

# CASE STUDY

## FOOD HUB 1

NATIONAL  
GOOD FOOD  
NETWORK  
CONFERENCE  
MARCH 2018

Food Hub 1 is a 3rd generation family farm, in business as a food hub for 7 years. We have developed partnerships with a close knit group of small, sustainable, family farms, and are able to offer a breadth of beyond-organic, local foods from this collective of farms. Our products include dairy, beef, pork, and chicken, and eggs. 72% of our sales are wholesale. For our direct to consumer sales, we offer online ordering and delivery to drop off locations in their area. We recently sold our market stand at a local farmers' market in order to focus on our direct to consumer and wholesale business.

<b>Operational Data</b>	2017	2016
Years in business:	7	6
Number of employees:	6	8
Total facility square feet:	3,000	5,000
Number delivery vehicles:	2	3
Number of food vendors:	45	40
Number of customers:	190	195
Initial financing:	Family	Family
Growth financing:	Family + Bank	Family + Bank

Ownership structure: LLC  
 Direct connection to farm: Yes  
 Geographic radius - supply: 50 miles  
 Geographic radius - delivery: 150 miles  
 Customer mix: 72% wholesale,  
 28% direct to consumer  
 Product mix: Dairy, protein, eggs

	2017	2016
<b>PROFIT AND LOSS</b>	Hub 1	Hub 1
Sales	\$ 754,000	\$ 892,000
COGS	\$ 489,000	\$ 642,000
Gross Profit	\$ 265,000	\$ 250,000
Opex	\$ 58,500	\$ 83,800
G & A	\$ 40,000	\$ 37,700
Fixed	\$ 37,500	\$ 58,300
Labor	\$ 131,000	\$ 177,500
Net Profit	\$ (2,000)	\$ (107,300)
	-0.3%	-12.0%

<b>BALANCE SHEET</b>	BS -1	BS-1
Inventory Asset	\$ 96,000	\$ 54,000
Equipment	\$ 125,000	\$ 123,000
A/R	\$ 44,000	\$ 36,000
A/P	\$ 178,000	\$ 161,000
Loans	\$ 163,000	\$ 135,000

<b>KEY RATIOS</b>	#1-17	#1-16
Sales per Employee	\$ 125,667	\$ 111,500
Labor as % of Sales	17%	20%
Gross Margin	35%	28%
Inventory Turns	5.1	11.9
Average Pay per Employee	\$ 21,833	\$ 22,188
\$ of Sales per \$1 of Assets	\$ 6.03	\$ 7.25
Wholesale % of Sales	72%	81%



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## *Internal Group Questions*

Has the business gotten more efficient year on year?

Where does the business have the greatest opportunity for improvement?

What's the most important question you would ask an advisor who knows about this business? What question needs to be asked?

What's the most important number they need to focus on in the next 12 months?



# CASE STUDY FOOD HUB 2

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MARCH 2018

Food Hub 2 provides the convenience of online ordering and local (drop point) delivery of dairy, beef, pork, chicken, eggs, and sundries (like honey and baked goods) to customers across the one state. We work with a close-knit group of sustainable family farms to source our products. We have been in business for 10 years and direct to consumer sales make up almost all of our business. We share ownership with a 5th generation family farm. Recently, we developed our online ordering to include UPS shipping within 1 day of our location.

<b>Operational Data</b>	2017	2016
Years in business:	10	9
Number of employees:	23	23
Total facility square feet:	9,500	6,500
Number delivery vehicles:	6	6
Number of food vendors:	35	30
Number of customers:	1,500	1,600
Initial financing:	Family	Family
Growth financing:	Bank	Farm Credit + Family

Ownership structure: LLC  
 Direct connection to farm: Yes  
 Geographic radius - supply: 50 miles  
 Geographic radius - delivery: 150 miles  
 Customer mix: 2% wholesale,  
 98% direct to consumer  
 Product mix: Dairy, protein, eggs,  
 sundries

	2017	2016
<b>PROFIT AND LOSS</b>	Hub 2	Hub 2
Sales	\$ 3,109,000	\$ 3,310,000
COGS	\$ 1,987,300	\$ 2,047,000
Gross Profit	\$ 1,121,700	\$ 1,263,000
Opex	\$ 109,400	\$ 75,000
G & A	\$ 101,500	\$ 101,000
Fixed	\$ 102,500	\$ 106,000
Labor	\$ 503,500	\$ 445,600
Net Profit	\$ 304,800	\$ 535,400
	9.8%	16.2%

