



## **OPPORTUNITIES FOR FOOD HUB DEVELOPMENT IN NORTHERN NEW YORK**

### **EXECUTIVE SUMMARY AND NEXT STEPS FORWARD**

**June 2016**

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In collaboration with the Cornell University Cooperative Extension educators in Clinton, Essex, Franklin, Lewis, Jefferson, and St. Lawrence Counties. Special thanks to Anita Deming and Laurie Davis, Cornell Cooperative Extension, Essex County for coordinating the questionnaires and securing funding for this project.

# OPPORTUNITIES FOR FOOD HUB DEVELOPMENT IN NORTHERN NEW YORK

## EXECUTIVE SUMMARY AND NEXT STEPS FORWARD

*Opportunities for Food Hub Development in Northern New York* examined the interest and capacity to source locally-sourced foods from Northern New York farms. This is by no means an exhaustive study as only 125 producers out of 3,900 farmers completed the questionnaire. Some of the 3,900 farmers are strictly interested in producing for the commodity market. Large scale farmers participating in the survey for this report have established relationships with large retailers. They do not see the need for a food hub. Most of the small and beginning farmers and mid-sized farmers surveyed in this report are interested in providing product to a food hub. One major concern is the need for the food hub to aggregate sufficient quantity and quality of product to meet the needs of the buyers. Concerns were identified about the cost of scaling up production relative to the wholesale prices producers would receive.

Buyers are also interested in purchasing locally-sourced product through the food hub if product is priced at reasonable levels and if consistent quality and quantities of product can be delivered at the desired time. This report is based on surveys completed by 27 buyers when there are over 1,800 restaurants, grocery stores, food service, and institutional buyers in the region. Their insights are very useful in drawing conclusions about their expectations in buying NNY products and are supported by other reports written about food hub development throughout the United States. Restaurants and caterers are especially interested in purchasing local products. Sufficient volume of product sold



through a food hub is critical for its financial viability. Buyers require high quality, consistent quantity delivered at a scheduled time at a reasonable price point.

There is no specific recommendation regarding the type of food hub that would be most successful in NNY. Rather this report focuses on some of the potential prospects that could develop within the region if someone was to identify an economic opportunity to source and supply local products. Collaborating with other resources in the area can reduce

capital investments in food hubs. Some farmers and buyers indicated that they had interest in providing some of the services offered by a hub. If a new enterprise was to be established, it is appropriate to see how existing NNY resources might be used such as a local truck fleet or leased warehouse facility.

Human resources is a critical element for success. The project committee could take on the task of food hub development in Northern New York or the project committee could work towards developing one or more steering committees as a means to move forward. It is appropriate to build a team of advisors such as Cornell Cooperative Extension educators, retired executives from SCORE, bankers, etc. When a food hub is formalized, the manager should have background and experience in the procurement and sale of food products. That expertise should be properly financially rewarded. If the hub is run by a

non-profit or cooperative, the board of directors needs to have familiarity with the farm and food system and hold the manager accountable. Many hubs rely on volunteers in the early part of their development, a plan should be put in place to transition to a paid staff.

## EXECUTIVE SUMMARY

The purpose of this report is to examine the opportunity for food hub development within the 6 counties located in Northern New York. Between June 2014 and January 2015 convenience surveys were completed by 125 farmers growing specialty crops and farmers selling dairy and protein products. Three-quarters of the producers had less than 60 acres and less than \$100,000 in gross farm sales. For the food hub to be successful it will require enough product providers to supply adequate volume for the hub to be financially viable. Producers must understand that they will receive wholesale prices for the product and that production costs need to be minimized to retain profitability at the farm level. Food hubs may or may not operate year round. If operating seasonally, then sufficient revenue needs to be generated to cover operating expenses that are incurred year round. The definition of 'local' should remain flexible based on the distances needed to market the product, and production methods preferred by the buyer.

A second survey was completed by 27 buyers of locally-sourced products, many being restaurant, catering company, specialty shop and convenience store owners. Buyers are interested in purchasing more NNY products. They prefer products available year round, product they purchase must be of consistent quality and quantity and delivered at the appropriate time. Buyers have some latitude in the purchasing decisions that they make but will not pay retail prices. These two surveys were used to gauge the interest and attitudes on the part of participants to utilize a food hub.



