NH Food Hub Network

MOU, Business Model, Supply Chain Report 2
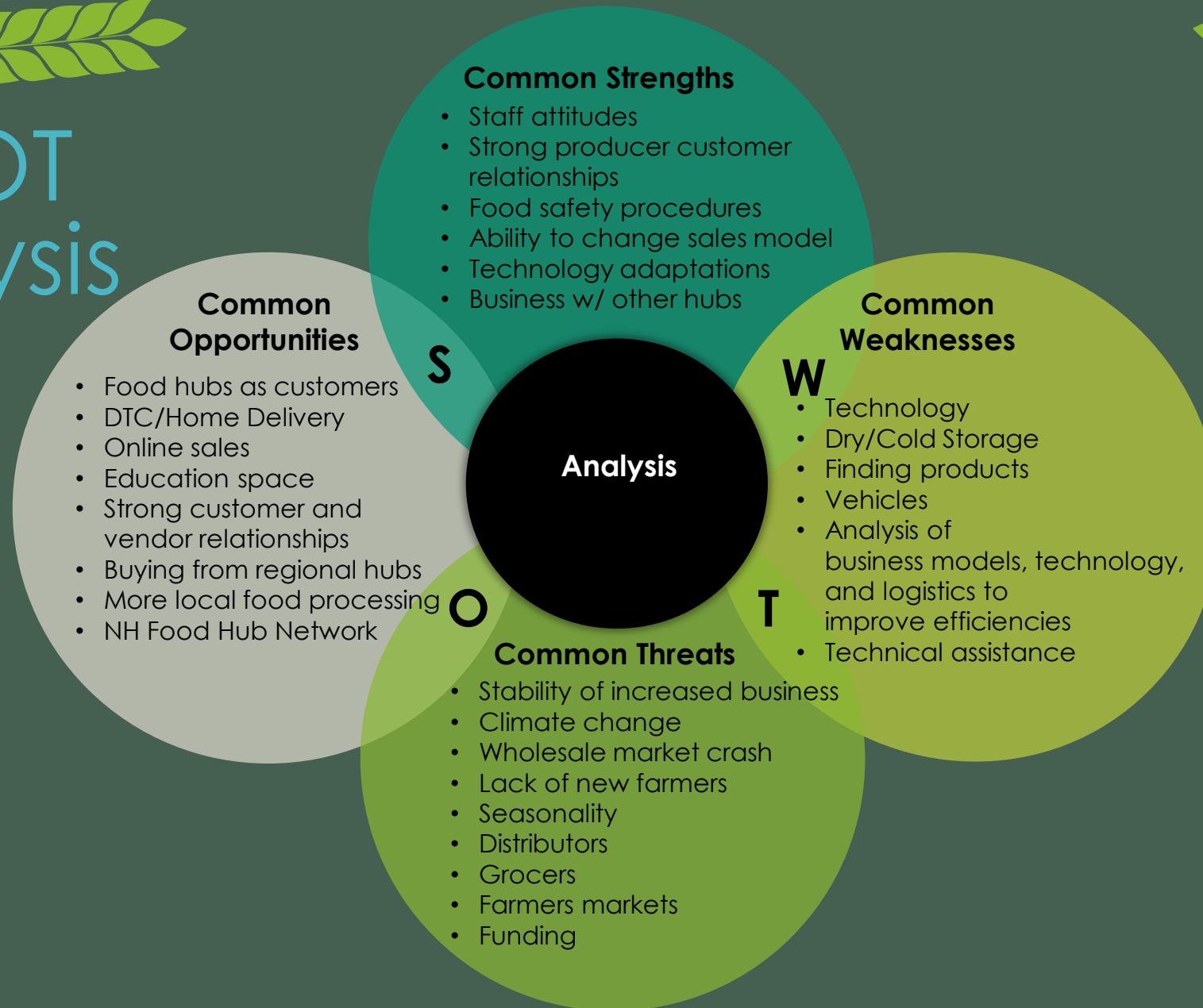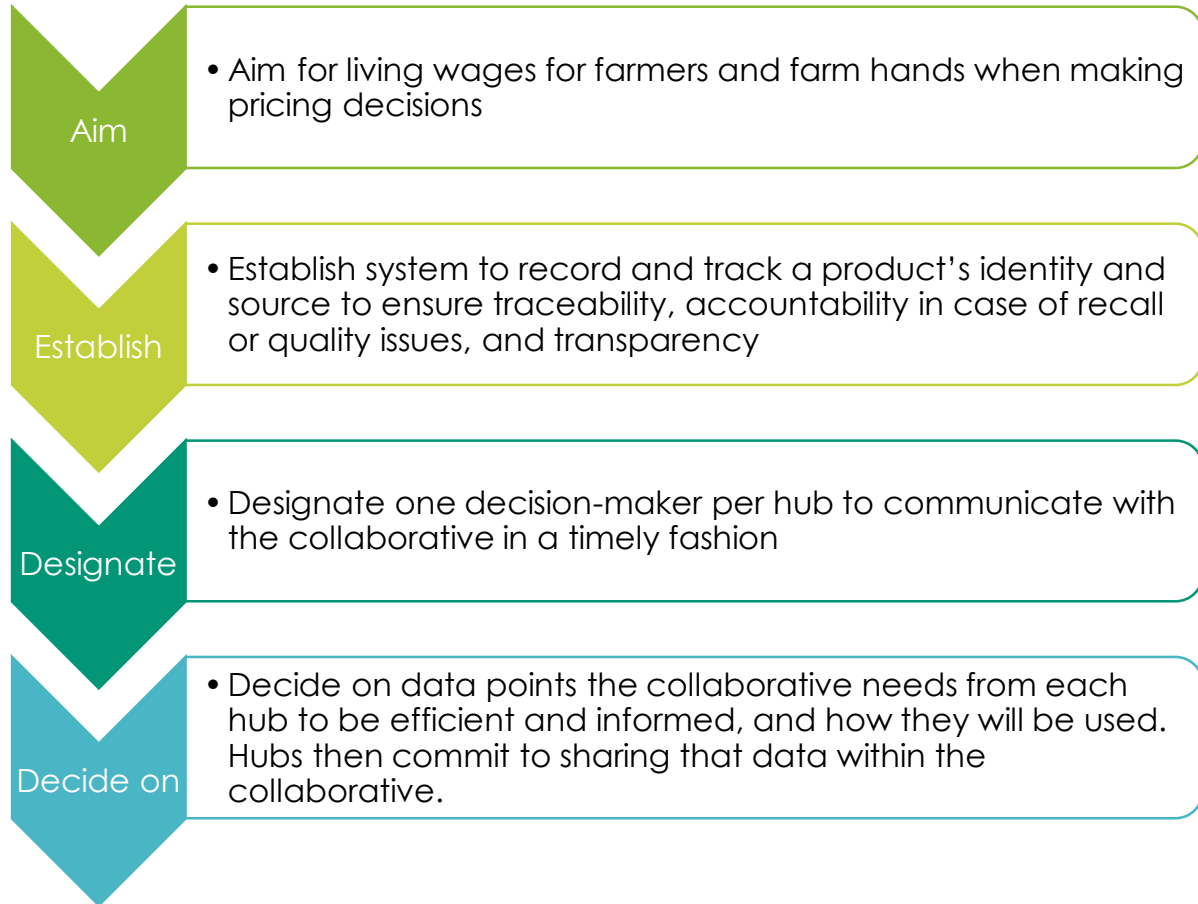
Project By:
Gorhan Public Health Consulting
and NH Food Alliance

