Rural Minnesota Food Systems and Food Hub Overview

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Executive Summary
The details of this report are meant to provide a synopsis of the rural Minnesota food system, as well as an analysis on the viability of creating food hubs to provide local foods to local communities. The report details the current food landscape in Minnesota, our approach to the analysis, potential opportunities, industry challenges, as well as a number of considerations and strategic approaches which were a result of the analysis.

The current local food landscape in Minnesota, as determined through numerous long-form interviews, can be summarized in a few main insights. We discovered that the rural small farmer community is generally fragmented and relationships between entities tend to be very informal. Although some demand exists through institutional buyers, the small farmers have limited desire to fulfill that demand. Generally, the farmers are mainly growing for the sake of the trade and lack the skills or desire to implement strategic business thinking. Furthermore, as a high level trend, we are seeing very little food being consumed locally, at less than 3% of total food consumption.

In terms of opportunities, we identified a number of promising market signals that could help the development of food hubs. First, large institutions are beginning to see the benefits of local foods. Second, some successful online co-ops and food aggregation sites are beginning to gain traction. Third, large gaps in supply and demand at the institutional level are begging for a solution, which the food hub could provide. Finally, the farmers themselves are beginning to understand the benefits of strategic partnerships that encourage resource sharing.

In light of the some of the opportunities, there are still challenges that need to be overcome. These challenges exist at every level of the supply chain. At the farmer level, financial issues exist because high land prices and low margins do not allow local foods to compete against large national players. At the aggregation level, the number one problem is a significant lack of physical infrastructure. Further challenges include quality standards, supply and demand forecasting, and the farmer’s desire to go directly to consumers. Buyers are also faced with a number of issues including budget constraints, seasonality, and lack of suitable kitchen facilities.

After performing the analysis, the key considerations that we think RSDP can and should address are education and awareness at every level in the supply chain and the lack of governmental support. Strategic approaches that could be utilized to address these considerations would be 1) utilize a top down demand forecasting approach starting at the institutional level and working down to the suppliers via the food hubs and 2) begin to develop tactical partnerships with programs like the Land Stewardship Program, who can begin to help foster the education and awareness that will be critical to the success of food hubs.
Our Approach
Our team took a two tier approach in order to research the current state of the local food movement in rural Minnesota. The first stage was to gather information directly from local communities and determine how local food is being produced and distributed. Our primary means of collecting this information was by conducting long-form interviews with as many players as possible, including growers, grocery co-ops, food aggregators, farmers markets, CSAs, farm incubators, institutional buyers, and other industry experts. In order to most effectively manage the information from these sources, we split the state of Minnesota into five regions: northwest, northeast, central, southwest, and southeast, matching those regions outlined by RSDP. Each member of our five person team was responsible for a particular region and began the information collecting process by reaching out to the RSDP regional directors for the corresponding areas of the state. The regional directors kicked off the interview process by providing a number of contacts in their region from where we could begin our discussions and information collecting.

The second stage of our information collection process was to conduct secondary market research. Our aim in this activity was to seek out existing food distribution systems throughout the country. In conducting this research, we sought to find instances of successes and failures which could be applicable to Minnesota. Our objective was to develop an understanding of best practices which could be utilized to implement successful food hubs in rural Minnesota.

Once the two stages of research had been completed, our team reconvened to compile our findings and pinpoint state wide trends. In order to identify trends, we developed a database to store the information that was gathered in the numerous interviews. The database can be referenced in Appendix B of this report. As trends were identified, our team began to identify a number of opportunities and challenges that were used to formulate considerations and potential approaches that could be utilized to begin implementing food hubs in rural Minnesota.

Current Landscape
While conducting our interviews we uncovered four main insights that give an account of the current condition of rural food aggregation in Minnesota. First, we found that the majority of aggregation and resource sharing takes place through informal networks. Typically these activities take place based on geographic location, with small neighborly relationships being formed to leverage equipment utilization and meet demand capacity issues. However, there are some co-ops and online aggregation sites which are beginning to connect growers and create opportunities to open new distribution channels.

