



Feasibility Study

*Small/Medium Farm
Product Distribution*

In the Lower Mainland

Part 3

**Regulations Policy and
Funding:
Distribution Systems for
Small/Medium Sized Farms**

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Acknowledgements

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Executive Summary

The central theme of this feasibility study is that traditional distribution systems do not work for producers with small/medium sized farms (SMFs) with 1 to 4 hectares. Instead, SMFs need distribution systems that offer more than storage and transportation and are scaled for the size of their operations.

An overview of the feasibility study shows the research topics for each of the six reports:

1. Requirements for Food Distribution for SMFs
2. Business Models and Best Practices
3. Bylaws, Regulations, and Funding Sources
4. Farmer's Needs for Distribution system
5. Buyer's needs for Distribution system
6. Model Development and Comparison

In this, the third report there will be a review of bylaws, policies, regulations and an analysis of whether they help or hinder the advancement of SMF distribution. Funding sources for non-profits or groups of farmers to start a distribution service will also be reviewed.

Government Regulations Affecting SMF Distribution

Farmers wishing to provide aggregation and food transportation services on officially designated farmland will need to adhere to a variety of regulations. These include,

Farm Practices Protection Act

The Farm Practices Protection Act applies to farmers operating in the Agricultural Land Reserve and in other areas where farming is permitted by local zoning bylaws. In instances where on-farm distribution services are allowed, activities associated with distribution would be protected under the Farm Practices Protection Act.

The Agricultural Land Reserve Use, Subdivision, and Procedure Regulation¹

Permitted uses of ALR land include, "storage, packing, product preparation or processing of farm products, if at least 50% of the farm product being stored, packed, prepared or processed is produced on the farm or is feed required for farm production purposes on the farm." Storage, aggregation and distribution from multiple farms will likely mean that Distribution services cannot be provided on farms located in the ALR.

Municipally Zoned Agricultural Land

"Many municipalities in BC have both ALR and non-ALR agriculturally-zoned land within or adjacent to their city boundaries."² In many respects municipal regulations mirrors those for the ALR. Chilliwack has specific zoning for AFP (Agricultural Food Processing) which mentions warehousing, storage and distribution.

Municipally Zoned Industrial Land

Distribution businesses are typically located on land that is zoned by municipalities for general industrial or light industrial purposes. While this is the best option for a distribution business, Colliers International reported for the Fourth Quarter of 2013 noted the vacancy rate is below 6% in most Metro Vancouver communities.

Government Policies and Non-Government Regulations Affecting SMF Distribution

BC Agrifoods, a Strategy for Growth

In the BC Agrifoods Strategy for Growth,³ innovations in production, processing, and promotion are among the strategies mentioned to increase products for sale into domestic and international markets. As part of the local market

¹ The Agricultural Land Reserve Use, Subdivision, and Procedure Regulation. "This HTML version of the Regulation is for private study or research purposes only, and is not the official version"

http://www.alc.gov.bc.ca/legislation/Reg/ALR_Use-Subd-Proc_Reg.htm

² Urban Farming Guidebook: <http://www.refbc.com/sites/default/files/Urban-Farming-Guidebook-2013.pdf>

³ BC Agrifoods, a Strategy for Growth: http://www.gov.bc.ca/agri/down/bc_agrifoods_strategy.pdf

strategy, “the Province is developing a new, interactive initiative to encourage retailers, chefs and consumers to buy more local agrifoods products.”

Metro Vancouver’s Regional Food System Strategy

Metro Vancouver Regional Food System Strategy⁴ acknowledges the need for and the challenges of, expanding distribution services offered in the region to facilitate the sale of more locally produced foods.

Agricultural Plans and Agricultural Advisory Committees

The second component of BC’s Strengthening Farming Program, Planning for Agriculture, “is broadly focused on developing strong working relationships between local governments, the farm community and the province to ensure that agriculture is given appropriate consideration in local government planning processes.”⁵

Regulation of Vegetable Commodities

The BC Vegetable Marketing Commission (BCVMC) “is vested with the power in the Province to promote, control and regulate in any respect the production, transportation, packing, storage and marketing”⁶ of a variety of regulated commodities including greenhouse and cole crops.⁷

Organic Regulations

If product from certified organic and non-certified organic farms are stored on the same site or transported in the same vehicle the Certified Organic Association of BC (COABC)⁸ stipulates that,

Every measure shall be taken to ensure that the integrity of organic products is not compromised during transportation. Products shall be physically segregated or protected to avoid possible commingling⁹ or substitution of contents with non-organic products.

Grants and Financing Opportunities

In addition to the skills and knowledge needed to establish a distribution system, there is also a need for financing.

Findings and Recommendations

The following recommendations look at how municipalities can support SMFs through policy, among other measures.

1. Include support for local food storage and transportation in future agricultural plans, especially by those communities where a significant number of farms are 4 hectares or less.
2. Create inter-municipal and inter-regional strategies to support the exchange of locally produced foods.
3. Engage learning institutions that specialize in logistics to help develop new businesses that support the storage and distribution of local foods from SMFs.
4. Explore the benefits of collaboration between emerging SMF distribution systems and the Vegetable Marketing Commission and/or other commodity groups.
5. Establish funding streams specific to the distribution of local agri-foods from SMFs.

A review of regulation and policies increases the attractiveness of the Red Tomato distribution service as it requires neither a warehouse space nor an owned or leased truck. For farmers and non-profits with limited funds, their business model provides the lowest upfront costs for a start-up distribution service.

⁴ Metro Vancouver’s Regional Food System Strategy:

<http://www.metrovancouver.org/planning/development/AgricultureAndFood/Documents/RegionalFoodSystemStrategy.pdf>

⁵ <http://www.agf.gov.bc.ca/resgmt/sf/planag/index.htm>

⁶ BC Vegetable Marketing Scheme: <http://www.bcveg.com/Vegetable%20Scheme.pdf>

⁸ See Appendix D for more information on Organics Regulations.

