

**Making the Invisible Visible:
Looking Back at Fifteen Years of Local Food Systems Distribution Solutions**

October 2014

Acknowledgements

The Community Alliance with Family Farmers (CAFF) would like to thank the organizations and individuals who have supported our work to develop and enhance local food systems across California. While there are many who have contributed to the findings in this paper over the last couple of decades, we would like to acknowledge the support of partners who worked on combining these lessons we learned.

A special thank you to the following reviewers for sharing their insights and making sure our historical accounts were accurate:

Jim Barham
Gail Feenstra
Sandra Curwood
Ben Ratto

In addition, this study was made possible through funding from the USDA Rural Development.

Please note that the views and opinions expressed within this paper are those of CAFF and do not necessarily reflect the opinions of the reviewers. In addition, this institution is an equal opportunity provider and employer.

Editors

Diana Abellera
Diane Del Signore
Erin Derden-Little
Ariane Michas
Dave Runsten
Megan Sabato

Executive Summary

The Community Alliance with Family Farmers (CAFF) has a more than fifteen-year history in the field of food hubs and local food distribution, experimenting with a number of models grounded in increasing the economic viability of family scale farmers and healthy local food for California communities. This paper primarily serves to 1) answer questions about CAFF's own food hub, the Grower's Collaborative, and 2) share lessons learned from our successes and failures in trying to localize food systems with innovative distribution solutions. We will also offer key insights that have led us to the current approach we are using to build more effective and ongoing support for the economic viability of California's family farmers and sustainable agriculture.

CAFF's work in local food systems began in 2000 as Davis Joint Unified School District asked for help in identifying local farmers who could deliver produce to Davis schools. CAFF staff played a "forager" role, actively finding product from farmers and coordinating delivery and payment with the schools, before looking into larger systems changes in distribution. As more school districts and other institutions wanted local produce from family farms, growers needed a more organized approach to aggregating and delivering local food. In response to this need, CAFF founded and ran an aggregated food hub, the Growers Collaborative (GC), starting in 2004. GC closed due to financial struggles in 2009, but CAFF was still determined to meet the farmers' needs of selling to local institutions. In a second phase of GC, CAFF experimented with partnering with a small-scale distributor that sold local product to larger broadline distributors from 2009 – 2011. When the distributor shut down in 2011, CAFF shifted to conducting several feasibility studies to assess the viability of various aggregation models in other California regions. After experiencing a variety of successes and challenges over the last 10 years, CAFF has found that the prevailing model for local food systems encapsulates all of these models and more. The solution is not a single entity that tries to solve distribution challenges for a region – it is to work with all of the regional stakeholders to adapt their systems to serve more local food, what CAFF now calls our "Farm to Market" program. By working with multiple entities – farmers, distributors, processors, a variety of buyers of different scales, and more – to build upon existing infrastructure and forge more direct connections, a stronger, more inclusive regional food system can be established that leverages resources and supports local farmers. This will in turn support the procurement and accessibility of local food throughout the community.

After years of experiments, CAFF has discovered some critical areas to understand before assessing or launching a new food hub. Key findings from CAFF's experiences are centered on the following:

1. Assess current infrastructure – An assessment of the current distribution landscape, agriculture economics, and existing infrastructure is critical to determining whether or not new capital investment is needed..
2. Understand stakeholder roles – Value-chain facilitators such as non-profit organizations, institutional partners, and individuals trying to cultivate food value

- chains and develop linkages between stakeholders should think carefully about what they have to offer and where best to apply their skills and expertise.¹
3. Identify and calculate increased costs – Because they add an extra step in the supply chain and/or take time to reach a scale that can compete with commercial distributors, local food aggregation hubs often have high unit costs of operation that must be internalized by the operator or passed on to the consumer or farmer.
 4. Plan for subsidies – The added costs of a local food hub may be offset by long-term subsidies or other revenue generating activities or services, which must be built into the original business model and plan.
 5. Foster a diverse, committed set of stakeholders – Commitment and willingness to work through challenges from both institutional buyers and farmers is critical.
 6. Let farmers lead – Farmer-led models are the most successful local food aggregation hubs, in which farmers work together to aggregate their product for mutual benefit, and share in the costs and/or responsibilities of distribution.
 7. Work with multiple stakeholders to bring about long-term food systems change – It is more effective to focus on the economic sustainability of the food value-chain, not just a single enterprise.

As a result of our efforts over the last decade, CAFF concludes that new, stand-alone facilities and aggregation hubs, unless farmer owned and operated, are not viable enterprises in California. These third party food hubs add on an extra layer of costs to the supply chain, duplicate existing efforts/infrastructure, and struggle financially without subsidy. In our view, a more effective strategy for local food system development is achieved not by establishing a stand-alone food hub as described above, but rather by working collaboratively to modify existing infrastructure and fostering supply chain values among a broad set of food system stakeholders while also educating the community about local food and engaging them in the movement. Ultimately, CAFF hopes that our findings and experience will help advance the theory and practice of local food system development and inform future decision-making processes around the need for new food hubs in California.

¹ This perspective is echoed in the USDA report “Food Value Chains: Creating Shared Value to Enhance Marketing Success,” pages 27-28.

