

**AGRICULTURAL ADVISORY COMMITTEE
AGENDA**

*May 17, 2018, 7:00 pm
Blaney Room, Maple Ridge City Hall*

-
1. **CALL TO ORDER**
 2. **APPROVAL OF THE AGENDA**
 3. **ADOPTION OF MINUTES** – April 5, 2018
 4. **DELEGATIONS**
 - 4.1. **Young Agrarians**
 - Sara Dent, Young Agrarians BC Program Manager
 - 4.2. **Food Hub Implementation Plan Update**
 - Ione Smith, Upland Agriculture Consulting
 5. **QUESTION PERIOD**
 6. **NEW AND UNFINISHED BUSINESS**
 - 6.1. Langley Sustainable Agriculture Foundation Invitation
 - 6.2. Farm Tour 2018
 - 6.3. Conference and Workshop Updates
 - 6.3.1. Metro Vancouver AAC Update
 - 6.3.2. Ministry of Agriculture AAC Workshop
 - 6.4. City of Maple Ridge Farm Protection Development Permit Guidelines Discussion
 7. **SUBCOMMITTEE REPORTS**
 - 7.1. Backyard Chicken
 - 7.2. Education
 - 7.3. Food Garden
 - 7.4. Golden Harvest
 - 7.5. Terms of Reference
 8. **CORRESPONDENCE**
 9. **ROUNDTABLE**
 10. **ADJOURNMENT**

Next Meeting: June 28, 2018

Agenda Submission Deadline: June 14, 2018

QUESTION PERIOD

Question Period provides the public with the opportunity to ask questions or make comments on subjects that are of concern to them. Each person will be given 2 minutes to speak. Up to ten minutes in total is allotted for Question Period.

City of Maple Ridge
AGRICULTURAL ADVISORY COMMITTEE
REGULAR MEETING

The Minutes of the Regular Meeting of the Agricultural Advisory Committee, held in the Blaney Room, at Maple Ridge Municipal Hall on April 5, 2018 at 7:09 pm.

COMMITTEE MEMBERS PRESENT

Councillor Craig Speirs	City of Maple Ridge
Margaret Daskis, Chair	Member at Large
Stephanie James, Vice-Chair	Agricultural Sector
Al Kozak	Agricultural Sector
Bill Hardy	Member at Large
Candace Gordon	Haney Farmers Market Society
Chris Zabek	Regional Agrologist, Ministry of Agriculture
David Kaplan	Member at Large
Ian Brooks	Member at Large
Ryan Murphy	Agricultural Sector

STAFF MEMBERS PRESENT

Amanda Grochowich	Staff Liaison, Planning Department
Amanda Allen	Committee Clerk

REGRETS

Josef Hans Lara	Economic Development Committee Representative
Kamelli Mark	Agricultural Land Commission
Lorraine Bates	Agricultural Fair Board

1. ***CALL TO ORDER***

2. ***APPROVAL OF THE AGENDA***

R/2018-012

It was moved and seconded

That the April 5, 2018 Agricultural Advisory Committee agenda be approved as circulated.

CARRIED

3. ***ADOPTION OF THE MINUTES***

R/2018-013

It was moved and seconded

That the minutes of the Maple Ridge Agricultural Advisory Committee meeting dated March 1, 2018 be adopted.

CARRIED

4. **DELEGATIONS**

4.1. **Country Fest Grant Request**

- Gail Szostek

Ms. Szostek presented a request for funding from the Maple Ridge Pitt Meadows Agricultural Association. The Backyard Farming program is a small venue at the Maple Ridge Pitt Meadows Country Fest that runs July 28-29, 2018. The Backyard Farming program promotes local agriculture and how to grow food in a backyard.

R/2018-014

It was moved and seconded

That the grant request from the Maple Ridge Pitt Meadows Agricultural Association in the amount of \$1,200 for the 2018 Backyard Farming program be approved.

CARRIED

4.2. **City of Maple Ridge Farm Protection Development Permit Guidelines**

- Lisa Zosiak, Planner 2, City of Maple Ridge

The Planner 2 gave a presentation on the Farm Protection Development Permit guidelines and outlined several key changes in the revised guidelines. The Planner 2 reported that the Ministry of Agriculture and the Agricultural Land Commission have reviewed and provided feedback on the draft guidelines. There was discussion on the farm protection development permit guidelines, restrictive covenants and roadside signage and the Planner 2 answered questions from the committee.

Note: Councillor Speirs joined the meeting at 7:46 pm.
David Kaplan left the meeting at 7:49 pm.

4.3. **City of Maple Ridge Agricultural Setback Update**

- Chee Chan, Planner 1, City of Maple Ridge

The Planner 1 gave an update on the proposed bylaw revisions to the interior side yard setbacks for buildings and structures for agricultural use in residential zones where agricultural use is permitted. The Planner 1 proposed a revision that would permit a less restrictive setback for small scale livestock and poultry operations. There was discussion on what an appropriate size and scale of a small scale livestock and poultry operation could be.

R/2018-015

It was moved and seconded

That the Agricultural Advisory Committee support the modification to the proposed setbacks to allow for buildings and structures up to 100 square metres for small scale livestock and poultry operations be 7.5 metres.

CARRIED

5. **NEW AND UNFINISHED BUSINESS**

5.1. **Farm Tour 2018**

Discussion was held on organizing a Farm Tour in July 2018 and inviting members of the Agricultural Advisory Committee, Maple Ridge Council and Pitt Meadows Council to participate. Bill Hardy will work with the Education subcommittee to plan the event, identify possible tour sites and will bring forward a tour itinerary at a future meeting.

5.2. **AAC Terms of Reference**

Bill Hardy recommended a group discussion to review the current Agricultural Advisory Committee Terms of Reference against the Ministry of Agriculture model terms of reference. Subcommittee meeting is scheduled for May 3, 2018 at 4:00pm in the Blaney Room.

R/2018-016

It was moved and seconded

That a subcommittee be formed consisting of Councillor Speirs, Bill Hardy, Margaret Daskis, Al Kozak, Ryan Murphy, Ian Brooks, and Stephanie James to review the Terms of Reference for the Maple Ridge Agricultural Advisory Committee.

CARRIED

5.3. **Conference and Workshop Updates**

5.3.1. **Innovations in Emerging Cities Forum**

The Council liaison provided a report on the Forum, the event speakers, and the topics discussed at the Forum.

5.3.2. **World Agri-Tech Conference**

The Chair reported on the World Agri-Tech Conference, an internationally attended event. The Chair shared information on vertical farming and new and upcoming technologies helping farmers gather data to grow more efficiently.

5.3.3. **Future Food Tech Conference**

The Chair shared information gathered from the Future Food Tech Conference and the new opportunities, processes and collaboration happening internationally.

5.3.4. **Green Cities Conference**

Bill Hardy circulated the Green Cities Country Report and shared highlights and world trends from the report and conference.

5.3.5. **Ministry of Agriculture AAC Workshop**

Chris Zabek reported that the Workshop notes should be available for distribution shortly.

6. **SUBCOMMITTEE REPORTS**

6.1. **Education**

Chris Zabek noted the possibility of inviting Clayton Botkin to participate at a future educational event on the health of small scale poultry flocks.

Note: Item 6.4 was dealt with following item 6.1

6.2. **Backyard Chickens**

6.2.1. **Public Consultation**

Stephanie James provided an update on the direction of the proposed backyard chicken expansion program and described the proposed backyard chicken public consultation program anticipated for Summer 2018. Ms. James indicated that discussions are on-going on the educational components of the program as well as the recommended biosecurity and animal welfare practices.

R/2018-017

It was moved and seconded

That the Agricultural Advisory Committee support the proposed public consultation program for backyard chickens.

CARRIED

6.3. **Golden Harvest**

6.3.1. **Budget, Date and Venue**

Discussion was held on holding the Golden Harvest event on October 12, 2018 at the ACT Arts Centre

R/2018-018

It was moved and seconded

That the Agricultural Advisory Committee approve a total budget for Golden Harvest 2018 to be a maximum of \$10,500, and that the event be held at the ACT on October 12, 2018.

CARRIED

6.3.2. **Hiring Coordinator**

The Staff liaison advised that the coordinator from Golden Harvest 2017 is unavailable for Golden Harvest 2018. Discussion was held on hiring a coordinator for the event.

R/2018-019

It was moved and seconded

That the Agricultural Advisory Committee approve a maximum budget of \$3000.00 for an event coordinator for Golden Harvest 2018 and that the staff liaison hire the event coordinator.

CARRIED

6.4. **Food Distribution**

The draft Final Report has been received from the Consultant and has been distributed to the Subcommittee for review.

6.5. **Food Garden**

Stephanie James reported that the entry forms are ready and that the Food Garden posters will be delivered among the community shortly. The Staff liaison will electronically circulate the Food Garden entry form to members and offered to print copies for any member who request hardcopies.

7. ***CORRESPONDENCE***

8. ***ROUNDTABLE***

Ryan Murphy reported on getting ready for the season and on-going drainage work on the farms.

Bill Hardy shared highlights of his interviews with Australian staff in the garden and food industries while in Melbourne for the Green Cities Conference.

Al Kozak shared positive news of his farm succession planning process through listing his farm with the Young Agrarians and interviewing people interested in co-farming.

Chris Zabek reported that Health Canada will soon require antibiotics for veterinary use to be available by prescription only.

Councillor Speirs shared his adventures of building an experimental cottonwood garden bed.

Stephanie James reported that the minutes from the AAC meetings will be posted shortly to the website as members of the community are looking to follow AAC developments.

Amanda Grochowich advised of the new email address created for agricultural enquiries and projects and encouraged members to share agriculture@mapleridge.ca with the community.

9. ***QUESTION PERIOD***

Andrew Poznar commented on the restrictive covenant component of the Farm Protection Development Permit guidelines. Mr. Poznar shared feedback on the proposed reduced setbacks for smaller buildings and structures for agricultural use in residential zones where agricultural use is permitted.

10. ***ADJOURNMENT*** – 9:31 pm

M. Daskis, Chair

/aa

Maple Ridge Food Hub Implementation Plan



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Acknowledgements

This report was developed by Upland Agricultural Consulting in partnership with Farm|Food|Drink and AEL Agroecological Consulting. Additional research assistance was provided by K. Bonner.

Invaluable input was provided by City of Maple Ridge staff and the City's Agricultural Advisory Committee's Food Hub Subcommittee.

A number of stakeholders and experts were consulted throughout the course of this project, and we sincerely thank them for the time and resources that they were able to contribute. A complete listing of stakeholders is listed in Appendix I.

Cover photo credit: [Roaring Fork Lifestyle](#)

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Acronyms

ALC	Agricultural Land Commission
ALR	Agricultural Land Reserve
CEED Centre	Community Education on Environment and Development Centre
DSCR	Debt Service Coverage Ratio
FTE	Full Time Equivalent
HFMS	Haney Farmers Market Society
LFM	Local Food Marketplace
MRFH	Maple Ridge Food Hub

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Executive Summary

The *Maple Ridge Food Hub Implementation Plan* (the ‘Plan’) provides recommendations regarding a five-year pilot program for hub operations and presents an associated set of financial projections. The Plan supports the *Maple Ridge Agricultural Plan* by exploring the feasibility of a shared agricultural infrastructure strategy. The Plan builds upon the Maple Ridge Food Hub *Situational Analysis* and *Market Identification Report* to include a robust and scalable strategy for the food hub framework. The primary goal of the Plan is to assist local farmers in saving time and money by selling their products collectively. Resources, including staff and equipment, would be shared to minimize overhead and operational costs.

