primal cuts. Ms. Hunter believes that education and outreach efforts, possibly coordinated with nearby farmers markets would significantly boost demand and broaden the customer base.

Small to mid-size retail

Retailers reached included Harrison's Sure Fine, the Brick Village Gourmet, Lighthouse Grocery, Giant Food Mart, Kinfolk Foods and Quest Produce.

As a group, these small to mid-sized stores display varying levels of interest in purchasing locally. Brick Village Gourmet's Tim Murphy already purchases grapes, berries and some other items regionally, for use in a line of high end value added products. He was interested in the idea of carrying a greater range of local items, becoming a more complete source for local foods, both fresh and processed. He is also willing to look at using his food processing capacity as a community food processing kitchen.

Lighthouse Grocery buys significant amounts of local produce and the owner, Norm, stated he'd purchase more if a convenient aggregation point source were available. Price points on meat, along with some quality issues, makes greater meat purchases unlikely.

Harrington's Sure Fine has moderate interest in local purchasing, but is not doing much. Jeff Harrington feels there's a fairly strong demand for local produce specifically (no price premium for organic) and would be interested in trying to purchase locally, if convenient, reliable and relatively price competitive. He mentioned Olean Wholesale as a primary supplier for them. For Giant Food Mart, both produce and meat buyers were quite enthusiastic about purchasing more from local farmers, though on meats, price again is likely to be a big obstacle.

Public Schools in Region: Jamestown, Wellsville and Pioneer Central

All are strongly interested in purchasing local produce, primarily for fresh use, though Jamestown's processing and flash freezing capability expands this potential considerably. None are interested in meats as they get all they need inexpensively through USDA's commodity program.

None of the school systems currently require that farmers be GAP certified and their liability insurance requirements are modest, both of which are helpful to small farmers.

There are two substantial obstacles to local purchasing by these school systems, the biggest of which is price. All three expressed that they can pay little if any more for local produce than what they pay to large wholesalers. Secondly, the quantities they purchase are generally small, roughly equivalent to a larger restaurant account.

All three were interested in the possibility of buying good quality seconds or "#2s" as a means to bring their costs down while providing an outlet for local farmers.

Colleges and Universities: Alfred State, SUNY Fredonia, St. Bonaventure, SUNY Buffalo, Rochester Institute of Technology

All of the Dining Service Directors surveyed have moderate to strong interest in increasing purchase of local foods including, to varying degrees, produce, meat, eggs and dairy. St. Bonaventure utilizes Aramark for their food service and as a result have stringent requirements that vendors must meet GAP certification and carry \$5 million product liability insurance, among other things. The other schools are self-operated and have more flexibility to buy from local farms and vendors. Focus should initially be on the self-operated systems.

All responded well to the idea of a coordinated aggregation and distribution system believing this could improve the reliability and quality of local food while greatly reducing their time needed to source locally. This was verified in 2011 when Alfred State significantly increased local purchasing from a small aggregation effort managed through the Angelica Farmers Market. Price is an issue, though less so, than in the public

schools (for colleges and universities price is less of a constraint as student demand increases). As with the public schools, the seasonal limits of most produce restricts purchasing. This can be substantially overcome with a combination of season extension, late summer planting, and production of items that store well: apples, potatoes, sweet potatoes, beets, carrots, onions and winter squash.

It appears that SUNY Fredonia, SUNY Buffalo, Alfred State and RIT all present markets suitable for the early to mid-stages of an aggregation and distribution system.

Overall Assessment of Market Potential: There is a moderately strong demand for increased use of local food from buyers within the region and a stronger demand for regionally sourced foods from larger buyers in Buffalo and other urban centers outside of the region. A feasible marketing strategy will need to include some of these mid-sized and larger buyers such as SUNY Buffalo, as well as exploring partnerships for restaurant distribution hubs with EAT Market in Buffalo. Once a decision is made to pursue such markets, sufficient quantities will be needed to make transport of product economically viable (appendix 2 provides a sample delivery budget, utilizing the minimum volumes required by Regional Access).

The largest challenge presented by most markets within the region is the combination of low to modest volumes – for example, for restaurants and public schools, and price constraints. Restaurants have more flexibility on price than public schools, but until you demonstrate a strong customer demand for local items on the menu, most chefs and owners will be reluctant to pay a premium.

While it is necessary to build relationships with individual buyers and understand their specific needs, for purposes of a food hub, you must look at the overall “market mix”. For instance: Restaurants in the STW region as a whole are too small, too dispersed and too cost-conscious to provide a sufficient and viable foundation for aggregation and distribution. Buying clubs in Allegany and Chautauqua counties are too new and too small to be reliable. Public schools in the region are limited by season and bound by tight budgets. And larger, better paying markets such as Lexington Food Cooperative, EAT market are more than an hour away.

