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Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

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Executive Summary

The agri-food industry is becoming increasingly competitive and global. Simultaneously, changing attitudes toward the environment, health and wellness, as well as viewing food as an experience rather than simply sustenance, are motivating consumers to reconnect with the source of the food they choose to consume, in order to verify its authenticity and overall value. A result of this trend is consumers' increasing interest in local food.

The purpose of this project was to assess whether sufficient industry support exists to establish a sustainable local and regional food and agri-product distribution initiative (LFDI) in the Niagara and Hamilton areas. This included examining whether the preferred approach is formal or informal and, given the demographics of the immediate area and surrounding region, market requirements and supply base. It also sought to identify attitudinal and cultural factors that could impact the LFDI's long-term viability.

The objectives of the study included identifying critical success factors associated with successful LFDIs in Canada and elsewhere; and ways in which successful LFDIs have overcome challenges associated with attracting and maintaining a viable target market. The background and primary research enabled the project team to identify the markets most likely to support a local and regional food initiative if established in the Niagara and Hamilton areas, and the operational and marketing arrangements that appear best suited to the potential customer base, the supply base, and associated products. The final report concludes by proposing a series of recommendations for establishing a LFDI that can be evaluated through an economic analysis study.

The research methodology chosen for this project took a Value Chain Analysis (VCA) approach to identifying market opportunities and factors that will need to be addressed for the LFDI to be successful. Specifically included was the identification of ways in which the LFDI might provide value above and beyond that provided by the current food and agri-products distribution networks operating in Hamilton and Niagara and surrounding areas.

The project was conducted in four phases. The first phase, background research, was undertaken in two steps: an extensive review of literature from previous local food research, followed by a series of in-depth interviews with representatives from local and regional food initiatives already established in Ontario and elsewhere in North America.

The background research revealed that from a production perspective, while the majority of the land base in Hamilton and Niagara is classified as prime agricultural land under the Canada Land Inventory, distinct differences exist between the two areas. For instance, compared to Niagara, Hamilton has only half the area of agriculture, less than half the number of farms, and less than half the sales turnover. As well, though the population of both municipalities is largely urban, compared to Hamilton, agriculture in Niagara appears to be more integrated and respected as an important element of the local economy and culture.

The background research also showed that consumers' propensity to choose local foods over alternatives is a complex issue that differs by food type, place of purchase and meal occasion. Equally complex is the willingness of consumers to pay premiums for local food. Therefore, while over eighty percent of consumers claim to support the concept of local food, they primarily want food that tastes good, is good quality and is reasonably priced. Only when items meet their overall expectations will many consumers choose to purchase local products. In addition, most consumers want convenience and will not change their shopping habits in order to buy local products.

Therefore, they continue to purchase most of their items at supermarket chains, even if those same consumers also frequent farmers markets or alternative food outlets. Together, these factors mean that local is rarely the main driver of purchase. Instead it is a determinant that becomes important once other requirements are met.

In Canada, while local appears to be of increased interest among a growing consumer base, the strength of local as a driver of food purchasing is not as explicit as in some other countries. The greatest success in engendering a shift in consumer purchasing habits has come from private (i.e. marketing orientation) rather than public (i.e. sales oriented) marketing campaigns, as shown by the influence on consumer behaviour of Foodland Ontario versus the 2008 Loblaws “Grown Close to Home” initiative. This is due to the fact that commercial programs are developed by professional marketers, often relate to specific products only, are designed to suit the place of purchase, are targeted at identified consumer groups, and are managed by a group that is able to ensure the product(s) deliver according to promises of quality and consistency. Public programs often cover such an array of products and markets, and are driven by political aspirations rather than commercial reality.

Findings from the background research guided the design of the second phase of the project, the primary research. This included the companies and stakeholders to target, and the questions to ask. In keeping with the VCA approach, the research and later analysis was divided into seven groups. Six groups were comprised of commercial stakeholders operating at a particular stage of the value chain: Retailers, Restaurants, Hotels and Institutions (HRI); Distributors; Processors; Wineries; and Producers. The seventh group was comprised of industry groups. It was felt that this group, though not commercial stakeholders, could provide additional insights into the opinions and attitudes their constituents hold toward issues related to the topic of local food, including opportunities and hindrances to developing a sustainable LFDI.

The primary research was conducted in a two-stage interview process, which together gathered the opinions of 340 industry stakeholders. The interviews were specifically designed to provide detailed insights into the drivers of respondents’ businesses decisions and provide insights into the attitudes each of the six stakeholder groups possessed toward establishing a LFDI in the Niagara and/or Hamilton area. The first round of interviews gathered insights from the downstream elements of the value chain and, therefore, ultimately determines its success. This process enabled detailed information to be gathered on the attitudes and expectations that would influence customers’ perceptions towards the establishment of a LFDI. The second element of the research gathered insights from producers located in the Hamilton and Niagara areas. This allowed detailed information to be gathered on the attitudes and expectations of producers towards establishing a LFDI.

The 65 customer and industry group stakeholders that were interviewed between mid-May and early June 2009 included 17 retailers (8 corporate and 9 independent), 14 hotel/restaurant/institution (HRI) establishments, 11 processors, 11 distributors, 4 wineries, and 8 industry groups. The producer survey saw 275 farmers interviewed over a two-week period during the latter half of June 2009. The survey process was designed to ensure that the responses would accurately reflect the opinions of small and medium sized producers, which is the size of operation that a LFDI’s success would most likely rely upon serving.

The primary research provided an extensive array of valuable information. These included that the majority of customer respondents (*retailers, foodservice operators, processors*) believe that a LFDI could help them increase the market opportunities available to local food and agri-products. The primary reason for this is that they believe that a LFDI would help them address industry level issues that currently limit the extent to which they can take advantage of consumers’ growing interest for local food. These issues include:

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1. The influence that a complex web of often opposing policies, regulations, and legislation has on the ability and motivation of businesses operating in Ontario's agricultural and agri-food industry to expand the market for locally produced products;
2. The extent to which current distribution systems limit the distribution of locally produced food, and the range of locally produced food that is marketed in Ontario;

The research also highlighted attitudinal factors that appear, at least in part, to explain why the above factors have had such an impact on the distribution and marketing of local food in the Hamilton, Niagara, and surrounding areas. They include that six significant disconnects exist between why customers would be interested in supporting a LFDI and expanding the market for local food, versus why producers would be interested in supporting a LFDI. These are:

1. Viewing local as a change agent (or not);
2. Relationship between consumer interest and consumer behaviour;
3. Local as ONE factor versus THE factor in consumers' purchasing decisions;
4. Consumer willingness to pay premiums for local food;
5. Value of generic versus branded marketing programs;
6. Barriers towards the local trend and its influence on business behaviour.

The most severe disconnect exists in the very different attitudes that stakeholders situated at each end of the value chain possess towards how they would benefit from consumers' growing interest in local food and the establishment of a LFDI. While customers view the establishment of an LFDI as an opportunity to help them adapt to changing market demands; the majority of farmers view an LFDI as an opportunity that will help prevent them from having to adapt to a changing market and, simultaneously, sell what they already produce at higher prices.

That such differences occur in stakeholders' attitudes suggests that the viability of a LFDI would depend on it addressing four distinct challenges. These are similar challenges to those that have hindered the development of local food initiatives established elsewhere in Canada and elsewhere. They are:

1. Motivating farmers to produce what consumers want to buy;
2. Maintaining producers' commitment to the LFDI through managing their expectations;
3. Ability to follow a commercial approach to business by resisting political pressures;
4. Ability to establish a marketing program that directly connects quality with local.

Differences were also found that attitudes of sub stakeholder groups (i.e. corporate versus independent retailers). Within the retail sector, the attitudes of independent retailers (whether wholly independent or those owning franchises of corporate chains) appear more conducive to supporting an LFDI than those of corporate retailers. A key reason for this appears to be the difference between how independent and corporate retailers view the whole local food 'issue'.

- Independent retailers view consumers' growing interest in local food as an opportunity for them to gain competitive advantage.
- Corporate retailers view consumers' growing interest in local food as a challenge to which they must react to retain competitive advantage.

Similar differences can be seen between independent and corporately owned foodservice operators, institutions, and distributors. The demarcation between independent and corporate processors is a little different due to the impact that legislation, such as supply management and federal versus provincial inspection, has on their operations.

Whether businesses view the local trend among consumers as an opportunity (*requiring an offensive response*) versus a challenge (*requiring a defensive response*) will influence the extent to which they are willing to change, the speed at which they are willing to change, and

the nature of their strategic decisions. It will also factor into whether they see greater potential for a seasonal versus a year-round LFDI. How those strategic decisions will translate into operations, and the effectiveness of those operations, will largely be determined by the individual businesses' corporate structure and culture. Attitudes, structure and culture will also factor into the role businesses see a LFDI playing, should they choose to partner.

In a divergent environment where some see local as an opportunity and others view it as a challenge, it is not surprising that an increasing number of independent retailers and restaurants feel they are caught in the middle and frustrated. They wish to take an offensive approach to exploiting market opportunities, but are restricted by franchise agreements and/or distribution systems that are owned by stakeholders following a more defensive approach. Independent retailers and restaurants, which take the offensive position, are more likely to support a LFDI from the outset. These stakeholder groups are also the ones that are most supportive of a year-round rather than seasonal LFDI.

While differences exist in stakeholders' attitudes towards the opportunities presented by consumers' movement towards local food, the research also identified similarities that a LFDI could build upon to become sustainable. These include a common belief that the LFDI's sustainability will rest upon it possessing the ability to:

1. Implement and enforce a strong and effective governance structure;
2. Retain stakeholders' commitment to a LFDI through managing expectations;
3. Balance the seasonality of local produce with customers' year round requirements;
4. Improve upon the current lack of suitable (or suitably managed) infrastructure;
5. Overcome producers' unwillingness to adapt their operations to suit market demands;
6. Ensure government and NGOs play a facilitation and not management role in the LFDI;
7. Expand the LFDI's geographic scope beyond the Hamilton and Niagara area; and
8. Wherever possible, strategically align the LFDI with already established infrastructure.

The majority of respondents (including producers) who voiced a definitive opinion stated that, to be effective, the leader of an LFDI must be a commercial person(s) who have a financial stake in the initiative and the authority to establish and enforce the appropriate governance structures. It was also stated that the person(s) must be free to act according to clearly defined processes that reflect the requirements of the target market(s).

Virtually all respondents, suppliers and customers alike, see the primary role of governments (federal, provincial, and municipal) as three fold. The first is to act as a facilitator who helps bring together interested partners and works with assisting less capable, though committed stakeholders, to developing the necessary capabilities to participate in a LFDI. The second is to support the development of necessary infrastructure and resources, rather than just consumer promotion. The third is to help create a commercial environment where business' can take full advantage of emerging market opportunities; such as modifying legislation that the research found not to be conducive to developing an effective LFDI.

Farm organizations will have an important role to play in addressing the severe disconnects that currently exist along the value chain and, in so doing, encourage the industry to expand the market for local foods. Supported by OMAFRA and AAFC, farm organizations will need to provide the tools and motivation necessary to reformulate many farmers' opinions. They will also need to motivate them to develop the necessary management capabilities to position themselves able to have greater influence on the business decisions of retailers and other members of the value chain.

Customers (retailers and HRI) and farmers believe that perishable products (particularly fruit and vegetables) are most suited to a LFDI. While they generally believe that processed

products are not as suited to a LFDI, many believe that lesser processed products such as bread, cheese, meat and fish are possible. Differences do however exist between how independent versus corporate customers view the suitability of meat and some other processed products for distribution through a LFDI. This largely comes down to corporate retailers, corporate HRI, and corporate distributors being apprehensive to source meat from provincially inspected abattoirs and secondary processors due to legislation and food safety concerns. It is also due to smaller provincial processors lacking the ability to supply at the required volumes. The same concerns lead to corporate retailers restricting franchised stores' ability to source locally produced meat and other processed products. Other than potted plants and cut flowers, the suitability of non-food products to a LFDI was deemed questionable.

In terms of the geographic scope of an LFDI, very few respondents support the concept of establishing a LFDI whose geographic scope was limited to Hamilton and Niagara. A small number of producers suggested that it should be *either* Hamilton *or* Niagara. A small number of HRIs thought the same. However, the overriding view was that a LFDI should extend beyond the Hamilton and Niagara area. Key reasons for this include the perceived need for a LFDI in other areas too, and that it would make the differences between the two areas would become less acute. This would help create a more customer and consumer-friendly persona than 'idyllic' Niagara versus 'steel-town' Hamilton. Expanding the geographic scope would also increase the potential economies of scale and provide access to a wider array of both products and markets. A common consideration voiced by respondents is that the LFDI, if established, should at a minimum cover the 'Golden Horseshoe' and immediate surrounding area. Many respondents believe that the LFDI should be provincial.

Respondents agreed that for the LFDI to be successful, its governance arrangements must ensure that individuals are accountable for their performance and that it is suited to rigorously enforcing a quality assurance program. Particularly as the success of local food initiatives relies on successfully translating the quality attributes which products acquire at the production level into market strength. An effective governance system is also critical for developing the transparency and source verification necessary to secure the trust and support of customers and consumers. For these reasons political factors cannot be allowed to influence the structure or management of the governance process.

Finally, though the reasons for their responses differ by stakeholder group, the vast majority of respondents also believe that the LFDI must be strategically linked to an existing system; particularly during the early stages of its development. Establishing a standalone LFDI will require considerable investment, which will be difficult to recoup without charging exorbitant prices or returning minimal returns to suppliers. In addition to economic benefits, respondents believed that strategically linking the LFDI with a current system would provide immediate access to potential customers, an in-depth knowledge of the market and customer requirements, and a sophisticated logistical infrastructure. It could also provide the LFDI with access to an extensive knowledge base, processing capabilities, and an ICT infrastructure that supports an effective web-based ordering/delivery system.

The report ends by eight recommendations for establishing a sustainable local food distribution initiative. They are:

1. The three types of LFDI that appear to suit the business environment;
2. Identify the most appropriate leader(s) before establishing the LFDI;
3. Target the correct markets first;
4. Strategically align the LFDI with existing systems;
5. Determine its geographic scope and a manageable expansion program;
6. Determine the product mix;
7. Establish a verifiable quality assurance system;

8. Develop a strategic marketing plan.

The research results suggest three alternative processes are most suited to distributing local food and agri-products within the Hamilton, Niagara, and surrounding area. Some have already proven themselves viable on a smaller (often isolated) basis in Ontario. All three have proven themselves viable in jurisdictions that are outside of Canada though share distinct similarities with the Hamilton and Niagara area, and Southern Ontario. Any of the options could likely be established without the need to extensively expand upon current infrastructure. They are:

1. Establishing regional distribution hubs;
2. Getting a piggyback from leading suppliers;
3. Establishing a local food network.

All three distribution options are suited to linking local food suppliers with retailer or foodservice customers of all sizes. The options are not mutually exclusive. Which option(s) works where will largely depend on the individual retailer(s) or market(s) being supplied and whether the product(s) being handled require a specific type of infrastructure. Therefore all three options could potentially be used simultaneously to supply a full range of products to the same market.

Regional distribution hubs and piggybacking leading suppliers are most suited to connecting local food suppliers with corporate retailers. Along with larger independent retailers, corporate retailers represent the largest market opportunities for local food. Regional distribution hubs provide the opportunity to distribute the widest range and greatest volume of products, often at the least cost, and are frequently developed in conjunction with the retailers that they will serve. Piggybacking on leading suppliers offers local suppliers the opportunity to quickly increase the sophistication of their distribution, processing and marketing capabilities. Though are usually distribute only a narrow range of products and are instigated by individual businesses. Local food networks are less sophisticated and more informal than the other two options and so are more suited to supplying smaller (perhaps niche or highly seasonal) markets.

While perhaps the most important outcome of the research was confirmation that a perceived need exists to establish a local food distribution initiative in the Hamilton and Niagara area, and beyond, the research also identified how a LFDI should be managed to be sustainable. Many initiatives fail through attempting to expand social models that are suited to individual operators or niche markets, though are not at all suited to competing in a mass commercial market. This was a key lesson learned from interviewing people with experience in developing and managing LFDIs. The opportunities for local food are undeniable and growing. However the challenge of establishing a LFDI that can benefit a large segment of the industry could be overwhelming, particularly if it attempts to follow more of a social than commercial approach to business.

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1. Introduction

The agri-food industry is becoming increasingly competitive and global. Simultaneously, changing attitudes toward the environment, health and wellness, as well as viewing food as an experience rather than simply sustenance are influencing consumers' purchasing habits. This is spawning a trend where consumers are seeking to reconnect with the source of the food they choose to consume in order to verify its authenticity and overall value. A result of this trend is consumers' increasing interest in local and regional food.

When businesses possess the ability to provide target markets with the value propositions they desire, as well as the capabilities to continually adapt to a rapidly changing market, they have the potential to develop a sustainable competitive advantage. Establishing the necessary balance of infrastructure, personnel, products, economies of scale, and markets to develop a sustainable Unique Value Proposition (UVP) is not an easy equation to solve, particularly given that local food remains an emerging segment of the overall food market. This project aims to assess the operations and processes that need to occur within the Niagara and Hamilton areas in order for a 'local' agri-food/product initiative to deliver customer and consumer defined 'value' and, therefore, be financially viable.

1.1 Purpose and Objectives

The purpose of this project is to assess the economic viability of establishing a sustainable local and regional food and agri-product distribution system in the Niagara and Hamilton areas, including whether the preferred approach is formal or informal, and what form that distribution centre should take given the demographics of the surrounding region, market requirements, and supply base.

The objectives of the study are, therefore, as follows:

1. Identify critical success factors associated with successful local and regional food and agri-product distribution initiatives, both domestic and international;
 - a. Compare how their location / product / customer base compares to characteristics associated with the Hamilton and Niagara areas;
 - b. Identify how successful local and regional distribution systems have overcome challenges associated with attracting and maintaining a viable target market;
2. Identify the markets most likely to support a local and regional food initiative if established in the Niagara and Hamilton areas;
3. Identify products that potential target markets are most likely to purchase from a local food and agri-product distribution initiative, and what factors would engender their support;
4. Identify the likelihood of participants along the value chain to support a local and regional food and agri-product initiative in the Niagara and Hamilton areas;
5. Identify the operational and marketing arrangements that appear best suited to the potential customer base (whether situated in the Niagara and Hamilton areas or further a field), the supply base, and associated products; and,
6. Propose a series of recommendations that can be evaluated through an economic viability assessment.

2. Methodology

This section outlines the methods used by the Value Chain Management Centre and George Morris Centre team to meet the research objectives and to accomplish the overall purpose and goals of the project.

The research methodology chosen for this project takes a Value Chain Analysis (VCA) approach to analyzing market opportunities and factors that the supply side of the initiative will need to address. Specifically, these include identifying how a regional distribution system might provide value above and beyond that which is provided by the current food and agri-products distribution network in the Hamilton and Niagara areas. This process enables findings from each step of the research to be incorporated into the final analysis by identifying what each level of the value chain must achieve to make the overall initiative financially sustainable.

The project is comprised of four phases:

1. Background research
2. Primary research
 - Interviews with retailers, processors, distributors operating in the Hamilton and Niagara areas, and further a field where deemed appropriate;
 - Interviews with hotels/restaurants/institutions (HRI), and wineries in the Hamilton and Niagara areas;
 - Interviews with organizations involved with local food distribution in Ontario, and other North American initiatives where deemed appropriate;
 - Interviews with primary producers;
 - Interviews with industry associations
3. Research Findings and Conclusions
4. Recommendations.

Details of the research are set out below.

2.1 Background Research

The background research was conducted in two stages. The first stage took two forms: a literature review, and data mining the results of previous projects. It commenced with a literature review to understand the context of the Hamilton and Niagara areas, in order to determine the following:

- Agricultural size and economic importance;
- Primary commodities produced in the areas;
- Agricultural processing, manufacturing and distribution; and,
- Demographic footprint of consumers (permanent and tourist).

In addition to the literature review, data sets from previous research undertaken by the Value Chain Management Centre and George Morris Centre were reviewed. Many of these data sets are unique and not publicly available. This work enabled us to capture further insights on factors likely to impact the success (or failure) of local and regional food initiatives. Stemming from research associated with Canada and elsewhere, the analysis enabled us to identify the following:

- Drivers of consumer interest in local and regional food and agri-products;
- The extent to which potential target markets (including retail and the HRI sector) support the concept of local and regional foods and agri-products, as well as behavioural drivers;
- Issues that industry stakeholders had experienced when attempting to source local and regional foods/agri-products; and,

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- Ways in which successful local or regional food initiatives had addressed issues such as verification of source and quality, which are critical to maintaining a value proposition.

The second stage of the background research involved interviewing chosen representatives from local and regional food initiatives, already established in Ontario and elsewhere in North America. The interviews were conducted anonymously using a semi-structured interview approach, which enabled us to capture extremely valuable information, including:

- Overall experience sourcing, distributing and marketing locally / regionally produced food (and other agri-products where appropriate);
- Lessons learnt: particularly what did work and what did not work, and why;
- The financial sustainability of the model that had been implemented;
- The extent to which the distribution system has changed since its establishment; and,
- What would they do differently (if anything) when establishing a distribution system again.

2.2 Primary Research

Findings from the literature review guided the design of primary research activities. This included the companies interviewed and the questions asked. In keeping with the VCA approach, the research and later analysis was divided into seven groupings. The first six groups each represented stakeholders operating at a particular stage of the value chain:

1. Retailers: *Interacting directly with consumers, selling a range of mostly unprepared products which they did not produce themselves;*
2. Restaurants, hotels and institutions: *Interacting directly with consumers, selling prepared products which they did not produce themselves;*
3. Distributors: *Providing vital distribution services between suppliers and customers;*
4. Processors: *Processing products within the Hamilton and Niagara areas, or processing products sourced from the Hamilton and Niagara areas;*
5. Wineries: *Primarily producing own grapes and selling wine / food at their own store or/and directly to restaurants and / or to the LCBO; and,*
6. Primary producers: *Located in the Hamilton and Niagara areas and operating within a sector of agriculture that is important to the economy of the area.*

The seventh group was comprised of industry groups (a mixture of advocacy organizations and service providers that interact with stakeholders from multiple levels of the value chain). Though not commercial stakeholders, it was felt that this group could provide additional insights into the opinions and attitudes that their constituents possess towards issues related to local food, including opportunities and hindrances to capturing identified market opportunities.

3. Background Research

The background research has four main objectives. First, it provides a concise overview of the Hamilton and Niagara areas from the perspective of capacity to supply (primary production and processing). Wherever deemed appropriate, issues and opportunities are described within the context of Hamilton / Niagara and Ontario / Canada.

Second, it provides insights into the current distribution of key products produced in Niagara and Hamilton, and factors said to have impacted the demand for foods – particularly fruit and vegetables – produced locally in the Hamilton and Niagara areas versus imports.

Third, it identifies drivers that motivate customers (including retail and institutions) and consumers to purchase local food. Using research undertaken in Canada and internationally, this section ranks the overall importance of food being local within myriad factors that shape consumer shopping habits at the retail level, where the vast majority of food is purchased.

The final section provides examples of why a number of initiatives have either failed completely or failed to achieve their full potential. It also examines the current state of the market for local food in Canada versus the UK, where local and regional food is more established. It then summarizes factors critical to successfully positioning local food among competing products, and establishing a sustainable local food initiative.

Supplementary background information is included in Appendix 1, on areas such as:

- Demographics of consumers who favour local food;
- The importance of food origin and how consumers identify source of origin;
- The willingness or not to pay a premium for local;
- Distribution of food in Canada;
- Local and Regional Food Initiatives from Canada and abroad.

Included in this last analysis are examples of particularly successful local and regional food initiatives and reasons they have been successful.

3.1 Capacity to Supply

The balance between local production and local consumption varies considerably between different geographical areas and regions. Understanding the nature and potential of local food production, processing, distribution and consumption is crucial to understanding the scope for local food in different areas.

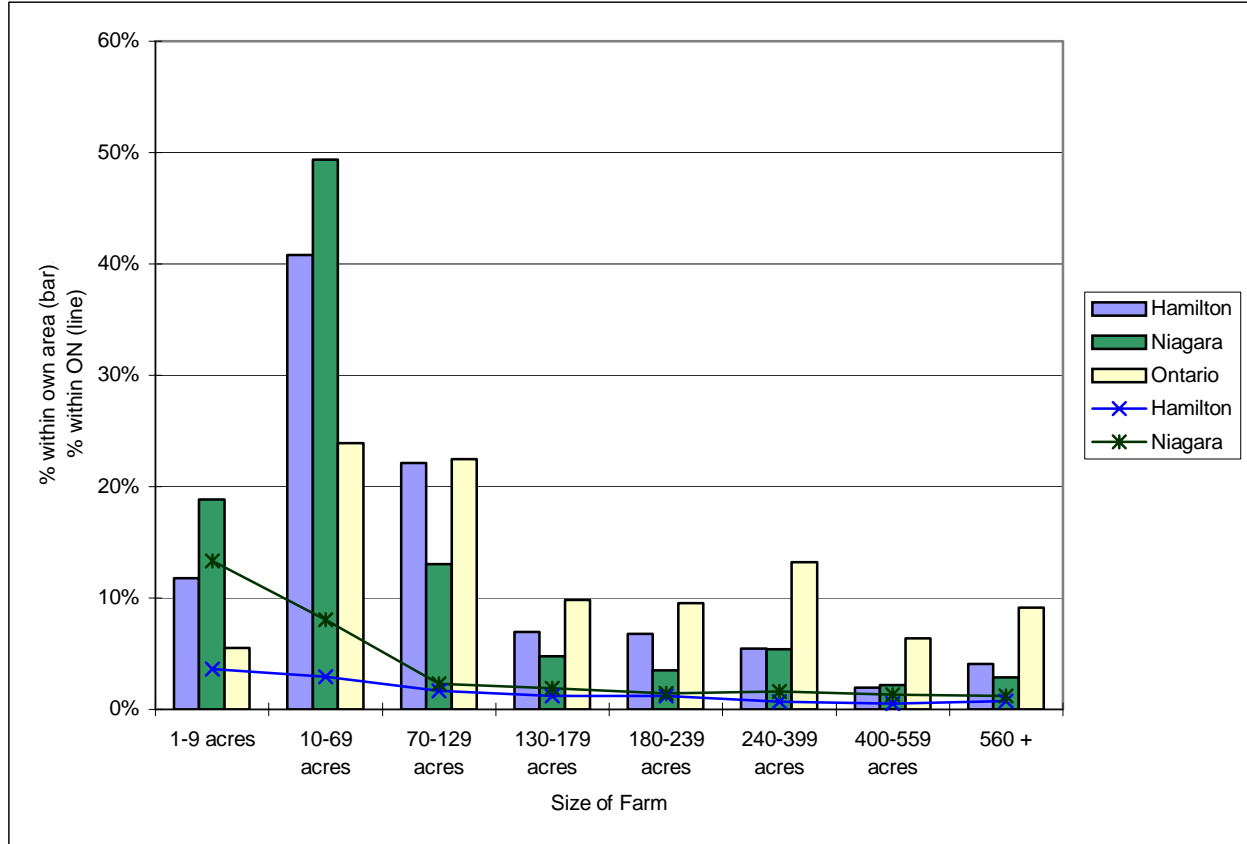
Agriculture forms an important component of the economies of both the Hamilton and Niagara areas. In Hamilton, it is estimated that agriculture contributes more than \$1.2 billion to the local Hamilton economy. This includes \$823 million in direct sales, \$265 million of induced sales and \$171 million in labour income. It is estimated that in Niagara, agriculture contributes \$1.8 billion to the Niagara economy. This is comprised of \$400 million in direct sales, \$562 million in indirect sales and \$832 million in induced sales (Agricultural Action Plan: Hamilton 2008, Niagara 2003).

3.1.1 Number, Size and Value of Farms in Hamilton and Niagara

Farms within Hamilton and Niagara represent a small percentage of the total farms within Ontario. The 2006 OMAFRA census stated that only 975 or 1.7% of Ontario farms were located in the Hamilton area and 2,236 or 3.9% in the Niagara region. With an estimated average size of 50 acres, most of the farms in the Niagara and Hamilton areas are smaller than the Ontario

average. Figure 3.1 illustrates farm size by location in Hamilton or Niagara, and in relation to the provincial average.

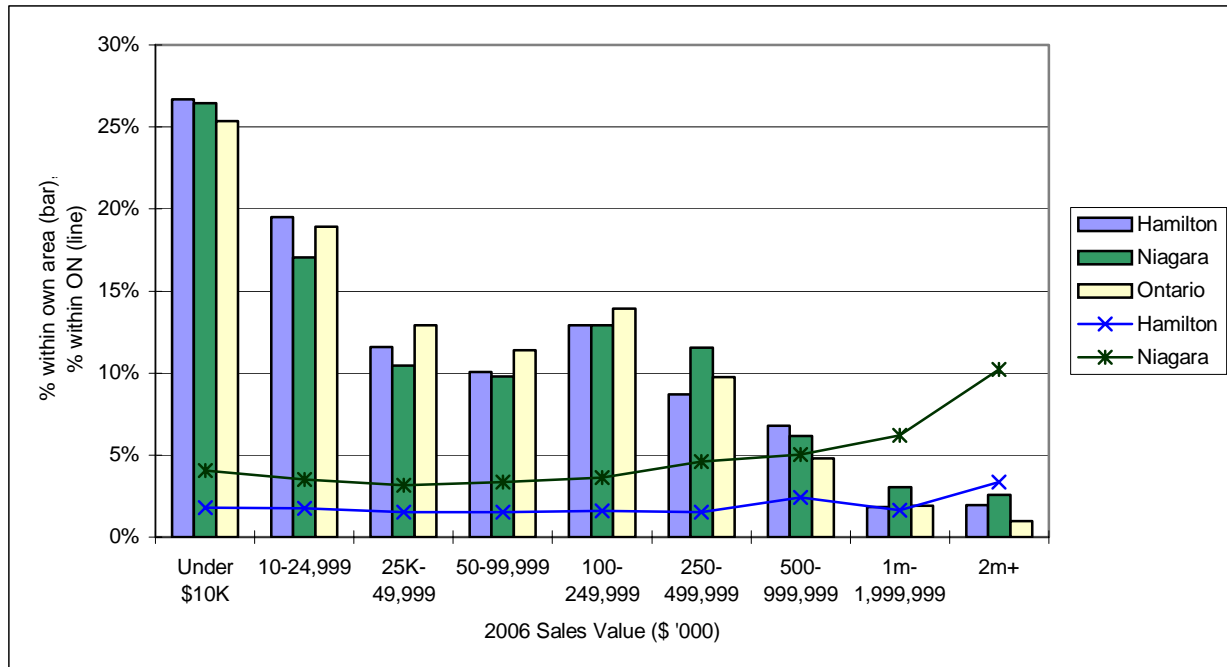
Figure 3.1: Size of farms: % of farms within region, and as a % of ON farms



Source: 2006 Census of Agriculture, Statistics Canada
 Reported by Economic Development Policy Branch, OMAFRA

While the average farm size located in Niagara and Hamilton is smaller than the provincial average, the average earnings of these same farms are higher than the provincial average. As can be seen in Figure 3.2, this is particularly the case for farms with annual sales over \$250,000. Farms located in Niagara and Hamilton are among the most productive anywhere in the province.

Figure 3.2: Total value of sales: % of farms within region, and as a % of ON farms



Source: 2006 Census of Agriculture, Statistics Canada
 Reported by Economic Development Policy Branch, OMAFRA

In fact, Niagara farms are the most productive anywhere in the province, and Hamilton farms are the fourth most productive in the province. This is accounted for by a superior land base, a temperate climate, the nature of the commodities produced, the occurrence of higher value added activities, access to services, and access to a large consumer base (Statistics Canada).

3.1.2 Main Commodities Grown in Hamilton and Niagara

The most important sectors (by Farm Cash Receipts) in Hamilton are nursery, mushrooms, poultry and fruit and vegetables. From 2001 to 2006, there was growth in greenhouse production (+37%) and fruit production (+19%), and farms in Hamilton accounted for 5.7% of Ontario’s greenhouse, nursery and floriculture farms, and 4.3% of the fruit and tree nut farms. Segments in decline from 2001 to 2006 included cattle farming (-76%), vegetable production (-30%) and poultry and egg operations (-12%) (Hamilton Agricultural Profile, 2008 and OMAFRA, 2006).

Niagara produces specialized crops that cannot be produced in other parts of the province. Over 90% of all tender fruit crop production comes from the Niagara Peninsula. The Ontario Tender Fruit Marketing Board (OTFMB) estimates the average annual farm gate sales for Niagara at \$45 million; \$9 million for processing crops and \$36 million for fruit sold on the fresh market (OTFMB website, 2009).

OMAFRA data from 2006 indicated that the floriculture, nursery and sod sector was most important to Niagara, with \$242 million gross farm revenue (GFR). Specific areas that are important by GFR, are fruit (\$108m), poultry (\$81m), greenhouse vegetables (\$23.8m), dairy (\$16.8m), hogs (13.8m), soybeans (\$13m) and eggs (\$11m). The number of farms within Niagara accounted for over 40% of the fruit farms in Ontario, almost 12% of Ontario’s greenhouse, nursery and floriculture farms, over 9% of the provinces poultry and egg farms and 5% of the vegetable and melon farms.

Figure 3.3 separates out the above figures, in terms of the percentage of each of the main commodities produced by farms within Ontario, Hamilton and Niagara. Ontario's data is included to provide a comparison to Hamilton and Niagara. For example, this shows that *flora and nursery* is far more important to Hamilton (28.8%) and Niagara (43%) than for the total province (8.9%). Just three categories dominate agriculture in Niagara; flora & nursery, fruits & vegetables and poultry account for more than 80% of what is produced in total from that area.

Figure 3.3: Share of farm cash receipts within area, by main commodities, 2007

	Ontario	Hamilton	Niagara
Flora & Nursery	8.9%	28.8%	43.0%
Fruits & Veg*	12.6%	11.5%	23.4%
Mushrooms		21.5%	
Poultry	7.6%	15.2%	14.4%
Dairy	18.4%	5.3%	3.0%
Soybeans	8.6%	2.9%	2.4%
Corn	7.0%	2.5%	
Hogs	8.7%		2.5%
Eggs	2.5%		2.0%

*Fruits and Vegetables, Breakdown

Greenhouse Veg		4.0%	4.2%
Field Veg		4.0%	
Fruit		3.5%	19.2%

Source: 2006 Census of Agriculture, Statistics Canada
Analysis reported by OMAFRA, 2007

Figure 3.4 illustrates the livestock raised in the Hamilton and Niagara areas as a percentage of the provincial livestock population.

Figure 3.4: Number of animals by county, as a percentage of provincial totals

Animal	Hamilton	Niagara
Pigs	0.4%	1.1%
Sheep & Lambs	1.0%	1.5%
Hens & Chickens	3.7%	10.2%
Turkeys	3.7%	5.0%

Source: 2006 Census of Agriculture, Statistics Canada
Reported by OMAFRA

These statistics show that the most important commodities grown in the Niagara and Hamilton region are greenhouse/nursery, fruits/vegetables (including grapes for wine), and poultry. Each of these sectors is described below. Distribution information is found below in Section 3.1.5.

3.1.2.1 Greenhouse/Nursery

The greenhouse sector is important to both Hamilton and Niagara. Nationally, the total greenhouse area grew continually from 1990 to 2005. Since 2006, growth in that sector has slowed significantly. Although flowers and plants account for two thirds of total greenhouse revenue, the area dedicated to vegetables slightly exceeds the space allotted to plants and flowers: 10.7 million m² versus 10.4 million m², respectively. Ontario accounts for 52.4% of the flowers and plants sold by Canadian growers. Ontario is the largest producer of greenhouse vegetables, accounting for 63.7% of total production area. The majority of vegetables grown in greenhouses are tomatoes, cucumbers and peppers (Statistics Canada, 2007).

3.1.2.2 Poultry

In 2007, poultry remained a significant contributor to Hamilton and Niagara's regional agricultural economies. According to the Association of Chicken Processors, there are three processors within Hamilton and Niagara: Pinty's Delicious Foods in Port Colbourne, River View Poultry Ltd in Smithville and Grand River Foods in Beamsville. Pinty's produces a complete range of value-added fresh and frozen chicken products to the retail and food service industries. River View Poultry purchases, slaughters and processes chickens in the roaster category, a niche market for large birds. Grand River Foods is a multi-protein processing company, marketing chicken, beef and pork to foodservice and retail markets.

3.1.2.3 Fruits and Vegetables

Although Hamilton and Niagara are in close proximity, their differing geographies favour the production of different crops. For instance, while 46% of Ontario's fruit growing area is located in Niagara, only 3.4% is located in Hamilton. On the other hand, Hamilton has almost three times more land dedicated to vegetable production than Niagara, making up 3.1% and 1.2% respectively of Ontario's overall area of vegetable production (OMAFRA, 2006).

The following tables show the area (acres), production ('000 lbs) and value of specific crops produced within Hamilton and Niagara areas. Figures 3.5 and 3.6 compare the regional data to that for Ontario, showing that across all crops (except grapes), Hamilton and Niagara farmers achieved a slightly higher price per pound for their products than the provincial average.

Figure 3.5: Statistics for vegetable production in Hamilton and Niagara versus Ontario

Crop/Area	Bearing Area (acres)	Marketed Production ('000 lbs)	Average Price (cents/lb)	Farm Value (\$'000)
Peppers				
Hamilton	117	1,814	27.5	499
Niagara	60	924	27.8	257
Hamilton and Niagara	177	2,738		756
Ontario	3,800	60,764	27.3	16,573
Hamilton & Niagara as % of Province	4.7%	4.5%		4.6%
Green and Wax Beans				
Hamilton	488	2,245	26.1	586
Niagara	96	451	27	122
Hamilton and Niagara	584	2,696		708
Ontario	9,300	46,000	24.1	11,100
Hamilton & Niagara as % of Province	6.3%	5.9%		6.4%
Cabbage				
Hamilton	164	5,068	15.3	775
Niagara	54	1,625	15.5	252
Hamilton and Niagara	218	6,693		1027
Ontario	2,650	82,000	15.2	12,500
Hamilton & Niagara as % of Province	8.2%	8.2%		8.2%
Tomatoes				
Hamilton	173	11,678	6.2	724
Niagara	163	11,003	6.1	671
Hamilton and Niagara	336	22,681		1395
Ontario	18,025	1,241,954	6	74,270
Hamilton & Niagara as % of Province	1.9%	1.8%		1.9%

Source: 2006 Census of Agriculture, Statistics Canada
Analysis reported by OMAFRA, 2007

Figure 3.6: Statistics for fruit production in Hamilton and Niagara versus Ontario

Crop/Area	Harvested Area (acres)	Marketed Production ('000 lbs)	Average Price (cents/lb)	Farm Value (\$'000)
Apples				
Hamilton	534	14,418	18.6	2,682
Niagara	692	18,684	18.9	3,529
Hamilton and Niagara	1226	33,102	18.8	6,211
Ontario	17,000	494,984	18.6	92,255
Hamilton & Niagara as % of Province	7.2%	6.7%		6.7%
Grapes				
Hamilton	692	5,467	57.8	3,160
Niagara	13,445	107,829	59.9	64,590
Hamilton and Niagara	14,137	113,296	58.9	67,750
Ontario	16,460	131,293	59.9	78,581
Hamilton & Niagara as % of Province	85.9%	86.3%		86.2%
Peaches				
Hamilton	17	136	56.0	76
Niagara	4,915	49,445	54.9	27,145
Hamilton and Niagara	4,932	49,581	55.5	27,221
Ontario	6,000	60,226	54.8	32,977
Hamilton & Niagara as % of Province	82.2%	82.3%		82.5%
Strawberries				
Hamilton	140	644	131.6	848
Niagara	134	576	132	760
Hamilton and Niagara	274	1,220		1608
Ontario	3,475	15,700	130.3	20,450
Hamilton & Niagara as % of Province	7.9%	7.8%		7.9%

Source: 2006 Census of Agriculture, Statistics Canada
 Analysis reported by OMAFRA, 2007

Of the fruits grown in Ontario, grapes have enjoyed the highest increases in farm revenue. In fact, in 2007 the total farm gate value of Ontario grapes exceeded \$74 million. This made them the most valuable fruit grown in Ontario, comprising 35% of the total farm value of Ontario's commercial fruit crops. This increase in value can be directly attributed to growers switching to higher-valued viniferous grapes, which are in demand by Ontario wineries and consumers.

With approximately 86% of Ontario's grapes grown in the Hamilton and Niagara areas, and ~94% of those grown in Niagara, grapes clearly represent the most valuable crop grown in the Niagara area (Grape Growers of Ontario, 2009).

3.1.3 Fresh versus Processed

Recent statistics from OMAFRA show that more fruits and vegetables are sold fresh than processed. As shown in Figures 3.7 and 3.8, only grapes and field tomatoes have higher sales to processors than the fresh market. While the table is insightful, a substantial amount of data relating to vegetables is either suppressed or unavailable (See notes below table).

Figure 3.7: Sales value of fresh fruit vs. sales to processors

Crop	Fresh Sales Farm Value (\$'000)	Sales to Processors Farm Value (\$'000)
Apples	57,000	18,000
Apricots	260	0
Total Blueberries	4,670	0
Total Melons	5,400	0
Cherries, Sour	30	4,072
Cherries, Sweet	x	X
Grapes, Labrusca	3,600	1,591
Grapes, Vinifera	45	73,345
Total Grapes	3,645	74,936
Nectarines	3,200	0
Peaches	30,000	2,977
Pears	5,100	813
Plums and Prunes	1,950	0
Raspberries	3,250	40

OMAFRA, 2008

Figure 3.8: Sales value of fresh vegetables vs. sales to processors

Crop	Fresh Sales Farm Value (\$'000)	Sales to Processors Farm Value (\$'000)
Asparagus	10,400	0
Beans, Green and Wax	X	X
Beets	X	X
Broccoli	X	0
Brussels Sprouts	X	X
Total Cabbage	X	X
Total Carrots	13,500	4,567
Cauliflower	X	X
Celery	2,350	2,025
Corn, Sweet	19,500	8,500
Cucumbers and Gherkins	X	X
Cucumbers, Greenhouse	..	0
Garlic	X	X
Leeks	1,730	0
Lettuce, Head	X	0
Lettuce, Other	X	0
Total Lettuce	4,150	0
Lettuce, Greenhouse	..	0
Mushrooms
Onions, Dry	17,800	3,500
Onions, Greene	3,500	0
Parsley	1,110	0
Parsnips	600	0
Peas, Green	X	X
Peppers	8,310	4,395
Peppers, Greenhouse	..	0
Pumpkins	X	X
Squash and Zucchini	7,280	410
Pumpkins and Squash	X	X
Radishes	1,355	0
Rhubarb	150	0
Rutabagas	5,000	700
Spinach	3,100	0
Tomatoes, Field	10,530	59,184
Tomatoes, Greenhouse	..	0

OMAFRA, 2009

Figure Notes:

X Suppressed data due to confidentiality agreements.

.. Data is not available.

... Figures are not applicable.

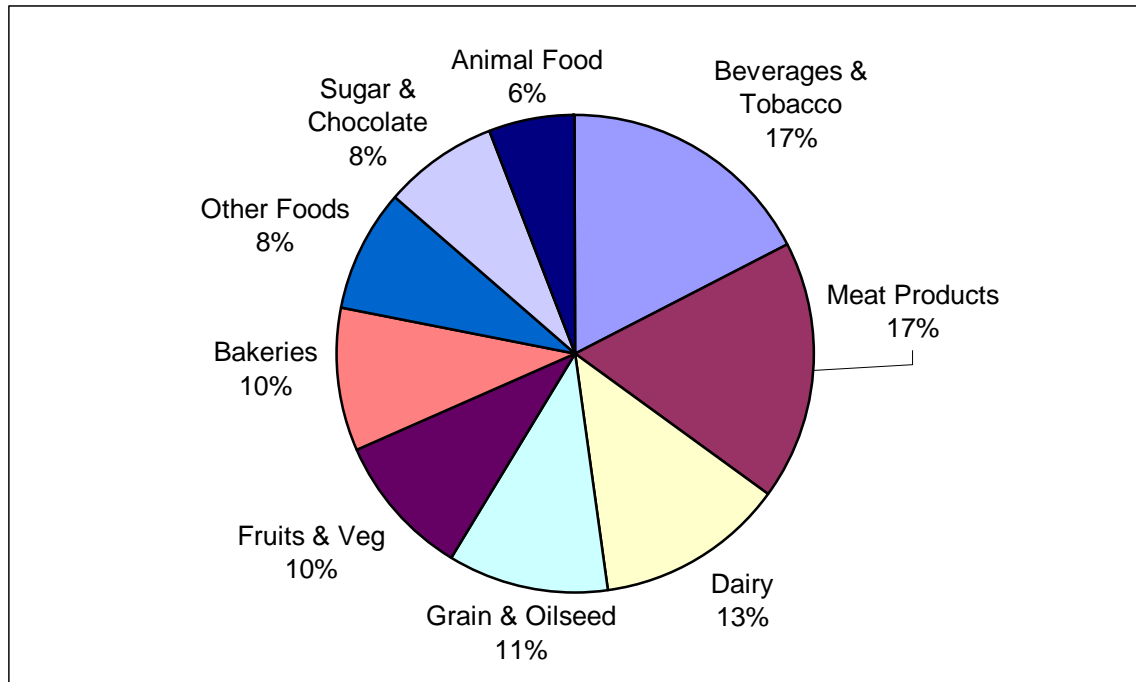
3.1.4 Food and Beverage Processing in Hamilton and Niagara Areas

The processors located in Niagara, versus Hamilton, differ in the products they process and produce, and the markets they supply. For instance, Hamilton is home to most meat processors, while Niagara is home to most produce processors. In meat processing, 20 meat processors are located in Hamilton and eight in Niagara, their sizes ranging from large

companies like Maple Leaf through to small, family owned deli's (Ontario Independent Meat Processors, 2009). The opposite exists in the fruit and vegetable sector, with the majority of produce processors being located in Niagara. In beverage production there are again distinct differences between the types of businesses located in the Niagara versus Hamilton region. Nowhere is this more pronounced than in wine, with the majority of Ontario's 125 wineries based in Niagara. A small number of artisan beers are also brewed in the Niagara area.

Provincially, Ontario's food and beverage processing industry purchases 70% of Ontario's farm production (Alliance of Ontario Food Processors, 2009). A breakdown of Ontario food and beverage processing industry is shown in Figure 3.9.

Figure 3.9: Sub-sectors of the Ontario food and beverage processing industry



AOFP, 2005

On a national level, food processing is the second largest manufacturing industry (in terms of shipment of goods). It employs approximately 268,000 people and has sales of \$68 billion. Beverage processing includes soft drinks and bottled water manufacturing, wineries, breweries and distilleries. This industry employs approximately 32,000 people and has sales of \$10 billion (AAFC, 2006). The Canadian food and beverage processing industry supplies approximately 80% of processed food and beverage products available in Canada. Canada's fruit and vegetable processing and frozen food industry shipped \$7 billion of products in 2007, of which 32% was exported.

3.1.4.1 Wine

Grapes are a critical crop for Niagara producers and many grapes are grown for the wine industry. The wine industry has become an important contributor to Niagara's economy. 2007 statistics indicate that winemaking was the dominant use for Ontario grapes with over 90% of production used for wine products and just 10% for juice, jams and other grape products (Grape Growers of Ontario, 2009). The Ontario wine industry grew by 4% in 2008 and produces approximately 80% of total Canadian wine by volume. Ontario's wine industry is worth \$506 million and accounts for 44% of the total wine market.

3.1.4.2 Challenges

Grapes

While grapes and wine have been a success story for the Niagara area in particular, they face distinct challenges. According to the OTFMB, Niagara growers produced a surplus of 4,000 tonnes in 2008. Adding to this challenge is the recent closure of significant processing facilities in the region. The closing of the Cadbury Schweppes Beverages and Welch's grape juice factories in 2007 affected more than 100 juice grape growers (NTAB, 2007; Meyers, 2007). As expected, the closures have prompted a further transition toward wine grapes, which has the potential to exacerbate issues facing producers of viniferous grapes.

Food

In the food processing sector, the closure of the St David's CanGro fruit canning factory in 2008 had a negative effect on many producers and the local economy, particularly as it was one of the last fruit processors in North America outside Washington and California. The company reportedly now custom processes fruit "sourced from wherever the cheapest prices are globally, usually Chile, Greece, China, or South Africa" (Industry Group, 2009). Even with the increased prices of oil and transportation, labour continues to be a larger expense than transportation, making it worthwhile to ship goods into the province (Industry Group: A, B, C, D, 2009; Rubin, 2009). CanGro also closed a vegetable processing facility in Exeter in the first quarter of 2008. Between the two plants, approximately 268 hourly and 27 salaried positions, as well as all seasonal positions, were lost (CanGro, 2008).

3.1.4.3 Inability to Respond to Market Growth

The Alliance of Ontario Food Processors (AOFPP) (2008) reported that while demand for pre-packaged fresh and frozen fruit and vegetables is soaring, the challenges facing Niagara and Hamilton's (as well as the wider Ontario) food and beverage processing industries stem from a number of factors, including low productivity and a lack of investment into research and development compared to other G7 countries.

Another industry weakness cited by the AOFPP is the relationship between farmers and processors. Although they depend on each other, interactions are strained by continuous conflict over prices and increasing pressure to compete in a global market. Innovation can benefit processors and farmers but it is impossible for processors to develop without involving the farmers who supply them.

A third factor limiting the Ontario food processing industry, identified by the AOFPP is legislation. While on the one hand federal, provincial and municipal governments are encouraging the development of local food initiatives, policies and legislation implemented by those same levels of government make following such a path increasingly difficult.

From interviews and a review of literature, there is no dispute that, despite growing consumer demand for prepared and/or processed foods, there is a shortage of large scale fruit and vegetable processing capacity in the Hamilton and Niagara areas. While plants have been closing, national grocery sales in Canada for pre-packaged fresh vegetables exceeded \$437 million in 2007, up 20% from 2005 (AC Nielsen, 2007). Refrigerated bagged salads made up the largest segment of this market, with sales of \$371 million in 2007. Sales of frozen fruit and vegetables were valued at \$589 million. Frozen vegetable sales accounted for almost 70% (\$410 million) of this total, and grew 8% from 2005. Demand for frozen fruit, including fruit juice concentrate, grew by 15% in the same period to reach \$178 million in grocery sales (AAFC, 2007). Although the distribution of fresh local fruits and vegetables is limited due to the short growing season, a clear opportunity exists to supply this growing demand for processed (particularly frozen) fruits and vegetables.

3.1.5 Distribution Networks

Almost 120 million people are accessible within a day's drive of the Hamilton and Niagara areas. These large urban markets provide opportunities to produce and distribute products to a large concentrated consumer base. This benefits the perishable food industry, in particular by allowing rapid delivery of products.

Interviewed experts agreed that it is impossible to know how much food produced in Niagara and Hamilton stays in these areas. It is only possible to know how much stays in Ontario or leaves Ontario (Anonymous A, B, C, 2009).

Most apples grown in Ontario are sold via 6-8 main marketing companies who supply the fresh, juice and peeler markets. Unlike tender fruit, Ontario apples are sold year round due to cold storage facilities (Ontario Apple Growers, 2009). About two thirds of Canada's apples are shipped fresh, while the rest go to processing markets for a variety of uses ranging from pressing for juices and ciders to peeling and slicing for the canning and baking industries (AAFC, 2006).

According to the Ontario Fruit and Vegetable Growers Association, almost 100% of the fresh vegetables grown in Ontario, stay in Ontario (2009). The main exceptions to this rule are greenhouse vegetables and potatoes. Approximately 75-80% of cucumbers, peppers and tomatoes grown in Ontario greenhouses are exported to America. About 70% of Ontario-grown potatoes stay in Ontario, with the remainder largely being exported to the USA (Ontario Potato Board, 2009). The Ontario vegetable industry is reported to be less coordinated than the Ontario fruit industry, making it more difficult to ascertain precise figures for vegetables.

3.1.5.1 Food Distribution

Through interviews, it was determined that most fruit is sold via wholesalers, co-operatives, or direct to supermarket chains. The majority of large fruit farmers already supply their local market, though it's up to the members of the chain to promote their products as being local.

Ontario Food Terminal (OFT)

Although the OFT is located beyond Hamilton and Niagara's boundaries, it plays an important role in distributing food and agri-products. The OFT Board owns and operates the largest wholesale fruit and vegetable distribution centre in Canada. Handling approximately 950,000 tonnes of produce each year, it is one of the top three wholesale fruit and produce distribution centres in North America.

The OFT has two sides to its operation: major distributors handling imported and domestically produced product and a farmers market. As with other sectors of the market, its customers are consolidating too. In 1998, the OFT had 320,000 paid entries. By 2008, that number had dropped to 270,000 visitors while the annual volume of produce remained relatively consistent. A study to determine expansion opportunities and requirements for the OFT to continue serving its customer base is due in the fall of 2009.

On the major distributor side of OFT's operations, in 2007 and 2008 approximately 25,000 trucks delivered produce to 22 wholesalers/distributors. These businesses account for the majority of sales through the food terminal. In interviews, it was noted that these wholesalers are not important to the distribution of local food because they import approximately 90% of their stock. Two main reasons account for local products having such a low percentage of the sales occurring in this section of the OFT. First, because they cannot compete with growers who deliver direct to retail chains' distribution centers via co-operatives or shippers. Second,

because they prefer to deal with imports as they are often cheaper and enable businesses to more effectively cater to consumers' desires to purchase "everything all year round."

The OFT's farmers market has 550 stalls and attracts an average of 2,000 customers each day. The 33,000 leaseholders are allowed to sell food from one of three sources: their own farm, from Ontario, or from Canada. Three lease options are available: July to December for fresh greens, tender fruits and sweet corn; January to June for root vegetables, apples, early spring asparagus and rhubarb; and an annual lease. Space is also rented on a daily basis, with growers taking occupancy of vacant stalls prior to the opening of the market. (OFT, 2009; Anonymous C, J, 2009.)

Co-operatives

Of the fruit co-operatives operating in the Niagara region, Vineland Growers Co-operative is identified as an important player in the distribution of fruit from Niagara. As Canada's largest grower and shipper of tender fruit (more than 750,000 trees on over 5,000 acres), the co-operative has approximately 300 grower members. Retailers receive a guarantee that their "fruit is picked at the optimum time, cooled and stored at the right temperature, labeled and packed in the right container, and enhances the fresh fruit offer in your stores. All of our owner/growers supplying tender fruit are evaluated, tested and certified before they are approved to pack under the "VINELAND" brand label." (2009)

In terms of best practice, Norfolk Fruit Growers Association (NFGA) is often identified as one of Ontario's most innovative co-operatives. Though its active membership has been reduced to 18, a marked difference from when it was first established in 1906, the volume of apples that it handles has expanded significantly. Driven by the need to keep abreast of developments occurring in the international and domestic markets that it serves, NFGA's quality management and quality assurance systems are among the most advanced in Canada (NFGA website, 2009).

3.1.5.2 Wine Distribution

While Ontario's wine industry has experienced recent growth, consumption of Ontario wine within the overall market has decreased. The most significant growth in Ontario wine has been in the 'Cellared in Canada' category and just 30% of this wine must be made from Ontario grown grapes. Up to 70% of this wine can be made using imported wine. According to the Grape Growers of Ontario (2009), it is unacceptable to have such a high volume of foreign wine in 'Cellared in Canada' wines, when there is an abundance of Canadian product available. They report that the current Wine Content Act negatively affects the prices achieved by Canadian grape growers.

In contrast, VQA wines are made entirely from Ontario grown product. Vintners Quality Assurance (VQA) wine sales have grown, however, the market share of VQA wines has not met projected targets and was 18% in 2008. With respect to distribution, two fundamental issues surround the ability of Ontario's wine industry to increase its market share: the limited number of distribution channels for Ontario wineries and the perceived lack of marketing from the LCBO.

Over one half of Ontario wine is sold through the LCBO. Other than through the LCBO, most Ontario wineries are permitted to retailing their wine only through one store located at each winery. Sales through this channel account for about 40% of all Ontario wine sales, and increased by nearly 5% in 2008. Tourism is critical to this channel, and growth at the winery level has occurred through wineries investing heavily to augment the tourist experience with fine dining, music concerts and charitable events. The sale of wine to licensees and restaurants accounts for 8% of Ontario wine sales, and grew by about 4% in 2008. This channel is more

competitive because imported wines also have access to this market through consignment sales (Wines of Ontario, 2008; VQA Ontario, 2008).

Compared to other provinces, where wine can be sold at farmers markets or designated stores, or many other countries where local wine and other alcoholic beverages enjoy a vast and varied range of markets, the sales avenues for Ontario wines and alcoholic beverages are limited.

3.2 Population Demographics

3.2.1 Permanent Residents

The population of the Hamilton census area was 504,559 in 2006 and is expected to grow to 618,940 by 2031. The population for the Niagara census area was 427,421 and is expected to increase to 531,000 by 2031 (Places to Grow, 2006). Although agriculture is important to these regions, they are primarily urban. Ninety-three percent of Hamilton and 88% of the Niagara population lives in an urban environment (Statistics Canada, 2006).

Of the areas' populations, 8,575 are employed in agriculture and other resource-based industries in the Niagara area, and 5,465 in the city of Hamilton (Statistics Canada, 2006).

3.2.2 Food Consumption

The population figures above were used to calculate the disappearance (consumption) of foods by region, along with gaps in production versus average disappearance. It should be noted, however, that the average disappearance figure provided by Statistics Canada does not adjust for losses, such as waste and/or spoilage or losses during preparation.

Although impossible to determine the specific destination of Ontario-grown foods within Ontario, it is interesting to see that, hypothetically, Hamilton and Niagara regions are producing more than their populations require for apples, grapes, peaches, green/wax beans and tomatoes. A shortage exists for strawberries, peppers and cabbage.

Figure 3.10: Specific crops: marketed production, by disappearance

Crop/Area	Marketed Production ('000 lbs)	Disappearance per capita, Cdn Average (lb/yr) & Area Total ('000 lbs)	Marketed Production less Disappearance
Apples		23.5 lb/year	
Hamilton	14,418	11,832	2,586
Niagara	18,684	10,023	8,661
Hamilton and Niagara	33,102	21,856	11,246
Grapes		11.3 lb/year	
Hamilton	5,467	5,694	-227
Niagara	107,829	4,823	103,006
Hamilton and Niagara	113,296	10,518	102,779
Peaches		3.4 lb/year	
Hamilton	136	1,720	-1,584
Niagara	49,445	1,457	47,988
Hamilton and Niagara	49,581	3,178	46,404
Crop/Area	Marketed Production ('000 lbs)	Disappearance per capita, Cdn Average (lb/yr) & Area Total ('000 lbs)	Marketed Production less Disappearance
Strawberries		6.7 lb/year	
Hamilton	644	3,396	-2,752
Niagara	576	2,877	-2,301

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Hamilton and Niagara	1,220	6,274	-5,053
Peppers		9.0 lb/year	
Hamilton	1,814	4,551	-2,737
Niagara	924	3,855	-2,931
Hamilton and Niagara	2,738	8,406	-5,668
Green and Wax Beans		2.2 lb/year	
Hamilton	2,245	1,098	1,147
Niagara	451	930	-479
Hamilton and Niagara	2,696	2,029	668
Cabbage		11.0 lb/year	
Hamilton	5,068	5,539	-471
Niagara	1,625	4,692	-3,067
Hamilton and Niagara	6,693	10,231	-3,538
Tomatoes		16.9 lb/year	
Hamilton	11,678	8,547	3,131
Niagara	11,003	7,240	3,763
Hamilton and Niagara	22,681	15,787	6,894

Source: 2006 Census of Agriculture, Statistics Canada

Analysis reported by OMAFRA, 2007

*Note: Some calculations may be slightly skewed due to rounded up figures.

3.2.3 Temporary Residents - Tourists

Research has consistently shown that tourists provide market opportunities that extend beyond those associated with permanent residents. This includes their propensity to pay a premium for local foods and products. This is in part because tourists are usually seeking an experience while on vacation and that being away on vacation usually denotes that they have disposable income. A higher percentage of tourists also frequent foodservice establishments for their meal occasions than locals. Tourists often frequent restaurants and retailers who provide a clear and emotional link to the locale (Gooch and Moore, 2006; Pick Ontario Freshness study, 2007).

While tourists are often considered to be international in nature, the majority of tourism that occurs in the Hamilton and Niagara areas is same day and overnight tourists from within Ontario. This occurrence compared to international tourism is driven by population density and disposable income, neither of which is expected to experience long term decline (Statistics Canada: Regional Tourism Profiles, 2007; ON Ministry of Tourism, ON Tourism Outlook 2009).

At a national level, domestic tourists are extremely important to overall Canada's tourism industry and represent about 80% of all trips and 70% of all tourism spending in Canada each year. In 2007, 47% of all visitors to Niagara were from Ontario and the top ten places of residences for Niagara tourists, included six Ontario municipalities. In Hamilton, 92% of tourists are from Ontario, and all of the top ten places of residence for visitors are Ontario municipalities (Statistics Canada: Regional Tourism Profiles, 2007). Highlights showing distinct differences between the tourism industries of Hamilton and Niagara follow. A brief overview of Ontario's overall tourism statistics forms Appendix 2.

3.2.3.1 Hamilton

The Hamilton area welcomes over 3.2 million tourists each year. Ninety-two percent of the tourists are Canadian, 6% are American and the remaining 2% are from other countries. Twenty-two percent of these visitors stay overnight. Although the majority of overnight visitors are still Canadian (81%), 13% and 6% are from the US and other countries respectively.

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Tourists in Hamilton spend \$186,456,956, with 64% from overnight visitors. Visitors from Ontario accounted for 57% of the money spent. Other Canadians account for 18%, while tourists from other countries account for 13% and Americans spend the least amount, 12%.

Most same day visitors come to the Hamilton area come to visit friends and relatives (61%). Others visit for pleasure trips (24%), business trips (7%) or “other reasons” (8%). The top ten activities by overnight visitors were:

- Visiting Friends and Relatives (84%)
- Shopping (39%)
- Outdoor/Sports Activity (24%)
- Sightseeing (22%)
- Historic Sites (12%)
- Bars/Nightclubs (11%)
- National/Provincial Parks (10%)
- Cultural Performances (9%)
- Museums/Art Galleries (7%)
- Sports Events (6%)

From a population base of over half a million people, just 2,300 residents are reported to work in Hamilton’s hospitality industry. The development priorities for Hamilton tourism are meetings and conventions, and sport tourism, followed by leisure (Ontario Ministry of Tourism, 2007; Hamilton Tourism Marketing Plan, 2009). Incorporating “local food” as a differentiating feature for the establishments co-coordinating meetings and conventions may be an opportunity to consider. Compared to the tourist attractions associated with the Niagara area, accessing this market will to some extent be dependent on the availability of larger order volumes, consistent competitive pricing, and portion control.

3.2.3.2 Niagara

In the recent past same day visitors from Ontario and the US have been of almost equal importance to Niagara tourism. More recently however, overnight visits from Ontario and other regions of Canada have shown positive growth while the occurrence of overnight visits by US tourists has been negative. That said, the overall number of US tourists’ remains within the historical band of 1.5 to 2.0 million visitors. Beyond the US, a negative trend has also been occurring in the number of overseas tourists visiting the Niagara area.

From 2003 onwards, Ontario tourists have become more important to the Niagara region than any other tourist group. This is a trend that is likely to continue, particularly as the number of American visitors is likely to continue declining as a result of recent U.S. legislation that requires passport identification for cross border travelling. A survey conducted on passport possession found that only 34% of U.S. residents hold passports, and that a large proportion of cross border travel involves travellers who do not hold passports. For these travellers, the cost and inconvenience associated with obtaining a passport is expected to deter their travel plans (BC Ministry of Tourism, 2005). The fluctuating value of the Canadian dollar and increasing gas prices also have been found to negatively affect US inbound travel to Canada (ON Ministry of Tourism, ON Tourism Outlook 2009).

From whatever jurisdiction they hail, the majority of visitors to the Niagara area come for pleasure. The number one tourist attraction is casino related activities (32%). This is followed by natural wonders (25%) and wine related activities (19%). On a smaller scale than Hamilton, Ontarians also travel to Niagara to visit friends and relatives.

The incidence of tourists participating in food related activities, and which is considered complimentary to the three main attractions, ranges between 20-50%. Among tourists mainly interested in wine and the natural wonders, 48% and 45% respectively had attended a farmers market or country fair, 41% and 47% had dined at a high end restaurant, and over 20% had picked fruit at a local farm. Tourists visiting casinos also had shown interest in these activities, although to a lesser degree.

Total tourist growth for the Niagara area is expected to grow by 577,000 visitors by 2015 and 632,000 by 2025. Growth rates for the Niagara wine segment are expected to grow the most, by 11% by 2015 and 28% by 2025. Among Ontario travelers, golf and dining at farms are activities expected to grow, while attendance at food and drink festivals and harvesting operations are expected to decline (ON Ministry of Tourism, The Niagara Region Tourist Opportunities Report, 2007). This suggests that tourists are becoming more sophisticated and personal in their choice of destination, particularly when their visit is associated with a food or wine experience.

This trend is supported by a report entitled "Interest in Wine and Cuisine" (2007). It found that pursuing activities associated with wine and cuisine was one of the most important travel experiences that Canadian travelers sought while on trips. In 2004 and 2005, 15.4 million Canadians participated in at least one type of activity associated with wine and cuisine while on an out-of-town overnight trip. This represents 74% of all adult Canadian travelers. Of those wine and cuisine participants, 16% (or 2.5 million) reported that participating in such activities was a trip motivator (main reason) for taking at least one trip. Dining in restaurants offering local ingredients and recipes and going to local outdoor cafés were the most common types of wine and cuisine-related activities.

3.3 Local Food Defined

The meaning of local food can change depending on the organization, the market in which it is being sold, the commodity being discussed and the growing season (Giovannucci, Barham & Pirog, 2009; DEFRA, 2008). The products that appear most suitable to marketing as local include fresh fruit and vegetables, followed by minimally processed products such as meat, most dairy products, and processed fruit and vegetable products. Local can be a potentially important characteristic of almost any kind of indigenous fresh foods, provided it can be grown in the area. Local is also important for prepared or processed foods that are perceived to need some skill or craft in their production (e.g. cheeses, sausages, baked goods, preserves), particularly where there is a clear link made between the point of sale and the producer or processor (Anonymous D, 2009; DEFRA, 2008).

The definition of local food can also be associated with the supply chain through which such products are purchased. Thus, farmers markets are a common supply channel for local foods, although the products sold through this avenue may not always comply with the factors described above. Over time, Community Supported Agriculture (CSA) schemes, roadside stands, small grocery stores and direct marketing from farms have become important supply chains for local foods and consumers frequently 'take it as given' that such products have been produced in relatively close proximity to their home. While products of Ontario are branded local by Foodland Ontario and "Product of Canada" is also defined as local by some (Niagara Region website, 2009), for the purpose of this project, local will be defined by products produced and/or processed within the boundaries of Niagara and Hamilton areas.

It should also be noted that many studies refer to local and regional food, and use the terms interchangeably. This is in part because regional success is often the key determinant of

whether a local scheme is successful. If a scheme can stand tall outside its immediate geographic area, it often stands tall within it too. However it is not usually the other way around.

3.4 The Nature of the Local Food Market

A DEFRA (UK) study of the local food industry (including opportunities and barriers) from 2003, reflected many of the findings that have more recently been identified in Canadian research. They include that the local food sector is largely fragmented, small scale and exists on the fringe of the food market. It is also filled with diversity and not accurately tracked, which makes it impossible to measure the sales of local food through traditional means, such as sales turnover.

The local food sector is often characterized by micro-businesses who are seeking to add value to their products, and who dominantly use direct and very short chain marketing to local residents, restaurants, retailers, and tourists (i.e. farmers' markets, farm shops and farm gate). Although economic survival is a primary objective for many in this sector, a strong commitment to a range of social, educational, health promotion and environmental outcomes also exists. The majority of businesses involved with selling local food are therefore independent producers and businesses who have a deliberate strategy to sell their products (though perhaps not all) as locally produced and through defined avenues and outlets.

A cautionary note should also be made that the short chains associated with many of these initiatives means that they often cannot be multiplied to form large scale ventures and are therefore only suited to niche markets (Thilmany, Bond & Bond, 2008; King, 2002). That local food is often a factor associated with individual players or niche markets is highlighted in a study by Cranfield, et al (2008) who found that consumers often do not perceive supermarket chains to be legitimate sources of local foods. As the vast majority of foods and beverages are purchased through supermarkets, this factor will severely limit the market for local food if left unaddressed. Unfortunately, current Canadian policies and legislation make overcoming this hurdle increasingly difficult – particularly when compared to policies and legislation that exist in countries where local food has become established in mainstream markets. More information regarding the restrictions stemming from legislation, and the barriers relating to local food distribution within Ontario supermarkets is found in the primary research results (Section 4.1).

3.4.1 Barriers to expanding local food market in Ontario

Whether a local or regional food initiative is successful undoubtedly relies upon on it being a commercially operated and managed venture. The initiatives that have failed altogether, or failed to achieve their full potential, are those that have not implemented the appropriate governance structures (Morgan, 2008; Fell & Russell, 2000) or have attempted to sell what is already produced rather than focus on producing what is desired by consumers (Heslop, 2007).

Often failed initiatives have attempted to satisfy people who are not suited to participating in the system because they do not possess the necessary mindset or business capabilities. Lack of cohesion within the initiative creates unnecessary costs, dilutes the initiative's competitiveness, and impacts the quality of products supplied (Giovannucci, Barham & Pirog, 2009; Thilmany, Bond & Bond, 2008; King, 2002).

They also fail through attempting to achieve consensus across a large group of dissociated people, such as a sector of agriculture or a sector of the processing industry, rather than working with a focused group of likeminded complementary partners an initiative sets itself up for failure through being unable to devote its resources to developing the capabilities required to achieve commercial sustainability (Morgan, 2008; Lacey, 2008; Ison & Russell, 2000). Each and every key participant is accountable for their performance, which ensures participants'

motivation to commit to the initiative and the overall group's ability to continually learn in order to successfully adapt to a changing business environment (Collins, 2008; Morgan, 2008).

As explained by William Slinger, the farmer behind the successful 'Bowland Fresh' milk initiative, which retails milk through Asda and Booths in the UK, "The problem with farmers is that they all want a seat on the bus, but they each want to go somewhere different, and no-one wants to drive" (Fortescue, 2006). Farmers have a real opportunity to benefit from consumers interest in local and regional foods, though they must not be misled into believing that this precludes them from having to adapt to suit the demands of their target market.

Specific barriers said to exist within Ontario include:

1. Finance – Accessing the funds necessary to expand or establish a LFDI is often difficult and time consuming for commercial organizations, resulting in lost opportunities.
 - One of the reasons why it is difficult to secure funding is because local food initiatives are relatively new and as such lack the business information and history necessary to secure loans from traditional sources (i.e. banks).
2. Lack of infrastructure – The increasing erosion of local infrastructure is a major concern. The closure of processors and the consolidation of the retail sector left many gaps, making the local food chain tenuous.
3. Barriers to entry include - high set up costs, current mindsets, and a declining distribution network.
4. Legislation and Bureaucracy – Canadian and Ontario regulations are considered impractical and have a disproportionately high impact on small businesses in the local food and beverage sector. These include:
 - planning applications being overly complicated and time consuming,
 - suppliers are prevented from securing an array of potentially lucrative markets by supply management as well as federal vs. provincial inspection,
 - LCBO and a few large wineries holding what is essentially a monopolistic influence over much of the Ontario wine market.
5. Lack of public support/awareness - It was suggested that the public doesn't understand the 'real' cost of food because supermarkets have kept prices artificially low through the use of cheap imports and the occasional use of predatory pricing strategies.
6. Difficult to enter supply chains serving large retailers - Supply to multiple retailers can cause significant difficulties for the small producers of local foods, particularly as a component of an own-brand.
7. Advice and training – A lack of an appropriate 'one stop shop' where producers could access best practice ideas and relevant advice. Not only a lack of accessible training, but more importantly businesses felt that they could not always spare the time or cost.
8. Few suppliers understand the processes and requirements associated with supplying multiples (i.e. labeling, trading standards, health and safety, delivery, supply, and invoicing).
9. Small producers tend to be entrepreneurial and product-focused. They often lack the business skills needed for planning, marketing communications and product development.

3.5 “Local Food” Demographics

A University of Guelph study into factors influencing the purchase intention of Canadian consumers with respect to locally produced foods, found that socio-demographic characteristics play only a limited role in shaping local food purchase intentions (Cranfield et al, 2008). The study supports findings from previous work by the George Morris Centre that attitudes have far greater influence than demographic characteristics on whether a consumer consciously supports and/or seeks to purchase local food over alternative offerings.

Those that appear most likely to purchase local foods have a positive perspective of local farmers and agriculture in general. They also equate local with food quality. Consumers with heightened levels of food involvement, either growing food or preparing most meals from scratch, were also more likely to purchase local foods. Consumers less likely to purchase local foods are those that place particular importance placed on brand specific quality.

Many consumers that exhibit a preference for organic also claim to prefer local food. These factors mean that local and organic may well be competing against each other in the marketplace and in vying for consumer interest. The common factor in driving consumers to seeking out organics or local is a desire to connect with the source and integrity of their food. Additional interviews confirm that at the corporate retail level, organic and local are seen as competing products. This is particularly true in the current economic environment where consumers' are increasingly more aware of the price differential that often exists between 'regular' and 'organic'. Beyond price considerations, additional reasons why local and organic compete include, that the consumers who buy either product often possess similar ethics, and that the same overall trends (health, environment, experience, etc.) are driving interest in both food types. The Institute for Grocery Distributors (2009) in the UK found that organics is losing market share to local because it currently has a clearer message than organic.

Essentially therefore, what appears to set successful and unsuccessful local and organic products apart is not that they are local or organic. It is that they present a strong value proposition to consumers (Anonymous, J, 2009; Walters, 2009; Cloud, 2007).

Research undertaken by a number of parties, including Ipsos Reid (2007), George Morris Centre (2007; 2008) and DEFRA (2008) found that while demographics have only a limited role in driving local food purchase, some significant demographic characteristics do typify 'local foodies'. This information can be found in Appendix 1.

As described above in Section 3.2.3, certain segments of the Canadian population have been found to have greater interest in wine and wine related activities. The ON Ministry of Tourism study (2007) found that Canadian wine & cuisine enthusiasts are most likely to:

- Travel more than the average Canadian 37% (or 7.7 million) of the overall population. These people travel on average 4.1 times a year versus the national average of 3.2;
- Live in British Columbia, followed by Quebec, Alberta, and Ontario. Least likely to live in or be visiting from (if a tourist) Atlantic Canada;
- Be better educated (university degree);
- Be more affluent (household income over \$80,000);
- Live in a large urban area;
- Travel to relax and relieve stress, to get a break from their daily environment, and to create lasting memories. Therefore seek out vacation experiences that enrich their perspective on life, gain knowledge of history and different cultures, and stimulate their mind.
- Have additional interests including fitness, same-day cycling excursions, cross-country skiing and wildlife viewing. Many of these activities relate to agri-tourism, historic sites, museums and art galleries, and high art performances.

3.6 Purchase Drivers for Food, Among Consumers

Studies into consumer decision making for food conclude that food shopping is a complex process. While food purchasing decisions are usually quick and often habitual, they are not without thought. While consumers may appear to shop in a casual manner as they move

through the grocery store or evaluate a menu, they are in actual fact engaging in either an impulse purchase process or a limited problem solving process, where they scan their memory for the outcome of previous solutions concerning whether or not they were rewarding. With an average of 70% of purchase decisions are made in store, a combination of influences ultimately determines the choices consumers make. These include but are not limited to: price and/or value, perceived quality, branding, personal and social gratification, health, convenience as well as the impact on the environment and local economy (Belasco, 1979; Gooch & Marenick, 2006; Heslop, 2006; Lowenberg, 1979; Tootelian and Segale 2004).

In the extensive *Consumer Data for Farmers* project (Value Chain Management Centre, 2009), consumption patterns and drivers of consumption for chicken, pork, lamb and veal were studied nationally. While the key drivers for meat consumption overall included a combination of *convenience, taste, healthiness* and *value for money*, the primary driver of usage for all four meats studied was *the whole family will eat it*. This project found that the percentage of consumers who look for 'area of origin' varies depending on the meat type, and increases as the dining occasion becomes more special. Another important driver of purchase decisions is whether they purchaser is confident that they will feel proud serving the meal to their family and/or friends.

3.6.1 Drivers Motivating the Purchase of Local Food

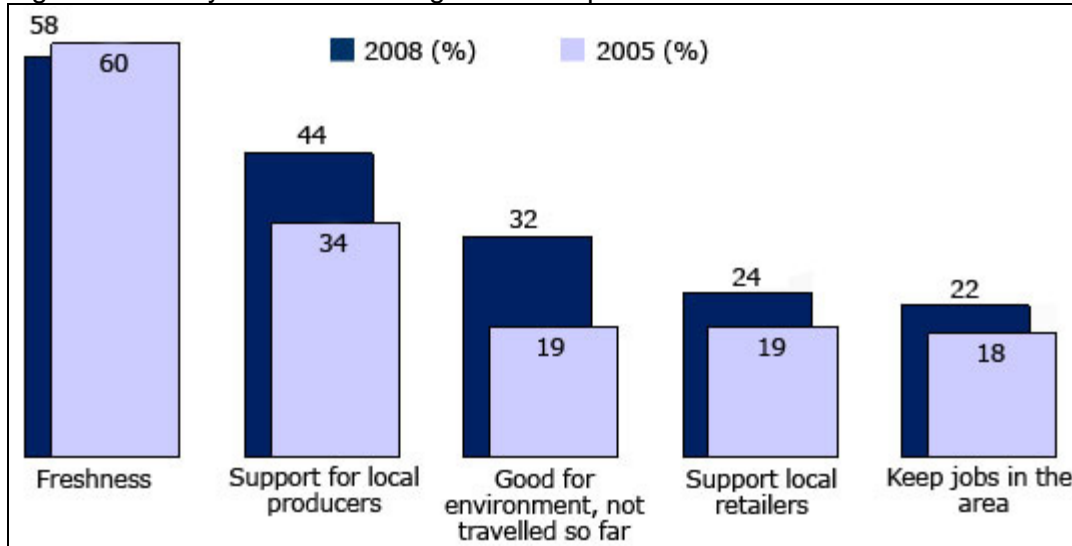
Countless studies have found that differences exist between what people say they will do and how they actually behave in a given situation. In the debate over local food it is clear that more people say they will buy local than do in actuality. Argyris (1995) refers to this conundrum as 'theories of action' versus 'theories of use'. While theories of action are voiced intentions of how the person consciously expects to behave in a future given situation, how they actually behave depends more on subconscious responses to prior experience. These differences are so ingrained that, when challenged to explain why differences exist between what they said and what they did, it is common for people to offer elaborate explanations – and be sincere in their explanation. The Value Chain Management Centre has documented evidence of this behaviour occurring while tracking consumers shopping for fruit in Ontario stores (2009).

A study by the Institute of Grocery Distributors (IGD), a not-for-profit market research institute in the United Kingdom looked at the factors that influence consumer's purchases of local food in the United Kingdom in 2005 and again in 2008. Various methods were presented as ways of raising consumer awareness of local food products and encouraging them to buy local and regional food. One of the key points made is that to be appealing to consumers, suppliers need to pay special attention to how the product is presented and packaged. This is because one of the factors that consumers use in differentiating between local products and mainstream products is does it meet their expectation that local producers have paid more attention to detail, in both the product itself and the packaging/branding. It was also suggested that when consumers associated local food with some sort of idyllic regional image there exists a greater propensity to buy food from that area.

Research conducted by Pick Ontario Freshness (2007) found that the single most important consideration among in-store shoppers is freshness, with 73% of shoppers ranking this attribute first. Safety (60%) and price (43%) were also important attributes driving purchase decisions. The main reasons cited by consumers for why they would be interested in buying Ontario produced or processed foods are support for Ontario farmers (63%), support economy and businesses (63%) and freshness of the food (49%). Additional studies (Ipsos, 2007; Heslop, 2007) also show that freshness and quality are more important influencers of purchase choice to consumers than supporting farmers.

Freshness – which is an indicator that many consumers also associate with environment and health – is therefore the overwhelming reason that consumers give for buying local food. With consumers determining freshness by judging the quality of the product, quality is a critical factor in local foods successfully capturing and retaining markets. While during the last the three years support for local producers and local retailers grew out of concern for the environment. In poor economic times, consumers are generally more aware of how buying local supports the economy of their own community. The 2008 IGD study found that 56% of shoppers believed their purchase could make a positive difference to British farmers and 46% believed it could be positive for the local economy. Figure 3.11 illustrates how factors said to be driving consumer interest in buying local have changed over the years.

Figure 3.11: Key attributes driving local food purchases



IGD, 2008

Fraser Key, managing director of food supplier Keys of Lincolnshire said, “Consumers have realised that home grown strawberries far exceed imports under forced growing conditions in terms of taste.” This statement compliments research described above that concluded consumers are driven primarily by freshness and taste.

The DEFRA (2008) study also found that the positive factors that determine the actual buying behaviour of local food included buying the amounts required, taste, freshness and seasonality. Factors that negatively influence consumers’ decisions on whether to purchase local food include lack of information and the purchasing activity being time consuming or inconvenient. Additional barriers were cost and lack of availability. Negative effects were also found to occur when produce was promoted nationally, and was marketed as ‘being traditional’. Being ‘environmentally friendly’ also surprisingly had a negative effect on buying behaviour. Distinct differences were also found between the preferences for ‘not branded’ versus ‘branded’ food when eating out, with ‘not branded’ more popular in that environment than at retail.

Beyond physical attributes, credence factors can also play a role in motivating consumers to purchase local food and beverages. In seeking to understand consumers’ motivation for shopping at farmers’ markets in Ontario’s Niagara region, Feagan et al (2004) said that the social interactions were centrally important to creating an experience that led to consumers showing support for local farmers through attending farmers markets. However Born and Purcell (2006) caution that unless verifiable supported by promotional programs that clearly

communicate product benefits that consumer's value, localness offers only a limited social construct upon which a product or area can be successfully differentiated.

The factors described above illustrate an important point: that interest in local is the symptom of wider trends and a number of converging drivers. Local is not THE reason that consumers choose to purchase a particular product. Quality in relation to price (which determines overall value) is the overriding factor driving consumers' purchase decisions, regardless of its source. This would be particularly the case when purchasing foods through retail, where ambience has lesser importance on shaping consumers' purchase decisions compared to when in a restaurant or at a farmers market.

3.7 Background Research Summary

The summary began with an overview of the Hamilton and Niagara areas. As described, the regions of Hamilton and Niagara differ significantly on a number of levels, particularly in terms of the crops grown and the range of potential customers associated with each area. Following a description of factors found to encourage or discourage consumers to choose local or regional food ahead of competing products, it provided examples of various local and regional food initiatives and factors found to have influenced the success of local and regional food initiatives.

From a production perspective, given that the majority of the land base in Hamilton and Niagara is classified as prime agricultural land under the Canada Land Inventory and that only 5% of the Canadian land mass is prime agricultural land, the production related opportunities for this area appears significant. Moreover, a combination of high quality of land, a benevolent climate, the nature of the commodities produced, the existence of higher value added activities (such as greenhouses and fruit production), along with access to services and the large consumer base, results in both areas achieving higher production and returns (GFR/acre) than the provincial average. However, when compared to Niagara, Hamilton has only half the area of agriculture and less than half the number of farms and turnover.

Although the population of both municipalities is largely urban, agriculture in Niagara compared to City of Hamilton appears to be more integrated and respected as an important element of the local economy and culture. An example of this is the ease with which examples can be found of where government and grass roots initiatives have been established to develop agri-food and related industries (hospitality, tourism, wine, etc.) within the Niagara area compared to Hamilton. This integration is heightening the experiential factors, which a more sophisticated vacationer is seeking versus primarily visiting an area for business meetings, conventions, sport tourism, or leisure.

In terms of the factors that motivate consumers to purchase local and regional food it was found that interest and familiarization do not necessarily translate into individual's purchasing habits, which ultimately revolve around specific products and purchase environments. For instance, although many consumers indicate they want to buy Canadian products, it was found that they do not actively look for ways to identify where the products they purchase are from. Sifting through information on labels to find specific points is considered a tedious task and consumer often make incorrect assumptions or do not understand cues correctly to determine product origin. For example, many consumers assume that food from farmers markets is local, or organic food is local, or use Canada Grade A as an indicator of product origin. Other consumers assume they do not have any choices and buy what is available at their local supermarket, making their shopping the most easy and convenient experience possible.

When consumers claim to support the concept of local food, they primarily want food that tastes good, is reasonably priced, and is convenient to buy. Therefore, they continue to purchase the

majority of their items at supermarket chains, even if those same consumers also frequent farmers markets or alternative food outlets. The background research also found that while many industry stakeholders claim that consumers are willing to pay a premium for local food, and research evidence exists to support that premiums as high as 100% can be obtained by marketing local food products that are differentiated through taste, look, packaging or some form of credence factor, “local” was found to rarely be “the” main driver of purchase. Often local only becomes important when all other requirements are met. Then local becomes a point of determination more than differentiation.

One of the potential barriers to expanding the market for local food is that consumers expect local and regional food to be more expensive. In one study, 41% of consumers believe that regional and local food is generally too expensive and a further 22% believe that it is often more expensive than similar alternatives. Additional barriers preventing the expansion of local food initiatives include a lack of local infrastructure, impractical legislation, lack of real public support, lack of training and business skills among producers, difficulty entering the supply chains of multiple retailers, and the lack of financially realistic business models.

Government programs place undue emphasis on promotion without regard to the other elements of the marketing mix. Programs are built around how to get consumers to buy what farmers produce at the prices farmers want to receive (sales oriented approach), rather than putting the emphasis on encouraging farmers to work with downstream stakeholders to produce products that consumers desire at prices that reflect the value they place on the perceived benefits of those same products (a marketing orientation).

In Canada, while local appears to be of increased interest among a growing consumer base, the strength of local as a driver of food purchasing is not as explicit as some other countries. The greatest success in engendering a shift in consumer purchasing habits has come from private (i.e. marketing orientation) rather than public (i.e. sales oriented) marketing campaigns, as shown by the influence on consumer behaviour of Foodland Ontario, versus the 2008 Loblaws “Grown Close to Home” initiative. This is because commercial programs are developed by professional marketers, often relate to only specific products, are designed to suit the place of purchase, are targeted at identified consumer groups, and are managed by a group that is able to ensure that the product(s) deliver according on promises of quality and consistency. Public programs often cover an array of products and markets, and are driven by political aspirations rather than commercial reality.

Finally, while localness offers considerable scope from a market development standpoint, it is far from being an assured strategy. The background research suggests that the development of a local distribution mechanism for Hamilton and Niagara presents many challenges. Although the two areas are similar to a degree, they undoubtedly differ in the relationships that exist between municipal priorities and the agricultural industry, market characteristics, and culture. The level of support that local agri-products appear to receive from the local populous as appears to differ quite dramatically between the two regions.

Further details on local food distribution initiatives and the characteristics of consumers’ most likely to be interested in purchasing local food are contained in the report’s appendixes.

4. Primary Research

This section is a summary of insights gathered from primary research into whether it is perceived to be viable to establish a local food distribution initiative for food, beverage and agri-products produced in the Hamilton and Niagara areas. The research was separated into three elements. The first two elements were designed to elicit attitudinal related insights into the potential viability of a local food distribution system in the Niagara and/or Hamilton area. The third element was designed to gather descriptive insights from past and/or ongoing local food initiatives from Ontario.

The first element gathered the views of stakeholders (excluding producers) who would likely be associated with a Hamilton and Niagara distribution system and ultimately determine its success. This allowed detailed information to be gathered on the attitudes and expectations that would surround the establishment of a local food distribution system. A copy of the survey/interview guide used for the research process forms Appendix 3. Analysis by stakeholder group forms Appendix 8. Detailed responses by questions and presented by the viewpoints of various stakeholder groups, form Appendices 9-12.

The second element of the research gathered the views of producers located in the Hamilton and Niagara areas. This allowed detailed information to be gathered on the attitudes and expectations of producers that would need to support a local food distribution system for it to be successful. A copy of the survey used for the research process forms Appendix 5. Detailed insights into the responses garnered from the research forms Appendix 13.

The third element of the research focused on gathering insights into a number of local food initiatives located in Ontario. This allowed the researchers to identify lessons that local food initiatives had learnt from practice. For commercial and personal reasons the interview results are anonymous.

