TALK IS CHEAP ... AND EFFICIENT:
FACILITATING VALUE CHAIN DEVELOPMENT WITHOUT
COSTLY NEW INFRASTRUCTURE

January 22, 2015
Presentation Outline

- Technical Orientation

Welcome

Jeff Farbman
Wallace Center at Winrock International

- Introduction
- Intro to Value Chains and Facilitation
- Meat Processing Facilitation: National
- Facilitation Within a Hub: New Mexico
- Nonprofit Facilitation: Pennsylvania
- Closing Thoughts
- Questions and Answers
- Upcoming Opportunities, etc.
WALLACE CENTER at WINROCK INTERNATIONAL

• Market based solutions to a 21\textsuperscript{st} Century food system
• Work with multiple sectors – business, philanthropy, government
• Healthy, Green, Affordable, Fair Food
• Scaling up Good Food
NATIONAL GOOD FOOD NETWORK: VISION
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
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**Introduction**

**Jim Barham**  
*USDA Rural Development*

- Intro to Value Chains and Facilitation
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Debra Tropp
USDA Agricultural Marketing Service

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Food Value Chains: The Changing Paradigm of Agricultural Marketing

Debra Tropp, Branch Chief, Farmers Market and Direct Marketing Research
Today’s Supply Chain

Cooperative “Partnership” Structure

Buyers seeking long-term relationships with suppliers to ensure:

- Steadier pricing
- More consistent supply availability
- Greater quality control
- More precise inventory management
- Rapid responsiveness to shifts in customer demand

Long-term supply relationships taking greater precedence over short-term price negotiations
Why the Evolution to Cooperation?

- Technological capabilities allow superior, “real time” exchange of data between chain members
- “One size fits all” approach in food retailing gives way to “mass customization”
- Customers more willing to seek out multiple sources for highly-desired food items, esp. perishables
- Consumers looking to advance social and environmental goals through food purchasing decisions

Giving rise to value chain relationships in food system rather than traditional fragmented, competitive supply chain relationships
What is a Food Value Chain?

An innovative business model in which producers and buyers of agricultural products

• Form collaborative partnerships with other supply chain actors (e.g. processors, input suppliers)
• To enhance financial returns through product differentiation that showcases both quality attributes and social/environmental values.
The food value chain may look a lot like a traditional supply chain on the surface, but...

- **Shared mission and operational values** support decisions and processes
- **Integrates support of external partners** to benefit all parties
Theory of Shared Value

- Food value chains exemplify “creating shared value” concept by Harvard Business School professor Michael Porter and consultant Mark Kramer
  - Businesses intentionally structure their core operations to produce both financial success and social benefit

- Traditional value propositions describe how a firm’s products and services are superior
  - Food value chains additionally ask: Is our product good for our customers?
  - Concept incorporates an underlying desire for social improvement

How Do Producers Benefit From Value Chains?

Value chain participants – including producers/ingredient suppliers – share the benefits of cooperation

Value chains give suppliers greater negotiating power and influence by:

- **Enhancing product value** (though targeted product differentiation and appeals to consumers’ social conscience)

- **Providing greater predictability and product consistency** to buyers

- **Having the capacity to respond more quickly to consumer needs** (through exchange of real time market information across the chain)
How Do Producers Benefit From Value Chains?

- Suppliers able to retain a greater share of food dollar expenditures compared to conventional supply chains

- Buyers and processors share risks with producers

- Efficient and shared logistics (transport, packaging, processing) provide shared benefits across chain

- Producers/ingredient suppliers have greater input into planning and management decisions
In mainstream supply chains, farmers retain only 17.4 cents of the consumer food dollar on average

**Different story in local food systems…**

- In “short” supply chains, local producers received up to **seven times the price** compared to mainstream chains - USDA ERS report [http://www.ers.usda.gov/media/122609/err99_1_.pdf](http://www.ers.usda.gov/media/122609/err99_1_.pdf)

- Food Hubs often return between **75 to 85 percent** of their wholesale sales revenues to their producers - USDA AMS report [http://dx.doi.org/10.9752/MS046.04-2012](http://dx.doi.org/10.9752/MS046.04-2012)
How Do We Create Successful Food Value Chains?

