



# Kootenay & Boundary Food Producers' Co-op

Feasibility Study  
August 2014

Upper Columbia Co-operative Council  
Nelson, BC

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# 1. EXECUTIVE SUMMARY

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## Project Background: History, Purpose, Vision

**History:** In response to the need for farmers and secondary processors in the Kootenay and Boundary regions of southeastern British Columbia to scale up production to meet an increasing demand for locally grown produce and food products, a group of local producers and food systems supporters met with the BC Co-op Association to discuss the Association's Food Hub Co-op Project.

The group was committed to exploring ways of organizing to meet the above needs, while also addressing documented challenges to building a robust regional food system. The BC Co-op Association committed to support the group by funding a feasibility study to determine the market viability and local capacity to develop a producer-driven food hub co-operative. The feasibility study has been prepared by Zoë Creighton, of the Upper Columbia Co-op Council, in collaboration with the proposed Kootenay & Boundary Food Producers' Co-op (KBFPC) steering committee.

**Purpose:** The KBFPC Feasibility Study explores the viability of proposed business models that develop services and infrastructure to streamline transactions between growers and customers, in an effort to fuel agricultural production and economic activity in the region.

**Vision:** The proposed KBFPC envisions aggregation and distribution services as the beginnings of a multi-phased development project. The proposed co-op would begin by coordinating the distribution of local produce and food products, reducing members' time spent coordinating these shipments and driving them to market, and allowing them to spend more time on production and processing. The proposed co-op will pursue a stepwise approach to engage in consumer education, product and local brand marketing, brokering labour, business development support, and establishing a storage facility for value-added processing. These supplemental projects will over time serve the broader needs of the agricultural community, food entrepreneurs and customers.

## Recommendations

The main finding of this feasibility study is that there is sufficient market opportunity and, if more committed producers are involved, group capacity, to merit advancing to the next phase of the co-op's development (i.e. business planning). The revenue potential of the co-op in its first years of operations will adequately cover expenses, if the co-op collaborates with existing food-related businesses, and reduces startup costs by utilizing their assets in its distribution services.

It is recommended that the steering committee adopt a low risk, flow-through model of operations to start, and prioritise immediate recruitment of more producer members. Ensuring tangible benefits to co-op members from startup will be essential to building a strong and engaged membership, and a sustainable enterprise. Convincing future members that the proposed co-operative will be more effective at performing the hoped for services than the members can individually will also be key.

By focusing on supplying a small number of established food retail businesses with high quality produce delivered from 15- 20 local producers, the co-op can build relationships and establish systems in the first year to expand both its membership, services and customer base in subsequent years. The co-op should engage in a phased development approach to mitigate risks, and focus on communicating clear goals and benefits to potential members and customers.

It is also advised that if the co-op model is pursued for this enterprise, steering committee members must steep themselves in co-operative values and governance practices, and heed the wealth of warnings about why co-operatives fail.

## Project Impacts

There could be multiple positive economic and social impacts if the KBFPC begins operations in the region.

- Farmers and processors can access larger and more reliable markets by the KBFPC aggregating and marketing their products to meet consistent supply levels
- Reduction in “off farm” time for farmers.
- Consumers will have access to an increased supply of locally produced food and food products
- Economic leakage in purchases of imported foods will be reduced, keeping more money in the local economy
- Retail outlets will rely less on imported products to meet their consumer demands
- Increase in local farm employment opportunities
- Reduction of stress on small farm operators
- Local farms become more sustainable
- More efficient distribution and lower greenhouse gas emissions
- Improvements in how restaurants and potentially institutional buyers can access local food
- Additional opportunities for crop diversification

## Why a food hub co-op?

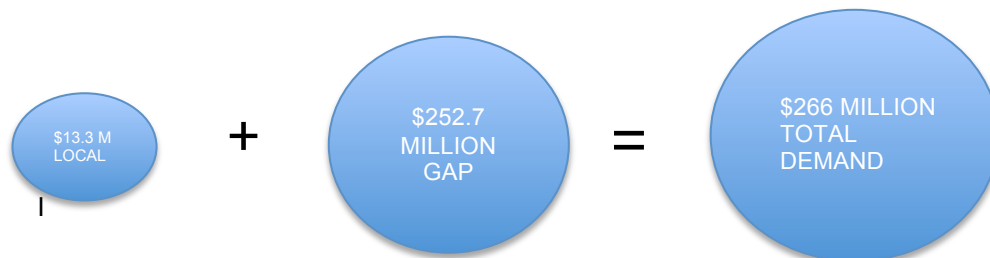
There are two principle motivations to develop a food hub co-op in the area, which are seen in the greater context of regional food security and broader climate change issues. The first is a problem, and the second is an opportunity.

**The problem** is that farmers in the Kootenay and Boundary regions of British Columbia face a number of challenges, not the least of which being that farming is currently not economically viable.

Individuals who wish to farm and become food producers face challenges which include scarcity and price of land; lack of a formal distribution system for local products; lack of business training focusing specifically on farming and food production; lack of storage and processing facilities; competition in price and volume from imported foods; challenging market conditions; regulations and international agreements; and the continuing loss of regional farmers and biodiversity.

**The opportunity** is that \$266 million is spent annually on food by West Kootenay residents<sup>1</sup>, who import more than 95% of the food consumed here<sup>2</sup>.

**FIGURE A: UNMET DEMAND FOR LOCALLY GROWN FOOD: \$252.7 Million Leakage per year**



<sup>1</sup> p.4, *Towards a Regional Food System Alliance Development Strategy for the West Kootenay*, 2011.

<sup>2</sup> p.125, *RDCK Agricultural Plan Background Report*, 2011.

It has been well documented in reports and research analyses referred to elsewhere in this report, that in order for this part of the province to develop resilience in their local food systems against threats of climate change, increasing cost of petroleum, farm inputs and transportation, declining aquifers, the continuing loss of regional farmers and biodiversity, and all of the challenges mentioned above, **collaboration among food stakeholders is a key next step.**

Collaboration in the form of a food hub co-op has gained traction in the last year as a way to enable farmers and food producers of the region to work with supporters to tackle these threats and challenges. The versatility of the co-op model, combined with the track record of food hub initiatives across the continent, posits this producer-driven enterprise as a promising vehicle to address the region's need to produce more food locally, for local consumption. This scaling up of local producers will aid in reducing this leakage of 95% of local food consumption dollars, while making food production more economically viable, and benefitting both producers and the communities in which they live.

## 2. CONCEPT AND SCENARIO ASSESSMENT

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### 2.1. Description and Definitions of Food Hub Co-op Concept

The United States Department of Agriculture's working definition of a regional food hub is:

*A business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand*

Food hub *co-ops* are owned and governed by their producer (in this proposed case, grower and secondary processor) members, providing a structure for ensuring that producers' needs are met through democratic participation in decision-making of the enterprise. The producer members own the business, set its policies, and, in many cases, share in the profits. Food hub co-ops focus on the collaboration of producers in the aggregation, marketing and distribution of local food together with purchasers, educators, government partners, feed & seed stores, and various stakeholders involved in local food security and sustainability efforts.

At the core of food hubs is a team that actively coordinates supply chain logistics. They work on the *supply side* with producers in areas such as sustainable production practices, production planning, season extension, packaging, branding, certification, and food safety—all of which is done to enable these producers to access wholesale customers, such as retail stores, restaurants, and buyers for foodservice institutions.

Simultaneously, food hubs also work on the *demand side* by coordinating efforts with other distributors, processors, wholesale buyers, and even consumers to ensure they can meet the growing market demand for source-identified, sustainably produced, locally or regionally grown products.

### 2.2 Scenario Description and Assessment

#### Services

The results of an in-person survey of producers conducted by the steering committee of the KBFPC in 2014 indicate that distribution is a high service priority for the proposed co-op. Marketing and business assistance, as well as access to labour and storage facilities were also indicated as priorities. The entire survey results are included in **Appendix A**.

#### Revenue

Of the multiple distribution scenarios discussed and analyzed in detail over a 6-month period by the committee, two stand out as the most viable in the first 3 years of operations. Various methods of generating revenue for this service were analyzed and discarded for the time being, including:

- members billed a percentage on the invoiced amount of goods transported;
- members billed a flat monthly rate for delivery services;
- members *and* retail outlets billed for these services

After considering financial, staffing and technical issues, the steering committee agreed to build scenarios based upon:

- members billed on volume delivered using a flow through model of freight on board, through which the producer builds in the delivery cost paid to the KBFPC into their end price to the retailer. i.e. the KBFPC does not invoice the retailers, only the producers, based on volume of product distributed.

## Scenario 1

**Primary Service:** Distribution

**Secondary Services:** Public education, labour pooling

**Characterised by:** Partnership with Organic Matters outside of Nelson

- Co-op leases truck/ van for deliveries
- Co-op hires driver for deliveries
- Co-op coordinates ordering and pick up of food products from members, and delivery to retail outlets. Outlets selected based on location and volumes to be purchased
- Co-op leases 300 square feet of warehouse space from Organic Matters
- Co-op purchases cooler unit, and converts 100 square feet to cooler space
- Co-op develops partnerships to aid in brokering labour services to producer members

### PROS:

- Customised sorting and cooling facility
- Only KBFPC will be using designated sorting and cooling space
- Facility close to major retailer
- Own cooler unit to relocate when larger facility needed
- If co-op is non-profit, OM will consider forgiving rent as donation
- Use of OM's forklift

### CONS:

- Reliant on other business
- Higher startup costs
- Challenges finding good truck
- Increased workload of building a walk in cooler
- Cooler and sorting space potentially empty for 6/7 months of the year

## Scenario 2

**Primary Service:** Distribution

**Secondary Services:** Public education, labour pooling

**Characterised by:** Partnership with Endless Harvest in Ymir

- Co-op subcontracts truck and driver from Endless Harvest, a local organic food distribution business based out of Ymir.
- Co-op coordinates ordering and pick up of food products from members, and delivery to retail outlets. Outlets selected based on location and volumes to be purchased
- Co-op subleases cooler and sorting space for organising shipments from Endless Harvest in Ymir
- Co-op subcontracts EH staff for warehouse sorting and administration, for a set weekly fee.
- Co-op engages in low level public education/ promotional events
- Co-op develops partnerships to aid in brokering labour services to producer members

### PROS:

- Low startup costs
- Work with existing, established infrastructure and staff
- Partnership transforms potential competitor into partner
- Low risk

### CONS:

- Entirely reliant on other business
- Potential for conflict in working in shared space
- Delivery days dependent on truck availability
- Subcontracting too many services will reduce capacity for KBFPC to build strong relationships with members and retailers

Potential pitfalls, and proposed solutions are discussed in **Section 6**. Projected cashflow statements for Scenario 1 and 2 are included in **Appendix E**.



## 2.3 KBFPC Success Potential: Background Analysis

### 2.3.1 Needs assessment- why is a food hub co-op necessary?

Many farmers and small producers are challenged by the lack of distribution and processing infrastructure of appropriate scale that would give them wider access to retail, institutional, and commercial foodservice markets, where demand for local and regional foods continues to rise.

Individuals in the Kootenay and Boundary regions face a number of specific and documented challenges:

- There is a scarcity of land. For example, in the Regional District of Central Kootenay only 2.5% of the land base is suitable for farming.
- Land is expensive, as are farm equipment and infrastructure.
- There are limited local suppliers of feed and supplies resulting in both restricted selection and higher prices.
- Opportunities for training via formal agricultural programs, mentoring or internships with very few exceptions do not exist. Neither are there regional or local extension services.
- Local farmers have to compete with lower cost food imports produced on industrial scaled farms with longer growing seasons, lower environmental standards, lower farm wages, and subsidies.
- There are difficulties in marketing because purchasing policies of larger grocery chains and institutions discourage the purchase of local food.
- There is no red meat abattoir in the Nelson – Castlegar -- Trail area.
- There is currently no formal distribution system for locally grown products, limited commercial storage facilities, and minimal processing/commercial kitchen access.
- Depending on the effects of the new provincial legislation on the ALR, land prices may rapidly increase and farmers may be encouraged to sell their property, or not be able to afford land leased from others.

Food Hub Co-ops position themselves to directly impact three key challenges:

- **Limited Market Options and Revenue Opportunities**  
Although many smaller farmer operations have taken advantage of direct-to-consumer marketing outlets (such as farmers markets, farm stands, and community supported agriculture) to sell their products, they often lack the volume and consistent supply necessary to attract retail and foodservice customers. This problem is particularly acute for operators of mid-sized farms, who are too large to rely on direct marketing channels as their sole market outlet but too small to compete effectively in traditional wholesale supply chains.
- **Limited Distribution and Marketing Capacity**  
Producers often don't have the available capital or access to facilities to store, process, and distribute their products. Furthermore, due to limited staff or lack of training or experience, they are not always able to devote the attention necessary to develop successful business relationships with key wholesale buyers or have the resources to develop an effective marketing strategy by themselves.
- **High Transaction Costs**  
Wholesale buyers often find it too costly to purchase products directly from numerous farms and prefer to reduce transaction costs by buying product from distributors.

Regional food hubs have provided a vehicle through which food system stakeholders can collaborate, and have emerged as an effective way to overcome these infrastructural and market barriers. For those smaller and mid-sized producers who wish to scale up their operations or diversify their market channels, food hubs can offer a combination of production, distribution, and

marketing services that allows them to gain entry into new and additional markets that would be difficult or impossible to access on their own. For larger producers, food hubs can provide the product-differentiation strategies and marketing services to ensure the best possible price in the market place. Moreover, for wholesalers, distributors, retailers, and foodservice buyers who would like to purchase larger volumes of locally and regionally grown products, food hubs lower the procurement costs by providing **a single point of purchase** for consistent and reliable supplies of source-identified products from local and regional producers.

### 2.3.2 What's been done so far for this current initiative?

The exploration to harness the momentum of regional producers and to address identified regional food security issues through the food hub co-op model began in earnest in August, 2013, at a meeting convened to discuss the BC Co-op Association Food Hub Pilot Project, convened by BCCA and its local chapter, the Upper Columbia Co-op Council. The meeting was attended by 8 local producers and 5 supporters.

