Food Hubs and Values Based Supply Chains: A Toolkit for California Farmers and Ranchers

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Introduction

Consumer demand for locally and sustainably produced food with a farmer's face on it has been on the rise for several years. Numerous products with labels from organizations verifying sustainable, ethical, or humane production practices, or regionality are appearing on many grocery store shelves. In addition, food companies are "telling the story" of the farmers or ranchers who produced the foods they are selling through product labels, marketing literature, and information on their websites; while restaurants, institutions, and retail stores are increasingly identifying the farmers and ranchers from whom they buy.

This shift in consumer preferences and retail and foodservice purchasing practices should be a boon for farmers and ranchers. In fact, rising demand for food differentiated by values and farm story in supermarkets and institutions may be critical in ensuring the economic viability of the small and midsized farms and ranches that produce it.

In the past, farmers and ranchers marketing food with values and a farm story, particularly smaller scale producers, have not always been able to access markets outside direct-to-consumer channels, such as farmers markets, farm stands or community supported agriculture programs. Conventional wholesale channels do not always differentiate goods with specific environmental, social, or community values for which consumers are willing to pay a price premium. Moreover, many wholesale buyers purchase the largest quantity of consistently uniform and universally available product for the lowest price in the least expensive way possible. Smaller producers are often not able to meet the distributor, wholesaler, and retailer requirements for consistent volume and quality and year round availability or get a price that exceeds the cost of production and marketing. These producers, therefore, are often not able to access these wholesale channels.

Many businesses and organizations are working to address these barriers and to create new food supply and distribution chains that purchase from small to midsize producers who incorporate social, environmental, and community values and benefits into their production practices. Around the country, and across California, collaborations of farmers and ranchers as well as for-profit and non-profit entities are developing new enterprises or product lines that participate in values-based supply chains, distribution channels and networks. Many of these efforts are in their nascent stages and many farmers and ranchers are unclear as to how these marketing channels operate and what the benefits and considerations are for them.

While these marketing channels hold much potential for producers, researchers and food systems stakeholders are also raising questions. For example, are these business models really new, or just reframed versions of business models that have existed for years? How separate and distinct are they from the mainstream food distribution industry? Can values-based models truly provide fair prices to producers and remain economically viable?

This report was written to describe the variety of new values-based supply chains and the enterprises (sometimes called "food hubs") that operate within them in California, and help farmers and ranchers better understand the benefits and constraints of these new marketing opportunities so they can decide if and how they should participate. We provide an overview of benefits and considerations for producers participating in different types of models. We also suggest some questions a producer might want to ask before participating in a particular enterprise. We hope that this effort will shed some light on the growing world of values-based supply chain enterprises so that farmers, ranchers, and consumers can all benefit.

Methodology

In order to understand the theory and the practice of the emerging alternative aggregation and distribution field, we began by reviewing the academic and more popular literature about food hubs and values based supply chains. We reviewed the documented barriers, benefits, and lessons learned from existing food hubs and values-based supply chains. From this review, we produced an annotated bibliography with 57 sources and a literature review. Both are available on the UC Davis Agriculture Sustainability Institute website at http://asi.ucdavis.edu/resources/publications.

Our second task was to come to a common understanding of the terms "values based supply chains," "food hubs," and other terms used in this field, so we could be consistent about how we framed these enterprises throughout the rest of the project (See the next section on *Key Definitions*).

We then identified as many businesses and organizations in California as we could find or were referred to us (snowball sampling) as values based supply chain enterprises or food hubs. This list is not meant to be a complete catalogue of all values-based supply chain enterprises in California, but rather to provide us with a comprehensive enough snapshot of this emerging field so that we could analyze common themes and relevant differences for farmers and ranchers. We started with approximately 41 enterprises or businesses. Upon further research, we found that 25 met our definition (as described below) of a food hub or a values-based supply chain enterprise. Of these 25, four were not actually in operation yet and three had gone out of business or changed their business model, leaving 18 enterprises.

In order to understand the similarities and differences among these 18 enterprises, we sought out the following information for each enterprise from enterprise websites and follow-up personal phone interviews. We gathered data about:

- The number of suppliers and customers
- Geographical reach
- The mission (if they have one) and the kinds of values marketed with products (including any certifications or other eligibility requirements for suppliers)
- Legal structure (for-profit, not-for-profit, farmer owned, etc.)

