

Galesburg Food Hub

Feasibility Study

NOVEMBER 2013



PREPARED FOR LOCAL FOOD SYSTEM STAKEHOLDERS

Shepherded by the Galesburg Regional Economic Development Association (GREDA)

Leo Dion, President

Derek Shugart, Director, Knox County Development Corporation

Conducted by J3 Concepts

Jennifer Hale, Partner/Principal

Jason Saavedra, Partner/Principal

ACKNOWLEDGMENTS

Special thanks to:

The Sustainable Business Center for providing direct staff assistance with research:

Elizabeth Cockrell, HumanLinks Foundation KnoxCorps Fellow, Spring 2013

Kasandara Sullivan, HumanLinks Foundation KnoxCorps Fellow, Fall 2013

Jenna Muzzio, Local Food and Agriculture Coordinator

Knox College and Prairie Fire Bioneers for holding a community discussion about the project during their 2013 Conference

University of Illinois Extension for providing staff support and assistance with contacting producers

Knox County Farm Bureau for providing free meeting space for Steering Committee meetings

Stakeholders who attended meetings and/or provided input

Mike Arnold, Testa Produce

Amy Brucker, Appleton Hollow

Kyle Cecil, University of Illinois Extension

Leo Dion, Galesburg Regional Economic
Development Association

Trent Ericson, Hy-Vee

Lori Fink, USDA Farm Service Agency

Joyce Harris, Artisan Farms

Judy Hart, OSF St. Mary Medical Center

David Hays, Growing Together, Inc.

Elyse Helms, Growing Together, Inc.

Helmut Mayer, Knox College Dining
Services

Carrie McKillip, University of Illinois
Extension

Chris Mowrer, USDA Rural Development

Jenna Muzzio, Sustainable Business
Center

Dave Rasmussen, Hy-Vee

Peter Schwartzman, Knox College /
Galesburg City Council

Leon & Linda Sherwood, Growers

Anne Patterson, Living Earth Farm

Derek Shugart, Galesburg Regional
Economic Development Association

Jim Stanley, Blue Ribbon Farms

Matt Streit, Hy-Vee

Kasandara Sullivan, Sustainable Business
Center

Audrey Todd, Sitka Salmon Shares

Gary Tomlin, Knox County Produce Farm

Matt Wallen, Growing Together, Inc.

Sarah Willett, Knox County Health
Department

Survey respondents

Individuals who provided phone interviews

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Definitions

While the following terms may have more general meanings, the definitions below relate most closely to the topics discussed in this report.

Aggregation. The process of bringing together two or more harvests of the same product from different farmers/producers to create a larger quantity desired by the buyer.

Broadline Distributor. Food service distribution company that offers a full line of products to a wide array of customers, attempting to be as much a “one-stop-shop” as possible for the buyer.

Brokering. Performing the sale of a product or service on behalf of another in return for a commission.

Buyer. Large-volume purchaser of food products.

Community-Supported Agriculture (CSA). A food distribution arrangement between an individual consumer and a farmer/producer. The individual pays an upfront set amount to a farmer/producer. The farmer/producer delivers a box of harvested food per week during the summer and fall months. With the upfront investment, the farmer/producer is taking on less risk; local dollars are staying within the local economy; and the consumer enjoys fresh local food.

Consumer. Individual who purchases food products for personal or family consumption.

Co-opetition. Co-opetition occurs when companies cooperate with each other in order to achieve a competitive advantage.

Double Taxation (of income). Income is taxed twice: 1) as it is earned by a corporation and 2) as it is distributed to shareholders.

Food Hub. Business or organization that actively coordinates the aggregation, distribution, and marketing of source-identified locally or regionally grown food products from primarily small to mid-sized producers.

Foodshed. The geographic region that produces the food for a particular population.

Good Agricultural Practices (GAPs). A set of principles regarding best agricultural practices in producing, packaging, handling, and storing fruits and vegetables in the safest manner possible to minimize risks of microbial food safety hazards.

Limited Liability Company (LLC). A business model that blends the pass-through taxation benefits of a partnership limited liability benefits of a corporation.

Merchandising. Using various strategies such as product design, packaging, selection, pricing, and display that encourages consumers to purchase products.

Overhead. Ongoing expenses related to the operation of a business such as rent, utilities, and wages.

Pass-Through Taxation. A company that takes advantage of pass-through taxation is not directly taxed, and the tax burden is instead passed on to owners, members, or partners, avoiding double-taxation.

Primary Data. Information that has been collected first hand by the entity responsible for reporting. Most common sources of primary data include surveys and interviews.

Processing. The act of altering a food product from its raw state to prepare for the end consumer needs. This can be accomplished through heating, freezing, acidification, or cutting.

Producer. A food business that grows or creates a food product.

Secondary Data. Relevant information used for general reporting that is gleaned from a source that conducted primary research.

Specialty Crops. Fruits and vegetables, tree nuts, dried fruits and horticulture and nursery crops, including floriculture.

Stakeholder. A person or group who expresses interest in or may be affected by the dealings of another entity.

Sustainable. Having the capacity to maintain.

Virtual Aggregation. Providing an online location where products from multiple sources are sold.

Wholesale. Sale of products to any entity other than the end consumer.

Executive Summary

Under the leadership of the Galesburg Regional Economic Development Association (GREDA), stakeholders in the Galesburg region have initiated a feasibility study to begin the formal process of developing a food hub in their region. Food hubs actively coordinate the marketing, aggregation, and distribution of local food products and may perform additional functions such as processing, storage, and delivery. GREDA has contracted with J3 Concepts, a planning and community development consulting firm, to carry out this study. This study does not offer a yes/no answer regarding the feasibility of a single food hub model, but rather offers a short menu of feasible models and strategies that will take shape during subsequent planning stages.

Purpose

This study will serve multiple purposes in working toward realization of a more sustainable local food system. The study process and final product will:

- Provide a **solid foundation** upon which future development stages can take place
- Bring multiple, diverse **stakeholders** to the table to network; forge positive relationships; expose otherwise hidden ideas and resources; and provide a forum for discussion
- Consolidate information about alternatives into a short menu of options in order to **facilitate stakeholder decision-making and consensus**
- Offer sound, concise **recommendations** for future development stages
- Offer greater **legitimacy** for the local food hub development effort with written documentation of due diligence and stakeholder input
- Develop **leadership** among stakeholders and encourage stakeholder **ownership and responsibility**

Vision

The first order of business in conducting this study involved bringing a group of interested individuals together to develop a common vision. After participating in a visioning exercise, stakeholders developed a vision statement:

"The food hub will provide collaborative, sustainable infrastructure where producers, wholesalers, and consumers can have their economic, educational, and nutritional needs met using safe, high-quality local food products."

Scope

As one of the initial steps in a strategic approach to food hub development, a feasibility study takes a holistic view of the future enterprise and its external environment, within certain limitations and using the most relevant data available.

Throughout this feasibility study process there has been discussion of the *Five W* concept; that is, in laying the foundation for a successful enterprise, the group must seek out answers to these five basic questions: **Who?** **What?** **Where?** **When?** and **Why?** The feasibility study addresses the Five Ws by focusing on the question of *Why* while providing background information to inform answers to the remaining questions.

This study aims to take on its role in addressing the Five Ws within a short timeframe, using the best available data and in contending with certain limitations. Several steps were taken toward completion of the feasibility study, including stakeholder Identification, visioning, information gathering, administration of surveys, data analysis, and drafting of the study document. The project was initiated in July of 2013 and concluded on November 2013.

Alternative Food Hub Models

The two most fundamental decisions that must be made in establishing a food hub are regarding its ownership structure and operational model. This study compares three ownership model alternatives with their strengths and weaknesses, detailed in the matrix below:

	Cooperative	Private Company	Non-Profit Organization
Strengths	<ul style="list-style-type: none"> ● Democratic governance ● Greater member oversight ● Agreement = resilience ● Flexibility during times of change ● Access to cooperative-specific resources 	<ul style="list-style-type: none"> ● Limited personal liability option for owners ● Greatest ability to attract investors 	<ul style="list-style-type: none"> ● Eligible for grants ● Can receive tax-deductible contributions from sponsors ● Income is tax-free ● Can charge a smaller fee for services
Weaknesses	<ul style="list-style-type: none"> ● Ineligible for many grants ● Reliance upon member agreement ● May not be looked upon as favorably by lenders or outside investors 	<ul style="list-style-type: none"> ● Less stability and continuity ● Generally cannot receive direct grant dollars ● Generally higher tax rates on income 	<ul style="list-style-type: none"> ● Obtaining funding can be difficult and time-consuming ● No direct ownership
Other Considerations	<ul style="list-style-type: none"> ● Cooperatives becoming increasingly common and should gain in reputation 	<ul style="list-style-type: none"> ● LLC structure generally recommended due to combination of taxation and liability limitation benefits 	<ul style="list-style-type: none"> ● Opportunities to partner with related organizations

Three operational models are also discussed and compared:

	Aggregation Center	Online Aggregation Center	Local Food Organization
Services	<p>Primary</p> <ul style="list-style-type: none"> ● Aggregation, storage, and cooling ● Joint marketing ● Crop planning ● Liability insurance <p>Secondary</p> <ul style="list-style-type: none"> ● Distribution ● Business development ● Labor pool ● Food safety certification 	<p>Primary</p> <ul style="list-style-type: none"> ● Joint marketing ● Virtual aggregation ● Crop planning ● Liability insurance <p>Secondary</p> <ul style="list-style-type: none"> ● Distribution ● Business development ● Labor pool ● Food safety certification 	<ul style="list-style-type: none"> ● Joint marketing ● Business development ● Coordination of resource sharing ● Crop planning ● Access to grant monies
Facility	<ul style="list-style-type: none"> ● Multi-zone cooling areas ● Central location ● Raised loading dock ● Adequate square footage to accommodate peak volumes 	<ul style="list-style-type: none"> ● Website ● Office space ● Use of meet-up location 	<ul style="list-style-type: none"> ● Office space ● Coordination of shared facility use
Revenue	<ul style="list-style-type: none"> ● Storage and cooling fees ● Brokering commissions ● Margin on resale of any purchased product ● Delivery fees ● Membership fees 	<ul style="list-style-type: none"> ● Brokering commissions ● Membership fees ● Website sponsorship/ advertising revenue ● Delivery fees 	<ul style="list-style-type: none"> ● Membership fees ● Sponsorship revenue ● Charitable donations ● Sales of promotional merchandise

Market Analysis

Possibly the most important component of this study is a base-level analysis of the local market in the Galesburg region. Throughout the feasibility assessment process, we repeatedly discussed that there is no template for establishing a food hub or other local food enterprise. This section offers insight into the local market by covering the following topics:

Existing Network. Nodes in the existing local foods network in the region, including potential partners as well as competitors, are identified and discussed.

Demand and Supply. A base level analysis of both primary and secondary data sources begins sketching out a picture of the market in which a future local food enterprise could find its place.

Opportunities. Some additional opportunities for competitive advantage are explored.

Challenges. Challenges unique to this food hub's development are outlined.

Recommendations

In bringing together the information gathered through this study, the following set of categorized recommendations is offered:

Local

Define local. Have a discussion among stakeholders about what local means, come to a decision, and document that decision among the organization's policies.

Consider flexible localism. Successful food hubs that are not close to a major urban center face the challenge of moving enough product to reach break-even. Consider tapping into the greater network to bring in and sell a diverse mix of products.

Explore local partnerships. Reach out to potential partners, even if they can be perceived as competitors, to discuss mutually beneficial business relationships.

Satisfying Demand

Grow new farmers. More supply will be needed in order to launch and to grow. One way in which to do this is to encourage entrepreneurs, young and old, to start farming.

Grow interest among existing producers. There are undoubtedly people in the region that would jump on board if the conditions were right. Get to know what those conditions would be and strive to make those conditions happen.

Identify resources for scaling up. Once producers are interested in taking the next step to ramp up production, they must be prepared to do so. Connect them with resources that will assist them in taking on this potentially high degree of risk.

Act like a business. Despite the increasing demand for local foods, the market is not yet at a point where suppliers can make demands of their customers. A food hub and its producers must be willing and able to understand and meet buyer needs in order to ensure success.

Generating Demand

Educate the consumer. The consumer is the ultimate driver of demand. Think of ways to create environments in which people who are not likely educated about the value of local foods are able to participate in some sort of meaningful learning experience.

Food Safety/Regulations

Follow the Food Safety Modernization Act (FSMA) closely. The Food and Drug Administration's (FDA) implementation of FSMA may substantially affect food hubs. The public comment period ends on November 15, 2013, after which a final version of the regulations will be released.

Consider GAP certification alternatives. Local buyers may not be educated about the producers' ability to obtain certification and implications for their ability to source local products. Take steps to understand exactly what GAP certification would cost, and share this information with buyers.

Follow the USDA's group gap pilot program. A pilot project for USDA group GAP certification was undertaken in 2012 with favorable results. The USDA may begin to offer group GAP and GHP audits in the near future.

Next Steps

Business Plan

The next step after completion of the feasibility study is the business plan. You might be ready to develop a business plan if:

- A core group of producers and buyers have been identified and are interested in proceeding
- There is consensus among stakeholders regarding:
 - Overarching vision of the organization
 - The desired ownership model
 - The desired operational model
 - Definition of *local*
 - Food safety practices
 - Other factors deemed important to this group
- Interested producers are open to scaling up operations and to adjusting practices to meet buyer demands

Fundraising

Possible methods of funding or financing the food hub's startup and daily operations should be considered throughout the entire process. Funds typically come from investors, loans, and/or grants. Investors and lenders need to see certain deliverables before they can make a decision, and their requirements will vary. Approach them early on with initial conversations in order to better understand their needs. Grants must be researched on a continual basis and timing is important as availability periods are limited.

Launch

You might be ready to launch if:

- A core of at least one or two anchor buyers and enough dedicated producers to adequately meet their needs has been identified
- Implications of new and existing food safety regulations are fully understood
- A plan for food safety and product traceability is in place
- Stakeholders understand that full financial sustainability will take several years – in some cases up to a decade. Research suggests that annual revenues may need to reach several hundred thousand in order to reach break-even.
- Sources of funding have been identified and locked in



Introduction

This study is being conducted at an exciting time, as our nation is incrementally awakening to the need for more localized food production. After decades of experiencing the hidden costs of an industrialized, globalized food infrastructure network, citizens across the nation are demanding a more local alternative. In response, farmers, entrepreneurs, researchers, advocacy groups, local governments, and everyday citizens are joining together across the nation to take action in order to foster more localized food production and consumption. These communities are examining their local food systems (or ‘foodsheds’), developing strategies, and taking action to affect positive change.

Ventures such as farmer’s markets and community-supported agriculture (CSAs) are examples of ways in which entrepreneurs are responding to this increasing demand. Acting as small nodes of supply, these operations are supplying locally-produced foods to our communities but are not designed to meet the demands of larger markets by themselves. However, acting together, with the assistance of supportive infrastructure, these smaller nodes can form a network that opens up increasingly greater opportunities.