### Aggregation

1. Production
  - a. Producers work together to combine orders for inputs to receive quantity discounts resulting in lower production costs, higher margins, increased profitability
  - b. Food hub operators should work with producers to develop a growing/commitment plan for that product to be sold through the hub.
2. Some producers limited by what they can produce. One means to expand business is to purchase from other producers
3. Create informal or formalized collaborations to build supply
4. Consider multi-farm CSA where they aggregate sufficient volume to meet needs of area buyers, share transport, etc.
5. Provide education opportunities for producers to expand production
6. *Discussion at producer and buyer meetings in Lake Placid and Watertown suggested that 20C kitchens could be established for co-packing of shelf-stable products. Technical assistance should be provided to develop labels and recipes. Two people surveyed indicated an interest in*

*small-scale processing facilities. No more than 30 percent of those surveyed indicated an interest to very interested in processing services.*

7. *Discussion at producer and buyer meetings in Lake Placid and Watertown suggested the need to connect young farmers starting agricultural businesses and provide training classes.*

## **Marketing**

1. Most food hubs do not have formal marketing or media campaigns, relationship marketing is critical through direct contact with the buyers
2. Expand local sales to restaurants and grocery stores within the region
3. Constantly monitor markets and trends, recognize market changes and be flexible to respond to those changes
4. Become an expert in and service one market channel before branching into others. Make sure supply and demand are in balance. Subscribe to trade publications and join trade associations
5. Brand Northern New York locations
  - a. Utilize location of Lake Ontario, Seaway Trail, Adirondacks, Lake Champlain
  - b. Recognize and embrace that producers, farmers, buyers, and consumers tend to align themselves to one area over another
  - c. *Discussion at producer and buyer meetings in Lake Placid and Watertown suggested a need for more advertising and promotional materials of locally-grown products through signs, labels, kiosks, tours, tastings, and festivals. Messages should be targeted towards millennial and traditional consumers, i.e. Facebook, Twitter, etc. Newsletters and press releases are other means to promote products. Farmers need to use a variety of technologies to get their message out.*
  - d. *Discussion at producer and buyer meetings in Lake Placid and Watertown suggested a need to hire a NNY regional direct marketing specialist.*

## **Distribution**

1. Current infrastructure and present services should be evaluated before engaging in new business opportunities.
  - a. Some producers and buyers surveyed indicated that they might have surplus refrigeration space they would be willing to provide for a fee.
  - b. Wholesalers/distributors should be contacted about requirements to purchase NNY products
  - c. Determine availability and costs of trucks suitable for product distribution
  - d. Determine availability and suitability of facility to serve as a hub. Storage should have temperature and humidity controls that maintain quality of product as it is delivered. Storage should have desirable loading docks
  - e. Evaluation of the benefits of a cooperative delivery truck should be considered to be shared across the region.
2. Location
  - a. Hubs should be located near a cluster of farmers from which they can procure product
  - b. Hubs should be located 60 to 100 miles apart and within 10 to 20 minutes from a main highway

## Organization

1. Forming a food hub enterprise
  - a. Identify persons or businesses willing to expand their current business to incorporate services of aggregating, marketing, or distributing NNY products. Provide a mechanism to build awareness of these services.
2. Form a new enterprise.
  - a. Develop feasibility analysis and business plan to test financial viability
  - b. If a cooperative, identify the persons who will champion the business and serve as the organizing leadership, develop legal documents, secure members, conduct an equity drive, hire staff
  - c. If a non-profit, make sure board of directors and management have expertise in food sector
3. Address barriers of producers as a means to secure needed product
4. Address concerns of buyers as a means to ensure customer satisfaction
5. Derive pricing mechanism satisfactory to producers and sellers that ensures sufficient margin for the food hub



## NEXT STEPS FORWARD

1. Project Committee
  - a. Review report and secure list of producers and buyers completing the survey to identify those persons most interested in NNY food hub development.
  - b. Project committee should determine if one or more steering committees should be convened to move collaborative efforts forward in aggregating, marketing, or distributing NNY products. Number of steering committees could be based on geographic location, i.e. west side (Watertown, Lowville) or east side (Plattsburgh, Keesville) or based on location of a cluster of producers
  - c. Producers, buyers and other stakeholders (Cornell Cooperative Extension, government agencies, civic leaders, economic developers) invited to participate in steering committees
  - d. One or more steering committees convened to identify next steps in moving forward
2. Develop relationships with buyers
  - a. Producers will learn about buyers' needs in terms of quantity, quality, consistency, expected delivery, billing and payment structures (Buyers' expectations identified in this report. However developing relationships between buyers and producers is critical to success.)

