FOOD HUB CASE STUDIES

1. INTRODUCTION (2 pgs)

1.1 Purpose: of this guidance document & intended audience.

Figure 1. Location of 3 Washington Food Hubs in this case study

1.2 Methods:

Data sources included notes from conversations with food hub contacts conducted by Stephen Bramwell during site visits in 2019, information provided by the hubs and semi structured interviews conducted in April 2021. Information from the hubs included data on sales and expenses, articles of incorporation, by-laws, guides for farmer/rancher suppliers, and hub websites.

This information was organized in an Excel workbook, with separate tabs for quantitative (sales/expenses) and qualitative data. Qualitative topics included historical background, business type, organizational structure, governance, products and services, market channels, producers/suppliers, key buyers and marketing strategies, and reflections on lessons learned and future direction. Prior to the interviews, worksheets for each hub were populated with information gleaned from hub documents and notes from previous conversations, and respondents were invited to review these prior to the interview.

Interviews with each Hub were conducted by Marilyn Sitaker via Zoom, with Stephen Bramwell and David Faro in attendance. Joel Williamson represented LINC Food Hub and Andrew Yokom represented Puget Sound Food Hub. During the interview, information on each worksheet was reviewed to fill in missing information, and ensure existing data were current and accurate. Some new information was added to the worksheets during the interview, and an analyst (Sitaker) later reviewed the audio recording and notes taken during the interview (Bramwell) to verify their accuracy.

In the Puget Sound Food Hub section, quotes from participating farmers were obtained during a panel discussion entitled "xxxx" that occurred on [MM-DD-YYYY]

2. CASE STUDIES (Approx 4 pages per Hub, 12 pgs total)

2.1 Puget Sound Food Hub

SNAPSHOT

Description: Puget Sound Food Hub is a farmer-owned cooperative operating in the Puget Sound region, that offers marketing, aggregation, storage, and distribution services for member farms and ranches.

Mission: To support and champion local, family scale farms by providing a direct connection with buyers in our region seeking high quality, locally produced food.

Year started: Pilot in 2009-2010; Implemented in 2014; Incorporated in 2016

Main market channels: Institutions, restaurants, wholesale and Food Assistance Programs.

Producers: (How many ? Whatcom, Skagit, Island, San Juan, Snohomish, and King counties)

Sales in 2020: $5.2 Million

Notable Products: In addition to vegetables, fruits, dairy, and meat/poultry, they offer fresh and smoked fish, and beverages (bitters, shrubs, fermented, sipping brines.

2.1.1 Background

The Puget Sound Food Hub (PSFH) began in 2009-2010, as a small wholesale farmers' market under the overpass in the parking lot of the Skagit Valley Co-op.[i] Lucy Norris, who was at that time the Director of the PSFH and Marketing Director for the Northwest Agriculture business Center (NABC), helped to create this marketplace. Working through NABC, she obtained a value-added producer grant from the USDA to start a formal food hub in partnership with 21 Acres, a Woodinville-based nonprofit learning center focusing on organic agriculture, sustainable living and green building technologies. With help from Robin Crowder, Marketing and Development Director at 21 Acres, PSFH soon expanded the marketplace to support farmers from Whatcom, Skagit, Snohomish, King and Island counties.

"The demand for local goods will drive the expansion of capacity of the regional food system"

–Andrew Yokom, General Manager

David Bauermeister initially served as the general manager and played a critical role in the Hub's early development. The Puget Sound Food Hub was incorporated as a farmer-owned cooperative in 2016, at which time governance transferred from NABC to a Board of Directors.

Bow Hill Blueberries was an early aggregation site for the hub (Photo: Harley Soltes)

PSFH's early experience as a small wholesale market helped establish relationships with anchor farms, so that the Hub could establish competitive price points and provide sufficient volumes for institutional buyers. Siting the market in Skagit Valley Co-op's parking lot proved advantageous, as the Co-op became an early wholesale buyer. In the early days, the Hub focused on securing essentials like dry storage, cold storage, loading docks, and trucks. Cloud Mountain Farm Center and Bow Hill Blueberries served as early aggregation sites; Cloud Mountain still serves as an aggregation site for PSFH members in Whatcom County.

Along with Skagit Valley Co-op, San Juan Co-op was a consistent customer, while the University of Washington was the first big buyer. Along with Amazon (for a while PSFH's largest account), these buyers also provided feedback, attended farmer meet-up events, and toured farms. Anthony Clark of Bon Appetit was a key supporter, attending producer meetings and promoting the Food Hub to anyone that would listen. With his help PSFH soon sold to more than a dozen Bon Appetit locations. Whole Foods Market provided access to Seattle parking lots for wholesale farmers markets, and United General Hospital made larger purchases and promoted the mission of the PSFH as well as the importance of healthy eating in a hospital setting. Sasha of SJI Transport Services was key to developing volume in San Juan Islands. Canlis, Portage Bay Café, and other key restaurants helped by supporting and committing to a transparent relationship with local farmers. The Markets LLC and Community Food Co-op were also consistent buyers. As General Manager Andrew Yokum said ~~states~~, "There were hundreds of supporters and contributors over the beginning years that made [PSFH] possible".

Bellewood Farms retained co-op membership as it passed the business to the next generation

Once PSFH began functioning autonomously, software management became critical for functionality. Local Food Marketplace (LFM) was selected, in part because if offered good technical support. However, like other software platforms, there is redundancy in financial record keeping (e.g., LFM does not interface with Quick Books accounting software).

2.1.2 Description of PSFH

Organizational Structure

For taxation purposes, PSFH is recognized as a cooperative marketing association, WAC 458-20-214. Legally, the cooperative is organized pursuant to RCW 23.86 as an "Agricultural Association" and incorporated as recognized by the Washington Secretary of State.

By-laws[ii] and Articles of Incorporation[iii] guide the election of Co-op Board Members at the annual membership meeting. The annual meeting is also a time for members to hear annual reports from officers and committees and provide input to the Board on topics related to the Hub's strategic direction. The Board may call additional member meetings, including meetings at the request of at least 25% of the members.[ii]

The Board of Directors consists of five to nine farmer-members, with the aim of encouraging a diversity of perspectives to shape the direction of the food hub. Officers include a president, vice-president, treasurer, and secretary. The PSFH General Manager meets with the Board President and Vice President to set the agenda for the monthly Board meeting, which is open to attendance by PSFH members. The annual cycle for budget-setting occurs in the fourth quarter of each year, when the General Manager submits a budget to the board for approval. Currently there are three committees (board development, finance, and member engagement) with representation from PSFH staff, farmer-members, and board members.

PSFH elected its first Board of Directors in 2016. Shown at left. From left to right they included: Tim Terpstra, Ralph's Greenhouse; Mike Finger, Cedarville Farm; Terri Hanson, General Manager; Erik Olson, Well Fed Farms; Jimmy Kintzele, Southern Exposure Family Farm; Amy Frye, Boldly Grown Farm; Vince Caruso, Caruso Farm; and Griffin Berger, Sauk Farm (not pictured).

Decision-making process

The Board is empowered to make decisions about business matters and guide the Hub's strategic direction, but changes to by-laws or structure of the organization require a majority vote from the membership. The Board is currently finalizing a 5-year strategic plan. The Board works closely with the General Manager, who plays a vital role in making day-to-day decisions regarding Hub operations that help achieve the strategic direction laid out by the Board.

> *"It's strategy vs. tactics; the board is responsible for [determining] where we're going, and I'm responsible for how we get there"*
>
> --Andrew Yokom, General Manager

Insurance and Policies

The *PSFH Guide for Farmers and Ranchers* **Error! Bookmark not defined.** describes eligibility requirements and logistics for producer/suppliers as well as sales logistics for buyers. The *Guide* also discusses policies on growing practices and food safety, farmer/rancher agreements, communication with members and protocols for corrective action).

Members of the Puget Sound Food Hub Cooperative Advisory Committee and new Board of Directors in 2016

PSFH carries insurance on the board of directors and its officers for decisions made on behalf of the Hub. Additional liability insurance covers product during transport to customers, as well as product stored in the warehouse that is owned by members. As members own their product throughout the value chain, being covered by the Hub's insurance during storage and delivery provides extra protection to members in addition to the $2 million in liability coverage members are required to carry. PSFHC has Sanitation Standard Operating Procedures (SSOPs) and current Good Manufacturing Practices (GMPs) in place and maintains a Good Handling Practices certification with annual review. The warehouse is licensed through the state, and warehouse employees are required to have forklift training, maintain cleaning and maintenance logs, and have food handler permits. While in PSFH facilities, aggregation and delivery contractors must comply with current food safety and handling requirements (e.g., Preventative Control Plans and/or Hazardous Access Critical Control Point (HACCP) plans).

2.1.3 Food Hub Operations

Facilities and Equipment

PSFH currently operates out of a rented office and 14,000 square foot warehouse in Mount Vernon, Washington. In addition to dry storage space, the facility boasts a 4,000 sq ft cooler and 360 sq ft freezer, and has three trucks, a forklift, and electric pallet jacks. The PSFH has an additional aggregation facility located at the Cloud Mountain Farm Center serving PSFH farmers in Whatcom County.

PSFH Trucks deliver orders to customers within a six-county region

Purchase/Sale logistics

Purchase and sale transactions occur through a combination of online commerce, using the online purchasing platform Local Food Marketplace (LFM), direct relationships with buyers, and purchase requests by email or phone that staff later enter into LFM on behalf of buyers.

Dewey Solomon Jr. fills orders

Farmers and non-farm vendors must establish an online LFM account, which is reviewed by PSFH staff to confirm they are a wholesale business in the PSFH delivery area.[Error! Bookmark not defined.] Sellers then add and update their own inventory, farmer profile and descriptions, pricing, and availability. Sellers set their own prices, but staff sometimes work with sellers and buyers on pricing when brokering sales (particularly with large accounts). PSFH is responsible for customer invoicing and collecting payments for online sales on behalf of the farmer. They also follow up with customers who don't pay. The hub issues weekly payment to producers either by check or automatic deposit.

Buyers also must establish an online LFM account, which is reviewed by staff to confirm their business type (restaurant, grocer, institutional, etc) and their location within PSFH's delivery area. Buyers shop online through the PSFH website which is linked to LFM. Buyers may order from multiple farms, compare products, and read farmer profiles (e.g., who, how, and where food is produced), and learn about each product, growing methods, and certifications, etc.

For a small fee, members can use freezer space, and cold and dry storage space. The hub also manages an inventory of stored shelf-stable goods and members have access to inventory of stored goods

PSFH develops a Fresh Sheet based on inventory that producers have entered for that week, and sends it to buyers via email, along with special deals. (During peak season, the Fresh Sheet may be sent out twice weekly). Buyers place their order, choose a delivery date, and pay one invoice online by credit card. Some larger accounts routinely email or telephone their orders in to the PSFH Office.

For buyers, Sunday is the cutoff to submit orders intended for Tuesday delivery, and Wednesday is the cut-off for Friday deliveries. Product must be delivered to the aggregation facility by 2 pm Monday (Tuesday delivery) or Thursday (Friday delivery). On delivery days, employees work in two shifts: the morning shift does paperwork and planning and the afternoon shift aggregates orders on pallets.


Sales Manager Mark Whims joined PSFH in 2017

Staffing

Current staff includes general manager Andrew Yokom, operations manager [Name?], logistics coordinatorm [Name?], sales manager Mark Whims, customer service representative Jessi Benoit, and bookkeeper Rachel Johnson. Part-time staff include five or six truck drivers (two or three days per week) and four aggregation staff (two days per week). [Do we want to say more about duties of each position and how positions interact?]

2.1.4 Producers/Suppliers

As of early 2020 PSFH was composed of 64 members (52 farmers, 12 non-farm vendors), including four dairies, 46 fruit or vegetable operations, two mills, two nut tree nut producers, six dedicated value-added businesses, a seafood partner organization, one mushroom producer, one partner food distributor, and a prepared foods business (a pizzeria). Members generally operate within the PSFH's primary 6-county region (Whatcom, Skagit, Island, San Juan, Snohomish, and King counties). In 2019 the top three producers were responsible for approximately 30.9% of sales, and the top ten were responsible for 63.6% of sales overall. The bottom half contributed 8%.

