



CULTIVATING OPPORTUNITIES

Canada's Growing Appetite for Local Food.





Cultivating Opportunities: Canada's Growing Appetite for Local Food
by *Jessica Edge*

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Preface

There is increasing interest in local food in Canada, driven in part by social, economic, and environmental concerns. Local food systems have a significant economic impact in Canada. Local food can create opportunities for firms throughout the food system; for example, it can bring higher margins for producers and allow businesses to differentiate themselves from their competition. However, local food creates challenges for firms—such as large processors, retail chains, food service operators, and distributors—that deal in large volumes of product and rely on economies of scale to be competitive. *Cultivating Opportunities: Canada's Growing Appetite for Local Food* evaluates the drivers behind local food; examines the economic impact of local food systems in Canada and the challenges and opportunities that local food poses for consumers, governments, and industry; highlights successful local food initiatives; and recommends strategies to optimize local food systems.

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The findings and conclusions of this report are entirely those of The Conference Board of Canada. Any errors and omissions in fact or interpretation remain the sole responsibility of The Conference Board of Canada.

ABOUT THE CENTRE FOR FOOD IN CANADA

The Centre for Food in Canada (CFIC) is a three-year initiative of research and dialogue to help address one of the mega-issues facing our country today—food. Food impacts Canadians in an extraordinary range of ways. It affects our lives, our health, our jobs, and our economy.

The twin purposes of the Centre for Food in Canada are:

- ♦ to raise public awareness of the nature and importance of the food sector to Canada's economy and society;
- ♦ to create a shared vision for the future of food in Canada—articulated in the Canadian Food Strategy—that will meet our country's need for a coordinated, long-term strategy for change.

The Centre is taking a holistic approach to food. It focuses on food in Canada through three interrelated but distinct lenses: safe and healthy food, food security, and food sustainability. These lenses ensure that the Centre focuses on the full range of important issues facing the food sector.

The work involves a combination of research and effective communications. The goal is to stimulate public understanding of the significance of the food sector and spur the demand for collaborative action. To achieve its goals, the Centre is working closely with leaders and partners from Canada's food sector, governments, educational institutions, and other organizations.

Launched in July 2010, CFIC actively engages private and public sector leaders from the food sector in developing a framework for a Canadian food strategy. Some 25 companies and organizations have invested in the project, providing invaluable financial, leadership, and expert support.

For more information about CFIC, please visit our website at www.conferenceboard.ca/cfic.

CFIC INVESTORS

The Conference Board of Canada is grateful to the Centre for Food in Canada investors for making this report possible, including:

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Executive Summary

Cultivating Opportunities: Canada's Growing Appetite for Local Food

At a Glance

- ◆ In Canada, interest in local food has surged in the last 10 years, driven in part by social, economic, and environmental concerns.
- ◆ Local food systems have a significant economic impact in many Canadian provinces. While the majority of Canada's fishing and agricultural production is exported internationally or interprovincially, in many provinces, a significant share of provincial food production is consumed locally.
- ◆ Local food can be a way for businesses to illustrate their commitment to local communities and farmers, and to differentiate themselves from their competitors. For local farmers, particularly small and medium enterprise (SME) producers, direct marketing can increase the margin they earn from their products.
- ◆ Local food creates challenges for firms—such as large processors, retail chains, food service operators, and distributors—that rely on economies of scale to be competitive.

Interest in local food has surged in the last 10 years, along with the number of local food initiatives across Canada. The growth in local food systems in Canada has been driven in part by concerns about food quality, health and nutrition, food safety, local economies and

farmers, and the environment. Local food is a way for consumers to express their values and beliefs about the food system. For businesses throughout the food supply chain, local food is a way for them to differentiate themselves from their competitors and create new market opportunities. Many governments and non-profit organizations are also actively supporting local food initiatives as a way to help build vibrant and engaged communities, improve health and nutrition outcomes, and strengthen local and provincial economies, as well as address environmental and food security issues.

However, local food is not a stand-alone solution to food issues. Both local and non-local food plays a role in the broader Canadian food system. Non-local food is necessary to give Canadians their expected year-round access to a wide variety of foods. Furthermore, as a net agricultural exporter, Canada benefits from a global food system.

Definitions of local food vary widely—most centre on some idea of distance, while some also incorporate beliefs about how food should be produced and sold. In this report, local food is defined as food consumed as close to where it is produced and processed as is reasonably possible, taking into account regional differences in seasonality and availability.

This report analyzes the challenges and opportunities facing local food systems in Canada, as well as highlights successful local food initiatives involving a wide

range of stakeholders. There is room to expand the role of local food systems in Canada and better integrate local food systems into the broader food system. Further enabling local food systems can contribute to the viability of Canada's food system as a whole.

THE ECONOMIC IMPACT OF CANADA'S LOCAL FOOD SYSTEMS

An input/output (I/O) analysis of food expenditure in each Canadian province reveals the significant economic impact that local food systems have in many Canadian provinces. While the majority of Canada's fishing and agricultural production is exported internationally or interprovincially, in many provinces, a significant share of provincial food production is consumed locally. The provinces where the largest proportion of the value of food produced in the province is consumed locally are Quebec (29 per cent), Ontario (24 per cent), and British Columbia (16 per cent).

THE OPPORTUNITIES AND CHALLENGES OF LOCAL FOOD

The actions of consumers, governments, and industry shape the role of local food systems within the broader food system. Local food systems are affected by supply and demand factors. Their size and viability depend on consumer demand for local food and the industry's ability to supply consumers with local food of suitable quality at the right price.

The majority of Canadian consumers indicate at least some desire to purchase local food. Consumers are most likely to purchase local food because they want to support their local economy and believe that local food is fresher than non-local food. Price, availability, and convenience are the main barriers that prevent consumers from purchasing local food.

Growing consumer demand for local food has caused firms of all sizes throughout the supply chain to increase the number and visibility of local products they offer, often with financial benefits for firms. Local food can be a way for firms to illustrate their commitment to local communities and farmers, and to differentiate themselves from their competitors. For local farmers, particularly small and medium enterprise (SME) producers, direct-to-consumer marketing (or direct marketing) of their products can bring them higher margins.

However, local food creates challenges for firms—such as large processors, retail chains, food service operators, and distributors—that require large volumes and a dependable supply of product. These types of firms often rely on economies of scale to be competitive and may sell to price-sensitive consumers. While these firms often utilize some local ingredients, their scale and logistical systems make it difficult for them to capitalize fully on the benefits of local food—due to challenges in specifying the provenance of their ingredients and telling the “story” of local food.

Price, availability, and convenience are barriers that may prevent consumers from purchasing local food.

Governments across Canada are encouraging the development of local food systems, motivated by a desire to strengthen local economies, enhance population health and food security, and increase environmental sustainability. In Canada, policies and initiatives to support and promote local food systems have largely been led by provincial and local governments. In particular, local and provincial governments have promoted local food through marketing or branding initiatives, agritourism initiatives, and enabling and promoting the establishment of farmers' markets. These policies aim to increase the demand for and the supply of local food.

SUPPORTING CANADA'S LOCAL FOOD SYSTEMS

There is considerable potential to optimize the role of local food systems for the benefit of a wide range of stakeholders. This involves maximizing the public and private benefits that local food systems offer, while minimizing the challenges they pose for some stakeholders. We recommend 12 strategies to help optimize the benefits of local food systems in Canada:

1. Provide SME producers with information on direct marketing.
2. Provide guidance to SME producers on how to sell local products to large customers.
3. SME producers collaborate with one another to sell to large customers.
4. Retailers, food service operators, and distributors work with local producers to increase the availability and visibility of local food.
5. Retailers, food service operators, and distributors should label food as local.

Developing the Canadian Food Strategy

This report is an important research input into the development of the Canadian Food Strategy. It is one of a series of 20 research reports that are being conducted by the Conference Board's Centre for Food in Canada. Each report addresses an important issue or theme relating to food; the findings will figure in the completed Strategy when it is released in March 2014.

The principal goal of the Centre for Food in Canada is to engage stakeholders from business, government, academia, associations, and communities in creating the framework for the Canadian Food Strategy to meet the country's need for a coordinated long-term strategy.

The Strategy is taking a comprehensive approach to food. It covers the full range of themes relating to industry prosperity and competitiveness, healthy food, food safety, household food security, and environmental sustainability, encompassing both economic and social dimensions.

The Strategy will include a framework of outcomes that we want to achieve, and actions that will solve the challenges facing the food sector and food stakeholders. It will also suggest which group—businesses, governments, communities, or others—could lead on implementing them.

The process for creating, disseminating, and implementing the Strategy involves research, analysis, and synthesis; consultation and a high level of collaboration; the development of shared understanding and common goals among stakeholders; broad dissemination through many communication channels; and the commitment of key players to take action.

THE ROLE OF RESEARCH

The process to develop the Strategy starts with conducting research that develops empirical findings and potential solutions to the challenges facing the food sector. The research findings from the 20 research studies are a key input into the Canadian Food Strategy. The findings are used to develop the content of the draft Strategy and are the basis for dialogue and consultation with CFIC investors and other major food stakeholders.

CFIC research aims to:

- ◆ understand the current reality of Canada's food system, including its impact on GDP, health, trade, the environment, and other major economic and social factors;
- ◆ define a desired future state for food and the food system;
- ◆ suggest workable solutions for moving Canada from its current reality to the desired state.

The solutions will take into consideration the realities of economic activity, market forces, the environment, policies, laws and regulations, and the social conditions and health needs of Canadians.

KEY STEPS AND TIMELINE

1. Begin CFIC research studies—July 2010
2. Develop initial draft of Canadian Food Strategy—April 2012
3. Begin dialogue and consultations—May 2012
4. Review 2nd draft of Canadian Food Strategy—April 2013
5. Release the Canadian Food Strategy—March 2014

CANADIAN FOOD STRATEGY EVENTS—LAUNCHING THE CANADIAN FOOD STRATEGY

CFIC is hosting three major food summits as part of the Strategy development process. Each summit brings together food system leaders and practitioners from business, government, academia, and communities to discuss the latest research, share insights, and consider how to address Canada's major food challenges and opportunities through a national strategy:

- ◆ The 1st Canadian Food Summit, in February 2012, focused on issues and challenges and explored international perspectives on how to address them.
- ◆ The 2nd Canadian Food Summit, in April 2013, focused on moving from challenges to solutions.
- ◆ The 3rd Canadian Food Summit, in March 2014, will feature the public launch of the Canadian Food Strategy and will focus on moving from strategy to action.

6. Implement government-led local food marketing and labelling initiatives to promote local food.
7. Use land-use planning, zoning, and infrastructure to support local food production.
8. Support development of local food processing infrastructure.
9. Promote local food in culinary and agri-tourism initiatives.
10. Make procurement of local food a priority for public sector institutions when cost effective and efficient to do so.
11. Share best practices on how to maximize the benefits of local food.
12. Conduct research on local food systems.

Chapter 1

Introduction

Chapter Summary

- ◆ Local food refers to food that is grown, processed, sold, and consumed within the same local area (ranging from local community-scale to provincial-scale).
- ◆ Local food systems minimize the distance food travels, provide opportunities for people to connect with the source of their food, generate money that remains in the local economy, and emphasize small- and medium-scale production.
- ◆ Canada's local food systems are shaped by geography, including the proximity of major agricultural areas to major population centres, and growing seasons.
- ◆ Local food systems pose both challenges and opportunities for farmers, processors, retailers, food service operators, distributors, governments, and consumers.

Interest in local food has surged in Canada in the last 10 years. Local food initiatives—such as community gardens and farmers' markets—are sprouting up across Canada, reflecting the growing interest in local food. When consumers purchase food, they are motivated by price, taste, quality, and safety. In addition, some consumers are also motivated by a desire to establish a stronger connection to what they eat and their local communities—they want to buy local food.

As food systems have become increasingly complex and globalized, and fewer Canadians live on or close to farms, some consumers have come to feel disconnected from their food. They look to local food as a way to re-establish that connection. Some consumers use local food as a way to express their values—including health and nutrition, support for local economies and farmers, and care for the environment.

Local food offers opportunities to many. Businesses use local food to differentiate themselves from their competitors and create new market opportunities. Some provincial and local governments view local food systems as a way to help build vibrant and engaged communities, improve health and nutrition outcomes, and strengthen local and provincial economies. For non-governmental organizations, local food can help bring attention to such issues as food security and environmental degradation. Local food systems play a significant role in the broader Canadian food system, with benefits for a variety of stakeholders.

Local food is not a stand-alone solution to food issues. Both local and non-local food play a role in the broader Canadian food system. While local food systems can yield social and economic benefits, national and global markets offer the greatest economic opportunities for the Canadian food industry. As a net agricultural exporter, Canada and its food industry benefit from the globalized food system. Furthermore, without access to imports

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from around the globe, Canadians would be unable to have access to a wide variety of foods year-round, which they have come to expect.

Despite widespread interest in local food, there is considerable disagreement about what constitutes local food. This makes it hard to determine the relationship between local food systems and the broader food system, and to sort out the challenges and benefits that local food systems offer consumers, governments, and industry. To optimize the impact of local food systems, we need to understand their current role, and the challenges and opportunities they pose for various stakeholders.

PURPOSE OF THE REPORT

This report analyzes the current state of local food systems in Canada and the challenges and opportunities they pose for consumers, industry, and governments. The findings are being used in the development of the Canadian Food Strategy, which will be released in the fall of 2013. (See box “Developing the Canadian Food Strategy.”) In particular, the report:

- ♦ examines how different stakeholders view the concept of local food;
- ♦ identifies and evaluates the drivers behind the growing interest in local food;
- ♦ analyzes the economic impact of local food systems in Canada;
- ♦ examines the opportunities and challenges that local food poses for consumers, producers, processors, retailers, food service operators, and governments;
- ♦ profiles strategies to take advantage of the benefits offered by local food systems.

FRAMING THE ANALYSIS

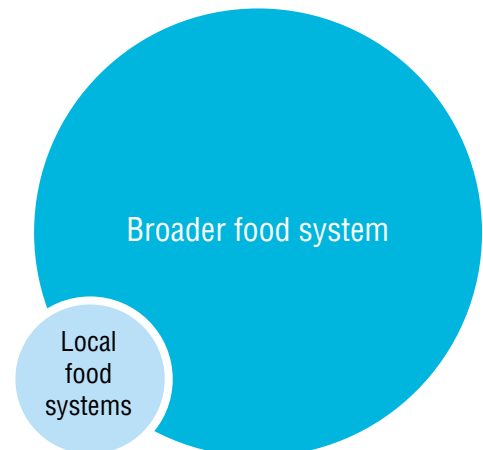
SCOPE

Local food refers to food that is grown, processed, sold, and consumed within the same local area. Local food systems minimize the distance that food travels, provide opportunities for people to connect with the source of their food, generate money that remains in the local economy, and place greater emphasis on small- and

medium-scale production than does the broader food system.¹ *We define local food as food consumed as close to where it is produced and processed as is reasonably possible, taking into account regional differences in seasonality and availability.*

We conceptualize local food systems as overlapping with the broader food system. (See Exhibit 1.) Local food systems operate exclusively at the local level, while the broader food system also operates on regional, national, and transnational scales. While some aspects of local food systems are integrated into the broader food system, other aspects remain separate by choice. This partial separation of the two systems allows for greater diversity within the food system as a whole.

Exhibit 1
The Food System in Canada



Source: The Conference Board of Canada.

This report examines the monetized elements of Canada’s local food systems—food that is produced and sold locally through channels such as farmers’ markets, community-supported agriculture, farm stands, major retailers, and food service operations. Exhibit 2 shows that the monetized aspects of local food systems incorporate businesses throughout the food supply chain. The non-monetized aspects of local food systems, such as

¹ Budge, “Impacts of Localized Food Systems.”

Developing the Canadian Food Strategy

This report is an important research input into the development of the Canadian Food Strategy. It is one of a series of 20 research reports that are being conducted by the Conference Board's Centre for Food in Canada. Each report addresses an important issue or theme relating to food; the findings will figure in the completed Strategy when it is released in March 2014.

The principal goal of the Centre for Food in Canada is to engage stakeholders from business, government, academia, associations, and communities in creating the framework for the Canadian Food Strategy to meet the country's need for a coordinated long-term strategy.

The Strategy is taking a comprehensive approach to food. It covers the full range of themes relating to industry prosperity and competitiveness, healthy food, food safety, household food security, and environmental sustainability, encompassing both economic and social dimensions.

The Strategy will include a framework of outcomes that we want to achieve, and actions that will solve the challenges facing the food sector and food stakeholders. It will also suggest which group—businesses, governments, communities, or others—could lead on implementing them.

The process for creating, disseminating, and implementing the Strategy involves research, analysis, and synthesis; consultation and a high level of collaboration; the development of shared understanding and common goals among stakeholders; broad dissemination through many communication channels; and the commitment of key players to take action.

THE ROLE OF RESEARCH

The process to develop the Strategy starts with conducting research that develops empirical findings and potential solutions to the challenges facing the food sector. The research findings from the 20 research studies are a key input into the Canadian Food Strategy. The findings are used to develop the content of the draft Strategy and are the basis for dialogue and consultation with CFIC investors and other major food stakeholders.

