

FOOD HUB CASE STUDY

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Niagara Local Food Cooperative

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Elena Christy



WILFRID LAURIER UNIVERSITY

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For this case study an interview was conducted in the Fall of 2014 with Paula Reile, the Administrative Coordinator for the Niagara Local Food Co-operative.

NIAGARA LOCAL FOOD COOPERATIVE

RATIONALE

The Niagara Local Food Co-op (NLFC) works at the regional level to connect local food producers with local consumers. The NLFC is an example of a producer-driven virtual farmers' market. Members of the co-operative include both producers and consumers. Members are connected at point of sale through the co-operative's online system and physical pick-up locations throughout the Niagara region.

BACKGROUND INFORMATION

HISTORY/FOUNDING

In November 2008, local food producers in the Niagara region came together to found the NLFC. The NLFC co-operative was modeled after the Oklahoma Food Co-operative, a producer-driven, statewide co-operative. The funds to begin operations were secured through producer members' shares. Minimal capital was needed for the NLFC to become operational as no inventory or rental space was required. At inception, the NLFC operated out of a community centre in Thorold, Ontario. In 2010, a second location was introduced and, from 2012 to 2014 four new distribution locations have been added.

The NLFC is essentially a virtual farmers' market where members are able to place orders through the online system from the producer of their choice. To become a member of the co-operative, individuals purchase one share for approximately fifty dollars. One share allows members one vote at membership meetings. The board of directors is comprised of both producer and consumer members. However, being a producer-driven co-operative the by-laws specify that the president of the board is to be an agricultural producer. To cover operational expenses the co-operative receives 10% of the profits from producers' sales and consumers pay an additional 5% on their orders. An agreement between the NLFC and the producers, mandates that they are to charge no more than what they would at other retail venues to avoid producers trying to recuperate the 10% from the consumer.

GOALS/MANDATE

The goal of the NLFC is to connect local producers with local consumers in the Niagara region. As every city in the Niagara region now has a farmers' market, the NLFC provides a local food alternative to those who cannot make it to their nearby farmers' market. Locality and citizen/community engagement are priorities both philosophically and for the viability and success of their work.

ACTORS INVOLVED

As of Fall 2014, the NLFC was comprised of 36 producer members and over 300 consumer members. There is a seven-person board of directors and one part-time staff person. At certain times of the year the NLFC offers unpaid student internships which are completed in partial requirement for the student's program. In the Winter of 2015, the NLFC had two interns from Brock University's Geography Department. One of these students were helping the co-operative develop interactive maps of their membership. The NLFC also has volunteers that help to manage the hub. After completing four hours of work, volunteers are gifted a membership. This gifted membership is owned by the NLFC and is returned once the volunteer is no longer using the membership. The gifted membership does not come with voting rights.

All of the producers are small businesses, as defined by Industry Canada, and are a combination of 19 growers, 16 processors and one distributor (The Ontario Natural Foods Co-operative). Most of the producers have been involved since the NLFC's founding and, over the years, have been able to expand the number of products they sell through the co-operative. Producer involvement varies seasonally depending on the nature of their products. Seasonal produce is the NLFC's top seller by quantity but not necessarily the greatest source of revenue for the co-operative. The majority of the co-operatives revenue is generated from the sale of meat products and prepared food such as soups and chili. Products from the Ontario Natural Food Co-operative account for 8% of the NLFC's sales.

SCALE OF OPERATION

In the Fall of 2014, the NLFC had seven pick-up locations throughout the Niagara Region. This included locations in Port Colborne, Font Hill, Thorold, Niagara Falls and three locations in St. Catharines. On a bi-weekly basis, producers drop-off all ordered items at one of the St. Catharines locations where they are sorted by order and delivered to the appropriate location for pick-up. The majority of the pick-up locations are within 20 kilometres of the main distribution site in St. Catharines, with the exception of one that is at a distance of approximately 45 kilometres. As of Fall 2014, the NLFC averages \$2500 - \$3000 in sales per month. The co-operative has very few expenses, with the largest expenses being staff, insurance, a bookkeeper and web-server costs.

