

FEASIBILITY ASSESSMENT

Township of Langley Food Hub

Report 3: Feasibility Assessment and Recommendations

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Prepared for:

Township of Langley and Township of Langley Agricultural Advisory Committee

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Executive Summary

The purpose of this feasibility study is to determine if a food hub is a worthy strategy to support local agriculture. The study explored and tested the overall feasibility by assessing 5 criteria:

Feasibility Criteria	Method of Assessing Criteria
1. Buy-in from stakeholders & industry leadership (e.g., clearly identified needs, functions, and supports)	Workshop discussions and one-on-one interviews.
2. Central management function (id. key players/agencies/associations to run the food hub)	Generate initial list at workshop. Telephone interviews with potential central management entities. Best practice research.
3. Possibility and suitability of location and land (e.g. proximity to primary production, land use compatibility)	Review and assessment of identified locations vis a vis suitability based on functions of a food hub vision.
4. Supportive/prohibitive policy of a food hub vision	Review local, provincial, and federal policies for both supportive and prohibitive policies based on the vision.
5. Financial sustainability (possible revenues vs estimated operating and capital costs, opportunity/will/viable options for investment)	Develop an outline of the business model for the hub (e.g. potential revenues and operating and capital costs). This will be based on cost assessments done on other hubs. Are there viable investment options?

The research came to the following conclusions for each of the food hub feasibility criteria:

1. Buy-in from stakeholders & industry leadership: There is a lot of support for a food hub with a number of needs and uses identified, but no clear key function agreed upon.
2. Central management function: A number of key players can play a role in running the hub, however work is still needed to achieve their commitment to the hub and clarify their role.
3. Possibility and suitability of location and land: Several options for a location of a hub and/or for different functions of a hub. However work is still needed to identify the key functions and whether these locations are suitable and available. The pace set for the project also points to initial stages of the hub not necessarily being physical facilities.
4. Supportive/prohibitive policy of the 5 year food hub vision: There is certainly key support from the Agricultural Viability Strategy for the food hub. However there are regulations and by-laws (Municipal, Provincial and Federal) in place that could restrict where it is located, and its operations and profitability.

5. Financial sustainability: Food hubs that have been operational for over 10 years are either co-ops or privately run and tend to be the most successful hubs. Over a third generate over \$1m/annum with little grant assistance. However some, including Grasshoppers Food Hub, have had to close business. A general rule of thumb for distribution hubs is >\$500,000 in revenue is required before physical infrastructure is financially feasible.

Based on the assessment of feasibility criteria, it is recommended that the process to establish a food hub in the Township of Langley continue. Further work is needed to identify its key functions, key players, location and business plan. Stakeholders recommended the pace of the project should start slow, build support, prove-out demand, and scale-up with opportunity. As well as nurturing a process that positions producers and processors at the helm is critical. With this in mind, the short to medium-term path forward is centered around a goal of identifying, encouraging, and supporting a leadership group who will be primarily driving and responsible for the hub, from the following groups: the Township, producers and processors, non-profit groups, educators and financial organizations.

Based on the feedback from the stakeholders and best practice examples, below, are six possible food hub models for the Township of Langley ordered based on the level of investment (lowest to highest):

1. Online hub - Brokering and co-ordinating distribution of locally produced food locally.
2. Co-ordinating hub - Central body that co-ordinates the brokering, promoting, educating and networking of local food businesses
3. Distribution hub - Aggregating local product to distribute locally,
4. Marketing & processing facility - Processing of locally produced product to added value product e.g. frozen cut carrots, soups and sauces,
5. Decentralized facilities - Area within a region that is designated a “food district” to support local food businesses,
6. Food development centre - Developing processed food product and supporting processing businesses.

Those who come forward and form a leadership group will largely shape the initial vision for the hub.

The Township of Langley is very well positioned for a food hub. As hubs continue to gain interest and popularity as a key link between local supply and local demand, generating multiple regional economic and community benefits, the Township of Langley is one of the municipalities tackling the opportunity. The Township is home to a host of knowledge, collaboration, facility, and land assets that the hub could leverage and help to add value to agri-food businesses. As one of the most agriculturally productive areas in the province, the Township has a tremendous opportunity to provide a leadership model for the region, province, and country.