CFIC research aims to:

- ◆ understand the current reality of Canada's food system, including its impact on GDP, health, trade, the environment, and other major economic and social factors;
- ◆ define a desired future state for food and the food system;
- ◆ suggest workable solutions for moving Canada from its current reality to the desired state.

The solutions will take into consideration the realities of economic activity, market forces, the environment, policies, laws and regulations, and the social conditions and health needs of Canadians.

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community gardens, are outside the scope of this report. The role of country foods that are hunted and fished by First Nations are also outside the scope of this report.

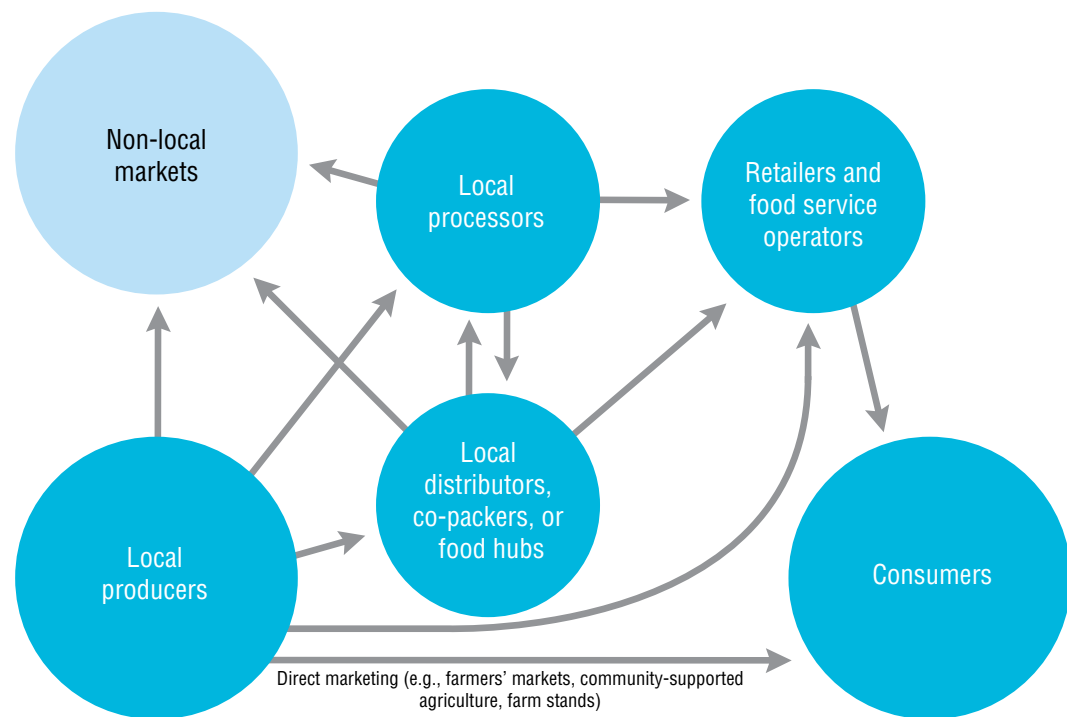
This report does not define local food according to particular production practices or a particular business model. Local food can be sold through many channels, ranging from farmers' markets and farm stands to major retail chains and distributors. However, SME producers

play a relatively larger role in local food systems than they do in the broader food system. Therefore, this report will pay particular attention to them.

LIMITS TO LOCAL

Local food systems are naturally limited by Canada's geography. Some major urban areas are surrounded by very fertile agricultural land capable of producing a wide range of products (the Greenbelt surrounding the Greater Toronto Area and the Agricultural Land

Exhibit 2
Local Food Systems in Canada



Source: The Conference Board of Canada.

Preserve in Greater Vancouver are examples). However, these areas generate a small proportion of Canada's overall agricultural production. Many of Canada's major areas of agricultural production, such as Saskatchewan and Manitoba, have relatively small populations and depend on sales to non-local markets for revenues.

Canada's diverse geography supports a wide variety of agri-food products with different regions excelling at producing different products. However, Canadian agricultural production is limited by our growing seasons, although some producers utilize innovative growing

techniques to extend growing seasons.² Much of the produce grown in Canada is only available for a short period (although some, such as apples and carrots, can be stored for long periods). The supply-managed commodities (eggs, chicken, turkey, milk) are relatively local because they are produced for consumption in their province of origin.

Overall, local food systems can only provide part of the quantity and range of products that Canadians demand. The rest is produced domestically at a greater distance, or imported. In fact, 30 per cent of the foods that

² Some producers use production techniques that allow them to expand their growing seasons, including unheated hoop greenhouses, traditional greenhouses, row covers, and cold hardy varieties of crops. For example, some cold-tolerant crops (including spinach, baby salad greens, carrots, and potatoes) can be grown in unheated hoop greenhouses in sub-zero temperatures. See Lamers-Helps, *A Man for All Seasons*.

Canadians consume are imported.³ The value of food imports to Canada increased from \$7 billion in 1990 to over \$25 billion in 2009.⁴ The top foods imported into Canada are fruits and nuts, beverages and spirits, vegetables, and pasta and other grain preparations.⁵ Global trade in food also allows increased specialization in the food industry, which helps to keep food prices low.⁶ Meeting the diverse food demands of Canadians requires both local food systems and the broader food system to be viable and sustainable.

ENGAGEMENT OF FIRMS IN LOCAL FOOD SYSTEMS

Firms have different reasons for engaging or not engaging in local food systems. Many small and medium-sized firms wish to grow their businesses beyond their local markets. Some local producers choose to stay local and remain outside of the broader food system—for example, by remaining small scale and selling directly to consumers through farmers' markets and farm stands. How and to what extent firms engage in local food systems depends on their business model and values.

3 Grant and others, *Valuing Food*, 39.

4 *Ibid.*

5 *Ibid.*

6 *Ibid.*, 40.

This report considers a range of factors that shape why and how firms engage in local food systems, including:

- ◆ internal firm characteristics (e.g., size, company culture and values, ownership and management);
- ◆ industry and market structure (e.g., competitive environment, consumer demand, nature of the supply chain, geographical operating environment);
- ◆ the regulatory environment (including public and private regulations).

METHODOLOGY

Our multi-faceted methodology included:

- ◆ an extensive review of the literature on local food systems;
- ◆ analysis of data gathered through the Centre for Food in Canada's (CFIC's) Household Survey (see box "About the Centre for Food in Canada's Surveys");
- ◆ in-depth interviews with 24 stakeholders involved in local food, including:
 - owners and managers of small, medium, and large firms throughout the food industry (10);
 - industry association representatives (1);
 - non-profit organizations active in local food (6);
 - local and provincial governments (3);
 - local food experts and researchers in universities and other institutions (4).

About the Centre for Food in Canada's Surveys

A key mandate of the Centre for Food in Canada (CFIC) is to generate insights about the food system from the perspective of both industry and households. The achievement of this mandate requires the Centre to gather proprietary data on the specific challenges facing Canada's food industry and Canadian households' food-related skills, attitudes, and behaviours. To this end, we designed and executed, firstly, a business survey of the Canadian food industry and, secondly, a survey of Canadian households. These surveys were conducted by Forum Research, a Toronto-based survey company.

For the CFIC Industry Survey, Forum Research randomly surveyed 1,186 food companies from June 23 to July 22, 2011, using questions prepared by The Conference Board of Canada. Companies were sampled according to 3-digit North American

Industrial Classification System (NAICS) codes 445 (retail food distribution), 311 (food processing), 111 (crop production), and 112 (animal production). Almost all the surveys (1,177) were done over the telephone and conducted by trained interviewers; 9 were filled in by hand and submitted in hard-copy form. Aggregate survey findings are considered accurate +/- 2.85 per cent, 19 times out of 20.

For the CFIC Household Survey, Forum Research randomly surveyed 1,056 Canadian households from September 8 to 11, 2011, using questions prepared by The Conference Board of Canada. In this case, aggregate survey findings are considered accurate +/- 3.02 per cent, 19 times out of 20. Subsample results have wider margins of error for both surveys.

Chapter 2

Understanding Canada's Local Food Systems

Chapter Summary

- ◆ Definitions of local food vary widely—most definitions centre on some idea of distance, while some also incorporate beliefs about how food should be produced and sold.
- ◆ This report defines local food as food consumed as close to where it is produced and processed as is reasonably possible, taking into account regional differences in seasonality and availability.
- ◆ Interest in local food is largely driven by concerns about food quality, health and nutrition, food safety, the environment, and a desire to support local economies and farmers.
- ◆ Local food systems in Canada have a significant economic impact—in many provinces, a considerable proportion of food produced in the province is consumed in the province.

Local food is a way for some Canadians to express their values and beliefs about the food system. Consumer interest in local food has been fuelled by the media, high-profile public personalities, and social movements (such as the environmental movement). Local food systems are hypothesized to have a wide range of broad public benefits—local food is seen as a way to improve local economies, the environment, and health and nutrition.

Understanding the potential impacts means exploring the drivers behind local food and analyzing the economic impacts. This chapter first examines how different stakeholders define local food, then looks at the drivers behind local food, and finally examines the economic impact of local food systems in Canada.

WHAT IS LOCAL FOOD?

There is no widely accepted definition of local food. (See Exhibit 3.) Most definitions centre on some idea of distance—but distance takes many forms. The most common are:

- ◆ geographical (e.g., the 100-mile diet);
- ◆ political boundaries (e.g., a single province);
- ◆ time (e.g., food travels less than five hours from point of production to point of consumption).¹

As well as distance, definitions of local food may be embedded with values and beliefs about the manner in which food should be produced and sold. Some people associate local food with SME producers. Agricultural production methods, such as organic production or very minimal use of synthetic chemicals and energy-based fertilizers, figure in some definitions—as do beliefs about labour practices and animal welfare.

¹ Chinnakonda and Telford, *Local and Regional Food Economies in Canada*, 7.

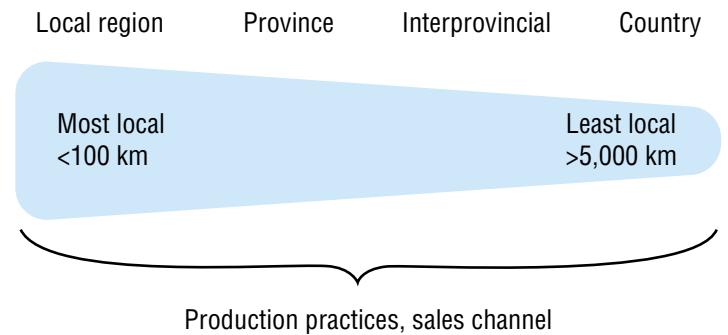
Some definitions of local food consider how the food is sold—food sold directly by farmers or through a short supply chain (e.g., sold through a single intermediary) is considered more local than food sold through other channels. Direct sales and short supply chains abridge the social distance between consumers and producers.² Food purchased via these channels is more likely to carry information about production methods and the “story behind the food.”³

How local food is defined by individuals and organizations depends on their social, environmental, and economic aims, as well as practical considerations such as availability.⁴ The Canadian Food Inspection Agency (CFIA) defines local food as “food produced in the province in which it is sold, or food sold across provincial borders within 50 km of the originating province or territory.”⁵ In Canada, provincial governments and some large food businesses define food from a particular province as local. Definitions of local food that rely on provincial boundaries are generally motivated by a desire to support the provincial economy and/or practical considerations, such as ensuring an adequate supply and variety of products.

Some organizations, such as large retailers, may use even broader definitions for local food, such as the Western provinces—this can partly be attributed to how their supply chains are organized over large regions. Non-governmental organizations (NGOs) use widely differing definitions of local food, ranging from a local region to multiple provinces, depending on their organizational aims and mandate.

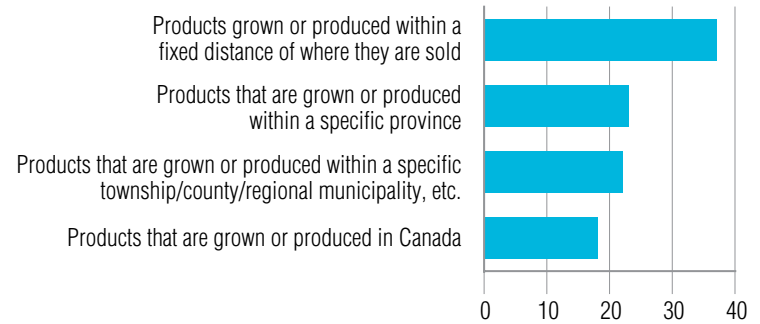
Consumers generally define local food as coming from a region smaller than a province, but the region they perceive as local may cross provincial or national boundaries

Exhibit 3
Conceptions of Local Food



Source: Adapted from City of Edmonton, *Fresh*, 8.

Chart 1
Definition of Local Food
(percentage of respondents; n = 3,144)



Source: Agriculture and Agri-Food Canada, *The Canadian Consumer*.

(e.g., the Ottawa-Gatineau region).⁶ Agriculture and Agri-Food Canada’s 2010 survey, *Consumer Perceptions of Food Safety and Quality*, asked respondents to choose the best definition of local food from a list of four options. As shown in Chart 1, 37 per cent (of the 3,144 respondents) defined local food as “products grown or produced within a fixed distance of where they are sold,” while a smaller proportion (23 per cent) defined it as “products that are grown or produced within a specific province.”⁷

2 Feagan, “The Place of Food,” 25.

3 Martinez and others, *Local Food Systems*, 4.

4 Blouin and others, *Local Food Systems and Public Policy*, 7.

5 Canadian Food Inspection Agency, *Local Food Claims*. This is an interim definition that has been adopted by the CFIA. The CFIA is currently reviewing its food labelling regulations, including how it defines local food.

6 Chinnakonda and Telford, *Local and Regional Food Economies in Canada*, 6; Martinez and others, *Local Food Systems*, 4.

7 Agriculture and Agri-Food Canada, *Consumer Perceptions of Food Safety and Quality*, 35.

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There are regional differences in how consumers define local food. Quebecers were less likely to define local food as grown or produced within a fixed distance of where it is sold (23 per cent) and more likely to define it as products grown or produced within a specific township, county, or regional municipality (35 per cent). Respondents from Manitoba (38 per cent) and Atlantic Canada (37 per cent) tended to define it as food produced within a specific province.⁸

Definitions of local food are also influenced by a region's ability to produce a particular product. For example, an Alberta consumer may view B.C. peaches as local because Alberta generally does not grow tree fruit. However, the same Alberta consumer may not view B.C. beef as local because of the large beef industry in Alberta. Local can also be conceptualized in a relative sense—with some products viewed as relatively more local than others (e.g., food produced in neighbouring provinces may be viewed as more local than food imported from outside Canada).

Interest in local food is largely driven by concerns about food quality, health and nutrition, food safety, local economics and farmers, and the environment.

For the purposes of this report, local food is defined as food consumed as close to where it is produced and processed as is reasonably possible, taking into account regional differences in seasonality and availability.

WHY LOCAL FOOD?

Interest in local food is largely driven by concerns about food quality, health and nutrition, food safety, local economies and farmers, and the environment. As shown in Table 1, stakeholders differ in their reasons for engaging in local food systems.

⁸ AAFC, *Consumer Perceptions of Food Safety and Quality*, 36.

FOOD QUALITY

Food quality, including freshness and taste, drives interest in local food from consumers, the food service industry (particularly fine dining), and retailers. The freshness and taste of local food is seen by some as superior to that of food that has travelled long distances to reach a consumer's plate.⁹ This is particularly significant in the case of fresh produce, due to its perishability. Produce varieties transported long distances are often selected for their durability in transport and refrigerated or harvested before they are fully ripe, which can negatively affect taste.¹⁰ However, foods kept in optimal temperature-controlled environments when transported and stored will age slowly, and may be fresher than produce transported a short distance in an environment that is not temperature-controlled.¹¹

HEALTH AND NUTRITION

Local food is often linked to health and nutrition benefits, largely because of the association between local food and fresh produce. Along with fuelling consumer support for local food, the potential health benefits of local food have motivated governments and non-governmental organizations (particularly in those focused on health and food security) to promote it.

Where locally grown produce is widely available, it is hypothesized to lead to increased fruit and vegetable consumption and decreased consumption of processed foods because its availability encourages and makes it easier for consumers to make healthier food choices. As noted in the Conference Board report *Improving Health Outcomes*, increased consumption of fruits and vegetables can cut the risk of developing chronic diseases such as cardiovascular disease and cancer.¹²

⁹ Gooch, Marenick, and Felfel, *Local Food Opportunities*, 1.

¹⁰ Interview findings.

¹¹ Gill, *Fast and Fresh*.

¹² For more information on fruit and vegetable consumption in Canada and diet-related chronic disease, see The Conference Board of Canada, *Improving Health Outcomes*.

