

**AGRICULTURAL ADVISORY COMMITTEE  
AGENDA**

*Thursday, October 25, 2018 7:00 pm  
Blaney Room, Maple Ridge City Hall*

---

1. **CALL TO ORDER**
2. **APPROVAL OF THE AGENDA**
3. **ADOPTION OF MINUTES** – September 27, 2018
4. **DELEGATIONS**
  - 4.1. An Overview of Municipal Intersections for Agriculture and Environment
    - Rod Stott, Environmental Planner, City of Maple Ridge
5. **QUESTION PERIOD**
6. **NEW AND UNFINISHED BUSINESS**
  - 6.1. Food Hub Final Report
  - 6.2. True North Fraser Program
  - 6.3. Golden Harvest 2019
  - 6.4. Introduction of Agricultural Plan – Recommended Action Plan items
  - 6.5. 2019 Meeting Schedule
  - 6.6. Workshop and Event Updates
  - 6.6.1. Metro Vancouver AAC
7. **SUBCOMMITTEE REPORTS**
  - 7.1. Education
  - 7.2. Food Distribution
8. **CORRESPONDENCE**
  - 8.1. Upcoming Events
    - November 6, 2018                      Council Inauguration  
7:00 pm                                  Maple Ridge City Hall, Council Chambers  
Organizer: City of Maple Ridge
9. **ROUNDTABLE**
10. **ADJOURNMENT**

**Next Meeting: November 29, 2018**

**Agenda Submission Deadline: November 15, 2018**

**QUESTION PERIOD**

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

**City of Maple Ridge**  
**AGRICULTURAL ADVISORY COMMITTEE**  
**REGULAR MEETING**

The Minutes of the Regular Meeting of the Agricultural Advisory Committee, held in the Blaney Room,  
at Maple Ridge Municipal Hall on September 27, 2018, 2018 at 7:13 pm.

---

**COMMITTEE MEMBERS PRESENT**

Margaret Daskis, Chair	Member at Large
Al Kozak	Agricultural Sector
Bill Hardy	Member at Large
Candace Gordon	Haney Farmers Market Society
Ian Brooks	Member at Large
Ryan Murphy	Agricultural Sector
Stephanie James, Vice-Chair	Agricultural Sector

**STAFF MEMBERS PRESENT**

Amanda Grochowich	Staff Liaison / Planning Department
Amanda Allen	Committee Clerk

**ABSENT**

Councillor Craig Speirs	City of Maple Ridge
Caitlin Dorward	Acting Regional Planner, Agricultural Land Commission
Chris Zabek	Regional Agrologist, Ministry of Agriculture & Lands
David Kaplan	Member at Large
Josef Hans Lara	Economic Development Committee Representative
Lorraine Bates	Agricultural Fair Board

---

**1. CALL TO ORDER**

**2. APPROVAL OF THE AGENDA**

R/2018-030

It was moved and seconded

**That the September 27, 2018 Agricultural Advisory Committee agenda be approved as circulated.**

CARRIED

**3. ADOPTION OF THE MINUTES**

R/2018-031

It was moved and seconded

**That the minutes of the Maple Ridge Agricultural Advisory Committee meeting dated June 28, 2018 be adopted.**

CARRIED

4. **DELEGATIONS**

- 4.1. Reducing Particulate Matter Emissions due to Open Burning on Agricultural Lands
- Darrell Wakelin, Environmental Control Officer, Metro Vancouver

Darrell Wakelin gave a presentation on reducing particulate matter emissions from open burning on agricultural land that included the health effects of fine particulate matter and how to reduce emissions through the use of best burning practices.

Mr. Wakelin answered questions from the committee about exemptions, traditional burning windows and the Metro Vancouver permit fee. The Metro Vancouver Air Quality Management Bylaw which requires commercial farms to apply for an open burning approval is available on the Metro Vancouver website.

- 4.2. A Comparison – Farmers Market, CSA, Food Hub
- Al Kozak

Al Kozak gave a presentation from the perspective of a farmer on the logistics and implications of participating in a Farmers Market, CSA program and Food Hub as a way to bring product to market. Mr. Kozak answered questions from the committee.

5. **NEW AND UNFINISHED BUSINESS**

5.1. **Young Agrarian Land Matching**

The Staff liaison reviewed the request submitted by the Young Agrarians. There was discussion on the implications to the committee budget as well as additional funding models and methods to incentivize the land matching program.

5.2. **2019 Business Planning**

The Staff liaison reviewed the draft business plan and committee budget. There was discussion on new deliverables for 2019.

R/2018-032

It was moved and seconded

**That the Agricultural Advisory Committee approve the Business Plan 2019-2023 as amended.**

CARRIED

5.3. **Planning Department Response to Terms of Reference Memo**

The letter dated August 31, 2018 from the Director of Planning was received and reviewed.

#### **5.4. Workshop and Event Updates**

##### **5.4.1. Ministry of Agriculture AAC Workshop**

The Staff liaison advised that the notes from the February 21, 2018 AAC Workshop are available online [https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/agriculture-and-seafood/agricultural-land-and-environment/strengthening-farming/planning-for-agriculture/aac/2018\\_aac\\_workshop\\_proceedings\\_final.pdf](https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/agriculture-and-seafood/agricultural-land-and-environment/strengthening-farming/planning-for-agriculture/aac/2018_aac_workshop_proceedings_final.pdf)

#### **6. SUBCOMMITTEE REPORTS**

##### **6.1. Education**

There was conversation on including more public-facing educational opportunities in the new year.

##### **6.2. Food Distribution**

Awaiting the finalization of the Food Hub report to determine next steps.

##### **6.3. Food Garden Contest**

Stephanie James provided a summary of the 2018 Food Garden Contest and advised that Ryan Murphy will be introducing the contest winners at the October 2, 2018 Council meeting. Ms. James thanked Renata Trivieri from Grow and Gather Nursery who donated her time to judge the 2018 entries and sponsored prizes for the contestants.

##### **6.4. Backyard Chicken**

Stephanie James reported on the backyard chicken booth and 4H displays at Country Fest in July as well as the booth at the Haney Farmers Market in August. Ms. James and the Staff liaison spoke to the high volume of backyard chicken surveys submitted. The survey results and feedback will be summarized and included in an upcoming report to Council.

##### **6.5. Golden Harvest**

The Staff liaison reminded members to attend and promote the event on October 12, 2018.

7. **CORRESPONDENCE**

7.1. Upcoming Events

October 2, 2018 7:00 pm	Food Garden Contest Presentation to Council Maple Ridge City Hall, Council Chambers Organizer: Maple Ridge Agricultural Advisory Committee
October 12, 2018 6:00 pm – 8:00 pm	Golden Harvest The ACT Arts Centre Organizer: Maple Ridge Agricultural Advisory Committee
October 20, 2018 8:00 am – 8:00 pm	Local Government Election Multiple Voting Locations Organizer: City of Maple Ridge

8. **ROUNDTABLE**

Amanda Allen spoke to the 2019 advisory committee recruitment process and term expiries of existing members.