1. Introduction

The purpose of this feasibility study is to determine if a food hub is a worthy strategy to support local agriculture. This was assessed through reviewing the Agricultural Viability Strategy, as well as conducting further research and stakeholder engagement around establishing a food hub for the Township of Langley. Essentially this feasibility study attempts to respond to the question: *Is a food hub feasible? If so, how? If not, why not and under what conditions would it be feasible?*

This study explored and tested the overall feasibility, food hub business model (i.e. functionality based on need), key players and governance systems, and other key aspects of a food hub for Langley. Through best practice research, stakeholder engagement, and technical analysis, this report addresses current needs on the supply and demand side, summarizes the potential to attract the required investment and physical infrastructure, and recommends the next steps to develop a business plan for a food hub in Langley.

The study has three key objectives:

1. Engage stakeholders, specifically those that are investing in the food hub, and identifying the form and function of the food hub;
2. Undertake research and review of best practices in North America to inform for the dialogue; and
3. Determine if there is a business model that would be feasible and broadly supported in the Township. We will test five key aspects of food hub feasibility to develop recommendations and next steps.

Feasibility Criteria	Method of Assessing Criteria
1. Buy-in from stakeholders & industry leadership (e.g., clearly identified needs, functions, and supports)	Workshop discussions and one-on-one interviews.
2. Central management function (id. key players/agencies/associations to run the food hub)	Generate initial list at workshop. Telephone interviews with potential central management entities. Best practice research.
3. Possibility and suitability of location and land (e.g. proximity to primary production, land use compatibility)	Review and assessment of identified locations vis a vis suitability based on functions of a food hub vision.
4. Supportive/prohibitive policy of a food hub vision	Review local, provincial, and federal policies for both supportive and prohibitive policies based on the 5-year vision.
5. Financial sustainability (possible revenues vs estimated operating and capital costs, opportunity/will/viable options for investment)	Develop an outline of the business model for the hub (e.g. potential revenues and operating and capital costs). This will be based on cost assessments done on other hubs. Are there viable investment options?

The objectives of the study are addressed in the following reports:

Report 1 Community context for a food hub in the Township of Langley – Provide an overview of the context of the project, how the concept was initiated, what has been done to advance the concept and what are its long term vision and benefits for the community.

Report 2 Overview of Food Hubs and Summary of Stakeholder Engagement on a Food Hub in the Township of Langley - Compile previous research on food hub best practices and an overview of local food production, distribution and demand. Provide a summary of the needs of local food producers and buyers from stakeholder engagement.

Report 3 Feasibility Assessment for a Food Hub in the Township of Langley: Findings and Recommendations – test financial and operational feasibility of the food hub concepts and make practical recommendations on a food hub and its components.

This is the 3rd and final report of the 3 reports.

2. Food Hub Feasibility Assessment

2.1 Feasibility Criteria Assessment

Based on the best practice research and stakeholder engagement, it is now possible to assess the five key aspects of food hub feasibility to develop recommendations for next steps. The feasibility criteria assessment is as follows:

Feasibility Criteria	Criteria Assessment
<p>1. Buy-in from stakeholders & industry leadership (e.g. clearly identified needs, functions, and supports)</p>	<p>Workshop</p> <ul style="list-style-type: none"> • A lot of interest in/support for a food hub in the Township • Feedback corroborated with the findings from AVS • Suggested functions: <ul style="list-style-type: none"> ○ Agri-food distribution - need for aggregation location and direct distribution ○ Indoor farmers’ market – physical structure, open >1day/week and year round, increase availability ○ Processing – commissary kitchen providing access to market for small producers, central branding, on hand specialist support ○ Excellence centre - provide training (growing, processing, waste management...) ○ Demonstration farm – locate at existing farm and have hub co-ordinate programs • Priorities and needs - farmers help farmers, farmers initiative, educating on local, be a viable market, access for small producers, year round physical/virtual market, doorway to wholesale, community connectedness, food rescue for eating and bringing players together. <p>One on one interviews</p> <ul style="list-style-type: none"> • Based on the conversations, there is broad support for, and no opposition to, a hub in the Township. • People hold different, sometimes divergent perspectives on what the hub should be and how it should function. • Potential activities at the hub include; marketing & brokering, value add facilities, product development, processing, aggregation & distribution, storage, retail destination, education functions, food safety and traceability, farmers’ market support and online functionality.
<p>2. Central management function (id. key</p>	<p>Workshop</p> <p>There are people and organizations that could be or already are key players. One attendee even identified as acting as a hub</p>