⁹ Commingling: Physical contact between bulk, unbound or unpackaged organic products and non-organic products during production, preparation, transportation, storage or handling.

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1. Introduction

The central theme of this feasibility study is that traditional distribution systems do not work for producers with small/medium sized farms (SMFs) with 1 to 4 hectares. Instead, SMFs need distribution systems that offer more than storage and transportation and are scaled for the size of their operations. The goal of this study is to support the development of a variety of distribution systems in BC. No single organization can do this. A network of systems is needed to provide transportation and storage so farmers and buyers are linked across the province. Farmers, non-profits, cooperative organizations, and entrepreneurs can all help to build this network.

The services that SMFs often need include product aggregation, preservation of farm identity on invoices and in marketing materials, innovative product pricing structures that acknowledge the costs for farming on small plots of land, education and quality enhancement in a business structure that involves farmers. The provider of these services could either be a non-profit organization or a dedicated group of farmers.

As there is a growing demand for local food and the average sized farm in BC is almost 143 hectares (Ha), SMF distribution services have the potential to increase access to local agrifoods in the province. For SMFs in Metro Vancouver (16 Ha average), and the Fraser Valley Regional District (22 Ha average) the potential for such distribution systems may be even more relevant as the farms are close to large urban buyers of local food.

This feasibility study so far has reviewed four successful distribution businesses for SMFs, three of which were operated by non-profit organizations, with the fourth being a dairy cooperative run by farmers. Four, single farm product value chains were also explored to learn how communication throughout the supply chain affects production, product quality, marketing, and pricing.

Further preparation to develop a distribution system model and pro forma will include interviews with farmers and buyers located in Metro Vancouver and the Fraser Valley regional districts in order to discover what is needed for a cost effective distribution systems, so that farmers can spend more time producing food and taking care of their land and buyers have greater access to local agrifoods.

An overview of the feasibility study shows the research topics for each of the six reports:

7. Requirements for Food Distribution for SMFs
8. Business Models and Best Practices
9. Bylaws, Regulations, and Funding Sources
10. Farmer's Needs for Distribution system
11. Buyer's needs for Distribution system
12. Model Development and Comparison

In this, the third report there will be a review of bylaws, policies, regulations and an analysis of whether they help or hinder the advancement of SMF distribution. Funding sources for non-profits or groups of farmers to start a distribution service will also be reviewed.

2. Government Regulations Affecting SMF Distribution

Farmers wishing to provide aggregation and food transportation services on officially designated farmland will need to adhere to a variety of regulations. The regulation of farmland use happens at the provincial level when farmland is part of the Agricultural Land Reserve (ALR), and at the municipal and municipal district levels when land is zoned as farmland municipally. The majority of farmland in BC is regulated by either of these bodies.

2.1 The Agricultural Land Reserve

The ALR is part of the BC Ministry of Agriculture, Food and Fisheries' Strengthening Farming Program¹⁰ and is jointly implemented by the Ministry and the Agricultural Land Commission (ALC).¹¹ The Commission "is an independent Provincial agency responsible for administering the Province's land use zone in favour of agriculture."¹² The Strengthening Farming Program, "promotes strong working relationships between local and provincial governments and the farming community", and is guided by legislation: the Farm Practices Protection (Right to Farm) Act¹³, the Agricultural Land Commission Act¹⁴ and portions of the Local Government Act¹⁵ and the Land Title Act¹⁶."

The Strengthening Farming Program has two components:

1. Farm Practices Protection
2. Planning for Agriculture

2.2 Farm Practices Protection Act

The Farm Practices Protection (Right to Farm) Act (FPPA)¹⁷ was enacted to protect farmer's rights in BC. It applies to farmers operating in the Agricultural Land Reserve and in other areas where farming is permitted by local zoning bylaws. The FPPA protects farmers against "nuisance actions, court injunctions, or specific nuisance bylaws related to the operation of the farm when farmers operate under "normal farm practices" as defined by the FPPA or use,

Practices as may be prescribed by Cabinet regulation; and the operation does not contravene other legislation (Environmental Management Act, Integrated Pest Management Act, and Health Act.) or any land use regulation.¹⁸

Nuisances in the FPPA are identified as "odour, noise, dust or other disturbances." Complaints regarding farming practices are referred to the Farm Industry Review Board,¹⁹ a tribunal whose other responsibilities include overseeing the agricultural marketing boards.

In instances where on-farm distribution services are allowed, activities associated with distribution would be protected under the Farm Practices Protection Act.

2.3 The Agricultural Land Reserve Use, Subdivision, and Procedure Regulation²⁰

The ALR, established in 1974 and 1976, is unique to the Province of BC and covers approximately 4.7 million hectares²¹. The Agricultural Land Commission (ALC) administers the ALR and is comprised of a Chair and Vice-Chairs appointed by the Lieutenant Governor-in-Council and panel members appointed by the Ministry. Together, the panels represent the six ALR regions: Island, Interior, Kootenay, North, Okanagan and South Coastal.²² The South Coastal Panel represents Metro Vancouver and the Fraser Valley Regional District.

