



Feasibility Study
Small/Medium Farm
Product Distribution
In the Lower Mainland

Part 1

Requirements for a Local
Food Distribution System

May 2014

Acknowledgements

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Executive Summary

The premise of this feasibility study is that the traditional distribution system, while very effective for product produced on large Canadian farms and for product sourced internationally, does not work for producers with small/medium sized farms (SMF) where the land is 1 to 4 hectares.

The increase in demand for locally produced food is widely acknowledged by industry, non-profit local food advocates, and government. Three indicators back up this finding:

1. 2014: The hottest restaurant trend for the fourth year in a row is “Locally produced and locally inspired dishes”.¹
2. 2012: 85% of British Columbians frequently buy local vegetables.²
3. The number of BC farmers’ markets has increased by 147% in the past 6 years.³

Traditional, mainstream distribution services include the purchase, storage, transportation, and resale of products. Imported agrifoods from around the world are so prevalent that local farmers must compete on price and availability to have their products purchased. Local, SMFs find it difficult to compete at this scale. Chefs, grocers, and processors have indicated the gap in distribution is a barrier to buying local food directly from these smaller farmers.

The movement to create “Food Hubs” has gained momentum as a way to fix the local food distribution gap. Emerging and established regional agrifood hubs (RSFH) are addressing the important issues hampering vibrant local food systems: aggregation, marketing sales, and distribution of local food. However, the lead time to establish a regional food hub can be measured in years, yet farmers and buyers are seeking promising solutions now.

Local food distribution is a service frequently provided by RSFH. It can also be a stand-alone business where storage and transportation solutions are provided by non-profit organizations, farmers and even grocers. A review of the new distribution systems reveals that some are Producer-Involved Distribution Systems (PIDS), where the business involves farmers and provides direct individual support to develop farmers’ business acuity along with strategies that enhance the marketability of their products.

Many SMF do their own distribution. The challenges of external distribution for SMFs include the additional cost of paying someone to do this work, the preservation of their farm’s brand, the potential for increased logistical complexity, and, if organized by farmers, the shared cost of additional infrastructure such as bigger trucks or the rental of temperature controlled storage. The benefits are that when distributors have the farmers’ interests at the centre of their mandate, farmers can focus on farming and caretaking their land rather than the business of product promotion and selling.

The distribution needs for restaurants and natural food stores interested in buying local food system can also be more complex than the services traditionally offered by distributors. Direct from farm branding, unique local products not carried by the large distributors because they require special handling, niche sizing such as small peppers, cucumbers and mini summer squashes, coordinated growing times to extend availability into the shoulder

¹ . National Restaurant Association’s (NRA) annual “What’s Hot” culinary forecast 2014

<http://www.restaurant.org/Downloads/PDFs/News-Research/WhatsHot/What-s-Hot-2014.pdf>

² 2012 BMO study <http://newsroom.bmo.com/press-releases/bmo-survey-canadians-willing-to-pay-a-significant-tsx-bmo-201209190820156001>

³ Economic and Social Benefits of Farmers’ Markets November 2012. Dr. David Connell, UNBC and BCAF. M.

seasons are all examples of products and services that the new generation of local food distribution systems can offer to these buyers.

Buyers and farmers have many shared requirements including, trust and communication, preservation of farm identity and brand as well as pricing that supports a profitable business. The *Feasibility Study for Small/Medium Farm Product Distribution in the Lower Mainland* will, in six reports, compare the logistics and governance of successful distribution systems that support the sale of products from SMFs to buyers in urban centres.

The research will include:

- Report 1: Compile information from existing reports on the needs, current shortfalls, and requirements for a Local Food Distribution System in the Lower Mainland of BC
- Report 2: Review business systems and best Practices for distribution systems that include farmers, and in some cases buyers, in the planning and operations of the business
- Report 3: Research bylaws, regulations, and funding sources that might affect or support the creation of small scale farm distribution systems
- Report 4: Report on the needs of farmers from a distribution system
- Report 5: Report on the needs of buyers from a distribution system
- Report 6: Develop a distribution system model for local food

The intent is to encourage the development of a network of distribution systems that connect BC farmers to BC buyers. A pro forma will be developed in Report 6 that can be tailored to suit the distribution needs of different regions of BC.