A description of the research process and headline results from the subsequent analysis of responses from downstream stakeholders forms Section 4.1. Findings from the interviews with Ontario-based local food initiatives are included as quotes with main value chain research findings, in Appendix 8. Where appropriate to support a finding from the literature, some quotes were already included within the Background Research. A description of the research process and headline results from the subsequent analysis of responses from producers forms Section 4.2. A comparative summary of findings from the primary research forms the Conclusions segments of the report, Section 5.

4.1 Qualitative Interviews with Value Chain Participants (excluding producers)

4.1.1 Justification

As shown by the background research, just because local and regional food is available in a given area does not mean that a market readily exists for current products. Therefore, developing the ability to weigh attitudes against both business needs and potential market pull is critical to assessing the economic viability of an initiative in an area as fluid as local food. As the 'build it and they will come' scenario does not apply to developing a sustainable market for local and regional food, the researchers used findings from the background research to devise a survey instrument that could gain insights into factors that would ultimately be key to assessing the viability of a local food initiative in the Hamilton and Niagara areas.

This stage of the primary research provided directional insights into the drivers of business decisions made by businesses situated downstream in the value chain. Rather than providing quantitative statistically valid results, it sought insights into the attitudes of business people relating to local food and the business opportunities it presents. It was also designed to identify the transactional capabilities that a local food distribution system must possess to suit the needs of potential customers residing along the value chain, as these customers must ultimately satisfy consumers who are free to choose between an array of products and purchasing channels.

4.1.2 Methodology

Taking a value chain perspective to the research allowed the research team to identify opportunities and challenges relating to a local food distribution system, from participants operating at different levels of the value chain. It was also designed to provide insights into the current level of strategic alignment that appears to exist along the value chain, and factors that would need to be addressed for a local food distribution system to be successful.

In keeping with the Value Chain Analysis (VCA) approach, the research collection and later analysis was divided into seven areas, with the results of the six groups being contrasted against findings from the later survey of primary producers located in the Hamilton and Niagara areas. The first five groups represented stakeholders operating at a particular stage of the value chain downstream of primary production. The sixth group is comprised of industry groups (a mixture of advocacy organizations and service providers), each of which interacts with stakeholders from multiple levels of the value chain:

1. Retailers: *Interacting directly with consumers selling a range of mostly unprepared products which they did not produce themselves;*
2. Restaurants, hotels and institutions: *Interacting directly with consumers selling prepared products which they did not produce themselves;*
3. Distributors: *Providing vital distribution service between suppliers and customers;*
4. Processors: *Processing products within the Hamilton and Niagara areas, or processing products sourced from the Hamilton and Niagara areas;*
5. Wineries: *Producing own grapes (or buying locally), processing grapes into wine, selling wine / food at their own store or/and directly to restaurants and / or to the LCBO; and;*
6. Industry groups: While not commercial stakeholders, it was felt this group could provide additional insights into the opinions and attitudes their constituents possess toward issues related to the topic of local food, including opportunities and hindrances to capturing identified market opportunities.

The seventh group, surveyed separately, was comprised of primary producers (farmers) located in the Hamilton and Niagara areas. Information gathered from this component of the research is contained in Section 4.2.

The interview guide used by the Value Chain Management Centre, to ensure consistency in reporting downstream factors and enable responses to be collated into meaningful results, was designed using insights gathered during the background research. The interview guide (or customer survey) forms Appendix 3.

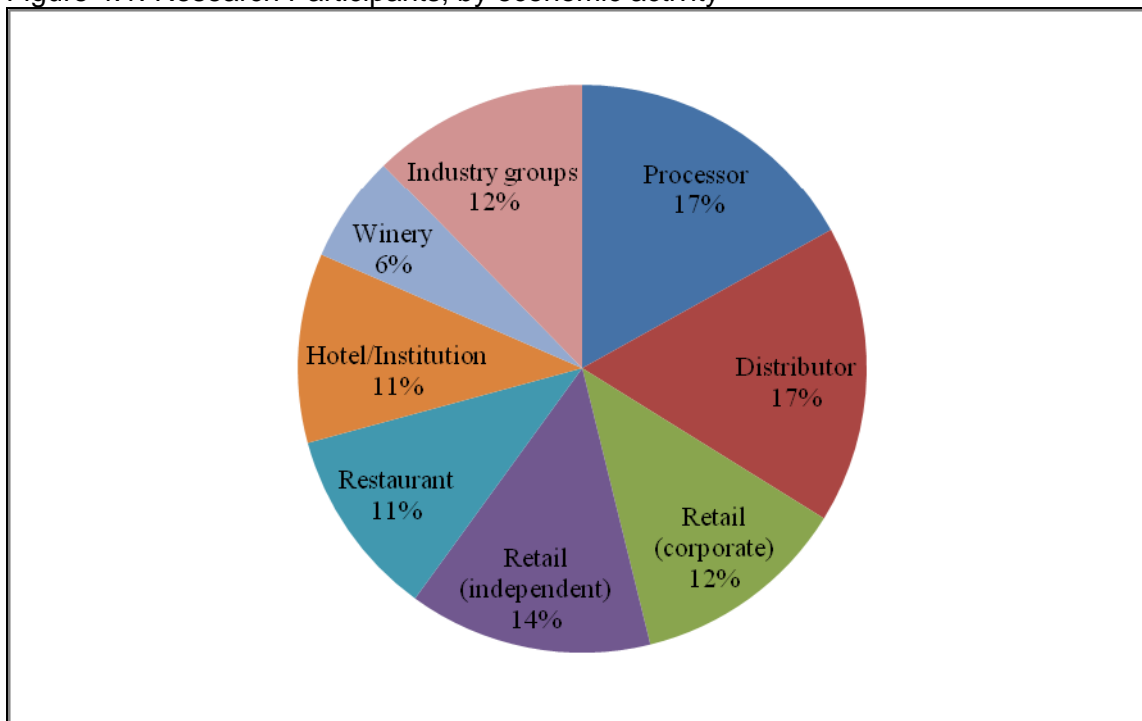
To enable frank discussion, and for reasons of confidentiality, all responses were gathered anonymously via respondents completing the survey at their convenience through a secure internet site or, as occurred most commonly, via an in-depth telephone interview. Telephone interviews were the preferred method for conducting semi-structured interviews as they allowed researchers to explore particular issues of importance in more detail. The telephone interviews lasted between 30 and 90 minutes each.

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Sixty-five industry stakeholders were interviewed between mid May and early June 2009. The interviewees represented activities conducted throughout the value chain or associated with the wider industry. Forty-eight percent were based in Niagara, 10% were based in Hamilton and 42% included both Hamilton and Niagara or “other” areas such as large grocery chains with coverage across Ontario. They included 17 grocery retailers (eight corporate and nine independent), 14 HRI establishments, 11 processors, 11 distributors, four wineries, and eight industry groups. As respondents were free to suggest multiple answers, or abstain from questions that they felt were inappropriate to their business, not every calculation in the findings (below) will total 100%.

Figure 4.1 breaks respondent groups down into the percentiles across the entire 65 interviews. It is estimated that the interviewees represent businesses that sell and distribute more than 90% of the food and agri-products sold or produced in the Hamilton and Niagara areas.

Figure 4.1: Research Participants, by economic activity



The interviewed processors differ in their business size, primary target market, and products. They represent different products such as red meats, poultry, fruits, vegetable oil, ready-to-eat products, specialty and niche products. Their sizes range from artisanal food manufacturers with a few employees to large enterprises with four hundred employees.

The distributors who participated in the survey, handle all types of food, some non-foods, and service the retail and foodservice sectors. They represent a wide range of business size and business models, from small volunteer groups and co-operatives through to international companies with thousands of employees and billions of dollars in turnover. Accordingly, those distributors have different primary target markets such as HRI establishments, wholesales, independent groceries, chain groceries or mass merchandisers.

The participating independent retailers vary from small businesses with few employees to large national businesses with approximately 3000 employees working at 16 locations within the area. The target markets of independent retailers vary according to their business strategies and

location. The participating corporate retailers are large, and have national or inter-provincial operations. Their primary market target differs according to specific banners, though together covers almost all consumer demographics.

The participating HRIs vary in business type, size and interest. They varied from small family-owned business to large businesses with more than five hundred employees. The primary market targets of the HRIs range from students through to discerning affluent diners, and from particular age groups and residents through to tourists and conferencing. All participating wineries were SMEs that produce their own grapes and/or buy local grapes, process their own wine, and sell to restaurants, as well as direct to tourists or specialty wine consumers through their own stores and/or restaurants. Given the expanse of this group, it has been broken down into restaurants, hotels and institutions, and wineries.

Also interviewed were industry groups or associations that do not own products but rather provide services such as product certification, business management and marketing, public relations, education/training, lobbying and establishing prices.

The perspectives provided by such a wide range of respondents provided the opportunity to gauge detailed insights that enabled a detailed assessment to be made of the economic viability of establishing a local and regional food and agri-product distribution system in the Niagara and Hamilton areas. All of the respondents hold senior positions in their organizations.

In this section, we examine the following:

- Whether a local food distribution system is required;
- Priorities when sourcing perishable food products;
- Main reasons for buying local food products;
- Products with pronounced demand as local;
- Consumers' price considerations toward local products;
- Attitudes toward marketing local food;
- Attributes that attract consumers to purchasing local products;
- Experience of handling / marketing local products;
- Importance of local in overall purchasing decision;
- Desirable characteristics of a local food distribution system.

Given the number of participants and the array of markets supplied and operations performed by the respondents, the findings in this part of the report are directional and attitudinal. They are not statistically significant.

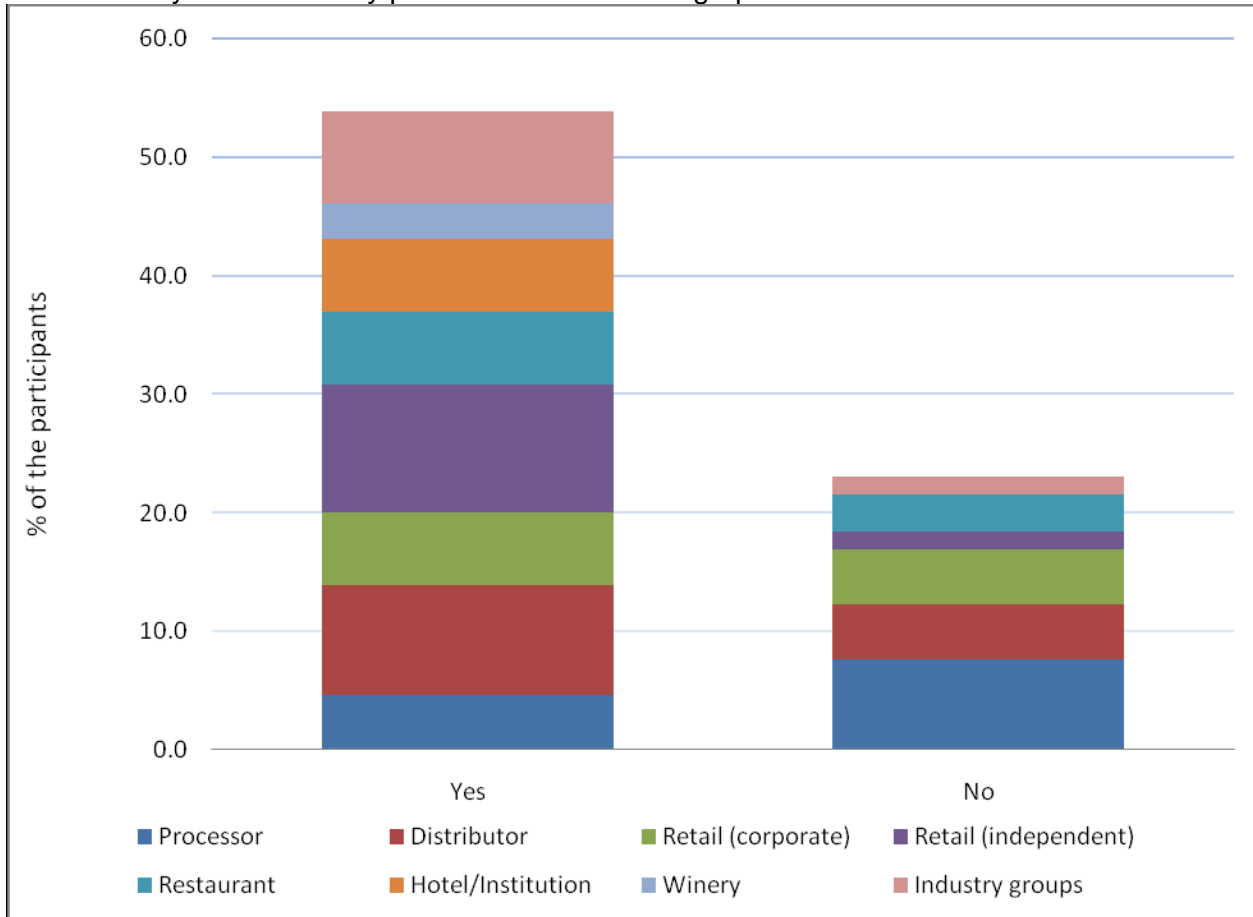
4.1.3 Research Findings

The research results are available in two formats. The first format shows the relative importance of factors that the respondents (overall and by group) said are most important for meeting their business needs or for expanding the market for local food. The second format, which forms Appendix 8, shows the relative weighing of each group against the average response toward a particular factor. The former, therefore illustrates aggregates; the latter illustrates different attitudes or needs by the various segments along the value chain. Only key findings are highlighted within the report. A detailed breakdown of all responses forms Appendix 7. Breakdowns of results specific to a particular customer group form Appendix 9 (corporate retailers, independent retailers and hotels, restaurants and institutions (HRI)). An overview of the themes that emerged from the primary research forms Appendix 6.

4.1.3.1 Is a Local Food Distribution System Required?

As illustrated by Figure 4.2, more than half (54%) of the respondents believe a need exists to establish a local food distribution system for the Hamilton and Niagara area. This belief is not as clear cut as might first appear. To gain these respondents support, an eventual system would need to possess distinct capabilities compared to current distribution systems. The remaining 46% of respondents were split equally between believing that a system is not required and not having a particular opinion about the need for a distribution system in the Hamilton and Niagara area.

Figure 4.2: Do you believe that the Niagara and/or Hamilton area requires a dedicated distribution system for locally produced food and/or agri-products?



Overall, the results are very encouraging in that only 9% of the total respondents indicated that local is either ‘not important’ or ‘irrelevant’ to their customers’ overall purchase decision making. Seventy-two percent of respondents believe that local is either ‘important’ or ‘very important’ to their customers. Twenty percent of respondents indicated that local is neither unimportant nor important to their customers.

4.1.3.2 Priorities When Sourcing

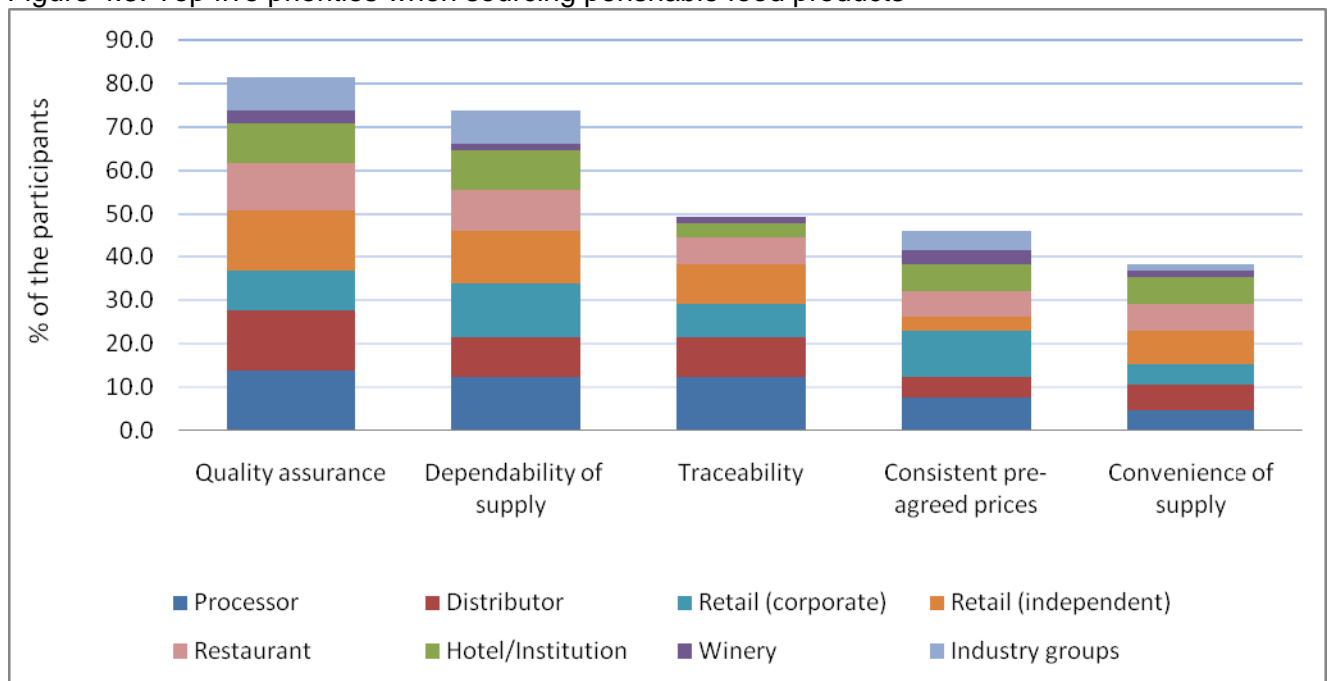
Regardless of where they source products from, all potential customers of a distribution system will have expectations which must be met before they will commit to purchasing from any given supplier. Retaining and expanding that business opportunity will rely upon the chosen supplier being able to consistently meet or exceed those expectations. Customer expectations are, therefore, the benchmark to which every supplier has to aspire in order to be successful.

Top Five Priorities

Respondents were asked to identify up to five top priorities their organization considers when sourcing perishable food products. They were asked about perishable food products versus more ambient products because the background research established that fresh food is most suited to local food initiatives. This was confirmed by participants of this study as well (Section 4.1.3.4). An additional reason for focusing on perishable products is that they require the most care and attention, so if an initiative can handle perishable products, it could be well suited for expanding into other products too.

Among all respondents, the key priorities were found to be quality assurance, dependability of supply, traceability, consistent pre-agreed prices, and convenience of supply. While the overall importance of these five factors is clear, as illustrated below in Figure 4.3, not all stakeholder groups apportion the same level of importance to each factor.

Figure 4.3: Top five priorities when sourcing perishable food products



4.1.3.3 Non-Transactional Factors, Opportunities to Create Added Value

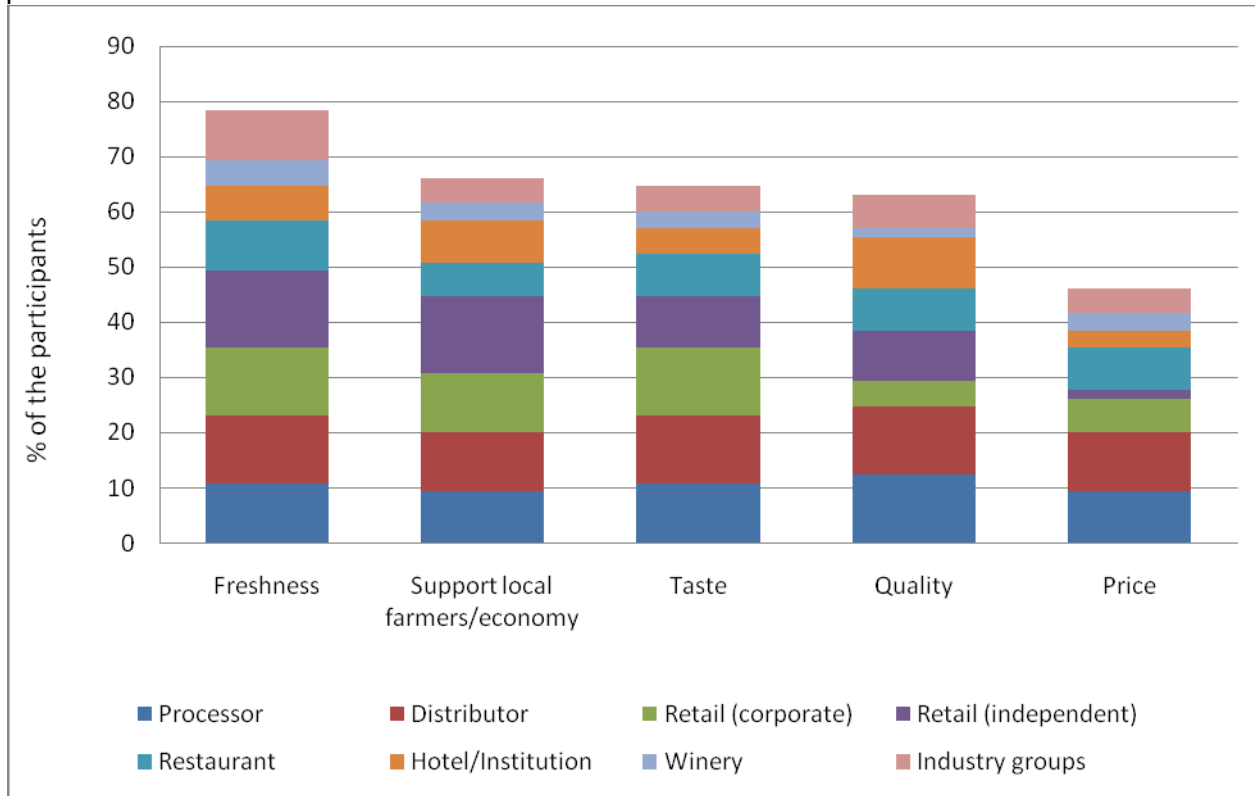
The primary research went beyond establishing a benchmark for whether respondents support the establishment of a local food distribution system in Hamilton and Niagara, and the transactional factors that may influence their willingness to either buy, supply or work with such a system. The research also aimed to identify whether sufficient market pull exists to warrant the establishment of such a system. This was achieved by asking a number of different questions relating to the demand for local products, from the respondents point of view as well as their consumers' (if a retailer, HRI, or winery) or customers' (if a distributor or processor) points of view.

Attributes that attract consumers to purchasing local products

Respondents were asked to suggest up to five attributes they believe would have the greatest influence on their consumers' or customers' decisions to buy local foods or agri-products, particularly those produced in the Hamilton and/or Niagara area. As shown in Figure 4.4, the five product attributes mentioned most often across all stakeholder groups were freshness, support for local farmers/economy, taste, quality and price.

Studying these top five attributes by stakeholder groups provided valuable insights. For instance, although price was found to be important overall, it is not as important to stakeholders dealing directly with consumers; namely independent retailers, hotels and institutions. “Perceived higher safety standards” is more important to independent retailers. Furthermore, independent retailers, hotels and institutions believe that “impact of food transportation on the environment” is a more important issue to their consumers as a driver of local food purchases, than is price. Analysis of each of the five attributes, follows in Figure 4.4.

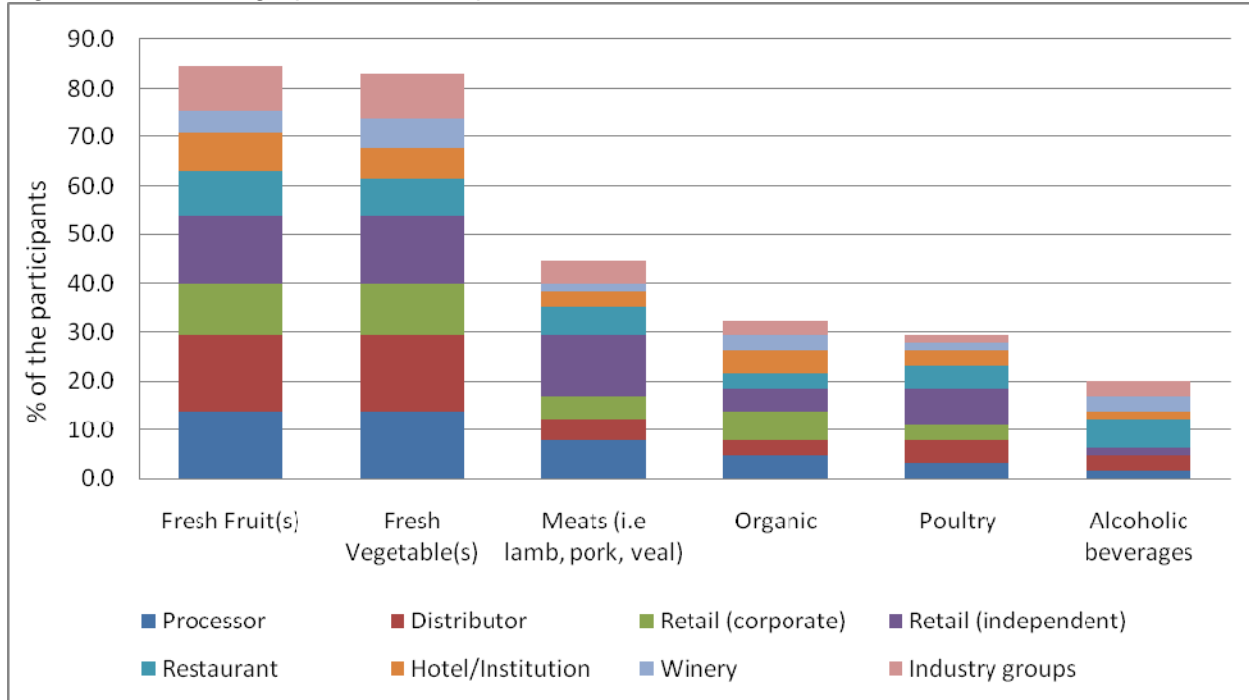
Figure 4.4: Attributes influencing consumers' or customers' decisions to buy local foods or agri-products



4.1.3.4 Local Products Most in Demand?

Interview participants were asked, “Among what product(s) do you believe the demand for local food and agri-products is most pronounced?” Their responses indicate that they believe the demand is greatest for local fresh fruit, fresh vegetables, meats, organic products and poultry. Restaurants and wineries considered local alcoholic beverages to be among the most desirable local products (Figure 4.5). This is similar to findings reported in the literature review, above.

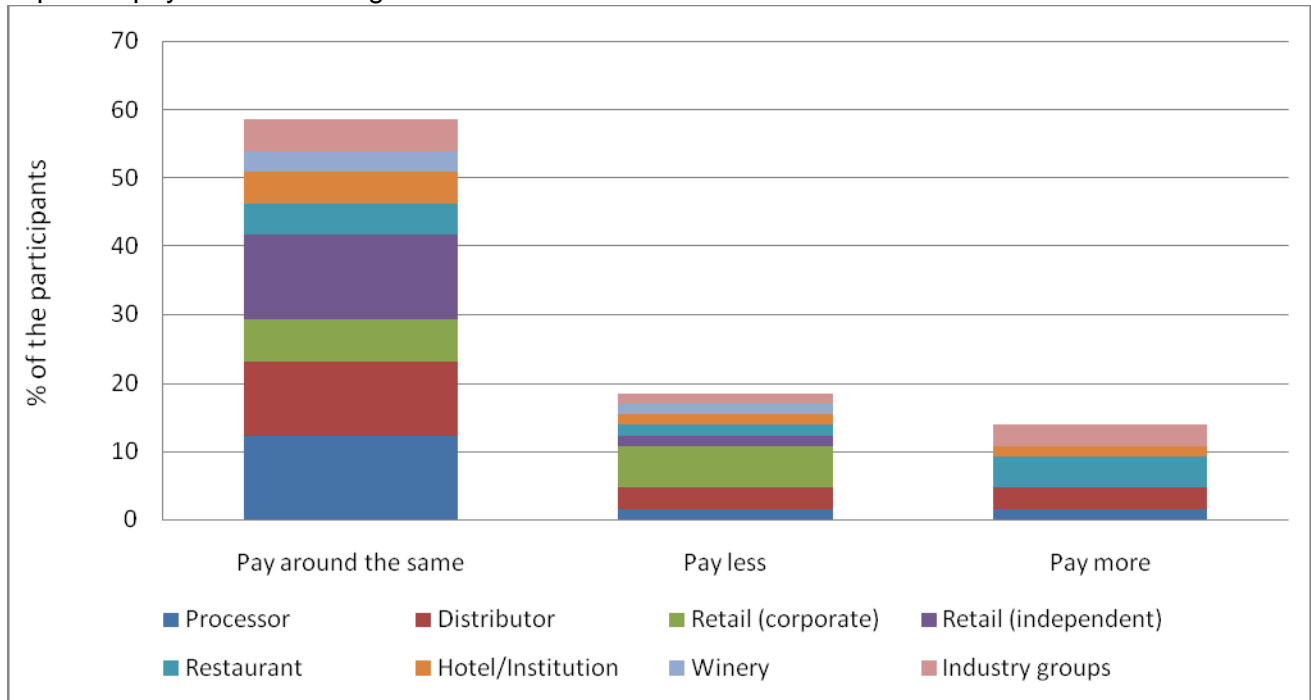
Figure 4.5: Local Agri-products with pronounced Consumer Demand



4.1.3.5 The Price of Local Food

Interview participants were asked about their beliefs regarding consumers' willingness to pay a premium, or not, for local products; independent of other product attributes. Almost 80% of respondents do not believe consumers are willing to pay a premium for agri-products, just because they are local. Fifty-nine percent said they would expect to pay around the same as products originating from other areas and nearly 20% commented that consumers expect to pay less for local goods. Only 14% of respondents stated that consumers are willing to pay a premium for local agri-products (Figure 4.6).

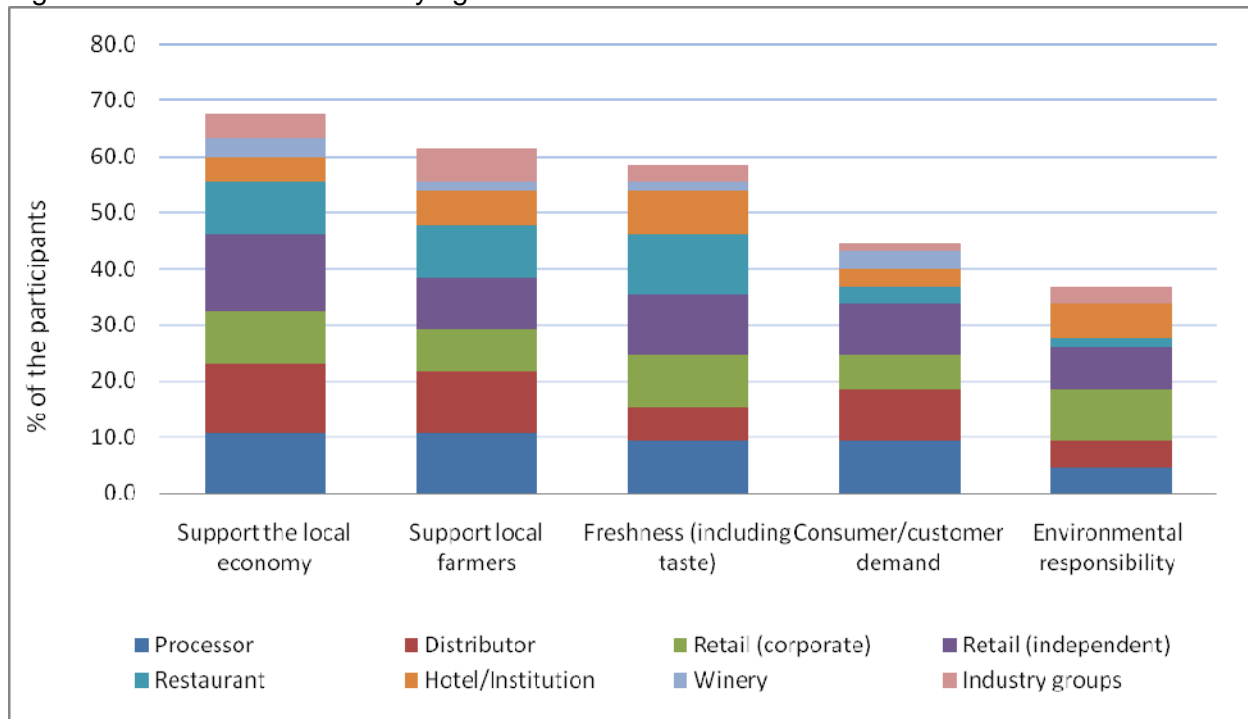
Figure 4.6: Do you believe consumers are willing to pay a premium for local goods, or do they expect to pay less because goods are local?



4.1.3.6 Main reasons for buying local

The research team asked participants, “What would be your main reason(s) for purchasing local food or agri-products?” The four most prevalent answers, across all businesses categories were supporting the local economy, supporting local farmers, freshness (including taste) and consumer/customer demand. These attributes were reported by 45-68% of the participants. Surprisingly, corporate retailers stated that environmental responsibility is more important in their decisions to buy local, than satisfying consumers’ demand. Hotels and institutions also consider environmental responsibility important in their decision making process and believe it is a stronger driver than supporting the local economy. Among representatives from industry groups, seasonality is equally important as important as supporting local economy and farmers (Figure 4.7).

Figure 4.7: Main reasons for buying local



4.1.3.7 The Local Food Market: Who is Buying Local, What are they Buying and Why – or Why Not?

Exploring the existing market for local agri-products provides a better understanding of the challenges and opportunities for a proposed distribution system within Hamilton and Niagara. To this end, the survey established that 66% of respondents currently source local agri-products including but not limited to, fresh (tender) fruits and vegetables, meats, poultry, flowers and wines.

Processors look for local sundry supplies such as live chickens, sour cherries, apples, wine and vinegar. Distributors currently source local meats (beef, lamb, poultry, goat, boar, rabbit), fresh seasonal fruit (peaches, nectarines, pears, apples, plums, strawberries, raspberries, grapes), fresh vegetables (spinach, broccoli, greens, herbs, cauliflower), honey, cider, grape juice, cheese, jams/jellies, nuts, eggs, pies, bread, additional baked goods and wine. Moreover, corporate retailers currently offer their customers local flowers, poultry, pork, produce, summer vegetables and soft fruits. Likewise, independent retailers are interested in offering their consumers a wide variety of local fresh fruits, fresh/greenhouse/frozen vegetables in addition to fruit juices, cider and meats. Restaurants, hotels/institutions and wineries try to differentiate their offer by offering locally produced food such as local grimo nuts, cheeses, vegetables, fruits, meats (excluding lamb), wines, honey, herbs, ornamental grasses and flowers.

Twenty-three percent do not currently purchase any local agri-products. The main reasons why they do not currently source from Hamilton or Niagara specifically include:

- They believe products from outside of Hamilton and Niagara are better;
- Products originating elsewhere are priced more competitively;
- The definition of 'local' to them is Ontario, rather than specific municipalities.

A concise overview that presents and contrasts barriers that the three customer groups and farmers believe exist in relation to expanding the market for local food forms Appendix 10. Relationships between the attitudes of these stakeholder groups toward local food and how this

translates into both perceived barriers and the nature of their business decisions (including the likely support for a local food distribution initiative (LFDI)) are explored further in Section 5.

Demographic segments that appear particularly interested in purchasing local food and/or agri-products were identified above in Section 3.5 (with additional information in Appendix 1). In addition to this information, the primary research sought to identify whether value chain participants believe there are specific consumer segments that are more likely to support local food in Hamilton and Niagara, and if so, what characteristics they have.

Seventy-two percent of participants believe that specific demographic segments of consumers exist who are particularly interested in purchasing local food and/or agri-products. However, there was little or no consensus about the characteristics of these segments, particularly with respect to age, gender, employment, ethnic background, household size and location (urban vs. rural). The only two characteristics that the participants tended to agreed upon are that consumers with a higher income and better education are more likely to seek out and buy local foods.

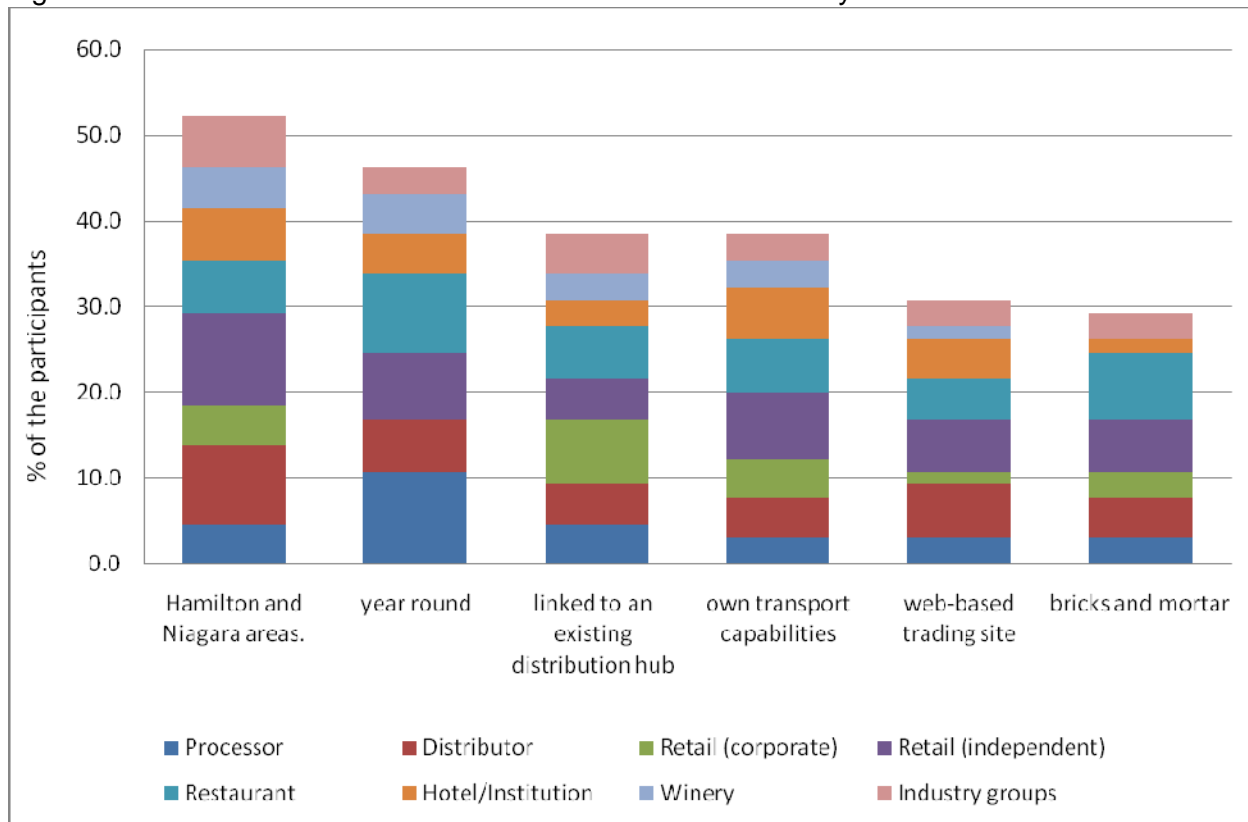
- *It's a wide range of people demographically but more attitudinal based...those concerned with environmental and social issues, dietary concerns. (Hotel/Institution)*
- *People that are well travelled, educated, reasonably affluent, seeking an experience. (Restaurant)*
- *Consumers who are concerned about quality of product, and also concerned about the environment (Corporate Retailer)*
- *Across the board. It is about attitude more than a specific demographic, and the reasons why they are interested in buying change between different segments of the population. (Independent Retailer)*
- *A small segment. Everyone talks one way and does another. (Winery)*
- *The core demographic in the middle neither cares nor looks at local. They shop with their eyes and their wallets. (Industry Group)*

4.1.3.8 Desirable Characteristics of a Local Distribution System

Different businesses in the value chain identified distinct attributes for a local distribution system that they believe would benefit their business specifically. Figure 4.8 illustrates the six most popular attributes mentioned across all stakeholder groups. From a list of suggestions put together using data from the literature review, participants suggested that a local distribution system should include both Hamilton and Niagara (52%), operates year-round (46%), possesses its own transport capabilities (39%), and is linked to an existing system (38%). Fewer respondents suggested that a new system should be a web-based trading site or even a 'bricks and mortar' site with warehouse capabilities.

However, as can be seen in Figure 4.8 and described in more detail in Appendix 8, industry stakeholders exhibit distinct differences in the level of importance they attribute to each of these factors. Perhaps the most notable is that no corporate retailer believes a local distribution system should operate year round, which may be a reflection on the fact that they already manage their own distribution systems.

Figure 4.8: Desirable characteristics of a local food distribution system



4.1.4 Summary of Qualitative Interviews with Value Chain Participants

More than half (54%) of the survey respondents indicated that there is a need for a local food distribution system in the Hamilton and Niagara area. However, they were only interested in a local distribution system that possesses capabilities distinct from current distribution systems. Independent retailers are the most supportive (78%) of change, followed by industry groups (62.5%). Twenty-three percent of participants overall do not support the proposal that a local distribution system is required for Hamilton and Niagara. Processors and corporate retailers were the groups most likely to indicate that current distribution methods are suitable.

The key difference between whether respondents supported (or not) the idea of establishing a distribution system in the Hamilton and Niagara areas (or further a field) was whether they believed their organizations could benefit from buying a higher volume and/or wider range of food and/or agri-products sourced from the Niagara and Hamilton areas. Of total respondents, 34% believe their organizations **would** benefit from buying a greater volume or range of products from the Hamilton and Niagara areas, and 42% believe their organizations **may** benefit. Only 9% think their organizations **would not** benefit from buying a higher volume and/or wider range of food and/or agri-products sourced from the Niagara and Hamilton areas.

The expected benefits that the respondents believe their organizations could gain from purchasing a greater volume or range of products from the Hamilton and Niagara areas include:

- Profit - selling higher volumes with better margins;
- Cost saving through convenient supply system (i.e., wider variety in one place, less time sourcing, easy ordering, just in time, better cycle times);
- Extending the seasonal offering and further differentiation from 'the Keg' [restaurants];
- Increasing returns through having better quality products (fresher);

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- Achieving higher profile by generating positive perspective from public would think we are doing a great job to support local fruits and vegetables "in this economy";
- Building long term relationships with growers to obtain sustainable supply;
- Expanding business (i.e., longer, stronger contracts to supply customers);
- Sharing benefits of early production in Hamilton and Niagara;
- Securing higher local volumes that are not available now (i.e., beef);
- Capitalizing on the positive profile (higher quality and progressive producers) of the Niagara product and being able to feature it more effectively;
- Customers' satisfaction and loyalty.

The background research provided evidence that perishable products are most suited to local food initiatives so our primary research focussed on perishable versus more ambient products. An additional reason for focusing on perishable products is that they require the most care and attention, so if an initiative can handle perishable products, it could be well suited for expanding into other products too. Among all respondents, the key priorities when sourcing perishable food products were found to be quality assurance (QA) (82%), dependability of supply (74%), traceability (49%), consistent pre-agreed prices (46%), and convenience of supply (38%).

Eighty percent of respondents indicated that QA is the most important consideration when sourcing perishable food products. However, there are significant variations among different stakeholder groups regarding its' importance. For instance, while all independent retailers and restaurants state that QA is the most important factor, corporate retailers place somewhat less emphasis on it. Wineries place far less emphasis on QA, compared to the overall average.

According to 74% of respondents, dependability of supply is another important factor when sourcing perishable food products. While dependability of supply is important for all customers (except wineries), it is the key priority for corporate retailers. Traceability is increasingly recognized as an important food products attribute. However, with an average of 49%, the differences between how certain stakeholders rate the importance of traceability versus other considerations are stark.

Almost half of the respondents (46%) believe that consistent pre-agreed prices are a key priority when sourcing perishable food products. The difference between stakeholder groups is most pronounced between the corporate retailer business model and independent retailers. At 88% and 22% respectively, the complexity of their operations means that corporate retailers view consistent pre-agreed prices as one of the most important factors when choosing a supplier, compared to other businesses situated along the value chain. Independent retailers are sufficiently flexible for set prices not to be a significant issue, as long as they remain within a certain range.

In addition to the five key considerations described above, the research team asked respondents what a supplier should do to position itself ahead of competitors. All of the respondents stated that for potential new suppliers to be considered, they would most likely have to offer better quality, and/or better prices, and be dependable.

The research also aimed to identify whether sufficient market pull exists to warrant the establishment of a distribution system for local products. This was achieved by asking a number of different questions relating to the demand for local products, from the respondents point of view as well as their consumers' or customers' perspective. Respondents were asked to suggest up to five attributes they believe would have the greatest influence on their consumers' or customers' decisions to buy local foods or agri-products, particularly those produced in the Hamilton and/or Niagara area. The five product attributes mentioned most

often across all stakeholder groups were freshness (79%), support for local farmers/economy (66%), taste (65%), quality (63%) and price (46%). Although price was found to be important, it is not as important to stakeholders dealing directly with consumers; namely independent retailers, hotels and institutions. “Perceived higher safety standards” was more important to independent retailers. Furthermore, independent retailers, hotels and institutions believe that “impact of food transportation on the environment” is a more important issue to their consumers as a driver of local food purchases, than is price.

Having said that, freshness appears to be the most important factor for engendering consumers to purchase local. To underscore the point, one corporate retailer recounted an incident where even though they had priced local food cheaper than imported food, they still sold significantly more imported than local food because the imported food looked to be better quality and therefore fresher. The importance of freshness was most pronounced among corporate and independent retailers, and restaurants.

Supporting the background research, local products that respondents believe are supported with the greatest demand include fresh fruit (85%), fresh vegetables (83%), meats (45%), organic products (32%) and poultry (29%). Restaurants and wineries considered local alcoholic beverages (20% overall) to be among the most desirable local products. All of the independent retailers and almost all of the distributors, corporate retailers, restaurants and processors interviewed agreed that local fresh fruit is among the most desirable local agri-products available. Distributors, retailers and wineries also were likely to regard the market for local fresh vegetables as promising, with increasing demand.

Independent retailers and restaurants were the stakeholder groups who were most likely to comment that local meats are a growing market with increasing demand. Poultry was also identified as an opportunity, but due to restrictions relating to supply management, and differing regulations between federal and provincially inspected plants, meat and poultry in particular is limited by barriers that do not exist for the fruit and vegetable sectors.

Organic products are a niche market that have positioned themselves in the mainstream grocery environment and consumers who buy organics share similar demographics to those who prefer to buy local. Around one third (32%) of the participants think there is a strong demand for local agri-products that are also organic. This sentiment is more pronounced among corporate retailers, hotels/institutions and wineries compared to processors, distributors, restaurants and industry groups

Almost 80% of respondents do not believe consumers are willing to pay a premium for agri-products, just because they are local. Fifty-nine percent said they would expect to pay around the same as products originating from other areas and nearly 20% commented that consumers expect to pay less for local goods. Only 14% of respondents overall stated that consumers are willing to pay a premium for local agri-products and the only group that was optimistic about the consumers’ willingness to pay more for local food are restaurants (43%). Although no corporate retailers said that consumers are generally willing to pay more for local food, one commented, *“Consumers expect to pay less, though are prepared to a little pay more if a distinct reason exists to do – such as certain factors are met or attributes provided, such as organic or less packaging than competitors. People generally are not looking for packaging of local produce.”*

Respondents were asked if it was their role to create or to respond to consumer demand for local products. The respondents’ point of view was almost equally split, 39% believe their role is to create a market for local food and/or products and 42% believe their role is to respond to consumer demand. Others indicated that they should be doing a little of both or were not sure what they are supposed to do. Corporate retailers were the most homogenous sector with

100% of this group agreeing that their role is to respond to consumer demand for local, rather than create the market.

Smaller, more nimble players, such as independent retailers, wineries and industry groups were more likely to indicate that their role is to create a market for local food. Their suggestions for the best approach to achieve this include:

- Educating people about the benefits (freshness, safety, environment, local economy and nutrition). This process is time consuming and does not happen overnight.
- Promoting product when it's at its' peak for freshness and taste.
- Making more products available to market and encourage local certification/verification of products through programs such as Foodland Ontario and/or LFP.
- Getting involved with Government 'buy local' programs.
- Serving delicious meals at restaurants and making local readily available.
- Promoting beautifully packaged product that over delivers in experience.
- Demonstrating the products, consumers will not buy until they know how products perform.
- Being competitive through providing a high quality well-priced product that originates from a known source.
- Marketing around the farmer's tale.

The research team asked respondents, "What would be your main reason(s) for purchasing local food or agri-products?" The four most prevalent answers, across all businesses categories were supporting the local economy (68%), supporting local farmers (62%), freshness (including taste) (59%) and consumer/customer demand (49%). Corporate retailers stated that environmental responsibility is more important in their decisions to buy local, than satisfying consumers' demand – perhaps because consumer demand for local is not yet pronounced from their point of view. Hotels and institutions also consider environmental responsibility important in their decision making process and even believe it is a stronger driver than supporting the local economy. Among representatives from industry groups, seasonality is equally important as important as supporting local economy and farmers.

The survey established that 66% of respondents currently source local agri-products including but not limited to, fresh (tender) fruits and vegetables, meats, poultry, flowers and wines. Twenty-three percent do not currently purchase any local agri-products. The main reasons why they do not currently source from Hamilton or Niagara specifically include:

- They believe products from outside of Hamilton and Niagara are better;
- Products originating elsewhere are priced more competitively; and,
- The definition of 'local' to them is Ontario, rather than specific municipalities.

When asked for feedback regarding specific successes or challenges they have encountered sourcing local food, several points were raised. Accounts of significant success include:

- Educating consumers and raising awareness about the benefits of buying local agri-products. That process created well-educated local foods consumers and supports;
- Educating producers about the retail system and its expectations;
- Enhancing the local farm organizations' and farmers' ability to deliver to the retailers' pack off stations;
- Establishing local public logos/programs (Taste Niagara, Foodland and Homegrown Ontario) and private brands (Motts);
- Achieving very good progress on focus on quality, taste and freshness (i.e., greenhouse vegetables, potatoes, beef, and organic products); and,
- Establishing good business relations (working together) between producers and retailers.

However, the participants also indicated that they have been faced with challenges in sourcing local agri-products, including:

- Existence of mindsets, producers cannot be just farmers. Also need to be business people;
- Combination of lack of dependability - consistent supply (volume) and quality;
- Many suppliers are not able to deliver consistent quality and live up to standards. Successful programs and deliveries are achieved more by good luck than good management;
- Ineffective communications;
- Inconvenient supply, many sources and a lack of central purchasing makes managing logistics costly and time consuming;
- An inadequate distribution network;
- Insufficient post-harvest processes to enable handling practices to replicate those used in California;
- Lack of support from franchisees who are scared about corporate office penalizing them for sourcing products outside of the formal system;
- The corporate agribusiness system in Ontario (i.e., difficult to get local meat);
- Lack of a real agricultural/agribusiness model. The current model is hobby/part-time model;
- Existing legislations discourage successful local food distribution, and,
- Lack of public-funded research, small farmers with small farm cash receipts can't invest in research.

Seventy-two percent of survey participants believe that specific consumer segments that are particularly interested in purchasing local food and/or agri-products exist. However, there was little or no consensus about the characteristics of these segments, particularly with respect to age, gender, employment, ethnic background, household size and location (urban vs. rural). The only two characteristics that the participants tended to agreed upon are that consumers with a higher income and better education are more likely to seek out and buy local foods.

It was found that 72% of respondents overall believe that local is either 'important' or 'very important' to their customers. Twenty percent of respondents indicated that local is neither unimportant nor important to their customers. Of those who indicated that their answer would have been different a year ago, almost a quarter (23%) believe that local is becoming more important. Almost two-thirds (62%) of respondents indicated that they think their answer would have been the same 12 months ago.

Respondents stated that consumers currently support local products due to increasing awareness that shopping local positively impacts the environment and helps to sustain the local economy. They also think that consumers are increasingly conscious of food safety practices. It was concluded that government sponsored marketing and 'buy local' programs have helped improve quality and encourage the availability of wider varieties. A small number of participants who said they think awareness and interest in local is different now, compared to one year ago, also stated that this change has not positively impacted consumers' buying habits.

Different businesses in the value chain identified distinct attributes for a local distribution system that they believe would benefit their business specifically. The six most popular attributes were found to include; the system should include both Hamilton and Niagara (52%); operate year-round (46%); possess its own transport capabilities (39%); and, be linked to an existing system (38%). Fewer respondents suggested that a new system should be a web-based trading site or a 'bricks and mortar' site with warehouse capabilities.

No one supported the idea of a 'Hamilton only' distribution system and 16% of respondents believe that a distribution system should service the Niagara area only. Just over half said the distribution system should cover both Hamilton and Niagara area. However, among the remaining 48% who do not support a system that covers Hamilton and Niagara, the majority preferred a distribution network with a wider geographic spread. This extended range was often expressed when respondents discussed working within existing networks or infrastructure.

The open nature of the telephone interviews allowed respondents to suggest alternative considerations and provide additional information. From this, it was suggested that in order for a local distribution system to be viable, it must not only balance the current capacity to supply with demand, but also be able to adapt and grow with the local food market. This relates not only to volume but also to the range of products available. Several respondents believe that supply and demand for local food is not equally matched at the given time. Furthermore, it was suggested that smaller producers would be the largest group to support a local distribution system, but they might also have issues that could become barriers to success. Finally, it was suggested that if distribution operation was too small or had the wrong product range, it would not be profitable.

4.2 Primary Producers

As the success of any distribution initiative relies upon access to guaranteed supplies of high quality products, which itself relies upon the existence of a committed agricultural production base, the second element of the research gathered insights from producers located in the Hamilton and Niagara areas. This allowed detailed information to be gathered on the attitudes and expectations that producers possess in relation to a local food distribution system. A copy of the survey used for the research process forms Appendix 5. Detailed insights into the responses garnered from the research forms Appendix 13.

4.2.1 Justification

The background and primary value chain research highlighted two related issues that are fundamentally important to the success of a local food initiative. The first issue is that producers are a critically important link in any food related initiative, especially for local food given the short supply routes and limited options that customers have to access alternative supply should planned deliveries or expected quality not materialize. Without committed producers, a local food initiative is bound to fail. The second issue is the willingness of producers to remain committed to a local food initiative. The decision to commit, and then remain committed, relies on individuals' possessing an attitude that is conducive, which generally stems from a belief that the initiative is meeting their expectations.

Given that the project pertains to a certain geographic region, the research to survey the perspectives of primary producers towards an LFDI had two purposes. The first was to identify whether certain factors characterize Hamilton and Niagara producers who appear most willing to commit to a local food distribution initiative (LFDI). The second was to identify if certain factors might restrict producers from possessing the attitudes necessary to motivate them support and remain committed to a local food initiative.

4.2.2 Methodology

The research methodology was designed to reflect findings from the background research and survey of value chain customers and yield statistically significant results that could be analyzed in the context of the Hamilton and Niagara business environment.

These findings concluded that a LFDI would be more likely to succeed with small and medium sized producers. Therefore, the opinions of 275 small and medium sized producers are reflected in the results below. The results accurately reflect the opinions of producers within ± 6 percentage points at the 95% confidence interval, enabling researchers to measure the level of producer interest in a distribution centre and/or alternative distribution mechanisms.

While the type and number of operations targeted by researchers was constructed to reflect the characteristics of the Hamilton and Niagara area, the accuracy of the research was ensured through choosing individual respondents randomly. The only exceptions to this was in a very few number of cases where the researchers were specifically asked to survey certain producers.

The survey, which forms Appendix 5, was designed to take producers no more than 10 minutes to complete. Mainly containing closed-ended questions where respondents choose from 'pick-lists' or categories, to enable more in-depth data analysis it also included questions related to basic demographic and operational issues. Surveys were mainly conducted by telephone during two a week period in June 2009. While all respondents were approached by telephone, a small number of producers responded via fax. The opening script provided background information on the purpose of the study and its context, and indicated that all results would be reported anonymously.

Research results were fed into Excel, SPSS and Nvivo software packages, thereby enabling the research team to conduct statistical, cross tabulation and attitudinal analysis. The process was designed to identify trends and underlying issues relating to the characteristics of producers that appeared most likely to support the establishment of an LFDI. This process also allowed the researchers to thoroughly compare results from across the entire value chain. Raw results from the producer survey form Appendix 13.

The interview guide used by Strategic Research Associates to ensure consistency in reporting producers' attitudes and expectations toward local food and the establishment of a local food distribution system in the Hamilton and Niagara area was designed from insights gained from the background research and responses gathered from the primary research with downstream stakeholders. This process enabled the responses to be collated into meaningful results.

Of the 275 producers interviewed, 57% were from the Niagara region and 43% from the City of Hamilton. Producers were asked to identify the activities they engage in, and were permitted to have multiple responses. The top five activities were field crop production (56%), tender fruit (26%), field vegetables (22%), beef (18%) and poultry (18%). The other answers each represented less than 10% of the total responses. The top three activities within Hamilton were field crop rotation (71%), field vegetables (31%) and beef (24%). In Niagara, the top three areas of participation were field crop rotation (46%), tender fruit (34%) and field crops (16%).

The majority of farmers interviewed are between the ages of 45 and 65 years old. Thirty percent are aged 45-54, a quarter is 55-64 years and 27% are over 65.

Figure 4.9 breaks down the areas in which responding farmers are located. Figure 4.10 identifies the sectors from which respondents emanate into the percentiles across the overall producer population.

Figure 4.9: Respondents by geographic location

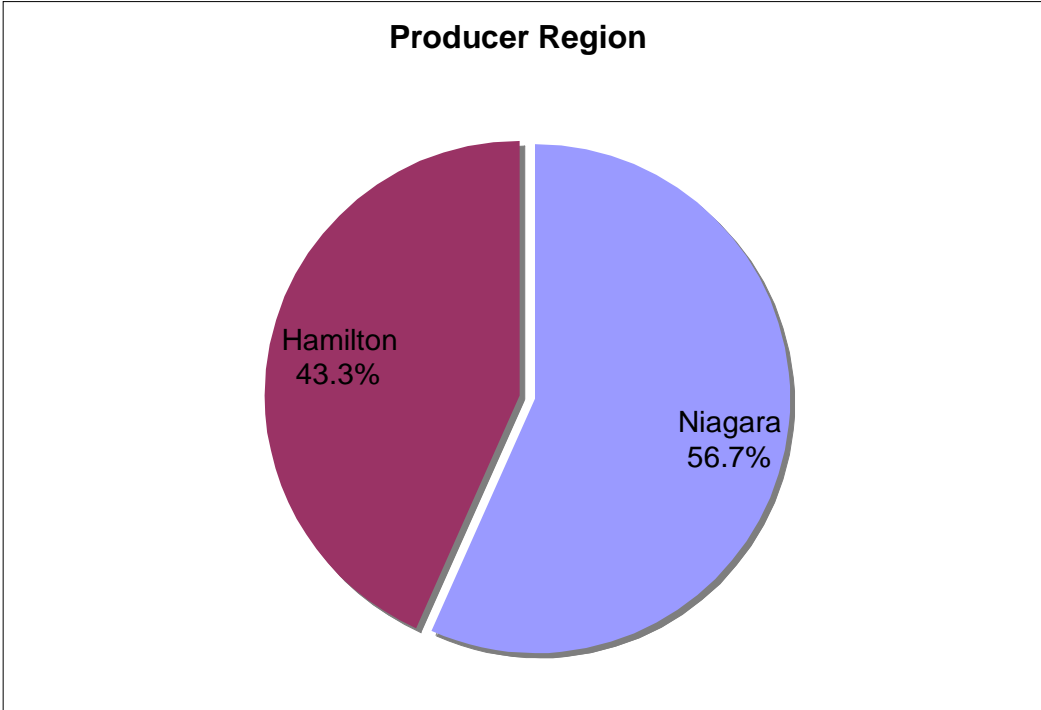
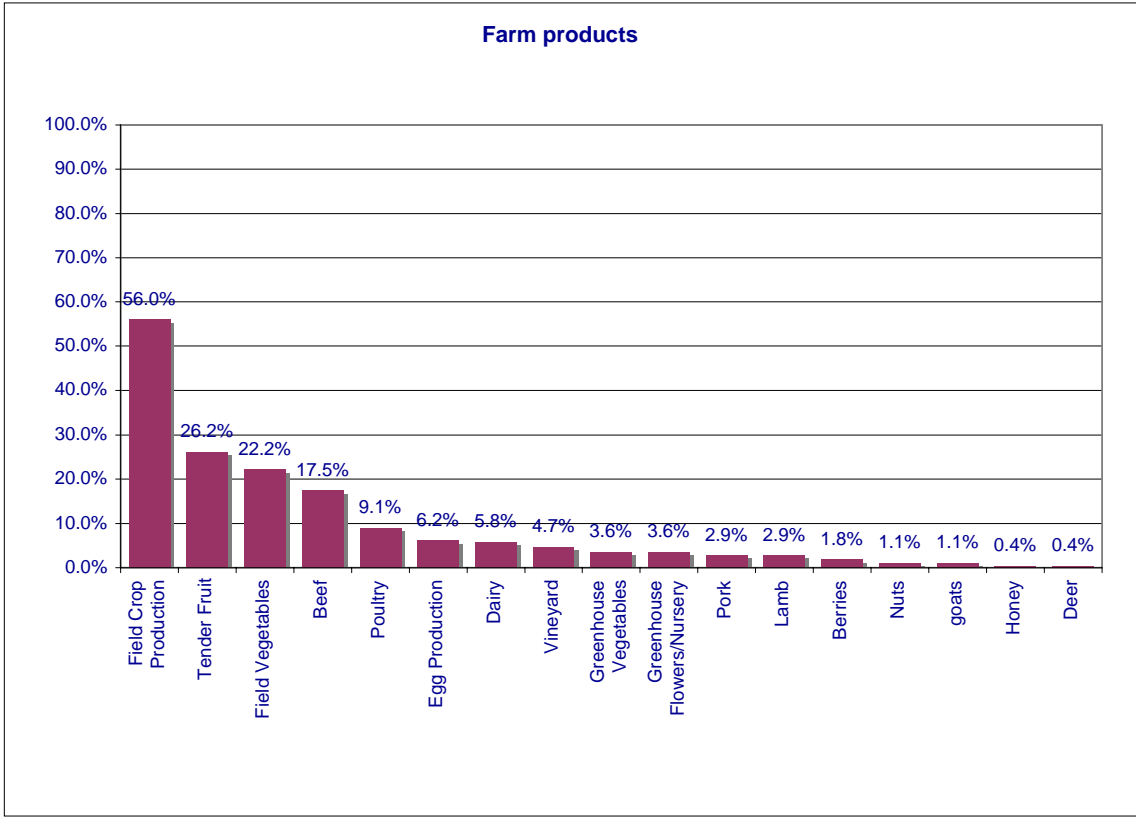


Figure 4.10: Respondents by Sector



4.2.3 Research Findings

Research results, separated into the responses received to individual questions, forms Appendix 13. The findings presented below are cross tabulations that show the relationships between farmers' demographics and likelihood to support a local food initiative.

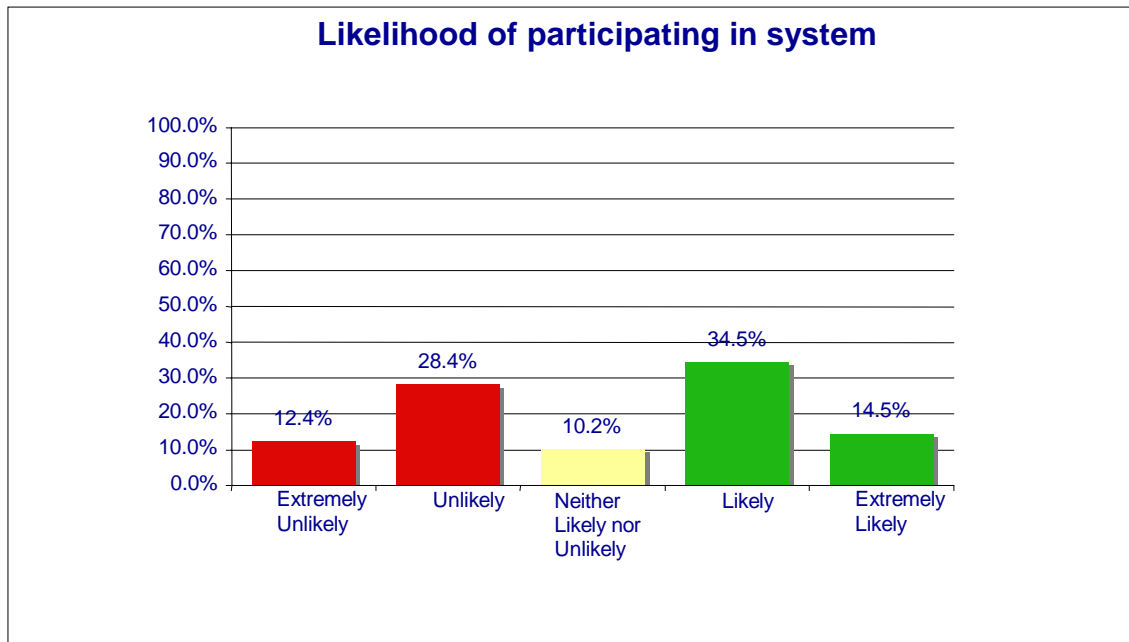
This research is comprised of 275 random sample telephone surveys of agricultural producers in the Hamilton and Niagara areas. The sample is broadly representative of producer demographics and farm types in the region. Results are statistically significant to within ± 6 percentage points at the 95% confidence interval. Small sub-samples of fewer than 30 respondents are not statistically significant and should be analyzed for directional purposes only.

4.2.3.1 Overall Likelihood to Participate

The key question asked of producers was "How likely would you be to participate in a Hamilton/Niagara food distribution system?" Although producers were also asked of their perceptions of how a local food distribution initiative (LFDI) might be structured, this question asked producers to signal their interest in a "generic" LFDI.

Overall, 49.1% of producers indicated that they would be likely or extremely likely to participate in the LFDI.

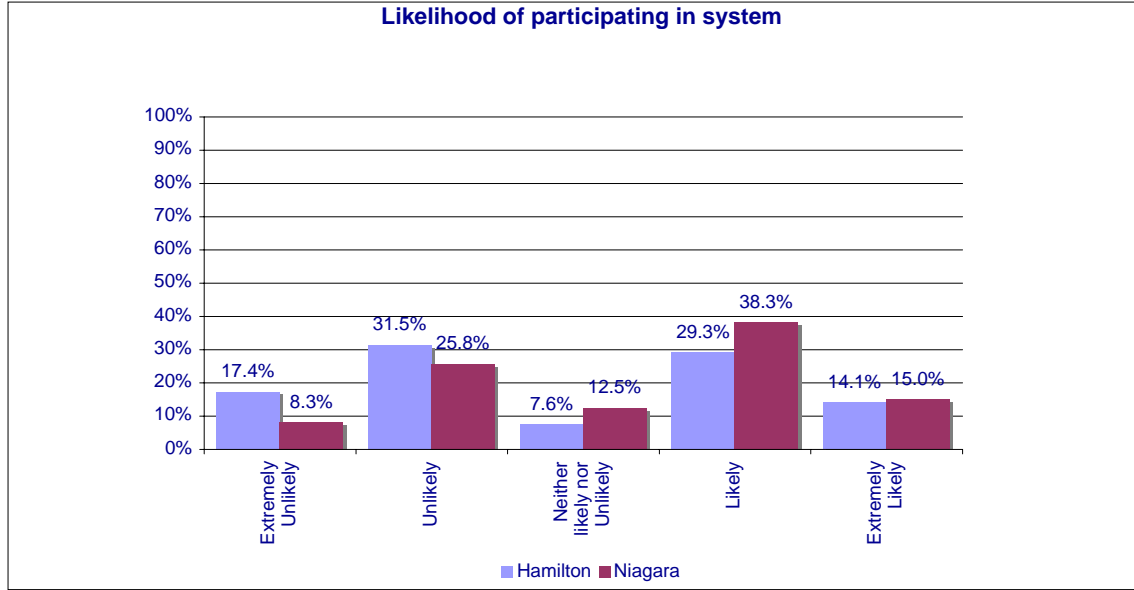
Figure 4.11: Overall likelihood of participating in system



4.2.3.2 Likelihood to Participate, By Region

When the responses are analyzed by region, there are some significant findings. 43.4% of Hamilton area respondents were likely or extremely likely to participate compared to 53.3% of Niagara area respondents. The results are well within the margin of error.

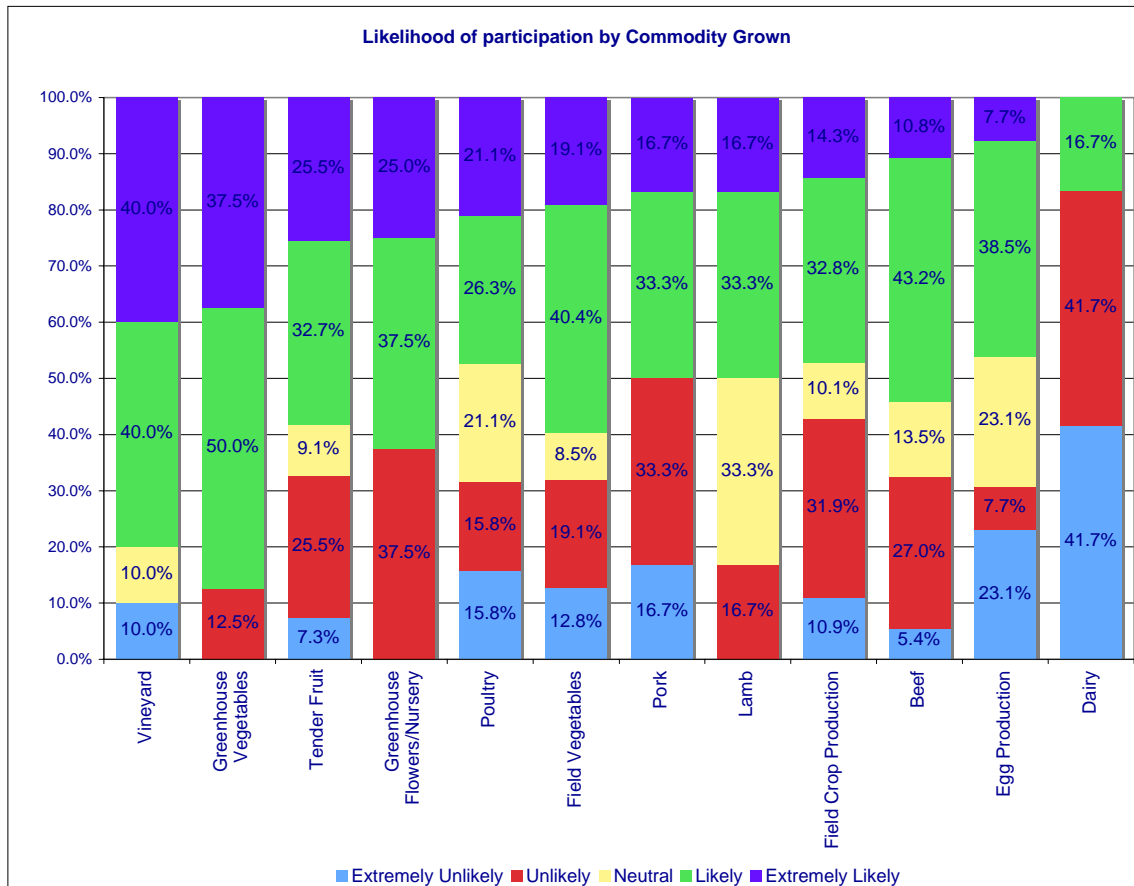
Figure 4.12: Likelihood of participating (by region)



4.2.3.3 Likelihood to Participate, By Commodity Group

It can be seen in the chart below, that the regional differences in likelihood to participate are primarily due to the different farm profiles in the two regions rather than the differences in the regions themselves.

Figure 4.13: Likelihood of participating (by commodity grown)

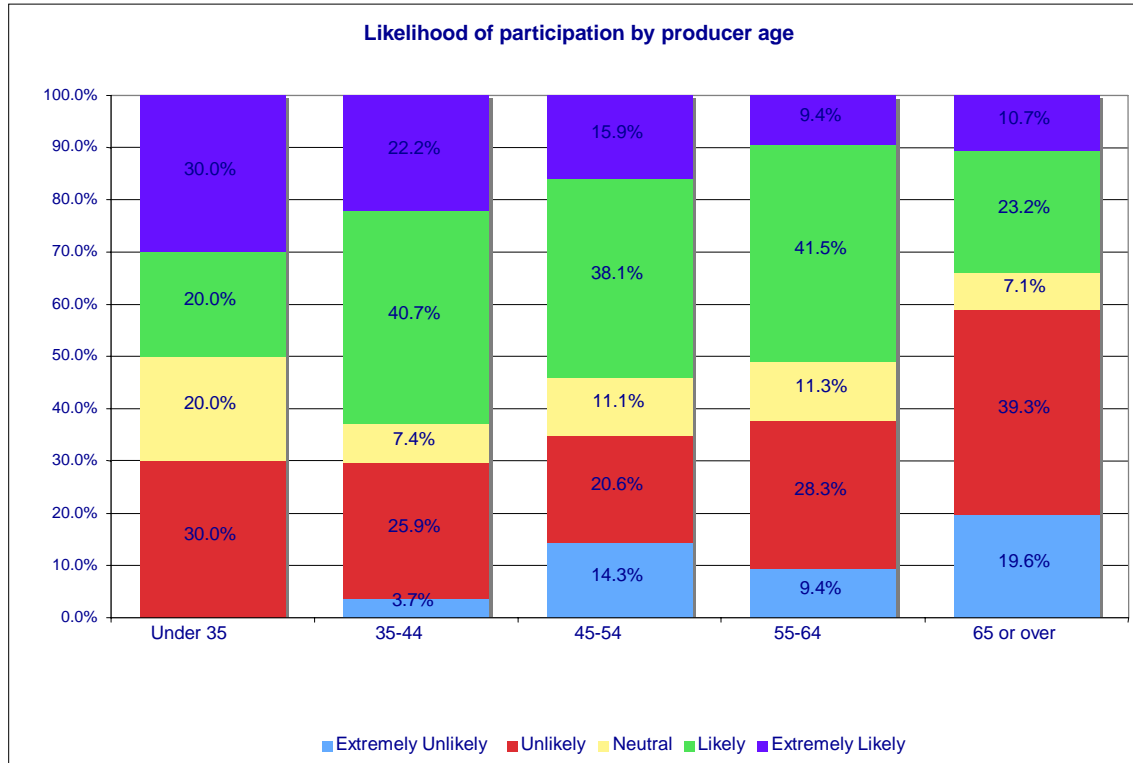


Note that growers of fresh fruits and vegetables are significantly more likely to participate in the LFDI than those in livestock and field crop production. It is also significant to note that producers who are involved in a supply managed commodity (i.e. eggs or dairy) are the least likely to signal an interest in the LFDI as they already have price certainty and full allocation of their production.

4.2.3.4 Likelihood to Participate, By Producer Age

Producer age also has a significant effect on likelihood of participation in the LFDI.

Figure 4.14: Likelihood of participating (by producer age)

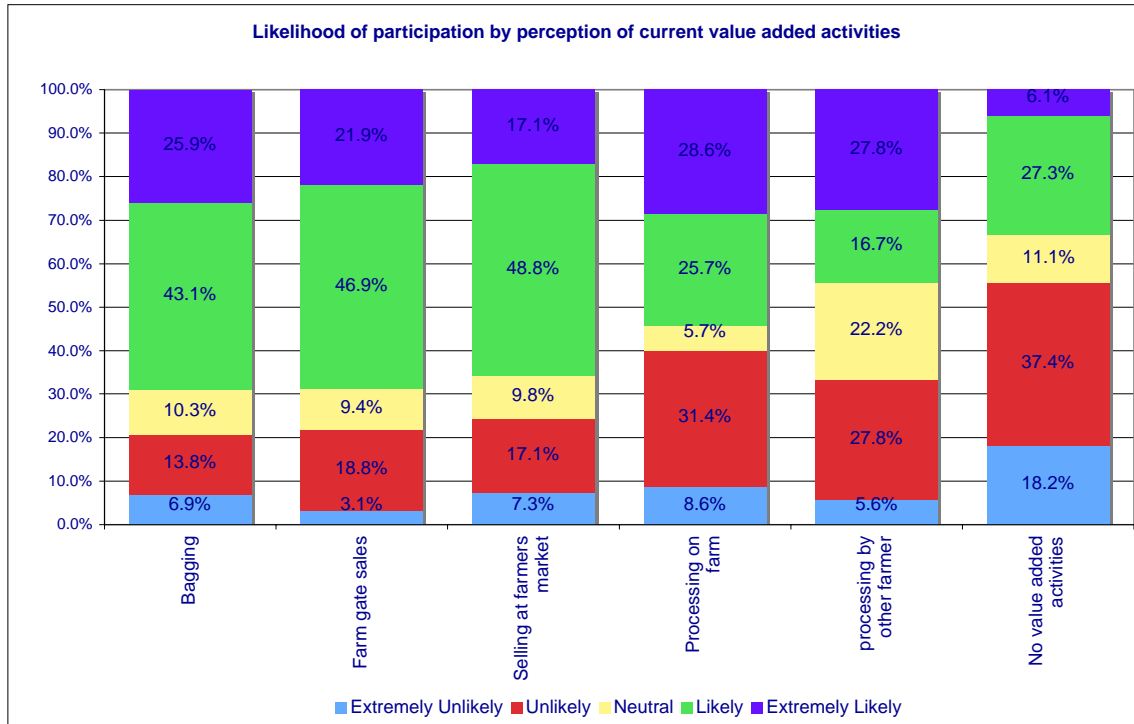


Generally speaking, the younger the producer, the more likely she/he is to participate in the LFDI. This is consistent with results from other producer surveys that indicate that younger producers are more open to changing their marketing and production arrangements. Older producers are contemplating retirement or succession planning and are therefore less likely to participate in a system that may require them to significantly change how they do business.

4.2.3.5 Likelihood to Participate, By Producers who currently undertake value added activities

Producers who currently do not undertake any value added production or marketing activities are the least likely to indicate interest to participate in the LFDI. In other words, they will continue doing what they are doing currently, which is use conventional marketing channels to market their product. By contrast, producers who are already involved in direct to consumer marketing activities are those who are most likely to participate in the LFDI. Based on their comments, some are interested in LFDI because it provides them with a channel in addition to their current marketing while others are interested in participating in LFDI so that they don't have to market their product through farm gate or farmers market sales. Therefore, the biggest factor in determining likelihood of participation is the current "value-added activities" producers engage in.

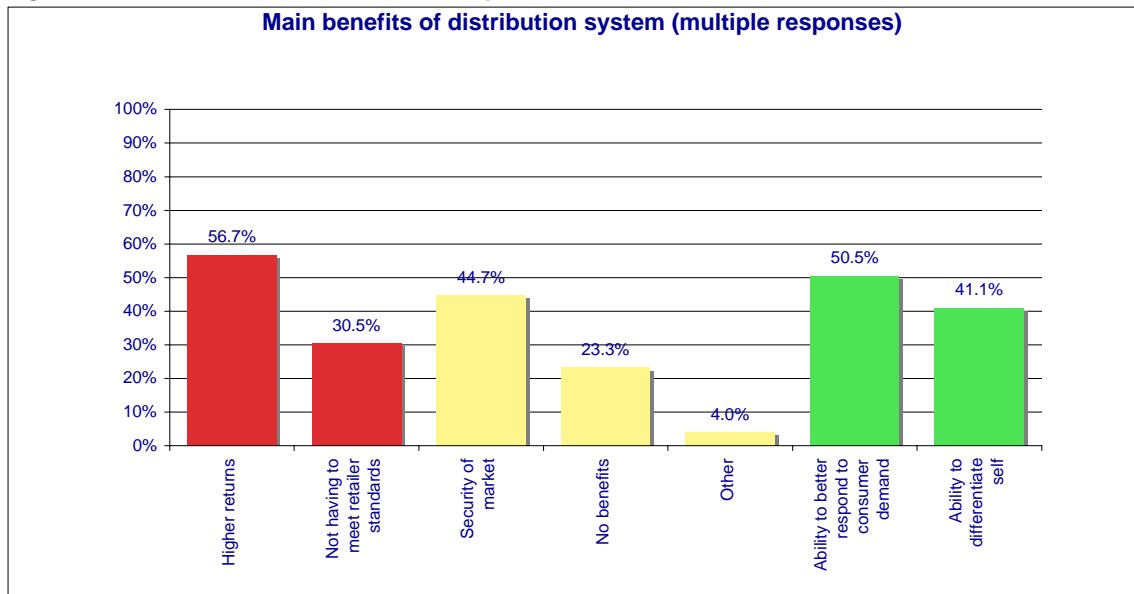
Figure 4.15: Likelihood of participating (by perception)



4.2.3.6 Likelihood to Participate, By Perception of Potential benefits

The chart below shows producers’ perceived benefits of the LFDI. The benefits labelled green could be thought of as “proactive” benefits while those labelled red could be thought of as “reactive” benefits or benefits that reinforce the status quo. The reactive benefits are also at odds with the retailer research (which indicates that quality standards are critical) and consumer research which indicated that consumers are generally not willing to pay more for local food.

Figure 4.16: Benefits of distribution system



On the other hand, just over half of producers did identify “responding to consumer demand” as a benefit of the LFDI. There were no significant demographic or geographic differences in the response to this question.

4.2.4 Summary of producer responses

Forty-seven percent of the producers overall do not add value to their products (48% in Hamilton and 42% in Niagara). Among those who do, the more popular value added activities include farm gate sales (30%), bagging, sorting and packing (27%), selling goods at a farmers market (19%) and on farm processing (17%). Farmers who do not offer any value added activities are less likely to indicate that they would participate in a LFDI.

Similar to findings from the qualitative research, the word local was found to have many different meanings to producers. There was no one dominant understanding, but rather several suggestions of what local means to them. These include: consumed within 100 miles (23%), produced in Ontario (22%), produced within Niagara (16%), produced within Hamilton & Niagara (13%), consumed within 50 miles (12%), produced within Hamilton (8%) and produced within Hamilton, Niagara & GTA (7%).

When asked, “If a system was to be established to distribute locally produced food and agricultural products produced in your area, which of the following options do you consider most likely to meet your needs?” the majority agreed that the most appropriate area would be Hamilton, Niagara and surroundings (70%). The second most popular answer only had 10% of the responses overall and that was for Hamilton and Niagara. There were some variations from farmers in Hamilton compared to farmers within Niagara.

The definition of local also had an impact on the likelihood of respondents to indicate that they would participate in a LFDI. Farmers were more likely or extremely likely to participate in a LFDI if: the food/product was consumed within 50 miles, within 100 miles or was produced within Hamilton and Niagara. Farmers were less inclined to participate in a local food distribution scheme if local was defined as: produced in Ontario, produced within Hamilton/Niagara/GTA, produced in Hamilton only, or Niagara only.

The products that were identified as most readily lending themselves to a LFDI are tender fruit (24%), field crops (22%), field vegetables (20%) and beef (11%). Interestingly 19% of the respondents stated that they believe no products lent themselves to a LFDI. As expected, field crop rotation and field vegetables were more relevant to producers within Hamilton, while tender fruit was more pertinent to farmers in Niagara.

The vast majority of producers believe that there is a need for local food/agri-product activities. Overall, 77% indicated that they believe there is a need for local distribution, 75% think there is a need for local retailing, 72% think there should be local processing and 64% said there should be local transportation. Again, respondents were permitted to have multiple answers. Across all four areas, producers from Niagara were more likely to indicate that a need exists for local activity, compared to their Hamilton colleagues (10-25% more).

When asked what a LFDI may do to best serve their needs, no one answer stood out. Fifty-eight percent think that a LFDI should have processing and distribution and just under half think that it should have bricks and mortar with transportation and logistics (47% and 46% respectively). Conversely, 57% think it should be a web-based trading site. Almost 60% of the participants indicated that a LFDI should be led by entrepreneurial farmers. Thirty percent believe OMAFRA should take the lead. The other more popular responses included co-op’s (24%), regional government (21%) and retailers (12%). It is surprising that 12% indicated that retailers should take the lead, when 58% of producers also indicated that the main barrier to the

success of a LFDI would be the reluctance of retailers to source local (below). Again, some variances between Hamilton and Niagara farmers exist.

Producers indicated that the main benefits of participating in a local food distribution system to their business would be higher returns (57%), ability to better respond to consumer demands (51%), security of market (45%), and the ability to differentiate themselves (41%). Thirty one percent commented that the main benefit to their business as a participant within a local food distribution system would be that they would not have to meet retailer standards. Twenty three percent thought there wouldn't be any benefit to their business. Businesses from Niagara were generally more positive, with only 15% stating that there would be no benefits to their business, compared with 22% from Hamilton farmers.

It was indicated by the majority of producers (70%) that producers should be accountable for the quality of food products supplied to a local Hamilton/Niagara LFDI. The other answers that were provided ranged in popularity from 20-23% of the total responses and included commodity organizations, distributors, retailers and co-ops.

The participating respondents felt that many barriers exist that would keep a LFDI from being successful. They include:

- Reluctance of retailers to source local (58%)
- Seasonality of local product (57%)
- Lack of operating capital (56%)
- Reluctance of producers to commit (54%)
- Lack of marketing programs (46%)
- Difficulty in establishing relationships (42%)
- Quality not meeting expectations (36%)
- Insufficient consumer demand (36%)
- Lack of transportation (26%)

Nine percent of the respondents overall answers indicate that no barriers exist to limit the success of a local food distribution system.

Forty-one percent of the producers surveyed were not interested in participating in a local food distribution initiative. On the other hand 49% indicated they would be interested in participating and the remaining 10% decided to sit on the fence, saying they it was neither likely nor unlikely they would participate. Again, producers from Niagara were slightly more positive than producers based in Hamilton – 53% of Niagara respondents stated they would be likely or extremely likely to participate in a LFDI, compared to 43% of Hamilton producers.

Among the more popular crops grown, the research identified that specific farmers would be much more inclined than the overall average to participate in a local food distribution system. Eighty percent of farmers growing vineland were likely or extremely likely to participate in a LFDI. Other segments with positive intentions include greenhouse vegetables (88%), tender fruit (58%), greenhouse flowers/nursery (63%) and field vegetables (60%).

In contrast to comments from some value chain participants, 66% of producers believe that consumers will pay a premium for goods they are producing right now, if they were branded as "local." The answers between farmers in Hamilton and Niagara were very similar. The majority (72%) also believe that quality improvements (within a local distribution system) would not required in order for consumers to be willing to pay more for local products. Fifty-six percent of the producers believe that they would not need to make any improvements/upgrades to their current operations, to supply a LFDI. Thirty-two percent indicated that they would need to make some improvements and 12% were unsure. There were some significant differences between

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Niagara and Hamilton farmers for this question. Thirty-five percent of Niagara farmers said they would need to make some improvements (vs. 28% of Hamilton farmers), and just 8% weren't sure from Niagara, compared to 17% from Hamilton. The percentage of farmers stating they would not need to make any improvements/upgrades was relatively similar between regions.

The most popular sources for information and guidance for farm improvements are OMAFRA (58%), other farmers (40%), University of Guelph (35%) and Vineland (22%). Other answers included co-op's, Local Food Plus and commodity associations. Regional differences of opinion exist regarding Vineland, University of Guelph and co-ops. Interview participants from Niagara commented that they would be more likely than their Hamilton colleagues to turn to these sources for information.

Information about the farmers included demographics and the level to which they are dependent on their farm income for their livelihood. The majority of respondents are full time farmers (72%), 19% indicated they are mostly farmers with some off farm work and 9% earn their living away from the farm. Thirty-nine percent earn less than \$100,000 in gross farm sales (GFS). 22% made \$100-250K, 14% earned \$250-499K, 6% made %500-750K and 11% indicated that their GFS are over \$750 annually. Seven percent refused to answer. The higher the GFS, the less likely farmers were to indicate that they would participate in a LFDI.

Twenty-eight percent indicated that they are currently expanding their business, 54% are maintaining their current level and 6% are reducing their business. Thirteen percent indicated that they are retiring. Again, farmers who were in the process of reducing their business operations were more likely than others, to indicate that they would participate in a LFDI.

5. Summary of Findings, Conclusions

This section begins by presenting the research findings from a global perspective, then from a perspective that is specific to the Hamilton, Niagara and surrounding area; along with reasons for why the present environment appears to exist. These findings are then synthesized into a series of recommendations that could be used to establish a sustainable local food (and product) distribution system in the Hamilton and Niagara area, and perhaps further afield.

