



Feasibility Study

Small/Medium Farm Product Distribution

In the Lower Mainland

Part 5

Buyers' Needs from a Small Farm Distribution Model

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Acknowledgements

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Executive Summary

The increase in demand for locally produced food is widely acknowledged by industry, non-profit local food advocates, and government. It is also widely acknowledged that the flow of product from farm to market is significantly hampered by the lack of distribution infrastructure, particularly for small and medium sized farms.

Through conversations with local growers and buyers (restaurants, retailers and public institutions), the large demand for local food sourced directly from the farmer is coming from high end restaurants, natural food retailers and public institutions such as University of British Columbia. In particular high end restaurants are buying a significant amount of local food direct from farmers because the chef's value the relationships with the farmers as well as the quality and marketability of the food.

Further analysis with nine buyers (retailers, restaurants and distributors) revealed the need to improve the current distribution model for small/medium farm operations. The current procedures are costing both the buyers and suppliers time and resources. However the benefits of having a close relationship and dealing direct with each other, is essential.

The current model can also be improved by reducing shorts (where a farmer can't supply a product that has been ordered by the customer), maintaining a consistent supply and quality and improving convenience. They also have a strong preference for having as many orders direct from the farm delivered on the same truck and preferably more than once per week to reduce labour receiving product and maintaining freshness of the product. Buyers are also looking for better ways to access new qualified suppliers, without spending too much time doing so. This needs to be all backed up by impactful marketing support that is directed by the suppliers.

Any enhancement to the distribution model has the potential to not only increase sales of local food to current buyers, but also open up the opportunity to other buyers who have so far been reluctant to put in the extra effort to source direct from local suppliers due to the current challenges. This could result in a large sustained increase in local food in the region.

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Introduction

The increase in demand for locally produced food is widely acknowledged by industry, non-profit local food advocates, and government. It is also widely acknowledged that the flow of product from supply to demand is significantly hampered by the lack of distribution infrastructure, particularly for small and medium sized farms. This has seen the rise in interest for local food hub projects in BC.

This feasibility study will review the logistics, administration and governance of small food distribution systems that can serve small numbers of farmers, particularly rural transportation systems that supply urban centres.

The feasibility study will research;

1. Requirements for food distribution
2. Business Models and Best Practices
3. Bylaws, Regulations, and Funding Sources
4. Farmer's Needs for Distribution Model
5. Buyer's needs for Distribution Model
6. Model Development and Comparison

Farmers have identified the lack of suitable distribution as a barrier to growing their business: selling more and expanding production on their lands. Chefs, grocers, and processors have indicated the gap in distribution is a barrier to buying local food directly from farmers. Each group has voiced their frustration at Meet Your Maker (MYM) events co-organized by the Vancouver Farmers' Markets (VFM) and FarmFolk CityFolk (FFCF) as well as at other discussions and research centred on improving the local food system, such as NCM project (VFM) and North Fraser Food Hub project (Pitt Meadows Economic Development). The *Regional Food System Strategy* produced in 2011 by Metro Vancouver also indicates a need for improved distribution;

“Smaller farmers need access to venues where they can sell their products directly to consumers and all farmers could benefit from improved storage and distribution facilities within the region.”¹

Due to findings from previous research, such as New City Market² and North Fraser Food Hub³ feasibility studies, there is a clear strong demand for local food in BC, especially Metro Vancouver. Therefore, this interim report, the 5th report of 6 reports, reviews the feasibility and needs for a small farm product distribution service. The report helps begin to understand the ideal distribution needs for buyers accessing local food direct from suppliers, by:

- Providing an overview of the demand of local food, where the demand is coming from and therefore who to connect to, to research the needs of the wholesale buyer.
- Identifying the distribution needs of those wholesale buyers who are currently buying food from local suppliers.
- Concluding what an ideal food distribution system would look like that would help wholesale buyers access more local food.

¹

<http://www.metrovancouver.org/planning/development/AgricultureAndFood/Documents/RegionalFoodSystemStrategy.pdf>

² www.newcitymarket.org

³ http://www.investnorthfraser.com/Library/pdfs/Report_5_North_Fraser_Agri-Food_Hub_Pre-Feasibility_Assessment.pdf

Demand for Local Food

Some of the content below is from other reports on local food hubs and distribution services such as New City Market Business plan and North Fraser Food Hub feasibility study. Darren Stott was one of the main authors of these reports.