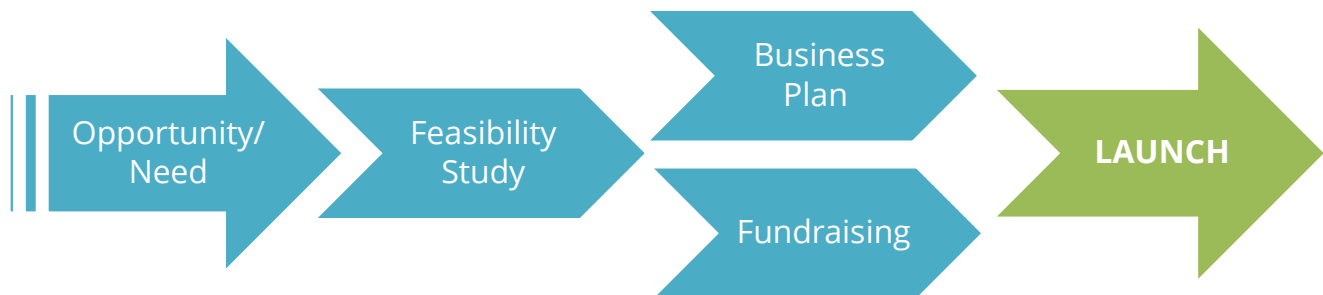
These networks are called **food hubs**. As of the publishing of this study, more than 200 food hubs have been identified as operational in the United States. Most food hubs are new operations and have launched within the past five years.¹ These organizations actively coordinate the marketing, aggregation, and distribution of local food products. Most hubs perform additional functions such as processing, storage,

and delivery. These services enable smaller producers to access larger markets by providing economies of scale that can be competitive enough to gain market share.

In order to successfully launch, food hubs are developed using a series of organized steps that serve to reduce risk and gradually construct a sustainable business arrangement. The development process typically spans several years. Figure 1 below outlines the development process that successful food hubs generally follow. This process is loosely based on the phase-gate approach to business development, in which each phase has a distinct purpose separated by a discussion and decision-making period.

With this method, a feasibility study is initiated after discovery of a need or opportunity and after some degree of initial research and discussion has taken place regarding the ways in which the need or opportunity can be addressed. The Feasibility Study phase sets the stage for business planning, where results are expanded upon in making specific decisions regarding operations, marketing, and finances. The Business Plan stage is initiated after detailed deliberation on feasibility study results and after there is substantial agreement regarding the most important factors. Throughout the Business Plan phase, fundraising efforts occur in tandem, as appropriate. Once the business plan has been finalized and funding is secured, the business can officially launch and begin operations. Important considerations regarding steps in the development process beyond the Feasibility Study phase are discussed in greater detail below under the “Next Steps” section.

Figure 1: Stages in a successful food hub development process



This Galesburg food hub initiative is now in the Feasibility Study phase. To date, some research has been conducted by stakeholders regarding the possibility of establishing a food hub in the Galesburg region. Previous efforts in coordinating the sale of local foods have been unsuccessful, and this group would like to take an inclusive, community-based, strategic approach in order to ensure that a more sustainable local food system can be attained.

The strong interest shared among several stakeholders in moving forward with a sustainable solution has led to the initiation of this feasibility study, under the leadership of the Galesburg Regional Economic Development Association (GREDA). J3 Concepts (J3), a planning and community development consulting firm specializing in local food system development, has been retained by GREDA to carry out the study.

Purpose

Stakeholders in the Galesburg region have been researching and discussing options for increasing the financial sustainability of local food entrepreneurs for many years. Recently, the discussion has turned toward a strong desire to take action, and a feasibility study was initiated after some preliminary research on food hubs pointed toward promising opportunities for strengthening the local foods market in the region.

This study will serve multiple purposes in working toward realization of a more sustainable local food system. The study process and final product will:

- Provide a **solid foundation** upon which future development stages can take place
- Bring multiple, diverse **stakeholders** to the table to network; forge positive relationships; expose otherwise hidden ideas and resources; and provide a forum for discussion
- Consolidate information about alternatives into a short menu of options in order to **facilitate stakeholder decision-making and consensus**
- Offer sound, concise **recommendations** for future development stages
- Offer greater **legitimacy** for the local food hub development effort with written documentation of due diligence and stakeholder input
- Develop **leadership** among stakeholders and encourage stakeholder **ownership and responsibility**

Vision

At their core, food hubs are collaborative enterprises. Even those that are privately owned as a sole proprietorship require a network of strong relationships built on trust and mutual agreements in order to be successful. With this in mind, the first order of business in conducting this study involved bringing a group of interested individuals together to develop a common vision.

At the first meeting of this group, which was called the study Steering Committee, attendees participated in a visioning exercise in order to help the group better understand each other's thoughts, values, beliefs, and motivations. The exercise began with one question:

What would an ideal food system look like to you?

Participants recorded their thoughts on sticky notes and were allowed to express as many aspects of their ideal food system as they liked. They then gathered together and, literally, laid their ideas out on the table. Without speaking to each other, participants worked together to rearrange notes into common themes.

Facilitators then guided the group through a discussion of the underlying themes. The discussion enabled the group to sketch out a collective concept of an ideal food system for the region. This concept included the following themes:

Table 1: Themes distilled from stakeholder input regarding an ideal food system

Access	Financial Stability	Public Health
High Quality Products	Food Safety/Security	Education
Sustainability	Infrastructure	Networking
Jobs	Co-opetition	Nutrition in Schools
Efficiency	Communication	Convenience

The discussion of these themes led to the development of a common vision statement. While not an official vision statement for the future food hub, this statement reflects a consensus view of the Steering Committee and sets the direction for the feasibility study.

“The food hub will provide collaborative, sustainable infrastructure where producers, wholesalers, and consumers can have their economic, educational, and nutritional needs met using safe, high-quality local food products.”

Scope

As one of the initial steps in a strategic approach to food hub development, a feasibility study takes a holistic view of the future enterprise and its external environment, within certain limitations and using the most relevant data available. While feasibility studies vary in scope, certain elements of scope are of fundamental importance while others are optional and may be included depending on various factors.

This study offers the following fundamental elements:

Visioning. The authors of a feasibility study must have some understanding of stakeholders' collective vision as it will guide the direction of the study. This study brought stakeholders together in an intentional, inclusive setting in order to develop a common vision and direction.

Industry and Market Information. A broad view of current industry trends and market information are provided as a foundation for strategic planning.

Ownership and Operational Model Alternatives. A short menu of ownership and operational models is outlined in an effort to better inform future discussion among stakeholders regarding alternatives.

Data from Primary Sources. Surveys were conducted in order to obtain primary data from producers and buyers, and results were analyzed for patterns and relevance.

Local Market Analysis. Survey data was combined with interviews, observations, and secondary data in highlighting certain aspects of the local foods market within which the future hub will operate.

Recommendations. Given the analysis, recommendations were compiled and are presented in this study to prepare the group for future strategic development phases.

This study does not include the following, more in-depth elements that many feasibility studies include:

Site/Facility Analysis. It is too premature in this food hub's state of development to begin the process of analyzing potential sites. In order for this to be possible, the group should either already be strongly leaning toward one operational model or be in the process of selecting among two alternatives. Some studies even prescribe the options for the group and build the analysis on the assumption that the group will choose that model. We do not recommend conducting this step during the feasibility assessment stage. The only exception would be if the group has already made a sound decision based on significant previous research, in which case the study is purely a marketing tool for potential funders. That is not the case with this study.

Financial Projections. It is possible to generate meaningful financial projections only after a certain point in a food hub's development, after a core group of stakeholders has been identified and those stakeholders have come to a consensus regarding important aspects of the business. At that point, reasonable assumptions can be made in order to estimate the hub's sources and uses of funds. This study does not attempt to forecast financials for the hub given its early status. Financial projections must be incorporated into the Business Planning phase and will be necessary before approaching potential funders.

Case Studies. Some feasibility studies include case studies, or analog studies. These can be helpful, if they are presented in a manner that does not encourage direct comparison and if the

audience to which they are presented is sufficiently skeptical of their relevance. In addition, numerous case studies are available on-line and existing food hubs are typically very willing to share information with other food hubs. Given these facts, and given the restricted time frame of this study process, case studies are not included. Instead, a list of resources for case study research is made available in the “Resources” section.

Approach & Methods

The “Five Ws”

Throughout this feasibility study process, there has been discussion of the *Five W* approach. That is, in order to feel as secure as possible about launching this new venture, stakeholders must have a reasonable level of comfort in the answers to these five basic questions: **Who?** **What?** **Where?** **When?** and **Why?** The feasibility study plays a specific role in beginning to address the Five Ws:

Who? A feasibility study begins the process of formal outreach in order to identify **who** will ultimately be participating and benefiting from the formation of a food hub enterprise. Depending on the group that ultimately decides to shepherd this venture forward, the final answer to this question is determined at the time of launch and may fluctuate as the business evolves and grows.

What? The role of the feasibility study is also to begin the formalized process of determining a number of *Whats* relating to various aspects of the business. For example, **What** will make up the set of policies that govern the daily operation of the hub? **What** will be the membership fee? A great number of *Whats* will be answered through the development process as a whole. The feasibility stage acts to distill the mountain of details that lie ahead into an organized set of feasible options from which stakeholders can choose to build their enterprise during future stages.

Where? One of the more exciting questions, “Where?” is also fully answered at a later stage. Even if there is a prospective location identified early on that appears to be the obvious choice, full consideration must be given to all possible sites at the appropriate time. Through stakeholder meetings and other communication, the feasibility study process has the potential to bring about ideas for possible location(s) that can receive more serious consideration during the business planning stage.

When? There are two different, partially overlapping aspects to the *When* question in this process: one regards seasonality and timing activities with the growing season, and the other has to do with the time it takes to reach different milestones in the food hub’s development. A feasibility study can address the seasonality question by offering a suggested timeline of next steps, keeping in mind the natural annual cycle of planning and action inherent in farm production. The study can also make recommendations regarding the ideal timing of milestones, but the length of time between milestones can vary greatly depending on a number of external factors including funding availability, degree of stakeholder engagement, and a number of others.

Why? The most fundamental of all of the Five Ws, *Why* takes into consideration the driving factors behind the project. Though the *Why* has already been given significant thought before the feasibility study, the process of the study draws out and documents these reasons with clarity.

Work Plan

This study attempts to address the Five Ws within a short timeframe, using the best available data, and in contending with limitations outlined below.

Project Phases and Timeline

Several steps were taken toward completion of the feasibility study, including:

Stakeholder Identification. J3 worked with GREDA staff to identify and bring together a group of stakeholders to participate on a feasibility study Steering Committee. The resulting core group included representatives of producers, buyers, agencies, and non-profit organizations who expressed an interest in the project.

Visioning. Stakeholders were brought together and led through a visioning exercise, outlined in the “Vision” section above. The result was the development of a vision statement, which set the direction for study development.

Information Gathering. J3 and GREDA staff researched a number of information sources and reached out to stakeholders in attempting to gather the most relevant information available.

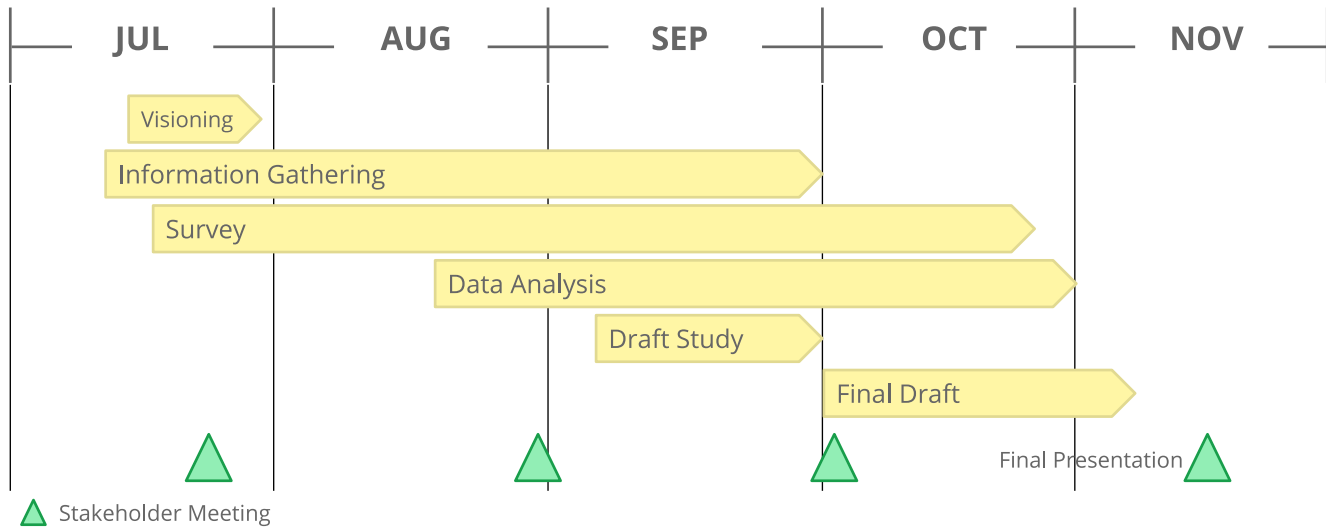
Surveys. J3 developed short surveys tailored to both producers and buyers in the region.

Data Analysis. Data and information gathered throughout the process were distilled and analyzed in order to develop the insight and recommendations made in this report.

Draft Study. A preliminary document was prepared for submission for an October 1 deadline for purposes of the grant. The document included background information but did not yet make any recommendations based on the local market.

Final Draft. A final draft of the document was prepared and a summary presentation was made regarding final recommendations.

Figure 2: Feasibility study work plan and timeline - 2013



Data

This study relies on data gathered from primary and secondary sources, as outlined below:

Primary Sources

- Input gathered during Steering Committee meetings
- Interviews with stakeholders
- Producer and buyer surveys

Secondary Sources

- Producer and buyer databases combined from multiple sources
- Multiple existing reports and databases (see Bibliography for full list)

Surveys

Producer and buyer surveys were developed for the purpose of gathering information regarding the local foods market in the region. J3 compiled draft survey instruments based on previous experience and on the nature of the information that would be necessary for this study. Draft instruments were presented to the Steering Committee with no objections or suggested edits. The survey was then created in both on-line and PDF formats and was distributed via the following channels:

- E-mail list developed by J3 Concepts from multiple sources
- E-mail list used by the local University of Illinois Extension office (targeted at producers)
- Face-to-face visits to local businesses by GREDA staff and other Steering Committee members
- Phone calls done by Sustainable Business Center staff to a list of local buyers compiled by J3 Concepts and the project team
- A postal mailing to producers on the list for whom an e-mail address was not available

The survey was originally going to be made available from mid-August until the end of September. However, a decision was made to extend the survey period through October 25 in order to bring in the most surveys possible. Results of the survey are discussed in the “Survey Results” section and are referenced throughout the report. Full survey instruments can be found in Appendix A.

Steering Committee Meetings

The Steering Committee met regularly throughout the study period. These meetings allowed stakeholders the opportunity to learn about and participate in the feasibility study process, forge positive relationships, and to partake in a neutral discussion forum. In these meetings, the group began the process of developing consensus and exposed otherwise hidden ideas and resources.

Meetings were initiated by GREDA staff and facilitated by the J3 team. Originally J3 had proposed two meetings of the Steering Committee for the duration of the project, followed by a final presentation of the study. However, participants expressed a strong desire to continue meeting at regular intervals, and the consultants agreed to facilitate a third meeting before the final presentation.

Limitations

Primary end-consumer preference data not available. The end-consumer will ultimately determine the demand for local food products in any market. The attainment of this data in primary form is beyond the scope of this study. These preferences were exposed to an extent through the buyer survey and interviews as well as secondary sources.

Inability to collect local market data from all potential producers and buyers. Reasonable efforts were made by the project team to identify and reach out to these groups, but many will be missed despite these efforts. In addition, some entities who were contacted may have opted not to complete a survey for a variety of reasons. It is common for people to be reserved or skeptical when a new concept is introduced. It may be possible to receive feedback from these entities at a later time, when greater awareness is created about the project. A list of producers and buyers who could not be reached is available in Appendix B for future reference.

