THE COUNCIL OF ATLANTIC PREMIERS
LE CONSEIL DES PREMIERS MINISTRES DE L'ATLANTIQUE

# Direct Marketing of Agri-Food in Atlantic Canada: Situation and Outlook

Prepared by

Kelco Consulting Ltd.

May 2008

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# Direct Marketing of Agri-Food in Atlantic Canada: Situation and Outlook

**Prepared for**

**Council of Atlantic Premiers**
**Project:** ***CAP 2007-04***

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## Executive Summary

Over the last decade, farmers in the Atlantic region have faced a number of challenges from an increasingly globalized food system and issues arising from changes in world trade. Farmers have responded to theses challenges in a number of ways. Some have adopted cost-saving technologies and attempted to increase farm productivity and efficiency, while others have chosen strategies that bring their products closer to the consumer by adopting direct marketing and value-adding practices.

This study is designed to provide information on the extent of development of direct marketing in Atlantic Canada, its impact on the agricultural sector and rural economy, opportunities for growth, and actionable projects that will help support that growth. The specific objectives of this study are:

1) To develop a better understanding of the direct-marketing industry in Atlantic Canada, examining strengths, weaknesses, opportunities and threats/constraints;
2) To develop a series of case studies/profiles that highlight best practices, focusing on business development skills and marketing; and
3) To define actionable projects that government, industry and direct marketers can cooperatively develop and implement to further the effectiveness of the direct-marketing sector.

The study methodology included reviewing literature on direct marketing and completing in-depth industry consultation through a survey of direct marketers and industry stakeholder interviews. Information necessary to complete an Input-Output Model impact assessment was gathered in the survey. Case studies of five direct-marketing businesses that exhibit characteristics that have made them viable farm operations were completed. A SWOT analysis reviewed the general strengths, weaknesses, opportunities and threats of direct marketing and identified specific issues for individual provinces. For the purposes of this study, direct marketing included sales direct to the consumer, sales through a small specialty retail outlet (farmer or non-farmer owned), and indirect sales through a restaurant or institution.

The economic impact analysis estimated direct market sales of agri-food products in the Atlantic Region of $91 million. The economic impact of the estimated $91 million is conservatively estimated as follows:

- 2,177 person years of direct and spin-off employment within Atlantic Canada.
- $23.3 million in direct and spin-off wages and salaries (household income) within Atlantic Canada.
- $67.7 million in Atlantic Canadian GDP (at market prices).

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- $4.1 million in Atlantic Canadian direct and spin-off provincial tax revenue.
- $6.1 million in Atlantic Canadian direct and spin-off federal tax revenue.

The information gathered in the study process resulted in recommendations for industry and government, with actionable projects, in six areas:

1) **Expand definition of modern agriculture (Section 8.1)**: Agriculture has changed from an industry that produces only food to one that encompasses food, non-food items (e.g. plant nurseries, landscape materials), agritourism, and, as part of the sales activity, entertainment. Programs and policies do not reflect these changes in a comprehensive and coherent manner. While some changes have been made to programs to recognize the evolving agricultural sector, these changes have not been made as a result of a comprehensive review of the new agricultural reality. The study recommendation is:

   *Policies must recognize that modern agriculture includes farmers and activities that may not fit into the definition of agriculture as a production-oriented business. Policies need to be developed that encourage all levels of government to support the future development of agricultural direct-marketing opportunities in Atlantic Canada.*

   Actionable projects identified were to form industry-government bodies, including municipal authorities, to examine programs and policies and their relation to direct-marketing businesses; establishment of an office or officer in each provincial department of agriculture to assist direct marketers to work through the regulatory regime associated with establishment of retail venues; and a review of existing programs to ensure that they apply to all sectors of the agricultural industry.

2) **Strategic partnerships and alliances (Section 8.2)**: Cooperation between all direct-marketing value chain stakeholders was identified as an important requirement to develop opportunities. Innovative approaches to partnerships and cooperation need to be identified and developed to reflect the features of the direct-marketing sector. The traditional approach of forming relationships along commodity lines will not work for the direct-marketing sector because of the range of production and marketing systems used by direct marketers. The study recommendation is:

   *Strategic partnerships need to be explored, created and encouraged to develop at all levels of government and industry to facilitate the development of new direct-farm sales opportunities for producers of agricultural products.*

   Actionable projects identified were the creation of a permanent direct-marketing committee consisting of representatives of each provincial government to coordinate among government departments and across the region; establishment of an industry-government working group to define the requirements of the major groupings in the

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sector (e.g.: Farmers' Markets, U-picks, roadside farm markets); and the creation of organizations to represent the interests of the various groupings based on input from the industry-government working group and direct marketers in general.

3) **Marketing (Section 8.3)**: Successful direct marketing is based on producing a high-quality product and marketing that product to the consumer. Generic "buy local" campaigns were identified by farmers and industry stakeholders as having a positive impact on sales by direct marketers. Barriers to successful marketing were identified and the recommendations address these issues. The study recommendations are:

- *Create a regional entity to cooperatively market and promote buying Atlantic-Canadian produced agricultural products to the consumer.*
- *Develop uniform symbols and signage for the region to promote direct-farm marketing and the various sectors of direct-farm marketing.*
- *Develop central websites to promote direct-farm marketing in the region linking consumers and local farm products.*
- *Encourage the development of directories and maps to help the consumer find direct-farm market sales outlets, sites and markets.*
- *Create an annual award that recognizes excellence in farm direct-marketing in Atlantic Canada.*
- *Encourage and support the development of Community Supported Agriculture (CSA) and buying group programs for direct sales.*

Actionable projects expanded on the points above and discussed methods for meeting the recommendations, such as reviewing signage regulations and ensuring that direct-market venues are well advertised, establishing programs to assist with the cost of signage and promotional materials, and instituting programs to develop e-commerce opportunities.

4) **Education (Section 8.4)**: Direct-marketing education programs should be designed to address issues specific to direct marketing and needs to take a variety of forms to address the constraints of a diverse sector (e.g. small farms, life-style farmers). The study recommendation is:

*Facilitate educational programs, conferences and forums to develop direct-farm sales skills and direct-sales farm business management skills. These programs should be designed so that they can be made available to direct-farm marketers in all regions of Atlantic Canada.*

Educational programs identified included customer relationship building, food quality and safety, preparation of case studies to provide examples of successful direct marketing, cost of production and product pricing, value-adding, and farm diversification. A variety of delivery options is necessary to reflect the diversity of

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sector participants. Delivery should be through workshops, conferences, web-based courses and other self-directed methods.

5) **Infrastructure (Section 8.5)**: Infrastructure, whether on -farm or in the community, enhances the sale of farm-produced products. Direct sales infrastructure includes signage, point-of-sale displays, Farmers' Market structures, distribution systems, cooperative marketing networks, trained staff, and communication systems. The study recommendation is:

   *Ensure that existing programs are available to all direct marketers and, where gaps exist, create new programs to support the development of infrastructure to support direct-farm sales.*

   Much of the required infrastructure is for human resource development, marketing-related investments, and to address transportation and distribution challenges. Actionable projects identified were designed to provide funds to direct marketers and direct-marketing groups (using existing or new programs) to train staff, establish permanent structures for Farmers' Markets (both new and adaptations of existing facilities), identify storage requirements and innovative ways for direct marketers to store and distribute products, and support investment in processing and value-added activities.

6) **Regulations (Section 8.6)**: While regulations were identified by survey respondents and interviewees as a major barrier to sector development, a close review of individual responses identified only a few areas of concern. Much of the concern appears to result from frustration over the lack of information and assistance to address regulatory requirements. However, some regulations, at all levels of government, appear to be barriers to growth of direct marketing of agri-foods and services. These regulations relate to interprovincial trade, food processing, and municipal planning requirements. Some of these issues have been dealt with in Sections 8.1 and 8.2 as policy issues requiring industry consultation; however, the issue of barriers to interprovincial trade was the most frequently mentioned regulatory barrier. The study recommendation is:

   *Harmonize regulations that affect agricultural products, further processed and value-added agri-food products between the provinces in Atlantic Canada. The sectors that would benefit most are meat, specialty products and wine.*

   Actionable programs identified were to conduct a survey of provincial regulations that impact the ability of direct marketers to expand production both within and outside their respective provinces, and to establish an Atlantic-wide industry-government committee to review the results of the survey and make recommendations for changes.

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While six action areas are identified above, the first two are the most immediate. Those areas reflect policy, communications along the direct-marketing value chain, and sector organization and information and, to a certain extent, are a necessary condition for successful development of the other four recommendations.

Direct marketing of agri-food products is not a solution to all of the challenges faced by the agricultural industry. However, it is currently a significant component of the Atlantic-Canadian agricultural industry and has substantial potential for expansion based on farmers making rational business decisions to take the necessary steps to move closer to the consumer. Based on information from stakeholders, direct marketing also appears to be a preferred avenue for new entrants to agriculture. This feature is important to the long-term viability of the agricultural industry in Atlantic Canada and should be supported.

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## 1.0 Introduction

Over the last decade, farmers in the Atlantic region have faced a number of challenges from an increasingly globalized food system and issues arising from changes in world trade. These challenges include higher input costs, increased regulatory burden, increasing competition in the output market, and pressure on prices received by primary producers. Farmers have responded to theses challenges in a number of ways. Some have adopted cost-saving technologies and attempted to increase farm productivity and efficiency, while others have chosen strategies that bring their products closer to the consumer by adopting direct marketing and value-adding practices.

Some farm businesses have decided to leave the traditional food chain based on wholesalers and distributors in an attempt to differentiate their product and capture more of the consumer dollar. Some consumers prefer to purchase their food from sources that provide local produce or in which they have a greater level of confidence in the food's quality and the consumers' knowledge of production practices (e.g. environmentally friendly, organic, humane labour practices). Governments recognize the potential opportunities that direct marketing brings to agriculture by increasing the overall viability of the sector, increasing industry diversity, and providing socio-economic benefits by supporting local, mainly rural, business.

### 1.1 Study Objectives

The specific objectives of this study are:

4) To develop a better understanding of the direct-marketing industry in Atlantic Canada, examining strengths, weaknesses, opportunities and threats/constraints;

5) To develop a series of case studies/profiles that highlight best practices, focusing on business development skills and marketing; and

6) To define actionable projects that government, industry and direct marketers can cooperatively develop and implement to further the effectiveness of the direct-marketing sector.

### 1.2 Methodology

The methodology for this study was designed to acquire information from primary and secondary sources. Primary sources of information included:

- A survey of agri-food product direct-marketing businesses in the four Atlantic Provinces (New Brunswick - NB, Newfoundland and Labrador – NL, Nova Scotia – NS, and Prince Edward Island – PEI). The survey was sent to all direct marketers for which identification was available from a variety of sources, including provincial, organization and other sector lists. Surveys consisted of 18

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closed-ended and five open-ended questions. Seven hundred and ninety-five surveys were mailed out and 158 were completed. Survey questions were designed to provide information on business structure, revenue and labour, and issues that challenge individual farmers.

- Interviews with nonfarm industry stakeholders, including government, organizations and other industry participants, were completed to provide input for the sector assessment.

Secondary sources of information were used to gather data and complete a literature review and included:

- Provincial and federal government publications.
- Industry-related publications and websites.
- Various project reports including journal articles and reports of other studies.

The financial and operational data collected in the survey were used to develop a statistical profile of the industry. The data were assessed based on standard statistical techniques and also formed input for an Input-Output (I-O) model to estimate the economic impact of the direct-marketing sector on the Atlantic Canadian economy.

Case studies were completed based on in-depth interviews of selected direct-marketing businesses. The businesses were chosen because they exhibit specific characteristics that were considered important to the success of a direct marketer.

Survey and interview results were also used to conduct a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis of the sector and to develop recommendations for actionable projects that government, industry, and direct marketers can undertake per the study's third objective.

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## 2.0 Overview of Direct Marketing in the Agri-Food Sector

For the purpose of this survey, direct sales were defined as:

- Sales direct to the consumer from a farm-owned retail operation (e.g. roadside farm market, stall in Farmers' Market, direct delivery, on-farm sales).
- Sales direct to a restaurant or other food preparation facility (e.g. food service at an institution such as a school), not through a distributor.
- Semi-direct sales to the consumer through roadside farm markets and retail specialty stores that are owned by someone other than the producer.

The definition is broader than that used in prior years that included only Farmers' Markets, roadside markets and U-pick outlets (Kinsman, 1989). The definition used in this study reflects marketing arrangements in which farmers bypass distributors and move along the value chain so that they are closer to the end consumer. This approach reflects the variety of innovative approaches that farm business people have taken to try and capture as much of the food dollar as possible.

### 2.1 Industry Changes

Direct selling of food products was once common in North America but declined as areas urbanized leading to increased consumption of processed foods (Gale, 1997). The consolidation of the food value chain around urbanization and globalization has kept food costs to consumers low. However, direct marketing to consumers continued even as the industry consolidated, particularly for seasonal produce.

Direct marketing of food products has been of interest to farmers and governments for many years and has changed substantially over the last several decades. A 1980 Nova Scotia report identified 186 direct marketers in the province made up of roadside markets and U-pick operations (NSDAM, 1980). A more detailed Nova Scotia survey in 1989 (Kinsman, 1989) identified 17 Farmers' Markets in Nova Scotia with 1988 sales of approximately $404,264. A 2004 survey of the economic impact of Nova Scotia Farmers' Markets identified 15 markets in Nova Scotia (Fullerton and McNeil), although the definition of the 2004 Farmers' Market may be different from that used in 1989. Twelve markets participated in the 2004 survey and reported total sales of $15,623,244. That study estimated the total economic impact of the 12 Farmers' Markets at over $68 million.

Direct sales of agri-food products are increasing in many agricultural regions. Estimates of growth indicate that the number of Canadian Farmers' Markets almost doubled between the late 1980s and 2004 (Feagan, Morris and Krug, 2004).

Support for direct-marketing development has resulted from a variety of initiatives taken by industry and government. These initiatives are frequently designed to promote

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consumption of locally-grown food rather than direct marketing of food products, but direct marketers benefit from these programs (Xuereb, 2005).

The *Foodland Ontario* program was established in 1977 as a consumer branding program working with Ontario produce growers and retailers. One of the main objectives of the program is to maintain consumer intent to purchase Ontario produce at more than 80 percent to help Ontario farmers maintain their market share.

*Foodland Ontario* works closely with commodity groups and associations to share information that assists them with their own marketing strategies and encourages cooperation along the food value chain. Market research is identified as the foundation of the strategic approach to maximizing awareness and consumption of Ontario-grown produce.

Organizations other than agricultural associations and departments of agriculture have recently become involved in promotion of locally-produced food. The Region of Waterloo Public Health authority in Ontario developed a program to promote local food buying in the Waterloo Region with the objective of building healthy and supportive communities. They developed promotional and educational material, including the *Buy Local! Buy Fresh! Map* as a consumer guide to products grown on farms in the Waterloo Region in 2002. A follow-up survey of farmers who were included in the map found that 62.5 percent reported an increase in the number of visitors and that 45.8 percent reported increased sales as a result of being on the map.

A Region of Waterloo Public Health information sheet stated that it is interested in the region's citizens buying local food because it "… has a direct effect on the health of the environment, economy, and community, all of which determine population health."[1]

The Nova Scotia government launched a buy local campaign called *Select Nova Scotia* in July 2007 to promote local agricultural and fisheries products. The campaign featured signage and promotional material provided to over 100 provincial companies and 60 companies registered to be listed on the *Select Nova Scotia* website. Funding for the program has been renewed for 2008 and a full-time person has been hired to work on the *Select Nova Scotia* campaign.

The campaign used a variety of promotional methods, including print, television and radio advertising and conducted a pre-launch survey and another late in 2007. The surveys found that:

- 6% of those surveyed were aware of the campaign. The target is to increase that to 15% in 2008.

[1] *A Fresh Approach to Food – Local Food Buying in Waterloo Region*, February 2004. www.region.waterloo.on.ca/ph.

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- 14% of those surveyed in the pre-launch survey indicated that they believe it is important to purchase local product and this increased to 27% in the follow-up survey.
- 36% of those surveyed in the pre-launch survey considered locally-produced food much better than imported food and this increased to 43% in the follow-up survey.

The New Brunswick government offered a funding program in 2007 called the *Agri-Food Market Development Program* with the objective:

> "To build and enhance New Brunswick domestic market channels to increase the sale and consumption of New Brunswick-produced food products within the province."

The program was available to individuals or businesses involved in agriculture or in an agri-food enterprise in New Brunswick and that marketed provincially produced agri-food products. The program was also available to businesses that partner with the industry to promote the sale and consumption of provincially-produced agri-food products. Funding for a revised *Agri-Food Market Development Program* has been renewed for the 2008/2009 fiscal year.

The program provided funding in six categories:

1) Road signage assistance to develop and improve signage that promotes and/or directs clientele to locations that market New Brunswick agri-food products.
2) Development of promotion and advertising material related to provincially produced agri-food products.
3) Assistance to facilitate diversification of farms into agritourism destinations.
4) New product development and market launch of new products or existing products into new markets.
5) Establishment and capacity building for marketing groups and organizations.
6) Strategic initiatives that do not fit directly into the other categories.

In April 2008, the Prince Edward Island government announced the establishment of a *Buy PEI Initiative* with its goal of increasing public awareness, support, and demand for PEI food products by residents and visitors to the Island. The components of the initiative will include promotion, business and market development, and marketing.

## 2.2 Direct Marketing and the Producer

Some studies indicate that direct marketing leads to greater stability of agriculture production and local economic autonomy for producers. Direct marketing also leads to economic spin-offs such as increased recirculation of capital in the local economy (Feagan, Morris and Krug, 2004; Halweil, 2002).

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Farmers move to direct marketing as a response to financial pressure or in an effort to increase returns to their businesses (Dale, 2007). Also, in many areas, agricultural land was traditionally on the fringe of urban areas and those areas have expanded to encompass those farms. This has moved large-scale input-based agriculture from those areas as land prices have increased as a result of development pressure (Dale, 2007). Farms remaining on that land must concentrate on high-value production to generate the required returns.

Direct marketing that allows the farmer to access an urban clientele has the potential to provide the returns necessary to maintain a relatively small farm operation. However, farms in more remote, rural locations face more challenges because of the smaller potential client base (Gale, 1997).

A 2006 survey examined marketing methods used by direct marketers with particular emphasis on e-marketing using the Internet (Brown and Baer, 2006). The study found that farm Internet access has increased significantly over the past several years with 51 percent of US farms having Internet access and nine percent conducting some form of marketing activity over the Internet. The study also found that less than half the farms surveyed had a website. The most common reasons cited for not having a website were lack of skills, lack of money and lack of time to maintain the website. The survey found that gross farm sales in 2004 were generally higher for farms that marketed using a website.

The 2004 survey identified 12 different sales methods used by direct sellers:

| | |
|---|---|
| Roadside stand or tailgate | Farm stand or store |
| Farmers' Markets | Flea market |
| U-pick | Home delivery |
| Mail order | Internet orders |
| Restaurant | Grocery store |
| Community supported agriculture | Wholesaler/broker |

The most common direct-marketing methods used were farm stand or store, Internet sales, Farmers' Market and U-pick. Restaurant sales were also used by a significant percentage of marketers.

Tronstadt, Lev and Umberger (2003) investigated the characteristics necessary to survive and thrive under direct marketing by examining a group of successful direct-marketing farms in the United States. They identified two business models used in agriculture. One model is based on "operational efficiency" under which a farm produces at the lowest possible cost. The second model is based on "customer intimacy" under which the farm concentrates on meeting the specific needs of select customers. The report stated that:

"*Commodity-oriented agriculture almost exclusively follows the "operational efficiency" strategy while a "customer intimacy" approach appears essential for direct farm marketing enterprises*." (p. 14).

