

Food Hubs:

The 'Missing Middle' of the Local Food Infrastructure?

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1. The Context

This Food Hubs report was commissioned by the Welsh Assembly Government from the BRASS Centre at Cardiff University. The structure of the current report basically reflects the three questions we were asked to address in the research brief, namely:

- (i) what is the meaning of the Food Hubs concept?
- (ii) what are the main commercial examples?
- (iii) what is the relevance of Food Hubs to the Welsh agri-food strategy?

Although it is not confined to the issue of local food, the concept of Food Hubs has largely gained prominence in the context of the debate about the adequacy of the local food infrastructure. Local food has appeared on the political agenda for many reasons - the most important of which are to do with *consumers* becoming more concerned about the provenance of their food; *producers* striving to get better returns for their produce; and *regulators* trying to secure health, environmental and economic dividends (Morgan and Morley, 2002; Morgan et al 2006).

The drivers of the local food issue are both international and national in scope and character. At the international level there is a growing determination to promote a low carbon economy so as to mitigate the noxious effects of climate change - and a greener, more localised economy is deemed to be part of the solution to this global problem. At the national level in Wales, the local food issue is closely bound up with two particular policy agendas - a new *public health paradigm*, (which promotes healthy eating as part of a strategy that extols prevention over treatment) and a new *agri-food strategy* (the key aim of which is to move from commodity production to higher value-added activities). This report focuses on the second policy agenda because it considers the potential of Food Hubs as an organisational innovation in the food chain.

More specifically, it asks whether there is a 'missing middle' in the local food infrastructure in Wales, a mechanism by which small producers can collectively access a middleman facility that enables them to trade with large customers – be they supermarkets, food service vendors or public procurement consortia – that none of them would be able to trade with by acting alone. Far from being an arcane academic issue, this question is of immense commercial significance because new opportunities are opening up in the food market in Wales – like St Athan and Bluestone for example – which will need more innovative responses from the agri-food supply-side sector if they are to be fully tapped. This is the context in which the relevance of Food Hubs must be judged.

2. Food Hubs: Definitional Issues

2.1 Functions of Food Hubs

The Food Hub concept is shot through with definitional issues that have to be addressed in order to come to a clear view of what Food Hubs may represent and how they may be developed. The definitions that are decided upon in part also depend on what purpose is conceived for a Food Hub, and these may range from narrow market-efficiency functions to those related to visions of building a diversified food culture that may support small scale producers and deliver environmental, economic and social sustainability to the producing sector together with health and cultural objectives among consumers.

On the simplest level the Food Hub can represent any kind of organisational model where food sourcing and supply is co-ordinated, and may be contrasted with a wholly dispersed market system (becoming more credible through internet shopping) comprising of direct links between the producer and the consumer.

The concept of a Food Hub assumes that there are many market actors involved, and that its co-ordinating function will increase the efficiency of market relations. A Food Hub, therefore, may be thought of as acting as an intermediary that offers to put the produce of many suppliers, growers, farmers and processors into the hands of retailers, food service firms, public sector buyers and procurement consortia, and/or direct to the final consumer.

The Food Hub may act much in the same way as a traditional wholesaler or commodity clearing house, but it may also have other functions ranging from acting as a form of 'introduction' agency between producer and consumer to being an active manager of information flows between actors in the food supply chain, facilitating particular types of relationships and supporting defined objectives that free markets on their own may not achieve. If the Hub works as a clearing house or an introduction agency it is important to understand what further role it may have once relationships and agreements have been made between producer and customer, and whether, therefore, the Hub could itself be further sustained as an on-going and useful actor in the food system.

2.2 Food Hubs Structures

Along with the functions of the Food Hub, its structure also has a bearing on the way it may be differentiated from other market actors and whether or not it can meaningfully contribute to the agri-food system. The Hub may be organised on, for example, the basis of partnerships between existing food sector actors, wherever they may be placed in the food chain, be a stand alone commercial entity, or a social enterprise venture.

The Hub may also be part of an organisation that is involved in more than one function of the food chain, including production, information management, distribution and retailing or a mix of any of those functions. The contractual involvement of Hubs may also range from that of being a purchaser and seller to being only a 'courier': carrying foodstuffs without entering into purchase and sales contracts. Hubs may also be differentiated by their degree of physical presence: whether they manage collection, warehousing and distribution services, or are rather engaged purely in managing information and administrative functions.

2.3 Contextual Influences on Food Hubs

Contextual elements will pose differing demands on different types of Hubs. The type of product with which the Hub is involved may have a bearing on its organisation and operation, with fresh produce posing different constraints and opportunities than would those related to processed foods. The agri-food sector (whether meat, dairy, horticulture etc), and the range, volume and quality standards of foods handled may also be significant features of the Hub.

The socio-economic structure of the market and consumer demand characteristics will differ in different regions of the country, and these dimensions will also be influenced by whether the Hubs operate within an urban or a rural setting. The geographical location and reach of the Food Hub also helps to determine whether it is seen as a vehicle for promoting the concept and supply of local food to local markets or whether the Hub may be unconstrained by such considerations and may act within as wide a market range as it may be capable of supplying. Tying the Food Hub to the concept of Local Food places particular constraints on it and will tend to magnify the social-good objectives of the Hub in opposition, in some degree, to purely commercial considerations.

2.4 Types of Food Hubs

The different dimensions of the Food Hubs concept may be recognised in organisations that have either been labelled as Food Hubs or display some or many of these characteristics and may, therefore, be considered as acting as de-facto Food Hubs. To recognise and differentiate Food Hubs we can consider how the function and operation of the hub affects other actors in the food system, and what advantages or disadvantages producers, consumers and other stakeholders derive from them. And in considering whether a new Food Hub is required it must be decided whether the hub would operate as a *commercial entity* or as a *non-profit organisation*, and whether it is focussed on delivering the best prices to producers, best value to its customers, or attempts to do both, and finally whether or not a demand or market space exists for such an entity.

