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*Distribution Models For Local Food in Minnesota*

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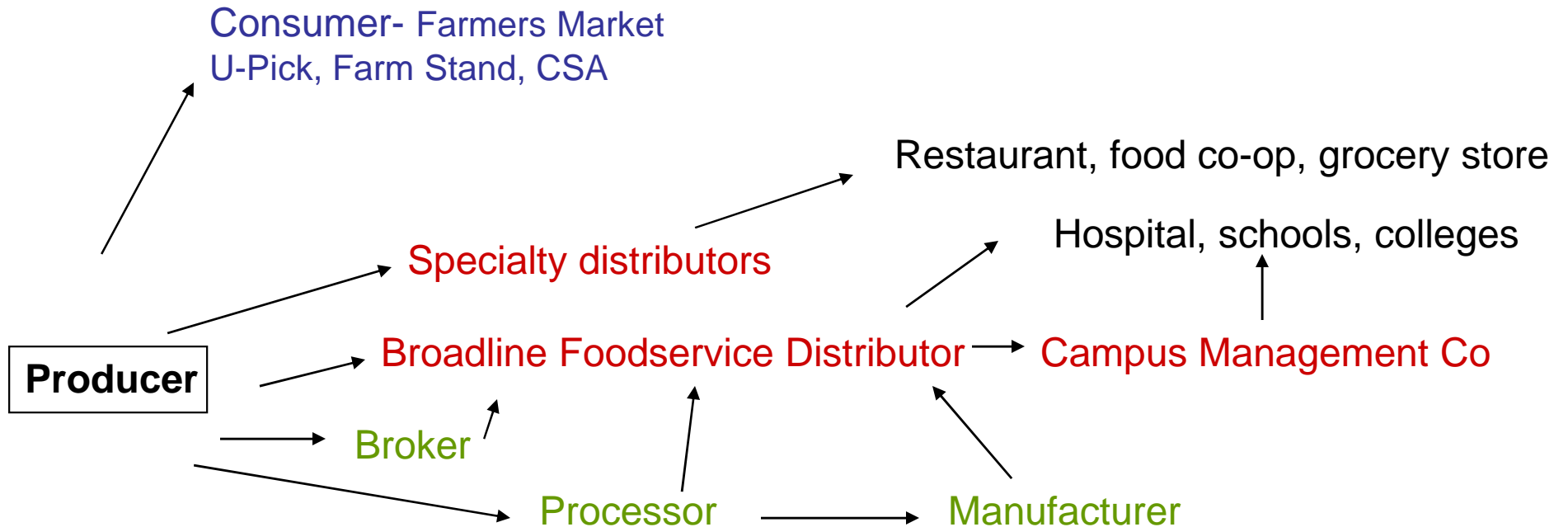
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# **Overview: Distribution and infrastructure in local foods supply chains in MN**

1. Challenges of distribution in local food supply chain Minnesota
2. Case studies: Burnsville Public School system and Bix Produce, Co-op Partners Warehouse, Southeast Minnesota Food Network, Hidden Stream Farm, Growers Collaborative
3. Best practices and prescriptions

# What farmers are we talking about?



Specifically, farmers who are interested in selling wholesale, not direct market

# What challenges do small and mid-size fruit and veggie farmers face when they distribute?

*Qualitative interviews with 25 farmers and mail survey to Minnesota farmers. (N=260)*

- 1. Scattered farms** and long trips to market
- 2. Fuel and labor requirements** for driving small vehicles with small amount of food to multiple disperse locations
- 3. Lack of Infrastructure** Lack of transportation, storage, and processing specifically designed for small scale producers
- 4. Time and money spent on distribution** Small farms cannot afford labor or do not want to market, sell and distribute goods

# What do institutional buyers want when they buy local food?

*35 qualitative interviews with K-12 food service buyers, college buyers, restaurants, co-ops and grocery stores*

1. **Minimize effort** and time for buyers to find and purchase large amounts of local food
2. **Predictable**, consistent quantity and quality of product
3. **Assurances of food safety** protocol, adequate insurance
4. **Information** to tell the story of the farmer and POS materials to customers
5. **Processed items**: chopped, frozen (especially K-12)
6. **Consistent communication** from farmer or distributor

# Intermediaries in the Local Food Chain

- Local foods have developed on a direct-to-consumer model

~~MIDDLEMAN~~

## Intermediaries may play a role in:

- Reducing energy usage
- Reducing costs for farmers (labor, travel time, time related to selling)
- Allowing new and larger buyers to purchase local food

## But...

- Intermediaries take a “cut”
- *Local food supply chains built on relationships, consumers know the grower*

Can local foods still “work” when using a distributor or middleman?

