

Strategic Business Case

Small Scale Food Processor Association (SSFPA)

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Strategic Business Case for the Small Scale Food Processor Association, April 2003

1. Background:

Farmers in agricultural regions in B.C. are experiencing declining prices for commodities and the effects of resource industries that are hollowing out in their communities. The flight of social infrastructure in rural areas is adding stress to an already tense situation. In adapting to this structural change, rural people are looking for ways to diversify local economies. They are beginning to recognize that there is economic potential in adding value to food close to home due to the strong and growing demand for specialty food products and due to the growing demand for local, organic and natural (safe) foods. They are remembering their local agricultural heritage and the natural and social assets that they possess. They have begun to 'get together' to consider the options that they have to 'recreate' an agricultural economy that will support their families and their communities. Global forces conspired to shift our food consumption from mostly local, 30-50 years ago, to mostly imported food today. Now, there is another opportunity for the impact of global forces to assist us to work towards rebalancing this situation. The emergence of the Small Scale Food Processor Association is directly related to a growing sense that opportunities are ripe and that consumer demand will once more favour local/BC production and processing of food.

The BC Agricultural Council's presentation to the Minister's Caucus Task Force on Future Opportunities in Farming in 2001 highlighted the need for "enhancement of the processing sector: A strategy to encourage more BC food processing and value added [is needed]...to capitalize on the tremendous growth opportunities. An increase in food processing capacity will drive increased primary production."¹

2. Introduction:

2.1 Purpose:

The purpose of this document is to assess the information that has been gathered through the process of development of the Small Scale Food Processor Association over the last two years. Findings are presented highlighting possibilities to strengthen the collective capacity to build an infrastructure that will facilitate growth and development in small-scale agriculture in BC. This document is meant to facilitate planning and decision-making by the Board of Directors and members of the Small Scale Food Processor Association.

2.2 Methodology

The information used in preparing this document consists of the results of reports, member outreach and interviews, and the meetings and planning sessions held in 2001-2002 and 2003 that have been carried out by the SSFPA. All of these activities are documented and referenced below.

The information was collected in spite of limited resources available to conduct detailed research. The enthusiasm of the members of the association and the strong sense of shared experience, found throughout all information gathering activities, are the source of confidence that the conclusions drawn 'fit' the actual experience of the small-scale food processor in BC.

¹ The BC Agricultural Council's presentation to the Minister's Caucus Task Force on Future Opportunities in Farming, p 4 www.bcac.bc.ca/presentations

2.3 Scope of Work

This document is intended to provide a framework for discussion and debate between directors and members of the SSFPA. This will also involve members and directors of collateral small-scale value-added associations, as a future for this sector begins to emerge. Because there is a great deal of development activity going on across BC, it is difficult to chart a clear course at this time. Rather than offer a definitive business plan, this report will sketch out optional development scenarios. It is expected that the Board of Directors of the SSFPA will take the initiative to call upon other organizations to meet with them in order to ascertain how future relationships among them will influence the course of action available to the members of the SSFPA. The vision that has been articulated by the SSFPA could come to fruition in various ways. The challenge for the Association will be to be able to move forward towards goals in a climate of organizational ambiguity. The members of the Association have shown that they are willing to assume leadership, to develop partnerships and to take initiative. These qualities will be called upon as this work unfolds.

3. Profile of the small-scale food processor in British Columbia

3.1 Definitions and scope

3.1.1 Participants in small-scale food processing

The SSFPA has defined a small-scale food processor (ssfp) as a business that adds value to agri-food produce with less than 25 full time equivalent (FTE) staff members. For further clarification, we define 'Micro' processors as those with less than 2 FTE's. The majority of small-scale food processors in BC are in the micro category. They are generally on-farm based businesses that may or may not have joined the formal economy since they market through the farmers markets, or through direct farm marketing approaches. We have identified major hurdles that processors must take in order to join the formal economy and begin to provide product to wholesalers, distributors and retailers.

According to the outdated, but still most recent study, of the food-processing sector in BC² there were approximately 250 small-scale food-processing businesses and 129 large-scale processing businesses in operation based upon Statistics Canada 1996 information. The MAFF listing of Processors for 2000 includes a listing of 900 businesses. Suggesting that the ratio of 2 to 1 found in the earlier study is maintained, we could project from this that there are approximately 600 small-scale food processing businesses operating in BC with a considerable number of unregistered and unaccounted for micro-businesses in operation as well. The economic impact of small-scale food processors has not been calculated; however, it is important to note that the food and beverage industry in BC accounts for \$4.8 billion in valued added revenues in BC. Agriculture is the third largest resource sector in BC.³

It is recommended that an updated industry profile of the food processing industry be carried out including documentation of the economic impact of small- scale food processors.

² Ference Weicker & Company (1999) Review of the BC Food and Beverage Processing Industry, Ministry of Agriculture of Food, Government of BC

³ The BC Agricultural Council's presentation to the Minister's Caucus Task Force on Future Opportunities in Farming, p 1 www.bcac.bc.ca/presentations

3.1.2 Commodities and Products:

Small-scale food processors produce a wide range of products for the market using a variety of processing techniques. Adding value can be as simple as placing product in weighed bags or it can require complicated and time-consuming processes. The value of specialty foods in the market place is of significant economic impact. However, at this point, the majority of purchased products are imported.

3.1.3 Processing Facilities:

There has been a lot of discussion of the need for regional commercial manufacturing kitchens by members of the SSFPA. There is one such in Shuswap operated by the Community Futures Association as a business-incubator. To date, the results of this initiative have been disappointing. The Peace Region is actively pursuing the development of a commercial manufacturing facility/teaching centre and proposals for others are in the conceptual stage in many locations. If a ssfp has access to sufficient capital and/or ingenuity, on-farm licensed kitchens can be developed. A few of these facilities have been added to the SSFPA's Living Inventory. SSFPA members look with some envy at American examples that have been built with substantial government investment. Many small-scale food processors use existing commercially licensed kitchens in church basements and other organizational facilities. This is a less than satisfactory solution. Some processors have co-packing arrangements with larger processors that have 'down-time' excess capacity.

