

## **Request for Inquiry**

### **Northwest Connecticut Food Hub Opportunity - July 2016**

#### **Seeking Interested Parties to Initiate Development and Launch of a Regional Northwest Connecticut Food Hub**

The project team for the Northwest Connecticut Food Hub is seeking to identify parties interested in supporting, leading and/or operating a new food hub in the region. This food hub will be incorporated as a ***nonprofit entity (or, alternatively a nonprofit cooperative or a public benefit corporation)***, operating with a mission to support the region's farmers and strengthen the local food system and the goal of running and growing through earned income alone.

Specifically, the team is looking to identify:

- Organizations or individuals interested in operating this food hub
- Organizations or individuals interested in serving as strategic partners to the food hub, as providers of technical assistance services, infrastructure or distribution support, marketing and branding, etc.
- Individuals interested in serving as staff or leadership of this food hub in the short or long-term
- Farms or buyers interested in serving as "anchors" of the food hub, working with the food hub in its first few months of operation and helping the hub refine its business model and strategy

This document provides background on the envisioned food hub and highlights of the feasibility study conducted by New Venture Advisors that led to the development of this food hub. For organizations interested in serving as the operator of a food hub, the document also provides requirements in place for the operator and a set of resources and assets to which an operator would have access.

Additional information on the food hub can be found at the [Northwest Hills Council of Government](#) and Partners for Sustainable Health Communities websites.

[Click here to complete a brief statement of interest](#) by **August 25, 2016**. Interested parties must complete this form by July 31<sup>st</sup>. This should take 10-20 minutes to complete. Members of the project team will reach out to respondents to discuss next steps. Link to interest form: <http://bit.ly/28KqMbo>

#### **Direct all Inquiries to:**

Jocelyn Ayer  
Community & Economic Development Director  
Northwest Hills Council of Governments  
jayer@northwesthillscog.org  
**SERIOUS INTEREST AND INQUIRIES ONLY**

#### **Vision and Background**

The Northwest Connecticut Food Hub Feasibility Study was spearheaded by the Northwest Hills Council of Governments as well as Partners for Sustainable Healthy Communities, and was funded and supported by the Connecticut Department of Agriculture's Farm Viability Grant (FVG) for municipalities and agricultural non-profits. The study's Steering Committee and Advisory Board was comprised of twenty individuals representing diverse interests, including agricultural producers, University of Connecticut Extension, Goshen Agricultural Council, local schools and hospitals, as well as state representatives.

The study was pursued as part of an effort to strengthen Northwest Connecticut's local food landscape and support the region's farmers in expanding and improving the profitability of their operations.

The USDA defines a regional food hub as a ***business that actively manages the aggregation, distribution, and/or marketing of source-identified products from regional producers for the purpose of strengthening producer capacity and their access to markets***. There are over 300 food hubs nationwide. As described by the National Good Food Network's recently released "Counting Values" food hub benchmarking study, "though hubs share many features, they operate

using a wide diversity of business models.” Some are traditional aggregation/distribution businesses; others are online food hubs that connect growers directly to wholesale buyers, while others are direct to consumer services. 36% of existing hubs are nonprofits (19% are cooperatives), and 45% are financially self-sustaining – generating enough income to cover ongoing expenses and therefore not reliant on grant funding. Financial viability is not necessarily correlated with legal status as a nonprofit or for-profit entity.

*NWCT Food Hub Business Model:* At the close of the feasibility study, which identified 28 interested producers and 21 interested buyers, and engaged over 20 food systems stakeholders across the region, the Northwest Council of Government approved the decision of establishing a Northwest Connecticut food hub with a two part business model.

