



Food processing: the missing link in sustainable food systems



- ✓ Processing facilities are a missing link between local food and new markets.
- ✓ They face a double challenge: that of matching local production, high fixed operating costs and demand for local products.
- ✓ When thinking about opening new processing facilities for local food, it is necessary to carry out a full value chain assessment first.

Sustainable food is not only about production of raw materials and consumption. It entails building supply chains and therefore, paying particular attention to food processing. In a chapter of a book dedicated to regional food systems, Lauren Gwin, from Oregon State University (United States) and Nick McCann, from Michigan State University (USA), delve into the economic reality of food processors. Their analysis is extremely relevant for cities or local authorities looking to build new supply chains.

Putting processing on the food policy map

The authors define processing as “everything from minimal washing, cleaning and packing (e.g. spring mix) to complex manufacturing (e.g. cured meats)”. It is a key activity in the food chain, yet it has not received much attention in research or in local food policies, as these often focus on short chains for raw food items.

Processing facilities are a missing link between local food and new markets. Indeed, they are crucial to sustainable food. When food is processed, it can be kept longer, it can reach customers that do not have the space or time to cook – such as schools, and, more broadly, institutions –, and it can transform surplus food into new products, hence preventing waste.

For all these reasons, food policy should pay attention to processing facilities as an important part of local food systems.

Profitability as the number one priority

A key issue for processing facilities is their business model. Indeed, **such establishments need to cover their costs and make a profit if they are to serve the local community.**

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The nature of their activity raises very specific challenges. Running a processing facility implies expensive equipment and specific skills. In other words, high infrastructure investment and fixed operating costs. The more complex the processing, the more costly (meat being, for that reason, especially costly). Seasonality of production is also a challenge, as you need to keep workers busy all year long.

Therefore, the authors stress that *“keeping this expensive infrastructure—processing and otherwise—running as close to capacity as possible is critical to their profitability and persistence.”*

Balancing mission and profitability

When serving local farmers, these facilities face a double challenge: that of matching local production - that is often small scale - with:

- On the one hand, the high fixed costs of operating a processing facility,
- On the other hand, demand for such products.

Sometimes, their commitment to sustainable or fair food adds to the challenge. For example, one of the facilities included in the study could make a higher margin if they sold all their production to retail, but they are specific about making it also available to local schools.

To reach a balance between mission and profitability, processors have developed business strategies, including:

- **Processing both conventional and local/ sustainable food.** For instance, the Western Massachusetts Food Processing Center sources both local, more expensive, green beans and larger volumes coming from larger, mechanized farms in Maine.
- **Offering co-packing to local farmers.** By pooling their production together under a local or a regional brand, they reach a large enough throughput.
- **Offering other services to food businesses** (access to facilities, advice and services, guidance, incubation, loans...). One of the case studied, the Mad River Food Hub, in Vermont, provides processing facilities, storage for frozen product, distribution and technical assistance.
- **Developing new food services.** For instance, meat processors can move to catering in the low season.

How should processors choose between these strategies? According to Lauren Gwin, who co-authored the chapter, this depends on how complementary new services are to existing activities, and on whether developing them fits existing assets and skills.

Matching supply and demand

Ensuring sufficient throughput is one thing, but if there is no demand for the product, this can ruin the whole operation. The authors mention the example of a small meat processor in Iowa that had to shut down after only 4 months because of that.

For that reason, **some regional processors have taken an active role in matching demand and supply.** They can, for instance, create and market a regional brand. By doing so, they offer a very valuable service to local farmers, and, at the same time, ensure their own financial viability.

The authors stress that **investing in market development is key.** In other words, the focus should not only be on supplying processing facilities to farmers, but also on finding market opportunities.

Do you really need a new processing facility?

Setting up a new processing facility is therefore a risky business. For that reason, before investing in a new facility, food actors should first build on existing infrastructure and ask themselves *“What is out there that we are not using to its full potential yet?”* This includes:



- **Seeking optimization of existing facilities.** For instance, the authors note that *“many small meat processors appear to need additional cold storage, but charging co-packing customers for delayed product pickup can ease that constraint”*.
- **Exploring co-packing options.** This will give time to explore whether there is demand for the products.

To assess the relevance of such investment, Lauren Gwin says that it is important to:

- Understand the processing business and what it takes to make them work.
- Carry out a **full value chain assessment** in order to get the perspective of all actors in the food chain. Processing is only a node in the chain, so it will only work if producers’, processors’ and distributors’ interests align.

This will help actors, including local authorities, better understand if a new facility is needed, and at what scale (regional or local).



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Urban Food Futures would like to thank [Lauren Gwin](#) for her inputs and comments.

Source: [Gwin, L., McCann, N. \(2017\), “Use It or Lose It: Local Food, Regional Processing and the Perils of Unused Capacity”, in Federal Reserve Bank of St. Louis \(2017\), *Harvesting Opportunity. The Power of Regional Food System Investments to Transform Communities*](#)

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