- Products offered, target markets (schools, retailers, restaurants, specific populations served, etc.), and services provided (produce box, distribution, processing, etc.).
- Years in business
- The benefits and considerations for producers if they want to partner with that business or organization

From this analysis, we identified two central elements that help separate these enterprises into groups or categories: size (scale) and type of ownership (producer-owned and not producer-owned). For each group, we highlighted benefits and considerations. Finally, we identified key questions that farmers and ranchers might ask when considering engagement with any of these enterprises.

Key Definitions

Throughout this report, we will be using the terms "values-based supply chain," "food hub," "VBSC enterprise," and "differentiated/undifferentiated product". These terms may be new for many farmers and ranchers, particularly those who have traditionally sold their products through direct-to-consumer or direct-to-restaurant/retail avenues. Below are working definitions and descriptions.

Values-Based Supply Chains

(VBSCs) are supply chains, or wholesale, non-direct-market channels where consumers receive information about the social, environmental, or community values incorporated into the production of a product, or the farm or ranch producing it. This information is preserved with the product even though the product may change several hands between the producer and the consumer. Enterprises that participate in VBSCs (processors, distributers, packers, shippers, wholesalers, retailers, farmers and ranchers) have transparent, collaborative, equitable relationships based on trust, and work together to make sure everyone benefits, and in particular, the farmers and ranchers.[1]

Characteristics of VBSCs include the following:

- Growers are treated as strategic partners instead of input suppliers.
- VBSCs are able to provide increased volumes and reduced transaction costs through aggregation (see definition below).
- Products are differentiated by values, local branding or the identity and story of the people producing them (see definition below).
- Rewards and responsibilities are distributed equitably across the supply chain.

Food hubs or VBSC enterprises

Food hubs or VBSC enterprises facilitate the aggregation, storage, processing, distribution, or marketing of differentiated products, particularly from small and midsized farmers and ranchers.[2] These enterprises participate in VBSCs (see Figure 1).

The term "food hub" has garnered much popularity among a wide variety of food systems stakeholders across the country, including the USDA, which has several food hub pages and resources on its website[3]. This term is new. There is discussion and disagreement among researchers, advocates, producers, and those in the distribution industry over what constitutes a food hub, which criteria are necessary, and what characteristics prevents an enterprise from being a food hub. For some, a distribution business of a certain size or larger is not a food hub even if it communicates values to consumers, partners with producers in an equitable manner, and provides them with a potentially viable marketing option. Although we want to recognize the popular usage of the term "food hub," we chose to use the term "VBSC enterprise" because it has a more clear definition and avoids placing a static meaning on a term that is still evolving.

Differentiated Products
Differentiated products are identified by any number of characteristics associated with environmental, social or community benefits, or production philosophy. Many have specific labels, sometimes verified by third party agencies, certifying that they were produced with certain environmental, ethical or humane practices (e.g. organic, sustainable, fair trade, "Animal Welfare Approved"). Products may also be differentiated to indicate they are from a specific region, or within a certain distance from where it is sold, or from a particular group of farmers (e.g. a farmers cooperative). Differentiated products may identify or tell the story of the farm or ranch that produced it.

Two Salient Features of VBSC Enterprises: Scale and Ownership

VBSC enterprises take a variety of forms and operate in a multitude of different ways. Although many factors influence the way they operate, two factors emerged as central in our attempts to categorize them into broad groups—scale and ownership. The salient issues farmers need to consider when selling to a VBSC enterprise appeared to be associated with the scale of the operation and the type of ownership.

To look at these two features simultaneously and more closely, we created the following diagram Figure 1. Scale is represented on the X-axis with small scale on the left and large scale on the right. This is a continuous variable, meaning enterprises can fall any place along the X-axis from small to medium to large. Ownership is represented along the Y-axis. It is a discrete variable, meaning there are only two choices—farmer owned or not-farmer owned. In both ownership categories, there are a variety of different kinds of businesses of all sizes. The producer-owned category (above the line) includes informal farmer or rancher collaborations, producer owned LLC or S-CORP firms, producer cooperatives of many different sizes and product types, and others. The non-farmer owned category (below the line), includes non-profit run enterprises, for-profit firms, companies that operate at all scales from the very local to international, and others.

