

# FOOD HUB CASE STUDY

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PLAN B ORGANIC FARM

17/07/2015

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This work was made possible through generous funding from the Ontario Ministry of Agriculture, Food and Rural Affairs. Thank you to Alvaro Venturelli and Melanie Golba for participating in this research, and to Rodrigo Venturelli for the tour of Plan B Farm. Thank you to the anonymous producer, as well as the anonymous consumer involved in the hub. Thank you to Erin Nelson for editing, writing and research support, and to Elena Christie for producing the VUE map.

## RATIONALE

Plan B Organic Farm (Plan B) is a working family farm that runs a subscription-based organic produce box throughout the year. They refer to their model as a “multi-farm CSA”, which uses on-farm produce, additional locally-sourced produce, and off-season imported foods. This case study was chosen as it demonstrates how the infrastructure for a food hub can be built and run by an entrepreneurial family farm, to benefit the existing farm operations as well as other local farmers. The short-supply chain system of this hub highlights how a family farm business can act as a hub, capturing profits to increase the viability of their own farm, while simultaneously providing opportunities for other farmers, and maintaining a competitive price for consumers.

## BACKGROUND INFORMATION

### HISTORY

Plan B began in 1997 as a family farm with three co-owners - Rodrigo Venturelli, and partners Alvaro Venturelli and Melanie Golba - using agroecological methods to grow certified organic produce on 50 acres of land near Flamborough, Ontario. The partners accessed start-up capital from their family to purchase the land, and credit this access to social capital



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as a key factor in their success. In the early years, they sold their produce both through a Community Shared Agriculture (CSA) produce box and at farmers’ markets. The first year in operation,

Plan B sold 75 CSA shares. Early on in the farming business, the owners realized they needed to change the business model. The family farm could not provide the variety of produce that they wanted to offer in the CSA box at their desired price point, and they needed to scale up significantly for a viable business. In addition, as Melanie Golba states:

We have to turn 25 weeks of harvest into 52 weeks of income... You have to get creative with your business model real fast... As far as a stand alone business where everyone involved only makes their income from [the farm]... we ended up with what is now called a Food Hub but what we call the multi-farm CSA....

Over the years, Plan B has sought out other organic farmers in Southern Ontario to purchase from, and grown their consumer base to run a multi-farm CSA that has over 20 farm businesses and between 800-1000 customers involved.

## **GOALS AND MANDATE**

The name 'Plan B' was chosen to convey their goal of providing a real alternative to the conventional food system (or 'Plan A') for the local community. Co-owner Alvaro Venturelli summarizes their business philosophy as focusing on:

Closing the ecological loop [and] closing the economic loop. That makes for social justice... It gives everyone the best opportunities for local employment, [and] for access to healthy, organic, local food... And the next thing is personal sustainability... for our family and for our community.

Plan B's website states the business' four main commitments: to grow quality organic vegetables; to provide accessible, affordable and fresh produce to households; to work with other local farmers to provide a variety of crops that reflects the diversity of produce in the region; and, to create a place to engage the local community in learning about organic farming and food.

## **HOW IT OPERATES**

Plan B works with other small organic farmers, and with distributors (for imported produce), to provide various produce box options, including a local only box and a mixed local/imported box. This model works on the premise that Plan B only grows what is most efficient for their farm, and they source other foods from farmers who can grow other produce more efficiently. The result is a CSA box that has a wide variety of local produce offerings to satisfy the needs of the customer at a competitive price point. The CSA model benefits from the upfront guaranteed income from sales to significantly reduce market speculation. Customers purchase shares at a set price at the start of the season to pay for an entire season. The model allows Plan B to plan their planting in advance, resulting in a system where they grow only what they have sold, plus a small amount for their other markets. Plan B can also provide a guaranteed market for some of their major partnering farms, as they can provide order amounts in advance for purchases for the season. Plan B delivers the produce box to either individual homes or neighbourhood depots along a carefully designed route, to minimize driving time (and associated costs), resulting in a cost effective delivery method.