As far as the producers are concerned the food distribution system may be represented by means of a simplified continuum as illustrated in Fig.1. The categories shown are not exclusive since producers may be engaged in more than one kind of relationship at any one time, while on the other hand a choice of distribution system may not always be available to producers. In each distribution system producers have differing levels of control over their market relations and each system presents both advantages and disadvantages to the producer.

Fig.1: A Food Distribution Continuum

	Producer Distribution	Third Party Distribution	Partnership Models	Wholesaler Distribution	Buyer Collection
Typical Power Balance	Complete Control	Restricted Control	Partnership / Compromised Control	No Control	N/A
Pros (for producers)	Quality Assurance Customer Contact	Reliability Insurance Reputation Distribution Expertise	New Market Opportunities (specialisation, building product ranges) Cooperation Reputation Cost	Ease Expertise	Low Risk Low Cost
Cons (for producers)	Time Management Cost	Cost Network restrictions Food Fragility	Compromise Reliance on Personal Relations Potential Expertise problems	Low Margins Low Control Low Loyalty Low Interaction	Low availability

3. Food Hub Models: Commercial Illustrations

As mentioned already many organisations claim to act as Food Hubs and other organisations exhibit similar characteristics¹. By analysing such organisations a typology of Food Hubs may be created.

We would suggest that food hubs are perhaps best defined by the agent that takes the organising lead. The organising agent will determine the strategic design of the hub model and will assemble its resources, including bringing together key participants. Five models have been initially identified here, although in practice there is often a substantial degree of overlap between these models, and this typology may be refined further².

3.1 Retail led

This model encompasses food hubs that have been established with the principal objective of supplying a (large) retailer. In these cases, it is the retailer itself that has led the development of the hub through engagement with local producers or intermediaries, with the intention of providing a local supply solution.

ASDA is the leading retailer engaged with this kind of model. Having started its first local hub in 2002 it has developed the idea so that by the end of 2007 it was engaged with around fifteen food hubs across the UK (see Box 1). Hubs involving large non-retail customers such as public institutions and food service organisations are often based on similar principles to the ASDA model. One example is Bradshaw Brothers in Staffordshire who supply Staffordshire County Council day centres with meat and meat products as well as local retailers and catering establishments, sourcing its meat from its own farm and twelve other local farmers.

Other leading supermarkets tend to favour different local sourcing structures where individual producers may supply direct to individual stores or via conventional regional distribution centres, and often use the services of public agencies such as Regional Food Groups to manage approaches to the retailer from farmers and to train them in preparing good business cases to the retailer. For example, Waitrose, which defines a local product as something that has been produced within 30 miles of a particular store, organises 'Meet the Buyer' events for producers, who attend following preparation and advice from the local Regional Food Groups (i.e. 'True Taste' in Wales). Sainsbury's also promotes the services of the Regional Food Groups through which suppliers are invited to participate in its regional foods initiative labelled 'Supply Something New'.

¹ A number of studies have been carried out, for example Sustain (2005), which provided case studies ranging from local Supermarket chains to producer-led and co-operatives as examples of Food Hubs.

² Examples used here are relatively well known instances of Food Hubs, and many others may well have been included. A full analysis of the variety of hubs that may be identified, and particularly those that have direct relevance to Wales, will require a more extensive research project

Box 1: Retail Led Hubs

ASDA Regional Hubs

ASDA deals with the hubs on a daily basis reducing the transaction costs of sourcing with large numbers of suppliers and establishing the hubs as a known local intermediary with whom suppliers can deal. ASDA's regional Food Hubs by now cover much of the territory of UK. By the end of 2007 the 15 hubs included Plumgarths in Cumbria; Elveden in East Anglia; Bank Farm in Kent; AHG Management in the North East; Malcolm Allen in central Scotland; Castell Howell in Wales; Ideal Links in Lincolnshire; Transfresh in Nottingham; Springfields in the West Midlands and Leicestershire; Green Fields Farm also in the West Midlands and Shropshire; Taylors in the South West; and Yorkshire Farmhouse. In addition Bradbury's and Son, located in Derbyshire, acts as the national hub for locally sourced cheese whilst SIBA acts as the national hub for local beers.

The hubs provide local operations that co-ordinate the deliveries from small or micro-sized suppliers, managing the administration and negotiation tasks between the suppliers and ASDA. The number of local suppliers involved range from the seven suppliers to the Malcolm Allen hub in central Scotland to twenty nine producers supplying AHG Management in the North East of England. In Wales Castell Howell of Carmarthenshire consolidates deliveries from 27 local producers to supply all 19 of ASDA's stores in Wales plus eleven in the Bristol area.

Although in some cases, these supply relationships have been developed with established companies such as Castell Howell acting as hubs, some have been developed with the specific intention of servicing ASDA. However, whatever the size or history of the hub each one will have experienced an alteration in their practices as a result of gaining such a large customer, and the relationship between hub and retailer is unbalanced to the extent that the hubs provide relatively small percentages of the thousands of product lines that each ASDA store carries e.g. AHG provides 89 product lines, Castell Howell 70 local products and Malcolm Allen supplies 26 products. Whilst it would appear that financial assistance from the coordinating retailer is rare, the fact that the hub is established around a relatively secure trading relationship means that the prognosis for economic sustainability is generally good.

Foot Note:

Castell Howell Foods Ltd has since ceased this trading arrangement with ASDA.