Agenda

- Brief Review of SWOT
- MOU for the NH Food Hub Network
- Guiding principles
- Logistics
- Supply Chain Management
- Business models

SWOT Analysis

Common Strengths
- Staff attitudes
- Strong producer customer relationships
- Food safety procedures
- Ability to change sales model
- Technology adaptations
- Business w/ other hubs

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Common Opportunities
- Food hubs as customers
- DTC/Home Delivery
- Online sales
- Education space
- Strong customer and vendor relationships
- Buying from regional hubs
- More local food processing
- NH Food Hub Network

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Analysis

Common Weaknesses
- Technology
- Dry/Cold Storage
- Finding products
- Vehicles
- Analysis of business models, technology, and logistics to improve efficiencies
- Technical assistance

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Common Threats
- Stability of increased business
- Climate change
- Wholesale market crash
- Lack of new farmers
- Seasonality
- Distributors
- Grocers
- Farmers markets
- Funding

Aim
- Aim for living wages for farmers and farm hands when making pricing decisions

Establish
- Establish system to record and track a product's identity and source to ensure traceability, accountability in case of recall or quality issues, and transparency

Designate
- Designate one decision-maker per hub to communicate with the collaborative in a timely fashion

Decide on
- Decide on data points the collaborative needs from each hub to be efficient and informed, and how they will be used. Hubs then commit to sharing that data within the collaborative.

Example: Best Practices from EFHC MOU

Agree to disclose possible overlapping customers and products, and to respect hubs' pre-existing relationships.

Agree to be transparent about planned/expected future growth, particularly with overlapping customers and products. Negotiate how this affects the aim of reducing "duplicative services" within the collaborative.

Develop a procedure for product recall (either at the hub or collaborative level) and a drill system to test the procedure regularly.

Agree upon protocols for deciding and negotiating liability in the case of quality issues or product recalls

Stick to an agreed upon payment schedule between hubs but be flexible if needed during critical times.

Example: Best Practices from EFHC MOU

Example: Best Practices from EFHC MOU

Agree upon a transparent and democratic process to best suit all participants' needs for collaborative-level shared purchases (packaging, long-term assets, etc.)

Record past and projected customer demand for each product, producer's preferences, yield potential, and available dates to optimize seasonal and regional production.

Establish long-term goals for growing hubs' markets. Identify long-term investments or worthwhile projects and certifications that larger distributors and retailers may require.

Guiding Principles and Policies

- Racial Equity

- Climate Resilience

- Food Justice

- Farmer Advocacy

Racial Equity

- Land and wealth reparations
- Uplifting Black and Brown voices, ancestral and current, with respect to best practices and the historical context of farming practices. Provide fair compensation for consultants.
- Conducting racial equity training and audits
- Make training and mentorship and opportunities for advancement apparent and available to all
- Be transparent about how power is distributed, how decisions are made, etc.

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Food Justice

Food Recovery Hierarchy (EPA)

- Partnership with local food banks, pantries, and other food distribution networks
- Changing EBT/SNAP in New Hampshire so that it is easier for farmers and food hubs to accept
- Sourcing X% of school meals from local farms, and ensuring that these goods are nutritious and seasonally appropriate
- Expanding nutritious, local, sustainable, and culturally appropriate options within SNAP/EBT and other programs
- Adoption of food recovery hierarchy (like the EPA's) and encourage this for distributors and institutional consumers as well

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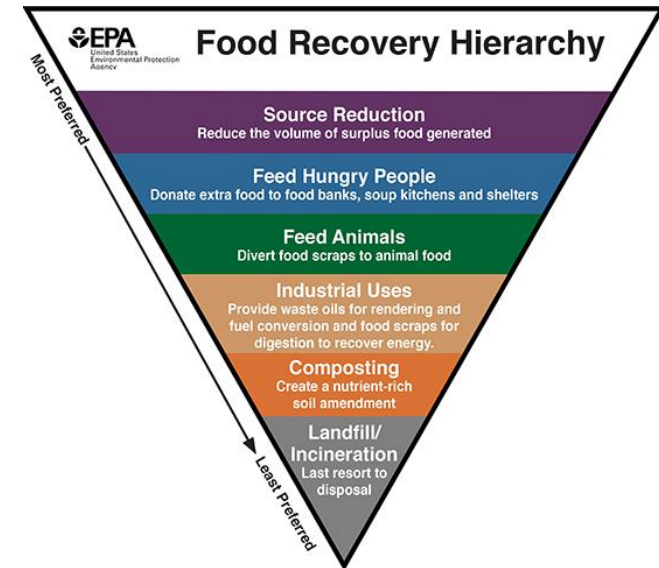
Climate Resilience

- Research and adopt best practices, where possible, for farming, packaging, and distribution
- Explore the development of public funding to pay farmers for preserving and enhancing ecosystems, while making industrial agriculture bear the costs, they impose on the ecosystem
- Provide training to farmers on Agroecology/Soil health
- State supported agriculture programs
- Partner with NH Food Alliance to take action around climate resilience

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Farmer Advocacy

- Living wages

- Minimum expected profit margin for negotiations

- Promoting local agriculture

- Shared marketing, branding, and infrastructure

- Creation of an agricultural version of Americorps, or a similar organization, to fund the pay of apprenticing farmers (particularly farmers of color or people working and learning on black-owned farms)

- Push for farmers to be considered public servants so that they are eligible for loan forgiveness

- Cap on wage and benefit gap between highest and lowest paid employees

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NH FOOD HUB NETWORK LOGISTICS

