Author’s note: The content of this article comes from the recently released USDA publication entitled, “Regional Food Hub Resource Guide.” The guide was a joint project between USDA and the Wallace Center at Winrock International and represents over two years of research and examination of the food hub concept, the impacts of food hubs on regional food systems, and the financial resources available to support their growth and development. This article includes excerpts from the section in the guide where we attempt to provide some clarity on the food hub concept. The question and answer format used in the guide has been retained here in order to make it more engaging for the reader.

What is a Regional Food Hub?

The regional food hub concept has sparked interest from a wide array of food systems funders, planners, businesses, researchers, and service providers. Along with this interest has come some confusion on what a regional food hub is and what it is not. Several definitions are emerging, from those that narrowly define food hubs in terms of market efficiency functions to more expansive definitions that incorporate food hubs into wider visions of building a more sustainable food system.

Having engaged and learned from a great number of food hub stakeholders, USDA and its partners propose the following definition which we believe more adequately reflects the full range of food hub enterprises operating in the United States: A regional food hub is a business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand.

At the core of a food hub is a business management team that actively coordinates supply chain logistics. Some food hubs work on the supply side to support and train producers in areas such as sustainable production practices, production planning, season extension, packaging, branding, certification, and food safety—all of which is done to enable these producers to access wholesale customers, such as buyers for foodservice institutions and retail stores. Simultaneously, food hubs also work on the demand side by coordinating efforts with other distributors, processors, wholesale buyers, and even consumers to ensure they can meet the growing market demand for source-identified, locally or regionally grown products.

How Do Regional Food Hubs Help Farmers and Ranchers?

Many farmers and ranchers are challenged by the lack of distribution and processing infrastructure of appropriate scale that would give them wider access to retail, institutional, and commercial foodservice markets, where demand for local and regional foods continues to rise. Regional food hubs have emerged as an effective way to overcome these infrastructural and market barriers. For those smaller and mid-sized producers who wish to scale up their operations or diversify their market channels, food hubs offer a combination of production, distribution, and marketing services that allows them to gain entry into new and additional markets that...
First and foremost, regional food hubs actively seek to provide new market outlets for small and mid-sized local and regional producers. As such, food hubs often provide, or find partners to provide, technical assistance to producers in such areas as production planning, season extension, sustainable production practices, food safety, and post-harvest handling—all of which increases the capacity of these producers to meet wholesale buyer requirements (such as quality, volume, consistency, packaging, liability, and food safety). Food hubs may also work with producers to add value to their products through a number of product differentiation strategies, which include identity preservation (knowing who produced it and where it comes from), group branding, specialty product attributes (such as heirloom, unusual varieties), and sustainable production practices (such as certified organic, minimum pesticides, and "naturally" grown or raised). Depending on their physical infrastructure capacity, some food hubs also offer other services, such as bulk purchasing of inputs, light processing (such as trimming, cutting, or freezing), and product storage. Because most food hubs are firmly rooted in their community, they often carry out a number of community services. These include donating to food banks, increasing consumer awareness of the benefits of buying local food, organizing educational farm tours, offering farm apprenticeships, increasing healthy food access by establishing delivery mechanisms into underserved areas, and—for food hubs with a retail component—carrying out activities such as SNAP redemption, nutrition and cooking education, and health screenings.

All of this is not to say that a local produce distributor cannot be a regional food hub. Many local produce distributors operate as food hubs, and they all share the following attributes:

- At the core of their business model is the commitment to buy from small to mid-sized local growers whenever possible.
- They work closely with their producers to build their capacity to meet wholesale buyer requirements.
- They ensure a higher price for their growers' products by using product differentiation strategies to command a premium in the marketplace.

What Is the Role of Food Hubs in Regional Food System Development?

In many parts of the country, wide gaps exist in local distribution and processing infrastructure, making it difficult for small and mid-sized growers to gain access to markets where there is unmet demand for source-identified locally or regionally grown products. Regional food hubs are increasingly filling a market niche that the current food distribution system is not adequately addressing—the aggregation and distribution of food products from small and mid-sized producers into local and regional wholesale market channels (retail, restaurant, and institutional markets). Additionally, because food hubs provide a number of additional services that build the capacity of local producers and also engage buyers and consumers to rethink their purchasing options and habits, food hubs are emerging as critical pillars for building viable local and regional food systems.
Although regional food hubs are filling a market niche of small farm distribution, this does not mean they do not engage with conventional supply chains. In fact, many food hubs complement and add value to these more traditional distribution channels by enabling regional food distributors—and their national food distribution clients and partners—to offer a broader and more diverse selection of local or regional products than they would otherwise be able to source. In addition, they often add significant value to conventional supply chains by providing a reliable supply of source-identified (and often branded) local products that conform to buyer specifications and volume requirements and still enable their clients to “tell the story” behind the product. For this reason, regional distributors—and even broadline, full-service national distribution companies like Sysco—are beginning to view food hubs as critical partners instead of competitors to ensure they can meet the market demand for locally and regionally grown food.