This report, the first in the series, will summarize from other local studies how the current distribution system fails SMFs in the Lower Mainland. It will also examine the successes and constraints of regional agrifood hubs and how a network of smaller distribution systems may be able to address the failings of the current system more quickly, and with fewer risks, until regions are ready or see a need for a food hub.

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1. Introduction

The premise of this feasibility study is that the traditional distribution system, while very effective for product produced on large Canadian farms and for product sourced internationally, does not work for producers with small/medium sized farms (SMF) where the land is 1 to 4 hectares.

This feasibility study reviews the logistics, administration and governance of new small scaled food distribution systems that have emerged. These successful new systems, frequently operated by non-profits or groups of farmers, serve small numbers of farmers and organize rural storage and transportation in order to supply urban centres. Dedicated to re-establishing local food systems, these systems are innovative and often involve farmers and buyers to develop marketing, pricing and logistics strategies.

In addition, farmers and buyers located in Metro Vancouver and the Fraser Valley regional districts will be interviewed to discover what is needed for inexpensive yet effective distribution for SMFs. The best practices collected from successful distribution systems coupled with the needs of local food producers and buyers will lay the foundation for the development of a distribution model that can be piloted in the Lower Mainland and other areas of BC.

The intent is to encourage the development of a network of distribution systems that connect BC farmers to BC buyers. A pro forma will be developed that can be tailored to suit the distribution needs of different regions of BC. The feasibility study in six reports will research;

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

This report, the first in the series, will summarize from other local studies how the current distribution system fails SMFs in the Lower Mainland. It will also examine the successes and constraints of RAFHs and how a network of smaller distribution systems may be able to address the failings of the current system more quickly, and with fewer risks, until regions are ready or see a need for a food hub.

1.1 The Distribution Gap

The increase in demand for locally produced food is widely acknowledged by industry, non-profit local food advocates, and government. Three key indicators back up this finding:

1. 2014: The hottest restaurant trend for the fourth year in a row is "Locally produced and locally inspired dishes".⁴
2. 2012: 85% of British Columbians frequently buy local vegetables.⁵
3. The number of BC farmers' markets have increased by 147% in the past 6 years.⁶

In fact, to further build this demand in 2013 the BC Ministry of Agriculture launched the "Buy Local Program" to "lead the agrifoods sector growth into a \$14-billion-a-year industry by 2017".⁷ This is a 28% increase over the

⁴ . National Restaurant Association's (NRA) annual "What's Hot" culinary forecast 2014

<http://www.restaurant.org/Downloads/PDFs/News-Research/WhatsHot/What-s-Hot-2014.pdf>

⁵ 2012 BMO study <http://newsroom.bmo.com/press-releases/bmo-survey-canadians-willing-to-pay-a-significant-tsx-bmo-201209190820156001>

⁶ Economic and Social Benefits of Farmers' Markets November 2012. Dr. David Connell, UNBC and BCAFM.

industry's 2011 gross receipts. Projects that received funding include farmers' markets, a venue that benefits many farmers who have operations that are the same scale as targeted by this paper.

While the growing demand for local food is good news for the industry, supplying this demand poses a challenge. SMFs find that the lack of suitable storage and distribution creates a barrier to sell their local products even though the demand is there. This lack of infrastructure also hampers their ability to grow their business: expanding sales to new buyers and increasing production on their lands. Andrew Arkesteyn-Vogler⁸, a new farmer, indicated that having adequate distribution might help him spend "one more day on the farm" and that with improved on-farm systems distribution would help put "more land into production . . . as much as possible, 5-500 acres [2-200 hectares]."

"The average farm size in the Fraser Valley Regional District is about 22 hectares, compared with the province-wide average of almost 143 hectares. In Metro Vancouver, the average farm size is about 16 hectares."⁹ A summary of farms in Metro Vancouver¹⁰ shows that on average 23% of the farms are 4 Hectares or less.

