

# TRANSACTIONAL HUB PILOT STUDY

A project of a 2020-2024 USDA RFSP grant



September 2024



**NEW MEXICO  
FARMERS'  
MARKETING  
ASSOCIATION**

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## **BACKGROUND**

“Scaling Up New Mexico's Value Chain Coordination Network” was a collective impact initiative that took place from October 2020-2024 and was funded through a United States Department of Agriculture Regional Food System Partnership (RFSP) grant. The New Mexico Farmers' Marketing Association (NMFMA) served as the lead organization for the project, which engaged more than 80 individuals from nearly 40 partner organizations across the state to:

- cultivate a supportive and resilient local food Value Chain Coordination ecosystem,
- generate new, and expand existing, local food value chains, and
- generate cohesive marketing and promotion for local food and expand access points for local food purchases by low-income New Mexicans.

At the 2023 RFSP Annual Retreat, a group of project participants elected to undertake a pilot hub-to-hub transactional project to assess the feasibility of a formalized hub network.

The intentions of the hub pilot transactions were:

- Experimentation - to test the viability of establishing a transactional hub network to enable hubs to compete in institutional markets
- React and try again - better define questions, challenges and opportunities based on transaction experiences
- Gather information to inform the entire network going forward

### Participating organizations

**Desert Spoon** Food Hub

**Frontier** Food Hub

**La Montanita** Food Coop (LMC)

**Ogallala Commons**

### Support Organizations

**NMFMA:** sales broker/coordinator; evaluation

**Farm Fare:** technical assistance; facilitation

**Seed Change Strategies:** technical assistance; facilitation

Note: additional organizations such as Delicious New Mexico, The Harvest Food Hub and La Casa Verde were involved intermittently.

Farm Fare is a technology and service company that supports food hubs through the journey of moving from an independent food hub to operating as a seamless transactional network. Farm Fare provides technical assistance to hubs including network formation process, operationalizing access to institutional markets and data structure and use.

Seed Change Strategies has over thirty years of experience starting and growing regional and national coalitions, networks and communities of practice - including the Eastern Food Hub Collaborative, the value chain coordination community of practice, and the Food Systems Leadership Network.

## Timeline

January 2024	First planning session to determine governance structure, scope, timeline and meeting schedule. Three working groups established: 1) Sales (including commission structure and relationships) 2) Hub>Hub Transactions 3) Transportation & Logistics
February - April 2024	Working group meetings to develop processes, report on progress, challenges and opportunities. Sales broker contracted.
April - July 2024	Pilot transactions conducted; Working group meetings continue
August 2024	Analysis of pilot; Working group meetings continue
September 2024	Hub pilot report; RFSP Grant Closes

## **GOALS OF THE TRANSACTIONAL NETWORK**

The following were the goals of the transactional network:

- Drive increased sales of products from small and mid-sized farms through hubs to institutional markets with price and volume efficiency and consistency.
- Generate a regional production plan strategy and data management plan
- Create a dynamic network of transportation assets to move food around a region.

## **OUTCOMES**

Over the course of the pilot, the participating hubs accomplished the following:

- Developed a **product catalogue**: what is available, in what quantities, from whom and when available.
- Defined **product standards and descriptions**: developed uniform product categories and descriptions; packaging sizes; and determined additional essential product information.

- Established a **pricing structure**: price per unit, commissions. There was also discussion of networks being under scrutiny for price fixing and/or running into antitrust situations versus the need to establish a network price.
- Interim **Network Sales Broker**: identified an individual to make network sales, who identified key points of contact at each participating hub, and who established a communications protocol.
- Initial **sales transactions**: identified potential sales targets; made sales calls and conducted negotiations; developed invoice and payment processes.
- Coordinated **product procurement and delivery**: established routes, aggregation and distribution processes.

Sales totaled \$76,813 during the pilot, as shown by the details in the chart below.

<b>April 12th</b>	Rio Rancho School District \$4,706
<b>April 20th</b>	Rio Rancho School District \$18,704 *LMC only
<b>May 16th</b>	Rio Arriba Senior Centers \$9,091
<b>May 23rd</b>	Santa Fe Senior Center \$1,828
<b>June 6th</b>	Santa Fe Senior Center \$33,933
<b>June 6th</b>	Rio Arriba Senior Centers \$8,784

### **KEY NETWORK ECONOMIC TAKEAWAYS**

- Subsidization is a key aspect of the network picture in the near and mid-term
- Having a full-time sales broker is critical to expand markets and reach sales goals
- Building partner support services is key to long-term network success
- The allocation of sales per hub will be an ongoing conversation, as will commission structures
- State funding of institutional markets (i.e., NM Grown) provides built-in market demand

## **PARTICIPANT FEEDBACK**

Feedback was obtained from the project participants through assessments including a focus group discussion with external consultants, an online survey of hub participants, and an interview with the sales broker. The following are highlights from those assessments.