The study cannot guarantee success. As with any business venture, planning for success requires a certain amount of guesswork. However, it is possible to expose information that can enable strong, educated guesses to be made. Planning ahead reduces the amount of uncertainty and risk involved in launching a business, but there is always a possibility of failure.

Ultimate success depends on those who take ownership. While external factors will certainly also affect success, the entity or entities who carry this business to fruition and play a role in its upkeep ultimately determine its fate.

Roles & Responsibilities

At the first Steering Committee meeting, attendees discussed the need to assume particular roles and responsibilities that corresponded with respective areas of expertise, resources, and stakeholder status. In order to facilitate the study development process, the following roles and responsibilities were presented and agreed upon by those in attendance:

J3 Concepts

- Facilitate visioning among leadership team
- Work with stakeholders to gather as much relevant information & data as possible
- Analyze data and apply previous experience in developing recommendations

Steering Committee

- Assist J3 with gathering necessary information
- Provide honest, constructive feedback throughout study development process
- Assert a leadership role in moving the project forward



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Local Food Systems

During the initial stages of this project, and before delving into the specific discussion of a food hub, the project team and Steering Committee discussed the broad concept of local food systems. Specifically, these systems were contrasted with the globalized, efficient industrial food production and distribution systems that supply the overwhelming majority food consumed by United States citizens. Discussion topics included the definition of the term “local” as well as the unique dynamics, including advantages and challenges, seen in local food markets. A summary of these topics and supplementary discussion follows.

What is “Local”?

Is there a universally accepted definition of local in the concept of local food systems? The short answer is: “No.” The reason for this is simple: it depends both on the market in question and the context of the food products being discussed. Each community, however, may choose to define its local foodshed. In deciding on this definition, a number of factors can come into play:

Feasibility of localized food production. Various factors can reduce or restrict the ability of producers to develop products in a location that is nearby the population that will consume them. For example, in more urbanized communities, less agriculturally-zoned land is available within given proximity to the consumer, meaning that “local” is further away. In another example, certain crops can flourish in particular climates and not in others.

Producer capacity in a given location. While demand for more local food clearly exists in our communities, the ability of the producers that are operating locally to satisfy that demand can vary. This may or may not influence a definition of local. As a community attempts to define its foodshed, it may decide to include a “less local” producer that has the capacity to satisfy a particular demand component.

Regulatory environment. In the regulatory environment in which local food systems operate, overlapping geographic boundaries tied to some regulations can affect the feasibility of sourcing from certain locations. This may encourage a definition local that is tied to certain political boundaries. For example, a group of meat producers near a state border may choose not to sell to customers across that border due to state-level differences in health department requirements for processing.

In response to these factors, those who focus on the question of *local* may choose to arbitrarily adopt some commonly used definition. Alternatively, others adopt the concept of flexible localism - that is, “local” becomes “as close as possible”. Some common definitions include:

- Produced within X number of miles of a consumer base
- Produced within the same state
- Produced in counties surrounding a consumer base

While this study does not attempt to define *local* for this local food enterprise, parameters had to be placed on the study’s market area in order to facilitate analysis. This study focuses on two loosely-defined catchment areas: a radius of 50 miles and a radius of 100 miles. These are discussed further in the “Market Analysis” section and at other points throughout the study. The ultimate decision regarding the definition of *local* for this future business rests on those who take the lead in bringing it to reality. Responses to the producer and buyer surveys, summarized in the “Survey Results” section below, shed some light on what stakeholders are thinking with respect to the definition of local. This insight should be supplemented with additional research and more in-depth discussion before a decision is made prior to launch.

Local Food Markets

Demand for local

The clear increasing demand for local food products is seen in markets throughout the nation. There are a number of sources that suggest that this trend has not only grown in recent years, but also shows a strong likelihood of future growth. The number of farmer's markets across the nation has increased from 1,755 markets in 1994 to 8,144 markets in 2013.² The number of CSA operations in the US has also grown dramatically from two (2) in 1986³ to an estimated number of at least 4,000 in 2013.⁴ An annual survey of chefs conducted by the National Restaurant Association has ranked locally-produced meats, seafood, and produce as the leading items among the top 20 food trends of the past several years.

Barriers to meeting demand

In many markets, the demand for locally-produced food products far outpaces available supply, particularly within wholesale markets. Two types of barriers tend to cause this type of market gap: obstacles that discourage or disable producers from meeting supply, and hurdles that make purchasing local products impracticable.

Barriers on Producers

Mid-size and large volume producers who have managed to overcome barriers are already working diligently to meet this gap in the market. The greatest opportunities lie in situations where few or no mid-size or large operations exist, where small growers can scale up production to meet the gap.

In reality, smaller operations tend to face significant barriers in scaling up. Those barriers to scaling up might include:

Cost. Moving from a smaller-scale, direct-to-consumer operation to producing large volumes for wholesale can mean significant investment and increased ongoing expenses. Capital investments such as new equipment, land, and facilities are typically required. Additional costs could include increased labor, purchase of materials for processing and other purposes, additional liability insurance, and food safety certification costs.

Learning new methods. Producing for wholesale markets is quite different from producing for the end-consumer. Methods of cultivation, harvest, and post-harvest handling change significantly. Producers may not have knowledge of these methods or how to implement them. Also, larger buyers are more likely to require stricter food safety protocols which usually demand changes in methods such as implementation of traceability and the record keeping processes.

Time. Increasing production means more time is required of the producer. The need to understand the demands of larger buyers and to learn new methods requires research,

preparation, practice, and refining new operational processes. Planning becomes more complex as wholesale buyers have specific requirements that tend to vary among buyers, and the stakes are higher when attempting to meet larger volumes. Marketing, sales, and relationship-building are also required, and these also take time.

Labor. Larger operations mean more manpower to get everything accomplished. A source of skilled, reliable labor not only costs more, it is also frequently difficult to find.

Additional risk. Producers are faced with several new sources of risk when supplying wholesale. As mentioned before, more production means higher stakes with respect to finding markets for a product. Even if a contract is secured, there is always a possibility that product could be rejected by the buyer on delivery or, even worse, buyers could back out of contracts for various reasons. In a competitive environment, there could also be uncertainty regarding marketability of product as compared with that of competitors.

Lack of supportive infrastructure. There is a general lack of mid-scale processing facilities, which are needed for products such as meat and poultry. Existing facilities tend to be small, custom slaughterhouses that would not be able to handle the demands of processing for wholesale producers or large facilities tailored to the industrialized food system. Gaining access to an inspected commercial kitchen for certain types processing can also be a challenge.

Regulatory environment. Producers experience confusion and uncertainty regarding the applicability, scope, and jurisdiction of regulations on wholesale production and sales, particularly in dealing across county or state lines. In addition, new regulations are being proposed at the national level that could have an impact on local food enterprises.

Access to land. For various reasons, small producers may either have no access to additional land for expansion or face obstacles to conversion of land to production of specialty crops or livestock.

Barriers Experienced by Buyers

Despite efforts to satisfy their customers' demand for locally-produced products, wholesale buyers sometimes run into challenges that discourage purchasing of these products.

Inconsistent availability. Smaller suppliers cannot provide products as consistently as conventional distributors can.

Dealing with multiple suppliers. In order to find a consistent supply and variety of the products that buyers need, buyers typically need to deal with dozens of different producers. The variation in practices among producers as well as the time required for coordination can discourage buyers.

Delivery issues. Buyers may have to arrange for pick-up of product or otherwise have to coordinate multiple deliveries for local products in contrast to a conventional distributor where they could submit one order for one delivery.

Existing contracts with vendors. Buyers may already be locked into contracts with certain suppliers which disallow purchasing from another source.

Company/institutional policies. Some buyers have policies that, intentionally or not, preclude sourcing from a local producer, or they may build supplier relationships into their policies.

Negative experiences. Buyers who have tried sourcing local but ran into problems may assume that future experiences will be the same.

Role of Food Hubs

The primary purpose of food hubs is to reduce barriers discussed above. Food hubs do this by providing infrastructure and support services to bridge the gap between local producers and buyers. They can do this in a variety of ways:

Aggregation. Food hubs bring food products together, either virtually or in a physical facility, from multiple sources in order to meet the demands of buyers and provide a more consistent supply of quality products at a more affordable price.

Marketing. Hubs perform various sales and marketing functions for producers, enabling them to connect with buyers and spend less time on these activities.

Coordination. Food hubs help producers plan production based on buyers' needs and facilitate the purchasing process for buyers.

One-stop shop. Buyers conduct single transactions with the food hub rather than with dozens of small producers.

Distribution. Some hubs provide pickup and delivery services or otherwise actively coordinate the contracting of these services.

Packing and/or processing. Some hubs also offer additional services in order to provide products in the form that the buyer needs. For example: washing, sorting, packaging into particular quantities, or even adding value by transforming raw product into a processed form.

Reduction of risk for producer and buyer. Hubs can offer reduced risk for individual producers with umbrella liability and other types of insurance and a more consistent outlet for products. Buyers can be assured of a more consistent supply of product and of food safety through implementation of umbrella food safety protocols.

Shared resources. As inherently cooperative enterprises, food hubs are in a position to serve producers with additional resources that they otherwise would not have access to, such as shared equipment, facilities, a labor pool, access to technical assistance, or volume purchasing of materials.



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Alternative Food Hub Models

The two most fundamental decisions that must be made in establishing a food hub are regarding its ownership structure and operational model. This section outlines issues associated with each decision in a simplified way in order to facilitate comparison of available options. This simplification, however, can be deceiving. Reaching a final decision will involve much discussion and consideration of all aspects. This process is a vital step toward realization of the food hub and should not be taken lightly.

Ownership Structure

There are three basic ownership structures that a food hub can follow: Cooperative Business, Private Company, and Non-Profit organization. Outlined below are the predominant ownership structure models currently utilized by food hubs in the United States. Each alternative has benefits and challenges, summarized in Table 2 and detailed below.

Table 2: Ownership structure comparison matrix

	Cooperative	Private Company	Non-Profit Organization
Strengths	<ul style="list-style-type: none"> ● Democratic governance ● Greater member oversight ● Agreement = resilience ● Flexibility during times of change ● Access to cooperative-specific resources 	<ul style="list-style-type: none"> ● Limited personal liability option for owners ● Greatest ability to attract investors 	<ul style="list-style-type: none"> ● Eligible for grants ● Can receive tax-deductible contributions from sponsors ● Income is tax-free ● Can charge a smaller fee for services
Weaknesses	<ul style="list-style-type: none"> ● Ineligible for many grants ● Reliance upon member agreement ● May not be looked upon as favorably by lenders or outside investors 	<ul style="list-style-type: none"> ● Less stability and continuity ● Generally cannot receive direct grant dollars ● Generally higher tax rates on income 	<ul style="list-style-type: none"> ● Obtaining funding can be difficult and time-consuming ● No direct ownership
Other Considerations	<ul style="list-style-type: none"> ● Cooperatives becoming increasingly common and should gain in reputation 	<ul style="list-style-type: none"> ● LLC structure generally recommended due to combination of taxation and liability limitation benefits 	<ul style="list-style-type: none"> ● Opportunities to partner with related organizations

Cooperative

A cooperative business (co-op or coop) is owned directly by its members who contribute a set investment fee in exchange for an ownership share. Co-ops are governed by a board of directors that is elected by its members. Though co-ops can be for-profit or non-profit entities, food hubs typically take on a for-profit co-op business structure since most tax-exempt benefits do not apply to non-profit cooperatives.

Cooperatives adhere to a set of principles,⁵ including:

Voluntary and Open Membership. A co-op should be open to any individual or business able to use its services and willing to accept the responsibilities of membership.

Democratic member control. A co-op is controlled by its members, with members taking an active role in its leadership and holding equal voting rights. Leaders are accountable to the membership.

Member economic participation. Members share democratic control over capital. Any member compensation is determined based on criteria that reflect each member's transactions within the co-op.

Autonomy and independence. A co-op should make every effort to remain independent, and any agreements made with outside entities must be carried out in terms that do not compromise member control.

Education, training, and information. Co-ops provide education and training for their members to ensure progressive development. They also inform the public about the benefits of cooperation.

Cooperation among cooperatives. Co-ops cooperate with each other and contribute positively to the cooperative movement.

Concern for community. Co-ops work toward the sustainable development of their communities through policies approved by their members.

Cooperative

Strengths

The strengths of a cooperative business derive from its structure and democratic model of governance. Each member is invested in the co-op and shares control equally with one vote per member. Members have greater oversight of the business as compared with some other models. If members are in agreement, the cooperative nature of the business can result in greater resilience and efficiency. A cooperative structure can bring less disruption during times of change. Members can join or leave the business without the need to form new operating agreements and/or causing dissolution. With co-ops, members are shielded from personal legal and financial liability of the business. Finally, cooperatives can more easily access certain funding opportunities and other resources geared specifically toward cooperative development.

Weaknesses

Efficient operation of the democratic governance structure relies on agreement among members, meaning decision making may be difficult and/or slow in some situations. Due to the fact that cooperative businesses are considered an "unconventional" business structure, some lenders or investors who are unfamiliar with them may be less likely to lend or invest in the business. Cooperatives may not qualify for certain funding opportunities such as grants.

Private Company

Privately held companies exist with the primary purpose of bringing the greatest possible return on their owners' investment. Private food hubs generally exist in two different categories: those owned by the producers themselves and those owned by businesspeople. A variety of options exist with respect to private business ownership structure.

Partnership. Of all the models discussed here, privately held partnerships are the simplest and typically the least costly to form. A partnership is a for-profit company that is directly owned, financed, governed, and usually operated by two or more partners in accordance with a Partnership Agreement.

Corporation. Corporations are owned and financed by shareholders, who elect a board of directors to govern the business. Corporations can be C or S corporations, each with different advantages and disadvantages.

Limited Liability Corporation (LLC). Increasingly the popular choice for small businesses, LLCs offer some benefits of both partnerships and corporations while avoiding some of their disadvantages. The LLC is owned, financed, governed, and usually operated by one or more members in accordance with an Operating Agreement.

Private Company

Strengths

Different business types offer differing strengths. Partnerships, LLCs, and S corporations benefit from pass-through income taxation, which reduces the overall tax burden and can simplify the tax payment process. C corporations are double-taxed, but offer certain tax advantages during periods when a business is acquiring capital. Companies are somewhat more likely to attract direct investors. Like for-profit cooperatives, companies can more readily pursue opportunities that bring in financial benefit for owners or shareholders.

Weaknesses

Private companies cease to exist if owners withdraw assets or otherwise remove themselves. Therefore, there is less stability and continuity over time as compared with cooperatives and non-profit models. For-profit entities are ineligible to receive funds directly through grants. They are subject to relatively high taxation rates, an issue which can be overcome using innovative approaches to increase profit margins.

Non-Profit Organization

Non-profit food hubs are not owned by any entity. They are governed by a board of directors and may choose to take on members. In order to qualify for 501(c)(3) tax-exempt status (which not only reduces the organization's tax burden but also provides access to grants) non-profits must meet certain criteria and must apply for and maintain exempt status.

Non-Profit Organization

Strengths

The greatest strengths of the non-profit model are its ability to attain tax-exempt status and the resulting opportunities, such as access to grant dollars, that this status provides. Though these organizations do not have direct owners and investors, they have the ability to attract sponsorships from companies that are looking to support their community and also receive a tax break. Members do not receive direct profits, and therefore are not taxed on profits to the organization. Though the absence of profit within the organization appears to be a weakness, in the case of food hubs, profits can actually be retained by producers in dealing with the hub. Given that it is not pursuing a profit, the hub may charge a smaller fee on sales, allowing the producer to retain a greater share. An even smaller fee can be charged if the organization can manage to bring in significant contributions.

