



*An NGFN Webinar*



# FOOD HUB BENCHMARKING STUDY 2014

September 25, 2014

# Presentation Outline

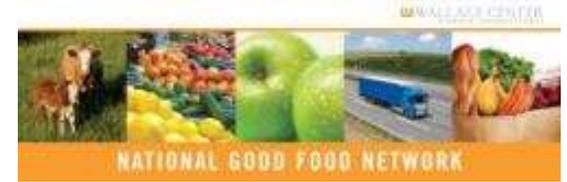


- Technical Orientation
- **Welcome / Introduction**  
**Jeff Farbman**  
*Wallace Center at Winrock International*
- Food Hub Benchmarking
- Questions and Answers
- Upcoming Opportunities, etc.



## WALLACE CENTER AT WINROCK INTERNATIONAL

- Market based solutions to a 21<sup>st</sup> Century food system
- Work with multiple sectors – business, philanthropy, government
- Healthy, Green, Affordable, Fair Food
- Scaling up Good Food



# NATIONAL GOOD FOOD NETWORK: VISION



WALLACE CENTER  
WINROCK INTERNATIONAL





# NATIONAL GOOD FOOD NETWORK: **GOALS**

## Supply Meets Demand

- There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

## Information Hub

- The National Good Food Network (NGFN) is the go to place for regional food systems stories, methods and outcomes.

## Policy Change

- Policy makers are informed by the Data and Analysis and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.

**<http://ngfn.org> | [contact@ngfn.org](mailto:contact@ngfn.org)**

# Presentation Outline



- Technical Orientation
- Introduction
- **Food Hub Benchmarking**
  - Description, Motivation and Methods
    - Gary Matteson – Farm Credit Council
    - Chad Gerencer – Morse Marketing Connections, LLC
  - Data and Analysis
    - Erin Pirro – Farm Credit East
- Questions and Answers
- Upcoming Opportunities, etc.



# Food Hub Benchmarks

A collaboration of Farm Credit East, the Farm Credit Council,  
the Wallace Center and Morse Marketing Connections



# “Regional Food Hub”

“A business or organization that *actively manages* the  
*aggregation,*  
*distribution,*  
and  
*marketing*  
of *source-identified food products*  
primarily from local and regional producers  
for the purpose of  
*strengthening producer capacity* and  
access to wholesale, retail, and institutional *markets.*”

USDA/NGFN Food Hub Collaboration Working Definition

# Why Food Hubs?

- Fill a critical gap in regional food systems
- 2013 Food Hub Benchmark
  - <http://ngfn.org/resources/ngfn-cluster-calls/financial-benchmarks-for-food-hubs>
- Positive impacts in their communities
- Continued learning
- Variations on a theme:
  - Farm to business
  - Farm to consumer
  - Hybrid model

# Why Benchmarks?

- Benchmark projects in other segments of agriculture
  - Dairy Farms
  - Retail Agriculture
  - CSAs
  - Wineries
  - Greenhouses
- Lack of data on local food systems
- Need to understand the trends!
  - local food purchasing, building regional food systems
- Multiple organizational structures
  - For Profit, Non Profit, and Cooperative

# What's a Benchmark?

- Collection of historical financial results and operational information from similar food hub businesses
- Comparison to peer group
- Analysis of information to identify range of performance
- Visual representation of the financial results of food hubs; not a business suggestion or consultation

# Goals of a Benchmark

- Identify descriptive metrics of value in assessing performance
- Recognize different models for food hubs
- Compare food hub performance across business models
- Provide snapshot of sector from a financial standpoint
- Resource for improving profitability, thus sustainability
- Visualize capacity of sector

# Methodology of the Study

- Food hubs volunteered to participate
- Confidentiality of the utmost importance
- Good Records, Data questions via survey
- Reviewed complete financials to ensure reconciled, accrual earnings

# What goes into a benchmark?

- Good *accrual* financial records
- Operational information
  - Production measures
  - Safety ratings
  - Human resources practices
- Input from member businesses

## Food Hub Benchmarks - Business Data



Please answer all questions for the calendar year 2013.