3.2 Public Sector led

The distinguishing features of this kind of hub are that they stem from the efforts of the public sector. Food hubs have been frequently proposed as potential solutions to local food supply issues, which in many cases include a wide range of policy objectives, including environmental considerations, food access, improved school meal and other public procurement provision in addition to developing more equitable markets for local food producers and processors. As a result a number of hubs has been and are being developed through public sector sponsorship and direct financial assistance. This often involves the commissioning of feasibility studies, the development of business plans and the recruitment of personnel to put the hub into practice. Invariably, such hubs rely on significant funding from public sources and are set up with target markets in mind (see Box 2).

The development of this type of hub can also be led by local food NGOs and individual activists, however, all these initiatives can remain reliant on public money and support.

Partly as a consequence, there appears to be issues surrounding the long term economic viability of many current examples of this kind of hub³. This appears to be in line with problems encountered by other publicly sponsored initiatives that often revolve around appropriate financial discipline and the conceptualisation and implementation of a suitable strategy.

Box 2: Food Supply in London

As part of a number of studies into food supply, distribution and market structure in London the office of the Mayor of London and the London Development Agency have supported feasibility studies on the potential of a London Sustainable Food Hub among a number of policy studies on the development of a Food Strategy for London. It appears that major actions to realise a Food Hub are yet to be taken.

The first feasibility study in 2005 (Sustain, 2005) recommended that two developments should be pursued. The first recommendation is to establish a food centre that will be designed to facilitate a major increase in access to markets for producers and access to reliable supplies for purchasers, based on a social enterprise model and encouraging a close partnership between producers and purchasers. The Hub would require the building of a warehousing system that could accept, store, sell-on and distribute produce to final and intermediate consumers, taking some of the burden for these tasks off the shoulders of producers. It would aim to develop a transport system that minimises vehicle miles and to reduce transport costs for producers, and provide a base for the development of business initiatives associated with food processing, packaging, marketing and specialist food supply and preparation activities (e.g. to schools and hospitals). The Hub would also address sustainable regeneration (particularly in East London boroughs where it is proposed to establish the hub) and food access issues for those Londoners on the lowest income scales. The second recommendation for the Food Hub is to develop stronger marketing and branding initiatives for local food, to develop producer groups, information systems to connect schools, hospitals and other purchasers, to local food producers, and to develop a public procurement strategy for every local authority to enhance the local market for local food producers.

A further feasibility study of a London Food Hubs in 2007 (LDA, 2007), suggested that there was a need to work closely with existing structures, particularly the wholesale markets that already serve a large part of the city's food market. A separate study of the future development of wholesale markets in London (GLA, 2007) also concluded that a Food Hub may be usefully co-located with one or more of the markets, and participate in 'composite markets' where food-related businesses and activity can be brought together so that both the Food Hub and the wholesale market might benefit from the synergies that could be obtained from such an arrangement.

The related 'Local to London' project is a food branding programme that is being developed in a collaboration between New Covent Garden Market and South East Food Group Partnership (South East Food Group, 2008). It is estimated that 40% of the fresh produce that is delivered to the catering trade in London goes through wholesale markets, and the central goal of the project is to increase 'local to London' food that is supplied from New Covent Garden by 15% within three years. The project is in its early stages and is in the process of defining its strategy. It is currently still setting its baseline metrics, and the project co-ordinator is in the process of convincing market traders of the benefits of the project and in setting up a 'soft membership system' that aims at maintaining a contacts list of relevant actors that may be able to fully participate in the programme.

³See the discussion paper by East Anglia Food Links that casts doubt on the viability and demand for a public-sector supported Food Hub in their region: (EAFL, 2008)

3.3 Producer-Entrepreneur led

Food hubs that have been conceptualised and developed by producer-entrepreneurs exhibit more successful commercial characteristics than the public-sector led hubs. These hubs are often formed by individuals or groups of entrepreneurs with agricultural or other food production experience who have identified the hub strategy as an attractive business option. Although such examples frequently use public sector finance and other assistance to launch and develop, they typically rely on personal (or other sources of private) finance, expertise and commitment.

Typically, this type of hub is initially developed to meet a producer's own distribution issues, although other producers are brought into the hub to make the system more commercially feasible. In line with conventional small business strategies, the scale of such businesses typically reflects the ambitions of the individual entrepreneurs. As such, some hubs operate on a highly local basis while others have regional and extra-regional reach.

A presentation of a producer-entrepreneur regional food hub model by Doug Wanstall of Bank Farm (see Box 3) to the Prince of Wales's Farming & Food Summer School at Highgrove in July 2007, clearly worried foodservice companies in the audience. Indeed, some commented that such a model might even threaten their own business model - which involved carrying two separate lines of product: (i) locally-produced foodstuffs for customers who set a premium on such items and (ii) standard products which were sold on the basis of price alone. As further discussed below, the boundaries between the different modalities of food supply can not be considered as rigid, and companies such as 3663, currently competing as foodservice suppliers and operators, are capable of changing the way that they compete in the market. The particular advantage that producer-entrepreneurs retain, however, is an agility born out of their simplified structures and capacity to respond quickly to changing demands and supply characteristics.

Box 3: Producer-Entrepreneur

Bank Farm

Bank Farm began its commercial operations as a large scale supplier of fresh eggs, conventional and organic eggs. It is now a rapidly growing regional food hub based in Kent and its primary aim is to get 'Best of Kent' fresh local produce into markets across the South East of England. Its customers include supermarkets (especially ASDA, for which it acts as one of the retailers' regional food hubs, and Whole Food Market), food service companies and public sector catering establishments.

Having built up its special skills – as a high quality producer, as an efficient distribution system and in the marketing of fresh produce – Bank Farm realised that it could sell a much larger range of fresh produce alongside its eggs. It, therefore, approached fresh produce suppliers – farmers and growers – in Kent and offered them a route to market via Bank Farm that none of them had the capacity to access on their own. It is currently extending its product range to include other products like sweets and confectionary, so long as these items meet the two main criteria – high quality and locally-produced in Kent.

