

AGRICULTURE FEASIBILITY ANALYSIS

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and Producers in the Region

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EXECUTIVE SUMMARY

The purpose of the project is to conduct a feasibility analysis that will examine the marketing and distribution challenges currently facing the different agriculture sectors. It is also to determine the level of demand and price sensitivities for local foods among the different consumer groups. The analysis should then outline infrastructure needs as well as a marketing plan for a local food producers marketing organization that would provide the best fit between producer and consumer needs in expanding distribution of locally produced foods.

Producer Challenges

The producer surveys found the following as the largest marketing and distribution challenges facing the industry:

- a. Shortage and cost of labour (55%)
- b. Time priorities and constraints (53%)
- c. Low and volatile product prices (39%)
- d. Lack of cold storage (26%)

The barriers to entry into new product diversification were isolated as:

- a. Time required for product development and marketing
- b. Finances required to work on Product/Market Development
- c. Lack of Cold Storage
- d. Lack of Government Inspected Processing Facility for poultry

Retail Demand

The consumer surveys found that the target market for retail, preorder sales operation is the three and four member households, who are busy and on the run, appreciate the convenience and the high quality local foods. The single and two member families have more time to shop the day they are cooking, they eat at home less, and they have a concern about the pre-ordered food not being eaten due to their consumption patterns. For this sector there is an opportunity for ready to eat frozen foods that would provide a convenience and would eliminate their food waste concerns.

Based on a small retail pilot project of sales through the Heartlands Co-op from August 15 to November 15, 2007, the estimate on weekly spending per family during the summer months is \$100 and the winter months is \$40-50. This steep reduction in spending from the summer to winter months is due to the local produce items not being available and exhibits clearly the need for processing of produce items for year round consumption. The price sensitivities from the consumer surveys found that between the 15% and 20% premium mark demand for local foods decreased substantially. The highest percent of the survey group requested foods that were “organic where possible” at 51%.

Wholesale – Local Stores

Four out of five of the stores surveyed were interested in purchasing local food products from a central producer’s co-op. From the survey group, a 15% price premium for local foods appeared to be the maximum acceptable, although two store owners did emphasize that if the products are of high quality, larger price premiums are readily accepted by their customers.

Wholesale – Education Institutions

Research in this sector provided price sensitivities of between the 0-10% maximum price premiums. This market sector therefore appears to be an unrealistic target market at this time, as a local food producers’ co-op cannot compete on price with the large wholesalers and distributors.

Wholesale – Restaurants

This market sector showed very encouraging survey results with all of the restaurants surveyed being interested in accessing quality, local foods through a local food producer’s organization. The price premiums they are willing to pay for these foods is between 15% and 20% and one of the survey group stated that price was not the issue, and that they base their purchasing decisions on sustainability, relationships, deliverability and quality of product.

Catering

All of the eight catering clients interviewed were interested in accessing caterers who were using locally produced foods in their menu items. All of those surveyed stated that they would be willing to pay a 15% price premium for accessing local foods on their catering menus.

Gift Baskets

The target market for gift baskets appears to be private corporations such as banks, legal and accounting firms as well as hotels. Retail is another potential market, which would further add to the convenience factor of the preorder retail sales.

Food Products with Greatest Potential

In terms of current supply and demand, and price margins, the following list of food products shows the greatest potential in the Kamloops region:

- Lean Ground Patties
- Whole Fryers – Free Range Vegetarian Fed
- Salad Greens (winter greenhouse grown)
- Spinach
- Broccoli
- Garlic
- Carrots
- Raspberries
- Strawberries
- Blueberries
- Turnips
- Hot house Tomatoes (extended season)
- Hot house Peppers (extended season)
- Salsa
- Frozen berries
- Ready to eat frozen, healthy meals

Product and Service Mix

Utilizing both the consumer survey results, input from the producers as well as the strategic fit considerations, the following product/service mix shows the greatest potential for the co-op during its first few years of operations:

1. Core Operations

- Retail Preorder (Relationship) Sales-This product and service mix shows the greatest potential revenue source for the co-op and will likely be the main platform of operations.
- Wholesale Sales – focusing on hotels/ restaurants and small local grocers.

2. Facilitation and Partnering

- Secondary Processing-facilitate processing of local foods through producer workshops, technical support and partnering towards the use of a commercial kitchen.
- Catering – through partnering with local caterers who share a similar vision, facilitate catering of locally produced foods by hosting a page on the website and referring clients to the Heartlands Co-op catering partners.
- Farm Tours – in the first year, as the opportunities arise, with this operation being built upon as demand grows.

Business Structure and Breakeven Analysis

Based on feedback from both producers and consumers, the recommended corporate structure for the producer group is a co-operative. Under the recommended business structure in Appendix V, the administration costs for running the marketing co-op will be between \$8,000 and \$9,000 per month. Averaging the gross margin between retail and wholesale sales at 30%, the breakeven sales volume would be between \$27,000 and \$30,000 per month. If 50% of the administration costs were to be covered by retail sales, the breakeven number of clients during the summer months is 37 clients and during the winter months it is 75 clients.

Funding Requirements

The co-op will require \$69,000 in funding to complete a six month pilot project and purchase a walk in freezer unit. At the end of this project, the Heartland Foods and Farm Tours Co-op should be at a self sustaining level of operations.

Working Capital Requirements

In order to reach the target level of sales in 2008, the Heartlands Co-op will require \$22,000 in operating capital to finance their inventories and accounts receivable.

Recommendations

1. In working with the primary producers to market their products, be aware of the challenges facing each sector, and build systems that will assist them in reducing these challenges.
2. Encourage production of those items highlighted as having the greatest potential, in section 5g.
3. At the next directors meeting:
 - Realign the tasks within the co-op so that the retail sales manager, wholesale sales manager, financial controller, and general manager are clearly assigned to those tasks that reflect their strengths in order to leverage the human resource component to its greatest potential and build a positive culture within the organization.
 - Decision how and where to access a \$22,000 line of credit for the co-op.
4. Communicate findings of this feasibility study to the following:
 - Producers – particularly those who were surveyed, to encourage involvement and membership growth.
 - Government Agencies – for awareness and promotion, highlighting those areas outlined in the producer survey as Barriers to Entry for Diversification.
 - Funding sources – to secure funding to initiate a six month pilot project for both wholesale and retail sales. To ensure those agencies that have already granted money to this initiative are kept informed of the Co-op's progress to date.
 - Financial or Lending Agencies – to secure an operating line of credit for the co-op.
5. Contact all those individuals and businesses that were surveyed to notify them that the executive summary for the Feasibility Study is posted on the website and give them directions on how to place both wholesale, retail and gift basket orders from the website if they so desire.
6. Develop funding proposals totalling \$69,000 to assist in the execution of a six month pilot project for both retail and wholesale sales and facilitate the purchase of a walk in freezer unit.

7. Complete a list of contact information for the commercial kitchens available to rent. Build a rental relationship with at least one of the local commercial kitchens and develop a funding proposal to facilitate producer workshops in secondary processing of locally produced foods.
8. As the opportunities arise for partnering, develop a food harvesting and processor training program for low income individuals, so that the primary producers have access to skilled contractors for their food processing and harvesting needs.
9. In January and February 2008 develop projections on the volumes of foods that will be needed to fill the wholesale and retail sales over the year. Then develop a list of preferred producers for each commodity and contact them with the volume projections, to allow them time to adjust their feed regimes for the meat sectors, and for the produce sectors allow them time to order seed and plant the additional volume of crop needed to service the Co-op that year.
10. Maintain a weekly check on gross margins, sales per retail customer, number of customers and level of wholesale sales, to ensure that these figures are on track as per projections.
11. Develop a promotion plan that involves at least one or two press releases with the website address, and at least one trade show for the 2008 year. The sales manager should also look at visiting at least two hotel/restaurant clients per month to build the wholesale portfolio.
12. Utilize existing distribution channels with producers such as Gort's Gouda, Mountain Morning Farms and Blackwell Dairy, to reduce transportation costs for everyone, and if this avenue fails, utilize a local refrigerated trucking company such as Clarkes Freightways or Suz's Little Cartage.
13. For those producers who are not able to invest in a co-op lifetime membership share for \$500, commence an annual brokerage fee so that each supplier will pay an annual \$50 fee for marketing of the first two products, and \$10 per product after the first two. This was recommended by Dave Evans, Nelson Farms Consulting Group, Morrisville State College.
14. Lobby government to initiate a program through B.C. Ministry of Agriculture and Lands for an extension specialist to assist producers individually in accessing grant funding and low interest financing for diversification of their farm operations into new products and services.