Amanda Grochowich reported that the Ministry of Agriculture is hosting a province-wide crop planning session for farmers and chefs on November 13, 2018. Members can register via email to [FoodsBC@gov.bc.ca](mailto:FoodsBC@gov.bc.ca).

9. **QUESTION PERIOD** - Nil

10. **ADJOURNMENT** – 9:32 pm

---

M. Daskis, Chair

/aa

# Maple Ridge Food Hub Implementation Plan

## Operational and Financial Recommendations for a Five Year Pilot Project



October 2018

(Page intentionally left blank)

## Acknowledgements

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

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

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

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



## Table of Contents

Acknowledgements .....	iii
Table of Contents .....	iv
Table of Tables .....	vi
Acronyms .....	vii
Executive Summary .....	viii
1. Introduction.....	1
2. Operations .....	1
2.1 MRFH Governance.....	1
2.2 MRFH Staffing.....	2
2.3 MRFH Partnerships .....	4
2.3.1 CEED Centre .....	4
2.3.2 Haney Farmers Market Society.....	4
2.4 MRFH Customers.....	4
2.4.1 Expected Value of Weekly Orders .....	5
2.5 MRFH Members & Product Mix.....	5
2.6 MRFH Ordering Logistics .....	7
2.6.1 Email Listserv.....	7
2.6.2 Online Software Platform for Individual Customers.....	8
2.6.3 Retail Customer Ordering .....	8
2.7 MRFH Order Aggregation and Distribution .....	8
2.7.1 MRFH Site Location Criteria .....	9
2.7.2 Other Site Location Considerations.....	10
2.8 MRFH Promotion.....	10
2.8.1 Name and Logo .....	10
2.8.2 MRFH Website .....	11
2.8.3 Social Media.....	11
2.8.4 Public Relations, News Releases, and Print Media .....	11

3.	Financial Considerations .....	11
3.1	Start-up Funding .....	11
3.2	Product Pricing .....	12
3.3	MRFH's Advantages .....	13
4.	Financial Projections .....	13
4.1	Brokerage Fee Rationale.....	13
4.1.1	Anticipated Suppliers and Sales.....	14
4.2	Income and Expense Projections .....	17
4.2.1	Variable Expenses.....	17
4.2.2	Fixed Expenses .....	17
4.3	Cash Flow Projection .....	20
5.	Ratios .....	22
6.	Risk and Sensitivity Analysis .....	23
6.1	Risk Scenario 1: Lack of Start-up Capital.....	23
6.2	Risk Scenario 2: Product Sales Level Adjustments .....	24
6.3	Sensitivity Analysis for Variable and Fixed Expenses in Year 1 and Year 3 .....	25
7.	Balance Sheet Summary.....	27
8.	Breakeven Analysis.....	28
9.	Conclusions .....	29
	Appendix I .....	II
	Appendix II .....	III

## Table of Tables

Table i. Summary of key features of the MRFH over a five year pilot project period	ix
Table 1. Staffing requirements over the five year pilot project.	3
Table 2. Anticipated suppliers, sales, and brokerage fees for the MRFH during Years 1 - 5.	16
Table 3. Staffing wages over Years 1 - 5.	17
Table 4. Anticipated Income and Expenses Years 1 - 5.	19
Table 5. Anticipated cash flow for the MRFH pilot project from Year 1 to Year 5.	20
Table 6. Operating loan and debt repayments for the MRFH pilot project from Year 1 to Year 5.	21
Table 7. Anticipated liabilities and equity for the MRFH pilot project from Year 1 to Year 5.	21
Table 8. Anticipated financial ratios for the MRFH pilot project from Year 1 to Year 5.	22
Table 9. Risk analysis scenario with \$50,000 vs. \$5,000 of startup capital in Year 1.	23
Table 10. Change in brokerage fees and associated net income during Year 1 and Year 5.	24
Table 11. Sensitivity analysis for Year 1 - Variable Expenses.	25
Table 12. Sensitivity Analysis for Year 1 - Fixed Expenses	25
Table 13. Sensitivity analysis for Year 3.	26
Table 14. Summary balance sheet for the MRFH Year 1 through Year 5.	27
Table 15. Breakeven analysis for Year 1 through Year 5.	28

## Acronyms

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

## Executive Summary

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

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

The first two years represent the launch of the pilot program and therefore only a handful of suppliers (farmer members) are expected to join during this initial period. Approximately 60 weekly orders averaging \$35 per week, over a nine month period,

are targeted during the first year. An infusion of \$50,000 of external funds will be required to get the hub up and running and an additional infusion of \$15,000 of capital will be required during Year 2. These funds can be brought in as loans, grants, or a combination thereof.

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

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

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

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

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

## 1. Introduction

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

With the intent of strengthening the local farming community, the primary goal of the Plan is to develop a strategy for a shared organizational structure that would help local farmers save time and money by aggregating, storing, packing, processing, distributing, and marketing their respective products together. Overhead and operational costs would be minimized. The Plan includes a series of recommendations for a five-year pilot program and presents a business case to get the first steps underway. It builds upon the *Situational Analysis* and *Market Identification Report* documents that were developed in support of the Plan.

## 2. Operations

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

The operations plan developed for the Maple Ridge Food Hub (MRFH) considers the following elements to ensure that the hub is functional:

- Governance: under what business model will the hub operate?

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

The recommendations address these operational questions so that the implementation of the food hub can be undertaken right away, and will likely require adjustments over the life of the food hub. The recommendations should be revisited from time to time, particularly if targets within the associated business plan are either not being met or are being exceeded, and most importantly at the end of the five year pilot program, before additional investments are made.

### 2.1 MRFH Governance

A key first step in the development of the MRFH will be to establish the organization itself. It is recommended that the food hub commence as a not-for-profit co-operative that will eventually evolve into a for-profit co-operative. This approach has worked well for other food hubs<sup>2</sup>. A local champion

---

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

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

## 2.2 MRFH Staffing

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

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

start the level of trust required to ensure that the hub succeeds. However, business skills and project management abilities are of primary importance.

While multiple staff positions are recommended, only one is expected to be employed during the first three years. Once the MRFH is financially solvent (by end of Year 3) hiring a second employee as an assistant to the manager will become feasible. By the end of the pilot project (Year 5) the financial model predicts that a third, albeit part-time, employee could be hired to focus on the ongoing promotion of the hub.

If, for whatever reason, the target revenues are not being met over the course of the five years, the recommendations should be reviewed and reassessed. For instance, if the hub is solvent before Year 3, it is possible that an assistant could be hired by Year 2. If the hub takes longer to generate revenues then the hiring of an assistant and/or promoter could be delayed.

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



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

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

<sup>3</sup> The positions could be awarded through salaries or consulting fees.