Name of Food Hub: \_\_\_\_\_

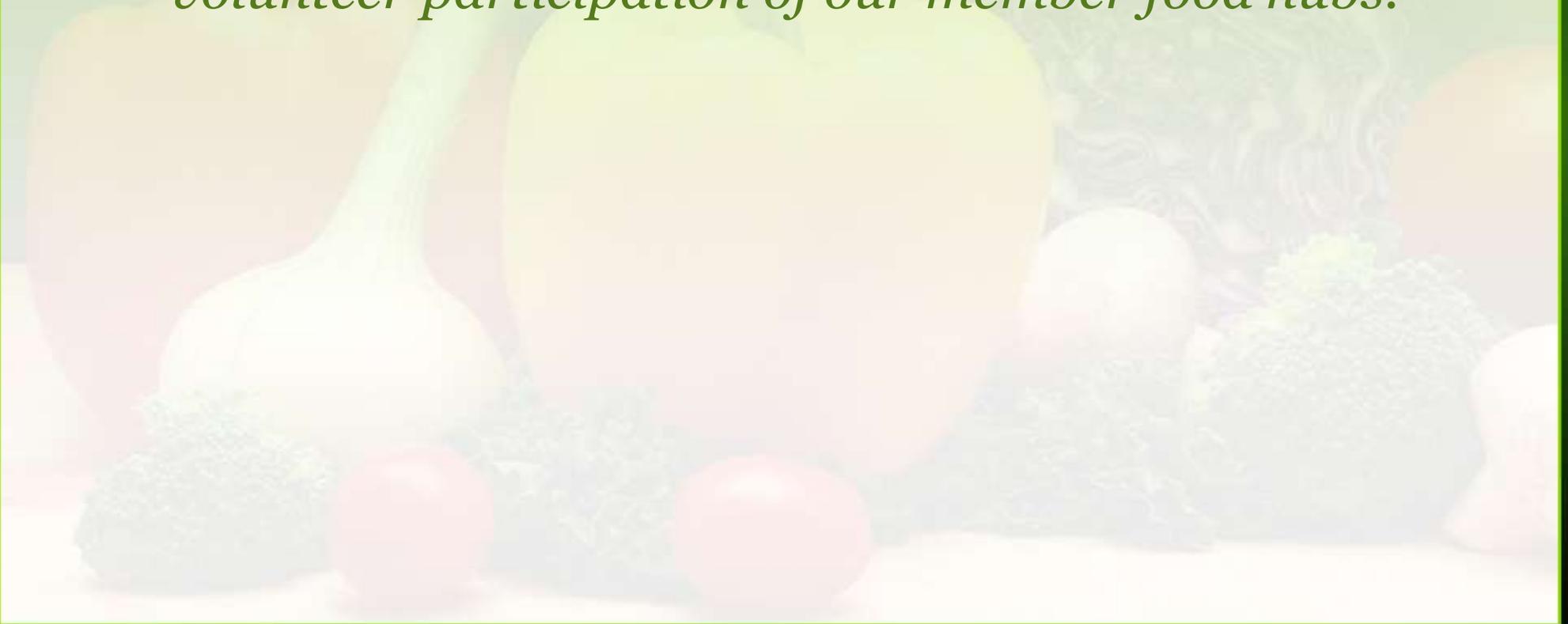
- 1) What year was the food hub established? \_\_\_\_\_
- 2) How many days per year is your food hub open for business? \_\_\_\_\_
- 3) How big is your facility (square footage)? \_\_\_\_\_
- 4) How many loading docks do you have? \_\_\_\_\_
- 5) Is your Food Hub a 'Not-For-Profit' organization? Yes or No
- 6) What do you consider 'local'? (From how many miles away?) \_\_\_\_\_
- 7) From how far away do you source your products? (miles) \_\_\_\_\_
- 8) Do you sell ONLY organic products? Yes or No
- 9) Do you have a food safety certification requirement of your vendors? Yes or No
- 10) Do your customers require your HUB to be food safety certified? Yes or No
- 11) Do you grow any of your own produce? Yes or No
- 12) Do you buy from your own incubator farmers? Yes or No
- 13) How many miles were driven by the delivery fleet? \_\_\_\_\_
- 14) Do you take ownership of the products you sell? Yes or No
- 15) Can your customers order online? Yes or No
  
- 16) How many vendors do you buy from? \_\_\_\_\_  
(A vendor is an outfit that you, the Food Hub, buy something from.)
- 17) How many of these vendors are farmers? \_\_\_\_\_
- 18) How much do you spend (\$) with your largest vendor? \_\_\_\_\_
- 19) How much do you spend (\$) with your largest 10 vendors? \_\_\_\_\_
- 20) Do you charge a membership fee to your vendors? Yes or No
  