According to the *PSFH Farmer and Rancher Guide*[iv] all members are required to have a business license (WA UBI) and any necessary specialty licenses, (kept on file with the Hub). Each farm must provide a copy of the certificate of coverage for a $1M/$2M policy and name the PSFH as an additional insured. The *PSFH Guide for Farmers and Ranchers* describes eligibility requirements and participation guidelines for farmer-members. New members must be approved by the Board. They are required to purchase one share of common stock for $1000 and pay annual dues of $100 each January. Non-member suppliers are also allowed to sell through the Hub and pay annual dues of $150 . Producers must comply with current county, state, and federal food safety requirements for product categories per WSDA Small Farm and Direct Marketing Handbook. Meats must be processed at a USDA licensed facility and poultry must be processed at a USDA or WSDA licensed facility. Producers are required to have written food safety and recall plans and

> *"It took time to trust the relationship with the hub. For a while I tried to figure out how to make sales around the hub but then we gradually listed more and more. I've more than made up [for potential lost sales] in access to Seattle and Whatcom County markets."*
>
> --Kai Otteson, Hedlin Family Farm

have Produce Safety Alliance certification and are encouraged to take WSDA workshops regarding FSMA and GAP. Members must produce at least 51% of the product they sell, and are expected to follow PSFH's production practice standards, as organic certification and GAP certification are important factors in access to sales.

The Hub provides growers with access to institutional buyers, while still allowing producers to set their own prices and quantity commitments. The farmer owns their product throughout the value chain, and must do their own packing and delivery to the aggregation facility. PSFH currently does not tell its members what or how much to grow, though farmers have access to sales data and can use it to plan accordingly (as described below, a system for production planning is being developed).

While members benefit from the Hub's own branding and marketing efforts, producers maintain brand identity throughout the value chain, and are encouraged to be proactive in conveying their farm's brand identity, and promoting products sold through PSFH on their website and social media. .

2.1.5 Products & Services

Products

Vegetables are the largest product sales category in PSFH, followed by baked goods and dairy products. Meats and value-added products have shown recent growth in popularity. While land-based farm goods comprise the largest portion of hub sales (Figure 2), meaningful contributions were made in 2020 from sales of value-added products like baked goods and beverages (~27%), meat and seafood from tribal partners (~9%). In 2019, sales of milled grains exceeded six-figures and represented 5% of total sales.

> *"The key is product diversity. The big farms pull the little farms along. It also really helps to open it up to vendors who bring [attractive] products like pies, etc."*
>
> -- Kai Otteson, Hedlin Family Farm

Some of the more unique items sold through the hub include quail, kefir, okra, tuna, game bird, gluten free pies, bitters and shrubs, and sipping brines. Pies make up the largest portion of baked good revenue and in 2019 represented approximately 15% of total hub sales.

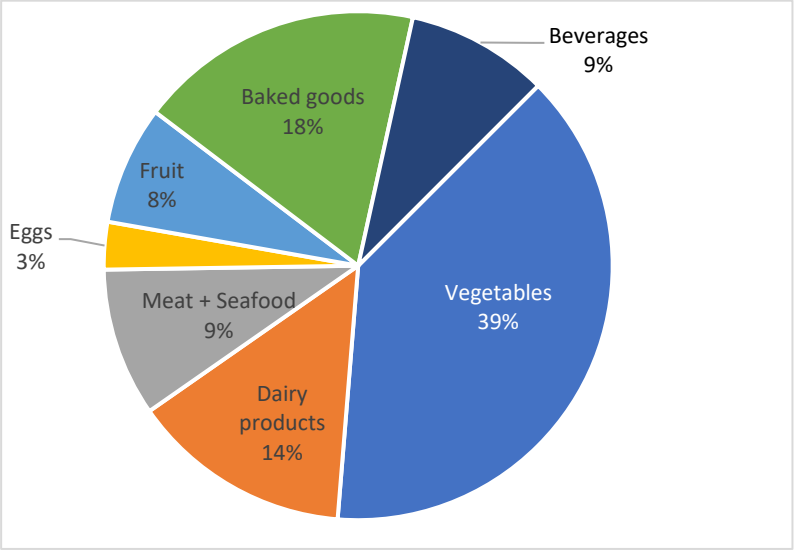


Figure 2. PSFH Sales by Product Category, 2020

Production Planning

PSFH is working on building year-round supply capacity to meet the demand of retail accounts (grocery stores and co-ops). For example, they advise farmers to grow products for the shoulder seasons and contact buyers in advance to discuss their product needs, estimated volumes and prices. Growers are encouraged to consider planting high demand items: hardy greens, root crops (carrots, leeks, onions, parsnips, potatoes, beets, turnips, celeriac, garlic, shallots), winter squash and anything that can be stored for winter sales. They are also encouraged to consider season-extending strategies such as hoop houses or covered row tunnel crops. PSFH is also working to develop a formal system for production planning to meet the demand of various buyers.

> *"[Production planning] is a challenge, which is why it doesn't exist yet. We're basically starting with a big spreadsheet and linking to specific producers based on volume needs."*
>
> --Andrew Yokom, General Manager

Services

PSFH provides direct delivery to wholesale customers in Seattle as well as San Juan, Skagit and Whatcom counties. PSFH staff provide administrative services and bookkeeping for the hub; they ensure bills are paid and farmers are compensated in a timely manner (typically within a week of transaction). Additional services include marketing, product aggregation and distribution, cold and dry storage (for a fee), food safety adherence, invoicing, managing credit card/banking fees, communications, and more. The operational costs of these services are partly offset by a markup associated with the gross value of the product sold by the farmer.

2.1.6 Food Hub Economics

Budget: Income, Costs, Expenses, and Profit

As with any business, the PSFH annual budget calculates the **gross profit** for the year by taking into account **income** (from Hub sales, storage rental fees, member dues and other sources) minus the **cost of goods sold**, (due to producer/vendor payments and purchased product, Table A). From the gross profit is subtracted **total expenses** (comprising payroll, operating, administrative and other expenses) to produce the **operating net profit**. The operating net profit, along with any **extraordinary income** [from???] are added to produce the **net profit** for the year.

Cost Coverage

PSFH expenses, such as payroll, operating expenses and administrative costs, are covered by product profit margin which is in the range of 18 – 23%. For produce there is a mark-up of about 30%, and for value-added items mark-up is between 22% and 30%. A preferred goal for produce would be to get to 24% mark-up. However, this is challenging because the profit margin is conditioned on what cost the market will bear and the price of goods set by the farmer. Increasing the profit margin would require a shift in the relative price differential between producer and customer. This seems to be more feasible in the Seattle market, where buyers are more willing to accept an increase in prices.

	2018 Actual	2018 % of Income
INCOME		
Other	37,273	1.7%
Storage Rental	32,677	1.5%
PSFH Sales	2,121,740	96.8%
Total Income	2,191,690	100.0%
COST OF GOODS SOLD		
Producer/Vendor Payments	1,807,452	82.5%
Purchased Product	2,305	0.1%
Total Cost of Goods Sold	1,809,757	82.6%
GROSS PROFIT	381,933	17.4%
Total Payroll Expense	157,661	7.2%
Total Operating Expense	167,973	7.7%
Total Administrative Expense	61,027	2.8%
Total Other Expense	20,710	0.9%
TOTAL EXPENSES	407,371	18.6%
OPERATING NET PROFIT	(25,438)	-1.2%
Total Extraordinary Income	95,000	
NET PROFIT	69,562	

Accounting and Books

The primary software used by the PSFH for accounting and budgeting purposes are QuickBooks, Excel spreadsheets, varied functions of Local Foods Marketplace (LFM)[1], and Transaction Pro. The food hub employs common budgets and tools including enterprise budgets, cash flow projections, breakeven analysis, and profit and loss statements in QuickBooks and Excel. Transaction Pro is used to transfer data tracked in LFM (predominantly on invoicing and sales) into QuickBooks as the two platforms don't articulate directly. Data is uploaded from LFM to Transaction Pro and downloaded to QuickBooks, and the hub put a lot of work into this in 2020.

Sales Revenue

Figure 3, below, shows trends in PSFH sales over time. From its modest beginnings in 2012, sales increased each year, with several periods of rapid growth. There was a six-fold increase in sales between the Hub's first and second year, and a 3.6-fold increase between 2014 and 2015. Sales more than doubled between 2018 and 2020.

[1] The hub uses various LFM features for customer interface, packing lists, warehouse inventory, invoicing, payments, etc.

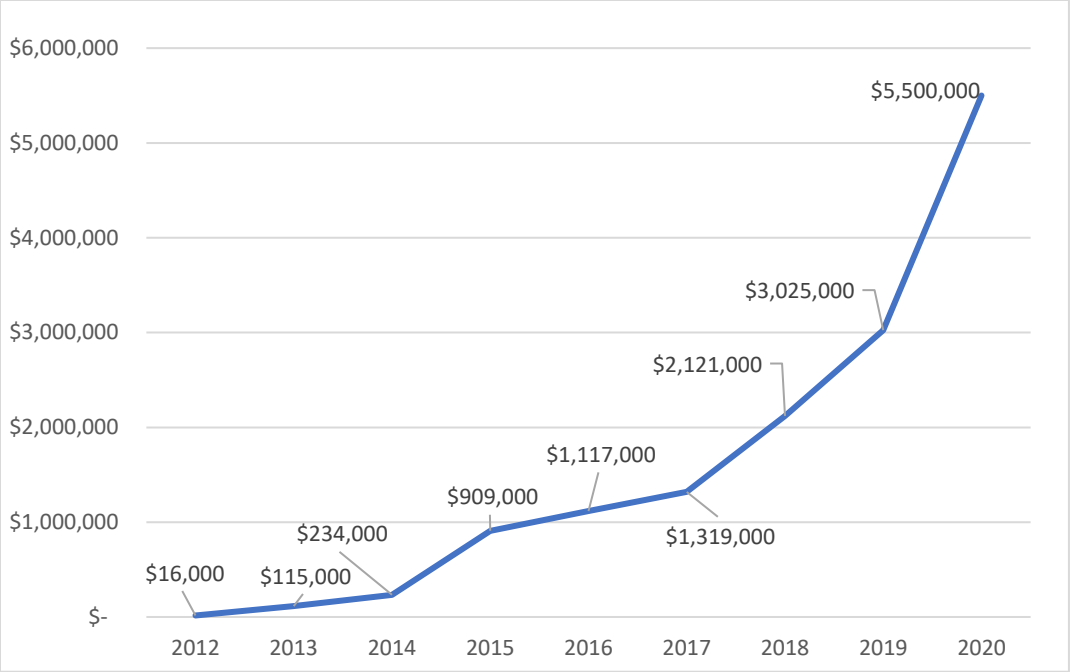


Figure 3. Puget Sound Food Hub Sales, 2012-2020.

Sales Focus (Market Channels)

Sales to retail grocery stores and co-ops are a mainstay for PSFH, along with sales to restaurants. In prior years, sales to institutions were modest, while direct-to-consumer (CSA) and food assistance box programs each contributed small proportions to overall sales. This distribution changed during the 2020 pandemic year. Retail and restaurants decreased from a combined total of 84% percent of sales in 2018 to 76% of sales in 2020. Sales to food assistance box programs and CSAs increased from a combined total of 6% percent of sales to 22% of sales. Institutional accounts dwindled from 9% of all sales to 3%.

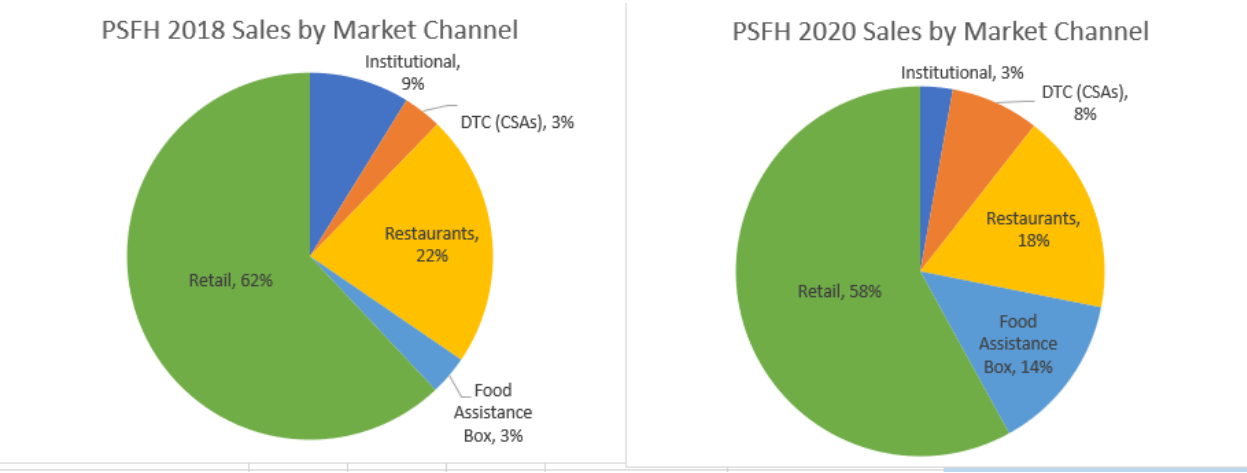


Figure 4. Puget Sound Food Hub Sales by Market Channel, 2018 and 2020

Because total sales more than doubled between 2018 and 2020, even if the proportion contributed by a particular market channel decreased over time, the dollar value of sales could have increased. For example, as shown in the Table 1 below, sales to food assistance box programs shifted from contributing 3% to 14% of total sales, but this represents an 83% increase in the dollar value of food assistance box sales, (from $65,948 to $709,053).

