



Summary of Work for Yolo Food Hub Network

June 2023 - Present

SupplyChange's work on the Yolo Food Hub Network pilot initiated in June 2023 and began with a tactical focus on driving quick sales to support the two existing food hubs in the Greater Sacramento area, Capay Valley Farm Shop and Spork Food Hub. As the project evolved, it became apparent that there was a larger role for us to play in shaping the overall strategy of the Network, with a particular emphasis on scoping the potential for the recently acquired barn site by New Seasons CDC as a means to elevate the economic and strategic partnership potential for multiple stakeholders.

Key Highlights

- **Tactical Sales Support:**

In the initial phase, the project primarily aimed to boost sales for the existing food hubs. Quick matchmaking connections were made between hubs and buyers to enhance their market presence and sales performance. This included introductions to retailers, initial explorations of crossdock opportunities with brokers, and supporting expanding purchasing between Capay Valley Farm Shop and Esparto Unified School District.

- **Strategic Discovery Phase:**

Through a series of conversations and informal interviews with stakeholders, it became evident that the Yolo Food Hub Network could be well-positioned to **go beyond supporting tactical sales support and address various underlying issues within the regional food ecosystem**. Notable concerns included:

- *Tensions between Existing Hubs:* CVFS and Spork have sought **to find a balance between competition and collaboration for resources, customers, and infrastructure**. New staff and the presence of a Network that offers opportunities for increased sales and collaboration could present an opportunity for healthy "coopetition."
- *Inefficient Trade Relationships:* Hubs often sell product to each other at full, marked-up cost, meaning that when the receiving hub sells traded product to their end customer, the product is doubly marked-up. Since most hubs mark up product at an average of 30%, a 60% final markup hinders sales significantly.

Several food hub representatives shared that they weren't sure why no one had addressed this arrangement or offered an alternative before. Since there are variations in seasonal offerings between the different regions of Northern California - i.e. between Yolo County and Sonoma County - more collaboration on crop and sales

planning and a trade agreement that allows hubs to split the markup margin (i.e. 15% each) could increase sales revenue for all hubs who participate.

- *Unclear Role of the New Barn Site*: The newly acquired barn site by New Seasons CDC lacked a clearly messaged role within the network and risked being perceived as another competitor rather than a resource for all. Existing hub representatives shared that they were confused by how the barn site could improve their sales or what role they might have in shaping the vision for it.

- **Regional Processing Infrastructure Strategy:**

After the discovery phase, we shifted our focus towards reshaping the strategic direction of the Yolo Food Hub Network. A critical point of focus was the potential for the barn site to serve not only as a hub for the aggregation and distribution of local foods but also as a processing hub.

Northern California faces a severe shortage of regional processing infrastructure that is accessible for local farmers. Many wholesale buyers, including institutions, require pre-cut or otherwise processed foods to incorporate more local products into their menus¹, yet very few options exist to process produce. Two existing regional distributors have processing rooms, but do not offer processing services unless they are also distributing the product, are hesitant to develop new product lines, and are located far away from Yolo County. NorCal hubs are already attempting to figure out meeting this demand on their own by attempting to work with smaller “chop shops” close by. Spork has been working with a small Sacramento-area processing house, and FEED Sonoma has tried to set up something similar with a Sonoma County operation. Leveraging the barn site as a processing hub allows for farmers and Network stakeholders to more efficiently develop and sell value-added local products, as well as have more community control over these value-added supply chains while retaining more margin provided an expanded trade agreement also applies to these chains.

Next steps

Through these conversations with stakeholders, participation in workshops, and integrating new possibilities from potential outside partners, we have tested and helped influence the strategic direction of the Network towards a dual vision of an **effective value-added market strategy** and **strong internal governance** parallel to the development of the barn site.

Value-added market strategy

Since purchasing the barn site, New Seasons CDC has been eager to steward an architectural vision of the site, identify funding sources to support construction and launch costs, and identify a site operator. AECOM has done a commendable job developing the physical design of the site, which creates the opportunity to design the internal operations that will bring the full Network vision to life.