The Maple Ridge Food Hub (MRFH) will be based on a broker fee model, whereby farmer members each set their own prices for their products and the hub then retains a 25% fee for the services provided. These services, overseen by a hub manager, include product aggregation, order coordination, delivery, and promotion. The financial projections have been built with growth in mind over a five year pilot program period.

The first two years represent the launch of the pilot program and therefore only a handful of suppliers (farmer members) are expected to join during this initial period. Approximately 60 weekly orders averaging \$35 per week, over a nine month period, are targeted during the first year. An infusion of \$50,000 of external funds will be required to get the hub up and running and an additional infusion of \$15,000 of capital will be required during Year 2. These funds can be brought in as loans, grants, or a combination thereof.

Once the initial proof of concept is demonstrated more members are likely to participate in the hub. By Year 3 the hub is expected to be solvent, with steady growth in membership, customers, and brokerage fees. By the final year of the pilot project (Year 5) the hub is expected to be fully self-sustaining with three staff members, 35 farmer members, and a dedicated delivery truck. However, the financial projections indicate that a bricks & mortar facility will not be affordable during the initial five year pilot project. Rather, the financial model allows for compensation for a farmer member who will provide space and cold storage for the other suppliers to use as a centralized aggregation point.

This report provides a detailed explanation of the assumptions and recommendations that are demonstrated in the financial projections, which has been developed in a conservative manner. The financial plan includes a cash flow projection and risk and sensitivity analysis. Table (i) on the following page summarizes the main features of the proposed plan over the MRFH’s five year pilot program.

Table (i). Summary of key features of the Maple Ridge Food Hub Implementation Plan over a five year pilot project period.

Stage of Growth	Governance Type	Target Farm Members	Target Weekly Customers ¹	Coordination of Orders	Staffing	Aggregation Point	Distribution Methods	Infrastructure	Partnership Roles
Up and running Years 1-2	Non-profit co-operative	5 to 15	50 to 215	Email listserv Online software platform In-person	Hub manager	Farm with cold storage	Customers will pick up most orders	Cold storage	Assistance with promotion Order pick-up locations
Steady growth Years 3-4	Non-profit co-operative	20 to 30	350 to 640	Online software platform In-person	Hub manager Hub assistant	Farm with cold storage	Customers will pick up most orders Deliveries for additional fee	Cold storage Freezer Food dehydrator	Assistance with promotion Order pick-up locations
Independence Years 5 and later	For-profit co-operative after Year 5	At least 35	At least 800	Online software platform In-person	Hub manager Hub assistant Hub promoter	Farm with cold storage Consider shared space with a partner after Year 5	Customers will pick up most orders Deliveries for additional fee Dedicated pick-up truck or van	Cold storage Freezer Food dehydrator FoodSafe kitchen after Year 5	Assistance with promotion Order pick-up locations Possible co-location of rented or leased space after Year 5

¹ Assumes customers will place average weekly orders of \$35 over 9 months (40 weeks).

1. Introduction

The *Maple Ridge Food Hub Implementation Plan* (the 'Plan') supports Goal 7 of the *Maple Ridge Agricultural Plan* to "Develop Local Food System Infrastructure Capacity" by acting on the associated recommendation to "work with producers and local entrepreneurs to explore the feasibility of an agro-industrial infrastructure strategy that could include: shared industrial spaces; branding; small scale processing facilities; community kitchens; and mobile slaughter facilities."

With the intent of strengthening the local farming community, the primary goal of the Maple Ridge Food Hub implementation plan is to therefore develop a shared organizational structure that would help local farmers save time and money by aggregating, storing, packing, processing, distributing, and marketing their respective products together. Resources, including staff and equipment, would be shared to minimize overhead and operational costs. This Plan provides recommendations regarding a five-year pilot program for hub operations and presents a business case to get the first steps underway. It builds upon the Maple Ridge Food Hub *Situational Analysis* and *Market Identification Report* to include a robust and scalable strategy for the food hub framework.

2. Operations

A successful food hub is versatile and flexible, able to change course to meet and align with changes in the marketplace from season to season and year to year. This versatility must be anchored within a solid operations plan and be tied to a feasible and realistic financial plan.

The operations plan developed for the Maple Ridge Food Hub (MRFH) considers the following elements in order to ensure that the hub is functional and successful from the moment it opens:

- Governance: under what business model will the hub operate?
- Staffing: what are the basic needs for managing the food hub and how might those needs shift along with changes in profitability?
- Partnerships: what kinds of partners would benefit from aligning with the food hub, and vice versa?
- Members: what types of producers can be expected to join the organization to sell products through the food hub? What products will members of the food hub be able to offer to customers?
- Customers: what are the primary and secondary target customers and how much can they be expected to spend per order?
- Orders and deliveries: how will the orders be placed and how will the deliveries be coordinated?
- Marketing and Promotion: how will the hub be advertised and how will farm members benefit from this promotion?

The operations section of this plan addresses these questions so that the implementation of the food hub can be undertaken right away. The recommendations presented in the operations portion of the plan will likely require adjustments over the life of the food hub and should be revisited from time to time, particularly if targets within the associated business plan are either not being met or are being

exceeded, and most importantly at the end of the five year pilot program, before additional investments are made.

2.1 Food Hub Governance

A key first step in the development of the MRFH will be to establish the organization itself. It is recommended that the food hub commence as a not-for-profit co-operative that will eventually evolve into a for-profit co-operative. This approach has worked well for other food hubs². In order for this to occur a local champion will need to step forward to get these first steps underway. This champion will assist in completing the co-operative's organizational paperwork and establishing a volunteer Board of Directors, who will set the direction of the hub's policies and manage staff. This local champion may or may not end up participating as a farmer, Board member, or working for the MRFH as a staff (e.g. manager) but they will be instrumental in ensuring that these crucial first steps are completed. In addition to the local champion, volunteer farmer members will be required. Since the food hub would start out as a not-for-profit co-op, farmer members must be willing to volunteer some of their time to help the organization in order for it to become successful. Under this governance model, all profits are returned to the MRFH for re-investment into infrastructure and equipment.

2.2 Food Hub Staffing

The most important ingredient in operating a successful food hub will be to hire the best possible food hub manager from day one. Without the right manager, it will be more challenging to achieve the targets for farm membership, brokerage fees, and overall financial success during the pilot project phase. Simply put, finding the right manager is the most critical first step.

The food hub manager will need to bring a combination of skills to the role, including agricultural production, processing, business management, marketing, and communications. Long hours and hard work will be required during peak summer months. Farming can be unpredictable, and therefore the manager will need to be flexible enough to accommodate fluctuations in effort requirements. A manager who knows the local farming community, and who has previous relationships with both producers and buyers may be preferred, in order to jump-start the level of trust required to ensure that the hub succeeds. However, business skills and project management abilities are of primary importance.

While three staff positions are recommended, only one is expected to be employed during the first three years. Once the MRFH is financially solvent (by end of Year 3), hiring a second employee as an assistant to the manager will become feasible. By the end of the pilot project (Year 5) the financial model predicts that a third, albeit part-time, employee could be hired to focus on the ongoing promotion of the hub. If, for whatever reason, the target revenues are not being met over the course of the pilot project, then these recommendations should be reviewed and reassessed. For instance, if the hub is solvent before Year 3, it is possible that an assistant could be hired by Year 2. If the hub takes longer to generate revenues then the hiring of an assistant and/or promoter could be delayed.

A summary of the recommended positions are presented in Table 1.

² For example: the Cowichan Cow-Op, Sechelt Farm Collective, and Merville Organics have followed this route (either formally or informally).

Table 1. Staffing requirements over the five year pilot project.

Job Title	Role	Level of Employment Effort	Contract Amount ³
Food hub manager	Manage all day to day operations. The position would include general organizational management, supplier relations, order coordination, developing relationships with potential funders, and overseeing and managing the food hub's budget.	0.75 FTE ⁴ during years 1, 2, and 3 1.00 FTE year 4 and year 5 (includes a raise)	Year 1: \$32,500 Year 2: \$32,500 Year 3: \$37,500 Year 4: \$37,500 Year 5: \$45,000
Food hub assistant	Assist with the coordination of customer orders, deliveries, and invoicing.	This position would begin in year 4, once the food hub becomes solvent. 0.75 FTE in year 4 1.00 FTE in year 5 and beyond.	Year 1: \$0 Year 2: \$0 Year 3: \$0 Year 4: \$25,000 Year 5: \$33,000
Food hub promoter	Coordinate and run all social media accounts, advertising campaigns, and general media and communications.	0.50 FTE beginning in year 5.	Year 1: \$0 Year 2: \$0 Year 3: \$0 Year 4: \$0 Year 5: \$22,000

2.3 Food Hub Partnerships

A number of Maple Ridge-based organizations may provide partnership possibilities for the food hub. The Community Education on Environment and Development (CEED) Centre and the Haney Farmers Market Society (HFMS) are described here, however others may exist and may naturally emerge as the food hub gets underway. A mutually beneficial relationship is expected to emerge between the MRFH and its partners, whereby cross-promotion is anticipated. Customers of the Haney Farmers Market may also become customers of the MRFH and vice versa. One option could include purchasing food through the MRFH and potentially picking up orders at the CEED Centre or the HFM. Additional examples are provided below.

2.3.1 CEED Centre

The Community Education on Environment and Development (CEED) Centre serves the communities of Maple Ridge and Pitt Meadows. Over the years, the organization has explored the feasibility of a local food hub and continues to be active in programming regarding community gardens, school gardens, and organic farming. The history and skills of the CEED Centre provide a natural partnership potential for the MRFH. This may include using the CEED Centre as a possible order pick-up location, combining efforts around advertising and workshops, or inviting CEED Centre staff and/or directors to join the food hub Board of Directors.

³ The positions could be awarded through salaries or consulting fees.

⁴ FTE = full time equivalent position or 37.5 hour work week. Therefore a 0.50 FTE is equivalent to a 18.75 hour work week and 0.75 FTE is equivalent to a 28.125 hour work week.

2.3.2 Haney Farmers Market Society

The HFMS aims to provide the public with direct access to food producers, stimulate and support the local economy, provide opportunities to inform and entertain and to support and strongly encourage environmental sustainability. These goals align well with the MRFH and the HFMS would be a natural partner. However, the scope and intent of that partnership will require further discussion as the food hub gets underway and grows. The vendors who sell at the HFM may also be interested in selling a portion of their produce through the food hub. The market location may provide an easy and accessible order pick-up location during the months that it is in operation. Furthermore, members of the HFMS may be interested in becoming Board Members of the food hub once the hub formally becomes a co-operative organization. The food hub manager may wish to align with the HFMS to help plan the product mix, consider sharing staff resource costs, branding, and marketing.