Introduction

The Community Alliance with Family Farmers (CAFF) has worked for over fifteen years in promoting local food and solving regional distribution challenges to improve the economic viability of California's family farmers. One of the key strategies employed to meet this need was a food hub called the Grower's Collaborative (GC). To this day groups and individuals from around the country still call CAFF to glean lessons learned from GC's development, launch, and eventual closing. While GC was the prominent distribution initiative in the organization's history, it is just one of the methods in which CAFF has worked to support local food procurement and distribution in California. We found that in writing the story and extracting the lessons that guide our work today, we needed to draw upon the broader trajectory of our work and iterations of programs from our larger history. As a result, this paper covers the various phases of distribution efforts and roles CAFF has undertaken, with the primary goals of 1) answering questions about CAFF's own food hub, the Grower's Collaborative, and 2) sharing lessons learned from our successes and failures in trying to localize food systems with cutting edge distribution solutions.

Background

CAFF was formed from the merger of two organizations: the California Agrarian Action Project, which was founded in 1978 and initially focused on supporting farmworker rights and unemployment issues due to the mechanization of the processing tomato industry; and the California Association of Family Farmers, which was founded in 1983 in response to small and sustainable farms' desire to have their own organization. Initially, CAFF's primary activities were concentrated in the political arena, making great strides on topics related to farm worker equity, small farm extension, and environmental impacts of farming. CAFF's current mission is to advocate for California family farmers and sustainable agriculture; we are a member-based organization in which family farmers are the primary constituency. As a community organization, we build upon shared values around food and agriculture to create strong partnerships between family farmers and their neighborhoods. These collaborations create local economic vitality, improved human and environmental health, and long-term sustainability of family farms.

In 2002, CAFF launched the Community Food Systems Program with the goals of supporting infrastructure changes that assist family farmers in bringing their products to market; increasing awareness among consumers about the environmental and nutritional benefits of family farms; and improving the health of Californians through increased consumption of fresh fruits and vegetables. We developed three project areas to meet these goals: the Buy Fresh, Buy Local (BFBL) campaign, Growers Collaborative and Farm to School. While the Growers Collaborative was very successful in creating and proving the demand for locally sourced food from California farmers, we have since worked to connect these farmers to the existing mainstream distributors as well as directly to buyers rather than running a parallel distribution system of our own.

What is a Food Hub?

Many stakeholders in local food systems work have looked to the emergence of food hubs as the missing infrastructural link that will enable greater access to markets for small farmers and greater access to fresh, local food for communities. The USDA definition of a 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.”²

California Context

California agriculture is unique in that the state produces high volumes of specialty crops year-round, growing about half of the fruits, vegetables, and nuts in the country. In 2012, California’s 80,500 farms and ranches generated \$42.6 billion in revenue, and exports were valued at \$18.18 billion.³ As a result, distribution infrastructure of varying scales has been established in many parts of the state to service this high level of production. In addition to large, corporate-owned broadline distributors, mid-sized regional businesses and family-owned operations also aggregate and distribute produce in California. For example, many farmers have been aggregating product and are acting as food hubs themselves. Coke Farms in San Juan Bautista, Abundant Harvest Organics in Kingsburg, Capay Valley Farm Shop in Esparto, or Harvest Santa Barbara are technically food hubs, as they add value to the supply chain by aggregating product from local farmers and focus primarily on distributing organic produce from family farmers. Distributors with value added product also act like food hubs. Veritable Vegetable in San Francisco is a mission minded distributor that delivers solely organic product, and ALBA Organics is a distribution company tied to a non-profit that supports immigrant farmers through business incubation.

Despite this existing infrastructure, many California communities believe that there is a gap in the distribution of and access to locally produced foods. They are committed to sourcing as locally as possible, often at the county level. After over a decade of testing new models and assessing distribution landscapes in various regions in California, CAFF has concluded that the solution to regionalizing our food systems lies in working with current infrastructure and supply chain stakeholders, not in creating parallel systems that compete with the existing distribution system. This paper will walk through how we came to this conclusion by describing the aggregation efforts that CAFF started, supported, and assessed over the last two decades.

Farm to School Beginnings

As local food became more popular throughout the country in the 1990’s and early 2000’s, foodservice professionals began to think critically about the sustainability of the food they were purchasing. Building off of the trend set by Chez Panisse and other restaurants that sourced local foods from surrounding regions, California schools and

² USDA Regional Food Hub Resource Guide.
www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5097957

³ California Department of Food and Agriculture www.cdffa.ca.gov/statistics/

hospitals began to express interest in purchasing local produce in the effort to improve the quality of their meals and support farmers. While individuals could head to the farmers market, join a CSA, or grow their own gardens, those in charge of institutional foodservice faced barriers in purchasing larger volumes with strict budgets, identifying farmers, coordinating deliveries, and more. These institutions began to seek help from support organizations to bring farm fresh food into their cafeterias.

As the Farm to School movement emerged in California, the Davis Joint Unified School District reached out to CAFF for assistance with local procurement in 2000, thus marking CAFF's official introduction into the Farm to School realm. CAFF's approach was to "forage" for produce from local farmers who could deliver to the district, providing districts with product availability, volumes, sources, and prices – essentially acting as a broker but without charging the district for the services. Initially, CAFF served as a middleman, billing and collecting receivables from the district and paying the farmers separately. This allowed the district to grow comfortable with the program, understand how to work directly with farmers, and ease into scaling up the program from pilot schools to across the district. After four years, CAFF transitioned out of the foraging role, and the district purchased from nine farmers directly. After trying this for a while, the district was having difficulty dealing with the transaction costs of many small deliveries and invoices from the farmers and expressed the desire to have a consolidated delivery. CAFF began to explore a larger change in the distribution system.