Section 5.1 provides a brief summary of the background and primary research in the form of a SWOT analysis (strengths, weaknesses, opportunities and threats) that reflects the likely demand and challenges faced by a local and regional food and agri-product distribution system located in the Hamilton and Niagara region. Building on conclusions contained in the SWOT, Section 5.2 presents the industry level factors that the primary research suggests as having the greatest impact on the extent to which the agricultural and agri-food industry is taking advantage of consumers' growing interest in local food. Section 5.3 details how the differing attitudes and expectations of four key stakeholder groups (Corporate Retailers; Independent Retailers; HRIs; Producers) are exacerbating the effect that industry level factors are having on the development of a broader local food market. It also describes the challenges that these attitudes and expectations will pose in establishing a LFDI. On the flipside, Section 5.4 details the similarities that appear to exist between these four stakeholder groups, and which a LFDI can build upon to become sustainable. It also suggests the target markets that a LFDI should concentrate on supplying, particularly in the early stages of its development. Section 6 builds upon these findings to propose a series of recommendations for establishing a LFDI in the Hamilton, Niagara, and surrounding area. This includes the distribution systems that appear most suited to expanding the market for local food in those areas.

5.1 Summary SWOT

Information gathered in both the background and primary research has been summarised in the form of a SWOT (strengths, weaknesses, opportunities and threats) analysis. It provides an easy to digest illustration of the likely demands and challenges that would be faced by a local food and agri-product distribution initiative (LFDI) located in the Hamilton, Niagara region, and possibly the surrounding area. Opportunities and threats are the factors external to business operations in the industry and together define what is possible in market growth, as well as the competitors and other factors that businesses within the industry will need to address to realize potential opportunities. Strengths and weaknesses are those factors that define the competitive advantages and disadvantages of business in the industry to compete in achieving the opportunities. A list of the products best suited to a local distribution system initiative, according to respondents, forms Appendix 11.

The SWOT contained in Figure 5.1 focuses the opportunities and threats in terms of how a local and regional distribution system located in the Hamilton and Niagara region could differentiate itself compared to current food and agri-product distribution options and the challenges these will place on any new initiative. The strengths and weakness are the abilities or limitations that are likely to impact the viability of a LFDI.

Figure 5.1: SWOT Analysis for a Hamilton and Niagara LFDI

<p>Strengths</p> <ul style="list-style-type: none"> • Distinctive regional profile for agriculture and food (though more directed towards Niagara) • Area produces foods most suited to LFDI • Greenhouse capacity could enable produce season to extended year round • Niagara peninsula said to produce some of the best tasting food in the world • Governments that are supportive of agriculture • Temperate climate and high density production • Professional individuals possess complementary experience and are passionate about local food • Population density of Hamilton, Niagara, GTA 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Lack of definition about what constitutes 'local' impacts the effectiveness of marketing, distribution, etc. • Funding provided primarily to not-for-profit organisations • Lack of effective infrastructure for local food (including closure of processing and manufacturing plants in ON) • Lack of quality management practices • Age and attitude of many producers • Convoluted legislation and bureaucracy • Producers' lack of understanding about what constitutes store ready • Contrast between Hamilton and Niagara • Competes with organics on a number of levels because both appeal to the wider consumer interest in connecting with food, health and environment • Governments focus on promoting rather than marketing and enabling
<p>Opportunities</p> <ul style="list-style-type: none"> • Local of increasing interest to consumers • Local food appeals to many demographics • Increase importance of agriculture among increasingly urban population • Retailers of all sizes looking for ways to modify distribution systems and react to local trend • Institutions catering to serve supporters of local • Restaurants looking for differentiation levers • Trend to local in government sourcing • Increased margins and higher profits • Ability to react quicker to market signals 	<p>Threats</p> <ul style="list-style-type: none"> • Tendency to create unviable business models • Polarized viewpoints of industry stakeholders • Cost of distributing local foods due to economies of scale, and seasonality • Local not necessarily fresher due to capability of local industry versus importers • Agriculture focuses on producing, not marketing or adapting to market demand • Corporate retailers' influence on distribution • Current economic climate discourages purchase • Local is the symptom of a wider trend for health and environment and so could be overtaken at any time by a new fad • Some consumers expect local to be expensive

As can be seen from the above analysis, the Niagara and/or Hamilton area possesses a number of strengths that can be used to increase the value and market for food marketed locally. However it also suffers from a number of weaknesses that fall in one of three categories. They are: 1) Current Infrastructure; 2) Legislation and policy; 3) Attitudes and Mindsets.

Therefore, while the opportunities for local food are enormous, so is the significance of the threats that would be faced by a LFDI. The greatest threat arguably stems from the attitudes and mindsets of industry stakeholders. Unless an individual or organization possesses the attitudes conducive to developing the capabilities required for adapting their business constructively, they

can never be in a position where they can take maximum advantage of the opportunities that will flow from consumers' increasing interest in local food.

Also, that many respondents consider that a product is 'local' when it is consumed in the same province in which it is produced, and that consumers often use the term 'local' to communicate quality and not a specific geographic area, begs the question of whether attempts to define the term 'local' in concrete terms are a wise investment of time and resources. Particularly if they do not make reference to a specific product and the market through which it is sold.

5.2 Industry-Level Factors

The research identified two industry-level factors, which appear to have considerable impact on the extent to which local foods (and agri-products) are currently distributed and marketed in the Hamilton, Niagara and surrounding areas.

5.2.1 Current Regulations and Legislation

The research found that a complex web of often opposing policies, regulations, and legislation negatively impacts the ability and motivation of businesses operating in Ontario's agricultural and agri-food industry to expand the market for locally produced products. On one hand, governments are spending millions to encourage consumers' to buy local food. On the other, governments are also spending millions enforcing regulations and legislation that have the unintended consequence of leading members of the value chain to behave in a manner which is not conducive to expanding a larger market for an array of local foods and agri-products.

The regulations and legislations that the research shows to have most impact on establishing a wider and more valuable market for local foods and agri-products relate to Federal vs. Provincial inspection, product marketing, labelling, and alcoholic beverages. This includes the *(Farm) Products Marketing Act*, *Meat Inspection Act*, the *Food and Drugs Act*, and the *Consumer Packaging and Labelling Act*. A number of processors and retailers also mentioned how regulations pertaining to supply management also hinder the development of local food markets. Respondents said that examples of the impracticality of current regulations include:

- Canadian Food Inspection Agency (CFIA) mandating that the term 'Local' or 'Locally Grown' can only be used for products sold within 50 km of their source. A combination of the administration costs would be created by strictly segmenting products and stores by region, along with possibility of prosecution, leads to many retailers and HRIs not marketing products as 'local'.
- Retailers and HRIs refusing to source, distribute, or market products produced by provincially inspected plants. The reasons for this include: their fear of prosecution if provincially inspected products are found in federally inspected warehouses or accidentally shipped inter-provincially; the added administration and handling costs of separating two sets of products; the wide variance (and therefore potential food safety incidents) in the hygiene of provincially inspected facilities.
- Many 100% Ontario wines having less access to consumer markets than either imported or 'Cellared in Canada' wines, regardless of their quality or reputation.

These are just three examples of how current regulations and legislation negatively impact growth in the local food and agri-product market. That Canadian regulations and legislation need to be revised is supported by respondents' stating that their combined influence is so perverse that they are having the most impact on why local food and agri-products remains more of a lobbyist issue than a commercial reality.

The reasons for the extent to which regulatory and legislative factors are impacting the production, distribution, and marketing of local food and agri-products also appears to lie in how stakeholders' attitudes and behaviours differ towards how they can benefit from consumers' increasing interest in local products. These differences are discussed in Section 5.3.

5.2.2 Current Distribution Systems

While changes are occurring in the way that local food and agri-products are distributed, the retail sector is said to be behind foodservice in the extent to which it is accepting of local products. A number of respondents stated that, in retail in particular, some of the largest distribution systems used to supply food (and agri-products) to Ontario consumers are not structured or managed in a manner that allows locally produced food and agri-products to significantly increase its share of the overall food market. In addition to the factors referred to above, two further reasons are said to lie behind this current situation. The first is how few Ontario farmers are collaborating to improve their marketing capabilities (even to the point of being able to supply clean consistently packed produce in the volumes and at the quality required by the larger retailers). The second is the comparative ease with which products can be sourced from more organized and capable U.S. suppliers.

From a supply perspective, the products whose market share is most restricted by the current situation include those that are subject to Federal vs. Provincial inspection, where distributors' base decisions on a facilities' level of inspection – not on the quality of products produced or the standard to which facilities are managed. From a customer perspective, the present situation has most impact on the ability of independent and franchised retailers and restaurants to differentiate themselves from their larger corporate competitors through having access to a wider array of local and/or regional food. So much so that ten independent retailers decided to opt out of the Sobeys' franchise system.

5.3 Attitudes and Resulting Behaviour

Industry structure is an outcome of many factors, arguably the most important of which is attitudes and mindsets – which together can determine the behaviour of individuals, organizations and industry sectors. Section 5.3 explores the attitudes and mindsets that exist amongst and between stakeholder groups, and how they have influenced the extent to which those same stakeholders have reacted to and benefited from consumers' growing interest in local food.

5.3.1 Chain level disconnects

The research highlighted attitudinal issues that appear, at least in part, to explain why the industry level factors described in Section 5.2 have had such an impact on the production, distribution and marketing of local food in the Hamilton, Niagara, and surrounding areas. The issues include six significant differences in how customers (retailers and HRI) and farmers view the opportunities, which are flowing from consumers' growing interest in local food; and, therefore, why they would be interested in supporting a LFDI. These are:

- Viewing local as a change agent (or not);
- Relationship of consumer interest to consumer behaviour;
- Local as ONE factor versus THE factor in capturing premium prices/driving purchase vs. alternatives;
- Consumer willingness to pay premiums for local food;
- Value of generic versus branded marketing programs;
- Barriers towards the local trend and its influence on behaviour.

Each of these attitudinal differences is described below.

5.3.1.1 Viewing local as a change agent (or not)

The most severe disconnect exists in the very different attitudes that the two ends of the value chain possess toward how the establishment of a LFDI would benefit them. While the perspectives of corporate and independent retailers and HRIs differ to a degree, they view the establishment of a LFDI as an opportunity to help them react to the changing market. On the other hand, farmers largely view the establishment of an LFDI as providing an opportunity for them to not have to change their marketing or production practices, yet receive more money for what they already produce.

5.3.1.2 Relationship of consumer interest to consumer behaviour

Retailers and HRIs view consumer interest as an opportunity that can be capitalized on to elicit a purchasing decision, and to differentiate themselves in the marketplace. Farmers largely view consumer interest as automatically translating into purchasing decisions. Their perception is that the majority, if not all, consumers will choose (and pay a premium for) locally sourced products ahead of products sourced from further a field, including imports.

5.3.1.3 Local as ONE factor versus THE factor

Retailers and HRIs recognize the impact that quality (aesthetics, taste, consistency, etc.) has on consumers' willingness to purchase any food, not just local food. Therefore they view quality and the ability to manage quality as critical to the success of local food. Farmers do not see a link between quality and consumers' willingness to purchase. Instead they perceive that local trumps quality in its impact on consumers' purchasing decisions.

5.3.1.4 Consumer willingness to pay premiums for local food

Retailers and HRIs know from experience that many factors influence consumers' willingness to pay a premium for any food, not just local food. They also know from experience that factors such as quality and suitability of use are critical to countering most consumers' expectations to pay equivalent or lower prices for local food compared to imports. The only exceptions are where purchases occur in an environment that influences the overall purchasing experience, such as specific restaurants or farmers markets.

Farmers most often connect with consumers at farmers markets or farm/roadside stalls where, compared to when they are shopping in a retail environment, quality and presentation does not have the same importance in motivating them to buy. Farmers who have this experience then incorrectly believe that consumers take the same approach to purchasing products wherever they shop, and do not rate quality as playing a critical factor in motivating consumers to buy (and/or pay a premium) for local food.

5.3.1.5 Value of generic versus branded marketing programs

An additional challenge is the perceived influence of generic promotions, such as Foodland Ontario, on consumers' willingness to buy local food in Ontario. Retailers know from experience that in the majority of cases, consumer recognition of the Foodland initiative does not necessarily translate into purchase decisions. Instead they recognize the importance of verifiable 'brands' for eliciting a purchase through signifying quality and establishing a strong emotional connection between the product and the person. Farmers largely view generic programs, such as Foodland Ontario, as a valuable means to market local food.

5.3.1.6 Barriers towards expanding the market for local food

The sixth disconnect relates to the barriers that each stakeholder group views as hindering the establishment of a larger market for local food. Many of these barriers stem from the disconnects discussed above, including how each of the stakeholder groups view one another,

the lack of apparent trust and understanding which this creates, and the reasons for why they are likely to support the establishment of an LFDI. These factors play a role in shaping the behaviours that are discussed in Section 5.4.

While all attitudes are based on subjective points of view, often grounded on conjecture and supposition, they are not usually formed entirely on falsehoods either. For instance, corporate retailers believe that farmers are the greatest hurdle to establishing a larger market for local food. As can be seen from Figure 5.2, farmers also believe that farmers pose a significant barrier to establishing a more viable market for local food than currently exists. A LFDI could play a role in overcoming this barrier through facilitating a greater degree of collaboration between corporate retailers and farmers.

Simultaneously, independent retailers and farmers view corporate retailers as the biggest impediment to change. For independent retailers this is largely due to corporate retailers owning the distribution systems on which they rely. All four key stakeholder groups agree that the lack of suitably managed infrastructure is a significant barrier to expanding the market for local food. Many of the respondents also believe a LFDI could play an important role in facilitating a more strategic use of current infrastructure and, where necessary, encourage the investment necessary to bridge gaps in current capabilities.

Figure 5.2 outlines the key barriers identified by each of the stakeholder groups from the research. Items in bold indicate an issue raised by all four stakeholders, although they are not always in agreement for the cause(s).

Figure 5.2: Barriers to Expanding Market for Local Food

<p>Corporate retailers:</p> <ol style="list-style-type: none"> 1. Producers' expectations, inc. an unwillingness to collaborate or commit to working with a LFDI 2. Inconsistent quality 3. Limited supply 4. Demanding logistics 5. Seasonality of local product 	<p>Independent retailers:</p> <ol style="list-style-type: none"> 1. Lack of infrastructure 2. Corporate retailers' attitudes and systems 3. Demanding logistics 4. Prices are higher than the consumers' expectations 5. Distributors' attitudes
<p>HRIs:</p> <ol style="list-style-type: none"> 1. Limited supply 2. Demanding logistics 3. Lack of infrastructure 4. Seasonality of local product 5. Prices are higher than the consumers' expectations 	<p>Producers:</p> <ol style="list-style-type: none"> 1. Expectation of receiving premium prices 2. Reluctance of retailers to source local 3. Seasonality of local product 4. Lack of operating capital 5. Reluctance of producers to commit 6. Lack of suitable marketing programs

More detailed information regarding barriers is found in Appendix 10.

5.3.2 Resulting Challenges

As described in Section 5.3.1, the attitudes of stakeholder groups situated at the two ends of the value chain are at times diametrically opposed. Particularly in the way they can benefit from consumers' growing interest in local food and/or the establishment of a LFDI. Such differences of opinion will create four distinct challenges for a LFDI as it seeks to encourage greater collaboration between value chain stakeholders. Similar challenges have hindered the

establishment of local food initiatives elsewhere in Canada, and in other countries. The four challenges created by having diametrically opposed viewpoints across the value chain are:

1. Motivating farmers to produce what consumers want to buy, not what they want to grow;
2. Maintaining farmers' commitment to the LFDI through managing their expectations;
3. Ability to follow a commercial approach to business by resisting political pressures;
4. Ability to establish a marketing program that directly connects quality with local

5.3.2.1 Motivating farmers to produce what consumers want to buy, not what they want to grow:

Success of a Niagara/Hamilton LFDI will be limited if producers do not focus on satisfying consumer demands. Instead they may attempt to sell what they already produce, and at a level of quality that remains unchanged. Previous initiatives in Canada and elsewhere have been beset by the problems that stem from this issue and have failed because they did not identify what target markets want and source accordingly. Success will be limited if a LFDI does not possess the ability to encourage farmers to produce products that satisfy market demands.

5.3.2.2 Maintaining farmers' commitment to the LFDI through managing their expectations

The research identified that many large producers have generally figured out how to distribute their products. It also identified that the quality of their products do not always meet customers' and consumers' expectations, and that a lack of collaboration amongst farmers of all sizes is preventing them from taking full advantage of market opportunities. The second challenge is therefore to gain buy-in from farmers so that they are committed and willing to collaboratively adapt their operations to meet or exceed market demands. The research found that many farmers currently believe that by joining a LFDI, they will not have to upgrade or change their activities, and yet will benefit from a more secure or profitable market. Experience has shown, if and when these expectations are proven to be unfounded, their natural tendency is to quickly drop out.

This lack of collaboration and commitment amongst producer has been identified as a common reason for the failure of many local food initiatives. That Ontario retailers largely blame farmers for their inability to more effectively market local food in Canada suggests that this scenario has already occurred, to a degree at least.

5.3.2.3 Ability to follow a commercial approach to business by resisting political pressures

The third challenge that a local food distribution initiative will face in being viable is that it needs to follow a strictly commercial approach. This means having the strength to resist the political pressures, which will almost inevitably occur. It cannot afford to entertain suppliers who 'want to get on the bus but don't want to go in the same direction'. Operating as a commercial venture is the only way that an LFDI can be economically viable, particularly as its success depends on the ability to deliver consistent levels of quality, at realistic price points. As experienced by LFDIs established in Canada and elsewhere, dealing with less capable and committed suppliers creates unnecessary costs and deters otherwise enthusiastic customers from supporting the initiative.

5.3.2.4 Ability to establish a marketing program that directly connects quality with local

As detailed in the background research, the majority of consumers do not use the term 'local' to describe a food in terms of a precise geographic source. Instead, they use the term 'local' to communicate attributes that are important to enhancing their overall eating experience – such as better quality.

The fourth challenge that a LFDI will therefore face is the need to establish a verifiable local food marketing program that is easily identifiable, and establishes an emotional connection

between the product(s) and consumers by providing a consistently high level of quality. The best way to achieve this is by linking a marketing program to a system that ensures its products consistently attain a higher level of quality than competing products, sourced from further a field. Farmers largely believe that programs such as Foodland Ontario currently perform this role. However, both retailers and recent research strongly suggest that they don't.

5.4 Chain Level Connections

While clear disconnects exist between the attitudes of stakeholders situated along the chain, the research also suggests that the majority of stakeholders agree on a number of important points. Section 5.4 describes the most important similarities that exist in the attitudes of stakeholder groups and how the LFDI could build upon these similarities to benefit both customers and suppliers.

Similarities include the need for a local food distribution initiative (LFDI) – even though some of the reasons for supporting a LFDI differ by stakeholder group, the type of person who should lead and manage such an initiative, the role of government and/or NGOs, the products it should handle, its geographic scope, governance arrangements, and if it should be a 'stand alone' versus linked to a current system.

5.4.1 Need for a LFDI

While differences exist in why certain customers (retailers and HRI) and suppliers (processors, distributors, producers) see a need for a local food initiative, the majority of respondents do support the idea of establishing an LFDI. However, as with consumers, what businesses say is often very different to what they do. For this reason we did not just analyze respondents' words, we analyzed the attitudinal factors that will influence whether or not they support an LFDI.

Within the retail sector, the attitudes of independent retailers (whether wholly independent or those owning franchises of corporate chains) appear more conducive to supporting an LFDI than those of corporate retailers. A key reason for this appears to be the difference between how independent and corporate retailers view the whole local food 'issue'.

- Independent retailers view consumers' growing interest in local food as an opportunity for them to gain competitive advantage.
- Corporate retailers view consumers' growing interest in local food as a challenge to which they must react to retain competitive advantage

A similar difference can be seen between independent and corporate foodservice operators, including institutions and distributors. The demarcation between independent and corporate processors is however a little different due to the impact of legislation, such as supply management and federal vs. provincial meat inspection.

Whether businesses view the local trend among consumers as an opportunity (requiring an offensive response) versus a challenge (requiring a defensive response) will influence the extent to which they are willing to change, the speed at which they are willing to change, and the nature of their strategic decisions. It will also factor into whether they see greater potential for a seasonal versus year-round LFDI. How those strategic decisions will translate into operations, and the effectiveness of those operations, will largely be determined by the individual businesses' corporate structure and culture. Attitudes, structure and culture all factor into the role businesses see an LFDI playing, should they choose to partner.

In a divergent environment where some see local as an opportunity and others view it as a challenge, it is not surprising that an increasing number of independent retailers and restaurants see themselves as caught in the middle and frustrated. They wish to take an offensive approach to exploiting market opportunities, but are restricted by franchise agreements and/or distribution systems owned by the players who are more defensive. Independent retailers and restaurants that take the offensive position are more likely to support the initiation of a LFDI. These stakeholder groups are also most supportive of a year-round rather than seasonal LFDI.

Stakeholders who viewed consumers' growing interest towards local food as a challenge (perhaps even a threat) to which they must react to retain competitiveness would be more likely to embrace an LFDI, after it had proven itself. At which point they may view the LFDI as a resource they could strategically align with rather than redesign their own internal operations. They also appear to view its' potential more from a seasonal rather than year-round perspective.

5.4.2 Leadership

The majority of the respondents (including producers) who voiced a definitive opinion stated that the leader of an LFDI must be a commercial person(s) who has a financial stake in the initiative and the authority to establish and enforce the appropriate governance structures. It was also stated that the person must be free to act according to clearly defined processes that reflect the requirements of the target market(s). The importance of ensuring that any LFDI is not overly influenced by political considerations – from provincial or municipal governments, or industry groups – was highlighted in both the secondary and primary research.

As shown by the background research, initiatives that are not operated as a wholly commercial concern are unsustainable because the costs that they incur exceed their revenues. While a number of the LFDIs that presently exist reflect a social rather than business model, their ability to expand and supply local food to a mass market is extremely limited. As supported by the literature and respondents, the characteristics of suitable leader(s) of an LFDI include experience in the most importance aspects of a LFDI. These include primary production, quality management, business management, logistics, marketing, and retailing. This represents a wide variety of complementary skill sets.

5.4.3 The Role of Government and/or NGOs

Virtually all respondents, suppliers and customers alike, see the primary role of governments (federal, provincial, and municipal) as three fold.

The first is to act as a facilitator who helps bring together interested partners and works with assisting less capable, though committed stakeholders to developing the necessary capabilities to participate in a LFDI. As seen by successful initiatives that have occurred elsewhere in North America and overseas, this would involve governments and NGOs providing an extension service that is developed and delivered in conjunction with commercially-minded LFDIs.

The second area is to support the development of necessary infrastructure and resources, rather than just consumer promotion. Governments have poured money into marketing programs without providing sufficient resources to businesses that wish to take advantage of the interest and/or awareness that their promotional programs create among consumers. Also, the financial support provided primarily flows to not for profit or industry organizations. This often translates into limited opportunities for industry players who are most suited to turning local food opportunities into full blown commercial realities.

The third role for governments is to create a commercial environment where business' can take full advantage of emerging market opportunities. This can be achieved with changes to legislations such as supply management and provincial vs. federal inspection, or laws relating to

issues such as labelling and taxation. The research found that the current legislative environment is not entirely conducive to developing a widespread local and regional food system.

5.4.4 Farm Organizations

The research suggests that farm organizations have a particularly important role to play in addressing the severe disconnects that currently exist along the value chain and, in so doing, can encourage industry to expand the market for local foods. This has been the case in other jurisdictions, such as the UK. Farm organizations can be influential in this process because ultimately, farmers trust them to have their own interests at heart.

Supported by OMAFRA and AAFC, farm organizations will need to provide the tools and motivation necessary to reformulate many farmers' opinions. They will also need to motivate them to develop the management capabilities required to position themselves able to have greater influence on the business decisions of retailers and other members of the value chain. The research suggests that these business capabilities include:

- The ability to communicate constructively with the overall value chain;
- Strategic planning and operations (quality) management;
- Developing and implementing effective business, marketing, and financial plans.

5.4.5 Products

5.4.5.1 Unprocessed / primary processed

While customers (retailers and HRI) and farmers believe that perishable products (particularly fruit and vegetables) are most suited to a LFDI, clear differences exist between value chain members on the potential to differentiate other products. The most obvious case appears to be meat. Distinct differences exist in the extent that farmers, independent retailers and some HRI view the suitability of meat to a LFDI versus the views of corporate retailers. Even though almost all retailers agree that opportunities exist in local meat, corporate retailers are markedly less willing than independent retailers to source from provincially inspected abattoirs. Corporate retailers are also unwilling to allow franchised stores to source from provincially inspected abattoirs. Similar differences exist between the willingness of corporate HRI versus independent HRI and corporate versus independent distributors to source from provincially inspected abattoirs.

The unwillingness of corporate retailers, corporate HRI, and corporate distributors to source from provincially inspected abattoirs and secondary processors is largely down to legislation and food safety concerns, followed by inability to supply in the volumes required. The same concerns lead to corporate retailers restricting franchised stores' ability to source meat and other processed products too. As mentioned by a number of retailers, consumer interest in local will mean very little if sourcing from a poorly managed provincially inspected abattoir leads to another food safety incident, such as that which occurred at the Elmer plant.

This situation largely exists for two reasons. The first is the lack of trust between industry stakeholders. A lack of trust forces businesses to base their decisions on legal, regulatory, and transactional factors. It also leads to them blaming each other when they explain why local food has not established a greater foothold in the overall market. The second reason relates to whether they view consumer interest in local food as an *opportunity* or a *threat*. When businesses view local food as a challenge rather than an opportunity, they are less motivated to expose themselves to potential risks that they believe stem from dealing with smaller, potentially less capable provincial abattoirs and processors.

5.4.5.2 Processed

Beyond relationship factors, literature and primary research suggests that the more processed a product is, the more challenging it becomes to differentiate it as local or regional. So, while moderately processed products (such as bread, cheese, wine, and preserves) have been successfully differentiated by region, marketing more processed products by region could be a challenging and risky endeavour. It will therefore require considerable planning and resources. It could also be fraught with legislative hurdles. Particularly in sectors such as wine and dairy, where many respondents see good opportunities though also cited the negative impacts that overbearing legislation is having on market growth.

An interesting exception that could help processed food capture market share appears to be directly linking local with organic. Many respondents believed this is a combination that would excite customers. While organic doesn't address legislative hurdles, that similarities exist between the demands for organic and local suggests that the two attributes could be combined to great effect.

5.4.5.3 Non-Food

Retailers and HRI mentioned that ornamental horticulture presents the most likely non-food product that could successfully be differentiated on a local or regional basis. This is because quality can be more effectively managed when products are shipped shorter distances, similar to produce. Overall however, all respondent groups believe that the local market opportunities for non-food products are significantly fewer than for food.

5.4.6 Geographic scope

Very few respondents support the concept of establishing a LFDI whose geographic scope was limited to Hamilton and Niagara. A small number of producer respondents suggested that it should be *either* Hamilton *or* Niagara. A small number of HRIs thought the same. However, the overriding view was that a LFDI should extend beyond the Hamilton and Niagara area.

Three distinct benefits would come from extending the initiative beyond Hamilton and Niagara. The first is that the differences between the two areas would become less acute, which could help create a more customer and consumer-friendly persona than the 'idyllic' Niagara versus the 'steel-town' Hamilton that was mentioned by many respondents.

Secondly, it would enable the LFDI to increase its economies of scale and access a wider array of markets. Thirdly, it would enable the LFDI to distribute a wider array of products. For instance, little meat (other than poultry) is currently processed within the H/N area. The wider the product range an LFDI stocks, the more attractive it becomes to potential customers.

A common consideration voiced by respondents is that the LFDI, if established, should at a minimum cover the 'Golden Horseshoe' and immediate surrounding area. Many respondents believe that the LFDI should be provincial. The viability of a provincial LFDI could be improved through dividing it into 'regional areas' or 'regional hubs', as is currently the case with VQA wines. VQA wines are from across Ontario though designated as originating from a specific region such as Niagara.

5.4.7 Governance arrangements

The background research stated that the governance arrangements of successful LFDIs ensure that individuals are accountable for their performance and rigorously enforce quality assurance. Otherwise they cannot differentiate themselves sufficiently in the market and are unable to capture sufficient value to be economically viable. This is particularly important as the success of local food initiatives relies on products being able to translate quality attributes acquired at the

production level into market strength. Therefore, establishing an effective link to a large number of loyal consumers depends upon the existence of an effective governance system.

The primary research showed that many respondents acknowledge that personal accountability, particularly among producers, will be critical for establishing an economically viable LFDI. The governance arrangements must therefore be designed to gain the commitment of parties suited to participating in such a system and preventing those that are not suitable from undermining the initiative; which has happened on many occasions. An effective governance system is also critical for developing the transparency and source verification necessary to secure the trust and support of customers and consumers. For these reasons, political factors cannot be allowed to influence the structure or management of the governance process.

5.4.8 Stand Alone Versus Linked

Though the reasons for their responses differ by stakeholder group, the majority of respondents believe that the LFDI must be strategically linked to an existing system; particularly in the early stages of its development. Establishing a stand-alone LFDI will require considerable investment, which will be difficult to recoup without charging what may be exorbitant prices or returning minimal returns to suppliers. Either way, it presents a likely recipe for disaster.

In addition to economic benefits, linking with a current system provides immediate access to potential customers, an in-depth knowledge of the market and customer requirements, and a logistical infrastructure. It could also provide the LFDI with access to an extensive knowledge base, processing capabilities, and an ICT infrastructure that supports an effective ordering/delivery system.

6. Recommendations

This project has researched the viability of establishing a local food distribution initiative (LFDI) in the Hamilton and Niagara area. It also sought to identify the factors that would have a significant impact on the success of such a LFDI. These include the most appropriate target markets, the products best suited to a LFDI operating in the Hamilton and Niagara area, and management considerations that would enable the LFDI to be sustainable. This section uses the extensive research findings to present a series of recommendations.

Perhaps the most important outcome of the research was the confirmation that a perceived need exists to establish a local food distribution system. While the majority of the over 350 respondents support the establishment of a LFDI for differing reasons, based largely on whether they view local food as an opportunity to increase their competitive advantage or an issue that they must address to retain their competitive position, the perceived need for an LFDI is undeniable. For many, that will likely be good news. The perhaps not so good (and potentially controversial) news is how such a system would need to be managed for it to be sustainable.

This report concludes with a series of recommendations for establishing a sustainable local food (and product) distribution initiative in Hamilton, Niagara, and possibly surrounding area. This includes the suggestion of three systems that appear suited to expanding the market for local food, outlined in Section 6.1.

6.1 Recommendation #1: Options for Distributing Local Food (and Agri-Products)

The research results suggest three alternative processes are most suited to distributing local food and agri-products within the Hamilton, Niagara, and surrounding area. Some have already proven themselves viable on a smaller (often isolated) basis in Ontario. All three have proven themselves viable in jurisdictions that are outside of Canada though share distinct similarities with the Hamilton and Niagara area, and Southern Ontario. Other than the possible need to improve cool chain and grading capabilities any of the options could likely be established without the need to extensively expand upon current infrastructure.

All three options are suited to linking local food suppliers with any sized retailer. Options one and two are those that are best suited to connecting local food suppliers with corporate retailers. They have been listed in order of the range and volume of products that each arrangement is suited to handling. The options are not mutually exclusive. Which option(s) works where will largely depend on the individual retailer(s) or market(s) being supplied and whether the product(s) being handled require a specific type of infrastructure. Therefore all three options could potentially be used simultaneously to supply a full range of products to the same market.

6.1.1 Option 1: Establishing Regional Distribution Hubs

This option entails appointing an organization that already possesses the intellectual and physical capabilities necessary to add a list of local products to their current offering, then distribute and market these and their own products with high degree of sophistication. This approach sees them become a hub for conveying local products to retail and foodservice customers. Local suppliers benefit from having a ready access to market without needing to invest in developing infrastructure; the provider of the hub benefits through the opportunity to provide customers with added value. It also allows them to reduce their own transport costs.

The hub delivers to either retailer's and HRI's distribution centres and/or individual stores, restaurants, etc.. When choosing a company to act as a hub, it is vital to ensure that they enjoy well established long-term relationships with the local suppliers' target market(s). This enables them to represent local suppliers when meeting with current customers and incorporate local

products into marketing plans that have been tailored to the requirements of individual customers. It also allows them to provide local suppliers with valuable advice on ensuring that their products meet market requirements. A retailers that has successfully used this approach to source an array of high quality local foods is ASDA, a subsidiary of Wal-Mart in the UK. In Ontario, while this approach has largely been confined to the distribution of fresh produce, 100 Mile Market is an example of distributor that is now supplying locally produced meat and processed products to HRI and retail customers.

6.1.2 Option 2: Getting a Piggyback From Leading Suppliers

This option enables local businesses to utilize the resources of an established larger business that is a key supplier (usually number one or two in their category) to a specific target market. Often referred to as co-packing, this approach enables suppliers to access processing as well as distribution and marketing resources, which enables it to produce a more sophisticated end product than otherwise possible. This key difference between this and Option #1 is that the intermediary business does not work with multiple local suppliers to significantly expand its range of products. Instead it often provides more of a processing as well as distribution and marketing service to suppliers of a similar product, such as an unprocessed commodity. That this option is also often tailored to strategically supplying a small number of products to a specific target market means that it is also a more precise approach than Option #1.

Suppliers' benefit from having access to processing as well as distribution and marketing capabilities without having to risk investing in expensive infrastructure. They also benefit from having access to proven capabilities and, therefore, improve their chances of having their products listed with a major retailer. The primary benefit of this option to the intermediary business is the opportunity to reduce overhead costs. As with Option #1, retailers benefit through having to deal with fewer businesses than would otherwise be the case and having access to new (perhaps low volume though high value) products from a trusted supplier. In Canada, most co-packed products are not identified as local. A retailer that is said to use this approach to great effect is Sainsbury's (UK).

6.1.3 Option 3: Local Food Network

This option is best suited to distributing unprocessed or minimally processed products, delivered direct to store or foodservice operation. The intermediary may be a business with processing and/or warehouse infrastructure, or may literally be one person who operates a van. The upside of this approach is that, with having limited overheads and the ability to be flexible in the products it distributes, it is suited to distributing seasonal products.

The downsides to this approach include that it allows for only limited volumes of products to be distributed at any one time. As such approaches tend to have a smaller supply base than other options, their ability to manage fluctuations in supply and demand is also limited. This makes them most suited to handling small quantities of niche products or supplying smaller customers. As well, compared to Options #1 and #2, this approach often also places greater responsibility on the suppliers to ensure that their products are retail ready and meet customers' specifications. This means that it is critical for the network to only work with committed capable producers. A possible downside is that by having limited and potentially less sophisticated capabilities compared to Options #1 and #2, its ability to ensure the delivery of perishable products to a consistently high standard of quality may be compromised. With fewer resources than the other options, its ability to work with customers to develop and implement detailed marketing plans may also be restricted.

6.2 Recommendation #2: Leadership

Our research suggests that the leader of an LFDI plays a critical role in determining its success. For instance, the reason for the success of the 'Bowland Fresh' initiative was not because it delivers a highly innovative product to market. It was primarily successful because of an individual; in this case a farmer named William Slinger, who led the initiative's development and worked closely with the entire value chain to turn an opportunity into reality. This is the case in numerous other examples. Therefore, the existence of a progressive and well respected stakeholder (often someone situated in the middle of the value chain) is the first step in creating a successful initiative.

The leader will need to have 'skin in the game'. Otherwise it will be difficult for them to establish the necessary sense of authority and motivate people to follow their example. This is particularly important given research shows that farmers learn best from first hand experience and observation. The chosen leader(s) will also need to be charismatic and have a thorough understanding of the industry, from farming through to retail.

That many farmers want a LFDI for the wrong reasons, often believing that it would prevent them from having to adapt their operations to suit a changing market, means that the role will require excellent communication skills. The research findings also suggest that while governments, industry associations, and NGOs will have an important extension and facilitation role to play in supporting the LFDI's development they should not play a management role.

6.3 Recommendation #3: Target the correct markets first

The research showed that while significant opportunities exist to establish a LFDI to supply local food to corporate retailers, this could be a difficult row to hoe. A more effective approach would be to first supply independent retailers and chosen restaurants. Smaller retailers do not have the same level of bureaucracy and logistical requirements, so present an easier target. They also provide an opportunity to learn quickly, particularly as the distribution of fresh produce presents an ideal way to steadily break into the realm of corporate retailing through first working with franchised stores. They also have shown to possess an offensive attitude towards local food distribution as opposed to a defensive position. The other potential downside of working with corporate retailers and institutions (such as universities and hospitals) versus individual retailers and restaurants is that have fewer opportunities to pass premiums onto the end customer.

6.4 Recommendation #4: Strategically align with existing system(s)

Distribution costs are the nemesis of local food initiatives. Keeping these costs to a minimum will be critical to successfully establishing a LFDI and placing it on a financially viable footing at the earliest possible opportunity. If this is not achieved, a host of challenges will arise including the inability to retain both preferred suppliers and markets; and the inability to position local food as an environmental benefit, because food miles are not kept to a minimum.

A way to address costing and other challenges related to distribution will be to strategically partner with an existing system(s) whenever possible. An additional benefit of such an approach is that it could provide access to valuable resources, such as established business relationships, market knowledge, and logistics and/or processing capabilities. That taking this approach offers an opportunity to establish a viable LFDI almost immediately, as well as the ability to break into valuable markets is illustrated by it being the method that DEFRA (UK) suggested as a the preferred option for many local and regional food producers. For reasons

related to food handling and target markets, an LFDI may find that the optimum arrangement is to work with two or three different distributors.

6.5 Recommendation #5: Enhance Cool Chain and Grading Capabilities

The primary research identified that a number of fruit and vegetable processors located in the GTA are expanding their operations and technical capabilities. However, little investment is being made to improve the efficiency and effectiveness of the cool chain and grading systems that are a vital part of linking primary production to both the fresh and processing markets. This is leading to inconsistent quality and missed market opportunities compared to the increasing capable importers against which the region competes for trade. In the case of vegetables, this includes Quebec. Investing in cool chain and grading capabilities could provide distinct benefits to the local economy. It would also allow existing downstream distribution and processing infrastructure to be used more effectively than is currently possible.

6.6 Recommendation #6: Geographic Scope

The research illustrated that while the municipalities of Hamilton and Niagara are working together for this research project, limiting a LFDI to this geographic scope does not correspond to the majority of respondents' cognitive concept of 'local'. In fact given the contrast between the municipalities of Hamilton and Niagara, both physically and from the perspectives of industry stakeholders, we would not recommend purposely limiting the LFDI to these two areas. Not least because it would appear to be something of a forced marriage, rather than a decision made for commercial reasons.

The majority of respondents that support the concept of an LFDI believe that its geographic coverage should be somewhere between outside of the immediate Hamilton and Niagara area and the entire province of Ontario. Given that limiting a LFDI to only the Hamilton and Niagara area would limit its economic viability, four alternatives appear to exist for the LFDI if established. All appear to have a greater potential from a marketing perspective compared to keeping the LFDI within the municipal boundaries of Hamilton and Niagara. The suggestions are:

- Niagara Escarpment region of South Western Ontario
- Golden Horseshoe
- Southern Ontario
- Ontario

Whatever the final decision, strategically linking with an established distribution system(s) should make the process of establishing and expanding the LFDI an easier process than if establishing a stand-alone entity.

6.7 Recommendation #7: Product Mix

While ambient groceries (such as tinned food) are easier to handle and distribute, the research shows that their market opportunities are limited compared to perishable products such as produce and meat. The research also showed that establishing a market for processed products could be a more costly and demanding process compared to minimal or non-processed foods. Perishable products such as fresh produce, processed produce and meat therefore appear to be the most viable products for a LFDI to market. That they require considerable attention to detail and differ in the nature of the resources required to source, distribute and market safely suggests another reason for strategically partnering with a proven initiative(s). Beverage items that the LFDI could consider handling, subject to legislative

restrictions, include wine, beer and fruit juice. Non food items appear to be limited to ornamentals.

6.8 Recommendation #8: Establish a Verifiable Quality Assurance System

As stated by Crosby (1979), quality is free. Mandating that a LFDI only handle good quality is certainly not a cost given the benefits that come from ensuring that quality always matches market expectations. It is, therefore, imperative that the LFDI has an effective quality assurance system with specific quality attributes explicitly defined. Having a third party regularly verify the integrity of the quality assurance system would increase its value to the LFDI and its stakeholders.

An effective quality assurance system achieves three purposes, all of which are critical in successfully managing the variables which left unchecked will otherwise undermine the success of a LFDI. The first is in helping to minimize operations costs by establishing a minimum benchmark for quality. Our research found that the costs that poor and inconsistent quality creates for the initiative itself and its customers could have the greatest negative impact on the success of a LFDI. The second purpose of an effective quality management system is that it helps build trust between the LFDI and its customers through providing a transparent working relationship. Our research identified that lack of trust severely impacts the commitment of stakeholders to the LFDI, which has a significant negative impact on its success. The third purpose of a quality assurance system is that it creates a verifiable communication platform between products and consumers regarding the source, quality, and therefore differentiation of products versus alternatives. The research found consumers must feel assured of the verification of a product's source and quality or sales will be negatively affected, severely impacting the success of a LFDI.

In addition to the aforementioned value generating benefits, an effective quality assurance system could strengthen the LFDIs competitiveness, along with that of its suppliers and customers, in at least three additional ways. The first is by providing a fully functioning traceability system. The second is its role in engendering a sense of accountability among the suppliers, the LFDI itself, and customers. The third is that if the system can successfully address the trust related issues identified during the primary research. An effective quality assurance system could play a valuable role in expanding the market opportunities for processed food from provincially inspected plants and may be particularly helpful in assisting provincially inspected abattoirs and meat processors counter the loss in market opportunities that stemmed from corporate retailers' reaction to the Elmer incident.

6.9 Recommendation #9: Develop a Strategic Marketing Plan

For financial reasons and to make the establishment of a LFDI a more manageable process, a stepped approach would need to be followed in establishing a LFDI. While the specific plan would need to be developed by the LFDI leaders in conjunction with key stakeholders, the research shows that the plan will need to address a number of critical factors for long term success. As quality and price makes it viable, while quantity makes it sustainable, the strategic plan will build upon recommendations one to six to produce a business and marketing plan that determines the following.

6.9.1 Standard pricing

A number of initiatives have proven unviable because they attempted to take a concept suitable for the farm or single operator level and modify it to suit a large commercial venture. An example of this was when one initiative created a price list with several lines for one product type, all with different prices, set by each supplier (i.e. Broccoli A \$1, Broccoli B \$1.25, Broccoli

C \$0.80). While farmers may be able to successfully determine their own prices for farm gate sales, this certainly is not viable on a large scale due to the added complexity and costs that such a system brings with it. Therefore the LFDI will need to develop a standard pricing formula that complements the QA system and provides clarity to its users.

6.9.2 Verification and Marketing program – 3rd party audited

As mentioned, to be an effective marketing tool, the integrity of the QA system needs to be verified by an independent third party. It will be difficult to establish the necessary trust and transparency between the LFDI, its suppliers and its customers without taking this step. In keeping with successful initiatives, the cost of the 3rd party verification, along with marketing and promotions should be funded by a check-off arrangement charged to products distributed by the LFDI.

6.9.3 Communication system

The distrust that the research identified between value chain participants is to a large extent the result of poor communication between industry stakeholders. For the LFDI to work efficiently and effectively it will therefore undoubtedly require a stable, well functioning internet based system for communicating with suppliers, customers and service providers. The type of information that the system will need to convey includes: forecasts versus actual supply volume and orders; quality expectations and issues; product specifications; delivery times and methods; and payment arrangements. This information will help the LFDI plan and monitor the performance of the entire initiative, from production planning through to marketing and customer performance, and identify opportunities to continually improve the LFDI's performance.

6.9.4 Preferred markets

A customer who purchases 100 cases of produce at short notice and at irregular intervals will be far more difficult and costly to service than a customer who purchases 20 cases on a regular basis and communicates their expected needs in advance. The marketing plan will need to identify preferred target customers, the method of distribution, and packaging formats. Large customers can very soon create large burdens if they are unsuited to the LFDI's operatus mundi. To be viable, preferred customers must be those who regularly pay their invoices within the agreed timeline. Cash flow issues and the cost of chasing debt can cripple any business.

6.9.5 Timelines

From the moment the decision is made to invest in an LFDI, the management overseeing the initiative will need to know where they want to be when the LFDI "grows up" and how its development can be tracked so that changes can be made if required at any point in time. Developing concrete performance criteria will require the planners to possess strategic foresight and management experience.

6.9.6 Capacity Planning and Utilization

A critical success factor for many LFDIs is if they are able to balance supply and demand. It is important that the initiative invest sufficient effort in determining whether they have the correct capacity for their needs and how effectively they are utilizing that capacity. The resources required by the LFDI and, how well it is able to utilize those resources, will depend on the target market(s), products handled, geographic scope, and whether it follows a seasonal or year-round business model.

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Appendix 1: Additional Background Information Regarding Local Food Distribution

1. Demographics of Consumers who prefer Local Food

In the UK where the local food movement is more established, the study, “Understanding of Consumer Attitudes and Actual Purchasing Behaviour with Reference to Local and Regional Foods” (DEFRA, 2008) found that demographic differences exist between segments regarding their intention and purchase of local and regional foods. However, it also found that attitudes rather than demographics is the key factor determining consumers’ support for buying local; particularly when comparing the importance of demographic differences to the influence of whether consumers were distinctly health consciousness.

Demographics that expressed a higher propensity to buy local include rural buyers, who bought more local and regional produce on all occasions compared with urban shoppers. Urban consumers placed more importance on barriers such as lack of availability and awareness, and inconvenience, which resulted in fewer purchases. Older consumers were also found to generally buy more local produce for use at home. This propensity is based on older consumers recognizing the positive effects of food and drink characteristics, and local support and provenance more than those in younger age groups. The intention to ‘buy local’ among women was also greater than with men.

Differences also existed between single buyers compared with all other groups, particularly married consumers. Married customers were more likely to recognize the importance of local support and provenance and sustainability and ethics compared with single buyers. Unlike the Canadian findings, the number of children in a household did not appear to be a significant factor in buying behaviour.

A classification of local and regional food buyers in the UK was developed based on the importance of buying influences. Four customer segments were identified: Persisters (25%), Devotees (23%), Abstainers (36%), and Cynics (16%). The Devotees were the most positive toward buying local and regional produce whilst the Cynics were entirely negative. Of the two intermediate groups, the Persisters held more positive attitudes, and tried to overcome barriers and buy local products for use at home, but Abstainers found it difficult to go through with their buying intentions as they place greater emphasis on the barriers to buying - even though they share similar views about the positive aspects of local products.

Research by Ipsos Reid (2007) found that the demographic DNA between segments who claim to prefer local food and those who favour organics, is similar. Households who prefer “organic” rather than “local” are slightly more affluent.

High level analysis shows that an elevated percentage of white, urban households prefer “local” to international products. More established Canadians rather than new immigrants also favour “local” and “organic” products. 75% report having no children at home. Among Canadian households of five or more, and which the Canadian census reports as being 11% of households, they is a higher propensity to buy local than to buy organic.

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The figure below shows a breakdown of the factors that characterize consumers who express a propensity to buy different types of local food versus organic food per se.

Figure 1.1: Demographic Highlights of Consumers who Prefer “Local”, by Category

	Meat	Fruit & Veg	Prepared Foods	Alcohol	Organic
Gender	53% male 47% female	51% male 49% female	53% male 47% female	48% male 52% female	54% male 46% female
Age	under 35, 27% 35-44, 16% 45-54, 24% 55-64, 21% Over 65, 12%	under 35, 25% 35-44, 15% 45-54, 25% 55-64, 22% Over 65, 13%	under 35, 22% 35-44, 14% 45-54, 27% 55-64, 22% Over 65, 14%	under 35, 26% 35-44, 12% 45-54, 29% 55-64, 22% Over 65, 11%	under 35, 25% 35-44, 17% 45-54, 25% 55-64, 20% Over 65, 13%
Employment	With fruits and vegetable, there were more groups (over 10%) indicating a local preference. 40% generally prefer not to state their occupation, except for alcohol, where 40% preferring local are unemployed!				
Employment	39% full time 17% retired 11% self employed 10% unemployed	40% full time 18% retired 12% student 11% self employed 10% part time 10% unemployed	38% full time 20% retired 10% unemployed	41% full time 17% retired 11% unemployed 10% part time	41% full time 17% retired 11% self employed 10% unemployed
Occupation	40% not stated	39% not stated	44% not stated	40% not stated	39% not stated
Education	Generally, better educated than the average Canadian.				
Household Size	Similar to 2006 census (ON). Larger HH (over 5+) favour local as only 11% in census, and 14-16% in this study. ¾ say they do not have children living at home.				
Household Size	1-2 people, 52% 3 people, 22% 4 people, 11% over 5, 15%	1-2 people, 53% 3 people, 20% 4 people, 13% over 5, 14%	1-2 people, 53% 3 people, 20% 4 people, 13% over 5, 15%	1-2 people, 53% 3 people, 20% 4 people, 13% over 5, 15%	1-2 people, 51% 3 people, 21% 4 people, 12% over 5, 16%
Kids in household	74% NO	75% NO	75% NO	74% NO	75% NO
Age & Presence of Children	74% none under 18	75% none under 18	75% none under 18	74% none under 18	75% none under 18
Household Income	57% over 60K	58% over 60K	56% over 60K	55% over 60K	57% over 60K
Generation	65% 2 nd gen 18% 1 st gen	64% 2 nd gen 18% 1 st gen	64% 2 nd gen 19% 1 st gen	70% 2 nd gen 18% 1 st gen	66% 2 nd gen 16% 1 st gen
Ethnicity (2006 = 84% white)	88% white	88% white	88% white	89% white	87% white
Rural vs Urban (2001 = 80% urban)	87% urban	86% urban	87% urban	83% urban	87% urban

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The chart below acts as a guide for the legends in the following “DNA” tables.

Figure 1.2: Demographics “DNA” of Consumers who Prefer Local Over Imported

	1	2	3	4	5	6	7	8	9
Gender	Male	Female							
Age	Under 35	35 - 44	45 - 54	55 - 64	65 and over				
Employment	Full Time	Part Time	Self-Employed	Homemaker	Student	Retired	Unempl oyed	Other	(DK/ NS)
Occupation	Executive/Manager	Professional	Secretarial	Sales	Technic al	Blue Collar/ Labourer	Other	Unemployed	(Dk/N s)
Education	Some High School	High School	Some Community College/CEGEP/Trade School	Community College/CEGEP/Trade School	Some University	University Undergrad degree	Graduate degree		
Household Size	One	Two	Three	Four	Five	Six and more			
Kids in household	Yes	No							
Age & Presence of Children	Under 6 only	6-12 Only	13-17 Only	Under 6 and 6-12	Under 6 and 13-17	6-12 and 13-17	All 3	None Under 18	
Household Income	Under \$25,000	\$25,000-\$44,999	\$45,000-\$59,999	\$60,000-\$99,999	\$100,000 +				
Generation	2nd Gen+ Cdian	1st Gen Cdian	New Cdian	Cdian born elsewhere					
Ethnicity	White	Black	Hispanic	Asian or Pacific Islander	Native American or Alaskan Native	Mixed racial background	Other	Refused	
Rural vs Urban	Rural	Urban							

Figure 1.3: Demographics of Consumers who prefer to buy local fruits and vegetables

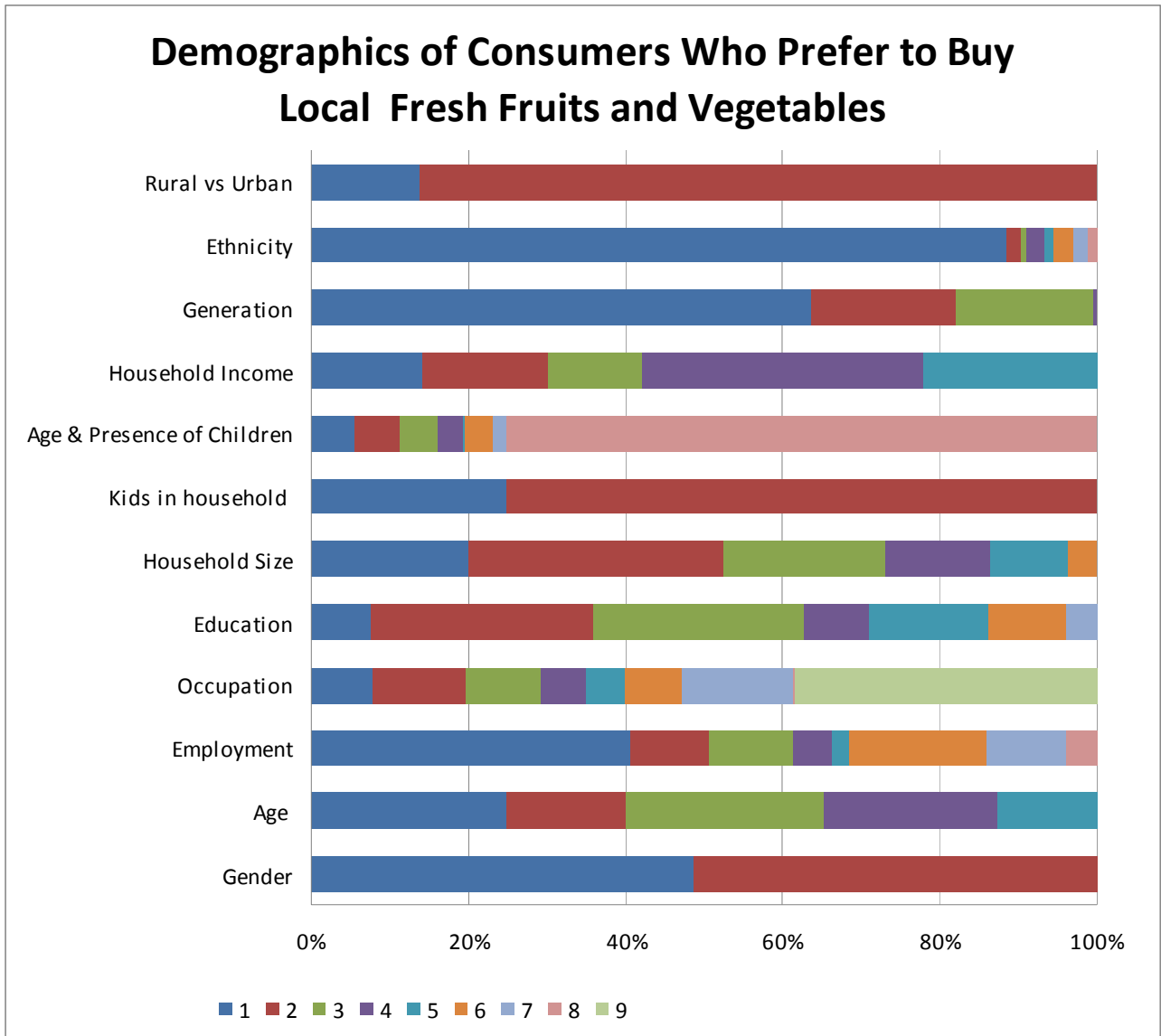


Figure 1.4: Demographics of consumers who prefer to buy local meat

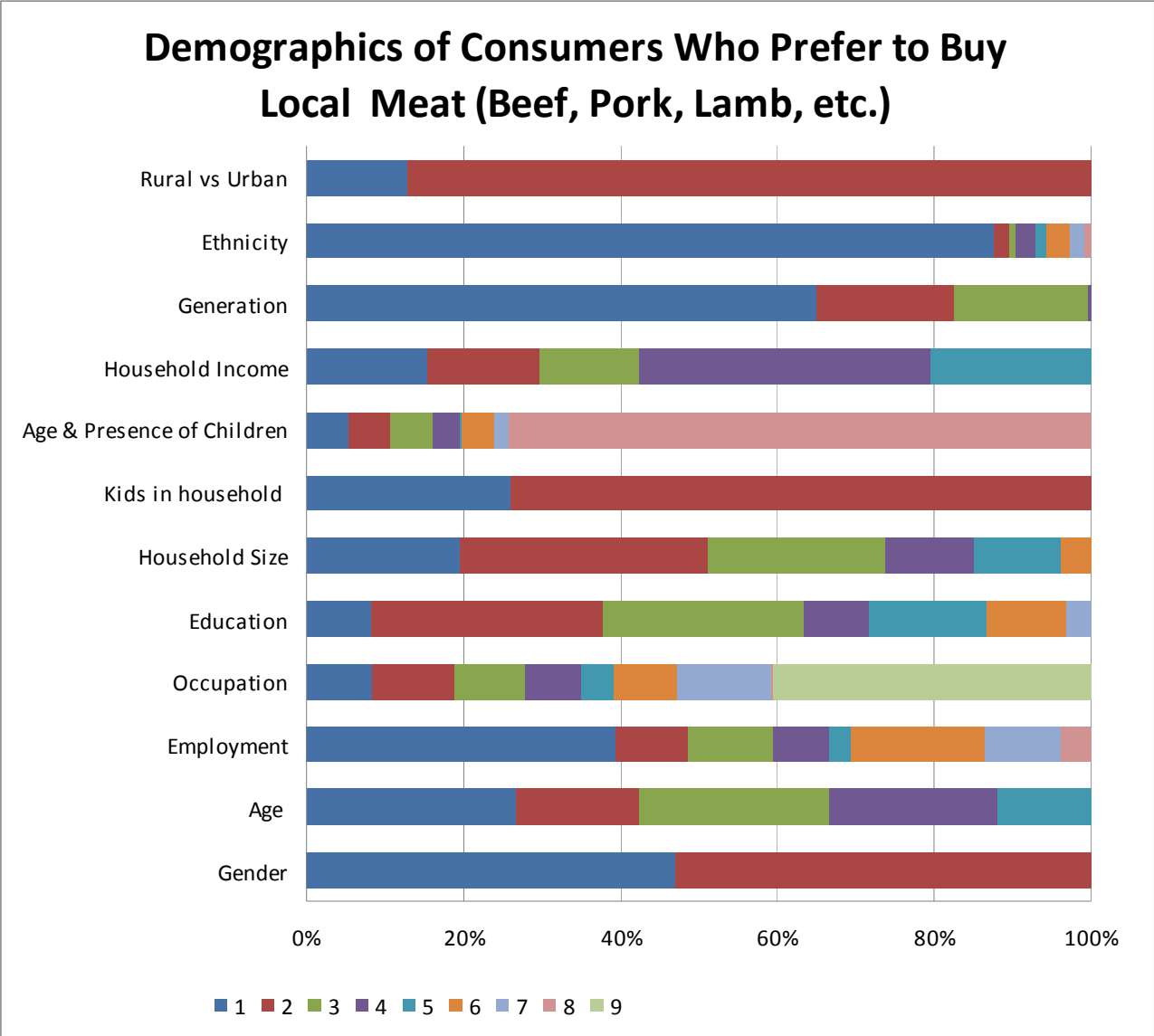


Figure 1.5: Demographics of consumers who prefer to buy local alcoholic beverages

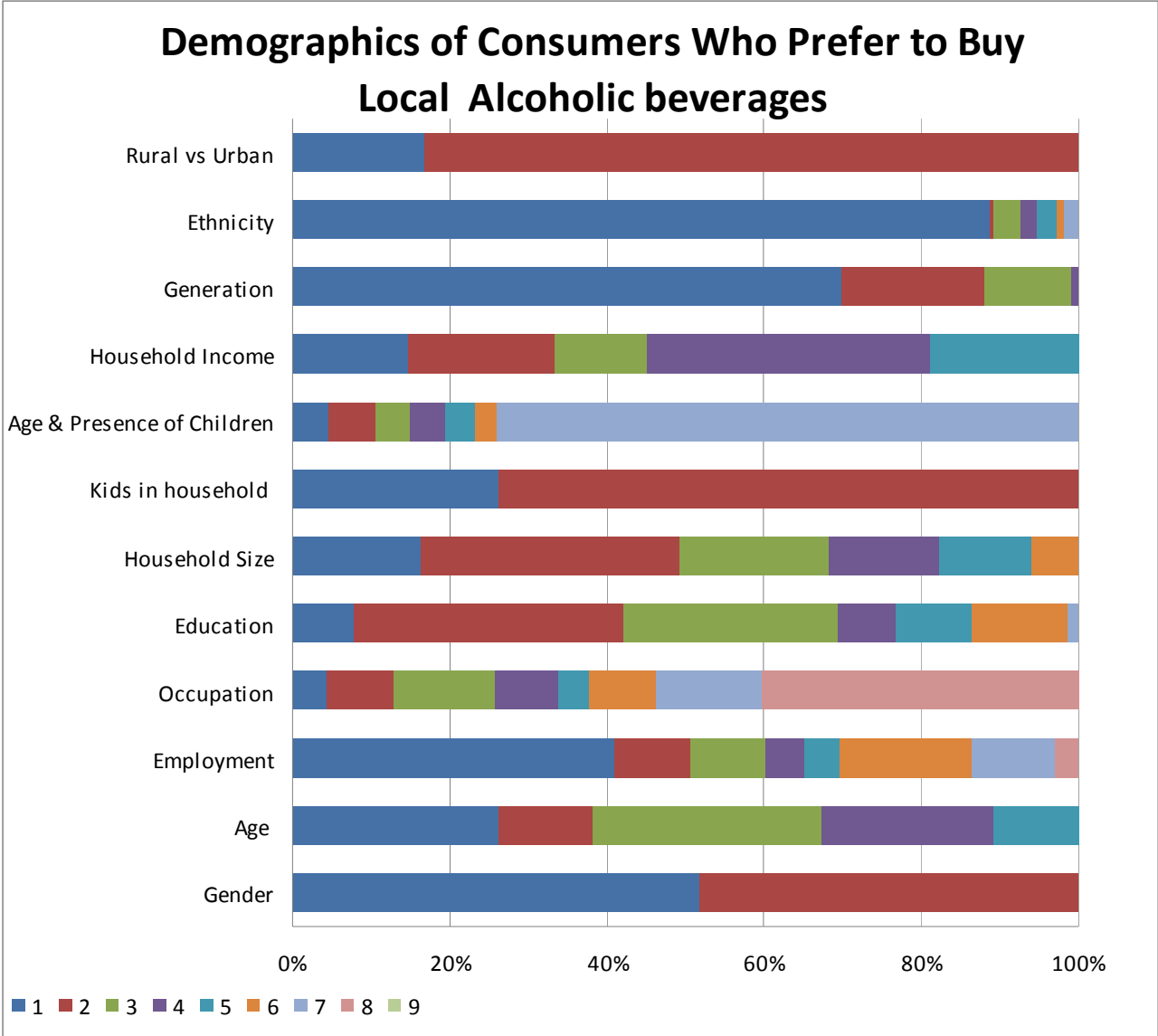


Figure 1.6: Demographics of consumers who prefer to buy local prepared or processed foods

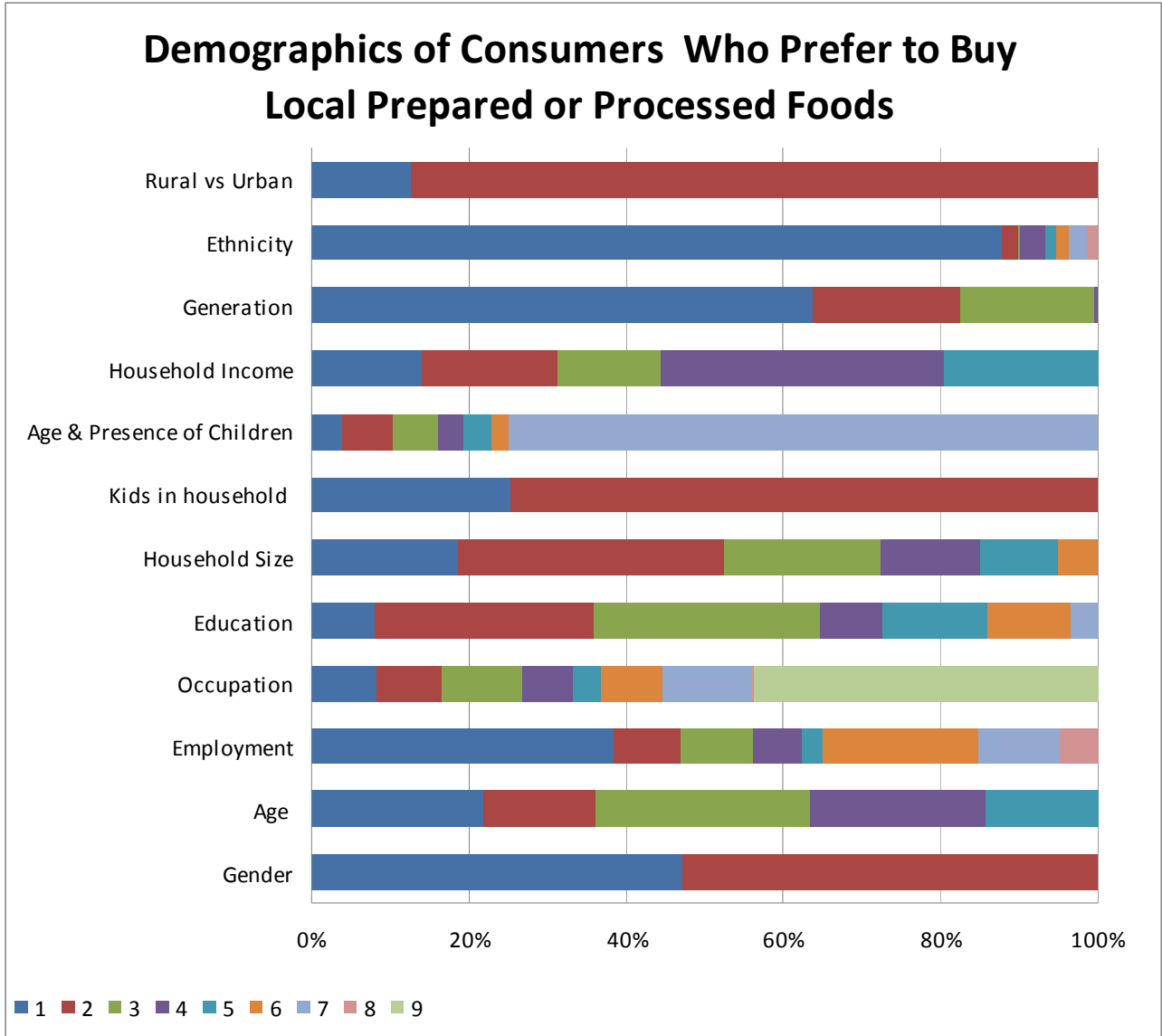
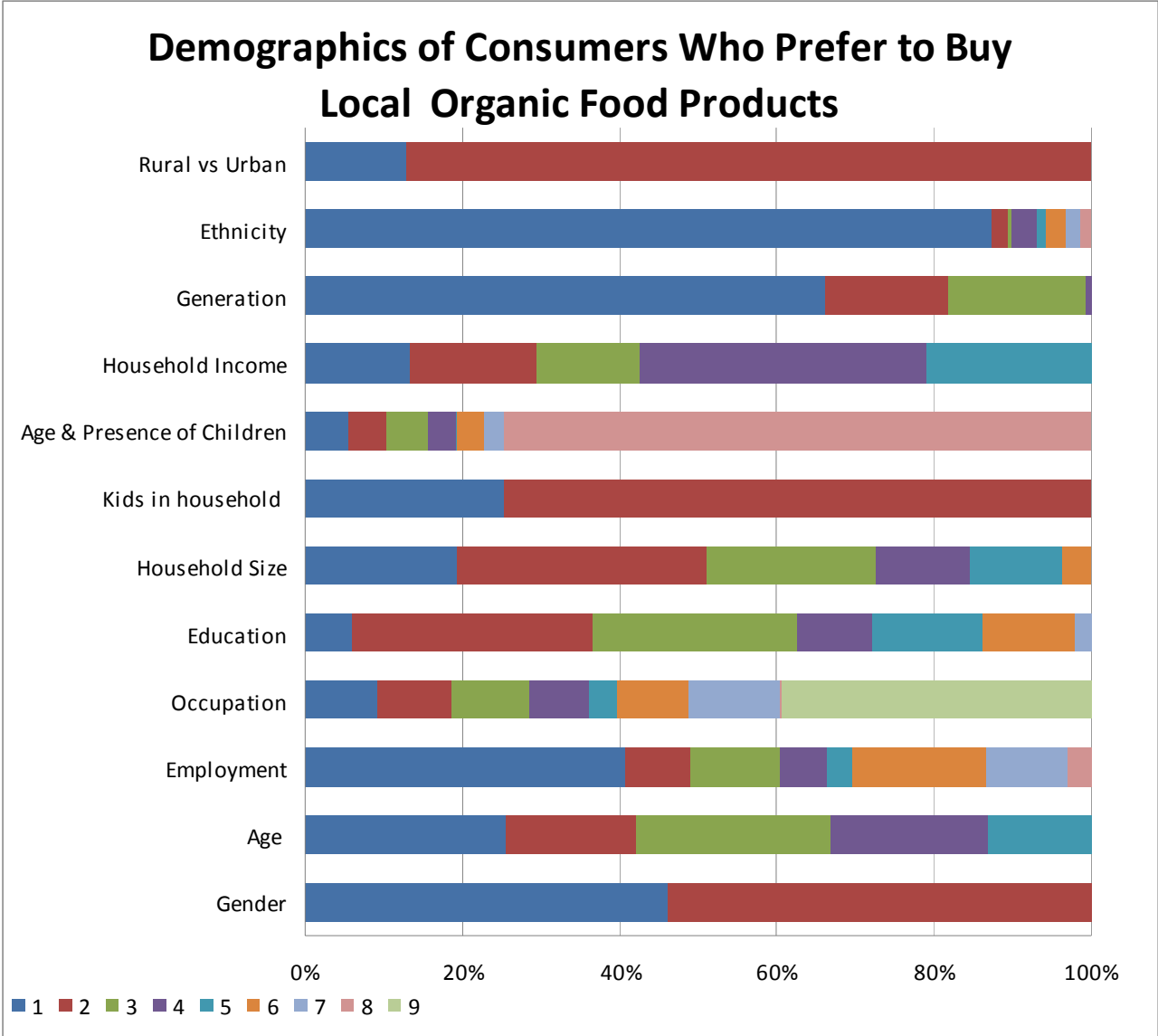


Figure 1.7: Demographics of consumers who prefer to buy local organic food products



2. Source of Origin, Product Cues

Only 49% of consumers report to know a lot about Canadian agri-food products. This compares to 69% who claim to know a lot about Canada. For example, 20% respondents from Ontario believed that fresh fruits and vegetables are available throughout the year from local sources, and 31% believe domestic fresh fish and seafood is available year round (Ipsos Reid, 2007).

Yet to be released results from a project led by the Value Chain Management Centre has found that an even higher percentage of Ontario consumers believe that Ontario grown stone fruit is available all year. This lack of knowledge about country of origin and whether they know what they are being in local contrasts markedly with consumers' stated desires to purchase Canadian products first and foremost.

Figure 2.1: Top preference for where food is grown

	Top Preference			
	Grown Locally	Grown in Ontario	Grown in Canada	Grown outside of Canada
Canadian Average	41%	20%	38%	2%
Ontario Average	38%	17%	41%	2%

Ipsos Reid, 2007

Figure 2.2: Top preference for where food is manufactured

	Top Preference			
	Manufactured Locally	Manufactured in Ontario	Manufactured in Canada	Manufactured outside of Canada
Canadian Average	39%	17%	43%	2%
Ontario Average	32%	14%	52%	2%

Ipsos Reid, 2007

Furthermore, it was found that when competition is high and several options are similar, even relatively unimportant criteria become the determinant. For example, if all heads of lettuce are the same size, priced the same, and equally fresh, the chosen lettuce may have been set apart by a label carrying a supplier's name. If asked in advance, the supplier would not have been important to the consumer, but in that situation, it became the determining factor in the decision making process. The same appears likely in terms of the importance of local as the determinant of consumer food choices (Ipsos Reid, 2007).

These and other findings underline the fact that being local can be a factor in determining whether consumers purchase a product. It is not THE primary purchase driver, particularly in Ontario, where consumers' support for local products is below the national average (see Figure 2.3).

Figure 2.3: % of respondents who "Strongly Prefer" the domestic version over the international version, by food category

Food Category	Canadian Average	Ontario Average
Poultry (chicken, turkey, etc)	79%	77%
Meat (beef, pork, lamb, etc)	77%	75%
Fresh fruits and vegetables	59%	58%
Seafood and fish	59%	55%
Prepared or processed foods	47%	46%
Organic food products	49%	45%
Non-alcoholic beverages	42%	39%

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

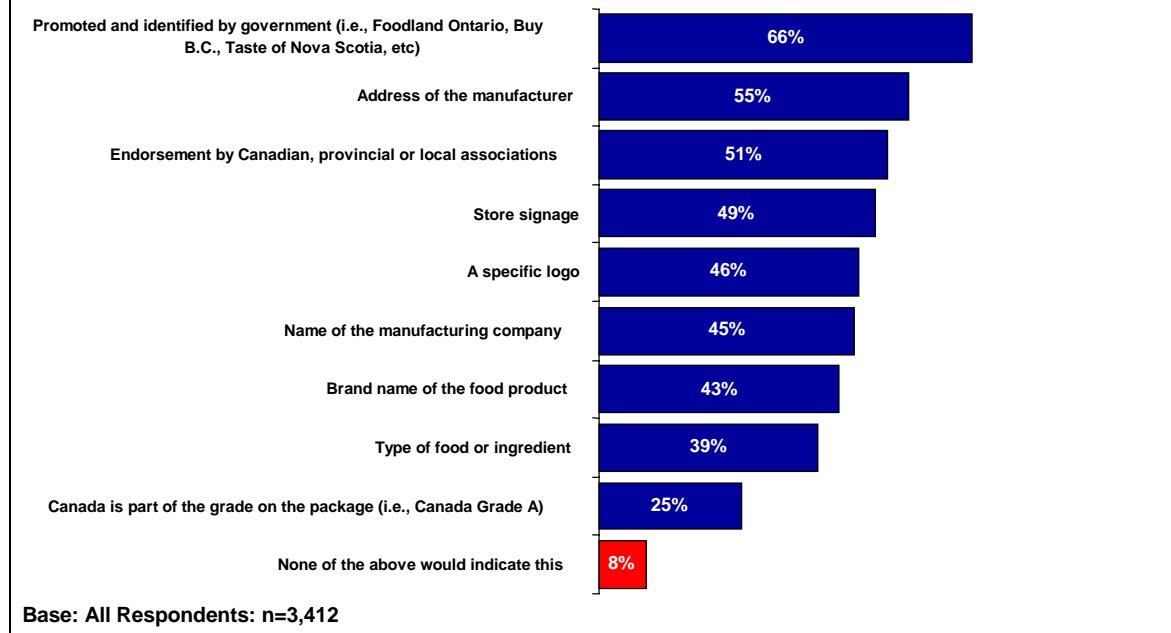
Alcoholic beverages	32%	31%
Ethnic food products	20%	20%

Ipsos Reid, 2007

While consumer interest in local food is increasing, they often pay more attention to detail when considering purchasing a local product, which means they place more, *not fewer*, expectations on local food. Attention to detail does not, however, extend to reading labels. In fact, sifting through information on labels to find specific points was considered particularly tedious if attempting to determine factors such as healthiness, specific ingredients, country of origin (Ipsos Reid, 2007). Understanding the information that consumers use to define products is therefore an important feature of successfully differentiating products as local. Figures 2.4 and 2.5 illustrate the differing levels of importance that consumers place on the source of information when seeking to identify products originating from their province versus products considered local.

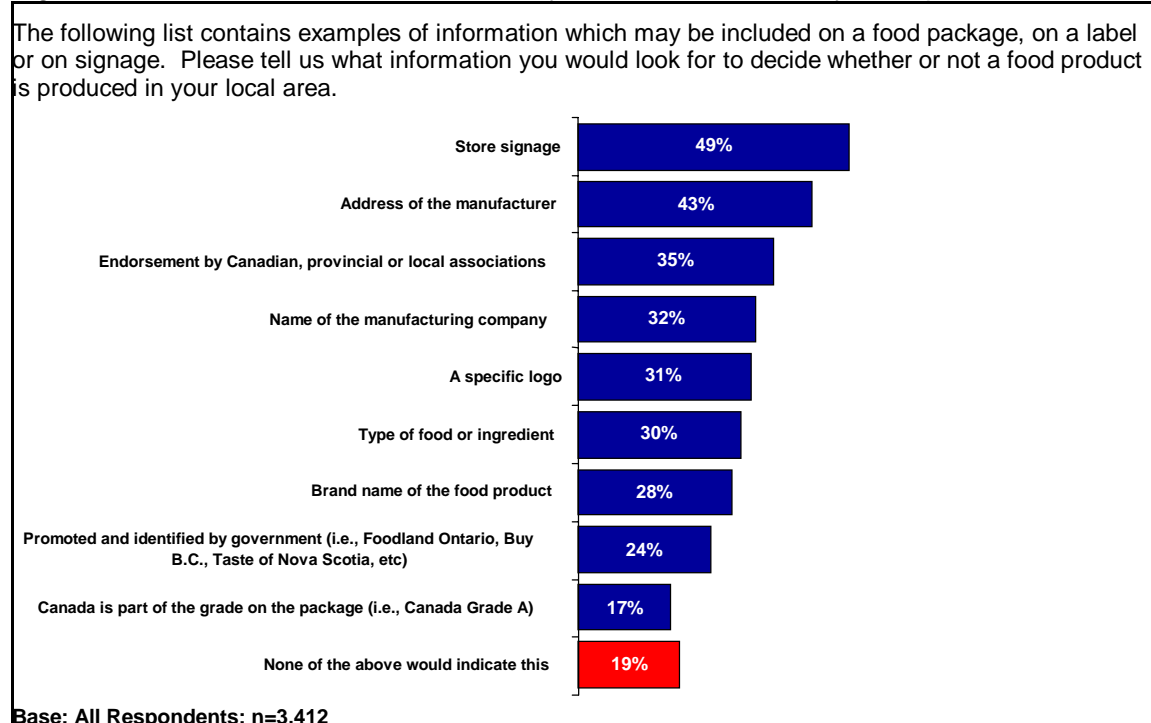
Figure 2.4: Sources of information used by consumers to identify provincial products

The following list contains examples of information which may be included on a food package, on a label or on signage. Please tell us what information you look for to decide whether or not a food product is produced in your province.



Ipsos Reid, 2007

Figure 2.5: Sources of information used by consumers to identify local products



Ipsos Reid, 2007

As seen above, the products toward which Ontario residents express the strongest preferences for being sourced locally or domestically include poultry, meat, fresh fruits and vegetables, and seafood. Gooch and Moore (2006) found similar results in their study of the market opportunities for local food in Prince Edward County.

2.1 Willingness to pay a premium for local food

A great deal has been written and vocalised about consumers' willingness to pay a premium for local food. There are contradictions in research regarding the willingness of consumers to pay a premium for local food and it appears to be another case of 'theory of action' versus 'theory in use'. Some studies indicate consumers say they are willing to pay more, while others claim high prices are one of the main barriers to local food development. Overall it appears that consumers are not willing to pay premiums for local food per se.

Although a 2007 study by Environics reported that 72% of central Ontarians stated they would be willing to pay more for locally grown fruits and vegetables and 35% agreed that they would pay more for locally raised meat, the experience of those involved clearly indicates otherwise (Anonymous C, 2009; Anonymous D, 2009). Research by IGD in 2005 and 2008 found that the unwillingness of consumers to pay a premium for local food was the greatest overall barrier to expanding the market. More information relating to the importance of price on purchase decision-making follows below.

In a study of opportunities for local food in Prince Edward County, respondents indicated they did not pay premiums to their suppliers for local products. They also stated they might be willing to pay a premium if suppliers were prepared to work with them to increase the value of a product in the eyes of consumers. This could be through establishing of a private brand, regional-focused initiative, or the development of market-derived production protocols (Gooch & Moore, 2006).

Similar to other studies, the study by Gooch and Moore (2006) also found that willingness to pay a premium was heavily dependent on the market and the product. Therefore, while the size of potential premiums ranged between 10-100%, any premium was entirely dependent on being able to successfully differentiate the product through taste, look, packaging or some form of credence factor, and the market through which it was being sold.

2.1.1 Retail

A study of Ohio consumers shopping local food at farmers markets and in grocery stores suggest that, given sufficient reason, consumers are willing to pay more for locally produced foods. Customers at grocery stores would pay an average of 64 cents more per quart of strawberries if of equal looking quality to competing strawberries, while those at direct markets would pay nearly \$1.17 more for products grown locally rather than identified 'Produced in the U.S.' No significant difference was identified in the price consumers were willing to pay between 'Grown nearby [locally]' relative to 'Grown in Ohio' (Darby, et al, 2006).

The effectiveness of cues that communicate local to consumers was also studied by Darby, et al (2006). It was found that guarantees for *freshness* garnered a higher premium, suggesting that it is more effective to label something as fresh rather than to label food as local. The implication is that labels that communicate the time of harvest are more relevant to a consumer's decision than the distance traveled from production location. Similar behaviour has been noted in the UK. Since time is a function of distance, in most cases, both types of information favour local producers who would need to decide which signal to use to the advantage of their business. This and other studies suggest that although direct markets have an advantage in this area, with advanced coordination, retail outlets can garner premiums from the time-based freshness cue. This finding is supported by a Canadian branding study that showed products that are fresh rather than processed, and therefore easier to communicate an added value to consumers, are more likely and able to command a premium (Ipsos Reid, 2007).

2.1.2 Food Service

In terms of consumers' willingness to pay premiums for local products bought at food service, the Pick Ontario Freshness study (2007) concluded that when dining out, the most important considerations for consumers included price/value (27%), taste/flavour (21%) and, quality of food, clarified as "freshness and/or cleanliness" (17%). For consumption away from home, 25% of respondents demonstrated a preference for local foods. However, when on vacation the preference for local foods was found to increase substantially to 64%.

Within fine dining establishments and for consumers on vacation, *Ontario, regional or farm specific* identifiers on the menu produced positive impacts with consumers. The number one reason provided to explain an interest in Ontario references on a menu was "freshness of food" (33%). This and other studies prove that through foodservice (including restaurants, hotels, institutions, and sandwich bars) consumers are not willing to pay a premium for food simply because it is local. Nor do they lessen the expectations they place on foods because it is local.

2.1.3 Public Institutions

Opportunities for local food identified by the 2005 and 2008 DEFRA studies included developing local food sales through institutions. One reason being that increasing links between community led projects and schools, with local food producers would have synergistic economic, social and educational benefits. It was also thought that local food might also take a significant role in supplying the requirements of the public sector, particularly for fresh produce and meat, in the medium to long-term. In reality, however, suppliers have found the practice of supplying local food to schools to be a difficult and unprofitable task (Sandford, 2009).

In Canada, Local Food Plus is a Toronto based non-profit organization that connects farmers to consumers and is committed to getting local produce into institutional food buyers' contracts. An example of their work is with the University of Toronto where they assisted the institution in writing a tender and also offered assistance to organizations applying to supply. However, while institutions may prefer to buy local (including direct from farm) whenever possible, their current ordering procedures can make it impossible to track the percentage of local food moving through their operations, and budgeting constraints make it difficult to pay anymore for food or beverages regardless of its origin. As noted by Bellows (2003) other constraints that farmers and institutions face in developing supply agreements include the following:

From the perspective of the institution:

- Current contract agreements they have with food service companies;
- Lack of knowledge of food service staff in how to store and prepare (including clean) fresh farm products;
- Lack of ability to meet mandated portion requirements;
- Food preferences of students and other consumers;
- Lack of availability of many fresh farm products during certain times of the year;
- Lack of efficiency of ordering and payment procedures with farmers compared to contract food service companies; and,
- Institutions having limited funds to purchase food, while local foods often cost more than products available through contract food service companies.

From the perspective of farmers:

- Ability to supply food in quantities that meet the needs of the institution;
- Assure food quality and food safety;
- Obtain adequate liability insurance;
- Get access to processing, packaging, and storage facilities; and,
- Efficiently distribute and transport products to educational or institutional buyers.

2.2 *Unwillingness to pay a premium*

Studies show that the core barrier to expanding the market for local food market is consumers' expectation that it is more expensive than competing products of equal quality and/or out of their price range. Such studies include Ipsos Forward (2009), IGD (2008), Heslop (2007), Ipsos Reid (2007), Gooch & Moore (2006), and DEFRA (2005). In the UK where the market for local food has moved further into the mainstream arena than in Canada, IGD found that 41% of consumers still believe that regional and local food is generally too expensive and 22% think that it is often more expensive than similar alternatives. In Ontario, one respondent stated that even when consumers are willing to pay a premium for high quality local food, they actually still want to buy it for a lower price than they would pay for competing imported products (Anonymous D, 2009).

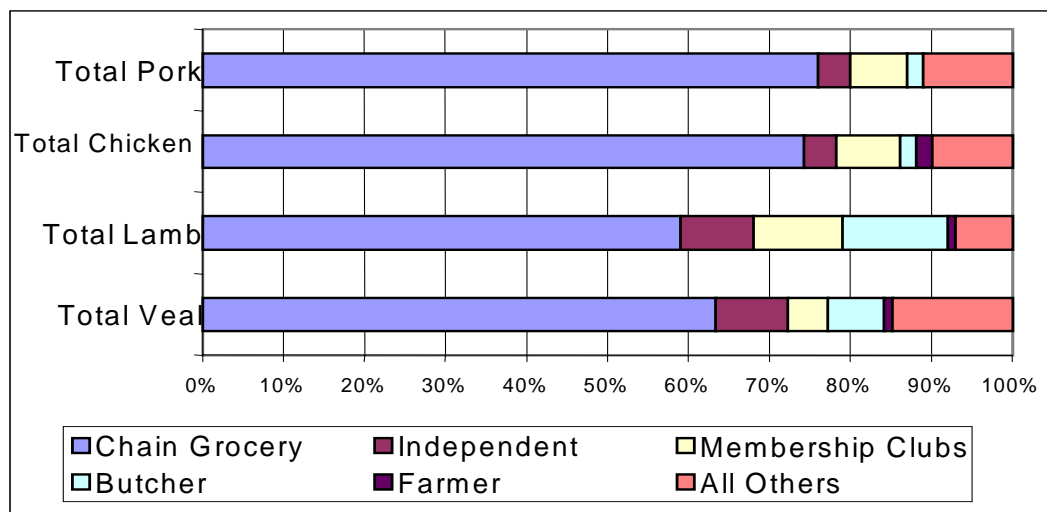
These findings underline the fact that while the ambience of certain sales channels influences the value that consumers perceive local foods to offer, for the most part and particularly when sold in larger retailers, local foods have to earn premiums through the same methods as competing/imported products. That is through quality, consistency, availability, merchandising, price, and visual appeal.

3. Distribution: Sales by Retail Outlets

Retail sales of food and non-alcoholic beverages in Canada are worth \$71 billion. 73% is sold through traditional food stores, including both the large chains (i.e. Loblaws, Sobeys and Metro) and independent grocers. A growing portion (27%) of food sales are coming from other formats, such as drug stores, warehouse clubs (e.g. Costco), mass merchandisers (e.g. Wal-Mart), dollar stores and convenience stores (Statistics Canada).

A 2007/08 George Morris Centre project tracked the sale of four meats (pork, chicken, lamb and veal) through all types of retail stores, alternative outlets and farmers' markets across Canada. The study found that while the actual percentage of meat sold through traditional retail outlets differs by meat type, the vast majority of meat sold across Canada is sold through chain stores such as Loblaws, Sobeys and Metro. 3.1 shows that out of the four meats, veal and lamb attract more of a niche market compared to chicken and pork. The same study found that the importance of provenance, particularly when purchasing meat for special meal occasions, was higher in lamb and veal than for pork or chicken. This suggests that out of the four meats, lamb and veal have the most opportunity to differentiate themselves by the locality of their production/processing.

Figure 3.1: % of Annual meat sales (\$), by retail outlet



While not tracking volume purchased, an Environics study (2007) found that 65% of respondents shop for local at supermarkets, 42% buy locally grown food at farmers markets and 32% at independent grocery stores. Eighty-four percent of respondents indicated that they buy local food at least once per month. Respondents said it was important to them that farmers markets sell locally grown food (86%) and that they can meet the farmer (63%).

With the most common sources of locally produced foods being farmers' markets, community-supported agriculture (CSA) schemes, 'pick your own' operations and roadside stands, the factors described above prove that significantly expanding the market for local food depends upon them breaking through the current barrier and being retailed through the major grocery stores.