It was determined that a producer owned co-operative would be the best corporate model for the enterprise and the operations should focus on retail and wholesale pre-order sales. Partnerships should be forged with caterers who share similar values, to further enhance the consumption of locally

produced foods. Secondary processing of locally produced foods for year round consumption is essential to both the viability of the co-op and the economic development of the primary producers. To facilitate this, the co-op should develop relationships with local commercial kitchens, and co-ordinate hands on workshops for producers on new product development. Under the recommended corporate structure, the administration costs for the co-op in its first year of operations will be \$8,000-\$9,000 per month. Assuming an average margin of 30% between retail and wholesale, the breakeven sales volume would be \$27,000-\$30,000 per month. To assist in building to this level of sales, and to determine operational risks that have not yet been uncovered, it is recommended that the Co-op complete a six month pilot project as the final part of the research and development phase. The cost for this pilot project and the purchase of a walk in freezer unit is estimated at \$69,000. Another key requirement for this project is for the directors to access a \$22,000 line of operating credit, to finance inventories and accounts payable. If these two financial requirements are met, the viability for a producer owned marketing co-op should be attainable within six months.

INTRODUCTION

In the spring of 2006, the Kamloops Food Policy Council (KFPC) hosted a community food security forum in partnership with the Interior Health Authority (IHA) and the City of Kamloops. Recommendations emerging from the forum were compiled in a local Food Action Plan. Enhancing the local food economy was one of the key Plan priorities. The KFPC secured funding from IHA's Community Food Action Initiative (CFAI), the Community Action for Health fund, and the Provincial Health Services Authority to address this priority.

In the fall of 2006, Black Creek Ranch Business Strategies was awarded a contract to prepare a discussion paper which was presented at an Agriculture Awareness Meeting at the B.C. Ministry of Agriculture. (Appendix 5). From this initial concept paper a producers meeting was organized in January 2007, at the City of Kamloops Boardroom, to assess producer interest in forming a local food producers marketing organization. The meeting was well attended and the interest levels were high.

Since that time, Gillian Watt (dba Black Creek Ranch Business Strategies) has been working with a core group of producers towards the formation of a legal entity, and working on addressing all of the considerations that accompany such a process. In the summer of 2007, Heartland Foods and Farm Tours Co-operative was formed. Funding was then secured from Investment Agriculture Foundation as well as Interior Health, Community Futures and the Agriculture producers themselves, to complete a feasibility study. Administered through Community Futures Thompson Country, this feasibility study was initiated to determine what combination of operations would provide the highest level of long term viability and provide the best match between the producers' needs and the market demand.

PROJECT OBJECTIVE

The purpose of the project is to conduct a feasibility analysis that will examine the marketing and distribution challenges currently facing the different agriculture sectors. It will also determine the level of demand and price sensitivities for local foods among the different consumer groups. The feasibility study is to then outline infrastructure needs as well as a marketing plan for a local food producers marketing organization that would provide the best fit between producer and consumer needs in expanding distribution of locally produced foods.

More specifically, the objectives include the following:

- Identify the types of consumers (i.e. restaurants, grocery outlets, institutional and private users) that would potentially be customers of the cooperative;
- Identify the types of foods that retail consumers would purchase as well as consumption levels and price sensitivity.
- Examine the infrastructure that would be required to support local production, processing, storage and marketing of locally produced foods, identify current gaps in our area.
- Determine the number of producers (by commodity) that are presently direct marketing their farm products at the Farmers Market and through the Farm Fresh Guide.
- Determine the top three marketing challenges facing these producers, and whether they see a local food producers' co-op being of benefit to them.
- Determine the top three barriers to entry for current farmers/or agriculture land owners to produce and market foods for local consumption.
- Identify 10 food products that show the greatest growth potential in terms of current supply and demand, and retail margin.
- Examine the opportunities and threats (challenges) around the implementation of a commercial kitchen to process seasonal foods for year round use, and to prepare healthy, ready to eat snacks and lunches for a catering side.
- Develop a marketing plan for a producer owned organization to market locally produced foods in the Kamloops area.

PRODUCER OVERVIEW

A. Number of Producers by Commodity

i. Farm Fresh Guide

- Beef-15
- Lamb-14
- Pork-5
- Turkey-2
- Chicken-2
- Eggs -6
- Dairy-1
- Produce-14

A local food producer's co-op cannot market meat or eggs that have not been processed through a certified facility. Also, many of the larger farms who focus their marketing efforts on wholesale clients are not listed in this guide. Due to this, the number of farms that the co-op is able to purchase from may be quite different from the above numbers.

ii. Farmers Market

From conversations with Tristan Cavers, President of Kamloops Farmers' Market, the number of full time participants at the Kamloops Farmers' Market can be broken down into the following commodity groups as follows:

Secondary Food Processing (not necessarily utilizing local food ingredients) – 9
Fruit – 6
Vegetables – 26
Greenhouse – 4
Honey – 3
Meat/ Fish – 3

B. Marketing Challenges by Commodity

For this section of the questionnaire, producers were given the following list of marketing, storage and distribution challenges and were asked to rate them from a 0 = no problem to a 2 = very large problem and a 3 = huge problem. We then counted the number of 2 and 3 responses to come up with the category highlighted below which we refer to as "huge challenge."

- Low/Volatile Product Prices
- Unknown/Insufficient sales volume
- Time Priorities/Constraints

- Shortage/Cost of Labour
- Limited Freezer Storage
- Limited Cold Storage
- Cost of Trucking/Distribution

Beef and Lamb Producers

- **Low or Volatile Product Prices:** 100% of those surveyed rated this as a huge challenge.
- 86% of those surveyed rated **Time Priorities and Constraints, Shortage and Cost of Labour and Cost of Trucking and Distribution** as a huge challenge.
- 57% of those surveyed rated **Cold and Freezer Storage** as a huge challenge.

From the beef and lamb sector surveys, we found that the producers need marketing and distribution channels that will increase their product prices, reduce their time spent on marketing and distribution, will have a positive effect on their labour requirements, will provide efficiencies in trucking and distribution and will increase availability of cold and freezer storage for their products.

Pork Producers

Time Priorities and Constraints and Shortage and Cost of Labour were answered 100% as a huge challenge by the survey group, with unknown or volatile product prices coming in at 50%. From these results, pork producers need marketing and distribution channels that will reduce their time and labour spent on marketing and will provide stability in product prices.

Poultry/Egg Producers

This sector outlined **shortage and cost of labour** as well as **trucking and distribution costs** as their largest challenge, therefore marketing initiatives designed for this sector should take these factors into account.

Field Crops

Time priorities and constraints was singled out as a huge challenge by 47% of the field crops producers surveyed, with **Shortage and Cost of Labour** and **Cost of Trucking and Distribution** both coming in as a huge problem by 42% of those surveyed. Low and volatile product prices, unknown and insufficient sales volume and limited cold storage all came in as a huge challenge by 21% of those surveyed.

Marketing and distribution models in this sector will then need to address time savings measures for the producers as well as reducing labour and building efficiencies in trucking and distribution. Providing greater stability in prices and sales volumes as well as increasing cold storage availability will also assist in addressing the needs of this sector.

Greenhouses

Cost of Trucking and Distribution was the largest challenge in this sector, with Low or volatile product prices and shortage and cost of labour as well as time priorities and constraints coming in as huge challenges by 50% of those surveyed.

Processed Meats

The largest challenges in this sector were **Sporadic and Insufficient Custom Kill Volume, Time Priorities and Constraints, and Shortage and Cost of Labour**.