- 21) How many customers do you sell to? \_\_\_\_\_  
(A customer is an outfit that buys something from you, the Food Hub.)
- 22) What are the 5 sales to your biggest customer? \_\_\_\_\_
- 23) What are the 5 sales to your 10 largest customers? \_\_\_\_\_
- 24) Do you charge a membership fee to your customers? \_\_\_\_\_
- 25) What were your sales (\$) to:
  - Restaurants and caterers \_\_\_\_\_
  - Grocery/food stores \_\_\_\_\_
  - Institutions (school, hospital, gov't) \_\_\_\_\_
  - Your own direct retail \_\_\_\_\_
  - Processors \_\_\_\_\_
  - Other distributors \_\_\_\_\_

# Data Collection

- Confidential collection and analysis
- Benchmark data included:
  - Operational Data Questions
  - 12/31/13 and 12/31/12 Balance Sheets
  - 12/31/13 Profit & Loss Statement
  - 12/31/13 Statement of Cash Flows
- Second financial study of Food Hubs, but much more in-depth and 3x the number of participants
- Diverse product mix

# Thank you again, Participants!

*The study and its ultimate findings rely on the  
volunteer participation of our member food hubs.*





***Food Hubs: By the Numbers***

# Scope of Operations

	<b>2013</b> (48 hubs)	<b>2012</b> (18 hubs)
Average Age of Study Hubs	7 years	11 years
Average Revenue	\$2.83 million	\$1.65 million
Average Product Sales	\$2.53 million	
Average Enterprise Income	\$108,241	
Annual Operations (Days Open)	276	301
Facilities:		
Square Footage	6,936	9,018
Number of Loading Docks	2	2
Delivery Fleet – Annual Miles Driven	40,315	54,001