IMPACTS/BENEFITS

Paula Reile, the Administrative Co-ordinator of the NLFC, stressed the importance of local economic development as a benefit the organization offers to the Niagara area. Reile explained, "when you do your purchasing through us you are supporting let's say on average 10 small businesses in your community." She emphasized how pertinent it is at this time to encourage local residents to support the local Niagara economy due to its depressed state. Other benefits identified by Reile include the high quality of food that is distributed through the co-operative, connecting like-minded buyers and sellers, providing an online alternative to farmers' markets, providing an opportunity for local farmers to get a fair wage for their products, and getting people thinking about where their food

comes from. Reile noted, “we are becoming a more food conscious society. [Our work] gets people thinking about the food and the impact. Not only about what they are eating but where what they are eating is coming from.” Over the last year, Reile has observed an increase in consumers’ interest in local food.



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POTENTIAL FOR EXPANSION

FACTORS THAT DETERMINE IDEAL SCALE

As of Fall 2014, the NLFC is trying to expand membership and sales. Its current aim is to reach between \$10 000 to \$20 000 in monthly sales in contrast to the existing monthly sales of \$2500 - \$3000. This increase in monthly sales would allow the NLFC to be financially self-sustaining without the need to rely on grants to develop and expand. To date, the NLFC has received two modest grants; one from the Co-operators and one from the Niagara North Corporation. To operate at this expanded scale, the NLFC would require a facility for operations, it would need to shift to a weekly distribution cycle, and would have to hire a total of five staff people.

FACTORS TO FACILITATE EXPANSION

In an attempt to connect with more consumers and producers, the NLFC is in the process of rebranding the co-operative, and is expecting to launch its new image in January 2015. This will include a new logo, new website, and other new marketing materials. The NLFC was able to engage a market research team through the funds received through the grant from the Co-operators. It is anticipating that the marketing research team will have additional strategies and suggestions for expansion that will fit within the scope of their mandate; however, a lack of financial resources may pose a barrier to being able to implement the anticipated suggestions.

The NLFC’s Administrative Co-coordinator noted that the co-operative is interested in increasing the support offered to its member producers. For example it would like to offer member producers assistance with marketing and promotion, and pick up farm products on site to help producers minimize transportation needs. The NLFC also has some interest in expanding its community services and activities in the areas of paid employment for youth, nutrition and cooking classes, transportation services for consumers to access operations, subsidized farm shares, and food donations to local food pantries/banks. Having access to or providing education about community and food system issues is also an area of interest for the NLFC. When interviewed, the Administrative Co-ordinator also mentioned that expanding into the local artisanal market is another potential area of future expansion for the co-operative.

Most recently the NLFC has applied to The Co-operators National Co-operative Challenge for \$25,000 to invest in expansion aimed at accommodating larger and more frequent orders by local restaurants and healthcare institutions. Discussions have begun between the NLFC and the Niagara Health System, a multi-site hospital amalgamation comprised of six sites serving the Regional Municipality of Niagara, regarding local food procurement in hospitals across the Niagara region.

CHALLENGES & LIMITATIONS

LIMITATIONS TO EXPANSION

The NLFC identified the greatest constraints on expanding local sales as:

1. Connecting to buyers;
2. Connecting to distributors;
3. Financing expansion; and
4. Competition from the numerous local farmers' markets.

Since 2010, the NLFC has added a number of pick-up locations to increase its accessibility to buyers throughout the region. On occasion, the cost of delivering the order exceeds the money made from it. This occasional financial loss is attributed to the distance between the main hub and pick-up locations, not having a minimum order requirement, and the limited hours of operation at one of the pick-up locations. The bi-weekly purchasing and distribution of the co-operative also limits the engagement of some buyers, such as restaurants, that would require weekly ordering.

Access to capital to fund expansion is a limiting factor for the NLFC. At the time that this research was conducted, the co-operative was reliant on grants to fund expansions and new initiatives. As mentioned, the NLFC anticipates that the market research team it engaged will provide additional strategies and suggestions for expansion. As of Fall 2014, it remained unclear whether or not the NLFC would have the financial resources required to implement these anticipated suggestions for growing the business and reaching new buyers.

Throughout the last few years the number of farmers' markets in the Niagara region has grown significantly. Reile explains, "pretty much every city in the Niagara region now has a farmers' market. That wasn't the case a few years ago." The numerous new farmers' markets – and the fact that many now have evening hours – may create competition for the co-operative Reile noted. The potential competition that Reile described from the farmers' markets predominately affected producer participation in the NLFC, as some producers may not understand how the co-operative works and may therefore prefer to participate in a farmers' market.

