Unity Food Hub Case Study

Maine Farmland Trust
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Introduction

The Unity Food Hub (in this Case Study referred to as UFH) was a business that aggregated, marketed, and distributed food from Maine farms and food businesses from 2015 through 2017. UFH was owned and operated by Unity Food Hub Management, LLC (UFHM), a wholly owned subsidiary of Maine Farmland Trust, Inc., (MFT), which is a nonprofit organization with the mission to protect farmland, support farmers, and advance the future of farming. This Case Study documents the history, mission, and structure of UFH, the services it provided, and the changes it underwent while in operation. Based upon interviews with UFH staff and stakeholders, some market impact analysis, and exploration of the work of other food aggregators, the Case Study also describes UFH’s business model and its position within the local food economy, including the impact its services had on some of its farm partners. Through reviewing the challenges that UFH faced and the changing circumstances in which it operated, this Case Study also explains the reasoning behind the ultimate decision to cease its aggregation and distribution operations in 2017.

UFH existed within its own set of unique circumstances, making it difficult to reach any definitive conclusions about the UFH model. However, this Case Study offers UFH’s experience as a resource for those who are interested in learning more about its food hub model, including the benefits that were created for farmers, as well as the particular challenges that this non-profit-run food hub faced when operating in the for-profit local food marketplace.

Overview of UFH

Near the end of its operations, UFH was aggregating, marketing and distributing food from more than 50 Maine farms and food businesses to buyers throughout Northern New England. The food was marketed through two channels: the Harvest Share program and the Wholesale Distribution program. The Harvest Share program was a customizable multi-farm share program that delivered a wide range of products – including fruits, vegetables, dairy, meat, eggs, dry goods, and specialty products – to workplaces and to public pick-up locations focused on access for low-income customers within Maine. UFH’s year-round share model allowed it to use historical sales and participation data to better predict product needs year-round and to work with its smaller and midsized producers to meet those needs. For instance, UFH worked with its Harvest Share farm partners to plan crops for the next season, helping farmers to plan ahead, take less risk, and reduce waste on the farm. UFH also worked with farms to select specific crops and seed varieties that were well-suited to their farm size and model. Through the Wholesale Distribution program, UFH worked with farms directly to aggregate products for regional wholesale markets as well as with regional distributors to increase the capacity and availability of Maine foods throughout New England.

During the time that it was in operation, UFH’s budget was funded in part through its food sale profits, but it also had considerable financial support from MFT. The economic model for UFH contemplated that as food sales increased, the portion of UFH’s budget that was underwritten by MFT would decrease, with the ultimate goal that UFH would become a self-sustaining entity.
Historical Development

Exploration of an Idea

Two projects led MFT to explore the idea of developing a food hub. In 2009, MFT was granted a three-year award from the Environmental Funder’s Network that was intended to catalyze village revitalization with agricultural infrastructure development. MFT was also awarded in 2009 a three-year United States Department of Agriculture (USDA) Community Food Project award to focus on increasing food access for lower income individuals by working with farmers whose land had been protected. The experience of working on those projects suggested to MFT staff that a food hub could be beneficial for strengthening farms in Maine that are too big to be supported only by local direct markets and too small to be profitable solely through commodity markets (“AG-in-the-Middle”). MFT decided to explore whether establishing a food hub could achieve four goals: (1) support the local economy; (2) protect farmland; (3) strengthen the local AG-in-the-Middle producers and farming community; and (4) help low-income consumers access more healthy local food.

MFT focused on investigating the establishment of a food hub in an impact area that was planned to be approximately 1100 square miles, bounded by Bangor, Augusta, Waterville, and Belfast. This region was chosen for three reasons. First, there had been considerable growth in direct sales from small farms in this area during the prior fifteen years. Second, as that market had become more saturated, farmers were needing to sell farther afield, which was inefficient and unsustainable for some of the farms in the area. Finally, the Unity area had been classified by the USDA as a food desert, indicating that there were also food access issues at play in the impact area.

Research and Interviews

Staff at MFT conducted some research to determine whether the establishment of a food hub in the impact area would be beneficial for both farmers and consumers. As part of that research, MFT explored the appeal of offering a range of services, including a packing shed for washing and packing vegetables; processing vegetable crops for institutional markets; cold and dry storage; a multi-farm Community Supported Agriculture (CSA) program, which could serve both regular CSA members and be a new vehicle for the Community Farm Share (described further below); a wholesale distribution service; a community space organized around food (workshops, trainings, dinners, etc.); as well as a retail outlet for local farm products and a multi-farm CSA pick-up site. To gauge the level of interest in these services, MFT staff spoke with some of the farmers and distributors operating in the described impact area, Cooperative Extension staff, nonprofit organizations working on food and agricultural issues, and about twenty different potential institutional customers. While MFT explored the appeal of all of the above-mentioned potential services, many of these conversations were focused on a food hub providing shared processing, packing and storage space. MFT also conducted a survey to assess potential customer interest in a multi-farm workplace CSA program.

The reactions of the interviewed farmers and distributors to the prospect of these services were very mixed. As a general matter, some of the farmers interviewed were interested in the services
contemplated for the food hub, while others did not feel that using those services would be an efficient way to structure their business operations. In terms of a multi-farm CSA program specifically, some of the interviewed farmers were excited about the idea, while others were already conducting their own CSA programs or were interested in developing their own multi-farm CSA models in the future. In addition, some of the interviewed farmers were concerned about putting their product under a common label and losing the ability to have customers connect with their farm. There was some positive response from the employees surveyed about a potential workplace CSA program.

The reactions of interviewed farmers to the prospect of wholesale distribution through a food hub were also very mixed. Many of the interviewed farmers were excited about the idea of farmers owning a food hub cooperatively, but most of those farmers also noted that they did not have the time, capacity, or financial ability to cooperatively own a food hub. Some of those farmers expressed an interest in potentially taking over a food hub cooperatively once it was up and running and self-sufficient. The response from existing distributors was also mixed. Some thought that a food hub in the area could provide services to them that would help their businesses expand – such as providing a centralized aggregation and pick-up site – while others were concerned about a food hub competing with them for potential customers. Finally, the interest of potential institutional customers in a food hub varied, although most expressed little interest in a new distributor relationship or in receiving processed products.