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

## 2.3 MRFH Partnerships

A number of Maple Ridge-based organizations may provide partnerships with MRFH. The Community Education on Environment and Development (CEED) Centre and the Haney Farmers Market Society (HFMS) are described here, however others may exist and naturally emerge as the food hub gets underway.

A mutually beneficial relationship is expected between the MRFH and partners, whereby cross-promotion is anticipated. Customers of the Haney Farmers Market may also become customers of the MRFH and vice versa. One option could include purchasing food through the MRFH and potentially picking up orders at the CEED Centre or the HFM. Additional examples are provided below.

### 2.3.1 CEED Centre

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

### 2.3.2 Haney Farmers Market Society

The HFMS aims to provide the public with direct access to food producers, stimulate and support the local economy, provide opportunities to inform and entertain, and to support and strongly encourage environmental sustainability. These goals align well with the MRFH, however the scope and intent of a partnership will require further discussion as the food hub

gets underway and grows. The vendors who sell at the HFM may also be interested in selling a portion of their produce through the food hub. The market location may provide an easy and accessible order pick-up location during the months that it is in operation. Furthermore, members of the HFMS may be interested in becoming Board Members of the food hub once the hub formally becomes a co-operative organization. The food hub manager may wish to align with the HFMS to help plan the product mix, consider sharing staff resource costs, branding, and marketing.

## 2.4 MRFH Customers

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

Typical MRFH customers are expected to be single females and those buying food for households with young children. This demographic is based on anecdotal evidence<sup>5</sup> and by spending trends noted by the Canadian Organic Trade Association<sup>6</sup>. In order to bolster the value of sales, the MRFH is also expected to solicit larger orders from medium-scale retailers in the

---

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

<sup>6</sup> [The BC Organic Market: Growth, Trends & Opportunities](#), 2013. S. MacKinnon. Canadian Organic Trade Association.

region (e.g. Bruce's, Hopcott's). The recommended focus is therefore directed to the following target sector sales:

Pilot project target sectors:

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

Longer term target sectors:

- Institutions, restaurants.

#### 2.4.1 Expected Value of Weekly Orders

A 2016 report<sup>7</sup> by the B.C. Provincial Health Services Agency found that the average monthly cost of a nutritious food basket for a family of four in BC was \$974 (or approximately \$244 per week). According to Statistics Canada, the actual food expenditures by the average BC household is \$9,139 per year (or an estimated \$175 per week)<sup>8</sup>. A 2012 report by the BC Farmers Market Association indicated that visitors to the Haney Farmers Market spend on average \$25-\$30 per visit, and numbers collected by the HFMS suggest this value may be higher<sup>9</sup>. In addition, a farm retail collective on the Sunshine Coast reports average customer sales in excess of \$40 per order, and the Cowichan Co-op reports an average of \$50-\$60 per weekly order per customer<sup>10</sup>.

The MRFH financial models are built on the assumption that annual target sales of \$75,000<sup>11</sup> will be met in Year 1, rising to over \$1 million per year by Year 5. In order to reach these targets, there will need to

be at least 60 customers spending an average of \$35 a week Year 1 (see call-out box, below), rising to over 800 customers by Year 5. An example of a typical weekly order, totaling \$38, is provided in the call-out box on the following page.

Question:

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

Answer:

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

#### 2.5 MRFH Members & Product Mix

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

Since a goal of the food hub is to strengthen the local farm community and to encourage new farms to enter into production and increase production, it is recommended that membership target small and medium-scale farms, as these operations are most likely to struggle with market entrance and expansion. If these

<sup>7</sup> Provincial Health Services Agency, 2016. [Food Costing in BC 2015](#).

<sup>8</sup> Statistics Canada, 2016. [Average household food expenditure, by province \(British Columbia\)](#).

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

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

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

small and medium-scale operators can be showcased as achieving success through the hub it may encourage others to start farming activities on land that is currently unproductive or underproductive.

If the hub is challenged with membership early on the scope of possible members could be widened to producers in communities such as Pitt Meadows, Mission, and across the Fraser River into Langley and neighboring communities. By the end of the five year pilot project the MRFH membership should be reviewed to ensure that the membership criteria (location of farm members, farm size, and product offerings) are meeting the hub's needs.

In discussions conducted with representatives from local retailers, local food distributors, and local restaurants for the *Market Identification Report*, the general consensus was that most local fruits and vegetables sell well, although there may be challenges in selling any products that are new, or unfamiliar, with the general public.

Products such as berries, salad greens, root crops, and greenhouse vegetables easily sell. Organic produce, in particular, is in growing demand, but is not necessarily a requirement for sale. This reinforces the opportunity for the MRFH to provide a complement of organic product sales, while leaving the membership open to non-organic producers. Hub membership and corresponding product demand will therefore naturally affect the mix of products that are made available.

While meeting demand is an important factor, during the initial stages it will also be important to offer products that producers can ensure are consistently

available<sup>12</sup>. Crops that farmers are already producing will directly influence the product mix during the first year or two, after which the product mix will naturally become more market driven and guide production. This speaks to the importance of crop planning based, in part, on sales generated during the previous season.

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

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

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

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

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

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

only when adequate storage and delivery systems are in place.

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

Product mix recommendations are therefore as follows:

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

## 2.6 MRFH Ordering Logistics

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

### 2.6.1 Email Listserv

During Year 1, the MRFH is expected to consist of a relatively small number of farm suppliers (up to 15) and less than 100 customers. At that scale, it will be efficient to start the ordering process with an email-based listserv, such as MailChimp<sup>13</sup>. MRFH staff will be able to customize the email using a fresh sheet approach, highlighting the availability of products on a weekly basis. The listserv can also direct customers to the MRFH website, which will be the main platform for the eventual online ordering software (see Appendix II for more details). The software will be purchased in Year 1 but may take time to be established, therefore the email listserv can provide a good additional layer for ordering starting immediately.

How it Works: Email listserv<sup>14</sup>

1. Farmers send in a list of type, quantity, and price of products to MRFH staff.
2. MRFH staff sends out weekly fresh sheet lists and associated pricing through the listserv to customers (e.g. individuals and/or retail buyers).

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

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

3. Orders are returned to MRFH staff by a weekly deadline.
4. Follow-up/confirmation of order is made to ensure accuracy and confirm payment.

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

### 2.6.2 Online Software Platform for Individual Customers

Individual and commercial customers order through an online interface where all the suppliers' products are listed in one place. MRFH staff would manage the software interface. As per the listserv approach, online software provides pricing flexibility for farmers. This will allow for price differentiation between organic and non-organic products.

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

#### Local Food Marketplace (LFM)<sup>15</sup>

LFM offers flexibility and scalability, including individualized design to meet website branding and layout needs. It also allows for mobile app usage, e-commerce options, and distribution routes based on orders placed.

The price is approximately \$1,500 to have the software setup, and a \$230/month fee thereafter.

---

<sup>15</sup> [Local Food Marketplace:](#)

#### Local Orbit<sup>16</sup>

Local Orbit offers a similar interface to LFM, with the ability to provide farmer profiles and stories alongside products, advanced pricing options, inventory management, and more.