players/agencies/association already.
to run the food hub)

One on One interviews

Producers and stakeholders who understand farming in the Township are the key cohort to own and manage the hub. However, people did note that some capital investment from other sources including government and financial institutions is required at the appropriate time. There was also a general consensus that a hub working group is important to building momentum and moving the project forward.

Best practice research

There are a number of different business needs to how food hubs are launched and managed. Food hubs can be led by retailers, non-profits, producers, consumers, producer involved, educators or processors. The best structure was dependant on the key function of the hub. In most cases food hubs have farmers/producers at the centre of their mandate.

3. Possibility and suitability of location and land

(e.g. proximity to primary production, compatible adjacencies)

A review of the Agricultural Viability Strategy identified:

- Appropriate land in the Agricultural Land Reserve in the Aldergrove area may be available for such a hub.
- Langley has industrial space available that could be considered for the location of a food hub.
- 3 farmers' markets in Langley.
- 1% of the ALR parcels in the Township of Langley have value added agricultural activities.
- In 2010 there were just six non-farm processing sites in the Township of Langley. Processing includes baked goods, wine, drinks, meat, seafood and eggs.
- A culture and heritage tourism inventory listed more than 40 agri-tourism assets, ranging from specific farms to vineyards and wineries, nurseries, greenhouses, apiaries and gardens.
- Most value-added activity comes from farm related products with 44 parcels found active in this type of operation, accounting for 40% of all value added activities. The berry industries are a large component of the Township of Langley's value added-industry. Langley is home to six wineries.

A review of Township of Langley businesses also identified:

- Farmer direct sales
- Community Supported Agriculture (CSA)
- Major grocery chains and regional distribution centres
- Green grocers

- Restaurants, pubs and cafes
- Institutions e.g. schools and universities

One on One interviews identified the following related assets:

- Small farms e.g. Laurica Farm.
- An active proposal for an incubator farm
- Land owned by individuals zoned rural commercial interested in establishing processing
- Kwantlen Polytechnic University
- Foodville residential development
- Underutilized lab space for food product development in the community
- Existing successful farms such as JD Farms and Kraus Farms
- Recreational centres, parking lots
- Food bank/Quest, good food box program through community centres
- Existing public education classes on canning.

4. Supportive/prohibitive policy of the 5 year food hub vision

The AVS has a total of 4 core strategy areas, with two that are directly relevant to the context for a food hub:

- 2.1 Providing a welcoming business environment for farming.
- 2.2 Providing the required services and infrastructure.

Outreach interviews identified that if there was a lack of supportive policy for the hub it would not be feasible.

A review of regulations identified some challenges to the feasibility of a food hub, these include:

- Zoning regulations, such as building setbacks, can restrict some food producers from expanding their food businesses. E.g. Agricultural Land Commission Act requires that a minimum 50% of the product has to be grown on site for an on-farm processing facilities.
- Food producing regulations can be challenging for smaller food producers. These include: Canada Agricultural Products Act, Health Canada's Food and Drugs Act, Consumer Packaging and Labeling Act, Pest Control Products Act, three acts dealing with environmental protection, Organic Products Regulations, and the Safe Food for Canadians Act.
- Municipal regulations add an additional layer such as building permits that add further costs and/or delay building processing and storage plants.