However, viewed as a group of buyers, managed in an overall marketing and delivery strategy, the feasibility improves. “Market clusters” can be identified that streamline deliveries, increase sales volumes and help cultivate awareness and increased demand. These might include: Houghton (Alfred State, Allegany Harvest); Olean (six to eight restaurants, Olean Wholesale); Jamestown (Furniture City Buying Club, four to six restaurants, Jamestown Public Schools); Mayville/Fredonia (Lighthouse Grocery, Brick Village Gourmet, Chautauqua, four to six restaurants, SUNY Fredonia) and Buffalo (Lexington Food Co-op, SUNY Buffalo, EAT market). Grouping potential buyers in this way not only makes delivery more economical, but also increases the diversity of products, and therefore farmers, involved. It potentially improves the average price paid, by including better paying buyers; and it creates opportunities for moving lower value

products, such as produce seconds for food preparation at Jamestown Public Schools, or for value-added products at Brick Village and EAT market; and lower end cuts of meat like ground beef in buying clubs and colleges and universities.

The larger challenge remains: Will buyers pay enough to meet the needs of small farmers? The potential exists to find a broad enough mix of buyers to partially address this issue. It is also true that many buyers are willing to “pay for convenience and reliability” which a well-run food hub can offer.

C. PROCESSING, AGGREGATION AND DISTRIBUTION (PAD)

The essential purpose of processing, aggregation and distribution, or PAD, is to efficiently connect farmers with markets, expanding markets and access to local food, while maximizing the value returned to farmers. Decisions about PAD – its scope, capacity and organizational management – should follow and be based upon more fundamental decisions about producers and buyers. In other words, an “if you build it, they will come” approach is unwise, often leading to empty or underused facilities and wasted time and money.

In the STW region, there is not yet sufficient clarity about the markets or the producers who might comprise a food hub to know what type of PAD is needed. However it is essential to know what infrastructure and capacity does currently exist and is available, and what gaps are likely to need attention in the process of building a food hub. Below we look at current PAD infrastructure, including processing, aggregation and distribution.

Processing: Some processing of farm products is already underway, including specialty dressings and sauces made by Brick Village Gourmet, as well as the Grape Growers Cooperative. Of these two, Brick Village Gourmet presents the potential for modest expansion of a range of specialty food items using local fruits, primarily, along with some vegetables. The owner, Tim Murphy, has expressed his full support for food hub efforts including some arrangement for use of his certified kitchen facilities and development of value added food products.

Jamestown Public Schools has recently purchased food processing equipment that will allow them to cut, pack and freeze produce during the summer months for school use during the off season. They will be utilizing this equipment for the first time in 2013 and are interested in modest but significant amounts of local produce for this purpose. At present, the food service director, Walt Gaczewski, does not believe that they’ll be able to use the equipment to process foods for neighboring school systems, though he was not completely closed to exploring that once they have more experience.

Another existing attribute is EAT Market in Buffalo, which is underway with aggregation, some processing and distribution of both produce and meat items. Owner Tucker Curtin is very open to exploring partnerships of some sort with a food hub system based in the STW region. His two facilities, one of which he owns, the other which he leases (but is considering trying to purchase) are being used for processing of some items,

for example cabbage into coleslaw, as well as for packing and distribution of various fresh produce items. His regular customers number about 10 as of May, 2013, and include his own restaurants, other restaurants, the Lexington Food Cooperative and another specialty market. He'd like to see the customer list grow significantly and envisions his facility as a drop point and or aggregation site for distribution around Buffalo. He has both the facility and some local distribution capacity, along with the contacts in the local food and restaurant scene. Any arrangement of this sort would have to include some margin for EAT market.

Aggregation

No site currently exists in the STW region for aggregating farm products in preparation for distribution. In considering possible sites, core needs to look at include:

- Location - proximity to the majority of farmers, road accessibility, and location vis a vis probable delivery routes;
- Physical attributes of any site – square footage available, condition of building and property, availability of loading docks, coolers or freezers, clean water, waste disposal, etc.
- Ownership of facility – Is the current owner willing to lease the facility for the short term? This is highly recommended in the first 1 – 3 years, during which time investing in the bricks and mortar of a particular place is quite risky, as much is yet to be determined.

A number of local farmers are also considering or involved with aggregation this point, but none presents a clear or definite possibility of providing that service to an STW food hub enterprise. Quest Produce aggregates from scores of farmers in Allegany county, but does so primarily to augment what they grow and are not interested in coordinated planning among a group of farmers to expand their model. Andrew Harris has developed basic business plans for processing and aggregation in Allegany counties, but does not have the experience or the capital to bring these to fruition at this point (though he will make a strong ally and partner in such an effort).