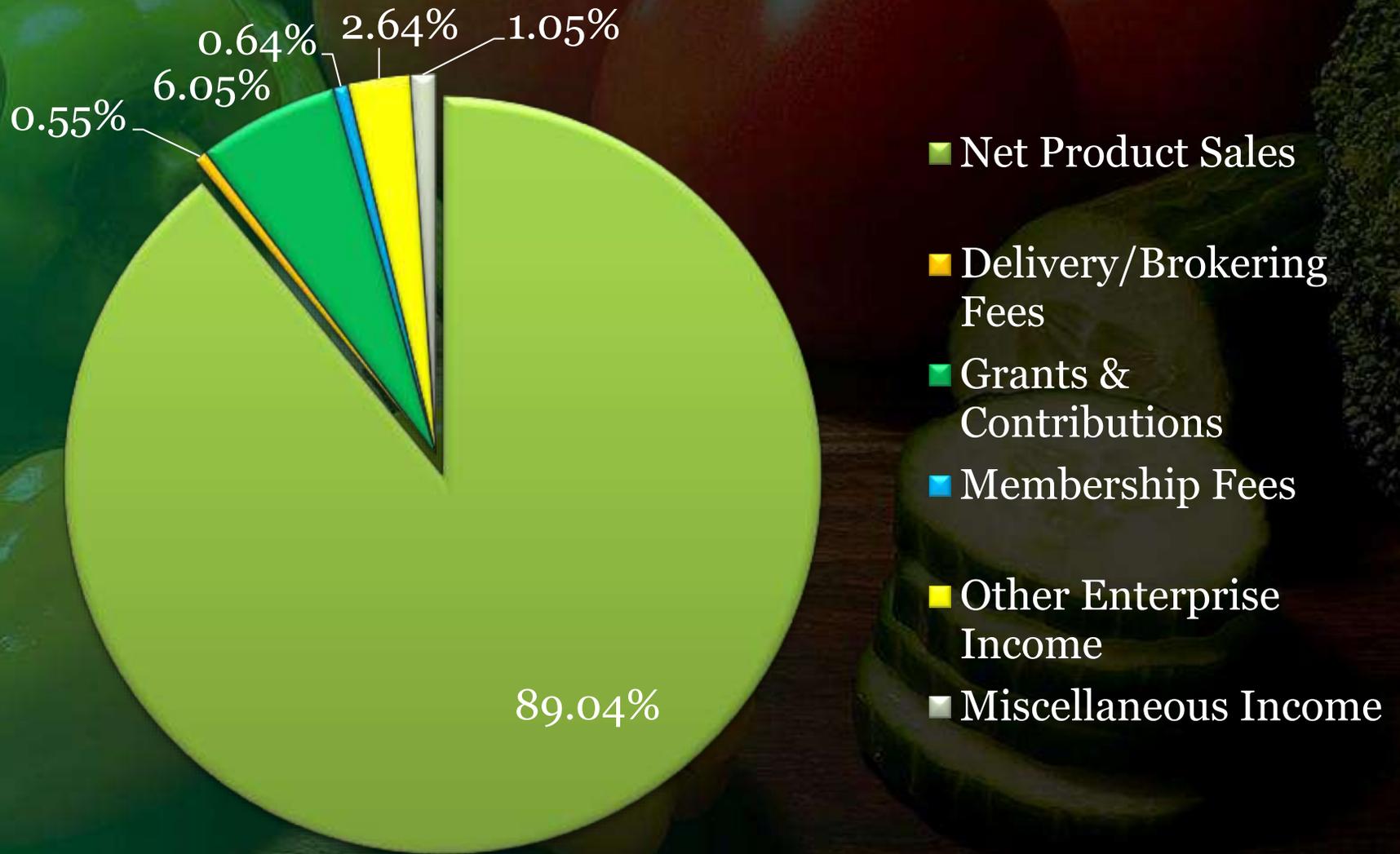
# The Product

	<b>2013</b> (48 hubs)	<b>2012</b> (18 hubs)
Sourcing Distance (miles)	385	521
Strictly Organic	3%	20%
Grew Some of Own Product	23%	27%
Bought from Incubator Farmers	31%	33%

# Organization and Operation

	<b>2013</b> (48 hubs)	<b>2012</b> (18 hubs)
“Not For Profit” status	38%	53%
Take ownership of product	72%	73%
Sales from In-House Processing	1%	<1%
Membership Fees Charged:		
To Vendors	28%	13%
To Customers	15%	20%

# Sources of Revenue



# Financial Position

	<b>2013</b> (48 hubs)	<b>2012</b> (18 hubs)
Net Worth	68%	57%
Current Ratio	2.39:1	1.6:1
Blended Debt Term	23 years	14 years
Blended Effective Interest Rate	3.68%	1%
<i>No term debt</i>	<b>22!</b>	

# What's everyone doing?

<b>Employee Role</b>	<b>2013 FTE</b> (48 hubs)	<b>2012 FTE</b> (18 hubs)
Production/Growing	0.8	0.5
Sales	1.3	0.9
Delivery/Distribution	2.0	2.1
Management	1.0	0.7
Office/IT	0.9	0.8
Marketing	.2	0.2
<i>Volunteers</i>	.4	
	<b><i>TOTAL</i></b>	<b>5.2</b>
Number of W-2s issued	11	10

# Food Hub Customers

	<b>2013</b> (48 hubs)	<b>2012</b> (18 hubs)
Grocery/Food Stores	27.64%	43.25%
Restaurants and Caterers	14.88%	21.52%
Other Distributors	13.59%	18.81%
Direct Retail	39.17%	6.13%
Institutions (school, hospital, government)	2.80%	4.51%
Processors/Other	1.91%	5.78%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

# Concentration - Customers

	<b>2013</b> (48 hubs)	<b>2012</b> (18 hubs)
Average Number of Customers	408	326
Product Sales to Largest Customer	13%	19%
Product Sales to Largest 10 Customers	35%	64%

# Concentration - Vendors

	<b>2013</b> (48 hubs)	<b>2012</b> (18 hubs)
Average Number of Vendors	55	79
Farmer Vendors	40%	57%
Food Safety Certification Required	31%	33%
Purchases from Largest Vendor	9% of sales	16% of sales
Purchases from Largest 10 Vendors	29% of sales	50% of sales

# Labor

	<b>2013</b> (48 hubs)	<b>2012</b> (18 hubs)
Labor as a % of Revenue	18.27%	17.4%
Labor as a % of Sales	16.38%	
Revenue per Worker Equivalent	\$431,872	\$286,788
Product Sales per Worker Equivalent	\$387,204	

