

# *Towards a Food Revolution: Food hubs and Cooperatives in the US and Italy*

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Source: USDA

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## EXECUTIVE SUMMARY

### The Key Recommendations

#### Food Policy

**Recommendation 1** : government and local government should support the creation of local food policies drawn up in collaboration with citizens, setting out detailed proposals for improving support to small producers, strengthening public procurement of food, tackling food waste and improving access to healthy food for all, especially the least advantaged.

#### Infrastructure and Food Hubs

**Recommendation 2**: Building on the National Lottery Local Food Programme (2012 onwards), Making Local Food Work, which funded some embryonic food hubs, a new Lottery funded programme should be launched to invest in local food infrastructure.<sup>1</sup>

#### Food Enterprise Zones

**Recommendation 3** Defra should re-launch its Food Enterprise Zone scheme, incorporating, in collaboration with the National Lottery, a pilot set of food hubs to test business models at scale.

#### Cooperatives and Producer Organisations

**Recommendation 4**: government should launch a funding programme for Producers Organisations, including cooperatives and social enterprises aimed at promoting new facilities and routes to market and strengthening the bargaining power of small and medium size producers of food.

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<sup>1</sup> The [Making Local Food Work](#) programme brought together a consortium of national organisations working to improve the sustainability of community food enterprises such as co-operatively managed farmers' markets; community owned village shops; country markets; sustainable food hubs; food co-ops and buying groups; and community supported agriculture - all of which bring producers and consumers closer together. Making Local Food Work was co-ordinated by the [Plunkett Foundation](#) and funded by the Changing Spaces programme of the [Big Lottery](#). Sustain was a national consortium partner in Making Local Food Work, coordinating two strands of work:

- [Food Co-ops and Buying Groups](#)
- [Food Supply and Distribution](#)

**Recommendation 5:** government should review the legal and fiscal position of cooperatives and social enterprises with a view to encouraging their growth.

Changing the way that food is produced and distributed is an urgent necessity for the sake of our health and that of the planet. This report looks at how food hubs and cooperatives are increasing the bargaining power of small and medium sized farmers in Italy and the US to the mutual benefit of producers and consumers.

A major problem for small producers in the UK is the grip of the supermarkets and wholesalers on the distribution and marketing of food, often imposing prices and conditions that barely make production profitable. In Italy and the US, other forms of intermediary, acting in the interest of producers and consumers, are increasing the bargaining power of small farmers and enabling their access to larger retail and wholesale markets currently dominated by big, industrial producers.

In the US, these intermediaries are often known as food hubs which take the form of warehouses or distribution centres, or virtual distribution centres, using the internet to link sellers and buyers, or both. Some are run as not for profit enterprises, some for profit and there are also hybrids. The US Department of Agriculture, which has provided funding for them for more than a decade, defines hubs like this:

*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.*

In Italy, where the prevalent and well established form of producer cooperatives collaborate with consumer cooperatives to market a large percentage of a wide variety of foodstuffs such as tomatoes and cheese, new initiatives have arisen alongside these to bring good food closer to the urban centres.

The purpose of these initiatives can be summed up as bringing about a revolution in food shopping by applying farmers markets values – sustainability, fair return on farmers’ labour, wholesome food, decent working conditions – at wholesale scale.

The need for systemic change in the way that food is produced and consumed is underlined by two symptomatic trends: the spread of obesity and the rise of food banks. This need is driving innovation in the UK with the growth of urban farms, box schemes and organics, but this is mostly happening on a small scale. Missing here is a sense of urgency and a recognition that the food and farming crisis requires a strategic response from government. Protecting food security demands a complex mix of measures of which this report can only deal with a small part. The focus here is on measures to reverse the decline of the small producer, improving their bargaining power and creating shorter, ethically driven supply chains that meet their needs and those of the consumer.

This poses the need for a theory of change that points towards a radically different way of producing and consuming food, shortening supply chains and constraining the power of expensive intermediaries. I report on the outcomes of a seminar to which I contributed at the University of Pisa that explores some key issues for food policy, including public engagement in new initiatives and the potential value of the disruptive force of the internet in creating direct producer-consumer relations.

The report looks at cooperative and similar initiatives in Italy, in Bologna and Florence, and at food hubs in the US in Portland (Oregon), Charlottesville (Virginia) and Philadelphia (Pennsylvania). It also reports on Chicago's food policy that uses the power of public procurement to favour producers, consumers and the people who work in the low paid hospitality and catering industry. Finally, the report considers the cost of setting up food hubs with a view to establishing a publicly funded food hub and infrastructure programme in the UK.

This is the central proposal of a short set of recommendations aimed at UK policy makers and practitioners. Others deal with promoting the spread of food policy programmes devised in collaboration with local populations, measures to promote cooperatives and a proposal to set up Food Action Zones to trial a set of pilot hubs and other related measures.

## INTRODUCTION

Gerry Hughes is not the first Hughes to raise sheep near Llandrindod Wells in picturesque central Wales but if Britain leaves the EU he could be the last. 40% of Britain's lamb exports go to France, benefitting from zero tariffs. Even with 1300 ewes, a fair sized flock, he says, 'making a living from sheep has been getting harder and harder'. A no deal Brexit could be the final straw but even so 'the biggest problem is the middle man'. From the wholesaler he receives £62 for a whole lamb, while a supermarket prices a leg of lamb at £25.

Welsh sheep farmers are not the only endangered species in Britain's farming community. Small and medium farms are disappearing at an alarming rate, gobbled up by large scale enterprises specializing in industrial scale techniques of livestock and grain production which spell doom for rural ecosystems. A small number of intermediaries – supermarkets and wholesalers – dominate the sale and distribution of food, free to impose prices that often barely reflect the costs of production.

The time has come to turn the tide on the decline of small farms before we reach a point of no return, deepening Britain's already dangerous dependence on imported food. To find out how, I've been to Italy and the US where small family farms are benefitting from the turn to slow food and artisan production. The principal lesson I learned on this journey is that we in the UK urgently need a transformation in the way we produce and consume food. The time for tinkering is over. 'We need a system-wide change programme' as the authoritative and independent RSA Farming Commission has bluntly concluded.

The good news from my travels is the shift towards sustainability in the way food is produced and distributed brought about by farmers and their allies. A growing awareness of the urgency of change is driving a revolution in habits and expectations. We know that bad food is unaffordable – in terms of its impact on the land, livestock and our own health. Now there are signs that good food may be more affordable than we imagined, providing we can change the way it is produced and distributed. Key to that change in Italy and the US are the food hubs and cooperatives that are increasing the bargaining power of small and medium size farmers and developing mutually beneficial ways of linking producers and consumers.

The main part of this report documents what I saw and whom I met in Italy and the US. It is followed by a comparative analysis of the various models of food hubs that I visited in the US and then a discussion about how change might come about in the food system. Finally, there is a set of recommendations about how the food hub and city food policy approach might be applied to the UK. But before we get on to that, some essential background is needed about small family farms, hubs and intermediaries and the nature of the food crisis confronting us.

### **Why small family farms?**

Economic forces are simultaneously pushing small family farms out of business in the UK and encouraging the growth of mega-farms. Both trends are bad news for a country that is increasingly conscious of its food choices. Bio-diversity is as important for the structure of our farming industry as it is for living things. The loss of small farms and the rise of industrial agriculture increase the risk

of soil erosion, loss of biodiversity and dependence on the production of chemically enhanced foodstuffs.

Small family farms are not necessarily more productive or efficient or innovative than large farms but the vital roles they perform in the eco-system are grounds for trying to halt and preferably reverse their decline. They perform a vital role of stewardship in the countryside and also as an employer of labour. Just as important, these smaller farms have the potential to expand production to meet the growing demand for fresh fruit and vegetables, thereby helping to reduce the UK's dependence on imports.

To see how well this can be done *at scale*, I've been to Italy and the US to meet small producers, urban and rural, and the people working alongside them to improve their livelihoods and to make good food more widely available, especially to the least advantaged. This report is about what I learned on those trips and what changes I believe we should be making over here.

### **Food hubs and intermediaries**

Most food in the UK is distributed by two kinds of intermediaries, wholesalers and supermarkets. These latter have carved out a monopoly share of the entire market in groceries, at the same time as generating increasing concern at their hold over the incomes of producers. Marketing and distribution accounts for most of the retail cost of most food items. Farmers in some cases receive less than the costs of production making them dependent on other sources of income or government subsidies. But it does not have to be like this.

In Italy and the US, new forms of intermediaries operate in the interests of the producers or jointly in the interests of producers and consumers, operating according to ethical frameworks that value sustainability, fair trade and quality food. Their key function is to strengthen the bargaining power of small producers, improving their livelihoods and reducing their dependence on subsidy and secondary sources of income. They do this by creating a distribution chain that is short and enables the small farmer to meet market demand. In the end, a simple test of the value added by a hub or intermediary is how much a producer earns for a pound or a kilo of apples, and how much goes to the intermediary. Another test is how much a consumer pays for the same apples.