- A steering committee was formed after this meeting, and has met at least monthly to strategize around how best to build on work and reports to date on this topic. Meeting minutes are included in **Appendix B**. Focused achievements by the group have included:
  - Analyzing and collating findings from relevant reports to date, including:
    - *Towards a Regional Food System Alliance Development Strategy for the West Kootenay & Recommended Next Steps*
    - *Kootenay Lake Region Food System*
    - Background Report for the RDCK Agriculture Plan
    - *Future of Food Conference Executive Summary*
    - *Eco Society Local Food Means Business Summary*
    - *East Shore Feasibility Report*
    - *North Slocan Community Greenhouse Feasibility Study*
    - *Agriculture and Food Security in Kaslo*
    - *Groundswell: A Guide for Building Food Security in Rural Communities*
  - Contacting regional producers, educators, administrators and advocates of food security to discuss the food hub co-op concept
  - Monitoring existing online demographic surveys, and researching findings of historical surveys on relevant topics
  - Discussions with Kootenay Country Store Co-op and other retailers re: scaling up/ market potential
  - Creating and undertaking a phone survey of regional producers and secondary processors (surveys included in **Appendix A**)
  - Initiating this feasibility study by mapping out gaps in knowledge and research
  - Attending regional agricultural events to introduce the food hub co-op concept and solicit feedback, including:
    - Kootenay Local Agricultural Society AGM
    - Kootenay Organic Growers Society AGM
    - Young Agrarians Mixer- Crawford Bay
    - Farm Food Fork Forum- Nelson
  - Exploring potential partnerships with existing food distribution, retail and storage businesses
  - Mapping out location of farmers/producers throughout the region
  - Building relationships with other food-focused societies, associations, and co-ops.

### 2.3.3 Demographics of Group/ Steering Committee

The current steering committee understands that the commitment of regional growers and processors is *essential* to the development of a co-operative that successfully serves their needs. Also recognised is the importance of having these stakeholders involved at the beginning of the development process to clearly define these needs, and to propose beneficial areas for collaboration. Because this undertaking includes broader regional food security goals, however, advocates and supporters have come together with producers as the steering committee to explore the feasibility of the co-op model to organise around both these issues and needs.

At this point, the committee is working in consultation with producers, and on their behalf, to identify and test the feasibility of a few potential strategies, while building interest and commitment in the project with the future grower and processor members.

Although recognized as not ideal from a co-op development perspective, the steering committee members are diverse and skilled, and have demonstrated the commitment necessary to move this study forward.

The full introduction of committee members is included in **Appendix C**. In summary, there are two producers and two committed supporters currently on the committee.

The demographics of future members are included in **Section 3 and Appendix A**, the results of two recent surveys of regional producers.

### 2.3.4 Solutions Proposed by Group

An overview of the strengths of the food and agriculture sector of this region forms the backdrop for proposed solutions to its various challenges:

- A variety of food and agricultural organizations exist in every part of the region lending support for local growers
- The region has the capacity to produce a wide range of products including tree fruit, berries, vegetables, poultry, beef, sheep, dairy, and greenhouse products
- The market for local food is strong and growing as seen in the increasing number of successful farmers markets, CSA's, and farm gate sales
- An increasing quantity of local food is being marketed in conventional grocery outlets including the Kootenay Country Store Co-operative, Evergreen Natural Foods, Ellison's Market, Save-On-Foods, the Real Canadian Wholesale Club, Cornucopia, and Mother Natures
- A number of small producers provide an additional market for local produce/products and transform them into value added products
- There is growing public awareness of the importance of local food security and the need to support local farmers and producers

Behind these strengths are two relevant statistics (sources attributed in the Executive Summary):

West Kootenay residents spend \$266 million annually on food and we import greater than 95% of the food consumed here.

Because so much research and so many conversations have taken place over the last 5 years on ways to address these challenges, the steering committee has mined these sources for recommended solutions. Further research by the steering committee has prioritised the solutions in bold below, although all ideas are included for context:

- **Develop diverse and affordable transportation methods**

- **Educate consumers to buy locally-grown food & promote food systems with local control, enabling the inclusion of values and priorities in the production and distribution of food**
- **Coordinate local food through linkages between buyers and growers**
- **Support established, experienced farmers to efficiently scale up production**
- **Develop regionally based extension services, farmer training, and mentoring programs**
- **Increase sales to locally based markets (retailers, restaurants, buying clubs)**
- **Provide marketing assistance for existing, transitional, and new organic farms**
- **Increase access to labour pool by existing farmers**
- **Hold food events to promote local food**
- Increase market and infrastructure development (independent and decentralized)
- Develop community owned storage, processing, and distributing facilities
- Analyse the local food market to identify local economic development opportunities created by local food production and consumption (what is needed, replacement of import products)
- Establish wheat milling and storage facilities
- Process local food for added value and season extension: freezing, dehydrating, juicing, canning, processing into multiple ingredient soups and sauces
- Capture local markets and work in short supply lines to offer more profit to farmers
- Region-wide branding and promotion of local farm products via seasonality guides and other means
- Establish permanent farmers markets
- Support regional food security organizations to expand, work together towards common goals, and become more effective in their work
- Develop a local red meat abattoir
- Support and expand creative local solutions to hunger
- Expand library agricultural reference materials
- Create farm-direct food hubs around the region
- Use economic tools, incentives and support programs to build economic viability and knowledge for new and established farmers
- Expand local processing businesses
- Compost and sale of local organic waste
- Promotion of urban agriculture
- Use of consumer pressure to expand local food sales in large grocery chains
- Locate processing or storage facilities on existing farmland, made easier by relaxed regulations in the new ALR legislation.

### 2.3.5 What Has Been Tried Before?

A number of initiatives have been undertaken in the region in the past 10 years, with varying degrees of success and tenacity.

- Multiple Food events to promote and educate about the benefits of local food
- Wheat milling and carbon-free transportation of agricultural products (see more on the “Sailing the Grains” at <http://deconstructingdinner.ichannel.ca/local-grain-revolution-vii-sailing-grain/>)
- Region-wide branding and promotion of local farm products (Kootenay Mountain Grown, Kootenay Made, Kootenay Organic Growers Society)
- Development of a local red meat abattoir
- Farm School- College of the Rockies Creston

- Many regional agricultural co-ops have been established, including: West Kootenay Permaculture Co-op; Kettle Valley Co-op; Naturally Grown Herb and Spice Producers' Co-op
- The Kootenay Country Store Co-op acts as a business incubator for value-added food processing businesses
- The 2014 publication of *Groundswell: A Guide for Building Food Security in Rural Communities*

**5 TRANSPORTATION**

There is strong concern from participants regarding the movement of goods because it is either impossible (infrastructure does not exist, particularly within the region) or is too expensive to be feasible for the scale of operation. The consolidation of farms across the Province has meant that most food moves either across Province or country before returning to the local store shelves (e.g. the processing of Creston milk in Abbotsford or Red Deer). This situation is both unstable and unsustainable.

Most producers move their items individually, traveling from Creston through to Salmo and Nelson and few use secondary services or shared servicing, stating their interest if such services existed. As the movement for local food has expanded, people like Jennie Truscott and Jessica Piccinin (both from Creston) have picked up on the need and offered their services to deliver and distribute food across the region, but their capacity is limited (i.e. it is not efficient and the scale prohibits significant return on costs). One example comes from the movement of goods along the west shore of the Lake, specifically from Balfour to Kaslo. The scale of distribution makes this 35 minute delivery more expensive than having products shipped from Cawston, 4 hours away. Participants repeatedly explained that the current transportation systems are limited and uncoordinated, resulting in expense, delays and major barriers to supporting the local food system.

**ACTION:**

**INFRASTRUCTURE**

- Invest and support a locally coordinated & cooperative food distribution system that is independent and decentralized
- Build Boats - Reactivate the tradition and servicing of sternwheelers along the Lake: use water as the point of connection (see map page 13)
- Trains and Trails - reactivate former CPR rail lines and designate cargo space through cooperative management for local food pick up and distribution
- Focus on improving access within region, building in redundancy (multiple avenues to a single point) to support small holder distribution and improve

regional food security NETWORKS

- Ensure that through coordinated cooperative efforts, producers are not the solely responsible for cost of transport and delivery
- Establish distribution cooperatives for animals & produce recognizing that size of group increases purchasing power, with sufficient networking can have instant distribution to solve need of restaurant supply

The New Farms Incubator Program supports new farm enterprises by offering access to land, equipment and infrastructure at reasonable rates, along with business planning support, technical training, mentorship and experience with ecological and emerging farming methods. The New Farms Incubator Program is based on the successful Intervale Farms Program near Burlington, Vermont.

[www.farmstart.ca](http://www.farmstart.ca)



*From Kootenay Regional Food Systems Report, 2010*

### 2.3.6. Possible Supports, Facilities and Resources

The region is rich in agricultural supports, facilities and resources. Highlights include:

- Columbia Basin Trust – funder
- Kootenay Local Agriculture Society (KLAS)
- Kootenay Organic Growers Society (KOGS)
- West Kootenay Permaculture Co-op Association
- West Kootenay EcoSociety
- Kootenay Mountain Grown marketing label
- KLAS Tool lending library
- School Gardens – LVR, Rosemont, Wildflower at Central School
- Selkirk College: Rural Institute, Economic Development Chair
- Pre-developed proprietary online ordering software (everythingunderthesun.ca)
- Creston Valley Food Action Coalition
- Young Agrarians
- Kaslo Food Hub
- Creston Valley Beefgrowers' Association
- Kaslo Community root cellar
- Crawford Bay School kitchen

- Grand Forks & Boundary Regional Ag Society
- Grand Forks Mobile Red Meat Abattoir

## 2.4 Variables for Scenario Development & Core Services

### 2.4.1 Co-op structure

The proposed undertaking will be a producer led and driven co-operative enterprise. The steering committee has explored both for-profit and non-profit co-operative models, and will continue this effort through meetings with producer-stakeholders during the business-planning phase of the project. As is detailed in the Recommendations section in this study, Section 6.2, a for-profit model is strongly advised. Member definitions, eligibility requirements and production guidelines have all been drafted by the committee, and are included in **Appendix D**.

A traditional agricultural co-operative is exclusively owned and operated by the group of producers who use the co-op and are its members. If a for-profit co-op, surplus is distributed to members based on amount of usage. Co-ops elect a board of directors who are responsible for the governance of the enterprise, and the hiring of management. In British Columbia, there is a provision in which membership may include non-users, who may be subject to voting restrictions, and also provisions for non-members to be elected or appointed to the Board of Directors.

Many experts believe that the single biggest driver of food hub success is the level of investment and support of its growers. Co-operative models inherently lead to stronger grower support, given that they are investors and profit sharers in the business, and have equal voice in decision making.

### 2.4.2 Scope and Scale

Multiple scenarios will be considered from small beginnings with low levels of risk and capital investment, until a track record of success has been established, and a critical number of members/ market share has been achieved – only then will higher risk/ higher capital investment scenarios be considered.

### 2.4.3 Geographic Reach of Members

The geographic area of members contemplated for the proposed co-op can be divided into 7 distinct region: Nelson/ Harrop Proctor to Junction

- Kootenay Lake/ Creston Valley/ East Shore
- North Kootenay Lake (Balfour and North)
- Slocan Valley
- Grand Forks/ Kettle Valley
- Arrow Lakes/ Nakusp
- Castlegar/Trail/Rossland/Glade





## Geographic Reach of Market

In the first three years of operation, the co-op will focus on distribution to retail outlets within the geographic reach of its members.

### 2.4.4 Short and Long term facilities

Producer surveys indicated that distribution is a high priority for member services from the first year of operations. In order to minimise spoilage, maximise delivery truck efficiency, and provide a place for sorting and quality oversight, it was agreed that leasing a cooled short-term storage and sorting facility is important from the first year of operations. The following options were researched, and, where appropriate, potential partnership scenarios are costed out in the financial models.

Organic Matters warehouse on Ymir Road:

- 200 square foot sorting/ office space
- 100 square foot walk in cooler

Endless Harvest facility in Ymir

- Shared walk in cooler
- Shared sorting space

Quality Produce Building near CPR Station in Nelson

- Will not meet co-op's needs

A long term storage facility with value-added processing capabilities was discussed, but will not be contemplated in the first three years of operations.

### 2.4.5 Distribution- Truck options

The time it takes producers to coordinate and bring their product to market is a key factor in limiting production volumes. As noted above, therefore, distribution will be a key member service.

The steering committee researched several options to bring members' products to retail outlets around the region.

- *Revolution Biodiesel's Truck* - Winlaw – available for purchase, but **too big** for the first 3 years
- *Crag Holdings' Trucks* – Nelson - appropriate capacity, space available on a price-per-volume basis, but all cargo needs to be on pallets and wrapped- **not viable** for first 3 years
- *Endless Harvest Truck* – 224 cubic foot capacity, not refrigerated, but best option, given the that it is currently used for delivering organic local food, it is not in use several days of the week, and KBFPC routes could piggyback upon existing EH routes. **This truck would be made available for rent by the co-op only with the driver and driver wages included.**

*Other leasing options :*

- Refrigerated vans- 200-225 cubic feet capacity, **\$550-700/month**  
<http://www.subzerotechnologies.com>, <http://www.fridgevanlease.co.uk>, <http://fleetco-specialty.com> for quotes.
- Regular cargo vans- 200-250 cubic feet capacity, **\$400-\$600/month**  
<http://www.ensignpacific.com> or <http://www.pinnacle-csl.com>

Used cargo vans for purchase:

- Kijiji: 2005 GMC W4500 Cube Van Diesel with Reefer- 16' x 7': **\$17 500**

- Autotrader.ca: 2011 Ford Econoline E250 EXTENDED. 3/4 TON CARGO VAN, **\$18,990**  
[www.refrigeratedtrucksandvans.com/viewall.php](http://www.refrigeratedtrucksandvans.com/viewall.php)  
[www.truckpaper.com/list/list.aspx?bccatid=27&catid=320](http://www.truckpaper.com/list/list.aspx?bccatid=27&catid=320)

#### 2.4.6 Education- consumer and producer

Public/consumer education in the first year of operations will consist of developing a *buy local* campaign (most likely in conjunction with partners EcoSociety and the Kootenay Country Store Co-op) and highlighting members and their products to the public. These initiatives will be continued in the second and third years, and will also include an event that highlights members. Partnerships are key in these initiatives, as coordinator time is limited, and there will not be funds allocated from the core budgets.