2.4 Food Hub Customers

In order to ensure that the pilot program is a success, both in terms of revenues and marketing, the consumer sectors will need to be properly identified so that the amount of targeted sales, and associated broker fees, are met. The overall approach towards growing a customer base at the start of the hub's establishment must also be based upon a modest level of effort expended, as all of the MRFH's operations will be managed by a single staff member during the first two years. The *Market Identification Report*, produced during the initial stages of this project, provides a detailed summary of the potential demand for local and organic produce. The recommendations provided here are based on that report and on discussions with the AAC Food Hub Subcommittee and City staff.

Typical MRFH customers are expected to be single females and those buying food for households with young children. This expected demographic is based on anecdotal evidence⁵, and is also backed up by spending trends noted by the Canadian Organic Trade Association in their 2012 report on the BC organic market sector⁶. In order to bolster the value of sales, the MRFH is also expected to solicit larger orders from medium-scale retailers in the region (e.g. Bruce's, Hopcott's). Based on these discussions and on the initial market research findings compiled to date, the recommended focus should be directed to the following target sector sales:

Pilot project target sectors:

- Individuals and families (similar to a CSA).
- Existing small and medium sized retailers.

Longer term target sectors:

- Institutions, restaurants.

⁵ Sechelt Farm Collective and Cowichan Co-op, personal communication (2018).

⁶ The BC Organic Market: Growth, Trends & Opportunities, 2013. S. MacKinnon. Canadian Organic Trade Association.
<https://www.certifiedorganic.bc.ca/docs/BC%20Organic%20Market%20Report%202013.pdf>

2.4.1 Expected Value of Weekly Orders

A 2016 report⁷ by the B.C. Provincial Health Services Agency found that the average monthly cost of a nutritious food basket for a family of four in BC was \$974 (or approximately \$244 per week). According to Statistics Canada, the actual food expenditures by the average BC household is \$9,139 per year (or an estimated \$175 per week)⁸. A 2012 report by the BC Farmers Market Association indicated that visitors to the Haney Farmers Market spend on average \$25-\$30 per visit, and numbers collected by the HFMS suggest this value may be higher⁹. In addition, a farm retail collective on the Sunshine Coast reports average customer sales in excess of \$40 per order, and the Cowichan Co-op reports an average of \$50-\$60 per weekly order per customer¹⁰.

How many customers does the food hub need to reach \$75,000 of total sales in its first year?

60 customers spending \$35 a week over 36 weeks (about 9 months) would amount to \$75,600 in sales.

The MRFH financial models are built on the assumption that annual target sales of \$75,000¹¹ will be met in Year 1, rising to over \$1 million per year by Year 5. In order to reach these targets, there will need to be at least 60 customers spending an average of \$35 a week Year 1 (see call-out box, above), rising to over 800 customers by Year 5.

An example of a typical weekly order, totaling \$38, is provided in the call-out box within section 2.5.

2.5 Food Hub Members and Product Mix

While the *Market Identification Report* pointed to the ability of both local and organic products to receive higher price points in the marketplace, it is recognized that only a small base of farms within the Maple Ridge community (approximately 10) are using practices that are certified organic. In order to ensure that the food hub has a wide enough membership to succeed, it is recommended that membership not be strictly limited to organic farms, although organic products will be welcomed. It is expected that price points between the organic and non-organic products will differ accordingly. At the end of the five year pilot program (or sooner if the demand and supply warrant) the possibility of an organic product stream could be considered.

Since a goal of the food hub is to strengthen the local farm community and to encourage new farms to enter into and increase production, it is recommended that membership target small and medium-scale farms, as these operations are most likely to struggle with market entrance and expansion. If these small and medium-scale operators can be showcased as achieving success through the hub it may encourage others to farm land that is currently unproductive or underproductive.

If the hub is challenged with membership early on it could widen the scope of possible members to producers in communities such as Pitt Meadows, Mission, and across the Fraser River into Langley and other neighboring communities. By the end of the five year pilot project the MRFH membership should

⁷ Provincial Health Services Agency, 2016. Food Costing in BC 2015. <http://www.phsa.ca/population-public-health-site/Documents/2015%20Food%20Costing%20in%20BC%20-%20FINAL.pdf>

⁸ Statistics Canada, 2016. Average household food expenditure, by province (British Columbia). <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil132k-eng.htm>

⁹ Economic and Social Benefits Assessment: Final Report. 2012. Haney Farmers Market. BC Association of Farmers Markets.

¹⁰ Sechelt Farm Collective and Cowichan Co-op, personal communication (2018).

¹¹ As a point of reference, the Haney Farmers Market Society reports annual sales of over \$400,000/year or approximately \$15,000/week.

be reviewed to ensure that the membership criteria (location of farm members, farm size, and product offerings) are meeting the hub's needs.

In discussions conducted with representatives from local retailers, local food distributors, and local restaurants for the *Market Identification Report*, the general consensus is that most local fruits and vegetables sell well, although there may be challenges in selling any products that are new, or unfamiliar, with the general public. Products such as berries, salad greens, root crops, and greenhouse vegetables easily sell. Organic produce, in particular, is in growing demand, but is not necessarily a requirement for sale. This reinforces the opportunity for the MRFH to provide a complement of organic product sales, while leaving the membership open to non-organic producers. Hub membership and corresponding product demand will therefore naturally affect the mix of products that are made available.

While meeting demand is an important factor, during the initial stages it will also be important to offer products that producers have consistently available¹². What farmers are already producing will directly influence the product mix during the first few years, after which the product mix will naturally become more market driven and guide production decision-making amongst suppliers. This speaks to the importance of crop planning based, in part, on sales generated during the previous season.

It is therefore recommended that the MRFH begin with a focus on a few key products that are both in demand and that can be supplied consistently and at a high level of quality from local producers. It may be prudent to focus on vegetables, in particular hardy crops, cucumbers, leafy greens, and possibly blueberries during the first year or two, with tomatoes, strawberries, raspberries, sweet peppers and other more perishable items added only when adequate storage and delivery systems are in place.

While the primary goal at the start of the MRFH is to create capacity by attracting existing farmers to the hub, the secondary goal will be to encourage new and emerging farmers to participate. While cranberries, nursery plants, dairy, poultry, eggs, and meat products are also produced locally, these products tend to be produced through larger-scale operations and/or must adhere to specific food safety and food quality regulations (i.e. egg grading) and are therefore not further considered for the purposes of launching the food hub. However, they may be options that can be made available after the pilot project is completed (i.e. after Year 5). It should be noted that the food hub manager will need to pay close attention to regulations affecting the aggregation, sales, and processing of food products within BC, and if these regulations shift then the product mix of the MRFH may need to change accordingly.

Example of a weekly food hub order for a couple or a small family:

Bunch of kale:	\$4.00
Salad green mix:	\$4.00
Potatoes (1 kg):	\$4.50
Organic carrots:	\$4.00
Three garlic bulbs:	\$3.50
Four small onions:	\$3.00
Organic cabbage:	\$4.50
Broccoli head:	\$3.50
3 small cucumbers:	\$3.00
Pint of blueberries:	\$4.00
Total:	\$38.00

Note: prices are provided as examples only and may not illustrate exact final price points.

An example of a typical weekly food hub order that could satisfy the needs of a couple or a small family is presented in the call-out box, above.

¹² Interviews with the Tofino Ucluelet Culinary Guild and other co-operative suppliers indicated that the initial farmer members and what they are already producing will drive the product mix during the start of the food hub.

Product mix recommendations are therefore as follows:

- Years 1 and 2: a mix of vegetables, including leafy greens, cucumbers, and root crops. The seasonal addition of blueberries is possible, particularly if cold storage is available. Vegetable examples include yams, potatoes, parsnips, garlic, onions, beets, carrots, rutabagas, turnips, radishes, broccoli, brussels sprouts, cabbage, cauliflower, and squash.
- Years 3 and beyond: add a wider selection of vegetables and berries. Examples include celery, tomatoes, sweet peppers, and raspberries, strawberries.

2.6 Food Hub Ordering Logistics

It is expected that the MRFH will need to use a variety of ordering methods so that a wide range of customers will be attracted to the hub. There are several tried-and-tested methods, including email listserves, online ordering platforms (in conjunction with a website), and phone call or face-to-face order placements. All of these methods are associated with varying degrees of effort. They are each recommended for the MRFH and are described below.

2.6.1 Email Listserv

During Year 1, the MRFH is expected to consist of a relatively small number of farm suppliers (up to 15) and less than 100 customers. At that scale, it will be efficient to start the ordering process with an email-based listserv, such as MailChimp¹³. MRFH staff will be able to customize the email using a fresh sheet approach, highlighting the availability of products on a weekly basis. The listserv can also direct customers to the MRFH website, which will be the main platform for the eventual online ordering software (see Appendix II for more details). The software will be purchased in Year 1 but may take time to be established, therefore the email listserv can provide a good additional layer for ordering starting immediately.

How it Works: Email listserv¹⁴

1. Farmers send in a list of type, quantity, and price of products to MRFH staff.
2. Hub staff sends out weekly fresh sheet lists and associated pricing through the listserv with list of products to customers (e.g. individuals and/or retail buyers)
3. Customer orders are returned to MRFH staff at a weekly deadline.
4. Follow-up/confirmation of order is made to ensure order accuracy and confirm order payment.

For example, producers send in their product availability and pricing lists to MRFH staff on Mondays, an email can then be sent out by MRFH staff on Tuesday by noon to all potential customers. Orders are returned via email to MRFH staff by Wednesday at 5pm, and are ready for pick-up or delivery on Thursday afternoons. The cycle repeats weekly (days can be adjusted as needed to suit the needs of the suppliers).

¹³ The Sechelt Farm Collective operates at a similar scale and uses MailChimp for all of its listserv-based orders.

¹⁴ Saanich Organics, a small-scale (3-7 farmers) business, uses this method and has a customized excel spreadsheet to manage orders and inventory.

2.6.2 Online Software Platform for Individual Customers

Online software provides pricing flexibility for farmers (each farmer will be able to set their own price for each of their products). As orders are made the information is delivered to farm operators regarding the specific products and volumes that the orders require. This would also allow for price differentiation between organic and non-organic products.

Individual and commercial customers order through an online interface where all the suppliers' products are listed in one place. MRFH staff would manage the software interface.

It is recommended that the MRFH investigate software platform options and choose the model that best fits the needs and budget of the hub. The following two software platforms are used by other hubs and farm collectives:

Local Food Marketplace¹⁵

The Local Food Marketplace (LFM) platform offers flexibility and scalability, including individualized design to meet website branding and layout needs. It also allows for mobile app usage, e-commerce options, and distribution routes based on orders placed. The price is approximately \$1,500 to have the software setup, and a \$230/month fee thereafter.

Local Orbit¹⁶

Local Orbit offers a similar interface to LFM, with the ability to provide farmer profiles and stories alongside products, advanced pricing options, inventory management, and more. The pricing is similar, although there is no setup fee, the monthly rates for a package that would be useful for the Maple Ridge food hub would be approximately \$450 per month.