# Typical Income Statement

Sales  
- Expenses  

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Profit

Sales  
- Cost of Goods Sold  

---

Gross Margin  
- Overhead Expenses  

---

Profit



# Typical Income Statement

Sales  
- Expenses  

---

Profit

Sales  
- Cost of Goods Sold  
- **Cost of Sales**  

---

Gross Margin  
- Overhead Expenses  

---

Profit  
- Income Taxes  
+ Grants/Contributions  

---

Business Excess/Deficit



# Five-Line Income Statement

	<b>Benchmark</b>	<b>Top 25%</b>
Sales	<b>100%</b>	<b>100%</b>
- Cost of Goods Sold	71.95%	69.41%
- Cost of Sales	13.56%	14.51%
= Gross Margin	<b>14.49%</b>	<b>16.09%</b>
- Overhead Costs	16.28%	12.32%
= Net Operating Margin aka <i>Profit</i>	<b>(1.79%)</b>	<b>3.76%</b>

Reference: <http://foodshedguide.org/planning/>  
One Page Business Plan and One Page Financial Plan

# Where Your Sales Dollar Goes

■ COGS   ■ Cost of Sales   ■ Overhead   ■ Profit



# Five-Line Income Statement

	<b>Benchmark</b>	<b>Top 25%</b>
Sales	<b>100%</b>	<b>100%</b>
- Cost of Goods Sold	71.95%	69.41%
- Cost of Sales	13.56%	14.51%
<b>= Gross Margin</b>	<b>14.49%</b>	<b>16.09%</b>
- Overhead Costs	16.28%	12.32%
<b>= Net Operating Margin aka <i>Profit</i></b>	<b>(1.79%)</b>	<b>3.76%</b>
- <i>Income Taxes</i>	0.52%	0.66%
+ <i>Grants/Contributions</i>	<b>6.45%</b>	<b>.07%</b> <b>(\$4,896)</b>
<b><i>Overall Excess:</i></b>	<b>4.13%</b>	<b>3.18%</b>

# Why are Profits Important?

- Pizza and beer
- Building and equipment updates
- Rainy days and Mondays
- Growth and expansion
- Generational transfers
- Savings and retirement accounts
- Who calls the shots?
- Makes loan officers happy
- American pride and a winning team
- So you'll want in!

# By Location

■ COGS   ■ Cost of Sales   ■ Overhead   ■ Profit



# Size Matters

■ COGS   ■ Cost of Sales   ■ Overhead   ■ Profit



# By Age of the Hub

■ COGS   ■ Cost of Sales   ■ Overhead   ■ Profit



# By Seasonality

■ COGS ■ Cost of Sales ■ Overhead ■ Profit



# Goals Matter!

■ COGS   ■ Cost of Sales   ■ Overhead   ■ Profit



# EXAMPLE:

## Using the Benchmark as a Tool

### My Hub Labor Costs

Wages		\$218,350
<i>Production/Growing</i>	<i>Sales</i>	
<i>Delivery/Distribution</i>	<i>Management</i>	
<i>Office/IT</i>	<i>Marketing</i>	
Payroll Taxes (FICA/Medicare)		\$16,704
Unemployment (Federal and State)		\$9,826
Workman's Compensation Insurance		\$8,734
Benefits ( <i>health insurance or stipend, medical reimbursements, housing, life insurance, food, etc.</i> )		\$20,000
	<b>TOTAL</b>	<b>\$273,614</b>

# EXAMPLE:

## Step 1: Analysis

### My Hub

Total Labor Costs

\$273,614

Sales

\$1,318,974

Labor as a Percent of Sales

20.74%

Labor as a Percent of Revenue

20.59%

# EXAMPLE: Step 2: Comparison

	<b>My Hub</b>	<b>2013 Benchmark (48 hubs)</b>	<b>Sales \$750,000 - \$1.5 million</b>	<b>Top 25%</b>
Labor as a % of Sales	20.74%	18.27%	17.58%	13.90%
Labor as a % of Revenue	20.59%	16.38%	16.71%	15.16%

Our labor costs exceed the benchmark by almost 2.5% of sales.  
That's \$32,579!

Where is my opportunity:  
on the *cost* side?  
on the *sales* side?  
on the *efficiency* side?

# EXAMPLE: Step 2: Comparison

	<b>My Hub</b>	<b>2013 Benchmark (48 hubs)</b>
Labor as a % of Revenue	20.74%	18.27%
Labor as a % of Sales	20.59%	16.38%

## Cost Considerations:

Labor cost per worker equivalent:  $\$273,614 / 5.96 = \$45,908$

(wages are 80%, or \$36,726)

# EXAMPLE: Step 2: Comparison

	<b>My Hub</b>	<b>2013 Benchmark (48 hubs)</b>
Labor as a % of Revenue	20.74%	18.27%
Labor as a % of Sales	20.59%	16.38%

## What about Sales considerations?

Revenue per Worker Equivalent	\$222,982	\$431,872
Product Sales per Worker Equivalent	\$221,304	\$387,204

# EXAMPLE Step 3: Improvement

Things to consider:

- Should we be doing more/different marketing?
- Do we have the right people doing the right jobs?
- Can we give our staff sales training?
- Where can we improve sales efficiencies or remove bottlenecks?
- Is our pricing appropriate?
- Have we built a marketing plan with a sales GOAL?
- Does our entire team know the plan?