In addition to the interviews with farmers and distributors, and in order to gain a more detailed understanding of how food hubs operated, MFT staff also reviewed food hub surveys, assessments, and reports, which were conducted by the USDA, the National Good Food Network, and others.

**Initial Business Plan**

During the summer of 2013, the MFT Board of Directors approved both a business plan and the location for UFH. The UFH Business Plan described the mission of UFH as “an essential component in the local foods supply chain serving a triple bottom line that supports the local economy, protects farmland, and strengthens local AG-in-the-Middle producers and [the] farming community.”

**Physical Location**

A renovated 1898 grammar school in Unity’s town center (the “Schoolhouse”) was chosen as the site for UFH based upon several factors. First, because the school was prominent in the center of town, it was thought that it would be a convenient location for wholesale distributors and local residents to pick-up their CSA shares, as well as provide exposure and visibility. Second, it was contemplated that the main floor space could be used for retail, meetings, and a commercial kitchen, all of which could be leased to farmers and other entities in the area. It was also believed that the space allowed for the development of other functions down the road, such as a bistro or café, catering operations, community meals, and other food-related functions. Third, it was believed that the basement of the Schoolhouse could accommodate most of the storage and packing activities described in the Business Plan. Finally, federal and state historic tax credits
and other available grants were predicted in the initial planning phase to cover much of the building renovation costs. Some concerns about using the Schoolhouse were expressed by those interviewed, given that it was smaller and potentially less functional than some of the warehouse spaces that were also investigated. However, the Schoolhouse was ultimately chosen because of the tax credit and grant opportunities and the fact that it was anticipated to adequately accommodate the contemplated retail and rental services.

**Contemplated Corporate Structure**

The Business Plan contemplated that UFH would be a wholly owned “for-profit” subsidiary of MFT. As the Business Plan was being developed, a variety of corporate structures were considered, including an L3C (a low-profit limited liability company) and a nonprofit or public benefit model. However, because federal and state historic preservation tax credits were supporting the renovation of the Schoolhouse, it was necessary to structure UFH as a for-profit LLC (a limited liability company) in order to meet those tax programs’ requirements. In addition, MFT recognized that the LLC structure would more easily facilitate the ultimate intended spin-off of UFH as a separate business once it became economically self-sufficient.

It was planned that MFT would underwrite the budget as UFH got underway, but that as profits from food sales increased, MFT’s contribution to the budget would decrease, with the ultimate goal that by year six of operations UFH would have established viability and profitability. At that point, the Business Plan contemplated that MFT would likely transfer some or all of its ownership to certain UFH stakeholders, such as farmers, employees, or customers. Additionally, the plan provided that MFT would own and manage UFH and provide all legal, accounting and bookkeeping services until UFH became self-sustaining.

The management and governance structure laid out in the Business Plan included a General Manager who would report to MFT’s Executive Director, and an advisory board and board of directors that would include farmers, value-added food producers, and other experts in the agriculture and food distribution sectors.

**Contemplated Services**

The UFH Business Plan was primarily focused on “AG-in-the-Middle” producers, as described above, and anticipated providing the following services:

- A vegetable washing and packing facility (the “Packing Shed”);
- Dry, cold, and freezer storage capacity (part of the “Food Depot”);
- A multi-farm share program available to individuals, large employer groups, and buying clubs supported by online ordering and payment;
- Brokerage services to food distributors and suppliers to retail and restaurant clients in the defined local service area and potentially the southern Maine and New England region (part of the “Food Depot”);
- Food safety, food traceability, and inventory control processes and tools for farm suppliers;
• Basic “Know Your Farmer” marketing collateral for both institutional clients and farmer suppliers.

Projected Growth of Services

The Business Plan contemplated the following economic growth for UFH services:

• **Multi-Farm CSA Share Program:** It was contemplated that when UFH opened, it would have a developed customer base of 500 total shares (350 standard and 150 family) for its multi-farm CSA program (what became the Harvest Share program). Participation was expected to increase to 1110 shares by the second year of operations as UFH developed CSA shares at larger employers in the area. Between years three and five, share participation was projected to increase by about 200 shares per year. It was also contemplated that UFH would use about 20% of the Share program sales for brokering and delivery services.

• **Packing Shed:** Throughput at the Packing Shed was projected to increase by about 20% in year 2, by 25% in years 3 and 4, and by about 34% by year 5.

• **Institutional Sales:** Institutional sales were projected to increase dramatically in the first full operating year and would rise by about $50,000 annually as cafeteria and restaurant sales were solidified.

• **Storage:** Revenue from storage rentals was projected to increase modestly but steadily with each year of operation as more farmers participated in the program and more distributors collaborated on aggregation activities.

UFH in Operation

Broadening of Mission

As noted above, the UFH Business Plan intended for UFH to serve a “triple bottom line” (support the local economy, protect farmland, and strengthen local AG-in-the-Middle producers and [the] farming community). Although farmland protection was listed as one part of the triple bottom line, in practice it was only a byproduct of UFH’s work to help keep farmers in business, as UFH did not participate specifically in any farmland protection activities with its farm partners. Once UFH was in operation, there were other changes to its mission, including expanding the types of producers involved and its geographic reach.

UFH worked with more farmers than simply AG-in-the-Middle producers as defined above. Because there was not a significant number of farms in the area that met the AG-in-the-Middle definition, UFH management saw the need to work with both bigger and smaller-acreage producers. The impact area of UFH also changed significantly while UFH was in operation. In terms of customers, while the mission statement focused on the “local community,” UFH determined that there were more opportunities for both Harvest Share and Wholesale Distribution customers over a broader geographic area, particularly south of Augusta as more and more producers were trying to access the bigger markets in Southern Maine and beyond. In terms of the producers it worked with, UFH also increased its geographic reach both in order to obtain the needed supply and because of the interest of farmers outside of the impact area in participating. UFH tried to organize its route as efficiently as possible, staying close to I-95 and
looking for areas that had multiple potential farm partners in close proximity. As one farmer interviewed for this Case Study noted, “I think [UFH] identified Bowdoinham as…a convenient single pickup place where [they] could work with three or four different farms in pretty much one location as a strategic thing.” Management of UFH believed that this efficiency would translate to obtaining a more viable price for their farm partners.