In the US, these intermediaries are often known as food hubs which take the form of warehouses or distribution centres, or virtual distribution centres, using the internet to link sellers and buyers, or both. Some are run as not for profit enterprises, some for profit and there are also hybrids. The US Department of Agriculture, which has provided funding for them for more than a decade, defines hubs like this:

*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.*

The 2018 Farm Bill, passed with the President's support, continues and in some respects strengthens the features of the 2008 Obama Administration Farm Bill that introduced funding for hubs, including more support for urban agriculture. But disappointingly, it shifts resources to the wealthiest farmers at a time when American farmers have suffered a 50% drop in income since 2013.<sup>1</sup>

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<sup>1</sup> <https://www.farmaid.org/issues/farm-policy/whats-in-the-2018-farm-bill-the-good-the-bad-and-the-offal/>

In Italy, where the prevalent and well established form of producer cooperatives collaborate with consumer cooperatives to market a large percentage of a wide variety of foodstuffs such as tomatoes and cheese, new initiatives have arisen alongside these to bring good food closer to the urban centres. In both countries, we are witnessing the growth of new infrastructure that enables small producers to operate in markets formerly dominated by large farms. And at the same time, there is a growing awareness of the need for a systems approach to tilting the food and catering industries in a more sustainable direction.



Source: Art Institute of Chicago American Gothic by Grant Wood (1930)

None of what I will report on here is totally unknown in the UK. There are producer cooperatives selling direct, there is community supported agriculture (CSA), embryonic food hubs, farmers markets, urban farms, food policy programmes, public procurement of food. The Tamar Valley Food Hub, in the south west, which brings together more than 50 producers in an online market place, passes on more than 85% of the retail price of produce to the producers.<sup>2</sup> Dean Forest Food Hub uses online ordering and local pick up points to run its box scheme, rather like Lulu’s Local Food,

the scheme in Charlottesville described later on here.<sup>3</sup> OrganicLea has created a restaurant supported agriculture scheme in greater London as well as running a box scheme but it is far from viable commercially.<sup>4</sup> Although its sales of plants and food amounted to £294,180 in 2018, it made ends meet with the help of £297,526 of grants and donations.<sup>5</sup> Sole of Discretion, a community interest company, has created a short chain that links small scale fishing vessels with consumers, providing traceability and guaranteed prices.<sup>6</sup> An example of an initiative that has broken through the scale barrier is Local Food Links based in Bridport. Founded in 2007, this community interest company (CIC) uses four kitchens to cook and supply school meals using local produce (‘whenever we can’) to more than 50 schools primarily in Dorset. Perhaps the key factor here is the value added of cook-chill compared with the supply of unprocessed food like fresh fruit and vegetables which struggles to compete with supermarket prices.<sup>7</sup>

The difference between what happens in the UK compared with Italy and the US is largely one of scale and ambition underpinned by state of the art infrastructure, coupled with the use of

<sup>2</sup> <http://www.sharedassets.org.uk/wp-content/uploads/2018/01/Tamar-Grow-Local-Case-Study.pdf>

<sup>3</sup> <http://www.deanforestfoodhub.org.uk/packaging/>

<sup>4</sup> <https://www.organiclea.org.uk/we-sell-food/how-we-sell/>

<sup>5</sup> Companies House

<sup>6</sup> Farmdrop.com - sustainable fishing Plymouth

<sup>7</sup> <https://www.localfoodlinks.org.uk/headteachers/>



sophisticated technical solutions to growing, marketing and distribution.<sup>8</sup> Farmers markets, box schemes and urban farms all have their part to play but as the new state of the art food hub, the Redd in Portland, comments

‘only a tiny portion of our communities actually shop there. Most of us still get the majority of our food via traditional grocery stores or eating out. If we want to change the food system, we need to get **farmers’ market values at wholesale scale.**’

## THE FOOD CRISIS

*‘Our own health and the health of the land are inextricably intertwined...Driven by poor policy and perverse incentives, the food and farming system has become one of the main drivers of human and ecosystem crisis. From deforestation, loss of wildlife and soil degradation, to widespread pollution and spiraling diet-related ill-health, people and the planet have suffered alike.’<sup>9</sup>*

The food crisis has been brewing for a long time. Its symptoms are striking:

- over the last ten years the turnover of the top 20 global dairy corporations has increased by 60%
- in 1970, a hundred grams of an average chicken contained less than 9 grams of fat, but today it contains nearly 23 grams of fat
- industrialised farming uses 50 times more energy than traditional farming
- livestock farming creates greater carbon emissions than all of global transport put together<sup>10</sup>

At the same time, there has been the rapid growth in the proportion of people affected by obesity and other dietary disorders alongside the emergence of a food famine in the UK and much of the industrialised west. The Trussell Trust, which supports 1200 food banks in the UK, reports an almost 18% increase in their use between 2017-18.<sup>11</sup> Yet, the UK is estimated to have wasted £13b. of food in 2015.<sup>13</sup>

### And a strategic response

Food is fast becoming a strategic issue, on a par with health, energy and education, and as vital an issue to understanding and tackling climate change. But if sustainably produced food is crucial to our health and that of the planet, it is increasingly clear that food security is too important to be left entirely to the market. Nor will it be, for food is entering politics as a human rights issue and a priority issue for government.

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<sup>8</sup> Or unsophisticated in the case of the trikes used in Portland to move food and drink around the city.

<sup>9</sup> Felicity Laurence *Eat Your Heart Out: Who Really Decides What Ends Up on Your Plate?*

<sup>10</sup> Felicity Laurence *Eat Your Heart Out: Who Really Decides What Ends Up on Your Plate?*

<sup>11</sup> <https://www.trusselltrust.org/2019/07/16/uk-food-banks-fear-busiest-summer-ever-ahead/> <sup>13</sup> <https://www.theguardian.com/environment/2017/jan/10/uk-throwing-away-13bn-of-food-each-yearlatest-figures-show>

There is growing support for the need for a systemic response to the food crisis, one that deals with the root causes rather than tinkers with the symptoms. I've chosen one piece of the system to consider in depth, the position of small and medium sized farms or small family farms, recognizing that whatever solutions are proposed to the problems they face must form part of a coherent and comprehensive programme of change. So in this review I have placed a lot of emphasis on the creation of local food policies, as in Chicago in the US and Livorno in Italy.

## ITALY

### **Bologna: FICO - the Italian Farming Factory**

My trip to Italy began with a visit to FICO – it stands for Fabbrica Italiana Contadina, or Italian farming factory – a one million square foot exhibition centre in Bologna. Stumped for an easy way of summing up this gigantic spectacle, the New York Times called it 'an Italian amusement park for foodies'. As well as dozens of stands displaying every conceivable type of food and drink produced in Italy and countless cafes and restaurants, there are forty small producer workshops, hands on demonstrations and daily classes covering all the regions of Italy. Altogether, there are almost one hundred stands, stalls, kiosks, bars, cafes and trattorie to visit inside while outside there are livestock enclosures with goats, sheep, cows, chickens and rabbits alongside miniature orchards, vineyards and market gardens. And to help you cover the ground, and make shopping easier, you can trundle around on a bike or trike.

FICO – Eataly World (to give it its full name) is the brainchild of the energetic culinary entrepreneur, Oscar Farinetti, who has made his name through Eataly, a brand synonymous in Italy and the US with high end food and drink stores linked to the slow food movement. The shared aims of Farinetti and the movement are to support small producers, guaranteeing produce that is good, local and seasonal and sold at a fair price. I was at FICO to interview the director, Tiziana Primori, with the help of my friend, the chef and restaurateur, Marcello Dall'Aglio. Primori has a compelling proposition about small producers, and an attractive rationale for FICO. She argues that the future of food is a symbiotic relationship between small producers who drive innovation and the big companies that dominate production and distribution in Italy and globally and which have the resources to carry change to scale. FICO offers the producers a showcase, obviously at a price.

The flaw with this argument is that the big firms tend to consume the little ones, choking off their creativity for which they pay the lowest price possible. Although it is unarguably a good day out, the problem with FICO is that it glamourises food production and never deals with the difficult questions about sustainability or the marginal existence of either the small food producers or the people who work in the hospitality sector. But with three million plus visitors a year, including thousands of school parties, it does provide dozens of small producers – and restaurants - with a high profile sales platform.

According to Primori, the small producer sector overall is stabilising; young people, graduates, are now choosing to go into farming (urban and rural) and there is a new interest in artisanal products. China, as a comparison, provides an example of active state intervention to shape the future of farming with, for example, targeted support for bamboo producers. Italy provides support for tourism, a key source of income for small producers, and the EU for regional development and agriculture through CAP but small producers as a category are not supported.



Source: Eataly A wine bar – one of 45 food outlets at FICO

Finally, the question: is FICO a food hub? Here is the US department of agriculture (USDA) definition again:

"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."

FICO touches on aspects of all parts of that definition, at the same time pointing to an implicit limitation: unless the food hub strengthens the bargaining position of the producer vis-à-vis the consumer the market will continue to operate in the interests of big producers. So, FICO is a food hub that needs to do more to challenge market forces. A similar consideration applies to the next example.