They identified four key strengths necessary for a successful direct-marketing enterprise. These key strengths include (pp. 15-17):

1) *Personality Type and Interpersonal Skills*
   - Direct marketing involves selling directly to a consumer, whether that consumer is a restaurant, specialty retail store or customer at a roadside farm market outlet. The quantity and intensity of the customer interaction is different than in commodity agriculture or when selling through a distributor or broker.
   - Producers must be willing to listen to their customers and to adapt their products as the market changes.
   - Roadside farm markets involve an increase in the complexity of the business as compared to farm commodity production, both in product presentation and relationships with consumers.
   - The farmer must be willing to experiment with product and marketing methods to react to market changes and customer preferences.
   - Direct sales frequently involve more labour management, both in production and sales. Direct sales products are generally not mass produced reducing the ability to use equipment for production and harvest. This frequently requires more labour in the production process. Also, customer interaction demands time, whether that of the manager or staff, and this will increase labour demand as well. Managers are frequently torn between production and marketing management.

2) *Target Marketing/Customer Intimacy*
   - Farmers must satisfy the needs of their customers to ensure long-term viability based on customer loyalty.
   - Customer relationships must be built to gain customer loyalty and reduce their concerns with price competition.
   - They stay ahead of the competition by continuing to seek customer feedback and act on customer concerns or changing tastes.

3) *Superb Product and Service Quality*
   - Direct marketers must offer a product that far surpasses the quality of the standard market offerings. That quality must be consistent for each customer visit.
   - Product quality may be differentiated through product attributes and customer service.
   - Upgraded versions of traditional farm commodities can earn higher prices than comparable commodity products. Examples include pastured poultry, natural beef, antibiotic-free meat, or heritage-variety fruit and vegetables.

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- Farms can also offer one-of-a-kind farm-related experiences, particularly with U-pick operations.
- Direct marketers must recognize that they are competing on the basis of offering the best value rather than the least expensive product. The quality of the product establishes the farm's reputation.

4) *Efficient Resource Allocation*
- Successful direct marketers do a good job with the "soft" side of the business (e.g. customer relations, sales labour management).
- Farmers must have a good grasp of the production side of the business to maintain the superb quality required.
- Direct-marketing managers must have a "… profound and detailed understanding of their business so that they are cost efficient and allocate scarce resources to their highest valued activity." (p. 17)
- Detailed records must be maintained to measure cost and revenue performance on a continuous basis.
- Customer intimacy does not mean being all things to all people. Managers must be able to identify unprofitable products and services and be prepared to remove them from their operation.

Tronstadt, Lev and Umberger indicate that most successful farms are small enough and specialized enough that they do not fear large competitors invading their market based on pricing. They are confident that they can out-compete potential commodity-based challengers based on product quality and customer relationships. However, they do face threats, many of which are out of their control.

- Weather is a major threat to direct marketers, particularly if agritourism forms part of their enterprise. Weather problems have the potential to reduce the supply and quality of farm products available for sale to the customer.
- Economic downturns will impact sales of both high-end products and agritourism events. Direct marketers are dealing with much more income-elastic markets than are typical commodity agriculture marketers, and economic downturns will decrease demand for their product more than for standard commodity-based food products offered at lower relative prices.

Feagan, Morris and Krug identify the aging demographics of the customer base as a potential challenge to direct marketers based on their survey of roadside farm market customers. They surveyed customers at three major Ontario markets and found that the modal age at two of the markets was 60 to 69 years and 50 to 59 years for the third market. Their concern is that younger consumers may be more concerned with the convenience of supermarket shopping than purchasing from a direct retailer.

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Farmers' Markets in the State of Maine have taken steps to meet some of the potential challenges by making their product available to the consumer on a more regular basis than the traditional one day a week, usually Saturday. Most markets in Maine are open from May to October/November but they stagger their opening days so that consumers can find an open Farmers' Market every day of the week somewhere in the State.

The Maine Organic Farmers and Gardeners Association (MOFGA), a state organization, provides a directory of all Maine farms that participate in the *Community Supported Agriculture* (CSA) model of farm marketing. The model takes different forms depending on the community it is in. Consumers may receive a pre-packaged box of vegetables weekly, others may be able to order their selection of fruits and vegetables from the farmer, and yet others will receive pre-paid credit to spend at the farm stand. The Community Supported Agriculture website states that:

"*The bottom line is that people make commitments to farms, and in return farmers make commitments to produce for their members the freshest, most flavorful, highest quality food possible*".[2]

Members are provided with information about the food they receive, and may receive a newsletter published by the farm updating them about farm activities and available produce.

## 2.3 Direct Marketing and the Consumer

Agriculture and Agri-Food Canada's 2005 report *Canadian Food Trends to 2020: A Long Range Consumer Outlook* discussed changes in the consumer marketplace that will affect food demand, both in type and presentation.

The report identifies several potential changes in food consumption and demand that will create both opportunities and challenges for direct marketing of agri-food products.

- Canada has an aging population. Feagan, Morris and Krug identified the older demographic as a large part of the existing clientele for direct market operations. This aging sector of the population has more disposable income than younger groups but normally has fewer people in a household for which they are purchasing food. While the aging population may support direct sellers in the short term, that may not continue in the longer term. Do older customers shop at roadside farm markets and purchase direct from producers because of some characteristic associated with their age and social situation (e.g. retired with more time to shop) or is it a feature of this age cohort that will disappear as they are replaced by other, aging cohorts?

[2] http://www.mofga.org/Default.aspx?tabid=653

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- Consumers will increasingly demand healthier products in tasty and convenient forms. Increasing incidence of many chronic diseases (e.g. heart problems, diabetes) have been linked to diet and inactivity. Consumers are increasingly seeking lower calorie alternatives but their focus is on functional foods targeted to their wellness concerns.
- A growing proportion of the Canadian demographic consists of non-European immigrants who have introduced foods that have not been traditional in Canada. Some of these ethnic food ingredients are presently being grown in Canada; however, an increasingly broad range of products will have to be offered to satisfy that growing market.
- The report states that "it's all about convenience". While recent popular press reports indicate that there are several groups countering this statement, such as the "slow food" movement, activities designed to take time and prepare meals may be special occasions for these consumers, not necessarily the case for most of their meals.
- Consumer confidence issues will become more important over time. While consumers have different understandings of food quality, freshness is increasingly becoming associated with good quality food because it implies good taste, nutrition and is more natural compared to the additives in traditional processed foods.
- Consumers are becoming more concerned with issues in the food chain such as environmental impacts, processing technologies, food additives and preservatives, food labelling, food-borne pathogens, and other issues that they relate to food safety (e.g. food-borne toxins, tampering).
- There is a strong correlation between purchasing organic foods and concerns with food allergies, additives and environmentally compliant production systems.
- Projected per capita consumption of foods and food groups to 2020 indicate that:
    - Salad and cooking oil, cream, lamb, poultry and fish will see very strong consumption growth.
    - Frozen vegetables, cheese, syrups and dried fruit will see significant growth.
    - Canned fruit and vegetables and cereal products will see modest consumption growth.
    - Eggs, pork and fresh fruit and vegetables will see relatively little growth.
    - Pulses and nuts, fruit juice, beef, milk and ice cream will see a reduction in consumption as a result of demographic changes and health concerns.

Direct marketers will have to respond to these trends to maintain profitable businesses and a viable sector.

The Region of Waterloo Public Health conducted a survey included as a portion of the 2003 Kitchener-Waterloo Metropolitan Area Survey. It found that consumers in their

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area buy local food for a variety of reasons including, in decreasing order of response percentages (multiple responses allowed):

- Support local farmers (88.6%).
- Local food is fresher (58%).
- Preserve local farmland (43.8%).
- Decreases dependency on imports (30.4%).
- Local has travelled less (23.6%).
- Local is cheaper (13.8%).
- Local is safer (11.8%).

Consumers were also asked about barriers to buying local food and identified the following in decreasing order of response percentages (multiple responses allowed):

- What they want does not grow in the region (66.4%).
- The product isn't always available (64.4%).
- Much of the product is seasonal (58.4%).
- Local product costs more (20.8%).
- Some things grow better elsewhere (18%).
- Local product does not stay fresh as long (3.2%).

Only about one-fifth of consumers surveyed were concerned with price and just over three percent expressed freshness concerns. The other barriers tend to be production-related based on the inability to either produce a crop at all or to produce it for more than a relatively short season.

Feagan, Morris and Krug conducted consumer surveys at three Farmers' Markets in the Niagara Region of Ontario in 1999. The results of those surveys generally support the Region of Waterloo survey. They found that the most commonly stated reason for shopping at the Farmers' Market was the freshness of the food. They also stated that direct marketing of agricultural products, no matter the type of venue, helps to localize the food system by providing face-to-face interactions between producers and consumers. Customers stated a strong commitment to supporting local farm production by continuing to shop at Farmers' Markets.

Feagan, Morris and Krug concluded that their study corroborated previous studies that found :

"*… that socioeconomic and cultural factors such as the importance of food freshness, support of local farmers and the local farm economy, and social interaction – embeddedness – are key expressions of people's support and interest in farmers' markets*." (p. 235)

The previously mentioned 2004 survey of Nova Scotia Farmers' Markets (Fullerton and McNeil) indicates that the results of these studies apply to customers in the Atlantic Region. That study found that:

- Almost 65% of customers live within five kilometres of the market.
- They are frequent and long-term customers.
- The average customer is female with an age range of 40-59 years.
- The average customer is from a household with two individuals.
- Average purchase per customer at rural Farmers' Markets was $28.27 (Halifax Farmers' Market - $34.67).
- Reasons customers frequent the market are:
  - Fresh, quality product.
  - The social event and atmosphere.
  - Support local farmers.
  - Support local community.
  - Quality products and organic foods.

A group of researchers from The Ohio State University (Darby, et al) conducted consumer intercept surveys at six roadside farm markets, four Farmers' Markets, and seven retail grocery stores between August 2005 and January 2006 to determine the willingness to pay for locally-produced food products.

The study concluded that consumers are willing to pay more for locally-produced product than for the same imported food. The locally-produced price premium was almost double that for consumers at direct market outlets than for those at grocery stores.

The data analysis indicated that the main factor that influences consumers in their willingness to pay a premium is the freshness of locally-grown product. Consumers also placed importance on guaranteed freshness through a label that communicates time of harvest rather than a label that indicates distance the product has travelled to market. They note that direct marketers have a distinct advantage over grocery stores in this area.

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## 3.0 Industry Survey

This section provides a summary of the points that were drawn from the survey responses followed by a discussion of main themes identified by respondents in the open-ended questions.

### 3.1 Survey Summary

- Those that began farming in the past 20 years went straight into direct marketing.
- Direct selling creates significant full-time and seasonal-full-time job opportunities.
- 54% of respondents have sales under $100,000.
- 87% of respondents have sales under $500,000.
- In general, direct marketers use a combination of direct and wholesale sales to move their entire product to market. A combination of wholesale and retail creates business viability. Approximately two-thirds of sales are direct and one-third wholesale.
- 49% of sales are direct from the farm, 20% via Farmers' Markets. This emphasizes the importance of the roadside market and Farmers' Market network to facilitate direct sales of farm goods.
- 88% of products sold by the farm are produced on the farm; the remainder is produced by neighbouring farms within 50 kilometres.
- 91% of direct sales products are sold within the province in which they are produced.
- 60% of products sold direct by survey respondents are horticulture crops, including fruits, vegetables, nursery, and greenhouse products; 2% of sales are dairy; 17% are meat and poultry; 4% honey; 2% field crops; 1% maple; 2% nutraceuticals; and 9% other.
- 54% do not use conventional means of advertising. Of those that advertise newspapers, websites, highway signage, industry group advertising and media advertising are the most commonly used media. Newsletters and e-news are the least used. Word of mouth was the most mentioned form of advertising.
- 66% indicate that their website is not up to date, 33% use their website to bring people to the farm, 3% sell direct over the Internet.
- 76% of direct marketers have experienced an increase in sales since starting direct marketing and 57% experienced increased profits.

### 3.2 Survey Comments

The following discussion summarizes points made by survey respondents. Comments to open-ended questions have been grouped under main themes such as development, promotion, and so on.

**Product Development**
The heavy level of regulation and relatively significant compliance costs associated with establishing value-adding opportunities, even in regard to establishing community kitchens, create serious roadblocks to an opportunity before it gets started.

Ways need to be found to reduce the risk of developing new products and testing them in the marketplace to see if they are worthwhile developing further.

**Farmers' Markets**

There were many comments in support of the development of more Farmers' Markets. They are identified as one of the most important pieces of infrastructure for many farmers to facilitate the direct sale of their products to the consumer. Farmers' Markets provide access to a customer base. Farmer' Markets are excellent ways to share marketing costs and make good locations affordable to all farm businesses no matter what their size.

It is important that the market is clean, permanent and well run so that it attracts customers and develops customer loyalty. Farmers' Markets need to be established in more communities with proper facilities, lights, electricity, heat and other attractive amenities.

**Signage**

Signage is considered an important issue and key to drawing people to the farm. Access to and cost of major highway signs is identified by respondents as an impediment to business development.

Respondents believe that generic signage needs to be developed for the industry and standardized across Atlantic Canada.

In general, sign regulations are considered restrictive and it is too difficult to get permission to place signs on major highways. Respondents would like temporary and seasonal signs allowed on highways.

**Education**

Producers identified the need for more education around direct marketing and value-adding opportunities. Respondents indicate that it would be useful if product development training, information sources and/or specialists were available within the province. Alternatively, it would be useful to find a way to access training through workshops or other training programs from other provinces that have such programs.

Respondents indicated that they need more joint conferences and seminars for the local industry to keep up-to-date on industry developments, challenges and opportunities.

**Regulations**

In general, respondents believe that there are too many regulations that take too much time to deal with, are costly for most farm businesses to comply with, and restrict growth and development opportunities.

Harmonization of regulations to allow for free interprovincial trade of agricultural goods was a common issue raised by respondents. They believe the lack of harmonization restricts the growth of many agricultural sectors in Atlantic Canada and has a particularly negative impact on meat processors, value-adders and wineries. Producers cannot achieve the economies of scale necessary to meet the various interprovincial trade issues because of market limitations inherent in the regulations.

The supply-management systems for poultry and dairy are viewed as a barrier to growth by many direct marketers.

Respondents believe that harmonization of provincial regulations would increase direct sales opportunities in the region. Also, inconsistencies in zoning regulations as they apply to agriculture make selling products from the farm difficult in many areas.

**Promotion**

Continuation and expansion of all “buy local” campaigns is considered an important promotional effort and respondents believe that these programs are having an impact on the consumer. However, they indicate that it takes years of consistent messaging to change consumer purchasing patterns.

There were a number of suggestions on creating TV shows and series that focused on local food and local producers. Industry and promotional maps work well and should be used in all regions. An awards program that recognizes best producers, advertisements, signs and products each year and promotes the winners would raise the sector’s profile and stimulate producers to concentrate more resources on promotion.

Atlantic Canada needs to publicize locations of local markets better than is currently done. Provincial governments should continue to promote such programs as *Select Nova Scotia* and the Newfoundland and Labrador television series, *Breaking Ground*, two 13-part series that have aired on the provincial NTV and CBC stations, and use other avenues to make the public more aware of direct marketing of local products. Producers believe that the government could advertise to inform the public of the type of food that is being produced locally throughout the growing season. This type of generic advertising is difficult for the sector to do because of its cost and the lack of sector organization.

Respondents indicate that more directories should be developed listing farms and these lists should be published in newspapers, on provincial government websites, in tourism guides, and other available media.

Some respondents support promotions that include infomercials on the importance of locally-grown organic produce stressing freshness, taste, low environmental impact, less transportation, pollution reduction and other benefits of organic production.

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**Product Distribution**
Efficient and economical distribution of products from the farm to the consumer is an important issue to farmers. Farmers are often located some distance from the Farmers' Markets or direct sales opportunities and the cost of transportation to these venues is an increasing amount of cost relative to sales, especially if product volumes are not large.

Respondents indicated that innovative ways are needed to create centralized distribution and sales outlets where customers, chefs and others can buy fresh local vegetables, fruit and meat on a regular and predictable basis. For example, Farmers' Markets could be set up as regional distribution hubs to connect more products with the customer.

Some respondents indicated that farmers need to learn to work together in marketing, sales and communicating to the consumer. Farmers need to move to a new level of cooperation between consumer and producer, and producer to producer to get products to market.

**Industry Assistance**
Programs to help with development of packaging, labelling, tamper evidencing, lot coding, and other consumer-expected features were identified as important by survey respondents.

Assistance should be available to develop more affordable federally inspected abattoirs. Respondents believe that the inability to process meat products under a formal inspection program limits their ability to increase sales. The cost of federal inspection is overwhelming to farm businesses. Farmers also indicated that they need access to CFIA inspectors to provide advice prior to making investments rather than through inspections after investments are made.

## 3.3 Provincial Survey Differences

A comparison of survey responses was completed to identify significant differences between provinces. The ability to draw strong conclusions from survey responses reduces when comparing provinces because of the relatively low number of responses when they are classified by location. Nova Scotia had the largest number of responses (77), New Brunswick the next largest (43), followed by Prince Edward Island (23) and Newfoundland (7). Five respondents did not identify their location.

In general, there were few significant differences between provinces. Those that stood out include:

- Nova Scotia respondents indicated that 21% of their direct sales are of processed product while the other provinces reported approximately 10%.

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- Prince Edward Island reported the highest proportion of agritourism related sales at 7% with Nova Scotia at 2% and the other provinces almost none.
- Nova Scotia respondents generate 28% of their sales at Farmers' Markets compared to 17% for Prince Edward Island and 12% for New Brunswick.
- New Brunswick respondents generate 27% of their sales through their own roadside farm market, roadside stand or U-pick, compared to 18% for Prince Edward Island, 14% for Newfoundland and 12% for Nova Scotia.
- Between 95% and 99% of product sold by respondents from Nova Scotia, Newfoundland and Prince Edward Island is produced in their province while New Brunswick respondents reported 86% is produced in the province.

A review of the responses to the open-ended questions by province indicated little difference in comments and concerns. However, Nova Scotia respondents appear to be more concerned with the level of regulation than respondents from the other three provinces. Many of the Nova Scotia comments related to regulations around food safety and inspection requirements. This level of concern may relate to the relatively large percentage of processed food products sold in Nova Scotia as compared to the other provinces.

## 4.0 Summary of Stakeholder Interviews

Non-farmer stakeholders and some direct marketers were interviewed based on an interview guide developed to elicit information and opinions on the sector and its future. The following summary is organized by questions with the response summaries following the question. Some interviewees were specific to a province while others' interests were more general in nature.

**Question 1: How does direct marketing currently impact your province's agricultural industry?**

Those interviewed believe that direct marketing of agri-food products is a benefit to their provincial agriculture because it allows farmers to increase profit margins and access markets that they might be unable to enter otherwise. Globalization of the food value chain has changed the former wholesale market such that it is difficult for producers to enter because they are unable to supply the necessary volumes or cover the costs associated with mandated food security systems.

Estimates of the size of sales to direct markets in Atlantic Canada are unavailable, other than based on individual estimates. Statistics are not currently collected on this activity. For the most part, direct marketers are known because they self-identify through advertising, joining a Farmers' Market organization, or through word-of-mouth. Also, much of the activity is cash-based and there may be a significant level of unreported sales in the underground economy.