Weaknesses

Funding a non-profit food hub is the greatest challenge and can become a difficult, time-consuming endeavor, particularly in the capital-intensive startup stages. Though grant opportunities are available, they are very competitive. Significant time must be spent in preparing grant applications and in performing the outreach necessary to receive sponsorships and direct contributions. Also, the lack of direct ownership could result in reduced buy-in and commitment by producers, depending on the group's dynamic.

Operational Model

While a number of operational models are available for food hubs, this section discusses the options that would be most feasible for the Galesburg region at launch. Operational models can (and should) evolve to accommodate a growing customer base and changing customer needs.

	Aggregation Center	Online Aggregation Center	Local Food Organization
Services	<p>Primary</p> <ul style="list-style-type: none"> ● Aggregation, storage, and cooling ● Joint marketing ● Crop planning ● Liability insurance <p>Secondary</p> <ul style="list-style-type: none"> ● Distribution ● Business development ● Labor pool ● Food safety certification 	<p>Primary</p> <ul style="list-style-type: none"> ● Joint marketing ● Virtual aggregation ● Crop planning ● Liability insurance <p>Secondary</p> <ul style="list-style-type: none"> ● Distribution ● Business development ● Labor pool ● Food safety certification 	<ul style="list-style-type: none"> ● Joint marketing ● Business development ● Coordination of resource sharing ● Crop planning ● Access to grant monies
Facility	<ul style="list-style-type: none"> ● Multi-zone cooling areas ● Central location ● Raised loading dock ● Adequate square footage to accommodate peak volumes 	<ul style="list-style-type: none"> ● Website ● Office space ● Use of meet-up location 	<ul style="list-style-type: none"> ● Office space ● Coordination of shared facility use
Revenue	<ul style="list-style-type: none"> ● Storage and cooling fees ● Brokering commissions ● Margin on resale of any purchased product ● Delivery fees ● Membership fees 	<ul style="list-style-type: none"> ● Brokering commissions ● Membership fees ● Website sponsorship/ advertising revenue ● Delivery fees 	<ul style="list-style-type: none"> ● Membership fees ● Sponsorship revenue ● Charitable donations ● Sales of promotional merchandise

The Local Food Distributor: Aggregation Center

An aggregation center is a common food hub model that utilizes a brick-and-mortar facility to receive and store products from producers for resale. These facilities either act as brokers for products received or purchase the products outright for resale.

Services

Primary Services. Primary services include product aggregation, storage, and cooling in preparation for distribution. It is common for aggregation centers to also offer joint marketing

services such as umbrella branding, advertising, and sales development. Aggregators often provide insight into pre-season crop planning as a primary service for its producers as part of efforts to maximize sales. Holding liability insurance reduces the liability of individual producers and, subsequently, reduces premiums for individual producers.

Secondary Services. Distribution services may also be offered. Business development services such as GAPs training and grower education can be provided to producers. Other options include group liability insurance, a harvesting labor pool, and even proprietary food safety certification.

Facility

Facility requirements for an aggregation center vary based upon the array of services that are ultimately provided.

Cooling. Product storage services require multi-zone cooling areas in order to hold products with differing ideal storage temperatures. Cooling of certain products is essential in order to maintain product safety and quality. The need for cooling depends on the product mix as well as the extent to which producers have access to their own cooling infrastructure.

Location. The facility should be centrally located in order to reduce transportation time and cost for producers. Consideration must be given to zoning of prospective properties

Size. The size of the facility should be adequate to accommodate expected peak volumes.

Other Requirements. The facility should have at least one raised loading dock, though two or more are optimal in order to avoid delivery delays.

Revenue Model

Typical sources of revenue for aggregation centers include:

- Storage and cooling fees which, at a minimum, cover overhead costs.
- Commissions for brokering product sales, which can range from less than 5% to as much as 20%.⁶
- Margin on resale of any products that are purchased outright, which ranges from 18% to 25% or more.⁶
- Delivery fees, if distribution services are offered, covering the labor and transportation cost for the delivery plus a profit margin.
- Membership fees, if applicable.

The Virtual Farmer's Market/CSA: Online Aggregation Center

Virtual farmer's markets and CSAs provide an online platform where local food products can be sold. These operations typically act as brokers, focusing primarily on marketing.

Services

Primary Services. Online aggregation centers provide marketing and virtual aggregation services. With online aggregation centers, the business typically does not take physical ownership of the product, acting primarily as a broker. They often provide “background” services similar to brick-and-mortar aggregators such as crop planning and liability insurance.

Secondary Services. Similar to physical aggregation centers, virtual markets can offer grower education, a harvesting labor pool, and proprietary food safety certification. Distribution services may be offered for a fee or coordinated on a contract basis.

Facility

Web-based aggregators are less likely to utilize physical facilities, other than office space. Frequently product is brought together at regular intervals to a meet-up location where exchanges take place. Less commonly, the product is shipped directly to the buyer in the mail or via a delivery system. The website, software, and user interface can be considered the “facility” of web-based aggregators. There is a wide array of full-service website platforms available, or a custom website can be developed in-house.

Revenue Model

Typical sources of revenue for web-based aggregators include:

- Commissions for brokering product sales.
- Membership fees, more frequently charged to producers than buyers.
- Sponsorship or advertising revenue in exchange for promotion on website.
- Delivery fees, if distribution services are offered, covering the labor and transportation cost for the delivery plus a profit margin.

The Grower’s Guild: Local Food Network Organization

A local food network organization is a non-profit association of producers in a particular area who come together to pool resources. These organizations assist their members with marketing and business development as well as other valuable services.

Services

Local food networks vary widely in the service provided, and services depend on the needs of the members. Most typically, they provide joint marketing, professional development, and networking opportunities. These organizations also identify valuable resources and coordinate shared use of those resources. Tax-exempt guilds can act as an avenue for access to grant funding for member projects.

Facility

These organizations, by nature, do not use physical aggregation or processing facilities, but may utilize office space. They may also coordinate shared use of facilities owned by others.

Revenue Model

Typical sources of revenue for local food networks include:

- Membership fees.
- Sponsorship revenue.
- Charitable donations.
- Sales of promotional merchandise.



Survey Results

Producer and buyer surveys were developed for the purpose of gathering information regarding the local foods market in the region. Every effort was made to gather as many surveys as possible within the timeframe of this project. However, given that only a small share of the universe of potential producers and buyers are represented among the results, responses should only be used to inform decision-making to a limited extent. The following constraints also limit the applicability of the results:

- End-consumer behavior is only indirectly represented through perception of buyers who responded to the survey
- Not all types of buyers could be reached for the survey within the constraints of the project, and only a subset among those types responded
- Opinions of non-respondents could have an impact, despite their lack of participation in the survey, due to their position as a player in the food distribution system
- Some surveys were incomplete and, in those cases, the number of valid responses from which to draw conclusions is further reduced
- The sample size for both surveys is relatively small, which may result in inaccurate assumptions

The above is not to say that there is no value in the surveys' results. Summarized below are some of the more clear insights that the survey uncovered about the local foods market. While these insights can be informative in their own right, this section focuses primarily on the survey results and does not attempt to draw out overall conclusions. Instead, this level of analysis is provided in the "Market Analysis" section that follows.

Producer Survey

There were a total of 20 respondents to the producer survey. The total number of producers reached as the survey was promoted is unknown, as one method of distribution was through a confidential e-mail list and some parties may have learned of the survey through word-of-mouth or other means.

Production

Products

Vegetables were by far the top item produced by survey participants at 50% of respondents. Next in frequency were **fruits** and **eggs**, tied at 20% each. Fruits and vegetables were tied as the number one response to the question of which products are produced on occasion. None of the respondents produce dairy, frozen foods, meats or poultry, or wines. The full list of options can be seen in the survey instrument in Appendix A.

Experience and Income

Respondents reported an average of 14 years of experience in producing food. The range of responses was one (1) year to 40 years. Among those responding with an estimated figure, average annual income from production was \$43,800 and the range was \$1,000 to \$350,000; however, removing the \$350,000 outlier response brings the average to a much lower \$9,778. The \$350,000 response is an agritourism operation with a pumpkin patch and other services, and the figure may be inclusive of all business income. Another important note about income results: 10 respondents (half) either did not provide income information or noted that it was too small to list, and therefore their responses could not be factored into the average. The survey did not request an estimate of profit from production, only income.

Barriers

Exactly half of respondents (50%) indicated that they experience barriers in **producing** (not selling) their products. Explanations were given qualitatively and were tabulated into categories, outlined below in order of frequency:

1. Access to capital (land, equipment, money for investment) and/or labor
2. Ability
3. Finding suitable markets
4. Regulations
5. Weather

Land

Farmers responded regarding the amount of land currently used for production as well as land they could make available for production. All farmers use less land than they have available. Among respondents, an

estimated 80 acres are put to use for production, with the majority of respondents (65%) using less than 5 acres. No respondents use more than 25 acres. An estimated 275 acres are available for production among respondents, which means that only around 30% of available land is being put to use. The actual amount of acreage used and available for production in the region is, of course, much higher than these estimates.

Marketing

Sales

Respondents reported selling their products in the following markets, ranked by frequency:

1. Directly to consumers (85%)
2. Restaurants (40%)
3. Other producers/growers (30%)
4. Institutions (15%)

A small number of respondents also sell to grocery stores and distributors.

Barriers

Most producers (60%) reported experiencing barriers in **selling** their products. Top categorized and ranked responses included:

1. Meeting buyer expectations (of quantity, quality, etc.)
2. Access to markets (perceived lack of markets, only sell at farmer's market, etc.)
3. Transportation (access, cost)
4. Regulations

Attitude Toward Marketing

The survey asked respondents to select an option that best described their mindset regarding the necessary functions of marketing. The options included:

- a) Marketing is my favorite part, and it comes easy to me.
- b) No problems with marketing here. I don't love it and I don't hate it.
- c) I really wish someone could help me with marketing. I want to spend more time on producing.
- d) I do not like marketing.

No respondents selected option d, and the responses were almost evenly split among a, b, and c. This particular group's attitudes toward marketing appear to be quite diverse, but there is a cohort among respondents (30%) that would be interested in some sort of marketing assistance (option c).

Expansion

Results suggest some interest in scaling up for wholesale production exists. Several of those responding, however, did indicate that they had minimal to no interest in changing practices, using more land, or making investments for season extension in order to meet wholesale market demands. For example, while all farmers indicated that they have more land available, more than half (55%) of respondents indicated that their interest level in using more of their land as either 1 or 2 on a scale of 1 to 5. This may partially be attributed to the fact that the project team personally visited farmer's markets in the area, and therefore a number of surveys were submitted by farmer's market sellers; it is quite common for these types of growers to be content with their current setup for a variety of reasons.

Aside from this results appear to be quite mixed. There appears to be a high degree of uncertainty among respondents regarding selling to the wholesale market, as 40% indicated that they are unsure or indifferent to changing practices for selling to wholesale markets. The remainder of responses is quite scattered. This may be a result of respondents being unfamiliar with wholesale markets, unaware of the potential opportunities, or perhaps a lack of willingness to change practices for a variety of reasons.

Barriers

Most respondents (55%) indicated that there are barriers to expansion of facilities. Most (55%) of those experiencing barriers cited access to funds as the problem. Others cited ability to manage output, need for labor, or regulations as the primary concern.

Certifications

Out of 20 respondents, one (1) indicated holding GAP certification, and one (1) indicated having USDA Organic certification. None of the respondents were CNG. Thirty percent indicated interest in at least one of these certifications. Among those, most (67%) want CNG. A relatively large number (45%) did not indicate whether or not they are interested in certifications, suggesting a possible high degree of uncertainty. Descriptions of these certifications can be found in the producer and buyer survey instruments in Appendix A.

Local Food and Food Hubs

Definition of Local

Respondents were asked to define a "local" product as they understand it. Of those providing a response, 67% indicated that a product is local if it is sold within a particular radius from where it is produced. Radii ranged from 15 to 250 miles, with an average (mean) of **143 miles**. This is very close to the mean radius among responses in the 2013 National Good Food Network food hub survey, which was 130 miles. Other respondents indicated a more qualitative definition such as "Midwest region," while others asserted that it is within a "certain distance" while not suggesting what that distance should be.

Food Hubs

Many respondents stated that they were familiar or very familiar with food hubs (45%), while a sizable number indicated that they were not familiar or not at all familiar with food hubs (40%). When asked whether they would be interested in becoming a member of a food hub, responses were fairly evenly spread. However, 40% responded that they would not be interested or not at all interested. Some (25%) indicated a strong interest in becoming a member, even at this early stage. Many (35%) were uncertain.

Additional Observations

To provide additional insight, respondents were placed in two different categories – those with an interest in a food hub and those not interested – and selected for further analysis. Responses between the two groups were compared and responses within groups were analyzed. Patterns that emerged are summarized below.

Interested respondents running newer operations. The average number of years in operation among those interested was 4.8 years, while the average of those uninterested was 25.2 years.

Interested respondents have more land available. The estimated average amount of land available for production among those who expressed an interest is 13.1 acres, while those uninterested only had an estimated 5.4 acres available on average. This can help partially explain the lack of interest, as smaller operations with limited access to land face greater barriers in scaling up to meet larger markets.

Not surprisingly, those interested sell to more diverse markets. Those uninterested in food hubs almost exclusively sell directly to consumers. This coincides with the assumption that farmer's market vendors dominate the uninterested cohort. Conversely, those interested are already selling to a wide array of outlets.

Interested parties need help with marketing. Every respondent that expressed interest in a food hub indicated that they would like help with marketing and wish to spend more time on producing. Conversely, every uninterested respondent claimed that they have no problems with marketing and perceive no barriers to selling their products.

Interested parties want to expand. Those who want to join a food hub also understand the need to expand operations and are willing to do so. They also perceive barriers in expanding – primarily with funding.

Those uninterested in food hubs are also unfamiliar with them. Among respondents indicating a complete lack of interest in a food hub, only one was familiar with them. The rest were unfamiliar or not at all familiar with food hubs. This suggests a high degree of unwillingness among that cohort to seek out opportunities. While there may be some opportunity for education, efforts in building support for the food hub concept may be best targeted at others.

Buyer Survey

A total of 12 unique responses were received for the buyer survey. Fourteen responses were received in total, but three were submitted by separate individuals in the same company; those three responses are counted here as one response for the purposes of analysis, and qualitative responses are drawn out separately. Several factors limited the total reach for this survey including time, access to a targeted list of potential producers, and a greater lack of awareness of the food hub effort among buyers. These are typical barriers that are faced during a feasibility study process; typically producers are better connected through existing networks, and, therefore can be more easily reached. They are also more likely to group together in initiating the food hub development process, as was the case in the Galesburg region.

While the sample size for the buyer survey is small, the response rate is fairly good as compared with the producer response rate. There was a reasonable variety among types of respondents, with restaurants, groceries, health care, higher education, and food manufacturing entities represented. Attempts were made to reach some schools, detention facilities, and assisted living facilities by phone without success for various reasons. In some cases the proper contact information could not be identified, and in other cases the appropriate individual could not be reached. Also, time constraints precluded the survey team from being able to identify a wider array of potential buyers.

Purchasing Behavior

Products

Almost all respondents indicated that they purchasing all products in the list, with few exceptions. A meat market, naturally, indicated purchasing of a narrower array of products (meats, wines, and occasionally fruits and vegetables). Value-added products were not selected as frequently; nor were wines.

Spending

Buyers responding indicated an estimated \$6.4 million in annual spending on food products. Factoring in the estimated share of the budget dedicated to local food products, an estimated \$88,500 is spent on local food among those respondents.