Our second insight revolves around issues related to supply gaps when considering the needs of institutional demand (i.e. hospitals, schools, etc). We found that although institutional demand is starting to increase, there is little desire for growers to supply that demand. This unwillingness to
supply the institutional channel stems from a number of reasons. First, a farmer’s supply is often fully utilized through other more direct, and therefore more cost effective, channels such as farmers markets, CSAs, and direct sales. Second, farmers are generally not motivated to expand, as many small farmers are hobbyists and maintain fulltime careers outside of farming. Finally, supplying institutions may require crop specialization which creates less variety on the small farm for feeding family and neighbors.

The third insight we gathered was a general lack of business expertise with regards to marketing, sales, and financing activities. We found that many of the farmers had strong skill sets for producing crops, but possibly lack the expertise or willingness to structure their operations to maximize profitability through utilizing strategic business thinking. The creation of food hubs will require stronger marketing efforts and finance tracking on the part of the hub in order to help penetrate the institutional market.

The fourth and final insight we uncovered is the surprisingly low market share that is attributed to local foods. With a national average of approximately 2%, local food is highly underutilized. Based on regional trends, we estimate that Minnesota might be ahead of the national average, but only slightly. On one hand, the low penetration into the local food market could be interpreted as optimistic since there could be significant room for growth as the local food movement gains momentum in rural areas. On the other hand, this statistic suggests that systematic distribution issues exist and a number of barriers need to be overcome in order to efficiently supply local food to local consumers.

**Opportunities**

In the process of analyzing our interview results, we were able to identify several areas where opportunities for food hubs are arising. The first of these opportunities lay within the changing views of institutions. We noticed that a number of schools and hospitals are catching on to the benefits of serving locally produced foods. In the southwest region, Ryan Pesch of Lida Farm is working to provide Pioneer Care and Lake Region Hospital with fresh foods. And in the Northwest region, Headwater Foods is serving 12 schools and is working with a local hospital in hopes to begin supplying local foods in the near future. Also, the Farm to School program is creating awareness of local food benefits and helping to overcome many of the hurdles associated with food distribution and preparation/storage challenges in kitchen facilities.

Another key opportunity was noticed in the co-op and online aggregation business models. We identified a number of physical and online co-ops that are beginning to take hold in rural communities. Although a number of financial challenges are being encountered, online co-ops such as the Marshall Area Food Co-op and Prairie Roots Food Co-op are overcoming these financial barriers by engaging the community as volunteers and utilizing public facilities such as schools to be distribution centers and local food pick up sites. Other co-ops, such as Pomme de
Terre Foods and Riverbend Market Cooperative, have physical locations and supplement local foods with other goods in order to achieve operational success. Online websites such as localdirt.com are also showing promise by helping farmers connect with institutions and create a better understanding of gaps between supply and demand.

Furthermore, farmers are starting to become more aware of the benefits of resource sharing, which incentivizes the development of food hubs. The greatest value that can be recognized for the farmer from a food hub will be resources. Physical resources, such as storage and processing facilities, will be critical for farmers. However, equally critical will be marketing tools and a strong understanding of demand, both of which can be provided by the food hub. One of the top opportunities, therefore, lies within the ability of the food hub to ensure a more predictable demand for the farmer. The more these advantages can be brought to light, the greater the opportunity will be for implementing food hubs.

**Challenges**

Along with opportunities come a number of challenges that will need to be addressed in order to move forward with the food hub model. These challenges can be broken down into three key segments, the farmers, the aggregators, and the buyers. When looking at the farmers, the key areas of struggle are land prices, small margins, and competition with large farmers. A constant theme that was repeatedly heard in each interview with the farmers was the inability to expand operations due to a combination of high land prices and low profit margins. Without the capacity to expand, the ability to supply food outside of direct routes is not a viable option for most farmers. Also, low margins on their products leaves the farmer minimal room for added distribution costs, which may be incurred by a food hub. At this point, farmers are incentivized to go through the most low cost channels, which are generally CSAs, farmers markets, and direct sales. Another key issue is the low cost at which large competitors are able to offer food to institutions and other buyers. Local farmers simply cannot compete on price with the large corporate farms and must therefore promote the added value for consumers to purchase higher priced, locally grown foods.