Though large retailers are stocking a wider range of local foods, consumers generally don't perceive them to be conducive to the local concept (Cranfield, 2008). The 2005/2008 DEFRA studies found that most consumers would like local food to penetrate supermarkets to some extent, as long as the products meet three key criteria. They must be accredited as genuine

and credible, really help local providers, and be guaranteed fresh. Most consumers also said that they don't want to see sales within supermarkets supplant farmers' markets and other differentiated sources. From consumers' perspective supermarkets are about convenience, farmers markets (etc.) are about experience. That consumers' perceive supermarkets as unlikely sources of local foods likely pertains in large part to supermarkets having centralized purchasing high volume items from a steadily decreasing number of large suppliers. This trend has enabled the major supermarket chains to better manage food quality and safety, while simultaneously reducing distribution and other costs.

A significant challenge faced by large retailers if wanting to expand into offering an array of local food is how to deal with an expanded base of smaller scale local producers. Working with a fragmented group of regional/local suppliers and multiple purchasing policies is the antithesis of the benefits that come from the economies of scale provided by centralized operations. Specific barriers to Canadian supermarkets increasing the range and volume of local products that they sell are said to include:

- Limited consumer interest in region of production versus other food attributes;
- Inability to extract a margin from stocking local products due to higher costs of doing business with multiple small suppliers;
- Suppliers' inability to guarantee quality and consistency of quality;
- The logistics involved in dealing with many smaller producers where economies of scale cannot be achieved; and
- Producers unwillingness to respond to market conditions

(Anonymous C, 2009; Anonymous E, 2009; Anonymous H, 2009; Gooch, 2008; Gooch & Moore, 2006)

In the UK, virtually all the major supermarkets have developed the capabilities necessary to overcome these barriers and stock a range of local foods that differ by region. Asda, the UK subsidiary of Wal-Mart, which retails many thousands of local products, has addressed this challenge by establishing a nine-strong hub system. In place since 2002, the system has enabled Asda to establish 14 different regional offerings across the UK. The nine hubs work directly with local suppliers to guide them through the Asda accreditation process and act as a single distribution point. An added benefit of the system is that it saves an average of three million food miles a year (FJP, 2009).

4. Local and Regional Food Initiatives

Governments and businesses in Canada, the US and Europe are increasingly of the view that local and regional food initiatives are an avenue through which the entire chain can capture added value from the market. Below is a selection of initiatives that base their differentiation on tangible and tested benefits, which can be clearly communicated to consumers. While a number of these initiatives have been enabled through government initiatives and/or the introduction of supporting legislation, none of them rely upon government agencies for their operational or strategic management. Among the initiatives where governments are involved, the most successful programs are those where governments are the enabler and not the facilitator.

4.1 International Initiatives

4.1.1 Legislative and Government Led

Certification and Protected Name schemes have been discussed in depth by many commentators and their influence on consumer choice ranges from undeniable to highly questionable.

4.1.1.1 Protected Name Scheme (EU)

The European Union's Protected Name Scheme (PNS) is a system for protecting the names of food on a geographical, historical, or traditional recipe basis, and enables the authenticity and the origin of that food can be guaranteed. This system is similar to the 'appellation contrôlée' system used for wine. Under this legislation, producers and/or processors can legally register their food or drink products against imitation throughout the EU and acquire legal protection against imitations. This provides the opportunity to differentiate products in the market and potentially charge a premium.

The initiative is comprised of three classifications:

1. Protected Designation of Origin (PDO): Open to products, which are *produced, processed and prepared* within a particular geographical area, and with features and characteristics that must be due to the geographical area.
2. Protected Geographical Indication (PGI): Open to products which must *be produced or processed or prepared* within the geographical area and has a reputation, features or certain qualities attributable to that area.
3. Traditional Specialty Guaranteed (TSG): Open to products that are *traditional or have customary names* and have a set of features which distinguish them from other similar products. These features must not be due to the geographical area the product is produced in nor entirely based on technical advances in the method of production.

Each category has its own logo which is featured on labels and in promotions. Having the ability to legally defend a name enables producers and/or processors to differentiate their products in a fashion that is akin to owning a trademark or copyright. While products have enjoyed differing levels of success through the program, the most successful products have been those produced in regions where a strong historical connection exists between the product and the geography, and that product possesses attributes that consumers find particularly appealing.

In May 2009, the number of UK registered products included:

- Beer (3)
- Cheese (14)
- Ciders (5)

- Cream (1)
- Fresh fish, mollusks and crustaceans (3)
- Fresh meat and offal (8)
- Fruit, vegetables and cereals (1)
- Traditional Specialty Guaranteed (1)
- Another 20 more products are currently registering for the program.

4.1.1.2 Country of Origin Labeling (US)

Country-of-origin labeling in the US was promoted by producers who believed that consumers, if made knowledgeable as to the origin of their produce, would in significant numbers decline to purchase foreign-produced produce and, instead, buy American produce. Produce Business reported that although consumers consistently “make the politically correct noise about wanting to know where their food comes from but when it comes to behavior, the effect just isn’t there...Product origin has very little to do with purchase decisions at the point of purchase.” Since the country of origin legislation came into effect in 2004, it is felt that little has changed (Prevor, 2003; 2009)

4.1.1.3 Label Rouge (France)

As mentioned above, market research consistently identifies that consumers afforded greater value and authenticity toward source verification systems when products are differentiated on quality (particularly taste and eating quality) and the integrity of the system is audited by a third-party. Particularly when compared to systems that only differentiate on the region of origin (Gooch et al, 2005). This leads to producers and processors having greater opportunity to increase their level of economic returns compared to when only differentiating their food or product by region of production.

Developed 40 years ago, Label Rouge is verification program that communicates to consumers that the entire production system abides by pre-agreed processes that have been certified by an accredited third-party agency. This ensures that the products possess specific quality attributes that are distinguishable in the marketplace (Label Rouge website, 2009). When desired, suppliers can also use the product’s region of origin as an additional signifier of quality and value. Through focusing on quality and value as the most important factor in differentiating the product, Label Rouge certification has come to be acknowledged by a large segment of the French consumer market as signifying that the product possesses distinct quality and taste, and that every step in the production of the final product has been verified by an independent third party. As long as the product process and product all other requirements, Label Rouge products could also be linked to a specific geographical region, thereby using a geographical indicator as an additional sign of quality.

One of the most successful products produced under the Label Rouge program is chicken. Label Rouge chickens are produced according to a comprehensive set of well-defined standards that are regularly revised to ensure that the final product continues to suit changing market demands. In addition to production protocols which help ensure that the chickens are ‘vividly distinguishable’ from other poultry products, they are also subject to periodic taste tests. The success of the Label Rouge chicken comes in part from them having been positioned in the market to suit a particular functionality. Consistency in quality has led to consumers recognising that the stringent set of standards that encompass the entire value chain from breeding and growing through to processing and finally sale ensures that the chicken displays that functionality time after time (Westren, 1999).

As illustrated by Figure 4.1, Label Rouge products are clearly identifiable and are labelled with detailed information which conveys value to consumers.

Figure 4.1: Example of Label Rouge label



As required by the legislation that enacted the Label Rouge program, the entire chicken production process is mandatory verified by a third party agency. For Label Rouge chicken this occurs once a year per flock, twice per year for feed mills, monthly for processing plants, and twice per year for hatcheries (Fanatico and Born, 2002). All inspection expenses are paid by producer groups. In addition, 5 centimes per bird are paid to SYNALAF (Syndicat National des Labels Avicoles de France), a national organization under the INAO (National Institute of Origin Appellations, 2009). These funds are used to cover services associated with copyright protection and consumer education (Westgren, 1999).

Added benefits of the Label Rouge system is that adhering to exacting standards reduces the likelihood of that the processed chicken with contain pathogens, which further enhance the product's appeal from consumers' perspective. Suppliers benefit from Label Rouge chickens owning 30% of the market by volume and 60% of the market by value. This equate to a 100% premium compared to competing commodity chicken (Hayes, 2005).

4.1.2 Retailer Led

4.1.2.1 Waitrose (UK)

Waitrose is a high-end supermarket chain in the UK, with 184 stores. Waitrose have developed several specific initiatives to enable them to work effectively with groups of local and regional producers to offer customers the high quality goods at competitive prices. They have developed a 'Locally Produced' label which can be used to highlight products which represent the finest locally produced food (produced within a 30 mile radius of the store where they are sold).

They also retail 'Regional Foods' that originate from a specific area, such as the South West, the Heart of England, or Wales. While most are sold in branches located within that same region, a few lines, such as artisan beers and regional lamb, are available throughout the chain. In total, Waitrose list 1,200 local product lines. Local foods are sourced by working with regional food groups that represent producers. These include 'producer groups', where it is common for

a designated producer to act as lead coordinator for a group of accredited producers who supply to Waitrose through an established system. In livestock alone, Waitrose has established over 30 producer groups. This provides producers with an assured market, clear direction, extensive information on market trends, and guidance in how to continually improve their operation in relation to changing market demands. The scheme provides producers with opportunities to enhance their capabilities and increase their profitability, and Waitrose with the opportunity to reduce costs and increase market share through merchandizing a unique high quality product.

4.1.2.2 Asda, Sainsbury's, Tesco's, Booth's, The Co-operative – and Others

While this background review described just a few descriptions of developments occurring in the realm of local and regional food in the UK retail sector, virtually all UK retailers now stock hundreds (even thousands) of locally and regionally produced food products. Handling a wide range of fresh and processed food and beverage products has often required the larger retailers to morph centralized and regional distribution systems together, such as that described earlier in the case of Asda. Retailers of all sizes are increasingly using foods and beverages that are not mass produced to differentiate themselves in an increasingly competitive market. While successful local initiatives are mainly within the food arena, successful beverage schemes include 'Bowland Fresh' where a group of dedicated dairy farmers supplies bottled milk to Asda and Booths. Through working with retailers and processors to differentiate their milk, the farmers have increased their returns by 20% (Fortescue, 2006).

4.2 Ontario Initiatives

Many of the local food initiatives in Ontario are led by government, special interest groups, or producers. There are few commercially minded initiatives and retailer led examples are rare. A review of research papers and programs found that the majority of activity has focused on understanding the depth of the local food trend, the level of opportunity within a given region, and action plans tend to include sharing research and marketing activities (specifically branding).

4.2.1 Certification Schemes

4.2.1.1 Vintners Quality Assurance Program

Ontario's Vintners Quality Assurance Program provides a method for vintners to brand wines based on quality standards and place of origin. The VQA Act establishes an "Appellation of Origin" system by which consumers can identify quality wines made in Ontario based on the variety of grapes used and strict production methods. The program is regulated by an independent authority that tests wines, inspects wineries and enforces truth-in-labeling laws on behalf of the Government of Ontario. VQA Ontario is funded by its member wineries through sales levies and fees for service.

In 2008, VQA Ontario had 102 members including four large class wineries (sales of over 750,000 litres of VQA wines) 17 medium class wineries (sales of 100,000 to 750,000 litres of VQA wines) and 81 small wineries (sales of up to 100,000 litres of VQA wines). Retail sales (\$ value) grew by 15.8% from 2007 to 2008.

Figure 4.2: VQA Sales by Distribution Channel, 2008

Channel	Retail Value (\$)
Winery Retail	77,172,462
LCBO (shipped)	68,985,314
Licensees	39,821,322
Outside of Ontario & misc	33,084,305
Total	219,063,403

Vinters Quality Alliance Ontario Annual Report

The Vintners Quality Alliance Ontario 2008 annual report commented, “With quality measures well in hand, our focus for the next five years will be on appellation of origin. What really sets us apart? What character defines wines from each of Ontario’s unique wine appellations? Where do these wines fit in the global world of food and wine? As many wine drinkers are moving beyond mass-market wines, they are discovering that appellation is important. It tells them about the wine and connects them with a place. And especially now, when local provenance is so important for environmental and health reasons, origin informs consumer choice.”

4.2.1.2 Local Food Plus (LFP)

Local Food Plus represents a certification program that differentiates food on the way it is produced. The system uses a 1,200 points system, with 600 points for sustainable production systems including humane livestock care and environmental standards and 600 points across safe and fair working conditions, local, biodiversity and energy use/greenhouse gas emissions on the farm. Growers need 900 points to pass and must achieve a minimum in each category.

LFP is environmentally driven, with social and economic benefits deriving from the main priority. A relatively new organization, their emphasis to date has largely focussed on accrediting the supply side of the chain. While LFP has facilitated business relationships between certified suppliers and buyers – mainly institutions, independent retailers and restaurants, and worked with industry groups such as the Canadian Federation of Independent Grocers – they are not distributors (Better Farming, 2009).

4.2.2 Not For Profit Initiatives

4.2.2.1 Government of Ontario Led

The Ontario provincial government has invested public money in a number of initiatives designed to raise awareness of food produced in Ontario. While the programs have a high rate of recognition, studies have shown that while the extent to which that recognition translates into food purchasing decisions varies significantly by program and that the more mature programs are not necessarily the ones that elicit highest rate of consumer response (Anonymous H, 2009). This supports previous studies (for example Heslop, 2007), which found that politically initiated programs often fail to translate into significant changes in consumer purchasing behaviour.

Pick Ontario Freshness

The Pick Ontario Freshness Strategy aims to build awareness and demand for fresh, high quality Ontario grown and produced food. The marketing strategy is designed as an umbrella program to support all Ontario government led food promotions and procurement strategies.

Foodland Ontario

Foodland Ontario is a long established consumer promotion program and is part of the Pick Ontario Freshness strategy. One of the main objectives is to maintain 80% consumer intent to purchase Ontario food (Foodland Ontario website, 2009). Their program’s target audience is all adult food buyers aged from 25 to 64 years of age.

The OMAFRA website states “Foodland communicates the benefits (economic and product characteristics) of Ontario food, encourages the purchase of Ontario food, coordinates promotion and research activities with producer organizations and industry stakeholder, and promotes the Ontario brand.” Television advertising is fundamental to the Foodland Ontario strategy. Recent ads feature the “Good things Grow in Ontario” jingle, which evokes more of a feel good association than particular product benefits associated with Ontario food. The subtle message being conveyed is ‘trust in Ontario’s farmers and Ontario food’. The program also provides Point of Sale (POS) materials to growers and retailers.

While in-store consumer research has found that 84% of respondents recognize the Foodland Ontario logo (Pick Ontario Freshness website, 2009), some retailers have indicated that the program is ineffective and that OMAFRA has not reacted to their suggestions on how the program can be improved to elicit greater consumer response (Industry Group, 2009; Distributor, 2009).

Savour Ontario Dining

The Savour Ontario Dining program is led by several government ministries. The initiative promotes fresh, high quality foods to consumers, particularly in fine dining and vacation restaurants. The program is designed to evoke more of a feel good association than particular benefits associated with consuming Ontario food.

4.2.2.2 Municipal

City of Hamilton’s Agricultural Action Plan

Actions outlined in the city of Hamilton’s Agricultural Action Plan (2007) include developing a rural economic development program that encompasses a local food strategy, and developing a partnership with the ‘Eat Local Program’ and Public Health Department to increase the consumption of local food.

Niagara Local Food Action Plan

Following from the Niagara Regional Agricultural Task Force’s Agricultural Action Plan, the Niagara Local Food Action Plan outlines activities that will help Niagara’s food industry grow. The plan promotes reliable markets for Niagara producers, economic development through local markets and opportunities to enhance wine and culinary tourism, as well as information gathering and education from producers and consumers.

4.2.2.3 Industry Led

Homegrown Ontario was established by Ontario Pork, the Ontario Veal Association, The Ontario Sheep Marketing Agency, Turkey Farmers of Ontario and the Ontario Independent Meat Processors and enabled through funding provided by OMAFRA and AAFC. Introduced in June 2007, it provides point of sale materials free of charge to participating vendors who purchase their meat products from Homegrown Ontario approved suppliers. Participating processors are permitted to brand Ontario raised meat products, meeting program standards. Within the Hamilton area, there are 11 supporting retailers on their website. There are just 2 in Niagara. No restaurants within Hamilton or Niagara are promoted.

Ontario Culinary Tourism Alliance (OCTA) is an industry driven organization that aims to establish Ontario as an international culinary tourism destination and ensure a sustainable food culture. The five main regions targeted for implementation are Ottawa, Greater Toronto, **Niagara**, Greater Ottawa and Muskoka/Parry Sound. OCTA plans to achieve its goals by encouraging relationships between growers and producers, and chefs and restaurateurs, as well as by providing research, education and product development to build capacity for culinary

tourism. Activities include a central repository for research and best practice examples, a central media location, and the establishment of a website.

Niagara Culinary Trail (NCT) has more than 65 members including farmers, restaurants, retail, cafes, bakeries, bed and breakfasts, and wineries that offer Niagara grown produce and is a mandate initiative of the Niagara Environmental Food Alliance; a not for profit organization. Its aim is to provide consumers with a clearer picture of where their food originates, how it is produced, and where it can be purchased. NCT uses Foodland Ontario to communicate that the food is from Ontario and certified by Local Food Plus to provide consumers with an assurance that the food was produced in an environmentally and socially responsible way. The Niagara Culinary Trail tells you how and where to buy, eat and drink local in the Niagara Region. Its main tools are a map and website which guide visitors to local food & products, farm to table culinary events and local restaurants featuring dishes prepared with local foods.

4.2.3 For Profit Initiatives

4.2.3.1 Distributor Led

The **100 Mile Market™** is managed by a small group of commercially minded entrepreneurs who have experience in the food industry. Like their name, this for-profit venture procures only goods grown/raised, produced and processed within 100 miles of Toronto. With prepared and/or processed foods (e.g. lasagna), 90% of the ingredients have to be local. This flexibility allows items not indigenous to Ontario to be included, like spices. Toronto is their base because they believe the concentrated population and the presence of a strong 'food' movement will support a viable level of sales.

In 2008, they conducted a pilot project to ensure consumer demand was real, that producers were able to produce what they said they could, evaluate their pricing structure, and test their logistics model. Although the pilot was not profitable at a low base, their calculations indicate that sufficient profit is achievable when operating at full scale capacity. A positive indication of the potential for the initiative to succeed through building capacity to supply comes from them identifying that establishing a collaborative relationship with farmers leads to additional producers approaching them to get involved.

100 Mile Market™ currently have six regional depots based in Niagara, Bradford, Kitchener, Prince Edward County, Kawartha Lakes and Norfolk County. Perth is a consideration for the future. Currently, their depots are small, refrigerated storage areas. Each depot has a truck, a driver and one additional person for the collection and re-distribution. Farmers deliver their goods to the depot, where they are then transported to the main cross dock facility in Kitchener and re-distributed as ordered. This is done three to four days each week, depending on demand.

In March 2009, 100 Mile Market™ signed a contract with Gordon's Food Service, to be their 'local food procurement arm'. Operations are due to begin in the summer of 2009. When launched, sales representatives from Gordon's will approach customers with their regular price list, plus the "100 Mile Market™ price list. Although Gordon's sells some local food by default, customers who order from the 100 Mile Market™ or 100 Mile Menu™ price list will be permitted to market these goods as such. Plans to promote the '100 Mile' brand to consumers will begin in 2010, or sooner if resources permit.

4.2.3.2 Retailer Led

Loblaws Company Limited

In July 2008, Loblaws commissioned a study that identified that 79% of Canadians prefer the taste of locally grown fruits and vegetables and 92% of Canadians believe buying local produce

is good for the economy. The company saw local food as one opportunity to differentiate itself on quality and value rather than just on price. Ian Lee, an assistant professor at Carleton University's school of business in Ottawa commented that, "although it won't be easy to find a niche in local, high-quality food, that's the way Loblaws will compete successfully against Wal-Mart" (Lloyd, 2008).

Loblaws Cos began promoting local food within their stores in 2008 with the *Grown Close to Home* campaign. Their 2009 early summer advertising campaign moved away from 'local' as the focus, instead promoting President's Choice branded meats: "tender and tasty" and "free from" antibiotics. Although the main emphasis is no longer "local", pictures of farmers are featured on "free from" packaging. This move attempts to blend the benefits of 'local' with 'antibiotic free' and 'organic'. According to recent company press releases, Loblaws aims to source as much product as possible from domestic sources and has increased the amount of meat it is sourcing from Canadian producers. All PC Free From chicken is grown in Canada. Almost all PC veal offerings and select PC Free From pork is sourced domestically as well. While some of PC Certified Angus Beef™, is sourced in Canada although the farmer on the Free From package is based in Montana.

Figure 4.3: 2009 Presidents Choice, local and free from™ chicken



As seen above, this Free From and local chicken is selling for a premium price of \$17.61/kg. Comparable PC Air Chilled boneless skinless chicken thighs sold for 18% less at \$14.97/kg (week commencing May 4, 2009).

For the peak season of August and September, they again returned to the "Grown Close to Home" campaign, with a wide variety of Loblaws specific point of sale, jointly featuring the Foodland Ontario logo. The National Post reported that during peak season, up to 40% of produce in Loblaws stores is locally grown. Year round, 27% is grown locally. The same article reported that specialty stores may carry up to 80% local produce during peak season (Grainger, August 2009).

According to Mike Venton, Senior Vice President of Loblaws produce, the definition of what qualifies as local varies from store to store. Local produce can travel from farm to store in less than 24 hours or can take up to a couple of days. Local can also mean produce from anywhere in Canada. At Whole Foods, local produce must take less than one day to reach the store to qualify for the local label.

Independent Retailers

Independent Ontario retailers who are considered to have done an excellent job of sourcing and marketing local foods and therefore provided suppliers of local products considerably more opportunities in relation to the retailers' overall sales volume include Longo's, Michael Angelo's, Fiesta Farms, Chesley Grocery Store, and Highland Farm Markets. These retailers source a large percentage of the local and Ontario produce through the Ontario Food Terminal.

In July 2009, nine Sobeys' stores in Southwestern Ontario left the corporation to form the independent Hometown Grocers Co-op. A tenth store had left prior to the report. One store owner commented, "We feel that local food, local presence is huge in our market and we wanted to take advantage of that." Leaving the Sobeys' family was considered necessary because corporate policies prevented the franchise owners from buying local products, particularly meat. Sobeys did permit franchisees to buy a percentage of local fruit and vegetables locally, but at the same time had to conform to corporate policy and accept non-local produce and other items when demanded by the centralized distribution system. Now, co-op members control the quality of their produce with their own buyer who hand picks fresh fruit and vegetables at the food terminal in Toronto (Crawford, 2009).

4.3 Summary of Local and Regional Food Initiatives

While legislation (such as Protected Food Name Scheme - PFNS) or regional promotion and marketing efforts can encourage consumers to purchase a product due to its locality of production, the only way to keep consumers returning time after time is through maintaining a consistently high level of quality. The reason for this is that studies have consistently shown that freshness and taste, not "local" per se, are the main drivers of consumer choice. Initiatives that provide a point of differentiation based on the point of origin and conform to specific and measurable quality standards therefore result in increased sales through providing consumers with the confidence that the brand will consistently meet their expectations. An example of this is VQA wine.

Whether the capabilities required to maintain and develop consistently high quality products according to market demands are operational (production, processing, delivery, etc.) or support (marketing, administration, monitoring, etc.), or a combination of the two, possessing the correct capabilities is critical to the continued success of any business, whether or not they serve a local / regional market. Local food marketing, like any other business venture, must follow a sound commercial model to resonate with consumers and be successful.

Therefore, while regional promotions, particularly for perishable products that are sold in a relatively unprocessed form are finding success (i.e. Asda in the UK), the long-term viability of local food marketing initiatives depends on the skill of the individual business involved. They must acquire and use the skills to match their production and marketing efforts with changing consumer demands in order to capture growing consumer interest.

Finally, while the volume of local food supplied through large scale Canadian retailers appears to be considerably less than that supplied through large retailers operating in other countries (the UK being an excellent case in point), there appears to be growing demand among consumers for Canadian supermarkets to stock more food that can be authenticated as local.

While a number of Canadian supermarkets have profiled themselves as leading stockists of local Ontario products, their initiatives are often more about eliciting consumer loyalty through highlighting that they stock local. Other than fresh produce, they are largely not about increasing the volume of local products that they sell (Anonymous F, 2009; Anonymous H,

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2009; Anonymous M, 2009). This represents a distinctly different approach from that taken by UK supermarkets such as Asda and Waitrose. This divergence of approach is said to be due to three factors. The first is the limited availability of local products and an infrastructure suited to meeting supermarkets' sourcing requirements (Anonymous, F, 2009). The second is Canadian legislation surrounding the processing, handling and merchandizing of food (Anonymous D, 2009; Anonymous F, 2009; Anonymous I, 2009). The third, and perhaps most telling, is said to simply be that corporate retailers' lack the will and/or motivation to adapt their operations in order to merchandize a greater range of local products (Anonymous D, 2009; Anonymous G, 2009; Anonymous H, 2009).

Appendix 2: Ontario Tourism Statistics

The Travel Survey of Residents of Canada (TSRC) indicated that Canadians travelling in Canada are the biggest market for most tourism businesses in this country. This important *domestic* market segment represents about 80% of all trips and about 70% of all tourism spending in Canada each year.

Niagara Region, 2007

Person Visits: Length of Stay

	Total Visits	Overnight Visits	Same-day Visits
Total (000s)	11,034	4,522	6,513
Ontario	5,215	2,304	2,911
Other Canada	192	188	5
U.S.	4,778	1,629	3,149
Overseas	850	401	448

Person Visits: Place of Residence (Top 10 Places)

	Total Visits	Overnight Visits	Same-day Visits
Top 10 Total (000s)	7,429	2,422	5,007
New York	2,774	477	2,297
CD20: Toronto Metropolitan Municipality	974	492	482
CD21: Peel Regional Municipality	654	206	448
CD25: Hamilton-Wentworth Regional Municipality	618	174	444
CD19: York Regional Municipality	576	282	294
CD24: Halton Regional Municipality	479	154	324
CD26: Niagara Regional Municipality	423	87	336
Michigan	332	185	147
Ohio	329	225	104
Pennsylvania	271	140	132

Total Visitor Spending: Category

Expenditure Category	Total Visits (\$ 000s)		Overnight Visits (\$ 000s)							
	Total	Ontario	Other Canada	U.S.	Overseas	Total	Ontario	Other Canada	U.S.	Overseas
Total	1,630,359	745,365	79,608	622,095	183,291	1,244,280	571,000	79,461	438,341	155,477
Public Transport	29,750	6,296	2,069	6,451	14,935	23,494	4,761	2,068	6,038	10,628

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Vehicle Rental	16,006	1,045	1,790	7,931	5,241	15,952	1,045	1,790	7,890	5,228
Vehicle Operations	136,314	88,461	7,147	38,272	2,433	75,296	49,088	7,076	16,737	2,395
Local Transport	9,039	3,070	626	3,686	1,657	7,950	1,985	626	3,685	1,655
Accommodation	437,182	196,213	27,487	161,383	52,100	437,182	196,213	27,487	161,383	52,100
Food & Beverage (Total)	494,997	268,200	25,619	162,715	38,462	348,455	192,069	25,594	100,646	30,146
At Stores	90,139	43,057	6,641	31,981	8,460	64,494	31,192	6,630	19,839	6,833
At Restaurants/Bars	404,858	225,143	18,978	130,734	30,003	283,962	160,877	18,965	80,806	23,313
Recreation/Entertainment	286,166	119,594	9,693	138,784	18,095	192,027	83,486	9,679	84,878	13,983
Retail/Other (Total)	220,904	62,486	5,176	102,873	50,369	143,924	42,355	5,142	57,085	39,343
Clothing	159,078	51,136	1,789	70,578	35,575	107,043	34,150	1,763	42,269	28,861
Other Retail	61,826	11,350	3,388	32,295	14,794	36,881	8,205	3,379	14,816	10,482

South Central Ontario, 2007 (includes Hamilton among other municipalities)

Person Visits: Length of Stay

	Total Visits	Overnight Visits	Same-day Visits
Total (000s)	12,109	3,563	8,546
Ontario	11,182	2,893	8,289
Other Canada	162	141	21
U.S.	508	333	175
Overseas	257	196	61

Person Visits: Place of Residence (Top 10 Places)

	Total Visits	Overnight Visits	Same-day Visits
Top 10 Total (000s)	8,244	1,771	6,473
CD20: Toronto Metropolitan Municipality	1,514	446	1,068
CD21: Peel Regional Municipality	1,209	230	979
CD19: York Regional Municipality	1,102	263	840
CD24: Halton Regional Municipality	848	169	679
CD30: Waterloo Regional Municipality	803	137	666
CD26: Niagara Regional Municipality	732	118	613
CD23: Wellington County	693	151	542
CD28: Haldimand-Norfolk Regional Municipality	468	50	418
CD39: Middlesex County	462	159	303
CD29: Brant County	414	49	365

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Total Visitor Spending: Category

Expenditure Category	Total Visits (\$ 000s)		Overnight Visits (\$ 000s)		Overseas		Other Canada U.S.		Ontario	
	Total	Ontario	Other Canada U.S.	Overseas	Total	Ontario	Other Canada U.S.	Overseas	Total	Ontario
Total	1,001,147	711,036	43,083	122,325	124,703	595,354	320,361	40,262	112,969	121,761
Public Transport	18,463	9,436	2,977	2,138	3,912	15,737	7,623	2,064	2,138	3,912
Vehicle Rental	22,649	2,358	3,981	9,818	6,491	20,099	0	3,981	9,627	6,491
Vehicle Operations	179,822	159,472	9,264	7,557	3,529	82,508	63,049	9,153	6,778	3,529
Local Transport	8,004	4,085	1,844	561	1,514	7,095	3,206	1,814	561	1,514
Accommodation	124,537	63,479	4,276	36,200	20,581	124,537	63,479	4,276	36,200	20,581
Food & Beverage (Total)	322,260	248,930	12,312	29,537	31,481	180,837	113,278	11,669	25,487	30,403
At Stores	73,383	56,927	3,797	5,685	6,974	40,497	25,162	3,771	4,820	6,744
At Restaurants/Bars	248,877	192,003	8,516	23,852	24,507	140,340	88,117	7,898	20,667	23,659
Recreation/Entertainment	103,789	76,095	2,120	14,535	11,039	47,983	23,115	2,120	12,149	10,598
Retail/Other (Total)	221,624	147,182	6,309	21,978	46,155	116,557	46,610	5,187	20,028	44,732
Clothing	165,974	115,293	4,299	14,816	31,568	87,568	38,901	4,295	13,671	30,701
Other Retail	55,650	31,889	2,011	7,162	14,587	28,989	7,709	892	6,358	14,031

Sources:

- 2004, Statistics Canada, Canadian Travel Survey, International Travel Survey, Ontario Ministry of Tourism
- <http://www.tourism.gov.on.ca/english/research/resources/TSRC%20Communication.pdf>
- Ontario's Immigrant Travel Market and Its Impact on Domestic Travel, ON Ministry of Tourism
- http://www.tourism.gov.on.ca/english/research/travel_activities/immigrant_travel_market.htm
- <http://www.tourism.gov.on.ca/english/research/rtp/2007/Region04/index.htm>
- <http://www.tourism.gov.on.ca/english/research/rtp/2007/Region03/index.htm>

Appendix 3: Local Food Distribution System Questionnaire/Interview Guide, May 2009

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton

Page 1 - Question 1 - Open Ended - One or More Lines with Prompt

Please provide us with your contact details.

- Name
- Company
- Preferred Phone Number
- E-mail Address

Page 1 - Question 2 - Choice - One Answer (Bullets)

Where are your business operations located?

- Hamilton area
- Niagara area
- If located in BOTH areas and/or other areas, please specify

.....

Page 1 - Question 3 - Choice - One Answer (Bullets)

What type of business are you in?

- Retail
- Hotel/Institution
- Restaurant
- Distributor
- Processor
- Other, please specify

.....

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Page 1 - Question 4 - Open Ended - Comments Box

Please provide a brief description of your business (i.e. products, annual turnover, number of employees, number of locations).

Page 1 - Question 5 - Open Ended - Comments Box

Who / what is your firm's primary target market?

Page 2 - Question 6 - Choice - Multiple Answers (Bullets)

[Randomize]

From the list below please identify up to five key priorities your organization considers when sourcing perishable food products.

- Branding / Consumer recognition
- Consistent pre-agreed prices
- Convenience of supply (i.e. one-stop source for ordering, proven delivery capabilities)
- Dependability of supply
- Extended support (i.e. insurance, contingency plans, etc)
- Marketing support (i.e. planograms, promotional materials, in-store demos, samples)
- Order cycle time
- Packaging / presentation
- Quality assurance
- Traceability
- Other, please specify

Page 2 - Question 7 - Open Ended - Comments Box

What would a supplier of perishable food products have to offer to make it worth your while to change suppliers?

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Page 3 - Heading

The remainder of the survey predominately pertains to local food (fresh and processed) and other agri-products (such as flowers). Beverages are grouped under the title 'food'.

Page 3 - Question 8 - Choice - Multiple Answers (Bullets)

[Randomize]

From your firm's perspective, what would be your main reason(s) for purchasing local food or agri-products? Please choose up to four answers.

- Consumer/customer demand
- Differentiated / unique products
- Environmental responsibility (i.e. food miles; carbon footprint)
- Freshness (including taste)
- Provenance (i.e. location grown due to historical reasons)
- Seasonality
- Support local farmers
- Support the local economy
- Other, please specify

Page 3 - Question 9 - Yes or No

Do you currently purchase food or agri-products from the Hamilton and/or Niagara area?

- Yes
- No

Page 3 - Question 10 - Open Ended - Comments Box

If you answered yes to question 9, which food or agri-products do you purchase?

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Page 4 - Question 11 - Choice - One Answer (Bullets)

If you do not currently source food or agri-products from the Niagara and/or Hamilton area(s), are you interested in doing so? Please choose one answer.

- Yes
- No
- Maybe

Page 4 - Question 12 - Choice - Multiple Answers (Bullets)

[Randomize]

If you answered yes or maybe to the previous question, which food(s) or agri-product(s) would you be most interested in sourcing from the Hamilton and/or Niagara area?

- Alcoholic beverages
- Cut flowers
- Fresh fruit(s)
- Fresh vegetable(s)
- Meats (i.e. lamb, pork, veal)
- Non-alcoholic beverages
- Nursery stock (i.e. trees and scrubs for planting in the garden or landscaping)
- Organic
- Poultry
- Prepared and/or processed
- Other, please specify

Page 4 - Question 13 - Open Ended - Comments Box

If you answered no to question 11, what are the main reason(s) that you are not interested in purchasing local food or agri-products from Niagara and/or Hamilton region(s)?

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Page 5 - Question 14 - Yes or No

Have you ever purchased local products from a specific region (such Hamilton, Niagara, Waterloo, Prince Edward County, etc.)
If your answer is no, please skip ahead to question 17.

- Yes
- No

Page 5 - Question 15 - Open Ended - Comments Box

Please describe any significant success you've had with locally produced food or agri-products, including the reason why it was successful. For example, a particular product or format that appealed to consumers.

Page 5 - Question 16 - Open Ended - Comments Box

Please describe any significant disappointments or failures regarding locally sourced foods or agri-products. For example, was it product related, or rather a problem that relate specifically to the supplier?

Page 5 - Question 17 - Rating Scale - One Answer (Horizontal)

Within their overall process of deciding which foods/products to purchase, how important do you believe "local" is for your consumers (if you are a retailer or restaurant), or your customers (if you are a distributor or processor)? Please rank your answer from 1 to 5, where 1 is irrelevant and 5 is very important.

I r r e l e v a n t N o t I m p o r t a n t N e i t h e r u n i m p o r t a n t / i m p o r t a n t I m p o r t a n t V e r y I m p o r t a n t

Page 5 - Question 18 - Yes or No

If we had asked you the previous question one year ago, would your answer have been different?

- Yes

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- No
 - If you answered yes to the above question, can you please explain the reason for your answer.
-

Page 6 - Question 19 - Yes or No

Do you believe that there is a demographic segment(s) of the consumer market that are particularly interested in purchasing local food and/or agri-products?

- Yes
 - No
 - If yes, please describe the characteristics of this segment(s) of the consumer market.
-

Page 6 - Question 20 - Choice - Multiple Answers (Bullets)

[Randomize]

Amongst what product(s) do you believe the demand for local food and agri-products is most pronounced? Please choose up to four answers.

- Alcoholic beverages
 - Cut flowers
 - Fresh Fruit(s)
 - Fresh Vegetable(s)
 - Meats (i.e lamb, pork, veal)
 - Non-alcoholic beverages
 - Nursery stock (i.e. trees and scrubs for planting in the garden or landscaping)
 - Organic
 - Poultry
 - Prepared and/or processed
 - Other, please specify
-

Page 6 - Question 21 - Rating Scale - One Answer (Horizontal)

Do you believe consumers are willing to pay a premium for local goods, or do they expect to pay less because goods are local (i.e perceived lower costs in shipping, storage)? Please rank your answer from 1 to 5 where 1 is "expect to pay a lot less" and 5 is "expect and willing to pay a lot more".

Pay a lot less Pay less Pay around the same Pay more Pay a lot more

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Page 7 - Question 22 - Choice - Multiple Answers (Bullets)

[Randomize]

From the following list please select up to five attributes that you believe would have the greatest influence on consumers' or customers' decisions to buy local foods or agri-products. Particularly those produced in the Hamilton and/or Niagara area.

- Availability
- Cleanliness
- Ease of preparation
- Freshness
- Functional food (i.e. Omega 3)
- Impact of food production on the environment
- Impact of food transportation on the environment
- Known Brand
- Organic
- Packaging
- Perceived higher safety standards
- Price
- Quality
- Shelf life
- Support local farmers/economy
- Taste
- Other, please specify

Page 7 - Question 23 - Choice - One Answer (Bullets)

As a marketer of foods/products, do you consider that your primary role is to respond to consumer demand for local; or to create a market for local food and/or agri-products?

- Respond to consumer demand for local food and/or products
- Create a market for local food and/or products

Page 7 - Question 24 - Open Ended - Comments Box

If you consider that your role is to create demand for local or regional food and agri-products, what do you consider to be the best approach?

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Page 7 - Question 25 - Choice - Multiple Answers (Bullets)

Do you believe that your organization could benefit from buying a higher volume and/or wider range of food and/or agri-products sourced from the Niagara / Hamilton region(s)? Please choose one answer.

- Maybe
- No
- Yes

Page 7 - Question 26 - Open Ended - Comments Box

If you answered 'yes' to question 25, can you please state the benefits that you believe your business could gain from sourcing more food and/or agri-products from the Hamilton and/or Niagara area.

Page 8 - Question 27 - Yes or No

Do barriers exist which limit your ability to source local food and/or agri-products from the Niagara and/or Hamilton region(s)?

- Yes
- No
- If yes, what are the main barrier(s)?

Page 8 - Question 28 - Yes or No

If you stated that barriers exist for sourcing local food and/or agri-products from Hamilton and/or Niagara, are those barriers the same for both regions?

- Yes
- No
- If you answered no, can you please provide an example(s).

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Page 8 - Question 29 - Choice - Multiple Answers (Bullets)

If a system was to be established to distribute locally produced food and agricultural products in the Hamilton and/or Niagara area, in the context of its proximity to the GTA which of the options listed below do you consider most viable and able to meet your needs?

- The system has its own transport capabilities.
- The system is strategically linked to an existing distribution hub or service (i.e. is a satellite hub of the Toronto Food Terminal).
- The system operates on a seasonal basis.
- The system operates year round.
- The system distributes food/products produced in the Hamilton area only.
- The system has a web-based trading site.
- The system is 'bricks and mortar' with warehouse capabilities.
- The system distributes food/products produced in the Niagara area only.
- The system distributes food/products produced in the Hamilton and Niagara areas.
- Other considerations/comments?

Page 8 - Question 30 - Yes or No

Given your responses throughout the survey do you believe that the Niagara and/or Hamilton area requires a dedicated distribution system for locally produced food and/or agri-products?

- Yes
- No

Page 8 - Question 31 - Open Ended - Comments Box

Additional comments/suggestions?

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Thank You Page

Thank you for taking the time to complete our survey.

For further information about this project, or the Value Chain Management Centre, please visit our website
<http://www.georgemorris.org/GMC/VCMTTools.aspx> or contact: martin@georgemorris.org

[<http://www.georgemorris.org/GMC/VCMTTools.aspx>](http://www.georgemorris.org/GMC/VCMTTools.aspx)

Screen Out Page

(Standard - Zoomerang branding)

Over Quota Page

(Standard - Zoomerang branding)

Survey Closed Page

(Standard - Zoomerang branding)

Appendix 4: Interview Questions asked of Previously Established Local Food Initiatives

Management / strategic

What was the initiative's original plan?

How close are you to achieving that goal?

What proved to be the biggest hurdles to establishing the local distribution system?

How is the system financed? For instance, are products distributed on consignment and users pay a flat rate or percentage of the price charged to customers, or does the system purchase the product then resell it to your customers?

Have competing distributors presented you with any barriers, such as threatening to stop supplying customers with other goods?

Operations

What infrastructure do you have?

Is it sufficient for future growth?

Do you proactively manage quality?

Does you deliver to all your customers?

Suppliers

Have the majority of growers who said they supported the system at the outset remained loyal?

- Do certain characteristics tend to exist between growers that have remained loyal to the system,
- Do certain characteristics exist amongst producers who have not remained loyal?

Have any producers or industry groups been particularly supportive of your endeavours?

Have any producers or farm groups purposely worked against you?

Customers

Which customers have you had most success with? Why?

In relation to products and services –

- What products do you distribute?
- What products have you had most success with?
- What products have you had least success with?
- Have you dropped any products since you began?
- If you distribute meat, how do you manage an issue such as carcass balance?

Out of the following, who are your main customers?

- Chain retail stores
- Independent retail stores
- Restaurants

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- Hotels and institutions
- Other

Which customers have you had most success with? Why?

Voiced Support vs. Financial Support

Have the majority of stakeholders who supported the system at the outset remained supportive?

- Do certain characteristics tend to exist between stakeholders that have remained supportive of the LFI?
- Do certain characteristics exist amongst stakeholders who have not been supportive of establishing an LFI?

Have any stakeholders purposely worked against your desire to establish an LFI?

- Internal
- External

Appendix 5: Hamilton/Niagara LFDI, Producer Quantitative Survey

INTRODUCTION:

Hi, my name is _____ and I am calling from Strategic Research Associates in Guelph. We are doing a research project for the City of Hamilton and Niagara Region. (REFERENCE THE LETTER HERE IF NEEDED) We are consulting with producers throughout Hamilton and Niagara to get their thoughts and opinions on local food distribution issues. We would like to take about five to seven minutes of your time, to get your input and suggestions on this topic. Can we do this right now?

IF NOT INTERESTED IN TELEPHONE SURVEY REDIRECT TO EMAIL/FAX OPTION

QUALIFIER QUESTION

When it comes to making decisions about the operation of your farm how involved would you be?

- a) I make most of the decision about our operation
- b) I am involved in making some of the decisions
- c) I am not involved in making decisions about our operation.

IF ANSWER IS C, ASK TO SPEAK TO THE PERSON THAT IS INVOLVED IN MAKING MOST OF THE DECISIONS.

SURVEY QUESTIONS

- 1) Which of the following activities do you engage in on your farm? (READ LIST, SELECT ALL THAT APPLY)
- a) Field crop production
 - b) Dairy
 - c) Egg production
 - d) Pork
 - e) Beef
 - f) Poultry
 - g) Lamb
 - h) Tender fruit
 - i) Field vegetables
 - j) Greenhouse vegetables
 - k) Greenhouse flowers or nursery
 - l) Other _____ (PROBE)

IF FIELD CROP ONLY, CHECK QUOTA AND THANK AND TERMINATE IF FULL

- 2) Do you add value to any of your farm products by: (READ LIST, PROBE FOR OTHERS)
- a) Bagging, sorting or packing products on your farm
 - b) Processing (i.e. cutting, freezing, juicing) on your farm
 - c) Processing by another local farmer
 - d) Farm gate sales on your farm
 - e) Farm gate sales of your product by another farmer
 - f) Selling your product at a local farmers market
 - g) Other (specify) _____

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- 3) Which of the following best fits your own understanding of what is meant by “local”? (READ LIST, SELECT ONE ONLY)
- Consumed within 100 miles of where sourced.
 - Consumed within 50 miles of where sourced
 - Produced within the region of Niagara only
 - Produced within the region of Hamilton only
 - Produced within the area of Hamilton and Niagara
 - Produced within the area of Hamilton, Niagara, and the GTA
 - Produced in Ontario
- 4) Which of **your own farm products** lend themselves most readily to local food distribution? (DO NOT READ LIST, CHECK ALL THAT APPLY. USE OTHER CATEGORY IF NOT ON LIST)
- Field crops
 - Dairy
 - Eggs
 - Pork
 - Beef
 - Poultry
 - Lamb
 - Tender fruit
 - Field vegetables
 - Greenhouse vegetables
 - Greenhouse flowers or nursery
 - Other _____ (PROBE)
- 5) Do you see a need for: (READ LIST CHECK ALL THAT APPLY)
- Local processing of your farm products
 - Local distribution of your farm products
 - Local retailing of your farm products
 - Local transportation of your farm products
- 6) If a system was to be established to distribute locally produced food and agricultural products produced in your area, which of the following options do you consider most likely to meet your needs: (READ LIST AND SELECT ONE)
- The system distributes food and other agricultural products produced in the Hamilton area only
 - The system distributes food and other agricultural products produced in the Niagara area only
 - The system distributes food and other agricultural products produced in the Hamilton and Niagara areas
 - The system distributes food and other agricultural products produced from Hamilton, Niagara and surrounding areas
- 7) Still thinking about a possible local food distribution system, which of the following options do you consider most likely to meet your needs: (READ LIST AND SELECT ALL THAT APPLY)
- The system has a web-based trading site that connects buyers (retailers/distributors/institutions/restaurants) to producers
 - The system is a “bricks and mortar” distribution centre with warehouse capabilities
 - The system provides transportation and logistics to move products from the farm (seller) to the buyers
 - The system has both processing and distribution capabilities

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- 8) What would be the main benefits to **to your farm business** of participating in a local food distribution system? (READ LIST AND SELECT ALL THAT APPLY)
- a) Security of market
 - b) Higher returns
 - c) Ability to better respond to consumer demand
 - d) Ability to differentiate yourself
 - e) Opportunity to not have to produce to the exacting standards mandated by retailers
 - f) Other (specify) _____
- 9) What would be the main barriers that might keep a local food distribution system from being successful? (READ LIST AND SELECT ALL THAT APPLY)
- a) Lack of operating capital
 - b) Lack of transportation from the farm to the “distribution hub”
 - c) Reluctance of other producers to commit to the system
 - d) Reluctance of retailers to source from local producers
 - e) Quality not meeting the expectations of retailers and/or consumers
 - f) Difficulty in establishing relationships with the rest of the food system
 - g) Insufficient consumer demand
 - h) Seasonality of local products
 - i) Lack of marketing programs
 - j) Other (specify) _____
- 10) Who do you think should take the lead in developing the Hamilton/Niagara food distribution system? (READ LIST, SELECT ONE)
- a) OMAFRA
 - b) Regional governments
 - c) Co-ops
 - d) Retailers
 - e) Commodity associations
 - f) Entrepreneurial farmers
 - g) Other (specify) _____
- 11) Can you think of any examples of local food distribution (in Canada or anywhere else in the world) that have worked well? (PROBE AND CLARIFY)
- a) _____
- 12) And can you think of any examples of local food distribution (in Canada or anywhere else in the world) that have not worked well? (PROBE AND CLARIFY)
- a) _____
- 13) How likely would you be to participate in a Hamilton/Niagara food distribution system? (READ LIST, SELECT ONE)
- a) Extremely Unlikely
 - b) Unlikely
 - c) Neither Likely nor Unlikely (DO NOT READ)
 - d) Likely
 - e) Extremely Likely
- 14) What are the main reasons why you would be (INSERT ANSWER FROM Q13) to participate in a Hamilton/Niagara food distribution system?
- a) _____ (PROBE AND CLARIFY)

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IF a. b. or c. TO Q13, SKIP TO Q16

15) Who should be accountable for ensuring the quality of the food products supplied to the local Hamilton/Niagara food distribution system? (READ LIST, SELECT ALL THAT APPLY)

- a) Producers
- b) Retailer
- c) Distributor
- d) Co-op
- e) Commodity organizations
- f) Other (Specify) _____

16) Do you think consumers will pay a premium for the food you are producing right now if it was marketed as "local"? (READ LIST, SELECT ONE)

- a) Yes
- b) No

IF NO ASK:

17) And if producers who participate in the local Hamilton/Niagara food distribution system were to make some quality improvements, do you think that consumers would then pay a premium for food and agricultural products marketed as "local"?

- a) Yes
- b) No

18) Do you think that you would have to make some improvements or upgrades to your current farm business management practices to participate in a local food distribution system?

- a) Yes
- b) No

IF YES ASK:

19) Who would you look to for information and guidance on how to improve your current farm business management practices? (READ LIST, SELECT ALL THAT APPLY)

- a) OMAFRA
- b) Vineland research and innovation centre
- c) University of Guelph
- d) Local food plus
- e) Other farmers
- f) Co-op
- g) Commodity organizations
- h) other _____

And to finish the survey, just a few questions about your farm operation

20) How would you describe your role in your operation? (READ LIST, SELECT ONE)

- a) I farm full-time
- b) I mostly farm but also do other jobs to supplement my income
- c) I have an off-farm job that provides most of my income

21) What level of gross farm sales best reflects your farm business operation? (READ LIST)

- a) Less than \$100,000
- b) 100,000 – 249,999

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- c) 250,000 to 499,999
- d) 500,000 to 750,000
- e) Over \$750,000
- f) Refused

22) Which of the following age categories would you fall into? (READ LIST)

- a) Under 35
- b) 35-44
- c) 45-54
- d) 55-64
- e) 65 or over
- f) Refused

23) Which of the following statements best describes the stage where your farm business is at right now? (READ LIST, SELECT ONE)

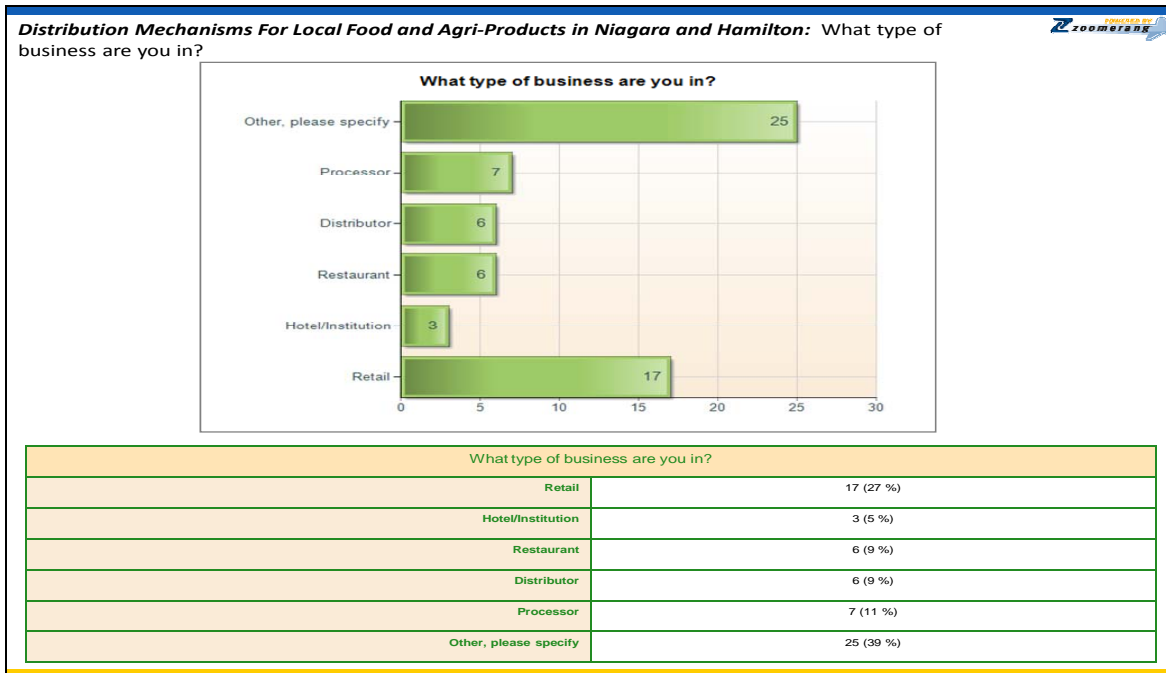
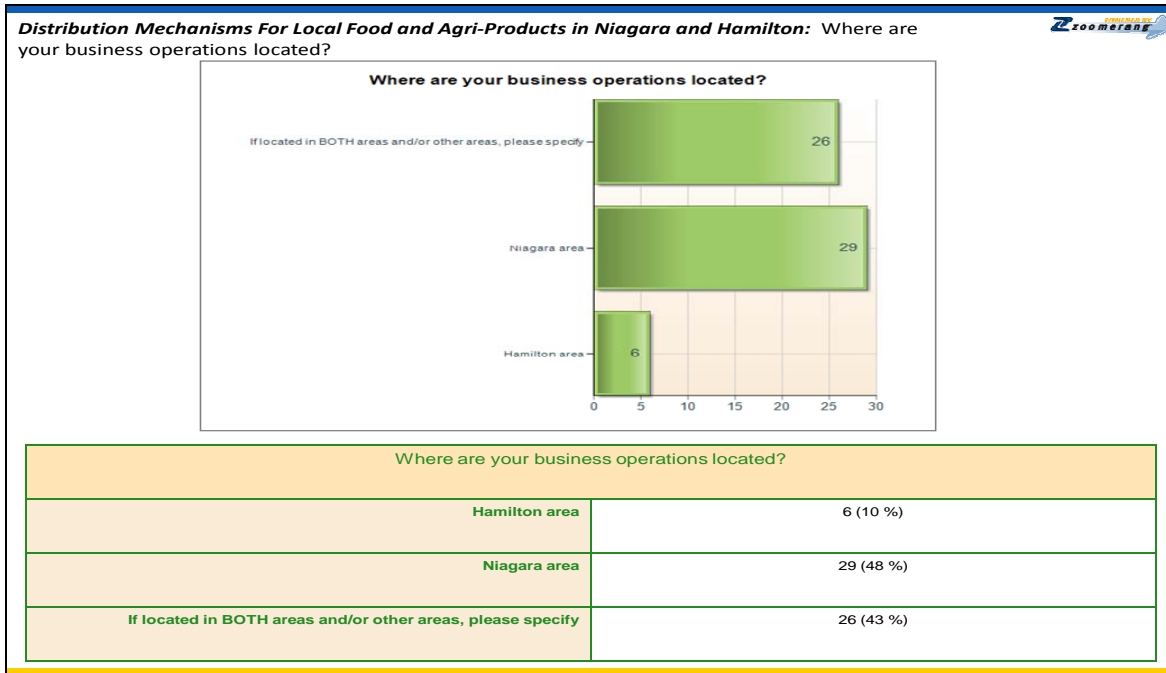
- a) I plan on expanding my operation
- b) I plan on keeping things the way they are
- c) I plan on reducing the size of my operation
- d) I plan on retiring in the near future

That completes the survey. Thank you very much for your time today.

Appendix 6: Overall Themes emerging from Primary Research

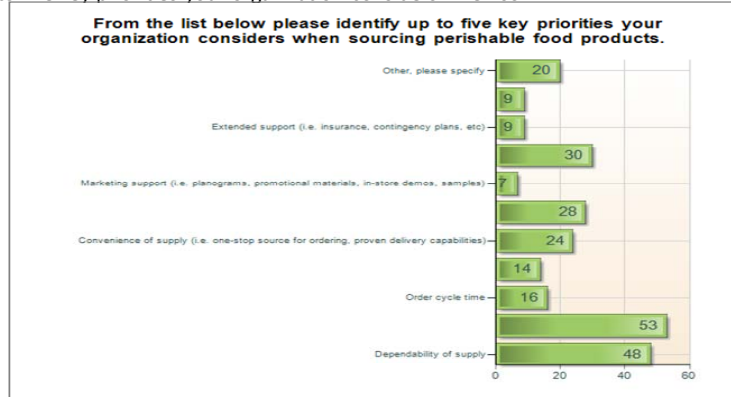
Consumers' Perspectives	Customers' Perspectives	Management Considerations	Logistics Considerations	Barriers to Success
Local is not <u>THE</u> factor driving consumers' purchasing decisions	Local is desirable, <u>though not at my expense</u>	LFDI needs to be managed by someone who is / has:	Needs to fit within present system, or derivative of	Many farmers unwilling, unable, or both to make required changes
Local is a determining factor if all other requirements are met	Fresh produce requires less market support than processed	1. Vested interest	Many larger producers already have established supply routes	Many farmers unwilling to accept accountability required for LFDI to work
Will not change purchasing habits just to accommodate local	Local suppliers need to communicate better re scheduling	2. Entrepreneurial spirit	Therefore LFDI would largely be working with smaller producers	Both above factors said to come from feelings of entitlement, not objectivity
Perishable products most appealing from a local perspective	Too many local suppliers feel entitled and take markets for granted	3. Farming background/knowledge	Smaller producers often have limited resources and inconsistent supply / quality – headaches!	Larger current suppliers can negatively influence customers' decisions through withholding rebates or supply
Expect to pay less for local than products that are sourced from further away or imported	Politicians talk up local b/c easy win, though in reality do little to enable market to expand	4. Passionate about opportunity, with vision for the future	Retailers will be wary of an LFDI until they come to trust it through its ongoing performance	Large distribution systems owned by corporate retailers, conflict of interest with franchised/independent customers
Media's support for local does not translate into purchases without a sufficiently compelling reason	Main distributors moving into same products as LFDI would stock, so why buy from dedicated system?	5. Has access to infrastructure	Requires critical mass in order to access larger markets	Lack of motivation at distribution level, too hard – especially if needing to deal with many small suppliers
Local is a symptom of a wider trend towards considerations of health, wellness and experience	Believe that larger markets undoubtedly exist for locally produced products	6. Has established network of contacts	Shippers and Co-ops often have distribution systems, though lack good QA - so quality is an issue	Policies, regulations and legislation a major hurdle to expanding market for wider range of local products
Consumers are increasingly savvy towards local, organic, etc.	Why limit the LFDI to Niagara and Hamilton?	7. Is a marketer	LFDI must offer convenient supply and delivery when required	Corporate retailers insufficiently motivated to change current systems
Local generally perceived to be within 50 km, though exact distance not that important	Include KW in LFDI to enable more meat and other product offerings	8. Has authority required to establish and maintain disciplined system	LFDI must have capabilities required to meet retailers' requirements	Too much effort spent on politicking rather than enabling, such as addressing speed at which ON produce breaks down
Concept of local more important than just one year ago	Establish ON wide LFDI, certainly across Golden Horseshoe	9. Is respected by industry	LFDI must be able to guarantee supply, so need contingency plans	Negative consumer perception towards Hamilton (steel town)

Appendix 7: Primary Research with Value Chain Participants, Raw Data



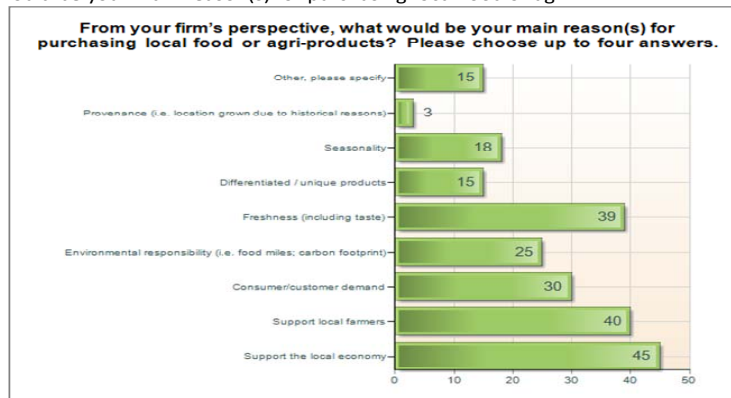
Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: From the list below please identify up to five key priorities your organization considers when so ...



From the list below please identify up to five key priorities your organization considers when sourcing perishable food products.	
Dependability of supply	48 (77 %)
Quality assurance	53 (85 %)
Order cycle time	16 (26 %)
Packaging / presentation	14 (23 %)
Convenience of supply (i.e. one-stop source for ordering, proven delivery capabilities)	24 (39 %)
Consistent pre-agreed prices	28 (45 %)
Marketing support (i.e. planograms, promotional materials, in-store demos, samples)	7 (11 %)
Traceability	30 (48 %)
Extended support (i.e. insurance, contingency plans, etc)	9 (15 %)
Branding / Consumer recognition	9 (15 %)
Other, please specify	20 (32 %)

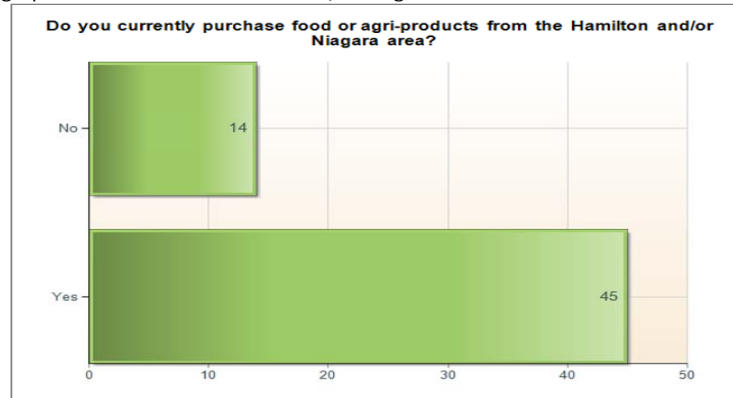
Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: From your firm's perspective, what would be your main reason(s) for purchasing local food or agri ...



From your firm's perspective, what would be your main reason(s) for purchasing local food or agri-products? Please choose up to four answers.	
Support the local economy	45 (75 %)
Support local farmers	40 (67 %)
Consumer/customer demand	30 (50 %)
Environmental responsibility (i.e. food miles; carbon footprint)	25 (42 %)
Freshness (including taste)	39 (65 %)
Differentiated / unique products	15 (25 %)
Seasonality	18 (30 %)
Provenance (i.e. location grown due to historical reasons)	3 (5 %)
Other, please specify	15 (25 %)

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

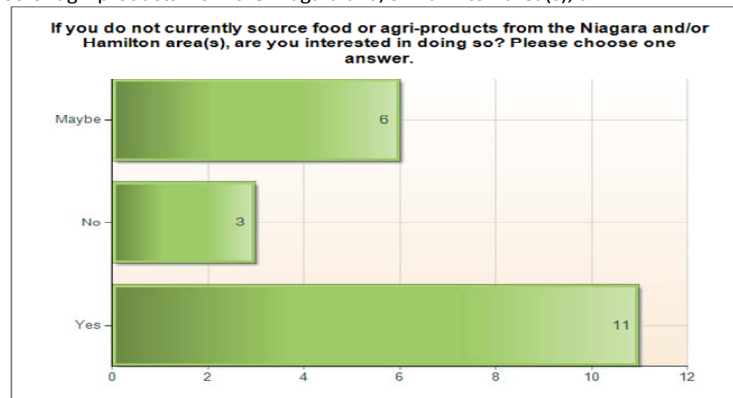
Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: Do you currently purchase food or agri-products from the Hamilton and/or Niagara area?



Do you currently purchase food or agri-products from the Hamilton and/or Niagara area?

Yes	45 (76 %)
No	14 (24 %)

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: If you do not currently source food or agri-products from the Niagara and/or Hamilton area(s), are you interested in doing so? Please choose one answer.

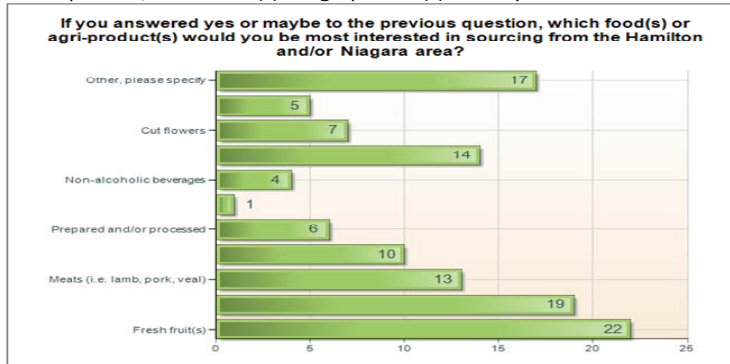


If you do not currently source food or agri-products from the Niagara and/or Hamilton area(s), are you interested in doing so? Please choose one answer.

Yes	11 (55 %)
No	3 (15 %)
Maybe	6 (30 %)

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

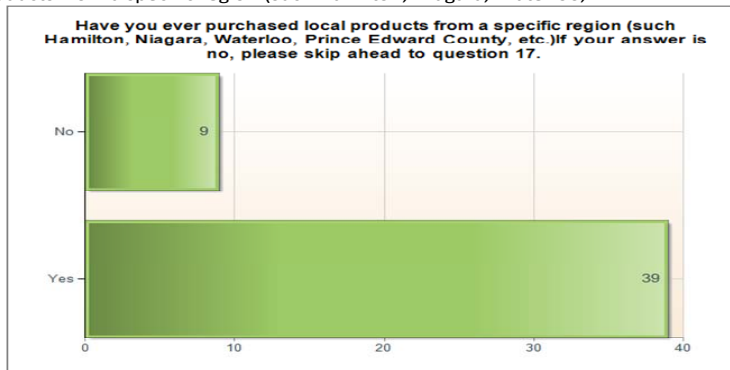
Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: If you answered yes or maybe to the previous question, which food(s) or agri-product(s) would you ...



If you answered yes or maybe to the previous question, which food(s) or agri-product(s) would you be most interested in sourcing from the Hamilton and/or Niagara area?

Fresh fruit(s)	22 (63 %)
Fresh vegetable(s)	19 (54 %)
Meats (i.e. lamb, pork, veal)	13 (37 %)
Poultry	10 (29 %)
Prepared and/or processed	6 (17 %)
Alcoholic beverages	1 (3 %)
Non-alcoholic beverages	4 (11 %)
Organic	14 (40 %)
Cut flowers	7 (20 %)
Nursery stock (i.e. trees and scrubs for planting in the garden or landscaping)	5 (14 %)
Other, please specify	17 (49 %)

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: Have you ever purchased local products from a specific region (such Hamilton, Niagara, Waterloo, ...



Have you ever purchased local products from a specific region (such Hamilton, Niagara, Waterloo, Prince Edward County, etc.) If your answer is no, please skip ahead to question 17.

Yes	39 (81 %)
No	9 (19 %)

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

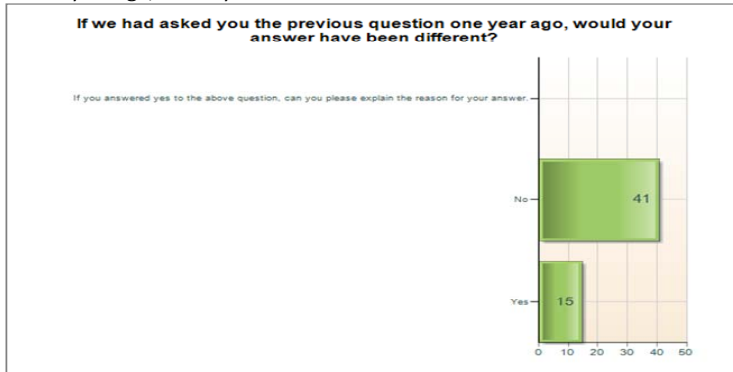
Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: Within their overall process of deciding which foods/products to purchase, how important do you b ...



Within their overall process of deciding which foods/products to purchase, how important do you believe "local" is for your consumers (if you are a retailer or restaurant), or your customers (if you are a distributor or processor)? Please rank your answer from 1 to 5, where 1 is irrelevant and 5 is very important.

Irrelevant	1 (2 %)
Not Important	4 (7 %)
Neither unimportant/important	12 (20 %)
Important	25 (41 %)
Very Important	19 (31 %)

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: If we had asked you the previous question one year ago, would your answer have been different?

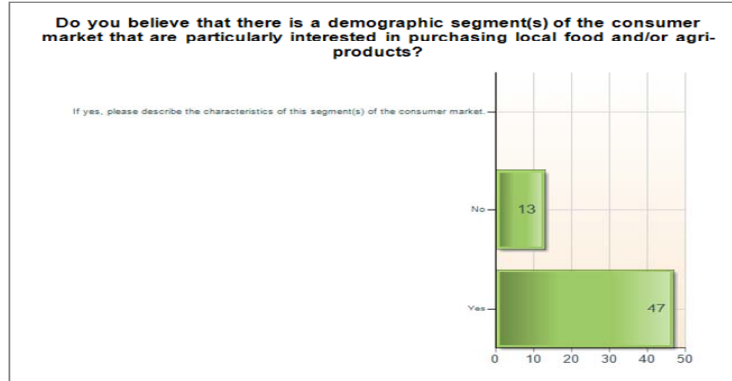


If we had asked you the previous question one year ago, would your answer have been different?

Yes	15 (27 %)
No	41 (73 %)
If you answered yes to the above question, can you please explain the reason for your answer.	0 (0 %)

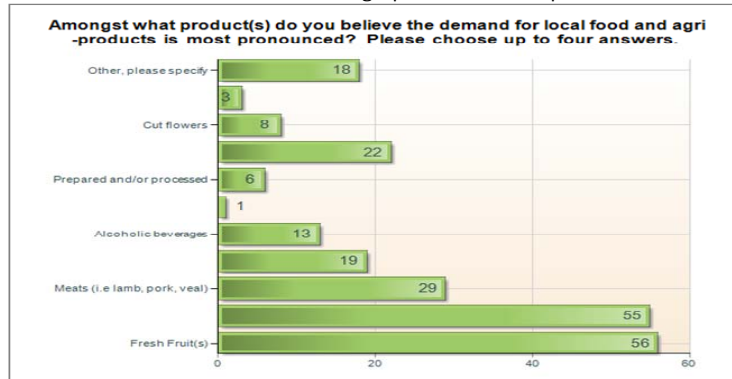
Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: Do you believe that there is a demographic segment(s) of the consumer market that are particularly interested in purchasing local food and/or agri-products ...



Do you believe that there is a demographic segment(s) of the consumer market that are particularly interested in purchasing local food and/or agri-products?	
Yes	47 (78 %)
No	13 (22 %)
If yes, please describe the characteristics of this segment(s) of the consumer market.	0 (0 %)

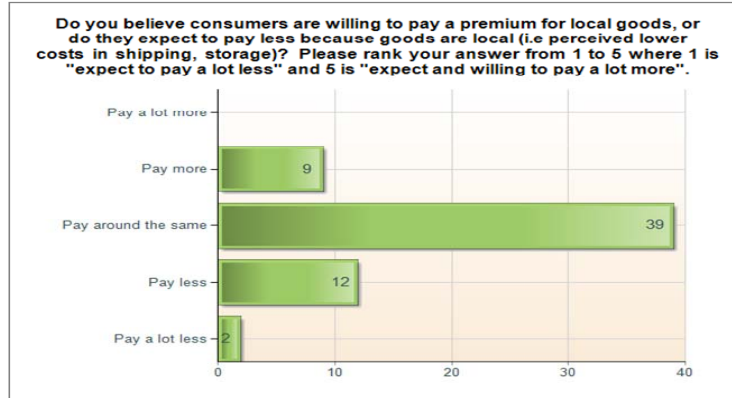
Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: Amongst what product(s) do you believe the demand for local food and agri-products is most pronounced ...



Amongst what product(s) do you believe the demand for local food and agri-products is most pronounced? Please choose up to four answers.	
Fresh Fruit(s)	56 (92 %)
Fresh Vegetable(s)	55 (90 %)
Meats (i.e. lamb, pork, veal)	29 (48 %)
Poultry	19 (31 %)
Alcoholic beverages	13 (21 %)
Non-alcoholic beverages	1 (2 %)
Prepared and/or processed	6 (10 %)
Organic	22 (36 %)
Cut flowers	8 (13 %)
Nursery stock (i.e. trees and scrubs for planting in the garden or landscaping)	3 (5 %)
Other, please specify	18 (30 %)

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Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: Do you believe consumers are willing to pay a premium for local goods, or do they expect to pay less ...

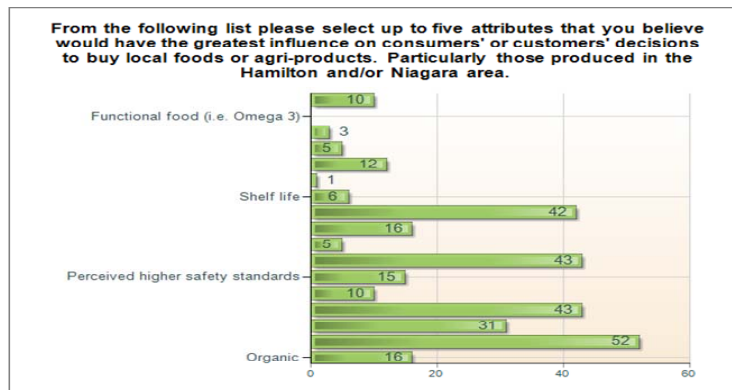


Do you believe consumers are willing to pay a premium for local goods, or do they expect to pay less because goods are local (i.e. perceived lower costs in shipping, storage)? Please rank your answer from 1 to 5 where 1 is "expect to pay a lot less" and 5 is "expect and willing to pay a lot more".

Pay a lot less	2 (3 %)
Pay less	12 (19 %)
Pay around the same	39 (63 %)
Pay more	9 (15 %)
Pay a lot more	0 (0 %)



Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: From the following list please select up to five attributes that you believe would have the great ...



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

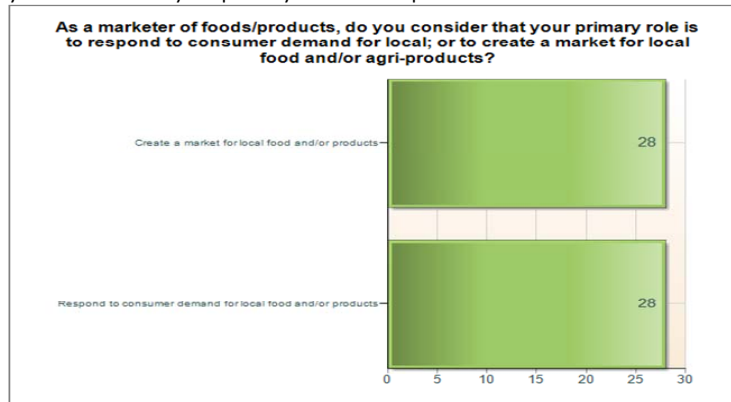
Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: From the following list please select up to five attributes that you believe would have the great ...



From the following list please select up to five attributes that you believe would have the greatest influence on consumers' or customers' decisions to buy local foods or agri-products. Particularly those produced in the Hamilton and/or Niagara area.

Organic	16 (26 %)
Freshness	52 (84 %)
Price	31 (50 %)
Taste	43 (69 %)
Impact of food production on the environment	10 (16 %)
Perceived higher safety standards	15 (24 %)
Support local farmers/economy	43 (69 %)
Packaging	5 (8 %)
Availability	16 (26 %)
Quality	42 (68 %)
Shelf life	6 (10 %)
Ease of preparation	1 (2 %)
Impact of food transportation on the environment	12 (19 %)
Cleanliness	5 (8 %)
Known Brand	3 (5 %)
Functional food (i.e. Omega 3)	0 (0 %)
Other, please specify	10 (16 %)

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: As a marketer of foods/products, do you consider that your primary role is to respond to consumer ...

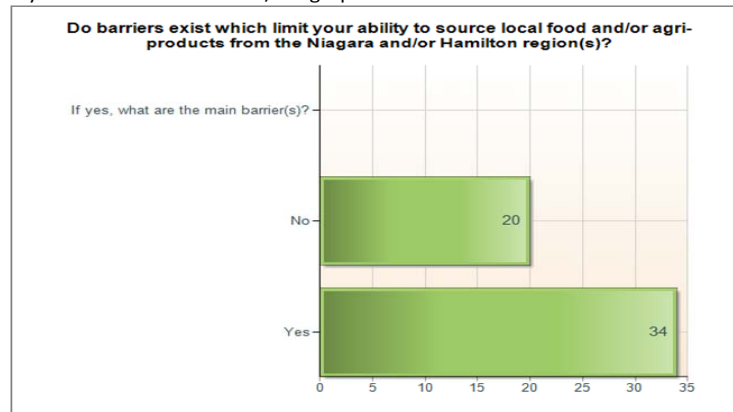


As a marketer of foods/products, do you consider that your primary role is to respond to consumer demand for local; or to create a market for local food and/or agri-products?

Respond to consumer demand for local food and/or products	28 (50 %)
Create a market for local food and/or products	28 (50 %)

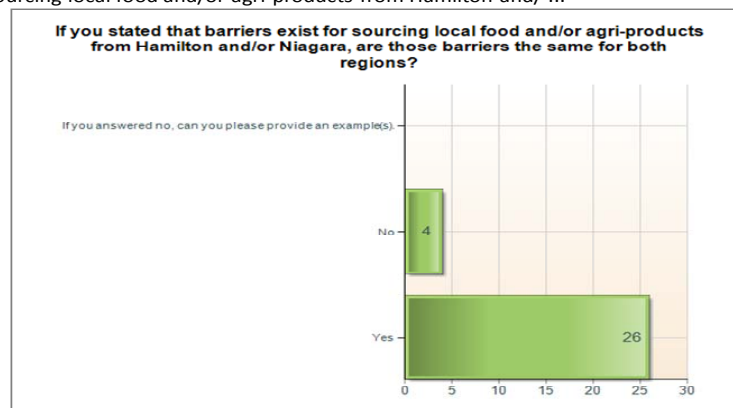
Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: Do barriers exist which limit your ability to source local food and/or agri-products from the Nia ...



Do barriers exist which limit your ability to source local food and/or agri-products from the Niagara and/or Hamilton region(s)?	
Yes	34 (63 %)
No	20 (37 %)
If yes, what are the main barrier(s)?	0 (0 %)

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: If you stated that barriers exist for sourcing local food and/or agri-products from Hamilton and/ ...



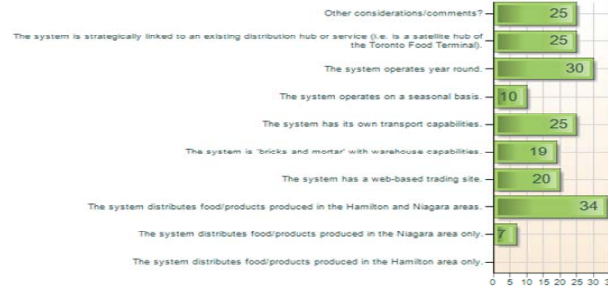
If you stated that barriers exist for sourcing local food and/or agri-products from Hamilton and/or Niagara, are those barriers the same for both regions?	
Yes	26 (87 %)
No	4 (13 %)
If you answered no, can you please provide an example(s).	0 (0 %)

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Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: If a system was to be established to distribute locally produced food and agricultural products i ...



If a system was to be established to distribute locally produced food and agricultural products in the Hamilton and/or Niagara area, in the context of its proximity to the GTA which of the options listed below do you consider most viable and able to meet your needs?



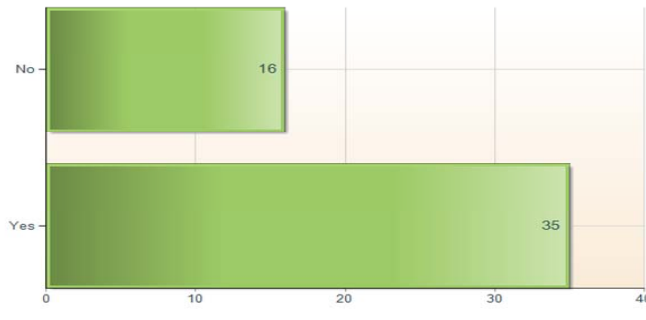
If a system was to be established to distribute locally produced food and agricultural products in the Hamilton and/or Niagara area, in the context of its proximity to the GTA which of the options listed below do you consider most viable and able to meet your needs?

The system distributes food/products produced in the Hamilton area only.	0 (0 %)
The system distributes food/products produced in the Niagara area only.	7 (12 %)
The system distributes food/products produced in the Hamilton and Niagara areas.	34 (59 %)
The system has a web-based trading site.	20 (34 %)
The system is 'bricks and mortar' with warehouse capabilities.	19 (33 %)
The system has its own transport capabilities.	25 (43 %)
The system operates on a seasonal basis.	10 (17 %)
The system operates year round.	30 (52 %)
The system is strategically linked to an existing distribution hub or service (i.e. is a satellite hub of the Toronto Food Terminal).	25 (43 %)
Other considerations/comments?	25 (43 %)

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: Given your responses throughout the survey do you believe that the Niagara and/or Hamilton area r ...



Given your responses throughout the survey do you believe that the Niagara and/or Hamilton area requires a dedicated distribution system for locally produced food and/or agri-products?

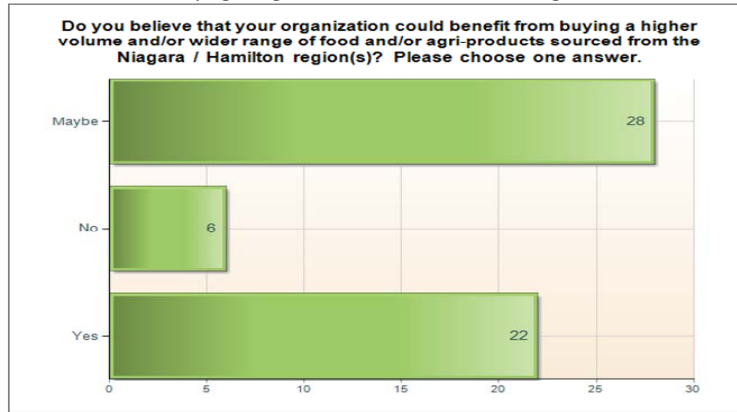


Given your responses throughout the survey do you believe that the Niagara and/or Hamilton area requires a dedicated distribution system for locally produced food and/or agri-products?

Yes	35 (69 %)
No	16 (31 %)

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Distribution Mechanisms For Local Food and Agri-Products in Niagara and Hamilton: Do you believe that your organization could benefit from buying a higher volume and/or wider rang ...

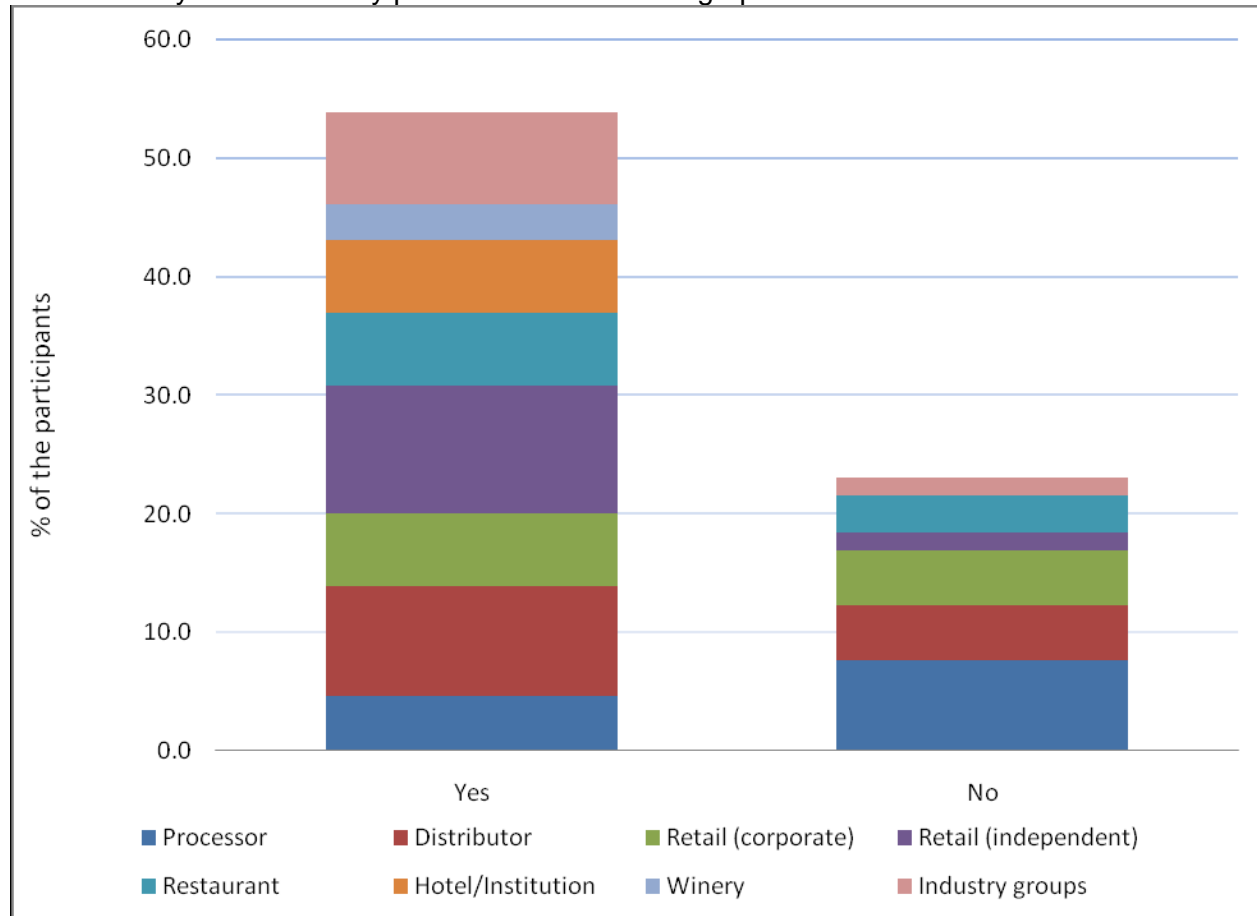


Do you believe that your organization could benefit from buying a higher volume and/or wider range of food and/or agri-products sourced from the Niagara / Hamilton region(s)? Please choose one answer.	
Yes	22 (39 %)
No	6 (11 %)
Maybe	28 (50 %)

Appendix 8: Primary Research with Value Chain Participants, Findings By Stakeholder Group

1. Is a Local Food Distribution System Required?

Figure 1.1: Do you believe that the Niagara and/or Hamilton area requires a dedicated distribution system for locally produced food and/or agri-products?

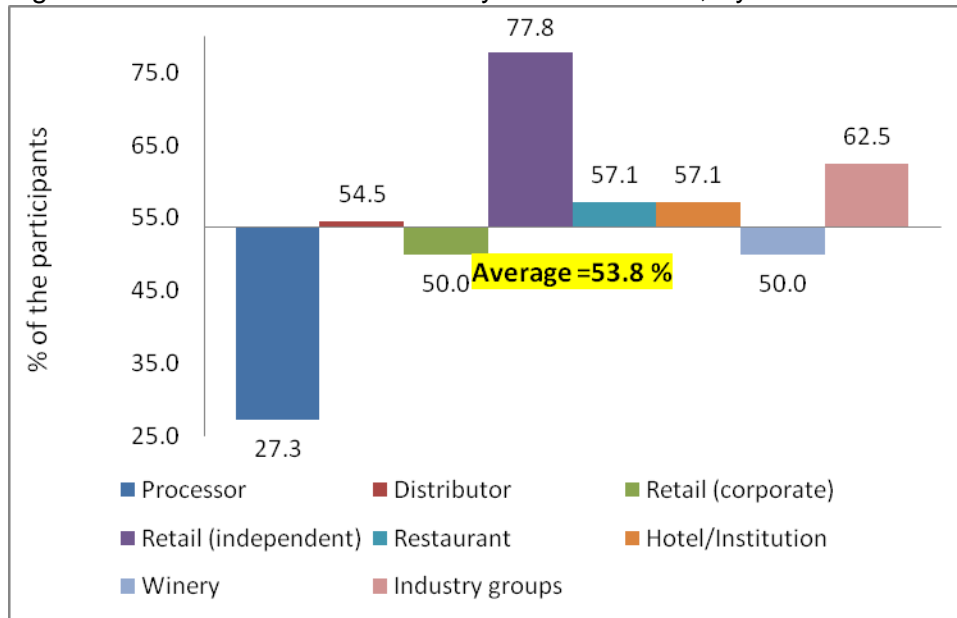


1.1 Supportive of a Local Distribution System

Among the 54% who support the establishment of a local food distribution system in Hamilton and/or Niagara area, there are distinct differences between stakeholders. Independent retailers are the most supportive (78%), followed by Industry groups (62.5%). On the other hand, only 27% of processors believe that a need exists to establish a local food and agri-product distribution system for the Hamilton and/or Niagara areas. Some quotes from respondents supportive of a local food distribution system are:

- *[A local food distribution system] would go an awful long way to reinforcing the buy local initiative. We need to make it easy to buy good quality local [food]. We need to be able to say, "here it is" and make it easier for them [consumers]; otherwise they'll go elsewhere and lose interest. (Industry Group)*
- *It would be great to have some type of local co-op to avoid dealing with 'ma's & pa's'. One call, one truck, still great local food. (Restaurant)*

Figure 1.2: A local food distribution system is Needed, By Stakeholder Group



A key reason for independent retailers' support for a dedicated local distribution system, particularly for Niagara sourced products, is that they are currently beholden to a distribution system that is largely owned and operated by the corporate retailers against which they compete. That same distribution system often does not offer or discern between local / non-local products. Quotes made relating to this follow.