Table 1
Stakeholders Supporting Local Food Drivers

Food quality (taste and freshness)	Consumers, producers, processors (particularly artisanal), food service (particularly fine dining), retailers
Health and nutrition	Consumers, small-scale producers, food service (particularly institutional purchasers), food retailers, government, non-governmental organizations (particularly health-focused)
Food safety	Consumers, small-scale producers
Food security	Government, non-governmental organizations
Support for the local economy	Governments (provincial, regional, and municipal), producers, processors, food service, retailers
Support for local farmers and farmland and local fishers	Governments (provincial, regional, and municipal), producers (particularly small scale), processors, food service, retailers
Environment	Consumers, producers (particularly small and medium-sized), food service, non-governmental organizations (particularly environmental)

Source: The Conference Board of Canada.

However, research is inconclusive about the relationship between access to local food and health outcomes. It is unclear if access to local food, as opposed to produce in general, improves consumption choices. Increased consumption of produce may also be due to a consumer commitment to buying local food, rather than improved access.¹³ Nonetheless, the freshness and superior taste of some local produce over non-local produce may encourage consumption. Notably, among adolescents, availability and taste are the two strongest determinants of fruit and vegetable intake.¹⁴

Local food systems are also hypothesized to benefit nutrition because, over time, fresh produce loses nutrients. The density of nutrients in local produce may be greater than in non-local produce because of the varieties grown, the way they are grown, increased ripeness when harvesting, decreased handling after harvesting, and

reduced transport distances.¹⁵ However, the extent to which the nutrient content of local food is superior to non-local food is unclear, and largely depends on how food is stored between the time it is harvested and consumed.¹⁶

Local food systems may contribute to food literacy and food security. As noted in the Conference Board report *Enough for All?: Food Security in Canada*, consumers' food literacy, including their knowledge and behaviour of how to choose and prepare nutritious food, affects their food security.¹⁷ Local food initiatives such as farmers' markets and community gardens may allow consumers to gain greater understanding about what foods can be grown locally and how. Since a large proportion of local food is unprocessed, promoting the use of local food can encourage consumers to cook from scratch

13 Martinez and others, *Local Food Systems*, 46; Public Health Agency of Canada, *Measured Benefits of Local Foods*.

14 Public Health Agency of Canada, *Measured Benefits of Local Foods*.

15 PHAC, *Measured Benefits of Local Foods*.

16 Martinez and others, *Local Food Systems*, 46; PHAC, *Measured Benefits of Local Foods*.

17 For more information on food literacy, see Howard and Brichta, *What's to Eat?* For more information on food security, see Howard and Edge, *Enough for All?*

and enhance their cooking skills. For example, the Evergreen Brickworks is a non-profit in Toronto that educates citizens about producing and preparing food through demonstration gardens and community cooking classes that use local ingredients.¹⁸

FOOD SAFETY

High-profile food safety incidents worry consumers. Some of them feel that local food produced using small-scale production methods allows them to know better where their food comes from and how it is produced—which gives them greater confidence that it is safe. However, there is no evidence that local food by itself is actually safer than non-local food, and Canada's food safety system generally performs well at managing food safety risks.^{19, 20}

Consumers may also choose to purchase local food because they are concerned about the safety of imported food, which may be produced under less stringent regulations. For example, some pesticides applied to imported food are not approved for application to food crops in Canada. These pesticides may have detrimental impacts on the environment and the health of consumers and farmers.²¹ However, both imported and domestically produced food commodities in Canada must not exceed thresholds for pesticide residues that could create health concerns.²²

ECONOMIC DEVELOPMENT

Some support for local food is driven by a desire to support local economies. In our interviews with producers, processors, food service operators, retailers, NGOs, and local and provincial governments, the economic benefits of local food were consistently identified as a primary driver behind the interest in local food. Local food systems

benefit local economies through income growth and increased employment.²³ The potential economic benefits of local food may be more salient for consumers during poor economic times.²⁴

Empirical studies suggest buying local food can benefit local economies through import substitution and the localization of food processing. A study in the U.S. found that almost all wages and income earned through direct marketing activities are retained in local economies.²⁵ However, the economic benefits of local food are partially offset by job losses or other negative economic impacts in other communities or sectors, such as commodity marketing or industries that support the distribution and sale of non-local food (e.g., shipping companies and conventional retail stores).²⁶

Consumers may purchase local food to connect with farmers and to maintain the viability of small and medium-sized farms in their local area.

Furthermore, it is not feasible for many producers to focus solely on local markets, as they depend on larger export markets to sell most of their products. A major movement towards purchasing local food in Canada's key export markets could have a detrimental impact on Canada's agricultural sector, which is a net exporter. A focus on primarily purchasing local products could also undermine the ability of local producers and businesses to expand beyond their local markets.²⁷

Some consumers purchase local food to connect with farmers and maintain the viability of small and medium-sized farms in their local area. Support for local farmers may also be driven by food security concerns—a desire

18 Interview findings.

19 For more information on food safety risks and Canada's food system, see Munro, Le Vallée, and Stuckey, *Improving Food Safety in Canada*.

20 Elton, "Whether You Buy Grass-Fed or 'Natural,' Meat Safety Isn't Guaranteed."

21 Ongley, "Pesticides as Water Pollutants."

22 Health Canada, *Pesticides and Food*, 3.

23 Martinez and others, *Local Food Systems*, 43.

24 Gooch and others, *Feasibility Study*, 34.

25 King and others, *Comparing the Structure*, 57.

26 Martinez and others, *Local Food Systems*, 43–44; PHAC, *Measured Benefits of Local Foods*.

27 Interview findings.

to ensure the Canadian food supply remains resilient and sustainable in the face of an increasing global population and rising food costs.²⁸

Local food systems can create economic benefits by nurturing new businesses and products. For example, farmers' markets, farm stands, community-supported agriculture programs, and agri-tourism activities can be a low-cost venue for launching new products and businesses—they offer an opportunity for small producers to build their business through word of mouth and to garner feedback directly from consumers.²⁹ This growth can link local food producers with the larger food system. A case in point is the Salt Spring Island Cheese Company, a B.C. producer of handmade goat and sheep cheeses. The company started selling cheese in 1996 at the Salt Spring Island Farmers' Market. Today, the company sells cheese at several local farmers' markets, through its farm store, and to large and small retailers as far east as Toronto.³⁰ Local food systems can also have a positive economic impact on tourism in local areas.³¹

THE ENVIRONMENT

Concerns about the environmental impact of non-local and imported foods have bolstered support for local food systems.³² Some local food advocates argue that reducing the distance food is transported, or food miles, can reduce energy use, pollution, and greenhouse gas emissions (GHGs). Concerns about food miles have been fuelled by studies estimating how far food travels to reach a consumer's plate. A study of Waterloo, Ontario, looked at 58 commonly eaten foods and found they had travelled an average of 4,497 kilometres to reach Waterloo consumers.³³ Another study found that food in the U.S. travels about 2,400 kilometres from farm to consumer.³⁴

However, the food miles approach is an overly simplistic way of measuring the environmental impacts of food. The manner in which food is transported, including transportation method, load size, fuel type, and trip frequency, significantly impacts energy use and emissions.³⁵ For example, cherries shipped by air from North America to the United Kingdom have high emissions due to transport method. Apples shipped to the U.K. from New Zealand have much lower emissions because travel by sea is a more efficient form of transportation.³⁶ Load size also matters—due to economies of scale, it takes more energy to transport an item in a small truck than it does to transport an item a much longer distance using a large tractor trailer filled to capacity.³⁷ The distance a consumer travels to purchase food further affects energy consumption. While purchasing non-local food can be achieved through a single trip to a large grocery retailer, purchasing local food may involve several trips (e.g., to a farmer's market, grocery store), increasing the environmental impact of buying local.³⁸

The food miles approach also fails to consider a product's energy consumption throughout its life cycle. The life cycle analysis (LCA) approach considers the impact that production, processing, storage, and preparation have on the energy use and emissions generated by food. (See Table 2.) As noted in the Conference Board report *Fast and Fresh: A Recipe for Canada's Food Supply Chains*, an LCA approach reveals that production accounts for most food-related emissions, with food miles accounting for only a small part of the total.³⁹ For example, compare U.K. and Spanish tomatoes sold in the United Kingdom. Spanish tomatoes consumed in the U.K. have lower emissions than locally grown tomatoes because Spanish tomatoes are grown in open fields, while U.K. tomatoes are grown in heated greenhouses.⁴⁰

28 PHAC, *Measured Benefits of Local Foods*.

29 Budge and others, *The Impacts of a Localised Food Supply*, 41.

30 Interview findings.

31 Budge and others, *The Impacts of a Localised Food Supply*, 41.

32 For more information on the environmental impacts of the Canadian food system, see Stuckey, Charman, and Le Vallée, *Reducing the Risk*.

33 Xuereb, *Food Miles*.

34 DeWeerd, Sarah, "Is Local Food Better?"

35 Martinez and others, *Local Food Systems*, 48.

36 Ibid.

37 Mariola, "The Local Industrial Complex?" 194–195; McWilliams, *Just Food*, 26–27.

38 McWilliams, *Just Food*, 28.

39 Gill, *Fast and Fresh*.

40 Desrochers and Shimizu, *The Locavore's Dilemma*, 96.

Table 2
Life Cycle Analysis: Inputs of the Food Supply Chain

Farm/fisher inputs	Seed, land, fertilizer, water, pesticide, bait, etc.
Farm/fisher production	
Food processing	Capital (machinery, facility buildings, etc.); energy (fuel, electricity, oil); water; labour
Packaging	
Distribution	Storage, waste, transportation, labour
Consumption	Transportation, storage, preparation, waste
Disposal	Recycling, composting, waste, transportation

Sources: Adapted from Desrochers and Shimizu, *The Locavore's Dilemma*; Martinez and others, *Local Food Systems*.

The kinds of food we eat matter as much as how far it travels. A widely cited study examining the food miles and GHGs of different types of food in the U.S. found red meat to be more energy-intensive than all other forms of food, followed by dairy products. If the average American household were to buy only local food (with theoretically zero food miles), it could achieve a maximum 4 to 5 per cent decrease in GHG emissions. Moving less than one day per week's consumption of red meat and dairy to other protein sources or vegetables would have the same GHG impact as buying entirely local food.⁴¹

Local food may also be seen as a way to reduce other forms of environmental degradation associated with the food system, including the loss of biodiversity and the degradation of soil and water. Local Food Plus (LFP) is a Canadian non-profit organization that certifies farmers and food processors that utilize sustainable production practices. (See box "Local Food Plus: Certifying Local and Sustainable Food.")

41 Weber and Matthews, "Food Miles."

Local Food Plus: Certifying Local and Sustainable Food

Since it was founded in 2006, Local Food Plus (LFP) has been certifying Canadian farmers and food processors that use sustainable production practices. To be "Certified Local Sustainable," participating farmers and processors must:

- ♦ use sustainable production practices that reduce or eliminate the use of synthetic pesticides and fertilizers; avoid the use of hormones, antibiotics, and genetic engineering; and conserve soil and water;
- ♦ ensure safe and fair working conditions for on-farm labour;
- ♦ provide livestock with humane conditions;
- ♦ protect and improve biodiversity and wildlife habitats on farms;
- ♦ reduce energy consumption and greenhouse gas emissions.¹

LFP has certified over 200 farmers and processors in Canada. Originally, the organization focused on Ontario producers; the program has since expanded and has certified producers throughout Canada.² In addition, LFP works with public sector institutions and private companies on strategies to introduce or increase their use of local sustainable food.³ For example, the University of Toronto's Saint George campus uses producers that are LFP-certified.⁴

1 Local Food Plus, *North America's Only Local Sustainable Certification*.

2 Local Food Plus, *LFP in a (Certified Local Sustainable) Nutshell*.

3 Ibid.

4 Local Food Plus, *Implementing a Local Sustainable Food Program*.

WHAT IS THE SIZE AND ECONOMIC IMPACT OF CANADA'S LOCAL FOOD SYSTEMS?

Local food systems are a small but significant part of Canada's larger food economy. There are a wide range of local food initiatives across Canada that increase the visibility and demand for local food. In addition, a significant amount of spending on local food takes place through channels such as major food retailers.

LOCAL FOOD INITIATIVES ACROSS CANADA

Evidence suggests that the number of local food initiatives in Canada is growing. Since the 1990s, the number of farmers' markets in Canada has doubled.⁴² Between 2004 and 2007, the number of agricultural producers that indicated they sell directly to local consumers increased by 2 per cent.⁴³

There are a wide range of local food initiatives across Canada that increase the visibility and demand for local food.

A 2009 inventory of local food initiatives in Canada (including culinary tourism, institutional procurement, farmers' markets, restaurant/chef initiatives, food security and policy groups, grocery stores with buy-local initiatives, etc.) identified 2,314 local food initiatives. Seventy-five per cent were in Ontario, Quebec, British Columbia, and Alberta.⁴⁴ The most common were restaurant and chef initiatives (e.g., Dine Alberta, Taste of Nova Scotia, programs within individual restaurants)⁴⁵ and farmers' markets (31.1 per cent and 24.9 per cent, respectively).⁴⁶

THE ECONOMIC IMPACT OF LOCAL FOOD SYSTEMS IN CANADA

We used an input-output (I/O) analysis—looking at the impact of food expenditure on the supply chain within each province—as a way to determine the economic impact of local food systems across Canada.

42 Irshad, *Local Food*, 13.

43 AAFC, "National Renewal Survey 2007," 249.

44 Egbers, *The Lay of the Land*, 7.

45 Alberta Agriculture and Rural Development, *Dine Alberta: Taste the County, About Taste the County*.

46 Egbers, *The Lay of the Land*, 9.

For these calculations, we characterize local food as food produced and consumed in the same province.⁴⁷ The I/O analysis generates two types of effects:

1. **First-round effect** is the immediate economic impact from provincial expenditures on food. As we are interested in the effects of spending on the provincial economy, this measure nets out spending allocated to "imports" from other provinces or countries, leaving the value remaining in the province. (See Table 3, column 3.)
2. **Second-round effect** is a measure of the second round of spending that occurs when the recipients of the first round of spending proceed to spend the income earned during the first round (i.e., the trickle-down effect).

These two effects lead to higher levels of provincial economic output than do provincial expenditures on food alone. The ratio of the final impact on GDP over the initial spending is called a "multiplier."

The I/O analysis does not directly allow for breakages in the food supply chain. However, spending on food that is entirely local (i.e., from farm to fork within a single province) will have a greater impact on provincial GDP than spending on food that is imported from out of province or food that is sent outside the province for processing before being brought back for sale.

Table 3 gives a provincial breakdown of food expenditures remaining in each province (in-province food spending) and the impact on GDP based on the value as a proportion of total provincial expenditure on food. The provinces where the largest proportion of expenditure on food remains within the province are Ontario, Quebec, Alberta, and B.C.—all provinces that produce a variety of foods and are home to value-added activities such as food processing. The high contribution of Ontario's food expenditure to provincial GDP is partly due to its large food manufacturing industry, as well as the large number of head offices located in the Toronto area. Alberta's high contribution to provincial GDP is partly due to its beef production, which is a high-value product. Prince Edward Island, New Brunswick, Newfoundland and

47 This definition of local food differs from the definition of local food offered earlier in this chapter due to limitations of the data set.

Table 3
In-Province Food Spending and Contribution to GDP, 2008

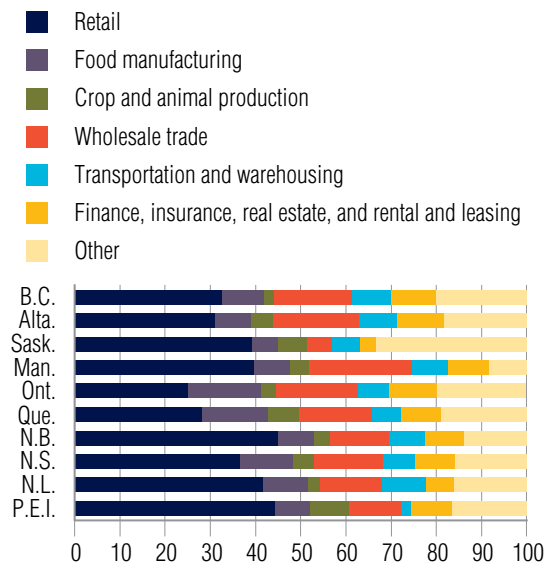
Province	Total expenditure on food (\$ millions)	Value of food expenditure remaining in province (\$ millions)	Value remaining in province as a proportion of total expenditure (per cent)
British Columbia	12,029	4,408	36.7
Alberta	10,009	3,839	38.4
Saskatchewan	2,584	774	30.0
Manitoba	3,221	1,053	32.7
Ontario	32,829	16,368	49.9
Quebec	21,428	9,604	44.8
New Brunswick	1,839	500	27.2
Nova Scotia	2,431	833	34.3
Newfoundland and Labrador	1,298	381	29.3
Prince Edward Island	336	89	26.5

Sources: Statistics Canada; The Conference Board of Canada.

Labrador, and Saskatchewan see the smallest proportion of food expenditure remaining within the province. While some provinces have large agricultural outputs, they tend to be specialized in a small number of commodities and focus on exporting out of province. Food processing infrastructure, especially value-added functions, is also generally located close to major population centres—these provinces lack large population centres and large-scale food processing infrastructure.