We plotted each of the 18 enterprises on these axes to determine if similarities did, in fact, emerge among enterprises that were near each other on the axes, as we hypothesized. We found that the organizations tended to cluster in each of the four quadrants of the diagram (small, producer-owned operations; large, producer-owned operations; large, non-producer-owned operations; and small, non-producer-owned operations) and reliably had similar characteristics. Each cluster provided similar benefits and considerations for producers who conduct business with them, even though the nature of the business and services provided sometimes varied widely within a particular quadrant.

Next, we describe these two variables in more detail, as they apply to actual enterprises.

Scale

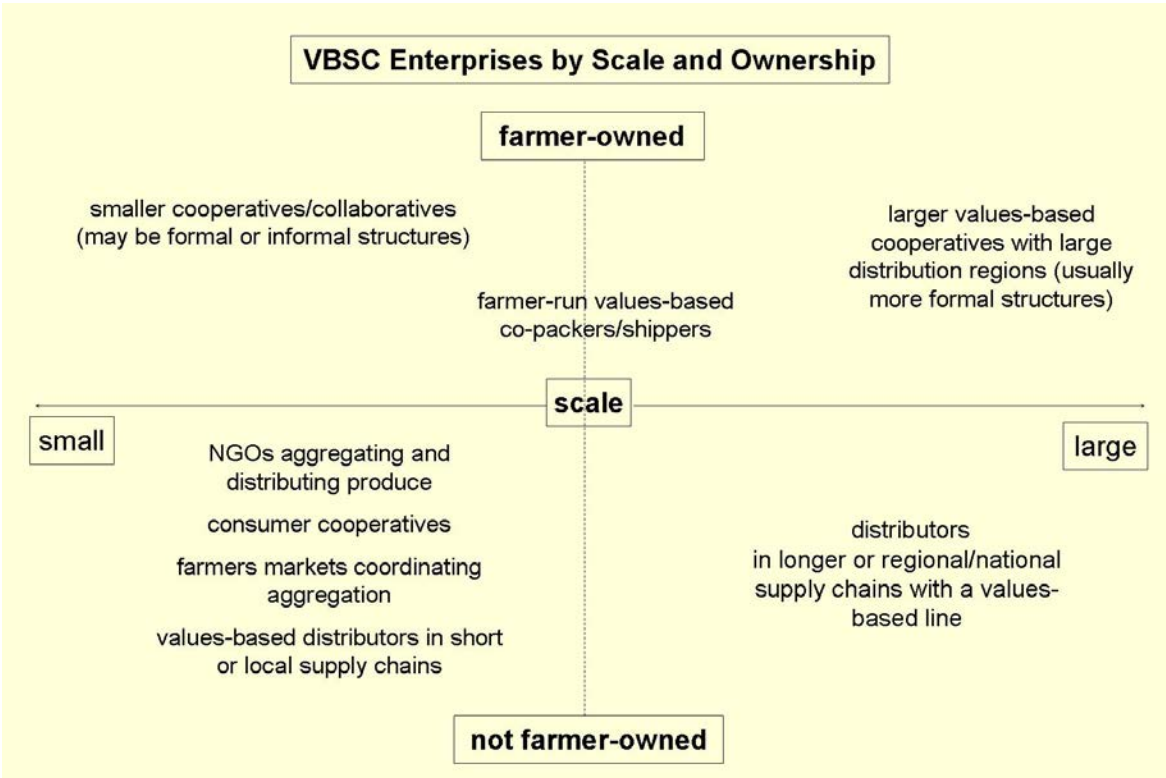
Conventional food supply chains selling undifferentiated commodities include all scales of producers. However, the majority of sales tend to be dominated by large and very large companies. Values-based supply chains also vary widely in scale from very small enterprises moving equally small volumes of food to very large distributors that have a values-based line but also may sell undifferentiated product. Larger scale VBSC enterprises have many suppliers, many customers, and will generally supply product to a larger geographical region than smaller enterprises. These firms typically, though not always, participate in supply chains with several points between the suppliers and the end customers, possibly including processors, packing houses or product aggregators, and other distributors. By contrast, small-scale VBSC enterprises have fewer suppliers, fewer customers, and typically a smaller overall geographic region to which they supply. However, smaller scale VBSC enterprises may participate in both very short supply chains (including ones in which they are the only point between suppliers and customers) and longer supply chains where they may aggregate produce from a number of smaller producers and sell it to a larger distributor.