1. The first component is a **traditional, aggregation / distribution food hub** – a physical food hub facility that purchases, aggregates and provides cold storage of farm products from Litchfield producers. This component of the food hub offers growers and buyers several critical value propositions, including: proactive sales and marketing on behalf of growers, pre-season crop planning between growers and buyers, aggregating product across multiple growers, and supply chain support, including distribution and cold storage. The food hub could be housed in an existing building that would likely require standard retrofitting and build out, or a new building.
2. The second component includes **value chain facilitation and the sales of niche productions**. Specifically, this component of the hub will focus on supporting growers to begin or expand their production of high quality, specialty products such as unique heirloom vegetable varieties. The hub would also develop and promote a unique regional brand (e.g. “Pride of Litchfield Hills”) to represent and market these products. These products would be sold to farm-to-table restaurants in and around Litchfield County. Services will include educating growers on the benefits of growing niche products, developing and promoting regional brand, managing an online marketplace to facilitate transactions, and connecting buyers and sellers with third party logistics providers that can distribute goods. Note that Value Chain Facilitation or Value Chain Coordination are terms being used to describe an increasingly prevalent strategy of developing an entity whose role is to connect dots across the value chain. [This webinar hosted by the National Good Food Network](#) provides more background and commentary.

Using baseline, conservative assumptions on supply and demand, pricing and cost structure, derived through primary research and supplemented by secondary data, financial forecasts predict that this food hub would generate over \$1.5 million in earned income revenue annually within three to five years of operation, and would be financially self-sustaining at this point. If the food hub operator invests strategically in expanding the business by accessing new wholesale buyer and additional supply, the hub could generate over \$115,000 in cash annually.

In addition to increasing the revenue of the growers it services, the food hub would also bring economic development benefits to the region, directly resulting in 4.5 full-time / year round and 6 seasonal jobs, and indirectly resulting in an estimated 28 jobs across various sectors using national research on employment multiples. These jobs would be created in a variety of sectors, ranging from agricultural production to retail.

For more information, review the Executive Summary from this feasibility study, which can be found at: <http://northwesthillscog.org/nwct-food-hub/>

### **Case Studies**

There are over 300 food hubs nationwide. This section describes two successful, long standing hubs with distinct business models, to help interested parties gain a better understanding of the potential size and scale of a hub, and its impact on farmers and communities.

*Red Tomato:* Nonprofit food hub in Massachusetts that coordinates the sale and marketing of fresh fruits and vegetables, generating revenue of \$3.8 million in 2013 and experiencing over 300% growth over the past seven years. The food hub supplies approximately 25 retail chains and distributors in 14 states across the Northeast and Mid-Atlantic

regions. Their focus and point of differentiation is on providing “same day local” and a unique consumer-facing brand that showcases Red Tomato and the supplying farm. Red Tomato does not have a physical warehouse where products are aggregated. Instead, they have established a network of small aggregation centers and third party logistics providers, and when they facilitate all aspects of fulfilling orders by organizing how product will be aggregated and delivered across this network. <http://www.redtomato.org/>

*Cherry Capital Foods:* A for-profit food hub in Traverse City, MI. CCF contracts with approximately 225 farmers, fishermen and food manufacturers across Michigan, distributing over 100,000 cases of food. The food hub has two locations – its headquarters in a 47,000 sq. ft. warehouse in Traverse City and a 12,000 sq. ft. satellite distribution center in Okemos (in the southern part of the state). In 2014, the company acquired Honey Boy Bob, a distributor of Michigan-grown and made specialty products primarily covering mid- and southern Michigan, and Grand Rapids-based Local Brands Michigan – a strategy that is and will continue fueling the food hub’s growth. CCF delivers five days a week with their fleet of six refrigerated vehicles in the summer and less often throughout the winter. The food hub also coordinates Group GAP and other food safety and technical assistance supports for its producers. <http://cherrycapitalfoods.com/>

**The remainder of this document provides additional detail for organizations or individuals interested in operating the Northwest Connecticut Food Hub.**

### ***Resources and Assets to be Made Available to the Operator***

Launching a food hub can be risky. A hub must balance the needs and desires of growers, buyers and partners, while successfully setting pricing, driving sales and managing costs in a competitive industry with tight margins.

