Value Chain Coordination for Extension Professionals
Opportunities for Supporting and Developing Regional Food Systems
NACDEP Conference - June 2, 2020

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Session Overview

Terminology
- Value Chains
- Value Chain Coordination
- Hard and Soft Infrastructure

Background

VCC Strategy in Food Systems

Opportunities for Extension
What is a value chain?

Value Chain – set of interrelated processes which create additional $ value along each step

(Porter, 1985)

Activities can be vertically integrated under one business to create more value
Businesses can also work together to increase value for themselves and each other.
Value Chains can also be Values-Based

Strategic Business alliances that move niche products

Guided by social, cultural or quality values

(Stevenson and Pirog, 2008, 2011; Lev et al. 2015)
Value Chains can also be Values-Based

(Stevenson and Pirog, 2008, 2011; Lev et al. 2015)

In a values-based model, business actors share:

- Transparency of information
- Risk
- Profits
Who benefits in a values based supply chain?

- Strategy to help local, small-mid-scale businesses competitive against national commodity markets
- Success through cooperation and co-opetition (Bengtsson and Kock, 2000)
- “Rising Tides Lift All Ships” -- JFK
Value Chain Strategy: Working Together to Create Value

WHAT:

• Business partners recognize that maximum value for products depends on **interdependence**, **collaboration**, and **mutual support**

• Alliances form around **shared values** about the product and conveyed to customer

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Value Chain Strategy: Working Together to Create Value

WHY:

● Strategic partnerships needed to move *specialized products* through non-commodity markets

● Important strategy for *small and mid-scale* producers/processors

Hard and Soft Infrastructure for Regional Food Systems

Hard infrastructure such as aggregation, processing, distribution facilities are important, but not the only resources needed to build local economies.

Soft infrastructure in the form of relationships, knowledge and networks, is a necessary key for efficient use of hard infrastructure.

Hard and Soft Infrastructure for Regional Food Systems

Hard Infrastructure:
Investing in Food Hubs

Soft infrastructure:
Investing in Value Chain Coordination

Barham et al., 2015. “Talk is Cheap ... and Efficient! Facilitating value chain development without costly new infrastructure”.NGFN. Webinar.
Federal, Philanthropic Partners Join to Strengthen Local Food Supply Chains, "Food LINC" to Boost Farm Sales, Grow Local Foods Sector in Ten Selected Regions

Date: Thursday, March 31, 2016 - 10:00am
Release No. 080-16

ATLANTA, March 31, 2016 – U.S. Department of Agriculture (USDA) officials today joined 15 national and regional philanthropic partners to announce a new initiative to bolster the supply chain for local food systems around ten key U.S. cities. The project, dubbed ‘Food LINC’, will connect demand for local food in ten urban areas with supply from farmers and ranchers, strengthening each region's local food business sector and also increasing consumer access to healthy, local food. The announcement was made at the Wallace Center’s National Food Hub Conference in Atlanta.

'USDA, the Appalachian Regional Commission and the Delta Regional Authority recognized that our investments in local food infrastructure have the most success in communities with strong coordination between producers, food purchasers, and access to shared resources. Food LINC aims to replicate that coordination in ten cities to create market opportunities for the areas’ producers, meet demand for locally produced food and create or sustain jobs along that local supply chain.'
What is a Value Chain?

The food value chain may look a lot like a traditional supply chain on the surface, but in **value chains**...

- Businesses intentionally structure their core operations to **produce both financial success and social benefit**
- **Shared mission and operational values** support decisions and processes
- Investments go into **human capital** before hard infrastructure:
  
  **Value Chain Coordinators!**

https://www.wallacecenter.org/food-linc
## Value Chain Coordinators

### Organizations and Locations

1. La Montanita Co-op
2. Rocky Mountain Farmers Union
3. Communities Unlimited
4. The Conservation Fund
5. Louisville Farm to Table
6. Common Market Georgia
7. Appalachian Sustainable Development
8. Metro Washington Council of Governments
9. Fair Food
10. Soul City Hospitality
11. Family Farmed
12. Texas Center for Local Food
13. Food Commons Fresno

![Map of the United States with locations marked]

*Image credit: Wallace Center at Winrock International*
What is Food LINC?

Food LINC, which stands for Leveraging Investment for Network Coordination, is a three-year initiative spearheaded by USDA and its philanthropic partners to enhance local and regional food systems. Ten organizations have been initially selected to support a full time “value chain coordinator” who will provide local food sector coordination services – linking producers and buyers in a regional geography. $850K has been committed by USDA and its federal partner agencies and each organization is expected to raise matching funds on a 2:1 basis.

Philanthropic Role

Philanthropy has committed over $2 million in matching funds to support this initiative. Philanthropy is also funding a national nonprofit organization to provide a learning network among the value chain organizations. This support will enable the initiative to cover an array of metro regions and enable the work to continue in sufficient duration to generate and evaluate impact.