## ACTORS INVOLVED AND TARGET MARKET

Plan B has developed relationships with organic produce farmers throughout Southern Ontario, reaching from the coast of Lake Huron through to the Kawarthas. The multi-farm CSA includes approximately 20 farmers, including a few farming cooperatives that include many member farms. Of this, about 15 farmers (or farmer cooperatives) are a regular part of the business, and others supply on occasion. Plan B also works with two distributors, Pfenning's Organics and Mike and Mikes. From these distributors, they source their imported foods, as well as some local foods that they cannot source directly from their partnering farmers. Plan B sells a small amount of excess on-farm produce to Pfenning's and also participates in farmers' markets; however, the main focus of their business is to run the year-round CSA box.

The main target market is households that are within their CSA produce box delivery catchment area. The geographical range of their subscribers is within 100 kilometers, with deliveries to households in Hamilton and Halton Region, and to neighbourhood depot locations for pick-up in Grimsby, Oakville, Mississauga, and Toronto. These depot locations are often the front porch of subscribers, but also include community centres, yoga studios, workplaces and gyms. The business has mainly grown through word of mouth thus far. The farmers' markets that Plan B sells do not only act as an alternate market for some produce. The weekly face-to-face interactions with the market consumers also helps Plan B better understand the needs and wants of their consumers.

The owners of Plan B are also active in non-governmental organizations that work for changes in food policy and support organic farmers and food initiatives. Alvaro currently sits on an advisory group of the National Farmers' Union, and has been involved with FoodShare in Toronto and the Canadian Organic Growers.

## SCALE OF OPERATION

At the time the research was conducted, Plan B's operations consisted of:

- 6-8 paid staff depending on season, with some employed year-round
- Three fulltime owners
- 50 acres of land in production, with two greenhouses, a warehouse and two houses on premises.

The product moved through the hub in 2013:

- Was valued at approximately \$1.3 million dollars, including \$700 000 worth of on-farm produce.

- Included \$600 000 of produce sourced from 20 ecological farmers in Southern Ontario - from the shores of Lake Huron, to Windsor, to the Kawartha Lakes area, as well as from two distributors.
- Included approximately 75% local foods, and 25% imported foods.
- Reached approximately 800-1000 CSA subscribers in the high season, and approximately 500 subscribers in the winter.

## STORIES FROM UP & DOWN THE FOOD CHAIN

Plan B has developed relationships with other small farmers in Ontario, and has been able to help these farmers access urban markets that they potentially would not be able to access themselves. One farmer, who sells approximately 30% of his total volume to Plan B, notes that because he has a rare product in the Ontario organic market, he would not have difficulty finding alternate markets. The farmer personally benefits from an increase in the price of his product from 60 cents a pound selling to his old markets to a dollar a pound selling to Plan B.

Although the better price is certainly an advantage, the primary reason this producer has chosen to work with Plan B is because his business philosophy matches well with that of Plan B. He appreciates working with a fellow farm business that understands how farming works and respects fellow farmers - a stark contrast to some of the non-farmer agents he has worked with in the past. He appreciates their community-based business approach and their focus on providing local food to local consumers. He believes in the model that Plan B uses because it supports both the farmer and the community, and helps build Ontario's organic agriculture sector. This farmer notes that many small-scale organic farmers would not be in business without Plan B acting as a fair intermediary.

Plan B also has relationships with both their long-standing and newer CSA members. In its early days, Plan B found that they were losing members because they could not offer the diversity of products that customers were expecting. Adapting their business to include other producers and a distributor bringing in imports has allowed them to respond to consumer demands.

One member that joined in 2014 shared her experiences getting the CSA box for the summer season for the first time. She had sought out a fresh local produce box after seeing a family member participate in CSA in a different part of Ontario. The customer learned of Plan B through word of mouth, and the main motivation to join was for the local food offerings. She found there was a definite learning curve to adapt her cooking to use the produce in the box, and there was some waste. She subscribed to the mixed local/imported box for winter 2015, specifically for the imported fruit. The benefits to her are that she is supporting the local food economy and the box is delivered to her door, so is a very convenient and cost effective way to shop locally.

## IMPACTS AND BENEFITS

The owners of Plan B consider their model a short-chain system since they are the only intermediary. As Alvaro Venturelli notes, “we need short-chains so that a bit more of the profit stays at the production level.” This system benefits Plan B as a working family farm business, as well as various stakeholders: small-scale organic farmers in Ontario, distributors, farm workers, and consumers.