#### 2.4.7 Access to land- issues and solutions

Access to land by emerging farmers has been identified as a barrier to food production in the region, and the issue will most certainly be amplified with proposed changes to the Agricultural Land Reserve status of much of the region's farmland. Other groups, including the Young Agrarians, and the West Kootenay Permaculture Co-op Association, have identified this as a focus issue. The KBFPC will support efforts where appropriate, yet contemplated as a priority in the first three years, as others are working on it.

#### 2.4.8 Labour Pools, Mentoring and Internships

The co-op is planning to collaborate with Kootenay Career Develop Society and participating members to develop and maintain a trained labour pool, matching individual workers with farms. Other education and labour-related initiatives are also under discussion.

The co-op would coordinate with KCDS and the participating members to ensure appropriate matching of individual workers with farms. The cost implications would be coordinator time only, estimated at 2-3 hours per week for 8 weeks.

#### 2.4.9 Access for families in need

Many food hubs focus their efforts on providing affordable local food for families in need. Although this will not be the key function of this proposed co-op, the KBFPC will help to support families in need to access high quality, locally produced food through:

- encouraging the public and farmers to donate to food banks.
- working with locally established food banks and other social service organizations on shared projects
- helping food banks, through the established harvest rescue programme, to connect with farmers who would be willing to allow volunteers to glean from their fields after the initial harvest by the farmer



# 3. MARKET POTENTIAL

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The KBFPC steering committee has considered three distinct markets to gauge feasibility.

The first are the **end-consumers** of locally derived food products (discussed below under Market Trends); the second are the **potential farmer and processor members** (outlined by the survey results and census figures below); and the third are the **retail outlets** (polling results below) that sell their products. The co-op needs to be able to ascertain adequate demand for their services from these three distinct groups in order to build a viable enterprise.

## 3.1 Potential for Sales

Almost without exception, research for this study has answered the question, “*Is there an unmet market demand for local, fresh and sustainable food products?*” with a resounding “**YES**”.

The ability to *quantify* this response has been less straightforward, compounded by surveys and the official census conducted in subregions different from the one contemplated by the steering committee.

The **2011 Census for Agriculture** indicates that in the Kootenay Region:

**There are 1,273 farms in operation,  
with gross farm receipts of \$71,099,592**

(<http://www.agf.gov.bc.ca/stats/Census/2011AgriCensusBCHighlights.pdf>)

It should be noted that this region includes the entire Kootenay Boundary, Central Kootenay and East Kootenay regional districts, and is therefore significantly larger than the service area contemplated by this co-operative (see maps below).



**Kootenay Region**



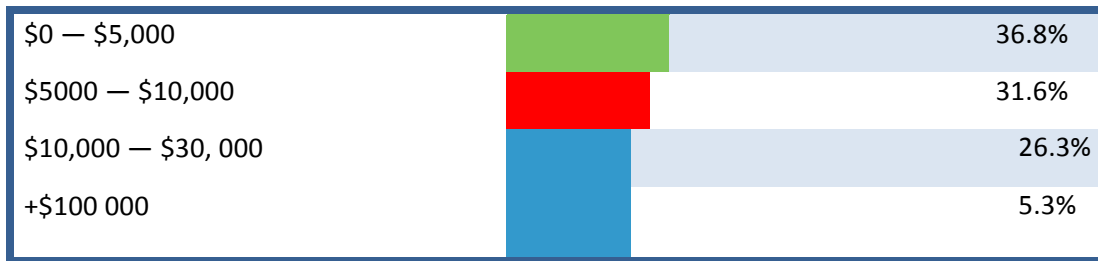
## KBFP Service & Member Area

In 2014, the West Kootenay Permaculture Co-op Association conducted an online survey of West Kootenay producers (farmers and secondary processors). One of its goals was to further understand demographics and sales attributes of these regional producers.

In summary, the findings revealed:

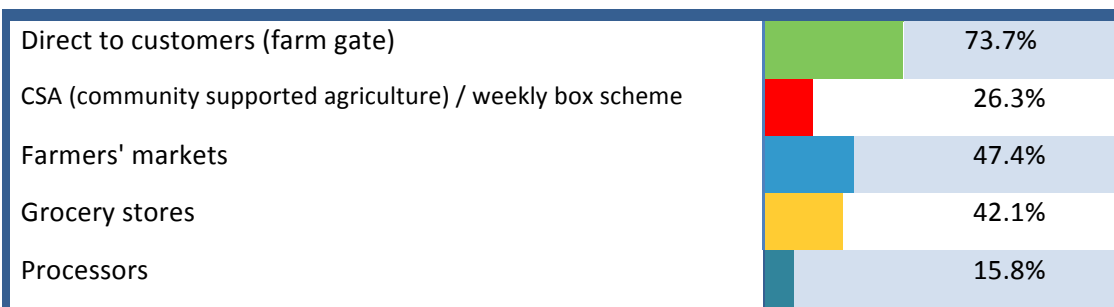
Production volumes of **producer (farmer)** respondents for 2013 were (20 respondents):

- (20 respondents):

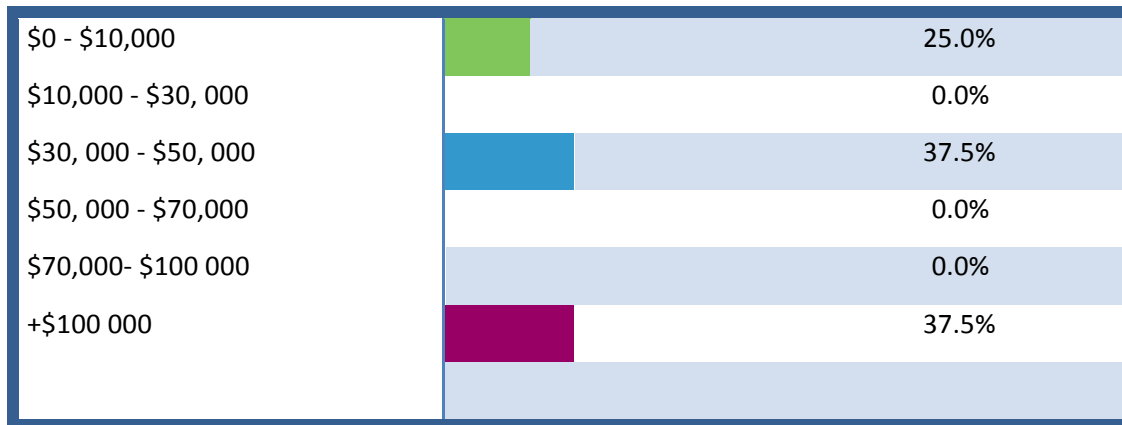


- 73% are definitely interested in increasing production; 18% might be interested
- 88% of respondents sell more than 75% of their products locally

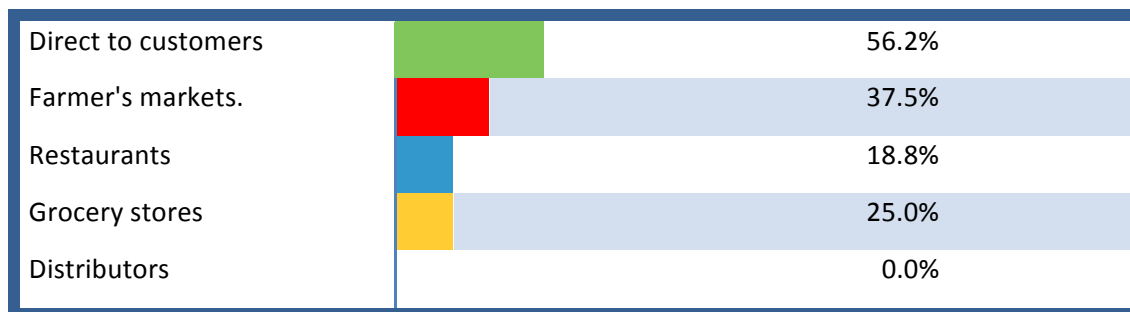
Respondents sell their products:



Production volumes of **processor** respondents for 2013 were (16 respondents):



Respondents sell their products:



As indicated, survey respondents were almost entirely small-scale producers, and therefore only contributed fractionally to the gross farm receipts of the 2011 census, but **it is from this group of producers that the proposed co-op will most likely build its membership base.**

### 3.1.1 Grocery Store Sales

After Individual sales through farmers' markets, CSA's and farm gates, the majority of producers sell their products through grocery stores in the region. The grocery stores selling the highest volume of local produce are:

- Kootenay Country Store Co-op, Nelson
- Save-On-Foods, Nelson & Nakusp
- Ferraro Foods, Trail & Rossland

Also surveyed, were other retailers of local food and food products

- Slocan Valley Co-op, Slocan Park

- Ellison's Market, Nelson
- Evergreen Natural Foods, Crescent Valley
- Cornucopia, Kaslo
- Salmo Foods, Salmo

Although difficult to get exact figures from any of these retail establishments, **all except one expressed an enthusiastic interest in accessing an increased and reliable supply of local produce and food products.**

To quantify this demand:

a. *The Kootenay Country Store Co-op* currently purchases \$400 000 of locally grown produce and \$325 000 of locally made value-added food products from regional producers. Because the store is poised for a major expansion, managers indicate that their 5-year goal is to double each of these numbers.

b. *Ferraro Foods* in Trail currently sells between 5 and 7 tons of regionally produced (includes the Okanagan) fruit and vegetables per week, and are only limited by their supply.

c. *Save-On Foods* in Nelson currently has 8 local suppliers of both fresh produce and frozen (berries). Their produce manager indicated that they are willing, and could easily, take all the produce that is produced locally – and triple that, if the supply were reliable and the quality consistent.

### 3.1.2 Restaurant, Institutions and Wholesale potential sales

The steering committee agrees that although these three options for increasing the market for local products are valuable, the demand demonstrated by grocery stores is large enough to focus the proposed co-op's efforts in the first three years of operation.

A few restaurants, including the Kingfisher Restaurant at Halcyon Hot Springs Resort, and the Kaslo Hotel, have been part of initial conversations, indicating a desire to increase their access to affordable and reliable supplies of high quality local produce.

## 3.2 Potential Competitors and Partners

### Kootenay Country Store Co-operative

The Kootenay Co-op is the primary local retailer of regionally produced food products. True to its co-operative principles, including *Concern for Community*, The Co-op is very pro-active in the development and incubation of local farming and processor businesses, and works to increase the capacity of local farmers. The Co-op is also, however, true to its Sixth Principle: *Co-operation among Co-operatives*, and steadfastly supports the development of KBFPC, from providing valuable perspectives, data and information on suppliers, to loaning their board room for KBFPC steering committee meetings. It is anticipated that the Kootenay Co-op will be a key partner and retail outlet for the KBFPC.

### West Kootenay Permaculture Co-op Association

This recently incorporated non-profit co-op has many similar aims to the KBFPC, and a track record of successful food-related events and promotional activities. The co-op is currently working on a comprehensive access point for all things food-related, at [kootenayfood.com](http://kootenayfood.com). Their Board is open to collaborations between the two groups, and shares the desire to not duplicate efforts. They have also provided a bursary to the KBFPC to conduct meetings with potential members in the fall of 2014.

### **Endless Harvest**

A sole-proprietorship, based in Ymir, 20 minutes from Nelson. Endless Harvest is an organic food delivery service, which works with local suppliers to encourage households to eat more organic food. Although also providing distribution services for farmers, Endless Harvest is seen as a future partner of the KBFPC, and discussions have focused around subleasing their truck, driver, cooler and sorting space in the first year of KBFPC operations.

### **Crag Holdings**

A distribution and storage company based out of Nelson that has the potential to deliver regional produce, possibly in partnership with the KBFPC. They own several reefer trucks and they are all generally full one way –to Nakusp, Meadow Creek and Creston twice per week, and Grand Forks once per week. It would work well for them to pickup on the return run. In conversations with the steering committee, the owner expressed interest to do pick ups from a central drop off point or a farm if the volume were large enough, and deliver to either a store or central storage point. They require the pick-ups to be on a pallet and wrapped, which poses challenges for partnership. The owner also explained that he couldn't serve small customers at a price they could afford and still make a profit. He is therefore not seen as a competitor or a partner.

## **3.3 KBFPC Competitive Advantage**

The proposed co-op will be a flow-through entity that will work on behalf of its producer- members to streamline distribution and sales to retail outlets throughout the region. Its secondary services will focus on increasing the capacity of local farmers and processors to scale up production, through business support and on farm education services, marketing and consumer education, and longer term goals of storage and value-added processing capabilities.

A number of small producers who live close to retail outlets may not find value in the KBFPC's initial distribution services, however, the competitive advantage can be explained more thoroughly:

**For Producers:** Access to business development services; access to distribution services; access to a larger, more secure market; decreased co-ordination time with retailers (the co-op organizes sales to multiple retailers); access to a vetted (and potentially trained) labour pool.

**For Retailers:** Opportunity to communicate with just one person about their local produce/ supplier deliveries; assurance of quality standards and reliable product supply.

## **3.4 Market Trends**

### **3.4.1 Local and Organic Products**

The market for locally sourced and organic produce and food products has been steadily increasing in this region, in British Columbia, and across Canada.

**According to the *Canadian Organic Trade Association's 2013 report:***

Canada's organic market grew to \$3.5 billion in 2012, with national sales of certified organic food and non-alcoholic beverages reaching \$3 billion. The value of the Canadian organic food market has tripled since 2006, far outpacing the growth rate of other agri-food sectors. A diverse consumer base is driving the sector, with 58% of all Canadians buying organic products every week. British Columbia continues to lead this trend with organic products enjoying nearly double the market share than that seen in the rest of the country.

