Reflections on Aggregation and Distribution Needs and Possibilities

Madison Area Food Distributor & Buyer Meeting
February 21, 2018

UW-Madison Center for Integrated Agricultural Systems
Lindsey Day Farnsworth, Post-doctoral Fellow
Michelle Miller, Associate Director

Wisconsin Farmers' Union, WI Food Hub Co-op
Sarah Lloyd, Special Projects Coordinator

Registration Survey Findings Highlights

Warehousing

- 95% of practitioner respondents (N = 21) are interested in exploring a shared multi-tenant food storage and cross-docking space!
    - Cross-docking
    - Short-term storage
    - Cold storage
    - Dry storage
- Less clarity on amount of space needed and rental price points

Registration Survey Findings Highlights

Distribution & Local Sourcing

- > 60% of practitioner respondents (N = 22) experience distribution challenges
  - Inefficiencies in distribution
  - High cost & logistical complications of last-mile distribution
  - Challenges associated with delivery frequency/timing
  - High cost of freight in rural areas
- Primary barriers to purchasing desired local products
  - Cost
  - Availability
  - Preferred processing type (ex. chopped, diced)

Comparative Strengths: Wholesale Markets vs. Food Hubs

Wholesale/Terminal Markets

- Industry knowledge
- Benefits of co-location
- Infrastructure
- Demonstrated public goods
  - Business incubation & expansion
  - Inter-merchant transactions
  - One-stop shopping for buyers
  - Enhance market access for farmers & buyers
  - Self-organization → more resilient regional food systems
  - They have withstood the test of time

Food Hubs

- Actively provide new market outlets for small & mid-sized local/regional producers
- Technical assistance
  - Production planning, food safety, season extension
- Product differentiation & transparency
  - Identity preservation, group branding
- Infrastructure for complementary activities
  - Light processing, storage, kitchens
- Nutrition & food access
  - SNAP, WIC

San Francisco Produce Market
San Francisco, CA

- Established by City in 1963, became a non-profit in 2000s
- Long-term lease on city-owned land
- 25 acre campus, 6 warehouse buildings
- 30 merchants
  - ~750 merchant employees
- Does not orchestrate any distribution
- Mix of traditional, hybrid, and specialty food uses:
  - Organic and Conventional distributors
  - Produce wholesalers serving
    - Ethnic supply chains, Restaurants, Small groceries
  - "Maker's space" → Good Eggs
    - High-end, digital marketplace & grocery delivery operation
    - Same day delivery
    - 85% local
    - Sample products: Fresh produce, pantry, protein, Meal kits, Alcohol

Ontario Food Terminal

Metro Toronto, ON

- Established in 1954 through provincial legislation
- Owned/operated by the Ontario Food Terminal Board
  - Under Ontario Ministry of Agriculture, Food and Rural Affairs
- 40 acre campus
- Self-funded from fees charged to facility users
- Infrastructure:
  - Private rental warehouse space
  - 100,000 ft^2 common cold storage facility
  - Office space
  - Space for direct marketing
- Buyers/tenants:
  - 20 warehouse tenants
  - 400 farmers' market tenants
  - 50 office tenants
  - 5,000 registered buyers