NH Food Hub Distribution

Legend
- ▸ ☐ Fresh Start Farms
- ▸ ☐ Genuine Local
- ▸ ☐ Three River Farmers Alliance
- ▸ ☐ Kearsarge Food Hub
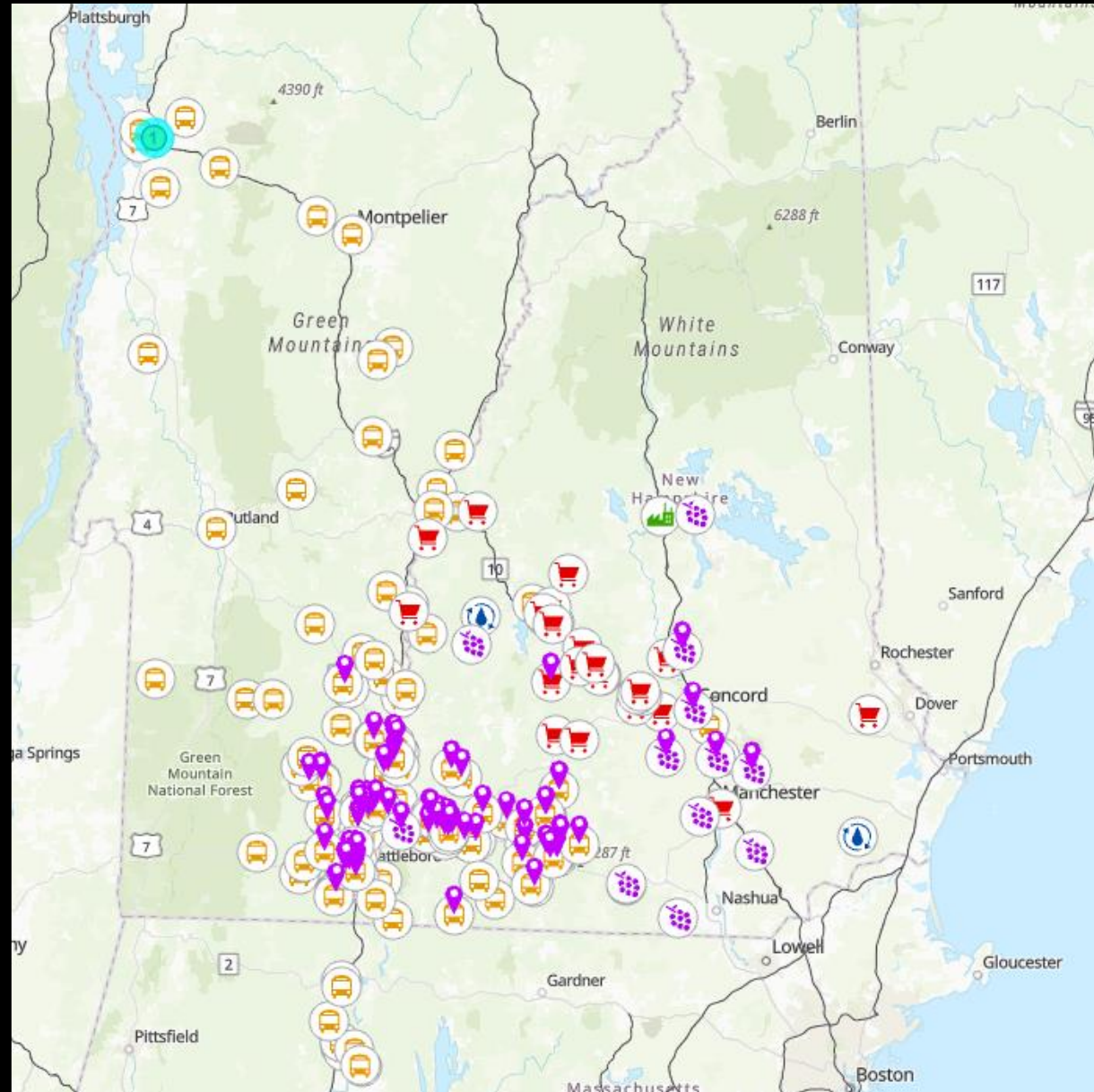- ▸ ☐ Food Connects
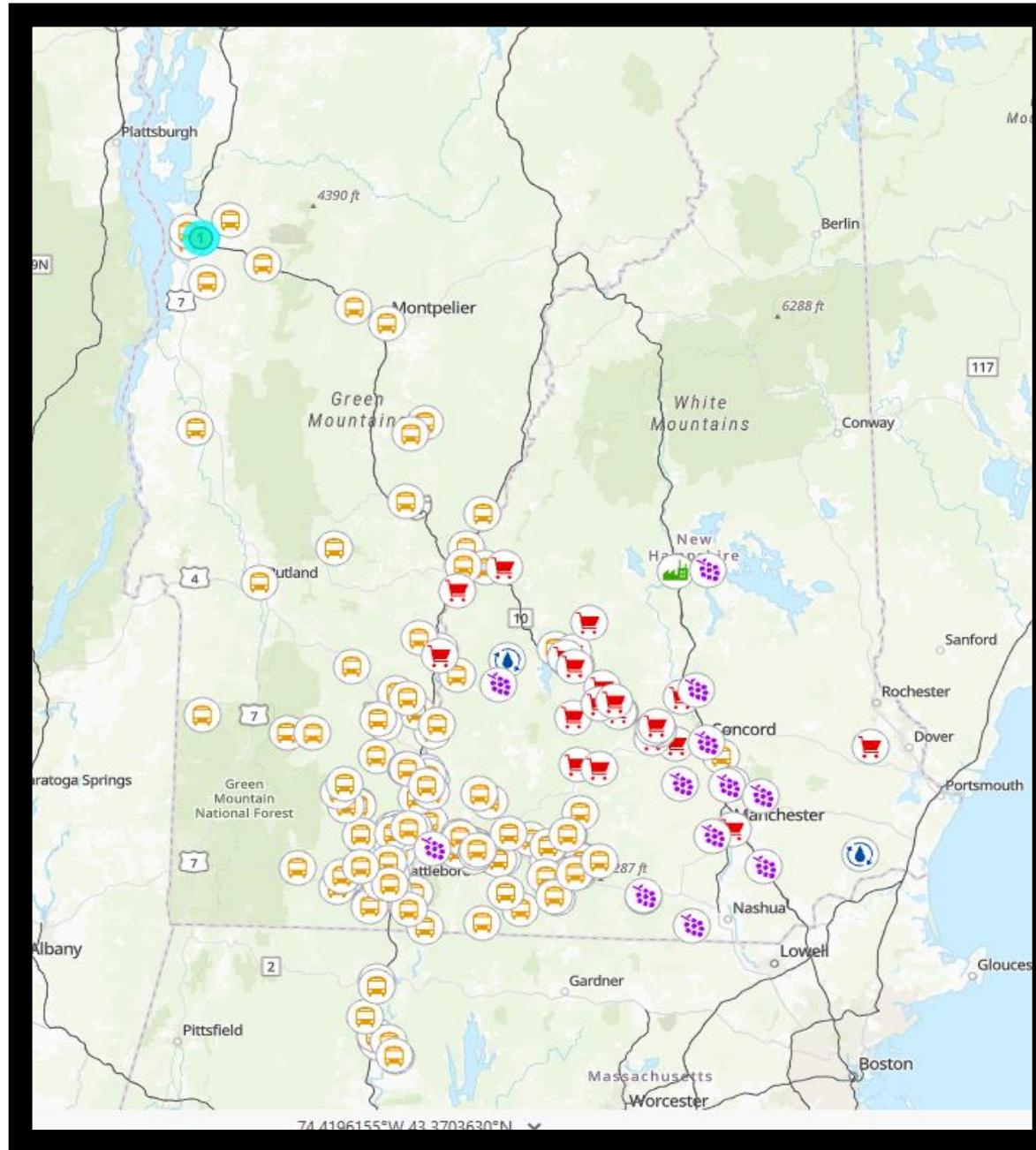
KEY
Takeaways

🔍 Food Hubs work in NH, VT, and MA

🔍 There is little presence in Northern New Hampshire

NH Food Hub Distribution Monday

Legend:

- ▸ ☐ Fresh Start Farms
- ▸ ☐ Genuine Local
- ▸ ☐ Three River Farmers Alliance
- ▸ ☐ Kearsarge Food Hub
- ▸ ☐ Food Connects
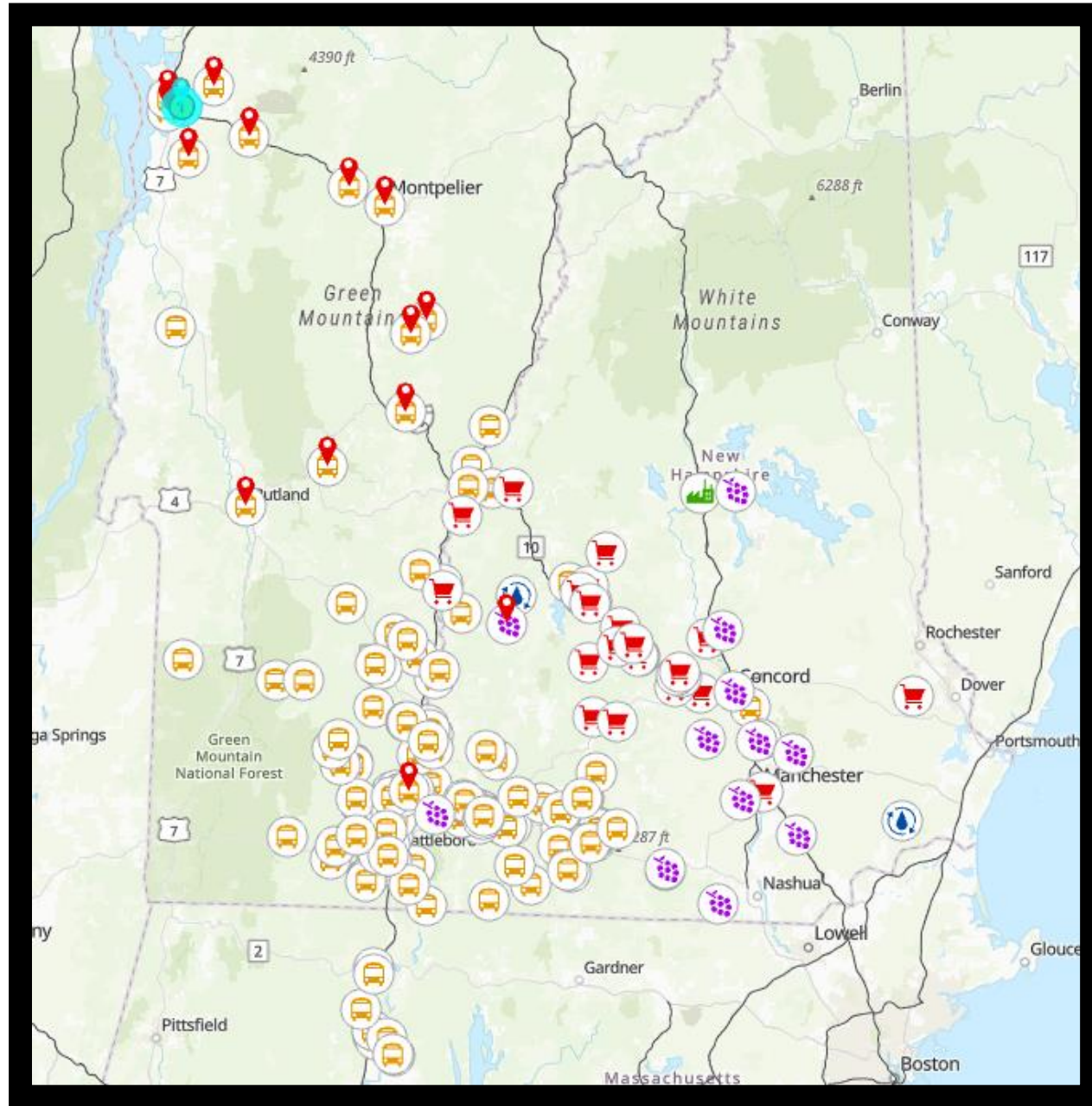
KEY Takeaways

🔍 Food Connects is mostly doing business in VT

🔍 Food Connects and Freshstart Farms could meet near Bascom Blueberry Farm.

NH Food Hub Distribution Tuesday
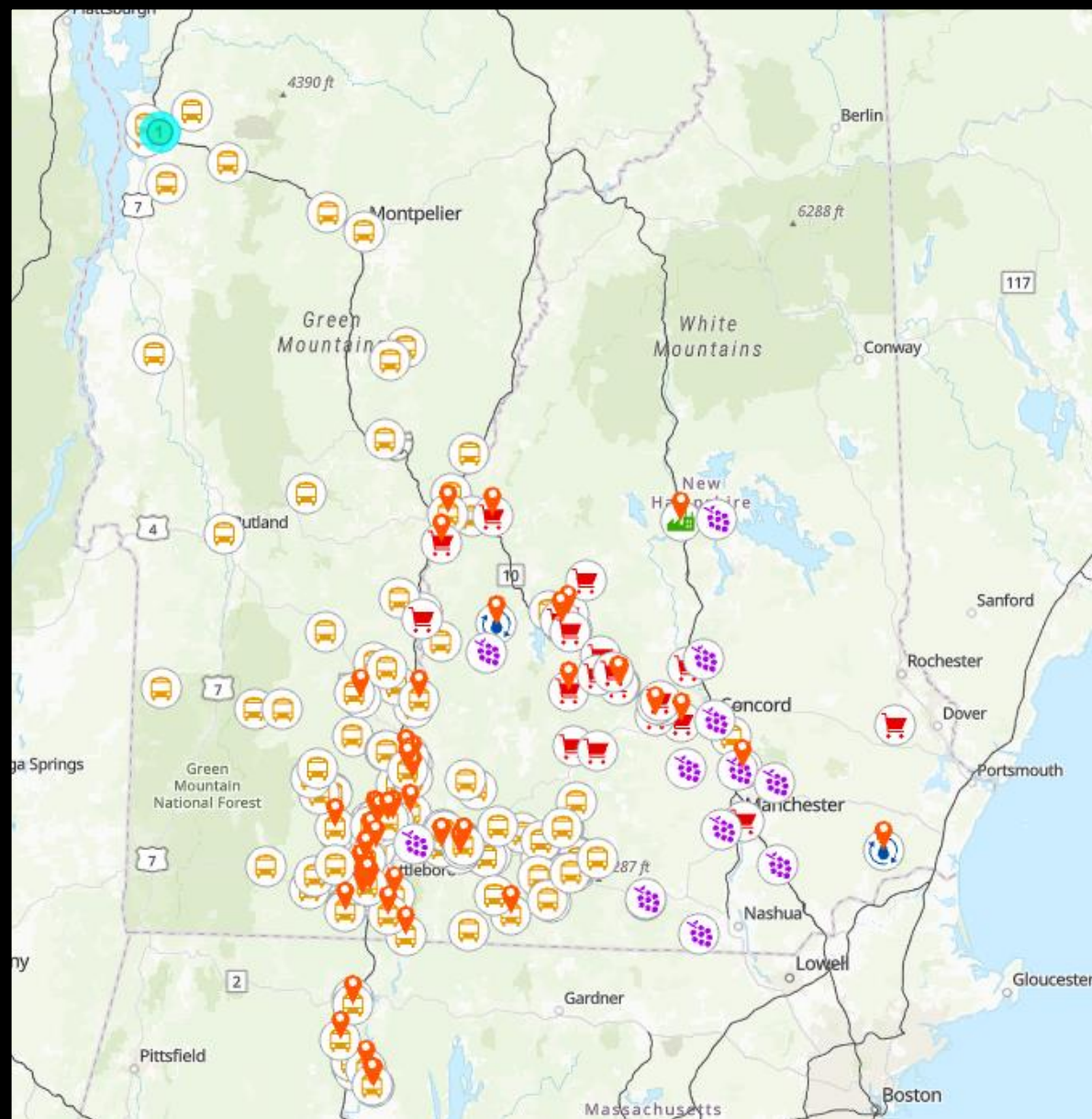
KEY Takeaways

All hubs are on the road.