The second set of challenges is associated with the aggregation of local foods. There are a number of entities currently working as aggregators or food hubs, such as Southeast Minnesota Food Network and the Western Lake Superior Food Hub. The challenges that these organizations are facing include, but not limited to, a lack of infrastructure, matching supply to demand, sorting organic vs. traditional foods, and farmers bypassing aggregators. When looking at the current landscape, there is a lack of communication bringing farmers together. However, an even larger problem is the cost it would take to build the necessary infrastructure (i.e. storage and processing facilities), and who would be responsible for those costs. A critical component of the aggregator boils down to the matching of supply to demand. Currently, a gap exists and the aggregator needs to create a system to ensure consistency of demand to entice farmers to supply.
Aggregators would also be responsible for consistency in product and the ability to differentiate between organic and traditional foods. A high level of complexity would be added to the aggregation process when dealing with a large number of suppliers that may or may not be producing goods at the same standard. The final challenge, experienced specifically by Southeast Minnesota Food Network, is the ease at which a farmer can bypass the aggregator. In this specific case, the aggregator would perform the leg work of identifying the market and setting up the distribution channel only to find that farmers will go directly to the buyer once the farmer learned of that market.

The institutional buyers are also presented with a set of challenges that will need to be overcome before local foods will become more readily adopted. Institutional buyers are generally thought of as hospitals, schools and other large institutions, and the challenges these entities will often face revolve around budget constraints, need for a year round supply, and a lack of appropriate kitchen facilities to prepare fresh foods. These institutions are typically able to buy bulk order supplies all year round which are highly processed and very inexpensive. This creates a number of concerns when looking to supply to institutional buyers. With small budgets, the institutions will struggle to find room for more expensive local foods unless an advocate is on staff and able to effectively portray the health benefits of local foods. These institutions will also need to become more creative and seasonal in their purchasing orders as many local foods cannot be supplied year round. Significant education must be provided in order to provide alternative menu options for these institutions. Finally, large institutions typically have kitchens that have been set up to handle highly processed and frozen foods. Costly changes will need to be made to kitchen facilities so that they will be capable of preparing fresh foods.

Considerations
After examining both the opportunities available and current challenges facing the local food industry and food hub concept, there are a few key considerations that must be made in order to successfully create rural food hub operations. The initial focus of RSDP or any group hoping to launch the rural food hub concept should be on educating and increasing awareness regarding the value of food hubs and increasing governmental support. If these considerations are addressed, then the implementation of the rural food hub concept will have a significantly greater chance of success.

Educating and increasing awareness is a very important step to successfully creating a rural food hub. This education and increased awareness must include everyone from the general public to large institutional buyers. On the demand side, it is imperative that consumers understand the value of consuming locally grown food. For individual consumers, especially those in rural areas where the average family income is lower, and most large institutional buyers, budget constraints can be a true barrier to switching to locally grown foods. Typically, locally grown foods are more expensive than the traditional mass produced products available at many grocery stores and
through many wholesalers, therefore consumers, both individual and institutional, must understand the value they are receiving for that extra cost.

On the supply side the education and awareness required will be different than that on the demand side. Local farmers need to understand the value that a food hub will create for them. Currently, most local farmers we spoke with indicated that they were able to sell most, if not all, of the products themselves through different channels and did not necessarily see the value of a food hub. Although most individuals or entities acting as a food aggregator understand the value of a food hub, they currently do not see how they can afford to transition from an aggregator to a true food hub. These individuals and entities must be able to quantify the value they will receive if they use capital to build the facilities necessary to become a true food hub.

Educating and increasing awareness of all players will be a very important step for RSDP and other entities interested in creating a rural food hub network. This can be achieved by fostering communication throughout every channel and working on connecting the highly fragmented local food industry. RSDP can also focus on supporting the "locally grown movement". Currently, consumption of and demand for locally grown food is steadily increasing and consumers are starting to become interested in learning about the value of locally grown food. It is imperative that RSDP takes advantage of this opportunity and truly helps facilitate this movement.