2.6.3 Retail Customer Ordering

FarmFolk/CityFolk¹⁷ research shows that to gain commercial customers (e.g. retailers, restaurants) suppliers must be able to develop a relationship with produce managers by being able to contact the businesses directly. This typically involves either direct calls or visits. MRFH staff would be expected to meet the produce manager at their work place with samples and product information such as pricing, farm source, and availability. Depending on the retailer, there may be an opportunity to sell MRFH products in higher quantities if supply of certain products is high, or develop a standing order for specific products over the course of the season. It may be expected that the MRFH offer discounted pricing compared to the pricing being offered to individual customers, as the retailer will also need to include their margin within their final sales. Retailers will also expect the order to be delivered at a pre-arranged schedule.

2.7 Food Hub Order Aggregation and Distribution

Once orders are placed, operators will then be required to bring their products to a central aggregation point. During Years 1 to 4 of the pilot project this will ideally be located at a members' farm, with access to cold storage. As the membership and customer base grows, and if the financial targets are being met,

¹⁵ Local Food Marketplace: <http://home.localfoodmarketplace.com/>

¹⁶ Local Orbit: <https://localorbit.com/>

¹⁷ FarmFolk CityFolk Food Hub Report 5: [http://www.farmfolkcityfolk.ca/PDFs & Docs/Distribution%20Research%20Reports/Report%205_Buyers%20Needs%20from%20a%20Small_Medium%20Farm%20Product%20Distribution%20Service.pdf](http://www.farmfolkcityfolk.ca/PDFs_%20Docs/Distribution%20Research%20Reports/Report%205_Buyers%20Needs%20from%20a%20Small_Medium%20Farm%20Product%20Distribution%20Service.pdf)

the hub would be able to plan to move into a physical location (bricks & mortar) once the pilot program is completed. However, based on the financial projections, a bricks & mortar location does not appear to be feasible during the initial five years, unless the space and all overhead costs (e.g. hydro) are donated. The bricks & mortar option is therefore a longer term goal outside the scope of this initial five year pilot project. The financial margins for the food hub will be very slim until the average broker fees cover all expenses. For instance, a dedicated MRFH pick-up truck is not a viable purchase until Year 5.

Therefore, the focus of the operations plan is on the majority of orders being distributed through customer pick-up. Pick-up sites could include the main order aggregation site (likely a member's farm); other members' farms, the Haney Farmers Market; the CEED Centre; or a local or regional retailer such as Hopcott Meats or Bruce's Country Market. Until such a time that a dedicated pick-up truck is purchased (expected in Year 5), the MRFH will need to borrow a truck on a weekly basis to ensure that the orders are dropped off at the pick-up locations. As one or two local retailers are also likely to form part of the customer base, delivery will be required for these larger orders. In Year 5, a dedicated vehicle would replace the borrowed truck, and the MRFH would then be able to make frequent smaller deliveries to residential areas, thereby increasing the customer base. Delivery costs could be offset by a small additional fee-for-service for smaller orders (e.g. \$2 to \$5 per delivery), in addition to offering pick-up available at pre-arranged dates, locations, and times.

Based on projected financials, a bricks & mortar location will not likely be feasible during the first five years of the hub's inception¹⁸. Instead, it is recommended that the MRFH compensate a farmer member with existing storage space to provide a centralized product aggregation site. This compensation is established within the budget at 12% of the broker fees.

2.7.1 Maple Ridge Food Hub Site Location Criteria

For either farm-based order aggregation and/or a future bricks & mortar location, the potential site must:

- Be in a central location for individual farmers to make order drop-offs.
- Be large enough for MRFH staff to physically arrange the orders.
- Include cold storage on-site (or the ability to purchase a walk-in fridge to place on-site).
- Be suitable (in terms of access, parking) for customers to pick-up orders safely.

Additional bricks & mortar location criteria must also¹⁹:

- Be able to accommodate a FoodSafe kitchen for the production of value-added products (this will become increasingly viable after the pilot project is successfully completed).
- Have topography that is relatively flat for ease of building development.
- Be located near a large group of producers who are members of the MRFH.
- Have access to major transportation routes to accommodate trucks, customer access, parking.
- Consider provincial Agricultural Land Reserve (ALR) regulation and align with municipal zoning as much as possible.

¹⁸ After 5 years, it may be possible to begin discussions with financial institutions, funding agencies, and/or private investors regarding the establishment of a bricks & mortar facility.

¹⁹ The bricks & mortar criteria should also be re-considered once the five year pilot project is completed successfully

It is important to note that the Agricultural Land Commission's regulations and policies²⁰ will apply to the MRFH if it is situated within the ALR. The following additional considerations would then need to be made, and should be revisited after the pilot project is completed:

- Storage, packing, product preparation or processing, and retail of farm products is only permitted within the ALR if at least 50% of the farm (or co-operative's) products are produced on the farm. The 50% threshold is based on the quantity (measured by volume or weight of processed farm products used) calculated over the full product line.
- The parameters around the construction, maintenance and operation of a building for the food hub would be partly regulated by the City, and would stipulate building footprint and setbacks.

Since the food hub would likely be storing, aggregating, and distributing goods from multiple farms it would be unlikely that any one farmer will be able to provide a minimum of 50% of the products. However, if the food hub members formed a formal co-operative then the 50% rule would apply to the co-operative itself and not to individual members.

The City of Maple Ridge's Zoning Bylaw (1985) will also determine the potential location of a future bricks & mortar food hub. "Food hubs" are not currently an expressly permitted use within the Zoning bylaw²¹ and would therefore require a re-zoning application. It is important to note that there may be a fee associated with this re-zoning process.

Locating the food hub outside of the ALR or on an agriculturally zoned property and directing it towards an Industrial or Business Park area may create a simpler business licencing and permitting process. Primary processing, warehouses, and wholesale use are permitted in certain zones, namely the Service Industrial and Business Park zones. As previously mentioned, if the food hub is to be located within the ALR then both provincial and municipal zoning regulations will be applicable. If the land is outside of the ALR then only the municipal zoning regulations will apply. The issue of zoning will be easier to address after the end of the five year pilot program, at which point any specific potential food hub sites that have been identified can be more thoroughly assessed.

2.7.2 Other Site Location Considerations

While the Albion Flats had been noted as a possible location for a food hub during earlier discussions (e.g. when the Agricultural Plan was being developed), the MRFH implementation plan does not identify any one particular location as an ideal possible site for a future bricks & mortar. Based on the criteria identified during stakeholder engagement and presented in section 2.7.1, the Albion Flats may not be an ideal fit for the food hub.

In addition, as identified in this report, a bricks & mortar operation is not considered financially viable in the first five years of MRFH operations. However, if donations or subsidies for a bricks & mortar operation arise, and the potential site aligns with the above criteria, this direction should be revisited.

2.8 Food Hub Promotion

Promotion will be required in order to attract and retain customers and suppliers to the MRFH. Throughout all of the branding, marketing, and advertising efforts, statements representing the purpose and values of the MRFH will need to be consistent. This clarity regarding food hub brand statements will

²⁰ ALR Regulations - http://www.bclaws.ca/civix/document/id/complete/statreg/171_2002;

ALR Policies - <http://www.alc.gov.bc.ca/alc/content/legislation-regulation/alc-policies>

²¹ City of Maple Ridge Zoning Bylaw. Agriculture zones are A1, A2, A3, A4, and A5. <https://www.mapleridge.ca/DocumentCenter/View/587>

help to strengthen messaging towards the target customer base and ensure that it is maintained in all hub communications.

2.8.1 Name and Logo

While the True North Fraser brand is strong and well-recognized locally, it may not be the most appropriate use for the food hub itself. Rather, True North Fraser can be viewed as a larger initiative under which the hub is one component. It may therefore provide more clarity for customers if the food hub is presented as a stand-alone entity that could be part of a larger True North Fraser campaign or suite of initiatives.

A simple approach to developing a brand is recommended. A name, logo and tagline will need to be developed for the MRFH, but this need not be complicated (such as Maple Ridge Food Hub or the Maple Ridge Farm Collective). The food hub's name and logo should be in place by the end of Year 1 and should clearly express what the benefits will be for the distinct target audience segments (community, potential consumers, stakeholders/members). Along with a name and logo, brand positioning and value proposition statements must be developed, and may naturally begin to emerge over the first two years.

2.8.2 Food Hub Website

Creation of a website specifically for the MRFH will be required during Year 1. The website will be the main touchpoint with the public and will need to be directly linked to any online ordering platform. A main feature of the website should be profiles of each of the farms and operators, staff, and funders. Links to social media accounts, news stories of the food hub, and contact information should also be displayed.

2.8.3 Social Media

The MRFH should have several social media accounts, including Facebook, Twitter, and Instagram. MRFH staff will maintain these sites with regular updates regarding farm members, product availability, ordering deadlines, and special events. These accounts must be updated at least twice a week in order for followers to maintain interest. Other features, such as the website and email listserv can also link to the MRFH's social media accounts.

2.8.4 Public Relations, News Releases, and Print Media

In addition to a social media campaign, in-person public relationship building will be key. This may involve attending special events to represent the food hub (harvest fairs, farmers markets, community events). News releases (which can be written in the form of articles and stories) should be regularly submitted to local media. Once the food hub has a truck that it is using for deliveries the logo should be placed directly on the truck. This can be done at a low cost using magnetic signage.

3. Financial Considerations

The following financial projections are based on a number of considerations, assumptions, and recommendations. Achieving a positive cash flow is a critical goal that will be met, in part, with the hiring of an adept and capable food hub manager. The manager will help to drive sales and assist suppliers in setting pricing that meets the needs of both the farmers and the MRFH. The three key issues that the MRFH manager will need to address at the start of implementation are start-up funding, product pricing, and communicating the hub's advantages over other sales avenues. These are discussed here prior to the presentation of the financial projections in Section 4.

3.1 Start-up Funding

It is expected that the hub will require an infusion of funding of about \$50,000 during Year 1 and an additional \$15,000 in Year 2 in order to become fully operational and financially solvent by Year 3.

Public or private funding (or a combination of both) could be used to initiate the food hub and help move it forward, particularly as it graduates from Year 1 to Year 2. Without this additional funding the food hub could still operate, however the main risk is that it would not be able to pay the MRFH manager's full wages. This management role is critical in getting the initiative off the ground and getting sales to a level that allows the hub to reach a breakeven point.

The \$50,000 could come from a mix of in-kind support, loans, and grants, such as:

- **In-kind support** (\$5,000): this type of support could be provided by hosting a webpage, providing advertising, meeting room space, and other overhead and administrative needs. This support could be provided by the City of Maple Ridge and/or partners such as the HFMS or the CEED Centre.
- **Bank or Credit Union loan** (\$20,000 to \$30,000): this would be achievable for a portion of the required start-up cost, with an expected interest rate of approximately 10%. Major banks and credit unions such as BMO Financial, Vancity, CIBC, RBC, New Westminster Savings, and TD have small business start-up loans.
- **Investment Agriculture Foundation (IAF) grant** (\$5,000 to \$10,000): IAF is an industry-led, not-for-profit organization representing the agriculture, food processing, farm supply and post farm gate sectors across BC. IAF invests in projects that enhance the competitiveness, profitability and sustainability of BC agriculture and agri-food. The multi-million dollar *Buy Local Program* offers funding to enhance local marketing efforts to increase consumer demand and sales of BC agrifoods. Funding is 50% cost-shared.
- **Other Grants** (\$10,000 - \$20,000): grants can be attractive because there is no need to pay back the funding, however the reporting and other overhead can be somewhat onerous. Several grant opportunities may exist for the food hub, including BC Gaming Grant, Real Estate Foundation BC, or a grant from a credit union (e.g. Vancity, Westminster Savings).