The most positive impact a marketing co-op would have on this sector would be to spread out the kill dates to a year round monthly cycle, rather bunching up 90% of the kills between September and December. This would mean that the beef, lamb and pork producers would need to alter their management and to an extent, their product costing, to accommodate this.

Processed Foods

Unknown and insufficient sales volume was the most popular marketing challenge in this sector with 66% of the survey group highlighting it as a huge problem.

A marketing co-op could have a very positive impact on this sector by moving product under a system of planned sales growth.

Summary of Marketing Challenges

These individual sector marketing challenges will need to be given careful consideration in building a local food marketing and distribution system. As a whole, the survey results showed that **Shortage/Cost of Labour** is the largest marketing challenge facing the industry (55% stated huge problem), with **Time Priorities and Constraints** coming in a close second (53%). **Low and volatile product prices and Lack of Cold Storage** were also isolated as a huge problem by 39% and 26% of the entire survey group respectively.

C. Barriers to Entry – New Products or Diversification

The following items were highlighted by the producers who were surveyed as the largest hurdles stopping them from diversifying into new products and markets.

- Time required for product development and marketing.
- Financing required to Work on Product/Market Development.
- Lack of cash flow for investment in producer driven collaborative
- Lack of Cold Storage
- Lack of Government Inspected Processing Facility (turkeys, chickens)

CONSUMER OVERVIEW

A. Retail

i. Types of Food

As a result of the consumer surveys and retail pilot project, the following items were the most popular:

- Lean Ground Beef
- Chicken (Whole Fryers)
- Medium Cheddar
- Free Range Eggs
- Alpine Bread
- Carrots
- Potatoes
- Broccoli
- Spinach
- Garlic
- Asparagus
- Tomatoes
- Peppers
- Raspberries, Strawberries, Blueberries
- Apples

Organic Preference

The consumer surveys also collected data on organic preference. 51% of those surveyed stated that they would like organic where possible and 37% of those surveyed stated that they would like only organic produce.

ii. Demographics

In the consumer surveys the households were broken up into number of occupants per household. The surveys were completed largely at the Farmers Market, with a smaller percentage being completed at social and sporting events. The demographics were recorded from a population that is more likely to want local food as they are already shopping at the Farmers Market.

From the surveyed population, the largest sector was single occupant households at 29%, with three member households coming in at 23% and 4 people households at 21% and two

people households coming in at 19%. The five and six member households represented a much smaller percentage at 8% combined.

Of the survey group who were not interested, two member households were the highest at 46% with single households coming in at 36%. Three and six member households were not interested at a combined level of 18% of the not interested group.

These survey results indicate that the target market for a retail, pre-order sales operation is the three and four member households, who are busy and on the run, appreciate the convenience and the high quality local foods. The single and two member families have more time to shop the day they are cooking, they eat at home less, and have a concern that the pre-ordered food will not be eaten due to their consumption patterns. For this sector there is an opportunity for ready to eat frozen foods that would provide a convenience and would eliminate their food waste concerns.

iii. Consumption Levels

The following estimate on consumption levels have been drawn from both consumer survey results, as well as a small pilot project of 10 to 15 families that purchased retail products on a weekly preorder basis, through the Heartland Co-op from August 15 to November 15, 2007.

- Average weekly spending during summer months = \$100
- Average Weekly spending during winter months = \$40

The drop in consumption levels from summer to winter is largely due to the local produce items not being available during this time. This reduction in revenue during the winter months is a risk to the viability of a local food marketing system. This exhibits clearly why it is so essential to obtain support for a commercial kitchen project which will facilitate processing of produce items for year round consumption.

iv. Price Sensitivity

From the Consumer Survey Summary (Appendix 2), the following insight into price sensitivities can be drawn:

% OF YES POPULATION	% DIFFERENCE IN PRICE OVER CONVENTIONAL FOOD
84%	10%
55%	15%
28%	20%
12%	25%
10%	30%
8%	40%
4%	50%

Of those consumers who said yes to local foods the abovementioned percentages remain as the prices increase.

After the 20% price difference, the demand decreased substantially due to the higher pricing. This clearly illustrates then that the market demand at this time in the Kamloops area for locally produced foods is not directly linked to price until the 25% premium price range, at which time it drops off by more than half. An interesting note is that 8% of the survey population, who said yes to local foods, is willing to pay a 40% premium to secure them.

B. Wholesale Stores

Four of the five stores surveyed were interested in purchasing local food products. Three out of the five stores surveyed are already purchasing their beef from a local supplier, therefore beef was not requested.

i. Types of Food Chosen (by at least two out of three stores)

- Pork Chops=3
- Chicken Drum Pack=2
- Split Wings Pack=2
- Carrots =3
- Potatoes=3
- Lettuce Romaine=2
- White Onions=2
- Cucumbers=2
- Hot house tomatoes=3
- Garlic=2

- Lettuce Butter=2

ii. **Price Sensitivity**

Three out of the four interested stores said that they would pay up to 15% more for local, quality foods that are supported by store signs highlighting the products as locally produced, together with the geographic area or farm name where they were grown. One of the four interested stores said that they would pay between 15 and 25% more for local foods providing the quality was high and their customers perceived the value

C. **Wholesale Education and Institutions**

This survey group consisted of only one participant, although two presentations were made at nutrition workshops for school programs with an estimated combined audience of approximately 75 people. The response level from these presentations was low, which is thought to be due largely to price sensitivity. With the new legislation for healthier eating in schools and guidelines for sugar and salt content in the foods, there may be an opportunity for prepackaged healthy snacks that fall well within the guidelines. In the Williams Lake area, there has been a line of locally produced protein and energy bars with whole grains and healthy ingredients. Due to their taste and health attributes, these bars have become so popular; a vending company has just signed a contract with the producer to distribute them to the various schools and vending machines in that region. This is an example of the opportunities in this sector for pre-packaged, healthy foods.

i. **Types of Foods**

The education institution surveyed was interested in the organic or naturally raised meat and organic produce items for special events, as they noted that their standard meal programs could not support an increased price margin for local foods.

Naturally raised specialty chickens (whole fryers and skin on breasts), as well carrots, potatoes, white onions, turnip and hot house tomatoes were of interest.

Currently they source their beef in quarters from a wholesaler, and the meat cutting program breaks them down into the various cuts. Lamb legs, shoulders, shanks and racks of lamb are purchased from a wholesaler, and the origin of the lamb purchased is mainly New Zealand.

ii. **Price Sensitivity**

The price sensitivity for this institution was between zero and 10%, which illustrates that unless it is a special event, the local food producers co-op would not be able to compete with the large wholesalers.

D. Wholesale Restaurants

i. **Types of Food**

The following items were rated as high interest by at least three of the five restaurants surveyed.

- Beef Patties
- Bulk Garlic Sausage
- Pork
- Cheese
- Carrots
- Potatoes
- Red Onions
- White Onions
- Garlic
- Chicken Breasts
- Hot house tomatoes
- Hot house peppers
- Raspberries
- Strawberries
- Blueberries
- Apples
- Pasta
- Anita's Organics Cereal/Flour Line
- Mustard
- Basil
- Oregano

ii. **Price Sensitivity**

Three of the five restaurants surveyed said they would pay up to 15% more for locally produced quality foods, one stated that they would pay up to 20% more, and one said that price isn't the issue and that sustainability, relationships, deliverability, uniqueness and quality of product is what they base their purchasing decisions on.

E. Catering

All of the eight catering clients interviewed were interested in accessing caterers who were using locally produced foods in their menu items.

i. Types of Food

Wraps, Bunwiches, Sandwiches, Salads and Veggie and Fruit Trays were the most popular items in the spring and summer period. In the winter period the meat and cheese trays as well as soup, lasagna and chili crock pot became higher interest items.

ii. Price Sensitivity

All of those surveyed stated that they would pay 15% more for quality locally produced foods if the caterer was to provide information on each of the local foods and on which local farm it was produced.

iii. Barriers To Entry

Management of the concessions as an example, the Tournament Capital Centre is bid on by a tender process once a year or once every two years. Any caterer providing food to the City of Kamloops events, offices or recreations facilities will need to first be placed on the approved vendor list by the City. In order to be placed on this list, the caterer must have a fully certified kitchen and health plan approved by Interior Health Inspectors, a business license with the City, and a certain level of liability insurance. The application process begins with the application for a business license.