**Governance and Funding**

Although UFH operated as an LLC and a wholly owned subsidiary of MFT as contemplated in the Business Plan, its governance was handled by a Management Committee consisting of board members and executive staff of MFT – rather than the “board of directors and advisory board” described in the Business Plan. The Committee initially hired two managers who managed the day-to-day operations of UFH and who participated in the Management Committee meetings. The Management Committee provided oversight, established the UFH budget, and served as a sounding board for the managers.

MFT provided all of the accounting, legal, and human resource services for UFH as planned; however, the amount of funding resources required of MFT to renovate the Schoolhouse and support UFH operations exceeded what was predicted in the initial planning phase and the Business Plan. In addition to the services provided, while UFH was in operation, MFT provided about a third of the funding it needed to cover expenses, with the rest generated from UFH’s Harvest Share and Wholesale Distribution program revenue. The MFT funding was raised from philanthropic donations.

**Primary Services**

As described above, UFH had two main programs: the Harvest Share program and the Wholesale Distribution program. The Harvest Share was a customizable multi-farm share program that delivered a wide range of products – including fruits, vegetables, dairy, meat, eggs, dry goods, and specialty products – to workplaces and public sites within Maine. Through the Wholesale Distribution program, UFH worked with farms to aggregate products for regional wholesale markets and with regional distributors to increase the availability of Maine foods throughout New England. Because of delays with the renovation of the Schoolhouse, neither program was able to begin until 2015 – in contrast to the 2014 start date contemplated in the Business Plan.

**Harvest Share**

With the Harvest Share program, UFH aggregated products from over 50 farms and distributed them to employees at workplace sites and to primarily low-income customers at public sites. Normally, the farmers participating in the program determined the price for their products. However, as part of the crop planning that UFH did with Harvest Share program farmers, UFH also worked with them on price planning. UFH bought the product from the farm partners, incorporated a price markup to cover its fee, and then resold the product to customers. The Harvest Share program was designed to be year-round from the beginning because of both demand from customers and because doing so created markets year-round for the involved producers. While there were gap periods at some of the sites due to decreases in customer
demand and related administrative necessities, designing the program to be year-round was a good way to demonstrate to share customers that they could buy and eat locally all year long. From the beginning, the Harvest Share program offered different share options (veggie, meat, eggs, yogurt, etc.) because customers wanted more variety, and it provided outlets for different types of foods. Having a more robust offering for customers also allowed UFH to work with a larger number of farmers. About six months into operations, UFH began offering the “Store” option, which allowed share customers to add à la carte items to their share order, further increasing the variety for customers.

As operations progressed, UFH’s strategy for the Harvest Share program was to focus on the 50 largest employers in Maine because of the assumption that those were the customers that a single grower would have difficulty serving given the variety limitations. While some farmers were concerned over the potential competition that could result from UFH entering the workplace CSA market, some of these farmers also recognized that UFH’s capacity could help farms break into this market. As one farm partner interviewed for this Case Study noted, “[w]e’ve see[n] how it’s just a lot of administration to get into these workplaces and we just didn’t have the time for that.” UFH management hoped that the Harvest Share program would serve as a training program for farms to learn how to service these markets. In addition, one of their goals was to have some of the Harvest Share farm partners eventually be able to also participate in UFH’s Wholesale Distribution program. At the time of the decision to close UFH, many producers were participating in both programs.

The number of Harvest Share customers steadily increased over time, although not to the degree contemplated in the Business Plan projections. When the program first began in 2015, the high-water mark for customers was 86 in August of that year. By the end of the summer of 2016, the Harvest Share program had 185 customers, and by August of 2017, there were a little over 450 share customers. The number of shares did fluctuate over the seasons. For instance, in June of 2017 there were between 159-190 veggie shares ordered each week, but that number dropped to around 130 in the fall of that year. Income from non-veggie share sales at the time accounted for at least half of the Harvest Share’s weekly sales. UFH’s goal was to establish a total number of share customers in the range of 1500 shares – the amount projected for UFH to be self-sustaining. UFH management elected not to expand the Harvest Share program outside of Maine because they felt there was enough interest in Maine and the logistical challenges involved in expanding outside the state for weekly share deliveries were significant. However, it was suggested by one of the farm partners interviewed for this Case Study that pursuing workplaces outside of Maine, particularly in Boston, could have helped avoid some of the competition challenges that surfaced as described below.

Access for low-income community members was a focus of the Harvest Share from the beginning, as its roots were in the Community Farm Share program (CFS) that was launched by MFT in 2012. The CFS made it possible for income-eligible community members to purchase locally-produced foods directly from the producer at a discounted price. MFT engaged in fundraising to subsidize the CFS discount so that local producers could still sell their product at market value.

When MFT started its nutrition incentive program in 2015 through a federal Food Insecurity Nutrition Incentive (FINI) grant, it began working with local food stores and other farm
aggregators to offer bonus local fruits and vegetables to people paying with SNAP (Supplemental Nutrition Assistance Program, formerly food stamps). Through this nutrition incentive program, UFH was able to take ownership of the CFS and incorporate the local food access focus into the Harvest Share program. For instance, the public pick-up sites for the Harvest Share program were strategically located to be convenient and accessible to low-income community members. MFT food access staff also provided extra capacity for UFH to expand public site locations and the participation of low-income community members. The public pick-up sites began in 2015 in Waldo County and expanded to locations in Southern Maine in 2016 after MFT received additional support from Harvard Pilgrim Healthcare’s Healthy Food Fund. At the public sites, SNAP participants received a 50%-off discount at the point of purchase on fruit and vegetable-based shares available through the Harvest Share program, and MFT’s grant funding made up the difference. The online store also provided SNAP recipients with 50%-off on additional fruit and vegetable products, including bulk produce orders. At the highwater mark of 450 total share customers in 2017, about 15% were customers paying with SNAP benefits.

During the two years that UFH participated in MFT’s nutrition incentive program, SNAP participants earned over $55,000 in matching funds for fruits and vegetables through the Harvest Share program. The reporting, accounting and public-site staffing related to UFH’s participation in the program required a substantial amount of time. Because the management of UFH did not have the capacity or the expertise to provide such services, members of MFT’s administrative and food access staff provided those services to UFH. Given that fact, if UFH had been able to become a self-supporting business, it is not clear whether UFH would have been able to continue to participate in the nutrition incentive program without some sort of additional funding and administrative staff.