Estimates of the amount of sales vary:

- Approximately 80% of organic product is sold through direct market systems.
- Almost all of the non-supply-managed food produced in Newfoundland and Labrador is sold through some form of direct market system, including 80-90% of vegetables and most meat products.
- A 1993 program in New Brunswick targeted fresh produce farmers and found that between 5% and 10% was sold direct. That proportion is believed to have increased significantly.
- One interviewee estimated that approximately 20% of Nova Scotia production of food and non-food agricultural products was sold through direct market channels, as defined for this study. The point was made that there are many producers of all sizes outside of the supply-managed sectors that sell at least a portion of their product through Farmers' Markets, roadside farm markets, specialty stores, U-picks and on-farm sales.
- Prince Edward Island direct marketing systems have not developed to the extent of some other provinces but interviewees believe that direct marketing is becoming more important to the Island's agriculture.

Stakeholders were also asked for estimates of the potential for growth in direct marketing. Respondents indicated that they believe potential growth overall is for the sector to at least double, with a potential tripling of direct-market sales of organic products.

Many interview comments paralleled the results of the literature review. Those interviewed believe that direct marketing:

- Provides additional business opportunities that provide higher margins to farmers than the wholesale food supply chain.
- Provides farmers with an opportunity for viable farms based on intensive farming of a relatively small land base using non-conventional systems (e.g. low capital investment, differentiated products).
- Provides consumers with access to high-quality, fresh food through a channel over which they have more control because they have greater access to the producer.
- Provides the producer with better information on which to make business decisions.
- Recent concerns over food safety and environmental issues create opportunities for direct marketers.

**Question 2: What role do you see for direct marketing in the future of your province's agriculture sectors?**

All those interviewed believe that the direct-marketing sector will expand in all geographic regions of Atlantic Canada. While increased consumer awareness may benefit local agriculture in general, increased awareness of and demand for locally-produced food is expected to create more market demand for direct-marketed food products. Some respondents expressed the opinion that consumer food trends will continue to focus on shortening the food chain to provide increased local environmental and social benefits and that this trend will provide increased opportunity for direct marketing of locally-produced agri-food products.

Interviewees also believe that direct marketing will be the preferred option for most new entrants to the industry, particularly those entering organic production. Some interviewees stated that direct marketing is an example of the changing face of agriculture and that new entrants can use these marketing structures to receive a higher margin on sales to support growth.

Some respondents expressed concern that existing farmers may not be prepared to invest in the necessary infrastructure, both capital and human resources, to effectively move closer to the consumer. Some farm business managers may not have the required skills or personality to be successful in direct marketing. However, respondents pointed out that many locations in Atlantic Canada have well-developed direct-marketing systems

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and that there are opportunities for producers to develop strategic relationships with existing direct-marketing businesses.

**Question 3: What are the greatest weaknesses, challenges and threats to the direct sales of agribusiness goods and services?**

Respondents identified many issues that the direct-marketing sector will have to overcome now and in the future to meet its potential. These include:

- Respondents believe that farmers are slow to adopt cooperative approaches to marketing to the detriment of the industry's broader development. Many farmers appear to not understand the fine line between competition and industry cooperation and the benefits of that cooperation. Some farm businesses that attempt to enter direct marketing do not understand the actual costs of the retail portion of the sector and are averse to cooperating with other farmer-retailers, fearing that they may be giving up too much of their margin to the other farmer.
- The seasonal nature of much of our food production is a reality that hampers the direct marketer's ability to form and maintain relationships with consumers.
- Large retail food stores offer ease of purchase as compared to most direct-marketing establishments. Customers can access an array of food products, both locally grown and imported, in one location.
- Many direct marketers sell perishable products at Farmers' Markets and only offer them once a week at the Saturday morning market. Most consumers do not buy a week's worth of perishable product at one time.
- Attendance at Farmers' Markets, both vendor and customer, is intermittent depending on products produced, labour resources, and weather. Small producers may not be able to hire additional labour and family issues can have an impact on their ability to prepare product and attend markets on a consistent basis.
- Farm businesses that change to direct marketing may earn less during the learning part of the retail portion of the process, which may discourage new entrants.
- Direct-market venues include an amusement component to the consumers' experience and as a result they have to be full of both vendors and customers to meet many consumers' expectations.
- Most direct marketers cannot compete with the large food distributors on a price basis. They must maintain a differentiated product through quality or consumer experience. Thus, producers are constantly challenged to react to changes in consumer desires and to maintain very high-quality standards.
- The general agricultural industry has a relatively high average age, which may deter older farmers from making the investment or to acquire the skills necessary to begin marketing their product in a new and, for them, unproven system.
- Capital constraints, both investment and human resource capital, are limiting factors for new entrants and those that want to expand existing direct-market operations, particularly if value-added products are being considered. These constraints may be based on financial limitations or a lack of knowledge on the

farm operator's part of the level of investment and training necessary to operate a successful direct-marketing business.

- Many new entrants to the direct-marketing sector lack the skills necessary to be successful. Part of the reason for this is that information and programs are not available to ensure that they can acquire these skills. Many direct marketers are small producers who may not qualify for programs or may not be part of the traditional agricultural communications system, both provincial and federal. These barriers reduce a new entrant's potential for success.
- Direct marketing is based on developing relationships with consumers and many people lack the personality to form and maintain those relationships. The sector lacks fully developed supply chains that allow those without the required personality characteristics to take advantage of direct-marketing opportunities through semi-direct sales.
- Customer volume in low-population areas limits the size of a direct-marketing sector that a geographic area can support. Atlantic Canada has a limited number of populated cities and a limited customer drawing radius from those cities. Producers have to find ways to place their products in front of the consumer so that it is convenient for them to purchase.
- Distribution systems are lacking and this increases the costs of direct marketing to the farmer and reduces profit margins. Many farmers do not have sufficient volume of product to gain economies of scale when transporting their product to the end user, whether that is the final consumer or a roadside farm market.
- General promotion is viewed as a significant challenge. Respondents believe that more effective programs designed to increase the general public's awareness are needed. All respondents identified the lack of signage and difficulty with regulations around locating signs as a major barrier to sector development.
- The sector lacks the types of organizations that have formed around commodities in most provinces. Messages from producers to government and consumers are fragmented by the lack of comprehensive direct-marketing organizations reducing effective communication and industry development.
- Producers will often forgo a higher price for their product because they are unable to store it for its full storage life. Many small producers cannot afford storage infrastructure and will be able to access it only through government programs and/or farmer cooperation. This challenge relates directly to food freshness, which was identified in the literature review as one of the key reasons for consumers to buy directly from the producer.
- Regulations, at all levels of government, are viewed as an increasing barrier. These regulations range from siting an outlet to food processing and labelling requirements. One respondent pointed out that forced labelling may take away the uniqueness of a product and standardization removes distinctiveness.
- The lack of processing and value-added infrastructure for small producers is believed to be a barrier to sector development.

**Question 4: What are the greatest strengths and opportunities for direct-marketing agribusiness goods and services produced in your province?**

Respondents identified various sector strengths and opportunities, many related to developing relationships between the producing and consuming portions of the direct-market food supply chain. Specific areas identified included:

- Direct marketing offers consumers high quality, safe, accessible agri-food products produced locally. This allows the consumer to identify the producer and provides opportunity for the consumer to gather information from the farmer on the production system under which the food was produced. This information provides the consumer a level of comfort about the food being purchased and allows the direct marketer the opportunity to build relationships with consumers.
- Respondents generally consider producers that have developed direct markets as progressive and eager to take actions designed to develop their direct market opportunities.
- Producers have the opportunity to improve margins as “price makers” rather than “price takers” as is the case in the wholesale system. Producers can influence the price a consumer will pay for their specific product in the way that they package and display, by maintaining quality, and by using their own sales skills directly with the consumer.
- The current interest in consuming locally-produced products has created awareness of the industry and is supported by governments, industry and various organizations. This broad-based support for “buy local” creates opportunities for sector growth.
- Direct marketers have been able to differentiate their product by emphasizing a variety of features:
  - Fresh and high-quality.
  - Safely produced, including organic or reduced chemical production systems.
  - Local: a purchase from a direct marketer supports the local community.
  - A purchase from a farmer ensures that the producer receives a fair price for the goods.
  - Agritourism and entertainment-based operations are attractions for the whole family.
  - Direct marketing puts a face on food production for the consumer, which should help maintain societal support for agriculture.
- Farmers’ Markets and other direct retail outlets, provide a good opportunity to test new products with the consumer and for new entrants to learn business skills.
- The producer is in direct or semi-direct contact with the consumer. This immediate connection provides the producer with very good market information on the product, consumer desires, and changing consumer tastes. This immediacy of information allows the producer to react quickly to new opportunities and challenges.

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- Many direct marketers are relatively small farms with diversified production. Respondents believe that this allows these business managers to be more nimble in their reaction to market signals.
- There are opportunities for direct marketers to emphasize their differences from the large grocery distributors. Much of this differentiation will be around retail employees who need to be well educated on the characteristics and benefits of their products and the systems under which they were produced.
- For some areas that are remote from wholesale distribution centres, local product is much fresher than imported food that has been transported long distances.
- Respondents identified some product types with significant growth opportunity. These included organic foods, reduced chemical production systems, and meat products grown organically or based on natural production systems.
- Semi-direct sales to the food service sector were identified as a significant growth opportunity for some producers. Respondents indicated that producers have not been as active and creative in this area as they have been in others, such as Farmers’ Market development.
- Some types of direct marketing can offer convenience to the consumer. Community Supported Agriculture (CSA) has developed home delivery systems in some areas. This overcomes some of the competitive challenges of one-stop shopping offered by large grocery distributors.
- Opportunities exist to develop more cooperative and efficient distribution and marketing systems to facilitate getting the product to the consumer as quickly as possible.
- Respondents believe there are opportunities to lengthen the season using both improved storage and production systems (e.g. tunnels for vegetables). They also believe that there is opportunity to educate the consumer on the seasonality of our food production and how consumers can refine their diets to take advantage of the seasonality of local supply.

**Question 5: What do you think your provincial government can/should do to improve direct sales marketing opportunities for agribusiness?**

Some respondents believe that provincial governments and agriculture departments do not recognize the direct-marketing sector’s potential for growth and the economic benefits this brings to their provinces. They indicated that this recognition would facilitate industry development through government awareness and the establishment of cross-department cooperation to address issues such as signage, retail outlet location, or processing facilities.

Farmers’ Market location was a concern for some respondents and the need to ensure that they are located such that they are readily accessible to the greatest number of consumers. They believe that provincial government should develop a policy in conjunction with municipal governments to include Farmers’ Markets in downtown designs.

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Some respondents noted that the Atlantic Provinces have stated a preference for using local product in provincial institutions, but believe that the provinces need to establish clear policies for local government buying. These policies will establish the targets that local producers have to meet to be able to access provincial institutional markets.

Respondents indicated that provincial governments should provide a range of programs that parallel existing and prior offerings but that they should be adjusted and targeted toward the unique characteristics of direct marketing of agricultural products.

Program types identified included:

- Training programs directed at both the new entrant and existing farmers who are presently using direct marketing or want to diversify their farm businesses into some form of direct marketing. Direct marketing-specific training would include product handling and packaging, promotion, consumer relationship building, pricing, and business skills specific to a direct-marketing system.
- Support for existing and new organizations to allow producers to work collaboratively with each other, with other organizations and with government. This would allow the direct-marketing sector in each province and across the Atlantic Provinces to develop strategies to enhance direct-market opportunities on a sector-wide basis.
- Develop better information on direct marketing and its opportunities. Also provide access to existing programs to producers and their organizations based on the characteristics of sector participants, such as small size or emphasis on agritourism rather than food production. Barriers to programs should be identified and removed.
- Capital investment programs specific to storage and distribution were identified by most respondents. Many small farmers that are developing their businesses around direct marketing do not have the financial resources to effectively maintain and market their product. Signage was identified as an important investment for roadside farm markets, U-picks and roadside stands.
- Joint initiatives across provinces should be considered. Provincial boundaries are sometimes irrelevant to a specific market or certain provinces may have similar opportunities or challenges. Respondents believed that cooperation across provincial boundaries could remove artificial barriers to industry development. Cooperative micro-processing for small farms was identified as one opportunity.

**Question 6: How can the Atlantic Provinces better cooperate to improve direct sales marketing opportunities for your province’s agribusiness sectors?**

Respondents recognized that areas of cooperation across Atlantic Canada as a whole reflect the varying level and type of development of the direct-marketing sector in each province. Areas of cooperation identified were:

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- Atlantic-wide basic promotion programs based on "buy local" campaigns and possibly a farm identification program for farm businesses that market local products directly.
- Joint education and information sessions based on regional conferences so that direct marketers can meet farmers from other provinces and gain knowledge from their experiences.
- General marketing and sales skills education programs that would be more cost efficient if designed for, and delivered to, the larger region.
- Pooling resources to support pan-Atlantic organizations whose members are involved in direct marketing.
- Facilitating avenues to stay connected with counterparts at all levels of the sector (i.e. producer, government) so that information exchange is continuous.
- Requesting that Statistics Canada gather more detailed information upon which to assess industry development.
- Consistency in signage across the whole region rather than the provincially-based systems that are presently in effect.
- Standardize regulations as much as possible, particularly in meat production and processing.
- Publicly identify direct marketing of local food as a priority for a viable and vibrant agricultural industry. This would provide support for new farmers and existing farmers that are contemplating direct marketing.

In general, cooperation across the Atlantic Provinces is seen as a coordinating function for industry development with some programs for promotion, education and cooperation across the region. A few interviewees indicated that the concept of an Atlantic, rather than provincial, brand should be considered as this would concentrate relatively scarce resources. They recognized that there are issues with cross-border regulation but believe these can be overcome in time.

**Question 7: Are there regulations that inhibit your ability / your province's ability to market direct sales? Which ones?**

The main issue identified in the responses to this question related to barriers to interprovincial trade, particularly inconsistency in provincial meat inspection regulatory regimes that create barriers to the movement of meat products across provincial borders.

Many of the regulations identified as having an impact on direct marketing are federal regulations around food safety and transportation across provincial borders. Respondents indicated that many government regulations and programs ignore farm size and scope of production. Regulations on food safety and labelling were specifically identified as being onerous for small producers.

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Some respondents identified zoning issues as either barriers to direct marketing or having a major impact on the investment necessary to establish a direct market outlet, particularly where the farm is located on the interface between urban and rural areas.

The range of regulatory authorities (e.g. health, transportation, agriculture) was identified as being confusing and challenging for farmers, particularly small farmers.

Some respondents stated that, while regulations may be a burden, they are necessary to provide a safe food system and to maintain consumer confidence in local food production.

**Question 8: Can you think of any actionable projects which government, industry and direct marketers can cooperatively develop and implement to further the effectiveness of direct marketing in the agri-food sectors?**

Most actionable projects identified by interview respondents fell under the headings of promotion, education and information.

<u>Promotion</u>
The most common promotional project identified was for consistent, comprehensive "buy local" campaigns. Respondents differed on whether this should be an Atlantic Canada-wide campaign or separate provincial campaigns using similar approaches and themes. Other promotion-related projects were for consistent signage and assistance for direct marketers to fund signage and deal with the regulations governing signs in each province.

Some respondents believe that a more in-depth consumer education and awareness campaign that focuses on some of the current issues with environment, food safety and security, and the economic benefits of the agricultural industry should also be initiated. The belief is that a more educated consumer will choose to seek out direct marketers and/or locally-produced food for the benefit of society as a whole.

Promotional programs should also recognize the strong relationship between agritourism and direct marketing. The social and entertainment aspects of many direct-marketing venues creates the potential for formal cooperation between agricultural and tourism businesses, organizations and government departments.

<u>Education</u>
Identified educational projects are aimed at improving direct-marketer skills, mostly in marketing and promotion. Customer relationship skills were identified as the most important educational component with general sector education as another educational feature.

Potential educational projects included:

- Formal workshops on developing direct-marketing skills.
- Regional conferences on direct marketing during which farmers can interface with other direct marketers who are not local and who may not be seen as competitors.
- Caravan-style small conferences that move around the region.
- Support for farm business people to attend national and international conferences and workshops on direct marketing.
- Support to bring speakers and specialists on direct marketing to speak to large and small groups.

Other project themes of a more general educational nature were identified. These focused on stimulating cooperation and communication among sector participants to overcome some of the perceived sector development obstructions created by a lack of a cohesive industry focus. Some respondents believe that the competitive attitude many direct marketers exhibit toward other industry members is a detriment to the sector's development. They indicated that a better understanding by direct marketers of the difference between cooperation to benefit the sector and individual competition for markets would foster opportunities and overcome some challenges.

Information

Potential projects directed toward information included gathering accurate data on the sector to better monitor development and changes, and to gather market information that direct marketers can use in their decision-making process.

Activities identified included:

- Gathering information on trends in consumer preferences, analyzing the information and making it available to farmers and/or sector organizations.
- Developing and supporting structures (e.g. newsletters, workshops) for industry members to share information to the benefit of the whole direct-marketing sector.
- General market and business research so that direct marketers can assess their performance, pricing, opportunities and potential challenges.
- Programs to identify, or assist individual marketers to identify, product imports that can be replaced with local production, as well as new and innovative products that can be introduced to local markets.

Other general potential projects that respondents identified included:

- Support the development of provincial and Atlantic Canadian industry organizations to provide coordinated services to their members as is the case with many commodity groups.
- While some respondents believe that sector development programs should be a continuation and enhancement of existing programs and projects, they identified the potential for more regional cooperation as an opportunity for the direct-marketing sector.

- A program to standardize provincial meat inspection systems was identified as having the potential to generate substantial opportunities for direct marketers.
- Programs to support distribution systems based on farmer partnerships would foster cooperation among sector participants and address a major cost issue for small producers.

**Question 9: What would you recommend to agriculture producers who wish to develop new direct-marketing sales for their farm products and services?**

Most responses to this question related to operator preparation to enter direct marketing and cooperation with other direct marketers to the benefit of all sector stakeholders.

Farmers that plan to enter direct marketing should do their homework before they make investments or commitments to new products or production systems. Areas of investigation and potential issues identified include:

- Ensure there is a market for the product(s) that the farmer plans to offer.
- Prepare a good business and marketing plan that clearly identifies all production and sales costs and have the plan reviewed by someone knowledgeable in the direct-marketing sector.
- Producers should not limit their development to one form of sales outlet. Successful producers will sell product through a variety of retail outlets.
- Use the resources available through such organizations as the Canadian Farm Business Management Council and the North American Farmers' Direct Marketing Association to carry out market assessments and identify opportunities and challenges that a new operation will face.
- Be aware that the farm business may be opening itself up to the general public, whether that includes farm visits or providing information to consumers about the farm and its production and food-handling systems.
- Direct marketers need to consider the location of their retail operation and consumer requirements in relation to location, amenities (e.g. washrooms), health requirements, and consumers' expectations on the appearance and cleanliness of the premises.

Other general comments identified the critical importance of good "people skills" to develop and maintain customer relationships. Both the farmer and staff need to be aware that direct marketing involves much different forms of relationships with the end market. They will be dealing directly with the consumer, which requires a different approach than selling into wholesale markets.

Some respondents identified the potential for new entrants to strategically align with existing direct-market supply chains so that they become involved in semi-direct marketing. They believe that a proliferation of new retail outlets will destabilize the sector, especially in well serviced areas, and that alignment with existing retailers in a cooperative relationship will benefit new entrants.

**Question 10: Do you have any other comments on opportunities and challenges in direct sales aspects of your Province's agri-food producers?**

Responses to this question tended to emphasize points that were previously made that the interviewee believed were especially important.

Many respondents believe the future is very bright for this segment of agriculture as urban Canadian consumers become more concerned over health and the environment. They point out that those selling directly to the consumer can help bridge an education and distribution gap that currently exists between urban Canada and agriculture.