- *Restaurants, etc. are reliant on current system because there is no alternative. (Restaurant)*
- *Many independent retailers are limited in their sourcing options because they rely on distribution systems that are owned and managed by the same retail corporations against which we compete in the market. (Independent Retailer)*

A key reason for the relative lack of support among processors is that they believe that a system for distributing local food needs to extend beyond the Hamilton and Niagara area. The majority of processors that support the establishment of a system for distributing local food and agri-products would like to see a province wide system.

Industry organizations' exhibit general support for a local food distribution system because they view it as the first step in establishing a province wide initiative.

1.2 Unsupportive of a Local Distribution System

As shown in Figure 1.3, 23% of participants do not believe a local food and agri-product distribution system is required for the Hamilton and Niagara areas, as existing systems are sufficient to meet their purposes. This belief exists most strongly among processors (46%) and corporate retailers (38%).

A few quotes from respondents who do not support a new or different distribution system for Hamilton and Niagara include:

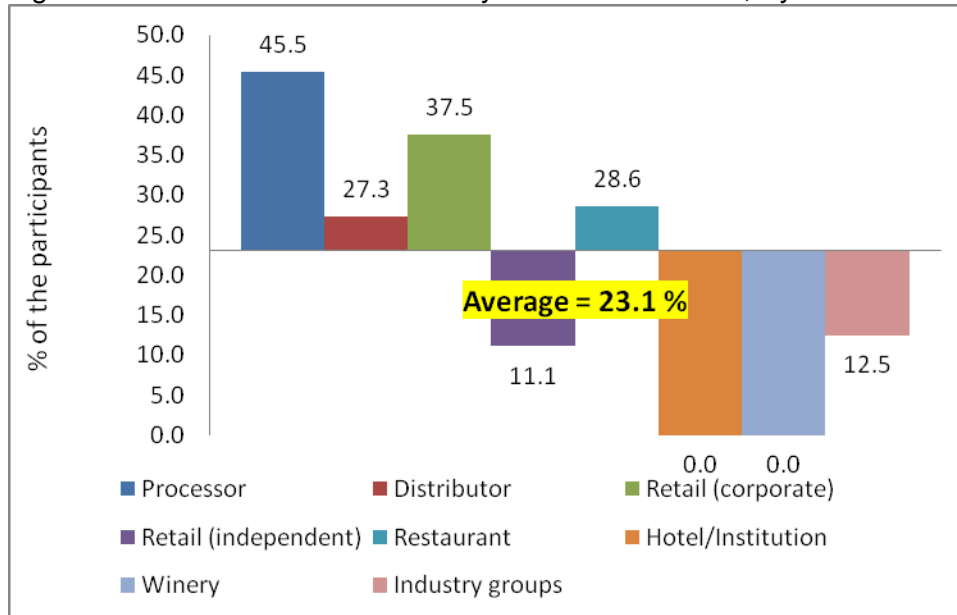
- *[People] need to see and smell the food before they buy it. (Processor)*
- *Why reinvent the wheel? Use existing systems. (Distributor)*
- *It would be a benefit, but it is not necessary. (Corporate Retailer)*

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This view appears to be least strongly held by hotels/institutions and wineries because these groups account for the largest group of non-committals. The independent retailers who say a system is not required are largely those who have already developed their own systems or may see themselves as ‘prisoners’ to the current system. Some quotes from respondents in these groups include:

- *We’ve dealt with local for years but know that local is not the way to succeed. Packaging and taste are more important. (Winery)*
- *Would they {value chain participants} actually support it, if it was there – or would they still go to Toronto where they can do it all in one stop? The food terminal is so efficient, it does it all. (Industry Group)*

Figure 1.3: A local food distribution system is not needed, By Stakeholder Group



The key difference between whether respondents supported (or not) the idea of establishing a distribution system in the Hamilton and Niagara areas (or further a field) was whether they believed their organizations could benefit from buying a higher volume and/or wider range of food and/or agri-products sourced from the Niagara and Hamilton areas.

Of total respondents, 34% believe their organizations **would** benefit from buying a greater volume or range of products from the Hamilton and Niagara areas, and 42% believe their organizations **may** benefit. Only 9% think their organizations **would not** benefit from buying a higher volume and/or wider range of food and/or agri-products sourced from the Niagara and Hamilton areas.

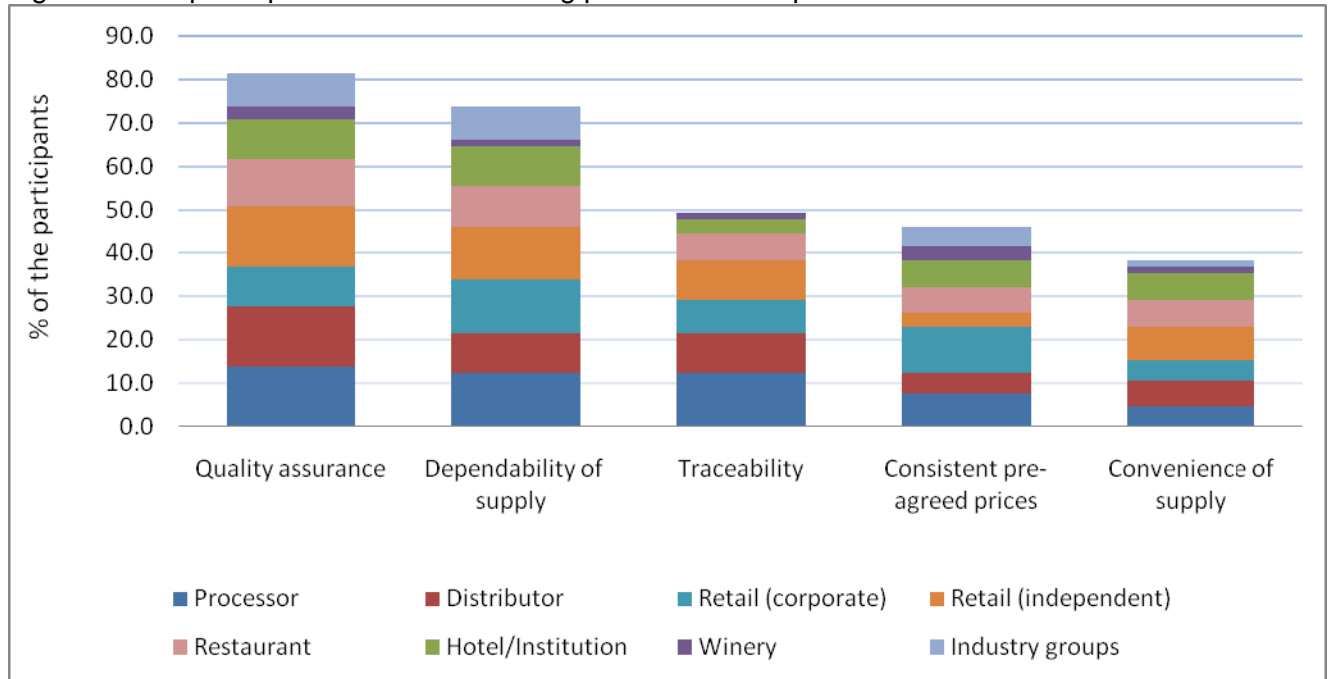
Statements from respondents regarding the benefits their organizations may gain from purchasing a greater volume or range of products from the Hamilton and Niagara areas include:

- *Profits - selling higher volumes with better margins;*
- *Cost saving through convenient supply system (i.e., wider variety in one place, less time out sourcing, easy ordering, just in time, better cycle times);*
- *Extend the seasonal offering and further differentiation from 'the Keg' [restaurant chain];*
- *Increase returns through having better quality products (fresher);*
- *Achieve a higher profile by generating positive perspective from public who would think we are doing a great job to support local fruits and vegetables in this economy;*
- *Build long term relationships with growers to obtain sustainable supply;*

- *Expand business* (i.e., longer, stronger contracts to supply customers);
- *Share benefits of early production in Hamilton and Niagara;*
- *Secure higher local volumes that are not available now* (i.e., beef);
- *Capitalize on the positive profile* (higher quality and progressive producers) *of the Niagara, Niagara product and being able to feature it more effectively;*
- *Customers' satisfaction and loyalty.*

2. Priorities When Sourcing

Figure 2.1: Top five priorities when sourcing perishable food products



2.1 Quality Assurance (QA)

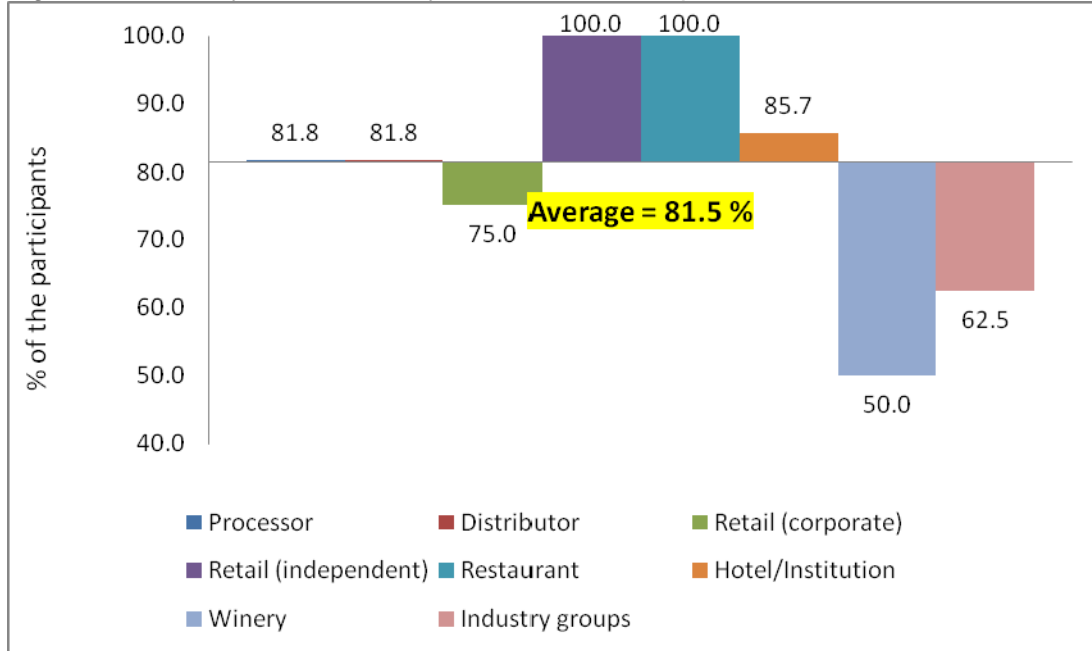
As shown below in Figure 2.2, the vast majority (82%) of respondents consider QA to be the most important consideration when sourcing perishable food products. However, there are significant variations among different stakeholder groups regarding its' importance. For instance, while all independent retailers and restaurants state that QA is the most important factor when sourcing products, corporate retailers place somewhat less emphasis on it. Wineries place far less emphasis on QA compared to the overall average.

The reasons behind these differences can be quite subtle, though very important. Independent retailers and restaurants operate with the least possible inventory, particularly in a category such as perishable food where freshness is key to capturing consumers' loyalty. The operations of corporate retailers, however, exhibit three important differences when compared to those of independent retailers. Firstly, they have supply chains that commonly feature some level inventory buffers. Secondly, they often purchase products directly from producers located across a wide geographic area – which reduces their exposure to risks associated with poor quality or lack of availability. Thirdly, they operate their own QA departments, which determine whether a product is suitable to enter their internal distribution system. Therefore, while QA is very important for corporate retailers, an external supplier monitoring quality is not as critical for them, as it is for independent retailers, or restaurants. A participant from an industry group

commented, “Local supply is never good enough to meet the demand of supermarkets”. Two very different perspectives were provided by distributors in relation to the importance of quality.

- *Quality is the key differentiating factor.*
- *Quality is not so much of an issue when you operate under a marketing board.*

Figure 2.2: Quality Assurance, By Stakeholder Group



For not unrelated reasons, wineries do not consider QA a key priority either. They have systems in place to monitor the quality of grapes that they are growing and will likely know ahead of harvest which grapes are most suited to a particular need. Perhaps the interesting anomaly is the extent to which respondents representing ‘industry groups’ rated the overall importance of QA.

2.2 Dependability of supply

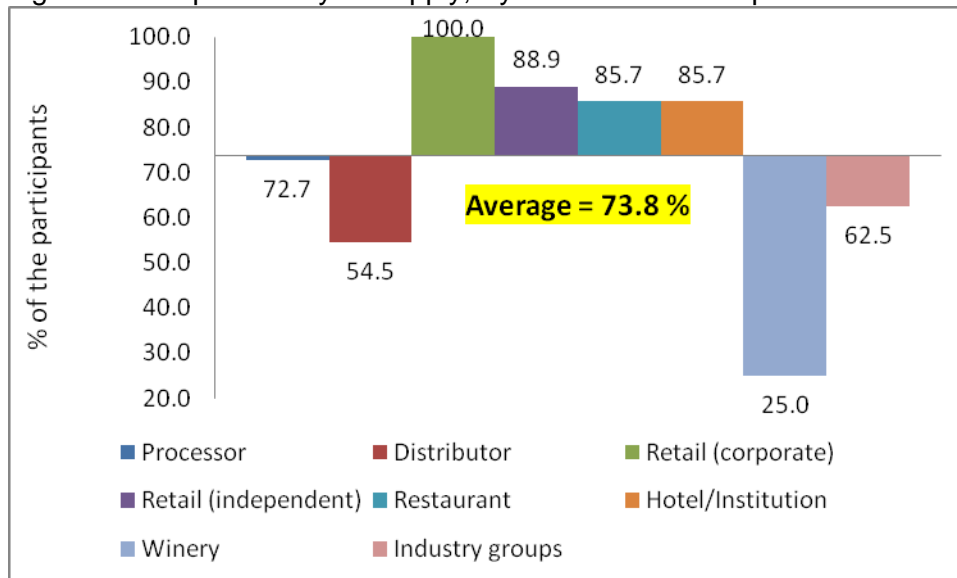
According to 74% of respondents, dependability of supply is a key priority when sourcing perishable food products.

- *Order cycle time is critical for keeping customers and building business. (Processor)*

As with QA, the importance that businesses place upon dependency of supply differs according to their individual business model. While dependability of supply is important for all customers (except wineries), it is the key priority for corporate retailers. This is due to the size and complexity of their operations. They need to arrange promotions (flyers and in-store materials, along with preparing in-store and operational staff) between 3 weeks and 3 months in advance of a promotion occurring. Undependable suppliers will negatively affect their credibility in the market and severely impact their profitability.

As can be seen from Figure 2.3, wineries rate dependability of supply as being least important compared to other respondents. This is because they largely produce their own grapes. Distributors likely rate dependability of supply as having distinct though not critical importance because they may make substitutions between similar products, particularly if supplying restaurants and foodservice.

Figure 2.3: Dependability of Supply, By Stakeholder Group



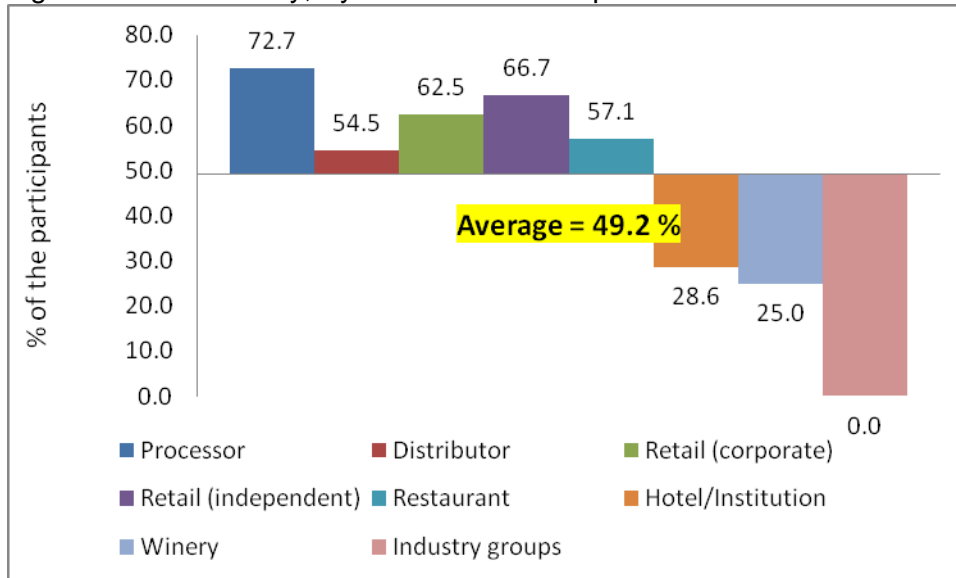
2.3 Traceability

Traceability is increasingly recognized as an important food products attribute. However, with an average of 49%, the differences between how certain stakeholders rate this consideration versus other priorities are stark. Reflecting the nature of their business, traceability is critically important to processors, retailers and restaurants. This finding is understandable considering that these players have legal liabilities regarding food safety standards. A few quotes regarding this attribute are:

- *Homegrown Ontario has been a real success as products are verified as coming from Ontario farms. (Processor)*
- *Food safety incidents, such as Elmer, have caused distributors and corporate retailers to not want to deal with provincially inspected product. (Same comment made by an Independent Retailer and a Corporate Retailer)*

On the other hand, as shown in Figure 2.4, a significant percentage of hotels and institutions (72%), and wineries (75%) do not rate traceability as a key priority. Hotels and institutions may consider that the role of traceability lies with distributors (although 64% of the distributors indicated that “other factors” were more important to them). The reason wineries do not consider traceability to be a key priority is because they primarily produce their own grapes or buy direct, so traceability is a known factor. It is unclear why traceability was not mentioned as a priority from any of the respondents representing ‘industry groups’.

Figure 2.4: Traceability, By Stakeholder Group

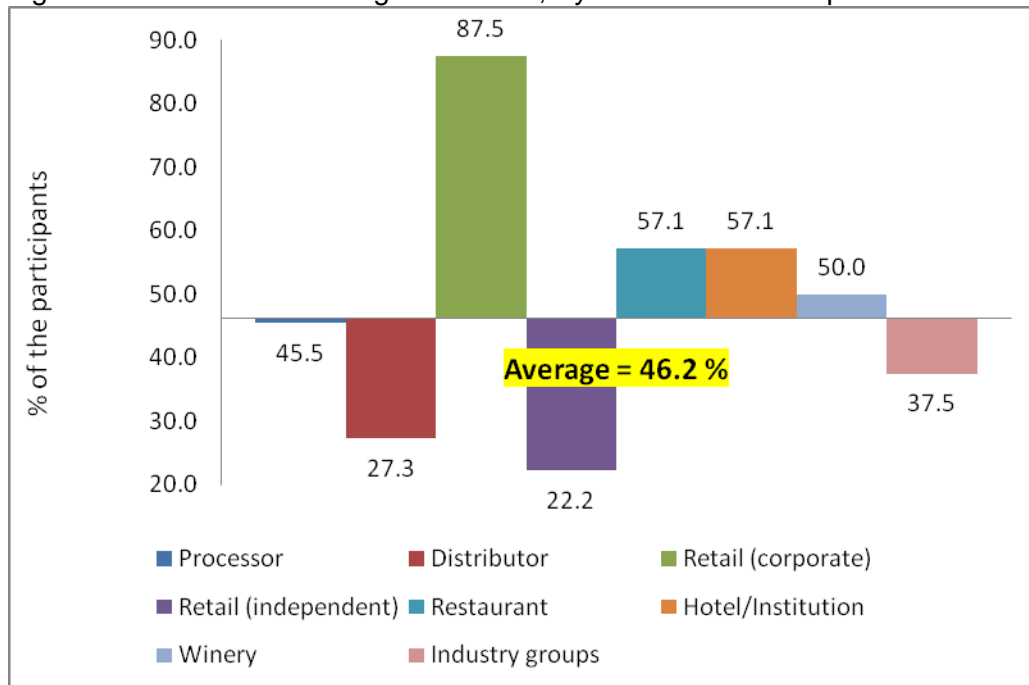


2.4 Consistent Pre-agreed Prices

The literature suggests that the extent to which a business is able to absorb price fluctuations is a function of their agility and trading style. With the nature of businesses that exist differing significantly, so therefore does the importance to which they apportion consistent pre-agreed prices.

As shown in Figure 2.5, while a considerable percentage (46%) of the respondents believes that consistent pre-agreed prices are a key priority when sourcing perishable food products, the difference is most pronounced between the corporate retailer business model versus independent retailers. At 88% and 22% respectively, the complexity of their operations means that corporate retailers view consistent pre-agreed prices as one of the most important factors when choosing a supplier when compared to other businesses situated along the value chain. Independent retailers are sufficiently flexible for it not to be a significant issue, so long as prices remain within a certain range. Differences between the perspectives offered by the two retail models also illustrate how they source perishable products, particularly fresh produce. Corporate retailers often source direct from the grower or an assigned distributor. Independent retailers commonly source from the OFT or other wholesale outlets, where price fluctuations occur on a daily or sometimes hourly basis and are not generally known until the day of purchase.

Figure 2.5: Consistent Pre-agreed Prices, By Stakeholder Group



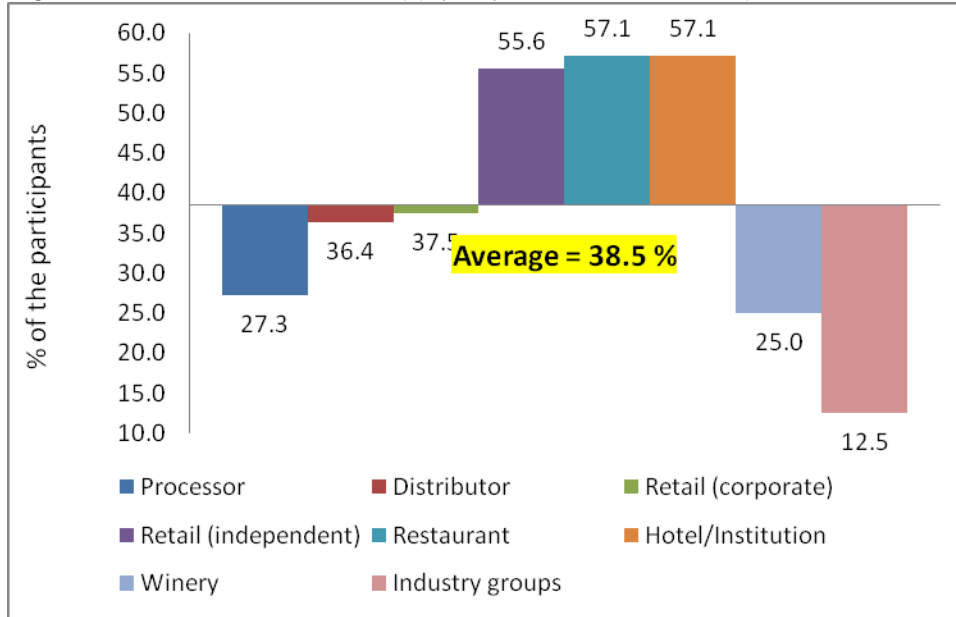
2.5 Convenience of Supply

Convenience of supply can reduce the cost of doing business significantly. As a result, 39% of participants regard convenience of supply as a key priority when sourcing perishable food products. Independent retailers, restaurants and hotels/institutions regard convenient supply to be an important consideration.

- *We'd like to use local farmers but they don't have the volume required and also only have one product so it's not efficient to order from them. (Hotel/Institution)*
- *I can't do local because no one has the volume of [meat] I need. (Independent Retailer)*

This factor is not as important to corporate retailers because they have internal distribution systems, which suppliers must comply with. A significant percentage (73-88%) of processors, industry groups and wineries do not consider convenience of supply to be a key priority (Figure 2.6).

Figure 2.6: Convenience of Supply, By Stakeholder Group

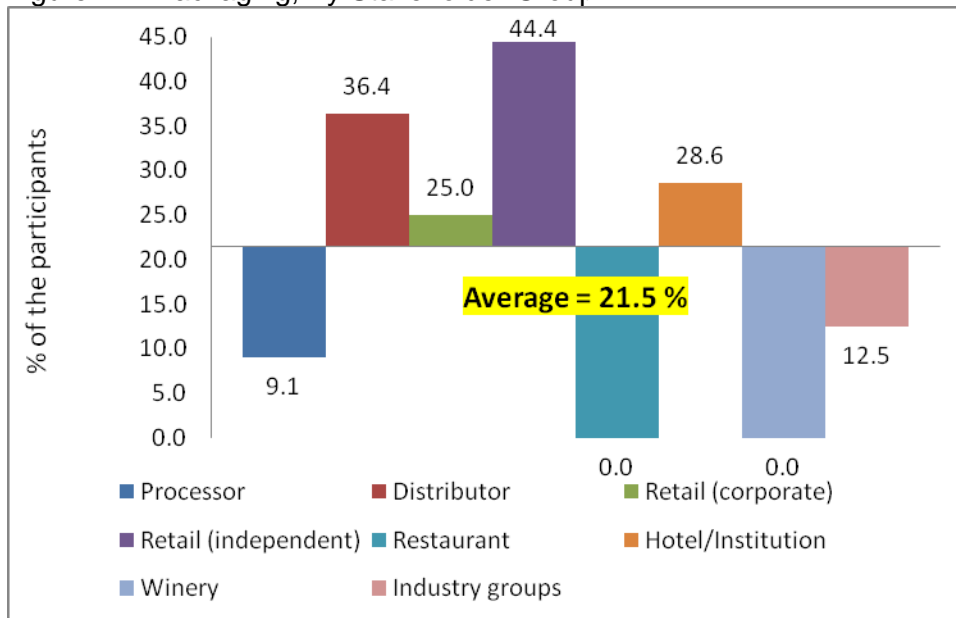


2.6 Packaging

As can be seen in Figure 2.7, packaging/presentation is an important consideration for independent retailers (44%), distributors (36%), hotels and institutions (29%) and corporate retailers (25%). While this is not as significant as other factors, these groups still rate it as having higher than average importance (22%). On the other hand, restaurants and wineries do not consider packaging / presentation as having any real importance when sourcing products.

According to one corporate retailer, consumers expect local food to have less packaging than alternatives. *“People generally are not looking for packaging of local produce.”*

Figure 2.7: Packaging, By Stakeholder Group



2.7 Additional Factors

In addition to the five key considerations described above, the research team asked respondents what a supplier should do to position itself ahead of competitors.

All respondents stated that for potential new suppliers to be considered, they would most likely have to offer better quality, and/or better prices, and be dependable. Corporate retailers commented that they would change suppliers if they found a particular offer appealing. Appealing proposals might include improved service, working with a larger supplier, differentiated products developed to appeal to a specific target market, and guaranteed availability as required. One quote that summed up their point of view is, “*A better product at a better price that can be consistently supplied from an authorized source.*”

Independent retailers generally said that they would be willing to change suppliers for consistent quality, greater access to local or organic products, and guaranteed availability. One independent retailer said, “*One stop shop, [it’s] key to being a successful supplier.*”

HRI’s had a long list of additional factors that would entice them to consider changing suppliers. These included better prices on local products, value-added products, flexible delivery dates, flexible portion control, the ability to supply both large and small volumes, good sales representatives and sales materials, consistent delivery of orders, consistent quality, excellent customer service and support, quick order cycle times, the ability to provide samples, and having an established distribution system / delivery method.

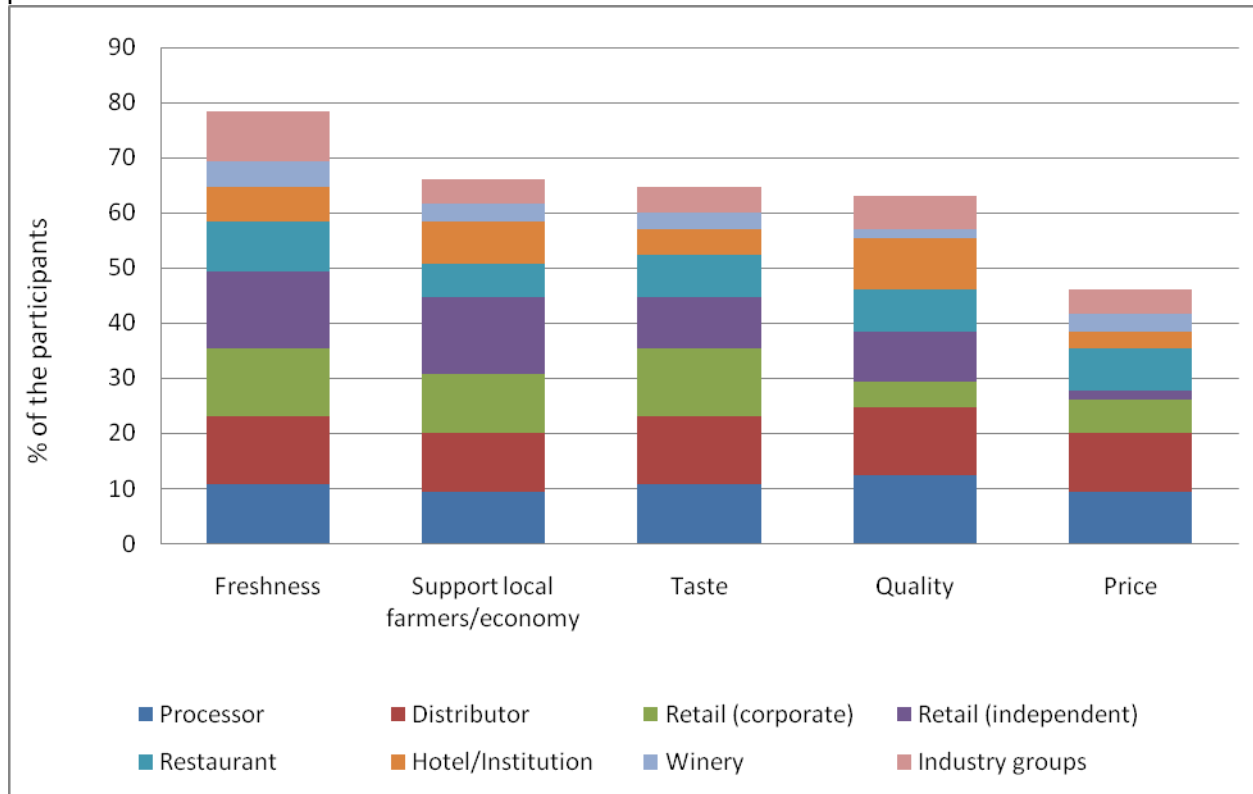
Processors would consider new suppliers when they offer consistent supply, local products, delivery to specifications, a wide range of varieties, and can select preferred suppliers down to the individual farm.

Factors that appeal to distributors include a good reputation, higher commission rates and new value-added products with attributes that are superior to existing products. Additional factors that are of interest to distributors include local products, products with functional or unique packaging, unique varieties, and consistent guaranteed supply.

Wineries would consider changing suppliers to work with good business people that are not tied to marketing boards. They desire to be provided with good service and guaranteed consistent supply. In addition, suppliers need to be active listeners, contribute ideas for improving end products, and have mutual respect for both small and large businesses.

3. Non-Transactional Factors, Opportunities to Create Added Value

Figure 3.1: Attributes influencing consumers' or customers' decisions to buy local foods or agri-products



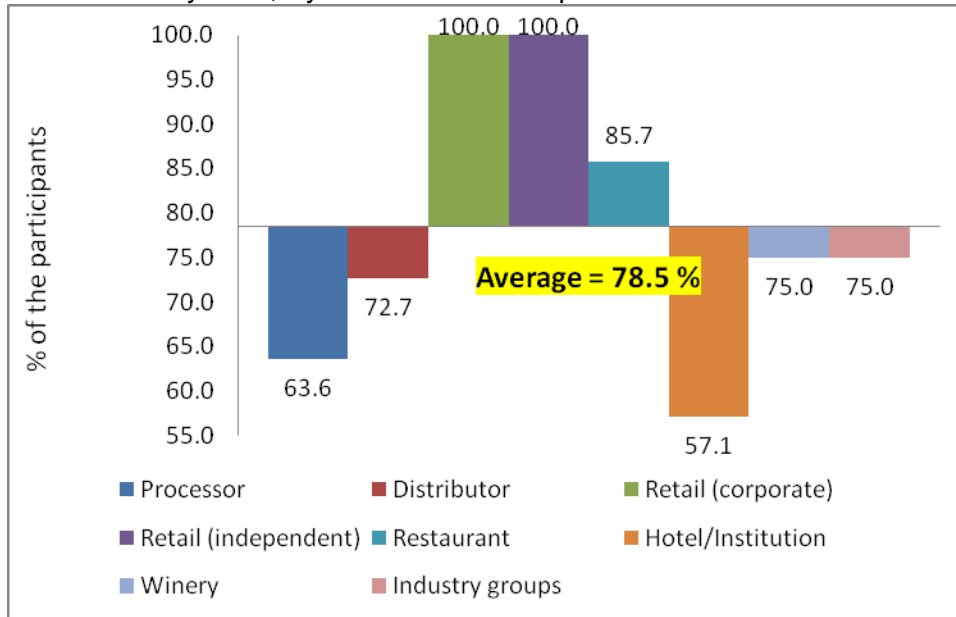
3.1 Freshness

The majority of respondents (79%) believe that freshness has the greatest influence on customers' or consumers' decisions to buy local foods or agri-products. As illustrated in Figure 3.2, groups that interact directly with consumers (corporate and independent retailers and restaurants) are more likely to consider freshness to be the most powerful influence on consumer purchase decisions. Fewer processors (36%) and hotels/institutions (43%) mentioned freshness as a product attribute that has a significant impact on customers' or consumers' decisions to buy local foods or agri-products.

While the following three attributes received similar overall consideration, freshness appears to be more important than any other one factor, for engendering consumers to purchase local. To underscore the point, one corporate retailer recounted an incident where even though they had priced local food cheaper than imported food, they still sold significantly more imported than local food because the imported food looked to be better quality and therefore fresher.

Supporting this view was a comment made by a distributor, "Some local produce is superior to the rest of the world, like peaches, green peppers, corn, and asparagus. However, the idea that local is fresher is not correct. Freshness from imports is not an issue. California and even Chile have better technology than farmers here to keep food fresh."

Figure 3.2: The Importance of Freshness as an attribute influencing consumers/customers decision to buy local, By Stakeholder Group

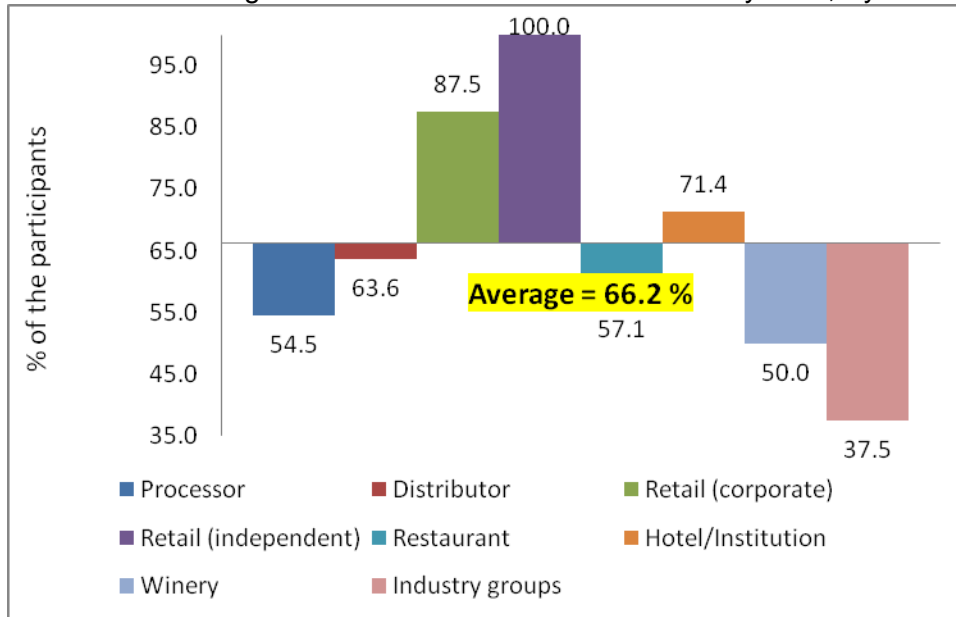


3.2 Support local farmers/economy

Support for ‘local farmers/economy’ is the second most important factor that value chain interviewees believe encourages customers’ or consumers’ to buy local foods or agri-products. Overall, it was mentioned by 66% of respondents.

Although considered important, opinions regarding ‘local farmers/economy’ influence on consumers and/or customers varied greatly across respondent groups. As seen in Figure 3.3, all of the independent retailers participating in our study consider this attribute as one of the top five factors that would influence consumers to buy local. Similarly, almost all of the participants from corporate retail outlets also believe that ‘support for local farmers and the economy’ is an important factor for influencing consumers’ purchase decisions. In contrast, industry organizations (of which many are agricultural) gave it the lowest rating out of the respondent groups.

Figure 3.3: The Importance of “Support for Local Farmers and/or Local Economy” as an attribute influencing consumers/customers decision to buy local, By Stakeholder Group

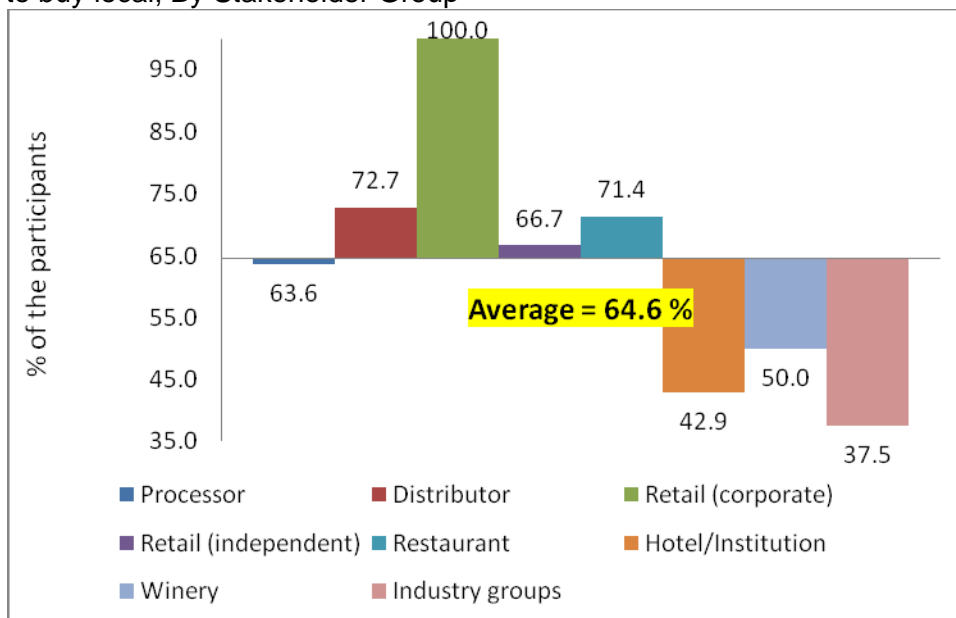


3.3 Taste

Taste as an attribute encouraging people to buy local was mentioned almost as often as ‘support local farmers/economy’. Figure 3.4 suggests that groups who interact directly with consumers, particularly corporate retailers, are more likely to believe in the powerful influence of taste. Almost three quarters of distributors interviewed also mentioned taste as a key driver of local food purchases, among their customers.

On the other hand, respondents from hotels/ institutions, wineries and industry groups were less likely to mention taste as a key factor in influencing consumers to buy local products.

Figure 3.4: The Importance of Taste as an attribute influencing consumers/customers decision to buy local, By Stakeholder Group



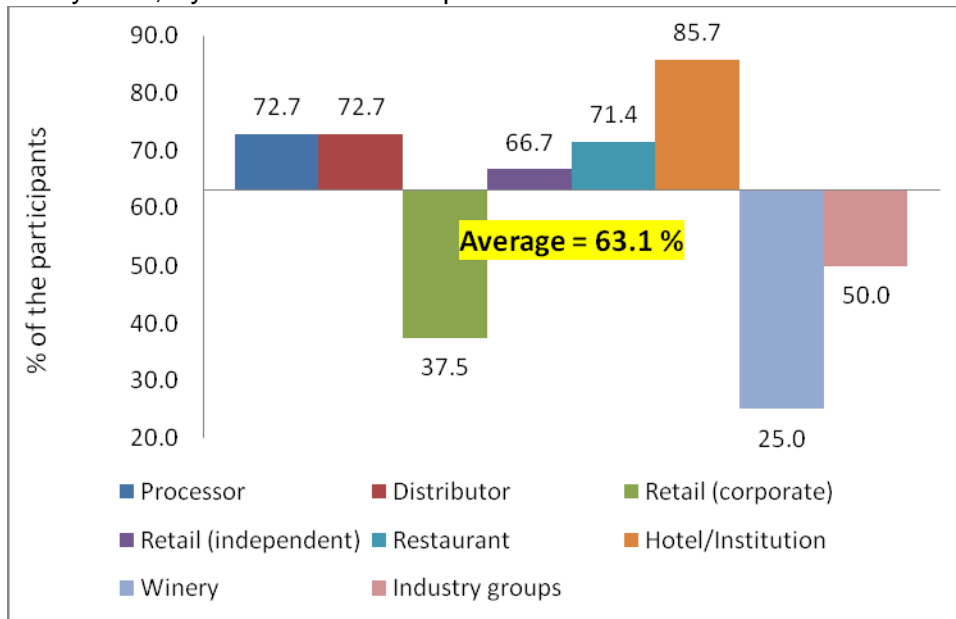
3.4 Quality

An average of 63% respondents overall mentioned quality as one of the top five factors that influence consumers when buying local products. This makes it our fourth most important attribute, following freshness, support local farmers/economy and taste.

However the finding displayed below in Figure 3.5 are a little deceptive. Although a low percentage of corporate retailers identified “quality” as a top priority within this question, they clearly do consider quality issues to be of critical importance. As previously reported, 100% of the corporate retailers interviewed indicated that freshness and taste, both specific indicators of quality are critical to their decision making.

An interesting finding is that 75% of wineries do not consider quality to be a top 5 factor that influences consumers to purchase local food (or beverages).

Figure 3.5: The Importance of Quality as an attribute influencing consumers/customers decision to buy local, By Stakeholder Group



3.5 Price

It is not all about price, as shown by a relatively low (46%) number of respondents suggesting price as a top five factor in influencing consumers to purchase local food. Restaurants are the most likely group to suggest price as a key priority, followed by processors and distributors. This may be due to some corporate restaurants having to buy the majority of their food using a low cost automated ordering system that deals with select key suppliers. Under such a system, only a small portion of the restaurants’ food can be ordered locally, and as selected by the Head Chef. Most products have to be ordered using the computerized list, which automatically selects products according to the lowest price.

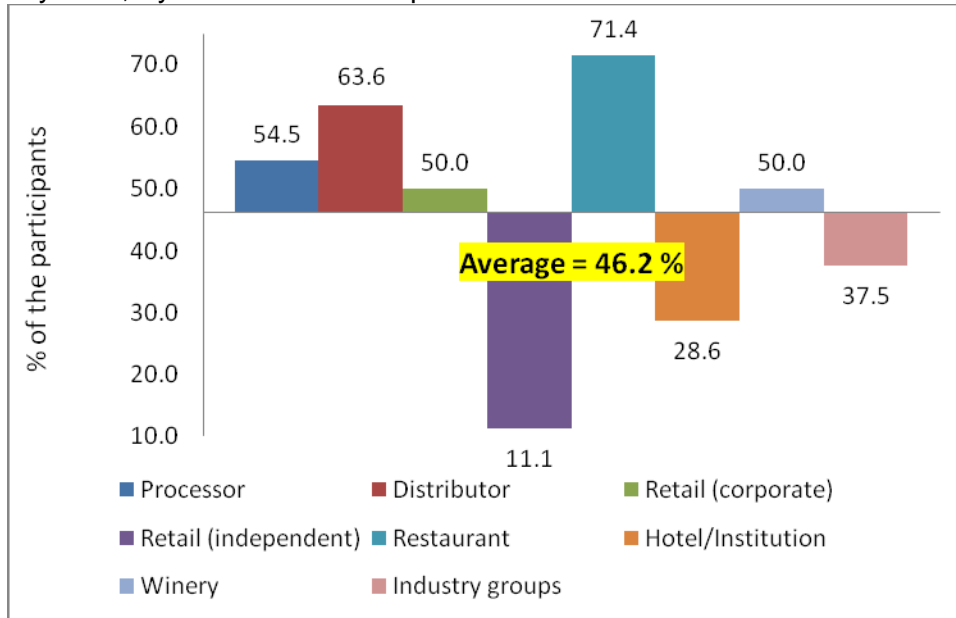
On the other hand, as shown by Figure 3.6, a significant percentage of respondents from independent retailers (89%), hotels/institutions (71%), and industry groups (62%) do not believe that price is not one of the top five factors that influence consumers’ purchase of local products.

The concept of price and value are loaded terms as reflected in several quotes:

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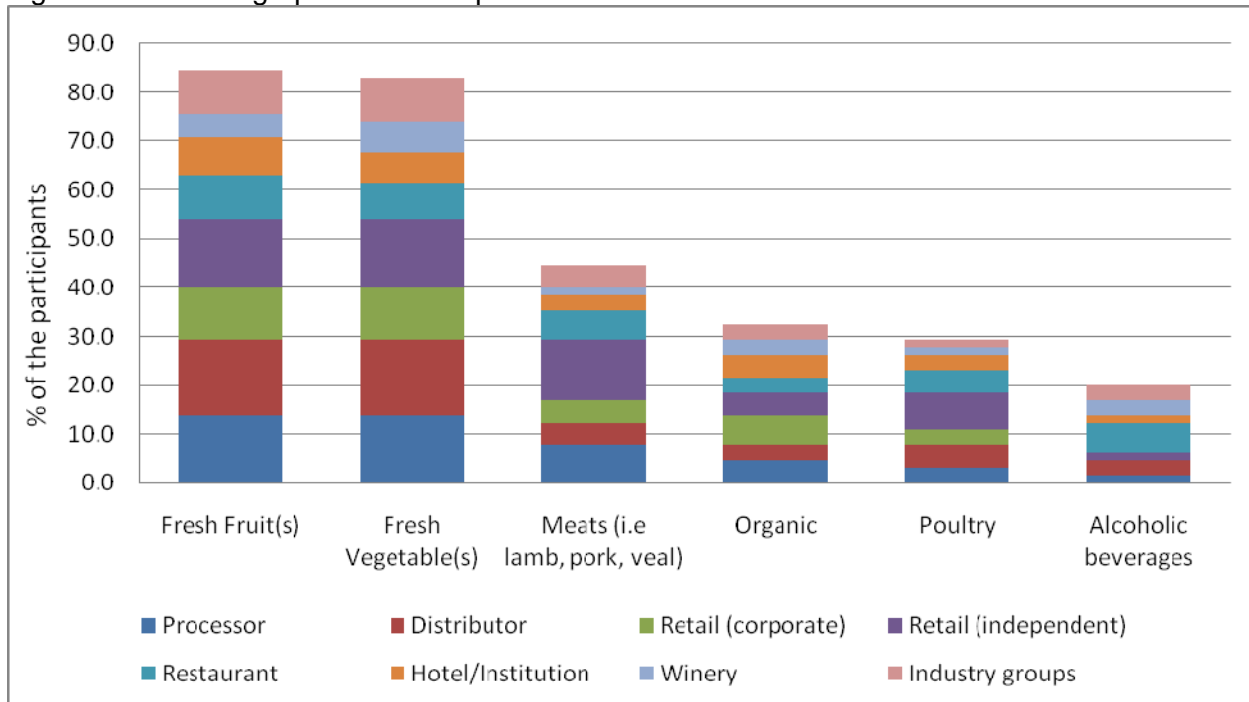
- Traditional farmers like weight and volume, they are not focused on value. (Corporate Retailer)
- Time and price are the key factors for supermarkets. (Distributor)
- Supermarkets underpay farmers. (Wholesale/Retailer)

Figure 3.6: The Importance of Price as an attribute influencing consumers/customers decision to buy local, By Stakeholder Group



4. Local Products Most in Demand?

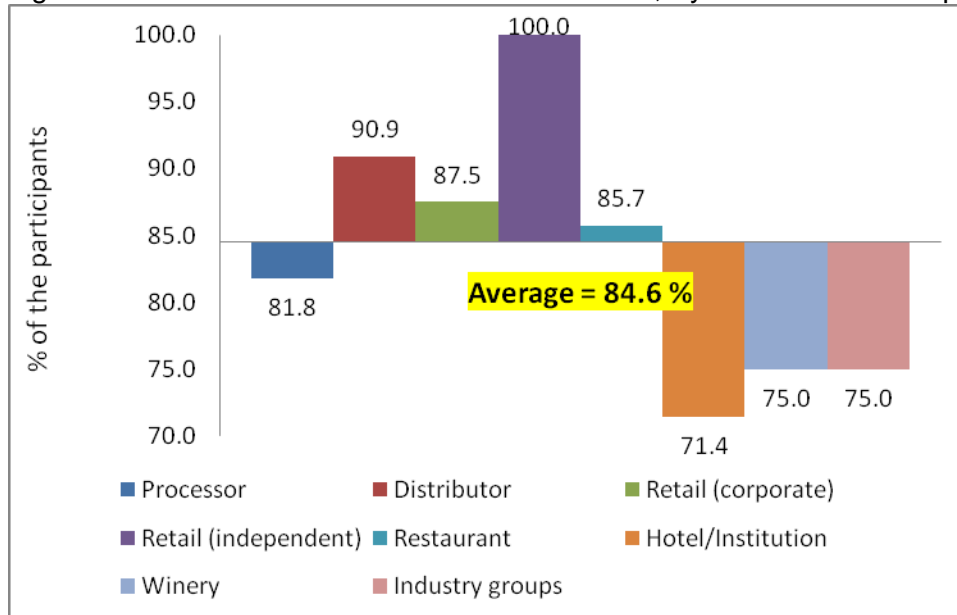
Figure 4.1: Local Agri-products with pronounced Consumer Demand



4.1 Fresh Fruits

A vast majority of the participants (85%) believe there is a pronounced consumer demand for local fresh fruits. Participants were not asked about seasonal variances in demand. There is some variation among different stakeholder groups regarding the demand for local fresh fruits. All of the independent retailers interviewed agreed that local fresh fruits are among the desirable local agri-products available. Almost all of the distributors, corporate retailers, restaurants and processors agreed. However, this was lower among of hotels/institutions, wineries and industry groups who mentioned fresh fruit as one of the most popular local agri-products by 71-75% of participants (Figure 4.2).

Figure 4.2: Desirable Local Products: Fresh Fruits, By Stakeholder Group

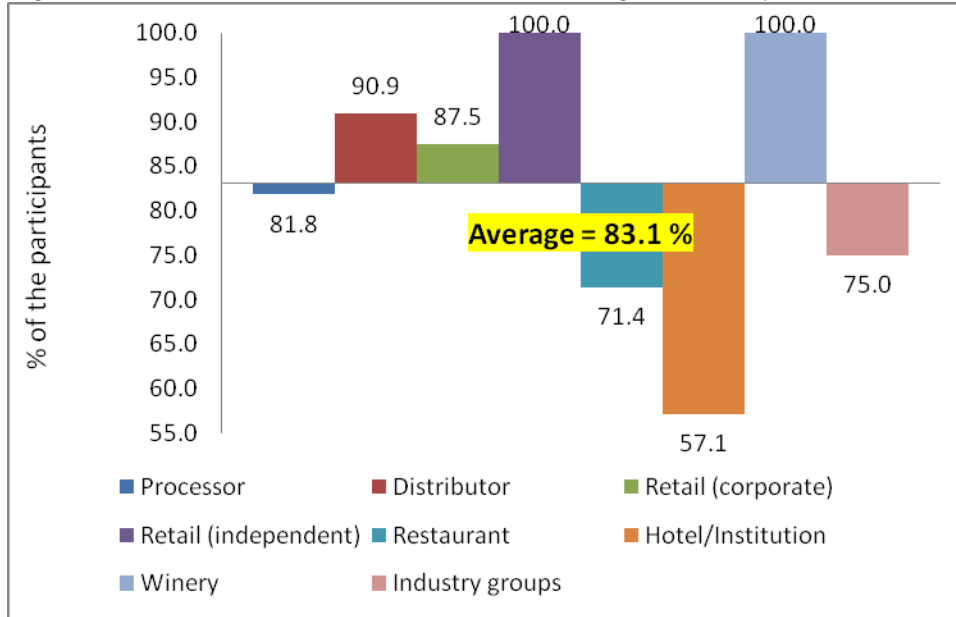


4.2 Fresh Vegetables

According to interviewees local fresh vegetables are also highly desirable, with 83% of the total mentions overall. A larger number of distributors, retailers and wineries regard the local fresh vegetables as promising market with increasing demand. On the other hand, a smaller percentage (57-75%) of the HRIs and industry groups indicated they believe local fresh vegetables are among the most popular (Figure 4.3).

That local fresh fruits and vegetables are the top agri-products mentioned by respondents is not surprising considering that they have been the focus of many “Buy Local” promotional campaigns (i.e. Foodland Ontario).

Figure 4.3: Desirable Local Products: Fresh Vegetables, By Stakeholder Group

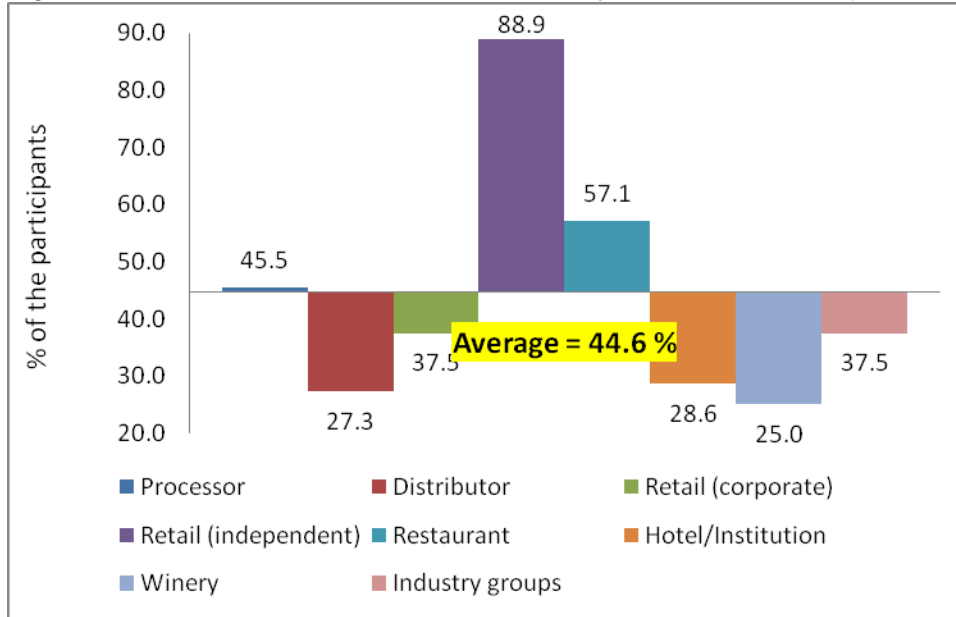


4.3 Meats

Food safety standards are particularly important to consumers purchasing meat. Research has found that many Canadians believe that federal food safety standards are superior to standards from other countries. Corporate supermarket chains only stock meat from federally inspected plants. Therefore, locally-produced meats, from provincially inspected plants have additional barriers that must overcome to compete, unlike fresh fruits and vegetables.

Despite these challenges, around half (47%) of the participants identified meat as a desirable category for local agri-products. As with the other categories, differences in opinion exist between the varying businesses in the value chain. This may relate to the importance of traceability to each business type. A larger percentage of independent retailers and restaurants commented that local meats are a growing market with increasing demand. On the other hand, a significant percentage (63-75%) of distributors, corporate retailers, hotels/institutions, wineries and industry groups did not choose local meat as a product area with heightened demand (Figure 4.4).

Figure 4.4: Desirable Local Products: Meat, By Stakeholder Group

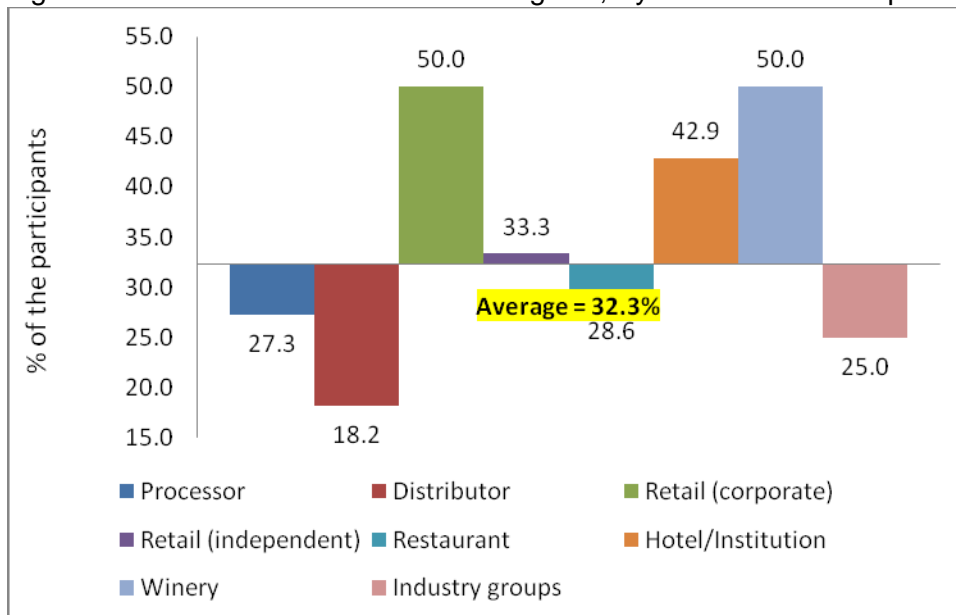


4.4 Organic Agri-Products

Product attributes that positively relate to the environment are increasingly recognized and valued by certain consumer segments. As the literature review concluded, organic products are a niche market that have positioned themselves in the mainstream grocery environment and consumers who buy organics share similar demographics to those who prefer to buy local. Around one third (32%) of the participants think there is a strong demand for local agri-products that are also organic. This sentiment is more pronounced among corporate retailers, hotels/institutions and wineries compared to processors, distributors, restaurants and industry groups (Figure 4.5).

- *Organic is too expensive, local is more of a driver to my customers than organic. (Wholesaler)*

Figure 4.5: Desirable Local Products: Organic, By Stakeholder Group

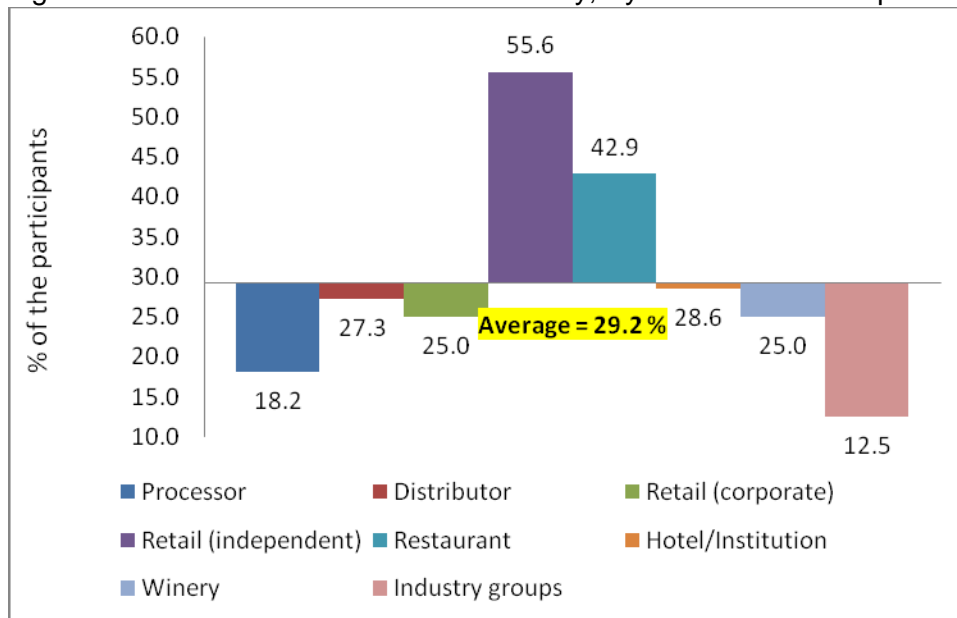


4.5 Poultry

Respondents from independent retailers and restaurants indicated they believe market opportunities exist for local poultry. However, the Canadian poultry industry is highly regulated. Due to the restrictions relating to supply management, all poultry for commercial use must be slaughtered (and processed if required) within regulated facilities. This means that poultry cannot realistically be marketed as local to a city or specific region. The only branding opportunity for poultry is “Raised in Ontario, or Product of Ontario” (Figure 4.6).

That chicken is a local marketing opportunity was supported by a statement from a distributor “Chicken is more regulated so it’s desirable among consumers because it’s hard to get direct.”

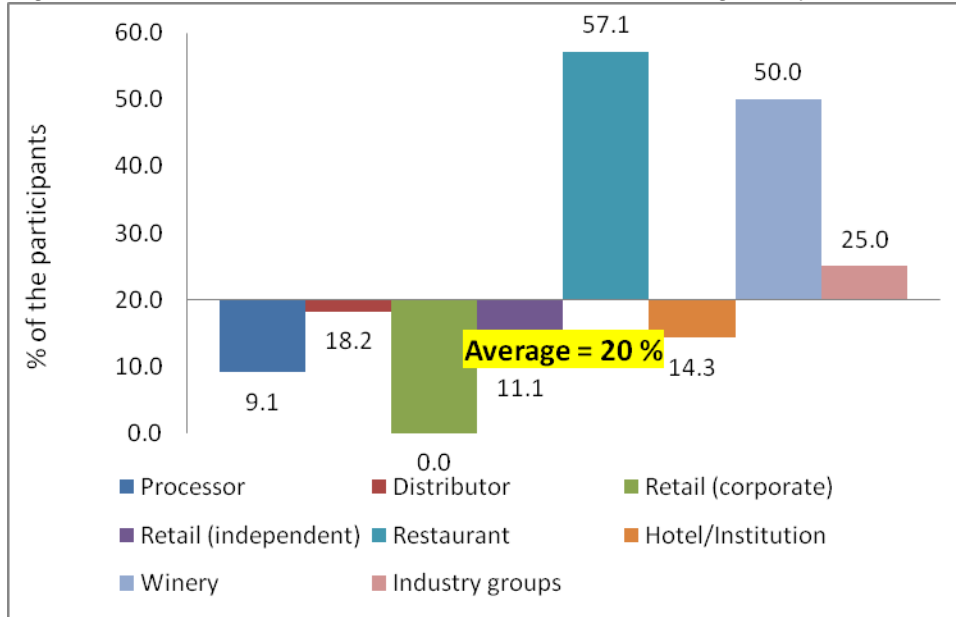
Figure 4.6: Desirable Local Products: Poultry, By Stakeholder Group



4.6 Alcoholic beverages

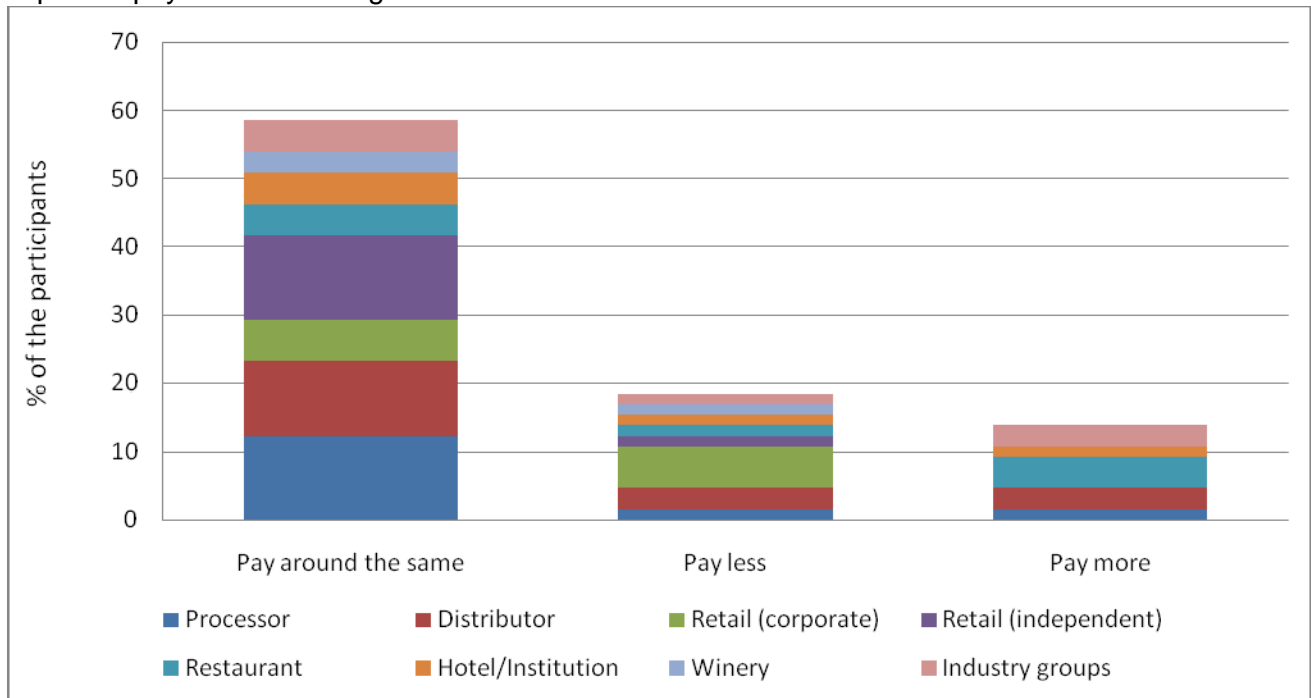
Liquor and wine is highly regulated in Ontario. Because of distribution limitations, only wineries and restaurants have exposure selling wine. Among these respondents, at least half commented that they believe opportunities exist for developing local alcoholic beverages. Among other stakeholder groups who are not permitted to sell alcohol, the number of interviewees identifying this opportunity is very small (0-18%) (Figure 4.7).

Figure 4.7: Desirable Local Products: Alcoholic Beverages, By Stakeholder Group



5. The Price of Local Food

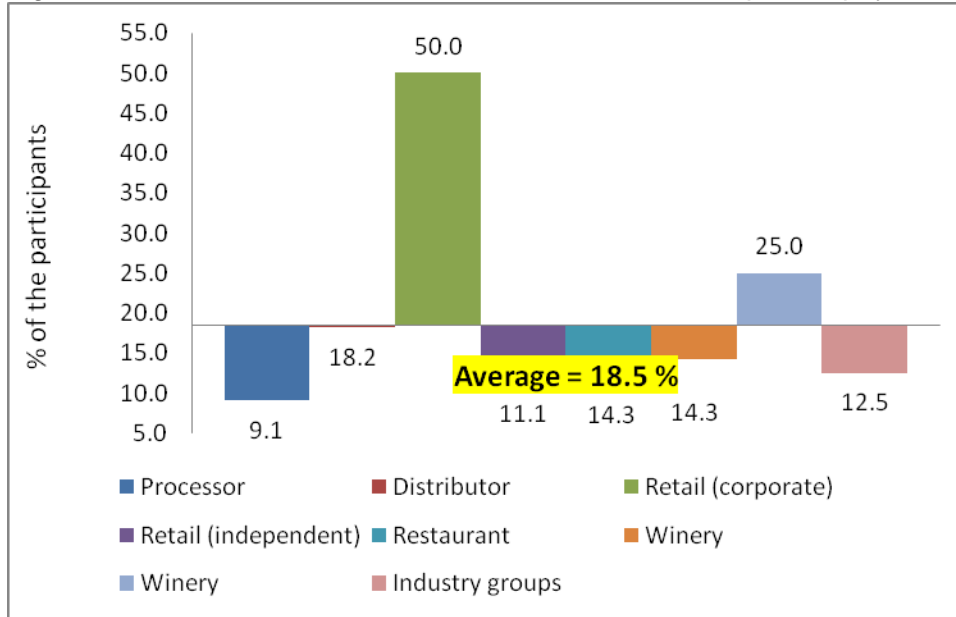
Figure 4.8: Do you believe consumers are willing to pay a premium for local goods, or do they expect to pay less because goods are local?



5.1 Pay less for local food

About one fifth of the participants (19%) overall believe that consumers expect to pay less for local products. As with other attributes, variations occur between different business groups. This opinion is held by more corporate retailers than any other group. In fact, only a small percentage of other participants from other groups hold this point of view (Figure 4.9).

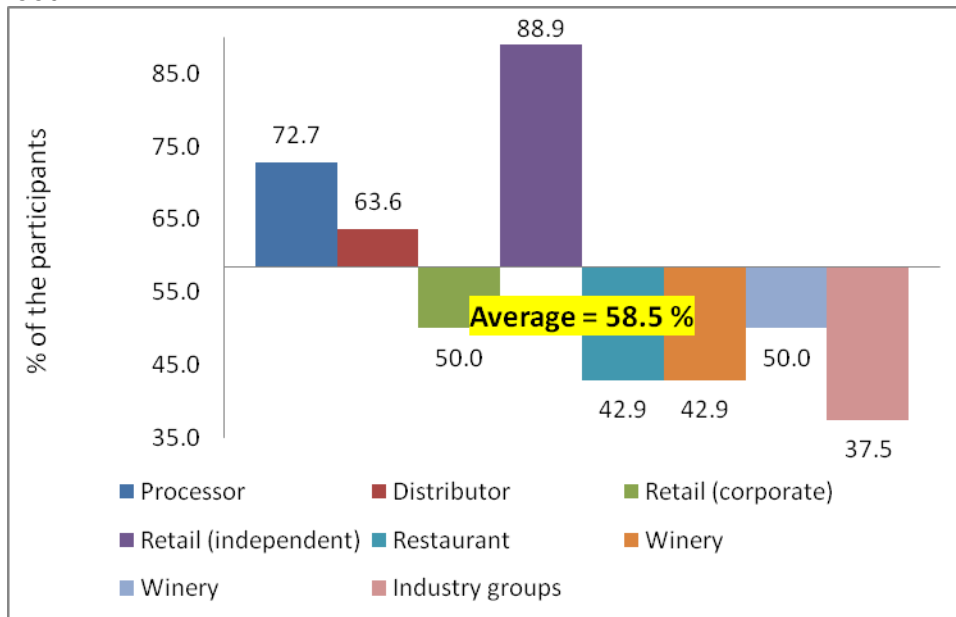
Figure 4.9: % of Stakeholders who believe consumers expect to pay less for local food



5.2 Pay around the same for local food

More survey participants (59%) believe that consumers expect to pay “around the same” for local food compared to other alternatives. This view is primarily held by processors, distributors and independent retailers. A considerable percentage (50-63%) of wineries and industry group representatives do not agree with this statement (Figure 5.1).

Figure 5.1: % of Stakeholders who believe consumers expect to pay around the same for local food

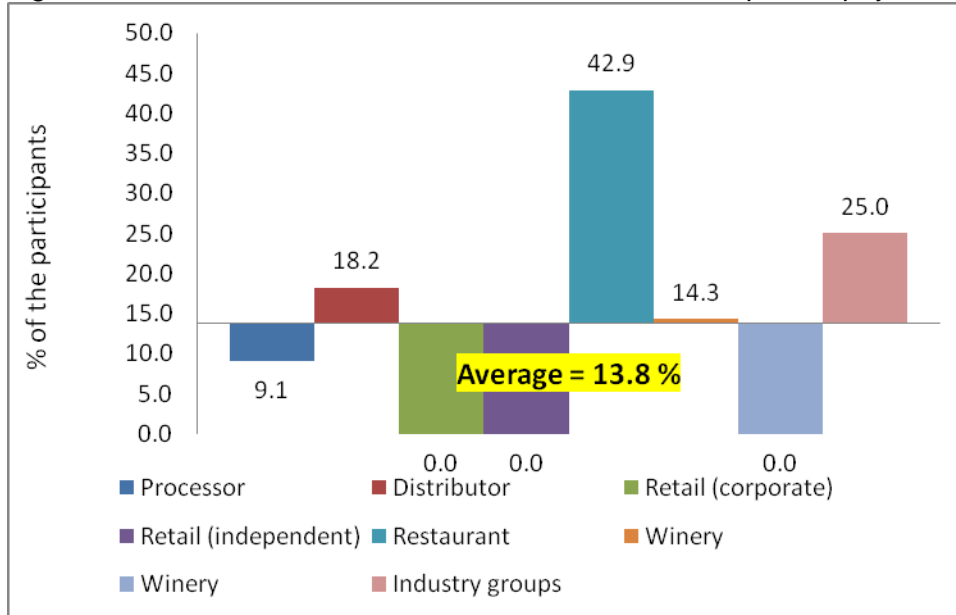


5.3 Pay more for local food

As seen above, most survey participants (86%) do not believe that consumers are willing to pay a premium for local foods. The only group that was optimistic about the consumers' willingness to pay more for local food is restaurants (43%) (Figure 5.2).

Although no corporate retailers said that consumers are generally willing to pay more for local food, one commented, "Consumers expect to pay less, though are prepared to a little pay more if a distinct reason exists to do so – such as certain factors are met or attributes provided, such as organic or less packaging than competitors."

Figure 5.2: % of Stakeholders who believe consumers expect to pay more for local food



6. Marketing Local Food: Create or Respond to Demand

Beyond identifying factors that appear to drive the purchase of local foods, beverages and agri-products, the research also sought to determine stakeholders' attitudes toward marketing local products.

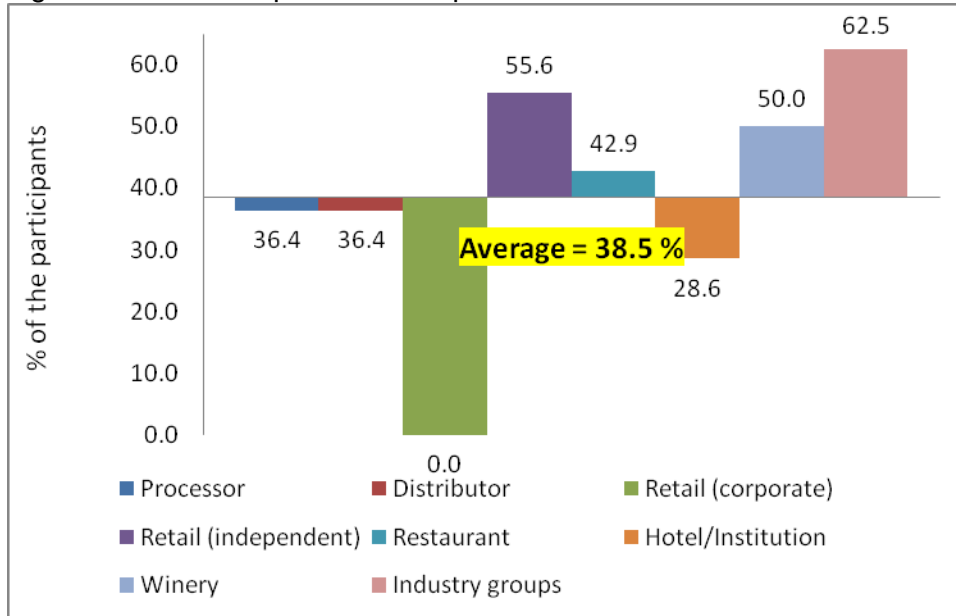
Therefore respondents were asked if their role was to create a market for local food and/or products, or respond to consumer demand for local food and/or products. As can be seen from Figures 6.1 and 6.2, significant differences exist between respondent groups. Overall, 39% of respondents believe their role is creating a market for local food and/or products. Forty-two percent of the respondents believe their role responding to consumer demand for local food and/or products and a smaller percentage were not sure what they are supposed to do. Corporate retailers were the most homogenous group. All of the respondents from this sector agreed that their role is to respond to consumer demand for local, rather than create the market.

6.1 Create a market for local food and/or products

The 39% of respondents who believe that their role is to create a market for local food and/or products are mostly from the smaller more nimble players, such as independent retailers, wineries and industry groups. As can be seen in Figure 6.1 a significant percentage (71-100%)

of hotels/institutions and corporate retailers believe their role is to respond to demand for local food and/or products rather than create a demand for these goods.

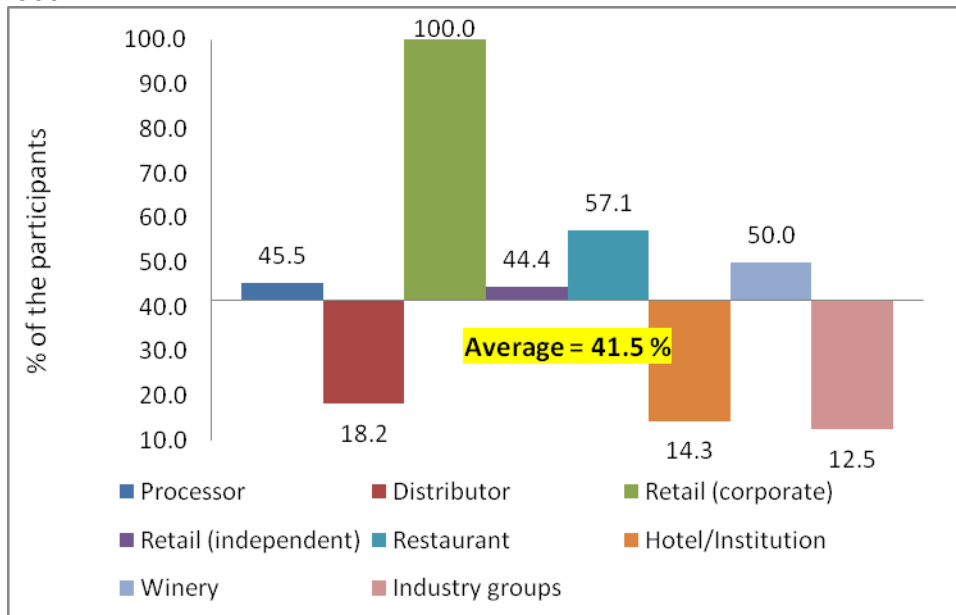
Figure 6.1: % of Respondent Groups who believe their role is to create a market for local food



6.2 Respond to consumer demand for local food and/or products

Forty-two percent of the participants overall stated that their role is to respond to consumer demand for local food, rather than create it. One hundred percent of corporate retailers took this position. Less than 20% of distributors, hotels/institutions and industry organizations shared this point of view.

Figure 6.2: % of Respondent Groups who believe their role is to respond to demand for local food



6.3 Creating a market for local food, beverages and agri-products

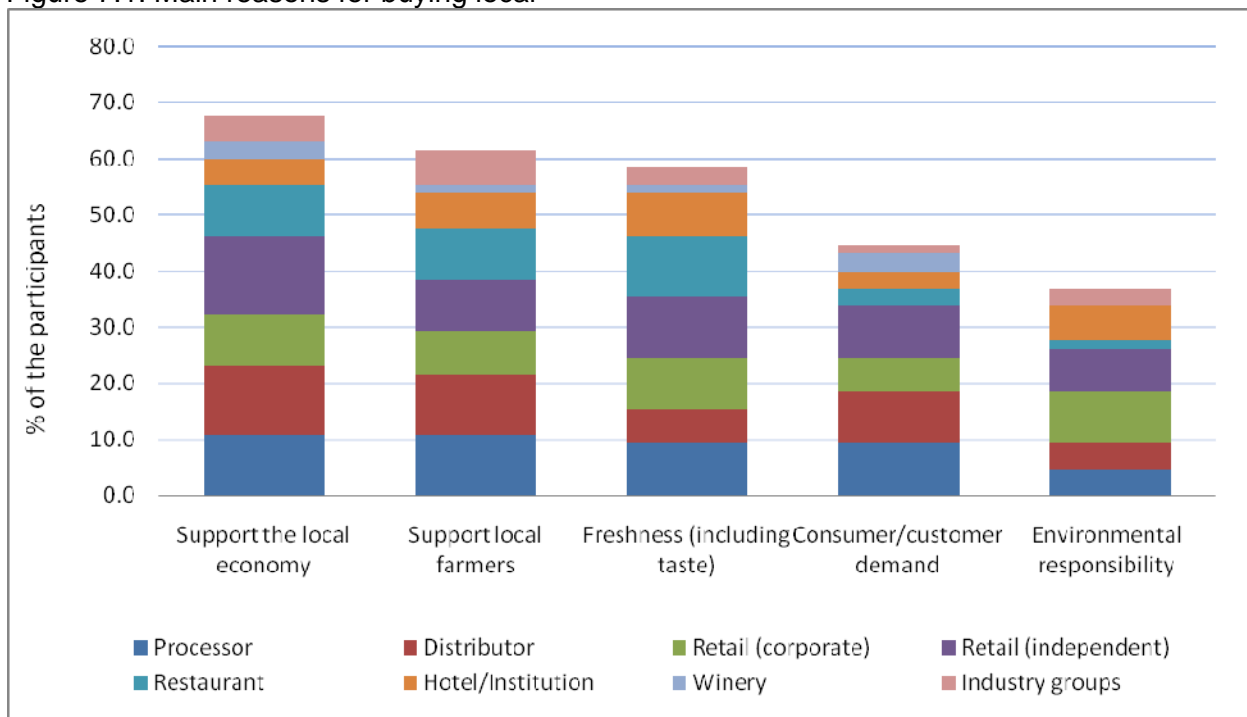
To identify the best approaches to create a demand for local or regional food and agri-products in Hamilton and Niagara area, the research team asked respondents who stated that their role is to create demand rather than respond to demand for local food, what they considered to be the best approach.

The most common responses included:

- Educating people about the benefits (freshness, safety, environment, local economy and nutrition). This process is time consuming and does not happen overnight.
- Promoting product when it's at its' peak for freshness and taste.
- Making more products available to market and encourage local certification/verification of products through programs such as Foodland Ontario and/or LFP.
- Getting involved with Government 'buy local' programs.
- Serving delicious meals at restaurants and making local readily available.
- Promoting beautifully packaged product that over delivers on experience.
- Demonstrating the products, consumers will not buy until they know how products perform.
- Being competitive through providing a high quality well-priced product that originates from a known source.
- Marketing around the farmer's tale.

7. Main reasons for buying local

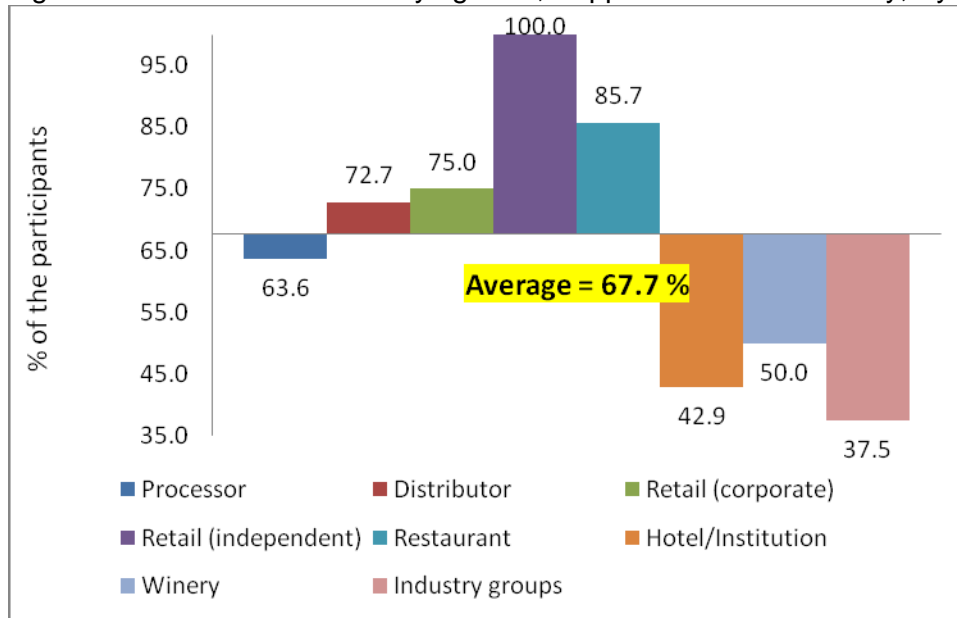
Figure 7.1: Main reasons for buying local



7.1 Supporting the local economy

Supporting the local economy was the most popular reason why respondents would choose to buy local agri-products (68%). As expected, variations exist between different groups. All of the independent retailers interviewed commented that the local economy was a key driver of local purchases. It was mentioned less often by processors, hotels/institutions, wineries and industry groups (Figure 7.2).

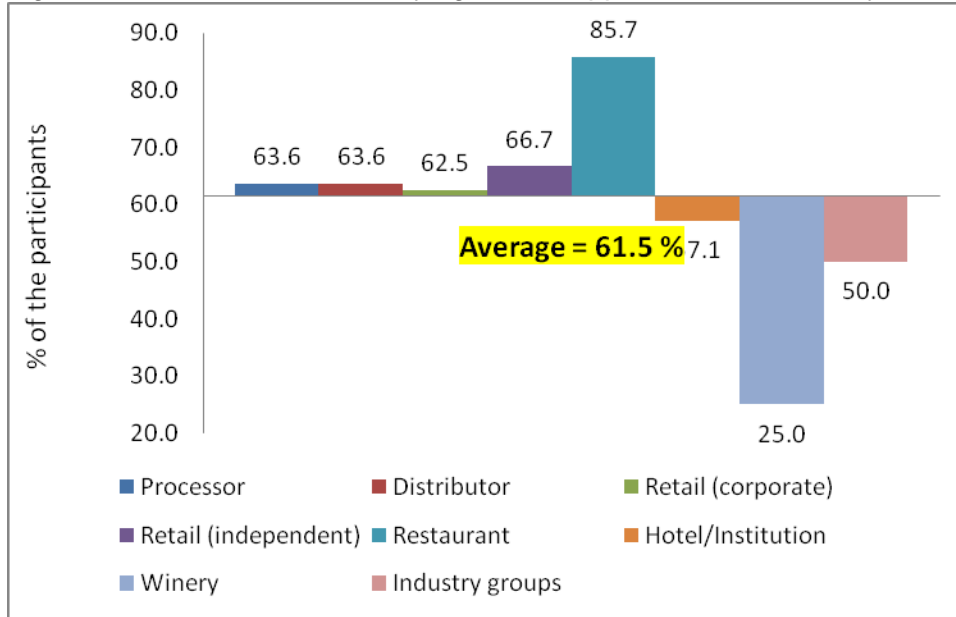
Figure 7.2: Main reasons for buying local, Support the local economy, By Stakeholder Group



7.2 Supporting local farmers

The next most common reason why businesses across the value chain choose to buy local is to support local farmers. This reason was most popular among restaurateurs but less frequent among hotels/institutions, wineries and industry (Figure 7.3). One distributor went so far to say, “Supermarkets don’t want to deal with local farmers. They want local customers, not local food.”