F. Gift Baskets

i. Types of Baskets

From both the wholesale foods and catering surveys, the target market for gift baskets appears to be private corporations such as banks, legal and accounting firms as well as the hotels. Although gift baskets were not placed on the retail surveys, this is another potential market, which would further add to the convenience factor of the preorder retail sales.

ii. **Logistics**

It is recommended that during the busy seasons for gift baskets, a contract person be hired to fill the orders, to ensure that the retail and wholesale sales managers are not taken away from their core operations to fill orders.

G. Food Products with Greatest Potential

In terms of the current supply and demand in both the retail and wholesale sectors, and gross margin, the following is a list of food products which show the greatest potential.

- Lean Ground Patties
- Whole Fryers (Free Range Vegetarian Fed)
- Salad Greens (winter greenhouse grown)
- Spinach
- Broccoli
- Garlic
- Carrots
- Raspberries
- Strawberries
- Blueberries
- Turnips
- Hot house Tomatoes (extended season)
- Hot house Peppers (extended season)
- Salsa
- Frozen berries
- Ready-to-eat frozen, healthy meals

COMMERCIAL KITCHEN

A. Rationale

- In order for the co-op to be viable, and be effective in driving economic development for the producers, year round sales of locally produced foods will be essential.
- 45% of those primary agriculture producers surveyed stated that they would be interested in utilizing a commercial kitchen and obtaining assistance with labeling and health regulations in processing a secondary food product for year round consumption
- Due to on farm time constraints, and the labour requirement for food processing, the number of farmers participating in secondary processing would increase further if once each product was developed, a skilled workforce would be available on a contract basis, to complete the manufacturing.
- From the preorder retail sales pilot project, as well as from the consumer surveys, it is demonstrated, that in order to market locally grown foods year round, a secondary processing facility is required where producers can access the resources needed to develop and process their product.
- From discussions with Laura Kalina, Interior Health and Vera Doell, Interior Community Services Association, Commercial Kitchens Coordinator, there are currently four commercial kitchens within the City of Kamloops that are fully certified and available to rent. **These include OLPH,**

B. Recommendation

i. Building Relationships

As outlined above, there are a number of organizations that Heartland Foods Co-op can build rental relationships with, and facilitate the bookings for their producer members. In addition, First Nations Agriculture Association is applying for funding for construction and operation of a commercial kitchen, and this may be a partnering opportunity for Heartland Foods Co-op. The Heartlands' participation could be as simple as a letter of support with an

intention to rent at a certain hourly rate. It could also be in the form of shared personnel and training programs.

ii. Workshops for Producers

From the producer surveys, there was a clear message about the demand for hands on workshops in product development, therefore organizing workshops for producers to facilitate new product development is highly recommended in the first year of operations. Funding for these workshops should be fee based, with donations from corporate and government sponsors keeping the price reasonable.

iii. Training Program for Food Processors and Harvesters

A clear message from the producer surveys was the lack of a skilled labour or the high cost of labour. At the same time, a health policy consideration is to have fresh healthy food available to all those who value it. To this end, it is recommended that the Heartland Foods Co-op explore the possibilities of partnering with either the Food Bank, or First Nations Agriculture Association to create a food processor and food harvester training program for low income individuals. The long term goal would be to build a skilled work force to take on food harvesting and food processing contracts using locally produced foods.

INFRASTRUCTURE REQUIRED

A. Producers – Working Capital

There is a need for low interest working capital, or other forms of incentive for producers who are looking to diversify their operations into new commodities, or processing food items that there is sufficient demand for. Particularly in the beef sector, producers are so pressured by lack of working capital, that they do not have the ability to finance any changes to their operation.

B. Producer Driven Organization – Co-op

i. Business Structure

The Co-op corporate structure was chosen by this group of producers for the following reasons:

- Consumer perception that their dollars would be going directly to a farmer owned organization with a rules and memorandum to protect its ownership and integrity.
- Producer perception that they would be able to sell product and/or buy shares in an organization that is 100% producer owned and operated.
- The feeling that funding would be more accessible for a co-operative, particularly non-profit, than say a development corporation.

The proposed business structure outlined in Appendix 5 evolved through meetings with producers, and from knowledge gained from the retail pilot project. To spread the work load out between directors, and to ensure that each of them gains perspective on the day to day operations, this group opted for a floating chairmen of the board, with the position changing hands every quarter. Once operations are in motion, the directors will meet once per month with an annual general meeting of the membership in the early spring.

ii. Human Resources

Human resources will be a key success factor in the long term viability of the co-op. For the first year of operations, the following positions will be required:

a) Fundraising, Management Consultant (part time position)

- Researches funding opportunities and writes funding proposals
- General Management through the pilot project phase
- Corporate Partnering
- Producer memberships
- Web Site Maintenance
- Promotions Manager (Trade Shows, Newsletters, Press)
- Mentoring of Wholesale Sales Manager, Retail Sales Managers and Financial Controller.

It is anticipated that this position will require 2-3 days per week during the pilot project phase, reducing to 2-3 days per month after that time.

b) Manager of Wholesale Sales and Secondary Food Processing (part time position)

- Wholesale sales
- Ordering and pricing
- Develop inventory, cold storage systems for red meat products and bulk produce.
- Development and maintenance of a food safety plan for Interior Health
- Coordinate commercial kitchen availability and food processing workshops for producers.

It is anticipated that this position will require 2-3 days per week during the pilot project phase, increasing to 4 days per week after that time.

This position lends itself well to a financial reward system based on a percent of gross margin in retail sales. This reward system could be implemented once a gross margin benchmark for wholesale sales is reached. This would serve to heighten the level of motivation and would create an environment which would encourage creativity and attention to those details impacting the financial success of the co-op.

c) Manager of Retail Sales (full time position)

- Retail Sales
- Ordering and Pricing
- Gift Baskets
- General Inquiries
- Education and promotions

The estimated total cost for this position is \$2,600/month.

This position lends itself well to a financial reward system based on a percent of gross margin in retail sales. This reward system could be implemented once a gross margin benchmark for retail sales is reached. This would serve to heighten the level of motivation and would create an environment which would encourage creativity and attention to those details impacting the financial success of the co-op.

d) Packers (1-2 days/week)

It is recommended that the packers receive incoming produce on the farmer's market day and pack these items into the boxes as they arrive. On the food pick up days, a packer will also be required in the morning to pack the non produce items. Based on \$10/hour, the total costs for the packers are estimated at \$1.50/box.

e) Financial Controller (one day/week)

- Accounts Payable
- Accounts Receivable
- Inventory Management
- Estimated cost for this position is \$400/month for first year of operations

f) Accountant

The directors will need to determine the level of financial statements required against accounting costs. Quotes were obtained from three local accounting firms which provided the following information

- Notice To Reader: \$1,500 - \$3,000
- Review Engagement: \$2,500- \$10,000

- Audited Financial Statements: \$5,000- +\$10,000

For the purposes of the cash flow projection, the lower end cost for a review engagement financial statement was chosen.

g) Lawyer

For incorporating the co-op, the estimated legal costs are \$2,300. Providing no other legal matters present themselves, legal fees after the start up phase will be minimal.

iii. Sales Office

As the preorder retail sales will be largely a food pick up service, it is essential that the sales office is in a central location, with access to both cold and freezer storage.

The High Country Cold Storage Building on Laval Crescent provides a fit for these needs, and the office rent is reasonable at \$350/month.

iv. Cold Storage

During the first year of operations, it is estimated that the cold storage requirements will be between 2 and 4 pallets, during the summer months and 1 pallet during the winter month. The dimensions of a pallet are approximately 4 feet by four feet. For this amount of cold storage the costs would run \$100-\$200/month in the summer and \$50/month in the winter. For the 2007/2008 winter period (November 15 – May15) the cold storage unit will not be available due to Ginseng and Trees occupying the space, which demands a maximum temperature of -3° Celsius.