3.1.4 Pent-up interest in adding value:

Some recent regional studies have been done that show that growers are actively considering taking up ways to add value to their products. A CEDCO Victoria study completed in 2002 of organic growers in the Capital Regional District showed that 67% were considering this move.⁴

3.2 Issues facing small-scale food processors in British Columbia

3.2.1 Methodology:

- The SSFPA conducted a 'market scoping' study in the summer of 2002. The full report is available at <https://www.ssfpa.net/DocsForms/DocsForms.htm>. This report was compiled from the assessment of a large number of recent documents and from interviews carried out with 50 small-scale food processors and food retailers and distributors in BC.
- Search meetings were planned in late 2002 and held in four locations in early 2003 as part of the 'Field to Table' project. Copies of the summary reports from these meetings are appended to this report.
- Follow-up phone interviews were conducted with 44 members of the SSFPA in March and April 2003 to request specific information regarding their interest in services if provided by the SSFPA.

3.2.2 Strengths:

- The market for food value-added products is very strong and growing. Polling cited in a recent study quoted in the "Marketing Communications' report prepared by IMPACS for the COABC in December 2002 indicates that Canadians rank pesticides, pollution and food safety as top food concerns. Sixty four per cent of

⁴ 2002, *Community Promise: A Local Labour Market Study*. CEDCO Victoria organic marketing study <http://www.cedco.bc.ca/publications/agri-food/Report.pdf>

Canadians believe strongly or somewhat strongly that organic foods are safer and healthier than regular foods.⁵

- BC owned retailers in particular are promoting Buy BC and locally produced produce and processed products. There is a very eager demand in evidence with several chains announcing increases to their 'organic' and 'local' sections of their retail space. However, at this point 85-90% of the organic food consumed in BC is imported from the USA.⁶ These numbers hold true for non-organic and processed agri-food products as well.

3.2.3 Weaknesses:

Small-scale food processors are facing multiple barriers in their pursuit of the diverse opportunities available in filling the value-added demand. These were identified through the Small-Scale Food Processing Consultation Event held in 2001 and include geographic isolation, underdeveloped marketing, minimal distribution and information sharing networks, limited access to small-scale production technology, and lack of access to finance and venture capital for business development that is committed to the revitalization of the agricultural industry and the needs of small-scale food processors. The needs of small-scale food processors are listed below:

- Business incubation and business development support
- Research and development of and access to appropriate technology
- Access to technical assistance and mentoring for growth management
- Access to technical assistance for food safety planning at an appropriate scale
- Access to technical assistance for labeling (there is an anticipated skills shortage in this sector because everyone has to meet new labeling requirements in the same short time period), nutritional analysis, SKUs and UPCs
- Access to skilled and affordable labour
- Access to capital and financial services sensitive to their specific needs
- Shared capacity to identify and interpret market demand
- Affordable and appropriate services to assist product development and merchandising
- Appropriate, supportive marketing services
- Support, encouragement and recognition for innovation

In summary, the small-scale food processing 'industry' is hampered by a lack of infrastructure that can support business development, by a lack of technical expertise, equipment and facilities and by a lack of marketing information and skill. The same 'picture' emerged in meetings all over the province with slight regional differences. The reason that these gaps exist is that the food production systems that were active 30-50 years ago were overtaken by the thrust of 'agri-business' and the promise of 'cheap food'. However, the current economic situation has changed and it is once again becoming an economically viable proposition for people to grow and process food. As resource sector jobs evaporate, any economic development approach that holds hope of preserving rural communities is being actively sought.

⁵ 2002, "Marketing Communications" prepared by IMPACS Communications for COABC, see www.coabc.bc.ca/information

⁶ Impacs, *ibid*, p5

3.2.4 Opportunities:

- The strength of market demand is drawing this sector forward.
- The urgent need for rural adaptation is focusing interest on this sector.

3.2.5 Challenges:

- Processors find that as soon as they get a product that has a strong market, they run into difficulty with finding local produce in adequate amounts. The major problem facing the COABC as it looks to strengthening the organic sector is the same thing: substantially more produce would be welcome in the marketplace and substantially more produce is needed to feed a growing processing sector.⁷ To meet this demand, agricultural practices and decision-making must change in local communities. More people need to see that growing would again be a profitable activity. Responding to this challenge requires a concerted effort, and is reflective of the mission of the Investment Agriculture Foundation in BC.
- As people enter the food processing business, they generally do not have a clear understanding of the food processing industry. Initial business decisions are being made from a micro perspective. A major challenge is for commodity producers and growers to get together so that they can understand how to organize themselves individually and collectively to enter this market
- The infrastructure to support re-emergence of a vibrant local/provincial food industry is very weak. There are no obvious sources to assist with planning or to mobilize investment into creating integrated regional systems. Various Community Futures Development Corporations have sponsored some key activities in this regard, but it appears that all of the links in a production/marketing chain need to exist in order for any specific link to be able to thrive. This is observable in the experiences of the Shuswap commercial kitchen and the Northern Exposure marketing company. Each of these examples demonstrate bold moves taken by Community Futures organizations but without adequate sources of produce because of lack of production planning, business planning, processing facilities and a marketing system all in place at the same time. These system-level weaknesses jeopardized these initiatives.
- The ethos in BC is towards individualism; thus each producer/processor is likely to develop a business concept based upon individual capacities and vision. In order to build an infrastructure that will begin to reliably deliver to the market and be able to compete with imports from the USA (produced and processed with cheap immigrant labour and subsidized processing facilities), economies of scale must be found. This can be achieved through working collectively on a regional and provincial basis. Research conducted by the SSFPA has unearthed inspiring models of flexible production/marketing networks and second-order (New Gen) co-ops that have made it possible for otherwise weak and insignificant producers to enter the market and compete globally.
- Cost of travel and communication is a substantial challenge that small-scale food processors must contend with daily.
- Capacity and comfort with Information Technology is low amongst small-scale food processors. Reaching people requires voice-to-voice or face-to-face experience. Encouraging people to use the internet has proven to be a considerable challenge for a variety of reasons:

⁷ 2002, COABC, Strategic Plan; www.coabc.bc.ca/strategic plan

- The small-scale food processor may not have the means to invest in the hardware/software
- The small-scale food processor may not have access to broad band service—all SSFPA communication is designed for 25K modem level transmission however, this limits the functionality of IT solutions for a large number of small-scale food processors
- The small-scale food processors may not have the skill to manage Internet Technology solutions that could be particularly helpful to the business

3.3 Emergence of the Small Scale Food Processor Association

3.3.1 History

The need for SSFPA became evident through the Food Processing Sectoral Consultation Event held in April 2001. This sector consultation identified that there was a growing interest in local communities to consider adding value to locally grown products in order to revitalize flagging local economies. Issues facing small-scale food processors were clearly generic and could not be effectively addressed by processors on their own. The group unanimously envisioned the creation of a provincial association of small-scale growers and processors that could address these issues and promote the growing importance and economic impact of this sector. SSFPA was established with the aim to support small-scale food processors to increase their economic and social viability. A Steering Committee was formed at that event and worked together to incorporate the Association under federal non-profit regulations. The Small Scale Food Processor Association (SSFPA) was incorporated on June 4, 2002.