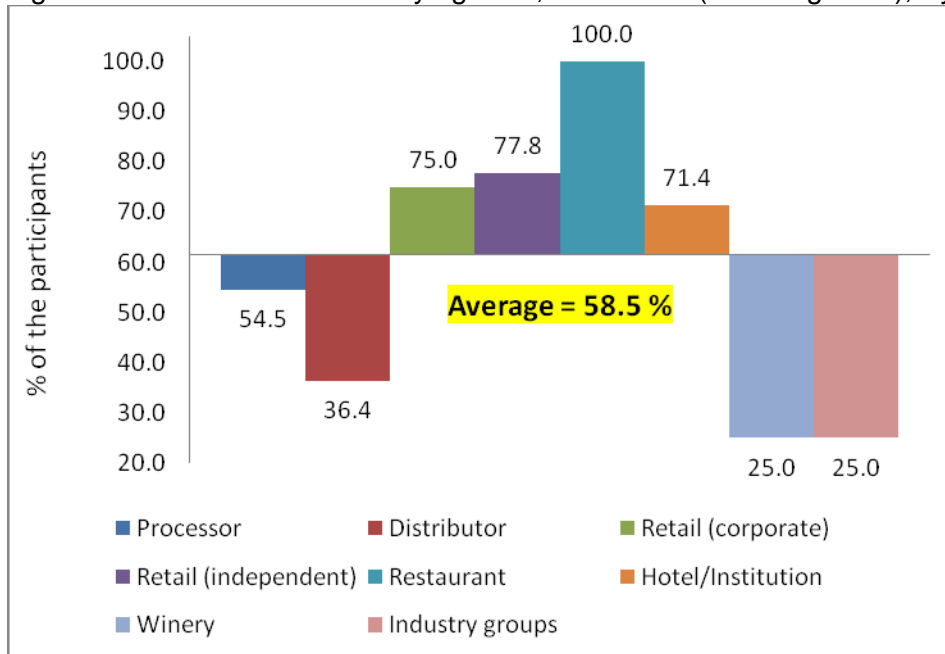
Figure 7.3: Main reasons for buying local, Support local farmers, By Stakeholder Group



7.3 Freshness (including taste)

In the background research, freshness is consistently recognized as an important driver of food purchases. However, freshness was only mentioned by 59% of the total survey group as a reason why they would choose local goods over other alternatives. Businesses that serve a consumer market directly, such as retailers, restaurants and hotels/institutions were more likely to mention freshness as a priority to them. Fewer processors, distributors, wineries and industry groups mentioned freshness as one of the main reasons why they would buy locally produced food (Figure 7.4).

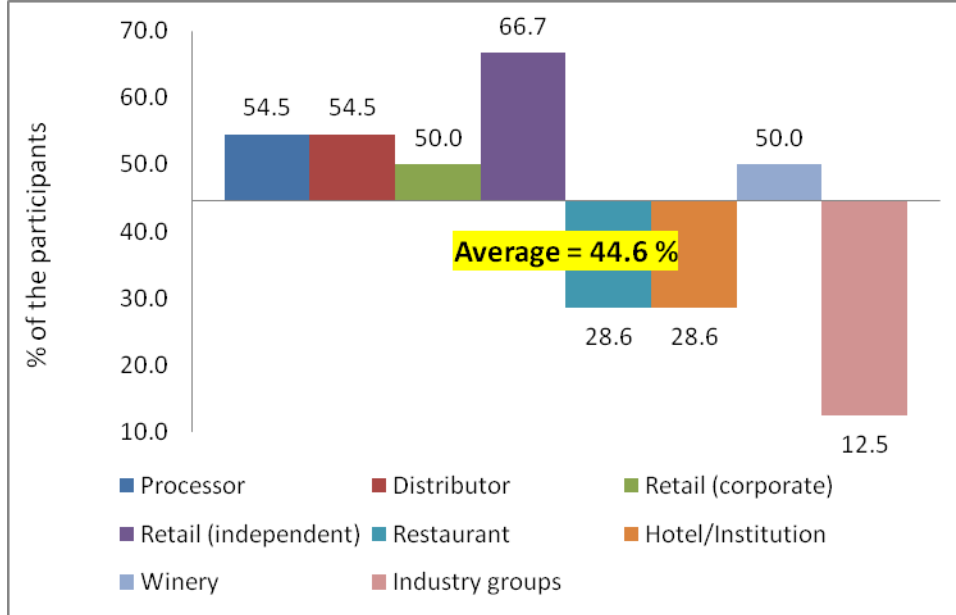
Figure 7.4: Main reasons for buying local, Freshness (including taste), By Stakeholder Group



7.4 Consumer/customer demand

Although companies must satisfy consumer demand to remain viable, this was not among the top three reasons why businesses choose to purchase local food. Satisfying consumer/customer demand was given as a reason to buy local by fewer than half of the total answers to this question. It is unlikely that any business would state that fulfilling customer demands is not important. The low priority given to this attribute in this survey may instead reflect an overall lack of consumer/customer demand for local products in the current environment. This is addressed below in the section entitled, 'Importance of local to consumers/customers'.

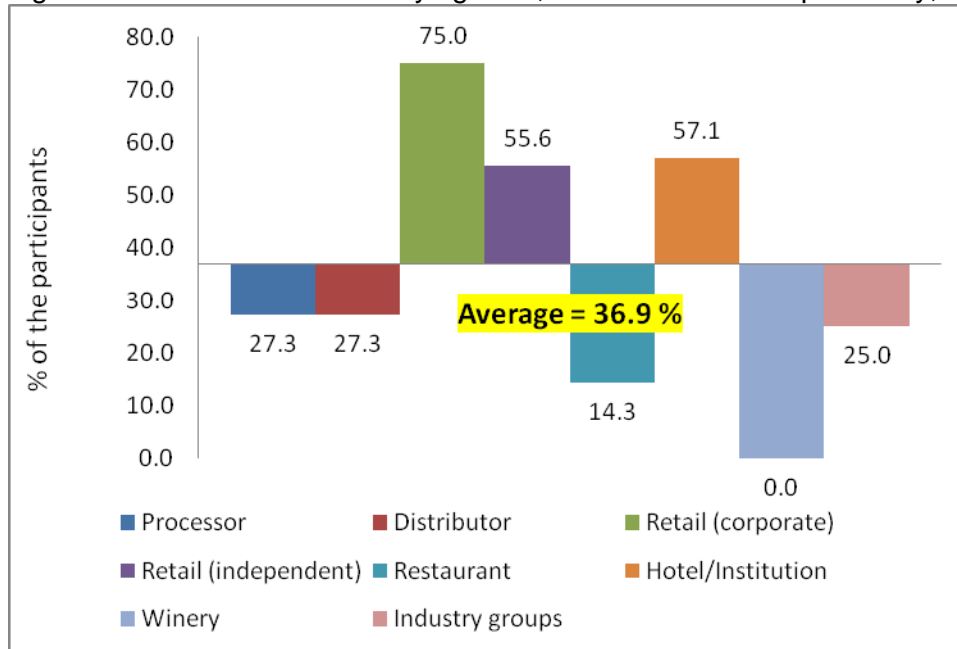
Figure 7.5: Main reasons for buying local, Consumer/Customer Demand, By Stakeholder Group



7.5 Environmental Responsibility

Environmental responsibility was mentioned to be a key driver of local food purchases, by retailers, particularly corporate and hotels/institutions. It is significantly less important to processors, distributors, restaurants, wineries and industry groups (Figure 7.6).

Figure 7.6: Main reasons for buying local, Environmental Responsibility, By Stakeholder Group



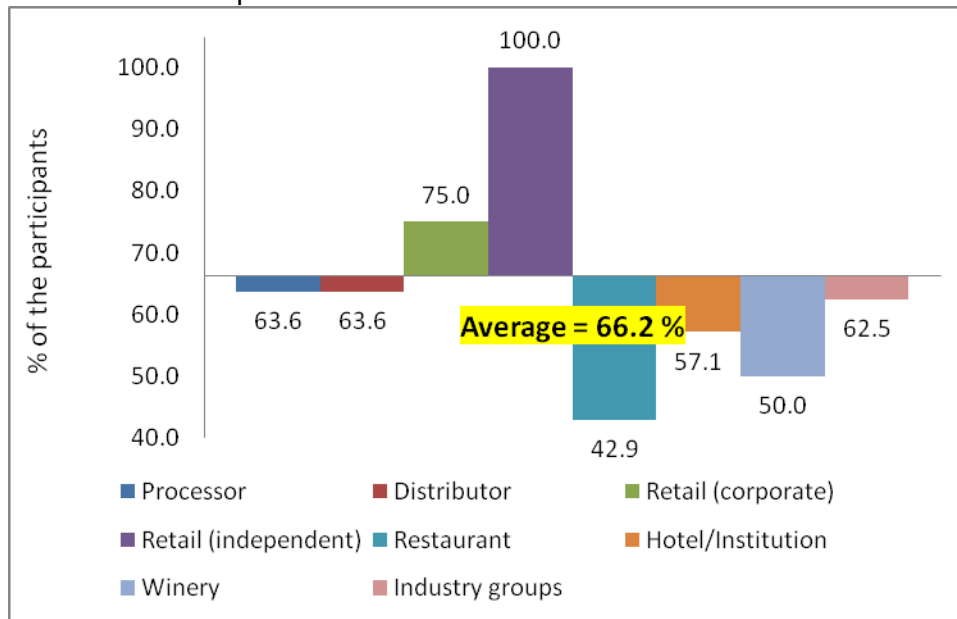
8. Importance of Local to Consumers/Customers

Figure 8.1 shows that both independent and corporate retailers are more likely than other groups to believe that local is important to their customers. Figure 7.5 above, initially seems to contradict this finding, as it showed only half of the corporate retailers indicated consumer demand is a key driver in their decision to buy local. This contradiction may be explained through statements from corporate retailers. They expressed that a disconnect exists between the increasing interest of consumers toward local versus those same consumers' desire to buy.

Processors and distributors also were more likely to believe that local is important to their customers, compared with restaurants, hotels/institutions and wineries. This corresponds with the findings reported above in Figure 7.5, where more independent retailers, processors and distributors were more likely to indicate that they would buy local food to satisfy customer demands.

- *The vast majority of marketplace doesn't care, but it is a growing trend, because of sustainability, environmental reasons...being driven by some customers. (Distributor)*
- *Consumers have higher propensity to buy and awareness. Consumers need more [information] in order for them to be prepared to pay more. Just expecting people to want to support local just because it is local is incorrect. If consumers continue to focus on environmental factors, local can retain momentum and markets; so long as transport costs remain a real factor. (Industry Group)*

Figure 8.1: % who indicated that Local is 'important' or 'very important' to their customers, By Stakeholder Group



The promotion of local food has increased in recent years. To understand how consumers and the business environment is adapting to this marketing, participants were asked if their answer regarding the importance of local to their customers (above) would have been different if asked, one year ago. Almost two-thirds (62%) of respondents indicated that they think their answer would have been the same 12 months ago.

Of those who indicated that their answer would have been different a year ago, almost a quarter (23%) believe that local is becoming more important.

- *[We're] getting more support from the buyers at the chains and at the Toronto Food Terminal. (Distributor)*
- *Demand for local has increased across the board and a wider range of products over the last 5 years. Demand for local however is a result of different drivers, for different people. (Independent Retailer)*
- *It's slightly more important than a year ago. Environmental factors are a key driver behind changing opinions. (Corporate Retailer)*

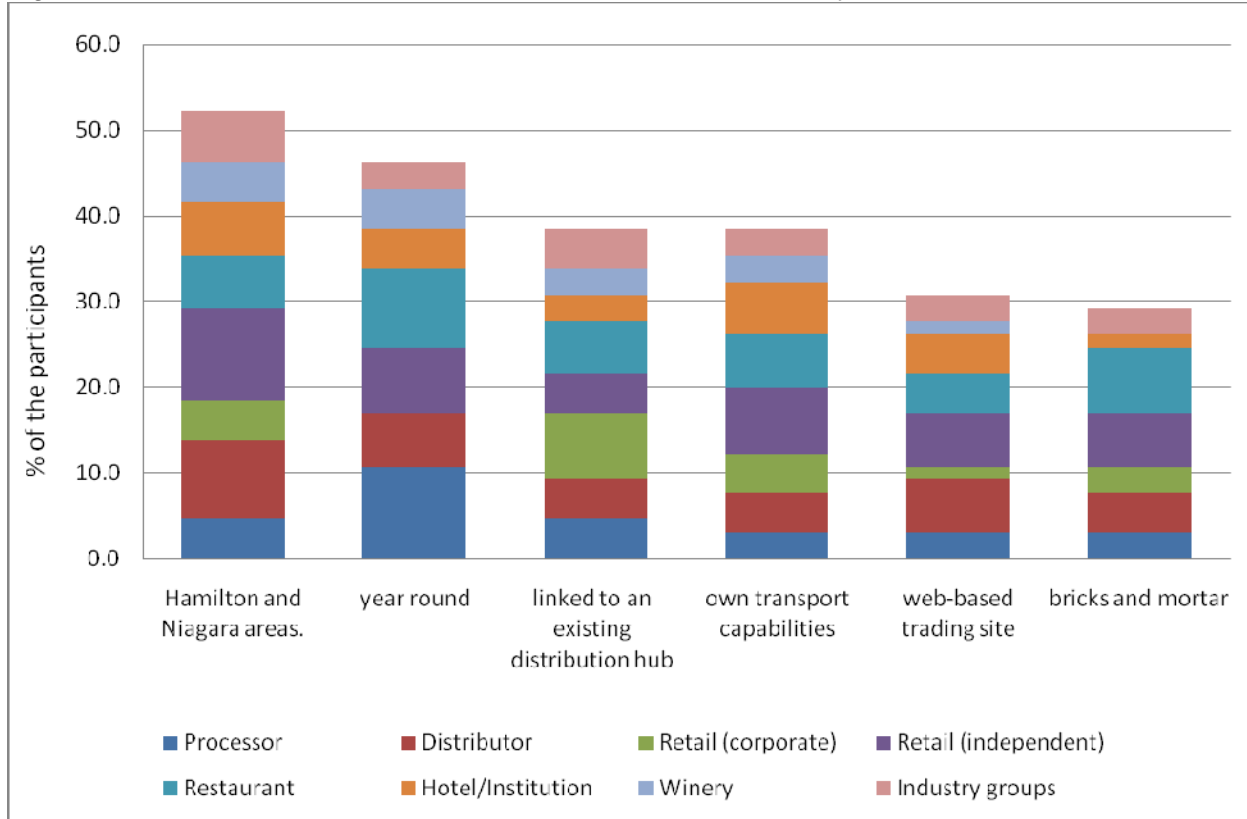
These participants believe consumers are more supportive of local now because they are increasingly aware that shopping local positively impacts the environment and helps to sustain the local economy. They are also increasingly conscious of food safety practices. Government sponsored marketing and 'buy local' programs have helped improve quality and encourage the availability of wider varieties. However, a small number of participants who said they think the environment is different from one year ago stated that this change has not impacted consumers' buying habits.

- *The bulk of customers do not shop for local. Reasons to buy are: first is being there, second is price given economy, third quality. (Corporate Retailer)*
- *Need to fit the local product offer within their [consumers] current purchase behaviour, not expect them to have to change in order to buy local. (Corporate Retailer)*
- *Customers say they want to buy local but ultimately it is not that important when buying. (Winery)*
- *Local is not a priority. [Higher priorities are] price and dependability. (Restaurant)*

- *Local is a trend that will pass and is merely a symptom of a wider series of drivers. (Restaurant)*

9. Desirable Characteristics of a Local Distribution System

Figure 9.1: Desirable characteristics of a local food distribution system



Additional comments included these points of view:

- *In setting up such a system, one must look for guidance from actually people in the industry, not simply media people, politicians, or non-agriculturalists in education. This is very important and is not currently being done! (Independent Retailer)*
- *[It would be] best to link to an existing service or distribution company, so I could get a one stop shop for local, plus all the other items I still needed. (Hotel/Institution)*
- *It's not viable to be new, must work with existing distribution system, especially with such a short season. (Processor)*

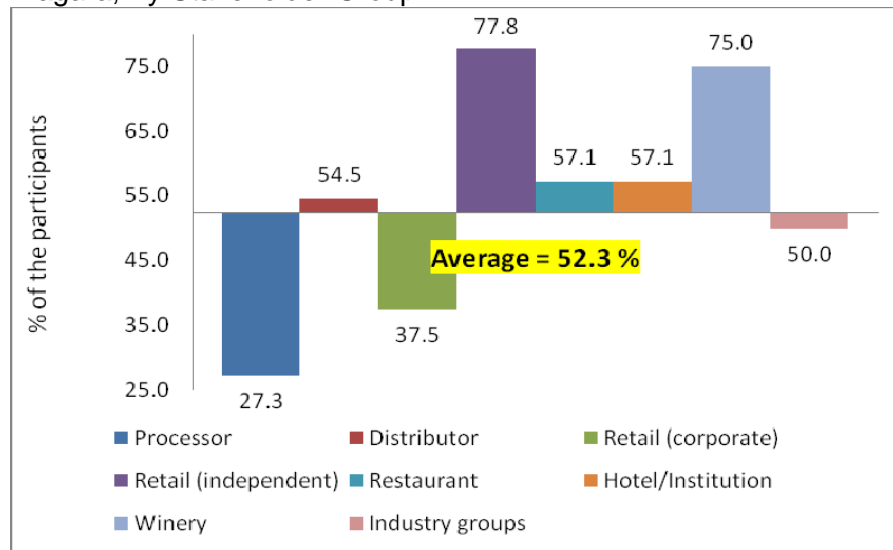
9.1 Geographic Coverage

No one supported the idea of a ‘Hamilton only’ distribution system, and 16% of respondents believe that a distribution system should service the Niagara area only. As shown below in Figure 9.2, 52 % of the participants said the distribution system should cover both Hamilton and Niagara area. Groups most supportive of a distribution system for both regions are independent retailers and wineries (78 and 75% respectively). A significant percentage of processors (73%) and corporate retailers (63%) do not support a system that covers only Hamilton and Niagara. They believe its geographic spread should extend further. This was often expressed when respondents discussed working within existing networks or infrastructure.

Although 52% suggested that a distribution system should include both Hamilton and Niagara, there were repeated “additional comments” that suggested otherwise.

- *Niagara has a strong opportunity to lead this sector due to the extended growing season compared to other regions. This makes the local opportunity more prevalent for them. (Distributor)*
- *Niagara has done well creating a positive profile of their area and of producing quality whatever they do. We can use that to our advantage to help differentiate ourselves as a store. Would happily market it as Niagara product and feature it...The trouble could come from people perceiving Hamilton as a smoggy steel town, which could negatively affect people's opinion of products sourced from Niagara. [You'd] need to be very careful about that! (Independent Retailer)*
- *Haven't had any experience buying good things from Hamilton. Maybe it's there but I'm not exposed to it. (Restaurant)*

Figure 9.2: % of Respondents who believe a distribution system should cover Hamilton and Niagara, By Stakeholder Group



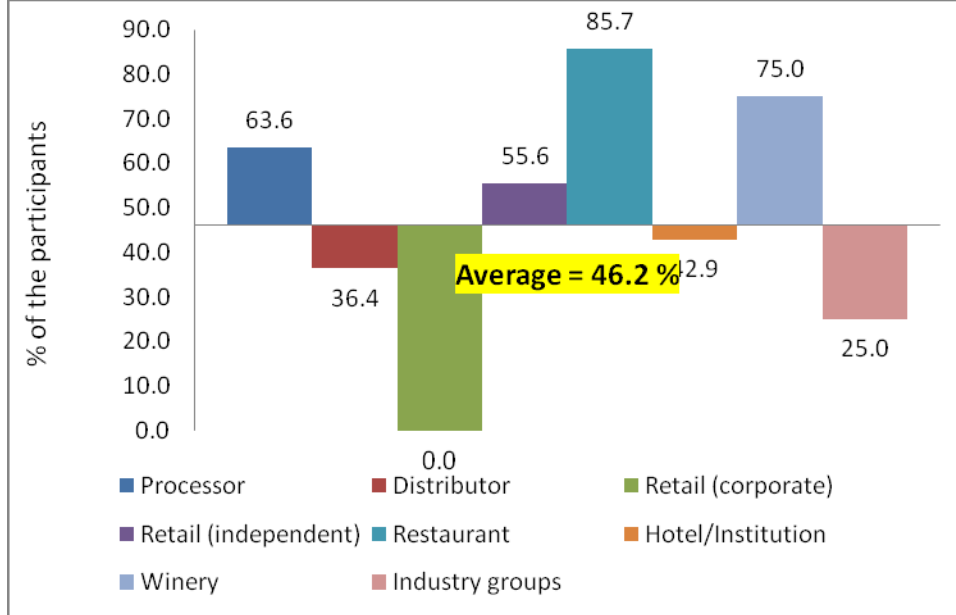
9.2 Operates year round

As shown in Figure 9.3, 46% of the respondents believe the proposed system should operate year round. Only 15% of the participants believe the system should operate on a seasonal basis. While restaurants (86%) and wineries (75%) are most supportive of the system operating year round, corporate retailers were least supportive of establishing a year round operation. This may be because they believe there is more demand for fresh (and therefore seasonal) fruits and vegetables than any other product category (as illustrated above in Section 7.3). As

described later on, distinct issues and challenges exist in relation to encouraging corporate retailers to expand their focus on local foods and move into new market opportunities, such as processed products.

- *Local is trendy and seasonal, but there are some opportunities year round. (Distributor)*
- *Need to seriously look at north/south alliances in order to become supplier of choice. A one stop shop that coordinates year-round supply to retailers. (Industry Group)*

Figure 9.3: Desirable characteristics, Operates year round, By Stakeholder Group



9.3 The system has its own transport capabilities

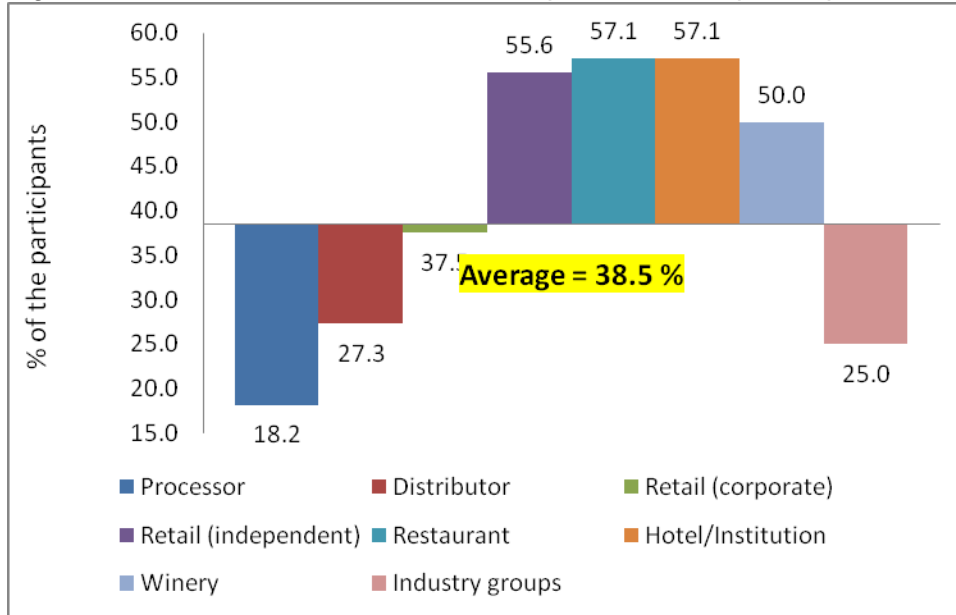
As shown in Figure 9.4, fewer than half of the total responses indicate that a distribution system must have its own transport capabilities. Most of the individuals who believe transportation is required work in Hotels/Institutions, Restaurants and Independent Retail. Few processors (18%) and distributors (27%) believe that a local distribution system must have its own designated transport capabilities. Less than 40% of corporate retailers think a designated transport system is required, rather it should align itself with a current operation.

This response from distributors is likely to stem from two interrelated factors. First, a new distribution system with its own transport capabilities may encroach on their present operations and eventually become a competitor. Second, distributors already have transport capabilities. It is interesting, however, that the distributors expressed a less negative perspective on these issues than processors.

It is also interesting to note that industry organizations were unlikely to express a need for a distribution system to possess transport capabilities.

- *Many people are currently driving all over the place delivering small amounts. (Processor)*

Figure 9.4: Desirable characteristics, Independent Transport capabilities, By Stakeholder Group



9.4 Strategically linked to an existing distribution hub or service

As illustrated by Figure 9.5, an average of 39% of respondents believes a local distribution system should be strategically linked to an existing distribution hub or service. Though for differing reasons, corporate retailers (63%), restaurants (57%), and wineries (30%) are most supportive of this option. Corporate retailers want products to go through their own system so they can utilize quality experts and their own infrastructure in order to achieve a level of consistency that reflects their strategic intent.

A separate system would also make the reconciling of paperwork and overall administration duties more difficult and expensive. Restaurants view strategic alignment between systems as a method of expanding the range of products they can source at any one time. Wineries view a strategic alignment between systems as an opportunity for them to expand their markets and sales opportunities.

Simultaneously, less than a third of processors, distributors and hotels/institutions believe that alignment between a local distribution system and a current distributor or other system is beneficial or viable. They largely appear to believe that the distribution of local food requires a business model that cannot be easily integrated alongside their current operations.

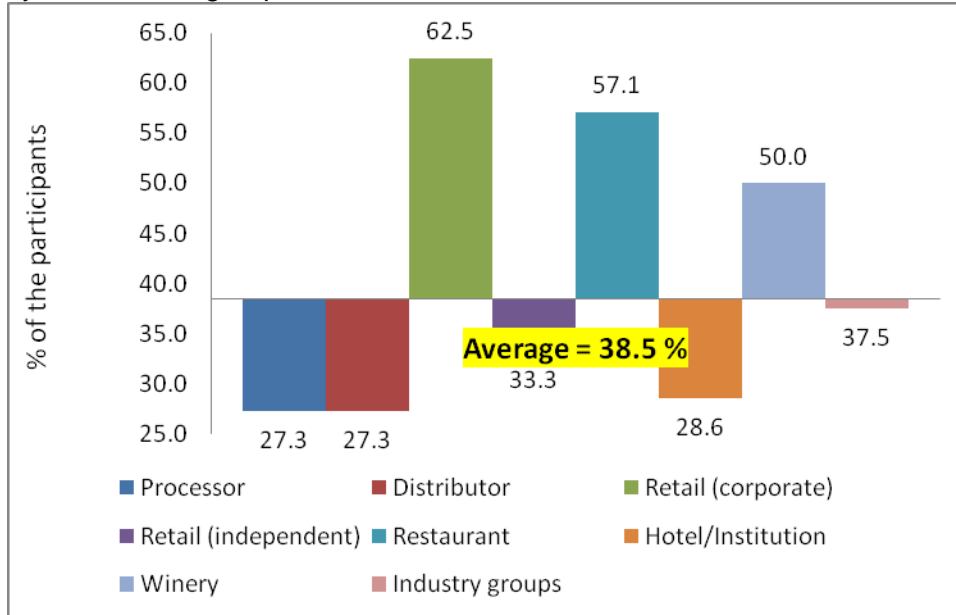
- *[a large distributor] has been pushing hard to supply all of our food. They're moving more into fresh food, like fish, protein and produce. I can buy [from them] many of the same products as what I can get local, but they have stricter criteria, like safety, cleanliness, dependability, and they have a better price. (Restaurant)*
- *Maybe have a stand at the Toronto Food Terminal, so selling products where the action is. (Anonymous I)*
- *Linking with current system would allow them to immediately access a wider geographic range and make it easier to get into potential customers through having buyers accept products sooner. (Corporate Retailer)*

A number of comments from corporate retailer and independent retailers provided further insight into why it may be difficult it may be to fit into existing systems. Four respondents said that “Part of reason [for] resistance [among corporate retailers], comes from the influence of big suppliers

who have people located at retailers' HQ. It also comes from their relying on listing fees for much of their profits."

Similar to processors, distributors and hotels/institutions, around one third of independent retailers, support a strategic alignment between current systems and a local food distribution system. This may be because they believe current distribution systems are large are limited by bureaucracy. The third who indicated a local food initiative should be aligned with an existing operation may be influenced by franchise agreements which impact their ability to source products outside of corporate agreements.

Figure 9.5: Desirable characteristics strategically linked to an existing distribution hub or service, by stakeholder group



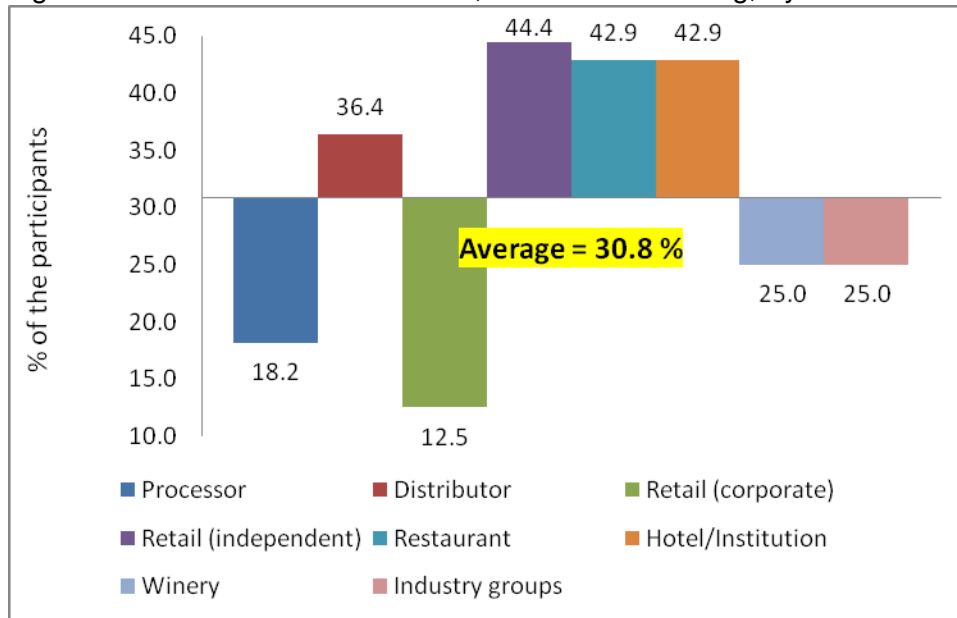
9.5 Web-based trading site

As can be seen below in Figure 9.6 an average of 31% of the respondents believes that a local distribution system should possess a web-based trading facility. This is not particularly relevant for corporate retailers who have dedicated, internal buying operations but it is more popular among restaurants, hotels/institutions and independent retailers, many of which already are used to ordering online.

- *All of the restaurants in our chain use a low cost, automated ordering system that deals with key suppliers. So, only a portion of our food is the Chef's choice. (Restaurant)*
- *I seriously underestimated how long it would take to train the producers on how to use the software (ordering/availability). (Distributor)*

Distributors are also more likely to support a web-based trading site, to enable access to a wider and more varied customer base.

Figure 9.6: Desirable characteristics, Web-based Trading, By Stakeholder Group



9.6 Bricks and mortar

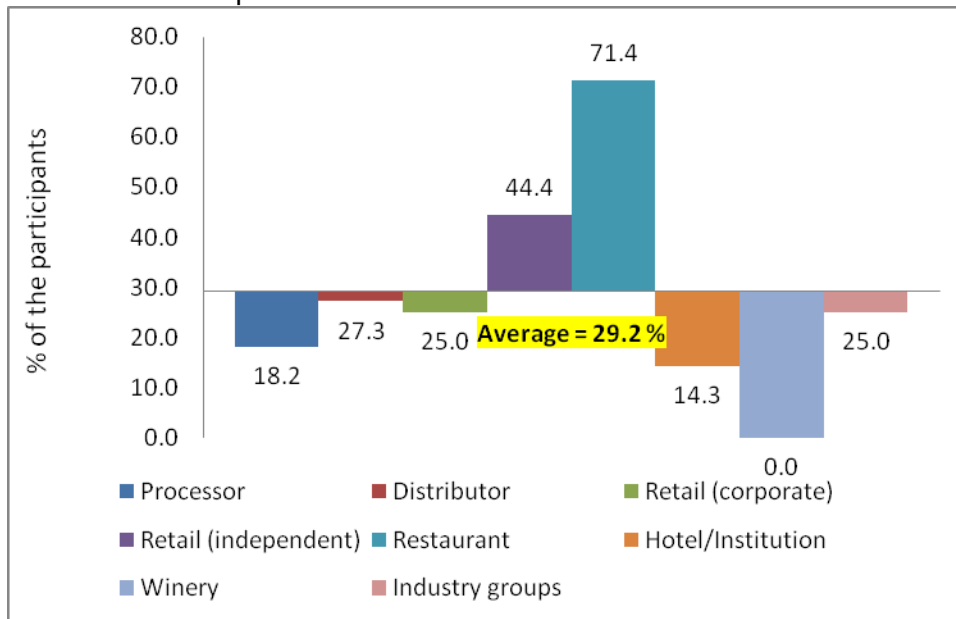
Only 29% of respondents believe a local distribution system requires a ‘bricks and mortar’ infrastructure with warehouse and/or processing capabilities.

- *If only distributing in Niagara & Hamilton, you don't need a warehouse. (Distributor)*

Responses reflect the way in which respondents operate. For restaurants that often order a range of fresh products from wholesalers at night for delivery the next morning, having inventory on hand could make the difference between a reliable and unreliable distributor. Independent retailers who may differentiate themselves from chain stores by having variety or superior quality may favour a system with infrastructure, so they can actually visit the site to personally select the products they want. This is done by independent grocers visiting the Toronto Food Terminal. Both restaurants and independent retailers may also prefer a system with processing capabilities, so that products can be washed and packed to standards consistent with current suppliers (wholesalers and distributors).

All other respondents have operations where they can aggregate orders or conduct some form of processing in-house. Therefore, being somewhat cushioned needing a supplier with warehouse and/or processing capabilities, they are less likely to expect a local food distribution system to invest in bricks and mortar.

Figure 9.7: Desirable characteristics, Warehouse and/or Processing Capabilities, By Stakeholder Group



9.7 Additional Factors

The open nature of the telephone interviews allowed respondents to suggest alternative considerations and provide additional information. From this, it was suggested that in order for a local distribution system to be viable, it must not only balance the current capacity to supply with demand, but also be able to adapt and grow with the local food market. This relates not only to volume but also to the range of products available.

- *Currently, the size/volume/demand matches institutions/restaurants and independent grocers [more than large supermarkets]. (Industry Group)*
- *Has to have full array of products, though diversity of product is a problem (Industry Group)*
- *Demand level is operating at the 'Sysco' level [but] supply level is below ma & pa in volume and capability. (Anonymous I)*

Several respondents believe that the supply and demand is not equally matched at the given time.

- *Challenges with local are that wants and needs don't match what is out there. (Distributor)*
- *Local food 'push' and consumer interest has increased massively over the last year, though it's not translating into it being easier to overcome distribution challenges. (Distributor)*

Furthermore, it was suggested that while smaller producers could benefit the most from a local distribution initiative, it has been suggested that the mindsets and capacity issues that are typical to smaller producers can create issues that become barriers to success.

- *The challenge is that large volume farmers sell everything they grow to key suppliers (contracted) or direct to supermarkets, or via wholesale. A small percentage may go to a farmers market but most aren't geared to going direct. Those keen to go the local route, find a way to do it. (Industry Group)*
- *Many small producers have little idea of what is meant by 'market ready' (Distributor).*

Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

- *The farmers that do want to be part of a local distribution system are those that are smaller and have micro level issues...are underfinanced...drips and drabs of product rather than consistent supply. (Distributor)*
- *Farmers are an independent bunch. They say they want to supply local to major retailers though stop when they have to do things differently. (Corporate Retailer)*
- *We limit how many small suppliers we can work with...seek out the best organized and logistically capable suppliers. Most 'Ma & Pa' suppliers do not have the infrastructure and capabilities necessary to supply us and meet our unloading/receiving criteria, including pre-cooling so product doesn't melt in store. However larger suppliers (such as co-ops) do not successfully manage quality, allowing quality to slip to that of less capable/business minded suppliers. That's the unfortunate part. Good smaller suppliers have to go through larger suppliers, who mix their product with produce of lower quality standards, which reduces overall quality. (Corporate Retailer)*

Additionally, it was suggested that if distribution operation was too small or had the wrong product range, it would not be profitable.

- *Managing paperwork and accounts for perhaps 10 head of cauliflower takes enormous time and effort for little reward, as does chasing outstanding accounts. (Distributor)*
- *The product mix will have a massive impact on viability. Therefore you need to be strategic about what you handle. Cabbage sells for \$1 and takes up 1.5 cubic feet so makes filling a van easier, though doesn't make it pay. (Distributor)*
- *...critical mass is required to make it work...[It's] vital that your truck's full. (Corporate Retailer)*

Appendix 9: Value Chain Research, Findings Separated out by Stakeholder Group

1. Corporate Retailers Research Findings

Figure 1.1: Is a Local Food Distribution System Required? - (Percentage of participants)

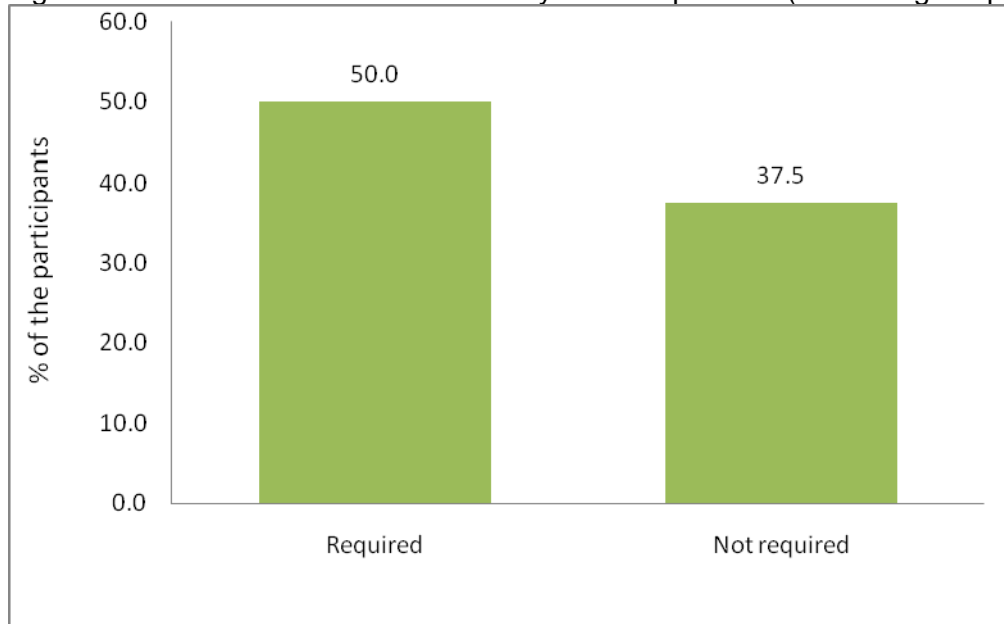


Figure 1.2: Priorities when sourcing - (Percentage of participants)



Figure 1.3: Attributes that attract consumers to purchasing local products - (Percentage of participants)

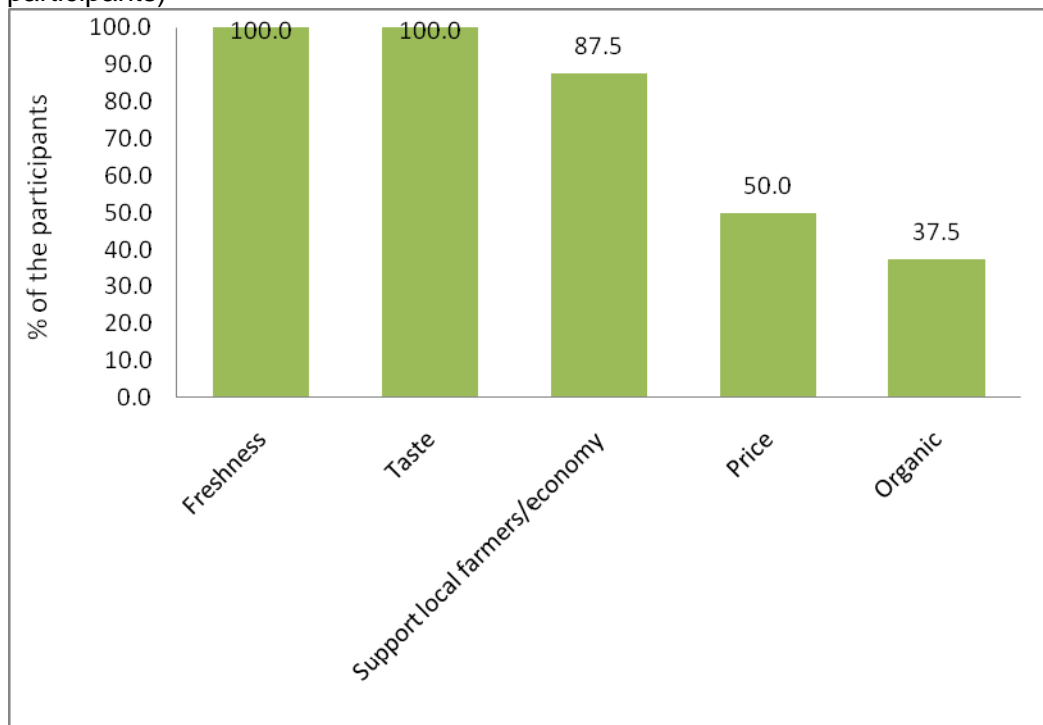


Figure 1.4: Products with pronounced demand as local - (Percentage of participants)

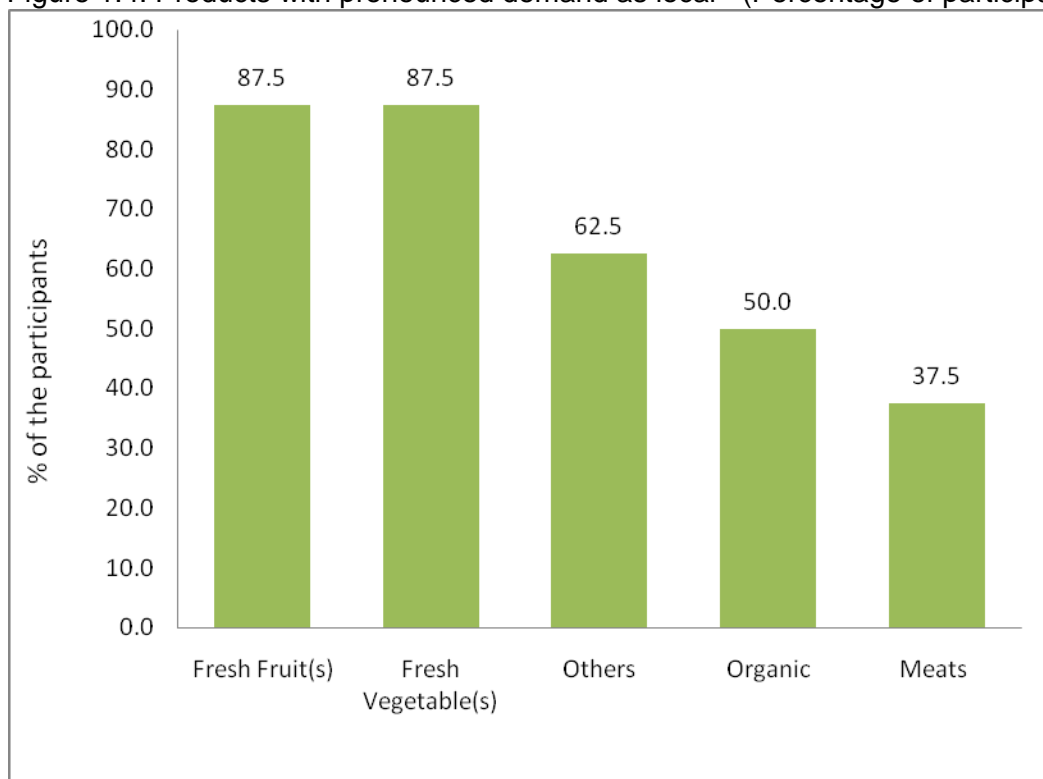


Figure 1.5: Consumers' price consideration towards local - (Percentage of participants)

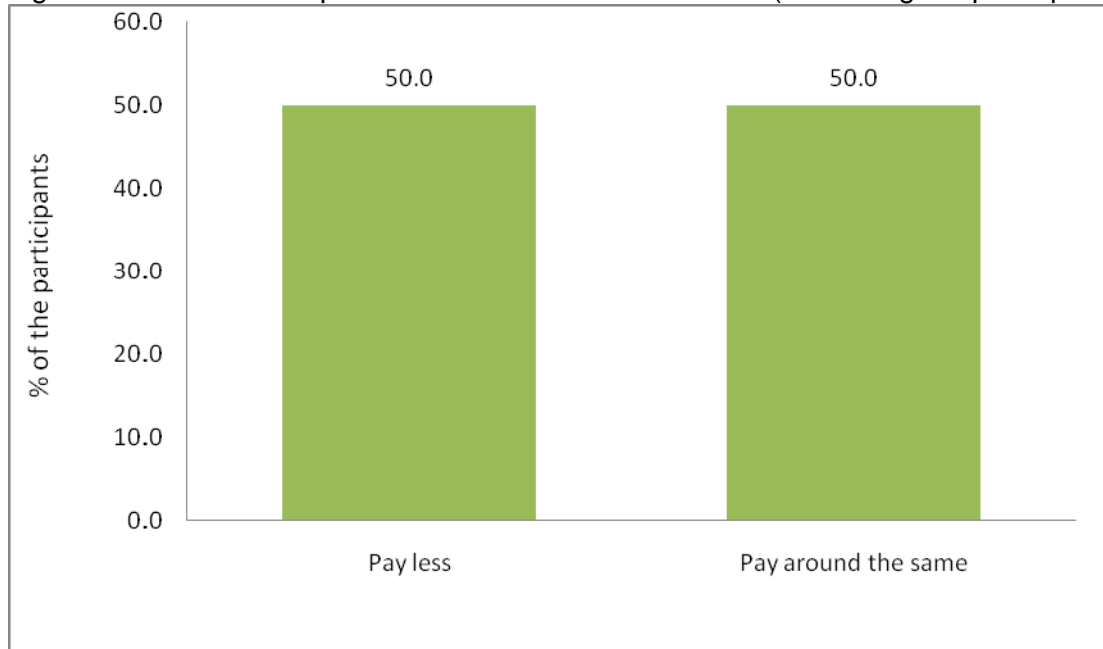


Figure 1.6: Attitudes toward (their role in) marketing local food - (Percentage of participants)

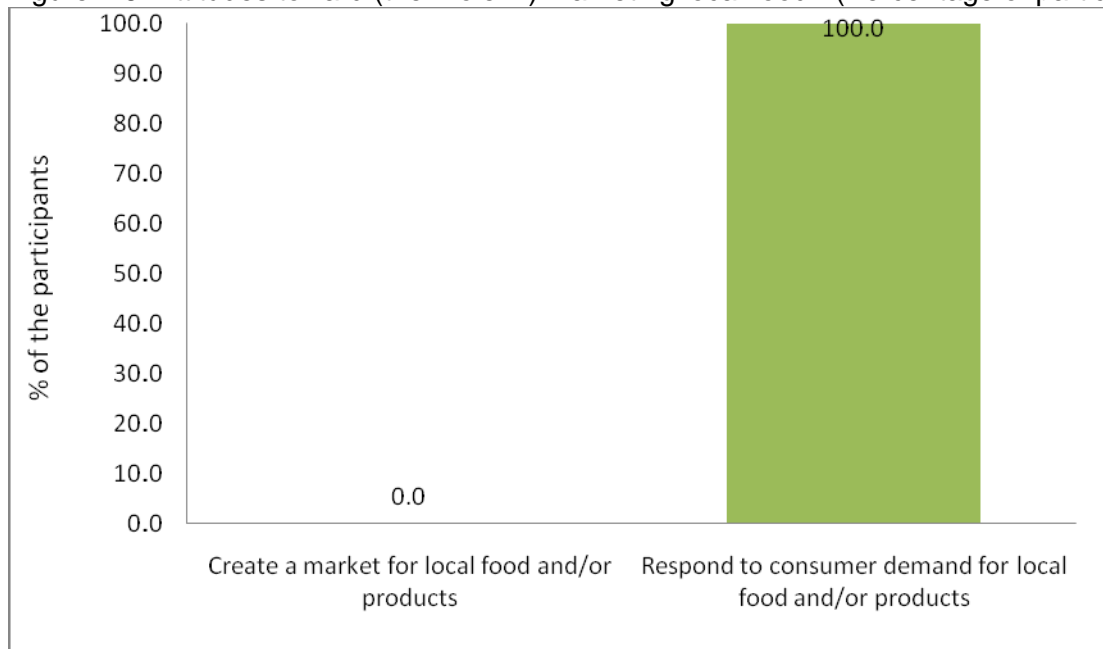


Figure 1.7: Main reasons for buying local - (Percentage of participants)

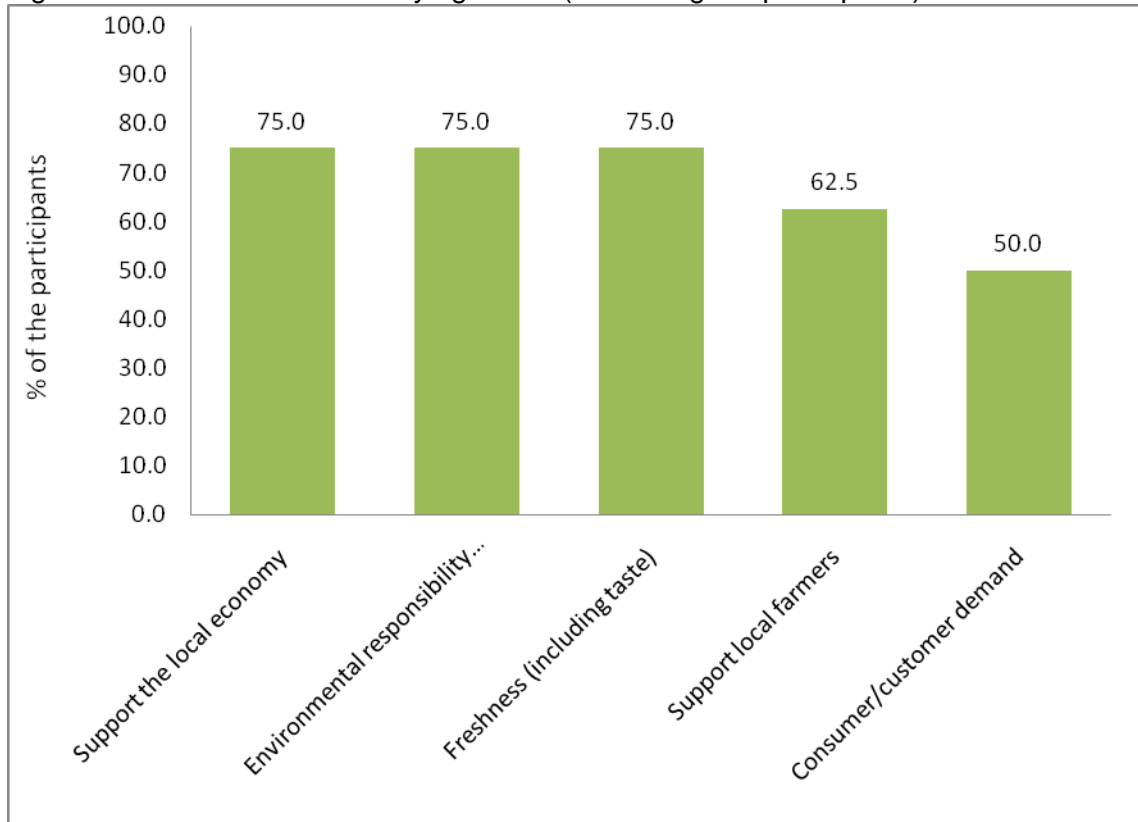


Figure 1.8: Importance of local in overall purchasing decision - (Percentage of participants)

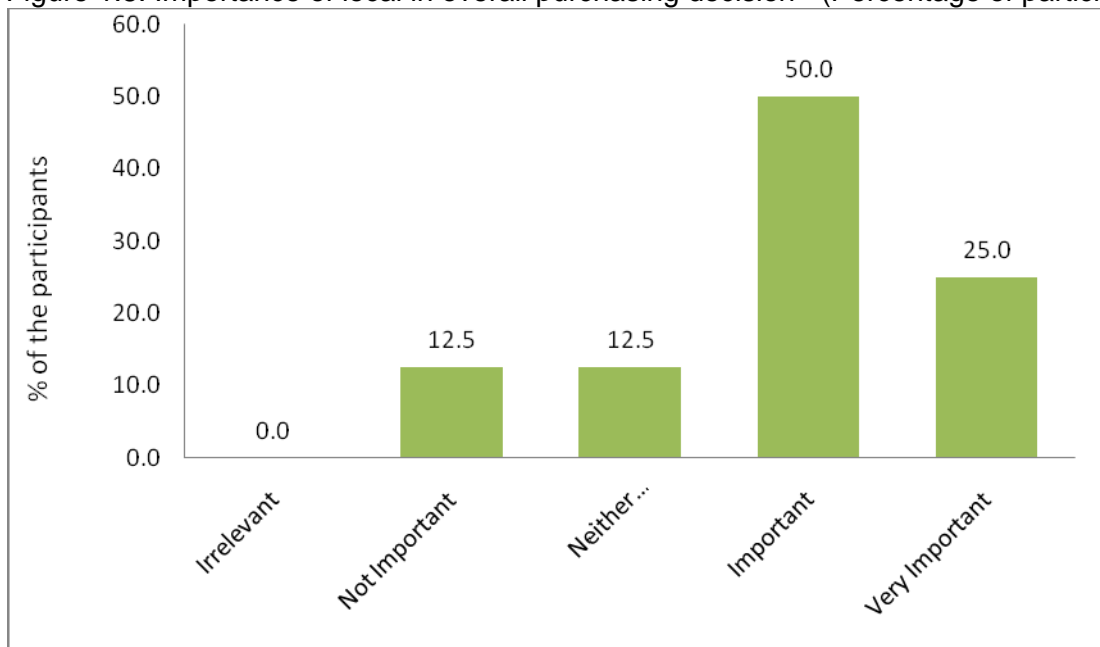
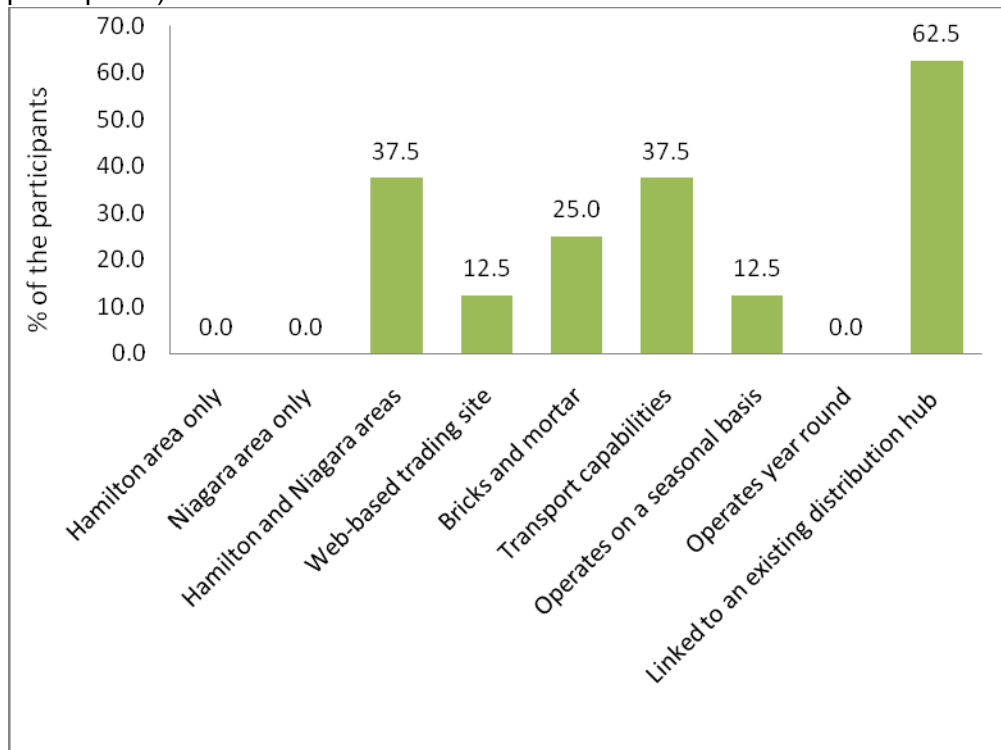


Figure 1.9: Desirable Characteristics of a Local Distribution System - (Percentage of participants)



Additional factors relevant to this stakeholder group:

1. The Hamilton and Niagara areas could benefit from a distribution system for local/regional agri-food products. However, a distribution system is not necessary.
2. Transport capabilities are crucial to the success of a distribution system for agri-food products.
3. Unless setting and maintaining quality standards, which will be extremely difficult if not impossible, cannot aggregate suppliers into one 'face/profile' or across many products.
4. Corporate retailers suggest:
 - a. cross-dock rather than warehousing for regional answer
 - b. web-portal for information exchange between suppliers and customers
 - c. There are benefits from being strategically linked to existing systems where suited / necessary
 - d. Elmira produce auction may be a suitable approach to take.
5. Level of trust needs to be developed between producers, between groups, mitigate competitiveness between farmers, retailers and suppliers.
6. Lack of controls in place to manage quality is major issue with cooperatives.

2. Independent Retailers

Figure 2.1: Is a Local Food Distribution System Required? - (Percentage of participants)

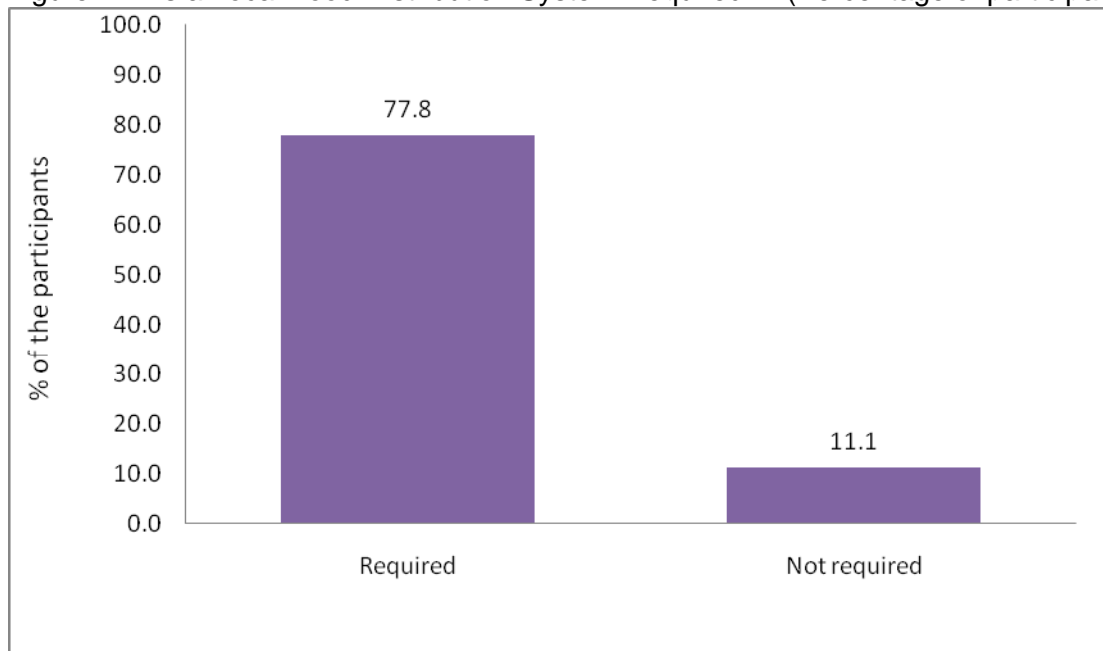


Figure 2.2: Priorities when sourcing - (Percentage of participants)

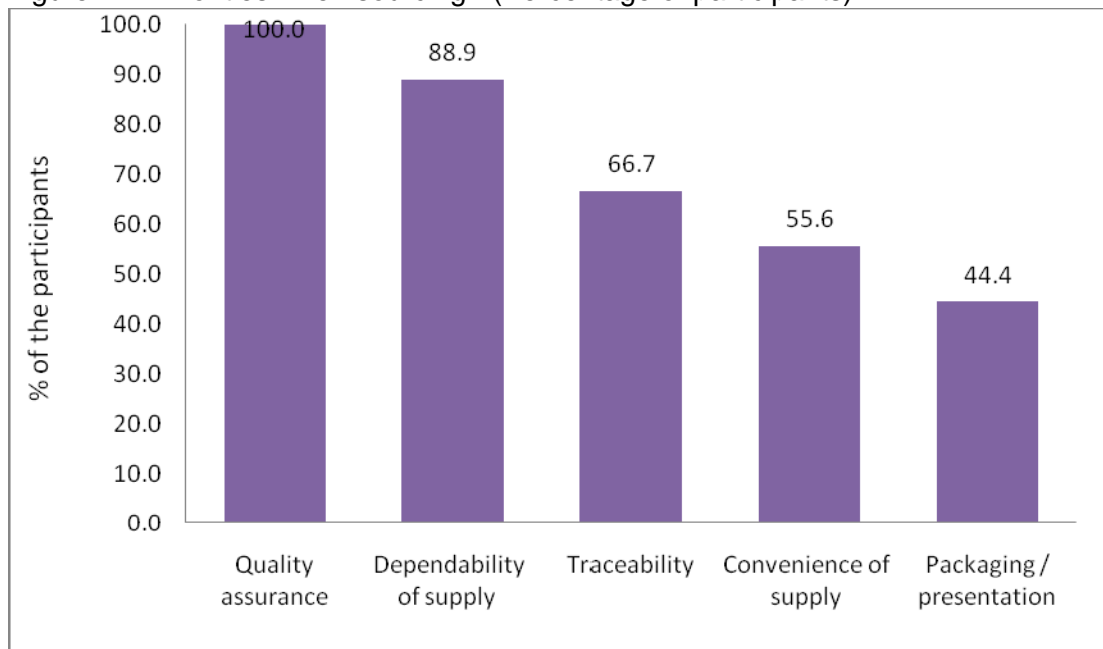


Figure 2.3: Attributes that attract consumers to purchasing local products - (Percentage of participants)

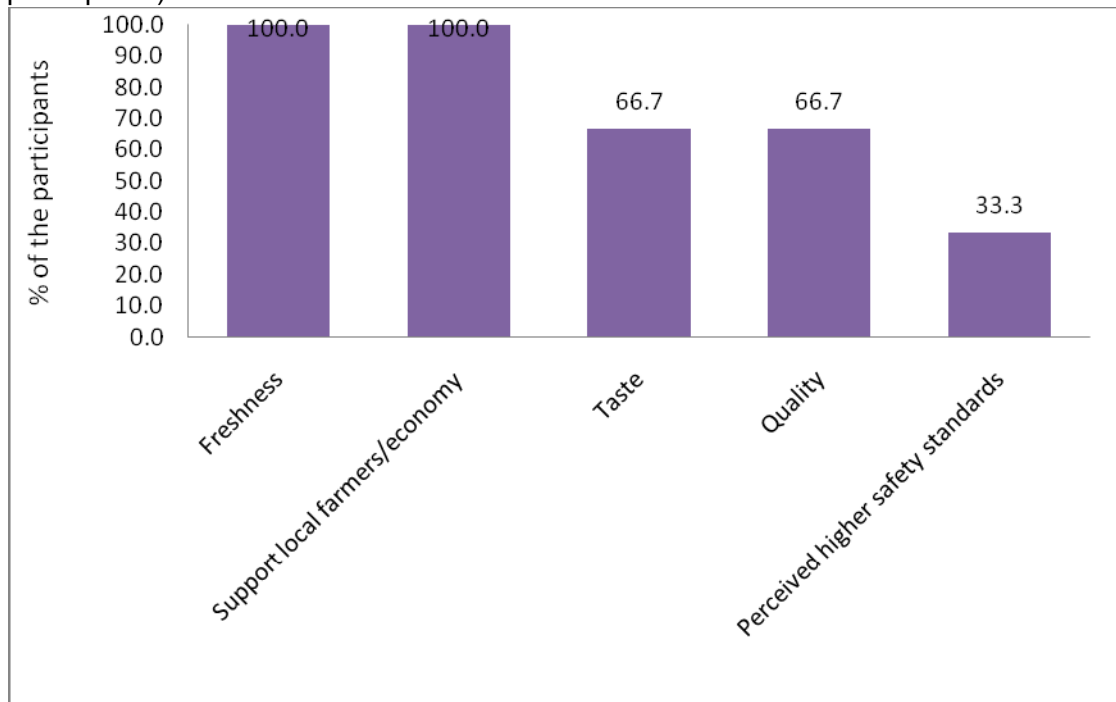


Figure 2.4: Products with pronounced demand as local - (Percentage of participants)

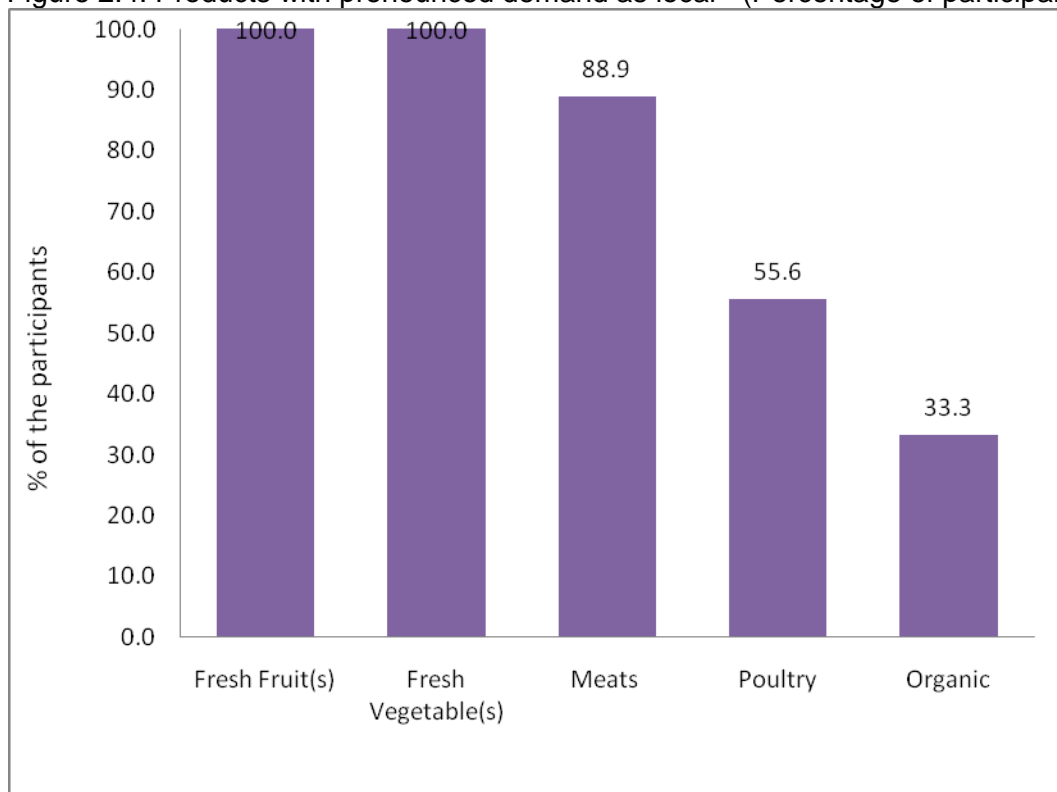


Figure 2.5: Consumers' price consideration towards local - (Percentage of participants)

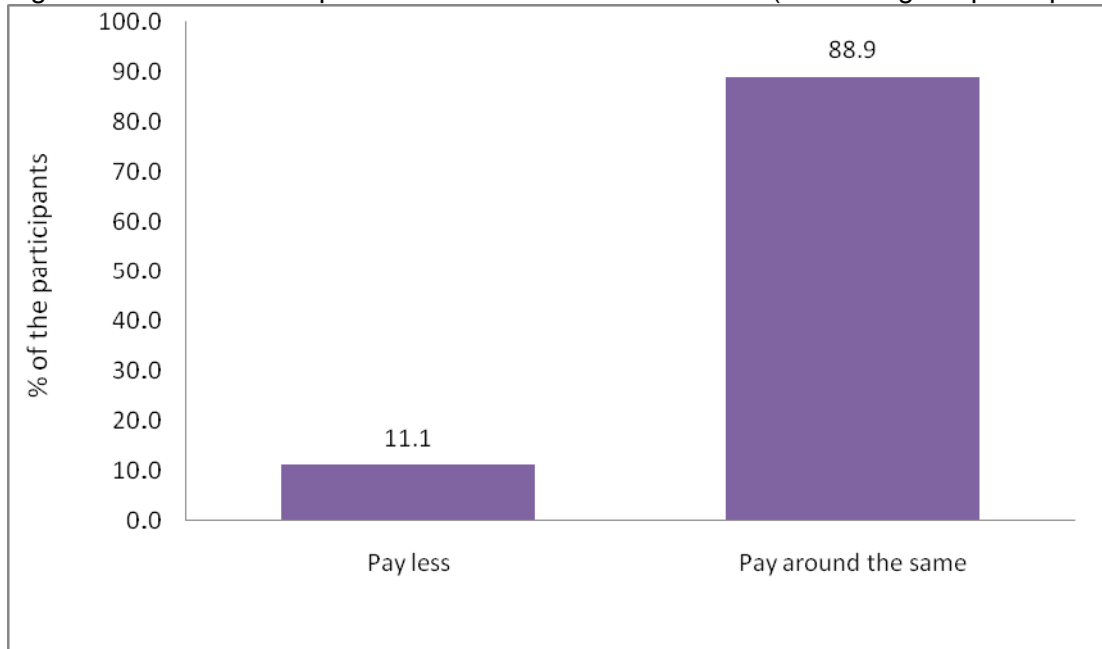


Figure 2.6: Attitudes toward (their role in) marketing local food - (Percentage of participants)

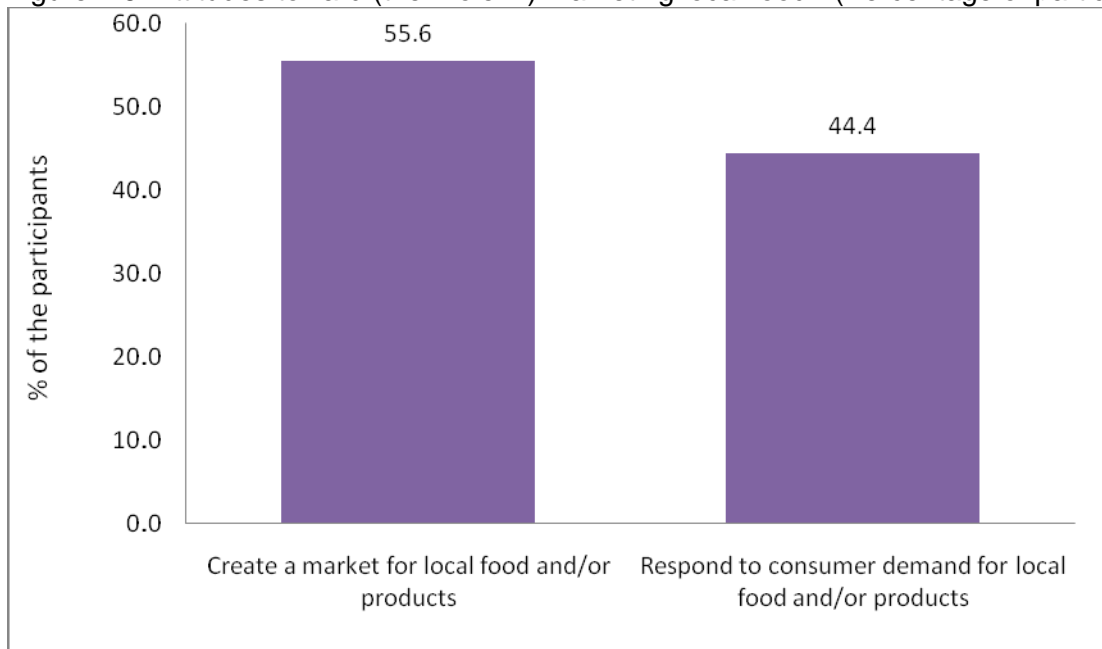


Figure 2.7: Main reasons for buying local - (Percentage of participants)

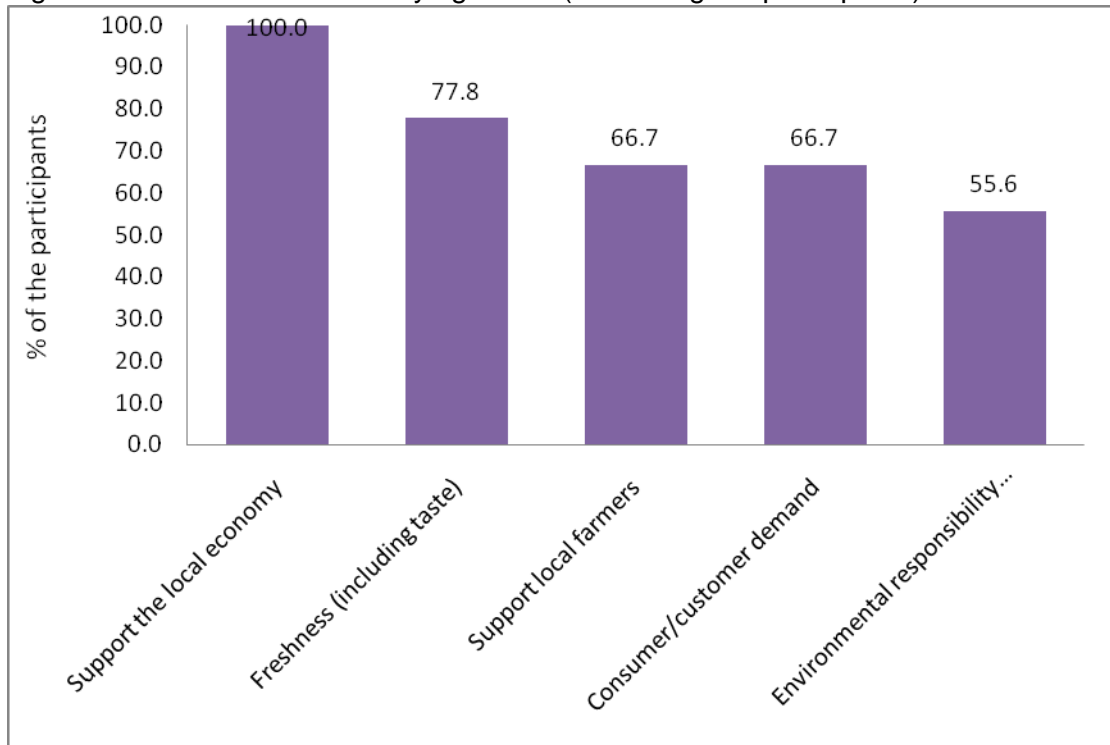


Figure 2.8: Importance of local in overall purchasing decision - (Percentage of participants)

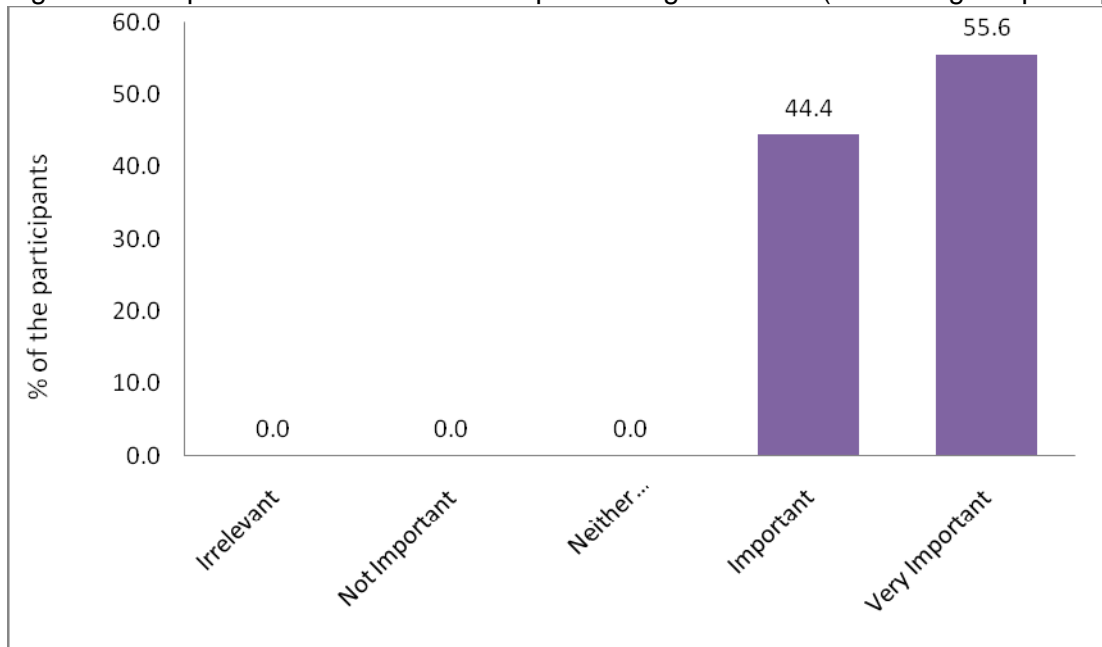
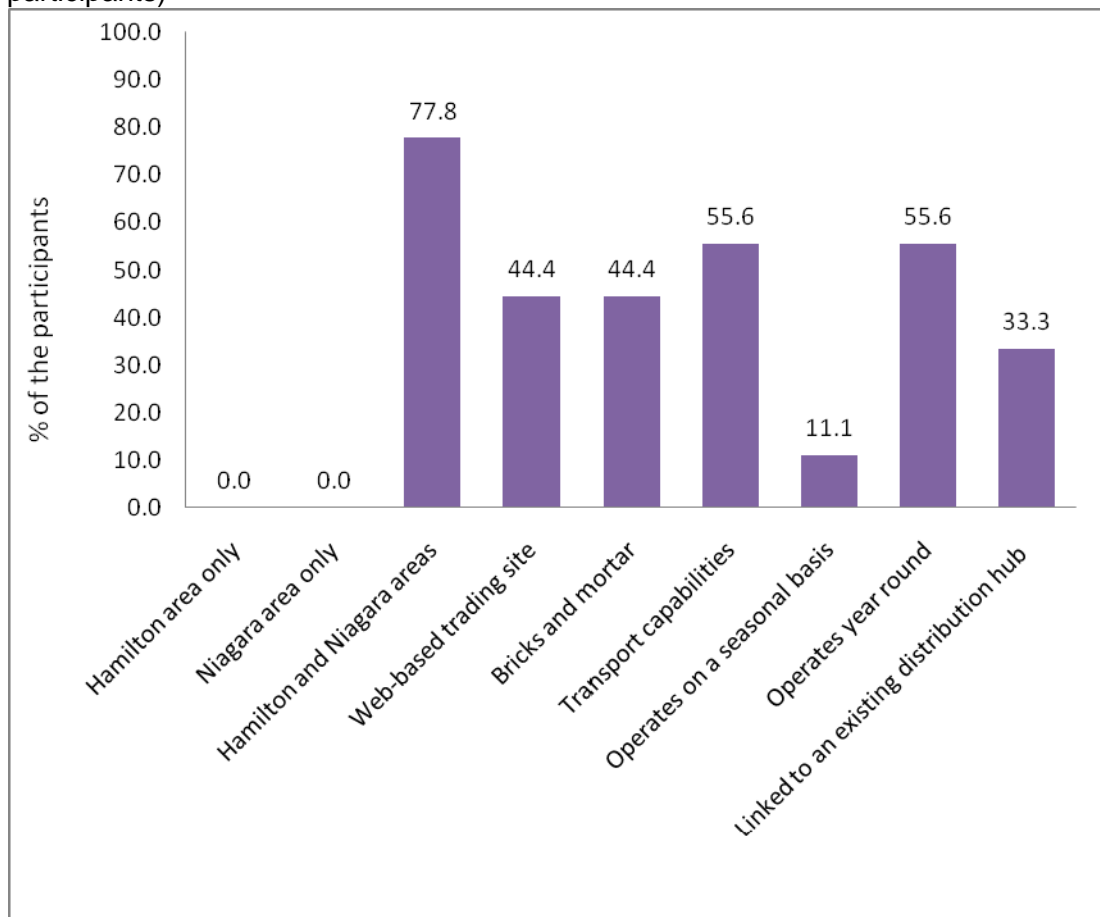


Figure 2.9: Desirable Characteristics of a Local Distribution System - (Percentage of participants)



Additional factors relevant to this stakeholder group:

1. The success of any new distribution system for local agri-food products is subject to its link to a current system. That linkage would offer immediate access to infrastructure and logistics/warehousing, know-how, and business relationships.
2. More communications and discussions with people in industry (not simply media people, politicians, or non agriculturalist in education) are needed in setting up such a system.
3. The corporate retailers should give their store managers the right/power to secure locally-produced agri-food products.
4. While contracting trucks (i.e. Erb) at beginning could be a real benefit early on, really need own trucks.