By the fall of 2008, however, the management of High Country Cold Storage has indicated that their new building near the KXA may be available to store the trees, which will open up cold storage space for the Heartlands Co-op. If this does not happen, Clarke Freightways may be approached for cooler space during the winter months as they are very close and have been good to work with in the past.

v. Freezer Storage

The estimated freezer storage requirements for the first six months would be one chest freezer and one upright freezer inside the main office, with the beef, lamb and pork producers initially renting their own freezer storage, and delivering to the office freezers on a just in time basis.

As the wholesale sales volumes grow however, a self enclosed freezer storage locker will be required on site, to ensure there is sufficient product available to meet demand. The purchase of a walk in freezer at \$20,000 has been included in the start up costs portion of the financial projections.

vi. Interior Health – Food Safety

A food safety plan will need to be completed, outlining the facility plans and measures taken to ensure food safety. It is recommended that the Co-op develops a HACCP plan in order to stand behind their commitment to food safety and quality. It is also recommended that all employees and volunteers handling food at the Co-op obtain the Food Safe 1 Certification by April 1, 2008.

vii. Transportation and Shipping

The cost of shipping product from the out of town suppliers is a large expense, and one that needs to be carefully managed. For the Village Cheese, Farmcrest chicken, Sabatini Pasta, as well as some produce items shipping costs and logistics are the responsibility of the co-op. Partnering with another food distributing company such as Gorts Gouda, Mountain Morning Farms, or Blackwell Dairy may be a good alternative to keeping costs down and reducing their transportation costs as well. If it is not possible to tag onto one of these existing distribution routes, a refrigerated trucking company such as Clarke's should be used to transport these items until the cost of shipping exceeds the mileage and driver costs of the Food Share Van. The Food Share Van (\$20/hr) and driver costs (\$20/hr) for a round trip from Kamloops to Salmon Arm, Armstrong and Westwold, and back to Kamloops is estimated at \$160.

During the pilot project, most of the produce items were pre-ordered and picked up at the farmers market by the retail sales person. This creates an added expense and as food orders increase, it will no longer be feasible. It is suggested then, that a Heartland’s representative either meet the producers at the Cold Storage Facility, prior to or just after the market, or on an alternate day of the week. Pick up day for both the retail and wholesale clients needs to be carefully timed around the delivery date of the produce items to maintain product freshness and quality.

Suz’s Little Cartage is a refrigerated trucking company that services Sunpeaks on Wednesdays and is a very good option for delivering to the wholesale clients in that area.

viii. Start-up Capital

As outlined in the Cash Flow Projection Appendix 6, the following items will be required for business start up:

Scale	\$1,200
Web Site Design & Database	\$6,000
Branding & Logo Development	\$1,150
Legal Fees	\$2,250
Office Equipment	\$3,150
Office Renovations	\$2,300
Cold Storage Equipment	\$22,000
Producer Share of Feasibility Study	\$3,000
Total	\$41,050

ix. Working Capital

Both the retail and wholesale operations should be based on a preorder – just in time system with the perishable products, and frozen grass-fed beef, lamb and pork coming in and leaving within 3 days. This system ensures freshness and reduces the operating capital needs of the co-op. In the first year however, when sales volumes are relatively low, the non perishable products, cheese and poultry will need to be reordered on a monthly basis, in order to meet minimum order levels and to build efficiencies around shipping and

bookkeeping costs. In order to maximize price margins on grain-fed beef, whole animals delivered to the processor, need to be purchased from the producer with the co-op being responsible for cutting instructions, and ensuring all the different cuts are sold in a reasonable time. It is expected within the first year of operations that one 600 kg grain-fed animal will be moved through the inventory within one to two months on the retail side. As the wholesale division gains ground in premium grain-fed beef sales, the sales manager will need to ensure simultaneous market development for the lower end cuts in order to avoid huge inventories, which will hugely increase operating capital requirements and threaten product quality.

Based on the above information on the various food types, an average cash flow cycle of 30 days appears reasonable.

Utilizing the 30-day cycle and the total cost of sales of \$256,900 from Appendix 6, the working capital needs of the co-op is estimated to average at \$21,115 during its first year of operations. This working capital need should be addressed by the directors, and it is recommended that an operating line of credit for \$22,000 be arranged at their financial institution, or from another source. This line of credit however needs to be carefully monitored to ensure that it is not funding losses in the short term, and that it is clearly being utilized for working capital requirements.

STRATEGY DEVELOPMENT

When building a business strategy the following considerations need to be balanced:

- What can we do? Based on the strengths and weaknesses of the organization. Focus on those resources inside the organization.
- What should we do? Based on market trends, government regulations and factors outside the control of the organization. More commonly referred to as opportunities and threats.
- What do we want to do? Based on the values, beliefs and commitment factors of shareholders as well as employees.

A. Values and Beliefs and Commitment Factors

Very little time has been spent on these considerations during the initial planning stages of the Heartlands Co-op. It is recommended that future strategic planning sessions focus in on developing these concepts from both the producer members, as well as from the employees.

B. Vision and Mission

The following vision and mission statements were developed by the initial working group and were passed at the second meeting of the producers, held at Thistle Farms in the spring of 2007.

- ***Vision*** – Creating connections, from field to table.
- ***Mission*** – To create a culture in which local sustainable agriculture is thriving as an integral part of the local economy. By valuing local agriculture we will ensure a healthy and accessible local food system for future generations.

C. Strengths and Weaknesses

A future strategic planning session should isolate these considerations. Both strengths and weaknesses should have measurable values to support them, rather than being subjective statements.

D. Opportunities and Threats

These considerations need to be developed as well, at a future strategic planning session. As mentioned above, each statement should be able to be supported by measurable values, in order to track them at future strategic planning sessions.

E. Generic Strategy

Utilizing Porter's generic strategy concept, the generic business strategy suggested by the writer and chosen by the producers at May 5 meeting was **differentiation**. Unlike Porter's **focused differentiation**, where the organization focuses its energy on one particular market segment, the **differentiation** strategy allows the organization an open target market for its products and services. This means that the products of the co-op would all share some distinguishing characteristics that would set them apart in the market place. Due to the perceived value of these distinguishing attributes, the co-op could demand a higher price in the market, for these products. All the decisions made by shareholders, management and employees need to be aligned with this strategy. All promotions and advertising need to reinforce this strategy as well, and constantly highlight those characteristics which make the products unique.

The differentiating characteristics chosen by the producers were:

- Locally produced
- Quality
- Sustainability

F. Strategic Fit

Strategic fit refers to choosing partners and activities in an organization that reinforce each other, eliminate redundancy and minimize wasted effort and resources. Strategic fit drives both competitive advantage and sustainability for the organization.

Careful consideration should be given to strategic fit, in choosing the future direction of operations and partners for Heartland Foods Co-op. In the initial concept paper, several possible operations were highlighted through which to market locally produced food.

Taking into account both strategic fit and the survey results from producers and consumers, the highest and best combination of operations have been selected below.

MARKETING PLAN

A. Product and Service Mix

Utilizing both the consumer survey results, input from the producers as well as the strategic fit considerations, the following product/service mix shows the greatest potential for the co-op during its first few years of operations:

i. Core Operations

- **Retail Preorder (Relationship) Sales**-This product and service mix shows the greatest potential revenue source for the co-op and will be the main platform of operations.
- **Wholesale Sales** – focusing on hotels/ restaurants and small local grocers.

ii. Facilitation and Partnering

- **Secondary Processing**-facilitate processing of local foods through producer workshops, technical support and partnering towards the use of a commercial kitchen.
- **Catering** – through partnering with local caterers who share a similar vision, facilitate catering of locally produced foods by hosting a page on the website and referring clients to the Heartlands Co-op catering partners.
- **Farm Tours** – in the first year, as the opportunities arise, with this operation being built upon as demand grows.