Kearsarge, Three Rivers, and Food Connects are all in the Kearsarge region.

Kearsarge travels near Fresh Start Farms showing the potential for all hubs to do business together.

Fresh Start Farms

Genuine Local

Three River Farmers Alliance

Kearsarge Food Hub

Food Connects

NH Food Hub Distribution Wednesday

KEY Takeaways

Food Connects, Kearsarge, and Fresh Start Farms are on the road.

Fresh Start Farms' overlap with Food Connects could save them 100 miles per trip to New Dawn Farm.

Fresh Start Farms

Genuine Local

Three River Farmers Alliance

Kearsarge Food Hub

Food Connects

NH Food Hub Distribution Thursday

Key legend:
- Fresh Start Farms
- Genuine Local
- Three River Farmers Alliance
- Kearsarge Food Hub
- Food Connects
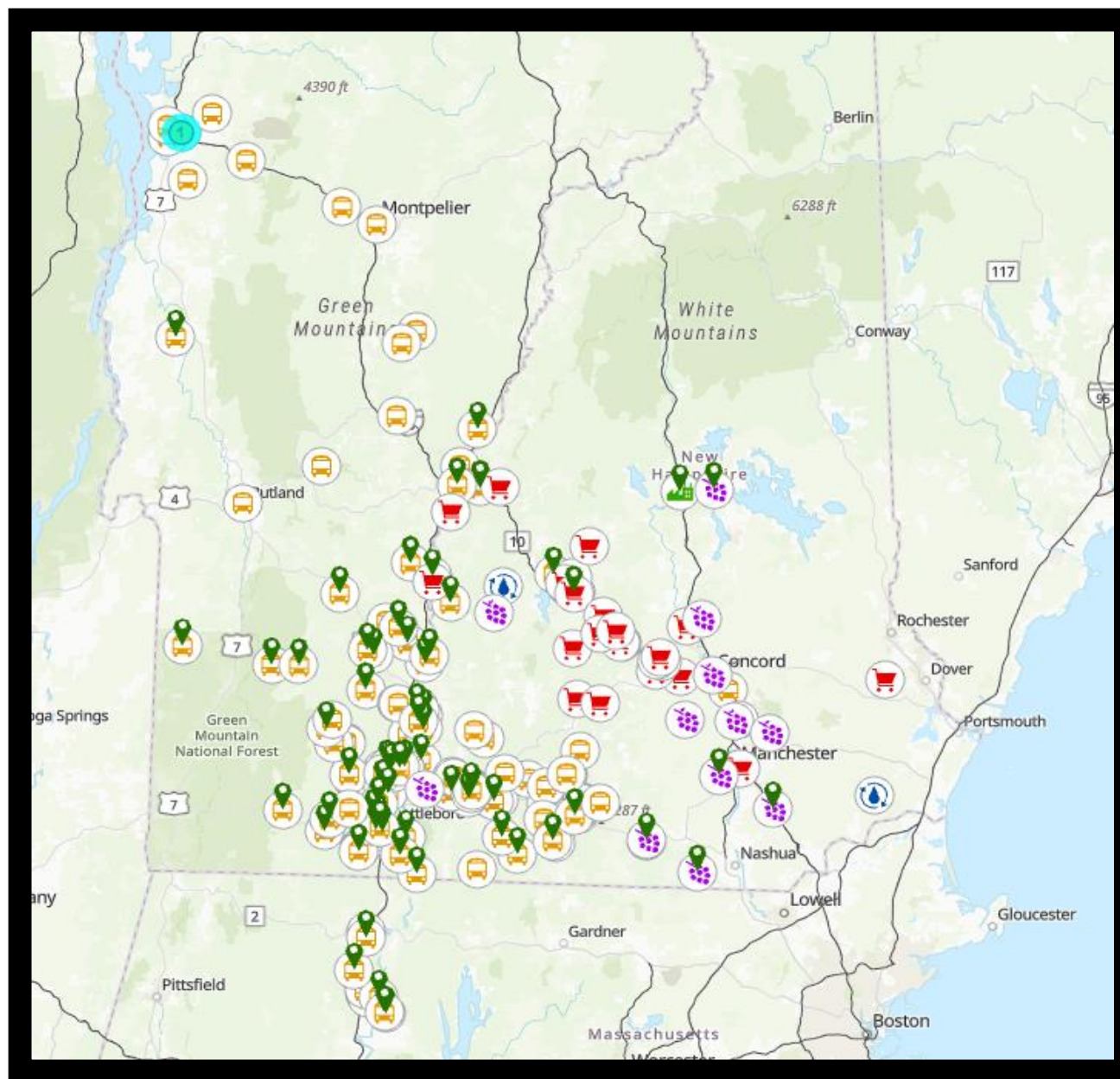
KEY Takeaways