The pricing is similar, although there is no setup fee, the monthly rates for a package that would be useful for the Maple Ridge food hub would be approximately \$450 per month.

### 2.6.3 Retail Customer Ordering

FarmFolk/CityFolk<sup>17</sup> research indicates that in order to gain commercial customers (e.g. retailers, restaurants) suppliers must be able to develop a relationship with produce managers by being able to contact the businesses directly. This typically involves either direct calls or visits. MRFH staff would be expected to meet the produce manager at their work place with samples and product information such as pricing, farm source, and availability. It is expected that retail customers would be small or medium-sized commercial operations. There is an opportunity for MRFH to sell excess products, or develop a standing order for specific products, with retailers in the area such as Bruce's Country Market and Hopcott Meats. It may be expected that the MRFH offer discounted pricing compared to the pricing being offered to individual customers, as the retailer will also need to include their margin within their final sales. Retailers may also expect the order to be delivered at a pre-arranged schedule.

## 2.7 MRFH Order Aggregation and Distribution

Once orders are placed, operators will be required to bring their products to a central aggregation point on a weekly basis. During Years 1 to 4 of the pilot project this will ideally be located at a

---

<sup>16</sup> [Local Orbit](#)

<sup>17</sup> [FarmFolk CityFolk Food Hub Report 5](#)



members' farm, with access to cold storage. As the membership and customer base grows, and if the financial targets are being met, the hub would be able to plan to move into a physical location (bricks & mortar) once the pilot program is completed.

Based on projected financials, a bricks & mortar location will not likely be feasible during the first five years of the hub's inception<sup>18</sup>, unless the space and all overhead costs (e.g. hydro) are donated. Instead, it is recommended that the MRFH compensate a farmer member with existing storage space to provide a centralized product aggregation site. This compensation is established within the budget at 12% of the broker fees.

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

---

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

### 2.7.1 MRFH Site Location Criteria

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

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

Additional bricks & mortar location criteria must also<sup>19</sup>:

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

It is important to note that the Agricultural Land Commission's regulations and policies<sup>20</sup> will apply to the MRFH if it is situated within the ALR. The following additional considerations would then need to be made, and should be revisited after the pilot project is completed:

- Storage, packing, product preparation or processing, and retail of farm products is only permitted within the ALR if at least 50% of the farm (or co-

---

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

<sup>20</sup> [ALR Regulations](#) & [ALR Policies](#)

operative's) products are produced on the farm. The 50% threshold is based on the quantity (measured by volume or weight of processed farm products used) calculated over the full product line.

- The parameters around the construction, maintenance and operation of a building for the food hub would be partly regulated by the City, and would stipulate building footprint and setbacks.

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

The *City of Maple Ridge's Zoning Bylaw (1985)* will also determine the potential location of a future bricks & mortar food hub. "Food hubs" are not currently an expressly permitted use within the zoning bylaw<sup>21</sup> and would therefore require a text amendment or re-zoning application if it were to be located on an Agriculture-zoned parcel. It is important to note that there may be a fee associated with this re-zoning process. Primary processing, warehouses, and wholesale use are permitted, but only in certain zones (e.g. Service Industrial zone M1) and Business Park zone (M3)).

Locating the food hub outside of the ALR or the Agricultural zones and directing it towards Industrial or Business Park (Commercial) zones is likely to create a simpler business licencing and permitting process. If the land is outside of the ALR then only the municipal zoning regulations will apply. The issue of zoning will be easier to address after the end of the five year pilot program, at which point any

specific potential food hub sites that have been identified can be more thoroughly assessed.

### 2.7.2 Other Site Location Considerations

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

## 2.8 MRFH Promotion

Promotion will be required in order to attract and retain customers and suppliers to the MRFH. Throughout all of the branding, marketing, and advertising efforts, statements representing the purpose and values of the MRFH will need to be consistent. This clarity regarding food hub brand statements will help to strengthen messaging towards the target customer base and ensure that it is maintained in all hub communications.

### 2.8.1 Name and Logo

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

A simple approach to developing a brand is recommended. A name, logo and tagline will need to be developed for the MRFH, but this need not be complicated (such as Maple Ridge Food Hub or the Maple Ridge

---

<sup>21</sup> [City of Maple Ridge Zoning Bylaw. Agriculture zones are A1, A2, A3, A4, and A5.](#)



Farm Collective). The food hub's name and logo should be in place by the end of Year 1 and should clearly express what the benefits will be for the distinct target audience segments (community, potential consumers, stakeholders/members). Along with a name and logo, brand positioning and value proposition statements must be developed, and may naturally begin to emerge over the first two years.

### 2.8.2 MRFH Website

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

### 2.8.3 Social Media

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

### 2.8.4 Public Relations, News Releases, and Print Media

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

directly on the truck. This can be done at a low cost using magnetic signage.

## 3. Financial Considerations

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

### 3.1 Start-up Funding

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

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

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

- **In-kind support (\$5,000):** this type of support could be provided by hosting a webpage, providing advertising, meeting room space, and other

overhead and administrative needs. This support could be provided by the City of Maple Ridge and/or partners such as the HFMS or the CEED Centre.

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

### 3.2 Product Pricing

While the marketplace effectively establishes final pricing, the right brokerage fee (see definition in the call out box on the following page) set by the MRFH will ensure that producers feel adequately compensated, customers are willing to pay, and the food hub remains profitable (or break-even). The financial plan produced for the MRFH has been developed using a 25% brokerage fee<sup>22</sup>.

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

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

- Whether the product is certified organic;
- The amount of choice of similar products being offered by the hub (supply);
- The quality of the product being offered (demand reflected through reputation); and
- The availability (products that are only in-season for a short period of time may fetch a better price).

The MRFH manager will need to track and assesses hub sales and monitor competitive

---

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

pricing through other retail channels (e.g. verifying pricing at local retailers, at farm gates, at the farmers market) to ensure that the prices being offered by hub members is competitive.

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

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

#### **Brokerage Fee:**

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

### **3.3 MRFH's Advantages**

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

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

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

## **4. Financial Projections**

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

### **4.1 Brokerage Fee Rationale**

The brokerage fees represent 25% of total product sales. Throughout the projections

for income, expense and cash flow, the following ratio is used:

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

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

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

This brokerage fee level was further tested using Industry Canada's benchmarks<sup>23</sup> for small-scale fruit and vegetable growers (see Figure 1, p16). The data represented in Figure 1 incorporates a 25% brokerage fee expense into typical product sales and returns on sales for small fruit and vegetable farms at various total product sales. The benchmarking test indicates the following:

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

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

For context, the MRFH *Situational Analysis* indicated that the average annual farm sales (gross farm receipts) per hectare in Maple Ridge was \$27,579 (or \$11,000 per acre) in 2015<sup>24</sup>. The food hub will benefit these small and medium-scale farmers by reducing the time they need to spend on promotion, marketing, and sales. With that additional time, it is hoped that farmers will be able to focus on production and see higher sales per acre in return.