B. Price

i. Retail Preorder Relationship Sales

- The directors feel strongly that the marketing co-op should maintain an average price margin of 35% for retail sales. This means that if an item is purchased for \$0.65, it will be sold for \$1.00. This is equivalent to a 54% markup and is in the low range for the retail food industry.

- The consumer surveys tell us that a price premium of between 20 % and 25% is acceptable to 28% of the survey group, but as premiums increase over that level, the demand drops to 12%.

Careful consideration should be given to these two factors then, in developing product and service pricing. Maintenance of the 35% price margin is paramount, however competitor pricing and client satisfaction should be monitored, to ensure the co-op does not lose valuable sales due to pricing.

*ii. **Wholesale Sales***

A 25% average margin is recommended for this sector. This means that if an item is purchased for \$.75, it will be sold for \$1.00. This is equivalent to a 37% markup. The wholesale surveys told us that a price premium of 15-20% is acceptable to this sector.

C. Place

*i. **Large Scale***

When compared to the lower mainland, Kamloops as a city may be in the early stages of the trend towards locally produced food. The co-op is in the right place at the right time to take advantage of the huge growth in demand for these types of foods and service.

*ii. **Small Scale***

A location within the City of Kamloops will need to offer reasonable rent, with both freezer and cold storage capacity, and most importantly be centrally located for customer pick ups as well as shipping. High Country Cold Storage fills these requirements well and the management is willing to work with the Co-op as it grows to ensure its needs are met.

D. Promotion

Due to limited cash flows during the start up phase and the first year of operations, promotions should be designed to be very cost effective. Construction of an effective web site with both a wholesale and retail ordering program built in will be the single best method of promotions. News articles in the local paper will also assist in building consumer awareness for both the organization and the product offering.

Trade Shows are another tool, and are recommended particularly during the first two years of operations. For wholesale clients, meetings at their place of business are the best method of building a relationship and securing their business.

FINANCIAL AND BREAKEVEN ANALYSIS

From the cash flow projection in Appendix VI, the following points come to view:

- The administration costs for running the marketing co-op will be between \$8,000 and \$9,000 per month, once the pilot project is complete.
- If 50% or \$4,500 of the administration costs are to be covered from retail sales, based on a 35% retail margin the breakeven sales volume per month is between \$12,000 and \$15,000 per month. Based on the consumption levels from the retail pilot project, this translates to a breakeven number of 75 clients during the winter months and 37 clients in the summer months.
- If the other 50% of the administration costs are to be covered by wholesale sales, at 25% average margin, a breakeven sales volume for this sector would be between \$15,000 and \$18,000 per month.
- Averaging the gross margin between retail and wholesale sales at 30%, the breakeven total sales volume would be between \$27,000 and \$30,000 per month.
- A total of \$69,000 in future funding grants will be required to build the co-op to a self sustaining level of operations.
- An operating line of credit in the amount of \$22,000 will be necessary in order to meet the working capital needs of the co-op in its first year of operations.

RECOMMENDATIONS AND IMPLEMENTATION STRATEGIES

1. In working with the primary producers to market their products, be aware of the challenges facing each sector, and build systems that will assist them in reducing these challenges.
2. Encourage production of those items highlighted as having the greatest potential, in section 5g.
3. At the next directors meeting:
 - Realign the tasks within the co-op so that the retail sales manager, wholesale sales manager, financial controller, and general manager are clearly assigned to those tasks that reflect their strengths in order to leverage the human resource component to its greatest potential and build a positive culture within the organization.
 - Decision how and where to access a \$22,000 line of credit for the co-op.
4. Communicate findings of this feasibility study to the following:
 - Producers – particularly those who were surveyed, to encourage involvement and membership growth.
 - Government Agencies – for awareness and promotion, highlighting those areas outlined in the producer survey as Barriers to Entry for Diversification.
 - Funding sources – to secure funding to initiate a six month pilot project for both wholesale and retail sales. To ensure that those agencies that have already granted money to this initiative, are kept informed of the Co-ops progress to date.
 - Financial or Lending Agencies – to secure an operating line of credit for the co-op.
5. Contact all those individuals and businesses that were surveyed to notify them that the executive summary for the Feasibility Study is posted on the website and give them directions on how to place both wholesale, retail and gift basket orders from the website if they so desire.
6. Develop funding proposals totaling \$69,000 to assist in the execution of a six month pilot project for both retail and wholesale sales and facilitate the purchase of a walk in freezer unit.

7. Complete a list of contact information for the commercial kitchens available to rent. Build a rental relationship with at least one of the local commercial kitchens and develop a funding proposal to facilitate producer workshops in secondary processing of locally produced foods.
8. As the opportunities arise for partnering, develop a food harvesting and processor training program for low income individuals, so that the the primary producers have access to skilled contractors for their food processing and harvesting needs.
9. In January and February 2008 develop projections on the volumes of foods that will be needed to fill the wholesale and retail sales over the year. Then develop a list of preferred producers for each commodity and contact them with the volume projections, to allow them time to adjust their feed regimes for the meat sectors, and for the produce sectors allow them time to order seed and plant the additional volume of crop needed to service the Co-op that year.
10. Maintain a weekly check on gross margins, sales per retail customer, number of customers and level of wholesale sales, to ensure that these figures are on track as per projections.
11. Develop a promotion plan that involves at least one or two press releases with the website address, and at least one trade show for the 2008 year. The sales manager should also look at visiting at least two hotel/restaurant clients per month to build the wholesale portfolio.
12. Utilize existing distribution channels with producers such as Gort's Gouda, Mountain Morning Farms and Blackwell Dairy, to reduce transportation costs for everyone, and if this avenue fails, utilize a local refrigerated trucking company such as Clarkes Freightways or Suz's Little Cartage.
13. For those producers who are not able to invest in a co-op lifetime membership share for \$500, commence an annual brokerage fee so that each supplier will pay an annual \$50 fee for marketing of the first two products, and \$10 per product after the first two. This was recommended by Dave Evans, Nelson Farms Consulting Group, Morrisville State College.
14. Lobby government to initiate a program through B.C. Ministry of Agriculture and Lands for an extension specialist to assist producers individually in accessing grant funding and low interest financing for diversification of their farm operations into new products and services.

It was determined that a producer owned co-operative would be the best corporate model for the enterprise and the operations should focus on retail and wholesale preorder sales.

Partnerships should be forged with caterers who share similar values, to further enhance the consumption of locally produced foods. Secondary processing of locally produced foods for year round consumption is essential to both the viability of the co-op and the economic development of the primary producers. To facilitate this, the co-op should develop relationships with local commercial kitchens, and co-ordinate hands on workshops for producers on new product development.

Under the recommended corporate structure, the administration costs for the co-op in its first year of operations will be \$8,000-\$9,000 per month. Assuming an average margin of 30% between retail and wholesale, the breakeven sales volume would be \$27,000-\$30,000 per month.

To assist in building to this level of sales, and to determine operational risks that have not yet been uncovered, it is recommended that the Co-op complete a six month pilot project as the final part of the research and development phase. The cost for this pilot project and the purchase of a walk in freezer unit is estimated at \$69,000. Another key requirement for this project is for the directors to access a \$22,000 line of operating credit, to finance inventories and accounts payable.

If these two financial requirements are met, the viability for a producer owned marketing co-op should be attainable within six months.