Wholesale Distribution

Most of UFH’s wholesale distribution work was through the food distributor Native Maine, which was interested in partnering with UFH to increase their offerings of locally grown foods. Through Native Maine, products from Maine farms were provided to hundreds of locations in Maine, New Hampshire, and Massachusetts. In the year leading up to its closure, UFH sold to over 400 Native Maine accounts. Under this arrangement, Native Maine sent out a list to their customers displaying the local products that were available through UFH. A very small percentage of UFH’s wholesale distribution deliveries were into markets around Boston. However, UFH management saw the market potential there and was beginning to try to participate more in those wholesale markets.

The Wholesale Distribution program used a 40% markup structure with 20% going to UFH and 20% going to Native Maine. Working with Native Maine allowed UFH to increase their profile with potential wholesale customers, and the relationship benefited Native Maine because in addition to being able to provide a greater selection of local foods, they received backend support on the sourcing and marketing of products. As one farmer interviewed for this Case Study explained “…when I had a question I would call up [UFH], and I think that made things easier for Native Maine because they didn’t have 50 farmers calling them.” On the other hand, several of the interviewed farm partners raised efficiency and communication questions around UFH working with another distributor, as discussed further below.
UFH did allow for “drop shipments,” which was when a buyer needed a product but it was easier for the farmer to do the distribution instead of UFH. In those instances, UFH brokered the sales and received only the 10% brokerage fee. However, brokerage services accounted for a very small percentage of UFH’s wholesale services overall for a couple of reasons. First, UFH’s staffing configuration was not structured appropriately for extensive brokerage services, as the UFH managers were the only ones engaged in such services. Second, some of the need for brokerage services disappeared with the advent of online platforms that encourage direct distribution from farmers. UFH staff noted that farmers in Maine seemed to be asking more for trucking services than for brokerage services because they did not have the time to spend on the road delivering their product. Further discussion of this topic and other farmer recommendations for aggregation and distribution services is contained in Appendix A.

UFH was not able to provide crop planning guidance to farmers who only participated in the Wholesale Distribution program for the most part because it was difficult to project future demand with the fluctuations in wholesale sales. However, there were some instances in which a wholesale customer wanted to keep an item on their menu for a period of time and asked UFH to help plan for that. If UFH was made aware of this request in advance, it could work with a producer or several producers to plan to ensure that there was enough supply. According to UFH staff, finding other instances where wholesale customers wanted a product for a longer period of time would have enabled UFH to provide more planning services to Wholesale Distribution program farmers.

In contrast to what was contemplated in the Business Plan, UFH did not regularly provide any direct service to institutional entities such as schools, government agencies, hospitals, etc. Part of the challenge of accessing institutional markets was that the food budgets of many of those entities is very low, which often does not translate to fair prices for farmers. UFH occasionally provided product to institutions, but that happened primarily when the production volume of a product was similar to the institutional need, and when the supply levels were high enough that the market price was similar to the institutional price. Although this approach did not provide any significant sales volume for farmers, it did help to build relationships with those institutions. UFH management recognized that institutional markets could provide viable opportunities over the long-term if institutional budget priorities changed. One way of working towards that change was for UFH to serve the employees of those institutions through the Harvest Share program. The strategy was to introduce institutional employees to high-quality Maine products such that those employees would demand that local products be available to them through their institutional cafeterias.

Additional Services

The physical structure of the Schoolhouse significantly limited the other services that UFH was able to provide to farmers and other aggregators and distributors. For instance, the freight elevator caused inefficiencies in packing and loading, and the layout of the building made access to storage difficult. Moreover, when the aggregation and distribution services were in operation, there was not additional space available for freezer or cold storage to rent out to others. Some of the other potential benefits afforded by the Schoolhouse, such as renting out the space and the
commercial kitchen and providing retail space, either did not materialize or not to the degree predicted. As a general matter, neither UFH nor MFT staff had the capacity to truly promote and manage the rental of the space. Therefore, renting the space only made sense from an operational and economic standpoint if long-term renters could be secured, but there was not a lot of interest. In addition, it was determined that operating a retail store out of the Schoolhouse did not make sense from a business standpoint either. UFH and MFT food access staff tried to operate a small retail operation in conjunction with the public Harvest Share pick-up site at the Schoolhouse, offering share customers the option of purchasing additional items at the site. However, the retail offerings were only available to a small number of people, resulting in minimal profits, and so the decision was made to stop the retail operation.

Farm Partners

As described above, UFH partnered with farmers of different sizes, growing different products, and not just those who fit the “AG-in-the-Middle” definition. Typically, UFH worked with farmers that had the proper packaging, quality, and count for both its Wholesale Distribution and Harvest Share programs, although UFH was willing to work with producers on all of those aspects of their production. Most of the participating farmers had a production volume supported by at least 4 or 5 acres, but there were some producers with less volume that UFH worked with for certain specialty products. A typical farmer in the Harvest Share program managed 5 to 20 acres, and the greatest wholesale sales tended to come from farmers that had at least a volume of 10-20 cases of each product. An assessment of participating farmers that was conducted in 2016 found that 83% of UFH’s farm partners were certified organic, but UFH’s policy was to work with farmers employing all different types of growing practices.

UFH required that participating farmers have a food safety plan in place, but UFH staff were willing to work with farmers to develop one if they did not already have one established. Although Good Agricultural Practices (GAP) certification was not required by UFH, both UFH staff and farm partners noted that more and more customers were requiring it, and so more and more producers were interested in obtaining it. As such, at the time of its closure, UFH had begun exploring ways it could help more farmers obtain such certifications and to seek Good Handling Practices (GHP) certification itself. UFH was also able to work with producers on proper labeling procedures (lot numbers, dates, etc.), which was beneficial for farmers who wanted to participate in markets outside those accessed through UFH.

UFH Benefits and Challenges

In February and March of 2018, after UFH’s aggregation and distribution services were suspended, MFT staff interviewed seven UFH farm partners for this Case Study. These farms differ from each other in terms of size, geographic location, wholesale experience, and type of operation. Their perspective provides further insight about UFH’s impact, including the perceived benefits and challenges of working with UFH, as well as some of the challenging dynamics surrounding UFH’s business structure and its role in the local food market.
Benefits of UFH

As described more fully below, from the farmers’ perspective, the primary benefits of working with UFH included the ways in which it provided targeted support to farmers, and its ability to help farm partners expand their markets and production.