The I/O model does not allow us to isolate food that is local from farm to fork. Certain points in the supply chain will have a high impact on provincial GDP, but are not indicative of a local food system—for example, all food retailing takes place at the local level, but retailers sell both local and non-local food. Chart 2 shows the percentage of food expenditure that remains within a province that goes towards different industries in that province (i.e., the impact on GDP). Only a small proportion of food expenditure in each province actually goes to the crop and animal production sectors. Commodities—unprocessed foodstuffs such as wheat or cattle—typically account for only a small part of the total value added in a food product—processing, wholesaling, transportation, and retailing account for the vast majority of the value of a product.

Chart 2
Proportion of In-Province Food Spending and Contribution to GDP by Industry, 2008 (per cent)



Sources: Statistics Canada; The Conference Board of Canada.

While products such as cereals may be exported as a raw commodity for processing and imported back to the province of origin as a finished product, most

commodities consumed in their province of origin remain in the province throughout the supply chain. The bulk and perishability of food discourages products from being transported long distances for processing and then reimported for consumption. However, processed foods may include both local ingredients and non-local ingredients, which would negate them from being entirely local from farm to fork.

Table 4 shows the proportion of fresh and saltwater fishing, crop, and livestock production that is consumed within the province of production, measured by value. The majority of Canada's fishing and agricultural production is exported internationally or interprovincially. However, in many provinces a significant share of production in each province is consumed locally. For example, 29 per cent of the value of food produced in Quebec is consumed in the province, while 24 per cent of the value of food produced in Ontario is consumed in Ontario. Thus, local food systems in Canada have an important economic impact and account for a significant proportion of Canada's broader food system.

CONCLUSION

Interest in local food in Canada is being driven by a number of factors, including food quality, nutrition and health, food safety, economic development, and the environment. In some cases, local food systems allow consumers to access better quality food and gain health and socio-economic benefits, although the extent of these benefits is unclear. However, there is no conclusive evidence to suggest that local food by itself has significant environmental and food safety benefits over non-local food. Evidence suggests that the number of local food systems in Canada is growing, and economic analysis suggests that the food systems in many provinces have a significant local component. The next three chapters will examine the challenges and benefits that local food presents for stakeholders in the food system, with the aim of understanding how to maximize the benefits of local food wherever possible.

Table 4
In-Province Food Consumption (Fishing, Crop, and Livestock Production), 2008

Province	Total fishing, crop, and livestock receipts (\$ millions)	Value of crop and animal production, fishing, hunting, and trapping remaining in province (\$ millions)	Value in the province as a proportion of total receipts (per cent)
British Columbia	3,110	491	15.8
Alberta	9,010	757	8.4
Saskatchewan	8,736	144	1.6
Manitoba	4,504	170	3.8
Ontario	9,543	2,302	24.1
Quebec	6,594	1,929	29.3
New Brunswick	810	52	6.3
Nova Scotia	1,193	151	12.7
Newfoundland	702	54	7.7
Prince Edward Island	514	26	5.1

Sources: Statistics Canada; The Conference Board of Canada.

Chapter 3

Consumer Demand for Local Food

Chapter Summary

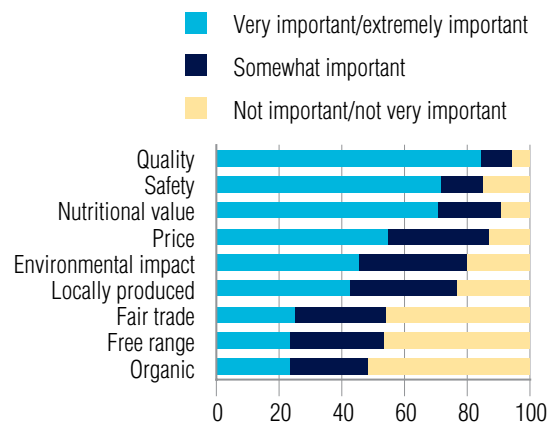
- ◆ A majority of Canadian consumers indicate at least some desire to purchase local food. Consumers are most likely to purchase local food because they want to support their local economy and believe that local food is fresher than non-local food.
- ◆ Price, availability, and convenience are the main barriers that prevent consumers from purchasing local food.
- ◆ A significant proportion of surveyed consumers indicate a willingness to pay more for local food.

Local food systems are affected by supply and demand factors. Their size and viability depend on consumer demand for local food and the industry's ability to supply consumers with local food at the right quality and price levels. This chapter assesses the extent of consumer demand for local food in Canada. It examines why consumers choose to purchase local food and the barriers that prevent them from doing so.

CONSUMER PREFERENCE FOR PURCHASING LOCAL FOOD

CFIC's Household Survey asked consumers about their priorities when purchasing food. As shown in Chart 3, 42.5 per cent of consumers surveyed rated locally produced food as extremely or very important, while only 23 per cent felt locally produced food was not important or not very important. Locally produced food was rated more important than fair trade, free range, or organic food.

Chart 3
Priorities When Purchasing Food
(percentage of respondents)



Source: The Conference Board of Canada.

REASONS FOR PURCHASING LOCAL FOOD

A 2010 survey conducted by Agriculture and Agri-Food Canada (AAFC) asked consumers about why they purchase local food.¹ As shown in Chart 4, the top reason given for purchasing local food was to support the local economy (54 per cent). This relates to a desire to support local farmers. Indeed, a study of Canadian consumers found that consumers who have a positive attitude towards local farmers and agriculture are more likely to purchase local food.²

The AAFC survey also found product freshness (29 per cent) to be a significant motivating factor for consumers.³ The strength of consumers' association of local food with freshness may even reduce demand for non-fresh local food products.⁴

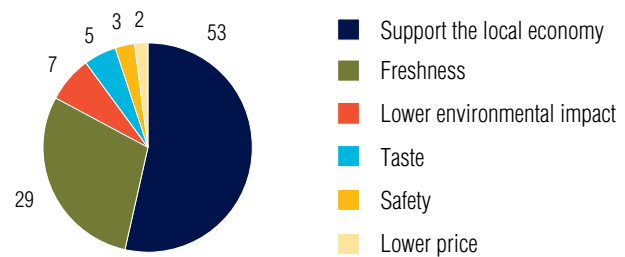
Only 7 per cent of consumers indicated they purchase local food because of its environmental impact. Five per cent were motivated by better taste, while three per cent said it was for safety reasons.⁵ A similar survey of Alberta consumers found that those who believe that local food is safer than non-local food also equate local food with organic food.⁶

BARRIERS TO PURCHASING LOCAL FOOD

For many consumers, local food purchases may only occur after other purchasing priorities have been met, including price, quality (e.g., taste and appearance), availability, and convenience.⁷ The AAFC's *Consumer Perceptions of Food Safety and Quality* survey asked

Chart 4

Most Important Reason for Buying Local Food
(percentage of respondents)



Source: Agriculture and Agri-Food Canada, *Consumer Perceptions of Food Safety and Quality*.

consumers who indicated they rarely or never purchase local food why they do not. The top four reasons given were “more expensive” (22 per cent), “not discernible or different from other products” (22 per cent), “locally produced product not available” (18 per cent), and “I don’t believe it’s necessary” (15 per cent). Only 3 per cent of consumers said they did not purchase local food due to lower product quality.⁸

For many consumers, local food purchases may only occur after other purchasing priorities have been met, including price, quality, availability, and convenience.

PRICE

In some instances, local food may be less expensive than non-local food. This is particularly the case with local produce that is in season. For example, a study comparing the price of several vegetables in season at farmers' markets and grocery stores in four Iowa cities found that vegetables at the farmers' market were slightly less expensive (although the difference was not statistically significant).⁹ However, local food can also be more expensive than non-local food due to factors such as production costs, seasonality, and supply.

1 AAFC, *Consumer Perceptions of Food Safety and Quality*.

2 Cranfield, Henson, and Blandon, “The Effect of Attitudinal and Sociodemographic Factors,” 217.

3 AAFC, *The Canadian Consumer*, 38.

4 Cranfield, Henson, and Blandon, “The Effect of Attitudinal and Sociodemographic Factors,” 218.

5 AAFC, *The Canadian Consumer*, 38.

6 Infact Research and Consulting Inc., *Local Market Expansion Project*, 49.

7 Gooch, Marenick, and Felfel, *Local Food Opportunities*, 1.

8 AAFC, *The Canadian Consumer*, 39.

9 Pirog and McCann, *Is Local Food More Expensive?*

Chart 5
Willingness to Pay More for Local Food
(percentage of respondents)



Source: Farm Credit Canada, *Canadian Consumer Food Purchase Intentions*.

While the price of local food may sometimes be a barrier, many consumers indicate some willingness to pay more for local food. In a 2011 Farm Credit Canada survey of Canadian consumers, 42 per cent said they were willing to pay a premium (Chart 5).¹⁰

Household income has a significant impact on a consumer's willingness to pay more for local food—households with income over \$100,000 were more willing to pay a premium for local food. (See Chart 5.) More consumers aged 55 years and older were willing to pay a premium (52 per cent) than consumers aged 35 to 54 years (42 per cent) or those aged 18 to 34 years (35 per cent). Consumers in Ontario (46 per cent) and the Atlantic provinces (47 per cent) were also more likely to be willing to pay more, while consumers in Alberta (36 per cent) and Manitoba and Saskatchewan (32 per cent) were less willing.¹¹

A willingness to pay more for local food may depend on the type of food purchased. Produce, minimally processed foods such as meat and dairy, processed fruits and vegetables, and artisanal foods (such as cheeses)

are foods whose local characteristics are more likely to be valued by consumers.¹² The purchasing environment also affects consumers' willingness to pay more for local food. In a direct sales environment, such as a farm stand or farmers' market, consumers may be willing to pay a premium for local food because the overall purchasing experience allows them to connect with producers and verify the authenticity of local products. However, only a small proportion of most consumers' overall food budget is spent at direct sales venues.¹³ Some consumers may also indicate a willingness to pay more for local food when surveyed, but fail to do so in practice. There is a need for further research on the willingness of consumers to pay a premium for local food.

Household income has an impact on a consumer's willingness to pay more for local food, as does the type of food purchased and the purchasing environment.

CONVENIENCE

Some consumers lack access to local food or find it inconvenient to purchase local food.¹⁴ In a 2008 survey of Alberta consumers, availability was the most common barrier preventing local food from being purchased (35 per cent), while inconvenience was also cited as a barrier by a significant proportion of consumers (21 per cent).¹⁵ Farmers' markets typically have limited hours and most are only open seasonally. Some farmers' markets are difficult to access without a car. Furthermore, consumers will generally need to shop at both a farmers' market and another retailer to meet their grocery needs.¹⁶ Community-supported agriculture or green box programs for local food that deliver directly to homes can provide a convenient means to access local food. However, major retailers also play a role in providing consumers with a convenient source of local food.

¹⁰ Farm Credit Canada, *Canadian Consumer Food Purchase Intentions*.

¹¹ Ibid.

¹² Gooch, Marenick, and Felfel, *Local Food Opportunities*, 4.

¹³ Ibid.

¹⁴ PHAC, *Measured Benefits of Local Foods*.

¹⁵ Infact Research and Consulting Inc., *Local Market Expansion Project*, 51.

¹⁶ Interview findings.

The availability of locally processed foods is limited throughout Canada, which is a hindrance for consumers looking for products with both local and convenience attributes.¹⁷ Consumers who prepare a greater proportion of their food from scratch and grow their own food may be more likely to purchase local food.¹⁸

CONCLUSION

Most Canadian consumers indicate at least some desire to purchase local food. Purchasers' primary motivations are to support their local economy and farmers, and a perception that local food is fresher than non-local food. However, barriers such as price and inconvenience prevent many consumers from purchasing local food. As the next chapter will show, meeting consumer demand for local food while also meeting their demand for low prices and convenience is a significant challenge for many firms.

17 Infact Research and Consulting Inc., *Local Market Expansion Project*, 52.

18 Cranfield, Henson, and Blandon, "The Effect of Attitudinal and Sociodemographic Factors," 218.

Chapter 4

Local Food: Challenges and Opportunities for Firms

Chapter Summary

- ◆ Direct marketing to consumers is increasingly popular among agricultural producers, particularly SME producers. Producers that sell through direct marketing generally receive a higher margin for their products than do those that sell by other methods.
- ◆ For retailers, food service operators, and distributors, local food is a response to consumer demand, as well as a way for them to show their commitment to local communities and farmers and to differentiate themselves from their competitors.
- ◆ Local food poses challenges for large food processors, retailers, food service operators, and distributors that often rely on economies of scale to be competitive. Their need for large volumes and a dependable year-round supply of product makes it more challenging for them to deal with multiple small producers.

What the Canadian food industry produces and sells is significantly shaped by consumer demand. Growing consumer demand for local food has caused firms of all sizes throughout the supply chain to increase the number and visibility of local products they offer. However, while firms are catering to the demand for local food, it can be a challenge

for industry to meet this demand while also meeting demand for a wide variety of foods, convenient food options, and low prices.

How firms respond to the demand for local food depends on their place in the supply chain and their business model. Local food allows some businesses to differentiate themselves from competitors and gain market opportunities. On the other hand, local food creates challenges for some businesses that deal in large volumes, need a consistent supply of product, utilize economies of scale, and sell to price-sensitive customers. This chapter evaluates the challenges and opportunities that local food poses for firms throughout the food supply chain, including producers, processors, retailers, food service operators, and food distributors.

PRODUCERS AND LOCAL FOOD

Ultimately, vibrant local food systems depend on local producers that grow a variety of foods locally. The approach producers take depends on the size of their operations and what they can produce. Local market size matters. In smaller markets, producers may depend on larger markets to be viable, including export markets.

Producers may have to overcome impediments before they can realize benefits from selling to a local market. Price is one challenge. Many local producers compete

with producers from outside Canada that may produce products more cheaply due to factors such as lower labour costs and less stringent regulations. This is particularly a challenge for producers of non-differentiated, commodity-type products.¹ Lack of knowledge about market requirements is another challenge. Our interview findings indicate that some producers do not know how to take advantage of the demand for local food. For example, they may not be familiar with the product specifications demanded by large retailers and food distributors. In some cases, producers may not comply with these specifications in part because they do not understand their importance.²

DIRECT MARKETING

For many, local food conjures up images of consumers purchasing food directly from their local farmer. Direct marketing channels include farm stands, farmers' markets, pick-your-own operations, and community-supported agriculture (CSAs) where consumers purchase food from a producer before it is grown, thereby sharing the risks and rewards of a harvest and providing farmers with a source of financing to purchase agricultural inputs and invest in infrastructure. (See box "The Economic Impact of Farmers' Markets in Canada.") In a 2007 survey of agricultural producers commissioned by Agriculture and Agri-Food Canada, 25 per cent of producers indicated they sell directly to consumers, a 2 per cent increase over 2004.³ Farmers in Newfoundland (72 per cent), B.C. (53 per cent), Nova Scotia (43 per cent), and New Brunswick (39 per cent) were most likely to sell directly to consumers, while farmers in Manitoba (16 per cent) were least likely to do so.^{4,5} Direct marketing is generally best suited to producers located close to urban areas.

Agriculture and Agri-Food Canada's 2007 survey of producers showed that the use of direct marketing varies by farm type: Horticulture (50 per cent) and beef cattle farms (27 per cent) were more likely to sell directly to

consumers than grain and oilseed (17 per cent), supply-managed (16 per cent), and hog farms (13 per cent).⁶ (See Chart 6.) Produce requires little or no processing compared with other agricultural products (such as animals that must be slaughtered), making it easier to sell through direct marketing channels.⁷ The small number of supply-managed farms using direct marketing channels is partly due to quota restrictions for chicken, eggs, dairy, and turkey. For example, Canadian milk is prohibited from being segregated by supplier and market; the Chicken Farmers of Ontario have quota exemptions that allow farmers to raise up to 300 chickens for home consumption or direct on-farm sales, but prohibit the sale of these chickens at farmers' markets.⁸

For many, local food conjures up images of consumers purchasing food directly from their local farmer (e.g., stands, farmers' markets, pick-your-own operations).

Looking at farms by size, lifestyle farms and small business farms were most likely to engage in direct marketing (61 and 48 per cent, respectively).⁹ (See Chart 7.) Many successful small and medium-sized farms are focused on local markets, unlike large and very large farms that are oriented towards export markets.^{10, 11}

Direct marketing appeals to small farmers because they receive higher margins for their products than if they sold them to firms further up the supply chain.¹² On average, small and medium-sized farms that generate a farm operating income of zero or greater tend to generate more income per dollar of revenue than larger

1 Interview findings.

2 Ibid.

3 AAFC, "National Renewal Survey 2007," 249.

4 Ibid., 256.

5 Newfoundland results should be interpreted with caution due to small provincial sample size (n=60).

6 AAFC, "National Renewal Survey 2007," 257.

7 Martinez and others, *Local Food Systems*, 20.

8 Carter-Whitney, *Bringing Local Food Home*, 33.

9 AAFC, "National Renewal Survey 2007," 258.

10 Esqueda, *The Role of Small and Medium Farms in Modern Agriculture*, 12.

11 For more information on farming enterprises in Canada, including the challenges and opportunities facing small and medium-sized farming enterprises, see Stuckey and Butler, *Seeds for Success*.