#### 4.1.1 Anticipated Suppliers and Sales

It is expected that in the first year of operation, the MRFH supplier (farm) membership will be low, therefore a conservative estimate of 5 members has been used in the income and expense projection modeling for Year 1, and gradually increases to 35 members by Year 5 (Table 2). Using the benchmarking in Figure 1, an expected initial product value per farm of \$15,000 is used, growing to an eventual value of \$30,000 by Year 5. In other words, by the end of the pilot project it is expected that the average food hub supplier will be able to sell \$30,000 worth of farm products annually

<sup>23</sup> Government of Canada. 2015. [Industry Canada: Financial Performance Data by Industry](#).

<sup>24</sup> Census of Agriculture, 2016. Land in crops excluding Christmas trees.

through the MRFH. It is also expected that some farm members would still maintain a portion of sales avenues through the HFM, farm gate stands, and small retailers.

Agri-business guidebooks published by the BC Ministry of Agriculture in 1995 suggested that 1.25 ha (3 acres) of vegetable production could generate over \$45,000 in direct market sales, or \$36,000/ha (gross revenue) in 1995 dollars.

This is equivalent to \$68,500 direct market sales or \$54,800/ha, in 2018 dollars.

It is therefore expected that a well-managed small-scale (less than 5 acres) mixed vegetable farm could feasibly achieve \$30,000 of product sales per year.

Notes:

BC Ministry of Agriculture, Fisheries, and

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

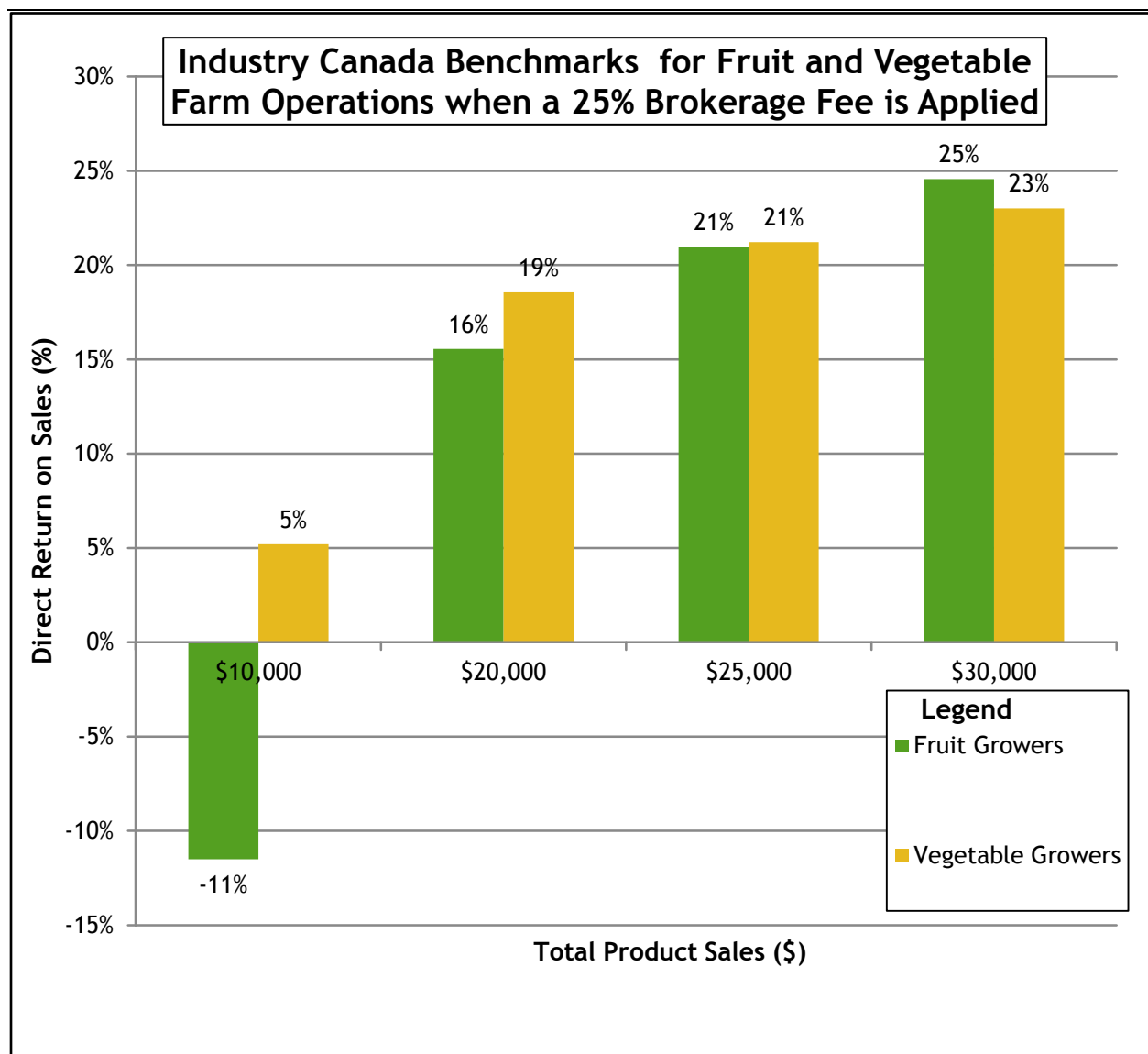


Table 2. Anticipated suppliers, sales, and brokerage fees for the Maple Ridge Food Hub during Years 1 - 5.

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

## 4.2 Income and Expense Projections

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

### 4.2.1 Variable Expenses

Variable expenses are estimated to be 35% of brokerage fees (see Table 4, Lines #2-#5).

Throughout the pilot project's five years, this 35% will consist of:

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

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

### 4.2.2 Fixed Expenses

Wages are the main component of the \$50,000 annual fixed expenses in the first 3 years (Table 3). Other fixed expenses are explained in the following page and are listed in Table 4 (Lines #7 - #18)<sup>25</sup>.

Table 3. Staffing wages over Years 1 - 5.

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

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



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

While the positions are referred to as “staff”, the tasks may be able to be completed by consultants or contractors. This can be negotiated at the time of hiring, but should not affect the total amount budgeted for wages without making similar adjustments throughout the projected income and expenses.

Within the total wages, the distribution amongst staff is somewhat flexible. For instance, if the manager is performing well then that position could be offered a raise and a 0.25 FTE or 0.50 FTE assistant could be hired with the remaining wages in Years 4 and 5. If the manager or assistant is capable and efficient at promotion, then the \$22,000 previously set aside for the promoter in Year 5 could be re-distributed to other staffing needs.

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

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

- Line #8: Depreciation of assets: Based at 20% declining balance.
- Line #9: Repairs and maintenance: \$500 per year. As there are no owned

facilities, the budget allows for the repair and maintenance of some minor equipment only.