Growers Collaborative (2004 – 2009)

During 2003 – 2004, Ventura Unified School District and local farmers were also looking for support to build the district's Farm to School Program, joining the ranks of the Farm to Cafeteria pioneers. One of the farmers was Jim Churchill, a citrus grower and CAFF organizer in Ojai. Churchill delivered tangerines and other produce to the district but was interested in developing a more organized approach to aggregating and delivering local produce to schools. He approached CAFF with the idea and together they obtained a USDA Value-Added Producer Grant in 2004 to conduct a feasibility study for a local produce delivery operation.

The study revealed that, just as in other parts of the state, large food service customers in Ventura could create sales relationships with dozens of area farmers but could not sustain them due to the level of maintenance it took to have many contracts with individual farmers. Through interviews with Ventura distributors and growers, CAFF also learned that distributors did not see the value of marketing local food or taking on the complexities of buying from a greater number of small, local farmers, and growers wanted a third party who would pay them a fair price and purchase/distribute their products. There was a missing element in the food system, which existing broadline distributors did not feel compelled to respond to at that time.

CAFF viewed the situation in Ventura as an opportunity to open markets for struggling family farmers while expanding access to nutritious, fresh food for California communities. Both supply and demand for local product existed, but the needs of buyers and farmers were not being met by existing distribution channels. To overcome this gap,

CAFF took an approach that was new at the time and created a non-profit distribution entity called the California Growers Collaborative (GC). GC was a distributor that drove its own trucks to purchase, pick up and aggregate product from family farms, then sold and delivered product to school districts and other food service operators.

The customer base grew quickly beyond Ventura Unified School District to include Bon Appetit, Kaiser Permanente Hospitals, and area universities. GC initially utilized the local food bank’s cooler in Ventura as a receiving and staging site, then later shifted to using a cooler at a grower’s citrus packinghouse.

As GC was developing out of Ventura, CAFF’s program work in the Bay Area and Sacramento Valley pointed to a gap in distribution similar to what had been observed in the southern part of the state. A comparable profile of large-scale customers was also poised to support an entity focused on the distribution of local produce. In 2006, CAFF received another USDA Value Added Producer Grant to start a second GC hub in Davis to deliver to Sacramento and the San Francisco Bay areas. CAFF used some excess cooler space at a farm outside of Davis as a distribution point.

Business Model	Founded as a non-profit program in 2004 and incorporated as an LLC (limited liability corporation) in 2006 under the umbrella of CAFF	
Location	Limoneira, CA (Ventura County)	Davis, CA (Yolo County)
Geographic Scope	Los Angeles, Ventura, Riverside, Santa Barbara, and Orange Counties.	Yolo, Sacramento, Placer, Solano, Contra Costa, Alameda, and San Francisco Counties.
Clients	Ventura Unified School District, Ojai Unified, Bon Appetit Management Company, Kaiser Permanente Hospitals, Guckenheimer Food	Kaiser Permanente, UC Davis, Sacramento Unified School District, Esparto Unified, UC Berkeley, Revolution Foods.
Dates of Operation	2004 – 2009;	2006 – 2009
# Sales Accounts in 2008	75	47
# Farmers in 2008	~ 100	~ 80
Gross Annual Sales at Peak	> \$500,000	> \$500,000
Staffing	3 dedicated staff and a shared book keeper; managed by CAFF E.D. and Program Manager as part of their responsibilities	2-3 dedicated staff and a shared book keeper; managed by CAFF E.D. and Program Manager as part of their responsibilities
Initial Funding	2004 USDA Value Added Grant of \$210,000	2006 USDA Value Added Grant \$215,000

Until this time, CAFF operated GC as one of its non-profit program areas and supported its operations through additional grant funds, including funds from two of GC's largest customers: the Kaiser Community Benefits Foundation and the Bon Appetit Management Company. The subsidized nature of this model raised some questions from other for-profit distributors that were operating as businesses without grant funding. CAFF decided to shift GC to a for-profit LLC in 2006 to see if it would succeed as a for-profit business model and began to seek private investment. However, private investors were doubtful of the profitability of GC and no investment was forthcoming, so CAFF shifted GC back to the non-profit in order to continue subsidizing its operations through government and foundation grants.

By early 2008, gross monthly sales of the combined hubs averaged \$85,000, or over \$1 million per year. However, these revenues were still not sufficient to cover fixed costs of operation, such as labor, truck maintenance, equipment, etc. By 2008, the onset of the recession made it difficult to increase sales. CAFF supported GC for a period of time with its own unrestricted funds, but decided to stop operations in 2009 when it was clear that the company was not able to break even without continued grant subsidies for operations.