3. Research Findings of Hotels, Restaurants and Institution Stakeholders

Figure 3.1: Is a Local Food Distribution System Required? - (Percentage of participants)

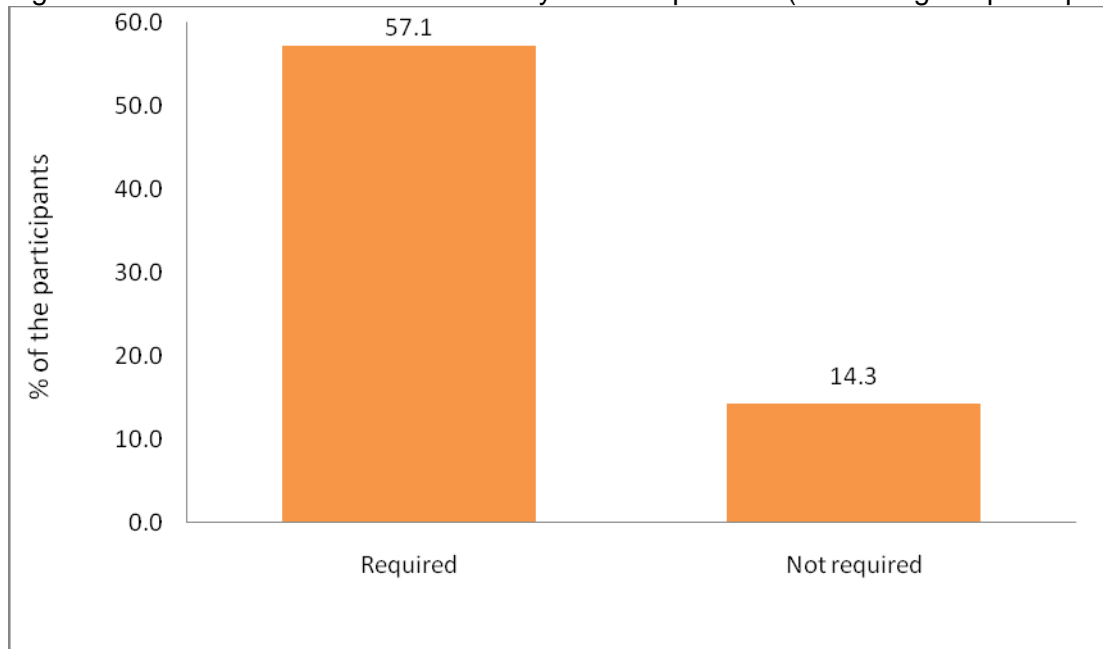


Figure 3.2: Priorities when sourcing - (Percentage of participants)



Figure 3.3: Attributes that attract consumers to purchasing local products - (Percentage of participants)

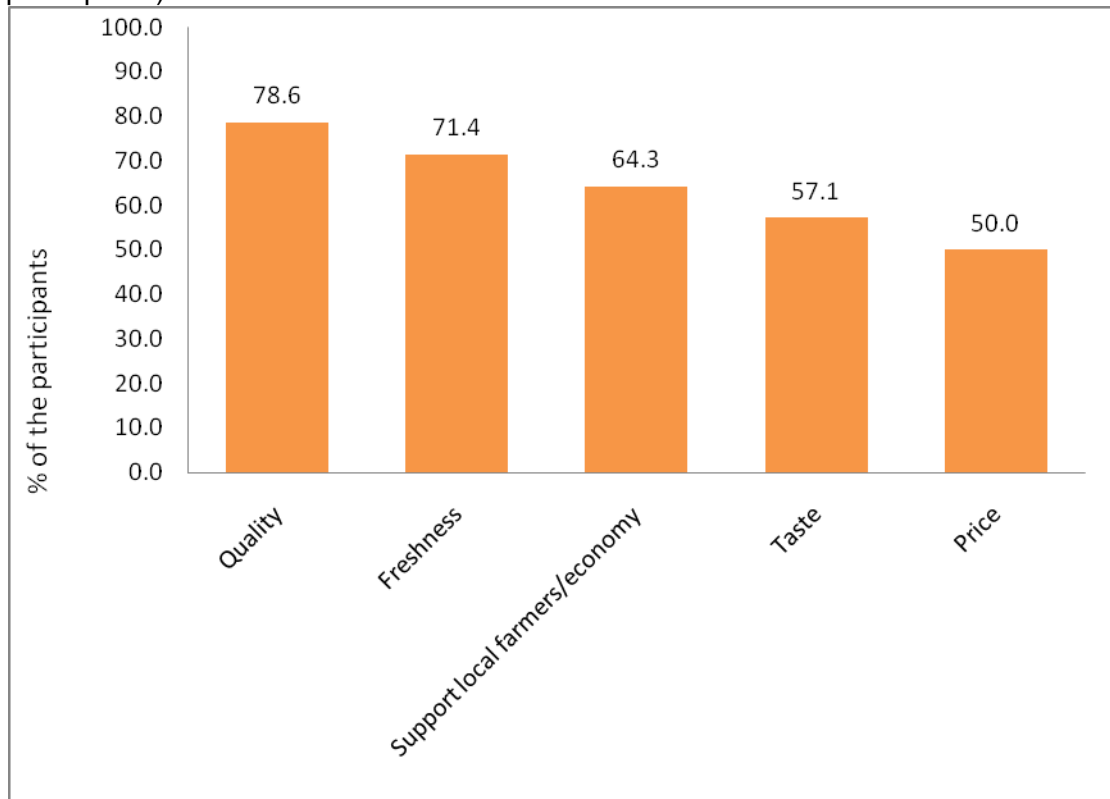


Figure 3.4: Products with pronounced demand as local - (Percentage of participants)

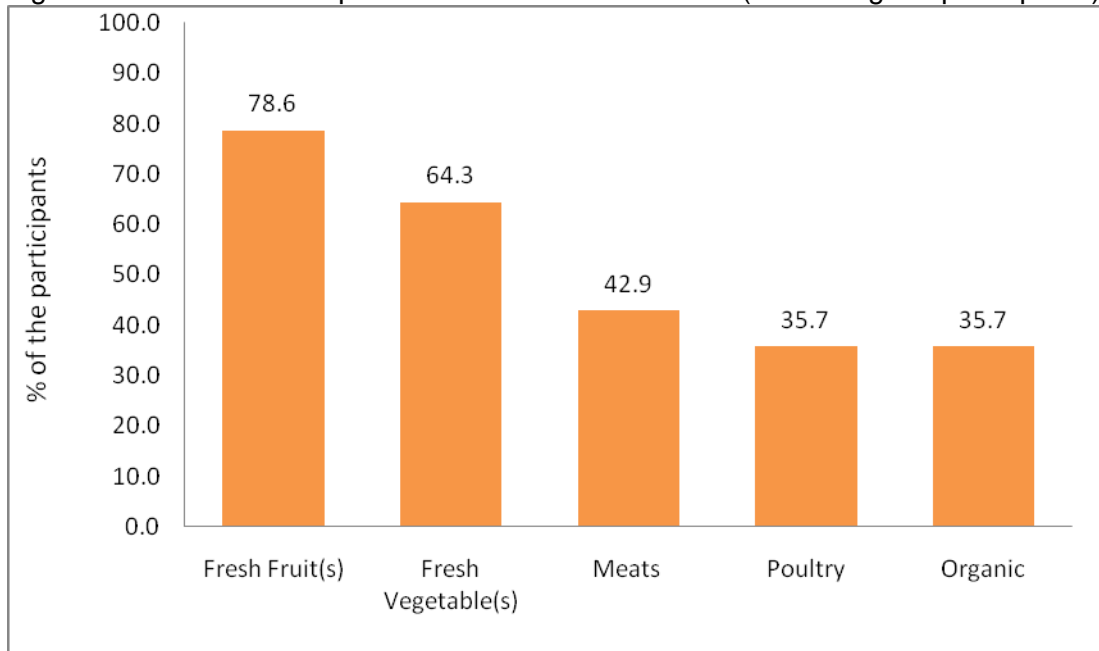


Figure 3.5: Consumers' price consideration towards local - (Percentage of participants)

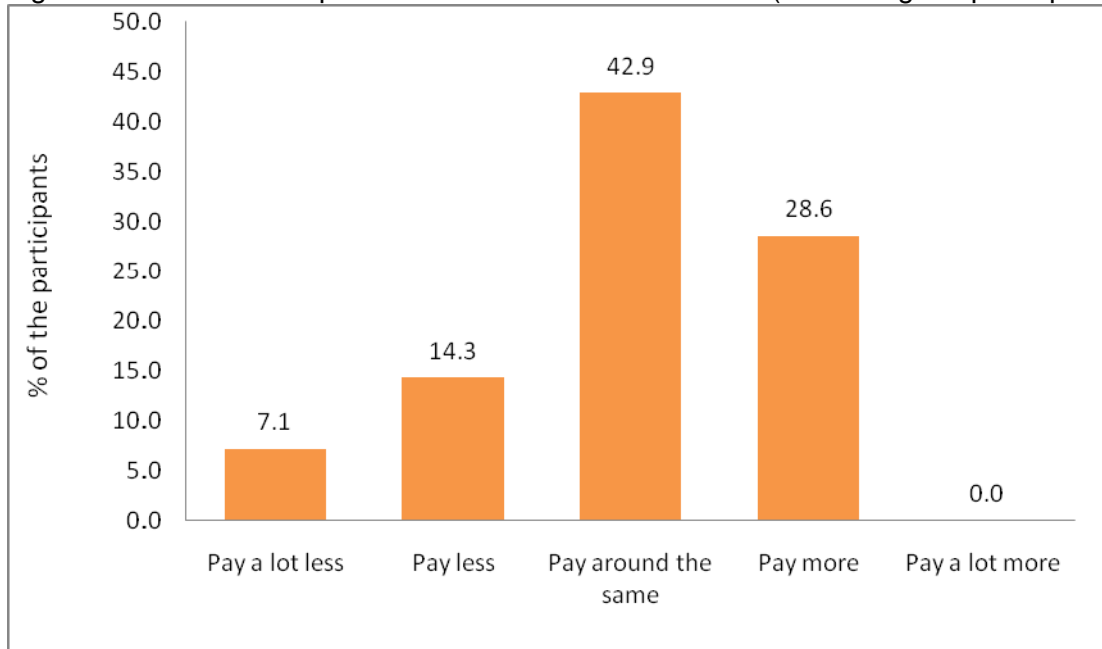


Figure 3.6: Attitudes toward (their role in) marketing local food - (Percentage of participants)

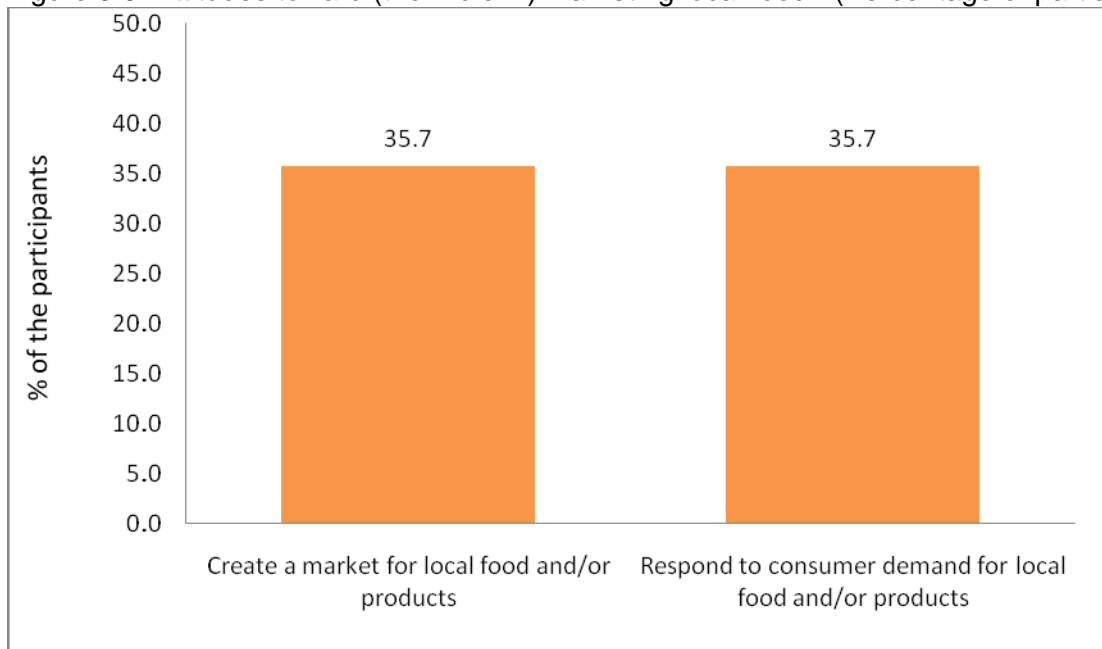


Figure 3.7: Main reasons for buying local - (Percentage of participants)

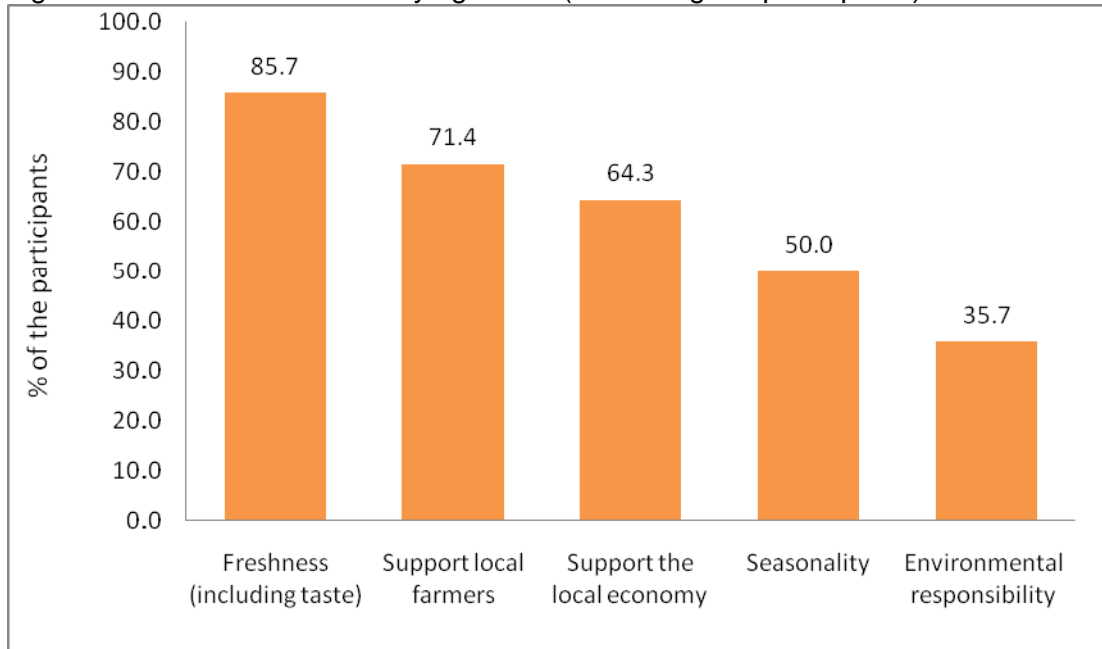


Figure 3.8: Importance of local in overall purchasing decision - (Percentage of participants)

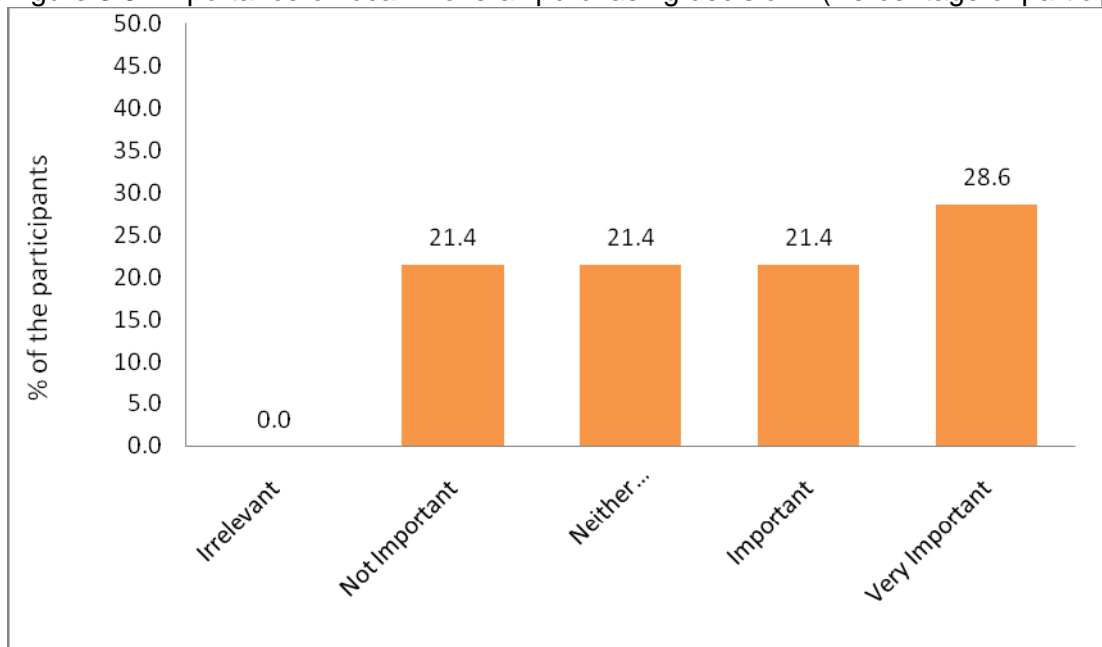
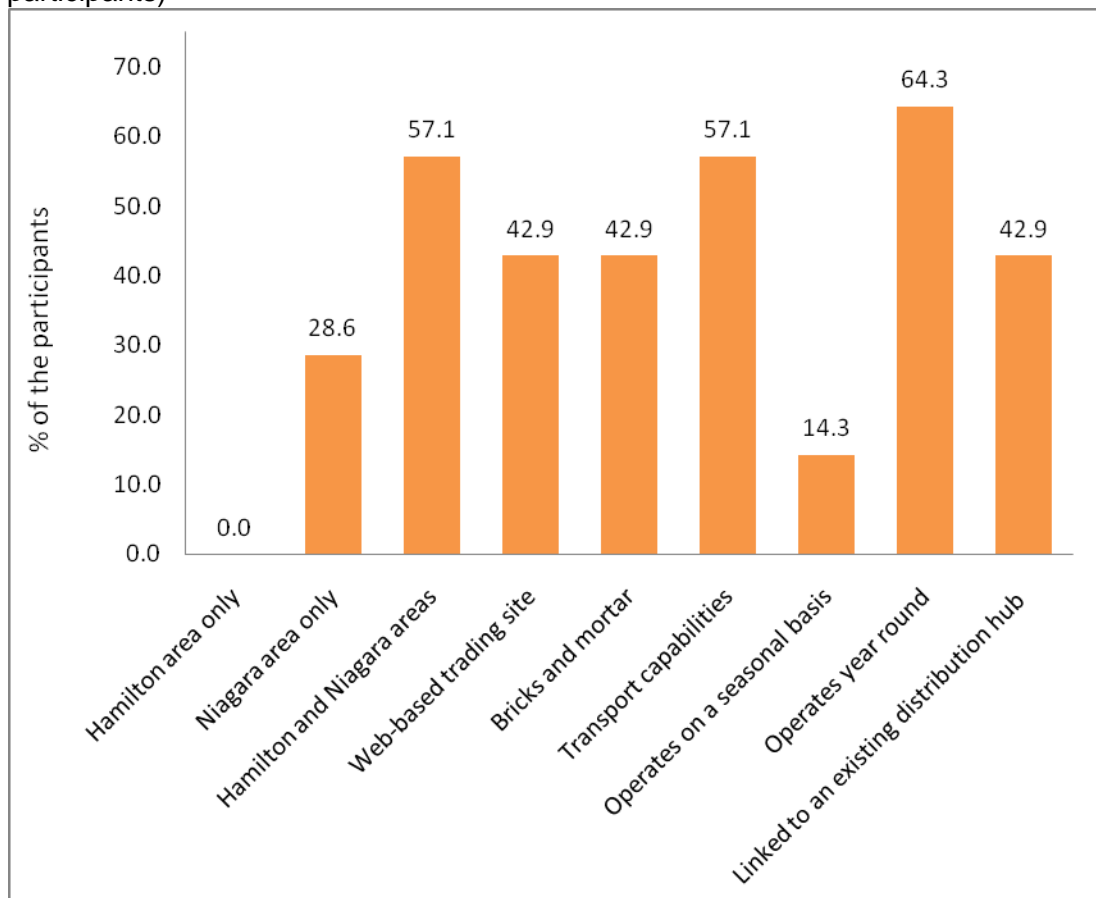


Figure 3.9: Desirable Characteristics of a Local Distribution System - (Percentage of participants)



Additional factors relevant to this stakeholder group:

1. Best to link to existing service/distribution company so could still get one stop shop for local, plus all other items still needed.
2. Best link with current network and have it led an entrepreneur with passion for food, intimate knowledge of industry, an established network, and skin in the game, who can see the opportunity 10 years out.
3. Traceability, verification/certifications are keys to success.
4. The demand for local agricultural/agri-food products is well-established and it is supported by 3 universities & 2 colleges in areas, plus hotels/conference.
5. Investing in developing processing capacity for local agri-products has greater benefits for the area and stakeholders.
6. Most people just get what they can from farmers markets. It's hard for the average consumer to get what they want or even know what is available.
7. It's great that local is considered but if farmers can't insure themselves and back their product, they can't be considered.
8. It would be great to have some type of local co-op to avoid dealing with mas & pas. One call, one truck, still great local food.
9. Not for me, though is required. That said, it has to fit in with what's already out there, cannot entirely reinvent the wheel.

Appendix 10: Identified Barriers to the Development of a Local Food Distribution Initiative (LFDI)

Detailed below are the key barriers that the four key stakeholder groups believe would need to be addressed in order to establish a LFDI. Also listed are the beliefs and experiences, which lead to the attitudes, which typify each of the stakeholder groups.

Figure 1: Barriers to Establishing a LFDI

<p>Corporate retailers:</p> <ol style="list-style-type: none"> 6. Producers' expectations, inc. an unwillingness to collaborate or commit to working with a LFDI 7. Inconsistent quality 8. Limited supply 9. Demanding logistics 10. Seasonality of local product 	<p>Independent retailers:</p> <ol style="list-style-type: none"> 6. Lack of infrastructure 7. Corporate retailers' attitudes and systems 8. Demanding logistics 9. Prices are higher than the consumers' expectations 10. Distributors' attitudes
<p>HRIs:</p> <ol style="list-style-type: none"> 6. Limited supply 7. Demanding logistics 8. Lack of infrastructure 9. Seasonality of local product 10. Prices are higher than the consumers' expectations 	<p>Producers:</p> <ol style="list-style-type: none"> 7. Expectation of receiving premium prices 8. Reluctance of retailers to source local 9. Seasonality of local product 10. Lack of operating capital 11. Reluctance of producers to commit 12. Lack of suitable marketing programs

Categorized under each of the stakeholder groups are listed the beliefs that appear to shape the attitudes of each of the four stakeholder groups towards the barriers that will need to be addressed in order to establish a LFDI. They are listed in order of the perceived magnitude of their impact:

Corporate retailers:

1. Producers' **expectations**, including attitudes that make them unwilling to commit
 - Farmers are generally not business people;
 - Farmers are an independent minded bunch that are often a problem hindering greater development of local;
 - Farmers do not like to grade objectively (even though they are told about the importance of meeting standards to reduce costs, secure premiums, and capture market share);
 - Local growers just want to pack in a box and ship it;
 - Many are not motivated to organize themselves from a business perspective;
 - Lack the communication skills required to build constructive relationships.
2. Inconsistent quality
 - Inconsistent quality creates unnecessary costs throughout our system;
 - Local farmers think that because it looks good when it left their farm, it is good;
 - Even on consistent quality local products, the level of quality will likely be less than imported products due to environmental factors and lack of infrastructure;
 - We don't encourage much supply directly to store as we lose control of quality and farmers try to exploit the system by sending sub-quality products to individual stores;
 - The supply systems that have the logistical capabilities do not manage quality well because they accept everyone's product (much of it of a lower standard).

3. Volume/limited supply
 - Business capability of smaller suppliers is of limited value to us;
 - Inconsistency in supply is a burden that we cannot afford. Consumers do not accept excuses; they want to purchase what they want when they want. Else they shop elsewhere;
 - Limited supply is a key issue that cannot be addressed by retailers.
 - Quebec has helped address this issue through investing in infrastructure.
4. Demanding logistics
 - The business capabilities of smaller suppliers is often lacking, so need to cooperate with other producers more effectively than often occurs;
 - Need product to go through our system so that we can utilize our quality experts in successfully managing quality. We don't trust suppliers' sufficiently to do otherwise;
 - Size and number of suppliers is an issue. Need fewer supplier/buyer interfaces, each one handling a larger volume than often occurs at present;
 - Success will rely on better ongoing timely and meaningful communication than at present.
5. Seasonality of local product
 - Seasonality is an issue that could be addressed more effectively than at present through research and management. Look at how UK and US industry has changed and innovated;
 - Strawberries (for instance) are a 2 week season from the retail perspective. Then the product melts on shelf and is a pain to deal with;
 - Local suppliers do not help us blend their produce in with supplies coming from elsewhere, especially at either end of season.

Independent retailers:

1. Lack of infrastructure
 - Need a system that is not influenced by decisions of large corporations and/or listing fees;
 - Distribution systems and policies mandated by large players restrict the availability of local smaller volume products to independent retailers;
 - Lack of knowledge about what is available and how to access products is a significant barrier to expanding market for local products;
 - Local is not feasible if it's independent. Takes too much work and time to call around to see all the different prices and arrange delivery.
2. **Corporate retailers'** attitudes <Internals\Interviews\Comments from retail sector
 - Corporate retailers say they want to address the local issue, though wonder if they really want to sell more local;
 - Is the real objective of corporate retailers to limit independent retailers' ability to establish a larger market for local products, which will lessen their need to adapt?
3. Demanding logistics
 - Need effective and efficient and professionally managed logistic system 12 months of the year;
 - Our business relies on logistics. The current system may not be what we would prefer, though it works;

4. Prices are higher than the consumers' expectations
 - Premiums have to be earned whether food is local or from the other side of the world;
 - Consumers' expectations at having to pay more for local food puts a barrier up between it and them before they even enter the store;
 - Most consumers would like to pay less for local food compared to imported food;
 - Price has at minimum to be reasonably comparative to alternative products;
 - What consumers say and do is often very different.
5. **Distributors'** attitudes
 - Securing cost effective delivery of local products is a major issue for us;
 - Distributors are often unwilling to supply provincially inspected products as it could expose them to unacceptable risks and/or increase their costs.

Hotels, Restaurants, Institutions (HRIs):

1. Volume/limited supply
 - Availability in the required and consistent volumes is a major issue, particularly for larger operators;
 - Not practical for business people to spend time visit farmers markets or collect from individual farmers;
 - Supply management biggest obstacle to achieving anything interesting in dairy;
 - Small range of products means that you cannot supply from a one stop shop;
 - Our busiest times are in the winter term, which lessens our demand for local food;
 - Would like to use local farmers though cannot accept the inefficiencies that would come from dealing with individual, often supplying only one crop.
2. Demanding logistics
 - Need to have access to high quality products quickly and conveniently;
 - Need one stop dependable shop, not a 'hundred' small undependable suppliers;
 - Need deliveries when stipulated at any time of the day. Not just when it suits the supplier;
3. Lack of infrastructure
 - An effective distribution system requires infrastructure of some kind;
 - Infrastructure necessary in order to ensure products are market ready and of high quality;
 - Infrastructure required to ensure products meet exacting stricter criteria re safety, cleanliness, dependability of supply, and cost;
4. Seasonality of local product
 - We serve customers for 12 months of the year, therefore need product year-round;
 - Consumers look for seasonal experiences, not seasonal products;
 - We cannot be expected to adapt our businesses and, in so doing, reduce our competitiveness to suit someone who is not willing to adapt;
 - Marketing boards do not help improve effectiveness of seasonality or professionalism related issues.
5. Prices are higher than the consumers' expectations
 - Price of local products are an enormous barrier in the minds of consumers;
 - Use low cost AUTOMATED ordering systems. Not efficient to change management;

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- Processes and expose ourselves to added costs simply for a few products;
- Local products need to be comparatively priced to the alternatives.

Producers:

1. Expectation of receiving premium prices
 - Belief that consumers will pay more for products because they are produced locally;
 - Older producers appear more likely to have this perspective;
 - Believe selling locally enables them to secure higher prices without changing operations;
 - Believe that selling locally will bring greater benefits than if working to improve quality.
2. Reluctance of retailers to source local
 - Retailers place too many exacting restrictions on suppliers;
 - Locally grown products should 'automatically' be in local stores;
 - Retailers are known to not honour their purchasing commitments;
 - Retailers are not reacting to consumers' desire to buy local.
3. Seasonality of local product
 - Short season makes it difficult to justify investments in infrastructure;
 - Seasonality of local product places producers at disadvantage to competitors;
 - Short growing season negatively impacts ability to manage quality;
 - Seasonality makes investing in a local food distribution system a less viable venture.
4. Lack of operating capital
 - Farming is unprofitable and risky, so producers lack capital to invest in a system;
 - Government not prepared to help establish distribution system financially;
 - Farming is capital intensive, which leaves little capital to invest elsewhere.
5. Reluctance of producers to commit
 - Producers are independent minded and not always good business people;
 - Producers often do not work well together or remain with a venture for long;
 - Producers undermine each other on price, making it difficult to encourage collaboration.
6. Lack of marketing programs
 - The main reason consumers do not buy local food is because they do not know it exists;
 - Retailers do not market local food as much as they should;
 - Promote local food more often and consumers will buy more of it.

Appendix 11: Products Best Suited for a LFDI, By Stakeholder Group

(as identified in the Value Chain Research)

The products that each of the four groups believes best suits a local food initiative.

Figure 1: Producers, products lend themselves most readily to local food distribution

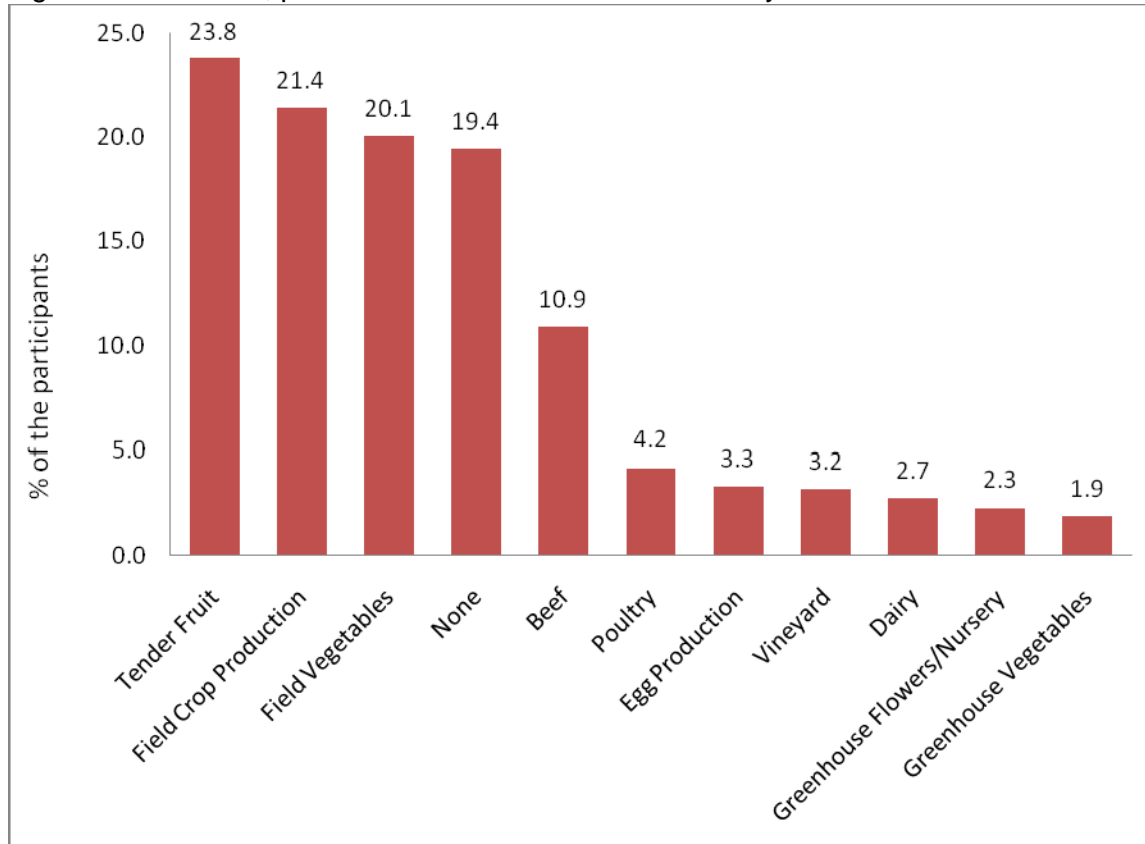


Figure 2: Corporate retailers

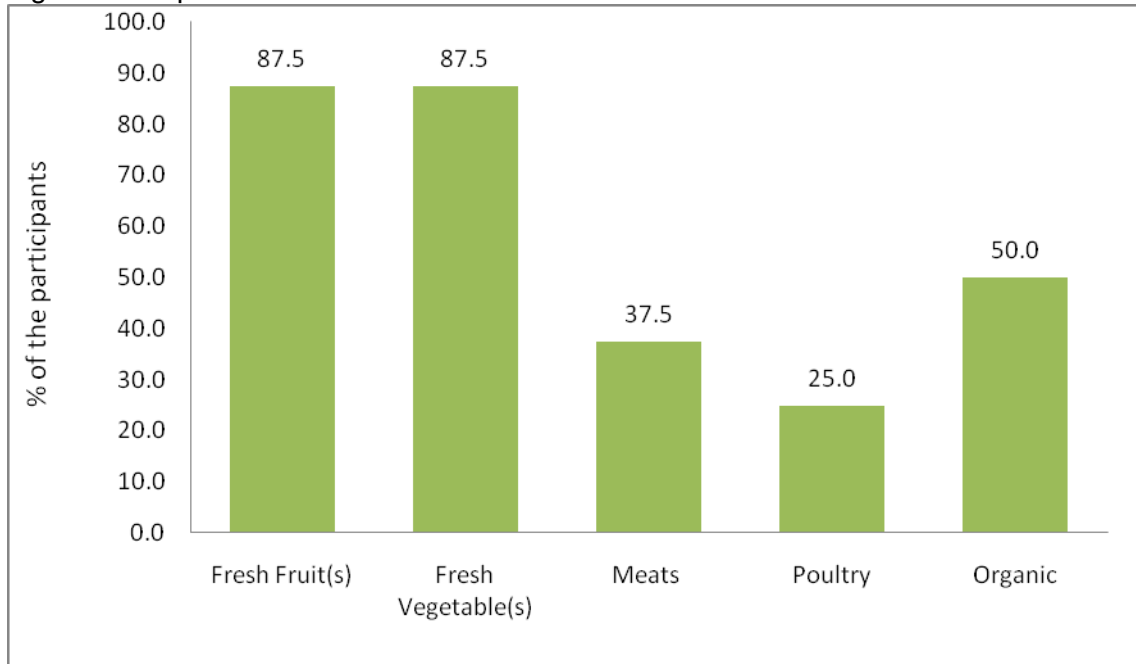
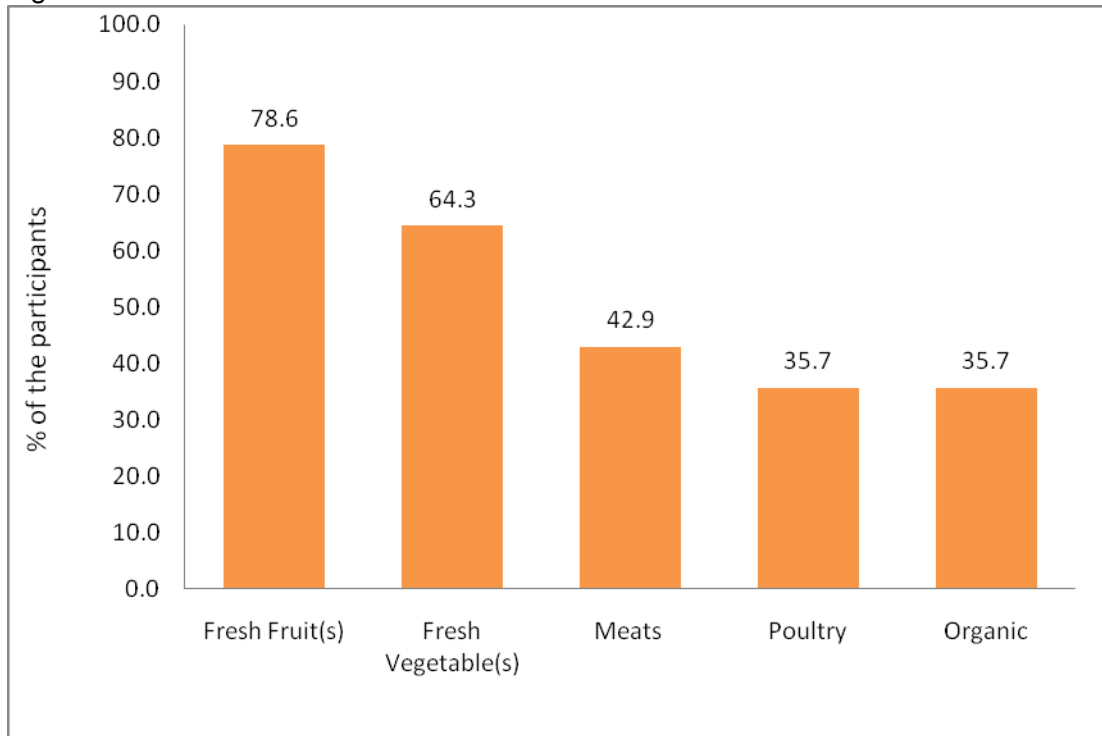


Figure 3: Independent retailers



Figure 4: HRIs



Appendix 12: The geographic region stakeholders believe the distribution system should cover

Figure 1: Producers

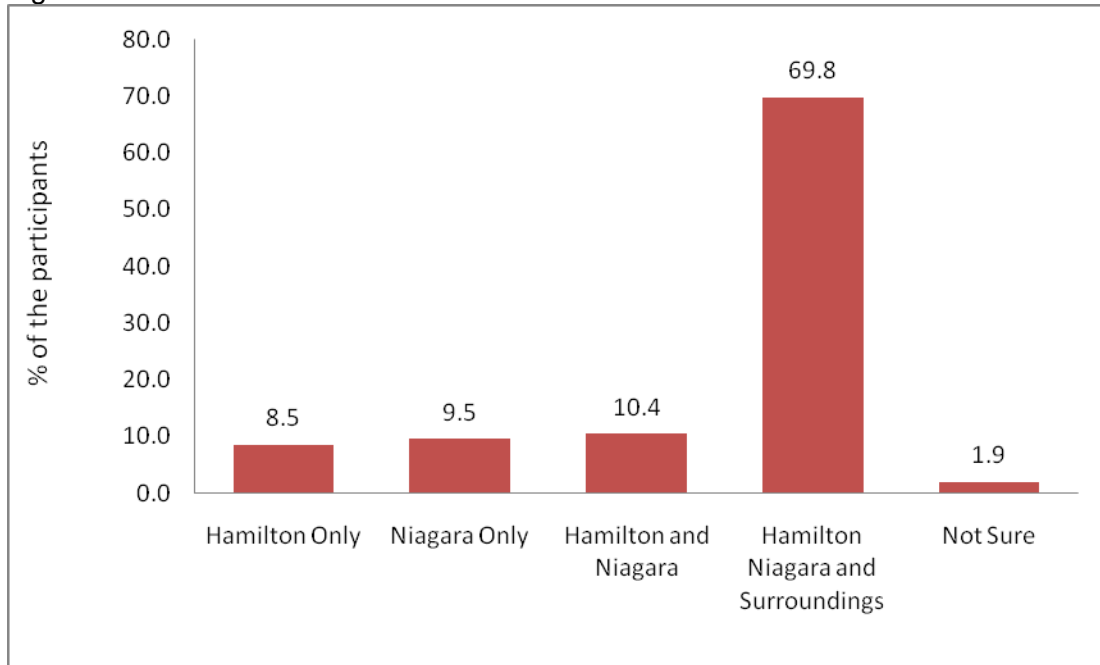


Figure 2: Corporate retailers

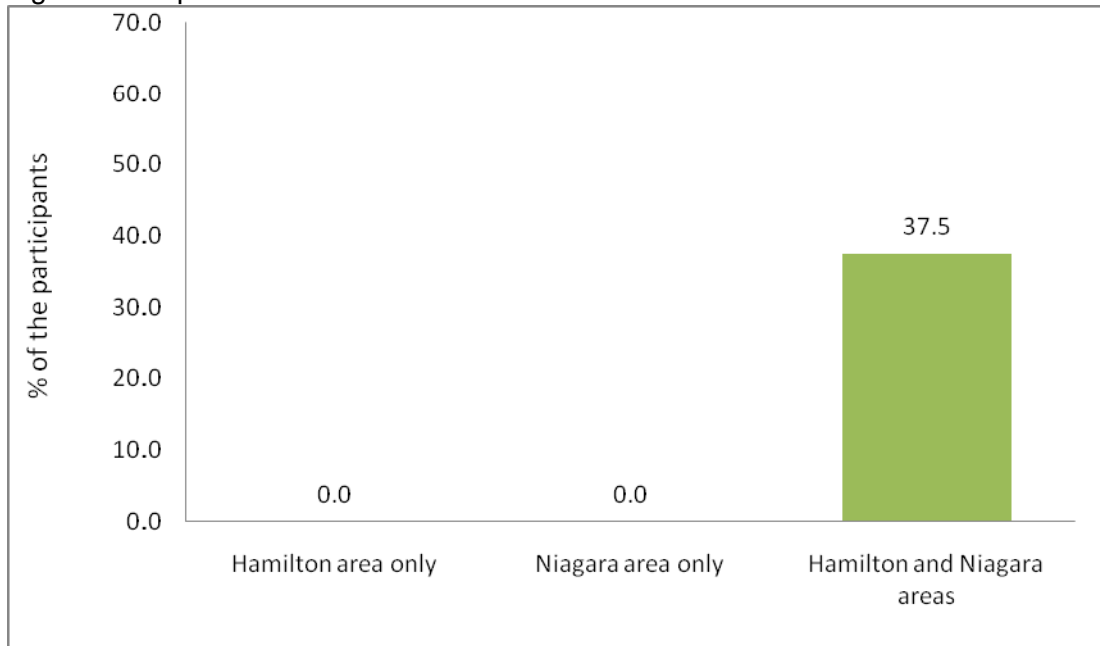


Figure 3: Independent retailers

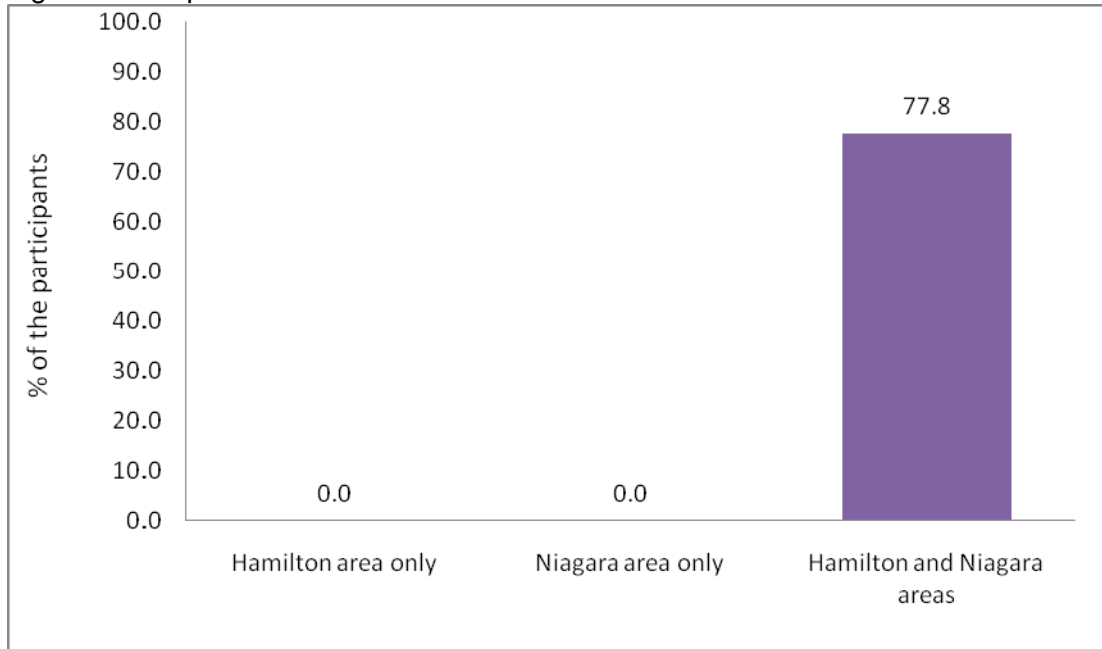
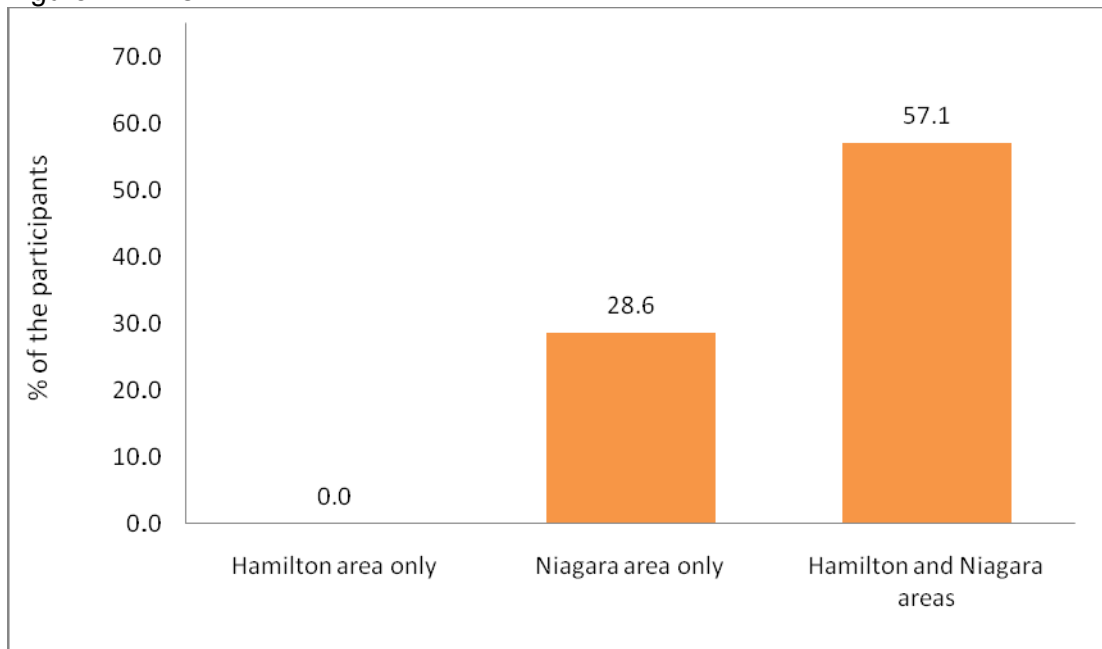


Figure 4: HRIs

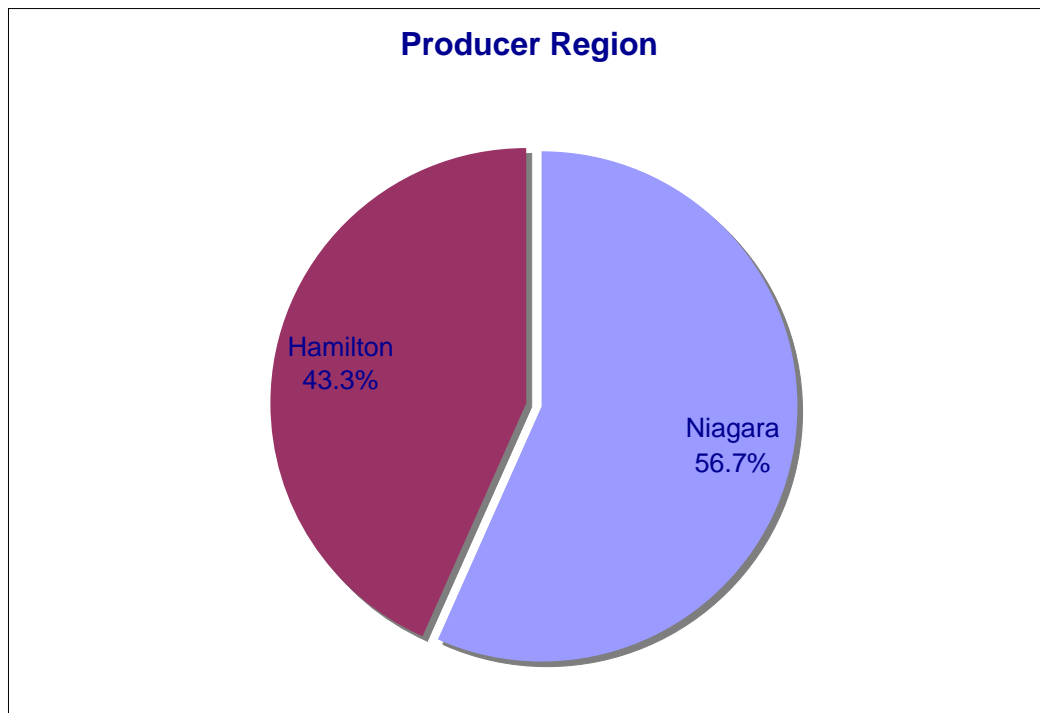


Appendix 13: Producer Survey Findings

Section 1: Total Responses

Surveys by Region

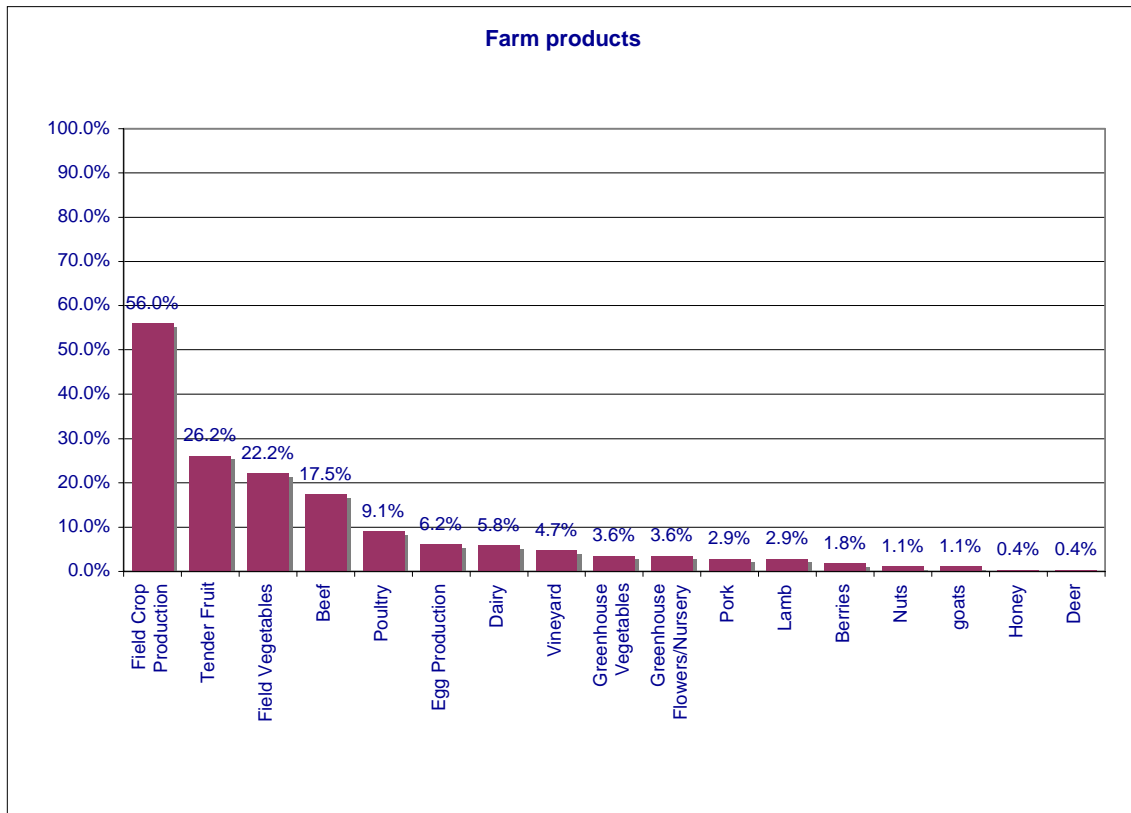
Response	Frequency	Percent
Niagara	156	56.7%
Hamilton	119	43.3%
Total	275	100.0%



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Q1. Which of the following activities do you engage in on your farm? (multiple response)

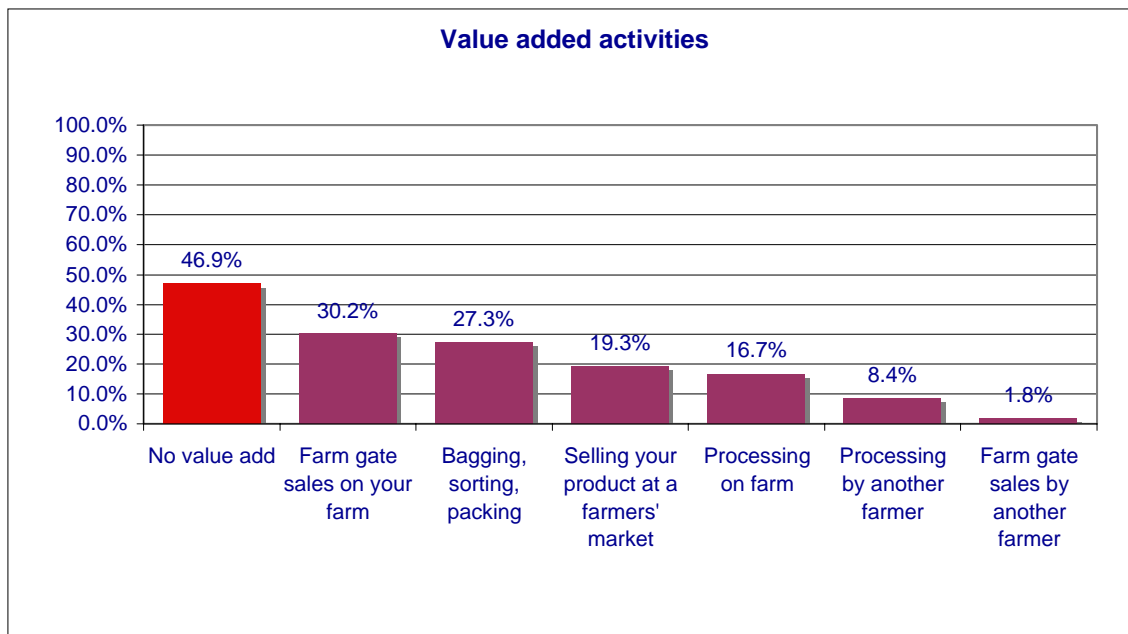
Response	Frequency	Percent
Field Crop Production	154	56.0%
Tender Fruit	72	26.2%
Field Vegetables	61	22.2%
Beef	48	17.5%
Poultry	25	9.1%
Egg Production	17	6.2%
Dairy	16	5.8%
Vineyard	13	4.7%
Greenhouse Vegetables	10	3.6%
Greenhouse Flowers/Nursery	10	3.6%
Pork	8	2.9%
Lamb	8	2.9%
Berries	5	1.8%
Nuts	3	1.1%
Goats	3	1.1%
Honey	1	0.4%
Deer	1	0.4%
Total	275	



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Q2. Do you add value to any of your farm products by: (multiple response)

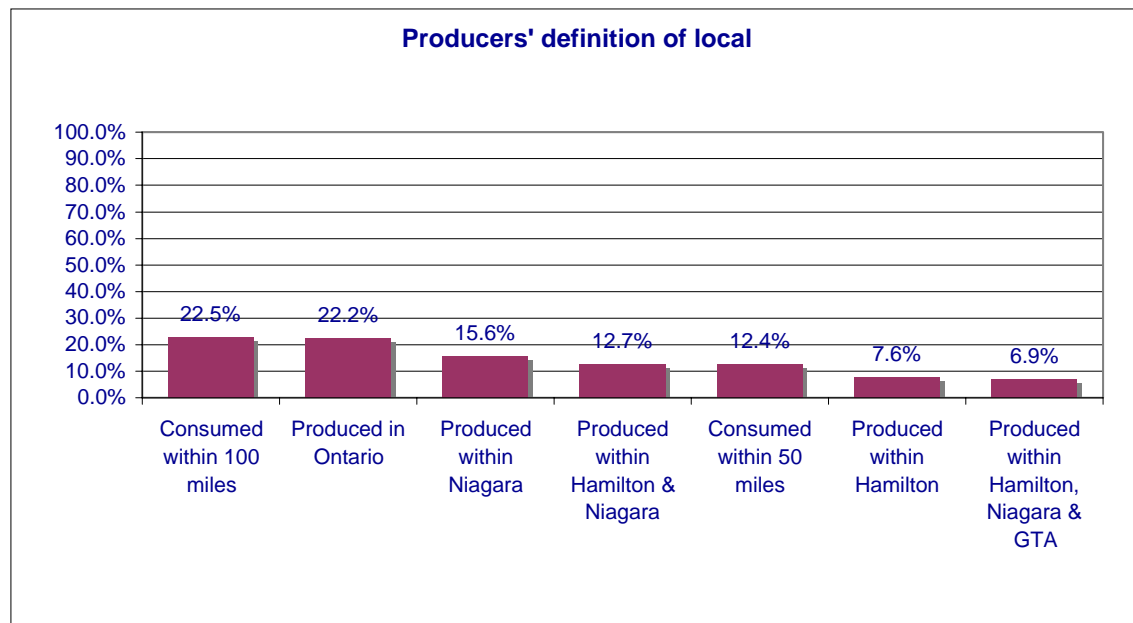
Response	Frequency	Percent
No value add	129	46.9%
Farm gate sales on your farm	83	30.2%
Bagging, sorting, packing	75	27.3%
Selling your product at a farmers' market	53	19.3%
Processing on farm	46	16.7%
Processing by another farmer	23	8.4%
Farm gate sales by another farmer	5	1.8%
Total	275	



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Q3. Which of the following best fits your own understanding of what is meant by “local”?

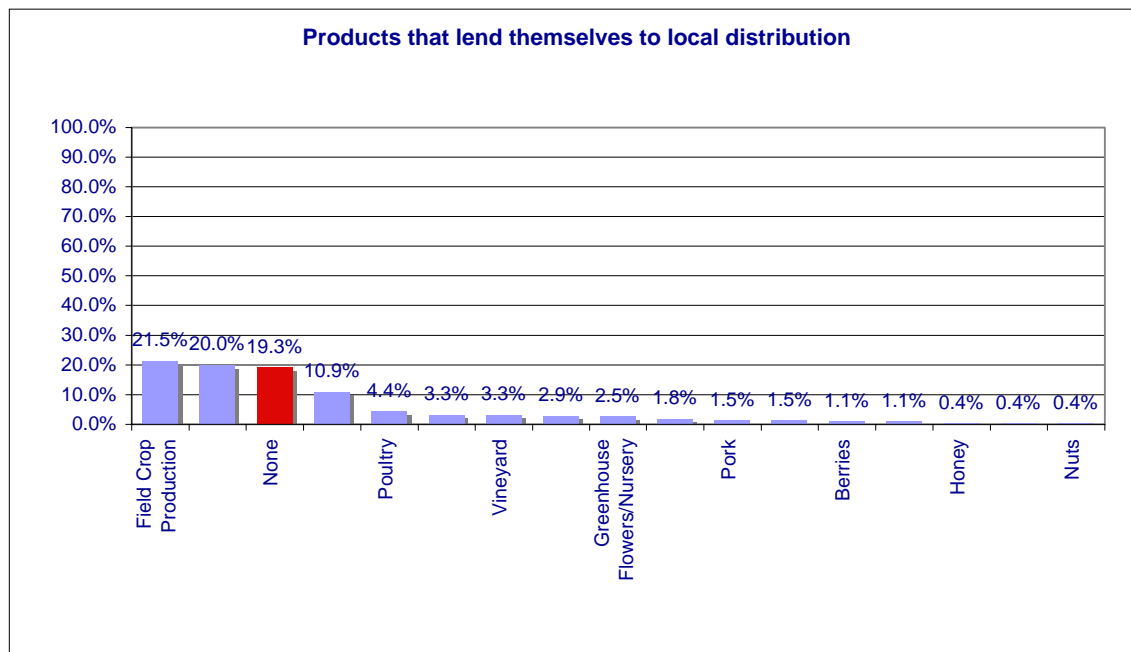
Response	Frequency	Percent
Consumed within 100 miles	62	22.5%
Produced in Ontario	61	22.2%
Produced within Niagara	43	15.6%
Produced within Hamilton & Niagara	35	12.7%
Consumed within 50 miles	34	12.4%
Produced within Hamilton	21	7.6%
Produced within Hamilton, Niagara & GTA	19	6.9%
Total	275	100.0%



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Q4. Which of your own farm products lend themselves most readily to local food distribution?
(multiple response)

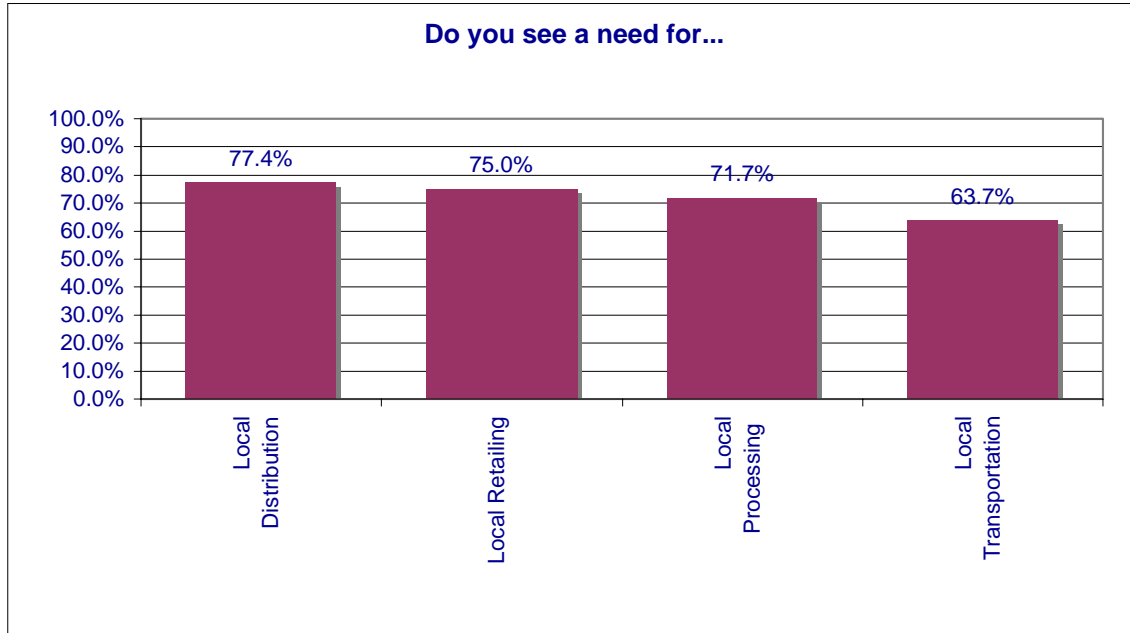
Response	Frequency	Percent
Tender Fruit	66	24.0%
Field Crop Production	59	21.5%
Field Vegetables	55	20.0%
None	53	19.3%
Beef	30	10.9%
Poultry	12	4.4%
Egg Production	9	3.3%
Vineyard	9	3.3%
Dairy	8	2.9%
Greenhouse Flowers/Nursery	7	2.5%
Greenhouse Vegetables	5	1.8%
Pork	4	1.5%
Lamb	4	1.5%
Berries	3	1.1%
Goats	3	1.1%
Honey	1	0.4%
Deer	1	0.4%
Nuts	1	0.4%
Total	275	



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Q5. Do you see a need for (multiple response)

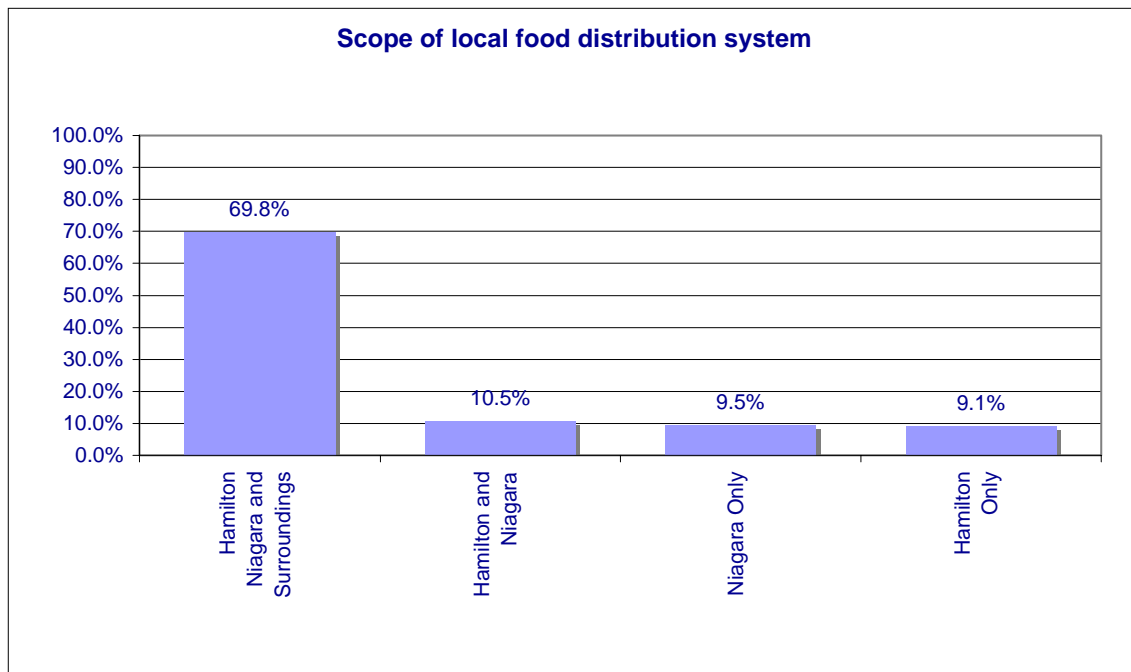
Response	Frequency	Percent
Local Distribution	164	77.4%
Local Retailing	159	75.0%
Local Processing	152	71.7%
Local Transportation	135	63.7%
Total	212	



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Q6. If a system was to be established to distribute locally produced food and agricultural products produced in your area, which of the following options do you consider most likely to meet your needs:

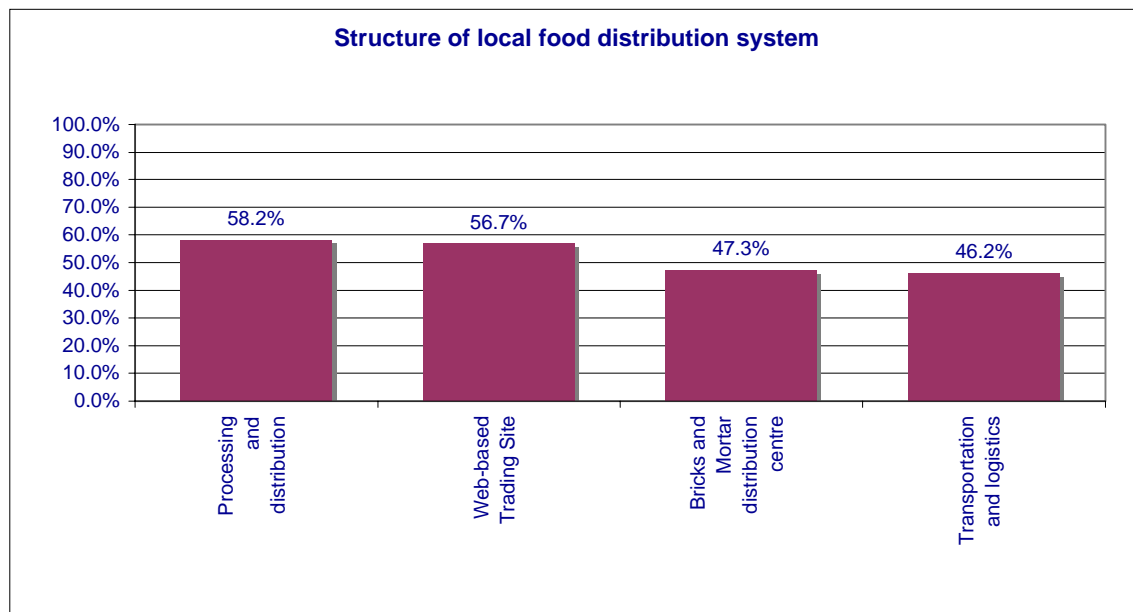
Response	Frequency	Percent
Hamilton Niagara and Surroundings	192	69.8%
Hamilton and Niagara	29	10.5%
Niagara Only	26	9.5%
Hamilton Only	25	9.1%
Not Sure	3	1.1%
Total	275	100%



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Q7. Still thinking about a possible local food distribution system, which of the following do you consider most likely to meet your needs:

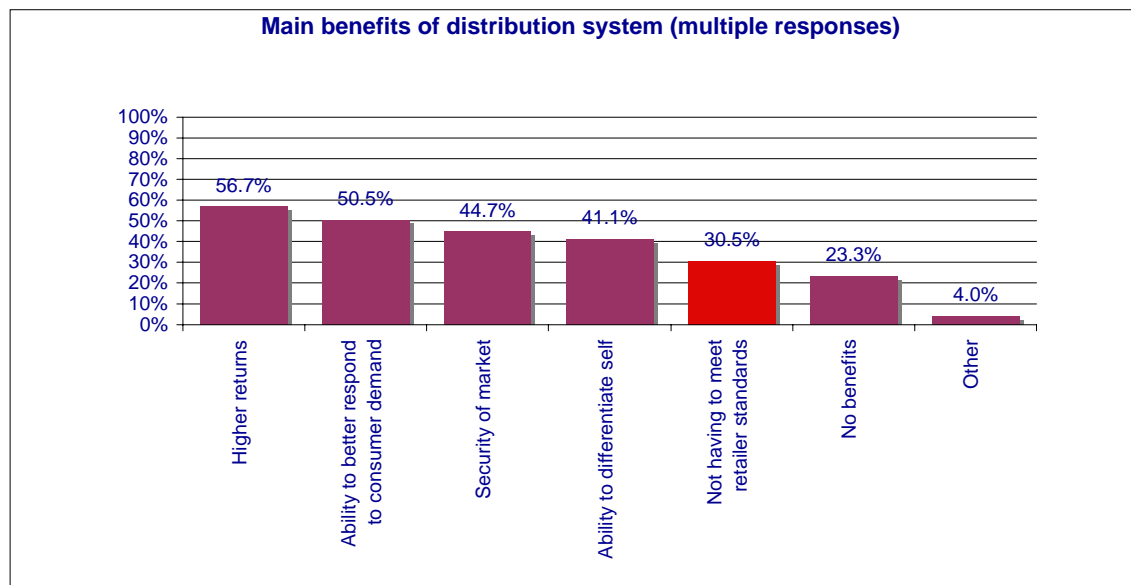
Response	Frequency	Percent
Processing and distribution	160	58.2%
Web-based Trading Site	156	56.7%
Bricks and Mortar distribution centre	130	47.3%
Transportation and logistics	127	46.2%
Total	275	



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Q8. What would be the main benefits to your farm business of participating in a local food distribution system?

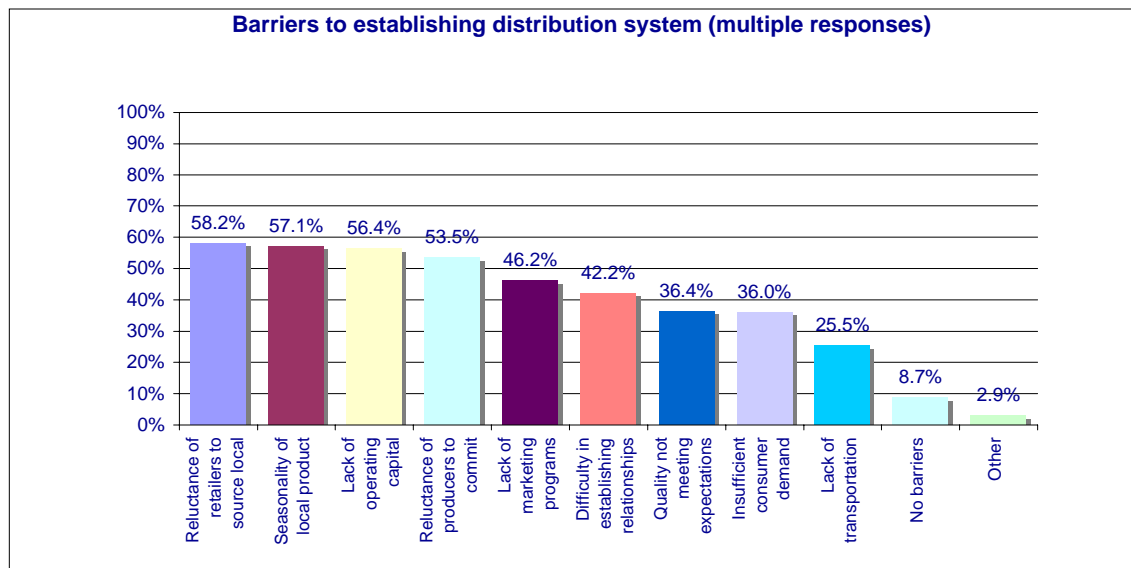
Response	Frequency	Percent
Higher returns	156	56.7%
Ability to better respond to consumer demand	139	50.5%
Security of market	123	44.7%
Ability to differentiate self	113	41.1%
Not having to meet retailer standards	84	30.5%
No benefits	64	23.3%
Other	11	4.0%
Total	275	



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Q9. What would be the main barriers that might keep a local food distribution system from being successful?

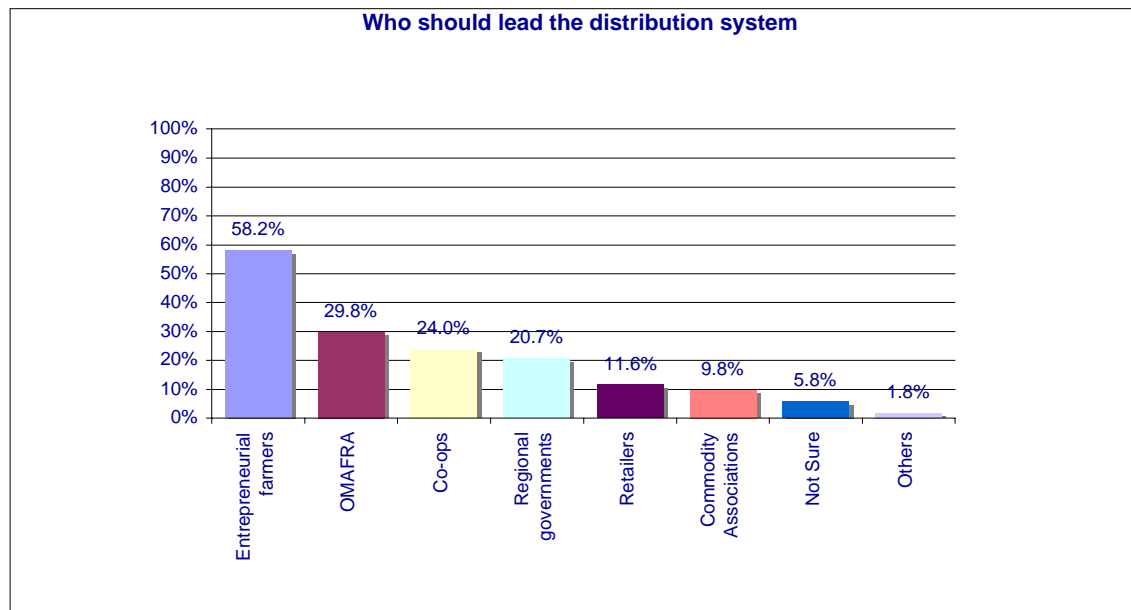
Response	Frequency	Percent
Reluctance of retailers to source local	160	58.2%
Seasonality of local product	157	57.1%
Lack of operating capital	155	56.4%
Reluctance of producers to commit	147	53.5%
Lack of marketing programs	127	46.2%
Difficulty in establishing relationships	116	42.2%
Quality not meeting expectations	100	36.4%
Insufficient consumer demand	99	36.0%
Lack of transportation	70	25.5%
No barriers	24	8.7%
Other	8	2.9%
Total	275	



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Q10. Who do you think should take the lead in developing the Hamilton/Niagara food distribution system? (multiple responses)

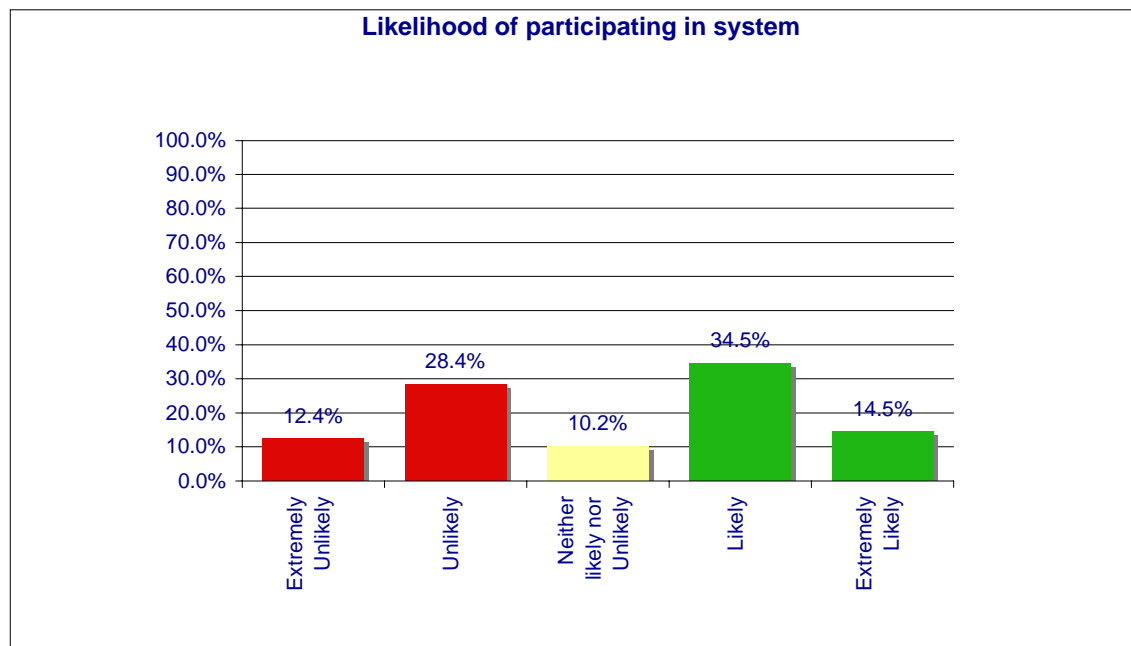
Response	Frequency	Percent
Entrepreneurial farmers	160	58.2%
OMAFRA	82	29.8%
Co-ops	66	24.0%
Regional governments	57	20.7%
Retailers	32	11.6%
Commodity Associations	27	9.8%
Not Sure	16	5.8%
Others	5	1.8%
Total	275	100%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q13. How likely would you be to participate in a Hamilton/Niagara food distribution system?

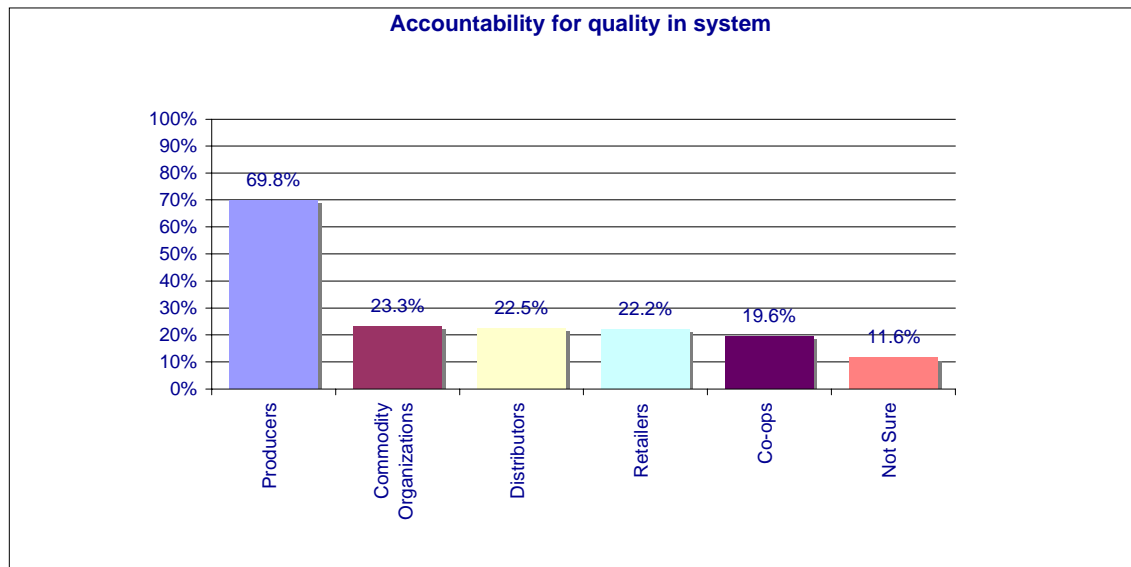
Response	Frequency	Percent
Extremely Unlikely	34	12.4%
Unlikely	78	28.4%
Neither likely nor Unlikely	28	10.2%
Likely	95	34.5%
Extremely Likely	40	14.5%
Total	275	100%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q15. Who should be accountable for ensuring the quality of the food products supplied to the local Hamilton/Niagara food distribution system?

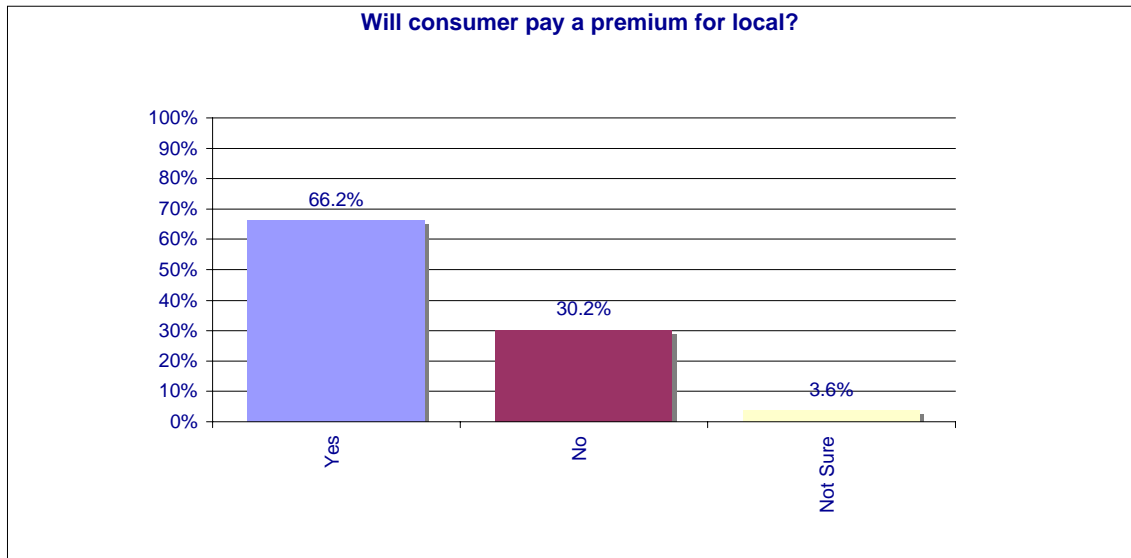
Response	Frequency	Percent
Producers	192	69.8%
Commodity Organizations	64	23.3%
Distributors	62	22.5%
Retailers	61	22.2%
Co-ops	54	19.6%
Not Sure	32	11.6%
Total	275	



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q16. Do you think consumers will pay a premium for the food you are producing right now if it was marketed as “local”?

Response	Frequency	Percent
Yes	182	66.2%
No	83	30.2%
Not Sure	10	3.6%
Total	275	100%

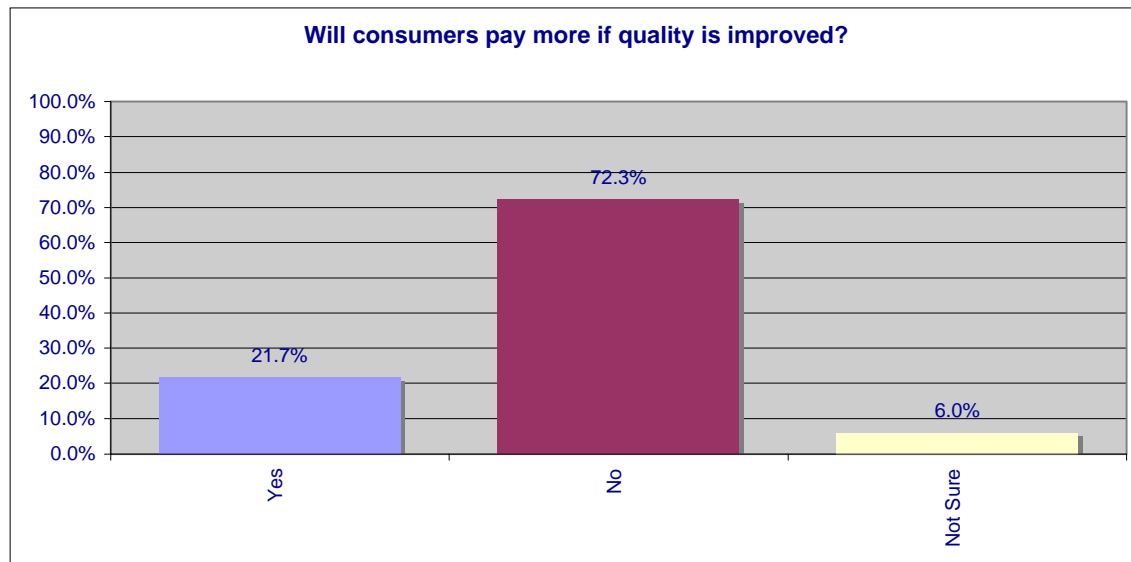


Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q17. And if producers who participate in the local Hamilton/Niagara food distribution system were to make some quality improvements, do you think that consumers would then pay a premium for food and agricultural products marketed as "local"?

Question asked of those who responded "No" to Q.16

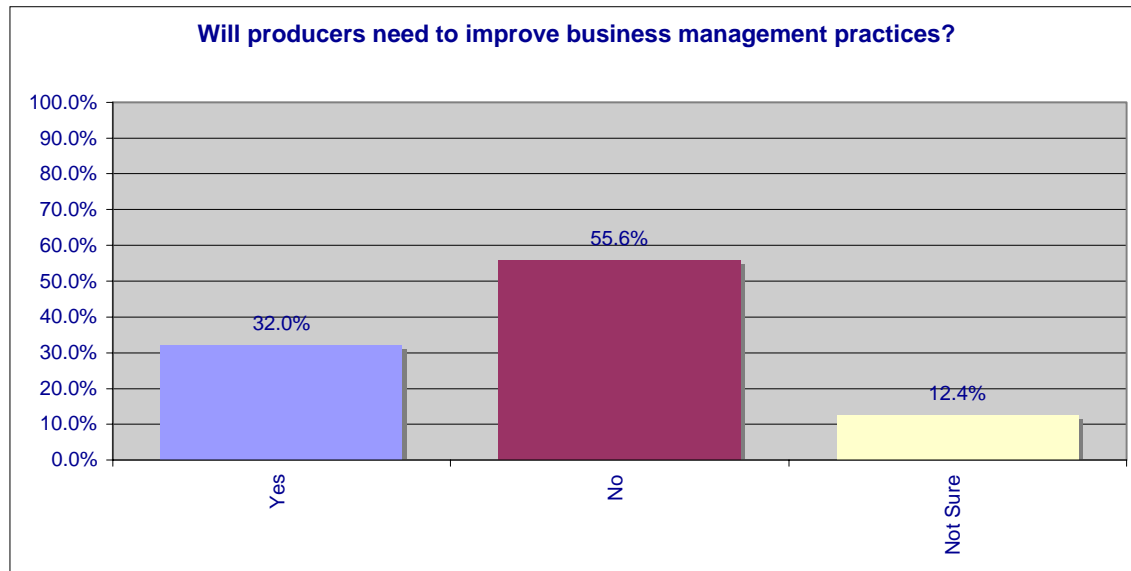
Response	Frequency	Percent
Yes	18	21.7%
No	60	72.3%
Not Sure	5	6.0%
Total	83	100%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q18. Do you think that you would have to make some improvements or upgrades to your current farm business management practices to participate in a local food distribution system?

Response	Frequency	Percent
Yes	88	32.0%
No	153	55.6%
Not Sure	34	12.4%
Total	275	100.0%

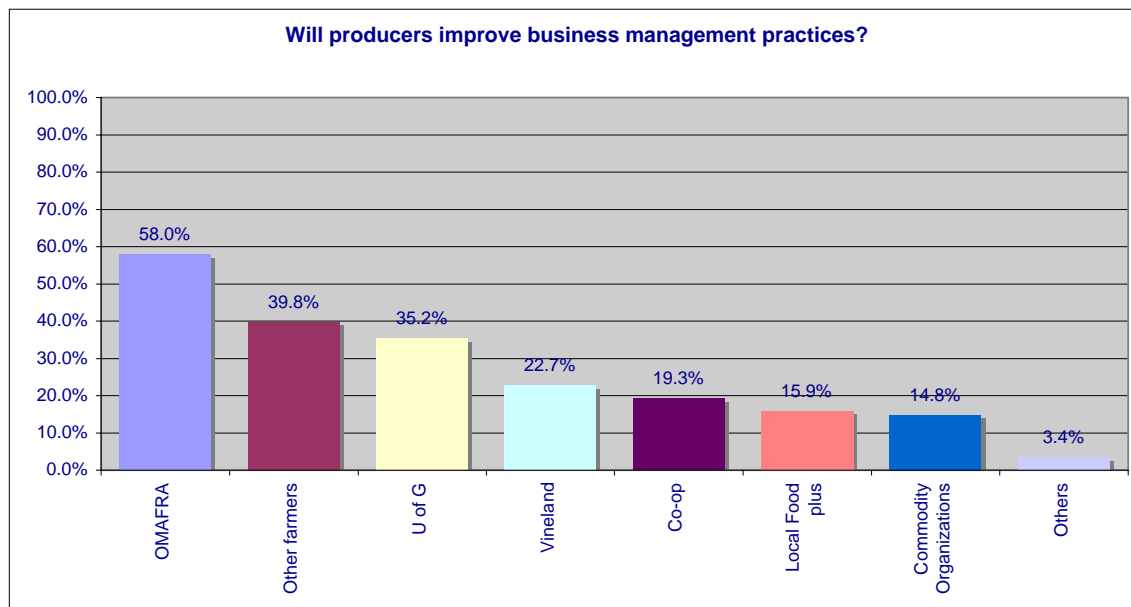


Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q19. Who would you look to for information and guidance on how to improve your current farm business management practices? (multiple responses)

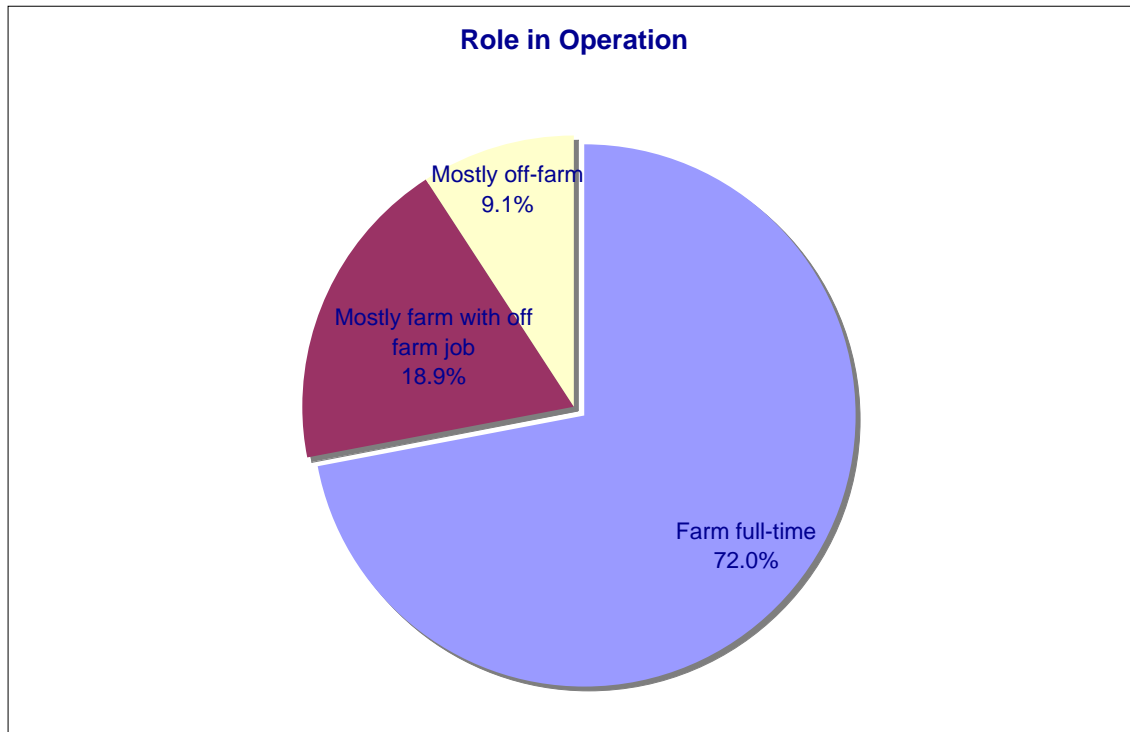
Question asked of those who responded "Yes" to Q18.