Ownership

Among the enterprises we considered, we observed that whether the enterprise was producer-owned or not was an important "clustering" feature because producers interact with producer-owned enterprises differently than they do with those not owned by producers. When producers own an enterprise or are members they will expect to have some level of involvement and participation in the enterprise's governance or operation. If the producers do not own the enterprise, the relationship between the producer and the enterprise is more about the business transactions between the two entities and the producer is not involved in decisions around the enterprise's governance and day-to-day operations.

Some producer-run VBSC enterprises may also purchase from producers who are not involved in the operation of the enterprise. For those producers not as involved, this enterprise functions more like a for-profit than a non-profit entity.

Figure 1



Benefits and Considerations of Selling to Different Types of VBSC Enterprises

Because we observed that VBSC enterprises in California of a similar size and/or ownership type (producer-owned or not producer-owned) tend to be similar (or cluster) in the benefits and considerations for producers thinking about selling to them, we created four categories based on these features: small, producer-owned enterprises; large, producer-owned enterprises; large, not-producer-owned enterprises; small, not-producer-owned enterprises. These categories are represented by the quadrants of the diagram in Figure 1. We describe each of the four categories below, provide our assessment of benefits and considerations for producers, and give examples for each of California VBSC enterprises.

Small, Producer-Owned VBSC Enterprises (upper left quadrant)

Small, producer-owned VBSC enterprises are formal or informal partnerships of producers who work together to market aggregated product differentiated by values and/or farm or ranch story. These operations include but are not limited to multi-farm community supported agriculture (CSA) programs, producer-owned distributors, and marketing cooperatives. They may have specific legal structures or may simply be collaborations between producers who wish to expand product volume and marketing. This category might also include entirely informal agreements between neighboring farmers. At that level, most regulations that apply to distributors or brokers can be avoided. The moment these collaborations become formal many more rules and regulations start to apply such as the need for USDA PACA and CDFA Market Enforcement licenses.

For small, producer-owned, VBSC enterprises, the main distinguishing element from the producer's perspective is the expected level of involvement in the operation of the VBSC enterprise. In a very small operation, producer-members may have to be very involved in both the day-to-day logistics and the governance of the enterprise. Depending on how the enterprise chooses to market product, this may require producers to have an additional level of knowledge and skills related to running a distribution business and selling into wholesale channels. Other features of these kinds of operations are related to their size. They tend to have fewer customers, fewer suppliers, move less product, and operate on a local or regional scale (relative to larger operations.)

Examples of small, producer-owned VBSC enterprises are Capay Valley Farm Shop (Guinda) or Old Grove Oranges (Mentone).

Benefits

The main benefit unique to this group of VBSC enterprises is the greater level of control producers have over both the enterprise's governance and daily operations. Compared to larger, producer-owned, VBSC enterprises, producers in smaller, producer-owned VBSC enterprises have more opportunity to decide on the prices charged to buyers, how much volume to produce, what kinds of products to produce, what kind of story to tell to consumers and how to tell it, etc. Another unique characteristic of these enterprises is that, because some may not necessarily have a formal legal structure (though many of them do) there may be more flexibility for producers working with the enterprise, including less likelihood of exclusivity (allowing producers to sell to other buyers) and greater ease for producers to enter and leave the operation.

Other benefits afforded to producers involved in these types of operations are more related to size. Smaller operations, in general, are often more flexible, willing to work with farmers and ranchers who have lower production volume (although this may not benefit all producers, depending on their size), and may have more variety in the kinds of items they will purchase. Although knowledge of pack and grade standards is universally required for producers selling into wholesale channels, smaller operations may have some flexibility on this depending on how they are marketing product. For example, a producer-run, multi-farm CSA or produce box may not require pack and grade. Low volume producers may also be able to get more technical assistance and support from a smaller operation. Also, some smaller VBSC enterprises may not have requirements for liability insurance, food safety certifications, or third-party values-based certifications (e.g. organic) because they are likely selling into shorter supply chains with more contact with consumers. Finally, because it's a smaller operation, there is more opportunity for producers' stories to be told and more opportunity for the producer to connect with the end user.

Considerations
For small, producer-run VBSC enterprises greater involvement means greater control over the operation; however, it also means producers spend more time and energy managing and working in the enterprise, often a significant amount more time. They must also have knowledge of how to run a wholesale or supply chain enterprise, including supply chain logistics, pack and grade standards, post-harvest handling or working with wholesale clients such as institutions. Small, producer-run VBSC enterprises that do not have a formal legal structure may have less legal protections for their producer members and may have more trouble continuing if a few key people leave the organization.