12 Martinez and others, *Local Food Systems*, 19; Weeks, "What Exactly Does Produce Grown Close to Home Mean?"

The Economic Impact of Farmers' Markets in Canada

Farmers' markets are a prominent symbol of local food. The Canadian Co-operative Association's 2009 count of farmers' markets found 578 in Canada. Ontario had the largest number of farmer's markets, followed by Alberta, B.C., and Quebec.

The number of farmers' markets in Canada has doubled since the 1990s.¹ For example, in B.C. the number of farmers' markets

increased from 60 in 2000 to 100 in 2006.² Canadian farmers' markets had \$1.03 billion in annual sales in 2008.³ Farmers' markets had an estimated 28 million shopper visits, and shoppers spent an average of \$32.06 per visit.⁴

1 Irshad, *Local Food*, 13.

2 Connell and others, *Economic and Community Impacts of Farmers' Markets in British Columbia*, 1.

3 Farmers' Markets Canada, *\$3.09 Billion*.

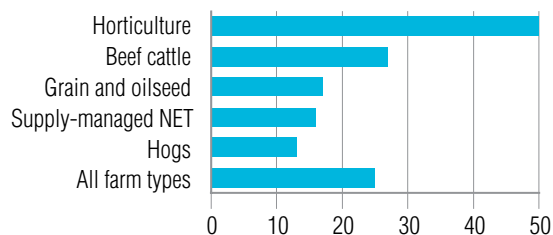
4 Ibid.

Number of Farmers' Markets in Canada

Province	Number of markets	Percentage of national total
British Columbia	99	17.1
Alberta	101	17.5
Saskatchewan	34	5.9
Manitoba	45	7.8
Ontario	149	25.8
Quebec	77	13.3
New Brunswick	27	4.7
Nova Scotia	26	4.5
Prince Edward Island	12	2.1
Newfoundland	5	0.9
Yukon	3	0.5
Northwest Territories	–	–
Nunavut	–	–
Total	578	100

Source: Egbers, *The Lay of the Land*, 2009.

Chart 6
Percentage of Canadian Farmers Selling Directly to Consumers by Farm Type
(percentage of respondents; n = 2,284)



Source: Agriculture and Agri-Food Canada, "National Renewal Survey," 2007.

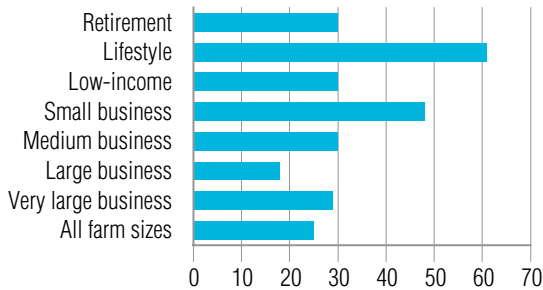
farms.¹³ While large farms also engage in direct marketing, it tends to account for a smaller proportion of their overall sales and revenue.¹⁴

A U.S. Department of Agriculture (USDA) study of mainstream (e.g., major distributors), intermediated (e.g., a farm sells directly to a retailer), and direct marketing supply chains found producers receive the greatest share of the retail price of their product from direct marketing, even after costs associated with direct marketing and

13 Esqueda, *The Role of Small and Medium Farms*, 9.

14 Martinez and others, *Local Food Systems*, 19.

Chart 7
Percentage of Canadian Farmers Selling Directly to Consumers by Farm Size
 (percentage of respondents; n = 2,284)



Note: The survey classified farmers by the following typology: retirement (farms managed by an operator 60 years of age or older who receives pension income and has no children involved in day-to-day farm operations); lifestyle (small farms with revenues between \$10,000 and \$49,999, managed by families with off-farm income greater than \$50,000); low-income (small and medium farms with revenues of \$10,000 to \$99,999, managed by families with total income of less than \$35,000); small business (revenues of \$10,000 to \$49,999); medium business (revenues of \$50,000 to \$99,999); large business (revenues of \$100,000 to \$499,999); and very large business (revenues of \$500,000 and over). Source: Agriculture and Agri-Food Canada, "National Renewal Survey," 2007.

processing have been subtracted.¹⁵ Revenue per unit in direct marketing chains ranged from equal to more than seven times the prices that producers receive from mainstream supply chains.¹⁶ A similar study of differentiated beef (organic, grass-fed, or natural) supply chains in Alberta found that producers received the largest margins for their products when selling directly to consumers.¹⁷ Direct marketing, together with other business lines, can be a risk mitigation strategy for producers. Mainstream supply chains are typically more strongly affected by market fluctuations than direct marketing supply chains.¹⁸

Direct marketing initiatives also allow consumers and producers to interact with one another. Direct marketing locations are partly social venues where consumers can learn "the story behind the food." By interacting with consumers, producers also receive unfiltered consumer feedback on their products.¹⁹ However, this emphasis on telling "the story behind the food" can make it difficult for producers to scale up their businesses without losing their marketing advantage.

Some producers find it hard to grow their business because they spend so much time on direct marketing.²⁰ Scaling up can require producers to adapt to new regulatory requirements and private standards, sometimes with increased costs or capital investments. Many financial institutions are reluctant to lend to producers that focus on direct marketing because they do not understand financial models such as CSAs, which differ from traditional approaches. However, CSAs are in themselves innovations to raise capital for farming inputs. In other cases, small producers may require micro-loans, which are not provided by traditional lenders.²¹

AGGREGATION AND LOCAL FOOD SUPPLY CHAINS

Small farms may rely on direct marketing channels because they lack the volume and stable supply streams necessary to sell to large customers.²² Volume is also a problem for medium-sized producers that are too large to rely solely on direct marketing, but too small to sell to large customers further up the supply chain.²³ SME producers may lack access to the infrastructure needed to store, process, and distribute their products to large purchasers. Developing relationships with key wholesale buyers or creating effective marketing plans can also be a challenge.²⁴

15 Costs associated with direct marketing and processing that were subtracted include labour (including unpaid family labour and opportunity costs for direct marketing), processing (e.g., slaughtering and finishing meat) transportation, stall rental, and packaging.
 16 King and others, *Comparing the Structure*.
 17 Lipton and Spycy, *Local Food Supply Chains in Alberta*.
 18 Ibid.; interview findings.

19 Blouin and others, *Local Food Systems and Public Policy*, 17.
 20 Martinez and others, *Local Food Systems*, 23.
 21 Interview findings.
 22 Low and Vogel, *Direct and Intermediated Marketing of Local Food in the United States*, 4.
 23 Barham and others, *Regional Food Hub Resource Guide*, 5.
 24 Ibid., 6.

SME producers can take advantage of the demand for local food from large purchasers by aggregating functions, such as processing and distribution, with other producers. Groups of producers may own and operate infrastructure, such as a co-packing facility, which serves a number of producers in an area. For example, Cohn Farms in Bradford, Ontario, has a co-packing line that allows 30 local produce farmers to gain access to processing equipment, enabling them to sell to large purchasers, such as hospitals and universities.²⁵ While aggregation can afford producers real benefits, several interviewees noted that many producers have difficulty organizing in this manner or value their independence and are reluctant to change their business model.

Food Hubs

Food hubs are another innovative distribution model that can enable SME producers to sell to large purchasers. The National Food Hub Collaboration in the U.S. defines a regional food hub as “a business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand.”²⁶ Food hubs can be for-profit businesses, non-profit organizations, or cooperatives.

Food hubs differ from traditional distributors or aggregators because they are value-chain-based business models that focus on finding new markets and better product prices for SME local producers. Food hubs differentiate and add value to products through: identity preservation (identifying where a product was produced and by whom); branding; implementing traceability systems; and sustainable production practices.²⁷ (See box “A Better Tomato: Red Tomato Food Hub.”) Some food hubs work with farmers to make bulk seed purchases, estimate projected sales for products, and stagger planting times.²⁸ For large-scale purchasers, food hubs can lower procurement costs by acting as a reliable, single

point of purchase for source-identified local products that meet product specifications and volume requirements.²⁹

Regional food hubs face challenges that do not affect mainstream food distributors. They often charge more for their products because of their small scale and emphasis on getting premium prices for producers. While food hubs use differentiation strategies to get a price premium, large buyers are often resistant to paying a premium for local food.³⁰ Seasonality is another challenge because food hubs must operate year-round to be profitable. To overcome the problem of seasonality, some food hubs distribute products from a wider area in winter months or diversify their products to include those that are available year-round.³¹

Food hubs are value-chain-based business models that focus on finding new markets and better product prices for small and medium-sized local producers.

The small scale of most food hubs creates logistical challenges. Using smaller or partly filled trucks makes transport more expensive per unit than food from major distributors, even when competing products have travelled much longer distances.³² Due to logistical challenges, food hubs may be less feasible in regions with small populations or low population densities. In Canada, the feasibility of food hubs may be limited to a few large urban centres.³³

FOOD PROCESSORS AND LOCAL FOOD

Canada has many successful local producers of artisanal processed products, such as cheese and jam. Beyond niche artisanal products, there are market opportunities with

25 Greenbelt Fund, *In the Field*.

26 Barham and others, *Regional Food Hub Resource Guide*, 4.

27 *Ibid.*, 6.

28 *Ibid.*, 16.

29 *Ibid.*, 11.

30 *Ibid.*, 25.

31 Interview findings.

32 *Ibid.*

33 *Ibid.*

A Better Tomato: Red Tomato Food Hub

Red Tomato is a non-profit regional food hub based in Plainville, Massachusetts. It coordinates marketing, sales, and wholesale logistics for farmers, and consults and does outreach to promote food hubs. Sixty per cent of Red Tomato's funding comes from government and foundation grants and individual donations, 30 per cent from distribution fees, and 10 per cent from consulting.¹ It operates throughout the Northeast United States. By operating regionally, Red Tomato can take advantage of longer growing seasons and a larger diversity of crops.

Red Tomato distributes produce from 40 family farms—most are 75 to 300 or more acres.² Its mission is to develop a supply chain that gives growers fair returns. To receive premium prices for its products, Red Tomato uses a variety of product differentiation strategies, including:

- ◆ **Product quality:** Promotional materials highlight the freshness and flavour of Red Tomato's products. In 2012, Red Tomato ran a pilot project with a New Jersey supermarket chain to deliver produce within 24 hours of being harvested—the pilot was successful and the program will be repeated in 2013.³
- ◆ **Product variety:** The food hub chooses unusual varieties of produce, such as a wide range of heirloom tomatoes, which are not readily available through other distributors.
- ◆ **Packaging:** Red Tomato's packaging is branded with its name, and in many cases the grower's name, to clearly identify the source of its products. Through its packaging

and promotional materials, such as posters featuring pictures of its growers, Red Tomato communicates the story behind its products.⁴

- ◆ **Eco-certification:** While many of Red Tomato's products are not organic, they are grown using ecologically friendly methods. The food hub has developed an eco-certification program for apples and stone-fruit—products that are hard to grow in the Northeast using organic methods. Red Tomato certifies growers that use natural techniques to control pests and use minimal chemical pesticides. Red Tomato is working towards eco-certification for a wider variety of its products.⁵

Red Tomato also works with its growers to meet the traceability and food safety standards of many large purchasers. For example, the food hub raised funds to hire a consultant to customize programs for USDA Good Agricultural Practices (GAP) certification for 22 Red Tomato growers.⁶

Since it was founded in 1996, Red Tomato's sales have steadily increased. The food hub had US\$2.65 million in produce sales in 2011 and has sold over US\$19 million in produce since 1998 to over 300 supermarkets, cooperatives, campuses, and restaurants.⁷ Red Tomato's buyers include numerous regional retail chains, as well as Whole Foods and Trader Joe's.⁸

1 Red Tomato, *Frequently Asked Questions*.

2 Interview findings.

3 Ibid.

4 Ibid.; Stevenson, *Value-Based Food Supply Chains*.

5 Red Tomato, *Frequently Asked Questions*.

6 Interview findings.

7 Red Tomato, *Red Tomato: Press Room*.

8 Interview findings.

large processors for processed local foods that offer convenience and value. By offering processed foods made from local ingredients, large food processors can differentiate themselves from their competitors. A number of large Canadian food processors have spotlighted their commitment to Canadian ingredients in their marketing campaigns, including Hellman's Real Food, Eat Local campaign promoting its mayonnaise and PepsiCo Foods Canada's campaign spotlighting Canadian farmers who grow potatoes for Lay's potato chips.³⁴

Despite the market opportunities for locally processed food, food processing is a barrier to growth in the local food supply. There is limited locally processed food available in Canada, at both the primary (washing, bagging, slaughtering, and cutting—e.g., chopped vegetables or beef halves into steaks)—and the secondary (takes ingredients that have undergone primary processing to make value-added products such as tomato sauce or prepared meals) levels.³⁵ Many producers, particularly SME producers, lack access to processing infrastructure. For example, in Ontario, there are no cannery and minimal facilities for freezing vegetables. Throughout

34 Interview findings.

35 Macpherson, Naccarato, and Ohberg, *Connecting the Links*, 3.

Canada, there is a lack of abattoirs serving smaller, local producers.³⁶ As a report published by the Metcalf Foundation notes, a “lack of facilities, infrastructure, and knowledge prevents primary producers from gaining access to the processing sector... ”³⁷

The lack of local food processing infrastructure accessible to SME producers is largely due to global trends. The food processing industry in Canada is dominated by large, often internationally based, companies. The industry has consolidated, with the number of food processors in Canada declining from 6,247 in 2000 to 5,042 in 2009.³⁸ Large processing facilities can produce products at a lower cost than smaller, locally oriented facilities because of economies of scale.³⁹ To be competitive, food processing facilities generally need to operate year-round. This is problematic for seasonal products, such as produce, and helps explain a lack of this type of processing infrastructure in Canada.⁴⁰

It is generally not feasible for large processors to identify local ingredients in their products, other than indicating the use of Canadian ingredients.

Many large processors do purchase from local producers when product that meets their price, safety, and quality specifications is available. However, due to their scale, large processors often source from many suppliers, depending on price and availability. Products sold by large processors may use a variety of ingredients and be distributed over a large area. As such, it is generally not feasible for large processors to identify local ingredients in their products, other than indicating the use of Canadian ingredients.⁴¹

Due to food safety risks, food processing is highly regulated by both provincial and federal governments. Compared with smaller companies, larger companies can more easily spread the cost of compliance across their operations.⁴² Regulations to ensure food safety and protect the public interest are necessary. However, in some cases, a lack of clarity surrounding these regulations challenges small producers and processors that do not have sophisticated knowledge of regulatory requirements and private standards, such as labelling laws, grading standards, and food safety and traceability regulations.⁴³

Many processing facilities that serve smaller producers, such as abattoirs, are provincially rather than federally registered, due to the challenges and costs of complying with federal regulations. This is problematic, as some products from provincially regulated facilities, such as meat and cheese, cannot be exported interprovincially, creating a barrier for local producers wishing to sell out of province. Some provincially certified products are not accepted by large purchasers, even within their province of origin. Large purchasers may be reluctant to source products from provincially regulated facilities due to a lack of clarity about provincial standards and fear of illegally shipping products over provincial boundaries by accident.⁴⁴

Many producers, particularly SME producers, lack access to capital to purchase on-farm processing infrastructure.⁴⁵ The high cost of setting up food processing infrastructure has meant many locally branded processed products are high-end artisanal products (such as cheese and jam) that are less price-sensitive.⁴⁶ Producers and processors are also pursuing innovative strategies to build local food processing facilities accessible to SME producers. These initiatives include cooperative ownership of processing facilities and mobile processing units

36 Interview findings.

37 Carter-Whitney and Miller, *Nurturing Fruit and Vegetable Processing in Ontario*, 20.

38 AAFC, *An Overview of the Canadian Agriculture and Agri-Food System*, 82.

39 For more information on trends in the food processing industry, see Butler, Munro, and Stuckey, *Competing for the Bronze*; and Burt, Butler, Grant, and Le Vallée, *The Sky's the Limit*.

40 Interview findings.

41 Ibid.

42 Carter-Whitney and Miller, *Nurturing Fruit and Vegetable Processing in Ontario*, 25.

43 Ibid.

44 Gooch, Marenick, and Zimm, *Increasing Market Opportunities for Local Food*, 4; interview findings.

45 Chinnakonda and Telford, *Local and Regional Food Economies in Canada*, 33.

46 Hild, *The Economy of Local Food in Vancouver*, 11.

Rebuilding Local Processing Infrastructure: Salt Spring's Abattoir

There are a declining number of abattoirs serving small producers in Canada, partly due to the cost of upgrading to meet new federal and provincial regulations.¹ On Salt Spring Island, B.C., changes to provincial regulations left the island without an abattoir for five years, causing meat production on the island to decline by half.² Producers were forced to transport livestock to Vancouver Island for slaughter, increasing their costs and causing additional stress to the animals.³

In 2012, a community-owned abattoir was opened on the island to meet the need for a local slaughter facility. The cost of the \$400,000 abattoir was covered by a \$150,000 provincial grant and fundraising. The facility will operate on a cost-recovery basis. It will have high animal welfare standards and pay employees wages above industry average.⁴

- 1 Stueck, "Strict Licensing Pushes B.C. Abattoirs Toward the Chopping Block."
- 2 Plan to Farm, *Current Projects*.
- 3 Ibid.
- 4 Gulf Islands Driftwood, "Salt Spring Abattoir Opens for Business on Friday."

for slaughtering animals and processing vegetables.⁴⁷ (See box "Rebuilding Local Processing Infrastructure: Salt Spring's Abattoir.")