> *"Smaller growers can compete by growing specialty varieties and providing smaller counts."*
>
> -- Harley Soltes, Bow Hill Blueberries

PSFH farmers and staff emphasize the high importance of market pricing. While this created a perceived competition among some smaller farms, even smaller farm members emphasize that an efficient larger grower should be viewed as a challenge. Price fixing effectively prices institutions out of the food hub and skews the internal market and decision-making and encourages farmers to grow what is not competitive. Alternately, one farmer-member (Kai Otteson of Hedlin Family Farms) encourages farmers to take up the challenge and "…be better in price, or quality, or identity."

Maximizing travel efficiency is also a consideration for the hub in sales management. PSFH is strategically adding new accounts with grocery and co-ops along existing retail delivery routes along the I-5 corridor.

Table 1. Change in PSFH Sales Volume by Market Channel, 2018 and 2020

	2018	2020	% Change
Institutional	$168,952	$145,042	-8%
DTC (CSAs)	$64,942	$396,833	72%
Restaurants	$425,714	$895,845	36%
Food Assistance Box	$65,948	$709,054	83%
Retail	$1,184,730	$2,965,968	43%
Total sales for these channels	**$1,912,303.80**	**$5,114,761.59**	**46%**

2.1.7 Marketing

Branding/Value proposition

PSFH emphasizes the freshness and nutritional value of its products. One of PSFH's goals is to educate buyers about the true cost of food production so that they are understanding of, and more willing to pay, appropriate prices for sustainably grown local food. In its marketing materials, PSFH notes that in addition to product freshness and wholesomeness, buying through the food hub offers wholesale buyers the convenience of buying from multiple farms through a one-stop purchase, invoice and delivery system. Additional advantages are a greater connection with growers, unique products; source identification; and qualities associated with buying through a cooperative (fair treatment of farmers, transparency, integrity).

Promotion (strategies for buyer outreach, advertising channels)

PSFH utilizes a variety of outreach strategies including farm tours, in-person sales visits, weekly Fresh Sheets, and typical marketing platforms such as social media accounts/website. Door-to-door sales calls is viewed as the cornerstone method for buyer onboarding, particularly for making inroads with wholesale (restaurant and grocery) and institutional accounts. Staff would like to do more on social media but haven't been able to allocate more time. Farm tours are viewed being "great" but with minimal impact.

> "*[Most important is] an individual to talk about these qualities and convey the value of food sold through the hub regarding freshness, nutrition and sustainability."* [Andrew Yokum, General Manager?]

Relational Marketing

> *"You need them to get all their produce from the hub to get them off [the mainline distributor]"*
>
> -- Kai Otteson, Hedlin Family Farms

According to food hub founders and staff, direct relational marketing has far and away been the most important buyer outreach strategy. The rapid sales increase from 2017 to 2020 was perceived as the result of hiring Mark Whims, a sales manager formerly with Wilcox Farms. His impact was described as adding "rocket fuel" to sales.

Additionally, working with co-ops has been advantageous, as their principles facilitated working closely with other co-ops. As others working in values-based supply chains have noted, it's important to find customers who not only value the food, but are committed to business relationships marked by transparency, trust, and good communication.

2.1.8 Key Buyer Outreach

Key supporters

Several buyers played instrumental roles in supporting the launch of PSFH, including United General Hospital, the Skagit Valley Co-op, Bellingham Food Co-op, Bon Appetit, Whole Foods Market, 21 Acres Center for Sustainable Living, Canlis Restaurant, The Markets, and Community Food Co-op, among many other critical partners. They supported the food hub with regular purchasing while also providing other help like making parking lot space available for transactions (Skagit Valley Co-op, Whole Foods), messaging the importance of healthy eating (United General), and committing to a transparent relationship with local farmers (all, but notably Canlis), among others.

> *"There were hundreds of supporters and contributors over the beginning years that made this possible."* [Andrew Yokum, General Manager ?]

At one point, philanthropic contributions from 21 Acres allowed the hub to provide local food to daycare centers.

One key relationship, however, cut both ways. At one time the hub supplied 21 drops on a corporate account with Bon Appetit, but when the business changed food service providers, PSFH was dropped mid-season and left with a large inventory of frozen chicken dedicated to what they understood were

committed sales. At the time it was the largest food hub buyer, created a dramatic revenue loss, and left the hub feeling “burned”.

Buyer Marketing, Branding, Story-telling

Each farm maintains its own page on the PSFH website, sharing the farm story, available products, certifications, and stewardship practices. While marketing support is offered by the Hub, producers are encouraged to proactively convey their farm's brand identity. There is a strong prohibition against denigrating other farms to promote the virtues of their own products. Presently staff would like to spend more money on marketing but out of necessity have not due to limited resources. All sales growth is due to direct relationships. Grants provided financial marketing resources over the first six years.

The hub relies heavily on the farm stories “carried through” to buyers by retaining the origin identification of all products. Growers are identified within the Hub’s Fresh Sheet and this identification includes geographic location to support place-based marketing stories as well.

2.1.9 Reflections

Winning Strategies: According to PSFH, the best recipe for success is to bring on a strong sales manager. Increasing the number of value-added vendors on the site so the food hub could do year-round business more consistently was another key strategy. For example, Whidbey Pies quickly became a best-selling item. As one core hub farmer-member advised, “…if a producer or vendor wants to help, say yes!”.

Needs/Wants: PSFH would hire more sales staff if financial resources were available. This person could invest time in one on one relationship building (e.g., person would could call chefs and talk about the specialty veggies on the website.

Aha's and Uh-ohs: One strategy to facilitate better sales for higher-price growers is to place a higher price point on specialty items rather than bulk basics. Example: specialty peppers.
Relationships are key. For example, initially corporate cafeterias were among the Hub’s major customers. When the corporation changed its food service company (and consequently the produce buyer), the Hub lost major corporate cafeteria accounts.

2.2 Local Inland Northwest Cooperative (LINC) Food Hub

SNAPSHOT

Description: LINC Foods is a worker and farmer owned food hub based in Spokane, WA.

Mission: Building a regional, sustainable food system by linking local farmers to new markets and ensuring the highest quality products for our customers through democratic enterprise.

Year started: Founded in 2014

Main market channels: Institutional, restaurants, CSA, Food Assistance, and online marketplace within a 50-mile radius of Spokane.

Producers: 50 producers with farms ranging from the Cascades to the Rockies, and from Canada to the Wallowas.

Sales in 2020: $1.5 Million

Notable Products: In addition to vegetables, fruits, dairy, eggs, meat, baked goods and condiments, they offer lightly processed squash, cabbage and carrots.

2.2.1 Background

Local Inland Northwest Cooperative (LINC) Foods is a worker and farmer cooperative food hub located in Spokane, WA, tasked with the mission of building a regional, sustainable food system in the Inland Northwest.[v] LINC envisions “a robust local food system, a vibrant ecosystem, and fair, fulfilling employment”.

The LINC Food Hub emerged in response to a series of discussions among farmers, city/county officials and other food system stakeholders about the lack of market opportunities for small local farms. In 2013 the Spokane Regional Health District and the City of Spokane hired food economist Ken Meter to assess the regional farm and food economy.[vi] According to the report's findings, much of the food purchased in the area was imported from elsewhere, 65% of farms were operating at a loss; and most farmers still had to have off-farm income. A follow-up report in 2014 noted that local farms and food businesses were being held back by lack of knowledge and policy to support infrastructure (warehouses, processing plants, packing sheds, transportation routes). A cohort of local farms began discussing the possibility of forming a food hub.

LINC was founded in 2014 by Beth Robinette and Joel Williamson. Working with Dave and David, alongside partners at Charlie's Produce, the first step was to assess interest among regional farmers. There were lots of big meetings with area farmers [called by whom—Dave and Joel?]; from these, a small core group of eight farms emerged that were ready to move forward. [8 initial farms, six stuck with 2-4 years]. This group developed a mission statement for the Food Hub [the Food Policy Council was involved in some way].

LINC prepares to deliver produce to schools, institutions, and restaurants in the Spokane region

The company had modest beginnings, renting out a beverage cooler in the hotel kitchen at the Comfort Inn, running produce deliveries in Joel's personal vehicle, and packing the multi-farm CSA that would become "LINC" Box at Second Harvest Food Bank. Second Harvest kindly allowed them to use their facility for twice-weekly aggregation and distribution activities. Second Harvest also provided LINC with three pallet spaces in their cooler and two pallet spaces each in dry storage and freezer. A second-hand truck purchased for $5,000 was used for deliveries. In those early days, there was no paid staff [double check that this is true]. Farmers would meet at Second Harvest on delivery days to aggregate and pack orders. Joel and Beth took on administration, coordination, bookkeeping, and buyer outreach, donating their time. The local Food Policy Council was forming around this time and they also helped [by doing what?].

As resources became available and relationships were built, the team persistently professionalized their operations. LINC worked with the Northwest Cooperative Development Center and the Northwest Agricultural Business Center to develop Articles of Incorporation and By-Laws, using a multi-stakeholder approach. Additional help with governance was provided by the Democracy at Work Institute, the non-profit arm of the US Federation of Worker Co-ops. A USDA Specialty Crop Block Grant in 2015 allowed LINC to hire tomato grower Dan Jackson as their full-time sales director. In 2016, LINC launched their craft malting arm, and in 2017 moved into a dedicated produce warehouse in Spokane.

Gonzaga John J. Hemmingston Center, 2019

LINC's wholesale business began [in 20xx?] when it became clear that a large local institution, Gongaza University, was willing to buy from it. Students and school administrators alike were clamoring for the university to serve regionally sourced foods in its cafes and dining halls. Two Sodexo food service employees at Gonzaga collaborated with two progressive personalities (Dave and David) [last name and affiliations?]. Gonzaga and Sodexo effectively told their distributors (Charlie's Produce and Cisco) they had to source locally [Charlie's Produce had been talking about starting a Food Hub themselves in 2014 and earlier].

Gonzaga institutional buyers Chuck and Dan were key partners, as were chefs at local restaurants like Hillside Café and Central Food, which was a good scale to start with. LINC's early experience with Gonzaga paved the way to get a foot in door with neighboring Washington State University, which surpassed Gonzaga in sales in 2018.

2.2.2 Description of Food Hub

Organizational Structure

For taxation purposes, LINC is recognized as a cooperative marketing association, WAC 458-20-214. Legally, the worker- and farmer-owned cooperative is organized pursuant to RCW23.78 as an "Employee Owned Cooperative" and incorporated as recognized by the Washington Secretary of State.

The LINC By-Laws[vii] and Articles of Incorporation[viii] provide guidance on co-op governance. LINC is governed by a Board of Directors composed of between five and eleven members. According to the Bylaws the board is to be composed of at least two worker-members and two farmer-members, and between 1-2 community representatives appointed by the board. As of December 2020, there were 11 board members, consisting of nine worker- and farmer-members and two community representatives.

The board is elected at an annual all-member meeting. Immediately following the all-member meeting, the board meets to elect officers: a President, Vice President, Secretary and Treasurer. Board-level decisions are made by consensus minus one, and a quorum is needed to take action. A majority vote is required for decisions made by members.

Decision-making process

Initially, staff sought board approval on all decisions about Hub operations. Yet as as the hub grew and operations became more complex, it became too cumbersome for the board to make decisions as rapidly as needed. Thus, there was a deliberate but organic transition for the Board to step back and allow warehouse staff the autonomy to make decisions about day-to-day operations, without Board involvement. The issue was discussed formally in a 2018 retreat, with agreement to have the Board focus on higher-level decisions concerning Hub policy, and let staff handle decisions regarding the Hub's daily operations.

LINC Staff (L-R): Brian Estes, Dan Jackson, Michelle Youngblom, Emily Himmelright, Beth Robinnette, Janel Davisson, [Other 2 Names?]

LINC recently developed a **decision matrix** (adapting an idea developed by Equal Exchange), which delineates decision-making authority for the Board and staff in the areas of finance, personnel, corporate organization, and Hub operations. The decision matrix also specifies which groups (Board, staff, members) are required to give input on and ratify decisions. For example:

- The Board determines staff salary levels, with input from staff and members
- Staff make hiring decisions, with Board input
- Members must provide input and ratify any changes the Board proposes to the by-laws or articles of incorporation

With a more focused role, the Board can accomplish much of the work formerly assigned to committees during the monthly Board meeting. For this reason, the board currently has no committees.