Other considerations are more related to the size of the operation. A smaller enterprise will be less established and could be riskier for a producer to engage with. How established an enterprise is has to do with length of time that it has been in business rather than size, but more of the smaller enterprises we surveyed had been in business for less time and were less established. Finally, even though the ideal of a VBSC is to ensure equitable relationships among all participants smaller operations may still struggle from power imbalances not in their favor when dealing with buyers.

The price paid to producers is another consideration when working with small VBSC enterprises. Smaller operations don't benefit from economies of scale so cannot necessarily pay producers more than larger operations do, and may even pay less. Nearly all wholesale and supply chain enterprises require very high quality produce. Knowledge of pack and grade standards will likely be necessary, unless the enterprise is marketing to consumers directly (for example, through a produce box or home delivery service.) It is also possible that the enterprise may have requirements for, food safety certifications, and other values-based third party certification, though this is often not the case. All producers should have liability insurance.

Large Producer-Owned VBSC Enterprises (upper right quadrant)
Large, producer-owned VBSC enterprises are groups of producers who work together to market aggregated product differentiated by values and/or farm or ranch story. Larger VBSC enterprises have formal legal structures (such as marketing cooperatives), large membership bases, large numbers of customers, and broad (national or international) geographical distribution, and move large amounts of product.

An important distinction, from the producer's perspective is the expected level of involvement in the operation of the VBSC enterprise. In larger producer-owned operations, hired staff usually handles the day-to-day logistics. Producers' roles in governance may be limited to voting or meeting a few times throughout the year, although opportunities for producers to take a greater role in governance still exists. Another difference between smaller and larger producer-run VBSC enterprises is the likelihood of a formal legal structure. The larger a producer collaboration is the more likely it is to have a formal legal structure.

An example of a large, producer-owned VBSC enterprise is Organic Valley, a national producer-cooperative based in La Farge, Wisconsin, with members and distribution in California.

Benefits

The primary benefit for producers who work with large producer-owned VBSC enterprises is the opportunity to have a voice in the governance of the enterprise without having to be involved in the day-to-day operations. This provides producers opportunities for involvement in decision making without the time commitment and specialized expertise necessary to keep a smaller VBSC enterprise in business. These enterprises also are typically more established entities with a greater more stable market share and the ability to have more power in relationships with buyers. These factors benefit the producer-members of the VBSC enterprise,as they would likely not be able to achieve these on their own or by participating in a smaller producer-run operation. Large producer-run enterprises also have formal legal structures that clarify the relationships between the enterprise and the producer-members.

Other benefits of these enterprises have more to do with the size. A larger operation will be able to purchase more volume of product from a farmer or rancher, which may benefit mid-sized producers who often are too big for small direct-market channels and too small for the conventional supply chain. These enterprises are more established and stable and will often be a more reliable channel through which producers can market.

Considerations

A significant consideration for farmers participating in large, producer-owned VBSC enterprises is that producers have less of a role in the governance of the operation than in smaller, producer-owned operations, which means that they might have less recourse in decisions made against their interest. In addition, large cooperatives often require producers to sign exclusive marketing contracts which prohibits them from selling their products elsewhere (although some producers may consider this an advantage.) Formal legal structures of these entities may also place other requirements on producers.

Other considerations related more to the size of the operation include requirements for very high quality, and consistently uniform product. Depending on where the product is sold, the variety in products purchased may be smaller. Knowledge of and adherence to pack and grade standards is also universally required (though technical assistance is often provided on this topic), and many (but not all) large operations require liability insurance, food safety, and other kinds of third party certifications. Producers will likely have very little interaction with the consumer.

Large VBSC enterprises, not producer-owned (lower right quadrant)

Large VBSC enterprises not owned by producers include large-scale, for-profit distributors, packer-shippers, or other wholesale companies moving food and agriculture products while preserving community, environmental, or social benefits associated with production practices or the individual identity and story of the farm or ranch producing it. These companies have greater numbers of suppliers and customers and move significant amounts of products over larger geographical areas. Some of these companies only move product that is values-based, source-identified, or regionally bounded. Others may have a values-based, regionally bounded, or source-identified line of products in addition to other product lines undifferentiated by values. These companies may be driven by a specific, articulated mission, or may want to support and promote specific benefits and values (but do not necessarily have a formal mission), or may simply be interested in capturing some of the market-share of consumers interested in purchasing products with these values.