Key Takeaway:
It’s Not About Infrastructure, It’s About Relationships

➢ The best investment is often in human capital
Tips for Creating Successful Food Value Chains

Keys to success include:

- Recruiting likeminded, committed partners for value chain formation
- Assessing the needs and capacity of all chain players and community members
- Identifying the right resources/contacts to leverage those assets
- Repurposing existing infrastructure
- Identifying new – or previously unrealized -- market opportunities (e.g., using second-grade produce to create branded value-added food items with processing partner)
Tips for Creating Successful Food Value Chains

Keys to success include:

- Matching pace of investment with business growth

Topic of forthcoming publication from USDA/AMS:

“Building A Food Hub From the Ground Up: A Facility Design Case Study of Tuscarora Organic Growers”
How Can Value Chain Coordinators Make a Difference?

- **Matchmaker** — Identify and connect key stakeholders through referral services and other forms of short-term or one-off engagement. This “public interest broker” role is key to development of food value chains because many businesses are stepping outside their normal channels to find new collaborators.

- **Convener/Relationship Builder** — Build the necessary relationships across the food value chain by engaging key stakeholders (farmers, processors, distributors, and buyers), maintaining communication channels, and fostering a trusting environment. Some examples of this are convening stakeholder meetings, forming working groups, and implementing other forms of longer-term engagement.
The Roles of a Value Chain Coordinator

- **Technical Assistance Provider** — Work with food value chain members to build capacity through education and training programs in such areas as sustainable production practices, food safety, marketing/branding, etc. These education programs can raise consumer awareness and ultimately drive sales for food value chain products.

- **Policy Advocate** — Raise policy issues and partner with others to address policies and procurement requirements, such as bidding procedures and preferred-vendor practices that may interfere with the ability of food value chains to access certain marketing channels.

- **Resource Prospector** — Identify and pursue resources, such as grants, loans, and services to support value-chain collaborators as they develop their enterprise(s).
The Roles of a Value Chain Coordinator

- **Catalyst/Innovator** — As a resource prospector, value chain coordinators can also use grants and other external resources to test new business models and lower the financial risk of the businesses engaged in the value chain.
Financing Options for Food Value Chains

- Federal
  - Community Economic Development Program
  - Local Food Promotion Program
  - Intermediary Relending Program
  - Value-Added Producer Grants
- State
  - Specialty Crop Block Grant
  - Michigan Good Food Fund
  - State Small Business Credit Initiative
- Local
  - Small Business Development Centers
- Financial Institutions
  - Local and Regional Banks
  - Community Banks and Credit Unions
- Foundations
  - RSF Social Finance
- Intermediaries
  - Nonprofit Development Companies
  - CDFIs
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**Meat Processing Facilitation: National Facilitation**

**Lauren Gwin**  
*Niche Meat Processors Assistance Network*

- Facilitation Within a Hub: New Mexico
- Nonprofit Facilitation: Pennsylvania
- Closing Thoughts
- Questions and Answers
- Upcoming Opportunities, etc.
NMPAN’s Mission

To strengthen and expand processing capacity nationwide for local, sustainably raised meat and poultry, to promote rural development and agricultural opportunities.

www.nicemeatprocessing.org
How We Do It

- Processor case studies
- Business planning and management tools
- Policy and regulations
- Webinars & videos

- Listserv for peer learning
- Peer consulting
- Innovation in Practice
Local Meat and Poultry Processing
The Importance of Business Commitments for Long-Term Viability

Lauren Gwin, Arion Thiboumery, Richard Stillman
Two Types

Commitment: stage 1

**Farmer** (Individuals, groups, brands)

Steady business from F = steady revenue for P

P delivers high quality product to F

Processor

Committed business from farmer means processor can afford the human capital and plant/equipment necessary to meet farmer’s needs/product specifications, consistently.