Information was unsuccessfully sought from Ms Crystal Abers who explored possible sites (for an indoor, year-round farmers market) in Chautauqua county.

Given all of these issues, and the unavoidable uncertainty of the start-up phase, a leasing arrangement somewhere in central Cattaraugus County might present the best possibility of success in the first 1 – 3 years.

Distribution

Building an efficient distribution system that meets the needs of farmers and buyers while covering its costs is challenging, particularly in the first few years of a food hub. Developing such a capacity in a rural area, where both farms and markets are small and widely dispersed, significantly increases that challenge. To the degree possible, it makes sense to work with existing distributors who already have the trucks, drivers, delivery routes and expertise.

Of the existing distributors in or near the STW region, one alone seems to offer strong potential here: Regional Access. Based in Ithaca, Regional Access serves a wide area of central and western NY, including the Furniture City buying club in Jamestown. Unlike most established food distribution companies, they are dedicated to local foods and have for years serviced buying clubs, cooperatives and other non-conventional marketing outlets. Dana Stafford, their President, is strongly interested in an expanded presence in the STW region, so long as volumes can justify their involvement. This represents a major asset to the STW food hub initiative.

Whether utilizing an existing company like Regional Access or launching a new delivery service, the key to successful distribution lies in three elements: sufficient and consistent volumes of product (longer distances requiring larger volumes); tight delivery routes, where a high ratio of product sales volume to number of deliveries is maintained; and excellent planning, coordination and communication between buyers and sellers (or seller). The latter is a function of organization and management, to which we now turn our attention.

D. ORGANIZATION AND MANAGEMENT

No organization currently exists that is a clear or obvious choice to launch and manage a food hub operation in the STW region. There are organizations, agencies and businesses willing to play role, including the Jamestown Renaissance Corporation, Cooperative Extension, and a handful of entrepreneurial farmers. None of these as they are currently staffed and structured have the capacity to launch and manage a food hub, as this requires focused, dedicated staff time for at least 2 – 3 years to make such an enterprise operational and reasonably self-sustaining.

A food hub is a complex and challenging enterprise. It requires an entrepreneurial organization that combines the nimbleness and “opportunity orientation” of a dynamic small business, with the values commitment of a non-profit. The key staff must also embody these qualities. The feasibility of a food hub in the STW region will require that such an organization or business emerge, possibly under the umbrella of STW Regional Planning and Development Board or another organization that could “incubate” it for the first few years. Even utilizing existing distributors, like Regional Access, and existing facilities, such as Brick Village Gourmet or EAT Market, the complexity of bringing farmers together, accurately determining precise demand, and coordinating all of the elements to bring these two together on a weekly basis will require some form of intermediary organization as described above.

Appendix 1: Survey questions used during follow up interviews

The following questions were used as a starting point for discussions with the range of stakeholders surveyed following my visit to the Southern Tier West in March.

Restaurants and retail outlets

1. Do you currently buy locally (let's say within about 100 miles), and if so, what sorts of items?
2. If you are not currently doing much local buying, are you interested in doing so if it can be made workable for you? What types of items – produce, meats, eggs, preserved goods – would you be most interested in purchasing?
3. What are the main obstacles to buying from local farmers and what would you need to make it workable for you?
4. Do you believe that your customers would like to see more local foods on the menu (or on your shelves)? Do you think they'd be willing to pay slightly more for such?

Colleges and Universities

1. What role does "local food" currently play in your dining services? What do you consider to be "local"?
2. Has your purchasing of local food been increasing, declining or stagnant over the past several years? What are the main items that you purchase from local/regional producers?
3. What is your perception of the demand for local foods from the students (and faculty/staff) at your college? How about the demand for organic, sustainable, humanely raised, etc?
4. What are the biggest challenges or obstacles you face in purchasing from local farmers? (Depending on their response, you can prompt with some of the following: price; product quality; availability and consistency/reliability of supply; dealing with multiple farmers/vendors). Has there been any progress in dealing with any of these challenges?
5. Do you require vendors to be GAP (Good Agricultural Practices) certified, or have other food safety requirements? Do you require product liability insurance (if so, how much)?
6. If the challenges you mention could be adequately addressed, what is your estimate of how much local product you would purchase (weekly, monthly, semester, whatever)? What type of items, specifically (produce, meats, eggs, dairy, breads/processed goods) would you buy substantially more of?

Buying clubs and food cooperatives

1. Please describe the basics about your business: Years in operation, basic structure, membership, sales, growth, challenges and opportunities.
2. Regarding local or regional foods, how much of this do you currently source, and of what type (meat, dairy, produce, value added)? Is there demand for more from your members/customers?