¹⁰ <http://www.agf.gov.bc.ca/resmgmt/sf/>

¹¹ <http://www.agf.gov.bc.ca/resmgmt/sf/>

¹² http://www.alc.gov.bc.ca/commission/alc_main.htm

¹³ http://www.bclaws.ca/Recon/document/ID/freeside/00_96131_01

¹⁴ <http://www.alc.gov.bc.ca/legislation/act/alca.htm>

¹⁵ http://www.bclaws.ca/Recon/document/ID/freeside/96323_00

¹⁶ http://www.bclaws.ca/Recon/document/ID/freeside/96250_00

¹⁷ <http://www.agf.gov.bc.ca/resmgmt/sf/farmpp/index.htm>

¹⁸ http://www.agf.gov.bc.ca/resmgmt/sf/keylegisl.htm#FPPA_Act

¹⁹ <http://www.firb.gov.bc.ca/>

²⁰ The Agricultural Land Reserve Use, Subdivision, and Procedure Regulation. "This HTML version of the Regulation is for private study or research purposes only, and is not the official version"

http://www.alc.gov.bc.ca/legislation/Reg/ALR_Use-Subd-Proc_Reg.htm

²¹ <http://www.alc.gov.bc.ca/mapping/mapping.htm>

²² See Appendix A for Regional Districts associated with these ALR regions.

The ALR regulations enforce the Agricultural Land Commission Act.²³ The regulations cover permitted farm uses, non-farm uses and applications for exclusion, inclusion, and subdivision of lands in the ALR. “The Agricultural Land Reserve takes precedence over, but does not replace other legislation and bylaws that may apply to the land.”²⁴ Activities, such as on-farm distribution and product aggregation from other BC farms fall under Part 2 (2) (c) of the regulation. Permitted uses of ALR land include,

- (c) storage, packing, product preparation or processing of farm products, if at least 50% of the farm product being stored, packed, prepared or processed is produced on the farm or is feed required for farm production purposes on the farm;

Storage, aggregation and distribution from multiple farms will likely mean that no farmer on a regular basis will provide a minimum of 50% of the stored or outgoing product. Instead of these services being located on ALR land, they will need to take place in facilities located on land that is zoned industrial.

Another option is to develop a distribution service based on Red Tomato²⁵ which hires haulers rather than owning their own vehicles, and rents cold storage space from haulers and warehouses rather than leasing or owning their own building. Often products are consolidated into orders *en route*, with producers meeting in parking lots to load their product. “Overnight pooling and cooling regularly occur at producers’ farms, trucking firms’ warehouses, and warehouses at the terminal New England Produce Market in Boston.”²⁶ In this scenario, a farm on ALR land could be a consolidation point for a neighbouring farm and trucking company could make one stop rather than two to pick up their combined produce, again, as long as the farm hosting the pickup comprised 50% of the product. While limited, a series of such farms could help move product.

While the Red Tomato system can be logistically complicated, it also means that they can have multiple cold storage sites along their distribution routes making it possible for farmers to drop product off.

2.4 Municipally Zoned Agricultural Land

“Many municipalities in BC have both ALR and non-ALR agriculturally-zoned land within or adjacent to their city boundaries.”²⁷ Farming outside of the ALR means farmers do not have the same protections as with ALR land, but then municipalities are able to create their own regulations which are often a variation on the ALR’s.

A survey of four municipalities: Abbotsford, Chilliwack, Delta and Richmond shows that each of these municipalities include farm product processing on municipally zoned farmland. The zoning bylaws for the Municipal District of Delta specify that 50% of the processed product must come from the farm on which the processing is being done. This mirrors the ALR regulations. Bylaws allowing processing on Abbotsford and Chilliwack zoned farmland do not specify this “50%” restriction. While processing is not inherent to distribution, these zoning bylaws show that specific uses that support agriculture beyond the practice of farming are of interest to agricultural municipalities. Chilliwack has specific zoning for AFP (Agricultural Food Processing) which mentions warehousing, storage and distribution in Section 7, Subsection 7.07. In paragraph (16)(b) of Subsection 7.07 it states that “A Warehousing Use shall be limited to the storage and distribution of agricultural and food products.”²⁸

²³ <http://www.alc.gov.bc.ca/legislation/act/alca.htm>

²⁴ About the ALR: http://www.alc.gov.bc.ca/alr/alr_main.htm

²⁵ Red Tomato was one of the distribution systems reviewed in Report 2 of this feasibility study: Best Practices: Distribution Systems for Small to Medium Sized farms

²⁶ Values-based food supply chains: Red Tomato
<http://www.cias.wisc.edu/wp-content/uploads/2013/08/redtomatofinal082213.pdf>

²⁷ Urban Farming Guidebook: <http://www.refbc.com/sites/default/files/Urban-Farming-Guidebook-2013.pdf>

²⁸ <http://www.chilliwack.ca/main/attachments/Files/377/Section%2007%20-%20Agricultural%20Zones.pdf>

Table 1: Municipal Agricultural Zoning: Permitted Uses

Zoning Bylaws: Selection of Permitted Uses on Land Zoned Agricultural	
Abbotsford ²⁹	<p>Accessory Processing Use 210.11 An accessory processing use shall only be permitted: (1) where approved by the Provincial Agricultural Land Commission; (2) where the buildings and structures housing such use together do not exceed 2,000 m² in floor area; and (3) where associated unenclosed storage, including storage of drums, flats, and other containers, does not cover a lot area exceeding the floor area of the buildings and structures housing the accessory processing use.</p>
Chilliwack ³⁰	<p>NON-ALR LAND 7.06 AC (Agriculture Commercial) Zone consists of land which owing to its location within or adjacent to agricultural areas is suitable for the manufacturing, processing or sale of agriculture or related products.</p> <p>ALR LAND 7.07 AFP (Agricultural Food Processing) Zone consists of land within the Agricultural Land Reserve which, owing to its location relative to major transportation corridors, is suitable for the processing, storage and distribution of agricultural and food products.³¹</p>
Delta ³²	<p>PART V A1 ZONE: AGRICULTURE 513 “Agricultural Product” and “Mushroom Growing Medium” Storage, Processing and Preparation: A minimum of 50% of the total volume of the “Agricultural Products” or “Mushroom Growing Medium” stored on a “Lot” or processed or prepared by “On-farm Processing” or “On-Farm Product Preparation” on a “Lot”: b) must have been harvested, grown, raised, or produced on a farm owned or operated by the owner or lessee of the “Lot”.</p>
Richmond ³³	<p>14. Agriculture and Golf Zones 14.1 Agriculture (AG1; AG3; AG4) 1.4.1.2 Permitted Uses: Cranberry processing facility (AG4)</p>

2.5 Municipally Zoned Industrial Land

Distribution businesses are typically located on land that is zoned by municipalities for general industrial or light industrial purposes. For non-profits, or producers located on regulated farmland (the majority of producers in the Lower Mainland) their distribution business will most likely be located on industrial lands if they were offering storage as one of their services.