5. Financial sustainability

Review of operational food hubs

(possible revenues vs estimated operating and capital costs, opportunity/will/viable options for investment)

Based on a 2013 National Food Hub Collaboration (NFHC) survey¹;

- Food hubs generate on average \$3.7m of revenues per annum.
- Some of these hubs have seen double and even triple digit growth over the past few years.
- 31% of food hubs had \$1,000,000 or more in revenues
- majority of food hubs were supporting their businesses with little or no grant assistance
- the most successful food hubs tended to be for-profit and cooperative in structure, in operation for more than 10 years and working with a relatively large number of producers.

An analysis of Grasshoppers food hub in West Louisville showed food hubs can also be financially unsustainable. Challenges included:

- Not sufficient infrastructure
- Never enough reserve capital
- Not enough front end fundraising to manage slow growth
- Charging too high of a price
- Seasonality issues impacted liquidity
- Too much debt, assets and labour versus their revenues
- Margins lower than 24% to cover costs.

¹ http://foodsystems.msu.edu/activity/info/national_food_hub_survey

2.2 Conclusions

Based on the feasibility assessment of each of the criteria the following conclusions can be drawn:

Feasibility Criteria	Preliminary Conclusions	Green/Amber/Red Light for proceeding
<p>1. Buy-in from stakeholders & industry leadership (e.g., clearly identified needs, functions, and supports)</p>	<p>There is a lot of support for a food hub from within the Township of Langley with a number of needs and uses identified, but no clear key function agreed upon.</p>	
<p>2. Central management function (id. key players/agencies/association to run the food hub)</p>	<p>There are a number of key players who can play a role in running the hub, however work is still needed to achieve their commitment to the hub and clarify their role.</p>	
<p>3. Possibility and suitability of location and land (e.g. proximity to primary production, compatible adjacencies)</p>	<p>There are a number of options for a location of a hub and/or for different functions of a hub. However work is still needed to identify the key functions and whether these locations are suitable and available. The pace set for the project also points to initial stages of the hub not necessarily being physical facilities.</p>	
<p>4. Supportive/prohibitive policy of the 5 year food hub vision</p>	<p>There is certainly key support from the Agricultural Viability Strategy for the food hub. However there are regulations and by-laws (Municipal, Provincial and Federal) in place that could restrict where it is located, and its operations and profitability.</p>	
<p>5. Financial sustainability (possible revenues vs estimated operating and capital costs, opportunity/will/viable options for investment)</p>	<p>Food hubs that have been operational for over 10 years and either are co-ops or privately run tend to be the most successful hubs. Over a third generate over \$1m/annum with little grant assistance. However some, including Grasshoppers Food Hub, have had to close business. A general rule of thumb for distribution hubs is \$500k+ in revenue is required before physical infrastructure is financially feasible.</p>	

3. Food Hub Recommendations

Based on the assessment of feasibility criteria, it is recommended that the process to establish a food hub in the Township of Langley continue. Further work is needed to identify its key functions, key players, location and business plan.

3.1 Possible food hub models for the Township of Langley

Based on the feedback from the stakeholders and best practice examples, below, are six possible food hub models for the Township of Langley. These are ordered depending on the level of investment needed (lowest to highest):

Hub Models	Online hub	Co-ordinating hub	Distribution hub
Function	Brokering and co-ordinating distribution of locally produced food locally	Central body that co-ordinates the brokering, promoting, educating and networking of local food businesses	Aggregating local product to distribute locally
Infrastructure	Outsource rental of storage and distribution	Office	Storage and truck
Key Stakeholders	Food producers	Local food businesses	Producers
Staff	Managers, brokers and administrative staff	Executive Director and administrative staff	Co-ordinator, warehouse staff & driver
Governance	Non-profit	Non-profit	Non-profit, for-profit, co-op
Revenues	Low to high	Medium	Low to high
Costs	Low to high	Low	Low to high
Funding	Financial institutions and foundations	Regional governments, private businesses and foundations	Financial institutions, government & foundations
Customers	Consumers, retailers and food service	Local food businesses	Consumers & some local restaurants and retailers
Examples	Red Tomato, Northeastern US	Foodland Ontario	Vancouver Local Food Hub Harvest Moon, Manitoba Iowa Food Co-op