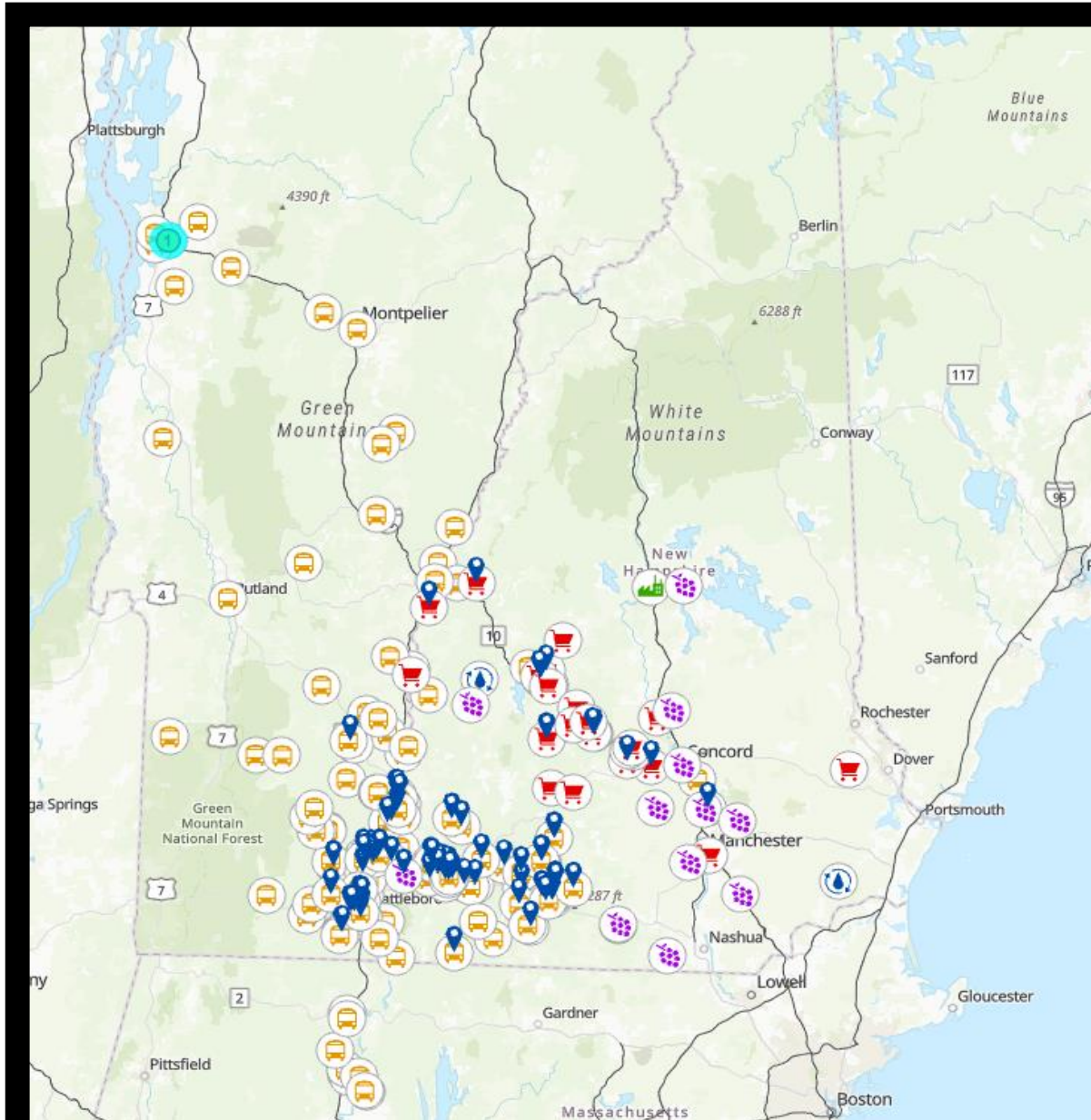Food Connects, Fresh Start Farms, Genuine Local and Kearsarge on road.

Potential for Kearsarge and Genuine Local to connect in New London.

NH Food Hub Distribution Friday

Legend:
- ☐ Fresh Start Farms
- ☐ Genuine Local
- ☐ Three River Farmers Alliance
- ☐ Kearsarge Food Hub
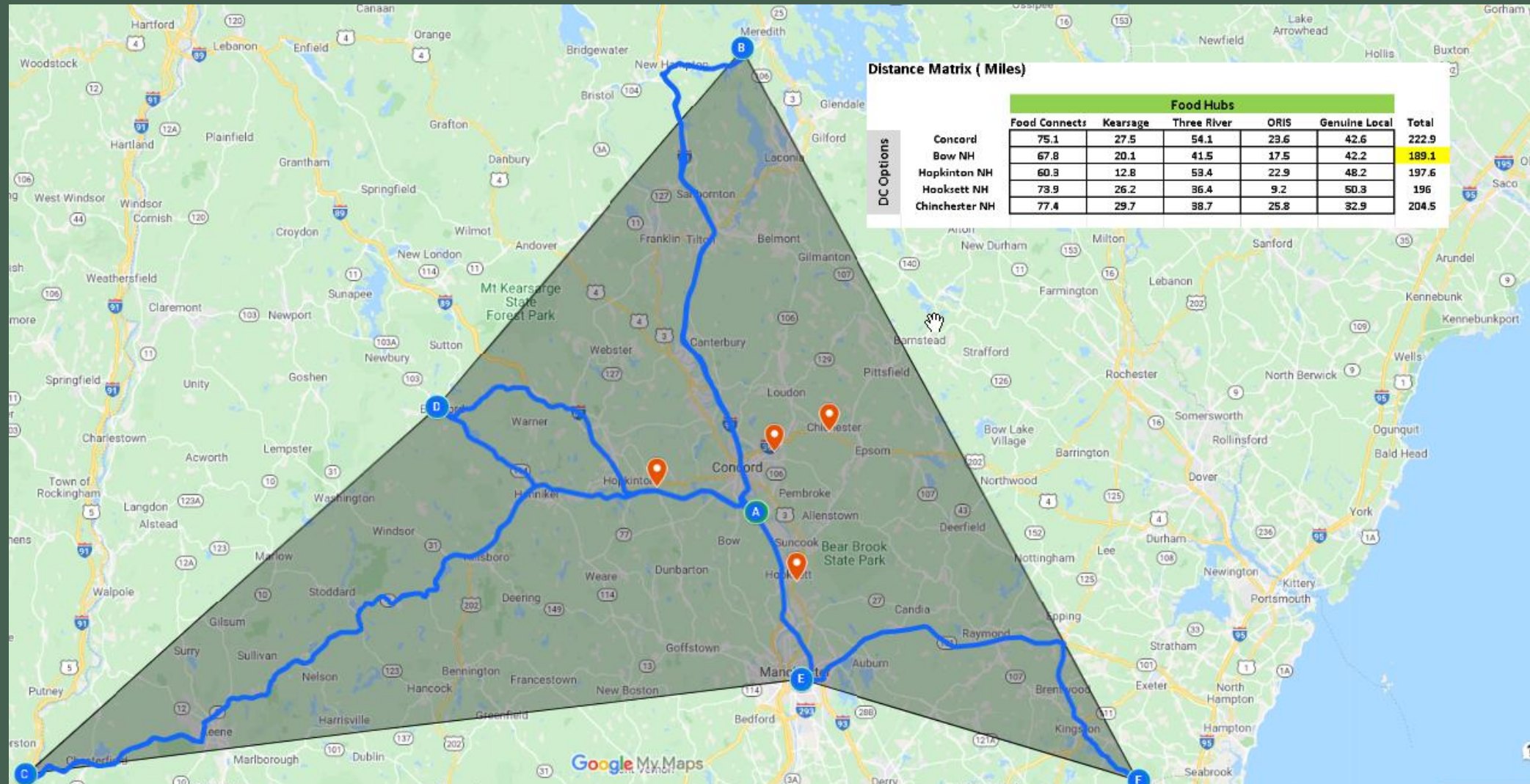- ☐ Food Connects