- It should be noted, that the majority of these products are packaged foods including coffee and soy drinks, but eggs, grain and dairy also contribute to the top 10 list of most consumed organic products, for which the consumer trend continues to grow.
- It should also be noted that all organic food and food products are not locally

sourced, and that *organic* is an entirely different designation from *local*. The overlap, however, is significant when contemplating the membership of the KBFPC.

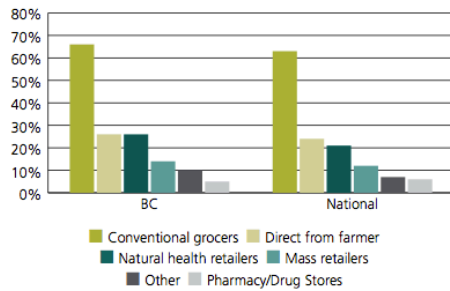
From the West Kootenay Permaculture Co-op's 2014 Survey:

- 94% of respondents farm organically
- 38% of those who farm organically are certified organic
  - 60% through KOGS
  - 20% through KLAS (KMG- Peer certified)

**The BC Organic Market Report 2013** features a number of research findings that identify and support trends by the BC consumer toward an increase in spending on organic products:

Canadians purchase organic groceries through a range of distribution channels, with many individuals seeking organic in more than one location. The locations where British Columbians buy organic groceries are similar to national averages. Purchases through mainstream grocers and mass retailers are slightly less frequent in BC, with slightly higher purchases through natural health retailers and other channels, including on-line and cooperatives.

Fig. 12:  
Where British Columbians purchase organic groceries compared to national averages



Source: Vision Critical, 2012

### CONSUMERS PREDICT MORE ORGANIC SPENDING

Across Canada, consumers expect to spend more on organic food next year. When asked about expected changes in spending on specific grocery categories, respondents indicated substantially more growth potential for organic whole foods than regular or functional foods and beverages. Ninety-eight percent of British Columbians expect to increase or maintain their spending on organic fruit and vegetables and organic dairy next year.

BC consumers again demonstrated a stronger commitment to organic: with more BC consumers expecting an increase in spending on organic groceries in all categories compared to Canadians overall. Twenty-nine percent of British Columbians expected to spend more on organic fruits and vegetables in the next year and 25% expected to spend more on organic/free-range meat or poultry; five percentage points more than the Canadian average in both categories. The expected increase in organic snack food purchases was higher in BC: 16% versus 9% nationally.








The organic food industry is experiencing constant growth. Agriculture and Agri-Food Canada commissioned a report in 2005 that states, “at the end of the 20<sup>th</sup> century, the organic market was estimated at about 1-2% of the total share of the retail food trade in Canada, and reportedly growing at a rate of about 15-20% per year.”

According to the Globe and Mail article, published October 14, 2011, organic sales in 2010 were estimated at \$2.6 billion in Canada up from \$1 billion in 2006. The article reports approximately 4000 certified organic farms and over 1200 processors and handlers. The growth of the industry can also be observed by the significant growth in land dedicated to organic production activities. Organic farms and pastures have increased from just over 500,000 hectares in 2006 to approximately 900,000 hectares in 2010.



Table 3

## Estimated Canada and BC organic grocery sales by distribution channel, 2012

Distribution Channel	NATIONAL		BRITISH COLUMBIA	
	National Sales (\$ Millions)	Market Share	BC Sales (\$ Millions)	Market Share
 Supermarkets, Mass Merchandisers and Drug Stores	\$919.7	45%	\$198.8	45%
Retail Channel Adjustment	\$430.6		\$98.4	
 Natural Health Stores & Online Retail/Delivery Services	\$864.7	29%	\$198.1	30%
 Farmer-Direct Sales: Farmers' Markets, CSAs, Farm-Stands	\$377.6	13%	\$64.0	10%
 Foodservice/Institutional	\$371.0	12%	\$100.0	15%
 Coops/Buying Clubs	\$15.0	0.5%	\$3.2	0.5%
<b>Total Organic Food Sales: \$2,978.6 M</b>			<b>BC Sales: \$662.5 M</b>	

From the report's executive summary:

*An amazing five-fold increase was observed in farmer- direct sales between 2006 and 2012, particularly through farmers' markets. What is most exciting about this trend is that growth in farmer-direct sales represents growth in sales that support the BC farm community, whereas sales growth in other channels is most often a mix of domestic and imported organic products.*

*Over half of Vancouver farmers' markets, and 40% of all BC farmers' market sales were attributed to certified organic vendors in 2012, worth \$45.5 million. COTA has calculated an additional \$800,000 of certified organic fruit, vegetables and other food products were sold through 20 Community Supported Agriculture (CSA) programs in 2012.*

And lastly, from the **Canadian Restaurant and Food Service Association Report -2013**

Of the top 5 stated trends in this report, 3 are relevant to this study:

**#1: Locally Produced And Locally Inspired Dishes:** The locavore movement and locally produced food was the CRFA's top trend item for the fourth year in a row.

**#3. Sustainability:** Raising and growing food that is healthy for consumers, animals, and does not harm the environment has been on the mainstream radar for a while now.

**#4. Farm-/Estate-Branded Ingredients:** Since chefs are starting to receive rock-star status, why not farms? Restaurants are increasingly using farm- and estate-branded ingredients and naming them on their menus, such as "Meadow Sweet Farms greens" or "Cumbrae's free-range chicken breast."

### 3.4.2 Related Agricultural Industry Trends

The general trend since the last census report in 2006, at both national and regional levels, is that the big farms got bigger and the smaller farms got smaller or disappeared all together.

Many small to medium sized farms find it challenging to remain economically viable. Small farm operators are generally moving into niche markets and value-added agriculture that have the potential to achieve higher returns. Organic producers, both certified and transitional, are on the increase.

The 2011 census information shows a moderate growth in farms producing non- traditional commodities. This is echoed in the small farm labour market report, which ***predicts an increase in labour demand for farms producing berries, vegetables, or tree and vine fruits.***

### 3.4.3 Purchasing Behaviours of Consumers

The purchasing behavior of the average Canadian consumer has also changed. ***Canadians are more concerned with where and how their food is produced.***

The 2006 Ipsos-Reid poll found that “56% of Canadians “always” or “usually” check to see where their fruit and vegetables come from when they are shopping, and 42% regularly buy local food.”

In 2007, Environics, on behalf of the Greenbelt Foundation, conducted another study in central Ontario. This study found that “88% of respondents say they read origin labels on the foods they buy, about 80% prefer to buy locally grown produce and more than 50% say they do buy local at least once a week.” Although this report was not based in British Columbia, it is safe to assume that the trends are similar if not even more pronounced in this part of the country.



# 4. OPERATIONAL CAPACITIES

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## 4.1 Facilities

- The co-op will require a small and centrally located pick-up/sorting/drop off location in its first year of operation. This facility will also need to house a cooler large enough to store produce overnight. The location will be determined partly by positioning of the pick up points for member products in the first year, and the facility size will reflect volumes shipped. Arrangements have been considered with Endless Harvest in Ymir, and Organic Matters, just outside of Nelson.
- It is estimated that 300 square feet will be adequate for the first year of operations.
- The coordinator will need to work primarily out of a home office for the first 3 years, and the co-op will contribute appropriate funds for office overhead.

## 4.2 Staffing/Management

A part time coordinator will be key to ensuring the viability of the co-op. Establishing close relationships with each of the producer-members, facilitating collaborations among them, and effectively communicating with contractors and retailers will be a critical role of the coordinator in the first years.

The steering committee proposes that coordinator hours will start at an average of 18 hours/week for 28 weeks in the first year, building to 20 hrs/week 40 weeks/year in the third year of operations.

The coordinator's primary functions in the first 3 years of operations include:

- Communicating with members, including convening or participating in annual growers meetings, to ensure product selection and supply meets demand
- Communicating with retail outlets, regarding delivery content and schedules
- Developing routes and drop-off/ pick-up points for delivery truck
- Liaising between truck driver and co-op members where necessary
- Bookkeeping, all financial management, and annual reporting requirements
- Coordinating promotional activities for the co-op, including the development and maintenance of a website
- Aiding in marketing initiatives for members
- Working with partners on educational activities
- Working with partners on developing and maintaining a labour pool
- Working with KBFPC Board to ensure appropriate access to information for use in good governance practices
- Ensuring all appropriate insurances, permits and regulations are in place and maintained.

The coordinator will be hired and supervised by the Board of Directors, or a subcommittee thereof.

The co-op may also use contract employment for driving and sorting, depending on the scenario pursued.

## 4.3 Timeline

After this study has been reviewed and analysed by the steering committee, it will be presented, along with any comments or revisions to the business concept, to potential members via a sell-sheet outlining member benefits, share purchase requirements, co-op structure, etc. in the Fall of 2014.

Meetings in each sub-region will be convened to begin member recruitment. Feedback will be generated on the proposed direction of the co-op, which will be gathered and implemented into a business plan to be developed by the early spring of 2015. The incorporation process will also take place during this time.

Financing options will be also be explored during this time. If there is enough member interest and commitment, the co-op will launch its operations in July 2015.

<b>Date</b>	<b>Activity</b>
October, November 2014	Meetings with potential members, recruitment
December 2014 - April 2015	Business Plan Development
January 2015 - April 2015	Incorporation process & document filing
March 2015 - June 2015	Financing secured
June 2015	Trial Operations
July 2015	Launch

#### **4.4 Risk mitigation**

Like any start-up business, the KBFPC will face many challenges and risks. The main focus needs to be on building a financially viable business with significant member commitment and buy-in from the community. This will require the usual business start-up building blocks, including a strong market, sufficient start-up capital, excellent communications, professional management, and a timely and accurate financial control system.

The biggest challenge and risk for the co-op in the first years is to work with producers to fulfill the retail outlets' needs for consistent product quantity and quality. This has to be done at a pricing level that is fair to the producers, covers the expenses for the KBFPC, and meets the market requirements for both retail outlets, and future customers including restaurants and institutions. The following contingency strategies can be used to mitigate these business risks:

1. **Build strong relationships with growers and processors.** Open, regular communication, clear expectations regarding growing and packing standards, food safety, invoicing and collecting promptly, being punctual for pick-up times, etc will go a long way in building trust with growers and a regular supply for the KBFPC. This will be particularly important for the first few years as the KBFPC becomes established.
2. **Make it attractive for producers even if unprofitable at first.** If it doesn't work for the members in Year 1 there will not be a Year 2. This means ensuring that producers get the price they need (which will include the retailers' share in distribution costs) even if it cuts into or eliminates gross margin, and ensuring the enterprise is well enough capitalized to cover initial losses.
3. **Build a committed customer base.** The KBFPC will need to focus on the larger retail outlets' needs first and make sure they are satisfied. Food distribution is a volume-based business, and higher volumes lead to more price stability. The Kootenay Country Store Co-operative, and its proposed expansion and longstanding commitment to local producers, is a good place to start.
4. **Build a wide network of growers and processors.** Having a core group of dedicated growers and processors who will actively participate in crop planning and sharing knowledge is essential. Having a wide network in each identified region will also mitigate supply risk as the business expands.

5. **Build collaborative relationships with other local food businesses and organizations.** The viability of the KBFPC will depend on the resilience of the growing community and the local markets. Building co-operation amongst various communities and food groups within the region will benefit everyone, including the KBFPC.
6. **Make it easy to do business with the KBFPC.** Both producers and retail outlets need to have their needs met effectively and efficiently by the KBFPC. Member and customer service training is essential for the coordinator and any KBFPC volunteers.
7. **Join efforts to build loyalty for local food products, and tell the local story to customers.** There is real value added in local produce and food products which should command a better price: local produce has a longer shelf life, better taste, is nutritional and many shoppers and diners know the difference and will pay for it.

## 5. FINANCIAL MODELS

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The following assumptions were used to create a financial model of the WKFPC's two proposed scenarios operating in steady state - the point at which the business has broken even and is operating at a self-sustainable level. Sensitivity analyses were run to model the effects on net income of volume, price, member numbers and deliveries per week to simulate performance during scale-up and potential supply or pricing shocks.

### **Truck Capacity and Volume of Produce to be Distributed**

Truck capacity imposes a constraint on potential volumes to be distributed, so growers, retailers and local distributors were polled to determine realistic scenarios for startup and scale up of operations. It was determined that a vehicle with a cargo capacity of 225/250 cubic feet will be sufficient for the first 2 years of operations.

### **Sorting & Cooling Facility Size**

Similarly, 100 cubic feet of cooler space, and a 200 cubic foot sorting facility will be adequate at launch.

### **Delivery Season**

Delivery revenue at startup is entirely dependent on current produce growing seasons, and producer demand for distribution during harvest months. Producers were polled to determine a realistic number of delivery weeks in the absence of regional season extension infrastructure. The financial models are based in the first year on a 20-week delivery season. A key short-term focus will be the development of a membership base that will extend the demand for year-round deliveries (i.e. secondary processors, livestock producers)

### **Method of packaging cargo**

High volume shipments would necessitate larger trucks, the use of pallets and wrapping, and a distinct pricing structure. Existing small-scale food delivery services were polled to gauge effective practices in boxing and pricing (See *Pricing*, below).

### **Refrigeration/ Cooling requirements**

In the first 2 years of operations, a non-refrigerated cargo space will be used, and cooler space will be adequate for 1-2 day storage, to allow for efficient delivery schedules. In the longer term, a refrigerated cargo truck will be considered, and the benefits of longer term cooler and freezer storage will be evaluated.

### **Staffing**

A part time coordinator position will be necessary from the pre-launch stage, starting at 10 hours per week and building up to 20 over the delivery season. The starting wage of \$18/hour will build to \$20/hour as the co-op grows.

A part time truck driver will be contracted for deliveries, based on a \$15 per hour/ 5-6 hour per route wage. This input will contribute to the cost of services and the gross margin, as the more deliveries there are per week, the more the driver will be paid.

In the potential partnership with Endless Harvest, EH staff will be subcontracted for driving and sorting, at fixed rates. The KBFPC coordinator hours/week will be dropped accordingly.