Targeted Support

UFH provided targeted support that was flexible based on the needs and experience of each farm partner. For farms that had less experience selling wholesale, working with UFH helped them learn about the expectations and standards of wholesale markets. “We didn’t really know that much at all about the local wholesale industry,” explained one farm partner, and “working with [UFH] was really fantastic because… [they were] just a lot more open…in terms of demand and pricing and advocating for farmers…” Farm partners reported how working with UFH felt collaborative, and that communication with staff was easy, reliable and thorough. “[UFH staff were] very efficient at every step of the process, which is what makes a big difference to us…”

Because the Harvest Share program was a membership-based model, UFH was able to project demand for different products and crop plan with farm partners accordingly. One farmer worked with staff to determine what products they could grow that fit with their farm’s cold storage and labor capacity, and given their location, would not require multiple delivery trips to Unity. Another farm partner noted that UFH was their first account that offered crop planning ahead of the season at all. “…We customized our crop plan to match what we were committed to at the food hub, and that worked great.” Another interviewed farmer reported how the design of the Harvest Share menu allowed for flexibility when they happened to have certain crops ready at a different schedule than originally planned.

Expanded Markets and Production

The extent to which UFH enabled farm businesses to expand was, as one farm partner explained, “a little hard to tease out, because we were growing anyway.” However, farm partners were able to identify tangible ways in which UFH played a role in expanding their markets and production.

Multiple farmers were looking for new wholesale opportunities due to geography and the ways in which they wanted to grow their business. “We really have been focused on trying not to truck too many things ourselves,” explained one farm partner who was interested in a chance to access different wholesale markets through UFH. Another farmer was also interested in growing their farm by incrementally expanding their wholesale production. UFH supported their shoulder season production strategy by finding outlets for certain crops earlier in the spring and later in the fall. “UFH was able to make those connections where we wouldn’t have been able to, either because we didn’t have the reach marketing-wise or just because [of] geography[].” Another farm that supplied product for the Meat Share was not actively looking to expand, “but when [UFH] came along, [it] came along at a good time.” They began with selling their less popular pieces, and then continued to grow. “We did expand some to accommodate [UFH].” For one interviewed farm partner, UFH represented the only significant wholesale account that was accessible to them due to their size, location, and/or not being GAP certified. However, working
with UFH gave them the push to open up a new field, expanding production acreage. Some farms, however, reported that while UFH had the potential to enable their farm business to expand, that potential went unmet both due to the farm’s hesitance “…to do too much planning around it because it was new, untried,” as well as to UFH expecting levels of growth that did not materialize.

Multiple farm partners have been able to maintain the market connections that UFH helped to create. “After [UFH] dropped the Harvest Share, they helped a group of us make connections with some of the[] accounts and we have since started our own farm-led Multi-Farm share.” One farm reported that the biggest way UFH helped them access new markets was “helping us get into and understand Native Maine. I think that because we sold directly to [Native Maine] and over the years built up what we sold…we’ve been able to…seamlessly [pick that up]…that probably represents the biggest amount of growth for us, honestly.”

The model of the Harvest Share also facilitated market expansion by creating year-round sales and by accessing customers in parts of the state where farm partners were not already marketing their products. As one interviewed farmer noted, “we sold a lot to [UFH] over the winter, which is really when we need to sell more product…” The Harvest Share’s multi-share options created farm share-type market access for different types of operations, including meat, dairy, grains, and cut flowers, among others. One farm partner that supplied poultry to the Meat Share explained, “[w]e can’t have a CSA on our own per se because we’re strictly poultry.” This type of market access provided a certain amount of predictability in terms of planning and cash flow that was helpful for farms. “It was a nice account because it was very consistent, because it was mostly shares of the product,” explained one farm partner, “so…I could count on…20-30 pints of yogurt and 8-16 half gallons of milk every week.”

Additionally, UFH promoted farm partners on social media and identified the source of products within both the Wholesale Distribution and Harvest Share programs, including in the weekly *Harvest Notes* that were distributed to all Harvest Share customers who could then seek out farm partners’ products through other outlets. The *Harvest Notes* also featured rotating profiles of different farm partners. However, some of the marketing efforts contemplated in the Business Plan – such as printed brochures, posters, window clings, speaking engagements, etc. – were not able to gain traction before the closure.

**Challenges of UFH**

Despite some of the benefits described above, UFH also presented a number of serious challenges, including at times poor balancing between supply and demand, the limitations of the building, a lack of transparency, concerns around UFH competing with other farmers and distributors, and tensions surrounding UFH’s ownership and governance structure. Some of these tensions stemmed from the fact that UFH in operation was very different from what was contemplated in the Business Plan.
Operational Difficulties

Multiple farm partners reported some frustration with UFH overestimating levels of sales or demand for certain crops. As one farmer noted, “[i]t just took a long time to materialize into even just a good, solid small account.” Challenges with balancing supply and demand were also experienced on the farm side, as one farmer cited a time where they ended up with less crop than they had committed to due to a lack of irrigation. For some farm partners, supply and demand challenges surfaced through the ordering needs of the Harvest Share. “Nature doesn’t make consistent chickens,” one farmer explained, “…[b]ut [UFH] wanted them all about the same size, or about the same price, which was difficult for us.” However, that same farmer added that “[UFH] tried to come to what we had and we tried to go to what they wanted,” and ultimately a range was settled on for ordering, which was a better fit for their farm’s capacity.