KEY Takeaways
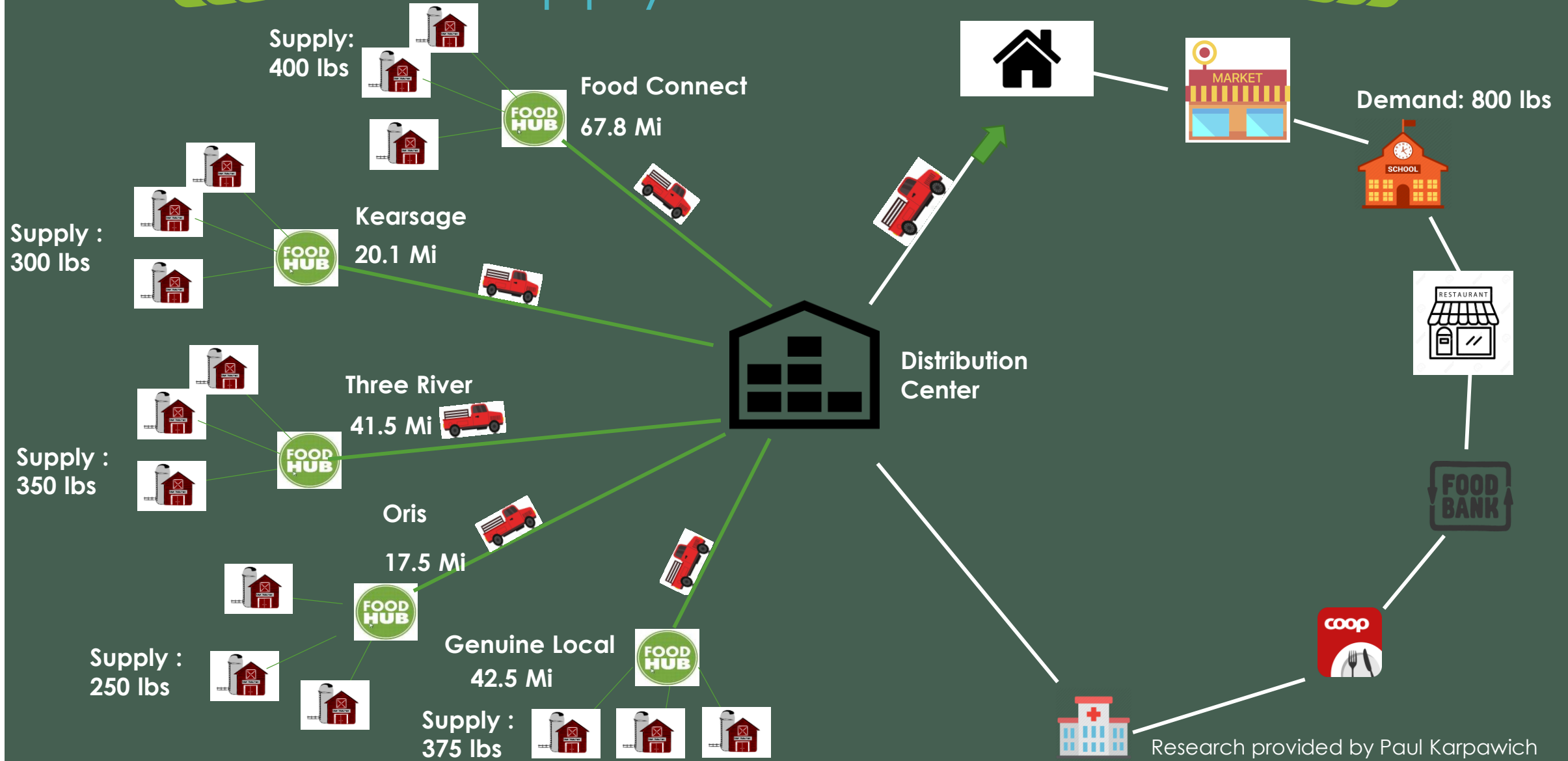
🔍 Food Connects, Kearsarge and Fresh Start Farms on road.

🔍 Fresh Start Farms' overlap with Food Connects could save them 100 miles per trip to New Dawn Farm.

Phase 1 of Distribution: Centralized Hub

Distance Matrix (Miles)

		Food Hubs					
		Food Connects	Kearsage	Three River	ORIS	Genuine Local	Total
DC Options	Concord	75.1	27.5	54.1	23.6	42.6	222.9
	Bow NH	67.8	20.1	41.5	17.5	42.2	189.1
	Hopkinton NH	60.3	12.8	53.4	22.9	48.2	197.6
	Hooksett NH	73.9	26.2	36.4	9.2	50.3	196
	Chinchester NH	77.4	29.7	38.7	25.8	32.9	204.5