# More Power in Management Records

*Freight in vs. delivery/distribution costs*

- Freight in = Cost of Goods Sold
- Delivery/Distribution = Cost of Sales

# If you remember only a few things...

- Food hubs are low-margin businesses.
  - typical with perishable/commodity products
- Efficiencies are key to being profitable
  - Trucking, Labor, Shrink, Markdowns
- Watch your markup!
- Grow smarter: markup before volume
- **Profitability** is key to achieving your mission



# See You Soon? Records Best Practices

- Use the capacity of your system.
- Reconcile your checkbook regularly!
- Record items for what they are (and label as such!)
- Avoid the 'supplies' catch-all
- Concentrate on what you're selling (and its markup), not how or where you're selling it.
- Sales departments match COGS departments
- Monthly cash flow forecasting

A still life photograph of fresh vegetables including tomatoes, cucumbers, and bell peppers on a wooden surface. The image is dimly lit with a dark green overlay. The text "Questions?" is centered in a yellow, serif font.

Questions?

*Thank you again  
to all of our participating hubs!*

# Questions and Answers



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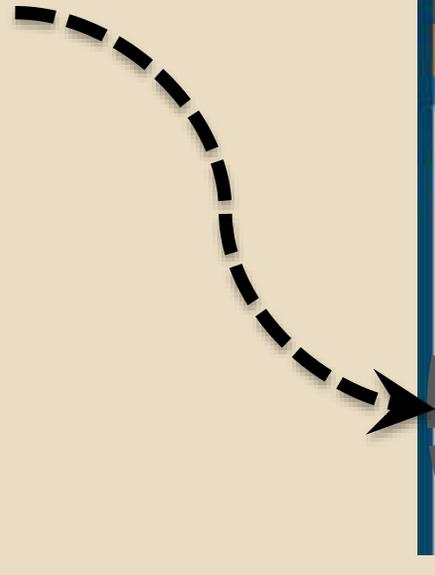


- Technical Orientation  
Welcome / Introduction
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- Questions and Answers
- **Upcoming Opportunities, etc.**

# Webinars are Archived



## TOPICS!



**NATIONAL GOOD FOOD NETWORK**

home resources regional lead teams news events about search

**NGFN Database**  
NGFN Coexisting  
**NGFN Webinars**  
ALL SUBJECTS  
Aggregation / Distribution  
Business / Finance  
Climate  
Policy in School  
Learning  
Food Safety  
Marketing  
Infrastructure  
Policy  
Processing / Value Add  
Retail / Foodservice  
Social Justice / Food Access  
Training / Education  
Value Chains  
Food Safety  
Research  
Market News

**NGFN Webinars**

Our monthly NGFN interactive webinars give you the opportunity to learn and connect with on-the-ground practitioners and experts. Below you'll find archives of past webinars available for viewing, and information and registration for upcoming webinars.

Please note: NGFN webinars take place the first Thursday of each month, 1:30-4:45 ET (unless otherwise noted).

Have a suggestion for an NGFN webinar topic?  
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**Coming Up ...**

- January 20, 2011: 'What's Not Possible? You Can't Eat Your Hogs' - [Register Here!](#)
- December 18, 2010: 'Crazy Bikes to "Crazy" with Real, Diversified Farms' - [Register Here!](#)

**Archives**

2010

- November: Livestock Grazing Introduction for Diversified Food System Change, Food Miles, Regional

<http://ngfn.org/webinars>

# NGFN Webinars



3<sup>rd</sup> Thursday of each month  
3:30p EST (12:30p PST)

<http://ngfn.org/webinars>

# USDA Local Food Directories



- Was
  - Farmers Markets
- Now *adds*:
  - CSAs
  - On-Farm Markets
  - **Food Hubs**
- <http://www.usdalocalfooddirectories.com/>
- Direct link to register:  
**<http://bit.ly/regmyhub>**

**Add or Update a Listing**  
For managers and owners