3. Generally speaking, for both your market and Buffalo as a whole, is the limiting factor “supply” or “demand” when it comes to local foods? What is being done to overcome those limits?
4. Is the demand (again, among your customers and more broadly) primarily focused on local/regional foods, or are the various qualities of organic, sustainable, humanely raised, grass-finished, etc also critical drivers of demand?
5. What do you think are the key obstacles to growing both supply and demand in western NY?
6. Do you currently buy from any farmers or food entrepreneurs in the 3 counties of the southern tier (Chautauqua, Cattaraugus, Allegany), and if so, what sort of things. What holds you back from buying from farmers in this area – reliability, quality, quantity, logistics, other things?

Processors

- Is your facility USDA-inspected? Do you hold any other certifications (for example, organic)?
- What animals do you process?
- Are you currently at capacity, or if not, how much additional meat could you handle?
- Are you interested in scaling up production if demand was sufficient?
- What are the main challenges in dealing with local producers?

Aggregators and Distributors

1. What sort of volumes would you need (in \$ amounts) to make the STW region a regular part of your delivery radius?
2. Do you currently have trucks coming through with any regularity, and if so, how often? Is it only the Furniture City buying club, or do you have other accounts?
3. Is there a minimum delivery sales volume you use for customers, be they restaurants, buying clubs, etc?
4. How do you deal with farmers: I assume that you don’t pick up from them on farm, so would a local aggregation site be helpful or necessary for you?
5. What is the possibility of a route that started around Wellsville or Angelica, in the eastern part of the STW region, followed I 86 west through the region, then up to Fredonia and on to Buffalo on I 90? Of course it all depends on the customer volume along the way, but is there some potential for this, from your point of view?
6. If Regional Access became the primary distributor for an STW food hub over the next few years, but then a local company or initiative got involved, would that be a concern?
7. Do you have a standard percentage that you use for your distribution, and how is it assessed?

Public schools

1. How many students are in your school district, spread across how many schools?

2. Does your school district buy centrally for all the schools within it, or are these decisions made by individual schools? How about deliveries (centrally, or school by school)?
3. What would you say is the current demand for local foods (strong, moderate, not strong)? If there is moderate to strong demand, is it coming from parents, students or school leaders?
4. Have you ever purchased from local farmers before, and if so, what sort of items?
5. What local farm items are you most interested in purchasing – produce, eggs, meat, processed (frozen, canned, baked) foods?
6. Could you provide a list of the top items of produce - and meats, if you're interested – you'd like to purchase from local farmers, along with estimated quantities (preferably on a weekly basis, but if you don't have the information in that form, a general estimate would be fine)?
7. What are the main challenges or obstacles you see that would have to be overcome for your school district to buy from local farmers on a regular basis?
8. Do you require farmers to be GAP certified (for produce)? Do you require product liability insurance?
9. Regarding price, would you be willing and able to pay more for local items, and if so, about how much (10%? 20%? Other?).

Farmers market managers

- Describe your farmers market: Location (downtown, other), physical characteristics (open air, pavilion, etc), days of operation, number of years in operation, months operating during season, etc.
- How many vendors do you have at peak season? Do you believe this number could grow significantly?
- What is the product diversity you have? What is the mix of farm to non-farm items?
- What are the limiting factors you face to building a larger, stronger market, and what would it take to overcome these?

Appendix 2: Sample budget for deliveries required to meet Regional Access' minimum requirements

In conversations with Regional Access, Dana Stafford stated that for them to partner with a food hub effort in the STW region as a primary distributor, they would need the following minimums (not necessarily immediately, but before too long):

Sales per drop (ie, per individual customer): \$300

Sales per route: \$5,000 - \$8,000

Below is a sample of how these two minimums might be met. This is not intended to be predictive, but only to give an example of the types of volumes needed (based on certain relatively standard price projections).

\$300 order per customer, for example for restaurants and very small retail:

- 1 case each: cucumbers, zucchini, bell peppers, red bells, potatoes, onions, leaf lettuce and greens (spinach, kale) @ \$21 avg = \$168
- 2 cs each red slicer tomatoes and berries @ \$24 avg = \$96
- 10 lb ground beef/patties @ \$4/lb = \$40

Total sale: \$ 304

For small grocery stores, or for colleges and universities:

- 5 boxes each of bell peppers, zucchini, red slicers, grape or cherry tomatoes, potatoes, onions, green beans, leaf lettuce and greens, @ \$18 avg = \$810
- 50 lbs ground beef @ \$4/lb = \$200

Total sale: \$1,010

To meet the **minimum for the delivery route as a whole**, some combination of restaurants, retail (including food co-ops) and colleges might be plausible, such as:

- 8 restaurants @\$300 avg = \$2400
- 3 grocers and 2 colleges @ \$750 avg = \$3,750
- One larger buyer, eg Lexington Food Co-op @ \$1,500 = \$1,500

Total delivery volume: \$7,650