Table 1: Distribution of Farm Size by Municipality, 2011

Number of Farms by Farm Size					
Region	Under 4 Hectares	4 to 28 Hectares	28-162 Hectares	Over 162 Hectares	% Under 4 Hectares
Burnaby	30	11	1	1	23
Delta	47	91	55	9	64
Electoral A	55	22	8	1	49
Langley	668	586	96	10	60
Maple Ridge	139	83	7	2	39
Pitt Meadows	64	69	21	9	56
Richmond	118	71	18	4	48
Surrey	233	208	44	5	94
Vancouver	33	2	0	0	49
Metro Vancouver	1,387	1,143	250	41	23

For SMFs the flow of product from supply to demand is significantly hampered by the lack of distribution scaled for their business operations.

2. Mainstream Distribution in the Lower Mainland

Traditional, mainstream distribution services include the purchase, storage, transportation, and resale of products. Products are made available to buyers through a central ordering and delivery system. Distributors may offer brokering services, representing products to potential buyers, as well as advising producers on marketing strategies. Two-thirds of food sales to restaurants and hotels in Metro Vancouver are made through two large distributors¹¹. In

⁷ <http://www.gov.bc.ca/agri/buylocal.html>

⁸ Excerpt from an email from A. Arkesteyn-Vogler.

⁹ Fraser Valley & Metro Vancouver Snapshot Report 2012,

<http://pics.uvic.ca/sites/default/files/uploads/publications/Adapt-FraserMetroVan%20Crawford.pdf>

¹⁰ 2011 Census of Agriculture, Table 4:

<http://www.metrovancouver.org/about/publications/Publications/Census2011-Agriculture.pdf>

¹¹The Economy Of Local Food In Vancouver, 2009: [http://www.vancouvereconomic.com/userfiles/file/Local-Food-in-Vancouver-webversion\(1\).pdf](http://www.vancouvereconomic.com/userfiles/file/Local-Food-in-Vancouver-webversion(1).pdf)

order to reduce administration costs and simplify operations large distribution companies prefer year-round product availability, low pricing, and purchasing from large scale producers. While traditional distributors in BC do sell locally produced food products as part of their catalogue, imported agrifoods from around the world are so prevalent that local farmers must compete on price and availability to have their products purchased. Some larger local producers can compete at certain times of the year. Local, SMFs however find it difficult to compete at this scale. Because of their smaller land holdings their production is not sufficient to fulfill larger orders strictly from their own farm, and to be profitable their pricing is often higher than what is typically earned at wholesale. As a consequence these smaller-scaled farmers often prefer to sell directly, at farmers' markets, at their farm gate, through CSA programs, or directly to restaurants and natural food chains where they receive the total value of the sale.

Chefs, grocers, and processors have indicated the gap in distribution is a barrier to buying local food directly from these smaller farmers. This is a common theme across the United States and in Canada. The movement to create "Food Hubs" has gained momentum as a way to fix the local food distribution gap. While different from the distribution systems that will be examined in this study, regional agrifood hubs offer important insights into the plausibility of smaller producer-involved distribution systems.

3. Introduction to Food Hubs

A Food Hub is defined by the USDA as,

a business or organization that actively manages the aggregation, distribution and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand"¹²

The *Regional Food System Strategy* produced in 2011 by Metro Vancouver identified the service gaps that affect local smaller farmers :

"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."¹³

3.1 Regional Agrifood Hubs in Canada

This acknowledged gap in logistical and marketing support for small local farmers by local food businesses, government, and non-profit organizations was the inspiration for the New City Market¹⁴ (NCM) (a proposed food hub in Downtown Vancouver that will provide distribution services for local farms), the North Fraser Food Hub¹⁵ project by the Pitt Meadows Economic Development¹⁶ and the Victoria Community Food Hub¹⁷ here in BC.

