

# **Stories of Micro Food Enterprises and Implications for Economic Development**

**Toronto Food Policy Council Discussion Paper Series  
Discussion Paper #5**

**October 1995**

This is a work in progress. The Toronto Food Policy Council is interested in discussing the issues and strategies presented here as part of its on-going efforts to improve the food and agriculture system in Canada, and to help create food security. Please forward any comments, and requests for additional copies, to the Toronto Food Policy Council, 277 Victoria St., Room 203, Toronto, ON M5B 1W1. This report was researched and co-authored by Annette Verhagen and Ruth Knight.

**Other Toronto Food Policy Council Discussion Papers in this series**

## Table of Contents

Table of Contents .....	3
Other Toronto Food Policy Council Discussion Papers in this series .....	2
Executive Summary .....	5
Foreword .....	6
1. Introduction .....	7
2. Case Studies .....	10
2.1 Vegetable producer/processor, Wisconsin .....	10
2.2 Specialty fruit and vegetable preserves, Ontario (1) .....	11
2.3 Specialty fruit and vegetable preserves, Ontario (2) .....	14
2.4 Dairy goat processor, Wisconsin .....	16
2.5 Dairy processor, New York State .....	17
2.6 Dairy processor, Ontario .....	20
2.7 Cheese factory, Ontario .....	21
2.8 Dairy processing, Iowa .....	23
2.9 Mobile meat cannery, USA .....	24
2.10 Grain milling, Ontario .....	26
2.11 Organic grains and milling, Manitoba .....	29
2.12 Kitchen incubators .....	30
2.13 Fish farming, Toronto .....	31
2.14 Tempeh, Ontario .....	33
3. Common themes: opportunities and constraints .....	35
4. Current government and industry supports offered in Ontario .....	37
4.1 Business development advisory service, Ontario Ministry of Agriculture .....	37
4.2 Guelph Food Technology Centre .....	37
4.3 Financial Assistance .....	38
4.3.1 OFITIP .....	38
4.4 National Research Council .....	39
4.5 R&D Tax Credits .....	39
5. Recommendations .....	40
5.1 Government .....	40
5.1.1 Recommendation 1 .....	40
5.1.2 Recommendation 2 .....	40
5.1.3 Recommendation 3 .....	40
5.1.4 Recommendation 4 .....	41
5.1.5 Recommendation 5 .....	41

	5.1.6	Recommendation 6	41
	5.1.7	Recommendation 7	41
	5.1.8	Recommendation 8	41
	5.1.9	Recommendation 9	42
5.2		Private sector	42
	5.2.1	Recommendation 10	42
	5.2.2	Recommendation 11	42

**1. *Reducing urban hunger in Ontario: policy responses to support the transition from food charity to local food security***

In this discussion paper we present an evolutionary series of policy initiatives designed to reduce the need for food banks. These initiatives recognize both the government's fiscal dilemmas and the responsibility of many sectors of society for both the current problem and the potential solutions.

Date: November 1994, 35pp

**2. *Health, wealth and the environment: the impacts of the CUSTA, GATT and NAFTA on Canadian food security.***

Little attention has been given to the effect of trade arrangements (CUSTA, NAFTA, GATT) on Canadian food security issues, particularly for large urban areas such as Metro Toronto. Food security exists when all citizens have access to an appropriate, affordable and nourishing diet. New trade arrangements must be put in place that respect the foundation principles of food security: equitable wealth generation, environmental sustainability and the health of communities.

Date: August 94, 27pp

**3. *If the Health Care System Believed You are What You Eat: strategies to integrate our food and health systems.***

Our health care system does not recognize the extent to which hunger and poor food choices create problems and increase acute health care expenditures. We propose strategies to integrate our food and health systems so that health care costs are reduced in the long-term and population health improves.

Available Late 1995

**4. *Setting a new direction: changing the agricultural policy making process***

Many current problems in agriculture are a result of a flawed public policy system. We provide some examples of those flaws and propose changes to the agricultural policy making system.

Date: May, 1995, 40pp

## **Executive Summary**

The agricultural economy of Ontario is changing. Large-scale industrial agriculture has had its success, but at a cost. The province has lost a significant amount of processing capacity in the last few decades, particularly in fruits and vegetables and beef. Farm prices for many raw commodities have been at historically low levels, and net farm income poor. As part of a program of farm supports, governments have been encouraging farmers to both diversify their operations and explore value added opportunities. The success, however, of such efforts is not yet evident.

There is a growing market for food of higher quality. Following years of accepting the standardization and industrialization of food, consumers are increasingly demanding of producers, processors, and distributors foods with more taste, greater variety and more nutritional value. Associated with this is a growing market for products of local farmers and a greater desire to buy foods from the region where people live. Increasingly, consumers are associating higher quality with a reduced distance between producer and consumer. As well, the rapidly changing ethno-racial mix of the Ontario population has created demands for new foods processed in different ways.

New approaches, falling under the rubric of Community Economic Development (CED), are emerging, driven in part by the failure of global competitiveness strategy and mass production systems to meet local needs. Within this framework lie new micro food enterprises, usually operating with less than \$250,000 in sales.

From the 14 case studies presented here emerge many common themes:

- ! entrepreneurs find health regulations confusing, expensive and often irrelevant to their scale of operation
- ! marketing is frequently difficult and time consuming, as market channels for products that focus on locale and quality do not conform with dominant marketing approaches in the food system
- ! financing is always difficult and many entrepreneurs rely on family members and other forms of private financing
- ! equipment is not generally a problem because industrial overcapacity has created a significant used equipment market; modifications are, however, usually required
- ! entrepreneurs are frequently interested in collaborative and cooperative efforts, as these can increase volumes (frequently required by the dominant system), simplify distribution and reduce capital costs.

Some existing Ontario government programs are helpful, but many target larger scale operations. To encourage the development of this sector, we recommend enhanced government activity in financing, training, marketing and review of supply management and food safety regulations.

## **Foreword**

### **Why is the Toronto Food Policy Council (TFPC) distributing a series of discussion papers on food policy matters?**

This Working Paper is written with the purpose of engaging the larger community in the debates around food policy issues. In fact, there are few policies in Canada which clearly bear the label of "food policy". There are, however, several policies which bear upon the food system in Canada, and the health and food security of Toronto residents, visitors, and workers. It is this range of policies which form our interests, and around which we frequently engage in debate.

TFPC members are drawn from several different sectors as well as political orientations. While we can readily agree on shared goals such as alleviating hunger, protecting our economic and environmental base, and valuing our communities and citizenry, we often differ on what we see as the problems and solutions. It is usually only after lengthy reflection and debate that a policy position emerges and strategies for implementation become clear.

Our discussion papers are designed to bring forward the less easily available data on the issues we struggle with. Historical information is often cited so that we can understand intentions and processes of change in the past. We frequently propose long-term solutions that some find difficult to imagine, but we believe strongly that a vision of a better society must be supported with the means for its attainment.

For us the questions of food policy, or policy related to food security, tug at both our minds and our heart. It is in the spirit of broadening the debate and listening to more voices that we are sharing these discussion papers.

## **1. Introduction**

The agricultural economy of Ontario is changing. Large-scale industrial agriculture has had its success, but at a cost. The province has lost a significant amount of processing capacity in the last few decades, particularly in fruits and vegetables and beef<sup>1</sup>. Farm prices for many raw commodities have been at historically low price levels, and net farm income poor<sup>2</sup>. As part of a program of farm supports, governments have been encouraging farmers to both diversify their operations and explore value added opportunities. The success, however, of such efforts is not yet evident.

There is a growing market for food of higher quality. Following years of accepting the standardization and industrialization of food<sup>3</sup>, consumers are increasingly demanding of producers, processors, and distributors foods with more taste, greater variety<sup>4</sup> and more nutritional value. Associated with this is a growing market for products of local farmers and a greater desire to buy foods from the region where people live<sup>5</sup>. Increasingly, consumers are associating higher quality with a reduced distance between producer and consumer. As well, the rapidly changing ethno-racial mix of the Ontario population has created demands for new foods processed in different ways.

New approaches, falling under the rubric of Community Economic Development (CED), are emerging, driven in part by the failure of global competitiveness strategy and mass production systems to meet local needs<sup>6</sup>. CED is "the process of organizing for local community renewal - economic, social, ecological" (OLE, 1994). It is guided by the following concepts (McKnight, 1994):

- 1) Identifying what goods and services are not freely available in a local community.
- 2) The new heart of society is the small association (groups of citizens/people) coming together with a common cause, voluntarily and spontaneously to solve problems/issues, and assuming the responsibility and authority.
- 3) Communities must reclaim their own capacity, functions, and knowledge from institutional systems. Families should not be seen as merely "collections of clients" for the operation of larger (institutional) systems.

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<sup>1</sup> Cf. Winson, A. 1992. **The Intimate Commodity: food and the development of the agro-industrial complex in Canada**. Garamond Press, Toronto.

<sup>2</sup> Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). 1994. **1993 Agricultural Statistics for Ontario**. Queen's Printer for Ontario, Toronto.

<sup>3</sup> Sometimes referred to as the Fordist Food Regime.

<sup>4</sup> Not in the traditional definition of variety (defined by the food industry as the production of large volumes of only marginally difference), but rather variety of foods truly distinct from each other.

<sup>5</sup> OMAFRA's evaluation of the Foodland Ontario program demonstrates this, as does focus group testing of consumers regarding the emerging organic milk market in Ontario.

<sup>6</sup> See our discussion paper #2, **Health, wealth and the environment: the impacts of the CUSTA, NAFTA and GATT on Canadian food security**, August 1994.

- 4) Democracy must be exercised through small associations of people in solving issues and problems.
- 5) Through associations and their initiatives, CED can effectively solve economic crises whereby "citizen spaces" are created, and discussions and processes for change are effected.