There was also concern that the Schoolhouse was not equipped to accommodate the aggregation and distribution operations. As one farm partner explained, “…we saw the limitations of the space very early on…[i]t didn’t seem to us with what we know about washing, packing, repacking, storing, and shipping vegetables that like a basement warehouse of that size had really any potential…[W]e weren’t privy to the Business Plan, we didn’t know what they had planned, but [just] from an outsider’s view of just the facilities…”

Lack of Transparency

While farm partners generally emphasized communication as a strength of UFH, there were a few areas where it was a challenge – namely, a lack of transparency surrounding the Business Plan, UFH’s role in the market, and, later the decision to cease operations. Some farmers cited insufficient farmer engagement during the planning stages, and expressed that more farmer input should have been solicited about the services UFH ended up providing. One farm partner also cited a lack of sufficient notice about the decision to cease operations, and explained that the transition would have been easier for farms if there had been more communication around those plans. Interviewed farm partners also expressed some frustration with not knowing where their product was going. Similarly, one farmer questioned UFH’s brokerage role and the effect it had on the total markup. Another non-participating farmer also questioned how the arrangement with Native Maine could both benefit farmers and allow UFH to be solvent in the long-run given that percentages were being taken off the top for both UFH and Native Maine.

Competition Issues

In the last year to eighteen months leading up to its closure, UFH received complaints about competition from other farmers, organizations and distributors operating in the employer-CSA and wholesale distribution market spheres. Some of the complaints from farmers and distributors centered on UFH having an unfair advantage in the marketplace because its operational costs were being subsidized in part by MFT. This concern was also echoed by one interviewed farm partner who expressed discomfort with the ways in which UFH was supported by MFT and its resources. As described above, MFT provided human resources and many legal and accounting services free of charge that other providers had to pay for out-of-pocket.
In terms of other CSA providers, some of the complaints stemmed from UFH researching possible employers that it did not know at the time were already served by other farmers and organizations. Even though UFH did not pursue those opportunities once it learned about the other relationships, the initial inquiries were enough to make other farmers and organizations concerned. A significant complaint arose from UFH taking on an employer CSA program that was previously served by another farmer-aggregator operation. Although there are some differences of opinion about the reasons why the employer changed CSA providers, it is clear that UFH could have done a better job reaching out to the previous farmer provider to offer support. As a general matter, UFH could have communicated more clearly and openly with other CSA providers in the area.

Concerns over competition were also cited as challenges by interviewed farm partners. For one farm partner who works with other wholesale distributors, “the biggest challenge was…the carrying capacity of another wholesale…distributor in the marketplace,” and the need for the farmer to balance those different relationships. Some of the interviewed farmers recounted that they had initial concerns over the competition that the Harvest Share could potentially create, whether for other farms they knew or for their own business. However, these farmers also acknowledged that they lacked the time and capacity to pursue these larger workplaces, and that UFH provided the resources necessary to access markets that at the time were otherwise unavailable to some farms. “…[T]he way we’ve been trying to angle and grow our CSA is in servicing larger customers. And that itself, much like selling to wholesalers, has been a harder market to access than we originally thought…We just knew that [UFH was] doing things that we couldn’t do at that time because of their positioning as a nonprofit and their ability to hire full-time marketing staff…” However, that same farmer also explained that while UFH made it possible for their farm to access that market at the time, it was also possible that as their CSA program grew, the Harvest Share program could become a potential competitor for them down the line.

Finally, as described above, UFH management believed that in order for UFH to be self-sufficient, it needed to secure a total number of Harvest Share customers in the range of 1500 shares. One of the farmers who raised several of the competition issues submitted an economic analysis to UFH management and some MFT staff members showing that if UFH tried to obtain these share customers from the largest employers in Maine, which was UFH’s plan, it would saturate the employer-based CSA market. To follow-up on this analysis and concern, MFT staff interviewed two different economists. Neither economist was certain that the saturation scenario would occur, but both suggested that further survey analysis be conducted of potential employer customers to estimate participation rates and from that determine if market saturation would be likely to result. For instance, if only a small percentage of employees at many of the larger employers were interested in participating in the Harvest Share program, then UFH would have to solicit many of the larger employers in Maine in order to meet the goal for total shares, thereby increasing the likelihood of the saturation scenario. Some MFT staff members began discussing the possibility of conducting this survey research, but it ultimately was not undertaken because the UFH Management Committee decided to cease UFH operations for the reasons described below.
Structural Tension

As a general matter, there were some inherent tensions that existed between MFT and UFH due to the different organizational structures and missions of the entities, and some of these tensions were exacerbated by the competition issues. One of the tensions that existed was that as a nonprofit, MFT’s budgetary process, which happens during the prior year, did not provide UFH with the flexibility to quickly pursue market opportunities that were not known a significant amount of time in advance. Moreover, as a nonprofit entity, MFT was reluctant to engage in riskier endeavors, which UFH might have been more inclined to pursue as a stand-alone for-profit entity. In addition, MFT’s mission to support all farmers in Maine at times limited the ability of UFH to pursue certain endeavors, creating a natural tension between UFH needing to grow and generate enough sales to become self-sufficient faster, and the desire on the part of MFT not to be a competitive threat to farmers and other entities in the market. As one interviewed farm partner explained, “I think that having someone [run the food hub] where this is their business and they’re trying to make their business profitable can be a powerful thing for making it a well-run business.” On the other hand, one business expert interviewed for this Case Study noted that a nonprofit can manage a for-profit entity successfully as long as the nonprofit owns the strategic objective but the for-profit has control over the day-to-day operational activities.

Some UFH and MFT staff agreed that while it was important to have MFT staff and Board members provide fiduciary oversight, in retrospect it would have been beneficial to have an advisory team composed of producers and industry professionals to provide guidance on how UFH could best operate within the market. UFH staff did obtain feedback from some farmers and other aggregators/distributors, but some people felt that a more formalized role for these types of advisors – as was originally contemplated in the Business Plan but was never established – would have been helpful. Furthermore, given the inherent tension that existed between trying to develop UFH to the point of self-sufficiency and the desire of MFT to minimize competition between UFH and other producers and distributors, some of the business professionals interviewed for this Case Study wondered if it would have worked better for MFT to provide some financial support in the beginning without being involved in the governing structure and operations.

Changing Circumstances

Since the time that the idea of UFH was first conceived, there have been many changes to Maine’s food system. One noticeable change is that there are many more farmers and entities now participating in the employer-based CSA and wholesale distribution sectors who are able to aggregate and distribute food to different markets. Moreover, the development of online platforms that encourage direct distribution from farmers have obviated the need for some services originally contemplated for UFH.