While there are currently no known agrifood distribution hubs operating in Canada, as noted, there has been a recent movement to develop several in BC. Outside of BC, Perth County, Ontario has done a feasibility study¹⁸ looking at developing an agrifood distribution hub, the same with Durham and Organic Central in Eastern Ontario. The popularity of developing agrifood distribution hubs in Canada has led to the McConnell Foundation forming a

¹² <http://www.ngfn.org/resources/ngfn-database/knowledge/FoodHubResourceGuide.pdf>

¹³ <http://www.metrovancouver.org/planning/development/AgricultureAndFood/Documents/RegionalFoodSystemStrategy.pdf>

¹⁴ www.newcitymarket.org

¹⁵ http://www.investnorthfraser.com/Library/Documents/FINALNorth_FraserRegion_Food_Hub_-_Visioning_Session_August_2012.pdf

¹⁶ Greenchain Consulting: <http://www.greenchainconsulting.ca/past-projects/>

¹⁷ <http://www.foundsolutions.ca/projects-log/victoria-community-food-hub.html>

¹⁸ http://www.perthcounty.ca/fileBin/library/economic_development/pdfs/FoodHubStudy-2013.pdf

Regional Value Chain program¹⁹ in 2011. The program supports food hub projects financially and with resources and connections. The program now supports 15 projects including New City Market and County of Perth Food Hub.

3.2 Regional Agrifood Hubs in North America

In the United States food hubs have been able to address the lack of distribution infrastructure and services that allow growers to take advantage of the increasing demand of local food in larger markets such as urban centred retailers, restaurants and institutions. In the US alone there are now 168 food hubs as defined by the National Food Hub Collaboration (NFHC)²⁰. A breakdown of the different types of hubs can be seen in the table below.

Table 2: Types of Agrifood Distribution Hubs

Food Hub Legal Status	Number	Percentage
Privately held	67	40%
Nonprofit	54	32%
Cooperative	36	21%
Publicly held	8	5%
Informal	3	2%

Food Hub Market System	Number	Percentage
Farm to Business Institution (F2B)	70	42%
Farm to consumer (F2C)	60	36%
Hybrid (both F2B & F2C)	38	22%

Based on a working list of 168 regional food hubs identified by the National Food Hub Collaboration (NFHC) (last updated Dec 1, 2011).

Based on a 2011 NFHC survey, food hubs generate on average \$1m of revenues per annum. Some of these hubs have seen double and even triple digit growth over the past few years. However, even the most established food hubs expressed caution about the precarious nature of the food distribution business, where products are highly perishable, margins are razor-thin, and the vagaries of the weather can have a decisive impact on the success or failure of the business. The most cited challenge is balancing supply and demand. In most cases the demand is higher than that of supply.

The high demand also leads to growing pains as the hub’s administrative and infrastructure capacity struggles to keep pace with the growth of the business. In line with this is the ability to obtain capital to invest in new infrastructure to keep up with the growth, some food hubs also face the challenge of short term credit to manage the cash flow better. This is because they pay their farmers within 2 weeks of receiving the product whereas the hub’s customers pay 6 to 8 weeks.

Several food hub operators noted the challenge their smaller scale producers face in meeting the food safety requirements of some of their buyers, as well as the potential challenge their producers will face in complying with upcoming food-safety regulations.

3.3 Challenges of Regional Agrifood Hubs

Emerging and established regional agrifood hubs are addressing the important issues hampering vibrant local food systems: aggregation, marketing sales, and distribution of local food. These services make it possible for farmers to spend their limited resources on the business of farm production rather than on distribution. As with any complex business, one size never fits all. Each region has its own set of food system challenges and strengths. And of course

¹⁹ <http://www.mcconnellfoundation.ca/en/programs/sustainable-food-systems/regional-value-chain-program>

²⁰ <http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELPRDC5097957> page 14

there are risks with a larger centralized operation, including securing a site and the significant overhead costs to design, construct or renovate the new facility. The lead time to establish a regional food hub can be measured in years, yet farmers and buyers are seeking promising solutions now. Farmers and buyers seeking distribution options for the Vancouver market are familiar with this extended process and voiced their impatience at the 2013 Meet Your Maker²¹. In other regions of BC, farmers and buyers may find that while there is a need for some form of distribution system, the business case is not sufficient to sustain a large centralized hub.