<b>BALANCE SHEET</b>	BS-2	BS-2
Inventory Asset	\$ 453,300	\$ 479,500
Equipment	\$ 762,400	\$ 606,000
A/R	\$ 9,700	\$ 14,700
A/P	\$ 96,400	\$ 68,500
Loans	\$ 534,600	\$ 357,700

<b>KEY RATIOS</b>	#2-17	#2-16
Sales per Employee	\$ 135,174	\$ 143,913
Labor as % of Sales	16%	13%
Gross Margin	36%	38%
Inventory Turns	4.4	4.3
Average Pay per Employee	\$ 21,891	\$ 19,374
\$ of Sales per \$1 of Assets	\$ 4.08	\$ 5.46
Wholesale % of Sales	2%	2%



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# CASE STUDY FOOD HUB 3

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Food Hub 3 has been in business for 4 years and works with a diverse group of producers and distributors to provide an online farmers market. Our sales are 100% direct to consumer through our online marketplace, and goods include vegetables, dairy, protein, eggs, and sundries. For the majority of the year our food is sourced locally, though food is sourced elsewhere during winter. Products never include GMOs, and are sourced from sustainable but not certified organic farms. We've recently upgraded our main software system, streamlined our processes, and are now embarking on a customer retention campaign as we are able to attract more new customers each year than we currently have or retain.

## Operational Data

	2017	2016
Years in business:	4	3
Number of employees:	6	10
Total facility square feet:	7,000	7,000
Number delivery vehicles:	0	1
Number of food vendors:	146	112
Number of customers:	650	650
Initial financing:	Business Plan Contest + Friends and Family	
Growth financing:	Bank	Farm Credit

Ownership structure: LLC  
 Direct connection to farm: No  
 Geographic radius - supply: 75 miles  
 Geographic radius - delivery: 50 miles  
 Customer mix: 100% direct to consumer  
 Product mix: Vegetables, dairy, protein, eggs, sundries

	2017	2016
PROFIT AND LOSS	Hub 3	Hub 3
Sales	\$ 734,500	\$ 860,500
COGS	\$ 375,000	\$ 420,000
Gross Profit	\$ 359,500	\$ 440,500
Opex	\$ 69,200	\$ 95,200
G & A	\$ 68,200	\$ 76,100
Fixed	\$ 37,800	\$ 34,200
Labor	\$ 197,200	\$ 251,300
Net Profit	\$ (12,900)	\$ (16,300)
	-1.8%	-1.9%

BALANCE SHEET	BS-3	BS-3
Inventory Asset	\$ 36,100	\$ 30,400
Equipment	\$ 95,000	\$ 46,000
A/R	\$ 125	\$ 9,600
A/P	\$ 17,700	\$ 10,500
Loans	\$ 232,000	\$ 205,000

KEY RATIOS	#3-17	#3-16
Sales per Employee	\$ 122,417	\$ 86,050
Labor as % of Sales	27%	29%
Gross Margin	49%	51%
Inventory Turns	10.4	13.8
Average Pay per Employee	\$ 32,867	\$ 25,130
\$ of Sales per \$1 of Assets	\$ 7.73	\$ 18.71
Wholesale % of Sales	0%	0%





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# CASE STUDY FOOD HUB 4

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Food Hub 4 is a 100% local farm fresh food distributor working with over 120 sustainable farms throughout the region. We have been in business for 10 years and sell produce almost exclusively. Our business is 100% wholesale and we deliver daily to restaurants, grocers, schools and more. We are actively looking for opportunities to sell more non-produce items to even out our seasonality and assist in leveling out cash flow.

## Operational Data

	2017	2016
Years in business:	10	9
Number of employees:	20	23
Total facility square feet:	5,000	5,000
Number delivery vehicles:	6	6
Number of food vendors:	128	118
Number of customers:	568	561
Initial financing:	Self	Self
Growth financing:	Friends + Family	Small Bank Loan

Ownership structure: LLC  
Direct connection to farm: No  
Geographic radius - supply: 150 miles  
Geographic radius - delivery: 200 miles  
Customer mix: 100% wholesale  
Product mix: Produce