Similarly to increasing the awareness of the direct consumers, farmers, and buyers within the locally grown food industry, it is important to educate policymakers on the value of locally grown foods. By educating policymakers, greater governmental support likely can be more easily achieved. There are three main areas in which we believe greater governmental support can significantly assist the locally grown industry. First, financial assistance or subsidies would help alleviate the pressure of working under small margins and thus allowing the farmers to more easily sell products through a food hub. Second, encourage consumers and institutions to buy locally grown food through policy. This could be achieved by offering financial assistance or incentives for buyers and would help those facing tight budget constraints. Finally, the capital expenditures for the initial infrastructure required to create a food hub is a real barrier. Therefore, any financial assistance would greatly increase the chance of a food hub being created.

Approaches
When evaluating our findings, we uncovered two unique approaches that should be examined further. (Due to our time constraints, we were unable to vet the approaches for their feasibility.)

Top Down Approach
The first approach constitutes examining the industry from the top down (buyers to farmers). It became evident during our research that a bottom up approach, where the focus was on having
farmers want or stress the need for a food hub, had been and is still being employed. However, during our discussions we learned that a majority of farmers are able to sell most, if not all, their products through other channels and do not understand or see the value of the food hub. Also, we learned that farmers are hesitant to expand or produce more than they feel they can sell because of the small margins and high land prices. Uncertainty is a significant issue for farmers. Therefore, it will be very difficult for this approach to succeed in creating a healthy food hub culture. However, we learned that the demand from institutional buyers, especially large institutions, outweighed the needed supply. Therefore, the idea of a top down approach appears very practical.

This approach would place the emphasis on areas where an imbalance was present. The first step of this approach would be to fully understand the demand required by institutional buyers. A food hub could then be created with the goal of fully satisfying the demand of the buyers. Since the food hubs know fully what the demand will be, it should be easier for them to relay this information to farmers. Farmers will likely be more responsive to this approach since the demand is known and there is less uncertainty that they must account for.

A top down approach would eliminate a significant amount of uncertainty present in a bottom up approach. By eliminating that uncertainty, each party clearly understands the demands of others and this will be a much easier approach to implement. This approach still would need to address several of the challenges present within the industry, such as a lack of infrastructure and seasonal supply, but it would be less cumbersome than a bottom up approach.

**Partnership Approach**

The second approach we believe should be analyzed is the concept of partnering with a program that is closely tied to new entry farmers, such as the Land Stewardship Program. The idea behind this approach is to create more specialty farmers who utilize food hubs by understanding the demand of institutional buyers. Similar to the top down approach, this approach focuses on the area of imbalance; excess demand from large institutional buyers relative to the current supply.

This approach should require relatively straight forward implementation. The first step within this approach is for someone like the RSDP to fully understand the demand of large institutional buyers. Once this demand is known, the RSDP can partner with the Land Stewardship Program to educate new entry farmers on where the gap in demand relative to supply exists. This may translate into fewer variety farmers and more specialty farmers. These specialty farmers can likely gain some economies of scale, and they should be able to maximize yields through gained expertise within their specialty. As a result of more specialty farmers, the gap in demand relative to supply should be diminished.
This approach would also give rise to a need for local food hubs. Since the large institutional buyers will likely need more product than one farmer can provide, the institutions would rely on a food hub to supply the appropriate quantity of each product. The institutions also would likely require or would appreciate the products being processed prior to arriving at the institutions facilities, which the food hubs would provide. Along with the institutions needing a food hub, the specialty farmers would also see a benefit. Since the food hubs have been working with the large institution to satisfy their demand, the food hub should have a relatively clear forecast of total demand which they can relay to the individual farmers. In essence, the farmers do not have to worry about finding the customers, as the food hubs would provide this service. Although we highlighted the benefits of having more specialty farmers, the approach should work without requiring more specialty farmers. This simple approach should provide benefits to everyone within the locally grown food industry.

Best Practices
The State of Minnesota has one of the largest agricultural industries in the United States, but this does not mean that it is effective in delivering healthy, locally grown products to its residents. In order to support the affluence of regional and local food hubs, RSDP needs to deliver assistance and awareness to food hubs. Food hubs that maintain three pillars – aggregation, active coordination, and permanent facilities – are most likely to succeed in the long term and will provide the most value to society.