Bank Farm may be described as a local intermediary in the supply chain – a vehicle through which small producers in the county get their fresh produce to large buyers in the regions, be they multiples, foodservice outlets or public procurement consortia. It is also aware of the divergent demands of these three large scale markets that require specialist skills and knowledge on the part of supplier hubs such as themselves that are specific to each market, and is working toward formally dividing its business to deal with retail separately from the foodservice and public sector markets.

Bank Farm is also diversifying beyond Kent because it believes its model – of a regional food hub selling locally-produced fresh produce to large public and private sector buyers – is a model that has the potential to travel across the country because provenance is becoming an increasingly important selling point.

Currently it is replicating its regional hub model in Hampshire – sourcing and selling fresh produce within the county. It believes that its status as a working farm helps it to secure the trust of other farmers, who are more likely to sell their produce to Bank Farm than to food service companies who tend not to respect the provenance of the food they buy.

However, it is on the supply side of the model that Bank Farm is currently most constrained. Doug Wanstall (the owner of Bank Farm) notes that where they had struggled for years to encourage buyers to move away from their traditional supply routes, they are now having much more success as 'Local Food' has become more prominent and has risen up the public agenda. Now that volumes are building, however, Bank Farm finds that it is struggling with certain product lines for which in some cases the supply volume is limited. They are, therefore, finding that they have to nurture their suppliers and encourage them to grow more and to extend the seasons.

3.4 Producer-Cooperative led

Cooperative-led food hubs are a distinct model due to the partnership nature of cooperative structures. Co-operatives, by definition, are bound by decentralised decision making and risk sharing. They are also likely to be established as mechanisms to enable profit generation from the activities of constituent member rather than through the food hub identity.

Co-operative structures can vary depending on the local context and typically require external expertise to set up. Co-operative food hubs are able to draw upon expertise from among its members and promote collaboration, understanding of each others' skills and business attributes that may lead to greater resilience. On the other hand, co-operative structures are vulnerable to breakdown if members' priorities conflict.

Two examples of this type of Food Hub, namely Ashlyns Growers and Producers and Riverford Organics are illustrated in Boxes 4 and 5. Each one provides a co-ordinating function for the producer membership, but also demonstrates a coherent identity as an organisation that provides the final consumer with a particular offer.

In these two cases the co-operatives emphasise *locality* and the aims of each one is to expand the sales of locally produced food as far as it is possible and to promote environmental and social objectives. The two examples differ mainly in the business models that each has adopted to expand their core business interests, and to some extent they differ in their core markets: with Riverford targeting home deliveries almost exclusively, whilst Ashlyns have built markets and business interests in other areas of the food supply and service sector. However, both pursue objectives that promote public-good and educational functions in addition to the supply of foodstuffs, and these are considered as central to the ethos of each of these businesses.

Box 4: Producer- Co-operative Led Hubs

Ashlyns Growers and Producers

Ashlyns Growers and Producers (AGAP) is a co-operative that was developed through the DEFRA-supported 'Feeding Our Future' school meals project, which emphasised the use and supply of locally produced food. The business has evolved from its origin as a conventional farm that underwent conversion to grow organic food and the start of an organic box scheme. The original farm had itself attempted to expand, but the decision was taken to change the model and to develop a co-operative scheme with other local farmers. The Co-operative was set up as a limited company with two membership types viz. 'A' shareholders who constituted the financial investors and 'B' shareholders who included non-investing suppliers. Profits accrued by 'A' shareholders are capped with the remainder being awarded to 'B' shareholders.

The original business has grown to include a training company and a farm shop in addition to the producer co-operative. The group emphasises a close connection between the production functions, the supply of nutritious and healthy food, and the education of consumers, particularly school children, in a clear attempt at providing a public-service function to its activities, and in addition to the commercial business of growing and supplying foodstuffs.

However, growth has not been unhindered and the company has met some market resistance. At one point, for example, Ashlyns were supplying around 100 schools but had to cut this back to 32 as the remaining contracts had become uneconomic. In this case the failed contracts were for schools in London and other urban areas, which were not purchasing enough to make the contracts profitable.

See: <http://www.ashlynsorganics.co.uk/growers-producers/index.shtml>

Box 5: Producer- Co-operative Led Hubs

Riverford Organic Vegetables

Devon-based Riverford Organics can be considered to be one of the UK's leading home-delivery service of organic vegetable boxes. Although it was once focused entirely on the South West of England, Riverford has already expanded to large swathes of the country (see Fig. 2) and it aims to cover most of the UK eventually through its local franchising business model. Each local franchise is supplied by a network of producers. Franchise holders are expected to conform to Riverford's primary aims, which are to reduce the environmental costs of food distribution and to promote as much locally-produced food as possible.

Guy Watson - who founded Riverford Organics in 1985 and began the bulk selling scheme in 1993 - believes that one of the key ingredients for success is the quality of the distribution system. In principle, he says, it should be easy to add new products to a distribution system that has grown up selling a single product – like milk for example. In practice, however, there seems to be a mental block against this on the part of both suppliers themselves and customers. In the case of milk, Guy Watson says that the dominant mindset of the supplier is focused on reducing cost rather than growing the business with extra products.

Riverford claims that it has grown rapidly in recent years because more and more domestic customers seem to be receptive to where their food comes from. However, it is accepted by Guy Watson that the current credit crunch has begun to hit sales, leaving Riverford with spare capacity.

Riverford has recently expanded into Wales, where it now has 3 franchisees in Cardiff, Swansea and the Valleys with a total of some 2,000 deliveries a week and forecasts that this will increase to 5,000 a week when the credit crunch eases. Although Riverford has firm plans to expand in Wales, there are doubts about whether it will be commercially feasible to source from producers as far west as Pembrokeshire, so the focus is currently on the densely populated parts of South East Wales.