APPENDIX I

Producer Survey Summary

1. How are you currently marketing your agriculture products?

Beef & Lamb (7)	Auction = 2 Wholesale Stores = 1 Farmers Market = 1 Auction & Farm Gate = 3
Pork (2)	Farm Gate = 2
Poultry/Eggs (3)	Wholesale = 1 Direct Sales = 1
Fieldcrops (19)	Store Front = 1 Farmers Market & Store Front = 2 Farmers Market & Direct Sales = 5 Others + Box Pr = 4 Wholesale other = 10
Greenhouses (2)	Farmers Market & Farm Gate = 1 Wholesale = 1
Meat Processing (2)	At the Plant = 2
Food Processing (3)	Retail Store = 1 Wholesale & Distributors = 1 Wholesale = 1

2. What currently are your top three products in terms of gross margin?

Beef & Lamb (7)	#1 Contributor Calves = 7 Cows = 7 Meat Products = 5 Hay = 1 Vegetables = 1 Canola Lease = 1
Pork (2)	#1 Contributor Finished Hogs = 2
Poultry/Eggs (3)	#1 Contributor Poultry = 1 Eggs = 2
Fieldcrops (19)	Top 3 Contributors Potatoes = 5 / Corn = 5 / Onions = 5 Strawberries = 4 / Garlic = 4 Carrots = 3 / Peppers = 3 Raspberries = 2 / Lettuce = 2 / Salad Greens = 2 Squash/Pumpkins = 2 / Tomatoes = 2 / Apples = 2 Herbs = 1 / Herbal Creams = 1 / Dry Beans = 1 / Asparagus = 1 Cantelope = 1 / Malt Barley = 1 / Cherries = 1 / Nectarines = 1 Peaches = 1 / Pears = 1 Wholesale other = 10
Greenhouses (2)	#1 Contributor Cucumbers = 1 Tomatoes = 1 Peppers = 1
Meat Processing (2)	#1 Contributor Custom Kill = 2 Wholesale = 2
Food Processing (3)	#1 Contributor Flour = 1 Cheese = 1 Dairy = 1

3. What product do you feel that you could be the best at producing due to special features/resources?

Beef & Lamb (7)	Meat Products = 5 Root Veggies = 1 Pharm.Plants (Echinacea) = 1 Horse Hay Sales = 1 Strawberries = 1 Agritourism = 2 Pork = 1 Landscape Trees = 1
Pork (2)	Rhubarb = 1 Root Veg. = 1 Raspberries = 1 Hay = 1 Turkeys = 1
Poultry/Eggs (3)	
Fieldcrops (19)	Salad Greens = 1 / Tomatoes = 1 / Cucumbers = 1 / Cabbage = 1 Raspberries = 1 / Mushrooms = 1 / Blueberries = 1 / Rhubarb = 1 Herbs = 1 / Grapes = 1 / Garlic = 1 / Shallots = 1
Greenhouses (2)	
Meat Processing (2)	
Food Processing (3)	

4. What factors are preventing you from producing them?

- Time required for development and marketing
- Finances required to work on product/market development
- Lack of cold storage
- Lack of government inspected facility (turkeys)

5. What are the main marketing, storage and distribution challenges you face in getting your food products to the point of sale? Answering 2&3 to these items implies it is a major problem. Total = 38

Low/Volatile Product Prices = 7	=1		=4	=1	=1	=1	15
Unknown/Insufficient Sales Volume = 1			=4		=2	=2	9
Time Priorities or Constraints = 6	=2		=9	=1	=2		20
Shortage/Cost of Labour = 6	=2	=1	=8	=1	=2	=1	21
Limited Freezer Storage = 4			=2		=1		7
Limited Cold Storage = 4			=4		=1	=1	10
<i>Other = Federal Labour Regulations, CFIA, Weather, Streamlined invoicing requirements of supermarkets</i>							

6a. Would you be interested in utilizing a commercial kitchen and obtaining assistance with labeling/health regulations in processing a secondary food product for year round consumption?

Beef & Lamb (7)	Yes = 3 / No = 2 / Maybe = 2
Pork (2)	Yes = 1 / No = 1
Poultry/Eggs (3)	Yes = 1 / No = 1
Fieldcrops (19)	Yes = 9 / No = 10
Greenhouses (2)	Yes = 1 / No = 1
Meat Processing (2)	No = 2
Food Processing (3)	No = 3

6b. What products are you interested in processing?

- | | | |
|---------------------|-------------------------|--------------------------------|
| Salsa | Specialty Berries | Pickled Peppers |
| Hot Sauce | Fruit Vinegars | Pickles |
| Canned Tomatoes | Pesto | Relish |
| Frozen Tomatoes | Bruschetta | Chutneys |
| Frozen Beans | Salad Dressing/Marinade | Organic/Healthier French Fries |
| Frozen Raspberries | Mayonnaise | Meats/Vegetables/Fruit |
| Frozen Rhubarb | Raspberry Syrup | Catering |
| Jams/Jellies/Juices | Pies/Baked Goods | Ready to eat meals |

7. Would you be interested in hosting farm tours or diversifying into Agri-tourism if there was a central based agency to manage promotions, bookings and payments on a user based fee system?

Beef & Lamb (7)	Yes = 6 / No = 1
Pork (2)	No = 2
Poultry/Eggs (3)	No = 2
Fieldcrops (19)	Yes = 12 / No = 6 / Maybe = 1
Greenhouses (2)	No = 2
Meat Processing (2)	No = 2
Food Processing (3)	Yes = 2 / Maybe = 1

8a. Do you see a food producer's co-op being of potential benefit to your operation in terms of reducing those challenges and addressing those opportunities mentioned above?

Beef & Lamb (7)	Yes = 6
Pork (2)	Yes = 2
Poultry/Eggs (3)	Yes = 2
Fieldcrops (19)	Yes = 15 / No=2 / Need More Info =2
Greenhouses (2)	Yes = 2
Meat Processing (2)	Yes = 2
Food Processing (3)	Yes = 3

8b. If yes, at what share value/ lifetime would you be willing to purchase a membership share?

- \$500 = 10
- \$1,000 = 1
- Rather Brokerage Fee = 1
- No Answer = 26

APPENDIX II

Tabulated Demographics from Retail Surveys

Tabulated Demographics from Retail Surveys

Survey size: 86

Number of people per household

▪	Single: 25/86 (question about singles) (29%)
▪	2 people: 16/86(19%)
▪	3 people: 20/86 (23%)
▪	4 people: 18/86 (21%)
▪	5 people: 5/86 (6%)
▪	6 people: 2/86 (2%)

Demographics of those not interested in retail relationship

Total non interested survey participants
(stated “no” on the survey): 11/86

(13%)

▪	Single: 4/11 (36%)
▪	Two people: 5/11 (46%)
▪	Three people: 1/11 (9%)
▪	Six people: 1/11 (9%)

Rationale:

- **Six People** – Rationale: not enough money to purchase goods
- **Three people** – No rationale given
- **Two People** – Rationale: Pick up an issue
- **Two people** – Rationale: Location (live out of town)
- **Two people** – Rationale: Get local produce already
- **Two people** – Rationale not given
- **Two people** – Rationale: Too expensive and has food allergies
- **Single** – Rationale: Unable to keep fresh veggies due to being single. Not home enough.
- **Single** – No rationale given
- **Single** – Rationale: Health Issues
- **Single** – Rationale: Needs food prepared

Number of surveys where desire for establishing a retail relationship was not given (“yes” or “no” answer not provided)

- 9/86 (10%)

Premium over Supermarket Prices – Customer would be willing to Pay

Total number of surveys that answered this question: 49/86 (57%)