In January 2021, LINC's staff began implementing the Holacracy model of collective self-management in day-to-day operations. This differs from a traditional hierarchical structure in which workers with limited autonomy work under the oversight of a manager. In the Holacracy, each worker has duties and responsibilities associated with one or more assigned roles. A person taking up that role is authorized to make decisions in accordance with their roles' purpose and accountability. Accountability is achieved through transparency, clarity, and consistent communication, and any issues with job performance are first addressed to the group.[This last sentence needs additional information—Holocracy has a formal mechanism for challenging or adding to decisions made by various roles. Also there is some organization into "groups" involving people w/similar roles. And, what is the steering committee?]. If a performance issue is unable to be resolved at this level, it continues on to the Steering Committee.

Insurance and Policies

As LINC began working with large institutional buyers, it acquired a $5 million liability policy, and obtained food safety certification (choosing from among those accepted by Sodexo to meet its requirements). LINC then extended liability insurance coverage to cover products being stored or transported by LINC, as well as food safety certification to farmer-members who were required to have a written food safety plan. $900 a year food safety plan. Inspections occur twice a year. Labeling, handling and sourcing. Good handling permit is required to become a direct vendor [Need help on what is meant by "$900 a year food safety plan." This is from Stephen's interview with Joel—it's in the LINC folder and called "Joel LINC Interview—Food Hub Models"…]

LINC's By-Laws set forth the rules and procedures governing corporate affairs, internal corporate account, organizational structure and decision-making processes involving the Board of Directors and members. Policies on Growing Practices and Food Safety Standards are in the LINC Farmer and Ranchers' Guide.[ix] This document covers rules/procedures governing membership which is also covered in the Bylaws. The LINC Governance Matrix reflects decisions recently made regarding which decisions

are the Board's purview and which are to be made by staff, as well as which groups must provide input and ratification. Holocracy,[x] the new self-management system being used by the staff, is described in the LINC Farmer and Ranchers' Guide.

2.2.3 Food Hub Operations

Facilities and Equipment

LINC currently operates out of two 10,000 sq. ft. rented warehouses in Spokane Business and Industrial Park. Malting continues to be an important source of business and occupies the majority of warehouse space (60%). About 30% of the space is used for produce, with 800 sq ft of walk-in cooler space ("…always exploding at the gills," according to LINC staff). LINC also rents approximately eight pallet spaces of freezer storage from Empire Cold Storage. The LINC office takes up the remaining 10% of space.

A LINC Box ready for pickup at The Grain Shed

Organically Grown Company (OGC) is co-located in the Spokane Business park warehouse, and this proximity has facilitated inter-hub work. OGC supplies product to Mission Mountain Food Enterprise Center and to PSFH, and sometimes helps LINC transport goods from their common warehouse location to those customers. The two hubs work well together, as they have similar values, but serve different markets. OGC markets to chain retail grocery while LINC markets to institutional customers and, increasingly, direct-to-consumer. They also work with different producers: OGC works with larger certified organic farms while LINC works with smaller farms.

LINC owns two 4-ton batch-malting units that generate about four tons of malt per week (which takes up a lot of the warehouse space) and also owns a couple of forklifts. To provide institutional customers with lightly processed foods, LINC contracts with a third party. They have had some product processed on contract with Dunken Produce, and continue to contract products like cubed squash with Mission Mountain Food Enterprise Center in Ronan, MT. [make sure this is correct].

Purchase/Sale Logistics

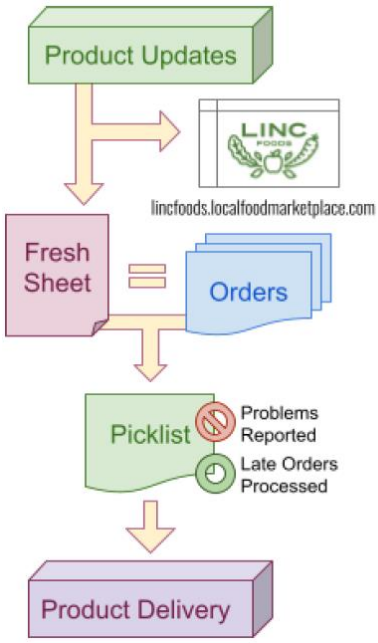


Figure 5. LINC Sales Cycle[ix]

LINC offers twice-weekly ordering, to increase product availability for customers and minimize driving for growers. The *LINC Farmer and Rancher Guide* specifies the timeline for each step in the sales cycle (Figure 5), along with the procedures producers must follow for product intake. At the start of the cycle, producers update the availability of their product by either entering it into the online sales platform (LFM) or by communicating directly with LINC staff. This information is used to create the Fresh Sheet, which is then sent to institutional buyers, who must place their orders within a specified timeframe.

LINC also purchases from the weekly Fresh Sheet, selecting items to include in its CSA and food assistance boxes. LINC purchases slightly more fresh produce than they need and lists the overstock quantities on that week's a la carte offerings, along with a curated list of select items from the warehouse. As LINC "owns" the overstock produce, this carries some risk as to whether perishable goods will sell, similar to a farmers' market. Individual customers can place a la carte orders online, using LFM, which currently requires a $25 minimum order. The average a la carte order is $67.

After the cutoff for institutional customer orders, farmers check orders on LFM to develop their picklist for that sales cycle. In the case of late orders, LINC staff communicate directly with the farmer via text or email. Any problems with order fulfillment must be communicated by the farmer to LINC staff in a timely manner so that alternative sources may be identified.

Before delivering to the warehouse, producers are required to check that their product meets LINC's quality standards; is packaged in clean, food-grade waxed boxes or food-grade, clean unwaxed cardboard boxes; and is labelled accurately. To facilitate adherence to these requirements, all farmer-members are required to have an accurate scale, calibrated regularly, phone and internet service, and a printer for printing labels.

Packing Food Assistance Boxes in 2020

LINC Foods sometimes solicits purchase of product in bulk, such as storage crops, dry goods, or frozen goods, etc. These are stored in the cooler and dry storage at the warehouse, along with value-added stock. For products that are not shelf/freezer stable, the producer provides an estimated shelf-life so LINC can estimate the amount needed based on customer demand. Producers can make bulk deliveries at any time, not just on Intake Days

An innovative LINC Box drop site in the Perry District

The *Guide* advises farmer-members to communicate with LINC staff in a timely fashion regarding unexpected product surplus or shortages throughout the season. This ensures that LINC can meet its commitments during the sale/delivery cycle. The *Guide* includes examples of effective communication with LINC staff by text, email, and phone.

Staffing

A USDA Specialty Crop Block Grant received in 2015 facilitated hiring a full-time sales director, Dan Jackson [Is this telling us something about critical staff to hire? Was Dan the first hire? Or are they saying hiring Dan really allowed the business to expand?]. Having a sales person who could develop direct relationships with buyers was important; a staff person uses a weekly fresh sheet to make up CSA boxes [per July 2018 visit].

Currently, there are eight full time equivalent positions spread among 10 staff. Some staff work part time, and all have job duties in a variety of areas. Two full-time positions are devoted to malt sales and production. One person handles LINC administration, accounts receive/payable, and bookkeeping. Three warehouse positions are responsible for packing and delivery and more will be needed in summer 2021 to handle the increased number of boxes to be packed.

Beth Robinette, co-founder of LINC with Joel, handles promotion, sales, and customer service. As the direct to consumer (a la carte and box subscription) business grows, her position will expand to full time, and the customer service responsibilities will be taken on by someone else, to allow Beth to focus more on outreach. Another full-time person, Dan Jackson, manages procurement and grower relations. This person, a former farmer, works closely with Beth to make sure the right foods are purchased from farmer-members to fill weekly box orders. In addition to purchasing, this position coordinates logistics, delivery, packing, and distribution of food assistance boxes. This is a complicated role due to the


A one-week-on, two-weeks-at-home rota at warehouse and delivery kept LINC workers and customers safe in 2020

challenges of aligning the supply and demand and managing purchase and delivery logistics for a large number of growers and customers.

Day-to-day operations are overseen by LINC worker-owners and workers. They are also responsible for administering the policies of the Co-op as set forth by the Board. All workers may have job duties in a variety of areas. Workers take direction from the associated Role Lead in the course of their duties

2.2.4 Producers/suppliers


LINC Staffer Michele Youngblom

There are 56 farmer-members in LINC Foods. The grower catchment area is bordered by the Cascade Mountains to the west, Canada to the north, the Rocky Mountains to the east, and the Wallowa Foothills to the south and southeast. Food hub sellers were predominately produce growers, with the remaining products fairly evenly distributed by type (Table 3). Some growers supplied multiple items. In 2020 the top three producers were responsible for 27% of sales, and the top ten were responsible for 55% of sales overall. The bottom half contributed 6%.

Table 3. Distribution of LINC Foods Suppliers Across Several Product Categories

Beverages ()	Meat ()
Dairy ()	Foraged ()
Eggs ()	Poultry ()
Fruit ()	Value-add ()
Herbs and spices ()	Produce ()
Honey ()	

To be eligible, LINC Farmer-members must be local in geographic proximity, defined as within a 3-hour drive distance or 250 miles from Spokane WA, whichever is further. According to the *LINC Farmer and Ranchers Guide*, members must practice sustainable strategies and participate in fair and direct trade. They must follow USDA marketing guidelines and implement quality production standards according to their size and scale (ref Guide resources). Farmers must meet or exceed all quality requirements and adhere to collaboration and participation standards of the Co-Op. Members pay an annual $100 equity investment, which is held by LINC in a specific farm account but always belongs to the farmer.

Farmers applying for membership by October 31st will have their applications screened for consideration by the Board the following January. A site visit from LINC staff is part of the review process. Approved applicants receive “trialing” status for the following growing seasons, during which LINC sells as much of their product as possible after giving current member products priority. After the trial growing season, farmers can transition to full membership by mutual consent of the trial member and the Board.

Farming is a family affair for Dan and Laurie Sproule at Full Bushel Farm

Farmers are responsible for updating their inventory online through LFM at the start of each sales cycle. Farmer-members must submit proof of business license and any associated certification and licensures (Organic Certification, GAP, food handling, etc.) that apply to their business and product type.

LINC carries a $5 million dollar product liability insurance policy and has a robust food safety program in place. Farmer members must provide LINC with a copy of insurance coverage, and name LINC Foods as an additional insured. Additionally, they must put a basic food safety program in place, and agree not to use pesticides, herbicides chemical fertilizers or genetically modified organisms.

Members are required to attend the annual meeting, whose purpose is to: (a) give all members a chance to understand how the business fared in the last year, (b) highlight any issues or opportunities being addressed in the coming year, and (c) give embers a direct opportunity to participate in the governance of the Co-op. At the annual meeting, Board Members and Officers for the following year are elected, and any changes to the Co-op's governing documents are proposed and voted on.

Farmer members can lose their membership if they stop farming, fail to pay annual fees, or violate LINC policies.

2.2.5 Products and Services

Vegetables account for the biggest proportion of LINC's sales, followed by dairy products and fruit. Vegetables include the typical brassica, root crops, squash, salad mixes and greens as well as mushrooms, microgreens, fresh herbs, springtime asparagus and summer vegetables like tomatoes, peppers, beans cucumbers and zucchini. In season, LINC uniquely offers wild-harvested edibles like lilac, nettles, dandelion, spruce tips and dock greens. Dairy products include cheeses, butter and kefir, and meats include beef, lamb and pork (including sausages and bacon). Beverages include coffees, ales, and shrubs, while in addition to flours and baked goods, cookie and pancake mixes are sold. Other value-added products, like apple chips, canned tuna, powdered chili peppers, and a large variety of dried pulses are available. LINC also produces lightly processed foods to institutional buyers, such as frozen cubed butternut squash and frozen blueberries, and fresh shredded cabbage/carrot mix. The frozen foods are popular with schools, and are a good product line for LINC as they can buy it from growers all at one time, then process and freeze it and sell year-round.

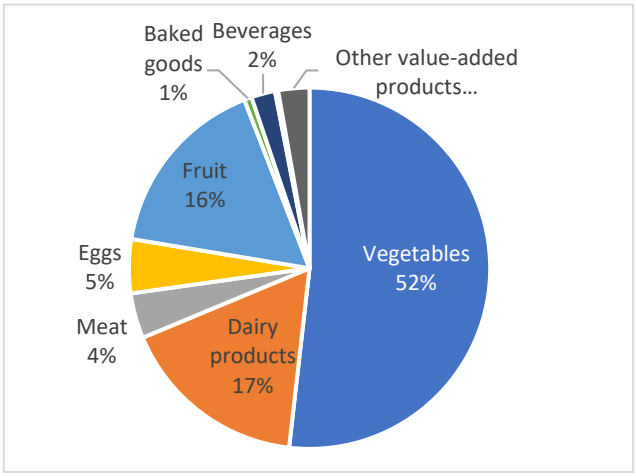


Figure 5. LINC Food Hub Sales

Production Planning

Production planning is a common struggle for food hubs. LINC uses Spreadsheets, though this is not a perfect system. Some new software is available that can help with pre-planning. It is easier to plan out the needs for the CSA program (LINC Box) than to predict what new and long-standing buyers will purchase. It is also difficult to ensure that institutional buyers will follow through on intentions to buy certain volumes/items.