### **Florence: Central Market**

Florence's San Lorenzo has long been the place to buy and sample the food and wine of Tuscany's myriad of small producers. Downstairs remains the traditional market space but upstairs has been converted into a food hall where you can shop and dine. Or take a cookery course. Here the emphasis is on the artisan and on quality. As well as established restaurants, there is a wide range of artisan producers and local shops offering fresh fish, fried food, vegetarian and vegan dishes, meat and charcuterie, buffalo mozzarella, cheese, chocolate and ice cream, fresh pasta, wine and truffles. Traceability is a big selling point.

In case you should mistake the mercato central for a gorging point for tourists – an understandable misunderstanding on a busy evening in May when the streets around the nearby Duomo are crammed with sightseers – it presents itself as a cultural hub, with a programme of events - workshops, demonstrations, discussions – about the centrality of food to life in Italy. The theme of

May-June 2019 was 'The Juice of Goodness: Veggie Wave and Tamarind Juicery', touching base with the current fervour for vegetarian food and exotic fusions. More earnestly, on 27 May, there was 'Antieurope, the European empire of America', a meeting convened by Limes, an on-line geopolitical review. Finally, exhibitions by, for example, Ai Wei Wei, emphasise the serious intent of a project that somehow combines show business and counter-culture in the Italian tradition of artisanal slow food. As the expansion of Eataly in the US, and similar developments in the UK, show, food halls offer a profitable showcase for producers, a serious challenge to supermarkets and restaurants and a useful way of re-energising the retail sector.<sup>12</sup>

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## Montevarchi: the Producer Supermarket

Montevarchi, a small town in the Arno valley just south of Florence, claims the world's first producer supermarket. In a large warehouse in the town centre, 40 small producers have come together to make a permanent farmers market dedicated to the food movement's quality, locality and seasonality mantra. But only more so, for there is nothing on shelves that isn't currently supplied by the producers. Certainly no bananas and not even a tomato because this being mid May they are not yet season in Tuscany. A mixed clientele, in terms of and status, bustles about filling their shopping bags from an enticing array of fruit, vegetables, meat, cheese, bread, cakes, olive oil and wine. There is a display of ready meals including soups prepared on site from vegetables past their sale date. All the time, fresh produce is being unloaded onto the shelves. At peak times, five workers are employed by the supermarket which is effectively a cooperative, thus locking in value and common ownership.

Annual turnover is €1.5m of which 50% goes to the cooperative and 30% to the producer. 40% of sales are represented by organics. The margin on fruit is 10-15% and on boxed or packaged goods 30-40%, reflecting wastage rates.

The Montevarchi supermarket is a food hub owned by the producer that directly operates on behalf of the producer, trying to balance their interests with those of the consumer by providing food and drink in line with the slow food philosophy. By cutting out the middleman and shortening the supply chain it provides a better return to producers than conventional supermarkets. Perhaps a less limited range of goods would mean a higher turnover and higher returns for producers.

## Apo Conerpo: a large scale fruit and vegetable producer cooperative

6000 small producers of fruit and vegetables spread across Italy belong to 40 cooperatives which themselves form the membership of Apo Conerpo (AC), a large scale national cooperative based just outside Bologna. So the producers are at one remove from its direction, exercising whatever

<sup>12</sup> At least 16 new food halls are planned in London alone, according to a report by property advisers Cushman & Wakefield, as landlords seek new ideas to rejuvenate town centres where traditional shops have lost their appeal. <https://www.theguardian.com/business/2018/feb/03/emerging-markets-street-food-booms-as-investors-get-the-taste>

influence they have through their membership of the local or specialist coops. Apo Conerpo, the director general, Gabriele Chiesa, explained, manages a number of marketing subsidiaries specialising in distributing, for example, pears and kiwis, across Italy and Europe to supermarkets and to processing companies. They account for 10% of the national market in tomatoes which in total is 5.6m tons.

AC is a complex organisation which over the years has developed the systems essential to small producers if they are to secure a place in the market. These include research and development to improve cropping and quality, detailed specifications for each product and each national market, agreed times for planting and harvesting, minimising time in cold store and ensuring a steady supply throughout the season. Working with small producers to achieve market fitness is a key role of the hubs we visited in Italy and the US.

According to Chiesa, AC accounts for just 1% of the total cost of marketed produce, with a team of around 20 people, and the marketing subsidiaries account for a further 5%. The producers, who agree to sell all their output to AC, receive around 20% of the net sales income with the remainder going to the supermarket, wholesaler or processor. Currently onion growers are getting the best price in living memory, and the pear and kiwi producers are benefitting from a strong market position. A helpful factor is that the average size of a holding is slowly growing in fruit and vegetable production but most producers still can't earn enough without a second income.

The democratic link between the small producer and the board of Apo Conerpo may be indirect (producers are members of AC through their membership of local or specialist coops) but on the other hand this is an organisation that has refined and strengthened the entire process of engaging the producer with the market, retail and wholesale. Coops enable small producers to gain a foothold in the market; they may also strengthen the bargaining power of the individual producer.

In Italy, unlike in the US or the UK, cooperatives enjoy a privileged position in the tax system. The 'Marconi Fund' has been a key element in the creation and sustenance of Italy's co-operative sector. In return for helpful tax exemptions co-ops in Italy must invest 3% of their annual income in the Marconi Fund to finance new co-ops. Social enterprises generally enjoy lower VAT rates compared with conventional enterprises. But this advantage is outweighed by the often poorer working conditions (compared to conventional public sector employment) experienced in many sectors, especially social services.<sup>13</sup> However, agricultural cooperatives, with 94,000 employees and 24% of the turnover of the agriculture sector, provide more bargaining power for farmers than if they operated as sole entities. According to economic historian, Vera Zamagni, cooperatives 'play a strategic role for the entire market place where they reach a critical mass, by making the business world more people-centered'.<sup>14</sup>

## UNITED STATES

**I was in the US in June-July 2019, criss-crossing the country from the west, Portland, Oregon, to the mid-west, Chicago, down to the south, Charlottesville, Virginia, and up to the east coast, Philadelphia. Each place demonstrated major facets of the innovatory ways that the US has developed support for small and medium sized farms, combining bottom up initiatives with**

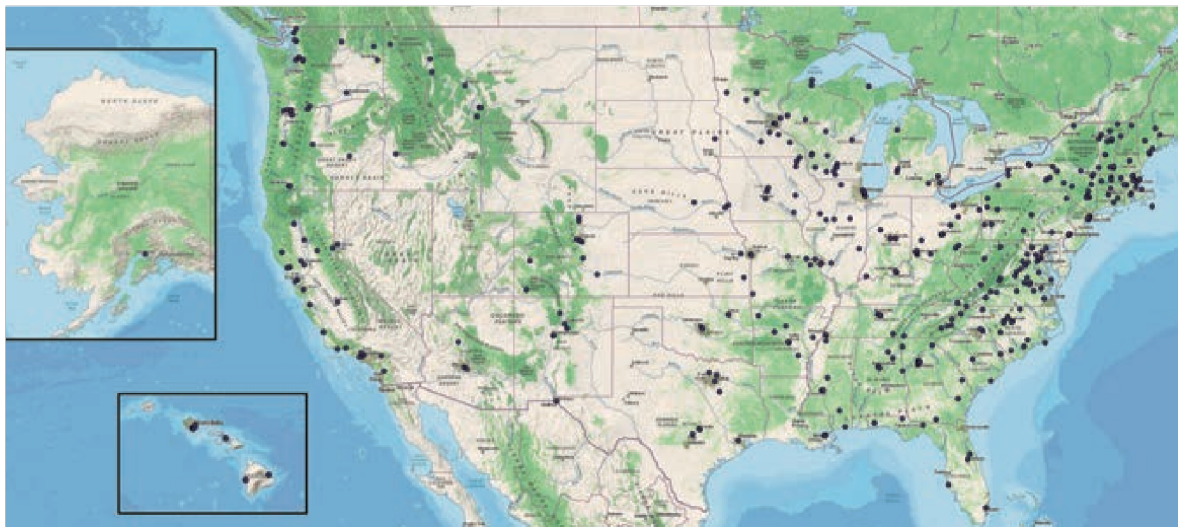
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<sup>13</sup> [https://wiki.p2pfoundation.net/Overview\\_of\\_the\\_Italian\\_Cooperative\\_Movement](https://wiki.p2pfoundation.net/Overview_of_the_Italian_Cooperative_Movement)

<sup>14</sup> [http://unsse.org/wp-content/uploads/2019/06/85\\_Negri-Zamagni\\_Why-we-need-cooperatives\\_En.pdf](http://unsse.org/wp-content/uploads/2019/06/85_Negri-Zamagni_Why-we-need-cooperatives_En.pdf)



support from the US Department of Agriculture. The places I visited were chosen with the help of local leaders in the field as well as a review of the literature. I am especially indebted here to the work of James Barham of the US Department of Agriculture and that of Jeff Farbman—Senior Program Associate, Wallace Center at Winrock International, a key figure in the biennial National Good Food Network conference and author of the National Food Hub Survey.<sup>15 16</sup> Taken together, the US has generated a set of approaches that provide a compelling story for the UK observer. I begin with the largest scale hub, Common Market in Philadelphia.