DEMOGRAPHIC POPULATION NUMBER OF PEOPLE/HOUSEHOLD	WEEKLY BUDGET MAXIMUM	PREMIUM OVER SUPERMARKET PRICE – WILLING TO PAY
6 people	Blank	20%
5 people	Blank	20%
5 people	Blank	10%
5 people	Blank	10%
4 people	Not given but stated that they do have one.	10-15%
4 people	Variable	20%
4 people (stated “maybe” for retail relationship)	\$150	Not stated
4 people	Blank	20%
4 people	Blank	15%
4 people	Blank	10%
4 people	Blank	20%
4 people	Blank	20%
4 people	Blank	15%
4 people	Blank	15%
4 people	Blank	10%
3 people	\$100-\$150	Want better price for bulk purchases
3 people	Blank	10%
3 people		20%
3 people	Not specified	“Not much”
3 people (answered “no” to the retail relationship)	\$40 (for veggies)	20% for meat
3 people	\$40-\$60	Willing to pay more (not specified)
3 people	\$150-\$200	Cannot pay much of a premium above supermarket (not specified)
3 people	\$50	20%-50% depending

		on the product
3 people	Not given but stated they do have one	20%
3 people	\$75	15%
3 people	\$50	10%
3 people	Blank	10%
DEMOGRAPHIC POPULATION NUMBER OF PEOPLE/HOUSEHOLD	WEEKLY BUDGET MAXIMUM	PREMIUM OVER SUPERMARKET PRICE – WILLING TO PAY
3 people	Blank	20%
3 people	Blank	20%
3 people	Blank	10%
2 people	\$80	\$0.50 cents to a dollar extra on most goods. For meat willing to pay \$3.50 extra/pound.
2 people	Blank	10%
2 people	Blank	25%
2 people	Blank	10%
2 people	Blank	10%
2 people	No maximum budget	Price not an issue – wants fresh, local produce
2 people	\$100	50%
2 people (would want to partner with another family to do orders)	\$125	10%
Single	\$100	30%
Single	Not given but stated that they have one	“sort of higher”
Single (wants food prepared – said he would not be interested in a retail relationship)	No maximum	40%
Single	Blank	10%
Single	Blank	15%
Single	\$75	20%
Single	\$40	Not willing to pay more
Single	Blank	15%
Single	Blank	15%
Single	Blank	10%

Demographic Population and Percentage above supermarket value they are willing to pay

NUMBER OF PEOPLE/HOUSEHOLD	10%	15%	20%	25%	30%	40%	50% OR MORE	OTHER
6 people: 1/49 (2%)			1					
5 people: 3/49 (6%)	2		1					
4 people: 12/49 (25%)	2	4	5					1
3 people: 15/49 (31%)	4	1	5			1		4
2 people: 8/49 (16%)	4			1			2	1
Single: 10/49 (20%)	2	3	1		1	1		2
Total:	14/49 (29%)	8/49 (16%)	13/49 (27%)	1/49 (2%)	1/49 (2%)	2/49 (4%)	2/49 (4%)	8/49 (16%)

Consumer Interest in Specific Products

Total number of surveys that completed this section: 76/86 (88%)

Grass Fed Beef		Premium Grain Finished Beef	
Easy Chew Jerky/30g	19/76 (25%)	Rib/New York Steak	16/76 (21%)
Beef Jerky/ 100g	9/76 (12%)	Sirloin Steak	16/76 (21%)
Lean Ground	27/76 (35%)	Premium Tenderloin Steak	10/76 (13%)
Garlic Sausage	15/76 (20%)	Beef Roast	16/76 (21%)
Beef Pepperoni	8/76 (10%)	Short Ribs	10/76 (13%)
Gourmet Smokies	5/76 (7%)	Blade Steak	4/76 (5%)
Lean Br Sausage	5/76 (7%)	Flank Steak	6/76 (8%)
Lean Beef Patties	11/76 (14%)	Soup bones	10/76 (13%)
Econo Tenderloin Steak	12/76 (16%)	Heart, Kidney, Liver	6/76 (8%)
		Oxtail	6/76 (8%)

Grass-fed Lamb		Specialty Chickens	
Leg of Lamb	9/76 (12%)	Whole Fryers – boneless skinless	33/76 (43%)
Boneless Shoulder Roast	6/76 (8%)	Breasts (4kg) – Boneless Skinless	18/76 (24%)
Lamb Loin Chops	13/76 (17%)	Breasts T/pack or Drum T/pack (4-6 pieces/	9/76 (12%)

		pack)	
Lean Ground Lamb	5/76 (7%)	Thigh T/pack (6-8 piec/pack)	10/76 (13%)
Lamb Ribs	7/76 (9%)	Split Wings	8/76 (10%)
Lamb Stew	5/76 (7%)		
Rack of Lamb	3/76 (4%)		
Lamb Kabobs	8/76 (10%)		
Shanks	3/76 (4%)		
Necks	4/76 (5%)		

Locally Produced/Processed Foods		Local Cheese and Eggs	
Honey (500g)	19/76 (25%)	2 year aged smoked	15/76 (20%)
Cooked Salsa (Pint)	10/76 (13%)	Medium Cheddar	20/76 (26%)
WW Organic Flour (1kg)	11/76 (14%)	Garden Dill, Red Hot Pepper, Monterey Onion and Chive, Parmesan <ul style="list-style-type: none"> • Mediterranean • Feta • Cream Cheese (plain and dill) 	15/76 (20%) 23/76 (30%) 12/76 (16%)
UB White Organic Flour (1kg)	6/76 (8%)	Aged Gouda (organic)	7/76 (9%)
Organic 7 Grain Cereal (1kg)	12/76 (16%)	Parsley, Greek etc Gouda (organic)	9/76 (12%)
Organic Quick Rolled Oats (1kg)	17/76 (22%)	Feta (organic)	13/76 (17%)
Organic Multigrain Pancake Mix (1kg)	4/76 (5%)	Local Free Range Eggs	35/76 (46%)
Organic Spelt Flour (1kg)	7/76 (9%)		
Specialty Mustards (250ml)	10/76 (13%)		

Local Bakery Items		Local Dairy Items	
Cinnamon Buns w/lemon cream cheese	10/76 (13%)	4 litre <ul style="list-style-type: none"> • Skim • 1% • 2% • Homo 	12/76 (16%) 12/76 (16%) 10/76 (12%) 1/76 (1%)
Alpine Bread	25/76 (33%)	2 litre <ul style="list-style-type: none"> • 1% • 2% • Homo 	5/76 (7%) 5/76 (7%) 3/76 (4%)
Whole Wheat Bread	18/76 (24%)	250 ml 2 % milk for	6/76 (8%)

		lunches	
Sunflower/Flax Bread	16/76 (21%)	500 ml whip cream	10/76 (12%)
Rye Bread	14/76 (18%)	1 litre table cream	4/76 (5%)
WW Hamburger Buns	9/76 (12%)	500 ml table cream	6/76 (8%)
WW Hotdog Buns	7/76 (9%)	1 lb Butter	20/76 (26%)
WW Kaiser Buns	8/76 (10%)	500g yogurt	18/76 (24%)
		750g yogurt	17/76 (22%)
		750g Shape	6/76 (8%)
		500g 2% cottage cheese	10/76 (12%)

Vegetables and Fruits			
Carrots	51/76 (67%)	Squash (Spaghetti)	22/76 (29%)
Potatoes	39/76 (51%)	Squash (Zucchini)	20/76 (26%)
Corn	25/76 (33%)	Turnip or Rutabaga	18/76 (24%)
Peas	23/76 (30%)	Rhubarb	11/76 (14%)
Beans	22/76 (29%)	Raspberries	25/76 (33%)
Cabbage	19/76 (25%)	Strawberries	28/76 (37%)
Broccoli	44/76 (58%)	Blueberries	30/76 (39%)
Cauliflower	31/76 (41%)	Peaches	26/76 (34%)
Lettuce (leaf)	26/76 (34%)	Apricots	18/76 (24%)
Lettuce (romaine)	21/76 (28%)	Cherries	20/76 (26%)
Spinach	31/76 (41%)	Plums	18/76 (24%)
Beets	28/76 (37%)	Apples	27/76 (35%)
Green Onions	32/76 (42%)	Foods for Preserving/Pickling	
Red Onions	29/76 (38%)	• Pickling cukes	8/76 (10%)
White Onions	29/76 (38%)	• Dill	10/76 (12%)
Asparagus	25/76 (33%)	• Field Tomatoes (organic)	13/76 (17%)
Cucumbers	29/76 (38%)	• Field Tomatoes (Conv)	4/76 (5%)
Tomatoes	40/76 (53%)	• Frozen Strawberries (5lb iqf)	11/76 (14%)
Peppers – red/yellow	38/76 (50%)	• Frozen Blueberries (500g)	14/76 (18%)
Garlic	40/76 (53%)		
Squash (acorn, butter)	28/76 (37%)		

Interest in Organic Foods

Total # of surveys that completed this section: 41/86 (48%)

Organic Only: 15/41 (37%)

Organic Where Possible: 21/41 (51%)
No Preference: 5/41 (12%)