Other comments included:

- Membership-based organizations are incredibly valuable; however, farmers have to be involved actively in their organization for them to be successful.
- Farmers' Markets have to be open on different market days rather than only on Saturday morning. This allows farmers to sell from more locations or more frequently and is more convenient for consumers.

## 5.0 Case Studies and Best Practices

The following case studies are designed to provide examples of specific characteristics that have brought success to direct-market businesses, but also to identify challenges, marketing approaches, best management practices, and to provide advice from the business operators.

The case presentation provides details of the business, its operators, production and marketing channels, and also identifies the category, or feature, of which the individual business is an example (e.g. value-added products, unique marketing approach).

### 5.1 Fox Hill Cheese House

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|---|---|
| **The Farm:** | Fox Hill Cheese House,<br>1660 Lower Church Street, Port Williams, NS B0P 1T0<br>Phone: 1-902-542-3599 Fax: 1-902-542-4024<br>E-mail: foxhillfarm@ns.sympatico.ca<br>http://www.foxhillcheesehouse.com/ |
| **Operators:** | Richard and Jeanetta Rand |
| **Category:** | Direct-farm outlet sales, Farmers' Market sales, Value-added processing, Agritourism |
| **Farm Production:** | Various cheeses, yogurt, gelato, premium ice cream, and yogurt |
| **Marketing Channels:** | *Direct:* Farmers' Markets, Agritourism, Farm sales<br>*Wholesale:* Local retail specialty outlets |

**HISTORY** - Fox Hill Dairy Farm is a sixth generation family farm operated by Richard and Jeanetta Rand. It is nestled in the Annapolis Valley of Nova Scotia and is home to Fox Hill Cheese House. In 2002 the Rands decided to learn the art of cheese making as a way to value-add a portion of their dairy farm's milk production. It took almost two years to navigate dairy industry regulations and build a new cheese processing facility. In 2004 they started production and opened for retail business. In 2005 they built an outdoor deck for their farm visitors and retail customers. Facilities for yogurt production were added in 2006 and the retail area for the sale of gifts, products, gelato, and premium ice cream was built in 2007.

**BUSINESS** - The cheese factory and retail outlet is located approximately one hour from Halifax in the Annapolis Valley. The company specializes in producing aged and specialty cheddar, plain and herbed havarti and gouda, quark and quark dips, fresh curds, feta, parmesran (a parmesan style cheese), natural yogurt, gelato, and premium ice cream products. The Cheese House consists of a small processing room, three cold rooms, a

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packing area, office, and storage room. They also offer other locally-produced products and specialty gift items and accessories for ancillary sales.

**BMP (Best Management Practices):**
- *Spent time learning and developing cheese making skills.*
- *Prepared a business plan for the value-added venture.*

**MARKETING -** Products are primarily sold direct from the farm and through sales at four local Farmers' Markets. Some product is sold wholesale to high-end restaurants, specialty stores and tourism outlets. They have avoided selling to grocery chain stores as the margins are low and the stores require high product volumes that would reduce supply to the higher margin direct-sales customers.

The farm offers an agritourism experience based on education around the cheese-making process. The fee-based tour takes approximately one hour, includes background information about the dairy farm, offers an insider's look at the cheese making process, and concludes with a sampling tray of Fox Hill cheese. Gift boxes featuring samples of fine Fox Hill cheeses are popular items with customers as seasonal, personal and corporate gifts. The annual winter slump in roadside farm market sales has not occurred in 2008 as it has in previous years.

**BMP (Best Marketing Practices):**
- *Hired a consultant and undertook a market analysis to validate market opportunity.*
- *Grew into their market opportunities.*
- *Developed a broad range of products to appeal to more customers.*
- *Developed a customer-oriented market driven focus.*
- *Used Farmers' Markets to bring sales to the farm, and used farm sales to send customers to Farmers' Markets.*
- *Integrated quality into products, packaging and everything that they do.*

**CHALLENGES -** One of the biggest obstacles the farm faces is establishing signage on major highways to direct consumers to the farm outlet and their agritourism experience. To overcome this they are working with three other cheese makers in the province to create a generic sign that can be used to identify a cheese production facility for agritourism and for the direction of tourists to the farms. They use government programs to assist in business development, training and marketing, but believe there is a need for new programs to help with infrastructure development of farm direct-marketing opportunities. Another challenge they face is the cost-efficient distribution of products and orders to their customers.

| **ADVICE TO OTHER DIRECT MARKETERS** |
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| • Produce consistent quality everyday. |

- Develop a close relationship and trust with your customer.
- Entice the customer, talk to them, and get to know what they want to buy.
- Offer customers samples, as much as you can afford to do - when they try it, they buy it!

## 5.2 Leamington Farms Ltd.

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|---|---|
| **The Organization:** | **Leamington Farms Ltd.**<br>P.O. Box 9, Point Leamington, NL A0H 1Z0<br>709-484-3371 709-484-3404 |
| **Operators:** | Roosevelt, Dean and Cordel Thompson |
| **Category:** | Unique meat retail outlet, Distribution strategy, Value-added |
| **Farm Production:** | Pork and value-added pork sales |
| **Marketing Channels:** | *Direct:* Adopt-a-Pig, Retail direct, Delivery, Store Sales, Special Events Sales<br>*Wholesale:* Some local grocery stores |

**HISTORY –** "When everyone else was thinking about how to get out of hogs, I was trying to figure out how I could stay in hogs." In 1992 Roosevelt Thompson, a hog producer in Point Leamington, Newfoundland and Labrador, was faced with having to go out of business due to the closing of the NL provincial abattoir and the resulting loss of his traditional hog market. Roosevelt had a small farm slaughterhouse and cooler room and decided that he would have to change his operation to direct sales if he was to stay in hog production and for it to be a sustainable business.

**BUSINESS -** Roosevelt decided that he would expand and build hog business on direct pork sales to the consumer in rural NL. He would start by using an idea he got from a doll of his daughter's and the "Adopt-a-Pig" pork marketing concept was born. This early marketing strategy allowed the farm to get publicity, develop a loyal customer base and expand to its current 150 sow production level. The main marketing method used today is refrigerated truck sales; delivering fresh packaged sides of pork and cuts to small towns and communities. The farm also sells select pork products to local grocery stores. It also has a small retail outlet in a nearby town. The growth in the farm operation has allowed Roosevelt's two sons have careers on the farm.

**BMP (Best Management Practices):**

- *Developed and implemented creative solutions to business challenges.*
- *Willing to explore new opportunities, and make changes to remain competitive.*
- *Used unique strategies to get cash upfront from customer.*
- *Works to develop strategies to match the farm's production system with market opportunities.*

- *Creates value-added products to help sell excess production and lower quality products.*

**MARKETING –** Roosevelt is constantly striving to develop customer sales. This way he knows where the product is going and how much he will get before the hogs are processed. The "Adopt-a-Pig" concept asks the customers to pay a deposit upfront and they adopt a hog that can be picked up from the farm in approximately four months time. Upon final payment the customer can take the pig home as is, or for an extra fee they can have the pig cut and packaged for the freezer.

"*Adopt-a-Pig has been a great success, we have difficulty keeping up with the demand; it is what has kept us in business all these years. The consumer rarely sees the benefit of price fluctuations in the retail market supermarkets, so they like the Leamington Farm prices and quality*."

Refrigerated truck pork sales are based on delivering sides of pork and cuts to small communities based on a set delivery routes. Prior to the proposed delivery, mail flyers are distributed promoting "fresh local pork" to the targeted communities. Customers phone in orders, orders are packed, and the Leamington Farm's delivery truck arrives in the community at a predetermined date, time and location and picked up by the customer. Pork products are further value-added by smoking and curing bacon and ham, along with making sausages and other specialty pork products. Nothing goes to waste. Leamington Farms branded pork products are sold across Newfoundland.

**BMP (Best Marketing Practices):**
- *Targeted a market opportunity that others could not, creating a niche market advantage for Leamington Farms.*
- *The farm works to value-add every hog sold.*
- *Not tied to one form of marketing strategy.*
- *Offers customers a limited range of beef products to get more of their whole meat order.*
- *Marketing strategy has created loyal repeat customers.*
- *Focuses on getting fresh quality pork and meat products to consumers that don't normally have good access to these products.*

**CHALLENGES –** When products were being produced for wholesale markets, production issues were not the problem - market return was the weak link. Direct marketing has created a new challenge of matching and balancing direct market sales to weekly production. Roosevelt has spent time educating his customers that fresh NL pork is available year-round and is not just limited to a spring to fall barbecue season. Another challenge is the cost of delivery to customers in rural areas of NL. In an area like St. John's, the population is large enough that a producer can go to a Farmers'

Market and have a lot of customers coming to them in one spot, but in rural NL the customer base is small and communities are spread out over hundreds of kilometres.

| **ADVICE TO OTHER DIRECT MARKETERS** |
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| • Look for a unique opportunity and build on it.<br>• Don't be afraid to take a risk.<br>• Manage your risks.<br>• Cater to your customers' needs - they pay the bills. If there is a problem with products the producer has to know about it. |

### 5.3 Lester's Farm Market

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| **The Organization:** | Lester's Farm Market in St. John's / Mount Pearl<br>P.O. Box 392, Mount Pearl, NL A1N 2C4<br>709-364-5095 |
| **Operators:** | Jim and Michelle Lester (3 children Part-time help) |
| **Category:** | Premier agritourism destination, Mixed farm |
| **Farm Production:** | Floral crops, Nursery, Lambs, Chickens, Vegetables, Hogs |
| **Marketing Channels:** | *Direct:* Farm gate sales approximately 60% of gross sales.<br>*Wholesale:* Approximately 40% of gross sales are wholesale; goal is to sell everything direct from farm, no wholesale. |

**HISTORY –**Jim and Michelle Lester started selling vegetables directly to the public from a card table under an umbrella at the side of the road about ten years ago. Their business grew over time and they decided to begin making prepared and processed salads for wholesale customers. As sales increased, they moved to larger facilities, and eventually into a 40,000 square foot building. Their facility had very task-specific equipment for preparing specialized salads. The business focused on making salads for large grocery chain stores and moved away from its original focus of direct marketing. For a number of years the business did very well, but it had become reliant upon one major box store customer. The Lesters lost their wholesale contracts when Dole Food Company, Inc. introduced a proprietary technology to greatly extend the shelf life of a packaged salad. Their main customer gave them six days' notice of the contract cancellation and told that they were no longer needed as a salad supplier. With no alternative markets for their salad products, the business closed down.

**BUSINESS –** The Lesters rejoined Jim's parents on their farm. The 75-acre farm is located in the middle of the City of St John's, and the Lesters saw this as a new opportunity to sell direct to the consumer and build upon the "buy local" food concept. They built a new market building and promoted an agritourism experience around going to Lesters' Farm. The facility includes a market, seating areas, an area to serve meals, and an agritourism experience around telling stories of the farm. From June to October, the weekends are booked for birthday parties, adult parties and corporate events. The

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farm grows vegetables, bedding plants and cut flowers, and raises lambs, chickens and hogs.

**BMP (Best Management Practices):**

- *Developed a business plan with the assistance of a consulting company.*
- *Believe a plan is very important and helps keep you on track; it gives you a path to follow.*
- *Were willing to change and evolve to something new.*

**MARKETING -** The Lesters researched their opportunity well before they began direct marketing. They hired a consulting firm to complete a market assessment study that helped them greatly in the decision-making process. They identified a target market and set out to focus on supplying what those customers wanted. While they advertise using a variety of media, they find that the best value has been their investment in signage to catch the consumers' interest and to let them know they are welcome to come to the farm.

**BMP (Best Marketing Practices):**

- *Developed a marketing study with the assistance of a consulting firm.*
- *Identified and targeted market sectors of the population in the media.*
- *Signs are considered the best thing to get people in the door.*

**CHALLENGES –** Bureaucracy has been the greatest challenge to getting things done. The Lesters had to retain engineers to get their buildings certified under a national code because they were in the middle of the city, even though the land was protected by agricultural zoning. The Lesters find cutting through the red tape difficult because funding agencies, governments and municipalities don't understand agritourism. This caused them to be late in obtaining funding, which put them behind schedule the first year. Shortage of farmland in Newfoundland places them in competition with the supply-managed sector of agriculture for support and resources. Lenders see supply-managed businesses as having lower cash-flow risk than a new, unknown start-up opportunity. The Lesters believe that politicians are reluctant to risk investments in new operations versus established, proven businesses.

| ADVICE TO OTHER DIRECT MARKETERS |
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| • Don't expect instant success, it takes time to develop an idea.<br>• Have to be able to sell yourself and products to the consumers; they do want to support local farmers. Go the extra mile for your customers; give them a good experience.<br>• Develop a business plan and do your market research – it pays.<br>• Don't get too comfortable. "We had six days notice before our wholesale business was dropped - you need a Plan B for the bad times."<br>• Marketing can be done effectively and cheaply; signs are the best money spent. |

## 5.4 Really Local Harvest Co-op

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| **The Organization:** | Really Local Harvest Co-op<br>3 Richard-Village Rd., Acadieville, NB E4Y 1N3<br>Tel: (506)775-6974 Fax: (506)775-2205<br>E-mail: jardins@nbnet.nb.ca |
| **Operators:** | 32 Member Farms |
| **Category:** | Marketing Cooperative, Farmers' Market, Agritourism |
| **Farm Production:** | Mixed agriculture fruit and vegetable crops, Livestock products |
| **Marketing Channels:** | *Direct:* Dieppe Farmers' Market |

**HISTORY –** The Really Local Harvest Co-op was established when a group of farmers in southeastern New Brunswick came to the realization that the large wholesale chains no longer had the local farm business in their plans, and that this was not a situation likely to change in the future. In 1998, four producers started a common advertising and promotion strategy to help market their farms and farm products. The group grew and incorporated as a co-op in 2000, creating the Really Local Harvest Co-op. The Co-op's ultimate goal is to create new marketing opportunities for the group's members.

Co-op members decided that they needed a place in the city (Moncton/Dieppe) to sell their products. At the same time, the city of Dieppe was rebuilding their downtown core and public centres. The Really Local Harvest Co-op initiated a partnership with the city of Dieppe to develop the Dieppe Farmers' Market. The project was a three million dollar venture to renovate an existing building and create a Farmers' Market supplying locally-produced products. In January 2005, the Co-op submitted its plan to the city and the Market opened in the spring of 2005. The city owns the market infrastructure but gave the Co-op a lease for 75 years at $1 per year to operate the facility. The Co-op is responsible for covering building expenses, hydro, heat, and for managing the facility. The Co-op looks after the inside of the building and the city maintains the outside. The Market currently draws approximately 7,000 customers to over 120 vendors each Saturday. The Dieppe Farmers' Market is open year-round and the Co-op has 32 active members in 2008.

**BUSINESS –** The Co-op has a governing board of directors. Sixty percent of the Co-op's membership is first-generation farmers. Creating partnerships has allowed the Co-op to access more development capital, and gives the group a positive profile with governments and government agencies. They have become a model of how industry-government partnerships can work to successfully get local food to the consumer. Collectively, Co-op members employ over 400 people and member farms have experienced growth, farm expansion and the creation of new employment opportunities since the Co-op was formed. The Co-op has helped new entrants get into agriculture and establish markets for their products. The Farmers' Market is an excellent tool to test new products on the consumer and has become a sort of incubator for small agriculture-based businesses. The Co-op has also been a major driver in developing an agritourism strategy for farmers in southeastern New Brunswick.

**BMP (Best Management Practices):**

- *Create partnerships with government agencies where there is a win/win result.*
- *Grow into their opportunities.*
- *Look for quality co-op members that have the correct market-driven philosophy.*
- *Stay focused as a group as to why they got together.*
- *Help members to develop new farm business skills. Need to get good members with the same values.*
- *Develop a strategic plan and a business plan and use them as part of ongoing business management.*

**MARKETING –** The main goals of the Co-op have been to create new market opportunities, partnerships, and profits for the member farms so that they can be sustainable businesses and continue to grow in the future. The Co-op also developed a brand called Eco-Logik™ that is not an organic label or certification, but emphasises minimizing pesticide usage and maximizing the use of best management practices by member farms. This brand has been a key success strategy for the Co-op and will eventually evolve to third party audit. The Dieppe Farmers' Market has been the greatest marketing tool for the Co-op. Agritourism marketing tools are currently being developed to help promote members' on-farm agritourism adventures and experiences.

**BMP (Best Marketing Practices):**

- *Members keep their personal farm identity, but integrate the Really Local logo into packaging and farm logos.*
- *Focus on developing new promotion opportunities for the members.*
- *Continue to develop the Dieppe Farmers' Market to increase the consumer's interest in local agriculture products.*
- *Created an agritourism strategy to organize both members and non-members in the region to better promote and market the on-farm agritourism experiences being offered to the consumer.*

**CHALLENGES –** The challenge from the beginning has been to assemble the necessary resources to make the initiatives happen. A number of members have contributed a lot of time and energy, without remuneration, to ensure that the Co-op is a success. A main challenge has been to find the resources to get a good person in place to manage the Co-op activities as well as the Farmers' Market in Dieppe. As the Co-op becomes more successful and attracts new members, there will be sufficient resources so that this position can be created. It would have been helpful to have the resources from the beginning to fund this position as the Co-op would have moved forward faster and captured more market opportunities.

| ADVICE TO OTHER DIRECT MARKETERS |
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| • Look for good, active co-op members from the start.<br>• Develop win-win partnerships with government.<br>• Form a board of directors with a global picture - visionaries (leadership).<br>• "Planting small trees is better than planting big trees" - aiming too big takes too much money to make an impact. Money invested in direct marketers creates a bigger impact, more employment, more sustainability, and wealth in the rural community.<br>• When trying to play with big guys (the major grocery chains) we have to use our small size to an advantage.<br>• Put a face on what you sell. Consumers trust face-to-face food supply and delivery.<br>• Focus on adding value. "We do not tolerate price-cutters in our group; they hurt everyone. We can't make a better living by undercutting our neighbours; they are not the competition." |

## 5.5 Springwillow Farms

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| **The Farm:** | Springwillow Farms<br>22748 Rte. 2, RR#4 Breadalbane, PEI, C0A 1E0<br>Phone: 902-964-2582<br>E-mail: loofarm@isn.net<br>www.springwillowfarms.com |
| **Operators:** | Raymond Loo |
| **Category:** | Certified organic grower, Value-added, Export, Farm direct sales, Farmers' Market, Community supported agriculture (CSA) |
| **Farm Production:** | Fruit, potatoes vegetables, beef, and pork, etc. |
| **Marketing Channels:** | *Direct:* Farmers Market, Direct-farm gate, Box programs/CSA.<br>*Wholesale:* Local retail, Specialty outlets, Export. |

**HISTORY -** Since 1952, Springwillow Farms has been operated by the Loo family. Gerritt Loo and his brother, Everett, began experimenting with and crossing different varieties of potatoes in the 1970s. Twenty-five years later, they registered Island Sunshine, a bright yellow-fleshed potato, with high resistance to late blight. Shortly after that, Springwillow Farms began its journey to certified organic status under the auspices of the Organic Crop Improvement Society. Gerritt's son, Raymond, continues the farm's potato variety trial breeding program and does the bulk of the farming, and marketing. The farm is certified organic and produces a mixture of crops including fruit, vegetables, beef, pork and various value-added products for their target customers.

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**BUSINESS** - Springwillow Farm continually evolves with the marketplace by using a variety of market channels to get products to the end consumer. The combination of market channel strategy and being able to service those markets with consistent quality products keeps the farm sustainable. Raymond says that the farm has to be prepared to change to meet the needs of the marketplace, not the other way around. This means that, if the business is to succeed, the farm has to stay on top of consumer issues and understand who the customer is. The farm's future is based on the business being market-driven and everything in the business converging to support those market opportunities for the window of time that they are available. Raymond has also worked to develop export markets to allow the farm to create new value-added products and year-round income streams. Springwillow currently sells specialty organic products, and jams and jellies, to export markets in Japan and the United Arab Emirates (UAE).