Examples of large VBSC enterprises not owned by producers include Veritable Vegetable (San Francisco), Heath and LeJeune (Los Angeles), and Green Leaf Produce (San Francisco).

Benefits

Producers who sell to these enterprises will benefit from working with an established, stable firm with a large market share and greater market access, putting the producer's product in front of a wider consumer base. The enterprise may be interested in identifying individual farms and ranches and telling their stories if that aligns with their values propositions or captures more market share. These operations purchase greater volumes than smaller operations, which may benefit mid-sized farms and ranches. These firms are capable of forward planning with the producer and can almost guarantee a market at a fair price for producers whom they have a long-term relationship with.

Producers also benefit from the logistical skills, economies of scale, and infrastructure that these firms command. Larger VBSC enterprises often provide producers (especially those new to wholesale marketing) with expertise and technical skills to assist them. Also, because these operations have a greater market share they benefit from various economies of scale. The marketing cost per unit sold by the farmer is typically lower than when selling through a smaller firm (even with the margins required by for-profit supply-chain intermediaries), giving these operations the ability to pay farmers and ranchers a higher price than they might receive from a smaller company. Finally, larger operations typically own or have control over considerable supply chain infrastructure (including distribution trucks, cold-storage, processing facilities, and relationships with buyers) from which producers benefit.

Considerations

Producers who sell to larger VBSC enterprises, especially those that serve large retail outlets and food service institutions (especially in cafeterias) have to reliably provide certain minimum volumes of consistently uniform, high-grade product at predictable times throughout the year. There may be a minimal or no market for less common produce varietals or cuts of meat. The producer must be familiar with and adhere to pack and grade standards although these enterprises sometimes provide technical support to assist producers. Many buyers, particularly schools and institutional buyers, have requirements for food safety certifications (in addition to those required by law), liability insurance, and other third party certifications. Finally, while many VBSC enterprises strive to pay farmers a fair or higher price than they would receive from a mainstream distributor, prices will almost always be lower than direct market channels. However, when costs associated with direct marketing are factored in, net profit from selling to a distributor may still be higher.

Small VBSC enterprises, not producer-owned (lower left quadrant)

Small VBSC enterprises not owned by producers have fewer numbers of suppliers and customers and move smaller amounts of product over a narrower geographic region. This category tended to include the widest variety of business models and distribution strategies, including produce boxes, farm-to-institution distribution operations, community-based aggregation facilities for wholesale, restaurant, or retail buyers, home delivery services, and small-scale distributors. While large VBSC enterprises typically only include for-profit operations, this category includes enterprises run by for-profit firms, non-profit organizations, local government programs, or partnerships between any of those entities. Even though some non-profit distributors may move up to thousands of pounds of product and have several dozen buyers and suppliers, the largest non-profit VBSC enterprise will still be significantly smaller than an average sized for-profit VBSC enterprise.

Examples of small VBSC enterprises not owned by producers include Equitable Roots (Los Angeles), the Agriculture and Land-Based Training Association (ALBA – Salinas), and Farmers Direct Produce (Santa Barbara).

Benefits

Smaller VBSC enterprises are generally more flexible in how they work with producers, in terms of what they buy, volume, product delivery, etc. Smaller operations may have more flexibility around food safety certifications, insurance liability requirements, and other third party certifications. In some cases, they may also not require knowledge of pack and grade standards, depending on the channel through which they are marketing product, for example produce boxes and home delivery services. Minimum purchasing volume requirements may be much smaller, which benefits small producers. Requirements for very high quality product are usually the same but there may be more of a market for a wider diversity of varietals and cuts of meat especially if the enterprise is selling to specialty markets, high-end restaurants, or individual consumers. Producers are likely to have their story communicated to consumers and may have opportunities to interact with them as these enterprises often operate in shorter supply chains and smaller geographic regions.

Considerations

Prices smaller VBSC enterprises pay to producers will also typically be lower than direct market channels and may even be lower than those of larger VBSC enterprises because of a lack of economies of scale. In addition, smaller enterprises are less likely to be as established and stable as larger enterprises. For small VBSC enterprises run by NGOs, producers will want to consider how much business acumen the NGO has to run the enterprise and whether the enterprise is financially self sufficient or grant-funded. This may provide insight into the short and long-term financial viability of the enterprise.