# In depth case study: suburban K-12 school system

- District has 14 individual schools in suburb of Mpls/St. Paul
- 8500 students
- No ranges in school kitchens
- Heat and serve only – no raw meat, no eggs, limited chopping, peeling or dicing. All produce comes in frozen and ready to steam, or serve raw.
- Capacity for local veggies: Serve raw vegetables in 2oz cups or a salads (junior and senior high). Great interest in using local.
- Currently buying local through Bix Produce
- Buying local corn, cukes, cherry tomatoes, peppers, squash



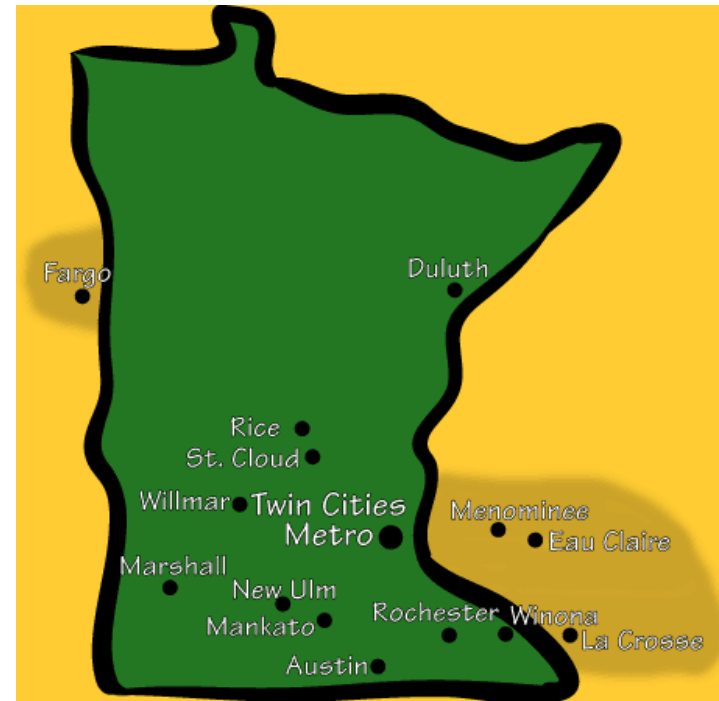
# Bix Produce

- Bix buys produce from approx. 15 growers in Minnesota and WI in the growing season
- Require that farmers deliver at minimum a full pallet
- Requires \$1 Million insurance policy
- Growers tend to grow fewer items than smaller farms and grow on larger acreages
- Farmers deliver directly to the warehouse in St. Paul.
- Has in-house processing of all local items – chopped, coined, shredded, diced, frozen. Good for buyers.

# Producers that sell to Bix Produce

- Axdahl Farms
- Bushel Boy
- Costa Farms
- Ed Fields & Sons
- Jack and the Green Sprouts
- Joe Zywiec
- Nagel Produce
- Pahl Farms
- Pepin Heights
- Riverside Farms
- Rivervalley Sprouts
- Svihel Vegetable Farms
- Vine Valley Farms
- Waterworks/Rob's Gourmet
- Wescott Orchard

*Delivery Range*



# Bix Produce

## Existing infrastructure:

- Trucks: 50 refrigerated trucks on the road in MN
- Warehouse in St. Paul including processing facilities
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*“I could not stop by every farm and pick up produce. We do backhauling, but only for farmers on our specific routes and with large amounts of product. If a farmer has a small amount of product, I cannot just go way out of the way to get it. Also, it has to be pre-cooled to take out the field heat.”*

*-Duane Pleiger, Bix Produce VP*

# Local Food Distribution Models in Minnesota that serve food service customers *(sample)*

Name	Location	Type
Hidden Stream Farm	Elgin, MN	Farmer Collaborative
DragSmith Farm/Six Rivers Cooperative	Barron, WI	Farmer-run Cooperative
Southeast Minnesota Food Network	Elgin, MN	LLC
Co-op Partners Warehouse	St. Paul, MN	Cooperative
Sysco Minnesota	St. Paul, MN	Wholesale distributor
Bix Produce	St. Paul, MN	Wholesale distributor
J and J Distributing	St. Paul, MN	Wholesale distributor
H Brooks and Company	St. Paul, MN	Wholesale distributor
Northwestern Fruits	St. Paul, MN	Wholesale distributor
California Alliance with Family Farmers	Southern California	Hybrid non-profit and traditional wholesale

# Traditional Wholesale Distributors

- Large companies
- Supply thousands of customers, have hundreds of trucks on the road. Large, modern warehouses
- “One stop shopping” for all goods including dry
- Many *actively* seeking out local farmers

**Factors limiting amount of local food they buy:** Many have high insurance and volume requirements. Many do not pay enough to pay for premium and organic product to entice local growers. Many are worried about food safety and traceability.