¹ See UC SAREP’s report: [Institutional Procurement of Regionally Grown Crops](#) for more background information based on the experience of UC Davis Medical Center to enhance local procurement.

We propose a **three-operator concept** that maximizes the full utilization of the barn site and enables the creation of multiple product lines that create increased sales opportunities for both regional farmers and food hubs.

Marcellus Foods is a QTPOC and woman-owned community food processing and grocery retail concept that ran a successful pilot of direct-to-consumer sales in early 2023 and is in the process of opening their first brick and mortar location in Sacramento. Marcellus is founded by culinary, operations, and food system experts with deep roots in the SF Bay Area food community including Chez Panisse, Good Eggs, and Thumbtack. A commitment to regional sourcing is at the core of Marcellus Foods' unique approach to processing and retail. Their model is designed to reduce barriers to eating whole foods as a way to increase demand for farmers and producers in the regions where they operate. They are in need of processing infrastructure to provide pre-cut product for their core product line of *preps* - whole food ingredients that are fully cooked to save time. The Marcellus team is also interested in increasing their impact and revenue streams via processing product for other customers and projects. Marcellus has expressed a strong desire to integrate with the Network as an operator of the light processing function within the hub.

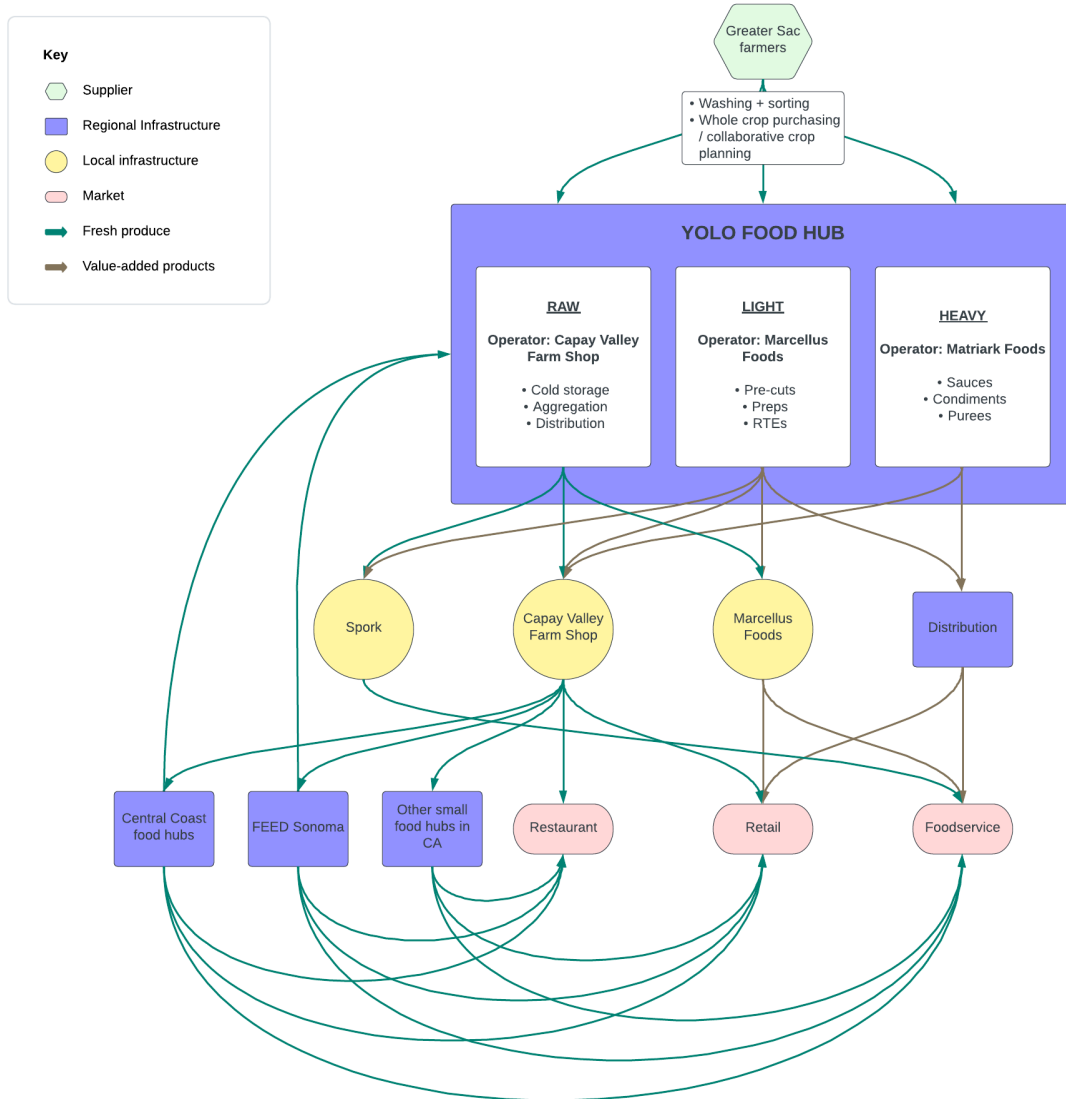
Matriark Foods is a woman-owned social impact foods business that produces soups, sauces, and condiments for retail and foodservice customers, including Whole Foods, Sodexo, and Guckenheimer. They have partnered with midsize farmers on the east coast to “upcycle” surplus produce into their products. In 2022, Matriark worked with SupplyChange to run a pilot with Northern California BIPOC farmers in the Central Coast to produce kale puree for Google’s employee cafes. Learnings from the pilot showed that the lack of efficiency with relying on multiple supply chain partners for pre-cutting and final manufacturing of the product was a major barrier. They have been seeking a site to utilize for their own manufacturing that would ideally have a logistically and economically close relationship to a light processing partner to be efficient. Matriark has indicated that they would be very interested in operating a heavy processing function within the hub. In September 2023, SupplyChange facilitated an in-person visit between Matriark Foods and Jim Durst at Durst Organics, and a follow-up call with New Seasons to review the potential of the multi-operator concept, and all agreed to continue to explore the concept via a larger convening of stakeholders.