Generally, the procurement staff lets growers know in December or January what LINC needs to purchase for its food box programs (factoring in surplus for a la carte customers). Growers let LINC know what they are growing, and LINC keeps records on who is growing what. [Make sure this last sentence is correct] To supply the box programs, orders are broken into subsets. A big grower might have sufficient quantity of an item to supply all the boxes. Another grower may only be able to supply an item to two subsets, but LINC can mix and match that item from other growers to fill demand in other subsets. LINC staff know they can be somewhat flexible regarding box contents, as CSA customers have come to trust the hub to choose the freshest foods in the region for them.

Harvesting plant starts at Full Bushel Farm

> *"Frozen cubed butternut squash is a popular product. We can buy all the squash from growers at one time, and it's a good product."*
>
> -- Joel Williamson, LINC co-founder

For the Hub, the CSA and food assistance box programs represent secure commitments to purchase produce for a specific length of time. For these programs, LINC is the buyer, and follow-through is assured. Because the Hub is the one buying from the growers, it is easy to work closely with them to match what they have to what the box programs need. LINC has the flexibility to mix and match low-cost items from large growers with high-cost items from small growers, which allows them to spread the benefit among growers while balancing the average weekly box price.

Services

LINC's facilities, infrastructure and staffing enable them to offer marketing, an online ordering system; centralized intake of product from multiple producers; cold and dry storage for value-added and bulk product; and delivery as far away as Moscow/Pullman and Coeur d'Alene. For wholesale buyers, LINC offers the convenience of one-stop shopping for a wide array of high quality, fresh products from multiple growers, in the quantities they need. For producers, LINC facilitates broad geographic access to institutional buyers, food assistance box programs and individual customers through its CSA and a la carte sales. LINC maintains hub licensing and insurance, and takes care of the accounting, invoicing, producer payments, and cooperative business management required to support the hub.

2.2.6 Food Hub Economics

Budget: Income, Costs, Expenses, and Profit

[if we receive the data from Joel, we can discuss relative amounts of income (by source); Cost of goods sold (by category); Expenses (by expense category) to arrive at gross profit, working income, and net profit]

Cost Coverage

LINC received both Specialty Crop Block Grants (2015, 20??) and Value-Added Producer Grants (20??) to cover initial startup costs. Revenue from the malting facility (started in 2016) helps subsidize the Food Hub, and the program is also self-funded through CSA sales. (previous interview notes state "CSA appears to be operated independently of the food hub's aggregation and distribution system, but it's unclear how it is internally organized within LINC" this may no longer be true).

For wholesale accounts in 2018 there was an average mark-up of 25% for most items. However, this varied according to item: meats had a 20% mark-up, and cheese, dairy, and eggs had a 15% mark-up. The target margin is now 40%, with some a la carte items pushing for 50% mark-up.

Membership fees and dues provide equity capital for the Food Hub. Worker-owners purchase shares at a one-time cost of $1,000. Farmers pay a $100 equity investment annually. These ownership contributions from members are deposited in each owner's individual capital account. Upon leaving the co-op, owners are paid out the balance of their individual capital account. Profits and losses are also assigned to individual capital accounts. Annual profits are dispersed in the first quarter of the following year, after all taxes are paid.

Accounting and Books

Wave accounting software is used for general accounting. LINC uses Local Food Marketplace software to track inventory and sales for wholesale and a la carte orders. Behind the scenes, LFM is used to facilitate grower purchase orders for "internal" customers (CSA and food assistance boxes). Bulk orders are through WAVE. [check audio at 1:02] Farmigo is used to track CSA customer payments.

LFM allows LINC to process grower settlements and make payments to growers. LINC pays producers by check through the USPS under the following scenarios: 1) those delivering "just in time" for order cycles are paid twice-monthly; 2) those delivering bulk product for sale over time are paid according to agreed-upon terms.

Sales Revenue

LINC's first two seasons included sales into seven school districts: In year one sales reached $40k; in year two they reached $120k. During the most recent year (2020) LINC had sales of $900k. [Double check—is this most recent info from interview, or is it from a previous conversation? Also-- should we mention that Joel referenced a benchmark study on food hubs that suggested it takes $1.4M to achieve breakeven point?]

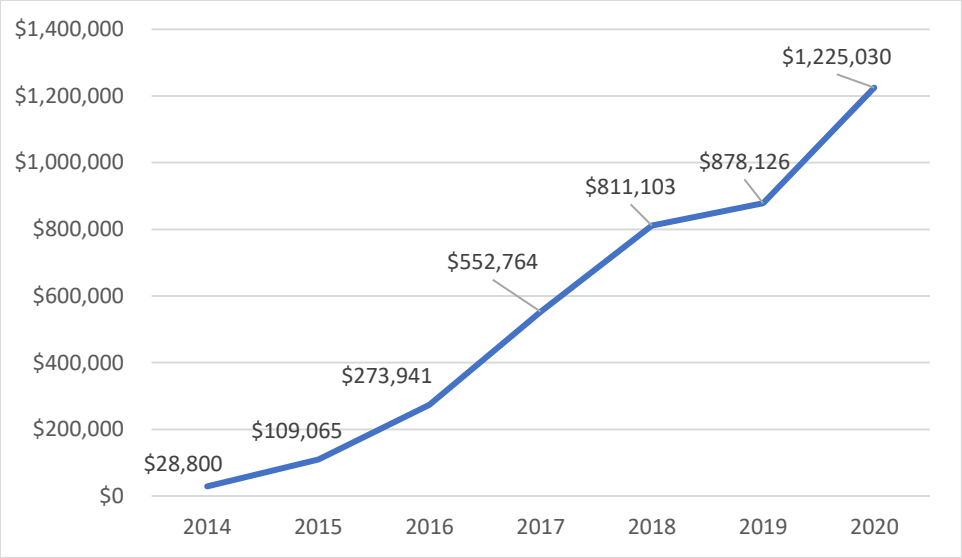
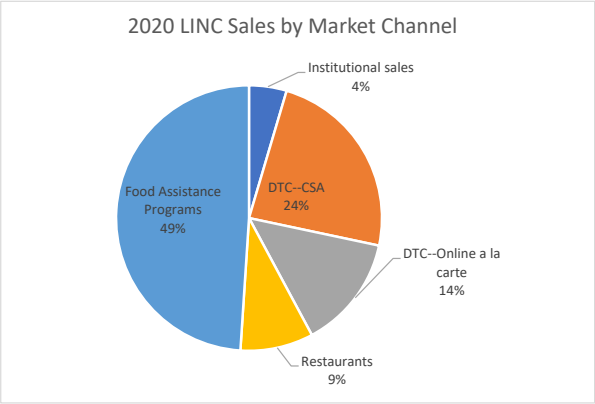


Figure 6. LINC Food Hub Sales, 2014-2020

Sales Focus (Market Channels)

During LINC's first two seasons (2014 and 2015) their customers included Gonzaga University and seven school districts. Schools tended to plan a year in advance, and make irregular large purchases, like rainbow carrots, that needed to be sourced from multiple growers. Later, LINC developed a relationship with buyers at WSU-Pullman, and began to focus on about 10 products, working to match production to demand. In July 2018, LINC reported that their top three accounts were with Gonzaga University, WSU-Pullman, and LINC's direct-to-consumer CSA program. By 2019, 35% of LINC's sales were to restaurants, and 40% were to institutions. Among institutional customers, sales to WSU-Pullman outpaced sales to Gonzaga University. Additionally, LINC acquired a small hospital account and sold to a few non-chain stores and co-ops, though in general interest from grocery stores was not strong.



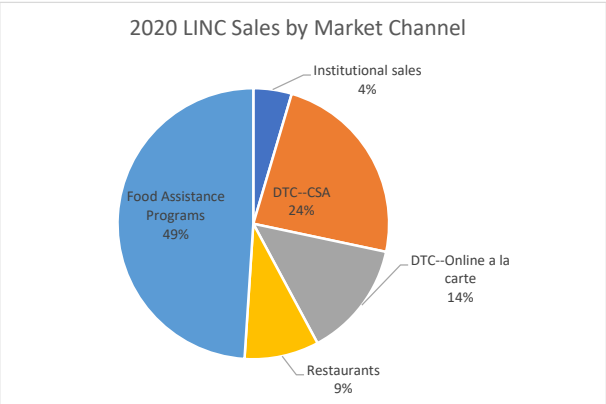


Figure 7. LINC Food Hub Sales by Market Channel --UPDATE WITH 2018 DATA WHEN IT'S AVAILABLE

LINC's customer mix changed dramatically when the COVID-19 pandemic hit. Direct to consumer sales increased to make up 38% of sales overall, while sales to entities purchasing food assistance boxes made up nearly half of all sales in 2020. Food assistance box program buyers included Blue Mountain Action

Council in Walla Walla, the Nez Perce Tribe, the Colfax Council on Aging, Northwest Harvest and the Inland Northwest Farmers Market Association.

[More here about changes from 2018, once we have comparative sales data by market channel for 2018, so we can display same charts as PSFH]

	2018	2020	% Change
Institutional			
DTC (CSAs)			
Restaurants			
Food Assistance Box			
DTC (a la carte)			
Total sales for these channels			

2.2.7 Marketing

Branding/Value proposition

LINC's initial focus was on helping food service buyers in university and school settings appreciate the value of the story behind the farmers who grow the food to students who consume it. Early marketing efforts emphasized the convenience of buying different items grown by multiple producers in one order, and having just one invoice to pay, the freshness and nutritional quality of the food, and the local multiplier effect—buying local food not only provides revenue to local farms but also supports local businesses that sell goods and services to farmers.

With the uptick in direct-to-consumer purchases, branding is now emphasizing a connection to local sustainable agriculture to individual consumers. This message is conveyed on LINC's website, which includes their mission and values, introduces LINC staff, and highlights member farms. This narrative seems to be particularly effective with Direct-to-Consumer customers, where LINC has more control over messaging. Restaurant and institutional buyers were less consistent in carrying the story through to the end consumer. LINC does not currently provide an education component for the food assistance box program but is aware that tailored SNAP-Ed materials have been developed for this purpose by WSU-Extension, Thurston County. [xi]

In 2020 LINC teamed with Catholic Charities to deliver produce to over 20 low-income housing communities

Promotion [strategies for buyer outreach, and advertising channels]

Relational Marketing

2.2.8 Key buyer outreach

Key buyers

Timeline, with milestones on path from start up to profitability

Buyer marketing, branding, story-telling

2.2.9 Reflections

LINC's initial strategy was to build the business through large institutional accounts, with support from malting and CSA revenue until the business reached the breakeven point. The experience of the pandemic year made them realize that to build the business based on wholesale alone, they would need 20 accounts like Gonzaga University and WSU. However, there is a limited number of potential large institutional customers to choose from in the Spokane region. Other local hubs sell to grocery stores, but that market is saturated as only a few Spokane retailers are interested in purchasing regionally grown foods.

> *"Wholesale work is not something we can or could have achieved... around DTC work, [we] could have been successful at that since Dayone…Not a lot of competitors in that world"*
>
> *---Joel Williamson, Co-founder LINC Foods*

Additionally, LINC has realized that even if enough large buyers could be found, it would be difficult to find enough growers to supply the product, and for LINC to scale up operations to meet the increased demand. In retrospect, even breaking through with large wholesale accounts (which have small profit margins) is not something they could have achieved. Direct-to-consumer outlets offer larger profit margins and are at a scale that LINC can handle. LINC plans to return to wholesale when it can but folks in the hub realize it need not depend on these to propel sales volume to breakeven.

Looking Forward

LINC is excited to explore the feasibility of developing a network of food hubs across the Pacific Northwest. In this node-network based supply chain[check audio for correct wording], food hubs could access product from other hubs in the network to meet the needs of their own customers, or supply product to help fill the orders of other hubs. There are logistics to figure out, but food hub networks are forming in other parts of the country. LINC sees this as a way to re-engage in wholesale, while maintaining their current scale of operations. "[It] might be the only way it will work…Some constraints go away or are shifted. That is a big learning element for the whole food hub world. The work with small farms is important and needs to shift by doing this work together somehow".