RETAILERS AND LOCAL FOOD

While direct marketing channels for local food have grown significantly in the last 10 years, the vast majority of food purchased by Canadian consumers comes from large retail chains. Large retailers play an important role in expanding the market for local food by allowing consumers to conveniently access local products. In response to consumer demand for local food, retailers across North America, including Loblaw, Metro, Safeway, Sobeys, Whole Foods, and Walmart, have created initiatives promoting local food, particularly fresh produce, pointing to the economic benefits that can be gained

from the marketing of local food. However, the benefits and challenges that local food poses for retailers vary depending on the retailer's size and business model.

LOCAL FOOD AS A DIFFERENTIATOR

Local food is a way for retailers to differentiate themselves in a competitive marketplace. Since consumers often view local food, particularly produce, as fresher and better tasting than non-local food, it can be used to highlight product quality. (See box "Loblaw's 'Grown Close to Home' Campaign.") By offering artisanal and niche local products, retailers can differentiate themselves through unique products that are unavailable elsewhere.

Local food is also a way for retailers to illustrate their commitment to local economies, farmers, and the environment. In many cases, the local food initiatives of major retailers are closely tied to their corporate social responsibility (CSR) strategies. In the U.S., major grocery chains Safeway, Ahold, and Delhaize have featured their local food strategies in their CSR reports.⁴⁸

Retailers focused on value and low prices may have difficulty selling local food if local suppliers charge more for their products than non-local suppliers. By comparison, retailers that specialize in premium products and whose customers are less price-sensitive may see greater opportunities to differentiate themselves through local food.⁴⁹

LOGISTICAL BARRIERS

Dealing with local food can be a logistical challenge for large retailers. The food retailing industry is highly concentrated and competitive. Unlike farmers' markets where consumers attend partly for the overall experience and are willing to pay some premium for products, in a conventional retail environment, consumers are primarily focused on price and product quality.⁵⁰ To be competitive and maximize economies of scale, larger retail chains have highly centralized food distribution systems with detailed product specifications. Large retail chains typically have one distribution centre for

47 Carter-Whitney and Miller, *Nurturing Fruit and Vegetable Processing in Ontario*, 21.

48 Martinez and others, *Local Food Systems*, 34.

49 Hild, *The Economy of Local Food in Vancouver*, 12.

50 Gooch, Marenick, and Felfel, *Local Food Opportunities*.

Loblaw's "Grown Close to Home" Campaign

As the largest food retailer in Canada, Loblaw has a significant impact on local food systems. Loblaw has a policy of sourcing Canadian products and ingredients first, as long as they meet the company's quality, safety, availability, and price requirements. In addition, Loblaw promotes local food through its "Grown Close to Home" campaign, which runs during August and September of each year. Loblaw uses regional definitions for local food—the Western provinces, Ontario, Quebec, and the Atlantic provinces.¹ The "Grown Close to Home" campaign is in its fifth consecutive year and prominently features a variety of fresh, regional produce in Loblaw's stores and advertisements.

The "Grown Close to Home" campaign has contributed to year-over-year growth in produce sales for Loblaw.² In 2011, 30 per cent of the company's annual produce purchases were from Canadian sources.³ During the "Grown Close to Home" campaign, approximately 40 per cent of produce in Loblaw's stores in Ontario, Quebec and B.C. is from local producers (percentages are lower in other provinces that do not grow a wide variety of produce).⁴ Loblaw has also introduced and promoted other local products in its stores, such as Ontario corn-fed beef in its Ontario stores.⁵

1 Interview findings.

2 Ibid.

3 Loblaw Companies Ltd., *Loblaw Increases Offer of Locally Sourced Beef in its Ontario Banner Stores*.

4 Interview findings.

5 Loblaw Companies Ltd., *Loblaw Increases Offer of Locally Sourced Beef in Its Ontario Banner Stores*.

each region (e.g., the Calgary area or the Greater Toronto Area). Large retailers have consolidated their buying practices to make distribution easier, streamline bookkeeping, and reduce food safety and traceability issues.⁵¹ It is challenging for large retailers to deal with numerous small-scale producers that may lack knowledge of product specifications and food safety and traceability requirements, including those found in private standards.⁵² As noted in the Conference Board report, *Pathway to Partnership*, complying with private standards can involve

51 Hild, *The Economy of Local Food in Vancouver*, 12.

52 Gooch, Marenick, and Zimm, *Increasing Market Opportunities for Local Food*, 6.

considerable costs for small producers that must weigh the burden of complying with these standards against the advantages of a relationship with a large retailer.⁵³ One alternative is selling to smaller retailers that operate within a limited geographic area and have lower volume requirements.⁵⁴

Most large retailers require producers to have sufficient volume to supply many stores and deliver to a regional distribution centre.⁵⁵ (See box "Metro and Community-Supported Agriculture.") For example, to be a supplier to Safeway stores in B.C., a producer must supply all 70 plus stores in the province.⁵⁶ Most large retailers no longer allow producers to deliver directly to their stores or only allow direct-to-store deliveries under limited circumstances—for instance, in the case of unique seasonal products (e.g., local strawberries and corn) for which there is high consumer demand.⁵⁷ About 5 per cent of Loblaw's produce deliveries are direct to store (this varies by region and proximity to a distribution centre).⁵⁸ As Gooch, Marenick, and Zimm explain, "Working with a fragmented group of regional/local suppliers with varying capacities and attitudes, as well as multiple procedural and purchasing infrastructures, is the anti-thesis of the benefits that come from economies of scale provided by centralized operations."⁵⁹

As noted previously, to supply large retailers, smaller producers may need to collectively organize themselves to achieve the necessary scale and simplify procurement. For example, BC Tree Fruits is a cooperative of 580 Okanagan tree fruit growers. A cooperative arrangement allows Loblaw to purchase fruit from all 580 growers using a single purchase order, giving the company a large volume of product with a simple procurement process.⁶⁰

53 Grant, Stuckey, and Le Vallée, *Pathway to Partnership*, 8.

54 Martinez and others, *Local Food Systems*, 10.

55 Interview findings.

56 Hild, *The Economy of Local Food in Vancouver*, 12.

57 Interview findings.

58 Ibid.

59 Gooch, Marenick, and Zimm, *Increasing Market Opportunities for Local Food*, 6–7.

60 Interview findings.

Metro and Community-Supported Agriculture

In 2012, grocery retailer Metro partnered with Équiterre, a Quebec environmental organization, in a pilot project to offer pick-up locations for CSA baskets in the parking lots of three of its Quebec stores. The parking lot pick-up spot offered a convenient location for consumers to pick up their CSA baskets, while at the same time allowing them to purchase other grocery items from Metro stores. By offering its parking lots as pick-up spots, Metro gave its customers access to local, organic produce without the logistical challenges of sourcing local produce from numerous small-scale producers.¹

1 Interview findings.

To overcome logistical challenges of sourcing from a large number of small producers, ASDA, a major U.K. retailer, established a series of nine regional food hubs that operate as independent businesses.⁶¹ The hubs identify local products for ASDA stores and provide guidance to suppliers on the retailer's requirements.⁶² The hub system has allowed ASDA to establish regional product lines. Products that are successful regionally can be sold at ASDA stores throughout the United Kingdom.⁶³

Many large retailers and distributors source using year-round purchasing contracts, which guarantee a consistent supply of products. This may limit opportunities for local producers that can only offer products seasonally. Large retailers cannot risk not having a product in stock due to unforeseen circumstances, such as adverse weather.⁶⁴ Many large distributors and retailers also have long-standing relationships with suppliers. This can make it difficult for new producers to access these customers, particularly with regards to traditional commodity-type

61 Gooch, Marenick, and Zimm, *Increasing Market Opportunities for Local Food*, 6–7.

62 ASDA, *How Our Regional Hubs Help Us Do Business with Local Farmers*.

63 Padbury, *Retail and Foodservice Opportunities for Local Food*, 32.

64 Interview findings; Irshad, *Local Food*, 24.

products (e.g., potatoes and carrots).⁶⁵ Retailers may be more willing to source from new vendors when they can offer unique products or varieties that are difficult to procure domestically, such as bok choy or an improved peach variety.⁶⁶

TELLING THE STORY OF LOCAL

It is challenging for major retailers to communicate the “story” behind local food because of their consolidated and centralized supply chains. Labelling local food can also be challenging for large retail operations due to constantly changing stock, a wide variety of product, and low-skill, part-time staff.⁶⁷ However, new technologies make it possible for consumers to use smart phones to scan food packages to learn about where and how their food was produced, including the farmer who produced the food and the date it was harvested.⁶⁸ Effectively communicating the story behind local food is essential for capturing the financial benefits that can come from selling local food, particularly in instances where local food is priced higher than non-local food. This is not always easy, since some consumers equate local food with small-scale production, and this may not mesh with their perceptions of large retailers.⁶⁹

Major retailers have developed innovative strategies to communicate the story of local food to consumers. For example, during its “Grown Close to Home” campaign, Loblaw stores feature display boards with pictures and information about local producers. Whole Foods invites local producers into its stores to conduct in-store tastings. (See box “Whole Foods Market: Foraging for Local.”) Through better labelling of local products and other innovative strategies, there is potential for retailers to further capitalize on the demand for local food.

65 Interview findings; Hild, *The Economy of Local Food in Vancouver*, 12.

66 Interview findings.

67 Ibid.

68 For more information about one such initiative, see Edge, Grant, and Howard, *Forging Stronger Links*.

69 Padbury, *Retail and Foodservice Opportunities for Local Food*, 29.

Whole Foods Market: Foraging for Local

Whole Foods Market is a premium food retailer specializing in natural and organic products. Corporate social responsibility, particularly environmental sustainability and support for local communities, is a key component of the Whole Foods brand and reputation. As such, an emphasis on local food, including high-end artisanal products, is a natural fit for Whole Foods Market.

Whole Foods actively seeks out local products for its stores, which it labels “Foods from Around Here.”¹ Whole Foods Market’s definition of local varies by region; in Canada, Whole Foods Market defines local food as products grown, raised, produced, and finished in the province in which a store is located.² In addition, Whole Foods Market divides its North American market into 11 regions, which it uses to define regional products. In Whole Foods Market’s B.C. stores, regional products refer to those from the Pacific Northwest (Washington or Oregon).³ Whole Foods Market uses a variety of strategies to promote local products, including:

- ◆ in-store signage with producer profiles featuring the faces of local producers;
- ◆ in-store product tastings conducted by local producers;
- ◆ *The Local Forager* blog featuring stories about local food and producers;
- ◆ education for in-store staff about local products through initiatives such as visits from local producers.⁴

Whole Foods Market sources products from producers of all sizes. Some supply all Whole Foods Market stores in a region; others only supply one or two stores. In many cases, small producers deliver directly to Whole Foods Market’s stores. The company prioritizes sourcing local products when they are in season, as opposed to relying on non-local products.⁵ At the height of the harvest season, 75 to 80 per cent of the produce in Whole Foods Market’s Pacific Northwest stores is local. Local food is a significant part of Whole Foods Market’s sales and important to the company’s financial performance.⁶

In addition to promoting local food in its stores, Whole Foods Market administers the Producer Loan Program, which provides small producers with low-interest loans to grow their business. The Producer Loan Program is administered from a US\$10 million revolving fund set aside by the company. Average loans range from US\$10,000 to US\$25,000, but the program can loan over US\$100,000 and as little as US\$1,000.⁷ Since its inception in 2006, Whole Foods Market has loaned approximately US\$8 million to producers.⁸ In this way, it helps to develop local food systems and find new products for its stores.

1 Interview findings.

2 Interview findings; Whole Foods Market, *Locally Grown*.

3 Interview findings.

4 Ibid.

5 Ibid.

6 Ibid.

7 Whole Foods Market, *Local Producer Loan Program Details*.

8 Interview findings.

FOOD SERVICE OPERATORS AND LOCAL FOOD

RESTAURANTS AND LOCAL FOOD

Many food service businesses have been keen to respond to demand for local food. In 2011, the National Restaurant Association in the U.S. conducted a survey of 1,800 chefs about industry trends and determined local food to be the top trend for 2012.⁷⁰ Restaurants may purchase local food because of quality and freshness, to meet customer requests, to access unique products, and to support local businesses.

The restaurant industry is highly competitive, with tight margins. Price is important to customers but less so than it is to grocery shoppers. The 2010 AAFC survey of consumers found that price is more likely to be considered when grocery shopping (69 per cent) than dining out (47 per cent)).⁷¹

The local food trend is particularly popular in fine dining establishments, where it is easier to pass any increased costs from local food on to customers.⁷² For example, Bishop’s, a fine dining restaurant in Vancouver, sources as many of its ingredients locally as possible.

70 National Restaurant Association, “What’s Hot: 2013 Chef Survey.”

71 AAFC, *The Canadian Consumer*, 29.

72 Chinnakonda and Telford, *Local and Regional Food Economies in Canada*, 33.

While the costs of sourcing locally are 3 to 6 per cent higher, high-quality local ingredients are an important differentiator for Bishop's.⁷³ More modest types of restaurants are also highlighting local food on their menus to differentiate themselves from their competitors. For example, White Spot, a casual restaurant chain in B.C., sources almost 50 per cent of its ingredients, including the potatoes for its french fries, from B.C. producers.⁷⁴ The company also has a seasonal menu featuring local ingredients.⁷⁵

PUBLIC SECTOR INSTITUTIONS AND LOCAL FOOD

Public sector institutions, such as hospitals and universities, procure large amounts of food for their food services. The trend here is for more purchasing of local food, partly to help support local food producers. (See box "Showcasing Local Food at the Vancouver Convention Centre.") Procurement of local food by public sector institutions benefits producers by creating reliable demand for large volumes of local food, which encourages increased production of local food.⁷⁶ Public sector institutions can pressure their mainstream suppliers to supply more local food. When suppliers adapt to meet this requirement, the rest of the food service industry, which relies on the same supply chains, also gains more access to local food.⁷⁷

Universities in particular have been leaders in sourcing and promoting local food due to demand from student organizations. The University of Toronto has been working to increase local food procurement on its St. George campus since 2006. Currently, the university sources 10 to 15 per cent of food for the St. George campus from sources certified as both local and sustainable.⁷⁸ Mount Allison University in Sackville, New Brunswick, and the University of British Columbia both procure food from local producers, as well as produce food on

73 Hild, *The Economy of Local Food in Vancouver*, 12.

74 Barr, *White Spot Celebrates BC with Local Ingredients*.

75 White Spot, *White Spot Celebrates BC with New Summer Menu and Wine List*.

76 Mador and Jayatilaka, *Promoting Health Eating and Sustainable Local Food in BC*, 13.

77 Macpherson, Naccarato, and Ohberg, *Connecting the Links*, 1.

78 Interview findings.

Showcasing Local Food at the Vancouver Convention Centre

Local food is a priority for the Vancouver Convention Centre's catering services. The Convention Centre has a tiered definition of local food—its first purchasing priority is food from the Vancouver area, followed by food from elsewhere in B.C., then Canada. As the Vancouver Convention Centre is publicly owned by the province, purchasing local food ensures the facility is fulfilling its mandate of creating economic benefits for British Columbians.¹ The facility is a major purchaser of local food. For example, it purchases 12,000 heads of hothouse butter lettuce and nearly a ton of local mushrooms annually.² Approximately 60 to 70 per cent of the food served by the Convention Centre is from British Columbia.³

Ensuring local suppliers are able to meet the Convention Centre's large volume requirements can be a challenge. With the exception of some highly specialized products, the facility mainly deals with medium-sized suppliers. Purchasing from hundreds of local suppliers is more complex than purchasing from a single large distributor—it takes more resources because of increased research, administration, and handling.⁴ The cost of local food is not a significant challenge for the facility, which has higher margins than many other food service operators.⁵ The Convention Centre markets itself based on quality and deals with event planners rather than individual consumers.⁶

Indeed, local food is an important differentiator for the Convention Centre. The Convention Centre cooks all its meals from scratch. In doing so, it promotes B.C. and its food, while offering high-quality meals.⁷ Making food from scratch also enhances the facility's ability to attract and retain high-quality staff.⁸

1 Interview findings.

2 Hild, *The Economy of Local Food in Vancouver*, 13.

3 Interview findings.

4 Ibid.

5 Hild, *The Economy of Local Food in Vancouver*, 13.

6 Interview findings.

7 Interview findings; Vancouver Convention Centre, *Culinary Fact Sheet*.

8 Interview findings; Hild, *The Economy of Local Food in Vancouver*, 13.

university campus farms for consumption on campus.⁷⁹ (See box "Local Food Makes the Grade at Mount Allison University.")