Source: USDA Location of US food hubs<sup>17</sup>

## Common Market, Philadelphia

Common Market summarise the challenge facing US hubs thus

‘While there have been attempts to improve local and healthy food access in low-income communities through retail, challenges remain to increasing local and healthy food in all outlets where communities eat, including their schools and largest employers such as hospitals and universities. Despite their great potential for serving meals to low-income individuals every day, these anchor institutions face barriers to purchasing local foods. Even though local farms are in close proximity to urban institutions, their food could not be further away from the plates of people who need it most.’

So their mission has been to strengthen regional food systems, develop fair wholesale markets, improve public health and food access and promote the viability of small and mid-scale farms.

<sup>15</sup> Colasanti, K., Hardy, J., Farbman, J., Pirog, R., Fisk, J., & Hamm, M.W. (2018). *Findings of the 2017 National Food Hub Survey*. East Lansing, MI: Michigan State University Center for Regional Food Systems & The Wallace Center at Winrock International. Retrieved from [foodsystems.msu.edu/2017foodhubsurvey](https://foodsystems.msu.edu/2017foodhubsurvey)

<sup>16</sup> The Wallace Center website is the source of previous conference reports <https://www.wallacecenter.org>

<sup>17</sup> Source: [https://www.rd.usda.gov/files/publications/SR77\\_FoodHubs\\_Vol4\\_0.pdf](https://www.rd.usda.gov/files/publications/SR77_FoodHubs_Vol4_0.pdf)

A values driven, wholesale distributor of small farm produce, as it calls itself, Common Market now has an annual \$8m. turnover. Started 11 years ago, it aimed to provide institutional customers with good food from small farms. It has since expanded to Baltimore, Washington DC and with another warehouse in Atlanta covering the Birmingham and Alabama area. And most recently to Houston.

This is part of a five year expansion plan designed to lever the expertise and infrastructure developed in Philadelphia. Its customers include colleges and universities, hospitals, company cafeterias, schools, care homes, nurseries, restaurants and retailers. They put a lot of effort into working with tricky (or picky?) customers such as hospitals. Getting it right shows what can be done. Lankenau Medical Center have invested in using diet to improve health outcomes and created a cafeteria that has become a popular local community lunch venue in its own right.



Source: Common Market Display of some of Common Market's range of fresh and processed foods

Audrey Huntington, senior advisor, takes me on a tour of the warehouse and coldstore which is divided into separate zones, with the coldest for frozen goods including meat. I watch as pallets are loaded, ready for shipping out. Common Market supply canned goods, dairy, meat, fruit and veg plus tofu and seitan. Average distance supplied from Philadelphia is 88 miles. 10 box trucks plus another in Maryland supply the mid-Atlantic coast.

The hub employs 23 people and they charge a 36% mark up. They are still grant dependent, by choice. As a not for profit enterprise they are eligible for government and other grants and with very

low margins this enables them to keep their mark up low. Besides, in some states and product areas where competition is tough, farmers might choose another distributor if mark ups were higher.



The author in the fruit chiller, Common Market, Philadelphia

Common Market argues that it has made a significant impact on turnover of farmers. For example, they've helped an egg farm to triple turnover by helping them to achieve certification. A key function is helping farms to achieve standards set by the authorities and institutional consumers. They also do traceability.

USDA support for food hubs important, says Huntington, but in other respects US food policy is negative. Big subsidies go to commodity crops for processed food eg livestock feed and corn syrup – rather than for food that people eat such as fruit and vegetables. There is little direct support for small farmers in the form of loans. Dairy prices are set by each state, often at a level that

doesn't repay the farmer's costs. But, like Ben and Jerry, Common Market pay over the set price for organic dairy products.

## Two hubs in Charlottesville, Virginia: retail and wholesale

### 1. Lulu's Local Food: a virtual food hub offering a retail service

Molly Harris started a restaurant in Charlottesville, VA in 2004. In 2008 she decided to offer her customers the chance to buy the local food they enjoyed eating in her restaurant direct. It began with 100 families who paid a subscription and chose a pick up point for the food. Identified a number of locations for people to pick up the food. By May 2009 500 customers had signed up to a \$75 sub. Supplied by 20 producers. Then came a USDA grant to improve software so that customers could choose from an online menu. The service has grown to 5500 customers with 45-65 producers depending on the season using 24 pick up locations. Sales are now \$20k a week = \$1m+ pa.

Bell Air farm – certified organic - is one of the producers whose owner committed early on to working with Lulu's Local Food, as well as selling through farmers markets, and runs a CSA scheme with 200 full shares and 600 half shares. James Barrett is the farm manager.

The business, which has been sold to a producers cooperative – Fall Line Farms and Local Roots<sup>18</sup> - has expanded to work with local school districts. Molly Harris attributes the success of the enterprise in part to the growth of the universities which is changing local eating habits. The name,

<sup>18</sup> See the website: <https://fiflr.luluslocalfood.com/Pages/Index/About%20Us>



Lulu's Local Foods, continues as a software system designed to be used by farmers markets and food hubs, such as a group of farmers who have formed a food hub in Chicago. Molly is now project manager for the Foundation for Agriculture, Innovation and Rural Sustainability (VAFAIRS) which promotes Lulus Local Foods. VAFAIRS is a nonprofit foundation of the Virginia Farm Bureau.

## 2. Local Food Hub Charlottesville

By contrast, the primary focus of the Local Food hub is on wholesale trade with mainly institutional consumers on behalf of more than fifty local farms.

The hub began a decade ago with the aim of bridging the gap between farmers and institutional consumers such as universities and school districts. Turnover is now \$1.6m with 80c. in every \$ going to the farmer. They could settle for a 70-72c. share for producers but prefer to pay more and instead raise about \$150k in grants and other contributions to cover the shortfall. In retrospect, executive director Kirsten Suokko tells me, it would have been better to have a bigger capital base to reduce dependence on fund raising, a point borne out by USDA's research on food hubs.<sup>19</sup>

In June 2019, Local Food Hub merged its distribution operations with 4P Foods, a local company committed to ethical trading. They say, 'The merger marries Local Food Hub's strengths in farmer relationships and product knowledge with 4P's strengths in logistics, market development, and sale'. The new arrangement benefits from 4P's warehousing, IT systems and home delivery service. It should also strengthen the farmer and customer base.

Local Food has retained some functions separately as not for profit including Supporting farmers to achieve certification in the Good Agricultural Practice (GAP) kitemark and to meet federal food safety regulations is a vital role. Local Food hub also continues its food access programme including Fresh Farmacy – working with six health clinics to issue food prescriptions – and providing healthy snacks for eight school districts in central Virginia. They are currently thinking about setting up a chain of health food stores. Finally, Local Food hub is a member of the Charlottesville food justice network, a key aspect of which is its support for food banks.

Two big questions that the hub has contended with are how to get to scale and how to achieve year around supply and convenience for consumers, and therefore how to help farmers extend the growing season.

Finally, a historical footnote: the battle over the removal of a statue of a confederate general in August 2017 forced the city to take a hard look at itself and confront racism and inequality. In retrospect, it is clear that it was a turning point: it was a setback for the white supremacists who were forced to recognise that Charlottesville was changing socially and politically. The apology of the man sentenced for driving his car into the antifascist demonstration is symptomatic of the shift.

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<sup>19</sup> Barham, James et al, (2012) Regional Food Hub Resource Guide, USDA

## The Redd in Portland Oregon: an incubator hub

Small and medium size farms struggle to find a toehold in the market. Alone, they often lack the expertise to meet consumers' precise requirements and mandated quality standards. They are driven to sell at farmers markets which typically provide low returns for heavy outlays of labour. A gap analysis carried out by Ecotrust, a charity that exists to promote sustainability, highlighted the difficulties producers had in reaching out to institutional consumers, a market with potentially the biggest returns. It also showed the potential for increasing awareness about food. As a result, Ecotrust decided to find investment for two projects: an events space for the trust and its partners, and an incubator food hub, the Redd.<sup>20</sup> Through the Redd, as business manager, Kaitlin Rich explained, rural producers can make one efficient drop rather than dozens all over town, entrepreneurs can access scale-appropriate services and office space, and direct-to-consumer farmers, ranchers, and fishermen can pack and distribute their CSA (community supported agriculture) and CSF (collaborative farm share – multiple farm CSA) orders with ease. The idea is that shared space promotes shared ideas and projects. Currently, 170 food businesses utilize the services provided by this dynamic facility. The Redd is aimed at start ups but not exclusively. There is a special focus on business start ups by people of colour.