The work of SSFPA is grounded in the vision of regional food sustainability. The mission of SSFPA is “to represent the interests of small-scale food processors by establishing an industry identity, supporting regionally based small-scale food processor systems, providing relevant and timely information, providing advocacy for supportive policy, and creating programs to support development and growth of small-scale food processors.”

The Board of SSFPA consists of 11 directors, each a leader in the small-scale food processing industry. Technical assistance and secretariat services are provided on a paid and pro bono basis by Community Venture Development Services (CVDS) operated by Frank Moreland and Sandra Mark. CVDS has expertise in community economic development in the agricultural industry and a proven record in project development, implementation and administration.

SSFPA has two classes of membership, the first being the Small-Scale food processor (under 25 FTE) and the second being supporters. The supporters include suppliers, growers and their markets, linked associations, food and business technical service providers, processor mentors, educational planners, economic development groups, organic and functional foods organizations, marketing promotions and sales, food brokers, distributors and retail planners.

3.3.2 Activities

- May 2001

Small Scale Food Processing Consultation Event, sponsored by the British Columbia Ministry of Agriculture Food and Fisheries, Agriculture and Agri-food Canada, the Ministry of Community Development, Cooperatives and Volunteers and Community Economic Development Corporation Victoria. The report from this event can be found on the SSFPA web-site (<https://www.ssfpa.net/DocsForms/DocsForms.htm>)

- November 2002

Market Scoping Project, sponsored by Conservation Finance Initiative Technical Assistance Program (COFiTAP) that is formed between EcoTrust Canada, VanCity Credit Union and the BC Ministry of Community, Aboriginal and Women's Services.

- January – March 2003

Field to Table Partnership Project, four outreach workshops held in the Peace region, Lillooet, Mission and Victoria for the South Island region. Sponsored by BC Investment Agriculture Foundation (IAF), and the Community Economic Development Technical Assistance Program (CEDTAP). Lead workshop partners included: Community Futures South Fraser, Lillooet Learns, Peace Value Added Food and Ag Association, and Lifecycles in Victoria. Reports from each workshop have been prepared and are posted on the SSFPA website.

- Participation in events sponsored by COABC, BC Association of Farmer's Markets, Sto:lo Nation, Siska Nation, etc.

3.3.3 Results to date

- A fully constituted board has been formed and is active in developing its strategic and operational plans. Quarterly teleconferences have been possible with the support of the BC Ministry of Agriculture, Food and Fisheries. Working committees have been formed, accountability procedures have been established and records are being kept. An accounting firm has been retained to provide bookkeeping and accounting services. A board retreat is being planned.
- The first phase of a technical website has been mounted. The website has been designed without complex graphics in order not to tax slow connections that many people must cope with in rural areas. All documents produced by/for the Association are available to anyone on the home page. The site is fully secured and with a little more technical design will be capable of e-commerce applications when this becomes feasible.
- A beta-test of software that is designed to assist small-scale processors to calculate and recalculate margins on sales as inputs change has been carried out. This 'Margins Template' has been provided to several small-scale food processors for further trial. Arrangements have been made to provide a web-based service using this software.
- The Field to Table project netted several partnerships and cross-dialogues with other associations promoting small-scale agri-food endeavours. These include:
 - Peace Value-Added Food & Ag Association
 - 'Branding the Peace'
 - Fairview College
 - Sci-Tech North
 - CEDCO Victoria
 - Lifecycles
 - BC Honey Growers Association
 - Future Corp Cowichan
 - Island Farmers Association
 - Farm Folk/City Folk
 - West Coast Environmental Law/Growing Green Project
 - Ecotrust
 - VanCity

- First Nations Agricultural Lending Association
 - Community Futures of the South Fraser
 - BC Association of Farmers' Markets
 - Lillooet Learns
- VanCity Credit Union provided an investment of \$10K for strategic operations for 2003. This funding will be used to leverage other funds.
 - A full-time staff person has been provided as a result of a partnership with CEDCO Victoria through a Job Creation Grant from HRDC for a period of one year.
 - An array of projects has been designed and discussed by members and directors and forms the body of thinking making up this report. An operational plan to incorporate these activities into priority actions will follow acceptance of this strategic plan.
 - Members of the SSFPA have been appointed to the Steering Committee considering the feasibility of the creation of an 'umbrella' food processing association in BC.
 - The SSFPA has invited leaders from other associations to meet to discuss the status of small-scale food value adding in BC and to present concepts for collaboration that have arisen in research and discussion with others interested in revitalizing regional food economies in BC.
 - The SSFPA has been invited to participate in national discussions carried out with the Canadian Food Processing Association Alliance.
 - The SSFPA has been invited to attend Aboriginal food value-added workshops in the Sto:lo and the Siska Nations.
 - The SSFPA sponsored a session on the new Nutritional Labeling regulations from Health Canada and has been given permission to host this presentation on our website. Further workshops are planned in the coming months.

4. Small Scale Food Processor Association Business Case:

4.1 The Business Vision:

Small-scale food processors feel strongly that their needs are quite specific and have not and cannot be fully met through collaboration with large-scale food processors. The perception of small-scale as being unimportant is a difficult perception to overcome. The need for basic infrastructure to facilitate the small-scale movement is prime. This issue does not concern larger processors. This view has been corroborated in discussion with the Alberta Food Processor's Association. It has communicated to the SSFPA that it wishes to partner to reach small-scale food processors in Alberta as it has not been able to serve some of their needs for all of the above reasons.