Commitment: stage 2

**Farmer** (Individuals, groups, brands)

Investment

**Processor**

Increased services (volume, type, quality)

With investment from farmer, processor can add the human capital and plant/equipment necessary to deliver enhanced, expanded services, to meet farmer’s needs. Types of investment include contracts, cash, equity, subordinated debt, purchase of equipment to lease to processor.
Commitment In Practice

- Anchor tenants
- Active scheduling for flow
  - Take a slot in the spring, get a fall guarantee
  - Book the month 6 mo. out; book the week 2 mo. out
  - Annual producer meeting
- Variable pricing
  - Fall v. spring
  - Surcharge if fall only
- Marketing/distribution help
- Financial investment
- Communication
How We Do It

- Processor case studies
- Business planning and management tools
- Policy and regulations
- Webinars & videos

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- Peer consulting
- Innovation in Practice
We need a new (mobile) slaughter facility!
Supporting Sustainable Rural Economic Development through the Advancement of North Carolina’s Niche Meat Industry

Goals:
Enhance the economic viability of producers and processors.

Improve the quality and quantity of processing services.

Approach:
One-on-one technical assistance for heavily used meat processors that work with local farmers.
Foothills Pilot Plant:

**Goal:** Cloud-based financial and food safety compliance systems

**Next:** Develop “HACCP in the Cloud” for use by other small processors.
Acre Station Meat Farm:

**Goal:** RTE capacity, improved packaging, order/inventory mgmt

**Next:** MeatWurks tech transfer; “box it” for use by other small processors
Convener/Relationship Builder
Technical Assistance Provider
Resource Prospector
Policy Advocate
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**Facilitation Within a Hub: New Mexico**

**Steve Warshawer**

*La Montanita*

- Nonprofit Facilitation: Pennsylvania
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La Montanita
Retail and Warehouse Operations

- Retail co-op over 30 years old
  - Commitment to buy local food – social, economic, environmental benefits
  - Difficulty sourcing local due to lack of infrastructure

- Significant size!
  - Distribution Center
    - ~$5.5 million in gross sales
    - 8 employees
  - Retail
    - multiple locations
    - ~$40 million gross sales
    - ~300 employees
Enterprise Development Manager

- Full time position
- Retail local food percentage grew. Members valued this. To continue to scale, the local food system needed
  - A warehouse, and just as important...
  - Value chain facilitation services to build that supply.
- WHY commit to this expense? Co-op ends statements:
  1. Increased access to, and purchase of healthy foods.
  2. A growing regenerative agriculture sector that uses sound environmental practices.
  3. A thriving and sustainable local economy that benefits members and community.
  4. A strengthened co-operative community.
- ... And La Montanita brings significant additional resources to the projects.
Example 1: Meat

- Problem: NM cattle industry perceived a processing plant bottleneck
- Problem: La Montanita retail relied too heavily on individual ranchers
- Value Chain Work by La Montanita:
  - Find the resources and gaps in the value chain
    - Connections / network
  - Assist in the creation of a beef co-op
    - Years of co-op experience
  - Create a brand, logos and marketing
    - Marketing department
- Results:
  - More coordination, greater efficiency using smaller processing plants.
  - More consistent supply for retail division.
Example 2: Ristas

- Problem: Desirable product, but specialized, short-season product rarely shipped (and then only by expensive parcel post)
- Value Chain work by La Montanita
  - Successful promotion of the product
    - Government efforts
  - Clever packing solution
    - Years of warehousing and shipping
    - Ability to be iterative and creative
  - Bundled sales (fresh and dried)
    - Sales and marketing departments
    - Trucking network
- Results:
  - Significantly expanded market for producers.
  - Increased shipping revenue.
Example 3: Apples

- Problem: Apple product is not steady, and produces many #2 (non-retail) product

- Value Chain work by La Montanita
  - Connect to multiple markets
    - Relationships
    - Retail outlet
  - Connect to alternative shipping
    - Relationships
  - “Carry the paper”
    - Size & Insurance

- Results:
  - Farmers are picking the fruit and making money!
  - Access to #1 product for retail.
Summary: VCF in a Hub

- Financial and operational stability plus a clear vision leads inexorably to a VCF position
  - Viable position in a business
  - Immediate results hard to measure – best measure of results are longer term
- Co-op ends statement(s) can provide a context in which VCF makes sense.
- Ability to leverage other departments and retail core competencies for creative solutions
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Ann Karlen
Fair Food

- Closing Thoughts
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Fair Food

Dedicated to bringing healthy local food to the marketplace and promoting a humane sustainable agriculture system for the Delaware Valley Region.

