Farmers’ Market Hub Project

Funded by
Minnesota Department of Agriculture
Specialty Crop Block Grant

Collaboration between
Minnesota Farmers’ Market Association
Minnesota Institute for Sustainable Agriculture
Renewing the Countryside
Project Leaders

Cecilia Coulter, Chisago City Farmers’ Market

Sara George, Wabasha Farmers’ Market

Jane Jewett, Minnesota Institute for Sustainable Agriculture

Jan Joannides, Renewing the Countryside

Kathy Zeman, Minnesota Farmers’ Market Association
Year 1 - 2018 - Goals

- Pilot “food hub at the farmers’ market”
- Determine how to implement it in different markets in order to benefit:
  - farmers
  - market
  - buyers
  - eaters
Goals for Farmers

Direct Benefits
• Increase market channels
• Increase sales - w/o cannibalizing retail sales

Indirect Benefits
• GAP training
• water tests
• food safety plan
• experience in a new market
Goals for Farmers’ Markets

Direct Benefits
• Make a profit
• Increase sales for vendors
• Build a stronger foodshed

Indirect Benefits
• Understand food laws
• Increase community investment
Goals for Buyers

Direct Benefits
- market is one-stop for local foods
- automated ordering / buying process

Indirect Benefits
- increase competitiveness
- local goodwill
- increase local foods outreach
Market Food Safety Requirements
Farmer Food Safety Requirements
Online Sales Platform

The Sales and Distribution Platform for Food Suppliers.

Used by CSAs, wholesalers, butchers, bakers, and food hubs, Local Line’s software increases your sales, organizes your fulfillment, and saves you hours each week.
Year 1 - 2018 - Highlights

- 10 markets across the state
- All markets legal! (MN Wholesale Food Handler License)
- ID & resolved issues with a typical Yr-1 startup business
- Startup working capital: MN SHIP, others as financial partners
- Online sales platform
- YTD (ALL NEW SALES!):
  - 6 of 10 markets had sales
  - 33 farmers
  - 20 buyers
**Year 1 - 2018 - Highlights**

**Buyers**
- 2 Individuals (Mkt Share, WIC)
- 1 Food Shelf
- 2 Daycare
- 1 Hospital
- 1 School
- 2 Assisted living
- 2 Grocery store

**Sales**
- Predominantly produce
- Breads
- Honey
- Cut Flowers
Gross Sales: $6,772
($1,112 avg / mkt)

Market Fees: $589
(8.7% avg markup)
($98.17 avg / mkt)

Net Sales: $6,183
($1,030 avg / mkt)
Year 1 - 2018 - Highlights

Projections for Market Profitability

● Sales needed to cover costs at various markups to buyers:
  ● $20,000 to $30,000 annually
  ● Imperative to minimize time spent per $ sales
Year 1 - 2018 - Challenges

- No hub research - broke all the rules to set up food hubs
- Online sales platform - minimal training materials so had to create our own
- Farmers reluctant / would not use
- Coaching food inspectors to consistently and promptly issue the WFH license
- Not enough product to sell
- Pricing products for farmers’ profitability
- Shifting the mentality of markets from service to profit
- Accurately tracking time: pivotal piece for the Mkts’ profitability
- Building b2b relationships
Financial Analysis

• Farmers: profit! time, wholesale vs. retail
• Markets: profit! time, supplies
• Buyers: % upcharge acceptable
• Determine where this food-hub-at-the-market is profitable AND / OR - $ needed to support as a service

Business Growth

● Increase sales by X%
● inc buyers
● inc farmers
● try MS
Year 2 - 2019 - Highlights

• 9 markets across the state
• All markets legal! (MN Wholesale Food Handler License)
• Markets connecting farmers directly to buyers – (unintended consequence). Farmer big enough, buyer wanted direct purchase – no aggregation needed
• Trends in 2nd yr: mkts ‘brokering’ more than aggregating. Charge ↓ % to cover fewer costs (no at-mkt setup, no delivery, no commingling so easier traceability, etc.)
Year 2 - 2019 - Challenges

- Not enough product to sell - weather!
  - UME in-time webinar for weather challenges
- No sales training yet
- Online sales platform issues
- Low sales
Year 3 - 2020 - Goals

- Continue correcting false info - legal to buy direct from farmers!
- Statewide marketing
  - to buyers
  - to farmers
- Resolve best match for this business model
  - Wholesaler vs. broker
Conclusions Mid-Project

- We know how to legally have a market function as a food hub (WFH license & food safety requirements)
- We have already increased vendor sales / buyer purchases - local foodshed is growing
- ID underlying systemic issues of product pricing, markets operating as businesses >>> training needed!
- It’s primarily a SALES, SALES, SALES job!
Conclusions(?) Mid-Project

- FFI advice: follow known food hub KPIs, solicit working capital at the state level for all mkts
- Perhaps more brokering than aggregating?
- Super cool grant project to test this risky business model
- Mid-project hypothesis:
  - FMFH will only work as a profitable business in a few, unique situations
    - Committed, wealthy buyers
    - Farmers in the un-sweet spot
  - FMFH will mostly be a legal service provided by the mkt, used when needed
Farmers’ Market Hub Project

Funded by
Minnesota Department of Agriculture
Specialty Crop Block Grant

Collaboration between
Minnesota Farmers’ Market Association
Minnesota Institute for Sustainable Agriculture
Renewing the Countryside

Kathy Zeman | Minnesota Farmers’ Market Association
Kzeman@mfma.org | (507) 664-9446