What do Value Chain Coordinators Do?

Food value chains differ from typical food supply chains in that they are intentionally structured to produce both business success and social benefit.

Given this intentionality, it often takes a particular person or team of people to build the initial relationships with supply chain actors and to find a shared set of mission and operational values. These value chain coordinators may play multiple roles in the development of food value chains, including:

**Market Matchmaker** - Identify and connect key stakeholders through short-term engagement.

**Convener/Relationship builder** - Build the necessary relationships across the food value chain by engaging key stakeholders, maintaining communication channels and fostering a trusting environment.

**Food Value Chain** refers to strategic alliances between supply chain actors that are intentionally structured to produce both business success and social benefit.

**Resource prospector** - Identify and pursue resources, such as grants, loans, and services to support value-chain collaborators as they develop their enterprise.

**Policy thought leadership** - Raise policy issues and partner with others to address policies and procurement requirements.

**Technical assistance provider** - Work with food chain members to build capacity through education and training programs in such areas as sustainable production practices, food safety, marketing/branding, etc.

**Catalyst/Innovator** - Utilize grants and other external resources to test new business models and thus lower the financial risk of the business engaged in the value chain.
### Role of Value Chain Coordinators

<table>
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<tr>
<th>Role</th>
<th>Description</th>
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<tr>
<td>Market Matchmaker</td>
<td>Identify and connect key stakeholders through referral services and other forms of short-term or one-off engagement. This “public interest broker” role is key to development of food value chains because many businesses are stepping outside their normal channels to find new collaborators.</td>
</tr>
<tr>
<td>Convener/Relationship Builder</td>
<td>Build the necessary relationships across the food value chain by engaging key stakeholders, maintaining communication channels, and fostering a trusting environment. Examples include convening stakeholder meetings, forming working groups, and implementing other forms of longer-term engagement.</td>
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<tr>
<td>Technical Assistance</td>
<td>Work with food value chain members to build capacity through education and training programs in such areas as sustainable production practices, food safety, marketing/branding, etc.</td>
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<tr>
<td>Policy Thought Leader</td>
<td>Raise policy issues and partner with others to address policies and procurement requirements, such as bidding procedures and preferred-vendor practices that may interfere with the ability of food value chains to access certain marketing channels.</td>
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<tr>
<td>Resource Prospector</td>
<td>Identify and pursue resources, such as grants, loans, and services to support value-chain collaborators as they develop their enterprise.</td>
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<tr>
<td>Catalyst / Innovator</td>
<td>As a resource prospector, value chain coordinators can also utilize grants and other external resources to test new business models and thus lower the financial risk of the businesses engaged in the value chain.</td>
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Roles of Value Chain Coordination

Emerging Framework

ROLES OF VALUE CHAIN COORDINATION

(Rocker, 2019)

PRIMARY ACTIVITIES
- Market Matchmaking
- Technical Assistance
- Convening Stakeholders
- Innovating New Ideas

ENABLING ACTIVITIES
- Resource Prospecting
- Policy Advocacy
- Fostering Relationships
- Research and Assessment
- Accountability Holding
## Terminology

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<th><strong>Value Chain Coordination (VCC)</strong></th>
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<td>A set of roles or activities that foster linkages and create added value to individuals, firms, product chains, and the broader regional economies in which these activities take place.</td>
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<th><strong>Value Chain Coordination Professional (VCCP)</strong></th>
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<td>An individual performing value chain coordination roles and activities</td>
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<th><strong>Value Chain Entity (VCE)</strong></th>
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<tr>
<td>Business, agency or organization in which Value Chain Coordination Professionals work</td>
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(Rocker, 2019)
Who coordinates value chains?
(Entities and Individuals)

**Businesses:**
- Food Hubs (i.e. Purchasing Managers)
- Food Distributors, (i.e. Brokers, Buyers)
- Mid-Tier Processors (i.e. Local Sales Directors)
- Retailers (i.e. Procurement Managers)

**Organizations, Institutions, Agencies:**
- Local Government (i.e. Local Food Systems Director, Public Brokers)
- Food Policy Councils
- Farm and Food Advocacy Non-Profits (i.e. Farm to Table Coordinator)
- Economic Development Councils (i.e. Regional Food Coordinators)
Who is coordinated?

Actors who support the development of individuals, businesses and chains:
- Non-profits
- Extension
- Local Government

Actors who are involved in buying/selling transactions:
- Input Supply →
- PRODUCER
- PROCESSOR
- DISTRIBUTOR
- BUYER/RETAILER → Consumers
Who is coordinated?