The availability of industrial lands is at a premium in the Lower Mainland. Colliers International in their Metro Vancouver Industrial Market Report for the Fourth Quarter of 2013³⁴ noted the vacancy rate is below 6% in most communities.

²⁹ <https://abbotsford.civicweb.net/Documents/DocumentDisplay.aspx?Id=11750>

³⁰ Chilliwack Agricultural Zoning: <http://www.chilliwack.ca/main/attachments/Files/377/Section%2007%20-%20Agricultural%20Zones1.pdf>

³¹ Uses shall be limited to agriculture or food processing industries consistent with ALC Resolution #50/2004 unless otherwise approved by the Agricultural Land Commission.

³² <https://delta.civicweb.net/Documents/DocumentList.aspx?ID=48051>

³³ URL:http://www.richmond.ca/__shared/assets/AG1-424006.pdf

³⁴ Colliers International Metro Vancouver Industrial Market Report, Fourth Quarter 2013:

<http://www.collierscanada.com/en/Commercial-Property-Research?office=Vancouver&year=2014&proptype=Industrial&month=1>

Table 2: Industrial Property Vacancy Rate

	Vacancy Rate	
	Q4 2013	Q4 2012
Metro Vancouver		
Burnaby and New Westminister	3.0%	5.1%
North Vancouver	4.0%	3.2%
Richmond	5.3%	2.8%
Surrey	2.6%	1.9%
Tri Cities	4.0%	5.4%
Vancouver	2.4%	2.7%
Fraser Valley Regional District		
Abbotsford and Chilliwack	5.0%	2.2%
Delta	9.1%	6.1%
Langley	3.2%	3.1%
Maple Ridge and Pit Meadows	2.7%	4.8%

The City of Richmond in their *Draft, Richmond Resilient Economy Strategy*³⁵ acknowledges that “current constraints to strengthening its local economy are employment (and particularly industrial) lands supply and effective ground transportation for goods movement. The land supply issue is addressed in some detail in this Action Plan because this is one of the most critical economic development challenges Richmond faces.”

The vacancy rate for Richmond’s industrial properties is just over 5% and has been below 5% for several years which is “dire”³⁶. 70% of jobs in Richmond centre on the movement of people of goods. The draft report lists goods movement and distribution, a regional business centre, and agriculture as employment growth strategies to “maintain and increase Richmond’s attractiveness for, and ability to accommodate, businesses across a wide range of sectors.”

New supply and construction for industrial properties in most municipalities is underway with only Richmond, Burnaby, New Westminister, North Vancouver, and Vancouver seeing less construction in 2013 than in 2012.

The cost and limited availability of industrial properties again show the advantages of the Red Tomato distribution service as it is not dependent on a leasing a building or trucks.

3. Government Policies and Other Regulations Affecting SMF Distribution

3.1 BC Agrifoods, a Strategy for Growth

In the BC Agrifoods Strategy for Growth,³⁷ innovations in production, processing, and promotion are among the strategies mentioned to increase products for sale into domestic and international markets. As part of the local market strategy, “the Province is developing a new, interactive initiative to encourage retailers, chefs and consumers to buy more local agrifoods products.” However it does not suggest any logistical or infrastructure supports so buyers can access the agrifoods promoted through these means. While the report notes among its goals and actions “enhancing sector competitiveness” by increasing “production efficiency for product processing and distribution” there is no further information about what this ultimately means for distribution.

³⁵ Draft, Richmond Resilient Economy Strategy: <http://letstalkrichmond.ca/document/show/220>

³⁶ Conversation with City of Richmond Business Development Liaison: Katie Ferland

³⁷ BC Agrifoods, a Strategy for Growth: http://www.gov.bc.ca/agri/down/bc_agrifoods_strategy.pdf

Another goal is to “keep existing farmland in production” and one of the innovative methods cited to fulfil this goal is to “work with Metro Vancouver to increase the efficient use of agricultural land.” This feasibility study suggests that one way to accomplish more efficient land use is to allocate the role of marketing, sales and distribution to an organization or to a group of farmers so each individual farmer can spend more time growing and less time trucking.

3.2 Metro Vancouver’s Regional Food System Strategy

Metro Vancouver Regional Food System Strategy³⁸ acknowledges the need for and the challenges of, expanding distribution services offered in the region to facilitate the sale of more locally produced foods.

Building this capacity will test the business acumen of firms in the supply chain and it will also require greater collaboration between the public and private sector to develop the networks and the financial tools necessary to attract new investment in the development and revitalization of food infrastructure in Metro Vancouver.

The barriers to the launch of new distribution businesses, including those operated by farmers and non-profit organizations, include the availability of industrial properties³⁹. There is no easy solution for this. Logistics does inspire the same public interest as farmers market and local food. It is a hidden issue. The strategy points to financial tools and new partnerships to grow this service. As stated earlier, new partnerships between farmers and organizations with colleges that provide training in logistics could provide new insights into local food distribution, especially for SMFs.