3.2 Product Pricing

While the marketplace effectively establishes final pricing, the right brokerage fee (see definition in the call out box) set by the MRFH is key to ensure that producers feel adequately compensated, customers

are willing to pay, and the food hub remains profitable (or break-even). The financial plan produced for the MRFH has been developed using a 25% brokerage fee²².

Farmers will set their own product pricing to include the 25% that will be allocated to the hub as a brokerage fee at the time of sale. The hub will therefore ultimately be a price “taker”, not a price maker. Transparency and direction from the MRFH manager, as well as communication with suppliers on an ongoing basis, will be offered to ensure that farmer members understand where and how the brokerage fees are being used. Tracking and evaluation of customer response to pricing will also be an important component of the manager’s job.

The price that the farmer decides to set will depend on a number of factors, and will likely vary week-to-week. Factors include:

- Whether the product is certified organic or not;
- The amount of choice of similar products being offered by the hub (supply);
- The quality of the product being offered (demand reflected through reputation); and
- The availability (products that are only in-season for a short period of time may fetch a better price).

Brokerage Fee:

The brokerage fee is sometimes referred to as a “margin” or a “markup” that is paid to the hub at the time of sale. The fee is used to help pay for the services offered by the hub. For example, if a bunch of spinach is being sold by the hub for \$4.00 and the brokerage fee is 25%, then \$3.00 is returned to the farmer and \$1.00 is returned to the hub. The total price (in this example, \$4.00) is set and controlled by the farmer.

The MRFH manager will need to track and assesses hub sales and monitor competitive pricing through other retail channels (e.g. verifying pricing at local retailers, at farm gates, at the farmers market) to ensure that the prices being offered by hub members is competitive.

The 25% brokerage fee will, in turn, provide several services for the farm members. These services will include:

- Access to a different demographic of customers (e.g. those that may not attend farmers markets or visit the farm gate).
- Order coordination, aggregation, and delivery.
- Promotion and public awareness of the farm and farm’s products.
- Time savings that can be redirected into additional production or other on-farm or off-farm activities.

3.3 Communicating the Hub’s Advantages

It is worth noting that the suppliers can choose to offer as much product to be sold through the hub as they wish. They may choose to continue to sell a portion of their products through farmers markets, CSAs, farm gate sales, and/or other avenues. Therefore, the MRFH manager must be able to adeptly convey the benefits of selling through the hub. The ability for the farm members to save time by accessing additional sales channel for some of their products is perhaps one of the biggest advantages

²² This fee was determined based on market research and discussions with existing food hub operators. A food hub on Vancouver Island with a brokerage fee of 20% indicated that if it could change one thing it would choose a higher brokerage fee in order to be able to be financially self-sustaining. It is currently considering raising its fee. On the other hand, producers indicated that brokerage fees in the range of 40-50% was too high to be an attractive avenue for sales.

that the hub can offer. Ideally, farm operators will join the hub and experience an increase in efficiency and a decrease in personal time/costs allowing them to increase capacity to a point where their true success and profitability potential aligns. Time previously devoted to making sales pitches, posting on social media, making deliveries, creating signs, and attending markets can now be re-directed to the farm work itself. The farmer can now re-invest those hours into the planning and labour needed for the farm to grow. This, in turn, will provide greater crop yield returns and result in more product being made available to sell through the MRFH in future years.

To be clear, the hub model may not work for all producers. For very small-scale farm operations there may be a capacity issue whereby economies of scale dictate that the costs of using a hub service outweighs the income the producer may obtain through independent marketing and sales, which is a fair consideration. The food hub manager's role will be, in part, to identify which farms would be a suitable fit as a supplier to the MRFH and to communicate to potential farmer members what the benefits and level of services are, in exchange for the brokerage fees.

4. Financial Projections

The MRFH's operational budget will be based mainly on brokerage fees from product sales revenue, with an additional infusion of \$50,000 of start-up capital in Year 1 and an additional \$15,000 in Year 2. The following discussion provides the rationale for the brokerage fee rate of 25% and the anticipated sales and associated brokerage fees over the pilot project's five year period.

4.1 Brokerage Fee Rationale

The brokerage fees represent 25% of total product sales. Throughout the projections for income, expense and cash flow, the following ratio is used:

100% of brokerage fees is equivalent 25% of product sales

This ratio between brokerage fees is maintained, for example 20% of brokerage fees are equivalent to 5% of product sales, and so on.

As discussed previously in Section 3.2, a brokerage fee rate level of 25% of total product sales has been selected based on market research and discussions with existing food hubs. The brokerage fee level of 25% is expected to both reflect the level of services offered by the hub while presenting an attractive potential sales route for the producer.

This brokerage fee level was further tested using Industry Canada's benchmarks²³ for small-scale fruit and vegetable growers (see Figure 1, next page). The data represented in Figure 1 incorporates a 25% brokerage fee expense into typical product sales and returns on sales for small fruit and vegetable farms at various total product sales. The benchmarking test indicates the following:

²³ Government of Canada. 2015. Industry Canada: Financial Performance Data by Industry. <https://www.ic.gc.ca/eic/site/pp-pp.nsf/eng/home>

- If fixed on-farm costs are constant (e.g. no reinvestments into infrastructure need to be made) as product sales rise from \$10,000 to \$30,000, and a 25% brokerage fee is applied, it can be projected that the farm's direct return on sales will still rise from 5% to 23% for vegetable growers and from -11% to 25% for fruit growers.

Therefore, the MRFH becomes an “affordable” (i.e. the return on sales is positive) sales channel for a small-scale vegetable producer with a brokerage fee of 25% even if they are only generating \$10,000 worth of annual sales (at which point the rate of return on sales would still be 5%). The rate of return for a small scale fruit farm would be negative at \$10,000 worth of annual sales, therefore the MRFH only becomes a viable option for a fruit farm once that farm is generating approximately \$20,000 worth of annual sales.

For context, the Maple Ridge Food Hub *Situational Analysis* indicated that the average annual farm sales (gross farm receipts) per hectare in Maple Ridge were \$27,579 (or \$11,000 per acre) in 2015²⁴. The food hub will benefit these small and medium-scale farmers by reducing the time they need to spend on promotion, marketing, and sales. With that additional time it is hoped that farmers will be able to focus on production and see higher sales per acre in return.

Agri-business guidebooks published by the BC Ministry of Agriculture in 1995 suggested that a well-managed 1.25 ha (3 acres) of mixed vegetable production could generate over \$45,000 in direct market sales, or \$36,000 per hectare (gross revenue) in 1995 dollars (this is equivalent to \$68,500 and \$54,800, in 2018 dollars, respectively). One example of a small farm achieving these benchmarks is Three Oaks Farm, on Vancouver Island, which generated over \$60,000 of sales on 1.5 acres in 2012 (equivalent to \$65,000 in 2018 dollars) when the farm joined Saanich Organics, a small hub of growers who market and sell their products collectively. It is therefore expected that a well-managed small-scale (less than 5 acres) mixed vegetable farm could feasibly achieve \$30,000 of product sales.

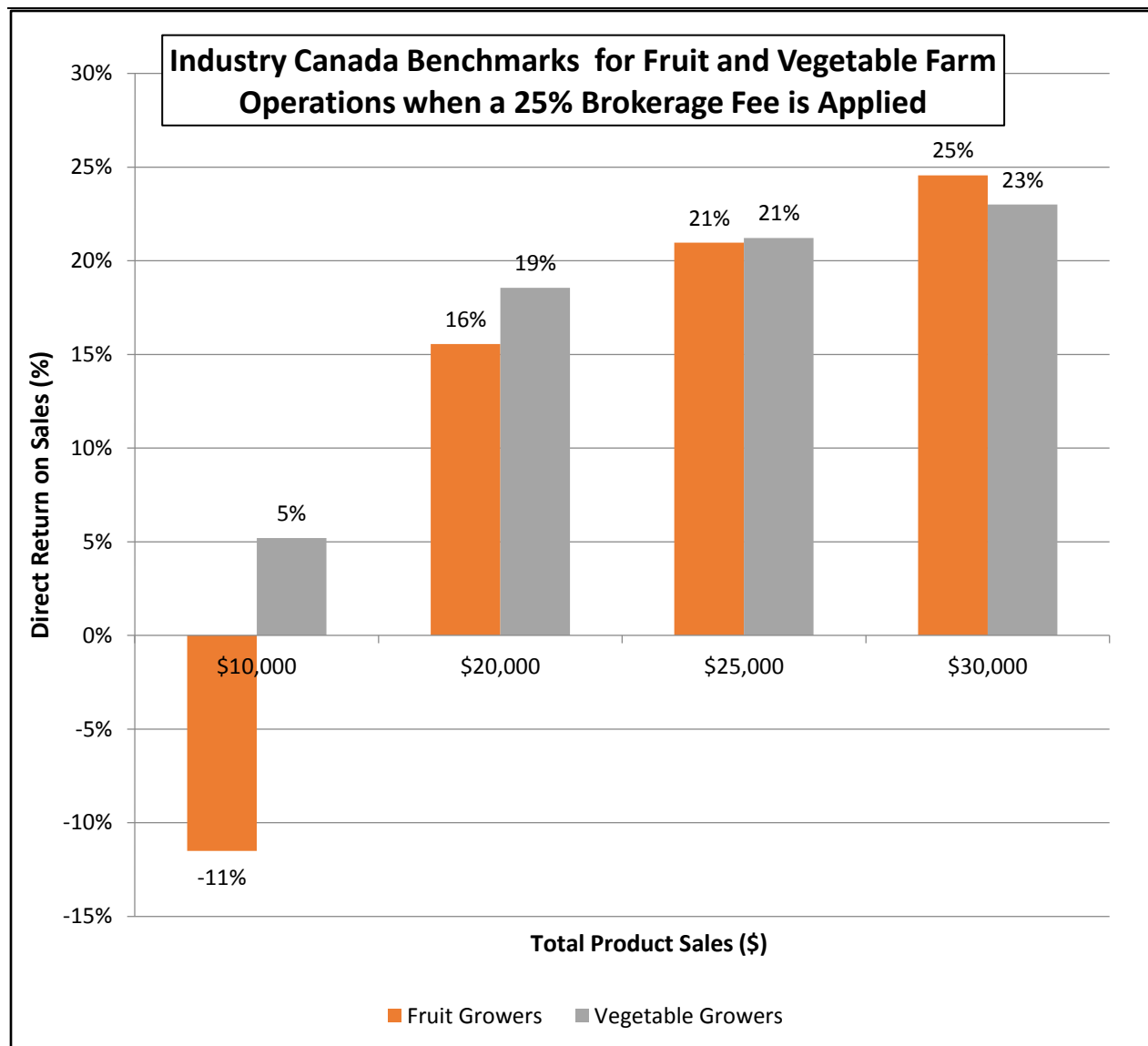
Notes:

BC Ministry of Agriculture, Fisheries, and Food. Direct Farm Market Guide, 1995.