### **Pricing**

As discussed elsewhere, many options for pricing of services were researched. It was determined that using boxes instead of pallets would be the option considered in the first 3 years. Pricing scenarios are based between \$2.50 and \$3.00 per cubic foot, with a \$15 minimum delivery charge per member. Box volumes vary, depending on content (i.e. an all-purpose box is 14" x 10 13/16" x 6 3/4" and 0.6 cubic feet; a lettuce box (24"x15"x12") is 2.5 cubic feet; a broccoli box - 19.5"x11.5"x11" is 1.45 cubic feet.

### **COS (Cost of Service)**

The cost of service (the equivalent of Cost of Goods Sold, or COGS, in a product-based enterprise) variables include delivery route distances, fuel prices, delivery times and, over the longer term, fuel efficiency based on cargo capacity. For these scenarios, a 300 km delivery route was calculated to include 5 hours of driver time, in a truck that averages 6 km/litre, with fuel prices averaging \$1.40 per litre. The per-delivery charge averages out at \$145, and can be adjusted based upon these variables.

### **SCENARIO 1: USING WAREHOUSE AND COOLER SPACE IN EXISTING FACILITY**

The annual distribution revenue necessary for breakeven in Scenario 1, a partnership with a local organic food warehouse, is \$27 000—based on 3 deliveries per week with a truck at a 200 cubic foot capacity, charging members \$2.25 per cubic foot, and delivering 20 weeks per year. This scenario is built on a 20-member base, but could have any number higher than 20 (which would increase the annual dues revenue). In the group's proposed model, revenue is neither generated from the retail outlets, nor from marketing or education activities.

### **Breakeven Analysis – Scenario 1**

#### **OM Partnership**

<b>ITEM</b>	
Delivery Service Revenue- producers	\$27,000
Delivery Service Revenue- outlets	\$0
Marketing Service Revenue	\$0
Education Service Revenue	\$0
Annual Dues Revenue	\$2,000
<b>TOTAL</b>	<b>\$29,000</b>
Cost of Services (Delivery) 3x \$145x 20	\$8,700
Cost of Services (Marketing)	\$0
Cost of Services (Education)	\$0
Gross Margin	<b>\$20,300</b>
<b>EXPENSES</b>	
Wages	\$8,064
Truck Lease	\$2,500
Commercial Truck Insurance	\$1,200
Cargo Insurance	\$1,000
Business Insurance	\$500
Truck Maintenance	\$500
Communications	\$1,200
Promotions	\$1,200
Miscellaneous	\$700
Warehouse/Cooler Rental	\$2,400
<b>TOTAL</b>	<b>\$19,264</b>
<b>NET INCOME</b>	<b>\$36</b>

**SCENARIO 2:  
USING PRE-EXISTING FOOD DELIVERY BUSINESS INFRASTRUCTURE**

The annual distribution revenue necessary for breakeven in Scenario 2- a partnership with a local organic food delivery service is \$37 620—based on 3 deliveries per week with a truck at a 220 cubic foot capacity, charging the producer \$2.85 per cubic foot, and delivering 20 weeks per year. This scenario is built upon fixed delivery, sorting space and staff costs using the partner’s truck, driver, and sorting staff. An hour per week is carved off the coordinator’s wages to account for other sorting staff. As with Scenario 1, this scenario is built on a 20-member base, but could have any number higher than 20 (which would increase the annual dues revenue). Revenue is not projected from the retail outlets, nor gained from marketing or education benefits to members.

**Breakeven Analysis-Scenario 2**

**EH Partnership**

\* Included in set delivery/sorting fees with partner

<b>ITEM</b>	
Delivery Service Revenue- producers	\$37,620
Delivery Service Revenue- retailers	\$0
Marketing Service Revenue	\$0
Education Service Revenue	\$0
Annual Dues Revenue	\$2,000
<b>TOTAL</b>	<b>\$39,620</b>
Cost of Services (Delivery) 3x \$390x 20	\$23,400
Cost of Services (Marketing)	\$0
Cost of Services (Education)	\$0
Gross Margin	<b>\$16,220</b>
<b>EXPENSES</b>	
Wages	\$7,560
Truck Lease *	\$0
Commercial Truck Insurance *	\$0
Business Insurance	\$1,200
Truck Maintenance *	\$0
Communications	\$1,200
Promotions	\$1,000
Miscellaneous	\$1,200
EH sorting/admin *	\$2,000
Cooler rental*	\$2,000
<b>TOTAL</b>	<b>\$16,160</b>
<b>NET INCOME</b>	<b>\$60</b>

## START-UP BUDGETS FOR SCENARIOS 1 AND 2

<b>Start Up Budget</b>	<b>Scenario 1: use existing warehouse- build cooler, lease truck</b>	<b>Scenario 2: piggyback on existing delivery services</b>
Size of Space	100 square foot cooler 200 square foot sorting space	Access to existing cooler and smaller sorting space
Staffing	1 Coordinator 15-20 hrs/week Driver	1 Coordinator 15-20 hrs/week EH driver EH Sorting Staff
Truck Capacity	250 + cubic feet	225 cubic feet
<b>Starting Assets</b>		
Refrigeration unit	\$2,500	N/A
Building materials (framing/shelving/insulation)	\$3,000	N/A
Lighting, electrical	\$500	N/A
Sorting Tables	\$250	N/A
Chairs/Stools	\$150	N/A
Boxes	\$200	\$200
Miscellaneous	\$500	\$500
<b>Subtotal</b>	<b>\$7,100</b>	<b>\$700</b>
<b>Starting Expenses</b>		
Designing & Constructing Cooler	\$1,250	N/A
Business Planning	\$10,000	\$10,000
Incorporation, Legal	\$750	\$750
Phone & computer	\$1,000	\$1,000
Website & Promotions	\$2,500	\$2,500
Office Supplies	\$250	\$250
Warehouse, Cleaning supplies	\$250	\$250
Contract Development	\$250	\$250
Pre-Launch wages	\$1,500	\$1,500
Member development	\$5,000	\$5,000
Lease payments (facility, truck)	\$1,000	N/A
Insurance	\$500	\$500
License/ Permits	\$250	\$250
<b>Subtotal</b>	<b>\$24,500</b>	<b>\$22,250</b>
<b>TOTAL STARTUP COSTS</b>	<b>\$31,600</b>	<b>\$22,950</b>

# 6. RECOMMENDATIONS AND NEXT STEPS

## 6.1 Potential Pitfalls & Recommended Solutions

In addition to the risk mitigation approaches recommended in Section 4, potential pitfalls and their proposed solutions are hereafter considered:

<b>BOTH SCENARIOS</b>	
<b>Situation</b>	<b>Proposed Solution</b>
Difficulty in capitalising startup	<ul style="list-style-type: none"> <li>• Build commitment from members to include substantial financial investment to increase debt/equity ratio for potential lenders.</li> <li>• Ensure financing is adequate to cover shortfalls after launch</li> </ul>
Lack of member commitment	<ul style="list-style-type: none"> <li>• Ensure co-op launches with a strong team of committed and involved producer founding members</li> <li>• Develop clear member agreements</li> <li>• Ensure co-op delivers immediate and tangible member benefits from the very beginning</li> <li>• Develop clearly defined goals, objectives and services; a comprehensive sell-sheet and effective communication</li> <li>• Ensure ongoing training for members and coordinator and the creation of a co-operative culture</li> <li>•</li> </ul>
Heavily capitalised private business emerges to offer the same service and charge less	Develop strong relationships & loyalty with members and retailers, clearly communicate long term benefits
Supply Less Than Demand	The co-op may manage the supply-side by investing time in pre-season planning with local producers to ensure consistency in the type and quality of products that will be available. Also, it should be possible to plan for several producers to supply each type of crop or product so that, in cases where one has a bad season, others may supplement or help fill the demand.
Retail outlets step back from KBFPC due to quality control issues, lack of reliable & consistent supply	<ul style="list-style-type: none"> <li>• Put into place detailed quality control measures, including vegetable quality standards for shipping</li> <li>• Comply with all government health and safety regulations</li> <li>• Develop clear contracts with retailers, outlining mutual expectations</li> <li>• Ensure incremental increases in promised supply to allow for shortfalls</li> <li>• Develop strong relationships with retailers to accommodate unknowns</li> </ul>



Coordinator not managing business, communication or relationships effectively	<ul style="list-style-type: none"> <li>• Hire qualified coordinator with experience in complex systems, an understanding of food supply chains, excellent communication skills and an understanding of cooperative values.</li> <li>• Develop training plan with coordinator to address gaps in knowledge/ experience</li> <li>• Develop clear expectations and job description for coordinator, provide adequate supervision</li> <li>• Ensure board conducts 6-month evaluation</li> </ul>
Volume of goods shipped too low to pay for co-op expenses due to bad crop year, or members going out of business	<ul style="list-style-type: none"> <li>• Ensure revenue generating services are made available to a broad range of producers, including in the off-season</li> <li>• Explore options of providing distributions services to non members for a premium</li> </ul>
<b>SCENARIO 1: use existing warehouse- build cooler, lease truck</b>	•
<b>Situation</b>	<b>Proposed Solution</b>
Ownership/ status of warehouse changes; equipment failures	Build cooler room to be dismantled and moved; develop clear contracts & leases; build contingency and maintenance fund
Injuries from heavy lifting, etc.	Ensure staff and coordinator are trained in any equipment operation, and ensure co-op's WCB coverage
<b>SCENARIO 2: piggyback on existing delivery services</b>	
<b>Situation</b>	<b>Proposed Solution</b>
Dependence on delivery partner results in lack of control over: <ul style="list-style-type: none"> <li>• Truck &amp; facility availability</li> <li>• Equipment /Facility maintenance issues</li> <li>• Potential cost savings in delivery routes</li> </ul>	Develop clear agreements and contracts, including "what ifs", begin with time-limited trial period and evaluate
Disputes arise with partner staff/ business owner	Develop clear lines of communication and conflict resolution policies and procedures for use within co-op membership and with external partners

## 6.2 Other Recommendations to Note

### i. For- Profit vs. Non-Profit

The steering committee has contemplated both non-profit and for-profit structures for this co-op enterprise.

Key differences lie in the ability to attract investors, or issue investment shares (for-profits can, non-profits cannot); the disposal of assets upon dissolution (for-profits distribute them among members, non-profits must donate them to other non-profit associations); and the payment of patronage rebates to members (for-profits can decide to share surplus among members, non-profits cannot).

The more subtle differences lie in the ability to access funding designated for non-profit ventures, although as awareness of the mission-driven and values-based nature of *all* co-operatives rises among funders, this distinction is less and less of an issue.

Although it could be possible, albeit time-consuming and challenging, to defend the development of KBFPC as a non-profit enterprise, the provincial legislation that governs co-op incorporations requires that **members do not see a personal benefit from the operations of the co-op**. A co-op whose primary purpose is to see the members' products to sale necessarily translates its operations into benefit for the members, in a substantial way. The co-op would need a much wider membership to make the producer personal profit incidental or inconsequential in the eyes of the Province or the CRA.

Another notable distinction lies in the commitment, investment, motivation and rewards to the members – for-profit co-ops necessitate entrepreneurial approaches to revenue generation that allow the enterprise to grow in ways not considered by non-profits. In for-profit co-operatives, the motivation is to generate a surplus that can both be reinvested in continually improving services to members, increasing the co-op's impact in the communities it serves, and rebating a portion back to members. Non-profit co-ops seldom have this entrepreneurial stance. For-profit co-ops do not take the social service model of people doing something for others, but of people serving their own needs while at the same time benefitting others.

**For these reasons, it is recommended that the steering committee pursue the for-profit co-op model, as it affords the most flexibility and builds the highest level of member commitment, a key to long term success.**

**ii. Member Commitment**

Because the success and long term sustainability of any co-operative venture, and the enterprises' competitive advantage, relies heavily upon the commitment of members, it is recommended that the steering committee make as a top priority the generation of interest and the building of commitment by future farmer and secondary processor members, as soon as possible. Effective practices also indicate that member commitment rises in direct proportion to member financial investment. It is recommended that share value, therefore, be set at an amount that will "hurt a little" for the members.

**iii. Access to Start Up Capital**

The financial tables in **SECTION 5** above reveal two notable issues:

- a.** Scenario 1 will cost roughly \$9,000 more to get to the launch phase than Scenario 2.
- b.** Scenario 2 will need to generate \$10,000 more in revenue per year to break even.

Further cash flow analyses and pro forma profit and loss statements will need to be developed in the business planning process to detail these findings, however, it is clear that if Scenario 1 is pursued, the proposed KBFPC will need to access grants, low interest debt financing, member investment, or a combination thereof to cover startup costs and to assure adequate cash flow to get to a steady state of operations. If the co-op has this access to startup capital, then it would be recommended to pursue Scenario 1, as it would only take one year to cover the difference, and the need to maximise delivery revenue in the first year while the operations take shape.

**iv. Long Range Planning**

Because both scenarios rely heavily on existing businesses to generate revenue in the first years, the steering committee should continue to explore options to build resilience over the longer term.

**v. Piloting the Service**

It is recommended that the steering committee/ incorporated co-op pilot a month of delivery services before official launch to work out the bugs, get a clear grip on routes and associated costs, and to build a membership base by demonstrating to producers the direct benefits of the co-op's initial services.

**vi. Diversify Membership Base**

Because the co-op will incur costs year round, but will have no forecasted revenue in the non-delivery months, it is strongly recommended to build interest and commitment from potential members who can use the delivery services year-round. Secondary processors, and small-scale meat processors come to mind. It is noted that these members will most probably require refrigerated transport.

**vii. Consider Alternate Revenue Streams**

Because the proposed scenarios rely almost exclusively on delivery services to generate revenue in the first years, if this co-op is going to grow financially, and have an ever-increasing impact on producers and the local food system, it is important that the steering committee take an entrepreneurial approach to generate surplus from *all* activities in which the co-op engages.