Ontario Food Terminal

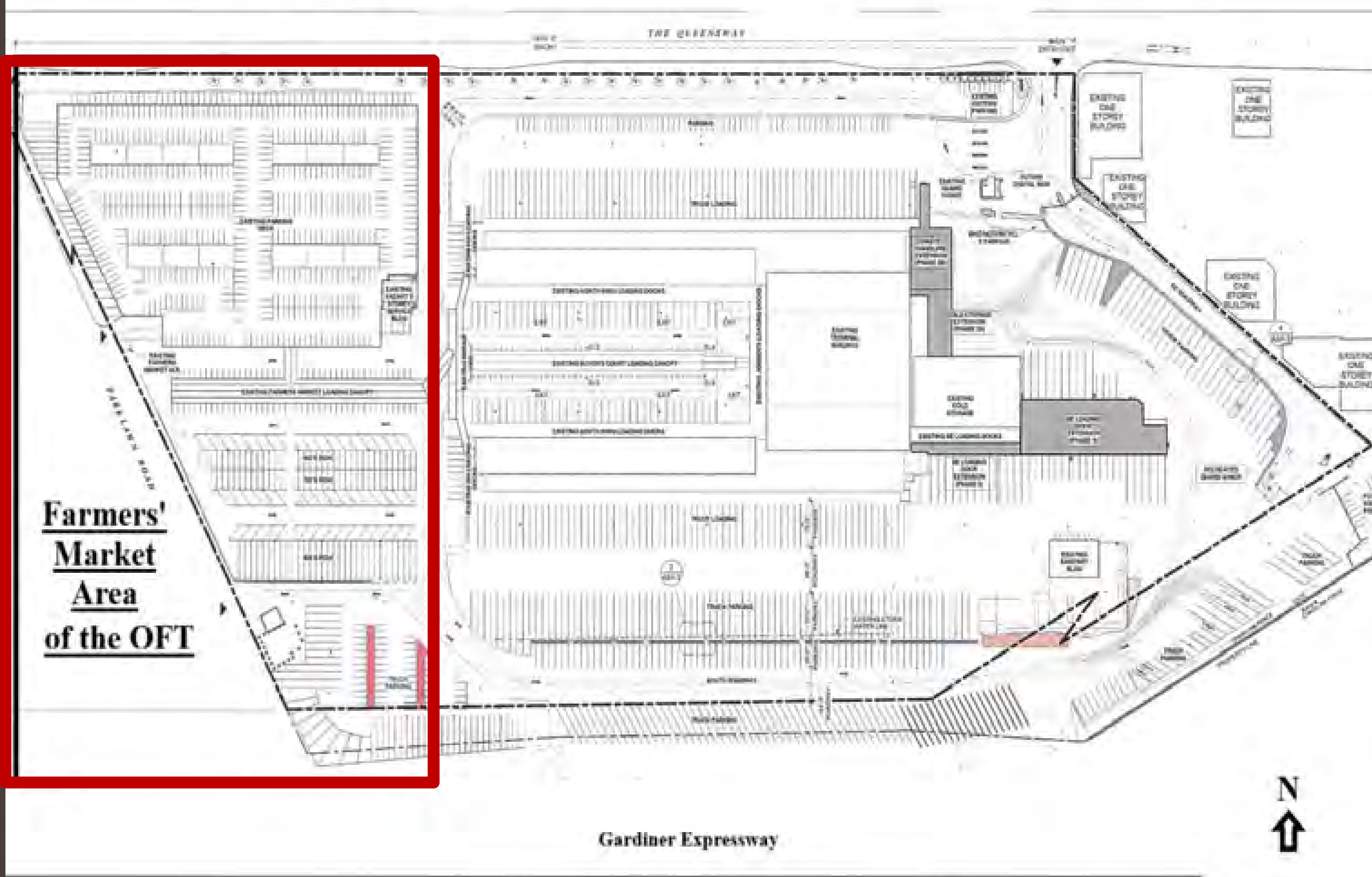
Metro Toronto, ON

Business-to-Business Farmers' Market

- Cornerstone of market's provincial and national food marketing operations
- Enables farmers to directly market wholesale produce to…
  - convenience stores, restaurants, hospitals, food service, hotels, food processors, independent and chain supermarkets
- Farmers' market characteristics:
  - 10 acres
  - 4.5 Acres are covered by a parking deck
- 550 Outdoor Stalls
- Operates 12 mo./yr.
- Stall areas range from 300 ft² to 1,200 ft²
- Lease options range from a daily rate to semi-annual and annual leases
- OFT Business-to-business Farmers' Market (video):

https://www.youtube.com/watch?v=JhoXBPXR6Xw&pbjreload=10

Ontario Food Terminal Site Plan 2017



Greenmarket Co.

Bronx, NY

- Non-profit food hub founded in 2012 by Grow NYC
- Operates a 5,000 ft² warehouse <1 mi. from Hunts Point Terminal Market
- 60 producer/suppliers, 50+ from NY
- >250 buyers in Metro NYC
- Packs & distributes northeastern* grown product to
  - Institutions, retail, restaurants, non-profits
- Sample products: apples, root crops, grains, beans, flours, honey, maple syrup, and eggs
- Have partnered with Cornell & New York producers to develop regional grain & flour supply chains

* seasonally

Greenmarket Co.

New York, NY

"The new food hub will work with a range of small- and mid-sized farms, providing unprecedented access to New York City's wholesale marketplace."