Fisher, R., Stretch, H. and R. Tunnicliffe. 2012. All the Dirt: Reflections on Organic Farming. Touchwood Publications.

²⁴ Census of Agriculture, 2016. Land in crops excluding Christmas trees.

Figure 1. Industry Canada benchmarks for small-scale fruit and vegetable farm operations when a 25% brokerage fee is applied.



4.1.1 Anticipated Suppliers and Sales

It is expected that in the first year of operation, the MRFH supplier (farm) membership will be low, therefore a conservative estimate of 5 members has been used in the income and expense projection modeling for Year 1, and gradually increases to 35 members by Year 5 (Table 2). Using the benchmarking discussed in 4.1.1, (Figure 1, above), an expected initial product value per farm of \$15,000 is used, growing to an eventual value of \$30,000 by Year 5. In other words, by the end of the pilot project it is expected that the average food hub supplier will be able to sell \$30,000 worth of farm products annually through the MRFH. It is also expected that some farm members would still maintain a portion of sales avenues through the Haney Farmers Market, farm gate stands, and small retailers.

Table 2. Anticipated suppliers, sales, and brokerage fees for the Maple Ridge Food Hub during Years 1 - 5.

Line #	Parameter	Year 1	Year 2	Year 3	Year 4	Year 5
1	Number of farms	5	15	20	30	35
2	Product sales per farm	\$15,000	\$20,000	\$25,000	\$30,000	\$30,000
3	Total value of product (Line #1 x Line #2)	\$75,000	\$300,000	\$500,000	\$900,000	\$1,050,000
4	Brokerage fees (%)	25%	25%	25%	25%	25%
5	Brokerage fees (\$) (Line #3 x Line #4)	\$18,750	\$75,000	\$125,000	\$225,000	\$262,500

4.2 Income and Expense Projections

The following discussion presents the income and expense projection and the cash flow projection along with an explanation of assumptions used throughout all calculations.

4.2.1 Variable Expenses

Variable expenses are estimated to be 35% of brokerage fees (see Table 4, Lines #2-#5). Throughout the pilot project's five years, this 35% will consist of:

- The MRFH's rent, to provide compensation to a farmer in exchange for the use of their farm site (12% of brokerage fees);
- The costs associated with deliveries to retail customers and order drop-off locations (8% of brokerage fees). These two expenses therefore represent a combined 20% of the MRFH's brokerage fees.
- Merchant fees associated with processing credit card and debit card payments (10% of brokerage fees).
- An additional standard contingency rate of 5% of total brokerage fees is included as a financial safety net.

As previously discussed, a bricks & mortar building would not be considered for the MRFH during the five year pilot period. Rather, the MRFH would coordinate with a local farm to act as the drop-off/aggregation point for all produce in exchange for compensation. This compensation would vary based on total sales, and therefore on total brokerage fees collected.

4.2.2 Other Fixed Expenses

Fixed expenses (Table 4, Lines #7 – #18) are estimated to be approximately \$50,000 annually in the first three years²⁵. Wages are the main component of these fixed expenses and are projected as follows on Table 3 (following page).

²⁵ Note that corporate income taxes are not considered as the assumption is that the hub will initially be a non-profit organization.

Table 3. Breakdown of staffing wages over Years 1 - 5.

Year	Staffing	Wages & Benefits	Total Wages & Benefits
1	Manager: 0.75 FTE	Manager: \$32,500	\$32,500
2	Manager: 0.75 FTE	Manager: \$32,500	\$32,500
3	Manager: 0.75 FTE	Manager: \$37,500	\$37,500
4	Manager: 1.00 FTE Assistant: 0.75 FTE	Manager: \$37,500 Assistant: \$25,000	\$62,500
5	Manager: 1.00 FTE Assistant: 1.00 FTE Promoter: 0.50 FTE	Manager: \$45,000 Assistant: \$33,000 Promoter: \$22,000	\$100,000

As previously described, a MRFH manager will need to be hired right away to develop the supplier base, create the email listserv (and later, the online ordering platforms), and to start promotion of the hub. This wage represents a relatively high fixed expense at start-up and will generate a loss in the first two years of the pilot project (or until brokerage fees reach \$125,000).

While the positions are referred to as “staff”, the tasks may be able to be completed by consultants or contractors. This can be negotiated at the time of hiring, but should not affect the total amount budgeted for wages without making similar adjustments throughout the projected income and expenses. Within the total wages, the distribution amongst staff is somewhat flexible. For instance, if the manager is performing well then that position could be offered a raise and a 0.25 FTE or 0.50 FTE assistant could be hired with the remaining wages in Years 4 and 5. If the manager or assistant is capable and efficient at promotion, then the \$22,000 previously set aside for the promoter in Year 5 could be re-distributed to other staffing needs.

If the MRFH total product sales are underperforming (and therefore the brokerage fees are lower than targeted), then these staff wages and positions will need to be reviewed.

Other fixed expenses built into the income and expense projection assumptions include the following:

- Line #8: Depreciation of assets: Based at 20% declining balance.
- Line #9: Repairs and maintenance: \$500 per year. As there are no owned facilities, the budget allows for the repair and maintenance of some minor equipment only.
- Line #10: Utilities and telephone: \$50 per month (\$600 per year) for cellphone communication.
- Line #11: Rent: \$200 per month to compensate for office space for staff who will be working from home offices.
- Line #12: Bank charges: Assumes \$20 per month (\$240 per year).
- Line #13: Interest on loans: Based on an interest rate of 10% (see Loan Schedule, Table 6).
- Line #14: Professional and business fees: Memberships in associations, accounting fees, bookkeeping fees, legal fees, and permits for the MRFH and staff.
- Line #15: Advertising and Promotion: Minimal, as advertising will likely be done through social media, some print and listservs like MailChimp
- Line #16: Travel (Mileage): Occasional mileage paid to MRFH staff to attend events and meetings.

- Line #17: E-commerce website: This line item includes \$3,000 to build an online sales platform and \$2,000 for a website during Year 1 and ongoing software and website fees thereafter.
- Line #18: Insurance: Assumes \$4,000 per year to cover delivery truck insurance and some liability insurance

Table 4 provides a breakdown of all anticipated income and expenses for the MRFH pilot project's five year period. The model indicates that the hub would be able to turn a profit before the end of Year 3 assuming that the supplier numbers and gross sales match (or exceed) the projections.

Table 4. Anticipated Income and Expenses Years 1 - 5.

#	Statement of income and expense	Year 1	Year 2	Year 3	Year 4	Year 5
1	Income (brokerage fees)	\$18,750	\$75,000	\$125,000	\$225,000	\$262,500
	Variable Expenses					
2	MRFH location compensation at 12% of brokerage fees	\$2,250	\$9,000	\$15,000	\$27,000	\$31,500
3	Delivery at 8% of brokerage fees	\$1,500	\$6,000	\$10,000	\$18,000	\$21,000
4	Merchant fees (credit card and debit card processing fees) (10% of brokerage fees)	\$1,875	\$7,500	\$12,500	\$22,500	\$26,250
5	Contingency (5% of brokerage fees)	\$938	\$3,750	\$6,250	\$11,250	\$13,125
6	Total variable costs (35% of brokerage fees)	\$6,563	\$26,250	\$43,750	\$78,750	\$91,875
	Fixed Expenses					
7	Wages and benefits	\$32,500	\$32,500	\$37,500	\$62,500	\$100,000
8	Depreciation	\$500	\$1,900	\$1,520	\$1,216	\$4,973
9	Repairs and maintenance	\$500	\$500	\$500	\$500	\$500
10	Utilities and telephone/telecommunication	\$600	\$600	\$600	\$600	\$600
11	Rent	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
12	Bank charges	\$120	\$120	\$120	\$120	\$120
13	Interest on loans	\$3,000	\$4,009	\$852	\$0	\$0
14	Professional and business fees	\$500	\$750	\$1,000	\$1,000	\$3,500
15	Advertising and Promotion	\$680	\$250	\$250	\$250	\$250
16	Travel	\$1,200	\$600	\$600	\$600	\$600
17	E-commerce website	\$5,000	\$2,280	\$2,280	\$2,280	\$2,280
18	Insurance	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
19	Total fixed expenses	\$51,000	\$49,909	\$51,622	\$75,466	\$119,223
20	Net operating income	\$-38,813	\$-1,159	\$29,628	\$70,784	\$51,402
21	Other income (income from fundraising or interest-free grants)	\$20,000				
	Net income	\$-18,813	\$-1,159	\$29,628	\$70,784	\$51,402

4.3 Cash Flow Projection

As previously discussed, a deficit of approximately \$40,000 is projected over the first two years. Based on the model a \$20,000 operating grant together with a \$30,000 loan or line of credit would cover the deficit and also make debt repayment feasible. In Year 2, an additional \$15,000 would be required for equipment (Table 5). Lump sum repayments of loans could begin as early as the third year or when sales exceed the \$75,000 milestone (see Table 6).

The capital budget for cash flow projections includes funds for the following equipment:

- Line #4: \$2,500 in Year 1 and Year 2 for office equipment;
- Line# 5: \$5,000 in Year 2 for a walk-in refrigerator;
- Line #5: \$5,000 in Year 5 for additional warehouse equipment; and
- Line #7: \$15,000 in Year 5 for an additional delivery truck.

Table 5. Anticipated cash flow for the Maple Ridge Food Hub pilot project from Year 1 to Year 5.

Line #	Cash flow	Year 1	Year 2	Year 3	Year 4	Year 5
1	Net income	\$-18,813	\$-1,159	\$29,628	\$70,784	\$51,402
2	Add back depreciation	\$500	\$1,900	\$1,520	\$1,216	\$4,973
3	Loan principal repayments	\$-4,914	\$-6,566	\$-26,396	\$-7,125	\$0
4	Office Equipment	\$-2,500	\$-2,500	\$0	\$0	\$0
5	Warehouse Equipment	\$0	\$-5,000	\$0	\$0	\$-5,000
6	Leasehold improvements	\$0	\$0	\$0	\$0	\$0
7	Vehicles	\$0	\$0	\$0	\$0	\$-15,000
8	Subtotal (Lines 1 to 7)	\$-25,726	\$-13,325	\$4,752	\$64,875	\$36,375
9	Proceeds on loans	\$30,000	\$15,000	\$0	\$0	\$0
10	Net change in cash	\$4,274	\$1,675	\$4,752	\$64,875	\$36,375
11	Opening cash	\$0	\$4,274	\$5,949	\$10,701	\$75,577
12	Closing cash	\$4,274	\$5,949	\$10,701	\$75,577	\$111,952

Loans and debt repayments are based on an operating line of credit with an interest rate of 10.0%. The projections indicate that the balance could be paid out by Year 4 (Table 6).

Table 6. Operating loan and debt repayments for the Maple Ridge Food Hub pilot project from Year 1 to Year 5.