Delivery truck departing the Redd

The Redd, which leases the building below market price, is on the brink of profitability, although since the enterprise is so new (it opened at the beginning of 2019) detailed data is not yet available. It rents space

to producers to use as a base and also rents out catering kitchens. Wholesale and retail prices are set by the producers. A major tenant and business partner is B-Line, which manages the warehouse dry storage and cold store, aggregates orders and delivers using mainly trikes. In one project, GreenWheels, 80+ entrepreneurs are channeling their products to the region's grocers via B-Line's warehousing, aggregation and delivery services, avoiding 15,000 vendor delivery trips over the life of the program, freeing up time for the busy producers, while cutting carbon emissions and traffic congestion.<sup>21</sup>

In addition to institutional customers such as hospitals, the Redd also supplies New Seasons, a NW Pacific coast organic supermarket chain.

<sup>20</sup> The Redd is housed in a converted warehouse on Salmon Street, Portland. Redds are the depressions created by female salmon in which to lay their eggs.

<sup>21</sup> <https://ecotrust.org/press-releases/doors-open-wide-at-the-redd/>

A key feature of the Redd is its focused support for nine of Ecotrust’s [Ag of the Middle Accelerator](#) participants — regional farmers, ranchers and fishers who are leveraging warehousing, networking and business support services at the Redd to expand their Portland-area sales. Agriculture of the Middle is a programme aimed at expanding the turnover of small and medium producers that are larger than those selling via farmers markets or CSA but smaller than those supplying globalized commodity markets and who want to sell locally.



Source: Ecotrust Organising deliveries at The Redd

Why focus on this size? Ecotrust argues that to revolutionize the food system you need scale to do it!. ‘While farmers’ markets and CSAs are ideal ways to buy food — the freshest harvest, opportunities to meet farmers in person and spend money directly at the source — only a tiny portion of our communities actually shop there. Most of us still get the majority of our food via traditional grocery stores or eating out. If we want to change the food system, we need to get **farmers’ market values at wholesale scale**. Mid-sized, locally-focused farmers and ranchers can help do it’.

### Chicago – pioneering a city food policy

Strikingly, Chicago does not have a hub like Philadelphia or Portland but it has developed a whole array of food initiatives, above all the local food policy action council (FPAC).<sup>22</sup> I met the executive director, Rodger Cooledge, and one of the council members, Erika Allen.

The Food Policy Action Council sprang from a number of concerns

<sup>22</sup> Nor does New York City, but a task group in the Mayor’s office is working to create one.

- environmental (impact of industrial farming on the planet)
- health and nutrition standards (impact on health of the nation of poor diet)
- need to engage with communities worst affected by food deserts and poor diet)
- importance of fair working conditions for the farming/food/hospitality workforce
- animal welfare

Its major achievement to date is the decision by the city council to support a good food procurement policy. The aims of the policy are to

- promote a race to the top on health, working conditions, animal welfare and nutrition
- use public buying power – Chicago’s annual food spend is \$325m. - to shape the food industry. Helpfully, Chicago’s airports, which are increasingly focusing on catering, are run by the city.

This is a field in which Los Angeles has led the field since 2012 with a focus on school food and on the race dimensions of poor nutrition.

“In Los Angeles the Good Food Purchasing Program resulted in over 150 new living wage jobs and improvements in the standards of living for thousands of people, and Chicago can have the same impact” said Jose Oliva, co-director of the Food Chain Workers of America and CFPAC board member.

The Food Chain Workers Alliance, which brings together workers in Chicago’s biggest industry, food and hospitality, has been a key ally of the FPAC, as is the city council. The City Council recognized the salience of food as an issue by setting up in 2016 a food task force involving council departments and school districts. As well as laying down standards for members - for example over the contents of vending machines in schools – Chicago is working with other local authorities to support small producers and to use food for economic development. The city is moving towards making surplus land available for urban farming. The state is less committed: Illinois is the capital of soy and cattle feed commodities.

Chicago Southside is a crucial test of the new approach. Land has been made available by the city for growing food but so far little or no money. The city is moving slowly and there is a lot of bureaucratic inertia verging on hostility eg FCWA is struggling to get licences for food carts so they don’t get evicted. But there is a newly elected progressive mayor and a group of democratic socialist councillors including Alderman Andre Vasquez, a firm ally of the FCWA and FPAC.<sup>23</sup>

### **Urban Growers Collective (UGC)**

Urban Growers Collective (UGC) was founded by Laurell Sims and Erika Allen in 2017. It builds on the experience of Growing Power, a nonprofit organization and land trust established in Milwaukee, WI which closed its doors after 25 years in 2017 why?. Will Allen, Growing Power’s founder- and Erika Allen’s father - inspired thousands of visitors annually with his vision of how local food production can transform a community.

Malcolm Evans, the young (26) farm manager took me on a tour of their site in Chicago’s South Side, less than a mile from Lake Michigan. It is divided between UGC production for farmers markets and

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<sup>23</sup> [www.40thward.org](http://www.40thward.org)

other outlets, and personal plots (allotments). Malcolm is one of the success stories. The bullet still lodged in his head is a reminder of the fate that might have met him (Chicago has one of the country's highest homicide rates) had he not started working with Erika and her colleagues on the job readiness programme for youngsters.

Our approach, they say, is to demonstrate and support communities in developing communitybased food systems where food is grown, prepared and distributed locally. Working closely with more than 33 community partners, the goal is to build economic opportunity for young people, mitigate food insecurity and improve access to high quality, affordable and nutritionally good food. Eight urban farms operate on 11-acres of land mainly located on Chicago's predominantly black and latino south side. These farms focus on production alongside horticultural education, training and leadership development. Each farm is organic and uses greenhouses to extend the growing season.

At the end of June,, when I visited, the results of a wet and cold spring were everywhere apparent with few crops ready to pick, even those under plastic.

UGC runs a range of programmes including the Fresh Moves Mobile Market, selling fruit and vegetables from vans and Farmers for Chicago, a job-readiness scheme which trains over 200 youngsters annually. They also run a series of agriculture, small business development, and equality building workshops. UGC stress the importance of shared leadership and collective decision making as well as equality and employee well-being.

Whilst the big stores in downtown Chicago advertise their support for Pride, the city is notorious for entrenched racism and the violence of its police department. This has gone alongside a City Hall infamous for corruption, although with the election of a progressive mayor and a group of councillors happy to describe themselves as democratic socialist, Erika is cautiously hopeful that it may become easier to enlist the practical support of the council in developing UGC's vision for local food. The city owns a lot of land and property lying dormant that could be put to good use for urban farming. It could also adopt a more enthusiastic approach to public procurement of food to support local producers. UGC has its own plans but it is also committed to cross-city collaboration to achieve shared goals.

## **The Plant**

Terence, who was weeding his plot at UGC when I was introduced to him by Erika, took me to visit The Plant. An abandoned three storey pork processing and smoking plant in the heart of the vast meat packing district, it had been taken over by a local entrepreneur who spotted a gap in the market for an affordable home and incubator for new and expanding food businesses.

Little by little, the building has been converted to new uses without losing its industrial fixtures and fittings. Cold stores have become restrooms and the top floor smoke room, with its blackened ceiling untouched, has become a kitchen, social and events space with fine views over the remains of the meat packing district. A key function is educational, introducing students to circular food economies that re-use resources, reduce energy use and recycle money, and there are weekly tours for local schools. There are classes in aquaponics and for people to develop ideas for food businesses.

Terence has rented a space to create a aquaponics 'farm' where he is trialling various approaches to growing salads and vegetables by varying lighting, water nutrients and other variables. He is also helping a friend set up an algae lab. to produce compost from bright blue spirulina powder, its



natural colour. This fits with the Plant’s description of itself as ‘a collaborative community of food businesses looking to revalue their “waste”’.

Amongst the other tenants are a coffee roaster, a couple of kombucha producers and a brewery and on the ground floor is a shop selling all the products made in the building, beer bar and a pizzeria.

### **Dill Pickle Food Co-op**

Ally Young began working in a coop store doing 2 hour shifts in return for 15% discount. Now she is employed as community relations manager for Dill Pickle, a new store built with \$1m. of loans from coop members plus local grants. Now running at \$6m. turnover. The store provides basics at low cost, subsidised by sales of other goods but the profit margin is close to zero partly because they insist of paying well with benefits so most employees are full time.



Dill Pickle food coop, Chicago

In the US, there are no legal or financial benefits for cooperatives. In fact, because unpaid volunteer labour is seen as unfair competition by the retail sector, they have been pressured into paying all staff. Although the local area – Logan Square – is gentrifying rapidly – there are still many poor families and on Wednesday evenings the store provides \$5 dinners from their selection of hot dishes.

**Finally. Chicago currently has no plans to set up a classic hub but the Food Policy Action Council’s success in winning the city council to a good food procurement policy seems like a major step towards a system-wide approach to food management, coupled with the strength of the local urban farm sector, and initiatives such as The Plant and Dill Pickle.**

## **FOOD HUBS, COOPERATIVES AND FOOD TRENDS**

This study points to two distinct national strategies for supporting small scale producers: cooperatives in Italy and food hubs in the US. Although American producer cooperatives do figure in this account, the most significant approach in the US of recent years has been the investment in food hubs. Whereas in Italy, the cooperative tradition for producers and consumers outweighs all other approaches. But how effective are the national approaches to small farm support?