To consolidate the expansion and to invest in the infrastructure for supplying locally-produced food to residential customers, Riverford would be interested in building a packhouse in SE Wales as soon as weekly deliveries have hit the 5,000 mark. However, since the focus of the franchise model is on household deliveries, it is unlikely that a Riverford food hub could act as a co-ordinating intermediary for Welsh producers to sell to large institutional customers such as Bluestone or St Athan

See: <http://www.riverford.co.uk/index.php?PHPSESSID=328a2f7a3197c0d59faf7b6a823e054a>

Fig 2: Riverford Organics and the locations of its Franchise Farms



Shaded areas depict the current geographical extent of the delivery service from each of the Riverford Organics franchisees

Source: Riverford Organics (2008)

3.5 Wholesaler and Foodservice led

The final food hub model includes those businesses that originate from traditional wholesaler and/or distributor markets. There are a number of cases around the UK of traditional wholesalers who carry a significant number of local / regional food product lines and who have become *de facto* local food hubs. A key aspect of these businesses is that they tend to deal with processed food products rather than commodities. They are perhaps best considered as conventional businesses operating in local food 'niche' markets, in other words, existing in small markets that are insulated from the conventional trade due to product differentiation.

Such businesses tend to be robust due to their experience of wholesale markets and distribution. They are also, however, more likely to be driven by market opportunity rather than broader goals such as supporting local producers or reducing environmental burden. Their commitment to local sourcing is, therefore, contingent on supply, demand and other strictly commercial considerations (see Box 6).

Box 6: Wholesaler-led Hub

Castell Howell

Castell Howell is the largest independent wholesale distributor in Wales with a turnover of over £40m, having grown from a farm-based enterprise over a period of some twenty years. It operates as a traditional wholesaler; provides a delivered service for caterers and the restaurant trade; runs butchery, meat processing, bakery and Cash and Carry businesses; and supplies institutional customers such as colleges and hospitals.

The company is headquartered in Cross Hands in Carmarthenshire, where its main distribution depot is located, and has further satellite depots at Oswestry, Merthyr Tydfil, Gloucester and Bristol.

Castell Howell is a member of Sterling Supergroup, a buying co-operative, which has a membership of 52 wholesalers throughout the UK, and whose product ranges include the whole range of food stuffs together with alcoholic and non-alcoholic drinks, confectionery and non-food items. Whilst it sources food from potentially a wide range of suppliers, Castell Howell, together with the Welsh Meat Company and Wynnstay Farmers, is a partner and sole distributor for the Welsh-sourced Celtic Pride premium beef scheme.

As indicated above, Castell Howell also acts as a local hub for ASDA's regional food sourcing strategy, providing locally sourced food for ASDA's Welsh Supermarkets as well as those in the Bristol area.

See: http://chfoods.co.uk/about/gtwp_section_leader.htm

Wholesale businesses have come under increased competition from national Foodservice⁴ distributors such as Brakes, Compass, Sodexo, and 3663 First for Foodservice who are part of a complex foodservice sector that include operators of food service outlets (e.g. Whitbread, Sodexo and a number of large fast food chains) as well as distributors and companies who participate in more than one aspect of foodservice. Some of these companies are also developing their own local offers along lines similar to

⁴ Foodservice is a term equivalent to the catering sector

the multiple retailers and competing directly with those wholesalers who have more extensive geographical and non-local distribution structures (NFU, 2008). 3663 First or Foodservice for example, has collaborated with IGD to produce a guide for farmers and small producers to access opportunities within the foodservice sector describing the characteristics of the market and how they may become successful suppliers.

3.6 Summary of Food Hub Types

A SWOT analysis summarising the five Food Hub models is presented in Fig.3. As mentioned already, these categories are differentiated by general characteristics and there is likely to be a substantial degree of overlap between these categories, and the models may share strengths and weaknesses. However, a general feature of each type of hub is that they are built around pre-identified customers, whether public sector, retail or direct home delivery, and have clear objectives in mind that are viable in a business sense. Initiatives in or by the public sector may be best linked with higher margin trade such as restaurants and food-service outlets. Importantly, as with any business venture, food hubs must be led by entrepreneurs who have appropriate *commercial* experience.

Fig. 3: SWOT Analysis of Proposed Models

	Retail-led	Public Sector-led	Producer Entrepreneur-led	Producer Cooperative-led	Wholesaler-led
Strengths	Retail provides expertise Hub has common goal	Public stakeholder support / expertise Open to funding	Individual commitment Simple management structures Entrepreneurial attitude	Broad expertise base Constituents able to do what they do best. Broad resource base	Strong experience and understanding of market Good reputation Well-developed infrastructure
Weaknesses	Producer may be over-reliant on retailer	'Imposed Solution' Liable to: inappropriate financing/lack of emphasis on financial viability; Inappropriate internal expertise; Lack flexibility to respond to market change	Narrow expertise base Can lack financial resources Business ambition often reflects personal ambition	Relies on true cooperation including shared priorities Can suffer from management 'by consensus'	May lack understanding of sustainability / production issues May 'cherry pick' range Usually not commodity focused
Distinguishing Opportunities		Public sector support acts as PR/advertising Set up to meet public sector needs (e.g. procurement)	Stakeholder respect for producer entrepreneurs		Able to engage in existing supply relationships
General Opportunities	Can tap into unmet demand for local food products from consumers Can provide environmental / social / economic benefits to localities Can assist food providers in developing positive PR				
Distinguishing Threats	Retailer can switch hub/withdraw from local range Market with retailer may be limited	Changing demand			
General Threats	The development of other forms of local supply arrangements Market / Consumer demand downturn Supply problems due to localised supply base				

4. Relevance to the Welsh Agri-Food Strategy

The concept of Food Hubs has emerged in the context of a rapidly changing policy environment, reflecting a greater commitment to apply sustainable development principles in agri-food, public health and public procurement. It is also a period when policy boundaries between these areas are becoming more porous, providing new opportunities for cross-fertilisation and more holistic approaches.