Demand for Local

While three respondents indicated that they would not pay any additional amount for local products, the average that these buyers would be willing to pay ranges from 8-10%. These buyers perceived that their customers would be willing to pay an average of 7.5% more for local. The majority of buyers indicated a desire to substitute national-brand products for local as well as a willingness to adapt the ordering process for local foods (both 58%).

Barriers

Most buyers (58%) expressed that they do not experience barriers in purchasing locally-produced food products. Of the five that reported barriers, the types of problems expressed were varied; none were duplicated. They included:

Seasonality	Food safety concerns
Availability of certain products (lack of)	Insufficient and inconsistent quantities
Low quality of certain products	Inconsistent pricing
Time involved	Need for additional processing (and inability to do so in-house)

Certifications

All but three respondents felt that it was important or very important for producers to have GAP certification. Forty-two percent felt that USDA Organic and CNG were important as well. It is important to note that the question assumed the buyers were aware of all aspects related to these certifications, including the potential burden placed on producers in securing certification, the resulting need to charge higher prices, etc. While a brief description of the certifications was given (see the buyer survey instrument in Appendix A), care should be exercised in placing too much emphasis on this result before discussing details with these buyers regarding final expectations. Also of note is that one buyer expressed a need to know the grower personally in lieu of any certifications. Other buyers may be open to this as well if discussions take place.

Local Food and Food Hubs

Definition of Local

Only two respondents offered a distance-based response regarding the definition of local. One was a radius of 200 miles, while the other was 150 miles. Others defined local more qualitatively.

Food Hubs

A total of 75% of buyers revealed that they are unfamiliar or very unfamiliar with food hubs. Interest in joining a food hub is less clear; responses were evenly split among those interested, those not sure, and those uninterested.

Additional Observations

As with the producer survey, respondents were placed in two different categories – those with an interest in the food hub concept and those not interested – and selected for additional analysis. Patterns are summarized below. No significant patterns emerged in areas not mentioned below. The lack of patterns is most likely due to the widely varying nature of the respondents.

Interested respondents express barriers to purchasing. Most of those who detailed the barriers they experience are among those interested in joining. This suggests an importance in working to further understand those barriers.

Uninterested respondents express no barriers to purchasing. Not one of the respondents who were uninterested in a food hub expressed a barrier to purchasing local food products. This could be either due to degree of satisfaction with existing purchasing arrangements, or a lack of interest in buying locally in general.



Market Analysis

Introduction

Possibly the most important component of this study is a base-level analysis of the local market in the Galesburg region. Throughout the feasibility assessment process, we repeatedly discussed that there is no template for establishing a food hub or other local food enterprise. This section offers insight into the local market by covering the following topics:

Existing Network. Nodes in the existing local foods network in the region, including potential partners as well as competitors, are identified and discussed.

Demand and Supply. A base level analysis of both primary and secondary data sources begins sketching out a picture of the market in which a future local food enterprise could find its place.

Opportunities. Some additional opportunities for competitive advantage are explored.

Challenges. Challenges unique to this food hub's development are outlined.

Existing Network

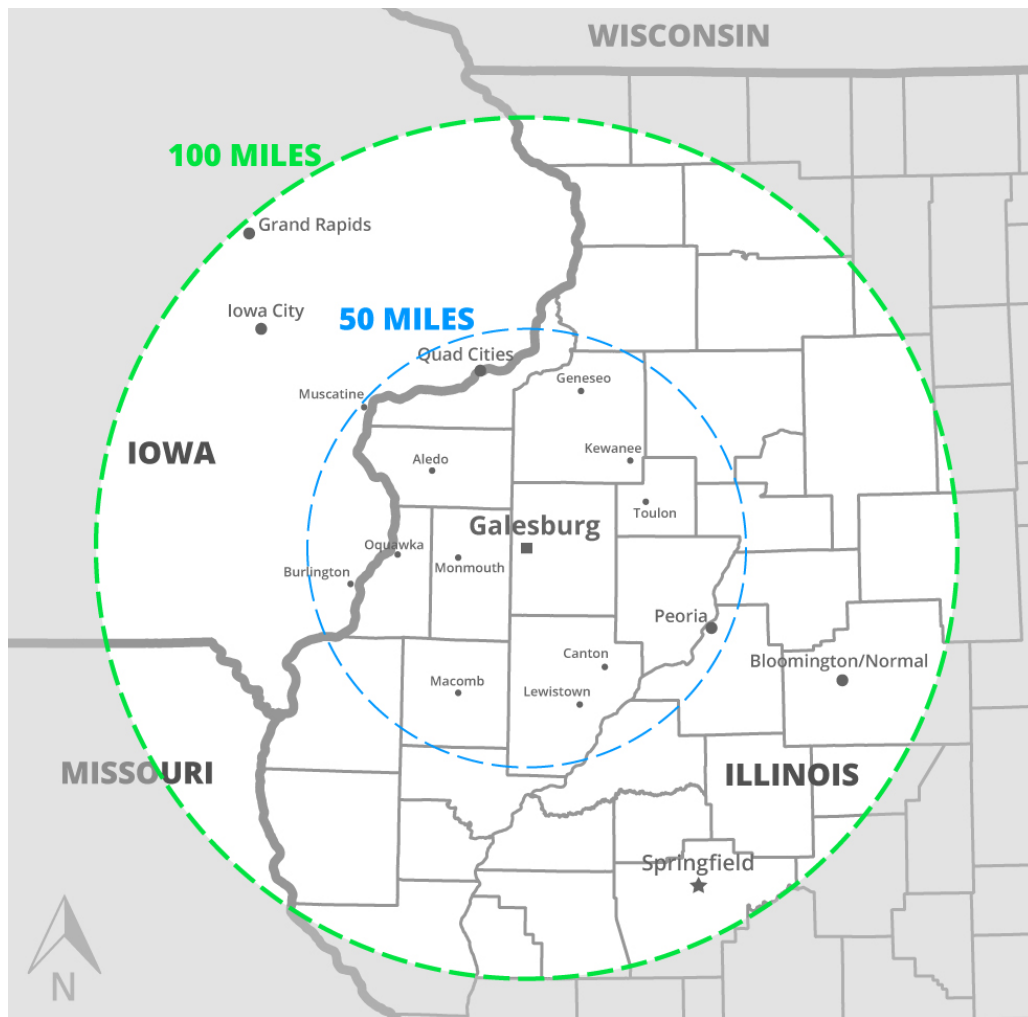
The most successful local food initiatives are those which employ a network mentality. That is, the organization recognizes its role as a connector among its members and partners as well as its role as one node within a larger localized food system network. This includes both potential partners as well as competitors; in fact, it is quite common for competitors to form partnerships in situations where value can be created for all parties involved. In order to begin understanding how to approach the development of a local food organization in Galesburg, we must understand the existing network within which it would operate.

While it is not desirable to define a final catchment area for a future food hub organization at this early stage, a set of boundaries was established for the purposes of analysis. This study primarily focuses on the existing local food network nodes in the 50-mile catchment area surrounding the city of Galesburg, which will be called the "Galesburg Region." A larger radius of 100 miles is also considered, to a less detailed extent. These distances were chosen for purposes of convenience in analysis. The decision of whether or not to establish a boundary and the nature of such a boundary can be considered in future development stages.

Figure 3 below provides orientation regarding these catchment areas. Within a 50-mile range, prominent cities and towns are displayed roughly according to population size. Within 100 miles, urban areas of more than 50,000 are displayed. Following the map is a listing of nodes in the regional local food market that this study was able to identify. In situations where data are available by county, the 50-mile radius is approximated using the following set of counties (some counties with a portion of area inside the radius are counted loosely in proportion to that area – these proportions were taken into account in summative calculations):

Bureau (1/4)	Louisa (IA) (1/2)	Rock Island
Des Moines (IA)	Marshall (1/4)	Scott (IA) (1/2)
Fulton	Mason (1/4)	Stark
Hancock (1/3)	McDonough	Tazewell (1/4)
Henderson	Mercer	Warren
Henry	Muscatine (IA) (1/4)	
Knox	Peoria	

Figure 3: 50- and 100-mile catchment areas surrounding Galesburg, IL



Network Nodes

50-Mile Radius

There are a number of ongoing local food initiatives within a short 50-mile range of Galesburg. Those that were able to be identified during this study process are summarized below. Please note that producers and end-consumers are, of course, nodes as well. Also, omission of important nodes is not intentional – the team researched these nodes to the greatest extent possible.

Good Earth Food Alliance (Peoria, Wyoming, Canton, Morton, Farmington, IL)

The Good Earth Food Alliance is a group of growers working together to aggregate and distribute produce to CSA customers. This type of operation is frequently considered a food hub. While the original concept for a food hub is to reach wholesale markets, this type of organization caters directly to the consumer.

Regardless, it is an important node in the existing local food network in the area; their customer base ranges from 80-110 subscribers.

Growing Together, Inc. (Galesburg, IL)

Growing Together, Inc. (GTI) is a non-profit local agriculture center growing natural foods, using and teaching sustainable growing methods. Representatives from GTI have shown strong support for the food hub effort and are sure to be important partners during subsequent development stages.

Hanna City Work Camp (Hanna City, IL)

Discussions are currently taking place regarding the future of Hanna City, a former US Air Force site that has sat unused and is now under the control of Peoria County. Environmental remediation is taking place in preparation of reuse of portions of the site, and there is a strong interest expressed in community agricultural uses as well as a possible use of properties for food hub activities.

Peoria Harvest Food Co-op (Peoria, IL)

An effort to establish a food co-op has been taking place for the past several years. Recently, however, plans have been put on hold as due to “the amount of money [they] need to raise, and the lack of board members needed to make the store a reality”. This initiative may become revived in the future, and could be a strong partner.

Quad Cities Food Hub (Davenport, IA)

The QC Food Hub is currently a retail store that sells local products with future plans for a more typical food hub distribution center in the future. The store is located within the Freight House, a former night club whose parking lot has been the location of the local farmer’s market.

Sustainable Business Center (Galesburg, IL)

The Sustainable Business Center (SBC) is a business incubator designed to accelerate the successful development of green, innovative companies. The SBC boasts a café that purchases and serves locally-grown food products and a shared-use certified commercial kitchen.

Testa Produce / Farmlogix (Peoria, IL / greater Midwest region)

A representative from Testa Produce has attended stakeholder meetings and expressed a strong desire to work with any producers who can meet their criteria. Testa has strong demand from the Chicago region for certain products and has established an aggregation center in Peoria in order to bring products to that market.

Macomb Food Co-op (Macomb, IL)

A group is working on development of a co-op grocery and plans are in place to open a virtual market as a stepping stone. The store currently has 290 member/owners. Attempts were made to contact leaders of this initiative for more information but voicemails were not returned.

Farmer's Markets

According to stakeholders and available databases, there are numerous farmer's markets operating in the Galesburg Region, including:

Aledo Farmer's Market
East Moline Farmer's Market, aka Skate City Farmers' Market (Quad Cities)
East Peoria Farmer's Market
Galesburg Farmers Market
Geneseo Farmer's Market
Heights Farmer's Market (Peoria Heights)
Kewanee Farmer's Market
Lewistown Farmer's Market
Macomb Farmer's Market
Metro Centre Farmer's Market (Peoria)
Monmouth Farmer's Market
Oneida Farmer's Market
Pekin Downtown Farmer's Market
Peoria Riverfront Market

100-Mile Radius

The Land Connection (TLC) (Bloomington, IL)

TLC is a non-profit organization that trains emerging farmers and connects them with land resources while conserving farmland for use in future generations. They coordinate training programs and provide an online marketplace for farmland.

Illinois Specialty Growers Association (ISGA) (Bloomington, IL)

The ISGA is an umbrella organization of several associations that serve specialty growers, encompassing herbs, horticulture, the irrigation industry, and vegetable growers. The ISGA is an advocacy organization that attempts to influence policy, generally promotes the specialty crop market in Illinois, and holds an annual conference.

Iowa Valley Food Cooperative (IVFC) (Cedar Rapids/Iowa City, IA)

IVFC is a virtual food hub with a cooperative ownership model, in business since 2011. They aggregate ordered products for pickup once a month at a distribution site in Cedar Rapids. Both consumers and producers can be member/owners.

Illinois Stewardship Alliance (ISA) (Springfield, IL)

ISA advocates for policy favorable to sustainable local food systems, promotes local food in various ways, and educates farmers, policymakers, and consumers about issues related to local food systems.

New Pioneer Food Co-op (New Pi) (Iowa City, IA)

New Pi is a cooperative grocery that has been in business since 1971.

Competition / Co-opetition

Despite the cooperative roots of local food ventures, the most successful employ a business mentality that takes a pragmatic approach to understanding the nature of competition. This includes consideration for opportunities to leverage partnerships among competitors – a practice is frequently referred to as “co-opetition.” This section discusses likely competitors as well as co-opetition opportunities in the Galesburg Region.

Direct Competition

In the Galesburg Region, there does not appear to be any **direct** competition for a local food hub. That is, there are no businesses currently operating in the region that focus solely on distributing local food products to the wholesale market. Until recently, an alliance called the Local Growers Network (LGN) did operate in Galesburg, serving both end-consumers and resale customers such as restaurants and institutions. This business is no longer operating, and some supply relationships with buyers who formerly dealt with LGN customers have continued in one form or another through direct farm purchases. There are other operations in the area that bring local farm products from multiple producers together, but they operate as CSAs, tailored toward the end-user.

Distributors

The most common source of competition for food hubs (and a frequent partner as well) is the food distributor. There is a vast network of distributors in the Midwest, but not all currently serve the communities in the Galesburg Region. This section does not attempt to list all distributors in the area; rather, it offers a list of those that either already have a strong presence in the market in the region or have some other characteristic that warrants attention.

Central Illinois Produce. Morton, IL.

<http://www.centralillinoisproduce.com>

Central Illinois Produce is a network of small regional distributors that service parts of Illinois, Indiana, Iowa, and Missouri. Member of Produce Alliance, a nation-wide group purchasing organization with 44 members. Their focus is on fresh and processed produce; dairy, soups, salads, desserts, frozen, and other specialty items are also available. The company promotes a local campaign through the availability of “Illinois Products.”

Indianapolis Fruit (Indy Fruit) and Piazza Produce. Indianapolis, IN.

<http://www.indyfruit.com>, <http://www.piazzaproduce.com>

Indy Fruit and Piazza focus on produce and also offer some processed and specialty food items. Piazza focuses on foodservice distribution while Indy Fruit provides retail service.

Their service area includes Illinois, Indiana, Kentucky, Tennessee, and parts of 12 contiguous states including Iowa. Buyers for these companies have expressed interest in sourcing local, but they prefer to work directly with individual farmers and require significant volumes and levels of food safety certification.

Kohl Wholesale. Quincy, IL.

<http://www.kohlwholesale.com>

Family-owned, regional broadline foodservice distributor serving Iowa, Illinois, Missouri, and Indiana. Member of the UniPro distributor cooperative. There is no mention of a local program on their website.

Loffredo Fresh Produce Co., Inc. Des Moines, IA.

<http://www.loffredo.com>

Loffredo is a specialty distributor focusing on fresh produce and offering supplemental items such as dairy, eggs, and dry goods. Loffredo is a member of the PRO*ACT produce distribution cooperative and serves portions of Iowa, northwest Illinois, southern Wisconsin, and smaller portions of Nebraska, Missouri, and Kansas. They also claim to have a local program. They service several customers in the Galesburg area and offer custom processing services.

Performance Foodservice-Thoms Proestler Company (TPC). Rock Island, IL.

<http://performancefoodservice.com/Thomsproestler>

TPC is a regional broadline distributor subsidiary of Performance Foodservice, a nationwide distribution company. TPC's service area includes Illinois, Indiana, Iowa, and Wisconsin. Local products are offered through its "Grown Local" program, and the website claims to have a strict set of food safety requirements with an internal certification program.