The brutal truth is that globally, the trend is in favour of increasing concentration at the expense of small family farms. The scale of the growth of alternative food systems and short supply chains has been incapable of turning this tide. However, there are grounds for a modicum of optimism owing to the way that social trends relating to diet and consumption are combining with specific national features.

Change in consumer preference in favour of sustainable food production is accelerating, and this is affecting Britain, the US and Italy as well as many other countries. This can be seen in the emergence of growing numbers of people classifying themselves as vegetarian and vegan and the expanding market for organics. These movements are strongest amongst comparatively prosperous university educated populations but not exclusively. Two thirds of shoppers in the UK are buying healthy food, with less sugar, salt, fat and calories.<sup>24</sup> To a degree this trend has been feeding the steady expansion of alternative food networks with a growing number of farmers markets and similar schemes although not yet on a scale to trouble the supermarkets and food processors that dominate the food industry.

On the other hand, the examples of US food hubs reviewed here point towards the potential for rapid growth with the disruptive use of online marketing and distribution tools that are relatively cheap. The rapid expansion of Philadelphia's Common Market along the east coast down to Texas, and the sale of distribution software systems developed in Charlottesville across the US are important symptoms of a deep-seated change. Although the evidence is still piecemeal, there are signs that virtual food hubs can generate higher rates of return for small producers than any other form of distribution system, actually making good food both more accessible and more affordable than we previously imagined. (See the discussion in the next section about food pricing).

It is unlikely that the Italian and US initiatives reviewed in this report will sweep away the supermarkets and other intermediaries, but they may well affect their monopoly power or at least induce them to develop new business models in response to changing consumer demand.

Another helpful trend is the shift away from once weekly supermarket shops to a more segmented approach, combining shopping at local convenience stores, shopping on line and also attending farmers markets. This habit of shopping little and often is a familiar approach in Italy, where local shops have held their own in the face of supermarket competition, and also where with a lower proportion of women in paid work, more time can be devoted to the slow motion business of shopping locally, one shop at a time. This approach favours small producers as does the continuing strength of the Italian food culture with its emphasis on seasonality, local artisanal produce and quality. Italy is also the home of the slow food movement. Hence, the popularity of Bologna's FICO and the market in Florence's Central Market. Moreover, there is a 18% growth in Italian food exports driven by a global Italianisation of diet, coupled with expanding tourism, so that prosciutto, parmesan, balsamic vinegar and mozzarella are in demand in shops and restaurants in India and China. This may account for the signs of a stabilisation in parts of the small farming sector in Italy.

As well as these helpful trends, the combination of the cooperative system and the revival of the artisan tradition through the slow food movement has strengthened small producers in Italy. Collaboration and scale seems to be good for farming incomes.<sup>25</sup> When the market is good for products such as parmesan, onions and pears, the cooperative system provides bargaining strength ensuring that producers benefit from price advantages. Although they operate in very different ways, food hubs and cooperatives - coupled with the changes in food consumption discussed above - all go to strengthen the bargaining position of small family farmers and artisanal producers,

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<sup>24</sup> <https://www.talkingretail.com/news/industry-news/uk-shoppers-increasingly-buying-healthy-food-findsreport-03-10-2017/>

<sup>25</sup> see p.76, <https://www.princescountrysidefund.org.uk/downloads/research/is-there-a-future-for-the-smallfamily-farm-in-the-uk-report.pdf>

boosting turnover and the returns on labour as well as improving food access for the least advantaged.

## FINANCE: PRODUCER BENEFITS, FOOD HUB COSTS

Thanks to the analytical work carried out by the US Department of Agriculture and the US National Good Food Network, there is a growing body of evidence about the impact of food hubs on producer prices as well as a library of feasibility studies indicating the costs of setting up and running them.<sup>26</sup>

This report has built the case for a policy of support for small producers in terms of the benefits to them, to consumers and the planet itself. But what specifically are the *financial* benefits to producers of taking part in a food hub? A study carried out for the USDA in 2010 asked, ‘after subtracting marketing costs, do producers receive higher per unit revenue and retain a greater share of the price paid by the final consumer in direct and intermediated food supply chains?’<sup>27</sup> From detailed analysis of returns to producers for a range of products a picture emerges of which this is typical:

Blueberries, Portland (OR)	Mainstream outlet	Direct	Intermediated
Producer share of retail revenue	26.8%	73%	46.4%

Direct sales generate the greatest return but this avenue generally generates lower sales and entails more travel to reach consumers. Intermediated is the next best option: lower returns reflect the share taken by the intermediary to cover its costs. A complicating factor is the variety of ways in which hubs take their revenue share. Some make a handling charge; others agree a price with the producer; others still set a price depending on market conditions. For example, Common Market, Philadelphia, adds 36% to the producer’s price whilst Local Food, Charlottesville, hands back to the producer 80% of the value of sales. The mainstream avenue pays least but this reflects retail and wholesale spending on marketing and distribution. The study concludes,

‘On a per unit basis, the direct market producers receive revenues that are greater, often by a substantial percentage, than their mainstream counterparts. These producers consistently retain a large percent of the retail value of their products, even after estimated marketing and processing costs are netted out.’<sup>28</sup>

The 2014 study by Diamond et al showed that while three selected local food hubs offered between

<sup>26</sup> See the website of the National Good Food Network at <http://www.ngfn.org/resources/food-hubs>

<sup>27</sup> Robert P. King et al (2010) Comparing the Structure, Size, and Performance of Local and Mainstream Food Supply Chains Economic Research Report 99, USDA. Direct sales were producer to consumer whereas intermediated meant an intermediary or food hub.

<sup>28</sup> Op.cit. p.57



65 and 80 cents in the retail dollar to the farmer, the national average for conventional intermediaries was 16 cents.<sup>29</sup>

Turning to the question of what it costs to set up and run a food hub, a growing library of US feasibility studies enables us to make an educated guess in UK terms. This is a tricky proposition given the number of variables to be taken into account of which most critical is the size of the hub. Most studies assume a physical hub – a warehouse – with a small staff team, an IT system to manage stock, orders, payments and distribution, a set of equipment including chillers and perhaps a truck or two. Some studies look for shared facilities with other enterprises to reduce costs – for example, by using existing logistics systems for distribution.

A study for San Diego (California), a city approaching 1.5 million population, sets out some of the parameters and uncertainties. It shows that there is no one-size-fits-all model for food hubs; various food hub models can be economically viable and successfully serve institutional customers. The estimated minimum annual revenue needed across all food hub models for a hub to achieve financial viability is \$600,000. A wholesale or business-to-business (B2B) food hub in particular will require significantly higher annual revenue to achieve financial viability: approximately \$2,400,000 or greater. The keys to a food hub's success are good business management, strong relationships in their community, and a deep commitment to supporting local and regional food systems. In addition, food hubs selling to institutions are most profitable when they work with mid-scale growers, secure anchor customers and diversify their market channels. It is highly uncommon for viable food hubs to generate sales through institutional purchasers such as schools and hospitals alone.<sup>30</sup>

A feasibility study for a food hub in Indiana, a state with a diversified agricultural base, suggested a one year setting up and running cost of \$537,734 for a 25000 square feet facility.<sup>31</sup> Other feasibility studies use a similar analytical framework, even if the size, labour or other specifications vary. \$500,000 is quoted as the start up and first year cost of a 60,000 square feet food hub in Nebraska.<sup>32,33</sup> Significantly, this costing derives from a company that specialises in the funding of food hubs, an indication that this is a profit making venture. A key cost is warehouse rental, about 20% of the total: in Birmingham, midway on the scale in the UK, a square foot costs £6.54<sup>35</sup> In Central Indiana, the equivalent seems to be around £3.85. Inflating the estimate of \$537,734 to take account of this difference with UK costs suggests a revised rental of \$200,000 and a total of \$609,000 or £470,000. For the purposes of the recommendations made in this report I've taken this as a rough benchmark for the start up and first year cost of a food hub.

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<sup>29</sup> Diamond, A., D. Tropp, J. Barham, M. F. Muldoon, S. Kiraly, and P. Cantrell. 2014. *Food Value Chains: Creating Shared Value to Enhance Marketing Success*. Washington DC: U.S. Department of Agriculture, Agricultural Marketing Service, May. doi: 10.9752/MS141.05-2014

<sup>30</sup> Sona Desai and Niki Mazaroli (2018) San Diego Food Hubs Needs Assessment -accessed at <http://ngfn.org/resources/ngfn-database/knowledge/8-20-12%20Central%20IN%20Food%20Hub%20Feasibility%20Study.pdf>

<sup>31</sup> Sarah Aubrey (2012) Central Indiana Feasibility Study at <http://nationalgoodfoodnetwork.org/resources/ngfn-database/knowledge/8-2012%20Central%20IN%20Food%20Hub%20Feasibility%20Study.pdf>

<sup>32</sup> A Sample Food Hub Business Plan Template (2019) accessed at <https://www.profitableventure.com/foodhub-business-plan/>

<sup>33</sup> values at <https://www.statista.com/statistics/527827/warehouse-primary-rent-cost-logistics-marketunited-kingdom-uk/>

Sample 25,000 Sq.Ft. Facility Budget	
Category	Cost
Warehouse rental	\$127,500
Part Time Coordinator	\$18,000
Virtual Food Hub Start Up	\$62,000
Hub Site Development	\$4,800
roducer Training/Educatio n	\$35,000
Food Aggregation	\$150,000
Delivery and 2 Fleet Trucks	\$22,550
Systems	\$100,000
Supplies	\$14,500
GAP Auditing	\$3,234
Other-website URL	\$150
<b>Total</b>	<b>\$537,734</b>

\*Please note: insurance costs will be in addition and were not included.