In Wales a major element that drives interest in Food Hubs is the perceived need to develop added-value markets and supply chains that will safeguard and strengthen Welsh agriculture. The publication of *Farming for the Future* (WAG, 2001) was arguably the first comprehensive review by government of the state and future direction of agriculture in Wales, and a major theme permeating the report is that Welsh agriculture should aim to 'move increasingly away from reliance on commodity markets'. An important issue to note in this respect, however, is that emphasis has been placed on encouraging those producers who are able to supply higher quality products, and the Welsh Agri-Food Partnership (AFP) has developed its strategic objectives along similar lines, most recently stated in the AFP's document *Strategy in Action: Towards 2007* (AFP, 2004). These may be represented as improvement in market focus and supply chain linkages, and improvement in the performance of processors and that of primary producers.

This quality and improved performance theme is found repeated in later policy documents endorsed by the Welsh Assembly Government, including the *Sustainable Farming and Environment: Action Toward 2020* report (the 2020 report, WAG (a), 2007), and in the development of the *Quality of Food Strategy* (WAG (b), 2007). The '2020 report' urges that policy in Wales continues to be geared toward making agriculture responsive to consumer demand

The most recent contribution to this policy process is the current consultation on a new draft strategy for farming entitled *Farming, Food and the Countryside: Building a Secure Future* (WAG (a), 2008). This strategy attempts to further integrate policy objectives in Welsh agriculture and food processing, emphasising the goals of achieving an economically sustainable agri-food sector that contributes to safeguarding and sustaining rural communities and the natural environment. Whilst these are the overarching goals, it is noted in the consultation document that the output of most Welsh farmers and that of most of Welsh processed foodstuffs continue to be 'relatively undifferentiated or standard products, where competition is mainly on price'.

The logic of Welsh farming continuing this approach - ie of relying mainly on undifferentiated products that compete mainly on price - threatens the structure of Welsh family farming and its contribution to robust rural communities as farms are forced to enlarge further to cut the costs of production. The alternative is to shift Welsh farming even more firmly toward differentiated and added-value production. As Farm Assured standards become the norm, farmers must make further efforts to denote quality and added value to their products. A useful depiction of quality and value differentiation that needs to take place is given in the document in the form of a pyramid of value (Fig 4). Whilst some farmers have already progressed up the pyramid and along an added-value trajectory the document recognises that substantial and co-ordinated effort will be required for this shift to occur on a larger and more meaningful scale. An important role exists for the public sector to support this effort, and in sympathy with many other recent policy statements the consultation document affirms that public procurement practices can provide the opportunity for local producers and suppliers to find local and added-value markets.

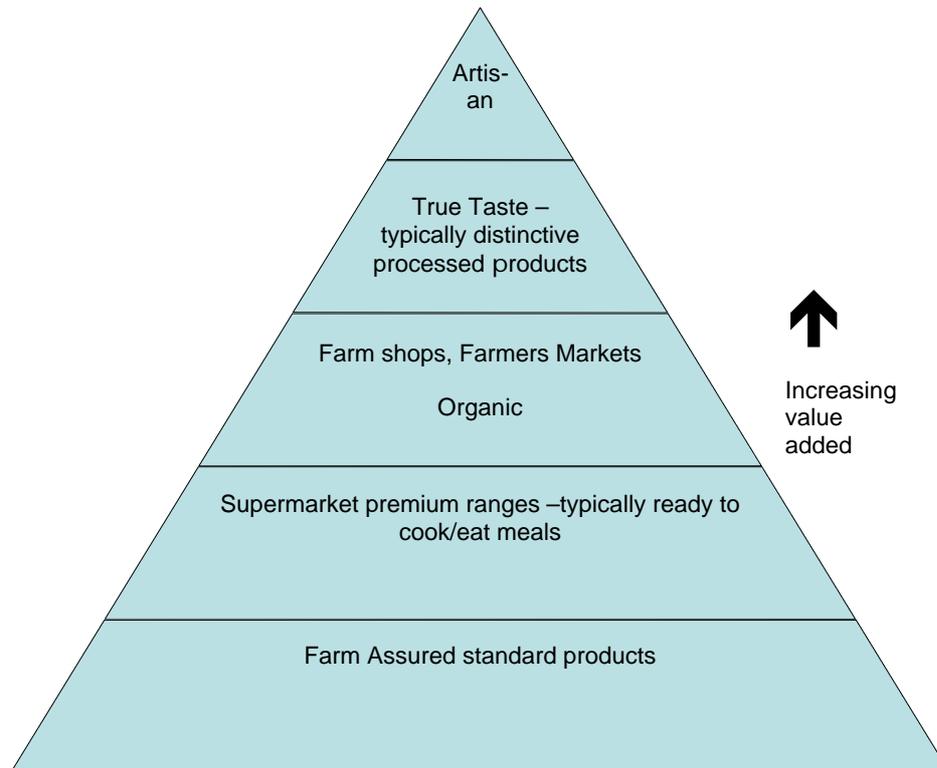


Fig. 4 Value-added pyramid for the Welsh Agri-Food system (from WAG (a), 2008)

The role of public procurement has clearly become prominent and reform of traditional public procurement practices has become central to the way that the policy environment has been changing in Wales, as in other areas of the UK and the EU. The Welsh Procurement Initiative (WPI), created in the wake of the Better Value Wales review of public procurement, produced its *Food for Thought* report in 2004 (WPI, 2004). In it the WPI stated that many of the aims of improved public food procurement in Wales, including providing nutritious meals using quality ingredients, developing the capacities of local suppliers, and improving the environmental performance of the procurement system could be achieved *'most efficiently by encouraging local supply chains'*. The establishment of the successor to the WPI, namely Value Wales, in 2006 reflected the development in thinking regarding public procurement where, rather than 'best value' being interpreted as equating to lowest price, value is seen to encapsulate wider sustainable environmental, economic and social benefits subject to general public purchasing guidelines. Value Wales represent an ongoing opportunity to co-ordinate and develop the relationship between Welsh food producers and major food purchasers in the public sector.