4. Local Food Distribution Systems in North America

Local food distribution is a service frequently provided by food hubs. It can also be a stand-alone business where storage and transportation solutions are provided by non-profit organizations, farmers and even grocers. The report, *Moving Along the Value Chain: Innovations in Regional Distribution*²² differentiates between four distribution systems.

4.1 Distribution System Types

1. Retail-driven Systems:
 - Where a grocery store or distributor establishes a specific distribution network to support and source from small scaled farmers who can't access the standard market channels. They are natural foods grocery stores or distributors that see an advantage in supporting local food distribution to increase access to products and further differentiate themselves from their mainstream competitors. Example: La Montanita Co-op.²³
2. Non-profit-driven Systems:
 - Where distribution is provided or arranged by farmer owned organizations, farmers' markets or other non-profits. Operating an enterprising non-profit gives the organization access to additional funding streams such as donation and community grants as well as bank loans. Example: Red Tomato,²⁴ and Big River Farms,²⁵ Appalachian Harvest.²⁶
3. Producer-driven Systems:
 - Collectives/Cooperatives selling to commercial buyers: Where a group of farmers sells to retailers or institutions, such as a farm-to-school program. Example: New North Florida Cooperative.²⁷
 - Collectives/Cooperatives selling directly to residential customers: Farmers may operate a grocery store or provide a door-to-door or neighbourhood drop delivery service. Example: High Plains Food Cooperative²⁸ and Hudson Valley Fresh.²⁹
 - Privately owned: Where an enterprising farmer establishes a distribution business for their own product. They may or may not include other farmers' product in their distribution. Example: Featherstone Farm.³⁰
4. Consumer-driven Systems: Buying clubs where consumers buy food in bulk as a group from a number of farmers. In some cases the consumer volunteers divide the bulk purchase into the individual customer

²¹ Meet Your Maker is an annual networking event for BC food producers and buyers co-hosted by the Vancouver Farmers' Market and FarmFolk CityFolk: <http://www.farmfolkcityfolk.ca/events/meet-your-maker-3/>

²² http://ngfn.org/resources/ngfn-database/knowledge/Innovations_in_regional_food_distribution.pdf

²³ <http://coopdistribution.coop/>

²⁴ <http://www.redtomato.org/ourhistory.php>

²⁵ <http://www.mnfoodassociation.org/content/12487#>

²⁶ <http://asdevelop.org/programs/appalachian-harvest/>

²⁷ <http://fl.marketmaker.uiuc.edu/business/421852-new-north-florida-cooperative-association-inc>

²⁸ <http://www.Highplainsfood.org>

²⁹ <http://www.hudsonvalleyfresh.com/>

³⁰ <http://www.featherstonefarm.com/>

orders. Increasingly orders and payments are made online. Example: The Oklahoma Food Cooperative³¹, and the Iowa Food Cooperative.³²

A review of the new distribution systems noted above suggests a fifth category, Producer-Involved Distribution Systems (PIDS), where the business involves farmers and provides direct individual support to develop farmers' business acuity along with strategies that enhance the marketability of their products. Distribution systems that fall under this producer-involved category include, Red Tomato, New North Florida Cooperative, the Iowa Food Cooperative, and Hudson Valley Fresh.

4.2 Benefits and Challenges of Producer-Involved Agrifood Distribution

This new generation of producer-involved distributors, in addition to providing aspects of a traditional distribution service, is engaged in the establishment of thriving local food systems. They specialize in smaller farms and local products, and their operations often function as a value chain that not only involves farmers, but buyers too. They aggregate and market product from a number of farms and organize the sale to buyers. They may also provide education for their producers to improve product quality and food safety, process products to increase their value, or provide innovative pricing and branding strategies. These producer-involved distribution systems often offer other benefits such as centralized ordering and one invoice that includes details as to where each product was grown or raised.