- Line #10: Utilities and telephone: \$50 per month (\$600 per year) for cellphone communication.
- Line #11: Rent: \$200 per month to compensate for office space for staff who will be working from home offices.
- Line #12: Bank charges: Assumes \$20 per month (\$240 per year).
- Line #13: Interest on loans: Based on an interest rate of 10% (see Loan Schedule, Table 6).
- Line #14: Professional and business fees: Memberships in associations, accounting fees, bookkeeping fees, legal fees, and permits for the MRFH and staff.
- Line #15: Advertising and Promotion: Minimal, as advertising will likely be done through social media, some print and listservs like MailChimp
- Line #16: Travel (Mileage): Occasional mileage paid to MRFH staff to attend events and meetings.
- Line #17: E-commerce website: This line item includes \$3,000 to build an online sales platform and \$2,000 for a website during Year 1 and ongoing software and website fees thereafter.
- Line #18: Insurance: Assumes \$4,000 per year to cover delivery truck insurance and some liability insurance

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



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

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

### 4.3 Cash Flow Projection

As previously discussed, a deficit of approximately \$40,000 is projected over the first two years. Based on the model a \$20,000 operating grant together with a \$30,000 loan or line of credit would cover the deficit and also make debt repayment feasible.

In Year 2, an additional \$15,000 would be required for equipment (Table 5). Loan repayments could begin as early as the third year or when sales exceed the \$75,000 milestone (see Table 6).

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

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

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

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

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

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

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

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

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

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

## 5. Ratios

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

Assumptions regarding ratios include:

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

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

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

## 6. Risk and Sensitivity Analysis

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

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

### 6.1 Risk Scenario 1: Lack of Start-up Capital

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

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

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

## 6.2 Risk Scenario 2: Product Sales Level Adjustments

The second scenario tests the impacts that adjustments made to the targeted product sales (and associated brokerage fees) have on the net income in Year 1 and Year 5. If product sales (and therefore brokerage fees) are 50% lower than targeted in Year 1, net income would be 16% lower than

projected. In Year 5, a 50% variance in brokerage fees would impact the bottom line by 166% (Table 10). Once sales exceed projected fixed expenses, sales variances will magnify the changes reflected in the net income. This reinforces the notion that the efforts of the MRFH must be focused on driving sales (and therefore brokerage fees) over the pilot project period of five years.

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

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

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

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

In Year 1, a change in variable expenses (which are directly related to brokerage fees) will be less impactful (or risky) than potential changes in fixed expenses, which

do not correspond directly to the collected brokerage fees (Table 11 and Table 12).

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

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

Table 12. Sensitivity Analysis for Year 1 - Fixed Expenses

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

By Year 3, errors in projecting variable expenses are more critical. A 20% variance in fixed expenses will impact net income by 35% and a variance of 20% in variable expenses will impact net income by 84% (Table 13).

Table 13. Sensitivity analysis for Year 3.

Change in variable expenses						
% Change	Revenue \$	Variable Expenses \$	Fixed \$	Net Income \$	DSCR %	% Change Net Income
-20	125,000	18,750	51,622	54,628	25,000	84%
-15	125,000	25,000	51,622	48,378	18,750	63%
-10	125,000	31,250	51,622	42,128	12,500	42%
-5	125,000	37,500	51,622	35,878	6,250	21%
0	125,000	43,750	51,622	29,628	0	0%
5	125,000	50,000	51,622	23,378	-6,250	-21%
10	125,000	56,250	51,622	17,128	-12,500	-42%
15	125,000	62,500	51,622	10,878	-18,750	-63%
20	125,000	68,750	51,622	4,628	-25,000	-84%
% Change	Revenue \$	Variable Expenses \$	Fixed \$	Net Income \$	DSCR %	% Change Net Income
-20	125,000	43,750	41,298	39,952	10,324	35%
-15	125,000	43,750	43,879	37,371	7,743	26%
-10	125,000	43,750	46,460	34,790	5,162	17%
-5	125,000	43,750	49,041	32,209	2,581	9%
0	125,000	43,750	51,622	29,628	0	0%
5	125,000	43,750	54,203	27,047	-2,581	-9%
10	125,000	43,750	56,784	24,466	-5,162	-17%
15	125,000	43,750	59,365	21,885	-7,743	-26%
20	125,000	43,750	61,946	19,304	-10,324	-35%



## 7. Balance Sheet Summary

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

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

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

## 8. Breakeven Analysis

The breakeven point in the MRFH pilot project will occur when net income is positive (Table 15, Line #7). Based on the income & expense projections, this can occur by Year 3 (or more specifically before the end of Year 3), when brokerage fees reach approximately \$80,000.

Since 35% of the brokerage fees will be dedicated to variable expenses, the

remaining 65% will be available to pay for fixed expenses (Table 15, Lines #3 and #4).

With fixed expenses projected to be about \$50,000 per annum, calculations indicate that the MRFH should break even once brokerage fees reach \$80,000 (this is equivalent to product sales of roughly \$320,000) (Table 15, Line #8).

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

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

## 9. Conclusions

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

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

Key recommendations include:

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

By following these recommendations, the financial projections indicate that the hub can become solvent by Year 3 of the pilot project.

A bricks & mortar location could be considered after the five year pilot project has been successfully completed, but is not financially feasible during this initial timeframe.

## Appendix I

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

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

## Appendix II

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

**Appendix Table 1: Agricultural Plan – Recommended Action Plan**

Goal	Recommended Actions	Who?	Resources Required
Goal 1: Increase Access to Underutilized Agricultural Land	a) Develop a strategy to increase landowner awareness of farmland leasing options, taxation benefits, and community demand for local production	AAC District Farmers Institute	Minimal Hire a co-op student to assist or consultant to develop strategy
	b) Create a database of farmland available for leasing, including a database maintenance strategy	AAC District, Farmers Institute, Ministry of Agriculture And Lands	Minimal Hire a co-op student to assist
	c) Develop access to materials on lease/rental terms and sample agreements, possibly website delivered	AAC District, Farmers Institute, Ministry of Agriculture and Lands	Minimal Hire a co-op student to assist
	d) Create educational materials for agricultural property owners regarding stewardship of agricultural land	Farmers Institute, AAC Support from Ministry of Agriculture and Lands, Metro Vancouver	Minimal Utilize existing materials and modify; production and distribution costs
	e) Through various workshops and electronic media, initiate discussion on the role of small lot property owners in enhancing local agriculture in the District (gaining access to land, pooling of small lots, rent calculator, lessee responsibilities).	Farmers Institute AAC Support from Ministry of Agriculture and Lands, Metro Vancouver	Minimal Invite Ministry of Agriculture and Lands staff to assist
	f) Identify and promote opportunities for development of urban agriculture	Farmers Institute, AAC, Community Kitchens, District	Minimal