Tapping the potential of public procurement is also recognised in new food policy documents, such as the *Appetite for Life* report (WAG, 2006) and the *Quality of Food Strategy: Task and Finish Report* (WAG (b), 2007). The former makes explicit recognition⁵ of the importance of sustainability and procurement issues to the supply of good quality

⁵ Proposal 30 in particular notes that 'Catering specifications and menu planning should give greater emphasis to sustainability, seasonality and local procurement, whilst ensuring food safety.'

school meals and refers to pathfinder projects⁶ to link local procurement with the aims of improving the school meal service. The *Quality of Food Strategy* report meanwhile regards one of its main aims being to ‘develop a food distribution infrastructure that is economically, socially and environmentally efficient and sustainable’ and encourages public sector organisations to work with producers to enable them to compete for public sector business.

While these new policies have recognised the role of the public sector, much of the value of these discussions should also be applicable in improving market channels between the (predominantly) small producers of Wales and private sector purchasers and consumers. The *Farming, Food and Countryside* report (WAG (a), 2008) recognises that a local Food Hub approach might be useful in helping small producers in winning tenders for supplying large volume contracts, and although this recognition is made in reference to public sector contracts the principle applies equally to training and facilitating farmers to deal with large private sector purchasers. The highly differentiated structure of the private sector, however, poses different if not greater challenges to a private-sector Food Hub, and the development of the concept needs to be alive to the specific requirements of each sub-sector.

A variety of ‘Food Hubs’ currently operate in Wales, and have achieved varied levels of success. The more successful models have been predominantly ‘demand’ led. Some examples such as Castell Howell, Taylor’s Regional Foods and 3663 have met the requirements of the food service and retail sector by providing regional products, mainly commodity based, with very little artisan production. In contrast, www.localfoodshop.co.uk in collaboration with Big Barn have targeted farm based and artisan products delivered direct to your door via micro-hubs. Public sector led projects such as Local Food Co-Operative box schemes have been a great success in deprived areas, linking nutritional issues with local sustainable food production. On a rather larger scale, producer led co-operatives such as The Really Welsh Trading Company and Graig Farm Producers have established themselves a group of like-minded individuals and businesses to meet the demand of greater volumes within larger food service and retail sectors.

The Welsh Assembly Government has been working with these food hubs to help them develop their businesses, and in addition has developed a network of public sector ‘meet the supplier events’. The challenge is to develop this support further in support of the approach set out in the *Farming, Food and Countryside* consultation document.

⁶ For example Carmarthenshire County Council’s Schools Meals Nutrition Strategy; RCT Council’s “Lamb for lunch school meal” pilot; Caerphilly’s Farmers Pilot; Pembrokeshire County Council’s “putting some thought into food” pilot; joined more recently by work for Powys County Council by ADAS that studied the scope for linking local procurement to the supply of food to the public sector (ADAS, 2008)

5. Realities of Public Sector Procurement

Locally-produced Welsh food needs to be more vigorously promoted in every segment of the market – that is to say in supermarkets, food service companies, the hospitality sector and in public sector catering⁷. Although it is widely assumed that public sector catering is the easiest market segment to influence through public policy, it appears that this is not the case judging by the results of the 2007 Welsh Public Sector Purchasing Survey.

The summary results show that the public sector in Wales purchased £66.5 million of food in total in 2007, of which just £14.7 million (22%) was locally-sourced in Wales, a decrease of 6% since 2005. The main institutional segment responsible for this decrease was the local authority sector, which is the biggest public sector purchaser by value, whose purchases of Welsh food fell from £9.5 million in 2005 to just over £7 million in 2007, a decline of 20% (WAG (b), 2008). Table 1 shows the trends in public sector food procurement between 2003 and 2007.⁸

Table1: Welsh Public Sector Purchasing of Locally-Produced Food: 2003-07

Organisation Type	% Welsh Purchases Baseline 2003	% Welsh Purchases 2005	% Welsh Purchases 2007
NHS	22%	20%	25%
Local Authority	18%	29%	21%
Higher Education	15%	14%	20%
Further Education	7%	19%	21%
Ministry of Defence & Police	14%	14%	14%
Other Public Bodies	5%	22%	24%
Total	18%	24%	22%

(Source: WAG (b), 2008)

⁷ Farmers' Markets promote local food by definition because this is their raison d'être and it is also written into their terms and conditions

⁸ These public procurement expenditure figures need to be treated with a great deal of caution because they are far from robust. As the Better Value Wales review said in 2001: 'there is little effective management information available on what is being spent' (NAfW, 2001: para.1.5). Peter Standfast (Head of Procurement at UWIC and a member of the Value Wales Food Procurement Sub-Group) believes that the reliability of the more recent spending data still leaves much to be desired.

Table 2: Welsh Public Sector: Overall Purchases by Key Category 2003 - 2007

Category Type	% Welsh Purchases Baseline 2003	% Welsh Purchases 2005	% Welsh Purchases 2007
Bread	69%	54%	81%
Milk	89%	91%	67%
Fruit & Veg	18%	25%	31%
Dairy Products	16%	29%	27%
Fresh Meat	57%	76%	69%
Ready Meals	12%	34%	19%
Soft Drinks	20%	18%	13%
Water	-	17%	46%
Total	41%	49%	49%

(Source: WAG (b), 20008)

Tapping the potential of public food procurement has been on the political agenda in Wales since March 2003, when a path-breaking procurement conference at Builth Wells brought all the key food chain players together for the first time. Although the visibility of public procurement has improved since then, especially among politicians, many farmers and producers are of the view that progress on the ground has been more apparent than real. While some progress has been made in getting locally-produced food into the Welsh public procurement system – school food in Caerphilly and Carmarthenshire and Welsh Health Supplies are perhaps the best known examples – the picture presented in Table 1 above demonstrates that progress has been at best slow and at worst disappointing.