3. Southwest Washington Food Hub

SNAPSHOT	
Description: [Tax designation/legal structure, physical location of office/facility]; **Mission:** To develop relationships between members and retailers, institutions, and consumers, with a vision of supporting healthier communities while expanding economic opportunities for regional producers and others **Year started**: **Main market channels:** Food Assistance, **Producers:** 22 farm and value-added food processing businesses **Volume of business in 2020** **Notable Products:** Beverages, dairy, Eggs, Fruit, Herbs and spices, Honey, Meat, Plant starts, Poultry, Value-add, Produce	

2.3.1 Background

The SW Washington Food Hub was formally established during implementation of a U.S. Department of Agriculture Local Food Program (LFPP) Planning Grant between 2019-21. Yet the food hub evolved from an informal association of farmers that can be traced back to a market assessment initiated in 2014. This assessment, eventually published as *Produce Farm-to-Market Trends: A Case Study of South Puget Sound*,[xii] was a response to farmer interest in expanding sales opportunity in Mason, Lewis, and Thurston Counties, both for existing and new or upcoming farmers. The study, and the participating growers, were responding to the perceived "under-tapped" market for growers among retail and institutional food service accounts. A notable finding of the Produce Farm-to-Market Assessment was that 64% of farmers were interested in "aggregating and/or jointly marketing their products with other farms to better access markets."

Jen and Jim, Rising River Farm

From 2016 through 2018 several planning meetings occurred during which farmers talked about the need for value-added processing services, aggregation and distribution services, and more dry, refrigerated, and frozen storage capacity. In 2019 the growers joined a group of three farm and economic development organizations (Northwest Agriculture Business Center, Thurston EDC and Washington State University Extension

in Thurston County) to submit the LFPP planning grant proposal. Early in 2020 these organizations set about documenting the interest in a food hub cooperative across the region in Grays Harbor, Lewis, Mason, Pierce and Thurston Counties. In total 55 farmers represented 875 acres participated in discussions from November 2019 through March 2020. The farmers gradually self-selected down to a group of about eight-members of a planning team. By spring 2020 the group developed and adopted a formal charter.

A panel of founders and farmer-members from the Puget Sound Food Hub discuses food hub challenges and opportunities with prospective SW WA Food Hub founders and members.

In summer 2020 the nascent food hub joined the recently established Southwest WA Growers Cooperative and launched operations in response to food assistance distribution needs due to the COVID-19 pandemic. Funded by the planning grant, the chartered Food Hub Committee and three support organizations developed a Growers Guide, operational plans, a five-County distribution network, a set of budgets and accounting tools, and undertook a kind of "learn-by-doing" approach to planning and rolling out an operational food hub. By August 2020 the hub began distributing out of a Tumwater, WA warehouse with no loading docks or water hook-ups, but provided through in-kind economic development support by the Port of Olympia.

The SW WA Food Hub drew a lot of guidance from "peer-organization" hubs, namely Linc Foods and the Puget Sound Food Hub. A good deal of template documents and experiences were generously provided by supportive staff and farmers at these businesses. The Food Hub's goal is to develop relationships between farmer-members and retailers, institutions, and other consumers, with a vision of supporting healthier communities while expanding economic opportunities for regional farmers and value-added food manufacturers.

2.3.2 Description of SW WA Food Hub

The SW WA Food Hub is part of the SW WA Growers Cooperative. The hub is technically considered an operational committee, or 'pool', within the cooperative. With respect to taxation, the growers cooperative is recognized as a cooperative marketing association, WAC 458-20-214. Legally, the cooperative is organized pursuant to RCW23.86 as an "Agricultural Association" and incorporated as recognized by the Washington Secretary of State.

In total the growers' cooperative comprises two committees, the food hub and the grain committee. The food hub aggregates and distributes locally grown and produced food products in a 5-County region including Grays Harbor, Lewis, Thurston, Pacific, and Pierce Counties. The grain committee consists of regional grain growers that collectively store, ship and receive grain through a facility located at the Port

of Chehalis, while the food hub central distribution warehouse is currently located next to the Olympia airport in a warehouse donated by the Port of Olympia.

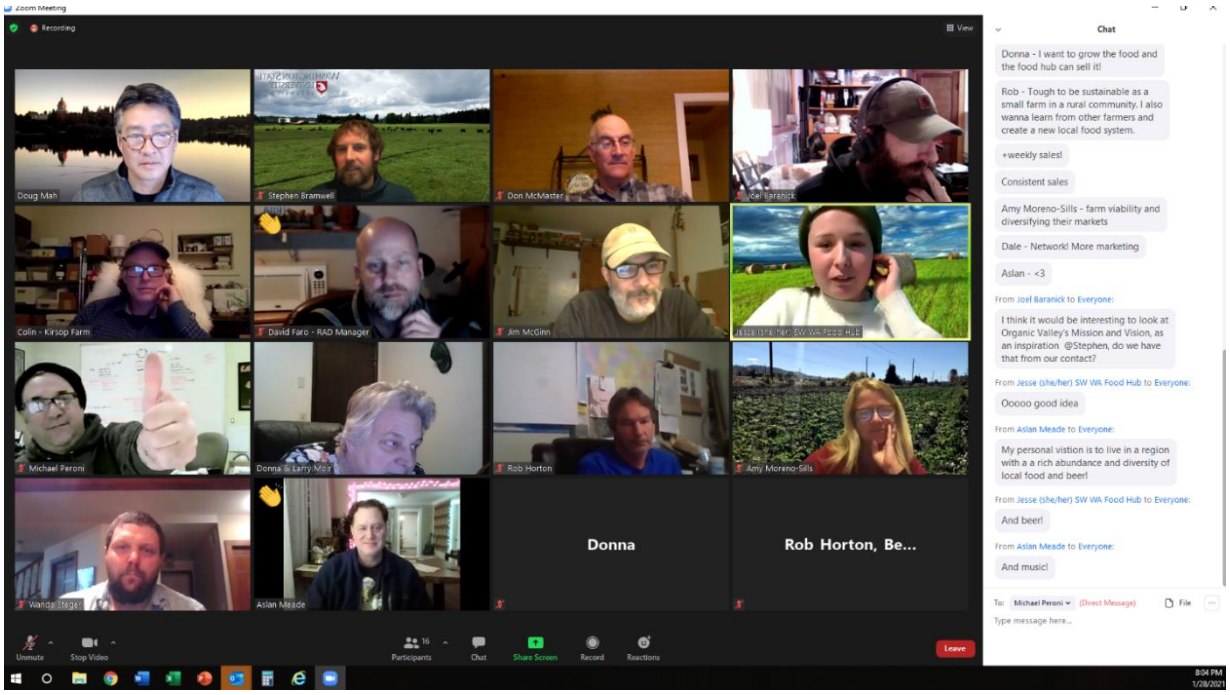
Organizational Structure

The food hub committee is guided and directed by five co-op members "in good standing". The committee meets as necessary, typically monthly, to discuss operations, finance, policies, and to provide direction to management of the food hub and growers cooperative. Having formed recently, the SW WA Growers Cooperative is operated by an interim general manager, Mike Peroni, who is a regional manager with the Northwest Agriculture Business Center. The food hub has an operations/general manager who presently oversees such tasks as meeting coordination, buyer and seller onboarding, budget and accounting work, and food hub operations, among other tasks. The food hub committee, in the absence of a general manager, is empowered to direct employees, volunteers and contractors.

Food hub subcommittees are comprised of staff and food hub participants and can be formed as needed. They report to the Executive Committee. A policy subcommittee was and remains active in the hub's start-up phase; operations, membership and finance sub-committees are identified in the policy guide but have not held sustained meetings and work tasks.

Decision-making process

Decision-making within the food hub was modeled after processes that guide governance and decision-making at Organic Valley Cooperative headquartered in La Farge, WI. Membership in the SW WA Growers Cooperative is a requirement of farmers to participate in the food hub. An Executive Committee of five SW WA Cooperative members (who actively participate in the food hub pool) makes decisions and policy recommendations for the food hub 'pool', and advances these to the SW WA Growers Cooperative Board. By-laws[xiii] and Articles of Incorporation[xiv] guide the election of Co-op Board

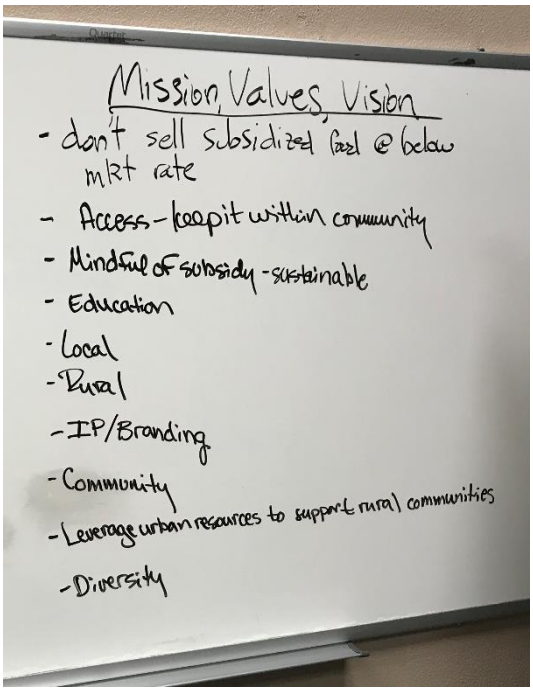


The food hub Executive Committee deliberating over mission and vision statements.

Members and election of members to officer roles, which consist of the typical President, Vice President, Treasurer and Secretary. Board members are elected at the annual membership meeting.

The food hub operations manager makes day-to-day decisions about food hub operations autonomously. Tasks such as onboarding new members, developing and approving budgets, and purchases (greater than $1,000) originate as recommendations (or a budget in the case of purchasing) within the Executive Committee and are advanced to the Board. A typical process is that pool budgets are developed by staff, reviewed by the Committee, and approved by the Board.

The food hub operations manager takes direction from the Executive Committee. Committee decisions are made on the basis of consensus minus one. The decisions of the Executive Committee are highly regarded within the Co-op, and it would be unusual (it has not happened yet) for the Board to override or disregard a recommendation. Yet further work remains, to clarify pool/Board roles, and food hub committee/management decision-making, in order to be efficient yet accountable. Some policy, decision-making, and asset ownership details remain somewhat contested as the food hub enters its second year.



Notes taken during an early meeting of food hub formation in winter 2019/20.

Insurance and Policies

Policy for the SW WA Food Hub is memorialized in the SW WA Food Hub Growers Guide[xv], and the SW WA Growers Cooperative Articles of Incorporation and By-laws. The Growers Guide is the policy tool that provides information on Food Hub Committee and Sub-Committee work, Eligibility Requirements, Collaboration and Participation, Marketing (including pricing, membership fees, dues, services, invoicing and payments, regulations and food safety), Product Handling and Packaging, Membership Communications, Policies on Growing Practices and Food Safety Standards, and common forms used including for Contact Information, Food Hub Participant Commitment, Membership Subscription Agreement, and Direct Deposit Form.


Ann Petricola and Joel Barranick, Ellis Creek Farm

To be eligible, all participants must obtain and keep current all applicable licenses and product liability insurance coverage required for participation. Each farm must provide a copy of the certificate of coverage for a $1M/$2M policy and name the SW WA Growers Cooperative as additional insured.

Food Hub participants are strongly recommended to develop a food safety and recall plan as part of their standard operating procedures. Participants are ultimately responsible for any food recall. The SW WA Food Hub aggregation and distribution has a HACCP plan for warehouse operations and logistics, as well as a Customer Complaint

process. All growers are encouraged to take advantage of courses and workshops offered by organizations/agencies in our region and become familiar with food safety rules, regulations, and practices. These include FSMA (FDA Food Safety and Modernization Act) and GAP (Good Agricultural Practices). Food safety requirements can be found in the SW WA Food Safety Policy Manual. Broadly, the SW WA Food Hub abides by all applicable federal, state, and local regulations.

2.3.3. Food Hub Operations

Facilities and Equipment

First days of the SW WA Food Hub distribution center in Tumwater, WA.

The distribution center (DC) is currently in a 3,000 sf warehouse donated by the Port of Olympia in Tumwater, WA. A 5-County distribution route was initially developed for Thurston, Grays Harbor, Lewis, Mason, and Pacific Counties. Pierce County was added as a priority aggregation and distribution node, in connection with a drop-site. The design of this route was initially driven by locations of food assistance program recipients. The Tumwater DC consists of several roll-up doors, two rudimentary drywalled rooms, and asphalt floor (old parking lot). The warehouse has electrical service and lighting but no water or sewer service and did not have refrigeration during the first year of operations.