	2017	2016
<b>PROFIT AND LOSS</b>	Hub 4	Hub 4
Sales	\$ 5,800,000	\$ 5,300,000
COGS	\$ 4,226,900	\$ 3,963,900
Gross Profit	\$ 1,573,100	\$ 1,336,100
Opex	\$ 427,600	\$ 440,300
G & A	\$ 164,100	\$ 184,400
Fixed	\$ 57,400	\$ 48,900
Labor	\$ 894,000	\$ 1,099,000
Net Profit	\$ 30,000	\$ (436,500)
	0.5%	-8.2%
<b>BALANCE SHEET</b>	BS-4	BS-4
Inventory Asset	\$ 82,400	\$ 68,600
Equipment	\$ 168,000	\$ 165,000
A/R	\$ 299,500	\$ 335,800
A/P	\$ 500,100	\$ 822,000
Loans	\$ 642,000	\$ 164,000

KEY RATIOS	#4-17	#4-16
Sales per Employee	\$ 290,000	\$ 230,435
Labor as % of Sales	15%	21%
Gross Margin	27%	25%
Inventory Turns	51.3	57.8
Average Pay per Employee	\$ 44,700	\$ 47,783
\$ of Sales per \$1 of Assets	\$ 34.52	\$ 32.12
Wholesale % of Sales	100%	100%



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## *Internal Group Questions*

Has the business gotten more efficient year on year?

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What's the most important question you would ask an advisor who knows about this business? What question needs to be asked?

What's the most important number they need to focus on in the next 12 months?







# Getting Financially Naked

Local Food Hub Peer Group Financial Comparisons

Kitchen Table Consultants

[www.kitchentableconsultants.com](http://www.kitchentableconsultants.com)

PROFIT AND LOSS	2017	2016	2017	2016	2017	2016	2017	2016
	Hub 1	Hub 1	Hub 2	Hub 2	Hub 3	Hub 3	Hub 4	Hub 4
Sales	\$ 754,000	\$ 892,000	\$ 3,109,000	\$ 3,310,000	\$ 734,500	\$ 860,500	\$ 5,800,000	\$ 5,300,000
COGS	\$ 489,000	\$ 642,000	\$ 1,987,300	\$ 2,047,000	\$ 375,000	\$ 420,000	\$ 4,226,900	\$ 3,963,900
Gross Profit	\$ 265,000	\$ 250,000	\$ 1,121,700	\$ 1,263,000	\$ 359,500	\$ 440,500	\$ 1,573,100	\$ 1,336,100
Opex	\$ 58,500	\$ 83,800	\$ 109,400	\$ 75,000	\$ 69,200	\$ 95,200	\$ 427,600	\$ 440,300
G & A	\$ 40,000	\$ 37,700	\$ 101,500	\$ 101,000	\$ 68,200	\$ 76,100	\$ 164,100	\$ 184,400
Fixed	\$ 37,500	\$ 58,300	\$ 102,500	\$ 106,000	\$ 37,800	\$ 34,200	\$ 57,400	\$ 48,900
Labor	\$ 131,000	\$ 177,500	\$ 503,500	\$ 445,600	\$ 197,200	\$ 251,300	\$ 894,000	\$ 1,099,000
Net Profit	\$ (2,000)	\$ (107,300)	\$ 304,800	\$ 535,400	\$ (12,900)	\$ (16,300)	\$ 30,000	\$ (436,500)
	-0.3%	-12.0%	9.8%	16.2%	-1.8%	-1.9%	0.5%	-8.2%
							15.4%	

## OPERATIONAL DATA

Years in Business	7	6	10	9	4	3	10	9
Number of Employees	6	8	23	23	6	10	20	23
Total Facility Square Feet	3000	5000	9500	6500	7000	7000	5000	5000
Number Delivery Vehicles	2	3	6	6	0	1	6	6
Number of Food Vendors	45	40	35	30	146	112	128	118
Customers	190	195	1500	1600	650	650	568	561
Initial Financing	Family		Family		Business plan contest + Friends and Family		Self Friends +	
Growth Financing	Family + Bank	Family + Bank	Bank	Farm Credit + Family	Bank	Farm Credit	Family	Small Bank Loan
Ownership Structure	LLC		LLC		LLC		LLC	
Direct Connection to Farm	Yes		Yes		No		No	
Supply Geographic Radius	50 miles		50 miles		75 miles		150 miles	
Delivery Geographic Radius	150 miles		150 miles		50 miles		200 miles	
Product Mix	Dairy, protein, eggs		Dairy, protein, eggs, sundries		Veg, dairy, protein, eggs, sundries		Produce	