**BMP (Best Management Practices):**
- *Being involved in industry associations and networking with people to create new business opportunities and to develop business knowledge.*
- *Develops partnerships that can help the farm achieve the desired business goals.*
- *Integrate quality into everything that they do.*

**MARKETING -** When the farm started direct marketing at the Kensington Farmers' Market in the late 1980s, the Kensington market was open only in the summer. Raymond believed that they would have more control over their markets and receive better profits by selling direct. Selling direct has allowed them to learn more about the marketplace by talking directly to their end customers. Today, the farm sells at both the Kensington and Charlottetown Farmers' Markets and direct from the farm gate. They also offer a direct-to-door box (CSA-style) program and plan to start another direct-to-door box program this summer. Having multiple market options is what makes the business strong and is a main part of a risk management strategy. Direct sales provide the opportunity to sell products at the best price.

**BMP (Best Marketing Practices):**
- *Uses a combination of market channels to sell products to the consumer.*
- *Persistently explored and developed export markets in Japan and UAE*
- *Developed a customer-oriented, market driven focus.*
- *Uses Farmers' Markets to drive sales and to create new customer awareness of the farm.*

**CHALLENGES** - The main challenges the farm faces are to manage the multiple market channels and ensure that the desired quality standards are maintained. They are constantly discovering new ways to get people interested in the farm and finding new ways to promote the pristine environment in which they farm. They try to stay on the leading edge of new organic opportunities and to produce enough products to support consumer demand for organics year-round.

| ADVICE TO OTHER DIRECT MARKETERS |
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| • There is space for more Farmers' Markets on PEI but they need to have some resources to start: a clean building with low rent, water and washrooms close by, signage and advertising would be a great help because a new Farmers' Market doesn't have many resources of its own.<br>• There is great opportunity for direct marketing but most farmers are not prepared for this type of marketing. Successful direct marketing requires operators who are proud of their farms and their products, and are willing to supply what the market wants and not what they are comfortable growing. This can be very difficult for some farmers to grasp. A value chain might be a better way to approach some farmers and groups of farmers with a common interest.<br>• Be prepared to tell the story of your farm over and over again because each farmer's story is their best selling feature. A direct market location must be convenient and well stocked to compete with large food stores.<br>• Be patient and provide good products grown on your farm. Produce a wide diversity of products and be prepared for a lot of questions.<br>• If possible, work on another direct market enterprise for a time to learn. |

## 5.6 Domaine de Grand Pré

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|---|---|
| **The Organization:** | Domaine de Grand Pré (Winery)<br>11611 Highway 1, Grand Pre', NS B0P 1M0<br>P: (902) 542-1753 F: (902) 542-0060<br>1-866-GPWINES<br>E-mail: hpstutz@grandprewines.ns.ca<br>http://www.grandprewines.com/ |
| **Operators:** | Hanspeter Stutz, Juerg Stutz (Winemaker) |
| **Category:** | Direct winery sales, Farmers' Market sales, Agritourism, Export |
| **Farm Production:** | Grape wine, Apple wine, Apple cider |
| **Marketing Channels:** | *Direct:* Winery direct sales, Farmers' Markets, Direct to restaurants and specialty customers, ECONOMUSEUM® catalogue<br>*Wholesale:* NS Liquor Commission |

**HISTORY -** Hanspeter Stutz and family emigrated from Switzerland in 1994 and purchased the winery that was established in 1969. It remained closed for six years for reconstruction of the buildings, restaurant and vineyards. They planted new grape varieties including Maréchal Foch, Léon Millot, New York Muscat, and L'Acadie Blanc. The business was designated in 2007 an ECONOMUSEUM® Artisan Wine Maker for

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Eastern Canada. The winery is a popular destination for tourists and hosts many events that attract customers from the local area on a regular basis. The business has focused not only on creating quality products but on creating a destination and experience for the customer. The winery has received numerous awards for their products, produces Stutz Hard Apple Cider and is developing a new agritourism experience around distilled apple products.

**BUSINESS -** The business today consists of a vineyard, restaurant and retail wine store where product is sold direct to the public. Domaine de Grand Pré has taken a fresh approach to producing top-quality Nova Scotia wines. Unlike most modern wineries that produce Old World wines, such as Chardonnay, Domaine de Grand Pré believes that new wine-producing areas in Nova Scotia should develop their own varieties, styles and vineyard practices that will ensure vines thrive in the local soil and oceanic climate. To achieve this, the winery has partnered with Agriculture Canada to develop hardy Nova Scotian grape varieties that will produce unique Nova Scotia wines. The business also caters to special events including weddings, business functions and community events.

**BMP (Best Management Practices):**
- *Created partnerships with government agencies and industry.*
- *Watches and analyzes trends that affect their industry.*
- *Focuses on knowledge and education so they have the skills to consistently produce high-quality wines.*
- *Takes calculated risks to develop new opportunities.*
- *Emphasizes and builds on the opportunities of the region and the local community.*
- *Integrates the heritage and community into products and promotion.*
- *Made the winery a destination.*
- *Develops thorough business plan for each new venture.*
- *Hires the best skills available to help in the development process whether it is building design, equipment purchase, packaging, production or business and market advice.*

**MARKETING –** The products are sold primarily through the on-site retail wine store. A limited number of products are sold through provincial liquor stores. Products are also sold at the Halifax Farmers' Market each Saturday. The remainder of product is sold direct to restaurants and licensed outlets. The business has a full season of events at the winery to create interest from customers and the general public. They are in the ECONOMUSEUM® catalogue and website, which is broadly promoted within the tourism industry and within the ECONOMUSEUM® network. The business works closely with the Provincial Department of Tourism to be included in tourism promotions and to connect with bus and cruise ship tours. They have also put a lot of effort into the development of high-quality packaging and product labels. They have developed a website that appropriately describes the wine products, and captures the experience of visiting the winery.

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**BMP (Best Marketing Practices):**

- *Knows who customer is and targets that customer.*
- *Focuses on quality products and creating a total quality experience for the customer at the winery.*
- *Has a calendar of ongoing events to continually create interest in the winery and its products.*
- *Leverages opportunities with events and weddings.*
- *Actively updates the website and uses it to both inform customers and encourage them to visit the winery.*
- *Restaurant completes the experience and encourages people to spend more time at the winery and promotes repeat visits.*
- *Promotes catered events such as weddings at the winery.*

**CHALLENGES –** Wine is an international commodity. Atlantic Canada competes with wine-producing regions from around the world that have better climates, lower cost of production, access to low-cost labour and different varieties of grapes. Local wineries have a relatively small market compared to competitors in other provinces. The inability to sell wine to customers across interprovincial borders limits markets for wineries and their ability to reach profitable economies of scale. Competition is often with other locally-produced wine products that have lower costs because they are not produced with 100% product from Nova Scotia farms.

**ADVICE TO OTHER DIRECT MARKETERS**

- Belong to your association and work to increase the profile of your commodity with the consumer. An association with a mandate to market for members is needed.
- Partner and work with others to achieve your goals.
- Focus on quality products and get the necessary education to produce quality products. Quality, quality, quality - the first impression is everything.
- Work to educate consumers about your products. It is important that wineries in Atlantic Canada work to promote local wines to restaurants.
- Offer the customer the highest quality experience.
- Be open to new ideas and travel to see what others are doing.
- Listen to the customers, understand the trends and make the right products.
- Take advantage of the strengths of your area; promote what the area has to offer when trying to get people to come to your business.

## 5.7 Finnigan Greenhouse Produce Ltd.

| | |
|---|---|
| **The Organization:** | Finnigan Greenhouse Produce Ltd.<br>11021 rue Principale, Rogersville, NB E4Y 2L7<br>P: (506) 775-6042 F : (506) 775-6764<br>E-mail: mtomato@nbnet.nb.ca |
| **Operators:** | Patrick & Lise Finnigan |
| **Category:** | Greenhouse, Garden centre, Branding of M. Tomaté, Industry tenure |
| **Farm Production:** | Tomatoes, bedding plants, bakery, shrubs, gifts and value-added goods. |
| **Marketing Channels:** | Greenhouse garden centre, Roadside farm market |

**HISTORY –** Patrick and Lise Finnigan's business originally started as a wholesale greenhouse growing tomatoes in Rogersville, New Brunswick. Their initial customers were primarily retail grocery chains. Development of direct sales was gradual over a number of years and was primarily driven by consolidation of the chain grocery stores and distributors. Wholesale market opportunities were decreasing and it was becoming harder to get their products into retail stores. Input production costs continued to escalate, food safety requirements were increasing and cheap high quality imported tomatoes were difficult to compete with based on price. The grocery stores did not want backdoor delivery and it was costing more to deliver to their central warehouse location. All of these factors eroded profit margins and the wholesale market opportunity for the business.

**BUSINESS –** Lise and Patrick decided they needed to look at their options and over a number of years, starting in the late 1980s, began to convert their business to direct-farm sales. They converted some of their tomato greenhouse production area to bedding plants and opened three satellite garden centres in the region. The business is a member of the Really Local Harvest Co-op, which helps them connect with other farm businesses. They decided to build a new farm market building in Rogersville and this became their flagship store. It includes a small restaurant, a bakery, a florist shop and garden centre. It also includes work areas and cold storage facilities. The market in Rogersville is open year-round, but the spring is their busy sales season. They hold an annual Halloween event and haunted house at the garden centre as a charity fund-raiser for the community and are currently exploring new agritourism opportunities that focus on the unique history of the Rogersville area. The business is well known in the area for producing high quality tomatoes.

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**BMP (Best Management Practices):**

- *Developed a plan of how they would switch to direct marketing.*
- *Willing to change with the market and drop product lines that did not make the necessary returns.*
- *Developed satellite sales outlets to expand market opportunities.*
- *Work to be efficient at what they are producing.*
- *Spend a lot of time on education and networking through industry associations.*
- *Continually look for future opportunities.*

**MARKETING –** The market is located on Highway 126 in Rogersville, a major route from Moncton to Miramichi. Approximately 85 percent of their product is sold through their four market outlets with the remainder through other farmers' roadside market stands. The greenhouse's M. Tomaté logo has been integrated into most of the advertising for the roadside farm markets. Patrick is known as M. Tomaté to many of the area's residents. The M. Tomaté brand has developed strong consumer loyalty and high recognition with customers in the region.

**BMP (Best Marketing Practices):**

- *Branded their products.*
- *Chose a good highway location for their main market and good locations for their satellite outlets.*
- *Have good signage that welcomes the customer and gives them information about what the business does.*
- *Patrick and Lise travel to gather new ideas for the business.*

**CHALLENGES –** The main business challenge is to constantly think of new ideas to stay one step ahead of the competition. They must add new things to the business to encourage people to visit. The bakery attracts local customers on a regular basis. Finding the time and resources to implement all the new ideas is demanding. It is getting more difficult to compete with cheap imported products.

| **ADVICE TO OTHER DIRECT MARKETERS** |
|---|
| • Direct marketing isn't for everyone as direct contact with the end consumer is an art not everyone can, or is often ready, to learn.<br>• An area can become saturated with roadside farm markets; do your homework and research your market area well.<br>• Location is extremely important, and it's not always evident as to what makes an ideal location.<br>• A market has to do multiple things to survive, so switching from a mono-crop wholesale system to direct market sales will be a big learning curve for some people.<br>• Test the waters slowly and grow with your market opportunity.<br>• If the market seems saturated in your area, approach existing marketers to work with |

them to supply their markets. Sometimes another full-time direct-marketing operation may be glad to give up some or all of its production to concentrate on marketing.

## 5.8 Jewell's Country Market

| | |
|---|---|
| **The Organization:** | Jewell's Country Market<br>11Rte. 25 – Marshfield, York, PEI C0A 1P0<br>Phone: 902-629-1900<br>Edwin@jewellscountrymarket.com |
| **Operators:** | Edwin Jewell |
| **Category:** | Bedding plant grower, Roadside farm market |
| **Farm Production:** | Bedding plants, vegetables |
| **Marketing Channels:** | *Direct:* Roadside market garden centre |

**HISTORY –** Edwin Jewell was looking for ways to get a better return from the family farm's production. In 1998, he decided that he would try selling vegetables from a roadside stand at the end of his driveway located at the corner of Highway #2 and Highway #25 on the east side of Charlottetown. Edwin expanded the product line and began to grow bedding plants. He gained greenhouse experience growing vegetable transplants with his parents and decided to build a new greenhouse garden centre to produce and market bedding plants. The customers have responded well over the years and the business has steadily grown through direct marketing.

**BUSINESS –** Today, Edwin operates a garden centre/vegetable market with a 30,000 square foot greenhouse. He sells vegetables, bedding plants, ice cream, garden and landscape products, giftware, and a variety of other offerings. The business is seasonal and is open from April until mid-October. His brothers grow most of the vegetables sold at the market. The customer base is the Charlottetown area, and people travelling to cottages on the northern shore of PEI. The business employs 27 seasonal staff. Sourcing labour has not been an issue to this point, as many of the staff return year after year with the remainder of staff being made up of local summer students.

**BMP (Best Management Practices):**

- *Created a work environment to retain staff.*
- *Analyzed the local area to find the best location for the market.*
- *Expanded the product line to appeal to a broad customer base.*
- *Leveraged the resources of the family farm.*
- *Focused on producing quality bedding plants.*

**MARKETING –** Edwin contributes a lot of the market's success to its location. It is convenient for many people when they are looking for vegetables and bedding plants.

The quality bedding plants draw people from a much broader area than just the city. Coming from a wholesale production farm, Edwin found the switch to retail thinking a bit of a challenge in the beginning. He has a strong appetite for learning and reading, and regularly goes to conferences for the greenhouse industry and the North American Farmers' Direct Marketing Association. He finds these conferences very helpful and useful for finding new product and marketing ideas. Every year he takes courses, attends conferences and reads industry publications to upgrade his skills and to help better position his business for future success. Edwin says that direct marketing isn't for everyone. A lot of farmers out there still have a nostalgic thinking about farming and not enough have the mindset that "the farm is a business that has to be profitable" and that farm managers have to change to find those new opportunities.

**BMP (Best Marketing Practices):**

- *Research and choose a location with high traffic flow and access to the target customer.*
- *Use good quality signs to attract the customer and build brand recognition with the public.*
- *Know who your customer is and build product lines to meet those customer needs.*

**CHALLENGES –**Traditional farmers don't have to deal with people, like direct marketers do. Individual customers have very different mind sets and require salespeople that can understand their needs. Signage is one of the most viable marketing tools people can use but government restrictions make locating signs difficult. The paper work challenge grows every day demanding more of the manager's time.

**ADVICE TO OTHER DIRECT MARKETERS**

- The right location is a huge success factor, and cannot be underestimated.
- Do homework before taking the plunge. Most new small businesses fail within the first year, and most never make it to 10 years. Know your strengths and build on them.
- Direct marketers have to do something that others are not doing to get a market advantage and create uniqueness,
- Find people to help and mentor a new direct-market operation during start-up.
- A bedding-plant business requires quality plants for success and to build customer loyalty.
- Always have a willingness to learn and ask questions. Don't mind taking a bit of constructive criticism from customers.
- Read trade publications and business journals to stay current on the sector - it is a continual process of learning.

## 5.9 La Fleur Du Pommier

| | |
|---|---|
| **The Organization:** | **La Fleur Du Pommier Ltée.**<br>C.P. 1068, Cocagne, NB, E4R 1N6<br>Phone: 506-576-7946 |
| **Operators:** | Léopold and Euclide Bourgeois, Ronald Goguen, Jean Paul Bourque |
| **Category:** | U-pick, On-farm market, Marketing cooperative, Farmers' market, Agritourism, Value-added, Tenure |
| **Farm Production:** | Apples, strawberries, raspberries, various vegetables, apple cider, preserves, apple vinegar. |
| **Marketing Channels:** | *Direct:* U-Pick, Dieppe and Moncton Farmers' Markets, Agritourism, Direct sales from the farm.<br>*Wholesale:* Marketing excess apple and juice production. |

**HISTORY –** La Fleur Du Pommier Ltée. is a unique farm operation that has built success around the development of direct-to-the-consumer market opportunities. The company is an example of using a cooperative spirit to achieve long-term farm sustainability and viability. Four young college friends decided that they would grow food and set out to start a farm business. In 1996, they purchased a farm in Cocagne, on the southeastern coast of New Brunswick approximately 20 minutes from Moncton. Over the years, the four partners kept adding to the farm by buying neighbouring farms. Today they farm over 200 acres including apple orchards and various berry and vegetable crops.

**BUSINESS –** The farm attempts to value-add their products wherever possible. Apples are pressed into cider and made into a variety of jams, jellies, preserves and vinegars. These products are primarily marketed direct to the consumer through the farm outlet and at the weekend Farmers' Markets in Dieppe and Moncton. The farm is an active member of the Really Local Harvest Co-op that developed and operates the Dieppe Farmers' Market. Agritourism opportunities are also being explored; the business has spearheaded agritourism initiatives in southeastern New Brunswick. They are active followers and promoters of the Eco-Logik[3] production method.

**BMP (Best Management Practices):**

- *Leverage their knowledge and opportunities through the Really Local Co-op.*
- *Closely plan each step in the farm's development and expansion.*
- *Create multiple sources of income that create year-round cash flow.*
- *Work cooperatively with others to achieve success.*

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[3] Eco-Logik™ products are produced locally under specific quality and safety guidelines. Producers who use the Eco-Logik logo must use environmentally responsible practices that protect water, respect biodiversity and leave soil capable of sustained production of safe, quality foods for generations to come (www.recoltedecheznous.com/website/grow_over.html).

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**MARKETING –** The products are primarily sold by way of U-pick, direct-farm sales, and at the Dieppe and Moncton Farmers' Markets. U-pick has grown over the years with more than 10,000 visitors to the farm annually. They continue to add new crops for U-pick to encourage the customers to come back to the farm multiple times throughout the season. The Farmers' Market works well in bringing customers to the farm. They have a controlled atmosphere storage facility that allows them to have apples available almost year-round for their markets and for value-added processing. Wholesale sales are limited to selling excess production of apples and cull apples for juice. They have some heritage apple varieties and old farm artefacts on-site that they are building into an agritourism experience to draw more people to the farm. The association with the Really Local Harvest Co-op has allowed the farm to better direct market their products through group advertising, the Eco-Logik symbol and the Dieppe Farmers' Market.

**BMP (Best Marketing Practices):**
- *Use lots of signage to get the customers' attention and bring them to the farm.*
- *Work to build a strong relationship with the customer.*
- *Talk to their customers to determine what crops they should be growing.*
- *Work at building the "La Fleur du Pommier" brand.*
- *Create a range of products that can be sold year-round.*
- *Constantly look for different, new types of packaging to interest the consumer.*

**CHALLENGES –** People and time to develop new ideas is a big challenge for the farm, even with four owners. One of the advantages of having four partners is that it is easier to operate more direct-marketing venues at the same time and rotate the workload on weekends. With four owners it is important that as much product is sold direct to the consumer as possible, rather than wholesale, to generate the largest returns possible to the farm.

| **ADVICE TO OTHER DIRECT MARKETERS** |
|---|
| • Brand your products - it builds loyalty with your customers.<br>• The Really Local Harvest Co-op has worked well. Members trade products so they can maintain a good supply for customers without having to grow everything themselves.<br>• Value-added products like jams and jellies help us use excess fruit, keep staff busy and bring in extra income in the winter.<br>• Don't be too strict with picking rules at the U-pick; it can drive the customers away if you come across too restrictive. |

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## 5.10 Summary of Case Studies

Most of the businesses profiled have been in direct marketing for many years and their direct business activities and experiences have been validated by the marketplace – each of the businesses has achieved a high level of direct marketing success. The nine case studies are a good mix of the types of direct marketing activity that are currently found in Atlantic Canada.

