Values-based Supply Chains: Supporting Regional Food and Farms

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Research to Action: Food Systems

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“Local” and “Sustainable”: Changing context in the food system

• Demand for new values: “local/regional,” “sustainable” has increased markedly
• Little infrastructure in the current food system to get foods with these values from “farm to fork”
• New entities, enterprises emerging everywhere, especially as part of distribution networks.
• Engage small and mid-scale growers
• Become part of “values-based supply chains”
Values-Based Supply Chains (VBSCs)

• Growers treated as strategic partners vs. input suppliers
• Able to provide increased volumes and reduced transaction costs through aggregation
• Differentiated products – local branding
• Rewards and responsibilities distributed equitably across the supply chain
• Product’s value includes “story” of the people and business practices
Questions for new values-based enterprises

- How stable are these new enterprises?
- What elements lead to success?
- What constraints do these enterprises face and how are they overcome?
- Who benefits? Who experiences risks?
- How can these enterprises be strengthened and supported?
Project Goals

• Identify how successful “values-based” distribution networks involving small- and medium-scale producers are affected by:
  – Access to financial capital
  – Governmental regulations and policies
  – Business/entrepreneurial savvy

• Describe how these supply chains enhance the financial viability of small- and medium-size producers
Methodology

Qualitative, case study approach using in-depth interviews with Stakeholders

Perspectives from “inside the chain”:
- 11 case studies of western US food distribution networks (values-based supply chains)
- OREGON
  - 2 cases with growers/processors/wholesaler
  - 1 case with retailer

Perspectives from “outside the chain”:
- Interviews with:
  - Financiers, lenders
  - Industry associations and government agencies
  - Economic and community development professionals
Values Based Supply Chains in Action
Market of Choice Case:
Entitles Involved in Supply Chain Decision-making

Key:
- Influencer: Does not touch product (Oval)
- Handles product (Rectangle)
- Typical players in this chain (Green)
- Product flow (Arrow)

entities involved in supply chain decision-making:
- Farmer
- Distributor
- Foodservice/Retail Buyer
- Brand manager/Marketing agent/Broker
- Broadline distributor
- Regional food hub
- Product wholesaler/Distributor
- Packer/Aggregator
- Fresh Cut/Slaughter/Processor
- Cooperator
- Retailer Warehouse
- Commissary/Central Kitchen
- Cafeteria
- Restaurant
- Retail market
Conclusions From Key Informant Interviews

- Market development, market access, and consumer education for products that provide environmental and/or community benefits are significant challenges to viability of entire VBSCs, as well as the producers involved.

- Development of local/regional food processing, storage and distribution facilities could significantly enhance the viability of entire VBSCs, as well as the producers involved.

- These improvements will provide scale efficiencies to VBSCs, by generating fair returns to producers and enabling consumers to purchase values-based products at affordable prices.
Emerging Trends

- “Aggregation hubs” or “regional food hubs” are emerging in various forms for small and mid-scale producers to consolidate product.

- Ability to communicate authentic stories of producers is critical. May trump “local.”
Findings across Case Studies:

- Until recently, retailers and institutional buyers, rather than government, have been largely responsible for imposing food safety standards (GAP, HAACCP, etc.).

- Both producers and food service/retail buyers tend to place burden on the distributor for complying with food safety regs.

- Smaller growers will need to prepare for new GAP standards, audits.