Supply Chain Workflow

Supply: 400 lbs

Food Connect
67.8 Mi

Supply: 300 lbs

Kearsage
20.1 Mi

Supply: 350 lbs

Three River
41.5 Mi

Oris
17.5 Mi
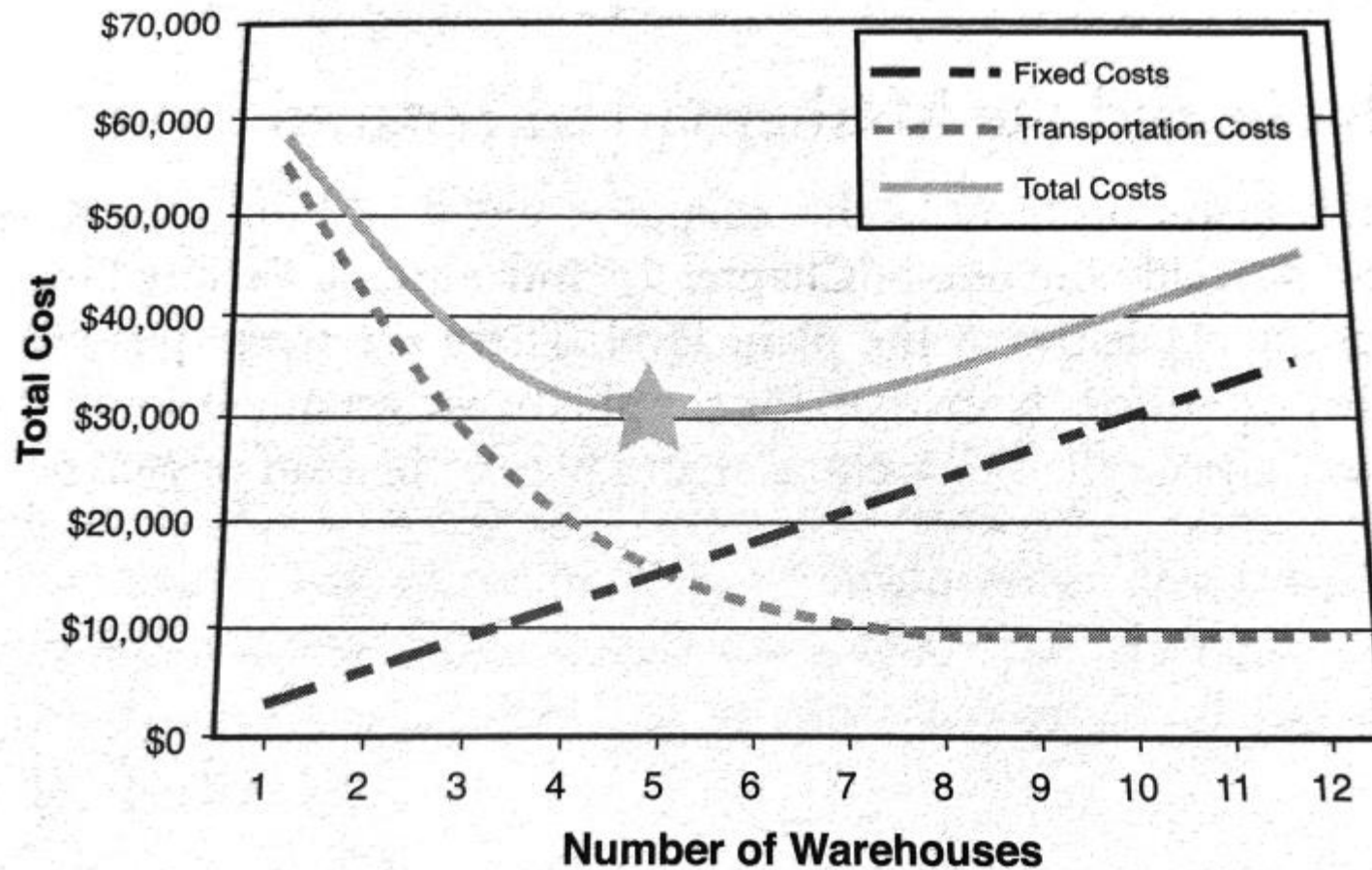
Supply: 250 lbs

Genuine Local
42.5 Mi

Supply: 375 lbs

Distribution Center

Demand: 800 lbs

Research provided by Paul Karpawich

Placeholder on showing future

Distribution Workflow

Sales Tracking	Inventory / Storage	Web Front / E-Commerce	Last Mile Delivery
Generate Packing Lists + Labels	Track Inventory	Pre Orders Filled from Production	Logistic Optimization (Routific)
Order by Product	Track Cooler Inventory	Orders Translate to Pick Tick, Packets, Invoices	Routes are Optimized Automatically
Checklist for Producer Deliveries	Track Received and Incoming	Set up Price Levels / Minimums	Tracking of Truck by Dispatcher
Fulfillment Reporting: Send Purchase Orders, Send Receipts	-	Sales Reporting: Sales by Prodcuer, Product, Category, and by Customer	-
What is needed	**What is needed**	**What is needed**	**What is needed**
Need to gain insight into what Farmers are planning to deliver across all participating farms	*Visibility of Inventory across all Hubs to allow for aggregated orders*	*Regional Storefronts that all pull from a centralized inventory*	*Seamless integration of logistics optimization into platform (today it is separate)*
Lot tracking (GAP)	**Lot Number on Box Label**	**Lot Number on Invoices**	**Lot Number on Invoices**

Research provided by Paul Karpawich

NGFN Benchmark Hub Study

- ❑ 50 Participants (Coast to Coast
- ❑ Sales of $50K to $8M
- ❑ Employ of Average 4.3 FTE's
- ❑ Profit Range from 27% of sales to (22%)
- ❑ EBITA from 21% to (20.1%) of total revenue

Breakout of Sales Channels	2013	2017
Restaurants and Caterers	15%	38%
Food Retailers	28%	25%
Institutions	3%	16%
Direct to Consumer	38%	12%
Other Distributors	14%	9%

Points for Discussion

- ▪ Numbers have Shifted back to Consumer due to Covid

- ▪ Hubs report a 40% churn in direct to consumer business

- ▪ A Balanced approach is recommended but avoid getting spread to thin

Question: How do you see the distribution working in this food Hub Network?

NGFN Benchmark Hub Study

Income Statement	Mean Average of 50	Top 25 Performers
Total Revenue	$1,759,824	$ 2,221,959
Total Expenses	$1,781,593	$ 2,202,073
Net Activity	-$21,769	$19,887
Net as a % of Revenue	-1.60%	1.20%
EBITA	-$6,498	$ 48,000
EBITA as % of Revenue	-0.37	2.10%

Business of Hubs	Mean Average of 50	Top 25 Performers
Sales	100%	100%
Variable Costs	92.90%	89.19%
Cost of Product	76.26%	73.50%
Selling/ Distribution	16.64%	15.68%
Gross Margin	7.11%	10.82%
Overhead	17.74%	11.01%
Profit	-10.63%	-0.20%
Grants/ Contributions	12.48%	5.68%
Program Expenses	3.24%	4.54%
The Bottom Line	-1.39%	0.94%

Points for Discussion:
- Costs were 92% of every sales dollar in 2017 for all 50 Hubs
- Top 25 Performers drove more sales and had better gross margin due to understanding their categories (Produce, Protein, Value Added)
- **EBITA (Earnings before Interest, Taxes and Amortization)
- **Do you feel this analysis would be beneficial for your own Hubs?**

NGFN Benchmark Hub Study

Food Categories	How Much did Hubs get for every $1 put in
	Benchmark
Bakery	1.58
Dairy	1.22
Prepared Foods	1.51
Value - Added Grocery Dept	1.96
Proteins (Meat and Poultry)	1.25
Produce	1.52
Other Food	1.30

Points for Discussion:

- The Benchmark number indicates the markup over $1 (ex. You make 58 cents profit for Bakery)

- The category of Value Added (precut vegetables, tomatoes for sauce) got back almost double

- Top 25 Performers understood what categories did best

- For example, if you did 1.27 as a mark up % for produce, by benchmarking and aiming for 1.52 results in a 14% to 20% increase in gross margin

Question: How do you feel your Hub is doing with pricing and categories?
Do you have a good sense of profit?

Takeaways from the Study

- Focus on what you do best:

    - Hub Study participants tend to get to $1.7 M without issues

    - When the Hubs reach $3M, they realize they are in too many different channels and start making mistakes on a 6% margin

- Hubs start to gain economies of scale at the $1.7M mark

    - **Breakeven $1.2 M** : Attaining the breakeven point represents a milestone for a food hub.Achieving breakeven in this analysis indicates a hub is a workable business and is able to satisfy the needs of its customers. It can begin to look toward future

    - **Growth $1.75M:** Achieving the growth level means that not only are operational costs being covered, but the entity is generating enough income to reach cashflow neutrality and to cover any additional expenses over the course of the year (on a cash-flow basis).

    - **Viable $2.2 M+ :** This level represents the hub's ability to be sustainable in the long term, where the organization is making enough net income (about 5.5 % of revenue) to fund possible expansion or additional operations.

Question: Is this in line with what you are seeing in your own operations?

Becoming a B Corp

Key Points

✓ A B-Impact Assessment is required to gain entry and is driven across five categories: Governance, Workers Impact, Community, Environment and Customers.

✓ Certification drives better relationships, helps to attract talent and improves the overall impact of your supply chain.

✓ Once certified, you are assigned a score (out of 100) that allows you to track against and collaborate with your food peers including Headwater Food Hub, Cabot, 7th Generation, Pete and Gerry's, Lake Champlain.

✓ B Corp certification enables you do to more food business with institutional customers (schools, universities, hospitals) and consumers that put a premium on sustainable standards from their vendors.

Research provided by Paul Karpawich

Backbone Business Options

- B-Corp
- Non-Profit
- Cooperative
- LLC

QUESTIONS, COMMENTS, & CONCERNS?