- Foxhill Cheese is an example of a farm business that operates under the constraints and regulations of supply management but was able to develop a unique business direct selling dairy-based products to the consumer.
- Leamington Farms shows that a business can succeed through adversity, going against traditional thinking in a rural area. They also prove that a business does not need to depend on wholesale sales if the farm can be innovative and is willing to change with the evolving marketplace.
- Lester Farms in Newfoundland is an example of a farm that was reliant on a large wholesale customer and found out what happens to a business when it loses that large customer. They moved to agritourism and farm direct marketing to create more stability in their markets, reduce risk and increase the value of their product.
- The Really Local Harvest Cooperative is a good example of what can be achieved when a group of farmers collectively works together to create new direct market opportunities for their members. Success came when they focused efforts on making the market opportunity bigger for everyone.
- Springwillow Farms has been direct marketing specialty and organic products for many years. They have used Farmers' Markets, direct from the farm sales, created value-added products, and moved into export. They understand that it takes the combination of a number of market channels to make the farm successful.
- Domaine de Grand Pré made investments in a developing winery sector and focused on the customer experience as well as high-quality, unique products. They have generated a location that draws local residents and tourists and provides experiences that keep customers coming back.
- Finnigan Greenhouse Products gradually changed a wholesale-based business to direct marketing with multiple retail sites. It created a brand that is used to promote the business and represent high-quality product.
- Jewell's Country Market identified a prime location and built a substantial business with a base of long-term staff members who know how to provide superior service to customers. Edwin Jewell also concentrates on staying up-to-date with the industry and emphasizes on-going business education.
- La Fleur de Pommier has developed a system of cooperation among multiple owners and the Cooperative of which it is a member. The farm emphasizes supplying product all year to maintain customer loyalty and continually seeks to expand their product offering.

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All nine businesses place the customer at the top of their priority list – their business revolves around customer service. They have been able to increase returns to the farm and have successfully moved away from competing on price.

## 6.0 Statistical Profile of the Industry and Economic Impacts

This section provides a summary of some of the statistical information from the survey, discussed in Section 3, which describes the average industry participant and the results of an economic impact assessment based on an Input-Output Model.

### 6.1 Statistical Snapshot of Direct Marketers

The following presents a summarized statistical profile of the survey respondents. The use of averages hides some of the substantial variation among respondents.

- Are most likely to be a sole proprietorship (50%), followed by corporations (27%) and partnerships (23%).
- The majority started in the early 1980s and are more likely to have started as a new business (61%) or a family business (34%).
- Paid an average full-time payroll of $172,000 per operation and paid an average part-time payroll of $54,000 per operation.
- Employed (Full-time):
    - 8.13 Paid Full-time, Full-year Workers who worked an average of 48.74 weeks.
    - 8.89 Paid Full-time, Seasonal Workers who worked an average of 21.94 weeks.
    - 1.61 Unpaid Full-time, Full-year Workers (e.g. family members) who worked an average of 43.08 weeks.
    - 2.40 Unpaid Full-time, Seasonal Workers who worked an average of 17.46 weeks.
- Employed (Part-time):
    - 2.70 Paid Part-time, Full-year Workers who worked an average of 34.28 weeks.
    - 10.92 Paid Part-time, Seasonal Workers who worked an average of 12.27 weeks.
    - 1.54 Unpaid Part-time, Full-year Workers who worked an average of 24.90 weeks.
    - 2.16 Unpaid Part-time, Seasonal Workers who worked an average of 13.80 weeks.
- 54% have gross sales of less than $100,000 and 87% have gross sales of less than $500,000.
- On average, have sales of nearly $100,000 annually.
- Are more likely to have direct-marketing sales through agri-food production/product (59.1%) and processed (value-added) agri-food products (15.2%).
- Are more likely to make direct sales from the farm or Farmers' Markets (69%).

- Are likely to sell product produced by their own farm (88%) with the remainder coming from neighbouring farms within 50KM.
- Are likely to sell to repeat customers who are from their home province (91%) and who live within 50KM of their farm (76%).
- Are more likely (60%) to sell horticulture crops: fruits, vegetables, nursery, and greenhouse products.
- Are likely to have experienced an increase in sales since they started direct marketing (76%) but not necessarily an increase in margins (59% of direct marketers report increased profits since starting direct marketing).

## 6.3 Sector Economic Impact

This section reports the results of an assessment of the economic impact of the direct-marketing segment of Atlantic Canada's agri-food industry. The industry survey data were used to estimate the revenue earned by direct and semi-direct segments of the156 businesses that participated in the survey. The methodology and results are explained below.

The impact was estimated using an Input-Output (I-O) Model. The results of the model reflect the quality of the information that was gathered. That information is based on a survey of farmers that have, in some manner, self-identified as direct marketers. It is unlikely that all those selling agri-food products through some form of direct marketing were captured in the lists used for the survey. Those not listed publicly (or in provincial government lists) as direct selling their product would not have been identified. Those not identified would include:

- Commercial farmers that informally sell some of their product to end-use consumers but do not consider it an integral part of their business so they do not advertise or attend Farmers' Markets, etc.
- Small market gardeners that sell their product in roadside stands, those with farm-gate only sales (e.g. small freezer beef or produce farms) or at Farmers' Markets but are not registered farms or part of an organization.
- On farm sales through barter between farmers or between a farmer and supplier.

As a result, the authors believe that the economic impact estimated in the I-O Model is a reasonable approximation of the direct-marketing sector but that the resulting estimates are conservative.

Also, the number of responses from Newfoundland and Labrador and Prince Edward Island were low compared to those for New Brunswick and Nova Scotia and to potential respondents within each province. Even the number of responses for New Brunswick and Nova Scotia were not of sufficiently large numbers to be able to make definitive

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statements of the economic impact by province; consequently, the following analysis is, for the most part, limited to the Atlantic Region.

### 6.3.1 Summary of I-O Results

The economic impact of the estimated $91 million direct-marketing segment of the Atlantic Canada Agri-direct-marketing sector is conservatively estimated as follows:

- 2,177 person years of direct and spin-off employment within Atlantic Canada.
- $23.3 million in direct and spin-off wages and salaries (household income) within Atlantic Canada.
- $67.7 million in Atlantic Canadian GDP (at market prices).
- $4.1 million in Atlantic Canadian direct and spin-off provincial tax revenue.
- $6.1 million in Atlantic Canadian direct and spin-off federal tax revenue.

**Estimating Industry Direct Revenue**

A total of 764 surveys were sent out to agribusinesses identified by the provincial partners involved in this study. The number of surveys sent out, by province, is provided in **Table 1** below.

| Table 1 - Surveys Sent and Returned, by Province | | | |
|---|---|---|---|
| Province: | Surveys Out | Surveys Returned | Share of Population Sampled |
| Nova Scotia | 291 | 77 | 26% |
| New Brunswick | 300 | 43 | 14% |
| Prince Edward Island | 130 | 23 | 18% |
| Newfoundland & Labrador | 43 | 7 | 16% |
| Province Unknown | | 6 | |
| TOTAL | 764 | 156 | 20% |

**Table 2, below,** identifies the total estimated sales by province associated with the agri-direct marketers sampled in the survey. Sales estimates are derived from using the responses to a question that asked respondents to identify their sales range. The midpoint for each sales range used based on the following convention:

- $25K or Less = $12,501
- $26K to $50K = $38,000
- $101 to $250K = $175,500
- $251K to $500K = $375,500
- $751K to $1 million = $875,500
- More than $1 million = $1,000,000

This method of assigning revenue values likely generates a conservative estimate of total revenues.

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**Table 2** presents the summary of total gross and direct-marketing sales of locally-produced agri-food products (**Sales to consumers/restaurants** plus **Semi-direct sales**).

Table 2 – Direct-marketing Sale Estimates, by Province

| Province: | Estimated Total Gross Sales | Estimated Direct Gross Sales | Share of Direct Sales | Extrapolated Direct Gross Sales |
|---|---|---|---|---|
| Nova Scotia | $19,913,007 | $9,422,591 | 47% | $35,610,052 |
| New Brunswick | $9,865,005 | $5,567,509 | 56% | $38,843,086 |
| Prince Edward Island | $2,731,006 | $1,917,400 | 70% | $10,837,475 |
| Newfoundland & Labrador | $1,077,501 | $919,876 | 85% | $5,650,667 |
| Grand Total | $33,586,519 | $17,827,376 | 53% | $90,941,280 |

In total, the surveys that identified their province (150 respondents) reported over $33.5 million in annual sales and, of this, 53% ($17.8 million) is derived from direct sales. Using the proportion of the total number of agri-direct marketers that responded by province, total Atlantic Canada direct-marketing industry sales is estimated to be at least $91 million per year (6.96% of total 2006 Atlantic farm gate sales). This extrapolation method assumes that the 156 respondents are representative of those industry participants that did not participate in the survey.

The extrapolated values by province in Table 2 represent:

- 8.13% of total 2006 Nova Scotia farm gate sales,
- 9.34% of total 2006 New Brunswick farm gate sales,
- 3.02% of total 2006 Prince Edward Island farm gate sales, and
- 5.95% of total 2006 Newfoundland and Labrador farm gate sales.

**Estimating Industry Direct Employment**

The survey asked respondents to identify their paid employment in terms of the number of individuals involved in direct full-time and part-time employment by full-year or seasonal status. They were also asked the average number of weeks associated with each employment category. This information was used to calculate the total industry employment in terms of full-time equivalent positions (50 weeks per year per person). **Table 3** summarizes the estimated full-time equivalent employment for the sample (Total Employment of 3,273) and the proportion of the sample that is involved in direct marketing.

Table 3 – Direct-marketing Employment Estimates

| Province: | Estimated Number of Establishments | Average FTE/Firm | Total Estimated Employment | Estimated Direct-marketing Employment |
|---|---|---|---|---|
| Grand Total | 764 | 4.67 | 3,273 | 1,712 |

As shown in **Table 3**, direct marketing in Atlantic Canada's agriculture sector is estimated to employ 1,712 full-time equivalent positions.

**Estimating Economic Scale of Direct Marketing**
The economic impact of the $91 million industry was estimated using an I-O model that tracks inter-industry relationships and is modelled on Statistics Canada's National Accounting Framework. The economic assessment was applied to the commodity revenues from the survey data.

I-O iterations were completed for all four provinces individually using an interprovincial I-O model (a total of eight runs). All dollars are assumed to be 'constant dollars' based on the time of the revenue (current). Economic impact analysis is conducted from the commodity side, with final demand for goods and services associated with direct consumer spending for each commodity type. The $91 million in revenue is assumed to be annual and occurs each period. The following sections summarize the $91million in direct-marketing impacts across Atlantic Canada (and the rest of Canada).

**Defining the Class of Impacts**
Thinking of the $91 million as revenue on one project, the following defines the types of impacts discussed in this report:

- **Direct Impacts –** the production, income, employment, taxes, and spending on goods and services associated with the direct spending on direct marketing of products and services. This would include wages and salaries paid to direct-marketing sales workers, suppliers and transportation providers involved in direct marketing;
- **Indirect Impacts –** production, income, employment, tax, resource or environmental changes in backward-linked industries. For example, these are the impacts associated with the suppliers to the direct marketers and, in turn, suppliers of these suppliers; and,
- **Induced Impacts –** the changes in household spending caused by changes in household income. These are the impacts from the direct-marketer's employees and/or their suppliers' employees spending their wages and salaries on goods and services.

**Gross Employment Impact**
**Table 4** presents the Gross Employment Impacts for Atlantic Canada, the rest of Canada and total Canada.

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| Table 4: Summary of Gross Employment Impacts (in Person Years) | | | |
|---|---|---|---|
| Class of Impact | Atlantic Canada | Rest of Canada | Canada |
| Direct | 1,712 | 0 | 1,712 |
| Indirect | 320 | 257 | 577 |
| Induced | 145 | 173 | 318 |
| Total | 2,177 | 430 | 2,607 |
| *Share of Total Impact* | *84%* | *16%* | *100%* |
| *Share of Atlantic Impact* | *100%* | | |

As shown, the estimated $91 million industry generates 2,177 person years of employment annually within Atlantic Canada through:

**Gross Wages and Salaries Impact**
**Table 5** presents the Gross impact on Wages and Salaries for Atlantic Canada, the rest of Canada and all of Canada.

| Table 5: Summary of Gross Wages and Salaries Impacts[4] (in millions) | | | |
|---|---|---|---|
| Class of Impact | Atlantic Canada | Rest of Canada | Canada |
| Direct | $8.1 | $0.0 | $8.1 |
| Indirect | $11.2 | $10.8 | $22.0 |
| Induced | $4.1 | $6.5 | $10.6 |
| Total | $23.4 | $17.3 | $40.7 |
| *Share of Total Impact* | *57%* | *43%* | *100%* |
| *Share of Atlantic Impact* | *100%* | | |

The estimated $91 million in revenue generates $23.4 million in wages and salaries within Atlantic Canada.

**Summary of GDP Impacts**
**Table 6** presents the gross contribution of the $91 million expressed in terms of Gross Domestic Product[5] (at market prices) for Atlantic Canada, the rest of Canada and Canada as a whole.

[4] Wages and salaries represent household income as employed and self-employed earnings.

[5] Statistics Canada defines Gross Domestic Product as a measure of economic production at basic prices that includes capital consumption measured by depreciation of capital assets.

| Table 6: Summary of Gross GDP Impacts (in millions) | | | |
|---|---|---|---|
| Class of Impact | Atlantic Canada | Rest of Canada | Canada |
| Direct | $32.6 | $0.0 | $32.6 |
| Indirect | $23.2 | $20.6 | $43.8 |
| Induced | $11.9 | $14.1 | $26.0 |
| Total | $67.7 | $34.7 | $102.4 |
| *Share of Total Impact* | *66%* | *34%* | *100%* |
| *Share of Atlantic Impact* | *100%* | | |

Canada wide, the $91 million contributed an estimated $102.4 million in additional GDP through $67.7 million in Atlantic Canadian GDP and an additional $34.7 million in GDP from other Canadian provinces.

**Summary of Gross Provincial Tax Impacts**
Provincial tax revenue resulting from the $91million expenditure is presented in **Table 7** for the Atlantic Provinces and other regions.

| Table 7: Summary of Gross Provincial Tax Impacts (in millions) | | | |
|---|---|---|---|
| Class of Impact | Atlantic Canada | Rest of Canada | Canada |
| Direct | $0.4 | $0.0 | $0.4 |
| Indirect | $1.5 | $1.6 | $3.1 |
| Induced | $2.3 | $1.9 | $4.2 |
| Total | $4.2 | $3.5 | $7.7 |
| *Share of Total Impact* | *55%* | *45%* | *100%* |
| *Share of Atlantic Impact* | *100%* | | |

Canada wide, the sector contributed an estimated $7.7 million in provincial taxes through $4.2 million in Atlantic Canadian provincial tax revenue and $3.5 million in tax revenue for other Canadian provinces.

**Summary of Gross Federal Tax Impacts**
Federal tax revenue resulting from the $91 million is presented in **Table 8** for the Atlantic Provinces and other regions.

| Table 8: Summary of Gross Federal Tax Impacts (in millions) |
|---|

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| Class of Impact | Atlantic Canada | Rest of Canada | Canada |
|---|---|---|---|
| Direct | $1.7 | $0.0 | $1.7 |
| Indirect | $2.3 | $2.5 | $4.8 |
| Induced | $2.2 | $2.4 | $4.6 |
| Total | $6.2 | $4.9 | $11.1 |
| *Share of Total Impact* | *56%* | *44%* | *100%* |
| *Share of Atlantic Impact* | *100%* | | |

Canada wide, the $91 million in revenue contributed $11.1 million in federal taxes through $6.2 million in Atlantic Canadian federal tax revenue and $4.9 million in tax revenue from other Canadian provinces.

**Summary of Gross Production Impacts**

Gross Production is the final statistic generated by the I-O model. This is the sum of all sales by industry resulting from the spending being modelled. The gross production figure is interpreted as the amount of sales generated in each industry through the $91 million in revenues and is the summation of all rounds of related spending and successive rounds of spending and re-spending. The summary of Gross Production is provided in **Table 9**:

| Table 9: Summary of Gross Production Impacts (in millions) | | | |
|---|---|---|---|
| Class of Impact | Atlantic Canada | Rest of Canada | Canada |
| Direct | $90.9 | $0.0 | $90.9 |
| Indirect | $56.3 | $46.3 | $102.6 |
| Induced | $38.6 | $37.8 | $76.4 |
| Total | $185.8 | $84.1 | $269.9 |
| *Share of Total Impact* | *69%* | *31%* | *100%* |
| *Share of Atlantic Impact* | *100%* | | |

Canada wide, gross production amounted to $269.9 million as a result of the $91 million expenditure and included $185.8 million in gross production in Atlantic Canada.

**Incremental Assessment**

The impacts reported above are considered 'Gross Impacts' – the sum total of all the impacts from the $91 million in consumer spending. Interpretation of these impacts requires caution in that gross impacts include impacts that would have otherwise occurred as well as new impacts (or those that would not have otherwise occurred).

The challenge in presenting the incremental impact, however, is identifying the extent to which the $91 million in consumer spending would be replaced by spending through other retail systems and the associated economic activity in each of the Atlantic Provinces. For example, replacement of local agri-food product sales with imports removes the economic impacts of the production function but not of the retail function.

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## 7.0 Strategic SWOT Analysis

The SWOT analysis is based on the definitions of the terms Strengths, Weaknesses, Opportunities, and Threats (SWOT) included below. When we consider the elements of a SWOT analysis, we explore the relevance of the terms to the industry or business of interest in terms of:

- **Strengths**, which are endogenous (caused by factors within the industry or business) and are within the influence of the organization (through direct or indirect control).
- **Weaknesses** (also endogenous), which are the opposite of strengths and could be improved by the industry or business or avoided through the efforts of stakeholders.
- **Opportunities**, which represent positive or encouraging prospects that are outside the direct control of stakeholders (exogenous).
- **Threats**, which are the opposite of opportunities and include the obstacles that the industry or business faces. These factors are also outside the direct control of stakeholders (exogenous).

### 7.1 Strengths

- The Atlantic region has a significant amount of arable land available for farming and to support future development of direct-market farms.
- Microclimates in the region provide the opportunity for diversity in crop and livestock production to support direct-marketing development.
- Variance in regional climatic conditions extends the season and availability of many crops in the marketplace. Local product can be sourced, shared and traded to match local market sales opportunity throughout Atlantic Canada.
- The current “Buy Local” promotion campaigns are having an impact with the consumer and, according to Farmers’ Market vendors, increasing demand for locally-produced food products.
- Agritourism is still an immature industry in the region, but has the potential to create new business opportunities.
- A core of Farmers’ Market infrastructure currently exists in Atlantic Canada to assist farmers in direct marketing to the consumer.
- Provincial Departments of Agriculture are a source of technical, marketing, business development information and advice for agricultural clients who are interested in direct marketing.
- All provinces express an interest in the development of more direct-farm marketing opportunities and channels in Atlantic Canada.
- Marketing assistance programs are available in some provinces to help farmers develop new direct-farm marketing and value-added initiatives. Market development is often an expensive undertaking and it can be difficult to obtain financing from traditional lending sources for these non-asset costs.

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- New technologies and crop varieties are available to extend the growing season of many crops in Atlantic Canada, which increases direct-marketing opportunities.
- Some agricultural sectors have advanced controlled atmosphere (CA) storage facilities to support extended season and year-round supply and sales of agricultural products.
- There is an existing core of successful agricultural direct marketers with experience to act as mentors in the region.