This model was adopted when the owners of Plan B realized they needed to be creative in order to have a viable small farm business. The strategy benefits Plan B because they can:

- Grow fewer types of crops and focus on produce that is best suited to their land;
- Provide customers with a CSA box that has a wide variety of produce;
- Reduce market speculation by having advanced sales for the season;
- Reduce waste by only growing for their advanced sales (plus a small amount for their other markets);
- Gain an income in the off-season by having a winter CSA box with both local and imported foods.

There are also benefits of participating in this short-supply system for the small-scale farmers involved. These include:

- A guaranteed produce order at the start of the season to help farmers plan planting.
- Access to infrastructure they may not have on-farm, such as warehouse space and cold storage.
- Higher prices for their products than in some other markets.
- Access to a consumer base that may otherwise be difficult to access because of distance to market, knowledge of market, or lack of relationships.
- Marketing and consumer education efforts undertaken by Plan B on their behalf.
- Networking with other small-scale organic farmers and the potential for knowledge exchange about agricultural practices and market trends.

For farm workers, Plan B provides a fair income (with year round income for some workers) and opportunities to both learn and practice agroecological farming in Ontario. A goal of the business is to develop full-time, year-round employment opportunities so that workers have stable jobs and receive fair compensation. For consumers involved in the network, the CSA model provides a convenient and cost-effective way to access local and organic foods from Southern Ontario. The CSA also introduces consumers to different types and

varieties of local produce, and provides opportunities for consumers to learn more about agroecology, organic foods and the local food system through Plan B's engagement activities, which include farm open houses and other events.

This food hub also has impacts beyond the benefits to those directly participating in the network. The focus of the hub on small-scale organic and agroecological farms promotes a food system that has environmental and human health benefits. In addition, the infrastructure and market for local organic produce is being built up through the hub. On a broader scale, the owners of Plan B envision that their model can be one of many similar farm-based food hubs, which can be networked together to create scale appropriate infrastructure and markets for local foods.

## POTENTIAL FOR EXPANSION

### IDEAL SCALE

Alvaro Venturelli notes that "we have always maintained ourselves at the edge in how we developed", pushing to the limit of the scale of operations described in this report. Plan B has calculated their future subscription goal based on: the size required to pay the fixed costs of the farming operations, including future infrastructure changes needed; and, between 30-35% needed for variable costs, including paying a fair wage to employees. This point is estimated at 2500 CSA subscribers, with an ideal scale of approximately 4000 subscribers. The infrastructure costs in this type of hub are borne by the business itself, which creates pressure to expand quickly to offset these large initial investments. Once the substantial upfront infrastructure costs are dealt with, the business will require only increased staffing and minimal increased inputs to expand beyond the 2500 subscribers level.

### LIMITATIONS TO EXPANSION

There are three main limitations to expansion for Plan B. The first two are directly related - access to capital and building infrastructure. A key infrastructure for their business is the cold-chain system required to properly handle and process fresh produce. Although they have some cold-storage capacity, they require some additional infrastructure. The requirements include additional cold storage, refrigerated trucks for delivery, and a certified kitchen for processing highly perishable products for value-added. Melanie Golba notes, "Capital is impossible to get, and the cost of creating cold structure and capacity on-farm is almost impossible [to afford] because of that." Past experience with accessing capital has been frustrating, and cost overruns in one instance led to increased costs to pay off loans. At present, some other farmers working with Plan B depend on Plan B's facilities for storage. Plan B's owners see a broader need for access to



capital for small-scale farmers to allow them to build up greater infrastructure for produce handling in Ontario.

The third limitation to expansion has been the inability to develop markets because of market concentration. Plan B's business strategy is to provide a viable alternative to the traditional supermarket or export market, not to penetrate these conventional markets. To do this successfully requires a customer that is willing to change their shopping, cooking and eating patterns. Yet, these patterns have for the most part been entrenched for generations in Ontario, and that is a barrier for customer retention and attracting new customers.

## **WHAT WOULD FACILITATE EXPANSION**

The most apparent support needed to facilitate expansion is more access to capital to offset the costs of building cold-chain infrastructure. Cold chain infrastructure lasts for decades, and can help build the local fresh food capacity in Ontario. With better access to capital for cold chain infrastructure, Plan B would be able to make changes to their business that would be a benefit to the small-scale farmers in their network.