Operating Debt	Year 1	Year 2	Year 3	Year 4
Opening balance	\$0	\$25,086	\$33,520	\$7,125
Proceeds/Lump sum payments	\$30,000	\$15,000	\$-25,000	\$-7,125
Interest at 10.0%	\$3,000	\$4,009	\$852	\$0
Loan payments	\$-7,914	\$-10,575	\$-2,248	\$0
Closing balance	\$25,086	\$33,520	\$7,125	\$0

A summary of total liabilities and equity are provided in Table 7.

Table 7. Anticipated liabilities and equity for the Maple Ridge Food Hub pilot project from Year 1 to Year 5.

Liability and Equity	Year 1	Year 2	Year 3	Year 4	Year 5
Working capital	\$4,274	\$5,949	\$10,701	\$75,577	\$111,952
Net equipment and vehicles	\$2,000	\$7,600	\$6,080	\$4,864	\$19,891
Total Assets	\$6,274	\$13,549	\$16,781	\$80,441	\$131,843
Operating Loan	\$25,086	\$33,520	\$7,125	\$0	\$0
Retained Earnings (Loss)	\$-18,813	\$-19,971	\$9,657	\$80,441	\$131,843
Total Liabilities and Equity	\$6,274	\$13,549	\$16,781	\$80,441	\$131,843

5. Ratios

The MRFH is projected to be solvent before the end of Year 3. The projected debt to equity ratio at the end of Year 3 is 74% (Table 8).

Assumptions regarding ratios include:

- Line #1: Debt to equity: The lower the positive ratio, the more solvent the business. At the end of Year 3 the hub is solvent.
- Line #2: Interest coverage ratio: The ratio of net income before interest to interest expense. This ratio is an indication of debt risk. This ratio isn't relevant in the first two years because there is no interest coverage. The accumulated interest coverage at the end of Year 3 (Years 1 to 3 summed) is projected to be 28. That means earnings are 28 times higher than the projected interest expense over the first three years.
- Line #3: The debt ratio is calculated as total debt to total equity. This is also a solvency ratio indicating ability to repay long-term debt. This ratio also indicates the extent to which the business is financed. The lower the ratio the more solvent the business. The projected debt ratio shows a low debt ratio by the end of Year 3.
- Line #4: Revenue to equity is an indication of productivity and indicates how much revenue is earned for the amount invested. Equity is negative in the first two years so the ratio is not valid.
- Line #5: Net profit to equity is also an indication of productivity and is calculated as net income/equity. In the first two years the ratio is not relevant because equity is negative.

Table 8. Anticipated financial ratios for the Maple Ridge Food Hub pilot project from Year 1 to Year 5.

Line #	Financial ratios	Year 1	Year 2	Year 3	Year 4	Year 5
1	Debt to equity ratio	133%	168%	74%	0%	0%
2	Interest coverage ratio	-503%	72%	3148%	N/A	N/A
3	Debt ratio	400%	247%	42%	N/A	N/A
4	Revenue to equity ratio	-100%	-376%	1294%	280%	199%
5	Net profit to equity (%)	N/A	N/A	307%	88%	39%

6. Risk and Sensitivity Analysis

The following three scenarios were tested against the financial model in order to determine what impacts to the income & expense projections and cash flow projections may occur if:

- Scenario 1: Tests what occurs when the full \$50,000 of startup capital is not raised.
- Scenario 2: Tests what occurs when product sales (and therefore brokerage fees) do not meet targets.
- Scenario 3: Tests changes in projected variable and fixed expense levels in Year 1 and Year 3.

6.1 Risk Scenario 1: Lack of Start-up Capital

The investment in a competent MRFH manager at the outset is an important factor to the success of this financial model. This scenario assumes that the efforts to raise \$50,000 of startup capital is unsuccessful, and only \$5,000 is obtained, and therefore the funds for the manager's salary are not available. Without funding to hire a manager, the MRFH would have to rely on volunteers to promote the hub to suppliers (farmers) and customers and to develop the sales and ordering process. The volunteers would still need to generate the same amount in targeted brokerage fees in Year 1 to cover other expenses, and the hub would still require an injection of \$5,000 in cash (Table 9).

Table 9. Risk analysis scenario with \$50,000 vs. \$5,000 of startup capital in Year 1.

Projected Income and Expense Projections	Year 1 – \$20,000 in grants and \$30,000 in loans	Year 1 – \$5,000 in grants
Brokerage fees	\$18,750	\$18,750
Delivery, shipping and warehouse expenses	\$3,750	\$3,750
Wages & benefits, rent, phone	\$36,100	\$0
Other expenses	\$17,713	\$17,713
Total expenses	\$57,563	\$21,463
Income from fundraising	\$20,000	\$5,000
Net income	\$-18,813	\$2,288
Projected Cash Flow Projections	Year 1 – \$20,000 in grants and \$30,000 in loans	Year 1 – \$5,000 in grants
Net income	\$-18,813	\$2,288
Add back depreciation	\$500	\$500
Loan principal repayments	\$-4,914	\$0
Capital equipment, vehicles and leasehold improvements	\$-2,500	\$-2,500
Proceeds from loans	\$30,000	\$0
Net cash inflow	\$4,274	\$288
Opening cash	\$0	\$0
Closing cash	\$4,274	\$288

6.2 Risk Scenario 2: Product Sales Level Adjustments

The second scenario tests the impacts that adjustments made to the targeted product sales (and associated brokerage fees) have on the net income in Year 1 and Year 5. If product sales (and therefore brokerage fees) are 50% lower than targeted in Year 1, net income would be 16% lower than projected. In Year 5, a 50% variance in brokerage fees would impact the bottom line by 166% (Table 10). Once sales exceed projected fixed expenses, sales variances will magnify the changes reflected in the net income. This reinforces the notion that the efforts of the MRFH must be focused on driving sales (and therefore brokerage fees) over the pilot project period of five years.

Table 10. Change in brokerage fees and associated net income during Year 1 and Year 5.

Change in brokerage fees - Year 1					Change in brokerage fees - Year 5				
% Change in Fees	Brokerage Fees	Net Income \$	DSCR ²⁶ %	% Change Net Income	% Change in Fees	Brokerage Fees	Net Income \$	DSCR %	% Change Net Income
-50	9,375	-44,906	-6,094	16%	-50	131,250	-33,910	-85,313	-166%
-40	11,250	-43,688	-4,875	13%	-40	157,500	-16,848	-68,250	-133%
-30	13,125	-42,469	-3,656	9%	-30	183,750	215	-51,188	-100%
-20	15,000	-41,250	-2,438	6%	-20	210,000	17,277	-34,125	-66%
0	18,750	-38,813	0	0%	0	262,500	51,402	0	0%
20	22,500	-36,375	2,438	-6%	20	315,000	85,527	34,125	66%
30	24,375	-35,156	3,656	-9%	30	341,250	102,590	51,188	100%
40	26,250	-33,938	4,875	-13%	40	367,500	119,652	68,250	133%
50	28,125	-32,719	6,094	-16%	50	393,750	136,715	85,313	166%

6.3 Sensitivity Analysis for Variable and Fixed Expenses in Year 1 and Year 3

In Year 1, a change in variable expenses (which are directly related to brokerage fees) will be less impactful (or risky) than potential changes in fixed expenses, which do not correspond directly to the collected brokerage fees (Table 11 and Table 12).

Table 11. Sensitivity analysis for Year 1 – Variable Expenses.

Change in variable expenses				
% Change	Variable Expenses \$	Net Income \$	DSCR %	% Change Net Income
-20	5,250	-37,500	1,313	-3%
-15	5,578	-37,828	984	-3%
-10	5,906	-38,156	656	-2%
-5	6,234	-38,484	328	-1%
0	6,563	-38,813	0	0%
5	6,891	-39,141	-328	1%
10	7,219	-39,469	-656	2%
15	7,547	-39,797	-984	3%
20	7,875	-40,125	-1,313	3%

²⁶ DSCR is the Debt Service Coverage Ratio, which refers to the amount of cash flow available to pay debt obligations.

Table 12. Sensitivity Analysis for Year 1 – Fixed Expenses

Change in Fixed Expenses				
% Change	Fixed Expenses \$	Net Income \$	DSCR %	% Change Net Income
-50	25,500	-13,313	25,500	-66%
-40	30,600	-18,413	20,400	-53%
-30	35,700	-23,513	15,300	-39%
-20	40,800	-28,613	10,200	-26%
0	51,000	-38,813	0	0%
20	61,200	-49,013	-10,200	26%
30	66,300	-54,113	-15,300	39%
40	71,400	-59,213	-20,400	53%
50	76,500	-64,313	-25,500	66%

By Year 3, errors in projecting variable expenses are more critical. A 20% variance in fixed expenses will impact net income by 35% and a variance of 20% in variable expenses will impact net income by 84% (Table 12).

Table 13. Sensitivity analysis for Year 3.

Change in variable expenses						
% Change	Revenue \$	Variable Expenses \$	Fixed \$	Net Income \$	DSCR %	% Change Net Income
-20	125,000	18,750	51,622	54,628	25,000	84%
-15	125,000	25,000	51,622	48,378	18,750	63%
-10	125,000	31,250	51,622	42,128	12,500	42%
-5	125,000	37,500	51,622	35,878	6,250	21%
0	125,000	43,750	51,622	29,628	0	0%
5	125,000	50,000	51,622	23,378	-6,250	-21%
10	125,000	56,250	51,622	17,128	-12,500	-42%
15	125,000	62,500	51,622	10,878	-18,750	-63%
20	125,000	68,750	51,622	4,628	-25,000	-84%

Change in fixed expenses						
% Change	Revenue \$	Variable Expenses \$	Fixed \$	Net Income \$	DSCR %	% Change Net Income
-20	125,000	43,750	41,298	39,952	10,324	35%
-15	125,000	43,750	43,879	37,371	7,743	26%
-10	125,000	43,750	46,460	34,790	5,162	17%
-5	125,000	43,750	49,041	32,209	2,581	9%
0	125,000	43,750	51,622	29,628	0	0%
5	125,000	43,750	54,203	27,047	-2,581	-9%
10	125,000	43,750	56,784	24,466	-5,162	-17%
15	125,000	43,750	59,365	21,885	-7,743	-26%
20	125,000	43,750	61,946	19,304	-10,324	-35%

7. Balance Sheet Summary

The balance sheet presented in Table 14 summarizes many of the key points of the financial projections.

Table 14. Summary balance sheet for the MRFH Year 1 through Year 5.