Goal	Recommended Actions	Who?	Resources Required
Goal 2: Improve the Knowledge Base of Farmers	a) Partner with farmers to create apprenticeship opportunities and mentorships, and to attract workers to agriculture in the area	Farmers Institute Commodity Associations, District, Educational institutions	Moderate
	b) Pursue options and opportunities to provide a hands-on training ground for aspiring farmers	Farmers Institute with support from Agricultural Land Commission, District	Moderate
	c) Engage high schools and post-secondary institutions in local farmer training initiatives	Farmers Institute Support from Agricultural Land Commission, District, School District	Minimal Invite presenters within the industry
	d) Investigate innovative ways aspiring new farmers without land may be encouraged to access agricultural land currently not in production	Farmers Institute Support from Agricultural Land Commission, District	Minimal
	e) Through various workshops and electronic media, initiate information exchange on small lot agriculture (production techniques, organic, equipment, pest management)	Farmers Institute Support from Ministry of Agriculture and Lands, Metro Vancouver	Minimal Invite presenters from within the agricultural industry. Add to Lower Mainland Horticultural curriculum
	f) Develop information sharing and exchange networks and coalitions with like-minded groups in other areas	Farmers Institute	Minimal
	g) Create a cross-commodity Farmers Institute to coordinate and implement the knowledge base initiatives identified in this Agricultural Plan	AAC could take lead with assistance from other organizations	Moderate
	h) Develop awareness of educational initiatives in the local community	Farmers Institute	Minimal

Goal	Recommended Actions	Who?	Resources Required
Goal 3: Improve the Knowledge Base of the Consumer Public	a) Develop an inventory of local agricultural land use and agricultural products produced	Farmers Institute	Moderate
	b) Create newspaper slot highlighting farming, seasonal recipes, farmer direct markets	Farmers Institute; community kitchen Community newspaper Farmers Market	Minimal
	c) Encourage retailers to advertize and identify locally produced seasonal products.	Farmers Institute AAC	Minimal
	d) Partner with schools and the School District to communicate information about farming	AAC District	Minimal
	e) Create more hands-on displays at District Fair	Farmers Institute Ministry of Agriculture and Lands	Minimal Partner with commodity associations
	f) Host a "Taste of Maple Ridge" event annually	Farmers Institute AAC	Minimal User pay and donations
	g) Engage local chefs to partner in local food promotion	Farmers Institute	Minimal User pay and donated
	h) Partner with schools to develop agricultural curriculum, including coordinating with the Agriculture in the Classroom Foundation and the School Gardens project	Ministry of Agriculture and Lands Ag in the Classroom BC Agriculture Council	Minimal Already existing
	i) Report on Agricultural Plan completion in the media	District	Minimal
	j) Report regularly in the media on progress and issues relating to implementing the Agricultural Plan	District	Minimal
	k) Provide continued support for the Haney Farmers Market	District Farmers Institute	Minimal Location, advertising, promotion



Goal	Recommended Actions	Who?	Resources Required
Goal 4: Develop the Local Distribution and Marketing System	a) Work with producers to: investigate the potential for marketing cooperatives, brokerages; machinery cooperatives; investigate community storage and handling options; learn about marketing models; branding	Farmers Institute Support from Ministry of Agriculture and Lands Commodity groups	Moderate Seek IAF funding to explore options
	b) Hold workshops on local marketing and distribution systems	Farmers Institute Support from Metro Vancouver	Minimal Invite existing local marketers
	c) Enlist the participation of local expertise up-to-date on food marketing issues	Farmers Institute Support from AAC, Metro Vancouver, District	Minimal Invite presenters from Fraser Health Authority, Food security groups, Organic associations, Direct marketing associations
	d) Develop a strategy to assist the development of distribution and marketing options in the District	Farmers Institute Assistance from Ministry of Agriculture and Lands, Metro Vancouver	Moderate Seek IAF funding to explore options
	e) Pursue the development of key components of a local distribution system, including cooling, handling and staging area for fresh produce (e.g., food terminal)	Farmers Institute	Moderate Seek IAF funding to explore options
	f) Investigate marketing needs of local farming community.	Farmers Institute Assistance from District, Ministry of Agriculture and Lands, Metro Vancouver	Moderate

Goal	Recommended Actions	Who?	Resources Required
Goal 5: Protect the Agricultural Land Base	a) Continue to implement the OCP policies to protect the agricultural land base by creating Development Permit Area guidelines to minimize non-agricultural encroachment on agriculturally designated lands and farming activities	District	Minimal
	b) Continue to implement the OCP policies to protect the agricultural land base by creating guidelines for reviewing applications for non-farm use, exclusions, fill applications, transportation and utility applications, subdivisions, and government applications	District	Minimal
	c) Investigate federal, provincial and Metro Vancouver support for agriculture irrigation water supply expansion	District	Minimal to moderate
	d) Explore opportunities to protect agricultural land from development through a variety of means such as donations of land, covenants, easements, agricultural use of municipal land, consolidation of land, and other mechanisms that support agriculture.	AAC District	Minimal to moderate
	e) Support opportunities to provide land for community based agriculture.	AAC District Land Trusts	Minimal to moderate
	f) Explore establishing an agricultural levy on agricultural land conversion developments to ensure that capital is available to finance the agricultural strategy in this Plan	District	Minimal
	g) Explore retention of lots 2 ha (5 acres) and larger in the Agricultural Land Reserve.	District	Minimal
	h) Support and encourage applications to include lands in the Agricultural Land Reserve	AAC District Farmers Institute	Minimal

Goal	Recommended Actions	Who?	Resources Required
Goal 6: Rehabilitate and Improve the Agricultural Infrastructure	a) Investigate a watershed-based surface and groundwater irrigation strategy	District Metro Vancouver Min. of Ag and Lands	Moderate
	b) Where a need is identified, undertake a water supply inventory for lands in the Agricultural Land Reserve	District Min. of Ag and Lands Metro Vancouver	Moderate
	c) Explore establishing a drainage and flood control levy	District	Minimal
	d) Require upland landowners and applicants to control storm water flows into the flood plain	District	Minimal
	e) Undertake a feasibility study of drainage and flood control to rehabilitate affected areas.	District Support from Ministry of Agriculture and Lands	Moderate
	f) Continue to build relationship with neighbouring municipality	District	Minimal
	g) Require compensation from unavoidable agricultural land conversion developments to be used to increase net agricultural capability in the District	District	Minimal
	h) Encourage the Agricultural Land Commission to enforce agreements entered into with proponents that allow applications to proceed on Agricultural Land Reserve land.	District	Minimal
Goal 7: Develop Local Food System Infrastructure Capacity	a) Work with producers & local entrepreneurs to explore the feasibility of an agro-industrial infrastructure strategy that could include: shared industrial space; branding; small scale processing facilities; community kitchen; mobile slaughter facilities	Farmers Institute Support from District, Ministry of Agriculture and Lands, Metro Vancouver	Moderate Seek IAF funding to explore options