3.3 Agricultural Plans and Agricultural Advisory Committees

The second component of BC’s Strengthening Farming Program, Planning for Agriculture, “is broadly focused on developing strong working relationships between local governments, the farm community and the province to ensure that agriculture is given appropriate consideration in local government planning processes.”⁴⁰

Encouraging the appointment of Agricultural Advisory Committees in the province’s regions and municipalities, and the development of Official Community Plans (OCP) and “designating Development Permit Areas (DPAs) for the protection of farming within OCPs”⁴¹ are all aspects of Planning for Agriculture. Agri-Teams⁴² have been appointed to assist in the implementation of the Strengthening Farm Program.

The BC Ministry of Agriculture lists 46 Agricultural Advisory Committees⁴³ in the province: 14 at the regional level and 32 the municipal level.

Agricultural Advisory Committees (AACs) are an effective way for local governments to link with their farm and ranch communities. AAC members are appointed and are often from the farm and ranching community. The committees focus on agricultural issues, support the Province’s Strengthening Farming Program, and share information on agricultural issues that then help shape policy solutions in the Official Community Plans.⁴⁴ Each of the four municipalities have agricultural advisories. A literature review shows a number of agriculture strategies and plans.

³⁸ Metro Vancouver’s Regional Food System Strategy:

<http://www.metrovancouver.org/planning/development/AgricultureAndFood/Documents/RegionalFoodSystemStrategy.pdf>

³⁹ See Appendix B: Availability of Industrial Lands

⁴⁰ <http://www.agf.gov.bc.ca/resmgmt/sf/planag/index.htm>

⁴¹ <http://www.agf.gov.bc.ca/resmgmt/sf/planag/index.htm>

⁴² Agri-Teams, List last updated in July 2012: http://www.agf.gov.bc.ca/resmgmt/sf/atcontacts/Agri-team_Provincial_Contacts_July2012.pdf

⁴³ AAC List: <http://www.al.gov.bc.ca/resmgmt/sf/aac/list.htm>

⁴⁴ <http://www.al.gov.bc.ca/resmgmt/sf/aac/>

Table 3: Agricultural Committees and Reports

Committees	Agricultural Reports by Municipality
Abbotsford AAC ⁴⁵	Nov 2009: Abbotsford Agricultural Strategy, Agriculture Profile ⁴⁶ Mar 2011: City of Abbotsford Agricultural Strategy ⁴⁷ Apr 2011: Abbotsford Agriculture Strategy Phase 2 Report Issues and Options ⁴⁸
Chilliwack CAC ⁴⁹	Feb 2004: Chilliwack Agriculture Strategy Update ⁵⁰ Dec 2010: Background Report: Chilliwack Agricultural Area Plan Jan 2012: City of Chilliwack Agricultural Area Plan
Delta AAC ⁵¹	Jun 2011: Delta Agricultural Plan: Phase 1: Delta Agriculture Profile Jun 2011: Delta Agricultural Plan Phase 2 Report: Issues and Options ⁵² Oct 2011: Delta Agricultural Area Plan: Phase 3
Richmond AAC ⁵³	Nov 2012: Richmond Community Plan: 7.0 Agriculture and Food ⁵⁴ Nov 2014: Draft, Richmond Resilient Economy Strategy: 2014 – 2019 Action Plan
AAC: Agriculture Advisory Committee CAC: Chilliwack Agricultural Commission	

Common themes in the plans are,

- Economic Impact of farming
- ALR and non-agricultural land use
- Agricultural vehicles and non-farm traffic
- Value added product
- Promotion of local food through farmers markets
- Waste Management

Distribution was rarely referred to in the plans. The *City of Abbotsford Agricultural Strategy* in its long term actions (5-10 years) suggests pursuing “strategies to promote the local food system, such as the development of distribution and handling facilities. . .” The *Chilliwack Agriculture Strategy Update* in the section on processing organic products makes the observation that BC’s food retailers are accustomed to working with US suppliers and in comparison BC’s “distribution channels tend to be immature, complex, and inefficient.”

Strategies cited in the plans such as the City of Abbotsford Agricultural Strategy suggestion for a strategic relationship with the University of the Fraser Valley in order to explore opportunities to “attract agri-industrial research, technology, expertise, and funding into the City” as well as to “pursue initiatives to train young people and attract new entrants into agriculture” are an inspiration for parallel partnerships for distribution. There are a number of schools⁵⁵ that offer logistics training that municipalities could approach for partnerships in order to share expertise and attract new entrepreneurs to distribution focussed on local food.

Including strategies that address local agri-food distribution in future agricultural plans would support the recognition of distribution as one of the essential priorities to modernise the local food system and to meet the needs of SMFs.

⁴⁵ Abbotsford AAC: <http://www.abbotsford.ca/Asset6387.aspx?method=1>

⁴⁶ <http://www.abbotsford.ca/Assets/Abbotsford/Dev+Services+-+Planning+and+Environment/City+of+Abbotsford+Agriculture+Profile.pdf>

⁴⁷ <http://www.abbotsford.ca/Assets/Abbotsford/Dev+Services+-+Planning+and+Environment/Agriculture+Strategy.pdf>

⁴⁸ [http://www.abbotsford.ca/Assets/Abbotsford/Dev+Services+-+Planning+and+Environment/Agriculture+Strategy+Draft+Issues+\\$!26+Options+Report.pdf](http://www.abbotsford.ca/Assets/Abbotsford/Dev+Services+-+Planning+and+Environment/Agriculture+Strategy+Draft+Issues+$!26+Options+Report.pdf)

⁴⁹ Chilliwack Agricultural Commission: <http://www.chilliwackeconomicpartners.com/chilliwack-agricultural/>

⁵⁰ Page 26: <http://www.chilliwack.ca/main/attachments/Files/1979/Chilliwack%20Agriculture%20Sector%20Strategy%20Update%202004.pdf>

⁵¹ Delta AAC: <http://www.corp.delta.bc.ca/EN/main/mayor/346/aac.html>

⁵² http://www.corp.delta.bc.ca/assets/CPD/PDF/issues_options_agricultural_plan.pdf

⁵³ Richmond AAC: <http://www.richmond.ca/plandev/planning2/agriculture/advisory.htm>

⁵⁴ http://www.richmond.ca/_shared/assets/OCP_9000_agriculture34171.pdf

⁵⁵ See Appendix C.