Research surrounding the food hub model has also grown during this time. This section summarizes developments in food hub research from when MFT first began exploring the idea of a food hub throughout the time that UFH was in operation.
Available Research During the Time the UFH Concept was Explored

During the time period of 2010 to 2013 when MFT explored the concept of a food hub, in addition to the interviews and surveys described in the Historical Development section above, MFT staff also reviewed food hub surveys, assessments, and reports conducted by the USDA, the National Good Food Network, and others in order to inform the Business Plan and gain a deeper understanding of the scale and scope of food hub operations. Much of the research at the time reported a lack of appropriately scaled aggregation and distribution infrastructure as a barrier to scaling up local food systems, and identified food hubs as one strategy for connecting small and mid-sized agricultural producers with viable marketing outlets (Barham et al., 2012; Lerman, Feenstra & Visher, 2012; Matson, Sullins & Cook, 2013).

Available research sought to understand the characteristics, successes and challenges of food hubs, and began to document the financial viability of this growing model. For instance, the 2011 National Food Hub Survey found food hubs were purchasing from a median of 40 suppliers, and even within a relatively short time span, had improved producer profitability (Barham et al., 2012). Producers selling to one food hub reported an increase in farm sales by an average of 25 percent since working with the food hub, and 60 percent reported that they planned to increase production (Barham et al., 2012). Food hubs also reported working with producers and buyers in advance of the season to anticipate demand and pricing, help farmers plan production and develop strong business plans, and increase market share by extending the season (Barham et al., 2012; Lerman et al., 2012; Matson et al., 2013). Additional research found that smaller-scale and beginning farmers were benefiting from the support in packing and storage that food hubs provided, as well as umbrella insurance coverage and food safety assurances (Lerman et al., 2012). Food hubs responding to the 2011 Survey also were seeking to increase healthy food access – 47 percent reported that they were actively distributing products to nearby food deserts that lacked shopping choices for fresh, locally grown foods (Barham et al., 2012). In terms of financial health, the 2011 Survey reported that food hubs earned an average of close to $1 million in gross annual sales, with many showing double-and even triple-digit annual sales growth (Barham et al., 2012). But many surveyed food hubs were in the early stage of development and reported continued reliance on grant funding to support operations (Barham et al., 2012).

Some of the surveyed food hubs did report concerns over managing growth – including keeping pace with market demand and access to capital for necessary infrastructure investments – as well as challenges in balancing supply and demand (Barham et al., 2012; Lerman et al., 2012). Wholesale buyers’ resistance to paying a premium for local, source-identified food was also cited as a persistent challenge, despite indications of a growing demand for local foods (Barham et al., 2012). Other challenges identified by food hub operators included working with producers with a limited understanding of wholesale markets, logistical inefficiencies, and a lack of technical assistance (Lerman et al., 2012).

Research Developments

During the time UFH was in operation, food hub research and surveys continued to support the food hub model and its role in local and regional food systems. However, as the body of research
grew, analyses on food hub economic viability became more nuanced. Both the 2013 and 2015 National Food Hub Surveys found that almost all responding hubs reported that demand for their products and services was growing (Fischer et al., 2013; Hardy et al., 2016). Managing growth and balancing supply and demand remained top challenges in both the 2013 and 2015 Surveys (Fischer et al., 2013; Hardy et al., 2016), and challenges around food safety became an increasing concern over time (Hardy et al., 2016).

A 2015 report called Counting Values, which offered the first set of food hub financial and operational performance benchmarks, presented a more nuanced outlook on food hub profitability and efficiencies. This benchmarking study found that the typical food hub operates at break-even level. The top performing 25 percent of food hubs posted a 4 percent profit, compared with the sector benchmark of -2 percent (Farm Credit East, Wallace Center at Winrock International, Morse Marketing Connections & Farm Credit Council, 2015). Within this narrow spectrum, the most profitable food hubs were larger, for-profit operations that had been in business for a longer amount of time (Farm Credit East et al., 2015). This report also found that the gross margin of the typical food hub was 14.5 percent, which the report authors highlighted as insufficient for covering overhead or creating profit (Farm Credit East et al., 2015). The findings of this study underscored how food hubs are low-margin businesses for which profitability is critical to achieving their broader, mission-oriented goals.

Decision to Cease Operations

In September 2017, an unexpected shift in UFH personnel prompted the UFH Management Committee to evaluate UFH operations for several reasons. First, and most critically, UFH was operating far below a break-even level than what was projected in the Business Plan, causing it to continue to require substantial financial support from MFT. Second, this shift in staff resulted in a loss of staff capacity and significant wholesale relationships that would have made continuing Wholesale Distribution operations difficult. Third, even before this staffing change, UFH was operating at a scale that was positioning it to compete more with both other distributors in the wholesale field and other farmers operating in the employer-based CSA space, which, as discussed above, was problematic due to UFH’s structure and relationship with MFT.

Both UFH and MFT staff participated in the evaluation activities, which consisted of a financial analysis in the form of budget projections, estimates on needed growth to reach viability, and consideration of possible efficiencies that could be employed to help UFH reach financial solvency. The evaluation also considered the competition concerns that were discussed above, and the challenges they posed for UFH growing to the point where it could become a self-sustaining entity without MFT support. MFT staff also reviewed the original Business Plan and the market research that MFT conducted as part the Business Plan development.

In particular, the UFH Management Committee analyzed whether the Harvest Share program could operate as a stand-alone operation, including estimating how removal of the Wholesale Distribution program would impact the overall budget and overhead costs. Budget projections predicted continued and significant losses in addition to the MFT staff time spent on the oversight, legal consultation, bookkeeping, and other administrative services provided to UFH. UFH staff considered possible ways they could create efficiencies in time and overhead, but given the wide distribution area coupled with the average amount of weekly share orders at the
time, as well as the additional online store orders, it was determined that current staffing levels were necessary to sustain and grow the Harvest Share program. It was also estimated that in order for the Harvest Share to break even at current pricing, the program would need to increase its customer base from 400 at the time to around 1500 shares and fill a minimum of over 1000 share boxes a week. UFH staff believed these goals were attainable, but the UFH Management Committee determined that accomplishing that scenario would require time and additional financial investments from MFT, and would likely result in even greater competition with other players in the market. There was also concern that the building would not be able to support such an expanded sales volume.

