FINDINGS

OF THE

2017 NATIONAL FOOD HUB SURVEY

EXECUTIVE SUMMARY

MARCH
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MICHIGAN STATE UNIVERSITY
Center for Regional Food Systems

WALLACE CENTER
WINROCK INTERNATIONAL

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Please note: The food hubs represented in the photographs in this report are not necessarily included in the survey sample.

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EXECUTIVE SUMMARY

Food hubs—businesses that actively manage the aggregation and distribution of source-identified food products—are an essential component of scaling up local food systems and a flagship model of socially conscious business.

This report presents the findings of the third National Food Hub Survey.

“ **Food hub managers — do you really know how well you are doing?** Are you doing what you say you are doing? **The results of this survey force you to address these questions.** The findings provide a truly valuable set of data by which you can assess yourself and compare yourself to others. ”

— **DENNIS DERRYCK**, *Founder & President*, Corbin Hill Food Project

FOOD HUBS CONTRIBUTE TO THE ECONOMY

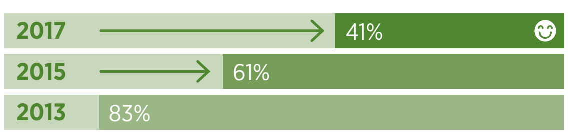
Food hubs create jobs.

The **119** responding food hubs employed **1,887 paid staff**, with an average of **16** and a median of **6 paid staff per hub** *(see Table 1)*.

As food hubs age, they are creating new jobs. Food hubs operating for more than two years had a slightly higher median and mean number of employees in each survey year *(see Table 1)*.

Hubs have fewer unpaid staff and more full-time positions.

Hubs are relying less on unpaid staff *(see Figure 6)*.



The proportion of full time, year-round positions grew slightly *(see page 16)*.

2017

47%

of paid food hub employees in full-time, year-round, non-management positions

(n = 112)

VS

2015

41%

of paid food hub employees in full-time, year-round, non-management positions

(n = 130)

78

Hubs link multiple businesses.

Hubs are sourcing from an average of **78 different producers and suppliers** (median, 40; n = 76) and marketing to an average of **4 different customer types** *(see Table 3 and discussion on page 20)*.

Hubs are demonstrating financial viability.

In 2017, **67% of food hubs reported breaking even or better** *(n = 78; see Figure 28)*.

Food hubs appear to become **more profitable over time**. For the hubs with longitudinal data available over all three survey years (n = 9), **the average Operational Expense Ratio decreased by 21% from 2013 to 2017** *(see Table 14)*.

6

The formation of new hubs may be slowing, but **current hubs are showing longevity** *(see page 13)*.

2017

53%

of hubs were 6 years old or older (n = 131)

VS

2013

38%

of hubs were 6 years old or older (n = 106)

FOOD HUBS ARE BECOMING AN

ESTABLISHED SECTOR

Older hubs appear to be scaling up to supply larger customers.

Hubs more than 2 years old are more likely to sell to wholesale customers *(see Figure 19).*

Food hubs were able to secure more start-up funds from federal government sources.

Food hub managers' personal capital played a smaller role as a source of start-up funds *(see page 46).*

FEDERAL GOVERNMENT FUNDS

2017	2015	2013
39%	**32%**	**23%**
(*n* = 94)	(*n* = 72)	(*n* = 91)

ORGANIZATION'S OR FOUNDERS' FUNDS

2017	2015	2013
31%	**48%**	**46%**
(*n* = 94)	(*n* = 72)	(*n* = 91)

More hubs are getting information from a wider range of sources.

The proportion of hubs indicating that an **information source was important increased by** an average of **42% across nine information categories** (*n* = 79), such as formal and informal networks and education resources from government entities or nonprofits.

This suggests that **more hubs are seeking information** from a **wider range of sources**, that **more resources are available**, that **resources are becoming more relevant**, or all three *(see Table 16).*

> **"The National Food Hub Survey data is absolutely critical both for food hub operators and for those of us interested in investing in a new food paradigm.** At RSF Social Finance, we use the data to help underwrite our investments and to provide practical business support services to our clients."

— **KATE DANAHER**
Senior Director, Social Enterprise Lending & Integrated Capital
RSF Social Finance

FOOD HUBS STILL FACE ★VIABILITY★ CHALLENGES

Grant funding still matters.

Although **64%** of hubs report being able to carry out their core functions without grant funding, **36% of hubs report being highly dependent on grants** (n = 97; *see Figure 26*)

However, of the 35 hubs reporting that they are highly dependent on grants, **26 (75%)** were nonprofit food hubs that may be **intentionally trading profitability for greater social impact** (*see page 40*).

Labor costs are going up.

The average proportion of **payroll expenses as a percentage of revenue increased** (*see Figure 27*).

2017	VS	2015
34%		24%
(*n* = 65)		(*n* = 77)

Balancing supply and demand is consistently the top-ranked challenge for food hubs (*see Figure 41*).

Percentage of hubs rating balancing supply and demand as one of their top three challenges:

2017	2015	2013
55%	**48%**	**59%**
(*n* = 88)	(*n* = 109)	(*n* = 79)

Hubs are slightly less optimistic about future growth in demand for their products.

Although nearly the same proportion of hubs expected some growth (98% in 2015, *n* = 106; 94% in 2017, *n* = 93), **substantially fewer expected to see demand grow a lot** and, for the first time, a small proportion of hubs expected to see demand shrink (*see Figure 43*).

“Understanding how food hubs work is interesting, but **knowing how food hubs can be profitably sustainable is essential.** The National Food Hub Survey and the Food Hub Benchmarking Study are the two pillars of operator-supplied data that have allowed tracking and legitimizing the food hub sector.”

