A feedBC Summary Report

Strategic Analysis of Aggregation Initiatives In BC

Prepared for:

BC Ministry of Agriculture

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and

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March 29, 2019

The Executive Summary has been modified by the Ministry of Agriculture for distribution purposes.

Executive Summary

Background and Objectives

The BC Ministry of Agriculture has developed a service plan with three core pillars that support the growth of agri-food and seafood businesses; Buy BC, Grow BC and Feed BC. All of them are aimed at strengthening B.C.'s agri-food and seafood sector and expanding the domestic market for B.C. food and beverage products. One of the goals of the Feed BC initiative is to increase the procurement of local food in government institutions. These institutions and their partners have procurement requirements including large volume buys, food handling and production certifications and logistics. Small and medium sized food enterprises (SMEs)[1], in some cases, struggle to meet these requirements. Aggregation of products by SMEs has been identified as a potential opportunity to meet those requirements.

Aggregation generally refers to initiatives where a group of local food producers work together to aggregate their products and distribute them to regional markets. The purpose of this study is to identify key lessons learned from past and current regional food aggregation initiatives, and to identify potential opportunities for SME aggregation initiatives to increase their sales and financial performance.

The key objectives of this study are to:

- Describe the context for regional food aggregation in B.C. (and elsewhere).
- Compile case studies of B.C. food aggregation projects and identify key issues, facilitators, barriers, gaps and key lessons learned for regional food aggregation in B.C.
- Recommend strategies that the Ministry of Agriculture, other Ministries, industry and other stakeholders can implement to support regional food aggregation.

The context for aggregation initiatives in BC

An aggregation initiative is defined as a local food enterprise in which small and medium sized producers or processers work together to aggregate their products and provide them to wholesale or retail customers in the local/regional marketplace. These products are typically sold on a direct to buyer basis without any middle agent mark ups and in a manner that preserves the identity of the initial producer/processor. Aggregation can also occur at different stages of the food system, including:

- On farm and off-farm aggregation
- Shared processing and storage aggregation
- Shared distribution aggregation
- Marketing aggregation

We identified 94 local food initiatives or enterprises in BC that have incorporated aggregation into their activities to some extent and grouped them into the following ten categories:

- Aggregation initiatives
- Multi-producer CSAs
- Food hubs
- Producer associations
- Commercial/commissary kitchens
- Producer Distributors
- Distribution services
- Grocery retail delivery firms
- Public markets
- Agri-food centres

[1] For this project a Small and Medium Sized Enterprise is defined as having 15 staff or less.

Summary of Key Interview Findings

We identified the following selected key findings based on discussions with aggregation initiative operators, stakeholder interviews and our document research:

- Aggregation initiatives need a clear champion to launch and a highly qualified manager to operate.
- Successful initiatives have highly engaged members and develop strong stakeholder partnerships.
- Farm businesses need help to accurately identify and access markets.
- Producers have low awareness of key operational aspects of aggregation initiatives.
- Different commodity groups create different challenges for an aggregation initiative to manage.
- Aggregation services face unique business challenges.

Key success factors for aggregation initiatives

Based on the above findings, we identified some important key success factors for aggregation initiatives, which include:

- Access to start up funding and post-launch funding
- Access to suitable land, facilities, and equipment
- Ability to reach target markets and an easy way for customers to order
- Ability to attract some large initial buyers to provide an initial volume
- A dedicated, respected, and business savvy champion/manager
- Strong understanding of the benefit of aggregation initiative services among producers
- Strong focus on operational efficiencies and reaching a financial breakeven as soon as possible.

Key conclusions about the aggregation sector

Based on our case study and best practice research, we came to a number of key conclusions, which include the following:

- The "aggregation industry" in BC is small and not well developed.
- Aggregation initiatives face many barriers to growth and survival.
- Cultivating buyer demand is a bigger challenge than cultivating more production.
- Successful models in other jurisdictions indicate that there is potential for growth.
- Many opportunities exist for the BC Ministry of Agriculture to support this sector.

Strategies to Support Aggregation in BC

Based on the above findings, key success factors and conclusions, we identified seven broad strategies that could advance aggregation in BC. These are presented in the following table along with 6 stakeholder groups and their potential roles:

No.	Types of strategies	Key stakeholder group roles					
		BC Minstry of Agriculture	Foundations and funders	Aggregation industry network	Food industry assocatiions	Food non-profits	Local food buyers
1	Provide access to funding	Funder	Funder				
2	Provide access to land, facilities and equipment	Facilitator	Funder	Coordinator	Facilitator		
3	Increase sales and buyer demand/commitment	Promoter		Marketer	Marketer		Buyer
4	Provide education and training on aggregation initiatives	Educator	Funder	Trainer	Educator	Educator	
5	Provide mentoring and coaching for producers	Coach	Funder	Mentor	Coach		
6	Facilitate development of aggregation initiative sector	Facilitator		Networker	Supporter	Promoter	
7	Adapt regulations to better support small producers	Regulator					

A view to the future

Over the past two decades low prices have become the key driver to grocery sales, which has impacted the bottom line of food producers and processors. This has led to an extremely competitive market where larger businesses thrive, and smaller ones die. However, a growing segment of consumers are becoming aware of the many health, environmental, social and local economy benefits of buying local food. This has led to the resurgence of farmers' markets and farmgate sales. These channels can only provide a certain level of revenues, so aggregation initiatives provide an important additional revenue channel. By focusing on a few key elements, it is possible that the aggregation initiatives can capture a meaningful share of the total food market in BC over the next 5 to 10 years, creating many new jobs, attracting new farmers, and diversifying the BC economy.

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