4.2.2 Distribution: Benefits and Challenges for Producers

For farmers whose main source of income has been direct sales, including direct sales where they have been their own distributor; selling and transporting to restaurants, the benefits of local food distribution organized by an organization, or a group of farmers may not be immediately obvious. The challenges of external distribution for SMFs include the additional cost of paying someone to do this work, the preservation of their farm's identity and brand, the potential for increased logistical complexity, and, if organized by farmers, the shared cost of additional infrastructure such as bigger trucks or the rental of temperature controlled storage. Traditional distribution services do not address these concerns, but the PIDS that will be researched in this study have found many creative solutions that do. When distributors have the farmers' interests at the centre of their mandate, farmers can focus on farming and caretaking their land rather than the business of product promotion and selling.

Local farmers have shown interest in piloting a distribution system in the Lower Mainland that provides a range of such services. Research conducted for VFM's NCM business plan showed that farmers and ranchers were interested in a distribution and aggregation pilot before the NCM hub officially opened. The suggested NCM distribution system sees 30% of the product price going towards distribution and aggregation services. This is a similar rate to food distribution hubs in America such as Tuscarora Organic Growers Cooperative, Hustontown, PA and sets a benchmark for the pro formas in Report 6 of this study.

³¹ <http://www.oklahomafood.coop/>

³² <http://iowafood.coop/>

Table 3: Producer-Involved Distribution: Benefits and Challenges for Producers

Benefits	Challenges
<p>Farm identity and brand preservation Enhancing the farm’s identity and brand contributes to product differentiation, market value and improved pricing. Preservation of each farm’s brand identity can be accomplished through the distributors marketing materials and through details product description on invoices.</p>	<p>Pricing If ordering is centralized then pricing for comparable products may be standardized, affecting margins for individual farmers.</p>
<p>Increased product availability The individual farmers and the farmers as a group could decide to stagger their plantings to extend the season of agrifood products and stabilize availability, something that buyers look for when making their farm direct purchasing decisions.³³</p>	<p>Maintaining quality and food safety standards If there is product aggregation then the standards for the group may be different than those standards set by individual farmers for their own direct marketing activities.</p>
<p>Adaptation to changing buyer demands. The distribution organization can encourage farmers to fill gaps in their product catalogue, or bring in additional farmers if the gap cannot be filled by the existing group.</p>	<p>Business Independence Each farmer will have established their own preferences for the crops they grow as well as when they plant. It may be challenging for them to change these practices.</p>
<p>More time to farm and build the farm business A service that provides transportation and delivery reduces each farmer’s time on the road. Travel and delivery can take up the majority of a work day, especially if there are a number of drops.</p>	<p>Communication and logistics How does the organization address the challenge of distribution logistics for multiple farmers?</p>
<p>Cost of Distribution A distribution service allows the costs associated with storing, marketing, selling and transporting product to be shared among several farmers.</p>	<p>Cost of Distribution Farmers may not pay themselves for the time they take to deliver their own product. This may mean that they do not have a true sense of the cost of doing their own distribution.</p>

4.2.3 Producer-Involved Distribution: Benefits and Challenges for Buyers

The distribution needs for restaurants and natural food stores interested in buying local food system can also be more complex than the services traditionally offered by distributors. It used to be, that saying food was local or organic was sufficient for store signage and menus. Increasingly, as interest in local foods extends further into the main stream, the anonymous commodity-style marketing of “this is a BC product” does not meet the needs of leading edge buyers seeking greater product differentiation.

Direct from farm branding, unique local products not carried by the large distributors because they require special handling, niche sizing such as small peppers, cucumbers and mini summer squashes, coordinated growing times to extend availability into the shoulder seasons are all examples of products and services that the new generation of local food distribution systems can offer to these buyers.

As these distributors specialize in selling and promoting local products from local farms there is a greater incentive to work with farmers to ensure that their products meet the needs of buyers, including food safety standards and quality.