In many cases, a conscious effort by public sector institutions to increase the amount of local food they purchase is accompanied by an increase in cooking from scratch. For example, St. Joseph's Health Centre in Guelph, Ontario, began focusing on preparing food from scratch using local ingredients in 2006. Previously, the facility

79 Park and Reynolds, *Local and Sustainable Food Procurement*.

Local Food Makes the Grade at Mount Allison University

Mount Allison University's food services have made local food procurement a priority. Mount Allison defines local food as food grown or processed within five hours of the university campus—which includes most of New Brunswick, Prince Edward Island, and Nova Scotia. The university's definition of local food allows it to access a wide variety of produce, dairy, meat, and seafood year-round. Food services at Mount Allison are operated by Aramark Food Services, which is contractually obligated to ensure 40 per cent of food procured is produced within the five-hour radius.¹

Mount Allison was able to ensure its local content requirements were met because it was able to get Sysco, Aramark's major supplier, to mark its products with their location of origin.² Local food procurement at the university has benefitted from the willingness of students to pay an additional \$100 for meal plans that include more local and organic food.³ However, Aramark has had some challenges procuring meat and poultry because of a lack of local suppliers that meet its food safety requirements.⁴

In addition to procuring food from local producers, in 2011, Mount Allison began developing a 24-acre farm on the university campus, which uses paid student labour. Aramark is contractually obligated to purchase produce from the farm, and produce is sold to Aramark at the same price it would pay a large supplier. The farm's goal was to be self-funding by the end of 2012. The university plans to gradually expand the size of the campus farm with an associated increase in local food procurement.⁵

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- 1 Park and Reynolds, *Local and Sustainable Food Procurement*.
 - 2 Ibid., 6.
 - 3 Ibid., 8.
 - 4 Ibid.
 - 5 Ibid.

mainly served reheated prepared meals.⁸⁰ Now 75 per cent of St. Joseph's meals are prepared on-site, and it has seen patient satisfaction with meals increase to 87 per cent—significantly above the provincial average of 60 per cent.⁸¹ Notably, the facility has been able to increase its local food procurement, despite a tendering process that prohibits it from purchasing more expensive local products.⁸² St. Michael's Hospital in Toronto, which also has a local food procurement program, found that 50 per

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- 80 Schwartz, "Hospital Food 'Revolution' Takes Root."
 - 81 Macpherson, Naccarato, and Ohberg, *Connecting the Links*, 12.
 - 82 Interview findings.

cent of the new Ontario products it purchased were less expensive than imported products, 33 per cent were more expensive, and 17 per cent cost the same amount.⁸³

Indeed, many public sector institutions have increased the amount of food procured locally, despite limited budgets and government policies requiring them to source food from the least expensive supplier. By asking distributors about the availability of local food, public sector institutions signal a demand for local food and distributors naturally tend to respond to enhance their appeal to these customers.⁸⁴

LOCAL FOOD CHALLENGES FOR FOOD SERVICE OPERATORS

Several barriers limit the use of local food by food service operators. One barrier is the industry's reliance on large food distributors, a group that has seen considerable consolidation in recent years. Large food distributors generally buy for food service operations across the country, using their massive scale to achieve low prices. This business model is not favourable to SME producers of local food.⁸⁵

Large food distributors generally buy for food service operations across the country. But, major distributors are responding to customer demands for local food.

However, major distributors do respond to customer demands for local food, recognizing it can give them a competitive advantage. Many major distributors, including Gordon Food Service and Sysco, now have lists of local products available and are adding province of origin fields to their inventory management software systems.⁸⁶ Identifying local products is a time-consuming exercise for major distributors, which must go through their entire product line-ups to determine which products are local.⁸⁷

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- 83 Ibid.
 - 84 Ibid.
 - 85 Wilson, *Keeping Up With the Local Food Movement*.
 - 86 Ibid.
 - 87 Interview findings.

Due to their large-scale distribution systems, it is generally only feasible for large distributors to indicate the province of origin of a product, which may not fit with some customers' definitions of local food. However, Gordon Food Service Ontario is working to set up regional food hubs in response to demand for local food. (See box "Gordon Food Service Ontario Goes Local.") Within the U.S., major distributors, such as Sysco, are starting to view food hubs as partners in the sourcing and distribution of local food.⁸⁸

Procuring food locally can involve more work for food service operators and distributors. Food service operators may have to purchase from multiple vendors rather than a single large distributor. Distributors may need to purchase from several producers to have sufficient volume of product. This creates additional expenses, due to the logistical challenges of ordering from multiple vendors, coordinating deliveries, and checking product as it comes in.⁸⁹ Insufficient availability of some local products can

88 Barham and others, *Regional Food Hub Resource Guide*, 11.

89 Interview findings; Kennedy, Chopra, and Knight, *A Review of Public Institution Local Food Initiatives*, 10.

Gordon Food Service Ontario Goes Local

Gordon Food Service Ontario (GFS Ontario) is a division of Gordon Food Service, a major North American food service distributor. In response to customer demand and funding from the not-for-profit Greenbelt Fund, GFS Ontario is actively working to expand its local food offerings, which it defines as products from Ontario.¹ With over \$800 million in annual sales, GFS Ontario has the potential to have a significant impact on local food systems.²

With a Greenbelt Fund grant, GFS Ontario altered its inventory and ordering systems to identify local products. This was a complex and time-consuming process, which involved asking its vendors to track the origins of individual ingredients in their products to determine if they were local. The company has also sourced new local products, including a lasagna made in Ontario from Ontario ingredients.³ If customers wish, the company can track the percentage of local food purchased by identifying local food purchases in its ordering system.⁴

GFS Ontario actively promotes local food to its customers through:

- ◆ product packaging and advertising that display the label "Ontario's Own from Gordon Food Service";
- ◆ a weekly local product list that is distributed to the GFS Ontario sales team and customers;⁵
- ◆ a dedicated section for local food at GFS Ontario's 35,000 square-foot Spring Food Show;⁶

- ◆ actively encouraging customers to use local ingredients and feature them on their menus.⁷

In October 2012, GFS Ontario received an additional Greenbelt Fund grant to create regional 100-mile food hubs in London, Milton, and Ottawa. The hubs will require new logistical procedures to allow customers access to regional offerings and the company's broader product offerings.⁸

Local food has become an important differentiator for GFS Ontario. Its local food efforts have raised the company's profile with food service operators, including fine dining establishments. The company has received significant positive press for its local food initiatives, including articles in the *Toronto Star* and *FoodService and Hospitality* magazine.⁹ Its local food initiatives also benefit local producers by exposing them to a larger market. The company has worked with producers and processors to help them meet safety and traceability requirements, as well as to develop pack formats that meet GFS Ontario's needs.¹⁰

Local food now accounts for about 5 per cent of GFS Ontario's total sales (by both volume and value). The company's local products have outperformed the overall business in terms of growth.¹¹ GFS Ontario anticipates increasing its local food purchases by 20 per cent or \$7.6 million in 2013.¹²

1 Gordon Food Service, *Ontario*.

2 Greenbelt Fund and Ontario Ministry of Agriculture, Food and Rural Affairs, *Ontario's Local Food Champions 2012*, 8.

3 Interview findings; Greenbelt Fund and OMAF, *Ontario's Local Food Champions 2012*, 8.

4 Greenbelt Fund and OMAF, *Ontario's Local Food Champions 2012*, 8.

5 *Ibid.*, 8–9.

6 *Ibid.*, 9.

7 Interview findings.

8 Interview findings; Ontariofresh.ca, *Fourth Round Grantees*.

9 David, *Go Local*; Sampson, "Foraging for Foodies."

10 Interview findings; Greenbelt Fund and OMAF, *Ontario's Local Food Champions 2012*, 9.

11 Interview findings.

12 Ontariofresh.ca, *Fourth Round Grantees*.

also be a challenge. For example, in Ontario, there is insufficient beef production to meet the demand for local beef.⁹⁰

Similar to large retailers and processors, food service operators and distributors may have difficulty finding local producers that meet their product specifications. For example, major distributors need products packaged in consistent formats; they cannot alter pack sizes and product stock keeping units (SKUs)—a type of identification code—for different producers. Seasonality is also an issue: It is difficult for food service operators and distributors to know precisely when a local product will be available, which can make promoting that product challenging. Some food service operators plan their menus months in advance, making it difficult to take seasonal variations into account.⁹¹ The lack of processed local food is an additional challenge.

The food service industry could well increase its use of local food in future. However, there are significant barriers, including the burden of increased time, manpower, and cost.

⁹⁰ Interview findings.

⁹¹ Ibid.

CONCLUSION

The food industry is responding to demand for local food—particularly for fresh, seasonal produce and products for the higher-end segments of the industry. In many cases, businesses that successfully market local food see considerable financial benefits. However, local food creates challenges for parts of the food industry that rely on significant volumes of product and compete largely on price. In particular, firms that rely on economies of scale to be competitive—such as commodity-based agriculture, most food processing, and large retail chains—do not fit well into local food systems. While these firms often use some local ingredients, their scale and logistical systems make it difficult for them to fully capitalize on the benefits of local food because it is difficult for them to specify the provenance of their ingredients and tell the “story” of local food. Therefore, if the diverse demands of Canadian consumers are to be met, local food systems must exist and thrive alongside and, in places, interconnected with a viable broader food system.

Chapter 5

The Role of Government in Supporting and Promoting Local Food Systems

Chapter Summary

- ◆ In Canada, policies and initiatives to support and promote local food systems have largely been led by provincial and local governments. These policies aim to increase demand for and the supply of local food.
- ◆ Provincial governments play a key role in promoting local food through provincial marketing and labelling schemes and agri-tourism initiatives. These programs help consumers identify local food, develop local “brands,” and have increased sales of local products.
- ◆ Local governments can create environments for local food systems to thrive by preserving agricultural lands and using land-use plans, zoning, and bylaws to support local food systems.

Government efforts to support local food systems are typically motivated by a desire to assist local economies, enhance population health and food security, and increase environmental sustainability.

In Canada, policy relevant to local food systems tends to fall under provincial or local government jurisdiction, or under the joint jurisdiction of the federal and provincial governments, with the provinces playing a larger role. The development of local food systems has not

been cited as a policy priority by the federal government;¹ therefore, provincial and municipal governments have taken the lead on local food through policy initiatives designed to increase the demand and supply of local food. These initiatives promote the benefits of local food to consumers and offer support to firms selling local food.

FEDERAL GOVERNMENT INITIATIVES

The federal government does not have policies that focus specifically on supporting local food systems. The federal government has largely focused on supporting commodity crops, livestock operations, food processing facilities, and food safety standards.²

However, the Growing Forward agricultural policy framework has had positive benefits for local food systems. Indeed, the Growing Forward 2 policy framework, which was launched on April 1, 2013, will give provincial and territorial governments greater flexibility to tailor programs to local requirements.³ Some provincial governments have used federal funding from Growing Forward to support local food systems.⁴ Other Growing Forward initiatives assist producers in expanding their

1 Blouin and others, *Local Food Systems and Public Policy*, 32.

2 Metcalf Foundation, *Food Connects Us All*, 24.

3 AAFC, *Growing Forward*, 2.

4 Interview findings.

markets both locally and beyond. For example, the Canadian Horticulture Council received money from Growing Forward to develop an on-farm food safety system for horticulture producers to become CanadaGAP (Good Agricultural Practices) compliant. While the program is voluntary, many major retailers and processors in Canada require their suppliers to be CanadaGAP-certified.⁵

Agriculture and Agri-Food Canada also works with Canadian companies to highlight the Canadian content of their products on their labels. It has created the Canada brand logo for use by producers and processors, and promotes Canadian products through in-store promotions.⁶ While this initiative does not directly benefit local food producers and processors, it may offer trickle-down benefits for some.

PROVINCIAL GOVERNMENT INITIATIVES

Provincial governments across Canada have developed a wide range of initiatives to support local food systems. They are typically administered by provincial agriculture or health departments, and focus on creating demand for local food. Initiatives to increase the production and processing of local food are less common.⁷ Furthermore, while provincial governments actively promote local food, the budgets for local food initiatives are small compared with budgets for initiatives supporting commodity-based agriculture.⁸

PROMOTING LOCAL FOOD

The oldest and most popular types of initiatives to promote local food are provincial food marketing and labelling schemes, which are often run in cooperation with industry. Six provincial governments across Canada have developed provincial marketing and labelling programs designed to assist consumer purchasing. The largest and most comprehensive of these is the Foodland Ontario program.

5 AAFC, *CanadaGAP Program*.

6 AAFC, *Canada Brand*.

7 Blouin and others, *Local Food Systems and Public Policy*, 39.

8 Interview findings.

Foodland Ontario: Promoting the Good Things Grown in Ontario

Foodland Ontario was established in 1977 by the Ontario government to promote fresh and processed agricultural products produced in Ontario. It promotes the economic and product quality benefits of Ontario food, encourages consumers to purchase Ontario food, and coordinates promotional and research activities with industry stakeholders.¹ The Foodland logo is used by stakeholders throughout the supply chain: Grocery stores use it in their advertising, food service operators use it in their premises, and producers use it on their packaging. Foodland does not pay stakeholders to use its logo; it recognizes its benefits and participates voluntarily.² Foodland's promotional activities include:

- ◆ advertising in multiple languages and formats (including, radio, television, and social media platforms such as Twitter and Facebook);
- ◆ distribution of point-of purchase materials and in-store promotions to 1,200 retailers across Ontario;
- ◆ provision of content to Ontario media for television and print articles—Foodland maintains a website accessible only to the media with tested recipes and storage, handling, and preparation techniques for Ontario food.³

Foodland Ontario is one of the most successful and comprehensive government marketing and labelling programs in North America. A 2011 study found that the Foodland Ontario logo is recognized by 94 per cent of adults aged 25 to 64 years in Ontario. The same study found 82 per cent of adults in Ontario intend to purchase Ontario food.⁴

1 Foodland Ontario, *About Foodland Ontario*.

2 Interview findings.

3 Ibid.

4 Foodland Ontario, *Results From Consumer Testing*.

(See box “Foodland Ontario: Promoting the Good Things Grown in Ontario.”) Provincial marketing programs that use recognizable logos in a retail environment can help consumers identify and purchase local food—thereby helping to overcome one of the barriers inhibiting local food purchasing. These types of initiatives can be effective in increasing local food sales. As long ago as 1993, the Buy B.C. program led to a significant increase in the sale of food produced in the province.⁹

9 Ilbery and others, “Product, Process, and Place,” 126.

Provincial and local governments also promote local food through culinary and agri-tourism initiatives. Agri-tourism initiatives that promote local food systems can benefit rural host communities by encouraging sustainable agricultural practices, supporting local businesses, and building a local “brand” that can bring more visitors and investment to a region.¹⁰ The Quebec government’s tourism website features a number of culinary routes throughout the province, such as The Charlevoix Flavour Trail.¹¹ In Ontario, Prince Edward County’s Taste the County was established in 1999 as a non-profit initiative, but receives support from the local government. Local food initiatives supported by the organization include a culinary route through the region and an annual food-and-wine event showcasing regional cuisine.¹² Other culinary and agri-tourism initiatives include the Niagara Culinary Trail, Savour Muskoka, Savour Stratford, and Taste of Nova Scotia.

Municipal and regional governments have the ability to benefit local food systems through tools such as zoning, bylaws, and official community plans.

Direct marketing channels, primarily farmers’ markets, have also been the target of provincial initiatives. For example, Ontario and Alberta have supported farmers’ markets through online directories of farmers’ markets and verification programs for farmers selling local food.¹³ In addition to promoting local food, these programs may enhance consumer confidence in local food by helping to ensure its authenticity. Alberta also provides resources for producers interested in using direct marketing techniques, such as fact sheets identifying the potential benefits of direct marketing, applicable regulations, food safety best practices, labelling requirements, and marketing and pricing tips.¹⁴

10 Sims, “Food, Place, and Authenticity,” 322.

11 Chinnakonda and Telford, *Local and Regional Food Economies in Canada*, 26.

12 Taste the County, *About Taste the County*.

13 OMAF, *Supporting Local, Fresh Food*; AARD, *Alberta Approved Farmers’ Markets*.

14 See, for example, AARD, *Direct Marketing Meats—Selling Freezer Pork*.

INCREASING THE AVAILABILITY OF LOCAL FOOD

While provincial governments across Canada actively promote local food, strategies to increase the availability of local food are less common. Government efforts to increase procurement of local food by public sector institutions are an exception. One such initiative is the Broader Public Sector Investment Fund, which is administered by the Greenbelt Fund in partnership with the Ontario Ministry of Agriculture and Food (OMAF). The Fund provides grants to organizations working to increase the amount of local food used by the public sector and promotes local food to increase demand for it in the broader public sector.¹⁵ OMAF has provided the Broader Public Sector Investment Fund with \$8 million in funding in the last three fiscal years.¹⁶

Across Canada, there is a lack of provincial initiatives to help SME producers improve their productivity. Many programs that support small-scale agricultural start-ups have been phased out, while programs to give farmers access to new research on production methods have been cut back. There are some small initiatives to support SME producers—Alberta, for example, has held workshops for producers on production methods or techniques and marketing strategies to sell local food.¹⁷ However, many remaining programs tend to focus on providing support to agricultural sectors rather than individual farmers.¹⁸

LOCAL GOVERNMENT INITIATIVES

Municipal- and regional-level initiatives play an important role in supporting local food systems. Many local governments across Canada have established food policy councils and/or local food strategies. Municipal and regional governments have the ability to benefit local food systems through tools such as zoning, bylaws, and official community plans.