**Do Regional Food Hubs Sell Only Local and Regional Food Products?**

Many regional food hubs buy outside their region during the off-season, especially if their primary product is fresh produce. For business reasons, they need to operate on a year-round basis unless their infrastructure and other assets can be used for other purposes to generate revenue in the off-season. Furthermore, wholesale buyers need products throughout the year; food hubs that offer similar quality non-local products during the off-season are better positioned to keep the buyers engaged and committed to their business relationship. Nevertheless, with continued improvements in season extension and food preservation techniques; diversification of product lines to year-round products such as meat, dairy, and value-added products; and the overall increase of local supply, it may become increasingly financially viable over time for food hubs to deal exclusively in local and regional food products.

**How Are Different Types of Regional Food Hubs Classified?**

Regional food hubs are generally classified by either their structure or their function. One way to classify food hubs by structure is by their legal business structure, which includes: nonprofit organizations (which often develop out of community-based initiatives), privately held food hubs (a limited liability corporation or other corporate structure), cooperatives (owned either by producers and/or consumers), and publicly held food hubs (often the case where a city-owned public market or farmers market is carrying out food hub activities). There are also a few food hubs that are operating without a formal legal structure, which are classified in the table below as “informal.” (Table 1.)

The legal structure of a food hub often influences its operation and function, particularly in such areas as capital investment, risk management, and liability exposure. For example, nonprofit food hubs have greater access to grant programs and donations than privately held food hubs because nonprofits are eligible for more Federal and State assistance programs than private entities. On the other hand, nonprofit food hubs have greater difficulty accessing loans, revolving lines of credit, and other forms of private investment than for-profit business entities. As another example, producer cooperatives have the advantage of tapping member equity and taking advantage of business services offered by cooperative extension programs, but find fewer grants and loan programs available to them than nonprofit organizations.

Food hubs can be functionally categorized by the primary market they serve. These markets can be delineated as:
- Farm-to-business/institution model
- Farm-to-consumer model
- Hybrid model

Under the farm-to-business/institution model, food hubs sell to wholesale market buyers, such as food cooperatives, grocery stores, institutional foodservice companies, and restaurants. Under this model, food hubs provide new wholesale market outlets for local growers that would be difficult for them to access individually.

While this is one of the primary purposes of a food hub, some food hubs focus on the farm-to-consumer model. In this case, the food hub is responsible for marketing, aggregating,

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<td>Farm to consumer (F2C)</td>
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<td>Hybrid (both F2B &amp; F2C)</td>
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*Based on a working list of 168 regional food hubs identified by USDA and its partners.
packaging, and distributing products directly to consumers. This includes multi-farm community supported agriculture (CSA) enterprises, online buying clubs, food delivery companies, and mobile markets.

Under the hybrid model, the food hub sells to wholesale market buyers and also directly to consumers.

**Conclusion**

Having surveyed and interviewed many of the currently operating regional food hubs in the United States, USDA and its partners have formed a much clearer picture of the role of food hubs in our evolving food system. Two major takeaways include:

- Regional food hubs are striving to have significant economic, social, and/or environmental impacts within their communities: Even though many food hubs are relatively new, they demonstrate innovative business models that can be financially viable and also make a difference in their respective communities. Economically, they are showing impressive sales performance and helping to retain and create new jobs in the food and agricultural sectors. To varying degrees based on their business model and mission, many food hubs are also looking to leverage their economic impacts into wider social or environmental benefits for their communities. Socially, most food hubs are providing significant production-related, marketing, and enterprise development support to new and existing producers in an effort to increase the supply of local and regional food. In addition, quite a few food hubs make a concerted effort to expand their market reach into underserved areas where there is lack of healthy, fresh food. Environmentally, there are some food hubs that are encouraging their producers to use more sustainable production practices, as well as finding innovative ways to reduce their energy use and waste in the distribution system.

- The success of regional food hubs is fueled by entrepreneurial thinking and sound business practices coupled with a desire for social impact: Many food hub operators are skilled business people who have identified a challenge—how to satisfy retail and institutional market demand to source from small and midsize producers—and have deftly come up with regionally appropriate solutions that not only result in positive economic outcomes but also provide valuable services to producers and their wider community. Food hub operators represent a new kind of food distributor, one that is increasingly demonstrating a financially sound business model that can be both market and mission driven.

While regional food hubs are showing tremendous potential to positively affect food systems change, USDA and its partners readily recognize that regional food hubs on their own will not be able to solve the myriad of distribution challenges—not to mention production and processing challenges—that hinder producers’ abilities to take full advantage of the growing consumer demand for locally grown food. This will require greater engagement with the existing food distribution and wholesale industry (such as grower-shippers, specialty and broadline distributors, wholesalers, brokers, produce wholesale markets, and terminal markets) to determine how food hubs can complement and add value to the already critical role that these operations are providing in moving food to markets.

The good news is that this engagement is already occurring, as regional food hubs partner with produce distributors to offer such services as producer training and coordination, source verification, aggregation, and marketing that enable distributors and their customers’ greater access to local and regional products. Furthermore, because food hubs are largely defined by a set of business practices and not by any one legal structure, produce distributors and wholesale markets are adjusting their operations to meet their customers’ demand for source-identified local and regional products—essentially turning their businesses into regional food hubs. It is within the context of these shifts in new strategic partnerships and the transformation of business practices that the greatest potential for systems change in local and regional food economies can and will occur.

**Resources**

USDA
www.ams.usda.gov/foodhubs

Wallace Center
www.foodhub.info