Capay Valley Farm Shop has expressed a willingness to utilize the dry and cold storage and enhanced distribution assets that the barn site could provide and be the operator for this fresh side of the business. CVFS’ current site is physically small, and trucks are limited to carrying six pallets of product maximum at a time. Their GM noted that many operational questions about usage and agreements would need to be addressed before they agreed to become the fresh operator.

All three potential operators could form the basis of a full ecosystem of a value-added strategy within the barn site, each fulfilling vital functions that allow farmers and hubs to access new markets. Below is a diagram of the potential arrangement between all three operators. In general, farms would sell directly and separately to each operator pending orders from them.

Proposed Operational Flows

- *Capay Valley Farm Shop* would use the increased storage and aggregation capacity to increase their effective trade relationships with other hubs, and potentially also provide enhanced capacity for Spork Food Hub’s distribution to school districts.
- *Marcellus Foods* would provide pre-cuts to their own brick and mortar businesses, and also produce pre-cut products that could be sold directly to institutional customers as well as re-listed back within both Capay Valley Farm Shop and Spork, and be trucked for sale to other NorCal food hubs.
- *Matriark Foods* would be able to purchase pre-cuts for their manufacturing production from Marcellus, sell their products through their own existing distribution, and also produce product lines that could be re-listed within NorCal food hubs.



Internal governance

In order to effectively make collaborative decisions that improve market relationships while embedding trust between stakeholders, several governance pieces will need to be implemented.