To make CED a reality requires that:

- ! Government and business focus on supporting many small initiatives and on creating local self-reliance
- ! Capital be available for small entrepreneurs, especially those with social objectives
- ! CED training be readily available to potential community entrepreneurs
- ! Business development supports be available, including the development of business plans

Rural communities and agricultural producers are part of this new wave of thinking, and small-scale food processing, on and off-farm, is emerging as one viable element of a rural community economic development strategy<sup>7</sup>. The Ontario landscape was once dotted with small scale processors, some on-farm, others in small rural communities. The forces that resulted in their demise have been well-documented<sup>8</sup>. After several decades of consolidation and centralization, two divergent trends are now defining food and agriculture: one that continues through globalization, the process of consolidation; the second is characterized by a breaking up of markets, companies and processing, with renewed emphasis on quality and locale. Associated with this second trend, firms, rather than refurbishing old plants costing millions of dollars to renovate, are using new technologies that allow companies to downsize to smaller plants, shrinking their overhead and diversifying their markets.

In this environment there are substantial new processing opportunities. Two general responses are emerging. In one, farmers are looking for ways to move closer to consumers by taking over the processing of their raw products and locating plants on their farms or within rural communities. In the second, firms in small rural communities provide economic services to larger companies by developing plants that contract business from large companies. These initiatives succeed by creating cooperation between producers of the raw product, the towns people and the processors.

Market surveys confirm that these new opportunities exist. For example, a study of the Niagara Region has identified opportunities for high quality products, using local supply, of

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<sup>7</sup> Much of the rest of this section is based on interviews with Larry Swain, Rural Development Centre, University of Wisconsin (Nov. 23/94); Lee Egerstrom, author on rural economic development, and agricultural business writer for the St. Paul Minneapolis Times (Jan. 7/95); and Duncan Hilchey, Farming Alternatives Program, Department of Rural Sociology, Cornell University, Ithaca, NY (Nov. 23/94).

<sup>8</sup> For two accounts, see: Winson, A. 1992. **The Intimate Commodity: food and the development of the agro-industrial complex in Canada.** Garamond, Toronto; and Menzies, H. 1994. **By the Labour of Their Hands: the story of Ontario cheddar cheese.** Quarry Press, Kingston.



bakery goods, jams and jellies for the hotel/restaurant trade, specialty ice creams (with local fruit), and specialty pastas<sup>9</sup>. Surveys in Windsor concluded that a high percentage of local consumers wanted to buy local product and thought they were, but examinations of retail outlets revealed that much of what people thought was local was actually imported. Consumers were very interested in buying more local product, both fresh and value-added, from a variety of distribution outlets. Seventy-one percent of grocers indicated an interest in using local value-added products in their businesses<sup>10</sup>. A study by Hilchey concluded that small scale food processing is the only class of food processing growing in NY State (companies with 1 to 4 employees). Swain studied 190 consumers at supermarkets in the Twin Cities, River Falls and Hudson areas of Wisconsin and found that: 89% would pay more for a meat product (up to 10 cents/lb) if there were assurances that it was a quality product; 66% would purchase meat products certified as being produced by family operated farms using sound environmental standards; shopping habits were changing - consumers were less inclined to make extensive meat purchases preferring to purchase meat regularly for a few days at a time, citing convenience of regular trips to the supermarket. Such findings increase optimism for small producer/processors or for farmers to form cooperatives to process and market upscale, high quality meat, market by distinct, branded packaging that serves as a guarantee of the meat's quality.

Given these circumstances, interest in small-scale on-farm processing has been on the rise in North America. Although there are some success stories, it seems that a number of structural forces have constrained the emergence of such activity. For organizations like the Toronto Food Policy Council, interested in new food economic development in urban areas, there is an interest in building the local food economy - enhancing the capacity of producers to focus on quality, on new foods and new food processing techniques. The viability of the Ontario farm sector is seen as intimately linked with the meeting of these new consumer demands.

Consequently, the TFPC commissioned a study of on-farm processing. In Chapter 2 we present 14 case studies involving a range of commodities, circumstances, markets and geography. In Chapter 3, we extract the common themes of these cases. The rest of the paper examines current government efforts to support this economic activity and additional actions that could be undertaken to make it more vibrant.

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<sup>9</sup> Niagara Regional Development Corporation (1994). Food processing in the Niagara Region. In: Community Economic Development Secretariat. **The Food System in Niagara: report on a pilot project**. Ontario Ministry of Economic Development and Trade, Toronto.

Community Economic Development Secretariat. 1995. **The Food System in Windsor: a report on local community economic development**. Ontario Ministry of Economic Development and Trade, Toronto.

## **2. Case Studies**

Case studies were selected to provide a range of different experiences - on and off-farm, a range of commodities and processed products, and the rules and regulations of different jurisdictions. Our focus is primarily on very small enterprises, usually run by a family, with sales under \$250,000. These firms all struggle in the current economic climate, yet demonstrate in a variety of ways how a new local economy can be built. The cases are written to bring out both the challenges and the opportunities. In Chapter 3 we examine the common themes emerging from these cases.

### **2.1 Vegetable producer/processor, Wisconsin**

#### Description

A Wisconsin vegetable producer has been processing on-farm for 3 years. As a grower he sees the need to take produce to an end - product state. He is not located near a big city so markets are limited. The business requires one full-time employee in addition to the owner. Seconds, culls and over production are handled by making preserves. His products include pressed oils, mustards, salsas, pickled cucumbers and asparagus, other relishes, apple butter, vinegars from malted and cultured juices, honey, and some experimentation with dried fruit and vegetables. In the off-season, grains are ground into flour and fresh baked bread is marketed. The farm production and processing is certified organic.

#### Equipment

The processing takes place on the farm in a building 26 x 32 feet with an 18 foot addition used for storage. For the most part the equipment is second-hand, purchased from used equipment dealers. It includes: an electric food dehydrator; a juicer/pulper which removes peel, stems and seeds; a steam kettle for apple butter and mustards; a semi-automatic filling machine; water bath kettles; a meat grinder for relishes; bread makers; cereal grinders; a commercial scale vegetable slicer/dicer for preparing vegetables for drying; oil seed press that can press any seed; a home scale 19 qt. pressure cooker; an on-demand water heater and a six-burner stove. The used equipment dealers are all out-of-state, mostly from California, Michigan or Chicago. The dealers often get equipment from a particular commercial plant that has been renovating. Although the dealers tend to place a big markup on this equipment, a bargain price can often be negotiated. This processor is then on his own to set up the equipment and learn how to use it, but local trades people such as plumbers or electricians are called in when their expertise is required.

#### Regulations

The processing operation is State inspected and licensed. The owner contacted the inspector before building and received initial approval for the operation. This is a more positive approach as it appears more cooperative to the officials and can be less costly by avoiding changes. Because all of the products are high acid, dried or sugared the regulations are fairly straight forward and not too difficult to follow. The situation is different for low acid processing which requires a pressure cooker with recording thermometer and different record

keeping.

### Marketing

Products are presently marketed on the farm with a self-service road stand. This approach has been successful. Work is underway to develop a marketing cooperative using a State Department of Agriculture grant to cover the labour and administrative costs of organizing the cooperative. It is hoped that with this marketing cooperative, sales will expand especially to whole food stores and buying clubs, local stores and the local College.

### Technical Support

Some processing training has been completed by the employee. He went to Better Foods Processing School at University of Madison, WI. for 5 days. This program was set up by the State Department of Agriculture and the University, and paid for in part by a grant received from the Department of Agriculture. The remaining on-going training needs are met by personal research, and sometimes from the State extension service. The State has not always been helpful because officials expect all processors to be formally trained in University and do not always have the practical and technical expertise to help out with a situation like this farm/processor.

### Social Organization

The business is presently operating as a sole proprietorship but the owner is very interested in the marketing cooperative. The cooperative is not essential to the present operation but the owner believes in co-ops. Such a cooperative would allow processors to rent equipment on a time share basis and to cooperate on production and marketing, perhaps even to market under a common label.

### Opportunities and Constraints

Technology and availability of equipment were not identified as barriers for processing food on-farm. The expense of labour was identified by this processor as the greatest barrier. His future interests include building a mobile cannery to allow other growers to process on their own farms or at a central location. He is also interested in a mobile slaughter unit for chickens. This unit would require a steam kettle (wood or propane) and a mechanical plucker. Visceration could be done by hand. Wisconsin regulations allow a farmer to butcher up to 1,000 birds a year for in-state sales. In Ontario, a farmer without quota is only allowed to raise birds for domestic use and chicken that is not processed by a licensed processor is not allowed to be retailed. This business takes advantage of an organic niche market and reduces waste (and losses) by using imperfect products suitable for processing.

## **2.2 Specialty fruit and vegetable preserves, Ontario (1)**

### Description

An Ontario husband and wife team operate a farm based, specialty foods microbusiness. They process jams, marmalades, and vinegars year round using old recipes which require no

pectin and little sugar. They produce about 20% of the raw product used in the recipes. The remainder of the raw product is bought as frozen fruit from international suppliers, the same suppliers used by restaurants and hotels. These supplies keep them competitive since the frozen fruit is purchased at competitive, global prices.

The business started as a part-time venture by the wife, selling at a farmers' market in a small city. In 1990, both started working full-time in the business. The husband gave up a career in sales and marketing to be part of the business. The challenge of implementing their own business plan was his motivation.

### Marketing

While selling at the farmers' market, visitors began connecting them to specialty shops, first to a volunteer buyer for the Ontario Art Gallery gift shop. As they made more of these types of connections, the target market became gift and specialty food stores. Further connections to this target were made about 5 years ago by displaying their products and handing out brochures at the Canadian Specialty Food Show and the Canadian National Gift Show. Both shows are held annually in Toronto. The Specialty Food Show is held in the Toronto International Centre the last weekend in May.

