

## **Executive Summary**

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The interest in local food has grown in recent years. More and more consumers, large retail chains, schools, universities, and restaurants are interested in purchasing local food products.

Greater accessibility to local food will require a shift in the current distribution system. Distribution is about the movement of products from the producer or processor to the buyer. The existing distribution system has evolved over the years to mainly support and handle the movement of large units of products over great distances. In order to meet the demand for local food, there has been an increase in the movement of smaller units of products. However, the current distribution system is not conducive to the movement of these products.

To address the distribution of local food, this study was designed:

- To identify the motivators, issues, challenges, and current practices in the distribution of Alberta's local food.
- To explore potential solutions to these barriers.
- To identify the interest level among stakeholders for greater collaboration in the distribution of local food into Alberta's marketplace.

The study was conducted as a pilot project, which focused on the Central Region of Alberta. It consisted of three main stakeholder groups that are involved in local food distribution: buyers, logistics companies (i.e., transportation and storage), and producers.

**Key motivators:** Some of the key motivators behind buyers and logistics companies in Alberta wanting to support local food include the following:

- Products are of high quality.
- Products are unique, or have differentiated characteristics (i.e., meet a particular need).
- For economic reasons, such as greater returns to the local economy and to local producers.
- For ethical reasons, such as how product is grown or raised.
- To provide a service/save costs.
- Consumers are asking for "local."

**Common issues among stakeholders:** In regards to supporting local food distribution, each of the three stakeholder groups has unique challenges. They also share some common issues, which include the following:

Lack of time and resources:

- Buyers find it difficult and time consuming to coordinate a number of small deliveries and deal with the billing process required.
- Logistics companies, especially large ones, are dealing with volumes and greater distances to travel, which makes it difficult to work with small units of product that is often characteristic of local foods. They need facilities, or smaller companies to facilitate the movement of smaller loads.
- Producers find it too time consuming to produce, market their product, and deliver, among the many other demands on their time; it puts a strain on their limited resources.

- The gap lies between the producer and buyer in the area of distribution, due to the collaboration and coordination needed to move local food products to the market.

**Collaboration:**

- In order for local food to advance, collaboration is needed within and amongst each of the stakeholder groups (i.e., buyers, logistics companies and producers).
- Currently, a number of collaboration initiatives are already taking place:
  - A team of chefs is looking at developing a “local corporate menu” to be used by a number of hotels.
  - Some smaller to medium-sized logistics companies are coordinating the delivery and pick up of products at a central point, and then delivering these products to retail or restaurants.
  - Some producers are collaborating, using a drop off point for their products, and also delivering them to retail or restaurants.
  - Other producer groups are collaborating by staging the loading of trucks for the export market.
- For greater collaboration to happen in the future:
  - Producers want more collaborative efforts and distribution systems set in place:
    - Collaboration among producers could be applied to the purchasing of supplies, accessing and buying equipment, marketing and distribution (i.e., delivering larger volumes to a particular buyer, or to a number of buyers).
    - Relationships also need to be built, such as with abattoirs; with distributors; and producers need a point of contact for retail stores, since the process of finding the right person can be cumbersome, etc.
  - A centralized distribution center could help each of the stakeholder groups:  
Buyers – to facilitate the delivery of local food to them, bulk buying, etc. They are looking for someone with the skills to do the coordination of small deliveries, and to simplify the billing and delivery process for them.

Logistics companies – would benefit from a centralized location for the pick up of product, eliminating the need to pick up from a farm. Smaller companies will find it easiest to adapt to this system, making deliveries to specific restaurants or other markets. Depending on the size of the facility and volume of products available, larger distribution companies may also be open to working with a centre such as this, since they are often looking to fill backhauls. Some companies already do smaller deliveries through a network of depots; some have the capacity to download into smaller loads (vans or trucks) and deliver into smaller communities, or coordinate with other carriers.

Producers – A central facility could benefit producers by having a common drop off point, where product can be aggregated and distributed for them. The facility would need to be truck friendly for loading and turning around, and could be used as a location to facilitate the staging of larger loads. A central facility could offer a wider range of products and greater volumes for potential buyers. This would better position producers to enter other markets (i.e., additional restaurants, specialty retail, institutions or larger retail stores). One suggestion was that a facility such as this could be linked with, and be a part of the farmers’ markets and its membership.

**Lack of awareness:**

- A general lack of awareness exists among all stakeholders; knowing who to contact, such as:
  - Buyers that are interested in purchasing local products.
  - Logistics companies that have the capacity to deliver local products, or fill backhauls.
  - Producers that live in the region; the types of products available, along with volume of supplies; the time period that product is available; prices, etc.
- This lack of information is an opportunity for a web-based application. This could provide information on the various stakeholder groups, to facilitate the matching of buyer, seller, storage and transportation companies.
- This also may be an opportunity for additional stakeholder networking, such as arranged face-to-face meetings, planned events, or a regular meeting place for stakeholders. By meeting periodically, they can discuss needs, services, and share success stories of local food marketing.

**Research into other models:**

- Research into distribution and storage systems that are more affordable, and which allow local food systems to make better use of current facilities (e.g., storage fees based on amount of product versus a flat fee for full pallets; daily storage rates rather than flat monthly rates, etc.).
- Business and financing – business models and financing options that could assist direct marketers. Many banks are not familiar enough with direct market operations, compared to larger commodity farm operations, in spite of the relatively small loan requests being made.
- Further research into the retail systems in other jurisdictions and the role that producers and retail buyers play in the advancement of local food products could provide insight to Alberta's producers.
- Research into regions, where regulations have been adjusted and are based on scale/size to allow the local food system to thrive (e.g., particular states within the United States).

**Implications for Alberta:**

**Industry:**

- Industry has already started the collaboration process (i.e., buyers, logistics companies and producers). There are good examples, from the Central Region and from other parts of Alberta, of what can be achieved within the local food system through collaboration. Case studies on models like these, from other parts of Canada or other countries, could be shared and applied to other Alberta businesses.
- Producers recognize that leadership is needed within industry; it is necessary in order to advance local foods in Alberta's marketplace, in spite of most of the industry being too taxed for time.
- Trust and further collaboration is needed among industry, rather than competition, in order to reach a broader spectrum of markets or to get into larger markets.
- Networking and information sharing can help bring this about. There is much that can be learned from each stakeholder group in regards to what works and what doesn't in local food purchasing and distribution (i.e., buyers, producers, logistics company experiences). The Distribution Forum was one venue where stakeholder groups such as these shared their experiences. Buyers and producers may also be able to work together in the promotion of local food, by sharing their success stories and what local food products mean to them.

**Government:**

- Government may be able further facilitate local food expansion by supporting industry initiatives, conducting research, and through further sharing of information.
- Logistics models and distribution fact sheets are a means of sharing information.
- Developing a database of carriers and storage facilities in Alberta, would narrow the information gap among stakeholders.
- Facilitation of groups of producers in the Central or other regions of Alberta would assist those that are ready to develop a distribution strategy.
- Engaging buyers, other than restaurants, and exploring their interest level in local food; identifying those interested in the collaboration and development of a distribution system.
- Producers appreciate and look forward to continued government support of the Alberta's Farmers' Markets. They regard these as valuable and profitable market outlets for direct marketers in the province.