### **FROM HUBS**

#### **What have been the best aspects of the pilot?**

- Collaborating with other producers and hubs that have more experience to learn from has been the best aspect of this Pilot. Getting an inside scoop of the work that is done behind the scenes has been helpful in overcoming some issues within our program.
- Working with other food hubs
- Adding new clients

#### **What do you feel would be the biggest benefits of hubs participating in a Hub Network over the next 2-3 years?**

- The biggest benefit in participating in a Hub Network is the collaboration between hubs which can further our reach as a whole unit.
- More Sales, Growing Client Base, and increasing producer confidence in expanding production.
- Helping small hubs actually get refrigerated vehicles to move product around.

### **FROM HUBS**

#### **What has been most challenging?**

- Attending the meetings has been the most challenging aspect of this Pilot. The meetings often take place during the busiest time of the year which makes it difficult to attend all the meetings.
- Pricing, and delivery prices
- Working with other food hubs

#### **What would be your greatest concerns regarding hub participation in a Hub Network over the next 2-3 years?**

- Backbone support, and administration. Also, making sure that smaller hubs can be included.
- Greatest concern is transportation.

#### **How confident are you in the long-term viability of the Hub Network?**

- I am confident those that are working on the network now are invested in it continuing.
- I'm hopeful that our hub will be able to participate in the program in the near future, we are just currently at the infancy of our food hub.

## FROM TECHNICAL SUPPORT ORGS

### In your experience so far with the hub network pilot, what do you feel has gone well?

- State funding that institutional markets provide (i.e., NM Grown), with built-in market demand. That is HUGE.
- The state funding creates demand opportunity, and interest from the hubs.
- What's needed is Value Chain Coordination and Development, not just brokerage. This includes facilitation and organizing.

### What has seemed more challenging?

- A lot of hubs in NM, but relatively few with experience in wholesale. Hubs need to learn wholesale market and how to sell into wholesale. And hubs need to first assess: Do I even want to get into the wholesale market? (vs. CSA boxes, or other revenue stream)
- Two levels of networks: transactional hubs and 'learning' hubs. Capacity building for smaller hubs and hubs that haven't been doing much wholesale to enable them to engage in transactions. Need to build a community of practice for hubs that need support to be able to engage in a network.
- Other issues to address: governance & membership, values, expectations, MOUs (ex., standardization product catalog, packaging, units, box sizes, pricing.), data standardization, data privacy and sharing.

## FROM SALES BROKER

### What suggestions would you have for the broker role if it continues in the future?

- Clear understanding of what it means to participate in the network
- Agreement that food hubs would sign, for certain amount of time: Roles and responsibilities. That would be helpful for broker – to have the buy-in from the hubs, clear understanding of how the hubs would work together.
- Think about strategy of target markets that make sense with current routing. Don't have to try and look at entire state.

### What information from the hubs is essential?

- Types of products that institutions are looking for; finding products that will meet demand plus have competitive pricing.
- Standardized pack size
- Amounts available per week
- Lead times for ordering
- Communications with the hubs. Would be helpful to have an SOP for when to communicate and who to communicate with at each hub.

### What information about institutional purchasing is essential?

- Face-to-face meetings are critical for the broker to establish relationships.

## **RECOMMENDATIONS**

[Note: the following recommendations (*in italics*) were submitted by Farm Fare. They are excerpted from their report on the hub pilot project. Please see the appendices for a link to the full Farm Fare report.]

*Despite not all hubs participating in the pilot having directly benefited from a network transaction, hubs all noted their enthusiasm for either the direct economic gain or operational education gained during the pilot. That said, it is worth noting that just three out of the nine pilot participants actively participated in one or more of the six pilot transactions. The main reason for this was that these were the only hubs that could offer relevant wholesale products at a reasonable volume to the network customers. As mentioned previously, the majority of hubs in the pilot had little to no experience with wholesale transactions. This makes leveraging NM Grown funds difficult.*

*Moving forward, recommendations fall in four categories:*

- 1) Attitude,*
- 2) Investment Priorities,*
- 3) Network Administration. and*
- 4) NM Grown transparency.*

### *1) Attitude*

*Continue to foster a spirit of creativity, flexibility and willingness to try, learn and try again. This attitude was present during and after the pilot - and will continue to be a necessary element for a food hub network future.*