Initial equipment consisted of rented U-Haul delivery trucks, in-kind donation of the Tumwater warehouse (picture above, from the Port of Olympia), rollers for box-packing loaned from a local farmer (food hub member), pallets for incoming product and stacking boxes, a hand truck, a pallet jack, metal shelving, totes for supplies, four folding tables, and several chairs. The food hub rented a port-a-potty. In late 2020 the hub was awarded a COVID-related business recovery grant of $30,000, which was used to purchase a F250 delivery van, and will also be used purchase a walk-in cooler.

Purchase and Sale Logistics

The Growers Guide articulates policies for product handling and packaging. In 1.5 pages it delineates policy regarding use of new unused boxes or clean plastic bags, or sanitized reusable box, the use of plastic liners, product covering, appropriate packaging for bulk crops such as root crops, non-responsibility for damage due to inadequate packaging, condition and type of bags, types of hazards packaging needs to protect against, common sense items like spillage due to inappropriate packaging, placement of potential allergens, non-use of damaged packaging, steps to minimize cross-contamination for organic certified products.

Laura Moser (partner Kelly Battersholl), Piece by Piece Farm

Staffing

Staffing of the food hub consists of an operations manager and, depending on the season, from none to three delivery drivers/warehouse workers. Staff funding from mid-2020 through September 2021 was provided through the Food Security Project grant with Pac Mountain Workforce Development Council. These were provided through a "WEX" (Worker Experience) retraining program linked with the grant. As a result, coverage of fixed labor through most of the first two years of operation was not reliant upon sales revenue, affording a critical incubation period. The hub is pursuing USDA LFPP Implementation Grant funding to further cover labor costs through the next 2-year growth period while sales rise to the break-even point with costs.

2.3.4 Producers/Suppliers

Producers

At just under one year of operation in spring 2021, the SW WA Food Hub was included 22 farm and value-added food processing businesses, comprising 15 members and non-member vendors, four joining currently, and three businesses joining imminently). Growers are located in Thurston, Lewis, and Grays Harbor Counties. Food hub sellers were dominated by produce operations, with the remaining products fairly evenly distributed by type (Table 4). Some growers supplied two or more items.

Colin Barricklow and Genine Bradwin, Kirsop Farm

Table 4. Distribution of Suppliers Across Several Product Categories with the SW WA Food Hub

Beverages (2)	Meat (2)
Dairy (3)	Plant starts (1)
Eggs (1)	Poultry (2)
Fruit (2)	Value-add (3)
Herbs and spices (1)	Produce (11)
Honey (1)	

In 2020 the top three producers were responsible for 57.5% of sales, and the top ten were responsible for 98% of sales overall. The bottom half contributed 21%.

2.3.5 Products and Services

Products

In 2020, the first year of operations, SW WA Food Hub products consisted of agricultural goods and value-added food products. Hub members and non-member vendors supplied product in 11 product categories (Figure 8), with several businesses selling two or more items. Value-added products included baked goods, sauerkraut, hot sauce, and salsa. Beverage products included sipping vinegars for mixed drinks and kombucha. Produce included vegetables typically grown west of the Cascades, such as brassica crops, root crops, salad mixes and greens, warm-season crops (tomatoes, peppers, beans, cucumber, zucchini) and storage crops, as well as fruit (predominantly consisted of raspberries and strawberries).

Multi-farm food assistance box delivered to workers and families displaced by COVID-19

The SW WA Food Hub onboarded three value-added food processors in 2020 but did not produce any of its own Food Hub-branded value-added product. Integrating value-added food processing capacity into the hub is an objective for the food hub members and project support partners at WSU Extension, Thurston EDC, and NABC. Going into the second season of production in 2021, the SW Food Hub had the goal of adding more meat producers, a large-volume supplier of eggs, chicken, and more honey.

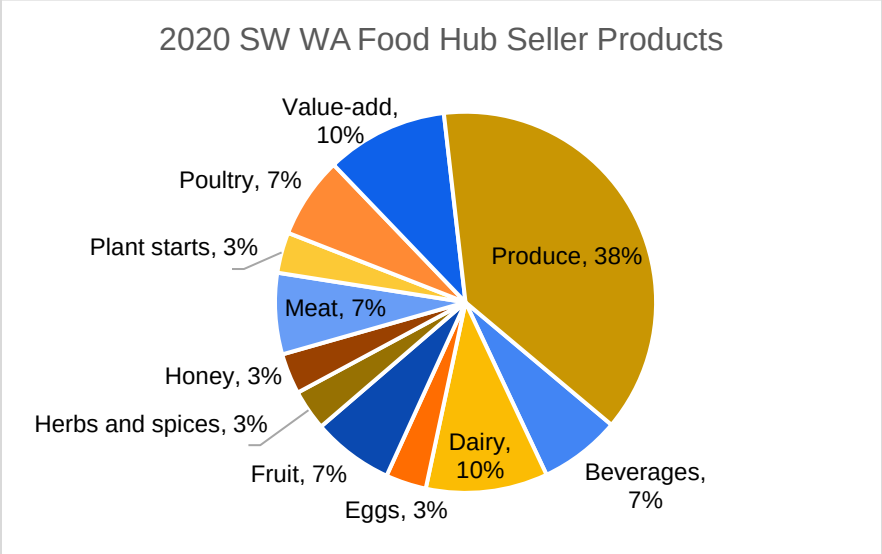


Figure 8. SW Washington Food Hub Sellers by Product Category

Services

The SW WA Food Hub provides administrative, marketing, aggregation, storage, and distribution services for its members. Among other things, the hub accomplishes this by 1) securing a distribution center and facilities for aggregating and distributing product, 2) maintaining an online marketing presence and purchasing platform, 3) various marketing services as described in 2.3.7, below, and 4)

handling accounting, invoicing, producer payments, hub licensing and insurance, cooperative business management, budgeting work, and other administrative tasks.

Other services the hub provides to sellers include funding for start-up operations, funds for capital purchases like a delivery van and refrigeration, increased negotiating power over pricing, and coordination of training opportunities such as in food safety. The service the hub provides to customers is ease of access to authentic local food with streamlined ordering, delivery, invoicing, and payment through one point of contact.

Food Assistance boxes ready for distribution from the Tumwater warehouse.

2.3.6 Food Hub Economics

The SW WA Food Hub aims for a 23% mark-up on products sold through the Hub, though this can vary [by product, by sales channel, or over time?] and is subject to increase or decrease by the Food Hub Committee. Membership fees and dues provide equity capital for the Food Hub. This consists of the one-time fee of $100 plus annual dues of $200 for all members, and a $350 annual fee for non-members. [See the companion data template for SW WA Food Hub are: Annual Sales by product type, sales distribution by supplier volume segments, Total Sales by Year, and figures for Break-Even, Sales Projections and Targets, and representative Cash Flow]

Jacob, Teva, Tove and Arelia, Calliope Farm

Jennifer and Don McMaster and family clan, Five Hearts Farm

Budget

The SW WA Food Hub incurs a typical variety of costs to cover with revenue. The SW WA Food Hub breaks its budget projects into several revenue lines, cost of goods sold to generate that revenue, “ordinary expenses”, and other income and expenses. Grants in the early stage of this food hub are still required to cover costs. Membership and non-member vendor dues and fees contribute to revenue.

All farmer vendors are required to be members of the SW WA Cooperative, which requires a one-time membership fee of $100. Annual dues for member vendors are set at $200, and non-member vendors (such as value-added producers who are not farmers) at $350. Future food hub costs are expected to be covered by revenue from a 23% mark-up (on average, with some variation) on farm and value-added product prices. The mark-up may vary by product and account.

Table 5. SW Washington Projected 2021 Food Hub Budget

Income				
	Sales			
		Local Food Marketplace		$ 99,500.00
		Multi-Farm Boxes		$ 27,500.00
		Food Assistance Program		$ 85,000.00
		Outside Sales		$ 50,500.00
	Annual Membership Fee			
		Member		$ 5,000.00
		Non-member Vendor		$ 3,500.00
Total Income				**$ 271,000.00**
Cost of Goods Sold				
		Producer Payments		$ 179,725.00
		Packaging		$ 6,350.00
		Delivery Charges		$ 9,090.00
		Credit Card Fees		$ 2,667.00
		Customer Discounts/Refunds		$ 3,000.00
		Other Cost of Goods		$ 1,500.00
	Total COGS			$ 202,332.00
Gross Profit				$ 68,668.00
	Expenses			
		Payroll		$ 95,018.91
		Contracted Services		$ 6,000.00
		Professional Fees		$ 3,200.00
		Auto		$ 7,660.00
		Equipment Rental		$ 900.00
		Supplies		$ 900.00
		Postage and Shipping		$ 400.00
		Small Tools and Equipment		$ 1,800.00
		Maintenance and Repair		$ 800.00
		Marketing & Advertising Expense		$ 3,000.00
		Rent		$ -
		Utilities		$ 1,950.00
		Computer Services and Software		$ 3,136.00
		Bank Service Charge		$ 132.00
		Insurance Expense		$ 613.00
		Taxes		$ 461.91
		Licenses		$ 230.00
		Producer Meetings, Workshops		$ 500.00
		Travel, Conference, Meetings		$ 250.00
		Bad Debs/shrinkage		$ 1,000.00
	Total Ordinary Expenses			$ 127,951.82
Net Operating Income				$ (59,283.82)
	Other Income			
		Grants		$ 145,654.72
	Total Other Income			$ 145,654.72
	Total Other Expenses			$ 35,300.00
Net Income				**$ 51,070.90**
	Beginning Cash Balance			$ 20,570.25
	Year End Balance			$ 71,641.15

Accounting and Books

The cooperative employs a double entry accounting system and utilizes Quickbooks (QB) Premier. The QB class function was used to integrate data for the food hub into the growers cooperative accounting system. Income and expense accounts specific to food hub activity were also added to the Co-op's chart of accounts. All entries specific to food hub activity are classed as such, and the food hub 'class' has several sub-classes for tracking specific project areas. The same is true for those transactions specific to the grain pool.

In some instances, operational expenses are considered general and are assigned to each pool (grain or food hub) by percentage of use and classed to either pool. For example, liability insurance is currently split 50-50, while B&O taxes are based on the percentage of gross revenue or services provided and attributed to each pool. This system of accounting and the identification of Pools as Classes within QuickBooks allows the SW WA Growers Cooperative to generate reports such as Profit and Loss that are specific to each pool, while still having the capacity to generate reports for the Cooperative as a whole.

Rob Horton (partner Rocki Horton), Bee Organic Farm and Apiary

The food hub start-up budget and budgets specific to other functions such as the Pac Mtn program were generated in Excel. Several spreadsheets where developed which included a budget versus actual report for the start-up budget, and a spreadsheet developed to chart profitability of each food assistance box assembled, and track project specific budget/s. At present much of the accounting information entered in QuickBooks is taken from Local Food Marketplace in the form of sales orders and payments. These reports are generated by LFM and entered manually into QuickBooks. QuickBooks tracks income and expenses, as well as the Accounts Payable and Accounts Receivable, while more granular detail such as sales by item is being tracked in LFM.

Sales Revenue

With one year of sales logged, the food hub is actively developing its sales strategy for the coming years. The hub is working to diversify sales around an informed appraisal of the geography of buyers and sellers across five counties, the volume capacity of the region's producers, the purchase capacity of area buyers, and price point objectives for each. Several large educational institutions, state cafeterias, hospitals, and restaurants that are recovering from COVID, along with an expanding local food scene, suggest a balance of large-volume wholesale accounts and higher-value consumer-direct sales are a good mix. Table 6 shows sales by market channel for 2020, and projects how the Hub plans to grow sales in each channel in 2021 through 2023. To achieve this, it seems certain that a dedicated salesperson is needed to accelerate sales commitments among large-scale buyers and establish viable pricing on both sides of the transaction.

Sales Focus (Market Channels)

In 2020, food assistance Boxes, originally funded by a CARES Act grant through Pacific Mountain and, later, through the Washington State Department of Agriculture, constituted the largest share of SW WA Food Hub sales (Figure 9). The Hub also sold to institutional buyers. Direct to consumer sales included multi-farm food boxes sold directly to consumers through an online marketplace. Going forward, the Hub intends to increase sales in each of these categories in 2021 and place increasing importance on

sales to corporate accounts, restaurants, and grocery stores (what the hub refers to as “outside sales”) brokered by a food hub salesperson.