15 Ontariofresh.ca, *About the Greenbelt Fund*.

16 Interview findings.

17 See, for example, AARD, *Presentations From Alberta Farm Fresh School 2013*.

18 Interview findings; Metcalf Foundation, *Food Connects Us All*, 25.

PRESERVATION OF AGRICULTURAL LANDS

Many urban areas in Canada, including the Greater Vancouver Regional District, the Greater Toronto Area, and Kitchener-Waterloo, are surrounded by extremely productive farmland, which is threatened by encroaching development. In 2001, urban land occupied 3 per cent of all dependable agricultural land and 7.5 per cent of the best agricultural land in Canada.¹⁹ Furthermore, in some regions, the urbanization of agricultural land affects speciality crops that have limited ability to grow in Canada and play a significant role in local economies—such as the fruit belts in the Niagara and Okanagan regions.²⁰

Local governments have taken steps to preserve premium agricultural land and support local food systems through zoning restrictions. For example, the Waterloo, Ontario, region has created a Countryside Line zoning boundary, which defines the long-term and, in some cases, ultimate limits of urban growth. However, the implementation of zoning restrictions is often highly acrimonious due to conflict among stakeholders. In the case of Waterloo, planners were initially contemplating a permanent urban growth boundary, but due to opposition, the Countryside Line became a long-term boundary in some areas and a permanent boundary in others.²¹

TAX RATES AND ZONING

To enhance their viability, some farmers are undertaking on-farm value-added activities, such as washing and cutting vegetables or farm stores. However, farmers who expand to value-added activities risk having part of their farmland classified as a commercial operation (rather than agricultural land) for property tax purposes. Increased tax rates can negate any financial benefits from value-added activities.²² Municipalities together with provincial property assessment bodies can provide greater certainty for producers by addressing this issue.

For instance, Oregon has determined that some value-added on-farm activities will be subject to preferential agricultural tax rates if they take place on a farm in an established farm-use zone.²³

In addition, agricultural zoning restrictions may not allow for the establishment of facilities, such as farm stores, selling local food on agricultural land. The Waterloo regional government added criteria for the support of on-farm businesses to municipal planning documents. They specified that on-farm businesses should be small in scale, secondary to the farm operation, and support the local farm community.²⁴

Some local governments support local food systems by designating spaces for the sale of local food, such as farmers' markets, in their official community plans.

Some local governments support local food systems by designating spaces for the sale of local food, such as farm stands or farmers' markets, in their official community plans. For example, Vancouver's Southeast False Creek Official Development Plan included space for a farmers' market.²⁵

COMMUNITY GARDENS

While this report focuses on monetized aspects of local food systems, local governments also play an important role in supporting local food initiatives such as community gardens and edible landscaping. The City of Montreal established its first community garden in 1975; it now has 97 community gardens with approximately 8,200 plots.²⁶ Kelowna, B.C., has given land to the Public Produce Project, which creates volunteer-run community gardens where anyone can harvest food for free.²⁷ Benefits

19 Hofmann, Filoso, and Schofield, "The Loss of Dependable Agricultural Land in Canada," 7–8.

20 Ibid.

21 Desjardins, Lubczynski, and Xuereb, "Incorporating Policies for a Healthy Food System into Land Use Planning," 132.

22 Carter-Whitney, *Bringing Local Food Home*, 28–30; Ontario Federation of Agriculture, *Farm Property Assessment Issues*.

23 Carter-Whitney, *Bringing Local Food Home*, 30–31.

24 Desjardins, Lubczynski, and Xuereb, "Incorporating Policies for a Healthy Food System into Land Use Planning," 133.

25 Enns, Rose, and de Vries, *A Seat at the Table*, 13.

26 Ibid., 6.

27 Elton, "Can a Locavore Dream of Public Produce Come True?"

of these types of local food initiatives include improved health through increased fruit and vegetable consumption; increased access to produce for low-income residents; opportunities for physical activity; and increased knowledge of how and what food can be grown within particular regions.²⁸

CONCLUSION

Provincial and municipal governments across Canada have introduced initiatives to support local food systems, motivated by economic, health, and environmental

concerns. While the budgets for these initiatives are generally small compared with funding for commodity-based agriculture, they contribute to the viability of local food systems. Evidence of impact is limited, but it appears that government efforts have helped fuel consumer awareness of local food and where to purchase it. The relatively few government initiatives to increase the availability of locally produced food appear to have benefitted local food systems. Overall, government support for local food systems has generated a wide range of benefits for consumers and producers.

28 Elton, "Can a Locavore Dream of Public Produce Come True?"; Enns, Rose, and de Vries, *A Seat at the Table*, 6–7.

Chapter 6

Strategies and Solutions

Chapter Summary

- ◆ Local food systems have economic benefits for businesses throughout the supply chain. However, the benefits are not evenly distributed. The largest benefits are gained by SME producers, and retailers and food service operators that focus on premium and niche markets.
- ◆ Optimizing the role of local food systems in Canada involves maximizing public and private benefits, while minimizing the challenges some stakeholders face when engaging in local food systems.
- ◆ This chapter outlines 12 strategies to maximize the benefits of local food systems in Canada.

Local food systems have a small but significant economic impact and can have considerable financial benefits for businesses throughout the supply chain. The growth in local food systems has been driven partly by social, economic, and environmental concerns. However, local food systems have also been fuelled by the private benefits they offer stakeholders throughout the food system. Some consumers find local food fresher and better tasting than non-local food. Direct marketing of local products allows some producers to

capture a higher price for their products. For some producers, processors, retailers, food service operators, and distributors, local food is a way to differentiate themselves from their competition and create new market opportunities.

However, while local food systems offer benefits, these are not evenly distributed throughout the supply chain. The largest benefits are seen by SME producers that get premiums when selling directly to consumers in local markets, and by retailers and food service operators focused on premium and niche markets. On the other hand, larger operators that emphasize economies of scale and compete largely on price (including some large retail chains and large food processors) find it more difficult to realize the benefits of local food systems.

Despite these challenges, there is considerable potential to optimize the role of local food systems to the benefit of all. This involves maximizing the public and private benefits local food systems offer, while minimizing the challenges some stakeholders face when engaging in local systems. Twelve strategies to advance local food in Canada are outlined below.

1. PROVIDE SME PRODUCERS WITH INFORMATION ON DIRECT MARKETING

Governments and non-profit organizations, such as provincial farmers' market associations, should expand their efforts to supply SME producers with information

on the benefits of direct marketing and successful direct marketing strategies. Numerous governments and organizations across Canada already offer guidance to producers interested in direct marketing. Guidance can include information about the benefits of direct marketing, relevant regulations (such as safety and labelling regulations), and pricing and marketing strategies.

Producers that engage in direct marketing activities get higher returns for their products than they do selling through other channels. Selling through direct marketing channels, in addition to other sales methods, is a risk-management strategy for producers—direct marketing channels are less affected by market fluctuations in the prices of agricultural commodities. Many SME producers already engage in direct marketing activities; those that do not would gain from learning about the benefits of selling local food directly to customers, and finding out about best practices in direct marketing to consumers.

2. PROVIDE GUIDANCE TO SME PRODUCERS ON HOW TO SELL LOCAL PRODUCTS TO LARGE CUSTOMERS

SME producers stand to gain major benefits—such as access to new markets and steady income streams—from selling local products to large customers, including retail chains, food service operators, and distributors. Yet many SME producers find it hard to sell to large customers, who may not be purchasing from them due to logistical requirements for scale and other quality specifications of supply. Provincial and federal governments, large industry players, and agricultural organizations should give guidance to SME producers on how to sell to larger customers. Some SME producers lack awareness of the safety, traceability, private standards, and product specifications required by large customers. Others may lack the resources and expertise to meet some of these requirements. Practical guidance on how to meet the standards required by large customers and access financing would be helpful for producers. Large producers may, in turn, benefit from the sharing of strategies and expert guidance for working with SME producers.

3. SME PRODUCERS COLLABORATE WITH ONE ANOTHER TO SELL TO LARGE CUSTOMERS

One option for SME producers that wish to sell to large customers is to collaborate with one another, acting as a single entity to sell to large customers. Collaboration can also allow SME producers to stagger crop plantings, purchase agricultural inputs as a group, and share best practices. Examples of successful models of collaboration are co-packing and engaging in food hubs to reach large customers.

4. RETAILERS, FOOD SERVICE OPERATORS, AND DISTRIBUTORS WORK WITH LOCAL PRODUCERS TO INCREASE THE AVAILABILITY AND VISIBILITY OF LOCAL FOOD

Most local food in Canada is sold through large retailers, food service operators, and distributors. They play a key role in providing local food to consumers. They should look for innovative ways to work with, promote, and support local products and producers, including SME producers. This can financially benefit large operators because local food is a way for them to differentiate themselves from their competitors and gain new customers by showcasing unique products, highlighting product quality, and creating stronger connections to local producers and communities.

5. RETAILERS, FOOD SERVICE OPERATORS, AND DISTRIBUTORS SHOULD LABEL FOOD AS LOCAL

When feasible, retailers, food service operators, and distributors should label food with its place of origin—the province, and if possible, the local region. This can help strengthen markets for local products. A wide range of local products should be labelled as such, including proteins, dairy, and processed foods, not just seasonal produce. In several instances, where retailers, food service operators, and distributors have labelled local products, they have seen financial benefits through increased sales.

Labelling would also help resolve problems consumers have in identifying local food in retail settings. Currently, some local foods are identified as “product of Canada,”

rather than by the province or local area of provenance. This is in part because distribution systems often make it challenging to label products with their local origin. The onus is on food manufacturers and advertisers to provide evidence that food labels and advertising meet Canadian legislative requirements.

6. IMPLEMENT GOVERNMENT-LED LOCAL FOOD MARKETING AND LABELLING INITIATIVES TO PROMOTE LOCAL FOOD

Many provincial governments across Canada already have policies that support and promote local food systems. Some also have provincial food marketing and labelling schemes to assist stakeholders throughout the food industry in identifying and promoting local food. Provincial marketing initiatives benefit a wide range of businesses, including those that compete largely on volume and price as well as those that sell niche or premium products. Provincial marketing schemes have relatively low costs for governments, in part because many of the costs are shared with industry.

Provinces that lack a provincial marketing and labelling program should consider implementing one. Provincial marketing and labelling programs could benefit from following the example of Foodland Ontario and focus their promotional efforts on fresh and processed agricultural products, including dairy and proteins, in addition to fresh vegetables.

7. USE LAND-USE PLANNING, ZONING, AND INFRASTRUCTURE TO SUPPORT LOCAL FOOD PRODUCTION

Local governments should ensure their land-use planning, zoning, and infrastructure can sustain their local food systems. Many urban areas in Canada—including the Greater Toronto Area and the Greater Vancouver Regional District—are surrounded by premium agricultural land, which is threatened by urban development. Many regional municipalities across Canada have already taken steps to preserve premium agricultural land using zoning restrictions. Municipalities that have not should take steps to preserve premium agricultural land. Municipalities that have enacted policies to preserve agricultural land should review their restrictions to ensure their effectiveness. In addition, local governments,

together with farmers, should work to educate citizens about the importance of preserving premium agricultural land in urban regions.

Local governments can support local producers by ensuring that bylaws allow space for farmers' markets in their communities. Farmers' markets allow consumers to access local food and financially benefit local producers. In neighbourhoods with limited access to fresh produce, farmers' markets may help facilitate access to fresh produce.

Local governments should ensure that zoning allows for on-farm activities, such as farm stores, when these activities support farmers and benefit the larger community. Zoning regulations should be clear and accessible to producers. Local governments, together with provincial property tax authorities, should also work to ensure that changes in property tax status do not unduly penalize farmers who undertake value-added activities on their farm.

8. SUPPORT DEVELOPMENT OF LOCAL FOOD PROCESSING INFRASTRUCTURE

Where economically feasible, governments should support development of local food processing infrastructure, particularly primary processing infrastructure, which is accessible to SME producers. Initiatives such as cooperatively owned abattoirs and other primary processing facilities that operate on a cost-recovery basis can give communities with SME producers access to food processing facilities. Mobile food processing units for slaughtering animals or processing vegetables are also potential solutions, particularly for producers in smaller communities where a permanent facility may not be financially feasible. Governments can support the development of this type of infrastructure by providing expertise and small grants. For example, the Salt Spring Island abattoir was built through extensive fundraising and a provincial grant.

9. PROMOTE LOCAL FOOD IN CULINARY AND AGRI-TOURISM INITIATIVES

Provincial governments across Canada should promote local food using culinary and agri-tourism initiatives. Consumers are often willing to pay a premium for local food when dining out or buying from direct marketing

channels such as farmers' markets and farm stands. Culinary and agri-tourism initiatives that label and promote local products, especially their unique local characteristics, may facilitate the industry's ability to capture a premium price for local food and increase local and regional tourism revenues at the same time by attracting more visitors.

10. MAKE PROCUREMENT OF LOCAL FOOD A PRIORITY FOR PUBLIC SECTOR INSTITUTIONS WHEN COST EFFECTIVE AND EFFICIENT TO DO SO

When public sector institutions—such as hospitals and universities—procure local food, they help to create a market for local products and force their supply chains to meet demand for local products, thereby creating more local food options for the rest of the food service industry. Public sector institutions should actively look for ways to increase their procurement of local food when it is available and cost effective to do so.

By asking potential suppliers, including producers and large retailers and distributors, to identify local products and the proportion of local food supplied in contract proposals, public sector institutions help to signify a demand for local food. This can motivate potential suppliers to identify local products in their inventory and increase the proportion of local products they carry in order to gain large contracts with public sector institutions.

11. SHARE BEST PRACTICES ON HOW TO MAXIMIZE THE BENEFITS OF LOCAL FOOD

Government, industry, and non-governmental organizations should share best practices and lessons learned from local food initiatives to improve local food systems. Local food initiatives should be consistently evaluated based on evidence of their effectiveness. The potential benefits of local foods can be promoted by governments and non-governmental organizations through educational and promotional programs.

Best practices sharing can take place online and at venues such as conferences and workshops. Ideally, they should illustrate the benefits local food can have

for industry stakeholders of different sizes and with different business models. Seeing the potential public and private benefits local food can offer will encourage a wide variety of stakeholders to actively engage in local food systems, positively impacting their role within the broader Canadian food system.

12. CONDUCT RESEARCH ON LOCAL FOOD SYSTEMS

There is a lack of research and data on the size and economic impact of local food systems in Canada—particularly when local food is defined as coming from a region smaller than an individual province. Sub-provincial data on local food systems could enhance our understanding of the differences between local food systems in urban and rural areas, and southern and northern areas. While there is some information about the number of farmers markets in Canada, there is a lack of data on their economic impact and how this has changed over time. There is even less data on the amount of local food sold through other channels, such as farm stands, CSA programs, retail chains, and restaurants. Better data on local food sales—including how much local food is sold through different sales channels and what products—would enhance our understanding of the economic impact of local food systems. It would also improve our understanding of barriers to further enhancing local food systems.

Data on the socio-economic benefits of local food systems are also limited. We know little about the extent to which local food systems can improve food literacy, food security, and help build communities. While there is some evidence that local food systems can have positive impacts on socio-economic issues, we lack information on the extent to which socio-economic issues directly benefit from local food systems, and strategies and policies to maximize potential benefits. Local food initiatives should be evaluated to better understand if there are direct links between local food and socio-economic benefits, as well as to establish best practices that can be applied elsewhere.

CONCLUSION

Local food has the potential to offer numerous public and private benefits. Local food systems are one component of the larger overall food system, and will remain as such due to Canada's focus on agricultural commodities and its role as a global exporter, as well as limitations in our capacity to produce a wide range of products that consumers seek. Nonetheless, there is room to expand the role of local food systems in Canada. Further enabling local food systems can contribute to the viability of Canada's food system as a whole, since the bulk of local food is sold through the broader food system, a pattern that is almost certain to continue.

Making the most of our local food systems requires many stakeholders to understand and capitalize on the potential benefits of local food. Indeed, in Canada, local

food is already available through most major retailers and food service operators, as well as through farm stands and farmers' markets. While it is relatively easy for businesses focused on niche and premium products to capitalize on demand for local food, optimizing local food systems requires stakeholders who are leaders in the broader food system, such as large retail chains and major distributors, to realize the full benefits from local food. Adopting innovative strategies to promote local food will help them as well as local producers. Ultimately, more successful local food systems will benefit the whole food economy.

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Appendix A

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