

Developing Regional Distribution Networks to Enhance Farmer Prosperity: Retail Value Chains

Gail Feenstra (California – Post Subregional Conference Grant)

Project: SW10-810

Title: Developing Regional Distribution Networks to Enhance Farmer Prosperity: Retail Value Chains

Project Coordinator:

Gail Feenstra
UC SAREP/ASI
1 Shields Ave., University of California
Davis, CA 95616
530.752.8408
gwfeenstra@ucdavis.edu
larry.lev@oregonstate.edu



Participants:

Paul Cultera, General Manager
Sacramento Natural Food Co-op

Jim and Deborah Durst
Durst Organic Growers
Esparto

Shermain Hardesty, Extension Economist
University of California Davis

David Visher, Research Analyst
University of California Davis

Larry Nurse
Grocery Industry Consultant

Jeff and Annie Main
Good Humus Produce
Capay

Judith Redmond, Co-owner/co-manager
Full Belly Farm



SARE Grant: \$24,906

Situation:

Many small- and mid-scale producers are exploring new distribution systems to aggregate their products with other producers. Some producers have established relationships in which they are partners with nonprofits, retailers, food-service companies or distributors, not simply suppliers of commodities. The driving force behind these relationships can come from either the producer or the buyer.

These partnerships allow farmers to differentiate their products in a “values-based supply chain,” becoming price makers rather than price takers.

This project expanded on a two-year USDA NIFA-funded study exploring the successful development of values-based supply chains in California, Oregon and Colorado.

Objectives:

- Assess the success of values-based supply chains in California, particularly one anchored by a retail buyer – the Sacramento Natural Foods Co-op.
- Determine the extent to which three factors contribute to developing the distribution network, building strategic partnerships and overall success, namely:
 1. access to financial capital
 2. policy/regulatory/industry context (e.g., processing, food safety, insurance)
 3. entrepreneurial skills (or business acumen)

Actions:

In the larger NIFA study, the group conducted four case studies of established or emerging distribution networks in California where partnerships created values-based supply chains.

This fifth case study, funded by Western SARE, profiled the values-based supply chain anchored by the Sacramento Natural Food Co-op. The study included interviews with two distributors, three farmers and three retail staff.

The analysis combined results of all five case studies, identifying common features and comparing factors that affect development of values-based supply chains – financial, policy and entrepreneurial – and the classes of businesses involved – farmers, distributors and buyers (food service, institutions, restaurants and retailers).



Results:

Commonalities of values-based supply chains include:

- The chains are not arranged in neat, linear relationships; networks interact with one another in complex ways
- The values attached to a product are typically the same for retail buyers as for institutional buyers: they all want to know the story of the farm, its location and its production practices
- Hubs are emerging in various forms for small- and mid-scale producers to aggregate and consolidate products
- An authentic story may be more important to success than simply claiming to be local

Financial aspects:

- People managing traditional sources of ag capital are unfamiliar with alternative farming and marketing enterprises
- The right balance of small, medium and large producers is important for financial viability of distribution networks
- Nonprofits allied with distributors will need outside funding to support marketing and branding

Policy and regulatory aspects:

- Some participants identify and comply with applicable regulations; some await external pressure
- Retailers and institutional buyers – not government – typically impose food safety standards
- Producers and foodservice retailers tend to rely on the distributor for identifying and complying with marketing and food safety rules
- Food safety standards and compliance are challenging, especially for small growers

Entrepreneurial aspects:

- Producers accessing values-based supply chains are building their own brand, story and position; distributors and buyers in a values-based supply chain promote the story
- Communicating authentic producer stories is critical and may trump “local”
- Distributors are looking for small, local farms with good stories
- Retailers adopting a values-based strategy want farmers in the store to educate customers and authenticate the retailers’ position

Potential Benefits:

Outreach – including participation in a panel at the Ecological Farming Conference in Asilomar January 2011 and a presentation at the California Small Farm Conference in San Jose March 2011 – reached more than 100 farmers.

Other presentations: Agriculture, Food and Human Values Conference, Missoula, MT, June 2011; Food Industry Leadership Center 2011 Executive Forum, Portland, OR, October 2011; “Maintaining Values: The Challenges and Opportunities of VBSCs for CA Farmers Forum, Oakland, CA, October 2011; Solano/Yolo Counties Joint Economic Summit, UC Davis, November 2011; Eco-Farm Conference, Asilomar, CA, February 2012; School Food FOCUS National Meeting, Chicago, IL, May 2012; White House Business Roundtable with Dep. Sec. Merrigan, Fairfield, CA, May 2012 – reached 475 additional policymakers, academics, NGOs, food chain businesses.

A follow-up study, funded by the USDA Rural Development Program, is reviewing aggregation strategies for small- and mid-scale producers to highlight pros and cons.

Recommendations:

These areas need further attention:

- How small- and mid-scale producers can adopt appropriate food safety protocols for larger values-based markets
- How to create an authentic farm story and communicate it through the supply chain
- How distributors can engage small- and mid-scale producers in values-based food chains
- How retailers and nonprofits can learn about and participate in these chains