Hub Models	Marketing & processing facility	Decentralized facilities	Food development centre
Function	Processing of locally produced product to added value product e.g. frozen cut carrots, soups and sauces.	Area within a region that is designated a “Food district” to support local food businesses	Developing processed food product and supporting processing businesses
Infrastructure	Commercial kitchen or small processing facility	Land	Processing plant with various sized production facilities and equipment
Key Stakeholders	Producers and processors	Local food businesses, local business groups (e.g. AAC) and local government	Producers, processors & regional governments
Staff	Kitchen manager, food scientists, business consultants	Planners, regional elected officials and members of local groups	Plant manager, food scientists, business consultants
Governance	Non-profit or for profit	Business Association	Non-profit
Revenues	Medium to high	High	High
Costs	Medium to high	High	High
Funding	Government	Regional governments and private business	Government
Main Customers	Retailers	Local community	Retailers
Examples	Commissary Connect, Vancouver	Detroit Eastern Market	Food Processing Development Centre, Leduc, Alberta

3.2 The Path Forward: Continuing the Exploration of a Food Hub in the Township of Langley.

Based on the assessment above, many of the pre-conditions for a food hub are present or are possible in the Township. With this knowledge, it is recommended that the process for establishing a food hub continue. Many people provided insight into what pace should be set for the project: Start slow, build support, prove-out demand, and scale-up with opportunity. With broad consensus from stakeholders and independent research, nurturing a process that positions producers and processors at the helm is critical. With this in mind, the short to medium-term path forward is centered around a goal of identifying, encouraging, and supporting a leadership group who will be primarily establishing the hub.

3.2.1 Defining Roles in the Journey Forward

Establishing a food hub in The Township of Langley requires collaboration and contribution from multiple groups and individuals. A description of these roles is offered to help clarify who is doing what but also to embed a lead-role for producers and processors in the process, even before they have formed or committed to any process. Immediate next steps are to link interested parties together and support the formation of a producer-led working group.

The Township: The Langley Agricultural Advisory Committee is initiating research and engagement around a hub by facilitating the early stages of a process. However, the Township does not view itself as an ongoing funder for the project and appreciates that producers and processors are the appropriate project lead. The Township could continue to help with breathing life into the project by bringing producers and processors together and nurturing relationships between producers and other potential implementation partners (e.g. education groups, food marketers). In the short term, this may require securing additional funding from senior levels of government. The role of the Township will diminish as an industry leadership group forms.

Producers and Processors: While there are already food hub-type activities in the Township and a general appreciation and curiosity around what a food hub could do, there is no common understanding and agreement around what the food hub should be. This is normal for early stages of visioning a complex project like a hub. The key role for producers and processors is to continue developing this common understanding and vision for the hub. Those who come forward and form a leadership group will largely shape the initially vision for the hub. Other industry partners may be identified and included.

Non-profit groups: The Township of Langley is home to several environmental and agricultural non-profit groups who are (and have been for years) working on food system projects in the area (e.g. incubator farm). These groups are intimately connected to many of the issues and opportunities arising for the hub and can provide key insight and network for the project as it progresses. These groups are widely respected and viewed as important players in the development of the hub. Many people in these groups have cross-over with the producers and processors as well (e.g. Farmers' markets association who currently has three locations that would ideally work synergistically with the hub).

Educators: Education (of public as well as businesses) was heavily discussed as a need for the hub. Elementary, secondary, and post secondary education partners all have links to a food hub and can provide key insight into how education functions of the hub may evolve and add value to the farming community as well as the Township as a whole.

Financial Organizations: Implementation and ongoing administration of a hub will require partnership with one or more financial organizations. These groups should continue to be involved in the visioning for the project.

3.3 Next Steps in the Journey

A phased plan for next steps over the next 18 months is offered here as a starting point for discussion. This plan does not make any assumptions about what the hub is or isn't and largely focuses on establishing the project leadership, plan, and evidence-base to further develop and craft the vision and implementation plan.