## BALANCE SHEET

	BS -1	BS-1	BS-2	BS-2	BS-3	BS-3	BS-4	BS-4
Inventory Asset	\$ 96,000	\$ 54,000	\$ 453,300	\$ 479,500	\$ 36,100	\$ 30,400	\$ 82,400	\$ 68,600
Equipment	\$ 125,000	\$ 123,000	\$ 762,400	\$ 606,000	\$ 95,000	\$ 46,000	\$ 168,000	\$ 165,000
A/R	\$ 44,000	\$ 36,000	\$ 9,700	\$ 14,700	\$ 125	\$ 9,600	\$ 299,500	\$ 335,800
A/P	\$ 178,000	\$ 161,000	\$ 96,400	\$ 68,500	\$ 17,700	\$ 10,500	\$ 500,100	\$ 822,000
Loans	\$ 163,000	\$ 135,000	\$ 534,600	\$ 357,700	\$ 232,000	\$ 205,000	\$ 642,000	\$ 164,000

<b>KEY RATIOS</b>	#1-17	#1-16	#2-17	#2-16	#3-17	#3-16	#4-17	#4-16
Sales per Employee	\$ 125,667	\$ 111,500	\$ 135,174	\$ 143,913	\$ 122,417	\$ 86,050	\$ 290,000	\$ 230,435
Labor as % of Sales	17%	20%	16%	13%	27%	29%	15%	21%
Gross Margin	35%	28%	36%	38%	49%	51%	27%	25%
Inventory Turns	5.1	11.9	4.4	4.3	10.4	13.8	51.3	57.8
Average Pay per Employee	\$ 21,833	\$ 22,188	\$ 21,891	\$ 19,374	\$ 32,867	\$ 25,130	\$ 44,700	\$ 47,783
\$ of Sales per \$1 of Assets	\$ 6.03	\$ 7.25	\$ 4.08	\$ 5.46	\$ 7.73	\$ 18.71	\$ 34.52	\$ 32.12
Wholesale % of Sales	72%	81%	2%	2%	0%	0%	100%	100%

**Definitions**

Sales per Employee	Total Sales divided by number of employees at mid year point
Labor as % of Sales	Total Labor \$ divided by Total Sales
Gross Margin	Gross Profit / Total Sales
Inventory Turns	Total Gross Profit divided by Year End Inventory
Average Pay per Employee	
\$ of sales per \$1 of Assets	
Wholesale % of Sales	
COGS	Only those items bought to be resold. No Labor.
Gross Profit	Total Sales minus COGS
Opex	Operating Expenses--expenses that generally go up and down with sales, but aren't resold: vehicles, repairs, etc.
G & A	Marketing, Advertising, Office Supplies, Technology, Etc.
Fixed	Rent, Business Insurance, Depreciation, Interest
Labor	Employee expenses including management and direct labor workers comp, benefits, and taxes.



# Getting Financially Naked

Local Food Hub Peer Group Financial Comparisons

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## Key Ratios, Sorted

Rank	Food Hub/ Period	Sales per employee	Food Hub/ Period	Labor as % of Sales	Food Hub/ Period	Gross Margin	Food Hub/ Period	Inventory Turns	Food Hub/ Period	Average Pay per employee	Food Hub/ Period	\$ of Sales per \$1 of Assets
1	#4-17	\$ 290,000	#2-16	13%	#3-16	51%	#4-16	57.8	#2-16	\$ 19,374	#4-17	\$ 34.5
2	#4-16	\$ 230,435	#4-17	15%	#3-17	49%	#4-17	51.3	#1-17	\$ 21,833	#4-16	\$ 32.1
3	#2-16	\$ 143,913	#2-17	16%	#2-16	38%	#3-16	13.8	#2-17	\$ 21,891	#3-16	\$ 18.7
4	#2-17	\$ 135,174	#1-17	17%	#2-17	36%	#1-16	11.9	#1-16	\$ 22,188	#3-17	\$ 7.7
5	#1-17	\$ 125,667	#1-16	20%	#1-17	35%	#3-17	10.4	#3-16	\$ 25,130	#1-16	\$ 7.3
6	#3-17	\$ 122,417	#4-16	21%	#1-16	28%	#1-17	5.1	#3-17	\$ 32,867	#1-17	\$ 6.0
7	#1-16	\$ 111,500	#3-17	27%	#4-17	27%	#2-17	4.4	#4-16	\$ 47,783	#2-16	\$ 5.5
8	#3-16	\$ 86,050	#3-16	29%	#4-16	25%	#2-16	4.3	#4-17	\$ 52,200	#2-17	\$ 4.1