Food Hubs Require a Central Facility and a Business Management Structure to Succeed
The most successful food hubs, as tracked by the USDA, maintain three core components that permit them to perform other activities that benefit their communities. By maintaining a permanent facility, food hubs provide a drop-off location for farmers to store and process their products. This location also commonly sells the food under a unified label, but not in every occasion. In addition to a permanent facility, there is a need for coordination to provide business management systems that many farmers lack. This system will maintain the supply chain, produce variety, and devise a planting schedule that aggregation requires. The permanent facilities and coordination provide the support system for the aggregation activities. Aggregation allows for the delivery of locally produced food to larger customers, combining the resources of small and mid-sized farmers to cater to schools, hospitals, grocers, and other institutions. Aggregation also acts as verification for the customers, who buy worry-free because the food hub has checked for quality and consistency.

These three tenets provide a base for the food hub, so it can participate in secondary activities. These activities include supporting EBT programs, supplying community food kitchens and event space through its storage facilities, and even working with its suppliers to organize traditional B2C (business to consumer) farmer’s markets.
Appalachian Sustainable Development as a Model for Minnesota Development

One of many applicable rural food hub models that we discovered, the Appalachian Sustainable Development (ASD), is an interesting study because it successfully exists in an economically ravaged area. Based in SW Virginia, it is proximate to the Tennessee Valley Authority, an area of land that has required massive government aid since the days of Franklin Roosevelt’s New Deal. ASD offers a network of 55+ certified organic farmers who work concurrently to schedule, market, and distribute their produce under one roof. It was established in 1995 as a non-profit, allowing it to still deliver profits to the farmers or to reinvest in itself, but preventing its board from focusing exclusively on profits. The non-profit’s purpose is to help ex-tobacco farmers transition into organic specialty crop production through training, technical assistance, and mentoring.

The ASD’s main program is called the Appalachian Harvest, which closely maintains the permanent storage facility, coordination, and aggregation of the farmer’s produce. The Appalachian Harvest works to balance the demand and volume needs of customers with the preseason planning of the farmer’s supply. Repeated success of these actions has resulted in annual sales over $500,000 and produce delivery to over 500 supermarkets.

The examples given are for non-profit driven food hub models, however there are many different types of successful aggregation techniques used nationwide. Some models are entrepreneur-driven or state-driven (such as sponsored farmer’s markets), while others are hybrid models that involve both wholesale and retail or even the new virtual model. Despite variance in the point of purchase and type of produce provided, all of these models require the same three tenets mentioned above in order to stay successful. Virtual food hubs, such as EcoTrust and MarketMaker still require physical locations, and state-driven hubs still need business management expertise. RSDP can optimize the use of its time and resources by supporting the physical location, coordination, and aggregation activities of the food hubs under its umbrella.

Conclusion

Overall, the current state of local food aggregation and consumption in rural Minnesota faces a number of very serious challenges, most of which revolve around the financial infeasibility of food hubs. Non-fiscal hurdles also include frustration regarding support and communication, which is stemming from an informal and fragmented industry. The good news is that opportunity exists. In order to seize the existing opportunity, significant educational and governmental support will need to be coupled with highly innovative thinking in order to keep food local in an efficient manner. By developing communication channels and bringing together key players for strategic discussions, progress can be made in the development of a food hub model. Organizations like the Land Stewardship Program can provide excellent outlets for communication. Key individuals like Chuck Waibel (see Appendix A), who is currently being funded to work on establishing food hub networks, should be utilized as champions for the
movement. And finally, new strategic approaches to evaluating supply and demand should be embraced. Demand must be stabilized in order to entice farmers to supply appropriately, which can be done most easily by understanding demand at the top level (institutional level) and working down to the farmers via food hubs.
Appendix A: Interview Summaries

Northwest Region
Prairie Roots Food Co-op
Noreen Thomas and Gretchen Harvey

Noreen and Gretchen are running Prairie Roots Food Co-op. It started April 2012. The main purpose of the Co-op is to provide locally grown fresh foods to consumers. Currently, they are only using an on-line platform. However, they are looking to build a physical store to offer a full line of grocery, most of which would be locally grown foods.

Headwaters Foods
Jessica Saucedo

Jessica is helping run a food aggregation system for schools and hospitals. The company is only in business during August and September, when locally grown foods are available. They are very small in sales and in their second year. Most of their clients are schools. This is because the school districts are eager to pay more for freshness. The company just signed contracts to serve hospitals this year. The main challenge with supplying hospitals is their sensitivity to price increases.