- **Steering committee:** forming a steering committee that is responsible and accountable to the needs of diverse stakeholders in the Network is key to effective decision making. A proposed steering committee list could include:
 - Jay Peacock - Capay Valley Farm Shop
 - Shayne Zurilgen - Spork Food Hub
 - Trish Kelly - Valley Vision
 - Jim Durst or Sue Heitman - New Seasons CDC
 - Thomas Nelson - Kitchen Table Advisors
 - 1-2 small/midsize farm representatives - e.g. from Terra Firma, Spreadwing, etc
 - A legal expert experienced with food business operations and contracts
 - 1-2 institutional buyer representatives
- **Food hub trade agreements**
 - 1.0 - an agreement that provides terms for food hubs across Northern California to more effectively trade whole and fresh products with one another, based on the concept of splitting markups equitably and collaborative crop and sales planning to increase sales velocity
 - 2.0 - an addendum to the trade agreement that provides terms and clarity on external sales of fresh and value-added, processed foods to food hubs and other customers
- **Operational MOUs**
 - Agreements between the barn site's operators of fresh, light processing, and heavy processing that clarify usage of the site, and agreements about the transfer and sales of product between each operator. Can be merged/coordinated with the Food hub trade agreement 2.0 effort if needed.

Landscape + Funding

Planning phase

In order to achieve robust plans and agreements for the Network's market strategy and internal governance during the planning phase, we will need to coordinate a series of stakeholder convenings, leverage existing funding and develop a long-term funding strategy, and take advantage of other landscape developments that provide opportunities for future institutional sales.

University of California Global Climate Leadership Council (GCLC) Pilot

The University of California is undertaking a multi-year effort directed by CASFS to rigorously evaluate the UC system's current sustainable and local sourcing practices across universities and hospitals. A core focus of the project is to examine expanding the number and type of suppliers to the

system. Santana Diaz of UC Davis Medical Center is a member of the project and can inform how the Network responds to the increased opportunities for food hub sourcing created by new demand from the UCs and map it onto new supply chain developments from the Yolo Food Hub Network strategy.

Regional Food Systems Partnership Grant

SupplyChange contributed to a grant application for a USDA Regional Food Systems Partnership (RFSP) Planning grant administered by Emerald Cities Collaborative and supported by Valley Vision, Kitchen Table Advisors, Matriark Foods, and others. The grant's purpose is to fund strategic business planning centered around enhancing processing infrastructure, and increased collaboration through value-added market strategy between the Yolo Food Hub Network and parallel efforts in the San Mateo Coast region. The project centers aligning marketing and product development between the two regions, and multiple convenings and focus groups with a wide array of stakeholders as a key driver of business planning.

In late October, USDA confirmed that the RFSP grant would be awarded. The RFSP grant covers the time period of December 2023 through September 2025, and its core objectives are listed below.

Objective 1: Building off of ARC's 2018 Value Chain Assessment report (Attachment 3), complete a comprehensive landscape assessment of existing food value chain infrastructure that can support increased value-added processing and meal production capacity along the I-80 corridor in response to growing institutional demand in the region;

Objective 2: Identify where the gaps and potential opportunities exist within the regional food system infrastructure to meet the increasing processing demand for locally and sustainably-grown food products, i.e. cold dry storage capacity, freezing capacity, lightly processed produce blends, and medically-tailored meal production;

Objective 3: Create a business plan for the development of regional lines of value-added products, combining ingredients grown across the region, and a process for the establishment of cooperative ownership agreements among producers and processors;

Objective 4: Create a capital fundraising strategy which clearly articulates funding needs across the value chain and prioritizes the development of BIPOC and minority-owned farms and processing businesses.

Objective 5: Continue ongoing partnership development with participating anchor institutions and BIPOC producers and processors throughout the 2-year planning process

The grant provides personnel funding for the following collaborator activities:

- **Emerald Cities Collaborative/Healthcare Without Harm:** staff from ECC and HCWH will provide extensive administrative and coordination support for co-planning convenings.

- **SupplyChange:** With support from associates as needed, we will continue to provide strategic advising to the Network and support the negotiation of agreements, shaping the business vision, and facilitating relationships of trust among Network actors.
- **Facilitation consultant:** An experienced convening organization will be hired to support planning and facilitation of major convenings for the Network. We have identified **Food Works Group** as a strong candidate for this role, with demonstrated experience in co-building food hub-centric networks such as the Eastern Food Hub Collaborative and co-designing food processing facilities. The organization has expressed an interest in exploring their participation in the YFHN in this role pending their capacity and the Network's budget.