Earlier in this feasibility study it was highlighted that the demand for local food in the region is high. This report further looks at this demand and where the demand is coming from, to help identify those businesses who are selling, and therefore buying, local food direct from farmers and producers. Using this information the study connects with these businesses to understand the needs of their wholesale buyers.

Developing new points of sales in the local supply chain

The Vancouver Economic Development Commission report⁴ on The Economy of Local Food in Vancouver and the preliminary business plan for New City Market, Vancouver⁵ looked closely at different sectors of the food industry to identify the strongest demand of local food. Currently small and medium sized farms' biggest sectors are direct sales through farmers' markets, gate sales and Community Supported Agriculture (CSAs)⁶. These channels require significant resources from farmers; therefore farmers are looking at additional points along the local food supply chain where they can sell more of their products.. These would include restaurants, large institutions and grocers who are able to benefit from providing or carrying local foods.

Restaurants

Restaurants, especially high end ones committed to developing and promoting local foods, represent the easiest opportunity for a small farm food distribution service. Some currently buy a large proportion of local food direct from producers. High end restaurants place emphasis on sourcing high quality ingredients and can afford to charge their clientele accordingly. Chefs and restaurant owners invest time in building relationships with local producers to guarantee high quality and pay them a fair price for their products. From previous research for New City Market project Wild Rice, a restaurant in Vancouver, stated it would pay a 10% to 30% premium for local, good quality ingredients. Forage, another Vancouver restaurant, have around 15 suppliers they work directly with.

Public Institutions

In recent years, local public institutions, like the University of British Columbia, have introduced socially responsible purchasing policies, one of which is sourcing more local products. Other public institutions that are committed to buying more local products include the City of Vancouver, Health Shared Services of BC, Vancouver Convention Centre and the Vancouver School Board. The City of Vancouver is leading a multi-sector process to expand the procurement of local food.

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http://www.sauder.ubc.ca/Faculty/Research_Centres/ISIS/Resources/~/_media/3CE36C43F0BB49C18059FF57CB810A44.aspx

5 www.newcitymarket.org

6

<http://webarchives.cdlib.org/sw1tx36512/http://www.ers.usda.gov/AmberWaves/December10/Features/SupplyChains.htm>

Natural Food Retailers

Retailers have played a part in the popularity of local food. In some cases local retailers, have been pioneers in offering local food. Now that local food is becoming more main stream, larger retailers are offering a larger selection. For example Safeway is a large supporter of the “Buy BC Food”⁷ program and displays the signage next to hundreds of BC products in their stores.



Figure 1 Buy BC Food signage in a Safeway store

⁷ <http://www.buybcfood.ca/participants/safeway>

Identifying the Needs of Wholesale Buyers

This component of the feasibility research looks more closely at the distribution needs of buyers at restaurants, retailers and distributors in Metro Vancouver. To develop a distribution model that works for local farmers, it also needs to work for their buyers. The goal with any small scale distribution model would be to offer a service as close as possible to that offered by major distributors. To look at the needs of wholesale buyers, phone call interviews were held with a number BC restaurants, retailers and distributors who supply retailers and public institutions.

Research Methodology

Both primary research (i.e. an hour long interview with selected buyers/distributors) and research from secondary sources were used. Nine phone interviews were held with businesses that were known to buy directly from small/medium sized farms or to distribute their product, see below. These businesses were asked questions to help visualize what an ideal local food distribution service could begin to look like:

- The buyers current process of ordering and receiving local food,
- How the buyers identify new local suppliers,
- What the buyers would like to see out of a small farm product distribution service that would help their businesses.

Business	Website	About	Local Food
Forge Restaurant	www.foragevancouver.com	Vancouver fine dining restaurant since 2010	Sources direct from 15 local farms
Fable Restaurant	www.fablekitchen.ca	Vancouver fine dining restaurant	Sources direct from 15 local farms
Aphrodites Organic Café & Pie shop	www.organiccafe.ca	Vancouver restaurant since 2002	Sources direct from 10 to 15 local farms
Rocky Mountain Flatbread Company	www.rockymountainflatbread.ca	2 Vancouver restaurants and 1 Calgary restaurant	Sources as local as possible, with some direct suppliers.
Choices Markets	www.choicesmarket.com	7 grocery stores in Metro Vancouver & Kelowna	Policy of sourcing local food
Whole Foods Markets	www.thelocalforager.com	Grocery chain with 4 stores in Metro Vancouver	Policy of sourcing local food
Cold Star Freight	www.coldstarfreight.com	Vancouver Island Freight & Cold storage	Beginning to develop a strategy with local farmers
Revolution Transport	www.revolutionbiodiesel.ca	South East BC food distributor	Delivers farm product from Similkameen