The small-scale processor is the 'growing edge' of food value-added production. The potential is dramatic for economic impact, job creation and rural adaptation as small-scale food systems become established. With this belief firmly in mind, the members and directors of the SSFPA

have invested countless hours to build a strong foundation for their association. ***Their preferred vision is of a self-sustaining member directed association that is supported through the provision of market and non-market services to its members. The preferred concept would be for the SSFPA to be able to provide services on a regional basis with a central co-ordination function.***

4.2 Development options

4.2.1 Methodology

The concepts provided in this section are a result of consultation with a variety of national and provincial associations and non-profit organizations in the voluntary sector and through input from members and directors of the SSFPA.

4.2.2 Results

4.2.2.1 Strengths of the SSFPA

- The SSFPA has the vibrant strength of a new organization that is coming together because of a strongly felt need and the optimism of its members
- The SSFPA has a rapidly growing membership
- The SSFPA has a strong and committed board of directors
- The SSFPA has carried out several major projects since its inception, each time bringing in partners, participants and funders who have been vitally interested in the work of the association
- Completed projects responding to the stated needs of members have been well-received by both members and funders
- The SSFPA has established several working partnerships nationally and provincially
- The SSFPA has developed a strategic vision and is creating a strategic framework for action.
- The SSFPA has created an internal infrastructure to handle decision making and accountability
- The SSFPA has an innovative partnership with a community economic development consulting company to carry out its work, thus obviating the need for investing in its own overhead. Projects have been delivered around the province in partnership with local leaders.
- A website with advanced capabilities has been designed and mounted. The website is being used by members and non-members to find information and to share SSFPA activities and results.
- The SSFPA has demonstrated innovative thinking, leadership and flexibility in its first year of operation.

4.2.2.2 Weakness of the SSFPA

- The SSFPA is not only in its incubation stages as an organization, it must provide support to its members to incubate their own businesses and to incubate regional support systems.
- Investment Agriculture Foundation began the process of investigating the feasibility of establishing a BC Food and Beverage Association some months after the inauguration of the SSFPA. This has caused some uncertainty amongst members, or potential members, of the SSFPA as to the future course

that this might take and the impact this could have on the SSFPA's efforts. The Board of Directors' decision has been to continue on the development path that has been agreed to by members and to bring a strong voice to any table that is created as a result of the study process currently under way.

- The SSFPA's relationship with Community Venture Development Services depends upon the success of contract bids and revenue generation. CVDS has made a substantial in-kind investment in supporting the first steps of the Association, but its principals must also eat (generosity from members in providing food hampers accepted!) This pressure has recently been lifted due to the successful negotiation by CVDS with CEDCO Victoria to provide a JCP participant to the SSFPA under CVDS supervision on a full-time basis for one year.

4.2.2.3 Challenges to the SSFPA

- The SSFPA is facing the challenge that members and supporters want to see the implementation of the SSFPA's vision and services immediately and may become frustrated by the development lag. For example, the Living Inventory has been designed to meet the members' stated need for information and peer linkages. Until everyone is on the system, it will of course not have enough information. The task of identifying processors and engaging them in the association and the task of negotiating with other associations to share database information is going on as rapidly as possible, but some members have expressed frustration that it is not yet fully operational! A plan to develop the Living Inventory is being prepared that will motivate decentralized out-reach.
- There are a plethora of relatively new organizations that are springing up in response to funding opportunities provided by the Investment Agriculture Foundation. These organizations invariably overlap as many of their members are already processors or are planning to take this route. People engaged in small-scale agriculture are already working very hard and asking them to become involved in several organizations with similar concerns can be confusing and frustrating.
- The SSFPA is challenged by the geography of BC and the high cost of communication. Board members are learning how to operate efficient meetings by teleconference and are investing in travel to meet one another when possible. At this point in the development phase of the organization, quick-turn-around decisions are not often required; but as the organization begins to grow and until there is adequate funding, the challenge of decision making, good governance and monitoring will be significant.

4.2.2.4 Opportunities for the SSFPA

- The major opportunity is for the SSFPA to raise consciousness amongst producers, processors, associations and communities of the potential of value-added activities for community economic development. In this regard, there is opportunity to educate all involved about alternative development scenarios that could make a major difference towards increasing the viability of small-scale agriculture throughout BC.
- The SSFPA has an opportunity to take leadership to mobilize investment in regional food production/processing systems in such a fashion that the design of the system will allow revenue generation to support the development and communication activities (non-market) activities of the Association.

- Since most other new associations in BC are made up of small producers, almost all are addressing processing issues. SSFPA has the opportunity to bring these associations together and to propose a collaborative and strategic alliance to promote and develop a viable small-scale agricultural economic system in BC.
- The SSFPA has the opportunity to meet members' needs on a revenue generating basis in particular to provide marketing, merchandising and technical services. Few members now find that they are attractive to distributors and brokers due to their small volumes. Thus, entry of the SSFPA into the marketplace on a business basis would be welcomed by members and would not provide immediate competition for existing brokers and distributors.
- The SSFPA may have the opportunity to benefit from corporate sponsorships from interested and innovative retailers who can appreciate the vision that the SSFPA is bringing to them.
- The SSFPA has the opportunity to carry out research on questions and issues that are of concern to small-scale food processors to strengthen their capacity to meet the market. The following have emerged as important areas for research and action:
 - Appropriate technology—inventory, design
 - Product development and testing
 - Regional food systems analysis and model building (Italy, Japan, Australia, USA, etc.)
 - Industry and sector studies and profiles
- The SSFPA has identified an opportunity for Aboriginal processors to work in partnership to create a separate but related infrastructure.
- The SSFPA has an opportunity to promote the concept of regional 'branding' and to ensure that experience with this strategy is being shared between regions. Currently the 'Branding the Peace' initiative has considerable support and a development process is being professionally managed through the Kiwanis Centre. The notion of regional branding is being taken up in the Okanogan where a GMO-free banner is being considered. Branding the Canyon is a strategy being considered by the "Learning Canyon" initiative led by the Siska Nation. The Island Farmers Association has a branding initiative under way. The advantages of building regional identities through branding strategies is a very important cornerstone for community economic development, allowing producers in all sectors to work together to cross-market their goods and services.
- The SSFPA has been asked to open membership to small-scale processors in Alberta with the full support of the Alberta Food Processor's Association. The AVAC Ltd organization has shown interest in supporting small-scale organizing initiatives in partnership with SSFPA in Alberta. There is small-scale activity in agriculture going on all across Canada. The needs and point of view of the small-scale producer/processors may or may not be acknowledged in other jurisdictions. Cobbling together a provincial association of community businesses is a major challenge and attempting to grow the association more broadly may be an impossible one. However, the board of the SSFPA has decided to provide support and service to Alberta members and this may lead to a gradual growth of the SSFPA. In the meantime, in partnership with the Canadian CED Network, there may be an opportunity to bring people together

that are developing agri-food based community economic development activities across the country in an upcoming national forum.