— **GARY MATTESON**

Vice President for Young, Beginning, Small Farmer Programs and Outreach
Farm Credit Council

On average, **46%** (*n* = 66) **of a hub's producers and suppliers are considered beginning farmers or businesses**, meaning they began business in the last 10 years *(see page 21)*.

89% of hubs (*n* = 89) **source mostly or exclusively from small to mid-sized farms and ranches** *(see page 23)*.

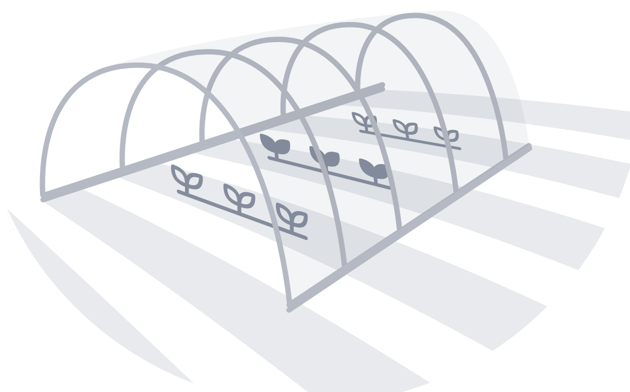
68% of hubs (*n* = 89) **report that that their purchases from small to mid-sized farms have increased over the life of the hub** *(see page 23)*.

Hubs are primarily sourcing from rural farms and ranches — 86% of farms supplying food hubs are rural (n = 95; *see Figure 30*).

Support for producers and suppliers is a critical component of the mission for the vast majority of hubs *(see Figure 34)*.

82% of hubs say **increasing small and mid-sized farmers' and ranchers' access to markets** is strongly related to their mission (*n* = 129).

82% of hubs say **ensuring producers and suppliers receive a fair price is related to their mission** (*n* = 128).



"Early on, many of us struggled not only to find other food hub models, but to find benchmarks. **The National Food Hub Survey has been invaluable in providing insights on hub legitimacy and sustainability** that we can use both internally and with potential funding sources."

— EVAN SMITH

Managing Partner, Alden Services

FOOD HUBS SUPPORT THE TRIPLE BOTTOM LINE

More than 90% of hubs (*n* = 129) consistently state that four values are related to their mission:

1. Improving human health
2. Increasing small and mid-sized producers' access to markets
3. Ensuring that producers receive a fair price
4. Promoting environmentally sensitive production practices

More than half of hubs (between 55% and 87%) **report that the seven other listed value areas**, such as addressing racial disparities or ensuring fair wages for employees, **are related to their mission** *(see Figure 34)*.

A majority of hubs prefer their suppliers to have social and environmental certifications, though the number of hubs requiring these certifications is small *(see Figure 11)*.

HUBS' CAPACITY TO MEET FOOD SAFETY CERTIFICATION DEMANDS IS INCREASING

In 2017, 57% (*n* = 90) **of hubs had staff responsible for the hub's internal food safety compliance, up from 49%** (*n* = 107) **of hubs in 2015.**

Among the hubs without a dedicated food safety staff person, **a little more than half reported using one of the following sources of food safety information:**

- their state government (**54%**; *n* = 35)
- the USDA (**56%**; *n* = 34)
- university extension (**53%**; *n* = 36)

(see page 32).

Most hubs with wholesale customers did not require Good Agricultural Practices (GAP) and Good Handling Practices (GHP) certifications from their suppliers, but **the proportion of hubs requiring GAP** (**18%**; *n* = 89) **and GHP** (**10%**; *n* = 83) **rose slightly from 2015** *(see Figure 21)*.

On average, 34% of the customers of hubs with wholesale sales required GAP (*n* = 54)**, unchanged from 2015.**

However, the data splits between the high and low ends: for 17% of hubs selling to businesses or institutions, *none* of their customers required GAP; for 15% of hubs selling to businesses or institutions, *all* of their customers required GAP *(see page 30)*.

MICHIGAN STATE UNIVERSITY CENTER FOR REGIONAL FOOD SYSTEMS

The Michigan State University Center for Regional Food Systems (CRFS) is an applied research, education, and outreach organization. CRFS unites the expertise of MSU faculty and staff to strengthen understanding of and engagement with regional food systems. Since 2010, CRFS has advanced food systems rooted in local regions and centered on food that is healthy, green, fair, and affordable in order to build a thriving economy, equity, and sustainability for Michigan, the country, and the planet. More about CRFS can be found at foodsystems.msu.edu.

WALLACE CENTER AT WINROCK INTERNATIONAL

The Wallace Center at Winrock International serves the growing community of civic, business, and philanthropic organizations involved in building a new, good food system in the United States. Our work seeks to expand the availability of healthy, fair, affordable and environmentally sustainable food to improve the health and wealth of all community members. By identifying and disseminating promising models at many scales, we seek to support, guide, and inspire practitioners and supporters of Good Food activity.

The National Good Food Network (NGFN), coordinated and supported by the Wallace Center, is a cross-sector center of learning and networking for individuals and organizations from all aspects of the food system, from production through distribution and processing, to consumption as well as supporters such as government and funders and investors. The NGFN Food Hub Collaboration is a partnership between the Wallace Center at Winrock International, USDA, NGFN, Michigan State University, and others. The Collaboration is working to ensure the success of existing and emerging food hubs in the U.S. by building capacity through connection, outreach, research, technical assistance, and partnerships. By supporting this crucial player in the value chain, the Collaboration aims to accelerate the growth of regional food systems that make healthy and affordable food available to all communities while fostering viable markets of scale for regionally focused producers. More about the Wallace Center and its work can be found at wallacecenter.org and at ngfn.org.