LIMITATIONS TO SUPPORTING LOCAL FOOD

Two limitations to supporting local food were identified through the research: finding local producers to cover a wide range of products; and, the limited growing season in Ontario. Finding local producers to fill in the gaps of what is

currently offered by NLFC has been a struggle. Reile explains “Niagara [is] very much a tree fruit area. So there are a ton of orchards here, so tree fruit is not an issue at all. [Vegetables] can be quite difficult to find a producer for in this area. It is just because our landscape lends to tree fruit.” Reile identified that the NLFC struggles to find local producers that can offer strawberries, root vegetables and vegetables in general.

The seasons also provide an obstacle to supporting local food year round. Reile explains, “we can’t provide produce year round because unfortunately it does snow here. You have to make enough money in the summer to survive the inevitable drop in the winter.” The NLFC has been successful in putting strategies in place to help with the drop in sales during the off-seasons. These strategies include promoting non-seasonal products such as pantry staples they offer through the ONFC and local meat products.

OTHER CHALLENGES

Other challenges for the NLFC include dependence on volunteer labour, low engagement from the board of directors; finding certified organic producers; and drawbacks of the virtual system.

Low board engagement has slowed decision-making processes and created a heavier workload for those who are engaged. The Administrative Coordinator describes the co-operative as being “very much in the rebuild phase” and explains that the current state of the board is compromising the stability of the co-operative.

Finding certified organic producers to meet consumer demand is difficult for the NLFC. While many of its producers follow organic practices, only two were certified organic at the time this research was conducted.

While the co-operative’s virtual model offers some conveniences that are not available in a traditional farmers’ market or grocery store, the NLFC has found there are also drawbacks to being a virtual operation. For example, member consumers and producers have limited face-to-face interactions. While the NLFC has tried to address this by holding gatherings where consumers can meet producers, Reile feels that there is still something that is not the same as going to the farmers’ market when “more often than not you are purchasing directly from the person that grew or made that food and get to have a conversation with them about that food.” In contrast, NLFC producers use an online page to provide consumers with information about their products. Reile feels that this does not create as strong a connection as face-to-face interactions. In addition, the NLFC’s virtual system is relatively outdated that Reile describes as not user-friendly. She explains “[i]f anyone is relatively timid of a computer then our site is not helping ease those fears.” The NLFC is addressing this issue through the redesign of its website, which will include development of a new e-commerce site.

STRATEGIES FOR SUCCESS

LESSONS LEARNED

The Oklahoma Food Co-operative was able to provide NLFC's founding members with useful information and a virtual system that helped get them up and running. The NLFC was one of the first virtual farmers' markets in its region and has, in turn, helped others get off the ground. As a state-wide co-op, the Oklahoma Food Co-op is a much larger operation than the NLFC with a monthly distribution system in contrast to the NLFC's bi-weekly distribution. Due to these operational differences between the two co-operatives, Reile feels that from a marketing perspective, the Oklahoma Food Co-op was not able to provide much guidance, which the co-operative is presently trying to address.

PLANS FOR THE FUTURE/NEXT STEPS

The short-term goals of the NLFC are to address the co-operative's stability issues and underused capacity through rebranding efforts that they hope will attract more members and sales. The outcome of this effort will be significant in determining the future direction of the co-operative. That said, Reile did note that the number of purchasing members has already been increasing due to the co-operative's marketing efforts, suggesting that marketing efforts are having some preliminary positive effects.

RELEVANCE BEYOND THE CASE STUDY ORGANIZATION

This case study is an example of a regional food network, with various points of distributions, throughout a regional area with a maximum distance radius of approximately 45 kilometres. The NLFC's virtual farmers' market model offers an alternative avenue for local producers to connect with local consumers. While the NLFC is a producer-driven co-operative, consumers also hold membership entitling them to participate in the democratic processes of the organization. After six years in operation, the NLFC has found itself at a major point of transition in regards to member engagement, marketing, and expansion. Outcomes of the NLFC's 2014-15 marketing efforts will provide valuable insight on the future viability of the co-operative.