Sorce Enterprises. East Peoria, IL.

<http://www.sorceenterprises.com>

Sorce Enterprises is a broadline distributor that focuses on service to the restaurant industry. Member of UniPro distributor cooperative. The company does not appear to have a focus on local products.

Sysco. Houston, TX / Lincoln, IL.

<http://www.syscoci.com>

Sysco Central Illinois is a local component of Sysco Corporation – currently the world's largest broadline food distributor. Local options are available through their BuyLocal program.

U.S. Foods. Rosemont, IL.

<http://www.usfoods.com>

US Foods is the 10th-largest private company in the U.S. and is a nation-wide broadline distributor. Their website mentions that they offer local options, but no specifics are given regarding a definition of local or the types of products that are available.

United Natural Foods, Inc. (UNFI). Providence, RI / Iowa City, IA.

<http://www.unfi.com>

UNFI is a national distributor of natural, organic, and specialty foods and related non-food products. While a local distribution center may be able to source local, the company does not claim to have a focus on local products through its publicly-available information.

Waugh Foods, Inc. East Peoria, IL.

<http://www.waughfoods.com>

Waugh is a regional broadline distributor doing business within a 150-mile radius of East Peoria, IL. Member of the UniPro distribution cooperative. There is no mention of a local program on their website.

Demand and Supply

In order to begin the process of formal local food system development, it is important to understand the components of existing and potential supply and demand within the market. Detailed estimates of current supply and demand of local food products are beyond the scope of this study, but we can begin to draw a sketch of the possible range within which each of these indicators fall by using available data. For example, at the low end of the range of supply are estimates of locally-sold product that are obtained from primary sources (surveys); at the high end are data from secondary sources (census data) that attempt to estimate overall production in the region, regardless of where it is sold. Actual production of locally-sold product is somewhere inside this range.

This study offers a base level analysis of both primary and secondary data sources in order to begin sketching out a picture of the market in which a future local food enterprise could find its place. For purposes of simplicity, the analysis focuses on two categories: specialty crops (vegetables, fruits, and tree nuts) and animal products (aquaculture, dairy, livestock, poultry [including eggs], and several specialty products [alpacas, bison, etc.]).

After completion of the feasibility study, a set of interested stakeholders can be identified, and more detailed assessments can be conducted with that core group in order to approximate actual supply and demand.

Demand

A full understanding of the demand for local foods in the region would require estimation of the following components:

- **Current consumption** – existing levels of end-user consumption of local food products form the baseline of demand
- **Desired consumption** – given the assumption that at least some end-consumers would like to consume more but are unable to do so, being able to measure this amount would enable an understanding of the potential gap that could be satisfied
- **Willingness and ability to pay** – understanding consumer willingness to pay (WTP) for local products would enable forecasting of potential sales in dollar amounts; it would be important to ensure that any measure of WTP should account for the ability to pay as well, since only ability to pay would translate into dollar sales

Though this study does not attempt to quantify these in detail, the sections below begin to draw a sketch of the demand component of the market to the greatest extent possible.

Current Local Food Consumption

A precise estimate of existing consumption levels of local foods in the Galesburg Region would require execution of a comprehensive consumption survey throughout the region, which is beyond the scope of this study. Instead, several indicators of consumption are offered as a basis of understanding for consumption in the region.

Low End of the Range: Baseline Estimates

This section presents available data that begin to define the low end of local food consumption in the region. Data are available regarding products sold directly to consumers, products consumed at public schools, and those purchased wholesale by the set of buyers that responded to the buyer survey. These components form a mutually exclusive data set. With the limited set of estimates made in this section, we can assume a minimum level of existing local food consumption of **\$2.7 million** in the Galesburg Region.

Direct Sales

To get a glimpse of the low end of the range of local food consumption, we can become aware of some basic indicators. One such indicator is direct sales, which is the best proxy available for estimating local food sales on a wide scale; however, direct sales are not necessarily local as they can include on-line purchases in which products are shipped to wherever the buyer resides. This analysis assumes that the data regarding direct sales includes a statistically insignificant share of internet sales shipped outside of the region. Table 1 below provides some relevant summary statistics. According to this data, producers in the Galesburg Region currently sell about \$2.27 million in product directly to the consumer, or 0.12% of total sales, which is roughly one-quarter of the national average of 0.4%.

Table 1: Sales of agricultural products in Galesburg Region

Value of all agricultural products sold	\$1,974,673,250
Value of food products sold directly to end-consumers	\$2,273,917
Share of direct sales	0.12%
National average share of direct sales	0.40%

Source: 2007 USDA Ag Census, J3 Concepts

Wholesale

The above statistics tell only part of the story, as local food is not sold solely through direct markets. For example, while all respondents to the producer survey indicated that they market and/or sell directly to the consumer, 42% sell to restaurants and 16% sell to institutions. Others sell to grocery stores or distributors. The buyer survey offers limited insight into wholesale demand in the region. While some

statistics are summarized in the “Survey Results” section above, relevant results warrant repeating; see Table 2 below.

Table 2: Select buyer survey purchasing patterns in Galesburg Region

Reported expenditures on all food products	\$6,405,000
Estimated current expenditures on local food products	\$88,500
Estimated share of local food expenditures among wholesalers	1.38%
Premium buyers are willing to pay for local products	8-10%
Share of buyers willing to change practices for local products	58%
Share of buyers interested in substituting for local products	58%

Source: J3 Concepts – buyer survey

Public Schools

Schools throughout the nation are increasingly deciding to source local food products. While no responses were received in the buyer survey from local school districts, data have been made available recently through the 2013 Farm to School Census, a survey conducted by the USDA Food and Nutrition Service. Among other questions, the census asks each district food service director “How much of your total food budget goes toward local purchases?” Table 3 below summarizes results for public school districts in the Galesburg Region.

Table 3: Consumption of local products by public schools in the region

Total number of school districts within the region	50
School districts that spend more than 0% on local food	6
Share of schools that purchase local food products	12%
Estimated expenditures on local food	\$365,149

Source: Illinois State Board of Education, USDA Food & Nutrition Service, J3 Concepts

High End of the Range: Overall Food Consumption

At the high end of the range of current local food consumption are data that represent consumption of all food products. Table 4 below summarizes these statistics for the Galesburg Region.

Table 4: Household-based food consumption in the Galesburg Region

Galesburg Region Population	807,810
Average per capita annual household expenditures on food	\$2,631
Estimated total household food expenditures in Galesburg Region	\$2.125 billion

Source: 2010 US Census, US Bureau of Labor Statistics, J3 Concepts

Desired Local Food Consumption

Barring a comprehensive survey, there are some indicators that can be considered in attempting to understand the additional quantities of local food products that consumers demand. Previously-mentioned buyer survey results suggest a desire on behalf of most resellers in the region to purchase more local foods. The increase in farmer’s markets and CSAs across the nation, explained in the “Local Food Systems” section above, is an indirect indicator of nation-wide demand as markets respond to fill the demand gap; however, as also explained previously, these outlets serve a niche market of consumers with certain characteristics. A number of consumers that are not in this niche market still demand local food products in the resale outlets that they are used to patronizing.

In the Galesburg Region, some recent attempts to start new markets were not successful – the Fairgrounds Farmer’s Market and the Local Growers Network are two cases in point. These examples do not necessarily point to insufficient demand for local foods by end consumers. The dissolution of these enterprises may be due to factors other than demand. Even if demand was a significant factor, there may have simply been a lack of demand for local products in the specific type of outlets that these enterprises were offering. If the former leaders of these enterprises would be willing to share, it would be worth investigating in the potential causes of failure of these outlets in subsequent development stages.

Willingness and Ability to Pay

Willingness to pay (WTP) and ability to pay for local food products have been touched on throughout this section. As mentioned before, several local buyers would be willing to pay 8-10% more for local food products, on average. Some of these buyers also reported their perception regarding the additional WTP of their customers. On average, they believe that customers would be willing to pay 7.5% more – slightly lower than they would pay themselves. If possible, future research should focus on more concrete estimates of WTP margins on different products in different markets in order to gauge potential sales.

Supply

This study uses responses from the producer survey to calculate a base estimate of local production and 2007 USDA Ag Census data to estimate the high end. A more recent census of agriculture was conducted

in 2012, but the data will not be available until early in 2014. Sources estimating production of value-added products, frozen foods, canned foods, and wines were not available.

Current Supply

Table 5 below offers estimated low-range production statistics from data reported in the producer survey, while Table 6 offers high-range estimates in the form of all farms that are engaging in production of animal products and specialty crops.

Table 5: Estimated statistics among farms responding to survey

Product	No. of Farms	Est. Acreage
Animal Products	0	N/A
Vegetables	17	33
Fruits	12	23
Tree Nuts	2	1.4

Source: J3 Concepts - producer survey

Table 6: Select statistics of farms in Galesburg Region

Product	No. of Farms	Est. Acreage
Animal Products	3,859	N/A
Specialty Crops	Vegetables	171
	Fruits	76
	Tree Nuts	26

Source: 2007 USDA Ag Census, J3 Concepts

It is important to note that the producers described in the Ag Census statistics include all producers, not just those who sell through direct or local markets. Given the above statistics, we received surveys from an estimated 10% of vegetable producers, 15% of fruit producers, and 7% of nut producers in the region for this study. We received no surveys from producers of animal products, but we did not focus as heavily on those entities due both to the lack of a strong database of animal producer contact information and to the nature of this effort as being targeted toward specialty crop producers. Given the large number of animal

product producers, it may be worth the effort to find a way to reach this group in the future as this is undoubtedly a sizable component of demand.

Potential Supply

The only true limit on potential supply is land available for production, and even this limitation does not apply as readily to value-added products for which inputs are imported. In this case, a range of potential supply can be hinted at by looking at available data.

Survey Respondents

As previously mentioned, the producer survey results suggest that area farmers are currently using less than half of the land they have available for production. Analysis suggests that, if producers who expressed some interest in a food hub decide to use all of the land they have available, a significant increase in production would be possible. For these purposes, interested respondents include those who indicated a three (3) or higher on a scale of one to five. Table 7 describes this estimated increase; note that animal products are excluded due to the absence of response by animal producers.

Table 7: Potential production among interested survey respondents

Product	Acres Used	Acres Available	Increase
Vegetables	23	70	204%
Fruits	16	61	281%
Tree Nuts	1.4	6.3	350%
Totals	40.4	137.3	240%

Source: J3 Concepts - producer survey

With increases necessary as high as 350% in production, we can see that these producers would have to scale up significantly in order to reach the levels of production outlined above. These estimates represent the maximum acreage that these respondents could use; in other words, they represent the high end of the potential increase to the low end of the range of local food production. It can be reasonably assumed that producers will not increase production without a market; therefore, it may be safe to assume that any increased production could be directed toward food hub sales, depending on the wishes of the producer. Also, while many producers will continue to sell through their original channels, some may choose to redirect product from other channels to the food hub. This may or may not be a concern if producers decide to stop selling, for example, at local farmer’s markets. A conversation regarding policy on redirection of product should take place at some point in the development of this venture.

Other Food Producers

In addition to the potential incremental supply among survey respondents, there is also potential additional supply among animal product and specialty crop producers who did not respond to the survey. Statistics are not available regarding unused acreage among these producers. However, Appendix B lists the set of producers identified through public datasets during this study. Future stages of development should continue attempts to reach out to these producers in order to arrive at more refined estimates of potential supply.

Additional Potential

The Ag Census reports that a total of 10,695 farms were operational in the Galesburg Region in 2007, harvesting 3,011,993 acres of crops. Only a portion of these farms produce crops for human consumption. To a certain extent, it may be possible to encourage these growers to convert a portion of acreage to production of human-consumable foods, and a certain subset of those may choose to sell products locally through a food hub. It may be possible to estimate the extent of this interest through a survey directed toward commodity crop producers.

Opportunities

Farm to School

While school food service programs across the nation have changed over the past several decades to be more and more focused on efficiency and less about healthy, local options, there is a renewed effort among some districts and schools to source locally-grown products. As the “Demand” section above explains, the USDA Food and Nutrition Service conducted the first ever Farm to School Census this year, asking school districts about their purchasing of local food products.

There are 50 school districts within the Galesburg Region. Of those, six (12%) reported purchasing local foods to varying degrees:

Table 8: School districts sourcing local foods in the Galesburg Region

School District	Local Share of Food Budget
Fulton County Community Unit School District 3	50%
Galesburg Community Unit School District 205	25%
Peoria Heights Community Unit School District 325	20%
Geneseo Community Unit School District 228	7%
Kewanee Community Unit School District 229	2%
V.I.T. Community Unit School District 2	2%

Source: Illinois State Board of Education, USDA Food & Nutrition Service, J3 Concepts

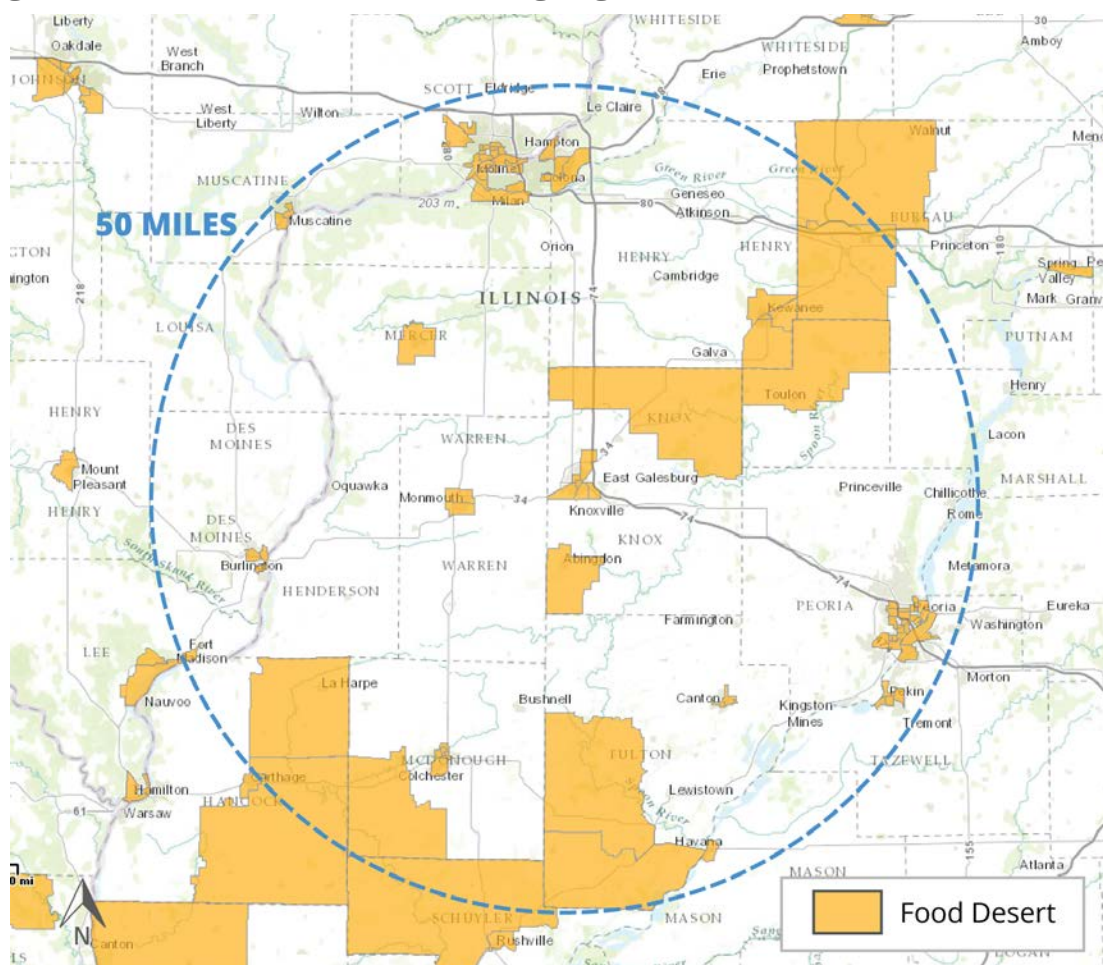
Depending on the circumstances, the above-listed schools may represent an opportunity in a potential food hub partner if they would like to increase the share of local products they purchase. In addition, other school districts in the area may be open to sourcing locally if they can be educated about existing successful partnerships taking place nearby, and a new food hub could make it an even more feasible option. A full list of schools used in this analysis can be found in Appendix C – Farm to School. Additional detail regarding Farm to School Census responses in the region is included in the “Demand and Supply” section above.