Table 2 provides a sobering reminder that the *supply* side – especially in milk, fresh meat and ready meals for example – may be as problematic as the *demand* side when it comes to identifying the barriers to local food procurement in Wales.

Some public procurement practitioners in Wales believe that, far from being easily resolved, the barriers to local food purchasing are *growing* rather than *dwindling*. The risk-averse culture is a case in point. A risk-averse culture exists throughout the public sector procurement community, largely because of the rules and regulations that govern the purchase of food in the UK and the EU. As a result of the Tudor Meats scandal, the source of the recent E.coli outbreak in Wales, public procurement officers have become even more risk averse, with the result that they are now less inclined to experiment with new supply chains.

Local food procurement is further hampered by the fact that good practice is a bad traveller (Morgan and Morley, 2004). Although good practice exists throughout the Welsh public sector, particularly in the case of school food provisioning, this does not easily disseminate from one area to another or from one organization to another, with the result that good practice is the exception rather than the norm. Such variable performance, especially within the local government sector, is the single biggest obstacle to making sustainable public procurement a reality in Wales.

One way to ensure that good practice is disseminated more effectively throughout the Welsh public sector would be to respect and empower local knowledge – which in this case resides in the Value Wales Food Procurement Sub-Group. Despite being the key source of professional knowledge, this Sub-Group still has no direct representation on the Business Procurement Task Force, the main procurement forum of the Welsh Assembly Government.

Looking ahead, public procurement has been given a prominent role in delivering a healthier, more sustainable food system in England. As the recent Cabinet Office report said: *‘Government should lead by example and commit itself to ensuring that food served by the public sector is healthier, more sustainably sourced, and more efficiently procured’* (Cabinet Office, 2008).

Wales recognised the potential of public procurement as a tool for promoting local food long before England, the challenge now is to translate good intentions into good practice.

6. Conclusions: Three Scenarios

Food Hubs may perform a number of different roles and operated by and for different actors in the agri-food system. Most simply a Food Hub may be envisaged as a middleman mechanism that removes the need for the farmer to deal directly with the final customer. In this role it may act as a conduit for information with regard to quality, quantity, timeliness and other supply criteria. Alternatively the hub may act as a training and support agent, which aims to build the capacity of the producer so that they may deal with the final consumer independently, or in collaboration with other small producers. Hubs may be able to combine many of these functions, and to act as a promoter and marketer for its suppliers, and add further value through a processing and/ or packaging and distribution functions.

Whichever role the hub assumes it must differentiate between food markets. Local authority food contracts, for example, work to radically different criteria than those of supermarkets and foodservice companies, and direct home delivery markets demand yet other skills sets and expertise from the Food Hub. Different Food Hub models are appropriate in each of these types of market.

Food Hubs, as much as any other food market actor, are influenced by individual consumer's trends, and recent research indicates that these are currently based largely on taste, ethical, aspirational, convenience, and health considerations. The significance of Local Food, food provenance and food safety concerns have become more prominent, but the picture is complicated by global influences. The impact of recent escalations in food prices and transport costs, if sustained, is likely to modify consumer's shopping and consumption behaviour. After many years of low food prices these changes will have far reaching effects on food markets in the UK, and whilst the impacts of these will be difficult to forecast, they will certainly change the food market context within which Food Hubs operate.

Public sector institutional buyers are impacted by similar global changes, and are further constrained by procurement rules, health and safety concerns, and public liability issues in supplying ready and processed food. Policy statements related to different aspects of the agri-food system in Wales have to take these interlocking influences into account while continuing to improve efforts to translate good intentions into good practice.

Against this background we offer three scenarios related to the development of Food Hubs in Wales.

1. *Freedom for the entrepreneur:*

In many of the Food Hubs that we have analysed the presence of the committed and imaginative entrepreneur has been important. These individuals have the capacities to develop efficient commercial operations that respond to the market within current policy and regulatory constraints. Sufficient policy support in this scenario is limited to skill development, introduction and facilitation services.

2. *Solution looking for a problem:*

Proposals for Food Hubs may at times appear as if they are policy inspired inflexible solutions that are to be imposed on fluid market relations. In this scenario confusion may be identified between the aims of policy actions and the practical workings of commercial relations in the agri-food system. We would suggest that this confusion is based on a certain lack of clarity about policy aims and deficient knowledge about food markets and the capacities of, and opportunities for, suppliers as well as the limitations of policy interventions.

3. Honed public sector response:

In this scenario policymakers are successful in identifying the 'missing middle', which comprises of

- a. those suppliers who do not currently have the required resources or experience and/ or are not operating currently in a favourable sector or geographical location to develop more advantageous commercial relations
- b. those public sector procurers (and those associated with other large single customer opportunities e.g. St Athan) who lack the agility/ confidence/ knowledge/ inclination to deal effectively with small and commercially disadvantaged suppliers
- c. ensure that public sector procurement specifications reflect wider policy objectives (eg on health and the environment) and these objectives are best driven by the demand side rather than the supply side.

In this scenario the Food Hub is able to address the needs of the missing middle and is sensitive to the requirements of differing markets.

In developing a public sector approach to Welsh Food Hubs we recommend that the main focus be placed on Scenario 3 while policy support for Scenario 1 is maintained and strengthened.

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