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FARMERS' USE OF VALUES-BASED SUPPLY CHAINS



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BACKGROUND

In the last few decades, food systems scholars have documented the emergence in the U.S. of **mid-scale marketing channels** that fall between commodity and direct markets.

These supply chains can fill a critical gap by offering:

- sufficiently large outlets for mid-scale producers, who may be too large or otherwise unsuited for direct markets
- opportunities for smaller producers to aggregate their products to reach larger markets.

A notable mid-scale marketing channel type is the **values-based supply chain (VBSC)**. VBSCs involve supply chain partnerships among multiple businesses, including farmers, distinguished by both:

- product attributes (organic, local, production practices, etc.)
- shared ethics or values among participants in the chain.

The strategic alliances afforded by VBSCs can enable groups of farmers to aggregate their products for distribution at a larger scale while maintaining their unique business identity and receiving premiums for products differentiated by such values as quality, environment, place, or social relationships.

RESEARCH

QUESTIONS:

How are VBSCs being used by farmers relative to other marketing channels? What are VBSCs' perceived challenges and benefits?

METHODS:

Nationwide survey conducted in 2017 with 298 farmers participating in 19 VBSCs varying in size and location nationwide. Effects of farm characteristics on outcome variables were assessed with regression analyses.

PARTICIPANT DEMOGRAPHICS:

REGIONAL DISTRIBUTION OF VBSCs

- Pacific: 8 VBSCs
- Northwest: 4 VBSCs
- Mountain, Upper Midwest, Heartland, Great Lakes, Eastern, Mountain, Northeast, Southern: 1-2 VBSCs per region

FARM SIZE (annual gross farm income)

- 39% large (> \$500,000)
- 44% mid-scale (\$50,000-\$500,000)
- 17% small-scale (<\$50,000)

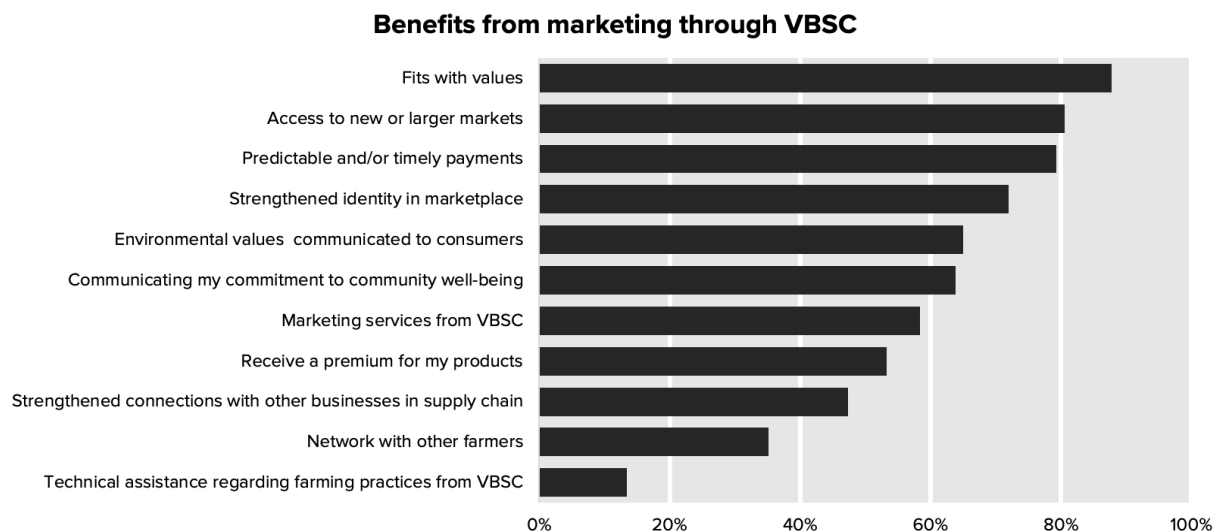
PRODUCTS SOLD BY VBSCs

- Horticultural (84% of VBSCs)
- Eggs (26%)
- Red meat (21%)
- Grains (21%)
- Oil crops (16%)
- Poultry (11%)
- Dairy (11%)
- Dried beans and peas (5%)

RESULTS

Values-based supply chains are beneficial to participating farmers

Most (90.4%) respondents indicated that they benefited from selling through their VBSC.



The importance of VBSCs as a marketing outlet varies by farm characteristics

Small- and mid-scale farms (by income) ranked VBSCs as their most important marketing outlet, whereas large farms ranked them as their second most important, behind wholesale. Small- and mid-scale farms also sell a higher percentage of overall sales to their VBSC (averaging 42.5% and 25% of overall sales, respectively) than large farms (averaging 16% of overall sales). But larger farms were more likely to perceive VBSC-specific benefits. The importance of VBSCs also differed by the types of crops grown by an operation or the operation's U.S. region.

VBSCs also come with challenges for participating farmers

Fifty-one percent (51%) of respondents indicated they face some challenges as a result of selling through their VBSC. Larger farms are more likely to report that their VBSC can't take the volume they need to supply, and standards such as quality and labor standards and organic certification are challenges when selling to their VBSCs, while smaller farms are more likely to report that they do not have enough volume when selling to their VBSC.