Challenges:

- Scale – Sourcing only local, family farmed produce meant that GC could not offer a full product line. Particularly in Northern California, produce availability was seasonal. This kept orders small and irregular.
- Costs – Produce distribution is not a high profit margin business and depends on sufficient volume and carefully planned routes in order to make trucking efficient. GC had relatively high labor costs for the amount of produce sold. It also made many small deliveries at great distances, particularly in Southern California, in order to satisfy its main customers.
- Readiness – Many institutional buyers were accustomed to the homogenous, consistent produce that came off of large-scale farms through the traditional distribution infrastructure and often relied on fresh-cut and packaged products to save time. Many hadn't yet adapted equipment, menus, staff skills, infrastructure, and ordering systems to accommodate the unique qualities of whole, local, in-season product.
- Equipment and Experience – Both GC facilities operated with substandard facilities and equipment. The trucks in particular were well-used and broke down frequently. GC staff had some farming experience but no real produce distribution experience.

Even though CAFF closed the GC Phase I operation, the organization had made inroads with both distributors and institutional customers, increasing their education and knowledge of local food purchasing and marketing, while also increasing the demand for local produce. For example, CAFF's work with institutions such as UC Berkeley, Kaiser

Permanente, and the Bon Appetit Management Company led to their stated commitments to source 20% local. L.A. Unified School District, one of the largest in the nation, made their first purchase of local produce from GC. As a result of these shifts in demand, other distribution companies began to take notice of GC and realized the potential benefits of providing local produce to their customers. GC had made tremendous progress in advancing the local food movement to the next level by engaging large institutions in overcoming barriers and demonstrating to broadline distributors that demand for local food from family farmers was a growing market. Food systems change was indeed possible, and many stakeholders could be a part of it.

Thumbs Up / Growers Collaborative – Bay Area (2009 – 2011)

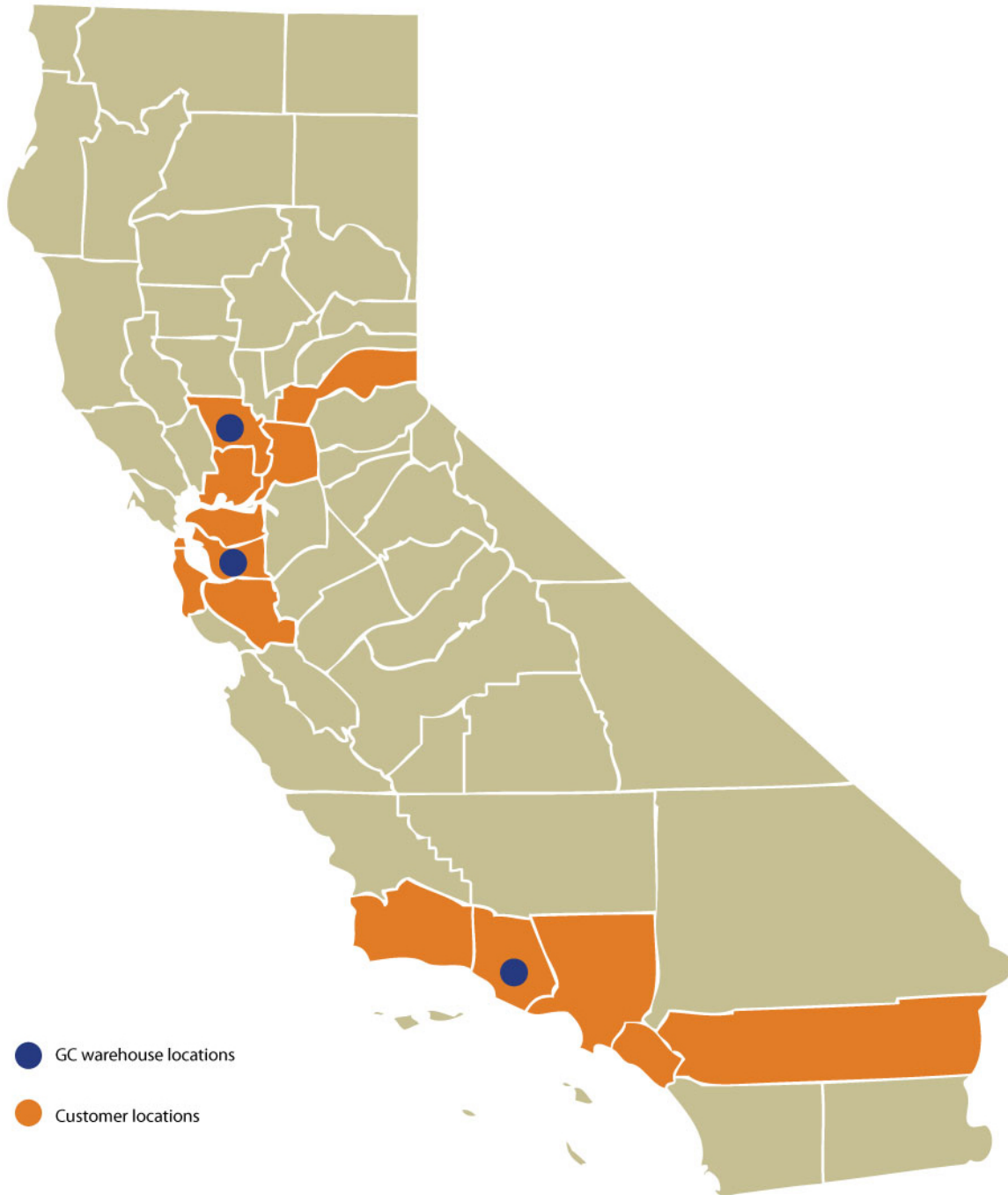
After CAFF closed GC operations in Ventura and Davis, there was still a demand for local product from buyers, as well as farmers who were willing to sell to a third-party hub. CAFF decided to pursue a hybrid solution that would maintain this market channel and build off of more solid infrastructure and industry expertise. In 2009, CAFF partnered with L. Cotella Produce to form “Thumbs Up, A Grower’s Collaborative,” a private, family-owned business that partnered with CAFF in marketing. Thumbs Up would use their industry experience, facility, and equipment to source and aggregate local produce, offering a ready-made line of local produce to the bigger distribution companies, all branded under the “Buy Fresh Buy Local” (BFBL) banner. At that time, the BFBL campaign had gained a lot of traction in Northern California through the public education arm of CAFF’s work.