They now have out-of-province and out-of-country sales. Most of the marketing is done wholesale to specialty food shops. There is no retail store on the farm. Some retail marketing is done through a local marketing cooperative using a mail-order catalogue, by attending local shows, and by hosting an open house twice a year. The couple uses a mailing list of their client base to advertise their summer and pre-Christmas open houses. Donations to a local charity are collected at the open houses. These donations help to foster local pride and advertise the business. The local marketing cooperative is a joint venture between the local theatre and a group of other artisans, crafters and farm processors. The theatre supplies an extensive mailing list of their patrons, while the artisans defray the advertising costs of the brochure. The couple joined the co-op because they felt that they had the same target market as the theatre and the community support is important to the continued success of their business. They operate on the belief that they need to make their business visible to the community and to contribute to its welfare.

### Regulations

All of the labels used for their products are licensed for in and out-of-province distribution. The processing takes place in a government approved kitchen in their home. When they started their business full-time they moved to their present rural location. Before beginning any renovations they invited the local public health inspector to their house to give guidance on what would be needed for licensing and permits.

The regulations they are asked to follow are a nuisance and absurd for a microprocessor. They told of an inspector from Agriculture Canada who spent an entire day inspecting the premises. Half of the day was spent writing the report saying everything was fine except one regulation was not fulfilled - a requirement that the perimeter of the building, where processing takes place, had to be paved a minimum distance. The rationale is that paving is needed to reduce dust created by the movement of large trucks. However, large trucks are

not used for shipping or receiving goods. Their impression is that regulations are designed for large companies, and that many are not applicable to microprocessors. The inspector had wasted their time and the taxpayers' money. A second example was provided concerning a regulation on the ratio of fruit to filler and sugars in jams. This regulation is irrelevant to a business designed to produce high quality, using lots of fruit. In their view, microbusinesses rely on quality to distinguish their product from all the rest, but the regulations assume mass production techniques like most other processors.

It has been their experience that rules at the Federal level are different from those used by the local Board of Health. Local board regulations, they believe, are based on health and food safety issues, while the federal regulations lack common sense. It was said that the federal rules are outdated and are based on a lowest common denominator approach.

### Equipment

Standard restaurant equipment is used. Much of it has come from local restaurant supply companies like those found in many cities. Any place that sells commercial cookware carries the necessary equipment. Much of the large equipment has been purchased used, while the smaller equipment such as spoons was purchased new.

### Assistance and Source of Information

They find there is little direct help with information on market trends and technical questions. Instead, they work on their instincts and on what is happening in the news. They try to identify what is not available. OMAFRA was of little help except to tell them what they could not do. Their impression is that many of the Ontario based agencies connected to agriculture and food processing are not interested in microbusinesses. Other provinces, they believe, such as Saskatchewan, do have an interest and are doing things to help out microbusinesses. They met Saskatchewan processors at a trade show who had received support from the province and their local government to be there.

### Suggestions for Changes

They suggested that traditional agencies cannot provide much help getting people started. Grants, they believe, are not the preferred means because a successful business is based on ideas from people with unique talents and not everyone has them. Survey information is usually too general for niche markets like those of a microbusiness.

The following suggestions on how to help were offered:

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| <ol style="list-style-type: none"><li>a) Teach people marketing skills, e.g., factsheets on how to create and write a newsletter, how to involve community, build local pride, and do fundraisers.</li><li>b) Stimulate through media interest in entrepreneurship.</li><li>c) Highlight local success stories and help businesses obtain Town Council support.</li><li>d) Open up programs to rural people. They suggested that many programs at the moment are targeted toward people who have exhausted Unemployment Insurance (UI). This penalizes people who are not on UI. There are free resource centres in the</li></ol> |
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city for self-employed people but rarely do they exist in rural areas. The best people in rural areas to target to start businesses, they believe, are farm women.

### Opportunities

A number of current factors will help a microbusiness to succeed now as opposed to 10 years ago:

- 1) Management & marketing technology: computers have allowed them to keep track of all sales for an entire year and display all information in one format. The information has been invaluable for marketing and management decisions.
- 2) Supplies can be sourced from all over the world. They gave the example of a glass jar supplier who could not supply their original order in time but could source another off-shore supply. The only way to buy raw ingredients is through big suppliers of frozen fruit. Fruit from all over the globe can be purchased at world prices. This keeps business competitive.
- 3) Technology is simple and available. Equipment is top of the line and this makes regulators happy. Also all of the recipes and methods are fool proof (from inherited cookbooks before 1940s) which regulators like.

### Constraints

Availability of equipment was not considered a barrier. The rules and regulations were a nuisance but were not considered a real obstacle. The prime obstacle is marketing. Microbusiness relies on people marketing their own products. Few people have the marketing skills for microbusiness. Some training in this area could help entrepreneurs.

## **2.3 Specialty fruit and vegetable preserves, Ontario (2)**

### Description

An Ontario based, microprocessor makes preserves, antipasto and herbs. The business includes 50 different food products and at peak production they process 1000 jars a day. Processing takes place from May to December. The herbs used in processing are grown by the business and the other raw materials are purchased.

### Equipment

For some needs, old restaurant equipment has been redesigned such as a steam table converted into a water bath. There is one kitchen with 2 new steam kettles, 10 and 20 gallon pots, a cooler and other smaller equipment such as a Ph meter and refractometer. Service and repairs does not present a problem as operators have connections with restaurant people and the Food Technology Centre at the University of Guelph.

### Social Organization

This is private business with one owner and a general manager. Occasional staff are hired for peak periods. They have access to an informal network of restaurants. The owner has a

connection to the Food Technology Centre and obtains advice and some lab testing help from professors. This access is unusual given that the University of Guelph deals with mostly large scale processors. They belong to the Canadian Specialty Fruit Association and have developed informal networks from attending craft shows that are helpful for information, ideas on equipment suppliers, and new products.

### Suppliers

Fresh fruit and vegetables (e.g asparagus) are supplied by local growers. Frozen fruit comes from Nova Scotia, British Columbia and Poland. From time to time the business makes joint purchases with a juice processor. A steady supply of high quality wholesale frozen fruit for the jams has been difficult to establish. The cost of local produce is too high and the quality has been inconsistent. Their preference, however, is to buy as much local produce as possible to reduce the distance between their sources and themselves.

### Marketing

Marketing is a weak link in the system. They do the craft show circuit and sell to specialty shops and through mail order. They also have a representative on the road. They would like to get into the export market but it is cost prohibitive at this time because of different label standards.

### Financial Support

The business was built partly through government grants and loans, and for the rest of their financing, the business uses traditional banks. They do have problems with the banks' inflexible terms. The seasonal nature of the business means they have inventory glitches, something financial institutions are not sympathetic to.

### Regulatory Environment

Regulations are not a problem for this business but it is not an entirely perfect situation. They are inspected by both Agriculture Canada and OMAFRA. Agriculture Canada is disorganized, with different inspectors for different parts of processing operations and labelling. Because of the testing provided by the University of Guelph the regulations are less of a constraint.

### Opportunities and Constraints

Connections to the restaurant trade and to a local institution such as the university and the Food Technology Centre are very helpful. Ingenuity in transforming equipment and access to restaurants going out of business helps to meet the equipment requirements.

The limited availability or unsatisfactory quality of local produce represents a constraint to this business. To remain competitive they have to buy wholesale products that are not locally produced. This is a lost opportunity for the local community. There is one co-venture with a local juice processor which could be pursued in the future.

## **2.4 Dairy goat processor, Wisconsin**

### Description

Two women in partnership process french style Chevere goat cheese near Madison, Wisconsin. They started in 1982 with 50 acres of land and 3 goats. The women were both academics in Madison. They spent a summer at one of their father's farm and decided they could not go back to the city. They had been given 3 milking goats, and looking for a new challenge they decided they would like to be goat farmers and process Chevere style cheese. The search for a farm began. The requirements were a farm with either a good house or good barn and, being the highest priority for a goat dairy, an excellent source of water. They eventually bought a farm with a small house and moved a barn from another state onto the farm. The remainder of the buildings were built by them with the help of books, family and friends.

### Financing

Having few other financing opportunities, they formed their partnership in such a way that joint financiers/friends could use their investment in the farm as a tax break. With this incentive, professional city friends with some spare money invested.

### Regulations

State cheese making regulations involve licensing both the premises and the cheese maker. Normally cheese makers follow an institutional training program before writing a qualifying examination. However, for making french style goat cheese there were virtually no formal institutional training programs. They had to rely on books, sometimes translating from french. Inspectors allowed the cheese maker to write the qualifying exam without formal training. To license the premises, the women contacted officials and worked out the details before building the processing plant. The experience was not a negative one although it had many challenges. The women wanted to be conscientious processors and respect consumers' need for product confidence. There were patient negotiations with some officials because they were unfamiliar with the small scale of the operation. The biggest regulatory obstacle, a Catch-22 of sorts, was the inability to allow consumers to test their product unless it came from a licensed facility, but they wanted to test before building the facility. They had to rely on the responses of family and friends and take a chance other consumers would agree with the data from this limited survey. The lack of a solid marketing study, in turn, reinforced the problems negotiating financing from conventional financial institutions.

### Marketing

It took at least 2 years to get the dairy underway. One of the partners said "It takes a lot of patience and one must believe that it can happen". It took even longer to build their market. They sell at a farmers' market in Madison where they have direct contact with consumers. By



offering samples, cajoling, and joking they coaxed consumers to try the cheese. In the beginning they focused their marketing efforts on the French style cheese. They soon discovered there was a diverse group of consumers culturally connected to goat cheese and their sense of possibilities widened tremendously. Many people in Madison are from ethnic backgrounds where goat cheese is associated with special places (such as in the mountains) or emotions. Contacts were also made with people who have travelled. Some excellent free publicity came their way in the early years. A local T.V. station did a info clip which became a 10 minute video on the farm. They also supply restaurants and grocery stores. In the beginning they were the only goat cheese processors in the state but since then others have started. Their clientele comes back to them likely because they were the first.

### Opportunities and Constraints

This business is supported by both an ethnic market (the clients' emotional connection to the products is important) and a specialty market of travellers willing to experiment with new foods of other cultures. In summary they have captured several sectors of the consumer marketplace.