Questions Producers Should Ask

Because selling to wholesale channels in general and to VBSC enterprises in particular may be a new marketing option for many growers, we suggest some questions producers may want to ask a particular enterprise before engaging with them. These questions came from interviews we conducted with VBSC enterprises in California for this project, previous research we conducted on this topic, the literature we consulted and other research from academic institutions, government agencies and non-profit organizations on values-based supply chains, our advisory committee for this project, and partners working in this field. Some of these questions can be answered from observing the enterprise in the market or reading marketing materials and company websites. Other questions need to be directly asked by producers, depending on the producer's own considerations and available resources.

Age of enterprise

This information will indicate how established an enterprise is and its level of business acumen. If an enterprise has been in operation for many years, producers can feel more confident about its stability and viability. A newer operation may or may not turn out to be successful,and presents more of an unknown to producers regarding viability, business acumen, and stability.

Contracts

Can producers get a contract or any sort of guarantee from the enterprise? Or, conversely, must producers sign an exclusive marketing agreement with the buyer? Few small producers may be able to command a contract but more established enterprises might be willing to consult with growers about future needs and prices.

Location of enterprise

This logistical consideration is often very important for producers. How far away is the operation? Do producers have to deliver product to the enterprise or does the enterprise pick up product from the farm or ranch. Trucking may be the financial lynchpin for both the producer and the distributor.

Kind of infrastructure

What kind of infrastructure does the enterprise have access to including processing, cold storage, distribution? Does the enterprise own the infrastructure? Similar to the logistics of location, infrastructure availablity could be a major cost factor for the producer.

Crop planning

Although a VBSC enterprise may not necessarily suggest this, producers might want to work with the enterprise in the off-season to develop crop plans so the producer will be growing products that the enterprise wants to purchase. The producer should also assess how committed the VBSC enterprise is to buying from the producer before developing crop plans.

Prices
Producers should find out as much information about the enterprise's pricing process so that they can develop a business plan with expected revenues.

Certifications, insurance, other buyer requirements
Some enterprises may require these and producers should be aware beforehand so they can determine if the cost in time and money is worth the revenue from selling to that enterprise.

Grant funded/self-sustaining
If the enterprise is run by an NGO, understanding how the enterprise is funded and how its finances operate may indicate its resiliency and level of establishment. Given the changing nature and availability of foundations, governments, and other grant funding sources, enterprises that are entirely grant-funded will have some uncertainty about their future funding sources and long-term viability especially if they do not have a strategy in place moving them towards sustained funding. This is an important consideration for producers looking to develop long-term relationships with buyers.

Enterprise's access to capital
Is the enterprise able to finance its own operation and access credit? Similar to the question above, a VBSC enterprise's ability to access and retain capital is critical to its success. This is a consideration for smaller operations in particular as barriers to capital impact them more. This information may be difficult to determine directly but will be made evident when there are delays in payment, lower numbers of employees than usual, or other signals that the enterprise may be struggling with cash flow.

Level of producer involvement
For producer-owned enterprises, producers should find out how involved they must be in the operation, what kinds of skills the enterprise need from producer-members, and what the governance or accountability structure is.

Marketing materials/farm story
How are producers' stories told and values communicated? Producers want to ensure that their story is communicated in a way that is authentic to them, and even provide their own marketing materials.

Conclusion

By communicating social, environmental, and community benefits as well as farm story to consumers values-based supply chain enterprises provide greater opportunities for farmers and ranchers to access wholesale markets and reach a wider base of consumers. Because of the wide variety of enterprises operating, the benefits and considerations for farmers and ranchers will be different depending on whom they choose to work with. We hope this report provides producers with a useful tool in understanding these marketing channels and information for working with them successfully.

[1] Stevenson, G. W., & Pirog, R. (2008). Values-Based Supply Chains: Strategies for Agrifood Enterprises of The Middle. In T. A. Lyson, G. W. Stevenson & R. Welsh (Eds.), *Food and the Mid-Level Farm: Renewing an Agriculture of the Middle* (pp. 119-143). Cambridge: The MIT Press.

[2] US Department of Agriculture (2011 June 20). Food Hubs: Building Stronger Infrastructure for Small and Mid-Size Producers. *USDA Agriculture Marketing Service website.* Accessed 2011 Oct. 4 from http://www.ams.usda.gov/AMSv1.0/foodhubs.

[3] See, for example, <http://www.ams.usda.gov/AMSv1.0/foodhubs> which lists several other USDA web sources on food hubs and <http://blogs.usda.gov/tag/food-hub/>.