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| **New Brunswick**<br>• The NB Dept. of Agriculture announced on April 4, 2008 the establishment of a permanent minister's round table on agriculture ensuring that agriculture remains a cornerstone of New Brunswick's goal of achieving a self-sufficient economy.<br>• Numerous micro-processing businesses exist that value-add livestock products, creating more year-round direct-sales opportunities and an industry cluster to build upon.<br>• NB has a network of Farmers' Markets in place and has recently experienced new markets establish and existing markets expand.<br>• The Agri-Food Market Development Program, introduced in 2007-2008 and renewed for the current fiscal year, provides dedicated funds for marketing activities such as signage and advertising. |
| **Newfoundland and Labrador**<br>• The NL government offers assistance through development programs for storage infrastructure, the development and improvement of farmland, food safety education, food quality investments in slaughterhouse facilities, and investment in technological innovation for on-farm and post-farm production.<br>• There is significant potential for import replacement in many food categories.<br>• The Federation of Agriculture and province have undertaken a TV series to promote local food production in NL from farm to fork. |
| **Nova Scotia**<br>• The province's major population and markets are concentrated around the Halifax Regional Municipality and the Cape Breton Regional Municipality. This creates centralized markets that can be efficiently targeted by a variety of direct-selling methods.<br>• The 2007-2008 *Select Nova Scotia* promotional campaign, which has been renewed for 2008-2009, is increasing consumer awareness of locally-produced agricultural products and services.<br>• The grape winery cluster in the Annapolis Valley has created a direct-market agritourism destination.<br>• There is an existing successful network and association of Farmers' Markets within Nova Scotia. |

- Halifax is the second highest per capita consumer of organic food in Canada.
- There is an established value-added processing capacity and infrastructure in the province, particularly for meat products supported by the provincial meat inspection system.
- While also an Atlantic strength, the Nova Scotia Agricultural College and AgriTECH Park, in Bible Hill offer resources in close proximity to local growers.

**Prince Edward Island**

- A federally-inspected abattoir to process meat products is located in PEI.
- The province's small resident population nearly doubles due to tourism in the summer.
- A small but developed Farmers' Market infrastructure has been established.
- The PEI Food Technology Centre offers professional services to industry to develop innovative products and prepare them to enter the market.
- The Atlantic Culinary School, located in Charlottetown, has potential as a liaison between farmers and chefs, restaurants and institutions.
- The recently announced *Buy PEI Initiative* supporting promotion, business and market development, and marketing will support direct market sales.

## 7.2 Weaknesses

- Not all production from farms in Atlantic Canada can go through direct-marketing channels. Wholesale, export and value-added markets are needed to use up the products that are not sold direct.
- Atlantic Canada has a relatively small population. While there are population centres in each province, all have rural regions with small population bases that may not support an extensive direct market sector.
- Atlantic region farms in general lack processing and storage infrastructure enabling them to provide a consistent supply of high quality produce on an extended season or year-round basis.
- There is inadequate direct-marketing infrastructure at many of the Farmers' Markets in the region to mitigate weather conditions that influence sales.
- Few distribution systems are available in the region to economically facilitate the transport of relatively small quantities of farm products to the consumer in urban areas, both domestically and interprovincially. The lack of distribution systems reduces profit margins and increases the costs of using direct-marketing channels.
- Regulations restricting the interprovincial sale and transportation of meat products and wine limit potential market opportunities.
- The lack of commonly branded signage systems in Atlantic Canada that support direct marketing of agricultural products creates a fragmented approach to sector promotion that can confuse the consumer.

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- Limited infrastructure for federal inspection of processed specialty products, such as meat, reduces the size of target markets and the range of potential direct market venues (e.g. hospitals, federal institutions).
- Limited food production systems or value-added products supporting opportunities for year-round direct-farm sales create difficulties in building consistent, long-term customer relationships.

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| **New Brunswick**<br>• The new divided highways crossing the province have removed transiting travellers from visibility of agricultural activity and existing roadside markets.<br>• There is a lack of production and storage ability to create supplies of locally-produced products to fill the growing consumer demand at year-round direct market venues. |
| **Newfoundland and Labrador**<br>• Distances between markets and communities in NL and from production areas to major market populations create distribution challenges.<br>• Industry size and visibility is small relative to the wholesale food market. This makes it difficult to develop the critical mass to support a committed customer base.<br>• Wildlife damage to crops and related crop quality and supply issues reduce producer profitability. |
| **Nova Scotia**<br>• Production and storage ability to create supplies of locally-produced products to fill the growing consumer demand at year-round direct-market venues is lacking.<br>• Program threshold of $10,000 creates an investment barrier for small and new direct marketers.<br>• A centralized population base, while it is a strength for part of the direct market sector in close proximity to cities, creates distribution challenges for producers in areas that are remote from the large group of consumers in the cities. |
| **Prince Edward Island**<br>• There is a relatively small year-round resident population base to build on for direct sales in the non-tourism season. Growth potential based on the indigenous population is limited in relation to production potential.<br>• Summer tourists are not necessarily purchasing all types of agri-food products. |

## 7.3 Opportunities

- Infrastructure for fixed-roof Farmers' Markets would extend the selling season and offset weather challenges. Investment in Farmers' Market infrastructure will encourage direct marketing by the farming community.
- Farmers' Markets and other direct retail outlets provide a good opportunity to test new products with the consumer and for new entrants to learn business skills.
- Value-added products can extend the selling season to the direct-sales consumer.
- Use new technology such as high tunnels or controlled-atmosphere storage to extend the season that products are available to the consumer.
- Communication technology can help producers link with target customers.
- Opportunities exist to develop more cooperative and efficient distribution and marketing systems among farmers (e.g. cooperative style organizations, linkages with roadside farm markets) to facilitate the cost effective movement of product to the consumer as quickly as possible. This allows production-oriented farmers to focus on production and the marketing-oriented farmer to focus on sales.
- Semi-direct sales to the food service sector were identified as a significant growth opportunity for some producers. The food service sector is nearly 50 percent of the entire Canadian food market.
- Community Supported Agriculture (CSA) overcomes some of the competitive challenges of one-stop shopping offered by large grocery distributors.
- Opportunities exist to develop unique distribution systems to allow producers to direct market to customers outside of the province.
- Leverage the opportunities associated with existing processing facilities in the provinces to develop new direct marketing and value-added opportunities. Direct marketing can become a major method of import replacement in the food value chain.
- Agritourism opportunities build on the natural attributes of the Atlantic Provinces and agriculture.

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| **New Brunswick**<br>• Develop New Brunswick's fruit and berry winery industry as a major agritourism attraction in the province.<br>• Build upon historic Acadian culture for agritourism.<br>• The province is the gateway to the rest of Atlantic Canada and has an associated high traffic volume along the main highways. Direct-market opportunities can be further developed at exits and rest stops. |
| **Newfoundland and Labrador**<br>• Direct marketing can become a major method of import replacement in the food value chain in NL.<br>• Target market to special sectors in a manner that meets their needs (e.g. oil sector)<br>• Develop unique distribution systems to allow NL producers to direct market to |

| |
|---|
| customers in other areas of the province.<br>• Imported fresh produce and meat has a short shelf life in the store. The consumer needs to be educated that local, fresh products are available. |
| **Nova Scotia**<br>• The opportunity exists to develop more Farmers' Markets within the province, particularly in strategic locations within or close to population centres, including mid-sized towns. Farmers' Markets and other direct-marketing outlets should be strategically located within the population centres.<br>• There are opportunities to build upon existing sector clusters in agritourism, farm market sales, U-pick and wineries (e.g. Western Annapolis Valley). Complementary direct-marketing venues established within the clusters will attract larger numbers of customers and offer a broader range of customer services and products. |
| **Prince Edward Island**<br>• The Charlottetown Farmers' Market is an active hub for direct marketing in the province and provides a model for expansion to other communities.<br>• Leverage the relationship with The Culinary Institute to educate future chefs on the benefits of local supply of agricultural products to restaurants.<br>• Target cottagers and seasonal tourists with special product offerings (e.g. tailgate packages of meats and produce for weekenders.)<br>• Build on pristine theme and organic opportunities associated with PEI.<br>• Develop tourism-friendly packaging in relation to package size and convenience. |

## 7.4 Threats

- The development of global marketing contributes significantly to increased foreign competition.
- Large grocery distributors will develop ways to compete with direct-farm sales in efforts to protect their market share.
- In general, the agricultural industry's demographic characteristics (age) are a limiting factor unless there are significant number of new entrants. Aging farmers are less inclined to change and move to direct-marketing channels.
- Interviewees identified the challenge to find new vendors for Farmers' Markets as a threat to both existing and future organizations.
- Historically declining support by governments to agriculture sectors reduces support for agricultural-based direct marketing.
- A decline in summer tourism will impact seasonal direct sales opportunity. Recent concerns over high transportation costs that feed through to the cost of

food and accommodations may create challenges for agritourism based operations.

- Environmental or food safety incidents that damage the pristine reputation of agriculture will have an impact on direct sales opportunities. The impact could be negative unless the direct market sector ensures that it can differentiate itself from commodity agriculture.

(NOTE: Threats are external and have similar impacts in all provinces.)

## 8.0 Recommendations for Strategies and Actionable Projects

Farm direct marketing comprises numerous marketing channels and venues producers can use to facilitate the sale and transfer of their products directly from the farm to the end consumer. A large part of the overall direct marketing focus in recent years has been on Farmers' Markets. The Farmers' Market infrastructure traditionally congregates a number of different farm businesses in a shopping mall/market environment connecting producers with interested customers. It tends to be in a highly visible location and garners a lot of public relations and media attention. However, the Farmers' Market is only one of many marketing channels that farm businesses use to sell products directly to the end consumer and the survey discussed previously indicates that sales through Farmers' Markets represents approximately one-fifth of total direct sales. Typically, farm direct-marketing methods used in Atlantic Canada are: U-pick, farm roadside markets, greenhouses/garden centres, winery outlets, community supported agriculture (CSA), agritourism, the Internet and informal on-farm sales along with Farmers' Markets.

As well as being a venue for the sale of farm and farm-related products direct-market venues are a destination for the consumer that creates an agritourism experience. This "experience" needs to be refreshed on a regular basis and built upon to facilitate the retention, loyalty and interest of the consumer in the market.

Sales skills and marketing knowledge are limiting factors for many farm business vendors that impact the level of success that they experience. Many producers would benefit from other vendors selling their products for them at Farmers' Markets or through roadside farm markets as some farm businesses are more capable and better disposed, geographically and personally, to marketing and sales activities. This might also encourage more vendors to participate in Farmers' Markets or to sell to non-owned retail operations if they could share the transportation costs of getting products to the market.

There are barriers to the successful development and advancement of direct-farm marketing opportunities for farm-based businesses in Atlantic Canada. The following six key points, based on survey results, interviews and secondary research, are areas in which specific actions will help overcome the barriers and create an environment of direct-marketing innovation that will better facilitate the movement of Atlantic Canada's agriculture products to the end consumer.

- Expand definition of modern agriculture
- Strategic partnerships and alliances
- Marketing
- Education
- Infrastructure
- Regulations

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This section makes recommendations designed to create the conditions that will allow the direct-marketing sector to develop market opportunities for farm businesses.

## 8.1 Expand Definition of Modern Agriculture

For generations, the definition of agriculture was relatively simple: a farm-produced food for people to consume. In most cases demand for food was greater than local supply and most of what was produced was sold.

A renewed interest in farming and where food comes from has created an agricultural industry that increasingly entertains, houses, and feeds the consumer on their visit to the country – the basis of agritourism. Wineries and bed and breakfast locations have become destinations and the focal point of many rural regions of Atlantic Canada. Non-edible agriculture has rapidly grown in parallel with the evolution of food production creating new products for outdoor landscaping and the enhancement of properties and homes. The growing desire for better health and for consumers to live longer has pushed the research and development of plant and animal products to create nutraceuticals and health products.

Farm businesses have adapted to this change, and have developed their businesses to capitalize on these new production and service opportunities to create new profit and to make their farms more sustainable for the future. Farmers have developed new types of markets, winery outlets, new distribution channels, garden centres, greenhouses, roadside stands, value-added products, and diversified into non-agricultural products to find and support the farm.

The dynamics of an agricultural business and the range of products and services offered for sale by the farm have changed to reflect the changing reality of the marketplace. Growth of urban centres has also brought the consumer physically closer to the farm, and the farmer has used this proximity to create direct sales opportunities with their new neighbours. The divergence between what was traditionally considered a farm and what is today considered a farm has increased. While this has created new problems for some agricultural businesses, it has allowed many other farm businesses to remain in agriculture and to find new value and market opportunities for the farm.

How do you define a farm(er) today? The survey and interviews conducted for this study appear to define today's farmer as someone who is more aware of consumers and has moved closer to those consumers to improve margins. While they may still market product through wholesale channels, they depend on direct marketing for a significant portion of their sales. However, as is indicated by the estimate that direct marketing makes up less than 10 percent of total farm sales, farmers that continue to depend on wholesale markets remain the bulk of the industry.

The surveys and interviews also indicated that the direct-marketing sector is growing rapidly and has substantial opportunities for continued growth. That outlook clashes with various government reports and statistics that indicate continued losses in the number of farmers and acreage cultivated. Unfortunately, direct-marketing statistics have not been gathered historically so it is not possible to quantify growth in the direct-marketing sector. What is apparent from the survey is that many direct marketers would not be considered commercial farmers by government or the general agricultural industry because of the level of their total sales (44 percent less than $50,000). Many of these farmers have developed businesses, such as agritourism, that would not be considered farming by many in the agricultural industry.

A definition, or lack of a definition, of modern agriculture has become a barrier to the development of direct-farm sales in the Atlantic region. While there has been much recent discussion regarding direct-farm sales, the agricultural industry, rural municipalities and governments have done little to address the changes, the impact of those changes or to create policies that facilitate the development of new direct-farm sales. Much of direct-farm sales occur in the interface between urban and rural communities and are caught in the zone between the legislation that protects agricultural production and the rules that other urban businesses must follow. This has created confusion and frustration in the agricultural community, particularly with municipal zoning.

<u>Recommendation:</u> *Policies must recognize that modern agriculture includes farmers and activities that may not fit into the definition of agriculture as a production-oriented business. Policies need to be developed that encourage all levels of government to support the future development of agricultural direct-marketing opportunities in Atlantic Canada.*

Actionable projects include:

- Develop municipal plans that ensure that infrastructure is available for direct-marketing venues (e.g. site, parking) including accessible locations for Farmers' Markets. Municipal planning strategies can have beneficial or detrimental impacts on direct-marketing outlets, particularly those with short seasons, unless their needs are recognized and included in such things as traffic patterns, signage requirements and access to locations that are convenient for both the marketer and customer. A system for cooperation among industry, municipal and provincial authorities should be established to identify specific planning issues that the broad range of direct-marketing outlets face and provide potential solutions. This approach should also include an awareness campaign for private planners as well as government-employed planning staff. Urban planners may be far removed from rural Atlantic Canada and may not recognize the issues and opportunities that relate to Farmers' Markets.

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- Each province should establish an office(r) to help new and existing direct marketers to identify programs and regulations across departments (municipal, provincial and federal) that relate to their specific marketing system.
- Provincial programs should be reviewed to ensure that they are available and relevant to direct marketers. This review should be done in cooperation with direct-marketing representatives to ensure that the differences in farm businesses involved in direct marketing, as compared to those producing for the wholesale market, are identified and reflected in programs. The results of the review may lead to extensions or amendments to existing programs or to new programs specifically designed for direct marketing of agri-food products.

**Nova Scotia Issue**
Nova Scotia has a wide diversity of production and a more developed value-added sector than the other Atlantic Provinces. It also has a greater population concentration in urban centres than the other provinces, with more than 40 percent of the province's population living in Halifax Regional Municipality (HRM). Also, some of the major agricultural production areas in the province are within an hour of HRM.

There are opportunities for strategically placed direct-market venues, such as small Farmers' Markets or farm retail outlets, within the boundaries of the HRM urban centre to provide convenient and effective opportunities for consumers to support direct-market outlets. Nova Scotia should investigate options for these venues and the barriers to their establishment.

## 8.2 Strategic Partnerships and Alliances

Strategic partnerships and alliances must be developed at all levels of the direct-farm marketing value chain to facilitate the sale of more locally-produced agricultural products. Interviewees emphasized that direct marketing encompasses much more than the producer and has the potential to support a variety of activities including research, transportation, distribution, marketing and so on.

Partnerships and alliances need to begin at the highest levels of government to reassure producers and set the stage for development of opportunities at the farm level. The geography and demographics of the Atlantic Region require that innovative new strategic alliances and partnerships be developed to assist farmers in getting their products to the areas of population density within the region. The cost of distribution is becoming a limiting factor for many farm businesses. Farm businesses need to work together to build their market opportunities, create new innovative distribution channels and ways to get their products directly to the consumer.

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The expansion of direct-farm sales into tourism, hospitality and entertainment means that more government departments should be collectively working in collaboration on these important issues. Departments and agencies can set the example of cooperation (e.g. agriculture and tourism) that will help achieve common goals and increase business opportunities.

Business-to-business direct-farm sales partnerships and alliances should not be overlooked. Industries such as nurseries, greenhouses and garden centres should become part of the collective direct-farm marketing thinking as these industries have been direct marketing at a high level for many years. Building and sharing these skills can create new synergies between the different agricultural sectors in Atlantic Canada.

Recommendation: *Strategic partnerships need to be explored, created and encouraged to develop at all levels of government and industry to facilitate the development of new direct-farm sales opportunities for producers of agricultural products.*

There are several levels at which strategic partnerships should be established. The industry itself needs to consider examples such as the Farmers' Markets of Nova Scotia Co-operative Ltd. that represents member Farmers' Markets. Other relationships should be developed, both formal and informal, along the direct-marketing supply chain, such as between producers and roadside farm markets. Broader relationships that include industry and government are also important to sector development, as well as formal, cooperative relationships across provincial governments in Atlantic Canada and, possibly, the rest of the country.

Actionable projects include:

- The provincial governments of the Atlantic Provinces should establish a permanent committee to provide coordination for development of direct marketing of agri-foods across the region. Members of this committee would represent provincial agricultural departments and potentially include representatives from other departments that would have an interest in the sector (e.g. tourism, regulation). This committee would be responsible for coordinating region-wide efforts in marketing, education, and regulations at the government level. The committee would create a consistent information source for government across the region and help identify data and statistics on the sector that is presently lacking and attempt to find methods to collect and generate that information. The committee would also liaise with industry organizations.
- The direct-marketing sector is, in one respect, a microcosm of the general agricultural industry. It is a heterogeneous mix of many different commodities, business sizes and structures, skills, and objectives. This fact makes it difficult to establish comprehensive organizations and/or relationships for the whole sector. Industry and government must better understand the characteristics of the direct-

marketing system before the conditions can be put in place for strategic partnerships and alliances.

Each province should establish an industry-government group, similar to the federal government's value chain round tables, which include representatives of all direct-marketing stakeholder levels. The focus of these groups will be to clearly define the varied requirements of the major groupings in the sector (e.g. Farmers' Markets, U-picks, roadside farm markets) and identify types of alliances and relationships that will work for each direct-marketing group. This task will be complicated by the fact that many producers are members of several groups (e.g. Farmers' Market vendors and on-farm sales); however, the conditions necessary to allow the direct-marketing sector to grow and meet its potential must be identified and realistic approaches developed by the industry's participants. Provincial governments' roles in this activity will be to act as facilitators and resources.