The inability to test markets without a licensed facility created obstacles to financing. Other constraints included the lack of technical support and training in goat cheese making. The local authorities were inexperienced with this type of processing. This added to the time required to establish the business.

## **2.5 Dairy processor, New York State**

### Description

A dairy producer from New York State processes fresh milk from his farm and bottles it in returnable glass. The product has a reputation for quality due to low somatic cell count and the fast chilling of milk (put in a cooler within a few hours of milking). They do not use recombinant Bovine Growth Hormone (rBGH). The operation is not organic but is close to being certifiable. They do not use any restricted chemicals but do use some purchased protein supplements. At least 50 people normally sensitive to milk have told him that they can drink his milk. To ensure quality the owner oversees all the processing himself.

The business has been bottling for 1 year, processing a half or 2/3 of the milk produced on a farm of 120 Holstein milk cows. This amounts to 2,000 gallon per week of fluid bottled milk. The plant is located within a 15 minute drive of the farm. They have their own tanker which brings the milk to the processing plant. A retail store is located at the bottling plant. The business is located between Ithaca and Auburn, each having populations of 30,000. Labour consists of 2 drivers, 3 people processing, 2 people at the retail store and a couple of people on the farm.

### Equipment

Used equipment was purchased from a plant in Pennsylvania. They have had no difficulty with equipment set up or maintenance because they are mechanically inclined. However, used equipment is now harder to find because dealers are selling to other countries. Their

equipment line includes a homogenizer, bottle washer, a vat pasteurizer and a short term pasteurizer, a separator, and an automatic bottle filler.

### Regulations

Government regulations and regulators are the biggest obstacle to the micro milk processor, almost to the point of making it impossible to operate. They understand that regulations are necessary for food safety and people have a right to a safe product but the regulations and reports required are too numerous. There are more inspectors and regulators than there are milk plants. Their business requires 7 licenses covering processing of bottled milk, cream, yogurt, and butter but not ice cream. They report to 6 different agencies each and every month, semi-annually and annually, and each agency has a fee every month. Everyday there is someone from the government at the plant with questions. To give an example of the paperwork load, if all the reports required for a month were laid out lengthwise they would measure 22 feet.

The regulations also define when a producer becomes a processor. Once a producer takes 25 gallons or more of milk out of the bulk tank to process, the remainder of the tank is considered to be commercial excess. This excess then receives a very low price. For example, last year the business lost \$30,000 because of the lower excess price.

### Market

The bottled milk is sold at the retail store located at the processing plant. They also wholesale to 40 health food stores and just started home delivery in December 1994. The customer base is 1,000, the largest part of which shops in health food stores. The average price for milk is US\$2.40 /gal and their price is US\$3.00 /gal.

### Social Organization

This producer is working on his own at the moment and no other milk is mixed in with milk from their farm. Two other farmers have offered to sell their milk to the processing business. He would be interested in a partnership with the interested farmers as long as they would share the workload in addition to contributing their milk. He needs help in processing, distribution and the marketing. There is a cooperative distribution arrangement with another distributor who goes to the same stores as he does and can deliver milk at the same time as his own deliveries. They connected by accident. He has thought about offering a newsletter to customers but has had no time to do it.

### Community response

He expects that other farmers hope his business will fail, because, he believes, they do not like change. The consumers are very happy. They love the milk because it does not contain rBGH. They especially like the skim milk, as it tastes better than regular skim. He has not received any political or financial support. He had to take a mortgage out on everything including the farm to set up the business because all the government agencies he went to had

no money for his operation.

One story he related is indicative of the lack of support from the retail sector and the resistance from large processors and distributors. A number of customers who travel 15 miles to buy his milk asked if the milk could be made available at a chain convenience store closer to them. This idea was pursued with the store owner but negotiations ended when the owner heard there would be no promotion deals like the ones offered by the big companies. The processor also feared that his customer list would be given to a big company that would attempt to take away his customers. On another occasion, a negotiation with a distributor ended after one of the distributor's big suppliers got wind of the distributor's interest in the milk and threatened to refuse the distributor business.

### Opportunities

Presently milk producers receive US\$12.5 to \$13 per cwt. at the farm gate. After 9% is deducted for fees, they end up with about \$12 per cwt. Experts at Cornell University estimate that production costs are \$17 per cwt. This business owner wonders why producers accept \$1 per gallon from the processor when they can get \$3 per gallon at their doorstep processing their milk themselves. He does not understand why some farmers are starting up 1,500 or 2,000 head dairy herds to sell milk at low prices, instead of starting smaller herds and investing their money with other producers to start their own processing plants and obtain better incomes. The challenge is to achieve efficiencies of scale. The cost per unit decreases as production increases because clean up takes as much time for a double as a single run. The processing plant is currently profitable.

### Constraints

There is no one to ask for guidance. The regulators and inspectors tend to harass processors. For example during the first months of processing, a marketing auditor spent 5 days going through absolutely every record (including those from a few years back), vehicle and land titles, and records of other businesses. The auditor never explained what he was looking for. This went on until one day the auditor was found looking through the desk drawers and he was kicked off the property. Inspectors and regulators show up and do not explain why they are there and what they are looking for. If they are refused access they explain that if they can not do what they want, they will shut down the operation.

### Suggestions for Change

- ! provide incentives for people to go into business, e.g., some financial incentives.
- ! government could find ways of helping instead of hindering, e.g., the price given for milk considered manufacturing surplus has not been increased from 25 gallons for 30 years since it started.
- ! it is difficult to start small, for instance the surplus milk price is an incentive to process as much as possible but there is not enough market to do that.
- ! regulations are designed for large processing plants not small ones.

### Motivation

He works long hours, but believes in what he is doing. It took one year to get everything in place for the processing. The day they opened the retail store not one customer showed up. They did a lot of advertising in the beginning, but it was too expensive to continue. They have had a lot of press coverage mostly on the rBGH issue. Growth now comes from word of mouth.

## **2.6 Dairy processor, Ontario**

### Description

This is a family dairy operation. The son is the principle processor and business manager. The farm is certified organic and bio-dynamic. They process yogurt and kefir - similar products except that they are made with different cultures. The yogurt and kefir are sold in returnable glass jars, which is unique in the organic yogurt market. There is one full-time employee, plus the father works full-time, the mother part-time. They milk 28 Holstein cows, producing 2,200 Litres per week and process on average once per week, producing 800 Litres per day of yoghurt and kefir.

Already operating the farm, the decision to set up the processing business was made in December of 1991. In the Spring of 1992, on a recommendation from the OMAFRA dairy inspector, the son began taking courses at Kemptville College. It was suggested that it might be easier to obtain a license, and maybe less red tape, if the son could prove he knew what he was doing, as he had no experience in another factory. The courses included pasteurizing, micro-biology, sanitation, and milk testing. There are two parts to the licensing: one to construct and the other to process. The family applied for the permit to build in September of 1992. A hearing to decide on the application was held in December of 1992. The decision was favourable but was appealed by the Ontario Dairy Council. The appeal was heard in February of 1993 and defeated. The processing building was started in July of 1993. They conferred with the inspector on building specifications before starting. The building had to be built, inspected and approved before the final license could be issued. The final license was received in August 1994, at which time they began processing. As with all dairy operations they required quota to produce milk but they did not have to buy it for the processing. They are allowed to process Class 1 (fluid milk) or Class 3 milk for yogurt but they would need quota for Class 5 milk for cheese.

### Equipment

All of the equipment is made of stainless steel. It was purchased used from a dealer in Quebec or through contacts made talking to other people. The equipment line includes a raw milk storage tank, pasteurizing vat, culture vat, incubator room with heater, carts and trays for jars of yogurt, dishwasher, crates for washing, and a refrigerated truck for deliveries. The processing takes place on the farm in a separate building 60 x 44 foot in size. The jars are purchased from a supplier in Montreal.

### Regulations

The regulations are governed by the OMAFRA Dairy Inspection Branch. They also had one visit from the Federal Inspection Branch. The regulations caused them to build a larger facility than initially planned - originally they planned a 30 x 40 foot building and smaller equipment. The regulations required that materials flow in a way that separated the raw and processed milk streams. Without the regulations they could have started in a kitchen and expanded as the market grew. As a result of the regulations they were forced to do more research. They hope they will save money because they will not be buying larger equipment and increasing the size of the facilities in the future.

### Marketing and Distribution

They market and distribute the products themselves to Ottawa and Montreal health food stores. Whatever they presently make they sell, but they could make more product. They are not really pushing the distribution because in this learning phase they do not want sales to get ahead of what they can produce. Sometimes they have to wait on supplies (e.g., boxes) which reduces capacity to market. In May of 1994 they contracted with a company to make jars with painted labels. It took until September for the company to get the colour match. The use of a painted label on the jar differentiates their product from other processors and prevents the return of jars that were not originally theirs.

### Financial

They were unable to secure financial assistance so the parents had to mortgage the farm (at that time debt free) to build the processing plant.

### Technical assistance

The OMAFRA Dairy Inspection Branch told them about regulations. In their evaluation, the authorities gave guidance only on what was wrong, but gave no help in telling them how to do it. All the market information they found on their own.

### Opportunities

These people found there is some flexibility in the dairy processing industry although room for their operation was reluctantly given. They have a niche market - health food stores in nearby urban centres. The glass jar with the painted label identifies their product and consumers like the fact that the jars are reused and recycled.

### Constraints

They have to live with regulations but the ones currently in effect forced them to build a larger facility with more investment and risk. They had indications of interest from stores but no commitments until they saw the product. The product could not be produced in small batches to test the market. If small batch facilities were available, OMAFRA did not suggest using them. They wanted from the outset to use returnable glass jars but no one had done it before and they made lots of mistakes on the jars. All in all, setting up the processing business was very high risk. They made a \$300,000 investment without a clear idea of the

market potential and no definite contracts.

