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FOOD SYSTEMS BRIEF
Research, Policy, & Practice

08

Case Study of a Hybrid Values-based Supply Chain: The Farm Fresh Healthcare Project

Brief No. 08 | May 2017

A series from the *Journal of Agriculture, Food Systems and Community Development* | www.FoodSystemsJournal.org

A summary of ***The Farm Fresh Healthcare Project: Analysis of a Hybrid Values-based Supply Chain,*** by Kendra Klein and Ariane Michas, published in the fall 2014 issue of the *Journal of Agriculture, Food Systems, and Community Development, 5*(1), 57–74. See the full paper at http://dx.doi.org/10.5304/jafscd.2014.051.003.

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The issue

Local food movement advocates are increasingly looking to institutional purchasers as a means to scale up local food systems. Institutional purchasers typically rely on supply chain intermediaries like distributors and processors due to the logistical constraints of their foodservice operations. Values-based supply chain models incorporate conventional supply chain norms of efficiency, standardization, and affordability while also meeting the diverse values motivating the local food movement, such as mutual benefit between supply chain members, transparency, environmental stewardship, and social equity. Hybrid values-based supply chain models incorporate both conventional and alternative resources, infrastructure, and markets to meet the economic and non-economic goals of farm-to-institution initiatives. The few studies examining hybrid models have come to contradictory conclusions: some argue that conventional supply chain players can benefit value chain development by providing unique assets, while others argue they may reproduce the equity imbalances that exist in conventional food systems.

Study context and objectives

The paper explored the hybrid values-based supply chain model through a case study of the Farm Fresh Healthcare Project (FFHP). The FFHP is a farm-to-hospital collaboration of two nonprofits, Community Alliance with Family Farmers (CAFF) and San Francisco Bay Area Physicians for Social Responsibility (SF PSR), that engages existing regional produce distributors to supply product from local small and midscale family farmers.

How the study was conducted

The analysis is based on evaluation of the first year and a half of the FFHP and included interviews, participant observation, and purchasing data. Both authors represent nonprofit organizations that have been leaders in the development and execution of the Farm Fresh Healthcare Project; thus, they had the opportunity for in-depth participant observation in internal conference calls, emails, meetings, and the ongoing logistics of implementing the project goals.

Results and discussion

- **Supply chain transparency**

Prior to the project, hospitals knew little about the source of the products. The project gave hospitals the ability hospitals to "pull" product through the system by prioritizing a specific farm when ordering.

- **Existing mechanisms of transparency**

In response to customer demand for local products, one distributor in the study (Bay Cities) includes demarcation of its three local zones on invoices and includes region names in the product names. It can produce a local purchasing report based on these zones upon request. Another distributor, FreshPoint SF, publishes a weekly "hot sheet" of locally produced items listing item codes, cost, product name, farm name, farm location, and distance to the FreshPoint SF warehouse. If customers order a product on the hot sheet, they can trust that it was produced by the listed farmer.

- **The need for new technology systems**

Distributers do not have systems in place to incorporate farm information into hospitals' ordering sheets or onto packaging for processed products. Having the ability to choose one product over another based on provenance, farm scale, and production practices is central to institutions' ability to influence change within the food system.

- **Transparency and fresh-cut produce**

Needing to track a specific farm's product all the way through processing resulted in different challenges for each distributor, based on the structure of their operations. Having an in-house processing room, for example, allowed Bay Cities to organize and process based on farm name.

- **Telling the story to hospital staff and patrons**

The hospitals were interested in conveying their involvement in the FFHP to patients, staff, and cafeteria visitors as a way to advertise and promote the extra effort they are making to undertake values-based purchasing and to educate hospital patrons about local and seasonal foods. To do so, CAFF produced posters, farmer profiles, and tray cards for the participating hospitals.

- **Supporting small and midscale family farmers**

The FFHP found that midscale farmers were the most likely to meet the volume, pack and grade standards, and food-safety criteria required by distributors and hospitals while also embodying the social and environmental values driving the project.

- **Decision-making equity**

The hospitals in the FFHP retained the highest degree of decision-making power, while farmers were engaged more as suppliers than as equal members, and distributors were tasked with meeting hospitals' new demands.

- **Communication and relationship-building between supply chain members**

The FFHP resulted in increased communication and contact along the supply chain, leading to greater understanding of the needs of other supply chain members. SF PSR and CAFF facilitated conference calls and in-person meetings, and one hospital representative and one distributor coordinated farm visits.

- **Prioritizing organic**

FFHP hospitals were willing to pay additional costs for products that met their health and environmental values. The FFHP hospitals passed price premiums on to customers or absorbed them in their budgets. Covering the additional costs was possible only because they represented a relatively small proportion of hospitals' overall budgets, raising questions about the hospitals' ability to expand this type of purchasing.

- **Project stability and replicability**

The FFHP required the development of new relationships, systems, and mechanisms of coordination. The involvement of nonprofit organizations was key to maintaining the project, and it remains to be seen whether FFHP purchasing patterns will continue once CAFF and SF PSR are no longer funded for this project.

Conclusion

As an example of a hybrid values-based supply chain, the Farm Fresh Healthcare Project experienced both successes and challenges. The project succeeded in:

- sourcing produce from midscale family farmers as well as one small-scale farmer;
- increasing transparency to convey farmer identities throughout the supply chain;
- putting values-based criteria ahead of price in some purchasing decisions; and
- increasing communication and trust between supply chain members.

The greatest challenges to transparency were the lack of IT systems designed to help distributors keep track of farm names and the logistical hurdles of segregating farm-specific products. Distributors' need for efficiencies, processor production specifications, and hospital food-safety requirements made it difficult to source from small-scale farms. Advocacy organizations played a key role in ensuring the incorporation of alternative agrifood goals in the FFHP, implying a potential challenge to the replicability and long-term durability of the FFHP without nonprofit participation. Other challenges include the extent to which the hospital members are willing to deal with inefficiencies inherent in the process. Finally, hospital budget constraints make FFHP purchasing patterns tenuous.

Although it was beyond the scope of this study, it is important to note that while farmers often take center stage as the beneficiaries of the local food movement, supporting independent regional intermediaries may be just as important to achieving goals related to community building and supporting local economies.

The *Journal of Agriculture, Food Systems, and Community Development* is published by the Thomas A. Lyson Center for Civic Agriculture and Food Systems, a project of the Center for Transformative Action, an affiliate of Cornell University. See all briefs at www.foodsystemsjournal.org.

JAFSCD is sponsored by:

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