Food Deserts

With the increased consumption of healthy, fresh foods, a concern has arisen regarding access to these items. Areas with low access to healthy food options have been called “food deserts.” In an effort to quantify the extent of the food desert problem, the USDA has attempted to define food deserts according to two components of access: distance from a source and ability to pay. Though fairly over-simplified, quantification of these criteria is manifested in the USDA’s Food Access Atlas, with a food desert being defined in one case as a census tract that is deemed “low income” and contains “a significant number or share of residents is more than ½ mile (urban) or 10 miles (rural) from the nearest supermarket.”

Figure 4 below provides a glimpse of the extent of food deserts in the Galesburg Region. Areas shaded in orange are considered food deserts using the measure indicated above. While it is unfortunate that these areas have low access to fresh foods, they present a potential opportunity for the food hub. In addition to attempting to identify food deserts, the USDA has also highly prioritized the food desert mitigation among its criteria in many of its grant programs and services.

Figure 4: Food deserts in the Galesburg Region



Challenges

Starting any business is not without its challenges, and food hubs can face unique obstacles during both the development and operational phases. These more general issues are discussed in depth in the “Local Food Systems” section. Here, we will consider some issues that this particular local food initiative may face, given the insight gathered from initial research and stakeholder input. Possible methods for overcoming these challenges are discussed in the subsequent “Recommendations” section.

Buyer Focus

The need to meet buyer expectations itself is not unique. However, concerns expressed by local buyers who have sourced locally in the past suggest a pattern of inconsistency in meeting and/or understanding buyer needs. A challenge exists in better understanding those needs and ensuring that the collective mentality is directed toward satisfying those needs, rather than focusing too much on convincing buyers to conform to desired practices.

Moving Forward

This renewed effort to establish a sustainable local food system in the region will be successful if stakeholders are willing to move forward rather than focusing too much on past events. Learning from the past is, of course, paramount to success; however, any examination of the past should be honest and pragmatic in nature rather than tied to emotions and assumptions. The challenge here is to approach planning, launch, and operations of this enterprise with the most cooperative, inclusive approach possible while keeping within the core vision of the business.

Insufficient Demand

Regardless of the national trend, many stakeholders have expressed concern that demand for local foods in this particular region **appears** to be lower than average. Though this study does not make an attempt to uncover the truth of this assumption, one can take a “worst-case scenario” approach and assume that it is true. In taking this approach, and given that ultimate demand for local foods rests on the end-consumer, this food hub will be tasked with overcoming potentially deficient demand in some way or another.



Recommendations

In bringing together the information gathered through this study, the following set of recommendations is offered:

Local

Define local. Whatever the final definition is, there should be some common understanding of what *local* means to this organization. As mentioned previously, this does not necessarily mean defining a specific radius. Rather, it means having a discussion among stakeholders about what local means, working toward a consensus, and documenting that among the organization's policies. The concept of *local* is at the heart of food hubs, and therefore a miscommunication regarding local can incite conflict – an undesirable but not insurmountable challenge for inherently cooperative enterprises.

Consider flexible localism. While some stakeholders would love to have local products travel only 50, 20, or even five miles to their destination, it takes a wider net to bring in sufficient revenues to operate a sustainable business. Successful food hubs that are not close to a major urban center face the challenge of moving enough product to attain an income stream that brings revenues to at or above cost. There is a substantial local food network in the greater region. Consider tapping into this network to bring in a diverse mix of products and set a strong financial foundation for the enterprise.

Explore local partnerships. It is highly recommended to reach out to potential partners, even if they can be perceived as competitors, to discuss mutually beneficial business relationships. Smaller, locally- and regionally-based distributors would be ideal primary targets for this strategy, as they are more likely to truly support the *local* cause. As an added benefit, working with those companies can allow the hub to contribute to local economic development.

Satisfying Demand

Grow new farmers. Being able to satisfy demand, first and foremost, means ramping up supply significantly. This can only happen to a limited extent with the producers that have currently expressed interest. Though it will be possible to launch a small-scale operation at first, growing to the next level will mean more supply is needed. One way in which to do this is to encourage entrepreneurs, young and old, to start farming. Resources are available to help with making this happen (see “Resources” below).

Grow interest among existing producers. Never stop reaching out to potential producers. This will take significant effort, but growth (and subsequent financial stability) will not be possible without continuous outreach. There are undoubtedly people in the region that would jump on board if the conditions were right. Get to know what those conditions would be and strive to make those conditions happen.

Identify resources for scaling up. Once producers are interested in taking the next step to ramp up production, they must be prepared to do so. Connect them with resources that will assist them in taking on this potentially high degree of risk. The “Resources” section has some ideas, but keep researching as new resources are continually being developed.

Act like a business. Despite the increasing demand for local foods, the market is not yet at a point where suppliers can make demands of their customers. While an adjustment to buyer expectations may be beneficial to local food sales, a food hub and its partnering producers must be willing and able to both understand and meet buyer needs in order to ensure success. The competition for market share is still very much in favor of non-local suppliers. Local food is increasing in value every year, but it is still a service market and will continue to be for the foreseeable future.

Generating Demand

Educate the consumer. The consumer is the ultimate driver of demand. Education has been the driving factor the increasing demand seen in recent years, and the term education here does not necessarily mean people sitting in a classroom. Education occurs when an individual becomes aware of something by means of learning it from some source – whether it be in the form of words spoken to them, text on a page, or the process of participating in some sort of experience. Think of

ways to create environments in which people who are not likely educated about the value of local foods are able to participate in some sort of learning. The best educational opportunities are those in which a person can use multiple senses to have a memorable and impactful experience.

Food Safety/Regulations

Follow the Food Safety Modernization Act (FSMA) closely. The FSMA is currently being implemented with new proposed rules drafted by the Food and Drug Administration (FDA). While small growers that sell directly to consumers are exempt from these rules, food hubs are not. These rules could have a significant impact on the bottom line of food hubs across the nation. The public comment period ends on November 15, 2013, the day after the release of this study. What happens after that point could significantly affect the direction of some aspects of future strategic planning.

Consider GAP alternatives. Several local buyers express an interest in GAP certification, but they may not be educated about the producers' ability to obtain that certification and what that could imply for their ability to source local products. Once a core group of interested producers is identified, take steps to understand exactly what GAP certification would cost, and share this information with buyers. Consider adopting internal, documented GAP-related food safety protocols as an alternative. Resources exist to assist with doing this – see below.

Follow the USDA's group gap pilot program. While group GAP certification is available internationally through the GlobalGAP program, the USDA currently only offers GAP and GHP certification of individual farm operations. A pilot project for USDA group GAP was undertaken in 2012 with favorable results. The USDA may begin to offer group GAP and GHP audits, in which case the food hub could be audited and offer more affordable access to GAP certification.

Next Steps

As previously mentioned, a feasibility study is the first organized phase among several in a strategic approach to business development. Below are some recommendations for how to embark upon the next steps.

Business Plan

The next step after completion of the feasibility study is the business plan, but before a business plan can be written, significant discussion must take place among stakeholders regarding the results of the study and some of the alternatives presented therein.

You might be ready to develop a business plan if:

- A core group of producers and buyers have been identified and are interested in proceeding
- There is consensus among stakeholders regarding:
 - Overarching vision of the organization
 - The desired ownership model
 - The desired operational model
 - Definition of *local*
 - Food safety practices
 - Other factors deemed important to this group
- Interested producers are open to scaling up operations and to adjusting practices to meet buyer demands

At this point, sales projections can be developed. Following is a list of variables commonly used in food hub sales projections, in no particular order. Projections should be developed using whichever variables are applicable.

Cost:

- Facility lease/mortgage
- Equipment lease/loan
- Labor costs
- Website
- Software development
- Food safety training/certification
- Overhead (utilities, maintenance, taxes, insurance, etc.)
- Materials/supplies
- Price paid to producers for product sold
- Professional service fees
- Marketing
- Other fees for financing
- Other costs

Revenue:

- Storage and cooling fees
- Brokering commissions
- Margin on resale of any purchased product
- Delivery fees
- Membership fees
- Website advertising revenue
- Sponsorship revenue
- Charitable donations
- Sales of promotional merchandise
- Other sources of revenue

The business plan can be written in-house, but the assistance of a consultant will most likely be needed due to the specialized nature of food hubs. A number of resources are available for developing a business plan (see “Resources”).

Fundraising

Possible methods of funding or financing the food hub’s startup and daily operations should be considered throughout the entire process. Fundraising is just that – a **process**. The process of discovering potential sources of funding should be conducted early on, and in this case it begins with the “Resources” section that follows. Funds typically come from investors, loans, and/or grants. Investors and lenders need to see certain deliverables before they can make a decision, and their requirements will vary. Approach them early on with initial conversations in order to better understand their needs. Doing so will allow the business plan to be tailored to their requirements. Grants must be researched on a continual basis and timing is important as availability periods are limited.

Launch

You might be ready to launch if:

- A core of at least one or two anchor buyers and enough dedicated producers to adequately meet their needs has been identified
- Implications of new and existing food safety regulations are fully understood
- A plan for food safety and product traceability is in place
- Stakeholders understand that full financial sustainability will take several years – in some cases up to a decade. Research suggests that annual revenues may need to reach several hundred thousand in order to reach break-even.
- Sources of funding have been identified and locked in

Resources

Business Planning

How to Write a Business Plan – US Small Business Administration

<http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/writing-business-plan>

SCORE Tools – Business Plans

<http://www.score.org/resources/search/all/657%2C639>

Starting Your Business in Illinois Handbook – Illinois Department of Commerce & Economic Opportunity

<http://www.commerce.state.il.us/NR/rdonlyres/568413EB-8E07-414C-BFB9-ED0678C6F32A/0/StartingYourBusinessinIllinois0611.pdf>

Growing Farmers

Angelic Organics Farmer Training Initiative

<http://www.learnrowconnect.org/farmer>

Central Illinois Farm Beginnings

<http://central.illinoisfarmbeginnings.org/>

Illinois Farm Bureau Young Leaders

<http://youngleaders.yolasite.com/>

The Land Connection – Training Farmers

<http://www.thelandconnection.org/training-farmers/>

Start2Farm – USDA National Agricultural Library

<http://start2farm.gov/>

Food Hubs

Building Successful Food Hubs – A Business Planning Guide for Aggregating and Processing Local Food in Illinois – FamilyFarmed.org

<http://www.ngfn.org/resources/ngfn-database/knowledge/IllinoisFoodHubStudy-digital.pdf>

Food Hubs - USDA Agricultural Marketing Service

<http://www.ams.usda.gov/AMSV1.0/foodhubs>

Food Hub Center – National Good Food Network

<http://www.ngfn.org/resources/food-hubs>

Moving Food Along the Chain: Innovations in Regional Food Distribution

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=stelprdc5097504&acct=wdmgeninfo>

Regional Food Hub Resource Guide

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5097957>

The Role of Food Hubs in Local Food Marketing – USDA Rural Development

<http://www.rurdev.usda.gov/supportdocuments/sr73.pdf>

Food Safety

On-Farm Food Safety Project – Assistance with getting food safety certified including a free customized food safety plan generator

<http://onfarmfoodsafety.org/>

Fundraising

Healthy Food Access Portal – list of grant & loans for improving healthy food access

http://policylinkcontent.s3.amazonaws.com/Funding%20Availability%20Now_10252013.pdf

USDA – List of programs that can support food hub development

<http://www.ngfn.org/resources/ngfn-database/knowledge/Regional%20Food%20Hub%20Resources%20from%20USDA%20v1.pdf>

Also, see the Regional Food Hub Resource Guide above, page 29+

Regulations

ConnectFood – Ask food industry regulators a question and receive an answer

<https://answers.connectfood.com/publichealth>

Food Safety Modernization Act – US Food & Drug Administration

<http://www.fda.gov/Food/GuidanceRegulation/FSMA/default.htm>

Scaling Up

Scaling Up resources – Food and Value Added Agriculture

<http://fyi.uwex.edu/aic/local-food/scaling-up/>

Scaling Up: Meeting the Demand for Local Food

http://www.cias.wisc.edu/wp-content/uploads/2010/01/baldwin_web_final.pdf

Scaling Up: Perspectives from Growers and Buyers on Barriers and Benefits to Wholesale Marketing of Local Fruits and Vegetables

<http://www.leopold.iastate.edu/sites/default/files/pubs-and-papers/2012-10-scaling-perspectives-growers-and-buyers-barriers-and-benefits-wholesale-marketing-local-fruits-and-v.pdf>

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Endnotes

¹ National Good Food Network 2013

² USDA 2013

³ Adam 2006

⁴ Local Harvest 2013

⁵ International Co-operative Alliance 2013

⁶ FamilyFarmed.org 2012

Appendix A – Survey Instruments

Galesburg Area Food Hub Producer Survey

INTRODUCTION

In hopes of growing the local food economy in the region surrounding Galesburg, IL, the Galesburg Regional Economic Development Association (GREDA) has initiated a feasibility study for the development of a food hub. A feasibility study is the first formal step that a food hub takes toward becoming a reality.

Your input is necessary in order to shed light on the supply side of the local foods market in the Galesburg region. The information you provide will be combined with responses of other producers in the area in determining a feasible model for a food hub.

PRODUCTION

Check the food products that you currently produce for sale: (Check as many as apply, at least one)

	...on a regular basis:	...seasonally/occasionally:
Canned	<input type="checkbox"/>	<input type="checkbox"/>
Dairy	<input type="checkbox"/>	<input type="checkbox"/>
Eggs	<input type="checkbox"/>	<input type="checkbox"/>
Frozen	<input type="checkbox"/>	<input type="checkbox"/>
Fruits	<input type="checkbox"/>	<input type="checkbox"/>
Grains	<input type="checkbox"/>	<input type="checkbox"/>
Meats/Poultry	<input type="checkbox"/>	<input type="checkbox"/>
Value-added	<input type="checkbox"/>	<input type="checkbox"/>
Vegetables	<input type="checkbox"/>	<input type="checkbox"/>
Wines	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>

How many years have you been producing food products for profit? _____ years

What is your estimated annual income from food product sales? \$ _____

Are there barriers that limit you in producing food items that you really want to produce?

- No Yes If Yes", please explain: _____

(Farmers) How much land do you currently...

	...have available for food production?	...use for food production?
Less than 1 acre	<input type="checkbox"/>	<input type="checkbox"/>
1 acre	<input type="checkbox"/>	<input type="checkbox"/>
1-5 acres	<input type="checkbox"/>	<input type="checkbox"/>
5-10 acres	<input type="checkbox"/>	<input type="checkbox"/>
10-25 acres	<input type="checkbox"/>	<input type="checkbox"/>
25-50 acres	<input type="checkbox"/>	<input type="checkbox"/>
50-75 acres	<input type="checkbox"/>	<input type="checkbox"/>
75-100 acres	<input type="checkbox"/>	<input type="checkbox"/>
More than 100 acres	<input type="checkbox"/>	<input type="checkbox"/>

EXPANSION

How interested would you be in changing your production practices to meet the demands of the wholesale market?