Although the impact on expansion would be less immediate, the owners of Plan B also note that there is a need to increase local food and general food system literacy in Ontario. This could help increase the consumer base for businesses such as Plan B, and local food purchasing in Ontario more generally.

## **CHALLENGES AND LIMITATIONS**

### **LIMITATIONS TO SUPPORTING LOCAL FOOD**

For Plan B, the emphasis placed on requiring organic certification results in a smaller pool of local produce options. At the time of research, an estimated 75% of the foods used in Plan B's produce boxes were local foods. There are two main limitations to increasing this:

1. The lack of availability of organic produce grown in Ontario:  
Products such as certified organic tree fruits are particularly difficult to source in Ontario. Plan B has no local source of organic pears, and only sourced a local organic peach producer in 2014.
2. The expectations of consumers to receive certain products that are not grown in Ontario:  
Products such as bananas and avocados are requested and expected by consumers. Other products that are grown in Ontario but only seasonally (such as broccoli) are also expected at all times, so must be imported outside of Ontario's harvest season.

## OTHER CHALLENGES

Dealing with fresh produce presents certain challenges, including the above noted requirements for cold storage infrastructure. Other challenges related to fresh produce include:

- A short growing season for many products, and related abundance of harvest all at one time for many products (the 25 week season versus the need to cover a 52 week year).
- The lack of processing facilities to preserve the fruits of abundant harvests (and provide value-added opportunities).
- A lack of skilled agricultural labour, the need to pay a fair wage for labour, and the seasonality of agricultural labour needs.
- A lack of food knowledge on the part of consumers regarding preparing certain local produce offerings.

## STRATEGIES FOR SUCCESS

### LESSONS LEARNED

1. Partnering with other farmers to benefit everyone: An early lesson learned by Plan B was that they were not able to grow the variety of foods that they wanted to provide in their box on-farm, and it was more cost effective to source some foods from other local farmers. The farmers involved get an above-wholesale price for their produce and also, in most cases, get a guaranteed buyer. The variety of foods this model allows for can help attract and retain customers, most of whom are accustomed to a plethora of choice in the supermarket.
2. Guaranteed Sales through the CSA model: In a market as speculative as fresh produce, a key lesson learned by Plan B was that the speculation of the market could be reduced significantly through the use of a seasonal subscription. This guarantees the sales for Plan B and for other farmers in their network.
3. An efficient chain to increase profit margins and keep consumer prices competitive: Plan B has a short and efficient chain. Their model minimizes the potential for produce waste, and the tight delivery system reduces transportation time and costs. By taking control of all parts of the chain, from production to end-point sales, Plan B has minimized external costs to keep profit margins higher and prices for consumers competitive.

### NEXT STEPS

Since its founding, Plan B has relied entirely on word of mouth and direct interactions to grow their business. However, in order to reach the subscription

level needed to be financially viable, they are considering new options to attract more customers and increase subscriptions.

One of the plans for the future is to focus on owners' interest in food and farming education. Over the past several years, the number of schools groups that visit the farm has increased, and Plan B intends to continue to build capacity for on-farm education for the public. If they can secure funding, they intend to install a commercial kitchen to be used to host events and workshops (on topics such as preserving and fermenting).

## **RELEVANCE BEYOND THE CASE STUDY**

Plan B provides a model of an intermediary that operates in a location that can bridge rural Ontario (where the majority of food is grown) and urban Ontario (where most of the consumers reside). Owner Melanie Golba notes:

Farms like ours, one thing that is different is that thinking of the farm as a food hub, and finding those places. So say you have your urban centre here, and then you have your more rural [areas]... You need these sort of mid-points... We are halfway between really rural Ontario and the urban parts, so, it is sort of like that jumping point.

The business provides a model for how small entrepreneurial farms, acting on a regional scale, can benefit the local food system by providing infrastructure that is most appropriate to their location, to meet the needs of farmers and consumers. The owners envision that this model can be applied in other locations (with modifications to best meet the local contexts), and that small-scale farmer-run food hubs can then network to build capacity for a strong local food system across the province. This can be achieved in a cost effective manner because the infrastructure would be small-scale and the control of the local produce market would be in the hands of small-scale farmers. In order for this model to be widespread across the province, there is a need for support for local fresh food infrastructure development that benefits small-scale produce farms, so that the cost is not borne solely by entrepreneurial family farm businesses like Plan B.