- b. Steering committee facilitates 'meet and greet' between producers and buyers
- c. Expand list of businesses interested in purchasing products sourced from NNY. (Note that constant contact with buyers is important to build trust and meet expectations.)
- 3. Build capacity of producers to meet expectations of buyers
  - a. Producers interested in scaling up mentioned the need for technical assistance in business planning, etc. Cooperative Extension associations and resources of the Land Grant System could be useful in building the knowledge of producers. Assist producers to build knowledge and confidence to scale up and get "wholesale ready." Consider utilizing the Cornell Small Farms Program curriculum, "Baskets to Pallets: Gearing Up for Wholesale Production."
  - b. Encourage producers to build informal collaborations or formal businesses amongst themselves to aggregate sufficient product to meet the demands of the buyers. One example is that a number of producers could band together to develop a CSA. The CSA could focus on meeting the needs of one or more restaurants, caterers or food service establishments.
  - c. Encourage producers within these groups to formalize growing plans to provide consistent supply across a longer growing season.
  - d. Encourage producers to develop agreements related to co-aggregation and marketing of products.
  - e. Include source identity of the farms for marketing purposes
- 4. Food safety protocols
  - a. Assist producers to understand the buyers' expectations in product handling
  - b. Provide education on food safety protocols
  - c. As businesses expand, seek out resources (education, funding) to adopt Food Safety Modernization Act protocols and certification
- 5. Infrastructure
  - a. Identify buyers or producers with excess capacity for trucking, cold storage, refrigeration, etc. with the willingness to provide services for fee.
  - b. Contact existing distributors (example Food Bank) to examine feasibility to move product
- 6. Marketing
  - a. Develop or expand on existing branding of NNY products. Branding should resonate with the buyer (examples Seaway, Adirondack, Lake Champlain, NNY, etc.)
  - b. Identify existing sources or develop resources to understand real time market prices and conditions that will be useful for producers when pricing product.
  - c. Consider membership with Upstate New York Growers and Packers (Oriskany, NY) as a means to sell product from NNY.
- 7. Food hub business development
  - a. Conduct feasibility analysis and develop a business plan to establish one or more food hubs in NNY.
  - b. Identify the business structure that best meets the needs of the owners of the food hub.
  - c. Pay particular attention to the location of the food hub: 1. Located near a cluster of growers with sufficient capacity and willingness to sell product through the hub, 2. Consider costs of product transportation to buyers, 3. Located in a space that will support expansion of the facility with adequate electric, water, drainage and nearby access to major highway corridor.
  - d. Hire staff with experience in wholesale food marketing and distribution

The Northern New York Local Foods Project is a collaborative effort between Cornell University Cooperative Extension Associations of Clinton, Essex, Franklin, Jefferson, Lewis, and St. Lawrence Counties and the Cornell University Charles H. Dyson School of Applied Economics and Management. Project members include those who interviewed producers and buyers – Anita Deming, Laurie Davis, Amy Ivy, Peter Hagar, Betsy Hodge, Bill Bullock, Steve Ledoux, and Melissa Spence. Anne Moore provided financial accounting services. Oversight for the project was provided by Cornell Cooperative Extension Directors – Anita Deming (Essex Co.), Amy Ivy (Clinton Co.), Rick Levitre (Franklin Co.), Kevin Jordan (Jefferson Co.), Michele Ledoux (Lewis Co.), and Patrick Ames (St. Lawrence Co.). Other advisors to the project included Teresa Whalen, Adirondack Harvest Chairwoman; David Hunt, Hungry Trout; Gloria McCadam, Executive Director, Garden Share; Gary Douglas, Co-chair of the North Country Regional Economic Development Council and North Country Chamber of Commerce Director; and Jane Desotelle, Manager, Adirondack Farmers’ Market Cooperative.

The report was compiled by Roberta Severson, Director of the Cooperative Enterprise Program in collaboration with Todd Schmit, Associate Professor, Cornell University Program on Agribusiness and Economic Development, Charles H. Dyson School of Applied Economics and Management, Cornell University, Ithaca, NY.

The project team expresses their deep appreciation to the farmers, buyers and consumers who completed the surveys. Their participation remains critical to the success of the project and future opportunities in food hub development in NNY. The project team is also grateful and expresses thanks to Paul Shin, Masters in Professional Studies graduate from the DYSON School for his analysis of the survey questions.

This publication is supported by the Specialty Crop Block Grant Program at the U. S. Department of Agriculture through a grant from the New York State Department of Agriculture and Markets. Its contents are solely the responsibility of the authors and do not necessarily represent the official views of the USDA or the NYS DAM.

Funding for the Northern New York Local Foods Project was also provided by the New York State Legislature administered by the Northern New York Agricultural Development Program. Any opinions, findings, conclusions, or recommendations expressed in this publication are the authors’ and do not necessarily reflect the views of Cornell University or the Northern New York Agricultural Development Program.

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