3.4 Regulation of Vegetable Commodities

The BC Vegetable Marketing Commission (BCVMC) “is vested with the power in the Province to promote, control and regulate in any respect the production, transportation, packing, storage and marketing”⁵⁶ of a variety of regulated commodities including greenhouse and cole crops.⁵⁷

The Commission enforces the Natural Products Marketing (BC) Act and its Regulations⁵⁸ through the BC Vegetable Marketing Scheme.⁵⁹ In this role the Commission licenses producers and marketing agencies. Producers are given “Delivery Allocations” and “Production Allocations”. Farmers that grew or marketed regulated product as ordered by the Commission and either produced one tonne of regulated product in the preceding 12 months or earned a gross value of \$5,000 from its sale in the preceding 12 months qualify to register as a commercial producer with the Commission. The Commission keeps a registry of both registered commercial farmers and nonregistered farmers. Registered farmers must sell their products to registered processors⁶⁰ or registered wholesalers⁶¹. A special application to the BC Farm Industry Review Board⁶² can be made to sell directly to consumers either at farmers’ markets or at farm gate.

Distribution of local produce has been the main focus for this study because it is easier to store and transport. There are seven other regulated commodities with their own regulations:

1. BC Broiler Hatching Egg Commission (www.bchec.com)
2. BC Chicken Marketing Board (www.bcchicken.ca)
3. BC Egg Marketing Board (www.bcegg.com)
4. BC Milk Marketing Board (www.milk-bc.com)
5. BC Turkey Marketing Board (www.bcturkey.com)
6. BC Cranberry Marketing Commission (bccranberries.com)
7. BC Hog Marketing Commission (www.bcpork.ca)

The majority of farmers interviewed in a Vancouver Island study agreed that “supply management helps Canadian farmers as a whole by providing stability and revenues that support production”.⁶³ The study also noted that “there are opportunities to use supply management to assist in the development of regional food systems”.

As many SMFs sell directly at farmers’ markets, at their farm gate, or through CSAs they can be exempt from BCVMC regulations they often have not reason to establish a relationship with commodity regulators. Organizations that work with SMFs including FarmFolk CityFolk and farmers’ market rarely confer with the BCVMC. It is possible that this will change as more SMFs use the distribution services described in this study. With their common goal to support local farmers, farmers’ markets and other organizations taking on the role of distribution may find there are benefits from a closer relationship with the Vegetable Marketing Commission and other commodity groups. The BCVMC has shown an interest in value chains and their commissioned report⁶⁴ was referenced in this study’s *Report 2: Best Practices: Distribution Systems for Small to Medium Sized farms*.

⁵⁶ BC Vegetable Marketing Scheme: <http://www.bcveg.com/Vegetable%20Scheme.pdf>

⁵⁸ http://www.bcveg.com/npma_dec19_04.pdf

⁵⁹ <http://www.bcveg.com/Vegetable%20Scheme.pdf>

⁶⁰ <http://www.bcveg.com/docs/Registered%20Processors%20-%20November%203%202013.pdf>

⁶¹ <http://www.bcveg.com/docs/Registered%20Wholesalers%20-%20November%203%202013.pdf>

⁶² <http://www.firb.gov.bc.ca/>

⁶³ Supply Management, Regulated Marketing and Regional Food Systems on Vancouver Island:
http://www.nanaimofoodshare.ca/downloads/igfi/IGFI_Regulated_Marketing_FINAL.pdf

⁶⁴ Opportunities Assessment of British Columbia’s Vegetable Sector:

http://www.firb.gov.bc.ca/documentation/supervisory_reviews/d_opportunities_assessment_bc_vegetables_2012.pdf

3.5 Organic Regulations

In 2011 in Metro Vancouver there were 41 farms with organic products for sale, 35 farms with certified organic products and 6 farms in transition.⁶⁵ On average organic farms are smaller than conventional farms, particularly in the Fraser Valley. Results from a 2007 survey⁶⁶ of farms in the Fraser Valley showed that the average size of certified organic farms was 15.6 Ha while conventional farms was 47.0 Ha.

If product from certified organic and non-certified organic farms are stored on the same site or transported in the same vehicle the Certified Organic Association of BC (COABC)⁶⁷ stipulates that,

Every measure shall be taken to ensure that the integrity of organic products is not compromised during transportation. Products shall be physically segregated or protected to avoid possible commingling⁶⁸ or substitution of contents with non-organic products.

Keeping conventional product separate from organic product is “Not a big deal”⁶⁹. Pallets of product can be wrapped in plastic pallet wrap thus creating a barrier between these two product streams. If the wrapped pallet is later broken into cases then special care must be taken to stack and store organic and conventional products separately on pallets and then to re-wrap. Storage and transportation of product from SMFs will likely mean that certified organic agrifoods will share space with conventional, transitional and naturally produced products. Steps need to be taken to preserve the integrity of Certified Organic products.

4. Grants and Financing Opportunities

In addition to the skills and knowledge needed to establish a distribution system, there is also a need for financing. This study has specifically focussed on a distribution model that uses existing infrastructure: hired trucking companies to move product, shared or rented storage space to keep capital costs to a minimum. However in some communities there may not be trucking and storage businesses to draw on. The funding options listed in Appendix E and F, and summarised below in Table 4, range from micro loans of \$10,000 to traditional bank loans, as well as grants and investment. To be eligible for some grants the application has to be made by a registered non-profit or non-profits or charity. Partnerships between farmers and no-profit organizations could provide access to these funding streams for farmers. Grants from the BC Ministry of agriculture do not have require registration as a non-profit. The Growing Forward 2 program will fund up to 85% of the cost for an authorized consultant to help develop business plans.