- New York State is investing $15 million in the construction of a new 120,000 ft² facility for a "hub of hubs"
  - wholesale farmers' market
  - a cold storage facility for farmers
  - a food-processing center
  - infrastructure to support local food businesses

Local Scenarios: The Oscar Mayer Site

Seventy acre campus
Buildings 71 & 72 suitable for cold storage – 21 docks total
Building 42 climate control for dry storage
Office and processing spaces
Large parking lot near Bldg 42
Controlled entry
Rail access

Building 71

Upper Midwest region serves 21m
Ontario market serves 16m
Markets drives employment in food sector within 200mi radius
Estimate 600 potential jobs

Local Scenarios: The Oscar Mayer Site

Public resources for collaboration

- USDA architect
- Federal loan guarantees
- Housing and Urban Development block grant
- Considered transportation infrastructure – new opportunities?
- Economic Development Agency grants
- University of Wisconsin
- City of Madison commitment to corridor development

Private resources for collaboration

- Property owner interest
- User investment of time, money, capital (that means YOU)
- MadREP support
- NAPMM – National Assoc of Produce Market Managers

WISCONSIN FOOD HUB COOPERATIVE

Local Scenarios: The Wisconsin Food Hub Co-op

Sarah Lloyd
Wisconsin Farmers' Union
Special Projects Coordinator

Building Infrastructure to Organize Supply

2010 Surveys of farmers and buyers around southern WI – by Dane County

2011 Publication of Southern WI Food Hub Feasibility Study

2011 Meetings begin with farmers, Extension, USDA, UW Center for Co-ops, and others

2012 Cooperative incorporated with 7 farmers and the Wisconsin Farmers Union

2013 11 farmer members with $400,000 in sales

2014 32 farmer members with $900,000 in sales

2015 37 farmer members with $1,770,000 in sales

2016 40 farmer members with $2,200,000 in sales

2017 41 farmer members with $2,600,000 in sales

WISCONSIN FOOD HUB COOPERATIVE

A Farmer-Led Co-op

WISCONSIN FOOD HUB COOPERATIVE

Membership Services:

- Sales
- Marketing
- Logistics coordination
- Food Safety & Production Assistance
- AP/AR – billing and payments

The Food Hub lets us concentrate on what we do best, grow vegetables. The Co-op does the sales and logistics, billing and marketing. This is great, leave that to the co-op staff and let me get out in the field!

Steve Hoekstra, Hoekstra's Sweet Corn
Fox Lake, WI

To get local product to interested buyers – farmers need to also have demand organized so transaction costs, especially transportation costs, do not overwhelm the opportunity.

The Wisconsin Food Hub Cooperative has a goal of 7% transportation costs for farmer members.

Contracted refrigerated transport costs us around $600 for an LTL or "straight truck" (12-14 pallets) and up towards $1000 for a semi (24-26 pallets).

We would need orders of $8600 to $14,300 on that truck to hit that 7% mark.

Can we aggregate demand to help farmers get to that mark? And this is not assuming last mile distribution, the transport prices are basically 1 stop.

May 2017 Example Shipment

item	qty	rate	total
asparagus (24 lb)	100	$27.00	$2,700.00
rhubarb (13 lb)	165	$27.00	$4,455.00
organic rhubarb	40	$35.00	$1,400.00
organic asparagus	5	$40.00	$200.00
			$8,755.00

September 2017 Example Shipment

item	qty	rate	total
organic acorn (35 lbs)	40	$24.00	$960.00
organic cabbage (20 lb)	30	$12.00	$360.00
organic cabbage red (20 lb)	20	$14.00	$280.00
organic kale green (24 ct)	40	$15.00	$600.00
organic squash butternut (35 lbs)	45	$24.00	$1,080.00
organic squash spaghetti (35 lb)	50	$24.00	$1,200.00
organic kale lacinato (24 ct)	10	$20.00	$200.00
organic beets red bunch (12 ct)	20	$15.00	$300.00
organic fennel	10	$30.00	$300.00
organic chard red (24 ct)	4	$22.00	$88.00
orgnic chard green (24 ct)	2	$22.00	$44.00
organic parsley, curly (30 ct)	15	$15.00	$225.00
organic kale red (24 ct)	10	$16.00	$160.00
organic eggplant	15	$30.00	$450.00
organic pepper green bell (15 lb)	25	$18.75	$468.75
			$6,715.75

What's right for Madison?

- Do these examples/scenarios resonate?
  - Why/why not?
- What are your infrastructure/distribution needs now?
  - In 5 years?
- How are you currently addressing these needs?
- What types of shared infrastructure would best allow you to
  - purchase more local product?
  - grow your business?