			Valley and surrounding area to Calgary and surrounding towns.
Trigo Distribution	www.trigodistribution.com	Vancouver Island food distributor to restaurants	Sources from ~20 Saanich farms

To add to the information gathered from the above buyers, interviews were also held with a farm co-op that supplies Vancouver restaurants and another farm co-op which has a retail outlet that is run by the farmers, to better understand the model of direct marketing of farm grown product direct to the buyer.

Business	Contact & Website	About
Caribou Co-op	www.caribougrowers.ca	Retail store in Williams Lake, BC that is owned and operated by 50 local growers in the Caribou region. They co-ordinate the stocking of local product as well as considering wholesale to other businesses in the region
City Farm Co-op	www.cityfarmscoop.ca	Co-op of 6 urban farms across Lower Mainland, which sells to Vancouver restaurants as well as operates a CSA program. Tried online systems like Local Orbit & Local Food Marketplace

Findings

The businesses interviewed were asked the following questions:

- How do you currently order food direct from local suppliers?
- How many direct suppliers?
- What do you like about the process?
- What don't you like?
- What improvements can be made to the process?
- How do you find new direct suppliers?
- Are you looking for more? If so, what type of supplier and type of product?
- Do you see the benefit of an online ordering system with all/some local suppliers in the system?
- If not, why not?
- How do direct suppliers deliver to your business?
- Can it be improved? If so how?
- Are other restaurants looking to order from your direct suppliers?
- Are your direct suppliers looking for more business?

- Do you know if they are having challenges with this?

The below feedback has been obtained from interviews held with the above BC food businesses. Their answers have been summarized below based on business type.

Current order and distribution process

Restaurants: when ordering direct from growers and producers, the restaurants receive “fresh sheets” from each of their suppliers at the beginning of the week via e-mail. The fresh sheets contain information on what products are available and their price. The restaurants then have to order by a deadline (normally within a day or 2) to place their order, again normally via e-mail. In some circumstances the restaurants are calling each of their suppliers to confirm price, availability and quality. Orders are placed for a week’s worth of food, because the suppliers normally only deliver once a week. Deliveries are normally made the day after the orders have been placed and arrive mid-week (Wednesday/Thursday) ready for the end of week trade. Most deliveries are done by the suppliers themselves in their own vehicles. Some restaurants at the beginning of the season also work with their suppliers, especially growers, to plan what to grow and when.

Retailers: well over 90% of food sold in most retail outlets is supplied by distributors. When food is ordered direct from suppliers, it is done using the same process as that of distributors, which is normally, an order generated through their inventory management software into a purchase order which is either emailed or faxed to the supplier. Due to the geographical spread of some stores, the central buying department may decide on what food to sell in stores, but the stores are left to order the items. Orders are normally for 3 to 5 days worth of inventory to minimize how much stock is held as well as to maintain freshness and quality. The minimum order size for produce for retailers is normally around \$200 to \$300 (around 10 to 15 cases).

Sourcing new suppliers

Both retailers and restaurants interviewed were not actively looking for new local suppliers, but were definitely open to looking at more. This was reflective in how they obtained their current local suppliers, which mainly relied on suppliers contacting them and developing a relationship. Suppliers either cold called them or more often had a referral through another supplier or other contact. Prospecting suppliers are expected to meet the wholesale buyer at their work place with samples and product information such as pricing and availability. Some suppliers were identified through either online searches, coming across them at the farmers’ market, or trade shows such as Meet Your Maker⁸. If a buyer had a gap they needed to fill, more often than not they would speak to their current suppliers to either fill the gap or recommend someone who could. The businesses interviewed indicated that the suppliers have to be “wholesale ready” or close to it, to be even considered as a potential supplier. Restaurants and retailers do not have the time or resources to “coach” suppliers on how they are expected to service them e.g. pricing, packaging and consistency.