³³ <http://www.cowichangreencommunity.org/sites/default/files/handbook-final-for-website.pdf>

Table 4: Producer-Involved Distribution: Benefits and Challenges for Buyers

Buyers	
Benefits	Challenges
<p>Different or unique products Regular access to different products from local producers that may not be handled by large distributors.</p>	<p>Seasonal Availability Does the distributor have a sufficient range for farmers to supply product regularly throughout the season?³⁴</p>
<p>Simplifies receiving of product One delivery truck to process rather than several.</p>	<p>Transaction costs It may take more time to order product from multiple farmers if there is no central ordering system, such as a website, or staff person at a desk. There may also be more than one invoice.</p>
<p>Farm identity and brand preservation Single invoice or compiled invoice identifying individual farmers.</p>	<p>Payables Payable cycle is more likely to be shorter than the usual 30-60 days.</p>
<p>Marketing Producer-involved distributors can provide stories from the farm to help buyers promote their local-procurement purchasing program.</p>	<p>Pricing Prices could be higher buying direct from farmers when compared with buying from a larger distributor.</p>
<p>Pricing If a pricing agreement is made for products it could mean a price break for buyers when local supplies are tight at the beginning and end of the season. (Appalachian example)</p>	<p>Quality and food safety Buyers, especially institutions, may require HACCP³⁵, or Canada GAP³⁶ which smaller farmers don't usually have. Buyers rely on consistent quality.</p>
<p>Increases farm business viability By helping smaller farmers stay in business buyers also help preserve and perhaps even deepen their competitive advantage as a source of local food.</p>	<p>Limited direct contact with farmers Centralized delivery will mean less direct contact with the farmers, a challenge to maintaining a close relationship with where their food comes from.</p>
<p>Better service As the shared distribution service is owned and run by a distributor that is committed to increasing the market for local farm product, service standards may be higher, such as regular, dependable deliveries and invoicing.</p>	

4.3 Requirements for Small Scale Local Distribution

An analysis of the benefits and challenges of small scale local distribution of food provides insights into the requirements needed for such a system to be effective. Buyers and farmers have many shared requirements including, trust and communication, preservation of farm identity and pricing that supports a profitable business.

³⁴ [http://www1.agric.gov.ab.ca/\\$Department/deptdocs.nsf/all/cu13700/\\$FILE/final-group1.pdf](http://www1.agric.gov.ab.ca/$Department/deptdocs.nsf/all/cu13700/$FILE/final-group1.pdf)

³⁵ <http://www.inspection.gc.ca/about-the-cfia/newsroom/food-safety-system/haccp/eng/1346306502207/1346306685922>

³⁶ <http://www.canadagap.ca/>

Table 5: Requirement for Producers and Buyers

Requirements for Producers	Requirements for Buyers
<ul style="list-style-type: none"> Ability of distributor to align suppliers' production with demand. 	<ul style="list-style-type: none"> Consistent seasonal product availability
<ul style="list-style-type: none"> Near break-even cost and time benefits from delivering product through a distributor when compared to delivering individually. 	<ul style="list-style-type: none"> Easy and efficient product selection and ordering.
<ul style="list-style-type: none"> Buyers need to consistently pay invoices on time. 	<ul style="list-style-type: none"> Consolidated, itemized invoice. One payment.
<ul style="list-style-type: none"> The distributor needs to work with the producers to establish quality standards. Distributor needs to work with farmers on quality 	<ul style="list-style-type: none"> Consistent product quality. Reliable delivery with little to no products missing due to shorts.
<ul style="list-style-type: none"> Trust and good communication between farmers, the distributor, and buyers. 	
<ul style="list-style-type: none"> Preservation of farm identity and brand for products. 	
<ul style="list-style-type: none"> Pricing of product needs to benefit both the buyers and the producers 	

5. Researching the Feasibility of Local Food Distribution Systems

The *Feasibility Study for Small/Medium Farm Product Distribution in the Lower Mainland* will, in six reports, compare the logistics and governance of successful distribution systems that support the sale of products from SMFs to buyers in urban centres. The *Requirements for a Local Food Distribution System in the Lower Mainland of BC*, is the first of these reports, compiles information from existing reports on the needs, current shortfalls, and requirements for a Local Food Distribution System in the Lower Mainland of BC. The content of the remaining reports are as follows,