Members can benefit from marketing and promotional activities that generate revenue for the co-operative. The co-op could offer presentations to schools or community groups for a fee; train staff at retail outlets, institutions and restaurants on the provenance of their shipments; coordinate public events on the importance of growing the local food system; farmer and producer training on food safety certification and myriad other farm-related topics; business consulting by members, etc.

In the proposed scenarios, the co-op provides a flow-through distribution service, in which food products are transported to retailers, who will pay for the transport through the pricing structure of the producer. It is recommended that the business plan contemplate options for charging the retail outlets directly for these services.

**viii. Launch in the Months of Delivery Service/ Overestimate Startup Capital Needed**

The cash flow projections in **Appendix E** stem from the assumption that launch will not happen until startup financing has been secured. This is optimistic, as there will most likely be a balance to be recovered from startup activity overruns for the first few months. The recommendation therefore is to ensure the co-op only begins to make post-launch expenditures when there is delivery revenue, not in the middle of the winter.

## **6.3 Next Steps**

**a. Secure Funding for Business Planning**

Further development of the business idea may be achieved by securing development funding from potential members, funders or in partnership with other agencies.

**b. Identify and Contract Support for Business Planning**

Business planning is best done by the people who will be running the business in collaboration with an arms-length consultant, so ensure that you have internal resources available for the time required to prepare an accurate business plan.

**c. Work with Local Producers – invite them to participate now**

To gain the support, buy-in and commitment of farmers and processors and show that the co-op will benefit them, establishing good relationships beginning now must be a priority. Strategies discussed and recommended include:

- Hosting community meetings with producers to present the feasibility study and concept, identify key questions and concerns, and identify concrete expressions of interest.
- Invite participation on the steering committee/founding board
- Seeking increased market intelligence to clearly illustrate unmet demand.
- Determine what specific risks members are willing to take.
- Identifying pre-season planning approaches to help to manage risk (e.g. growers' meetings)
- Providing clear cost/benefit analysis for producers
- Further elaborate on how the co-op may solve time-consuming problems for farmers

**d. Work Through Business Planning Process**

The process will:

- Clearly define the unique value proposition for each member and key stakeholder.
- Confirm whether Scenario 1 or 2 makes the most sense.
- Set out a full operational plan and structure.
- Include detailed financial projections and budgets as well as a financing plan.

- Include development of a good sales and marketing plan based on more detailed local market research.
- Ensure that the co-op's needs fit with the business models of its members.

**e. Begin the Incorporation Process**

The process will:

- Develop clear language around goals and objectives
- Contemplate board composition and representation
- Confirm share value and purchase requirement
- Establish co-op name
- List first directors
- Confirm membership requirements and responsibilities
- Establish a set of Rules for the Co-operative
- Make the co-op a legal entity

**f. Test the Model**

Use existing facilities and delivery infrastructure to market test in a very limited way with a select group of producers on a straightforward delivery route

**g. Allow time for more focused research prior to launch, including:**

- Completing surveys with questions identified by the West Kootenay Permaculture Association
- Determining what farmers and producers will need as they scale up production (i.e. hire staff, buy equipment, etc.)

**h. Proceed with Capital Plan and Start up**

If business planning and test marketing confirm that the enterprise is able to address the objectives of the members, proceed with the financing plan, systems preparation (including hiring and training a coordinator), and launch!

# 7. APPENDICES

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## APPENDIX A

### KBFP In-Person Survey & Results

#### **REGIONAL FOOD HUB** **Survey of Member Services Needs and Priorities**

Date:

Farm name and location:

Phone # and Contact person:

Are you a member of KOGS, KLAS, Kettle Valley Coop etc.?

How many acres/heads of livestock do you farm:

What do you grow?

Would you like to produce more?

The idea of the Regional Food Hub (essentially a producer's coop) is to help overcome barriers that prevent individual farms from being economically viable. Services that could be offered include:

#### 1. Farmer Advisory Services

Could include:

- advice and information about crops, soils, diseases and pest,
- advice and information on animal husbandry,
- Farm business planning assistance
- Assistance with Marketing plans
- Assistance identifying other production problems and potential solutions.
- application of scientific research and new knowledge to agricultural practices
- season extension
- sustainable production processes (natural and regenerative processes, such as nutrient cycling, nitrogen fixation, soil regeneration and natural enemies of pests into food production processes)

Would you be interested in any of the above? If so which ones? Which would be most important?

#### 2. Processing

Could include:

- sustainable production processes (around infrastructure, waste reduction and improving and preserving water quality)
- packaging
- food safety information

- facilities for value added processing (ie. canning, drying)

Would you be interested in any of the above? If so which ones? Which would be most important?

### 3. Distribution & Storage

Could include:

- warehouse(s) – drop off point(s) for producers, pickup point(s) for buyers
- transportation – assistance with distribution (what would that look like for you?)
- dry/cold storage (central or storage hubs in each area that wants one)
- grading
- packing
- labeling
- light processing (trimming, cutting, freezing)

Would you be interested in any of the above? If so which ones? Which would be most important?

Can you suggest other ways that the Food Hub could assist you with distribution and storage?

### 4. Marketing

**Who do you currently market to?**

**How do you advertise?**

Could include:

- help with effective marketing strategies
- coordination with wholesalers, distributors, retailers , & foodservice buyers providing single point of purchase
- information about local labels, organic certification
- consumer education on the benefits of local food

Would you be interested in any of the above? If so which ones? Which would be most important?

### 5. Mentorships and Internships

The Food Hub would organize mentorship and intern opportunities for Farmers. A similar program exists called Collaborative Regional Alliance for Farmer Training (C.R.A.F.T.).

Would this be of interest to you?

### 6. Other potential services

There are many other potential services that the Regional Food Hub could offer members.

Please indicate, in order of importance, if any of these services are important to you:

- a) Creation of a red meat abattoir
- b) Coordination of tables at Farmer's Markets
- c) Equipment rental/sharing
- d) Labor pool
- e) Other – please describe \_\_\_\_\_

If the Coop could only offer two services, which would be your top two priorities:

\_\_\_ Farmer Advisory Services

- Distribution
- Mentorships/Internships
- Storage facilities
- Marketing
- food processing
- Other - Please describe: \_\_\_\_\_

Are you supportive of the Regional Coop concept?

If yes, - can you envision yourself being a member?

Would you be prepared to pay for any of the services talked about?

Can we send you information about our project as it further develops?

Email:

Address:

## **Kootenay & Boundary Food Producers Co-op Summary of Survey results from January – June, 2014**

From January to June 2014, we surveyed 37 Farmers (Primary Producers) by phone and in person. Our intention was to discover what services were most wanted/needed by the potential membership of a regional producers co-op. Our ideas for categories came from research done previously by others over the last 2-3 years.

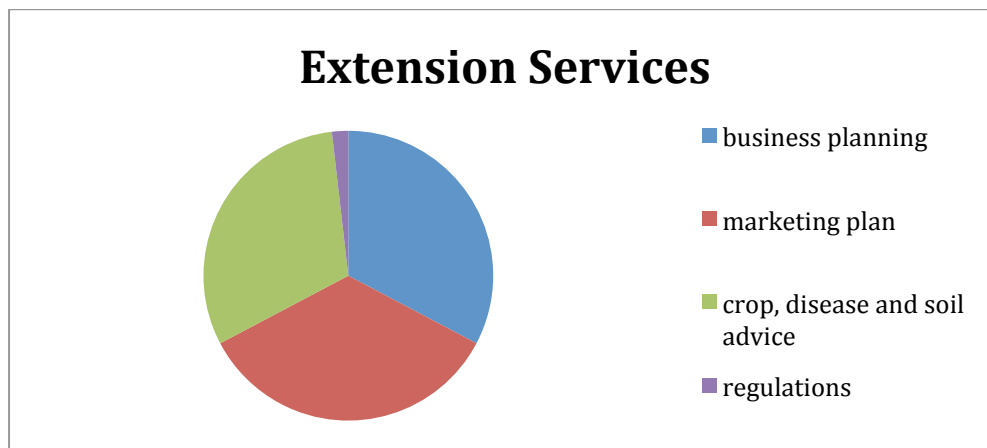
The number of surveys conducted per geographic area was:

4 Boundary area	4 Creston area
4 North Kootenay Lake	4 Slocan Valley
10 Nelson Area	9 Castlegar and Trail Area
2 Nakusp area	

In addition, we reviewed the results from the FarmFoodFork (FFF) surveys, particularly those in the Farmer (F) and Producer (P) categories, and have reported the results from relevant questions alongside ours where it was possible.

Our questions were in six main categories: extension services, processing, distribution, storage, marketing, and mentorship/internships, as well as “other”. There was some overlap between extension services and marketing. Within extension services one of the options was assistance with developing a marketing plan, whereas under marketing the idea was that the Co-op could provide marketing services. In doing the surveys, however, the distinction was often blurred.

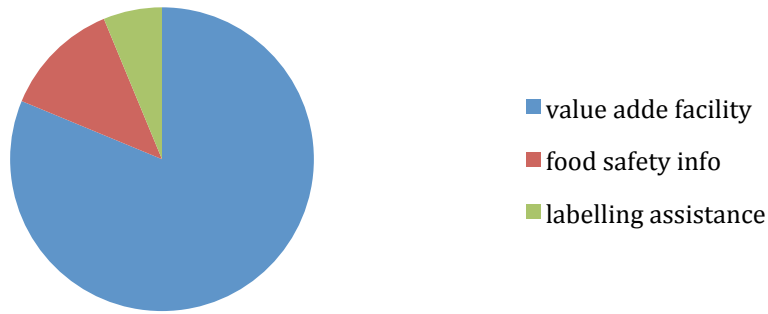
Under “Other” options included: Farmers Market coordination (one person each week collecting and selling the produce from 2-4 different farms on a rotational basis), Red Meat Abattoir, equipment pool, and labour pool. As expected other ideas came up during our conversations. As well, as we conducted the survey we realized that labour was a major concern, and so it was included in the conversation around mentorships and internships.



Under Extension Services we included business planning 18, assistance with developing a marketing plan 19, crop, disease, soil advice 17 and assistance with regulations 1. The FFF responses: 52%F and 41.7%P thought this was important.

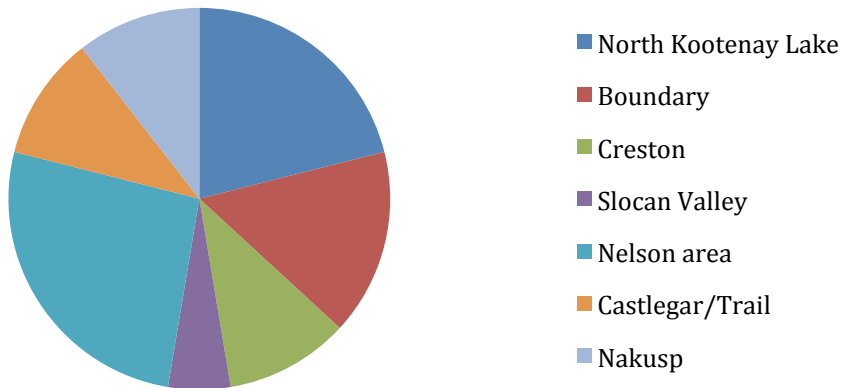


## Processing



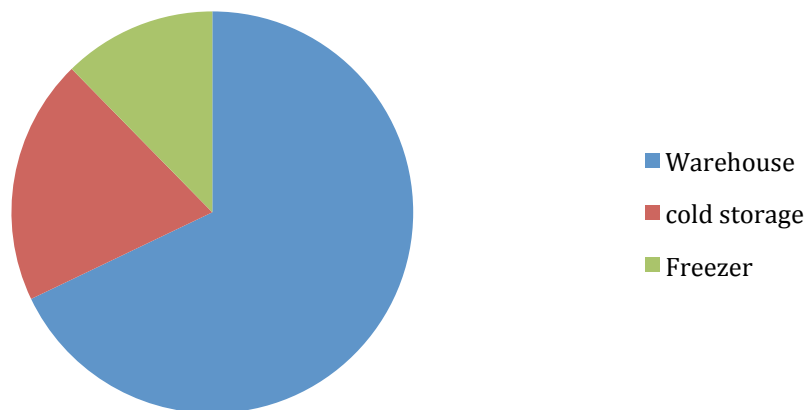
Under processing we asked about a value added processing facility 13, food safety 2 and labelling 1. FFF: 65%F 41.7%P thought this was important.