## **2.7 Cheese factory, Ontario**

### Description

A medium sized Ontario based cheese factory processes 255 days of the year, making both cows' milk and goats' milk cheese. Two million litres of cows' milk is processed into 420,000 pounds of cheese and 2,000 litres of goats' milk is processed into 40,000 pounds of goat cheese.

### Equipment

The equipment is predominantly used, dating from 50 years ago. Some of the equipment is of more recent vintage. The older equipment is difficult to repair and to find replacement parts. Due to their smaller scale, replacing old equipment is expensive. They would have to get custom built equipment out of Toronto or Montreal.

### Social Organization

This is a limited company with 14 shareholders, employing 7 full-time and 11 part-time staff. The milk suppliers are local and some more distant but within a 50 km radius. The company is a member of the Ontario Dairy Council, the Canadian Federation of Independent Business (for information and lobbying), and the Central Ontario Cheesemakers Association (for information exchange and social interaction).

### Regulations

New regulations titled Hazard Analysis Critical Control Point create problems for this company. It was said by the person contacted that the paper work would use up one third of his time. Again, because the company and profit margins are small, this new legislation can not be managed in an affordable way. The government is geared for big business and large economies of scale. This is a barrier for small or medium sized processors.

### Marketing

Marketing is a weak link for this business. They do not advertise. They are trying to export the goat cheese and have captured an ethnic market niche for the goat feta cheese, primarily with the Greek community. They market to specialty shops, ethnic and health food outlets - approximately 400 wholesale markets and 50 health food outlets.

### Financial Support

Financial support is limited because of the banks' tighter control over their operation. Before the bank will lend the company money they have to file an environmental risk report.

They have to pay \$14,000 in property taxes and have problems with Ontario Hydro rates and employee benefit costs - health tax, pension, Workers Compensation (premiums are as low as

possible due to their good record). Farmers are paid top end market prices for their milk, so the company has worked to decrease other input costs. These savings are being eaten up by other costs such as the regulatory ones.

### Opportunities and Constraints

Various constraints have been identified, some are associated with the type and scale of the business (e.g., equipment costs and marketing), while others are associated with the relationship of government with small businesses - regulations particularly those requiring extensive paper work, Ontario Hydro rates and employee benefits. Limited financial support and the controls or limitations placed on small businesses by financiers are also constraints.

## **2.8 Dairy processing, Iowa**

### Description

The farm has 30 head of Jersey cows and a milk processing operation. Using only the milk produced on the farm, this business processes 800 to 1000 U.S. gallons per week which the owner considers small scale compared to the conventional dairy processors. The processing takes place in a separate building. The processed products include whole milk, 2% milk, skim milk and cream as well as yogurt and ice milk. The farm is in transition to organic farming. The forages are organic, the cows are pastured with controlled grazing and organic corn is purchased for feed.

### Equipment

The dairy processing equipment is domestic and about 50 years old. It includes several 150 gallon vats for pasteurizing, a boiler, a plate cooler and a bottler. An ice maker is used for the heat exchanger to cool the milk. The milk is packaged in 3 different sized plastic jugs. These jugs are not reused but can be recycled. A separator is used for the cream but the milk is not homogenized. A pick-up truck with an old style ice box (a refrigerated box that can fit into the back of a pick-up) is used to deliver milk to outlets.

Parts and servicing of equipment is not a problem. The owner goes through the dairy food processing magazines and finds suppliers in the classified section. He does not need many parts except gaskets for the plate cooler and he has access to two local suppliers for technical advice. He services his own equipment and he has two local refrigeration repair people to call on to service the coolers.

### Social Organization

The farm and processing operation was purchased 2 1/2 years ago. It was originally set up as a co-op in 1987 and run by several families. These original families used the milk in its raw state until the government stepped in and demanded that they pasteurize the milk. The families then set up a processing operation.

The present owner now rents the land but owns the equipment and the cows. The operation is family run with one full-time and one part-time staff person doing the pasteurizing,

processing and delivery of the milk. They pasteurize twice per week. The owner concentrates mostly on the dairy operation.

The business does not belong to any networks or organizations for technical support but the owner gets calls from people wanting to start their own processing plant. The owner would like to visit other farm processing operations and thinks farm tours would be helpful.

### Technical Support

The owner noted that 20 years ago the government helped farmers who wanted to establish cheese making on their farm and provided the skills development and technical support. He would like to see the government do this again but also sees the need for "farmer helping farmer" models so that information and technical support could be shared.

### Regulations and Marketing

The market for this company is secure with four local grocery outlets - 2 large retailers and 2 natural food stores. There is a Transcendental Meditation University community nearby and many students stay in the community after their studies. They are interested in natural foods and buy this product. The city of 10,000 people has 10 natural foods restaurants. Milk is also sold in nearby Iowa City, population 50,000, to a food co-op that was established in the 60's.

The state government was hesitant when the processing plant was first built because of the small scale but since then the relationship between the state inspectors and the operation is cooperative. All the same regulatory requirements as the large processors have to be met. The dairy operation is inspected every 6 months and the processing operation is inspected every month with a milk sample and equipment check, such as the thermometer on the pasteurizer and the refrigeration temperature. The operation keeps records on each pasteurized batch with temperature readings. The United States Department of Agriculture (USDA) is felt to be a bit of a nuisance because their time consuming paperwork and audits on the production.

### Opportunities and Constraints

This operation is profitable because it already existed when purchased, eliminating the need to find and purchase small scaled equipment. Unlike many of the other businesses interviewed, this operation has an established niche market.

Like many of the others, this business is challenged by the need to meet regulations and the associated paperwork. The overlap between state and federal regulations is difficult to understand. Although a more personable and cooperative relationship with the state inspectors has been established, the relationship with the federal regulators appears to be less rewarding. The owners appear to believe that government could offer more assistance and support as it did in the past. However, there is also room for more self-help approaches.

## **2.9 Mobile meat cannery, USA**



### Description

A US based, charitable organization processes and cans meat for the purposes of overseas mission work. The meat cannery is a mobile unit which services thirty communities located in eleven states. There are several sites within each of the communities - on a farm, at a regional organizational site or at a local butcher. For the year 1992/93 the organization processed 310,000 cans of meat. The mobile unit operates for 6 to 7 months of the year.

### Equipment Supplies

The equipment includes cookers, boilers, retorts for pasteurizing, a canner and a hand powered sealer. All of this equipment goes into a tractor trailer and can be set up at the site. The community supplies the meat, either from a farm or a butcher, and buys the cans and provides volunteer labour. The organization provides the canning equipment and three cannery workers who drive the equipment to the community. The equipment came from several American canning equipment industries, mostly from the Southern US. The major supplier is Can Corporation. A new canner has been custom built for the organization's particular needs. Some of the equipment is difficult to find such as the hand powered sealer which they required for safety reasons as volunteers are working the equipment. The same sealer has been used for 20 years and it had to be refurbished. If required they have access to another one, old stored equipment, from Can Corporation.

Availability of parts and service is not a problem. They have access to old equipment and they refurbish as much as possible. Large companies are willing to sell equipment to the organization even though they are small scale.

### Social Organization

Each canning site is locally owned and operated. There are a number of churches/congregations involved that provide the labour and funds for the cans and meat. Operationing runs can vary from a day to a week.

### Technical Support

For the equipment, the organization has a good working relationship with Can Corporation and various other equipment dealers. Can Corporation provides information and support for the canning process so that it will meet USDA standards. Can Corporation is considered a valuable resource to the operation and supplies technicians to service the equipment. The company has provided the information on the process for free and they appear to give the organization a discount on their services because of their charitable status. There is no formal documentation for this in-kind service and discount (ie. income tax receipts for donations).

### Regulatory Considerations

USDA inspects the canning process at each site. In 1968, USDA made an exception to their regulatory policy to accommodate the mobile processing and have been flexible and

accommodating since this change. For example, if the organization wants to set up the mobile cannery in a garage, the USDA will allow them to operate if, instead of a major overhaul, they put plastic on the walls, floors, and ceiling. When they are done the plastic can be removed. The mobile cannery gets inspected regularly and the operators follow the processing regulations very closely. The USDA has a good attitude and there is a sense of mutual respect and cooperation on both sides. The reason given for this relationship is the charitable nature of this operation. The cannery is operated as a non-profit enterprise. The person contacted for this interview suspected that if this was a for profit operation the USDA would not be so flexible.

### Opportunities and Constraints

This is perhaps a novel idea in North America but there is evidence that similar operations exist in other countries such as Britain, Russia and Australia<sup>11</sup>. Such outfits can operate under the regulations and it is feasible for regulatory bodies to inspect them. In areas where many of the local abattoirs have disappeared there are opportunities for this type of operation.

This organization has been successful in overcoming any constraints regarding provision of technical support and the availability of equipment.

## **2.10 Grain milling, Ontario**

### Description

A rural Ontario family operates a milling operation, concentrating on milling and roasting of oats. From a background in dairy, they have evolved into the only operation of its kind in Canada. No other processor uses dry heat for heat stabilizing oats. All other processors use a two step process which involves steam stabilizing. The dry heat captures the nutty flavour and makes the porridge creamy, not gluey as it is when over processed.

After moving to their present location in the early 80's, the family farm business was split up between brothers with different interests. They began a seed cleaning business from the farm but were not using all of the building space. The work was seasonal and the income insufficient. To increase their income they began a lunch service for schools under a nutrition program. They had fully licensed kitchens in the basement of their house, regulated by the County Health unit. Eventually the lunch business had to expand, so more meat cold storage space and a bakery was added and more help hired. However, the couple was looking for something that would fit better into the farm and provide them more enjoyment. They had space in the buildings not being used by the seed cleaning business. Through their contact with suppliers and wholesalers they developed a knowledge of the frozen dough industry and were convinced they could make a product of better quality with oats. There is a

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<sup>11</sup> According to Robin Pallett of the Guelph Food Technology Centre, mobile slaughtering has been perfected by Russians and is used in Australia, meeting all government standards. Other reports out of England indicate that mobile slaughtering continues to expand there.

substantial need for oats in the frozen foods business as it is used in everything from meat loaves to refined cakes. They knew the value of oats, knew the demand, and the nutritional qualities. They were familiar with the work of Dr. Vern Burrows of Agriculture Canada who has been working on the nutritional qualities of oats particularly for niche markets. He participated in the development of a hullless oats which is high in protein and is particularly good for northern farmers who can't grow corn or soybeans cheaply. Hullless oats are a food grade oat suitable for milling usually only available from the west. The conventional Ontario oats are not suitable. Many customers have said how much they enjoy the flavour and the texture of their oatmeal porridge, something they cannot get from conventional oatmeal.