- The major need for access to finance for small-scale food processors creates an opportunity for the SSFPA to work with organizations providing alternative financing. The focus will be to design a specialized program of support and investment products that facilitate the 'business incubation and growth' needs in this sector.

4.2.3 Development Scenarios

4.2.3.1 ***Small-Scale 'Association model'***

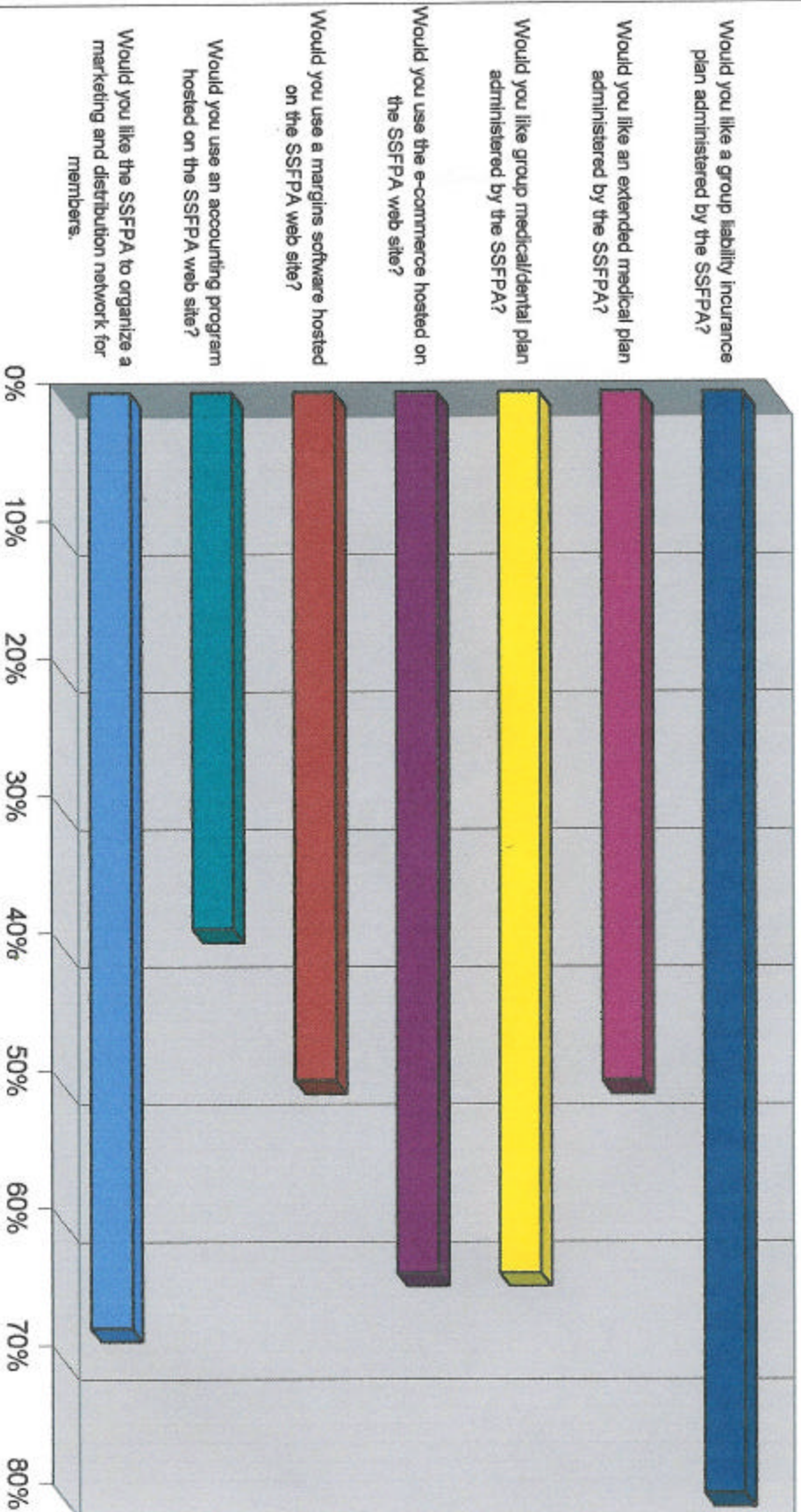
- In the past, associations that made an impact on their communities could aspire to receive government funding to assist them in their efforts. Receiving 'core' funding is no longer a possibility. An 'association' model requires members to invest substantial membership dues and requires a substantial membership in order to generate adequate funds. It is thought that a Food Processing Association has not risen up in BC due to the relatively small number of larger processors and the relative weakness of the smaller processors. Although there are a substantial number of possible members for the association, their willingness to pay for core operations of an association, particularly in the initial stages, is questionable. We expect that as the Association proves itself to its members, their willingness to pay member dues will increase somewhat, but not significantly.
- *A Small Scale Food Processors Association could not survive based upon members' dues only because of the lean profitability of these processors.*

4.2.3.2 ***Small-Scale 'Fee for Service' model***

- The members of the Association have been polled to see if they would be willing to pay for services that they need at market rates with member discounts. The results of this survey are as seen next page:

Member Benefits Survey

Results from 44 interviews of SSFPA members conducted in April 2003



- The revenues that could be generated for the association in brokering insurance services would not cover the costs of offering the program. These services have been asked for at every meeting held by the SSFPA, but provision of these services is highly competitive. The SSFPA will investigate providing these services either as a direct broker or in partnership with other associations (see 4.2.3.5 below). It should be noted that the AFPA does not broker this service itself but refers to an approved broker.
- The members have indicated in Field to Table meetings that they would be willing to pay for education and training sessions designed to meet their specific needs at market rates with member discounts. Given the costs of travel and accommodation for trainers, a decentralized approach would be more cost-effective. Delivery of such sessions could cover the cost of trainers' time and perhaps communications, but costs to prepare professionally designed materials and packages would probably not be recoverable. A small fee could be expected to go back to the SSFPA at best. Advertising costs would probably not be recoverable. However, the advantage of sponsoring such sessions is that they meet a clear need and represent an opportunity to promote the association and engage participants in SSFPA activities.
- The SSFPA should consider providing or brokering insurance and health benefits for their members but not budget for this service to generate surplus revenue. At start-up, the association will need to subsidize promotion and outreach to members.
- The SSFPA should consider providing workshops in partnership with regional groups on a cost-recovery basis. The SSFPA should apply for funding when possible to defray costs for creating professional training materials.