## Distribution Services



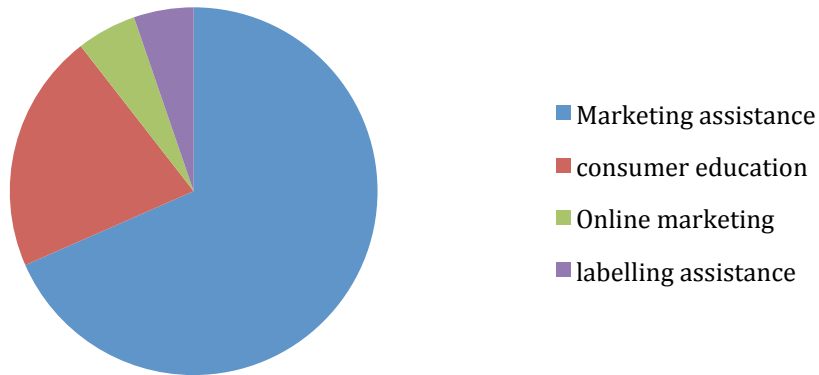
Distribution services 13 –primarily in North Kootenay Lake, Boundary, Creston and Nakusp areas; ie the further from the Nelson area, the more interest in Distribution. FFF: 69.6%(F)

## Storage



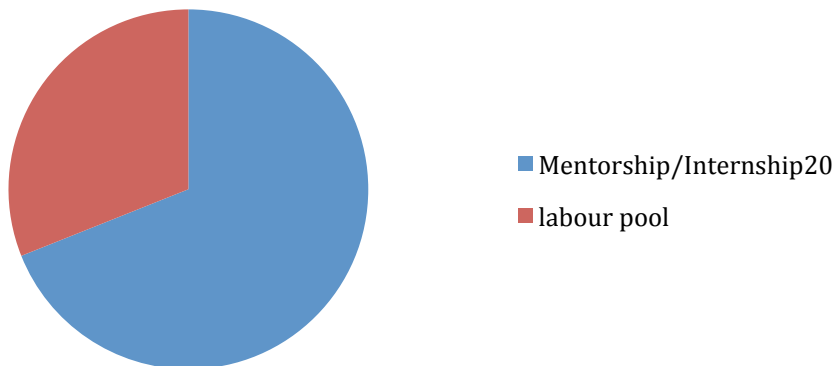
Storage: warehouse 11, cold storage 6 freezer 2 FFF 34.8%(F) Thought this was important

## Marketing Assistance



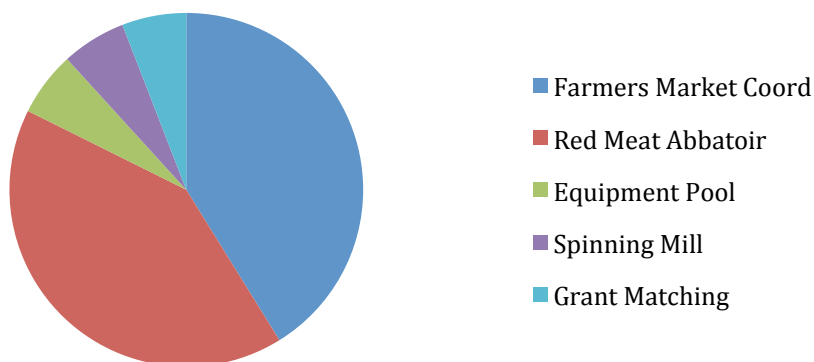
Marketing assistance 13, consumer education 4, online 1, labelling assistance 1, would want this in future 2. In the FFF responses 27.3% thought a Regional Marketing Board would be helpful (F).

## Labour



A whopping 78.4 % of respondents wanted to see some kind of Labour pool, or internship or mentorship program. 36% of FFF Farmer respondents thought this was important.

## Other



Other: Farmers Market coordination 7, Red Meat Abbatoir 7 (primarily in the areas closest to Nelson), equipment pool 1, spinning mill 1, grant matching 1. FFF (F) tool library 39.1, RMAbbatoir 34.8 fencing 60.9

## APPENDIX B

### SAMPLE MEETING NOTES

#### Southeastern BC Food Hub Co-op Visioning Meeting 2 October 29.2013 Nelson, BC

**Present:**

Laura Hannant- Creston. Farm School, College of the Rockies  
Nigel Francis- Creston. Farm School, Food Action Coalition, College of the Rockies  
Rosemary Hughes- Nakusp Development Board  
Kim Charlesworth- Nelson Food Cupboard, Organiser  
Zoë Creighton- Upper Columbia Co-op Council, recorder  
Jocelyn Carver- Marketing & Outreach, Kootenay Country Store Co-op  
Chris Orr – Deli Manager, Kootenay Country Store Co-op  
Joe Karthein- Operations Manager, Kootenay Country Store Co-op  
Sophie Depow ( ?)- Nelson Food Cupboard  
Letty Bartels – Transition Nelson  
Marvin Werk- KLAS, producer  
Audrey Werk- producer  
Kevin Harding- BC Co-op Association

**Regrets:** Aimee Watson, Jon Steinman, Corky Evans, Abra Brynne

Zoë Creighton opened the meeting, which was convened to welcome Kevin Harding from the BC Co-op Association to provide the group an overview of the BCCA Food Hub project, which supports the development of food hub co-ops across the province in an effort to secure local food systems.

Kevin Harding provided an overview of the project, and distributed materials, as well as invited participants to visit the project's website at [bccca.coop/foodhub](http://bccca.coop/foodhub), where applications for funding and project parameters are detailed. The key of this project is its support of producer-owned and producer-driven co-ops, in which formalized agreements and relationships are drawn up with distributors, educators, sector associations and others under a common goal. The BCCA has \$10 000 for development support per pilot community for this project. Kevin answered questions.

Kim brought the group up to speed on how she sees the group's cumulative work, studies and meetings to date proceeding through this project.

**Discussion points raised:**

- Distribution and aggregation of products is key
- Including entire region ( i.e. Boundary , Easy Kootenay) is essential, i.e. *Southeastern BC Regional Food System*
- What role do geographic boundaries play? The need for customized approaches/ language in different regions
- Cowichan group poised to sell directly to hospitals
- Group need to pick a priority and pursue it – producers are diverse, and priorities ( i.e. storage or abbatoire or processing, etc) are divergent.
- Is the goal to keep locally grown food local? Creston has a number of exporters
- How to start out? Focus on one subregion, or one producer sector?
- Who will the food hub co-op sell to? Will it sell directly to the consumers? Will it compete with current distributors? What will its relationship be with the KCSC?
- Are there models outside of BC of food hub co-ops with a track record/ high level of sophistication?
- Need to piggy back on existing initiatives, and not begin another one

Kim asked for volunteers who were interested in working with her on next steps, which would include crafting a Letter of Intent to BCCA, and strategizing around next steps. Letty Bartels came forward with a half-raised hand and a big smile.

## **Regional Producers' Co-op Steering Committee Meeting Monday March 17.2014 Summary Discussion Notes**

**In Attendance:** Kim, Valerie, Sylvia, Letty, Zoë

**Regrets:** Marvin

**Recorder:** Zoë

### **1. Updates**

The group discussed new developments and reported on recent events, including the Young Agrarian Mixer, KLAS AGM and discussions with the Farm Food Fork group.

- It was agreed that there needs to be further understanding developed around how the West Kootenay Permaculture Co-op Association and this proposed co-op can work together- the group decided to wait until after the April FFF event.

Those present introduced themselves and their connection to this co-op development project. It was agreed that it is important for group members to understand one another's motivations, goals and commitments in this process—this will be an ongoing conversation.

### **2. Minutes from last meeting**

The minutes and actions from the March 3 meeting were reviewed, and the annotated feasibility study template was referenced to ensure the group is on track. Many of the tasks delegated from last meeting are well on the way to completion.

### **3. Goal statement review**

It was agreed that the goal statement as circulated will be good for the time being. It was further agreed that the founding Board will want to further develop a vision and mission for the co-op when the time comes.

### **4. Roles/ Communications**

a. Zoë introduced the Google Drive area currently set up for all project document storage, and encouraged everyone to add their documents to the various folders. The folders can be reorganized so that they work best for the group.

- It was agreed that document naming, dating and version numbers need to be consistent for clarity when collaborating. Proposed convention: When revising a document, resave it with your initials in the title, but do not change the version number until the group has agreed to move to a newer version. e.g. Market Potential v1 will evolve to Market Potential v1\_LB\_edits, etc until it becomes Market Potential v2. Footers should also be used to include dates, updated with version numbers.

b. A brief discussion took place around what Steering Committee members need to learn to bring them up to speed with the project - Kim provided further background info, and invited everyone to tour the online project documents.

- The definition of “producer” was discussed, and the group agreed that currently they are using it mostly as “farmer”, but that the definition may well evolve over time to include secondary processors and others. This discussion is important as it will develop into who the members of the co-op are. \* *Zoë notes: these people are included in the goal statement, but will not participate in the survey at this time*

### **5. Review of Workplan and Proposed Timeline**

- Zoë drafted a separate timeline, to reflect sequenced tasks, and their duration (it will also be useful to separate project elements which she and Andrew will be involved in from other tasks). It is stored online in the “Project Management” folder, with the original project workplan. She asked for feedback on the timeframes, given the upcoming growing season, etc. The group looked at it briefly, and flagged a few things:
  - Market Research should take place *after* the surveys have been completed
  - Kim explained that she views incorporation as taking place after the business plan is complete.
  - The surveys may take longer than 5 weeks to conduct (see later note on same topic)
- Zoë agreed to revise the timeline accordingly.

## 6. Feasibility Study Progress

It was agreed that the committee has done great work since last meeting on the feasibility study elements. All these inputs are stored online, and Zoë will continue to work to bring them together into one document.

- Kim will send the additions to the SWOT analysis to Zoë
- There was a lively discussion on market potential, which resulted in postponing the gathering of these details until after the surveys are complete. Sylvia agreed to contribute to this part when the time comes.
- The question of who the members will be looms large. The feasibility study will largely be based around a producer-driven co-op—but this needs to be defined, and the relationship of other stakeholders to these primary members also needs to be defined.
- It was agreed that conducting the survey is most important now. The 200+ names on the list are too many to poll/ collate data for before the April 5/6 FFF event deadline, so it was agreed to get as diverse a sample as possible before then, and revisit other ways to expedite the process after then—Sylvia and Letty agreed to conduct some surveys as well.

## 7. Next Meeting

Next meeting set for **Monday, March 31. 2-4 PM, United Church.**

To discuss:

- How will the co-op make money? Funding sources, fee-for-service, etc
- Talking points for FFF event, and for SC members with the public

## Regional Producers’ Co-op Steering Committee Meeting Tuesday April 22.2014 Summary Discussion Notes

**In Attendance:** Kim, Sylvia, Marvin, Zoë, Letty, Dustin (left at 3:10), Ana (arrived at 3:10)

**Chair:** Zoe

**Minutes:** Sylvia

Meeting called to order at 2:00 PM

**Check-in:** Farm Food Fork bursary is about \$1200, some reporting required, no known restrictions.

### **Actions:**

Kim to contact Koot Co-op re. supplier list.

### **Notes:**

- Question was asked about regional boundaries since there is a lot of overlap and redundancies, we are creating a “super-region”...survey areas are just for data collection and changes reflected below.
  - Nelson/ Harrop Proctor to Junction

- Kootenay Lake/ Creston Valley/ East Shore
- North Kootenay Lake (Balfour and North)
- Slocan Valley
- Grand Forks/ Kettle Valley
- Arrow Lakes/ Nakusp
- Castlegar/Trail/Rosland/Glade
- It has been noted that micro-regions all have varying needs.
- Will use informal five-finger approach for getting general consensus within RPC SC.

#### **Survey Update:**

- About 30-ish surveys completed.
- For producers > 20 km from Nelson need is consistently “distribution”
- Labour has also come up.
- Marketing is also a frequently requested service.
- Distribution and storage seem to be very needed.
- Extension services not brought up a lot – question asked if people know what that means. Business plan and marketing plan was brought up.
- Plan is to conduct about 20 more surveys.
- Would be nice to include larger sized producers in survey.
- Seems to be that those who have done marketing well can sell everything they grow, perhaps marketing can be used to grow capacity for those producers who are not yet at capacity.
- Our scenarios need to be designed on doing everything because there are not needs that are consistent across the board.
- Fencing has come up as a need for emerging farmers.

#### **Slaughter facilities:**

- Chicken slaughter in Slocan Valley – as soon as it was operational (from year 1 to year 2) the volume of animals processed there doubled. Name is Passmore Pluckers. “Build it and they will come”
- Red Meat slaughter mobile unit in grand forks available. Also one at Legendary Meats has a docking station. They currently do cut and wrap.
- RPC would advocate and support efforts to establish a red meat slaughter facility in the central area.
- Currently class D and E licenses are in place, mobile abattoir would be class B.
- Abattoir will not be a primary focus for the RPC.

#### **Dustin visited Direct Organics Plus and provided us with what he learned:**

- Located in Cawston, private shared co-op one member, one vote.
- Started with 15 producers 20 years ago, built a custom building \$500,000 in 1998.
- One large cooler for apples and one general coolers for other fruit.
- Wash/grade/pack facility.
- Only handle certified organic produce – for organic & conventional need separation.
- Have Food Safe
- Certified organic through PACS
- Member of Tree Fruit Coop
- Some members do their own marketing and just use storage service.
- Also provide packing services.
- At break-even.
- Organic apple farmers had challenges with distribution – they addressed this gap. 20 years ago organic was “niche”.

- Do not have controlled atmosphere storage, take a portion of their stored goods and move it into CA storage.
- Their facility design does not cater to simplicity.
- “There is no market for seconds and thirds”.
- Every aspect of his farm (founding member who gave Dustin the tour) is supported by extension services. In this area, we don’t access this because we don’t know of them....we lost our extension agent years ago.
- Challenges – different producers were competing against each other.
- Coop has “Direct Organics” brand but
- Challenges – consistency and quality control
- Their goal is not to make money but to enable producers, they hover around break-even.
- They don’t do any distribution –infrastructure already in place.

Dustin left 3:10

Ana arrived at 3:10

#### **Online ordering system (Ana):**

- Can be modified to be more like eBay or Etsy, producers can manage their own site.
- Started because a friend (market gardener) needed a way to increase sales, intention was to start it as a co-op.
- An online market is seen as a “simple first step”.
- Ana is not focused on participating on the RPC Steering Committee but can plug in technical information when needed and can run it.
- New Denver/Winlaw – bounty share project (physical version of website) at farmer’s market, charge is 10% of price to encourage market gardeners to expand their production.

#### **BACKGROUND QUESTIONS:**

##### **Membership scenarios:**

- Coops and organizations may have their own class of memberships.
- Feasibility study will be based on 3 year operational plan with some overview on longer-term planning.
- Organic certification may be limiting for producers if a requirement of membership. People are moving away from organic certification. Only Koot Co-op requires “all” their produce to be organic. Would be nice to describe products as “free of...”.
- What about Creston – are the standards or ability to get org. certification different for diff. commodities?
- We don’t want members to be spraying wth chemicals and using pesticides – we want to support (but not require) organic practices.
- Secondary processors will be included in membership.
- Supporter and associate membership discussed – what would the requirements be, can they vote?
- We want this to be a producer-driven coop.
- It has been agreed that members will include producers, secondary processors and associate members. Associate membership will be further defined and voting rights to be determined but it has been discussed that there may be conflicting interests that distract or derail the focus of supporting producers.