Findings

Based on this research the strength of the current distribution model of buyers who have established a business relationship with small/medium sized farms are;

- Personal relationship and connection with the person growing/producing the food.
- Being able to plan for the coming season with the grower specific to the businesses needs

⁸ <http://www.farmfolkcityfolk.ca/events/meet-your-maker-3/>

- Flexibility and willingness to look at new products based on the businesses needs
- Promoting the growers/suppliers to the end consumer, who are also keen to know where their food has come from.
- Richness and diversity of suppliers and food available.
- Supporting local businesses and the local economy.
- Freshness and quality of the product.
- Point of differentiation from the competition/niche market.

The challenges with the current ordering and distribution model are:

- Getting hold of suppliers, in particular farmers, is a challenge as their schedule does not match those of chefs and buyers.
- Each farmer/supplier has different schedules e.g. fresh sheet, order deadline and delivery times.
- Sometimes there are “shorts” (when items are not delivered) because customers have ordered more than what is available or a farmer doesn’t have enough stock or weather conditions affect production levels..
- Having to place 10 to 15 orders with local suppliers on top of other orders.
- Having to receive 10 to 15 orders with local suppliers in some cases on the same day.
- Food not being suitable to receive when delivered, for example food not being kept cold enough in the suppliers’ vehicles.
- Not being able to order “top ups” if original inventory has been sold out before the next scheduled delivery.
- Not having enough volume from one supplier to supply the wholesale customer’s needs.
- Not having enough time and resources to source new suppliers.
- Higher prices of local food, especially from small and medium sized farms.
- Consistency of supply and quality, especially for seasonal items.
- Meeting minimum orders if only ordering certain items from small suppliers.
- Some suppliers are not very good at communicating with the buyers and especially promoting themselves and their products.
- Some retailers and distributors find it hard to work with local suppliers because they cannot supply the variety and volume of product year-round. This means they have to find alternative sources to fill the gaps.

Recommendations

There is a clear need to improve the current distribution model for small farm product distribution to restaurants, retailers and other wholesale buyers. From the interviews the current procedures are costing both the buyers and suppliers time and resources, because each farm and buyer has to deal with multiple businesses. However the benefits of having a close relationship and dealing direct with each other, is essential. The distribution model can also be improved by reducing shorts, maintaining a consistent supply and quality and improving convenience. Buyers are also looking for better ways to access new qualified suppliers, without spending too much time doing so. This needs to be all backed up by impactful marketing support that is directed by the suppliers. Ideally the orders are to be delivered on one truck and preferably more than once per week.

Based on the research it would seem that wholesale buyers of local food have specific needs that could be addressed by having easy access to qualified suppliers through a website and/or a central trusted organisation representing the suppliers.

1. For the customers/buyers the central co-ordination would:
 - Take on new suppliers who are “wholesale ready” and qualified to service their customers.
 - Reduce the time to order products by providing one fresh sheet or one website requiring one order for all local suppliers.
 - On an ongoing basis represent numerous local suppliers to cut down on the time making orders.
 - Provide buyers one invoice.
 - Aggregate products from different suppliers to enable orders of larger sizes.
 - Ensure traceability of products, so the buyer can still identify who grew/produced their food.
 - Co-ordinate of farmers and what they are growing to minimize duplication and maximize variety for the distribution service.

2. For individual farmers the central co-ordination would:
 - Allow buyers to order at a time that is convenient them.
 - Ensure you have representative who is knowledgeable and responsive to the needs of the buyer, preferably one person.
 - Maintain a close relationship with the buyer. This does not necessarily have to be on a weekly basis, monthly communication would suffice.
 - Manage orders so they arrive on one truck that is refrigerated to maintain product quality and freshness.
 - Manage multiple orders per week to reduce inventory being held at the store or restaurant and to maintain freshness.
 - Reducing “shorts” to the customer by having additional product available from partnering farms, so there is a consistent supply of product.
 - Co-ordinate marketing information on the farms and their product and provide it to the end customers for their own marketing initiatives e.g. farm information and photos, product information.

Next Steps

The conclusions drawn from the feedback given by wholesale buyers in this report will be added to those of the other reports on small farm product distribution models. These reports have also looked at case studies of similar distribution models across North America, feedback from local suppliers and the bylaws, regulations and funding required to establish a small farm distribution model in BC. The final report will make recommendations, based on these conclusions, on the best distribution model(s) to help improve local food distribution for small farms in BC.