1315 Walnut Street, Suite 522 | Philadelphia, PA 19107
215.386.5211 | fairfoodphilly.org | info@fairfoodphilly.org
Fair Food’s Original Goal and Strategy

**Goal:** Create a strategy for keeping local family farmers on their land.

**Plan:** Develop a robust wholesale marketplace in Philadelphia for local food.

**The Model:** White Dog Café provided the model for Fair Food’s early work connecting producers and buyers.

Judy Wicks: White Dog Café owner and founder of Fair Food.
A Burgeoning Movement

SUPPLY – Southeastern PA
- Small-scale and family-owned
- Highly diversified vegetable farms
- Pasture-based livestock operations

DEMAND – Philadelphia
- “White tablecloth” restaurants
- CSAs and Buying Clubs
- Farmers Markets

FARMS
RESTAURANTS
CSA
FARMERS MARKETS
White Dog Cafe
Building Demand

LOCAL SUPPLY

FARMS

LOCAL DEMAND

RESTAURANTS

White Dog Cafe

CSA

FARMERS MARKETS
A Local Food System
Value Chain Facilitation

A Local Food System
FAIR FOOD FARMSTAND

- Opened in 2013
- Located in Philadelphia’s Reading Terminal Market
- Open Monday - Sunday, year-round
- Selling produce, meats, cheese, dairy, eggs and value-added products
- Sourcing from 90+ farms and food producers within ~150 miles
- 750 square feet
- 2015 sales ~$900,000
Philly FARM & FOOD Fest
APRIL 14, 2013
BRING THE FAMILY. BRING YOUR FRIENDS. BRING YOUR APPETITE.
phillyfarmfest.org
A project of Fair Food and PASA
A Slam Dunk Pairing

+ Capogiro Gelato Artisans

+ Wholesome Dairy Farms

Yellow House, PA
An Ongoing Partnership

THE RITZ-CARLTON®
Impact on a Larger Scale
Fair Food’s Core Functions

Value Chain Facilitation

Support to Farmers and Food Producers
- Marketing and Market Development, Purchasing, Wholesale Success Training and Services

Support to Wholesale Buyers
- One-on-One Consulting (“sourcing”), Marketing and Promotion, Networking Events

Fair Food Farmstand

Retail Store
- Aggregate/Purchase from 100+ Producers, Buyer Access, Demonstration

Consumer Education and Access
- Double Value Coupon Program, Weekly Newsletter, Tastings, Classes & Workshops
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**Working Closely With Business and Government: New York**

**Todd Erling**
*Hudson Valley AgriBusiness Development Corporation*

- Closing Thoughts
- Questions and Answers
- Upcoming Opportunities, etc.
Agriculture as Economic Development
Through Rural-Urban Partnerships
We help start and grow businesses.

Mission Statement

“HVADC’s charge is to enhance the agricultural sector in the Hudson Valley by assisting both new and existing agri-businesses, and supporting policies and regulations that recognize and strengthen New York State’s agricultural economy.”

We are a five (5) person organization that is political boundary neutral and focused on the cluster development of agricultural entities.
American Farmland Trust report spells out opportunities in local food production

Gives stakeholders an action plan to move forward
• **898,000** + acres of farmland

• **5,536** individual farms

• **$810** million region-wide farm gross economic impact

• **$650** + million in sales at farm gate

• **$25** million in direct sales
Addressing Market Needs

The Eaters Map

Hudson Valley Bounty

Baltimore, MD METRO AREA
Population 2,914,123
Households 2,841,298

Boston, MA METRO AREA
Population 6,343,323
Households 6,137,610

New York, NY METRO AREA
Population 20,911,021
Households 20,447,323

Philadelphia, PA METRO AREA
Population 8,008,166
Households 7,766,343

275 miles

Population 60,460,739
Households 23,020,004

60 Million Mouths Within a Five Hour Radius
We are funded by a wide range of entities

HVADC has leveraged over $4.5 million in funding in 7 years.