This business has been established for 5 years. It took 2 years to get the plant set up. There were many losses from trials and tests. It took a further 3 years to get the marketing in place. The processing is certified organic. They process all the oats grown on their farm as well as organic oats grown by other farmers. One of their processing contracts involved an American company who contracted Ontario farmers to produce organic oats sold to Japanese markets after processing.

When they first started to think about processing they were negotiating a contract with a frozen food wholesaler in Toronto. After the deal fell through they received an expression of interest from a grocery chain to produce for them exclusively under a no-name brand. In this deal they would pay for the no-name brand bags and the pallets - a lot of their money invested. They decided against the offer because they could not see themselves as producers for someone else, and the risks if the contract was lost were too high. They have been very happy with their decision since the business has grown in so many other areas.

### Equipment

Most of the equipment is used including cleaners, rollers, dehullers, and conveyors. The equipment is older and not computerized so they are able to service it themselves. They have one piece of equipment for the processing which is new and imported from the US. It is made of stainless steel, is very expensive and can only be serviced in the US. To get the used equipment it took much time and energy studying and travelling and then phoning a lot of people. The average person does not have the expertise to set up the equipment but because one of them is an engineer they saved on the otherwise prohibitive cost of hiring an engineer. Other benefits of setting up the plant themselves were the fun doing it as a family and the experience has helped the sons develop an interest in mechanical engineering.

### Regulations

The regulations are very simple. There is no required licensing and no Health Unit inspection. They do not add any additives or other ingredients. If they did they would have to be inspected to ensure they use the proper ingredients and amounts. All their process does is stabilize the grain for human consumption. The grain is harvested, stored in aerated storage bins, cleaned, heat stabilized and placed in storage bins. All movement of the grain is mechanized either with gravity flow or conveyors.

### Marketing

There is much discussion in policy about adding value and capturing extra dollars from the processing of raw products, but one has to work hard for those extra dollars. Marketing and distribution is the major challenge. Once their milling operation was set up they thought they were close to 100% on their way to having their business. After working on the marketing they found they were only 20% on their way and the rest of the effort, had to be put into the marketing.

A computer is used to keep track of accounts. Most of the product is sold through mail-order where they distribute all across North America. Within a 10 mile radius there are local grocery stores that buy the toasted oats. One, however, is being held hostage by its dry goods supplier and does not buy. A selling point to customers is their interest in the nutritional value of oats. Local sales started with local students interested in buying product wholesale to sell retail door to door. This was profitable and attracted local store interest. To keep in touch with their customers they send out a newsletter every 3 months or so. With each box that goes out in the mail-order a copy of the recent newsletter and an order card is included. This way they are teaching their customers to send a payment with their order. They found that invoicing after delivery eats at the profits and makes more work. To promote their business they have had articles in Country Woman (USA), Canadian Living, Farm Woman (Manitoba) and Select Homes.

### Technical support

The couple developed much of their knowledge through their own investigations with other growers and processors, their own experimentation, and Dr. Burrows work. Their backgrounds in engineering and computers is a great help - something they could not afford to contract out. Obtaining all this information was, however, expensive in time and phone bills.

They received a great deal of help from Innovations Agriculture now under the Rural Secretariat Branch of OMAFRA. When they were discouraged these people encouraged them to continue and gave support when needed.

### Financial

Farm Credit financed the processing equipment as a farm related expansion. However, to qualify they needed sufficient collateral and a backer. They mortgaged their house and a family member backed them.

### Community Support

They receive community support through their customer base and the local stores that buy their product. Recently a nearby city has developed an Agri Tourism program and they bring tours to the farm for 2 days in October. They support the local farmers' market in summer and then mail order to those customers through the winter. They have experienced some difficulty with the local press. The press felt they needed advertising stories not stories with local interest. Other farmers keep to themselves but interest has been growing for the organic grains because they see money in growing it. Their business has created some economic spinoffs for the community. A neighbour has a business trucking product in and out. Hulls

from the oats, a by-product are given to the neighbour in return for the service of removing them. He in turn has developed a business selling the hulls. They purchase a lot of postage with the mail order service thereby keeping the postal business active.

### Opportunities

The business is profitable and there is potential for their children to expand in the future. It allows each of them to work at home instead of having at least one off-farm job as in the past. This in turn allows them to integrate their home responsibilities with their business. Computer technology creates opportunities for people to start a business at home and still farm until the farm can stand on its own without off-farm income. There are night school courses for computer technology at the local high school at no cost.

## **2.11 Organic grains and milling, Manitoba**

### Description

This case concerns a small scale, family operation based in Manitoba. They offer organic grains including rye, oats, wheat, millet, barley, buckwheat and alfalfa with custom cleaning, screening, mixing, rolling and grinding. As was already mentioned they are small scale keeping no inventory but custom milling as orders need to be filled. The average volume is 200 to 400 pounds of processed grains every one to two months. The family has not shipped any product to the wheat board in several years but process and sell all that they produce on a reduced acreage from the farm.

### Equipment Supplies

Most of the equipment is domestic and small scale circa 1920's and 30's. They have three fanning mills manufactured by Viking based in Winnipeg (they still make parts). They have several sizes of screens to separate the grains and make 7 grain cereal with them. They have two small stone grinders in the house with a 1 horse power motor that was bought at a dairy farm auction, circa 1950's. They have a 3 horse power stone mill manufactured in Germany that was bought new 28 years ago. That company does not exist anymore. They have a roller mill for flaking and a steel grinder/mill from an Ontario manufacturer from the 70's. They also use an auger to bring grain into the cleaner/separator and a U.S. manufactured carter disk grain separator, circa 1930's, that selects for size and length for final sorting of weed seeds and cracked pieces.

Repairs and servicing are not a problem. The man fixes everything himself, searching out equipment at auctions for replacement parts. Parts are mostly bearings, shafts and chains.

### Social Organization

The couple run the operation themselves. They are members of the Manitoba Organic Producers Association co-op which provides certification, some marketing support and opportunities for information sharing. They also have access to other organic wheat growers

if they need to buy more wheat for their milling operation.

### Marketing

The markets are small and include bakeries, bulk whole foods stores and individual custom orders. Transportation is a barrier because of the weight of the product and shipping costs. They use their own car to bring product to Winnipeg.

### Regulations

This business requires no federal or provincial inspection because the product is not dramatically changed or other ingredients added to it. The only inspection they required was several years ago on their scales (Weights and Measures). For the organic certification they require an annual inspection of the farm by an independent certification body.

### Opportunities and Constraints

The biggest constraints identified are the transportation costs and the consistency of the markets. At present the owner has a good demand for his products and is getting by. Because his business is very small and because of his age he is unlikely to expand even if these constraints could be overcome.

The opportunity is the comparative ease of operating without many regulations. Although the market may be small and quite specific, this operation offers an alternative to the traditional grain industry.

## **2.12 Kitchen incubators<sup>12</sup>**

### Description

The kitchen incubator concept is growing in several parts of the USA. It usually involves community groups that organize to create a large flexible kitchen space. An incubator:

- ! offers below market rental on flexible terms;
- ! eliminates building maintenance overhead;
- ! provides access to equipment not available or too prohibitive to purchase;
- ! increases tenants' awareness of financial and technical assistance;
- ! brings entrepreneurs together to collaborate in business and share experience;
- ! reduces anxiety and stress of running a business;
- ! increases visibility, image, credibility and legitimacy;
- ! creates a sense of security for customers and suppliers;
- ! reduces expenses through cooperative buying, marketing, advertising, and shared employee opportunities and training; and

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<sup>12</sup> This section is based on interviews with micro-business owners and organizers of kitchen incubators and information from the Appalachian Center for Economic Networks.

! provides access to technical and management advisors.

One successfully established kitchen incubator is located at Eastern Washington University. It has been in operation for the past five years and 80% of the companies served are still in business. The facility includes a licensed kitchen space and equipment for the specialty foods industry. The incubator provides business and financial planning, management and technical assistance, mail drop service, office space and conference room, educational workshops and telephone reception service. For applicants to be considered they must meet the following criteria: must work from an approved business plan; be an owner-operated business with a need for incubator service; be developing or marketing a commercially viable product; and be willing to accept guidance, share management responsibility, and work with other businesses.

Kitchen incubator models can vary tremendously. A California incubator rents kitchen and storage space but the leases have to put in their own equipment. To assist in the purchase of equipment the incubator has a loan fund. An Ohio-based kitchen in the construction stage will offer space in a fully equipped, large kitchen on a time share basis. For example a person can rent space for 3 hours during the day or 8 hours during the evening. The facility is fully licensed and meets the health codes. A kitchen supervisor must be present at all times to meet the health code and to organize the space and time sharers. Small office spaces to operate the businesses and storage spaces are included. To assist business start-ups the incubator organizes training sessions and it caters to people on low incomes. The incubator has organized a loan fund to help people go out on their own when they are ready. This support helps interested businesses start without the cost of a licensed kitchen and they get their feet wet without too much investment. The organizers have tried to identify special niche markets or themes for the businesses so that they can supply complimentary foods to similar markets. The cross-pollination of different businesses working together is expected to result in co-ventures and shared marketing and distribution costs. The incubator organizers have worked hard with other community organizations to access training facilities, financial institutions and other service agencies.

Other models are less formal - perhaps rented space in a school cafeteria or community kitchen. These facilities must meet health codes but may not necessarily be set up for processing.