Business Model	Non-profit / Private Partnership <ul style="list-style-type: none"> • Thumbs Up – Operated the delivery and distribution business. Managed and owned all aspects of the business, including warehouse and trucks. Key to the business was a sophisticated software system that source identified product to the farm and farm location. • CAFF – Provided support in “Buy Fresh Buy Local” branding, marketing, and sales and facilitated contract negotiations with major broadline distributors to offer a local line of products by purchasing through Thumbs Up
Location	Oakland, CA
Scope	Centered in the Bay Area but extending from Sacramento County to Santa Clara County
Clients	Fresh Point, SF Specialty, Daylight Produce
Dates of Operation	2009-2011

Figure 1. Overall, GC sourced produce from growers in the counties shown below.



Figure 2. Overall customer and warehouse locations



CAFF supported Thumbs Up by working with them to negotiate deals with larger distributors to recruit them to become “Buy Fresh Buy Local” distributors. Thumbs Up created sophisticated traceability systems, including a proprietary software system that enabled it to identify products from the farm at the point of purchase, an innovative practice that allowed customers to support not only local food, but a certain scale and sustainability of the farms that produced it. Because of this software, all local products that distributors bought from Thumbs Up could be labeled on customer availability sheets as “BFBL” with farm name and location. Thus, customers could choose local products with all relevant sourcing information available.

Despite having greater expertise than CAFF in both distribution and produce handling, Thumbs Up faced many of the same challenges that affected the earlier phase of GC. In order to step into this new space, the operator shifted his business from being a distributor to being a broker. Thumbs Up’s margins went down, but costs, particularly the costs of distribution, stayed the same.

Challenges:

- Scale – Working with multiple small farms meant driving long distances to either pick up or deliver small volumes of produce.
- Lower Margins – Added an extra step in supply chain and thus a layer of cost that had to be passed on to the customer, but there was no mechanism or profit center to recoup these costs
- Difficult to maintain – No mechanism prevented the mainline distributors from going directly to the farms themselves, which began to happen. Given that these distributors were gradually increasing their capacity to handle and market local, specialty items, it made greater business sense for them to try to do this directly, rather than going through an aggregator. This had also happened in the first phase of GC.

Thumbs Up closed its doors due to financial struggles in 2011. The legacy remains that Thumbs Up showed how source identification of product can be built into the day-to-day operations of a distribution company. This practice has become more common as a growing number of distributors have adapted their software and tracking systems to make it easier for purchasers to choose local items.

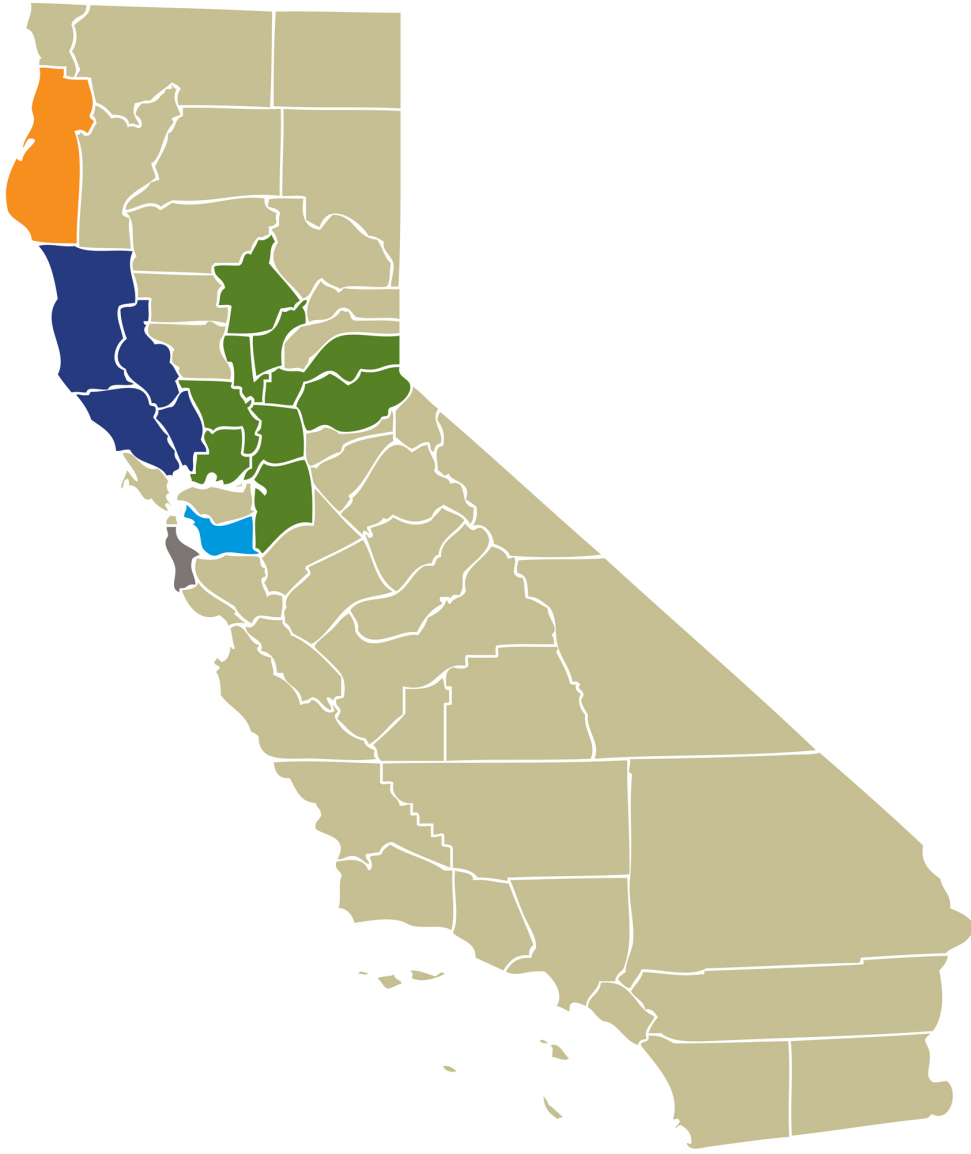
Feasibility Studies (2009 – 2013)