Subsequent years would cost less because most start up costs would reduce or drop out. Grant funding would be necessary for 3-5 years to achieve self-sufficiency. After that, the 2017 survey of food hubs carried out by the USDA shows median revenue of \$604,000 with a maximum of \$7.5m. <sup>34</sup>

<sup>34</sup> USDA 2017 survey of food hubs

<http://www.ngfn.org/resources/ngfndatabase/knowledge/2017%20National%20Food%20Hub%20Survey%20Findings.pdf>

## BEGINNING TO THINK ABOUT SYSTEM CHANGE

*Local food systems (LFS) and alternative food networks (AFNs) have been celebrated opportunities across the spectrum of advocates for sustainable food. Despite gaining significant momentum, they still represent fairly small inroads to a very large problem. This trend also sits uncomfortably next to another: continued increasing corporate concentration and control throughout the food system.*

Caitlin Michelle Scott<sup>35</sup>

So how do we move from one system to another? In May 2019, as part of the Churchill Fellowship, I took part in a seminar in Pisa organised by Dr Giaime Berti, who is setting up a food policy unit in one of Italy's top management schools, Scuola Superiore Sant'Anna. The event brought together a select group of academics for presentations by Berti, myself and Silvia Rolandi representing Slow Food Tuscany under the title ' *Food System Sustainability and Disruptive Business Models: the food hub*'.

The title of the seminar is significant. It suggests that the way to a new business model for food production and distribution is through the intermediary of a food hub that unleashes the disruptive digital force of Uber or Airbnb in order to bypass middlemen (supermarkets, distributors) and shorten supply chains.

My presentation and Berti's both began with a summary of the challenges facing food production, focusing on the importance of food hubs as a means of strengthening the bargaining position of small producers. Berti dwelt on the theoretical issues surrounding food hubs while I approached the issues more empirically, reporting on the experience of food hubs in the US, with some examples of good practice.

Berti's presentation posed some fascinating issues:

- A. How the big change in food production will come through a long term shift in consumer behaviour rather than transformation and upheaval
- B. How the issue is not about scaling up but aggregation and collaboration – nonetheless, wholesale more than retail may offer the better future for the small producer
- C. How virtual systems can facilitate these changes
- D. How the issue of the price of good food is a false one, dwarfed by the costs of marketing, distribution and the price imposed by supermarkets. If a family farm in the US gets 11 cents of every dollar of the final price, marketing - packaging, transport, retailing - takes 54 cents. So good food may be more affordable than at first appears, bearing in mind the average spend on food as a proportion of income is 6.5% in the US, 8.7% in the UK and 14.2% in Italy (USDA).<sup>36</sup>
- E. How to overcome the quality and regulatory challenges posed by the autonomous and multiple operations of a virtual food hub in the light of the experience of Uber and Airbnb.

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<sup>35</sup> From the Local to the Global: The Politics of Food Systems (2015) <https://www.eir.info/2015/10/17/from-the-local-to-the-global-the-politics-of-food-systems/>

<sup>36</sup> <https://www.vox.com/2014/7/6/5874499/map-heres-how-much-every-country-spends-on-food>

The seminar discussion pointed to some wide-ranging implications of food hubs:

Despite the democratic limitations of large cooperatives, they can offer small producers two benefits

1. Their legal structure locks in the value generated by trading activity retaining it for the members and protecting against the asset stripping that conventional companies are vulnerable to.
2. Intensive, detailed preparation for specific markets in terms of quality, reliability, supply.

Driven in part by the incidence of food famine and obesity, food is becoming part of the discourse about human rights and therefore becoming an issue about appropriate forms of state intervention alongside other crucial services such as health, education and housing. As in these cases, citizens will want a say in the development of food as a service, and that say will be exercised locally and nationally.

The shift to new business models will be driven in part by changing consumer demands and awareness and is likely to vary from locality to locality depending on local factors such as diet, even if similar trends can be detected at national and global levels. Hence the future of food is becoming part of a discussion about the role and structure of government, the citizen's voice and decentralised decision making. Sustainability in food, as in government, seems to be shifting the emphasis onto what we can do locally.

A good example of this is the growing interest in local food policy plans, such as Chicago's and the one adopted by Livorno council following deliberations by a 50 person citizens assembly. They are now turning this into an action plan which the council is committed to supporting. Two key issues are reducing food waste and improving school meals, drawing more on local food supplies. Giaime Berti has led the Livorno food policy process on behalf of the council.

## **SOLUTIONS FOR THE UK: RECOMMENDATIONS**

The examples of Italy and the US point towards a number of ways in which the UK can strengthen its support for small producers, at the same time improving access to healthy food for the least advantaged and improving the sustainability of our farming system. My approach to identifying cases of effective practice that might be drawn on is to ask how they might relate to the current state of play in the UK, building on existing practice, reflecting current thinking and expectations of how the food and farming situation may change at a time of enormous volatility.

The food and farming policy environment is in flux in the UK, in part because of the unknowns of Brexit, in part because of the growing concerns about climate emergency. The government is reviewing food and farming policy on the assumption that Britain will soon move out of the orbit of the Common Agricultural Policy and install new policies and funding regimes. It has set up a food strategy review under Henry Dimbleby. At the same time (although unconnected) [The Committee on Food, Poverty, Health and the Environment](#) was appointed by the House of Lords on 13 June 2019 to "consider the links between inequality, public health and food sustainability." The

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committee is chaired by [Lord John Krebs](#) and its [members](#) include [Sustain patron](#) Baroness Rosie Boycott. The Labour Party's own proposals, A Sustainable Food Policy (2019) have recently been published, as has the RSA's report of two year inquiry into the future of food, farming and the

countryside. In addition, in 2016, an authoritative report on the small family farm was published by the Prince's Countryside Fund.<sup>37</sup>

## Food Policy

Many things have a bearing on the future of the small farming sector – diet, health, government subsidies – so it makes sense to begin with a framework within which the sector sits rather than dealing with it in isolation. Hence the importance of food policy, local and national, recently endorsed by the RSA Farming Commission. Many UK and Irish cities belong to the sustainable food cities network and 63 were represented at its June 2019 conference. Chicago's adoption of a good food procurement policy points a direction that many UK cities are beginning to follow too although Bristol's pioneering approach is by now long established. Other common features of local food policies include action on food poverty and waste, extending urban farming, horticulture training and healthy school meals and snacks.

Less common is the active engagement of citizens in the development of food policy which, as Livorno City Council has decided, is vital to achieve buy-in from the community.<sup>38</sup> Chicago's food policy was drawn up through a series of meetings and workgroups with online sharing of the draft. Seven associated neighbourhood food policy councils also made inputs.<sup>39</sup> Deliberative democracy is a way of creating an inclusive bottom up policy that meets the needs of diverse community interests as well as the statutory agencies.

**Recommendation 1:** government and local government should support the creation of local food policies drawn up in collaboration with citizens, setting out detailed proposals for improving support to small producers, strengthening public procurement of food, tackling food waste and improving access to healthy food for all, especially the least advantaged.

## Infrastructure and Food Hubs

This report tells the story of the impact of food hubs like those in Philadelphia and Portland on small farmers, integrating them in expanding local markets, offering them higher returns than conventional intermediaries. Whether aimed at retail or wholesale customers, the development of online ordering and delivery systems in Charlottesville, points to the future for small producer infrastructure in the UK. Warehouses with cold storage, kitchen facilities and served by sophisticated logistical systems – the UK is light years away from this level of producer support.

There is growing recognition in the UK of the value of ethically-based intermediaries in connecting small producers to the market. While ethical consumer bodies such as Cooperative Food find it difficult to engage with individual producers, food hubs act on behalf of groups of producers, aggregating and organizing supply.