However, when planned and executed effectively, a food hub can be tremendously successful – financially and in the impact it has on local producers, health and wellness of communities, economic development and environmental sustainability. The long-term operator of the Northwest Connecticut Food Hub will gain access to a number of invaluable resources and assets that will set a strong foundation for the hub’s long-term success.

- Access to the wealth of data and research gathered through the feasibility study
  - Access to the full, written feasibility study, which includes an industry analysis, market assessment, detailed financial assumptions and a steady state P&L forecast
  - Raw data and information collected about growers and buyers who engaged in the food hub feasibility study, serving as an initial pipeline for supplier and sales cultivation.
  - Background on individuals and entities that can provide strategic and programmatic support to aid the launch and management of a food hub.
- The development of a detailed business plan, including in-depth five-year pro forma financials, a sales and marketing plan, a staffing and operations plan and a year one roadmap. Funding for this planning has already been secured and finalized, and the business plan will be developed during the summer of 2016 by Partners for Sustainable Healthy Communities and New Venture Advisors, a consulting firm that has engaged in almost fifty local food systems projects nationwide. If an operator is identified by August of 2016, this entity will actively help inform and shape the business plan.
- If awarded, funding through the USDA’s Local Food Promotion Program grant will cover the majority of expenses that are forecasted through the hub’s first three years. This funding decision will be made by October of 2016.
- Access to a robust network of organizations and individuals that would serve as advisors, collaborators and resources throughout the launch and growth of the food hub. In particular, Partners for Sustainable Healthy Communities would play an active ongoing role advising and supporting the food hub, particularly on buyer and grower outreach, connections made to organizations and individuals across the region, support with site identification, etc.

### ***Requirements Overview***

Process: As organizations or individuals complete a statement of interest (<http://bit.ly/28KqMbo>), the selection committee will review these responses, and invite qualified candidates to meet and ultimately complete a full application.

[Partners for Sustainable Healthy Communities, Inc. \(PSHC\)](#) has spearheaded much of the work to date on the research and development of the Northwest Connecticut Food Hub. As such, PSHC is currently serving as the de facto “transitional” operator (driving the business planning process forward with New Venture Advisors) and is prepared to launch and run the initial year of the food hub’s operation if another interested and qualified operator does not emerge.

*Qualified candidates will meet the following baseline requirements.*

1. Operate a mission-driven food hub focused on supporting and strengthening the local food system. **The food hub must be incorporated as a non-profit entity, a public benefit corporation or a non-profit cooperative.**
2. Have demonstrated entrepreneurial experiences launching and/or operating startups or innovative income generating programs within their organization. Qualified candidates would understand the complexities associated with running a new venture, and have the ability to wear many hats, assess ongoing successes and challenges, and change strategic direction as needed when results are not unfolding according to the forecast.
3. Operate a food hub whose business model consists of the two components outlined above – (1) aggregation and distribution of local produce, and (2) a value chain facilitation service that supports the production and sale of niche, premium produce. We welcome candidates who are interested in expanding upon this envisioned business model based on their understanding of the market landscape, as long as their approach includes these two components at the onset and maintains an overall focus on supporting producers in the region.
4. Operate the food hub in Litchfield County, and be open to opportunities to collocate with existing organizations that can serve as strategic collaborators.
5. Work alongside Partners for Sustainable Healthy Communities and Northwest Hills Council of Government as active supporters during the hub’s first year of operation and strategic advisors after that.
6. Be prepared to pursue and ideally exceed the following sales forecasts put forth at the close of the feasibility study and included in the food hub’s application for Local Food Promotion program grant. Even if LFPP funds are not awarded, the operator should be prepared to seek funding to launch the hub in 2017 and achieve ambitious sales and growth goals over the next three years.

	<b>2017</b>	<b>2018</b>	<b>2019</b>
Sales	6000 cases	15,000 cases	30,000
Revenue	\$200,000	\$500,000	\$1,000,000

7. Have a strong commitment to attaining fair and competitive prices for growers.