Following CAFF’s work with GC, the organization has been chosen to lead or partner on five food system feasibility studies in the state, in which the concept of a food hub was at the center of the discussion. Though each study focused on a different geographical area of California, CAFF has found common threads and insights among all of them, many of which echo the lessons of GC.

Figure 3. Summary of Aggregation Feasibility Studies Led or Supported by CAFF

	Title (Date of publication)	Findings	Actions as of September 2014
Sonoma, Lake, Napa & Mendocino Counties	<p>Establishing an Aggregation and Marketing Center for California's North Coast (2011)</p> <p>Note: made possible by funding from the USDA Rural Development</p>	<ul style="list-style-type: none"> Adequate product and demand exist for a hub Five sites identified as potential aggregation and marketing centers Potential operator willing to take on risk 	<p>5 potential sites were identified, and 1 was selected to develop a hub. It went over budget due to major facilities upgrades and was abandoned. After reassessing needs in 2013, three existing regional distributors were able to fill identified distribution gaps.</p>
Sacramento Region	<p>Sacramento Valley Food Hub (2012)</p> <p>Partners: Soil Born Farms</p>	<ul style="list-style-type: none"> There is adequate product demand for a hub Subsidies or other profitable functions are needed for a hub to break even 	<p>Sacramento and Yolo Food Banks are still assessing the potential through a study by the Sacramento Area Council of Governments.</p>
Humboldt County	<p>Increasing Access to Local Produce for Low-Income Populations in Humboldt County: Supply, Demand, and Potential Models for Distribution (2013)</p> <p>Partners: California Center for Rural Policy</p>	<ul style="list-style-type: none"> Food hub not viable for fresh produce aggregation alone Aggregation and distribution infrastructure already exist Region lacks a willing operator, sufficient supply, and high volume buyers 	<p>CAFF's Farm to Market Program is actively connecting buyers and growers and utilizing existing channels of farmer direct delivery.</p>
San Mateo County	<p>Aggregation, Distribution, and Marketing Local Foods in San Mateo County, California: Analysis and Recommendations for Enhancing a Local Food Economy (2013)</p> <p>Partners: San Mateo Food Systems Alliance</p>	<ul style="list-style-type: none"> One site was identified as potential aggregation and marketing center, but it would add cost and compete with existing distributors Coordination of supply, demand, and marketing is needed in region 	<p>San Mateo County Food Systems Alliance is pursuing the development of a market facilitator (paid staff person), rather than the creation of an enterprise.</p>
Oakland	<p>HOPE (2013)</p> <p>Partners: HOPE Collaborative, Farm to Table Services, Kathy Nyquist</p>	<ul style="list-style-type: none"> The hub's core business is to aggregate and market farm-packed cases of fresh fruits and vegetables which are moved through an Oakland facility Processing fresh-cut produce was explored but demand could not be confirmed 	<p>Joint ventures are being explored with local distribution partners to provide inbound and outbound transportation for a fee.</p>

Figure 4. Map showing the location of aggregation feasibility studies listed in Figure 3.



Each of the studies identified existing stakeholders and infrastructure in the region that were willing to adapt their practices, shortening a global supply chain to a regional value chain that more directly connects local farmers to local communities. In addition, each study also emphasized a regional marketing campaign that could tie together various efforts to promote and buy local food and continue to build demand. While the initial studies suggested establishing new facilities as aggregation hubs, we discovered that—at least in California—there is plenty of existing infrastructure that regions can utilize in their local food systems. Moreover, from the time of assessment, to securing investors, to officially launching, the distribution landscape changes quickly and oftentimes new players capable of meeting the community’s needs emerge. Finally, we saw a pattern of outside, third-party entities conducting feasibility studies, but they were not the ones to be operating the enterprise; thus, identifying entrepreneurs to take on a pre-established business idea and assume the financial risk was challenging. Ultimately, the decision to move away from distinct third party facilities reflected trends and experiences CAFF had witnessed in other regions as we found that stand-alone food hubs are not financially feasible without ongoing subsidies from either non-profit grants or from other for-profit business activities. Gradually our findings focused more on identifying a multi-pronged approach to meet the needs of farmers and communities, one we have called “Farm to Market.”