# Examples of traditional distributors that buy local:

- **Sysco Minnesota:** Many very large college, hospital accounts. Buys from about 5-7 farmers in Minnesota in season.
- **Bix Produce:** Food service accounts only. Long standing local buying program in season. Buys from 15 farms.
- **J and J Distributing:** Supplier for St. Paul public schools. Also Cub, SuperValu. Buys from approx 30 farmers in season. Large hauler of cert. organic.
- **H Brooks and Company:** Strong commitment to local. Processing capacity. Sells mainly to restaurants.
- **Northwestern Fruits:** Small niche distributor for restaurants. Strong commitment to local.
- **US Foods:** Large supplier for food service, new to local. Interested.
- **Upper Lakes Foods:** Supplier in northern Minnesota. Increasing interest in local and partnering with non-profits in area.

# Cooperatives and Collaborative Models

- Located in rural areas, based on farms, *focused on farms*
- Serve farmers with fewer acres, often organic
- Work particularly well in restaurant market, as higher price point and excellent customer service
- Generally sales are booming and operating at max capacity

**Limiting factors:** Labor and fuel costs make sustainability difficult. Access to capital, lack of processing and VA. Skills and expertise of staff. High price point.

# Example: Co-op Partners Warehouse

- Certified organic warehouse in St Paul, 6 trucks, 27 employees. Hundreds of accounts across Midwest.
- Farmers deliver goods to CPW or pay a \$20 delivery fee (drop-ship program)
- Majority of produce is local in season from small-mid size farms.
- In winter supplement with produce from family farms nationwide



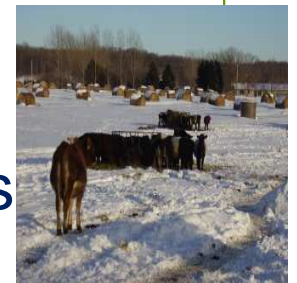
# Example:

## Southeast Minnesota Food Network

- LLC company based in Elgin, MN
- Buys from 90 family farms and delivers to Twin Cities and SE Minnesota
- Owns warehouse and truck. One full time, 2 part time staff.
- Provides wide range of products- produce, meat, cheese
- High price point, but selling to 32 schools this year through Taher Food Service Management Co.

*“We are selling in enough volume to reduce our costs and make the food affordable to schools.”*

- Selling schools melons, broccoli, green beans, cherry tomatoes, sweet corn, winter squash, potatoes



## Example: Hidden Stream Farm, Southeast MN

- Farmers collectively market and deliver – not an official co-operative
- Neighboring farmers deliver to the one central farm, and then this family delivers to chefs and food service in the Twin Cities in their refrigerated truck
- Allows for greater product line diversity- buyers like this
- Sales are maximized currently
- Sells to mix of restaurant, foodservice and co-ops in TC and Rochester area



# Hybrid Model: Grower's Collaborative

Grower's Collaborative, Southern California operated by California Alliance with Family Farmers (CAFF)

Food "hub" system

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*"When GC was run wholly by CAFF, it could not compete financially with the quantity that was being moved by the large players like Sysco. The GC had 3 trucks and 2 employees attempting to buy and sell produce from many small farms. Sysco runs 142 18-wheelers, and they have 123 salesman. They have 6000 accounts. If I can put one box on each one truck, look at that impact." Bob Corshen, CAFF*

# Grower's Collaborative

- Approached Sysco and created a collaboration
- Now CAFF owns no infrastructure -simply coordinates the supply chain
- Farmers deliver product directly to “hub” warehouses owned by existing produce companies. Sysco picks up from there, and delivers to its accounts.
- Sysco wins b/c able to offer local product, which customers want. Farmers able to unload large amts of product and do not have to market. Buyers get local through existing distribution channel, which they like
- CAFF provides **education** – to entire supply chain

# Comparing models: pros and cons

## Traditional distributors:

### Pros:

- Already on the road
- Large institutions, restaurants already use them
- May increase the total amount of local foods available

### Cons:

- Exclude small farmers due to minimum order sizes, insurance requirements
- Pay less to farmers, less “loyal”

## Cooperative/collaborative distributors:

### Pros:

- Provide distribution for smaller, more diverse farms
- “Loyal”, operate to help farmers
- Offer higher prices for farmers

### Cons:

- Expensive to operate and staff
- May not be sustainable due to staffing and overhead costs
- Difficult to compete with large distributors with expert staff

# Summary

Local food is extremely “hot” at food distributors, food service, and food retail locations

We need to maximize efficiencies to make local food production and distribution

- More profitable for farmers
- Less energy intensive
- Easy for big buyers

# Summary

- **Improved coordination and use of existing infrastructure**
- Produce “hubs” to aggregate product to be picked up by traditional wholesalers



- **Non profits can play educational and coordination role to help start-up distributors**
- Use GIS technology to assess best routes or logical product aggregation hubs

Thank you

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