### **2.13 Fish farming, Toronto**

#### Description<sup>13</sup>

Partners run a fish farming operation, Ontario Sportfish Hatchery, in the Port Lands area of Toronto. Tilapia (blue and gold), goldfish, walleye, and other fast-growing species are produced in tanks. The operation has slowly expanded, having started in a tank behind a print shop. There are currently 2 main tanks. They occupy approximately 20,000 sq. ft. of a former truck depot. They produce much of their own feed, particularly for fry. Originally they had a Canadian source of supplemental feed, but the food was not designed for

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<sup>13</sup> Based on interviews with the owner, July 13, 1995 and, Spear, J. 1995. Hooked on fish farming.

**Toronto Star**: May 24. A1.

carnivorous salmonoids, so they switched to US commercial catfish feed.

The partners were in the printing business. One has a background in biology and the other a long-time interest in fish and fishing. They left printing in the winter of 1994 to work full-time in the hatchery. They were motivated by an interest in creating a sustainable, and almost self-sufficient food production system, and the challenge of running a traditionally rural operation in the city. The operation runs seven days a week.

### Equipment

They have 2 main tanks 18 feet in diameter, 12 auxiliary tanks for fry, and 30 aquaria for newborns, fingerlings, plankton, algae, invertebrates and duckweed. The tanks and filtration system were built by the owners, with materials from a variety of sources. Aquaria, tubs, filters and motors were bought at auctions. They built the metal tanks from base materials. The owners consider themselves handymen.

They had few problems finding materials, primarily because of their urban location and investment in business networking. Almost all the material is second-hand or recycled.

They heat the water with waste wood from furniture manufacturers and hope to add solar panels to the facility to help meet hot water needs.

A current threat to end this monthly lease shows how vulnerable to a quick move their livestock is. Long-term leases are important for this type of business.

### Regulations

The Ministry of Natural Resources requires a \$125 aquaculture license. The company also has a Metro Toronto business license. For ornamental fish, no regulations must be met. For fresh fish there are a few regulations, but these are easy to meet. They also comply with the scientific research requirements under Bill 174. If they were processing fish, however, the requirements would be more difficult to meet. For this reason, the owners decided to ship fresh fish and not engage in processing.

### Marketing and Distribution

For consumption, the primary markets are ethnic, particularly Asian, eastern European, African and Caribbean communities. York Region and Scarborough are particularly good markets. Fish stores send trucks to the hatchery. Distribution runs smoothly because they are not particularly large and the demand is currently greater than their supply. Because of their small size, they are not viewed as significant competition from the dominant trade. There is significant import of fish from Arkansas, Louisiana and Mississippi, but the volumes decline in the winter. Most of the Toronto fish brokers deal in saltwater fish.

The pet trade is the main buyer of ornamentals.

### Financial



The business is currently paying its bills, but there is little profit for the owners. Live tilapia (eating) retails at as much as \$5.99/lb, so the partners believe it should be a viable operation in the long term.

They have not been able to obtain any financial assistance or credit from the dominant financing institutions. They are not eligible for farm financing, and the banks consider their operation to be too unconventional.

#### Technical assistance

Most of their knowledge has come from their own research. They are in contact with some researchers and some environmental networks. Neither MNR or OMAFRA have been helpful. They are of the opinion that the two ministries are in competition regarding jurisdiction over aquaculture.

#### Constraints

Water quality is a very significant concern. They use city water and because of their proximity to the City's filtration system, they experience chlorine surges which must be treated with aeration and sodium di-sulphate.

#### Future plans

They are in discussion with solar heating experts about solar panel installation. They would like to showcase other complementary technologies. Within two months they plan to move into hydroponic herb production. Other organizations are beginning to take their fish waste for use as fertilizer.

### **2.14 Tempeh, Ontario**

#### Description

This is a fairly large and established microprocessing operation, making about 600 lbs of tempeh/week. It is primarily a husband and wife operation, with occasional casual help. She does production, packing and all bookkeeping. He does sales, production and packing. They began in a kitchen in Toronto, supported by one person working outside the city enterprise. About 10 years ago, when they learned that Ontario's only sizeable tempeh maker was retiring, they bought his equipment, the trailer where they manufacture and pack their products and a farm. Their operation then doubled in size, in response to a burgeoning demand for tempeh. They now have 6 product lines, one of which is a cooked burger. They had a successful line of cookies, but found it to be too much work and sold it to another firm operating in Ottawa where the cookies have been very successful.

Four years ago, they added distribution of shiitake mushrooms from a Korean producer on Lake Erie. They have also, in the past 2 years, taken on lines of scents and herbal remedies.

### Marketing and distribution

The company distributes through a broker, Ecofarms, and directly to about 12 stores in Toronto and a few other Ontario locations. They deliver frozen tempeh bi-weekly by truck to Toronto in a foam insulated box mounted on the back of the truck. They first had difficulties keeping up with the growing market, but now another manufacturer, Soy City, is also doing tempeh and there is sufficient room for both operations.

When starting out, they demonstrated cooking and provided recipes, with help from EcoFarms, most notably at Canadian Health Food Association fairs. They did not attempt to market through the dominant retail system because they thought that health food stores and customers would be more receptive. When they started, there were not very many health food stores and that retail network has expanded more rapidly than their operation, so they have never felt a need to sell to the dominant retailers.

### Equipment

The processing equipment is contained in a trailer behind the house, and consists of an industrial sink, pots, cooker, a water extractor (an old laundry spinner), racks for fermentation and drying, and a walk-in freezer. They spend long periods of time searching for the right used equipment, but because the requirements are quite basic they are always able to find what they need. Their equipment has been inspected by health officials.

### Financing

They are self-financed, except for a credit line from a labelling company. Cash flow is not much of a problem. The farm mortgage is held by a bank, but they never approached financial institutions about the tempeh business because they were certain they would not be financed.

### Regulations

Quality control is not a problem. Their health inspector has been quite reasonable, once recommending that they have their driveway paved (as per regulations) but then realizing that it was an unnecessary requirement given the size of their operation. They were asked to change the labels of their product at one point, but found the change to be too expensive so left it as it was.

### Supply

Their biggest constraint has been finding a reliable supply of organic soybeans. They had difficulties importing, mainly because they had to bring in large quantities at a time and lost some due to mould in storage, but have now found an Ontario supplier and the situation has improved.

### **3. Common themes: opportunities and constraints**

The following issues are common to most of the case studies:

#### Regulations

- ! Expensive to meet regulations.
- ! Most regulations are designed for larger operations
- ! There is a lack of technical help from inspectors. Instead they expect you to have sophisticated knowledge (and the associated formal education). They often do not see themselves as problem solvers. Thus, the "delivery" of the regulations is problematic in many cases.
- ! Difficult to test market products until a licensed facility is in place.
- ! Facilities like the Food Technology Centre in Guelph are available for a price, but not all people have the funds to do this and not everyone is within a workable distance.

#### Government departments

- ! There is duplication of mandates, and sometimes conflicting rules (e.g., the federal inspection branch and the local health boards).
- ! Government and non-government agencies should be better informed of what is available for support.
- ! General response is to assist by telling you what you cannot do, not guiding you on what you should do to succeed.
- ! There is no one person to ask questions, the process is complicated.
- ! Government should provide incentives for small businesses.

#### Financing

- ! Conventional banks are reluctant to look at small food businesses for debt financing. There is not a strong tradition of equity financing for these sizes and types of businesses. Consequently, many people have to find private funding, often from family members<sup>14</sup>.

#### Marketing

- ! Skill development in marketing is needed. To develop marketing skills takes patience and staying power.
- ! One has to be willing to market oneself.

#### Risk

- ! One has to be willing to take risks.

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<sup>14</sup> Interview with Dr. Brian Cardy, OMAFRA Secretariat for Rural Development, July 13, 1995.

### Technology and Equipment

- ! Equipment is not generally seen as a barrier, although expense may sometimes be a problem.
- ! There is a concern with used equipment becoming more scarce as dealers sell to international markets. This was experienced the summer of 1994. Used farm implements were purchased by American buyers due to the low value of the Canadian dollar. Some were shipped to Mexico where higher profits could be obtained.

### Margins

- ! In the dominant system, processing involves high volumes, high capital costs, and narrow margins. This reality makes reasonable margins difficult for small producers, but the results are better than the low prices for the raw product.

### Social organization

- ! There appears to be optimism regarding the formation of cooperatives or associations. Such arrangements offer encouragement and skills, simplify distribution and training needs, reduce costs for capital investments, label development and marketing, and create synergy in niche markets.

### Community Support

- ! Often difficult to cultivate, but it can help a business, especially if one returns something to the community.

### Quality

- ! Quality is very important for microbusinesses.
- ! Many associate quality with organic, bio-dynamic, small scale, family operated, and the absence of additives (ie. rBGH).

### Specialty Markets

- ! Add scope to the business, eg. the ethnic market for goat cheese.

### Food Sector

- ! The food system seems to be unique in the number of hoops to jump, such as regulations, challenges to find equipment for the small scale entrepreneur, and resistance from large processors to small scale operators.

## **4. Current government and industry supports offered in Ontario**

Several government and industry services and programs can provide support to microprocessing entrepreneurs. Some key ones are described in this section.

### **4.1 Business development advisory service, Ontario Ministry of Agriculture, Food and Rural Affairs<sup>15</sup>**

Operating out of the Secretariat for Rural Development in Guelph, five business consultants encourage small business development through planning, providing an understanding of marketing, and leads on sources of financing and ways of approaching financiers and lenders. Central to this effort is an advisory service to rural people wishing to develop business plans.

Demand for these free services has grown substantially in the past 5 years. Business planning was not, until recently, a priority for most small rural entrepreneurs. Now, however, hundreds are working with extension staff in OMAFRA field offices, who provide first level consultation. More fully developed plans are referred to the business consultants. These plans are typically for businesses projected to do \$50,000 to \$500,000 of business annually. Although the service first focused on non-traditional crops, it now assists people with a wide range of commodities. Interested entrepreneurs find out about the service by word of mouth and through referrals from OMAFRA field offices. The service is not promoted because there are insufficient staff to handle the demand that would result.