⁶⁵ Paraphrased from Metro Vancouver’s 2011 Census of Agriculture
Bulletin: <http://www.metrovancouver.org/about/publications/Publications/Census2011-Agriculture.pdf>

⁶⁷ See Appendix D for more information on Organics Regulations.

⁶⁸ Commingling: Physical contact between bulk, unbound or unpackaged organic products and non-organic products during production, preparation, transportation, storage or handling.

⁶⁹ From interview with Annie Moss from Discovery Organics, a certified organic distributor in Vancouver. www.discoveryorganics.ca/

Table 4: Overview of Funding Sources

Grants	Provider
Farm Business Advice	BC Ministry of Agriculture
Growing Forward 2 program	BC Ministry of Agriculture
Buy Local Program	BC Government, Ministry of Agriculture through the Investment Agriculture Foundation of BC
There are a number of different grants	Canadian Grants Business Centre
Development Grants	Enterprising Non-Profits
Epicure Foundation's Community Initiative National Grant Program	Epicure Foundation
Investment Agriculture Foundation of British Columbia Grants	Investment Agriculture Foundation of British Columbia
Food Business Boot Camp	The J.W. McConnell Family in partnership with Food Secure Canada
Coaching Fund	The J.W. McConnell Family in partnership with Food Secure Canada
Regional Value Chain Program	The J.W. McConnell Family
General Grants	Real Estate Foundation of BC
Loans	Provider
Small Business Loans	Community Futures
Farm Loans	Farm Credit Canada
Local Food Micro-Loan Fund	FarmFolk CityFolk (FFCF), the Island Chef's Collaborative (ICC), and Vancity in partnership.
Agricultural Services: Long Term Farm Loan	TD Bank
Small Growers Loan	Vancity
Investment	Provider
Angel Investment ⁷⁰	AgFunder
Resilient Capital	Vancity and Vancouver Foundation

As with any business, organizations or groups of farmers considering the development and launch a distribution service need to write a business plan. Reports 1 through 5 show that there is a need for such a service. The pro forma in Report 6 of this provides a cost overview for distribution services and can be used as a foundation for a business plan. The distribution systems examined in Report 2 show that strong community partnerships and a champion who is dedicated to developing the business are essential to creating an effective distribution system for SMFs and their buyers. For farmers Vancity's Small Growers Loan for up to \$75,000 is designed to help farm business get off the ground.

5. Findings and Recommendations

As was shown in Report 1, SMF need more than the transportation and storage services provided by traditional distributors. There is a need for agricultural extension services in BC⁷¹ that are in line with and support policies and strategies for innovations in production, processing, and promotion of agrifoods. Local food production would benefit from farmers receiving education about agribusiness strategies, market readiness and competitiveness, product quality, as well as support through government programs and academic research about logistical and infrastructure improvements for the distribution of agrifoods from SMFs.

Farmland uses allowed under the ALR and municipal regulations include activities that pertain to on-farm storage, aggregation and distribution as long as the farm where this occurs contributes a minimum of 50% of the product. This

⁷⁰ Note: FarmFolk CityFolk is unfamiliar with AgFunder. Research the investment terms before committing.

⁷¹ Agricultural Extension Services: is a general term meaning the application of scientific research and new knowledge to agricultural practices through farmer education. The field of 'extension' now encompasses a wider range of communication and learning activities organized for rural people by educators from different disciplines, including agriculture, agricultural marketing, health, and business studies. Definition from Wikipedia: http://en.wikipedia.org/wiki/Agricultural_extension

requirement is prohibitive to establishing any significant distribution warehouse on regulated farmland for SMFs. However these regulations could allow a farm to be a consolidation point for 1-3 SMFs as long as the 50% requirement was maintained. A distributor could then arrange pick-ups from a number of consolidation points, as is the case with the Red Tomato business. Chilliwack has created an Agricultural Food Processing Zone (AFP) on ALR land. Farmland that is close to “major transportation corridors” may be used for “processing, storage and distribution of agricultural and food products” if it is rezoned as AFP.

For farmers or non-profits wanting to develop a distribution service, the most common option is to lease a warehouse on land zoned for light industrial. This is the best option for a warehouse based distribution service. The vacancy rate for such properties in the Lower Mainland is frequently below 6% so finding a property, let alone an affordable property with temperature controlled storage can be a challenge.

FarmFolk CityFolk, because of our strong belief that agriculture lands need to be preserved, does not believe that the answer is to relax the regulations. Instead the following recommendations look at how municipalities can support SMFs through policy, and zoning for industrial lands, among other measures.

6. Include support for local food storage and transportation in future agricultural plans, especially by those communities where a significant number of farms are 4 hectares or less.
7. Create inter-municipal and inter-regional strategies to support the exchange of locally produced foods.
8. Engage learning institutions that specialize in logistics to help develop new businesses that support the storage and distribution of local foods from SMFs.
9. Explore the benefits of collaboration between emerging SMF distribution systems and the Vegetable Marketing Commission and/or other commodity groups.
10. Establish funding streams specific to the distribution of local agri-foods from SMFs.

A review of regulation and policies increases the attractiveness of the Red Tomato distribution service as it requires neither a warehouse space nor an owned or leased truck. For farmers and non-profits with limited funds, their business model provides the lowest upfront costs for a start-up distribution service. That said its success is dependent on a passionate and knowledgeable salesperson who can champion the farmers and the service.