Farm to Market (2012 – current)

After these feasibility studies started to indicate stand-alone food hubs were less and less viable, CAFF began to see that a more effective strategy to local food system development is achieved not by investing energy and resources into one single entity but by working collaboratively to improve existing infrastructure and increase supply chain values. CAFF now encourages California regions to move away from the food hub idea and instead to weave together a multi-faceted approach that works with existing food system players and infrastructure. CAFF has found that our role as a non-profit is to support growers and buyers using a variety of strategies that support different needs, markets, and scales. CAFF’s work focuses on connecting farmers and businesses, providing growers with a suite of sales tools and marketing materials, and coordinating product availability with aggregated purchasing to ensure supply and demand grow together. CAFF is currently employing this “Farm to Market” strategy in the Santa Clara Valley, the Bay Area, the North Coast, and Humboldt County with great success, with a CAFF staff person coordinating the efforts in each region.

In some cases, CAFF connects farmers directly to institutional and retail buyers and assists with production planning. In others, CAFF facilitates the aggregated purchasing of local products by working with institutions to aggregate demand, farmers to coordinate supply, and distributors to procure, source identify and label local products. In addition to providing support in procurement, CAFF also supports institutions and farmers with resources and technical assistance to empower them to be more effective levers in their local food systems. We work with food service leaders to provide staff trainings, education for students, and collaborative purchasing and resource sharing structures. We

also ensure that farmers have the tools and support they need such as food safety plans, marketing materials, and logistical coordination.

This “Farm to Market” assistance is critical to support the regional food system, helping a variety of stakeholders overcome their barriers one by one and stepping aside when they are able to procure local food themselves. What remains to be seen is how long this role is required before local procurement becomes institutionalized by enough parties to qualify as systems change, and these types of services are no longer needed. CAFF’s experience with Farm to School has shown that it takes three to five years for the infrastructural and cultural change necessary for an initiative to achieve sustainability. Similarly, we believe that three to five years of support and technical assistance for working with a variety of food systems stakeholders across a region to make connections, overcome barriers, and establish sales can lead to ongoing and systematic change that will endure fluctuating grant support and funding challenges.

Key Findings

The following are CAFF’s lessons learned from the various stages of Growers Collaborative, Thumbs Up, and the feasibility studies.

1. Assess Current Infrastructure

California has plenty of existing infrastructure! An assessment of the current distribution landscape, agriculture economics, and existing infrastructure is critical to determining whether or not new capital investment is needed.

- It is important to understand the gaps that are present in the local distribution landscape, and whether existing resources and infrastructure can be used to fill those gaps.
- It will be more cost effective to convince or work with and adapt an existing business that has infrastructure to accommodate local product rather than starting a new enterprise.
- New food hubs take a great deal of capital investment and time to develop, and needs and economics can change quickly.
- Outcomes of models attempted in the past can provide insight into the potential success of a new stand-alone food hub.

2. Understand Stakeholder Roles

Value-chain facilitators such as non-profit organizations, institutional partners, and individuals trying to cultivate food value chains and develop linkages between stakeholders should think carefully about what they have to offer and where best to apply their skills and expertise.

- Value-chain facilitators can support sales and marketing but do not need a facility and additional cost center to do so.
- Unlike most traditional distributors, food hubs often provide additional services such as producer trainings or consumer education that are essential for building both local supply and consumer demand. These services can be justifiably acquired through external support instead of requiring the hub to internalize these costs through revenue generated through business operations.

- - Non-profits are better positioned to provide support services such as facilitating sales, marketing, and food safety planning than to operate new distribution businesses.
3. Identify and Calculate Increased Costs
- Because they add an extra step in the supply chain and/or take time to reach a scale that can compete with global distributors, local food aggregation hubs often have high per unit costs of operation that must be internalized by the operator or passed on to the consumer or farmer.
- By virtue of the additional complications of buying smaller volumes from many growers, hubs face a higher per unit cost of operation and slimmer margins than larger broadline distributors. These factors make it difficult to compete with the established food system.
4. Plan for Subsidies
- The added costs of a local food hub may be offset by long-term subsidies or other revenue generating activities or services, which must be built into the original business model and plan. Methods of offsetting costs present in other models include:
- Utilizing a subsidized workforce, such as work training programs for developmentally disabled (Finger Lakes Fresh Food Hub).
 - Conducting other complementary businesses that generate profits, such as cold storage, freezer space for meat producers, fresh-cut operations, etc. (Mad River Food Hub).
 - Utilizing existing infrastructure, such as partnering with food banks or other similar organizations (FoodLink, Second Harvest).
 - Having a facility space donated (Charlottesville Local Food Hub).
 - Securing a long-term philanthropic subsidy from funders, as long as there is alignment with the project (ALBA Organics).
5. Foster a Diverse, Committed Set of Stakeholders
- Commitment and willingness to work through challenges from both institutional buyers and farmers is critical. Crops may face inclement weather; prices may shift; trucks may break down; budgets may shrink. It's important for each of the stakeholders to understand that local procurement disrupts the status quo of the current food system and seeks to improve the health and economy of the local community. Long-term change is the goal, and it may take time. Successful local procurement efforts will take steps to create support and generate long-term commitment.
- While it's important to meet the local procurement needs of institutional buyers, a more balanced approach would also entail serving more high-end customers like restaurants and retailers.
 - Institutional buyers must have capacity for local procurement. Many institutions require pre-cut product that small farms do not offer, making it critical to build capacity on the demand side to order, store, and prepare local items.