- Committed multi-county funding: Dutchess IDA, Orange IDA, Rensselaer IDA, Ulster IDA, Columbia County Planning Department, Washington County Planning Department, and Sullivan County Funding Corporation.
- Orange and Columbia County Ag and Farmland Protection Boards
- SBA, USDA Rural Development, EDA
- NYS Quality Communities Program, NYS Dept of Ag & Markets, NYS Empire State Development Corporation
- Private donors – Northern Dutchess Alliance, Hudson River Bank and Trust, Dyson Foundation, Berkshire Taconic Foundation, and Local Economies Project.
Incubator without walls

**OVERVIEW** Businesses or individuals seeking assistance from HVADC’s Incubator Without Walls Program are advised to be aware of the following:

A complete application must be submitted. The application is available on our website at www.hvadc.org/what-we-do/our-incubator-without-walls/ or by contacting HVADC staff directly.

**APPLICATION PROCESS** Applications are subject to a screening process and HVADC Board approval prior to acceptance into the program and delivery of services.

Services provided by HVADC typically range from $2,000 to $20,000. Applicants are responsible for up to 20% of the cost with HVADC covering the remaining 80%.

HVADC does not have a grant program at this time.

**TESTIMONIALS**

**FARM TO TABLE CO-PACKERS**
Kingston, NY

“As a start-up business we reached out to many groups for assistance, but HVADC was the shining example of what a dedicated staff can do to help a small business. Without HVADC, my business would be struggling to make it, with HVADC we have increased our sales tremendously and are thriving” – Jim Hyland

**CORNWALL COMMUNITY CO-OP**
Cornwall on Hudson, NY

“HVADC provided us with a top quality advisor from their network of professionals who was able to direct us from concept to operation.” – Nancy Prosser

**TWIN MAPLE CREAMERY**
Ghent, NY

“We were seeking financing to expand our operation. HVADC not only found a source of funds, they worked with us from application to closing and in addition to our cheese, we have been able to expand our efforts to sell cheeses from other farmers and artisan producers.” – Matthew Scott

**HUDSON VALLEY SEED LIBRARY**
Averill, NY

“The friendly and approachable staff at HVADC helped get our farm business off to the right start. Their encouragement and resources keep us focused on the long-term success of our business.” – Ken Greene
Regional Processor Procures Local Food and Manufacturers Finished Product

- Bottling, Canning, IQF, and Dry Pack
- Works with over 60 Regional Farms and over 45 Private Labels
- Over 2.5 millions lbs of New York grown product passed through the Kingston, NY facility in 2014.
- Over 5 million lbs of New York grown product since 2011.
- Works with over 40 partner farms
- Covers 12-county region
- Represents 5,000 acres in production

Purchased:
- $200,000 from farms under 100 acres
- $1 million from farms over 100 acres

Spent:
- $500,000 with local food processors

This represents roughly:
- Protein: 250,000 lbs
- Fresh Produce: 20,000 bushels
- Frozen Fruit/Veg: 50,000 lbs
- Cider/Honey/Maple: 10,000 gallons
- Canned Fruit/Veg: 25,000 jars
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Closing Thoughts

**Jim Barham**

*USDA Rural Development*

- Questions and Answers
- Upcoming Opportunities, etc.
Webinars are Archived
NGFN Webinars

3rd Thursday of each month
3:30p EST (12:30p PST)

http://ngfn.org/webinars

- Feb 19: A Look Back, A Look Forward – Grasshoppers Distribution
- Mar 19: The Millions Dollar Question: Food Hub Breakeven Points
USDA Local Food Directories

- **Was**
  - Farmers Markets
- **Now adds:**
  - CSAs
  - On-Farm Markets
  - Food Hubs


Get Connected, Stay Connected

http://ngfn.org/database

National Good Food Network Database

Search for: Wallace Center

You Tube

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