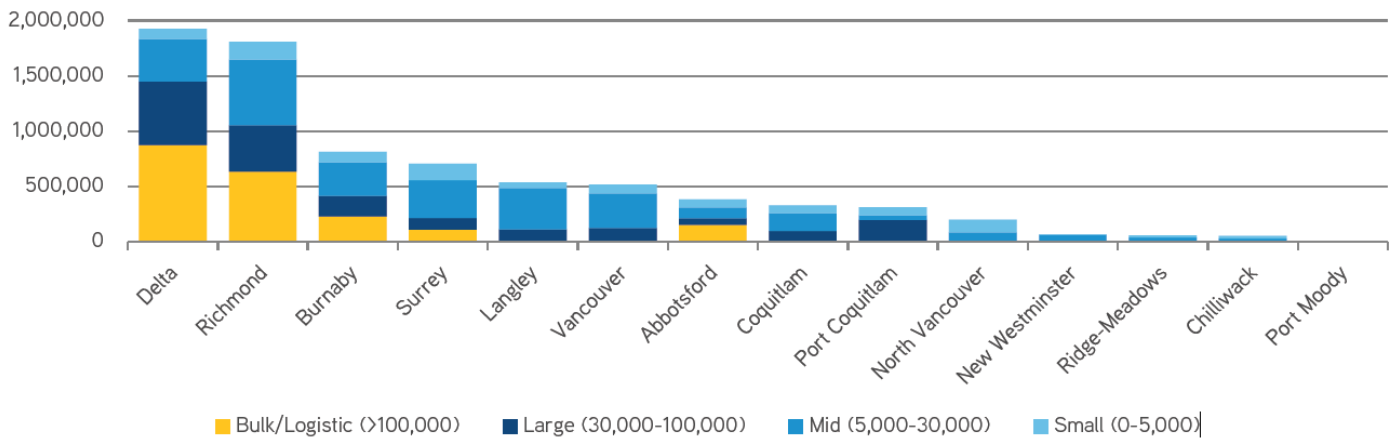
Appendices

Appendix A: Regional Districts covered by ALR Regional Panels

1. Island Panel — responsible for the Alberni-Clayoquot, Capital, Comox Valley, Cowichan Valley, Mount Waddington, Nanaimo, Powell River and Strathcona Regional Districts and the Islands Trust.
2. Interior Panel — responsible for the Cariboo, Central Coast and Thompson-Nicola Regional Districts.
3. Kootenay Panel — responsible for the Central Kootenay, East Kootenay and Kootenay-Boundary Regional Districts.
4. North Panel — responsible for the Bulkley-Nechako, Fraser-Fort George, Kitimat-Stikine, Peace River and Skeena-Queen Charlotte Regional Districts as well as Northern Rockies Regional Municipality.
5. Okanagan Panel — responsible for the Central Okanagan, Columbia Shuswap, North Okanagan and Okanagan-Similkameen Regional Districts.
6. South Coastal Panel — responsible for the Fraser Valley, Greater Vancouver, Squamish-Lillooet and Sunshine Coast Regional Districts.⁷²

Appendix B: Availability of Industrial Lands⁷³

Q4 2013 VACANT SPACE BY PROPERTY SIZE (SF)



⁷² http://www.alc.gov.bc.ca/commission/commission_panels.htm

⁷³ Colliers International Metro Vancouver Industrial Market Report, Fourth Quarter 2013:

<http://www.collierscanada.com/en/Commercial-Property-Research?office=Vancouver&year=2014&proptype=Industrial&month=1>

Appendix C: Schools for Supply Chain Management

Institution	Course
Aboriginal Skills Group	Warehousing /Supply Chain ⁷⁴
APICS The Association for Operations Management	Certified in Production and Inventory Management (CPIM) Program ⁷⁵
BCIT	Operations Management ⁷⁶
Douglas College	Supply Management Training ⁷⁷
UBC	Transportation and Logistics, Sauder School of Business ⁷⁸
UBC	Supply Chain Management, Sauder School of Business ⁷⁹

Appendix D: Organic Regulations⁸⁰

Processing and Handling

8.3.5 Organic products shall be packaged with materials that prevent commingling, contamination and pest infestation and do not cause a loss of organic integrity.

Transportation

8.5.1 Every measure shall be taken to ensure that the integrity of organic products is not compromised during transportation. Products shall be physically segregated or protected to avoid possible commingling⁸¹ or substitution of contents with non-organic products.

Note: *The party owning the product at the point of transport is responsible for maintaining organic integrity in the transport process unless the transport operations are certified in their own capacity.*

8.5.2 Organic products in transit to or from an off-site unit to undergo any activity as defined in the preparation definition shall be transported in a manner that shall prevent contamination or substitution of the content with substances or products not compatible with this standard. The following information shall accompany the product:

- a. The name and address of the person or organization responsible for the production, preparation or distribution of the product
- b. The name of the product
- c. The organic status of the product
- d. Information that ensures traceability (e.g. lot number)

⁷⁴ <http://aboriginalskills.ca/training/supplychain/>

⁷⁵ <http://www.apics-fraservalley.org/education-cpim-and-cscp>

⁷⁶ <http://www.bcit.ca/business/operations/courses.shtml>

⁷⁷ http://www.douglas.bc.ca/programs/continuing-education/programs-courses/cba/cba_courses/supply-management-training.html

⁷⁸ http://www.sauder.ubc.ca/Programs/Bachelor_of_Commerce/Current_Students/Options/Transportation_and_Logistics

⁷⁹ http://www.sauder.ubc.ca/Programs/MBA/MBA_Full_Time/Current_Students/Specializations/Supply_Chain_Management

⁸⁰ Organic Production Systems General Principles and Management Standards:

http://certifiedorganic.bc.ca/standards/docs/032_0310_2006e_Amend_%202008,%202009,%202011_Repr_Aug_2011_incorpCorr_1.pdf

⁸¹ **Commingling:** Physical contact between bulk, unbound or unpackaged organic products and non-organic products during production, preparation, transportation, storage or handling.