Table 6. Projected SW WA Sales Volume by Market Channel, 2020 - 2023

	2020	2021	2022	2023
LFM	$ 11,461	$ 99,500	$125,000	$155,000
Multi-Farm		$ 27,500	$ 33,000	$ 44,000
Food Assistance	$ 72,175	$ 85,000	$ 90,000	$ 75,000
Outside sales		$ 50,500	$121,300	$218,500
Annual Membership	$ 2,000	$ 5,000	$ 6,000	$ 7,000
Non-member Vendor		$ 3,500	$ 5,250	$ 7,000
Total	**$ 85,635**	**$271,000**	**$380,550**	**$506,500**

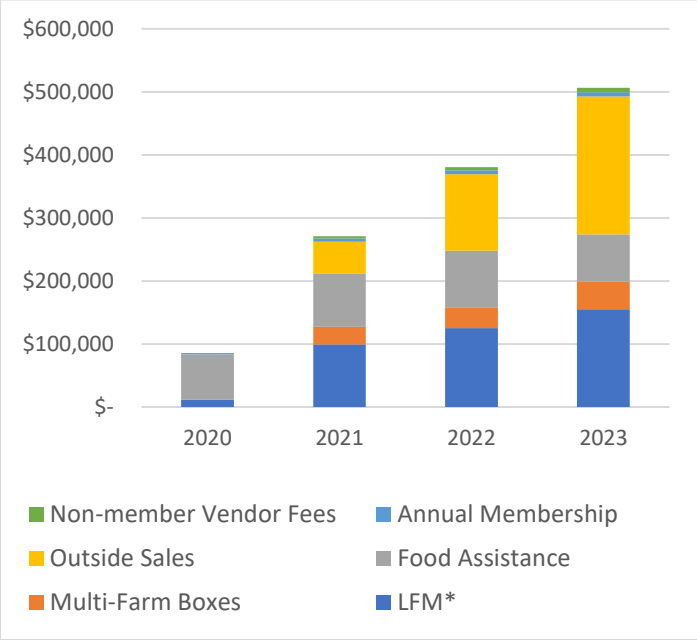


Figure 9. Projected Food Hub Sales by Market Channel
**LFM = Local Food Marketplace online platform*

Chef and farmer Mercy Kariuki McGee demonstrates a recipe for the SNAP-Ed series “Cooking with the Seasons”.

Staff and a volunteer at the Coastal Community Action Program in downtown Aberdeen, WA, a drop-point for food security boxes.

2.3.7 Marketing

Branding/Value Proposition

For customers, the hub brings value by providing access to authentic local food, with streamlined ordering and delivery, and convenient access to multiple producers and others through a single point of contact.

Hub messaging has emphasized local food, support of local farmers, exceptional quality, local food system security (i.e. both uninterrupted supply and more business opportunity for local farms), and *importantly* ease of purchasing access to multiple farms through a one-stop purchase, invoice and delivery system. The food hub is working on ways to leverage or operationalize these values-based considerations to increase sales to institutions and other buyers, but so far reaching parity with mainline distributors (organic or conventional) seems to be the more important purchasing factor.

Promotion Strategies (Strategies for Buyer Outreach)

The year-one buyer strategy for the SW WA Food Hub was influenced by the community need for food assistance, and opportunity for funding through the Farmers to Families program. Early farmer-members were motivated to apply the distribution network the hub developed to deliver food to COVID-impacted families. Initial "customer" contact in 2020 was made possible by a database that the Pacific Mountain Workforce Development Council maintains regarding dislocated workers, in this case workers who had lost jobs as a result of COVID-19. With 88% of the hub's year-one revenue secured through multi-farm produce boxes provisioned to dislocated workers, a direct and relatively low labor-intensive connection to that customer base was extremely helpful and critical.

Amy, Agusta, Gabriela, and Hector, Four Elements Farm

The food hub initiated several buyer outreach strategies during implementation in 2020-21 (Table 7).

Table 7. Promotional Strategies Used by the SW WA Food Hub

1. An integrated email platform to reach multiple audiences (e.g., individual consumers, wholesale and institutional accounts)
2. Creation of "drip" marketing campaign (described below), [targeting institutional buyers and who else?]
3. Social media presence on Facebook and Instagram
4. Creation of a promotional "Gourmet Food Box" program (described below)
5. A heavy emphasis on one-on-one connections with potential wholesale buyers (restaurants, retail grocers and institutions)
6. Development of a SW Washington Food Hub website linked to an online purchasing platform (LFM) for restaurants, institutions, retail, wholesale buyers, and individual consumers
7. Development of several informational handouts
8. Weekly "Fresh Sheets" circulated to current and prospective customers

The food hub employed an **automated drip email campaign** strategy that sent, or "dripped," a pre-written set of messages to prospective customers over time and relied on two distinctive features, including (1) message timing that followed a pre-determined course, and (2) messages dripped in differing 'series' that were determined (pre-programmed) in response to specific behavior (i.e. opened the email) or status of the recipient. The logic behind this system was that the automated follow-up method would augment or, at for a time, replace personal follow-ups.


Example Gourmet Food Box

Social media tools were implemented as a staple for food hub marketing to build general awareness and potentially recruit customers to the online buying platform. A "**Gourmet Food Box**" was trialed in spring 2021 to generate interest in the food hub and relied on press releases and email lists of support organizations (Thurston EDC, NABC, and WSU). Individual consumers were the target audience for the boxes, and purchase options ranged from buy-as-you-go to multi-week commitments. Balancing box contents and value was a challenge in getting beyond boutique enthusiasts, yet while subscriptions were limited the food hub will use the concept again. Two County Commissioners subscribed and spoke out and wrote about the program, providing initial instances of local influencers aiding awareness.

Relational Marketing (i.e. "Old School" Direct Connections and Future Marketing Focus)

The food hub is likely to depend on email, social media, press releases, and word-of-mouth for direct-to-consumer and multi-farm box market access. Market outreach to secure 'outside sales' (brokered through what some food hub managers have called "old school" direct calls and relationships), and wholesale and institutional accounts are envisioned to rely on hired professional marketing staff from 2021-23 and beyond.

Sales Focus

The food hub members intend to cultivate direct connections to facilitate sales to large-scale buyers looking to work with larger, more experienced growers. The food hub salesperson will work directly with these customers, linking them to producers that meet their requirements (such as GAP Certification and/or the capacity to provide consistent volume). The food hub will encourage growers with ambitions to expand to large-scale wholesale sales to discuss this with staff.

Other sales focus strategies have been identified including to:

- Pursue and engage opportunities with organizations that share the Food Hub's mission and vision and/or which may provide opportunity
- Present to key groups that share the SW WA Food Hub's mission and vision and/or may provide opportunity

- Identify buyer groups for farmers to target (i.e. geographic groupings such as two restaurants and a rural grocery retailer)

2.3.8 Key Buyer Outreach

Launching Pad for the SW WA Food Hub

Food assistance box programs were the primary early market for the SW Washington Food Hub and consisted of 100 boxes distributed to families over a ten-week period from July through October 2020. A subsequent 3-week program providing approximately 60-70 boxes per week. The hub was and remains well-positioned for food assistance work with its capacity to aggregate and provide the "last mile" of distribution throughout a five-county region.

Additionally, the food hub has identified its "key buyer" market through 2023 (see Figure 9), with food assistance funding projected to make a diminishing contribution from 2021 (32%) through 2023 (15%).

Diversifying the Buyer Base

The food hub is trying to balance several market development challenges, including: (1) the market needs of small farms seeking high-value sales, (2) several larger farms capable of providing lower-cost goods, (3) a multitude of difficult-to-recruit consumer-direct customers, and (4) fewer but still numerous larger-volume accounts seeking lower prices but reliable connections to local farms and food.

One current challenge for the hub in diversifying its market is matching seller and buyer expectations regarding pricing. High-value consumer-direct sales are limited because the food hub does not want to compete with CSA and farmers' market customers and has not yet been willing to tackle the logistics of door-to-door delivery to expand this buyer pool. Yet the remaining lower-value wholesale and institutional accounts are not satisfying to many smaller food hub members, creating a strategic dilemma for this fledgling hub.

The food hub is addressing these through several activities it proposes to achieve in a 2021-23 USDA Local Food Promotion Program Implementation Grant:

- Hire a dedicated salesperson to cultivate all account types, including corporate, wholesale (restaurants and grocers), and institutional (hospital, correctional facility, and higher education) accounts, and capitalizing on re-opening hospital food services, state cafeterias, and increased restaurant activity
- Recruit rural customers (including rural groceries) through targeted outreach to go beyond the urban buying core
- Transition food assistance recipients to paying customers to further expand potential consumer-direct customers
- Production planning matching key buyers and accounts with growers
- Help recruit new customers with engaging education resources that improve customer familiarity with using locally grown whole foods, including cooking videos (Eating with the Seasons) developed for the 2020 Food assistance box program with Pac Mountain (Figure 9)

2.3.9 Reflections

Winning Strategies

Food assistance was an early launching pad for the food hub, providing sales as well as labor for warehouse workers/delivery drivers and management. Close partnerships with regional Ports provided warehouse space and other support. Likewise, close working relationships with other food hubs (Linc and PSFH) have allowed translation of lessons learned, and transferrable frameworks for key documents including By-laws, Articles of Incorporation, and the Growers Guide. Some budget development and selection of the online platform was supported by a founding principle of 'cooperatives helping cooperatives'.

Mike and Heidi Peroni, Boistfort Valley Farm.

Ahas and Uh Ohs

There has been some difficulty matching sellers and buyers regarding pricing and value. A variety of farm sizes and buyer types are needed to secure high-value sales and supply competitively priced product for wholesale accounts. Both will be required to achieve the growth to reach breakeven within a reasonable timeframe. Cultivating restaurant, grocery and institutional accounts is highly time-consuming and will require more dedicated sales staff.

Recommendations

Be mindful that food hubs receive only a portion (e.g. 18-25% markup) of revenue from sales and as such covering fixed costs such as labor, vehicles and such can take longer than anticipated. Farmer members have identified their own community connections and social capital with customers as an untapped marketing tool for the SW WA Food Hub. The diversity of farmer perspectives on account recruitment (some want accounts to go through the hub, others want to maintain direct sales to those accounts) combined with practical questions about how to mobilize a community (on behalf of existing relationships with farmers) to purchase through a farm cooperative, have restricted this approach. Yet the hub intends to pursue it.

3. CROSS HUB COMPARISON

2021 Expense Summaries by Food Hub			
	PSFH	**SW WA**	**Linc**
Cost of Goods Sold			
Producer/vendor Payments	$ 3,959,559.00	$ 183,225.00	
Purchased Product	$ 218,700.00		
Operating and Fixed Costs			
Total Payroll Expenses	$ 528,574.00	$ 95,018.91	
Total Operating Expenses	$ 279,689.00	$ 22,607.00	
Total Administrative Expenses	$ 78,805.00	$ 3,200.00	
Total Other* Expenses	$ 42,004.00	$ 29,232.91	

**Fixed costs for SW WA Food Hub; not sure how Andrew defined this category for PSFH*

3. CONCLUSIONS AND RECOMMENDATIONS

4. TOOLS AND RESOURCES

[i] https://thehungrydogblog.com/2014/12/puget-sound-food-hub/
[ii] *Puget Sound Food Hub Cooperative By-Laws.* Last updated July 2020.
[iii] *Articles of Incorporation of Puget Sound Food Hub Cooperative,* (Ammended January 2020).
[iv] *Puget Sound Food Hub: A Guide for Farmers and Ranchers.* Retrieved from https://pugetsoundfoodhub.com/wp-content/uploads/2019/01/Puget-Sound-Food-Hub-Cooperative-Guide-for-Farmers-1-22-2019.pdf
[v] *LINC Foods By-Laws.* Last updated 12-07-2019.
[vi] Meter, Ken. (2013). *Recommendations for Spokane Region.* Crossroads Resource Center. December, 2013. Retrieved from: http://www.crcworks.org/crcdocs/waspokeplan14.pdf

[vii] *LINC Food Hub Cooperative By-Laws.* Last updated XX 20??
[viii] *Articles of Incorporation of LINC Food Hub Cooperative*
[ix] *LINC Farmer and Ranchers' Guide.*
[x] There are a number of online resources that describe the holacracy concept and how it works in practice. One short reference we found to be useful is: https://corporate-rebels.com/workshop-holacracy/

[xi] *Cooking with the Seasons instructional video series*, (2020) WSU Extension Thurston County ADD URL LINK
[xii] Patzek, L., Rocker, S., & Goldberger, J.R. (2015). *Produce farm-to-market trends: a case study of South Puget Sound.* Washington State University Extension Publication EM094E. Washington State University. Retrieved from: http://pubs.cahnrs.wsu.edu/publications/pubs/em094e/.

[xiii] *South West Washington Food Hub By-Laws.* Last updated ?? 2020.
[xiv] *South West Washington Food Hub Articles of Incorporation.* Last updated ?? 2020
[xv] *South West Washington Food Hub Growers' Guide.* Last updated ?? 2020