4.2.3.3 *Small-Scale 'Enterprising non-profit model'*

As government support wanes for community initiatives, many non-profit groups are establishing businesses that directly meet the needs of their constituency, as well as generate revenue to support the organization and its work. A substantial literature and infrastructure is growing up to support this thrust. (see www.vancouverfoundation.bc.ca/community/ENP or www.socialcapitalpartners.ca etc.) The SSFPA has a major opportunity to generate funds for the Association through the creation of a specialized marketing and distribution service. Members badly need these services and have resoundingly stated their interest in having the SSFPA provide them. (see chart above). The challenge for such a business to be successful will relate to the same issue that other distribution and marketing companies face in dealing with small-scale processors—reliability of fulfillment. It is possible that a regional organizing plan, that meets smaller regional market demand, will allow producers and processors to generate enough business on a part-time basis to pay for a local agent on commission. Alternatively, HRDC might be willing to consider JCP placements in various parts of the province that relate to local lead organizations but co-ordinate their work through the SSFPA to start-up this social enterprise. In essence, the SSFPA would need to develop and supervise a decentralized service that could be linked through an e-commerce system. (The SSFPA has set up the web site with the capacity to build a secure e-commerce capability). The biggest challenge for this business would

be to meet a diversity of non-market needs at the same time as building a business response to the market.

The second strong business opportunity that might be possible for the SSFPA is to become a delivery agent for business planning and access to finance services in partnership with existing alternative financial and support service providers. Initial discussions have proved promising for establishing such a program but the relationship of SSFPA cannot be negotiated until the association has a firmer base from which to act.

- The SSFPA should develop a business plan for the decentralized service that has been envisioned. This would include provision of an array of direct benefits to members such as insurance and health plans, training, technical services to assist with laboratory testing, merchandising and labeling. It could also include a plan to bring products to the market through a distribution and e-commerce service designed to support regional branding strategies.
- The SSFPA should propose to operate a service to provide access to finance for its members in partnership with existing alternative financial service providers on a fee for service basis to members and on the basis of sharing the interest rate spread with the partner agencies.
- The SSFPA should consider the option of working with CVDS to investigate the possibility of creating a worker's co-op marketing organization and contracting out the marketing business work to this co-op. In this way, the co-op would provide the business infrastructure and bear the liability and risk. In return, the co-op would share the business revenue with the SSFPA since all of the promotion would be in the name of the SSFPA. This model would require the least human investment in organizational development and monitoring and would prevent the Association from being liable for business risk.
- Alternatively, the SSFPA should consider incorporating a wholly owned company and financing and managing it as a function of the Association's work.
- To proceed in this direction, the board of directors should establish a business planning committee and study the relative merits of these approaches.

4.2.3.4 *Small-Scale Mixed Model—service provision and enterprising activities*

- Because the members have needs for many developmental and capacity-building services, the SSFPA should consider creating a plan to facilitate both types of activity in the hopes that the market activities can generate revenues to support some non-market activity and that grants may be attracted to assist the association to create its business framework and internal capacity.

4.2.3.5 *Small-Scale Value-added-consortium strategy*

- In the Peace Country, growers, processors and supporters have come together under one umbrella and have formed a Value Added Association that appeals to all small-scale agri-food initiatives in the area and does not artificially separate small growers and processors. Many new organizations are starting out to support different aspects of value adding as a result of Federal and Provincial government funding programs. The SSFPA has

recognized, through the Field to Table project, that these organizations are, or will be, facing the challenge of sustaining their efforts and that all of these groups will be appealing to largely the same audience to gain ongoing support. The SSFPA is attempting to organize a conference with all of these organizations in the second or third quarter of 2003 in order to open discussion about the possibility of creating a small-scale agri-food movement.

- The Board of Directors of the SSFPA should continue with efforts to bring all organizations concerned with small-scale value adding together to consider mutually supportive strategies including the possibility of sharing organizational infrastructure and enterprising options.

4.2.3.6 *Small-Scale subsumed under new Processor's umbrella association*

- The needs and concerns of small-scale processors are fundamentally different from those of large-scale processors. This is given their relative positions in the market place and given the emphasis on local food systems for the small-scale processor. However, if the new organization envisioned can be shown to be of value to the small-scale processor, then consideration must be given to the future of the SSFPA.
- The Board of the SSFPA should be vigilant in their involvement with the discussions under way and should meet with appropriate officials to discuss mutual concerns at an appropriate time. With the strongly stated needs of the small-scale food processor in hand, the Board has the responsibility to negotiate with the best interests of their constituents in mind and to consult with SSFPA members as appropriate.

5.Strategic Plan

The Founding Meeting of the SSFPA included an articulation of strategic goals. This articulation has held up remarkably well since 2001 as more information and experience has been gathered and as more processors and supporters have become involved in the process.

The overwhelming challenge faced by the SSFPA is the fact that it is an association of businesses that are tiny or small but that together constitute a potentially significant force in the recovery and redevelopment of rural agriculture. The members of the association see this vision but their current status renders them relatively insignificant individually. The result is that the potential for growth from this sector can easily be overlooked. Attraction of funding and investment requires the ability to demonstrate economic and social impact. At this point, these results can be projected, but only if it assumed that a strategic infrastructure can be put in place. The form of this infrastructure is being created from study of examples in place in other countries, notably the Emilia Romagna model in Italy and American Flexible Marketing Networks. From discussions with members and supporters, a vision is being built of how this movement could be supported. It would take a relatively small investment in infrastructure and incubation services over a relatively short time in order to deliver powerful results to the marketplace and to the community. The goals and strategies outlined below are in harmony with this vision of creating sustainable community food systems and vastly increasing the market penetration in BC of food grown in BC. Currently we import 80% or more of our food and a higher percentage of the specialty food that we consume. We are competing mostly with American food growers and processors who have the benefit of cheap (often illegal) agricultural labour and subsidized marketing systems.