##### **Actions:**



- We need to look at KMG and Kootenay Co-op's language around producer requirements. Kim to access Kootenay Co-op Buying Guidelines.
- Letty will draft a paragraph on member requirements on growing practices.
- Sylvia will do this for secondary processors as they will eventually (if not immediately) be members.
- Kim to draft description of membership categories.
- Kim and Sylvia to confer about contact info and mailchimp newsletter
- Ana will circulate some financials for setting up and managing the online marketplace over 1-3 years
- Kim will circulate some options for distribution, and their associated costs—i.e. truck borrowing/leasing/ purchasing
- Kim will bring the updated producers' list and spreadsheet to next meeting
- Zoe will draft some financial scenarios based on survey responses and discussions to date
- Marvin to contact WKPCA to begin conversation around collaborations/ distinctions

Sylvia left at 4:00

Next Meeting scheduled for **Monday, May 12, 3-5 PM**. Location to be confirmed.

Agenda items:

- Communications Strategy
- Approve definitions of member categories ( ie Farmer/ Producer/ Processor)
- Approve definition of requirements for growing practices
- Share purchase value for members

Items tabled from this meeting:

- Discussion of name of this co-op
- Market Study—how much do we want to know about the co-op's market?
- Feasibility Study gaps
- How will the co-op make money?

Meeting closed at 4:25

**Regional Producers' Co-op  
Steering Committee Meeting  
July 14.2014  
Discussion Notes**

**In Attendance:** Kim Charlesworth, Letty Bartels, Marvin Work, Zoë Creighton

**Regrets:** Sylvia Caldwell

**1. Developments since last meeting:**

**a. CBT meeting**

Kim reported on the meeting she and Sylvia had with Kelvin, CBT Community Liaison for this region. He explained that the co-op might not have the potential to access as much funding as if it were non-profit. A discussion ensued around why this group seeks to establish a for-profit co-op. She said the meeting was positive.

**b. Endless Harvest Meeting**

Kim outlined the findings from her meeting with Velvet at Endless Harvest:

- They have a cooler and sorting space
- Their delivery routes were discussed, as a potential option for the producers' co-op to merge into/ expand upon.

*Wed: Nelson/ northshore*

*Thursday: Ymir/Salmo/ Trail/ Eastshore*

*Friday: Northshore/ Proctor/ Blewett / Castlegar/ Slocan*

- They do not currently deliver to Kaslo or Creston
- The truck is not refrigerated ( it was acknowledged that this would exclude some members in the first year)
- All suppliers deliver to EH warehouse in Ymir

**ACTION: Kim will forward the EH figures to Zoë to plug into the feasibility study when she receives them.**

The group discussed options for collaboration with EH, which could include any of the below, in whole or in combination:

- Sub lease some of the cooler/sorting space
- Contract truck drivers/ sorters for additional labour
- Piggyback on existing routes, by backhauling to Ymir from specified dropoff points
- Extend routes to include Kaslo, and possibly Creston, if that's where the members who have an adequately high volume can aggregate their produce/ items for pickup (this ties in with Kim's conversation with Aimee, who spoke of 4-5 farmers interested in collaborating on distribution)
- Hire the truck and driver for the days not used by EH to do the co-op's own routes.

**ACTION: Kim will add to the map she brought dots indicating the location of the farmers surveyed who expressed interest in distribution. Sylvia could add to it with processors.**

#### **c. Save-On conversation**

Kim outlined highlights of her conversation with Save-On Manager and staff:

- They don't accept produce in re-used boxes; boxes must have supplier name on them for traceability/chain of custody
- They will happily sell KMG produce, but they will not sell it as organic at a premium price
- They are keen to sell more local produce if it meets quality standards.
- They are not terribly strict about minima for suppliers

#### **d. Evergreen Conversation**

Kim outlined highlights of her conversation:

- They have 6-10 local suppliers
- No figures available on dollar value or volume sold
- They said the quality and timing of availability of local produce has always been an issue

#### **e. WKPCA grant/ directives**

Kim shared the letter from the WKPCA regarding the \$400 grant from the Farm Food Fork event, outlining how they instructed that the funds be spent (on an online survey). It was agreed that the suggested questions are a valuable step in information-gathering, but not exactly representative of how this group is moving forward. The group discussed responses to the WKPCA letter, and the desire to have the two groups meet.

#### **f. Website**

Kim has registered the domain regionalproducerscoop.ca, and has a request into kics to host the site.

Letty asked to revisit the proposed co-op's name, and the group agreed that from now, we should use *Kootenay Boundary Food Producers' Co-op*.

**ACTION: Kim will circulate this name for comment.**

## **2. Feasibility Study Gaps:**

### **a. Market potential: More detail on retail outlet figures member volume potentials**

Save-On/ Overwaitea in Creston, GF, Nakusp and Nelson—same focus on local produce—customers want local; individuals can sell to them. Their buying guidelines are mostly focused on packaging, etc. No figures offered, feasibility study will need to use ballpark estimates

### **b. Agree upon 3 principle scenarios to build out financials years 1-3**

A discussion took place around the value of starting modestly, and building services, but ensuring that all potential members see value for them in the first year, and have access to the 5-year plan for growth.

Items discussed:

- Crag Holdings option on hold for now, as it involves pallets and wrapping
- Labour availability has surfaced as an issue which the co-op might address for members who might not access the distribution services in the first year. Internships and a labour pool were discussed, as was the co-op's potential role as an employer of labourers on behalf of its members.

**ACTION: Kim will convene meetings with Selkirk/ CF/ KCDS to pursue these options.**

**ACTION: Zoë will discuss with Sylvia how she sees processors integrating into the 3 year plan, with the knowledge that the research and involvement of this group is behind that of the farmers.**

- Kaslo group distribution:  
Aimee will pull together 4/5 farmers keen on shared distribution—and convene a meeting with this group—she will figure out volume/ what days they need distro/ where they will sell.
- It was agreed that the first year of operations will probably be the real occasion to nail down realities about volumes of members, etc.

**ACTION:** Letty will build on Marvin's list of potential retail (and restaurant? ) customers that could be the delivery points of member products. Ferraro Foods will be included.

**ACTION:** Letty will research start up funding options, after consulting with Kim.

**ACTION:** Zoë will roughly cost out delivery/ service prices for members, to include share investment over 3-5 years, to communicate value proposition to potential members.

Kim discussed the need to extend the deadline for the feasibility study from the end of July to the end of August, as she feels all of the loose ends are tying up rapidly. Zoë agreed, yet cautioned that the study will still probably have recommendations about "further research and analysis in X, Y,Z areas" .

### **c. Competitive Advantage—why will people become members? Why will retail outlets use the co-op's services?**

Zoë asked for those present to articulate the co-op's competitive advantage—why will producers join? Why will retailers use us?

**Producers:** Access to business development services; access to distribution services; increased market; access to a vetted (and potentially trained) labour pool.

**Retailers:** They can communicate with one person about their local produce/ supplier deliveries not 4-6-10; they can be assured of quality standards across the board.

Meeting ended at 4:25 PM.

Next Meeting scheduled for August 11 at 2:30 PM.

For potential discussion at August 11 meeting:

- a. Kootenay Food Communications Initiative
- b. Cowichan Group progress update
- c. Sylvia's manufacturing workplan
- d. Slow Money article
- e. Research projects – KBFPC involvement?
  - i. Rachel Roussin- Ag potential/ Climate Change Impacts
  - ii. Kelly Hodgins- BC Food Systems- Guelph

## APPENDIX C

### STEERING COMMITTEE MEMBERS

#### Kim Charlesworth

Kim served one term on Nelson City Council where she was a lead on developing the City's "Path to 2040 Sustainability Strategy" and the "Community Energy and Emissions Action Plan". These involved extensive community consultations and working with Consultants to create documents that would shape City Policy and Procedure.

Kim was actively involved for 6 years on the Board of Directors of the West Kootenay Eco Society facilitating many Food System projects: Running the Farmer's Markets, development of "MarketFest" (summer festivals held on 2-3 Friday nights during the summer), development of the Grain CSA, successful lobbying for the adoption of GMO free resolutions in several Kootenay Municipalities, and creation of a Local Resiliency Working Group that spun off to become Transition Nelson. She is currently the Coordinator for the Nelson Food Cupboard, an emergency food bank service.

#### Marvin Work

My wife and I live on a farm in Beasley where we operate Dutch Girl Peonies, Bear Spring Enterprises Ltd and Woodlot 1670. We have gardened in the Kootenays since 1970 and have farmed on and off since 1975 raising beef cattle, milk cows, pigs, layers and meat birds, as well as growing peonies and vegetables. We are members of KLAS and achieved full KMG certification last year with our vegetables, herbs and fruit, and peonies. From 2008 – 2012 we hosted a community garden on our farm with 15-20 gardeners participating each year, mostly Nelson residents. We have sold vegetable produce, flowers, and plants at farmers markets and to Nelson restaurants and food processors.

I am a retired dean from Selkirk College and spent 32 years in education at the elementary, secondary, and post-secondary levels. I retired in 2003 and have once again become more involved with farming. I have served on a number of boards over the years. My hobbies include carpentry, hiking, snowshoeing, and reading.

I am passionate about sustainable, organic farming and am keen to encourage farmers and gardeners to grow in an environmentally sustainable way. Because I believe that regional food security is important, I am happy to serve on the steering committee for the regional producers coop. I see this coop as an important way to encourage more people to farm, farmers to grow more, and consumers to buy more local and regional food. I believe that it can be an important economic stimulus for our region. I am happy to volunteer my time and energy for this endeavor.

#### Sylvia Caldwell, M.Sc.

I have always been described as a "good eater", which, when I was younger, meant I was always hungry and not too picky. Following your stomach often leads to interesting places, and my aptitude in the sciences took me to the University of Guelph where I fell in love with food science and product development. I built my experiences in the food industry around food processing, and eventually my desire for change and fresh air brought me to the Kootenay Mountains where I currently reside. My partner and I are in the process of developing our woodlot in Krestova for cultivation of medicinal and culinary herbs. As a member of the Naturally Grown Herb and Spice Producers Cooperative (HerbPro), I receive the benefit of specific cultivation information, but HerbPro does not meet all of our needs. We have identified our greatest challenges to be access to on-farm infrastructure – fencing, processing space, water supply, and specialized equipment. It is my hope that the Regional Producers Coop (RPC) can help me address some of these barriers. What I can contribute in return is business support for food processors, and developing collective value-added processing opportunities to generate revenue for the RPC. I am hopeful for the future of agriculture in our Region and believe we have the potential to drive and redefine our economy.

#### Letty Bartels

I moved to the area in 1972 and have lived on the same 9 acre property in Taghum, overlooking the Kootenay River, ever since. For the past 42 years, I have largely sustained myself and my family in organic vegetables, fruit, and at times, milk, eggs and meat. At various times, I have also sold some of the surplus.

Since moving to the Kootenays, I have raised five children, started three businesses, and helped found the Nelson Waldorf School, which I later worked at for six years as the Development Officer/Administrator. For three years, I ran the Farmers Market at Cottonwood Creek as a fundraiser for the then fledgling Waldorf initiative. Currently, I am on the board of Transition Nelson. I also own and work at Otter Books in Nelson.

I am an avid gardener, and equally avid eater, firmly committed to organic principals. I see the mixed family farm as the ideal, and believe that a producer's co-op is the logical next step in enhancing local food security and also supporting sustainable prosperity for our growers.

## **APPENDIX D**

### **MEMBER DEFINITIONS, ELIGIBILITY REQUIREMENTS AND PRODUCTION GUIDELINES**

#### **KBFPFC Member Definitions, Eligibility Requirements and Production Guidelines**

Full Membership, with accompanying privileges and responsibilities, will be held by producers according to the following definitions and eligibility requirements.

Associate Membership may be held by other groups and individuals, according to the rules of the co-operative.

Formal membership agreements will be drafted between the co-op and its regular and associate members.

#### **DEFINITIONS**

**PRODUCERS:** Growers and Processors

**GROWERS:** Residents of the Kootenay and Boundary regions of Southeastern British Columbia who cultivate land or raise animals to produce food to sell.

**PROCESSORS:** Residents of the Kootenay and Boundary regions of Southeastern British Columbia who transform raw ingredients into food, or food into other forms.

#### **ELIGIBILITY REQUIREMENTS**

##### **TO BE ELIGIBLE FOR MEMBERSHIP, GROWERS AND PROCESSORS MUST:**

1. Sell products that align with co-op's vision, mission, purpose and objectives
2. Commit to proposed growing practices and processing guidelines outlined by the co-operative
3. Be proficient in their own business.
4. Value honesty, integrity, clarity, collaboration, accountability and diligence.
5. Be willing to grow their business and committed to continuous improvement.
6. Be willing and able to:
  - a. be a member of the co-op, and fulfill responsibilities of membership
  - b. devote time and energy to professional development
  - c. participate in co-marketing initiatives , such as the use of a co-operative brand
  - d. share information and resources, such as annual volumes, group purchasing, distribution, business development support, marketing and brokerage

#### **PROPOSED GROWING PRACTICES- GROWER MEMBERS**

1. Members are encouraged to follow organic growing practices, either with fully certified organic products with the KOGS Certified Organic label, or the Kootenay Mountain Grown designation.
2. Members who raise livestock for milk, eggs or meat must follow Organic Livestock Practices.
3. Members who do not have certification will be expected:
  - a. to not use chemical pesticides, herbicides or poisonous sprays.
  - b. to be able to demonstrate that steps are being taken to maintain soil tilthe and microbial health (ie through the use of composts, green manures, etc.) if any chemical fertilizers are used
  - c. to submit in writing details of their growing practices, and be willing to be visited by a designated party to verify them.

#### **PROPOSED PROCESSING GUIDELINES - PROCESSOR MEMBERS**

1. Members are encouraged to source their raw products from local growers and co-op members, when possible.
2. Members are encouraged to use discretion in the use of additives & preservatives
3. Members are encouraged to use ecologically responsible packaging whenever cost-effective and possible
4. Members are encouraged to use raw materials that are free from GMO contamination
5. Members are encouraged to be aware of the environmental and social impacts of their product creation
6. Members must have appropriate food safety systems in place
7. Members must comply with all regional, provincial and federal regulations

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**Appendix E-** Financial Projections