Following the period of evaluation, the UFH Management Committee recommended and the MFT Board approved in November 2017 the decision to cease UFH’s aggregation and distribution services. This decision was based on the financial and competition factors described above, along with the recognition that Maine’s wholesale business and employer-based CSA landscape had changed and that other entities – including farmer-initiated and owned aggregation efforts – were better positioned to grow and work in this space. The recommendation was made that UFHM – the for-profit, wholly owned subsidiary of MFT that owned and operated UFH – shift towards providing some of the farmer support activities that were identified in the original UFH Business Plan, including washing, packing, and storage services, and rental of the building and commercial kitchen.

Impact of UFH Closure on Interviewed Farm Partners

Some UFH farm partners and other stakeholders expressed frustration with how the decision to cease operations was made and communicated – that it happened quickly and with short notice to farms. While MFT honored all known purchasing commitments that UFH had already made with farms, UFH’s closure did result in unanticipated sales deficits for some farm partners interviewed for this Case Study. “We have had to hit the ground running to find the sales for our products that we sold through [UFH] in the past. We had had plans to expand our sales this year with them …We’ve made the best of it, but it has required a lot more work for already busy farmers.” For some interviewed farms, the impact was relatively small because UFH had not yet developed into a significant account, either because the farmer did not want to overcommit to a new entity or because the expected demand from UFH had not yet materialized. However, as one farm partner explained, “…over the course of a year it definitely is a bummer to lose even a small account for us.” Some farm partners reported how the removal of the specific role that UFH played in the market was also a loss for them. For instance, one farm relied on UFH to help them move excess product and to manage relationships with buyers. Another farm reported missing in particular the winter sales generated by UFH. For another farmer, UFH had played a central role in helping them increase production of certain specialty products. On the other hand, several farmers reported that they were incorporating the production acreage they added through working with UFH into crop plans for the coming year, and were continuing to grow at the farmers’ market scale. Farm partners also reported some positive effects from the closure. One farmer noted that they were pleased to be communicating directly now with Native Maine and negotiating their own product pricing, and another was spurred to start a multi-farm CSA operation.
Conclusion

This Case Study is intended to serve as a helpful resource for those who are exploring aggregation and distribution models or who are interested in learning more about food hub successes and challenges. It was beyond the scope of this Case Study to discuss all of the factors influencing the development of Maine’s food system, but undoubtedly the changing context of Maine’s food distribution landscape is an important factor to consider when determining lessons learned. The unique circumstances surrounding both the development of UFH and the challenges it faced should also be taken into consideration; however, particularly for non-profit organizations, this Case Study does offer important information to consider before entering into the aggregation and distribution market space. The benefits and challenges experienced by farm partners will hopefully help to inform the services of food hub operations of all structures and stages of development. Further recommendations and future considerations from farm partners surrounding aggregation and distribution services can be found in Appendix A.

Review of Literature


Appendix A: Farmer Recommendations and Future Considerations for Aggregation and Distribution Services

Most of the farm partners interviewed for this Case Study work with other distributors, and all stated that they would be interested in working with another aggregation and distribution entity in the future if certain conditions were met. These conditions surround financial viability, the focus on market expansion, and the structure of the entity and opportunity for farmer involvement. These recommendations and future considerations can help to inform how aggregation and distribution services of all structures and stages of development can best support agricultural producers.

Financial Viability

One of the primary considerations cited by farm partners is the financial viability of any entity, which is tied not only to longevity but also to consistent and regular payments. As one farmer explained, “…[i]t’s a business where margins are small and you need to do a lot of volume to make money because margins are small…[S]o I think I would certainly go into any discussions with a certain amount of reservation about, is this an entity that is actually poised to be profitable?” Another farmer added that it is important for aggregation and distribution entities to partner with larger farms so that they can achieve necessary volume levels while minimizing time and overhead. While one farmer noted that the building structure of a food hub must be well-suited to the operation, another questioned overall the viability of the “brick and mortar” food hub model given that the added infrastructure can limit its ability to move food in a sustainable way.

Market Expansion

Many of the interviewed farmers stressed the importance of aggregation and distribution entities being focused on expanding markets for producers. In particular, a few farms identified trucking and marketing as the most helpful services for farms to be able to access larger markets in other parts of the Northeast. One farmer emphasized the importance of farms being able to produce food in areas of Maine where land is more affordable, and then provide their products to areas that have more people and purchasing power. Others saw value in a food hub playing a matchmaking role between producers and interested buyers.

However, some of the farmers interviewed also acknowledged that there are marketing tradeoffs and limitations surrounding the aggregation and distribution model, including giving up direct relationships with wholesale customers. As one farmer noted, “[i]f they’re getting your stuff
through [a distributor], you’re their backup option.” Another farmer added that when you know
the customer you are better able to market your product. Many of the farmers interviewed also
saw market expansion as an important factor for the potential of Maine agriculture generally.
One farm partner offered cooperative marketing – farmers setting the agenda, collecting product,
and marketing it together – as a potential option for market expansion and the collective success
of Maine farms.

Structure and Farmer Involvement

The opinions of interviewed farm partners on the topic of farmer involvement in aggregation and
distribution entities were mixed. For some, success of the entity is not necessarily dependent on
farmer involvement. However, multiple farmers stressed the importance of farmer input during
the planning phase. The farmers interviewed were not as concerned about the structure of the
entity – whether it is a farmer cooperative or a top-down distributor model – as long as the entity
is profitable. But some farmers did note that one of the challenges associated with a non-profit
managing the operations is that sometimes the costs get masked.

Farmer-led aggregation and distribution models held some appeal for the farmers interviewed,
and as mentioned above, a farmer-controlled initiative did form as an outgrowth of UFH’s
closure. But some farmers questioned the feasibility of the commitments that a farmer-controlled
model would call for, both in terms of the time and effort required and the division of labor. One
farm also questioned whether their scale and production volume could support their ability to
take the lead on a farmer-led entity. For multiple farmers, their interest in being involved with a
farmer-led effort depended on the communication between and relationships of those involved.

Epilogue: The Schoolhouse Today

Currently, the UFHM rents office space at the Schoolhouse to the new Maine Harvest Credit
Project – a specialized credit union focused on small farms and the new food economy in Maine.
The farmer-led aggregation and distribution initiative that formed as an outgrowth of UFH’s
closure is also renting cold and dry storage space at the Schoolhouse for their multi-farm share
and wholesale programs.