RFSP funding will provide a powerful supplement to funding held by Resilient Cities Catalyst that will be transferred to Valley Vision. The combination of these funds will be leveraged to convene stakeholders multiple times over the course of the grant period to complete the planning phase.

Implementation phase

Approximately \$28mil is required to fund the buildout of the barn site to realize the vision of a regional processing hub through retrofitting the existing barn and the new construction of the processing facility, cold storage, and loading dock.

In addition to its expertise in food hub network development and food processing infrastructure, Food Works Group also has demonstrated experience in developing unique, blended funding strategies for regional food system efforts. Pending their successful participation in the Planning phase, the group could continue their formal support of the network into the Implementation phase of fundraising and construction, in addition to the Network applying for other funding opportunities that will be available in 2024 and beyond:

- **CDFA Farm to Community Food Hubs Grant - \$1mil maximum per grant**
 - Application opens in 2024, pending hiring of grant management staff by CDFA
 - CDFA's Farm to Community Food Hubs Program was established in the 2020-21 state budget (Assemblymember Bloom) to pilot investments in food aggregation and distribution infrastructure needed to increase purchasing of local, environmentally sustainable, climate smart, and equitably produced food by schools and other institutions, build a better food system economy, support the local farming economy, accelerate climate adaptation and resilience, and employ food system workers with fair wages and working conditions. The program provides \$15 million in one-time funds to administer a grant program that creates or expands community serving food hubs throughout the state.
- **USDA Southwest Regional Food Business Center (RFBC) Business Builder Grant - \$100k maximum per grant**
 - Application opens in 2024, pending hiring of grant management staff by UCANR

- The Regional Food Centers will provide financial assistance through business builder subawards up to \$100,000 to support projects focused on regional needs and businesses that are working towards expansion and other investment. These subawards may support staff time, business planning activities, software implementation, the purchase of special purpose equipment, such as food safety, processing and packaging equipment, and value chain coordination, and other expenses associated as outlined in the RFA.
- **USDA Regional Food Infrastructure Grant - \$3mil maximum per grant**
 - Application opens in 2024, pending hiring of grant management staff by CDFA (the grant is funded by cooperative agreement between USDA and CDFA and administered by CDFA)
 - Requires a 50% match by applicant organization unless it is designated to serve historically underserved farm populations, and/or the project lead is a woman-led entity - the match requirement is then reduced to 25%
 - The purpose of the Resilient Food Systems Infrastructure (RFSI) program is to build resilience in the middle of the food supply chain, to provide more and better markets to small farms and food businesses, to support the development of value-added products for consumers, fair prices, fair wages, and new and safe job opportunities.
 - RFSI will use non-competitive cooperative agreements to provide up to \$420 million of American Rescue Plan (ARP) funding for states and territories via formula funding. The goal of the program is to keep profits circulating in rural communities and increase diversity in processing options in terms of business model approaches, geography, and availability to underserved communities.
 - Projects are strongly encouraged to integrate with the relevant Regional Food Business Center efforts, meaning that applying for both Business Builder and RFSI grants simultaneously makes both applications more competitive.
- **USDA RFSP Implementation Grant - \$1mil maximum per grant**
 - Pending the success of the existing RFSP Planning grant, a successful project completion would open the door to apply for a 3 year Implementation grant from the same funding source. Implementation grants can support buildouts and continued expansion of activities scoped during the Planning grant period, and there are special funding carve-outs for Farm to Institution efforts.
- **Private/other capital**
 - Food Works Group, Valley Vision, and other stakeholders can lead funding circles that build on legitimacy and momentum gained through successful applications to public funding opportunities, creating a blended funding stack that can reach the \$10mil+ goal of the Network to complete implementation.
 - Collaborative fundraising with the three operators proposed for the barn site can yield the dual benefit of enabling the acquisition of processing equipment and startup costs that the entire site can benefit from.