Response	Frequency	Percent
OMAFRA	51	58.0%
Other farmers	35	39.8%
U of G	31	35.2%
Vineland	20	22.7%
Co-op	17	19.3%
Local Food plus	14	15.9%
Commodity Organizations	13	14.8%
Others	3	3.4%
Total	88	



Role in Operation

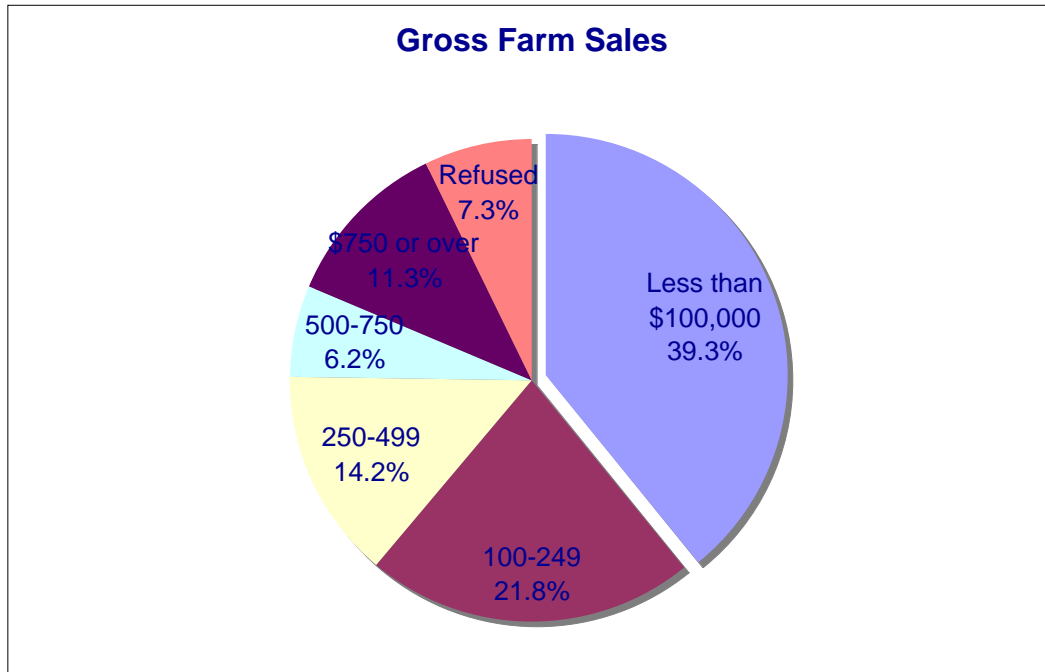
Response	Frequency	Percent
Farm full-time	198	72.0%
Mostly farm with off farm job	52	18.9%
Mostly off-farm	25	9.1%
Total	275	100.0%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Gross Farm Sales

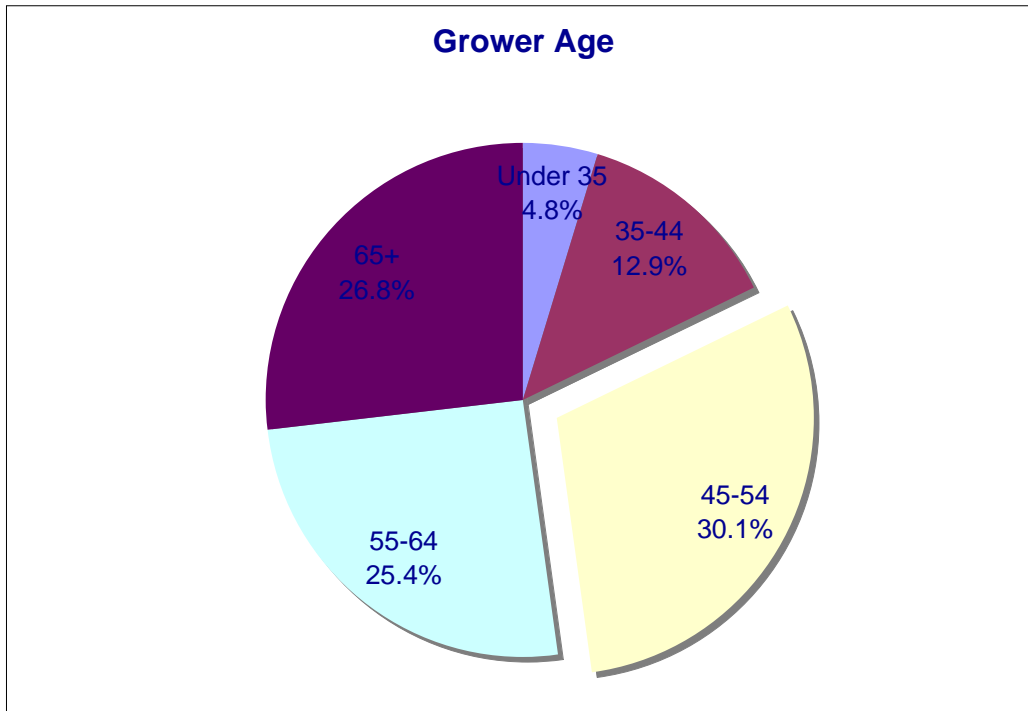
Response	Frequency	Percent
Less than \$100,000	108	39.3%
100-249	60	21.8%
250-499	39	14.2%
500-750	17	6.2%
\$750 or over	31	11.3%
Refused	20	7.3%
Total	275	100.0%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

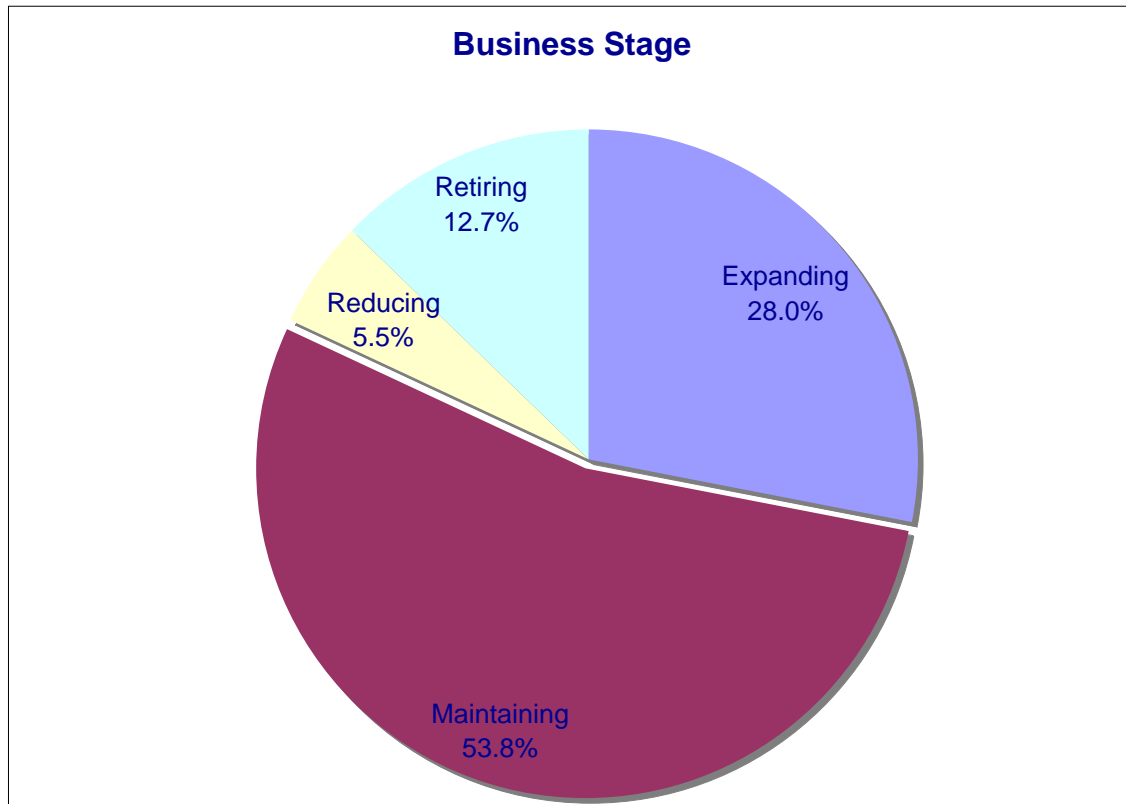
Age

Response	Frequency	Percent
Under 35	13	4.7%
35-44	35	12.7%
45-54	82	29.8%
55-64	69	25.1%
65+	73	26.5%
Refused	3	1.1%
Total	275	100.0%



Business Stage

Response	Frequency	Percent
Expanding	77	28.0%
Maintaining	148	53.8%
Reducing	15	5.5%
Retiring	35	12.7%
Total	275	100.0%

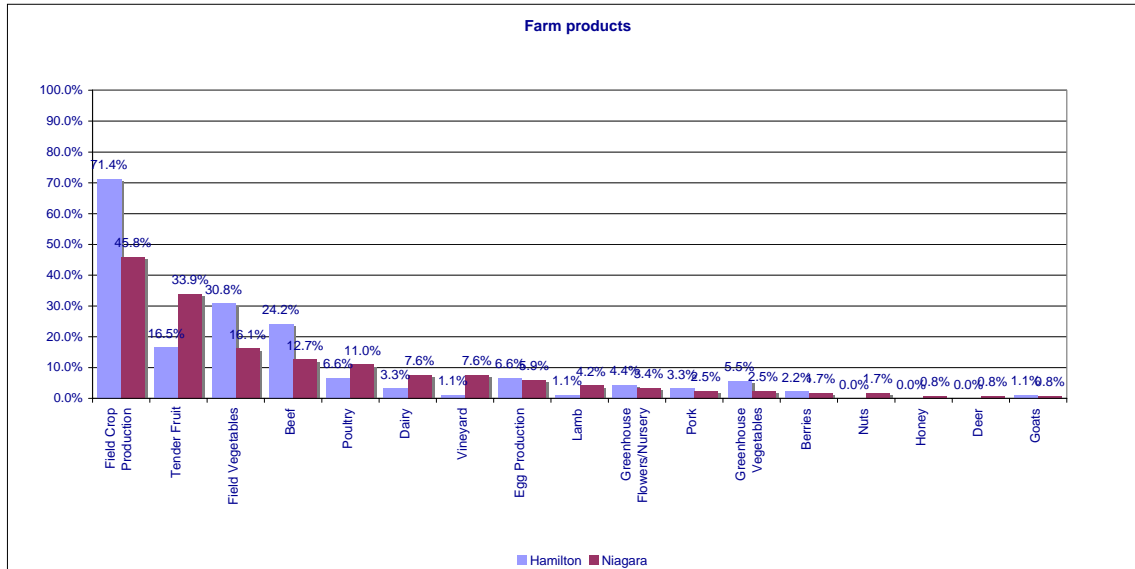


Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Section 2: By Region

Q1. Which of the following activities do you engage in on your farm? (multiple response)

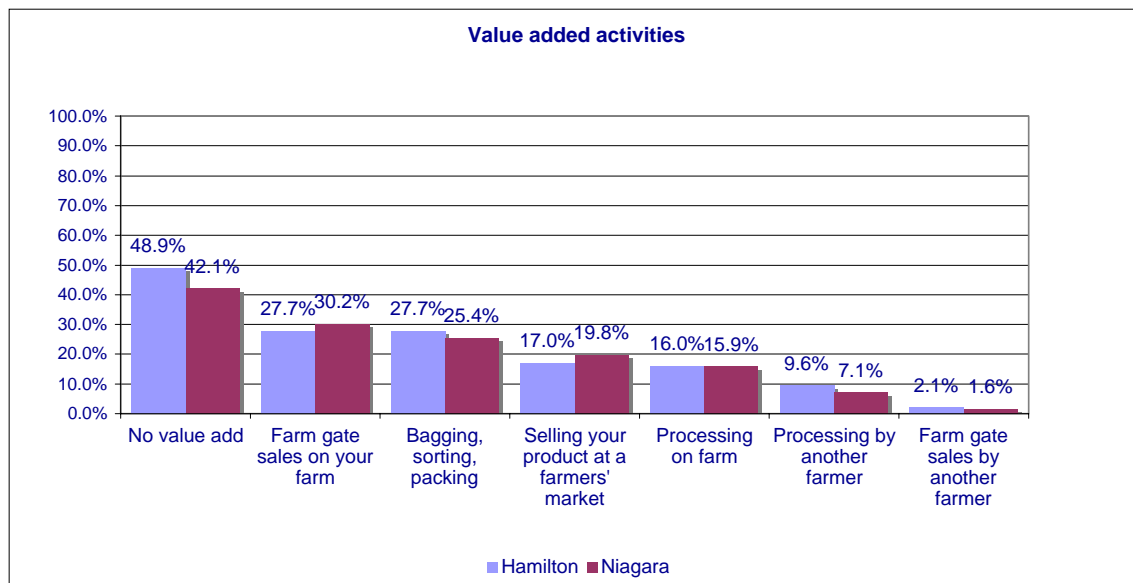
Response	Hamilton	Niagara
Field Crop Production	71.4%	45.8%
Tender Fruit	16.5%	33.9%
Field Vegetables	30.8%	16.1%
Beef	24.2%	12.7%
Poultry	6.6%	11.0%
Dairy	3.3%	7.6%
Vineyard	1.1%	7.6%
Egg Production	6.6%	5.9%
Lamb	1.1%	4.2%
Greenhouse Flowers/Nursery	4.4%	3.4%
Pork	3.3%	2.5%
Greenhouse Vegetables	5.5%	2.5%
Berries	2.2%	1.7%
Nuts	0.0%	1.7%
Honey	0.0%	0.8%
Deer	0.0%	0.8%
Goats	1.1%	0.8%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q2. Do you add value to any of your farm products by: (multiple response)

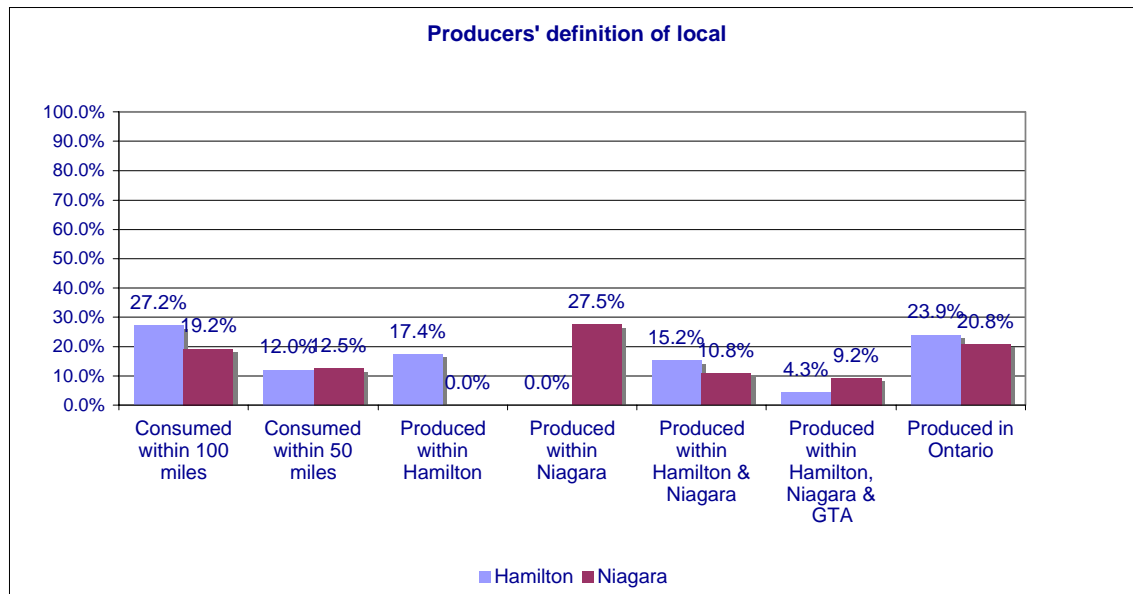
Response	Hamilton	Niagara
No value add	48.9%	42.1%
Farm gate sales on your farm	27.7%	30.2%
Bagging, sorting, packing	27.7%	25.4%
Selling your product at a farmers' market	17.0%	19.8%
Processing on farm	16.0%	15.9%
Processing by another farmer	9.6%	7.1%
Farm gate sales by another farmer	2.1%	1.6%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q3. Which of the following best fits your own understanding of what is meant by “local”?

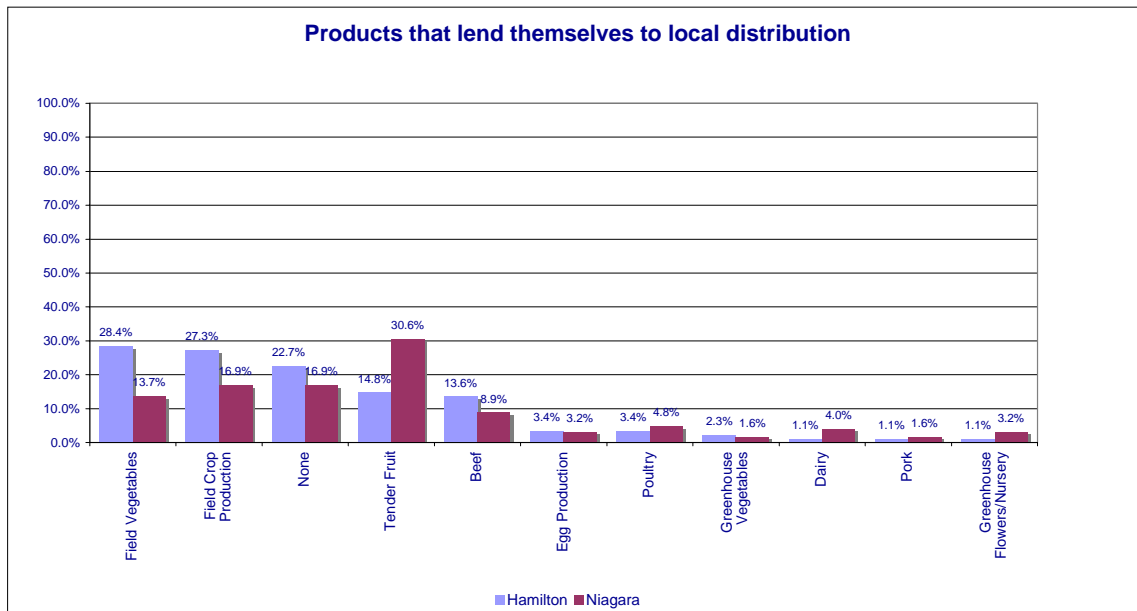
Response	Hamilton	Niagara
Consumed within 100 miles	27.2%	19.2%
Consumed within 50 miles	12.0%	12.5%
Produced within Hamilton	17.4%	0.0%
Produced within Niagara	0.0%	27.5%
Produced within Hamilton & Niagara	15.2%	10.8%
Produced within Hamilton, Niagara & GTA	4.3%	9.2%
Produced in Ontario	23.9%	20.8%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q4. Which of your own farm products lend themselves most readily to local food distribution?
(multiple response)

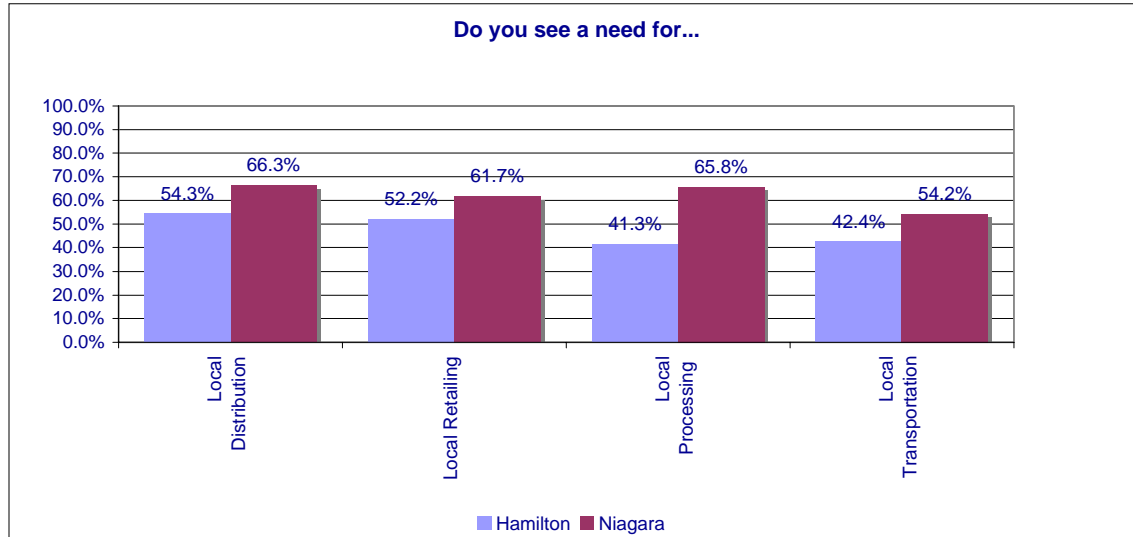
Response	Hamilton	Niagara
Field Vegetables	28.4%	13.7%
Field Crop Production	27.3%	16.9%
None	22.7%	16.9%
Tender Fruit	14.8%	30.6%
Beef	13.6%	8.9%
Egg Production	3.4%	3.2%
Poultry	3.4%	4.8%
Greenhouse Vegetables	2.3%	1.6%
Dairy	1.1%	4.0%
Pork	1.1%	1.6%
Greenhouse Flowers/Nursery	1.1%	3.2%
Berries	1.1%	0.8%
Vineyard	1.1%	4.8%
goats	1.1%	0.8%
Lamb		2.4%
Honey		0.8%
Deer		0.8%
Nuts		0.8%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q5. Do you see a need for... (multiple response)

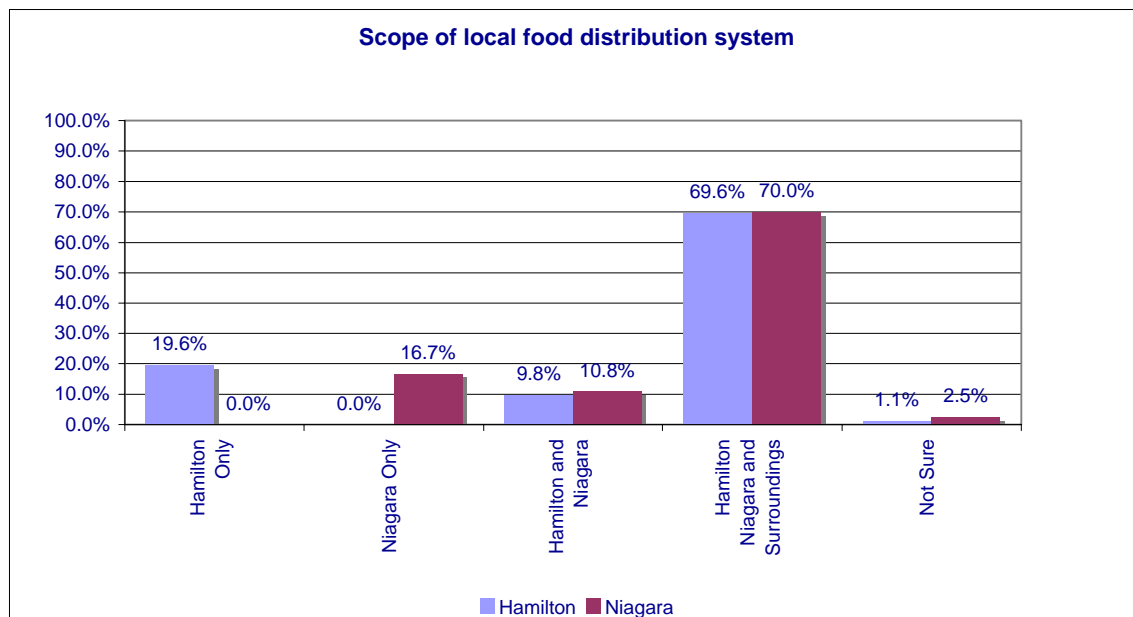
Response	Hamilton	Niagara
Local Distribution	54.3%	66.3%
Local Retailing	52.2%	61.7%
Local Processing	41.3%	65.8%
Local Transportation	42.4%	54.2%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q6. If a system was to be established to distribute locally produced food and agricultural products produced in your area, which of the following options do you consider most likely to meet your needs:

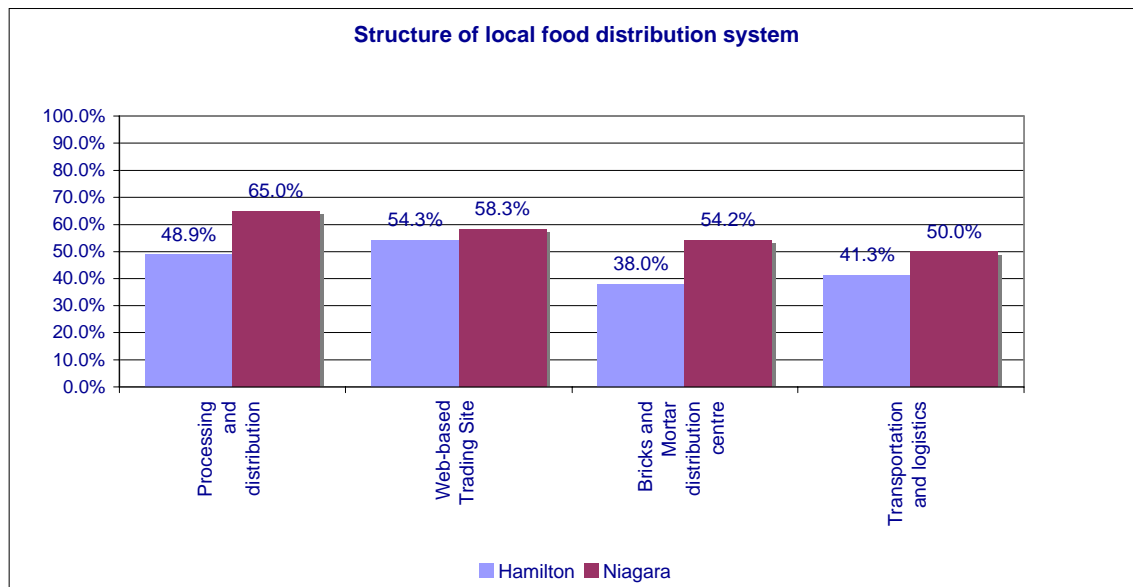
Response	Hamilton	Niagara
Hamilton Only	19.6%	0.0%
Niagara Only	0.0%	16.7%
Hamilton and Niagara	9.8%	10.8%
Hamilton Niagara and Surroundings	69.6%	70.0%
Not Sure	1.1%	2.5%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q7. Still thinking about a possible local food distribution system, which of the following options do you consider most likely to meet your needs:

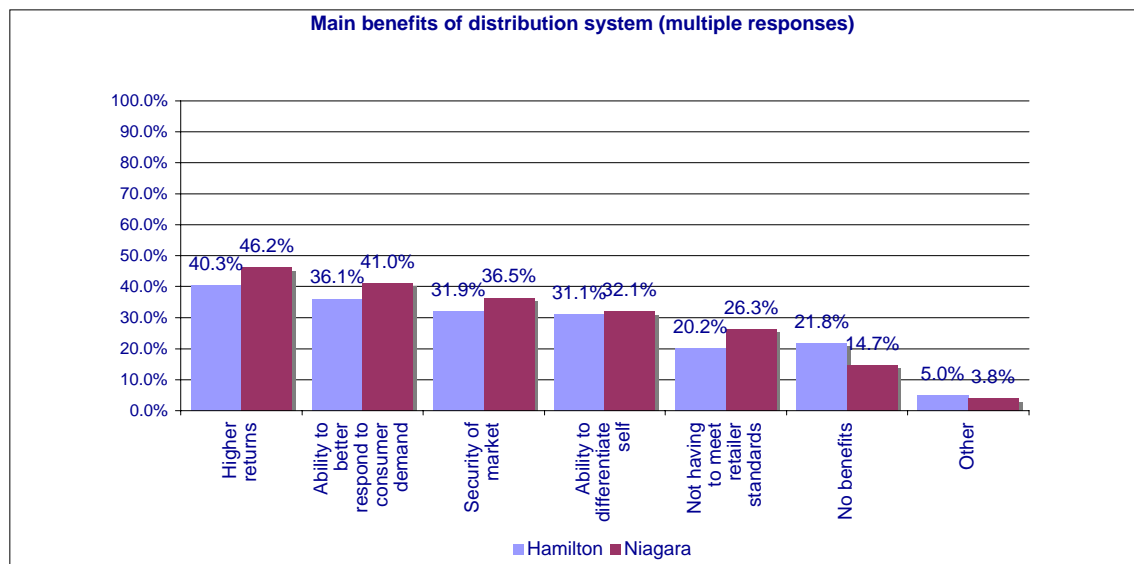
Response	Hamilton	Niagara
Processing and distribution	48.9%	65.0%
Web-based Trading Site	54.3%	58.3%
Bricks and Mortar distribution centre	38.0%	54.2%
Transportation and logistics	41.3%	50.0%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q8. What would be the main benefits to your farm business of participating in a local food distribution system?

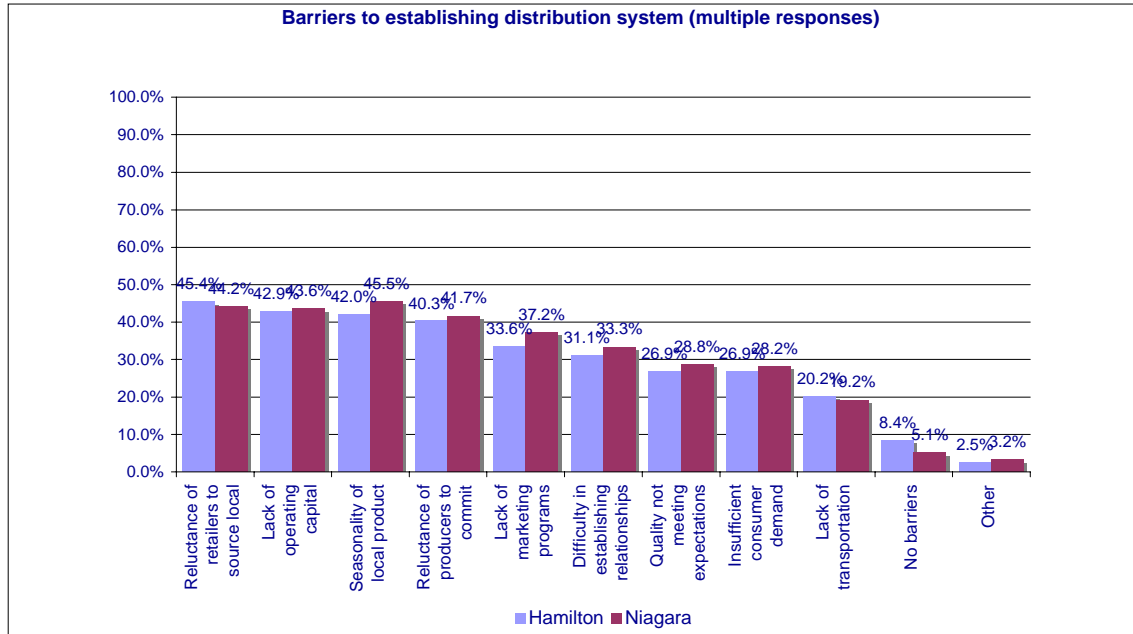
Response	Hamilton	Niagara
Higher returns	40.3%	46.2%
Ability to better respond to consumer demand	36.1%	41.0%
Security of market	31.9%	36.5%
Ability to differentiate self	31.1%	32.1%
Not having to meet retailer standards	20.2%	26.3%
No benefits	21.8%	14.7%
Other	5.0%	3.8%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q9. What would be the main barriers that might keep a local food distribution system from being successful?

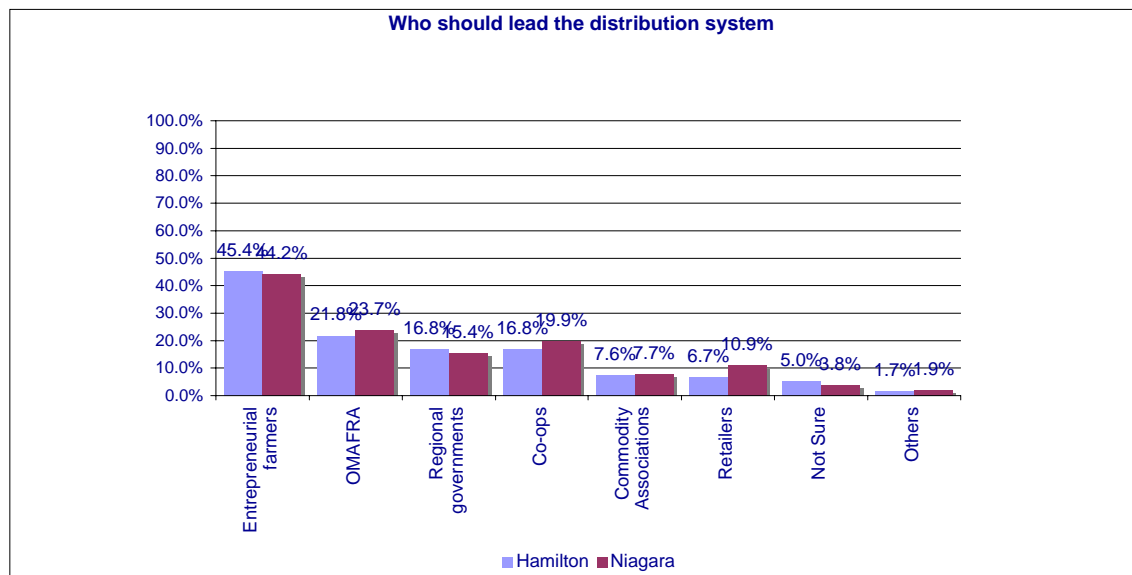
Response	Hamilton	Niagara
Reluctance of retailers to source local	45.4%	44.2%
Lack of operating capital	42.9%	43.6%
Seasonality of local product	42.0%	45.5%
Reluctance of producers to commit	40.3%	41.7%
Lack of marketing programs	33.6%	37.2%
Difficulty in establishing relationships	31.1%	33.3%
Quality not meeting expectations	26.9%	28.8%
Insufficient consumer demand	26.9%	28.2%
Lack of transportation	20.2%	19.2%
No barriers	8.4%	5.1%
Other	2.5%	3.2%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q10. Who do you think should take the lead in developing the Hamilton/Niagara food distribution system? (multiple responses)

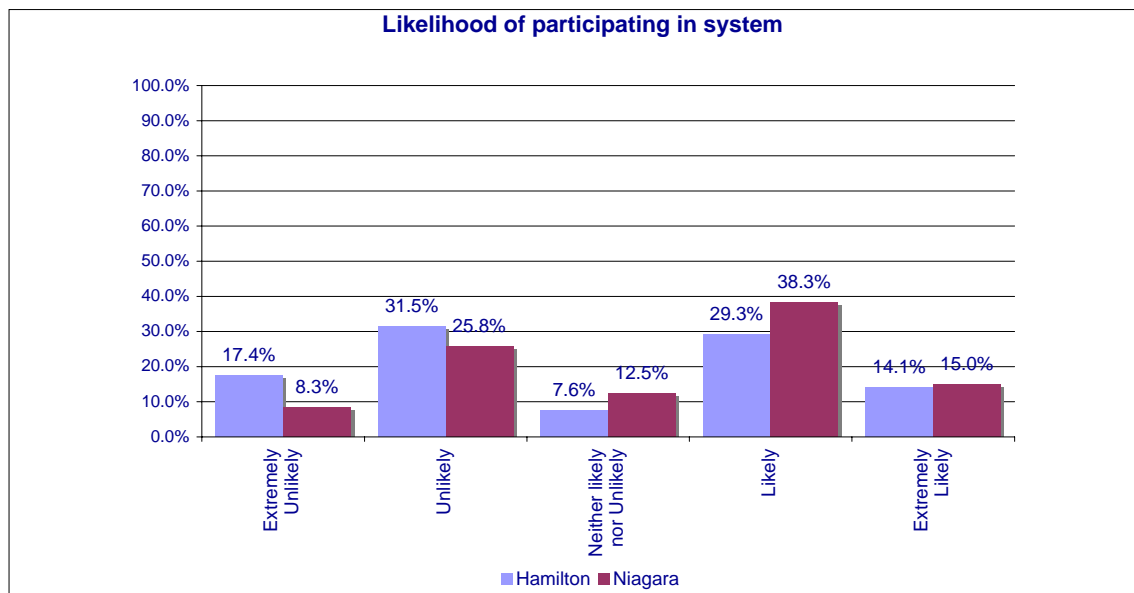
Response	Hamilton	Niagara
Entrepreneurial farmers	45.4%	44.2%
OMAFRA	21.8%	23.7%
Regional governments	16.8%	15.4%
Co-ops	16.8%	19.9%
Commodity Associations	7.6%	7.7%
Retailers	6.7%	10.9%
Not Sure	5.0%	3.8%
Others	1.7%	1.9%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q13. How likely would you be to participate in a Hamilton/Niagara food distribution system?

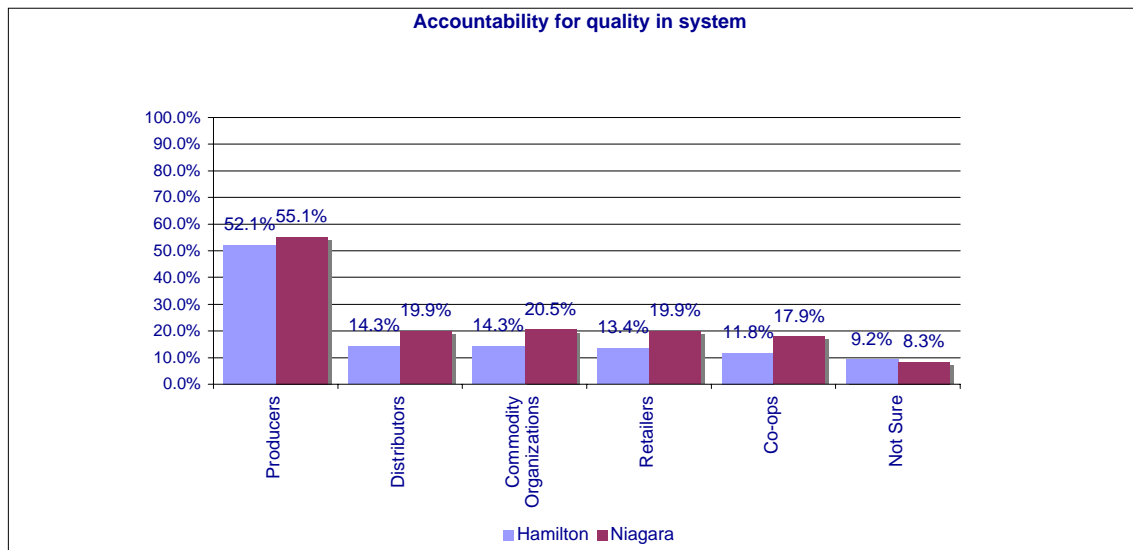
Response	Hamilton	Niagara
Extremely Unlikely	17.4%	8.3%
Unlikely	31.5%	25.8%
Neither likely nor Unlikely	7.6%	12.5%
Likely	29.3%	38.3%
Extremely Likely	14.1%	15.0%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q15. Who should be accountable for ensuring the quality of the food products supplied to the local Hamilton/Niagara food distribution system?

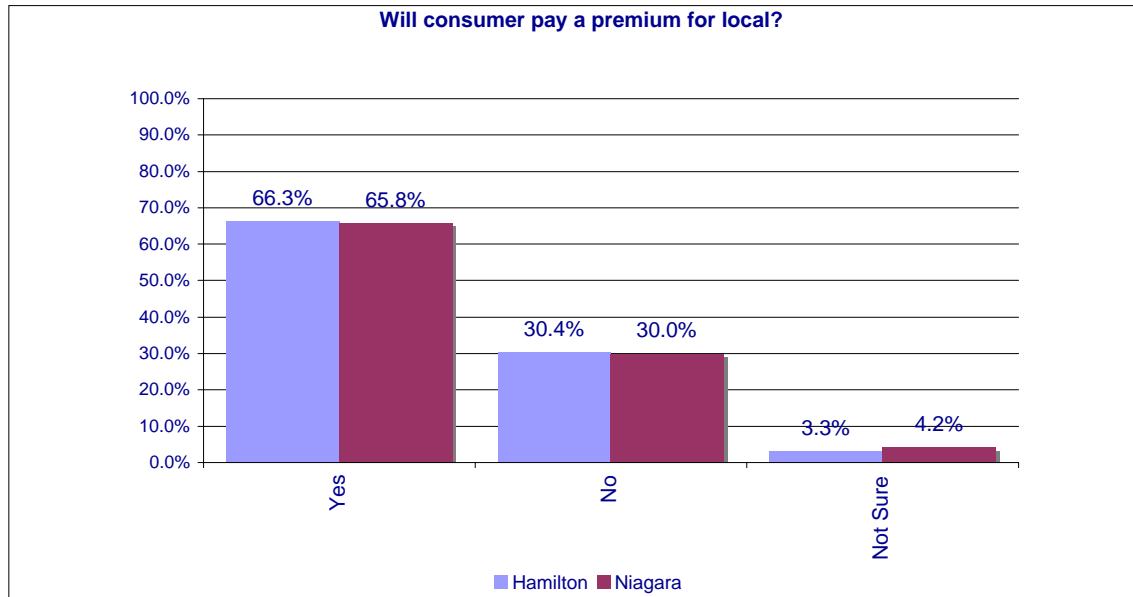
Response	Hamilton	Niagara
Producers	52.1%	55.1%
Distributors	14.3%	19.9%
Commodity Organizations	14.3%	20.5%
Retailers	13.4%	19.9%
Co-ops	11.8%	17.9%
Not Sure	9.2%	8.3%
Total	119	156



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q16. Do you think consumers will pay a premium for the food you are producing right now if it was marketed as “local”?

Response	Hamilton	Niagara
Yes	66.3%	65.8%
No	30.4%	30.0%
Not Sure	3.3%	4.2%
Total	119	156

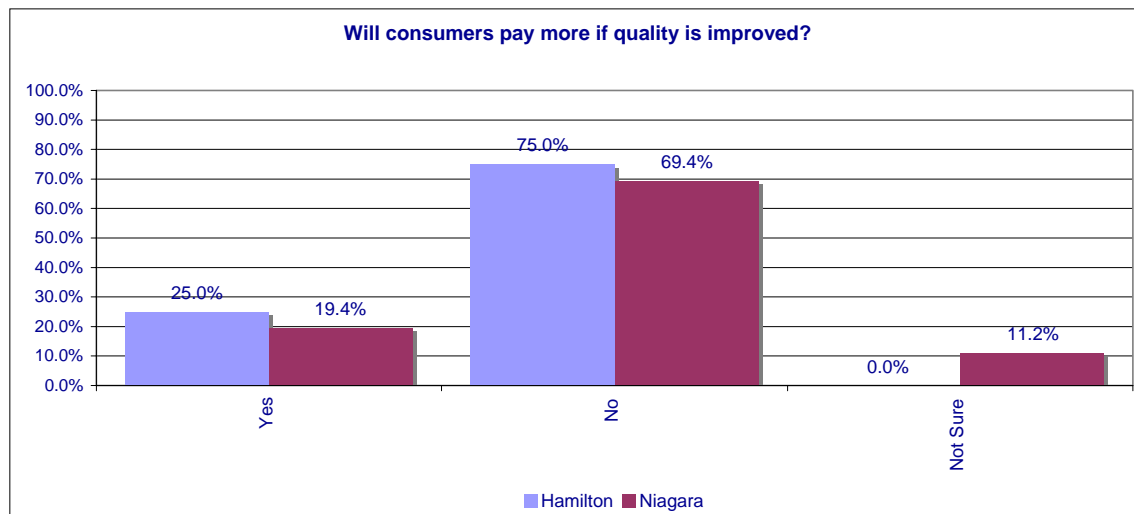


Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q17. And if producers who participate in the local Hamilton/Niagara food distribution system were to make some quality improvements, do you think that consumers would then pay a premium for food and agricultural products marketed as “local”?

Question asked of those who responded “No” to Q.16.

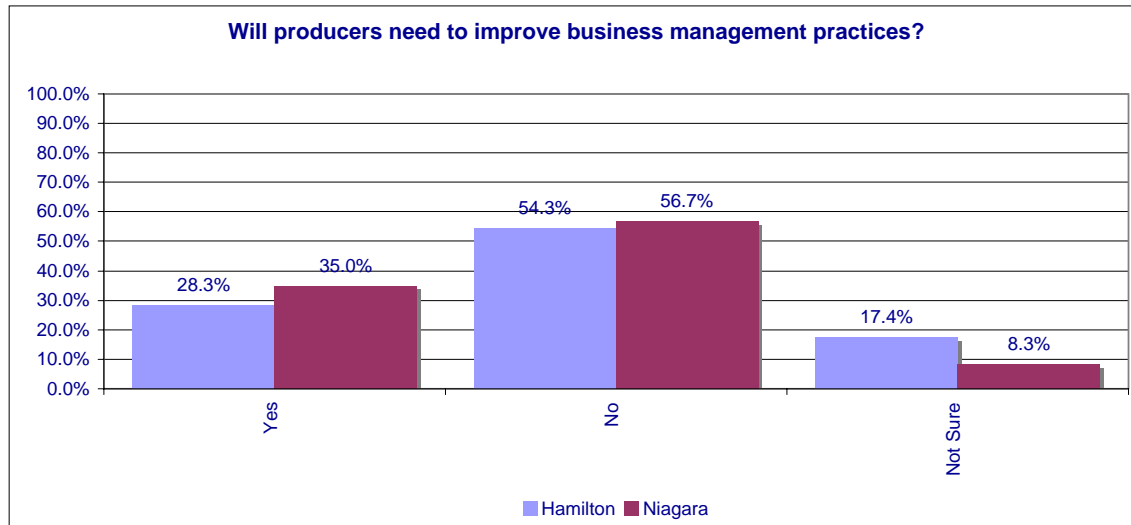
Response	Hamilton	Niagara
Yes	25.0%	19.4%
No	75.0%	69.4%
Not Sure	0.0%	11.2%
Total	36	47



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q18. Do you think that you would have to make some improvements or upgrades to your current farm business management practices to participate in a local food distribution system?

Response	Hamilton	Niagara
Yes	28.3%	35.0%
No	54.3%	56.7%
Not Sure	17.4%	8.3%
Total	119	156

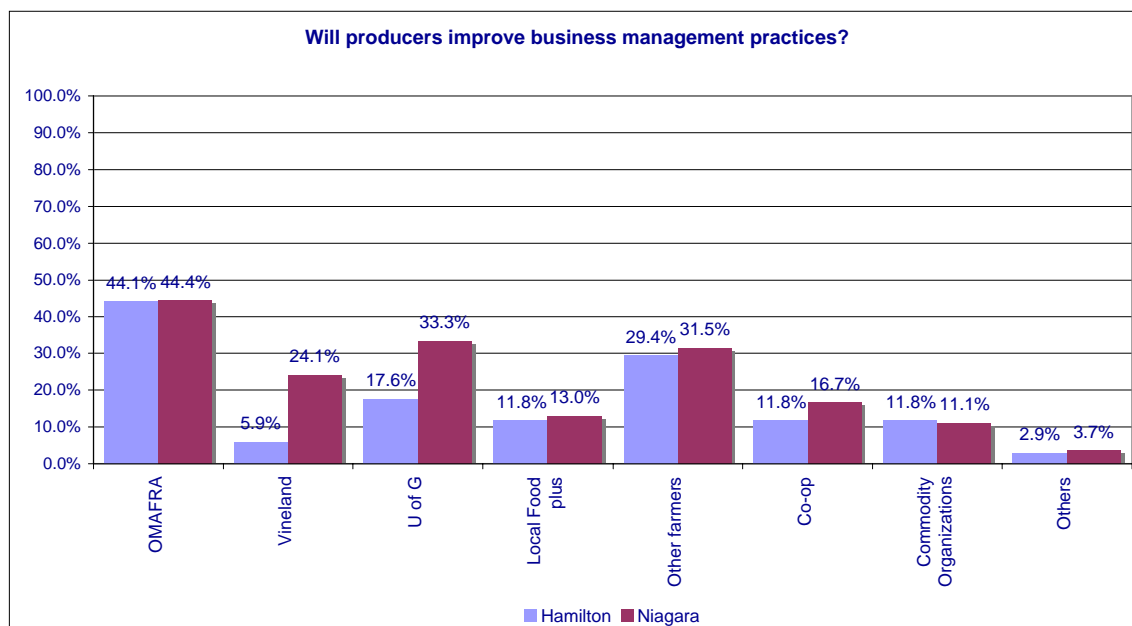


Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Q19. Who would you look to for information and guidance on how to improve your current farm business management practices? (multiple responses)

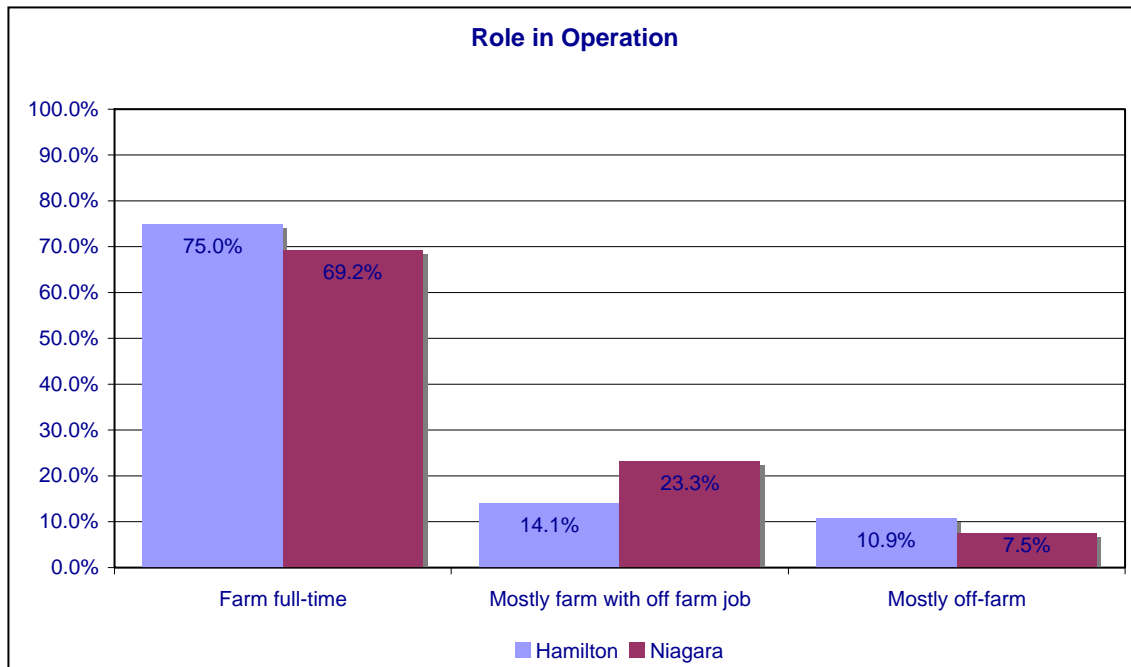
Question asked of those who responded "Yes" to Q18.

Response	Hamilton	Niagara
OMAFRA	44.1%	44.4%
Vineland	5.9%	24.1%
U of G	17.6%	33.3%
Local Food plus	11.8%	13.0%
Other farmers	29.4%	31.5%
Co-op	11.8%	16.7%
Commodity Organizations	11.8%	11.1%
Others	2.9%	3.7%
Total	34	54



Role in Operation

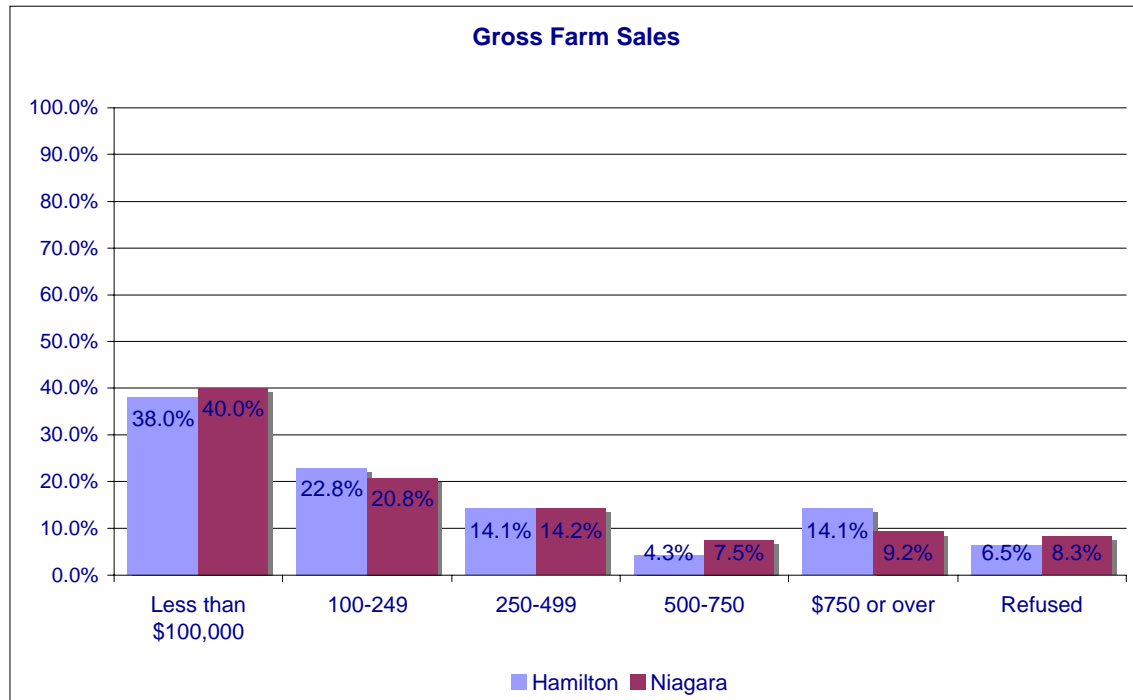
Response	Hamilton	Niagara
Farm full-time	75.0%	69.2%
Mostly farm with off farm job	14.1%	23.3%
Mostly off-farm	10.9%	7.5%
Total	100.0%	100.0%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Gross Farm Sales

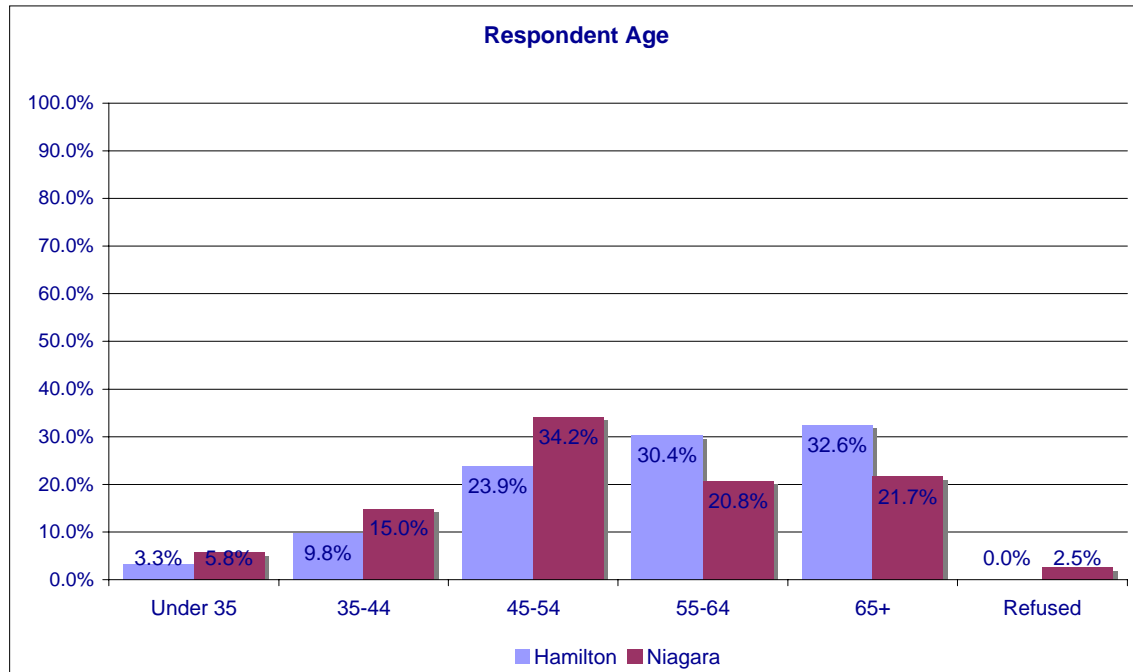
Response	Hamilton	Niagara
Less than \$100,000	38.0%	40.0%
100-249	22.8%	20.8%
250-499	14.1%	14.2%
500-750	4.3%	7.5%
\$750 or over	14.1%	9.2%
Refused	6.5%	8.3%
Total	99.8%	100.0%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Age

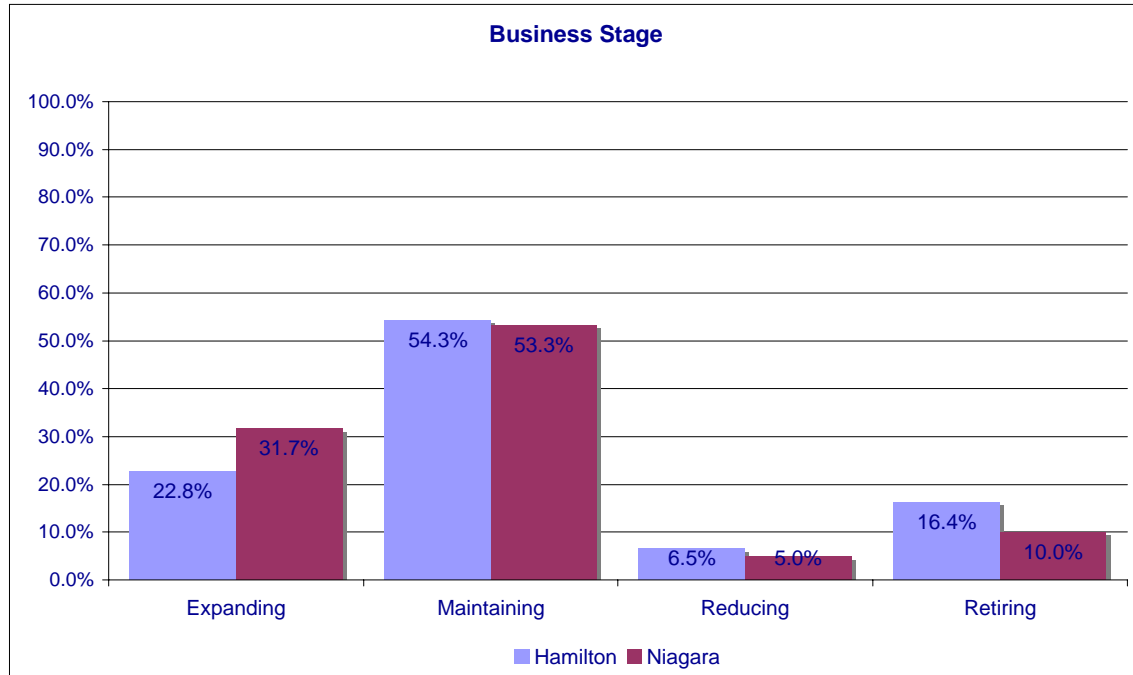
Response	Hamilton	Niagara
Under 35	3.3%	5.8%
35-44	9.8%	15.0%
45-54	23.9%	34.2%
55-64	30.4%	20.8%
65+	32.6%	21.7%
Refused	0.0%	2.5%
Total	100.0%	100.0%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Business Stage

Response	Hamilton	Niagara
Expanding	22.8%	31.7%
Maintaining	54.3%	53.3%
Reducing	6.5%	5.0%
Retiring	16.4%	10.0%
Total	100.0%	100.0%

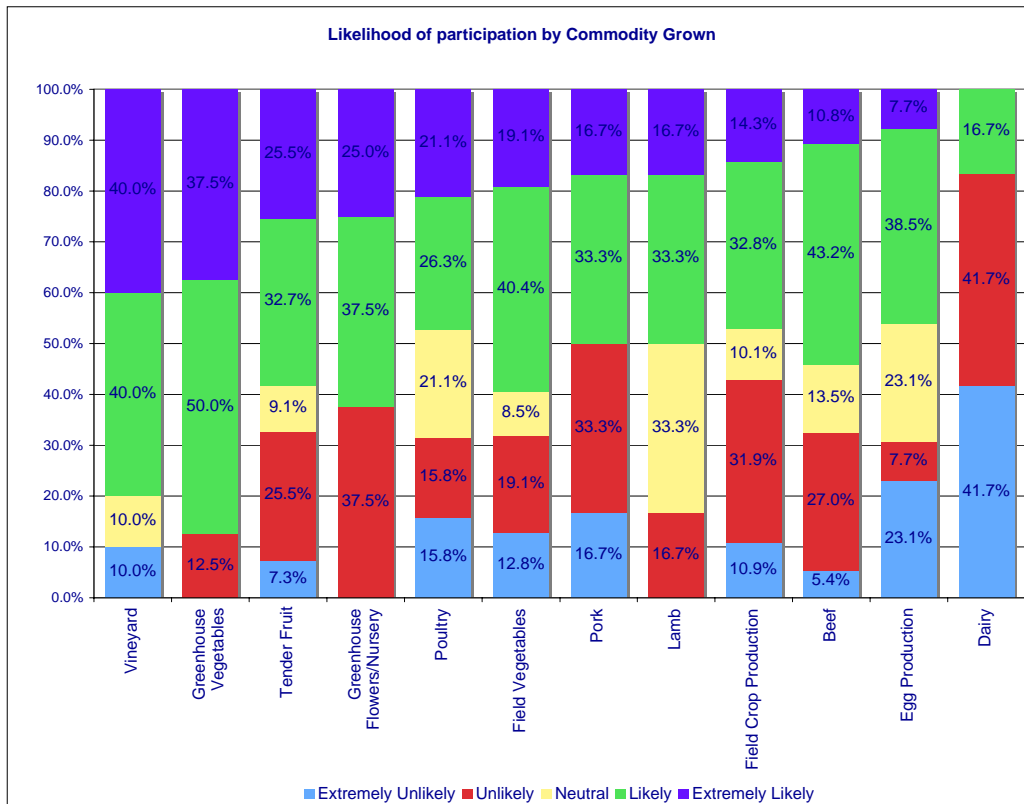


Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

Section 3: Likelihood of Participation, by Selected Criteria

By Crop Type

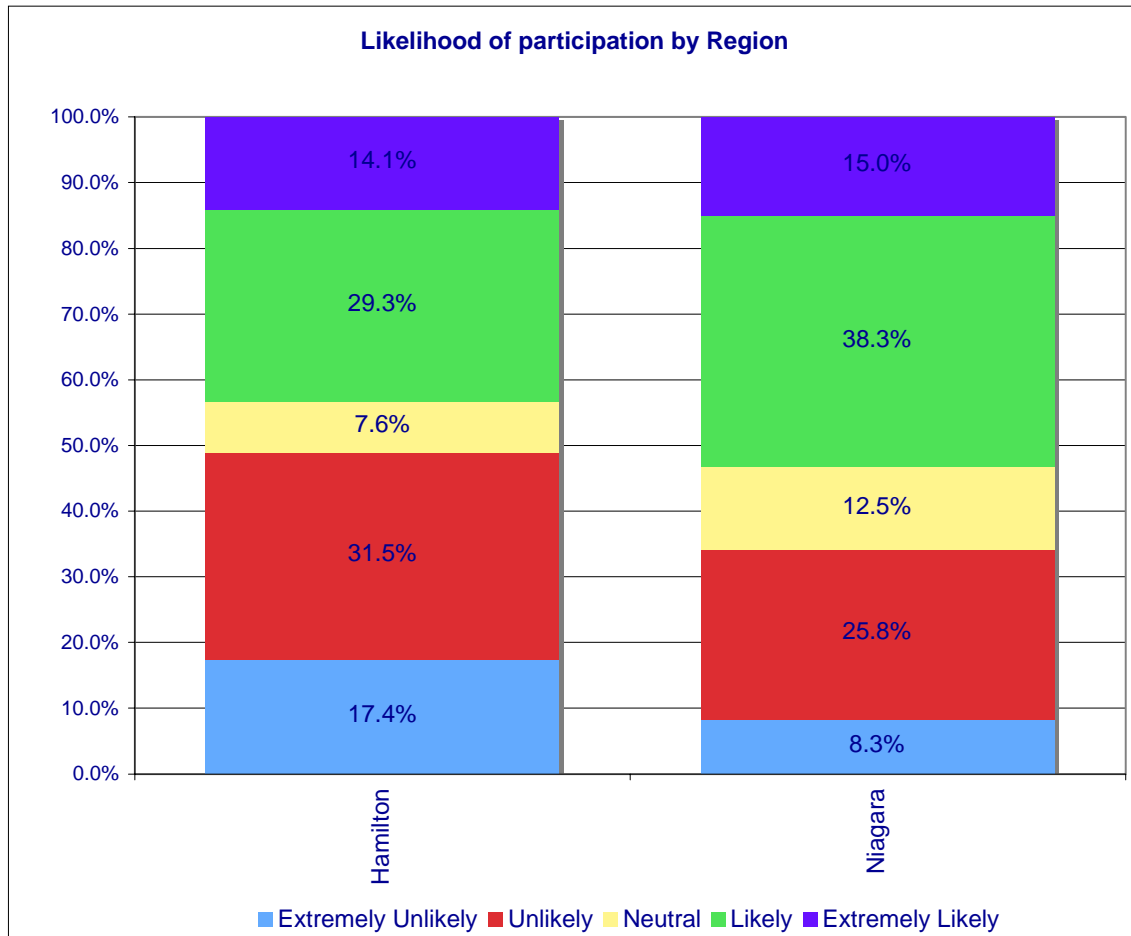
	Crop type	Extremely Unlikely	Unlikely	Neutral	Likely	Extremely Likely
1	Vineyard	10.0%		10.0%	40.0%	40.0%
8	Greenhouse Vegetables		12.5%		50.0%	37.5%
9	Tender Fruit	7.3%	25.5%	9.1%	32.7%	25.5%
	Greenhouse					
5	Flowers/Nursery		37.5%		37.5%	25.0%
6	Poultry	15.8%	15.8%	21.1%	26.3%	21.1%
3	Field Vegetables	12.8%	19.1%	8.5%	40.4%	19.1%
2	Pork	16.7%	33.3%		33.3%	16.7%
13	Lamb		16.7%	33.3%	33.3%	16.7%
10	Field Crop Production	10.9%	31.9%	10.1%	32.8%	14.3%
11	Beef	5.4%	27.0%	13.5%	43.2%	10.8%
4	Egg Production	23.1%	7.7%	23.1%	38.5%	7.7%
7	Dairy	41.7%	41.7%		16.7%	
12	Berries	25.0%	25.0%		25.0%	25.0%
18	Nuts					100.0%
20	goats				100.0%	
15	Honey				100.0%	
16	Deer					100.0%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

By Region

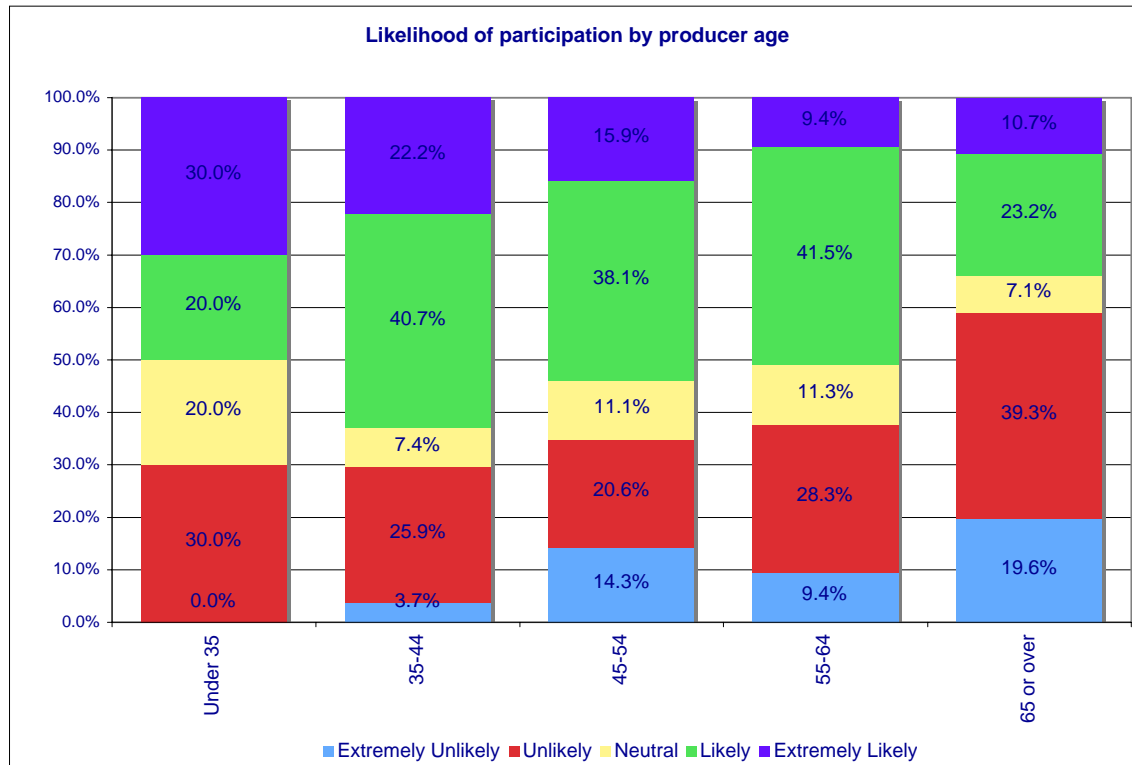
Response	Extremely Unlikely	Unlikely	Neutral	Likely	Extremely Likely
Hamilton	17.4%	31.5%	7.6%	29.3%	14.1%
Niagara	8.3%	25.8%	12.5%	38.3%	15.0%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

By Age

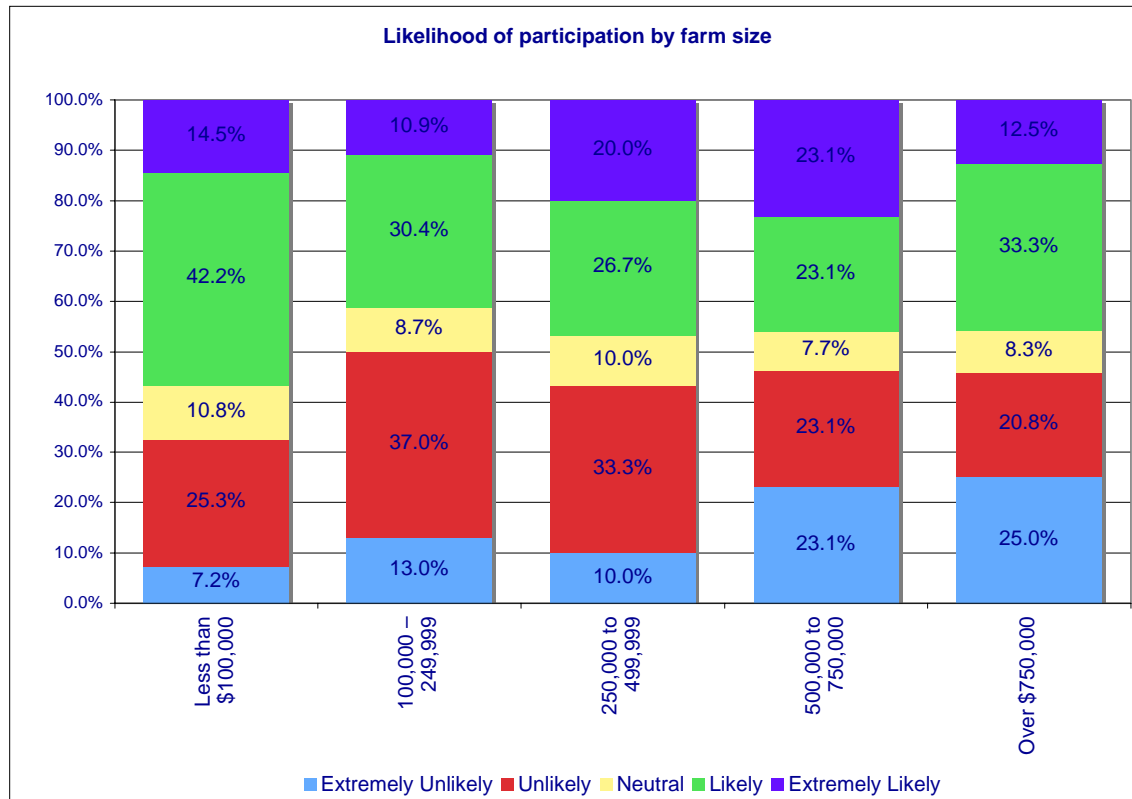
Response	Extremely Unlikely	Unlikely	Neutral	Likely	Extremely Likely
Under 35	0.0%	30.0%	20.0%	20.0%	30.0%
35-44	3.7%	25.9%	7.4%	40.7%	22.2%
45-54	14.3%	20.6%	11.1%	38.1%	15.9%
55-64	9.4%	28.3%	11.3%	41.5%	9.4%
65 or over	19.6%	39.3%	7.1%	23.2%	10.7%
Total	12.3%	28.3%	10.4%	34.4%	14.6%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

By Gross Farm Sales

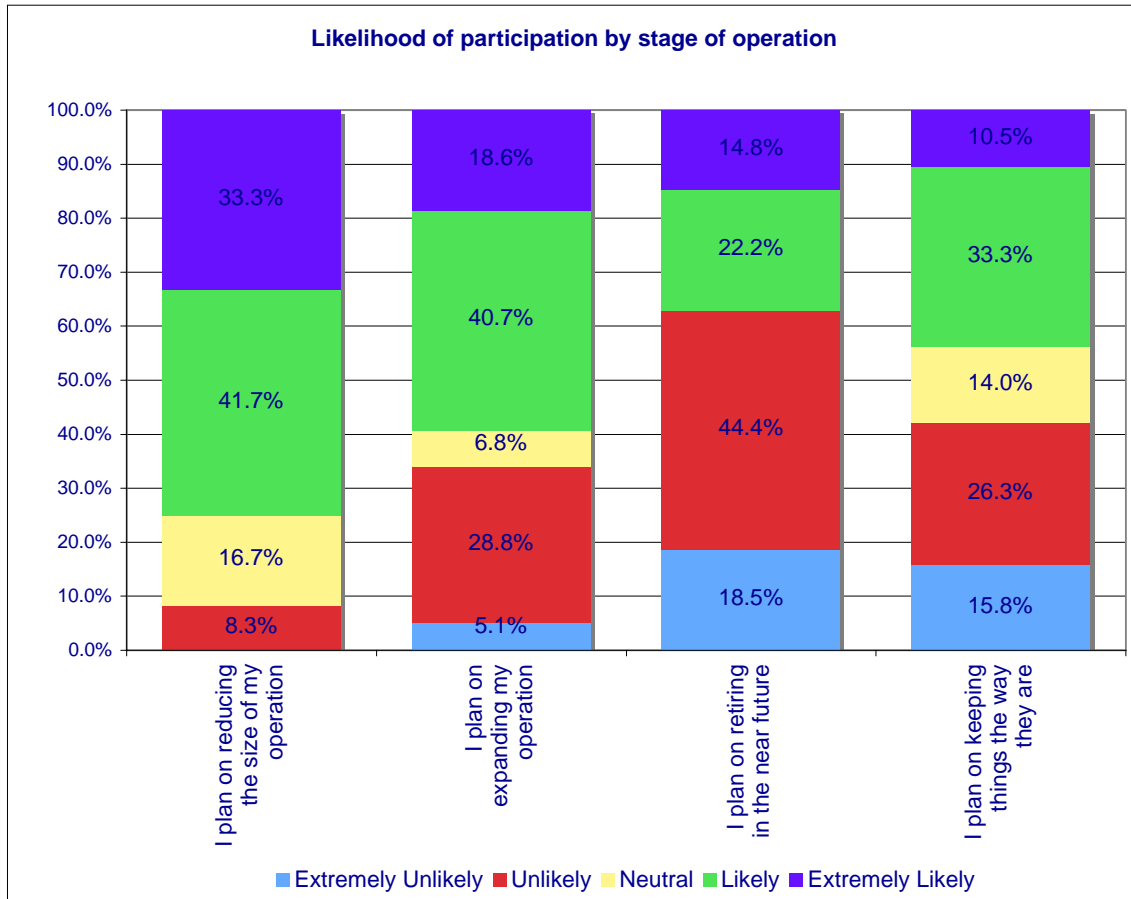
Response	Extremely Unlikely	Unlikely	Neutral	Likely	Extremely Likely
Less than \$100,000	7.2%	25.3%	10.8%	42.2%	14.5%
100,000 – 249,999	13.0%	37.0%	8.7%	30.4%	10.9%
250,000 to 499,999	10.0%	33.3%	10.0%	26.7%	20.0%
500,000 to 750,000	23.1%	23.1%	7.7%	23.1%	23.1%
Over \$750,000	25.0%	20.8%	8.3%	33.3%	12.5%
Total	12.3%	28.3%	10.4%	34.4%	14.6%



Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton

By Business Stage

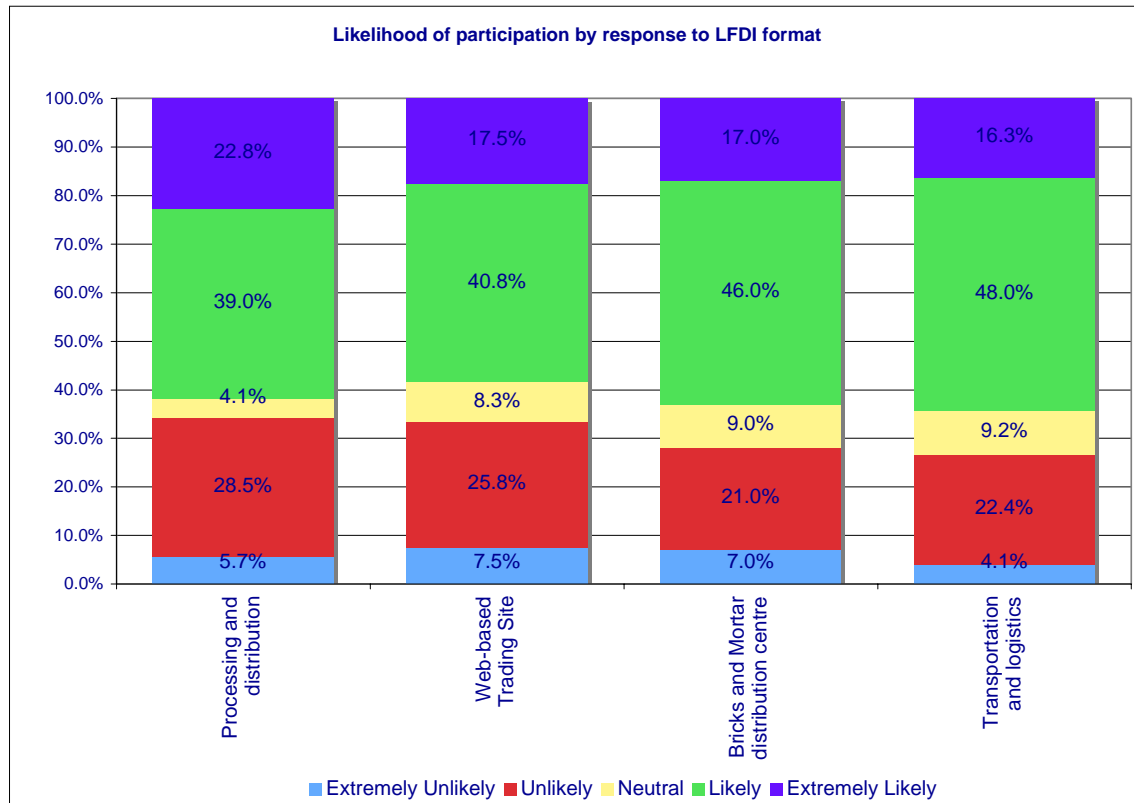
Response	Extremely Unlikely	Unlikely	Neutral	Likely	Extremely Likely
I plan on reducing the size of my operation		8.3%	16.7%	41.7%	33.3%
I plan on expanding my operation	5.1%	28.8%	6.8%	40.7%	18.6%
I plan on retiring in the near future	18.5%	44.4%		22.2%	14.8%
I plan on keeping things the way they are	15.8%	26.3%	14.0%	33.3%	10.5%
Total	12.3%	28.3%	10.4%	34.4%	14.6%



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By Format of LFDI

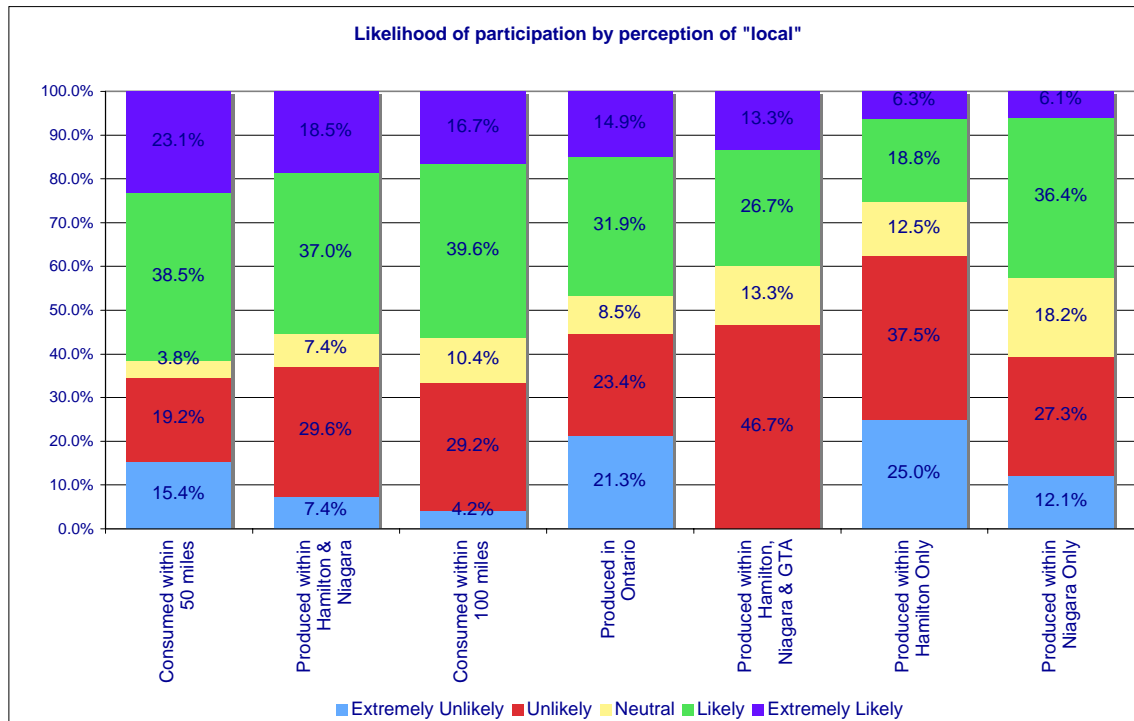
Response	Extremely Unlikely	Unlikely	Neutral	Likely	Extremely Likely
Processing and distribution	5.7%	28.5%	4.1%	39.0%	22.8%
Web-based Trading Site	7.5%	25.8%	8.3%	40.8%	17.5%
Bricks and Mortar distribution centre	7.0%	21.0%	9.0%	46.0%	17.0%
Transportation and logistics	4.1%	22.4%	9.2%	48.0%	16.3%
Total	12.3%	28.3%	10.4%	34.4%	14.6%



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By Perception of "Local"

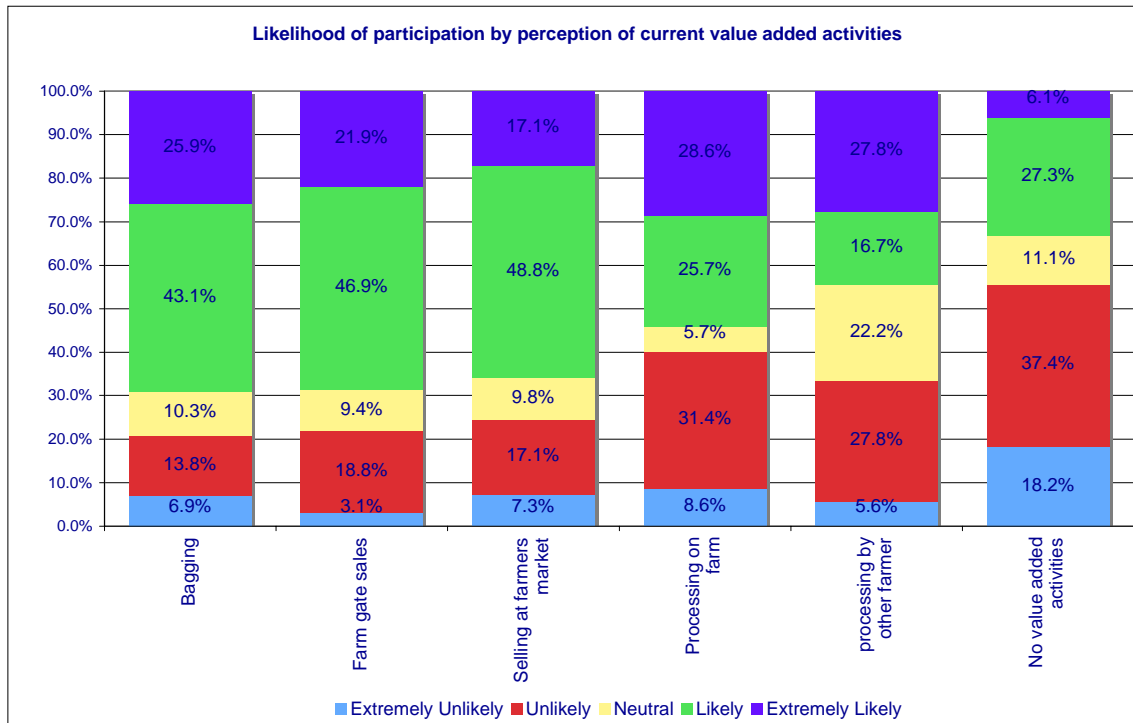
Response	Extremely Unlikely	Unlikely	Neutral	Likely	Extremely Likely
Consumed within 50 miles	15.4%	19.2%	3.8%	38.5%	23.1%
Produced within Hamilton & Niagara	7.4%	29.6%	7.4%	37.0%	18.5%
Consumed within 100 miles	4.2%	29.2%	10.4%	39.6%	16.7%
Produced in Ontario	21.3%	23.4%	8.5%	31.9%	14.9%
Produced within Hamilton, Niagara & GTA		46.7%	13.3%	26.7%	13.3%
Produced within Hamilton Only	25.0%	37.5%	12.5%	18.8%	6.3%
Produced within Niagara Only	12.1%	27.3%	18.2%	36.4%	6.1%
Total	12.3%	28.3%	10.4%	34.4%	14.6%



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By Current participation in Value Added Activities

Response	Extremely Unlikely	Unlikely	Neutral	Likely	Extremely Likely
Bagging	6.9%	13.8%	10.3%	43.1%	25.9%
Farm gate sales	3.1%	18.8%	9.4%	46.9%	21.9%
Selling at farmers market	7.3%	17.1%	9.8%	48.8%	17.1%
Processing on farm	8.6%	31.4%	5.7%	25.7%	28.6%
processing by other farmer	5.6%	27.8%	22.2%	16.7%	27.8%
No value added activities	18.2%	37.4%	11.1%	27.3%	6.1%
Total	12.3%	28.3%	10.4%	34.4%	14.6%



Appendix 14: Description of Recommended Distribution Options

Factor	Option		
	Distribution Hub	Piggy-back	Network
Range of products	Wide (may be able to handle any product so long as do not have specific infrastructure of handling requirements)	Narrow (usually same product type or category*)	Dependent on geographic reach and categories involved, though likely limited
Volume of products	Large (potentially)	Moderate to low	Limited (for same reasons as above)
Co-packing capability	Often not (distribution only)	Yes, though usually within a distinct category*	Unlikely
Instigator	Most common approaches: 1. Retailer (core customer), who appoints current supplier to aggregate supply from smaller fragmented base; so established market. 2. Current supplier identifies opportunity in market or to reduce overhead costs, then establishes the market / product mix.	Most common approaches: 1. Supplier / producer wishes to access co-packing and/or distribution capability, so approaches organization; 2. Organization sees market opportunity, though does not want to make extensive changes or expand beyond current category.	Most common approaches: 1. Producer establishes distribution service to aggregate current and contracted products: collects and delivers same day; 2. Community or private individual establishes distribution service: similar to above.
Technical capability	Extensive and proven in area of operation	Specific to category supplied	Likely low as usually based on informal mechanisms
Marketing capability	Will range from good to excellent. May have category management capabilities. Commonly most marketing is the customers' responsibility.	Will range from good to excellent. Will often have in-depth knowledge of a category and therefore proactively work with customer on marketing.	Likely to possess few if any professional marketing capabilities. Marketing is therefore targeted at customers, not consumers.
Management capability	Good to extensive depending on business model and human resources	Commonly extensive as dealing with specialized (often complex) operations	Often ranging from informal and basic through to good, and with limited sophistication.
Infrastructure and QA capabilities	As commonly skewed toward warehouse and distribution, QA capabilities would likely be limited to testing/ monitoring for key factors	Specialized processing, distribution and technical capabilities, including QA.	Largely using vans and perhaps managed voluntary, distribution and QA capabilities are likely to be limited and lacking in sophistication.
Geographic region	Depends on products and customers, and whether bringing products into hub from suppliers' operations, though often more intensive than extensive	Often closer balance between extensive and intensive	Not intensive or extensive
Own transportation	Yes	Likely, though not necessarily	Yes, though likely limited
Takes ownership of product at any stage	Unlikely, though possible	Perhaps, depends on contractual arrangements	Unlikely, though possible
Number of customers	Likely one if established by retailer / customer. Likely many if established by an intermediary	Number will depend on already established infrastructure and individual agreements	Having limited distribution capabilities, the number of customers will depend on the volume each one purchases
Number of suppliers	Likely many	Likely one or just a few	Due to network's capabilities, likely depends on the volumes provided by each supplier
Commercial / voluntary	Commercial	Commercial	Either commercial or voluntary

*A category is a range of products sourced or/and sold by a retailer. Common categories include: meat, dairy, cereals, produce, frozen entrees, etc..