	1	2	3	4	5	
Not Interested	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very Interested (3=not sure)

(Farmers) How interested are you in using more of your land to meet the demands of the wholesale market?

	1	2	3	4	5	
Not Interested	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very Interested (3=not sure)

(Farmers) How interested are you in making investments and changes for season extension?

	1	2	3	4	5	
Not Interested	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very Interested (3=not sure)

Are there barriers that limit you in expanding your current facilities to increase output?

No

Yes If Y

MARKETING

Who do you market and sell your products to?

	I market to...	I sell to...
Distributors	<input type="checkbox"/>	<input type="checkbox"/>
Directly to consumers	<input type="checkbox"/>	<input type="checkbox"/>
Grocery stores	<input type="checkbox"/>	<input type="checkbox"/>
Institutions	<input type="checkbox"/>	<input type="checkbox"/>

Restaurants	<input type="checkbox"/>	<input type="checkbox"/>
Other Producers/Growers	<input type="checkbox"/>	<input type="checkbox"/>
Other: _____	<input type="checkbox"/>	<input type="checkbox"/>

Are there barriers that limit you in **selling** food items that you produce?

No

Yes If Yes, please explain: _____

Choose the phrase that best describes your attitude toward the marketing aspects of your business.

- Marketing is my favorite part, and it comes easy to me.
- No problems with marketing here. I don't love it and I don't hate it.
- I really wish someone could help me with marketing. I want to spend more time on producing.
- I do not like marketing.

CERTIFICATIONS

Descriptions of certifications taken from certifying organization:

Good Agricultural Practices (GAP) audits focus on best agricultural practices to verify that fruits and vegetables are produced, packed, handled, and stored in the safest manner possible to minimize risks of microbial food safety hazards.

Organic certification verifies that a farm or handling facility complies with the USDA organic regulations and permits the sale, labeling, and representation of products as organic and to use the word "organic" or the USDA organic seal on food products.

Certified Naturally Grown (CNG) farmers and beekeepers share a commitment to work within the natural biological cycles that are necessary for a truly sustainable farming system - a system that works in harmony with micro-organisms, soil flora and fauna, pollinators, plants and animals.

Do you carry any of the following certifications?

	GAP	USDA Organic	CNG
Yes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Want to carry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not currently interested	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Specify any other certifications that you would like to carry or are interested in knowing about:

FOOD HUBS

The USDA definition of Food Hub: A regional food hub is a business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand.

How familiar are you with food hubs?

	1	2	3	4	5	
Not at all familiar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very familiar

How interested are you in becoming a member of a food hub?

	1	2	3	4	5	
Not interested	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very interested

What is your understanding of the definition of a "local" food product?

CONTACT INFORMATION (Please provide a zip code at minimum)

Please add my contact information to the database for future events and announcements.

No Yes

Name _____
Business Name _____
Address _____
City _____
State + Zip _____
County _____
Phone _____
E-mail Address _____

Did you attend a stakeholder meeting regarding the Galesburg area food hub?

No Yes

Thank you for taking the time to complete this survey. This survey can be submitted in one of two ways:

1) Scan and e-mail complete survey to info@j3planning.com.

2) Submit completed form to:
Galesburg Food Hub Survey
% J3 Concepts
PO Box 9653
Terre Haute, IN 47808

If you have questions regarding this survey or the Galesburg food hub feasibility study, please contact J3 Concepts at 812-645-4610 or info@j3planning.com.

Galesburg Area Food Hub Buyer Survey

INTRODUCTION

In hopes of growing the local food economy in the region surrounding Galesburg, IL, the Galesburg Regional Economic Development Association (GREDA) has initiated a feasibility study for the development of a food hub. Food hubs make locally-produced food products easier to access and less expensive for larger buyers so that they can satisfy end-consumer demand for local foods.

Your input is necessary in order to shed light on the demand side of the local foods market in the Galesburg region. The information you provide will be combined with responses of other buyers in the area in determining a feasible model for a food hub.

BACKGROUND INFO

What type of business/organization do you represent?

- Distributor
- Grocer (corporate)
- Grocer (independent)
- Institutional Food Service (health care)
- Institutional Food Service (education)
- Institutional Food Service (other)
- Restaurant (corporate)
- Restaurant (franchise)
- Restaurant (independent)
- Other (Please specify):

How many years has your organization purchased food products? _____

My organization does the following: (Check all that apply)

- Purchases food products for resale to the public
- Adds value, processes, and/or cooks food products (e.g., prepared foods)
- Serves food products to institutional clients (e.g., nursing homes, hospitals, schools)
- Purchases food products for resale to other businesses or organizations
- Buys food products for some other purpose (please specify):

PURCHASING

Please check the food products that you currently purchase... (Check as many as apply)

	...on a regular basis:	...seasonally/occasionally:
Canned	<input type="checkbox"/>	<input type="checkbox"/>
Dairy	<input type="checkbox"/>	<input type="checkbox"/>
Eggs	<input type="checkbox"/>	<input type="checkbox"/>
Frozen	<input type="checkbox"/>	<input type="checkbox"/>
Fruits	<input type="checkbox"/>	<input type="checkbox"/>
Grains	<input type="checkbox"/>	<input type="checkbox"/>
Meats/Poultry	<input type="checkbox"/>	<input type="checkbox"/>
Value-added	<input type="checkbox"/>	<input type="checkbox"/>
Vegetables	<input type="checkbox"/>	<input type="checkbox"/>
Wines	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>

If "Other", please specify: _____

Are there barriers that limit your ability to procure locally-produced food items that you want to purchase?

- No
- Yes If "Yes", please explain: _____

How interested are you in replacing national brand products with locally-produced food products?

	1	2	3	4	5	
Not Interested	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very Interested

How interested are you in changing the ordering process to accommodate locally-produced food products?

	1	2	3	4	5	
Not Interested	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very Interested

What is your *estimated* annual budget for all food products?* \$ _____

Approximately what percentage of your food product budget goes toward locally-produced food products? ("local" as defined by you or your customers)* _____ %

What percent more would you pay for locally-produced food products? (range OK)* _____ %

If you have paying customers, what percent more would they pay for locally-produced food products? (range OK) _____ %

CERTIFICATIONS

Descriptions of certifications, per certifying organization:

Good Agricultural Practices (GAP) audits focus on best agricultural practices to verify that fruits and vegetables are produced, packed, handled, and stored in the safest manner possible to minimize risks of microbial food safety hazards.

USDA Organic certification verifies that a farm or handling facility complies with the USDA organic regulations and permits the sale, labeling, and representation of products as organic and to use the word "organic" or the USDA organic seal on food products.

Certified Naturally Grown (CNG) farmers and beekeepers share a commitment to work within the natural biological cycles that are necessary for a truly sustainable farming system - a system that works in harmony with micro-organisms, soil flora and fauna, pollinators, plants and animals.

How important is it to you that the local vendors you purchase from be certified...

...GAP?*

	1	2	3	4	5	
Not important	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very important

...USDA Organic?*

	1	2	3	4	5	
Not important	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very important

...CNG?*

	1	2	3	4	5	
Not important	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very important

Please specify any other supplier certifications that are important to you:

FOOD HUBS

The USDA definition of Food Hub: A regional food hub is a business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand.

What is your understanding of the definition of a "local" food product?*

How familiar are you with food hubs?*

	1	2	3	4	5	
Not at all familiar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very familiar

How interested are you in becoming a member of a food hub?*

	1	2	3	4	5	
Not Interested	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very Interested (3=Not Sure)

CONTACT INFORMATION (Please provide a zip code at minimum)

Please add my contact information to the database for future events and announcements.

- No Yes

Name _____
 Business Name _____
 Address _____
 City _____
 State + Zip _____
 County _____
 Phone _____
 E-mail Address _____

Did you attend a stakeholder meeting regarding the Galesburg area food hub?

- No Yes

Thank you for taking the time to complete this survey. This survey can be submitted in one of two ways:

- 1) Scan and e-mail complete survey to info@j3planning.com.
- 2) Submit completed form to:

Galesburg Food Hub Survey
 % J3 Concepts
 PO Box 9653
 Terre Haute, IN 47808

If you have questions regarding this survey or the Galesburg food hub feasibility study, please contact J3 Concepts at 812-645-4610 or info@j3planning.com.

Appendix B – Producers

Following is the list of producers that the survey team attempted to contact during the survey period. Those in red either had inaccurate contact information or otherwise could not be reached.

Business Name	Contact
24 We Adore	Rebecca Stock
Alpha Village Gardeners	Ray & Loretta Burns
Appleton Hollow	Amy Brucker
Apple Blossom Farm	Scott J. Hoerr
Apples Apples Apples	Edwin & Patricia Durham
Black Hawk Organics	Black Hawk College
Blue Ribbon Farms	Jim Stanley
Blue Ridge Family Farm	Peggy Holmes & Jim Hicks
Blunier Family Farm	Darin and Keri Blunier
Brazy Creek Farm	Brad & Suzy Muesing
Broad Banch Farm	Brian & Anita
Camp Creek Farm & Orchard	
	Cathy J. Ryan
Christ Orchard	Kurt & Connie Christ
Community Orchard	Levi Perryman
	Cordelia Kaylegian
Country Corner	Bruce Curry
Dan Roat Farm	Dan and Eleanor Roat
Darnell's Apiary	Donnie Darnell
Davison Farms	Rob & Betsy Davison
	Debbie Rogers
	Diana Mackin
Enkidu Organics	Leslie Carman
Flowers 4 Less	Lisa Putnam
Foglesong Farms	
Fornoff's Farm Market	Dale or Karen Fornoff
Gillams's Produce	Dave & Kim Gillam
Good Hope Gardens	Grover & Mary Jo DeCounter
Grandma's Farm Fresh Eggs	Paul St.John
Gray Brothers	
Greengold Acres	Scott and Cheryl Webb
Hack's Orchard	Leonard Hack
Hansen Farm	Jack & Adam Hansen

	Richard Hartley
Hartz Produce	Lyndon Hartz
Heartland "Creations" Alpacas	
Hilltop Heirlooms	Tom & Ann Collopy
Homestead Gardens	Susan Pace
Hope Farm Produce	Beth & Myra Roelens
Huizenga Family Farm	John H. Huizenga
Indian Creek Vineyard	Fred J. Sams
Indian Trail Farm Produce	Peggy Hanson & Ron Wallace
Jack Pace	
Judith Matejewski	
Keystone Knoll Farm	Justin & Heidi Frank
Kickapoo Creek Winery	Marsha Conner
Kickapoo Valley Farm	Brad Guidi
Knudtson Potato Farm	
Lavender Crest Winery	Wilbert & Martha Rittmueller
	Leon Sherwood
Let Us Farm	Lee & Randy Hoovey
Living Earth Farm	Anne G. Patterson
Long's Farm	Kenneth Long
M&M&M Farms	Mark & Mary Lou Mathew
	Mary Lou & Mark Matthews
Meyer Produce	Mark Meyer
Naden's Naturals	
Natures Way	Charles & Cordy Kaylegian
Noe Farm	Ralph Noe, Jr.
Nyman's Harvest Corner	Carl, Sam, Jean, Emily, Keith Nyman
Orchard Hill Farm	Ken and Sharon Thompson
Oswald Family Farm	Dean Oswald
Patten's Gardens	John Patten
	Peggy Nuss
Pleasant Pasture Farms	Blick, Aaron, & Debbie
Pleasant Row Orchard	Barbara Sinclair
Produce Grower	
Prue Prairie Produce	David & Talia Kilgore
Robinson Beef	Ed Robinson
Rogers Pumpkin Farm	Jim & Kathi Rogers
Rumbold Valley Seed	
Sagel Farm Market	Doug Slagel

	Sarah Hahn
Schaer's Country Market	Gary & Becky Schaer
Schneider's Orchard	Elbert & Peg Schneider
Sedlock Farm	John E. Sedlock
Shady Knoll Farm	Gene Dennhardt
Simply Native Nursery	Kathy Hale-Johnson
Sloan's Market	
Smiling Frog Pond Farm	Robert & Julie Huaghland
Spoon River Valley Farms	
Spurgeon Veggies & CSA	Eloise Spurgeon
Strawberry Flats	Dean Yoder
Susan's Garden	Susan Unsicker
Tall Grass Prairie Vineyard	Diane Francque & Barbara Darnell
Tanner's Orchard	Richard & Marilyn Tanner
Teresa's Tasty Produce	Teresa Krause
Terry's Berries	Terry Bedwell
Thistle Creek Orchard	Jim Dallmeyer
Tittsworth Melons	Twila Smith
Toohey Achers	Nan Toohey
Trillium Dell Farm	
Wainwright Orchards	Jack Wainwright
Walker Farm	Ken & Debbie Walker
Waterford Prairie Farm	Regina Korsun
Weir's Fruit Farm	Jane Weir
Wheeler Produce	Andy Wheeler
Wilson Farm Vineyard	Karry Willson
Windmill Farm Berries	Renee Mahoney
Wolf Ridge Gardens	Scott Smith

Appendix C – Farm to School

The following is a list of school districts in the Galesburg Region along with the reported share of each district's food budget that is dedicated toward local food products. Source: 2013 USDA Farm to School Census.

School District	Local Share of Food Budget
Abingdon Community Unit School District 217	0%
Alwood Community Unit School District 225	0%
Annawan Community Unit School District 226	0%
Astoria Community Unit School District 1	0%
Avon Community Unit School District 176	0%
Bradford Community Unit School District 1	0%
Brimfield Community Unit School District 309	0%
Bureau Valley Community Unit School District 340	0%
Bushnell-Prairie City Community Unit School District 170	0%
Cambridge Community Unit School District 227	0%
Canton Union School District 66	0%
Dunlap Community Unit School District 323	0%
Elmwood Community Unit School District 322	0%
Erie Community Unit School District 1	0%
Farmington Central Community Unit School District 265	0%
Fulton County Community Unit School District 3	50%
Galesburg Community Unit School District 205	25%
Galva Community Unit School District 224	0%
Geneseo Community Unit School District 228	7%
Havana Community Unit School District 126	0%
Henry-Senachwine Consolidated Unit School District 5	0%
Illini Bluffs Community Unit School District 327	0%
Illinois Valley Central Unit School District 321	0%
Kewanee Community Unit School District 229	2%
Knoxville Community Unit School District 202	0%
Lewistown Community Unit School District 97	0%
Macomb Community Unit School District 185	0%
Midland Community Unit School District 7	0%
Moline Unit School District 40	0%
Monmouth-Roseville Community Unit School District 238	0%
Neponset Community Consolidated District 307	0%
Orion Community Unit School District 223	0%

Peoria Heights Community Unit School District 325	20%
Peoria School District 150	0%
Princeville Community Unit School District 326	0%
Prophetstown-Lyndon-Tampico Community Unit School District 3	0%
Riverdale Community Unit School District 100	0%
Rock Island School District 41	0%
Rockridge Community Unit School District 300	0%
ROWVA Community Unit School District 208	0%
Schuyler-Industry Community Unit School District 5	0%
Sherrard Community Unit School District 200	0%
Spoon River Valley Community Unit School District 4	0%
Stark County Community Unit School District 100	0%
United Community School District 304	0%
V.I.T. Community Unit School District 2	2%
West Central Community Unit School District 235	0%
West Prairie Community Unit School District 103	0%
Wethersfield Community Unit School District 230	0%
Williamsfield Community Unit School District 210	0%