- Many interviewees and survey respondents indicated that the sector had to become more organized in the sense of participants being members of organizations that are able to represent the interests of their members to the public and government. The concept of direct marketing is based on differentiating the direct marketer's product from those sold through the wholesale supply chain. A 2005 paper (Mussell and MacTaggart) identified farmer representation along commodity lines as a significant barrier to differentiating farm products. Existing commodity-based organizations will not provide adequate support to direct marketers whose success depends on differentiation. New structures and groupings need to be developed. Provincial governments should work with representatives of the direct-marketing sector, possibly in the groups identified in the previous bulleted discussion, to identify organizational structures that will provide sector representation without creating barriers to product and business diversification.

  It may be that the best form of organizations for direct marketers ignores provincial boundaries and reflects other characteristics, either larger or smaller, than a traditional provincial boundary. The direct-marketing sector is relatively small and a regional sensibility must be allowed to develop, either as groups (e.g. Atlantic-Canadian based) or as formal or informal strategic partnerships among groups (e.g. North American Farmers' Direct Marketing Association). Provincial governments should establish funding programs to help the sector identify and create these organizations, although they should be member financed on an ongoing basis.

## 8.3 Marketing

Some recent media reports indicate that there has been limited success and impact from "buy local" campaigns and promotions to the consumer. They indicate the cost of food is the only buying decision/criteria of the consumer. However, through the course of this

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study a number of farm market retailers indicated that they have not experienced the traditional January and February slump in sales as in previous years. They all attribute this phenomenon to the increased "buy local" awareness campaigns that have been undertaken this past year. The benefit of promotions encouraging the consumer to buy locally-produced agri-food products cannot be understated and should be part of future strategies. The previous literature review also supports the position that good, consistent, and creative promotional campaigns work, but that they are an ongoing process that requires a long-term commitment.

Atlantic industry collaboration on media campaigns that create buy local awareness and promote direct-farm sales through creation of uniform highway signage, directories, the Internet and maps can reduce marketing costs at the farm level. Promotions can be across the sector, province and agricultural industry in general.

The Internet has become a powerful marketing tool for direct marketers as it can draw customers to the farm, sell direct via e-commerce, assist in brand development, direct customers to where products are available and is a tool for interactive customer contact. The Internet also allows farmers the opportunity to identify new direct-market ideas, see what direct-farm marketers are doing in other regions of the world and communicate effectively with peers, government and industry partners. The literature review indicated that there are barriers to farm Internet use for marketing and sales that can be addressed by industry and government.

As noted by several interviewees and survey respondents, Atlantic Canada lacks an award system that recognizes excellence and innovation in the area of direct marketing of agricultural products. Awards help create publicity, consumer awareness and stimulate innovation within the industry.

*Recommendations:*

- *Create a regional entity to cooperatively market, and promote buying Atlantic-Canadian produced agricultural products to the consumer.*
- *Develop uniform symbols and signage for the region to promote direct-farm marketing and the various sectors of direct-farm marketing.*
- *Develop central websites to promote direct-farm marketing in the region linking consumers and local farm products.*
- *Encourage the development of directories and maps to help the consumer find direct-farm market sales outlets, sites and markets.*
- *Create an annual award that recognizes excellence in farm direct marketing in Atlantic Canada.*
- *Encourage and support the development of Community Supported Agriculture (CSA) and buying group programs for direct sales.*

Actionable projects include:

- Review existing provincial and federal marketing-oriented programs to identify their applicability and availability to the full range of direct marketers in the industry. For example, small marketers may not achieve the thresholds required by some programs. These barriers should be removed, at least for a period, to allow the business to grow to reach the threshold level.
- General financial support should be made available for the initiatives identified in the recommendations. Provincial governments should ensure that funds are available from existing or new programs to allow industry participants to establish central websites that direct or link consumers to direct marketers and create and maintain maps similar to those used in other jurisdictions.
- Establish an Atlantic-wide industry-government group to review cooperative promotion. While many industry stakeholders indicated that marketing and branding should be Atlantic Canada wide, others believed that the specific characteristics of the separate provinces would make this approach difficult and that marketing and promotion should be provincially based.

  The reality is most likely somewhere in between. Generic advertising aimed at buying locally-produced products may be most cost efficient if targeted to all of Atlantic Canada. This type of advertising has the potential to benefit all regional agricultural producers if demand for local agri-food products increases and displaces imports. Direct marketers will benefit indirectly. Also, a single signage type that has been branded for direct marketing has the potential to be cost-effective and easy for the consumer to identify no matter where they may be travelling. The “brand”, such as the bunch of grapes that are often used to identify wineries, becomes part of signage or advertising that immediately identifies direct-marketing opportunities to the consumer. Provincial signage and advertising could then be added to the generic type to reflect the specific characteristics of the province.
- Signage was identified by interviewees and survey participants as one of the most important, and most frustrating, marketing issues. Regulations for signage can be very restrictive, funds are hard to find for good signage and seasonal signage is often banned from the highways.

  Attractive signage that will bring consumers to a direct-market venue is becoming more important in New Brunswick and, to a certain extent, Nova Scotia. Both provinces have developed highway systems that remove road traffic from locations that provide good visibility and access for direct-market customers. Not only does this remove tourists from the agricultural areas in which direct marketers have become established, but local traffic frequently bypasses these areas because of reduced travel time over even short distances.

  Provincial programs should be established to provide both financial and regulatory assistance to direct marketers to establish professional, informative and attractive signage, both highway and on-location. Good signage is as important to a vendor in a Farmers’ Market as it is to a roadside farm market.

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- Many travellers will not drive far from the main highway to visit any attraction. New Brunswick and Nova Scotia should investigate the potential to facilitate establishment of direct-market venues in close proximity to highway interchanges. This will require that the maximum feasible distance from the highway is established in some way and then a program put in place to facilitate establishing direct-market outlets, possibly cooperative roadside farm markets.
- E-commerce has become one of the most effective marketing tools in business. The literature review identified several barriers to the use of the Internet for direct marketing. Industry and government should identify and establish programs to overcome these barriers (e.g. website development assistance, training for maintaining the website).

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| **New Brunswick Issues**<br>New Brunswick's direct-marketing sector has several characteristics that can be developed to support its development. New Brunswick has developed fruit wineries, as opposed to the grape wineries that have been established in Nova Scotia. Fruit wines are novel to many consumers and consumers need to be educated on their quality, consumption and availability. New Brunswick should ensure that its marketing efforts incorporate consumer education to further develop this potential market.<br><br>New Brunswick is the gateway to Atlantic Canada with its resulting transit traffic. A comprehensive highway signage program will benefit direct marketers by appealing to some of these travellers. |
| **Nova Scotia Issues**<br>As noted in Section 8.2, much of Nova Scotia's agricultural production is in relatively close proximity to its main urban centre[6]. This fact creates opportunities for creative approaches to marketing to this population base through online clearing-house style systems to sell product to restaurants and institutions and directly to consumers through Community Supported Agriculture (CSA) programs. These marketing structures would support cooperative sales and distribution systems that will meet the requirements of the buyer and provide cost-effective transportation and distribution for producers within the feasible supply zone. |
| **Prince Edward Island Issues**<br>While all four Atlantic Provinces have significant tourism industries, PEI is unique in tourism's impact on its potential market base. The market bulge that results from the influx of tourists has different characteristics than the local populace and marketing efforts need to address these differences. While cottagers that stay for extended periods may purchase basic food stuffs, short-trip tourists will be less interested in the traditional |

[6] New Brunswick also has areas of agricultural production in close proximity to Fredericton and Moncton and this discussion applies to those markets.

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products sold at roadside farm markets or Farmers' Markets. Offerings during the tourist season must reflect consumer requirements:

- Processed products emphasizing the island theme that people can take home.
- Tourism-friendly packaging in size and convenience, such as single-serving containers for fresh fruit, cut vegetables with dips, dried fruits and vegetables, and processed meats. Processed products would also allow producers to extend the season and geographic range of their markets through exports.
- Encourage expansion of product lines to create distinctive offerings with more variety that reflects the diversity of those visiting PEI.

## 8.4 Education

Farm direct-marketing education is important for professional skill development for both individuals currently in the industry and new entrants to direct marketing. As direct-marketing businesses grow they will also need to upgrade their skills around business development.

<u>Recommendation</u>: *Facilitate educational programs, conferences and forums to develop direct-farm sales skills and direct-sales farm business management skills. These programs should be designed so that they can be made available to direct-farm marketers in all regions of Atlantic Canada.*

Delivery of specific educational programs to direct marketers in a comprehensive manner is hindered by the lack of sector structure. As noted previously, many direct marketers are not registered farms and there are few organizations specific to direct marketers through which they can be easily contacted or educated. Many direct marketers may be members of other provincial commodity groups; however, it is inefficient to attempt to contact these direct marketers with blanket mailings to all members of a commodity group.

The authors believe that a comprehensive direct-marketing educational program will be effective only when the sector is better organized and more comprehensive information is available. The following discussion identifies the types of educational programs that are necessary for the industry to develop effectively, but full rollout of a comprehensive educational program for direct marketers should be delayed until the industry is better organized and represented, as discussed in Section 8.2.

Small or lifestyle farmers may not be able to attend educational activities based on traditional agricultural weekday workshops and meetings. Program delivery will have to fit the characteristics of the target clientele by holding training programs during evenings or weekends, offering Internet-based training courses or other self-delivery educational activities. Educational programs that would be of benefit to direct marketers include:

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- Customer relationships are the key to direct-marketing success. While some people are naturally suited to interacting with their customers, others may not have the personality to become effective direct marketers. Most people, however, can learn to provide good customer service. Many corporations (e.g. banks, retail outlets) carry out customer service training for the staff on an ongoing basis to ensure that the customer is receiving the best service possible.

  Direct marketers need to receive training and education in general customer service as well as issues specific to direct marketing such as educating the customer on local product and production systems, providing samples of their products and developing consumer trust in agri-food products. Retail staff needs to be able to educate consumers so that their expectations are realistic or they may become disenchanted and stop purchasing food products direct from the farmer.
- Food quality and safety assurance to the consumer are key to the future development of direct-marketing sales opportunities in Atlantic Canada. The industry cannot afford a health incident from direct-marketing sales; therefore, education on food safety is critical for success. Areas of education that would benefit farm direct marketers include food safety training and certifications:
  - On Farm Food Safety (OFFS)
  - Hazard Analysis and Critical Control Point (HACCP)
  - Organic Certification
- Direct-marketing case studies and success stories are effective methods of providing examples of what has and has not worked. While there may be limited opportunity to copy a unique approach to direct marketing, examples provide ideas that can be developed for specific markets and businesses.
- Cost of production and pricing education and information is important to the profitability and long-term success of any business. Farm business managers have to be able to assess their costs on an ongoing basis to ensure that they are maintaining expenses within an expected range and that costs are being reflected in prices.

  One of the most interesting statistics from the survey data is that, while 76 percent of farmers that responded to the survey indicated that sales had increased since they began direct marketing, only 59 percent indicated that their profit margins had increased. This raises the question of how these direct marketers are pricing their products. Are they pricing to the competition (e.g. large food stores, other direct marketers) or to the consumer market? Studies discussed in the literature review indicated that pricing is one of the least important factors to consumers when they purchase their agri-food products direct. A better understanding of markets and pricing will help direct marketers receive full value from their products based on the consumer's willingness to pay for the features that differentiate their product from the wholesale commodity market (e.g. freshness, support for local farmers).

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- The concepts of value-adding and diversification are not always understood by farm business managers. The purpose of these activities is to make the product more attractive to the consumer, capture a larger percentage of the food dollar, and manage market risk. For example, adding value to a product through further processing may add shelf life to a perishable product, thus reducing the economic impact of product spoilage. Farmers need to be educated on the full range of value-adding and diversification activities, and their benefits and costs.

The immediate activity that should be completed pending the successful completion of the actionable programs identified in Section 8.2 is to identify existing educational programs within and outside agriculture that can be adopted or adapted to meet the educational needs discussed above. A general survey of existing programs should be undertaken so that resources are not used inefficiently by replicating previous curriculum development.

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| **Newfoundland and Labrador Issues**<br>NL is in a relatively unique situation. The majority of its food is imported and its issues are related to providing high-quality product on a consistent basis for as much of the year as possible.<br><br>Newfoundland recently conducted a study on feasible crops that can be produced and sold in NL and has conducted marketing campaigns focusing on provincial agriculture. Educational emphasis in NL may have to be more comprehensive than in provinces in which the production system is larger and more diversified. Programs need to emphasize methods to extend the production season, to develop processed product that can be used to lengthen storage periods and attract consumer attention, and to manage production of a diversified farm operation. |
| **Nova Scotia Issues**<br>Population density and growth in metropolitan centres into formerly rural, agricultural areas places pressure on extensive agriculture that requires large land bases. A program should be developed to help train direct-market producers to produce economically viable products on a small land base. The program should include production education as well as training on assessing the business viability of products and services (e.g. consumer demand, cost of production versus price received). |
| **Prince Edward Island Issues**<br>Direct marketers need to target products and volumes to the reality of the tourism market, both its seasonality and risks. Potential alternative markets need to be identified, such as specialty export markets or potential to bulk sell product cooperatively into the commodity supply chain to recover some costs. This will allow direct marketers to extend their sales season by selling into alternative markets outside the tourist season and |

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mitigate risks of factors that have a negative impact on tourism.

PEI should also establish a project to develop relationships between direct marketers and Holland College's Culinary Institute of Canada to educate both the chefs and farmers on the challenges and opportunities that both groups face. This type of educational interface will create more realistic expectations for both groups and open potential avenues of cooperation.

## 8.5 Infrastructure

Access to traditional wholesale markets is not available to many farm businesses because of the consolidated nature of the distribution system. An alternative market is to sell direct to the consumer. Much of the infrastructure to facilitate wholesale sales is supplied by wholesalers, distributors and retailers. The direct sale of agricultural products to consumers requires specialized infrastructure to facilitate the direct sales. Whether the infrastructure is on the farm or in the community, it enhances the sale of farm-produced products.

Direct sales infrastructure includes:

- Signage, displays and point of sale information
- Farmers' Market structures
- Distribution systems and networks
- Cooperative marketing systems
- Communication systems

Recommendation: *Ensure that existing programs are available to all direct marketers and, where gaps exist, create new programs to support the development of infrastructure to support direct-farm sales.*

Actionable projects include:

- Establish a fund so that direct marketers can train retail staff, including themselves, in customer relations, food handling and other sales-oriented activities.
- Ensure that funding or material is available for marketing-related functions such as signage, both directional and on-site, displays and point-of-sale information.
- Develop a program to support the establishment of Farmers' Market structures to mitigate the impact of inclement weather on sales activities. Depending on the situation, structures may be conversions of existing buildings, adaptations of existing buildings for periodic use as a Farmers' Market, or construction of a new facility. Industry stakeholders indicated that Farmers' Markets have to begin offering their products on a more frequent basis to build and maintain customer loyalty. Permanent, well-designed structures that lend themselves to efficient use

by Farmers' Market vendors are a prerequisite to expand vending activities beyond the traditional half-day a week during the harvest season.

Support for new Farmers' Markets or expansion of existing ones needs to be carefully assessed based on supply and demand. Stakeholders involved in Farmers' Market management indicated that a developing issue is securing sufficient vendors to maintain the range and volume of products necessary to draw consumers. Effective expansion of the number of Farmers' Markets is dependent on a parallel increase in the number of vendors or in operating Farmers' Markets on alternative days so that vendors can attend more than one location.

- Storage and distribution were identified as significant challenges for small producers, particularly in Newfoundland and Labrador, because of the sparsely-populated nature of the province. Adequate storage and distribution systems will allow direct marketers to extend sales activities beyond the growing season, reduce expenses for growers attempting to market small amounts of product and allow direct marketers to offer their product to consumers over a broader geographic range. However, information provided by interviewees and survey respondents identified the issues in a general nature without specific ideas of how the additional storage facilities and distribution systems would be structured or managed (e.g. on-farm, group, transportation alternatives). The provincial governments should study this issue in more detail. It may be that systems can be designed for a broader range of producers than direct marketers, which would improve the economic efficiency of investments directed specifically at the direct-market sector.
- Infrastructure investment to add value to products through processing or specialized packaging can be prohibitive for small producers. The potential for cooperation in the use of facilities should be investigated so that the infrastructure cost can be applied to larger volumes than would be the case with small production units.

## 8.6 Regulations

Regulations on interprovincial trade and transportation of agricultural products in Atlantic Canada limits growth opportunities for many direct to consumer producers. This is especially true with specialty and further processed products, certified organic products and meat products. For example each province has its own regulations to govern the movement and distribution between provinces of meat and processed meat products. This makes it very difficult for the small scale production of specialty and niche meat products to be developed in Atlantic Canada based on broader markets than those within specific provinces.

The cost of federal inspection to access other provincial markets is prohibitive for the small-scale manufacturer. Regulations between provinces in Atlantic Canada should be

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harmonized to facilitate the easy flow and movement of agricultural goods between provinces in Atlantic Canada. This allows businesses to develop scales of economy that allow them to become profitable in direct sales to the consumer and invest in production systems to potentially supply wholesale and export market opportunities in the future.

<u>Recommendation:</u> *Harmonize regulations that affect agricultural products, further processed and value-added agri-food products between the provinces in Atlantic Canada. The sectors that would benefit most are meat, specialty products and wine.*

Actionable programs include:

- Conduct a survey of provincial regulations that impact the ability of direct marketers to expand their production both within and outside their respective provinces.
- Establish an Atlantic-wide industry-government committee to review the results of the survey and make recommendations for changes to allow direct marketers to maximize their opportunities. An argument can be made that the committee should be broadened to address all agricultural interests; however, the focus of this report is direct marketing and broadening the process beyond that sector will create complications among various federal and/or provincial regulatory systems (e.g. supply-managed commodities).

## 9.0 Summary and Conclusion

The direct-marketing sector does not have a defined structure and to discuss it as a "sector" at all is somewhat misleading. As one interviewee said "… you cannot refer to this as a single monolithic industry." Direct marketing lacks much of the organizational structures that characterize other agricultural sectors that are based on single commodities, groups of commodities, or defined supply chains for their products. This lack of definition, a reflection of the vast variety of activities and approaches that make up direct marketing, creates difficulties in both evaluating direct-marketing activity and designing programs to enhance opportunities.

Mussell and MacTaggart made the argument that systems and structures that have developed around commodity agriculture inhibit product differentiation and diversification. Poorly designed policy that forces direct marketers to fit within program parameters may inhibit the effective long-term development of direct marketing of agri-food products and services.

This study provides recommendations and actionable projects designed to create the conditions necessary for individual farm businesses to be successful direct marketers. However, these programs and projects should be developed at a reasonable pace with broad industry consultation. Estimates of the potential size of the direct-sales market vary widely and the sector must develop at a pace that will not destabilize markets for existing direct-marketing businesses. As usual, supply must be matched with demand for the sector to maintain profitability and rapid expansion of producers attempting to sell product directly must be matched with a corresponding increase in consumers interested in their products to maintain sector profitability and stability.

While this report provides a number of recommendations and actionable projects under six headings, the study authors believe that those in Sections 8.1 and 8.2 should be undertaken first. Many of the recommendations and projects in the other Sections are either dependent upon or will benefit from successful completion of the policy and organizational recommendations made in Sections 8.1 and 8.2.

Direct marketing of agri-food products is not a solution for all of the challenges faced by the agricultural industry. However, it is currently a significant component of the Atlantic-Canadian agricultural industry and has substantial potential for expansion based on farmers making rational business decisions to take the necessary steps to move closer to the consumer. Based on information from stakeholders, direct marketing also appears to be a preferred avenue for new entrants to agriculture. This feature is important to the long-term viability of the agricultural industry in Atlantic Canada and should be supported.

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