Northeast Region
The Farm on St. Mathias
Arlene Jones

In my interview with Arlene Jones, she described the operations of the 80-acre farm that her family manages. The produce is delivered to Brainerd schools through a variety of programs, and the Sustainable Farming Association facilitates many of the communication channels that St. Mathias has with its customers such as Brainerd schools. Arlene’s background in the healthcare business gives her savvy when dealing with the economics of farming, as she also sits as the chair for the Sustainable Farming Association of MN. The issues that arise for the Farm on St. Mathias are similar to those that are faced by many farmers in the category. These issues are constraints on capital, size, and volume of output as well as fluctuations in crop success and institutional support.
Duluth Community Farms
Michael Latsch

In my interview with Michael Latsch, he stressed the importance of honoring the farmer’s time. He briefly described Duluth Community Farms (Growing Farms) as an organization that consigns produce from six local growers, as well as assisting three farmers through mentoring and knowledge management. He discussed the disparity between the “Urban Duluth” demand for locally grown produce and the “rural Duluth” supply, and how Growing Farms would seek to connect the two via logistics. Growing Farms also removes barriers to existing farmers by reducing capital costs through equipment and storage sharing: essentially formalizing previously informal relationships.

Western Lake Superior Food Hub
Jamie Harvey

In my interview with Jamie Harvey, he started off stating that he had already been contacted by people working for RSDP and didn’t have the time to talk. When I told him that I was an outside contractor, he began to open up about the number one issue faced by the successful Western Lake Superior Food Hub: varying degrees of institutional support. He claimed that the inefficiencies of partner organizations such as U of M - Duluth faculty support were a big “thorn in the side of food hubs.” Despite his cynicism, he claimed that improved institutional support and more direct methods of interacting with food hubs would be greatly appreciated by those involved.

Central Region
Staples Farmers Market Association
Mel Wiens

The Farmers' Market Association is a non-profit, membership-based organization dedicated to supporting the growth and development of farmers' markets across the state of Minnesota. It was created by a group of Minnesota farmers' market representatives and farmers in order to present a unified voice in the growth and regulation of local farmers' markets. It is a state-wide non-profit organization working for the common good in terms of marketing, promotion, product labeling, program development, self-regulations and standards, market and vendor liability insurance and public education. Pam stated that they could see a trend that communities become more and more supportive to local food after the past years’ education. The number of farmers’ market grew quickly. It is still a long way to engage more farmers and vendors with limited marketing activities and manpower but they tried and found some useful practices to improve this, such as the demo events, scholarship programs to farmers, insurance program, and technology support.
Colette Pohlkamp is the food service director at the Brainerd School District. She is very busy and has to deal with lots of internal and external meetings, negotiating with multiple vendors. During the interview, she emphasized that convenience, reliability and sustainability are the most important benefits for them to cooperate with food hubs. She said that schools would like to support local food and they usually do bulk purchase and don’t have very large storage space. As a result, they might require multiple deliveries for one order which usually contains several food varieties they want. They usually don’t contact farmers directly based on the above issues or requirements. Meanwhile, they value some other technology support from food hubs or other institutions too, such as recipe development, chef workshops.

Sprout MN
Arlene Jones
VISTA Local Foods
Amanda Whittemore

During the interview with Arlene Jones and Amanda Whittemore, we firstly talked about the current operation situation of food hubs, the benefits they could provide to farmers and buyers. Then we discussed the challenges and issues to develop the whole local food hub network. As a cooperative, food hub could combine farmers’ efforts to provide fresh, local and quality produce to institutions and restaurants. For farmers, it is kind of guaranteed source of income without worry about marketing, finance or whole distribution issues. For buyers, it is a reliable and convenient source of good products. However, to maximize the benefits of the whole local food network, infrastructure building and people are the two main areas to be improved, such as delivery system, warehouse building, basic processing plant, technology support, working capital etc. Also, it is not only about farmers and buyers but also related to all parties in this local food circle, including communities, government departments, related non-profit organizations, media, associations, etc. Another issue mentioned is leftover during the whole food processing circle, from the remained in the farm to the waste on the table, which is a great resource could be used to create value for all.