- Ensure commitment from institutional leaders to local food system values to ensure continued efforts to problem solve when barriers arise.
- Utilize tools for building support among institutional stakeholders, such as:
 - Identifying champion food service buyers and farmers to lead the efforts
 - Connecting farmers to farmers to collaborate on deliveries, invoicing, etc.
 - Bringing farmers to classrooms or cafeterias to talk to students about where their food comes from
 - Training institutional food service staff on preparing food with fresh, whole ingredients
 - Conducting field trips to local farms with institutional food service to meet the farmers

6. Let Farmers Lead

Farmer-led models are the most successful local food aggregation hubs, in which farmers work together to aggregate their product for mutual benefit, and share in the costs and/or responsibilities of distribution.

- This model may entail a simple shared delivery arrangement or a more elaborate arrangement with a lead farmer taking on the role of aggregator and/or distributor (examples of farmer-led models include Abundant Harvest Organics, ALBA Organics, Coke Farm, Capay Valley Farm Shop, and Old Grove Orange Food Hub).
- Consider ways to help building capacity of farmers to meet needs through connecting them to resources such as grants for equipment like delivery trucks

7. Work with Multiple Stakeholders to Address Long-Term Food Systems Change

It is more effective to focus on the economic sustainability of the food value-chain, not just a single enterprise.

- Working with single enterprises, (whether managed by non profit organizations or by other partners) as a primary solution to regional food systems, assumes a high level of risk and does not address systems change.
- Working with multiple entities to build upon existing infrastructure creates a stronger, more inclusive regional food system -- one that engages key food system players, supports local farmers, leverages existing local produce distribution networks, and helps to support procurement of local food to local communities.

Conclusion

With over 15 years in creating solutions to procuring local food from family farmers in California, CAFF has developed a keen understanding of the factors of success, lessons from failures, and our role in the supporting the local food system. With so many other initiatives in the state and nation trying to do similar work, we hope that others can glean from our lessons learned as well and identify solutions that work for their communities.

By attempting to establish new food hubs, CAFF took a bold approach to tackling the gaps and challenges associated with the distribution of local food in California. While neither phase of Growers Collaborative proved economically viable, important lessons came out of these innovative attempts to localize our food system. In the first phase,

running a parallel distribution system was inefficient and competed with more experienced companies. In the second phase, Thumbs Up became a middleman that added an extra step and cost in the supply chain.

Nonetheless, there is no question that both phases of Growers Collaborative brought smaller-scale farms into the wholesale market that they otherwise wouldn't have access to. GC allowed many institutions to source local produce, to discover that it was often fresher and not terribly costly, and then to demand it from their mainstream distributors. Customers' interest and demand for local continued to increase beyond the lifespan of the project, to the point that institutions began to include local produce in their bid specifications, and the established distributors began to purchase and identify produce from local family farms. Moreover, Thumbs Up also showed that source identification of produce could be built into the day-to-day operations of a distribution company. Prior to attempting GC, there was not a single distributor in Ventura who was willing to distribute local produce; by the time GC was closed, the distributors were all working with local farmers. The produce distribution industry realized that they needed to find ways to access local produce to satisfy demand, and that is what we now see happening across the country.

It was not simply GC's ability to physically distribute local produce that shifted the landscape, however. More important were the efforts and commitment of the school districts, farmers, and staff to strengthen direct relationships, overcome barriers, and continue to identify solutions that could work through or around distribution and financial challenges. In fact, these efforts, combined with adaptations of early efforts in our foraging days, make up a large part of many successful regional Farm to School programs and the Farm to Market model that CAFF now utilizes in our regional work.

As we studied more regions and reflected on lessons learned from past distribution efforts, themes of success began to emerge. These success factors – not to mention options to avoid – became critical recommendations in the five feasibility studies on local procurement we helped to conduct throughout the state. To summarize key lessons from the different phases of our work is not easy to do with one bold statement, as there are many qualifiers and nuances of distribution to consider. Ultimately, CAFF concludes that new facilities and stand-alone aggregation hubs, unless farmer owned and operated, are not viable enterprises in California as they add on an extra layer of costs to the supply chain, duplicate existing efforts/infrastructure, and struggle financially without subsidy. Local produce aggregation should be seen as a service for farmers and produce distributors. CAFF recommends that new initiatives use caution and examine where there are resources and gaps before creating new facilities. Moreover, CAFF now encourages California regions to move away from stand-alone food hubs and instead to weave together a multi-faceted approach that works with existing food system players and infrastructure, establishing direct markets, creating farmer-led solutions, and adapting systems among wholesale distributors. Localizing the food system requires a systematic approach to engaging multiple stakeholders rather than relying on a single entity to fix the solution at hand. We hope that others will use these findings to think critically about how best to support family farmers and local food systems.