Goal	Recommended Actions	Who?	Resources Required
Goal 8: Increase the Diversity of Agricultural Activity	a) Work with the AAC to promote and gauge the feasibility of alternative models of community supported agriculture	AAC Support from Farmers Institute and other community organizations	Moderate
	b) Continue to acknowledge and incorporate agriculture into District economic development strategies and plans.	District	Minimal
	c) Explore the agro-tourism policies of the Agricultural Land Commission for their potential to provide new and expanded opportunities for farmers and their possible inclusion into District bylaws.	District	Minimal
	d) Promote local agri-businesses and activities on District website and publications	District	Minimal
	e) Encourage linkages among the agricultural sector in Maple Ridge agriculture to identify cross-demand for products and services	Farmers Institute	Minimal
	f) Identify a community work force for agriculture	AAC District Coordinate with Farmers Institute, Social Services, community organizations	Minimal
	g) Identify community demand and develop linkages for participatory food production	Farmers Institute Support from District, community organizations	Moderate
	h) Provide opportunities for community gardening, allotments; and urban demonstration plots	District Support from Farmers Institute, realtors,	Minimal to moderate

<b>Goal</b>	<b>Recommended Actions</b>	<b>Who?</b>	<b>Resources Required</b>
Goal 9: Reduce Potential for Stress in the Agricultural-Residential Interface	a) Implement Development Permit Area guidelines to minimize non-agricultural encroachment on agriculturally designated lands and farming activities, including specific provisions for buffer zones, appropriate landscaping, subdivision design, and building location	District AAC	Minimal
	b) Create a cross commodity Farmers Institute to implement agricultural initiatives identified in this Plan	AAC, Metro, Ministry of Agriculture and Lands	Minimal
	c) Require notices on title on properties adjacent to agricultural lands (disclosure statements) to avoid neighbourhood conflicts	District Realtors	Minimal
	d) Enforce noxious weed bylaw on idle land in the ALR, municipal rights-of-way and utility rights-of-way.	District	Minimal to moderate
	e) Create respect for property rights of farmers respecting trespass, vandalism, and harassment	Farmers Institute AAC, District, Metro Vancouver	Minimal
	f) Develop a neighbourhood community watch for stray dogs, animals, and trespass	ACC, Farmers Institute District	Minimal
	g) Develop ongoing communication channels with non-farming landowners to promote “good neighbour” relations	Farmers Institute	Minimal
	h) Educate landowners adjacent to agricultural land of potential for farming activities on neighbouring properties	District, AAC Farmers Institute	Minimal

Goal	Recommended Actions	Who?	Resources Required
Goal 10: Minimize Impact of Agriculture on the Environment	a) Educate farmers about the benefits of completing and implementing Environmental Farm Plans	Farmers Institute AAC	Minimal
	b) Lobby to have the Environmental Farm Plan program broadened to include the equine sector, hobby farmers, and new farmers	Farmers institute AAC	Minimal
	c) Identify options for farmers to manage manures in a sustainable manner	Ministry of Agriculture and Lands Farmers Institute	Minimal
	d) Investigate and adopt new technologies to deal with farm wastes, alternative energy sources, and generation of greenhouse gases	Ministry of Agriculture and Lands Ministry of the Environment Metro Vancouver Farmers	Moderate to major Seek Investment Agriculture Foundation funding to explore options
	e) Develop interface, linkage, and communications with Department of Fisheries and Oceans and BC Ministry of Environment to create workable solutions to agriculture-environment issues in the District	District AAC Farmers Institute	Minimal
	f) Educate and inform the community about the ecological goods and services agriculture provides in Maple Ridge	District AAC Farmers Institute	Moderate
	g) Promote the use of natural methods of controlling pests	Farmers Institute District. Ministry of Agriculture and Lands. Metro Vancouver	Moderate
Goal 11: Reduce Agriculture–Wildlife Conflicts	a) Keep channels of communication open to advise on issues before they become problems	AAC	Minimal
	b) Develop strategy to control populations of released domestic rabbits	District	Moderate
	c) Work with farmers experiencing depredation from bears and deer to channel movement away from farms	Ministry of the Environment District	Moderate
	d) Support research to develop repellents and barriers for problem wildlife	Farmers Institute	Minimal Seek Investment Agriculture Foundation funding to explore options
	e) Identify opportunities and create incentives for land owners to participate in land management systems that enhance wildlife habitat and support agriculture	Farmer's Institute AAC, District , Ministry of Agriculture and Lands, Metro Vancouver	Moderate

Goal	Recommended Actions	Who?	Resources Required
Goal 12: Create a Regulatory Environment Friendly to Agriculture	a) Continue to retain the AAC to advise Council on issues affecting agriculture	District	Minimal
	b) Develop results-based approach to new regulation, so that targets and effects are assessed before regulatory policy is implemented.	District, AAC, Ministry of Agriculture and Lands, Agricultural Land Commission	Minimal
	c) Monitor proposed regulations to ensure they are not unnecessarily onerous on producers and agro-development	District, AAC	Minimal
	d) Advocate for Region-wide policies for agricultural areas	AAC District , Farmers Institute	Minimal
Goal 13: Protect and Enhance the Agricultural Context of the Agricultural Land Reserve.	a) Continue to implement OCP by concentrating growth to within the urban area boundary	District	Minimal
	b) Create a Code of good land stewardship in the Agricultural Land Reserve (abandoned cars, trailers, machinery, trash, obsolete signage, dumped soil) to prevent contamination and visual pollution (batteries, crankcase oil, unproductive fill)	District AAC Agricultural Land Commission	Minimal
	c) Encourage property owners to build in a fashion to conserve the land base and minimize potential for conflict with agricultural activity	District Agricultural Land Commission	Minimal
	d) Explore changes to the RS-3 (One Family Rural Residential Zone) as it applies to the Agricultural Land Reserve with respect to restrictions such as setbacks, lot coverage, and accessory buildings.	District	Minimal

**AGRICULTURAL ADVISORY COMMITTEE**

**2019 MEETING SCHEDULE**

<b><u>Meeting Date</u></b>	<b><u>Upcoming Events Submission Deadline Date</u></b>
January 24, 2019	January 10, 2019
February 28, 2019	February 14, 2019
March 28, 2019	March 14, 2019
April 25, 2019	April 11, 2019
May 23, 2019	May 9, 2019
June 27, 2019	June 13, 2019
September 26, 2019	September 12, 2019
October 24, 2019	October 10, 2019
November 28, 2019	November 14, 2019

**Notes:**

- AAC meets Thursdays at 7:00pm on the assigned month.
- Meetings are held on an as needed basis.
- Requests for agenda items are due to the Chair two weeks prior to meeting date
- Items to be included on the Upcoming Events section of the agenda are due two weeks prior to meeting date. Please email Committee Clerk or Staff Liaison with:
  - o event date;
  - o event time,
  - o event location
  - o event organizer
- Agendas will be published and distributed one week prior to meeting date.
- No meetings in July/August or the last two weeks of December.