Hunt Utilities Group
Jim Chamberlin

Jim is Food & Water Security Coordinator at Hunt Utilities Group, which pursues research, development and application of technologies and methods that support sustainable living and environmental stewardship. He stated that sustainable development concept becomes more and more popular which requires all parties involved. They helped to educate farmers about new
technologies to improve the production and quality. He commented that the food hub project is valuable to involve all parties to share resources.

**Southwest Region**

**Freshmeister Foods**
**Pomme De Terre Foods**
Audrey Lesmeister

Audrey became the manager of Pomme De Terre Foods one and a half years ago. At that time they did not even carry veggies. She has brought veggies to the Co-op, but has trouble selling them because the consumer does not want to pay the prices. In cold seasons she brings in non-local, organic veggies from all over the country. Locally, she deals with many farmers, but only one she knows and trusts as being chemical free. She stated that her competitors are the regular grocery stores and that she works closely with farmers markets and purchases the left overs. When asked about viability of farmers specializing in a product and producing for a food hub, she stated that the small growers are generally growing for their own personal food and selling left overs at markets. Waste is a big issue with making them unprofitable.

**Marshall Area Food Co-op**
Karen Malmberg

Karen is the founder of the Marshall Area Food Co-op. Her main objective is to promote health of the local people. The co-op will be an online model similar to the Oklahoma Food Co-op. In the process of developing this business she has compiled the SW MN Local Food Guide, which houses information on 130 regional players. She believes that about half of these players have showed good interest in the project and will likely play some role. Her initial goal of this project was to support the Farm to School Program and get local foods into schools. She is seeing willingness on the part of schools to engage in local food, but the transition costs are high since the schools are not set up to prep fresh food. During the winter, supplies will be maintained through greenhouse farmers and other less perishable foods. Also, one local school is beginning to use freezing to allow supplies to last the winter. The idea behind this model is that farmers and consumers should not have to drive more than 30 miles to get fresh food. 6-8 schools will provide distribution centers, with the main sorting facility being in Marshall. The workforce will be mainly volunteers and costs will be maintained through membership fees. The idea behind this model is not to compete with farmers markets, but to overcome limitations such as lack of farmer’s time to sell, weather, and waste.
Garden Goddess Enterprises
Chuck Waibel

Chuck Waibel and his wife Carol Ford operate Garden Goddess Enterprises. They run a CSA all year round by means of greenhouse gardening. The greenhouses are 10-30% more efficient than standard greenhouses and have gotten a lot of attention. Chuck has since started selling the greenhouses and performed consulting activities. Chuck has just received funding from the Bush Foundation to work on distribution challenges and is building the groundwork for a food hub system (See DWPA document). Chuck has also written a book called Northland Winter Greenhouse Manual which discussed greenhouse growing in cold climates.

Extension Community Food Systems
Anne Dybsetter

Anne has taken over her position as Extension Educator for Community Food Systems in the last year. The community foods initiatives have been in place for a long time, but her project is new. She is working to educate farmers and consumers. She is in the beginning stages of building relationships and hoping to build communication channels and awareness of local food benefits. Extension projects include Farm to School, Farm to Cafeteria, and building community gardens. Some of the biggest barriers of local food distribution are the lack of organization and lack of desire for farmers to engage in large scale opportunities (most just want to grow food and not deal with industry challenges).

Extension Community Economic Development
Ryan Pecsh
Lida Farm; Chair of the Southwest Partnership Local Foods Working Group

Ryan wears many hats. He was a bit more optimistic regarding the viability of local food supply. He stressed that quality is a major determining factor as to whether or not a farmer will be able to distribute their entire supply. It is his belief that direct marketing is currently where profitability is greatest and that institutional buying is rare. However, he is currently working through localdirt.com to supply to two regional institutions. Purchasing habits of institutions will need to change and bigger budgets will need to be allocated. He stated that the variety of different farmers is a mixed bag. There are many low quality farmers and many of the casual growers have no interest in selling to institutions. He has 2 acres of produce which would be big compared to farmers selling at markets. He has 20 acres total, which would be considered small for a farmer with a CSA. He is optimistic that the market will begin to mature and that local foods will be more prominent. In terms of food hubs, he thinks it will be difficult, and we should not even be discussing processing options until decent aggregation is in place.
Merryweather Gardens
Sunny Ruthchild