5.1 Vision

To create regional food sustainability.

5.2 Mission

The Mission of our SSFP organization is to represent the interests of small-scale food processors by:

- ❶ Establishing an industry identity
- ❷ Supporting regional based SSFP systems
- ❸ Providing relevant and timely information
- ❹ Advocacy for supportive policies
- ❺ Creating programs to support development and growth of small-scale food processors.

5.3 Development Goals:

To increase the capacity of small-scale food processors to meet their business and social goals

To increase the capacity of the Small Scale Food Processor Association to provide support and service to its members

5.3.1 Clarify the position of the SSFPA vis-à-vis the proposed 'umbrella processor organization' in BC and vis-à-vis other small-scale value adding associations.

Communicate officially with other associations and invite dialogue.

- Seek funding to facilitate a meeting, dialogue and brainstorming session for all small-scale agricultural groups in BC

Keep apprised on the 'umbrella' discussions and present options to members as that planning process comes to fruition.

5.3.2 Expand membership base and member participation

- ❶ Create a member development program to target reaching 200 members for the Association by December 2003 and 300 members by December 2004
- ❷ Prepare packages of information and presentation materials to support board and member presentations to new member meetings
- ❸ Develop and implement communications strategy
- ❹ Identify target audiences
- ❺ Identify key messages
- ❻ Establish a communications committee to implement plan
- ❼ Develop and implement member participation plan
- ❽ Establish regional committees
- ❾ Establish working groups on key issues of concern to ssfp's.

5.3.3 Build supportive tools and systems that will facilitate business readiness/acumen for small-scale food processors

- Create an inventory of small-scale appropriate technology and appropriate technology needs from members

- Create business–support tools to support training delivery by distance and face-to-face methods in partnership with existing programs at BCIT and community colleges.
- Pilot bar-code sharing partnerships
- Investigate feasibility of calling a provincial meeting of groups considering regional branding initiatives to raise this issue with possible supporters
- Expand the Living Inventory: create a ‘electronic yellow pages’ of suppliers
- Arrange cross-referencing with other small-scale agricultural associations to expand common data base
- Expand web page links and information provision service (without duplicating the BC Info-basket initiative to bring together information for ‘micro-processors’).

5.3.4 Develop Access to Finance Partnership with VanCity, Ecotrust, First Nations Agricultural Lending Association, Western Economic Diversification, Community Futures Development Association, Farm Credit Corporation, etc.

- Develop specialized program and delivery partnership to improve access to finance for SSFPA members

5.3.5 Support members of SSFPA to voice their concerns

- Arrange meetings with the Minister of Agriculture and officials to discuss small-scale issues
- Develop discussion groups leading to presentations of position papers on issues raised by small-scale food processors:
 - Encroachment on ALR and potential of land-trusting
 - Food safety and other regulations—advocacy to government
 - Water and pollution issues and their impact on small-scale food processors
 - Regional food sustainability

5.4 Business Goals

To establish and operate the Small Scale Food Processor Association on a sustainable business basis.

Objectives:

5.4.1 Financial targets

Operation of the Association would require at the least one full time Coordinator and support staff plus budget for communication, travel for staff and board, insurance, meeting expenses, and resource material. The Association has been operating on a partnership agreement with Community Venture Development Services, a consulting company that has provided co-ordination, secretariat and project development services on a project basis. The advantage for the Association has been that it has not had to set up and manage an office infrastructure; the disadvantage is that it does not have a real centre. At this stage in the Association’s development this has not posed a serious problem.

5.4.2 Feasibility assessment

The SSFPA is a new organization with rich human resources but few material resources. It represents new and small enterprises that themselves face substantial obstacles to growth. By definition, the members of the Association will be *challenged for cash* and in busy seasons they will be *challenged for time* to provide 'sweat equity.' Even associations with wealthy members have a difficult time to operate on a self-sufficiency basis. There is competition for membership dollars between sectoral associations and more mainstream associations such as the Chamber of Commerce or the Federation of Small Business. The feasibility for the success of this organization depends upon three factors:

- **Growing membership base:** A reasonable target membership would be 200 members by the end of 2003. (The Alberta Processor's Association has approximately 300 members mostly large-scale businesses and the Saskatchewan Food Processor's Association has 200 members almost all small-scale processors.) However, membership fees of \$50 per year (upper acceptable limit proposed in member meetings) would only net \$10,000 from processor members. Focusing upon gaining 'yellow pages' advertising from supporter/supplier members could bring in 100 participants paying \$250-\$500 each. However, the 'hook' to bring them in would be processor access for Business to Business, so this strategy cannot be mounted until the processor membership stands at 100 or more. A modest prediction of a yellow pages income of \$10,000 would be reasonable to expect within the first year. If members follow through and purchase from these suppliers, they would be encouraged to continue this relationship and other participation would be stimulated. This activity presupposes an investment in a 'sales' function by the Association. The cost of getting members and advertisers involved could be mitigated by getting members to 'sell' memberships to others and to solicit yellow pages participation. A member sales-incentive program is suggested. For example, members who find 5 other members could have their membership fee refunded. Members who refer suppliers for the yellow pages could get a discount of \$25 on member services or products. The people who can best promote the benefits of the association are those that have found the association to be of value to them and their business.
- **Enthusiasm and commitment from the members:** This association will not survive without active involvement and passionate commitment of the members. This commitment has been in evidence since 2001 and is growing. However, sustaining interest and commitment requires that the Association have capacity to deliver on its promises.
- **Support of government and foundations** to assist start-up and non-market activities. (The AFPA and the SFPA and the MFPA each benefit from considerable government support to assist them to provide core services, although the AFPA is threatened with major cuts. Each provides an array of member benefit programs offering members discounts on relevant goods and services. However, they depend upon government grants to operate.) Because the potential for receiving provincial government support for the SSFPA is low to non-existent, the Association should build a sustainability plan that uses such support for supplemental purposes only.
- **Offering benefits to members:** Members have indicated interest in receiving the following benefits as seen in the chart above:
- **Virtual administration:** Operating even a small full-service office can cost over \$100,000 per year. By taking advantage of the benefits of being small and working

with committed contractors, it has been possible for the Association to achieve significant progress with no core budget. Maintaining a strong board oversight and clear operational plans make this approach feasible. As a network of contractors or a decentralized worker's co-op around the province becomes engaged, the SSFPA will benefit from regional assets and resources to generate the necessary support for their work.