<p>STEP 1 Summer/fall 2015</p>	<p>Host a Networking Event: There was enough interest at the spring workshop as well as a specific request to come together again to speak further amongst themselves about a hub and what people may be willing to invest (time, energy, leadership, services, connections, capital). Establishing trust amongst businesses who may have never worked together is essential for a leadership group to form. It is likely that the Township will host a networking event in 2015. However, other groups should also feel encouraged to continue to bring people together around this project.</p>	
	<p>Establish project ownership: Nurturing producers and processors to come together, develop trust, and bring the vision for the hub into focus is the core recommendation of this feasibility study. This may take the form of a temporary lead role for the Township transitioning into a leadership group with membership based on individuals and businesses that may eventually be owners and managers of the hub.</p>	<p>STEP 2 Summer- Winter 2015</p>
<p>STEP 3 Winter 2015- 2016</p>	<p>Crystalize a vision for the hub: Further engage key stakeholders*, including end-users, in crystalizing a vision for the hub (i.e. What is it? Why is it needed? Who will run it? Where will it be? When will it happen? How will it happen? What are the short term and long term goals?). Answers to these questions will largely depend on who comes forward to collaborate on leading the hub process.</p>	
	<p>Develop a business plan: Based on the vision for the hub develop and test a business model for the hub that demonstrates how the hub will develop and function financially. The model must work to increase profits and revenue potential for producers while not requiring significant upfront capital investments.</p>	<p>STEP 4 Winter/spring 2016</p>
<p>STEP 5 Spring/summer 2016</p>	<p>Conduct further research and develop a 10-year project plan: Develop a 10-year project plan that indicates specific activities and timelines for developing the hub (e.g. location assessment, analysis of existing assets, planning and design requirements for the hub, permits required, marketing and communication strategy, evaluation and monitoring systems, review of local bylaws for physical infrastructure).</p>	

* Additional people/organizations to speak with, as recommended by stakeholders, include: Mayor of the Township of Langley, First Nations, Chris Zabeck (Regional Agrologist), David Lever (Director of Culture, Parks and Rec), Les Antoine (Seafood Business), Kraus Farms, Olera Farm (Metro Vancouver Advisory Committee), Jim Rahe (Annie's Orchard), Langley Farm Connections Group, Fraser Valley Refrigeration, Vancity, larger greenhouse growers, horticulture businesses, neighbouring municipalities, and economic development commissions.

3.3.1 Process Considerations

The process for establishing a food hub will, to a large degree, determine how successful it is and the degree to which it has achieved positive impacts. The process considerations summarized below came from stakeholders that are cautiously optimistic about the feasibility of a hub for the Township. The process to establish a food hub for the Township must:

- ✓ Provide meaningful engagement, especially with producers, that builds capacity towards establishing the leadership group and government, industry, and community support for the hub.
- ✓ Establish trust amongst interested parties and industries to create a powerful collaboration for establishing a successful hub and increasing medium to small farm viability in the Township.
- ✓ Nurture a process that positions producers and processors at the helm of the project.
- ✓ Start small, build support, prove-out demand BUT don't lose momentum!
- ✓ Secure modest funding to resource next stages of hub development (this is dependent on the type of food hub being developed).
- ✓ Don't forget to celebrate success along the way.

4. Conclusion

The Township of Langley is very well positioned for a food hub. As hubs continue to gain interest and popularity as a key link between local supply and local demand, generating multiple regional economic and community benefits, the Township of Langley is one of the municipalities tackling the opportunity. The Township is home to a host of knowledge, collaboration, facility, and land assets that the hub could leverage and help to add value to agri-food business. As one of the most agriculturally productive areas in the province, the Township has a tremendous opportunity to provide a leadership model for the region, province, and country. For example, municipalities and regional districts such as Comox Valley have seen an increase in 34%² of sales of agricultural foods, by marketing and promoting regions as agri-food destinations.

² <http://www.producer.com/2015/04/business-booming-in-b-c-s-comox-valley/>