Report 2 Research of 8 Distribution Business Systems and Best Practices

A review of Business Systems and Best Practices *for distribution systems that include farmers, and in some cases buyers, in the planning and operations of the business.*

- Research 4 successful distribution systems that are small scale. The service may be provided by farmers, an entrepreneur, a non-profit, a cooperative, or government agency. Research will include a review or summarizing governance structures, product standards, agreements between buyers and sellers, and payment structures.
- Write summary of 4 established farm product value chains reviewing their methodologies on cost efficiencies, communication along the chain, and product quality assurance

Report 3 Bylaws, Regulations, and Funding Sources

- Research 3 municipalities in the Metro Vancouver and Fraser Valley Regions that have a significant number of farms and review their bylaws and agricultural plans to discover how policies support or hinder the distribution of farm product from SMFs.
- Review BC's ALR regulations pertaining to allowable on-farm activities to provide context.
- Review food safety and certified organic standards as they pertain to the distribution of agrifoods.
- Research funding sources for small scale distribution systems

Report 4 Farmer's Needs for Distribution System

- Develop questionnaire

- Select and conduct an in-depth interview with 5-10 farmers³⁷ or groups of farmers that already sell directly to commercial buyers to understand their needs from a small scale distribution system.

Report 5 Buyer’s needs for Distribution System

To understand their needs regarding a small farm distribution service.

- Develop questionnaire
- Select and interview 3-4 Distributors that buy from or represent small scale farmers
- Select and interview 3-4 Grocers and 3-4 chefs or institutional buyers that already buy directly from farmers

Report 6 Distribution System Development for Local Food

- Gather best practices for small scale distribution from the stakeholders that were interviewed
- Develop up to 3 distribution business systems
- Develop pro formas
- Present findings to 5 stakeholder groups in 3 locations: in the Lower Mainland, the Okanagan and on Vancouver Island. Make findings available on FarmFolk CityFolk’s website and through the Union of BC Municipalities.

The distribution systems to be researched will be located in either the Canada or the United States, depending on where the most successful and applicable examples can be found. Local market needs for a distribution system will be established through interviews with farmers and buyers in Metro Vancouver and the Fraser Valley regions. As FarmFolk CityFolk has established networks in the Lower Mainland, the Okanagan and on Vancouver Island, presentations will be made at Meet Your Maker events hosted in these areas. It is anticipated that organizations and farmers from these areas will also be invited to pilot the selected distribution system with support from FarmFolk CityFolk.

The distribution system used in the pilots will be selected based on its ability to function within months of the study’s publication without significant investment, using available resources and infrastructure whenever possible. To reduce the risk for businesses participating in the pilot, the strategy will be to start small, with five to ten farmers and buyers³⁸ and to monitor the effects of the pilot on their businesses.

6. Advisors

Advisors have been selected for the study based on their expertise and interest. They will review each of the six reports and offer recommendations. Advisors for the project are:

- **Kent Mullinix**, Kwantlen Polytechnic University,
- **Tara McDonald**, Vancouver Farmers’ Markets,
- **Ann Rowan**, Metro Vancouver,

Once each report is finalized it will be shared with the funders as part of their regular update on the project.

7. Next Steps

Part 2 of the *Feasibility Study Small/Medium Farm Product Distribution in the Lower Mainland* will research producer-involved distribution systems and farm product value chains. The next steps are to,

- Design interview questionnaires and conduct interviews with managers of the selected distribution systems

³⁷ The number of farms was selected based on the budget, timeline, and deadlines for this study.

³⁸ It is estimated that one vehicle can carry the product of between five and ten farmers.

- Research four successful farm product value chains, how they address marketing, and product quality, and compile a summary of their best practices.
- Provide recommendations regarding how distribution systems and value chains can address the gaps in local food distribution in the Lower Mainland.
- Compile findings, common features and differences between systems
- Write Report 2 share the draft and integrate edits suggested by the advisory.