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<sup>37</sup> By Winter, M. et al <https://www.princescountrysidefund.org.uk/downloads/research/is-there-a-future-for-the-small-family-farm-in-the-uk-report.pdf>

<sup>38</sup> See for a discussion about deliberative democracy and food councils [https://www.francoangeli.it/riviste/Scheda\\_Rivista.aspx?IDArticolo=52638&lingua=en](https://www.francoangeli.it/riviste/Scheda_Rivista.aspx?IDArticolo=52638&lingua=en)

<sup>39</sup> More about US and Canadian food policy councils [here](#)

The 2016 report for the Prince's Countryside Fund, *Is there a future for the small family farm in the UK?*, recommended

*Promoters of Short Supply Chains and added value (such as social enterprises, local authorities and rural development schemes) should make engagement with small family farmers a strategic priority.*<sup>42</sup>

Sustain, the UK alliance for better food and farming, in its comments on the Labour Party's food policy plan, proposes more specifically

*An investment plan for local food infrastructure e.g. abattoirs, processing facilities, wholesale markets, local food hubs, CSAs in coastal and rural communities funded by whatever replaces EU funding e.g. UK Shared Prosperity Fund.*

More broadly, the RSA Farming Commission calls for 'innovative finance' for farmers and 'fair investment'.<sup>43</sup>

In their recent paper on food hubs in the UK, Guzman and Reynolds argue that support strategies should take account of the need for producer skills and knowledge development: *Practitioners and academics should also mobilise to learn how to run food hubs from a financial, operational and ethical point of view by creating communities of practice and using the lessons learned from the US.*<sup>44</sup>

**Recommendation 2:** Building on the National Lottery Local Food Programme (2012 onwards), Making Local Food Work, which funded some embryonic food hubs, a new Lottery funded programme should be launched to invest in local food infrastructure.<sup>45</sup>

## Food Enterprise Zones

In 2015, Defra launched its Food Enterprise Zone (FEZ) scheme aimed at promoting food and farming businesses and removing barriers to growth. Eleven FEZ were named. Funding was limited and the scheme has been quietly parked. This local focused approach, however, coupled with investment in Lottery food hubs could be used to trial a pilot set of food hubs and related measures.<sup>46</sup>

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<sup>42</sup> <https://www.princescountrysidefund.org.uk/downloads/research/is-there-a-future-for-the-small-familyfarm-in-the-uk-report.pdf> p.77/82

<sup>43</sup> Our Future in the Land: Food, Farming and Countryside Commission (2019): Executive Summary, RSA

<sup>44</sup> Guzman and Reynolds, p. 14

<sup>45</sup> The [Making Local Food Work](#) programme brought together a consortium of national organisations working to improve the sustainability of community food enterprises such as co-operatively managed farmers' markets; community owned village shops; country markets; sustainable food hubs; food co-ops and buying groups; and community supported agriculture - all of which bring producers and consumers closer together. Making Local Food Work was co-ordinated by the [Plunkett Foundation](#) and funded by the Changing Spaces programme of the [Big Lottery](#). Sustain was a national consortium partner in Making Local Food Work, coordinating two strands of work:

- [Food Co-ops and Buying Groups](#)
- [Food Supply and Distribution](#)

**Recommendation 3:** Defra should re-launch its Food Enterprise Zone scheme, incorporating, in collaboration with the National Lottery, a pilot set of food hubs to test business models at scale.

### Cooperatives and Producer Organisations

In Italy and, to a much lesser extent, in the US, producer cooperatives play a vital role in protecting and promoting the interests of small producers. Apo Conerpo, one of the largest fruit and vegetable cooperatives in the EU acting on behalf of almost 6,000 small farmers, markets and distributes their produce to food processors and supermarkets. AC is a complex organisation which over the years has developed the systems essential to small producers if they are to secure a place in the market. These include research and development to improve cropping and quality, detailed specifications for each product and each national market, agreed times for planting and harvesting, minimising time in cold store and ensuring a steady supply throughout the season. Working with small producers to achieve market fitness is a key role of the hubs we visited in Italy and the US.

In the US, the organisational role of the cooperative has been played by multi-stakeholder not for profit companies like those running the food hubs in Philadelphia and Portland. Decision-making power is shared between producers and the funding organisations (trusts and local government). Occasionally, as we have seen, producer organisations have been formed to manage distribution intermediaries. These play a role akin to a cooperative, ensuring that shared investment is locked in and cannot be removed or quashed through conventional company re-floats, but engaging producers and consumers alike in governance, a vital strength as Raquel Ajate Gonzalez has argued.

<sup>47</sup>

The social and political context in which cooperatives have flourished in Italy cannot be transported to the UK but tax and legal incentives to promote social enterprise and cooperatives would be helpful in supporting small farmers. In addition, as the RSA Farming Commission has proposed, the formation of Producers Organisations (kickstarted by the EU's fruit and vegetables aid scheme) with match funding from government would 'help farmers share cost and risk, develop new facilities and routes to market, and strengthen their bargaining power'.<sup>48</sup>

**Recommendation 4:** government should launch a funding programme for Producers Organisations, including cooperatives and social enterprises aimed at promoting new facilities and routes to market and strengthening the bargaining power of small and medium size producers of food.

**Recommendation 5:** government should review the legal and fiscal position of cooperatives and social enterprises with a view to encouraging their growth.

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<sup>47</sup> Gonzalez, Raquel Ajates (2019) Farmers Cooperatives and Sustainable Food Systems in Europe

<sup>48</sup> RSA (2019) Our Future in the Land, the Food, Farming and Countryside Commission, p.48

## **Appendix 1**

# **LINKING PRODUCERS AND CONSUMERS: FOOD POLICY AND FOOD HUBS IN THE US**

This is a comparison of key features of four hubs, three of them wholesale direct to institutional consumers, the fourth retail to subscribing households. All values driven, aiming in the words of Common Market, Philadelphia ‘to strengthen regional food systems, develop fair wholesale markets, improve public health and food access and promote the viability of small and mid-scale farms’.

### **Common Market Philadelphia PA**

Intermediary formed to link farmers and institutional consumers

Not for profit wholesale

Two warehouses: Philadelphia and Atlanta. Originally covered area around Philadelphia but since expanded to cover mid-Atlantic region down to Alabama and Houston, Texas

Sales \$8m. pa

36% mark up on farmers’ price

15% of income from grants

Large warehouse with cold storage for a wide range of fresh and frozen goods. Fleet of box refrigerated trucks.

### **Lulu’s Local Foods Charlottesville VA**

intermediary selling to individual subscribers

Not for profit retail

Area around Charlottesville

5500 subscribers including now school districts

45-65 farmers

Deliver to pick up points

Sales \$1m. pa

Uses online menu

Visit Bel Air Farm – CSA/farmers markets/Local Foods

### **Local Food Hub Charlottesville VA**

Intermediary formed to link farmers and institutional consumers

Not for profit wholesale

Area around Charlottesville

Sales \$1.6m pa

80c. go to farmers

Now divided into two bodies:

1. Local Foods continues as not for profit, with farmer support and education programmes (and eligible for grants)



2. Food dist. arm absorbed by for profit company with shared commitment to food standards whose strength is home delivery for individual consumers using dedicated software plus warehouse facilities – result: stronger farm and consumer base

### **The Redd Portland OR**

Intermediary linking farmers and institutional consumers such as hospitals plus an organic supermarket chain

Large purpose-refurbished warehouse with office, storage, kitchen and cold storage opened January 2019 (alongside a second warehouse refurbished as an events/catering space) Not for profit close to breaking even (but turnover data not readily available since recently opened)

Supplies wholesale plus supermarket chain

Provides warehouse, office, kitchen and cold storage space for incubators B-Line, a tenant, deals with logistics, delivering mainly by trike.

### **Other key components of a local food policy**

Although Chicago lacks a food hub like those described above, it does have some other key components of a local food policy including a vision document [here](#). The initiatives outlined below are the ones I visited in Chicago. In addition, there are 27 regular farmers markets in parks and squares.

#### **Chicago Food Policy Action Council**

A non profit coordinating and campaigning umbrella group formed 2002 aimed at shaping local policy and especially the role of government as a major purchaser of food. The Action Council, whose members include representatives of key local organisations has won the support of the Mayor and the City Council for a good food procurement programme. Although the Action Council does not call explicitly for the creation of food hubs similar to those above, it does argue for improved infrastructure including warehouses and for better use to be made of urban farms and farmers markets.

#### **Urban Growers Collective**

A not for profit organisation based on the Southside of Chicago with eleven growing sites and programmes for distributing fresh food to areas lacking adequate retail outlets, and for training young people in horticultural management.

#### **The Plant**

The Plant is a semi-private initiative to provide incubator space for food initiatives in a refurbished meat processing factory in the stockyards district along with space and facilities for social events, including a pizzeria and bar.

## **Dill Pickle cooperatively owned and run store**

In the up and coming Logan Square neighbourhood, in new build premises, Dill Pickle offers the stock and facilities of a conventional supermarket but with a distinctive social mission. It provides more than 100 staple commodities at lower prices and, taking account of the local population of poor families, provides economical meals on Wednesday evenings. It also buys from local producers that meet its food standards requirements. They prefer products that are

- Locally grown or produced within 300 miles of the Dill Pickle.
- Certified Organic or following organic practices.
- Clean: GMO-free, free from artificial colors, flavors, preservatives, fragrances, antibiotics, growth hormones, herbicides or pesticides.
- Socially responsible: produced or distributed cooperatively, Fair Trade, small scale.

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