Staff find that the greatest hurdles for entrepreneurs relate to the delivery of regulations and financing. Most believe that regulations are a problem, but staff find that it is not so much the regulations as the way they are delivered and enforced by different departments. Financing, however, is a major obstacle to business development. Debt financing institutions are reluctant to support small food businesses. Equity investors are usually more interested in second or third stage financing, not start-up. Staff has tried, so far unsuccessfully, to facilitate with traditional institutions the development of equity pools.

### **4.2 Guelph Food Technology Centre, University of Guelph<sup>16</sup>**

This Centre is owned by the food processing industry and run by a Board of Directors elected by its members. The Centre provides a test pilot plant for existing processors and start-ups to develop product, recipes, nutritional aspects, processing procedures and samples, and test market product. Companies can use pilot plant equipment on a time share basis, using Centre staff alone, or providing some of their own to reduce consulting costs. This is a fee-for-service operation (first hour of consultation is free), with fees ranging in costs from \$4000 - \$150,000, at an average of \$20,000. Services to business start-ups is particularly important because samples can be produced in a fully licensed kitchen and products can be test marketed before investments are made in full operations. In the first 6 months of operation

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<sup>15</sup> This section is based on interviews with Dr. Brian Cardy, November 23/94 and July 13/95.

<sup>16</sup> Based on interviews with Robin Pallett (Dec. 9, 1994) and Kathryn Cooper (July 27/95), Food Technology Centre.

they have run 77 projects. About 75% of these are small operations, many emerging from the home kitchen and desiring to scale up to commercial size. The pilot plant is equipped primarily for dairy processing, but it can handle other products as well.

Other services:

- ! Courses co-sponsored with the University of Guelph's Continuing Education program and OMAFRA.
- ! Developing new food processing technology.
- ! Canada is weak in food processing equipment manufacturing and more equipment is available from Europe and USA. Consequently, the Centre helps find equipment from other countries, through an agency that handles foreign suppliers of processing equipment.
- ! Helps in specifying equipment needs and provides analytical services to existing businesses to improve performance.
- ! Helps with packaging and the identification of potential co-packers.
- ! Provides access to a Food Science Database with information on products or processing in other parts of the world.

The services are available to the entire industry. Interested businesses contact the Centre, explain what they are looking for and the Centre puts together a proposal. Projects are 100% confidential.

There is a demand for the Centre's services as well from medium-scale processors (under \$10 million). One new business trend is towards minimal processing with fresh vegetables. For example, one producer grows or buys vegetables and washes, dices, prepares and pre-chills for Campbell's Soup. The producer invested millions in washing and slicing equipment. Campbell's contracts the work and thereby streamlines its own operation.

The pilot facilities are increasing, with \$15 million being provided from the Ontario Government and matched by the food processing industry.

### **4.3 Financial Assistance**

#### **4.3.1 OFITIP**

There have been programs to support existing processors to upgrade their facilities. For example, OMAFRA's Food Industry Financial Assistance Program provided assistance, half as an interest-free loan and half as a grant, up to \$425,000 per applicant. It also provided for consultancy diagnostic services. This program was not, however, for small microprocessors. It was replaced recently with the Ontario Food Industry Trade and Investment Partners Program (OFITIP). This program has been frozen, however, and the ministry is not providing information on it until it learns of its fate.

### **4.4 National Research Council - Industrial Research Assistance Program (NRC-IRAP)<sup>17</sup>**

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<sup>17</sup> Based on interviews with Roland Kilpatrick, University of Guelph, Dec. 2, 1994 and Kathryn

This program offers a number of services:

- ! Helps processors find technology or equipment. If necessary it can help with importing of technology, by covering travel costs, or by helping with the development of licensing agreements for domestic manufacture.
- ! Assists with the development of prototypes, business and market planning associated with new technology development, funding for equipment development.
- ! Has database of industries with which firms might want to make contact.
- ! Provides \$10,000 in financial support on a matching basis.
- ! Has an agreement with the Industrial Innovation Centre at the University of Waterloo to obtain feedback on proposals from industry representatives on equipment prototypes. This service costs the client \$200 and the NRC \$700.
- ! Provides services from 80 locations in the province.

This service is of limited help to small producers/companies because their equipment needs are not necessarily that sophisticated. Also IRAP requires that the entrepreneur be doing something novel and unique, a condition many small microprocessors would be unlikely to meet.

#### **4.5 R&D Tax Credits**

Legitimate research is eligible for a tax credit, resulting in a 35% refund on research and development expenditures.

## **5. Recommendations**

We propose a number of actions be undertaken by different levels of government and paragonovernmental agencies (organized under the heading of government) and private sector firms.

### **5.1 Government<sup>18</sup>**

#### **5.1.1 Recommendation 1**

Most government assistance programs are not designed to address the needs of small-scale entrepreneurs. Although entrepreneurs are often able to receive support if they know where to go, government programs do not seek out and facilitate these kinds of endeavours. In this sense, the programs are reactive to inquiries of this scale. What is required is a more facilitative and catalytic role for program staff. Government has played this kind of role before. For example, the now-defunct Community Economic Development Secretariat was very proactive in seeking out organizations to work with.

#### **5.1.2 Recommendation 2**

Food safety regulations are frequently problems for processors of this small scale because they are designed for larger operations and for more distant markets. Government should review its food safety regulations so that it creates a level playing ground regarding scale of operation.

#### **5.1.3 Recommendation 3**

Financing for small scale operators is frequently a problem. Debt financing institutions, such as banks and credit unions, are reluctant participants in this market, and governments have had difficulty convincing banks to be more active in their support for small business development. Ontario does have legislation that supports the development of equity pools, through Community Investment Share Corporations<sup>19</sup>. The current government should more actively promote the creation of these Corporations, with a particular emphasis on equity pools for rural business development.

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<sup>18</sup> Note that we have argued elsewhere that a critical strategy for the development of new local food enterprises is significant changes to current trade arrangements and the adoption of food and agricultural policies that support local self-reliance. See Toronto Food Policy Council Discussion Paper #1: **Health, Wealth and the Environment: the effects of the CUSTA, NAFTA and GATT on Canadian food security.** August 1994.

<sup>19</sup> In addition to these corporations, there are also provisions for establishing Community Development Corporations which provide " leadership in formulating strategic economic plans, facilitating partnerships between business and government, and providing leadership on training and development." (Walker, R.C. 1994. **Mobilizing Community Capital: a community investment manual.** Social Investment Organization and Self Employment Development Initiatives, Toronto. p.7.)



#### **5.1.4 Recommendation 4**

Government marketing programs for the most part remain rooted in old ideas of economic development. The new approaches<sup>20</sup> promoted by the now-defunct Community Economic Development Secretariat represented more recent and successful models employed in other jurisdictions. These same approaches must become imbedded in both the structure and culture of government agricultural marketing support.

#### **5.1.5 Recommendation 5**

Additional training opportunities should be provided by the Ontario network of Agricultural Technology schools. It appears that entrepreneurs are in need of intensive short courses, particularly for marketing, financing and food regulation requirements.

#### **5.1.6 Recommendation 6**

The rules and regulations of the supply-managed marketing boards also discourage small scale processing of niche products. For example, it has been very difficult for some small-scale organic producers and processors to acquire quota or market their product under a certified organic label<sup>21</sup>. The Ontario Farm Products Marketing Commission should undertake an extensive review of the ways in which current rules and regulations constrain microprocessors.

#### **5.1.7 Recommendation 7**

Government could preferentially purchase products of Ontario microprocessors, for promotion through model government food service facilities<sup>22</sup>. For example, visible government cafeterias (e.g., Queen's Park, City Halls) could profile these products in their menus. The City of Toronto is currently rethinking its food service operations at City Hall and could integrate this concept into its future plans.

#### **5.1.8 Recommendation 8**

To take advantage of emerging markets for quality foods, producers, processors and

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<sup>20</sup> See, for example, Walker, R.C. 1994. **Mobilizing Community Capital: a community investment manual**. Social Investment Organization and Self Employment Development Initiatives, Toronto.

<sup>21</sup> See Hill S.B., and MacRae R.J., 1992. Organic farming in Canada. **Agriculture Ecosystems and Environment** 39:71-84. Some recent developments have relaxed these constraints. For example, organic cheese is now available in Ontario and organic milk should soon be on the market.

<sup>22</sup> Some argue that such measures violate the GATT and NAFTA. However, municipal procurement practices are not covered by NAFTA until 1997, and GATT permits governments to favour small business development.

distributors are creating new strategic alliances, built to ensure that sound quality control measures are put in place and respected. These kinds of alliances have been a big part of the success of food exporters in other parts of the world, and governments in other nations have facilitated their development<sup>23</sup>. We recommend that the provincial government, as part of its vision of a new role for government in economic development, facilitate the creation of such alliances.

### **5.1.9 Recommendation 9**

We believe there to be tremendous untapped potential to affiliate micro food processing enterprises with emerging urban food production projects (vegetables, herbs, mushrooms, sprouts, fish). We recommend that OMAFRA's Business Development Advisory Service expand its scope of operation to include support for urban microprocessing entrepreneurs.

## **5.2 Private sector**

### **5.2.1 Recommendation 10**

More used equipment exchanges would be helpful. Several already exist (e.g., a restaurant, bar and kitchen equipment exchange in east Toronto) and several individuals have historically played brokering roles. Government could facilitate the development of such businesses by providing financial support for business feasibility studies.

### **5.2.2 Recommendation 11**

If the approach to expanding processing facilities undertaken by the Guelph Food Technology Centre proves successful, the food processing industry should develop additional facilities, in other parts of the province, to enhance access.

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<sup>23</sup>See our discussion of this in Toronto Food Policy Council Discussion Paper #2, referenced above.