Sunny is the owner and operator of Merryweather Gardens. Overall, she expressed mainly pessimism toward the viability of locally produced food. She stressed that the local populations need to understand the health benefits to eating local food. Generally, Sunny’s only profitable crop is garlic and she sells all her garlic in one day at Garlic Fest. She also stated that the Farm to School program will not be successful without subsidies. A school generally wants to pay about $.30/lbs of potatoes, but it costs $1 to produce. She is also skeptical of aggregators because of GAAP requirements and increased costs.

Southeast Region
Earth-Be-Glad Farm
Jennifer Rupprecht

Jennifer and her husband operate a farm dedicated to producing healthy and nutritious food from the soil up. They raise grass-fed beef and free-range chicken humanely and sustainably on their organic farm (description from their website). They are able to sell all of their products through direct marketing efforts. She is unsure of the true value of a food hub (for their farm), but stated that she would consider working with a food hub. Jennifer also noted that the most significantly barrier related to locally grown food in their area is the high land prices.

Riverbend Market Cooperative
Clarence Bischoff

Clarence was the founder and first President of Riverbend Market Cooperative, a food cooperative for the Red Wing Region. He served as President for five terms while developing the business plan and served in a variety of additional roles to raise capital, complete the store build-out, establish systems, and grow the membership. He resigned from the board in 2013 to pursue additional sustainability interests, particularly those related to local-sustainable foods. Clarence's main concern was whether farmers would be able to receive sufficient margins from a food hub. He was also concerned that the food hubs would have a hard time raising the capital necessary to establish the required infrastructure.
Lanesboro Local
Andrea Miehlisch
(Not a true co-op. They fit between a co-op and a farmers market)

Lanesboro Local is a non-profit organization that connects local growers, farmers and artisans with consumers and businesses (description from the website). Andrea stated that the biggest challenges for them are being able to stay open during the offseason due to the seasonality of the produce. She also highlighted the restrictive nature of some regulations that they face. Andrea believed that the greatest issue facing the food hub concept is the small margins farmers operate on. She is concerned that there would not be enough for both the food hub and farmer to survive. She also emphasized the logistical challenges that a food hub would have to address.

Southeast Minnesota Food Network
Pam Benike

The Southeast Minnesota Food Network (SMFN) is comprised of approximately 90 farmers producing a variety of high quality, sustainably raised agricultural products. They coordinate marketing, sales, and distribution of member’s products to restaurants, caterers, food co-ops and institutions located primarily in the Minneapolis/St. Paul area and throughout southeast Minnesota (description from the website). The SMFN has been operating as an aggregator since 2002, but has run into several issues along the way. Pam stated that until entities begin addressing the real issues presenting the industry (such as those outline in the report), nothing will change. Pam was also skeptical that this concept would ever be taken seriously. She stated that conversations similar to this have occurred since she has started and they have yet to be addressed.

Rochester Local Food
Daniel Heublein

Daniel just recently launched Rochester Local Food (RLF). RLF provide delivery of locally grown foods to consumers (mainly individual consumers). RLF essentially offers to outsource delivery of products for farmers. According to Daniel, the biggest challenge facing the industry is educating the consumer. He stated that currently consumers do not understand the value of locally grown food and simply want cheap pricing.
Organic Field School
Allison Goin

Organic Field School (OFS) provides on-farm, organic and ecologically based, practical education and research for farmers and education for educators, policy makers and the public; on the benefits and values of regional, ecologically based, organic farming systems (description taken from the OFS website). Allison highlighted the opportunity that currently exists for the locally grown food industry due to the recent rise in interest. However, she noted several of the challenges that are present the industry. Most notably, she emphasized the lack of support for the industry (mainly from the public policy and governmental programs). She also was concerned about the small operating margins for farmers and whether a sufficient price could be obtained to support both the farmer and the food hub.
Appendix B: Interview Database

See attached Excel Spread Sheet

Appendix C: Resource Documents

See Attached Zip File