- **Entrepreneurial action:** The entrepreneurial spirit of members of this association is high. Most members are anxious to grow their business and grow their income. By creating a team of contractors or a decentralized worker's co-op, the workers will take on the fundraising, project development and service provision tasks. This will stem from recognizing that their own entrepreneurial contribution is, in fact, creating work for them in partnership with the members of the SSFPA who wish to see various tasks accomplished and various services made available. This model has been piloted between the SSFPA and Community Venture Development Services. CVDS has provided technical assistance services on a contract basis and co-ordination services on a volunteer basis and has assisted the SSFPA in its fund-raising efforts.
- **Operation of Merchandising/Marketing Business:** Any new business start-up is a challenge and as mentioned above, providing services to tiny and small businesses presents difficulties that will have to be overcome at the business-planning stage. The biggest challenge will be to build the tools and communications materials to be used to launch the business. If the business can be started mostly as a brokerage on a fee for service basis and gradually build other services, it may be possible to grow it slowly. However, since the needs of the members are very clear and there is some urgency to their need, efforts should be made to design and launch a full-service marketing business as soon as possible.
- **Provision of Internet Technology services and training:** Many members are not as computer literate or as 'wired' as they might be and the connectivity service is a major barrier in many localities, in spite of initiatives all over the province to correct this. In light of this, increasing the capacity of members to carry on their work, taking advantage of the benefits of electronic communication and commerce tools, is a strategic priority for the sector. Since many have not yet invested in hardware or software, ASP software provision may be a revenue generating service provision option for further consideration. A preliminary survey of members, asking if they would be interested in this service, resulted in some strong interest as shown in the chart above.
- **Provision of Buying Club service:** Facilitating purchasing of many common supplies and equipment has been asked for by the members as a way to assist them to cut costs and find better solutions through bulk buying power.
 - It is recommended that the SSFPA partner with a member organization with charitable status to seek funding under the Enterprising Non-profit program operated by the Vancouver Foundation, VanCity Community Foundation, the United Way of the Lower Mainland, and Coast Capital Savings Credit Union.

Innovation: building towards creating flexible production/marketing networks: The most exciting outcome of the research, outreach and discussion engaged in by members of the SSFPA has been the notion of considering the creation of flexible production and marketing networks. These networks would relate to regional branding initiatives and would share regional infrastructure. Models of these business forms have been discussed with enthusiasm as they accord with the values of the members who wish to re-build the local agricultural sector in a fashion that will ensure that local efforts can become sustainable. As well, by working together, it is possible for very small businesses to gain considerable market strength and to mobilize sophisticated tools and planning capacity. The business concept that is being pursued by the SSFPA will facilitate local relationships and shared production and marketing efforts. Creating a functioning flexible marketing network requires planning and a central capacity to link the primary producers, the market and the processors. (Discussion tools developed to assist exploration of this concept for the Field to Table meetings are available from www.ssfpa.net).

- It is recommended that the SSFPA set up a study group in order to learn from experience in other jurisdictions; further work should be done with partners to build a case for creating a pilot project to demonstrate how these ideas could be adapted to the BC agricultural environment.

6. Summary of Recommendations

The preferred vision is of a self-sustaining member- directed association that is supported through the provision of market and non-market services to its members. The preferred concept would be for the Association to be able to provide services on a regional basis with a central co-ordination function.

Recommendations for action are listed below. These development options will be used as the basis to facilitate planning and decision-making by the Board of Directors, and members of the Small Scale Food Processor Association. The vision that has been articulated by the SSFPA could come to fruition in various ways. The challenge for the Association will be to be able to move forward towards goals in a climate of organizational ambiguity. The members of the Association have shown that they are willing to assume leadership, to develop partnerships and to take initiative. These qualities will be called upon as this work unfolds.

- The SSFPA should consider providing or brokering insurance and health benefits for its members but not budget for this service to generate surplus revenue. At start-up, the Association will need to subsidize promotion and outreach to members.
- The SSFPA should consider providing workshops in partnership with regional groups on a cost-recovery basis. The SSFPA should apply for funding when possible to defray costs for creating professional training materials.
- The SSFPA should develop a business plan for the decentralized service that has been envisioned. This would provide an array of direct benefits to members including insurance and health plans, training, technical services to assist with laboratory testing, merchandising and labeling. It would enable members to bring products to the market through the establishment of a distribution and e-commerce service designed to support regional branding strategies.
- The SSFPA should propose to operate a service to provide access to finance for its members in partnership with existing alternative financial service providers on a fee- for-

service basis to members and on the basis of sharing the interest rate spread with the partner agencies.

- The SSFPA should consider the option of working with CVDS to investigate the possibility of creating a worker's co-op marketing organization and contracting out the Marketing Business work to this co-op. In this way, the co-op would provide the business infrastructure and bear the liability and risk. In return, the co-op would share the business revenue with the SSFPA since all of the promotion would be in the name of the SSFPA. This model would require the least investment and have a high empowerment outcome.
- Because the members have needs for many developmental and capacity-building services, the SSFPA should consider creating a plan to facilitate both types of activity in the hopes that the market activities can generate revenues to support some non-market activity and that grants may be attracted to assist the Association to create its business framework and internal capacity.
- The Board of Directors of the SSFPA should continue with efforts to bring all organizations concerned with small-scale value adding together to consider mutually supportive strategies, including the possibility of sharing organizational infrastructure and enterprising options.
- The board members of the SSFPA should be vigilant in their involvement with the discussions under way and should meet with appropriate officials to discuss mutual concerns at an appropriate time. With the strongly stated needs of the small-scale food processors in hand, the Board has the responsibility to negotiate with the best interests of their constituents in mind and to consult with SSFPA members as appropriate.
- It is recommended that the SSFPA partner with a member organization with charitable status to seek funding under the Enterprising Non-profit Program operated by the Vancouver Foundation, VanCity Community Foundation, the United Way of the Lower Mainland, and Coast Capital Savings Credit Union.
- It is recommended that the SSFPA set up a study group in order to learn from experience in other jurisdictions and that further work be done with partners to build a case for an investment in creating a pilot project to demonstrate how these ideas could be adapted to the BC agricultural environment.