### *2) Investment Priorities*

*a) Sales Broker + Network Coordinator: This is a critical role in developing customer accounts, namely those with access to NM Grown funding, and supporting the execution of the sale through value chain coordination. For the FY 2024-2025, NM Grown is investing \$1.5 million and up to \$4 million in FY 2025-2026 for the procurement of NM-produced food.*

*i) Part-time: In the near term (0-3 years), the network could benefit from at least a part-time individual in this role. A rough projection shows that based on the pilot staffing capacity (10 hours/week) that provided a ROI of over \$75,000 in sales over three months, a part-time individual (20 hours/week) could potentially generate \$614,500 in transactional network value over the course of the year.*



*ii) Full-time: Given the size and scale of the majority of the hubs currently, a full-time sales broker + network coordinator would likely not be utilized to full capacity. However, if this sales broker + network coordinator role was expanded to support other local food procurement initiatives outside of just the New Mexico food hub network, e.g. farm to school, a full-time position would be a reasonable investment.*

*b) Transportation Subsidization: In the early years of any food hub network, it is difficult to cover the costs of transportation. This is due to a lack of consistent sales at significant volumes as the customer base is being built. However, as sales grow with consistency, transportation becomes a much less onerous challenge. In the near-term a transportation subsidy could provide a means to de-risk participation of both the customers (attempting to keep prices within 10-15% of the going market rate) and of the hubs (ensuring their costs are covered.)*

*c) Wholesale Training: The majority of the participating hubs had little to no wholesale experience. Transactional food hub networks are grounded in leveraging the collective supply of a group of food hubs to serve institutional markets. Without wholesale experience, it is a challenge to participate in a food hub network. If more hubs want to get involved in network transactions, wholesale training will be critical. There is a wealth of existing resources to take advantage of on this topic. Investing in a coach/facilitator for these training sessions will be critical.*

### 3) Network Administration

*As network transactions grow, a more efficient way for hubs to share transactional information will be critical. This includes inventory availability and pricing on the front end of the transaction, and purchase orders, transportation fees and invoices on the back of the transaction. Additionally, hubs and the sales broker must have a streamlined process to capture and track the details of a network transaction that also enables an aggregated view of these details. A couple of existing software programs on the market can support this need; though, given the current size and transaction volume of the New Mexico Food Hub Network, it could leverage well-designed google sheets (or a similar program) and an SOP to capture and track transactional details.*

### 4) NM Grown Transparency

*Such an important state investment should be met with an implementation approach that best supports its intended impact group. Hubs participating in the network pilot had not previously been able to successfully navigate this state investment as a demand pull. Food*

*hubs, as an integral stakeholder in NM Grown, require more accessible transparency regarding the customer and allocation amount of NM Grown funding recipients. This information needs to be easy to access on a regular basis, e.g. quarterly reports on the NM Grown website. Similarly, easy access to reports that provide an overview of historical spending on specific NM Grown products, organized regionally, could further support food hubs and their farm partners to better plan production to meet the needs of customers with NM Grown allocations.*

In addition to these recommendations from Farm Fare, the RFSP Evaluation Hub offers the following suggestions for future consideration as well:

- We suggest any immediate-term food hub network activity continue as a pilot initiative. Those entities wishing to participate in the pilot initiative should be fully committed to the pilot's continuation and the hubs and any other supporting stakeholders (such as the broker and/or others) would need to agree upon the support that would be provided to the network and how that support would be funded.
- Consideration should be given to investing in regional networks that focus on markets within their region. Regional networks should exploit existing resources (such as transportation corridors) and affiliations (with other sectors and/or communities).
- We also recommend that all parties continue dialogue on the key priorities and investments needed for ensuring the long-term viability of food hubs in New Mexico. This would include establishing and participating in affinity groups and relevant communities of practice.

## APPENDICES

Click on the links below to access the referenced documents.

### APPENDIX I

- [New Mexico Value Chain Coordination Network](#) presentation by Farm Fare

### APPENDIX II

- [RFSP Food Hub Network Pilot Evaluation Plan](#)

#### Data Collection Tools

- [RFSP Food Hub Network Pilot Survey](#)
- [RFSP Food Hub Network Pilot Focus Group Discussion Guide](#)
- [RFSP Food Hub Network Pilot Key Informant Interview Guide](#)

### APPENDIX III

- [A Recap: New Mexico Food Hub Network Pilot](#) by Farm Fare
- [RFSP Food Hub Network Pilot Summary Presentation](#)