Balance sheet	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Working capital	\$4,274	\$5,949	\$10,701	\$75,577	\$111,952
Office Equipment	\$2,500	\$5,000	\$5,000	\$5,000	\$5,000
Warehouse Equipment	\$0	\$5,000	\$5,000	\$5,000	\$10,000
Leasehold Improvements	\$0	\$0	\$0	\$0	\$0
Vehicles	\$0	\$0	\$0	\$0	\$15,000
Accumulated depreciation	\$-500	\$-2,400	\$-3,920	\$-5,136	\$-10,109
Total fixed assets	\$2,000	\$7,600	\$6,080	\$4,864	\$19,891
Total assets	\$6,274	\$13,549	\$16,781	\$80,441	\$131,843
Operating loan	\$25,086	\$33,520	\$7,125	\$0	\$0
Total Equity					
Retained earnings (accumulated deficit) - opening	\$0	\$-18,813	\$-19,971	\$9,657	\$80,441
Current year earnings (loss)	\$-18,813	\$-1,159	\$29,628	\$70,784	\$51,402
Cumulative earnings (loss)	\$-18,813	\$-19,971	\$9,657	\$80,441	\$131,843
Total liabilities and equity	\$6,274	\$13,549	\$16,781	\$80,441	\$131,843

8. Breakeven Analysis

The breakeven point in the MRFH pilot project will occur when net income is positive (Table 15, Line #7). Based on the income & expense projections, this can occur by Year 3 (or more specifically before the end of Year 3), when brokerage fees reach approximately \$80,000. Since 35% of the brokerage fees will be dedicated to variable expenses, the remaining 65% will be available to pay for fixed expenses (Table 15, Lines #3 and #4). With fixed expenses projected to be about \$50,000 per annum, calculations indicate that the MRFH should break even once brokerage fees reach \$80,000 (this is equivalent to product sales of roughly \$320,000) (Table 15, Line #8).

Table 15. Breakeven analysis for Year 1 through Year 5.

Line #	Breakeven Analysis	Year 1	Year 2	Year 3	Year 4	Year 5
1	Brokerage fees	\$18,750	\$75,000	\$125,000	\$225,000	\$262,500
2	Variable expenses	\$6,563	\$26,250	\$43,750	\$78,750	\$91,875
3	Contribution margin	\$12,188	\$48,750	\$81,250	\$146,250	\$170,625
4	Contribution margin %	65%	65%	65%	65%	65%
5	Fixed expenses	\$51,000	\$49,909	\$51,622	\$75,466	\$119,223
6	Fixed expenses (Line #5) as a % of brokerage fees (Line #1)	272%	67%	41%	34%	45%
7	Net operating income	\$-38,813	\$-1,159	\$29,628	\$70,784	\$51,402
8	Breakeven brokerage fees	\$78,462	\$76,782	\$79,418	\$116,101	\$183,420

9. Conclusions

The MRFH has the potential to be a centralized service for small and medium-scale producers to be able to aggregate and coordinate the sale of their products in order to better meet local market demands.

This MRFH Implementation Plan provides a set of recommendations for operational and financial management. The financial projections are based on a robust and conservative analysis.

Key recommendations include:

- Establish the hub as a non-profit co-operative and move towards a for-profit co-operative governance model at the end of the five year pilot project.
- Raise \$50,000 of startup capital in Year 1 and aim for an additional infusion of \$15,000 in Year 2 through a combination of grants and loans.
- Hire a dynamic and competent food hub manager immediately, and hire other staff at later dates if profitability allows.
- Target a minimum of 5 suppliers (farmer members) during Year 1, and grow to at least 35 suppliers by Year 5.
- Target approximately 60 weekly customers by the end of Year 1, and aim to grow to over 800 by Year 5.
- Offer a product mix that includes a variety of vegetables and berries, and expands the fresh sheet list as cold storage and supply allows.
- Set up an online ordering platform and allow suppliers to set their own prices, which will be monitored by the hub manager.
- Ensure that the hub manager communicates back to the suppliers regarding appropriate price points and general customer feedback.
- Communicate the value of the hub services to potential suppliers, highlighting the savings of time and money over the long term.

By following these recommendations, the financial projections indicate that the hub can become solvent by Year 3 of the pilot project. A bricks & mortar location could be considered after the five year pilot project has been successfully completed, but is not financially feasible during this initial timeframe.

Appendix I

Over two dozen stakeholders and experts helped to inform this report. The following is a list of the farms, businesses, organizations, and agencies that were consulted with in the preparation of this document. The communications included a combination of group meetings, phone calls, one-on-one conversations, and emails. The stakeholders are presented in alphabetical order.

- Amazia Farms
- BC Vegetable Marketing Commission
- Big Feast/Big Smoke
- Blue Moon Organics
- BMO Financial Group
- CEED Centre
- Cow-Op: Cowichan Valley Co-operative Marketplace
- Discovery Organics
- Duende Farm
- Fable Kitchen Restaurant
- Formosa Blueberries
- Fresh Ideas and Solutions
- Golden Ears Cheesecrafters
- Haney Farmers Market Society
- Hopcott Premium Meats
- KitchenPick Culinary Herbs
- Merville Co-operative Organics
- Ministry of Agriculture (Sector Development Branch)
- Ministry of Agriculture (Strengthening Farming Branch)
- Red Barn Farm
- RoosRoots Farm
- Saanich Organics
- Sechelt Farm Collective
- Sustainable Produce Urban Delivery (SPUD)
- Tofino Ucluelet Culinary Guild
- Triple Creek Farm
- Vancity Community Investment
- Vancouver Foundation
- Wandering Row Farms

Appendix II

Email listserv pros	Email listserv cons
<ul style="list-style-type: none">• More direct communication with farmers and customers, may help develop trust• Farmers and Coordinator could negotiate to set price for products• Coordinator can develop their own technique of ordering and inventory processes for the Hub	<ul style="list-style-type: none">• Coordinator may need to spend large amounts of time organizing emails and managing orders (especially when Hub is just beginning)• May not be as organized and may lead to more mistakes than other methods
Online Ordering Pros	Online Ordering Cons
<ul style="list-style-type: none">• Easy for hub coordinator or farmers to manage• Easy for customers to choose desired products each week• Potential for easy method of inventory• Some have mobile apps, flexible payment options, delivery truck route mapping• After learning curve of software, it has the potential to save producers and buyers time• Marketing tools may be included in software	<ul style="list-style-type: none">• Cost of monthly subscription• Initially may have to spend lots of time learning how software works, if Hub Coordinator employee changes frequently, the time spent on learning software increases• Farmers may also need to learn how it works and need to update quantity and type of produce available each week• Commercial buyers may need to spend time learning how to use online ordering website• May not provide everything the Food Hub needs or wants in the way the website is organized
In-person Ordering Pros	In-person Ordering Cons
<ul style="list-style-type: none">• More direct communication with, may develop trust	<ul style="list-style-type: none">• Time consuming for Coordinator and potentially the commercial retailers• Expenses of driving to meetings

From: Carol Paulson
Sent: Thursday, May 3, 4:19 PM
Subject: Maple Ridge AAC visit to Langley Sustainable Agriculture Foundation (LSAF)
To: Craig Speirs

Hello Craig. It was interesting to touch base with you at the ALC workshop a few months back. I was attending as a member of the MetroVan AAC. I am also on the Board of the Langley Sustainable Agriculture Foundation (LSAF). We are a non-profit, volunteer, registered B.C. Society, independent of the Township of Langley, but with a very close and productive working relationship with the Township.

LSAF would be interested in hearing from your AAC as to what you have on the go, what's planned, and why. We'd like to invite as many of your committee members as possible to one of our meetings. We meet on the last Tuesday evening of every month during the school year. The next meeting with time on the agenda will be June 26. Would it be possible for you to present for half an hour then?

Since this is an election year, I imagine that you'll all be busy come the fall. So if we can't meet in June, I'll be in touch next spring.

As to what LSAF does - we have a website, www.langleysaf.ca. Our events, projects, publications etc are all there.

If you could let me know by May 28 whether members of your AAC can meet in June, I can schedule time in our June agenda. We meet at 7 pm, at the Township hall, 20338 65th Avenue, Langley.

Regards,

Carol Paulson
Secretary of the Board
Langley Sustainable Agriculture Foundation

604-534-6098



Contents of DPA Guidelines

for the Protection of Farming

1. Extent of DP Area;
2. Landscaped buffer between farm and non-farm use;
3. Subdivision layout guidelines;
4. Minimum building setbacks from property line;
5. Stormwater management guidelines;
6. Education, Awareness, and Compliance.

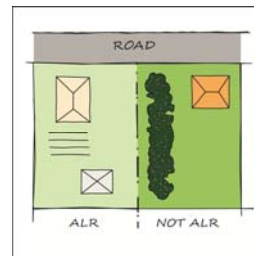


Staff Review of Draft DP

- Staff review identified:
 - Few non-ALR properties have subdivision or rezoning potential;
 - DP impact primarily on additions or redevelopment;
 - Primarily residential – wide range of lot sizes;
 - 300m DP area (from ALR boundary) excessive.



Refining Landscape Buffer Guidelines



- Guidelines need to consider wide variations in lot sizes;
- Residential uses:
 - Urban to Rural;
 - Minimum lot size – 371m²
 - Maximum lot size – 2+ acres

Guidelines to be applicable to all development scenarios.

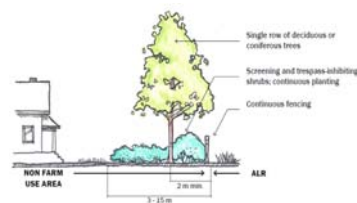


Development Scenarios Breakdown

1. Building Permit only required;
2. Street Edge buffer area;
3. Environmentally Sensitive Area;
4. Rezoning and/or subdivision required;
5. Large lot rezoning and/or subdivision required.



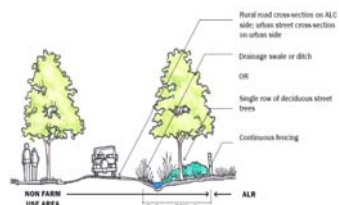
Building Permit Application



Buffer width to be determined through an Agricultural Impact Assessment.



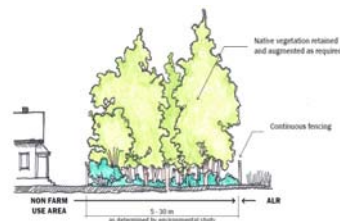
Street Edge Location



Agricultural Impact Assessment not required



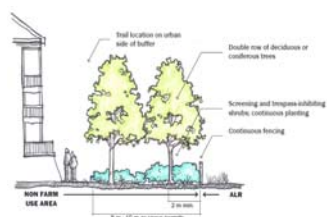
Environmentally Sensitive Area



Buffer width to be determined through an Agricultural Impact Assessment and required environmental studies



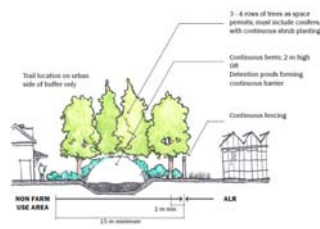
Rezoning/Subdivision Application



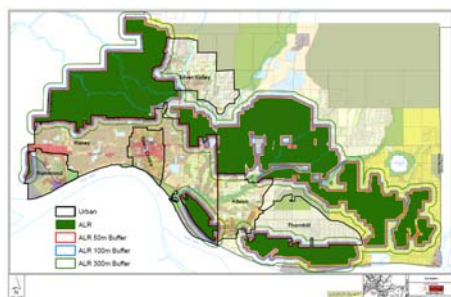
Buffer width to be determined through an Agricultural Impact Assessment



Large Lot Rezoning/Subdivision



- Lot size greater than 2,000m²;
- Minimum 15m wide buffer;
- Agricultural Impact Assessment not required.



Determine DP Area



Education, Awareness & Compliance

- Some additional tools being discussed include:
 - Section 219 Restrictive Covenant;
 - Inform adjacent residents of requirements for buffer integrity and ongoing maintenance;
 - Roadside signage to inform nearby residents of farm activity.