Actors who support the development of individuals, businesses and chains

- Support Actors:
  - Non-profits
  - Extension
  - Local Government

Actors who are involved in buying/selling transactions

- Transactional Actors:
  - Input Supply →
  - PRODUCER
  - PROCESSOR
  - DISTRIBUTOR
  - BUYER/RETAILER → Consumers

Linkages along the chain
Actors who support the development of individuals, businesses and chains

Who is coordinated?

Linkages from the chains to support actors

Linkages along the chain

Input Supply →

PRODUCER

PROCESSOR

DISTRIBUTOR

BUYER/RETAILER

→ Consumers
What is the focus of VCC?
What is the focus of VCC?

Product Focus

- Produce
- Meat
- Dairy
- Hemp
- Small Grains
What is the focus of VCC?

Product Focus

- Produce
- Meat
- Dairy
- Hemp
- Small Grains

Value Chain: Craft Beer

- Farmer: Grows barley
- Maltster: Raw barley is modified by germination into malt
- Brewer: Malt, hops and other grains brewed into beer
- Distributor: Distributes final product to retailers
- Retailer: Sells final product to end consumer

Value Chain: Artisan Bread

- Farmer: Grows wheat
- Miller: Cleans and mills raw wheat into flour
- Baker: Bakes flour into breads, pastries
- Distributor: Distributes final product to retailers
- Retailer: Sells final product to end consumer

Value Chain: Craft Whiskey

- Farmer: Grows Rye
- Maltster: Rye is modified by germination into malt
- Distiller: Malted grain and/or raw grain + enzymes are distilled into whiskey
- Distributor: Distributes final product to retailers
- Retailer: Sells final product to end consumer
Market Channel Focus

K-12, Colleges, Universities, Hospitals

Restaurant, Grocery Stories

Farmer Markets, CSAs, Direct to Consumer

Photo credit: pew.org
Which roles does Extension perform?
Examples of Extension’s Role in VCC

*Case study from Pennsylvania State University Extension (May, 2020)

PSU Extension Project Survey Questions

The Penn State Extension and Supply Chain team at Lehigh Valley campus are partnering to explore a central aggregation program to move products from farm to wholesale market.

In order to ascertain the capability and benefits, we ask that you provide some exploratory information in the questionnaire below. We will combine the data received and send you our findings to facilitate discussion.

* Required

Collaboration of Brian Moyer, Education Program Associate, Energy, Business and Community Vitality & Mark Capofoi, Lecturer of Project and Supply Chain Management, Penn State Lehigh Valley
Examples of Extension’s Role in VCC

- Do you use your own trucks to move goods to the wholesale market? *
  - Yes
  - No
  - Other:

- If no what transporter do you use? (we will not contact them)
  - Your answer

- Does your transportation need differ based on season? *
  - Yes
  - No
  - Other:

- What is the frequency of shipments? (i.e. daily 2 X weekly etc.) *
  - Your answer

- What is the average size of the order, in the number of boxes? *
Examples of Extension’s Role in VCC

Value Stream Mapping – Winter CSA Collective

- Farmers
- Collective Admin.
- Hunter Hill
- Tarra Fauna
- Josie Porter
- Rodale
- Willow Haven

- Weekly communication
- Weekly Share
- Weekly Schedule
- Week

- Receiving
- aggregation
- Packing
- Communications
- Deliveries

- Resource
- Resource
- Resource
- Resource

- 2 days
- 2 days
- 1 day
- 1 day - weekly

- Total Lead Time = 7 days

Image courtesy of Brian Moyer, Education Program Associate
Energy, Business and Community Vitality, Penn State Extension
Questions for Extension:

- Which roles does Extension already perform?
- What unique strengths does Extension have in performing VCC work?
- What challenges or barriers exist for Extension to engage in VCC work?
- Pandemic response: What is Extension’s role in repairing/re-wiring disrupted local supply chains?
Questions for Future of VCC

- Establishing networks of Value Chain Coordination professionals
  - Region
  - Product
  - Market Channel

- Who coordinates the networks of coordinators?
Indiana Farm Connect is a research and implementation project aimed at connecting local suppliers and buyers in our Indiana food system. Four value chain coordinators have been hired by our grant partner organizations to help increase local food sales to wholesale buyers throughout the state. They will spend time talking with buyers, farmers, distributors, aggregators, processors and organizations to better understand the needs, suggest strategies for change, and build networks to drive economic opportunities for Indiana’s agricultural and food systems.
FUTURE DIRECTIONS OF VCC FRAMEWORK

- VCC Curriculum and Training Development
- Assessment Tools for VCC Skills and Competencies (for Individuals and Communities)
- Funding VCC as Place Based Development Strategy
Resources for Value Chain Coordination

- National Value Chain Coordination - Online Discussion Group
- Food LINC Project Website
- Indiana Value Chain Coordination Network

Are you performing this work? Are you willing to share your insights on performing VCC in Extension? If so, be in touch!

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Thank you!